

Economic report for 100- 102 Elliott Street, Balmain

Final

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Independent insight.



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EXECUTIVE SUMMARY

Introduction

SGS Economics and Planning has been commissioned by Roche Group to conduct a market assessment and economic impact study for the proposed development of 100-102 Elliott Street, Balmain (the study site).

Residential market

Market conditions

The Sydney residential market has been performing strongly, with vacancy rates at exceptionally low levels. Demand for residential apartments in Balmain has remained firm with a lack of supply of apartments and high prices for detached dwellings. The bulk of this demand is from owner-occupiers, locals, empty nesters and second home buyers, and agents suggest that new residential apartments would attract strong interest from investors. There is, however, emerging demand from first home buyers for one bedroom apartments, particularly due to low interest rates. Given the appetite in the area for premium residential products, it is likely that the offer at the study site of apartments with water views, secure on-site parking and recreation facilities will be well received in the Balmain market.

Observed demand for residential strata units has been stronger than that for single residential buildings, with an average annual growth rate over the past five years of 4.74 percent, or around \$30,000 per year. Two bedroom apartments comprised the majority of sales over the period.

Underlying demand

In terms of underlying demand over the long term (with 2011 as the base), using the trend relationship between family types and dwelling type for the Leichhardt LGA, there will be demand for an additional 2,565 residential apartments by 2036, with demand for 729 additional one bedroom apartments and 1,788 additional two and three bedroom apartments in the Leichhardt LGA.

In the shorter term, the model predicts a requirement for 278 additional dwellings in the LGA between 2011 and 2016 including 112 one bedroom apartments, 321 two bedroom apartments and 267 three bedroom apartments with falling demand for detached dwellings.

Upcoming supply

The 2011 Census data shows 726 unoccupied apartments in Leichhardt LGA (of which 152 were in Balmain).

According to the construction database Cordell Connect, in the short term to 2018 there is potential for up to 1,143 residential apartments to be delivered to the market in Balmain and surrounding suburbs, of which 316 are expected from the Balmain Tigers redevelopment (Rozelle Village) and 350 from the Kolotex and Labelcraft site, estimated for completion in 2017 and 2018, respectively. It was suggested by local real estate agents that resales of apartments in the completed Balmain Shores, Balmain Cove, Hopetoun Quays and Colgate-Palmolive developments may also compete against the study site.

Sales price estimates

Potential sales prices have been estimated by examining historical sales data for the area in light of estate agent advice, the amenity of the development site and the premium attached to new dwellings. Applying a 20 percent premium for new apartments to median prices by bedroom size in Balmain in 2011 yields a conservative price of \$731,000 for apartments with one bedroom, \$973,000 for those with two bedrooms, and \$1.37 million for those with three bedrooms. This does not necessarily take into account a likely further premium for the benefits of the on-site amenity, for example water views or the quality of the development and the provision of car parking, which may add up to 10 percent.

These prices may be considered to be underestimates, given recent sale prices for three bedroom apartments in the nearby Union development on Terry Street. Consultation with the managing agent for this development highlighted that due to latent demand for prestige dwellings in Balmain, off the plan sales prices have been high. As such, the achievable sales prices for the Elliott Street development could be higher, at up to \$3.5 million for a top level three bedroom apartment of 140 square metres with waterfront views.

Dwelling mix

Sales data for Balmain shows demand principally for two bedroom apartments, although low sales numbers for other dwelling sizes may simply indicate that the market is driven by the supply side. The SGS housing demand model predicts demand for an additional 321 two bedroom apartments and 267 three bedroom apartments to 2016. Demand for one bedroom apartments is also forecast to grow by 112 apartments.

Agent consultation revealed that demand for one bedroom apartments (which were traditionally not in high demand) has been strong, with low interest rates, increasing rental prices and high returns. These apartments are particularly desirable for young professional couples or those looking to downsize and remain in close proximity to the CBD.

Given the current controls regarding dwelling mix as specified by Leichhardt Council, and observed demand for one, two and three bedroom apartments, the proposed dwelling split for the study site is appropriate.

Commercial market

Market conditions

The Sydney suburban office market has continued to grow during the first quarter of 2013. The inner west sub-market recorded the lowest vacancy rate of all suburban office sub-markets in Sydney in the first quarter of 2013 and a net face rent of \$423 per square metre for A-grade stock.

The Balmain commercial office market is relatively small and is typified by a mix of Torrens and Strata title offices owned by small-scale private investors. It consists mainly of smaller floor plate offices of 50 to 100 square metres occupied by a range of local professional services (such as real estate agents, accountants, lawyers, and medical professionals). There is also demand from creative industries such as architecture, IT, graphic design, advertising, media and marketing. The estimated vacancy rate in Balmain is around 3 to 4 percent.

Demand assessment

It is difficult to quantify demand for commercial floorspace given the low number of sales. Nonetheless, the average pre-GFC levels were around 3500 square metres per annum; of which the proposal represents 25 percent.

Based on agent consultation, buyers from a wider catchment are likely for the premium office space when compared to those for the Elliott Street, who are expected to come mainly from the local area. The provision of ancillary retail and car parking are seen to be important demand drivers for this type of office provision.

Supply assessment

There is around 5414 square metres of additional commercial floorspace that could be provided in the short to medium term (by 2018) in Balmain, Lilyfield, and Rozelle. Each of these projects would potentially compete with the proposed offer at the study site.

The Lilyfield Road mixed development (3166 square metres) has been listed as 'possible'. Rozelle Village, the former Balmain Tigers (1478 square metres) is listed as 'possible', and has had the commercial component reduced but still has the potential to add a considerable amount of office floorspace to the Balmain market and is estimated to be completed in 2017. It is therefore recommended that the study site be planned to be completed in advance of this.

Supply-demand gap analysis

Notwithstanding the difficulty in quantifying commercial demand for the study site, it could be suggested that demand is likely to return to pre-GFC levels given the very low vacancy levels for Balmain, reported unmet demand for new office space and a lack of comparable stock on the market.

We suggest that demand for commercial floorspace in Balmain is around 3500 square metres of floorspace per annum over the next few years. There is 8925 square metres of commercial floorspace currently on the market and available for office use in the LGA and around 5414 square metres of commercial floorspace planned for the LGA to 2018. Given employment forecasts and analysis of the floorspace required to meet demand, there is less than 10 years worth of supply in the LGA given the demand forecast. This suggests a shortage of commercial floorspace in the LGA.

Commercial prospects

Given the points noted above, there are a number of opportunities and constraints affecting the commercial prospects of the proposed development. The relative importance and extent of these opportunities and constraints will determine the take-up rate of the proposed commercial properties.

The following opportunities might impact on the sales prices and take-up rates of the proposed commercial floorspace:

- The amenity of the proposal including the water views, open space, ancillary retail and new finishes and facilities.
- The provision of adequate car parking designated for the on-site commercial uses.
- A lack of existing quality office stock in Balmain.

The following could prove to be the most significant constraints facing the sale of commercial floorspace at the study site:

- The out of centre location, as the distance to key retail services and facilities as well as a lack of passing traffic may affect investors' perception of the site.
- Potentially limited catchment. The site may only attract local tenants for the non-waterfront suites rather than those seeking space in city fringe locations such as Surry Hills, Pyrmont and Ultimo.
- Large competing developments in the pipeline will compete against the study site if they are placed on the market at around the same time.

The delivery of new office stock to the market, poses the most significant constraint to the sales potential of the study site, however competing proposals such as Rozelle Village have also scaled back

the commercial component of the development. As such, the timely delivery of the proposed office floorspace is likely to improve its prospects.

It is recommended that a range of floor plate sizes be offered at the study site to cater to a broader market. Commercial floor plates of around 50 to 75 square metres are likely to be most appropriate. The proposal for Elliott Street currently satisfies this recommendation by providing a range of suite sizes including nine 64 square metre suites, two 125 square metre suites (which could be divided into four suites of around 62 square metres if required by the) and one 49 square metre suite.

The high number of properties currently on the market is unlikely to affect sales as these properties consist mainly of old, low-grade office stock and retail space. For the same reasons, the sluggish turnover of commercial property in the current market and floorspace is unlikely to be an indicator of demand for office space at the study site.

Retail market

Provision of a small amount of retail floorspace onsite was requested by Council as part of a previous development application for the site and has been included in this development proposal as a result.

The proposed floorspace for retail activities is 180 square metres (net leasable area). A total retail floorspace of approximately 106 square metres is viewed as supportable given realistic assumptions about the expenditure of workers and residents on the development. To enable the additional quantity of retail floorspace to be viable, expenditure would need to be drawn from off-site; however, the low total provision that is proposed means this is unlikely to affect the functioning of Balmain centre. In addition, there is likely to be a benefit to residents of the local area (such as the adjacent public housing development), users of the Elliott Street ferry wharf, and visitors to the onsite public open space from the presence of some retail options.

The study site is likely to be able to attract a convenience store and a small cafe or deli; although given its proximity to Balmain centre, incentives may be required in order to attract or retain tenants. Achievable retail rents are likely to range from \$300 to \$500 per square metre.

Serviced apartment market

Inbound overnight visitor numbers to Australia have remained relatively stable over the past decade, however, inbound visitor nights in Sydney are projected to increase and an undersupply of tourist accommodation is projected in Sydney. The supply of serviced apartment accommodation in Sydney is low in comparison to international markets and occupancy rates for serviced apartments are greater than for hotel accommodation.

Serviced apartments generally have higher occupancy rates than hotel accommodation. Strong occupancy rates have been due to corporate users opting for serviced apartments as a more cost effective alternative to long-term hotel stays.

Overall, the supply of serviced apartments is struggling to keep up with demand. Serviced apartments are primarily occupied by domestic travellers, and CBDs attract a higher proportion of corporate customers, however, there is an increasing trend for serviced apartments to be built outside of the city centre.

Serviced apartment developments are concentrated around employment centres in Sydney and there are a limited number of serviced apartment developments in Balmain and the surrounding suburbs. The site is located in close proximity to public transport routes and the provision of car parking will increase private transport accessibility.

Elliott Street is considered to be an appropriate location for serviced apartments, particularly as an alternative location to the Sydney CBD with lower land costs whilst still remaining in close proximity to major employment locations and tourist locations in Sydney.

Economic impact

The proposed development is unlikely to have a significant negative impact on Balmain centre given the qualitatively different commercial 'offer' of the proposed development and reported undersupply in the current market. The proposed development will generate 49 jobs once the floorspace detailed in the preliminary plans is fully occupied. This does not include jobs associated with the serviced apartment component of the development (maintenance and upkeep).

The construction of the development is calculated to generate \$95 million in gross output and 358 additional full-time equivalent jobs in the Leichhardt LGA.

Currently, 103 jobs are accommodated on the study site, which is a net job loss of 54 onsite jobs. According to the mix of retail and commercial floorspace proposed, there will be a net job loss of 52 jobs in the Leichhardt LGA as a result of the development project. However, a high proportion of new onsite jobs will be within higher value industries (professional, scientific and technical services). In addition, the new residents and workers attracted to Balmain by the Elliott Street development are likely to add to the total expenditure on retail and services in the LGA, which in turn may generate further jobs locally.

1 INTRODUCTION

1.1 Context

Site description

The site is located at 100-102 Elliott Street, Balmain within the Leichhardt local government area (LGA). Balmain is an inner western suburb of Sydney located on a peninsular which is bounded by Sydney Harbour and the Parramatta River. It is approximately 2.7km to the west of Sydney's Central Business District (CBD) or 5.3km by car. The town centres of Balmain and Rozelle are located approximately 700m to the east and 550m to the south east of the site, respectively.

The site comprises two lots, Lot 6 in DP 617944 and Lot 1 in DP 619996, and is essentially triangular in shape with frontages of 151m to the Parramatta River (west), 184m to Elliott Street (north) and 62m to Broderick Street (south), with an extension of this boundary to an adjoining property down to the foreshore of a further 84m. It has a moderate slope from 17m AHD in the eastern corner of the site to approximately 2m AHD at the sandstone retaining wall at the edge of the river at the western boundary. The waterfront location and topography means the site benefits from views across Iron Cove to the Iron Cove Bridge, Birkenhead Point and Drummoyne.

The existing buildings on the site comprise the main office and warehouse building in the north western portion of the site constructed over two levels and a two storey commercial building and single storey, double height, convention centre at the eastern end of the site.

The main vehicular and pedestrian entry to the site is via a concrete driveway and gates from Elliott Street. The driveway leads to the commercial/warehouse building, the convention centre, and a bitumen and paved part single and part double storey car parking area. Two other vehicular crossovers are located at the eastern end of the site providing access to the two storey commercial building and rear access to the convention centre. A further entry exists at the far western end of Elliott Street. The site is currently secured with a combination of chain wire fencing and the high solid walls of the existing buildings which are built on and close to the site boundaries.

Landscaping across the site includes shrubs and trees along Elliott Street, hedges, garden beds and trees within and adjacent to the car parking area, and numerous large trees along the southern boundary of the site between the convention centre and Iron Cove, some of which are located outside of the site boundary. A large fig tree located to the north east of the site forms part of a section within Elliott Street identified as a landscape heritage item within the Leichhardt Local Environmental Plan 2000. There is also a large fig tree on the edge of a vehicular turning circle towards the centre of the site which is growing from an existing vertical rock face with its root zone divided between the upper and lower car park levels.

The foreshore area is moderately vegetated with small and large trees, garden beds, hedges and grass providing a green space along the waterfront which is not currently publicly accessible. Among this vegetation is a paved outdoor area to the west of the commercial/warehouse building connected to a walkway leading to a timber jetty and floating pontoon. A timber log retaining wall is located at the south western corner of the site with a natural rock retaining wall further to the north.

Overview of proposal

The proposed development includes the demolition of the three existing commercial/ warehouse buildings and associated structures, bulk earthworks and remediation, and the construction of a mixed use commercial/residential development and landscaping. The new development comprises eight new buildings ranging predominately between three and four storeys.

The proposal includes a mix of commercial and retail tenancies and serviced apartments at the ground floor (or street level) of each building and residential apartments located above the non-residential uses. Vehicle entry to three basement parking levels and loading dock is provided from Elliott Street.

The permeability of the site and the ability for the surrounding neighbourhood to gain access to the foreshore and surrounding streets is addressed through the provision of public through-site links, which also provide access to entry lobbies and ground floor non-residential tenancies.

Land adjoining the foreshore is proposed to be dedicated to Council for public open space.

2 RESIDENTIAL MARKET ASSESSMENT

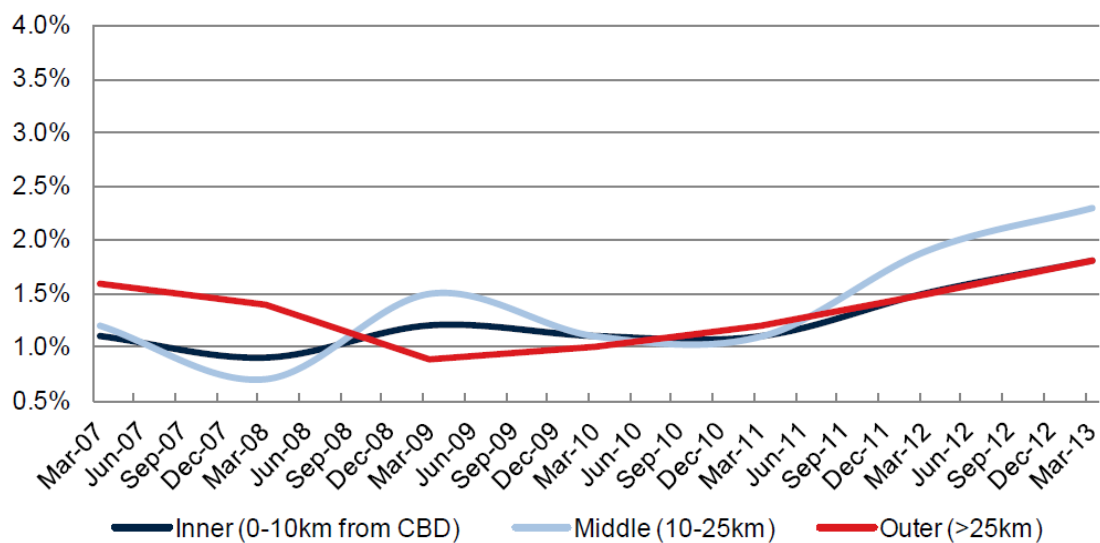
2.1 Overview

Broad market dynamics

The Sydney residential market has been performing strongly, with vacancy rates at exceptionally low levels. These low vacancy rates have been benefiting investors with 'increased demand and consistent rentals' (Savills, 2013). Vacancy rates are expected to remain low due to the gap between the supply and demand for residential accommodation in Sydney.

The vacancy rates for inner Sydney, which includes Balmain, have increased over the past 12 months however still remain low at 1.7 percent (refer to Figure 1).

FIGURE 1. SYDNEY RESIDENTIAL VACANCY RATES, 2007 TO 2013



Source: Savills, 2013

Affordability and housing supply continue to be major issues for Sydney which maintains the highest median house price of any capital city in Australia (Savills, 2013). Four of the five wealthiest regions in Australia are located in Sydney which has an internationally recognised 'luxury residential market' (Savills, 2013). Luxury apartment transactions have increased over the last 12 months, and activity has occurred mostly in the one and two bedroom market (refer to Table 1). However average resale prices and asking rents for luxury residential apartments have remained stable.

TABLE 1. SYDNEY LUXURY RESIDENTIAL UNITS – AVERAGE SALE PRICES AND ASKING RENTS

	Off the Plan Prices	Resale Prices	Asking Rents (Per week)
Typical 1 bedroom apartment	860,000	\$1,060,000	\$875
Typical 2 bedroom apartment	2,630,000	\$1,780,000	\$1,290
Typical 3 bedroom apartment	4,750,000	3,580,000	\$1,850

Source: Savills, 2013

Local market dynamics

There is strong demand for residential property in Balmain, driven by the area's amenity and close proximity to the Sydney CBD. Areas with water views or vistas of the CBD attract the most interest and achieve the highest prices.

Agent consultation revealed that the local residential market has softened in line with broader market conditions, although residential apartments continue to sell relatively strongly due to a lack of apartment stock and unaffordable housing in the area. On average, dwellings in Balmain are currently on the market for around 40 to 45 days, compared to 60 days as reported in 2011.

Demand is mainly from owner-occupiers, with investor activity increasing in recent times. It is expected that a significant proportion of apartment buyers will come from the local market, such as empty nesters seeking to downsize, young families and professionals and second home buyers because Balmain is still an aspirational area for local residents.

2.2 Sales data analysis

The 2011 Census of Population and Housing highlights that there is a relatively even proportion of semi-detached dwellings in Balmain and Leichhardt (refer to Figure 2). Balmain has a slightly higher proportion of flats than the broader LGA and Leichhardt LGA has a slightly higher proportion of detached dwellings compared to Balmain.

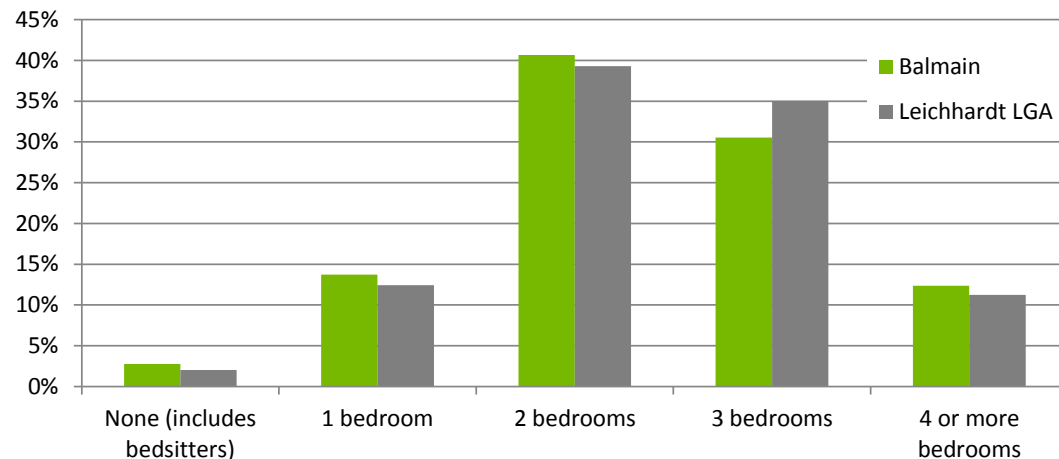
FIGURE 2. DWELLING STRUCTURE, BALMAIN AND LEICHHARDT LGA



Source: Australian Bureau of Statistics, 2013

In terms of bedroom numbers, there is a high proportion of two and three bedroom dwellings in both Balmain and Leichhardt LGA (refer to Figure 3) which make up 71 and 74 percent, respectively.

FIGURE 3. NUMBER OF BEDROOMS, BALMAIN AND LEICHHARDT LGA



Source: Australian Bureau of Statistics, 2013

Single residential dwellings

Table 2 shows single residential dwelling sales in the suburb of Balmain from 2006 to 2013. Prices rose steadily up until 2011 where the median sales price fell by almost \$100,000. Since 2011, however, the median sales price for single residential dwellings in Balmain has recovered and is currently greater than the high median sales price for 2010. The average annual growth rate experienced between 2006 and 2013 was 4.29 percent. There were a slightly higher number of transactions recorded in 2007 and sales for 2013 are for the first seven months only.

TABLE 2. BALMAIN SINGLE RESIDENTIAL DWELLINGS, 2006-2013¹

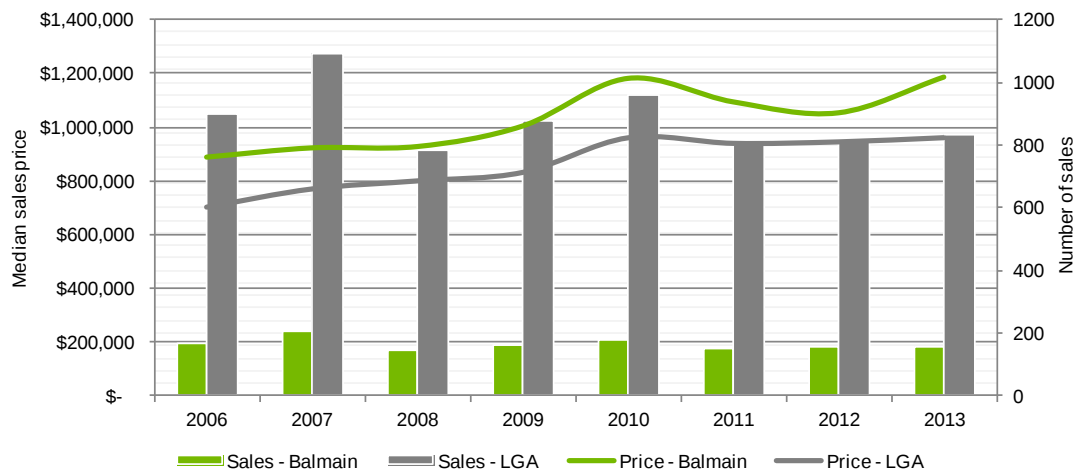
Year	Median sales price	Number of sales
2006	\$ 885,000	167
2007	\$ 920,000	206
2008	\$ 925,000	143
2009	\$ 1,002,500	160
2010	\$ 1,182,500	178
2011	\$1,093,750	148
2012	\$1,052,500	154
2013	\$1,187,500	91

Source: RP Data, 2013

Figure 4 compares median prices and number of sales of single residential dwellings in Balmain and Leichhardt LGA from 2006 to 2013. Approximately twenty percent of sales in the LGA were for properties located in Balmain, with a greater median price in the suburb than that in the LGA as a whole (by \$167,000 on average over the past seven years). This may indicate that Balmain is a premium location within the LGA for single residential dwellings.

¹ 2013 sales are recorded up to August 2013.

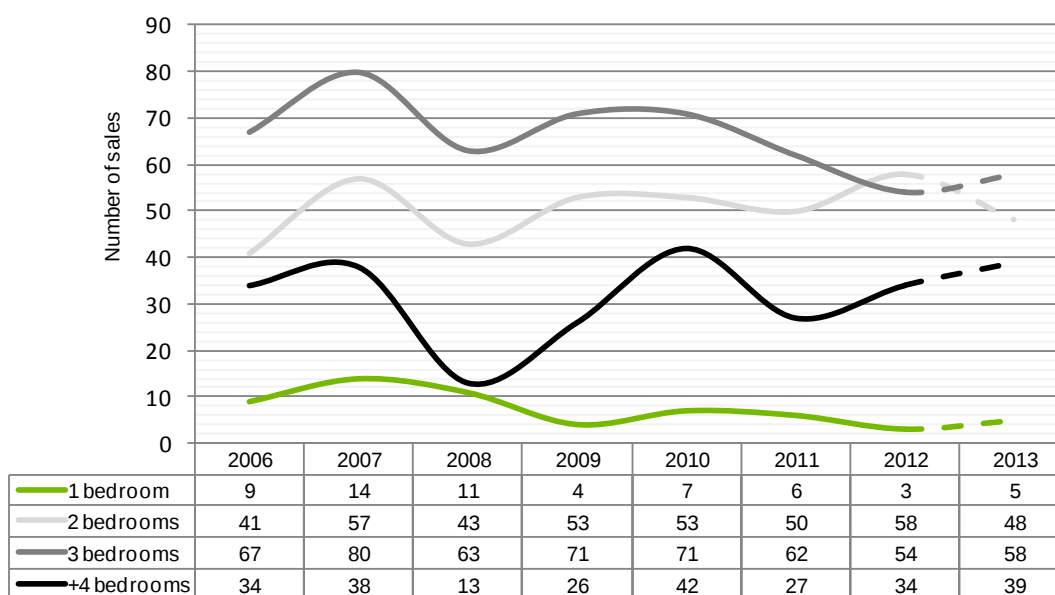
FIGURE 4. SINGLE RESIDENTIAL DWELLINGS



Source: RP Data, 2013 Full year 2013 sales numbers are estimated based on number of sales in the first seven months.

Figure 5 shows the number of sales of single residential dwellings in Balmain from 2006 to 2013 by bedroom type. The majority of sales were of two and three bedroom dwellings.

FIGURE 5. BALMAIN: SINGLE RESIDENTIAL DWELLING SALES BY NUMBER OF BEDROOMS



Source: RP Data 2013. Dashed lines indicate projected sales to the end of 2013.

Table 3 shows the median sales prices in Balmain for single residential dwellings by bedroom type from 2006 to 2013. Median sales prices have seen some movement, although the amount and quality of stock available between different years is a significant determinant of this data. Prices decreased in 2011, but have continued to grow since. Median prices of properties with one to three bedrooms in Balmain have increased by approximately \$180,000 over the last seven years – around \$26,000 per year on average. As would be expected, the median sales prices of single residential dwellings increased as the number of bedrooms rose.

TABLE 3. SINGLE RESIDENTIAL DWELLING MEDIAN SALES PRICE BY BEDROOMS
(BALMAIN)

	1 bedroom	2 bedroom	3 bedroom	4 bedroom
2006	\$552,000	\$715,000	\$945,000	\$1,357,500
2007	\$612,500	\$727,000	\$1,100,000	\$1,567,500
2008	\$605,000	\$781,000	\$1,100,000	\$1,530,000
2009	\$612,500	\$825,000	\$1,065,000	\$1,535,000
2010	\$750,000	\$910,000	\$1,230,000	\$1,877,500
2011	\$660,500	\$879,350	\$1,150,000	\$1,640,000
2012	\$662,000	\$887,600	\$1,150,000	\$1,587,500
2013	\$726,500	\$874,750	\$1,380,000	\$1,730,000

Source: RP Data, 2013

Residential strata units

Table 4 shows the sales records for apartments in Balmain from 2006 to 2013. Prices have increased overall with an average annual growth rate of 4.74 percent over the past seven years.

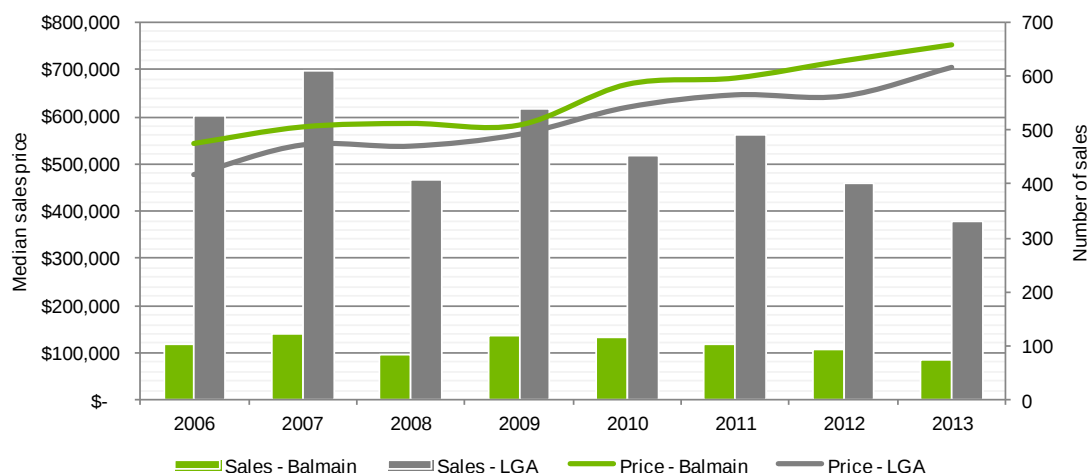
TABLE 4. BALMAIN RESIDENTIAL STRATA UNIT SALES, 2006-2013

Year	Median sales price	Number of sales
2006	\$545,000	103
2007	\$580,000	121
2008	\$587,500	84
2009	\$583,750	118
2010	\$670,000	116
2011	\$683,500	103
2012	\$720,000	92
2013	\$753,750	44

Source: RP Data, 2013

Figure 6 compares median prices and number of sales of residential strata units in Balmain to Leichhardt LGA from 2006 to 2013. As with single residential dwellings, around 20 percent of strata unit sales in Leichhardt LGA are for properties in Balmain, with median sales prices in the suburb slightly above the LGA levels (on average \$48,000 higher over the past seven years).

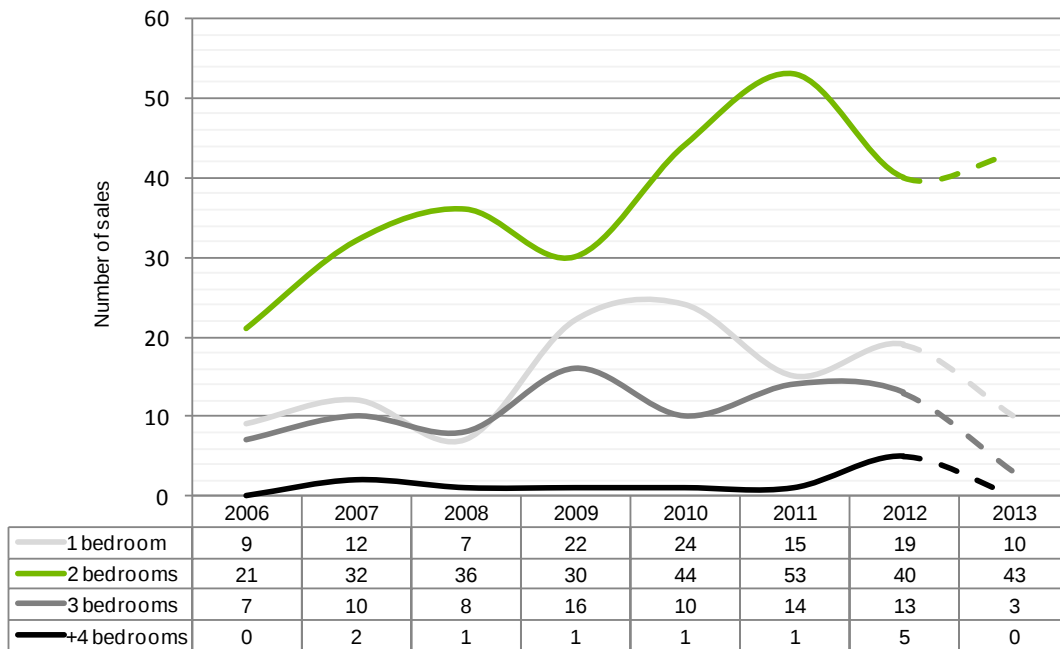
FIGURE 6. RESIDENTIAL STRATA UNITS



Source: RP Data, 2013 Full year 2013 sales numbers are estimated based on number of sales in the first seven months.

Figure 7 shows the number of sales of residential strata units in Balmain from 2006 to 2013 by bedroom type. Two bedroom apartments comprised the majority of sales.

FIGURE 7. BALMAIN: RESIDENTIAL STRATA UNIT SALES BY BEDROOM



Source: RP Data, 2013. Dashed lines indicate projected sales to the end of 2013.

Table 5 shows the median sales prices from 2006 to 2013 for residential strata units in Balmain by bedroom type. Prices for strata units decreased in 2011, as they did for single residential dwellings which reflecting broader market weakness, but have continued to grow since. For strata units with up to three bedrooms, median sales prices have increased over the past seven years by approximately \$236,000 – an average rise of around \$34,000 per year. As with single residential dwellings, median sales prices increase as the number of bedrooms rises.

TABLE 5. BALMAIN: RESIDENTIAL STRATA UNITS; MEDIAN SALES PRICE, BY BEDROOM

	1 bedroom	2 bedroom	3 bedroom	4 bedroom
2006	\$312,000	\$550,000	\$735,000	-
2007	\$391,000	\$542,500	\$781,000	\$1,745,000
2008	\$405,000	\$565,000	\$872,500	\$1,430,000
2009	\$423,000	\$592,750	\$824,500	-
2010	\$480,000	\$734,000	\$877,500	\$1,236,000
2011	\$447,000	\$650,000	\$1,135,000	\$1,400,000
2012	\$505,000	\$728,000	\$1,025,000	\$1,805,000
2013	\$565,000	\$760,000	\$981,000	-

Source: RP Data, 2013

2.3 Competitor sites

There are a number of large apartment developments in Balmain and Rozelle, including Balmain Shores, Balmain Cove, Birchgrove and the Colgate-Palmolive apartments. These developments have already been completed but are of a comparable size and in similar locations; therefore re-sales may compete with the study site. Table 6 displays sales from the past financial year.

TABLE 6. COMPETITOR RECENT SALES

Bedrooms	Balmain Shores		Balmain Cove		Hopetoun Quays		Colgate-Palmolive	
	Sales	Price	Sales	Price	Sales	Price	Sales	Price
1	4	\$547,500	-	-	1	\$630,000	4	\$578,500
2	3	\$765,000	4	\$1,287,500	1	\$720,000	4	\$905,750
3	1	\$1,300,000	6	\$1,310,000	3	\$1,00,000	-	-

Source: RP Data, 2013

2.4 Supply pipeline

The Department of Planning and Infrastructure's (DP&I) Metropolitan Development Program (MDP) indicates that 204 dwellings were approved in Leichhardt LGA in the first quarter of 2013. This was a significant increase from the 5 dwellings approved over the previous 9 months. 99 percent of these dwellings were part of multi-unit developments of four or more storeys. In total there were nine multi-unit developments of between 2-10 storeys. During the same period there were 11 dwelling completions in the LGA, of which nine were multi-unit developments and two were separate houses.

The residential supply pipeline is detailed in Table 7. With these developments there is potential for up to 1143 additional dwellings in Leichhardt LGA, however the likelihood of each of these developments being completed varies. Most of the projects are small in scale with fewer than 10 units however there are a number of larger developments including Rozelle Village (formerly Balmain Tigers) with 316 dwellings and the Kolotex and Labelcraft site with 350 dwellings which are expected to be completed in 2017 and 2018, respectively.

TABLE 7. RESIDENTIAL DEVELOPMENT PIPELINE

Project Title	Project Address	Location	Units	Estimated Value	Estimated completion	Status
Johnston St Terraced Dwellings	11 Johnston St	Annandale	10	\$2,750,000	18/04/2014	Commenced
Young St Mixed Development	2 (Lots 11 & 12) Young St	Annandale	9	\$ 1,920,000	25/07/2014	Possible
Mullens St Units	75 (Lot 1) Mullens St	Balmain	6	\$ 1,212,000	25/07/2014	Deferred
Parramatta Rd Mixed Development	283-285 (Lot X) Parramatta Rd	Leichhardt	8	\$ 1,300,000	15/08/2014	Deferred
Parramatta Rd Mixed Development	351-353 Parramatta Rd	Leichhardt	12	\$ 3,123,000	15/08/2014	Commenced
Henry St Apartments - Henry	55 Henry St	Lilyfield	23	\$3,798,000	22/08/2014	Possible
Darling St Mixed Use Development	687 (Lot 3) Darling St	Rozelle	4	\$ 900,000	24/10/2014	Deferred
Union St Residential Development	16 (Lot A) Union St	Balmain East	3	\$1,288,000	24/10/2014	Possible
Gordon St Units	3-5 (Lot 1) Gordon St	Rozelle	9	\$ 2,670,000	14/11/2014	Deferred
Catherine St Mixed Development	360-362 (Lots 4 & 5) Catherine St	Lilyfield	4	\$ 1,200,000	28/11/2014	Possible
Darling St Units	673-677 Darling St	Rozelle	7	\$ 1,250,000	12/12/2014	Possible
Balmain Rd Apartments	155-157 (Lot 2) Balmain Rd	Leichhardt	9	\$ 1,100,000	25/02/2015	Possible
Lilyfield Rd Townhouses	107-109 (Lots 6 & 7) Lilyfield Rd	Lilyfield	6	\$2,750,000	27/02/2015	Possible
Gosford Quarries Site Townhouses	300 Johnston St	Annandale	23	\$ 8,900,000	18/05/2015	Early
Johnston St Mixed Development	101 (Lot B) Johnston St	Annandale	3	\$550,000	29/05/2015	Possible
Nelson St Mixed Development	6 (Lot B) Nelson St	Annandale	6	\$1,423,000	19/06/2015	Possible
Marion St Mixed Development	145 (Lot 15) Marion St	Leichhardt	4	\$ 1,200,000	20/06/2015	Deferred
Darling St Mixed Development	620-622 (Lots A & B) Darling St	Balmain East	2	\$ 1,260,000	26/06/2015	Commenced
Darling St Mixed Development	691 (Lot 1) Darling St	Balmain East	4	\$1,000,000	26/06/2015	Possible
Former Carrier Air Site Mixed Development - Union Balmain	118-124 Terry St	Rozelle	202	\$ 80,000,000	6/07/2015	Commenced
Mullens St Apartments	66-70 Mullens St	Balmain	14	\$2,700,000	20/07/2015	Possible
The Mill	106 (Lot 1) Beattie St	Balmain	4	\$4,713,000	24/07/2015	Possible
The Bijou	2A (Lot 1) Rowntree St	Balmain	30	\$6,600,000	14/08/2015	Possible
Lilyfield Rd Mixed Development	47-51 (Lot 1) Lilyfield Rd	Rozelle	29	\$ 6,658,000	16/10/2015	Possible
Union St Townhouses	27 (Lot 3) Union St	Balmain East	3	\$1,800,000	27/11/2015	Possible
One Annandale	1-3 Parramatta Rd	Annandale	35	\$7,080,000	26/02/2016	Possible
Johnston St & Rose St Residential Development	233 (Lots 1-3) Johnston St	Annandale	8	\$ 3,040,000	29/04/2016	Deferred
Balmain Tigers Leagues Club Redevelopment - Rozelle Village	138-152 Victoria Rd	Rozelle	316	\$310,180,000	23/10/2017	Possible
Kolotex & Labelcraft Sites	22 & 30-40 George St	Leichhardt	350	\$50,000,000	29/06/2018	Early
			1,143	\$512,365,000		

Source: Cordell Connect, 2013

2.5 Consultation findings

Given the advantageous position of the study site and its relatively close proximity to Darling Street, it is expected that there would be strong demand for residential apartments, particularly those with a water view which could achieve a premium of up to 10 percent. Consultation with local real estate agents also revealed that sales are strong in the area and properties are on the market for about 40 to 45 days before being sold, compared to 60 days as reported in 2011. Even though investor activity has been increasing in the inner-west apartment market, owner occupiers, particularly young families and professionals, are still a large part of the market.

Car parking also adds a premium to residential apartment developments in Balmain, with one agent suggesting it could add a premium of up to \$80,000. It was generally agreed that some minor retail would be seen as a positive addition to the site.

The provision of a gym facility and swimming pool received a mixed response from agents, with some suggesting that with the current economic conditions, the high strata fees associated with maintenance these facilities could be a deterrent. Others argued that as Balmain is a high-end market and a premium development is proposed, these facilities could add perceived value resulting in higher prices. The adjacent commercial offering may affect potential buyers' attitudes to the development; although it was noted during consultation that an upmarket commercial offering with good amenity would have a minimal impact.

In terms of likely achievable sales prices, it was suggested by various local estate agents that properties with a water view may achieve a premium of up to 10 percent. Table 8 displays a range of likely achievable sales prices for the site as advised by the agents. Sale prices are based on estimates for new residential apartments with medium finishes. Three bedroom apartments have a large price range because they compete more directly with detached houses. This is especially the case for large, premium three bedroom apartments.

TABLE 8. LIKELY ACHIEVABLE SALES PRICES FOR NEW RESIDENTIAL APARTMENTS

Number of beds	Floorspace	Sale price
1	56-62 sqm	\$568,000-\$650,000
2	77-100 sqm	\$771,000-\$850,000
3	116-134 sqm	\$1.03-\$1.25 million

Source: Local real estate agents (2013)

Sales price estimates

As a rough guide, it would be expected that apartments on the site might sell for the average price for Balmain for the size in question, plus a 'newness' premium of around 20 percent. This would suggest prices of:

- \$731,000 for one bedroom apartments (based on the 2013 average sales price of \$609,000)
- \$973,000 for two bedroom apartments (based on the 2013 average sales price of \$811,000)
- \$1.37 million for three bedroom apartments (based on the 2013 average sales price of \$1.14 million).

This does not take into account a likely further premium for the benefits of the on-site amenity, for example water views or the quality of the development, which may add up to 10 percent.

For one bedroom apartments, the conservative estimate of \$731,000 is above the achievable price range suggested by agents of \$568,000 to \$650,000.

For two bedroom apartments, the conservative estimate of \$973,000 is also above the agents' achievable range of \$770,000 to \$850,000. However, the suggested market price for two bedroom apartments with harbour/waterfront views of \$935,000 is within the rough price estimate when assuming a 10 percent premium.

For three bedroom apartments, the conservative estimate of \$1.37 million is above the achievable range suggested by agents of \$1,033,000 to \$1.25 million; however this price would be achievable for waterfront apartments with a 10 percent premium for waterfront views. Three bedroom apartments, however, are not as popular as smaller two bedroom dwellings. Consultation with agents also indicated that the three bedroom terraces proposed for the site are likely to achieve prices of \$100,000 to \$200,000 higher than for the three bedroom apartments.

Original consultation with agents indicated that the Elliott Street development could achieve the price ranges specified above; however, these prices may be considered conservative in comparison to recent sale prices for three bedroom apartments in the nearby Union development on Terry Street in Balmain. Consultation with the managing agent for this development highlighted that, due to latent demand for prestige dwellings in Balmain, off the plan sales prices have been high. For example, the three bedroom apartments have been selling from \$1.2 million for a ground level apartment without waterfront views, up to \$3.5 million for the top level three bedroom apartment (140 square metres) with waterfront views. Similar prices may be achievable for the Elliott Street development.

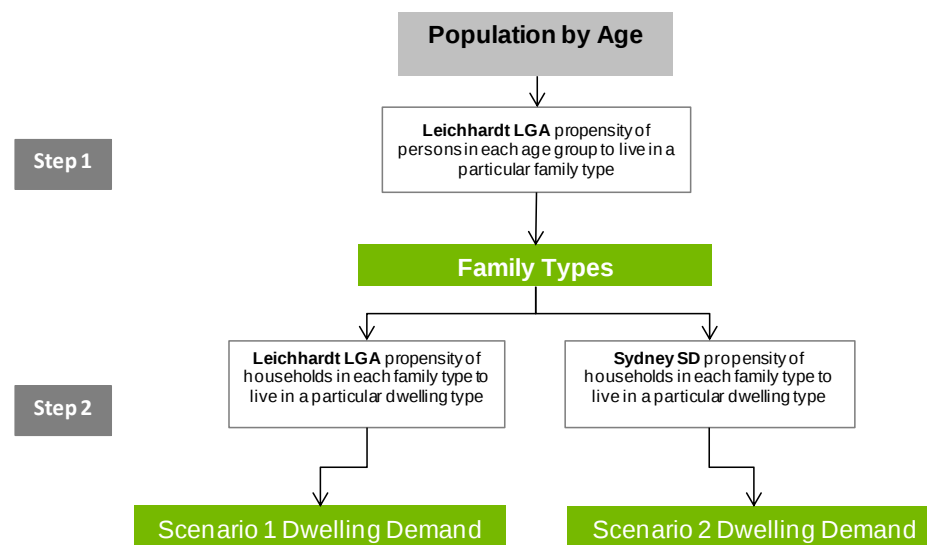
2.6 Housing demand modelling

Method

SGS has constructed a housing demand model which aligns dwelling types with family types. By examining these patterns at a broad spatial level it is possible to determine underlying housing preferences. This forms the basis of a forecast of underlying demand for housing and enables a breakdown by dwelling type and number of bedrooms based on predicted population growth and demographic characteristics.

The underlying demand for particular dwelling types for Leichhardt LGA has been estimated using a 'propensity-based model'. The propensity to belong to a particular household is expected to change over time with decreasing fertility rates and changing lifestyle choices. It is difficult to estimate the extent to which family types or the propensity of particular family types to live in specific dwelling types will change in the future. Typically, the forecast result will ascribe the decreasing prevalence of traditional family units (composed of a mother, father and two children). The methodology used to encapsulate these forecast changes in the relationship between population and dwellings is described below and summarised in Figure 8.

FIGURE 8. SUMMARY OF SGS HOUSING MODEL



Source: SGS 2011

Each step of the process is briefly described below:

- Population projections by age group have been sourced from the NSW Department of Planning². These projections are disaggregated into family/relationship type, where the future distribution between age group and family/relationship type is linearly extrapolated based on the trends in 1996, 2001, 2006 and 2011 ABS Census data. Projected family types (by number of persons) are converted to number of households based on trends observed in household sizes of different family and household types in 1996, 2001, 2006 and 2011 ABS Census data.
- Projected family types are then disaggregated into dwelling types. Again, future distribution is linearly extrapolated based on the trends in 1996, 2001, 2006 and 2011 ABS Census data. Dwelling types are disaggregated by number of bedrooms. The projected distribution of bedrooms in a given dwelling type is linearly extrapolated based on the historical trends in 1996, 2001, 2006 and 2011 ABS Census data for family households. It is assumed that the distribution of bedrooms within a dwelling type is applicable to all family types in the model.

Two scenarios have been developed to determine the likely demand for different types of dwellings.

In Scenario 1, the model uses the trend relationship between family types and dwelling type for the Leichhardt LGA. In Scenario 2, the model uses the trend relationship between family types and dwelling type for Sydney SD. Demand levels for each dwelling type in 2011 for scenario 2 are adjusted to LGA levels. This ensures that the starting levels for both scenarios are the same.

In both scenarios, the number of dwellings is the same. However, the profile of dwelling types change as the dwelling mix is derived from different propensities. The purpose of running the two scenarios is to demonstrate how demand for different dwelling types could change if Leichhardt residents adopt patterns of dwelling occupancy that have been observed across Sydney SD as a whole.

Results

The results of step 1 of the model are shown in Table 9. Between 2011 and 2036, the number of couple families without children is estimated to increase at the greatest rate, at an average of 1.1 percent per annum. Conversely, the number of persons living in one parent family households is estimated to

² NSW Department of Planning (2011)

decrease at an average of 1.3 percent per annum. These trends are likely to be a result of declining fertility rates.

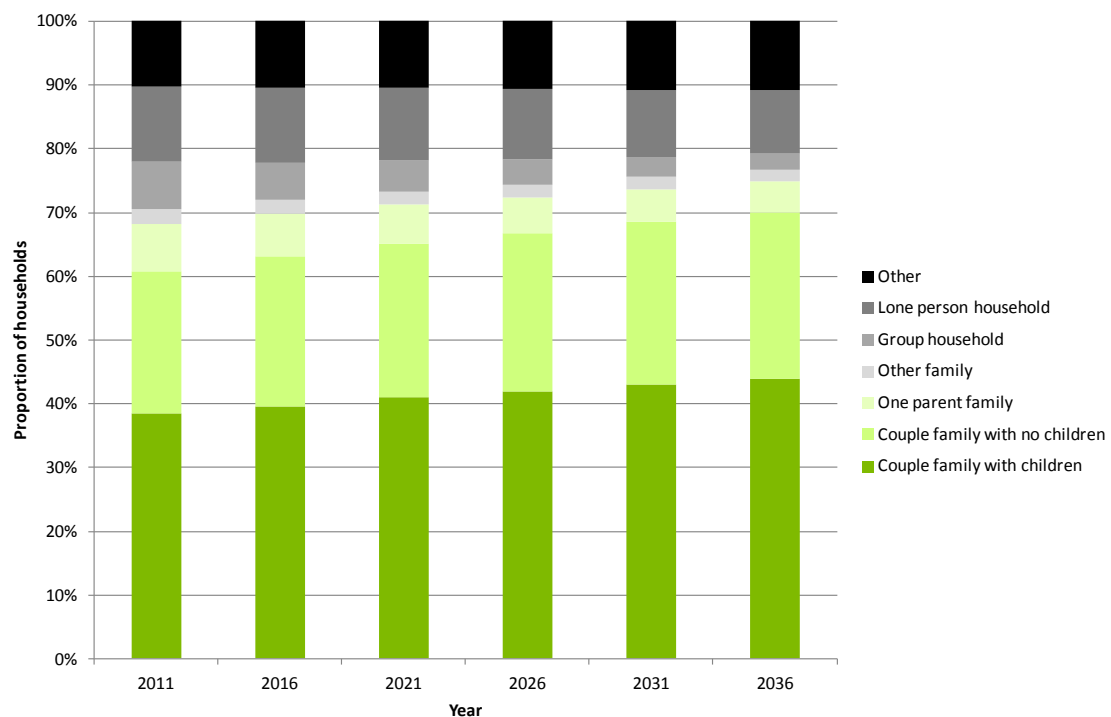
TABLE 9. FAMILY TYPE PROPENSITIES PROJECTED TO 2031, LEICHHARDT LGA

	2011	2016	2021	2026	2031	2036	2011-2036 change	2011-2036 AAGR
Couple family with children	20,732	21,894	23,303	24,306	25,485	26,450	5,807	1.0%
Couple family without children	12,032	13,122	13,685	14,317	15,070	15,874	3,842	1.1%
One parent family	3,987	3,705	3,427	3,233	3,047	2,894	(1,093)	(1.3%)
Other family	1,266	1,205	1,178	1,158	1,136	1,123	(143)	(0.5%)
Group household	3,957	3,192	2,767	2,330	1,879	1,514	(2,443)	(3.8%)
Lone person household	6,373	6,577	6,459	6,360	6,245	6,099	(275)	(0.2%)
Other	5,502	5,755	5,929	6,147	6,338	6,507	1,004	0.7%
Total people	53,850	55,450	56,750	57,850	59,200	60,550	6,700	0.5%

Source: SGS 2013

The relative shares of each family type are shown at five year intervals in Figure 9 and are projected to be fairly stable. Couple families with children are expected to continue to make up the largest share of family types, followed by couple families with no children.

FIGURE 9. PROJECTED SHARE OF PERSONS BY FAMILY TYPE, LEICHHARDT LGA



Source: SGS 2013

Overall, the expected population increase of 6,700 people translates into 1,703 additional households. The different dwelling types demanded by these households (Step 2 of the model) vary between the two scenarios adopted for modelling.

Scenario 1: Leichhardt LGA dwelling type propensities

The results of Scenario 1 (Table 10) indicate that between 2011 and 2036 across the LGA there will be an estimated demand for:

- 2,055 fewer separate dwellings, including:
 - 886 fewer two bedroom dwellings.
 - 1,061 fewer three bedroom dwellings.
- 1,212 additional semi-detached/ row/ terrace /townhouse dwellings, including:
 - 804 fewer one and two bedroom dwellings.
 - 2,005 additional three and four bedroom dwellings.
- 2,565 additional flat/ unit/ apartment dwellings, including:
 - 729 additional one bedroom dwellings.
 - 1,788 additional two and three bedroom dwellings.

Demand is forecast to be strongest for flat/ unit/ apartment dwellings with an average annual growth rate of 1.34 percent. Demand for separate dwellings is expected to decline considerably, reducing the 2011 separate dwelling stock by 26 percent by 2036. Assuming historical trends continue it is expected that flats/ units and semi-detached dwellings will replace the decline in separate dwellings. In broad terms, across all dwelling types, demand is forecast to grow for larger dwellings (that is, those with three or more bedrooms) and decline for smaller dwellings.

Scenario 2: Sydney SD dwelling type propensities

The results of Scenario 2 (Table 11) indicate that across the LGA between 2011 and 2036 there will be an estimated demand for:

- 739 fewer separate dwellings, including:
 - 702 additional dwellings with four or more bedrooms.
 - 1,402 fewer two and three bedroom dwellings.
- 907 additional semi-detached/ row/ terrace/ townhouse dwellings, including:
 - 1,061 additional dwellings with three or more bedrooms.
 - 162 fewer one and two bedroom dwellings.
- 1548 additional flat/ unit/ apartment dwellings, of which:
 - 533 one bedroom dwellings.
 - 309 two bedroom dwellings.
 - 694 three bedroom dwellings.

Compared with Scenario 1, Scenario 2 shows weaker (yet still positive) demand for flat/ unit/ apartments at an average annual growth rate of 0.78 percent. Scenario 2 also suggests that the decline in demand for separate dwellings will not be as aggressive as in Scenario 1. Both these results reflect the greater availability of land across Sydney SD as a whole. For all dwelling types, demand is strongest for larger dwellings.

TABLE 10. DWELLING DEMAND FORECAST FOR LEICHHARDT LGA BASED ON DWELLING TYPE PROPENSITIES OF LEICHHARDT LGA

	2011	2016	2021	2026	2031	2036	2011-2036 Change	AAGR, 2011-2036
Separate house	8,055	7,628	7,245	6,825	6,411	6,000	-2055	-1.17%
None (includes bedsitters)	8	11	11	11	10	10	2	0.99%
One bedroom	102	89	80	71	63	55	-47	-2.46%
Two bedrooms	1,933	1,793	1,593	1,398	1,216	1,047	-886	-2.42%
Three bedrooms	4,036	3,805	3,608	3,394	3,184	2,975	-1,061	-1.21%
Four or more bedrooms	1,920	1,878	1,901	1,901	1,890	1,866	-54	-0.11%
Semi-detached, row or terrace house, townhouse	8,455	8,802	8,987	9,171	9,396	9,667	1,212	0.54%
None (includes bedsitters)	10	5	3	0	0	0	-10	-100.00%
One bedroom	253	213	173	132	89	44	-209	-6.77%
Two bedrooms	3278	3205	3078	2942	2811	2683	-595	-0.80%
Three bedrooms	3864	4190	4425	4665	4933	5234	1369	1.22%
Four or more bedrooms	1001	1129	1245	1364	1494	1637	635	1.98%
Flat, unit or apartment	6,505	7,207	7,661	8,124	8,588	9,070	2,565	1.34%
None (includes bedsitters)	111	94	101	109	117	125	14	0.48%
One bedroom	1,199	1,311	1,452	1,602	1,760	1,928	729	1.92%
Two bedrooms	3,948	4,268	4,428	4,580	4,718	4,854	906	0.83%
Three bedrooms	1,108	1,375	1,516	1,666	1,823	1,990	882	2.37%
Four or more bedrooms	68	71	56	38	18	0	-68	-100%
Other dwelling	327	325	319	314	309	306	-20	-0.26%
None (includes bedsitters)	0	3	2	1	0	0	0	-100%
One bedroom	37	41	39	37	35	34	-3	-0.39%
Two bedrooms	181	194	205	216	227	239	58	1.11%
Three bedrooms	62	37	20	3	0	0	-62	-100%
Four or more bedrooms	28	30	33	35	37	39	11	1.36%
Total private dwellings	23,342	23,962	24,212	24,434	24,705	25,044	1,703	0.28%

Source: SGS, 2013

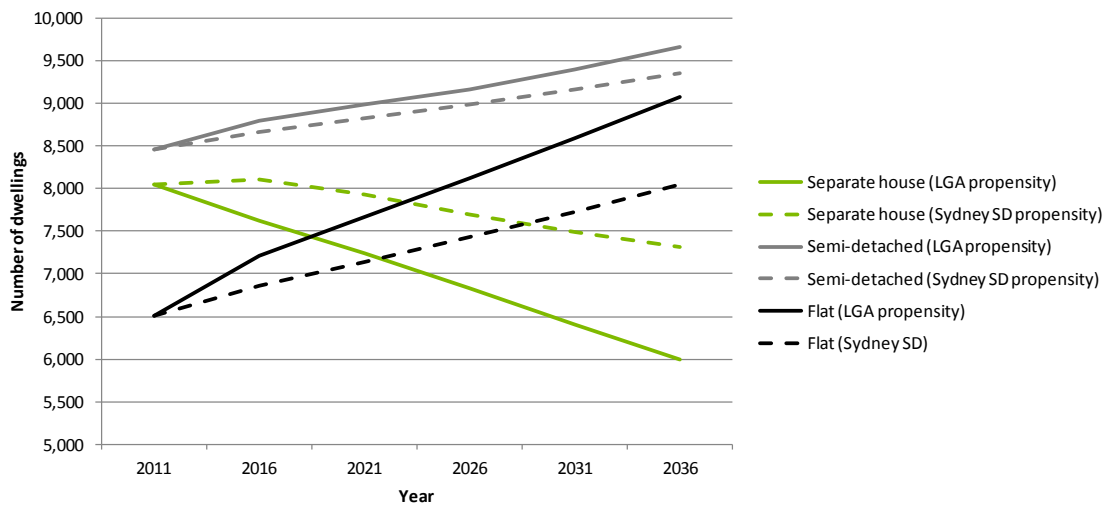
TABLE 11. DWELLING DEMAND FORECAST FOR LEICHHARDT LGA BASED ON DWELLING TYPE PROPENSITIES OF SYDNEY SD

	2011	2016	2021	2026	2031	2036	2011-2036 Change	AAGR, 2011-2036
Separate house	8,055	8,109	7,928	7,700	7,498	7,316	-739	-0.24%
None (includes bedsitters)	8	13	14	14	15	16	8	1.94%
One bedroom	102	90	80	69	59	50	-52	-1.54%
Two bedrooms	1,933	1,881	1,647	1,408	1,181	964	-969	-1.50%
Three bedrooms	4,036	4,033	3,934	3,812	3,702	3,603	-433	-0.28%
Four or more bedrooms	1,920	2,033	2,194	2,337	2,479	2,622	702	0.83%
Semi-detached, row or terrace house, townhouse	8,455	8,667	8,826	8,989	9,167	9,362	907	1.04%
None (includes bedsitters)	10	8	7	6	6	6	-4	-100.00%
One bedroom	253	241	227	213	197	179	-74	-6.31%
Two bedrooms	3,278	3,283	3,266	3,244	3,219	3,191	-87	-0.30%
Three bedrooms	3,864	4,023	4,155	4,295	4,447	4,615	751	1.72%
Four or more bedrooms	1,001	1,058	1,114	1,174	1,239	1,311	310	2.49%
Flat, unit or apartment	6,505	6,860	7,136	7,426	7,724	8,053	1,548	0.78%
None (includes bedsitters)	111	86	91	96	102	108	-2	-0.08%
One bedroom	1,199	1,246	1,357	1,474	1,597	1,732	533	1.35%
Two bedrooms	3,948	4,053	4,104	4,155	4,202	4,258	309	0.27%
Three bedrooms	1,108	1,323	1,432	1,548	1,670	1,802	694	1.80%
Four or more bedrooms	68	67	49	30	10	-8	-76	-100.00%
Other dwelling	327	327	323	320	316	313	-13	-0.28%
None (includes bedsitters)	0	2	1	1	0	0	0	0.00%
One bedroom	37	39	38	37	36	35	-2	-0.42%
Two bedrooms	181	190	196	202	208	214	33	1.08%
Three bedrooms	62	48	38	28	26	26	-36	-100.00%
Four or more bedrooms	28	30	31	32	34	35	6	1.33%
Total private dwellings	23,342	23,962	24,212	24,434	24,705	25,044	1,703	0.28%

Source: SGS 2013

The results for Scenario 1 and Scenario 2 are shown in Figure 10. Scenario 1 is represented by the solid lines. Scenario 2 is represented by the dotted lines.

FIGURE 10. DWELLING DEMAND FORECAST FOR LEICHHARDT LGA



Source: SGS, 2013

In Scenario 1, forecasted demand for flats has a higher growth rate than in Scenario 2 as a result of the historical trend in demand in the LGA. The forecasted demand for semi-detached dwellings using Sydney SD propensity has a similar rate of growth to the forecast using LGA propensity.

In Scenario 1, forecasted demand for separate houses is falling at a greater rate than in Scenario 2 due to a greater declining historical trend for separate dwellings in the LGA. This is likely to be a reflection of the substitution of separate dwellings for flats in the LGA due to land constraints. In contrast, Sydney SD has been able to sustain greater levels of separate dwellings due to the relative greater availability of land.

In broad terms, the comparison in Figure 10 reflects the higher density living environment in Leichhardt LGA; accordingly, there is greater demand for flats and attached dwellings than for detached dwellings.

2.7 Analysis of proposed dwelling mix

The proposed residential dwelling mix for the study site incorporates 54 one bedroom apartments (including six adaptable apartments), 22 two bedroom apartments (including five adaptable apartments) and 30 three bedroom apartments. This represents 51 percent of apartments with one bedroom; 20 percent with two bedrooms; and 29 percent with three bedrooms.

Based on observed demand from recent sales, there is a strong market appetite for two bedroom apartments and reasonable demand for one bedroom apartments and to a lesser extent three bedroom apartments. However, the volatility in sales numbers for one and three bedroom apartments suggests that the transactions in recent years have been determined by market supply. This, therefore, does not necessarily indicate that these apartment sizes are most in demand from potential buyers.

The SGS housing demand model using Leichhardt LGA propensities predicts demand for an additional 112 one bedroom apartments, 321 two bedroom apartments and 267 three bedroom apartments by 2016, with demand for four bedroom apartments expected to be low at 4 apartments. This is compared with the proposed split in the development on the study site in Table 12.

The latent demand for larger apartments with three or more bedrooms is expected to be driven by young families and downsizing couples in particular. For families, the demand for apartments is likely to

be due to land constraints contributing to the lack of supply of large homes in the area and the relative affordability of large flats when compared to houses, in addition to other factors such as their increased security and lower maintenance requirements. According to property expert John McGrath, downsizing couples are also increasingly buying three bedroom apartments, particularly those on upper levels in new developments³.

As such, the proposed dwelling mix for the development on the study site, with a relatively high proportion of three bedroom apartments, has the opportunity to address this market. It is, however, important to consider the possible reasons as to why larger apartments comprise only a small proportion of sales over the past five years in Balmain. It is most likely that few are available for sale as the trend towards apartment living is in its infancy for the demographics mentioned above, although predicted to increase.

The proposed dwelling mix, with a high proportion of one bedroom dwellings, is in line with an increasing trend towards couples with no children and lone person households in Leichhardt LGA (as indicated in Figure 9).

Agents advised that within the market there is currently a balance for both one and two bedroom units with one bedroom units desirable for both investment and owner-occupiers particularly due to the capital growth and achievable rental returns. The market for one bedroom apartments also includes residents wishing to downsize and remain within close proximity to the city. With increasing house prices, one bedroom flats are more accessible to first home buyers (particularly young professional couples) and this appears to be a trend in competing developments such as Rozelle Village (former Balmain Tigers) which includes a large proportion of one bedroom apartments indicating the future market for one bedroom apartments.

There may be a market for a premium penthouse offer with four bedrooms based on the prestige of the area and waterfront views. As this is a small segment of the market such a proposition would need to be carefully researched.

TABLE 12. DWELLING PROPORTIONS: OBSERVED, UNDERLYING AND PROPOSED DEMAND

Type	Observed demand	Underlying demand (scenario 1)	Proposed split	Leichhardt Council controls
One bedroom	23%	9%	51%	Minimum 25%
Two bedroom	58%	8%	20%	
Three bedroom	16%	24%	29%	Maximum 30%
Four bedroom	2%	4%	0%	

Source: RP Data, ABS and SGS Economics and Planning, 2013

³ 'The Future of Three-Bedroom Apartments', John McGrath, February 2011. Viewed 6 July 2011. <www.switzer.com.au/the-experts/john-mcgrath-property-expert/the-future-of-three-bedroom-apartments/>

3 COMMERCIAL MARKET ASSESSMENT

3.1 Broad market dynamics

The metropolitan commercial office markets across Australia have experienced low vacancy rates and low levels of supply over the last past 12 to 24 months (Colliers, 2013). During this period, Australia has experienced continuing prosperity and employment growth supported by the mining sector, and a slow return to growth in the finance and banking sectors. Strong fundamentals have driven more than \$2.3 billion worth of investment within the metropolitan office markets during 2012 (Colliers, 2013). Lack of supply and new development activity will be the main drivers for growth, with vacancy rates forecast to reach 8.4 percent by September 2013 (Colliers, 2013).

In the Sydney market, white-collar employment growth increased 1.5 percent during 2011 (Colliers, 2012). Employment growth in healthcare, medical, pharmaceutical and education industries are supporting demand for commercial office space. Fundamentals of the Sydney metropolitan office market are expected to remain solid over the medium term. Large amount of sub-leased office space is expected to come onto the market particularly in North Sydney and North Ryde and will be a key driver behind higher vacancy rates as businesses consolidate operations.

Table 13 shows the suburban office market indicators for Sydney as of January 2013, with the corresponding figures from January 2012 in Table 14. Recent figures show signs of a stronger market across Sydney will a lower total vacancy rate (7.9 percent in January 2013, down from 9.6 percent in January 2012). The total A-grade face rents have increased from \$396 per square metre in 2012 to \$404 per square metre in 2013, which has occurred while total stock has increased.

TABLE 13. SYDNEY SUBURBAN OFFICE MARKET INDICATORS (JANUARY 2013)

Region	Total stock (m ²)	Vacancy rate (%)	Average A-grade gross face rent (\$/m ²)	Average A-grade incentives (%)	Outgoings (\$/m ²)	Average A-grade core market yield (%)
City Fringe	952,097	6.7	467	21.2	99	8 – 9
North	560,347	7.6	381	18.6	77	8.5 – 9.5
South	555,075	11.5	403	30	98	9 – 10
Inner West	449,541	3.8	423	22.3	86	8 – 9.25
North West	322,262	13.3	340	22.5	65	8.75 – 10
South West	246,109	5.1	313	27.5	83	10 – 11
West	143,998	9	322	25	83	10 – 11
Total	3,229,429	7.9	404	23.3	88	8.5 – 9.75

Definition

Suburban: Includes office stock in the Sydney metropolitan area above 1,000 m² in size. It excludes stock in the CBD and the major office markets of North Sydney, Chatswood, Crows Nest, St Leonards, North Ryde and Parramatta.

Core market yield: The percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price which has been adjusted to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc).

Source: Knight Frank, 2013

*Total market averages are weighted based

TABLE 14. SYDNEY SUBURBAN OFFICE MARKET INDICATORS (JANUARY 2012)

Region	Total stock (m ²)	Vacancy rate (%)	Average A-grade gross face rent (\$/m ²)	Average A-grade incentives (%)	Outgoings (\$/m ²)	Average A-Grade core market yield (%)
City Fringe	949,364	7.6	460	21.2	94	8 – 9
North	567,888	13.3	397	30	95	9 – 10
South	533,448	9.1	379	18.6	77	8.5 – 9.5
Inner West	433,971	5.4	399	22.3	79	8.5 – 9.75
North West	332,762	19.4	335	22.5	60	8.75 – 9.75
South West	244,109	5.5	305	27.5	75	10 – 11
West	143,998	7.5	314	25	75	10 – 11
Total	3,205,540	9.6	396	23.5	84	8.5 – 9.75
Definition						
Suburban:	Includes office stock in the Sydney metropolitan area above 1,000 m ² in size. It excludes stock in the CBD and the major office markets of North Sydney, Chatswood, Crows Nest, St Leonards, North Ryde and Parramatta.					
Core market yield:	The percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price which has been adjusted to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc).					

Source: Knight Frank, 2012

*Total market averages are weighted based

3.2 Local market dynamics

The gradual yet positive growth experienced across Sydney in the year to January 2013 has been mirrored in the inner west submarket, in which the proposed Elliott Street development is located. An increase of total commercial office stock in the submarket has been combined with a decrease in the vacancy rate (falling from 5.4 percent to 3.8 percent) and an increase in the net face rent from \$399 to \$423 (Knight Frank, 2013). Knight Frank also notes that the inner west suburban submarket is one of the stronger performing subregions.

The inner west submarket still has the lowest vacancy rate of all the metropolitan office submarkets. Since 2012, the average net face rent for the submarket has increased, and is now above the suburban average and the second highest net rent overall, only behind the city fringe at \$423 (Knight Frank, 2013).

The overall dynamics of the local market (Balmain and Rozelle) have not changed in any significant way since the previous reports were prepared in 2011 and 2012. The commercial market is focussed on mainly small professional businesses in a retail setting and is scattered throughout the suburb. There are small concentrations of commercial office activity; however, the majority of the market is for small-medium sized businesses.

3.3 Sales data analysis

General commercial

Table 15 shows general commercial sales in the suburb of Balmain from 2006 to 2013. Median sales prices have been volatile over the period and this is likely to be as a result of the low transaction volumes, likely to result from constrained supply of commercial properties rather than low demand. This could be because a large amount of office space in the Balmain market, and in suburban markets generally, is owned by small-scale private investors (usually with low leveraging rates) who view their properties as long term cash-flow investments.

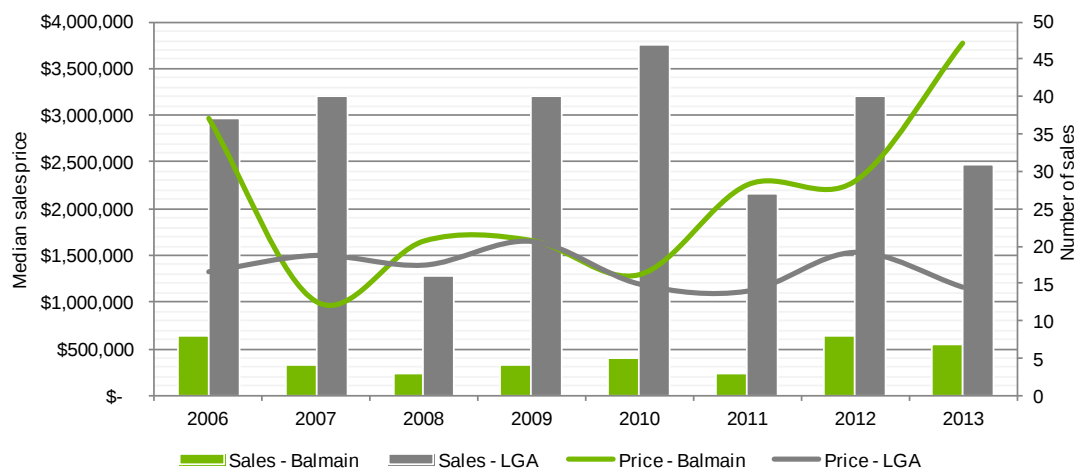
TABLE 15. BALMAIN GENERAL COMMERCIAL PROPERTIES, 2006-2013

Year	Median sales price	Number of sales
2006	\$2,962,000	8
2007	\$1,000,000	4
2008	\$1,650,000	3
2009	\$1,655,000	4
2010	\$1,290,000	5
2011	\$2,250,000	3
2012	\$2,290,000	8
2013	\$3,767,500	4

Source: RP Data, 2013

Figure 11 compares the median prices and number of sales of general commercial properties in Balmain with those recorded in Leichhardt LGA. Around 20 percent of sales in the LGA are for properties in Balmain. Comparison of median prices is relatively unreliable due to the small number of transactions, however there is an increasing gap between median sale prices since 2010.

FIGURE 11. GENERAL COMMERCIAL PROPERTIES SALES



Source: RP Data, 2013 Full year 2013 sales numbers are estimated based on number of sales in the first seven months.

Commercial strata units

Table 16 shows the sales records for commercial strata units in Balmain from 2006 to 2013. Median sales prices recovered in 2012, however there were only a small number of transactions.

TABLE 16. BALMAIN COMMERCIAL STRATA UNITS, 2006-2013

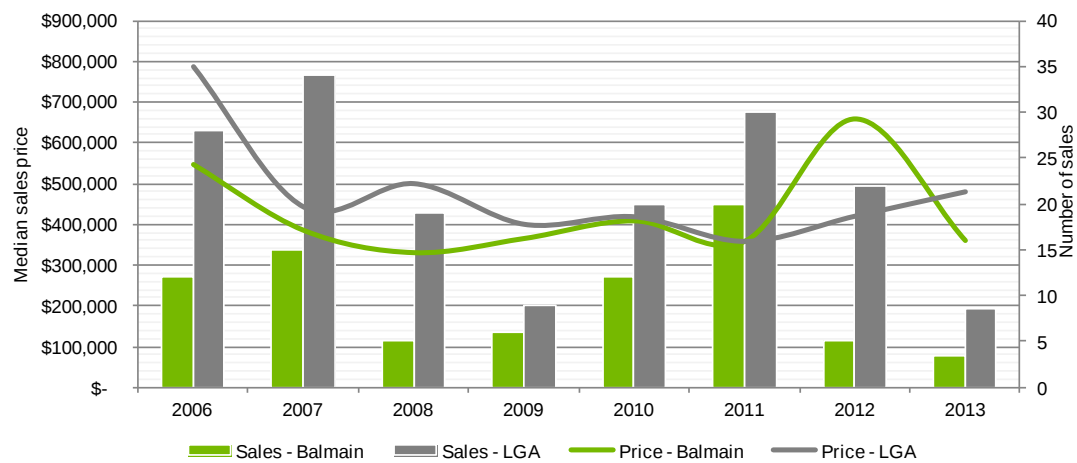
Year	Median sales price	Number of sales
2006	\$547,500	12
2007	\$385,000	15
2008	\$330,000	5
2009	\$365,000	6
2010	\$408,500	12
2011	\$358,014	20
2012	\$660,000	5
2013	\$360,000	2

Source: RP Data, 2013

Figure 12 compares the median prices and number of sales of commercial strata units in Balmain to those in Leichhardt LGA from 2006 to 2013. Over the period, 40 percent of strata unit sales in the LGA occurred in Balmain. The median price of properties sold in Balmain was \$49,000 less than the LGA level

on average over the last seven years, although this is likely to be influenced by the low volume of transactions.

FIGURE 12. COMMERCIAL STRATA UNIT SALES



Source: RP Data, 2013 Full year 2013 sales numbers are estimated based on number of sales in the first seven months.

On the market

Table 17 provides a summary of commercial and retail properties currently on the market within the LGA and surrounding areas. Analysis of RP Data showed there was around 8925 square metres of available commercial floorspace within Leichhardt LGA. Majority of properties in Balmain that are available for sale have floorspace less than 125 square metres. Consultation with property market agents was used to gain further insight into these trends, and findings have been discussed in the following section.

TABLE 17. SNAPSHOT OF COMMERCIAL/RETAIL PROPERTIES ON THE MARKET

Suburb	Property Address	Type	Size (net sqm)	Car spaces
Balmain	79 Darling Street	Retail	102	-
Balmain	6 Montague Street	Office	600	5
Balmain	15A 2 Beattie Street	Office	42	-
Balmain	303 Darling Street	Retail	193	-
Balmain	93, 24 Buchanan Street	Office	85	-
Balmain	7/7 Rosebery Place	Office	47	1
Balmain	45 Evans Street	Office	820	-
Balmain	11/2 Beattie Street	Office	33	-
Drummoyne	184 Victoria Road	Retail/Office	284	-
Drummoyne	109 Victoria Road	Retail/Office	263	-
Drummoyne	135 Victoria Road	Medical	55	1
Drummoyne	11/52 Lyons Road	Retail	81	1
Drummoyne	185 Victoria Road	Retail	166	-
Rozelle	114 Victoria Road	Office/Medical	850	-
Rozelle	661 Darling Street	Retail/Office	961	7
Rozelle	709-711 Darling Street	Retail	280	-
Pymont	243 Pymont Street	Office	658	-
Ultimo	78/330 Wattle Street	Office	105	1
Ultimo	Suite 8, 88 Mountain St	Office	62	1
Ultimo	33 Mountain Street	Office	2500	14
Total floorspace			8187	

Source: Realcommercial.com.au, 2012

3.4 Commercial analysis

Summary of consultation

Follow up consultation with local property market agents was conducted for a qualitative perspective on the current market conditions and to ascertain whether there had been many changes since the previous studies were undertaken in 2011 and 2012. Agents indicated that demand was still strong in Balmain and Rozelle despite a reasonable turnover of tenancies, however absorption was a bit slower for commercial and retail strata leaseings.

Agents noted that:

- the commercial/retail market in Balmain has been consistent over the past 12 to 18 months, with a slight but noticeable increase in demand for commercial and retail office space.
- rental space generally costs \$300 to \$500 per square metre per annum, depending on the size of the suite.
- the area has a reasonable turnover of properties in terms of commercial strata units and retail/commercial shop fronts; even though absorption was a bit slower as of late, the vacancy rates are low as Balmain remains a popular area.
- car spaces are desirable for commercial developments and can add 10 to 25 percent value onto the leasing or sale price.
- the most likely competitor sites to 100-102 Elliott Street are Pymont/Ultimo, and to a lesser extent, Drummoyne and Balmain; agents also noted upcoming mixed use developments on Terry Street as potential competitors.

- overall demand for commercial space is for leasings of around 50 to 200 square metres, with only some demand for mid-sized floor plates and fairly strong competition from Pyrmont/Ultimo for larger floor plates; one agent also noted that there may be demand for larger suites with waterfront views.
- the market in Balmain is impacted by the wider subregional market forces, with Pyrmont/Ultimo dominant in terms of demand for A-grade commercial space and larger floor plates, and demand in Balmain driven by its attractive location, public domain, services and amenity (particularly for sites on the waterfront); however agents commented that demand in Pyrmont/Ultimo seems to have softened as of late.

Parking rates for commercial office space in locality

The proposed Elliott Street development plans for approximately one space per 66 square metres of commercial floorspace⁴. This is a generous provision when compared with proposed competing developments, and a comparable or better provision compared with existing stock on the market.

- For commercial properties currently on the market for sale or lease in the broader inner west, listings data show that the average provision of parking is one space per 90 square metres of floorspace (as shown in Table 17).
- Historical sales data from RP Data show a car parking ratio in Balmain of around one space per 60 square metres of commercial floorspace for larger commercial buildings, and one space per 90 square metres for smaller commercial premises (although there is quite a range for the smaller end). For commercial properties of greater than 1000 square metres, the provision of car spaces is even lower, with those in Pyrmont and Ultimo offering one car space per 100 to 165 square metres of floorspace.
- Property agents indicated that leasing car spaces separately from developments for around \$20,000 to \$30,000 per annum was becoming more common in the area, which may have a bearing on future trends.

Floor plate sizes

Agent consultation revealed that floor plates of 50 to 200 square metres are the most in demand in the Balmain market. The proposal for the study site includes a range of commercial suite sizes. The 64 square metre suites are likely to be the most popular and will appeal to price sensitive tenants in the area.

3.5 Comparable local developments

Mixed use development at Balmain Shores and Balmain Cove

There are mixed use sites at both Balmain Cove and Balmain Shores along Terry Street near the corner of Wulumay Street. The development comprises a number of commercial and retail strata units, and consultation with agents indicated that these suites generally have low vacancy rates and fairly fast turnaround when units come onto the market.

Mixed use sites at Buchanan Street and Reynolds Street Balmain

The previous Ampol site in East Balmain also has a mixture of commercial and retail properties as part of a residential development. The area for the non residential uses has been mapped on a key sites map, and the current and likely future uses can be accommodated with the additional specified uses of business premises, office premises, restaurant and retail premises.

⁴ Assuming 2999 square metres of commercial space and 49 spaces allocated for commercial use only, of the proposed 56 spaces for commercial, retail and associated visitor spaces.

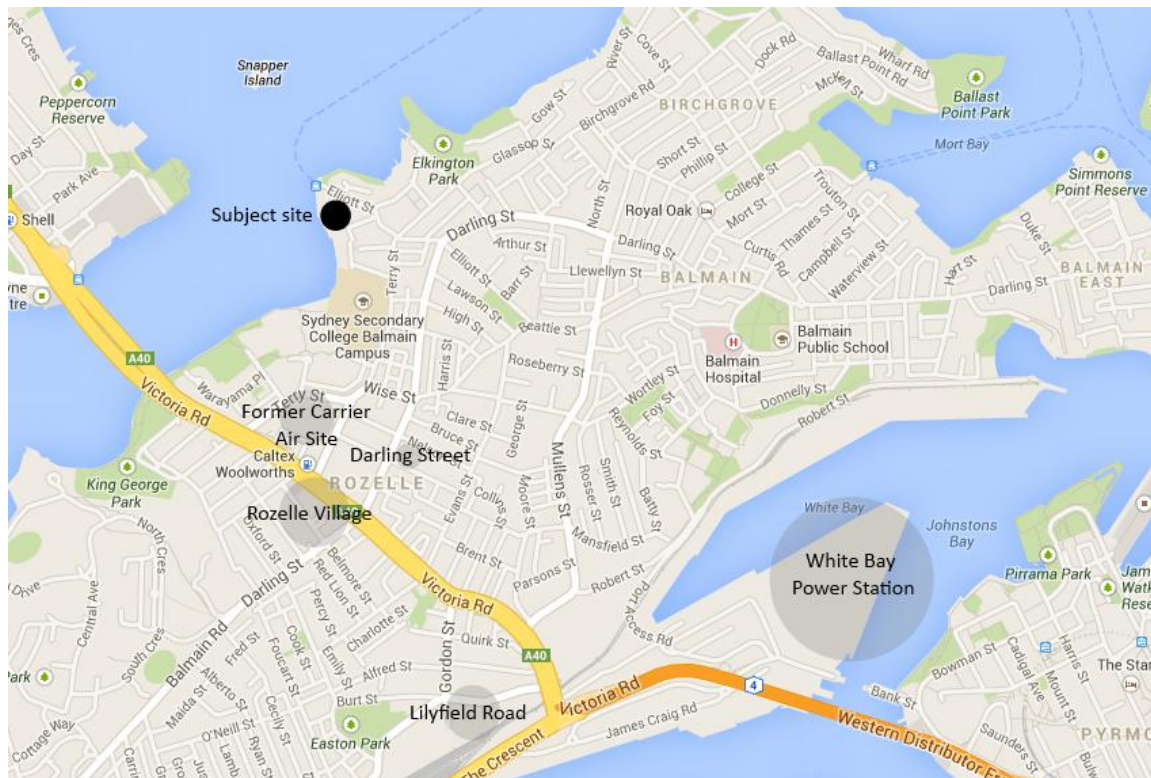
Both sites are very similar to the proposed development at 100-102 Elliott Street Balmain. They have a mixture of residential, commercial and retail uses and have been developed on former industrial sites. The residential component is located on the waterfront with the retail/commercial strata units facing the street to gain maximum exposure.

3.6 Development pipeline

Table 18 details a number of proposals for Leichhardt LGA which include both commercial and retail components. Most of the developments are comparable to the study site with a large residential component and small scale commercial and retail. The proposals highlight the demand for commercial space in the inner west areas, especially in the city fringe.

The major projects that are comparable with the Elliott Street site and would compete if on the market at the same time are the Bays Precinct, Rozelle Multimedia Centre expansion and Rozelle Village development (Balmain Tigers). However, agents expect these developments to attract a different market, with 100-102 Elliott Street a comparatively small development likely to appeal to smaller tenants rather than firms seeking large floor plates. These are detailed below as well as developments which have commenced (refer to Figure 13).

FIGURE 13. COMPETING MIXED USE DEVELOPMENTS



Source: SGS Economics and Planning, 2013 (base map Google Maps)

TABLE 18 DEVELOPMENT PIPELINE (RETAIL & COMMERCIAL)

Project Title	Project Address	Project City	Type	Estimated Value	Completion Date	Status
Parramatta Rd Mixed Development	351-353 Parramatta Rd	Leichhardt	Units (12)/retail - 3 storey	\$3,123,000	29/11/2013	Commenced
Darling St Mixed Development	620-622 (Lots A & B) Darling St (DP414)	Rozelle	Units (2)/commercial - 2 storey	\$1,260,000	25/04/2014	Commenced
Young St Mixed Development	2 (Lots 11 & 12) Young St (DP456777)	Annandale	Apartments (9)/retail/commercial - 3 storey - altns & addns	\$1,920,000	25/07/2014	Possible
Parramatta Rd Mixed Development	283-285 (Lot X) Parramatta Rd (DP913623)	Leichhardt	Units (8)/commercial (2) - 3 storey - altns & addns	\$1,300,000	15/08/2014	Deferred
White Bay Power Station Site	Roberts St & Victoria Rd (The Maritime Services Board Yards) White Bay	Rozelle	Commercial redevelopment	\$5,000,000	19/09/2014	Deferred
Darling St Mixed Use Development	687 (Lot 3) Darling St (DP229568)	Rozelle	Units (4)/commercial - 4 storey - altns & addns	\$900,000	24/10/2014	Deferred
Darling St Shop Top Development	341 (Lot A) Darling St (DP447498)	Balmain	Retail/apartment - storey - altns & addns	\$300,000	31/10/2014	Deferred
Darling St Mixed Development	691 (Lot 1) Darling St (DP229568)	Rozelle	Units (4)/shop/office - 3 storey - altns & addns	\$1,000,000	16/02/2015	Possible
Johnston St Mixed Development	101 (Lot B) Johnston St (DP442806)	Annandale	Units (3)/commercial - 2 storey - conversion from warehouse	\$550,000	29/05/2015	Possible
Nelson St Mixed Development	6 (Lot B) Nelson St (DP379965)	Annandale	Apartments (6)/commercial/retail - 3 storey	\$1,423,000	19/06/2015	Possible
Marion St Mixed Development	145 (Lot 15) Marion St (DP2329)	Leichhardt	Units (4)/commercial - 2 storey	\$1,200,000	20/06/2015	Deferred
Darling St Mixed Development	60 (Lot 1) Darling St (DP721635)	Balmain East	Bottle shop/restaurant/units (2) - 2 storey	\$1,200,000	26/06/2015	Deferred
Former Carrier Air Site Mixed Development - Union Balmain	118-124 Terry St	Rozelle	Apartments (202)/retail/commercial/light industrial - 6 storey	\$80,000,000	6/07/2015	Commenced
The Bijou	2A (Lot 1) Rowntree St (DP225095)	Balmain	Apartments (30)/retail - 4 storey - conversion from commercial building	\$6,600,000	14/08/2015	Possible
Lilyfield Rd Mixed Development	47-51 (Lot 1) Lilyfield Rd (DP1006641)	Rozelle	Apartments (29)/commercial (3) - 5 storey	\$6,658,000	16/10/2015	Possible
One Annandale	1-3 Parramatta Rd	Annandale	Units (35)/commercial (8) - 4 storey	\$7,080,000	26/02/2016	Possible
Balmain Tigers Leagues Club Redevelopment - Rozelle Village	138-152 Victoria Rd	Rozelle	Apartments (311)/sohos (4)/club/retail - 24 storey	\$310,180,000	23/10/2017	Possible
Kolotex and Labelcraft Sites	22 & 30-40 George St	Leichhardt	Units (350)/commercial/retail - 8 storey	\$50,000,000	29/06/2018	Early

Source: Cordell Connect, 2013

Parramatta Rd Mixed Development

Small scale mixed development on Parramatta Road in Leichhardt comprising:

- 12 units on first and second floors (1 studio and 11 one bedroom apartments)
- 178 sqm retail on ground floor, for the sale of kitchenware & catering products. Basement car parking over single level for 5 vehicles.

Due to the scale and location of the site in Leichhardt, the development is unlikely to create direct competition for the Elliott Street Development.

Darling St Mixed Development

Relatively small development which will comprise:

- two commercial tenancies located on the ground floor.
- Two, two bedroom residential units on first floor of 82 square metres and 84 square metres.

White Bay Power Station

Commercial redevelopment options for the heritage listed White-Bay Power Station site include a self-contained commercial precinct with enclosed shopping arcade, office space, community facilities and artist studios, and a 350 room three star hotel on the harbour side. The proposal is currently in the early planning stage.

FIGURE 14. PROPOSED WHITE BAYS PRECINCT



Source: Domain, 2012

Former Carrier Air Site Mixed Development - Union Balmain

This site is located in close proximity to the subject development and construction has commenced. The development is expected to be completed in July 2015 and is likely to compete with the study site particularly due to the comparable size of development in terms of apartment numbers, quantity of commercial/retail space and location.

The development will comprise:

- 202 apartments (84 one bedroom, 102 two bedroom and 16 three bedroom apartments).
- 1270sqm of retail/commercial space.
- 411sqm of light industrial space.
- 250 car spaces.

FIGURE 15. SITE LAYOUT – FORMER CARRIER AIR SITE MIXED DEVELOPMENT



Source: Turner and Associates, 2012

Rozelle Multimedia Centre⁵ and Lilyfield Road mixed development

Desane Pty Ltd owns and manages the Rozelle Multimedia centre, located adjacent to Rozelle railway yards on Lilyfield Road. Planning approval has been granted for expansion of the complex to include an additional 800 square metres of office space and 21 additional car parking spaces.

A development application has been lodged, for the adjacent smaller site, for a proposed five storey residential apartment project comprising 29 residential apartments, 3 commercial/retail units and 48 security parking spaces. The smaller site has been leased on a short term basis, and work will commence on the expansion when a pre-commitment from a suitable tenant has been negotiated.

Once completed, the two sites together will consist of two major buildings (7000 and 3000 square metres), a 190 space car park, corporate residences and a childcare centre.

⁵ From <<http://www.desane.com.au/property/portfolio/>>, viewed 21 August 2013

FIGURE 16. LOCATION OF PROPOSED NEW ROZELLE MULTIMEDIA CENTRE



Source: Desane, 2010

Rozelle Village - Balmain Tigers redevelopment

The redevelopment of the former Balmain Leagues Club site and adjoining lands will involve excavation of 8 basement levels for car parking, construction of a five or six storey podium and two residential towers ranging in height from 25 to 32 storeys.

FIGURE 17. ROZELLE VILLAGE PROPOSAL



Source: Sydney Morning Herald, 2013

There will be a mix of residential, retail, community and leisure uses and associated car parking (refer to Table 19). In terms of non-residential floorspace, the development, currently being assessed as a major project by DP&I includes 13,971 square metres of retail floorspace and 4867 square metres of commercial floorspace. The development is much larger than what is proposed for the Elliott Street development.

TABLE 19. PROPOSED LAND USE AND PARKING SPLIT FOR ROZELLE VILLAGE DEVELOPMENT

Land uses	Details
Gross Floor Area	36,587 m ²
Floor Space Ratio	4.5 : 1
Commercial (office suites, medical centre, gymnasium)	1,478 m2
Retail (supermarket, speciality retail, food retail, restaurants)	10,982 m2
Residential	20,646 m2
Total Dwellings/Apartments	247 units
– 1 bed unit	125
– 2 bed unit	108
– 3 bed unit	14
Community facilities (community room, childcare centre)	905 m2
Total Parking	488 spaces
– Residential parking	188 spaces
– Non-residential parking	300 spaces
Bicycle spaces	323

Source: DP&I, 2013

3.7 Supply-demand analysis

Employment forecasts for the Leichhardt LGA (BTS, 2012) show modest growth of around 1,624 jobs every 5 years through to 2036 (around 325 jobs per year). Employment by ANZSIC category has been converted to land use type (e.g. 'office', 'industrial unit', etc.) using Leichhardt land audit data (SGS

completed an audit of Leichhardt employment land in 2007 and this has been used to determine the relationship between ANZSIC codes and land use types). This translates to an average of 386 office jobs every 5 years (around 77 jobs per year). In terms of office floorspace, this translates to 9,648 square metres every 5 years (1,930 square metres per year) over the period 2011-2036.

TABLE 20. LEICHHARDT LGA EMPLOYMENT FORECAST

	Total employment	5 year change
2006	21,642	
2011	23,863	2,221
2016	26,149	2,286
2021	27,924	1,775
2026	29,144	1,220
2031	30,247	1,103
2036	31,386	1,139

Source: BTS, 2012

Current office floorspace data has been sourced from RPData. There is currently 8925 square metres of commercial floorspace currently on the market and available for office use in the LGA. Added to this, a number of developments are in the pipeline (Table 21). This gives a total current supply figure of 14,339 square metres.

TABLE 21. OFFICE FLOORSPACE SUPPLY PIPELINE

Development	Location	Suburb	Floorspace (Sq m)	Completion
Darling St Mixed Development	620-622 (Lots A & B) Darling St	Rozelle	126	2014
Darling St Mixed Use Development	687 (Lot 3) Darling St	Rozelle	40	2014
Darling St Mixed Development	691 (Lot 1) Darling St	Rozelle	37	2015
Nelson St Mixed Development	6 (Lot B) Nelson St	Annandale	41	2015
Former Carrier Air Site Mixed Development - Union Balmain	118-124 Terry St	Rozelle	1,270	2015
Lilyfield Rd Mixed Development	47-51 (Lot 1) Lilyfield Rd	Rozelle	722	2015
One Annandale	1-3 Parramatta Rd	Annandale	300	2016
Balmain Tigers Leagues Club Redevelopment - Rozelle Village	138-152 Victoria Rd	Rozelle	1,478	2017
Kolotex and Labelcraft Sites	22 & 30-40 George St	Leichhardt	1,400	2018
Total Floor Space (In the Pipeline)			5,414	

Source: Cordell Connect 2012

Some other developments are listed in the Cordell database as 'mixed use developments' but the extent of the office component is unclear – some are listed as having 'a small office component' others are simply listed as 'mixed commercial developments'. After estimating the potential office components of these developments and adding to other developments in the pipeline the total commercial floorspace pipeline figure rises to 5,634 square metres and gives a total office floorspace supply figure of 14,559 square metres.

TABLE 22. OFFICE FLOORSPEACE SUPPLY PIPELINE (HIGH SIDE)

Development	Location	Suburb	Floorspace (Sqm)	Completion
Darling St Mixed Development	620-622 (Lots A & B) Darling St	Rozelle	126	2014
Darling St Mixed Use Development	687 (Lot 3) Darling St	Rozelle	40	2014
Darling St Mixed Development	691 (Lot 1) Darling St	Rozelle	37	2015
Nelson St Mixed Development	6 (Lot B) Nelson St	Annandale	41	2015
Former Carrier Air Site Mixed Development - Union Balmain	118-124 Terry St	Rozelle	1,270	2015
Lilyfield Rd Mixed Development	47-51 (Lot 1) Lilyfield Rd	Rozelle	722	2015
One Annandale	1-3 Parramatta Rd	Annandale	300	2016
Balmain Tigers Leagues Club Redevelopment - Rozelle Village	138-152 Victoria Rd	Rozelle	1,478	2017
Kolotex and Labelcraft Sites	22 & 30-40 George St	Leichhardt	1,400	2018
Parramatta Rd Mixed Development	283-285 Parramatta Rd	Leichhardt	100*	2014
White Bay Power Station Site	Roberts St & Victoria Rd	Rozelle	**	
Johnston St Mixed Development	101 (Lot B) Johnston St	Annandale	40*	2015
Marion St Mixed Development	145 (Lot 15) Marion St	Leichhardt	80*	2015
Total Floor Space (In the Pipeline)			5,634	

Source: Cordell Connect 2012

*Estimated based on description of development and information provided in database

**Development is at very early planning stage. Likely to include a large component of commercial with employment for up to 2,000 people however floorspace estimates have not been determined.

Total office floorspace supply is compared against the demand forecast in Table 23. Current supply has been split up based estimated year of completion. 2011 has been used as a base year in terms of employment, however current supply is based on analysis of 2013 on the market supply and the supply pipeline to 2016. This analysis shows that there is less than 10 years worth of supply in the LGA given the demand forecast. This suggests a shortage of commercial floorspace in the LGA.

TABLE 23. SUPPLY-DEMAND GAP ANALYSIS

Year	Gap using supply pipeline plus floorspace on the market				Gap using high-side supply pipeline plus floorspace on the market		
	Floorspace demand [sqm]	Supply (on the market plus pipeline) [sqm]	Five-yearly additional demand	Gap (supply less demand)	Supply (on the market plus pipeline) [sqm]	Five-yearly additional demand	Gap (supply less demand)
2011	98,262	9,647		9,647	9,867		9,867
2016	109,835	3,178	11,574	1,251	3,178	11,574	1,471
2021	120,962		11,127	-9,875		11,127	-9,655
2026	130,192		9,230	-19,105		9,230	-18,885
2031	137,959		7,768	-26,872		7,768	-26,652
2036	145,103		7,143	-34,016		7,143	-33,796
	10 year demand (2011 to 2021)		22,700	-9,875		22,700	-9,655
	AAGR 2011 - 2021		2.10%			2.10%	
	25 year demand (2011 to 2036)		46,841	-34,016		46,841	-33,796
	AAGR 2011 - 2036		1.57%			1.57%	

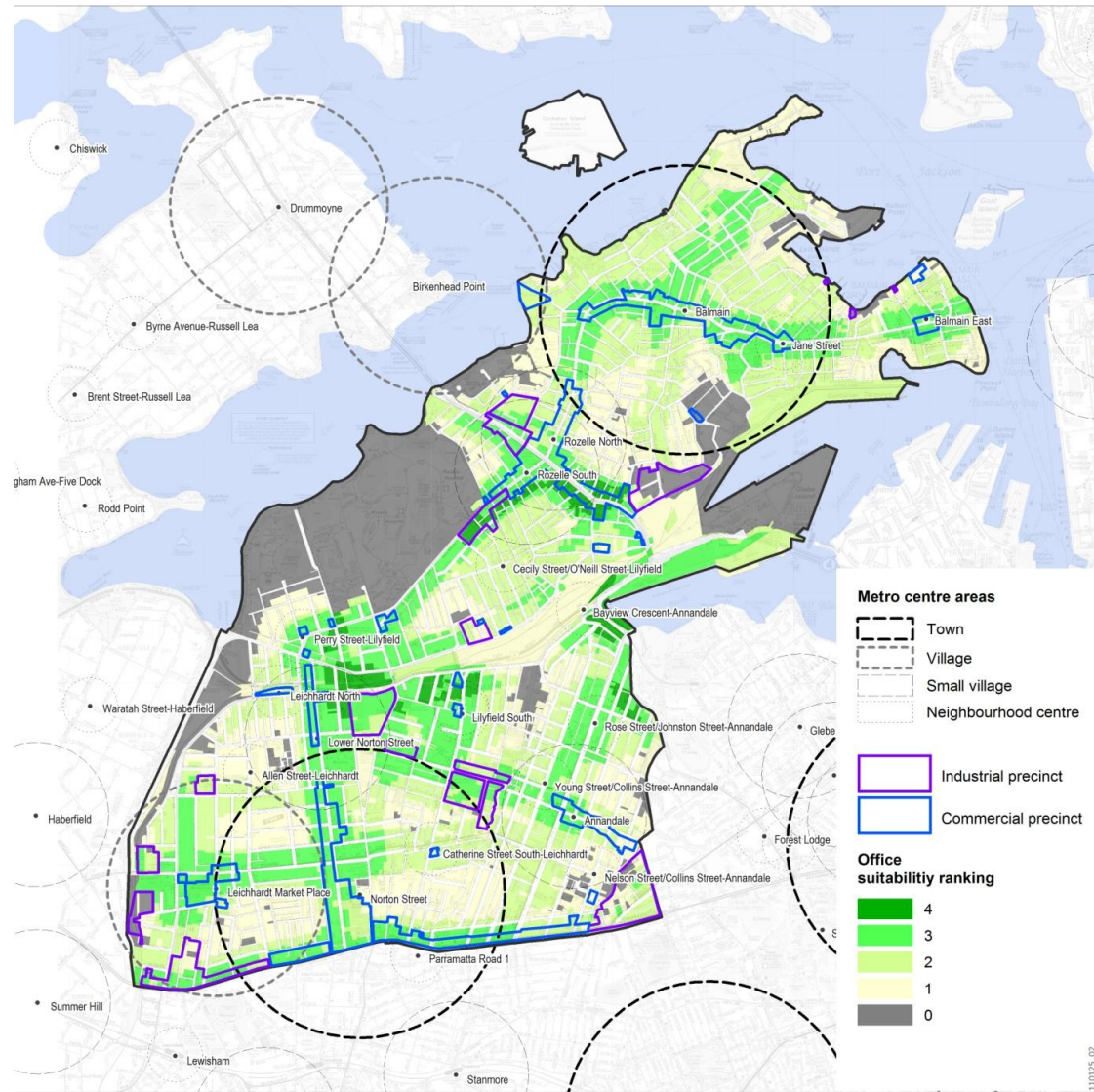
Source: RPData 2012, BTS, 2012

3.8 Strategic assessment of commercial prospects

Figure 18 shows the suitability of each lot in the Leichhardt LGA for commercial office uses, with the assessment based on the proximity of each to a local population, the distance from key local roads, and public transport provision: specifically bus and train services. Sites with known contamination issues are shown as unsuitable.

The study site is moderately well ranked in this measure, although the lack of public transport and location on a minor road categorise it as less suitable than sites in Balmain centre. However, this assessment does not take into account the offer of waterfront views or access; factors which are likely to be a significant attraction for commercial tenants and are a feature of the proposed development. Additionally, it does not consider proximity to ferry terminals. The study site is adjacent to a stop on the Woolwich/Balmain service, which may also be a selling point.

FIGURE 18. OFFICE OPPORTUNITIES ASSESSMENT



3.9 Retail market assessment

Provision of a small amount of retail floorspace onsite was requested by Council as part of a previous development application for the site and has been included in this development proposal as a result.

As detailed in the Appendix A, a total retail floorspace of around 106 square metres is supportable on the study site given the assumed expenditure of residents and workers. The proposed provision on the study site is 180 square metres of retail space. To enable the additional quantity of retail floorspace to be viable, expenditure would need to be drawn from off-site; however, the low total provision that is proposed means this is unlikely to affect the functioning of Balmain centre. In addition, there is likely to

be a benefit to residents of the local area (such as the adjacent public housing development), users of the Elliott Street ferry wharf, and visitors to the onsite public open space from the presence of some retail options.

3.10 Effect on centre

If floorspace turnover returns to pre-GFC levels of around 3500 square metres per annum (which represents around a 5.1 percent turnover of total stock), then the proposal would represent 25 percent of this total and could, therefore, in principal be absorbed by the Balmain market.

4 SERVICED APARTMENT MARKET ASSESSMENT

4.1 Introduction

The development proposal for Elliott Street includes a serviced apartment component. 19 serviced apartments are proposed for the site including:

- 8 one bedroom apartments (two of which are accessible).
- 5 two bedroom apartments.
- 6 three bedroom apartments.

An assessment of the market for serviced apartments has been undertaken including a review of literature, data analysis and consultation.

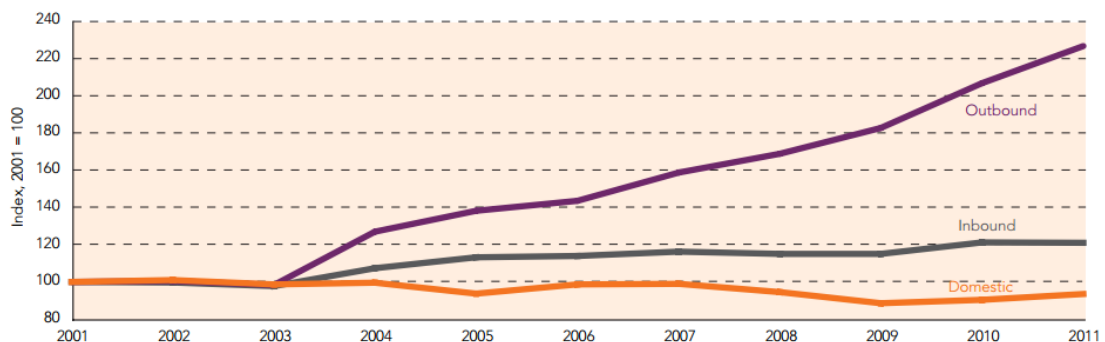
4.2 Broad tourism trends

Inbound overnight visitor numbers to Australia have remained relatively stable over the past decade...

The global financial crisis has had an impact on the Australian Tourism industry due to subdued economic growth and the high Australian dollar, influencing trends in both international visitors and the travel patterns of Australian residents. The high value of the Australian dollar places international visitation to Australia at a competitive disadvantage, particularly for the more price-sensitive segments such as low priced leisure package travel, however it also provides a price advantage for Australians travelling overseas for leisure rather than travelling domestically.

Figure 19 highlights that domestic tourism has been declining steadily, whilst inbound international visitors have remained steady and short term outbound Australian residents has been increasing significantly between 2001 and 2011.

FIGURE 19. INBOUND, OUTBOUND AND DOMESTIC OVERNIGHT VISITORS, 2001-11

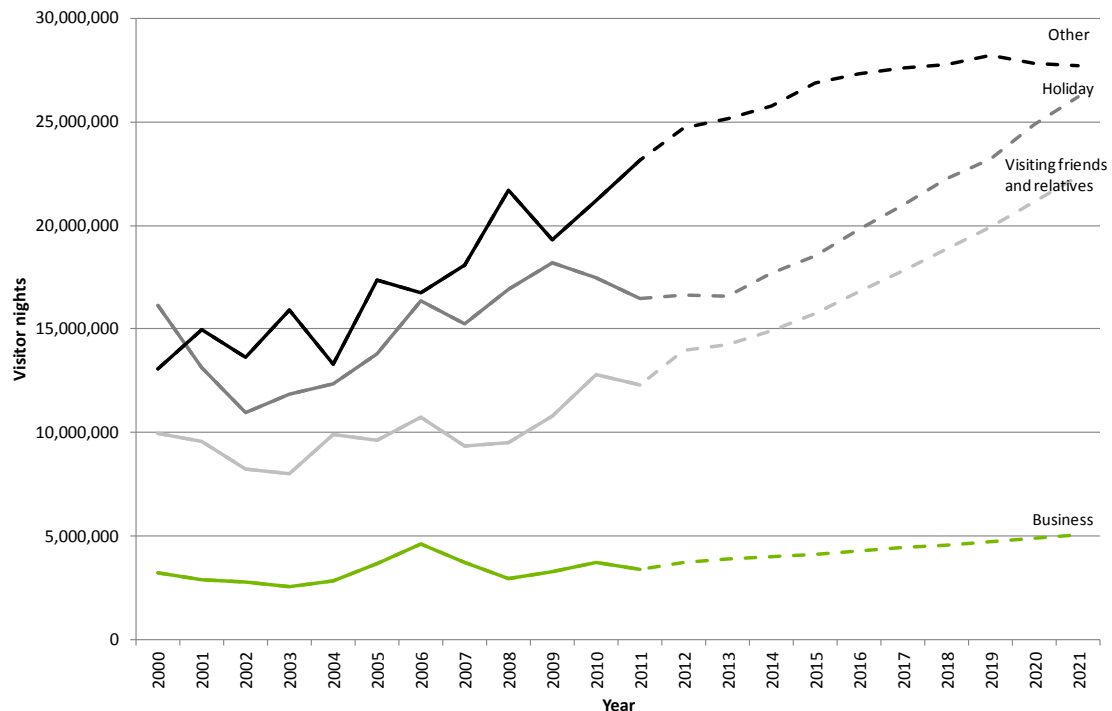


Source: Tourism Research Australia, *Travel by Australians*, December quarter 2011, Data source: ABS Cat. No. 3401.0

... however, inbound visitor nights in Sydney are projected to increase...

Sharp increases in visitor numbers and projected for trips relating to trips for the purposes of holidays and visiting friends and relatives. A steady increase in the number of trips to Sydney for the purpose of business is projected to 2021.

FIGURE 20. INBOUND VISITOR NIGHTS FOR SYDNEY, BY TRIP TYPE, 2000-2021



Source: Tourism Research Australia, 2013

..and an undersupply of tourist accommodation is projected in Sydney.

Sydney tourist accommodation is reaching capacity with hotel occupancy exceeding 80 per cent per annum, which is the highest in Australia and as a result throughout the year there is often insufficient supply of accommodation to meet demand (Visitor Economy Taskforce, 2012).

The Visitor Economy Taskforce have highlighted that capacity for growth in accommodation is required, otherwise accommodation in Sydney will become increasingly more expensive and uncompetitive. Hotel supply increases of between 5,000 to 8,900 rooms will be needed in Sydney by 2020 to meet projected demand.

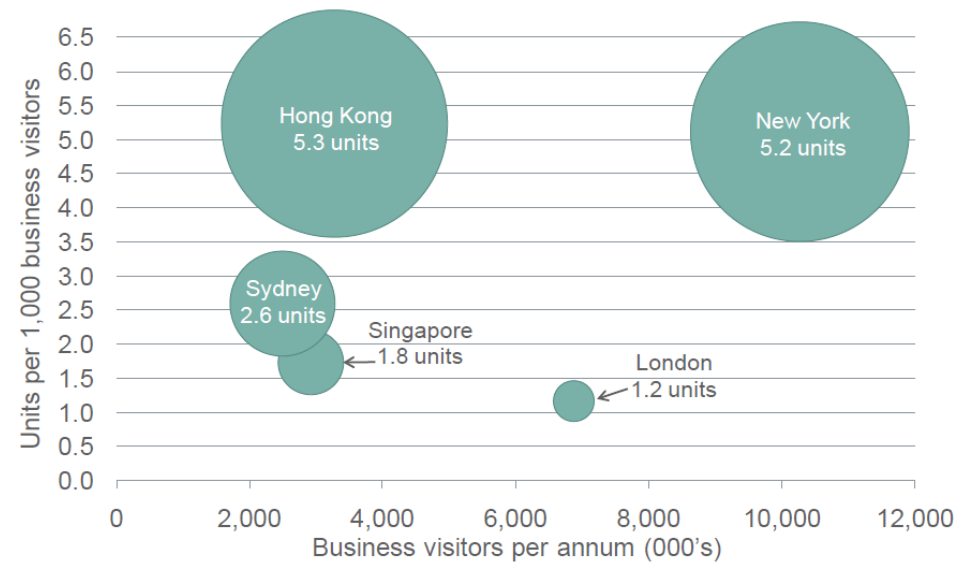
4.3 Trends in serviced apartment accommodation

The supply of serviced apartment accommodation in Sydney is low in comparison to international markets...

Figure 21 illustrates the supply of serviced apartments per 1,000 visitors for key global cities. The larger circles indicate greater levels of supply. Sydney has a supply rate of 2.6 units per 1000 business visitors. Hong Kong and New York have much higher rates of supply. With growing visitor numbers, this rate will decline without subsequent increases in the supply of service apartment accommodation. The majority

of new serviced apartment developments in Sydney have been focussed on accommodating demand from the corporate sector⁶.

FIGURE 21. INTERNATIONAL SUPPLY COMPARISON

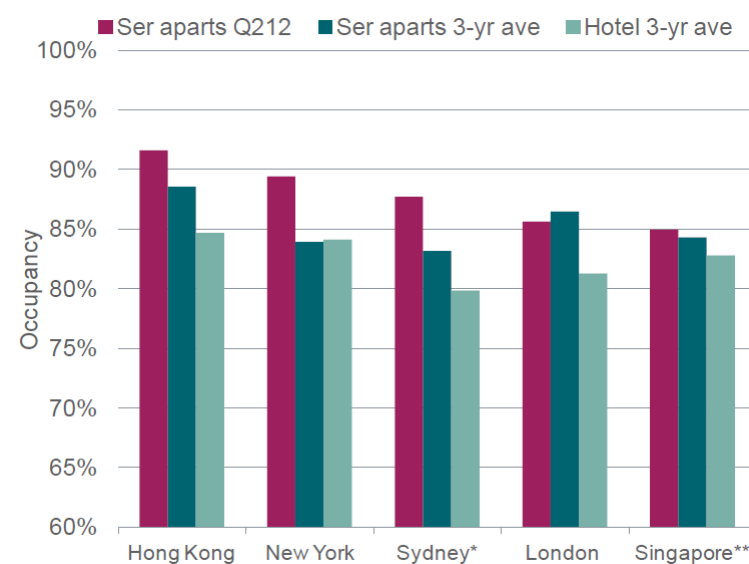


Source: Savills, 2012

...and occupancy rates for serviced apartments are greater than for hotel accommodation.

Serviced apartments generally have higher occupancy rates than hotel accommodation (refer to Figure 22). Savills (2013) highlights that strong occupancy rates have been due to corporate users opting for serviced apartments are a more cost effective alternative to long-term hotel stays. Hotel occupancy rates in Sydney are lower than the four other global cities despite comparable serviced apartment occupancy rates. Serviced apartments are expected to continue to outperform hotels.

FIGURE 22. OCCUPANCY RATES



Source: Savills, 2012

⁶ ibid

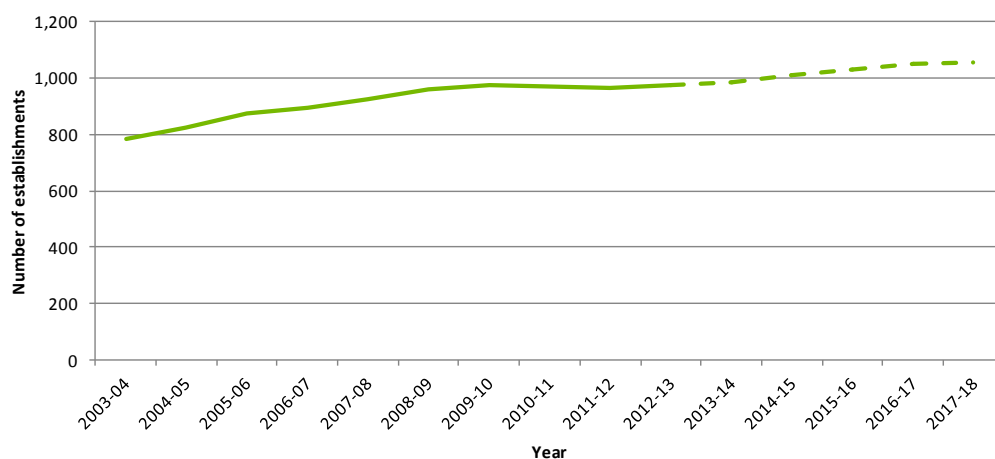
In Sydney, the average length of stay for serviced apartments is 2.8 days, compared to 2.1 days for hotels and resorts and 2.2 days for motels and guest houses (ABS, 2013). Sydney has much higher occupancy rates than all other regions in Australia.

Comparing both supply rates and occupancy rates highlights that low supply does not necessarily reflect a high occupancy and vice versa. Hong Kong, which has a much higher supply rate per 1,000 visitors compared to Sydney (refer to Figure 21), also experiences higher occupancy rates.

Overall, the supply of serviced apartments is struggling to keep up with demand.

Occupancy rates in key markets including Sydney are near capacity during the week and during major events. Supply of serviced apartment accommodation is expected to continue to increase in Australia (refer to Figure 23), however this new room supply is struggling to meet demand which has been increasing since the GFC due to the resources boom and broad economic growth in Australia.

FIGURE 23. PROJECTED SUPPLY OF SERVICED APARTMENTS IN AUSTRALIA

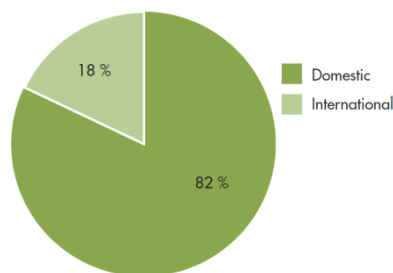


Source: IBISWorld, 2013

Serviced apartments are primarily occupied by domestic travellers, and CBDs attract a higher proportion of corporate customers...

Around 80 percent of customers of serviced apartments are domestic visitors. International visitors require increased services and fewer in-room facilities and thus are more likely to create demand for hotels as opposed to serviced apartments (CBRE Hotels, 2013). This varies according to location with CBD locations attracting a higher proportion of international visitors (refer to Figure 24).

FIGURE 24. CUSTOMER MIX FOR SERVICED APARTMENTS



Source: CBRE Hotels, 2013

Customer Segmentation & Geographic Prevalence for Major Australian Serviced Apartment Operators		
	Domestic	International
CBD Location	75%	25%
Regional/Suburban Location	90%	10%
Leisure Location	80%	20%

CBD locations also attract a larger proportions corporate customers and a smaller proportion of leisure customers. 'Approximately 35% of serviced apartment guests are business travellers, however this

percentage is much greater in city locations' (IBISWorld, 2013). Sydney, Melbourne and Brisbane are the three major business hubs in Australia and have the highest concentration of serviced apartments.

...however, there is an increasing trend for serviced apartments to be built outside of the city centre.

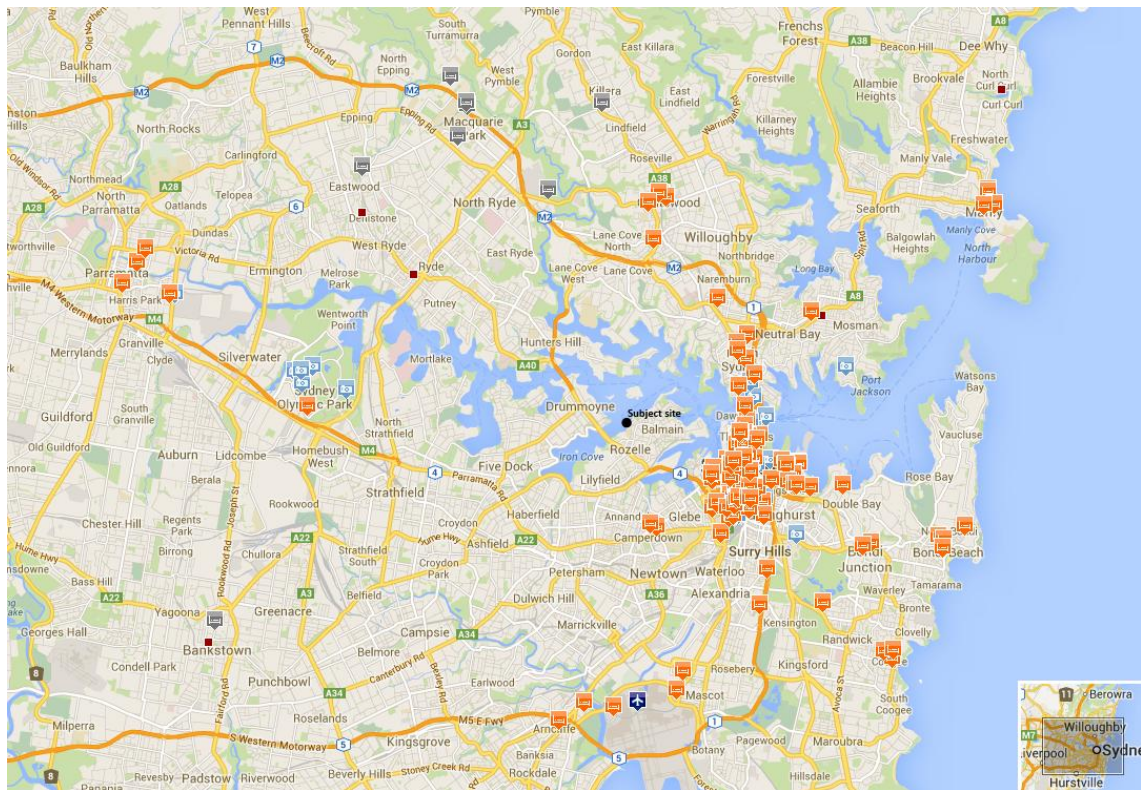
Due to higher land prices in CBD locations, all forms of accommodation have become increasingly less feasible. This, combined with strong demand from business parks and people working on projects in suburban locations has influenced the increasing development of serviced apartments outside of city centres in suburban locations (IBISWorld 2013).

4.4 Suitability of the site for serviced apartment accommodation

Serviced apartment developments are concentrated around employment centres in Sydney...

There is a concentration of serviced apartments around employment centres in Sydney, particularly Sydney CBD and North Sydney (refer to Figure 25).

FIGURE 25. SERVICED APARTMENTS IN SYDNEY



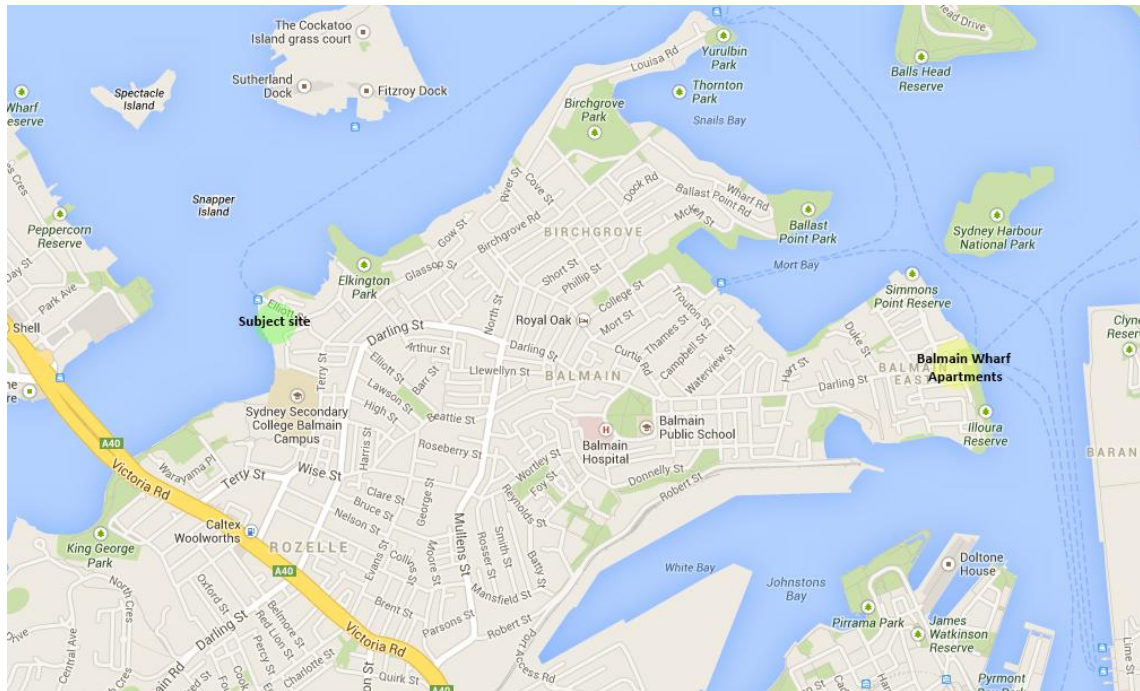
Source: Bookings.com.au

... and there are a limited number of serviced apartment developments in Balmain and the surrounding suburbs...

Balmain Wharf Apartments, located in East Balmain (Figure 26) is a local heritage development which contains four serviced apartments (one and two bedroom). The weekly rates range from \$175 per night for \$450 per night. Monthly rates range from \$120 to \$250 per night. There is a minimum stay of 7 nights per week.

There are a number of small single privately let serviced apartments in the local and surrounding areas. West Precinct manages seven private properties in Balmain and seven private properties in Rozelle which are rented as executive service apartment suites (studio, one and two bedroom suites). The rental price starts from \$150 per night (or \$1050 per week).

FIGURE 26. SERVICED APARTMENT DEVELOPMENTS IN BALMAIN



Source: SGS Economics and Planning, 2013 (base map – Google Maps)

The site is located in close proximity to bus services to the city...

The Elliott Street ferry wharf is located adjacent to the site, however the service frequency for this wharf is low. There are only six services each day each way (three services during the morning peak and three services during the evening peak) operating to and from Circular Quay.

There is no railway station location near the site and bus services are the main mode of transport. There is a bus stop located in close proximity to the site on Darling Street with regular bus services to the CBD and Leichhardt. Bus services are frequent along Victoria Road (refer to Figure 27) which is around a 10 minute walk from the site (approximately 900 metres). A trip to Sydney CBD is approximately 20 minutes by bus (including walking to Victoria Road); however, this is likely to be longer during peak times.

In terms of private transport, the site is located about a 10 minute drive from the CBD (5 kilometres) and substantial car parking will be provided for the serviced apartments at a rate of 1 car space per room.

The study site in Balmain is located in close proximity to Global Sydney (Sydney CBD and North Sydney).

Inbound overnight visitor numbers to Australia have remained relatively stable over the past decade, however, inbound visitor nights in Sydney are projected to increase and an undersupply of tourist accommodation is projected in Sydney. The supply of serviced apartment accommodation in Sydney is low in comparison to international markets and occupancy rates for serviced apartments are greater than for hotel accommodation.

Overall, the supply of serviced apartments is struggling to keep up with demand. Serviced apartments are primarily occupied by domestic travellers, and CBDs attract a higher proportion of corporate customers, however, there is an increasing trend for serviced apartments to be built outside of the city centre.

Serviced apartment developments are concentrated around employment centres in Sydney and there are a limited number of serviced apartment developments in Balmain and the surrounding suburbs. The site is located in close proximity to public transport routes and the provision of car parking will increase private transport accessibility.

Elliott Street is considered to be an appropriate location for serviced apartments, particularly as an alternative location to the Sydney CBD with lower land costs whilst still remaining in close proximity to major employment locations in Sydney.

5 ECONOMIC IMPACT

5.1 Relationship with Balmain centre

Due to the lack of directly comparable office space in Balmain, it is likely that the study site will capture latent demand and attract a different market to that located in the Balmain centre. Commercial offices located in the centre are likely to contain tenants who value the exposure provided by a main street and public transport accessibility. Conversely, tenants seeking space in the proposed development may place a higher premium on the convenience of car parking and amenity of new office space. Notwithstanding, there may be demand from tenants currently located in the Balmain centre seeking to upgrade. On balance, however, the proposed development should have only a minimal impact on commercial tenancies in the existing Balmain centre.

5.2 On-site job yield analysis

The on-site job yield is derived by dividing the floor area for each development component by the corresponding job density ratio.

The preliminary plan proposes 875 square metres of commercial floorspace and 180 square metres of retail floorspace. The site is expected to accommodate 43 jobs on commercial space, with a job density of 20 square metres per job. Assuming a floorspace ratio of 30 square metres per retail job, the proposed retail floorspace is anticipated to provide 6 jobs on the site. This assessment does not include job creation associated with the serviced apartment component of the development (maintenance and upkeep).

Therefore, the site is estimated to generate 49 jobs according to the proposed plan. The total job yield for the study site is summarised in Table 24 below.

TABLE 24. ON-SITE JOB YIELD ACCORDING TO THE SITE PROPOSAL

	Floorspace (sqm)	Job density (sqm per job)	Job yield
Retail	180	30	6
Commercial	875	20	43
Total			49

Source: SGS estimates (2013), based on proposed floorspace

5.3 Economic impact

Economic impacts are assessed for both the construction phase and operational phase of the development. This involves estimating the flow-on effects of the spending initiated by this project to the local economy in the Leichhardt LGA in terms of both output and employment generations.

Construction phase

Expenditure on construction activity provides the local economy with an economic stimulus, leading to further expenditure increases. For example, building works will require purchases of materials from suppliers, who in turn will spend this income on purchasing inputs required to produce their goods and services, and paying salaries. Workers (both from the construction and supplier industries) will spend a

portion of their wages in the local economy; for example on food and living expenses, generating increased retail demand and expenditure.

The objective of this assessment is to measure additional expenditure and employment generated as a result of the initial stimulus (or the construction impact). The assessment uses an Input Output (IO) model for the Leichhardt LGA developed by SGS, the details for which are provided in Appendix B. The model suggests that for every dollar spent in the construction industry, it will generate a \$1.90 increase in local expenditure and output. It also shows that for every million dollars spent in the construction industry, total employment in the local economy will increase by seven full time equivalent jobs.

It is estimated by Roche Group that the development project on the study site will cost approximately \$50 million over a total of 18 months. After applying the estimated output and employment multipliers to this initial expenditure, it is expected that the redevelopment project will generate a gross output of \$95 million and an additional 358 full time equivalent jobs in the Leichhardt LGA. A breakdown of the output and employment multiplier effects is shown in Table 25.

TABLE 25. ECONOMIC IMPACT OF THE CONSTRUCTION PHASE IN THE LEICHHARDT LGA

Economic impact	
Initial spending on the project (A)	\$50 million
Output multiplier for construction industry (B)	1.9
Total output and expenditure (A*B)	\$95 million
Employment multiplier for construction industry (C)	7.17
Total employment generation (A*C)	358 FTE

Source: SGS Economics and Planning, 2013

Operational phase

This section looks at the on-going impact of the redevelopment on local employment generation. The 103 jobs currently on the site have been classified under the 'Retail Trade' industry category, as the main focus of the Nutrimetics business is direct selling, which falls under this category according to the ABS classification.

It has been assumed that, once the proposed development is complete, the incoming commercial jobs will fall under the 'Professional, Scientific and Technical Services' industry.

Table 26 provides an estimate of both the direct and total impact on local jobs resulting from the development. According to the mix of retail and commercial floorspace proposed under the concept plan, there will be a net job loss of 52 jobs in the Leichhardt LGA as a result of the development project. However, a high proportion of new onsite jobs will be within higher value industries (professional, scientific and technical services). In addition, the new residents and workers attracted to Balmain by the Elliott Street development are likely to add to the total expenditure on retail and services in the LGA, which in turn may generate further jobs locally.

TABLE 26. ON-SITE OPERATIONAL JOBS AND JOBS GENERATION IN THE LGA

Industry	Existing on-site jobs	Total job generation in the LGA (A)	Proposed concept plan		
			On-site jobs	Total job generation in the LGA (B)	Net job generation (B-A)
Retail trade	103	137	6	8	
Professional, scientific and technical services	-	-	43	77	
Total	103	137	49	85	-52

Source: SGS Estimates, 2013

6 CONCLUSION

Based on SGS's findings, the development proposed for 100-102 Elliott Street, Balmain is appropriate given the assessment of residential, commercial and retail markets in the area as well as the broader serviced apartment market in Sydney.

APPENDIX A: RETAIL MARKET ASSESSMENT

6.1 Retail market assessment

Sales data analysis

Sales history analysis is incorporated within the floorspace analysis for commercial premises due to the classification of property types within RP Data, which is the primary data source for this analysis.

Site potential for retail activities

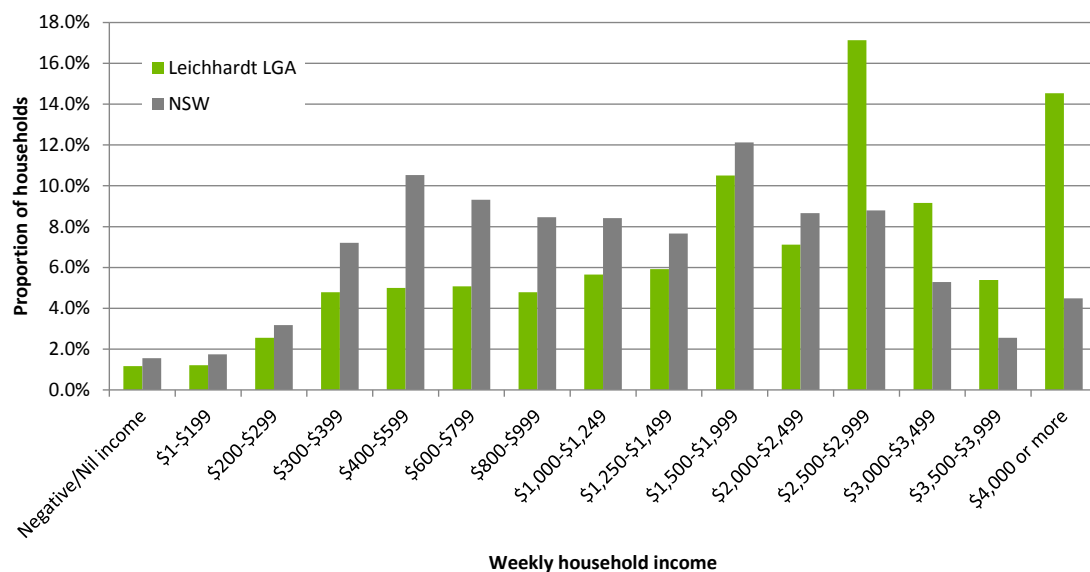
Demand for retail floorspace on the study site will be generated by two sources; namely, demand from new residents and demand from on-site workers.

Resident expenditure

Available retail expenditure associated with the anticipated resident population on the study site has been derived on a per capita basis from the NSW average, adjusted for the income profile of households likely to live on the site. It is assumed that the incoming residents will have the same income profile as the residents of Leichhardt LGA.

Figure 28 compares the income profile of residents in the Leichhardt LGA with the NSW profile. It shows that the Leichhardt LGA has a much greater proportion of households in the 'upper' income band and a smaller proportion in the 'lower' income band than the NSW average. Higher average incomes imply a higher than average per capita retail expenditure by the likely future residents.

FIGURE 28. WEEKLY HOUSEHOLD INCOME, 2011



Source: SGS Economics and Planning using Australian Bureau of Statistics, 2011

Per-capita retail expenditure for the incoming residents was then estimated by applying the income differential to the NSW average. Table 27 shows that, on average, the residents in the Leichhardt LGA will

spend \$12,706 on retail goods and services in 2013: \$1200 more than the average spending of residents in NSW. The retail categories are defined in Table 28.

TABLE 27. PER CAPITA RETAIL EXPENDITURE, 2013

	Retail commodity/store categories						Total
	Food	Department stores	Clothing	Household goods	Other retail	Hospitality and services	
Leichhardt LGA	\$5,047	\$1,006	\$1,148	\$2,046	\$1,755	\$1,704	\$12,706
NSW	\$4,381	\$811	\$891	\$1,704	\$1,405	\$1,303	\$10,495

Source: SGS estimates (2013), based on ABS Retail Trade time series

It is anticipated that there will be approximately 244 on-site residents, after multiplying the proposed 106 residential dwellings by the average household size in the Leichhardt LGA of 2.3 people (ABS 2011). An average occupancy rate of 80 percent has been applied to the serviced apartment component of the development and therefore 35 additional residents have been accounted for in the analysis. This population is likely to generate a total retail expenditure of \$3.5 million per annum, of which \$1.4 million will fall under the 'food' retail category.

It is assumed that the redevelopment on the study site will result in a net increase in the population in the Leichhardt LGA. As such, expenditure generated can be considered as a net addition to the expenditure that has already been captured in the LGA.

On-site worker expenditure

In addition to the retail expenditure of incoming residents, the likely expenditure generated by the on-site workers has also been considered. It is expected that the proposed office and retail space (of 1055 square metres) can accommodate around 49 workers, assuming a floorspace ratio of 20 square metres per commercial job and 30 square metres per retail job⁷.

Assuming these workers spend \$10 in cafes and convenience stores near their workplaces per day, they would generate an annual retail expenditure of around \$110,000 on the site over 224 working days⁸.

Supportable floorspace

The amount of resident expenditure retained on the site is dependent upon the retail offer of various centres and the site's proximity to these. Given its location within walking distance of the main street retail on Darling Street, it is likely that the majority of the retail expenditure of the anticipated residents will be well captured off-site.

A previous SGS retail study finds that around 15 percent of 'food' retail expenditure in the ACT is distributed to the local centres, which mainly comprise a few neighbourhood shops and a small supermarket or a food grocery shop in some centres. Applying the same shares to the available resident expenditure attributes an annual retail expenditure of around \$211,000 to the West Balmain site. Together with the on-site worker expenditures, the site can support a total retail turnover of \$321,000 per annum.

The findings from consultation with real estate agents suggest that achievable retail rents on the study site are likely to be around \$300, with potential for up to \$500 per square metre for a profitable cafe or takeaway outlet. It was suggested that retail may have been a 'loss leader' for the site, due to its importance in attracting potential commercial and residential tenants. As such, it has been conservatively assumed that the average retail rent will be around \$300 per square metre. Using

⁷ This is a standard ratio derived from various land audits undertaken by SGS in the Metropolitan area, in conjunction with other retail benchmarking researches.

⁸ Calculated by subtracting four days of extended long service leave, two days of family and community service leave, and 20 days of annual leave from 250 business days in a year.

published retail occupancy costs as a share of the total turnover for food specialty shops, retailers are expected to achieve a minimum retail turnover density of \$3000 per square metre per annum.

After dividing the total turnover figure by the required retail turnover density, results show that on-site resident and worker expenditures could together support a total retail floorspace of around 106 square metres. The proposed provision on the study site is 180 square metres of retail space. To enable the additional quantity of retail floorspace to be viable, expenditure would need to be drawn from off-site; however, the low total provision that is proposed means this is unlikely to affect the functioning of Balmain centre. In addition, there is likely to be a benefit to residents of the local area (such as the adjacent public housing development), users of the Elliott Street ferry wharf, and visitors to the onsite public open space from the presence of some retail options.

TABLE 28. RETAIL CATEGORY DEFINITIONS

Retail categories	Industry groups/subgroups (in ANZSIC 2006)
Food	Supermarket and grocery stores (4110)
	Non-petrol sales (convenience stores) of selected Fuel retailing (4000)
	Liquor retailing (4123)
	Fresh meat, fish and poultry retailing (4121)
	Fruit & vegetable retailing (4122)
	Other specialised food retailing (4129)
Clothing and soft goods	Clothing retailing (4251)
	Footwear retailing (4252)
	Watch and jewellery retailing (4253)
	Other personal accessory retailing (4259)
	Department stores (4260) (part)
Household goods	Furniture retailing (4211)
	Floor coverings retailing (4212)
	Houseware retailing (4213)
	Manchester and other textile goods retailing (4214)
	Electrical, electronic and gas appliance retailing (4221)
	Computer and computer peripheral retailing (4222)
	Other electrical and electronic goods retailing (4229)
	Hardware and building supplies retailing (4231)
	Garden supplies retailing (4232)
Hospitality and services	Department stores (4260) (part)
	Cafes and restaurants (4511)
	Catering services (4513)
Other retailing	Takeaway food services (4512)
	Newspaper and book retailing (4244)
	Sport and camping equipment retailing (4241)
	Entertainment media retailing (4242)
	Toy and game retailing (4243)
	Pharmaceutical, cosmetic and toiletry goods retailing (4271)
	Stationery goods retailing (4272)
	Antique and used goods retailing (4273)
	Flower retailing (4274)
	Other-store based retailing n.e.c (4279)
	Non-store retailing (4310)
Department store	Retail commission-based buying and/or selling (4320)
	Department stores (4260) (part)

Source: ABS Retail Trade Definitions

APPENDIX B: INPUT OUTPUT METHOD

Input Output (IO) tables describe the inter-linkages between industries in a particular geographical location, and provide us with an understanding of the nature of production processes and, the strength of upstream and downstream industry inter-linkages.

SGS has developed a method which converts the Australian National IO table⁹ into a Regional IO table. This conversion is informed by region specific data, including ABS Journey to Work employment data and population data for the areas (such as LGAs) considered. Regional IO tables can also be used to estimate industry specific exogenous expenditure multipliers. These multipliers allow us to gauge the total impacts of exogenous changes in expenditure on the set of economic indicators outlined below:

- Output: measures the total value of production
- Value added: measures the 'net output' associated with the total value of production and represents only the value that is created within a geographical location
- Employment: measures the number of full time equivalent (FTE) jobs

Estimates of the total impact of changes (or shocks) in expenditure include estimates of the *direct effect* of the shock, and the *production and consumption induced effects* resulting from the direct effect. Production induced effects are produced by the downstream inter-linkages between industries, while consumption induced effects result from the increased expenditure by employees and employers associated with the industry which experienced the initial expansion in output.

SGS' method was used to estimate an IO table for the Leichhardt LGA. The multiplier estimates for the 1-digit ANZSIC industries considered are provided in Table 29. Note that output multipliers provide estimates of the effect a one dollar increase in expenditure in a particular industry has on the output of the broader LGA, while the employment multiplier estimates the extra number of persons employed in all industries in the Leichhardt LGA as a result of one extra person employed in a particular industry.

⁹ Australia's IO table is sourced from the ABS (ABS Cat. No. 5209.0.55.001 – Australian National Accounts: Input-Output Tables – Electronic Publication, 2004-05 Final)

TABLE 29. MULTIPLIER ESTIMATES FOR THE LEICHHARDT LGA

ANZSIC industry	Output multiplier	Employment multiplier
Agriculture, Forestry and Fishing	1.464	1.365
Mining	1.332	2.402
Manufacturing	1.521	1.873
Electricity, Gas, Water and Waste Services	1.510	2.133
Construction	1.905	2.010
Wholesale Trade	1.722	1.927
Retail Trade	1.737	1.330
Accommodation and Food Services	1.636	1.350
Transport, Postal and Warehousing	1.542	1.659
Information Media and Telecommunications	1.499	1.749
Financial and Insurance Services	1.557	2.082
Rental, Hiring and Real Estate Services	1.490	2.813
Professional, Scientific and Technical Services	1.838	1.797
Administrative and Support Services	1.832	1.743
Public Administration and Safety	1.791	1.598
Education and Training	1.667	1.325
Health Care and Social Assistance	1.594	1.271
Arts and Recreation Services	1.528	1.399
Other Services	1.555	1.310

Source: Author, Year

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