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Contents

Key Findingsi

Introduction 1

1.0	Site context	2
1.1	Site location and context	2
1.2	Site description	3
1.3	Transport and access	3
1.4	Existing development context	3
1.5	Proposed development	4

2.0	Strategic policy context	6
-----	--------------------------	---

3.0	Local economic context	8
-----	------------------------	---

3.1	Study area and population profile	8
3.2	Employment and worker profile	11
3.3	Forecast worker and resident population	13

4.0	Commercial office market assessment	15
-----	-------------------------------------	----

4.1	Demand for the redevelopment	15
4.2	St Leonards and Crows Nest office market	15
4.3	Ongoing renewal and change in St Leonards	16
4.4	Modern tenant requirements	19

5.0	Economic and community benefits	21
-----	---------------------------------	----

5.1	Approach	21
5.2	Commercial office space	21
5.3	Employment generation	22
5.4	Increased economic output	23
5.5	Other benefits	23

Contents

Figures

Figure 1	Site Aerial	2
Figure 2	Existing Development Context	4
Figure 3	Proposed redevelopment of 46 Nicholson Street, St Leonards	5
Figure 4	Study area	9
Figure 5	Proposed major developments (to be updated)	19

Tables

Table 1	Demographic Profile	10
Table 2	Primary Study Area (St Leonards Precinct), employment (total) by industry, 2017/18	12
Table 3	Forecast customer segment growth – Study Area, 2019-2036	14
Table 4	Proposed major developments - St Leonards (to be updated)	18
Table 5	Jobs created during construction	22
Table 6	Ongoing employment	23

Key Findings

- The 46 Nicholson Street site is extremely well positioned, in a high profile and easily accessible location that would be ideal for commercial office uses, benefitting from easy access to both existing and future major transport infrastructure.
- St Leonards is planned to continue to support employment growth, particularly in knowledge intensive industries and health and education uses - both sectors are considered to be likely occupiers of the proposed building.
- The proposed development would satisfy a range of government strategies, including benefitting from the future Crows Nest Metro Station, while also enhancing employment opportunities within St Leonards. The development of the 46 Nicholson Street project will capitalise on investment in the Metro Station by increasing the density of activity and number of jobs in proximity to this station, which will deliver on the vision of integrated land use and transport planning, and a '30-minute city', where jobs, services and amenity are easily accessible.
- St Leonards and the broader Crows Nest precinct is projected to grow substantially both in terms of residential but also employment. While there are a large number of residential and mixed-use projects in the area currently, there are few commercial projects. Some +4,500 jobs are proposed to be accommodated within the St Leonards core precinct, and around +15,000 overall in St Leonards and Crows Nest. This would indicate that the need for commercial development.
- Existing commercial office floorspace within the St Leonards and Crows Nest region is dated and in need of revitalisation in order to remain relevant to modern tenant requirements and to ensure St Leonards competes effectively with other suburban commercial office markets in Sydney in the future.
- The proposed development would result in a significant economic and community benefit to the local and regional community. This includes the investment of some \$150 million during the construction of the project, which is highly valuable in the current subdued economic climate. Furthermore, the project will generate some 760 jobs (both directly and indirectly) during the construction stage of the development.
- On an ongoing basis, the development is projected to support almost 3,500 workers on completion and at full occupancy. These ongoing workers would contribute in excess of \$450 million in value added economic activity each year.
- Additional benefits resulting from the project include improved activation, community amenity and pedestrian access between St Leonards and Crows Nest, as well as providing for the requirements of existing and future commercial occupiers in this part of Sydney.
- The proposed development would provide for growth in a commercial development (but including retail floorspace) that is well suited to the site over the longer term. The project would enhance the activation and vibrancy of St Leonards and the surrounding area, while supporting the growth and evolution of St Leonards as a key destination on the Lower North Shore of Sydney.

Introduction

Jemalong controls a site at 46 Nicholson Street, St Leonards (the 'subject site'). Located approximately 4km north of the Sydney CBD, the site occupies a prime corner position fronting Nicholson Street and Christie Street, just south of the Pacific Highway and St Leonards Station. Several older predominately commercial buildings which range generally range from two to three storeys currently occupy the site.

St Leonards has experienced ongoing gentrification in recent years, evolving into a well-established mixed use precinct, comprising a range of commercial, retail, residential as well as health and education facilities that serve the Lower North Shore of Sydney. While a range of commercial facilities are currently provided within St Leonards, the existing dated offer no longer meet modern commercial tenant requirements. In order to respond to the changing environment, including the development of a new train station at Crows Nest as part of the Sydney Metro development, Jemalong are now proposing to redevelop the subject site to accommodate a new commercial tower within a highly centralised and walkable location.

As part of the planning application for the redevelopment, an economic assessment is required to outline the likely economic implications of the proposed redevelopment in the context of the St Leonards and Crows Nest precinct. This report assesses the evolution of the precinct, the demand for the proposed redevelopment and the economic impact of the redevelopment on the surrounding market.

The report contains the following chapters:

- 1 Site Context
- 2 Strategic Policy Context
- 3 Local Economic Context
- 4 Commercial Office Market Assessment
- 5 Economic and Community Benefits
- 6 Conclusion.

1.0 Site context

1.1 Site location and context

The subject site is located at 46 Nicholson Street, St Leonards, within the Lane Cove Local Government Area (LGA). St Leonards is an evolving commercial fringe market on the Lower North Shore of Sydney, located approximately 1.5km north west of North Sydney CBD, and 4km north of the Sydney CBD. Importantly, the subject site is located approximately 250m south of the existing St Leonards Station and 220m north west of the future Crows Nest Metro Station. The future Crows Nest Metro Station forms part of the Sydney Metro City and Southwest project, which is due to commence operation in 2024.

The subject site is located on the southern side of the Pacific Highway and has two main frontages facing Christie and Nicholson Street. Surrounding land uses include a mix of older commercial and residential buildings, along with several modern high-rise, high-density residential buildings. There are currently two sites under construction to the north of the subject site that will comprise predominately residential uses.

An aerial photo of the subject site is shown at **Figure 1**.



The Site

Figure 1 Site Aerial

Source: Nearmap and Ethos Urban

1.2 Site description

At present, the site comprises multiple buildings situated across a 2,300m² irregular shaped block, including:

- 46 Nicholson Street and 59-61 Christie Street: comprising three-storey rectangular buildings housing the Nature Care College.
- 50 Nicholson Street: a three-storey square commercial building housing the Nature Care College and Sydney Colon Health Clinic.
- 52 Nicholson Street and 65 Christie Street: a three-storey rectangular building that occupies land between Nicholson and Christie Street. **Currently Vacant.**
- 63 Christie Street: a four-storey rectangular building. **Currently Vacant.**
- 67 Christie Street: a two-storey triangular building fronting the corner of Nicholson and Christie Street. Occupied by Kinsley and Associates, an engineering consultancy business.

The buildings generally adjoin each other at the property boundaries with the exception of 59 Christie Street, which is separated by a driveway access lane and small courtyard at the rear of the block. The buildings vary in heights ranging from 2-4 storeys.

1.3 Transport and access

The site is situated in a central location at the southern side of the Pacific Highway and to the south of the St Leonards Station and commercial core. Crows Nest town centre and the Pacific Highway retail strip is also located to the north west. As a result of the central location, the subject site is well serviced by multiple transport options including existing train and bus services as well as the future metro station at Crows Nest, with each of these services all located within an easy walking distance.

Rail

The site is located 250m south of St Leonards station, which is served by the T1 North Shore Line, T9 Northern Line Services and the Central Coast and Newcastle Line, and frequent connections to Sydney CBD, North Sydney and the North Shore.

Bus

The site is within walking distance of several bus stops located on the Pacific Highway connecting to the Sydney CBD, North Sydney CBD, and surrounding suburbs on the North Shore of Sydney.

Metro

The site is also located 220m north west of the future Crows Nest Metro Station, currently under construction. Once complete in 2024, the station is planned to offer frequent connections to the Sydney CBD, Chatswood, North Sydney and Macquarie Park. This station forms part of the Sydney Metro City and Southwest project.

Lane Cove Council is also planning a major bus and train interchange above the existing rail line, on the southern side of the Pacific Highway and just north of the subject site. This project is planned to improve pedestrian access to the bus and rail services and may also include a child care centre and public parking facilities.

1.4 Existing development context

The site is situated within an evolving mixed-use precinct that includes a strong commercial and employment focus. St Leonards and Crows Nest is currently experiencing ongoing gentrification and redevelopment. Importantly, development in the precinct has been improved by the planned opening of the Crows Nest Metro Station in 2024, making the precinct even more accessible for local workers.

Many of the existing commercial office premises within St Leonards, particularly those to the south of the Pacific Highway, are dated assets providing secondary, lower quality office stock. Increasingly, this secondary grade product is becoming obsolete given modern commercial office tenant requirements. As a result, there is a significant number of vacancies within the existing assets (including several over the subject site) which has prompted the

need for re-investment in the area if St Leonards and Crows Nest is to remain a key employment precinct in the future and compete with modern suburban fringe office markets across Sydney.

The ongoing redevelopment in the immediate area has resulted in several significant high-rise developments, including adjacent to the subject site. Demand for residential development in the area has been strong and recent developments in the immediate surrounding area include a mix of both high-density residential apartments and mixed-use towers offering commercial and retail floorspace.

Figure 2 below outlines the existing development context of the immediate area, and demonstrates that the majority of mixed-use and commercial developments are concentrated in close proximity to the subject site.

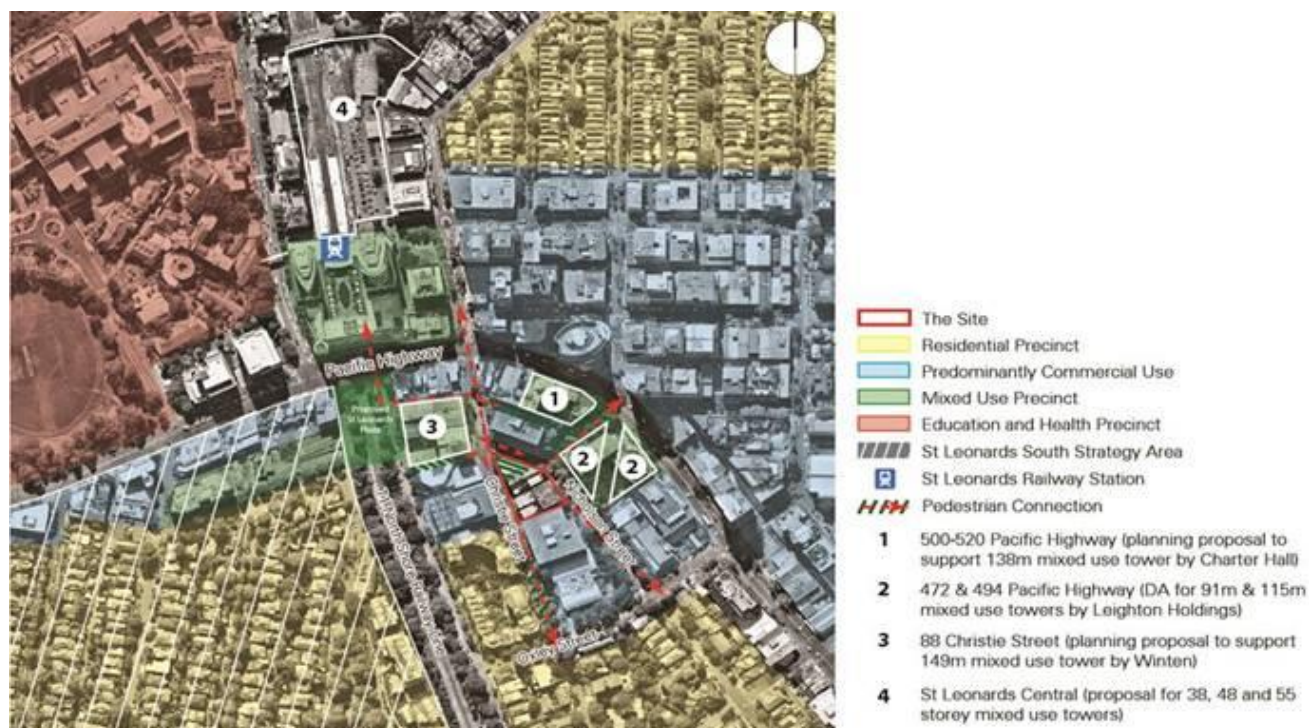


Figure 2 Existing Development Context

Source: Nearmap, Ethos Urban

1.5 Proposed development

Jemalong is seeking approval for a redevelopment of the 46 Nicholson Street site, which will involve a new building of some 35,740m² of Net Leasable Area (NLA) that accommodates the following key elements:

- Site preparation works including demolition of all existing structures and bulk excavation.
- Construction and use of a 31-storey commercial building, comprising:
 - Three levels of basement plant and carparking
 - A publicly accessible ground floor containing a café, retail tenancies, commercial lobby, and public seating/dining area;
 - Four levels designated for medical suites;
 - 25 levels of commercial office; and
 - Two levels of plant and equipment.
- Embellishment of the ground plane with a significantly enhanced public domain, including a public seating and dining area at the corner of Christie Street and Nicholson Street.

A preliminary image of the proposed development is shown at **Figure 3** over page.

The design statement by project architects (Woods Bagot) identifies the vision for the site:

“Create an A-Grade Premium Commercial offering which:

Meets the Council’s, surrounding buildings, and markets demands;

Meets modern tenant requirements including 5 star green star building, panoramic views, and large contiguous floor plates;

Meets a specific need of the current commercial property cycle which means that tenants wishing to move from the CBD and Macquarie Park but still want outstanding connectivity can relocate to St Leonards as an affordable transport connected alternative”.

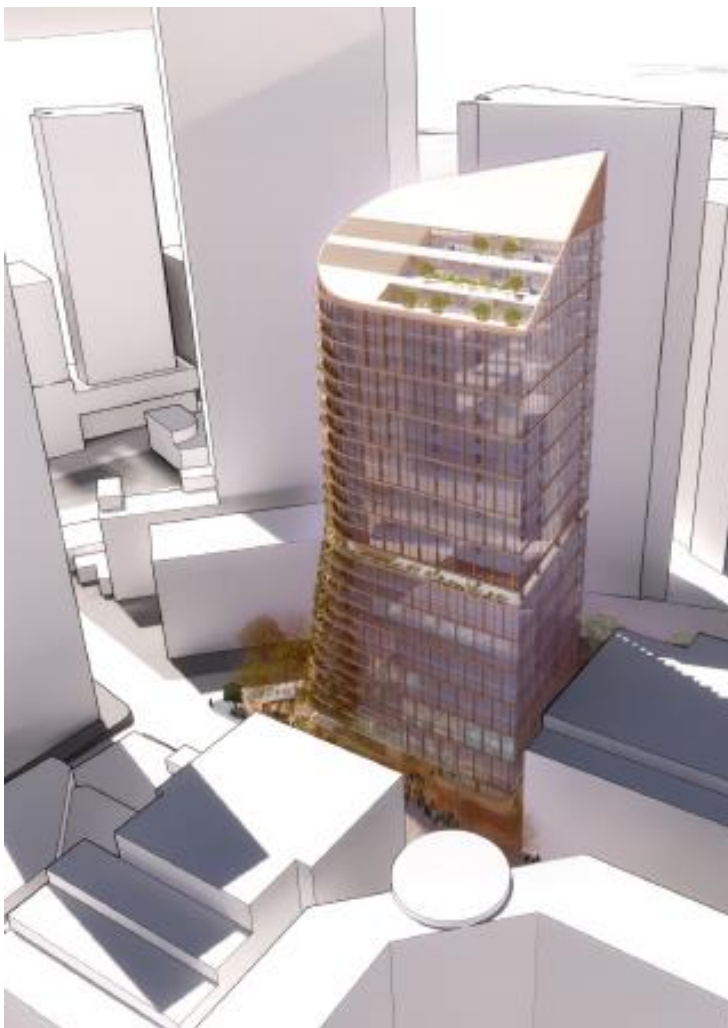


Figure 3 Proposed redevelopment of 46 Nicholson Street, St Leonards

Source: Woods Bagot

2.0 Strategic policy context

The following section identifies the key drivers for this site, based on a review of the key state and local policies and strategies relevant to the proposed development.

Key policy drivers

- St Leonard's and Crows Nest are undergoing significant change, including the development of Crow's Nest Metro Station, which will ultimately improve connections to Sydney CBD and surrounding employment centres such as Macquarie Park, Chatswood and North Sydney. A need exists to promote business activity in St Leonard's to strengthen its competitiveness and harness the benefits associated with new development and infrastructure upgrades.
- New, high quality commercial floorspace is required in St Leonards in order to establish the area as a competitive commercial centre and to support jobs growth in the area.
- It is a priority of the State and Local Authorities to establish St Leonards as an employment region, with a focus on knowledge intensive industries, health care and education. In response, a need exists to provide new or upgraded commercial facilities to offer quality office environments that attract high profile tenants.

Detailed commentary on Government policies of relevance to the subject site and the proposed redevelopment is provided in the broader planning statement; however, at a high level there are a number of policies adopted and proposed that would support the proposed redevelopment at the subject site. Some of these include:

- **Greater Sydney Region Plan** – supporting the 30-minute city aspiration. St Leonards is the sixth largest office market in the Sydney Region and the redevelopment of the site will support the provision of jobs within an active employment district that is close to public transport and residential homes.
- **Sustainable Sydney 2030** – a redevelopment of the site as proposed, will support jobs growth and increased activation of St Leonards and the local area. In addition, the project will support the focus on live/work/play neighbourhoods by providing jobs close to homes.
- **Lane Cove Local Strategic Planning Statement** – indicates that St Leonards has a job target of up to 63,500 jobs by 2036, an increase of 16,400 new jobs from 2016. In particular, the LSPS states “St Leonards will be a walkable 30-minute strategic centre with a focus on health, education and commercial office uses within the precinct as a result of actions that *“Leverage the new Crows Nest Metro Station to attract additional employment and grow a diverse range of jobs”*. The redevelopment of the site would contribute to the jobs target of St Leonards within a location that is well connected to both the existing St Leonards Station and the future Crows Nest Metro Station.
- **St Leonards and Crows Nest Draft 2036 Plan** – identifies St Leonards and Crows Nest as major centres for workers, residents, students and visitors. The Plan expects that the region “*will deliver around 16,500 new jobs across existing, emerging and evolving industries over the next 20 years*”. Furthermore, the subject site is located within the 'designated area for future employment growth' as part of the commercial core, which encompasses the area to the south of the Pacific Highway and north of Oxley Street and as such, the proposed development is well aligned with the draft Plan and vision for the precinct.
- **North District Plan** – St Leonards is designated as a health and education precinct and Planned Precinct in the Plan with an objective to get local and state governments to work together to grow jobs, housing and infrastructure within the precinct. The Plan outlines “*the importance of the precinct as a key employment centre in Greater Sydney combined with the new Sydney Metro station proposed at Crows Nest, presents an opportunity for renewal and activation.*” Key actions are outlined for St Leonards that are directly supported by the proposed development include:
 - *Leverage the new Sydney Metro Station at Crows Nest to deliver additional employment capacity*
 - *Grow jobs in the centre*

As a key health and education precinct, the development will also provide St Leonards with additional choice and modern office space that will appeal to a broad range of occupiers including those in the health and education sectors.

3.0 Local economic context

The following section analyses the local context of the proposed development at 46 Nicholson Street, including demographic characteristics as well as current local economic issues and trends.

Key findings

- The St Leonards region is a densely populated area with an estimated 8,130 residents in 2019. Strong population growth over the past five years has occurred, with the population increasing at an average annual rate of 3.1%, well above the Australian average of 1.5%p.a. over the same period. The population is projected to more than double over the period to 2036 with an additional +10,000 residents forecast.
- In 2019, the broader St Leonards and Crows Nest region had an Estimated Residential Population (ERP) of almost 15,000 and is forecast to increase to around 30,000 by 2036.
- There is a high proportion of residents aged 25-34 years within the area, indicating that St Leonards is an attractive place for young professionals.
- St Leonards specifically has a significant proportion of high-density housing (74.4%) in contrast to the broader St Leonards and Crows Nest area (30.1%), indicating that high-density residential development is primarily focused in the St Leonards core around the existing train station.
- Workers classified as Professionals are well represented. Managers and Clerical and Administrative Workers also well represented.
- The precinct includes a high representation of employment in the Health Care and Social Assistance industries. This is largely driven by the fact that St Leonards is a major health precinct, with the Royal North Shore Hospital and a range of other medical services and suites located in the area.

3.1 Study area and population profile

This section provides an overview of the key demographic characteristics of the local community. It considers the population profile for the St Leonards Precinct, as defined within the 'St Leonards and Crows Nest 2036 Plan', and compares this to the broader St Leonards and Crows Nest area as outlined within the Plan.

The Primary Study Area (PSA) has been defined to include the immediate St Leonards Precinct comprising the St Leonards commercial core (as well as the St Leonards train station). This precinct generally extends between 200-800m from the subject site, and is bounded by Crows Nest to the east and the St Leonards Health Precinct to the west.

The Secondary Study Area (SSA) extends to include Crows Nest to the east and the remainder of St Leonards and Artarmon to the west to account for the overall St Leonards and Crows Nest region as outlined in the St Leonards and Crows Nest 2036 Plan.

The Study Area is shown in **Figure 4** over the page. The Study Areas have been defined using Statistics Area 1 (SA1) boundaries as defined by the Australian Bureau of Statistics (ABS), with a best match applied to represent the St Leonards core precinct and total St Leonards and Crows Nest region.

In addition to the above, the Study Areas have also been defined using ABS Destination Zone (DZN) boundaries in order to examine the worker population within the area.

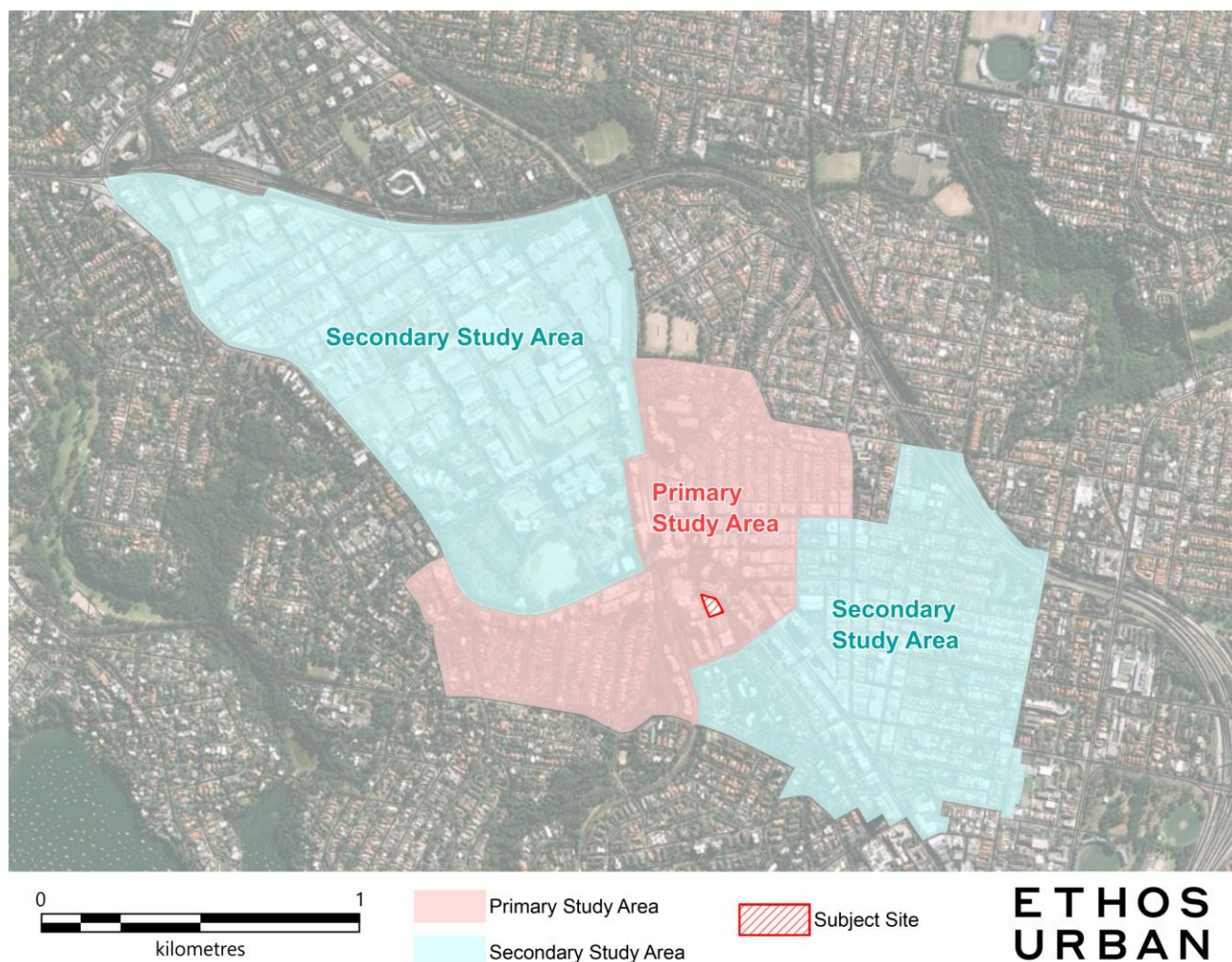


Figure 4 Study area

Source: MapInfo, Ethos Urban

The demographic data has been drawn from the Australian Bureau of Statistics (ABS) 2016 Census of Population and Housing. The data analysis provides a general overview of the demographic characteristics of residents within the Study Area. Key characteristics of the Study Area population include:

- A high proportion of persons aged 25-34 years (30.8%) compared with the Greater Sydney average (16.1%).
- Residents of the Study Area are more likely to be well-educated and earn a high income compared with the Greater Sydney average.
- A higher number of lone person (32.9%) and couple-only (32.5%) households are present in the Study Area compared with the Greater Sydney average (21.7% and 23.8%, respectively).
- More than a quarter of Study Area residents travel to work via train (26.3%) compared with 10.5% of Greater Sydney residents, and a high proportion of Study Area residents do not own a car.

Table 1 Demographic Profile

Category	Primary Study Area	Secondary Study Area	Total Study Area	Greater Sydney
<u>Income</u>				
Median household income (annual)	\$120,950	\$120,150	\$120,620	\$92,200
Variation from Greater Sydney median	31.2%	30.3%	30.8%	-
% of Households earning \$2,500pw or more	45.1%	45.6%	45.4%	31.8%
<u>Age Structure</u>				
Median Age (years)	33.2	35.8	33.8	36.4
<u>Country of Birth</u>				
Australia	43.6%	59.6%	51.0%	61.9%
Other Major English Speaking Countries	12.0%	14.4%	13.1%	7.6%
Other Overseas Born	44.4%	26.0%	36.0%	30.5%
<u>Household Composition</u>				
Couple family - Total	52.7%	52.1%	52.4%	61.3%
Family Households - Total	59.7%	59.3%	59.5%	73.7%
Lone person household	32.4%	33.5%	32.9%	21.7%
<u>Dwelling Structure (Occupied Private Dwellings)</u>				
Separate house	12.6%	9.4%	11.1%	57.2%
Semi-detached, row or terrace house, townhouse etc.	3.3%	27.2%	14.1%	14.0%
Flat, unit or apartment	84.0%	63.0%	74.5%	28.2%
Other dwelling	0.1%	0.5%	0.3%	0.5%
Occupancy rate	89.0%	90.0%	89.5%	92.3%
Average household size	2.1	2.1	2.1	2.8
<u>Tenure Type (Occupied Private Dwellings)</u>				
Owned outright	17.7%	20.8%	19.1%	30.0%
Owned with a mortgage	22.5%	26.1%	24.1%	34.2%
Rented	59.4%	52.6%	56.4%	35.1%
<u>Highest Year of School Completed (% of population aged 15 years and over)</u>				
Year 12 or equivalent	91.0%	87.6%	89.5%	67.5%
<u>Monthly Mortgage Repayments (occupied private dwellings being purchased)</u>				
Median monthly mortgage repayment	2,610	2,900	2,740	2,240
Variation from Greater Sydney median	16.5%	29.5%	22.3%	
<u>Weekly Rent</u>				
Median weekly rent	600	580	590	450
Variation from Greater Sydney median	33.3%	28.9%	31.1%	
<u>Occupation</u>				
Managers	19.1%	20.5%	19.7%	13.7%
Professionals	48.2%	43.7%	46.2%	26.3%
Technicians and trades workers	5.0%	6.0%	5.4%	11.7%
Community and personal service workers	5.6%	6.8%	6.1%	9.6%
Clerical and administrative workers	10.9%	12.3%	11.6%	14.6%
Sales workers	6.3%	6.1%	6.2%	9.0%
Machinery operators and drivers	1.0%	1.1%	1.0%	5.6%
Labourers	1.9%	2.2%	2.0%	7.6%

Source: ABS, Census of Population and Housing, 2016; Ethos Urban

3.2 Employment and worker profile

Key points to note regarding the profile of workers employed within the immediate St Leonards core commercial precinct (PSA) include:

- Professionals represent 42.3% of employment in the PSA, followed by Managers and Clerical and Administrative Workers at 21.9% and 15.7%, respectively. Sales Workers and Technicians and Trades Workers account for 7.0% and 6.3% of workers, respectively.
- The PSA is strongly represented by professional services, with the Professional, Scientific and Technical Services and Health Care and Social Assistance industries representing 38.6% and 12.6%, respectively, of all employment in the precinct. Combined, these industries account for more than half of all jobs in the PSA. Information Media and Telecommunications as well as the Construction industries account for 6.4% and 5.2% of all employment, respectively.
- The large proportion of professional, scientific and technical services as well as health care jobs located within the PSA demonstrates the focus on the knowledge intensive and health care industries within the St Leonards precinct.
- The unemployment rate within the St Leonards – Naremburn Statistical Area 2 (SA2) is estimated at 2.3% as at December 2019. This compares with the New South Wales and Greater Sydney unemployment rates of 4.5% and 4.3%, respectively.

The total number of employment by industry and as a proportion of total employment in the Primary Study Area detailed is shown in **Table 2**.

Table 2 Primary Study Area (St Leonards Precinct), employment (total) by industry, 2016

Industry	Number	St Leonards Precinct %
Professional, Scientific and Technical Services	4,505	38.6%
Health Care and Social Assistance	1,472	12.6%
Information Media and Telecommunications	748	6.4%
Construction	605	5.2%
Manufacturing	554	4.7%
Financial and Insurance Services	542	4.6%
Wholesale Trade	463	4.0%
Accommodation and Food Services	416	3.6%
Education and Training	411	3.5%
Administrative and Support Services	408	3.5%
Public Administration and Safety	372	3.2%
Other Services	354	3.0%
Retail Trade	254	2.2%
Rental, Hiring and Real Estate Services	209	1.8%
Arts and Recreation Services	176	1.5%
Transport, Postal and Warehousing	85	0.7%
Public Administration and Safety	69	0.6%
Mining	13	0.1%
Agriculture, Forestry and Fishing	9	0.1%
Electricity, Gas, Water and Waste Services	4,505	38.6%
Total	11,676	100.0%

Source: .id Consulting, ABS Census of Population and Housing, 2016; Ethos Urban

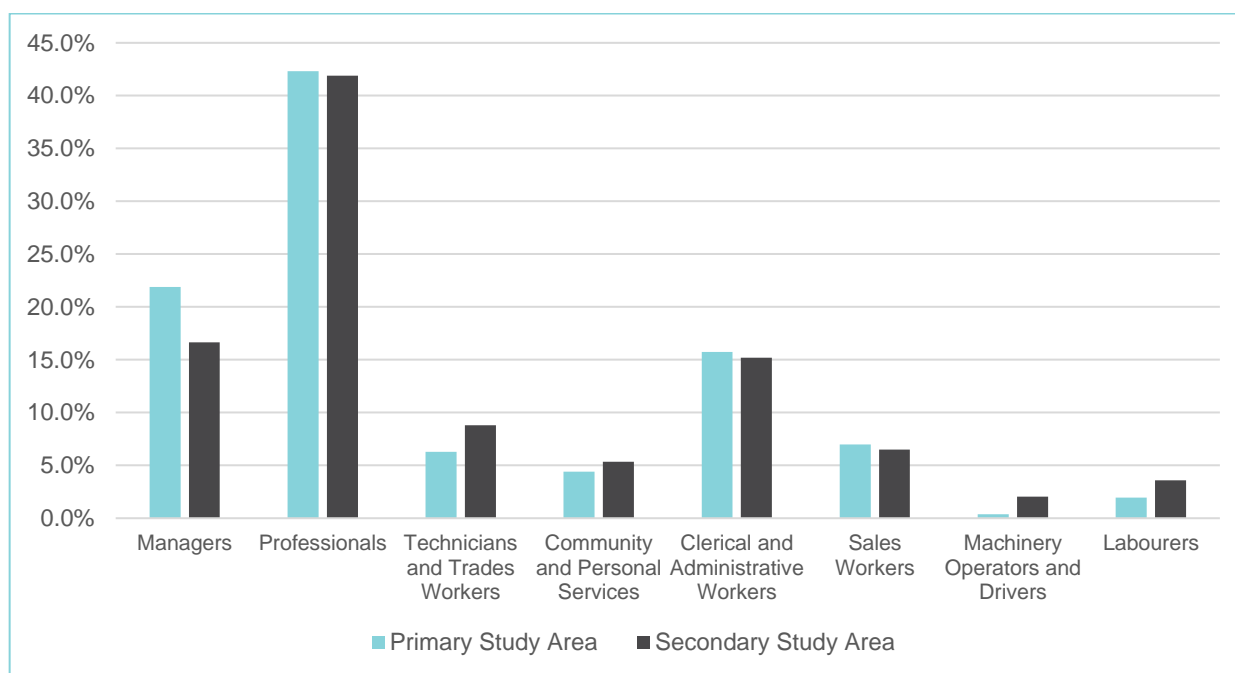


Figure 5 Study Area - Occupation 2016

Source: ABS 2016, Ethos Urban

3.3 Forecast worker and resident population

St Leonards is a key destination on the Lower North Shore of Sydney for a range of uses and services. As such, the region accommodates both local residents and local workers as key customer segments on a daily basis.

In total, some 60,000 persons are likely to be present within the defined total study area on an average weekday including 15,000 residents and 45,000 workers. This population is projected to increase substantially over the next 15 years, including doubling the estimated number of residents to almost 30,000 and adding around 15,000 additional workers to result in almost 60,000 workers.

Within the St Leonards precinct (or PSA), it is estimated that by 2036, a total of 40,660 persons will be present within the immediate area surrounding the subject site on a typical weekday. This includes an additional +10,000 new residents and +4,570 new workers compared to current estimates.

Taking into account existing and proposed developments that are already known in the area, the worker forecasts outlined in this assessment adopt the upper range of the State Government projections as outlined in the St Leonards and Crows Nest 2036 Draft Plan for the region.

Table 3 Forecast customer segment growth – Study Area, 2019-2036

	2019	2036	Change (2019-2036)
Primary Study Area			
Residents	8,130	18,130	+10,000
Workers	17,960	22,530	+4,570
<u>Total</u>	<u>26,090</u>	<u>40,660</u>	<u>+14,570</u>
Secondary Study Area			
Residents	6,800	11,800	+5,000
Workers	26,920	37,080	+10,160
<u>Total</u>	<u>33,720</u>	<u>48,880</u>	<u>+15,160</u>
Total Study Area			
Residents	14,930	29,930	+15,000
Workers	44,880	59,610	+14,730
<u>Total</u>	<u>59,810</u>	<u>89,540</u>	<u>+29,730</u>

Source: Ethos Urban, ABS, NSW DPIE

Reflecting the mixed-use nature of the St Leonards and Crows Nest region, as well as the range of other services and amenities including serviced apartments, educational facilities and hospitals, the precinct would also serve a range of other customer segments to some degree including visitors and students to the area. However, residents and workers will account for the majority of activity on a typical weekday.

4.0 Commercial office market assessment

This section provides an overview of the commercial office market as it relates to the proposed commercial development at 46 Nicholson Street, St Leonards.

Key findings

- The proposed site represents an ideal location for commercial office floorspace, taking advantage of the proximity to existing and future transport infrastructure including the Crows Nest Metro Station.
- Currently, existing commercial office stock within St Leonards has a high proportion of older, secondary quality floorspace. The addition of new and refurbished commercial floorspace is required in order for St Leonards to continue to compete with other suburban and fringe office markets in metropolitan Sydney.
- Improvement in the quality of commercial office stock is also required in the area in order to meet modern tenant requirements and satisfy employment growth targets set out by the government and the objective for the St Leonards and Crows Nest region to remain a key health and education precinct and attract major knowledge intensive industries in the future.
- There are a range of residential and mixed-use facilities currently underway or planned within the local area, however, relatively few commercial office developments that will help the St Leonards and Crows Nest region evolve and grow as a key employment precinct aligned with government policy.

4.1 Demand for the redevelopment

The subject site is well positioned on a high-profile and easily accessible location, within an area strategically designated for intensification of employment. St Leonards is currently the sixth largest commercial office market in Sydney, and ongoing gentrification of the precinct is important in order for St Leonards to remain an attractive location for workers and businesses to locate. St Leonards is well positioned to benefit from improved accessibility to the precinct, along with competitive rental prices for high-quality, premium grade office buildings such as the proposed development at the subject site.

Some 300m to the east of the subject site will be the future Crows Nest Metro Station, planned to open in 2024. The new metro station will significantly enhance the accessibility of St Leonards and Crows Nest to the CBD centres as well as other fringe office markets including North Sydney, Chatswood and Macquarie Park. Importantly, the new metro station will act as a catalyst for business growth and development in St Leonards and Crows Nest as well the broader North Shore region.

The subject site is strategically positioned, being centrally located to benefit from not only the existing St Leonards Station but also from this new metro station. As such, the site represents a unique opportunity to leverage off improved infrastructure, provide quality commercial office space that appeals to modern tenant requirements and responds to the evolving role of the St Leonards and Crows Nest corridor.

4.2 St Leonards and Crows Nest office market

The St Leonards and Crows Nest Draft 2036 Plan sets out the objective to make St Leonards a key commercial office centre in Sydney's North Shore. Accordingly, it is important that St Leonards remains competitive in the context of other commercial office markets including the Sydney CBD as well as fringe suburban markets. Therefore, offering contemporary, high-quality office floorspace and amenity that attracts high value tenants is imperative.

A high-level summary of the St Leonards commercial office market is outlined below:

- The St Leonards/Crow's Nest office market currently offers an estimated 309,627m² of commercial office floorspace, with an average vacancy rate of 7.0%.

- In recent years, the commercial office market on the North Shore of Sydney has benefitted from tight supply in the Sydney CBD, as tenants search more widely to other well-connected locations. While current market conditions are more subdued and harder to predict in the short-term, average rental levels in markets like St Leonards/Crows Nest remain around 30% below Sydney CBD rents for prime grade office space, adding to the attraction of the precinct.
- A review of commercial office floorspace in St Leonards, however, indicates that only around one-third of office stock is considered prime grade (premium and A-grade quality), with the remaining two-thirds of office stock in the market being secondary grade quality. In other nearby commercial office precincts the provision of prime grade stock is higher, with markets such as Macquarie Park and Chatswood at 75% and 60%, respectively. In the North Sydney CBD, this proportion is similar to St Leonards/Crows Nest; however, will increase towards a 50:50 split in the coming years based on known developments. This highlights the requirement for St Leonards/Crows Nest to improve the quality of the commercial office floorspace in order for the locality to remain attractive to new and existing occupiers.
- In the past 12 months, demand or net absorption has been focused on secondary grade office space, with limited demand for prime stock. This is largely due to the limited availability of prime office space in St Leonards/Crows Nest, particularly for contiguous floors, which is resulting in tenants choosing high-quality secondary floorspace as a result.
- The St Leonards/Crows Nest office market has attracted many high value multinational or national tenants in the past including Mastercard, CISCO and IBM. High profile tenants are typically attracted to quality office developments. This is also true for health occupiers which form an important component of the St Leonards/Crows Nest market, with a range of tenants such as NSW Health, the Australian Dental Association and Australian Medical Association all located in the area and requiring access to quality commercial office floorspace.
- The development of Crows Nest Metro Station (due to open in 2024) will catalyse a new wave of employment, business and investment opportunities in St Leonards/Crows Nest as the precinct becomes better connected to the broader region. It is estimated that 10,250 people will move through Crows Nest Station in the morning peak periods (*Sydney Metro Crows Nest Over Station Development – Concept State Significant Development Application Environmental Impact Statement Overview, 2018*). The proposed travel times on the new metro from Crows Nest Station to Chatswood is estimated to be 4 minutes, 5 minutes to Barangaroo, and 7 minutes to Martin Place. The development of the new Metro Station at Crows Nest provides a transformative opportunity for investment and the revitalisation of the St Leonards/Crows Nest commercial office market.
- In order for St Leonards/Crows Nest to remain competitive as a key commercial office market and take advantage of improved transport connections, additional high-quality commercial office floorspace such as that proposed at the 46 Nicholson Street project will be required.

**Commercial office market data derived from Knight Frank, March 2020*

4.3 Ongoing renewal and change in St Leonards

St Leonards is currently undergoing a period of urban transformation and gentrification, driven by changing patterns of living and working, improved accessibility, shifts in modern tenant requirements, and state and local government strategy highlighting the need to support the St Leonards market as a health and education precinct as well as knowledge intensive employment hub.

In recent times, St Leonards has undergone significant change, from primarily being focused on health care to now becoming a true mixed-use precinct. In particular, the St Leonards core commercial precinct is earmarked as an area for employment growth and high-density residential development. This is outlined within the St Leonards and Crows Nest Draft Plan 2036 which states that:

St Leonards plays a significant economic role as the sixth largest office market in the Sydney region. New 'A Grade' employment floorspace opportunities will be unlocked through mixed use development with minimum requirements for office floor space to balance the proportion of employment to residential uses. The plan retains some commercial zoning on large sites in and around the St Leonards core and along the Pacific Highway that would suit larger office based businesses. This provides opportunities for longer term job growth and changes in the office market or the way offices are designed.

This change and transformation is evident through the number of developments occurring in the precinct, with many in the planning stages or under construction, as shown in **Table 4**. A number of these developments are replacing

existing dated commercial buildings in order to provide for higher density mixed-use spaces with a large focus on residential accommodation.

A large proportion of this development is typically mixed use, with a primary focus on residential and retail, and a smaller consideration for commercial office space. At present, there is only a limited amount of commercial stock in the immediate pipeline for St Leonards. However, it should be noted that this upcoming stock forms part of mixed-use projects, and that with the exception of the subject site, there are currently no developments occurring or earmarked in St Leonards that are predominately a commercial use. This demonstrates the while St Leonards is evolving, there is need to balance the residential growth in the precinct with high-quality commercial projects, particularly in the areas designated for commercial uses and well positioned to benefit from existing and emerging transport infrastructure - such as the proposed development at 46 Nicholson Street.

New developments in close proximity to 46 Nicholson Street are listed in **Table 4** and outlined on **Figure 5**.

It should also be highlighted that in May 2020, the NSW Government announced a new vision for the Herbert Street Precinct (a part of the Royal North Shore Hospital) to deliver worker accommodation, commercial office space, retail and a new educational facility, with the primary purpose of supporting workers, clinicians and patients affiliated with the RNSH. This new precinct vision will generate new development in St Leonards over the medium-term.

In addition, several projects will enhance the availability of commercial office floorspace for medical uses including the NSW Government development at Royal North Shore Hospital Southern Campus and Dexu's North Shore Health Hub, which in combination will add over 40,000m². Most of this floorspace is already pre-committed with tenants including Department of Health, Ramsey Health Care and Genesis Care. This trend is likely to continue given the focus for St Leonards to be a key health and education precinct and the continued investment around the North Shore Health Care Precinct.

Table 4 Proposed major developments - St Leonards

Map ID	Address	Primary Use	Developer	Status	Estimated Project Value	Estimated Total GFA	Estimated Completion
1	46 Nicholson Street	Commercial	Jemalong	Early Planning	\$150,000,000	37,800	2023
2	71-79 Lithgow St, 82-90 Christie St, 84A Christie St & 546-564 Pacific Hwy	Mixed Use	JQZ Pty Ltd	Construction	\$250,000,000	30,655m ^m	2024
3	100 (Lot 2) Christie St (DP733528)	Mixed Use	Combined Projects (St Leonards) Pty Ltd	Approved	\$80,000,000	24,120m ^m	2024
4	617-621 Pacific Hwy	Mixed use	Anson City Development Pty Ltd	Rezoning	\$50,000,000	20,985m ²	2023
5	31-41 Canberra Av & 28-32 Holdsworth Av	Mixed Use	Silver Ponds Investments Pty Ltd	Early Planning	\$75,000,000	N/A	2026
6	23-31 Holdsworth Av & 24-32 Berry Rd	Residential	Greaton Development	Possible	\$115,000,000	20,985m ²	2025
7	496-498, 500 & 504-520 Pacific Hwy	Residential	Newhope VIMG Project Pty Ltd	Construction	\$250,000,000	49,111m ²	2022
8	Pacific highway & Clarke St & Oxley Street & south of Hume St	Mixed Use (Over-station development)	Transport for NSW	Possible	\$200,000,000	55,400m ²	2023
9	27-41 Canberra Ave & 26-32 Holdsworth Ave	Residential	Top Spring Australia Property Development Services	Development Application	\$130,000,000	22,545m ²	2024
10	30 Park Rd, St Leonards	Residential	Greaton St Leonards Holding Pty Ltd	Possible	\$60,000,000	N/A	2025
11	23-35 Atchison St (Lots 27-31 DP102872)	Mixed Use	TWT Property Group	Approved	\$45,000,000	13,292m ²	2024
12	575 – 583 Pacific Hwy St Leonards	Mixed Use	Rozene and Rosemate Pty Ltd	Approved	\$30,000,000	9,156m ²	2024

Source: Cordell Connect, NSW Property Council, Ethos Urban



Figure 5 Proposed major developments

Source: ArcGIS, Ethos Urban

4.4 Modern tenant requirements

Tenant demands and requirements within the commercial office market are continually evolving. In recent times, there has been a move towards more open plan, flexible spaces that provide collaborative workspaces, seamless integration with technology and incorporate sustainable initiatives.

The changing nature of tenant requirements including a strong desire for efficient, open, collaborative facilities, means that older commercial office stock will become increasingly redundant. Tenants will prefer to locate in modern, well connected developments that are increasingly focused around major transport hubs.

While providing increased technology integration and flexibility, modern workplace design has also resulted in increased efficiency within modern commercial office buildings. The number of square metres per worker has reduced, particularly in flexible, open-plan office environments. Analysis of the recent City of Sydney Floorspace and Employment Survey data suggests that the workspace density has increased by around 25% between 2007 and 2017, with the average provision falling to around 10m² per worker across modern open plan office uses within the core CBD. In the case of co-working providers, this provision can be even higher, with several major companies such as WeWork operating at closer to 5m² per worker.

Beyond requiring more efficient and flexible workspaces, occupiers also increasingly demand access to premium building services, sustainability initiatives and employee wellness benefits. This includes, but is not limited to, offerings such as end of trip facilities, fitness centres, retail amenities and concierge services. Tenants are also more socially responsible, commonly preferring to occupy office spaces that support sustainable practises including 5 Star Green Star and NABERS ratings.

In addition to the above, another focus for modern tenants is the ability to create a 'central hub' for the business. Tenants seek the ability to provide a critical mass of space and facilities that embody the company's brand and

culture which can be used to attract and retain the best talent and staff for their business. Often this results in the desire for large floorplates over contiguous levels, often with private tenant access between floors. This is particularly common in fringe and suburban office markets where the focus for tenants is on creating 'campus' style facilities.

Each of these requirements and trends among contemporary occupiers is placing pressure on older or secondary grade office buildings, as tenants increasingly seek higher quality spaces when given the opportunity. Furthermore, the additional rental cost associated with higher quality facilities is offset, or at least partly offset, by the increased workspace density in modern workplaces.

As a result, the dated nature of secondary quality stock in St Leonards will need to be addressed in order to secure the long-term viability of the precinct and its appeal to modern occupiers. This is particularly true given the focus and government objectives for St Leonards to be a major destination for health and education as well as knowledge intensive industries, with each of these industries requiring high-quality facilities.

It should be noted that tenant requirements in the post COVID-19 environment remain uncertain. However, several trends are unlikely to change including the importance of technology enabled workspaces and the ability to provide a safe and healthy work environment, which remain more important than ever in the post COVID world.

The current global pandemic has had a significant impact and transformation on commercial office working environments. COVID-19 has resulted in the necessity to work from home, particularly during the height of the pandemic with impacts to commercial office market demand. The result of COVID-19 will mean that the way businesses and office tenants use their space will continue to evolve. In response to the pandemic, commercial office buildings will play a central role in the recovery, and enhance opportunities to improve the way we work in a safe environment.

In recent times, there has been a heightened focus on employee and tenant wellness, and the impact that buildings can have on overall human health. This has emerged through initiatives such as the WELL Building Standard (WELL), described as a *"performance-based system for measuring, certifying, and monitoring features of the built environment that impact human health and wellbeing, through air, water, nourishment, light, fitness, comfort, and mind"* (Well Building Institute). The attributes of a 'WELL' certified building are important aspects that a new building can offer in a post COVID environment, and the proposed 46 Nicholson Street development provides an opportunity to capture and maximise the relationship between people's health and the built environment in St Leonards.

The development of projects such as 46 Nicholson Street will provide St Leonards with over 38,000m² of modern, prime grade commercial office floorspace that will appeal to a range of occupiers from medical tenants through to knowledge intensive industries. The delivery of projects such as the proposed 46 Nicholson Street will help to support the growth and evolution of St Leonards.

5.0 Economic and community benefits

The following provides a high-level assessment of the economic and community benefits likely to result from the 46 Nicholson Street project. A range of factors are considered including flow on benefits to the local community and St Leonards overall.

Key findings

- The 46 Nicholson Street project is projected to add some 34,660m² of commercial office floorspace that will provide modern, high-quality office stock in a central and easily accessible location in St Leonards. This project will help to enhance St Leonards as a key suburban office market and attract high-quality tenants into the future.
- A small provision of retail floorspace will also be provided at the development which will help to enhance the ground floor activation, pedestrian flow and amenity in a core part of the St Leonards and Crows Nest precinct.
- The project is estimated to generate some 760 jobs during the construction phase of the project, with a further 3,466 jobs likely to be generated on an ongoing basis once the development is complete and fully occupied. These ongoing jobs are likely to result in \$969 million in economic output (GRP) and some \$457 million in value added to the economy each year (2019 dollars).
- In addition to adding significantly to economic activity within the local area, the 46 Nicholson Street project will also result in a range of other benefits including supporting the growth and evolution of St Leonards and Crows Nest as a key mixed-use and employment precinct, leveraging transport infrastructure investment as well as enhancing activation and amenity in this part of Sydney.

5.1 Approach

An assessment of the economic impacts associated with the construction and operational phases of the 46 Nicholson Street development are discussed in the following sub-sections.

Economic benefits are categorised in terms of the following groups:

- The benefits to consumers: including the direct benefits to people using the facilities and the indirect benefits to the broader population of St Leonards.
- The benefits from new and retained economic activity: this includes benefits to businesses and employees from economic activity created by additional employment in St Leonards as a result of the development.

5.2 Commercial office space

As outlined previously, the proposed development of 46 Nicholson Street is planned to result in some 34,660m² of modern, commercial office floorspace which will be considered prime quality stock and will meet the current requirements for high-quality office floorspace. This would include high quality design, natural light, technology, safety, sustainability and overall health and amenity.

The existing secondary assets located at the site currently are ageing and subject to numerous vacancies throughout as a result of the dated commercial offering. The demolition and redevelopment of the site will replace the existing assets with a quality office development that will deliver a total of 34,660m² of commercial NLA.

The redevelopment of 46 Nicholson Street to incorporate a high quality commercial office development, with large contiguous floor plates, will contribute to the delivery of prime office stock in St Leonards, as well reinforce St Leonards as a modern and competitive commercial office market in metropolitan Sydney. The development will be better aligned to modern office tenant requirements and will help to secure high-quality tenants and businesses within St Leonards.

In addition to the above, the ground floor is planned to accommodate some 1,085m² of retail floorspace including a café and retail shops fronting both Christie Street and Nicholson Street.

5.3 Employment generation

Jobs supported by development of the 46 Nicholson Street project will accrue through direct and indirect employment generated during the construction phase; and ongoing employment in the commercial office space as well as the small retail offer on the ground floor of the development.

5.3.1 Construction employment

Direct employment in the *construction industry* is expressed as FTE job years. A 'job year' is a full-time job for one year.

Indirect or flow on employment will also be supported in other industries, for example, suppliers of materials and financial and legal services. Employment estimates in the wider economy are derived from ABS national accounts input-output analysis, specifically, employment multipliers.

Direct employment in the construction industry depends on the nature of the building, in particular the capital intensity of the project. It is estimated 1.96 FTE direct construction industry job years per \$1 million of expenditure (or 1.0 FTE job year per \$510,000) will be generated by the construction activity, based on research and the type of work expected to be undertaken in the construction phase of the site.

In addition, these direct construction industry jobs lead to demand for employment in supplier industries in the wider economy. The ABS construction multiplier is 2.6 - that is, for every single FTE job in the construction industry a further 1.6 FTE jobs are supported elsewhere in the economy.

Total construction costs for the redevelopment of 46 Nicholson Street will be in order of approximately \$150 million. This would support 290 jobs *in the construction industry* and support a further 470 jobs *in related (supplier) industries* over the development period which is estimated at between 2-3 years.

Local businesses, workers and jobseekers are likely to benefit from increased employment and contracts afforded by the construction phase of the project. There are an estimated 605 workers, or 5.2% of the overall workforce in St Leonards, who are employed in construction related industries and are therefore well positioned to benefit from the development.

Table 5 Jobs created during construction

Metric	Value
Direct Jobs	
Construction estimate	\$150 million
Estimated direct jobs	290 FTE Jobs over 2-3 years
Indirect Jobs	
Indirect jobs per construction job	Approximately 1.6
Estimated indirect jobs	470 FTE jobs over 2-3 years
Total FTE Construction Jobs	760 FTE jobs over 2-3 years

Source: ABS 2016, *Ethos Urban*

5.3.2 Ongoing employment

Ongoing employment at a redeveloped 46 Nicholson Street has been estimated using the proposed NLA of the development and the City of Sydney Floor Space and Employment Survey, 2017. Based on a provision of 34,660m² of commercial NLA and the average workspace ratio of 10.1m² per worker as outlined in the City of Sydney Floor Space Survey, the redevelopment of 46 Nicholson Street will support an estimated 3,430 ongoing commercial jobs each year once fully occupied and complete.

The typical ratio of employment across retail floorspace is 30m² per worker which would indicate around 36 retail jobs could be accommodated at the development on an ongoing basis (taking into account the projected 1,085m² of retail floorspace proposed at the project).

In total, the 46 Nicholson Street development has the potential to accommodate an estimated 3,466 jobs each year, assuming 100% occupancy.

Table 6 Ongoing employment

	Net Leasable Area	Floor Space Ratio	Number of Jobs
Commercial	34,660m ²	10.1m ² per worker	3,430
Retail	1,085m ²	30.0m ² per worker	36
Total estimated ongoing employment			3,466

Source: City of Sydney, Ethos Urban

5.4 Increased economic output

5.4.1 Gross Regional Product (GRP)

Gross Regional Product (GRP) is a measure of size or net wealth generated by the regional economy.

The activities and employment supported in the 46 Nicholson Street development will generate significant regional economic output as compared to the existing asset. Total output (GRP) at full occupancy is estimated at an additional **\$969 million pa** (2019 dollars) as shown in **Table 7** below, and includes significant output contributions from industry sectors such as professional services which has been adopted as a proxy for all office workers in the building on completion.

5.4.2 Value added

Value added by industry is an indicator of business productivity. It shows the net economic uplift by excluding the value of production inputs. Value added is estimated at around **\$457 million pa** (2019 dollars) at full occupancy of the building (refer to **Table 7**).

The above analysis has been sourced from economy.id (based on modelling by the National Institute of Economic and Industry Research) for the 'Northern Sydney Regional Organisation of Councils' with 'best fit' industry sectors applied to likely economic activities at the completed development. The results of the analysis assume no substitution effects from outside the regional economy, rather, the activities undertaken at the new asset represent increased net demand associated with population, labour force and industry growth.

Table 7 46 Nicholson Street – Estimated Economic Output at Full Occupancy

Activity	Commercial Office	Retail	Total
<i>Economy.id category</i>	<i>Professional, scientific and technical services</i>	<i>Food and Beverage Services</i>	
Employment (jobs)	3,430	36	3,466
GRP per job	\$280,840	\$133,690	-
Value added per job	\$132,620	\$60,620	-
GRP Total	\$963,281,200	\$5,347,600	\$968,629,800
Value added total	\$454,896,890	\$2,424,760	\$457,321,650

Source: Economy.id; Ethos Urban

Economy.id is produced by demographic specialists .id and uses data derived from official sources of information (including the Australian Bureau of Statistics), with the industry sector profiles using a National Accounts regional econometric model developed by the National Institute of Economic and Industry Research.

5.5 Other benefits

The 46 Nicholson Street development will deliver an array of economic and community benefits. In particular, the site will improve street level activation on both Christie Street and Nicholson Street, and support employment generation in St Leonards. Benefits associated with the development of 46 Nicholson Street include:

- Support the role of the St Leonards and Crows Nest commercial office market by contributing 34,660m² of prime commercial office stock to the market and replacing ageing and dated facilities. The contribution of additional commercial floorspace from the redevelopment of 46 Nicholson Street will increase the supply of prime office stock.
- Contribute to the growth and evolution of St Leonards as a relevant and competitive commercial office market within broader metropolitan Sydney. The 46 Nicholson Street project will support this transition through the development of a modern, high-quality and activated commercial office building in a central and easily accessible location within St Leonards.
- Attract high value tenants to St Leonards and Crows Nest by providing a premium commercial development that caters for modern tenant requirements. This could appeal to occupiers choosing St Leonards and Crows Nest over competing markets including the Sydney CBD, North Sydney, Chatswood or Macquarie Park.
- Support infrastructure investment in the area, including the opening of the nearby Crows Nest Metro Station as well as the potential future bus and train interchange at St Leonards to the south of the Pacific Highway.
- Support ongoing investment and renewal of the St Leonards commercial precinct as a key commercial office market and employment centre in Sydney, helping to support growth and development over time.
- Provide additional public space on the activated ground floor and provide improved pedestrian links between St Leonards and Crows Nest.
- Support for the objectives of the State Government which seek to provide for the following within the St Leonards and Crow's Nest Draft 2036 Plan:
 - Increase employment opportunities within a designated jobs intensification area;
 - Locate high density development within close proximity to St Leonards station;
 - Continued growth of knowledge intensive jobs within St Leonards commercial core;
 - Provision of premium commercial office stock within St Leonards/Crows Nest that reinforces the position of the precinct as a competitive office destination that is appealing to modern occupiers;
 - Provide modern office spaces that would be well suited to cater for medical suites and research facilities within a designated health and education precinct;
 - Enhance the street level activation and amenity of the immediate area; and
 - Facilitate a region between St Leonards and Crows Nest that appeals to pedestrians moving between St Leonards and Crows Nest.