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Patrick Lebon  
Coordinator Strategic Assessments  
66 – 72 Rickard Road  
Bankstown NSW 2022

Sent via email: [patrick.lebon@cbc.city.nsw.gov.au](mailto:patrick.lebon@cbc.city.nsw.gov.au)

Dear Patrick,

## RE: LETTER OF ADDENDUM – UPDATE TO PEER REVIEW OF MARKET DEPTH ASSESSMENT FOR THE BANKSTOWN CENTRAL PLANNING PROPOSAL

This letter has been prepared for City of Canterbury-Bankstown Council ('Council') to update the peer review of the 'Bankstown Central Market Depth Assessment' prepared by Urbis for Vicinity Centres to support the Bankstown Central Planning Proposal.

### BACKGROUND

Since AEC's review of the planning proposal in October 2020, Council resolved to submit the planning proposal to the Department of Planning and Environment (DPE) requesting a Gateway determination. On 28 October 2022, DPE issued its Gateway determination that authorised Council to proceed with the public exhibition of the planning proposal, subject to conditions being satisfied.

One of the conditions of the Gateway determination that must be satisfied is as follows:

- f. include an updated market depth/ development potential assessment that:*
- i assesses the level of impact of proposed commercial office space on other centres in the Local Government Area;*
  - ii assesses the current commercial office stock and market to clarify underlying and developing demand and uptake of commercial stock;*
  - iii considers the existing short-term accommodation in the area and clarification of how catchment share estimates were calculated to establish visitor nights;*
  - iv provides further details on the likely mix of tenancies in the proposed additional retail floor space; and*
  - v refines the student population numbers for the Bankstown Western Sydney University campus and longer-term targets within Council's Local Strategic Planning Statement.*

Council has engaged AEC to review the revised Market Depth Assessment and to provide advice to Council to confirm whether the above matters have been addressed satisfactorily and whether any gaps in the assessment remain.

## THE PLANNING PROPOSAL

AEC's peer review dated October 2020 reviewed an earlier version of the Planning Proposal (July 2020). Since AEC's review, an updated development scheme has been proposed (March 2022), which was submitted to DPE for Gateway determination.

Table 1 shows a comparison of the GFA for the current Proposal against the previous Proposal and the material differences.

**Table 1. Estimated GFA and Yield Changes in the Revised Masterplan Concept**

Land Use	Current Proposal (2022)	Previous Proposal (2020)	Difference
Residential	128,525 sqm	88,735 sqm	+39,790 sqm
	1,255 apartments	972 apartments	+283 apartments
Hotel	17,957 sqm	29,296 sqm	- 11,339 sqm
	439 hotel rooms	656 hotel rooms	-217 hotel rooms
Serviced Apartments	5,742 sqm	-	+5,742 sqm
	89 serviced apartments	-	+89 serviced apartments
Commercial	119,117 sqm	118,565 sqm	+552 sqm
Student Accommodation	18,976 sqm	54,877 sqm	-35,901 sqm
	694 beds	1,597 beds	-903 beds
Retail (new)	15,041 sqm	15,683 sqm	-642 sqm
Retail (retained)	91,090 sqm	91,090 sqm	-
Childcare	891 sqm	891 sqm	-
<b>Total GFA</b>	<b>397,339 sqm</b>	<b>399,138 sqm</b>	<b>- 1,799 sqm</b>

Source: Urbis (2020b, 2022).

## REVIEW OF COMMERCIAL OFFICE ASSESSMENT

The revised Proposal includes 119,117 sqm of commercial floorspace, which represents an increase of 552 sqm when compared to the previous development scheme proposed in 2020.

When compared to the previous Market Depth Assessment (2020), the following changes/updates were noted in the updated assessment:

- Catchment Area Definition**  
 The catchment area has been redefined as the Bankstown Strategic Centre, as compared to the Canterbury-Bankstown LGA in the previous assessment. This excludes the other centres within the LGA, notably Campsie Strategic Centre and other Business Centres, which have approximately 51,180 sqm of office and business floorspace, according to the *Canterbury-Bankstown Employment Land Strategy* (CCBC, 2020c).
- Existing Supply**  
 Existing office supply in the Bankstown Strategic Centre is sourced from the Canterbury-Bankstown Employment Lands Strategy (2020), noting total commercial GFA to be 152,031 sqm as at February 2020. It is noted that Urbis has undertaken discussions with leasing agents of the major office towers in the catchment to understand current vacancy levels, tenant interest/demand and uptake of major commercial office stock.
- Future Supply**  
 The updated report outlines two major office developments (>500 sqm) in the catchment, delivering 6,400 sqm of office floorspace by 2024. AEC has corroborated this information against the latest project information obtained from Cordell Connect and noted no changes to the status or details of these developments.

- **Future Demand**

The future demand for office floorspace are based on Transport for NSW (TfNSW) employment projections, which have been adjusted upwards to account for the higher target of Bankstown Strategic Centre (i.e. 25,000 jobs by 2036). This is in line with the LSPS and Bankstown Place Strategy, but represents a much higher growth rate than the baseline TfNSW projections (4.2% vs. 1.4% per annum).

The following assumptions were also made to calculate demand:

- **Proportion of office jobs** – The proportion of office jobs is assumed to grow from 40.2% in 2021 to 41.4% by 2041. Upon a high level review of the employment by industry breakdown in the catchment, this assumption appears to be reasonable with minimal impact on the structure of the economy.
- **Benchmark Job Density** – Urbis adopts an average job density of 20 sqm of office floorspace per worker, based on the workspace ratios published by Landcom. For a modern/general office, a ratio of 15 sqm of GFA per FTE is suggested as a common planning assumption, if the site is within 10 minutes of a transport hub, or 20 sqm of GFA per FTE for all other areas. Whilst the proposed Site is located next to a major transport interchange, Bankstown CBD is not considered a primary office market and a higher workspace ratio is considered appropriate.
  - If an average job density of 15 sqm/job was applied, the demand for additional office space between 2022 and 2041 declines to around 93,000 sqm, which is lower than the proposed commercial floorspace at Bankstown Central.

- **Impact on other centres**

The report indicates that *“the delivery of the 119,100 sq.m would also have minimal impact on other centres across the Canterbury-Bankstown LGA under the target scenario as there is enough forecast demand within the Bankstown Strategic Centre alone to cater for the proposed office floorspace”*.

The statement above refers to forecast demand under the target scenario. Under the ‘trend’ scenario (i.e. based on TfNSW’s employment projections), there is only demand for 31,841 sqm of additional office floorspace, which is around 30% of what is being proposed. The Market Depth Report does not analyse the potential impacts to the other centres in the LGA under this scenario.

In general, if there is an oversupply of office floorspace, it may lead to the following:

- Increased competition amongst the commercial market, potentially resulting in lower rents or withdrawal of lower grade stock; and
- Attract tenants from other centres of the LGA to Bankstown CBD, resulting in higher vacancy rates in those centres.

Other centres within the LGA are smaller in scale, and therefore unlikely to attract premium or A-grade commercial development. The impact to the centres is likely to be minimal, even if future demand were to be aligned the ‘trend’ scenario.

Overall, Urbis’ assumption that a significant amount of commercial floorspace will need to be provided to achieve the aspirational targets as set out in the LSPS to support these jobs seems reasonable. The Site acts as an opportunity for the Council to achieve the higher target of 25,000 jobs by generating an estimated 10,215 jobs through the commercial and retail components.

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## REVIEW OF RESIDENTIAL ASSESSMENT

The revised Proposal includes 128,525 sqm of residential floorspace, with an estimated yield of 1,255 apartments. This represents an increase of 45% of GFA, or 283 apartments, when compared to the previous development scheme.

When compared to the previous Market Depth Assessment (2020), the following key points were noted in the updated assessment:

- **Future Supply**

The assessment identifies there are currently 62 apartment projects that are either under construction or proposed within the catchment area, delivering 4,429 dwellings by 2027. Since the issuance of Urbis' report, a number of projects have been updated, or newly submitted.

It is also noted that unlike the previous assessment, the updated report does not include smaller residential developments (with 25 units or less) in the future supply pipeline calculation. These smaller projects are estimated to add an additional 571 units to the pipeline within the catchment area, which is material.

In total, it is reasonable to estimate there are currently 107 apartment projects, which are either under construction or proposed within the catchment area, anticipated to deliver 5,502 apartments if all projects eventuate. This is approximately 1,000 more units in the residential pipeline compared to Urbis' updated report.

If areas outside the catchment but within the LGA were taken into account, a further 29 residential projects were identified, delivering a potential 1,587 apartments. This brings the total pipeline to 6,639 apartments across 136 projects within the entire LGA.

- **Future Demand**

Urbis indicates there is a demand of 23,200 apartments by 2041, and an overall deficit of 18,800 apartments by 2041. This suggests that around 990 apartments will need to be delivered per year to meet this gap. These demand figures have been compared to the projections released by DPE.

According to DPE (2022), the Canterbury Bankstown LGA is estimated to grow to 446,102 residents in 2041, from an estimated 381,490 people in 2021 (+64,612 persons). Households are projected to increase from 128,299 households in 2022, to 159,310 households in 2041 (+31,012 households), with an implied dwelling increase of 33,079 dwellings over the same period.

Historically, the residential catchment represented approximately 70% of the LGA's population. By 2041, the residential catchment will increase to approx. 71% of the LGA's population. In applying this to the implied dwelling projection for the LGA, this equates to an implied demand of around 23,300 additional dwellings between 2022 and 2041.

The supply analysis indicated that there were a potential 6,639 apartments to be delivered to 2027. As such, it is estimated that the 1,255 apartments proposed on the Site will contribute to the need for an additional dwellings in the catchment and LGA by 2041.

Overall, despite future supply being potentially underestimated, it is reasonable to conclude that the proposed 1,255 apartments on the Site by 2041 is supportable.

## REVIEW OF SHORT-TERM ACCOMMODATION ASSESSMENT (STA)

The revised Proposal includes a multi-storey hotel, expected to provide 439 hotel rooms and 89 serviced apartments. Overall, this represents a lower proportion of floorspace for short-term accommodation (STA), compared to the previous development scheme.

When compared to the previous Market Depth Assessment (2020), the following key points were noted in the updated assessment:

- **Existing Supply**  
The existing supply of short-term accommodation has been updated to include two additional establishments, which were previously excluded, bringing the total to 760 rooms over 21 establishments in the catchment.
- **Future Supply**  
There is now only one STA development proposed in the catchment area (as outlined in Urbis' report), providing 5 additional rooms (1 x 1-bed and 2 x 2-beds serviced apartments). It is noted that the London Street Hotel development application has since been withdrawn, and a new DA has been submitted for 433-435 Canterbury Road in Campsie for a mixed-use commercial development (without STA). AEC has corroborated this information against the latest project information obtained from Cordell Connect.
- **Future Demand**  
The future room demand for the catchment area is calculated by applying a number of assumptions to the Sydney TR visitor night forecasts, including:
  - **Catchment's share of Sydney TR visitor nights in 2019** – the calculation for the catchment share assumption of 0.25% is clearly outlined and the assumptions adopted appear to be reasonable for this assessment.
  - **Visitors per Room** – An average of 1.6 visitors per room appear to be reasonable for this assessment.
  - **Occupancy** – The average occupancy rates observed in 2019 for the Sydney TR is approximately 80%. The applied occupancy rate of 65% appear to be reasonable for the catchment area (although actual data for the area would be beneficial).

Overall, the demand and supply gap assessment for hotel room shows a lower demand when compared to the previous assessment, mostly due to more conservative assumptions, including a lower occupancy rate and lower forecasts for visitor nights in the Sydney TR. The reduction in rooms supplied from this development therefore appears to be reasonable given the flow-on impacts of the pandemic.

## REVIEW OF STUDENT ACCOMMODATION ASSESSMENT

The revised Proposal includes 694 beds for student accommodation, which is significantly less than the previous scheme (1,594 beds).

When compared to the previous Market Depth Assessment (2020), the following changes/updates were noted in the updated assessment:

- Forecast enrolments to 2041 for the WSU Bankstown campus have now been updated to reflect a maximum capacity of 10,000 students, which aligns with capacity figures in media releases.
- Adopted propensities are relatively in-line with the previous assessment, with the exception of commencing international students and continuing domestic – interstate students dropping to a propensity, which is closer to the average benchmark.
  - By applying the minimum, maximum and average benchmark propensities, the demand for student housing ranges from 503 to 1,700 beds, with an average of 941 beds.
- Based on Urbis' calculations, there is a demand for 931 beds by 2041. This is lower than the previously estimated 1,836 beds by 2036. The revised demand estimate is considered reasonable and reflective of the current market conditions.

There is an existing undersupply of purpose-built student accommodation in the catchment, with no developments in the pipeline. The proposed 694 beds for student accommodation on the Site will partially address the future supply shortage once WSU reaches capacity, and provide students with more housing choice.

## CONCLUSION

The conditions of the Gateway determination (item f) are considered to have been satisfactorily addressed in the updated market depth assessment, and no amendments to the assessment are considered/ deemed necessary.

A summary of findings and comments against each condition is outlined in the table below.

**Table 2. Conditions of the Gateway determination**

Condition	Addressed?	Peer Review Comment
<i>i</i> assesses the level of impact of proposed commercial office space on other centres in the Local Government Area;	Partially	<p>The updated report indicates that there will be no impact on the other centres in the LGA as '<i>there is enough forecast demand within the Bankstown Strategic Centre alone to cater for the proposed office floorspace</i>'. However, the statement above only refers to the projected demand under target scenario, to achieve Council's higher job targets.</p> <p>Under the trend scenario, the delivery of the 119,100 sqm of commercial floorspace will likely result in an oversupply, which may result in increased market competition and attract businesses/tenants from other centres. However other centres within the LGA are smaller and have a different tenant mix (i.e. Campsie is proposed as a specialised lifestyle precinct). The impact to other centres is also expected to be minimal as a result.</p> <p>Given the above, it is considered an amendment does not need to be made to the updated market assessment.</p>
<i>ii</i> assesses the current commercial office stock and market to clarify underlying and developing demand and uptake of commercial stock;	Yes	The updated report reviews the current commercial office stock, and has made sufficient enquiries to leasing agents of major office developments within the Bankstown CBD to understand the demand and uptake of commercial stock.
<i>iii</i> considers the existing short-term accommodation in the area and clarification of how catchment share estimates were calculated to establish visitor nights;	Yes	The calculation for catchment share estimates to establish visitor nights have been clearly defined in the updated report. The updated demand projections have been adjusted down, and appear to be reasonable given the Short Term Accommodation market conditions over the past few years.
<i>iv</i> provides further details on the likely mix of tenancies in the proposed additional retail floor space	Yes	A tenancy breakdown of the proposed additional retail floorspace has been included in the updated report (on page 5).
<i>v</i> refines the student population numbers for the Bankstown Western Sydney University campus and longer-term targets within Council's Local Strategic Planning Statement.	Yes	The student population numbers for the WSU Bankstown campus has been refined to align to the capacity figures identified in public media releases.

Source: AEC.

## APPENDIX A: ADDITIONAL SUPPORTING DATA

**Table A.1. Updated Residential Future Supply, within Residential Catchment**

	Within Catchment		Other Areas of LGA		Total LGA	
	No. of Projects	Units (No.)	No. of Projects	Units (No.)	No. of Projects	Units (No.)
Construction	15	948	3	171	18	1,119
Development Approval	79	3,723	22	1,283	101	5,006
Development Application	13	381	4	133	17	514
<b>Total</b>	<b>107</b>	<b>5,502</b>	<b>29</b>	<b>1,587</b>	<b>136</b>	<b>6,639</b>

Source: Cordell Connect; AEC.

**Table A.2. Population and Household Projections (2022 – 2041)**

	2022	2026	2031	2036	2041	Change
Population	381,490	392,274	411,135	429,047	446,102	+64,612
Households	128,299	133,801	142,408	151,090	159,310	+31,012
Average Household Size	2.93	2.89	2.84	2.79	2.74	-0.2
Implied Dwellings	136,065	141,922	151,099	160,364	169,145	+33,079

Source: DPE (2022).