

SOMA Lifestyle Precinct, Gledswood Hills

Economic Assessment for Short-Term Accommodation & Other Facilities

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Prepared for:

Gregory Hills Corporate Park

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Executive Summary

This report considers the proposition of a new short-term accommodation (STA) facility and new cinema complex at the SOMA precinct of the Gregory Hills Corporate Park.

There is a concern from Camden Council that the proposed hotel would impact on scope for the potential development of STA at other locations. We note that this analysis is not required for planning assessment purposes, because STA is a permissible use in the current site. Similar concerns and rules apply to the location of a cinema complex at Gregory Hills Corporate Park.

Our analysis indicates that existing or proposed centres do not depend on hotels and cinemas as key ingredients for success. Rather, the market demonstrates a wide variety in location for these facilities, and that such provision is required to deliver different provisions to suit a broad spectrum of market need.

In the Sydney CBD, tourist holidays are the core source of demand for STA services. Proximity to major attractions provides the basis for a city centre location.

However, market conditions in south-western Sydney are quite different. Evidence shows that business travel and visitation of family & friends are key sources of STA demand. STA development is spread broadly across south-western Sydney, and is not anchored by town centre locations, or by the need for co-location with other recreational assets.

While there is a broad geographic distribution of STA facilities, the rate of development has been moderate. There is ample scope for supply to increase, in light of the recent surge in demand. Across south-west Sydney (inclusive of Liverpool, Campbelltown and Camden), aggregate room nights occupied has shown growth of 17% over the two years to June 2016.

Camden has not drawn much benefit from the recent boom in demand, because there are only 83 STA rooms located in the LGA. With few projects in the pipeline, Camden's economy will continue to miss out on the economic opportunities being created in Liverpool and Campbelltown through new STA development.

Our analysis indicates that the upturn in regional economic growth is pivotal to STA demand. The economic transformation of Sydney's South West, exemplified by new infrastructure projects and an expansion of employment lands, will continue to generate growth in business travel.

For businesses, STA services are defined by affordability and access to car parking – if these features can be delivered more effectively outside an established centre, then demand will tend to gravitate to suburban locations. The predominance of Casula, relative to the Liverpool CBD, as a location for STA, best reflects the market conditions that have allowed Liverpool's service base to flourish.

This observation does not imply that STA development draws no benefit from co-location with other assets. There are instances where a recreation precinct environment does help an STA business to flourish. In this instance, the ability to co-locate a new hotel with the proposed integrated medical precinct at the Gregory Hills Corporate park offers great potential.

Based on projected growth in demand across the south west region, there is scope for an additional 9-10 hotels to be added in this corridor over the next decade.

The proposed hotel at SOMA lifestyle precinct will have a very limited impact on the Camden town centre or other local centres nearby. The existing establishments at Camden have a total of 83 rooms, with an estimated total of 16,000 to 18,000 visitor nights per financial year.

There is potential for further hotels to be developed in the catchment, particularly in the Camden LGA, which lacks depth in its current supply.

The delivery of new STA establishments in Camden would help to claw back some market share following the expansion of supply in the Campbelltown and Liverpool LGAs.

Likewise, the provision of additional cinema facilities at the Gregory Hills Corporate Park will help to meet demand for a broad range of cinema types needed to meet market demand in the fast-growing South West region. This provision will not have a material impact on the viability of any of the existing or planned town centres. Notably, cinemas are permissible development at the subject site and their provision is not inconsistent with the specific objectives for the B5 Business Development zone.

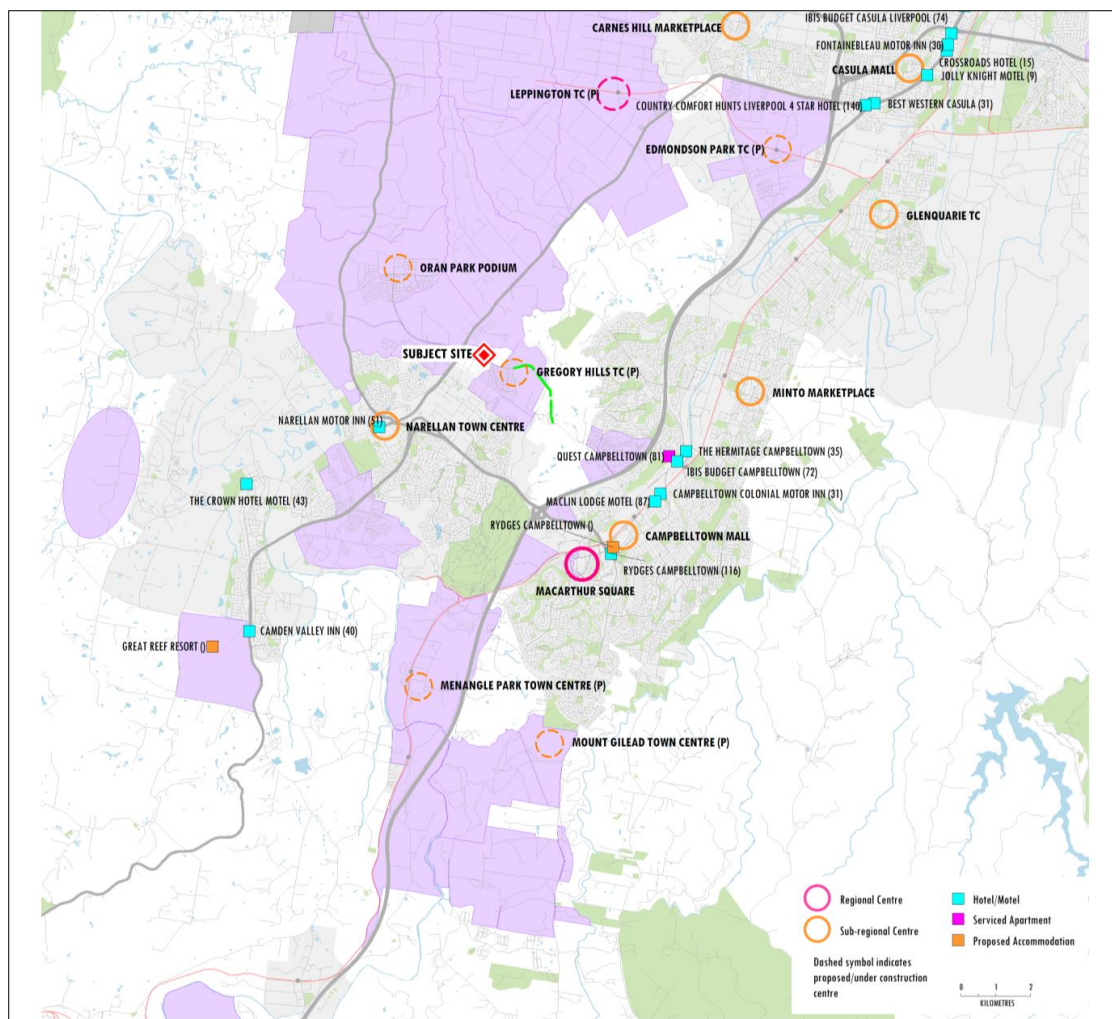
Section 1: Regional & Planning Context

1.1 Locational Context

Gregory Hills Corporate Park is situated within the developing suburb of Gregory Hills, which is part of the South West Priority Growth Area. The SWPGA is expected to accommodate 110,000 new dwellings, or some 350,000 persons, once fully developed.

The Gregory Hills Corporate Park is adjacent to the Camden Valley Way, the major arterial road that services the SWPGA. The site is also adjacent to Badgally Road, which is presently part constructed but will shortly connect the Gregory Hills Corporate Park, and other release precincts situated along Camden Valley Way, to Campbelltown.

Locality – South West Sydney



Source: MacroPlan Dimasi

1.2 Site Context

The subject site is bounded by Gregory Hills Drive to the south and Central Hills Drive to the west. It is adjacent to the Camden Medical Campus site, a future medical precinct that is proposed to house one of Sydney's largest private hospitals. The immediate locality also consists of substantial residential development.

Subject Site Location



Source: Google Maps (2017)

The Gregory Hills Corporate Park encompasses a range of commercial and related employment uses, with current tenancies Officeworks, Sydney Tools, Autobarn, Jetts Fitness, a Home Centre, a child care and swim centre and the Gregory Hills Hotel.

A recent application has been approved for an integrated medical precinct, which will include a large private hospital and a specialist medical centre that includes a 40-bed private children's hospital.

A cinema is incorporated within the statutory definition of an '*entertainment facility*', which means "... a theatre, cinema, music hall, concert hall, dance hall and the like, but does not include a pub or registered club".

Ordinarily, it is not necessary to 'justify' the provision of permissible development, on the basis that competition per se is not a valid planning consideration.

Nonetheless, in its consideration of the current SOMA application, MacroPlan understands that Council has requested further information to substantiate the proposed development, presumably concerning its consistency with the B5 zone objectives. These objectives include:

1. *To enable a mix of business and warehouse uses, and bulky goods premises that require a large floor area, in locations that are close to, and that support the viability of centres.*
2. *To encourage development that supports or complements the primary office and retail functions of the local centre zone.*
3. *To enable other land uses that are complementary to and do not detract from the viability of retail, business and warehouse uses within the zone.*

The frame for planning consideration created by these objectives is quite narrow. It is principally concerned with the primary office and retail functions of 'local centres' and seeks to ensure that new development in the B5 zone does not compromise this primacy.

Clearly, neither a hotel or cinema represent a direct retail or office function, and therefore would not specifically challenge the primary function of centres in accommodating these types of uses. The permissibility of both land uses reflects this framework.

As permitted development, the market is entitled to form a view as to whether a hotel can be placed at Gregory Hills or at other permitted sites, including town centres, or whether, for instance, a hotel could in fact be located at several sites across the LGA, each with its own point of distinction. The market will determine the preferred site(s) for a hotel based on a number of factors, including accessibility, site prominence, etc.

Similarly, the market will determine the preferred location for a cinema complex, having regard for relevant factors – accessibility, the operating environment, the co-location of other uses etc. Even if the Gregory Hills Corporate Park was found to be a superior site in the market's eyes, there would be no valid planning reason to prevent a second or third, or fourth cinema from establishing. Indeed, Council could approve 20 cinemas – it would then be up to the market to work out how many to deliver and at what location(s).

Competition in itself, or the potential for it, would not limit a Council's ability to consider and approve new cinema centres. Even if several cinemas were proposed and approved at Gregory Hills, such a combination of approvals would still not undermine the primary retail or office functions of other centres.

Cinemas are, in themselves, not an essential ingredient of a successful town centre. Some centres have them, although most do not. They can also locate in other zones – such as entertainment precincts or non-centre based employment precincts, or even in distinct buildings that are neither a part of a centre or precinct.

The same can be said for hotels.

Notwithstanding the basis for further justification, this report considers the economic relevance of the proposed hotel and cinema uses, drawing on our own assessment of hotel demand and potential co-location benefits, and previous research undertaken by Location IQ in relation to cinema demand.

Section 2: Short-Term Accommodation

An assessment of short-term accommodation (STA) supply in south-west Sydney has been undertaken for the defined catchment area. There is little point in focusing the supply analysis on Camden LGA alone, because there are less than a handful of STA providers in this Council area. Evidence of STA provision in Campbelltown and Liverpool LGAs is used to consider the merits of an 'out-of-centre' STA at GHCP. For ease of discussion, we refer to the combined LGAs of Camden, Campbelltown and Liverpool as south-west Sydney.

This reconnaissance informs the supply characteristics of the catchment. It is clear that many STA businesses are located outside of established centres. The rationale for this situation is that visitor demand is not tied to traditional tourism of the type that is observed in the Sydney CBD, such as overseas visitors. There is a blending of customers across business travel and people visiting family and friends, and the centre features are not a key point of attraction.

2.1 Existing Supply

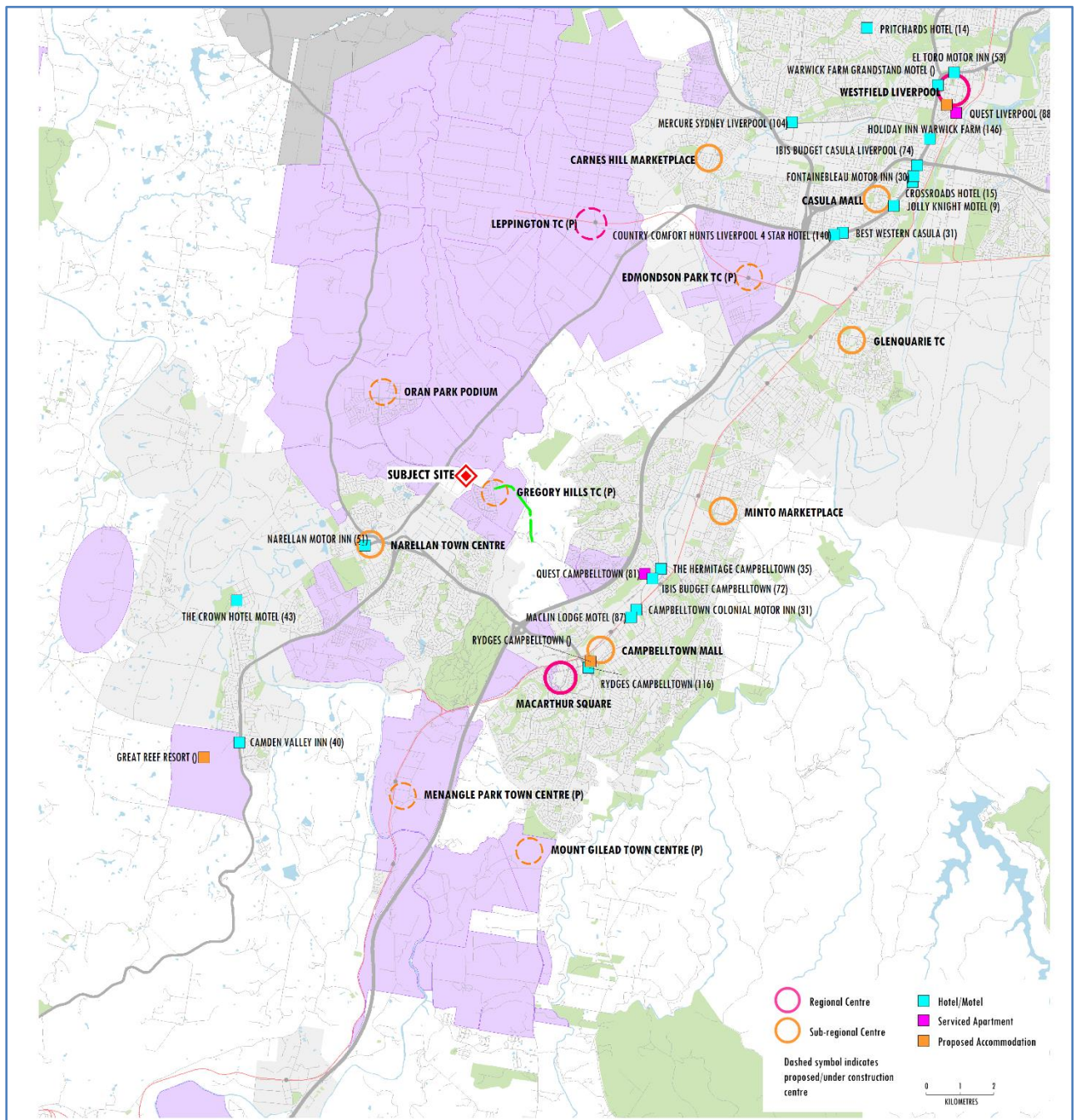
The number of STA rooms across south-west Sydney is shown in the table below. Over the two years to 2016, two new establishments have opened and the total room supply in the catchment area grew by 132 accommodation rooms.

Key Regions in South West Sydney – Number of Accommodation Rooms

	2014	2015	2016
<i>Key Regions</i>	<i>Rooms (no.)</i>		
Campbelltown - Woodbine	420	419	419
Casula	274	304	314
Camden - Ellis Lane	83	83	83
Liverpool - Warwick Farm	124	212	217
Total	901	1018	1033

Source: ABS, MacroPlan Dimasi

Location of Existing and Potential Future STA



Source: MacroPlan Dimasi

As at July 2017, our analysis of the south-west Sydney catchment's accommodation market has identified 23 accommodation establishments with 1,279 rooms, including serviced apartments. Only three establishments are located in the Camden LGA, with the Narellan Motor Inn being the only one located close to a town centre.

Key observations pertaining to our examination of current STA businesses include:

- The majority of accommodation rooms are hotel room rather than motel room or serviced apartment accommodation (approximately 87% of total accommodation rooms in the catchment).
- Most of the room stock is located in Campbelltown (approximately 33%), and followed by Liverpool (36%) and Casula (20%).
- **Most of the higher grade STA (4 star and higher) is located more than 1km outside the nearest town centre**, including the following: Quest Campbelltown, Camden Valley Inn, Best Western Casula, Mercure Sydney Liverpool, and Holiday Inn Warwick Farm. These hotels have a similar proximity to a town centre, as the SOMA precinct hotel would have to Narellan town centre.

Quest Campbelltown



Source: Quest

Camden Valley Inn



Source: TripAdvisor

Mercure Sydney Liverpool



Holiday Inn Warwick Farm



These establishments clearly have the ability to function effectively in an out-of-centre location. Visitors are tending to stay for regional business purposes, or visiting family & friends, and the centre location does not contribute substantively to their experience. Moreover, a key rationale for these locations is that visitors typically have access to vehicles, and place a premium on secure car parking which creates a need for land.

As customer preferences do not value a centre location, development feasibilities will tend to favour suburban sites that are available at lower prices. Supply in suburban locations provides a critical depth to accommodation offerings, and supports the effective function of regional businesses by limiting growth in room rates over the long term.

Current Supply - Accommodation Rooms

Name	Address	Suburb	Grade	Rooms	Serviced Apartment	
Quest Campbelltown	1 Rennie Road	Woodbine	4.5		81	Campbelltown
ibis budget Campbelltown	3 Rennie Road	Campbelltown	2	72		
Minto Garden	8A Erica Lane	Minto	-			
The Hermitage Campbelltown	5 Grange Rd	Leumeah	4	35		
Campbelltown Colonial Motor Inn	20 Queen Street	Campbelltown	3.5	31		
Maclin Lodge Motel	38 Queen Street	Campbelltown	3.5	87		
Rydges Campbelltown	15 Old Menangle Road	Campbelltown	4	116		
The Crown Hotel Motel	187 Argyle Street	Camden	-	43		Camden
Camden Valley Inn	290 Remembrance Drive	Camden Park	4	40		
Narellan Motor Inn	2/5 The Old Northern Road	narellan	3.5	51		Narellan
Best Western Casula	667 Hume Highway	Casula	4	31		Casula
Country Comfort Hunts Liverpool 4 Star Hotel	2415 Camden Valley Way	Casula	4	140		
Crossroads Hotel	Hume Hwy & Camden Valley Way	Casula	3	15		
ibis budget Casula Liverpool	437 Hume Highway	Casula	3	74		
Mercure Sydney Liverpool	424-458 Hoxton Park Road	Liverpool	4.5	104		Liverpool
Quest Liverpool	39 Scott Street	Liverpool	4.5		88	
El Toro Motor Inn	Homepride Avenue	Liverpool	3	53		
Pritchards Hotel	360 Elizabeth Drive	Mount Pritchard	3.5	14		
Fontainebleau Motor Inn	467 Hume Highway	Liverpool	-	30		
Jolly Knight Motel	568 Hume Highway	Liverpool	-	9		
Holiday Inn Warwick Farm	355 Hume Highway	Warwick Farm	4	146		
Panania Hotel	63 Anderson Avenue	Bass Hill	2.5	16		
Wild Thyme Restaurant with Rooms	10 New Street	Chipping Norton	-	3		

Source: TripAdvisor (2017), MacroPlan Dimasi (2017)

Proposed Short Term Accommodation Developments

Accommodation Type	Project Development	Project Status	Address	Suburb	Expected Completion	Rooms
Motel	John St Development - Camden Central Lifestyle Estate	Development Approval	2 John St	Camden	11/30/2019	51
Hotel	Great Reef Resort	Early Planning	not yet determined	Camden	3/27/2026	250
Hotel	Rydges Campbelltown	Tenders Called/Regns Advertised	20-22 Camden Rd	Campbelltown	2/22/2019	38
Motel	Hume Hwy Motel	Construction	654A & B Hume Hwy	Casula	7/28/2017	26
Motel	Jolly Knight Motel	Development Approval	568 Hume Hwy	Casula	6/29/2017	10
Serviced Apartments	Hume Highway Serviced Apartments	Development Application	653 Hume Hwy	Casula	8/30/2019	12
Serviced Apartments	Northumberland St Mixed Development	Development Application	203-209 Northumberland St	Liverpool	11/29/2019	20

Source: Desktop Research – Cordell Connect (2017), MacroPlan Dimasi (2017)

2.2 Proposed Supply of STA facilities

An examination of projects listed on Cordell Connect and proposed estate masterplans has revealed there are just 7 accommodation related projects in the pipeline to 2026. Collectively, the pipeline provides for development of 288 hotel rooms, 87 motel rooms and 32 serviced apartments, to be constructed by 2026.

However, just one project (Great Reef Resort) accounts for 250 of these rooms, and it is at the early planning stage. Overall, the supply of STA across the catchment area appears weak, and this observation applies to the Camden LGA.

Notably, the Rydges Campbelltown is expected to add 38 new hotel rooms as well as a 200-seat conference facility. The most ambitious development is the Great Reef Resort, an indoor water park containing 250 hotel rooms.

Key observations pertaining to our examination of future supply include:

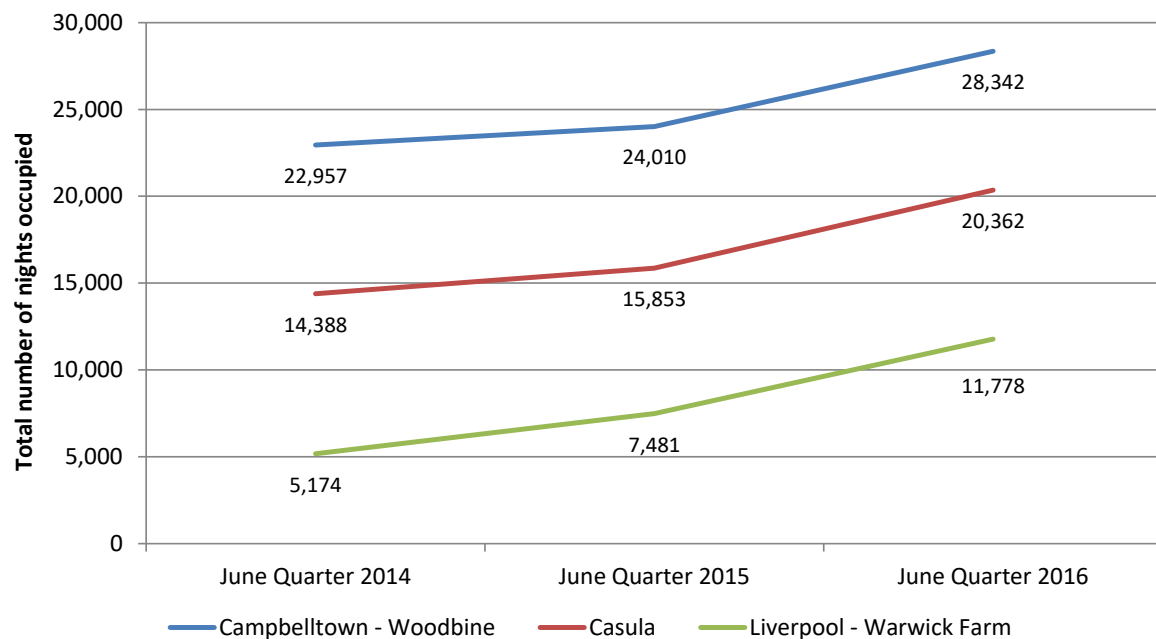
- The majority of future supply is delivering hotel rooms rather than motel rooms or serviced apartment accommodation (approximately 71% of proposed short-term accommodation in the future).
- Notably, a majority of projects are occurring in Casula however they are relatively small in scale.

Most of the future supply in pipeline is framed within a short-term perspective (by 2020).

The data indicates that the catchment area, particularly the Casula SA2 area which includes the properties to the west of Liverpool town centre, has become attractive to hotel accommodation developers. Naturally, there are ample properties that are zoned to allow STA development, due to the permissions within B5 Business Development and B6 Enterprise Corridor sites.

The merit of additional STA facilities is underlined by the strength of demand for accommodation observed over the past years. The chart below shows the growth in number of room nights occupied for the three statistical regions that are reported by the ABS. It is clear that there is a boom in demand for STA in the south-west Sydney region.

Total Number of Room Nights Occupied (ABS defined SA2 regions)

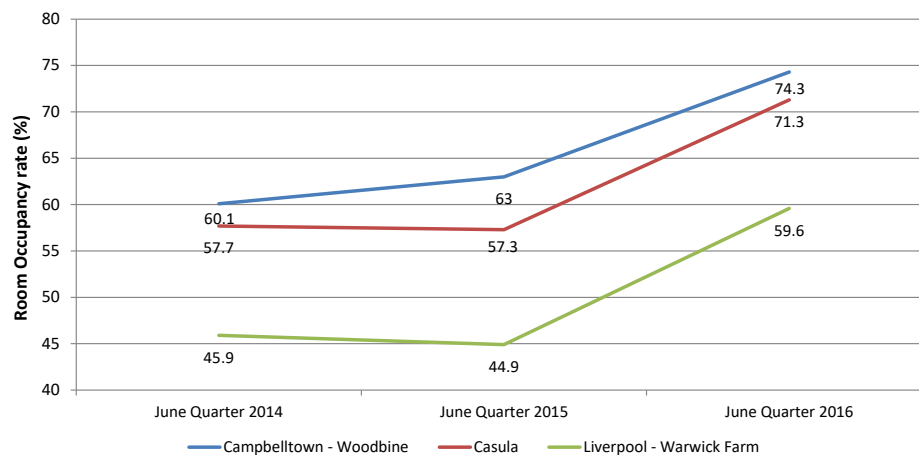


Source: ABS (2017)

The rates of increase are phenomenal, with demand in Liverpool-Warwick Farm doubling in just two years, and a rise of 43% across STA in Casula. Campbelltown's growth has also been very strong. Camden's local economy has missed out on this expansion in demand, due to the limited number of rooms in the LGA.

It is clear that the surge in demand for accommodation has resulted in much higher room occupancy rates. The strength of demand at Casula is yielding a comparable occupancy rate to Liverpool.

Room Occupancy Rate

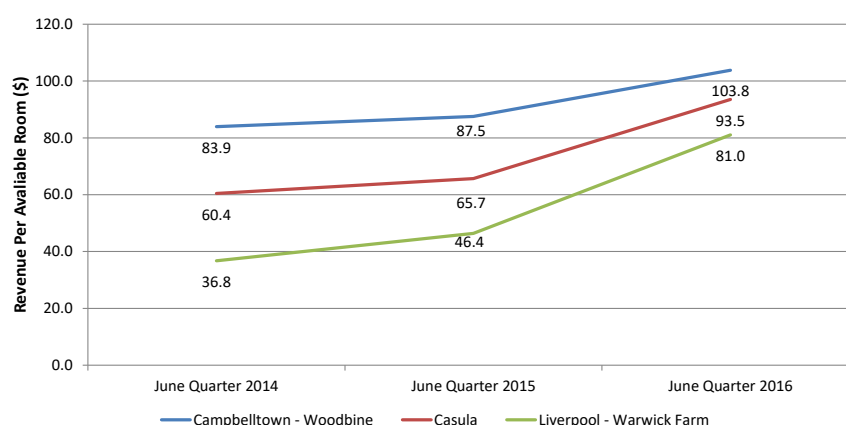


Source: ABS (2017)

Revenue per available room (RevPAR) is a commonly used indicator of STA performance. The ABS data shows that revenues have risen sharply in all parts of the catchment area. It is noteworthy that the RevPAR for establishments in Casula are now only fractionally below the values being achieved for Campbelltown and higher than the Liverpool-Warwick Farm region. It is evident that STA in out-of-centre locations are achieving comparable revenue levels to the town centre establishments.

This environment underlines the importance of competition in supply from different locations across the catchment.

Revenue Per Available Room (RevPAR)



Source: ABS (2017)

The recent ABS data for total number of nights occupied (accommodation rooms) indicates signs of increasing demand for paid accommodation rooms in Campbelltown.

Between 2014 and 2016, we observed that the total number of rooms occupied in Campbelltown increased from 22,957 nights to 28,342 nights. This occurred whilst supply of accommodation remained the same. Occupancy rates have shown significant increases from 2015 to 2016. This increase in occupancy of short term accommodation has been accompanied by an increase in RevPAR for the area.

Our analysis of room nights occupied in these regions demonstrates that there is increased demand for accommodation at Campbelltown, whilst the new supply of short term accommodation in Liverpool and Casula is being readily absorbed by the market. Both Camden and Campbelltown have the potential to further benefit from this increased demand, if they were to increase their relative supplies beyond what is currently provided.

2.3 Composition of Demand for STA

Data on overnight stays in the catchment area is available from the Tourism Australia datasets.

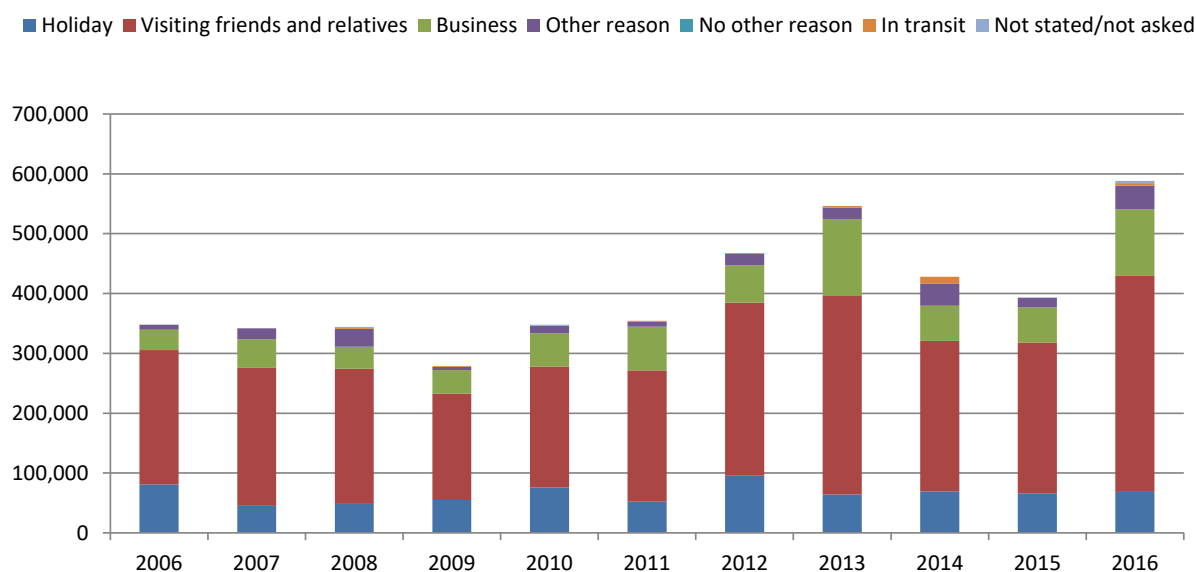
This data does not distinguish between paid accommodation in commercial establishments, as distinct from people spending nights at domestic places of residence. Most of the visitation for friends and relatives will be at a domestic place of residence, while business and holiday travellers tend to make use of STA.

Our analysis of overnight trips in the Greater South West Sydney region indicates that 'Business' travel has grown in importance, when compared with visits for 'Holiday' purposes.

Notably, the demand for business-related stays has grown in recent years, from 2013 onwards, whereas holiday trips have been close to static.

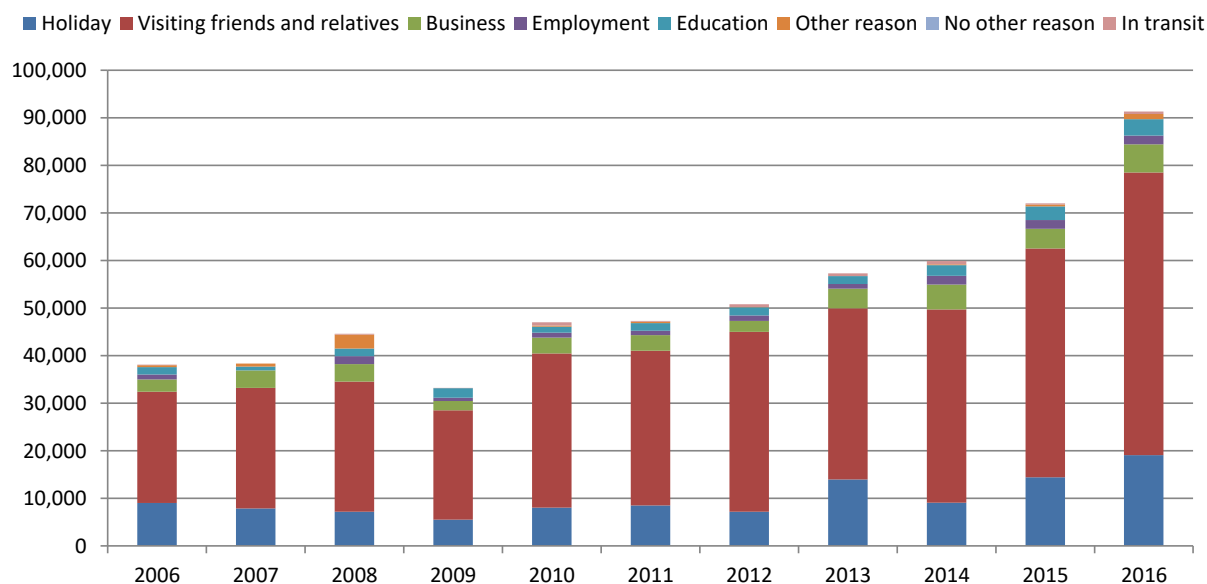
The growth of business demand accords with anecdotal evidence from STA operators across western Sydney.

Overnight Trips - Number of Domestic Visitors South West Sydney



Source: Tourism Research Australia (2016)

Overnight Trips - Number of International Visitors South West Sydney



Source: Tourism Research Australia (2016)

Analysis of the purpose of overnight stays for international visitors in the Outer South West Sydney region highlights that the business/work-related segment grew substantially from approximately 2,303 to 5,931 visitors from 2012 to 2016, whilst 'holiday' grew from 7,211 to 19,903 and 'visiting friends and relatives' segment grew from 37,816 to 59,416.

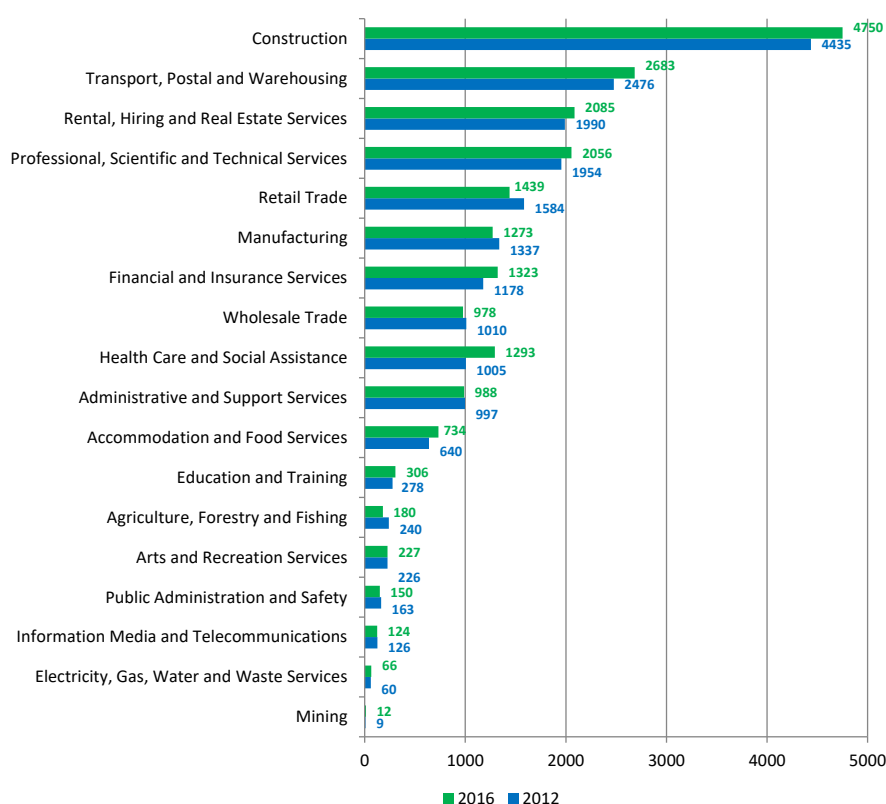
Whilst there has been substantial growth in international tourism in Sydney's South West, the segment remains modest when compared to domestic traveller demand which has been underpinned by business traveller growth.

2.4 Evidence of Growth in Business Activity

Business travel accounts for a key component of the demand for STA in the catchment area. Expansion in demand from business travel is consistent with the recent rapid growth in the wider south-west regional economy.

The expansionary nature of economic activity in the South West can be measured by business count data. Between 2012 and 2016, the number of businesses grew by 1,336 businesses (6.4%) in the combined areas of Camden, Campbelltown and Liverpool.

Camden Campbelltown and Liverpool Business Counts – 2012 vs 2016



Source: ABS (2016), MacroPlan Dimasi (2016)

The following sectors contributed most to this growth:

- Construction (increased from 4,435 to 4,750)

- Transport, Postal and Warehousing (increased from 2,476 to 2,683)
- Professional, Scientific and Technical Services (increased from 1,954 to 2,056)
- Financial and Insurance Services (increased from 1,178 to 1,323)
- Health Care and Social Assistance (increased from 1,005 to 1,293)

2.5 Projected Growth in Demand

Observing the combined growth in demand for hotel rooms for Casula, Liverpool and Campbelltown provides useful insight into how demand for STA will change in the future.

Applying modest growth rates of 5% and 10% to the number of rooms nights occupied indicates how the current capacity of accommodation will become strained in the coming years.

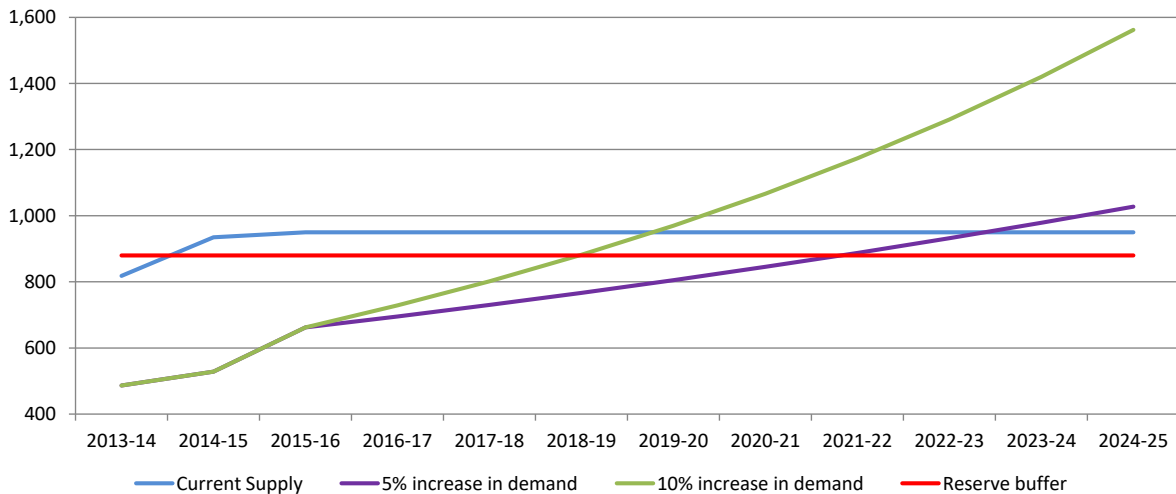
It is reasonable to suggest that the current capacity of STA will become strained before the points of intersection of the 5% and 10% projections with current supply. A certain reserve buffer needs to be allowed for which takes into account the maintenance of rooms and the checking in and out of guests.

Based on these assumptions and projections we can see that STA capacity will approach capacity by 2021 based on modest projections.

The growth in regional demand for hotels is projected to be around 300,000 to 350,000 additional nights by 2026. In order to facilitate this demand an additional 9-10 hotels with 100 rooms each is required.

The growth in STA demand provides Camden the opportunity to expand its STA market share by supplying the anticipated future demand. With the growth of the Liverpool and Campbelltown market, Camden has lost STA market share.

Projected growth in room nights occupied: Campbelltown, Casula and Liverpool



Source: ABS

If Camden was to be the location of choice for an additional 5 hotels by 2026 there would still be substantial scope for additional hotels in both the Liverpool and Campbelltown LGAs.

With Camden LGA currently having a particularly low level of STA service, the regional economy stands to gain substantially from the provision of new hotels. If Camden can achieve the development of 5 new hotels, then this would start to remedy the region's current lack of market share in this important industry.

STA can be delivered in both centres and in suburban locations, as the market segmentation tends to generate this outcome. A proliferation of STA in Camden can include suburban establishments at both the SOMA precinct and the Gledswood entertainment precinct, as well as at defined centres. Most importantly, evidence of demand for accommodation by a new entrant tends to encourage competition through redevelopment. A competitive industry is desirable as the basis for price restraint, and will generate more economic activity across the LGA.

Section 3: STA & Medical Precinct: Co-Location Benefits

The state's largest private hospital will be built in Gregory Hills after the NSW Government approved concept plans of the \$330 million, six-storey facility. The 473-bed private hospital, called Camden Medical Campus, is projected to create more than 800 direct jobs and an additional 2400 jobs, alongside the SOMA Health Hub

The facility will include specialist medical suites, outpatient clinics, operating theatres, intensive care units, birthing units, urgent care and outpatient wards. The facility is located adjacent to the proposed SOMA facility at Gregory Hills.

3.1 Co-location of STA with medical precincts

There is a growing trend of co-location between hospitals and short-term accommodation. It is this mode of co-location that is being sought at the SOMA precinct through the proposed STA project.

The basis of co-location comes in the form of hospital patients being placed in short term accommodation located near hospitals after medical procedures to recuperate before going home. Hospitals and hotels that have entered into such arrangements include the Prince of Wales Private Hospital, Randwick and Newcastle Private Hospital which have both entered into arrangements with local hotels to provide accommodation to mothers after giving birth in hospital and so they can receive ongoing post-natal care.

There are significant benefits that can be derived from hospitals and hotels entering into such arrangements, including improvement to the supply of medical services. The supply of hospital beds in NSW has been an issue for quite some time, and can culminate in challenges for the system in meeting the volume of patient need. Anecdotal accounts of ambulances being told to bypass hospitals with extreme bed shortages represents just one example of this. Integrated relationships between hospitals and hotels allows for hospital bed supply to improve by moving patients who are not in need of acute care into short term accommodation.

The hospital & hotel integrated relationship makes a legitimate case for placing hotels closer to private accommodation. As the population grows throughout Sydney such partnerships can help to improve the supply of hospital beds as the capacity of existing supply becomes strained. Therefore there is the potential for such partnerships to be

created between other hospitals in Sydney with hotels located nearby. The Greater Sydney region has various examples of short term accommodation being situated close to property and areas that primarily house medical related services.

Royal North Shore Hospital

Within and adjacent to the Royal North Shore Hospital and North Shore Private Hospital are Hotel Urban at St Leonards and Quest, also at St Leonards. The provision of hotels in the area allows visiting medical professionals, as well as patients undergoing day procedures, a place to stay that is close to the hospital. Although new STA has become available in the area, there remains a need for further provision to meet demand.

Hotel Urban St Leonards

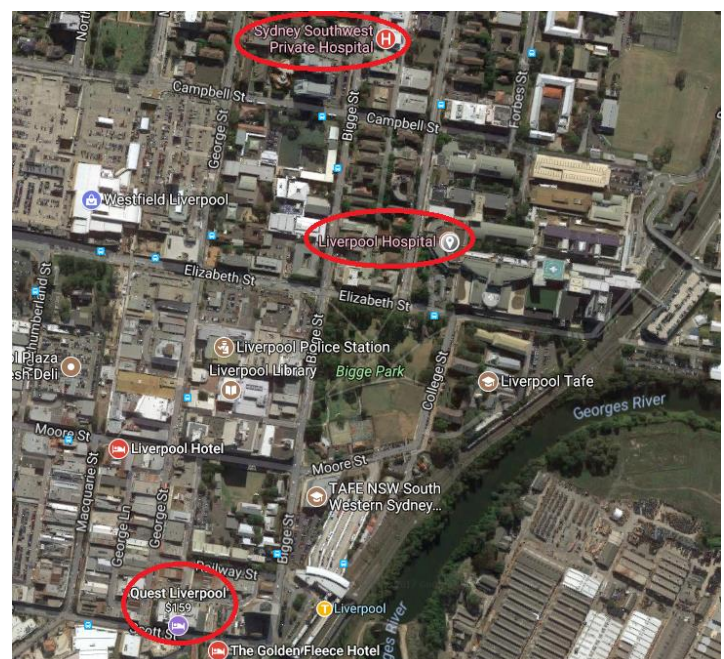


Quest St Leonards



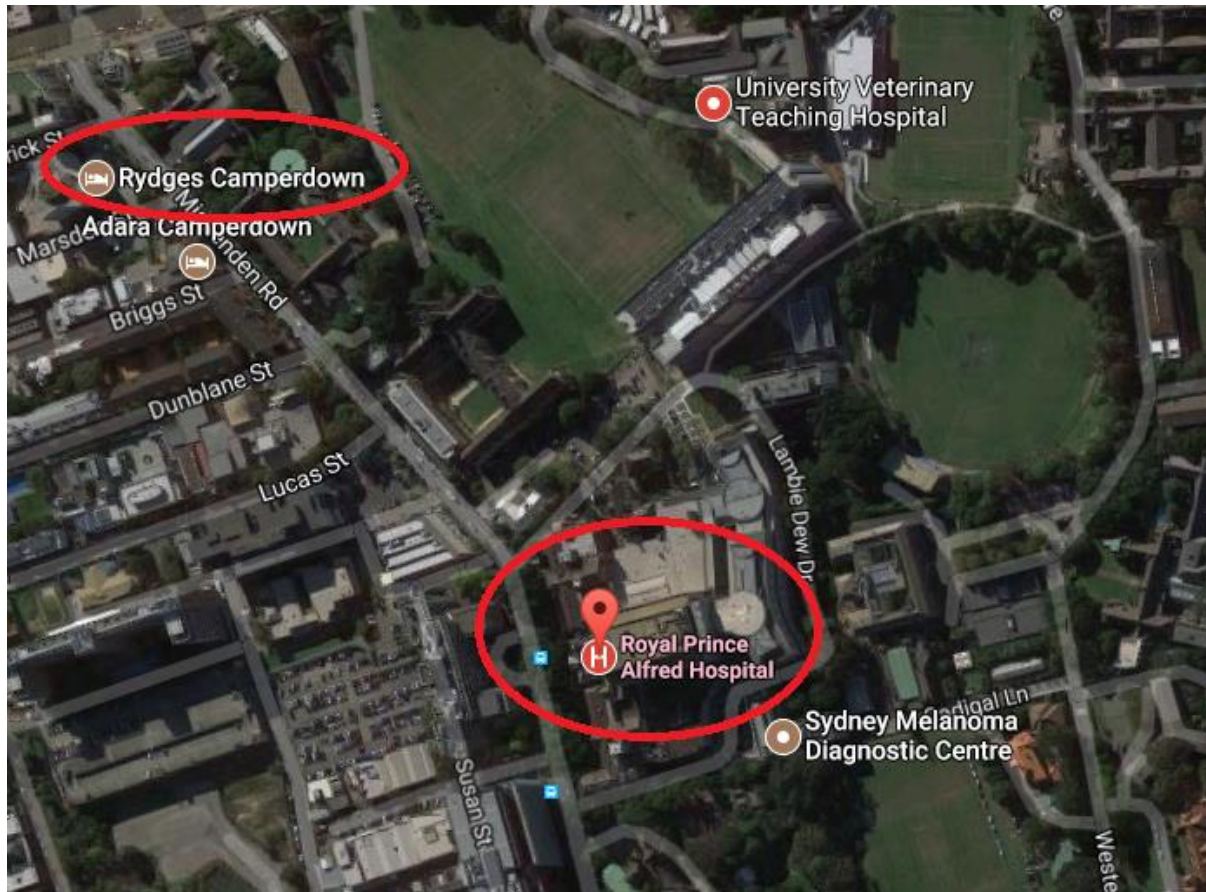
Sydney Southwest Private Hospital, Liverpool Hospital & Quest Liverpool

The Quest Liverpool is located close to Liverpool Hospital and Sydney Southwest Private Hospital which make up one of the South West Sydney region's primary medical areas.



Royal Prince Alfred Hospital & Rydges Camperdown

Royal Prince Alfred Hospital, located in Camperdown, is within close proximity to Rydges Camperdown. The Hospital is one of the primary hospitals of the Inner West.



Chatswood Private Hospital & Quest serviced apartments

Chatswood Private Hospital Currently operates as Eye Surgery Hospital & ENT (PresMed Australia). The residual hospital floor space will be available for health care/hospital related uses, and subject to separate development applications to Council. Located directly next to the facility is Quest Chatswood Serviced Apartments.

Quest Bella Vista located near Norwest Private Hospital

The Northwest Private Hospital is located in a growing area of north-west Sydney with substantial residential and infrastructure development occurring. The Quest Bella Vista is located in the same business precinct.

Section 4: Transport Infrastructure Investment

The Gregory Hills Corporate Park lies within one of the most developing regions in Sydney. Its integration into this will be aided with various infrastructure investment that is occurring in the area. The upgrades to Camden Valley way will have considerable impact on Gregory Hills Corporate Park given its proximity to the road. The upgrades to other roads such as the Northern Road will have impact on the wider region including Gregory Hills Corporate Park in the form of improved transport connectivity and travel times to the region.

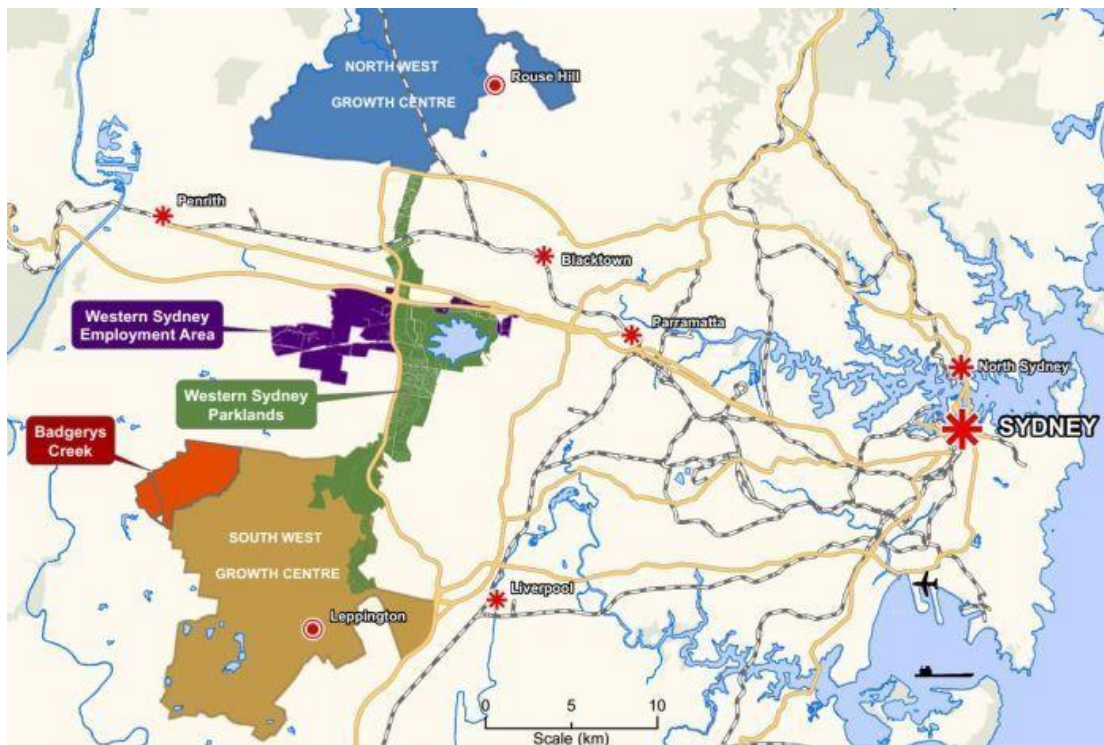
Significant investment and planned investment in road and freight infrastructure has facilitated the gravitation of new industrial development to western Sydney.

Further planned infrastructure projects and major development fronts are expected to continue to exert a strong influence on the progress and development of employment lands in Western Sydney. These projects will impact on the attractiveness and relevance of the hotel within Gregory Hills to support commercial visitor accommodation servicing the generation and growth of industrial and related employment activity.

These projects include:

- Badgerys Creek Airport
- Western Sydney Employment Area
- Western Sydney Priority Growth Area
- Major road upgrades
- Moorebank IMT
- South West Rail Corridor (and proposed extensions thereto)

Badgerys Creek Airport - Regional Context Map



Source: Department of Infrastructure and Regional Development (2014)

Badgerys Creek was confirmed in April 2014 by the Commonwealth Government as the site for Sydney's second airport¹. The airport abuts the proposed expansion of the Western Sydney Employment Area (WSEA) and will serve as a catalyst for investment and job creation in the region².

The draft EIS³ for the Badgerys Creek Airport outlines a construction program that is designed to cater for ongoing growth in travel demand, involving:

- Stage 1 & 2 – catering for 10 million passengers annually and freight traffic for 5 years following opening around 2025 until around 2030, with additional infrastructure to add capacity beyond this period.
- Long term potential – dependent upon a second parallel runway triggered when operational capacity approaches 37 million annual passengers which is forecast by

¹<https://www.pm.gov.au/media/2014-04-15/western-sydney-airport-deliver-jobs-and-infrastructure>

² Department of Infrastructure and Regional Development (2014) – The Benefits of an Airport at Badgerys Creek

³ Western Sydney Airport, Environmental Impact Statement, Volume 1, October 2015

around 2050, with a longer term capacity to cater for up to 82 million passengers by 2063.

The EIS estimates the generation of 8,730 direct jobs at the airport by 2031, expanding to a potential 61,500 direct jobs at the airport site by 2063.

A proposed expansion of the **Western Sydney Employment Area** will provide for an additional 4,600ha of land for employment purposes in Western Sydney. The Broader WSEA will comprise a total of over 10,000ha and include portions of land in the LGAs of Blacktown, Fairfield, Liverpool and Penrith.

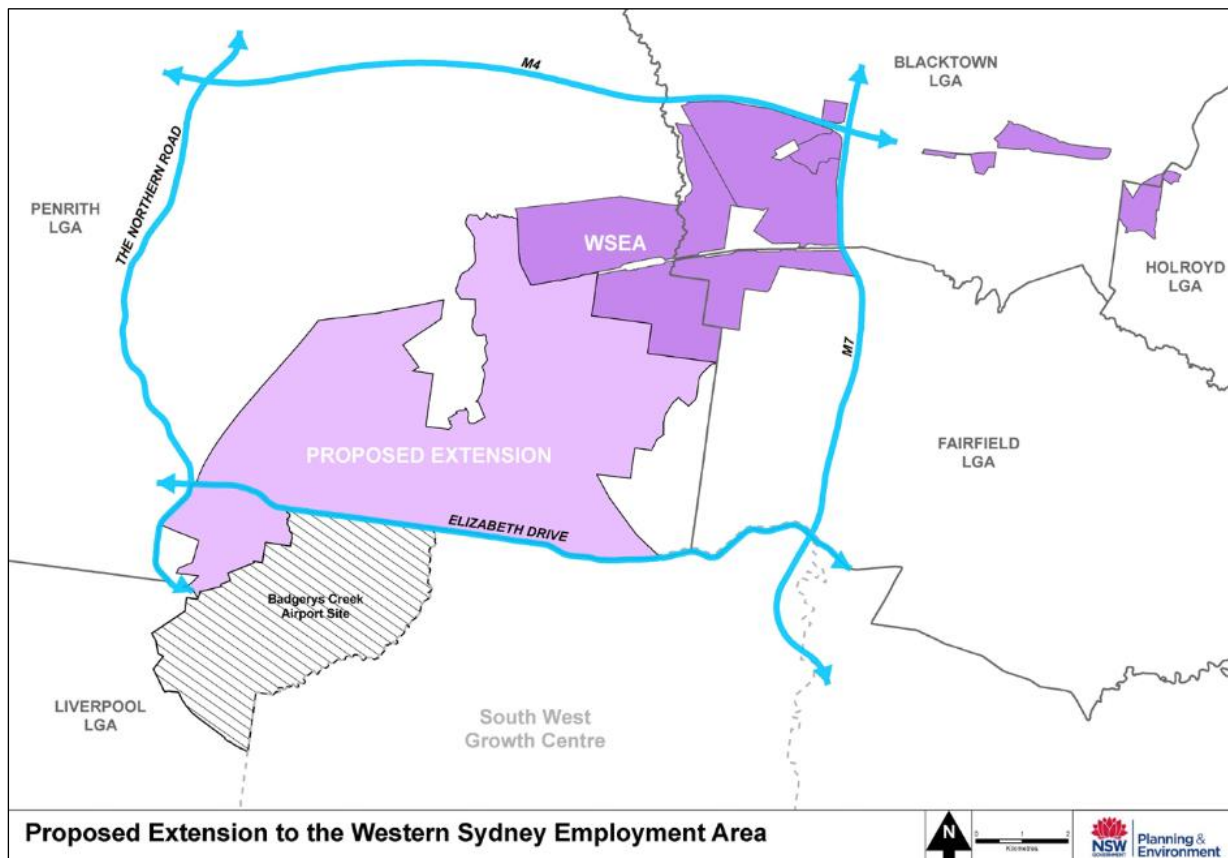
The Broader WSEA is equivalent to the area from Parramatta to Liverpool or Sydney CBD to Kingsford Smith Airport.

The recent announcement of a new Sydney Airport at Badgerys Creek means that the Broader WSEA will deliver more than the originally anticipated 57,000 jobs over 30 years (including 36,000 industrial jobs and 21,000 office jobs) and more than the anticipated 212,000 longer term jobs.

Current plans are being revised to account for the Badgerys Creek airport. As part of this revision, the WSEA boundary has been extended south to Elizabeth Drive and includes land west of the airport site. State Environmental Planning Policy (SEPP) – Western Sydney Employment Area has been amended to include the new area.

Notably, the WSEA SEPP amendment does not rezone land for employment uses. Existing land use zones continue to apply until specific rezoning occurs. Further planning is being undertaken to identify land use suitability and the infrastructure requirements necessary to service future development.

Proposed extension to the Western Sydney Employment Area



Source: Department of Planning and Environment (2014)

Further, as part of its investigations to create opportunities for new jobs, homes and services around the planned Badgerys Creek Airport in Sydney's west, the NSW Government has recently announced the new **Western Sydney Priority Growth Area**, which encompasses and expands the WSEA investigation area.

A draft Land Use and Infrastructure Strategy will be prepared to guide new infrastructure investment, identify new homes and jobs close to transport, and coordinate services in the area. The strategy will consider how new suburbs are connected with the planned second Sydney airport and the regional cities of Penrith and Liverpool and will include planning and funding of essential infrastructure and services.

The Western Sydney Priority Growth Area will also benefit from the \$3.6 billion road investment program, the extension of the South West Rail Link from Leppington to St Marys, and the Outer Sydney Orbital.

In conjunction with the airport announcement, the Commonwealth and NSW Governments have committed to a **Western Sydney Infrastructure Plan**.

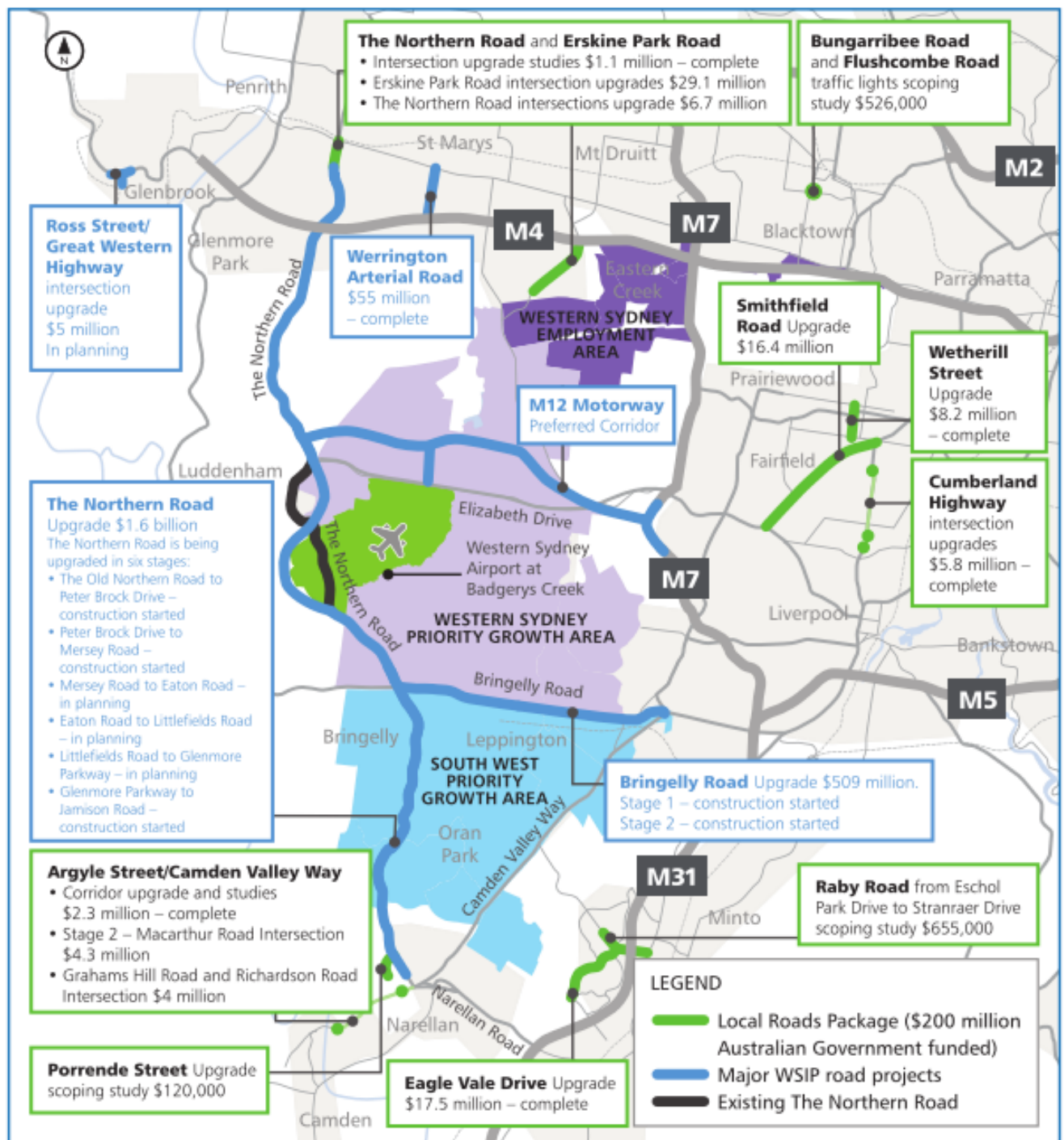
Augmented by the State Infrastructure Strategy (2014) and more recent budget announcements, the plan provides a focus on investing in road and transport links that support the development of the Badgerys Creek airport.

Through joint funding, the plan will deliver upgrades to major and local roads including:

- **Bringelly Road** – upgrade to four lanes from Camden Valley Way to the Northern Road.
- **The Northern Road** – upgrade to a minimum of four lanes from Narellan to M4 Motorway.
- **Elizabeth Drive Corridor** – construction of a new four-lane motorway (M12) from the M7 Motorway to the Northern Road
- **Local roads** – an additional \$200 million for local road upgrades.

The development of Sydney's second airport and corresponding investment in supporting road infrastructure will reinforce Western Sydney's standing as a preferred location for new employment ventures, reinforcing its attractiveness to a range of short-term accommodation formats and locations. Not all new business activity will occur in the region's town centres, with new business parks and other accessible locations expected to present viable alternate locations for new STA and related development.

Western Sydney Infrastructure Plan Road Upgrades



Source: Department of Infrastructure and Regional Development

Section 5: Cinema Considerations

The separate report provided by Location IQ (Cinema Environment, May 2017) considers the demand for cinema provision across the broader Camden regional catchment.

The report also considers the projected growth in population that is expected for the South West Priority Growth Area and the Camden LGA in particular. The report finds that the SWPGA will drive residential development and population growth in the Gregory Hills main trade area over the short and long term.

Location IQ consider the characteristics of the catchment demographics, and finds that the socio-economic profile of the Gregory Hills catchment reflects a younger, family-based population, with a comparatively high proportion of teenagers and young adolescents, which possess the highest attendance rate and highest cinema visitation frequency, compared with other age brackets.

Location IQ also identifies a gap in the market for screen operators such as Hoyts Cinemas (the closest Hoyts facility is at Stockland Wetherill Park), Reading Cinemas (the closest of which is at Auburn) or Palace Dendy Cinemas (the closest of which is located at Newtown).

Location IQ have applied a relevant benchmark, derived from Screen Australia's data set, to determine the rate of cinema provision that is likely to be required in the Gregory Hills catchment. MacroPlan has no reason to doubt the benchmark rate that is quoted (8.8 screens per 100,00 persons) but notes that the Australian metropolitan benchmark provision is slightly less (at 8.6 screens per 100,000 population). The minor discrepancy, however, has no material impact of Location IQ's findings, i.e. that the catchment is currently under-provided for and will be increasingly under-provided as the catchment population grows.

Location IQ has demonstrated that the catchment will require an additional 19 cinema screens by 2031 if current supplies are not supplemented.

As commented earlier in this report, not all town centres have cinemas and not all town centres are expected to accommodate cinema provisions. In the immediate catchment, cinemas are presently provided at Narellan, Campbelltown and Macarthur Square, but not at Camden, Oran Park or some of the other nearby centres in adjoining LGAs.

We also note that an 'entertainment facility' (cinema), in addition to 'tourist and visitor accommodation' (a hotel), is permissible development at the nearby Gledswood Hills entertainment precinct, which is zoned B4 Commercial. This site is expected to be developed as a club-based tourism zone, similar to other club/hotel precincts of this nature that are relatively common to the area, but of which none accommodate a cinema complex.

Accordingly, it is our view that a town centre need not be protected from competitive cinema provisions and that the scope for such provision is best determined by the market, having regard for, inter alia, land use permissibility, the potential operating environment and the specific of catchment demand. As demand for cinema screens across the broader catchment is expected to increase, it is not unreasonable to expect that some of this provision will not be centre-based.

The proposed provision at Gregory Hills is consistent with the broader range of cinema types that could be expected to meet market demand in the fast-growing South West region. This provision is not expected to have a material impact on the viability of any of the existing or planned town centres. Notably, cinemas are permissible development at the Gregory Hills Corporate Park and their provision is not inconsistent with any of the following specific objectives for the B5 Business Development zone:

- 1. To enable a mix of business and warehouse uses, and bulky goods premises that require a large floor area, in locations that are close to, and that support the viability of centres.*
- 2. To encourage development that supports or complements the primary office and retail functions of the local centre zone.*
- 3. To enable other land uses that are complementary to and do not detract from the viability of retail, business and warehouse uses within the zone.*

The provision of a cinema complex at the business park will not undermine the primary office and retail functions of any of the nearby local centres.

Section 6: Conclusion

This report has evidenced that there is potential to increase the capacity of STA services within the South West Sydney Region. This potential is evidenced by growth in demand, which has been interpreted by growth in hotel room occupancy rates, and supply, in the form of growth in the number of hotel rooms.

Hotels are a vital component of economic growth, as has been demonstrated by the boom in demand for hotel beds over the past three years. With provision of STA being extremely limited in Camden, there is plenty of trade flowing into Campbelltown and Liverpool. In this environment, there is scope for several new hotels to be developed in the Camden LGA.

Based on projected growth in demand across the south west region, there is scope for an additional 9-10 hotels to be added in this corridor over the next decade.

The proposed hotel at SOMA lifestyle precinct will have a very limited impact on the Camden town centre or other local centres nearby.

The existing establishments at Camden have a total of 83 rooms, with an estimated total of 16,000 to 18,000 visitor nights per financial year.

There is potential for further hotels to be developed in the catchment. The location of a new hotel at SOMA will augment supply and add to the array of hotels needed to meet market segmentations in this sector. It is expected that the sector's needs will be met at a range of centres and at other suburban locations across the LGA.

The delivery of numerous STA establishments in Camden LGA would help to claw back some market share following the expansion of the industry in the Campbelltown and Liverpool LGA's.

Likewise, the provision of additional cinema facilities at the Gregory Hills Corporate Park will help to meet demand for a broad range of cinema types needed to meet market demand in the fast-growing South West region.

This provision will not have a material impact on the viability of any of the existing or planned town centres. Notably, cinemas are permissible development at the subject site and their provision is not inconsistent with the specific objectives for the B5 Business Development zone.

On this basis, the cumulative economic impact of a new hotel and a cinema complex at Gregory Hills Corporate Park is expected to be positive, helping to meet the spectrum of current and future demand for these types of facilities.

As discussed through this report it is evident that the market's provision of both hotel and cinema facilities is not limited to town centre locations. Most of the existing higher-grade hotels in the catchment are located more than 1km outside the nearest town centre (e.g. Quest Campbelltown, Camden Valley Inn, Best Western Casula, Mercure Sydney Liverpool, and Holiday Inn Warwick Farm). These hotels have a similar proximity to a town centre, as the SOMA precinct hotel would have to Narellan town centre.

Likewise, some of the regional catchment's supply of cinema space is provided in an out-of-centre location (e.g. Reading at Auburn, which is provided as part of a large format retail precinct). It is noted also that not every town centre incorporates cinema services, such that they are not an integral component of successful centres.

A primary concern for Council in considering the proposed hotel and cinema projects for the Gregory Hills Corporate Park relates to the consistency of these proposals with the B5 zone objectives. These objectives include:

- 1. To enable a mix of business and warehouse uses, and bulky goods premises that require a large floor area, in locations that are close to, and that support the viability of centres.*
- 2. To encourage development that supports or complements the primary office and retail functions of the local centre zone.*
- 3. To enable other land uses that are complementary to and do not detract from the viability of retail, business and warehouse uses within the zone.*

Both forms of development are permissible in the zone. As demonstrated by the supply and demand assessments that have been undertaken for the proposed uses and the choices already made by the market as to the location of such services, it is evident that the provision of such services at Gregory Hills will not detract from the primary office and retail functions of any nearby 'local centre'. The presence of such facilities at Gregory Hills also does not compromise the viability of the B5 zone in which they are proposed to occur.