Epping town centre Commercial Floorspace Study

Final report

City of Parramatta Council

June 2017

SGS Economics & Planning

Independent insight.

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170091-Final report-170607

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EXECUTIVE SUMMARY

SGS Economics and Planning has been commissioned by City of Parramatta Council to prepare a commercial floorspace study for the Epping town centre. This project forms part of the Epping Planning Review. The objective of this project is to identify the level of commercial (retail, office and business) floorspace required to meet current and future demand.

Method

This study has involved an extensive review of existing state and local planning documents to understand the current planning environment. The impact of these planning controls, including recent changes introduced through the Epping Priority precinct planning process have been examined through a review of recent development applications, planning proposals and preliminary planning proposals.

This report includes an examination of the demographic and economic profile of the Epping town centre as well as an analysis of current market trends impacting on the office and retail uses in the Epping town centre. This analysis includes a review of local trends and macroeconomic trends shaping these uses now and into the future.

Consultation has also been conducted to supplement this analysis. Consultation has been conducted with the following groups:

- City of Parramatta Council
- Epping Chamber of Commerce
- Local real estate agents
- Landowners in the Epping town centre (i.e. land zoned B2 Local Centre)

Community members have also been consulted through a community workshop to identify their current and desired uses of the Epping town centre.

Demand for retail and office floorspace has been forecast in light of these findings. Retail demand has been forecast considered the surrounding local retail market and current local expenditure profiles. Three scenarios have been forecast for office floorspace demand considering different roles for the Epping town centre.

Key findings

The Epping town centre is currently considered as a local centre in State planning documents, with recent planning through the Priority Precinct process highlighting future residential uses.
State planning documents identify Epping as a local centre, supporting the daily needs of the surrounding population. The Epping town centre is identified in the *Draft West Central Plan* as a local centre with the potential to operate as a commercial and retail node, subject to 'the right planning and investment'. The recent Priority Precinct process however has prioritised residential development in the Epping town centre, indicating that demand for office floorspace is likely to be redirected to other nearby employment centres, which may limit this potential node from being realised.

Prior to the Priority Precinct process, the Epping town centre contained a relatively even mix of industries, providing local retail and services as well as employment opportunities across a range of industries.
At the 2011 Census, there were 4,512 jobs in the Epping town centre accommodated in approximately 55,000 square metres of office floorspace and 12,900 square metres of retail floorspace. Recorded

employment was evenly split across the Grater Sydney Commission's four industry classes; knowledge intensive, population serving, industrial, and health and education. This split of jobs indicates that Epping is an accessible location, and has attracted jobs in industries that do not rely on local populations, such as knowledge intensive jobs in professional services.

Recent development activity has seen the development of new residential floorspace at the expense of existing office floorspace that has been supporting this local employment. The quantum of retail floorspace remains the same as existing sites are redeveloped.

Since new planning controls were introduced in 2014, a significant amount of development activity has been recorded in the Epping town centre and the wider Priority Precinct. The majority of development in the Epping town centre is for 'mixed use' development, with commercial floorspace to support retail and office uses on the ground floor and residential floorspace on the remaining floors. This is in spite of existing local design controls encouraging the first 2 to 3 storeys of new development in the town centre to be allocated to non-residential uses.

Epping continues to experience demand for retail and office floorspace, however development activity has seen commercial uses unable to access appropriate floorspace to support their business.

The Epping town centre remains a desirable location for businesses to locate. The high quality public transport infrastructure and connections across Greater Sydney continue to attract new and existing retail and office uses to the Epping town centre. However, there is currently very little commercial floorspace on a long term lease and/or a lease without demolition clauses and land owners aim to retain the potential to redevelop their site. This impacts on the operation and certainty of businesses and has seen high demand for existing floorspace.

In light of this demand, forecast population growth, the size and infrastructure investment in the centre, Epping is considered to function as a sub-District centre, playing a more significant role than other nearby local centres.

Given Epping's close proximity to other strategic centres at the metropolitan level and the factors identified above, the role of Epping now and into the future is considered to be a sub-district centre, which meets the needs of a local residential population as well as providing higher-order services and commercial space for small to medium sized businesses. This would place Epping between local and District centres in the Greater Sydney Commission's hierarchy.

In light of this sub-District centre function, over the next 20 years there is forecast demand for 13,000 square metres of retail floorspace and 55,616 square metres of office floorspace in the Epping town centre.

These numbers represent the total demand for floorspace to 2036. This quantum of commercial floorspace is forecast to support the functioning of the Epping town centre to meet the needs of surrounding residents and to provide diverse employment opportunities in small to medium enterprises in a highly accessible location in Greater Sydney.

Current patterns of development are unlikely to deliver the quantum of floorspace required by 2036. A non-residential floorspace ratio is recommended as a means to deliver commercial floorspace.

A minimum non-residential floorspace ratio requiring a proportion of floorspace in new developments for commercial uses is recommended across the Epping town centre to ensure these uses are accommodated in truly mixed use developments providing services for the local and surrounding population, and enabling Epping to fulfil its role as a sub-District centre.

1 INTRODUCTION

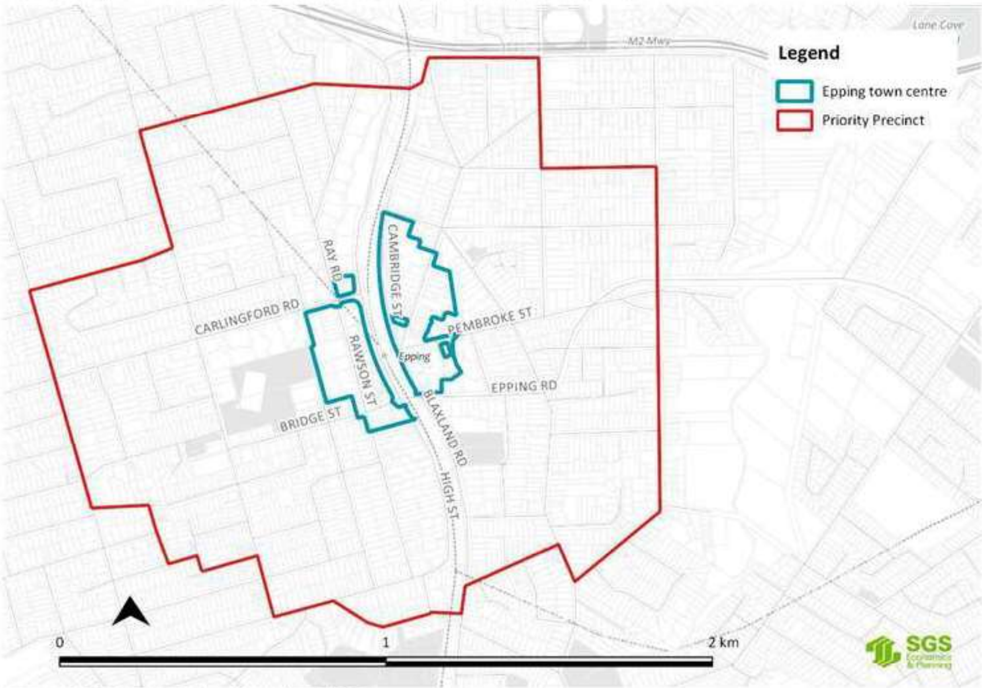
SGS Economics and Planning has been commissioned by City of Parramatta Council to prepare a commercial floorspace study for the Epping town centre. The objective of this project is to identify the level of commercial (retail, office and business) floorspace required to meet current and future demand and any changes that should be made to planning documents to meet this demand.

This project forms part of the Epping Planning Review. The Epping Planning Review follows the incorporation of the whole of the Epping town centre into the City of Parramatta local government area in 2015 (the eastern side was previously in the Hornsby LGA). The Epping Planning Review intends to deliver one set of planning controls for Epping with an integrated infrastructure plan taking into account the needs of residents, workers and visitors.

1.1 Study area

Figure 1 shows the study area/s for this report. For the purposes of this report, the Epping town centre is defined as the land zoned B2 Local Centre around the train station. The wider Epping centre incorporates land within 800 metres of the train station that was included in the Epping Priority Precinct (formerly Urban Activation Precinct). The terms Epping town centre and Epping Priority Precinct are used throughout this report to refer to the areas shown in blue and red outline respectively in Figure 1.

FIGURE 1. EPPING TOWN CENTRE AND PRIORITY PRECINCT



Source: SGS Economics and Planning, 2017

1.2 Scope of work

This report analyses demand for commercial floorspace. Commercial floorspace refers to the sum of retail, office and other non-residential floorspace in the Epping town centre. Demand for social infrastructure, however, is assessed in a separate report.

This report considers the following:

- Review of the local and state planning context for the Epping town centre and wider area
- Analysis of Epping's existing economic profile
- Review of market drivers for office, retail and other commercial floorspace
- Assessment of local market conditions and recent trends impacting on non-residential floorspace in the Epping town centre
- Assessment of demand for retail, office and other commercial floorspace in the Epping town centre to 2036
- Articulate the role and function of the Epping town centre in light of these factors and identify planning mechanisms required to achieve this vision.

1.3 Structure of the report

The remaining chapters of this report are as follows:

Chapter 2: Strategic and policy framework	Outlines the existing planning framework impacting on the Epping town centre, including the Priority Precinct planning process.
Chapter 3: Epping's economic profile	Reviews the current and projected economic profile for Epping as a residential and employment centre.
Chapter 4: Market trends and drivers	Analyses macroeconomic and local trends impacting on office, retail and other commercial uses, including findings from consultation with relevant stakeholders
Chapter 5: Retail demand assessment	Calculates demand for retail floorspace in the Epping town centre and surrounds to 2036.
Chapter 6: Office demand assessment	Calculates demand for office floorspace in the Epping town centre and surrounds to 2036.
Chapter 7: Implications and directions	Outlines the proposed role and function of the Epping town centre and recommends strategies to achieve this vision.

An Appendix has also been included listing recent retail developments in Epping town centre and the local retail market.

2 STRATEGIC AND POLICY FRAMEWORK

2.1 Current planning context

NSW strategies and policies

A Plan for Growing Sydney (2014)

A Plan for Growing Sydney is the primary strategic planning document for metropolitan Sydney, guiding and shaping development of the city to 2031.*A Plan for Growing Sydney* has four goals to deliver new housing and employment across the metropolitan area:

- a competitive economy with world class services and transport;
- a city of housing choice with homes that meet our needs and lifestyles;
- a great place to live with communities that are strong, healthy and well connected; and
- a sustainable and resilient city that protects the natural environment and has a balanced approach to the use of land and resources

A Plan for Growing Sydney identifies the Epping town centre as one of its 10 Priority Precincts. Priority Precincts were chosen based on their alignment with housing, employment and urban renewal strategies, their potential to capitalise on existing infrastructure, their importance to more than one LGA, their environmental, social and economic sustainability, and potential development of the area being consistent with market demand. The *Plan* outlines the intent of the NSW Government to match expected population growth with new infrastructure, schools, recreation facilities and improved public roads and services. Further detail of the planning of the Epping Priority Precinct is included below.

Epping is also identified in the *Plan* as part of the North West Rail Link corridor (now known as Sydney Metro Northwest). The corridor is intended to be a focus for increased housing, economic activity and social infrastructure, and is noted as being important for its accessibility to the Global Economic Corridor.

Towards Our Greater Sydney 2056 and Draft West Central District Plan (2016)

In 2016, the Greater Sydney Commission (GSC) released draft District Plans. These plans sit under *A Plan for Growing Sydney* and provide further detail for planning each of Sydney's six districts. The GSC also released a draft amendment to *A Plan for Growing Sydney* setting out a vision for the metropolitan area to 2056.

One of the crucial concepts and metropolitan priorities of *Towards our Greater Sydney 2056* is the a 30-miunte city. This plan intends to increase the range of jobs and services and other opportunities that people can get to within 30 minutes from their place of residence. A 30-mintue city intends to improve the quality of life of Greater Sydney residents and improve accessibility and transport outcomes across the metropolitan area.

The draft District Plans contain a three-level hierarchy of centres:

- Strategic centres
- District centres
- Local centres

Strategic centres are the most significant centres across Greater Sydney and generally contain at least 20,000 jobs. Strategic centres meet one of the following criteria:

– a higher proportion of knowledge-economy jobs, principally relating to the presence of major hospitals, tertiary education institutions, stand-alone office development or a combination of these
– the presence of existing or proposed major transport gateways
– a major role in supporting the increased economic activity of the Eastern, Central or Western Cities.

Examples of Strategic centres include Greater Parramatta, Sydney Olympic Park and Macquarie Park.

District centres are defined by one of the following characteristics and generally contain between 5,000 and 10,000 jobs:
– the scale of retail activity, generally over 50,000m^2 of floor space
– the presence of health and education facilities that serve the district and the local community
– the level of transport services

Examples of District centres include Hornsby, Castle Hill and Burwood.

Under the *Draft West Central District Plan,* Epping is identified as a local centre. Local centres are defined in the draft District Plans as varying in size from a few shops on a corner to a vibrant main street and generally serving the local population.

The *Draft West Central District Plan* identifies Epping as one of the local centres that will support the Greater Parramatta and Olympic Peninsula (GPOP). The renewal and revitalisation of Epping town centre is identified as one example of the major changes happening in the district that have involved concurrent investment in growth and renewal opportunities. Along with Merrylands, Epping is identified as a local centre 'that, with the right planning and investment, could reach their potential as emerging commercial and retail nodes' (page 48).

The forecast for the town centre under the *Draft Plan* is for up to 3,750 dwellings to be delivered. One of the key actions identified for the Parramatta LGA is also to progress the delivery of urban renewal in the Epping town centre. No employment targets are provided.

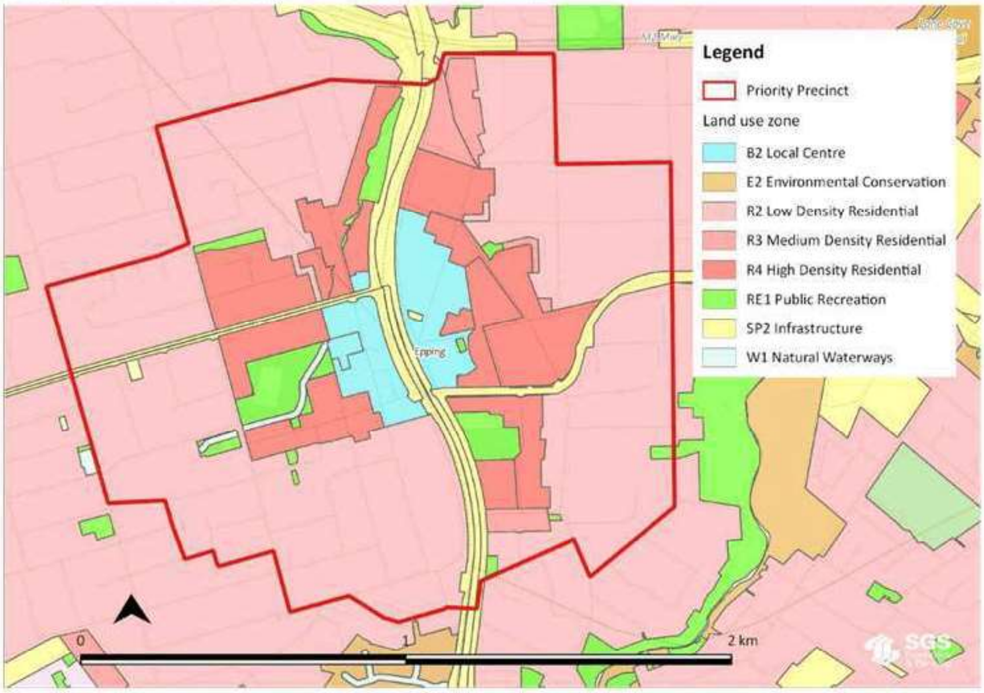
Local planning controls

Current zoning and LEP controls

The current LEP controls contained in the *Parramatta Local Environmental Plan 2011* and the *Hornsby Local Environmental Plan 2013* have resulted from the Priority Precinct planning process and have largely been harmonised across the two environmental planning instruments.

The current zoning for the Epping town centre area is shown in Figure 2, where the B2 Local Centre zoned areas represent the focus for retail and commercial uses in the centre. The B2 Local Centre zone permits the following uses with consent:
– Commercial development (including office, retail and other businesses)
– Residential development in the form of shop top housing, boarding houses or seniors housing
– Tourist and visitor accommodation
– Community facilities
– Services such as child care centres, schools, recreation facilities, medical centres and function centres

FIGURE 2. LAND ZONING, EPPING TOWN CENTRE



Source: SGS, 2017.

The objectives of the B2 zone under the Hornsby LEP 2013 are to:

- Provide a range of retail, business, entertainment and community uses that serve the needs of people who live in, work in and visit the local area,
- Encourage employment opportunities in accessible locations, and
- Maximise public transport patronage and encourage walking and cycling.[1]

In addition to these, the Parramatta LEP 2011 includes the objective for the B2 zone to:

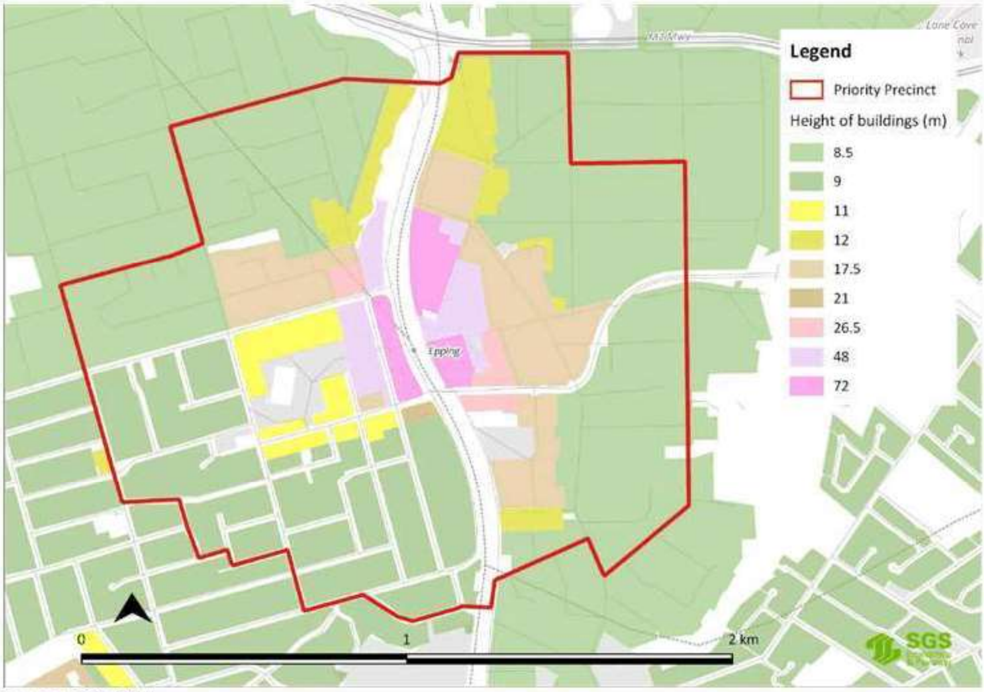
- Encourage the construction of mixed use buildings that integrate suitable commercial, residential and other developments and that provide active ground level uses.[2]

[1] Hornsby Local Environmental Plan 2013, http://www.legislation.nsw.gov.au/#/view/EPI/2013/569/full

[2] Parramatta Local Environmental Plan 2011, http://www.legislation.nsw.gov.au/#/view/EPI/2011/540/full

The current maximum building heights for the town centre core under the LEPs are shown in Figure 3. The B2 zoned areas closest to the rail line and Beecroft Road have a maximum height of 72 metres (approximately 22 storeys). Surrounding B2 Local Centre zoned land has a maximum height of buildings of 48 metres (approximately 15 storeys).

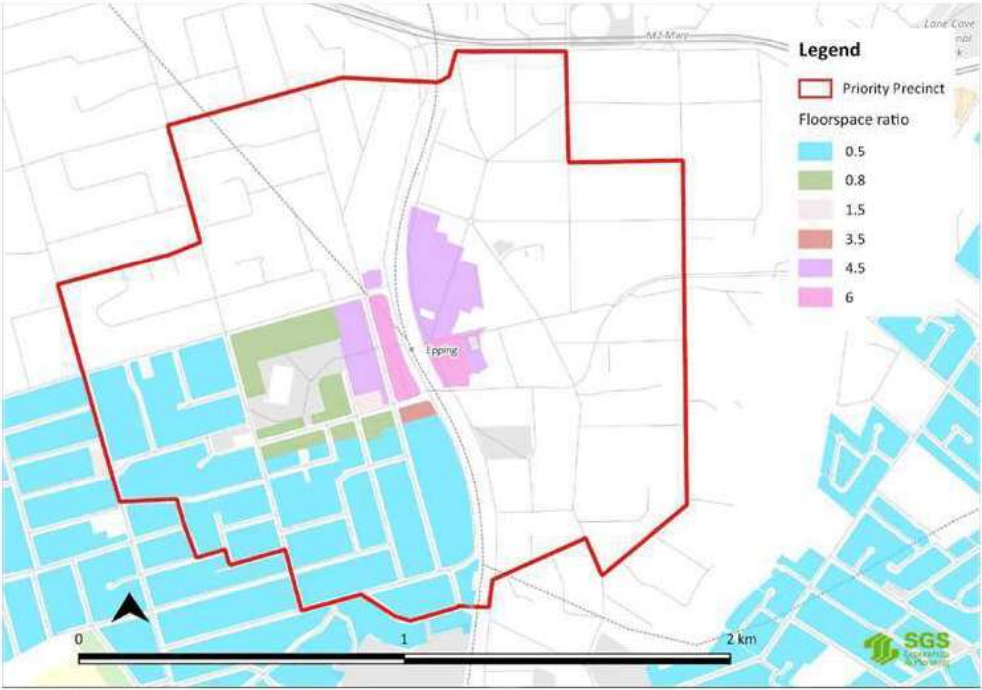
FIGURE 3. BUILDING HEIGHTS, EPPING TOWN CENTRE



Source: SGS, 2017.

Figure 4 shows the current floor space ratios (FSR) in Epping. Two sections close to the railway and Beecroft Road have a FSR of 6:1. These sites have a maximum height of building for 72 metres. The rest of the B2 Local Centre zoned land has a FSR of 4.5:1. Land zoned R4 High Density Residential in the former Hornsby local government area do not have FSR controls. R4 High Density Residential land in the former Parramatta City Council local government area have FSR controls ranging from 0.8:1 to 0.5:1.

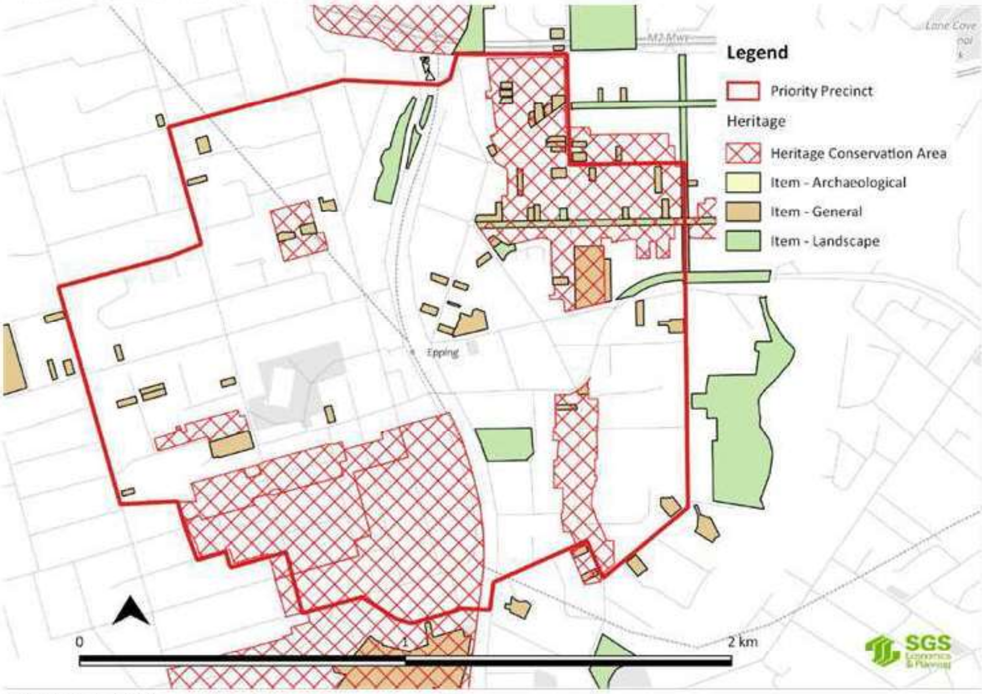
FIGURE 4. FLOOR SPACE RATIO, EPPING TOWN CENTRE



Source: SGS, 2017.

Heritage items identified in the LEPs are shown in Figure 5. There are several local heritage items along Oxford Street, including The School of Arts building, St Albans church, some shopfronts and some houses now used for non-residential purposes. Forest Park to the south of the Epping town centre and bushland to the north are identified as landscape heritage items under the *Hornsby Local Environmental Plan 2013*. The town centre and R4 High Density Residential zoned land are surrounded by heritage conservation areas to the south, east and north. The heritage conservation areas also contain heritage items of local and/or landscape significance.

FIGURE 5. HERITAGE, EPPING TOWN CENTRE



Source: SGS, 2017.

The current library site is subject to additional permitted uses under Schedule 1 of the *Hornsby Local Environmental Plan 2013*. Residential flat buildings are permitted with consent provided that the consent authority is satisfied that the ground floor uses of the building would be used only for the purposes of a community facility.

DCP controls

The *Parramatta Development Control Plan 2011* and *Hornsby Development Control Plan 2013* identify Epping as a commercial town centre providing services to a wide local catchment. The two DCPs identify the following common elements in the desired future character for Epping:

- Compact, walkable and vibrant urban centre
- Mix of residential, commercial and retail uses
- Main street, fine grain retail development with high quality public domain. New development is expected to contribute positively to the public domain.
- Preservation and enhancement of local heritage items and character
- High quality built form, especially concerning high density development forms.

The *Parramatta Development Control Plan 2011* emphasises the need for high quality, slim-line towers fronting Rawson Street and Beecroft Road, with existing heights and densities in Boronia Park to remain and act as a buffer between high and low density areas. The human scale is also a significant consideration, with appropriate setbacks to avoid dominating the street, and improving pedestrian connections across the Epping town centre either side of the rail line.

The *Hornsby Development Control Plan 2013* also emphasises the activation of ground floor uses with specific controls regarding the use of outdoor dining and use of the footpath for retail uses and maintenance of a main street retail urban form.

Both DCPs contain detailed controls for setbacks (both at street level and raised podiums), locations for active street frontages, open spaces (both private and public), landscaping and street frontage widths.

The *Parramatta Development Control Plan 2011* specifically encourages the amalgamation of lots to ensure orderly development and identified existing and planned pedestrian connection networks through the town centre.

Both the *Parramatta Development Control Plan 2011* and *Hornsby Development Control Plan 2013* contain development controls requiring a 2 to 3 storey podium element for development in the B2 Local Centre zone with a tower development above the podium. This podium control aims to deliver a human-scale development as well as provide space for non-residential floorspace within the first 2 to 3 storeys of the development.

The two DCPs contain different parking requirements for new development in the Epping town centre. Table 1 outlines the parking requirements as per the *Parramatta Development Control Plan 2011* and *Hornsby Development Control Plan 2013*.

The *Parramatta Development Control Plan 2011* requires parking to be provided in basements on B2 Local Centre and R4 High Density Residential zoned land. The *Hornsby Development Control Plan 2013* requires resident and visitor parking to be located underground and encourages at grade parking for shoppers.

TABLE 1. CURRENT PARKING REQUIREMENTS IN EPPING

Category	*Parramatta Development Control Plan 2011*	*Hornsby Development Control Plan 2013*
Residential (per dwelling)	0.5 spaces – Studio 0.75 spaces – 1 bedroom 1 space – 2 bedrooms 1.5 spaces – 3 or more bedrooms 1 space for every 10 dwellings for visitors 1 space for every 50 dwelling for car share	0.75 spaces – 0-1 bedroom 1 space – 2 bedrooms 1.5 spaces – 3 or more bedrooms 1 space for every 7 dwellings for visitors
Retail and hospitality	Minimum of 1 space per 60m² of gross floor area, maximum of 1 space per 30m² of gross floor area	1 space per 29m² of gross lettable floor area
Commercial	Minimum of 1 space per 70m² of gross floor area, maximum of 1 space per 50m² of gross floor area	1 space per 48m² of gross floor area
Medical uses	Minimum of 1 space per 70m² of gross floor area, maximum of 1 space per 50m² of gross floor area	3 per surgery – health consulting rooms 4 per surgery – medical centres
Bulky goods premises	Minimum of 1 space per 60m² of gross floor area, maximum of 1 space per 30m² of gross floor area	1 space per 75m² of gross lettable floor area

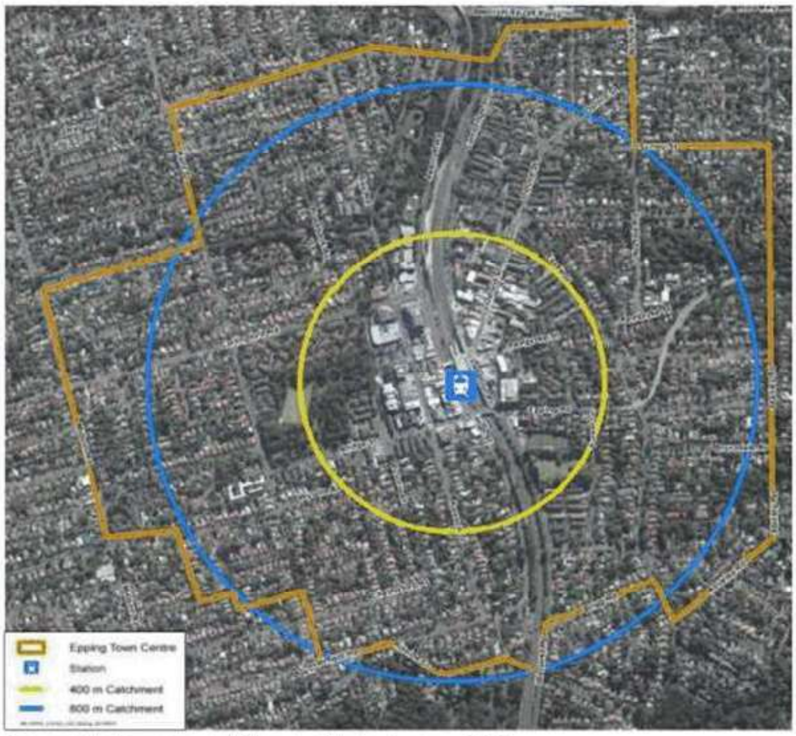
Source: *Parramatta Development Control Plan 2011, Hornsby Development Control Plan 2013*

Note: Parking rates under the *Hornsby Development Control Plan 2013* shown are for development within 800m of the train station. Higher rates apply further from the train station.

Epping UAP/Priority Precinct Process

As noted above, Epping has been identified as one of 10 Priority Precincts (formally Urban Activation Precincts) by the NSW Government. The Epping town centre was identified as an Urban Activation Precinct in 2012 by then Department of Planning and Infrastructure (now Department of Planning and Environment (DPE)). The Epping town centre Urban Activation Precinct boundary is shown in Figure 6.

FIGURE 6. EPPING TOWN CENTRE URBAN ACTIVATION PRECINCT



Source: NSW Department of Planning & Infrastructure, 2013.

Background studies

The *Epping town centre Study* was completed in 2011. The purpose of this study was to enable Epping to fulfil its role as a town centre in the Sydney metropolitan context and to maximise the benefits arising from State Government infrastructure investment.

At the time of the study, Epping supported around 12,900 square metres of retail floorspace, and around 55,000 square metres of commercial office floorspace, as well as schools and other community facilities. It was identified that with the planning controls of the time, there was limited potential for increased development in the catchment area, but that there were few environmental constraints that would limit greater residential intensification.

The study identified that most office developments in the Epping town centre were concentrated in three precincts in larger floorplate developments. These three precincts were largely located on the edges of the centre. The Study noted that while there was a larger amount of office space than would typically be provided in a town centre, Epping would be unlikely to compete and be able to attract significant additional employment growth because of its proximity to larger and well-established employment centres.,.

The study also argued that demand for larger, higher grade floorplates would result in reduced demand for the type of space on offer in Epping, and that larger commercial sites in the centre would provide redevelopment opportunities, particularly for housing and retail uses.

The study also noted that retail uses were concentrated along Rawson Street, Oxford Street, Beecroft Road, Bridge Street and Langston Place, with the western side of the railway line accommodating the majority (85%) of retail floorspace. A number of issues for the area in terms of its retail market were identified, including traffic congestion limiting both vehicular and pedestrian access, and trade being lost to surrounding centres.

Planning the Priority Precinct

As part of the process of rezoning the Epping town centre, a number of key issues were raised with the DPE. These include height and density controls, public space, traffic, heritage items and conservation areas, and the additional services such as schools that would be required. The *Finalisation Report* outlines the changes to the planning controls, which primarily included:

- Mixed use commercial and residential buildings in the core area within 400 metres of the railway station, permitting building up to 22 metres high and FSR's up to 6:1,
- The introduction of 5 residential intensification precincts within the wider town centre precinct, allowing for buildings up to 5 storeys, and
- The introduction of new and expanded heritage conservation areas, applicable to 30% of the precinct.

Changes to the proposal between the *Planning Report* and the *Finalisation Report* increased the estimated dwelling yield within the precinct from 3,600 to 3,750. Development of the Epping town centre under these controls was found to be feasible, including with increased Section 94A contributions to fund local infrastructure improvements, reflecting the strength of the residential market.

A key concern that was raised in the planning process was that the rezoning would reduce the amount of commercial floorspace in the precinct, and thus reduce employment opportunities. However, it was recommended that no changes be made to the proposed B2 areas, and that market demand would dictate the volume of commercial and other uses within the town centre. It was noted that there would likely be less demand for larger floor plate uses in Epping due to the popularity of nearby centres such as Macquarie Park and Norwest Business Park, but that there would still be demand for smaller commercial premises.

A feasibility study prepared as part of the finalisation of the UAP envisaged a strong retail focus of the Epping town centre servicing the local residential and employee population. The feasibility report suggested that there would be significant opportunities for retailers including cafés and restaurants to be included as part of future developments given the area's expected population growth. The development of commercial office floorspace is not included in the assessment.

The council-owned car park adjacent to Boronia Park was subject to specific masterplanning as part of the Priority Precinct planning process. Sites adjacent to the carpark, including the supermarket and office building, were included in this masterplanning process in consultation with these land owners. While in general the new planning controls introduced through the Priority Precinct planning process would allow for feasible development, it was also suggested that on the Council site, towers well-exceeding the allowable heights would be needed for any development to remain feasible and deliver on open space requirements. The masterplanners recommended that greater FSR's or building heights only be permitted where significant public benefits are provided, such as in public domain improvements.

Vision for Epping as a Priority Precinct

The vision for the Epping Priority Precinct contained in the planning reports prepared by DPE is for a revitalised precinct, accommodating 3,750 new homes within a 10 minute walk of existing public transport, employment and local services. This vision includes:

- A compact high density town centre core, where the majority of new dwellings are within the core, tall buildings are setback from streets, and where a range of retail and commercial activities occur at lower levels and service the local population,
- Increased residential densities adjoining the town centre, to allow for apartment buildings of 2-6 storeys in new residential areas, and for the retention of existing high, medium and low density areas,
- Heritage conservation areas and items to not be subject to increased dwelling densities,
- A revitalised public domain to create a lively centre, with improvements and the establishment of new public spaces in specific streets, and

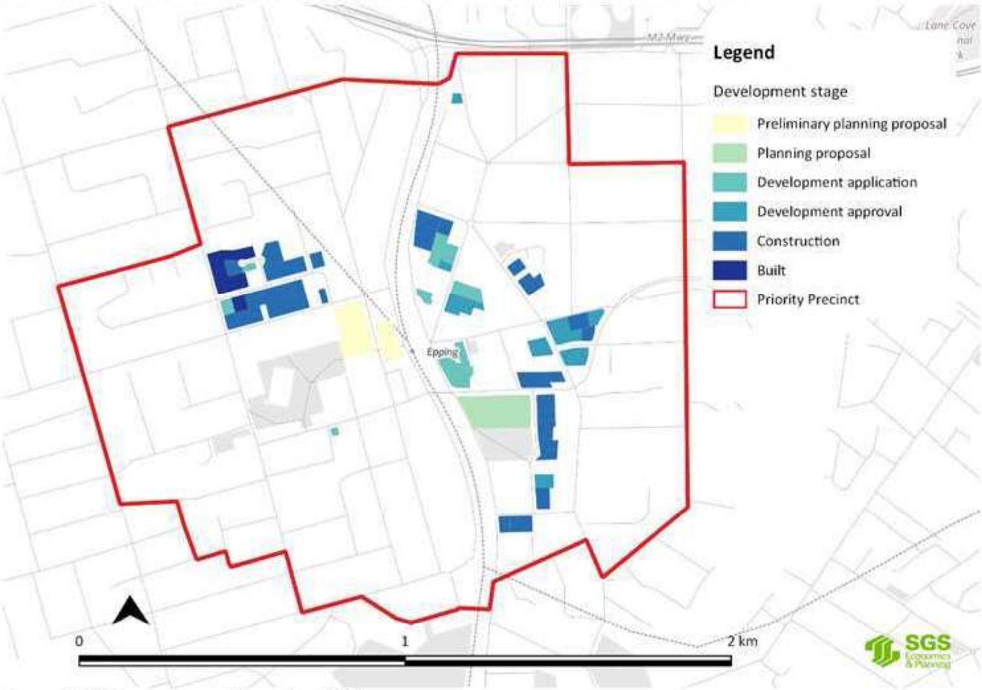
– Improved connections, especially for pedestrians and cyclists.

Recent development and proposals

The redevelopment opportunities identified in the 2011 *Epping Town Centre Study* have started to occur, with the commercial precincts to the north of the town centres currently being redeveloped for residential purposes.

Development to date has been concentrated around Cliff Road on the western side of the precinct, and around Forest Grove, Epping Road, and Pembroke Street in the south-east. The location of planning proposals and development applications in Epping town centre and their stage of development is shown in Figure 7.

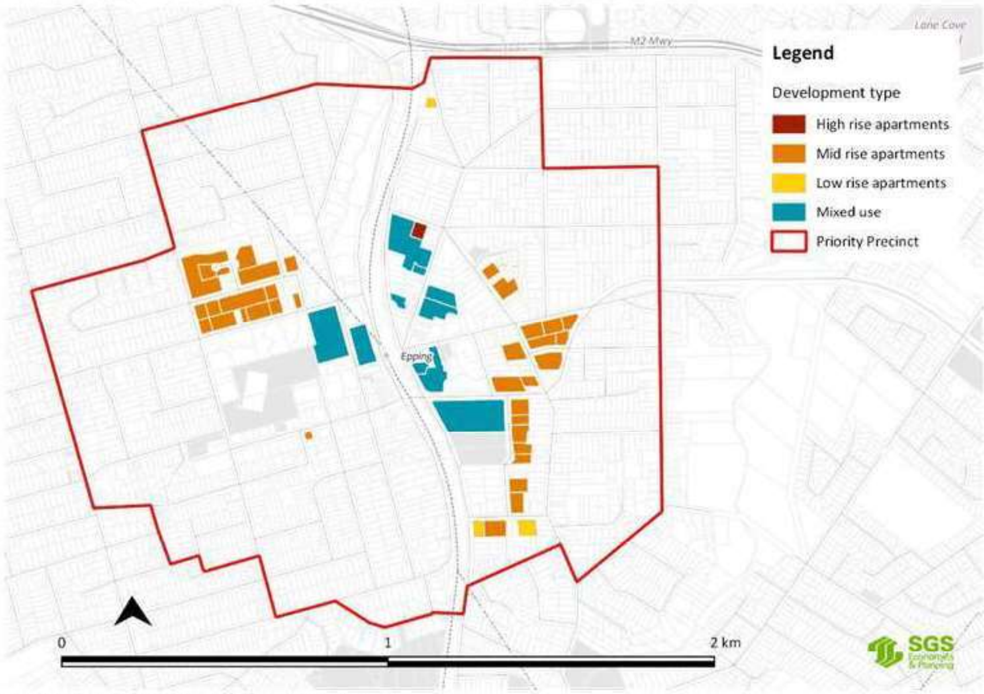
FIGURE 7. DEVELOPMENT ACTIVITY IN THE EPPING TOWN CENTRE



Source: SGS Economics and Planning, 2017

Following the designation of Epping as a Priority Precinct and the subsequent rezoning to concentrate growth around the railway station, much of the development activity and development in the pipeline is for high density residential uses and mixed use buildings with ground floor commercial uses and residential development from the second storey up. This differs from the DCP controls requiring the first 2 to 3 storeys for non-residential floorspace. Figure 8 below shows the location and type of development included in recent development applications.

FIGURE 8. DEVELOPMENT TYPE IN THE EPPING TOWN CENTRE



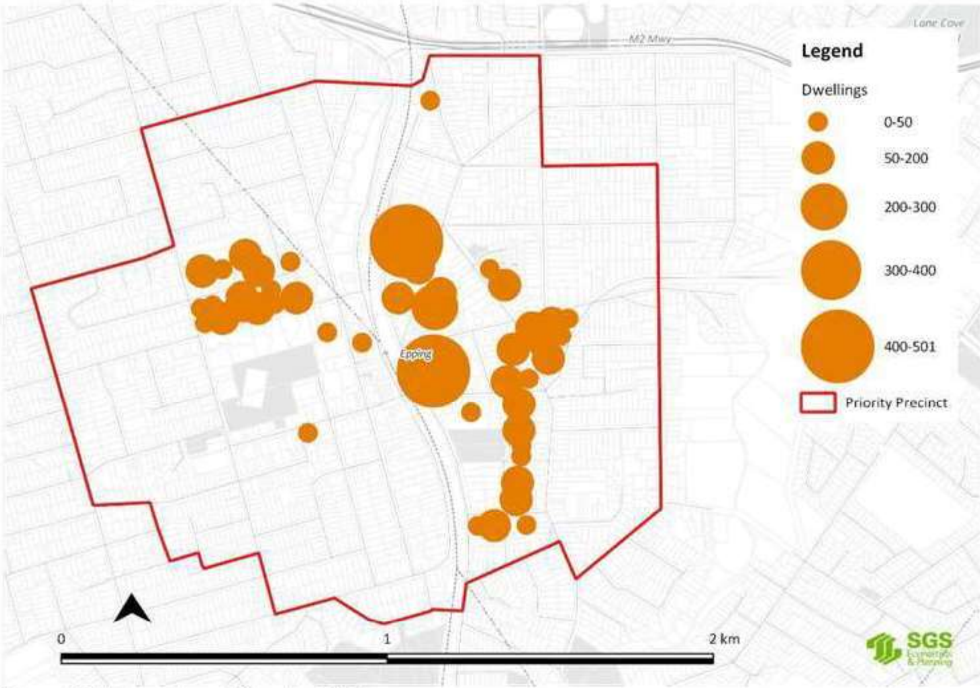
Source: SGS Economics and Planning, 2017
Note: Low rise includes residential development up to 3 storeys, mi rise includes development between 4 and 7 storeys, high rise includes 8 storeys and higher.

The Epping Priority Precinct is forecast to have the potential for 5,530 dwellings by 2036. This is 1,780 dwellings above the final vision for the Priority Precinct of 3,750 dwellings published in 2014. In the period to December 2016, there were 43 development applications lodged, including a total of 3,855 apartments. A total of 39 of these have been approved, including 3,157 apartments. The approved dwellings at the time of writing represent approximately 57% of all dwelling potential for the Epping Priority Precinct.

Of the developments approved or under construction, the number of dwellings has ranged from 12 up to 464. At the time of writing, City of Parramatta Council is considering a pre-lodgement development application containing 501 dwellings in the Epping town centre.

Figure 9 below shows the location of approved new dwellings in the Epping Priority Precinct. Clusters of residential development are evident in areas zoned R4 High Density Residential around the town centre and on the eastern side of the Epping town centre.

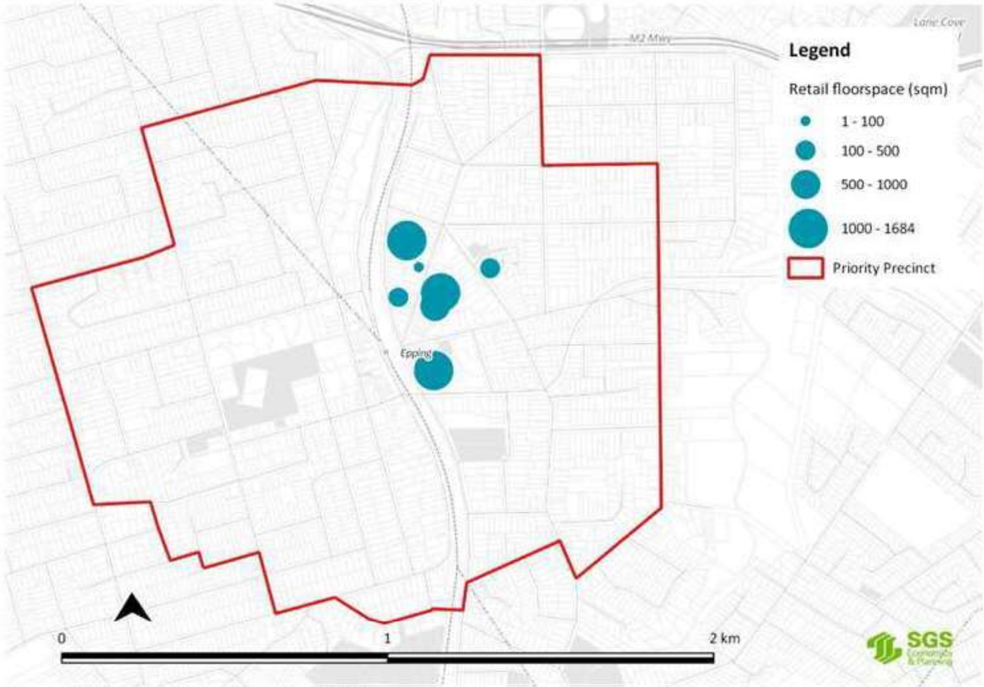
FIGURE 9. DWELLING NUMBERS IN RECENT DEVELOPMENT APPLICATIONS IN THE EPPING TOWN CENTRE



Source: SGS Economics and Planning, 2017

Recent development applications in the Epping town centre contain limited floorspace for retail and/commercial uses. Figure 10 below shows the location and square metres of retail and/or commercial floorspace included in recent development applications. This floorspace is included on the ground floor or upper ground floor of developments on sloping sites. Retail floorspace proposed in recent development applications is solely located on the eastern side of the Epping town centre.

FIGURE 10. RETAIL AND/OR COMMERCIAL FLOORSPACE IN RECENT DEVELOPMENT APPLICATIONS IN THE EPPING TOWN CENTRE



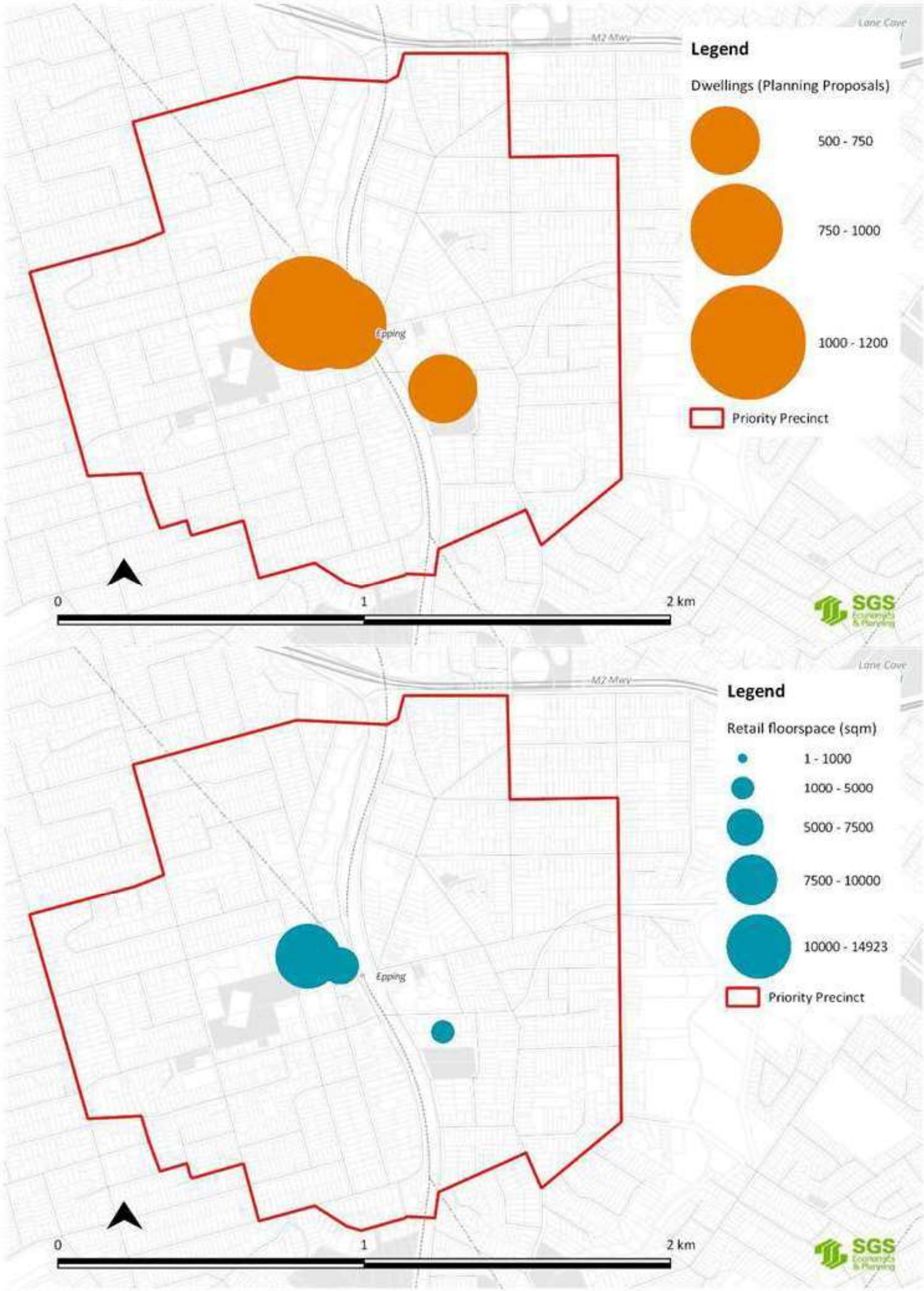
Source: SGS Economics and Planning, 2017

Recent planning proposals received by City of Parramatta Council (both preliminary and formal applications) seek to increase the height of buildings and floorspace ratios applicable to different sites in the Epping town centre. In one case, the planning proposal also seeks to change the zone of the affected lots from B2 Local Centre to B4 Mixed Use.

Due to the nature of planning proposals, the exact specifications of the future land uses are not known. Figure 11 below provide an indication of the capacity for residential floorspace (by dwellings) and retail/commercial floorspace (by square metres) respectively. The proposed height of buildings and floorspace ratios are significantly higher than what is permissible under the current planning controls and, as such, the dwelling capacity proposed is significantly higher than the current development applications.

Recent planning proposals largely discuss shop top housing as the likely land use on the subject sites. The quantum of dwellings and commercial floorspace is taken from the planning proposal documents.

FIGURE 11. DWELLING NUMBER AND RETAIL FLOORSPACE CAPACITY IN CURRENT PLANNING PROPOSALS IN THE EPPING TOWN CENTRE



Source: SGS Economics and Planning, 2017

2.2 Summary

Review of the current LEPs and DCPs applicable to the Epping town centre suggests that local government plans for the area define it as an important commercial and retail centre, providing local employment opportunities. State level policy around Epping, particularly its designation as a Priority Precinct, is more focused on the town centre accommodating high density residential development with some mixed use functions rather than maintaining Epping's historic office employment function.

Epping's proximity to key destinations and employment locations via rail, such as Macquarie Park, North Sydney and the Sydney CBD, is a strong strategic advantage for the town centre, particularly with the establishment of the Metro Northwest link. However, while Epping's transport accessibility is rated highly, it has declined as a commercial office given newer and larger centres nearby (including Parramatta and Macquarie Park). Planning controls in these centres typically include zones which prohibit residential development and these have supported the growth of office employment. Epping in contrast has mixed use zones which allow residential and has therefore transitioned away from its previous role as a commercial office location.

Analysis of recent development in and around the town centre shows that the vast majority of planning proposals and development applications are focused on establishing high density residential dwellings, with in some cases commercial and retail included on the ground floor as part of mixed use buildings. A number of these proposals have also sought to develop sites above the building height and FSR limits introduced under the Priority Precinct planning process outlined in both the Parramatta and Hornsby LEPs.

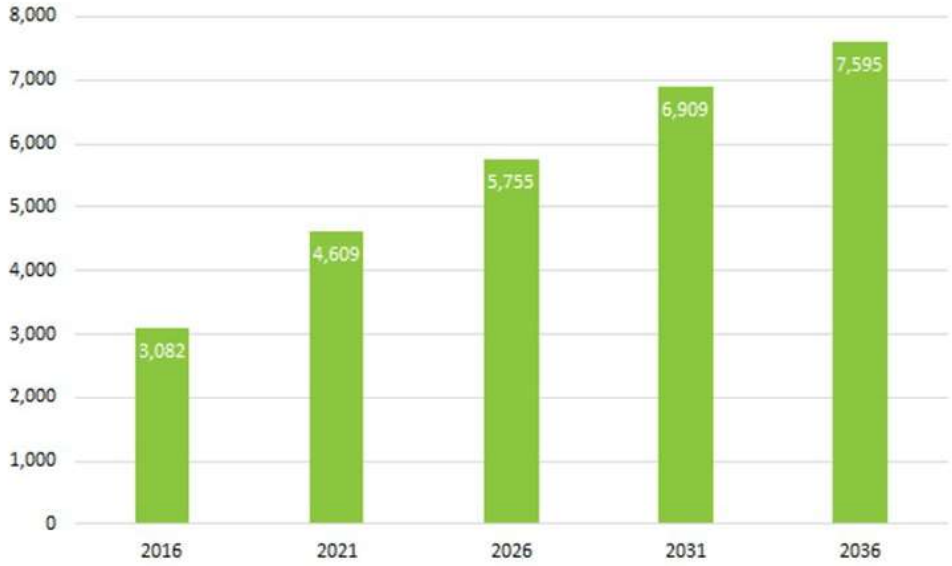
This trend, along with policies at the State level which are focused on providing more housing, is likely to have implications for the provision of floorspace in the Epping town centre in future. If current development trends continue, Epping town centre is likely to continue to lose its commercial floorspace, to residential floorspace in mixed use developments. However, retail floorspace is likely to remain constant as mixed use developments with ground floor retail replace existing shop fronts.

3 EPPING'S ECONOMIC PROFILE

3.1 Socioeconomic factors

The Epping town centre's population is forecast to more than double between 2016 and 2036. The town centre is forecast to increase at a compounded annual growth rate of 4.61% to grow to 7,595 residents by 2036. The forecast population growth of the Epping town centre is shown in Figure 12[3].

FIGURE 12. FORECAST POPULATION GROWTH



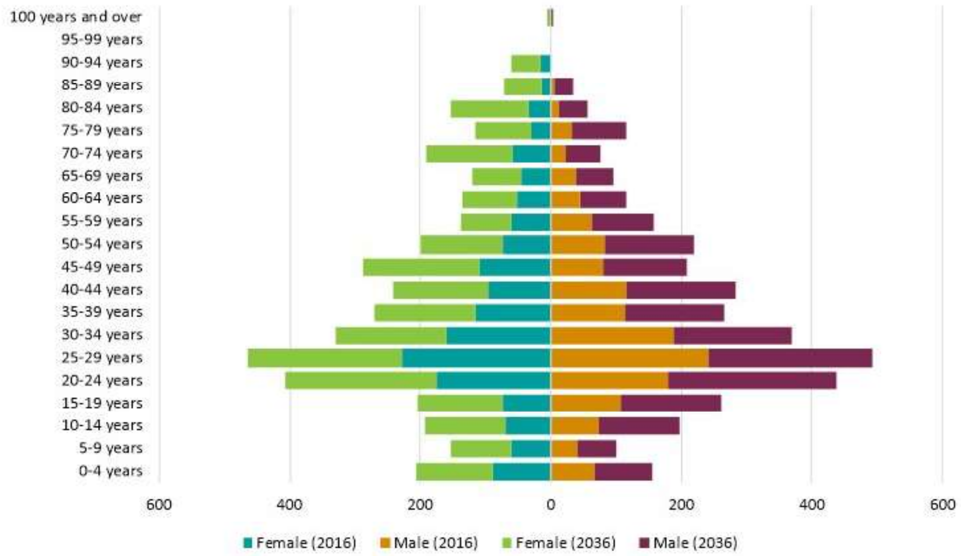
Source: SGS, 2017, using TPA, 2016

Forecast population by age and sex is shown below in Figure 13. At 2016, Epping has significant proportions of young adults aged between 20 and 34. These age groups dominate the Epping town centre's population mix.

While significant increases are forecast for the elderly population (i.e. those aged 75 years and over) and children at 2036, the age of residents remains skewed towards a young adult population. This reflects the nature of development proposed in the Epping town centre outlined in Chapter 2 and the proximity of Epping to employment and higher education facilities.

[3] It is noted that City of Parramatta Council has prepared an analysis of projected population in the Epping town centre based on development application data. This differs from the population projection used in this report, which have been prepared by NSW Transport Performance and Analytics for land use forecasts across Greater Sydney. The methodologies differ between the two forecasts.

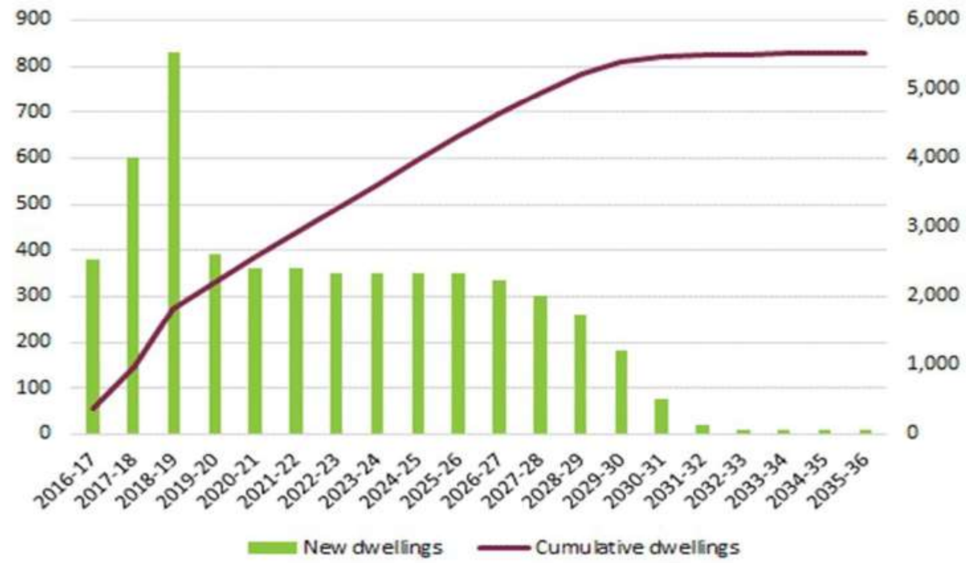
FIGURE 13. FORECAST POPULATION GROWTH BY AGE AND SEX



Source: SGS, 2017, using TPA, 2016

Figure 14 below shows the dwellings by year to 2036 forecasted by the Department of Planning and Environment. The Epping Priority Precinct is forecast to include an additional 5,530 dwellings between 2016 and 2036. The majority of these new dwellings are forecast to be developed in the next 6 years, with an additional 2,920 dwellings forecast between 2016/17 to 2021/22. There is potential for these additional dwellings to be developed earlier than forecast in light of recent development application activity in the Epping town centre.

FIGURE 14. FORECAST NEW DWELLINGS



Source: SGS, 2017, using DPE, 2016

The participation rate of the resident workforce is shown below in Table 2. The current labour participation rate of residents of the Epping town centre (72.11%) is currently above average for the City of Parramatta local government area (70.16%) and comparable to labour participation across Greater Sydney (72.27%). The proportion of residents engaged in the workforce is forecast to increase between 2016 to 2036, from 72.11% to 76.48%.

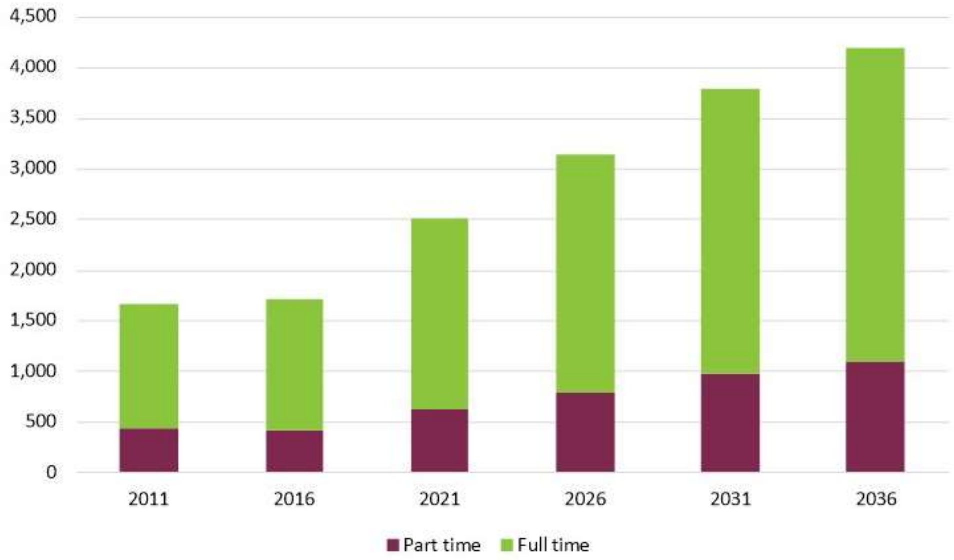
TABLE 2. LABOUR PARTICPATION RATE OF THE RESIDENT WORKFORCE

	2016	2036
Epping town centre	1,706	4,201
Labour force participation rate	72.11%	76.48%

Source: SGS, 2017

The split between part time and full time work of Epping town centre residents is forecast to remain constant in the twenty years between 2016 and 2036, as shown in Figure 15. Full time work is forecast to remain the dominant means of employment, accounting for approximately 74% of the resident workforce. Part time work accounts for approximately 26% of employment among the resident workforce of the Epping town centre.

FIGURE 15. RESIDENT WORKFORCE – PART TIME AND FULL TIME WORK



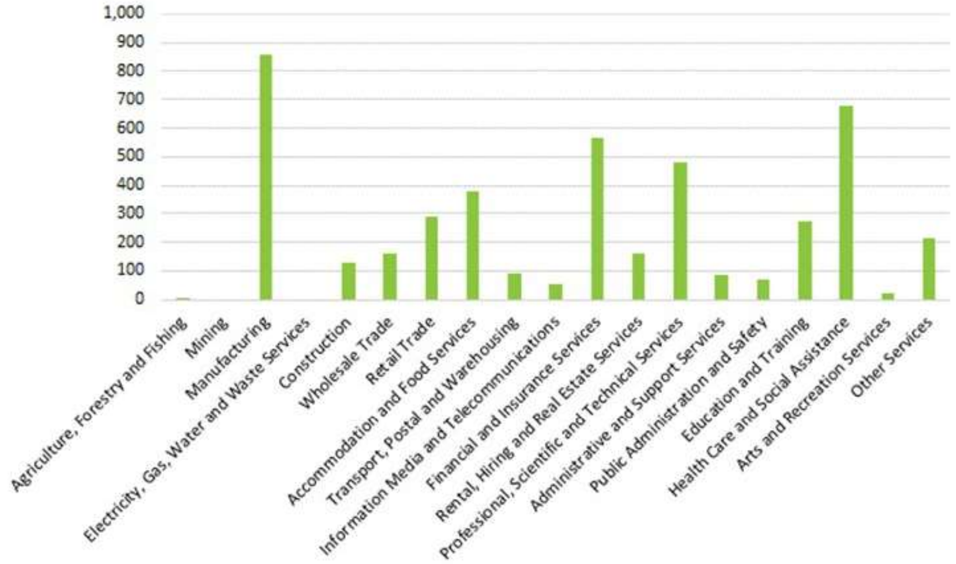
Source: SGS, 2017

3.2 Industry and employment analysis

At the 2011 Census, there were 4,512 jobs in the Epping town centre and a total of 5,550 jobs in the Epping Priority Precinct. Employment in the Epping town centre is shown below in Figure 16.

The majority of these jobs were in Manufacturing, Financial and Insurance Services and Health care and Social Assistance industries. These reflect the significant employers located in Epping at the time of the 2011 Census, such as Unilever (food manufacturing) and Westpac (banking).

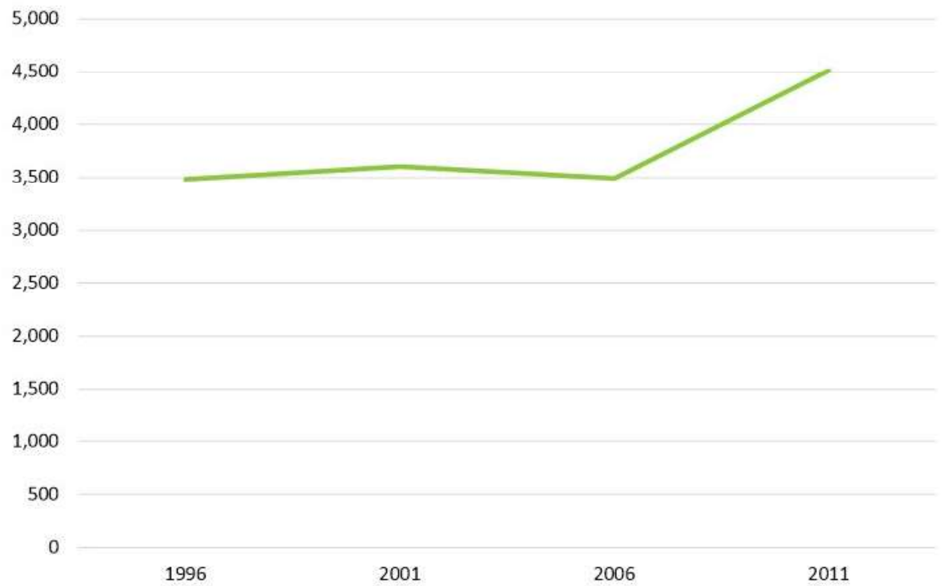
FIGURE 16. EMPLOYMENT BY INDUSTRY IN EPPING TOWN CENTRE



Source: SGS, 2017 using ABS, 2011

Employment in Epping has remained relatively stable in the Epping town centre in the 15 years from 1996 to 2011. Total employment grew from approximately 3,488 to 4,512. Peak employment in recent years was in 2011, when employment grew by 1,021 jobs from 2006.

FIGURE 17. PAST EMPLOYMENT NUMBERS IN THE EPPING TOWN CENTRE



Source: SGS, 2017 using ABS, 2011

The Greater Sydney Commission has established a simplified categorisation of employment in the draft District Plans. These categories provide an indication of where different industries and use locate and cluster across Greater Sydney. These categories are defined in Table 3.

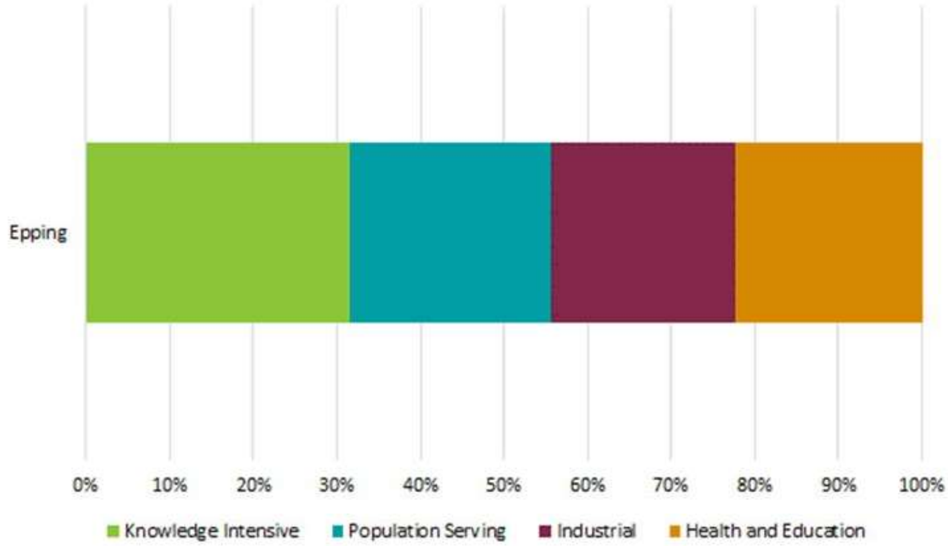
TABLE 3. GSC JOB CLASSIFICATION

Category	ABS Industry Classification (ANZSIC 2006)	Examples
Knowledge Intensive	Information Media and Telecommunications Financial and Insurance Services, Rental, Hiring and Real Estate Services Professional, Scientific and Technical Services Administrative and Support Services Public Administration and Safety Advanced Manufacturing	Major finance and consulting firms, research institutions, government departments and agencies, property and real estate firms, innovation hubs, HR and recruitment firms
Population Serving	Retail Trade Accommodation and Food Services Arts and Recreation Services Construction Other Services	Shops, cafes, restaurants, hotels, art galleries and museums, gyms, sporting facilities, building and construction
Industrial	Agriculture, Forestry and Fishing Mining Manufacturing Electricity Gas, Water and Waste Services Wholesale Trade Transport Postal and Warehousing	Warehouses, logistics, factories, energy plants, peri-urban
Health and Education	Education Health Care and Social Assistance	Universities, hospitals, medical research, schools, medical clinics

Source: GSC, 2016

Epping has a relatively even mix of employment against the four Job Classification categories established by the Greater Sydney Commission in the draft District Plans. Approximately 32.0% of all jobs in Epping fall within the Knowledge Intensive category. The split between Population Serving, Industrial and Health and Education jobs are relatively even, representing 24.1%, 22.0% and 22.4% of all jobs respectively. The breakdown of jobs in Epping is shown in Figure 18.

FIGURE 18. BREAKDOWN OF EMPLOYMENT BY GSC CATEGORIES

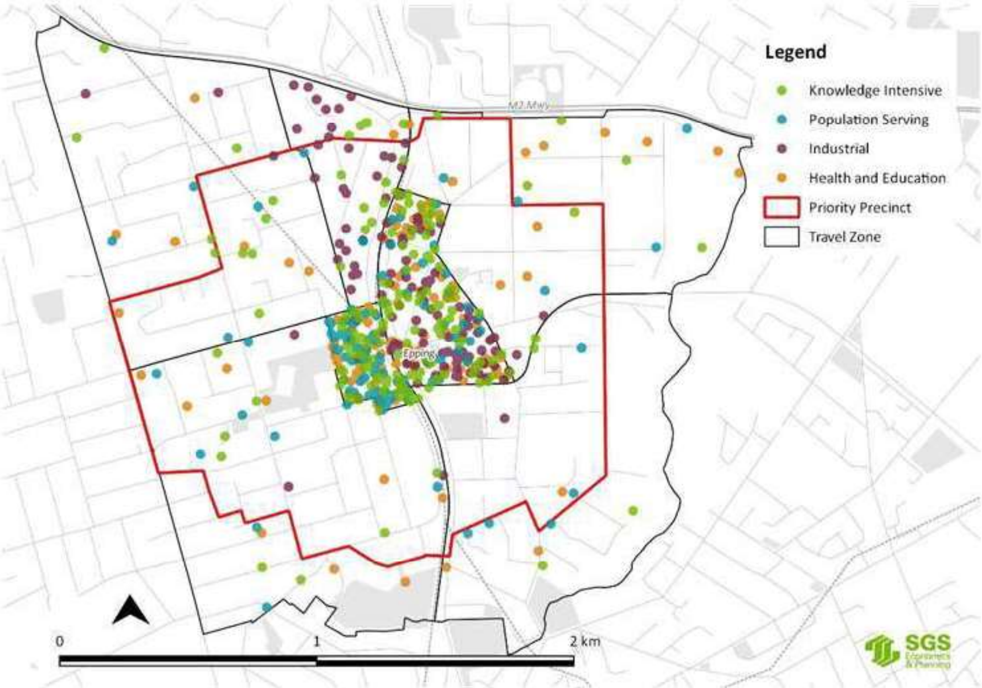


Source: SGS, 2017

The distribution of jobs in Epping by Travel Zone is shown in Figure 19. It must be noted that the dots are randomly allocated within the Travel Zone and do not reflect actual individual job locations. One dot represents 10 jobs as recorded at the 2011 Census.

The majority of jobs in the Epping Priority Precinct are clustered around the Epping town centre at the train station on B2 Local Centre zoned land. This is especially true for Knowledge Intensive and health and Education jobs, which have clustered on both sides of the train station. A cluster of Population Serving jobs is more pronounced on the western side of the station. Conversely, Industrial jobs have largely clustered on the eastern side of the station, presumably within the office park development along Cambridge and Oxford Streets, and to the north of the town centre.

FIGURE 19. INDICATIVE EMPLOYMENT DISTRIBUTION BY TRAVEL ZONE

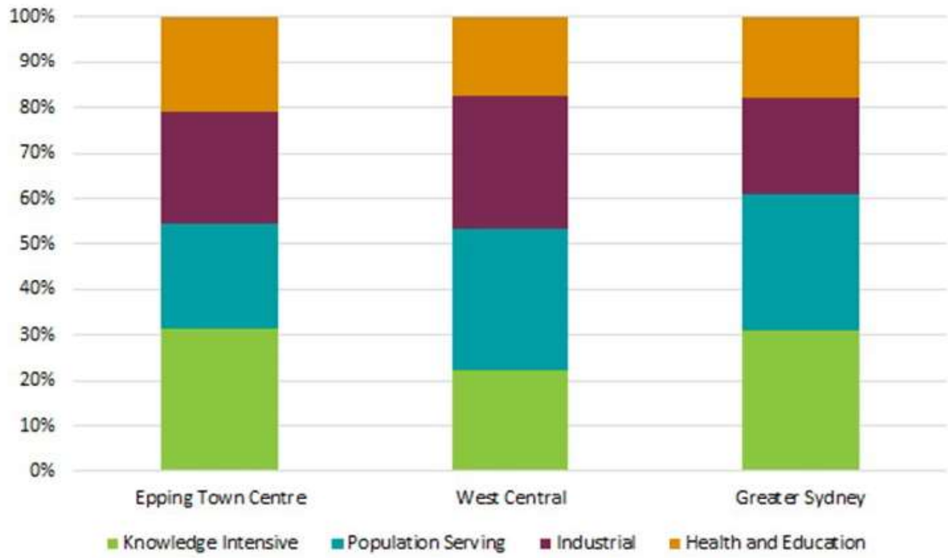


Source: SGS, 2017

Note: 1 dot = 10 jobs. Dots reflect every 10 jobs in the class within that Travel Zone. Dots are randomly allocated within the Travel Zone and do not reflect actual individual job locations.

A comparison of jobs by GSC job category to the West Central District and Greater Sydney is shown in Figure 20. The Epping town centre has a similar proportion of knowledge intensive jobs to Greater Sydney and a higher proportion compared to the West Central District. Conversely, the Epping town centre's proportion of population serving jobs is lower than the West Central District and Greater Sydney. Epping also has a higher proportion of Health and Education employment. The split of jobs in the Epping town centre indicates that Epping is an accessible location, attracting jobs in industries that do not rely on local populations, such as knowledge intensive jobs in professional services.

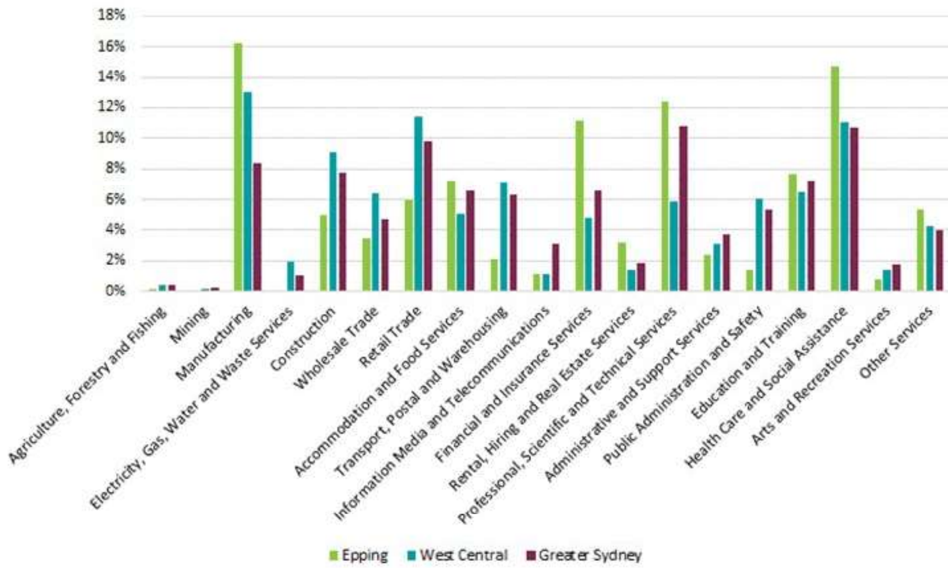
FIGURE 20. BREAKDOWN OF EMPLOYMENT BY GSC CATEGORIES ACROSS THE WEST CENTRAL DISTRICT AND GREATER SYDNEY



Source: SGS, 2017

A comparison of employment by industry with the West Central District and Greater Sydney is shown in Figure 21. Compared to these regions, the Epping town centre has a greater proportion of employment in Manufacturing, Health Care and Social Assistance, Professional, Scientific and Technical Services, Financial and Insurance Services, Rental, Hiring, and Real Estate Services, Other Services, Retail and Education and Training.

FIGURE 21. EMPLOYMENT BY INDUSTRY IN EPPING, WEST CENTRAL AND GREATER SYDNEY



Source: SGS, 2017

Further insights to the strategic clustering of industries in Epping can be gained by categorising the employment sectors by their location quotient (LQ). The LQ is given by the proportional representation of the sector in the Epping town centre versus the proportional representation of the sector in the West Central District and Greater Sydney. An LQ of greater than 1.0 signifies that Epping has a specialisation and competitive advantage in the sector, as it has a greater than average representation of economic activity in the area in question.

Table 4 below shows the LQ for the Epping town centre against the West Central District. Table 4 shows the LQ for industries defined by the ABS and the four GSC employment categories. As noted above, Epping town centre has industry specialisation in Knowledge Intensive and Health and Education employment relative to the West Central District and Greater Sydney. The Epping town centre also records an industry specialisation in Industrial employment relative to Greater Sydney.

When considering the broader range of industries defined by the ABS, industry specialisation in Epping is evident in the following when compared to both the West Central District and Greater Sydney:

- Manufacturing
- Rental, Hiring and Real Estate Services
- Financial and Insurance Services
- Health Care and Social Assistance
- Other Services
- Professional, Scientific and Technical Services
- Accommodation and Food Services

The greatest level of industry specialisation is evident in Manufacturing, Rental, Hiring and Real Estate Services and Financial and Insurance Services, where employment in these industries in the Epping town centre is double the proportion of all jobs recorded in the West Central District. Conversely, the Epping town centre has a significantly lower proportion of jobs in Retail Trade, with retail trade only making up approximately 6% of all jobs in the Epping town centre compared to 11% of jobs in the West Central District and 10% of jobs across Greater Sydney.

TABLE 4. LOCATION QUOTIENT

	Share of employment			Location Quotient	
	Epping	West Central	Greater Sydney	West Central	Greater Sydney
ABS Industry Categories					
Agriculture, Forestry and Fishing	0.08%	0.41%	0.40%	0.18	0.19
Mining	0.00%	0.09%	0.25%	0.00	0.00
Manufacturing	16.27%	13.04%	8.38%	1.25	1.94
Electricity, Gas, Water and Waste Services	0.00%	1.96%	1.04%	0.00	0.00
Construction	4.92%	9.12%	7.73%	0.54	0.64
Wholesale Trade	3.46%	6.37%	4.70%	0.54	0.74
Retail Trade	5.95%	11.39%	9.76%	0.52	0.61
Accommodation and Food Services	7.17%	5.02%	6.56%	1.43	1.09
Transport, Postal and Warehousing	2.10%	7.14%	6.30%	0.29	0.33
Information Media and Telecommunications	1.13%	1.09%	3.08%	1.04	0.37
Financial and Insurance Services	11.11%	4.81%	6.54%	2.31	1.70
Rental, Hiring and Real Estate Services	3.19%	1.38%	1.80%	2.30	1.77
Professional, Scientific and Technical Services	12.36%	5.86%	10.74%	2.11	1.15
Administrative and Support Services	2.37%	3.09%	3.74%	0.77	0.63
Public Administration and Safety	1.41%	6.02%	5.29%	0.23	0.27
Education and Training	7.68%	6.51%	7.22%	1.18	1.06
Health Care and Social Assistance	14.75%	11.09%	10.70%	1.33	1.38
Arts and Recreation Services	0.72%	1.36%	1.79%	0.53	0.40
Other Services	5.33%	4.25%	3.98%	1.25	1.34
GSC Industry Categories					
Knowledge Intensive	31.42%	22.24%	31.19%	1.41	1.01
Population Serving	22.91%	31.14%	29.82%	0.74	0.77
Industrial	24.63%	29.03%	21.07%	0.85	1.17
Health and Education	21.04%	17.59%	17.92%	1.20	1.17

Source: SGS, 2017

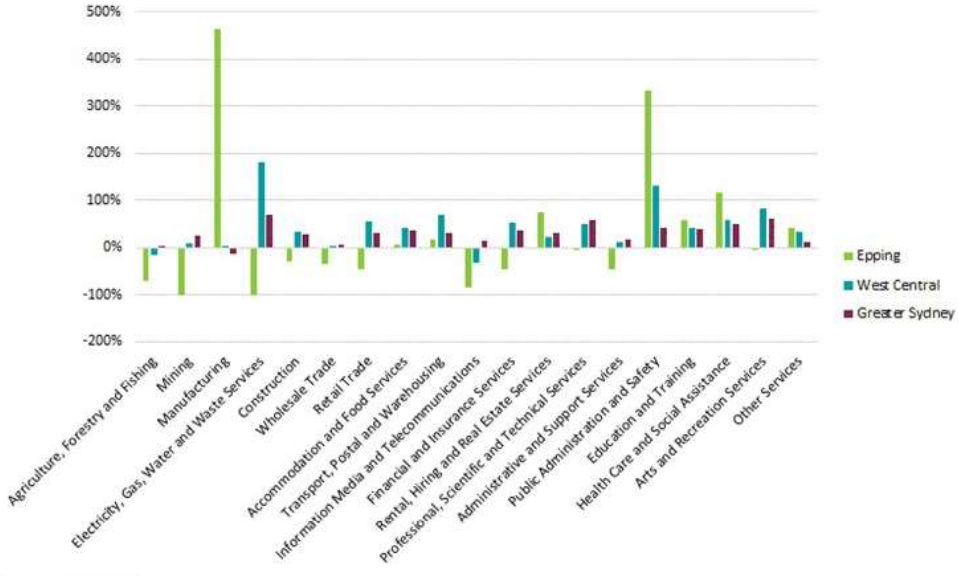
Growth in employment by industry between 1996 and 2011 is shown in Figure 22. Over this period, the greatest industry growth for Epping has been seen in Manufacturing, Public Administration and Safety and Health Care and Social Assistance. Over this fifteen year period, these industries at least doubled employment numbers in the Epping town centre and have grown more rapidly in the centre than in either the West Central District or Greater Sydney. Employment growth outpacing the West Central District and Greater Sydney was also evident in Rental, Hiring and Real Estate Services and Other Services.

Declines in employment have been observed in the following industries in the Epping town centre:

– Electricity, Gas Water and Waste Services
– Mining
– Information media and Telecommunications
– Agriculture, Forestry and Fishing
– Administrative and Support Services
– Financial and Insurance Services
– Retail Trade
– Wholesale Trade

- Construction
- Arts and Recreation
- Professional, Scientific and Technical Services.

FIGURE 22. CHANGE IN EMPLOYMENT, 1996-2011

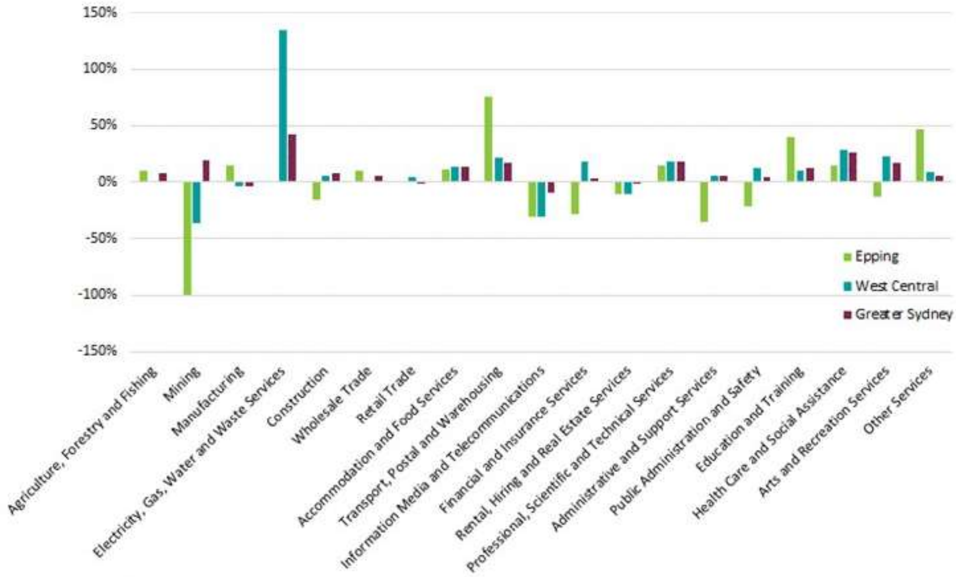


Source: SGS, 2017

In the five years between 2006 and 2011, the Epping town centre gained approximately 1,000 jobs. Figure 23 illustrates the trends in employment by industry in Epping against the West Central District and Greater Sydney over this period. In all industries where Epping experienced jobs growth, increases are also evident in the West Central District and Greater Sydney, except for manufacturing which grew by 14.2% despite an overall decrease in employment in the district and Greater Sydney. Jobs in the Manufacturing industry in the Epping town centre have located in office floorspace and likely incorporate administrative and business services jobs to support industrial jobs. This is different to the majority of Manufacturing jobs across Greater Sydney, which are accommodated in industrial precincts and have declined as Australia moves towards a service economy.

Conversely, the decline in Financial and Insurance Services employment in the Epping town centre was not evident in the district or Greater Sydney, where employment in this industry grew. A decline in employment in Information Media and Telecommunications and Rental, Hiring and Real Estate Services industries was evident across the Epping town centre, West Central District and Greater Sydney.

FIGURE 23. CHANGE IN EMPLOYMENT, 2006-2011



Source: SGS, 2017

3.3 Recent trends and employment forecasts

There have been some significant changes in the commercial landscape of Epping since the 2011 Census. The declaration of Epping as Priority Precinct has seen a significant uplift in development potential in and around the town centre. Some significant employers have relocated out of the Epping town centre as other employment centres have grown.

Analysis of commercial floorplates in 2011 and in 2017 indicates that approximate 25,000 square metres of commercial floorspace has been demolished in Epping, leaving approximately 30,000 square metres of office floorspace. Simultaneously, there are several properties which contain stand alone office developments that have high vacancies and are subject to development applications or have been rezoned for high density residential uses. Real estate analysis prepared by CBRE forecasts Epping to lose 17,900 square metres of commercial floorspace to residential development from 2015 to 2020.

The loss of these employers is significant as these businesses are in industries identified as the greatest employers and industry specialisations of the Epping town centre.

Employment forecasts prepared by Transport Performance and Analytics do not consider the recent changes in office floorspace in Epping and are largely based on past trends recorded in the Census. The 2016 Census, which is not yet available for data analysis, is likely to pick up on these trends observed in consultation findings.

These trends are discussed further in the following Chapter.

3.4 Summary

Population in the Epping town centre is forecast to grow significantly in line with the forecast dwelling growth under the Priority Precinct planning controls. The population of the Epping town centre is forecast to remain relatively young, with significant proportion of the population aged in their 20s and

30s. These populations generally include university students and young professionals, with higher than average incomes.

Epping has a relatively even spread across the GSC's 4 job classification categories. This split of jobs indicates that Epping is an accessible location, and has attracted jobs in industries that do not rely on local populations, such as knowledge intensive jobs in professional services. Epping has a lower proportion of population serving industries than the West Central District and Greater Sydney.

Employment in retail in particular is relatively low in the Epping town centre, reflecting the scale of retail development in the centre. The relatively low proportion of retail floorspace also indicates that Epping does not meet one of the definitions of a District Centre prepared by the Greater Sydney Commission.

Recent developments in the Epping town centre have seen a significant reduction in office floorspace, with a likely corresponding reduction in employment in knowledge intensive industries, which is not reflected in the most recent employment forecasts for Greater Sydney. Given this the TPA employment forecasts have not been presented or used as a basis for projecting employment floorspace in this work.

4 MARKET TRENDS AND DRIVERS

This Chapter provides an overview of local and macroeconomic trends impacting on office, retail and other non-residential businesses and development. The information presented in this Chapter has been based on published market research and on consultation. The organisations consulted with include:

- City of Parramatta Council,
- Epping Chamber of Commerce,
- Local real estate agents, and
- Land owners within the B2 zone.

4.1 Retail market trends

While spaces for office uses in the Epping town centre are diminishing as a result of residential conversions, retail floorspace is generally being maintained at the ground floor level as part of new developments. It is expected that as the population in Epping grows, there will be increased demand for retail and other non-residential, population related uses in the town centre. Consultation with real estate agents reflects this too, with the proximity of Epping town centre to the railway station seen as a factor that is likely to drive this demand, along with the growing population.

Current market environment

Previous analysis of the commercial market in Epping has identified that retail premises are tightly held because of the desirability and relative stability of the market, and that there is a strong focus on retail servicing the resident and employee populations.[4]

Retail uses are largely located along Rawson Street, Oxford Street, Beecroft Road, Bridge Street and Langston Place, with the vast majority of retail space on the western side of the railway line, including the existing supermarket and many specialty stores. Previous analysis has identified that a significant portion of potential retail sales on the eastern side of the precinct is lost to nearby centres, due to a relative lack of services compared to the western side, and existing issues with pedestrian and vehicular connectivity between the two. In 2011, the supermarket made up 3,800 square metres of the town centre's retail space, with another 8,531 square metres in the form of specialty stores.[5] Advertised rents for retail floorspace at the time of writing are between $100 and $362 per square metre.

Consultation with existing land owners in the B2 Local Centre zone suggests that there is a perceived lack of variety in the current retail offering in Epping, and that the physical appearance of retail spaces and amenities could be updated and improved. Traffic and parking congestion have also been identified as weaknesses for the town centre.

The Epping town centre currently has a relatively high vacancy rate along retail shopfronts, particularly on the eastern side of the centre. However, this is considered to be a short term trend. These vacant sites generally form part of development applications for new mixed use development incorporating retail floorspace on the ground floor. While short term retail trade may be impacted as existing office

[4] HillPDA, 2014, *Epping town centre – Feasibility Study*, prepared for Parramatta Council, May 2014 (Commercial in Confidence).

[5] JBA, 2011, *Epping town centre Study Volume 1*, prepared for Hornsby Shire Council, Parramatta City Council and Department of Planning, April 2011.

development is demolished, the injection of new residents in the centre is likely to inject spending into the Epping town centre.

Epping sits within a wider retail system, with significant retail offerings within 3 kilometres of the centre at Carlingford, Eastwood and Macquarie Park. The prevalence of enclosed shopping centres at Carlingford and Macquarie Park in particular are likely to impact on local trade in Epping, drawing spending for higher order retailing to these centres.

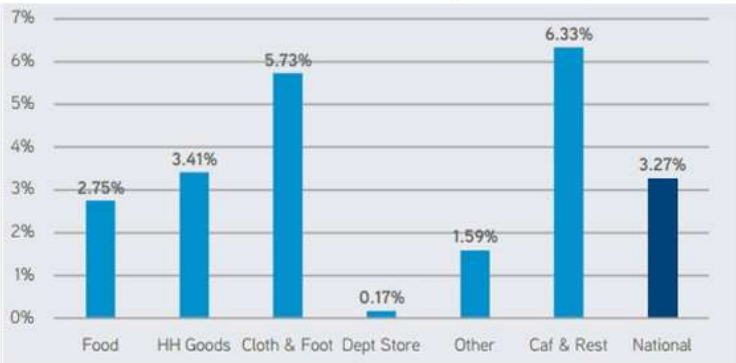
Emerging trends in the retail market

Changes in consumer spending

In the years following the Global Financial Crisis (GFC) in 2008, the proportion of household savings to income in Australia has remained high, and this is generally associated with a reduction in the amount of household income that is spent on retail. However, consumers are spending more in service and experience based areas such as travel, and in food retailing and non-discretionary categories of spending, which have continued to grow faster than discretionary retail categories.[6]

As Figure 24 below illustrates, growth has occurred in a number of retail sectors in more recent times, with the strongest growth between 2015 and 2016 in spending at cafés and restaurants and on clothing and footwear. The lowest growth was seen in department store sales.

FIGURE 24. RETAIL SALES BY CATEGORY (YEAR-ON-YEAR CHANGE, 2015-2016)



Source: Colliers International, 2016.[7]

Recent growth in consumer spending in Australia has been attributed to rising property prices, with increased household wealth and low interest rates driving domestic spending, and the decline in the strength of the Australian dollar encouraging international spending.

Online retailing

The flexibility and convenience of shopping online are often quoted as the reasons why people will choose it over physical stores, with the perception that customers are able to find better offers online also an important factor. The growth of online retailing has had an impact on the retail sector in Australia, and accounts for around 7% of what is spent in physical stores, however, growth in online sales has appeared to slow in recent times, as illustrated in Figure 25.

[6] Knight Frank, 2015, 'Retail demand trended upward, in 2014, what's in store for 2015,' Research briefing, Q1 2015 Issue, https://kfcontent.blob.core.windows.net/research/821/documents/en/resinsight150331c-2892.pdf

[7] Colliers International, 2016, 'Retail Second Half 2016,' Research and forecast report, http://www.colliers.com.au/find_research/retail/

FIGURE 25. GROWTH IN ONLINE RETAIL (% MONTH-ON-MONTH)

Source: NAB, 2017.[8]

The proliferation on online shopping has implications for the provision of retail space in centres such as Epping. Online retailing has a number of advantages for businesses and consumers, including wider product offerings, opportunities for innovation, strong review and referral networks via social media, and benefits from time efficiencies. However, traditional 'bricks and mortar' stores have a number of advantages as well, including being able to offer personal service, customers being able to see and test products in person, and the benefits of shopping as a social experience.

Many retailers consequently have both physical and online stores. This can help to maximise their potential revenue streams but also buffer against macroeconomic trends which tend to affect one platform more than the other, such as changes in the value of the Australian dollar which can impact on international online sales in particular.

Retail as an experience

In recent times, there has been a growing trend towards leisure-based retailing, which is more about providing 'experiences' for consumers than just products. This includes retailers focusing on customer service and providing a quality range of products to differentiate themselves from competitors. In this area, physical stores have an advantage over online retail, including in food and beverage retailers, as their products and the experience of visiting a store is not available online. The presence of international retailers in both shopping centres and on high streets is reflective of this trend as well, along with the rise in the number of cafés and options for outdoor dining in and around retail centres.

The growth of shopping as an experience is also reflected in the emergence of 'slow retailing,' in contrast to 'fast retailing' which is based on quick turnover of inexpensive, simple and standard retail products for a mass audience. Slow retailing provides more tailored products, where retailers aim to distinguish themselves from competitors through the individuality and quality of their merchandise, targeting niche markets, and engaging with the customer at a more personal level. These types of retailers may also focus on providing locally produced stock and providing a higher level of service.

Rise of regional shopping centres

A number of suburban centres in Australia's major cities have emerged as preferred locations for both retailers and customers, including the Macquarie Centre. This trend of decentralisation away from CBDs has been driven by several factors, including growing affluent suburban populations, corporate chains with fewer ties to locality and the ability to move to areas with demonstrated demand, and changes in sales tactics that require larger stores and parking availability.

[8] NAB, 2017, 'NAB Online Retail Sales Index,' Monthly Report – January 2017, http://business.nab.com.au/wp-content/uploads/2017/03/NORSI-January-2017.pdf

The growth of these types of centres is expected to continue. Regional shopping centres are also typically marketing themselves as destinations for leisure in order to attract customers. This may have implications for the retail market in Epping, particularly as it is in close proximity to the Macquarie Centre, which is also planning an expansion on its site to include residential and entertainment uses in addition to its existing retail functions.[9]

Bulky goods retailing

The bulky goods retailing sector has been performing strongly in recent years, driven by growth in housing construction and demand for household goods, though the rate of growth in households goods retailing in the year to November 2016 (3.5%) was much lower than the previous year (6.2%).[10]

Growth in the sector is expected to continue with price growth in the housing market and low interest rates. Consumer desires for tactile shopping experiences are also expected to continue to contribute to demand for bulky goods retailing. However, the sector generally requires buildings with larger floor areas than other types of retail or commercial uses.

Change in inner suburban supermarkets

Historically, the grocery market in Australia has been dominated by Coles and Woolworths, accounting for more than 70% of the market in 2015.[11] However in the last 10 years major competition from IGA and Aldi has seen their dominance reduce.

Many shopping centres and high street shopping strips are still anchored by at least one of these stores. However, there changing consumer preferences are driving demand for different forms of grocery retailing. This includes a small but growing level of demand for organic foods, in line with growing awareness around how food is produced and its environmental impact. The growth in the number of people adhering to vegetarian, vegan and other diets are also likely driving demand for more specialised food offerings. The popularity of farmers' markets in Sydney and elsewhere also illustrates the rise in demand for this form of retailing.

Deregulation of trading hours

Relaxation of permitted opening hours for retail stores over recent decades has shifted the way that people tend to shop. Demand has drifted to the weekends, and smaller, neighbourhood level stores appear to have become less important. The shift has been particularly noticeable in longer opening hours for supermarkets.

Longer retailing hours can be important to particular forms of retail that can support night-time economies, including restaurants and movie theatres.[12] Deregulated trading hours also provide benefits to customers in added convenience, greater competition between retailers, and potentially allow for greater employment in the retail sector.

4.2 Office market trends and drivers

Current market environment

Consultation undertaken with commercial real estate agents working in the Epping area suggests that there are a number of factors that attract tenants to Epping. These include the relatively lower cost of commercial office space, particularly when compared to other markets like Macquarie Park, and features such as the lack of parking levies in the area. Epping's transport accessibility, both for residents living on

[9] See Macquarie Centre, 2017, 'Stage 1 concept development application,' https://www.macquariecentre.com.au/development

[10] CBRE, 2017, 'Australian Retail, Q4 2016 – Rent growth moderating,' Marketview research report.

[11] Roy Morgan Research, 2051, 'The ALDI effect: Australia's changing supermarket scene,' 22 June 2015, http://www.roymorgan.com/findings/6297-aldi-effect-australias-changing-supermarket-scene-201506220132

[12] JLL, 2013, 'The evolution of Brisbane Retailing', Research report, July 2013, http://www.jll.com.au/australia/en-au/Research/JLL-AU-Advance-The-Evolution-Of-Brisbane-Retailing-July2013.pdf

the north shore of Sydney and its strong connections to major employment and commercial centres, is also a significant drawcard for agents, and for the existing commercial land owners consulted.

However, there is currently very little available commercial space in the town centre, for either rent or sale. One real estate agent suggested that as little as 1,500 square metres was currently available for rent across the office market. As such, the vacancy rate in Epping is low, and available space is limited to only of a few sites across the town centre. The lack of available commercial space was confirmed in consultation with the Epping Chamber of Commerce and current land owners in the B2 zone. The Chamber in particular identified that a lack of available spaces, coupled with unfavourable lease terms, is causing many businesses to leave Epping, and that business confidence in Epping is generally poor.

Advertised rents for office space in Epping currently range between $228 per square metre up to $587 per square metre.[13] The majority of spaces on the market currently are less than 500 square metres, with larger spaces primarily advertised as short term leases only. Rental prices for commercial stock have also largely been static for 12 months. The stock that is available in the town centre is also only rated as low B-grade quality

Analysis of developments in the pipeline for Epping also shows that there is very little in the way of stand-alone commercial stock expected to be delivered in the centre in the near future, with most proposed commercial or retail floorspace to be included as part of residential developments.[14] This ongoing lack of pipeline supply has been raised by the Chamber of Commerce as a major issue of concern.

There are several factors which are contributing to the low current office vacancy rate in the town centre, including increased competition from higher-order nearby commercial centres and the conversion of existing office blocks to residential uses.

Competition from residential uses

Commercial uses in the Epping town centre are being significantly impacted on by growth in the residential market, and particularly by the withdrawal of office market stock for conversion to residential uses. In recent years, the property industry has forecast that the demand for residential development in the Sydney metropolitan region would cause withdrawals of office stock from non-CBD locations, with many office buildings to be sold to residential developers.[15] Epping was identified as an area where there would likely be a concentration and continuation of office floorspace withdrawals, along with that occurring in centres such as Burwood and Hurstville, as these smaller suburban markets are expected to become largely residential hubs.

The rezoning of centres like Epping to encourage the development of more housing has meant that the highest and best use of many sites is now residential. This trend for residential conversions has also been observed across Sydney's suburban office markets, with the withdrawal of office space outpacing new supply.[16]

Some reports estimated that there would be a 34% (or close to 18,000 square metres) decline in office space in Epping in the three years following the zoning changes.[17] It was also predicted that this would cause larger tenants to move out of Epping and other centres such as North Sydney and St Leonards,

[13] Prices sourced from http://www.commercialpropertyguide.com.au, accessed March 2017.

[14] Based on Cordell Connect data, http://www.cordellconnect.com.au/

[15] See Pryor, 2015, 'Residential Conversion Plays: What do they mean for Sydney suburban office markets?' CBRE Viewpoint research report, May 2015; Raine & Horne Commercial, 2016, 'Office Market Stock Levels,' 23 February 2016, http://www.rhcop.com.au/property-news/2016/february/23/office-market-stock-levels.aspx

[16] See Knight Frank, 2016, 'Sydney Suburban Office Market Overview,' February 2016.

[17] See Pryor, 2015.

which have also seen significant reductions in commercial floorspace as the number of residential conversions increased, and as the supply of new office buildings in the pipeline has been limited.[18]

Consultation with real estate agents has identified that since the zoning changes implemented in the town centre and the designation of Epping as a Priority Precinct, the pace of residential conversions and demand for housing in the area has grown dramatically. A substantial number of sites that were previously office buildings have been converted, which has left only a small number of buildings with available office space, contributing to the low vacancy rate. There is also evidence that local businesses have been and are currently unable to stay in the Epping area after their buildings have been converted for residential uses, and this has been identified as an issue by current land owners in the B2 zone as well.

Industry research has suggested that buyers for commercial property are primarily interested in suburban markets for value-add and redevelopment opportunities. This was reflected in consultation with agents, where sales activity and prices have been generally stagnant in Epping, except for commercial properties with redevelopment potential for conversion to residential uses.

Consultation with existing land owners (including both those who have current plans to redevelop and those that do not) suggests that most would like to see a mix of commercial, retail and residential uses on their sites in future. Some indicated that they would consider providing retail shops and office space in addition to spaces at the ground floor level, to meet the demand for such uses and support the commercial and retail role of the Centre, but that this would be limited by site and zoning constraints and the overall preference is to include residential given current property market conditions.

There is also some evidence that landlords of commercial sites in Epping are only offering lease terms of around two to three years. This would ensure that they would have the opportunity to convert their properties to residential uses and take advantage of the current residential property market. The Epping Chamber of Commerce has identified that businesses are also leaving Epping because they are unable to obtain leases without demolition clauses.

Competition from nearby commercial centres

As well as a withdrawal of office stock from the market, competition from nearby commercial centres is also impacting on the Epping town centre. The most significant competitor to Epping is Macquarie Park, and as it expands and develops greater amenity it is expected to continue to attract commercial tenants that may have been displaced by residential conversions.

Industry research has indicated that many larger companies have already relocated to Macquarie Park from former commercial buildings in Epping. Among the businesses which are planning to leave Epping or have already relocated according the Epping Chamber of Commerce are:

- The Westpac Card and Call Centre for Australia,
- Unilever Australia Research and Corporate Headquarters,
- Baptist Community Services,
- Hasbro,
- NEC Australia,
- Craig & Rhodes Surveyors,
- Chill IT, and
- Northern District Times Newspaper.

Larger centres like Macquarie Park, Parramatta, and the Sydney CBD are expected to be more popular than suburban areas such as Epping, where there is less available and upcoming supply, less organic growth, and fewer large commercial floorplates available. Tenants are also unlikely to be attracted to smaller and cheaper suburban markets and away from these centres, as cost is only one element of

[18] See CBRE, 2017, 'Australia Office, Q4 2016 – Office cycle reaching bottom, Limited new supply in 2017,' CBRE Marketview research report.

decisions made about where to locate, with transport accessibility, talent availability and amenity also important.

The withdrawal of existing office uses from Epping was expected to impact on demand from tenants who require larger floorplates with a lack of oncoming supply in the centre and proximity to the campus style business park in Macquarie Park. This was confirmed in consultation with local real estate agents, who indicated that very few large office spaces are currently available in Epping, and that numerous tenants had relocated to Macquarie Park in recent years. This trend may potentially be slowed with the temporary closure of the Epping to Chatswood rail line as it is converted to the Sydney Metro network but is unlikely to be stopped.

Consultation with real estate agents also identified that tenants looking for space within the Epping town centre generally need floorspace of less than 200 square metres. There is currently very little interest from bigger companies in Epping, likely because they understand that there is not much available in the way of large and suitable spaces in the town centre but also because of trends to centralise operations and consolidate in larger centres with a fuller range of complementary businesses and where agglomeration economies are available. The lack of available space is also a concern for business groups in Epping, whose membership base has declined as tenants have relocated out of the town centre.

As well as Macquarie Park, there is indirect competition in the commercial market coming from some of the smaller nearby markets, such as Chatswood, Hornsby and Pymble, and previously at Pennant Hills, though the impact of competition from these centres has been far smaller than the impact from Macquarie Park. The Chamber of Commerce indicated that Rhodes is another competing location, with at least one long-standing Epping business relocating there after they could not obtain a suitable space and lease terms in Epping. In contrast, very few businesses are relocating to Epping from other centres.

Emerging trends in the office market

Industry changes

As identified above, the reductions in available commercial floorspace is changing the types of businesses that are located in Epping. Consultation with real estate agents suggests that the office tenants that have remained in or are looking for space in the Epping town centre are largely small business services and advisory firms, typically with around six to eight employees.

Members of the Epping Chamber of Commerce have historically included a range of businesses from different industries, and include healthcare practitioners, real estate agents, lawyers, accountants, IT consultants, surveyors, restaurants, and up to medium sized corporations. Epping's employment focus appears to be shifting away from these knowledge intensive jobs to population serving industries, including real estate agents, restaurants, and tutoring colleges, which were reported to have increased in recent years. As identified above, the withdrawal of suitable stock coupled with competition from Macquarie Park has meant that there are no large corporate tenants in the town centre.

Flow on effects from other centres and infrastructure investment

As the Parramatta CBD grows and commercial development there increases, it may be that smaller, population servicing businesses exit that market. Epping is a logical potential location for these types of businesses to re-establish themselves in. Recent analysis of the commercial office market has suggested increased demand for office floorspace in Sydney's north-west as the Sydney Metro North West is completed. Demand is forecast to increase for sub-1,000 square metre office spaces, however most of this forecast demand is envisaged along the western end of the Sydney Metro rather than in Epping, especially the Norwest Business Park.[19]

Macroeconomic trends

[19] Knight Frank 'Sydney Suburban Office Market Overview March 2017', March 2017 https://kfcontent.blob.core.windows.net/research/308/documents/en/sydsub1703-4568.pdf

There are also broader trends and changes occurring in office markets that may affect the way that commercial spaces in Epping are provided and used in future. These include changes in the Australian economy, with the shift towards service-oriented and professional industries; the decline in manufacturing and other traditional industries; the implications of an ageing population and expected growth in health service industries; and the importance of location and transport accessibility to businesses, particularly those in knowledge-intensive industries.

Co-working spaces

Another important trend that impacts on the way that office space is provided and used is the growing use of shared co-working spaces. This trend has been observed worldwide, with the number of co-working locations expected to increase to 12,700 across the globe in 2017. Technology advancements, changing workforce demographics, and shifts in major industries are driving the growth of co-working in Australia, with the number of co-working spaces in Sydney growing by 41% per year in the last 10 years.[20]

The main advantages of the co-working model over leasing traditional office space include that companies have lower costs associated with workspaces, and can benefit from collaborative working environments with other firms and industries.[21] The flexibility that co-working offers firms is also seen as an advantage, with spaces often available on a weekly or monthly basis, and the model has become particularly popular for start-up businesses.

Locating co-working spaces in suburban commuter hubs has also become popular, with the NSW Government supporting Smart Work Hubs at Rouse Hill, Oran Park, and Penrith in Sydney's west. These Hubs provide a range of options for hiring space, from daily passes to monthly arrangements with different amenities included in the pricing.[22] A number of privately operated co-working spaces have also been established in the Parramatta CBD. The growing trend for these more flexible forms of rental of commercial space could have implications for how much office space is required in the Epping town centre in future.

4.3 Other non-residential uses trends and drivers

The expected growth in the population of the Epping town centre is likely to drive a need for different non-residential uses in addition to more housing. This will include facilities such as gyms, child care centres, health centres and educational facilities, as well as civic services. As identified above, the vast majority of new development expected in Epping will be for residential units, though some residential and mixed use developments may include facilities such as gyms or child care centres as part of their commercial or retail space.

Consultation with real estate agents has suggested that with the increase in residential development and the population, there has been more inquiry and demand from ancillary type businesses for space in the Epping town centre. This has been particularly noticeable for child care centres and other educational uses, and for gyms and cafés. The Chamber of Commerce has also noted that there have been increases in the number of tutoring colleges for school children in the area. There hasn't been significant demand from restaurant owners looking for space as yet, given limited current demand, but this is expected to change as the population grows.

[20] Knight Frank, 2016, 'Sydney Coworking insight,' October 2016, https://kfcontent.blob.core.windows.net/research/1161/documents/en/resinsight161024-4197.pdf

[21] See PWC, 2017, 'Emerging Trends in Real Estate,' Asia Pacific 2017, https://www.pwc.com.au/publications/assets/emerging-trends-real-estate-2017.pdf

[22] See Space&Co., 2017, http://spaceandco.com.au/office-spaces/sydney/rouse-hill-town-centre/; Oran Park Town, 2017, http://www.oranparksmartworkhub.com.au/memberships; WOTSO Workspace, 2017, http://www.wotsoworkspace.com.au/penrith/

Analysis of developments in the pipeline for nearby LGAs Ryde and The Hills also shows a large number of developments that have been proposed or approved that are stand-alone child care centres or gyms, or included as part of residential development.[23]

These types of non-residential uses are usually accommodated in retail spaces rather than in space that would otherwise be used for offices. As such, consultation suggested that there hasn't been a noticeable impact on the office market in Epping from increased demand for these facilities so far, however increased demand for such services will likely increase competition for retail floorspace in future. Current land owners in the B2 Local Centre zone saw the provision of these types of spaces and services as less important to the role of the Epping town centre compared to its function as a place for day-to-day retail needs, housing, and office space.

Investment in child care centres is becoming more popular in the Sydney property sector, particularly in areas with growing populations.[24] The NSW Government has also recently moved to respond to increased demand and shortages of child care centre spaces by streamlining some of the rules around the development application process for child care centres,[25] which may further increase demand for child care sites.

The development of Epping in future will need to consider the balance between the provision of these types of population-serving uses with residential and commercial development, and will be particularly important if there is a downturn in the housing market. There remains the risk that the current high level of demand for housing development in areas such as Epping will limit the space that is available for these types of community-serving uses that are required for centres to function effectively over time.[26]

4.4 Epping community workshop

A community workshop was held as part of the process of preparing this report and the wider Epping Planning Review. The workshop was held on Monday 22 May and was facilitated by Straight Talk to understand the needs and desires for land uses requiring commercial floorspace of the Epping community, including residents and business owners, now and into the future. Participants were asked about how they currently use the Epping town centre, what they do not use the Epping town centre for, and the future role of Epping as a hub for employment.

The findings of the workshop were as follows:

- Epping is currently viewed as a town centre by the local community, providing for day to day needs for transport, retail and services
- Residents and workers in the Epping town centre use a wide variety of services in the centre, including community services such as the library, medical, restaurants, design and engineering services, education and public transport
- The retail offering currently in Epping does not provide a number of convenience retail options (e.g. there is currently no butcher, greengrocer, bakery etc.)
- Residents seek retail and other services out of the Epping town centre for two main reasons:
  - There is simply no local option in the Epping town centre
  - The quality of offering is better in other centres
- Participants also noted a lack a professional job opportunities in the Epping town centre.

[23] Based on Cordell Connect data, http://www.cordellconnect.com.au/

[24] See Cummins, 2016, 'Childcare properties find growing favour with investors,' *Sydney Morning Herald*, 13 May 2016, http://www.smh.com.au/business/property/child-care-properties-are-back-in-favour-20160512-gotrkr.html

[25] See NSW Department of Planning and Environment, 2016, 'More quality child care where it is needed,' Ministerial media release, 3 November 2016, http://www.planning.nsw.gov.au/News/2016/More-quality-child-care-where-it-is-needed

[26] Griffiths & Clouston, 2015, 'Successful centres: protecting Sydney's long-term productivity,' *New Planner*, September 2015, http://www.hillpda.com.au/wp-content/uploads/2015/09/New-Planner_Sept-2015_Griffiths-and-Clouston.pdf

- There was little resistance to increasing the amount of space available for new businesses and offices spaces. Many participants wanted Epping to grow and wanted to develop a new heart for the town centre.
- Flexible floorspace configurations for office and retail uses were suggested to ensure the Epping town centre can accommodate businesses as they grow and develop into the future.
- There is a desire to maintain the strong community feel of the Epping while having access to essential services and facilities of a town centre

4.5 Role and opportunities for the Epping town centre

Based on the consultation undertaken with the organisations identified above, analysis of market trends and Epping town centre's economic profile, and the current retail and office environment, there are a number of key issues and opportunities for the Epping town centre.

Epping's retail offering largely services the local catchment and provides a day-to-day convenience offering. Weaknesses of the retail offering of Epping raised through stakeholder consultation include a lack of variety and shabby appearance of existing retail stock. The redevelopment of existing retail sites provides the potential for tis floorspace, where appropriate, to be replaced with newer shopfronts and may potentially change the variety of retail on offer as the population of the Epping town centre increases.

Epping's proximity to largely enclosed shopping centres, including the significant regional Macquarie Centre, limit the potential of the Epping town centre to act as a higher order retail centre in the current market. The potential role for Epping in the future is likely to involve high quality service centre for local daily needs and leisure opportunities through hospitality uses such as dining.

As identified above, a key issue for the Centre is the apparent market failure occurring with regards to the provision of office space in particular. There is currently little available space in the town centre, as a result of both competition from other commercial centres and increased residential redevelopment, and what is available in the Epping market is not meeting current demand.

In addition to this, the spaces on offer are largely smaller spaces, which do not cater to the needs of larger businesses and organisations. As a result, many of the larger tenants who have previously located in Epping have moved to other commercial centres where both larger floorplates and newer buildings are available. It is unlikely that this situation will be reversed in Epping, given the locational advantages and size of some of the competing centres nearby to Epping, particularly in Macquarie Park and the Parramatta CBD.

However, there are several trends and drivers that Epping is likely to continue to benefit from which could be capitalised on in the future development of the town centre. Epping is already a popular centre, particularly for smaller businesses. The town centre also has the benefit of excellent public transport access and connectivity to the Sydney CBD and other major centres, which is valuable to both residents and people who work in the centre.

Epping's population is forecast to grow substantially as a result of the increased residential development in the area. This is beneficial in terms of providing a larger consumer catchment for businesses in the town centre to draw on, as well as in providing a larger potential workforce. As identified in previous chapters, the population of Epping is forecast to remain relatively young, and have a high level of labour force participation.

Epping also has a higher than average concentration of jobs in knowledge intensive industries and jobs in health and education compared to both the West Central District and Sydney overall, as shown in Table 4. There may be opportunities to capitalise on this concentration in the types of spaces included in future development, together with the existing transport accessibility of the Centre, which is known to be particularly important for knowledge-intensive employment. Epping may also be able to cater to the expected demand from smaller-sized businesses exiting the Parramatta CBD market, as that centre continues to expand and increasingly caters to larger businesses as Sydney's second CBD.

While there is increasing pressure for residential development in the centre, the current land owners consulted with generally recognise the importance of retaining and providing for both office and retail uses, as these will be important to the ongoing viability and functionality of the centre along with increased residential development. Provision for other non-residential uses is seen as less important, though demand for services such as gyms and child care centres, and other population based services are likely to emerge as the population grows.

Given Epping's close proximity to other strategic centres at the metropolitan level and the issues identified above, the role of Epping could therefore be seen as a sub-district centre, which meets the needs of a local residential population as well as providing higher-order services and commercial space for small to medium sized businesses.

5 RETAIL DEMAND ASSESSMENT

This Chapter assesses the forecast future demand for retail floorspace in the Epping town centre. This analysis considers the Epping town centre as part of a wider retail system including Carlingford and Eastwood retail centres.

5.1 Existing and future retail supply

The local retail market

Epping centre is located within a local retail market SGS has defined which comprises an estimated 89,300 residents in 2016. The local retail market comprises the suburbs of Epping, Marsfield, Eastwood, Denistone, Denistone East, Dundas Valley, Telopea and Carlingford. The definition of this local market is based on a spatial analysis of likely customer behaviour and known trade patterns from businesses based within the market. Behaviour and expenditure patterns have been estimated to reflect logical travel patterns. This has been informed by a review of the geographic features which may obstruct travel and limit the number of retail centres which can be conveniently accessed. Shoppers will be prepared to travel further and longer for specialised, higher order centres where travel is offset by convenience of the wide variety of goods available in one location. This behaviour is serviced by sub-regional and regional centres, and the local market definition has reflected the retail centre hierarchy in the district.

The defined local market is geographically constrained to the north by the limited north-south permeability of the M2 Motorway. Residents in suburbs beyond the local market have been assessed as within the primary sphere of influence of other key retail centres, particularly in Macquarie Park, North Rocks and strong retail centres in Ryde.

Within the local market the key retail centres are the neighbourhood-scale activity centres at Epping and Eastwood and the sub-regional centre and main street retail in Carlingford.

Each of these centres also serves an additional component of trade drawn from beyond this market, such as workers who reside beyond the immediate district, as well as other incidental and transient trade. As trade from these customers is more infrequent and incidental a geographic distinction has been drawn between these shoppers and residents living in the local market. Further analysis of these patterns is outlined in Primary Trade Area definitions in the Demand section.

Similarly, not all retail expenditure from residents living in the local market is captured by these centres. Expenditure from residents which is spent outside this local market is dispersed across a wide geographic area. A network-wide review of spending patterns is beyond the scope of this study, but logical assumptions can be made.

Regional centres at Macquarie Park, Top Ryde and Castle Hill serve higher order retail needs of residents in the local market, as these are the nearest sources of department stores, discount department stores (other than in Carlingford Court) and a variety of specialised mini-majors.

Epping

The retail centre is located along Beecroft Road and Oxford Street, with some additional provision along Carlingford Road and Langston Place. The retail centre is bisected by the rail line with the only at grade connection along Epping Road. The largest retail tenant is a freestanding Coles supermarket of approximately 3,800sq.m. Gross Leasable Area (GLA). Epping town centre also contains significant hospitality uses, including the Epping Club and the Epping Hotel.

The Epping town centre has a mix of specialty hospitality businesses and local services. Clothing retailing is limited to a handful of small retailers, and the centre lacks large format retailers other than Coles. The estimated retail floorspace of the Epping town centre at 2017 is shown in Table 5.

TABLE 5. ESTIMATED FLOORSPACE BY RETAIL TYPE – EPPING

	Supermarkets/ Convenience stores	Specialty - Other Food	Hospitality and Entertainment	Specialty - Other Retail & Services	Specialty - Clothing and Soft Goods	Department Stores & DDS	Bulky/Household Goods	Total (Occupied)
Floorspace	3,800	666	3,496	583	749	0	2,164	**11,458**

Source: SGS, 2017

Approximately 1,665 square metres of GFA is estimated to be vacant as at January 2017, which indicates a retail vacancy rate for the centre of 14.5%, which is relatively high for an established suburban market.

Eastwood

Eastwood is a predominantly main street-based, neighbourhood centre focussed around Rowe Street on both the eastern and western side of the railway line. Eastwood is located approximately 3 kilometres from the Epping town centre. The majority of retail floorspace and retail activity occurs on the western side of the rail line. The centre contains significant Chinese and Korean restaurants and shops to cater to the needs of local residents of these ethnicities. Eastwood Shopping Centre is the largest retail landholding in the centre, and is an enclosed shopping centre containing Woolworths and a large local bulky goods retailer. Eastwood also contains an Aldi supermarket and three independent supermarkets. The estimated retail floorspace of the Epping town centre at 2017 is shown in Table 6.

TABLE 6. FLOORSPACE BY RETAIL TYPE - EASTWOOD

	Supermarkets/ Convenience stores	Specialty - Other Food	Hospitality and Entertainment	Specialty - Other Retail & Services	Specialty - Clothing and Soft Goods	Department Stores & DDS	Bulky/Household Goods	Total (Occupied)
Floorspace	5,130	5,452	6,025	4,045	1,264	361	9,009	**31,286**

Source: SGS, 2017

An estimated 2,074 square metres GLA of retail space is estimated to be vacant in Eastwood, which reflects an estimated vacancy rate of 6.6 per cent of total GLA in the centre.

Carlingford

Carlingford centre is located around the junction of Carlingford Road and Pennant Hills Road approximately 3 kilometres from Epping town centre. Carlingford is anchored by a sub-regional shopping centre (Carlingford Court) and a smaller enclosed shopping centre (Carlingford Village). Additional bulky goods retail (including Bunnings) and high street retail is located along the two main roads. Carlingford Court contains Target, which is the only discount department store (DDS) in the local market and it also contains full line Woolworths and Coles supermarkets, in additional to approximately 100 speciality retailers. The estimated retail floorspace of the Carlingford centre at 2017 is shown in Table 7.

TABLE 7. FLOORSPACE BY RETAIL TYPE - CARLINGFORD

	Supermarkets/ Convenience stores	Specialty - Other Food	Hospitality and Entertainment	Specialty - Other Retail & Services	Specialty - Clothing and Soft Goods	Department Stores & DDS	Bulky/Household Goods	Total (Occupied)
Floorspace	9,083	833	1,211	968	287	8,009	19,628	**40,019**

Source: SGS, 2017

An estimated 1,800sq.m. GLA of retail space is estimated to be vacant in Carlingford, which reflects an estimated vacancy rate of 4.5 per cent of total GLA in the centre.

Development pipeline

A review of retail developments in the pipeline has been undertaken using Cordell Connect data to determine likely future retail supply. Retail developments planned or under construction within the catchment have been considered. A summary of the findings is shown in Table 8, including proposed retail floorspace in the Epping town centre replaces some existing retail floorspace. Appendix 8.3 provides further detail on the retail development in the pipeline.

TABLE 8. RETAIL PROJECTS IN LOCAL RETAIL MARKET AS AT MAY 2017

	Epping	Eastwood	Carlingford
New floorspace	6,512	2,764	499
Floorspace to be replaced	2,366	0	0
Net new floorspace	4,146	2,764	499

Source: Cordell Connect (2017)

Table 9 below outlines the existing estimated retail floorspace by food and non-food retail floorspace in the three centres.

TABLE 9. SUMMARY OF ESTIMATED FLOORSPACE SUPPLY IN THE LOCAL MARKET

	Epping	Eastwood	Carlingford	Total - 2016
Estimated Food floorspace	7,962	16,606	11,127	35,695
Estimated Non-Food floorspace	3,496	14,678	28,892	47,066
Vacant space	1,665	2,074	1,800	5,539
Vacancy rate	14.5%	6.6%	4.5%	6.7%
Total Floorspace	**13,124**	**33,358**	**41,819**	**88,300**

5.2 Retail floorspace demand

Calculating retail floorspace demand

Primary Trade Areas

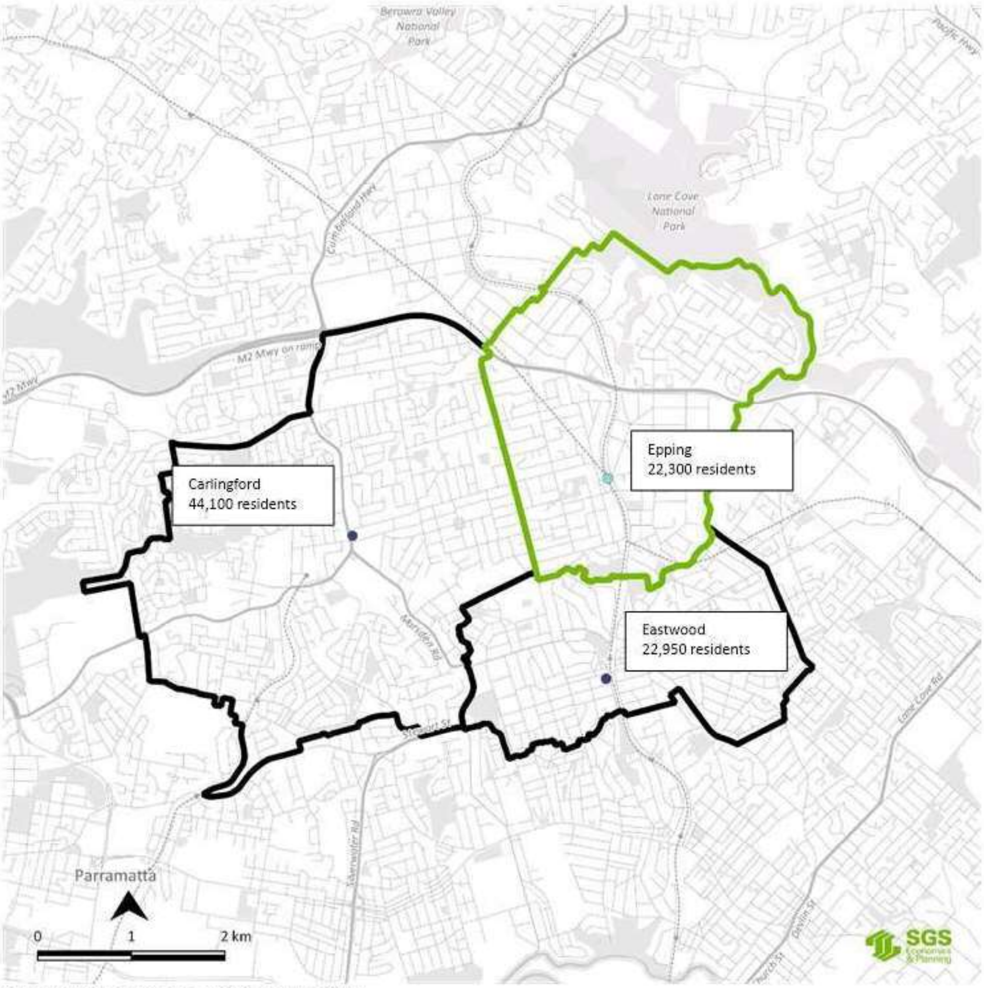
Primary Trade Areas (PTAs) have been estimated for the three retail centres outlined above. As the term suggests, residents within PTA boundaries of a centre primarily (but not exclusively) visit the local centre to satisfy their retail needs. PTAs reflect the convenience and competitive nature of the retail market and have been drawn considering the scale and variety of retail in each centre, the proximity to other centres, transport connections and geographic barriers. Residents outside a centre's PTA boundaries shop primarily at another centre, or several centres if their area is contested by multiple centres in close proximity.

The PTAs for the three centres are shown in Figure 26. The PTA boundaries are somewhat irregular as they are based on Travel Zones (TZs) as defined by Transport for NSW. These TZs are the smallest available geographies for which the latest small area population and employment forecasts are available to conduct demand modelling.

Macquarie Park has been treated as an out of catchment retail centre for this study due to the complexity of modelling its regional-scale catchment, the centre's variety of retail uses, extensive time required to survey and categorise its current floorspace mix and uncertainty around the specifics of its planned expansion. From a retail network perspective, Macquarie Park plays a complementary role to the three local market centres: its higher order offer fulfils retail needs that aren't available locally but it lacks the convenience and open public realm that smaller centres provide.

Secondary trade areas (STAs) are sometimes used in retail analysis, but have not been considered as part of this analysis given the complexity of the suburban retail market and project scope. STAs expand the geographic area for analysis, which introduces further subjectivity to the modelling (e.g. estimates of where secondary sources of expenditure for each centre will come from, relative to other centres). They also increase the required data on floorspace supply in the region (for centres further away from the local market), collection of which is beyond the scope of this project. Instead, total demand from beyond the PTAs for the three have been modelled for both centres based on known trade patterns, and this "Beyond PTA" pool of demand comprises all secondary, tertiary and incidental expenditure, without complex geographic distinctions.

FIGURE 26. PRIMARY TRADE AREAS & RESIDENTS – EPPING, EASTWOOD AND CARLINGFORD



Source: SGS Economics and Planning, 2017

Current retail expenditure

Data from MarketInfo has been used to determine current expenditure profiles for the PTAs. MarketInfo profiles expenditure of Australian households per capita by nine categories are regarded as an industry standard and incorporates the ABS Household Expenditure Survey and Census to reflect local expenditure patterns driven by factors such as age, ethnicity, household structure etc. MarketInfo data was applied to each Statistical Area 1s (SA1) within the PTAs. Table 10 shows the average per capita expenditure by commodity group in 2016 AUD for residents in each PTA.

TABLE 10. PER CAPITA EXPENDITURE (2016)

MarketInfo 2016 $	Food & Groceries	Bottleshop/ Tobacco	Restaurants & Cafes & Take-away	Clothing & Shoes	Furniture, Whitegoods, Homeware, Manchester & Electronics	Hardware & Garden	Other Retail	Retail Services	Total
Epping PTA	$5,404	$646	$2,753	$1,627	$2,529	$697	$1,663	$647	**$15,966**
Eastwood PTA	$5,186	$566	$2,484	$1,402	$2,240	$551	$1,419	$530	**$14,378**
Carlingford PTA	$5,115	$645	$1,763	$942	$1,814	$597	$1,312	$430	**$12,618**

Source: SGS Economics and Planning 2017, using MarketInfo 2014

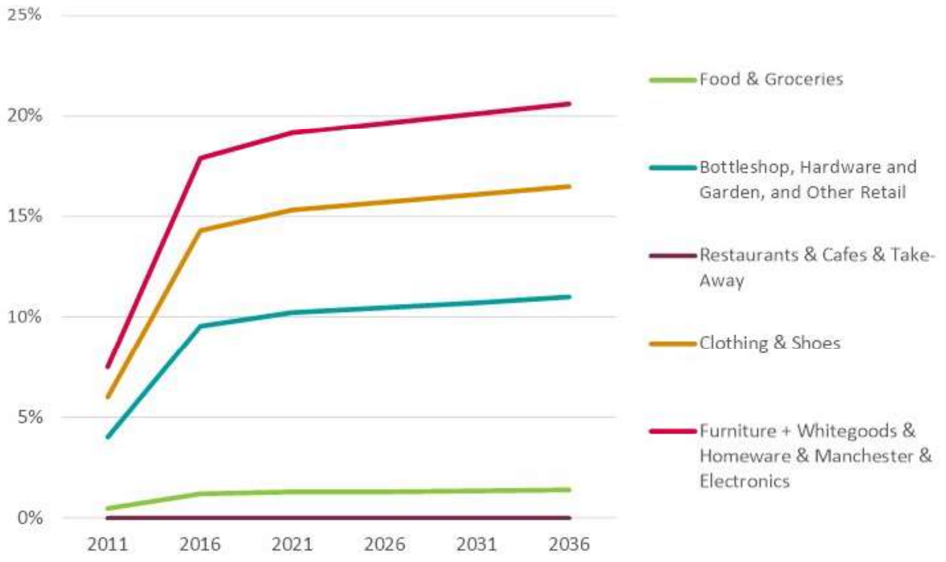
Online expenditure

Following international trends, the retail industry in Australia is transitioning to a multi-modal structure, with sales growth in online retailing estimated by the ABS[27] to have grown by 31 per cent, 23 per cent and 15 per cent in 2014, 2015 and 2016, respectively.

SGS has applied these growth rates in Figure 27 to the 2011 Productivity Commission estimates of the proportion of online retail expenditure as a percentage of total retail expenditure in Australia by commodity. This approach establishes the likely percentage of online expenditure in the future. Growth in future years has been estimated based on the reduction in the rate of growth from ABS estimates year on year from 2013 to 2016. It is anticipated that online retailing will reach maturity in the 2020s.

Online retailing expands the geographic area that goods can conveniently be purchased from, and thus reduces the demand for local floorspace. Reflecting this, commodity expenditure per capita in Table 10 has been reduced by the corresponding percentages in Figure 27 for local floorspace demand calculations.

FIGURE 27. PERCENTAGE OF RETAIL EXPENDITURE ONLINE BY YEAR – FORECAST 2016 TO 2036



Source: SGS Economics and Planning, 2017 using Productivity Commission, 2011 and ABS, 2016

[27] Australian Bureau of Statistics, *8501.0 - Retail Trade, Australia*, Dec 2016, http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/8501.0Appendix1Dec%202016?opendocument&tabname=Notes&prodno=8501.0&issue=Dec%202016&num=&view=

Epping PTA – current and future demand

Population in the Epping PTA is forecast to grow at an average annual rate of 2.3% through to 2036. Population forecasts at five year intervals are shown in Table 11.

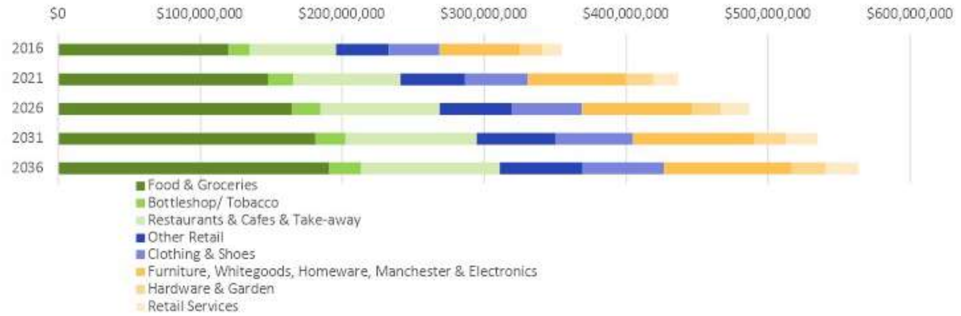
TABLE 11. EPPING PTA POPULATION - 2016-2036

	2016	2021	2026	2031	2036
Epping PTA	22,230	27,365	30,500	33,496	35,299

Source: TPA, 2016 with SGS Calculations

Applying the per capita retail expenditure from MarketInfo (Table 10) to the TPA population forecasts for the Epping PTA provides total expenditure from residents by interval year in Figure 28. Note that inflation has not been applied to keep expenditure in real terms for useful comparison.

FIGURE 28. EXPENDITURE IN EPPING PTA BY YEAR (CONSTANT 2016 $ AUD)



Source: SGS Economics and Planning, 2017 using MarketInfo, 2014, TPA, 2016 and AECgroup, 2016

Figure 29 converts per capita retail expenditure to retail floorspace demand applying SGS' matrices and industry average Retail Turnover Densities (see Appendix 8.1 for further detail).
Table 12 shows the floorspace demand for the Epping town centre after accommodating for escape expenditure.

FIGURE 29.FLOORSPACE DEMAND BY YEAR - EPPING (CONSTANT 2016 $ AUD)

Source: SGS Economics and Planning 2017, using MarketInfo 2014, TPA 2016

TABLE 12. EPPING PTA FLOORSPACE DEMAND (SQUARE METRES)

	2016	2021	2026	2031	2036
Total supportable floorspace	15,291	18,804	20,950	22,999	24,226

Source: SGS Economics and Planning, 2017

Eastwood and Carlingford PTAs

The PTA populations of these centres are outlined in Table 13:

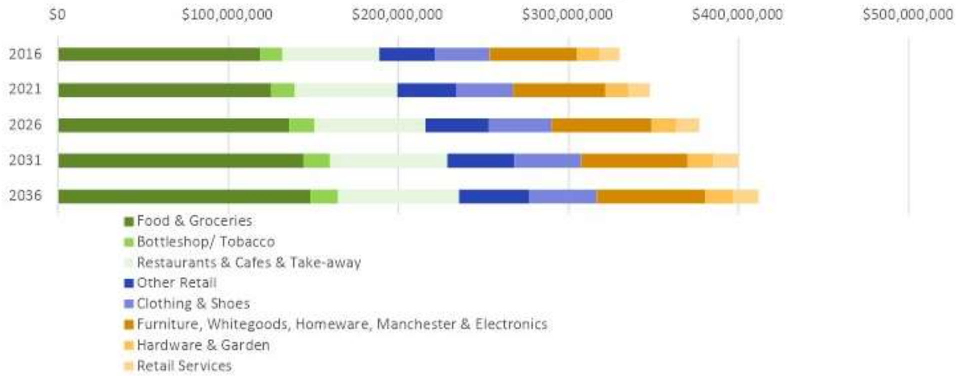
TABLE 13. EASTWOOD AND CARLINGFORD PTA POPULATION: 2016-2036

	2016	2021	2026	2031	2036
Eastwood PTA	22,961	24,213	26,226	27,819	28,643
Carlingford PTA	44,154	50,841	55,222	59,468	62,864

Source: TPA, 2016

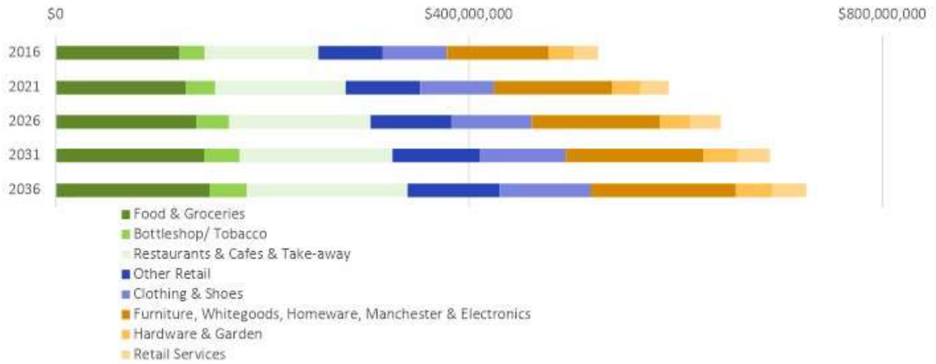
As per with Epping, applying the per capita retail expenditure from MarketInfo (Table 10) to the population forecasts for the respective centres' PTAs provides total expenditure from residents by year in Figure 30 for the Eastwood PTA, and for the Carlingford PTA in Figure 31.

FIGURE 30. EXPENDITURE IN EASTWOOD PTA BY YEAR (CONSTANT 2016 $ AUD)



Source: SGS Economics and Planning 2017, using MarketInfo 2014 and TPA 2016

FIGURE 31. EXPENDITURE IN CARLINGFORD PTA BY YEAR (CONSTANT 2016 $ AUD)



Source: SGS Economics and Planning 2017, using MarketInfo 2014 and TPA 2016

Total demand for retail floorspace from Eastwood PTA residents is summarised in Table 14.

:

TABLE 14. EASTWOOD AND CARLINGFORD PTA FLOORSPACE DEMAND (SQUARE METRES)

	2016	2021	2026	2031	2036
Eastwood	14,704	15,491	16,772	17,783	18,303
Carlingford	28,277	32,526	35,316	38,016	40,170

5.3 Supply/demand gap analysis

Epping

The proportion of the floorspace demand from PTA residents which can reasonably be served by the Epping centre has been calculated in the second row of Table 15. This 'Target Market Share' has been derived as follows:

1. Applying standard industry turnover densities[28] (See Appendix) for the retail floorspace categories to the provision in Epping.
2. Estimating the proportion of the total turnover originating from PTA shoppers (50%)
3. Calculating the turnover from PTA residents at the Epping centre as a proportion of their total retail expenditure

TABLE 15. EPPING - FLOORSPACE DEMAND VS. CURRENT SUPPLY (SQ.M.) EX. VACANT

FOOD	2,016	2,021	2,026	2,031	2,036
PTA floorspace Demand	**15,291**	**18,804**	**20,950**	**22,999**	**24,226**
PTA demand serviced in Centre (50% of trade)	4,321	5,313	5,920	6,499	6,845
50% external demand (from shoppers originating beyond PTA)	4,321	5,313	5,920	6,499	6,845
Total Supportable Demand	**8,642**	**10,627**	**11,840**	**12,997**	**13,691**

	2,016	2,021	2,026	2,031	2,036
Occupied	7,962	7,962	7,962	7,962	7,962
Over (Under) supply	**-679**	**-2,664**	**-3,877**	**-5,035**	**-5,729**

NON- FOOD	2,016	2,021	2,026	2,031	2,036
PTA floorspace Demand	**21,801**	**26,551**	**29,471**	**32,227**	**33,812**
PTA demand serviced in Centre	5,353	6,519	7,236	7,912	8,302
External demand (Beyond PTA)	5,353	6,519	7,236	7,912	8,302
Total Supportable Demand	**10,705**	**13,038**	**14,472**	**15,825**	**16,603**

	2,016	2,021	2,026	2,031	2,036
Occupied	3,496	3,496	3,496	3,496	3,496
Over (Under) supply	**-7,209**	**-9,542**	**-10,975**	**-12,329**	**-13,107**

Source: SGS Economics and Planning 2017

[28] Reduced from the NSW average to reflect the low socio-economic status of Epping and accordingly lower turnover expectations for businesses in the market.

TABLE 16. EPPING SUPPLY SURPLUS/DEFICIT CALCULATIONS ('OOO SQ.M.)

No supply change	**2016**	**2021**	**2026**	**2031**	**2036**
Food under supply	-679	-2,664	-3,877	-5,035	-5,729
Non-food under supply	-7,209	-9,542	-10,975	-12,329	-13,107
Vacant space	1,665	1,665	1,665	1,665	1,665
Total Net Over (Under) supply:	**-6,223**	**-10,541**	**-13,188**	**-15,698**	**-17,170**

With pipeline developments	**2016**	**2021**	**2026**	**2031**	**2036**
Food	-679	-2,664	-3,877	-5,035	-5,729
Non-food	-7,209	-9,542	-10,975	-12,329	-13,107
Vacant space	1,665	1,665	1,665	1,665	1,665
Additional retail space (Culm.)		4,146	4,146	4,146	4,146
Total Net Over (Under) supply:	**-6,223**	**-6,395**	**-9,042**	**-11,552**	**-13,024**

Source: SGS Economics and Planning 2017

The target market share for the centre equates to 28% for food, and 25% for non-food of PTA floorspace. These targets are consistent with the calculated market shares of comparable centres in suburban areas undertaken in previous research. In addition to demand from residents in a centre's PTA an additional 40% - 50% of trade in a centre of Epping's size and role is typically sourced from shoppers originating outside the PTA (50% has been assumed, based on known trade patterns of businesses operated in the centre). Floorspace demand has accordingly been calculated to provide a total serviceable demand.

Combined local market

Viewing Epping's supply/deficit in isolation is a necessary but insufficient precondition to determining if the local market is in equilibrium

It is not realistic to expect neighbourhood scale centres to fulfil the complete retail needs of residents in their local primary trade areas. Indeed, escape expenditure occurs to some extent even from residents living close to large regional scale centres. Reflecting this, supply/demand needs to be reviewed in terms of the total local market, and target market shares for Eastwood & Carlingford have been calculated and applied. Note that while Eastwood is comparable to Epping in terms of food/non-food business mix (albeit a larger neighbourhood centre) and therefore a similar 50% estimate of PTA/beyond PTA trade has been made, Carlingford is a higher order (sub regional) centre capturing a higher proportion (55% est.) of trade from beyond its primary trade area and slightly higher target market shares.

TABLE 17. COMBINED SUPPLY SURPLUS/DEFICIT CALCULATIONS ('OOO SQ.M.)

With known developments	**2016**	**2021**	**2026**	**2031**	**2036**
Food	195	-4,945	-8,703	-12,182	-14,550
Non-food	3,177	-2,876	-7,292	-11,358	-14,065
Vacant space	5,539	5,539	5,539	5,539	5,539
Additional retail space (Culm.)		7,409	7,409	7,409	7,409
Net over (under supply)	**8,911**	**5,126**	**-3,047**	**-10,592**	**-15,667**
	10%	**5%**	**-3%**	**-11%**	**-16%**

Source: SGS Economics and Planning 2017

5.4 Implications

Current floorspace from the combined centres' is only slightly in excess of demand

10% is only a moderate over-supply given the limitations of the modelling and data used. A number of empirical facts support the conclusions for the modelling:

- Vacancies in Epping suggest there is some slack in the market, though this may just be frictional given the lull between the conversion of office space in the centre and the occupation of residential development.
- The known turnover of some of the largest chain businesses in the local market are comparable to or slightly lower than their fleet[29] averages. An under-supply of space would have these trading above their respective fleet averages.
- The quantum of planned retail floorspace in the development pipeline is not transformative, and some of it is only incremental – e.g. the replacement or reconfiguration of existing space at Eastwood Shopping Centre.
- Regional centres at Macquarie Park etc. will also be fulfilling some of the local demand – particularly for higher order non-food needs such as household & bulky goods (available at department stores and specialised mini majors).

With the current population projections and pipeline of retail developments adding to supply, the market is forecast to be close to equilibrium until the early 2030s

An increase in floorspace beyond approximately 5,000 square metres across the local market centres (on top of the expected quantum of floorspace coming to market indicated by Cordell in Epping, Carlingford and Eastwood) by 2021 would result in disequilibrium, assuming no change to current trade patterns. This would have a dilutive effect on the turnovers of existing businesses, although gravity modelling would be required to estimate whether this would be excessive[30]. The forecast population figures reflect planning controls developed under the Epping Priority Precinct process. They do not reflect recent planning proposals submitted to Parramatta Council in excess of these existing controls.

Epping and Carlingford play complementary roles in the local retail system, meeting demand for retail uses now and into the future

Epping and Eastwood serve PTAs of a similar size in terms of residents, whereas Carlingford serves a geographically and numerically larger catchment due to its strategic location in the road network, centre scale and variety of retail tenancies. Eastwood has developed into a specialised neighbourhood centre, catering to the local populations of particularly Chinese and Korean ethnicity and providing a unique hospitality offering attracting spend from outside of the centre.

Epping and Carlingford are located at either end of Carlingford Road. These two centres are in close proximity and fulfil complementary roles. Carlingford provides a higher order retail offering and comparison retailing while the Epping town centre offer convenience retailing and hospitality offerings in a higher accessible location. These two centres act as two ends of a 'dumbbell' along Carlingford Road. Demand for approximately 13,000 square metres of retail floorspace is forecast for the Epping town centre over the next 20 years.

[29] 'Fleet' referring to the average turnover of all the stores for particular brands throughout Australia

[30] I.e. greater than 10%, or sufficient to reduce average turnover densities below industry averages.

6 OFFICE DEMAND ASSESSMENT

This Chapter assesses the demand for office floorspace in the Epping town centre. This assessment considers all industries apart from retail and accommodation and food service, which were forecasted separately in Chapter 5. To forecast demand for office floorspace to 2036 this Chapter considers the competitive offer of the Epping town centre and assesses three possible future scenarios.

6.1 Value of office uses in the Epping town centre

Retaining office uses is important to the sustainability of commercial centres such as Epping. This retention is particularly important in light of the 30-minute city prioritised by the GSC, where more services and jobs should be available within easy reach of residents'. Though there are some costs associated with this, there are also important benefits for both businesses and residents from doing so.

The main costs of providing and retaining office uses over other types of use may be felt by existing land owners and potential developers of sites, as the land is not being put to its most profitable use in the current market, which is housing. Retaining office space can also been seen as a cost for potential home buyers or State and local governments, as the potential space for housing in the area becomes limited.

However, the benefits of the retention of office uses include the ability to maintain an employment base in the centre. This has further benefits for a given location in ensuring day-time activity, and in supporting retail trade and other businesses, and in reducing the need to travel for the local workforce if jobs can be found locally. The aim for significant centres on the rail line with high levels of accessibility should be to maximise the diversity of uses, without contributing to scale diseconomies or undermining aims for the employment role of strategic centres. Making provision for space for office and commercial uses is also important in planning for the long-term needs of centres and communities, as once spaces are converted for residential development it is difficult and unlikely to be changed back to support such uses should demand for different types of space change over time.

6.2 Competitive offer of Epping town centre

Consultation and market research suggests that as a commercial centre, Epping is likely to be in competition with several large and small nearby centres, including Macquarie Park, Chatswood, Norwest Business Park, the Parramatta CBD, Rhodes, Hornsby, Pymble and Pennant Hills. A multi-criteria assessment of Epping and these centres against a series of attributes is shown in Table 18. These locational and other attributes are important for commercial centres to be successful, and are discussed below.

Locational attributes

Existing commercial precinct
An established commercial precinct is likely to attract further businesses to the area, as locating in an area of dense economic activity allows for economies of scale and access to larger customer bases for firms. Each centre has been ranked as low, medium or high based on their existing concentration of commercial premises and activity.

Existing population and projected residential population

The existing population of the suburb for each centre has been identified using BTS data by travel zone, along with the projected population in the next 15 and 30 years.[31] This gives an indication of the likely population catchment and customer base that each of the centres will be servicing in future.

Office floorspace

Office floorspace has been identified in square metres for each centre, based on published data, and includes occupied and vacant space.[32] The current vacancy rate for office space in each centre has also been identified where possible. The availability of space in commercial centres affects the desirability for and ability of new businesses to locate in a particular centre.

Availability of different sized floorspaces

The availability of different sized floorspaces in each centre has been noted, based on existing market research and current listing for spaces. Larger office floorplates (e.g. 1.000+ square metres) allow for larger corporations to locate in commercial centres, particularly businesses that want to have their full range of functions in one place rather than across multiple buildings or centres. Business parks have an advantage in this area, though larger commercial centres tend to offer larger floorplates as well. The flexibility of spaces can also be important to be able to suit different types of tenants.

Rental prices for commercial space

The cost of leasing commercial space is an important factor in where businesses choose to locate. A desktop assessment of advertised rents for office and retail spaces per square metre in each of the competing centres has been undertaken, and each ranked on a scale of low, medium, and high costs. Rental costs for each are also likely to be influenced by the quality of available stock, with A-grade space generally limited to the larger centres.

Road transport accessibility

Successful commercial centres need to be accessible to the labour force and to markets, with highly accessible locations preferred for commercial development. Access to arterial roads to connect commercial spaces to employees, clients and services are important. Each centre has been given a low, medium or high rating based on their accessibility to major roads.

Car parking

The availability of parking spots is important to employees, clients and customers of office and retail businesses. A low, medium or high rating has been given to each location based on the availability of public car parking spaces and whether car space levies apply in the area.

Exposure for retail

Exposure to passing trade is more important for retail premises than for office uses, though it can be a selling point for other commercial spaces. A low, medium or high rating has been given to each centre based on their proximity to major roads and centres of activity to give an indication of the number of people who are likely to drive or pass by.

[31] Based on travel zones within suburb of each centre. For Norwest Business Park, the suburbs immediately surrounding have been used.

[32] Estimates have been obtained from recent office market reports including: Savills, 2017, 'Briefing – North Shore Office,' http://pdf.savills.asia/asia-pacific-research/australian-research/australia-office-/savillsresearch-briefing-north-shore-office-q4-2016.pdf; Property Council of Australia, 2017, 'Macquarie Park's Office Market Lagging,' https://www.propertycouncil.com.au/Web/Content/Media_Release/NSW/2017/Macquarie_Park_s_office_market_lagging.aspx; Cummins, 2016, 'Norwest Business Park close to 'house full',' http://www.smh.com.au/business/property/norwest-close-to-house-full-20160413-go5j8h.html; Savills, 2017, ' Briefing – Parramatta Office,' http://pdf.savills.asia/asia-pacific-research/australian-research/australia-office-/savillsresearch-briefing-parramatta-office-q4-2016.pdf; Colliers International, 2014, *Sydney Office Market Research Report*, prepared for NSW Planning and Infrastructure, June 2014, http://www.planning.nsw.gov.au/~/media/Files/DPE/Reports/sydney-office-market-research-report-2014-06.ashx

Public transport accessibility

Accessibility by public transport is also an important factor in the success and attractiveness of commercial centres, particularly as more jobs are concentrated in knowledge intensive industries in city centres rather than in outlying and industrial precincts. A poor, fair or excellent rating has been given to each centre based on the availability of different modes of public transport and the frequency of services.

Anchor activities

The main activities and services that are available in each of the centres have been identified. This gives an indication of the level of amenity in each area, with facilities such as banks and supermarkets important for commercial centres to be built around. These types of facilities can also be attractive features for businesses to be located near.

Access to magnet infrastructure

Access to large scale infrastructure can be important for commercial centres in attracting tenants and in acting as an anchor for new development. Infrastructure such as universities can also provide access to greater populations (e.g. students), and opportunities for knowledge sharing and agglomeration benefits for businesses. A low, medium or high rating has been given to each centre based on their proximity to facilities including hospital, universities and other educational facilities.

Hospitality, retail and social infrastructure uses

Having cafés or restaurants, retail, and social infrastructure (such as child care centres) close by can be attractive for businesses, as they provide amenity to their employees, with a variety of food and drink options likely to be more desirable. Each of the locations has been rated low, medium or high based on the concentration and variety of these types of uses in their centres.

Urban amenity

The quality of the urban environment in a centre can also be an important attractor to businesses, with public spaces that are more pleasant and vibrant likely to be more desirable. A low, medium or high rating has been given to each centre based on their provision of open space and the quality of streetscapes.

Professional population

Access to a professional pool of potential employees and clients can be important to the sustainability of commercial centres. The proportion of the resident population classified as professional in the 2011 Census at the State Suburb (SSC) level has been identified for each centre.[33]

Tertiary educated population

Access to an education population is also important for commercial centres. Using the same SSC areas from 2011, the proportion of the population with a bachelor's degree or higher qualification has been identified for each of the centres.

[33] Based on 2011 Census, State Suburbs (SSC) – Epping (NSW), Macquarie Park, Chatswood, Baulkham Hills, Bella Vista, Rhodes, Parramatta, Hornsby, Pymble, and Pennant Hills.

TABLE 18. COMPETITIVE OFFER ASSESSMENT

	Epping town centre	Macquarie Park	Chatswood	Norwest Business Park	Parramatta CBD	Rhodes	Hornsby	Pymble	Pennant Hills
Existing commercial precinct	Medium. Competition from Macquarie Park and residential uses.	High. Business Park in Global Economic Corridor.	High. Strategic centre in Global Economic Corridor. Some competition from residential uses.	High. Business park and primarily commercial uses.	High. Major commercial centre and Strategic Centre	High. Established commercial precinct.	Medium. Competition from Macquarie Park and residential uses.	Medium. Localised commercial uses as well as office park precinct.	Low. Limited office space. Competition from other centres.
Existing and projected residential population	**2016: 29,223** 2031: 42,173 2046: 54,574 (87% growth 2016-2046)	**2016: 7,103** 2031: 17,630 2046: 21,605 (204% growth 2016-2046)	**2016: 28,718** 2031: 33,230 2046: 41,558 (45% growth 2016-2046)	**2016: 12,463** 2031: 26,255 2046: 36,699 (194% growth 2016-2046)	**2016: 20,730** 2031: 45,632 2046: 64,253 (210% growth 2016-2046)	**2016: 11,888** 2031: 17,894 2046: 21,551 (81% growth 2016-2046)	**2016: 24,031** 2031: 27,743 2046: 32,746 (36% growth 2016-2046)	**2016: 11,458** 2031: 13,809 2046: 17,324 (51% growth 2016-2046)	**2016: 8,692** 2031: 9,400 2046: 11,214 (29% growth 2016-2046)
Office floorspace	Approx. 55,000 sqm. Very low vacancy rate.	Approx. 873,000 sqm. Slowly increasing vacancy rate, estimated at 7.5%.	Approx. 278,000 sqm. Estimated 7.7% vacancy rate.	Approx. 58,000 sqm. Low vacancy rate, estimated at 6%.	Approx. 707,000 sqm. Low vacancy rate, estimated at 4.3%.	Approx. 144,000 sqm. Low vacancy rate. Limited capacity for expansion.	Approx. 27,490 sqm*	Approx. 79,000 sqm*	Approx. 1,994 sqm*
Type of office floorspace available	Small floorplates only. Larger businesses relocated to other centres, remaining floorspace limited in size.	Large and small floorplates. Currently attracting larger tenants from other centres.	Large and small floorplates.	Large and small floorplates. Business park format allows for larger floorplates.	Large and small floorplates. Attracting tenants looking for larger spaces and CBD location.	Large and small floorplates.	Smaller floorplates only.	Smaller floorplates only.	Smaller floorplates only. Limited office stock in general.
Rental Prices (office and retail)	Low	Medium	High	Medium	High	Medium	Low	Medium	High**
Road transport accessibility	Medium. Beecroft Road connecting to M2, some congestion at peak times.	High. M2, though some congestion around afternoon peak.	High. Pacific Highway, though some congestion at peak times.	Medium. Close to M7 and Old Windsor Road, congestion within Park around peak times.	High. M4, though congestion at peak times.	Medium. Close to M4, but congestion particularly at peak times.	Medium. Nearby to Pacific Motorway, limited congestion.	High. Pacific Highway, limited congestion around centre.	Medium. Pennant Hills Road connects to M2 and Pacific Motorway, significant congestion.

	Epping town centre	Macquarie Park	Chatswood	Norwest Business Park	Parramatta CBD	Rhodes	Hornsby	Pymble	Pennant Hills
Car parking	Medium. No parking meters, but high utilisation of Council car park and on-street spaces.	Low. On-street parking fees recently increased in response to congestion.	Low. NSW Parking Space Levy applies. Council has aimed to limit amount of parking in the area.	Medium. Space provided with most buildings, and available at shopping centre.	Low. NSW Parking Space Levy applies. Most Council- provided spaces limited to short stays (4 hours or less).	Medium. Effort by Council to reduce number of cars and spaces, but free 3-hour parking available at shopping centre.	Low. Spaces in town centre generally occupied by early morning, especially untimed spaces.	Medium. Parking provided with business park buildings. Some on street and Council-run car parks available.	Low. Congestion an issue for residents. Lack of commuter spaces at railway and all-day spaces.
Exposure (primarily for retail)	High. Particularly on Beecroft Road.	Low. Retail spaces concentrated in shopping centre, motorway traffic separated from centre.	Low. Retail spaces concentrated in shopping centre, limited frontage on Pacific Highway.	Low. Separated from major arterial roads, shopfronts separated by landscaping and parking.	High. Retail not concentrated in one location, population and employment growth increasing potential exposure.	Low. Retail uses concentrated in shopping centre and largely separated from major traffic routes.	Medium. Main retail uses in shopping centre and separate from major traffic route.	Medium. Some retail uses front Pacific Highway, others within internal business park area.	Medium. Main retail area separated from Pennant Hills Road.
Public transport accessibility	Excellent. Bus and rail access. Future Metro Northwest station. Frequent services.	Excellent. Bus and rail access. Two Metro Northwest stations. Frequent services.	Excellent. Bus and rail access. Metro Northwest station. Frequent services.	Poor. Bus access only. Less frequent services.	Excellent. Bus rail and ferry access. Frequent services.	Fair. Bus and rail access. Less frequent services.	Fair. Bus and rail access. Less frequent services.	Fair. Bus and rail access. Less frequent services.	Fair. Bus and rail access. Les frequent services.
Anchor activities	Council facilities, major supermarket, health services.	State government facilities, major supermarkets, major shopping centre, banks, hospital, health services.	Major supermarkets, major shopping centre, State government facilities, banks, health services.	Major supermarkets, banks, some health facilities.	Council and State government offices, major supermarkets, major shopping centre, health services	Major supermarket, health services, shopping centre, banks.	Council facilities, major shopping centre, major supermarkets, TAFE.	Smaller supermarkets, banks, health services.	State government offices, smaller supermarkets, health services, banks.
Access to magnet infrastructure	Low. No major institutions close by.	High.	Medium.	Medium.	High.	Medium. Close to Concord Hospital, private hospitals, TAFE campus.	Medium. Close by to Hornsby Ku-ring-gai Hospital.	Low.	Low.

	Epping town centre	Macquarie Park	Chatswood	Norwest Business Park	Parramatta CBD	Rhodes	Hornsby	Pymble	Pennant Hills
		Close to Macquarie University, Macquarie University Hospital.	Close to several private colleges, private hospitals, nearby to UTS campus.	Nearby to TAFE and private colleges, and Norwest Private Hospital.	WSU campus, future UNE campus, close to Westmead, CBD location.				
Hospitality, retail and social infrastructure	Medium. Council library, mix of retail, large range of food outlets, limited child care centres currently.	High. Major shopping centre retail, child care centres, range of food options.	High. Council library, major shopping centre retail, child care centres, range of food options.	Medium. Range of shops and food outlets at Marketown shopping centre, child care centres.	High. Council library, major shopping centre retail, range of food options, child care centres.	High. Major shopping centre retail, range of food options, many child care centres.	Medium. Council library, major shopping centre retail, mix of local and chain food outlets, few child care centres.	Low. Limited retail offering, mostly local food outlets, limited child care centres.	Medium. Council library, mix of local and chain food outlets, limited retail offering, some child care centres.
Urban amenity	Medium. Major roads remain car dominated. Limited open space in the centre. Good location for transport accessibility.	Medium. Limited after-hours activity, but likely to improve with residential and commercial expansion.	High. Limited public open space, but some pedestrianised areas. Good accessibility.	Low. Car dominated environment. Large distances between buildings less conducive to pedestrian amenity.	High. Limited public and green space currently, but improving. Good accessibility.	Medium. Green space nearby and some pedestrianised areas. Good accessibility, but car dominated particularly on Concord Road side.	Medium. Some open space nearby but not in centre.	Medium. Some public spaces. Some pedestrianised areas but largely car dominated, particularly in business park area.	Low. Limited public space. Car dominated.
Professional population	19.6%	18.7%	18.0%	15.1%	14.9%	18.4%	16.6%	19.1%	18.3%
Tertiary educated population	35.1%	36.4%	35.3%	22.9%	32.9%	40.4%	29.1%	37.5%	32.2%

*Floorspace estimates from *Ku-ring-gai & Hornsby Subregional Employment Study*, SGS Economics & Planning, 2008. Estimate for Pymble includes Pymble Business Park.
**High prices for Pennant Hills due to a small sample size of available commercial rental properties.

Conclusions on Epping's competitive offer

Epping's resident population is expected to be larger than the other suburban centres like Hornsby, Pymble and Pennant Hills, and is expected to have a high rate of growth over the next 30 years. Epping will also have a larger resident population than Macquarie Park, and have a comparable level of highly educated and professional people to draw on.

Epping generally has the benefit of lower prices for office rentals than the larger centres, however, this is likely to be attributable to a lack of A-grade stock in the area. The currently low vacancy rate for office space limits the competitiveness of Epping, particularly when the larger centres have more space overall and higher vacancy rates (with the exception of Parramatta).

The limited availability of large floorplates is a disadvantage for Epping compared to Norwest and the major centres in attracting larger office tenants, and as identified previously, this is being exacerbated by the encroachment of residential uses into the commercial core. Residential conversions are also affecting some of the other centres such as Macquarie Park and Hornsby, though perhaps not to the same extent.

Epping ranks well for its transport accessibility, on par with the major centres in the Global Economic Corridor, being in close proximity to major arterial roads as well as frequent public transport routes, including the future North West Metro. The lack of a parking levy has also been noted as an advantage for Epping compared to Parramatta and Chatswood where the levy applies, though like a number of the competing areas, the availability of parking is a common issue for workers and residents.

Epping has good exposure for retail spaces, with proximity to major roads as well as a large amount of foot traffic. Retail spaces in Epping are also not concentrated within shopping centres as is the case in Macquarie Park, Chatswood, Rhodes, and elsewhere. However, Epping is likely to lack some of the prestige that is associated with these larger commercial centres which can help to attract businesses. Conversely, a high quality main street with a diverse retail and food offering can draw additional businesses to Epping, in particular small to medium enterprises.

Epping is disadvantaged in terms of immediate accessibility to major infrastructure compared to some of the other centres, including in proximity to universities and hospitals, but the centre is in close proximity to such facilities in Macquarie Park which are easily accessible by train. Epping ranks well in terms of its hospitality offering and provision of social infrastructure. Non-residential facilities will likely increase in the area as residential development continues as well, as has been the case in Chatswood. Epping is also comparable to the smaller centres in terms of urban amenity, with similar issues around the provision of public open space and the need for better pedestrian connections.

Similarities can be seen between Epping's current evolution and that of Chatswood, with the latter beginning as a largely commercial precinct before large residential developments have been introduced in recent years. Chatswood has a more significant retail role than Epping but a similar level of transport accessibility to Epping, Chatswood has a large range of retail and food options, as well as non-residential population supporting uses such as child cares and gyms.

6.3 Office floorspace demand forecast approach

Three office floorspace demand forecasts have been developed considering the findings of this report and the competitive offer of the Epping town centre. These scenarios envisage three futures where the Epping town centre takes on different roles:

- Population serving centre – office uses service the population of Epping
- Local centre – office uses service the surrounding population (e.g. a 5-10 minute catchment)
- District centre – office uses service a wider population and attract strategic employment uses (e.g. a 20-30 minute catchment).

As noted above, there have been significant changes in Epping's office floorspace in the past few years that has not been yet reflected in Census or employment projections data (the 2016 Census data should reflect the changes when released). Rather than apply the current forecasted jobs for Epping, the three scenarios approach provides an understanding of Epping's role and function considering recent trends and consultation findings.

These scenarios do not consider demand for retail and hospitality land uses in the Epping town centre. Floorspace demand from these uses is forecast separately below.

Epping as a population servicing centre

Under this scenario, land uses occupying office floorspace only service the population of Epping. For the purpose of this scenario, the population of the suburb of Epping has been applied.

Population driven employment has been estimated by performing a regression analysis to identify the type of jobs that are linked to population, and applying population-driven employment ratios to the estimated incoming population.

Through the regression analysis, we have established the causal relationship between population and employment by industry at the Statistical Area 3 (SA3) level[34]. The regression analysis coefficients have been applied to population forecasts in Transport Performance and Analytics' LU16 for the West Central District.

It is recognised that not all employment is suitable or required to be in centres. For instance, heavy manufacturing uses are more appropriate in industrial precincts to avoid land use conflict and to facilitate their specific operations, and schools are located across different urban forms (e.g. in residential areas, in centres etc.). To determine the number of jobs which would require office space in the Epping town centre, attribution rates prepared by SGS from previous commercial analysis have been applied for jobs by industry to reflect their likelihood of locating in centres.

Table 19 shows the number of jobs in the Epping town centre by GSC job classification to 2036. Under this scenario, job numbers grow in line with the forecast population of Epping, with the greatest change occurring over the five years from 2016 to 2021. The nature of this scenario sees the majority of employment driven by population serving industries.

TABLE 19. EPPING AS POPULATION SERVING CENTRE – JOBS BY GSC INDUSTRY

	2016	2021	2026	2031	2036
Knowledge Intensive	104	139	160	180	192
Population Serving	152	203	234	264	281
Industrial	15	20	24	27	28
Health and Education	141	187	216	244	260
Total	**412**	**550**	**634**	**715**	**762**

Source: SGS, 2017

Note: Jobs in Retail Trade and Accommodation and Food Services have been removed in this analysis. Floorspace for these uses is forecast separately.

Forecast jobs under this scenario are converted to office floorspace by applying a standard floorspace to job ratio of 20 square metres (while this figure has come down in more expensive office markets such as the CBD it is a robust estimate in suburban markets such as Epping). The results of this analysis are shown in Table 20. Under this scenario, if only the needs of the resident population of the suburb of

[34] Statistical Area 3 (SA3) is a geography defined by the Australian Bureau of Statistics which is used to present data in standardised regions across Australia. The regional breakups have been designed to reflect regional identity. These are areas with both geographic and socio-economic similarities.

Epping are considered, the Epping town centre has forecast supportable demand for 9,520 square metres of office floorspace in 2036. This would represent a further reduction in office floorspace in the Epping town centre.

TABLE 20. EPPING AS POPULATION SERVING CENTRE – TOTAL OFFICE FLOORSPACE BY GSC INDUSTRY

	2016	2021	2026	2031	2036
Knowledge Intensive	2,079	2,773	3,200	3,608	3,846
Population Serving	3,042	4,059	4,684	5,280	5,628
Industrial	306	408	471	531	566
Health and Education	2,811	3,750	4,327	4,878	5,200
Total	**8,237**	**10,990**	**12,683**	**14,297**	**15,240**

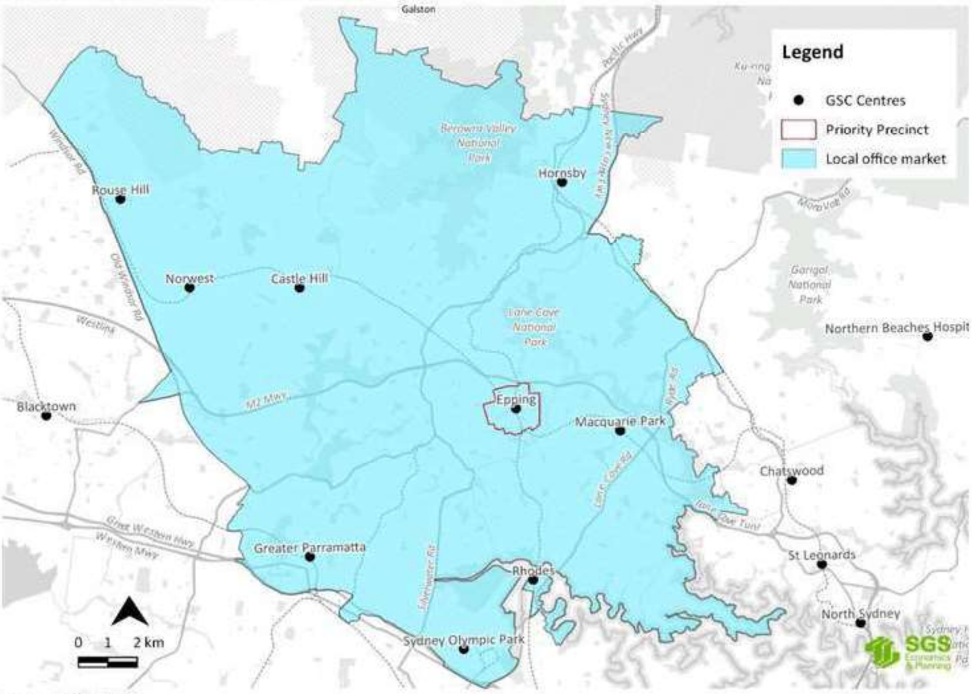
Source: SGS, 2017

Note: Jobs in Retail Trade and Accommodation and Food Services have been removed in this analysis. Floorspace for these uses is forecast separately.

Epping as local centre

This scenario forecasts the amount of commercial floorspace demand for the Epping town centre if it functions as a local centre as designated by the GSC. This approach considers Epping within its local office market informed from consultation sessions and SGS' competitive offer analysis. The local office market applied for this analysis extends to Hornsby, Pymble, Greater Parramatta and Rouse Hill as shown in Figure 32.

FIGURE 32. LOCAL OFFICE MARKET



Source: SGS, 2017

Forecast employment by Travel Zone prepared by Transport Performance and Analytics has been extracted for the local office market area. The forecast employment allocated to Strategic and District centres within this catchment have been removed. These centres account for approximately 70% of all forecast employment in the local office market area.

The remaining forecast employment across the local office market has then been allocated evenly across local centres. Across this local office market, there are 28 local centres defined by the GSC.

Job numbers for local centres in the local office market have been further refined in recognition that not all jobs are appropriate or can be accommodated in centres. As per the previous scenario, attribution rates prepared by SGS from previous commercial analysis have been applied for jobs by industry to reflect their likelihood of locating in centres. Forecast jobs in the Epping town centre to 2036 under this scenario are shown in Figure Table 21.

TABLE 21. EPPING AS LOCAL CENTRE – JOBS BY GSC INDUSTRY

	2016	2021	2026	2031	2036
Knowledge Intensive	725	815	886	966	1,059
Population Serving	448	492	536	581	628
Industrial	18	18	18	17	18
Health and Education	397	430	459	489	522
Total	**1,587**	**1,755**	**1,898**	**2,053**	**2,226**

Source: SGS, 2017

Note: Jobs in Retail Trade and Accommodation and Food Services have been removed in this analysis. Floorspace for these uses is forecast separately.

Applying the current employment floorspace ratio of one job for every 20 square metres to the 5,674 jobs forecast for 2036 yields a floorspace forecast demand of 31,845. This is approximately 1,000 square metres more than the current occupied and vacant office floorspace in the Epping town centre.

TABLE 22. EPPING AS LOCAL CENTRE – TOTAL OFFICE FLOORSPACE BY GSC INDUSTRY

	2016	2021	2026	2031	2036
Knowledge Intensive	10,368	11,663	12,678	13,819	15,148
Population Serving	5,672	6,152	6,561	6,990	7,465
Industrial	264	262	254	248	252
Health and Education	6,403	7,034	7,663	8,316	8,981
Total	**22,707**	**25,110**	**27,156**	**29,372**	**31,845**

Source: SGS, 2017

Note: Jobs in Retail Trade and Accommodation and Food Services have been removed in this analysis. Floorspace for these uses is forecast separately.

Epping as a sub-District centre

This scenario recognises the earlier role of Epping as a professional services hub and builds upon the potential of the Epping town centre's existing and planned transport infrastructure.

SGS has applied a Sydney-wide accessibility model to forecast future jobs by Travel Zone across the metropolitan area. The accessibility model analyses the likely shift in jobs locating in centres and employment centres with the completion of the Sydney Metro.

The Sydney Metro has the potential to enhance the connectivity of the Epping town centre in future, linking the centre to the north west suburbs of Sydney and providing an additional connection to the Sydney CBD. This increased level of connectedness will have significant positive impacts to the Effective Job Density (EJD) of all centres located along the Sydney Metro Station Line.

Effective job density is a measure developed by SGS of the relative concentration of employment, derived from the density and accessibility of all jobs across a region. Areas with high employment and/or high accessibility to places of employment return higher effective job density scores. EJD can be improved by increasing jobs and reducing travel times. The travel time improvement assumptions underpinning the EJD uplift modelled for this analysis are outlined in Table 23

TABLE 23. MODELLING IMPACTS OF A SYDNEY METRO STATION ON ACCESSIBILITY BY PUBLIC TRANSPORT

Origin	Destination	Improvement to accessibility	Rationale
Metro Stations	to Metro Stations (within an 800 metre walking radius)	50%	E.g. 15 services form Epping to the CBD at peak hour via Macquarie Park
Metro Stations	to Metro Stations (within a two kilometre radius)	25%	Outer limit of train station catchment
Non-metro locations of Sydney	to Metro Stations	No change	The uplifts would not be significant enough to induce any observable land use changes.
Non-metro locations of Sydney	to non-metro locations of Sydney	No change	The uplifts would not be significant enough to induce any observable land use changes.

Source: SGS, 2017

Significant agglomeration economies will flow from the better access that the proposed Sydney Metro station provides, as the EJD of the Epping town centre improves. The Sydney-wide accessibility model determines a change in accessibility by calculating an EJD measure using travel times for the Sydney Metro, and then for a base case (i.e. a scenario that does not include the Sydney metro), using the discounted and non-discounted travel times respectively.

The accessibility model shifts the forecast growth in employment and dwellings prepared under Transport Performance and Analytics LU 16 to (or from) areas based on changes in travel time. The introduction of the Sydney Metro results in a changed EJD score, based off the coefficients obtained from regressing historical employment and household data from 1996 to 2011.

The Epping town centre's proximity to the train station greatly enhances its accessibility and potentially the number of jobs locating in the centre. Table 24 below outlines the forecast jobs at 2011 and 2036 for the Epping town centre under this scenario. This scenario differs from other office scenarios, using 2011 as the base year and calculating jobs for the SA2 rather than the town centre.

TABLE 24. EPPING AS SUB-DISTRICT CENTRE –JOBS BY GSC INDUSTRY

	2011	2036
Knowledge Intensive	2,048	3,209
Population Serving	1,559	1,481
Industrial	1,323	1,797
Health and Education	1,582	2,866
Total	**6,512**	**9,353**

Source: SGS, 2017

As with other office floorspace demand scenarios, a standard employment of floorspace ratio of one job per 20 square metres of office floorspace has been applied alongside an attribution rate for centre-based employment by industry. The forecast office floorspace under this scenario is 55,616 at 2036.

TABLE 25. EPPING AS SUB-DISTRICT CENTRE – FLOORSPACE BY GSC INDUSTRY

	2011	2036
Knowledge Intensive	18,691	29,287
Population Serving	6,922	6,576
Industrial	490	665
Health and Education	10,536	19,088
Total	**36,639**	**55,616**

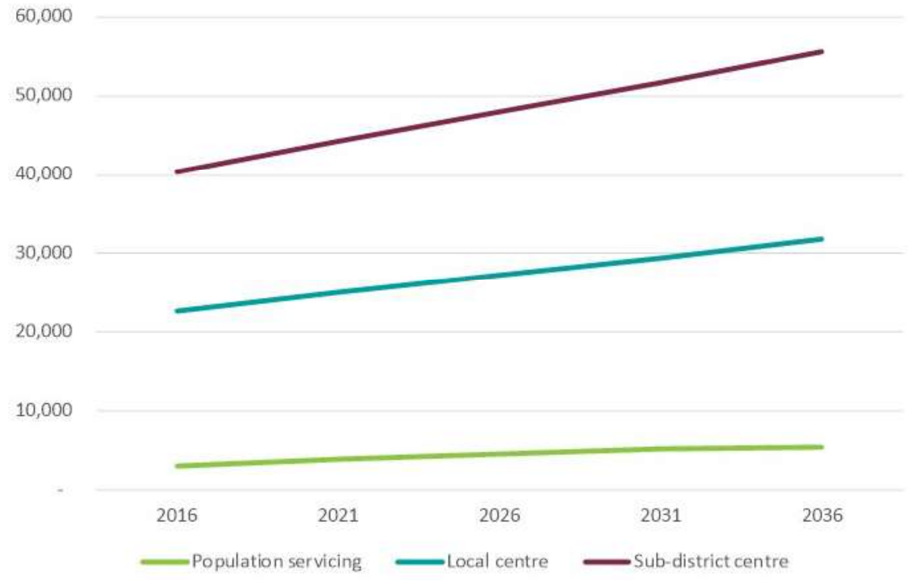
Source: SGS, 2017

However, this scenario requires 2011 as the base scenario. As noted above, the Epping town centre has lost a significant proportion of its office floorspace between 2011 and 2016. This would impact on the employment forecast prepared for the Epping town centre and subsequent floorspace demand. In light of this loss of floorspace, supportable demand for office floorspace of between 40,000 and 45,000 square metres at 2036 is considered more likely.

6.4 Implications for Epping

Three employment scenarios have been forecasted for the Epping town centre. These scenarios act as low, medium and high employment scenarios, dependent on the catchment and role of the Epping town centre. The floorspace supportable under these scenarios are shown in Figure 33.

FIGURE 33. FORECAST OFFICE FLOORSPACE SCENARIOS (SQUARE METRES)



Source: SGS, 2017

The low scenario – Epping as a population serving centre – is not considered realistic or desirable outcome for the Epping town centre. This scenario includes minimal office floorspace for the Epping town centre, relinquishing its current role as a wider services and employment hub. This would remove the potential for local employment as well as limiting the growth of local services, such as medical services, to support the populations beyond the suburb boundaries of Epping.

The medium scenario – Epping as a local centre – forecasts demand for office floorspace in line with current provision in the Epping town centre. Existing office floorspace, both occupied and vacant, would need to be provided within the redevelopment of the Epping Priority Precinct.

The high scenario represents an aspiration for the Epping town centre to function as a sub-District centre. This scenario takes Epping's locational advantages into account.

In light of the competitive offer of Epping, office floorspace demand for Epping is likely to sit between the medium and high scenario. Epping has several beneficial locational and transport attributes, however its proximity to Macquarie Park and the Parramatta CBD limit its ability to function as a strategic employment centre. Supportable demand for office floorspace of between 40,000 and 45,000 square metres at 2036 is considered the most likely limit for office floorspace for Epping if it fulfils a sub-District centre function.

7 IMPLICATIONS AND DIRECTIONS

7.1 The role of Epping town centre

The Epping town centre has been designated as a local centre in State planning documents in the expectation that it will largely accommodate residential development, with minimal retail and commercial floorspace to support the surrounding population.

The analysis of this report suggests that the Epping town centre has the potential to play a more significant role supporting non-residential uses. Epping has a relatively even spread across the GSC's 4 job classification categories. This split of jobs indicates that Epping is an accessible location, attracting jobs in industries that do not necessarily rely on local populations, such as knowledge intensive jobs in professional services.

Consultation with local real estate agents, the Chamber of Commerce, and land owners has found that there is demand for retail and office floorspace in Epping that is not currently being met. A limited supply of office floorspace in particular has also occurred in recent years, impacting on the availability of space for current and future office uses in particular.

Given Epping's close proximity to other strategic centres at the metropolitan level, existing uses and significant infrastructure assets, including access to the new Sydney metro, the role of Epping could therefore be seen as a sub-district centre, which meets the needs of a large local residential population in its immediate catchment as well as providing higher-order services and commercial space for small to medium sized businesses. This idea of Epping as a significant services and small business centre within the West Central District, catering to the diverse needs of residents within its catchment, is consistent with the strategic idea of a '30 minute city' where more employment, opportunities and services are provided within a reasonable travel distance.

If the Epping town centre is considered on its own, demand for an additional 13,000 square metres of retail floorspace is forecast to 2036. However, the Epping town centre forms part of a wider retail system. Some of this forecast demand can be met across other nearby local retailing centres, including Carlingford and Eastwood. The variety of higher order retailing available in Carlingford can complement the hospitality and convenience offering of the Epping town centre. The redevelopment of properties across the Epping town centre has the potential to enhance the variety and built form of retail uses in the centre raised in consultation.

The forecast demand for office floorspace for Epping identified earlier is 55,616 square metres of office floorspace by 2036 if Epping is to fulfil a sub-District centre function. This office floorspace could enable the Epping town centre to function as a secondary employment centre in the local office market, supporting but not competing with the major employment centres of the Parramatta CBD and Macquarie Park. The Epping town centre is likely to support local small and medium enterprises as well as some strategic knowledge intensive businesses requiring smaller floorplates in a highly accessible location.

7.2 Potential approaches

Existing retail floorspace in the Epping town centre is likely to be redeveloped and replaced with ground floor retail floorspace under the existing market conditions and planning controls framework. However, the current planning controls do not promote the provision of commercial floorspace above the ground floor and it is considered that this is likely to continue into the future as the residential market remains strong. Under current market conditions, it is unlikely that the forecast quantum of office floorspace will be provided, with existing floorspace converted to residential uses despite existing DCP controls encouraging non-residential floorspace above the ground floor.

It is therefore considered appropriate to require some commercial floorspace to be included within new development applications and planning proposals There are three general approaches that could be applied to see the delivery of commercial floorspace in the Epping town centre.

Standalone office development

There may be potential for the development of standalone office towers in the Epping town centre. However, the current strength of the residential property market is likely to 'work against' the development of a new standalone office tower as the principal development on a site in the Epping town centre. Given residential floorspace is permissible with consent this is likely to be seen as the 'highest and best use' for most sites across the town centre.

In order to ensure that standalone office towers occur, development controls would need to change to remove the potential for residential development to be the 'highest and best use'. A Commercial Core zoning, prohibiting residential development, would need to be contemplated. This would impact on land value to the detriment of land owners and purchasers who have 'factored in' prospects for residential development. Furthermore, there is no guarantee that stand alone office development would follow as pre-commitments for office floorspace are typically required before construction commences, and there may not be sufficient depth of demand for this to occur. A Commercial Core zoning is therefore not considered appropriate or viable for the Epping town centre in light of the market trends reviewed and should not be relied upon to deliver the office floorspace forecast for Epping as a sub-District centre.

This is not to say that this form of development cannot occur – changes in demand for residential and commercial property may alter demand for this type of development – however it is unlikely to be feasible in the short to medium term. The development of standalone office towers may be possible on larger sites where residential and office buildings could be 'horizontally separated', rather than in vertically separated configurations. This cannot be dictated in planning controls or relied upon to deliver the forecast office floorspace. but remains a possibility for a market-led option in the Epping town centre.

Non-residential floorspace ratio

Ideally, a mixed use shop top housing development would incorporate commercial uses above the ground floor along with residential floorspace. The inclusion of commercial floorspace in podium development at the base of mixed use towers is considered to be the most appropriate and desirable outcome for the Epping town centre

This would be achieved through the application a non-residential floorspace ratio in the new LEP for the Epping town centre. A non-residential floorspace ratio requires a minimum proportion of a development proposal's floorspace to be allocated to non-residential uses. Existing examples in Greater Sydney include the North Sydney and St Leonards strategic centres under the *North Sydney Local Environmental Plan 2012* and the Merrylands local centre under the *Holroyd Local Environmental Plan 2013*.

Development of government owned sites

The development of local and/or state government -owned land may provide an opportunity to deliver office floorspace to meet forecast demand over the next 20 years. The development of government-owned sites has the potential to act as a 'proof of concept', demonstrating the value of providing floorspace to accommodate small to medium enterprises and the development of a truly mixed use centre. Development on these site/s could include residential development. The potential for a shared work space should also be considered to support small office-based enterprises. This would require a deliberate strategy to support the 30 minute city concept with Epping as a hub and a sub-District centre.

The primary opportunity in the Epping town centre is the Ray Road/Beecroft Road sites that have been acquired by the state for the development of the Sydney Metro. These were previously zoned for business purposes (i.e. B2 Local Centre). Notwithstanding the current R4 High Density Residential zoning, these sites provides an opportunity to support the functioning of Epping as a sub-District centre with a true mix of uses, potentially incorporating commercial floorspace on the first few storeys and/or a standalone office tower.

It is recognised that this option is largely outside of Council's control and involves engagement with and support of the NSW government and relevant state agencies which should be sought. Therefore, this approach cannot be relied on to achieve the vision of Epping as a sub-District centre.

7.3 Achieving the vision for Epping as a sub-District centre

A non-residential floorspace ratio is considered the most appropriate and effective mechanism to maintain and develop commercial floorspace in the Epping town centre to meet demand over the next 20 years. This would see the development of truly mixed use development which supports the healthy functioning of the centre, providing services for the local and surrounding population, and enable Epping to capitalise on existing and future transport infrastructure as a sub-District centre. A non-residential floorspace in the LEP would also achieve the podium-style development currently required in the two DCPs with the weight of an environmental planning instrument. Maintaining residential development as part of the development is considered appropriate and viable under current market conditions, ensuring residents are located in the centre to activate the Epping town centre outside of work hours.

The appropriate ratio would be set by Council to meet the forecast demand for 55,616 square metres of office floorspace after considering where in Epping commercial floorspace should apply and what uses should be excluded from a minimum non-residential floorspace ratio.

Existing examples of non-residential floorspace ratios in Greater Sydney exclude all residential accommodation, tourist and visitor accommodation, carparks and telecommunications facilities from calculating non-residential floorspace. The exclusion of these uses is largely considered appropriate for Epping. The exclusion of serviced apartments (a form of tourist and visitor accommodation) is considered necessary too as this land use performs a similar role to residential accommodation and would not assist in achieving the strategic vision for the Epping town centre as a sub-District centre.

The location of a non-residential floorspace ratio should be determined by Council considering the most desirable planning and urban design outcomes. The spread of a non-residential floorspace ratio will affect the size of the ratio required to meet forecast need. For instance, a lower ratio would apply across a larger area whereas a non-residential floorspace ratio that only applies to a few lots would need to be higher to achieve 55,616 square metres of office floorspace.

It is SGS' view that a non-residential floorspace ratio should apply on both sides of the rail line to activate both sides of the rail line. It is recognised that some of this potential has been lost with approved development applications on the eastern side including limited commercial floorspace above the ground floor. There may be more potential to provide more commercial floorspace on the western side of the rail line as the lots are generally larger and there is limited approved redevelopment.

A non-residential floorspace should be supported by design controls in the new DCP to achieve a human-scale streetscape and a high quality public domain. It is envisaged that the existing design controls requiring podium style development will continue, providing space for commercial uses mandated in the non-residential floorspace ratio. DCP controls should also stress the need for developments to include flexible floorspace to accommodate businesses of different sizes as they grow and development.

DCP controls should also explore innovative car parking controls to reduce development costs and the impact of cars on the Epping town centre. These controls could include maximum rates for parking or the reduction of minimum car parking rates, and contributions to offsite, centralised car parking supporting several developments. These controls should recognise the Epping town centre's high quality public transport connections and should be developed in accordance with the findings of the Traffic and Transport report prepared as part of the Epping Planning Review.

8 APPENDIX

8.1 Average Retail Turnover Densities – 2016 estimate

	Turnover p/sqm.
Specialty - Other Food	$14,282
Specialty - Other Food	$12,272
Hospitality and Services	$8,152
Specialty - Other Retail	$8,035
Specialty - Clothing and Soft Goods	$5,756
Department Stores	$5,897
Bulky/Household Goods	$5,613

Source: Urbis (2009) with SGS calculations (2017)

8.2 Allocation of commodity expenditure to floorspace typology

	Food & Groceries	Bottleshop/ Tobacco	Restaurants & Cafes & Take-away	Clothing & Shoes	Furniture, Whitegoods, Homeware, Manchester & Electronics	Hardware & Garden	Other Retail	Retail Services
Supermarkets/ Convenience stores	75%	30%						
Specialty - Other Food	25%	70%					10%	
Specialty - Other Food			100%					
Hospitality and Services								
Specialty - Other Retail					10%	10%	80%	70%
Specialty - Clothing and Soft Goods				70%				
Department Stores				30%	45%		10%	30%
Bulky/Household Goods					45%	90%		

8.3 Retail floorspace pipeline

Note: only development applications that include retail floorspace are included in this table.

Address	Stage	Current use	Proposed retail (sqm.)	Retail details
Eastwood				
3-5 Trewlaney Street	Pre construction	Vacant	564	5 tenancies, ground floor
115 Rowe St	DA approved	Carpark	440	Expansion of Eastwood Hotel. comprising bar/dining areas, alfresco dining and seating areas, bar with outdoor gaming) at ground floor
7-9 Rutledge Street	Pre construction	Vacant	960	Ground floor
13-19 Glen Street	DA assessment	single detached houses	800	4 ground level retail tenancies (90sq m to 298sq m)
Total			**2,764**	
Carlingford				
12 James Street	DA approved	Single detached house	12	Part of mixed use development
1-7 Thallon Street	Construction	Vacant site	408	Part of mixed use development
2-8 James Street	Construction	Vacant site	55	Part of mixed use development
10 James Street	Construction	Vacant site	24	Part of mixed use development
Total			**499**	
Epping				
15-17 Essex Street	Construction	Single detached house (3)	210	Part of mixed use development
20-28 Cambridge Street	Construction	Office tower	1,008	Tenancies are all under 100sqm
12-22 Langston Place	DA assessment	Office tower	1,454	Approx. 10 tenancies
2-4 Cambridge Street	DA assessment	Church	1,474	One large tenancies (approx. 1100sqm, marked as commercial, has ground floor access), one smaller tenancy)
Total			**4,146**	

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