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06 October 2016

Ms Zoe Trussell

Property NSW
Level 5, 4-6 Bligh Street
Sydney NSW 2000

Dear Zoe,

PEAT ISLAND AND MOONEY MOONEY ECONOMIC STATEMENT

Urbis has been instructed to prepare an economic statement to assess the viability of the proposed commercial land uses on the NSW Government owned land at Mooney Mooney (Peat Island and surrounding land).

Urbis has previously provided input into the redevelopment of the Mooney Mooney site (*Mooney Mooney Highest and Best Use Assessment - May 2014*) and has reviewed and where relevant updated this work to inform our assessment and statement.

1. SITE OVERVIEW

The Site is located at Mooney Mooney on the northern shore of the Hawkesbury River, some 55 kilometres north of the Sydney CBD via the M1 Motorway.

It is approximately 39.5 hectares in area, comprises of 22 existing titles. Located at the centre is the Hawkesbury River Interchange where vehicles exit the M1 Motorway and access the Old Pacific Highway for travel north and east to Mooney Mooney's existing residential area or travel south across the old Brooklyn Bridge to the village of Brooklyn.

The site comprises of East Mooney Mooney and West Mooney Mooney and is bisected by the M1 motorway in a N/S direction.

The nearest train station to Mooney Mooney is the Hawkesbury River Station at Brooklyn, which can be accessed by car from Mooney Mooney or a bus (592) which runs from Mooney Mooney to Brooklyn.

The Site is presently zoned SP2 (infrastructure), with portions of RE1 Public Recreation. The water surrounding Peat Island is zoned W2 Recreational Waterways.

There has been no building height or FSR limit assigned to this land.

An aerial photo of the Site is shown on the following page, with the site boundaries shown in red.

Image 1 – Aerial photo of the subject site

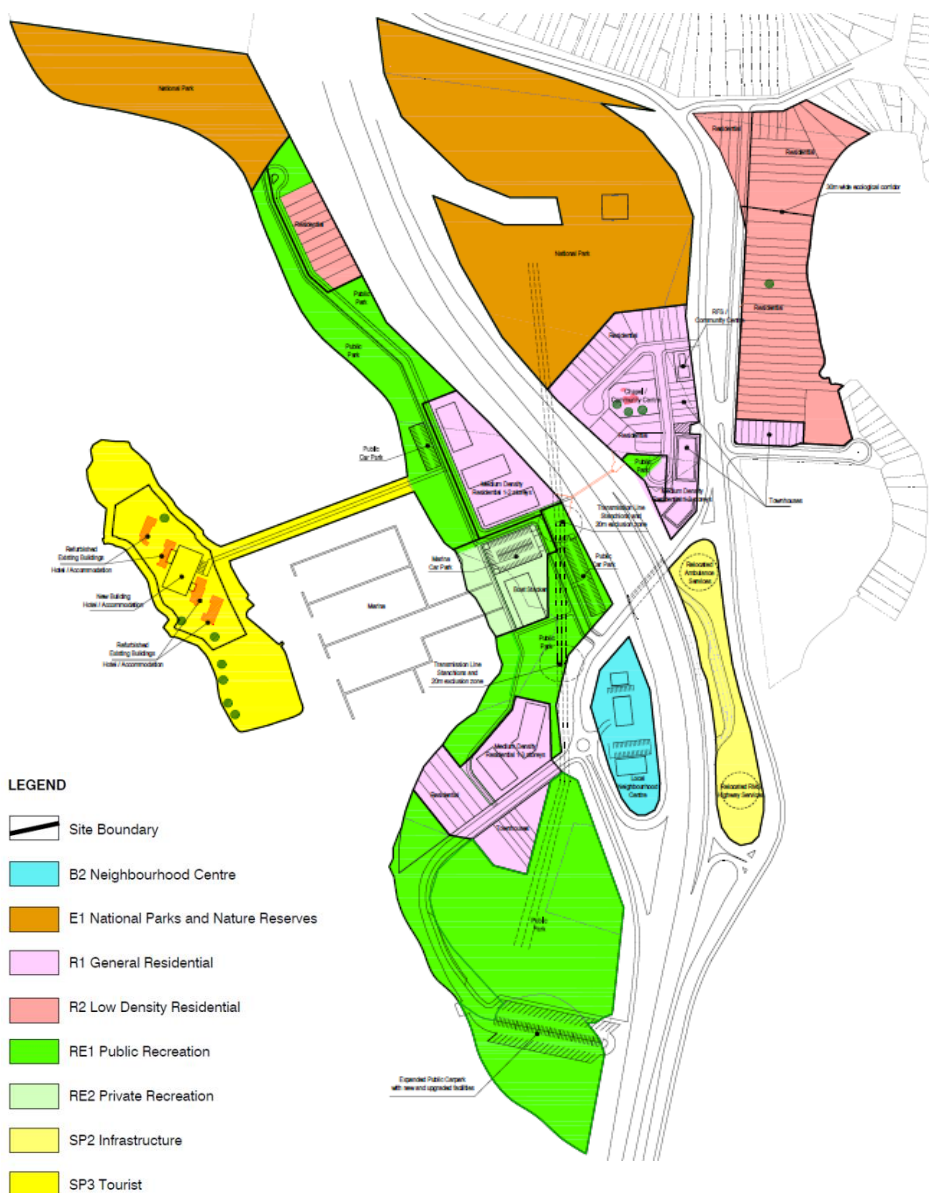


2. CONCEPT PLAN

The current concept plan for the subject site has been prepared by Urbis and includes residential, tourism, infrastructure, private recreation, neighbourhood centre, national park and public recreation land uses.

More specifically, the following image shows the layout of the proposed land uses while Table 1 on the following page summarises the extent of each of these land uses.

Image 2 – Mooney Mooney Concept Plan





Mooney Mooney Planning Proposal

Indicative Table of Development – Concept Plan Revision F

Table 1

ZONE	Zoning Land Area (sqm)	# Dwellings			GFA (sqm)	Other (Boats)
		Residential lots	Townhouse	Apartments		
R1 - General Residential (including below)	61,625	32	22	164		
- Chapel / community centre	2,271					
- RFS / community centre	737					
R2 Low Density Residential	46,857	50				
Sub-Total	108,482	82	22	164		
TOTAL DWELLINGS			268			
SP3 Tourist - HOTEL	37,172					
- New building		48				
- Existing buildings		45				
Sub-Total		93				
SP2 - Infrastructure	15,980					
RE2 - Private Recreation - Marina & Dry Stack	9,800					
- Marina						110-130
- Dry Stack					1,750	60
B2 - Neighbourhood Centre	11,024				1,000	
E1 - National Park	112,470					
RE1 - Public Recreation	100,427					
Sub - Total Public Open Space	212,897					
TOTAL	395,355					

3. DEMOGRAPHIC OVERVIEW

Urbis's demographic overview of the Mooney Mooney area and its surrounds suggests that the area has a strong presence of residents in the pre-retirement and retirement stages of life. Household sizes are relatively small compared to the Sydney average, which is influenced by the number of couples without children, often empty nesters. The average household income is 11% below the Sydney average, resulting in a high labour force participation rate as residents pay off their mortgages.

The results of the demographic analysis are included in Table 2 below. The analysis covers the suburbs of Mooney Mooney and Brooklyn, as well as the broader Sydney area which has been used as a benchmark.

Demographic Overview

Mooney Mooney, Brooklyn and Sydney Benchmark – 2011 Census

Table 2

	Mooney Mooney	Brooklyn	Sydney (Benchmark)
Population aged 60+ years	21%	20%	18%
Average household size (persons per dwellings)	2.5	2.5	2.7
Average household income	\$83,887	\$93,511	\$94,428
Proportion of households that are couple families with no children	44%	42%	33%
Labour force participation	74%	67%	66%

Source ABS, Urbis

4. MARKET ANALYSIS

This section provides an assessment of the viability of a range of land uses identified as being potential options for the Site. The land uses assessed include:

- Marina/ Boat Storage
- Highway Service Centre/ Retail
- Tourist Accommodation/ Conference Facilities.

MARINA/ BOAT STORAGE

Urbis has investigated boat ownership within the region as this appears a logical market opportunity to be capitalised upon by the future development of land at Mooney Mooney.

The previous Urbis study produced in 2014 referred to vessel ownership information in the then NSW Maritime's document entitled *NSW Boat Ownership and Storage Growth Forecasts to 2026* (2010). The key points noted from this document included:

- The Hawkesbury River /Broken Bay area has the second largest number of vessels of all NSW regions assessed by the NSW Maritime at almost 45,000, being 20% of the total number in NSW. Of the boats registered for recreation in the Hawkesbury River /Broken Bay area the majority (84%) are 6m and under
- There was growth in the number of registered recreational vessels between 1999 and 2009 of approximately 7,600 at 1.9% per annum. By comparison NSW as a whole had an average growth rate of 2.9% per annum. Taking into account population growth, the actual propensity to own a registered boat has increased slightly, consistent with NSW figures
- As with most areas in NSW growth in registration of boats 6m and over in the Hawkesbury River /Broken Bay area between 1999-2009 has been higher at 3.3% per annum on average than boats 6m and under (1.6%) (however boats 6 metres and over have started from a much lower base)
- NSW Maritime have forecast expected boat numbers by region utilising population growth (scenario one) and historic levels of growth in demand (scenario two). Between 2009 and 2026 the number of boats less than 6 metres is expected to increase by approximately 7,500 to 10,700 equating to an increase of approximately 156-345 vessels per year
- The number of boats over 6 metres is expected to increase by between 2,600 and 5,900 equating to an increase of 445-630 per year. Given that all boats over 6m typically require on-water storage this will have impacts in terms of the future demand for moorings and marinas in the area.

Forecast Growth in Recreational Vehicles

Hawkesbury/ Broken Bay

Table 3

SIZE	1999	2003	2006	2009	2012	2015	2020	2026	Pa % (2009-26)
> 6 metres	6,221	7,399	8,270	8,712	9,540 to	10,447 to	12,154 to	14,575 to	4.0%
					9,130	9,567	10,344	11,359	1.8%
< 5.99 metres	30,107	33,105	34,496	35,223	36,501 to	37,801 to	40,009 to	42,790 to	1.3%
					36,911	38,681	41,820	45,926	1.8%

Source: NSW Boat Ownership and Storage Growth Forecasts to 2026 (2010) – Maritime NSW, Urbis

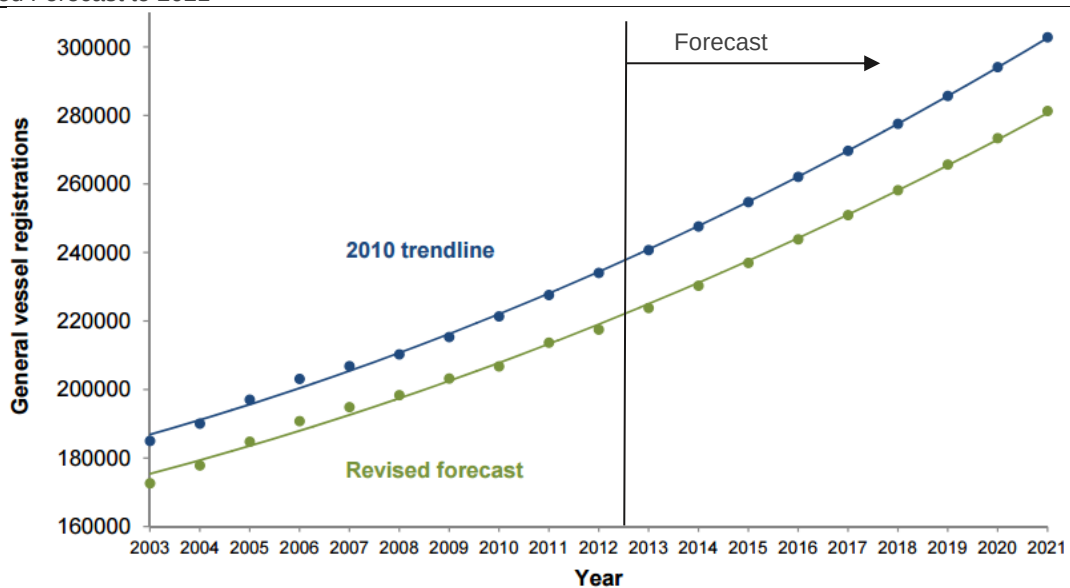
In August 2013 when this document was produced, Transport for NSW released an updated document entitled *Sydney Harbour Boat Storage Strategy*. The Roads and Maritime Services has since changed their methodology to measure vessel registrations and hence the forecast numbers have been updated. The new methodology now only counts the number of registered vessels and no longer includes those that have expired within the last 90 days.

On this basis, the actual number of NSW vessel registrations in 2012 was 217,000, as opposed to the 234,000 vessel registrations stated in the 2010 report. Despite the rebasing of the vessel registration forecasts to exclude recently expired boat registrations, the number of vessels across NSW is still expected to experience the same rate of growth, as evident in the following chart.

NSW Recreational Vessel Registrations

Revised Forecast to 2021

Chart 1



The rebased data has not been published specifically for the Hawkesbury/ Broken Bay region, however we expect the growth rates to remain unchanged from those stated in the 2014 Urbis report, albeit off a smaller base, in line with the NSW trend.

The following table highlights the number of private moorings in different bays within the Hawkesbury River/ Broken Bay region and shows the number of applicants that are currently on waiting lists for these private moorings. Within the Hawkesbury River/ Broken Bay region there are 725 private moorings (as at 1st August 2016, NSW Roads and Maritime Services). There are a total of 52 applicants on waiting lists for positions at these moorings (as at 1st August 2016 NSW Roads and Maritime Services).

Mooring Numbers and Waiting Lists

Hawkesbury River/ Broken Bay Region (August 2016)

Table 4

Bay Name	No. of Private Moorings	Total No. of Applicants	Date Last Mooring Allocated & Comments
America/ Refuge	96	32	25/7/2016
Parsley Bay	101	12	21/6/2016
Brooklyn Channel	5	5	Closer until further notice
Dangar Island	64	0	Residents only
Wobby Beach	23	0	Residents only
Mullett Creek	11	0	27/6/2016
Cogra Bay	4	0	Residents only
Mooney Mooney	51	0	27/7/2016
Bar Point	26	0	Residents only, size restriction of 8m
The Gut	84	1	9/3/2016. Size restriction 10m. Depth an issue
Spencer	41	0	18/1/2016
Berowra	136	2	26/7/2016
Mangrove Creek	14	0	10/09/2015
Berowra Residents	69	0	Residents only
Total	725	52	

Source: NSW Roads and Maritime Services

We take the view, barring any environmental or ecological constraints, that marina development at the West Mooney Mooney site appears feasible in terms of market demand, existing supply and general opportunity given its unique characteristics (e.g. sheltered position on the river). This use will also have synergies with other proposed uses such as a hotel (discussed in subsequent sections).

We note that the Hawkesbury River/ Broken Bay area is forecasted to have 1.8% to 4% per annum growth in the number of vessels greater than 6 metres in length between 2009 and 2026. These vessels typically require on-water storage. There is already an undersupply of boat storage options within the region of approximately 50 boat moorings, with all marina facilities currently operating at effective full occupancy. Even with the additional supply to be located on the subject site, there will continue to be an undersupply of boat storage options in the region, especially with the forecast growth in recreational vessels.

If a marina were to be developed at the site it can be undertaken in a staged approach to allow the current pent-up demand and new boat owners to gradually move to the new marina upon completion. The subject site has a high degree of accessibility to residents from the Northern Suburbs of Sydney and the Central Coast and will also be high visible from the highway. As such this site will be attractive in terms of amenity and will be highly marketable given its exposure to large volumes of passing traffic.

The marina facility can be marketed alongside the residential dwellings proposed for the site, offering boat storage options for new residents, and allowing them to live within close proximity to the water and their boats.

SERVICE CENTRE/ RETAIL

While the Traffic and Transport study prepared by Mott Macdonald indicates that the site can be access by B-Double trucks, the **site does not have the space requirements needed for a highway service centre** to meet the parking and manoeuvring needs of larger vehicles such as B-Doubles. However, **there is capacity for a large service station** with associated retail and restaurant components that cater to car based and light vehicle traffic. A service centre in this location would service the majority of highway users, the local community, and the users of the proposed marina.

“Drive in” rates for service stations underpin their market values. In order to assess the demand for a service station at the Site we have considered the average daily traffic flows that pass on the M1 Motorway. The following table shows the average daily traffic flows, in both directions, at certain counting stations surrounding the Site.

Importantly, we note that this site will be the first north bound service centre opportunity on the M1 after the junction of the M1 and the Northconnex Motorway (currently under construction), which will provide a direct connection to the M2. Previously vehicles travelling between the M2 and the M1 travelled along Pennant Hills Road which provided a number of service station options. With Pennant Hills Road being bypassed, it will be vital that motorists have access to a motorway fuel options at the earliest opportunity. The next fuel service centre is located at Wyong, approximately 45 kilometres to the north.

Table 3 outlines traffic volumes on the M1 at various points around the subject site. This data has been updated since the previous 2014 Urbis report was written, with this data correct as at 2016. The data shows that traffic volumes at all locations, in both directions and on any days have increased (except the Calga location for which 2016 data is not available).

Average Daily Traffic Volumes

Roads and Maritime Services (2016)

Table 5

Road Name	Location	Direction	All Days	Weekdays	Weekends
Sydney-Newcastle Freeway, M1	Mt Ku-Ring-Gai	Northbound	39,343	38,712	39,517
		Southbound	42,410	41,831	44,599
Sydney-Newcastle Freeway, M1	Brooklyn	Northbound	41,255	41,776	39,337
		Southbound	41,222	41,023	41,390
Sydney-Newcastle Freeway, M1	Cheero Point	Northbound	40,725	41,524	38,718
		Southbound	40,963	41,019	40,924
Sydney-Newcastle Freeway, M1	Calga	Northbound	n.a.	n.a.	n.a.
		Southbound	n.a.	n.a.	n.a.

Source : RMS; Urbis

To estimate the trade that the service station is likely to receive we have made the following assumptions about the turn-in rates of vehicles from the M1 Motorway, considering both supply and demand factors:

- Demand side: On average 2% to 4% of cars traveling on a freeway turn into a petrol station to fuel up on a particular stretch of the road

- Supply side: The size and quality of the facilities available in the service station impact on the specific turn in rate achieved by a single service station. The more extensive and higher the quality of the facilities in a service station, the higher the turn in rate, and
- Supply side: The availability, distance and quality of alternative service stations influence the specific turn-in rate at any facility.

If we were to conservatively adopt a turn-in rate of 2.5% (north) and 0.5% (south) from an average daily traffic rate of 41,000 vehicles (each way), this could result in approximately 1,230 vehicles visiting the Site on any single day. This is considered conservative as this will be the first motorway fronted service centre after the Northconnex / M1 junction. The retail component of the service station has the potential to further increase the visitation to the service station as well as attracting consumers from the local community and the potential marina facility.

Based on this information, a service station with additional retail will be viable based on existing traffic volumes and the limited amount of competing facilities on the M1 Motorway. The traffic volumes around the subject site have increased further since the Urbis 2014 report, which will continue to grow in coming years. The opportunity is further strengthened by the lack of nearby retail services for local residents.

Furthermore, our discrete market enquiries indicate that a modern service station, readily accessible off the motorway, would be strongly sought a date by the major fuel retailers. As such the proposed facility offers significant retail and employment opportunities for the precinct.

TOURIST ACCOMMODATION/CONFERENCE FACILITIES

As part of the proposed development, a 93 room hotel facility has been identified as a potential land use for Peat Island. This section assesses the market demand for tourist accommodation and conference facilities within the Central Coast market, and whether this land use can be supported on the subject site.

As stated in the 2014 Urbis report, there were an estimated 41 establishments with 15 or more rooms in the Central Coast Tourism Region (TR) in 2012-13, equating to a total of 1,878 rooms. Room supply has recorded a decline of 2.6% per annum over the four years prior to this. The key performance indicators of the Central Coast Tourism Region are shown in the table below.

Tourism Accommodation Market Indicators

Central Coast Tourism Region, 2009-2013

Table 1

Year	Rooms (No.)	Room Nights Sold (No.)	Occupancy Rate (%)	ADR (\$)	RevPAR (\$)
2009-10	2,031	345,670	46.6%	\$154.4	\$72.0
2010-11	1,994	341,502	46.9%	\$158.4	\$74.3
2011-12	1,976	356,289	49.4%	\$159.8	\$79.0
2012-13	1,878	352,238	51.4%	\$167.9	\$86.3
Total 4 Year Growth (%)	-7.6%	1.9%	4.8%	8.8%	19.9%
Average Annual 4 Year Growth (%)	-2.6%	0.6%	1.6%	2.8%	6.2%
Total 4 Year Growth (No.)	-154	6,568	N/a	\$13.5	\$14.3

Note: Establishments with 15 or more rooms

Source: ABS, Urbis

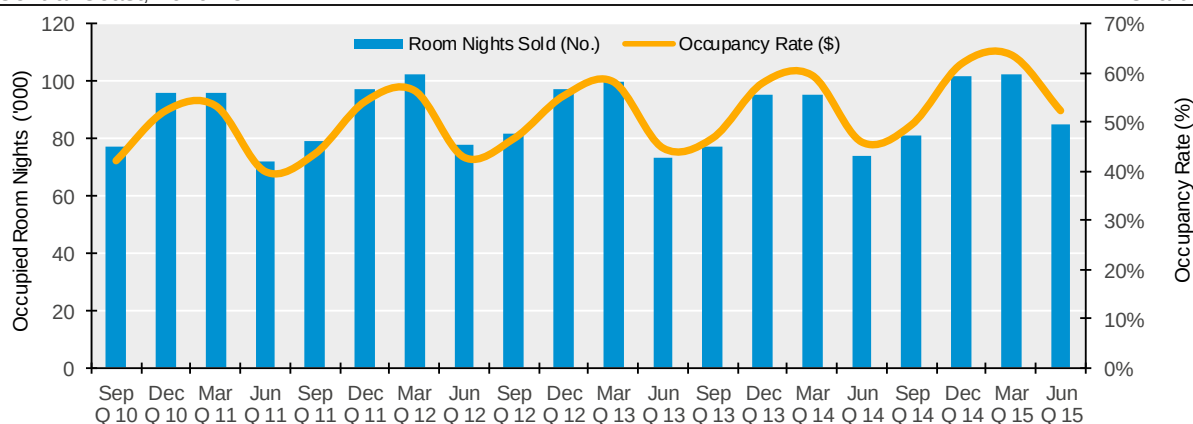
In the 2014 study, the average occupancy rate for these establishments was sitting around 50% (51.4% in 2012-13). According to Tourism Research Australia, the average occupancy rate for establishments with 15 or more rooms in 2014-15 had increased slightly to 56.8%. Despite this increase, this occupancy rate is still significantly below the sustainable level of 65%-70%.

Furthermore, the 2014 study showed that establishments in this tourism region experienced significant seasonal room rate fluctuations, with occupancy rates of over 60% during the summer school holidays and around 40%-50% during the winter months. This trend has continued in recent years, as shown in the following chart.

Tourism Accommodation Demand

Central Coast, 2010-15

Chart 2



Source: ABS, Urbis

In terms of conference facilities, the main competing establishments are those located on the Central Coast and in northern Sydney. The major competition located to the north of Mooney Mooney is the Mantra Ettalong Beach and Crowne Plaza Terrigal. Both venues are located on the waterfront

(approximately an additional 40km drive north of Mooney Mooney) and are considered the leading corporate events and conference venues within the Gosford LGA. The venues are very active in the events market and are a popular destination for weddings, conferences, corporate meetings and private functions.

The tourist accommodation market in the Central Coast is competitive and highly seasonal, with tourist accommodation establishments busier during the summer months and experiencing very low occupancy rates during the rest of the year. Furthermore, in comparison to the Mooney Mooney opportunity at Peat Island, tourist accommodation and conference facilities on the Central Coast have a higher amenity through their (often) beachfront locations. This is particularly important for these venues in the summer months when they experience the highest occupancy rates and revenue generation.

Peat Island, although offering natural amenity through water and bushland views, does not have this beachfront location which would significantly impact the appeal of a tourist accommodation option.

Our observations are that a start-up tourist accommodation/conference centre operator would need to expend significant capital in developing facilities for such an operation, which presents risk in this less established market location.

Ultimately a hotel and conference facility is a good adaptive reuse for the Peat Island's heritage structures. In particular, this facility would most likely focus on a weekly corporate conference market and a weekend wedding and private function market. It is unlikely that a facility in this location would solely be positioned as a tourist accommodation facility. The success of an accommodation facility will be dependent on the operator and their ability to market this type of facility, however its proximity to Sydney, good exposure to the M1 Motorway and potential co-location with the marina facilities provide a unique selling proposition for this type of use. Further to this, this study has not identified any other viable options for the adaptive reuse of Peat Island, which indicates that it is likely to be the highest and best use for Peat Island.

5. CONCLUSIONS AND RECOMMENDATIONS

The proposed mix of commercial uses including marina, service centre and hotel/conference facilities are underpinned by strong supporting market fundamentals.

The proposed use is not reliant on the local population for support, however the addition of this commercial use will significantly enhance access to retail uses for this local population which is currently not well serviced in this regard.

Furthermore, the proposed development will lead to an increase in local employment opportunities through the marina/ boat storage, tourist accommodation/ conference centre and service centre (with ancillary retail) components. Our analysis indicated that these land uses combined could lead to the creation of approximately 150 direct onsite jobs. In addition to this, there is likely to be the creation of indirect jobs and jobs related to construction.



We trust that this advice will help to outline the opportunity presented by the proposed development. Please contact the undersigned if you require any further information.

Yours sincerely,

A handwritten signature in black ink, appearing to read "C. Ostwald". The signature is fluid and cursive, with the first name "Clinton" and last name "Ostwald" clearly distinguishable.

Clinton Ostwald
Director