URBIS

ECONOMIC IMPACT ASSESSMENT

263-273 and 273A Coward Street and 76-82 Kent Road, Mascot

Prepared for

PERPETUAL CORPORATE TRUST LIMITED AS THE TRUSTEE OF THE LMLP 1 AND 2 TRUST

October 2023

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Urbis acknowledges the important contribution that Aboriginal and Torres Strait Islander people make in creating a strong and vibrant Australian society.

We acknowledge, in each of our offices, the Traditional Owners on whose land we stand.

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EXECUTIVE SUMMARY

This Economic Impact Assessment (EIA) has been prepared on behalf of Perpetual Corporate Trust Limited as the trustee of the LMLP 1 and 2 Trust (the Proponent) in support of a Planning Proposal request for the amendment to the floor space ratio (FSR) controls and provide additional land use activities for 263-273 and 273A Coward Street and 76-82 Kent Road, Mascot.

PLANNING PROPOSAL

The Proponent is seeking to amend the *Bayside Local Environmental Plan 2021* to increase the maximum floor space ratio of the site from 1.2:1 to 2:1 (or additional 76,018m^2) and permit additional land use activities within the E4 General Industrial zone. The amendments to the FSR would enable the redevelopment of the site to deliver critically needed industrial floor space close to Sydney Airport, Port Botany and the Sydney Central Business District (CBD). The additional land use activities are proposed to activate the Coward Street frontage and provide amenity for on-site employees and the locality.

The proposal is to redevelop the site in stages to accommodate continuation of the existing operations in the Qantas Sydney Distribution Centre (SDC) in accordance with the leaseback arrangements. Following the demolition of the existing site, the proposed new development will comprise:

- Four levels of warehouse or distribution centre tenancies with loading and manoeuvring areas
- Complementary offices and retail uses to activate the Coward Street frontage
- Ancillary car parking in multiple locations across the site.

A concept design has been prepared by Lacoste + Stevenson Architects and Paddock Studio (on behalf of the Proponent) which has informed the preparation of this EIA.

ECONOMIC IMPACT ASSESSMENTS

Economic impacts assessments were conducted on additional warehouse, office and retail floorspace within their respective catchments, with all uses found to have a positive or acceptable impact.

A summary of our findings for the potential future land uses from completing these assessments is provided below:

- **The warehouse floorspace (166,877 sq.m) will have a positive economic impact by:**
  - Facilitating the retention and optimal use of the existing employment lands supply
  - Addressing the current shortage of industrial floorspace
  - Helping to combat the growing rental and sales prices of industrial stock which are currently growing at rapid rates
  - Meeting the growing demand for future warehousing and logistics floorspace in a highly suitable location.
- **The office floorspace (11,558 sq.m of ancillary office and 8,047 sq.m of commercial office space or office premises) can be supported by the market and will have a positive economic impact by:**
  - Helping to address 23% of the 84,704 sq.m shortfall which is currently expected in 2030. As there is an expected shortfall, the additional office floorspace at the subject site will not have a negative impact on other office floorspace in the area.
  - As there is an expected shortfall, the current supply pipeline is not accommodating expected future demand, with a key reason being that land where commercial office floorspace is allowed is being favoured by developers for residential and mixed-use developments (with ground floor retail). As such, the potential floorspace at the subject site would ensure the delivery of office floorspace (and in particular commercial office space) which is not currently being accommodated in other suitable land zones.
  - Delivering ancillary office floorspace which is critical to the logistics businesses looking to be located within the subject site and the wider office catchment.

- Improving the current offer by contributing a critical mass of A-Grade commercial office space which will help attract new businesses into the precinct who are currently put off by the aging existing commercial stock.

- **The retail floorspace (1,400 sq.m) will not undermine the commercial viability of retail in other centres and precincts as the proposal is expected to have no more than 5.7% or less of trading impact on other retail centres and precincts. Further to these low impacts:**
  - Due to market growth the total overall trading performance of the main existing competitors (excluding Airport Takeaway food -0.3% lower) will be 0.3% to 25.4% higher than 2023 levels, (in real, $2023 dollar terms) even when accounting for the proposed retail at the subject site.

ECONOMIC BENEFITS

There are a range of economic benefits associated with the likely future development:

- Delivering 194 direct and 277 indirect construction jobs, and contributing $305.4 million in direct and indirect value added, to New South Wales over the four-year development phase.
- Delivering 1,358 direct jobs through the ongoing operation of the additional facilities on-site and a further 943 indirect jobs from flow-on effects.
- Directly contributing an average of $220.3 million in value added, and indirectly contributing a further $164.1 million in value added, to the New South Wales economy on an annual ongoing basis.

In addition to supporting additional employment and economic growth the proposal would provide a range of other economic benefits, which are difficult to quantify, including:

- Improving amenity for workers in Mascot, which will greatly improve the competitive positioning of the area in being able to attract new workers and businesses
- Improving wellbeing outcomes for workers
- Improving environmental, social and governance (ESG) outcomes for the subject site.

The Planning Proposal should therefore be supported from an economic and market perspective.

INTRODUCTION

This Economic Impact Assessment (EIA) has been prepared on behalf of Perpetual Corporate Trust Limited as the trustee of the LMLP 1 and 2 Trust (the Proponent) in support of a Planning Proposal request for the amendment to the floor space ratio (FSR) controls for 263-273 and 273A Coward Street and 76-82 Kent Road, Mascot.

The report is structured as follows:

- **Section One – Site Overview and Planning Proposal:** considers the site in its local context and details the plan amendment and likely future development
- **Section Two – Economic Impact Assessments (EIAs):** assesses the economic impact of each of the proposed land uses, namely: warehouse, office, and retail
- **Section Three – Employment and Economic Growth Impacts:** assesses the employment and economic growth impacts likely to flow from the likely future development during both its construction and ongoing operation
- **Section Four – Other Economic Benefits:** outlines the other economic benefits, which may be difficult to quantify, likely to flow from the likely future development
- **Section Five – Conclusion.**

1. SITE OVERVIEW AND PLANNING PROPOSAL

1.1. SUBJECT SITE

The subject site comprises of four lots which collectively cover an area of around 95,000 sq.m at 263-273 and 273A Coward Street and 62-86 Kent Road, Mascot, in the Bayside Local Government Area (“LGA”) approximately 6.6km south of the Sydney CBD. The entire site is currently zoned the E4 General Industrial land in the *Bayside Local Environmental Plan 2021*.

The subject site is currently a large-scale warehouse building occupied by Qantas as a distribution centre, flight training centre and maintenance workshop. The balance of the site currently includes car parking for both on-site and Sydney Airport workers.

The site has various points of accessibility due to having large frontages along Coward Street to the north (~430 metres) and Kent Road to the east (~105 metres). It also enjoys direct access to and from the Sydney Airport via Qantas Service Road, which is a bridge link over the Port Botany rail freight line and the Qantas Drive.

The Airport Drive, to the south of the subject site, also provides local and regional access to the subject site via O’Riordan Street and Bourke Road. The subject site is also accessible by public transport with Mascot Train Station located around 600 metres to the east and with bus stops closely located along Coward Street, which provide connections to Sydenham and Randwick via the 358-bus route.

Due to the Sydney Airport being directly to the south of the subject site, warehouse and logistics buildings which complement this use mostly surround the subject site to the north, east and west.

These locational characteristics make the subject site suitable for a warehouse and distribution centre with supporting commercial (office and retail) uses.

Map 1 – Subject Site

1.2. LOCAL CONTEXT

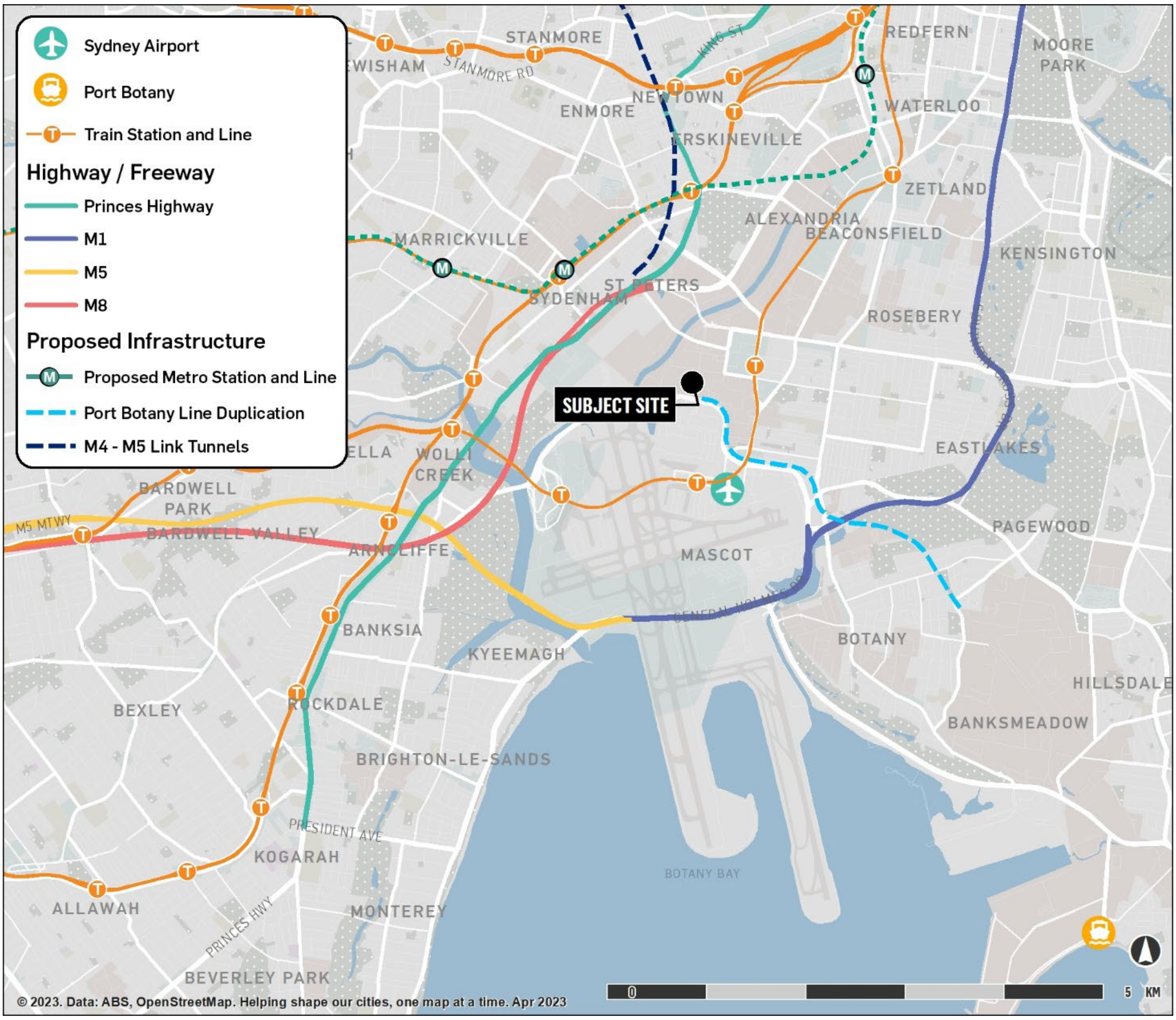
The subject site is located within the Mascot Commercial Precinct, with the Sydney Domestic Airport located at its south, Airgate Business Park its west, and additional industrial and commercial uses to its north.

Mascot has historically accommodated significant industrial activities that leverage and support the Sydney Domestic and International Airports, and Port Botany. Many of these industrial uses are still operational (including Airgate Business Park), with further development of these uses in the pipeline. These uses are complemented by a mix of commercial office uses, as well as bulky goods retail, wholesaling, and short-term accommodation establishments.

The area is also currently undergoing large-scale urban renewal with many high-density residential and mixed-use developments recently completed or underway. Many of these developments, particularly those close to the Mascot train station, include ground floor retail uses. For example, Mascot Central shopping centre was opened by Mirvac in 2016 and features a Woolworths supermarket and 19 specialty stores and restaurants situated below residential apartment buildings.

Map 2 below shows the proximity of the subject site to the Sydney Airport and Port Botany, as well as the subject site's proximity to Mascot Station and key roads, including the nearby Princes Highway, the M1, M5 and M8 motorways and the recently opened M4-M5 Link Tunnels.

Map 2 – Local Context



1.3 PLANNING PROPOSAL

The Proponent is seeking to amend the *Bayside Local Environmental Plan 2021* to increase the maximum floor space ratio of the site from 1.2:1 to 2:1 (or additional 76,018m^2) and permit additional land use activities within the E4 General Industrial zone. The amendments to the FSR would enable the redevelopment of the site to deliver critically needed industrial floor space close to Sydney Airport, Port Botany and the Sydney Central Business District (CBD). The additional land use activities are proposed to activate the Coward Street frontage and provide amenity for on-site employees and the locality.

The proposal is to redevelop the site in stages to accommodate the continuation of the existing operations in the Qantas Sydney Distribution Centre (SDC) in accordance with the leaseback arrangements. A preliminary concept proposal has been prepared that complies with the amended FSR and provides for the following:

- Staged demolition of existing buildings/structures and hardstand areas and site preparation works, including remediation (if required), earthworks and installation of services and stormwater infrastructure.
- Staged construction, fit out and operation of warehouse and distribution centre buildings to deliver four levels of warehouse or distribution centre tenancies with loading and manoeuvring areas accessed via a vertical access ramp. These tenancies will also feature ancillary offices adjacent to the primary loading areas.
- Complementary offices and retail uses to activate the Coward Street frontage.
- Ancillary car parking in multiple locations across the site to meet the demands generated by workers within the development and visitors to the site.
- Generous landscaped setbacks along the site boundaries, including within the frontages to Coward Street, Kent Road and Qantas Drive, as well as within the central part of the site.
- Provision for building identification signage and public art opportunities on the building elevations, including along Qantas Drive and facing Sydney Airport.

The potential future development as shown in the concept design is to be multi-staged with Stage 1 (QF2) expected to be delivered by 2028, followed by the expected delivery of Stage 2 (QF1) by 2030.

Table 1 (overleaf) summarises the proposed development floorspace, as indicated in the concept design, with the ground floor plan also shown in Figures 1 and 2 on the page following. For each floorspace type we have also provided the relevant definition from the *Bayside Local Environmental Plan 2021 (LEP)* shown in parentheses.

Table 1 – Proposed Development Floorspace (Concept Design)

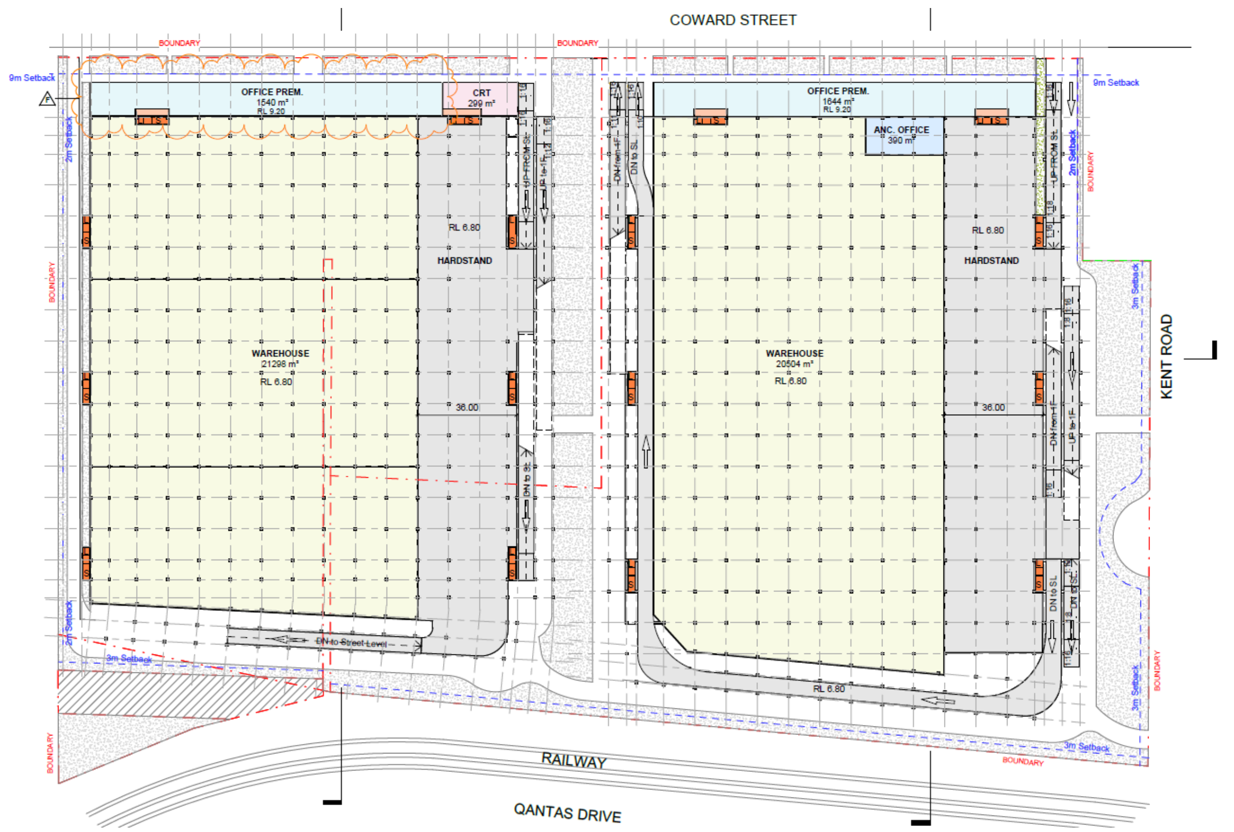
	QF2	QF1	TOTAL
Warehouse / Distribution Centre	**89,837**	**88,598**	**178,435**
Warehouse Floorspace	84,795	82,082	166,877
Ancillary Offices (‘Ancillary Offices’)	5,042	6,516	11,558
Coward Street Frontage	**5,911**	**3,536**	**9,447**
Commercial Office (‘Office Premises’*)	4,810	3,237	8,047
Food and Beverage (‘Restaurant or Café’* and/or ‘Take-Away Food Premises’)	1,001	299	1,300
Neighbourhood Shop (‘Neighbourhood Shop)	100	-	100
End-of-Trip Facilities	**427**	**476**	**903**
Lobby	**205**	**142**	**347**
TOTAL FLOORSPACE	**96,380**	**92,752**	**189,131**

**Denotes the land uses that seek to be included as additional permitted uses in this Planning Proposal*
Source: Lacoste + Stevenson; LOGOS

Figure 1 – Proposed Development Street Level Floor Plan

Source: Lacoste + Stevenson

Figure 2 – Proposed Development Ground Level Floor Plan



Source: Lacoste + Stevenson

2. ECONOMIC IMPACT ASSESSMENTS

This section of the report includes four land-use specific economic impact assessments (EIAs) for each of the land uses which are provided in the concept plan and outlined in the following four sub-sections of this report:

- Warehouse Impact Assessment (Section 2.1)
- Office Impact Assessment (Section 2.2)
- Retail Impact Assessment (Section 2.3)

Table 2 below provides an overview of the floorspace which will be covered by each EIA.

Table 2 – Floorspace Breakdown of Planning Proposal by Relevant Economic Impact Assessment

EIA	Floorspace Type	QF2	QF1	TOTAL
Warehouse	- Warehouse Floorspace – Warehouse/Distribution Centre	84,795	82,082	**166,877**
Office	- Ancillary Offices – Warehouse/Distribution Centre - Commercial Office – Coward Street Frontage	9,852	9,753	**19,605**
Retail	- Food and Beverage – Coward Street Frontage - Neighbourhood Shop – Coward Street Frontage	1,101	299	**1,400**

2.1 WAREHOUSE IMPACT ASSESSMENT

This section outlines the economic impact of the potential future development delivering 166,877 sq.m of warehouse floorspace at the subject site. The expected completion of QF2 in 2028 will see 84,795 sq.m of warehouse floorspace delivered in 2028, with the completion of QF1 to deliver the remaining 82,082 sq.m by 2030. While the warehouse floorspace is a permitted use, this Planning Proposal is seeking to increase the amount of allowed warehouse floorspace by increasing the FSR of the subject site from 1.2:1 to 2:1.

To complete this warehouse impact assessment, we have considered the existing floorspace supply and vacancy, proposed future supply, market rent and land price levels, and the growing need for ‘last mile logistics’ floorspace.

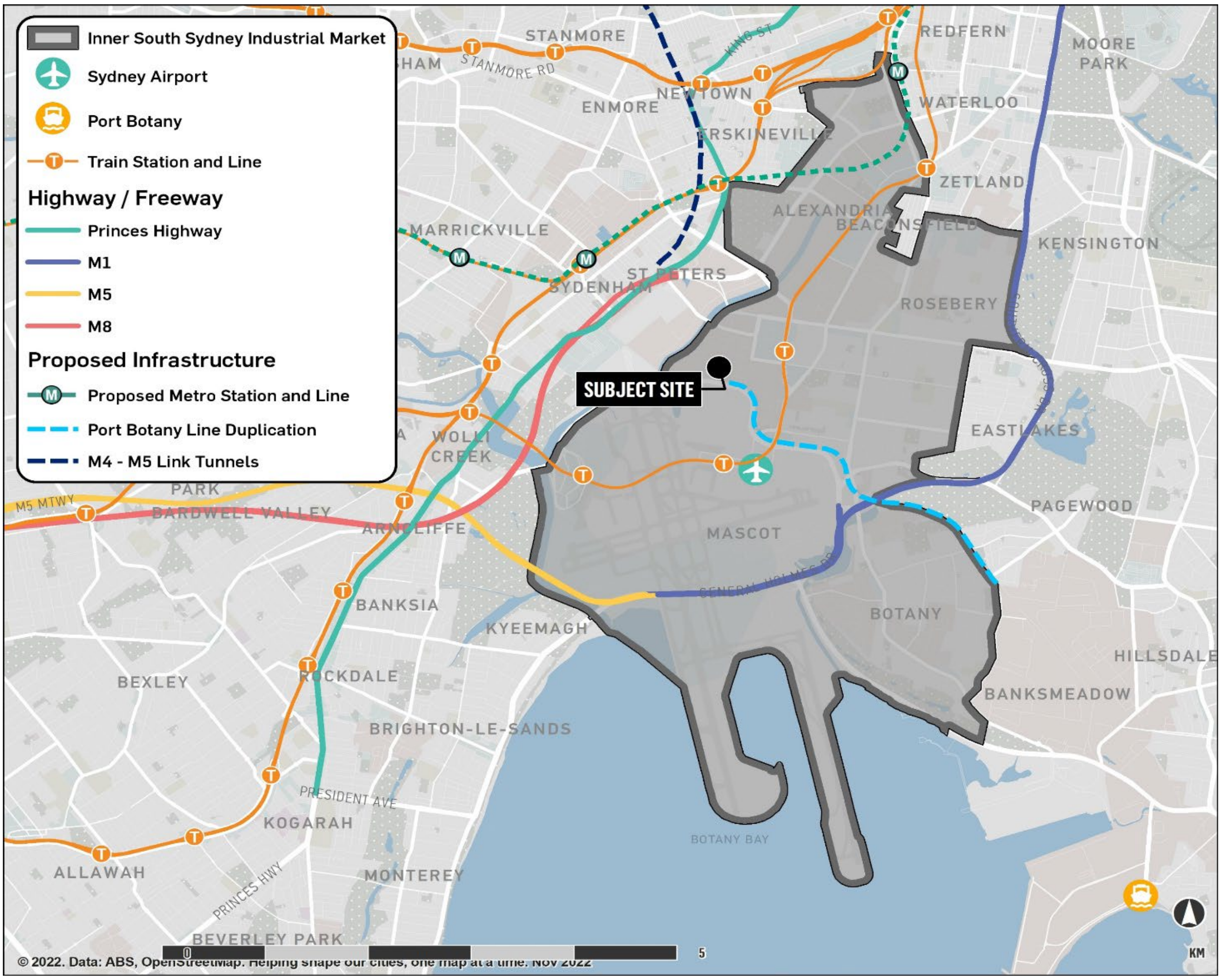
2.1.1. Warehouse Catchment Definition

To complete this economic impact assessment, we have defined a warehouse catchment which covers the Inner South Sydney Industrial Market. This catchment covers the NSW DPE Employment Land Development Monitor (ELDM) precincts of Mascot, Alexandria, Rosebery and Botany.

The Inner South Sydney Industrial Market is a key warehousing and logistics area within Sydney as it complements the Sydney Airport (adjacent to the south of the subject site) and Port Botany (~6km southeast of subject site) which are the two key freight terminals in Sydney.

The area is well-serviced by existing road infrastructure, with easy access to the nearby Princes Highway and the M1, M5 and M8 motorways. The new M4 – M5 link tunnel, which opened in January 2023, will also service the area. These road connections are ideal for logistics operations as they provide easy access across Greater Sydney and Regional NSW.

Map 3 – Warehouse Catchment (Inner South Industrial Market)



2.1.2. Existing Supply

The warehouse catchment faces supply constraints, high rent prices and low vacancy rates. Growing demands for industrial floorspace therefore put pressure on these market limitations, highlighting a need for more warehouse space in the area.

Existing and Projected Industrial Land Stock Levels

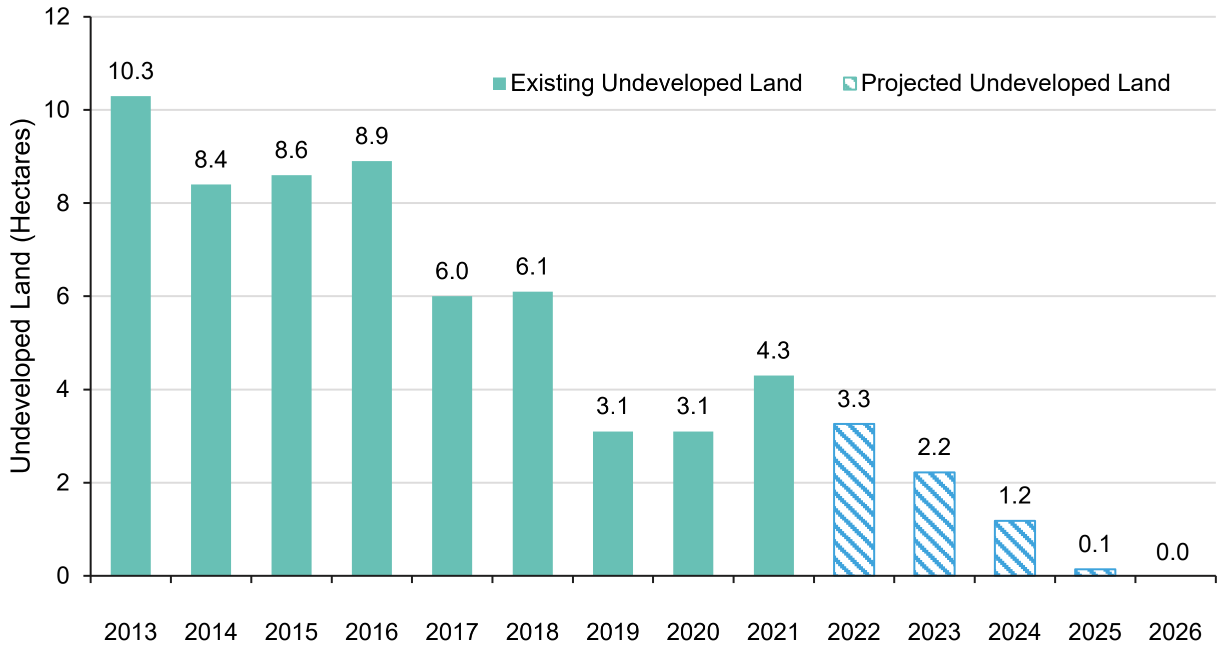
The potential future development presents a rare opportunity to deliver additional industrial floorspace in the warehouse catchment, which is facing significant land supply constraints, with an estimated exhaustion of industrial land by around 2025.

As shown in Chart 1 (overleaf) the undeveloped land (or vacant land) stock in the warehouse catchment has decreased from 10.3 hectares in 2013 to 4.3 hectares by 2021 according to the NSW DPE Employment Land Development Monitor (ELDM). This 4.3 hectares of vacant land only equates to 1.4% of the total industrial land (undeveloped and developed) within the warehouse catchment. When applying the average annual take-up rate in the warehouse catchment from 2016 to 2021 of 1.04 hectares to the current vacant land supply it is estimated that the markets supply will be exhausted by around 2025.

This supply constraint is further heightened by the warehouse catchment losing an annual average of 1.66 hectares of land (both developed and undeveloped) to other land uses, in particular infill residential development, from 2016 to 2021.

The proposed amendment to increase the current maximum FSR control would facilitate the retention and optimal use of the existing land supply.

Chart 1 – Existing and Projected Undeveloped Land Supply, Warehouse Catchment



Source: ELDM; Urbis

Existing Industrial Floorspace Supply and Vacancy

Urbis completed an audit of vacant industrial floorspace of at least 1,000 sq.m within the warehouse catchment in October 2022. This audit determined that of the 1.44 million sq.m of industrial floorspace (only including stock of 1,000 sq.m and over) there was only around 20,800 sq.m of vacant stock, which equates to a vacancy rate of 1.4%.

Table 3 – Existing Industrial Supply and Vacancy, Warehouse Catchment

	October 2022
Vacant Industrial Floorspace (1,000 sq.m +)	20,781
Total Industrial Floorspace (1,000 sq.m +)	1,436,293
Vacancy Rate (%)	1.4%

Source: Colliers; Pricefinder; Urbis

The existing supply constraints of the warehouse catchment, evidenced by the reduced employment land supply and the existing low vacancy of existing floorspace, highlights the crucial importance of maximising the uses of existing developed land as intended by the proposed higher density development at the subject site.

2.1.3. Future Supply

The warehouse catchment limited industrial warehouse floorspace supply is further exacerbated by its weak future supply pipeline. The warehouse catchment's warehouse pipeline only includes around 115,000 sq.m of floorspace, with only around 30% considered 'firm' (construction or development approval phase). Table 4 overleaf outlines the proposed supply, which is also shown spatially on Map 4 (page 15).

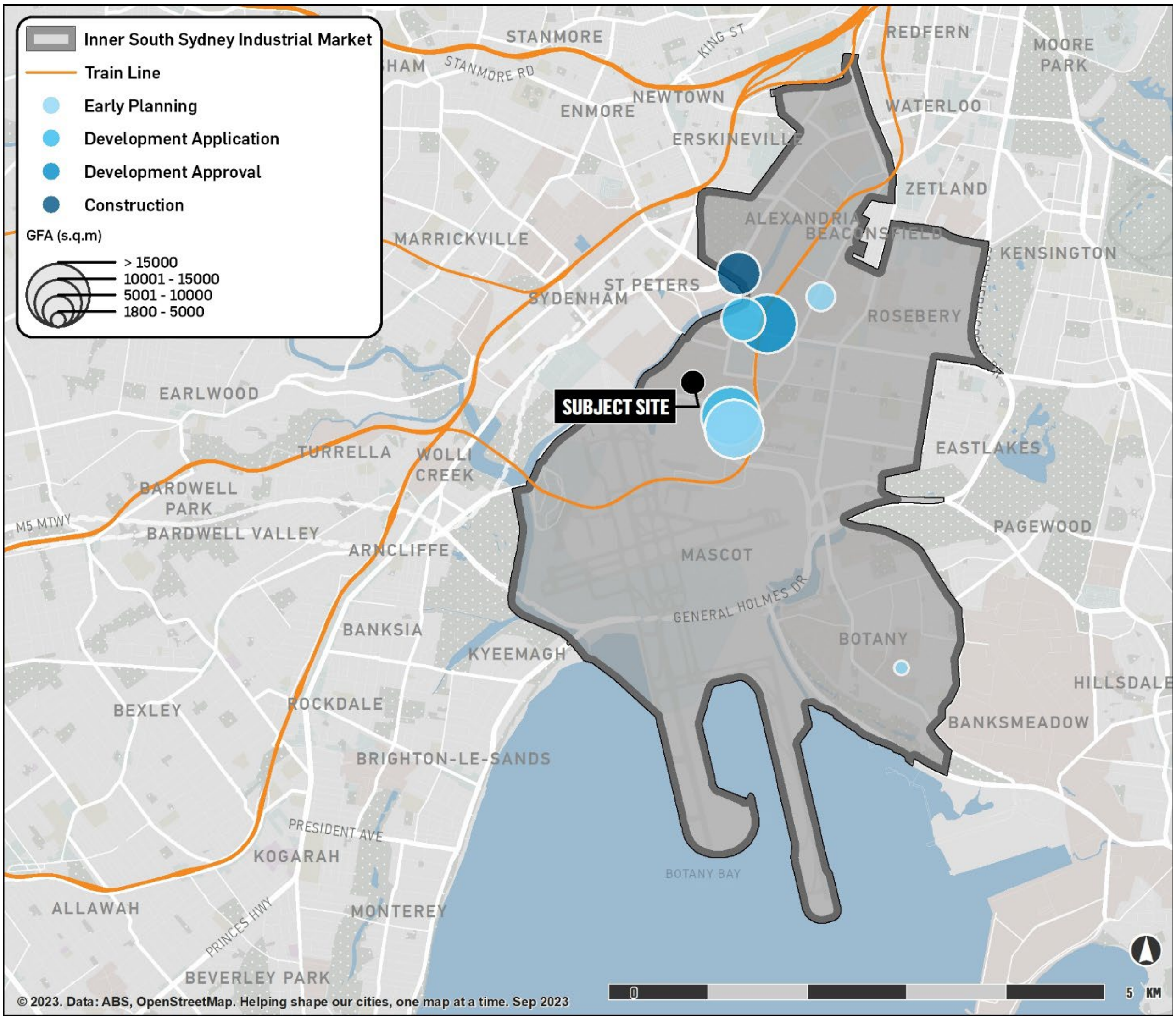
The seven proposed industrial warehouse developments in the warehouse catchment only offer small to moderate warehouse floorspace areas, with the King Street Multi-Level Warehouse (QF3) in Mascot currently representing the largest development at around 26,000 sq.m. Except for QF3, the current pipeline does not surpass 2025, indicating that supply will likely be absorbed quickly when considering the existing supply constraints. Overall, the current pipeline cannot completely service the demand for industrial warehouse floorspace in Inner South Sydney.

Table 4 – Proposed Industrial Warehouse Supply, Warehouse Catchment

Project Name	Suburb	Stage	Estimated Completion	Warehouse GFA (sq.m)
Axis Alexandria	Alexandria	Construction	2023	**13,831**
18 Sir Joseph Banks Street Business Centre	Botany	Early Planning	2024	**1,800**
Ascent Logistics Centre	Alexandria	Development Approval	2024	**21,952**
HQ78 Alexandria	Alexandria	Early Planning	2024	**10,000**
Gardeners Road Multi-Level Warehouse	Alexandria	Development Application	2025	**13,960**
QF3	Mascot	Development Application	2026	**26,145**
QF4	Mascot	Early Planning	2026	**26,874***
Total Firm Proposed Supply				**35,783**
Total Proposed Supply				**114,562**

Note: indicative figures with warehouse and ancillary office breakdown for QF4 not yet finalised. Indicative figures are based on QF4 having the same warehouse / ancillary office breakdown (%) as the similar QF3 development.
Source: Cordell; Bayside Council; Urbis

Map 4 – Proposed Industrial Warehouse Supply



2.1.4. Increasing Rent and Land Prices

The Planning Proposal will also help combat the increasing rental and sales prices in the Inner South Sydney Market which will continue to grow rapidly if higher density industrial development is not allowed.

Table 5, overleaf, indicates that there is strong demand for existing industrial and warehousing assets in the warehouse catchment due to strong rental and sales growth. Over the last five years annual prime net face rents have grown from $181 per sq.m in 2017 to $248 per sq.m by 2022, reflecting a significant 37% increase. Rental growth was strongest in 2022, which experienced a 19.2% increase. The average improved land value (or average sales prices) has experienced a similar 31% increase over the last five years from $4,990 per sq.m to $6,520 per sq.m.

With only 1.4% of industrial floorspace vacant as of October 2022, the strong rental and sales growth is expected to continue. The rising prices place significant pressure on the many warehouse and logistics businesses and developers within the market.

As such, it is important to combat increasing rental and sales prices by supporting higher density warehouse and logistics developments. With there being limited vacant industrial land supply this must be done by supporting higher floorspace provisions on already developed sites which the Planning Proposal aims to do.

Table 5 – Rental and Sales Price Growth, Warehouse Catchment

Metric	2017	2022	5 Year Average Annual Growth (%)
Prime Net Face Rent ($/sq.m)	$181	$248	6.5 % p.a.
Improved Land Value ($/sq.m)	$4,990	$6,520	5.5 % p.a.

Source: JLL Australian Industrial Market Overview; Pricefinder; Urbis

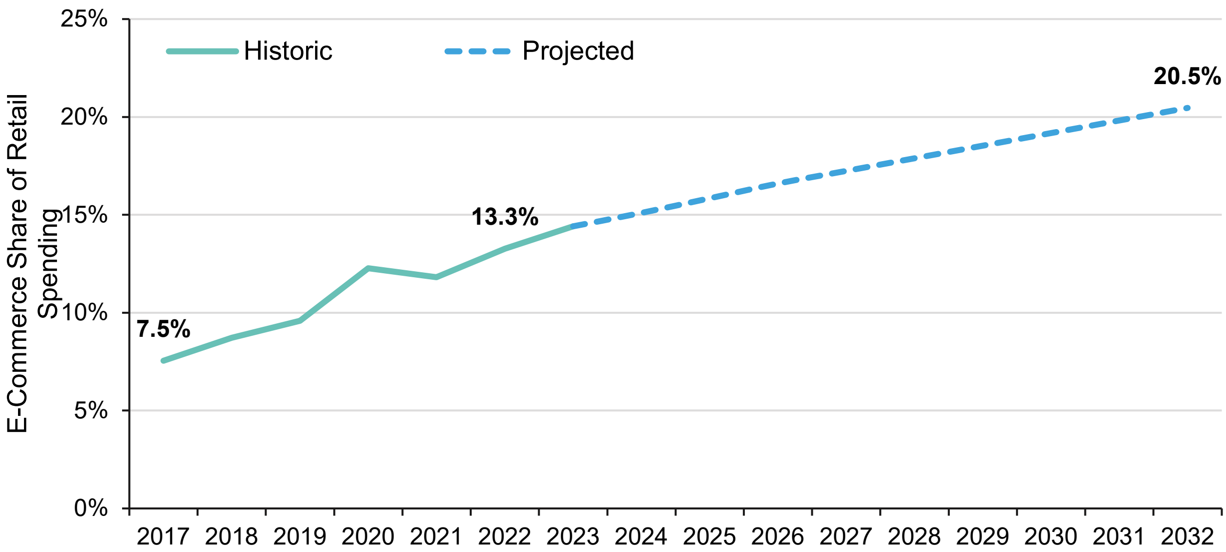
2.1.5. Increasing Importance of 'Last Mile Logistics'

The positioning of the subject site near Port Botany and Sydney Airport positions the potential future development as being strongly suited to the growing demand for warehouses as 'last mile logistics operations', the last leg of a journey where a product is delivered from a distribution centre to the customer. Demand has been at historically strong levels in recent years due to Covid-19 accelerating online retail spending growth. The annual share of online retail spending in Australia has grown dramatically from 7.5% in 2017 to 13.3% in 2022 and is expected to further increase to 20.5% by 2032, as shown in Chart 2 below.

This growth in the share of online retail spending equates to a $66 billion increase in online retail spending from 2022 to 2032 (ABS Retail Trade). CBRE's *Australian E-Commerce Trend and Trajectory Report* (2022) indicates that every $1 billion growth in annual online retail spending equates to demand for around 70,000 sq.m of warehouse floorspace. As such, there is expected to be demand for around 4.6 million square metres of additional warehouse and logistics space in Australia by 2032.

The warehouse catchments current warehouse pipeline only represents a small fraction of this, suggesting that the subject site's locational positioning, and potential 166,877 sq.m of warehouse floorspace, is ideally placed to respond to this growing need in the freight and logistics sector.

Chart 2: Growth of Online Retail Spending in Australia



Source: ABS; NAB Online Retail Sales Index (NORSI); Urbis

2.1.6. Synergy of Existing Warehouse Tenancies with Airport Uses

We have assessed the synergies of the top 50 existing tenancies of industrial properties, in terms of floorspace occupied, within the warehouse catchment. These 50 tenancies, which are also all the tenancies over 4,000 sq.m, together account for around 646,100 sq.m of industrial floorspace within the warehouse catchment. When compared to the existing total supply of ~1.44 million sq.m, these tenancies account for 45% of industrial floorspace within the warehouse catchment.

As shown in Table 6 below only 49% of the floorspace can be attributed to 18 tenancies which are airport related uses. These tenancies are mostly logistics businesses which benefit from being near the airport including DHL (54,500 sq.m), Australia Post (45,300 sq.m) and FedEx (29,300 sq.m). These 18 airport related tenancies have an average size of ~17,500 sq.m.

However, a much higher 32 tenancies are not considered airport related uses which account for 51% of the floorspace occupied by the top 50 tenancies. Businesses included in these tenancies include Nippon Paper (35,900 sq.m), Storage Plus (27,200 sq.m) and Gazal Apparel (19,487 sq.m). These 32 non-airport related tenancies occupy a smaller average size of ~10,400 sq.m.

As indicated by a much higher average tenancy size of 17,500 sq.m it is likely that the remaining 793,900 sq.m of industrial floorspace which features tenancies below 4,000 sq.m are mostly non-airport related uses.

These figures highlight that the warehouse demand within the warehouse catchment is not exclusively driven by the benefit of being closely located to the airport. Instead, businesses are also attracted to the catchment due to its large clusters of existing businesses, inner city location, access to road infrastructure and its strong access to a high number of residents and workers.

Table 6 – Synergies of Top 50 Existing Industrial Floorspace Tenancies to the Airport

	Number of Businesses	**Leased Floorspace (sq.m)**	**Share of Top 50 Tenancies Floorspace (%)**	**Average Tenancy Size (sq.m)**
Airport Related Uses	18	314,290	49%	17,461
Non-Airport Related Uses	32	331,837	51%	10,370
Total	**50**	**646,127**	**100%**	**12,923**

Source: Arealytics; Urbis

2.1.7. Economic Impact of Warehouse Floorspace at the Subject Site

The potential future 166,877 sq.m of warehouse floorspace at the subject site will have a positive economic impact for the following reasons:

- **Facilitates the retention and optimal use of the existing land supply:** The Planning Proposal (and future development) will not permanently withdraw any industrial floorspace from the market, but future-proof existing land for long-term industrial needs.
- **Addresses the current shortage of industrial floorspace:** Low levels of industrial floorspace supply in the market have led to market inefficiencies including high prices and spaces not meeting the needs of prospective tenants.
- **Helps combat the growing rental and sales prices which are currently growing at unsustainable levels:** An increase in industrial floorspace supply will ease pressure within the market, bringing down price levels.
- **Meets the growing demand for future warehousing and logistics floorspace in a highly suitable location:** The subject site is in a prime location to offer key linkages in the increasing scale of logistics chains that include Sydney Airport and Port Botany.

2.2. OFFICE IMPACT ASSESSMENT

This section outlines the economic impact of delivering 19,605 sq.m of office floorspace at the subject site. This includes 11,558 sq.m of ancillary office space (currently permitted) and 8,047 sq.m of commercial office space (not currently permitted).

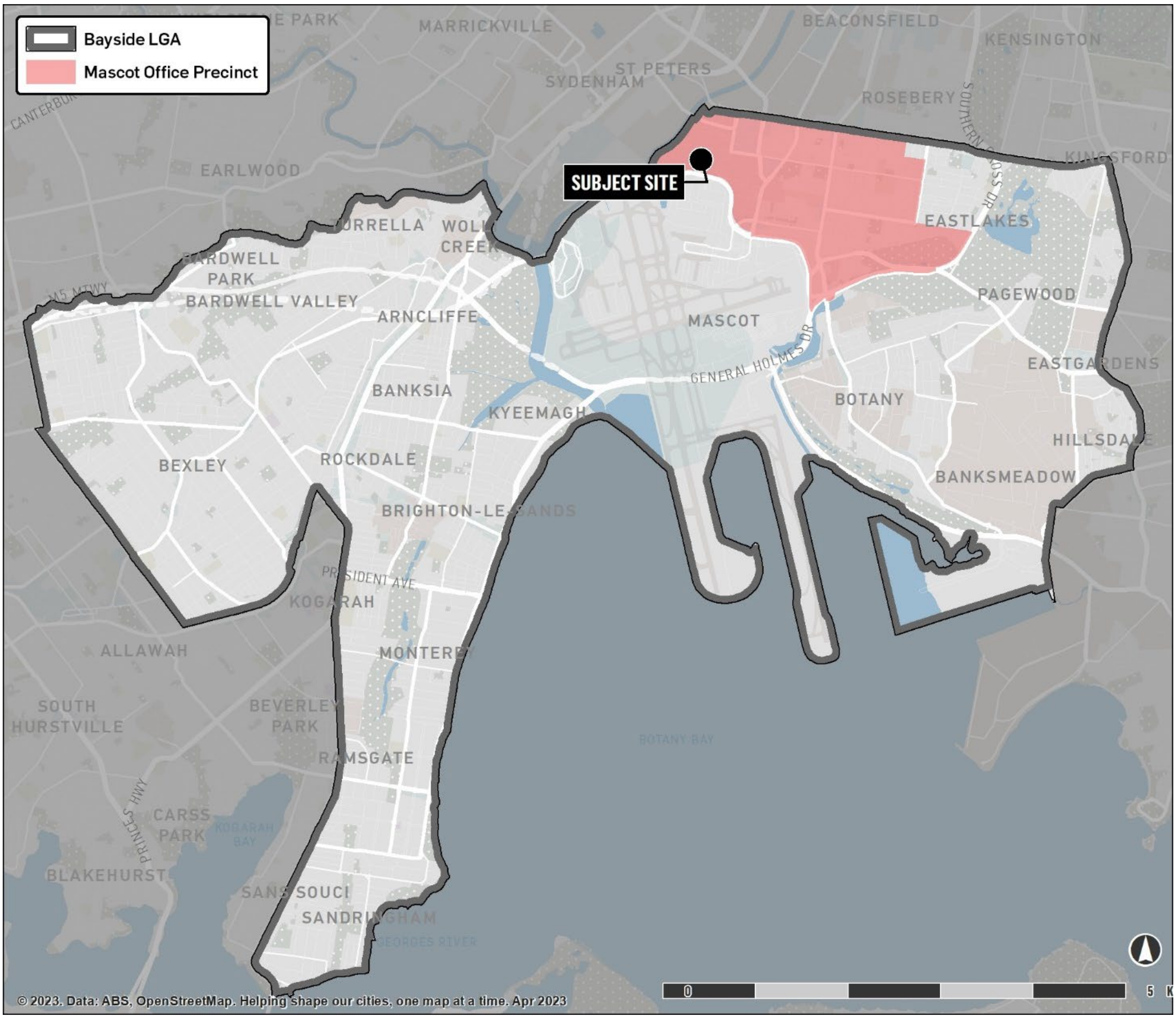
The expected completion of QF2 in 2028 will see 9,852 sq.m (5,042 sq.m of ancillary and 4,810 sq.m of commercial office) of total office floorspace delivered in 2028, with the completion of QF1 to deliver the remaining 9,753 sq.m (6,516 sq.m of ancillary and 3,237 sq.m of commercial office) by 2030.

To complete this office impact assessment, we have considered the state of the current office market and historic floorspace trends, proposed future office supply and withdrawals, and demand based on projected growth in office jobs.

2.2.1. Office Catchment and Mascot Commercial Precinct Definition

For the purposes of assessing the economic impact of office floorspace at the subject site, Bayside LGA has been adopted as the relevant office catchment. This office catchment includes the Mascot Commercial Precinct, which is one of the key employment hubs in the Bayside LGA which benefits from its designation as a Strategic Centre (in conjunction with Green Square) in addition to its proximity to the Sydney Airport and Port Botany. The subject site is located within the Mascot Commercial Precinct as shown in Map 5 below.

Map 5 – Office Catchment and the Mascot Commercial Precinct



2.2.2. Historical Commercial Floorspace Supply Trends

The office catchment currently provides around 351,500 sq.m of commercial office floorspace (Arealytics), of which 71% is currently located in the Mascot Commercial Precinct. The office catchment is currently experiencing low vacancy rates of 4.9%, noting that the Mascot Commercial Precinct vacancy is slightly below the office catchment average at estimated 4.6%.

Of the existing supply, Grade A commercial office buildings have the lowest vacancy of 3.3%. Conversely, Grade C buildings have a higher vacancy rate of 8.7%, suggesting that there is demand and a preference for new and high-quality commercial office floorspace in the office catchment.

Vacancy has been low in recent years due to the large quantum of office stock being withdrawn to make way for high-density residential and mixed-use developments, particularly around Mascot train station. The Eastern City District Plan (2018), prepared by the Greater Sydney Commission, notes that the urban renewal underway in the Green Square – Mascot Strategic Centre has *“resulted in the loss of half the commercial office space within the Precinct since 2014, a reduction from 400,000 to 200,000 square metres.”* This level of withdrawals equated to an average of 50,000 sq.m of office stock being withdrawn each year.

As Mascot is expected to continue to play a key role as a Strategic Centre, it will be important to ensure that the precinct continues to provide sufficient high quality commercial space for businesses while also accommodating new residents.

2.2.3. Future Supply Pipeline

The following sub-section provides an overview of the future supply within the office catchment including proposed commercial office developments, ancillary office supply, and commercial floorspace that is proposed to be withdrawn.

Proposed Commercial Office Floorspace

Tables 7 and 8 (below and overleaf) provides a summary of the proposed office developments in the office catchment with a floorspace of 500 sq.m or greater. We have included both ancillary office floorspace of industrial developments and commercial office developments, noting that growth in office-based jobs in industrial sectors such as the transport, postal and warehousing industry is anticipated to be a key driver of worker population growth within the office catchment.

As shown in the Table 7, there are currently 13 proposed developments in the office catchment providing commercial office floorspace, that are intending to deliver a total of 98,073 sq.m of additional office floorspace. The Mascot Commercial Precinct accounts for seven of these proposed developments and 90% of the total proposed office premises floorspace, reflecting a clear appetite for new commercial office space in the precinct. Table 8 outlines the proposed supply of ancillary office floorspace, of which there are six industrial (mostly warehouse) developments expected to provide 16,670 sq.m of essential supporting ancillary office floorspace. Map 6 on page 21 illustrates the location of the proposed office floorspace in relation to the subject site.

Of the 19 proposed developments in the LGA expected to deliver commercial office or ancillary office floorspace, 11 are considered ‘firm’ projects which are expected to deliver a combined 46,959 sq.m of office floorspace of 46,959 sq.m (41,674 sq.m commercial office and 5,285 sq.m of ancillary office). A project is considered as ‘firm’ if it has received development approval or commenced construction. The Mascot Commercial Precinct accounts for four of these projects, which are expected to deliver 69% of ‘firm’ proposed floorspace.

Table 7 – Proposed Commercial Office Floorspace

Project Name	Suburb	Stage	Estimated Completion	Office GFA (sq.m)
Denison Street Industrial and Commercial Development	Hillsdale	Construction	2023	1,512
The Vines Bexley	Bexley	Construction	2023	1,326

Project Name	Suburb	Stage	Estimated Completion	Office GFA (sq.m)
One Chalmers	Mascot	Construction	2024	12,825
Pagewood Commercial and Community Development	Pagewood	Development Approval	2024	1,412
The Portal	Mascot	Development Approval	2025	13,963
Chalmers Crescent Commercial Development	Mascot	Construction	2025	5,431
O'Riordan Street Commercial Building	Mascot	Development Application	2025	1,032
19 Bay Street Commercial Building	Botany	Development Application	2026	700
Chalmers Crescent Commercial Buildings	Mascot	Early Planning	2026	37,805
Hotel Precinct, Sydney Airport	Mascot	Early Planning	2026	4,200
Lord Street Development	Botany	Development Approval	2026	4,453
Princes Highway Mixed Use Development	Rockdale	Development Approval	2027	752
Ricketty Street Mixed Use Commercial Development	Mascot	Development Application	2028	12,662
Total Firm Proposed Supply				**41,674**
Total Proposed Supply				**98,073**

Source: Cordell; Real Commercial; Urbis

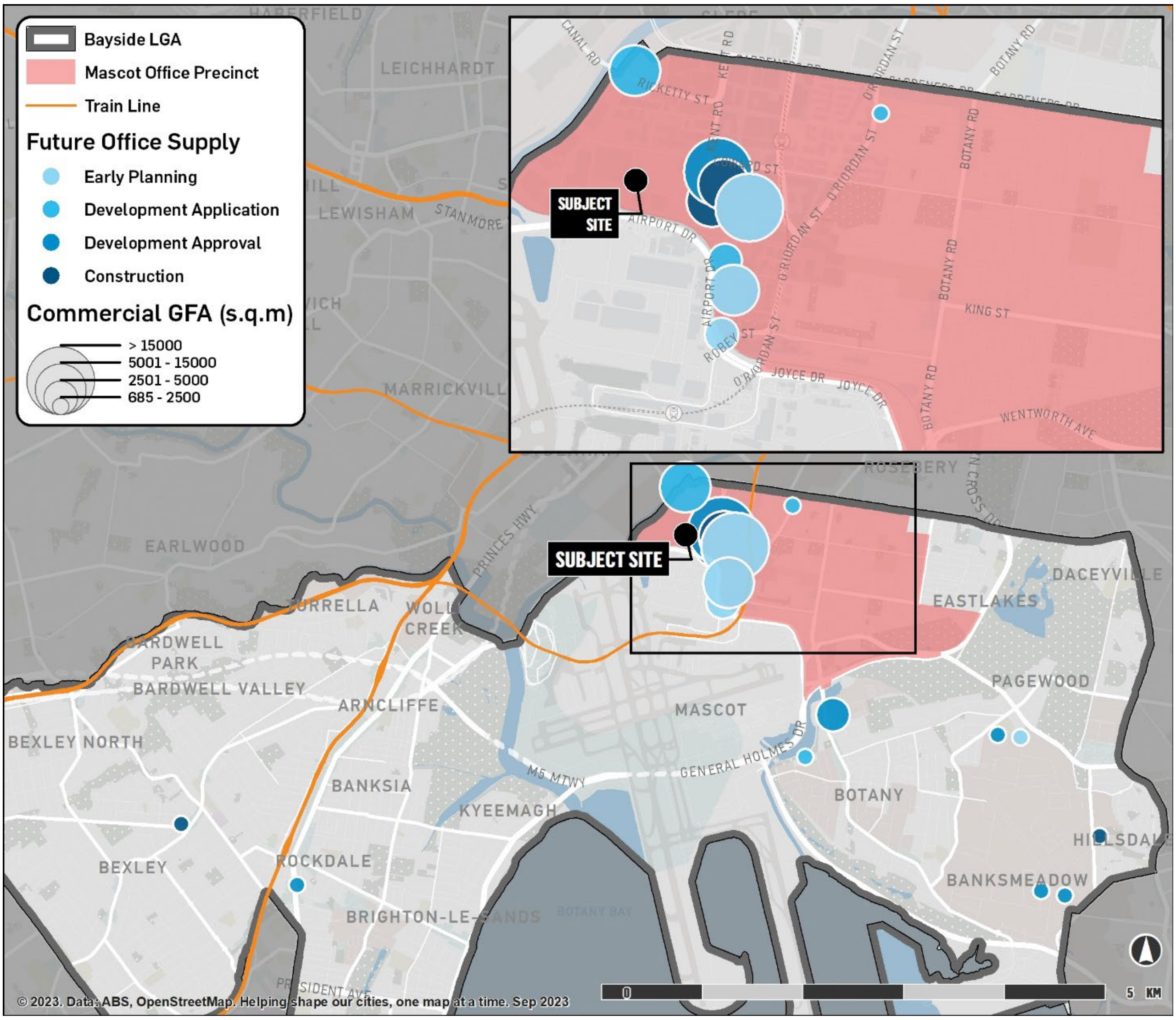
Table 8 - Proposed Ancillary Office Floorspace

Project Name	Suburb	Stage	Estimated Completion	Office GFA (sq.m)
Proximity @ Botany	Botany	Construction	2023	2,600
Beauchamp Road Industrial Development	Banksmeadow	Development Approval	2025	685
Orica Southlands Warehouse Estate	Banksmeadow	Development Approval	2025	2,000

Project Name	Suburb	Stage	Estimated Completion	Office GFA (sq.m)
QF3	Mascot	Development Application	2026	5,121
Baker Street Multi-Level Warehouse	Banksmeadow	Early Planning	2026	1,000
QF4	Mascot	Early Planning	2026	5,264*
Total Firm Proposed Supply				**5,285**
Total Proposed Supply				**16,670**

Note: indicative figures with warehouse and ancillary office breakdown for QF4 not yet finalised. Indicative figures are based on QF4 having the same warehouse / ancillary office breakdown (%) as the similar QF3 development.
Source: Cordell; Real Commercial; Urbis

Map 6 – Proposed Commercial Office and Ancillary Office Developments



Proposed Office Withdrawals

The strong pipeline of office floorspace (both ancillary and commercial office) in the office catchment is expected to be offset by six developments which require the demolition of 21,788 sq.m of existing office floorspace.

Table 9 provides a summary proposed office withdrawals from the office catchment over the next three years. The proposed withdrawals of existing office stock are typically attributable to proposed high-density residential and mixed-use developments which require the demolition of any existing commercial premises before the new development is commenced. This trend has been a common occurrence in recent years, reflecting the urban renewal currently underway within Mascot in particular.

The proposed 21,788 sq.m of existing office stock expected to be withdrawn over the next three years equates to an average of around 7,300 sq.m per year, of which the Mascot Commercial Precinct is expected to account for 87% (~19,000 sq.m) of the office floorspace to be withdrawn. Of the proposed withdrawals, 1,350 sq.m of the office stock lost is commercial office, while the remaining is ancillary office (20,438 sq.m). The significant future loss of office floorspace highlights the importance of the new office floorspace such as the 8,046 sq.m of commercial office and 11,558 sq.m of ancillary office being proposed subject site. This importance is further strengthened by location of the subject within the Mascot Commercial Precinct and its synergies with the other land uses being proposed at the subject site (warehouse and retail).

Table 9 – Proposed Withdrawn Office Floorspace

Project Name	Suburb	Project Stage	Office Floorspace Withdrawn (sq.m)	Estimated Year of Withdrawal	Office Floorspace Type
Smith Street Commercial Building	Hillsdale	Development Approval	400	2023	Commercial
122 O'Riordan Street Commercial Building	Mascot	Development Application	600	2023	Commercial
Botany Road Student Accommodation	Botany	Development Approval	350	2023	Commercial
Lord Street Commercial Building	Botany	Development Approval	285	2023	Ancillary
Wentworth Avenue Industrial Development	Pagewood	Development Approval	198	2023	Ancillary
Dunning & Mentmore Avenues Apartments	Rosebery	Development Approval	1,200	2024	Ancillary
Botany Road Industrial Warehouse Units	Banksmeadow	Development Application	1,028	2024	Ancillary
O'Riordan Street Commercial Building	Mascot	Development Approval	17,727	2025	Ancillary
Total Ancillary Office			**20,438**		
Total Commercial Office			**1,350**		
Total Office			**21,788**		

Source: Cordell; Real Commercial; Urbis

2.2.4. Projected Office-Based Employment

The future demand for commercial office space within office catchment has been forecast by adopting the Transport for NSW (TfNSW) employment projections for the office catchment and determining how many of the additional jobs will require commercial space. We have used the office job shares by industry from the ABS 2021 Census to convert the total job projections to office job projections.

By 2033, TfNSW forecasts strong growth in several industry sectors which will require commercial floorspace. These key growth industries include:

- Transport, Postal and Warehousing (+2,243 new office jobs)
- Professional, Scientific and Technical Services (+491 new office jobs)
- Health Care and Social Assistance (+221 new office jobs).

As shown in Table 10 (overleaf), employment growth in the office catchment of 3,455 office jobs is forecast to drive demand for an additional ~119,203 sq.m of office floorspace by 2033.

Given that the Transport, Postal and Warehousing industry is expected to account for 65% of new office jobs, it is important that future office supply within the office catchment comprises of both ancillary office floorspace within warehouse developments as well as more traditional commercial office floorspace which complements a business' distribution centre. More traditional office floorspace is also required in the office catchment to address the remaining 35% of expected office jobs growth including floorspace suited to professional services, medical specialist suites and local population serving services such as lawyers and accountants.

Table 10 – Projected Employment and Commercial Office Floorspace Requirements

Industry Sector	2022		2033		Office Jobs Growth (2022-33)
	Total Jobs	Office Jobs	Total Jobs	Office Jobs	
Accommodation and Food Services	6,154	644	5,912	618	-25
Administrative and Support Services	4,499	1,377	4,702	1,440	+62
Agriculture, Forestry and Fishing	110	36	115	38	+2
Arts and Recreation Services	671	385	757	435	+50
Construction	8,921	1,864	8,994	1,880	+15
Education and Training	3,294	592	3,582	643	+52
Electricity, Gas, Water and Waste Services	486	138	528	150	+12
Financial and Insurance Services	1,111	1,015	1,223	1,117	+103
Health Care and Social Assistance	5,736	1,567	6,546	1,789	+221
Information Media and Telecommunications	687	442	691	445	+3
Manufacturing	5,648	1,269	5,992	1,347	+77
Mining	7	3	6	3	0
Other Services	2,847	654	3,105	713	+59
Professional, Scientific and Technical Services	5,437	4,699	6,005	5,190	+491
Public Administration and Safety	4,459	2,390	4,482	2,402	+13
Rental, Hiring and Real Estate Services	1,830	1,335	1,941	1,416	+81
Retail Trade	9,198	1,476	9,002	1,445	-31
Transport, Postal and Warehousing	33,992	14,374	39,297	16,617	+2,243
Wholesale Trade	2,952	1,432	3,011	1,460	+29
Total Jobs	**98,037**	**35,691**	**105,892**	**39,147**	**+3,455**
Office Floorspace Benchmark (sq.m per job)					34.5
Additional Office Floorspace Demand					+119,203

Source: TfNSW; Sydney FES 2017; ABS; Urbis

2.2.5. Projected Office Demand and Need

Table 11, overleaf, reconciles the forecast demand for office space in the office catchment between 2023 and 2033 with proposed supply and withdrawals in order to determine if office floorspace at the subject site is supportable.

The demand forecast adopts the TfNSW forecasts by industry (previously shown in Table 10) and converts them to office employment projections for the Bayside LGA. To convert the jobs to office jobs we adopted an average job density of 34.5 sq.m of office floorspace per job based on office job benchmark for the Green Square and City South precinct of the *Sydney Employment Floorspace Survey* (2017). We have adopted this benchmark as the Green Square and City South precinct is most similar to the office catchment and has a similar mix of traditional and ancillary office floorspace. As such, the 3,455 additional office jobs by 2033 are expected to generate demand for 119,203 sq.m of office space within the office catchment.

We then applied a vacancy rate of 6% for new office space in line with recent vacancy trends experienced across the South Sydney suburban office markets, noting that the office catchment is currently experiencing a low vacancy rate of 4.9% (as shown in Section 2.2.2). On this basis, there is expected to be demand for an additional 109,875 sq.m of office floorspace within the office catchment by 2030, the year in which the subject site is proposed to be completed. Office floorspace demand is then forecast to grow further to 126,812 sq.m by 2033.

We then factor the 46,959 sq.m of ‘firm’ proposed office space and 21,788 sq.m of proposed future withdrawals, to provide a more accurate representation of the state of proposed office market supply within the office catchment. By 2030 (proposed development completion), the net proposed additional supply equates to around 25,171 sq.m.

When comparing the forecast additional demand and proposed supply of office floorspace within the office catchment, there is expected to be an undersupply of 84,704 sq.m by 2030, which is expected to grow further to 101,641 sq.m by 2033.

The potential 19,605 sq.m of office floorspace at the subject site is expected to be delivered by 2030, of which 11,558 sq.m is ancillary office and 8,047 sq.m is commercial office. The delivery of this floorspace is expected to reduce the forecast undersupply to 65,099 sq.m by 2030 (addressing 23% of the expected shortfall of 84,704 sq.m). If the subject site did not comprise of the 8,047 sq.m of commercial office space the shortfall would be 73,146 sq.m.

Given that there is an expected shortfall of office floorspace within the office catchment, noting an expected shortfall of 79,001 sq.m in 2027 before the subject site is delivered, the current supply pipeline is not accommodating the expected future demand. A key reason for this is that the existing land zones where commercial office floorspace is allowed are often favoured by developers for residential and mixed-use developments (with ground floor retail), which is particularly evident around Mascot train station.

As such, the potential office floorspace at the subject site is a key opportunity to help address the expected shortfall of office floorspace in the office catchment, noting that it is expected to address 23% of the expected 84,704 sq.m shortfall expected by 2030.

Table 11 – Projected Office Floorspace Demand

Forecast Metric	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Jobs (No.)	98,037	99,418	100,848	102,329	103,863	104,038	104,216	104,398	104,582	104,770	105,329	105,892
Office Jobs (No.)	35,691	36,356	37,042	37,750	38,480	38,530	38,581	38,632	38,685	38,739	38,942	39,147
Additional Office Jobs (No.)	0	665	1,351	2,058	2,788	2,838	2,889	2,941	2,994	3,047	3,250	3,455
Office Floorspace Benchmark (sq.m per job)		34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Demand for Additional Office Floorspace (sq.m)		22,935	46,597	71,009	96,193	97,922	99,680	101,466	103,282	105,128	112,136	119,203
Sustainable Vacancy (%)		6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Sustainable Demand for Additional Office Floorspace (sq.m)		24,399	49,571	75,541	102,333	104,172	106,042	107,943	109,875	111,838	119,293	126,812
Cumulative Firm Proposed Office Floorspace (sq.m)		5,438	19,675	41,754	46,207	46,959	46,959	46,959	46,959	46,959	46,959	46,959
Cumulative Proposed Office Floorspace Withdrawals (sq.m)		-1,833	-4,061	-21,788	-21,788	-21,788	-21,788	-21,788	-21,788	-21,788	-21,788	-21,788
Future Change in Office Floorspace Supply (sq.m)		3,605	15,614	19,966	24,419	25,171	25,171	25,171	25,171	25,171	25,171	25,171
Gap (+surplus/-deficit) – No Subject Site Development (sq.m)		-20,794	-33,957	-55,575	-77,914	-79,001	-80,871	-82,772	-84,704	-86,667	-94,122	-101,641
Cumulative Subject Site Proposed Office Floorspace (sq.m)		0	0	0	0	0	9,852	9,852	19,605	19,605	19,605	19,605
Gap (+surplus/-deficit) – With Subject Site Development (sq.m)		-20,794	-33,957	-55,575	-77,914	-79,001	-71,019	-72,920	-65,099	-67,062	-74,517	-82,036

Source: Cordell; Real Commercial; CoS FES 2017; Arealytics; Urbis

2.2.6. Economic Impact of Office Floorspace at Subject Site

The site is ideally located within the Mascot and presents a key opportunity to help address the need for additional office floorspace by delivering 19,605 sq.m of new office floorspace (comprising of 11,558 sq.m of ancillary office floorspace and 8,047 sq.m of commercial office floorspace) by 2030. This would represent 19% of the additional floorspace required in the office catchment by 2033.

The commercial and ancillary office space can be supported by the market and will have a positive economic impact due to:

- Helping to address 23% of the 84,704 sq.m shortfall which is currently expected in 2030. As such, the additional office floorspace at the subject site will not have a negative impact on its competitors.
- As there is an expected shortfall, the current supply pipeline is not accommodating expected future demand, with a key reason being that land where commercial office floorspace is allowed is being favoured by developers for residential and mixed-use developments (with ground floor retail). As such, the potential floorspace at the subject site would ensure the delivery of office floorspace which is not currently being accommodated in other suitable land zones.
- Delivering ancillary office floorspace which is critical to the logistics businesses looking to locate within the office catchment.
- Improving the overall commercial office offer in the area and by delivering a critical mass of A-Grade commercial space (which is currently experiencing vacancy of 3.3%). The higher provision of high-quality commercial space in the office catchment will help attract new businesses into the area who are currently put off by the aging existing commercial stock.
- Creation of a vibrant workplace for employees which offers on-site retail amenities.

2.3. RETAIL IMPACT ASSESSMENT

This section outlines the economic impact of delivering 1,400 sq.m of retail floorspace at the subject site. The expected completion of QF2 in 2028 will see 1,101 sq.m of retail floorspace delivered in 2028, with the completion of QF1 to deliver the remaining 299 sq.m by 2030.

For the purposes of this economic impact assessment, only the impacts of 1,300 sq.m of food and beverage (F&B) floorspace as it is likely to comprise of café and restaurant floorspace which is currently not permitted at the subject site. The 100 sq.m neighbourhood shop with a convenience-based offering is currently permitted due to being an immaterial amount of floorspace compared to the current retail offer surrounding the subject site it is expected to have an immaterial impact.

To conduct the retail impact analysis, we have considered an analysis of the current and projected worker market within the relevant catchment and their retail spending while at work, and existing and future retail supply within established retail precincts servicing the relevant worker market.

2.3.1. Retail Catchment Definition

The retail catchment refers to the area in which an existing or proposed centre or retailer is most likely to draw customers. The size and scale of a retail catchment can vary due to the geographical context of the retail development in question. Other factors which may define a trade area include:

- The strength, range, and appeal of the subject site's offer
- The proximity, composition, and quality of competing retail facilities. The presence of similar retail centres as well as the general provision of retail space within the area
- The accessibility of the centre including the road and transport network, as well as access to ample parking
- Physical barriers such as freeways, rivers/lakes, bushland, and drive times.

The retail catchment for the proposal has been defined having regard to the factors above. It contains primary and secondary sectors as follows:

- **On-site** which captures the subject site
- A **primary sector** which captures the Mascot Commercial Precinct to the left of the Alexandra Canal.
- A **secondary north sector** which consists of the Alexandria Industrial Estate bounded to the north by Huntley and Collins Street.
- **The Airport,** capturing all people who work in the airport who are only likely to spend at the subject site before and after work as their spending will be limited to the retail offer at the airport during work hours.

The retail catchment considered for the Planning Proposal consists only of the workers and does not capture residents, as worker spending is likely to generate the significant majority of turnover for the potential future retail at the subject site. Any residential spend within or outside the retail catchment will be accounted for in the beyond market.

The retail catchment and the defined competitor precincts along with other centres in the surrounding area are shown in Map 7 below.

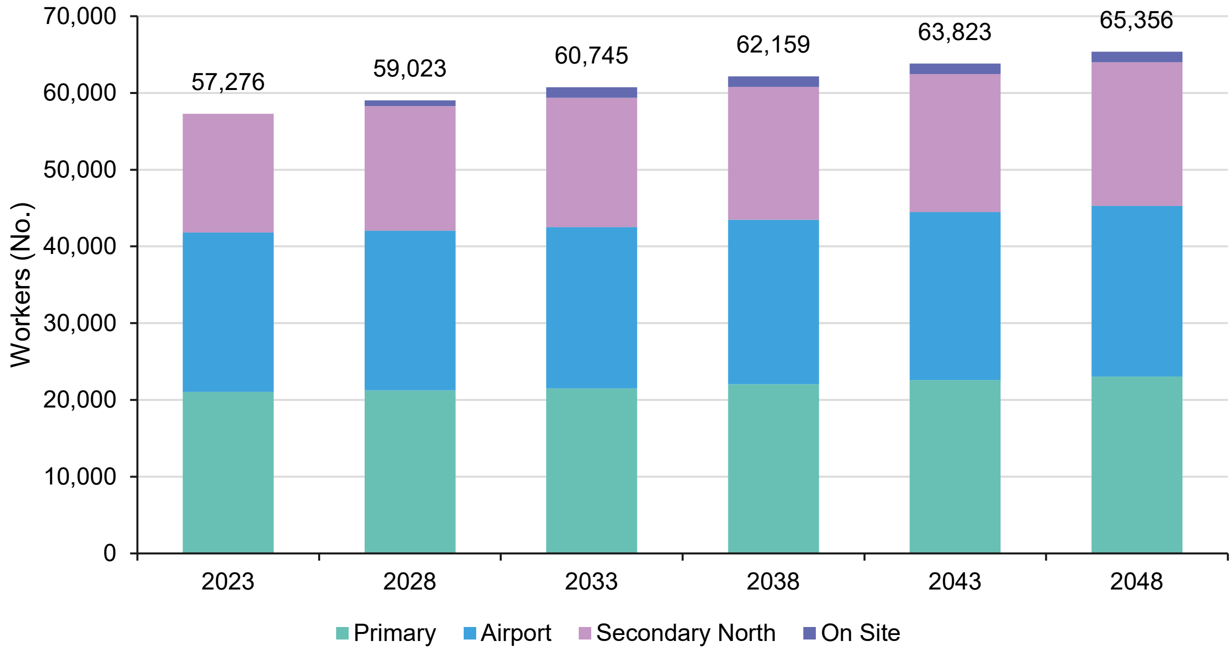
Map 7 – Retail Catchment

2.3.2. Retail Catchment Population

Chart 3 below shows the projected worker population by retail catchment sector based on the latest TfNSW projections. In 2023, the retail catchment is estimated to have 57,276 workers, with 21,052 (36.8%) from the primary catchment.

Total workers within the catchment are expected to grow at 0.6% per annum between 2023 to 2033, reaching a total of 60,745 workers in the catchment by 2033. The potential future development will add a total of 1,358 workers to the catchment by 2030. This projected growth will create further demand for additional retail and services floorspace within the catchment.

Chart 3 – Retail Catchment Worker Population Projections



Source: TfNSW, ABS, LOGOS, Sydney FES, Urbis

2.3.3. Retail Catchment Spending

Based on the worker population forecasts we have estimated the retail spending of each sector within the retail catchment. As the potential future development at the subject site only comprises of retail floorspace which is F&B, we have only considered retail spend in the food catering product groups. Spending estimation considers worker's spending while they are at work and spending before and after work including on their commute.

Table 12 below shows the projected annual food catering spend of the retail catchment, which is expected to grow from $101.9 million 2023 to $110.8 million in 2033, reflecting an increase of $8.9 million. The 1,358 on-site workers expected on the subject site once the likely future development is complete in 2030 are expected to generate $2.5 million of annual food catering spend by 2033.

Table 12 – Food Catering Retail Catchment Spending Market

Retail Catchment Sector	Spending Market ($M, Real $2023)					
	2023	2025	2027	2029	2031	2033
On Site	0.0	0.0	0.0	1.3	2.5	2.5

Retail Catchment Sector	Spending Market ($M, Real $2023)					
	2023	**2025**	**2027**	**2029**	**2031**	**2033**
Primary	37.4	37.8	38.1	38.4	38.7	39.2
Airport	36.9	37.1	37.4	37.6	37.8	38.3
Secondary North	27.5	28.0	28.8	29.6	30.4	30.8
Total	**101.9**	**102.9**	**104.4**	**106.9**	**109.4**	**110.8**

Source: ABS, Marketinfo, Urbis

2.3.4. Turnover of Current and Future Retail Supply

Table 13, overleaf, shows the current (2023) and projected real turnover (2030) of existing retail precincts and shopping centres which are likely to compete with the subject site. We have projected turnover until 2030, as this will be the ‘impact’ year (when the subject site is complete) and only include the turnover of the food catering offering of each centre and precinct. These shopping centres and precincts (previously shown in Map 7) are defined as follows:

- **Mascot Central:** All food catering tenants within Mascot Central and surrounding Mascot Central north to Gardeners Road, east to O’Riordan Street, south to Coward Street and west to Kent Street.
- **Primary Catchment Retail:** All food catering tenants within the primary retail catchment.
- **Secondary North Catchment Retail:** All food catering tenants within the secondary north retail catchment.
- **Mascot Town Centre:** All food catering tenants in Mascot Town Centre along Botany Road.
- **Eastlakes Shopping Centre/The Grand Residencies Retail:** All food catering tenants in Eastlakes shopping centre and ground floor retail in The Grand residences.
- **Airport Takeaway Food:** Drive thru takeaway precinct directly outside of the Sydney Airport, along Joyce Drive (specifically McDonald’s, KFC and Krispy Kreme).
- **Airport Terminals:** All food catering tenants within the International and Domestic Airport terminals.
- **Rosebery Ground Floor Retail:** All food catering tenants in the main retail core of Rosebery, including The Cannery and retail surrounding Woolworths Metro Rosebery.
- **Gardeners Road Retail:** All food catering tenants along Gardeners Road between Botany Road to the west and Maloney Street to the east.

Precinct turnover is estimated through applying relevant average turnover levels (per sq.m), from the Urbis Shopping Centre Benchmarks (USCB) which collects trading data nationally across all retail product groups, to the estimated retail supply of each shopping centre and precinct. To estimate the existing retail supply the Urbis Shopping Centre database was utilised in conjunction with a physical audit undertaken by Urbis in April 2023.

The largest food catering precinct relevant to the defined catchment is the Airport Terminals, which is currently estimated to be generate an annual turnover of $60 million in 2023. Other major retail precincts include Mascot Central with estimated turnover of $51 million and Rosebery ground floor retail with estimated turnover of $36 million.

Table 13 – Current Retail Supply and Turnover

Centre/Retail Precinct	Driving Distance from Subject Site	Retail Floorspace (sq.m) - Food Catering only	Retail Turnover (Real, $2023)	
			2023	2030
Mascot Central	1.2km	5,045	$50,387,500	$51,280,967
Primary Catchment Retail	0-1.2km	3,290	$25,300,000	$25,749,374
Secondary North Catchment Retail	1.6km	2,830	$20,740,000	$21,108,513
Mascot Town Centre	2.4km	2,365	$27,212,500	$27,694,670
Eastlakes Shopping Centre/The Grand Residences Retail	3.2km	1,670	$18,075,000	$18,395,365
Airport Takeaway Food	2.7km	1,550	$18,875,000	$19,209,350
Airport Terminals	2.4km	3,558	$59,602,500	$60,656,957
Rosebery Ground Floor Retail	2.6km	3,570	$35,250,000	$35,875,091
Gardeners Road Retail	1.8km	1,690	$15,300,000	$16,216,389

Source: USCB; Urbis

Table 14 below shows the future supply of food catering retail within these defined precincts. Turnover is estimated using the same method as existing retail supply. Future supply of food catering within the defined precincts is only expected to add 2,456 sq.m of floorspace. The Rosebery Ground Floor Retail precinct is expected to experience the largest floorspace uplift of 1,057 sq.m by 2028, which is estimated to generate around $8.5 million of turnover in 2030.

Table 14 – Future Retail Supply

Centre/Retail Precinct	Retail Floorspace (Food Catering)	Estimated Completion (Calendar Year)	Retail Turnover, 2030 (Real, $2023)
Mascot Central	850	2025	$6,411,080
Primary Catchment Retail	549	2025	$4,190,099
Rosebery Ground Floor Retail	1,057	2028	$8,451,138

Source: Urbis; Cordell

Table 15 below shows the estimated turnover of the likely future F&B retail at the subject site once complete in 2030. Turnover is estimated in the same way as both current and future supply by applying appropriate average turnover levels (per sq.m) to the floorspace of F&B retail at the subject site from the Urbis Shopping Centre Benchmarks, which is then grown out to 2030 in line with growth of spending per capita. The potential F&B retail at the subject site is expected to generate an estimated turnover of nearly $7 million by 2030.

Table 15 – Proposed Retail Floorspace and Expected Turnover at the Subject Site

Use	Floorspace (sq.m)	Turnover per sq.m ($)	Estimated Turnover, 2030 (Real, $2023)
F&B (Café, Restaurant and/or Takeaway Premises)	1,300	5,369	$6,979,404

Source: USCB; Urbis

Table 16 below shows the estimated market shares and corresponding turnover distribution by catchment sector for food catering at the subject site. The subject site is expected to achieve a 75% market share of the on-site worker food catering spending, due to the variety of the on-site offer (1,300 sq.m of café, restaurant, and/or takeaway food space). The subject site is expected to capture an 8% share of the primary catchment food catering spend and a much lower 2% share from the secondary north and airport catchments.

The subject site takes a low 2% share from the airport worker spending as airport terminals have a unique F&B offering, which does not operate as a typical precinct. Due to the barriers for workers to leave the airport precinct during work hours such as security clearances they are not likely to leave work to spend. However, they are still relevant to consider within the impact assessment, as airport workers are likely to spend outside the airport on their way to and from work. This spending can occur all throughout the day as airport workers are mostly shift workers due to the 24/7 nature of the airport operations. Conversely, workers from other catchment sectors will not visit the airport terminal F&B, as they must pass security to enter. These conditions have been factored into our impact assessment.

When calculating the turnover distribution from the resultant estimated food catering retail turnover at the subject site from each retail catchment sector, the on-site workers and primary workers are expected to account for 70% of food catering turnover at the subject site. The airport and secondary north workers are together expected to account for a much lower 20% share of turnover, while the remaining 10% of trade is expected to come from beyond the retail catchment worker population.

Table 16 – Market Shares and Turnover Distribution of Food Catering Retail

Catchment Sector	Spending Market 2030 ($M, Real $2023)	Market Shares	Estimated Turnover 2030 (Real, $2023)	Turnover Distribution
On Site	$2,457,751	75.0%	$1,843,314	26.4%
Primary	$38,551,009	8.0%	$3,084,0,81	44.2%
Airport	$37,697,634	2.0%	$753,953	10.8%
Secondary North	$30,005,845	2.0%	$600,117	8.6%
Beyond	-	-	$697,904	10.0%

Source: USCB; Urbis

2.3.5. Retail Impact Analysis

For the purposes of our analysis, “economic impact” on specific retail precincts and centres is defined to mean the probable change in retail turnover at various precincts and centres resulting from the introduction of new competition in the form of a new or expanded/refurbished retail offer or shopping centre.

The reduction in turnover relates to a reduced turnover relative to if the status quo had been maintained (i.e. if the centre’s competitive circumstances remained unchanged).

It is appropriate to express the impact on particular shopping centres or precincts as a percentage of their potential turnover in the opening year of the proposed retail offer, as well as comparing impacts with the estimated trading situation at each shopping centre and precinct prior to the development occurring.

This latter measure is important because it shows the extent to which conditions prior to development will be sustained even after the impact of competitive developments, recognising that growth in the market, from population growth, employment growth or real spending growth per capita, can offset in whole or part the effects of new competition.

Table 17, overleaf, shows the results of our completed retail impact assessment, which demonstrates that:

- In 2030, the total overall trading performance of the main existing competitors (excluding Airport Takeaway Food -0.4% lower) will be 0.3% to 25.4% higher than 2023 levels, (in real, $2023 dollar terms) even when accounting for the proposed F&B retail at the subject site.
- In its first full year of trading (2030), the likely future development is forecast to draw $6.6 million from its main competitors, and $0.4 million from other retailers from other locations.
- The important factor to note however, is that when the $6.6 million impact is properly attributed between each of the main potential competitors, none of them are expected to experience a loss of turnover greater than 5.7% (from their 2030 trading level). These levels of impacts are considered as small and as such, the potential future retail at the subject site will not undermine the commercial viability of each of the defined precincts.
- The addition of retail on the subject site generates a higher willingness of workers within the retail catchment to spend more as they have more options to choose from (also known as supply induced spending). As such, the proposed retail at the subject site will have the positive effect of increasing the size of the overall spending market in the retail catchment as reflected in the increase in the spending per capita from 2023 to 2030.

Table 17 – Retail Impact Analysis

Competitors to Subject Site (Shopping Centre/Retail Precinct)	Retail Turnover ($M, Real)			Post VS Before Impact		Post Impact VS Current	
	Current (2023)	Before Impact (2030)	Post Impact (2030)	($M)	(%)	($M)	(%)
Mascot Central	50.4	55.5	52.9	-2.5	-4.5%	2.6	+5.1%
Primary Retail	25.3	32.2	30.3	-1.8	-5.7%	5.0	+19.9%
Secondary North Retail	20.7	21.1	20.8	-0.3	-1.4%	0.1	+0.3%
Mascot Town Centre	27.2	27.7	27.3	-0.4	-1.4%	0.1	+0.4%
Eastlakes Shopping Centre/The Grand Residences	18.1	18.4	18.2	-0.2	-0.8%	0.2	+0.9%
Airport Takeaway Food	18.9	19.2	18.8	-0.4	-2.2%	-0.1	-0.4%
Airport Terminals	59.6	60.7	60.2	-0.5	-0.8%	0.6	+0.9%
Rosebery Ground Floor Retail	35.3	44.3	44.2	-0.1	-0.3%	9.0	+25.4%
Gardeners Road Retail	15.3	16.2	15.9	-0.3	-2.1%	0.6	+3.7%
Other Retail				-0.4			
Total Impact				**-7.0**			

Source: ABS; Cordell; Marketinfo USCB; Urbis

3. EMPLOYMENT AND ECONOMIC GROWTH IMPACTS

Property development projects provide economic benefits to a local economy and wider region during both the construction and development phase, and during the ongoing operation or working life of the project. Direct economic benefits during the development phase are identified in the form of expenditure, economic growth and employment benefits. These direct benefits in turn generate flow on (multiplier or indirect) benefits which also benefit the regional and state economies.

In this assessment, we used REMPLAN software to model and quantify the potential economic benefits associated with the potential future development. REMPLAN is an Input Output model that captures inter-industry relationships within an economy. It can assess the area specific direct and flow on implications across industry sectors in terms of employment, wages and salaries, output and value added (Gross State Product).

The potential economic benefits of the Planning Proposal have been quantified in terms of value added expenditure generation and employment generation:

- Expenditure Generation – Estimation of the direct and indirect expenditure impacts resulting from the potential future development. This estimates value added expenditure impacts to the regional and state economies during the development phase
- Employment Creation – Estimation of the direct and indirect employment impacts resulting from the potential future development. This estimates employment impacts using standard industry job benchmarks and regional employment multipliers for New South Wales.

Key points regarding the workings and terminology of the model are as follows:

- REMPLAN uses either the value of investment or employment generation as the primary input. For this analysis, the value of total upfront investment has been used as the key input to assess the benefits of the construction phase, whereas future employment at the centre is the input to assessing the ongoing economic benefits of the operational phase
- Outputs from the model include direct and indirect employment and value added (i.e. economic growth) generated through the project
- Employment generated includes all full-time and part-time jobs created over the life of the construction phase; or in terms of the ongoing operations, total ongoing jobs created
- Both the direct and indirect benefits are modelled for employment and value added
- Direct refers to the effect felt within the industry where the investment is being made. For example, during the construction phase, new direct jobs are created within the construction industry
- Indirect effects are 1) those felt within industries that supply goods to the industries directly affected (industry effects) and 2) to industries that benefit from the wages that are earned and spent by those employed within the industries directly affected (consumption-induced effects). For the purposes of this analysis, consumption-induced effects have been excluded. Consumption-induced effects are prone to overstate the benefits of a particular investment as they overestimate the impact of wage and salary increases in the local economy. This is accepted industry practice.

The following sub-sections present a summary of benefits for these two phases.

3.1. DEVELOPMENT PHASE

Direct economic benefits during the development phase are identified in the form of employment and value added benefits. These direct benefits, in turn, generate flow on (multiplier or indirect) benefits which also benefit the regional and state economies.

3.1.1. Project Expenditure

Total expenditure estimates for the potential future development have been provided by the Proponent. The total estimated capital investment value of the development is ~$404.2 million (excluding GST). However, for the purposes of assessing economic impacts, GST must be included. As such, the development is estimated to generate approximately $444.6 million of direct expenditure including GST for the local region and state over a four-year development period, with construction expected to commence in 2026 and finish by 2030.

3.1.2. Employment Benefits

New jobs will be supported during the four-year development phase by the direct expenditure on the potential development. The direct and indirect employment benefits according to our REMPLAN analysis are shown below:

- Direct Jobs = 194 jobs over four years
- Indirect Jobs = 277 over four years
- Total Jobs = 471 over four years.

3.1.3. Value Added Benefits (Constant $2023)

Value added benefits (Gross State Product) will be generated from the direct expenditure incurred on the potential future development. Value added essentially represents economic growth for the region and state (i.e. Net Economic Output: this is total economic output minus output which is an input for other sectors). The direct and indirect value-added benefits are shown below:

- Direct Value Added = $130.7 million
- Indirect Value Added = $174.7 million
- Total Value Added = $305.4 million.

Table 18 – Economic Benefits, Development Phase ($2023)

	Direct	Indirect	Total
Project Expenditure ($M)	$444.6	-	**$444.6**
Employment (No.)	194 jobs over 4 years	277 jobs over 4 years	**471 jobs over 4 years**
Value Added ($M)	$130.7	$174.7	**$305.4**

Source: REMPLAN Economy; WT Partnership; LOGOS; Urbis

3.2. ONGOING PHASE

In addition to economic benefits that are generated during the development phase of the project, there will be ongoing economic benefits created through the operation of new facilities on the site. These benefits include growth in employment and value added (Gross State Product).

3.2.1. Employment Benefits

The ongoing operation of the facilities will directly and indirectly create new jobs in the local region and state from 2030 onwards. The direct (based on industry standard jobs per sq.m benchmarks) and indirect employment benefits are shown below:

- Direct Jobs = 1,358
- Indirect Jobs = 943
- Total Jobs = 2,301.

Table 19 – Operational Phase Direct Jobs

	GFA (sq.m)	Employment Density (sq.m/job)	Ongoing Jobs (no.)
Warehouse Floorspace	166,877	250	669
Ancillary Offices	11,558	50	231
Commercial Office	8,047	20	402
Food and Beverage	1,300	25	52
Retail Shop	100	25	4
TOTAL	**187,882**	**138**	**1,358**

Source: CoS FES 2017; Lacoste + Stevenson; LOGOS, Urbis
**The end-of-trip facilities and lobby space will be supported by employment generated by other uses within the development. For example, the warehouse and office floorspace benchmarks include building service jobs (cleaners, concierge staff, repairs and maintenance, etc.) who would typically service the lobby, end of trip and outdoor space.*

3.2.2. Value Added Benefits (Constant $2023)

Once complete, the potential future warehouse, office, and retail facilities will generate ongoing additional value added via annual contributions to Gross State Product. This presents economic activity which would otherwise not have occurred.

- Direct Value Added = $220.3 million per annum
- Indirect Value Added = $164.1 million per annum
- Total Value Added = $384.4 million per annum

Table 20 – Operational Phase Benefits

	Direct	Indirect	Total
Average Employment Per Annum (Jobs)	1,358	943	**2,301**
Value Added per Annum ($M)	$220.3	$164.1	**$384.4**

Source: REMPLAN Economy; City of Sydney; LOGOS; Urbis

4. OTHER ECONOMIC BENEFITS

In addition to the economic impacts quantified in Section 3, there are several non-quantifiable economic benefits likely to result from the Planning Proposal, including the additional permitted land uses. These are outlined below.

4.1. INCREASED AMENITIES FOR WORKERS IN MASCOT

The inclusion of high-quality amenities within the Planning Proposal, including the provision of retail offerings and end-of-trip facilities, can improve the work conditions for those both within and surrounding the subject site.

The creation of a vibrant workplace where individuals are attracted to work will improve their sense of purpose and meaning within the workday. The café and restaurant floorspace (currently not permitted) which will mainly service on-site and immediately surrounding workers will also improve worker perceptions and retention within the local area as they have a more accessible retail offer as well as a greater range of offers. Seated dining will allow the workforce to have sit-down lunches, which can help to facilitate connection with colleagues.

As such, improving the amenity outcomes for workers also significantly improves the competitive positioning of the overall Mascot Commercial Precinct, as it will more easily attract workers and businesses in the future.

4.2. IMPROVED WELLBEING OUTCOMES FOR WORKERS

The provision of retail facilities can greatly improve the wellbeing outcomes of workers. The increase in workplace amenity can improve networking opportunities and facilitate professional relationships between colleagues. Providing opportunities for social connections can improve company culture and provide a sense of cohesion. Facilities such as onsite food retail (and in particular dine in cafés and restaurants), where employees can spend their lunch breaks together, can facilitate these social connections.

4.3. IMPROVED ESG OUTCOMES FOR THE SUBJECT SITE

ESG (environmental, social and governance) measures a company's collective conscientiousness for social and environmental impact. These factors are becoming ever more present to a company's brand as their customers start to demand it. In the context of property development, tenants are the customers, so it is important future developments can deliver superior ESG outcomes which are demanded by tenants.

These three key factors in the context of property encompass numerous areas of concern, including:

- Environmental measures: look at how a property scores against key environmental metrics including waste management, pollution, carbon emissions and renewable energy rates.
- Social measures: look at how the development of the property benefits people including working conditions, conflict, health and safety, employee relations, diversity, and community involvement.
- Governance measures: examine how a company polices itself on key aspects such as tax strategy, executive compensation, corruption, bribery, and board diversity.

LOGOS are committed to sustainable development and operations and have incorporated the ESG outcomes seen in Table 21 below in their potential future development of the subject site.

Table 21 – ESG Outcomes of the potential future development

Environmental	Social	Governance
Target Five Green Star Rating	Customer and community engagement and investment	Transparent reporting

Environmental	Social	Governance
Waste management plan with a minimum 80% diversion rate from landfill	Responsible supply chain management, including adhering to LOGOS' Modern Slavery Framework	Anti-bribery and corruption
Climate change risk and adaption assessment	Development of a Reconciliation Action Plan with First Nations people	Speak up policy
Road map to achieve net zero carbon emissions by 2030	Health and well-being services and spaces	Responsible investment with ESG integration into investment decision and asset management
Ensuring minimum 10% of site is active and productive landscaping	Developer contributions to local infrastructure	Leasing policy
Maximising solar energy capacity via roof		

Source: LOGOS

5. CONCLUSION

Our completed economic impact assessment for the land uses at the subject site, as outlined in the Planning Proposal, has found that the subject site will have a positive or acceptable economic impact.

A summary of our findings for the proposed land uses from completing individual economic impact assessments for each use (including uses which are already permitted in the E4 zone and additional uses to be included via the Planning Proposal) is provided below:

- **The warehouse floorspace (166,877 sq.m) will have a positive economic impact by:**
  - Facilitating the retention and optimal use of the existing employment lands supply.
  - Addressing the current shortage of industrial floorspace.
  - Helps combat the growing rental and sales prices of industrial stock which are currently growing at unsustainable levels.
  - Meets the growing demand for future warehousing and logistics floorspace in a highly suitable location.
- **The office floorspace (11,558 sq.m of ancillary office and 8,047 sq.m of commercial office space) can be supported by the market and will have a positive economic impact by:**
  - Helping to address 23% of the 84,704 sq.m shortfall which is currently expected in 2030. As there is an expected shortfall, the additional office floorspace at the subject site will not have a negative impact on other office floorspace in the area.
  - As there is an expected shortfall, the current supply pipeline is not accommodating expected future demand, with a key reason being that land where commercial office floorspace is allowed is being favoured by developers for residential and mixed-use developments (with ground floor retail). As such, the potential floorspace at the subject site would ensure the delivery of office floorspace (and in particular commercial office space) which is not currently being accommodated in other suitable land zones.
  - Delivering ancillary office floorspace which is critical to the logistics businesses looking to located within the office catchment.
  - Improving the current offer by contributing a critical mass of A-Grade commercial space which will help attract new businesses into the precinct who are currently put off by the aging existing commercial stock.
- **The retail floorspace (1,400 sq.m) has an acceptable impact of 5.7% or below on other retail centres or precincts**
  – Due to market growth the total overall trading performance of the main existing competitors (excluding Airport Takeaway food -0.3% lower) will be 0.3% to 25.4% higher than 2023 levels, (in real, $2023 dollar terms) even when accounting for the proposed retail at the subject site.

In addition to the positive economic impact of each land use, there is also a range of overall quantifiable economic benefits associated with the Planning Proposal, including:

- Delivering 194 direct and 277 indirect construction jobs, and contributing $305.4 million in direct and indirect value added, to New South Wales over the four-year development phase.
- Delivering 1,358 direct jobs through the ongoing operation of the additional facilities on-site and a further 943 indirect jobs from flow-on effects.
- Directly contributing an average of $220.3 million in value added, and indirectly contributing a further $164.1 million in value added, to the New South Wales economy on an annual ongoing basis.

In addition to supporting additional employment and economic growth the Planning Proposal will provide a range of other economic benefits, which are difficult to quantify, including:

- Improving amenity for workers in Mascot, which will greatly improve the competitive positioning of the area in being able to attract new workers and businesses.

- Improving wellbeing outcomes for workers.
- Improving ESG outcomes for the subject site.

The Planning Proposal should therefore be supported from an economics perspective.

6. DISCLAIMER

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COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

The recent international outbreak of the Novel Coronavirus (Covid-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, has and continues to cause considerable business uncertainty which in turn materially impacts market conditions and the Australian and world economies more broadly.

The uncertainty has and is continuing to impact the Australian real estate market and business operations. The full extent of the impact on the real estate market and more broadly on the Australian economy and how long that impact will last is not known and it is not possible to accurately and definitively predict. Some business sectors, such as the retail, hotel and tourism sectors, have reported material impacts on trading performance. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The data and information that informs and supports the Report Content is current as at the date of this report and (unless otherwise specifically stated in the Report) does not necessarily reflect the full impact of the Covid-19 Outbreak on the Australian economy, the asset(s) and any associated business operations to which the report relates. It is not possible to ascertain with certainty at this time how the market and the Australian economy more broadly will respond to this unprecedented event and the various programs and initiatives governments have adopted in attempting to address its impact. It is possible that the market conditions applying to the asset(s) and any associated business operations to which the report relates and the business sector to which they belong has been, and may be further, materially impacted by the Covid-19 Outbreak within a short space of time and that it will have a longer lasting impact than we have assumed. Clearly, the Covid-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

Where we have sought to address the impact of the Covid-19 Outbreak in the Report, we have had to make estimates, assumptions, conclusions and judgements that (unless otherwise specifically stated in the Report) are not directly supported by available and reliable data and information. Any Report Content addressing the impact of the Covid-19 Outbreak on the asset(s) and any associated business operations to which the report relates or the Australian economy more broadly is (unless otherwise specifically stated in the Report) unsupported by specific and reliable data and information and must not be relied on.

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