



**TOWER 2, LEVEL 23  
DARLING PARK, 201 SUSSEX ST  
SYDNEY NSW 2000**

URBIS.COM.AU  
Urbis Pty Ltd  
ABN 50 105 256 228

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Mr Jon Kavali  
CBUS Property  
Suite 5, Level 5  
5 Martin Place  
Sydney NSW 2000

Dear Jon,

## **DA/234/2016 16-22 LANGSTON PLACE, EPPING: ECONOMIC ANALYSIS**

Further to the JRPP panel briefing on DA/234/2016, the purpose of this letter is to provide additional economic analysis on the loss of commercial floorspace associated with the proposal.

Urbis considers that the proposed development offers **significant economic benefits** for Epping town centre which should be considered against the limited prospect for reusing the existing building for commercial use or developing new office floorspace at the site. Furthermore, the proposed development includes provision for 1,688 sq.m retail floorspace which has the potential to support around **100 new jobs**.

The following points are key to understanding these economic benefits:

- Westpac is the sole tenant of the existing building and will vacate the premises when the current lease expires. Cbus Property has advised that Westpac is consolidating its employment in other 'core' locations within its network. The existing building has been identified as 'B' Grade office space and would require significant investment or rebuilding to provide 'A' grade space.
- The existing building provides 8,900 sq.m net lettable area (NLA). There are only around 200 people employed within the building, equating to a low employment density of 44.5 sq.m per worker, compared to 15 sq.m per worker or lower for modern 'a grade' office floorspace. A high proportion of space within the building at present is taken up with empty workstations associated with disaster recovery services. The building is therefore **under-utilised** as an employment-generating asset.
- The proposed redevelopment of the site includes provision for 1,688 sq.m retail floorspace. This has the potential to create around 100 jobs based on typical retail employment densities. (16.5 sq.m per employee for specialty retail). This means that the 'employment' component of the proposed development will deliver an **employment density that is more than 2.5 greater than the current use**. This reflects a more efficient use of the site from an economic perspective.
- The proposed development will deliver an economic benefit to Epping town centre by **increasing potential retail spending for local businesses**. The development of 464 units, with a notional on-site population of 1,000 residents on completion in 2021, has the potential to generate **\$16.9 million** of retail spending. This figure is based on current retail spend per capita for Epping town centre residents (\$15,483 per capita in \$2016 dollars) which is 7% above the Sydney average (\$14,391). The continued renewal of Epping town centre provides scope for current and future retailers to capture increasing shares of spend from new residents from this and other developments.

- For office development, **Epping town centre faces significant competitive disadvantages relative to the major office locations of Macquarie Park, Parramatta and Norwest**, located 5km east, 11km west and 17km north west respectively. The current and proposed supply of 'A grade' office floorspace in these established locations provides capacity to accommodate significant additional office employment. (Refer to Attachment A) For the subject site, this greatly diminishes the potential to secure a necessary pre-commitment from a major office tenant that could otherwise support refitting the current building, or the development of new office floorspace at the subject site.
- There will nevertheless be potential for local businesses (e.g. professional services, medical) to occupy the tenancies within the proposed 1,688 sq.m retail floorspace, subject to market interest.
- For Epping, the impact of the **Sydney Metro Northwest is likely to increase the appeal of the town centre as a residential location, rather than a commercial office location**. The metro will increase connectivity to Norwest Business Park and improve travel times to Macquarie Park and Chatswood, and ultimately Sydney CBD. Epping is likely to be a net exporter of workers, rather than importer. This is entirely consistent with strategic planning for the region.
- The benefit of this improved employment connectivity is reflected in the Urban Activation Precinct rezoning for Epping Town Centre which facilitates additional residential and retail development. Improved connectivity will stimulate residential demand which will in turn drive demand for enhanced retail and service provision. An increased resident population will increase spending and result in **increased economic activity** within the town centre, including at evening and weekend periods. The growth in residents and spending in the town centre can support additional town centre retail floorspace and employment.

In conclusion, the proposed development offers a range of positive economic benefit town benefits for Epping town centre, which are aligned with the intent of the strategic analysis which underpinned the Department of Planning & Environment's Epping Town Centre Urban Activation Precinct. It will result in the mixed use redevelopment of a 'B' grade office building site that is poorly positioned to attract commercial tenants when Westpac vacates.

The proposed development maintains an employment generating component (and a higher employment density than the current use), contributes to the revitalisation of Epping town centre and generates additional expenditure for existing businesses.

The proposal is therefore supportable from an economic perspective.

Yours sincerely,



David Wilcox

Associate Director

## Attachment A:

Macquarie Park and Parramatta CBD, existing and proposed commercial floorspace

|   | Macquarie Park     | Parramatta CBD      | Norwest                    |
|---|--------------------|---------------------|----------------------------|
| <b>Total Commercial Floorspace (sq.m)</b> | <b>886,500</b>     | <b>683,000</b>      | <b>200,000<sup>1</sup></b> |
| Vacancy (%)                               | 8.2%               | 5.6%                | Not reported               |
| Vacancy (sq.m)                            | 73,000             | 38,500              | Not reported               |
| <b>A Grade space (sq.m)</b>               | <b>635,600</b>     | <b>273,600</b>      | <b>Not reported</b>        |
| Vacancy (%)                               | 4.8%               | 1.7%                | Not reported               |
| Vacancy (sq.m)                            | 30,400             | 4,700               | Not reported               |
| <b>Development Pipeline (sq.m)</b>        | <b>94,000 sq.m</b> | <b>113,000 sq.m</b> |                            |

Source: Property Council of Australia (January 2016), Jones Lang Lasalle (August 2015)

1. Occupied floorspace

