

7 CITY VIEW RD, PENNANT HILLS

Economic assessment



Prepared for EG Funds Management Pty Ltd

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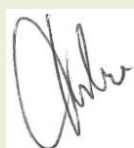
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EXECUTIVE SUMMARY

HillPDA was commissioned by EG Group Australia Pty Ltd to undertake an economic assessment (the study) of a Planning Proposal for a mixed-use development at 7 City View Road, Pennant Hills (the subject site). The purpose of this study is to assess and quantify, where possible, the economic impact that would eventuate from development under the Planning Proposal. To achieve this the study specially explores:

1. The needs for increased residential provision in Hornsby LGA
2. The impact of the Planning Proposal on employment land stocks across Hornsby LGA
3. The commercial viability of redevelopment of the subject site under its current planning framework versus that proposed by the planning proposal
4. The likely economic benefits of the Planning Proposal.

The Planning Proposal

The intent of the Planning Proposal is to facilitate the renewal of the site to achieve a genuine mixed use residential-commercial outcome and to also deliver community space, a 'pocket park' and seniors living component. The Planning Proposal for the subject site seeks to make the following amendments to the Hornsby Local Environmental Plan (HLEP) 2013:

- Amend the floorspace ratio (FSR) for the subject site from 1.5:1 to 2.7:1
- Amend Schedule 1 to include additional permissible uses for the subject site, including residential flat buildings and seniors housing.

It is noted that the current B5 Business Development zoning already permits residential development in the form of 'shop-top housing'. That is, residential apartments above ground floor retail or business premises. For this reason, **no change is considered necessary to the current zone, nor any to the current building height standard.** As such, the Planning Proposal would not result in a loss of employment zoned land stocks in Hornsby LGA.

Development of the Planning Proposal would provide a mix of land uses, including commercial, community, and residential. In total, around 17,143sqm of mixed-use space would be developed, with this being comprised of:

- 9,733sqm of residential space, equating to 77 apartments
- 3,390sqm comprising 28 seniors housing units (independent living units or ILUs)
- 3,450sqm of commercial space
- 570sqm of community space.

Increased residential provision

The Hornsby Housing Strategy 2020 notes that Hornsby is on track to reach its 2016-2021 dwelling targets (+4,350 dwellings). However, as noted in the LSPS Hornsby experienced relatively slow growth in additional dwelling stock between 2011 and 2016. This slow growth may have created a historic undersupply in the LGA.

Our high-level analysis indicates an undersupply in the LGA of around 782 dwellings. An undersupply undermines housing affordability and diversity in the locality. Increasing supply would contribute to the LGA addressing this historic undersupply which, in turn, could help place downward pressure on housing prices.

The Housing Strategy also acknowledges that additional supply is required for Hornsby to reach its dwelling targets between 2021-36 (+10,530 dwellings). We estimated that without a further increase in supply, **Hornsby LGA will fall short of its housing targets over the period to 2025 (6,696 dwellings), by around 1,323 dwellings.**

An undersupply in residential dwellings can place upward pressure on dwelling prices and subsequently affordability. Analysis of recent residential sale values in Hornsby shows that as of March 2021, the median sale price for non-strata dwellings was around \$1.67 million in Hornsby. This was \$236,000 or 16% higher than Greater Sydney (\$1.44 million). While the median sale price for strata dwellings in Hornsby reached around \$774,000. This was \$158,000 or 20% lower than the median strata dwelling recorded in Greater Sydney (\$932,000).

If left unabated the housing affordability gap will continue to widen. Increased residential supply can place downward pressure on housing prices and rents as acknowledged in the former *A Plan for Growing Sydney*. Advancement of the Planning Proposal would increase dwelling supply and capacity within the LGA helping to alleviate the housing affordability gap and rental stress.

The Planning Proposal would have the following beneficial outcomes for the LGA:

- Provide a more affordable dwelling option for residents and key workers within the LGA. This is evident in strata dwellings having a median value \$898,000 or 116% lower than the median price of non-strata dwellings.
- Increase diversity of dwelling stock within the LGA which is currently dominated by detached dwellings.
- The Planning Proposal would be providing a dwelling type and mix that would cater to the changing characteristics of the local community.
- Provide dwellings near public transport nodes and existing services. This would contribute to Hornsby attaining the 30-minute concept and transport sustainability, allow older residents to age in place and contribute to the urban renewal/revitalisation of Pennant Hills corridor.

Impact on Hornsby's employment land stocks

It is considered that the Planning Proposal would have no adverse impact on Hornsby's employment land stocks for the following reasons:

1. The Planning Proposal would maintain the current B5 zoning. Hence, the Planning Proposal would not directly reduce the amount of employment land stocks in the LGA.
2. The type of land uses proposed (retail, commercial and residential) are currently permissible and present in or adjoining the B5 sub-precinct. This implies that the Planning Proposal would not impact the functionality of the current or future functionality of the employment precinct.
3. The Planning Proposal would increase employment densities on the site. this would contribute to the wider employment precinct reaching its employment targets while also reducing the deficit in capacity identified in the ELS.

Impact on commercial office space

It is estimated that in 2016 commercial related employment in Pennant Hills Village and surrounds was around 820 jobs. This is forecast to increase by 146 to a total of 965 jobs by 2036. To accommodate these additional commercial jobs, it is estimated that around 3,170sqm NLA of commercial office floorspace would be required.

The ELS estimated that Pennant Hills village had a surplus in capacity under the medium and high scenarios of between 16,500sqm and 18,500sqm. This is sufficient to accommodate the additional demand in commercial office space between 2019-36. It is also sufficient to accommodate/absorb the 3,720sqm NLA of commercial office space displaced on the subject site that would result from fruition of the Planning Proposal.

As such, the Planning Proposal would have no adverse impact on the ability of Pennant Hills to accommodate its projected demand for commercial office space.

Viability of redevelopment

There is currently more than 10,000sqm of vacant office space in Pennant Hills. Given that the subject site is an inferior location to the other comparable areas analysed, there is considerable risk and probability of long-term vacancies for any office space on the subject site. Additionally with uncertainty around the ongoing COVID 19 pandemic and emerging trends like work from home practices, there is additional risk for long term vacancies. Colliers Metro Office report for H1 2021 predicts an increase in the vacancy rate in superior locations such as Macquarie Park, Chatswood, and Parramatta.

It is not viable to demolish the existing building and replace it with a new commercial office building. Net of land and profit total project cost would exceed \$6,000/sqm GLA including incentives whereas the market value is around \$7,200/sqm. After allowing for land costs there would be no profit left.

Economic benefits of Planning Proposal

The proposed development would have economic benefits during construction and post-construction. The following provides an estimate of these.

During construction

During the construction phase the economic benefits are estimated to be:

- 303 direct and indirect jobs years created
- \$134 million in total economic output directly and indirectly created
- \$26 million directly contributed to the Hornsby economy (gross value added or GVA) and a total of \$48 million directly and indirectly contributed

Post-construction

On completion the economic benefits resulting from development under the planning proposal are estimated to be:

- A total of 280 jobs, 31 more jobs than that estimated which could be currently generated onsite (assuming the current vacant space was occupied)
- \$21 million in wage generation per annum
- \$29 million in GVA per annum to the local economy
- \$14.9 million financial revenue for whole of government in the form of GST payments from residential sales, stamp duty revenue, developer contributions (Section 7.11) and payroll tax on construction workers.
- Local retailers would directly capture around \$1.7 million per annum from residents on-site. This would directly support the viability and vibrancy of the nearby Pennant Hills Village.
- The Proposal would increase employment density on the land, supporting strong forecast growth in health sector jobs, and enhancing employment retention in the LGA
- Constituting a more orderly and efficient use of the land which is more aligned with State planning objectives in a location which would be benefit from the revitalisation of Pennant Hills Village.

Although this study estimated the economic generation/contribution that could be generated by the current built form and potential land uses on the subject site (referred to as the base case), these should be considered in context of its long-standing vacant state. Therefore, the subject site has not been contributing to the local

economy. Revitalisation and better alignment of space to meet current commercial tenant requirements, as proposed by the Planning Proposal, would likely change this.

Public benefits

Public benefits have been valued at around \$10.5 million which includes the 700sqm pocket park, community space and some noise attenuation and safety mitigation measures. Total value also includes subsidise rental space for start-up businesses and an assumption that three apartments would be provided for affordable housing. The alternative may be a build-to-rent scheme which could possibly deliver a higher number of apartments without impacting development feasibility. The details of these components of public benefits still need to be negotiated and resolved through a VPA process.

INTRODUCTION

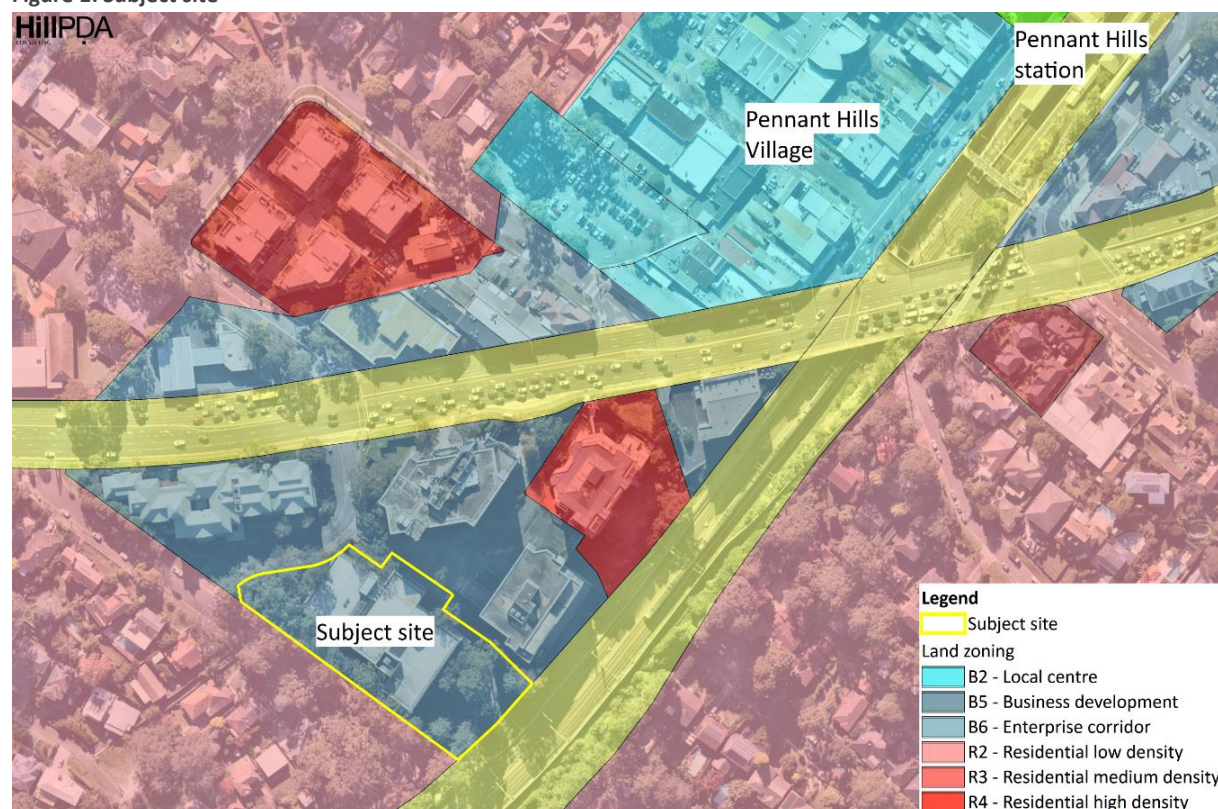
1.0 INTRODUCTION

HillPDA was commissioned by EG Funds Management Pty Ltd Pty Ltd to undertake an economic assessment (the study) of a Planning Proposal (PP) for a mixed-use development at 7 City View Road, Pennant Hills (the subject site).

The subject site has a real property description of Lot 3 DP 732565 and a total area of approximately 6,500sqm. The site includes a vacant 3-5 storey office building which provides around 6,225sqm of Net-Leasable Area (NLA) commercial space¹. The site is situated within an established office and residential tower precinct in a highly accessible location less than 400 metres from Pennant Hills rail station and bus interchange.

The subject site is currently zoned B5 – Business Development. As such, it contributes to Hornsby’s supply of employment land² stocks. The Planning Proposal seeks to maintain the current zoning with subsequent land uses being permitted. As such, the Planning Proposal would maintain the current levels of employment zoned land in the LGA. The purpose of the planning proposal is to permit feasible redevelopment of the site that would be compatible with the intent of the B5 zoning and surrounding land uses.

Figure 1: Subject site



Source: HillPDA

¹ This area excludes 899sqm of storage space in basement carpark

² Employment land consist of the following zonings B5 - Business Development, B6 - Enterprise Corridor, IN1 - General Industrial, IN2 - Light Industrial and IN4 - Working Waterfront.

1.1 The Planning Proposal

The intent of the Planning Proposal is to facilitate the renewal of the site to achieve a genuine mixed use residential-commercial outcome and to also deliver community space, a 'pocket park' and seniors living component. The PP for the subject site seeks to make the following amendments to the Hornsby Local Environmental Plan (HLEP) 2013:

- Amend the floorspace ratio (FSR) for the subject site from 1.5:1 to approximately 2.7:1
- Amend Schedule 1 to include additional permissible uses for the subject site, including residential flat buildings and seniors housing.

It is noted that the current B5 Business Development zoning already permits residential development in the form of 'shop-top housing'. That is, residential apartments above ground floor retail or business premises. For this reason, **no change is considered necessary to the current zone, nor any to the current building height standard.** As such, the Planning Proposal would not result in a loss of employment zoned land stocks in Hornsby LGA.

Development of the Planning Proposal would provide a mix of land uses, including commercial, community, retail, and residential. In total, around 17,143sqm of mixed-use space would be developed, with this being comprised of:

- 9,733sqm of residential space, equating to 77 apartments
- 3,390sqm comprising 28 seniors housing units (independent living units or ILUs)
- 3,450sqm of commercial space
- 570sqm of community space.

1.2 Purpose and study structure

The purpose of this study is to assess and quantify, where possible, the economic impact that would eventuate from development under the Planning Proposal. This is achieved through assessing and comparing the economic contribution of the subject site from its current built form and land uses to that which would eventuate from its redevelopment as proposed under the Planning Proposal.

Although the study assesses State and local planning documents/strategies it does not include any specific planning or policy recommendations which would require consideration of a range of other factors which will be explored in other specialist studies being undertaken in the preparation of the Planning Proposal.

To meet the requirements of the brief, the study is set out in the following manner:

- **Chapter 2** | Undertakes an assessment of State and local planning policies of relevance to the Planning Proposal.
- **Chapter 3** | Examines the potential loss of employment land and commercial office space that could result from the Planning Proposal.
- **Chapter 4** | Examines and provides justification on the need for increased residential provision within the locality and how the Planning Proposal is contributing to this demand/need.
- **Chapter 5** | Examines the economic viability of development of the site in accordance with the existing controls versus the proposed site controls. The Chapter also estimates the public benefits of the Proposal.
- **Chapter 6** | Examines the economic contribution that the subject site currently generates. This is referred to as the "Base Case". The Chapter then examines the economic implications that development under the Planning Proposal would have during the construction phase and post-construction. The economic implications are compared to the base case.

2.0 POLICY CONTEXT

This Chapter analyses State and local planning strategies, it further identifies areas where the Planning Proposal assists in achieving the intent of these strategies from a housing and economic perspective.

2.1 Greater Sydney Region Plan

The Greater Sydney Region Plan – *A Metropolis of Three Cities* (Region Plan) was finalised in March 2018 by the Greater Sydney Commission. The vision of the Region Plan is to create a metropolis of three cities, specifically the Western Parkland City, Central River City and the Eastern Harbour City. The subject site is located within the Central River City.

A core intent of the Region Plan is to give people greater housing choice and establish more jobs closer to where people live, to develop a more accessible and walkable city and create the conditions for a stronger economy. The Plan prioritises providing greater housing supply, stating *‘providing ongoing housing supply and a range of housing types in the right locations will create more liveable neighbourhoods and support Greater Sydney’s growing population.’* The NSW Government has identified that Greater Sydney would require additional 725,000 homes by 2036 to meet its population projections.

Key to delivering this supply of homes is providing a range of housing types, tenures and price points to meet demand, including houses, apartments, terraces and villas; dwellings owned outright, mortgaged or rented; and homes occupied by single people, families and groups. A range of housing types provides for the needs of community members at all stages of life. People can age in place as they move into smaller homes in their own neighbourhoods, while young adults leaving home can stay close to their families and communities.

Specifically, The Planning Proposal would be addressing the following objectives in the Plan:

Objective 10 - Greater housing supply

This objective emphasises providing increased dwelling supply with a range of housing types in the right locations to create more liveable neighbourhoods and support Greater Sydney’s growing population.

The objective aims to achieve this through providing dwellings where development is feasible; where existing or proposed infrastructure is present; and in targeting areas that are in proximity to employment and recreation areas. The development of a mixed-use development with a residential component is in accordance with this objective. The Planning Proposal would provide around 70 new residential dwellings with a range of sizes and configurations. As such, the Planning Proposal would be contributing to Hornsby LGA achieving this objective.

Furthermore, increased housing supply would be more appropriate within centres with high connectivity through public transport. The subject site is within walking distance to the public transport hub of Pennant Hills station increasing the accessibility of workers to and from the site.

Objective 11 - Housing is more diverse and affordable

The Planning Proposal would provide a mixture of apartments of varying sizes and bedroom numbers, this would increase dwelling diversity in the locality, providing a range of housing options and price points for persons downsizing or entering the market. As such, the Planning Proposal is in accordance with this objective.

Objective 22 – Investment and business activity in centres

The Planning Proposal would be concentrating investment and business activity in Pennant Hills Employment Precinct. The Planning Proposal would also be activating a commercial building which has remained vacant for some time. This activation would enhance the vibrancy and attractiveness of this location to potential tenants

and employees. This investment and activity would raise the profile of Pennant Hill to potential further investment opportunities. Hence it would also have positive flow-on effects to the wider Pennant Hills Village.

The Planning Proposal would also be achieving this objective, through providing jobs closer to homes, providing investment in social infrastructure (community facilities and open space), providing space for businesses in a location that has a large skilled labour force, increased productivity through the opportunity for business agglomerations and creating a better sense of place in the locality.

The Plan also works towards creating a the 30-minute city concept. This concept is a long-term aspiration that will guide decision-making on locations for new transport, housing, jobs, tertiary education, hospitals and other amenities. It means that more housing, jobs, health and education facilities will be planned in centres and more people will have public transport access to centres within 30 minutes. This aims to provide more efficient access to workplaces, services and community facilities.

The Planning Proposal would provide employment opportunities, social infrastructure and housing in close proximity to public transport nodes and NorthConnex. As such, the Planning Proposal would be contributing to Greater Sydney and the community of Pennant Hills in achieving the 30-minute concept.

2.2 North District Plan

The North District Plan maps out the 20-year vision for the North District of Greater Sydney. The North District encompasses the LGAs of **Hornsby**, Hunter's Hill, Ku-ring-gai, Lane Cove, Mosman, Northern Beaches, North Sydney, Ryde and Willoughby.

By 2036, it is projected that the District will have a population of 1.083 million, representing an additional 196,350 persons over the 20-year period from 2016.

To house this growth, an additional 92,000 dwellings are required over a 20-year period to 2036, representing an average annual target of 4,600 dwellings. Specifically, the District Plan targets an additional 25,950 dwellings to be provided within the District over the next five years. Hornsby LGAs target over this period is 4,350 dwellings or 870 per annum. Longer term housing targets are provided in the Hornsby housing strategy discussed later in this Chapter. The residential dwelling proposed in the Planning Proposal would contribute to Hornsby meeting and exceeding these targets.

As discussed in the review of the Greater Sydney Region Plan, the Planning Proposal would be contributing to the following planning priorities which are identified in the North District Plan:

- Planning Priority N5. Providing housing supply, choice and affordability, with access to jobs, services and public transport.
- Planning Priority N12. Delivering integrated land use and transport planning and a 30-minute city
- leveraging the investment in NorthConnex on Pennant Hills Road

2.3 Section 9.1 Ministerial Directions

Direction 1.1 of the Ministerial Directions relate to business and industrial zones. Direction 1.1 applies when a relevant planning authority prepares a planning proposal that will affect land within an existing or proposed business or industrial zone (including the alteration of any existing business or industrial zone boundary).

The objectives of this Direction are to:

- Encourage employment growth in suitable locations
- Protect employment land in business and industrial zones
- Support the viability of identified centres.

A planning proposal may be inconsistent with the terms of this direction only if the relevant planning authority can satisfy the Secretary of the Department of Planning and Environment (or an officer of the Department nominated by the Secretary) that the provisions of the planning proposal that are inconsistent are:

- a. justified by a strategy which:
 - (i) gives consideration to the objective of this direction (**refer to Table 1**), and
 - (ii) identifies the land which is the subject of the planning proposal (if the planning proposal relates to a particular site or sites), and
 - (iii) is approved by the Secretary of the Department of Planning and Environment, or
- b. justified by a study (prepared in support of the planning proposal) which gives consideration to the objective of this direction (**refer to Table 1**), or
- c. in accordance with the relevant Regional Strategy, Regional Plan or Sub-Regional Strategy prepared by the Department of Planning and Environment which gives consideration to the objective of this direction (**refer to Table 1**), or
- d. of minor significance.

Consideration of the Planning Proposal in relation to the objectives of this direction area considered in Chapter 3 of this report. As such, please refer to Table 1.

It is also worth re-noting that the current B5 Business Development zoning already permits residential development in the form of 'shop-top housing'. That is, residential apartments above ground floor retail or business premises. For this reason, **no change is considered necessary to the current zone, nor any to the current building height standard**. As such, the Planning Proposal would not result in a loss of employment zoned land stocks in Hornsby LGA.

2.4 Hornsby Local Strategic Planning Statement (LSPS)

Hornsby Council developed the LSPS which identifies the long-term vision for the Hornsby LGA. This is achieved through reviewing and developing local strategies and plans that shape the way Hornsby LGA will change over time. It identifies Hornsby Shire's special characteristics and the values that are to be preserved and how change will be managed into the future.

The Local Strategic Planning Statement addresses the themes of liveability, sustainability, productivity and collaboration and reflect the key priorities identified by the community.

Under the liveability theme, the LSPS states that is well-placed to meet its five-year housing target under the North District Plan of 4,350 additional dwellings between 2016-21. While a dwelling target of between 14,735 and 15,735 additional dwellings between 2016-36 is identified. This represents an annual growth of between 737 and 787 dwelling over the 20 years. These projections are further refined in the Hornsby Housing Strategy 2020 which was commissioned as an outcome of the LSPS.

The LSPS identifies seven principles that future housing supply in Hornsby will be based on. The Planning Proposal supports six of the seven principals, these being:

- Protects the predominant character of the LGAs lower density suburbs with large lots, an established tree canopy and a bushland or garden setting.
- Protects lower density suburbs and environmentally constrained areas from incompatible development including poorly designed and located Child Care Centres and Medium Density Housing
- Protects rural areas from inappropriate Seniors Housing development
- Provides housing choice, diversity and affordability

- Providing affordable housing for local residents (e.g. key workers, single-parent households, the elderly and disabled)
- Captures and provides value for direct community benefit.

The productivity theme notes that: *over 70 percent of the resident workforce is employed outside of the Shire. This adds to commute times for residents and burdens the transport infrastructure, impacting the quality of life for our community. Council seeks to promote the “30-minute city” by improving the local transport network and regional connections, and by creating more opportunities for the community to both live and work locally.*

By identifying priorities that will achieve a 30-minute city, both at the district and local level, and by understanding the interdependencies between land use and transport planning, including active transport, Council seeks to improve economic opportunities for the Shire’s employment centres and precincts.

Our vision is to support sustainable growth of the employment areas by creating quality-built environments, protecting our natural assets, improving connectivity and delivering infrastructure.

The Planning Proposal would provide increased employment opportunities for residents in a location with high connectivity through public transport. As such, the Planning Proposal would be contributing to the LGA attaining the 30-minute concept as well as transport sustainability.

The Planning Proposal further supports several actions identified in the LSPS and its Economic Development Strategy 2007-2011 that would increase and strengthen business and employment opportunities in the LGA, these being:

- Retaining existing businesses in the LGA and to work with them to ensure their long-term sustainability
- attracting new investment into the LGA
- Increasing local employment opportunities.

An outcome of the LSPS is the development of an updated Employment Land Use Study that reviews the current situation of our employment lands and provides an insight into the future needs of the LGA. This study was undertaken by HillPDA and reviewed in this Chapter.

Lastly, the LSPS states that Pennant Hills town centre (Pennant Hills village) needs revitalisation. A review of the Pennant Hills Road Corridor between Pennant Hills and Thornleigh will be undertaken with a strong place-based approach aimed at improving the amenity and user experience for residents within the corridor. **The Planning Proposal provides an initial step towards the revitalisation of Pennant Hill centre.**

2.5 Hornsby Local Housing Strategy 2020

The Local Housing Strategy (LHS) outlines our 20-year vision and priorities for housing in Hornsby Shire in response to the *Greater Sydney Region Plan A Metropolis of Three Cities* and the *North District Plan*.

The LHS states that Hornsby LGA’s population is predicted to reach 179,582 by 2036. This represents an increase of nearly 32,000 people between 2016-36. To house this population there will be a corresponding need for an additional 14,879 new homes by 2036, representing a required annual increase of 744 dwellings over the period.

The LHS confirms that, due to the development activity which has occurred since the 2011 Housing Strategy, Council can meet its housing targets set by the State Government to 2026 under its current planning scheme (2016-26). However, beyond this point additional supply, such as that provided in the Planning Proposal, maybe required for the LGA to continue to reach its housing target. The impacts of COVID-19 on the development pipeline and affordability are also not explored in the LHS.

The LHS highlights the following issues that are present in the LGA and, of which, the Planning Proposal has the opportunity assist with:

1. *Delivering homes that contribute to smaller environmental footprints. We need to ensure future development is sustainable. This necessitates higher density and well-connected centres to reduce urban sprawl and congestion to address the impacts of climate change. The Council has identified Hornsby Town Centre for our long-term future housing provision.*

The subject site is located in close proximity to Pennant Hills Village. This location near services and public transport nodes provides opportunity for higher density development. This would contribute to Hornsby increasing its dwelling supply while protecting the local character, environment, congestion on local roads and urban sprawl.

2. *More housing diversity is needed to meet the needs of our evolving households, age structures, incomes and cultural backgrounds. More single person and small household dwellings will be required close to transport and services. Our growing elderly population require a range of housing options to meet different needs. There is strong support from communities for an increase in housing diversity, balanced with the protection of the character of neighbourhoods.*

In 2016, almost 75% of Hornsby LGA's dwelling stocks was comprised of separate dwellings. The Planning Proposal would provide apartment style dwellings with a range of sizes and bedroom types. Additionally, a proportion of the Planning Proposals dwellings are seniors housing. This would the types of dwellings that align with the evolving needs of the LGAs population while also allowing new residents to enter the market and older residents to age in place. These dwellings are also provided in a highly accessible location near public transport and existing services.

3. *More affordable housing is needed for key workers such as nurses, policemen and women and paramedics, along with single parent families.*

Apartments are generally more affordable, in terms of price points, than larger detached and medium density dwellings. As such, the Planning Proposal would be providing additional dwellings which are more affordable than larger low and medium density stocks for the LGAs key workers.

4. *Demand for residential aged care and seniors living is likely to continue. The Shire plays a more than prominent role in the residential aged care sector and Council has assumed that this will slightly diminish beyond 2026. A pro-active approach in identifying appropriate locations may be useful in discouraging speculative applications in inappropriate areas for Site Compatibility Certificates from State Government.*

The Planning Proposal increase the provision of seniors housing in the LGA. This would be provided in a location that is close to existing public transport and social infrastructure and commercial/health/retail services. These attributes would be beneficial to future residents providing increase accessibility to other locations and nearby services.

5. *Preserving local character and the natural environment to ensure our bushland Shire retains the features which make it such a great place to live for our local communities.*

The subject site's location within an existing centre with adjoining high-density complexes would ensure that surrounding low density neighbourhoods and natural assets are not lost or increasingly densified.

From the above issues seven liveable priorities are identified. The Planning Proposal could contribute to the LGA attaining the following ones:

- LP1. Protecting the character of our low-density neighbourhoods
- LP2. Promoting design excellence for new housing including having regard to the principles of ecologically sustainable development and universal design
- LP3. Supporting the development of community and cultural facilities that will adequately service our current and future community
- LP4. Aligning the delivery of local infrastructure and public domain improvements with current and future growth

- LP5. Protecting, conserving and promoting our natural, built and cultural heritage
- LP6. Providing housing in the right locations that meets the needs of our community with regard to housing type and mix, design, sustainability, affordability and safety.

Lastly, the LHS notes that NorthConnex tunnel linking the M1 and M2 motorways provides an opportunity to review the Pennant Hills Road Corridor between Thornleigh and Pennant Hills. The Planning Proposal provides opportunity to start this process increasing dwelling supply in appropriate locations and helping the centre revitalise.

2.6 Draft Hornsby Seniors Housing Supply and Demand Review 2020

The high-level analysis in the Draft Hornsby Seniors Housing Supply and Demand Review indicates that there is currently sufficient supply for projected demand for both seniors housing (independent living units) and residential aged care facilities.

Specifically, the Review estimates a total demand for seniors housing in 2036 of between 2,050 and 3,008 units. With 2,239 units existing in the LGA, accounting for the current pipeline this is expected to increase to 3,348 by 2036. This is around 340 dwellings over the higher demand estimate of 3,008 units required by 2036.

It must be noted that, units in the pipeline do not necessarily translate into actual dwellings. This is because economic circumstances change, and developments may not proceed or proceed in a different form/yield. The further the forecast is the more unpredictable and unreliable it is. For example, analysis of the dwelling completions data for Hornsby LGA shows between July 2012 and December 2020 there have been around 10,650 dwellings approved. While over the same period just 5,000 dwellings have been developed. Some of this can be attributed to supply lag but in many cases, projects are abandoned. This high-level analysis shows that only 47% of dwellings approved since July 2012 have been developed. Applying this ratio to the estimated pipeline of seniors housing in the LGA suggests that the LGA would not reach its high target of around 250 units by 2036. The Planning proposal could provide 28 additional senior dwellings contributing to the local supply maintaining equilibrium with demand.

Lastly, a main reason for the Review was the fact that the Seniors SEPP overrides local planning controls. This has led to seniors housing being developed in the LGAs rural areas and Heritage Conservation Areas. The location of the subject site located in an existing centre with access to public transport, social infrastructure and commercial/health/retail services. These attributes increase its appropriateness for seniors housing while also protecting the LGA's rural and heritage areas.

2.7 Hornsby Employment Land Strategy 2021

The Employment Land Study (ELS) was prepared by HillPDA. The subject site falls within Pennant Hills employment precinct. However, it is also near Pennant Hills village³. As commercial office space (the predominant land use currently on the subject site) can be accommodated/absorbed in commercial centres, the following summarises the key outcomes in the ELS that are relevant to Pennant Hills employment precinct and Pennant Hills village.

Pennant Hills employment precinct

The ELS forecasted that the Pennant Hills employment precinct would accommodate between 9,900sqm and 10,110sqm of additional employment space between 2019-36. It was suggested that increased capacity could be achieved in the Precinct through increased building height and FSR controls. This could also stimulate redevelopment and enable greater flexibility for increased employment density and floorspace capacity.

³ Pennant Hills village is also sometimes referred to as Pennant Hills town centre in some documents

The ELS notes that the existing B5 zone provides an essential urban support zone that facilitates employment uses. The zone can be located on the periphery of centres to provide urban support services, specialised retail, light industries and higher order commercial uses. There is also a limited amount of B5 zoned land within the LGA. Protecting these stocks is essential in order for the LGA to attain its employment targets.

Overall, the ELS states that B5 zoned land should be retained. This is the intent of the Planning Proposal which seeks to maintain the current zoning. The land uses proposed are also permitted under the current zoning as specified in the HELP 2013. The minimal loss of commercial space under the Proposal should be considered in the context of the site's historic underutilisation evident in its remaining vacant for an extended period of time. Additionally, the minimal loss in commercial space could be absorbed/directed to the nearby Pennant Hills centre, increasing its vibrancy, viability, and opportunity for revitalisation.

Pennant Hills village

The ELS forecasted that over the next 17 years, the demand for employment space in Pennant Hills village is likely to increase by 6,435sqm to around 19,825sqm. Of this net increase, around 3,260sqm is attributed to non-retail employment space.

At the same time, the capacity assessment indicated a surplus under the medium and high scenarios of between 16,500 and 18,500sqm. This surplus in capacity is sufficient to accommodate any loss of commercial space on the subject site.

In addition to the demand and capacity assessment, our advice regarding the centre was as follows:

*The Pennant Hills and Thornleigh centres are in relatively close proximity, **however both centres lack a clear identity and contain a mismatch of uses and zoning.** Pennant Hills generally services properties to the north of Pennant Hills Road / Cumberland Highway and the rail line and Thornleigh services the catchment to the south and east. However there is some competition between the centres with overlapping trade catchments. The current provision of supermarket space at Thornleigh is stronger, with those at Pennant Hills having a smaller catchment.*

The capacity assessment indicates that the existing planning controls are not sufficient to accommodate future demand. There is also a disparity in the planning controls (building height and FSR) that may be preventing viable development outcomes.

- **Action 1.2.1:** Prepare a Pennant Hills to Thornleigh Corridor combined masterplan to establish a clear identity for the centres and revisit the planning controls and zoning to incentivise a higher density of commercial and residential development.
- **Action 1.2.3:** Encourage Pennant Hills to transition into a higher order centre to complement Hornsby Town Centre with a greater provision of business and office space.

The Planning Proposal is considered in accordance with the ELS's recommendations while it also advances the vision and revitalisation of the centre.

2.8 Hornsby Local Environmental Plan 2013

The Hornsby Local Environmental Plan 2013 (HLEP 2013) guides planning decisions across Hornsby LGA through zoning and development controls, which provide a framework for the way land can be used. Under the HLEP 2013 the subject site is zoned B5 -Business Development. The Objectives of the zone are:

- To enable a mix of business and warehouse uses, and specialised retail premises that require a large floor area, in locations that are close to, and that support the viability of, centres.

While permitted land uses with consent include:

Centre-based child care facilities; **Food and drink premises**; Garden centres; Group homes; Hardware and building supplies; Hotel or motel accommodation; Kiosks; Landscaping material supplies; Light industries; **Neighbourhood shops**; Oyster aquaculture; Passenger transport facilities; Plant nurseries; Respite day care centres; Roads; **Shop top housing**; Specialised retail premises; Tank-based aquaculture; Timber yards; Vehicle sales or hire premises; Warehouse or distribution centres; Water reticulation systems.

The Planning Proposal would maintain the current B5 zoning while the proposed land uses are largely permitted with consent. As such, the Planning proposal is considered to be in accordance with the objectives and intent of the current B5 zoning in the HELP 2013.

3.0 POTENTIAL LOSS OF EMPLOYMENT LAND & COMMERCIAL OFFICE SPACE

The following Chapter examines the potential loss of employment land and commercial office space that could result from the Planning Proposal.

3.1 Consideration to Section 9.1 Ministerial Directions objectives

The following table assesses the consistency of the Planning Proposal against the five key requirements of the Direction for strategies concerning employment lands. As stated, this study assesses the economic impact and potential of the Planning Proposal. Although the study assesses the economic merit of the Planning Proposal against the objectives of this Direction, it does not include any specific planning or policy recommendations which would require consideration of a range of other factors which will be explored in other specialist studies being undertaken in the preparation of the Planning Proposal.

Table 1: Consistency with Ministerial Direction 1.1 business & industrial zones objectives

Objective	Consistency of Planning Proposal
Encourage employment growth in suitable locations	<p>The Planning Proposal has the potential to generate around 280 jobs upon completion. The site has remained vacant since 2018 despite an active campaign to find tenants by CBRE. As such, the jobs provided onsite would be a net growth for the locality, increasing activation, vibrancy and attractiveness of the area to further potential tenants.</p> <p>Employment on the subject site would be provided in proximity to Pennant Hill village with its multiple forms of public transport. This increases the connectivity and accessibility of the site to workers while also providing nearby services (health, community and retail) essential to support workers.</p> <p>The location and employment potential of the Planning Proposal is considered in accordance with this Ministerial Direction 1.1 business & industrial zones objective.</p>
Protect employment land in business and industrial zones	<p>The Planning Proposal would maintain the current zoning of the subject site (B5 – Business Development). As such, the Planning Proposal protects the amount of employment land and provision of commercial space within Hornsby LGA. Hence, it is considered in accordance with this Ministerial Direction 1.1 business & industrial zones objective.</p>
Support the viability of identified centres	<p>Where a significant property investment decision has been made, it is generally viewed as a strong positive commitment for the local area. Such an investment can, in turn, stimulate and attract further investment.</p> <p>Development of the Planning Proposal would support a wide range of economic multipliers which would, in turn, support investment in associated industries. It would also raise the profile of Pennant Hills village to potential investors. This increased developer interest in the centre which has been identified in local planning documents as requiring revitalisation.</p> <p>Additionally, increased foot traffic from the workers and residents resulting from the Planning Proposal would increase the vibrancy and viability of businesses in Pennant Hills village.</p> <p>Considering the above, the Planning Proposal is considered in accordance with this Ministerial Direction 1.1 business & industrial zones objective.</p>

3.3 Pennant Hill employment precinct

The subject site is located in the Pennant Hill employment precinct (refer to Figure 2). Pennant Hills employment precinct consists of B5 and B6 zoned land, with the subject site being in the B5 proportion (B5 sub-precinct). The B5 sub-precinct land is somewhat isolated from the other parts of the precinct with it being bounded by residential uses to the south, railway line to the east and Pennant Hills Road and high density residential to the north. The B5 sub-precinct contains commercial, and accommodation uses which are compatible with the surrounding residential land uses.

The Hornsby Employment Lands Strategy (ELS) forecasted between 9,900sqm and 10,110sqm of additional employment space for the Pennant Hills employment precinct between 2019-36. It was suggested that increased capacity could be achieved in the Precinct through increased building height and FSR controls. This could also stimulate redevelopment and enable greater flexibility for increased employment density and floorspace capacity.

The land use audit undertaken as part of the ELS found that the B5 sub-precinct contained around 32,550sqm of employment space. With an FSR control of 1.5:1 and land area of around 2.08 hectares, the maximum theoretical development capacity of the sub-precinct is around 31,210sqm. As such, the sub-precinct has reached its development potential under the current planning framework. This fact would have been excluded from the capacity assessment in the ELS. The additional demand identified to be accommodated in the precinct could only be delivered either through increasing the current FSR of 1:1 and building height in the remaining B6 zone and/or by redistributing the demand from Pennant Hills to other localities. It cannot be delivered by restricting development in the B5 sub-precinct.

The current building on site provides around 6,225sqm NLA of commercial space. This space is of an older style which is reaching the end of its life cycle and is not aligned to the current needs of commercial tenants. This is evident in the space remaining vacant despite an active campaign to find suitable tenants.

We understand that the client has worked with agents to offer the market flexible options throughout the building to engage tenants of varying sizes. The building itself has limitations with regards to the minimum space offered as a result of the large floor plate sizes. The building has been a challenge to lease for a number of reasons:

- Floor plate size is too large for the market. i.e it cannot be subdivided into sub-300sqm suites
- Market trends have changed and tenants are gravitating towards larger more established markets in the pursuit of amenity
- The lift core location with respect to the floor plate makes it very difficult to subdivide the floor logically
- Pennant Hills sits between two very strong competing markets, being Norwest and Macquarie park

Redevelopment of the site to align with the current requirements and expectations of commercial tenants would increase its attractiveness to commercial tenants. The new commercial space would be modern open plan space that would increase achievable employment densities onsite when compared to the current style/configuration.

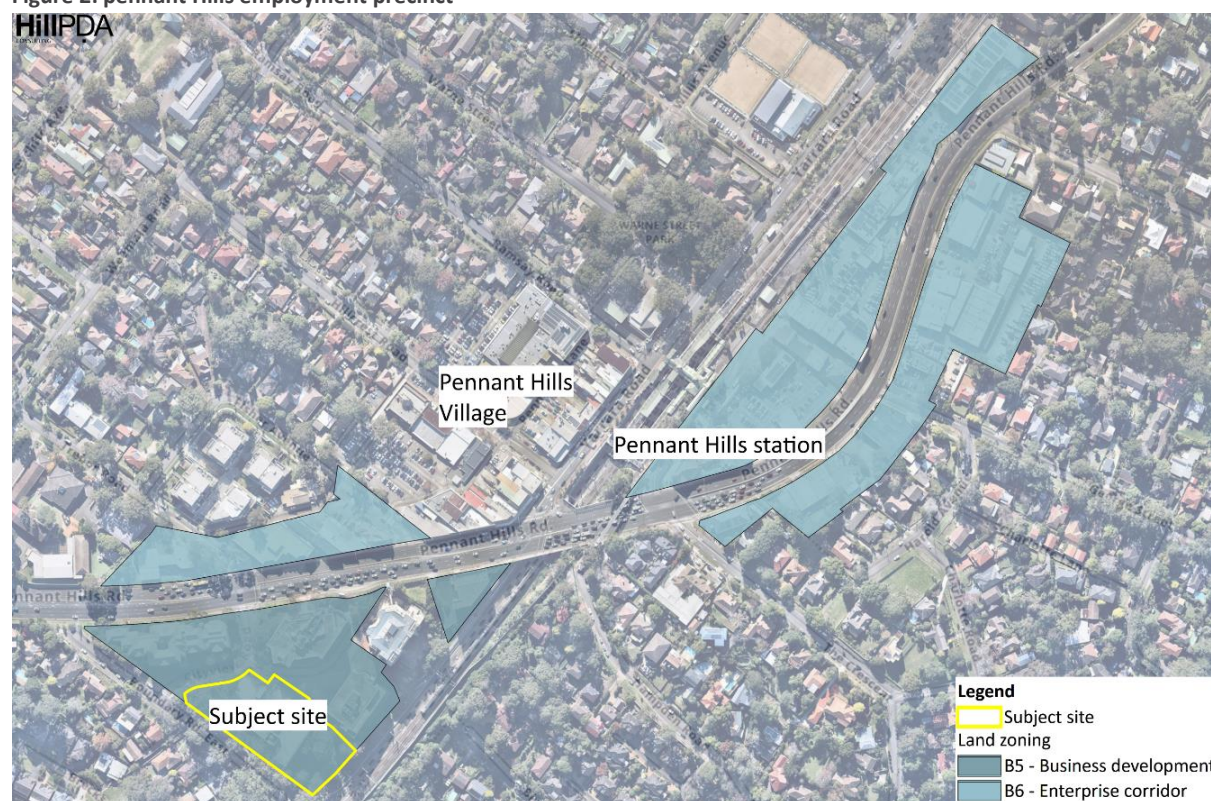
This would increase employment densities/numbers onsite, contributing to the wider Precinct attaining the employment projections which underpinned its projected floorspace requirements. As such, although providing less commercial space, the Planning Proposal is likely to result in an increase in the number of jobs onsite and across the wider employment precinct. This would reduce the amount of additional floorspace required to be accommodated in the wider precinct increasing the efficiency of capacity identified in the ELS.

Lastly, the Planning Proposal does not seek to rezone subject site, rather it maintains its B5 zoning. As such, the Planning Proposal would not reduce the amount of employment land stocks in the LGA.

In summary, it is considered that the Planning Proposal would have no adverse impact on Hornsby's employment land stocks for the following reasons:

1. The Planning Proposal would maintain the current B5 zoning. Hence, the Planning Proposal would not reduce the amount of employment land stocks in the LGA.
2. The type of land uses proposed (retail, commercial and residential) are currently permissible and present in or adjoining the B5 sub-precinct. This implies that the Planning Proposal would not impact the functionality of the current or future functionality of the employment precinct.
3. The Planning Proposal would increase employment densities on the site. This would contribute to the wider employment precinct reaching its employment targets while also reducing the deficit in capacity identified in the ELS.
4. The Planning proposal would provide a diverse range of employment uses rather than the current single large tenant space currently provide which has a limited market suitability.

Figure 2: pennant Hills employment precinct



Source: HillPDA

3.4 Commercial office demand assessment

The subject currently provides around 6,225sqm of NLA commercial space. The Planning proposal would provide around 3,450sqm NLA, representing a net loss of 2,775sqm NLA.

The following section explores what the potential loss of this commercial space may have upon the locality to attain its commercial employment targets and floorspace requirements.

To achieve this, analysis of ABS data and employment projections at the Destination Zone (DZ) level are undertaken. DZs are the smallest geographical unit that the ABS provides journey to work data. The boundaries correspond to Transport for NSW's (TfNSW) Travel Zone (TZ) boundaries, which are the smallest unit employment projections are provided.

Employment forecasts used to project the future provision of commercial floorspace within the subject site's locality are based on TfNSW's 2019 employment projections, released in September 2020. Specifically, employment forecasted in TZ 1414 have been analysed to project commercial floorspace requirements. As seen in Figure 3, this includes Pennant Hills village and some of Pennant Hills employment precinct. This coupled with the fact that the ELS projections were based on a now superseded TfNSW employment projection series, the projections in this report will differ from those estimated in the ELS.

Employment data and projections is provided over 19 industry classifications known as the ANZSIC 1-digit codes (Australian New Zealand Standard Industry Classification). ANZSIC 1-digit codes are the most utilised categories used when analysing an areas employment profile.

It is often more useful to consider employment composition in broader industry terms. Broad industry classifications (BICs) developed by the Greater Sydney Commission, group the 19 ANZSIC 1-digit codes into four main industry categories. These categories are, population-serving, knowledge intensive, health and education and industrial. These BIC groupings and their corresponding ANZSIC 1-digit codes are given in the table below.

Of relevance to this section is the knowledge intensive BIC. Knowledge intensive industries have a greater propensity to occupy commercial office space. This BIC also account for some commercial space being occupied by allied health services. The ANZSIC 1-digit industry of health care and social assistance contains employment related to allied health services.

Table 2: Broad industry classifications and ANZSIC 1-digit categories

Health and education	Industrial	Knowledge intensive	Population serving
Education and training	Agriculture, forestry and fishing	Information media and telecommunications	Construction
Health care and social assistance	Mining	Financial and insurance services	Retail trade
	Manufacturing	Rental, hiring and real estate services	Accommodation and food services
	Electricity, gas, water and waste services	Professional, scientific and technical services	Arts and recreation services
	Wholesale trade	Administrative and support services	Other services
	Transport, postal and warehousing	Public administration and safety	

The figure below shows the TZ used to project commercial space within the subject site's locality.

Figure 3: Destination and Travel Zone boundary applied



Source: HillPDA

The following methodology was applied to project commercial office floorspace requirements. Please note Journey to Work (JTW) data details employment within a location perspective of that workers place of origin.

1. Analysed 2016 ABS JTW data to estimate the number of employees that worked from home for each industry at the ANZSIC 1-digit level. The proportion of workers that worked from home in 2016 was applied to the forecast years and removed.
2. For the knowledge industries of analysis of 2016 ABS JTW data was undertaken to determine the proportion of workers with an occupation of either a Manager, Professionals or Clerical and Administrative Worker. These occupations were determined to be predominantly office workers. The resulting proportion of workers with these occupations, to the corresponding industries total employment, was applied to the forecast years to estimate office workers in each precinct.
3. Allied health employment was estimated in the ANZSIC 1-digit industry of Health Care and Social Assistance through analysis of ANZSIC 4-digit JTW data. The proportion that allied employment comprised in each precinct as of 2016 was then applied to the forecast years.
4. Aggregate ANASIC 1-digit employment forecast into BICs.
5. Convert employment to floorspace requirements by applying average employment densities at the ANZSIC 1-digit level.

Using the above methodology, it is estimated that in 2016 commercial related employment in the study area was around 820 jobs. This is forecast to increase by 146 jobs to a total of 965 jobs by 2036.

Employment is converted to floorspace requirements by applying average employment densities. That is, the average amount of floorspace occupied by one employee for a particular industry.

For this study an average employment density 18sqm NLA per commercial job has been applied and while 30sqm allied health has been applied.

Using this method, it is estimated that around 3,170sqm NLA of commercial office floorspace would be required in the study area to accommodate the projected growth in commercial employment.

Table 3: Commercial office related employment and floorspace demand 2019-36

Broad industry	2019	2021	2026	2031	2036	Net demand 2019-36
Knowledge intensive	730	746	773	793	830	101
Allied health	90	97	108	121	135	45
Total commercial jobs	819	843	882	914	965	146
Floorspace requirements (sqm)	15,826	16,338	17,177	17,902	18,994	3,168

Source: ABS 2016, TPA 2019 employment projections, HillPDA

The ELS estimated that Pennant Hills village had a surplus in capacity under the medium and high scenarios of between 16,500sqm and 18,500sqm. This is sufficient to accommodate the additional demand in commercial office space between 2019-36. It is also sufficient to accommodate/absorb the 3,720sqm NLA of commercial office space displaced on the subject site that would result from fruition of the Planning Proposal.

Additionally, the subject site currently has 7,125sqm NLA of vacant commercial space. Under the Planning Proposal 3,400sqm NLA of new A-grade commercial space would be provided. This is sufficient to accommodate the projected demand. It must be noted that these employment projections do not account for the subject site's redevelopment and the additional investment this would likely attract. Neither do they account for revitalisation of the Thornleigh-Pennant Hills Corridor. This would likely result in higher commercial employment and subsequent demand for office space. Nevertheless the existing capacity in the Pennant Hills village and surrounds is considered sufficient to accommodate this high growth forecast.

We conclude therefore that the Planning Proposal would have no adverse impact on the ability of Pennant Hills to accommodate the projected demand for commercial office space.

4.0 INCREASED RESIDENTIAL PROVISION

The following Chapter undertakes a review and analysis of the demographic and housing characteristics within North Sydney LGA. The intent of the Chapter is to provide justification for the provision of additional residential supply within the LGA to meet the current and future needs of the resident population.

The basis for this justification is partly sourced from the Greater Sydney Regional Plan which places emphasis on:

1. Accelerating housing supply across Sydney
2. Accelerating urban renewal across Sydney
3. Improve housing choice to suit different needs and lifestyles.

4.1 Dwelling price growth

The former *A Plan for Growing Sydney* acknowledged that Sydney's housing prices are high compared to other Australian capital cities. The Plan highlights that governments can “*help to put downward pressure on prices (by) accelerating the supply and the variety of housing across Sydney, such as apartments and townhouses, will make it easier for people to find homes to suit their lifestyle and budget*”.

Delivering houses in greenfield and urban renewal locations will help people to live closer to family and friends, to workplaces and schools, and to the services they use on a daily or weekly basis”.

In March of 2021, the median sale price for strata dwellings in Hornsby LGA reached around \$774,000. This was \$158,000 or 20% lower than the median strata dwelling recorded in Greater Sydney (\$932,000). In comparison, the median sale price for non-strata dwellings was around \$1.67 million. This was \$236,000 or 16% higher than that recorded for Greater Sydney (\$1.44 million).

Strata dwellings provide a more affordable option for residents and key workers within the LGA, evident in strata dwellings having a median value \$898,000 or 53% of the median price of non-strata dwellings.

The Planning Proposal would provide 70 residential apartments. As such, it would be providing a more affordable style dwelling within the LGA. This increased dwelling supply would also contribute to placing downward pressure on prices which has significantly increased over recent years.

Table 4: Median sale price (\$'000)

	2000	2021	Growth (\$)	Growth (%)
Hornsby LGA (non-strata)	405	1672	1267	312.8%
Hornsby LGA (strata)	282	774	492	174.5%
Greater Sydney (non-strata)	285	1,436	1151	403.9%
Greater Sydney (strata)	270	932	662	245.2%

Source: NSW Rent and Sales Report – March 2000 to 2021

4.2 Need for increased capacity

As noted in the Hornsby Housing Strategy 2020, the LGA is on track to reach its 2016-2021 dwelling targets. However, as noted in the LSPS Hornsby LGA experienced relatively slow growth in additional dwelling stock between 2011 and 2016. This slow growth may have created a historic undersupply in the LGA.

Our high-level assessment of undersupply in the LGA is estimated at around 782. Housing undersupply undermines housing affordability and diversity. Increasing supply assists in placing downward pressure on housing price rises.

Table 5: Estimated accumulated dwelling undersupply

Supply	
Housing stock, 2006*	45,670
Housing stock, 2020**	51,841
Change 2006-2020	6,171
Implied demand	
Average number of persons per dwelling*	2.9
Population, 2006*	132,256
Population, 2020***	152,419
Population growth	20,163
Implied dwelling demand	6,953
Accumulated dwelling undersupply	-782

Source: *ABS 2016 Time Series Data, **ABS 2016 Time Series Data with the inclusion of NSW DIPE dwelling completions data 2016 Q3 to 2020 Q4, *** ABS ERP 2020, HillPDA

4.2.1 Residential dwelling supply versus demand 2016-25

As discussed previously, the LGA is forecast to require an additional 14,879 new homes by 2036, representing a required annual increase of 744 dwellings over the 2016-36 period. Recent development activity has been strong with the LGA on track to reach its five-year housing target.

However, in this section we have analysed dwellings in the pipeline to understand if this trends is likely to continue or if additional supply is required. This is achieved through analysis of historic dwelling completions between 2016-20 and an analysis of future development through CordellsConnect research.

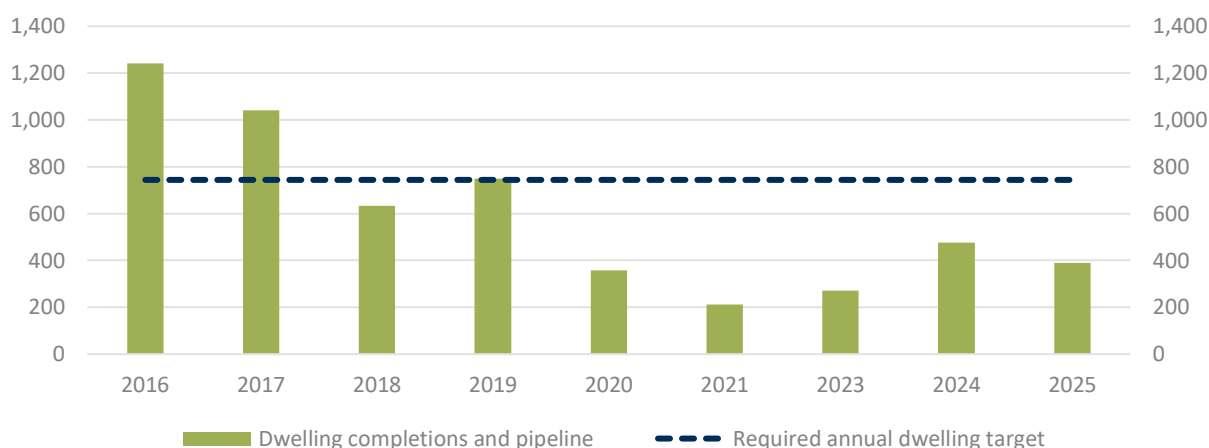
After allowing for dwellings that were completed between 2016-20 and dwellings in the development pipeline⁴, it is estimated that without a further increase in supply **Hornsby LGA will fall short of its housing targets over the period to 2025 (6,696 dwellings), by around 1,323 dwellings.**

This projected undersupply coupled with our estimated existing latent demand further increases the need for additional residential supply in order for the LGA to meet these dwelling targets and improve local affordability.

This can be achieved through accelerating housing supply within the LGA in appropriate locations like that proposed in the Planning Proposal.

⁴ Developments included are those which have a status of Construction, Development Approval, Development Application, Early Planning, Site Preparation in Progress and Building Application -- an allowance for 62 non-strata dwellings per annum has been applied. This is the average annual completion rate noted between 2016-20.

Figure 4: Residential supply versus demand 2016-25



Source: NSW DPIE Housing Monitor, CordellsConnect, HillPDA

4.3 Housing rental affordability

NSW Family and Community Services outline the eligibility criteria for affordable housing in their 2018/19 NSW Affordable Housing Ministerial Guidelines. In this document household income is the defining criteria for affordable housing eligibility, with the median income for Greater Sydney used as a benchmark.

The 2018/19 Guidelines define affordable housing for very low, low, and moderate income households. These categories have been applied to this analysis and are as follows:

- Very low-income households have incomes less than 50% of Greater Sydney median household income
- Low-income households have incomes more than 50% but less than 80% of Greater Sydney median household income
- Moderate income households have incomes between 80% and 120% of Greater Sydney median household income.

Based on household income the affordable housing thresholds have been calculated as follows.

Table 6: Household income and affordability Liverpool LGA

Category	Household income	
	Weekly	Yearly
Median income	\$2,116	\$110,032
Very low household income (50% of median household income)	\$1,058	\$55,016
Low household income (80% of median household income)	\$1,693	\$88,026
Moderate income household (120% of median household income)	\$2,539	\$132,038

Source: 2016 ABS Census, HillPDA

To assess the ability of very low income and low income households to meet the median rental repayment for the LGA, we applied the following methodology:

- Multiplied household incomes by 30%⁵ and divide by 52 to calculate the weekly rent that household can reasonably afford to pay without experiencing housing stress and
- Compared Step 1 to the LGA market rent in that year.

⁵ 30% of annual income directed towards rental repayment

4.3.1.1 Very low income household rental affordability

A very low income household Hornsby LGA, that is, a household that earns 50% of the median household income could afford to pay \$317/week on rental repayments in 2016. This was only 76% of the median market rent for a one-bedroom apartment, 62% of market rent for a two bedroom apartment and 52% of market rent for a three-bedroom apartment in the LGA.

This reveals that renting a one, two or three bedroom apartment is unaffordable for a very low income household.

4.3.1.2 Low income household rental affordability

A low income household, that is, a household that earns 80% of the household median income could afford to pay \$508/week on rental payments. This was 121% of the median market rent for a one-bedroom apartment, 100% of market rent for a two bedroom apartment and 83% of market rent for a three-bedroom apartment within the LGA.

This reveals that renting a three-bedroom apartment is likely unaffordable for a low low income household. While renting a two-bedroom apartment is on threshold the of becoming unaffordable.

If left unabated, the housing affordability gap will continue to widen. Increased residential supply can place downward pressure on housing prices and rents. The advancement of the Planning Proposal would increase dwelling supply and capacity within the LGA helping to alleviate the housing affordability gap and rental stress.

Table 7: Rental affordability against Hornsby LGA median household income - 2016

Year	Very low household income at 50% of median household income	Low household income at 80% of median household income
Median household income (2016)	\$80,600	\$80,600
Median household at affordability category	\$40,300	\$64,480
Rental affordability at 30% of median income	\$233	\$372
1-bedroom apartment market rent	\$340	\$340
Rental affordability as a proportion of market rent	69%	109%
2-bedroom apartment market rent	\$390	\$390
Rental affordability as a proportion of market rent	60%	95%
3-bedroom apartment market rent	\$480	\$480
Rental affordability as a proportion of market rent	49%	78%

Source: 2016 ABS, NSW Department of Housing rent tables, HillPDA *30% of household income directed towards rental payments

4.4 Housing diversity

Detached houses have remained the dominant dwelling type within the LGA over the ten-year period from 2006. In 2016 of the 48,445 occupied private dwellings, only 8,550 dwellings or 18% were apartments. This proportion is lower than 28% for Greater Sydney.

The Planning Proposal would be contributing to the LGA increasing its housing diversity, a key local and State planning objective.

Table 8: Dwelling typology 2006-16

Dwelling typology	Hornsby			Greater Sydney
	2006	2011	2016	2016
Separate house	76%	76%	73%	57%
Semi-detached	8%	8%	9%	14%
Apartment	15%	16%	18%	28%

Source: ABS 2016 time series data and quick stats

4.4.1 Household projections

Profile.id projects Hornsby LGA will accommodate an additional 14,295 households by 2036. Of this, around 10,070 households or 70% was attributed to lone persons, couples without dependents and single parents. The Planning Proposal would increase housing affordability and provide alternatives to detached housing for smaller households, as housing preferences change.

As such, the Planning Proposal would be providing a dwelling type and mix that would cater to the changing characteristics of the local community.

Table 9: Hornsby household projections 2016-36

Household type	2016	2026	2036	Change
Couple families with dependents	22,592	24,298	25,756	3,164
Couples without dependents	11,786	14,010	15,716	3,930
Group households	1,026	1,310	1,626	600
Lone person households	8,545	11,380	13,645	5,100
One parent family	3,985	4,550	5,026	1,041
Other families	1,930	2,200	2,388	458
Total	49,864	57,748	64,157	14,293

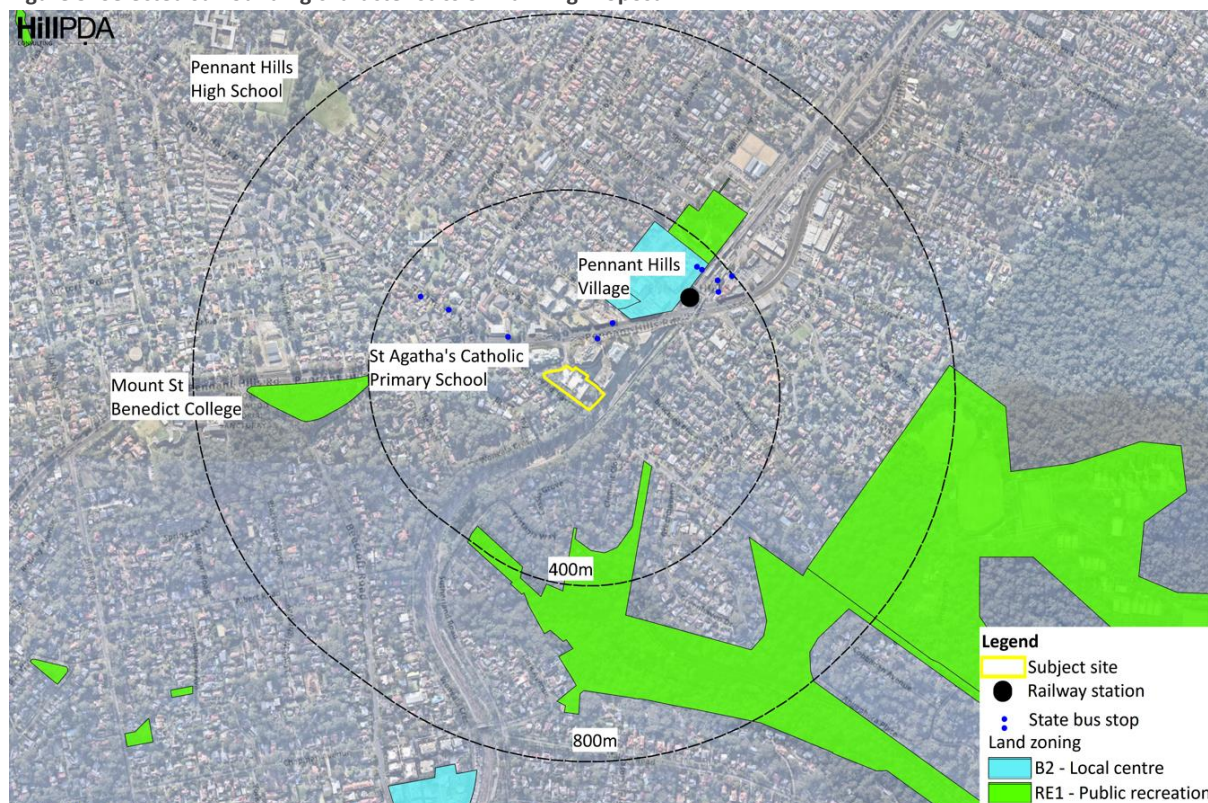
Source: Profile.id

4.5 Other locational attributes

In providing justification for the provision of residential dwellings in the locality, there are a few other locational factors for consideration. These include the following:

- The subject site is a walkable distance existing transport infrastructure and is within 400 metres of Pennant Hills railway station and ten State bus stops.
- The connectivity of the subject site precinct through existing transport infrastructure and planning connections allows future residents increased accessibility to employment, retail facilities and public infrastructure surrounding the area and throughout Sydney.
- The site is near several public and private schools.
- The site is near several public and private recreation areas.
- Will enable an appropriate transition to an established residential precinct.

Figure 5: Selected surrounding characteristics of Planning Proposal



Source: HillPDA

5.0 COMMERCIAL VIABILITY ASSESSMENT

5.1 The commercial office market

The commercial office market across Sydney has experienced stable conditions for rental and capital growth over the five years leading to COVID-19. As of 2019, there were over 8 million square metres of office floorspace across Sydney's major commercial centres.⁶ By far, the largest commercial centres are the Sydney CBD followed by Macquarie Park, North Sydney and Parramatta.

Across Sydney, the historical average vacancy rate had hovered around 8-9%. Secondary centres such as Chatswood, St Leonards and Epping were generally higher than the major centres.

Through the 1980s to 2010, the Sydney commercial office market had seen many companies move away from CBD locations to business parks such as Macquarie Park, Norwest and Sydney Olympic Park to take advantage of lower costs and larger floorplates. In the decade prior to COVID-19, office tenants moved back into CBD and CBD fringe locations such as Pyrmont, Redfern and Surry Hills because of better amenity and transport that help to improve key staff retention and attraction.

The COVID-19 pandemic has had a huge impact and is likely to have a long-term impact to both the Sydney CBD and the suburban office market due to its behavioural change to office place flexibility. Of relevance to the forecasting of commercial floorspace requirements has been increased working from home rates.

During the pandemic, across Australia, around 30% of commercial office employees worked from home to slow the spread of the virus. In Sydney and Melbourne, this resulted in widespread office vacancies and greater internet/broadband network strain.

A survey undertaken for Infrastructure Australia into COVID-19 impacts found that:

- The proportion of respondents who wish to work from home once per week or more has grown from 27% prior to COVID-19 to 42% post-COVID-19.
- Around 15% of employees surveyed would like to increase their level of working from home post-COVID-19 compared with pre-COVID-19 levels.

As the workplace becomes more flexible with more employees working remotely from home, office space requirements are likely to be reduced to reflect this new demand while any new space will need to offer increased amenity and services to incentive employees back into the office⁷.

Additional research undertaken by Investa has concluded that the impact of increased working from home rates would likely see a reduction in commercial office space within CBD locations of up to 15%. This estimate is based on the prospect of staff working from home between two and two and half days a week, an increase of one to two days when compared to pre-COVID-19 levels of working from home⁸.

The estimate also considers the offset to softer demand from the likely increase in workspace ratios – anywhere between 10-20% – as greater amounts of space are earmarked for collaborative work and meetings.

These impacts we believe may require the commercial precinct, which includes subject site, be considered for a transition from a predominant office space precinct to a more mixed-use location which includes a range of uses such as serviced apartments, hotels, residential built for rent, retail (limited), residential, cultural, community

⁶ Sydney CBD, Macquarie Park, North Sydney, Parramatta, St Leonard's/Crows Nest and Chatswood

⁷ "Work from home trend eats into office demand", Financial Review, Nick Lenaghan 18th of January 2020

⁸ Investa Property Group is a company that delivers end-to-end property management for commercial real estate assets, located in the core Australian CBD markets

and entertainment uses and more flexible style of office space to accommodate the behavioural change in the workplace flexibility.

5.2 The office market along the Main Northern Railway Line

There are stand alone office buildings in the commercial centres of Eastwood, Epping, Thornleigh and Pennant Hills that were largely constructed in the 1970s and 1980s. Since the recession in the early 1990s there has been little addition to supply. The experience has been similar in other suburban locations including Chatswood, Penrith, Blacktown, Liverpool and Hurstville. Since the recession of the early 1990s the viability of developing stand-alone office buildings in these suburban centres has been difficult. Up to COVID-19 the market shifted back to the Sydney CBD and to other particular locations that have enjoyed strong levels of business agglomeration including Macquarie Park, Parramatta and Norwest. No longer are corporate headquarters, such as Westpac, seeking suburban locations for new office space.

The centres along the Main Northern Railway Line offer competitively priced commercial office space relative to other markets such as Macquarie Park, Chatswood and Parramatta. Notwithstanding these competitive advantages a withdrawal of office space has been witnessed in recent years owing to factors such as:

- Changes in the economic climate;
- The nature of building stock;
- Increased competition from higher-order nearby commercial centres (such as Macquarie Park, Norwest, Chatswood, Parramatta) which possess significant competitive advantages over the smaller centres along the main northern line;
- Lack of critical mass and business agglomeration; and
- The growing perception these centres are residential and service focused centres as opposed to a prestigious office centres.

Demand for office space from larger companies and institutional investors is weak. These businesses are choosing alternative locations such as North Ryde / Macquarie Park, Chatswood, Parramatta, Norwest and Sydney CBD owing to their newer and more efficiently designed buildings, agglomeration benefits and access to superior amenity. In comparison, the Eastwood to Thornleigh corridor has a growing proportion of ageing stock that is not attractive to new market entrants or for redevelopment as end sale values which barely cover the cost of delivery.

Further consultation with real estate agents indicated there is some demand for secondary commercial space in these locations. The secondary commercial market differs notably from the prime commercial office space focussed on providing services to the local population including finance and accounting practices, medical practices, dental surgeries, chiropractic services, beauty services, travel, real estate and the like) as well as day cares and colleges / education. This demand is largely consistent with the growing perception that these centres are residential and local service centre. Larger companies which require larger floorplates are typically drawn to locations such as Macquarie Park attracted by business agglomeration.

In some locations such as Epping there has been contraction of office space with the removal of the old Westpac building and the former business centre on Beecroft Road (that was used as a construction site for the Metro). Epping is a stronger market than Pennant Hills because:

- It is closer to Sydney CBD, Parramatta and Macquarie Park
- It is on the same rail line as Pennant Hills but also has express trains and inter-city trains into Central
- It is also on the Metro line with trains in peak times running every 4 minutes

- It has express bus services to city as well as Chatswood and St Leonards
- Finally, it has a stronger retail offer, services and amenity for workers

Despite these advantages it has been difficult to lease office space in Epping. HillPDA surveyed the centre in October 2019 shortly before COVID-19. It had around 30,000sqm of non-shop front office space and the vacancy level was high as shown in the table immediately below.

Table 10: Office space in Epping

Building	GFA Sqm	Vacant Suites	Vacant (sqm)*
61 Rawson St	5,500	7	3,050
51 Rawson	3,700	5	468
41 Rawson	1,500		
16-18 Bridge St	2,600	1	630
2 Pembroke	1,600	2	320
37-41 Oxford St	5,200		
44-46 Oxford St	1,700	1	1,700
6 Cambridge St	2,300		
16 Cambridge St	1,800	3	900
Other	4,000	2	83
Total	29,900	21	7,151

* Total of all office suites available for lease on realcommercial.com.au as of 4 October 2019

Vacant space was estimated at 24% sourced from on-site survey and a search through realcommercial.com.au. Given the likely long term impacts of COVID-19 on the suburban office market and that the subject site in Pennant Hills is an inferior location there is a high likelihood of long term vacancies in Pennant Hills with any new speculative office development.

5.3 Commercial office market in Pennant Hills

The Pennant Hills Centre is generally defined by the B2 shopping centre and surrounding B6 zoning around the Pennant Hills Railway Station. Pennant Hills Road provides an arterial accessway through the centre. With the completion of the North-Connex link from the M1 Pacific Motorway to the M2 Hill Motorway, relocation of traffic from Pennant Hills will provide significant environmental benefits, easing traffic on Pennant Hills Road for further opportunities. Council investigations on the Pennant Hills Town Centre Review and medium density housing investigations may provide additional opportunities for the centre. HillPDA's high level desktop audit using a combination of data sources including, Google, Real commercial, Commercial Real Estate and RPData indicates that Pennant Hills Town Centre has 174 businesses in the Commercial and business zoned lots surrounding Pennant Hills Railway Station. Of these 174 businesses, 52 are retailers (including bulky goods), 30 Food services, 23 provide personal services (for example hair and beauty, gym, laundromats), 27 health and allied health services, 22 professional services (financial, real estate, accounting) and 21 other services. Real commercial indicates 7 commercial vacancies at the time of this study in August 2021.

Figure 6: Pennant Hills Town Centre desktop audit of commercial space



HillPDA, 2021 desktop audit, 2021/Google/CoreLogic

HillPDA's research indicates that there is approximately 532sqm of retail shop front floor space vacant in the centre at the time of writing in August 2021. This comprises of 5 retail shopfront listings on realcommercial.com.au. The total business count data sourced from Google and Corelogic indicates a total of 105 retail, food services and personal service businesses operational during this time. This is a 4.5% vacancy rate on total number of businesses. This indicates a relatively healthy retail landscape in the Pennant Hills Town Centre.

There are multiple large format commercial offerings in the Pennant Hills Town Centre situated close the subject site at 7 City View Road (Site), 1 City View Road, 240 Pennant Hills Road, 380 Pennant Hills Road (Pennant Hills Business Centre) and 423 Pennant Hills Road. There is a total of 10,377sqm of vacant commercial floorspace according to realcommercial.com.au tabulated in the table below. Apart from the large commercial buildings just listed, the centre comprises of primarily small shopfront and population serving commercial offices with generally 1-2 storeys. Considering the significant 10,377sqm of vacant floorspace which is estimated to represent almost half the total commercial floorspace of the centre the commercial office landscape in Pennant Hills

significantly underperforms compared to its retail counterpart. The following table shows the vacant commercial listings on realcommercial.com.au at the time of writing in August of 2021.

Table 1: Vacant floorspace in Pennant Hills

Building	Type	Total building floorspace (NLA) sqm	Vacant Suites	Total vacant floorspace (NLA) sqm
1 City View Road	Office	8,484	3	2,798
7 City View Road (Site)	Office	7,124	-	7,124
2 Hillcrest Road	Office	-	2	138
7/5 Hillcrest Road	Office	-	1	117
4-10 Hillcrest Road, Pennant Hills	Office	-	2	200
Total				10,377
74 Yarrara Road	Retail	-	1	130
10/354-356 Pennant Hills Road	Retail	-	1	53
354-356 Pennant Hills Road	Retail	-	1	32
2 City View Road	Retail	-	1	257
Shop 6 & 7, 5 Hillcrest Road	Retail	-	2	60
Total				532

* Total commercial floorspace available for lease on realcommercial.com.au as at 4 August, 2021

Based on employment projections in Pennant Hills over the next 17 years (covered in section 3.4), the office floorspace demand is 3,168sqm. This is equivalent to 186 sqm per annum forecast net absorption. Therefore, based on 10,377sqm of vacant commercial floorspace, this is equivalent to 55 years supply of commercial office floorspace.

The Colliers Metro Office report foresees a further increase in vacancy rates in Macquarie Park, southeast of the site. The Net face rent in Macquarie Park is at around \$425 and projected to increase, while limited market evidence in Pennant Hills indicates a net rental rate of around \$400/sqm of commercial floorspace.

Table 11: Office market summary

Address	Vacancy rate		Net supply (sqm)	Incentives		Net face rent	
	Jan-21	Jan-22		Mar-21	Mar-22	Mar-21	Mar-22
North Sydney	19.5%	13.2%	102,256	33%	32%	\$830	\$837
St Leonards	12.8%	17.6%	31,230	32%	32%	\$655	\$663
Chatswood	13.0%	13.4%	-5,570	29%	28%	\$650	\$658
Macquarie Park	9.6%	12.3%	45,676	29%	28%	\$425	\$430
Norwest	N/A	N/A	N/A	30%	29%	\$355	\$357
Parramatta	6.4%	15.6%	41,105	29%	32%	\$565	\$571
SOP	N/A	N/A	N/A	29%	29%	\$436	\$439
Rhodes	N/A	N/A	N/A	33%	32%	\$452	\$455
South Sydney	N/A	N/A	N/A	25%	24%	\$425	\$428
CBD Fringe	N/A	N/A	N/A	26%	25%	\$725	\$731
*Pennant hills	N/A	N/A	-	*25-30%	-	*\$400	-

Source: Colliers Metro Office Report, first half 2021

*Source: CoreLogic 2020 and HillPDA 2021

Vacant floorspace in Pennant Hills was sourced through a search on realcommercial.com.au and commercialrealestate.com.au. Given that the subject site is an inferior location to the other comparable areas analysed, there is considerable risk and probability of long-term vacancies for any office space on the subject site. Additionally with uncertainty around the ongoing COVID 19 pandemic and emerging trends like work from home practices, there is additional risk for long term vacancies. The Colliers Metro Office report for H1 2021 predicts an increase in vacancy rates in Macquarie Park, Chatswood, and Parramatta.

5.4 Feasibility of commercial development

Feasibility has significant implications on the planning of an area as it is central to the likelihood of redevelopment. It is unrealistic to set planning targets (such as housing, jobs, etc) that cannot be delivered if development is unviable.

6.25% is a typical yield for new office space in the suburbs based on HillPDA market research and the various agency reports including Savills, JLL, Colliers International and Knight Frank. The estimated construction costs for a commercial floorspace of 4 to 6 levels over semi-basement parking is calculated in the below table. Construction costs were sourced from Rawlinsons Construction Handbook 2017 and RLB Digest 2017 being shell and finished core (including lifts and toilets). An allowance for fitout incentives was included at \$500/sqm.

Table 12: Feasibility of Commercial (office) Floor Space

Demolition	6,500	sqm @	\$150	/sqm	\$975,000
Fully enclosed building area	10,833	sqm @	\$2,700	/sqm	\$29,250,000
Semi-basement Parking	204	cars @	\$40,000	/car	\$8,160,000
Site costs, external works & services	3%				\$1,152,000
On-Costs (including interest)	22%				\$8,698,000
Plus Development Margin	15%				\$10,612,000
Fitout / Incentives	8,288	sqm @	\$500	/sqm	\$4,144,000
Total					\$62,991,000

Source: Rawlinsons Construction Handbook 2020 and RLB Digest 2020;

* assumes 4-5 storey development and an efficiency ratio (GLA to GFA) of 85%

This translates to a cost of around \$7,400/sqm net saleable area (assuming 87.5% efficiency or GLA to GFA ratio) before the inclusion of land costs. With an end sale value of around \$7,200/sqm (\$450/sqm net rent by 6.25% capitalisation rate) a multi-level office building is clearly not viable. The feasibility is stronger in competing centres such as Parramatta where higher effective rents and lower yields result in end sale values above \$9,000/sqm. The above numbers clearly demonstrate the lack of feasibility with commercial office development in Pennant Hills. Pennant Hills is unable to compete with superior centres such as Parramatta, Norwest and Macquarie Park where business agglomeration, amenity and public transport infrastructure is superior.

6.0 ECONOMIC IMPACT ASSESSMENT

The following Chapter assesses and where possible quantifies the potential economic impacts of the Planning Proposal measured against the “do nothing” or “retain current zoning” option. Economic metrics estimates include employment, wages, GVA and construction multipliers (associated with the construction of the Proposal).

6.1 Current economic contribution of subject site – Base Case

The subject site currently provides 6,225sqm NLA of vacant commercial floorspace. Given the current state with COVID-19 and the restrictions the space is likely to remain vacant in the foreseeable future. However, to assess the full economic potential of the existing uses on site, this space is assumed to be fully occupied under the base case.

As such, based on average industry employment densities for commercial floorspace, the existing uses on site could accommodate around **249 jobs**⁹. It is estimated that these jobs could generate an estimated \$19.6 million in salaries¹⁰ and contribute \$27.2 million in GVA per annum¹¹.

6.2 Economic contribution of the planning proposal

The following section estimates the potential economic contribution of the Proposal once the land uses are fully operational as compared to the “do nothing” or “base case” scenario. Potential economic activity generated during the construction phase is also assessed.

6.2.1 Employment

The Proposal would support permanent employment post-construction in two ways. Firstly, the provision of around 4,020sqm of employment generating NLA would accommodate jobs in high demand industries including professional services and community services. Secondly, there would be employment associated with the 77 residential dwellings and 28 senior living dwellings provided on-site.

The table below provides an estimate of the number of jobs that would be supported on the subject site in accordance with the Proposal.

Table 13: Potential employment generation

Land use	Floorspace	Employment density*	No. of workers
Commercial Office	3,450sqm	1 / 14sqm	246
Community uses	570sqm	1 / 35sqm	16
Seniors living	28 dwelling	0.4 workers per key	11
Work at home**	77 dwellings	1 / 12.7 dwellings	6
Total Employment			280

* Sources include ABS Retail Survey 1998-99, IBIS World reports and Hill PDA Research;** Work at Home: 7.6% of workers undertake majority of their work at home (ABS Locations of Work 2008 Cat 6275.0) and assuming 1.07 working residents per household translates to 1 job per 12.7 occupied dwellings. Assumed 90% efficiency from GFA to NLA

⁹ Assumes a employment density of 1 worker per 25sqm to reflect the less efficient use of space in such buildings, when compared to purpose-designed modern accommodation. JLL has also noted how inefficient and unaligned the current space is to tenants needs.

¹⁰ Weight average salary of comparable Professional Services and Admin and Support Services as sourced from IBIS World reports.

¹¹ Weight average GVA of comparable Professional Services and Admin and Support Services as sourced from IBIS World reports.

The Proposal has the capacity to accommodate around 280 jobs following building completion. As such, the Proposal could support 31 more jobs than the base case (i.e. assuming the existing building is fully occupied), which equates to a 12% increase in job potential.

6.2.2 Worker estimated salaries

The total potential remuneration of workers on-site in accordance with the proposal is estimated at \$21.2 million, as shown in the table below. This is \$1.7 million more in remuneration than the base case.

Table 14: Potential salaries

Land use	No. of workers	Average wage	Total wage generation (\$m)
Commercial Office Suites	246	\$78,534	\$19.4
Community	16	\$51,320	\$0.8
Seniors living	11	\$62,906	\$0.7
Work at Home	6	\$60,000	\$0.4
Total Remuneration	280		\$21.2

Source: IBIS World Industry Reports

6.2.3 Gross Value Added

Gross value added of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the wealth of the country, state or region – its contribution to gross regional product (GRP).

We estimate the potential gross value added from the employment generating uses in accordance with the Proposal to be in the order of \$29.1 million every year as shown in the table below. This is \$1.9 million above the base case.

Table 15: Gross Value Added

Land use	No. of workers	GVA/worker	Total GVA (\$m)
Commercial Office Suites	246	\$109,125	\$26.9
Community	16	\$58,260	\$0.9
Seniors living	11	\$69,670	\$0.8
Work at Home	6	\$74,400	\$0.4
Total GVA	280		\$29.1

Source: IBIS World Industry Reports and HillPDA Estimate.

6.2.4 Resident population retail and floorspace generation

The additional residents in the locality from the residential component of the proposal will also generate an increase in retail expenditure. This provides additional economic benefits in the LGA through (1) supporting the viability and vibrancy of local retail shops especially those proposed in the nearby town centre and (2) generating employment indirectly.

Assuming a 5% vacancy rate and average persons per residential dwelling of 2.2 and 1.3 per seniors dwelling, it is estimated that a population of around 181 could be supported on-site. Assuming an average retail expenditure of \$16,225 per capita for residents across the Hornsby LGA in 2025 and half of that for senior living residents, it is estimated that total annual household expenditure would be \$2.9 million. We would expect a large proportion of this expenditure (around one half) would be directed towards existing businesses in Pennant Hills.

6.3 Economic impacts from construction

This section assesses the potential economic benefits during construction. The economic impacts of the construction stage are based on the estimated total construction cost of around \$76 million. This estimate has been sourced from Rawlinson Construction Handbook 2020 and calculated as follows:

Table 16: Estimated construction cost

Component	No.	Units	\$/unit	\$m
Demolition and clearing	7,125	sqm	\$150	\$1.1
Employment space including fitout costs	4,467	sqm	\$2,900	\$13.0
Residential dwellings	14,581	sqm	\$3,500	\$51.0
Car Parking*	190	spaces	\$40,000	\$7.6
Site costs, external works and services @ 2.5%				\$1.9
Contingencies @ 10%				\$8.0
Total				\$86.0

The construction industry is a significant component of the economy, accounting for 5.96% of Gross Domestic Product (GDP) and employing just over one million workers across Australia¹². The industry has strong linkages with other sectors, so the impacts on the economy go further than the direct contribution of construction. This is known as the multiplier effect. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of effects captured by multipliers:

Production Induced Effects: which is made up of:

- *Direct effects:* which constitutes all outputs and employment required to produce the inputs for construction, and
- *Indirect effects:* which is the induced extra output and employment from all industries to support the increased production of the construction sector.

Consumption Induced Effects: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

The modelling for this report is based on the Australian National Accounts and has adjusted these effects for industry size relative to the Hornsby LGA and calculated the direct, indirect, and induced effects of construction expenditure as well as industry output and employment job creation.

6.3.1 Construction – output impact

The Proposal will have a direct impact on construction output as well as indirectly stimulating other industries which assist in production or cater to increased consumption.

The table below details the output multipliers and shows the impact of the change in demand generated by the development and the impact on the Hornsby LGA production and consumption in the first year of operation. These multipliers reflect the size of local industries based on 2016 Census data. The forecast increase in total output in the Hornsby LGA is approximately \$134 million, as shown in the table below.

¹² Source: IBIS World Construction Industry Report 2018

Table 17: Construction output impact (\$m)

	Direct effects	Production induced effect	Consumption induced effect	Total
Output multipliers	1	0.220	0.334	1.554
Output (\$million)	\$86	\$19	\$29	\$134

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2017-18 (ABS Pub: 5209.0), ABS Census 2016 Data

6.3.2 Construction – Gross Value Added (GVA) impact

The Gross Value Added (GVA) of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the regions' wealth or gross regional product (GRP).

The proposed construction would directly contribute around \$23 million to the Hornsby's GRP. Including the multiplier impacts, a total of \$42 million would be contributed to the Hornsby's GRP (measured in 2020 dollars) based on the Hornsby LGA multipliers in the table below.

Table 18: Construction Gross Value Added impact

	Direct effects	Production induced effect	Consumption induced effect	Total
GVA multipliers	0.30	0.09	0.17	0.56
GVA (\$million)	\$26	\$8	\$15	\$48

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2017-18 (ABS Pub: 5209.0), ABS Census 2016 Data

6.3.3 Construction – job creation

Every million dollars of construction work undertaken generates 2.32 job years directly in construction in the Hornsby LGA¹³. Based on the estimated construction cost, 177 on-site job years¹⁴ would be directly generated by the proposed development as shown in the table below. Of this number, it is estimated that 72 on-site job years will be provided for Hornsby residents (given local job catchment rates in the construction industry).

The Australian National Accounts, readjusted with local Census data, identified the Hornsby employment multipliers for production support and consumption induced effects of 0.50 and 0.70 respectively for every job year in direct construction. Including the multiplier impacts, the proposed development is forecast to generate a total of 268 job years directly and indirectly in construction. Of these jobs, which span across multiple industries, it is estimated that 115 would be taken up by Hornsby residents. The table below shows the expected job generation from the Proposal's development.

Table 19: Construction employment impact

	Direct effects	Production induced effect	Consumption induced effect	Total
Employment multipliers	2.32	0.50	0.70	3.52
Job creation (total)	200	43	60	303
Job creation (for Hornsby residents)	81	19	28	130

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2017-18 (ABS Pub: 5209.0), ABS Census 2016 Data

¹³ Source: ABS Australian National Accounts: Input – Output Tables 2015-16 (ABS Pub: 5209.0) adjusted to 2019 dollars

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

6.3.4 Construction – wage revenue generated

The national income multipliers have been adjusted in the below table to reflect the Hornsby LGA median wages across relevant industries. Given the median wage in the construction industry in the Hornsby LGA, on-site remuneration is expected to be approximately \$10 million. It is estimated that \$4 million of this total remuneration will be paid to Hornsby LGA residents. Along with the direct on-site impact, the additional wage revenue created in the region through assisting industries and those catering to increased demand is estimated at approximately \$15 million. Hornsby LGA residents would receive \$6 million of that total as shown in the table below.

Table 20: Construction income impact

	Direct effects	Production induced effects	Consumption induced effects	Total
Income multipliers (per \$m of construction)	0.14	0.03	0.03	0.20
Income (\$million) (Total)	11	2	2	17
Income (\$m) (Hornsby residents)	5	1	1	7

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2017-18 (ABS Pub: 5209.0), ABS Census 2016 Data

6.3.5 Other construction impacts

The construction process may lead to short-term negative impacts in the locality, such as increased traffic, noise, dust and so on. We have assumed that the development would take the necessary steps to mitigate the extent of these impacts.

6.4 Summary and implication

The below table summarises the economic benefits of retaining the subject sites' current uses in comparison to the development of the subject site in accordance with the Proposal.

Table 21: Economic Impact of the Proposal

	Proposal	Net Increase over base case
Total jobs created on-site	280	31
Total staff remuneration (\$m/annum)	\$21.2	\$1.7
Gross Value Added (\$m/annum)	\$29.1	\$1.9
Resident retail expenditure (\$m/annum)	\$2.9	\$2.9
Construction costs (\$m)	\$86	\$86
Total economic output generated by construction (\$m)	\$134	\$134
Total GVA generated during construction (\$m)	\$48	\$48
Total job years generated from construction	311	311

6.5 Value of public benefits

Public benefits to be provided as part of the development have been identified and valued at around \$10.5 million. The components are detailed as follows:

6.5.1 Pocket park

An area of around 700sqm would be either dedicated as open space but retained and maintained by strata or made available for public recreation. There are two components to the value of the pocket park – the value of

the airspace and the embellishment costs. The airspace reflects the opportunity cost of the land as a development site. The entire lot has a statutory unimproved land value of \$13m (around \$2,000/sqm). Assuming three years project life with an interest charge of 6% per annum plus a 16% development margin would bring the value of the site to around \$18m by project end which equates to almost \$2,800/sqm.

Embellishment costs are assumed at \$1,200/sqm bringing the total to \$4,000/sqm. 700sqm of pocket park will therefore have an end value of \$2.8 million.

6.5.2 Community space

While the details of ownership and management are yet to be resolved we understand that Council is supportive of the concept and that the space would be used for meetings, galleries, workshops, health and wellbeing courses and other community activities for not only residents and workers in the building but for the wider community in Pennant Hills and beyond.

A high level estimate of value is around \$4 million based on 570sqm by \$7,000/sqm. The rate per square metre is equivalent to new office space with a market net rent of \$425 to \$450/sqm capitalised at 6.25%.

6.5.3 Start-up / incubator space

The details of ownership and management this space is still to be resolved/negotiated under a VPA but we understand the intention is to provide affordable rental space for start-up businesses. If we assumed a 50% discount on rental income over say a 10 year period then this calculates to a benefit for the wider community of \$0.5 million.

6.5.4 Affordable housing

The details are still to be negotiated as part of the VPA but assuming 3 apartments are dedicated to Council or CHP (4% of total apartments) then the monetarised value is the market value of those apartments if sold immediately after registration. Assuming \$850,000 per apartment this amounts to \$2.6 million. The alternative may be a build-to-rent scheme which could possibly deliver a higher number of apartments without impacting development feasibility.

6.5.5 Noise attenuation wall

We understand development would include a wall to mitigate noise at the western end of Wongala Crescent (adjacent Pennant Hills Road), and possibly along part of the rail corridor. The cost would be around \$200-300,000. The RMS and State Rail controls these lands and hence the developer may provide a monetary contribution rather than carry out the works – the details of which remain to be resolved / negotiated as part of the VPA.

6.5.6 Safety mitigation

We understand development would include pedestrian safety and amenity improvements at the City View Road/Pennant Hills Road intersection and possible extending along Pennant Hills Road to the station. This would include fencing at the intersection and along Pennant Hills Road to prevent pedestrians from stepping onto the roadway. Also, some hedge plantings would be carried out along the northern side of the road frontage to the station precinct. Estimated cost is around \$150-250,000. As the RMS controls these lands the developer may provide a monetary contribution rather than carry out the works – the details of which remain to be resolved / negotiated as part of the VPA.

6.6 Financial benefits to whole of government

Financial benefit to whole of government from the proposed development is estimated at \$14.8 million as shown in the table immediately below.

Source of Revenue	Total (\$m)
GST from Residential Apartments ^{*1}	8.6
Stamp Duty Revenue ^{*2}	3.8
Developer Contributions ^{*3}	2.1
Payroll Tax during Construction ^{*4}	0.4
Total	14.9

^{*1} Assuming average apartment sale price of \$900,000

^{*2} Assuming average apartment sale price of \$900,000

^{*3} Section 7.11 charges (Hornsby Shire Council)

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

6.7 Other economic benefits

6.7.1 Investment stimulus

Where a significant property investment decision has been made, it is generally viewed as a strong positive commitment for the local area. Such an investment can, in turn, stimulate and attract further investment. Development of the Planning Proposal would support a wide range of economic multipliers which would, in turn, support investment in associated industries. It would also raise the profile of Pennant Hills for potential investors.

The Planning Proposal would create additional business opportunities in this locality associated with future residents and employment floorspace on site. It would increase the profile of this area and, in so doing, increase the financial feasibility of mixed-use developments, potentially acting as a catalyst on surrounding sites.

6.7.2 Jobs closer to home

The Planning Proposal would provide additional employment opportunities for residents living both within the Pennant Hills locality and the wider Hornsby LGA.

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

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

This concept forms the basis of the 30-minute city a clear objective of State planning policies. The Planning Proposal would be helping achieve this planning objective.

6.7.3 Activation

The construction of a mixed-use development comprising uses such as commercial, retail, community space and residential located in Pennant Hills would create increased pedestrian traffic having the effect of further activating the local area. This street activation would have the benefits of increasing passive security, increasing trade for retailers through increased passing trade; increased use of natural (passive) areas or space to the current and future community and increase investment within the local area.

6.7.4 Replacing old with new

The redevelopment of the subject site would be replacing older style disburse buildings, with 98 residential dwellings, modernised commercial floorspace, higher amenity and quality urban outcomes as well as public enhancements. The Proposal will lead to stronger economic outcome while also attaining various State and local planning and economic objectives.

6.7.5 Housing supply

With a rapidly growing residential population, the supply of housing, particularly housing more in line with its increasing number of lone person and couple only households, is required over the coming decades. The Planning Proposal would deliver 77 new residential apartments and 28 ILUs in the locality, creating additional housing supply in an appropriate location close to existing transport nodes.

The LHS states that Hornsby LGA's population is predicted to reach 179,582 by 2036. This represents an increase of nearly 32,000 people between 2016-36. To house this population there will be a corresponding need for an additional 14,879 new homes by 2036, representing a required annual increase of 744 dwellings over the period. The Planning Proposal will contribute towards meeting these targets.

6.7.6 Housing choice

Providing a diverse range of housing options suiting a wide variety of household types, including apartment living will also promote a more diverse community which is arguably more sustainable in the long term, as they are able to maintain a range of services and facilities useful to all age groups. Apartments also offer a more affordable housing alternative to detached houses. The changing demographic, profile and household composition also support the provision of more affordable apartment-style dwellings near essential services. The Planning Proposal can provide this.

6.7.7 Other Considerations

The development of the Subject Site would be expected to provide other benefits at the community level, including the following:

- Enhanced service facilities for local residents and visitors
- Provision of greater employment self-sufficiency in the Pennant Hills region
- More workers and residents in the locality will generate expenditure on retail goods and services to the benefit of existing businesses in the Pennant Hills town centre.

APPENDIX A : MARKET RESEARCH

Commercial Sales Evidence

Due to the limited number of new commercial buildings in Pennant Hills, the market evidence analysis considers comparable commercial establishments in neighbouring suburbs with more commercial activity like Epping, Hornsby, Macquarie Park and Thornleigh. It is important to note that rents and sale rates achieved in these areas may not necessarily be achieved in Pennant Hills as these comparable commercial centres are in many cases considered superior to Pennant Hills, offering better amenity and infrastructure than the subject site. These rates are therefore used as a benchmark due to limited evidence available in Pennant Hills.

The table below shows recent freehold strata transactions, which indicate a capital value range of \$5,335-\$8,407/sqm of NSA for commercial. The net sellable area on a per square metre basis is heavily influenced by their location, yield, improvements, proximity to customers and transport infrastructure.

Commercial sales evidence

Address	Suburb	Sale date	Sale price	NSA (sqm)	Rate (\$/sqm)	Comments
16/265-271 Pennant Hills Road	Thornleigh	Mar-21	\$225,000	40	\$5,625	An older office suite located adjacent to Comenarra Parkway and the M1.
11-15/295-299 Pennant Hills Road	Thornleigh	Jun-20	-	681	-	-
2/2 Pembroke Street Epping	Epping	Jun-19	\$1,530,000	182	\$8,407	Office suite in heart of Epping across from Epping Railway Station. Superior location to the subject site.
3/2 Pembroke Street Epping	Epping	Jun-19	\$1,530,000	-	-	-
9/293-299 Pennant Hills Road	Thornleigh	Oct-19	\$426,800	80	\$5335	Office located on ground floor across from Pennant Hills Railway Station

Source: CoreLogic 2020 and HillPDA 2020

The evidence above suggests a capital value of around \$7,000/sqm of NSA would be reasonable. It is important to note that these areas in some cases are situated in areas with better access and amenity and may not directly represent the end sale values that would be achieved in Pennant Hills, however serve as a benchmark.

Commercial Rental Evidence

The table below shows recent leasing transactions which indicate a net rental rate of \$350-\$495/sqm. The net leasable area (NLA) on a per square metre basis is heavily influenced by their location, yield, improvements, proximity to customers and transport infrastructure.

Commercial leasing evidence

Address	Suburb	Leased/For Lease	Date	NLA (sqm)	Rate \$/sqm	Incentives
L8/1 City View Road	Pennant Hills	For Lease	Feb-21	1398.4	\$400 net	Already fitted out
L9/1 City View Road	Pennant Hills	For Lease	Feb-21	1398.4	\$400 net	Already fitted out
L10/1 City View Road	Pennant Hills	For Lease	Feb-21	561.5	\$400 net	Already fitted out

36/74 Rawson Street	Epping	For Lease	Apr-21	62	\$483 net	-
15/265-271 Pennant Hills Road	Thornleigh	Leased	Jun-21	40	\$350 net	-
19/265-271 Pennant Hills Road	Thornleigh	Leased	May-21	131	\$495 net	-
11/7 Sefton Road	Thornleigh	For lease	Apr-21	40	\$300 net	-
L5/20 George Street	Hornsby	For Lease	-	196	\$280 - \$300 net	25-30% discount included
G/20 George Street	Hornsby	For Lease	-	79	\$280 - \$300 net	25-30% discount included
L1/20 George Street	Hornsby	For Lease	-	1013	\$280 - \$300 net	25-30% discount included
L3/20 George Street	Hornsby	Leased	-	351	\$280 - \$300 net	25-30% discount included

Source: CoreLogic 2020 and HillPDA 2020

Regarding leasing evidence, which we consider set the parameters by which the market rents may be determined, the evidence suggests that a gross rent of \$400-\$495/sqm of NLA would be reasonable for a new development, however it is important to note that Hornsby and Epping are considered superior locations and therefore rental rates achieved may not necessarily reflect those achieved in Pennant Hills.

Retail sales evidence

The table below shows recent freehold and strata transactions which indicate a range of \$7,000-\$11,000/sqm of NSA. The net sellable area on a per square metre basis is heavily influenced by their location, yield, improvements, proximity to customers and transport infrastructure.

Retail sales evidence

Address	Suburb	Sale date	Sale price	NSA (sqm)	Rate (\$/sqm)	Comments
9/26 Cambridge Street	Epping	Sep-20	\$1,300,000	185	\$7,027	A new ground floor retail shopfront, located at Epping's 'Poly Horizon'
11/28 Cambridge Street	Epping	Jul-20	\$371,250	47	\$7,898	A new ground floor retail shopfront, located at Epping's 'Poly Horizon'
35/74 Rawson Street	Epping	Oct-19	\$530,750	48	\$11,057	Mixed use building built in 2006 located across from Epping Railway Station.
3/1 Mooltan Avenue	Macquarie Park	Apr-14	\$849,000	84	\$10,107	Completed in 2018, ground floor shopfront

Source: CoreLogic 2020 and HillPDA 2020

The sales evidence suggests that a capital value of \$7,000-\$11,000/sqm of NSA would be reasonable for a new development, however the locations listed above are considered superior to Pennant Hills, meaning rates achieved above may not necessarily be achieved in Pennant Hills.

Retail rental evidence

The table below shows recent leasing transactions which indicate a net rental rate of \$333-\$378/sqm of NLA. The net leasable area on a per square metre basis is heavily influenced by their location, yield, improvements, proximity to customers and transport infrastructure.

Retail leasing evidence

Address	Suburb	Leased/For Lease	Date	NLA (sqm)	Rate \$/sqm
9/26 Cambridge Street	Epping	For Lease (OTM)	Apr-21	185	\$378
31-35 Epping Road	Macquarie Park	Leased	May-21	30	\$333
114A Herring Road	Macquarie Park	Leased	Feb-19	76	\$346

Source: CoreLogic 2020 and HillPDA 2020

Regarding leasing evidence, which we consider set the parameters by which the market rents may be determined, recent transactions suggest that an average gross rent of \$350/sqm of NLA would be reasonable for the site given redevelopment. However, it is important to note that Epping and Macquarie Park are considered superior locations and would therefore not necessarily reflect the rental rates achieved on site.

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