



Hornsby East Precinct Review

Supply and Demand Analysis

Hornsby Shire Council

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1. Introduction

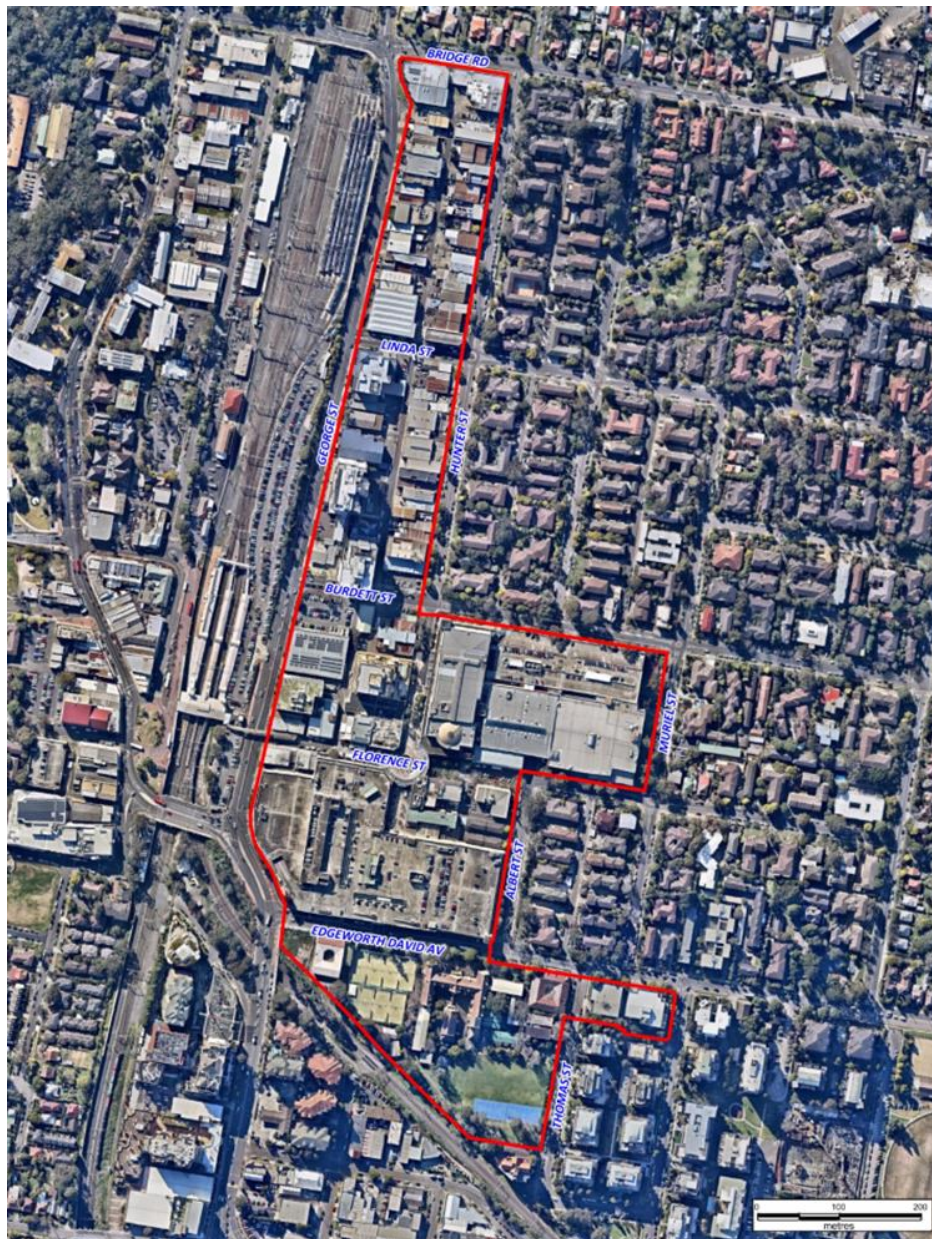
1.1 Background and Overview

The Hornsby Town Centre is strategically located in Sydney's North region and is well serviced by road and rail infrastructure. Bisected by the railway line, Hornsby Town Centre is divided into east and west. Hornsby East Precinct is located on the eastern side of Hornsby Train Station and the T1 Northern train line. Main arterial roads such as Pacific Highway, Pennant Hills Road and the M1 Motorway are well accessible.

Hornsby Shire Council (Council) seek to understand if the current minimum commercial/retail FSR controls facilitate feasible development in the B4 Mixed Use zone on the east side of the Hornsby Town Centre. The analysis is sought following a Council meeting on the 19 December 2012 where Council considered the draft Local Environmental Plan.

Figure 1.1 depicts the boundaries of the 'Hornsby East Precinct' or 'Study Area' which are referred to interchangeably in this report.

Figure 1.1: Hornsby East Precinct



Source: Hornsby City Council

Current controls aim to maintain Hornsby as a 'Major Centre' with a commercial core. Hornsby employs more than 6,000 people and is a strategic centre identified in A Plan for Growing Sydney to accommodate future long-term employment growth by retaining the commercial core. The plan also identifies a requirement for additional mixed-use development in Hornsby which would include the provision of office and retail use as well as housing. Hornsby is well located with access to major transport corridors, with proximity to arterial roads and train line providing connections to the Sydney CBD, airport, and business parks such as Macquarie Park.

Within the B4 mixed use zone the controls currently provide for a range of minimum commercial/retail FSRs of 1:1 to 3:1 (by virtue of maximum residential FSRs) which are intended to conserve opportunities for large office developments on the eastern side of the Hornsby for future development. The conservation of land for commercial development was supported in a Subregional Employment Study undertaken in 2008 (SGS, 2008).

Since this time a commercial viability study was undertaken during the preparation of the Hornsby West Side Planning Proposal which identified that a mixed use development requiring a minimum FSR of 2:1 for commercial/retail uses was unlikely to be achieved on the west side of the Hornsby Town Centre in the B4 mixed use zone.

Council seeks advice on the viability of commercial/retail development in both the B4 Mixed Use and B3 Commercial Core zones in the Hornsby East Precinct (Study Area), identifying specifically planning controls that would be required to support the centre's ability to renew and accommodate employment growth. The Hornsby Strategic Centre is referred to as 'Hornsby Centre' in the remainder of this Study.

1.2 Scope and Purpose

AEC Group (AEC) together with retail economics specialists Location IQ have been commissioned to carry out a supply and demand analysis of retail and commercial floorspace in the Study Area. Specifically, the Study seeks to:

- Assess current and future supply, and project demand for commercial and retail floorspace in the Hornsby East Precinct. This would be informed by an understanding of key economic trends and drivers.
- Based on earlier demand projections, review and test the appropriateness of planning controls (including FSRs and land use splits between residential and non-residential) to accommodate that additional demand.
- Consider potential development types that could accommodate employment growth in the Centre and what density thresholds (and minimum FSR controls) are required for those development types to be feasible. Consider if office buildings and mixed use retail/office/residential buildings are feasible and appropriate in accommodating employment.
- Following the testing of development types, consider the implications of development scenarios for the Study Area (e.g. varying the minimum FSR controls, introducing residential uses in the B3 Core, etc.) and evaluate these scenarios against a specified list of criteria.
- From the supply and demand analysis, feasibility analysis and evaluation of development scenarios make recommendations (as appropriate) to areas where planning policy (FSR, height etc.) can help facilitate development and renewal of the Hornsby Centre.
- Provide a sound evidence base for future planning controls to allow the Hornsby East Precinct to grow and be sustainable as an employment centre.

The Study recognises that land is a finite resource, providing recommendations on planning for lands in the Hornsby East precinct to be put to their more beneficial and effective use.

A clear understanding of macro and micro-economic influences will guide a response to tensions between employment uses and competing uses. Utilising a range of analytical methods and tools, this Study reviews and considers if existing planning controls are appropriate, if they are sustainable and facilitate achievement of Council's business and employment objectives for the Hornsby East Precinct.

1.3 Structure of the Study

In the interest of providing a contextual understanding of the Study Area's current role and function as an employment area, current floorspace provision and market demand was considered. This Study additionally had regard to the broader region.

Chapter 2 considers the geographical context of the Study Area and broader region, major infrastructure assets and current land use and development patterns in the Study Area.

Chapter 3 examines state and local planning context of the Study Area by considering respective land use zones, permissible uses and designation as a strategic centre.

Chapter 4 analyses the socio-economic profile of the Hornsby Centre to understand industries that are represented and those industries that demand floorspace, if that demand is growing or declining. The employment analysis provides insight into the profile of current employment demand and future growth prospects.

Chapter 5 assesses property markets in Hornsby Centre with particular focus on the Hornsby East Precinct. This section gathers market intelligence and interprets market signals to understand the level of market and investment interest in the Study Area. This chapter also considers the nature and quantum of development activity to understand the market conditions that facilitate such development.

The property market plays an important role in accommodating businesses and their floorspace needs. The property market appraisal allows this Study to understand the nature of market demand and any impediments in the development of new floorspace.

Chapter 6 assesses demand and scope for additional retail and commercial facilities in the Hornsby East Precinct over the period to 2036.

Chapter 7 considers potential development types that could accommodate employment growth. Generic feasibility testing is carried out to understand the market conditions that would be necessary in order for those development types to be feasible to develop.

This chapter then considers a series of scenarios (some involving changes to planning controls) in which development of new employment floorspace could be accommodated and encouraged in the Study Area.

Chapter 8 considers the comparative context of Hornsby against other strategic centres such as Burwood, Blacktown, Campbelltown and Chatswood.

This chapter seeks to understand the nature of employment and growth of each centre, as well as the planning controls that guide land use and development. An analysis of property markets within each centre complement the comparative analysis to understand if the centres are growing and how that growth is accommodated.

Chapter 9 brings together the analysis to consider the Study Area's future prospects to accommodate increased levels of business and employment activity. A series of principles are formulated and recommendations made for Council's planning framework.

Chapter 10 explores how Council could consider varying the planning controls that currently apply to accommodate future retail/commercial floorspace growth.

1.4 Limitations

AEC acknowledges limitations associated with the feasibility analysis in Chapter 7.

- Generic development options are formulated for feasibility testing based on notional FSR and land use split assumptions. This is useful for the purposes of considering the financial feasibility of development options however the development schemes are notional only, and have not been capacity, urban design or engineering tested.
- Desktop appraisal of 'as is' values, without the benefit of internal inspections.
- Generic feasibility testing does not consider nuances of a site typically considered in detailed feasibility testing.

Notwithstanding the limitations of generic feasibility testing, the approach is considered appropriate for the purposes of strategic land use planning that aggregates outcomes across a broad area.

2. Study Area and Context

This chapter provides an overview of the characteristics of the Hornsby Strategic Centre (which includes the Study Area) and includes a description of the Study Area's location, site characteristics and major business and employment activity.

This chapter considers the overall Hornsby Centre (broader than the Study Area), this broader analysis is useful for understanding the context within which the Study Area operates.

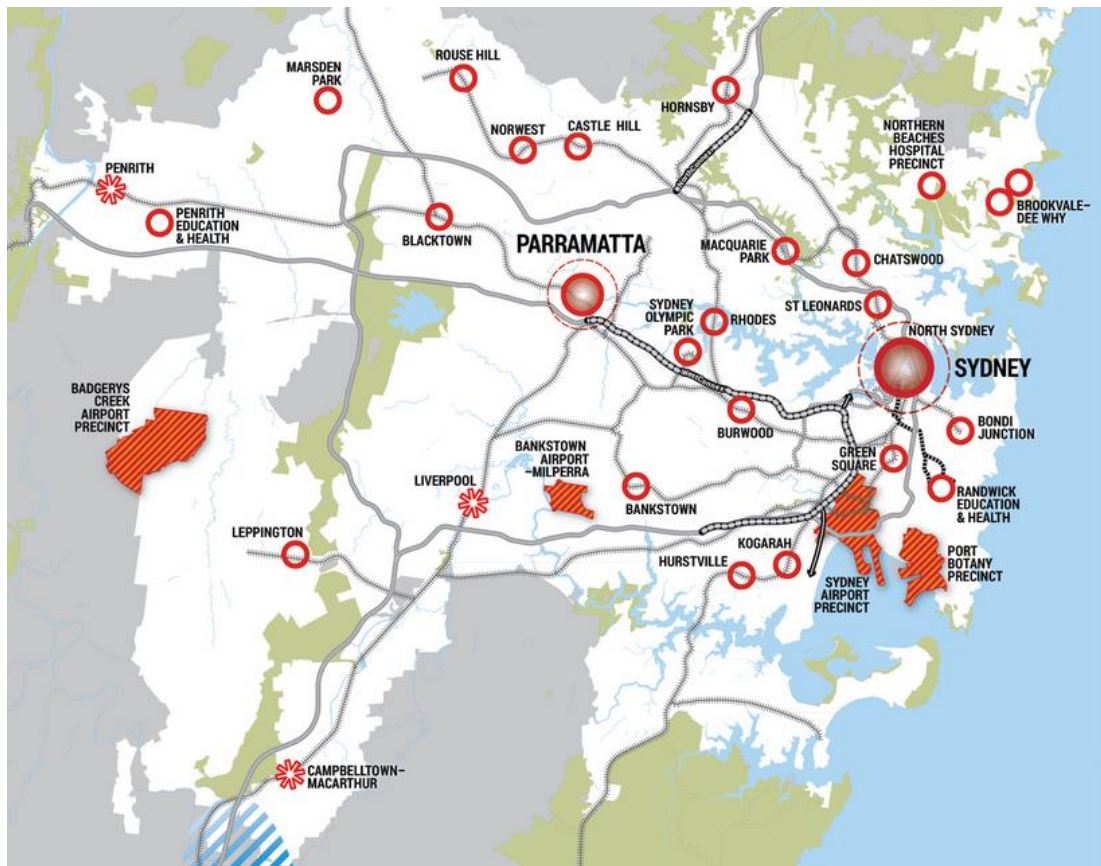
2.1 Location

The Hornsby Centre is located within the suburb of Hornsby, some 24km north of the Sydney Central Business District (CBD) and is designated as a 'strategic centre' in the NSW State Government's metropolitan plan for Sydney - A Plan for Growing Sydney.

A Strategic Centre is defined as: "locations that currently or are planned to have at least 10,000 jobs. These are priority locations for employment, retail, housing, services and mixed uses".

Hornsby Centre is strategically positioned at the northern end of the global arc that begins with Macquarie University and extends over the CBD, some 15km north of the Macquarie Park Specialised Centre.

Figure 2.1: Strategic Context of Hornsby Strategic Centre



Source: DPE (2014)

The Hornsby Strategic Centre (referred to as the 'Hornsby Centre') is primarily focused around the Hornsby train station within the LGA of Hornsby Shire Council. It is in two distinct parts, on the east side and west side of the train station.

The Hornsby East Precinct is generally bounded by Bridge Street to the north, Muriel Street to the east and George Street and the railway line to the south and west. The precinct is easily accessible both by rail (with direct access to the station provided from George Street) and by road, as George Street is a major north-south route through the locality.

Each distinct precinct (east and west of the train station) accommodate a variety of uses and occupiers:

- **Hornsby West Precinct**

A traditional high street shopping village along the Pacific Highway. This precinct also includes Hornsby Aquatic Centre and TAFE. Land use zones in this precinct are primarily B4 Mixed Use with B5 Business Development zone in the north of the precinct.

- **Hornsby East Precinct**

The Study Area is dominated by Westfield Hornsby, a regional shopping centre of 100,000sqm, anchored by David Jones and Myer department stores, Kmart and Target discount department stores, Coles, Woolworths and Aldi supermarkets, as well as some 308 retail specialty stores. Land use zones in this precinct also comprise B4 Mixed Use and B5 Business Development, additionally incorporating a B3 Commercial Core zone.

2.2 Existing Uses and Floorspace

The Hornsby East Precinct is focused around Westfield Shopping Centre and retail strip shops which complement the shopping centre. Westfield Hornsby is a super-regional shopping centre including David Jones and Myer department stores, Target and Kmart discount department stores, and Woolworths, Coles and Aldi supermarkets, as well as a large range of fashion, food catering, dining and fitness and entertainment facilities.

There are small scale retail facilities provided west of the railway station in the Hornsby West Precinct. These are generally provided in a high street format, without any major tenants.

The northern portion of the Hornsby East Precinct or Study Area is characterised by light industrial uses and some bulky goods occupiers. These businesses typically provide local services such as automotive, timber flooring and bathrooms showrooms, there are tyre retail outlets and other uses such as gyms and other recreational activities.

A detailed floorspace survey was carried out as part of this Study. Key points of note:

- Approximately 101,663sqm of retail floorspace is provided within the Study Area across 345 retailers, including 85,628sqm (and 258 retailers) of retail floorspace within Westfield Hornsby.
- Westfield Hornsby forms the largest single development, occupying 100,030sqm of floorspace across 331 stores. The centre was observed to have one vacancy of approximately 377sqm, which had been leased to an Asian supermarket.
- The supermarkets within the Study Area are Woolworths (4,353sqm), Coles (4,080sqm) and Aldi (1,357sqm) and are all located within Westfield Hornsby.
- A clustering of large format retailers are found at the northern end of the Study Area including Barbecues Galore (2,500sqm), Sleeping Giant (1,000sqm) and Jaycar (500sqm), large format retailers accounting for 2.7% or 8,049sqm of floorspace within the Study Area.
- Non-retail/commercial uses encompass 13.7% of total floorspace within the Study Area with a large medical precinct co-located next to Westfield Hornsby.
- Residential uses account for 20.5% of total floorspace, with Avanti located immediately north of Westfield Hornsby. Avanti is the largest residential development with 198 residential units, commercial floorspace, childcare centre and retail facilities.
- Two vacancies were observed in the Study Area (excluding the vacancy at Westfield Hornsby) totalling approximately 1,000sqm.
- Community facilities are located immediately to the north and south of Westfield Hornsby, such as Hornsby Girls High School (24,000sqm), PCYC Hornsby (5,500sqm) and Hornsby Library (5,000sqm) with community facilities accounting for 13.4% or 40,551sqm of floorspace in the Study Area.

- Automotive facilities, such as mechanics and parts suppliers form a large proportion of the northern part of the Study Area (or 4.9% of total floorspace in the Study Area).

Figure 2.2 details the breakdown of estimated floorspace within the Study Area by use.

Figure 2.2: Hornsby East Precinct, Floorspace Use by Category



Source: Location IQ

Areas to the north and south of Westfield Hornsby are generally split according to use, with automotive and large format retail facilities located in the north and community and recreation/fitness activities typically located in the south. As a consequence, the northern part of the Study Area does not currently act as a destination for retail/commercial facilities in its own right, but could potentially benefit from customer traffic drawn to Westfield Hornsby if quality, convenient facilities were provided.

Recent development activity has been dominated by mixed use developments in the B4 Mixed Use zone in the Study Area, thereby boosting the number of local residents within the Hornsby East Precinct. There has been limited development activity in the B3 Commercial Core zone.

3. Planning and Policy Context

This chapter considers the planning and policy framework within which the Study Area operates at both state and local levels.

3.1 State Policy Context

There are a number of strategic and policy documents which relate to Hornsby Council and the Study Area.

3.1.1 NSW 2021

The NSW 2021 Plan (NSW DPC, 2011) aims to rebuild the NSW economy, provide quality services, renovate infrastructure, restore government accountability and strengthen NSW's local environment and communities.

The Plan comprises five sub-strategies. The main sub-strategy that is of relevance to this Study is 'Rebuild the Economy'. The following goals are of particular relevance:

- **Goal 1 Improve the Performance of the NSW Economy**
A strong economy generates opportunities for fulfilling jobs, choices and financial security. The target of the Plan is to grow employment by an average of 1.25% per year to 2020.
- **Goal 4 Increase the Competitiveness of Doing Business in NSW**
There should be an increase in business innovation. Furthermore, it is put forward that high performing businesses should be supported to innovate in order to further enhance productivity through Industry Action Plans. The plans will identify innovation drivers and barriers within key sectors (professional services, manufacturing, digital economy, tourism and events, and education and research).

3.1.2 A Plan for Growing Sydney

A Plan for Growing Sydney (DPE, 2014) (The Plan) sets the strategic direction for Sydney towards 2031. The overarching vision is that by 2031, Sydney will be "a strong global city, a great place to live". The Plan is built around four key goals:

- A competitive economy with world-class services and transport.
- A city of housing choice with homes that meet our needs and lifestyles.
- A great place to live with communities that are strong, healthy and well connected.
- A sustainable and resilient city that protects the natural environment and has a balanced approach to the use of land and resources.

Of particular relevance to this Strategy is *Goal 1: A competitive economy with world-class services and transport*. One of the key directions of this goal is to grow strategic centres - providing more jobs closer to home. The objective states the importance of investing in strategic centres across Sydney to grow jobs and housing and create vibrant hubs of activity.

Hornsby is defined as a Strategic Centre in The Plan. A Strategic Centre is defined as a location that currently or is planned to have least 10,000 jobs. These are priority locations for employment, retail, housing, services and mixed-uses. The Plan states that with regard to Strategic Centres the State government intends to:

- Invest in strategic centres across Sydney to grow jobs and housing and create vibrant hubs of activity.
- Improve councils' access to data on the demand and supply of homes, office and retail space.
- Work with the Greater Sydney Commission to develop job targets for strategic centres.

The Plan does not identify a jobs target for Hornsby notwithstanding the current 3,000 jobs target in the Draft North Subregional Strategy 2007 (ref) and potential future employment target of 2,000 in Draft Metropolitan Strategy 2013 (ref).

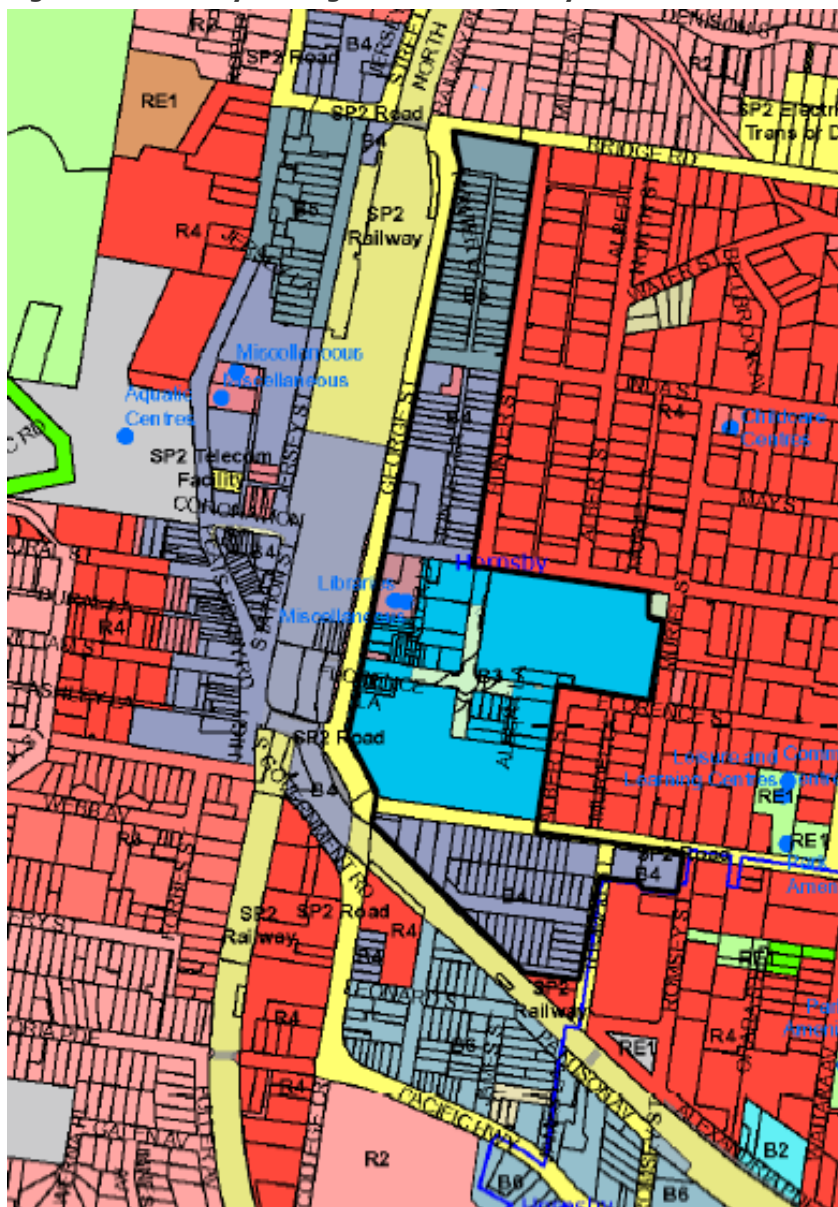
With regard to Hornsby, The Plan states that State government will work with Council to:

- Retain a commercial core in Hornsby, as required, for long term employment growth.
- Provide capacity for additional mixed-use development in Hornsby including offices, retail, services and housing.

3.2 Local Policy Context

The Hornsby Strategic Centre is characterised by B4 Mixed Use zone and B5 Business Development zones on both sides of the railway line with a B3 Commercial Core zone in the Study Area (Hornsby East Precinct), as depicted in Figure 3.1.

Figure 3.1: Hornsby Strategic Centre and Study Area



Source: HSC (2013a)

3.2.1 Current Planning Controls

Hornsby Local Environmental Plan (2013)

The Hornsby Local Environmental Plan 2013 (the LEP) is the principal document which provides direction for change and growth and encourages sustainable economic growth and development in the Hornsby LGA.

The Study Area straddles a number of land use zones including B3 Commercial Core, B4 Mixed Use and B5 Business Development.

The objectives of the B3 zone are:

- To provide a range of retail, business, entertainment, community and other suitable uses that serve the local and wider community;
- To encourage employment opportunities in accessible locations; and
- To maximise public transport patronage and encourage walking and cycling.

Types of development permitted with consent are: backpackers' accommodation, child care centres, commercial premises, community facilities, educational establishments, entertainment facilities, function centres, group homes, hotel or motel accommodation, information and education facilities, medical centres, passenger transport facilities, recreation facilities (indoor), registered clubs, respite day care centres, restricted premises, roads, water reticulation systems, excluding development prohibited or permitted without consent.

The objectives of the B4 zone are:

- To provide a mixture of compatible land uses; and
- To integrate suitable business, office, residential, retail and other development in accessible locations so as to maximise public transport patronage and encourage walking and cycling.

Types of development permitted with consent are: boarding houses, child care centres, commercial premises, community facilities, educational establishments, entertainment facilities, function centres, hostels, hotel or motel accommodation, information and education facilities, light industries, medical centres, passenger transport facilities, recreation facilities (indoor), registered clubs, respite day care centres, restricted premises, roads, seniors housing, shop top housing, water reticulation systems, excluding development prohibited or permitted without consent.

The objectives of the B5 zone are:

- To enable a mix of business and warehouse uses, and bulky goods premises that require a large floor area, in locations that are close to, and that support the viability of, centres.

Types of development permitted with consent are: excluding development prohibited or permitted without consent.

Types of development permitted with consent are: bulky goods premises, child care centres, food and drink premises, garden centres, group homes, hardware and building supplies, hotel or motel accommodation, kiosks, landscaping material supplies, light industries, neighbourhood shops, passenger transport facilities, plant nurseries, respite day care centres, roads, shop top housing, timber yards, vehicle sales or hire premises, warehouse or distribution centres, water reticulation systems, excluding development prohibited or permitted without consent.

Density and height controls as contained in the LEP and as applicable to the Study Area include:

Table 3.1: Density and Height Controls, Study Area

Zone	Height	FSR
B3 Commercial Core	48m, 32.5m, 23.5m	5:1
B4 Mixed Use	16m, 23.5m, 40m	3:1, 5:1
B5 Business Development	10.5m	1:1

Source: HSC (2013a)

The density controls and height controls refer to the maximum limits that may be achieved in the Study Area.

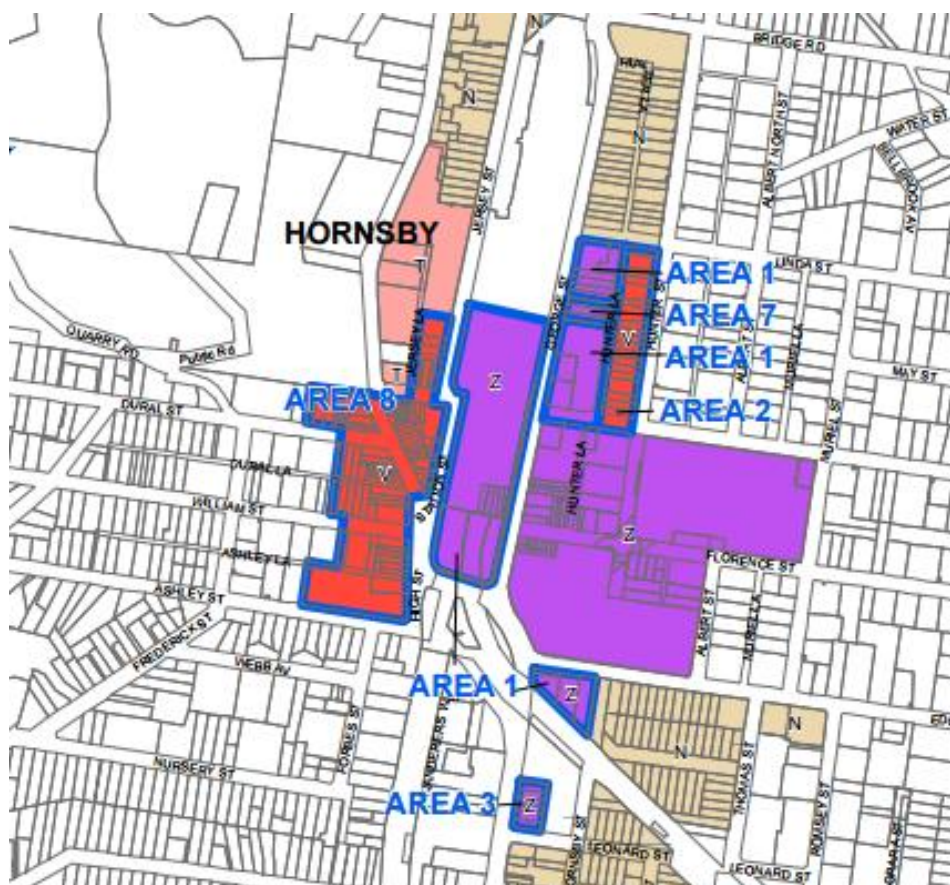
Outlined in the LEP is the desired outcome to ensure development is of height, scale and intensity compatible with the role and function of the centre under the commercial centres hierarchy.

To achieve this outcome a maximum floor space ratio applies for residential uses:

Table 3.2: Residential and Non-residential FSR, B4 Mixed Use Zone in Study Area

B4 Mixed Use Zone	Maximum FSR	Maximum Residential FSR	Minimum Non Residential FSR
N	1:1	-	1:1
V	3:1	Area 2 – 2:1	Area 2 – 1:1
Z	5:1	Area 1 – 2:1 Area 3 – 1:1 Area 7 – 3:1	Area 1 – 3:1 Area 3 – 4:1 Area 7 – 2:1

Source: HSC (2013a)

Figure 3.2: Floor Space Ratio Map, Hornsby Centre


Source: HSC (2013a)

The proportion of floorspace in Areas 1, 2, 3 and 7 (as identified in the Floor Space Ratio Map) able to be used for residential is subject to specified maximum floorspace controls.

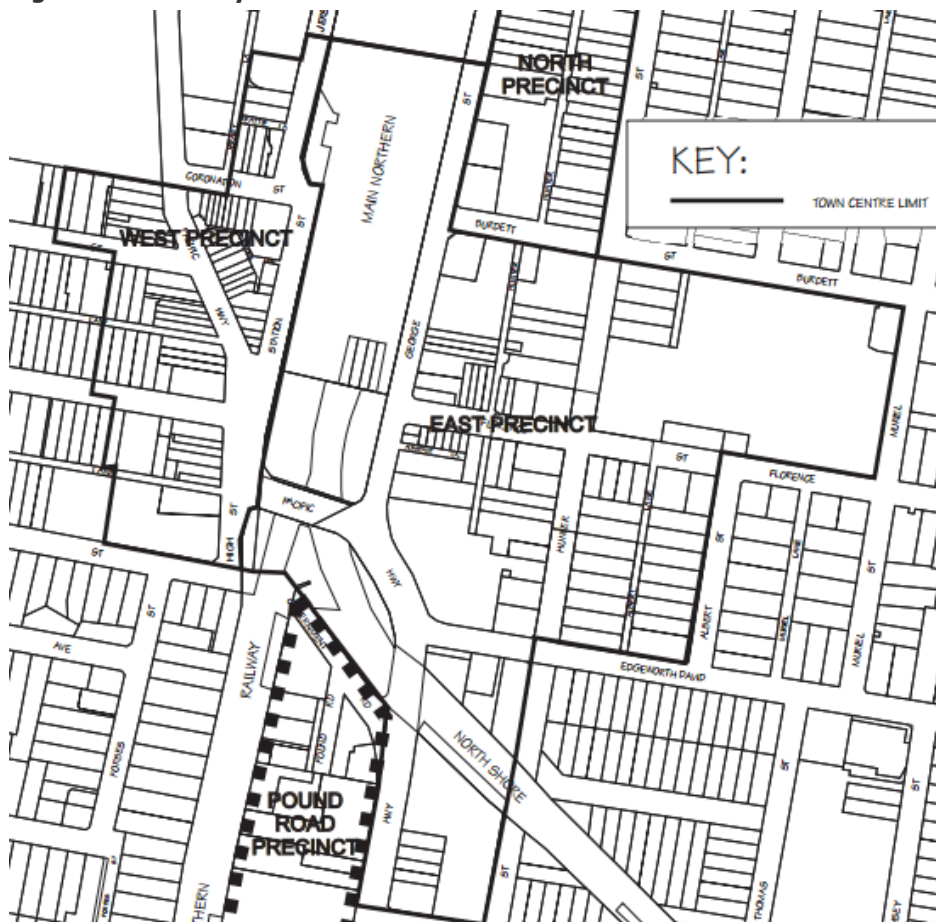
Hornsby Development Control Plan (2013)

The Hornsby Development Control Plan (2013) contains objectives and controls to enhance the function, appearance and amenity of development in the Hornsby area. The Hornsby DCP 2013 is a single consolidated document which contains separated chapters pertaining to different types of development. Of relevance to this Study are the controls for Business zones.

The Hornsby Town Centre is identified in the DCP as a major centre servicing the immediate Subregional residential population. The development in the business area is to incorporate a range of employment generating land uses which include shops, offices, community facilities and services reinforcing the role of Hornsby Town Centre.

The Hornsby Town Centre is divided into three planning precincts which are identified in the DCP as the West Precinct, East Precinct and North Precinct. Figure 3.3 depicts the three planning precincts.

Figure 3.3: Hornsby Town Centre and Precinct Boundaries



Source: HSC (2013b)

The East and North Precincts are within the Study Area, on the eastern side of the train line whilst the West Precinct is located on the western side of the train line and is not part of the Study Area.

- East precinct - commercial core of retail and commercial activity mainly focused around Westfield shopping centre and surrounding streets.
- North precinct - providing an extension of the existing commercial core which focuses on George and Hunter Streets north of Burdett Street to Linda Street and providing non-residential ground floor uses such as cafes, outdoor dining, and retail to support the commercial core.

3.2.2 Ku-ring-gai and Hornsby Subregional Employment Study

In 2008 Hornsby Shire Council and Ku-ring-gai Municipal Council commissioned a Subregional Employment Study to assist with planning for employment within the two LGAs. The Study considered state employment targets and provided guidance on planning to accommodate the employment target within centres in the LGAs (SGS, 2008).

Of direct relevance to this Study are the findings and recommendations that relate to the Hornsby Town Centre (as it was then referred to).

The Employment Study (the ES) observed that as the major centre in the subregion, Hornsby is an administrative and commercial centre for the subregion accommodating a TAFE and hospital precinct and with a target of 3,000 additional jobs in the 2006-2031 period. The ES also observed that the Hornsby Centre had a predominantly retail focus with the Westfield shopping centre contributing to a substantial total retail floorspace.

The ES identified an opportunity to increase the profile of the Hornsby Centre as a commercial centre as well as retail centre, potentially playing an important role to help achieve higher employment self-containment rates, i.e. more residents also working within the LGA.

A number of interventions and strategic recommendations were made to assist with repositioning Hornsby as a commercial centre as well as a regional retail and service centre:

- **Application of land use zones**

The ES cites “accepted wisdom” that commercial centres don’t really work where residential development is also a permissible use. This is due to:

- Potential for residential development pushes up land values making commercial development less (and usually not) viable;
- Larger commercial tenants seek a purely commercial address/environment as they want to operate their business among commercial developments.

- **Planning incentives for office development**

Consider planning control incentives (e.g. FSR bonuses) to attract a higher share of office activity.

- **Achieving critical mass through key site development**

A small commercial core will always struggle to achieve the same quality of business address when compared to larger centres.

- **Attracting pre-commitments to commercial sites**

After assessing development sites and amalgamation possibilities, industry targeting is considered appropriate to encourage pre-commitments for commercial development sites.

Additionally, the ES identified that the exclusion of residential development and expansion of the commercial core area would provide a strong signal to the market that Hornsby has serious aspirations as a major centre.

4. Employment Profile

In order to understand the employment and economic activity occurring in the Study Area (and in the broader context of the Hornsby Centre), Australian Bureau of Statistics data (ABS, 2012) and Bureau of Transport Statistics data (BTS, 2012) were used.

Different ABS datasets across various geographies have been utilised. The ABS statistical boundaries do not align exactly with the Study Area, accordingly the data collected relates to the broader area and considers a larger employment catchment.

This chapter considers the employment profile of workers in the Hornsby Centre by analysing types of employment categorised under Australian and New Zealand Standard Industrial Classification (ANZSIC). The ANZSIC has been developed jointly by the Australian Bureau of Statistics and Statistics New Zealand to improve the comparability of industry statistics between the two countries and the rest of the world.

The ANZSIC is a hierarchical classification of industry with four levels, namely Divisions (the broadest level), Subdivisions, Groups and Classes (the finest level). At the Divisional level (referred to as 1-digit ANZSIC), the main purpose is to provide a limited number of categories which provide a broad overall picture of the economy.

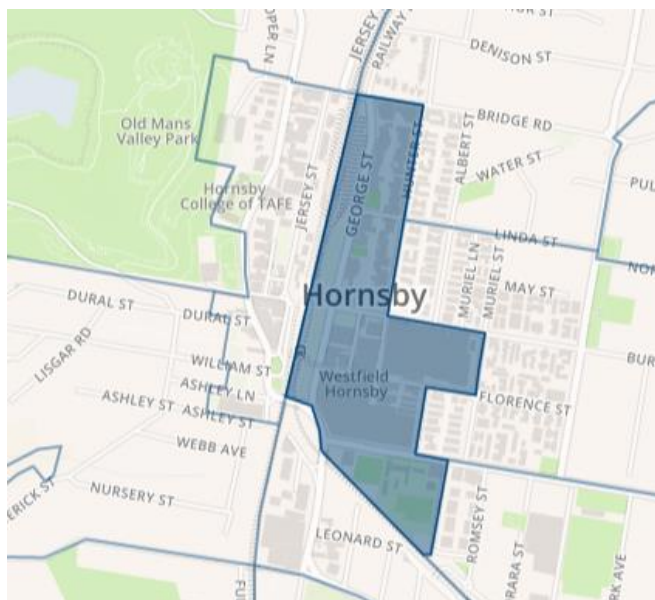
The Subdivision (2-digit ANZSIC), Group (3-digit ANZSIC) and Class (4-digit ANZSIC) levels provide increasingly detailed dissections of these categories to enable the compilation of more specific and detailed statistics (ABS, 2006).

4.1 Introduction

The employment profile of Hornsby East Precinct is benchmarked against the Hornsby West precinct, the Hornsby LGA and the North Subregion (which includes the Hornsby, Hunters Hill, Ku-ring-gai, Lane Cove, Manly, Mosman, North Sydney, Pittwater, Ryde, Warringah and Willoughby LGAs).

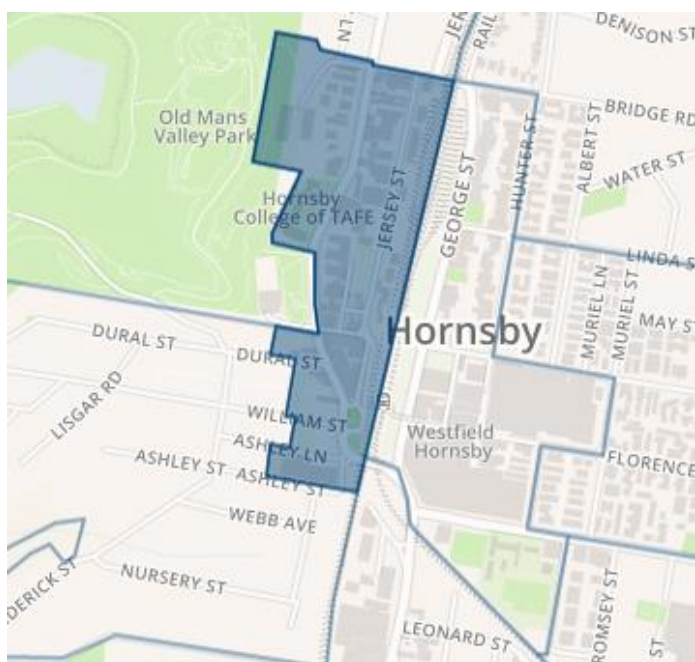
Figure 4.1 and Figure 4.2 depict the statistical areas of analysis.

Figure 4.1: Hornsby East Precinct (Study Area)



Source: BTS (2012)

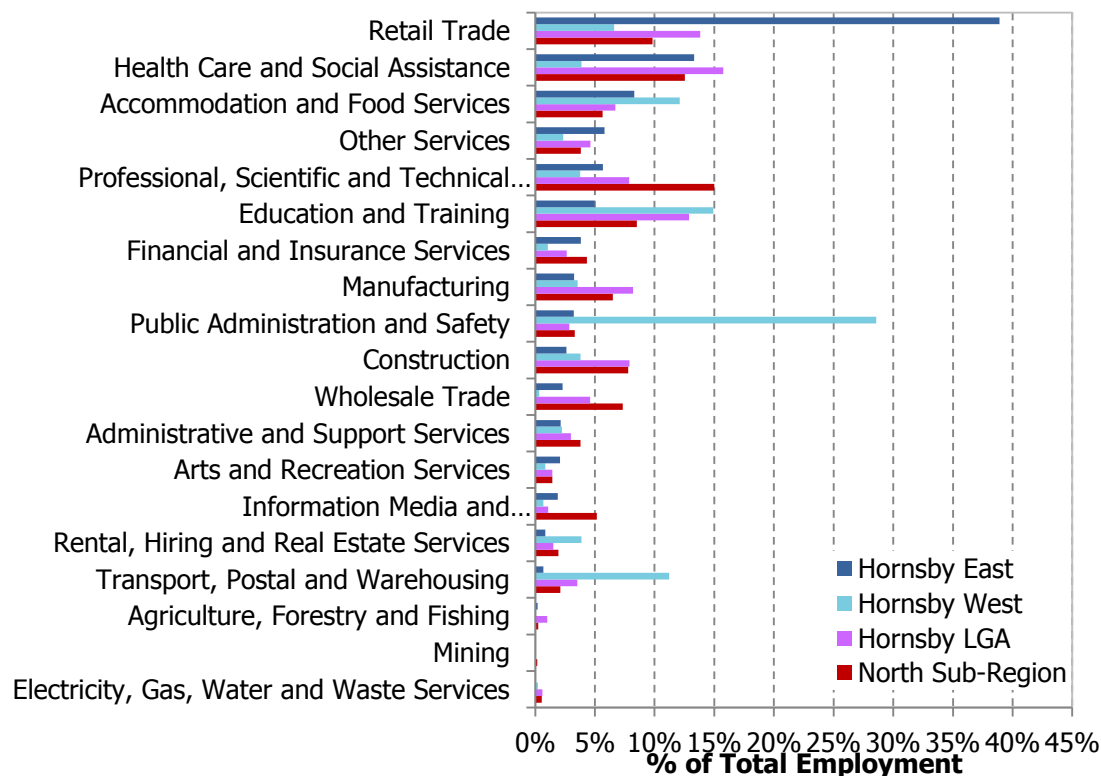
Figure 4.2: Hornsby West Precinct



Source: BTS (2012)

In 2011 the Hornsby Centre employed approximately 6,632 persons, increasing from approximately 6,304 persons in 2006 (an increase of just over 5% over the 2006-2011 census period). Figure 4.3 illustrates the proportion of employment by industry in the Study Area and comparison/benchmark regions.

Figure 4.3: Employment by Industry, 2011



*Place of Work

Source: ABS (2012), BTS (2012)

Key employment data for the Hornsby East Precinct highlights that:

- Retail trade (38.9%), healthcare and social assistance (13.3%) and accommodation and food services (8.3%) are the largest employers as a result of a vibrant retail and services sector.
- Key occupations include sales workers (31.3%), professionals (15.4%) and clerical and administrative workers (13.9%) are the top three occupations, reflective of the prominent retail and services profile.

The following sections investigate at a finer grain the composition of employment within the Hornsby East Precinct.

4.2 Employment by Industry

Table 4.1 contains employment by industry (2011) of Hornsby East Precinct benchmarked against the Hornsby West Precinct, Hornsby LGA and North subregion.

Table 4.1: Employment by Industry, 2011

Industry	Employment by Industry				Industry % of Total Employment			
	Hornsby East	Hornsby West	Hornsby LGA	North Sub-Region	Hornsby East	Hornsby West	Hornsby LGA	North Sub-Region
Agriculture, Forestry and Fishing	10	1	475	1,018	0.2%	0.0%	1.0%	0.3%
Mining	2	1	32	651	0.0%	0.0%	0.1%	0.2%
Manufacturing	159	61	3,895	26,258	3.3%	3.5%	8.2%	6.5%
Electricity, Gas, Water and Waste Services	0	4	288	2,187	0.0%	0.2%	0.6%	0.5%
Construction	128	66	3,746	31,537	2.6%	3.8%	7.9%	7.8%
Wholesale Trade	112	6	2,183	29,703	2.3%	0.3%	4.6%	7.3%
Retail Trade	1,905	114	6,568	39,781	38.9%	6.6%	13.8%	9.8%
Accommodation and Food Services	406	210	3,192	22,846	8.3%	12.1%	6.7%	5.6%
Transport, Postal and Warehousing	33	194	1,679	8,515	0.7%	11.2%	3.5%	2.1%
Information Media and Telecommunications	92	12	510	20,914	1.9%	0.7%	1.1%	5.2%
Financial and Insurance Services	187	18	1,253	17,511	3.8%	1.0%	2.6%	4.3%
Rental, Hiring and Real Estate Services	42	67	714	7,906	0.9%	3.9%	1.5%	2.0%
Professional, Scientific and Technical Services	277	65	3,735	60,704	5.7%	3.8%	7.9%	15.0%
Administrative and Support Services	104	39	1,420	15,382	2.1%	2.2%	3.0%	3.8%
Public Administration and Safety	158	495	1,353	13,401	3.2%	28.6%	2.8%	3.3%
Education and Training	244	259	6,124	34,404	5.0%	14.9%	12.9%	8.5%
Health Care and Social Assistance	653	67	7,481	50,733	13.3%	3.9%	15.7%	12.5%
Arts and Recreation Services	102	14	676	5,838	2.1%	0.8%	1.4%	1.4%
Other Services	285	40	2,203	15,430	5.8%	2.3%	4.6%	3.8%
Total	4,899	1,733	47,527	404,722	100.0%	100.0%	100.0%	100.0%

*Place of Work

Source: ABS (2012), BTS (2012)

Table 4.2 contains employment by industry in Hornsby East Precinct in 2006-2011 period.

Table 4.2: Employment by Industry, Hornsby East Precinct, 2006-2011 (19 sector, 1-Digit ANZSIC)

Industry	2006		2011		2006-2011	
	No.	% of Total	No.	% of Total	No.	% Change
Agriculture, Forestry and Fishing	11	0.2%	10	0.2%	-1	-11.5%
Mining	1	0.0%	2	0.0%	1	80.5%
Manufacturing	151	3.3%	159	3.3%	8	5.8%
Electricity, Gas, Water and Waste Services	0	0.0%	0	0.0%	-	-100.0%
Construction	126	2.7%	128	2.6%	2	1.5%
Wholesale Trade	119	2.6%	112	2.3%	-7	-6.4%
Retail Trade	1,812	39.3%	1,905	38.9%	93	5.1%
Accommodation and Food Services	361	7.8%	406	8.3%	45	12.5%
Transport, Postal and Warehousing	32	0.7%	33	0.7%	1	4.9%
Information Media and Telecommunications	81	1.8%	92	1.9%	9	13.3%
Financial and Insurance Services	211	4.6%	187	3.8%	-24	-11.2%
Rental, Hiring and Real Estate Services	47	1.0%	42	0.9%	-5	-11.0%
Professional, Scientific and Technical Services	244	5.3%	277	5.7%	33	13.4%
Administrative and Support Services	111	2.4%	104	2.1%	-7	-6.8%
Public Administration and Safety	166	3.6%	158	3.2%	-8	-5.0%
Education and Training	202	4.4%	244	5.0%	42	20.9%
Health Care and Social Assistance	570	12.4%	653	13.3%	83	14.6%
Arts and Recreation Services	92	2.0%	102	2.1%	10	10.5%
Other Services	270	5.9%	285	5.8%	15	5.5%
Total	4,608	100.0%	4,899	100.0%	291	6.3%

Source: ABS (2007), ABS (2012), BTS (2012)

In 2011, the Hornsby East Precinct employed 4,899 employees and overwhelming employed in retail trade (38.9%), followed by health care and social assistance (13.3%) and accommodation and food services (8.3%).

Large proportional increases in employment in the 2006-2011 period are observed in:

- Education and training (20.9% or 42 additional jobs), and in particular:
 - Adult, community and other education (24 additional jobs);
 - School education (14 additional jobs).
 - Education support services (4 additional jobs).

- Health care and social assistance (14.6% or 83 additional jobs), and in particular:
 - Allied health services (39 additional jobs);
 - Residential care services (15 additional jobs);
 - Other social assistance services (21 additional jobs).
- Accommodation and food services (12.5% or 45 additional jobs), and in particular:
 - Cafés, restaurants and takeaway food services (57 additional jobs).
- Professional, scientific and technical services (13.4% or 33 additional jobs), and in particular:
 - Architectural, engineering and technical services (4 additional jobs);
 - Legal and accounting services (16 additional jobs);
 - Management and related consulting services (4 additional jobs).

Analysis of 2006-2011 national employment trends (ABS, 2012) shows that key sectors of employment growth have been in the following industries:

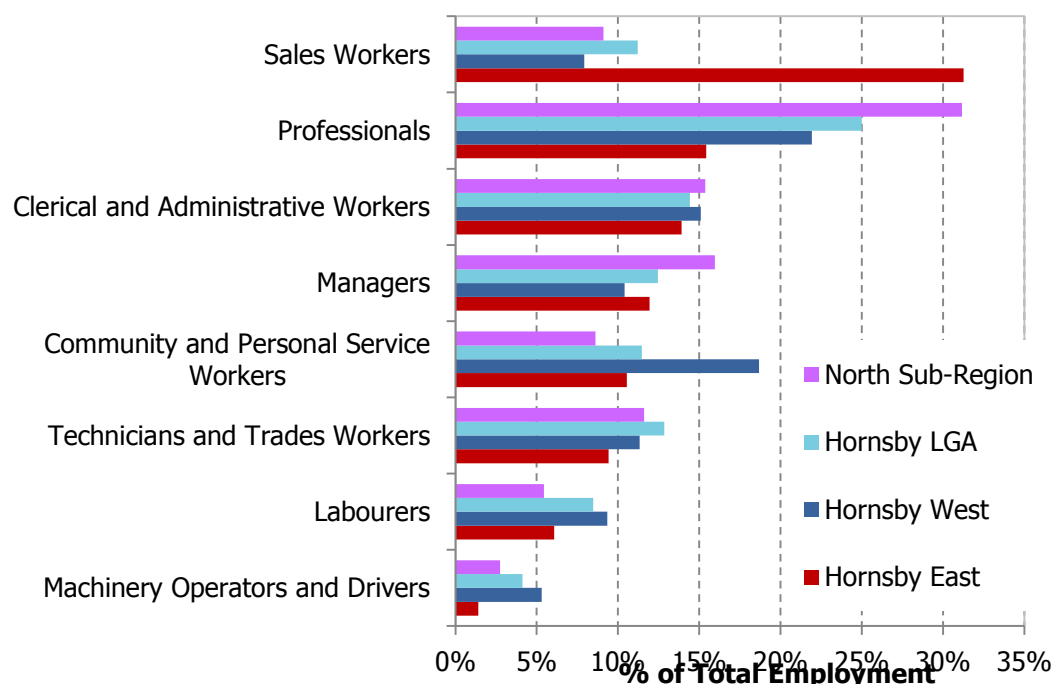
- Mining and resources industries.
- Population based industries including health, construction, accommodation & food services, arts and utility services.
- Knowledge based service industries such as finance & insurance, professional, scientific & technical services.
- Some industrial sectors such as transport, postal & warehousing and wholesale trade.

Growth in the Hornsby East Precinct sectors of employment is in line with national trends, as employment and business respond to population growth.

4.3 Employment by Occupation

Occupational data shows the Study Area employs high proportions of sales workers, consistent with its service centre role - focused around commercial and retail types of employment.

Figure 4.4: Employment by Occupation, 2011 (Place of Work)



Source: ABS (2012), BTS (2012)

Trends across the 2006-2011 period highlight a notable increase in community and personal services workers (20.1% or 86 additional workers) and professionals (12.5% or 84 additional workers), in line with growth in employment across health care and social assistance and education and training sectors.

Table 4.3: Employment by Occupation, Hornsby East Precinct, 2006-2011 (19 sector, 1-Digit ANZSIC)

Occupation	2006		2011		2006-2011	
	No.	% of Total	No.	% of Total	No.	% Change
Managers	548	11.9%	585	11.9%	36	6.6%
Professionals	671	14.6%	755	15.4%	84	12.5%
Technicians and Trades Workers	449	9.7%	462	9.4%	13	2.8%
Community and Personal Service Workers	430	9.3%	517	10.5%	86	20.1%
Clerical and Administrative Workers	662	14.4%	682	13.9%	20	3.0%
Sales Workers	1,485	32.2%	1,532	31.3%	47	3.2%
Machinery Operators and Drivers	63	1.4%	69	1.4%	6	9.2%
Labourers	299	6.5%	297	6.1%	-2	-0.6%
Total	4,608	100.0%	4,899	100.0%	291	6.3%

Source: ABS (2006), ABS (2012), BTS (2012)

Hornsby East Precinct is dominated by a few industries (retail trade, health care and social assistance, food and accommodation services) with growing representation in education and training (adult and community education), and professional, scientific and technical services (accounting and legal services).

This analysis is useful to understand that likely floorspace needs of these industries are likely to be smaller in scale and require proximity and good access to population catchments.

4.4 Journey to Work Analysis

An assessment of Journey to work data revealed a large proportion of employed persons (50.9%) in the Hornsby East Precinct reside in Hornsby LGA. The second largest proportion of employees in the Hornsby East Precinct reside in the Ku-ring-gai LGA (11.8%).

Figure 4.5: Journey to Work, Hornsby East Precinct 2011



Source: BTS (2012), AEC

The table below shows the representation of employees in the Hornsby East Precinct across Sydney LGAs:

Table 4.4: Journey to Work, Hornsby East Precinct (2011)

LGA	Employed Persons	% of Total
Hornsby	2,495	50.9%
Ku-ring-gai	580	11.8%
Gosford	389	7.9%
The Hills Shire	283	5.8%
Parramatta	148	3.0%
Ryde	146	3.0%
Blacktown	118	2.4%
Warringah	96	2.0%
Willoughby	76	1.5%
Lane Cove	43	0.9%
Rest of NSW	514	10.5%
Rest of Australia	11	0.2%
Total	4,899	100%

Source: BTS (2012)

The Hornsby East Precinct plays an important role in accommodating local jobs, with more than 50% of workers also living in the Hornsby LGA. A large proportion of workers live in the Ku-ring-gai LGA and followed by Gosford and The Hills Shire LGAs. This also suggests that the Study Area potentially accommodates a number of locally-owned businesses, business owners themselves residents of Hornsby LGA.

4.5 Implications for Study Area

The employment structure in the Study Area demonstrates its primary role as a retail and services hub for local residents and those living in the broader catchment. This means that the local economy and health of the centre will not only be dictated by what happens in the immediate catchment but will also be impacted by growth trends in the broader catchment.

Business (and employment) demand and activity is subject to various drivers of industry demand. Business can produce goods/services that are sold to other local businesses, to households, to government (or other public enterprises), or exported to an area outside Hornsby LGA.

Household consumption, which can be equated to local population driven growth, is a key driver of industry demand in the industries of retail trade (e.g. supermarkets, home improvement stores, car showrooms, etc.), food and accommodation establishments (restaurants, cafés, pubs, etc.). It is also an important contributor, though to a lesser extent, for the industries of education and training, health care and social assistance, arts and recreation services, and other services.

Although not the only driver, population growth expectations are a major driver of future demand for retail and commercial services and accordingly floorspace to accommodate those businesses.

The employment structure of the Hornsby East Precinct suggests further growth will be population driven and underpinned by growth of the Hornsby resident population, increasing demand for retail and services. Services based businesses (particularly retailers, educational institutions, food and accommodation establishments, etc.) typically seek to cluster with like businesses. To ensure a sustainable growth future it is important to focus on the strengths/industries concentrations of the Study Area as a retail and services destination.

Future population growth expectations are accordingly key to future growth prospects for employment and floorspace demand in the Hornsby East Precinct. These are explored in Chapter 6.

5. Property Market Appraisal

5.1 General Market Conditions

The Hornsby Centre benefits from strong access owing to public transportation links and proximity to major arterial roads. Road and rail connections to the Sydney CBD are strong.

Market activity in the Hornsby Centre has in recent years been characterised by strong demand in favour of mixed use and residential development rather than any other land use. This trend is not unique to Hornsby but is observed across Sydney.

It is an undisputed fact that dwelling completions over the last decade have fallen well below the number needed to meet underlying demand. This has resulted in rapidly rising house and rental prices as competition is fierce between purchasers and renters alike.

Developers (local and overseas alike) have responded to the call for more housing by assembling sites in a myriad locations. Locations in and around transport nodes are obvious candidates targeted for site assembly. Additionally, commercial buildings in appropriately zoned locations (i.e. B4 Mixed Use) in a variety of CBDs and established centres with excellent transport connections are increasingly being acquired for mixed use residential development (e.g. Parramatta, Chatswood, Burwood, etc.).

The B4 Mixed Use zone in the Hornsby Centre is no exception. Benefitting from strong transport links, various sites (including existing commercial buildings) are planned for redevelopment into mixed use residential.

The redevelopment of commercial buildings into mixed use residential has obvious implications, including the displacement of existing businesses and pressure on remaining employment floorspace (retail/commercial uses).

5.2 Retail/Commercial Market Activity

The retail and commercial property market is multi-faceted, underpinned by trends and drivers that influence each type of land use (retail/commercial) differently.

Retail Land Uses

The Hornsby East Precinct centre is anchored by Westfield Hornsby and complemented by retail strip leading to the Hornsby train station.

Retail leasing appears strong particularly surrounding Westfield shopping centre, anecdotal evidence suggesting retail shopfronts lease in the order of \$600/sqm net of floor area with many retail shopfronts averaging floor areas of 100sqm.

Investigations reveal there have been interest by larger retailers for new bulky goods floorspace in and around Westfield. Existing bulky goods floorspace located in the northern portion of the Study Area at 6-18 Bridge Street is understood to achieve up to \$325/sqm net of floor area.

There negligible vacancy rates observed for retail properties in the Study Area, indicative of the strong underlying demand for this type of floorspace.

Commercial Land Uses

There is distinctly a two-tier market observable in every major office market (CBD and suburban), prime grade (A grade) commercial floorspace commanding not only higher rents and values but noticeably lower vacancies and incentives as well as enjoying shorter letting up periods compared to secondary grade (B, C, D grade) floorspace.

The grading of building quality is not just dependent on building quality and age, it is also influenced by asset location – with the exception of major CBDs like Parramatta and North Sydney, many suburban locations do not qualify as 'A grade' locations. Market signals and performance (typically measured by metrics including vacancies, incentives, prices/rents, etc.) are good indicators of this and market preference.

Notwithstanding the overall demand for commercial floorspace, those commercial buildings in isolated locations offering minimal worker amenity can struggle for market acceptance and consequently suffer from high vacancy rates and incentive levels.

In contrast to the retail property market, the commercial market in the Study Area is less buoyant. This is partly due the suitability of commercial floorspace available.

A prominent commercial asset in the Study Area is 20 George Street which is a 5 storey commercial building constructed some 10 years ago. The building enjoys good exposure and is well presented. Building occupiers are diverse, including government tenants, education based businesses, professional services firms and the like. Informal discussions with leasing agents also identify the building has almost two levels of vacant floorspace - over 1,000sqm of floorspace on Level 1 (quoting rents of \$380/sqm gross) and three other tenancies between 90sqm and 290sqm on Level 2 (quoting rents of \$400/sqm and \$410/sqm gross).

While the commercial property market is arguably the weakest performing land use category in the Study Area, leasing agents observe enquiry levels increasing marginally over the last 6-12 months in tandem with new development and population growth in the area.

Demand for commercial space in the Study Area is driven by key categories of occupiers:

- **Education providers**

The number of and space requirements of education providers underpins notable demand for commercial floorspace. Education providers include those who provide primary and secondary tutoring classes, business colleges and ESL (English as a Second Language) schools.

- **Professional services firms**

Professional services firms (e.g. lawyers and accountants) also require commercial floorspace in the Study Area close to retail amenity and public transport options. As the population grows, so too will local businesses, including professionals who seek to establish their own business.

- **Medical and health-related organisations**

There is observed to be moderate levels of interest from medical professionals, however these businesses typically seek floorspace co-located with other retail uses.

The nature of commercial floorspace demand in the Study Area observed is generally of a smaller scale and requiring smaller tenancies (<200sqm).

Sales Activity

There has been a moderate level of sales activity in the Study Area, generally confined to the B4 Mixed Use and B5 Business Development zones.

- Factory/workshop type buildings - a number of properties in the B5 zone have sold recently. They are designated FSR 1:1 and include:
 - **99 Hunter Street**
Accommodating an old 4 bedroom cottage, this 683sqm site sold in June 2015 for \$1.58m (\$2,313/sqm of site area). The site is understood to have sold to a chiropractic practitioner intending to operate a business from within.
 - **158 George Street**
This 491sqm site accommodates a car repair/service centre (leased to Ultra Tune) and sold in November 2014 for \$1.375m (\$2,800/sqm of site area). The purchaser is understood to be a Chinese investor who owns the adjacent site.
 - **156 George Street**
This 413sqm site accommodates a single storey car workshop and sold in July 2014 for \$925,000 (\$2,464/sqm of site area). The property was marketed as benefitting from having front and rear lane access as well as ability to accommodate 8 cars.
 - **101 & 101A Hunter Street**
This 700sqm site accommodates a 2 storey building with a workshop and paint shop, including spray booths and roof top parking. The site sold in November 2013

for \$1.1m (\$1,571/sqm of site area) and is currently available for sale at an asking price of \$1.99m (\$2,843/sqm of site area).

- **132 George Street**
This 487sqm site accommodates single storey car workshop and sold in April 2013 for \$1.2m (\$2,464/sqm of site area). The property is occupied by Tyre Plus.
- **83 Hunter Street**
This 3 storey office building on a site area of 539sqm sold in March 2013 for \$1.53m (\$2,839/sqm of site area). The accommodation is ageing and in need of upgrade. Space for lease is marketed as suitable for recreational uses, e.g. gym, dance studio, etc.
- **116 George Street**
This 2,210sqm site accommodates a recently refurbished 10 pin bowling centre and sold as an investment in April 2009 for \$3.75m (\$1,697/sqm of site area). The tenant profile at sale is understood to be focused on an ASX listed tenant for 10 year lease with 3, 5 year options.
- Commercial type buildings - several sites in the B4 zone have sold, designated with FSR 3:1 (maximum residential FSR 2:1).
 - **61 Hunter Street**
The 455sqm site is improved with a 2 level office building with basement parking and sold in September 2014 for \$2.145m (\$4,714/sqm of site area). The property provides accommodation for several small office suites.
 - **75 Hunter Street**
The 445sqm site is improved a single level building which accommodates Potters House Church. The property sold in May 2012 for \$1.2m (\$2,697/sqm of site area).

There have been no recent sales transactions in the B3 Commercial Core zone as the market is tightly held, the most recent sale occurring in May 2014 of a 129sqm office at 5/26 Florence Street for \$575,000 (\$4,457/sqm floor area).

Notwithstanding, the level and nature of sales activity is representative of business and industry investment in the Study Area.

5.3 Residential Market Activity

The medium to long term outlook for the residential market is good, underpinned by strong fundamentals including:

- Strong population growth.
- Low interest rates.
- Relatively low unemployment rates.
- Historic undersupply resulting in significant housing shortfall and pent up demand.

These core fundamentals ultimately form the core drivers to demand. It is an undisputed fact that dwelling completions over the last decade have fallen well below the number needed to meet underlying demand. This has resulted in rapidly rising house and rental prices as competition is fierce between purchasers and renters alike.

The growing housing affordability issue in Sydney has been the subject of much commentary and analysis. The changing dynamic of housing affordability has evoked responses from both households and the development industry with respect to demand and supply respectively.

Hornsby is perceived by many buyers as providing strong public transport links to the CBD though rail and proximity to motorways such as the M7 providing easy access to the Central Coast and Newcastle. Hornsby is also in proximity to a number of well-regarded schools (Barker College) and offers the convenience of the Hornsby Centre.

In line with the rest of Sydney, Hornsby has experienced strong residential demand. Informal discussions with local agents active in the area suggest the take-up of units in some new developments have achieved 100% sales pre-construction, in some cases off-the-plan sales occurring within several weeks of their launch.

While there is identified demand for all units typically smaller 1 and 2 bedroom units attract greater initial interest when buyers are seeking to purchase off-the-plan due to more affordable price points in comparison to larger 3 bedroom units.

Though there is significant interest for 3 bedroom units a limit on demand is higher price points. The constraint of effective demand can result in prolonged take-up periods for larger more expensive units.

Sales of New Residential Units (off-the-plan)

Owner occupiers and investors are understood to be equally represented. Many buyers already live locally while residents from other areas in the broader Sydney region are drawn to the rail connections and convenience that the Hornsby Centre offers.

Table 5.1 outlines a new residential development currently undergoing a marketing campaign.

Table 5.1. Sales of New Residential Units in Hornsby

Address	Unit Mix		Internal Area (sqm)	Sale Price		
	No	Type		Low	High	Analysis (\$/sqm)
117 Pacific Highway	20	1b	50-55	\$500,000	\$550,000	\$9,090-\$11,000
	50	2b	70-80	\$700,000	\$850,000	\$8,750-\$10,625
	20	3b	94-100	\$850,000	\$1,000,000	\$8,500-\$10,638

Source: AEC

Over 95% of the 106 units have sold since marketing commenced in March 2015 with the remaining units being 2 bedroom units. This represents a take-up of approximately 20 units sold per month which is representative of the strong market conditions for new residential product.

Sales of Existing Residential Units

The market for existing residential units in Hornsby is also performing well with many selling agents commenting that most units sell within 2 to 4 weeks of marketing depending on location, size and price.

The median value of units in the Hornsby suburb is \$640,000 with a 17% annual growth in median value over the 12 months to August (Residex, 2015). This reflects the strong market activity which is being experienced not only in Hornsby but across Sydney fuelled by low interest rates and demand from both owner occupiers and investors.

The leasing market has also seen strong demand as median rents for units in Hornsby increased by 5.7% from \$490/per week to \$520/per week 12 months to August (Residex, 2015).

The local Hornsby residential property market is strong, generally consistent with the Sydney property market.

5.4 Development Activity and Pipeline

Sales activity in the Hornsby East Precinct is primarily driven by investors and business occupiers as well as developers.

94-98 George Street (currently occupied by PCYC) is understood to have sold in June 2014. Sale on the 1,850sqm site has yet to settle however it is understood the price paid was in the region of \$12.5m, equating to \$6,756/sqm of site area.

Residential Development Pipeline

There are over 21 projects currently in various stages of planning or development in the suburb of Hornsby, with the potential to deliver over 2,000 apartments over the next few years. It should be noted that some are in the initial stages of planning and may not eventuate into approved development.

Table 5.2 depicts the type and mix of new residential units planned for delivery in Hornsby.

Table 5.2 Development Pipeline in Hornsby (suburb)

Address	Unit Mix						Comments
	Studio	1b	2b	3b	4b	5b	
Development Approval							
135-137 Pacific Highway	2	106	36	-	-	-	Mixed Use development with ground floor retail
228-234 Pacific Highway	Unit Mix Unknown						Mixed Use development of 28 units.
117-119 Pacific Highway	8	27	59	12	-	-	Mixed Use development with 495sqm ground floor retail/commercial.
17 Old Berrowra Road	-	-	-	7	-	-	Townhouse development
14 Pound Road	-	24	72	4	-	-	Residential development
1-3 Belair Close	-	-	24	8	-	-	Residential development
2-8 Belair Close 43-43A Sherbrook Rd	-	8	59	8	-	-	Residential development
100-106 George Street	-	-	42	18	2	-	Mixed Use development with two floors of community use, 3 floors of commercial/retail and residential units above.
5-15 Belair Close	-	6	51	8	-	-	Residential development
12 May Street	-	-	6	3	-	-	Residential development
8A Northcote Road	-	9	15	-	-	-	Residential development
Development Application							
254-260 Pacific Highway	Unit Mix Unknown						Early Planning
94-98 George Street	-	20	62	4	-	-	Mixed Use building with ground floor commercial of 1,427sqm
8 Galston Road	-	-	-	8	-	-	Townhouse development
11 Bridge Road	-	6	12	-	-	-	2 additional services apartments and ground floor commercial tenancies of 152.36sqm.
10-12 Belair Close	-	10	29	5	-	-	An additional 350sqm of communal open space.
281-283 Peats Ferry Road	-	-	7	4	-	-	Townhouse development
Total	10	216	474	89	2	-	

Source: Cordell Connect, PriceFinder, AEC

The development pipeline in Hornsby primarily consists of residential or mixed use developments not unlike the trend currently occurring across the broader Sydney region.

As the residential market continues to go from strength to strength it is envisaged that the continued population growth will underpin demand for employment based uses in Hornsby to support the local and broader Hornsby catchment.

5.5 Implications for Study Area

The role of the Hornsby East Precinct is as a service centre for the broader region. Retail floorspace in the Hornsby East Precinct is highly sought after with many businesses seeking to occupy floorspace in and around the Westfield shopping centre. The demand for retail floorspace is also reflected in the current low vacancy levels.

The strength of retail demand and for retail floorspace in the Hornsby East Precinct can be attributed to presence of major tenants David Jones and Myer department stores, Target and Kmart discount department stores, and Woolworths, Coles and Aldi supermarkets located at Westfield, as well as a large range of fashion, food catering, dining and fitness and entertainment facilities. The provision of civic, cultural, retail, and economic requirements additionally draws patronage from the broader region reinforcing Hornsby's role as a major retail/commercial centre.

Commercial occupiers in the Hornsby East Precinct are drawn by the amenity and convenience Hornsby offers, however large scale commercial floorspace is less sought after as large organisations prefer areas such as Chatswood, St Leonards or Gordon where amenity and access is similar and larger more modern office facilities are provided.

Notwithstanding limited appeal to multi-national tenants and larger organisations, smaller businesses perceive Hornsby as a commercial/office location because of the accessibility afforded by the train station and comparatively lower rents to other more established commercial areas. Although some government agencies are located in Hornsby the majority of businesses seeking to operate in Hornsby are small serviced based businesses who require smaller office areas of sub-200sqm.

Notwithstanding current limitations to commercial floorspace demand as Hornsby's residential population continues to grow, so too will demand for retail/commercial floorspace to support population and business need.

6. Retail/Commercial Potential Assessment

This chapter considers existing provision of retail facilities within the Hornsby East Precinct, its competitive position within the retail hierarchy and the likely customer segments served by facilities in the Study Area. Based on trade area analysis, the chapter then assesses the market potential for future retail and commercial floorspace within the Study Area.

6.1 Existing Supply of Floorspace

The Hornsby East Precinct has approximately 100,000sqm of retail floorspace across 345 retailers, and of which 85,600sqm which is located within Westfield Hornsby.

A floorspace survey was carried out as part of this Study, findings outlined in Table 6.1.

Table 6.1: Hornsby East Precinct, Total Floorspace and Shopfront Count by Use

Category	Estimated Floorspace (GLA)		Shopfront Count	
	sqm	% of Total	No.	% of Total
Retail				
Department Store	26,541	8.8%	2	0.4%
Discount Department Store	15,598	5.1%	2	0.4%
Supermarket	10,790	3.6%	4	0.8%
Mini Majors	4,951	1.6%	15	3.2%
Specialty Food Retail	1,460	0.5%	18	3.8%
Specialty Non-Food	34,310	11.3%	224	47.3%
Café/restaurant/takeaway	6,959	2.3%	77	16.2%
Convenience Store	677	0.2%	2	0.4%
Vacant	377	0.1%	1	0.2%
Total Retail Floorspace	101,663	33.6%	345	72.8%
Commercial				
Finance	1,105	0.4%	2	0.4%
General	24,898	8.2%	18	3.8%
Government	1,000	0.3%	1	0.2%
Legal	700	0.2%	2	0.4%
Medical	11,460	3.8%	18	3.8%
Real Estate	2,200	0.7%	5	1.1%
Travel	-	-	0	0.0%
Total Commercial Floorspace	41,363	13.7%	46	9.7%
Other				
Large Format Retail	8,049	2.7%	0	0.0%
Recreation and Fitness	16,002	5.3%	10	2.1%
Community	40,551	13.4%	12	2.5%
Entertainment	8,198	2.7%	5	1.1%
Hotel/pub/club	1,500	0.5%	0	0.0%
Automotive	14,902	4.9%	18	3.8%
Other	7,520	2.5%	30	6.3%
Vacant	1,000	0.3%	2	0.4%
Residential	62,128	20.5%	6	1.3%
Total Floorspace	302,876	100.0%	474	100.0%

Source: Location IQ

Any future retail facilities developed in the Study Area would naturally form part of the Westfield Hornsby precinct and benefit from customer traffic generated to the precinct. As such, the main trade area served by future additional retail facilities is based on the Westfield Hornsby main trade area. This is considered further in section 6.3.

6.2 Overview of Retail Hierarchy

The purpose of this section is to identify Hornsby Centre's position within the retail hierarchy which will help identify any gaps in the retail market that the Hornsby East Precinct may be able to address.

The Hornsby Development Control Plan (2013) outlines a retail hierarchy and characteristics for centres within the Hornsby LGA. Table 6.2 summarises the hierarchy of centres within the Hornsby LGA, with the Hornsby East Precinct being located within the Major Centre category, and as such is a major destination for civic, cultural, retail and economic requirements for residents and workers.

Table 6.2: Retail Centres Hierarchy within Hornsby LGA

Centre Type	Characteristics	Centres
Major Centre	This area should provide much of the civic, cultural, retail, and economic requirements for the Subregion. The centre should develop additional employment generating activities including offices and services.	Hornsby
Villages and Small Villages	These centres should be the preferred location for small and medium commercial/retail uses that serve the local community and only have limited office and bulky good retail functions.	Asquith, Pennant Hills, Thornleigh, Berowra
Neighbourhood Centres	Neighbourhood Centres provide retail and other services to the immediately surrounding residential area.	Pacific Highway, Mount Ku-ring-gai

Source: HSC (2013b)

Hornsby Major Centre

The Hornsby East Precinct is located within the Hornsby Major Centre area as designated within the Hornsby Development Control Plan (2013). Westfield Hornsby is a major retail attraction in the centre and contains 100,030sqm of retail floorspace.

Westfield Hornsby is a super-regional shopping centre including David Jones and Myer department stores, Target and Kmart discount department stores, and Woolworths, Coles and Aldi supermarkets, as well as a large range of fashion, food catering, dining and fitness and entertainment facilities. Westfield Hornsby is located on the eastern side of Hornsby Railway Station, with connectivity provided by a footpath bridge, which is currently undergoing redevelopment and will more than double the current size with two elevators to also be included.

According to *Shopping Centre News Big Guns* (SCN, 2015), Westfield Hornsby recorded an annual turnover of \$634.3 million for the year ending December 2014. This is equivalent to a turnover of \$7,175/sqm of lettable area.

Further retail and commercial facilities are located outside Westfield Hornsby, with the other major destination being Hornsby Mall, a medical and legal dominated precinct.

In addition to Hornsby East, there are retail facilities provided west of the railway station totalling approximately 27,000sqm. These are generally provided in a high street format, without any major tenants.

6.2.1 Village Centres

The following details a range of Village Centres located in close proximity to the Hornsby East Precinct.

Asquith

Retail facilities in Asquith are located along the Pacific Highway, at the intersection of Jersey Street North and Bouvardia Street, and is located approximately 300 metres to the north of Asquith train station.

A Coles supermarket of 1,784sqm anchors the retail facilities at Asquith, with other retail facilities including Liquorland, Supersave Chemist, KFC and further food catering facilities. Retail facilities at Asquith occupy a total space of approximately 7,400sqm.

Thornleigh

Thornleigh is located 3.5km to the south of the Hornsby East Precinct, with retail and large format retail facilities situated along Pennant Hills Road and on the eastern side of Thornleigh train station.

Retail facilities at Thornleigh are anchored by Thornleigh Marketplace, which has 6,876sqm of retail floorspace, and is anchored by a Woolworths supermarket of 3,898sqm. Aldi is also provided at Thornleigh, along Pennant Hills Road and adjacent to Thornleigh Marketplace.

Large format retail facilities are situated to the north of Thornleigh Marketplace, including Bunnings Warehouse. Total retail and large format retail floorspace within Thornleigh are estimated at 35,000sqm.

Pennant Hills

Pennant Hills is located 5km to the south-west of the Hornsby East Precinct, with retail facilities situated to the west of Pennant Hills train station, and large format retail facilities and car dealerships located on the eastern side of the train station.

Retail facilities are anchored by Pennant Hills Marketplace, which has a total size of 4,299sqm and is anchored by an IGA supermarket of 1,619sqm. Other retail facilities located within Pennant Hills include KFC, BWS, medical facilities, food catering shops and national banks. Total retail and large format retail floorspace within Pennant Hills is some 38,000sqm.

Berowra Heights

Berowra is located over 11km away from Hornsby. There are two main shopping centres - Berowra Village Shopping Centre, which is anchored by a Coles supermarket (2,697sqm) and Berowra Marketplace which is anchored by an IGA supermarket (1,800sqm). Total retail floorspace in Berowra Heights is around 11,500sqm.

6.2.2 Neighbourhood Centres

Pacific Highway, Mt Ku-ring-gai

Mt Ku-ring-gai is located approximately 6km to the north-east of the Hornsby East Precinct, with retail facilities situated on the western side of the Pacific Highway. Retail facilities at Mt Ku-ring-gai are anchored by an Aldi supermarket of 1,500sqm, and with a range of other retail facilities including a pharmacy, newsagency and Bendigo Bank. Retail floorspace at Mt Ku-ring-gai is approximately 2,150sqm.

6.3 Retail Trade Area Analysis

This section analyses the trade area that could potentially be served by additional retail facilities within the Hornsby East Precinct, including the definition of the trade area, current and projected population levels, an overview of the socio- economic profile of residents of the trade area, as well as retail expenditure forecasts.

The size of the market is assessed for *both* residents and workers that could potentially be served by retail facilities at Hornsby East Precinct. The need from residents is considered first (sections 6.3.1 to 6.3.2) followed by need from workers (section 6.3.3).

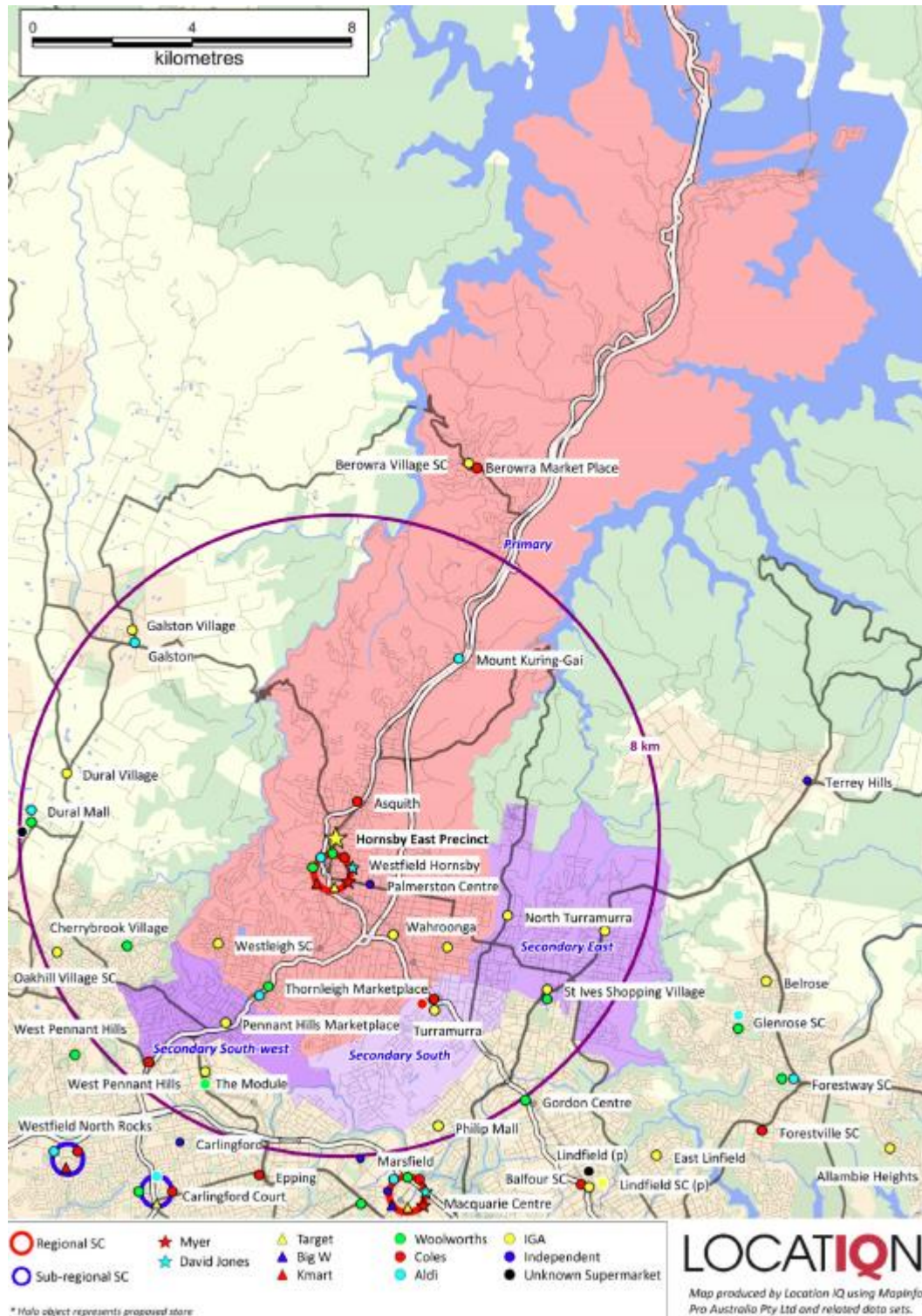
6.3.1 Trade Area Definition

A main trade area is defined for potential retail facilities within the Hornsby East Precinct. This trade area has been defined taking into account the following key considerations:

- The provision of retail facilities throughout the region, particularly the location of higher order regional shopping centre at Westfield Hornsby and Macquarie Centre, and sub-regional shopping centres at Carlingford Court and Westfield North Rocks.
- Regional and local accessibility.

- The pattern of urban development.
- The significant physical barriers such as the Hawkesbury River and the Berowra Valley National Park to the north and the M2 Motorway to the south.

Figure 6.1: Hornsby East Precinct, Resident Main Trade Area



Source: Location IQ

Any future retail facilities developed within the Hornsby East Precinct would naturally form part of the Westfield Hornsby precinct and benefit from customer traffic generated to the precinct. As such, the main trade area served by future additional retail facilities within the

Hornsby East Precinct has been defined based on the Westfield Hornsby main trade area (as sourced from the Westfield website), to include one primary sector and three secondary sectors as follows:

- The **primary sector** extends 25km to the north of the Hornsby East Precinct to include Brooklyn, Berowra and Mount Kuring-Gai, and stretches 6 km to the south to include the suburbs of Hornsby, Wahroonga and Westleigh.
- The **secondary east sector** extends 8km to the east to encompass the suburbs of St Ives and North Turramurra.
- The **secondary south sector** stretches 6km to the south, and comprises the suburbs of Turramurra, South Turramurra and parts of Pymble.
- The **secondary south-west sector** stretches around 6km to the south-west to include Pennant Hills and part of West Pennant Hills.

The combination of the primary and secondary sectors is referred to as the Hornsby East resident main trade area. The main trade area is limited by higher order retail facilities at Macquarie Centre to the south and Carlingford Court and Westfield North Rocks to the south-west.

6.3.2 Resident Main Trade Area (MTA) Population

At the time of the 2011 Census, the population within the Hornsby East resident main trade area was 152,320, including 100,220 persons in the primary sector. Since the 2006 Census, the resident main trade area population increased by 1,820 persons per annum, at a rate of 1.2%. This was slightly lower than the average annual population growth rate experienced for Australia as a whole of 1.5%.

Over the forecast period to 2036, the population in the Hornsby East resident main trade area is projected to increase to 199,070, including 128,920 persons in the primary sector. This represents an annual average growth rate of around 1.0%, or some 1,845 persons.

The key residential developments planned for within the main trade area are as follows:

- The Hornsby West Precinct has received planning proposal approval for approximately 1,000 dwellings, with higher density residential in close proximity to the railway line and the Pacific Highway. This is part of an overall Structure Plan to allow for mixed use development.
- Wahroonga Estate (primary sector) has received Concept Plan approval for approximately 700 dwellings. The estate encompasses the Sydney Adventist Hospital and the concept approval allows for an upgrade of the hospital, student and retirement accommodation, as well as commercial and retail facilities.
- The Mazda and Mercedes Benz car dealership sites, (primary sector), have been proposed for rezoning to allow for high density residential, as part of submissions to amend the Hornsby Local Environmental Plan (2013). Although there is no indicative number for the amount of dwellings, the planning proposal indicates a total of six 12-25 storey residential towers with a total residential gross floor area of 106,700sqm.
- There is continued development occurring within the Hornsby East Precinct with developments such as The Junction and Synergy on the Pacific Highway. Ongoing residential development will occur in this area, increasing the population in the Hornsby East Precinct from 13,200 persons currently to 24,300 persons by 2036.

Resident MTA - Socio-Economic Profile

The key socio-economic characteristics of the Hornsby East resident main trade area population, as compared with the Sydney metropolitan benchmarks, include:

- The per capita income levels across the resident main trade area are around 19.0% above the Sydney metropolitan benchmark of \$36,941, with average household income levels 23.4% higher than average, at around \$122,897. The most affluent residents reside in the secondary east and south sectors.
- The average household size across the main trade area, at 2.8 persons, is slightly larger than the Sydney benchmark (2.7 persons).

- Residents of the main trade area are older than the benchmark, with an average age of 39.0 years, as compared to the Sydney average of 37.2 years.
- Home ownership levels across the main trade area at 80.0% are well above the Sydney benchmark of 67.4%.
- The ethnicity of trade area residents is generally consistent with the Sydney benchmarks, with the major difference being the larger proportion of overseas born residents in the secondary east sector as compared to the benchmarks.
- The household composition includes a higher proportion of traditional families (i.e. couples with dependent children) and a slightly lower proportion of lone persons, as compared with the benchmarks.

In summary, the Hornsby East resident main trade area population is generally an older, affluent population, who own their own homes. There is also a higher than average proportion of traditional family households in the area.

Key points to note include:

- Per capita and household income levels increased at a slightly slower rate than the Sydney benchmark, but still increased by 14.5%.
- The average age of the main trade area population increased at a comparable rate with the Sydney average.
- The proportion of overseas born residents increased by 3.1% between the Census periods (as compared with the benchmark of 1.9%).
- The proportion of households consisting of couples with dependent children increased slightly faster than the Sydney benchmark.

Resident MTA - Retail Expenditure Capacity

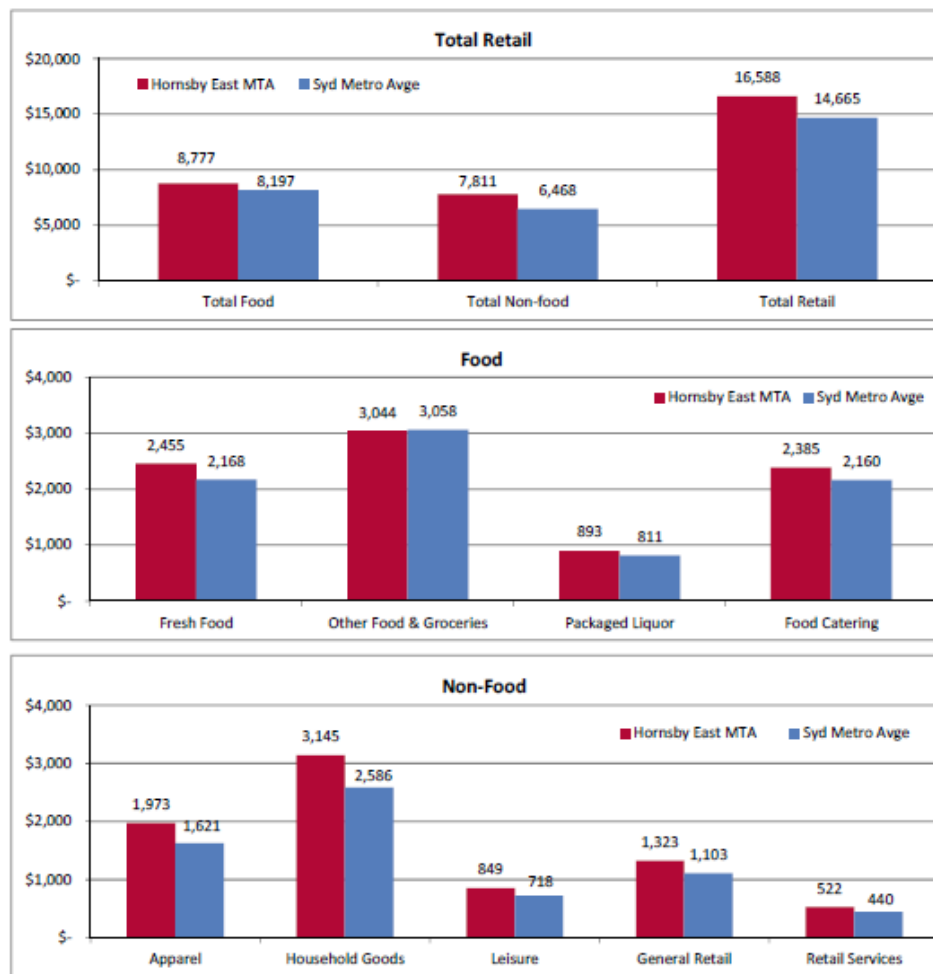
The estimated retail expenditure capacity of the Hornsby resident main trade area population is based on information sourced from MDS Market Data Systems which utilises a detailed micro-simulation model of household expenditure behaviour for all residents of Australia.

The MDS model takes into account information from a wide variety of sources, including the regular ABS Household Expenditure Survey, National Accounts Data, Census Data and other information.

MarketInfo estimates used in this analysis are based on the 2012 release, benchmarked against the latest National Accounts data, released by the ABS. Throughout Australia, the MarketInfo estimates of retail spending that are prepared independently by MDS are commonly used by all parties in economic assessments.

Figure 6.2 illustrates the retail spending levels for the resident main trade area population on a per capita basis, as compared with the Sydney metropolitan average. Spending is above average across all categories, with the exception of other food and groceries.

Figure 6.2: Hornsby East Precinct, Resident MTA Retail Spend per person, 2014/15



Source : MarketInfo

LOCATION IQ

Source: Location IQ

Table 6.3 outlines the retail expenditure levels generated by the main trade area population. The total retail expenditure level is currently estimated at \$2.6 billion and is projected to increase at an average annual rate of around 4.4% to \$6.5 billion by 2036. All figures presented are in inflated 2015 dollars and include GST.

The projected growth in the retail spending market of 4.4% for the resident main trade area takes into account the following:

- Assumed food category inflation of 2.0% each year over the period to 2018. After this time food category inflation is assumed to increase to 3.0%.
- Assumed non-food category inflation of 0.5% each year over the period to 2018. After this time non-food category inflation is assumed to increase to 1.0%.
- Real growth in retail spending per capita of 0.5% annually for food retail and 1.0% for non-food retail over the period to 2018. After this time real growth in retail spending per capita is assumed to increase to 1.0% for food retail and 1.4% for non-food retail.
- Resident main trade area population growth of 1.2% per annum.

Table 6.3: Hornsby East Resident MTA Retail Expenditure, 2015-2036

Y/E June	Primary Sector (\$M)	Secondary Sectors (\$M)			MTA (\$M)
		East	South	South-west	
2015	1,684.0	455.2	299.6	204.0	2,642.8
2016	1,739.5	473.8	311.4	209.6	2,734.2
2017	1,798.2	492.8	323.5	214.8	2,829.3
2018	1,881.2	518.7	340.0	222.9	2,962.8
2019	1,967.8	545.3	357.3	231.2	3,101.6
2020	2,058.1	872.4	375.3	239.9	3,245.8
2021	2,152.7	601.0	394.2	248.9	3,396.9
2022	2,250.2	630.3	413.4	258.3	3,552.3
2023	2,350.8	660.2	432.9	268.0	3,711.8
2024	2,456.0	691.5	453.2	278.2	3,878.8
2025	2,566.1	724.4	474.6	288.7	4,053.7
2026	2,681.3	758.9	496.9	299.6	4,236.7
2027	2,800.0	794.2	520.2	311.0	4,425.3
2028	2,922.2	830.1	544.4	322.8	4,619.6
2029	3,050.1	867.8	569.7	335.1	4,822.7
2030	3,183.7	907.3	596.3	347.9	5,035.1
2031	3,323.4	948.6	624.2	361.1	5,257.3
2032	3,467.5	990.8	652.4	374.9	5,485.7
2033	3,615.9	1,034.0	681.0	389.3	5,720.2
2034	3,770.9	1,079.1	710.9	404.2	5,965.1
2035	3,932.9	1,126.3	742.1	419.7	6,221.0
2036	4,102.1	1,175.6	774.8	435.9	6,488.4
Expenditure Growth					
2015-2018	197.2	63.5	40.4	18.9	320.0
2018-2021	271.5	82.3	54.2	26.0	434.1
2021-2026	528.6	157.9	102.7	50.7	839.8
2026-2031	642.1	189.7	127.2	61.5	1,020.6
2031-2036	778.7	227.0	150.6	74.8	1,231.1
2015-2036	2,418.2	720.4	475.1	231.9	6,845.6
Average Annual Growth Rate					
2015-2018	3.8%	4.4%	4.3%	3.0%	3.9%
2018-2021	4.6%	5.0%	5.1%	3.8%	4.7%
2021-2026	4.5%	4.8%	4.7%	3.8%	4.5%
2026-2031	4.4%	4.6%	4.7%	3.8%	4.4%
2031-2036	4.3%	4.4%	4.4%	3.8%	4.3%
2015-2036	4.3%	4.7%	4.7%	3.6%	4.4%

*inflated dollars and including GST
Source: Location IQ

Table 6.4 details the MTA retail expenditure by key commodity group. The food and liquor market is projected to increase from the current level of \$1.0 billion to \$2.8 billion over the period to 2036, with the food catering market projected to increase from \$380 million to \$1.1 billion over the same period.

Table 6.4: Retail Expenditure by Key Commodity Group, 2015-2036 (\$M)

Y/E June	Food & Liquor (\$M)	Food Catering (\$M)	Apparel (\$M)	Household Goods (\$M)	Leisure (\$M)	General Retail (\$M)	Retail Services (\$M)
2015	1,018.2	380.0	314.3	501.1	135.3	210.8	83.2
2016	1057.5	396.6	323.3	515.4	139.1	216.8	85.5
2017	1098.4	414.0	332.6	530.1	143.1	223.0	88.0
2018	1157.9	438.2	345.2	550.2	148.5	231.4	91.3
2019	1220.1	463.6	358.2	570.8	154.1	240.1	94.8
2020	1285.1	490.2	371.4	592.0	159.8	249.0	98.3
2021	1353.6	518.4	385.2	613.9	165.7	258.2	101.9
2022	1424.5	547.8	399.1	636.1	171.6	267.5	105.6
2023	1497.9	578.3	413.2	658.5	177.7	276.9	109.3
2024	1575.1	610.5	427.8	681.7	183.9	286.7	113.2
2025	1656.2	644.5	442.9	705.7	190.4	296.8	117.2
2026	1741.5	680.4	458.5	730.6	197.1	307.2	121.3
2027	1830.0	717.9	474.4	755.8	203.9	317.8	125.5
2028	1921.7	756.8	490.4	781.4	210.8	328.6	129.7
2029	2018.0	797.9	507.0	807.9	218.0	339.7	134.1
2030	2119.2	841.3	524.2	835.3	225.4	351.2	138.7
2031	2225.4	887.0	542.0	863.5	233.0	363.0	143.4
2032	2335.3	934.5	559.9	892.1	240.7	375.1	148.1
2033	2448.8	983.8	578.1	921.0	248.5	387.2	152.9
2034	2567.8	1035.7	596.8	950.8	256.5	399.7	157.9
2035	2692.6	1090.4	616.1	981.5	264.8	412.6	163.0
2036	2823.5	1147.9	636.0	1013.3	273.4	426.0	168.2
Expenditure Growth							
2015-2018	139.7	58.2	30.9	49.1	13.2	20.6	8.2
2018-2021	195.7	80.2	40.0	63.7	17.2	26.7	10.6
2021-2026	387.9	162.0	73.3	116.7	31.5	49.0	19.4
2026-2031	483.9	206.5	83.5	132.9	35.9	55.8	22.1
2031-2036	598.1	261.0	94.0	149.8	40.4	62.9	24.9
2015-2036	1805.3	768.0	321.7	512.2	138.1	215.2	85.1
Average Annual Growth Rate							
2015-2018	4.4%	4.9%	3.2%	3.2%	3.2%	3.2%	3.2%
2018-2021	5.3%	5.8%	3.7%	3.7%	3.7%	3.7%	3.7%
2021-2026	5.2%	5.6%	3.5%	3.5%	3.5%	3.5%	3.5%
2026-2031	5.0%	5.4%	3.4%	3.4%	3.4%	3.4%	3.4%
2031-2036	4.9%	5.3%	3.3%	3.3%	3.2%	3.25	3.3%
2015-2036	5.0%	5.4%	3.4%	3.4%	3.4%	3.4%	3.4%

*inflated dollars and including GST

Source: Location IQ

6.3.3 Worker Market

A worker trade area is typically defined as the area within 5-10 minutes' walk of the site (or precinct) and includes areas east and west of the railway line in Hornsby.

Based on Bureau of Transport and Statistics forecasts and journey to work data, it is estimated that there are currently 7,634 workers employed within a 5-10 minutes' walk of the Study Area. Over the period to 2036, the worker population is expected to increase to around 9,954.

The total retail expenditure level of the worker trade area population is currently estimated at \$125.0 million, based on the per capita spending patterns of residents within a 10km radius of the site which are used as a proxy. It is assumed that the workers within the locality generally live within a 10km radius of their place of work, consistent with Journey

to Work analysis in **Table 4.4**. This level of expenditure is projected to increase to \$355.1 million by 2036.

Table 6.5: Worker Trade Area Retail Expenditure

Y/E June	Total Retail Spending (\$M)
2015	125.0
2016	131.9
2017	138.6
2018	145.8
2019	153.2
2020	160.9
2021	169.1
2022	177.5
2023	186.4
2024	195.6
2025	205.3
2026	215.6
2027	225.9
2028	236.5
2029	247.5
2030	259.0
2031	271.0
2032	283.7
2033	296.9
2034	325.2
2035	340.3
2036	355.1
Average Annual Growth (2015-36)	5.1%

*inflated dollars and including GST

Source: Location IQ

Office workers primarily spend on food catering, giftware, leisure and apparel items during their lunch break. Typically, it is estimated that 15%-20% of workers' expenditure will be directed to retail facilities near their place of work. Given the location of Westfield Hornsby within the precinct, however, it is assumed that this proportion is slightly higher, at 25% of total retail expenditure. On this basis, the amount of worker retail expenditure directed to retail facilities within the Hornsby East Precinct is currently in the order of \$30 million and is projected to increase to almost \$90 million by 2036.

A high proportion of this spending would be captured by Westfield Hornsby, however, if convenient, accessible, lower order retail facilities were provided elsewhere within the precinct, they would likely capture some of this spend, given that Westfield Hornsby may be difficult to access and shop in during a lunch hour period.

Worker demand for retail floorspace will be secondary to that of resident demand, workers benefiting from the amenity offered by retail facilities supported by resident demand.

6.4 Retail Market Demand and Potential

This section assesses the market potential for retail floorspace in the Hornsby East Precinct.

6.4.1 Retail Floorspace Provision

The provision of retail floorspace in Australia is approximately 2.2sqm per person. The provision of floorspace has increased over the past 25 years, but generally is viewed to have stabilised in recent years as a result of internet retailing and the like.

The provision of 2.2sqm of floorspace per person includes a wide range of facilities including:

- Traditionally enclosed shopping centres such as regional, sub-regional and supermarket based centres.
- Strips shops.
- Bulky goods and factory outlet centres.
- Highway located facilities.

As an indicative guide, the existing Hornsby East main trade area of just over 160,000 persons, would demand approximately 350,000sqm of retail floorspace across all categories. The Hornsby East Precinct with slightly more than 100,000sqm of floorspace is the largest retail centre in the area, accounting for approximately 30% of total demand. This is a very high proportion of floorspace demand in such an extensive catchment, reflective of the precinct including department stores, discount department stores and supermarkets.

Over the period from 2015 to 2036, the Hornsby resident main trade area population is projected to increase by almost 39,000 persons, with the bulk of the growth accommodated in the primary sector. The additional 39,000 persons would demand a further 85,000sqm of retail floorspace at a constant provision of 2.2sqm per person. This is a relatively conservative view, with retail floorspace per person having increased over the past 25 years. In our view, however, it is appropriate for floorspace demand to remain at this level, given internet retailing impacting on the amount of bricks and mortar floorspace developed over time.

If the Hornsby East Precinct was to continue to attract a share in line with its current share of floorspace at 30%, this would result in demand for a further 25,000sqm of floorspace in this precinct over the period to 2036. Given the primary sector is accommodating the bulk of population growth, in our view, this 25,000sqm should be the minimum amount of floorspace, particularly with high density development planned for within the Hornsby Centre. In the Hornsby East Precinct alone, population is projected to increase from just over 13,000 persons currently to over 24,000 persons by 2036. This accounts for almost half the population growth in the primary sector.

The following sections now consider the types of floorspace that could be provided for in the Study Area.

6.4.2 Major Tenants

The major tenants in the Australian retail environment include department stores, discount department stores and supermarkets. The likely demand for such facilities within the Hornsby East Precinct is outlined below:

- **Department stores**

The two major department stores, Myer and David Jones, are already represented at Hornsby in Westfield Hornsby. In general, it is understood that they are moderate traders and in all likelihood would potentially look to downscale in size over time, consistent with department store trends in Australia.

- **Discount department stores**

Kmart and Target are represented at Westfield Hornsby, with Big W the major tenant currently not represented in the region. There is demand for a third discount department store within Hornsby, however, this would most likely be attracted to Westfield Hornsby rather than a new centre within the Hornsby East Precinct.

A Big W discount department store, for example, could occupy some of the downsized department store space in the future. This has been the experience at locations such as Westfield Hurstville where Myer has vacated the centre.

- **Supermarket**

The three major supermarket chains in Australia, Woolworths, Coles and Aldi, are all represented at Westfield Hornsby. It is understood that these stores trade very strongly. Table 6.6 outlines the provision of supermarket floorspace per 1,000 persons throughout the Hornsby catchment, indicating a low provision (245sqm GLA per 1,000 persons compared with Australian benchmark (325sqm GLA per 1,000 persons).

The growth within the primary sector, particularly in the precinct itself with almost an additional 10,000 persons over the next 20 years, would indicate that another full-line supermarket of at least 3,500sqm would be sustainable. The question is will Woolworths and Coles operate a second supermarket in such close proximity to existing stores. This has been the case in other major Town Centres in Sydney such as Chatswood and Bondi Junction, where two Coles supermarkets operate in close proximity.

Overall, it is our view that another full-line supermarket is supportable within the Hornsby East Precinct.

Table 6.6: Hornsby East Precinct, Supermarket Provision, 2014/15

Y/E June	Total Retail Spending (\$M)
2015	125.0
2016	131.9
2017	138.6
2018	145.8
2019	153.2
2020	160.9
2021	169.1
2022	177.5
2023	186.4
2024	195.6
2025	205.3
2026	215.6
2027	225.9
2028	236.5
2029	247.5
2030	259.0
2031	271.0
2032	283.7
2033	296.9
2034	325.2
2035	340.3
2036	355.1
Average Annual Growth (2015-36)	5.1%

*inflated dollars and including GST
Source: Location IQ

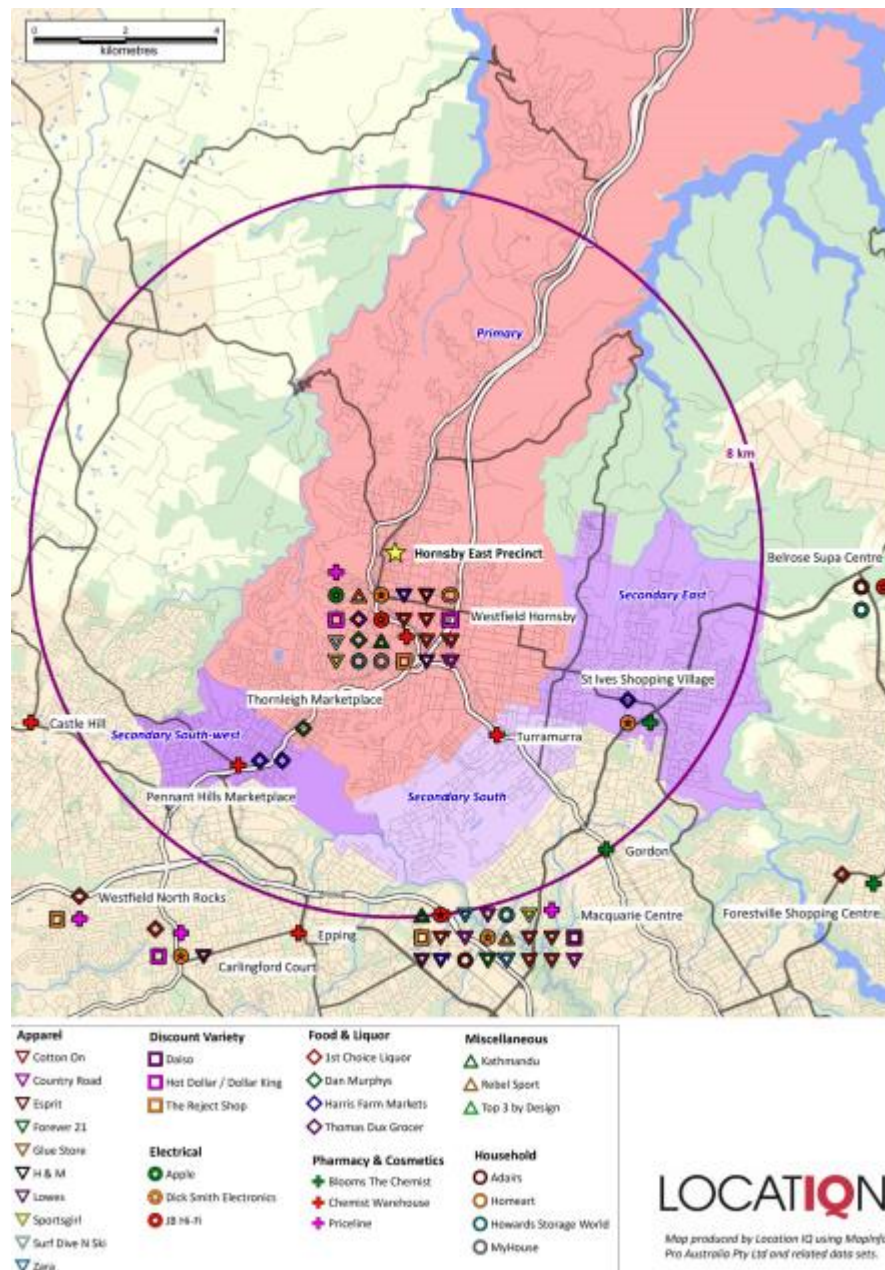
6.4.3 Mini-Major Tenants

Mini-major tenants are retail tenants with a floorspace greater than 400sqm. The provision of mini-major tenants provided at shopping centres in Australia has increased over the past decade, reflecting new tenants in the category, changing consumer preferences and shopping centre owners looking to provide these types of tenants to increase customer flows.

Most mini-major tenants have location requirements to operate as part of larger shopping centres near, major traders such as supermarkets, discount department stores and department stores.

Figure 6.3 illustrates the existing provision of mini-major tenants in the region, with a large provision at Westfield Hornsby including JB Hi-Fi, Dan Murphy's, Chemist Warehouse and Thomas Dux Grocer.

Figure 6.3: Hornsby East Precinct, Mini Major Tenants



Source: Location IQ

A gap analysis of mini-major tenants within the Hornsby market indicates the following:

- There are currently no major international stores represented in Hornsby (i.e. H&M, Zara, Uniqlo, etc.), and if they were to locate, being largely in the apparel category, would only really locate within Westfield Hornsby close to other brands and major tenants.
- Large fresh food operators could be another potential tenant within the strip located next to a potential supermarket.
- Discount variety stores and large format chemists are other stores that would locate within the Hornsby East Precinct outside Westfield Hornsby.

- Dan Murphy's is currently located within Westfield Hornsby, but typically prefers strip locations to pursue excellent visibility and accessibility. First Choice Liquor is not represented and could be another tenant.
- Other tenants who may locate as part of any new retail development with a supermarket could include Trade Secret or Harris Scarfe.

Overall, there are a range of mini-major tenants not represented within the Hornsby East Precinct and in our view, a provision of 5,000sqm-10,000sqm could be supportable over time, depending on the location requirements of tenants. Around half of these tenants would likely locate within Westfield Hornsby if they were apparel focused, with another half located potentially outside in the retail strip.

6.4.4 Specialty Retail Shop Potential

Throughout the Australian retail environment, shopping centres with a larger provision of major and mini-major tenant floorspace typically support a larger provision of retail specialty floorspace as major tenants act as key customer attractors with the specialty shops feeding off these customer flows generated by the larger tenants.

With major and mini-major tenants potentially incorporating 15,000sqm of floorspace, this would indicate potential for a further 10,000sqm of retail specialty shop floorspace. At approximately 100sqm per tenant, this indicates around 100 tenants.

The types of tenants would be a mix of:

- Food retail stores to potentially locate with the supermarket.
- A greater provision of food catering stores, most likely at 20–30 stores, particularly as part of the redevelopment of residential buildings in the surrounding area, activating the precinct over an extended period of the day.
- An increased range of apparel specialty stores likely as part of redevelopment of department store floorspace at Westfield Hornsby.
- A greater range of services such as hairdressers, optometrist, nails and beauty, together with general retailers such as pharmacy, newsagents and the like located as part of the strip.

6.4.5 Summary of Retail Floorspace Potential

Overall, given the increasing population within the Hornsby catchment there is likely to be demand for additional retail floorspace of up to 25,000sqm. The split between Westfield Hornsby and the strip would be approximately 50/50 depending on the locational requirements of individual tenants.

The largest likely additional component would be a discount department store, but as indicated previously, this would more likely be a backfill of a department store.

A full-line supermarket such as Coles or Woolworths may look to operate a second store within the Hornsby Centre. In our view, this is likely to be sustainable over time given the rapid population growth within the Hornsby East Precinct itself. This needs to be tempered in the context of Hornsby West Precinct and retail facilities that may be proposed therein.

Other facilities such as mini-major stores and specialty stores would likely form part of a precinct together with a supermarket, and will form part of ground floor retailing of mixed use developments comprising residential or commercial above in the area.

There is likely to be limited potential for large format retail facilities given the location requirements of these types of stores for exposure to major roads which is not provided by the Hornsby East Precinct.

6.5 Commercial Market Demand and Potential

This section of the report presents an assessment of the likely demand for commercial floorspace within the Hornsby East Precinct over the period to 2036.

It is estimated there is approximately 40,000sqm of commercial floorspace, comprising a range of offices, government and medical facilities. Some of the major tenants in the area include Hornsby Medical Centre, McGrath Real Estate, and a range of medical and legal facilities.

6.5.1 Commercial Floorspace Trends

Key factors which impact on the ability of a region to attract large scale commercial floorspace/office uses include:

- Accessibility, either by road or rail.
- Flexible floorspace.
- Affordable rents.
- Availability of on-site car parking.
- Access to a skilled workforce.
- Provision of amenities on-site/nearby.

The Hornsby East Precinct fulfils a number of these requirements, particularly in terms of good train accessibility, affordable rents and a skilled workforce within the surrounding area, as well as a large provision of on-site facilities. Generally, however, Hornsby is seen as a secondary location for office floorspace due to the following factors:

- It is located outbound to the main Sydney metropolitan area.
- Accessibility by car is very difficult for a broader market to support large scale office floorspace.
- The current existing stock does not have floorspace flexibility for modern uses.
- Many new tenants who locate at locations such as Macquarie Park, North Ryde or Rhodes prefer an agglomeration of tenants in the one location. Hornsby does not provide this.

Overall, therefore, Hornsby provides limited attraction for major commercial uses. This is evident in other major centres such as Epping, where commercial floorspace is indicated to be small in scale, with major institutional and corporate tenants being attracted to the facilities at Macquarie Park and Rhodes.

6.5.2 Projected Jobs Growth

As previously outlined the worker trade area for the Hornsby East Precinct, including likely projected growth in workers based on Bureau of Transport Statistics forecasts. The current workforce is 7,600, increasing to 9,900 within the Hornsby Centre area. This indicates a minimal increase of 2,300 over the next 20 years.

Of the BTS projected growth, approximately 311 workers are considered to be in white collar employment thereby demanding commercial floorspace of 3,106sqm within the Hornsby Centre (assuming an average floorspace of 10sqm per worker).

6.5.3 Summary of Commercial Floorspace

Besides more traditional office floorspace, other commercial uses include non-retail facilities such as banks, travel agents, real estate agents and the like, together with small scale businesses such as legal and solicitors as well as medical.

In our view, these are the types of tenants that are likely to increase in demand within the Study Area over time and thereby complementing its role as a major service centre for the region. These types of tenants would typically occupy either ground floor shopfronts or first floor tenancies rather than in multi-level commercial buildings.

Overall, up to 7,500sqm–10,000sqm of additional shopfront commercial floorspace is likely to be required over the period to 2036, incorporating a range of tenancies. This could also include some further fitness and hotel/pub facilities.

Overall, the demand for traditional commercial office buildings is unlikely to be substantial within the Hornsby East Precinct. The greater demand would come from shopfront uses of which a provision of 7,500sqm–10,000sqm should be planned for over time. This could incorporate a wide range of tenants and to create active street frontages as part of mixed use developments, including residential on upper levels.

7. Accommodating Future Demand

This chapter considers whether the Hornsby East Precinct can accommodate future employment demand. Considerations include lot and ownership patterns, existing uses and planning controls, all of which cumulatively influence the Study Area's ability to accommodate future demand for retail/commercial floorspace.

7.1 Feasibility of New Development

The capacity of urban zoned land to accommodate new development can be thought of as two-fold: planning capacity and market capacity.

- **Planning capacity** refers to the physical ability of land to be developed, taking into account permissibility under planning framework, environmental and infrastructure constraints, etc.
- **Market capacity** refers to issues of commercial viability - whether pricing levels, development costs, etc. that make development a commercial proposition, i.e. if development is financially feasible.

In some instances constraints to housing supply could be as a result of market capacity, relating to market and economic factors, in which case those impediments are beyond the control of planning authorities.

This chapter assesses the 'market capacity' of nominated sites to be developed and suggests amendments to the planning framework where appropriate.

The Hypothetical Development or Residual Land Value (RLV) approach has been adopted as the method of assessment, utilising the development feasibility software Estate Master. The RLV approach involves assessing the value of the end product of the development, allowing for development costs, and making a further deduction for the profit and risk that a developer would require to take on the project.

The Residual Land Value (RLV) can be defined to be the maximum price a developer would be prepared to pay for a site in exchange for the opportunity to develop the site, whilst achieving target hurdle rates for profit and project return. This approach involves assessment of the value of the completed product, making a deduction for development costs and further deduction for profit and risk whilst ensuring the development achieves the target project margin and return.

A key metric for development feasibility is land value, which is a 'residual' after all costs and revenues are taken into account. The figure must be of a sufficient amount to encourage the owner to sell and/or displace the current use. In order for development of the Site to be viable, the Residual Land Value must exceed the 'as is' value of the land, i.e. the value of the land in its existing use including all improvements.

7.1.1 Factors Affecting Feasibility of Development

There are a considerable number of factors affecting the feasibility of individual sites for redevelopment and rarely is a single factor the only cause for poor development feasibility. It is important to understand that urban land is subject to pressures for redevelopment which directly affect their land values and the feasibility of developing into alternate uses.

The following are a selection of common factors that affect the feasibility of development.

Land Value and Site Assembly

Landowner expectations are often directly linked to planning controls, value expectations moving upwards with upzoning of areas.

In order to economically acquire and develop land the proposed use must translate into a higher value than the existing use including any improvements on it (or 'As Is' value). Development will only occur where the proposed use is valuable enough to displace existing uses. Some existing improvements may be dated and due for replacement, in many instances they may provide a good level of functional utility and thereby be valuable.

As a consequence, the acquisition of land can be a high-risk and high-resource activity for developers, particularly where numerous parcels of land have to be amalgamated prior to development. When sites are upzoned to higher densities and landowner expectations often increase in tandem, unrealistic landowner expectations can thwart site assembly efforts.

Experience has shown across Australia that this process is time consuming, costly and results in existing landowners holding out for premium sale prices thereby further undermining project viability.

In many instances of site assembly, a premium is paid to individual landowners to incentivise sale. This is all the more relevant in the Study Area where smaller lot sizes necessitate the need to acquire a number of properties in one transaction to effectively assemble an appropriately sized development parcel.

Specific to the Study Area, sales analysis indicates that sites in the B4 zone have historically sold at prices in the region of \$3,000/sqm to \$7,000/sqm of site area, while properties in the B5 zone sell at more modest levels of between \$2,000/sqm and \$3,000/sqm of site area. Property prices are reflective of their planning controls, i.e. the uses and densities that are permitted on a site. In order for a property to be redeveloped, the resultant site value of the development site needs to exceed these current property prices in order to be feasible and displace the existing uses.

A review of lot and ownership patterns in the Study Area indicate that more than 60% of allotments are less than 1,000sqm in size. Furthermore, more than 90% of allotments are in separate ownership.

Effective Demand

Commercial property markets are diverse. There is distinctly a two-tier market observable in every major office market (CBD and suburban), prime (A grade) commercial floorspace commanding not only higher rents and values but noticeably lower vacancies and incentives as well as enjoying shorter letting up periods compared to secondary (B, C, D grade) floorspace.

Pricing and demand for office space in established suburban office markets demonstrate that businesses see the benefit of not only being located close to public transport options, but also in an environment where there is critical mass of similar commercial tenants and associated amenity.

Centrally located suburban office precincts appeal to organisations that look for a cheaper alternative to CBD office space. Nevertheless, these locations should feature access to good public transport links, staff amenity (e.g. restaurants, cafés and shops) as well as being accessible to key markets.

In the case of Hornsby, it is not an established office market like Parramatta, Chatswood, North Sydney and Macquarie Park are. As a consequence, there are limited number of large/institutional tenants who would be attracted to Hornsby. Notwithstanding the limited appeal to large commercial occupiers, the Study Area is well positioned to appeal to smaller tenants and service-based businesses requiring competitively priced floorspace as they respond to local/regional population growth.

Construction Costs

The cost of construction can increase substantially as buildings become taller. Service requirements will dictate that more lifts will be required so that vertical transportation times are not compromised. Service shafts and fire escapes are correspondingly wider too.

In deciding the amount of capital to apply to a site, i.e. how intensely the site should be developed, developer capital will be applied to the point where incremental revenue is equal to incremental cost.

In Hornsby, there is limited market appeal to commercial occupiers and hence limited potential for higher commercial floors to secure higher prices, as compared to locations such as Sydney CBD or North Sydney where prices on the 30th floor are many-fold prices on the sixth floor. This accordingly limits the amount of developer capital applied to a site.

Table 7.1 outlines the potential cost and revenue differential as buildings become taller in Hornsby. For comparison purposes, indicative revenue differential observed in Sydney CBD is also provided.

Table 7.1. Indicative Cost v Revenue Comparison

Building Heights	Commercial Floorspace (\$/sqm)				Residential Floorspace (\$/sqm)			
	Hornsby		Sydney CBD		Hornsby		Sydney CBD	
	Ave. Cost	Ave. Revenue	Ave. Cost	Ave. Revenue	Ave. Cost	Ave. Revenue	Ave. Cost	Ave. Revenue
<3 storeys	\$1,750	\$4,000	\$1,750	\$5,000	\$1,900	\$8,000	\$1,750	\$12,000
4-7 storeys	\$2,300	\$5,000	\$2,300	\$8,000	\$2,100	\$9,500	\$2,300	\$15,000
7-20 storeys	\$3,300	\$6,000	\$3,300	\$12,000	\$2,700	\$10,000	\$3,300	\$25,000
21-35 storeys	\$4,700	\$7,000	\$4,700	\$18,000	\$3,500	\$12,000	\$4,700	\$30,000

Source: Rawlinsons (2015), RLB (2015), AEC

Towers will only be developed in locations where developers can expect to offset the increased cost of construction (taller buildings and more basement levels) and risk with higher revenue levels. It is therefore no surprise that office towers are feasible to develop in limited markets, particularly in the Sydney CBD.

Planning/Development Controls

Planning and development controls have the ability to affect feasibility through changes in land use zoning and densities but also through the costs associated with design requirements and securing planning approvals. Codes for parking, open space, sustainability, etc. all have the ability to influence the cost of development.

As an example of the influence of development controls, an increase in density will increase height and the cost of construction but may also impact on code-based requirements such as the ability to provide efficient private open space and car parking areas. The cost of code compliance could have a disproportionate impact on cost, e.g. where additional basement parking is required, and could severely undermine the economics/feasibility of development.

Summary

In established urban areas in close proximity to transport networks and major centres, site amalgamation and assembly is arguably the largest challenge for development and renewal. In some instances redevelopment into higher densities is sufficient to displace existing uses and facilitate site assembly for development, however landowner objectives are not always financial in nature and do not always align to enable development.

There is considerable residential development ongoing in Hornsby Centre, however this is confined to non-retail dominated sites where 'as is' site values are comparatively cheaper.

Overall, Hornsby Centre enjoys good market acceptance with existing uses commensurately valuable. Existing residential uses (e.g. cottages) are generally less valuable (on a rate per square metre of site area) compared to existing retail/commercial uses and hence minimum density thresholds required to displace existing residential uses would be lower than those required to displace existing retail/commercial uses.

Notwithstanding the demand for retail/commercial floorspace in Hornsby Centre, in order for large scale commercial buildings to be developed, a proportion of pre-commitments will be mandated by development financiers in the same way that a proportion of pre-sales are mandated by residential development financiers. To this end, smaller scale developments (i.e. retail/component as a proportion of overall development or small scale retail/commercial that is financed from equity) are more likely to occur in Hornsby.

The small lot patterns and ownership fragmentation issues in Hornsby Centre have resulted in new development confined to larger sites where few landowners are involved.

7.1.2 Generic Feasibility Analysis

This section provides an overview of generic feasibility testing carried out to assess the appropriateness of current planning controls to accommodate employment floorspace (i.e.

retail/commercial uses) and future employment growth. Notional development schemes premised on specific densities and land use types are tested for development feasibility.

This section approached generic feasibility testing in a two-step process:

- Testing of various development typologies on a hypothetical site of 2,000sqm.
- Testing of current planning controls on two sites in the Study Area.

Prevailing property prices ('as is' values) are a key factor to development feasibility. Sites with significant and valuable buildings will expectedly have higher property values and therefore cost more to amalgamate into a development block.

In some instances the redevelopment of these (more valuable) sites can be incentivised with higher densities. That said, not all land uses and locations respond to density., as evidenced by the cost-revenue equation as outlined in **Table 7.1**.

Notional Development Typologies on Hypothetical Site

A hypothetical site of 2,000sqm is used to test the generic feasibility of three development types. A density of FSR 5:1 is assumed to calculate residual land values (RLVs) associated with each development type. The development types tested are:

- Retail/commercial building (100% non-residential uses).
- Mixed use residential building, ground floor retail uses (FSR 0.5:1).
- Mixed use building (ground retail and first few levels commercial, upper levels residential):
 - FSR 1:1 non-residential;
 - FSR 2:1 non-residential;
 - FSR 3:1 non-residential.

In order to be considered feasible to develop, the RLVs associated with each development type must exceed the 'as is' value of a site in order to displace its existing uses. Based on market evidence analysed in Chapter 5, site values in the Study Area are valuable, achieving rates of \$4,000/sqm to \$7,000/sqm of site area¹.

Overall the financial feasibility results of development vary according to development type. Development types that incorporate an element of residential uses perform much better, residential uses effectively cross-subsidising development of non-residential uses.

Table 7.2. Generic Feasibility Testing Outcomes of Development Types

Description	Retail/ Commercial	Mixed Use (Ground retail, Commercial, Residential)			
		FSR 5:1 non-residential	FSR 1:1 non-residential	FSR 2:1 non-residential	FSR 3:1 non-residential
Land Use Split	100% non-residential	Ground retail, FSR 4.5:1 residential	Podium commercial, FSR 4:1 residential	Podium commercial, FSR 3:1 residential	Podium commercial, FSR 2:1 residential
Assumed Total FSR	FSR 5:1	FSR 5:1	FSR 5:1	FSR 5:1	FSR 5:1
Average Revenue (\$/sqm) ¹	\$6,000	\$9,279	\$8,733	\$8,201	\$7,686
Average Cost (\$/sqm) ²	\$5,544	\$6,663	\$6,659	\$6,595	\$6,570
Residual Land Value (RLV) (\$/sqm of site area)	-\$653	\$7,270	\$6,125	\$5,225	\$4,210
Feasible? ³	No	Marginal to Feasible			No

Notes:

1 - based on net saleable area, 2- based on gross building area

3 - based on a range of assumed 'as is' values of \$4,000/sqm to \$7,000/sqm

Source: AEC

¹ Historical sale prices of \$3,000/sqm of site area are dated and accordingly \$4,000/sqm of site is considered to be more reflective of present day market conditions, accordingly adopted as a proxy for the lower end of 'as is' values.

The less established nature of Hornsby as a commercial market impacts its ability to command higher revenue required to make commercial tower development feasible. A commercial tower development returns a negative residual land value, primarily owing to the likely inability of revenue to offset the higher cost of constructing taller buildings.

In contrast, mixed use developments perform better in financial feasibility terms (residual land values ranging from \$4,210/sqm to \$7,270/sqm). The feasibility of mixed use development is inversely related to the proportion of non-residential floorspace incorporated in the development.

Whether these development types are feasible would depend on the 'as is' site values of proposed locations. As earlier identified based on sales transactions, 'as is' site values in the B4 zone range from \$3,000/sqm to \$7,000/sqm of site area. Some of the sales are dated (2011-2012) and accordingly if sold today, a range of \$4,000/sqm to \$7,000/sqm would be more relevant. This does not include premiums conceivably necessary to amalgamate several allotments and to incentivise owners to sell.

After including a 20% premium, the cost of site assembly could be \$4,800/sqm to \$8,400/sqm of site area. Based on the residual land values in **Table 7.2** it would suggest that non-residential FSR of up to 2:1 could be tolerated in instances where 'as is' values are at the lower end of the range.

The role of residential uses in cross-subsidising the development of non-residential uses (employment floorspace) is evident from the residual land value (RLV) results in **Table 7.2**, RLVs are inversely related to the proportion of non-residential floorspace.

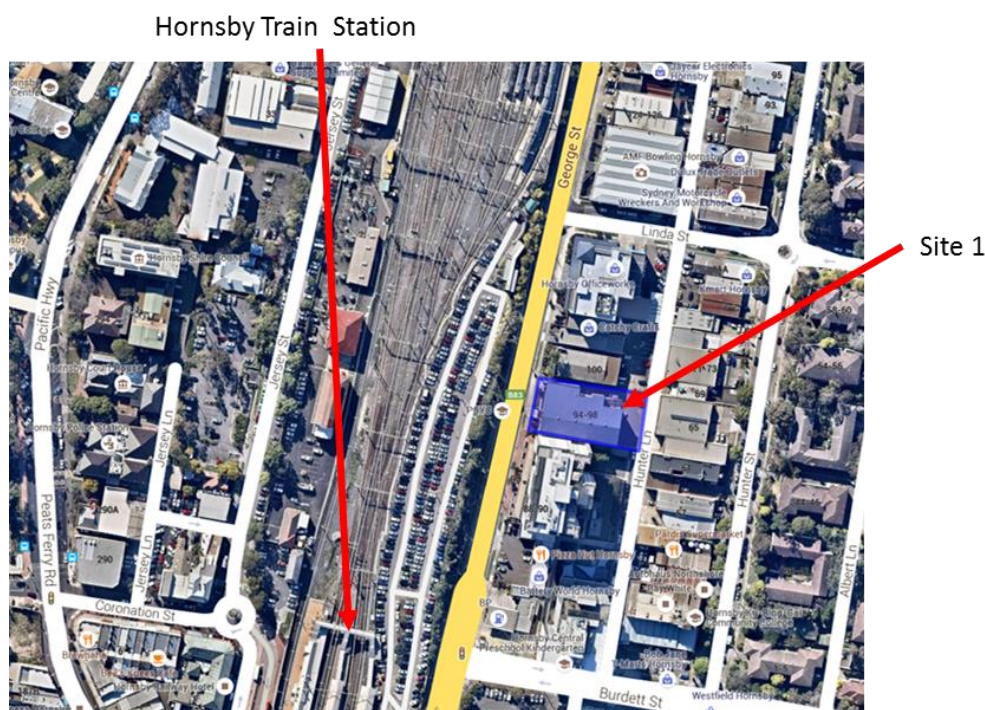
Notwithstanding the overall desirability of Hornsby Centre for residential uses, owing to the high cost of land, in order for development to be feasible, cross-subsidisation of retail/commercial uses is required by residential uses.

Further feasibility is undertaken on two select sites in the Study Area.

Site 1: 94-98 George Street

A two storey brick commercial building currently occupied by the PCYC. The site has an area of 1,843sqm over three lots. The site is zoned B4 Mixed Use with a total FSR of 5:1 and a minimum non-residential FSR of 2:1.

Figure 7.1: Site 1 Aerial Image



Source: Nearmap

The following notional development yields are subject to feasibility testing to ascertain if the existing density of FSR 5:1 is feasible, specifically maximum residential FSR permitted.

Based on market evidence, we have assumed the 'as is' value of the 3 lots to be \$12.5million (\$6,757/sqm of site area). This is based on a recent sale of the site, however at the time of analysis the property had not yet settled.

Various increased density scenarios are then iteratively tested to identify the minimum density threshold required for feasible redevelopment of the site.

Table 7.3: Site 1 Notional Development Options

	Notional Development Option	Alternate Development Option
Site Area	1,850sqm	1,850sqm
Indicative Development Yield (GFA)	FSR 5:1 (9,250sqm, 8 storeys)	FSR 5:1 (9,250sqm, 8 storeys)
Retail/Commercial (FSR)	FSR 2:1 (3,700sqm)	FSR 0.5:1 (925sqm)
Residential	FSR 3:1 (5,550sqm or 63 units)	FSR 4.5:1 (8,325sqm or 95 units)
Basement Parking		
Retail/Commercial	100	23
Residential	112	161
Visitors	16	32
Feasibility	No	Yes

Source: AEC

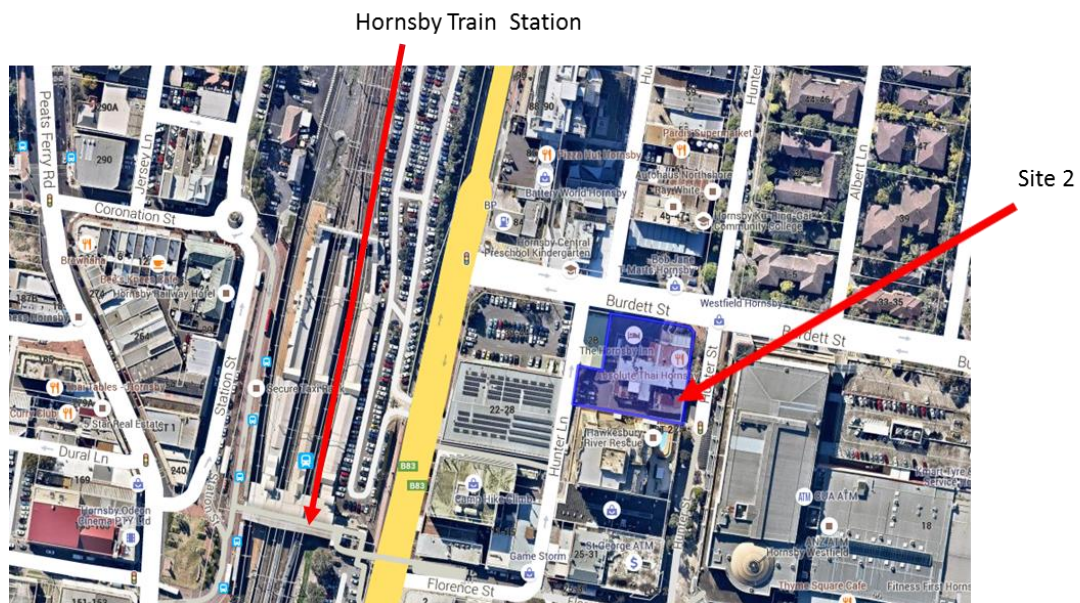
Owing to the cost of site assembly, existing planning controls (FSR 5:1 with a maximum residential FSR of 3:1) are not feasible to develop, feasibility only becoming positive when the maximum residential FSR is increased to FSR 4.5:1 (consequently decreasing non-residential FSR to 0.5:1).

Despite the feasibility results, this site is understood to have recently been acquired by a developer at deemed knowledge of applicable planning controls. It is conceivable an element of speculative activity was present, thereby influencing the price of \$12.5m paid for the site.

Site 2: Hornsby Inn

A two storey brick commercial building currently occupied by the Hornsby Inn. The site has an area of approximately 2,639sqm. The site is zoned B3 Commercial Core with a total FSR of 5:1.

Figure 7.2: Site 2 Aerial Image



Source: Nearmap

A notional 'as is' site value of \$4,000/sqm is assumed for the site - this rate at the lower end of the range of 'as is' site values of \$4,000/sqm to \$7,000/sqm of site area.

Feasibility testing is carried out to ascertain if the existing planning controls of FSR 5:1 retail/commercial are feasible.

Table 7.4: Site 2 Notional Development Option

	Notional Development Option
Site Area	2,639sqm
Indicative Development Yield (GFA)	FSR 5:1 (13,195sqm, 8 storeys)
Retail/Commercial	13,195sqm
Residential	-
Basement Parking	
Retail/Commercial	330
Residential	
Visitors	
Feasibility	No

Source: AEC

The existing planning controls in the B3 Commercial Core zone do not facilitate feasible development (FSR 5:1). This is primarily due to the modest end sale values likely to be realised for completed commercial space, reinforcing the view that residential uses are required to cross-subsidise the provision of commercial floorspace.

Commercial centres require critical mass and large pre-commitments to spur large scale commercial development. The Study Area is challenged on a number of fronts, most of which are beyond Council's control. The cost of land acquisition/site assembly necessitates higher commercial rents than what the market is likely willing to pay considering the competitive offer in Macquarie Park, Chatswood, etc. Even if pre-commitments were able to be secured, the economic rent for a feasible commercial development in the Study Area would unlikely be competitive.

7.2 Development Scenarios

In considering the options available for the Study Area, three scenarios have been considered. They are:

- No change, i.e. the B3 Commercial Core and B4 Mixed Use and B5 Business Development zones are unaltered and no refinements to the land uses or planning controls are made.
- Rezone the entire B3 Commercial Core to B4 Mixed Use zone and retain the maximum residential FSR control (and minimum non-residential FSR control) within the B4 Mixed Use zone. The B5 Business Development zone is retained.
- Expand the B3 Commercial Core (and reduce the B4 Mixed Use zone) to the block between Burdett Street and Linda Street. This includes a relaxation of the current prohibition of residential development in these areas. The B5 Business Development zone is retained.

Consideration could be given to include those sites which may fall outside the B3 or B4 zone but which currently provide employment floorspace. The inclusion of these fringe sites to impose a more restrictive allowance for residential development and a greater retention of non-residential uses could positively contribute to employment floorspace provision.

Each scenario is analysed below, with regard to the following considerations:

Consistency with two objectives of A Plan for Growing Sydney:

- Work with council to retain a commercial core in Hornsby, as required, for long-term employment growth; and
- Work with council to provide capacity for additional mixed-use development in Hornsby including offices, retail, services and housing.

Scenario 1: No Change (Business-as-Usual)

This option does not address the underlying intent of the investigation, which is to ensure that the Hornsby East Precinct re-establishes itself as an employment centre for the Northern subregion and achieve the objective of *A Plan for Growing Sydney* to accommodate long-term employment growth.

No change to the planning controls in the Study Area is likely to witness continued incremental refurbishment and alteration activity within the current improvements, underpinned by high property values. Owing to existing land values, lot patterns and ownership fragmentation issues, the quantum and nature of employment floorspace is likely to remain largely unchanged.

Scenario 2: Rezone B3 Commercial Core to B4 Mixed Use

This option to rezone the entire B3 Commercial Core to B4 Mixed Use raises particular concerns about the viability of the Hornsby East Precinct as an on-going employment area. This outcome would be contrary to the objectives for Hornsby in *A Plan for Growing Sydney*.

The application of the B4 Mixed use zone to the entire Commercial Core area could risk undermining the real and perceived status of the Hornsby Strategic Centre as an employment area and its conversion to a residential dormitory. The continued application of maximum caps on residential uses would assist in mitigating this risk.

Scenario 3: Reduce B4 Mixed Use zone by Expanding B3 Commercial Core zone

This option proposes an expansion of the B3 Commercial Core zone and consequent reduction in the B4 Mixed use zone. This would be undertaken in conjunction with a relaxation on the current prohibition of residential development in the B3 Commercial Core.

This option could see a concurrent application of a minimum non-residential FSR (as opposed to a maximum residential FSR) to reinforce the employment objectives of the B3 Commercial Core zone.

8. Comparison with Other Centres

In order to understand the nature of future potential employment growth in Hornsby, a number of centres were chosen for comparison. These centres were chosen as they are each significant in their own right as retail/commercial centres.

8.1 Burwood

8.1.1 Employment Profile

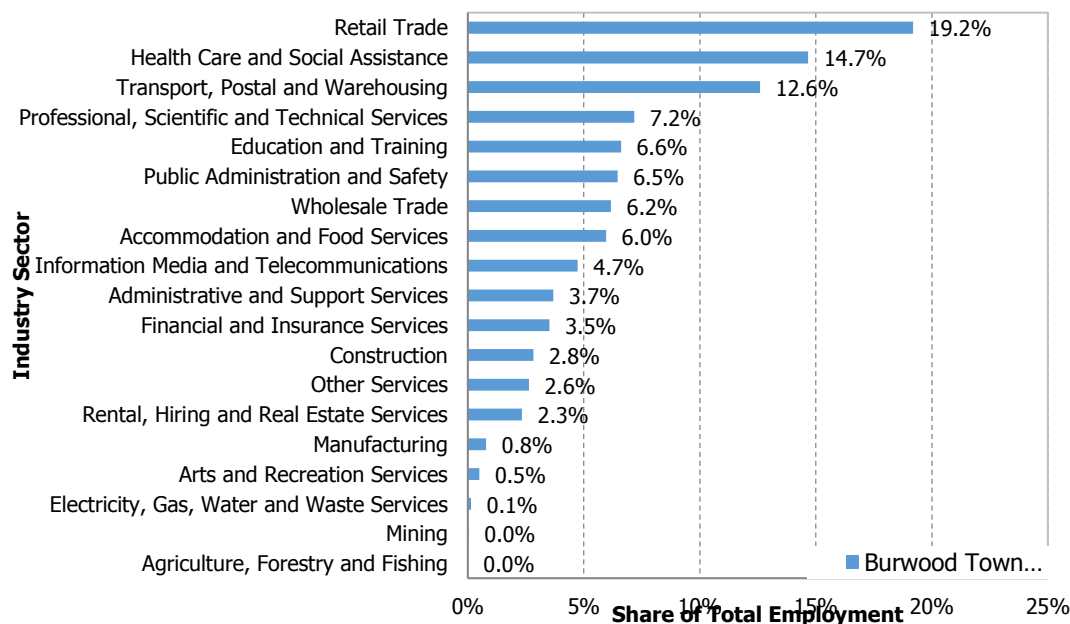
Burwood is identified as a Strategic Centre in accordance with *A Plan for Growing Sydney*. According to the NSW Bureau of Transport Statistics the Burwood town centre is projected to grow by 3,943 employees (or 34%) by 2036.

Burwood town centre contained 10,366 employees in 2011, increasing from 9,121 (or by 13.7%) from 2006. The top three industries of employment in Burwood Town Centre are:

- Retail trade (19.2%).
- Health Care and Social Assistance (14.7%).
- Transport, Postal and Warehousing (12.6%).

The majority of employees who travel to Burwood town centre for work are from the Burwood LGA (10.1%), Canterbury LGA (7.6%) and Canada Bay LGA (7.1%).

Figure 8.1: Burwood Town Centre, Employment by Industry (2011)



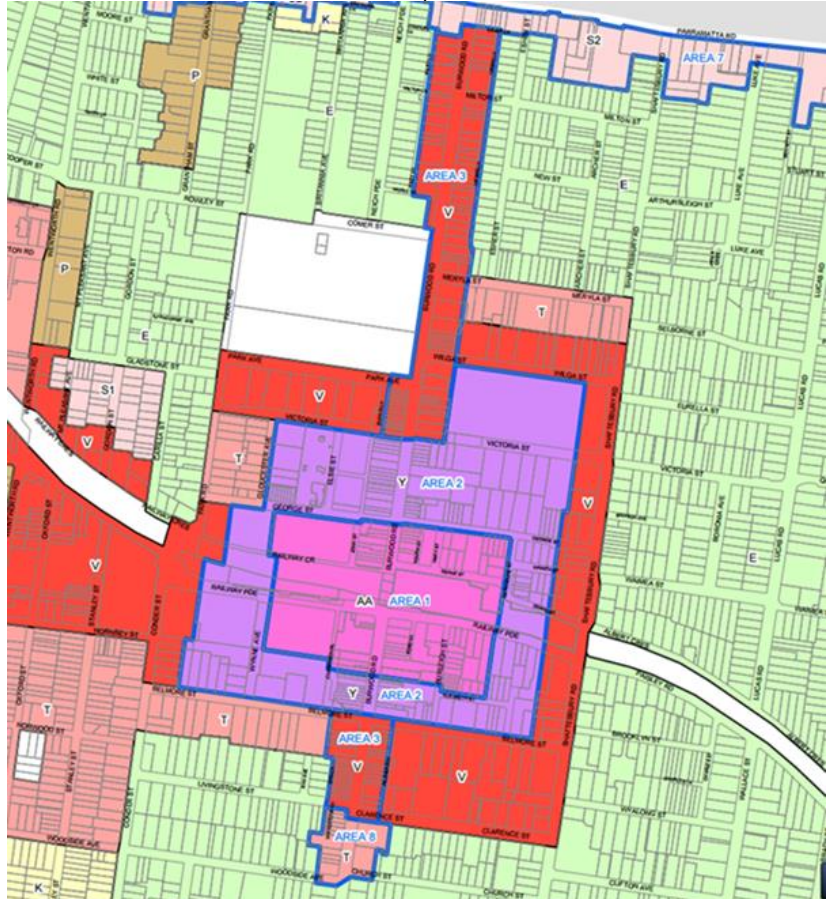
Source: BTS (2012)

8.1.2 Existing Planning Controls

The Burwood Local Environmental Plan (2012) is the principal planning instrument and provides for and guides development in the Burwood LGA. The Burwood Development Control Plan (2012) contains controls for specific matters including car parking.

An analysis of planning controls shows that the Burwood Centre is zoned B4 Mixed Use. A summary of the planning controls specific to Burwood Town Centre is set out below.

Table 8.1. Burwood Town Centre, Summary of Planning Controls

Burwood Town Centre Planning Controls	
Planning Instrument	Burwood Local Environmental Plan (2012)
Land Use Zone	B4 Mixed Use
Land Use Zone Objectives	- To provide a mixture of compatible land uses. - To integrate suitable business, office, residential, retail and other development in accessible locations so as to maximise public transport patronage and encourage walking and cycling.
Permissible Land Uses	This zone permits a range of uses, the key uses it permits include: commercial premises, residential flat buildings, attached dwellings and shop top houses.
Prohibited Land Uses	The zone prohibits a range of uses, of note it prohibits some residential uses i.e. multi-dwelling houses, dwelling houses and dual occupancies.
FSR	The floorspace ratio controls vary throughout the Burwood Town Centre and include: 2:1, 3:1, 4.5:1 and 6:1.
Heights	The height controls are varied and comprise: 15m, 30m, 60m and 70m.
Exceptions to FSR Controls	In order to limit the density of residential development in certain business zones, the LEP states that within certain areas within the Burwood Town Centre, the FSR of any part of a building used for the purpose of residential must not exceed: - FSR 2.0:1 within "Area 1" on the FSR Map. - FSR 3.0:1 within "Area 2" on the FSR Map. - FSR 2.7:1 within "Area 3" on the FSR Map. - FSR 1.8:1 within "Area 8" on the FSR Map. 
Car Parking Ratio (Burwood DCP 2012)	On land zoned B4 Mixed Use in the Burwood Town Centre: - Commercial Core and Middle Ring Areas 1 space for the first 400sqm GFA or part thereof, plus 1 space per 120sqm GFA or part thereof additional to the first 400sqm GFA. These rates are the minimum and maximum requirements.

Source: Burwood Council (2012)

8.1.3 Property Market Activity

Burwood is primarily a retail destination with strip retail along Burwood Road extending from Parramatta Road down to Liverpool Road with the core of the retail in and around Westfield and the Burwood Train Station. Existing built form is characterised by a mix of office buildings, retail strip shops and major-regional shopping centre Westfield Burwood.

Informal discussions with agents active in the area have indicated that although the retail market is performing strongly in the town centre, fringe areas particularly those close to or on Parramatta Road can be patchy. Many ground floor strip shops towards Parramatta Road are occupied by commercial uses which achieve lower rents whilst retail floorspace close to the train station and Westfield Burwood are occupied by a variety of retail uses.

The strong performance of ground floor retail surrounding the Westfield shopping centre in comparison to fringe locations towards Parramatta Road is underpinned by strong demand owing to the convenient and accessible proximity to the shopping centre. The higher patronage in and around the shopping centre is a result of high profile anchor tenants located in Westfield which include Coles, Woolworths, David Jones and Target.

Commercial/office buildings perform equally strongly with many large corporations and government agencies occupying space in Burwood town centre. The Burwood commercial market is generally viewed as attractive with many good quality commercial buildings enjoying good train access and proximity to the shopping centre.

Retail Uses

There have been limited sales transactions in the town centre of retail strip shops. Investigations revealed that shops available for lease located at the southern end of the precinct closer to the shopping centre are generally well occupied whilst shops located close to and on Parramatta Road perform poorly achieving lower rental returns.

Informal discussions with local agents revealed that softer leasing rates were achieved between Westfield shopping centre and Parramatta Road in the order of \$400/sqm-\$1,000/sqm net of floor area depending on location, size and building quality. In comparison the more desirable end of Burwood Road, not located in the precinct achieves between \$1,000/sqm-\$2,700/sqm net of floor area depending on proximity to the Westfield shopping centre.

Retail strip shops along Burwood Road are well occupied with limited vacancies. Take-up periods are typically 6-12 months.

Commercial Uses

Commercial/office buildings have a significant market presence in Burwood as many corporate headquarters and government departments locate in the area underpinning demand for commercial office space from large and smaller businesses.

Leasing evidence suggests leasing rates are in the order of \$300/sqm-\$420/sqm net of floor area with low vacancy rates between 3%-4%.

Commercial space located closer to Parramatta Road achieves lower rents due to distance to the station and shopping centre in addition to lower quality and aged buildings. An office suite of 136sqm was leased at 9 Burwood Road after 1 month on the market for \$300/sqm net for 3 + 3 years with incentives of one month rent free.

Cheaper commercial/office space is popular with commercial services such as real estate agents and other financial services or businesses starting up or relocating to more affordable premises.

Development Activity

The pipeline demonstrates there is limited commercial/retail development in the pipeline for the suburb of Burwood. Similar to other centres across Sydney, development activity is dominated by mixed use developments.

8.1.4 Planning for Future Growth

Council has also focused much energy into understanding the economics of development, testing the viability of its planning controls to better understand their implications.

As depicted in the map in **Table 8.1**, Council has established a maximum component of residential floorspace for nominated areas in the B4 Mixed Use Zone in order to strengthen the commercial focus of the centre and support employment generating floorspace. This nevertheless allows residential floorspace to assist in the viability of redevelopment.

8.2 Blacktown CBD

8.2.1 Employment Profile

Blacktown is identified as a Strategic Centre in accordance with *A Plan for Growing Sydney*. According to the NSW Bureau of Transport Statistics the Blacktown CBD is set to grow by 5,578 employees (or 49.6%) by 2036.

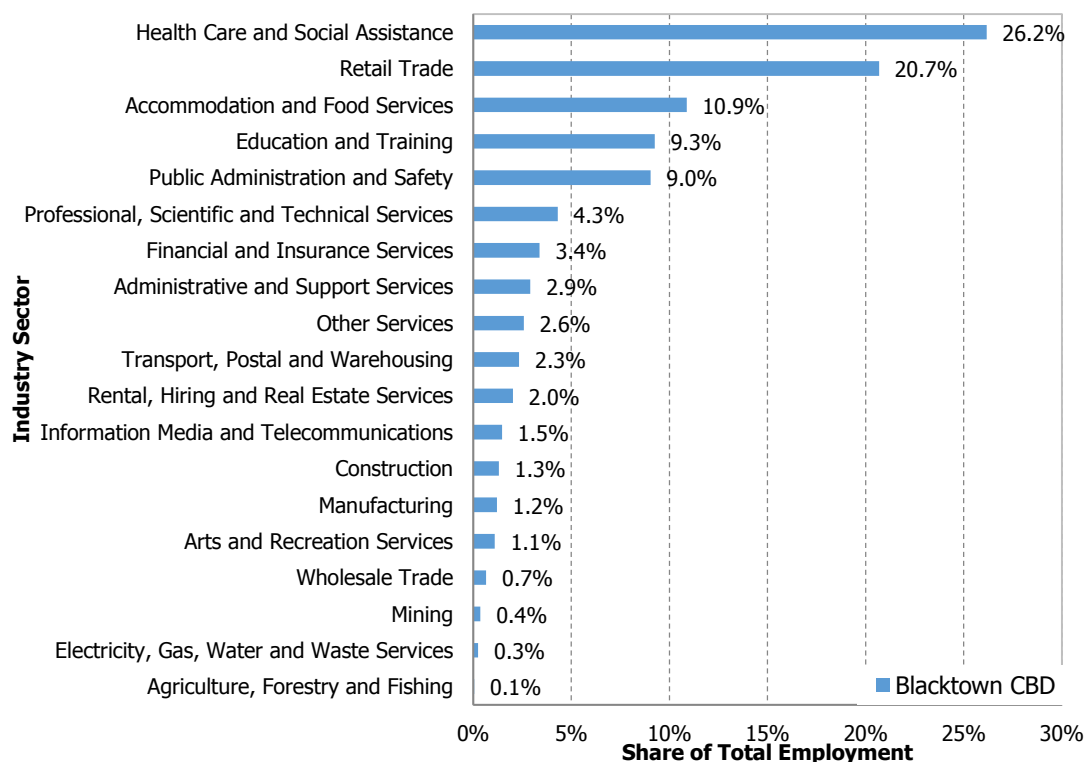
The Blacktown CBD contained 7,668 employees 2011, growing from 7,130 (or 7.5%) from 2006.

The top three industries of employment in the Blacktown CBD are:

- Retail trade (25.2%).
- Public administration and safety (17.8%).
- Accommodation and food services (11.6%).

The majority of employees who work in Blacktown CBD travel from Blacktown LGA (49.9%) followed by Penrith LGA (11.4%) and The Hills Shire (7.5%).

Figure 8.2: Blacktown CBD, Employment by Industry (2011)



Source: BTS (2012)

8.2.2 Existing Planning Controls

The Blacktown CBD is comprised of B3 Commercial Core and B4 Mixed Use zones. A summary of the planning controls specific to Blacktown CBD is set out below.

Table 8.2. Blacktown CBD, Summary of Planning Controls

Blacktown CBD Planning Controls	
Planning Instrument	Blacktown Local Environmental Plan 2015
Land Use Zone	B3 Commercial Core and B4 Mixed Use
Land Use Zone Objectives	B3 Commercial Core - To provide a wide range of retail, business, office, entertainment, community and other suitable land uses that serve the needs of the local and wider community. - To encourage appropriate employment opportunities in accessible locations. - To maximise public transport patronage and encourage walking and cycling. - To encourage business and support activities in appropriate locations in the Blacktown central business district. - To encourage and provide active street frontages and a network of pedestrian-friendly streets and lanes. B4 Mixed Use - To provide a mixture of compatible land uses. - To integrate suitable business, office, residential, retail and other development in accessible locations so as to maximise public transport patronage and encourage walking and cycling.
Permissible Land Uses	B3 Commercial Core: this zone permits a range of uses, the key uses it permits include: commercial premises, hotel/motel accommodation and shop top housing. B4 Mixed Use: this zone permits a range of uses, some of the key uses permitted include: commercial premises, hotel/motel accommodation and shop-top housing.
Prohibited Land Uses	B3 Commercial Core: zone prohibits a range of uses, one of the key uses prohibited is residential accommodation. B4 Mixed Use: zone prohibits a range of uses, a key prohibited use is residential accommodation (noting shop top housing and seniors housing are permitted uses).
FSR	B3 Commercial Core: 3:1, 4:1, 5:1, 6:1, 8.5:1 B4 Mixed Use: 3:1, 4:1, 4.5:1, 6.5:1, 7.5:1
Heights	B3 Commercial Core: 26m, 50m, 56m, 72m B4 Mixed Use: 26m, 38m, 44m, 50m, 56m, 64m, 72m
Exceptions to FSR Controls	The LEP contains clause 4.6 which allows for an exception to a development standard to be granted by demonstrating: (a) that compliance with the development standard is unreasonable or unnecessary in the circumstances of the case, and (b) that there are sufficient environmental planning grounds to justify contravening the development standard.
Car Parking Ratio (Blacktown DCP, 2015)	<i>Commercial/Office Premises</i> - 1 space/30sqm GFA, plus 1 space/2,000sqm GFA for courier/service vehicles. <i>Retail Shop/Showroom</i> - Shops 200sqm or greater - 1 space/22sqm GFA, Shops less than 200sqm - 1 space/30sqm GFA <i>Supermarket, Vegetable/Fruit Market</i> - Shops 200sqm or greater - 1 space/22sqm GFA, Shops less than 200sqm - 1 space/30sqm GFA It should be noted that Council has adopted a parking strategy which limits the amount of on-site parking to be provided on land in certain locations within the CBD and requires all car parking to be provided on-site in other locations. This strategy aims to minimise the impact of traffic in the highly pedestrianised "heart" of the centre, maximise accessibility of developments to car parking and enhance efficiency of the proposed ring road system. The car parking strategy designates locations where: (a) Council may allow only minimal car parking to be provided on-site - an upper limit of 25% of the total car parking requirement. The balance of the car parking is to be provided by way of a monetary contribution for car parking; (b) Council may give consideration to the partial provision of car parking onsite and acceptance of a parking contribution in lieu of car parking spaces not provided. The exact mix of on-site and off-site parking will be determined by consideration of the traffic impact of the proposed development. As a guide, Council may permit 50% of car parking to be provided on-site in designated locations; and (c) Council may require all car parking to be provided on-site.

Source: Blacktown City Council (2015), Blacktown City Council (2015)

8.2.3 Property Market Activity

Blacktown is located in Greater Western Sydney approximately 34 kilometres from the Sydney CBD. The centre is occupied by the Westpoint Shopping Centre which includes anchor tenants Big W, Coles, and Woolworths.

Blacktown contains retail strip shops, office buildings and freestanding retailers. Major retail strip include Main Street and Alpha Street which are occupied by retail and commercial uses - these are areas which have good pedestrian access and benefit from high volumes of foot traffic.

The Blacktown City Council is located in the centre in addition to a library and arts centre. Blacktown is serviced by bus and train services providing public transport links.

The Blacktown CBD is comprised of B3 Commercial Core and B4 Mixed Use zones. Investigations reveal that rents and achieved capital values are not reflective of zoning but rather their location and proximity to the shopping centre, train station and level of exposure to passing traffic and pedestrians.

Retail Uses

Demand in the centre is underpinned by strong population growth experienced in surrounding areas increasing the demand for retail and commercial services in the town centre. As a result many businesses seek to operate in Blacktown due to its convenient location and large catchment.

Sale and rental rates are strong in the centre particularly in areas of high pedestrian traffic, a recent sale on Flushcombe Road achieved a rate of \$6,400/sqm of lettable area and leased for \$486/sqm net.

Commercial Uses

Market investigations revealed that the Blacktown CBD is tightly held with limited stock available for lease or sale.

Office space under 300sqm attracts between \$2,000/sqm and \$3,000/sqm of floor area depending on location and desirability of the floor space. Net rents are in the region of \$200/sqm to \$250/sqm depending on the quality of space.

Major tenants which occupy commercial floor space in the commercial core include government funded operations, government departments and community service based organisations in addition to businesses occupiers.

8.2.4 Planning for Future Growth

Council has placed a large emphasis on setting a clear vision for the Blacktown CBD through preparing the Blacktown CBD Masterplan which underpinned Blacktown Local Environmental Plan (Central Business District) 2012. Council have zoned the CBD Precinct B3 Commercial Core and B4 Mixed Use. This zoning has been applied to reinforce the CBD's role as the core of a Regional City that provides business, entertainment and community uses directly linked to major transport routes.

The height controls in place for the Blacktown CBD seek to encourage taller buildings in the CBD and around the Blacktown train station. The heights gradually transition towards the surrounding Health and Education, Business Park and residential Precincts. Overall, taller buildings are to be located in the CBD. Low scale mixed use buildings are to be located along Main Street to encourage human scale development. The FSRs for the CBD Precinct are set to regulate high quality development.

8.3 Campbelltown CBD

8.3.1 Employment Profile

Campbelltown CBD is identified as a Strategic Centre in accordance with *A Plan for Growing Sydney*. According to the NSW Bureau of Transport Statistics the Campbelltown CBD is set to grow by 4,133 employees (or 50.4%) by 2036.

The Campbelltown CBD contained 13,292 employees in 2011, increasing from 11,371 (or 16.9%) from 2006.

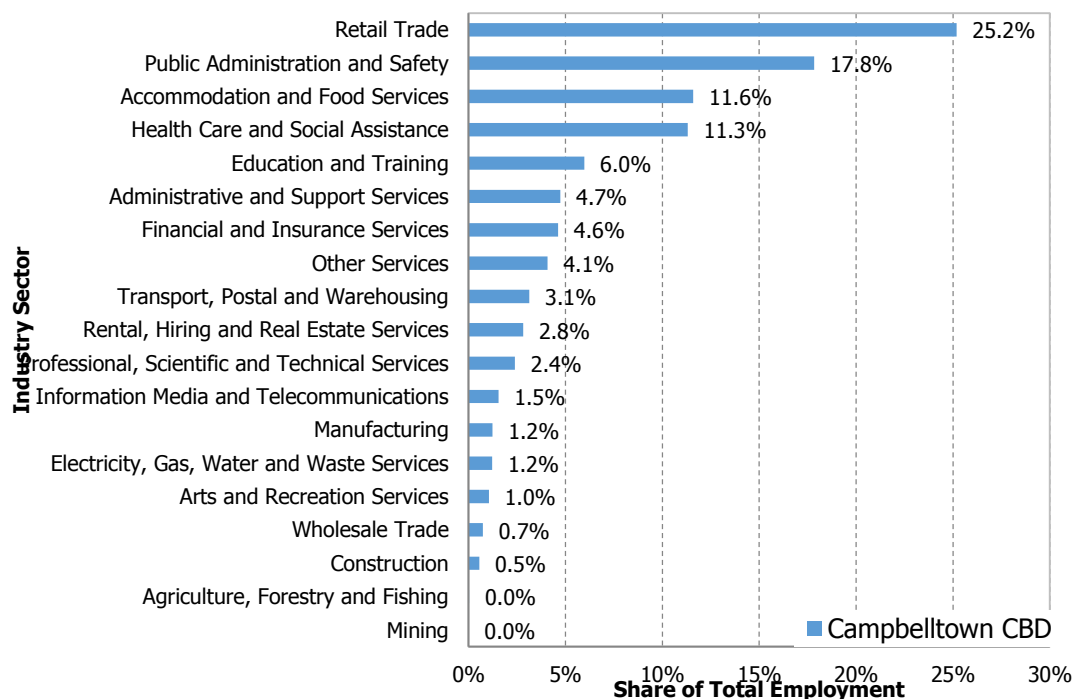
The top three industries of employment in the Campbelltown CBD are:

- Health care and social assistance (26.2%).

- Retail trade (20.7%).
- Accommodation and food services (10.9%).

The majority of employees who work in Campbelltown CBD travel from Campbelltown LGA (48.9%) followed by Camden LGA (17.2%) and Wollondilly Shire (8.9%).

Figure 8.3: Campbelltown CBD, Employment by Industry (2011)



Source: BTS (2012)

8.3.2 Existing Planning Controls

The Campbelltown CBD is zoned 10(a) Regional Comprehensive Centre. A summary of the planning controls specific to Campbelltown CBD is set out below.

Table 8.3. Campbelltown CBD, Summary of Planning Controls

Campbelltown CBD Planning Controls	
Planning Instrument	Campbelltown (Urban Area) Local Environmental Plan (2002)
Land Use Zone	10 (a) Regional Comprehensive Centre
Land Use Zone Objectives	• To provide land for the City of Campbelltown and the Macarthur region's largest centre of commerce, and • To encourage employment and economic growth, and • To accommodate tertiary education and hospital facilities for the City of Campbelltown and the Macarthur region, and • To accommodate a wide range of cultural, entertainment and like facilities, and • To permit limited industrial uses that are compatible with the proper operation of a major regional centre, and • To encourage a variety of forms of higher density housing, including accommodation for older people and people with disabilities in locations which are accessible to public transport, employment, retail, commercial and service facilities.
Permissible Land Uses	All land uses which are not prohibited are permissible in this zone. The premise of the zone is to provide land for the City of Campbelltown and the Macarthur region's largest centre of commerce.
Prohibited Land Uses	The following land uses are prohibited: caravan parks; heliports; junk yards; motor vehicle body repair workshops; plant hire; storage establishments; towing services; warehouses.
FSR	N/A
Heights (Campbelltown Sustainable City DCP 2014)	2-10 storeys

Campbelltown CBD Planning Controls	
Exceptions to FSR Controls	N/A
Car Parking Ratio (Campbelltown DCP, 2014)	Commercial premises (ground level) – 1 space/25sqm GFA Commercial premises (upper level) – 1 space/35sqm GFA Mixed Use – 1 space/25sqm of leasable floor area at ground level and 1 car parking space/35sqm of floor space at upper levels (for all commercial retail parts of the building) Residential Flat Buildings - Each dwelling shall be provided with a minimum of one car parking space, and: i) an additional car parking space for every 4 dwellings (or part thereof); and ii) an additional visitor car parking space for every 10 dwellings (or part thereof).

Source: Campbelltown City Council (2002), Campbelltown City Council (2014).

8.3.3 Property Market Activity

There is a limited amount of commercial development in the CBD, however there are several proposals that have been approved or are in planning. The majority of commercial stock in CBD is generally of low rise, older and lower quality stock.

Following the completion of Park Central in the southwest of the CBD incorporating purpose-built commercial space (>13,000sqm GFA) there was an exodus by some CBD tenants that resulted in rising vacancy levels. After a period of high vacancy, occupancy levels have improved with demand generally healthy for good quality commercial accommodation.

Commercial floorspace in Park Central is overall well sought after, resulting in strong rents and sales of office space. Demand in Park Central is also driven by the clustering of medical-related uses in and around the Campbelltown Hospital precinct and lack of quality commercial space in the CBD.

Retail strip along Queen Street generally caters to restaurants and food outlets, with major retailers located in the shopping centres of Macarthur Square and Campbelltown Mall. Many side streets and older style arcade complexes can be subject to prolonged periods of vacancy.

There are a number of mixed use developments in the pipeline which incorporate a mix of retail and commercial floorspace. Owing to the limited amount of quality retail/commercial in the CBD, a large proportion of employment growth is focused in the southern end of the CBD.

8.3.4 Planning for Future Growth

The limited scale, siting and nature of the proposed Campbelltown CBD core reflects a response to the elongated nature of the CBD and the prevailing/fragmented ownership pattern, together with the proximity to Campbelltown Railway Station and the desire to facilitate “downtown” living/vibrancy.

The current *Campbelltown (Urban Area) Local Environmental Plan (2002)* is under review, with a draft LEP proposed. The key elements of the proposed land use zoning controls proposed under the draft LEP include:

- The administrative core of the Campbelltown CBD and the Macarthur Centre should be zoned B3 (Commercial Core), together with the Park Central commercial precinct.
- The balance of the centres, including peripheral areas that provide CBD support services and suitable “downtown” living prospects, should be zoned B4 (Mixed Use).
- High density residential R4 and public recreation RE1, and Special Purposes – tourism and health related uses, should comprise the balance of the Campbelltown CBD and Macarthur Centre.

The proposed Campbelltown CBD Commercial Core (B3) zone has been expanded to better reflect the Regional City vision, whilst much of the proposed SP3-Tourist Zone has been included in a broader proposed Mixed Use (B4) zone.

Table 8.4. Campbelltown CBD, Summary of Proposed Planning Controls

Campbelltown CBD Draft Planning Controls	
Planning Instrument	Draft Campbelltown Local Environmental Plan 2014 (CLEP 2014)
Land Use Zone	B3 Commercial Core B4 Mixed Use
Land Use Zone Objectives	B3 Commercial Core To provide a wide range of retail, business, office, entertainment, community and other suitable land uses that serve the needs of the local and wider community. To encourage appropriate employment opportunities in accessible locations. To maximise public transport patronage and encourage walking and cycling. To strengthen the role of the Campbelltown-Macarthur Centre as the primary business, retail and cultural centre for the Macarthur Region and provide a focal point for commercial investment and development. To achieve an accessible, attractive and safe public domain. To provide for residential development via mixed-use development that contributes to the vitality of the Campbelltown-Macarthur City Centre. B4 Mixed Use To provide a mixture of compatible land uses. To integrate suitable business, office, residential, retail and other development in accessible locations so as to maximise public transport patronage and encourage walking and cycling. To encourage the timely renewal and revitalisation of centres that are undergoing growth or change. To create vibrant, active and safe communities and economically sustainable employment centres. To provide a focal point for commercial investment, employment opportunities and centre-based living. To encourage the development of mixed-use buildings that accommodate a range of uses, including residential, and that have high residential amenity and active street frontages. To facilitate diverse and vibrant centres and neighbourhoods. To achieve an accessible, attractive and safe public domain.
Permissible Land Uses	B3 Commercial Core The following key land uses are permitted: Commercial premises, Hotel or motel accommodation and shop-top housing. B4 Mixed Use The following key land uses are permitted: commercial premises, hotel/motel accommodation, residential flat-buildings, seniors housing and shop-top housing.
Prohibited Land Uses	B3 Commercial Core All land uses which are not permitted. Refer to the draft LEP for details. B4 Mixed Use All land uses which are not permitted. Refer to the draft LEP for details.
FSR	N/A
Heights (Campbelltown Sustainable City DCP 2014)	19m, 26m, 32m, 38.5m, 45m
Exceptions to FSR Controls	N/A
Car Parking Ratio (Campbelltown DCP, 2014)	Commercial premises (ground level) – 1 space/25sqm GFA Commercial premises (upper level) – 1 space/35sqm GFA Mixed Use – 1 space/25sqm of leasable floor area at ground level and 1 car parking space/35sqm of floor space at upper levels (for all commercial retail parts of the building) Residential Flat Buildings - Each dwelling shall be provided with a minimum of one car parking space, and: i) an additional car parking space for every 4 dwellings (or part thereof); and ii) an additional visitor car parking space for every 10 dwellings (or part thereof).

Source: Campbelltown City Council (2014).

8.4 Chatswood CBD

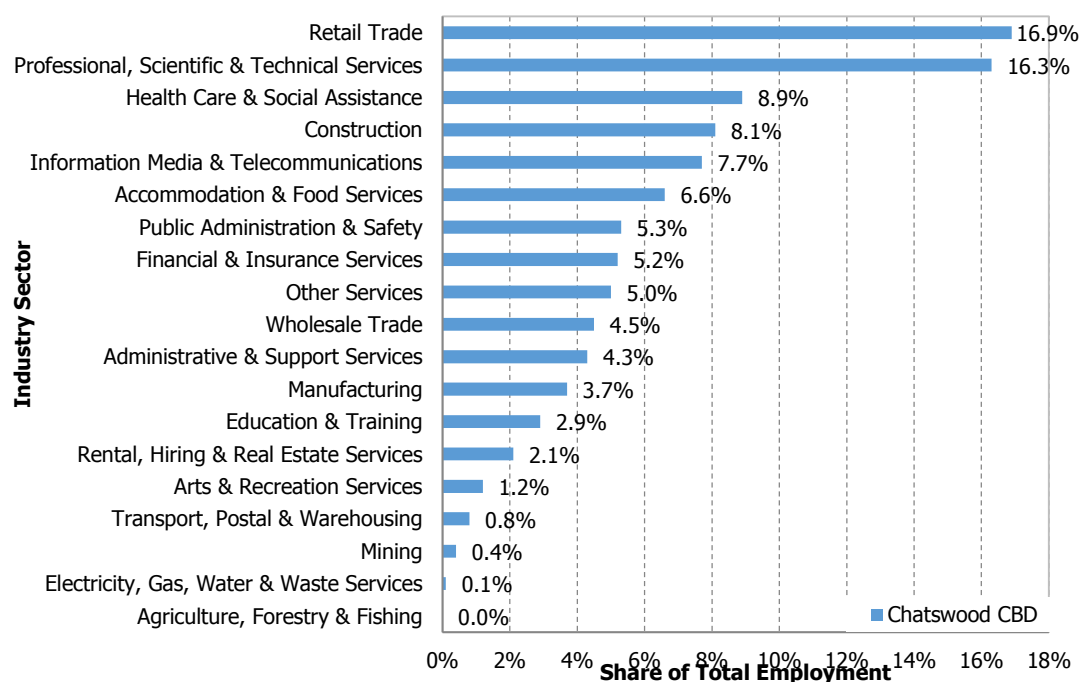
8.4.1 Employment Profile

Chatswood is identified as a Strategic Centre in *A Plan for Growing Sydney*, supporting its role as a core commercial precinct within Sydney's North Shore office market. According to the NSW Bureau of Transport Statistics the Chatswood CBD is set to grow by 6,015 employees (or 30.1%) by 2036.

In 2011 Chatswood CBD contained 20,000 employees. The top three industries of employment in Chatswood CBD are:

- Retail trade (16.9%).
- Professional, Scientific & Technical Services (16.3%).
- Health Care & Social Assistance (8.9%).

Figure 8.4: Chatswood CBD, Employment by Industry (2011)



Source: BTS (2012)

8.4.2 Existing Planning Controls

Analysis of the existing controls shows that the majority of Chatswood CBD is zoned B3 Commercial Core and B4 Mixed Use.

Table 8.5. Chatswood CBD, Summary of Planning Controls

Chatswood CBD Planning Controls	
Planning Instrument	Willoughby Local Environmental Plan (2012)
Land Use Zone	B3 Commercial Core, B4 Mixed Use
Land Use Zone Objectives	B3 Commercial Core To provide a wide range of retail, business, office, entertainment, community and other suitable land uses that serve the needs of the local and wider community. To encourage appropriate employment opportunities in accessible locations. To maximise public transport patronage and encourage walking and cycling. To support the role of St Leonards as a specialised centre providing health, research and education facilities. To strengthen the role of Chatswood as a major centre for the inner north sub-region and to improve its public domain and pedestrian links.

Chatswood CBD Planning Controls	
	To protect and encourage safe and accessible city blocks by providing active land uses on street and pedestrian frontages. B4 Mixed Use To provide a mixture of compatible land uses. To integrate suitable business, office, residential, retail and other development in accessible locations so as to maximise public transport patronage and encourage walking and cycling. To allow for city living on the edges of the city centre of Chatswood, which supports public transport use, shopping, business and recreational services that contribute to the vitality of the centre, without undermining its commercial role.
Permissible Land Uses	B3 Commercial Core: This zone permits a range of uses, some of the key uses are: commercial premises and hotel/motel accommodation. B4 Mixed Use: This zone permits a range of uses, some of the key uses are: commercial premises, hotel/motel accommodation, serviced apartments and shop-top housing.
Prohibited Land Uses	B3 Commercial Core: residential accommodation is prohibited.
FSR	N/A
Lot Size	Minimum lot size 2,500sqm (special provision limiting the GFA of a shop on land in Zone B3 and B4 on the western side of the North Shore Rail Line in Chatswood to 100sqm.)
Heights	9-90m
Exceptions to FSR Controls	(10) The total floor space ratio for all shops on land in Zone B3 Commercial Core, known as Lots 2, 3 and 5, DP 879307, 201–205 Pacific Highway, St Leonards, being land bounded by Herbert Street, Pacific Highway, Sergeants Lane and Chandos Street, must not exceed 0.4:1. (11) The maximum floor space ratio for all shops on land in Zone B3 Commercial Core, known as 2–10 Chandos Street, St Leonards and 2–14 Northcote Street, Naremburn, must not exceed 0.2:1. (14) Development consent must not be granted for shop top housing on land in Zone B4 Mixed Use: (a) for land bounded by Victoria Avenue, Hercules Street, Oscar Street and Albert Avenue, Chatswood—the floor space ratio for the housing will exceed 1.25:1, or (b) for all other land in that zone—the floor space ratio for the housing will exceed 1:1.
Car Parking Ratio	Office and/ or Business Premises outside Railway Precincts and Major Public Transport Corridors (MPTC) - 1 / 60sqm Offices and/or Business Premises within Railway Precincts and MPTC - 1 / 110sqm Offices and/or Business Premises in Chatswood zoned B3 where access is only available from Pacific Hwy, Albert Avenue, Victoria Avenue, Help or Railway Streets - 1 / 200sqm. From Willoughby DCP (Part C.4.2). The purpose of specific controls relating to access is to limit onsite parking with access from streets least able to cope with additional traffic and entry and exit points.

Source: Willoughby Council (2012)

8.4.3 Property Market Activity

Despite being an established office market located in close proximity to the North Shore executive belt, over the past decade, Chatswood strategic centre has experienced significant competition from locations such as Macquarie Park and Norwest Business Park (and to some degree North Sydney). This competition, combined with the loss of some major government tenants (i.e. the ATO and Sydney Water to Parramatta City Centre) has resulted in higher vacancy rates (13.5% as of January 2014, compared to 10.5% for North Sydney and 9.5% for Macquarie Park).

Market research and economic analysis undertaken identified some further barriers to the success of the commercial/office market in Chatswood to include:

- The geographic constraints of the Strategic Centre by the Pacific Highway and associated road intersections. As a consequence, growth is required to occur through increased densities rather than through more cost effective campus style buildings (i.e. the type that are being developed in competing locations such as Macquarie Park).
- The dominance of residential uses within the centre has conversely reduced the commercial 'prestige' of Chatswood's office market to current and prospective tenants.
- Parking levies - which exceed the cost of many competing centres, particularly locations such as Macquarie Park that have no parking levy and generous parking rates.
- The quality of the stock which is aging amid owner resistance to upgrade and/or refurbish without any commercial tenant pre-commitment. This potentially undermines the prestige/status of the market.

- Speculation that some commercial space could be refurbished/redeveloped as residential in light of some approvals for residential in the Commercial Core. This is also reducing willingness to invest in existing commercial stock by property owners.

8.4.4 Planning for Future Growth

Council is committed to building the employment base of Chatswood Strategic Centre and re-establishing its 'critical mass' and prestige as a location for business. As part of its strategy it has proactively developed cultural facilities such as The Concourse and enhanced the amenity of the Centre to create a more prestigious and attractive working environment for prospective tenants and investors.

Council has also focused much energy into understanding the economics of development, testing the viability of its planning controls to better understand their implications. On this basis, Council has established a minimum component of commercial floorspace for nominated sites in the B4 Mixed Use Zone and has identified a number of its own sites for redevelopment to support the provision of employment generating floorspace.

8.5 Summary of Comparative Analysis

The case study analysis has identified some common themes of relevance to this Study.

- **Role and importance of a B3 Commercial Core zone**

All the centres analysed have a B3 Commercial Core zone wherein core employment activity is accommodated and residential uses are prohibited. One exception is Burwood where the centre is zoned almost exclusively B4 Mixed Use. That said, there are maximum residential FSR controls (similar to the Study Area) limiting the amount of residential permitted so as to ensure core employment uses are able to operate effectively.

The current Campbelltown LEP permits residential in the CBD however the draft LEP proposes to designate a B3 Commercial Core within the administrative core with B4 Mixed Use in the periphery of the CBD.

The B3 Commercial Core Zone which prohibits residential development is beneficial in that it preserves land in the Study Area for employment uses to prevent encroachment from other more financially attractive uses. It additionally creates an important buffer from more sensitive uses (such as residential) from the operation of businesses such as bars and clubs that support an active night time economy and enhance the appeal of a centre.

- **The role of B4 Mixed Use zone and ground floor activation**

The B4 Mixed Use zone has many merits owing to the wide range of uses it facilitates whilst promoting an employment role and a vibrant, active public domain. It also enables a greater density of residential uses to surround the commercial core further increasing demand for services within the City Centre and supporting its viability.

All the centres analysed have B4 Mixed Use zone areas in the periphery of each CBD and surrounding the B3 Commercial Core zone. The exception is Burwood which is zoned almost entirely B4 Mixed Use. Maximum residential FSR controls in Burwood vary with the distance to the core of the centre, i.e. permitted residential quantum increasing as they are further away from the employment core of Burwood.

While the notion of street activation is commendable, depending on location and position within a centre, ground floor retail can be met with market resistance and prolonged periods of vacancy. That said, as centres grow, it is important there is future capacity to accommodate retail/commercial growth.

- **Preservation of the CBD core for employment floorspace**

All of the comparative centres' zoning controls serve to preserve employment land uses by either having B3 Commercial Core zone which prohibits residential uses, e.g. in Blacktown CBD and Chatswood CBD or by having a B4 Mixed Use zone with maximum residential FSR controls, e.g. in Burwood Town Centre.

Minimum non-residential FSR controls used in Chatswood CBD to ensure development in the B4 Mixed Use zone contains an element of employment floorspace.

- **Cross-subsidisation of non-residential floorspace**

There is an apparent increasing awareness of the economics of development and necessity to ensure that planning controls are viable. Recognising the role of residential uses in subsidising the provision of employment floorspace, many councils incorporate B4 Mixed Use zones into their centres/CBDs.

- **Relationship between building height and FSR**

There can be a number of challenges with respect to the relationship between building heights and FSR.

If there is a large disparity between building height and FSR controls, tall and slender expensive buildings could result in markets that can tolerate the cost-revenue equation (discussed earlier in 7.1). As buildings become taller, construction cost increase hence tower developments only occur in markets where revenue from the upper floors is able to offset the increased cost. Notably, North Sydney Council does not stipulate an FSR control and only a height control for the North Sydney CBD.

9. Principles and Recommendations

Business zones play an important role in providing for future employment for Hornsby's growing population. The Hornsby East Precinct is a vibrant retail centre and is well patronised particularly around the train station.

A crucial component to facilitating employment growth is ensuring that businesses' floorspace and accommodation requirements can be met. The availability of suitable and competitively priced floorspace is critical for both existing businesses and new businesses seeking to operate in the Hornsby Centre.

In centres zoned for and attractive for high density residential, there is a risk that a centre's employment function is gradually eroded by residential uses. In these instances appropriate planning frameworks are necessary to ensure provision of employment floorspace is not undermined by an active and heated residential market.

9.1 Guiding Principles

The Hornsby LEP 2013 currently prohibits residential uses in the area zoned B3 Commercial Core. The area that is zoned B3 Commercial Core however, only covers a small area bounded by George Street, Burdett Street, Muriel Street, Albert Street, Florence Street and Edgeworth David Avenue.

Due to the established/developed nature of the Hornsby East Precinct, fragmented ownership patterns and fine lot patterns, cross-subsidisation by residential uses is necessary for development to be feasible.

A series of guiding principles underpin the recommendations of this Study.

- **Ground floor retail for street activation**

The notion of street activation can be effective, depending on location and position within a centre. In isolated locations away from retail and pedestrian activity, ground floor retail can be met with market resistance and prolonged periods of vacancy.

- **Cross-subsidisation by residential uses**

Due to the developed nature of centres and fragmented ownership patterns, cross-subsidisation by other uses (often residential) is necessary for development to be feasible.

- **Capped residential floorspace provision**

Maximum designations of residential FSR are recommended to recognise the role of permitting residential in the Hornsby Centre, i.e. permitted to the extent that it facilitates the provision of employment floorspace.

- **Long term employment opportunities**

Recognising property market cycles and the long term nature of strategic planning, a long term view should be taken in balancing immediate development and preserving opportunities for future development.

The Employment Study (ES) (SGS, 2008) identified an opportunity to increase the profile of Hornsby Centre while at the same time recognising interventions were necessary to assist with re-positioning Hornsby as a commercial centre. The ES cites "accepted wisdom" that commercial centres don't really work where residential development is a permissible use. The tension between land uses (residential and commercial) can be mitigated by the application of caps on residential floorspace or requirements for minimum non-residential floorspace, as is currently the case in the Study Area.

The suggested interventions in the ES envisage establishing Hornsby as a commercial centre akin to Macquarie Park, St Leonards/Crows Nest, etc., and thereby recommends Council initiatives to target pre-commitments for amalgamated development sites.

Following the foregoing feasibility analysis and commercial realities that subsist, this Study believes the opportunities for the Study Area are less in accommodating large, multi-national or corporations in office floorspace. Even if large scale interest and pre-commitments can be secured, the economic rent required for feasible commercial development does not make Hornsby a competitive/commercial proposition to tenants.

Rather, owing to current employment structure the Study Area would play a role in accommodating a range of businesses that would leverage its already important role as a retail and service centre for the broader region.

9.2 Preferred Development Scenario

Following the analysis in Chapters 7 and 8, a scenario that seeks to balance the preservation of non-residential land use capacity in the Hornsby East Precinct while also providing an incentive to facilitate site consolidation and redevelopment is preferred.

While the allowance of residential development to assist in the feasibility equation is important, it is equally important that employment capacity and potential is not lost to wholesale residential development and conversion of existing commercial buildings. A constrained supply will lead to upward price pressure and limit the capacity of the centre to accommodate employment growth.

There are a range of planning controls that could be considered for implementation that provide opportunity for the provision of residential accommodation in the Study Area to assist in the activation and revitalisation of the centre while also ensuring employment floorspace capacity and opportunities are maintained.

The options available to Council include:

- An additional zone objective guiding the development of mixed use buildings with non-residential uses on the lower levels in podiums with residential uses above those levels.
- Active street front provisions for important pedestrian activity areas in the B4 Mixed zone.
- Establishment of podiums to accommodate employment land uses with residential uses accommodated in residential towers above.
- Employment floorspace:
 - Minimum employment FSR development standard (e.g. FSR 1:1 and 2:1), or
 - Minimum percentage of GFA (e.g. 20%) that is required to be employment generating space as a local provision in the LEP.

In consideration of existing lot and ownership patterns as well as existing 'as is' values, development requiring a non-residential FSR of 3:1 is unlikely to be feasible.

Development fronting George Street is better able to tolerate a minimum non-residential FSR of 2:1 than those fronting Hunter Street. That said, at prevailing 'as is' values, development requiring a non-residential FSR of 1:1 is feasible however the difficulty of redevelopment conceivably lies more in the challenge of lot fragmentation and site assembly.

- Residential floorspace:
 - Maximum residential FSR development standard (e.g. FSR 3:1 and 4:1), or
 - Height of Building standards in conjunction with a maximum residential FSR development standard.

It is a truism that businesses locate where they can find suitable accommodation. A development scenario should:

- Recognise the present limited opportunity for new employment floorspace and the need for cross-subsidisation by residential uses.
- Require mixed use developments to have meaningful inclusion of employment floorspace.
- Preserve development opportunities, as needed, in the future.

This scenario is unlikely to result in large scale redevelopment, however it ensures that future development opportunities are preserved for accommodating employment growth.

As the generic feasibility analysis has indicated, without the ability to include a residential component, development within the B3 Commercial Core is unlikely to be significant and would not capture the theoretical potential for employment floorspace (as permitted by the LEP) due to the substantial site acquisition and consolidation costs.

9.3 Planning Policy Recommendations

While planning and development controls are intended at stimulating redevelopment and renewal in the Study Area, large scale development is challenged for a number of reasons.

Property market research and feasibility modelling suggest that fine grain lot patterns, ownership fragmentation and still functional and valuable sites in the Study Area cumulatively hinder redevelopment.

Planning controls at minimum non-residential FSR of 1:1 and 2:1 could be feasible in instances where existing 'as is' site values are less than \$4,500/sqm (allowing for payment of a 20% incentive premium to landowners by a developer). As outlined earlier, landowner objectives are not always financial in nature to align with the imperatives of redevelopment.

In the business-as-usual scenario, there is likely to be only incremental development activity in the Study Area. As Hornsby grows, this would over time impede Hornsby's ability to accommodate future employment in its centre and undermine its status as an employment centre.

We recommend Council consider the following interventions, not all of which are mutually exclusive:

- **B3 Commercial zone objectives**

This Study suggests that retention and expansion of the B3 Commercial Core zone would better articulate Council's priorities on employment growth for the centre. The B3 Commercial Core zone objectives in the Hornsby LEP 2013 state:

- To provide a wide range of retail, business, office, entertainment, community and other suitable land uses that serve the needs of the local and wider community.
- To encourage appropriate employment opportunities in accessible locations.
- To maximise public transport patronage and encourage walking and cycling.

Consistent with the recommended policy direction these existing objectives could be supplemented with an additional objective which conveys a clear direction that residential development can be accommodated but only with significant levels of employment generating land uses at the lower levels of a building. A suggested wording for the additional objective is:

"To maintain existing commercial space and allow for residential development in mixed use buildings, with non-residential uses on the lower levels and residential uses above those levels."

It could be argued that the above outcomes could equally be achieved by a B4 Mixed Use zone in conjunction with the application of maximum residential FSR controls.

A policy distinction is achieved by maintaining the B3 Commercial Core zone which incorporates an emphasis on employment and commercial activity, and envisages a greater proportion of any proposed development to comprise more non-residential land uses than is being achieved or required in the current B4 Mixed use zone.

- **Minimum non-residential floorspace requirement**

In the B4 Mixed Use zone, maximum residential FSR controls currently apply thereby requiring an amount of non-residential floorspace from FSR 1:1 to FSR 3:1. Council could consider relaxing this to requiring FSR 1:1 along Hunter Street and FSR 2:1 along George Street.

If Council's objectives were for *immediate* and large scale redevelopment to occur in the Study Area, then a lower minimum requirement for non-residential uses should be considered, i.e. lower than FSR 2:1 or 1:1. Though at a lower minimum non-residential floorspace requirement of FSR 1:1, it is conceivable in some instances that employment floorspace in a new development could be less than the employment floorspace already existing, thereby resulting in a scenario of contracting employment floorspace.

Property markets move in cycles. As upward price pressure on employment floorspace continues to build (due to unmet demand in the Study Area), development of non-residential floorspace will be made more attractive by rising economic rents over time.

As Council and the State Government's objective is to strengthen the commercial core, we would recommend retention of the recommended minimum floorspace.

While not likely to result in immediate and large scale redevelopment in the Study Area due to fine lot patterns and ownership fragmentation, this approach balances the preservation of development opportunities for employment floorspace against the immediate need to accommodate more employment growth.

In terms of simplicity and ease of understanding by the market, a minimum employment floorspace requirement as a proportion of total allowable floorspace is preferable, as is currently the case.

Adequate provision of retail and commercial floorspace is essential to the success of any strategic centre. This results in the activation of ground floor space and avoids the area transitioning into a residential dormitory outside of working hours.

Compared to other strategic centres, the Hornsby commercial core is small in geography, particularly focused around the Westfield shopping centre. This means the potential for future employment floorspace provision is limited by exceptionally valuable retail floorspace combined with fine grain lot patterns and ownership fragmentation. These factors mean that many properties in the retail strip are not likely to be redeveloped under the current planning framework.

Council has one of several options available to it:

- **Expand the B3 Commercial Core**

Given the limited ability of the existing commercial core to accommodate employment growth, this Study recommends that Council either consider expanding the commercial core to enable employment growth to be accommodated on the available larger sites outside of the retail strip. This expansion needs to be accompanied by a suite of planning controls that will facilitate the provision of employment floorspace and limit residential uses to the extent that they 'enable' or cross-subsidise the provision of employment floorspace.

The use of the B3 Commercial Core zone (rather than the B4 Mixed Use zone) is its zone objectives, as recommended to be augmented, would be consistent with Council's strategic aspirations for the Hornsby Centre and A Plan for Growing Sydney.

- **Rezone the B3 Commercial Core to B4 Mixed Use**

This could be accompanied by a minimum non-residential FSR of 3:1. This is unlikely to see large scale redevelopment in the immediate term however will balance the preservation of opportunities when the time is ripe for economic rents of retail/commercial floorspace to justify redevelopment.

- **Retain the B3 and B4 land use zones** however implement a relaxation of FSR 3:1 non-residential floorspace requirement to FSR 2:1.

The recommendations of this Study do not envisage immediate, large scale development to occur in an expanded B3 Commercial Core due to the valuable uses that currently subsist. This Study does however expect that as demand for retail/commercial floorspace continues to build (amid limited supply), development opportunities for mixed use floorspace (employment and residential) would be taken up in the longer term.

The next chapter explores the implications of different planning policy settings on potential future supply of employment floorspace.

10. Supply Capacity Scenarios

This Study recognises that despite planning permissibility, not all urban land will be redeveloped. Not only are commercial returns required to incentivise redevelopment, owner objectives also need to align with redevelopment objectives. In instances where an owner occupier may be operating a successful retail business, despite its potential financial return, sale and/or redevelopment of their property may not be of interest. This would be an example of an impediment to renewal beyond the control of planning authorities.

This chapter explores the implications of varying the FSR controls, both in respect of total permissible FSR and minimum non-residential FSR required, and furthermore how Council could consider varying the planning controls that currently apply in the Study Area in order to accommodate future retail/commercial floorspace growth.

10.1 The Role of Residential FSRs

Generic feasibility testing in section 7.1.2 demonstrates that a minimum non-residential floorspace requirement of FSR of 2:1 or greater is mostly not feasible to develop in the Study Area, primarily owing to the value of existing uses.

The outcomes in **Table 7.2** identify that development incorporating a non-residential requirement of FSR 2:1 (total FSR 5:1 and residential FSR of 3:1) results in marginal feasibility, i.e. is only financially feasible where 'as is' values are at the lower end of the range, i.e. less than \$5,000/sqm of site area.

Development requiring a minimum non-residential use at FSR 3:1 (total FSR 5:1 and residential FSR of 2:1) is not financially feasible. Additional residential floorspace beyond what is currently permitted is required for financial feasibility.

Further generic testing has sought to identify the additional residential FSR required to cross-subsidise non-residential floorspace at FSR 2:1 and FSR 3:1. **Table 10.1** outlines the findings.

Table 10.1. Further Generic Feasibility Testing Outcomes of Minimum Non-residential FSRs

Description	Mixed Use (Ground retail, Commercial, Residential)			
Non-residential FSR	2:1	3:1	3:1	3:1
Residential FSR	4.5:1	3:1	4:1	5.5:1
Assumed Total FSR	6.5:1	6:1	7:1	8.5:1
Average Revenue (\$/sqm) ¹	\$7,779	\$6,289	\$6,841	\$7,399
Average Cost (\$/sqm) ²	\$4,516	\$4,104	\$4,201	\$4,453
Residual Land Value (RLV) (\$/sqm of site area)	\$8,170	\$4,448	\$6,736	\$9,230
Feasible? ³	Yes	No	Marginal	Yes

Notes:

1 - based on net saleable area, 2- based on gross building area

3 - based on a range of assumed 'as is' values of \$4,000/sqm to \$7,000/sqm

Source: AEC

The generic testing finds the following:

- Additional residential FSR of 4.5:1 is required for development to be feasible where the minimum non-residential requirement is FSR 2:1. This results in an overall FSR of 6.5:1.
- Additional residential FSR of 5.5:1 is required for development to be feasible where the minimum non-residential requirement FSR is 3:1. This results in an overall FSR of 8.5:1.

Premised on the above findings, the next sections explore how the Study Area could hypothetically accommodate more floorspace and if greater FSR permissibility is required to accommodate the retail/commercial floorspace projected to be required in Chapter 6.

10.2 Existing and Potential Future Supply Capacity

This section examines the existing supply of retail/commercial floorspace in the Study Area by comparing it against any unutilised floorspace capacity (as permitted by FSR controls).

10.2.1 Existing Floorspace v Theoretical Floorspace Capacity

Section 7.1.1 identifies the importance of existing uses and land values in underpinning the feasibility of new development. Accordingly, in understanding the likelihood of development take-up, it is necessary to first understand the nature and extent of existing buildings and uses.

A number of steps are undertaken in ascertaining the nature of existing floorspace in the Study Area. The following is carried out on a lot-by-lot basis.

1. Based on the floorspace survey carried out in section 6.1, estimates are made of floorspace (in sqm) that is currently existing and the nature of that floorspace (e.g. whether residential or non-residential uses).
2. Desktop observation of existing buildings (e.g. whether a 4 storey office building or single level strip retail) reconciled with the earlier estimates of floorspace.
3. Based on the above, assess likely development prospects. For example, if a lot is currently improved with a single level building to an FSR of 1:1 in a B4 zone that permits FSR 5:1, the property is assessed to have a fair prospect of development subject to financial feasibility considerations. In contrast, a lot that is currently improved by a 4 storey building to an FSR of 4.8:1 in the same zone is unlikely to have good redevelopment prospects given its likely valuable existing use.
4. The existing floorspace estimates (only for lots assessed to have likely redevelopment prospects) are then converted into FSR equivalents based on respective allotment site areas.
5. The converted FSR equivalents are then compared to permitted FSRs under the LEP.

Table 10.2. Existing Floorspace v Theoretical Floorspace Capacity

Land Use Zone*	Existing Floorspace		Permitted/Theoretical GFA (sqm)**			Unutilised GFA (sqm)
	GFA (sqm)	FSR	Non-residential	Residential	Total	
Lots with Redevelopment Prospects						
B4 Mixed Use	23,380	1.58:1	24,067	31,624	55,691	32,311
Area 1 ^(a)	7,109	1.94:1	10,989	7,326	18,315	11,206
Area 2 ^(b)	9,514	1.02:1	9,363	18,726	28,089	18,575
Area 7 ^(c)	6,757	3.64:1	3,715	5,572	9,287	2,530
B3 Commercial Core ^(d)	12,050	1.61:1	36,159	-	36,159	24,109
B5 Business Development ^(e)	15,300	1.04:1	13,843	-	13,843	-1,457
All Lots						
B4 Mixed Use	38,924	1.51:1	43,403	41,912	85,315	46,391
Area 1 ^(a)	9,009	1.14:1	23,709	15,806	39,515	30,506
Area 2 ^(b)	13,158	1.28:1	10,267	20,534	30,801	17,643
Area 7 ^(c)	6,757	3.64:1	3,715	5,572	9,287	2,530
B3 Commercial Core ^(d)	139,246	1.68:1	414,199	-	414,199	274,953
B5 Business Development ^(e)	25,100	1.22:1	20,564	-	20,564	-4,536

*Details shown for lots assessed to have redevelopment prospects and compared to entire zone. Lots currently approved/progressed for development are excluded.

**Corresponding floorspace capacity under LEP of lots assessed to have prospects for redevelopment

(a) - FSR 5:1, minimum non-residential FSR 3:1, maximum residential FSR 2:1, (b) - FSR 3:1, minimum non-residential FSR 1:1, maximum residential FSR 2:1, (c) - FSR 5:1, minimum non-residential FSR 2:1, maximum residential FSR 3:1, (d) - FSR 5:1, residential not permitted, (e) - FSR 1:1, residential not permitted

Source: Hornsby Shire Council, AEC

The objective of this exercise is to distinguish (at a high level and on an aggregate basis) those lots which have redevelopment prospects from those lots that are unlikely to develop regardless of planning controls.

Table 10.2 identifies there is significantly unutilised floorspace capacity in the Study Area, particularly in the B3 Commercial Core zone where FSR 5:1 is permitted however existing floorspace is equivalent to an average of FSR 1.68:1 across the zone. In contrast, existing floorspace in the B5 Business Development zone appears to exceed that which is permitted by around 4,500sqm.

Even though there is significant unutilised floorspace capacity in the B3 Commercial Core (almost 275,000sqm), the feasibility analysis demonstrates this is a theoretical capacity, unlikely to be taken up by the market.

Those lots identified as having some prospects for redevelopment (considering the nature of existing floorspace) still demonstrate unutilised floorspace if compared to GFA theoretically permitted under the LEP. As an example, even though there is a theoretical floorspace capacity of 18,315sqm for lots in Area 1, there is only some 7,109sqm of existing floorspace, suggesting current planning controls are not feasible to develop.

The observations of this section enable an assessment of existing uses that are likely to be redeveloped subject to financial feasibility considerations. The next section explores the supply implications if an alternate set of FSR controls were applied to lots previously identified as having redevelopment prospects.

10.2.2 Hypothetical Future Floorspace Capacity

The findings of the generic testing in section 10.1 identify that a residential FSR of 4.5:1 is required to facilitate a minimum non-residential FSR of 2:1. Similarly, a minimum residential FSR of 5.5:1 is required to facilitate a minimum non-residential FSR of 3:1.

As retail and commercial floorspace rely on the quality of location (including exposure, visibility and access) to be viable, sites along George Street are better able to tolerate higher non-residential floorspace provision compared to say Hunter Street.

This section seeks to examine potential 'net new' supply of non-residential floorspace should new FSRs be applied to the Study Area. "Net new" supply deducts existing non-residential floorspace from potential new non-residential floorspace. This identifies where future floorspace is a replacement, reduction or augmentation of existing floorspace.

A number of steps are undertaken in assessing the future floorspace capacity under several hypothetical FSR scenarios.

1. Based on observations of existing buildings and density of floorspace, an assessment is made as to the likelihood of development on a lot-by-lot basis. Properties that are already improved with substantial buildings or that are held in strata ownership are considered unlikely candidates for redevelopment.
2. As a starting point, a minimum non-residential FSR of 2:1 (and corresponding residential FSR of 4.5:1) is applied to lots in the B4 Mixed Use zone assessed earlier to have redevelopment prospects.
3. The 'net new' supply of non-residential floorspace is compared against the quantum of projected demand for retail/commercial floorspace in sections 6.4 and 6.5.
4. If the net new supply falls below that of projected demand (approximately 12,500sqm of retail floorspace and 7,500sqm-10,000sqm of commercial floorspace), the following FSR scenarios are tested:
 - i. Residential permissibility assumed in the B3 Commercial Core zone and applied with minimum non-residential FSR 2:1 (and corresponding residential FSR 4.5:1).
 - ii. Minimum non-residential assumed at FSR 3:1 in both B3 and B4 zones.
 - iii. Minimum non-residential FSRs of 2:1 and 3:1 in the B5 zone.

Table 10.3 outlines hypothetical future floorspace capacity by applying different non-residential FSRs to lots earlier identified as having redevelopment prospects.

Table 10.3. Hypothetical Future Non-residential Floorspace Capacity

Land Use Zone	Existing Floorspace*		Potential Future GFA (sqm)**		Net New GFA (sqm)^	
	GFA (sqm)	FSR	FSR 2:1	FSR 3:1	FSR 2:1	FSR 3:1
Lots with Redevelopment Prospects						
B4 Mixed Use	23,380	1.58:1	29,552	44,329	6,172	20,949
B3 Commercial Core	12,050	1.61:1	14,930	22,395	2,880	10,345
Total	35,430	1.59:1	44,483	66,724	9,053	31,294
B5 Business Development	15,300	1.04:1	29,438	44,157	14,138	28,857

Land Use Zone	Existing Floorspace*		Potential Future GFA (sqm)**		Net New GFA (sqm)^	
	GFA (sqm)	FSR	FSR 2:1	FSR 3:1	FSR 2:1	FSR 3:1
All Lots						
B4 Mixed Use	38,924	1.51:1	49,243	73,864	10,319	34,940
B3 Commercial Core	139,246	1.68:1	165,680	248,519	26,434	109,273
Total	178,170	1.66:1	214,923	322,383	36,753	144,223
B5 Business Development	25,100	1.22:1	41,128	61,693	16,028	36,593

*Existing floorspace of lots assessed to have redevelopment prospects

**Corresponding floorspace capacity when applying respective non-residential FSRs of 2:1 and 3:1 to lots assessed to have prospects for redevelopment

^Potential future floorspace less existing floorspace

Source: Hornsby Shire Council, AEC

The analysis demonstrates that:

- Even by permitting residential in the B3 Commercial Core, requiring a minimum non-residential FSR of 2:1 only results in a net new floorspace of 9,053sqm (assuming those properties identified as having prospects for redevelopment) in the B3 and B4 zones.
- By applying a minimum non-residential FSR of 3:1, the net new floorspace in the B3 and B4 zones improve to 31,294sqm.
- Permissibility of residential uses and application of similar FSRs in the B5 zone could in theory deliver between 14,000sqm and 29,000sqm of net new non-residential floorspace in the zone.
- When considering the floorspace capacity of all lots within each zone, the potential future GFA is significantly more than that associated with only those lots with redevelopment prospects. Similar to existing floorspace capacity outlined in Table 10.2, feasibility analysis demonstrates that theoretical capacity does not necessarily align with market capacity.

The application of hypothetical non-residential FSRs of 2:1 and 3:1 in Table 10.3 needs to be accompanied by residential permissibility of at least FSR 4.5:1 and FSR 5.5:1 respectively to be financially feasible. This results in total permissible FSRs of 6.5:1 and 8.5:1, significantly more than current FSRs.

The supply implications for residential floorspace are detailed below.

Table 10.4. Hypothetical Future Residential and Non-residential Floorspace Capacity

Land Use Zone	Total FSR 6.5:1			Total FSR 8.5:1		
	Non-residential GFA (sqm) FSR 2:1	Residential GFA (sqm) FSR 4.5:1	Residential Units*	Non-residential GFA (sqm) FSR 3:1	Residential GFA (sqm) FSR 5.5:1	Residential Units*
Lots with Redevelopment Prospects						
B4 Mixed Use	29,552	66,493	739	44,329	94,355	1,048
B3 Commercial Core	14,930	33,593	373	22,395	148,323	1,648
Total	44,483	100,086	1,112	66,724	242,678	2,696
B5 Business Development	29,438	66,236	736	44,157	58,490	650
All Lots						
B4 Mixed Use	49,243	110,797	1,231	73,864	135,418	1,505
B3 Commercial Core	165,680	372,779	4,142	248,519	455,619	5,062
Total	214,923	483,576	5,373	322,383	591,037	6,567
B5 Business Development	41,128	92,539	1,028	61,693	113,103	1,257

*Assuming average of 90sqm GFA per residential unit

Source: Hornsby Shire Council, AEC

As the table demonstrates, the potential for increased residential units in the Study Area is significant (between 1,000 and 2,700 residential units on lots with redevelopment prospects), should an alternate set of FSRs be applied.

A number of matters require consideration when an alternate set of FSR controls is contemplated.

- **Viability of retail/commercial uses**

The objectives of street activation are important, however some locations have better tolerance to higher provision of retail and commercial floorspace. George Street for example, is likely to have better ability to tolerate a higher provision of non-residential floorspace compared to say Hunter Street owing to less exposure and visibility.

Imposition of a minimum non-residential floorspace requirement should be cognisant of viability factors which relate to its siting and location. Poorly located commercial floorspace can suffer from prolonged periods of vacancy and poor rents owing to isolation and poor worker amenity.

- **Replacement v growth of floorspace**

The analysis in Table 10.3 demonstrates that an overall FSR of 2:1 across both B3 and B4 zones (for lots with redevelopment prospects) results in potential floorspace of 44,483sqm. If compared to existing floorspace of 35,430sqm, this represents a modest increase/growth in floorspace of 9,053sqm and would be insufficient to meet projected demand of 20,000sqm². Section 6.4.5 assessed 20,000sqm is comprised

Across all lots in the B3 and B4 zones, an overall FSR 2:1 results in a theoretical net new floorspace of 179,493sqm.

An overall FSR 3:1 minimum non-residential requirement would result in a higher amount of net new floorspace (31,294sqm), however this requires significant amount of residential floorspace as cross subsidy (2,696 residential units).

- **Urban form and environmental considerations**

There are direct implications for urban form resulting from an alternate set of FSR controls. Building heights and envelopes as well as environmental capacity of sites to accommodate increased FSRs are all critical considerations. It is conceivable that alternate FSR controls may result in urban design outcomes that are not appropriate. Given the scale of alternate FSR controls compared to existing controls, consolidation of sites will be required for environmental capacity.

- **Infrastructure requirements**

Significant increase to residential floorspace capacity and resultant number of new dwellings has direct implications for infrastructure requirements in the Study Area, including transport and traffic, community and recreational infrastructure.

- **Displacement of existing businesses in B5 zone**

The B5 zone appears to be well occupied and functional, accommodating many automotive service and repair businesses.

While in theory, permissibility of residential in the B5 zone could result in development that includes retail and commercial space, the compatibility of existing uses and those permitted by the B5 zone could potentially conflict with residential uses.

Furthermore, pricing levels of retail, commercial and residential uses are higher than those in the B5 zone and therefore the permissibility of residential uses and development to higher FSRs could result in large scale and permanent displacement of existing businesses.

A number of limitations in the analysis are highlighted:

- Desktop appraisal of redevelopment prospects is carried out without knowledge of individual allotment characteristics and circumstances. Even though lots with redevelopment prospects are identified at a high-level, ultimately landowner objectives need to be aligned with those of development.
- Despite permissibility, developments might not develop to their maximum capacity. For example, the site at 94-98 George Street is only proposed to FSR 4.1:1 despite permissibility of FSR 5:1.

² Section 6.4.5 assessed a total of 25,000sqm retail floorspace demand, envisaging 50% could be provided for in Westfield and the remaining 50% (12,500sqm) in the retail strip. Section 6.5.3 assessed associated commercial floorspace demand to be 7,500sqm-10,000sqm. The projected demand of 20,000sqm incorporates 12,500sqm of retail floorspace and 7,500sqm of commercial floorspace.

- Some lots with valuable buildings will require a greater FSR for redevelopment to be attractive.

It is well accepted that in established centres, not all zoned urban land will be developed. Ownership objectives need to be aligned and commercial returns need to be sufficiently attractive to justify the risk of site assembly. Many of these factors are beyond the controls of planning authorities.

10.3 Summary of Findings

As identified in section 9.3, in terms of simplicity and ease of understanding by the market, a minimum non-residential FSR requirement as a proportion of total allowable floorspace is preferable.

This Study recommends Council consider residential permissibility within the B3 Commercial Core subject to a minimum non-residential requirement. Ultimately the selection of minimum non-residential FSR will depend on the ability for increased residential FSRs to be accommodated in the Study Area. This Study additionally cautions against rezoning and/or upzoning of the B5 Business Development zone to avoid land use conflict issues as well as large scale displacement of businesses.

An urban design study would be critical in understanding if increased FSRs would be achievable given existing built form and lot patterns. Due to the lot patterns and existing built form, a series of 'stepped' height and/or FSR controls may be necessary. These would be established following the outcomes of the recommended urban design study.

The urban design study should be supplemented with feasibility testing to ensure any suggested consolidation of sites is financially feasible and balanced with the ratio of non-residential to residential development that is proposed.

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Appendix A: Feasibility Testing Assumptions

Project Timing

Development application is assumed to be progressed immediately upon settlement with pre-sales occurring shortly thereafter. The number of stages is dependent on the scale of the development option, construction to begin in Month 12 and span for 12-18 months depending on the size of each stage.

Development Yield Assumptions

- Residential units:
 - Internal unit area: 1 bedroom unit (60sqm), 2 bedroom unit (85sqm), 3 bedroom unit (110sqm).
 - Unit mix: 1 bedroom: 2 bedroom: 3 bedroom (20%: 70%: 10%).
 - Parking rates: 1 bedroom unit (1 space), 2 bedroom unit (2 spaces), 3 bedroom unit (2 spaces), visitor (0.2 spaces).
 - Efficiency factor of 85% (converting GFA to internal unit area), resulting in average of 97sqm GFA per unit)

Revenue Assumptions

- Residential end sale values:
 - 1 bedroom units average of \$600,000 (\$10,000/sqm).
 - 2 bedroom units average of \$828,750 (\$9,750/sqm).
 - 3 bedroom units average of \$1,045,000 (\$9,500/sqm).
- Revenue was assumed to escalate at 3.0% per annum.
- It was assumed that 50% of apartments would be pre-sold prior to construction and the balance would be settled after construction at the rate of 5-10 units per month.
- Non-residential end sale values:
 - Retail at \$6,000/sqm.
 - Commercial at \$4,000/sqm.
- Other revenue assumptions:
 - GST is included on the residential sales.
 - Sales commission was included at 2.0% of gross residential sales and 1.5% of retail/commercial sales.
 - Marketing costs at 1% of gross sales.
 - Legal costs at 0.25% of gross sales.

Cost Assumptions

- Demolition and clearing costs were costed at \$70 per square metre of building area, assumed to comprise 80% of total site area.
- Construction of residential units was assumed at \$2,200/sqm of GBA with balconies assumed at \$600/sqm.
- Construction of retail floorspace was assumed at \$1,800/sqm.
- Basement car parking was included at \$40,000 per space.
- Cost escalation of 3% per annum was assumed to commencement of construction.
- Other construction costs include:
 - Site work and preparation at 1% of construction cost.

- Services infrastructure at 2% of construction cost.
- Landscaping at \$200/sqm of 25% of site area.
- A further 5% construction contingency allowance was included.
- Professional fees and application fees at 10% of construction costs.
- Development management fee at 1% of project cost (excluding land and finance).
- Statutory fees include:
 - DA and CC fees at scheduled rates.
 - Strata titles fees at \$800 per unit.
- Section 94 contributions as per current schedule rates:
 - 1 bedroom unit at \$10,668 per unit.
 - 2 bedroom unit at \$16,604 per unit.
 - 3 bedroom unit at \$20,000 per unit.
 - \$5,504 for every 100sqm of commercial/retail GFA.
- Land holding costs assumed at statutory rates.
- Other cost assumptions include:
 - Developer's equity is assumed at land purchase cost. Equity is progressively injected when required.
 - The balance of project cost is assumed to be debt funded with interest capitalised monthly (nominal 7% per annum).

*cost assumptions are sourced from industry experience and construction cost publications (Rawlinsons Construction Cost Handbook and Riders Digest, 2015)

Hurdle Rates and Performance Indicators

Target hurdle rates are dependent on the perceived risk associated with a project (planning, market, financial and construction risk). The more risk associated with a project, the higher the hurdle rate. Key performance indicators for this feasibility analysis are:

- **Development margin** is the profit divided by total development costs (including selling costs).
- **Discount Rate** refers to the project internal rate of return (IRR) at which the net present values of an investment becomes zero.

Adopted hurdle rates are 18% development margin and 18% discount rate, in line with industry expectations.

If the resulting profit from this feasibility analysis is large enough to meet the target hurdles, the project is considered feasible.

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