

EDGECLIFF CENTRE

Economic Impact Assessment



Prepared for Longhurst Investment No1 Pty Ltd

Contents

Executive Summary	5
1.0 Introduction	7
2.0 Retail demand assessment	9
2.1 Retail Centres	9
2.1.1 Edgecliff.....	9
2.1.2 Double Bay	9
2.1.3 Bondi Junction.....	10
2.1.4 Woollahra.....	10
2.1.5 Paddington	11
2.2 Resident expenditure	11
2.2.1 Trade area(s)	11
2.2.2 Population Growth.....	12
2.2.3 Household expenditure.....	13
2.2.4 Capture of household expenditure	13
2.3 Other sources of Expenditure	14
2.3.1 Expenditure from Workers	14
2.3.2 Expenditure from Commuters	14
2.4 Total forecast potential retail sales.....	15
2.5 Demand for shop front space	15
2.6 Demand for Medical, Health and Wellbeing Services	16
3.0 Economic impact assesement.....	17
3.1 Proposed land uses	17
3.2 Construction impacts	17
3.2.1 Construction multiplier effects	17
3.2.2 Construction related employment.....	19
3.2.3 Retail expenditure from construction workers.....	19
3.2.4 Other construction impacts	19
3.3 Economic impacts post construction	20
3.3.1 The base case	20
3.3.2 Employment generation	20
3.3.3 Workers remuneration	21
3.3.4 Gross value added.....	21
3.3.5 Additional revenue for local retailers	21
3.4 Retail trading impacts	22
3.4.1 Forecast retail sales.....	22
3.4.2 Retail trading impacts	22
3.5 Additional government revenue	23
3.6 Other Impacts	23
3.6.1 Investment stimulus.....	23

3.6.2	Jobs closer to home	24
3.6.3	Town centre activation	24
3.6.4	Transit Orientated Development (TOD).....	24
3.6.5	Economic stimulus	24
4.0	Public Benefits.....	25
4.1	Publicly accessible open green space	25
4.2	Entrance and public square.....	25
4.3	Community space.....	25
4.4	Creation of new high quality interchange.....	26
4.5	Conclusion.....	26

Tables

Table 1:	Edgecliff Centre redevelopment – indicative scheme proposed employment uses.....	8
Table 2:	Total retail expenditure in the trade area in 2026 (2019 dollars millions)	13
Table 3:	Assumed capture rates for subject site	14
Table 4:	Potential retail sales by store type in 2026 (\$2020)	15
Table 5:	Floorspace demand by broad retail type.....	16
Table 6:	Estimated construction costs.....	17
Table 7:	Construction multipliers (\$m).....	18
Table 8:	Construction employment.....	19
Table 9:	Estimated employment generation of Planning Proposal	20
Table 10:	Estimated remuneration (\$2019)	21
Table 11:	Estimated Gross Value Added (\$2019)	21
Table 12:	Trading Impacts of the Proposal (2020 dollars in millions).....	22
Table 13:	Impact on whole of government revenue	23

Figures

Figure 1:	Edgecliff Centre trade area.....	12
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Quality Assurance

Report Contacts

Adrian Hack

Principal, Urban and Retail Economics

M. Land Econ. B.Town Planning (Hons). MPIA

Adrian.Hack@hillpda.com

Supervisor

Adrian Hack

Principal, Urban and Retail Economics

M. Land Econ. B.Town Planning (Hons). MPIA

Adrian.Hack@hillpda.com

Quality Control

This document is for discussion purposes only unless signed and dated by a Principal of HillPDA.

Reviewer

Signature



Dated

25/09/20

Report Details

Job Number

C20027

Version

Final

File Name

C20027 Edgecliff Centre Redevelopment EIA

Date Printed

25 September 2020

EXECUTIVE SUMMARY

HillPDA was commissioned by Longhurst Investments No. 1 Pty Ltd to undertake a retail demand and economic impact assessment to be submitted in support of a planning proposal for the redevelopment of the Edgecliff Centre at 203-233 New South Head Road, Edgecliff.

The planning proposal seeks to amend the building height and FSR of the site to enable redevelopment for mixed uses including retail, residential, commercial and medical uses.

Demand for retail space comes from several sources – mostly from residents within a 550 metre walking distance (defined as the primary trade area) and to a lesser extent from residents in the balance of Darling Point suburb (defined as the secondary trade area) where there is no shopping centre. The primary trade area will have 6,300 residents by 2026 and the secondary trade area a further 3,800 residents. Demand also comes from the 3,000 workers in Edgecliff, the 3,500 train commuters that live in the suburbs from Double Bay to Watsons Bay that enter and exit the station, and finally from students and other visitors.

From these sources of demand Edgecliff retailers could achieve potential total retail sales of almost \$110m by 2026. This translates to a need for 14,400sqm of retail space of which 4,700sqm would be supermarkets and grocery stores. Demand for shop front space (allowing for some non-retail commercial occupiers such as banks, travel agents and real estate agents and say 4% vacancies) results in 17,300sqm of shop front space.

Following development total shop front space in Edgecliff would be around 14,300sqm – some 3,000sqm less than the supportable level based on the demand projection.

While population growth in Woollahra LGA to 2036 will be modest at 5%, growth in aged persons (75+ years) will increase significantly by 68% putting a high demand on medical services. These services will require 11,000sqm more floor space in the Edgecliff/Double Bay/ Darling Point SA2. The proposal includes 3,092sqm of medical, health and wellbeing services which will contribute to meeting some of this growth in demand.

Council's Integrated Transport Study has forecast the population to increase by 38% by 2056 and Double Bay and Edgecliff is expected to accommodate most of that growth.

Construction cost is estimated at \$346m. This will generate an additional \$443m of economic activity in production induced multiplier effects and a further \$313m in consumption induced effects. Total economic activity generated by the construction is estimated at \$1.1 billion. Development will generate 863 job years directly in construction on site. A further 2,604 job years will be generated through production induced and consumption induced multiplier impacts. Including the multiplier impacts a total of 3,467 job years will be created.

When fully occupied, or close to fully occupied, development will accommodate an estimated 692 jobs. This is a net increase of 225 over the base case (no redevelopment option), although as the asset ages further vacancies are likely to continue to increase over time. Under the proposal 197 jobs will be in retail in both full time and part time positions. 390 jobs (mostly full-time) will be in the office suites and 85 (mostly full-time jobs) will be in medical services. A further 20 people will be working from home on site.

Gross value added (or contribution towards regional domestic product) will be \$66m per annum – a net increase of \$19m from the base case.

The additional workers and residents on site will generate a net increase in expenditure for retail businesses in Edgecliff of around \$5m every year.

The modest increase in retail floor space of only 1,633sqm will have insignificant impacts on retail centres. Edgecliff is expected to achieve an immediate net increase in total retail sales of around \$13m. This increase will be redirected from competing centres such as Double Bay, Bondi Junction, Woollahra and Paddington. However the percentage shift in loss of trade will be well below 2% which is insignificant. All centres will enjoy real growth in trade from 2020 to 2026 of more than 5%.

Additional whole of government revenue from development is estimated at \$132m being \$57m from GST, \$64 from stamp duties, \$8m from payroll tax during construction and \$4m from developer contributions.

The proposed development will also deliver spaces for public use. This would include the publicly accessible green space, improved entrances to the station and bus terminal, the plaza and the community space. Public goods will also include a 4 level atrium filling the concourse with natural light and direct access from the train concourse to the Bus Terminal and a medical/wellness centre with high connectivity to key public transport infrastructure.

Other unquantified economic benefits include:

- the replacement of an ageing shopping centre and office building with a new modern high-density mixed-use development with retail, commercial and residential uses
- providing new jobs closer to home and contributing to the 30 minute city direction of State Government
- increasing activation of the town centre and public transport patronage
- the provision of a transit orientated development with high-density work and living at a major transport node thereby contributing to urban consolidation objectives of improved transport sustainability and reduce dependence on private vehicle usage.

1.0 INTRODUCTION

This economic impact assessment has been prepared on behalf of Longhurst Investments No. 1 Pty Ltd in support of a planning proposal for the Edgecliff Centre (the site). The planning proposal will support amendments to the Woollahra Local Environmental Plan 2014 in order to facilitate the future renewal of the site for a mixed-use development comprising retail/commercial/medical uses podium and residential tower.

Specifically, in order to facilitate the future redevelopment of the site for the intended purpose, the planning proposal seeks to:

- Increase the maximum Height of Buildings development standard and
- Increase the maximum Floor Space Ratio development standard.

The planning proposal is supported by an indicative development concept. The concept is indicative only and has been prepared for the sole purpose of demonstrating that the planning proposal can deliver a viable scheme within the amended controls being proposed.

The indicative development scheme includes:

- Commercial, retail, medical/wellness facilities and residential.
- Provision for a publicly accessible open green space at podium level.
- Introduction of public community space.
- Revitalisation and enhancement of the existing intermodal and transport interchange within the site.
- Public domain improvements at ground level including a new plaza and permeable transit interchange entry way; and
- Improvements to existing vehicular access and loading dock arrangement.

Existing uses on the site include a single level shopping centre with a total gross leasable floor retail (GLAR) area of 3,154sqm. The anchor tenant is an ALDI foodstore of around 1,400sqm. The balance of retail is 24 specialty stores. At the time of reporting eight of the specialty stores were vacant.

On top of the shopping centre is a 6 level commercial office tower with a total leasable floor area of 7,964sqm occupied by multiple tenants. The commercial suites include:

- 700sqm of consulates;
- 710sqm of medical services
- 1,400sqm of co-working spaces and
- 2,000sqm of accounting and financial services

There are 254 car spaces on site with access from New McLean Street.

The proposal involves the demolition of the existing structure and the erection of a building with 2 levels of retail space and two towers – a commercial podium and a residential tower. Employment uses are summarised below

Table 1: Edgecliff Centre redevelopment – indicative scheme proposed employment uses

	GFA	NLA
<i>Ground Floor</i>	3,411	2,271
<i>Level 1</i>	3,732	2,663
<i>Level 2</i>	3,092	2,373
<i>Level 2 Mez</i>	1,884	1,696
<i>Level 3</i>	1,765	1,589
<i>Level 4</i>	1,765	1,589
<i>Retail</i>	7,143	4,934
<i>Health/Well Being</i>	3,092	2,373
<i>Office</i>	5,414	4,874
<i>Residential</i>	28,541	232-268 Apts Range

Source: Longhurst Pty Ltd

The retail will have two anchor tenants each between 1,200sqm and 1,750sqm. The likely use would be food and groceries related – possibly tenants are Metro Woolworths, ALDI, Asian supermarket, Harris Farm or the like. The spaces however are speculative and a non-food retailer occupying one of the spaces (such as a discount variety store) is also a possibility.

The residential tower will be 28,541sqm GFA and have between 235 and 268 apartments pending mix options. For the purpose of this report we have assumed 250 apartments.

This report is set out in the following manner:

- **Chapter 2 | Retail demand assessment:** undertakes an assessment of the surrounding centre network, population projections and expenditure available to estimate the amount of retail space that could be accommodated on the subject site
- **Chapter 3 | Economic impact assessment:** assesses the economic impact of the proposed development both during and post construction. Trading impacts on competing centres is also quantified as well as impacts on whole of government revenue
- **Chapter 4 | Public goods:** identifies and assesses the public goods to be delivered from the proposal and where possible values those goods.

2.0 RETAIL DEMAND ASSESSMENT

The Chapter undertakes an assessment of the amount of retail space that could be accommodated on the subject site based on demand. The method of assessing demand was to identify the sources of trade – residents, workers and commuters.

Expenditure captured from surrounding residents is quantified by identifying the trade area(s), the current and future population in the trade area(s), the expenditure levels of trade area residents and the likely percentage of capture. In defining the trade area it is necessary to have an understanding of competing centres, their location relative to the subject site and their respective retail offers. This is provided in the following section.

2.1 Retail Centres

Below is a list of centres in the locality which influences the size of the likely trade area and the strength of influence and retail capture that could be achieved at Edgecliff.

2.1.1 Edgecliff

Edgecliff commercial area is centred above the train station where there are two shopping centres and a bus interchange directly above the train station. The two shopping centres are Edgecliff Centre (the subject site) and Eastpoint Food Fair.

Edgecliff Centre is a single level shopping centre with a total gross leasable floor retail (GLAR) area of 3,154sqm. The anchor tenant is an ALDI foodstore of around 1,400sqm. The balance of retail is 24 specialty stores. At the time of reporting eight of the specialty stores were vacant.

Eastpoint Food Fair is a two level shopping centre with a GLAR of 4,858sqm and a medical centre. The retail centre is anchored by a 3,200sqm Coles supermarket. The 900sqm Harris Farm was a mini-major although it recently closed and has been absorbed by an expanded Coles. The centre includes 28 specialty shops totalling 1,675sqm GLAR¹.

Outside the two indoor centres there is around 5,000sqm of shop front space along New South Head Road stretched over a distance of around 500m from Glenmore Road to the west to 50m past Ocean Street to the East. At the time of survey in August 2019 the strip retail included two restaurants, one specialty food store, seven personal services, five homemaker/bulky goods retailers, six non-retail commercial services and two vacancies.

2.1.2 Double Bay

Double Bay commercial centre is only 600m east of Edgecliff. It comprises around 35,000sqm of shop front space of which around 8,000sqm is occupied by non-retail commercial and community services. A survey by HillPDA in 2002 identified around 13 vacant shop front premises totalling around 1,000sqm – a vacancy rate of only 3%. CBRE found the vacancy rate had increased to just over 10% by 2006 largely due to the impact of the expansion of Westfield Bondi Junction. The centre has been slowly rebounding since and by 2012 the vacancy

¹ Property Council of Australia Shopping Centre Directory 2018

rate had fallen to a much healthier 5.2%². Today there are 16 shop front premises available for lease (1,500sqm) which is a healthy vacancy rate of 4.3%³.

The centre has a further 23,000sqm of office space above ground floor space and in stand alone office buildings. At the time of survey Double Bay had around 6,700sqm of apparel stores, most of which provided high end fashion. This comprised 22% of total shop front space compared to 9% average for all shopping centres between 20,000sqm and 40,000sqm in size⁴.

The centre has a dual role providing both food, groceries and other regular shopping facilities for residents in the Double Bay suburb and surrounding of suburbs of Darling Point, Edgecliff, Bellevue Hill, Point Piper and Woollahra. It also has a large proportion of retail stores with high end fashion, other apparel and homewares for affluent residents of the eastern suburbs and further beyond.

Double Bay has some competition with Edgecliff in its food and groceries role but has almost no competition in the high end fashion and homewares area. Its strongest competitor in this category is Bondi Junction.

2.1.3 Bondi Junction

Bondi Junction is a major centre, 1.8km southeast of Edgecliff Station. It has wide trade area encompassing the eastern suburbs as well with a strong influence extending into the inner South Sydney / Botany area. Total GLAR is around 170,000sqm.

The centre is dominated by Westfield with around 100,000sqm of gross leasable floor space retail (GLAR) over six levels. It includes a David Jones, Myer and Target department stores, Coles and Woolworths full-line supermarkets, two food courts, Events Cinemas, numerous mini-majors such as Harris Farm, Rebel Sports Harvey Norman, Zara H&M, JB Hi-Fi, etc and around 300 specialty shops⁵. In the 2019 calendar year the centre achieved total retail sales of \$1.17 billion – the second highest performing centre in NSW next to Westfield Sydney. Total retail sales per square metre in 2019 was \$11,592/sqm – more than 60% higher than the median for regional shopping centres (above 50,000sqm GLAR) across Australia⁶.

Eastgate Shopping Centre on Spring Street is a three level centre with 15,167sqm GLAR including a Kmart department store, Coles and ALDI supermarkets and 34 specialty shops. In the 2017 calendar year it achieved total retail sales of \$145m.

Outside the two large indoor centres is a further 60,000sqm approximately of shop front space mainly fronting Oxford Street (for almost a kilometre) and Bronte Road and in numerous arcades.

2.1.4 Woollahra

Woollahra is a village centre on Queen Street one kilometre south of Edgecliff. Total GLAR is around 2,600sqm of which around 2,000sqm is occupied by retail stores. The centre has no anchor tenants. Many of the shops specialise in fashion, homewares and antiques.

² CBRE Marketview Sydney Metropolitan Retail 2012.

³ Commercial properties available for lease (source: www.realcommercial.com.au)

⁴ IBECON Floor space data in Greater Sydney 2004

⁵ Property Council of Australia Shopping Centre Directory 2018

⁶ Shopping Centre News Big Guns 2020

2.1.5 Paddington

Paddington has around 36,000sqm of shop front space most of which fronts Oxford Street. There is a small cluster of retailers on Glenmore Road 800m to the southwest of Edgecliff Centre which is anchored by a 650sqm Metro Woolworths supermarket. There is also a small 100sqm grocery store on Cascade Street just 500m south of Edgecliff Centre.

2.2 Resident expenditure

To restate expenditure captured from surrounding residents is quantified by identifying the trade area(s), the current and future population in the trade area(s), the expenditure levels of trade area residents and the likely percentage of capture.

2.2.1 Trade area(s)

In defining a trade area(s) served by the proposed retail centre we have considered the below:

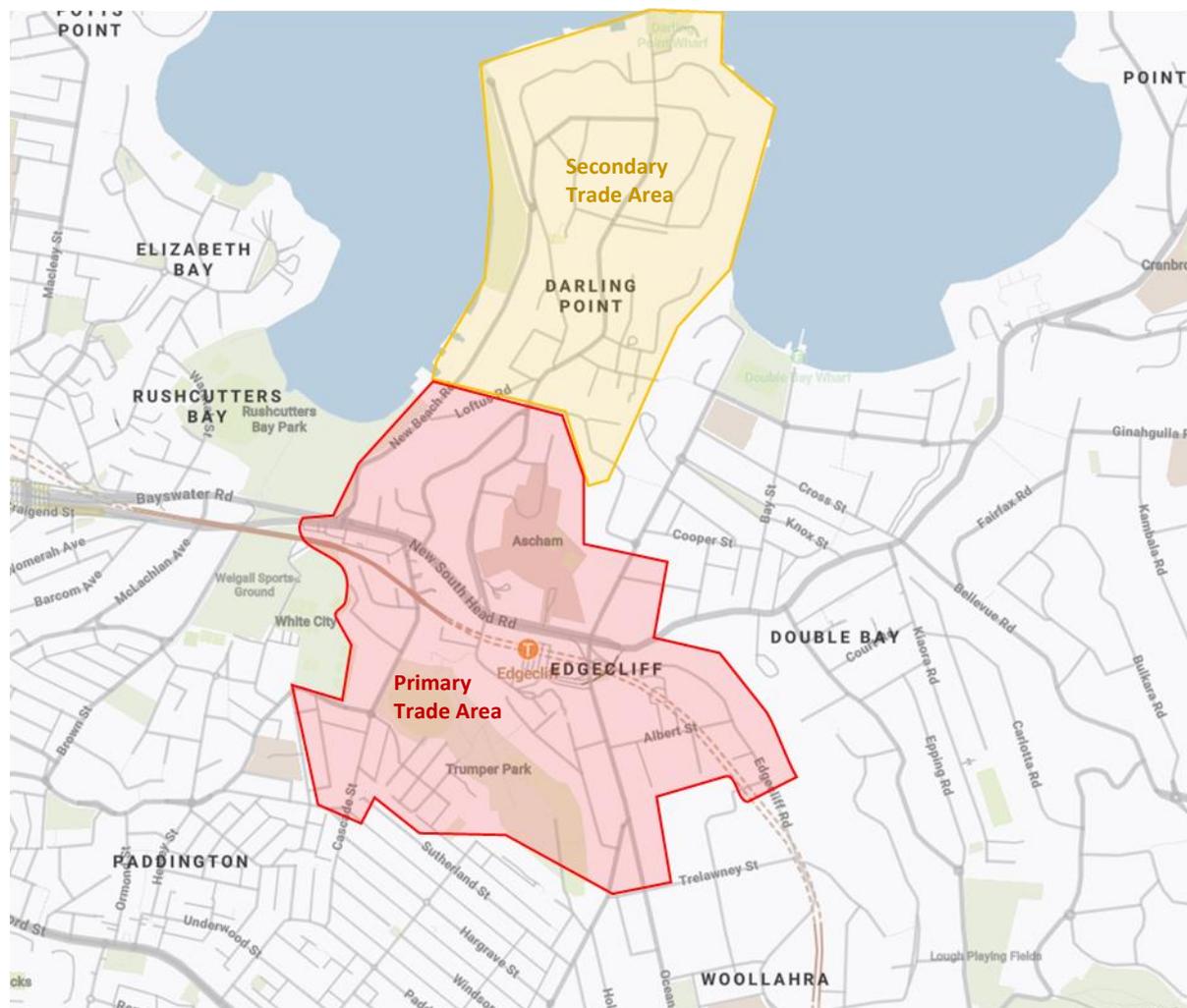
- The strength and attraction of the proposed centre on the site, factors such as composition, layout, ambience/atmosphere, car parking and synergy with other land uses
- Competitive retail centres, particularly their proximity to the subject site, respective sizes, retail offer and attraction
- The location and accessibility of the surrounding residential area, including the available road and public transport network and travel times and the respective levels of convenience between competing centres
- The presence or absence of physical barriers, such as rivers, railways, major parks and freeways.

Based on the above we have derived the following trade areas:

- Primary trade area (PTA) is the residential area generally within 550m walking distance from the subject site. The trade area shortens to the east due to the typography of the land and the presence of the much larger centre of Double Bay which is only 600m to the east.
- Secondary trade area (STA) North is the balance of the suburb of Darling Point. There are no retail centres in Darling Point and the main collector road, Darling Point Road, that runs through the middle of the suburb starts from New South Head Road just opposite Edgecliff centre. As a result it is reasonably convenient for Darling Point residents to shop in Edgecliff although Double Bay also provides a strong and relatively convenient offer.

The trade areas are depicted on the map immediately below:

Figure 1: Edgecliff Centre trade area



Source: Mecone Mozaic Beta, Google Maps and HillPDA

2.2.2 Population Growth

The population of the PTA is around 5,800 and the STA is around 3,700. The MTA, which is the PTA and STA combined, has around 9,500 residents. Based on Transport for NSW forecasts population growth is expected to be very modest – around 0.2% per annum. However when occupied the proposed development will immediately add around 250 more apartments to the PTA (on the subject site itself) which will house a further 430 residents⁷.

⁷ Assuming 1.75 residents per apartment which was average household size in occupied apartments in 2016 in Edgecliff Suburb (ABS Census)

2.2.3 Household expenditure

Edgecliff residents have much higher personal income levels than NSW average and spend around \$20,700 average per person per annum on retail goods and services. This is some 47% above the NSW average (around \$14,050)⁸. Darling Point residents spend even more at around \$21,500 per annum – 53% above NSW average.

MTA residents spend around \$5,400 per annum in supermarkets and grocery stores – some 26% above NSW average. In specialty food stores (including liquor) they spend 51% more. In meals and drinks on premises (restaurants, clubs and hotels) their spend is 180% higher which reflects their high level of affluence. Apparel expenditure is also much higher at 65% above NSW average.

Assuming development is fully occupied by 2026 then estimated expenditure generated by trade area residents is forecast as follows:

Table 2: Total retail expenditure in the trade area in 2026 (2019 dollars millions)

	PTA	STA	TOTAL
Population*	6,300	3,800	10,100
Annual expenditure (\$m)**			
Supermarkets & Grocery Stores	35.8	22.2	58.0
Specialty Food Stores	8.6	5.4	14.0
Fast-Food Stores	8.6	5.1	13.7
Restaurants, Hotels and Clubs***	21.9	13.2	35.1
Department Stores	7.8	5.1	12.8
Apparel Stores	16.5	10.6	27.0
Bulky Goods Stores#	19.8	13.6	33.4
Other Personal & Household Goods Stores	15.6	9.2	24.8
Selected Personal Services###	5.9	3.7	9.6
Total Retailing	140.5	88.1	228.6

* Includes the residents on the subject site

** Allows 1% per annum real growth in spend per capita in foods and 0.4% for non-foods in line with the long term historic trend since 1986.

*** Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

Bulky Goods includes fabrics, soft goods, furniture, floor coverings, hardware, houseware, electrical appliances, sports and camping stores.

Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

2.2.4 Capture of household expenditure

Forecasting potential retail sales is derived from varying capture rates assumed as follows:

⁸ MDS Marketinfo 2017 adjusted to 2019 based on ABS retail sales data. Expenditure includes selected personal services such as optical dispensing, hair and beauty and clothing alterations. It excludes financial, travel, real estate, medical and other commercial services.

Table 3: Assumed capture rates for subject site

Store Type	PTA	STA
Supermarkets & Grocery Stores	72.5%	40.0%
Specialty Food Stores	65.3%	36.0%
Fast-Food Stores	61.6%	34.0%
Restaurants, Hotels and Clubs	32.6%	18.0%
Department Stores	0.0%	0.0%
Apparel Stores	14.5%	8.0%
Bulky Goods Stores	10.9%	6.0%
Other Personal & Household Goods Stores	23.2%	13.2%
Selected Personal Services	36.3%	20.0%
Total Retailing	39.4%	21.1%

Source: HillPDA

The percentages in the above table reflect the potential percentage capture of resident expenditure to Edgecliff. The result is a potential to capture \$54m from PTA residents and a further \$18.5m from STA residents.

2.3 Other sources of Expenditure

Two other main sources of expenditure were identified being public transport commuters and workers in the immediate area.

2.3.1 Expenditure from Workers

Workers typically spend a proportion of their total spend close to their place of work. Within the PTA there are around 3,000 workers. Assuming an average spend of \$3,500 per annum per worker⁹ total retail sales from non-resident workers at Edgecliff would be \$10.5m per annum.

2.3.2 Expenditure from Commuters

Edgecliff railway station is located on the Eastern Suburbs line, serving the Sydney suburb of Edgecliff. It is served by Sydney Trains T4 Eastern Suburbs & Illawarra Line services and NSW TrainLink South Coast Line services. Edgecliff station opened in 1979 when the Eastern Suburbs line opened from Central to Bondi Junction. In June 2019 a Transport for NSW upgrade was completed providing a new access ramp on New McLean Street and a bus canopy extension. 20,000 passengers a day pass through the station¹⁰. Around half of these passengers are commuters using the train to work and around two thirds of commuters live outside the MTA.

The following bus routes operate from Edgecliff Interchange. All routes are operated by the State Transit Authority.

- Bus Interchange
 - 200: to Bondi Junction Interchange via Woollahra
 - 328: to Bondi Junction Interchange
 - 323: to Dover Heights

⁹ An Urbis study found workers in the CBD spend \$11,000 per annum in the CBD of which 33% was in food services (<https://insideretail.com.au/news/office-workers-big-spenders-201407>)

¹⁰ Transport for NSW, Transport Performance and Analytics (TPA)

- 324: Watsons Bay via Vaucluse Heights
- 325: Watsons Bay via Vaucluse
- 326: to Bondi Junction Interchange via Victoria Road
- 327: to Bondi Junction Interchange via Bellevue Road
- 328: to Darling Point
- New South Head Road
 - 200: to Chatswood station
 - 324: to Walsh Bay
 - 325: to Walsh Bay

Hence there a fair number of commuters at Edgecliff Station that live further east in the suburbs of Double Bay, Bellevue Hill, Point Piper, Rose Bay, Vaucluse and Watsons Bay. These residents are very affluent with an average spending level of \$19,300 per annum – almost 40% higher than NSW Average. Capturing a very small level of their total spend (say 1.3%) equates to around \$3,000 per annum spend by each commuter living outside the MTA. In total a further \$11m could potentially be captured from this source. We consider this to be a reasonable, even conservative, assumption.

Finally we would expect some additional capture of expenditure from other sources – people that neither work or live in the area such as students (Ascham Girls High School), visitors to medical services, family, friends and the like. We have assumed 11% (\$11m) of total revenue will be derived from these miscellaneous sources.

2.4 Total forecast potential retail sales

From the above data and assumptions made we forecast potential retail sales in 2026 as follows

Table 4: Potential retail sales by store type in 2026 (\$2020)

Retail Store Type	(\$m)
Supermarkets & Grocery Stores	51.6
Specialty Food Stores	11.1
Fast-Food Stores	10.3
Restaurants, Hotels and Clubs	13.6
Department Stores	0.0
Apparel Stores	3.9
Bulky Goods Stores	7.4
Other Personal & Household Goods Stores	7.1
Selected Personal Services	4.2
Total Retailing	109.1

Total potential or achievable retail sales in Edgecliff in 2026 would be almost \$110m of which almost half would be captured by supermarkets, food and grocery stores.

2.5 Demand for shop front space

Demand for shop front space is calculated by dividing potential retail sales by industry target retail turnover density levels (\$/sqm). Target RTDs are sourced from a number of sources including ABS Retail Sales, ABS Retail Survey 1998-99, Shopping Centre News, Urbis Retail Averages, various annual reports and other consultancy studies. The results are shown in the table immediately below.

Table 5: Floorspace demand by broad retail type

Retail Store Type	Potential retail sales (\$m)	Target RTD (\$/sqm)	Sqm
Supermarkets & Grocery Stores	51.6	11,000	4,688
Specialty Food Stores	11.1	9,500	1,173
Fast-Food Stores	10.3	8,000	1,291
Restaurants, Hotels and Clubs	13.6	6,000	2,259
Department stores	0.0	3,700	0
Apparel stores	3.9	6,500	599
Bulky Goods Stores	7.4	3,700	1,993
Other Personal & Household Goods Stores	7.1	5,000	1,417
Selected Personal Services*	4.2	4,000	1,043
Total Retailing	109.1	7,572	14,464
Non-retail commercial space @ say 15%**			2,170
Vacancies (say 4%)			665
Total shop front space			17,300

* Including hair and beauty, laundry, clothing hire and alterations, optical dispensing

** Includes financial, real estate, travel and medical services that occupy shop front space

The net increase in GLAR proposed under the proposal is 1,633sqm. This would bring the total level of shop front floor space in Edgecliff to around 14,300sqm – some 3,000sqm less than what could be provided to meet potential demand.

If both proposed major stores were occupied by supermarkets it would increase the total level of supermarket space above the level of demand by around 500sqm and result in an average turnover level of around \$10,000/sqm. Nevertheless this remains a sustainable level of trading for supermarkets.

2.6 Demand for Medical, Health and Wellbeing Services

Growth in the demand for medical services is derived from a combination of population growth and the changing nature of the population in any given area.

Woollahra LGA's population is expected to have only modest growth over the 20 year period from 2016 to 2036 from 57,744 to 60,738 – only 5.2% (0.25% per annum). However the population of aged persons (75 years and older) is expected to increase by 68% from 4,657 to 7,833 (2.6% per annum). Older people have considerably higher need for medical services than the other age groups. The proposal will provide key health infrastructure to meet this growing need adjacent to the train station and bus terminal enabling a strong level of public transport access for the residents of the whole LGA.

Furthermore Council's Integrated Transport Study has forecast the population growth to increase by 38% to 2056 with Double Bay and Edgecliff expected to accommodate most of that growth.

Transport for NSW forecasts an increase in the number of jobs in medical services in the Edgecliff/Double Bay/Darling Point SA2 from 1,073 in 2016 to 1,434 in 2036. This translate to a need for around 11,000sqm more space than currently provided.

3.0 ECONOMIC IMPACT ASSESSEMENT

The following Chapter assesses the economic impacts of the proposal during and post-construction. Economic impacts include employment generation, wages and gross value added (GVA) and increased business generated from additional workers and residents.

3.1 Proposed land uses

Although the submission is in the early stages of a planning proposal, at the time of this report the following indicative scheme proposes the following land uses:

- Approximately 250 residential apartments
- 4,670sqm of leasable general office space (5,190sqm GFA)
- Medical, health and wellbeing suites of around 2,572sqm leasable space (3,036sqm GFA)
- Leasable retail space of 4,787sqm (7,177sqm GFA)
- Approximately 300 car spaces.

These land uses have formed the basis of our economic impact assessment.

3.2 Construction impacts

Longhurst has provided an estimate of the cost of construction from a quantity surveyor at 345.7m as detailed in the table immediately below.

Table 6: Estimated construction costs

	Qty		\$/Sqm	Total
Demolition / Strip Out Works	1 no.		\$ 3,500,000	\$ 3,500,000
Podium incl. Public Benefit Offer	21,300	m2	\$ 3,788	\$ 80,698,865
Residential	28,541	m2	\$ 4,000	\$ 114,164,000
Basement	18,500	m2	\$ 3,500	\$ 64,750,000
Infrastructure & Transport Interface	1 no.		\$ 13,400,000	\$ 13,400,000
Prelims & Builder Margin	25%			\$ 69,128,216
TOTAL				\$ 345,641,081

Source: Longhurst

3.2.1 Construction multiplier effects

The construction industry is a significant component of the economy accounting for 6.7% of Gross Domestic Product (GDP) and employing almost one million workers across Australia.¹¹ The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

¹¹ Source: IBIS World Construction Industry Report 2015

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

The source of the multipliers adopted in this report is ABS Australian National Accounts: Input-Output Tables 2017-18 (ABS Pub: 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.62, \$0.66 and \$0.91 respectively to every dollar of construction.

The table below quantifies associated economic multipliers resulting from the construction process.

Table 7: Construction multipliers (\$m)

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.620	0.661	0.905	3.186
Output (\$million)	\$346	\$214	\$229	\$313	\$1,101

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2016-17 (ABS Pub: 5209.0)

The estimated direct construction costs would generate a further \$443 million of activity in production induced effects and \$313 million in consumption induced effects. Total economic activity generated by the construction is estimated at \$1.1 billion.

Note that the multiplier effects are national, and not necessarily local. The ABS states that:

“Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”

In particular, the multiplier impacts can leave the impression that resources would not have been used elsewhere in the economy had the development not proceeded. In reality, many of these resources would have been employed elsewhere. Note that the NSW Treasury guidelines state:

“Direct or flow on jobs will not necessarily occur in the immediate vicinity of the project – they may be located in head office of the supplier or in a factory in another region or State that supplies the project”¹².

Nevertheless, economic multiplier impacts represent considerable added value to the Australian economy.

¹² Source: Office of Financial Management Policy & Guidelines Paper: Policy & Guidelines: Guidelines for estimating employment supported by the actions, programs and policies of the NSW Government (TPP 09-7) NSW Treasury

3.2.2 Construction related employment

Every one million dollars of construction work undertaken generates 2.5 job years directly in construction¹³. Based on the estimated construction costs 863 job years¹⁴ would be directly generated by the proposed development as shown in the table below.

Table 8: Construction employment

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.731	0.851	1.434	4.016
Employment No. per \$million*	2.497	1.826	2.125	3.581	10.029
Total job years created	863	631	735	1,238	3,467

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2016-17 (ABS Pub: 5209.0)

The ABS Australian National Accounts: Input-Output Tables 2016-17 identified employment multipliers for first round, industrial support and consumption induced effects of 0.73, 0.75 and 1.43 respectively for every job year in direct construction. Including the multiplier impacts the proposal is estimated to generate a total of 3,467 job years.

3.2.3 Retail expenditure from construction workers

Construction workers on site would generate additional sources of retail expenditure. This would be spent predominately on convenience-related items such as lunches, coffees, snacks and so on. A recent survey conducted by URBIS found that workers in Sydney CBD on average spent \$230 per week on retail items. This average spend encompasses clothing, internet and supermarket purchases. Around one third was on food services. For construction workers, HillPDA has applied a more conservative spend of \$15 a day or \$75 a week from each worker during the construction period.

On this basis existing retailers in Edgecliff would enjoy an additional \$3.0m in retail sales (or turnover) during the period of construction.

3.2.4 Other construction impacts

The construction process may lead to short-term negative impacts in the locality such as increased traffic, noise, dust and so on. The development would take the necessary steps to mitigate the extent of these impacts which will form part of further approvals. Impacts during construction are short term and can be managed but an improved retail offer with added health services and increased activity will benefit the centre in the long term.

¹³ Source: ABS Australian National Accounts: Input – Output Tables 2016-17 (ABS Pub: 5209.0) adjusted to 2016 dollars

¹⁴ Note: One job year equals one full-time job for one year

3.3 Economic impacts post construction

3.3.1 The base case

The base case is referred to as the do nothing option. The existing building on the site has employment uses comprising 3,154sqm retail GLAR and 7,965sqm of office GLA. The current vacancy rate is quite high – 8 retail vacancies totalling 507sqm which equates to 16% of floor area. The office tower currently has 15 vacant suites totalling 1,586sqm which equates to 20% of floor area. The high vacancies is a likely reflection of varying factors including the requirement for substantial capital investment, the building’s age and nearing economic obsolescence, redevelopment clauses to facilitate capital investment and changing retail/office trends and needs of businesses.

Assuming an employment density rate of 22sqm per worker (or 18.8sqm of current occupied space per worker) for the office component and 30sqm per worker (or 25.2sqm of occupied space per worker) for the retail component then total employment on site is estimated at 467.

Based on an average remuneration of \$86,800 in the office space and \$36,000 in the retail space total remuneration of all workers is \$35.2m per annum¹⁵.

Gross value added (GVA) of an industry refers to the value of outputs less the costs of inputs. It measures the contribution that the industry makes to the country’s wealth or gross domestic product (GDP). Based on the number of existing workers by industry type we estimate the current level of GVA at \$47.1m per annum¹⁶.

3.3.2 Employment generation

Following construction, the proposal would provide employment floorspace. Based on industry standard employment densities we have estimated that upon operation and full occupation, the proposal has the potential to generate 692 jobs.

Table 9: Estimated employment generation of Planning Proposal

Land Use	Employment Density*	GLA	Units	Jobs
Specialty Retail	1 / 25 sqm	1,984	sqm	79
Supermarket	1 / 25 sqm	2,950	sqm	118
Office Space	1 / 12.5 sqm	4,873	sqm	390
Medical Suite	1 / 28 sqm	2,373	sqm	85
Work at Home**	1 / 12 units	250	units	20
Total		12,180	sqm	692

* ABS Retail Survey 1998-99, Australian Benchmarks, Sydney City Employment & Floorspace Survey 2019 and HillPDA

** ABS Community Profile for Woollahra LGA 2016 (allows for 5% vacancies).

692 jobs on site is a net increase of 225 jobs above the base case (do nothing). It is likely that the difference would increase further over time as the existing building continues to age and becomes increasingly less attractive to new tenants in the commercial property market.

¹⁵ Sources include ABS, IBIS World reports and “Living in Australia”

¹⁶ IBIS World Reports

3.3.3 Workers remuneration

HillPDA has estimated a total annual remuneration of \$49.6 million for the workers on site. The details are provided in the table immediately below.

Table 10: Estimated remuneration (\$2019)

Land use	No. of Workers	Average Wage	Total Wage Generation (\$m)
Specialty Retail	79	\$36,000	\$2.9
Supermarket	118	\$36,000	\$4.2
Office Space	390	\$86,800	\$33.8
Medical Suite	85	\$85,600	\$7.3
Work at Home**	20	\$70,000	\$1.4
Total	692	\$71,678	\$49.6

Source: IBIS World Reports and ABS Average Weekly Earnings

Remuneration of workers on site is a net increase of \$14m per annum from the base case (do nothing).

3.3.4 Gross value added

HillPDA has estimated the combined GVA from land uses proposed in the planning proposal at \$66.1 million per annum. The details by land use is provided in the table below.

Table 11: Estimated Gross Value Added (\$2019)

Land use	No. of Workers	GVA / Worker	GVA (\$m)
Specialty Retail	79	\$50,400	\$4.0
Supermarket	118	\$50,400	\$5.9
Office Space	390	\$115,400	\$45.0
Medical Suite	85	\$111,280	\$9.4
Work at Home**	20	\$87,500	\$1.7
Total	692	\$95,551	\$66.1

Source: HillPDA, IBIS 2018/19 World Reports and Economy id

Gross value added of \$66.1m is a net increase of \$19m per annum from the base case (do nothing).

3.3.5 Additional revenue for local retailers

We estimate that the 692 workers on the site would spend around \$2.4m per annum on retail goods and services in the Edgecliff town centre based on an average spend of \$15 per day per worker¹⁷. This is a minor increase from \$0.8m per annum from the base case.

Residents by far make the strongest contribution to supporting existing and new businesses. Residents on site will be affluent each spending on average around \$21,500 per annum on retail goods and services of which close to half of this would be spent in the Edgecliff town centre. Assuming \$10,000 per person this would amount to a further \$4.3m every year in additional revenue for Edgecliff retailers.

¹⁷ Note that this is around 30% of the total spend by workers in the Sydney CBD near the place of work based on a recent Urbis Survey of workers in the CBD (<https://insideretail.com.au/news/office-workers-big-spenders-201407>)

3.4 Retail trading impacts

3.4.1 Forecast retail sales

The proposal will provide 4,787sqm of GLAR – a net increase of 1,633sqm. This is modest increase in floor space which is likely to result in a marginal increase in retail sales of \$18.0m.

3.4.2 Retail trading impacts

Total retail sales would be redirected from competing centres. In order to quantify the redirection of trade from competing centres HillPDA prepared a bespoke gravity impact model. For the purpose of the assessment we have measured the impact during the first full year of trading, likely to be Year 2026. This is to give time for the centre to build up its customer base and be fully leased (or at least it's assumed that it will be fully leased for the purpose of this assessment).

The gravity model was designed on the premise that the level of redirected expenditure from a competing centre selling like for like products is directly proportional to the turnover of that centre and indirectly proportional to the distance from the Subject Site. The results are presented in the table immediately below.

Table 12: Trading Impacts of the Proposal (2020 dollars in millions)

1	2	3	4	5	6	7	8	9	10
Retail Centre	Distance from Subject Site (km)	Approx. Retail Floor Space	Turnover in 2020	Turnover in 2026 without Proposal	Turnover in 2026 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2026	Shift in turnover from 2020 to 2026	% Shift in turnover from 2020 to 2026
Marginal Increase					18.0	18.0		18.0	
Existing Retailers		10,050	75.8	84.9	79.6	-5.3	-6.2%	3.8	5.0%
Total Edgecliff Town Centre		10,050	75.8	84.9	97.6	12.7	15.0%	21.8	28.7%
Bondi Junction	1.8	150,000	1575.0	1686.8	1680.8	-6.1	-0.4%	105.8	6.7%
Double Bay	0.7	26,000	193.0	204.8	202.7	-2.1	-1.0%	9.8	5.1%
Woollahra	1.0	2,000	13.2	13.9	13.9	-0.1	-0.6%	0.7	5.2%
Paddington	0.8	27,000	180.0	190.5	189.6	-0.9	-0.5%	9.6	5.4%
Other Localities						-3.6			
TOTAL		205,000	1961.1	2096.1	2105.0	0.0	0.4%	147.7	7.3%

Columns:

1. Retail Centre Name (includes strip shops)
2. Distance in kilometres from subject site (source: Googlemaps).
3. Various including Shopping Centre News, PCA Shopping Centres Directory, Hill PDA and IBECOM Floorspace Surveys.
4. Various including Shopping Centre News, PCA Shopping Centres Directory, Shopping Centre Annual Reports, Urbis Retail Averages, Other Consultancy Reports and Hill PDA Estimate.
5. Allows for population growth and real growth in retail spend per capita of 0.8% per annum in line with historic trend since 1986 (Hill PDA Calculation from ABS Retail Sales, population estimates and CPI indexes).
6. The turnover of centres following the proposed development. The forecast turnover of the proposed development is redirected from the existing centres based on distance and size.
7. This is difference between the development and the do nothing options (i.e. Column 4 minus Column 5).
8. Immediate percentage shift in turnover divided by turnover in 2026 without development (ie Column 6 - Column 5)
9. This is the shift in turnover from 2020 to 2026 after the opening of the new development (Column 6 minus Column 4)
10. This is shift in turnover from 2020 to 2026 divided by the base turnover in 2020

The table above shows that the strongest immediate impacts will be on existing retailers in Edgecliff with a loss of \$5.5m or 6.5% average loss in trade. Note however that this is the immediate impact – the difference between the proposal and the do nothing option. From 2020 to 2026 existing retailers will enjoy considerable

growth in trade due to population growth and real growth in retail spend per capita (at around 0.8% per annum in line with the long term trend since 1986). As shown in the far right column of the table existing retailers will enjoy real growth in turnover of 5%. This growth is also partly due to the additional residents and workers on the site itself that will spend around \$5m more in the Edgecliff town centre than the existing workers in Edgecliff Centre.

A further important consideration is that the impacts on existing retailers is not a relevant matter for consideration at development application stage. The NSW Land and Environment Court has clearly stated that competition between traders in the same centre is not a relevant matter for determination and that the relevant matter is the impact on the centre and other centres as a whole. In this particular case Edgecliff centre will enjoy additional trade as a result of the proposal because the proposal will replace old with new. It will significantly improve the retail mix, the layout and connectivity making Edgecliff a more attractive place to shop for Edgecliff and Darling Point residents, for commuters and for Edgecliff workers. The current retail offering is dated, has a poor layout and connectivity, it also suffers from a larger vacancy. A new retail experience with larger and more generous communal offerings, higher quality retail environment, improved connections to the street network and the inclusion of significant public spaces will result in improved place making and amenity in the Edgecliff town centre.

Therefore the only relevant matter in terms of trade impacts is the impacts on other centres and the above table shows that these impacts will be insignificant. This is understandable given the sheer sizes of these competing centres and their retail mix – with a considerable component of fashion and homewares that would not be impacted by the modest expansion in Edgecliff.

3.5 Additional government revenue

State and local government stand to receive additional revenue from development which is estimated at \$132m. The details are shown in the table immediately below:

Table 13: Impact on whole of government revenue

Source of Revenue	TOTAL (\$m)
GST from Residential Apartments *1	57
Stamp Duty Revenue *2	64
Developer Contributions *3	4
Payroll Tax during Construction *4	8
TOTAL	132

*1 Assuming average apartment sale price of \$2.5m (based on recent comparable apartment sales at No. 170 and 180 Ocean Street and elsewhere in the Edgecliff suburb)

*2 Assuming average apartment sale price of \$2.5m

*3 Assuming 1% of design and construction cost

*4 Assuming 50% of construction workers do not attract payroll tax due to varying business sizes

3.6 Other Impacts

3.6.1 Investment stimulus

Where a significant property investment decision has been made, it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further investment. The direct investment in the Subject site would raise the profile of the Edgecliff town centre and support a wide range of economic multipliers which would in turn support investment in associated industries.

The provision of commercial development on the Subject site would increase the economic benefits of the scheme to surrounding businesses, services and increase the patronage of the public transport system – particularly the train line.

3.6.2 Jobs closer to home

There are many benefits associated with providing jobs closer to home, most notably a reduced need to travel and the flow on benefits associated with this in terms of reduced pressure on infrastructure.

A reduction in the number and length of journeys made, in particular those made in private vehicles, has environmental benefits. There are also lifestyle benefits related to increased free time, reduced travel related stress and a reduced likelihood of road related accidents.

Edgecliff station is only 4 minutes from Martin Place (which will also be on the new Metro Northwest to Bankstown Metro line) and 7 minutes from Town Hall Station providing a rapid and frequent public transport service to the city. Providing jobs closer to home meets the GSC 30 minute city direction, where residents live within 30 minutes of their jobs, education and health facilities, services and great places.

3.6.3 Town centre activation

A high-density mixed-use development comprising retail, commercial, medical services and residential uses would create increased pedestrian traffic having the effect of further activating the town centre. This precinct activation would have the benefits of increasing security, increasing trade for retailers through increased passing trade and increased investment in the local area.

3.6.4 Transit Orientated Development (TOD)

High-density mixed-use development close to major transport nodes meets urban consolidation objectives. It results in improved efficiencies, reduces dependency on private motor vehicle usage and encourages the use of public transport.

Apart from proximity to major public transport infrastructure, TODs provide a wide range of land uses – combining residential with retail, educational, medical, financial and other personal services. The purpose is to create a precinct where people can live, work, shop, learn and play with public transport connections to reduce the need to use private motor vehicles and improve transport and environmental sustainability. The proposal makes a strong contribution towards these goals by replacing an ageing building with new housing, a new retail centre, medical and other commercial services adjacent to the Edgecliff train station only five minutes away from the Sydney CBD.

3.6.5 Economic stimulus

At the time of reporting the national economy was significantly adversely impacted from the COVID 19 pandemic. The redevelopment of Edgecliff centre is a timely project that would provide some needed stimulus by way of multiplier impacts that would ripple through the economy and utilising resources including labour that would otherwise not be utilised during times of recession.

4.0 PUBLIC BENEFITS

In addition to the producing additional government revenue (refer to Section 3.5 above), the proposed development aims to provide a number of public spaces and other benefits that will be enjoyed by local residents, workers, shoppers, public transport users and other members of the community. The benefits will extend beyond the site's boundaries, importantly reinvigorating the transport interchange and contributing to the overall regeneration of the Town Centre. The public benefits which offer both quantifiable and non-quantifiable benefits to the wider community are described below;

4.1 Publicly accessible open green space

The proposal offers a unique opportunity to provide publicly accessible open green space within the development in a constrained urban area. Adjoining the existing Edgecliff Bus Interchange, the proposal will create an extension of the existing public domain, transforming it into a multi-functional public realm destination.

The proposed open space will facilitate key connections from the bus terminal to the train concourse and contribute to the Woollahra open space network by providing a key community benefit of new and highly accessible open public green space for all members of our community. The park will significantly improve the interface for users of the bus terminal and seek to provide further connectivity synergies with the transport uses on the site, providing a green break out space and opportunity for leisure (as opposed to simply commuting), which is a desired goal of improving transport infrastructure.

An amphitheatre-like experience has been designed to provide ample opportunity to gather and congregate within the space and includes features such as naturally rolling hills, trees and planting, gardens, hard and soft landscaping, bicycle parking, open spaces for seating, leisure and retreat and varying place making initiatives.

4.2 Entrance and public square

The creation of a new volumetric entry way will improve way finding and legibility of the interchange whilst also improving the activation along New South Head Road and New McLean Street. The proposal adopts the strategy of blending the internal and external spaces of the ground plane to create a seamless open-plan plaza lined with fine-grain retail and place making opportunities which are intended to create a village style atmosphere.

This plaza extends outwards onto New South Head Road, creating a very clear address for the Edgecliff Railway Station from the public domain and will house the integrated intermodal vertical connections. This extension of the pedestrianised space will provide an improved pedestrian experience allowing for a more permeable ground plane and podium to enhance the experience for the community with place and destination making opportunities such as public art/gallery-like displays, break out spaces to work, leisure & congregate as well as universal accessibility to the conveniences offered including medical, retail, transport and leisure.

4.3 Community space

The proposal will include a community space between 120 square metres and 240 square metres pending design development) adjoining the publicly accessible green space. The community space can be utilised as a student study room, meeting spaces or other ancillary uses based on a needs basis which will seek to be finalised with further community engagement.

4.4 Creation of new high quality interchange

A key driver and outcome for the renewal of the Edgecliff Centre is the much-needed regeneration of the Edgecliff Transport Interchange. Currently, both the railway station and bus interchange suffer from poor accessibility, activation and amenity within an aged and landlocked interchange. The catalyst to facilitate the revitalisation of the existing key interchange for the Eastern Suburbs is the renewal and redevelopment of the Edgecliff Centre.

The proposal creates a significant improvement to the existing connectivity, interface issues and legibility currently facing the site. The proposal supports new direct vertical transport connections to the railway station below and the bus interchange above. A new central atrium filling the concourse with natural light will support direct elevator access to the bus interchange and publicly accessible open space, supporting more direct and

4.5 Conclusion

The redevelopment of Edgecliff Centre will replace an ageing increasingly economically obsolete building with a new mixed use residential and commercial building.

- It will generate considerable investment providing 863 job years directly in construction and a total of 3,467 job years including multiplier impacts.
- When fully occupied it will provide 692 jobs on site – 225 more than the current building if fully occupied.
- It will provide a superior retail offer for Edgecliff with almost zero impacts on other centres.
- It will provide a vastly better interface and connection to the street, to the train station and to the bus interchange.
- It will be a mixed-use transit orientated development at the train station within minutes of the Sydney CBD that will make a strong contribution to the principles of reduced car dependency and transport sustainability.
- Finally it will provide spaces for the public in the form of a publicly accessible green open space, improved entrances to the station and bus terminal, the plaza and a community space.

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SYDNEY

Level 3, 234 George Street
Sydney NSW 2000
GPO Box 2748 Sydney NSW 2001
t: +61 2 9252 8777
f: +61 2 9252 6077
e: sydney@hillpda.com

MELBOURNE

Suite 114, 838 Collins Street
Docklands VIC 3008
t: +61 3 9629 1842
f: +61 3 9629 6315
e: melbourne@hillpda.com

WWW.HILLPDA.COM