Attachment A5

Oxford Street Floorspace Supply and Demand Study

SGS Economics & Planning

OXFORD STREET FLOORSPACE SUPPLY AND DEMAND STUDY

FINAL
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Prepared for
City of Sydney

Independent insight.

SGS Economics and Planning Pty Ltd
ACN 007 437 729
www.sgsep.com.au

Offices in Canberra, Hobart, Melbourne, and Sydney, on Ngunnawal, muwinina, Wurundjeri, and Gadigal Country

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EXECUTIVE SUMMARY

This Floorspace Supply and Demand study has been prepared for the City of Sydney as part of the Strategic Review of the Oxford Street corridor.

Context

The City is undertaking the Strategic Review of Oxford Street in order to reposition it as a vibrant cultural and creative precinct. The objectives of the study are to:

- Understand and provide support to an appropriate land use mix control for the Study Area to support creative and cultural uses.
- Identify the current floor space mix and character in the Study Area, detail how it might change and how the City can promote or incentivise the revitalisation of creative industries, cultural and night-time activities through its planning controls.
- Understand the future floor space demand and growth for the Study Area and define long term floor space and building typologies and requirements needed to support it.
- Provide specific advice on the effectiveness, feasibility and means of encouraging developers to deliver creative and cultural related floor space and uses within the Study Area.

The study area considered is shown below.

Existing policies and plans

A range of State Government and City of Sydney plans and policies have relevance for Oxford Street and the aims of the precinct to be a centre for cultural and creative uses. These include aspirations in the GSC's Metropolis of Three Cities and Eastern City District Plan to celebrate and support creative industries, the City of Sydney's strategic plans which include objectives to support the Eastern City Creative Precinct, and the City's broader strategies around the night-time economy.

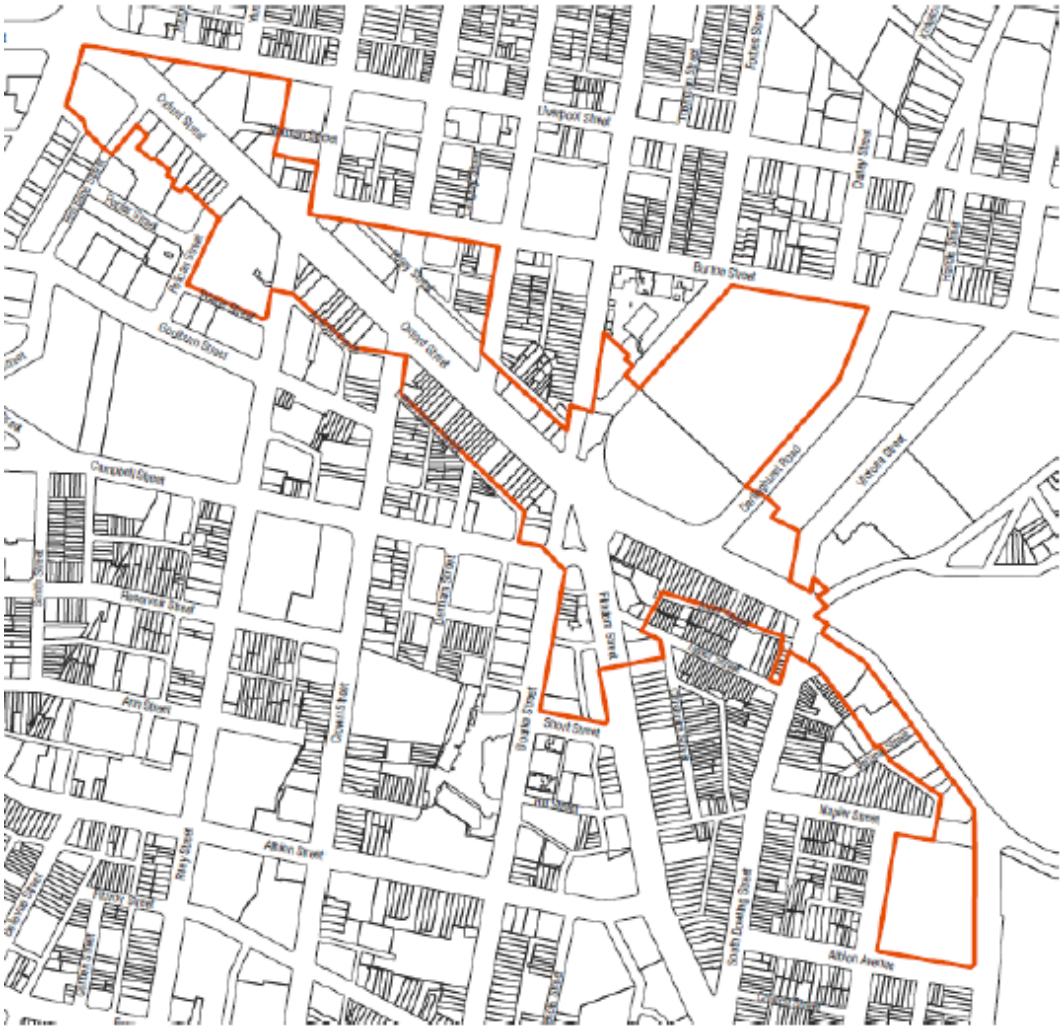
Market trends and drivers

There are a range of market and other factors and trends which may impact on the need and types of floorspace in the precinct in future. These include broad trends such as the growth of online retailing, emergence of café culture and experience shopping, preferences for fine-grain retail centres, changes in the use of office space, and the relaxation of the lock-out laws previously imposed in the area.

The current market has also obviously been significantly impacted by COVID-19 and related shutdowns and restrictions on business operations, the long-term effects of which (such as whether more people will work from home in future) are yet to be seen. Rents within the precinct appear to be on par with other fringe markets, but are still very high, particularly for creative businesses. The precinct has suffered from a relatively high level of vacancy in recent times, with challenges contributing this seen as including the lock-out laws, heritage and building controls, and the disparity between rents for the City's subsidised spaces and market rents.

While there are many challenges for the precinct, there are also opportunities to build on, including its proximity to the CBD, redevelopment plans for former City-owned sites, and its history and identity as a place for culture.

OXFORD STREET STUDY AREA BOUNDARY



Source: City of Sydney, 2020.

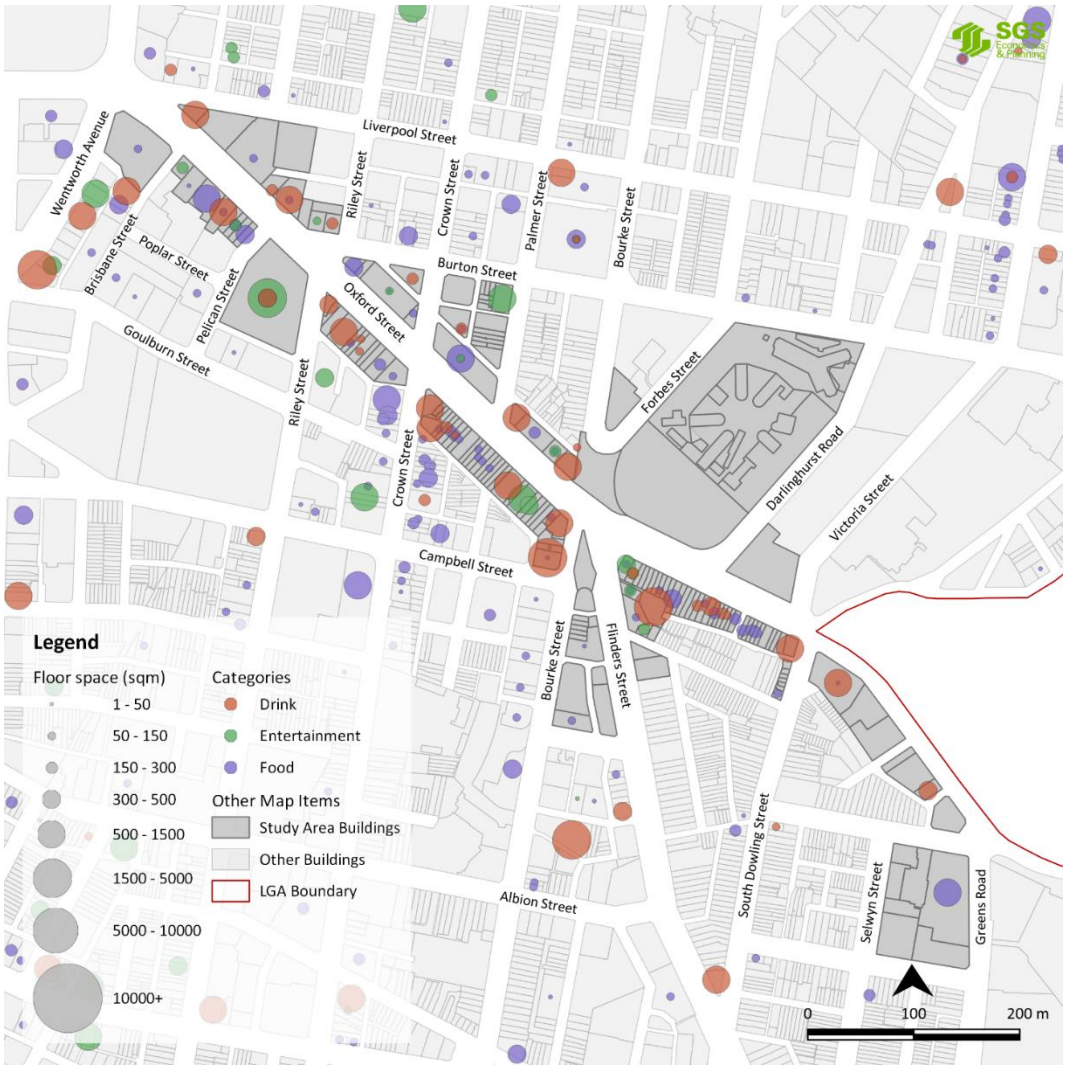
Existing supply

A review of the City's FES data has illustrated that there are concentrations of floorspace types in the precinct – notably in higher education related to the NAS and UNSW campuses, tourist-based and entertainment uses, food and drink establishments, and retail and creative industries.

Over time there has been a change in the type of floorspace in the area, with recent declines in some key sectors including food and drink and tourism, likely linked to the lock-out laws in place during this period which have affected not only bars and pubs directly, but had flow-on effects to businesses. The concentration of night-time economy uses are illustrated below. There has also been a relatively high level of vacancies in the precinct in recent times.

Overall, employment floorspace in the precinct increased by around six per cent between 2007 and 2017, however, this has occurred against a background of overall decline over the past five years. Analysis of existing planning controls suggests there may also only be a small amount of additional capacity to generate new floorspace in the precinct through development.

NIGHT-TIME ECONOMY USES (2017 INTERNAL FLOOR AREA, SQM)



Source: SGS Economics and Planning 2020; base data from City of Sydney FES 2017.

Projected demand

Retail floorspace

Using a retail gravity model, hawse have identified that based on expenditure trends, projected population growth, and a medium growth scenario for online retail as a share of spending, there would be **a gap of around 2,766 square metres of retail floorspace** in the Oxford Street precinct, mostly in hospitality floorspace, by 2036. Under a 'COVID-19' scenario which assumes that trends observed during the pandemic continue (e.g. a greater share of spending in neighbourhood centres and on online retail), there **will be an oversupply of floorspace the precinct in 2036 of around 2,774 square metres**. The difference between the scenarios shows that at a time of significant uncertainty, planning for new retail floorspace in the precinct will need to be considered carefully as new expenditure patterns and shifts in the economy and the retail sector emerge in a post-COVID trading environment

Office and creative floorspace

Based on recent growth trends in sectors that utilise office-based and creative floorspace, SGS has identified that based on market trends and population and employment forecasts, by 2036 there may be a need for an additional **5,565 square metres of office-based floorspace and 3,910 square metres of creative industries floorspace in the precinct**.

Recognising that COVID-19 will also impact demand on these types of floorspace at least in the short-medium term, using projections of reduced gross value added, a COVID-scenario which assumes that economic activity resumes normal patterns by 2026 shows that **demand for office space in the precinct in 2036 would be reduced to around 4,766 square metres, and 3,697 square metres for creative floorspace.**

Summary and conclusions

The table below summarises the projected need for additional floorspace in the precinct for each type to 2036, under the base and COVID-19 cases. In short, under the base case there would be a need for around 12,200 square metres of additional space (with the largest proportion in office space), while under the COVID-19 adjusted scenario there would only be demand for 5,700 square metres of space.

SUMMARY OF PROJECTED ADDITIONAL FLOORSPACE DEMAND, OXFORD STREET PRECINCT, 2036

Floorspace type	Base case	COVID scenario
Retail	2,766	-2,774
Office	5,565	4,766
Creative	3,910	3,697
Total	**12,241**	**5,689**

Source: SGS, 2020

This suggests that there is n**ot likely to be a significant need for additional floorspace in the precinct to meet projected total demand**, but a small amount of additional office and creative floorspace capacity over this period is likely to be needed (though recognising this is a time of significant uncertainty and the limitations of these types of projections).

Given the relatively low level of demand expected, large scale changes to planning controls to facilitate new development are not required. Instead, consideration could be given to how to best utilise existing floorspace within the precinct to cater to different types of demand, and to target redevelopments to deliver new capacity while respecting the precinct's heritage and character.

As is explored further in the accompanying *Cultural Activity Study* for the precinct, planning for the precinct needs to look beyond simple floorspace *volume* questions. The *character* of demand is an important consideration, including whether the existing floorspace in the precinct is fit for purpose (or able to be made so) for particular uses – this is especially so for the creative sector which spans a variety of uses which have different and specific floorspace needs.

1. INTRODUCTION AND CONTEXT

This section introduces the purpose and wider policy context for this study.

1.1 Background

Context

The City of Sydney (the City) is undertaking a Strategic Review of the Oxford Street corridor, which is aiming to reposition the area as a vibrant cultural and creative precinct. This is aligned with requirements outlined in the City's Local Strategic Planning Statement (LSPS) to:

- **Investigate planning approaches to support a creative arts and cultural precinct** around Oxford Street and Taylor Square in collaboration with institutions, businesses and other stakeholders in the precinct
- **Strengthen the economic and cultural role of the Eastern Creative Precinct** by safeguarding the capacity of diverse business, retail and office spaces, encouraging affordable space for tech start-ups, innovative industries, cultural and community uses and protecting and enhancing its entertainment, arts, performance and cultural role through the provision of space for cultural performance and production, and
- **Work with the NSW Government to plan for the transition of streets to 'people first' places** so streets are quieter, cleaner and greener with increased footpath capacity throughout the city, particularly on multi-modal corridors with the priority to investigate Oxford Street, William Street, King Street/City Road, Botany Road and Parramatta Road/Broadway and their respective side streets.

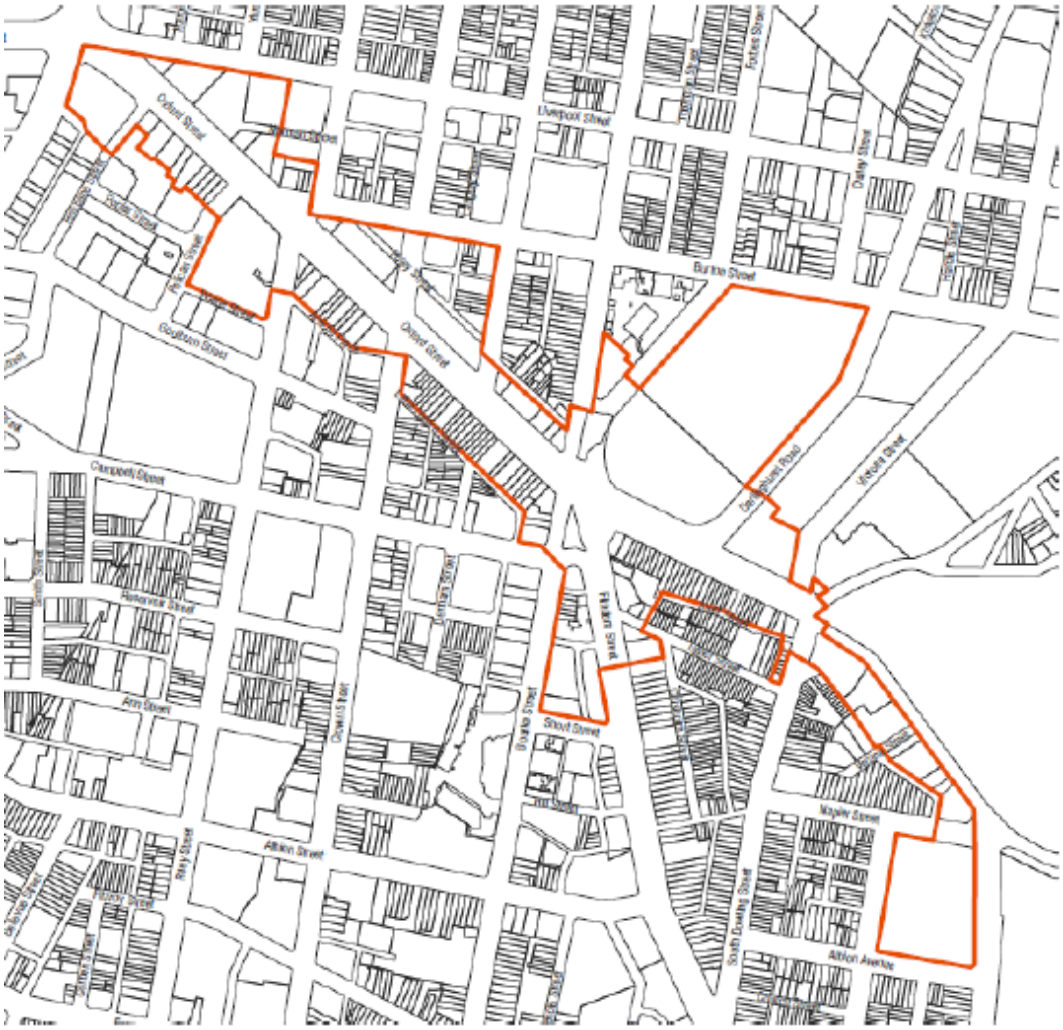
Floor space demand and supply study

To inform the review, the City has engaged SGS to undertake a floorspace supply and demand study for the study area shown below in Figure 1. The floorspace study is intended to inform other related pieces of work as part of the Strategic Review.

The key objectives of this study are to:

- Understand and provide support to an appropriate land use mix control for the Study Area to support creative and cultural uses.
- Identify the current floor space mix and character in the Study Area, detail how it might change and how the City can promote or incentivise the revitalisation of creative industries, cultural and night-time activities through its planning controls.
- Understand the future floor space demand and growth for the Study Area and define long term floor space and building typologies and requirements needed to support it.
- Provide specific advice on the effectiveness, feasibility and means of encouraging developers to deliver creative and cultural related floor space and uses within the Study Area.

FIGURE 1: OXFORD STREET STUDY AREA BOUNDARY



Source: City of Sydney, 2020.

Report structure

This report brings together the findings from the analysis undertaken as part of the floorspace study. The remainder of this section provides an overview of the strategic and policy context for the precinct, broader trends and drivers that may affect the precinct, and a review of the current market in the precinct. The rest of the report structured as follows:

- Section 2 provides a supply side assessment, outlining the existing floorspace characteristics and likely capacity within the precinct.
- Section 3 provides a demand side assessment for retail uses, forecasting the potential future need for retail floorspace in the precinct.
- Section 4 provides the same assessment for office-based and creative uses.
- Section 5 summarises and provides conclusions from the analysis.

1.2 Policy context

The following sections briefly outline the broad objectives and aims that are likely to be relevant for the development of Oxford Street from State and local government strategies and policies.

State-level policies

Greater Sydney Region Plan – A Metropolis of Three Cities

The Greater Sydney Region Plan (GSRP) is the NSW Government's metropolitan strategy for the Greater Sydney region. Over the next 40 years, the GSRP aims to transform Greater Sydney into a metropolis of three cities: the Western Parkland City, Central River City and the Eastern Harbour City. The 'Harbour CBD' is the metropolitan centre at the heart of the Eastern Harbour City and is the largest economic centre in Australia. The GSRP aims to make the Harbour CBD stronger and more competitive and acknowledges the importance of innovation and diverse activities in and near the Harbour CBD. **The Eastern Harbour City also includes the Oxford Street precinct across both the City of Sydney and Woollahra LGAs.**

The GSRP includes objectives which may be relevant to Oxford St:

- **Objective 9 – Greater Sydney celebrates the arts and supports creative industries and innovation** aims to ensure that opportunities are provided for creative functions to occur, such as street-art, theatres, galleries and 'eat streets'. The importance of the night-time economy is also noted as being key to area's cultural and economic success. 'Reducing the regulatory burden for creative and temporary uses and the night-time economy' is regarded as essential for this to occur.
- **Objective 18 – Harbour CBD is stronger and more competitive** identifies the importance of uses in the Harbour CBD and immediately adjacent areas in supporting the CBD's role as a major financial centre. Among these are entertainment, cultural and tourist facilities, and a robust creative sector.

Eastern City District Plan

The Eastern City District Plan (ECDP) is a 20-year strategy which gives effect to the GSRP in the City of Sydney and the remainder of the Eastern City District. It is intended to inform local level strategic planning and the assessment of planning proposals. The ECDP includes several Planning Priorities related to the economic growth and productivity which are relevant to Oxford Street:

- **Planning Priority E4 – Fostering healthy, creative, culturally rich and socially connected communities.** Supports the co-location of artistic and creative organisations to support creative enterprises and precincts, recognising the increasing importance of creative industries to the District's identity and economy.
- **Planning Priority E7 – Growing a stronger and more competitive Harbour CBD**. The study area lies within the 'Harbour CBD', with several nationally significant industry clusters. Among these, this priority seeks to enhance the area's arts, entertainment and cultural focus, including the night-time economy.
- **Planning Priority E13 – Supporting growth of targeted industry sectors**. Focuses on the development of Sydney's visitor economy, with embellished cultural and entertainment offerings.

Local-level policies

Sustainable Sydney 2030

Sustainable Sydney 2030 is the City of Sydney's Community Strategic Plan. The strategy has a focus on promoting a globally competitive and innovative city, and aims to attract growth across national and international business, professional services, specialised health and education precincts, and specialised shops and tourism. The strategy also identifies a focus on strengthening globally competitive clusters and networks to drive innovation.

Among the 10 targets included in Sustainable Sydney is that **the LGA will have an additional 97,000 jobs compared to the 2006 baseline, with an increased share in finance, advanced business services, education, creative industries and tourism**. Continued growth in these industries may create demand for floorspace along Oxford Street.

Draft City Plan 2036

The City's Draft Local Strategic Planning Statement (LSPS) – City Plan 2036 – establishes a land use planning vision for the LGA for the next 20 years. The Draft LSPS acknowledges in the prominence of night-life, bars, restaurants, cafes and creative sector to the Oxford Street Village, which includes most of the study area. The Draft LSPS also **introduces key moves to support the Eastern Creative Precinct**. This precinct is comprised of Surry Hills and Darlinghurst, along Crown, Baptist and Oxford streets, and is identified as a key location for creative enterprise, with aims to leverage the area's existing amenity to attract talent, with potential for a 'creative cultural precinct' within the study area. It is also intended or reforms to be investigated to support the night-time economy.

Another related priority in the City Plan is to **develop innovative and diverse business clusters in City Fringe**, and embellish knowledge intensive industries in areas fringing the Sydney CBD.

City of Sydney Cultural Policy and Action Plan

The City's 2014 Cultural Policy and Action plan set out foundational principles and a 10 year action plan to support artists and cultural/creative sector workers to live and be employed in the LGA. This aims to build the city's 'cultural capacity' and offerings.

The Policy included a strategic priority for **precinct distinctiveness and creativity in the public domain**, with the intention for initiatives of varying scales and timeframes will be used to activate the public domain in the City's Villages, and build on their existing identity and strengths. This priority included an action for a culture-led revitalisation of the Oxford Street precinct (endorsed in 2011) to include:

- Curated creative retailing
- Affordable creative spaces
- Cultural and community events
- Pop-up retail, public art
- Open studios
- Establishment of the Oxford Street Creative Precinct Network.

The Policy also included a strategic priority to around **sector sustainability – surviving and thriving**, with the aim of ensuring that artists and creative businesses are supported, particularly in regard to affordability issues. Previous actions noted concerning Oxford Street were the development of live-work studios and affordable rental accommodation for artists within the precinct.

OPEN Sydney Strategy and Action Plan

The OPEN Strategy and Action Plan established a vision for the development of Sydney's night-time economy between 2013 and 2030 (introduced prior to the implementation of the lock out laws). The Strategy included five goals for the night-time economy, organised around the themes of: global, connected, diverse, inviting and safe, and responsive. **Goal 3. Diverse**

Sydney included an action for the use of vacant council-owned properties as a measure to be used for the revitalisation of shopping strips such as Oxford Street.

An Open and Creative City: planning for culture and the night-time economy

The 2017 Open and Creative City strategy built on the above strategies to provide a vision for the development of the night-time economy. The proposals and actions outlined included a general focus on reducing the legal and administrative barriers which face small businesses and cultural initiatives in operating later into the evening. These proposals are to be reflected in the City of Sydney LEP and DCP, with those most relevant to Oxford Street including:

- Allowing unlicensed existing shops and local businesses in areas with an established retail character to extend their opening hours without a further development consent from 7am to10pm, seven days per week, subject to meeting certain criteria.
- Allowing minimal impact small scale cultural uses without development consent(exempt) to take place in existing office, business, retail and community facility buildings subject to meeting certain criteria.
- Establishing new planning controls specifically for cultural uses that need assessment through the development consent process, to provide better planning guidance and greater certainty.
- Establishing new planning controls that enable the fair management of entertainment sound to protect live music and performance venues and the community from potential adverse impacts.
- Allowing light industrial uses such as creative and maker tenants and owners to operate in B2 local centres (such as Oxford Street).

Development Capacity Study

The City's Development Capacity Study was undertaken in 2019, and was based on the results of the 2017 Floorspace and Employment Survey (FES), existing planning controls, consideration of the capacity of government-controlled sites, and projects in the development pipeline. The identified development capacity was also considered in terms of the potential split between residential and non-residential uses, based on recent development trends.

Within the Oxford Street Village specifically, 308 sites were identified with a total capacity of 107,897 square metres of floorspace. Of this, 50,149 square metres of capacity was found in sites between 100-499 square metres in land area, while 19 large sites (over 1,000 square metres) carried 42,198 square metres of capacity – highlighting the limited opportunities for floorspace to be delivered through development of single large sites. The findings of the study suggest that the Village may be able to produce up to around 1,100 additional dwellings and around 2,250 jobs.

Oxford Street and Paddington Place Plan 2019-2023 (Woollahra Municipal Council)

Woollahra Council has also undertaken strategic planning for the Oxford Street area, include the Place Plan developed for Oxford Street and Paddington. It is primarily focused on Oxford Street and surrounding precincts as centres for retail, food services and tourism. It seeks to maintain Oxford Street in its present role as a commercial strip, with residential development occurring in an appropriate ratio to allow for a vibrant precinct without compromising the operations of business uses. The Plan is based on six 'placemaking pillars,' including:

- Pillar 5: Embrace creative contributors encourages 'flexible governance' which allows a range of innovative businesses to occupy the precinct. This is mirrored by the City of Sydney's ambitions for a culture-led revitalisation of the Oxford Street precinct.
- Pillar 6: A multi-layered neighbourhood mix supports increased intensification of both residential and business uses along the strip in order to provide a local customer base to support population-serving and cultural uses.

Retaining and enhancing Oxford Street's heritage assets is also seen as a key directive of the Plan, with the area's **built heritage and character seen as key components of the strip's identity and offering**.

1.3 Trends and drivers

The following sections consider broader economic and other trends and drivers that may impact future land use and activity patterns, and the market for commercial space in the Oxford Street precinct.

Changes in retailing

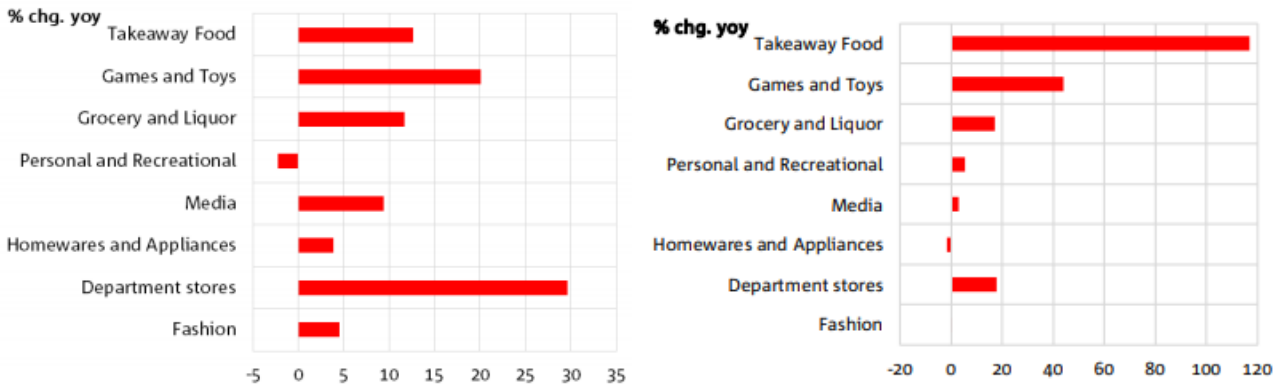
Online retailing

Online retailing has become a major factor in Australia's retail landscape. Growth in online retail has continue to be strong, and in the 12 months leading up to January 2019, Australians spent the equivalent of about nine percent of the traditional 'brick and mortar' retail sector in online retailing.[1] With the impacts of COVID and associated lock-downs on economic activity, the use of online retail has only increased, with estimates of an increase of 80 per cent in online shopping activity between March and May 2020 compared to the previous year.[2]

Some of the reasons individuals choose to shop online generally include the reduced amount of time it takes to undertake purchases, that it is easier to find the cheapest price for a good, and that and online shopping provides the flexibility to shop at convenient times.[3]

The impact of online retailing hasn't affected all retail sectors equally, and is continuing to change. In the year to January 2019, department and variety store spending saw the highest percentage change in growth year on year, whereas by January 2020, this growth was significantly surpasses by the growth in spending on takeaway food (though the proportion of total spending in this category is still relatively low).

FIGURE 2: ONLINE RETAIL SALES BY INDUSTRY, CHANGE (YOY), JANUARY 2019 AND JANUARY 2020



Source: NAB, Online Retail Sales Index, January 2019 and January 2020.[4]

Bricks and mortar retailers of goods which are non-perishable and can be shipped easily are more likely to be affected by online retail, compared to stores which offer more unique offerings which can't easily be replicated by shopping online. To overcome the impacts of the

[1] NAB, 2019, 'NAB Online Retail Sales Index, Monthly Update – January 2019, https://business.nab.com.au/nab-online-retail-sales-index-monthly-update-january-2019-33762/

[2] Chalmers, 2020, 'Retailers reconsider need to reopen all stores as COVID-19 disruption sends shoppers online,' *ABC News*, 20 May 2020, https://www.abc.net.au/news/2020-05-20/coronavirus-sends-shoppers-online-retailers-reconsider-stores/12259808

[3] CBRE, 2015, Asia Pacific Consumer Market: How we like to shop online, https://www.cbre.com/research-and-reports/apac-consumer-survey-how-we-like-to-shop-online.

[4] See https://business.nab.com.au/wp-content/uploads/2019/03/NAB-Online-Retail-Sales-Index-January-19.pdf, https://business.nab.com.au/wp-content/uploads/2020/03/NAB-Online-Retail-Sales-Index-January-2020.pdf

shift to online retailing many retailers and centres are increasingly focusing on the experience of shopping and differentiating from competitors. This included increasing floorspace for food, beverage, grocery and non-retail uses to align with strong customer trends towards dining out. Entertainment and events are also becoming more important to develop the social aspect of retail, as millennials seeks a different shopping experience than previous generations.[5]

> Implications for Oxford Street
>
> Online retail poses a threat to traditional formats for retail along commercial strips such as Oxford Street. This has the potential to be exacerbated by the impacts of and uncertainty surrounding COVID-19, particularly in the short-term. In response, the retail offer of Oxford Street may need to provide goods and experiences that customers cannot get online.

Emergence of Café Culture, Food Centres and Experience Dining

Fuelled by Australia's strong coffee culture, the café and coffee shop industry has experienced moderate growth in the last five years. Industry revenue was forecast to increase at an annualised 1.9 percent over five years through to 2023-24 at a worth of $10.7 billion.[6] NAB notes food retailing has been one of the better performers in the retail sector, largely driven by a boom in breakfast and lunches at cafes and online ordering of take-way for dinner.[7] Artisan bakeries and patisseries have increasingly sought to re-position themselves as cafés, encouraged by the strong growth in recent times.

Cafés and restaurants currently account for approximately 14 percent of retail sales volumes across Australia at $3.5 billion, up from $2.5 billion in 2009.[8] Prior to the impacts of COVID-19, consumers were expected to spend more on eating out, with growth driven by expectations for fast, convenient food and dining options, increased expenditure on recreation and leisure activities, and shifting cultural norms.[9] The popularity of outdoor dining in particular is evident in many high streets across Sydney, including Crown Street nearby in Surry Hills, which in turn requires a reconfiguration of footpaths and road alignment, a strong focus on urban amenity, including street trees, provision of furniture and a focus on pedestrian/diner safety.

At the same time there is also some expectation that restaurants will have to start attracting diners back out of the comfort of their own homes with the rise of UberEats and Deliveroo, which may be particularly challenging following habits gained during COVID-19 shutdown periods. Similar to the situation for retail, hospitality venue may need to focus on creating unique experiences for diners, which can require larger and different types of floorspace and fit-outs.[10] Existing examples of 'experience dining' include the Grounds of Alexandria which offers a café, bakery, retailing and garden located in a converted pie factory. Koskela Kitchen in Rosebery is one part of the greater Koskela complex that offers designer retailing, education and workshop classes and an art gallery space in a repurposed industrial warehouse site.

[5] JLL, 2018, 'Australian Shopping Centre Investment Review & Outlook 2018', https://www.jll.com.au/content/dam/jll-com/documents/pdf/research/apac/australia/australian-shopping-centre-investment-review-outlook-2018.pdf
[6] IBISWorld, 2018, 'Cafes and coffee shops in Australia', www.ibisworld.com.au, p. 7
[7] NAB, 2017, The Future of Retail: the trends reshaping retail and the future implications for the Australian marketplace', https://business.nab.com.au/wp-content/uploads/2017/09/The-future-of-retail-September-2017.pdf
[8] Colliers, 2016, Back to the Future: light rail to spur CBD retail growth, Research and Forecast Report: First Half 2016, p. 10
[9] IBISWorld, 2018, 'Cafes and coffee shops in Australia', www.ibisworld.com.au, p. 5-7
[10] Property Council of Australia, 2017, 'Top five food retailing trends in 2018, https://www.propertycouncil.com.au/Web/Content/News/National/2017/Top_five_food_retailing_trends_in_2018.aspx,

FIGURE 3: THE GROUNDS OF ALEXANDRIA

Source: Google image.

> Implications for Oxford Street
>
> Oxford Street has the opportunity to leverage its existing strengths to provide options for 'experience dining' and a strong food and beverage sector. This could include provisions for outdoor dining, urban design improvements, such as widening and landscaping of footpaths, and embellishment of heritage assets to enhance the street's visual character and utility for pedestrians.

Change in retail trading hours

Retail trading hours have relaxed over the past twenty years where shops tend to open on both weekdays and weekends. They are also increasingly trading for longer during the day and into the evening. In part, retailers are reassessing trading hours which are seen as outdated – failing to keep up with societal shifts, such as flexible working hours and single parent households that demand alternate shopping times, and in response to the 24/7 access provided by online retailers.[11]

Tenancies that have longer opening hours can also support retail services that operate 'after hours', such as cinemas and restaurants. This creates a symbiotic relationship and can help to promote and sustain the night-time economy in a precinct.

> Implications for Oxford Street
>
> The relaxation of retail trading hours could be part of the revitalisation of the precinct and particularly its night-time economy, in line with the Open and Creative City strategy and capitalising on the removal of the previous lock-out laws.

Fine grain centres

'Fine grain' is a term used to describe small-scale spaces that provide a low-cost layer of diverse and specialised activities in a place.[12] Fine grain spaces can encourage greater community interaction, cultural and creative expression and promote more walkability and sociability in activities and through the fabric of the built environment.[13] In retail terms, fine

[11] Inside Retail, 2014, 'Should retailers extend trading hours?', https://www.insideretail.com.au/news/retailers-extend-trading-hours-201407

[12] City of Sydney, 2015, George Street 2020 – A public domain activation strategy, part 3, https://www.cityofsydney.nsw.gov.au/__data/assets/pdf_file/0010/308827/George-Street-2020-A-Public-Domain-Activation-Strategy_Part3.pdf

[13] Greater Sydney Commission, 2017, Fine Grain People Places, https://issuu.com/roberts-day-global/docs/gsc_fin_-_fine_grain_people_places_

grain centres include shop fronts at a human scale, often in the form of a main street or high street (such as Oxford St), offering a more unique retail experience compared to shopping centres.

As shopfronts are often owned and rented individually along a high street, there is often limited restrictions on where certain shops and businesses set up. This contrasts with shopping centres, where centre mangers can direct the location of stores to create clusters, such as fashion floors and fresh food sections. The inability to control the clustering of businesses may limit the ability for collaboration, which in turn may impact the shopping experience as a 'one-trip' experience. However, this lack of synergy can also form part of the appeal of high street retailing with an eclectic mix of stores in proximity.

High street retailing has faced significant challenges in recent years. This is attributed to the rise of regional shopping centres, changes in consumer habits, as well as online retailing. Fine grain retailing along high streets has, however, been adapting to combat these changes, changing from a convenience shopping role to a destination and an experience. Principles which can successfully promote fine grain activities include having a variety of large and small scale activity, permeability and engagement with the street, and shared and multi-purpose spaces that can be used at different times of the day.[14]

> Implications for Oxford Street
>
> Oxford Street already possesses a fine-grained character, with a diversity of commercial tenancies within close proximity along the strip. This can be a key strength of the area, and capitalised on to suit consumer preferences for retail strips and entertainment districts which offer an 'experience'.

Changes in office uses

Emergence of co-working

The phenomenon of co-working originated in San Francisco in 2005, providing a 'third way' of working that was between the traditional format of an office workplace/community environment and the freelance/independent mode of work that was more isolated and tended to be homebased. This involves working individually, but in the context of a shared environment.[15]

Co-working spaces are generally shared workplaces that are used by professionals working in different knowledge related industries, often freelance and self-employed workers.[16] Physically, co-working spaces tend to be rented office facilities that can include a desk, WiFi connection, common areas, as well as a range of other amenities like printers, private phone booths, 24/7 access, front desk services, mail and package handling and professional and space for social events. Rental options vary and can include a standalone office for a team, a hot desk in an open space or a permanent desk in a shared office.[17] As well as comparative affordability, co-working sites can offer opportunities for social interaction and an overall sense of collaboration and creativity.[18]

Con Artist is a New York based co-working art space example. The space is mixed use and provides a place for artists to work, create, hold events, and engage in community events. Weekly night-time events such as Life Drawing runs from 7pm-10pm and provides a

[14] Greater Sydney Commission, 2017, Fine Grain People Places, https://issuu.com/roberts-day-global/docs/gsc_fin_-_fine_grain_people_places_
[15] Gandini, A, 2015, ' The Rise of Coworking Spaces: A Literature Review', http://www.ephemerajournal.org/sites/default/files/pdfs/contribution/15-1gandini.pdf
[16] Mahlberg, T 2017, 'Australian coworking spaces cater to a more diverse crowd than just young tech entrepreneurs'
[17] WeWork, https://www.wework.com/workspace
[18] Weijs-Perree et al, 2018, 'Analysing user preferences for co-working space characteristics', Building Research & Information, 47:5, https://www.tandfonline.com/doi/pdf/10.1080/09613218.2018.1463750?needAccess=true

community and creative space for people to meet and draw. Such a space can be used to support and facilitate creativity and to grow innovation within the community.[19]

It is unclear how COVID-19 related restrictions may affect the use and popularity of co-working spaces in future, particularly with the need for consistent hygiene practices to reduce the spread of the disease.

> Implications for Oxford Street
>
> Increases in the popularity of co-working could see changes in the types of office space required in area like Oxford Street, which are at the fringe of major commercial and business areas. The model, as in the New York example, could also be adapted to provide more flexible spaces for particular sectors, like creative industries.

Working from home

COVID-19 related shut downs across Australia have seen more people than ever working from home in the past six months. Whether more people will continue to do so post-COVID is uncertain at this time, and working from home is not possible for all businesses. However, these are many indications that workers may prefer a balance between home and the office in future.[20] The scale of the shift in preferences for where people work could see changes in demand for office and related floorspace in CBDs and employment centres, with employers requiring less floorspace if workers are in the office less. This is turn could impact on the relative affordability of spaces and the types of industries and businesses that can locate there.

> Implications for Oxford Street
>
> Changes in working from home patterns could see reduced demand for particular types of floorspace, such as offices, in the precinct and in Sydney's CBD more generally. In turn, these shifts could impact not only on the quantum of floorspace needed, but also on the relative value of properties, rents and the affordability of the precinct for different types of businesses.

Night-time economy

Lock-out laws have been a highly contested issue in Sydney in recent years, with major implications for the night-time economies of several inner-city precincts, including Oxford St, since their introduction in 2014. The value of the night-time economy in Greater Sydney is estimated to be over $27.2 billion per annum, employing about 234,000 people and with over 180 night-time economy establishments per square kilometre in the Eastern Harbour City. However, the overall potential value of Greater Sydney's night-time economy is thought to be around $43.3 billion, approximately six percent of Australia's economy.[21]

A vibrant night-time economy encompasses as a broader range of activities than simply pubs, clubs and drinking. It can include 24-hour gyms, late night supermarkets, other late-night shopping options, late night museum and gallery openings, food festivals, as well as the obvious options of bars, restaurants, nightclubs, theatre and performances and sporting events. It is important that the night-time economy can include a range of activities that appeal to all age groups, both locals and visitors, and is supported by extended hours of public transport.

[19] Con Artist, 2019, 'About Con Artist', https://conartistnyc.com/pages/about.php
[20] See for example, Wade and Rugari, 2020, "I feel so much better: Employees ready to work from home more often,' *Sydney Morning Herald*, 1 June 2020, https://www.smh.com.au/business/the-economy/i-feel-so-much-better-employees-ready-to-work-from-home-more-often-20200531-p54y33.html
[21] Deloitte, 2019, Imagine Sydney: Play, p. 34

Strategies employed and considered in other contexts to improve the night-time economy have included:

- Increasing business potential – Eastwood has grown its night-time economy with development of the Eastwood Night Market and the Taiwan Night Market, suited in a safe and vibrant pedestrianised town centre and include food, market retail and gaming areas, kids playground and outdoor performances.[22]
- Creating a platform for artistic creation and fostering a sense of identity for a region – Parramatta Lanes has become an annual food and cultural festival that supports multiculturalism and local artistic expression.
- Sustaining visitor growth and cultural tourism – by packaging cultural events with tourism. For example, Vivid Sydney travel packages are sold to tourists, including international tourists.
- Consideration of local features and attributes – does the area identified for night-time economy development have additional drawcard features beyond simply the tenancy mix? Attributes could include an area's existing cultural identity, such as that attributed to Oxford St.
- Providing a critical mass – where floorspace includes retail, leisure and entertainment, rather than an emphasis on food catering.[23]

Trends in major European cities, such as London, Amsterdam and Paris, have included the employment of night mayors. These aim to provide facilities and services that accommodate the broad range of activities that people do at night.

For Oxford Street, the Late Night Trading Management section of the City's DCP[24] sets out provisions to support increase diversity in late night activity, including:

- Unlicensed shops and business, such as bookshops, clothing stores, drycleaners and hairdressers can apply to trade up to 24 hours in City Living or Late Night Management Areas and up to 2am in Local Centres.
- Dedicated performance venues, such as theatres, concert halls and cinemas with up to 250 patrons located in late night trading areas, can apply for an additional trading hour at closing time.
- Other venues located in a late night trading area that host performance can apply for one additional trading hour at closing time on the night that they provide at least 45 minutes of performance after 6pm.
- In the parts of the precinct identified as Local Centre, lower impact venues, including small bars, can apply to trade until 2am if entry is to a main street and not onto a residential laneway or area.

> Implications for Oxford Street
>
> The repeal of Sydney's lock-out laws presents opportunities to reinvigorate the night-time in the Oxford Street precinct which in turn supports a range of other population-serving uses. It is important that the precinct is able to accommodate a wide range of night-time activities, with options for dining and entertainment beyond purely alcohol-related destinations (although these venues will remain important).

[22] Deloitte, 2019, Imagine Sydney: Play, p. 35
[23] B&P, 2016, Beyond bars: 5 critical success factors for a booming night time economy, https://www.brainandpoulter.com.au/food-trends/5-critical-success-factors-for-a-booming-night-time-economy/
*The NTE components that made up this calculation were not clearly defined in the report but may have included a broader consideration than bars, clubs and restaurants.
[24] Sydney Development Control Plan 2012, Section 3: General Provisions, 3.15 Late Night Trading Management, https://www.cityofsydney.nsw.gov.au/development-control-plans/sydney-dcp-2012

1.4 Current market

An assessment of the current market has been developed based on desktop research and consultation with stakeholders including real estate agents (the challenges and opportunities for the precinct are further examined in the accompanying *Cultural Activity Study* for the precinct).

Broader trends

The current market for commercial space in the study area, Sydney and the rest of Australia more broadly, has been significantly impacted by the effects of COVID-19 and related shut-downs. Immediate effects which will have impacted on the demand for and use of floorspace have included restrictions on the types of businesses allowed to open, reduced customer capacity for businesses when they have re-opened, and the increased use of online spending by shoppers (noted above).

CBD and city fringe retail and office markets may also be exposed to changing work patterns, with some anticipation that the forced adjustment of many businesses to remote working will see this style of work become more widely utilised in future. It is possible that this could prompt office environments and demand conditions for office floorspace to change, placing downward pressure on rents.[25]

The economic shock of these lockdowns will likely continue to implicate markets for retail and office floorspace for at least the next 12 months, and likely longer, as government subsidies for businesses are reduced and the longer-term impacts of COVID-19 on the way cities function becomes clearer.

Rents and vacancies

In the first quarter of 2020, the gross face rents in the Sydney CBD were between $2,750 and $22,900 per square metre per annum, with the highest rents in Sydney CBD more than double that of Melbourne. An incentive rate of 10 per cent signalled a strong commercial property market compared to the CBDs of most Australian capitals. More specifically for the study area, a 2019 survey by Ray White Commercial Eastern Suburbs revealed a vacancy rate of approximately 8.85 per cent, an improvement of over two per cent on a survey conducted in 2015.[26]

However, COVID-19 is likely to impact heavily on vacancy rates and rents. According to Colliers International, 70 per cent of landlords expect vacancies to increase in the next year (as of H1 2020). According to the same survey, 73 per cent of landlords expect rents to fall in the next 12 months.[27] Following an initial spike in retail sales in March, sales fell by 17.9 per cent month on month in April, almost double the fall experienced at the same time in the previous year. Particular industries (likely including those in the precinct) such as Cafes and Restaurants, Clothing and Footwear and Personal Accessories experienced significant falls in sales volumes in April, selling at approximately about half the level of April 2019. These indicators foreshadow a significant softening of the commercial real estate market, particularly in customer-facing industries such as Café/Restaurants and Beauty Services, which is likely to impact on rents. [28]

Current market on Oxford Street

Anecdotally, there are a lot of vacancies within the precinct. As of July 2020, there were at least 30 commercial vacancies listed for rent within the study area.[29] Few of these listings

[25] Colliers International 2020
[26] Cummins 2019, 'Retail shopping returns to the suburbs', https://www.smh.com.au/business/companies/retail-shopping-returning-to-the-suburbs-20190328-p518nl.html
[27] Colliers International 2020, https://www.colliers.com.au/en-AU/Research/Retail-RFR-H1-2020
[28] Atkinson 2020, 'Impact of the COVID-19 shutdown on vulnerable workers in Australia', https://www.sgsep.com.au/publications/insights/impact-of-the-covid-19-shutdown-on-vulnerable-workers-in-australia
[29] Sourced from www.realcommercial.com.au and www.commercialrealestate.com.au

included asking rents – of the limited number that did, advertised rents varied from $400-$1,000 per square metre for retail, and $600-$800 for office spaces. Several hotel/pub/entertainment venues were also among the properties vacant for rent.

One Oxford Street is the most significant vacancy within the study area, comprised of a net lettable area of 31,800 square metre of A-grade office space. This site is located on the corner of Oxford Street and Wentworth Avenue, and has been on the market since 2018.[30]

Challenges

Consultation with real estate agents suggests that the market on Oxford Street is struggling in the current climate, including soft rents and low demand for retail floorspace. Longer term factors have impacted on this as well, including the effect of the lock-out laws, and structural changes in the wider retail market, such as the CBD and Bondi Junction drawing away retail patronage. The lock-out laws are seen to have affected not only night-time and alcohol-based venues in the precinct, but also ancillary smaller businesses, such as restaurants, which had previously relied on the patronage and foot traffic generated by the night-life.

While conditions have worsened in recent times, it is also important to note that the downward trend is not unique to Oxford Street in the current climate, and is likely to be the same in other fringe markets.

Some of the other challenges specific to the precinct include the constraining nature of the current building controls, with many heritage items and other controls limiting the capacity for additional development. It was felt by some that additional (but appropriate) density may be needed in the precinct to increase the attractiveness of the area and provide a catchment to underpin smaller businesses.

Another challenge that was noted was the unintended effect of the City subsidising creative spaces within the precinct. It was felt that it was difficult to retain creative businesses to the precinct outside of specifically subsidised spaces, with a disparity in rents between the subsidised and market rates – an example given was that for private clients without access to subsidies, rents were in the order of $1,500-$2,000 per week, while at the same time the subsidised spaces were going for $400 per week.

Opportunities

The consultation suggested that the long-term outlook for the precinct is positive, despite the current difficulties. Key strengths for the precinct include its local identity and reputation, as a night-time destination and as a centre of LGBT culture, with the relaxation of Sydney's lock-out laws seen as an important element of the strip being able to recover with new night-time businesses.

The recent sale of large, formerly Council-owned sites on Oxford Street to Ashe Morgan and the plans for these sites is seen as a good sign for the precinct. Previous clauses and conditions that were applied to spaces in those buildings, such as demolition clauses which meant that tenants could not have longer term lease or greater certainty about how long they could be in the space, were seen as impacting on interest in the area.

Over the longer term, the redevelopment of the Central Station precinct is seen has being of benefit to fringe areas like Oxford Street, and over the longer term likely to see more demand for office and creative uses shift from the CBD.

[30] Colliers International 2020, 'Newly Refurbished Whole Floors with Magnificent Views', https://www.colliers.com.au/en-AU/Properties/newly-refurbished-whole-floors-with-magnificent-views/AUS-1-oxford-street-darlinghurst-nsw-2010/AUS66007120

2. SUPPLY SIDE ASSESSMENT

This section considers the existing supply of floorspace within the precinct

SGS reviewed the City's Floorspace and Employment Survey (FES) data from 2017 and considered change over time using data from the 2007 and 2012 Surveys.

Overall industry mix

Table 1 below shows the amount of floor space and employment within each industry in the study area in 2017.

TABLE 1: 2017 FLOOR SPACE AND EMPLOYMENT WITHIN THE STUDY AREA

City Based Industry	2017 FS (sqm)	2017 FS (% of total)	2017 jobs	2017 jobs (% of total)	WSR (sqm/job)
Higher Education and Research	50,664	28%	590	15%	86
Tourist, Cultural and Leisure	26,875	15%	523	13%	51
Government	24,794	14%	1,283	32%	19
Food and Drink	13,658	7%	355	9%	38
Retail and Personal Services	13,134	7%	286	7%	46
Creative Industries	9,268	5%	407	10%	23
Professional and Business Services	3,683	2%	268	7%	14
Health	2,710	1%	58	1%	47
ICT	2,388	1%	70	2%	34
Social Capital	1,847	1%	48	1%	38
Finance and Financial Services	1,626	1%	62	2%	26
Non-Private Households	742	0%	0	0%	N/A
Life Science (Bio-tech)	701	0%	28	1%	25
Motor Vehicle	433	0%	6	0%	72
Transport and Logistics	321	0%	9	0%	36
Property Development and Operation	292	0%	14	0%	21
Manufacturing	111	0%	2	0%	55
Community	-	-	-	-	N/A
Natural Resource-Based Industries	-	-	-	-	N/A
Utilities	-	-	-	-	N/A
Total Jobs/Occupied Employment FS	**153,246**	**84%**	**4,009**	**100%**	**38**
Vacant FS	29,924	16%	-	-	-
Total Employment FS	**183,171**	**100%**	**-**	**-**	**-**

Source: City of Sydney FES 2017.

This table uses the City's 'City-Based Industry' classifications and takes its data from the 2017 iteration of the FES. Higher Education and Research has the highest amount of floor space out of any of the industries within the study area, with just over 50,000 square metres of internal area, or 28 per cent of the total net employment floor space. Two arts education institutions make up the majority of this floor space, being UNSW Art and Design (21,300 square metres) and the National Arts School (18,250 square metres), although there are a number of smaller operators within area, including the University of Notre Dame and Charles Sturt University (5,350 square metres and 4,250 square metres respectively).

The Tourist, Cultural and Leisure category is ranked second highest by floor space, at 28,900 square metres of floor space, largely owing to the prominent role of pubs and clubs within the area (comprising 18,250 square metres). Government uses occupy the third largest amount of floor space and the highest amount of employment (24,800 square metres and 1,283 jobs). A considerable proportion of this is due to the presence of several State Government offices at 1-19 Oxford St, including 11,700 square metres and 883 jobs within the NSW Department of Education, along with 6,250 square metres of floor space at the Darlinghurst Court House (albeit with a lower proportion of total employment, at 66 jobs).

The fourth and fifth largest industries by floor space are Food and Drink (13,650 square metres) and Retail and Personal Services (13,200 square metres). These industries are concentrated in the fine-grain retail shopfronts which predominantly characterise the street-level built form of the Study Area. Cafes and restaurants occupy 7,050 square metres of floorspace, with supermarkets and specialised food retailing taking up 3,600 square metres and 3,050 square metres respectively. Personal services occupy 3,100 square metres of space and, while the non-food retail offering within the area is relatively diverse, the largest category is clothing and footwear retailing (3,250 square metres), although there is also a notable specialisation in adult stores (1,850 square metres).

To examine finer-grain industry classifications, the top ten 3-digit ANZSIC categories are shown below, ranked in terms of floorspace in Table 2 and employment in Table 3.

TABLE 2: TOP TEN 3-DIGIT INDUSTRIES BY FLOOR SPACE (2017, SQM)

Rank	3Dig Name	2017 FS (sqm)
1	Adult, Community and Other Education	39,899
2	State Government Administration	17,631
3	Pubs, Taverns and Bars	16,420
4	Tertiary Education	9,605
5	Cafes, Restaurants and Takeaway Food Services	8,545
6	Justice	6,242
7	Sports and Physical Recreation Activities	4,790
8	Pharmaceutical and Other Store-Based Retailing	4,714
9	Clothing, Footwear and Personal Accessory Retailing	4,274
10	Supermarket and Grocery Stores	3,336

Source: City of Sydney FES 2017.

TABLE 3: TOP TEN 3-DIGIT INDUSTRIES BY EMPLOYMENT (2017, TOTAL JOBS)

Rank	3Dig Name	2017 jobs
1	State Government Administration	1,179
2	Adult, Community and Other Education	397
3	Cafes, Restaurants and Takeaway Food Services	284
4	Architectural, Engineering and Technical Services	236
5	Pubs, Taverns and Bars	219
6	Sports and Physical Recreation Activities	200
7	Tertiary Education	123
8	Clothing, Footwear and Personal Accessory Retailing	100
9	Employment Services	83
10	Pharmaceutical and Other Store-Based Retailing	82

Source: City of Sydney FES 2017.

The results in the tables above are broadly in line with the discussion provided on floor space mix above. Aside from this, a notable inclusion is the Architectural, Engineering and Technical Services category, which is the fourth highest employer in the study area (with 236 jobs).

Change over time

The most recent data (from the 2017 FES) was compared with data from 2012 and 2007 to examine changes in the area's floor space and employment mix over time, shown below in Table 4 and Table 5 respectively.

TABLE 4: STUDY AREA FLOOR SPACE - CHANGE OVER TIME[31]

City Based Industry	2017	2012	2007	5-year change	5-year change (%)	10-year change	10-year change (%)
Higher Education and	50,664	51,331	39,450	-668	-1%	11,213	28%
Tourist, Cultural and	26,875	28,956	22,504	-2,081	-7%	4,371	19%
Government	24,794	29,489	36,582	-4,696	-16%	-11,788	-32%
Food and Drink	13,658	16,302	14,950	-2,645	-16%	-1,293	-9%
Retail and Personal	13,134	14,479	12,671	-1,345	-9%	463	4%
Creative Industries	9,268	6,982	6,592	2,286	33%	2,676	41%
Professional and	3,683	5,551	3,021	-1,868	-34%	663	22%
Health	2,710	5,565	4,427	-2,855	-51%	-1,717	-39%
ICT	2,388	2,868	3,137	-480	-17%	-749	-24%
Social Capital	1,847	1,508	10,315	339	23%	-8,468	-82%
Finance and Financial	1,626	5,140	1,915	-3,514	-68%	-290	-15%
Other Industries	742	663	0	79	12%	742	N/A
Total Occupied	**153,246**	**171,534**	**160,002**	**-18,288**	**-11%**	**-6,755**	**-4%**
Vacant FS	29,924	11,924	13,590	18,000	151%	16,334	120%
Total Employment FS	**183,171**	**183,458**	**173,591**	**-288**	**0%**	**9,579**	**6%**

Source: SGS Economics and Planning 2020; base data from City of Sydney FES 2007, 2012, 2017.

[31] In 2012 the Department of Education uses at 1-19 Oxford St were classified within the Higher Education and Research Industry instead of Government (as it was in 2007 and 2017). In order to more accurately display time series data, the classification has been updated for this analysis, which may show inconsistencies with other studies using the same base data.

TABLE 5: STUDY AREA EMPLOYMENT - CHANGE OVER TIME[31]

City Based Industry	2017	2012	2007	5-year change	5-year change (%)	10-year change	10-year change (%)
Higher Education and	590	514	453	76	15%	137	30%
Tourist, Cultural and	523	750	467	-227	-30%	56	12%
Government	1,283	1,417	1,869	-134	-9%	-586	-31%
Food and Drink	355	471	434	-116	-25%	-79	-18%
Retail and Personal	286	326	254	-40	-12%	32	13%
Creative Industries	407	201	169	206	102%	238	141%
Professional and	268	341	153	-73	-21%	115	75%
Health	58	197	169	-139	-71%	-111	-66%
ICT	70	117	164	-47	-40%	-94	-57%
Social Capital	48	28	29	20	71%	19	66%
Finance and Financial	62	270	67	-208	-77%	-5	-7%
Other Industries	59	65	137	-6	-9%	-78	-57%
Total Jobs	**4,009**	**4,697**	**4,365**	**-688**	**-15%**	**-356**	**-8%**

Source: City of Sydney FES 2007, 2012, 2017.

The time series data shows a decrease in several of the Study Area's key industries between 2012 and 2017. The Food and Drink and the Tourist, Cultural and Leisure categories have declined notably in both floor space and employment, with the decline in jobs being more pronounced than floorspace. Further discussion of these industries is provided in Section 2.2 below. The Retail and Personal Services category has also displayed a decline over this period; however, this industry remains slightly (four per cent) higher in 2017 than it did in 2007. The Government sector has shown substantial decline over the 10-year period to 2017, owing to a decrease in the State Government presence in the large office building at 1-19 Oxford Street. Creative Industries have displayed strong growth. (*Creative Industries floorspace is considered in greater detail in the Cultural Activity Study.)*

Notably, the data shows that the decline in some industries in the five years between 2012 and 2017 has only been partially offset by growth in other industries, with the total amount of vacant floor space within the study area growing by 18,000 square metres, from 6.5 per cent of total employment floor space in 2012 to 16.3 per cent in 2017. (Further discussion is provided in Section 2.3 below.)

2.2 Night-time economy (NTE) uses

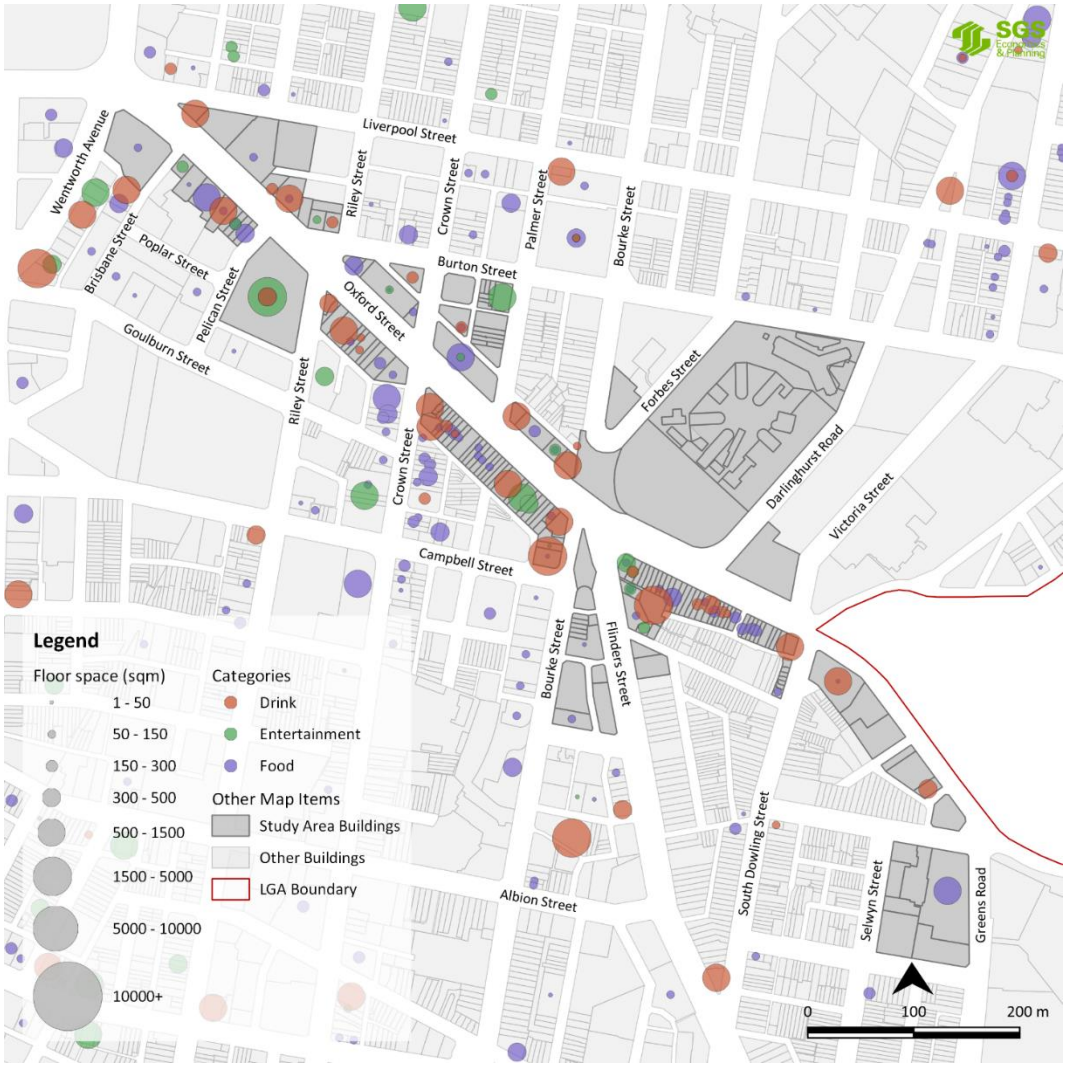
Figure 4 below shows the uses in the Study Area and surrounds which can be classified as night-time economy (NTE) uses. These fall into the broad categories of Drink (establishments serving or retailing alcoholic beverages), Entertainment (typically clubs, theatres and cinemas, or gyms and sports uses), and Food (cafes, restaurants, and takeaways).

The area's reputation as a nightlife entertainment precinct is highlighted by the large amount of NTE floor space and employment, making up approximately 20 per cent of all floor space and employment within the Study Area. NTE establishments can be found across the entire length of the Study Area.

Drink establishments range in size from small bars to larger, multi-storey pubs and nightclubs, and while they are relatively evenly distributed along the length of the Study Area, a slight concentration can be observed between Riley and Bourke Streets. Food premises tend to be

smaller and more evenly distributed along Oxford Street, however there is a notable concentration of restaurants and cafes, extending South down Crown Street outside of the Study Area. Entertainment uses are more varied, capturing a number of nightclubs, the Eternity Playhouse on Burton Street, along with some gyms and fitness centres.

FIGURE 4: NIGHT-TIME ECONOMY USES (2017 INTERNAL FLOOR AREA, SQM)



Source: SGS Economics and Planning 2020; base data from City of Sydney FES 2017.

The time series data for NTE uses is shown in Table 6 for floor space and Table 7 employment below.

TABLE 6: STUDY AREA NIGHT-TIME ECONOMY FLOOR SPACE - CHANGE OVER TIME[32]

NTE Category	2017	2012	2007	5-year change	5-year change (%)	10-year change	10-year change (%)
Drink	17,567	19,122	13,993	-1,555	-8%	3,574	26%
Food	8,509	10,933	9,188	-2,424	-22%	-679	-7%
Entertainment	6,720	7,250	6,647	-529	-7%	73	1%
Total NTE	**32,797**	**37,305**	**29,829**	**-4,508**	**-12%**	**2,968**	**10%**

Source: City of Sydney FES 2007, 2012, 2017.

TABLE 7: STUDY AREA NIGHT-TIME ECONOMY EMPLOYMENT - CHANGE OVER TIME[32]

NTE Category	2017	2012	2007	5-year change	5-year change (%)	10-year change	10-year change (%)
Drink	227	480	329	-253	-53%	-102	-31%
Food	282	364	273	-82	-23%	9	3%
Entertainment	111	169	158	-58	-34%	-47	-30%
Total NTE	**620**	**1,013**	**760**	**-393**	**-39%**	**-140**	**-18%**

Source: City of Sydney FES 2007, 2012, 2017.

As can be observed from the tables above, the period between 2012 and 2017 has shown a decline across all NTE categories in terms of both floor space and employment. This is likely to have been influenced by the introduction of the NSW Government's 'lock-out laws' in 2014, which restricted the hours in which licensed premises admit patrons and serve alcohol.

Within the Drink NTE category, Pubs, Taverns and Bars posted a decline of 2,188 square metre of floor space in the five years to 2017, although this decline was partially offset by a 570 square metre increase in floor space in Small Bars. While the total decline in floor space for the Drink NTE Category nets out at -8 per cent, the decline in employment is dramatically higher, at 53 per cent of total employment in this category.

While the increase in Small Bar floor space over this period offset approximately one-quarter of the floor space loss in Pubs, Taverns and Bars, this increase only added 10 jobs to the area compared to the loss of 257 jobs in Pubs, Taverns and Bars. In terms of this decrease, the disparity between the declines in floor space and jobs indicates that licensed establishments in the study area either laid off staff and reduced operations instead of closing outright, or closed and were replaced by uses in the same category operating at lower trading volumes.

Businesses within the Food NTE category also displayed a substantial decline over this period, shedding just under 2,500 square metres of floor space and 82 jobs. This was largely driven by a decline in Cafes and Restaurants. The similarity between the decline in floor space and the decline in employment in this category indicates that this was likely the result of closures of cafes and restaurants within the study area over this period.

Mixed results were displayed within the fine-grain industries which make up the Entertainment NTE category. Declines in nightclubs within the study area comprised a loss of 460 square metres and 47 jobs, and 1,150 square metres was lost from the Artists, Musicians, Writers and Performers category. A further 1,150 square metres of floor space was also lost from Brothel Keeping and Prostitution services. These losses were partially offset by an

[32] Please note that the original data includes the offices of the Football Federation of Australia (in the office building at 1-19 Oxford St) into the Entertainment category due to its industry classification. This has been removed from the totals displayed herein, which may show inconsistencies with other studies using the same base data.

increase of 1,100 square metres of floor space from the opening of the Eternity Playhouse in 2013 and a 900 square metres growth in gyms and fitness centres over this 5-year period.

2.3 Vacant floor space

Figure 5 below shows the vacant floor space within the Study Area in 2017. Vacancies are dispersed throughout the study area. A notable concentration of vacancies is present in the strip between Flinders and South Dowling Streets, in an area with older/lower quality stock.

FIGURE 5: VACANCIES (2017 INTERNAL FLOOR AREA, SQM)

Source: SGS Economics and Planning 2020; base data from City of Sydney FES 2017.

There are also a number of buildings which display particularly high vacancy rates in the 2017 data. An office building at 223-225 Liverpool Street is entirely vacant, with the building's total of 6,400 square metres of floor space (excluding common areas) comprising a little over one-fifth of the total amount of vacant floor space. A review of DA data indicates that this building underwent a refurbishment around the time of the 2017 FES, so this vacancy may skew the total data higher than it otherwise would have been.

Three buildings owned by the City within the Study Area show relatively high vacancy rates, specifically being the buildings at 56-76, 82-106, and 110-122 Oxford St. These buildings have been mooted for redevelopment plans by the City and consequently it is highly likely that the planned development in the near future has discouraged tenants from occupying vacancies in

these buildings due to the resulting constraints on long-term occupation. These buildings comprised a total of 5,150 square metres of vacant floor space in 2017.

Finally, there was a substantial amount of vacant floor space (5,369 square metres) recorded in 2017 within the office building at 1-19 Oxford Street. While this floor space is still a relevant consideration, it has been noted separately here to distinguish this vacancy (in a large-floorplate, commercial office building) from the vacancies in the finer-grain retail buildings throughout the rest of the Study Area.

Table 8 below shows the change in vacancies over time. As noted above, there has been a significant increase in the amount of vacant floor space within the Study Area between 2012 and 2017. Even when excluding the floor space at 223-225 Liverpool Street, this still shows an increase of 11,600 square metres.

TABLE 8: STUDY AREA VACANT FLOOR SPACE – CHANGE OVER TIME

Vacant FS Category	2017	2012	2007	5-year change	5-year change (%)	10-year change	10-year change (%)
Vacant Tenancy	20,299	11,766	13,324	8,533	73%	6,975	52%
Whole Floor Vacant	1,957	0	0	1,957	-	1,957	-
Whole Building Vacant	7,668	158	266	7,510	4745%	7,402	2785%
Total NTE	**29,924**	**11,924**	**13,590**	**18,000**	**151%**	**16,334**	**120%**

Source: City of Sydney FES 2007, 2012, 2017.

2.4 Supply-side inputs to retail model

SGS applies a metro-wide retail gravity model, to help understand the future performance of retail across Sydney's centres. This model has been used to project the additional floorspace need for Oxford Street (see Section 3). In order to make the model function at a metro level, it is necessary to estimate the current amount of floorspace across the metro area.

Method

Current retail supply for the City of Sydney was calculated using the City of Sydney's Floor Space and Employment Survey (FES) for 2017 (as outlined in the previous section), with adjustments made to align the City of Sydney's retail categories with retail categories required by SGS as part of the gravity-modelling method.

Retail supply for areas outside of the Sydney LGA were calculated through the use of Google data, which is then supplemented with external building footprint datasets, as well as manual auditing for a number of shopping centres. Manual auditing is still required for some shopping centres due to the fact that they cover multiple storeys, whereas typical street level retail exists only at the ground level. Relying purely on the automated method would not capture any retail that occurs across multiple levels.

Specifically, the technique involved the following steps:

(i) Downloading Google data and then blending it with building footprint data obtained through PSMA Australia
(ii) Estimating how much of retail is within each building
(iii) Manually checking any buildings with a quantum over a certain threshold
(iv) Adding in shopping centre data
(v) Aggregating data at the building level up to a centre level

A key caveat to this methodology is that it only focusses on identified 'retail' floorspace, as defined by ABS retail categories. It eliminates any non-retail floorspace that is often defined as retail 'services' and retains retail floorspace that is classified as 'goods'. Therefore, retail services such as massage clinics, doctor's surgeries, banks, etc are moved out of this audit of total retail supply.

Assumptions regarding Oxford St

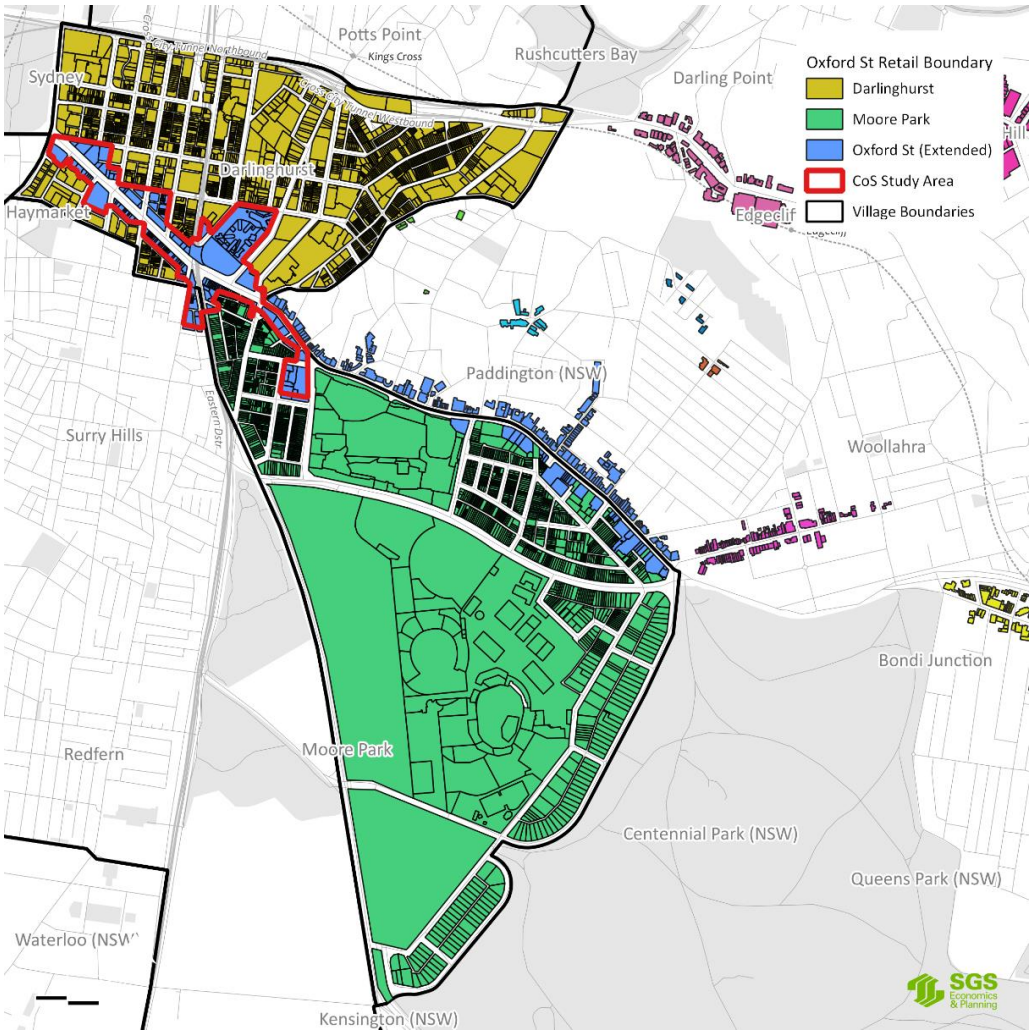
As noted above, retail supply was calculated using the City of Sydney's Floor Space and Employment Survey (FES) for 2017. Minor amendments were made to the underlying data, most notably the need to make adjustments to the Village boundary definitions, to ensure clarification for the Oxford Street precinct.

First, the Oxford Street Village (as defined by the City) was disaggregated into three centres: Darlinghurst, Moore Park and Oxford Street.

Second, given that Oxford Street extends beyond the City of Sydney LGA, it was necessary to adjust the Oxford Street precinct boundary beyond the Study Area boundary. By only considering Oxford Street as within the confines of the LGA would not have aligned with how the centre operates in reality. Further, it would have resulted in 'Oxford Street West' and 'Oxford Street East' acting in competition with each other, rather than the singular continuous centre. To calculate the combined Oxford Street boundary, the City's floorspace data was combined with Google data/building blend. A spatial view of the defined precincts is provided below in Figure 6.

The combined Oxford Street retail centre for the purposes of the modelling extends up to Queen Street Woollahra, with small expansions into surrounding side streets at Elizabeth Street, William Street and Glenmore Road. These expansions were also deemed appropriate given they are highly vibrant areas of bars, restaurants, galleries and clothing stores that form a key part of the broader Oxford Street mix.

FIGURE 6: OXFORD STREET RETAIL CENTRE BOUNDARY



Source: SGS Economics and Planning, 2020.

The result of this adjustment is that Oxford Street was allocated an additional 16,547 square metres of retail floorspace, increasing the retail floorspace from 26,383 square metres to 58,517 square metres, as shown in Table 9.

TABLE 9: OXFORD ST FLOORSPACE ADJUSTMENTS (FOR THE PURPOSES OF MODELLING)

	CoS audit data (retail)	Google/building retail	Adjusted retail
Oxford Street Village (CoS boundary)	104,541	0	0
Darlinghurst adjustment	*46,222*	*0*	*0*
Moore Park adjustment	*16,349*	*0*	*0*
Oxford St adjustment (final)	***41,970***	***16,547***	***58,517***

Source: SGS Economics and Planning, 2020.

Assumptions regarding the Village centres

The retail modelling is undertaken at a centre level, derived from the process of allocating individual buildings to a specific centre. This can be seen above in Figure 6, where Queen Street, Woollahra, Bondi Junction, and Fiveways have all been individually defined. There can

be multiple centres, large and small, across a suburb and defined according to their position within the retail hierarchy.

For CBD centres however, this detailed allocation does not occur, as it would result in many dozens of centres being categorised. The consequence of maintaining the approach in non-CBD location would define the centre as simply numerous small centres all in competition, when the reality is that city centre acts more so as a singular economic hub, drawing in expenditure from across the metropolitan area.

At the same time, not all parts of the CBD act in exactly the same way (for example, Martin Place versus Surry Hills). A balance between one large agglomeration and dozens of small centres is required. Operating the retail model at a Village level (with the exception of Oxford Street) was considered appropriate. The result is that centres are not so numerous so as to detract from their true weight, but still allow for differentiation in determining the future retail demand.

Current retail supply

Across the City of Sydney, with the additional modification to Oxford Street (which includes floorspace from the FES survey, plus separately gathered data for the Woollahra component of Oxford Street), there is approximately 1.72 million square metres of retail floorspace. This equates to approximately 12.7 per cent of total retail floorspace across the Sydney's Greater Metropolitan Area (GMA). The Village with the highest amount of retail is the CBD and Harbour with 491,690 square metres of retail floorspace, followed by Green Square and City South with 409,669 square metres. These two Villages make up over 52.4 per cent of the total floorspace across the City of Sydney.

Oxford Street is estimated to hold approximately 58,517 square metres of floorspace, making up around 2.8 per cent of the LGA's retail floorspace, highlighted in Table 10 below.

TABLE 10: TOTAL FLOORSPACE BY VILLAGE

Village	Floorspace	Percentage
CBD and Harbour	491,690	28.3%
Green Square and City South	409,669	23.6%
Chinatown and CBD South	194,269	11.2%
Crown and Baptist Streets	134,047	7.7%
Glebe Point Road	100,213	5.8%
Harris Street	77,166	4.4%
Redfern Street	76,178	4.4%
King Street	71,242	4.1%
Macleay St and Woolloomooloo	61,733	3.6%
Oxford St (sub-village + Woollahra strip)	**58,517**	**3.4%**
Darlinghurst (sub-village)	46,222	2.7%
Moore Park (sub-village)	16,349	0.9%
Total	**1,737,296**	**100.0%**

Source: City of Sydney, 2017; SGS Economics and Planning, 2020.

At a retail commodity level (i.e. supermarket, food, hospitality, and so on), Hospitality accounts for the highest amount of floorspace across the LGA with 665,223 square metres

(38.7 per cent of total floorspace), followed by Household goods with 447,230 square metres (25.7 per cent). The CBD and Harbour holds the highest amount of Hospitality, Clothing and Department Store floorspace, whilst Green Square and City South holds the highest amount of Supermarket, Household Goods and Other Retail floorspace. Harris Street holds the highest amount of Other Food floorspace.

In Oxford Street, the largest commodity type is Hospitality, followed by Clothing and Household Goods, highlighted in Table 11 below.

TABLE 11: TOTAL FLOORSPACE BY VILLAGE AND COMMODITY TYPE

Village	Supermarket	Other Food	Hospitality	Clothing	Household Goods	Other Retail	Department Store	Total
CBD and Harbour	14,308	6,572	197,316	147,699	60,726	22,653	42,417	**491,690**
Green Square and City South	14,622	10,827	43,128	58,710	254,523	27,858	-	**409,669**
Chinatown and CBD South	10,924	9,769	123,423	24,187	8,735	17,083	149	**194,269**
Crown and Baptist Streets	5,882	4,371	57,648	12,856	47,964	5,326	-	**134,047**
Glebe Point Road	11,022	7,538	32,296	16,037	14,431	18,888	-	**100,213**
Harris Street	7,877	13,329	36,360	4,960	11,035	3,604	-	**77,166**
Redfern Street	7,402	3,177	38,175	7,840	13,499	6,085	-	**76,178**
King Street	7,007	5,329	38,979	4,788	12,259	2,879	-	**71,242**
Macleay St and Woolloomooloo	7,571	2,368	41,333	3,121	3,783	3,558	-	**61,733**
Oxford St (sub-village)	**3,061**	**1,955**	**28,413**	**10,634**	**9,749**	**4,705**	**-**	**58,517**
Darlinghurst (sub-village)	113	3,893	28,452	3,394	8,859	1,512	-	**46,222**
Moore Park (sub-village)	-	921	12,618	932	1,667	211	-	**16,349**
Total	89,791	70,048	678,141	295,158	447,230	114,362	42,566	**1,737,296**
Commodity % of Total	**5.2%**	**4.0%**	**39.0%**	**17.0%**	**25.7%**	**6.6%**	**2.5%**	**100.0%**

Source: City of Sydney, 2017; SGS Economics and Planning, 2020.

Retail floorspace – future supply estimates

Retail floorspace in the pipeline has been identified through an analysis of Cordell Connect data. Whilst official future retail supply was made available via the City's datasets, it was difficult to distinguish between future supply which was explicitly retail (rather than retail and commercial), and between commodity types. Within the City of Sydney, there is expected to

be an additional 129,744 square metres of additional retail coming online between 2021 and 2036. This equates to growth of around 8.5 per cent. The largest retail developments are set to occur within the CBD and Harbour (52,935 square metres), followed by Chinatown and CBD South (23,908 square metres).

There is a relatively small amount of additional future retail floorspace identified for Oxford Street itself, at around 200 square metres.

TABLE 12: FUTURE RETAIL FLOORSPACE ACROSS THE CITY OF SYDNEY

Village	*Total existing retail*	2021	2026	2031	2036	Total in pipeline
CBD and Harbour	*491,690*	21,539	31,395	-	-	**52,935**
Green Square and City South	*409,669*	729	7,772	368	-	**8,870**
Chinatown and CBD South	*194,269*	745	23,163	-	-	**23,908**
Crown and Baptist Streets	*134,047*	-	7,778	-	-	**7,778**
Glebe Point Road	*100,213*	-	11,148	-	-	**11,148**
Harris Street	*77,166*	-	1,736	-	-	**1,736**
Redfern Street	*76,178*	2,915	699	-	11,235	**14,849**
King Street	*71,242*	8,310	-	-	-	**8,310**
Macleay Street and Woolloomooloo	*61,733*	-	-	-	-	**-**
Oxford St (sub-village)	***58,517***	**-**	**211**	**-**	**-**	**211**
Darlinghurst (sub-village)	*46,222*	-	-	-	-	**-**
Moore Park (sub-village)	*16,349*	-	-	-	-	**-**
Total	***1,737,296***	**34,238**	**83,903**	**368**	**11,235**	**129,744**

Source: SGS Economics and Planning, 2020.

2.5 Floorspace capacity

SGS has conducted a built form capacity assessment to identify the quantum of floorspace that could be built under existing planning controls gazetted under the LEP. **Please note that SGS's approach may be different from the City's method in its Development Capacity Study and return a different level of existing capacity.**[33]

Method

SGS first calculated the maximum permissible floorspace that could be developed on a site using floor space ratio (FSR) and height of building (HOB) controls. From this maximum, existing floorspace estimates calculated from building envelopes in the PSMA Geoscape dataset were subtracted. PSMA, a national, government owned company that provides

[33] Differences include assumptions around uplift thresholds required for sites to be developable, base data used, the application of site-specific planning controls, and knowledge of development proposals in the pipeline.

authoritative national spatial datasets, publishes the Geoscape dataset, which makes use of remote sensing technology to record building footprints and heights across Australia.

Permissible floorspace capacity was not considered on sites with the following constraints:

- A large number of residential strata units
- A heritage item
- An existing community use, public service, or infrastructure.

Results

Figure 7 shows the results of the capacity assessment. In short, there is very little floorspace that could be practically built in the study area.

FIGURE 7: CAPACITY ANALYSIS RESULTS, STUDY AREA

Source SGS, 2020.

The last significant floorspace capacity in the study area was realised with the development of The Rathbone at 23-47 Flinders Street. Scattered throughout the study area are some terraces with a small amount of theoretical capacity, either due to:

- Existing two-storey building height (43-49 Oxford Street), or
- little backyard building (217, 219, and 245 Oxford Street).

However, it is questionable how feasible or desirable the realisation of new floorspace on these sites would be.

It is important to note that the construction and development of floorspace are separate concerns. Although additional floorspace may be less likely to be constructed in the area under the current controls it may still be possible to develop vacant floorspace for specific uses, or redevelop existing floorspace for different uses.

As noted above, the City's Development Capacity Study identified that there may still be more capacity than is shown above, though across the Oxford Street Village the opportunities for development on single large sites is limited, which may have implications for the feasibility of new development under the controls.

Similarly, heritage items have been excluded from the capacity results. Oxford Street has a relatively large proportion of sites with heritage items, which could also provide some additional floorspace capacity in future. Figure 8 below illustrates the location of heritage items under the Sydney LEP 2012 in brown. Much of Oxford Street is also subject to a conservation area overlay (red hatching), and includes several State heritage items, shown in blue.

FIGURE 8: HERITAGE ITEMS ON OXFORD STREET

Source: NSW Government ePlanning Spatial Viewer, 2021.[34]

[34] https://www.planningportal.nsw.gov.au/spatialviewer/#/find-a-property/address

3. DEMAND AND GAP ANALYSIS – RETAIL FLOORSPACE

This section details the method and results from the modelling of future demand scenarios for retail floorspace in the Oxford Street precinct, and the potential gap in provision.

3.1 Calculating Retail floorspace demand

In this section, demand for retail floorspace across the City of Sydney is assessed. The analysis carried out below is based on a gravity modelling approach. This approach weighs centre quality, mass and accessibility against the volume and location of available expenditure in the system to estimate expenditure capture at each centre (and hence the quantity of floorspace likely to be needed) at various points in the future. It makes clear where there are shortages of retail floorspace, as well as places where there is potentially an overprovision.

SGS Gravity Model

The SGS Retail Model is built on previous research as well as the extensive experience SGS has gained conducting many retail studies. The SGS retail model takes the following approach:

$$\text{Propensity to shop at a centre} = \frac{\text{“Attractiveness” of centre} \times \text{Floorspace of shopping centre}}{\text{Travel time to the shopping centre}^{n}}$$

This formula recognises that an individual is more likely to go to more ‘attractive’ and larger centres and less likely to go to small, lower-quality centres that are further away.

The ‘attractiveness’ of a shopping centre refers to a range of visual and functional attributes. Unlike other gravity models, the SGS model does not explicitly measure the effects of design layout or product mix. Instead, it uses the shopping centre’s current turnover and the distribution of current demand as a basis to establish a ‘current attractiveness value’ for the centre. This current attractiveness value is then used to forecast how the shopping centre will perform in the future given changes to floorspace (in either that centre or surrounding ones) and demand.

The rate at which travel times affect propensities is calibrated to ensure realistic catchments. This is to account for consumers going to alternative shopping centres that are based along major freeways or restricted to others based on natural barriers such as bays and rivers.

Why use a gravity model?

Other demand approaches (such as survey-based assessments) are expensive and data intensive and only consider current population and behaviour. Simplified ‘shift-share’ approaches typically focus on one/a few centres and heavily rely on judgement-based primary and secondary catchments, with exaggerated market share thresholds. Gravity models, on the other hand, present the following benefits:

- All spending across the retail system is accounted for once and only once

- Catchments are generated through data analysis rather than through the judgement of consultants, and
- A gravity model captures the continuous and dynamic nature of catchments, based on changing demand, supply, and transport infrastructure.

Retail expenditure estimates

Although this analysis focuses on Oxford Street and the City of Sydney, the retail gravity model upon which it is based, considers the wider region. The recognition of this surrounding region reflects the reality that retail expenditure regularly and routinely transfers across municipal boundaries. The gravity model matches retail expenditure against existing and known proposed retail floorspace across the region, using a broader retail system beyond the local retail system allows for incorporating expenditure flows in and out of the local retail system.

Retail expenditure

Retail expenditure data has been developed from resident-based expenditure accounts across 24 commodity groups at a Statistical Area 1 (SA1) level (e.g. fresh food, groceries, pharmaceuticals, restaurants, etc). These expenditure accounts are sourced from MarketInfo's Market Data Systems (MDS) for 2018. MDS are the industry benchmark in estimating small area expenditure that draws on the latest Household Expenditure Survey (HES), ABS Census and other datasets. These expenditure per capita benchmarks are then projected out for population and employment, derived from Transport for NSW's population and employment projections, and adjusted to factor in the latest retail spending trends from the ABS.

The retail expenditure data also considers changing consumer spending patterns, such as the growing role of online shopping, in addition to factoring in the degree to which expenditure is influenced by work-based, education-based and tourism-based spending. These considerations help to capture overall leakage/capture for the whole system.

Online retail market share

The market share of online retail in the future will change the amount of retail expenditure occurring in physical stores. Online retail spending is currently growing rapidly, and there are a variety of estimates of its size and growth rate. To reflect the uncertainty in how quickly online retailing will grow in the future, three scenarios have been modelled, and are discussed below. (Section 3.4 below also considers a separate COVID-19 based scenario with different assumptions around the prominence of online retail in light of the pandemic.)

Online retail growth scenarios are based on experimental time-series statistics of online retail market share produced by the ABS. These time series show the market share to be growing by around 0.75 per cent per year, and as of March 2020 and to be around 7.2 per cent (noting this was pre-COVID). While they are experimental, these estimates are the most relevant to the SGS retail model, as SGS uses a similar categorisation of what is included in retail expenditure and what is not as the ABS, while some third-party retail market share estimates may be based on different categorisations.

Online retail market share was broken down into shares for each retail commodity based on reported market shares for various goods and services from a variety of third-party research sources, including NAB, IBIS World, and Australia Post. These shares are lowest for supermarkets and hospitality and highest for department stores and clothing. Shares for every commodity were assumed to grow in the future, although the highest growth is expected to occur in those commodities which have the highest current online retail market penetration (department stores, clothing and household goods).

The figure below shows the projection scenarios for online retail market share. In both the low and medium scenarios the growth rate of the online market share is expected to decline in the future, reflecting a decrease in growth rates of the online retail industry. Growth in the

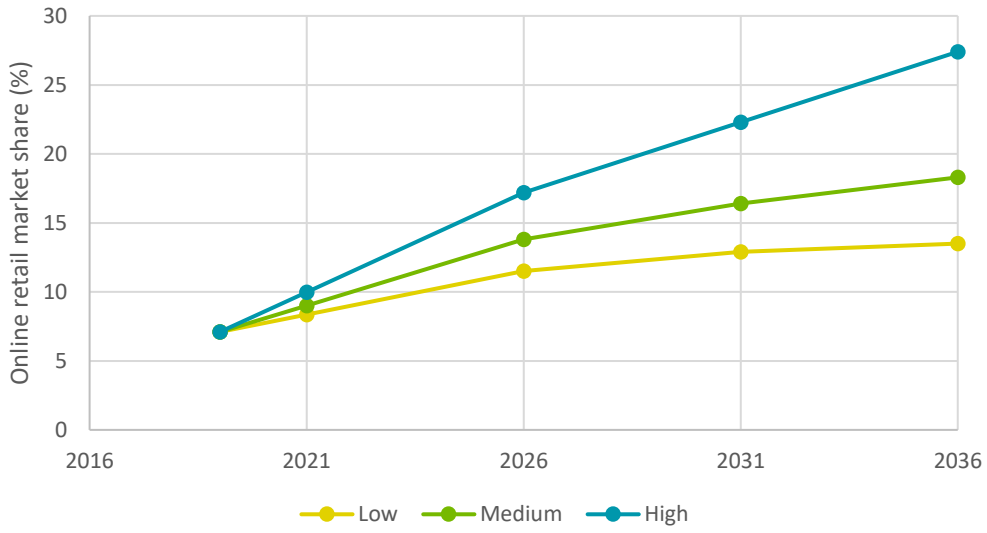
number of customers is likely to slow in the future as almost everyone who is likely to shop online does so sometimes. In addition, it is likely that the easiest gains will be made earlier, leaving online retail competing to capture transactions which people prefer to make in-store.

SGS adopts the medium scenario, in which online retail market share growth continues at 0.75 per cent per year in the short term before halving to 0.38 per cent per year by 2036. This is predicated on the idea that various strategies and interventions centre operators, councils, and bricks and mortar retailers themselves are able to stem the loss of retail expenditure to online retailers.

Other scenarios represented in the table below are:

- A 'low' scenario, in which online retail market share growth slows to 0.5 per cent per year in the short term, reducing to 0 per cent by 2036.
- A 'high' scenario, in which online retail market share growth accelerates to one per cent per year, with no reduction in this growth rate in the future. While online retail market share only reaches around 27 per cent by 2036 under this scenario, it is much higher for department stores and clothing at almost 50 per cent, likely posing a significant challenge to retailing in these sectors.

FIGURE 9: ONLINE RETAIL MARKET SHARE UNDER DIFFERENT SCENARIOS



Source: SGS Economics and Planning, 2020.

3.2 Retail Expenditure results

It is estimated that expenditure by residents within the City of Sydney will grow from around $4.3 billion to $6.1 billion by 2036, or around 42.6 per cent. This is slightly higher than the average for the Sydney GMA average which is expecting to see overall expenditure increase by around 36.6 per cent. The largest increases are expected to occur in Supermarket (64.5 per cent), Other Food (49.0 per cent), Household Goods (47.1 per cent) and Hospitality (42.6 per cent). Slower growth rates are expected in Clothing, Other Retail and Department Store floorspace. Overall, resident expenditure is growing around six per cent faster than the natural rate of growth across the GMA.

TABLE 13: RETAIL EXPENDITURE BETWEEN THE CITY OF SYDNEY AND THE SYDNEY GMA ($M)

	City of Sydney			Sydney GMA		
Commodity	**2016**	**2036**	**%**	**2016**	**2036**	**%**
Supermarket	1,095	1,801	64.5%	24,056	37,697	56.7%
Other Food	494	735	49.0%	10,369	14,767	42.4%
Hospitality	1,069	1,525	42.6%	13,481	18,470	37.0%
Clothing	273	339	24.1%	4,995	5,801	16.1%
Household Goods	426	627	47.1%	9,311	12,983	39.4%
Other Retail	538	618	14.8%	10,949	11,915	8.8%
Department Store	385	457	18.9%	6,930	7,770	12.1%
Total	**4,280**	**6,102**	**42.6%**	**80,091**	**109,404**	**36.6%**

Source: SGS Economics and Planning, 2020; Marketinfo, 2018.

Retail expenditure results – Oxford Street

Retail expenditure from residents and workers along Oxford Street (and the associated neighbourhoods) is expected to grow from $255.3 million to $295.4 million between 2016 and 2036. This equates to growth of around 15.7 per cent, which is a third of the growth expected across the City of Sydney. Across the commodity groups, the average level of growth in Oxford Street is around 20 per cent less than the LGA. The fastest growing commodity groups include Supermarket (33.2 per cent), Other Food (20.7 per cent) and Household Goods (19.4 per cent), though these are all experiencing lower growth than across the LGA. The lowest growing commodity groups for Oxford Street include Clothing (-0.6 per cent), Department Store (-4.3 per cent) and Other Retail (-7.1 per cent). These expenditure declines are largely a result of changing consumer expenditure shifting online in these commodity groups.

TABLE 14: RETAIL EXPENDITURE BETWEEN OXFORD STREET AND THE CITY OF SYDNEY ($M)

	Oxford Street			City of Sydney		
Commodity	**2016**	**2036**	**%**	**2016**	**2036**	**%**
Supermarket	65.4	87.2	33.3%	1,095	1,801	64.5%
Other Food	30.6	36.9	20.7%	494	735	49.0%
Hospitality	57.0	67.4	18.1%	1,069	1,525	42.6%
Clothing	16.8	16.7	-0.6%	273	339	24.1%
Household Goods	26.9	32.1	19.4%	426	627	47.1%
Other Retail	34.8	32.3	-7.1%	538	618	14.8%
Department Store	23.9	22.9	-4.3%	385	457	18.9%
Total	**255.3**	**295.4**	**15.7%**	**4,280**	**6,102**	**42.6%**

Source: SGS Economics and Planning, 2020; Marketinfo, 2018.

Retail turnover vs retail expenditure

Through the use of the gravity model, it is possible to convert retail expenditure across the Sydney GMA into an estimate of *turnover* taking place within each retail centre. In other words, turnover indicates where expenditure across a catchment area is being drawn

towards. Between 2016 and 2036, expenditure within the City is expected to grow by 42.6 per cent, though turnover is expected to grow by 35.0 per cent. The data indicates that the City in 2016 had a net inflow of around $5 billion dollars. This means that the centres in the City were attracting more dollars from outside the LGA. By 2036, this inflow is estimated to grow to $6.42 billion dollars (in 2016 dollars), or around 28.4 per cent.

The largest inflows are found in Hospitality (from $3.1 billion to $4.1 billion) followed by Household Goods (growing from $998 million to $1,310 million) and Other Food (growing from $192 million to $322 million). Outflows are being experienced in Supermarket and Department Store commodity groups, which are set to grow by 2036.

Inflows and outflows can be explained by a number of factors including the growing population, influence of surrounding LGAs, as well as the increasing competition from online retail.

TABLE 15: RETAIL TURNOVER VS RETAIL EXPENDITURE ACROSS THE CITY OF SYDNEY

	CoS Expenditure ($m)			CoS Turnover ($m)			Inflow 2016 ($m)	Inflow 2036 ($m)
Commodity	2016	2036	%	2016	2036	%		
Supermarket	1,095	1,801	64.5%	908	1,530	68.4%	-186	-271
Other Food	494	735	49.0%	686	1,057	54.2%	192	322
Hospitality	1,069	1,525	42.6%	4,210	5,635	33.8%	3,141	4,110
Clothing	273	339	24.1%	1,200	1,382	15.2%	926	1,043
Household Goods	426	627	47.1%	1,414	1,936	37.0%	988	1,310
Other Retail	538	618	14.8%	664	774	16.6%	126	157
Department Store	385	457	18.9%	193	202	4.5%	-191	-255
Total	**4,280**	**6,102**	**42.6%**	**9,275**	**12,517**	**35.0%**	**4,995**	**6,415**

Source: SGS Economics and Planning, 2020; Marketinfo, 2018.

Retail turnover vs retail expenditure – Oxford Street

Completing the same process for Oxford Street finds that the centre experienced turnover of approximately $300.7 million in 2016, which is expected to grow to $368.5 million by 2036. This is moderately higher than the centre's expenditure, indicating that it is a destination-retail precinct. The result is a net inflow of around $45.4 million dollars in 2016, which grows to a net inflow of $73.1 million by 2036. Net inflows occur in Hospitality, Clothing and Household Goods, meaning that it is generally a destination retail centre for these commodity groups. The largest inflows occur in Hospitality which will grow from $103.7 million to $137.4 million. All other commodity groups are projected to experience a net outflow of dollars.

TABLE 16: RETAIL TURNOVER VS RETAIL EXPENDITURE, OXFORD STREET PRECINCT

	Oxford St Expenditure ($m)			Oxford St Turnover ($m)			Inflow 2016 ($m)	Inflow 2036 ($m)
Commodity	2016	2036	%	2016	2036	%		
Supermarket	65.4	87.2	33.3%	28.1	38.2	35.8%	-37.3	-49.0
Other Food	30.6	36.9	20.7%	17.5	21.7	24.0%	-13.1	-15.2
Hospitality	57.0	67.4	18.1%	160.7	204.8	27.4%	103.7	137.4
Clothing	16.8	16.7	-0.6%	40.3	42.9	6.5%	23.5	26.2
Household Goods	26.9	32.1	19.4%	28.9	37.0	28.1%	2.0	4.9
Other Retail	34.8	32.3	-7.1%	25.2	23.9	-5.2%	-9.5	-8.4
Department Store	23.9	22.9	-4.3%	-	-	0.0%	-23.9	-22.9
Total	**255.3**	**295.4**	**15.7%**	**300.7**	**368.5**	**22.5%**	**45.4**	**73.1**

Source: SGS Economics and Planning, 2020; Marketinfo, 2018.

3.3 Aggregated floorspace supply and demand

Having identified current and future supply, and the demand for retail floorspace across City of Sydney, it is possible to identify the extent to which this demand and supply is aligned across the centre network. The floorspace gap is calculated by comparing the supply for each centre across the City against the demand calculated through the gravity model. This analysis provides guidance as to whether there is a general surplus (oversupply) or shortage (undersupply) of retail floorspace.

One important consideration is to view the results from the lens of how the market is currently operating, with these trends extended out into the future. It assumes that the retail hierarchy will remain the same in the future as today, expenditure will slowly shift online, and that all future supply data has been provided for based on available information.

The results, shown below in Table 17, indicate that the City overall will have sufficient retail floorspace up until around 2031. From 2031, it is expected that there will be a retail gap of around 51,174 square metres, growing to a retail gap of around 141,472 square metres by 2036.

TABLE 17: TOTAL RETAIL GAP ACROSS THE CITY OF SYDNEY (SQM)

	2016	2021	2026	2031	2036	Growth 16-36
Supply	1,739,358	1,773,586	1,857,468	1,857,819	1,869,051	7.5%
Demand	1,739,358	1,735,316	1,860,677	1,908,993	2,010,523	15.6%
Gap	**0**	**38,269**	**-3,210**	**-51,174**	**-141,472**	**-**

Source: SGS Economics and Planning, 2020.

Retail gap by commodity

Breaking down the retail gap by commodity across the City of Sydney indicates that the greatest gap will emerge in Hospitality, with a gap of 77,676 square metres. This is followed by Household Goods with a gap of around 67,491 square metres and Supermarket with 25,669 square metres. Commodity types with sufficient floorspace include Clothing (surplus

of around 18,451 square metres), Other Retail (16,793 square metres) and Department Store (7,381 square metres), illustrated in Table 18 below.

These particular commodity groups are likely to be most impacted by the increasing presence of online retail, which will reduce the demand for floorspace into the future.

TABLE 18: RETAIL GAP ACROSS THE CITY OF SYDNEY, BY COMMODITY TYPE (SQM)

	2021	2026	2031	2036
Supermarket	-7,151	-10,432	-17,426	-25,669
Other Food	-3,637	-5,579	-7,983	-13,261
Hospitality	19,397	-7,541	-36,277	-77,676
Clothing	25,083	26,869	26,027	18,451
Household Goods	-4,569	-24,427	-40,060	-67,491
Other Retail	6,418	12,128	17,314	16,793
Department Store	2,728	5,773	7,231	7,381
Total	**38,269**	**-3,210**	**-51,174**	**-141,472**

Source: SGS Economics and Planning, 2020.

Retail gap by centre

Analysing the retail gap by each of the City's sub-villages finds that the largest retail gap by far is in Green Square and City South. It begins with a moderate gap of around 10,014 square metres in 2021, which is expected to grow significantly to a gap of around 73,428 square metres. Following this, the next sub-village Harris Street, with gap of 15,578 square metres, followed by Chinatown and CBD South with 15,162 square metres. The CBD and Harbour is expected to have sufficient floorspace across all future years and will have a surplus of around 7,733 square metres by 2036. This surplus is most likely due to the growing impact of online shopping on key commodity groups such as clothing and department store floorspace.

TABLE 19: RETAIL GAP BY VILLAGE AND SUB-VILLAGE

	2021	2026	2031	2036
CBD and Harbour	31,511	38,849	31,990	7,733
Green Square and City South	-10,014	-36,551	-46,686	-73,428
Chinatown and CBD South	4,260	3,346	-1,571	-15,162
Crown and Baptist Streets	2,467	445	-4,875	-12,426
Glebe Point Road	1,755	-2,550	-5,771	-11,657
Harris Street	-236	-5,030	-10,765	-15,578
Redfern Street	2,071	-1,463	-5,237	1,303
King Street	1,466	-1,888	-4,140	-9,113
Macleay Street and	1,174	-316	-2,433	-5,338
Oxford St (sub-village)	**2,232**	**1,627**	**-11**	**-2,766**
Darlinghurst (sub-village)	1,098	283	-1,047	-3,496
Moore Park (sub-village)	484	40	-629	-1,546
Total	**38,269**	**-3,210**	**-51,174**	**-141,472**

Source: SGS Economics and Planning, 2020.

Oxford Street has a minor floorspace gap of around 2,766 square metres in 2036. It is largely in balance between 2021 and 2031.

Retail Gap by Centre by Commodity

In this section, SGS has broken down the estimated gap in retail floorspace in 2036 by commodity type for each of the centres. This type of analysis reveals the forms of retail floorspace that will be required to ensure floorspace shortages are properly addressed. Additionally, it can highlight situations in a centre in which a balance of supply and demand may be obscuring a shortage of a particular commodity type.

The data finds that overall, much of the gap is found in Supermarket, Other Food, Hospitality and Household Goods floorspace. This distinction is largely attributable to these commodity groups being the least impacted by the role of online retail.

Oxford Street's largest gap is around 2,691 square metres of Hospitality floorspace, with minor gaps found across Supermarket and Household Goods.

TABLE 20: RETAIL GAP BY CENTRE, 2036 (SQM)

Village	Supermarket	Other Food	Hospitality and Services	Clothing and Soft Goods	Household Goods	Other Retail	Department Stores	Total
CBD and Harbour	-1,732	-59	-16,477	16,141	-4,305	6,784	7,382	**7,733**
Green Square and City South	-8,202	-4,475	-11,389	-1,217	-49,024	880	-	**-73,428**
Chinatown and CBD South	-3,131	-1,501	-14,343	1,611	-1,397	3,639	-39	**-15,162**
Crown and Baptist Streets	-1,431	-489	-6,103	-377	-4,344	300	17	**-12,426**
Glebe Point Road	-3,467	-1,510	-6,649	150	-2,576	2,396	-	**-11,657**
Harris Street	-2,985	-3,320	-7,119	-118	-2,407	371	-	**-15,578**
Redfern Street	-206	86	851	374	397	-219	21	**1,303**
King Street	-2,127	-904	-5,678	346	-1,535	786	-	**-9,113**
Macleay Street and Woolloomooloo	-1,666	-275	-3,969	252	-346	666	-	**-5,338**
Oxford St (sub-village)	-701	-240	-2,691	931	-930	866	-	**-2,766**
Darlinghurst (sub-village)	-22	-446	-2,779	292	-833	290	-	**-3,496**
Moore Park (sub-village)	-	-129	-1,330	68	-190	35	-	**-1,546**
Total	**-25,669**	**-5,579**	**-36,277**	**18,451**	**-67,491**	**16,793**	**7,381**	**-141,472**

Source: SGS Economics and Planning, 2020.

Retail Gap for Oxford Street

The retail floorspace projections suggest that Oxford Street will generally have surplus retail floorspace, before becoming balanced by around 2031. Only beyond 2031 does a gap of approximately 2,766 square metres emerge. This is largely attributable to a gap in Hospitality and Supermarket floorspace.

TABLE 21: RETAIL GAP ACROSS OXFORD ST, BY COMMODITY TYPE (SQM), OXFORD STREET PRECINCT

	2021	2026	2031	2036
Supermarket	-209	-216	-441	-701
Other Food	-57	-46	-121	-240
Hospitality	1,091	71	-974	-2,691
Clothing	982	1,181	1,123	931
Household Goods	87	-43	-405	-930
Other Retail	338	681	808	866
Department Store	-	-	-	-
Total	**2,232**	**1,627**	**-11**	**-2,766**

Source: SGS Economics and Planning, 2020.

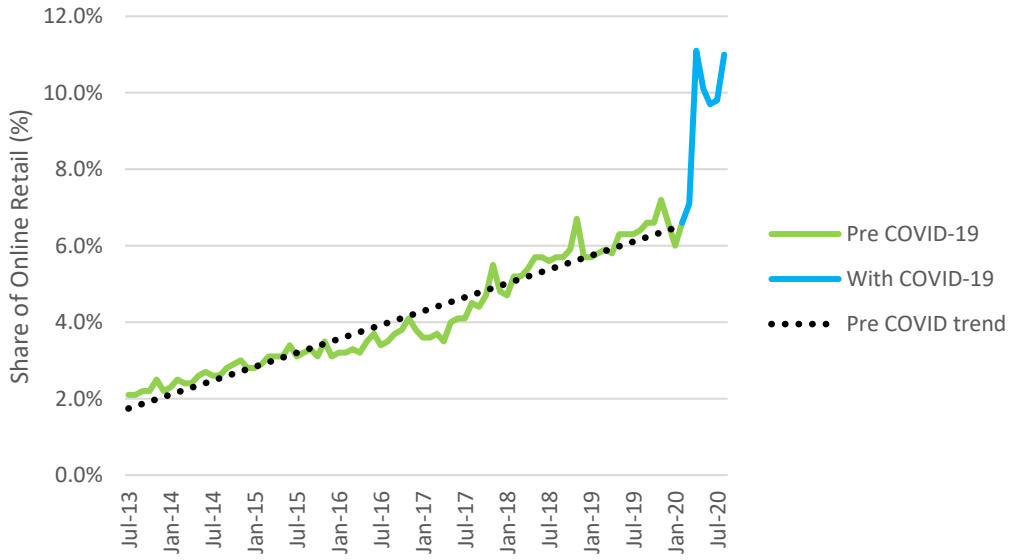
3.4 COVID scenario

Impact on retail

It cannot be ignored that COVID-19 has had a significant impact on the retail sector and will affect the future demand for floorspace in the precinct. From a planning perspective, the most noticeable impact has been two-fold: the rise of online retail and the shift to more local consumption and spending.

As noted above, the rise of online retailing is increasingly impacting on Australia's retail sector, with market share growing by around 0.75 per cent per year. As of March 2020 (prior to COVID-19) the market share of all retail spending stood at 7.2 per cent.[35] By August 2020, online retail had risen significantly to be around 11.1 per cent of total retail turnover. A summary of this time-series is provided below. It illustrates that prior to COVID-19, online retail was growing steadily each year up until around March 2020, where there was a significant spike.

FIGURE 10: GROWTH OF ONLINE RETAIL, AUSTRALIA



Source: ABS 8501.0 Retail Trade - Table 23 | Percentage change of total Australian retail

[35] ABS, 2020. 8501.0 Retail Trade - Table 23 | Percentage Change of total Australian Retail. https://www.abs.gov.au/statistics/industry/retail-and-wholesale-trade/retail-trade-australia/latest-release

The second noticeable shift was the increased numbers of residents working from home, instead of commuting the office. For many, this has resulted in a new local way of living. Consequently, neighbourhood centres have experienced significant growth to accommodate residents spending their local area.

COVID-based demand scenario

Two adjustments were made to the retail model to understand the potential influence of the COVID-19 pandemic on future floorspace demand in the precinct. The retail model was adjusted to utilise the high online retail penetration, as discussed in Figure 9 (noting that this uses a smoothed average and trend, rather than being based on the latest retail figures). The second adjustment was to boost the RTD's (centre turnover per square metre) by 10 per cent for neighbourhood centres and to reduce CBD centre turnover by 10 per cent.

The results show that Oxford Street, under a structural shift to higher online retail and a greater emphasis on working from home, moves from a 2036 retail gap of 2,766 square metres to having a surplus of 2,774 square metres – a total reduction in future floorspace demand of around 5,540 square metre. **This illustrates the sensitivity around the assumptions used, and that during this period of uncertainty, planning for a significant amount of new retail floorspace in the precinct would need to be considered very carefully**.

TABLE 22: RETAIL GAP SCENARIO, OXFORD STREET PRECINCT

Scenario	2016	2021	2026	2031	2036
Base Case	0	2,232	1,627	-11	-2,766
COVID scenario	0	2,895	3,452	3,369	2,774
Difference	**-**	**663**	**1,825**	**3,380**	**5,540**

Source: SGS Economics and Planning, 2020

Analysing the difference in scenarios by commodity at 2036 shows that most of the floorspace shift is in Household Goods (from a 930 square metre gap to a 1,344 square metre surplus) and Clothing and Soft Goods (931 square metre surplus to 2,962 a square metre surplus). These two commodity groups make up the bulk of the retail surplus under a long-term, structural shift due to COVID. There is minimal change to Supermarkets, Other Food and Hospitality floorspace under this scenario (noting that these uses are less able to replicated/replaced by online retailing, and supermarket/food spendin in particular is less reliant on discretionary spending). The largest gap in retail floorspace provision for Oxford Street remains in Hospitality and Services, with a deficit of around 2,628 square metres under the COVID scenario.

TABLE 23: 2036 RETAIL GAP SCENARIOS, BY COMMODITY, OXFORD STREET PRECINCT

Commodity	Base Case	COVID Scenario	*Difference between scenarios*
Supermarket	-701	-451	*250*
Other Food	-240	-114	*126*
Hospitality and Services	-2,691	-2,628	*63*
Clothing and Soft Goods	931	2,962	*2,031*
Household Goods	-930	1,344	*2,274*
Other Retail	866	1,663	*797*
Department Stores	-	-	-
Total	**-2,766**	**2,774**	***5,540***

Source: SGS Economics and Planning, 2020

3.5 Summary of retail floorspace demand for Oxford Street

SGS's retail modelling has identified that based on previous trends, projected population growth, and a medium growth scenario for online retail as a share of spending, there would be **a gap of around 2,766 square metres of retail floorspace** in the Oxford Street precinct, mostly in hospitality floorspace, by 2036.

However, retail has been significantly impacted by COVID-19 related shutdowns, and may continue to be impacted if trends towards more people working from home and a higher prevalence of online retail continue over the longer term. The scenario modelled to account for potential COVID impacts shows that if there is a structural shift to online retail and more spending in neighbourhood centres, then **there will be an oversupply of floorspace the precinct in 2036 of around 2,774 square metres**. There may still be a gap in Hospitality and Supermarket floorspace, with the surplus likely to be in floorspace related to discretionary spending such as clothing and household goods.

The difference between the scenarios shows that at a time of significant uncertainty, planning for new retail floorspace in the precinct will need to be considered carefully as new trends and shifts in the economy and the retail sector emerge in response to the pandemic.

4. DEMAND AND GAP ANALYSIS – CULTURAL/CREATIVE AND WORKER-RELATED DEMAND

This section details the method and results from the modelling of future demand scenarios for creative and cultural uses and worker-related (office-based) floorspace, and the potential gap in provision on Oxford Street.

4.1 Projected growth in employment

Office Jobs and floorspace

For the precinct, 2017 FES office jobs were calculated by investigating the FES survey data at a 4-digit ANZSIC code level. Broadly, it was made up of jobs in the industries of Information and Telecommunications, Financial and Insurance Services, Rental and Real Estate Services, Professional Services, Administration and Support Services and Public Administration and Safety. The 2017 figure was then forecasted out by applying SA2 growth rates by industry extracted out of the latest NSW Travel Zone Projections ('TZP19'). Once completed, the 2017 figure was interpolated back to 2016 to provide the base 20 year forecast to 2036.

Office Jobs

The analysis finds that there were approximately 280,734 office jobs across the City of Sydney. Based on the TZP19 growth rates, this is expected to grow by around 91,514 jobs by 2036. This equates to growth of around 32.6 per cent, or 1.6 per cent annually.

Oxford Street office jobs are expected to grow from 1,517 in 2016 to 1,881 by 2036, or around 364 jobs. This equates to growth of around 24 per cent, or 1.2 per cent annually. In other words, City of Sydney office job demand is growing by around 0.4 per cent faster each year than Oxford Street.

TABLE 24: OFFICE JOB DEMAND 2016-36

Year	Oxford St	City of Sydney
2016	1,517	280,734
2021	1,713	318,093
2026	1,743	343,178
2031	1,807	357,283
2036	1,881	372,248
Growth 16-36	**364**	**91,514**
Change	**24.0%**	**32.6%**

Source: SGS Economics and Planning, 2020; City of Sydney 2017

Office Floorspace

The same projection method was applied to the FES floorspace data. It finds that office floorspace across the City of Sydney is projected to grow by around 1.44 million square metres by 2036. This equates to growth of around 28.4 per cent, or 1.4 per cent annually. Oxford Street office floorspace in contrast is expected to grow in demand by around 5,565 square metres. This equates to growth of around 22.5 per cent, or 1.1 per cent annually.

TABLE 25: OFFICE FLOORSPACE DEMAND 2016-36, SQM

Year	Oxford St	City of Sydney
2016	24,705	5,047,577
2021	27,568	5,539,615
2026	28,055	5,976,471
2031	29,089	6,222,109
2036	30,270	6,482,728
Growth 16-36	5,565	1,435,152
Change	**22.5%**	**28.4%**

Source: SGS Economics and Planning, 2020; City of Sydney 2017

Creative Jobs and floorspace

Creative Industry jobs and floorspace did not require any categorisation, since the City of Sydney has already undertaken such a categorisation as part of its City-Based Indicator. The annual average growth rate for each sub-village using the FES from 2007, 2012 and 2017 was calculated and used as a proxy to estimate future employment and floorspace growth.

Creative Jobs

The analysis finds that creative industries across the City of Sydney are expected to grow by around 10,266 jobs. This equates to growth of around 30.7 per cent, or 1.5 per cent annually. Within the Oxford Street study area, creative industry job growth is expected to grow by around 348 jobs. This equates to growth of around 95.1 per cent, or around 4.8 per cent annually. This is based off the annual average growth rate. From 2007, there were around 169 creative jobs within the Oxford Street study area, and by 2017, there were 207.

TABLE 26: CREATIVE INDUSTRIES JOB DEMAND 2016-36

Year	Oxford St	City of Sydney
2016	366	33,462
2021	458	34,674
2026	531	37,154
2031	616	40,149
2036	714	43,729
Growth 16-36	348	10,266
Change	**95.1%**	**30.7%**

Source: SGS Economics and Planning, 2020; City of Sydney 2017

Creative Floorspace

Creative industry floorspace demand across the City of Sydney is expected to grow by around 50,128 square metres. This equates to growth of around 3.9 per cent, or 0.2 per cent annually. Oxford Street creative floorspace demand is expected to grow by around 3,910 square metres to 2036, equating to growth of 44.4 per cent, or 2.2 per cent annually.

TABLE 27: CREATIVE INDUSTRIES FLOORSPACE DEMAND 2016-36, SQM

Year	Oxford St	City of Sydney
2016	8,811	1,290,144
2021	9,907	1,278,689
2026	10,768	1,294,383
2031	11,704	1,314,709
2036	12,721	1,340,271
Growth 16-36	**3,910**	**50,128**
Change	**44.4%**	**3.9%**

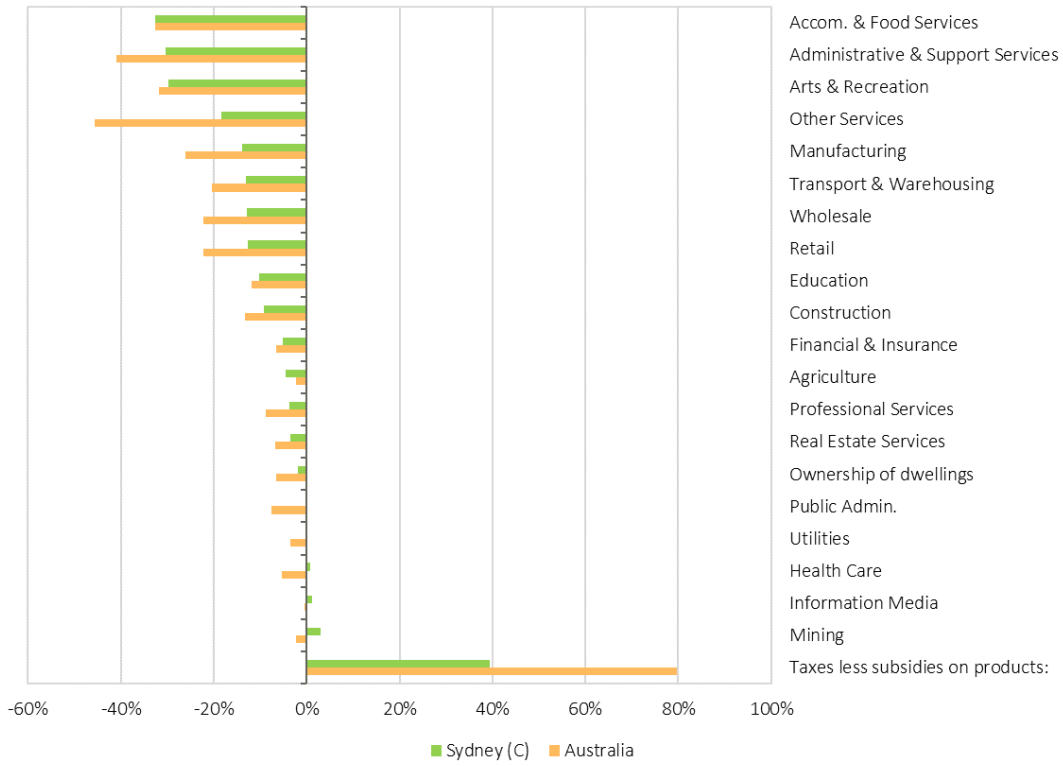
Source: SGS Economics and Planning, 2020; City of Sydney 2017

4.2 COVID scenario

An important consideration is that the TZP19 data and its subsequent trend data were produced prior to the onset of the COVID-19 pandemic and its impacts on different sectors of the economy. An additional COVID-19 scenario has been produced to account for the potential impacts, which assumes that there is a gradual return to normal operating conditions by 2026.

A high level COVID-19 impact analysis has been undertaken for industries within the City of Sydney LGA and applied to Oxford Street. The estimated impacts used have been based on analysis by SGS on the GDP performance of Australia's cities and regions. The analysis considers the change in Gross Value Add (GVA) by industry between 2019-20. It finds that the three industries most affected by COVID-19 include Accommodation and Food Services (-32.6 per cent), Administration and Safety (30.3 per cent) and Arts and Recreation (-29.7 per cent).

FIGURE 11: CHANGE IN GROSS VALUE ADD BY INDUSTRY (2019-20), CITY OF SYDNEY LGA



Source: SGS Economics and Planning, 2020

The estimated reduction in GVA was used as a proxy to reduce the future job growth in the TZP19 employment projections. Additional job growth by industry was reduced by the percentage drop identified in the SGS report for 2020, with a gradual return to a normal rate of growth assumed by 2026.

Office jobs and floorspace impact

COVID-19 is expected to have an average impact of 9.5 per cent on the City of Sydney office market. Employment is likely to be impacted by around 27,110 jobs, or 9.7 per cent whilst floorspace demand is expected to be impacted by around 472,115 square metres, or 9.4 per cent.

An important distinction is that this fall in demand relates to direct losses, as opposed to changes to working behaviour. In other words, the highest losses to GVA relate to industries that have been unable to function due to the shutdown. This has not impacted white-collar workers, though there has been a largescale shift in working behaviour. Therefore, the specific GVA impact on the office market may not be representative of the wider scale losses occurring within the LGA, due to the change in working behaviour.

TABLE 28: COVID IMPACT, CITY OF SYDNEY OFFICE JOBS

	Jobs			Floorspace		
Year	Base Case	Covid-19	Impact	Base Case	Covid-19	Impact
2016	280,734	280,734	-	5,047,577	5,047,577	-
2021	318,093	307,625	-10,469	5,539,615	5,357,301	-182,313
2026	343,178	318,186	-24,993	5,976,471	5,541,224	-435,246
2031	357,283	331,264	-26,020	6,222,109	5,768,973	-453,135
2036	372,248	345,139	-27,110	6,482,728	6,010,613	-472,115
Growth 16-36	**91,514**	**64,405**	**-27,110**	**1,435,152**	**963,036**	**-472,115**
Change	**32.6%**	**22.9%**	**-9.7%**	**28.4%**	**19.1%**	**-9.4%**

Source: SGS Economics and Planning, 2020; City of Sydney 2017

The application of the GVA reduction suggests that the impact of COVID-19 on the Oxford Street study area office market may be less pronounced compared to the wider City. On average there is expected to be an impact to demand by around 3.25 per cent across the job and floorspace market.

TABLE 29: COVID IMPACT, OXFORD STREET OFFICE JOBS

	Jobs			Floorspace		
Year	Base Case	Covid-19	Impact	Base Case	Covid-19	Impact
2016	1,517	1,517	-	24,705	24,705	-
2021	1,713	1,693	-20	27,568	27,241	-328
2026	1,743	1,697	-46	28,055	27,314	-741
2031	1,807	1,760	-48	29,089	28,320	-768
2036	1,881	1,831	-50	30,270	29,470	-799
Growth 16-36	**364**	**314**	**-50**	**5,565**	**4,766**	**-799**
Change	**24.0%**	**20.7%**	**-3.3%**	**22.5%**	**19.3%**	**-3.2%**

Source: SGS Economics and Planning, 2020; City of Sydney 2017

Creative Jobs and floorspace impact

The impact of COVID-19 for creative industries has been calculated to equate to a 0.9 per cent fall in floorspace demand and a 2.8 per cent fall in employment over the long term to 2036. This equates to a reduction in creative industry demand of around 11,620 square metres, or around 939 jobs.

TABLE 30: COVID IMPACT, CITY OF SYDNEY CREATIVE INDUSTRIES

	Jobs			Floorspace		
Year	Base Case	Covid-19	Impact	Base Case	Covid-19	Impact
2016	33,462	33,462	-	1,290,144	1,290,144	-
2021	34,674	34,272	-402	1,278,689	1,273,666	-5,023
2026	37,154	36,215	-939	1,294,383	1,282,762	-11,620
2031	40,149	39,210	-939	1,314,709	1,303,089	-11,620
2036	43,729	42,789	-939	1,340,271	1,328,651	-11,620
Growth 16-36	**10,266**	**9,327**	**-939**	**50,128**	**38,507**	**-11,620**
Change	**30.7%**	**27.9%**	**-2.8%**	**3.9%**	**3.0%**	**-0.9%**

Source: SGS Economics and Planning, 2020; City of Sydney 2017

The impact of COVID-19 on the Oxford Street study area has been calculated to be larger than that of the City of Sydney in percentage terms, of around 2.4 per cent in floorspace and around 4.8 per cent in employment (likely due to the concentration of creative uses in the area). In real terms, this equates to the loss of floorspace demand of around 213 square metres or 18 jobs by 2036.

TABLE 31: COVID IMPACT, OXFORD STREET CREATIVE INDUSTRIES

	Jobs			Floorspace		
Year	Base Case	Covid-19	Impact	Base Case	Covid-19	Impact
2016	366	366	-	8,811	8,811	-
2021	458	451	-7	9,907	9,815	-92
2026	531	513	-18	10,768	10,555	-213
2031	616	598	-18	11,704	11,491	-213
2036	714	696	-18	12,721	12,508	-213
Growth 16-36	**348**	**330**	**-18**	**3,910**	**3,697**	**-213**
Change	**95.1%**	**90.3%**	**-4.8%**	**44.4%**	**42.0%**	**-2.4%**

Source: SGS Economics and Planning, 2020; City of Sydney 2017

4.3 Summary of office and creative floorspace demand for Oxford Street

SGS's analysis has identified that based on previous trends and population and employment forecasts, by 2036 there may be a need for an additional:

- 5,565 square metres of office-based floorspace, and
- 3,910 square metres of creative industries floorspace in the precinct.

However, it is important to recognise that COVID-19 will have impacted on the sectors using this floorspace in different ways, impacting on the level of demand particularly in the short term.

As such, the COVID-based scenario, adjusting for declines in gross value added by industry and assuming that economic activity returns to 'normal' by 2026, suggests that **the demand for office space in the precinct in 2036 would be reduced to around 4,766 square metres, and 3,697 square metres for creative floorspace.**

As is the case for retail, in a time of uncertainty, planning for a large amount of new floorspace needs to be considered carefully. However, the forecasts, even with assumed COVID-based reductions, suggests that there may be a need to facilitate the delivery of a small amount of additional office and creative floorspace capacity in the precinct.

5. SUMMARY AND CONCLUSIONS

This section summarises and provides conclusions from the analysis. These findings are further built on into recommendations for the precinct in the accompanying *Cultural Activity Study*.

5.1 Overview

Oxford Street has a long and complex history as a precinct. It caters to a variety of uses, and has an important role in many of the City's wider objectives, including in relation to the night-time economy and the cultural sector. The perceived decline of the precinct has been impacted by a range of factors over time, including most recently the COVID-19 pandemic as well as the lock-out laws, new retail developments in nearby areas, high rents, and broader shifts in the economy and functioning of CBDs and retail strips more generally.

While the precinct is struggling, there are still many positives and opportunities to be built on to support its revitalisation, including its existing heritage and character, the removal of restrictions from the lock-out laws, and the potential to redevelop key sites to provide new floorspace and certainty to tenants.

5.2 Existing floorspace

The review of the City's FES data has illustrated that there are key concentrations of floorspace types in the precinct – notably in higher education related to the NAS and UNSW campuses, tourist-based and entertainment uses, food and drink establishments, and retail and creative industries.

Over time, there have been a number of shifts in the types of floorspace in the area, with recent years seeing a decline in some key sectors including food and drink and tourism uses, likely linked to the lock-out laws in place during this period which have affected not only bars and pubs directly, but had flow-on effects to other businesses. There has also been a relatively high level of vacancies in recent times.

Overall, employment floorspace in the precinct increased by around six per cent between 2007 and 2017, however, there was an overall decline in the past five years. There may only be a small amount of additional capacity to generate new floorspace under the current controls in the precinct.

5.3 Projected need for floorspace

Table 32 below summarises the projected need for additional floorspace in the precinct in terms of retail, office-based uses, and creative industries to 2036, under a base case which assumes previous patterns of spending and usage, and a COVID-based case which considers the potential impact of the pandemic on the respective uses in the short term.

Under the base case, there may be a need for a total of around 12,200 additional square metres in 2036, with the largest proportion in office-based floorspace. Under the COVID scenario, there is only demand for around 5,700 square metres in total.

TABLE 32: SUMMARY OF PROJECTED ADDITIONAL FLOORSPACE DEMAND, OXFORD STREET PRECINCT, 2036

Floorspace type	Base case	COVID scenario
Retail	2,766	-2,774
Office	5,565	4,766
Creative	3,910	3,697
Total	**12,241**	**5,689**

Source: SGS, 2020

This suggests that there is n**ot likely to be a significant need for additional floorspace in the precinct to meet projected total demand**, but a small amount of additional office and creative floorspace capacity over this period is likely to be needed (though recognising this is a time of significant uncertainty and the limitations of these types of projections).

Given the relatively low level of demand expected, large scale changes to planning controls to facilitate new development are not required. Instead, consideration could be given to how to best utilise existing floorspace within the precinct to cater to different types of demand, and to target redevelopments to deliver new capacity while respecting the precinct's heritage and character.

As is explored further in the accompanying *Cultural Activity Study* for the precinct, planning for the precinct needs to look beyond simple floorspace *volume* questions. The *character* of demand is an important consideration, including whether the existing floorspace in the precinct is fit for purpose (or able to be made so) for particular uses – this is especially so for the creative sector which spans a variety of uses which have different and specific floorspace needs.

SGS Economics & Planning

Contact us

CANBERRA
Level 2, 28-36 Ainslie Place
Canberra ACT 2601
+61 2 6257 4525
sgsact@sgsep.com.au

HOBART
PO Box 123
Franklin TAS 7113
+61 421 372 940
sgstas@sgsep.com.au

MELBOURNE
Level 14, 222 Exhibition St
Melbourne VIC 3000
+61 3 8616 0331
sgsvic@sgsep.com.au

SYDNEY
209/50 Holt St
Surry Hills NSW 2010
+61 2 8307 0121
sgsnsw@sgsep.com.au