



Landmark Square, Hurstville Planning Proposal

Economic Impact Assessment Update

Prepared for Dickson Rothschild

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EXECUTIVE SUMMARY

HillPDA was commissioned by Dickson Rothschild on behalf of One Capital Group Pty Ltd to undertake this Economic Assessment (hereafter referred to as 'the Study') related to a Planning Proposal for the rezoning of the site generally bounded by Forest Road, Durham Street and Roberts Lane (hereafter referred to as the Subject Site) in Hurstville from IN2¹ Light Industrial to B4 Mixed Use to allow for the mixed use development which will be known as the Landmark Square Development. The Subject Site has an area of approximately 1.4Ha.

The Planning Proposal

The proposed redevelopment of the existing industrial precinct comprises the following:

- Increase maximum building height to 65 metres on corner of Forest Road and Durham Street, with other proposed buildings on the site stepping down from this height to transition to lower scale development to east and north of the site;
- Increase floor space to include a base FSR on most of the site to 3.5:1, while a strip of land on the site along the length of Roberts Lane is proposed to include an FSR of 2:1;
- A bonus FSR of 0.5:1 for hotel accommodation for a portion of the site on the corner of Forest Road and Durham Street;
- Residential land uses which will include 440-480 apartments;
- A 130 room hotel; and
- Retail uses of approximately 6,500sqm.

Site Assessment

The development of industrial related uses requires a number of prerequisites or site characteristics such as appropriate zoning, a large developable area, high accessibility or connectivity to major roads, good topography and soil conditions, agglomeration opportunities/proximity to other industries and a suitable surrounding environment with minimal land use conflicts. The table below summarises the subject site in terms of achieving these objectives.

¹ The Subject Site is currently zoned IN2 with the exception of 53 Forest Road which is zoned R2 Low Density Residential

Table 1 Impact of Subject Site's Characteristics on Industrial Uses

Industrial vs Mixed Use Development		
Prerequisite	Industrial development	Mixed Use Development
Zoning		
Developable area		
Accessibility and Connectivity		
Industrial Agglomeration		NA
Topography and Soil Conditions		
Environment		

Based on the above analysis redevelopment of the subject site for uses permitted under the current IN2 zone is unviable. Without rezoning, the existing structures and land uses are likely to be retained in the foreseeable future. This is due to the low value of new industrial buildings combined with high built costs and environmental constraints. A mixed use zone enables urban renewal (replacing the old buildings with new contemporary buildings) in a way which is feasible.

Economic Comparisons

The following table summarises the economic benefits of retaining the Subject Site's current uses in comparison to redevelopment in accordance with the Planning Proposal.

Table 2 Economic Comparisons of Current Uses vs Planning Proposal

	Current Uses	Planning Proposal
Total Jobs Generated	83	411
Total Salaries (\$m) Generated	\$4.6m	\$13m
Value Add to GDP	\$8.7m	\$21.5m
Construction Cost	N.A.	\$240m
Total Economic Activity generated by the construction of the proposed development	N.A.	\$791m
Jobs During Construction (direct and indirect)	N.A.	2,219
Retail Spend from Residents & Workers on Site (\$/ann)	\$0.2m	\$14.5m
Retail Spend from Tourists (\$/ann)	N.A.	\$5.7m

Evidently the Planning Proposal is preferred over the 'do nothing' scenario as it would lead to a net increase in jobs (+328 jobs), salaries generated (+\$8.4m) and industry value added (contribution to GDP) (+\$12.8m). Moreover the Planning Proposal would generate additional economic activity (+\$791m) and jobs (+2,219 job years directly and indirectly) during the period of construction and stimulate investment in the locality.

Government Strategies and Targets

The State and Government strategies and policies give impetus to the need to create housing and employment opportunities. This is evident in the 'A Plan for Growing Sydney', the draft South District Plan and the draft South Subregional Strategy. As such the Planning Proposal is in accordance with these strategies and would address these targets by creating employment opportunities and additional dwelling mixture choice for the increase in population. Moreover the Planning Proposal would provide significant housing which will be in close proximity to a major public multi-modal transport interchange. The hotel would also generate multiplier benefits creating additional demand for goods and services in the wider Sydney Region.

Section 117 Direction 1.1 also relates to Business and Industrial zones. The following table assesses the consistency of mixed use development on the Subject Site, against the three key requirements of the Direction for strategies concerning employment lands.

Table 3 Consistency of Mixed Use Development with Ministerial Direction 1.1 Business & Industrial Zones

Relevant Matters	Comment and Consistency
Objectives of the Direction	The proposed development would not result in a net loss of employment generating floorspace in comparison to the existing development and its uses. It would also generate additional demand for retail and business services through the proposed commercial and retail component which would help to support the viability of identified strategic centres (consistent with objective 1.C).
No net loss of potential floorspace for employment uses and related public services in business zones	The proposed rezoning would result in a net increase in floorspace for employment uses. More specifically the Landmark Square Site has the potential to provide some 13,000sqm of industrial floorspace, however the Planning Proposal proposes to include 11,760sqm of more intensive employment uses (i.e. the hotel and retail component).
In accordance with a Strategy approved by the Direction General of DP&E	Whilst the Planning Proposal does not align with the current LEP, the proposed mixed use development responds and accords with the Plan for Growing Sydney as well as supporting the indicative targets for population, housing and employment growth within the draft South Subregional Strategy.

Summary

The preceding Chapters have demonstrated the likely economic impacts of the proposed rezoning of the Subject Site from IN2 Light Industrial to B4 Mixed Use.

There are considerable economic benefits of amending the zoning on the Subject Site. The Planning Proposal would help to meet very strong demand for housing in the area and provide additional employment generating uses. The prevalent market conditions support the proposal and it would be consistent with current development activity in Hurstville.

There are some long term impacts of continuing this trend in development especially in regards to the contraction of the Hurstville industrial market. However give the Subject Site's proximity to the transport hub, schools and amenities, a mixed use development is more appropriate in that location. Moreover the mixed use development and hotel would create additional demand for retail and business services which would help to support the viability of the identified major centre. By comparison the economic contribution made by the existing uses under the industrial zone is underwhelming.

1 INTRODUCTION

HillPDA was commissioned by Dickson Rothschild on behalf of One Capital Group Pty Ltd to undertake this Economic Assessment (hereafter referred to as 'the Study') related to a Planning Proposal for the rezoning of the site generally bounded by Forest Road, Durham Street and Roberts Lane (hereafter referred to as the Subject Site) in Hurstville from IN2 Light Industrial to B4 to allow for the mixed use development which will be known as the Landmark Square Development.

The Subject Site

The Subject Site is situated in Hurstville NSW, which falls within the boundaries of the Hurstville Local Government Area (LGA) and is bounded by Forest Road, Durham Street and Roberts Lane.

The Subject Site is currently occupied by multiple buildings ranging from one to two levels most of which form industrial spaces and are leased or occupied mostly for bulky goods and storage tenants. The Subject Site has an area of approximately 1.4Ha (refer to the figure below).

Figure 1 Aerial View of Subject Site



Source: Nearmaps; HillPDA

The Subject Site is predominantly zoned IN2 Light Industrial in the Hurstville LEP 2012 with a permissible FSR of 1:1 and height limit of 10m.

The Subject Site is strategically positioned in close proximity to the core retail and commercial precinct which includes Westfield

Hurstville (a major Regional Shopping Centre serving the St George / Southern Subregion) and Hurstville City Council. Immediately surrounding the Subject Site is:

- Hurstville Public School to the north;
- Low density residential uses to the east;
- Mixed use development (apartments above ground floor retail) immediately to the north fronting Forest Road;
- High density residential and recreational uses to the south; and
- A Toyota Car Dealership to the west.

The Subject Site is also within walking distance to Hurstville Train Station (800m) the 12th most frequented train station in NSW in 2013 with express services to the Sydney CBD².

The Planning Proposal

The proposed redevelopment of the existing industrial precinct comprises the following:

- Increase maximum building height to 65 metres on corner of Forest Road and Durham Street, with other proposed buildings on the site stepping down from this height to transition to lower scale development to east and north of the site;
- Increase floor space to include a base FSR on most of the site to 3.5:1, while a strip of land on the site along the length of Roberts Lane is proposed to include an FSR of 2:1;
- A bonus FSR of 0.5:1 for hotel accommodation for a portion of the site on the corner of Forest Road and Durham Street;
- Residential land uses which will include 440-480 apartments;
- A 130 room hotel; and
- Retail uses of approximately 6,500sqm.

² Bureau of Transport Statistics (2013)

The Study Brief

It is understood that the owner of the land is seeking the rezoning of the Subject Site from its current zoning of predominantly IN2 Light Industrial in the LEP 2012, to a zoning that would allow the development of mixed uses on the Subject Site. The purpose of this Study is to provide an economic assessment of the Planning Proposal of the Subject Site. As part of this assessment the Study explores the economic viability and economic impact of retaining the current zoning versus amending the zoning to allow for a mixed use development. Furthermore it addresses the directions set out in the Ministerial Section 117 Direction 1.1 in relation to economic impact.

Structure of the Study

To meet the requirements of the project brief and fully consider the economic impact associated with the proposed rezoning, the Study is set out in the following manner:

- Chapter 2 undertakes an assessment of the planning and legislative background to the proposed rezoning, the chapter then assesses the economic principle of the rezoning in context of the planning policies reviewed earlier;
- Chapter 3 undertakes a site assessment to ascertain the Subject Site's suitability for either business uses or whether other uses are more feasible;
- Chapter 4 assesses the potential economic benefits of the Planning Proposal in the context of the residential market activity in Hurstville. This includes the broader factors driving demand and the supply of available opportunity sites in Hurstville;
- Chapter 5 assesses the economic implications of retaining the Subject Site's current zoning versus the implications of the proposed rezoning.
- Chapter 6 outlines the key conclusions of the Study and assesses the net economic benefits of the Planning Proposal.

2 CONTEXTUAL REVIEW

This Chapter undertakes an appraisal of the planning and legislative context for the proposed rezoning based on State, Metropolitan, Subregional and local planning guidelines. It considers matters relating to the proposed rezoning and development from an economic perspective only.

State and Regional Planning Policies NSW

A Plan for Growing Sydney (2014)

'A Plan for Growing Sydney 2014' provides a framework for strengthening the global competitiveness of Sydney (including the South Subregion). To achieve this vision, the Government has set down goals that Sydney will be:

- 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; and
- A sustainable and resilient city that protects the natural environment and has a balanced approach to the use of land and resources.

The Metropolitan Plan sets the following priorities for the South Subregion:

- A competitive economy;
- Accelerate housing supply, choice and build great places to live; and
- Protect the natural environment and promote its sustainability and resilience.

Of relevance to this Study, the strategy stipulates there is a priority to:

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



Draft South District Plan

This draft South District Plan proposes a 20-year vision for the South District, which includes the local government areas of Canterbury-Bankstown, Georges River and Sutherland.

The District Plan baseline target for jobs in the Hurstville centre at 2036 is 15,000, with a higher target of 20,000.

The Draft District Plan states that “Hurstville is an important retail destination for the South District with its high street, Westfield and Central shopping centres. The centre also serves as a commercial precinct for the local population and benefits from a rail station and several bus routes. It has an opportunity to leverage its cultural diversity to grow tourism.”

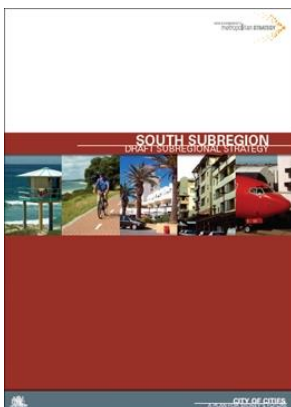
Proposed priorities for Hurstville are as follows:

- Create a strong sense of place by celebrating Hurstville's cultural diversity;
- Upgrade public areas and create new open spaces;
- Encourage and support improvements to Westfield Hurstville to better integrate it with the public areas of the wider centre;
- Support the expansion of the hospitals in the centre and the growth of allied health services;
- Grow the night time economy;
- Recognise and support the role of Forest Road as an ‘eat street’;
- Activate secondary streets; and
- Improve tree cover and the quality of the public realm.

The District Plan is based on the NSW Department of Planning & Environment 2016 LGA Population Projections for an additional 30,800 persons in the Georges River LGA over the 20 years to 2036.

Draft South Subregional Strategy (2007)

The Hurstville LGA falls within the South Subregion of Sydney and therefore relevant policies are set out within the Draft South Subregional Strategy that was prepared in accordance with the 2005 plan City of Cities. The Draft South Subregional Strategy provides a range of actions and objectives for the Region covering themes such as: economy and employment, centres and corridors, housing, transport, environment, heritage and resources, culture and governance.



Relevant to this Study, the Draft South Subregional Strategy provides a number of targets, aims and objectives over a 25 year timeframe to 2031 for both the Region and specific to the Shire.

- Key visions for the South Subregion by 2031 include:
- Providing a superior lifestyle and amenity, allowing residents to live and work within the subregion;
- Retaining its high quality environmental, tourism and lifestyle attributes; and
- Having a diverse community supported by a greater range of housing choice

Accordingly, the Draft South Subregional Strategy sets a dwelling target of accommodating an additional 35,000 dwellings within the subregion by 2031. This represents 7.8% of the total dwelling target set for Sydney's existing areas. By 2031, the population of the South Subregion is expected to grow to over 676,000 people.

A key direction for the Subregion is to identify and investigate renewal. In addition, an increase in housing densities was seen as a method of improving the mix of housing types in the Subregion (addressing the existing predominance of low density, detached and high value housing stock) whilst meeting broader centre objectives to increase vitality and make better use of existing infrastructure. The Strategy recommends that to achieve housing growth, it will be necessary to increase densities through medium density development in the Region's Major Centres, Towns, Villages and Neighbourhood centres. In addition densities should be increased in areas benefiting from projects identified in the State infrastructure Strategy such as the Cronulla Rail Corridor.

One of the key directions for Sydney's South Subregion is to strengthen Hurstville's commercial centre. Hurstville has been identified as a Major Centre for the subregion and is a key retail and service centre, as well as offering a mix of low, medium and high density housing choices.

Hurstville City Centre Concept Masterplan 2004

This concept plan sets a number of key directions for the future of the centre of Hurstville (which includes the Subject Site). The master plan develops seven key design principles to improve the amenity of the city of Hurstville including:

1. To develop a new bus interchange;
2. To create a new Civic Precinct;

3. To improve the north-south connections;
4. To improve railway station access;
5. To create a new sequence of public spaces;
6. To create parks, green gateways and street trees; and
7. To simplify the traffic system.

Of relevance to this Study, the masterplan also proposes ways to improve development in Hurstville CBD by looking at “value capture” from development to contribute to public domain improvements.

Hurstville LEP 2012

The Subject Site has been zoned IN2 Light Industrial under the Hurstville LEP 2012 with a permissible FSR of 1:1 and height limit of 10m.

The below extract provides the objectives, permitted and prohibited uses of this zone:

1. *Objectives of zone*

- *To provide a wide range of light industrial, warehouse and related land uses.*
- *To encourage employment opportunities and to support the viability of centres.*
- *To minimise any adverse effect of industry on other land uses.*
- *To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.*
- *To support and protect industrial land for industrial uses.*
- *To enable industrial development which does not pollute or adversely affect adjoining land, air or water.*
- *To ensure industrial development creates areas that are pleasant to work in, safe and efficient in terms of transportation, land utilisation and service distribution.*

2. *Permitted without consent*

Home occupations

3. *Permitted with consent*

Depots; Garden centres; Hardware and building supplies; Industrial training facilities; Kiosks; Landscaping material supplies; Light industries; Neighbourhood shops; Plant nurseries; Roads; Take away food and drink premises; Timber yards; Vehicle sales or hire premises; Warehouse or distribution centres; Water recycling facilities; Any other development not specified in item 2 or 4

4. Prohibited

Agriculture; Air transport facilities; Airstrips; Amusement centres; Biosolids treatment facilities; Boat launching ramps; Boat sheds; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Child care centres; Commercial premises; Community facilities; Correctional centres; Crematoria; Eco-tourist facilities; Educational establishments; Entertainment facilities; Environmental facilities; Exhibition homes; Exhibition villages; Extractive industries; Farm buildings; Forestry; Function centres; Health services facilities; Heavy industrial storage establishments; Helipads; Highway service centres; Home occupations (sex services); Information and education facilities; Industries; Jetties; Marinas; Mooring pens; Moorings; Mortuaries; Open cut mining; Passenger transport facilities; Public administration buildings; Recreation areas; Recreation facilities (major); Recreation facilities (outdoor); Registered clubs; Research stations; Residential accommodation; Respite day care centres; Rural industries; Sewage treatment plants; Tourist and visitor accommodation; Water recreation structures; Water supply systems; Wholesale supplies.'

Ministerial Section 117 Direction 1.1 (2009)

Section 117 Direction 1.1 relates to Business and Industrial zones. The objectives of the direction are as follows:

- Encourage employment growth in suitable locations;
- Protect employment land in business and industrial zones; and
- Support the viability of identified strategic centres.

This Direction applies when a planning proposal would affect land within an existing or proposed business or industrial zone. As such this report will address the five key requirements of Direction 117 these being:

- Follow the objectives of the Direction;
- Retention of existing business and industrial zones;
- No net loss of potential floor space for employment uses and related public services in business zones;
- Not reduce the potential floor space area for industrial uses in industrial zones; and
- Be in accordance with a Strategy approved by the Director General of DP&E.

3 SITE ASSESSMENT

The following chapter undertakes an assessment of the Subject Site and surrounding land uses. Identification of particular traits and characteristics which would inhibit the feasibility of industrial uses is explored. Alternative land uses which could be accommodated on the Subject Site are also considered.

Site Characteristics

The Subject Site is strategically located on the block bounded by Forest Road to the west, Durham Street to the south and Roberts Lane to the east. The Subject Site has a level topography, with an area of approximately 1.4Ha. With a total site area of below 2Ha, the Subject Site is undesirable for large uniform floorplates which is a typical requirement for industrial uses (discussed in more detail below).

As established in Chapter 1, the Subject Site is located in close vicinity to public transport facilities including Hurstville Train Station and Bus Interchange and the major retail and the commercial precinct of Hurstville (including Westfield Hurstville). This coupled with the surrounding residential, school facilities and open space renders the Subject Site more suitable for mixed use development which under the current uses is being underutilised. Moreover industrial uses are best served by locating within Employment Areas away from sensitive land uses such as schools and recreational uses - an issue with the existing uses provided on the Subject Site.

Requirements for Industrial Uses

The development of industrial related uses requires a number of prerequisites / characteristics such as appropriate zoning, a large developable area, high connectivity, good topography and soil conditions, industrial agglomeration opportunities and a suitable surrounding environment. Each of these prerequisites / characteristics and how they relate to the Subject Site are considered below.

Zoning

The Subject Site's current zoning of IN2 Light Industrial allows for the development of industrial related uses. The Subject Site's current zoning of IN2 Light Industrial allows for the development of neighbourhood shops, recreation areas and recreation facilities (indoor), but residential uses are not permitted under this zone.

Developable area

Industrial developments usually require a large developable area to allow for large floor plates, storage areas and vehicle turning and access points. The flexibility of mixed use developments allows for development on various sized allotments. Although the limited size of the Subject Site is a hindrance to the development of industrial uses, the flexibility of mixed use developments negates this hindrance allowing for more efficient design outcomes.

Accessibility and Connectivity

Industrial developments usually require good access to highways with two entry points. The Subject Site is located along a major arterial road. However it also abuts residential uses which is not appropriate for heavy vehicle movements. As such a mixed use development would be more suitable for this reason.

Industrial Agglomeration

Agglomeration or clustering is the phenomenon whereby firms from the same industry, and/or firms with strong linkages, locate together in close proximity. It is particularly evident in industries like health care, banking, research and development, automotive industries, construction industries and manufacturing. Economists explain clustering as a means for businesses to enjoy some of the economies of scale usually reserved for large firms. Simply due to its scale the existing precinct is too small to enjoy any benefits from industrial agglomeration.

Topography and Soil Conditions

Industrial developments usually require level ground with good soil conditions that allow drainage; as such, the Subject Site topography would be considered suitable for most land uses including industrial and residential uses.

Environment / Surrounding Land Uses

The surrounding environment is one of residential and recreational space, with Hurstville Public school located immediate to the north. This would place stringent requirements on the type of industry that could locate there. Further the Subject Site is within walking distance to a major train station and the core retail precinct. The provision of higher density dwellings, especially apartments aligns with broader trends in lifestyle and living close to amenities, transport nodes and employment. It would provide a higher and better use for the Subject Site and reduce land use conflicts.

Table 4 Impact of Subject Site's Characteristics on Industrial Uses

Industrial vs Mixed Use Development		
Prerequisite	Industrial development	Mixed Use Development
Zoning		
Developable area		
Accessibility and Connectivity		
Industrial Agglomeration		NA
Topography and Soil Conditions		
Environment		

Conclusion

Based on the above analysis redevelopment of the Subject Site for uses permitted under the current IN2 zone is unlikely due the physical challenges associated with the Subject Site as well as it not being financially viable for a developer.

Without rezoning, the existing structures and land uses are likely to be retained in the foreseeable future due to the low value of new industrial buildings combined with high built costs and environmental constraints as discussed above. A mixed use zone enables urban renewal (replacing the old buildings with new contemporary buildings) in a way which is feasible and enables more efficient and intensive use of the site.

4 RESIDENTIAL DEMAND

This Chapter undertakes an assessment of demographic profile the residential market in the Hurstville suburb. It uses published data sources to provide an insight into the nature of residential market demand and supply in the Hurstville locality.

Population Growth

The Hurstville suburb contained 26,040 residents in 2011 and experienced a 12% population growth over the previous 10 years. The majority of that growth occurred between 2001 and 2006. Population growth in the City of Hurstville and Greater Sydney has been comparatively lower at 7% between 2001 and 2011. This is reflective of ongoing housing development in the suburb.

Table 5 Population Growth 2001 to 2011

Location	2001	2006	2011	Change 2001-11		Change 2006-11	
				#	%	#	%
Hurstville	20,370	23,332	26,040	5,670	28%	2,708	12%
City of Hurstville	70,642	73,750	79,085	8,443	12%	5,335	7%
Greater Sydney	3,997,321	4,148,574	4,429,034	431,713	11%	280,460	7%

Source: ABS Census 2001, 2006 and 2011

Population Projections

Population projections sourced from the NSW Bureau of Transport Statistics (BTS) are shown in the table below for Hurstville and the City of Hurstville.

Table 6 Population Projections 2011 to 2031

Location	2011	2016	2021	2026	2031	Growth 2011-31	
						#	%
Hurstville	26,974	29,338	34,009	38,258	42,255	15,281	57%
City of Hurstville	82,810	87,188	93,747	99,577	104,957	22,147	27%

Source: NSW Bureau of Transport Statistics (September 2014)

Over the 2011 to 2031 period Hurstville will experience population growth equivalent to a 57% increase in the population based on the BTS data. The City of Hurstville will experience a 27% population increase over the same period. It should be noted that the BTS population projections in 2011 are greater than the estimated

population derived from ABS because BTS considers ABS to be an undercount of the actual resident population. This is indicative of the need for additional housing to support this substantial growth.

Drivers of Demand

Falling interest rates and improved business confidence since the Federal election has succeeded in stimulating the property sector in parts of Australia, including NSW, despite uncertainties in the global economy. Increased construction activity is reported³ and business and consumer confidence is growing in most sectors.

The development of residential is driving more widespread renewal than any other land use at present, representing the 'highest and best use' from a development standpoint. Sales of development sites reflect this sentiment, with sites offering residential development opportunities observed to be principally driving sales activity in the development market.

A period of soft residential activity and growth since 2004 resulted in significant pent-up demand. This is a large contributing factor to the high levels of market activity currently witnessed, from generous premiums paid to assemble and amalgamate development sites to rapid and high level of pre-sales.

Late 2013 was the start of a property bubble in the Sydney market evident by the significant price rises, increase in development activity, buyer enquires and clearance rates. In our view the current levels of demand reflect sustained pent up demand for dwellings in Sydney and are a correction which has preents historically in the 1980s. Residential property prices and investor interest over the 5 years prior to 2013 were quite flat and construction activity was failing to keep up with long term demand (which resulted in average household sizes or occupancy rates increasing slightly in the last inter-censual period). The recent upward trend in the residential market is a correction to the previous 5-7 years. Residential property prices will continue to rise through 2015 before levelling out.

The key drivers to Sydney's residential property market are:

- Low interest rates underpinning affordability;
- Demand for an affordable housing product – leading to increased development and proportion of apartments;
- High cost of ownership leading to a higher propensity for households to rent;

³ Source: Property Week, Property Council of Australia (October 2013)

- Downsizing of empty nesters;
- Increased demand for new housing around major transport nodes, especially existing railway stations owing to lifestyle changes;
- Demographic trends leading to declining household sizes;
- Strong population growth from international migration and natural increase; and
- Strong demand from international investors particularly from Asia.

It is widely acknowledged that until recently development had not kept pace with demand, contributing to a tight rental market and rising house prices.

The collective impact of these factors is that there is increasing pressure on existing urban areas – especially those served by employment and transport nodes to provide a greater level of infill housing. New development is helping to ease some of the pent-up demand as well as provide a larger market for property investors in Sydney who are particularly active in the apartment market.

Deloitte Access Economics note that increased residential development has major benefits for the Australian economy, mainly due to foreign investment capital which is especially directed at Sydney. They note that "The Sydney market is particularly attractive to developers and investors because mortgages tend to be higher than other cities, so demand is more sensitive to lower interest rates. As an international gateway city, Sydney is attractive and familiar to many foreign investors and developers"⁴.

The NAB Residential Property Survey also backed this, revealing that foreign investors currently account for 14% of all new property market demand, with particular demand for dwellings in the Sydney CBD and inner city markets.

Housing Market Change

From 2001-2011 the Hurstville housing market (which for this exercise includes the Hurstville SA2) experienced a considerable increase in the supply of new dwellings. By way of example, the total number increased by 29% from 4,188 dwellings in 2001 to 5,418 dwellings by 2011⁵. Of this growth over 80% was in apartments. The table below shows the total number of dwellings and net increase

⁴ Deloitte Access Economics (2014) Business Outlook

⁵ ABS (2011) Hurstville SA2 Community Profile, excludes other dwellings

broken down by dwelling type and number of bedrooms from 2001 to 2011.

Table 7 Dwelling Totals and Change in Hurstville SA2 2001-2011

	2001	2006	2011	Change 2001-2011 Total	Change 2001-2011 (%)
Separate House					
Bedrooms 1/0	17	12	31	14	82%
Bedrooms 2	423	329	280	-143	-34%
Bedrooms 3	1,249	1,185	1,119	-130	-10%
Bedrooms 4+	828	1,024	1,207	379	46%
Sub-Total	2,517	2,550	2,637	120	5%
Semi-detached					
Bedrooms 1/0	18	13	8	-10	-56%
Bedrooms 2	73	90	83	10	14%
Bedrooms 3	186	241	216	30	16%
Bedrooms 4+	28	71	119	91	325%
Sub-Total	305	415	426	121	40%
Apartment					
Bedrooms 1/0	57	105	200	143	251%
Bedrooms 2	978	1,256	1,507	529	54%
Bedrooms 3	322	458	611	289	90%
4+	9	26	37	28	311%
Sub-Total	1,366	1,845	2,355	989	72%
Total	4,188	4,810	5,418	1,230	29%

Source: ABS (2011)

As the Subject Site is an established urban area, the vast majority of opportunities for growth are through redevelopment of lower density residential lots, the redevelopment of land with redundant or underutilised uses and (increasingly as in the case of the Subject Site) through conversion of industrial core sites to mixed use developments incorporating a range of uses including commercial, retail and residential.

The provision of higher density dwellings, especially apartments aligns with broader trends in lifestyle and living close to amenities, transport nodes and employment. This is reflected in multiple other centres in Sydney which have experienced change to a greater proportion of dwellings that are medium and high density.

Current and Forecast Development

The changes in the type of housing stock provided by the market between 2001 and 2011 as shown in the table above may be exemplified by the significant strength of the residential apartment pipeline over the past 2-3 years.

Based on research conducted by HillPDA using Cordell Connect data, there are approximately 1,750 apartment dwellings in the development pipeline for Hurstville with some examples provided in Table 8 below.

We caution however that this figure is likely an under-representation as some projects in the pre-planning phase and are therefore yet to gain approval or determine the total number of dwellings and as such have been discounted from this total.

Table 8 Residential Pipeline for Hurstville

Development Type	Stage	Units	Expected Completion
Units	Development Application	13	2019
Mixed Use	Development Application	16	2019
Mixed Use	Development Application	18	2019
Units	Development Approval	67	2019
Mixed Use	Development Approval	20	2019
Mixed Use	Development Approval	556	2020
Mixed Use	Development Application	42	2019
Mixed Use	Building Application	12	2018
Mixed Use	Development Application	57	2020
Units	Development Approval	9	2018
Mixed Use	Development Approval	14	2019
Units	Development Approval	5	2018
Mixed Use	Construction	383	2018
Mixed Use	Development Approval	57	2019
Units	Development Approval	16	2019
Units	Development Approval	8	2018
Mixed Use	Contract Let	75	2018
Mixed Use	Development Application	510	2022
Total		Dwellings 1,878	

Source: Cordell Connect

Policy Perspective

As discussed in Chapter 2, the draft 2007 Draft South Subregional Strategy set a dwelling target of 35,000 dwellings for the South Subregion.

The Planning Proposal which will provide housing in close proximity to transport and employment is helping to meet some of the unmet demand in the market. Crucially, the Planning Proposal would actually result in a net gain in total employment generating floorspace from the current use including hotel and retail space allocation. This means that it is still enabling new housing to be located contiguous to employment space and not developing at the direct expense of jobs.

Summary & Implications

Anticipated population growth and demand for new residential dwellings at Hurstville is driving a major transformation of the area with a notable increase in the level of residential development. This activity is being supported by strong underlying demand, a lack of development activity in preceding years and favourable lending rates.

As there are limited development opportunities to develop new housing in direct proximity to major transport nodes (such as Hurstville) increasingly sites are being rezoned to mixed use to maximise their potential to contribute to a range of government objectives.

These factors have led to the total number of dwellings in Hurstville increasing by over 29% from 2001 to 2011. It has also created a strong development pipeline of over 1,750 dwellings having the potential to come onto the market in the next four years.

From a market and demand perspective, the proposal would help to meet the high demand for new dwellings as well as providing jobs close to transport infrastructure and employment. Although the Planning Proposal would likely lock in residential uses for the future, it is increasing the residual employment generating floorspace and therefore not creating new residential dwellings at the expense of jobs.

5 ECONOMIC IMPLICATIONS

The following chapter undertakes an assessment of the economic implications of retaining the Subject Sites current zoning verses the economic implications of rezoning to allow for a mixed use development.

Employment Implications of IN2 Zone vs B4 Zone

The following assesses the economic implications of retaining the Subject Site for industrial uses.

Employment

The Landmark Square Site is currently occupied by a number of buildings ranging from one to two levels. These building facilities currently accommodate a number of tenants employing 83 known staff members described in the table below:

Table 9 Landmark Square Site Staff Numbers

Address	Business	Number of staff
61 Forest Rd	Storage King	8
	Lawrence and Hanson	4
	Colorful Flooring	1
	Factory Direct Furniture	1
	Tacmed Australia (closed)	0
67 Forest Rd	Speedy Tyres	2
	N&G Mechanical Repairs	3
71A Forest Rd	Forest Carwash	4
73 Forest Rd	Ultratune	6
75 Forest Rd	Great Wall	4
14-16 Durham		50*
Total		83

Source: Hurstville site staff numbers, Rappoport Heritage Consultants, 2014, * We have assumed a rate of 1 employee per 55sqm to 65sqm with a GLA of approximately 2,620sqm

The Landmark Square Site could be redeveloped under the current zoning to a higher density (up to 1:1 FSR) and employ more workers. However the likelihood of this scenario is very low given this scenario is unlikely to be financially viable.

The Landmark Square proposal would support permanent employment post-construction through the operation of hotel and retail uses within the development. The table below provides an estimate of the number of jobs on site in accordance with the Planning Proposal.

Table 10 Employment Generation from Redevelopment

Land Use	Employment Rate*	Apartments	GLA	No. of Worker
Retail	1/23sqm		6,175	268
Hotel	0.85/room	130	4,997	111
Workers at Home	1/14 apartments	440-480	35,007	31-34
Total				410-413

Source: Hotels: Australian average is 0.625 jobs per rooms. 0.85 is assumed in this case due to higher 4-star level of service; Childcare: Educator to child ratios are sourced from the National Quality Framework; 90 places/children are assumed with an educator to child ratio of 1:5; Work at Home: 7.6% of workers undertake majority of their work at home (ABS Locations of Work 2008 Cat 6275.0) and assuming 1.1 working residents per household translates to 1 job per 14 dwellings. Retail: Weighted employment density average assuming convenience store, restaurants, a take-away, one non-food retailer and personal services (ABS Retail Surveys 1991, 1999)

Based on the table above, the proposed development is estimated to accommodate 410-413 jobs on site. These are jobs in full, part-time and casual positions.

As demonstrated in the above table, the hotel will generate 111 jobs and the retail component 268 jobs. Assuming 31-34 jobs are generated by home based businesses, a total of 410-413 permanent jobs will be provided on the Subject Site following development. Accordingly, with only 83 jobs currently estimated on site, the Planning Proposal will provide a net increase of 327-330 jobs.

Salary Implications of IN2 Zone vs B4 Zone

The combined total of the existing workers' salaries is estimated at approximately \$4.6 million. The bases for these calculations are provided in the table below.

Table 11 Existing Estimated Salary Contribution

Existing Tenant	No. of Workers	Average Annual Wage	Total Wages (\$)
Storage King	8	\$60,256	\$482,045
Lawrence and Hanson	4	\$74,863	\$299,452

Colorful Flooring	1	\$53,228	\$53,228
Factory Direct Furniture	1	\$41,339	\$41,339
Tacmed Australia (closed)	0	N/A	N/A
Speedy Tyres	2	\$54,412	\$108,824
N&G Mechanical Repairs	3	\$58,696	\$176,089
Forest Carwash	4	\$22,797	\$91,187
Ultratune	6	\$58,696	\$352,177
Great Wall	4	\$57,592	\$230,368
Other Uses	50	\$56,118	\$2,805,883
Total	83		\$4,640,591

Source: IBIS World Reports; HillPDA

The Planning Proposal would increase the combined total of workers' salaries on site to approximately \$13-\$13.2 million as shown in the table below.

Table 12 Potential Salary Contribution Post Redevelopment

Land Use	No. of Workers	Average Annual Wage	Total Wages
Retail	268	\$28,333	\$7,593,340.48
Hotel	111	\$31,689	\$3,517,423.50
Workers at Home	31-34	\$60,000	\$1,860,000-\$2,040,000
TOTAL	410-413		\$12,970,764-\$13,150,764

Source: IBIS World Industry Reports.

On this basis, the Planning Proposal would increase total salaries by around \$8.3-\$8.5 million every year.

Value Add to GDP of IN2 Zone vs B4 Zone

Value add of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the country's wealth or gross domestic product (GDP).

We estimate the value add from the existing tenants to be \$8.7m every year as shown in the following table.

Table 13 Industry Value Add from the Existing Land Uses on Site

Value Add	No. Of Workers	IVA/ Worker	Industry Value Add
Storage King	8	\$114,194	\$913,548.70
Lawrence and Hanson	4	\$109,452	\$437,808
Colorful Flooring	1	\$92,109	\$92,109
Factory Direct Furniture	1	\$59,052	\$59,052
Tacmed Australia (closed)	0		
Speedy Tyres	2	\$76,067	\$152,134
N&G Mechanical Repairs	3	\$72,227	\$216,681
Forest Carwash	4	\$32,106	\$128,426
Ultratune	6	\$72,227	\$433,363
Great Wall	4	\$78,339	\$313,356
Other Uses	50	\$119,147	\$5,957,353
Total	83		\$8,703,831

Source: IBIS World Industry Reports and HillPDA Estimate.

We estimate the value add from the Planning Proposal to be in the order of \$21.3-\$21.7 million every year as shown in the below table.

Table 14 Industry Value Add Post Redevelopment

Value Add	No. Of Workers	IVA/ Worker	Industry Value Add
Retail	268	\$45,821	\$12,280,127
Hotel	111	\$49,324	\$5,475,004
Workers at Home	31-34	\$115,358	\$3,576,104 - \$3,922,178
TOTAL	410-413		\$21,331,235 - \$21,677,310

Source: IBIS World Industry Reports and HillPDA Estimate.

Therefore the Planning Proposal would provide an additional \$12.6-\$13.0 million every year in added value or contribution to the local economy (measured in current 2015 dollars).

Other Economic Benefits from Planning Proposal

The following assesses the economic implications of rezoning the Subject Site to allow for a mixed use development. Given that the Planning Proposal is at a concept stage, a high level assessment of potential economic benefits has been undertaken.

The development of a mixed use development containing residential and retail uses could have the following economic multipliers.

Construction Benefits

HillPDA estimates the construction of the Planning Proposal would cost in the order of \$240m. The estimate was made based on the following:

- \$11.6m for public domain works and site preparation;
- Residential at \$2,500/sqm for a total GBA of 43,351sqm;
- Hotel at \$3,950/sqm for total GBA of 6,575sqm;
- Retail at \$1,750/sqm for total GBA of 7,222sqm;
- Car parking at \$1,225/sqm for total GBA of 33,200sqm; and
- A further 20% for professional fees, contingency and other miscellaneous items.

Table 15 Breakdown of Estimated Construction Cost

Component	Estimated Cost (\$m)
Public Domain and Site Preparation	\$11.57
Residential Uses	\$108.38
Retail Uses	\$12.64
Hotel Uses	\$25.97
Carparking	\$40.67
Professional fees and Contingencies (20%)	\$39.85
Total	\$239.07

Source: HillPDA Estimate using Construction Rates sourced from the MitchellBrandtman cost estimates (October 2016)

The construction industry is a significant component of the economy accounting for 7.3% of Gross Domestic Product (GDP) and employing almost one million workers across Australia⁶. The industry has strong

⁶ IBIS World Construction Industry Report 2011

linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

- Production induced: which is made up of:
 - first round effect: which is all outputs and employment required to produce the inputs for construction; and
 - an industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect; and
- Consumption induced: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

The source of the multipliers adopted in this report is ABS Australian National Accounts: Input-Output Tables 2012-13 (ABS Pub: 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.62, \$0.65 and \$0.95 respectively to every dollar of construction.

Table 16 Estimated Economic Multipliers

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.620	0.647	0.945	3.3088
Output (\$million)	239	148	155	226	791

Source: ABS Australian National Accounts: Input-Output Tables 2012-2013 (ABS Pub: 5209.0).

A construction build of \$240m would generate a further \$303m of activity in production induced effects and \$226m in consumption induced effects. Total economic activity generated by the construction of the proposed development would be almost \$800m.

Construction Employment

HillPDA calculates that every million dollars of construction generates 2.85 full time positions over 12 months directly in construction on

site⁷. Based on the estimated cost of \$240m, 562 job years⁸ would be directly generated.

Table 17 Estimated Employment Multipliers

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.728	0.794	1.423	3.945
Employment No. per \$million	2.352	1.713	1.869	3.347	9.280
Total job years created	562	409	447	800	2,219

Source: HillPDA estimate from ABS Australian National Accounts: Input-Output Tables 2012-2013 (ABS Pub: 5209.0).

From the ABS Australian National Accounts: Input-Output Tables 2012-13, HillPDA has identified employment multipliers for first round, industrial support and consumption induced effects of 0.73, 0.79 and 1.42 respectively for every job year in direct construction. Including the multiplier impacts the proposed development would therefore have potential to generate 1,574 job years during the period of construction.

Note that the multiplier effects are national, and not necessarily local. The ABS notes that “Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.” Nevertheless, multipliers represent a significant additional economic benefits associated with this development to the economy.

Expenditure from Residents

The Planning Proposal would provide between 440 and 480 new residential apartments on site. Assuming 96% of the apartments are occupied and an average occupancy rate of 2.2 persons per apartment we estimate around 1,000 permanent residents on the Subject Site.

⁷ Source: Hill PDA and ABS Australian National Accounts: Input-Output Tables 2012-13 (ABS Pub: 5209.0)

⁸ Note: One job year equals one full-time job for one full year

These residents would generate demand for local retail and commercial goods and services. With an assumed average retail spend of \$13,400 per capita⁹ the residents would spend around \$13.4m every year on retail goods and services.

Expenditure from Workers

A 2013 study¹⁰ found that Sydney CBD workers spent an average of \$240 a week or \$11,000 per annum (based on 46 working weeks) on retail goods and services in the CBD localities. In smaller centres average spend was considerably lower due to the lack of retail offer. For the purpose of the assessment HillPDA has applied a conservative weekly expenditure of \$60 per employee for the workers on the Subject Site which equates to an annual spend of \$2,800. With 379 non-resident workers on the Subject Site this amounts to \$1.1m per annum.

Benefits from Tourists on Site

Tourism is an important component of the NSW economy between the period of January 2016 to December 2016, 90.9 million international and domestic tourists visited NSW spending \$32.3 billion. Of this total, 52% was attributable to domestic overnight tourists spending an average of \$175 per night¹¹.

Greater Sydney received nearly 9.2m domestic overnight tourists staying an average of 1.9 nights and spending \$261 per night. Sydney received a further 3.6m international tourists staying an average of 21 nights and spending \$117 per day¹².

Hotel occupancy rates for upscale hotels in NSW during the September quarter of 2015 ran at a high 80.2%. Comparable 4-star hotels within the locality of the Subject Site are currently charging average room rates of around \$170/night. While it is expected that the hotel will take time to establish itself, it is projected that it will have achieved an occupancy rate of over 70% within 5 years of opening, generating around \$5.6m revenue per annum¹³.

Total number of visitor nights per annum is expected to be around 53,144 assuming 1.6 persons per apartment and a 70% occupancy rate. The average spending per person per day in Sydney on food and other retail goods and services is approximately \$107¹⁴. We

⁹ Anysite 2016 Expenditure Data for the former Hurstville LGA

¹⁰ 2013 National Office Workers Survey, Urbis (2013)

¹¹ Destination NSW, NSW Snapshot June 2016

¹² Destination NSW, Travel to Sydney – Year ended December 2016

¹³ Tourist Accommodation in Australia, ABS Cat. 8635.0 (2015-16)

¹⁴ Destination NSW day tripper expenditure – Year ended December 2016

would expect tourists staying on the Subject Site to have similar spending levels. Total expenditure generated by tourists on the Subject Site is therefore expected to be around \$5.7m per annum. This is expenditure that will be captured by retailers in the general locality.

Investment Stimulus

Where a significant property investment decision has been made it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further investment. The direct investment in the Subject Site would support a wide range of economic multipliers as outlined above which would in turn support investment in associated industries. It would also raise the profile of Hurstville to potential investors.

The provision of high density residential development on the Subject Site would increase the economic benefits of the scheme to surrounding businesses, services and the financial feasibility of public transport. The benefits of residential uses are recognised in planning policy. Residents would also create further demand for retail, commercial and transport services increasing these services viability.

The proposed development would create additional business opportunities in this locality associated with future residents and the commercial and retail uses on site. It would increase the profile of this area and in so doing increase the financial feasibility of mixed use development, potentially acting as a catalyst on surrounding sites. From an economic perspective this is a good outcome given that it maximises the potential of this edge-of-centre site and creates a greater economic benefit from it.

Summary and Implications

The below table summarises the economic benefits of retaining the Subject Sites' current uses in comparison to the development of the Subject Site in accordance with the Planning Proposal.

Table 18 Economic Comparisons of Current Uses vs Planning Proposal

	Current Uses	Planning Proposal
Total Jobs Generated	83	411
Total Salaries (\$m) Generated	\$4.6m	\$13m
Value Add to GDP	\$8.7m	\$21.5m
Construction Cost	N.A.	\$240m
Total Economic Activity generated by the construction of the proposed development	N.A.	\$791m

Jobs During Construction (direct and indirect)	N.A.	2,219
Retail Spend from Residents & Workers on Site (\$/ann)	\$0.2m	\$14.5m
Retail Spend from Tourists (\$/ann)	N.A.	\$5.7m

Source: HillPDA

Evidently the Planning Proposal is preferred over the 'do nothing' scenario as it would lead to a net increase in jobs (+328 jobs), salaries generated (+\$8.4m) and industry value added (contribution to GDP) (+\$12.8m). Moreover the Planning Proposal would generate additional economic activity (+\$791m) and jobs (+2,219 job years directly and indirectly) during the period of construction and stimulate investment in the locality.

Planning Policy Implications

The State and Government strategies and policies give impetus to the need to create housing and employment opportunities. This is evident in the '*A Plan for Growing Sydney*' and the South Subregional Strategy where the population, dwelling and employment objectives for the South Subregion are an additional +35,000 dwellings and +29,000 jobs by 2031. As such the Planning Proposal is in accordance with these strategies and would address each of these targets by creating employment opportunities and additional dwelling mixture choice for the increase in population. Moreover the Planning Proposal would provide significant housing which will be in close proximity to a major public multi-modal transport interchange. The development would also generate benefits from hotel component, with the multiplier effect of tourism in creating additional jobs in Hurstville and the wider Sydney Region; and the "spill over effect" from tourism expenditure into the local and wider economy.

Section 117 Direction 1.1 also relates to Business and Industrial zones. The following table assesses the consistency of mixed use development on the Subject Site, against the three key requirements of the Direction for strategies concerning employment lands.

Table 19 Consistency of Mixed Use Development with Ministerial Direction 1.1 Business & Industrial Zones

Relevant Matters	Comment and Consistency
Objectives of the Direction	The development of a mixed use development on the Subject Site would result in a net loss in land zoned IN2 for employment uses. Despite this the proposed development would not result in a net loss of employment generating floorspace in comparison to the existing development and its uses. It would also generate additional demand for retail and business services through the proposed commercial and retail component which would help to support the viability of identified strategic centres (consistent with objective 1.C).
No net loss of potential floorspace for employment uses and related public services in business zones	The proposed rezoning would result in a net increase in floorspace for employment uses. More specifically the Landmark Square Site has the potential to provide some 13,000sqm of industrial floorspace, however the Planning Proposal proposes to include 11,760sqm of more intensive employment uses (i.e. the hotel and retail component).
In accordance with a Strategy approved by the Direction General of DP&E	Whilst the Planning Proposal does not align with the current LEP, the proposed mixed use development responds and accords with the Plan for Growing Sydney as well as supporting the indicative targets for population, housing and employment growth within the draft South Subregional Strategy.

6 CONCLUSIONS

The preceding Chapters have demonstrated the likely economic impacts of the proposed rezoning of the Subject Site from IN2 Light Industrial to B4 Mixed Use.

There are considerable economic benefits from amending the zoning on the Subject Site. The Planning Proposal would help to meet very strong demand for housing in the area and provide additional employment generating uses. The prevalent market conditions support the proposal and it would be consistent with current development activity in Hurstville.

There are some long term impacts of continuing this trend in development especially in regards to the contraction of the Hurstville industrial market. However give the Subject Site's proximity to the transport hub, schools and amenities, a mixed use development would be more appropriate for that location than industrial uses. Moreover the mixed use development and hotel would create additional demand for retail and business services which would help to support the viability of the identified major centre. The capture of tourism expenditure will benefit the locality considerably.

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