

**ANGEL PLACE
LEVEL 8, 123 PITT STREET
SYDNEY NSW 2000**

URBIS.COM.AU
Urbis Pty Ltd
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10 March 2022

Jay Wang
LFD Pymble Pty Ltd
Suite 4 Level 24, Governor Macquarie Tower
1 FARRER PLACE
SYDNEY NSW 2000

Dear Jay,

2-8 PYMBLE AVENUE, PYMBLE - CHANGE OF USE

LFD Pymble Pty Ltd are the developer of the mixed-use building at 2-8 Pymble Avenue, Pymble (the subject site). The subject site currently comprises 98 residential units and one (1) non-residential tenancy comprising a 100 sq.m neighbourhood shop.

Urbis have been engaged by LFD Pymble Pty Ltd to undertake an economic assessment for the change of use of the neighbourhood shop (Lot 94 SP97280) into a rental management office at 2-8 Pymble Avenue, Pymble. As part of the economic assessment, Urbis have analysed the existing retail offer in the local centres of Pymble, Gordon, Turramurra and St Ives, estimated the current vacancy levels in each local centre, analysed the future supply of non-residential floorspace and analysed the key success factors for retailers.

EXISTING RETAIL OFFER

Table 1: Estimated Retail and Commercial Floorspace and Vacancy Rates by Local Centre

Local Centre	Floorspace (sq.m)				Vacancy Rate (%) ¹
	Retail	Commercial	Vacant ¹	Total	
Pymble	2,230	5,306	335	7,871	4.3%
Gordon	20,506	26,334	1,301	48,141	2.7%
St Ives	22,830	8,471	171	31,472	0.5%
Turramurra	11,240	9,905	370	21,515	1.7%
Total GLA	56,806	50,016	2,177	108,999	2.0%

¹Vacant GLA and vacancy rate as at March 2022.

Source: Ku-ring-gai Council Draft Retail and Commercial Centres Strategy (August 2020); realcommercial.com.au

Table 1 above highlights the quantum of retail and commercial Gross Lettable Area (GLA) across the main local centres within ~2 kilometres of the subject site. The table shows that residents are well serviced by the existing retail offer across the surrounding local centres, including Pymble, Gordon, Turramurra and St Ives, which comprise a total of 56,806 sq.m of retail floorspace.

The Pymble retail and commercial strip is located immediately north of Pymble train station, approximately 200 metres north of the subject site. The Pymble local centre is estimated to comprise 2,230 sq.m of retail floorspace, of which a majority 55% of retail shopfronts are food retailers. This includes a small supermarket, liquor store and several cafes and restaurants. The retail offer predominantly caters to the convenience and daily top-up needs of nearby residents.

The Gordon local centre is the largest local centre within the LGA and includes over 20,500 sq.m of retail floorspace. The centre is situated to the west of Gordon station, approximately 1.9 kilometres southeast of the subject site. The main retail destination is Gordon Centre, which comprises almost 12,000 sq.m of retail floorspace and includes a Woolworths, Harvey Norman and over 30 specialty stores. The Gordon local centre also features a Bunnings Warehouse, Commonwealth Bank and NAB Bank, which are likely to draw a significant amount of foot traffic along the retail strip. This is likely to benefit the cluster of retailers (predominantly food and beverage) along the Pacific Highway.

The St Ives local centre is situated along Mona Vale Road, around 2.3 kilometres northeast of the subject site. At 22,830 sq.m, the St Ives local centre has the largest retail offer surrounding the subject site. St Ives Shopping Village is a major retail destination, comprising 17,100 sq.m of retail floorspace. This centre is anchored by Woolworths, Coles and Harris Farms and features over 100 specialty shops. According to Shopping Centre News' Mini Guns Report in 2019, St Ives Shopping Village was ranked the highest trading neighbourhood shopping centre in Australia. The centre's high trading volumes indicate significant foot traffic to the centre, which are likely to result in cross-shopping opportunities for neighbouring strip retailers, particularly to the west of Mona Vale Road. This strip of retail includes a liquor store, homewares store and a cluster of food and beverage tenants.

The Turramurra local centre features around 11,240 sq.m of retail floorspace and is situated 1.7 kilometres northeast of the subject site. The local centre is supported by a standalone Coles supermarket (~1,690 sq.m) and Turramurra Plaza, a 2,600 sq.m supermarket centre anchored by IGA. Turramurra's street retail features clusters of food and beverage tenancies, particularly concentrated to the east of Turramurra station. Given its diverse mix and offer, the Turramurra local centre is likely to draw significant visitation from residents wanting to do their convenience shopping but also cater to their dining needs.

Overall, residents are well serviced by the plethora of retail options in local centres within ~2 km of the subject site. With over 58,000 sq.m of retail, which includes six supermarkets and clusters of dining and other retailers, these centres provide the most convenience for residents as a one-stop shopping destination and appeal to prospective retail tenants, given their high levels of footfall traffic. The subject site's single retail tenancy is isolated from the main Pymble retail strip and is unlikely to achieve the visibility and footfall that is required for successful retail operations.

VACANCY RATES

Urbis have conducted a review of sales and leasing activity on realcommercial.com.au to gauge the current level of employment floorspace vacancy across each of the four local centres, which are also presented in Table 1, above.

As at March 2022, there was almost 2,180 sq.m of vacant floorspace across the four local centres, representing an average vacancy rate of 2.0%. The Gordon local centre has the highest amount of

vacant floorspace, at 1,301 sq.m, while the Pymble local centre recorded the highest vacancy rate of 4.3%. There are an additional 540 sq.m of vacant floorspace across Turramurra and St Ives local centres. This indicates that there is sufficient existing supply, within ~2km of the subject site, to absorb any additional demand for retail spaces. These vacant tenancies are primely situated within local centres, among a cluster of other retailers, which have higher visibility and foot traffic, relative to the subject site.

PROPOSED DEVELOPMENTS

There is a significant pipeline of proposed developments within the local area that intend to provide additional non-residential floorspace, which are summarised in Table 2, below. This would offset the loss of floorspace represented by a change of use at the subject site. An analysis of data from Cordell Connect indicates that there are six projects in the future pipeline anticipated to deliver 3,047 sq.m of additional retail and commercial floorspace to the local area. This includes three projects that have already received development approval, which could add almost 780 sq.m of floorspace by 2024. These projects are predominantly situated along the Pacific Highway, leveraging off their visibility to passing traffic and their proximity to the local centres. These tenancies are situated in locations better suited to retail uses relative to the subject site and far exceed the 100 sq.m of floorspace lost resulting from a change of use at the subject site.

Table 2: Future Retail and Commercial Floorspace by Suburb

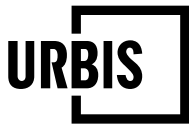
Suburb	Floorspace (sq.m)
Pymble	564
Gordon	1,991
St Ives	0
Turramurra	492
Total	3,047

Source: Cordell Connect; Urbis

LIMITATIONS OF RETAIL AT THE SUBJECT SITE

The viability and sustainability of retailers is underpinned by several key success factors, namely:

- **Convenience:** a convenient retail offer allows customers to do all their shopping in one place.
- **Visibility:** visibility to high levels of passing foot and vehicular traffic are important for retailers to attract customers.
- **Range of offer:** while it is unlikely to address all customer preferences, a successful retail precinct must have an offer broad enough to support repeat visitation.
- **Activation:** the offer must cater to various customer needs throughout the day (i.e. from breakfast through to dinner), in order to successfully activate the precinct and attract high footfall.



- **Accessibility:** the offer must be a reasonably walkable for surrounding residents but for broader visitation, designated car parking must be provided.

Urbis have assessed the subject site against the above success factors for retail precincts. Key findings are as follows:

- Unlike tenancies within the Pymble local centre, the subject site is highly isolated and is not directly accessible from the Pacific Highway. This means that a retail tenant at the subject site would be unable to leverage off the high footfall traffic and visibility offered to tenants within the main strip.
- Retailers within the surrounding local centres benefit from the clustering of other retail users within one location. This wide range of offer provides convenience for customers to fulfill a range of shopping needs and enables high levels of activation throughout the day. The subject site's isolated tenancy is unable to offer the same level of variety and so residents are more likely to travel to a nearby local centre to fulfill all their shopping needs.
- The subject site is situated within a relatively convenient location near Pymble train station and is within a walkable distance to service the surrounding residential areas. However, street parking is limited around the site and there are no designated public car parks close by. This is likely to detract from the potential customer pool that the subject site can reach.

Given the above findings, the likely viability and sustainability of a retailer at the subject site will be undermined by its inferior location, low visibility, insufficient range of offer and lack of convenience and accessibility relative to surrounding local centres.

CONCLUSION

Our assessment finds clear evidence that a change of use of the neighbourhood shop (Lot 94 SP97280) into a rental management office at 2-8 Pymble Avenue, Pymble should be supported. There is currently sufficient retail provision in superior locations across the surrounding local centres to cater for prospective retailers. There is also a sufficient pipeline of future non-residential floorspace to offset any loss of retail floorspace from this change of use. Furthermore, there are several key retail success factors that the subject site lacks, which may affect the viability of a retail tenant in this location. The change of use to allow for a rental management office will resolve the incompatibility of the retail space being located at the subject site.

Yours sincerely,

A handwritten signature in blue ink that reads "Princess T. Ventura".

Princess Ventura
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