33 Herbert Street, St Leonards

Proposed Land Use Rezoning – Economic Assessment

Prepared for Aqualand Pty Ltd

August 2015

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INTRODUCTION

This report presents an independent assessment of the likely economic implications from the rezoning of land at 33 Herbert Street, St Leonards. The site is currently zoned light industrial (IN2) and would be rezoned to allow for a mixed use development potentially including residential, commercial and retail components. This report has been prepared in accordance with instructions received from Aqualand Pty Ltd, owners of the site.

This report is structured and presented in **five (5) sections** as follows:

- **Section 1** reviews the regional and local context of the St Leonards site.
- **Section 2** examines the drivers of demand for industrial land throughout Sydney generally and specifically within the St Leonards/Artarmon industrial area.
- **Section 3** provides an outline of the audit of industrial facilities, undertaken by Location IQ, within the St Leonards/Artarmon area.
- **Section 4** summarises the employment profile for workers within the St Leonards/Naremburn SA2 and the Willoughby LGA, including where workers in the area reside and the types of industries currently facilitated within the St Leonards/Artarmon industrial area.
- **Section 5** examines the highest and best use for the St Leonards site, including the future potential for a range of different land uses at the site as part of a mixed use development. Future potential land uses could include high tech industry such as film, television and telecommunications, retail facilities such as a café and restaurant as well as other commercial facilities, including child care.

1 LOCATION AND SITE DESCRIPTION

This section of the report reviews the regional and local context of the proposed St Leonards site, located at 33 Herbert Street, as well as reviewing the existing land use and zoning.

1.1 Regional Context

i. St Leonards is provided within the Willoughby Local Government Area (LGA), approximately 6 km to the north of the Sydney Central Business District (CBD) (refer Map 1.1).

ii. The City of Willoughby occupies a prominent location on the Lower North Shore of Sydney, extending from St Leonards in the south through to Northbridge and Chatswood in the north. The city contains some 70,000 persons as at the 2011 Census.

iii. The central location of the Willoughby LGA, together with its accessibility via private and public transport, including the North Shore Railway Line, makes it an attractive destination for residential development. Higher density living around major railway stations at St Leonards and Chatswood is likely to continue over time.

iv. The City of Willoughby is also a major employment centre, including the Royal North Shore Hospital, the St Leonards/Artarmon industrial area and the major centre of Chatswood which includes retail and commercial office precincts.

v. The suburb of St Leonards itself includes commercial and industrial components located in the northern part of the suburb as well as residential provided to the south and east.

vi. Reflecting the popularity of the LGA as a residential area, the population in the City of Willoughby was around 58,250 persons in 2001 and has increased by some 16,000 persons of the past 13 years, representing an average annual growth rate of 1.9% as compared with the Australian growth rate of 1.4% - 1.5% over the same period.

vii. Official population projections by New South Wales Planning (2014) project that the City of Willoughby will increase to 90,300 persons by 2031, while forecasts prepared by Forecast .id for the City of Willoughby Council project population of 89,271 by 2036. The Forecast .id projections are slightly lower than New South Wales Planning's most recent projections in 2014, however, significant growth is still indicated. The forecasts project growth in-excess of 15,000 people over the next 15 – 20 years at an average annual growth rate of 0.9% - 1.2%.

viii. This projected growth will require a substantial amount of further residential floorspace. For example, the additional 15,000 persons, at 2.2 persons per dwelling, would result in a further 6,818 dwellings. Assuming an average dwelling is 100 sq.m results in further demand for 681,800 sq.m of residential floorspace over the period to 2031 – 2036.

ix. As at the 2011 Census, population density in the City of Willoughby was 3,400 persons per sq.km, one of the highest in the Sydney metropolitan area (ranked 16th out of 43 municipalities). This figure will increase to over 4,000 persons per sq.km by 2031 – 2036.

MAP 1.1 – ST LEONARDS REGIONAL CONTEXT

1.2 Local Context

i. Map 1.2 illustrates the local context of the St Leonards site. Key facilities located near the site include the following:

- The Royal North Shore Hospital is situated some 200 m to the south-east along Herbert Street and Reserve Road. The Royal North Shore Hospital is currently undergoing a $700 million redevelopment which has resulted in the demolition of existing structures to make way for car parking as well as a research and education centre.
- The North Shore Railway Line is provided to the immediate east of Herbert Street, with St Leonards Station provided some 500 metres to the south of the site on the northern side of the Pacific Highway. St Leonards Station has an average of 35,180 passenger movements over a 24 hour period, making it the 13th busiest train station in Sydney.
- There are a number of retail facilities provided within the St Leonards/Artarmon industrial area including a Bunnings Warehouse of approximately 6,000 sq.m and Home HQ homemaker centre with major tenants including JB Hi-Fi, Freedom and Howards Storage World. Overall, Home HQ totals some 22,000 sq.m of large format retail floorspace.
- The main concentration of commercial and retail facilities in the area is provided to the south along the Pacific Highway which runs in an east-west direction.
- There are a number of parks in the surrounding area, including Gore Hill Park which is adjacent to Gore Hill Memorial Cemetery. Naremburn Park is also provided to the north-east of the site with Artarmon Park provided on the northern side of the Gore Hill Freeway.
- The St Leonards/Artarmon industrial area is one of the closest industrial areas to the Sydney CBD and currently serves an area comprising the southern half of the northern suburbs of Sydney. Although the subject site is located within the

suburb of St Leonards, the majority of the industrial facilities in the surrounding region are provided to the north in the suburb of Artarmon.

— Herbert Street is a major road linking the commercial component of St Leonards, provided around the train station to the south, through the industrial area to the north, crossing over the Gore Hill Freeway at the northern extreme of the industrial area, via Hampden Road.

ii. Overall, St Leonards is a diverse suburb with a number of facilities provided, including the Royal North Shore Hospital, St Leonards Train Station as well as a range of commercial facilities located on the Pacific Highway to the south. St Leonards also includes a significant amount of industrial zoned land in combination with Artarmon in the north.

MAP 1.2 – ST LEONARDS LOCAL CONTEXT

1.3 Existing Site Composition

i. The existing site, at 33 Herbert Street, St Leonards, is approximately 3,500 sq.m in size and is zoned light industrial (IN2). The existing building on the site is a three level office facility of some 6,065 sq.m occupied by AMP (who was the previous owner).

ii. The three level building was constructed in 1989 with large floorplates of over 2,100 with basement car parking for 163 vehicles across two levels. Prior to AMP's ownership and occupation, the building was previously leased to the Australian Taxation Office.

iii. Consequently, although the site is zoned industrial, it has been occupied as a commercial office building for an extended period of over 20 years. The operation of the site is in effect a commercial usage rather than an industrial usage.

iv. At 6,065 sq.m, and assuming an average ratio of 15 sq.m per office worker, the building would correspond to approximately 400 workers when fully occupied.

v. As indicated previously on Map 1.2, the site is situated on the eastern side of Herbert Street, bounded by the North Shore Railway Line to the east. Consequently, it is quite a thin parcel of land with primarily residential buildings to the immediate south, and a single level warehouse occupied by a Reece Plumbing Centre to the immediate north on the corner of Herbert Street and Ellis Street.

2 DRIVERS OF INDUSTRIAL LAND

This section of the report discusses the drivers of industrial land in general for the Sydney metropolitan area and also specifically how they relate to industrial land provided in Sydney North and within the St Leonards/Artarmon industrial area.

2.1 Sydney Industrial Land Trends

i. Based on a review of industrial land throughout the Sydney metropolitan area, key trends include:

   – Industrial land can be used for a number of purposes, including:

     - Heavy industry such as petrochemical plants at (i.e. Rosehill).
     - Large factory/manufacturing/warehousing (i.e. Silverwater/Lidcombe).
     - Light manufacturing and small factory office warehousing.
     - Research and development parks.

   – Over the past 30 - 40 years, there has been a gradual, yet evident decline in traditional industrial land uses within built up areas of Sydney. These declines have been attributed to a number of factors, including increasing population pressures, lack of vacant land for residential development, rising property prices and State Government urban consolidation policies.

   – This pattern of land use evolution has also occurred in other major cities in Australia, whereby traditional industrial activities are moving to larger and more affordable sites that have better road and rail infrastructure.

   – One of the most notable factors that has led to the change of use of industrial precincts in built up areas of Sydney has been the growth of industrial precincts in outer Sydney areas that possess larger and more affordable sites, superior road and rail transport, and are situated closer to the major population growth centres of Sydney.

- The value of a number of industrial land areas has declined as technological advances have resulted in new facilities being built in terms of supply chain and distribution networks. Consequently, most large factory sites require 24 hour access to major road networks for B double/triple trucks and the like.

ii. As a result of the above planning and economic factors, a large proportion of land within the Sydney metropolitan area has been converted from industrial to other uses (predominately housing) since the 1980s. Substantial areas have, or are, being redeveloped for commercial (e.g. Macquarie Park in Ryde) or residential/mixed use (such as Green Square and Pyrmont/Ultimo).

iii. Indicative of these trends, most large surplus industrial sites in built up areas of Sydney have been converted to housing or mixed use developments with residential dwellings above a ground level retail or commercial component.

iv. Examples of the conversion of former industrial land to residential or mixed uses in Sydney include:

- Former industrial land with waterfront access, such as Breakfast Point and Ermington, has been redeveloped for residential uses.

- Similarly, the history of Sydney Olympic Park included the land around Homebush Bay being used for a variety of purposes including State Abattoirs, State Brickworks, chemical factories and ship breaking yards. All these industries have now closed and have been replaced with residential dwellings and the Sydney Olympic facilities.

- The former industrial lands on the Rhodes peninsula, to the west of the railway line, have now been converted to residential and retail uses.

- The Meadowbank Employment Area is situated to the south-west of Ryde, adjacent to Meadowbank Railway Station and to the north of the Parramatta River. The area has historically been occupied by heavy industry; however, due to a lack of demand and high vacancy levels, in 2004, the area was rezoned to permit commercial and medium density residential development. The new Development Control Plan prepared by Ryde Council for the area significantly increases the provision of residential and mixed use land uses.

– A major redevelopment on the old Sunbeam and Victa factory sites at Campsie/Clemton Park by Australand has been approved by the State Government. The $250 million project is planned to encompass aged care accommodation, a supermarket, retail shops and a childcare centre. This site was formerly a relatively isolated parcel of industrial zoned land with residential dwellings provided on all sides of the site.

– Green Square, located within the City of Sydney, is recognised as one of Sydney's oldest industrial areas. Traditionally, the area supported manufacturing industries that relied on their close proximity to the CBD, airport and port. The area was also home to the State's largest brickworks. In the 1990s, urban renewal started, led by ongoing gentrification of the inner city and state planning policies that promoted increasing residential densities closer to existing services and infrastructure. The majority of urban renewal in Green Square is focused on redeveloping vacant and unused industrial sites to residential and mixed use dwellings.

– 797 - 799 Botany Road in Rosebery was a recent multi-million dollar sale of an industrial site, with the developer planning a residential development.

– Meriton paid $100 million for an industrial site at 19 – 33 Kent Road in Mascot in early 2013. Meriton plans to develop 1,000 apartments at the site.

v. At the same time that this industrial land has been rezoned to other uses, large tracts of new industrial land have been rezoned or created in outer suburban areas, such as the Western Sydney Employment Area (WSEA) and Moorebank Intermodal Terminal (MIT). Similarly, as discussed previously, other large tracts of industrial land throughout other capital cities, such as Citiswich in Western Brisbane, have also developed.

vi. The identified industrial land use trends as witnessed in Sydney and other capital cities of Australia are expected to continue. In particular, the value of inner city industrial land will see industrial uses eventually relocate to outer metropolitan areas, with the vacated space over time being changed to 'higher order uses', which typically are not industrial.

vii. Increasingly so in the industrial sector, purpose built facilities have developed in outer Sydney areas with superior access to road and rail infrastructure at an affordable price. Sydney is experiencing an enormous surge in infrastructure spending, with major transport projects including West Connex, North Connex, Badgery's Creek Airport, MIT and the North West Rail Link. These projects total in-excess of $29 billion of construction expenditure and support jobs, expansion and associated businesses as well as driving further industrial demand in these precincts.

viii. The development of new facilities on the urban fringe and in large industrial estates has freed up industrial land in the built up areas of Sydney for alternative uses. The retention of appropriate employment uses in the built up areas of Sydney is important in order to ensure jobs are located close to homes. However, the nature of jobs close to homes in built up areas is changing, with demand for commercial, aged care and health care services increasing.

2.2 Sydney North Industrial Market

i. The Sydney North Industrial Market is different to the typical market in outer Western Sydney and is dominated by leasing demand for smaller spaces of 500 – 1,500 sq.m, reflecting a stock composed of predominantly smaller properties.

ii. The average net face rents in Sydney North are also the highest within the Sydney market, reflective of the value of land generally and the small size of properties usually leased. Land values are also much higher than other locations in Sydney, as sourced from *Research and Forecast Report, Industrial* prepared by Colliers International for the first half of 2015 and illustrated in Table 2.1 below.

iii. Similarly, The *Employment Lands Development Program, 2015* prepared by New South Wales Planning and Environment indicates that the supply of employment lands available for development is the lowest in the Sydney North region with some 43 hectares of zoned land available.

iv. The proportion within the Willoughby LGA is lower still, at 4.3 hectares, as the majority of developable employment land is likely to be located in the outer Northern Suburbs of Sydney. The amount of developable employment land within the Willoughby LGA has remained constant at 4.3 hectares since 2014.

v. The Sydney North region also has one of the lowest values of approved industrial development by region at $19.2 million, with the Willoughby LGA comprising only $405,000 of this total value. This suggests that industrial development is better suited to outer metropolitan areas where there is sufficient land for larger scale, efficient industrial developments.

TABLE 2.1 – SYDNEY INDUSTRIAL RENTS AND LAND VALUES

Area	Average Rents ($ per sq.m)	Average Land Values per sq.m)
Sydeny West	123	356
Sydney South	165	1,200
Sydney South West	113	275
Sydney North	175	950

Source: Colliers Edge LOCATIQN

2.3 33 Herbert Street, St Leonards Site

i. The average size of new industrial facilities in Sydney has remained relatively steady over the period from 2010 at around 18,000 sq.m. Such large spaces are now sought by industrial tenants as they have the ability to provide efficiencies that smaller spaces do not as well as provide for a larger population base. Given the smaller size of land parcels in the St Leonards/Artarmon industrial area, it is unlikely that the needs of a modern industrial tenant would be met.

ii. The size of the St Leonards site, at 3,500 sq.m, is significantly smaller than the average new industrial facility in Sydney, and already incorporates a three level commercial building. Consequently, to be used for industrial purposes, typically provided in a one or two level building, would not be financially viable to demolish the existing building and to rebuild for a smaller industrial tenant with a lower rental yield.

iii. Industrial land is frequently serviced by larger vehicles which require enough room and specialised access points in order to effectively serve tenants at a particular location. This could include the provision of loading docks and turning bays which are likely to require a considerable amount of space. Inclusion of such facilities at a space constrained site, like the St Leonards site, would likely restrict the type of industrial tenant able to locate at the site.

iv. As outlined previously, industrial rents in Sydney's north average around $175 per sq.m, while comparable office rents are in the order of $300 - $500 per sq.m, providing a more attractive return and likely driving up the values of the land such that industrial uses are no longer viable.

v. Overall, the small size of 33 Herbert Street land, the existing commercial uses and financial viability means that it is no longer appropriate as a light industrial (IN2) zoned site.

3 AUDIT OF SURROUNDING INDUSTRIAL FACILITIES

This section presents an overview of the existing zoning of the site as well as an audit of industrial facilities within the St Leonards/Artarmon industrial area, previously undertaken by Location IQ in April 2015.

3.1 Existing Zoning

i. The St Leonards/Artarmon industrial area is zoned both general industrial (IN1) and light industrial (IN2), with a small portion of infrastructure (SP2) around the Royal North Shore Hospital and high density residential (R4) to the south of the site (refer Map 3.1). The subject site is zoned light industrial (IN2), immediately adjoined by high density residential to the south.

ii. The light industrial (IN2) zoning in the Willoughby Local Environment Plan 2012 includes the following objectives:

- To provide a wide range of light industrial, warehouse and related land uses.
- To encourage employment opportunities to support the viability of centres.
- To minimise any adverse affect of industry on other land uses.
- To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.
- To support and protect industrial land for industrial uses.
- To identify and preserve industrial lands to meet the current and future light industrial needs of Willoughby City and the wider region.
- To accommodate industrial development that provides employment and a range of goods and services without adversely affecting the amenity, health or safety of nearby residents in adjacent areas.
- To protect the viability of business zones in the City of Willoughby by enabling development for the purposes of offices, only where they are used in conjunction

with industrial, manufacturing, warehousing or other perimeter uses on the same land.

– To improve the environmental quality of the City of Willoughby by ensuring that land uses conform to land, air and water quality pollution standards, environmental and hazard reduction guidelines.

– To accommodate uses that, because of demonstrated special building or site requirements or operational characteristics, cannot be or are inappropriate to be located in other zones.

iii. In terms of permitted development with consent, items include:

– Building identification signs;

– Depots;

– Industrial training facilities;

– Light industries;

– Neighbourhood shops;

– Pubs;

– Roads;

– Timber yards;

– Vehicle sales or hire premises;

– Warehouse or distribution centres.

iv. In the definitions section of the report, light industry is defined as follows:

> *"a building or place used to carry out an industrial activity that does not interfere with the amenity of the neighbourhood by reason of noise, vibration, smell, fumes, smoke, vapour, steam, soot, ash, dust, waste water, waste products, grit or oil, or otherwise, and includes any of the following:*

a. *High technology industry*

b. *Home industry*

v. High technology industry is defined as follows:

"a building or place predominantly used to carry out an industrial activity that involves any of the following:

- *Electronic or microelectronic systems, goods or components.*
- *Information technology (such as computer software or hardware).*
- *Instrumentation or instruments of a scientific, industrial, technological, medical or similar nature.*
- *Biological, pharmaceutical, medical or paramedical systems, goods or components.*
- *Film, television or multimedia technologies including post production systems, goods or components.*
- *Telecommunications systems, goods or components.*
- *Sustainable energy technologies.*
- *Any other goods, systems or components intended for use in a science or technology related field."*

It does not include a building or place used to carry out an industrial activity that presents a hazard or potential hazard to the neighbourhood or that, because of the scale and nature of the process involved, interferes with the amenity of the neighbourhood."

vi. In relation to the St Leonards site, the above is highly relevant given the adjoining neighbours are high density residential to the immediate south. Any light industrial use that conflicts with this use would have significant implications on the amenity of this adjoining land.

3.2 St Leonards/Artarmon Industrial Area Audit

i. Location IQ undertook an audit of existing industrial uses within the St Leonards/Artarmon industrial area. Map 3.2 outlines the different land uses within the St Leonards/Artarmon industrial area. This differs from the zoning of the land in that it gives an indication of what the land is actually used for. A specific land zoning, on the other hand, can comprise a number of uses, some of which bear no apparent relation to the type of zoning (i.e. Pubs are an allowable use in General Industrial zoned land).

ii. Key points to note regarding land use include the following:

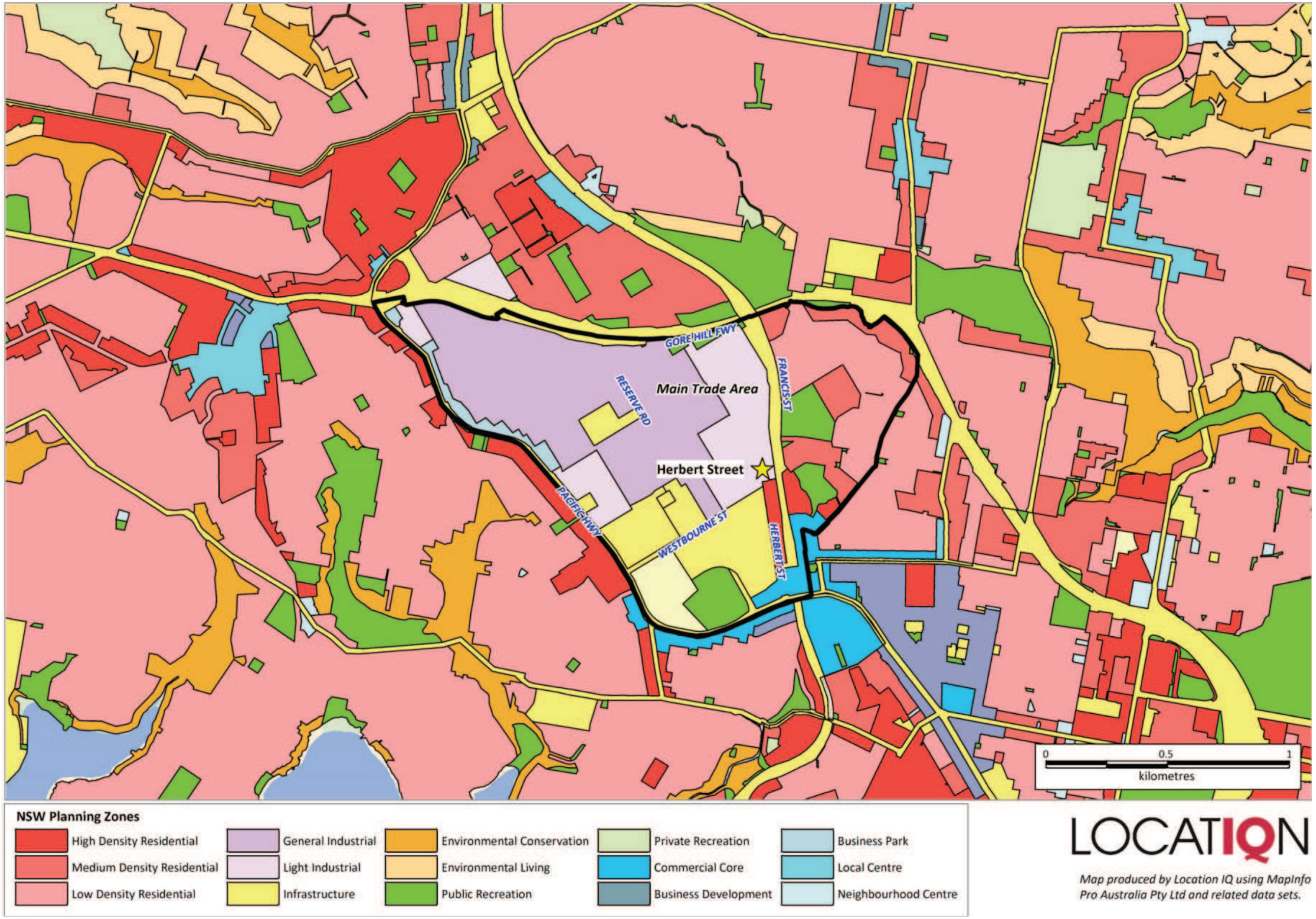
- The majority of land within the St Leonards/Artarmon industrial area is made up of light industrial (33%) and commercial (30%) land uses. Commercial uses are typically located throughout the light industrial area.
- Other uses are also prominent with such facilities including automotive repair and service facilities to complement the significant number of car yards and car rental firms in the area. Television broadcasters such as Fox Sports, SBS Studios and Broadcast Australia are also located in the area.
- There are a range of showrooms/large format retail facilities including the HQ Homemaker facility as well as car yards along the Pacific Highway.
- Residential land uses accounts for the least at around 3 hectares (4%).
- The vacancy rate in terms of land is some 2% with this spread out over the entire industrial area.
- General industrial facilities are located in the north-western part of the precinct to the south of the Gore Hill Freeway.
- Larger parcels of land tend to the be located in the southern part of the precinct around the subject site with smaller industrial lots fronting Hotham Parade and Whiting Street in the north-west of the precinct.

- The major residential provision in the area is to the south of the site along Herbert Street. Should the site be rezoned for mixed use development, including residential, this would be a continuation of existing high density residential provided in the area.

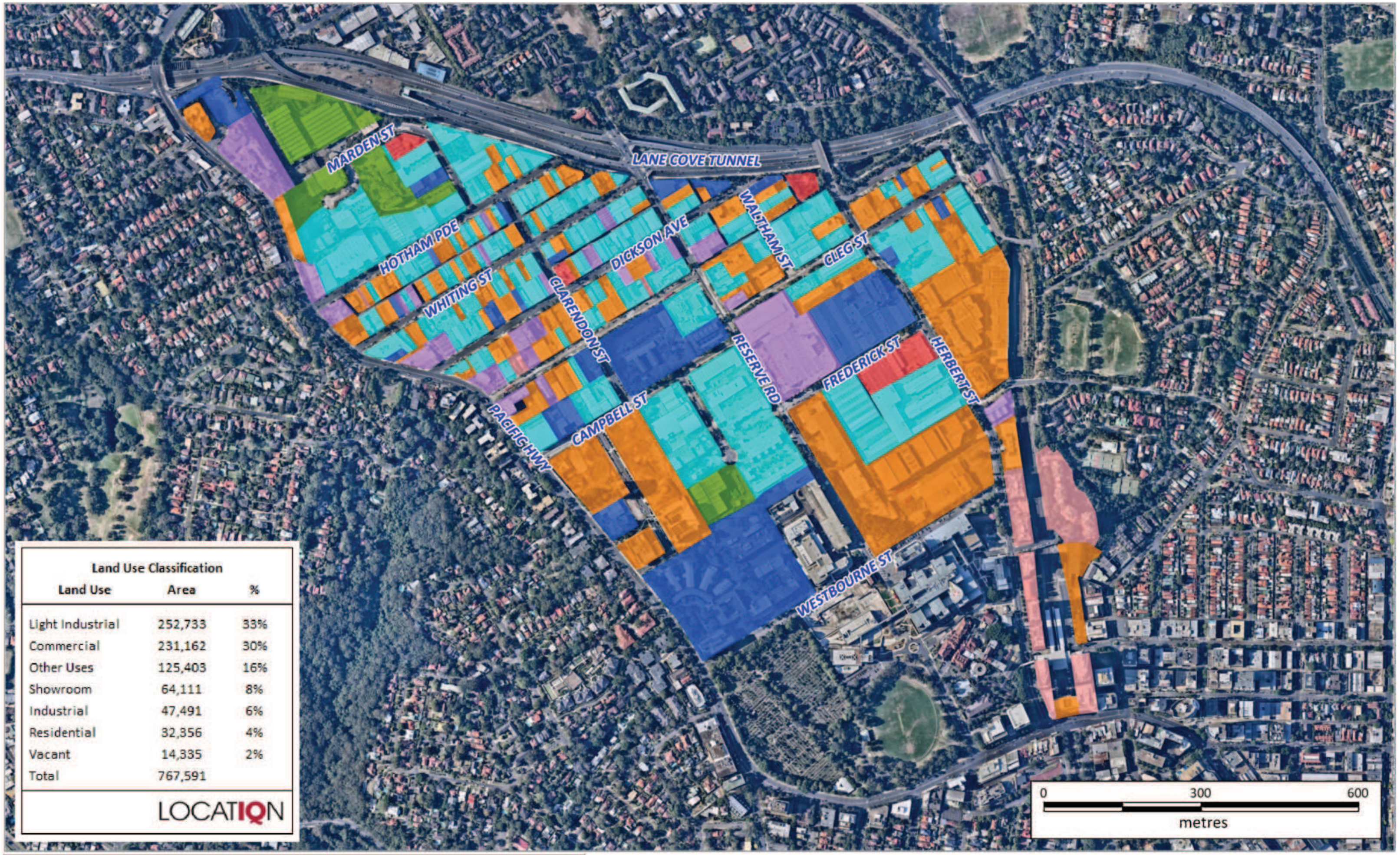
iii. Overall, the St Leonards/Artarmon industrial area is being used for a range of commercial and primarily light industrial uses as well as showroom facilities. The light industrial zoning allows a broad range of facilities within this location. Significantly, the range of uses is interspersed with a range of bulky goods, commercial and showroom facilities generally throughout the area. The vacancy rate is quite low, indicating demand for sites although the intensity of development is quite low in terms of 1 – 3 storey developments in most instances, reflecting the light industrial zoning.

iv. The St Leonards site is located in an area which is primarily being used for commercial type uses along Herbert Street, with the majority of light industrial located further to the north-west.

MAP 3.1 – ST LEONARDS/ARTARMON LAND ZONINGS



MAP 3.2 – ST LEONARDS/ARTARMON LAND USE CLASSIFICATION



Land Use Classification

Land Use	Area	%
Light Industrial	252,733	33%
Commercial	231,162	30%
Other Uses	125,403	16%
Showroom	64,111	8%
Industrial	47,491	6%
Residential	32,356	4%
Vacant	14,335	2%
Total	767,591	

Land Use Classification

Industrial | Commercial | Residential | Vacant
Light Industrial | Showroom | Other Uses

LOCATIQN

Map produced by Location IQ using MapInfo Pro Australia Pty Ltd and related data sets.

4 EMPLOYMENT PROFILE

This section of the report outlines the profile of both employees and residents within the St Leonards/Naremburn Statistical Area 2 (SA2), benchmarked against the Willoughby LGA as well as the Sydney metropolitan area and Australia as at the 2011 Census.

4.1 Worker Profile of St Leonards SA2 and Willoughby LGA Residents

i. Tables 4.1 – 4.3 provide a summary of the worker profile of residents within the St Leonards/Naremburn SA2 and Willoughby LGA as at the 2011 Census. Key information includes:

— There are 54,496 people of working age who reside within the Willoughby LGA. Of those some 35,292 persons (64.8%) participate in the labour force.

— Some 33,655 people residing in the Willoughby LGA are currently employed, or 95.4% of labour force participants i.e. the unemployment rate is 4.6%.

— Unemployment for the St Leonards/Naremburn SA2 is lower than for the Willoughby LGA. Both the St Leonards/Naremburn SA2 and the Willoughby LGA have a lower unemployment rate than for the Sydney metropolitan area and Australia.

— The majority of workers were employed in white collar positions with a high proportion of managers and professionals.

— There are a large proportion of employees in the financial and insurance services and professional, scientific and technical services sectors. Both of which are higher than the Sydney and Australian benchmarks.

ii. In terms of trends in key employment industries, Table 4.4 highlights the change in key industries between the 2006 and 2011 Census. This data is only available at the LGA level and larger. This indicates:

— An increase in white collar jobs such as professional, scientific and technical services from 17.7% of the workforce to 18.7%.

— A decline in industrial type industries such as manufacturing from 4.8% to 4.3%.

iii. Maps 4.1 and 4.2 highlight the place of work for St Leonards/Naremburn SA2 and Willoughby LGA residents, respectively, throughout the broader Sydney metropolitan area. This indicates only 16.8% of St Leonards/Naremburn SA2 residents actually work in the area, with some 26.0% traveling to the Sydney CBD to work. Considering the Willoughby LGA, some 24.2% of residents travel to the Sydney CBD for work which is a similar proportion to the St Leonards/Naremburn SA2.

iv. Local job retention within the Willoughby LGA, therefore, is quite low but typical of an inner city area comprising a large number of white collar workers who generally work within 10 – 20 km of their home in major employment precincts, such as the Sydney CBD, in the broader Sydney metropolitan area. Workers would not consider smaller boundaries such as LGAs of relevance in relation to their place of work.

TABLE 4.1 – ST LEONARDS WORKER STATISTICS, 2011

	St Leonards Naremburn (SA2)	Willoughby (LGA)	Metro Sydney	Australia
Working Age Population*	7,895	54,496	3,548,458	17,363,696
Labourforce Participants	5,880	35,292	2,188,853	10,658,459
Participation Rate	*74.5%*	*64.8%*	*61.7%*	*61.4%*
Employed	5,676	33,655	2,063,267	10,058,326
Employment Rate	*96.5%*	*95.4%*	*94.3%*	*94.4%*
Unemployment Rate	*3.5%*	*4.6%*	*5.7%*	*5.6%*

** Includes all persons 15 years and older*
Source: ABS

TABLE 4.2 – ST LEONARDS OCCUPATION OF EMPLOYMENT, 2011

Occupation	St Leonards Naremburn (SA2)	Willoughby (LGA)	Metro Sydney	Australia
Managers	18.9%	18.2%	13.3%	12.9%
Professionals	46.2%	39.9%	25.5%	21.3%
Technicians and trades workers	5.5%	6.9%	12.2%	14.2%
Community and personal service workers	6.0%	6.8%	8.8%	9.7%
Clerical and administrative workers	12.8%	14.0%	16.2%	14.7%
Sales workers	5.7%	7.4%	9.0%	9.4%
Machinery operators and drivers	1.0%	1.5%	5.7%	6.6%
Labourers	1.7%	3.2%	7.3%	9.4%
Not Stated	2.0%	2.0%	2.0%	1.9%

Source: ABS

TABLE 4.3 – ST LEONARDS INDUSTRY OF EMPLOYMENT, 2011

Industry	St Leonards Naremburn (SA2)	Willoughby (LGA)	Metro Sydney	Australia
Agriculture, forestry and fishing	0.0%	0.2%	0.4%	2.5%
Mining	0.2%	0.3%	0.2%	1.8%
Manufacturing	4.1%	4.3%	8.5%	9.0%
Electricity, gas, water and waste services	0.7%	0.5%	0.9%	1.1%
Construction	3.1%	3.9%	7.1%	8.2%
Wholesale trade	5.7%	5.6%	5.3%	4.0%
Retail trade	5.7%	7.4%	9.8%	10.5%
Accommodation and food services	4.6%	6.0%	6.2%	6.5%
Transport, postal and warehousing	2.3%	2.6%	5.3%	4.8%
Information media and telecommunications	6.8%	5.2%	3.0%	1.8%
Financial and insurance services	13.8%	11.7%	6.6%	3.8%
Rental, hiring and real estate services	2.0%	2.3%	1.8%	1.6%
Professional, scientific and technical services	22.3%	18.7%	9.6%	7.3%
Administrative and support services	3.6%	3.6%	3.5%	3.2%
Public administration and safety	4.0%	3.6%	5.6%	6.9%
Education and training	5.4%	7.0%	7.6%	8.0%
Health care and social assistance	10.0%	10.3%	10.9%	11.6%
Arts and recreation services	1.4%	1.5%	1.6%	1.5%
Other services	2.1%	2.8%	3.7%	3.8%
Not Stated	2.1%	2.5%	2.6%	2.3%

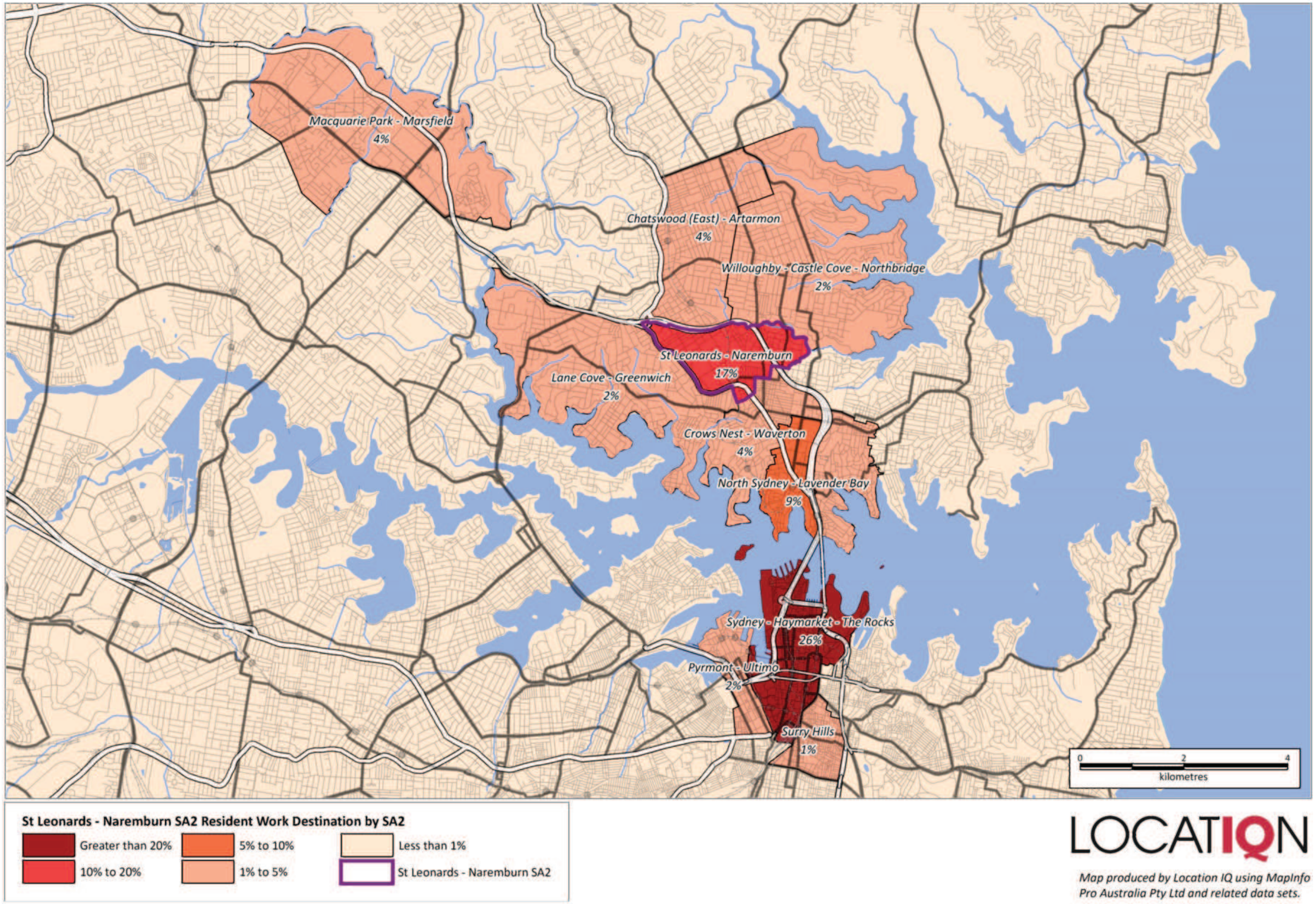
Source: ABS

TABLE 4.4 – CHANGE IN INDUSTRY OF EMPLOYMENT, 2006 – 2011

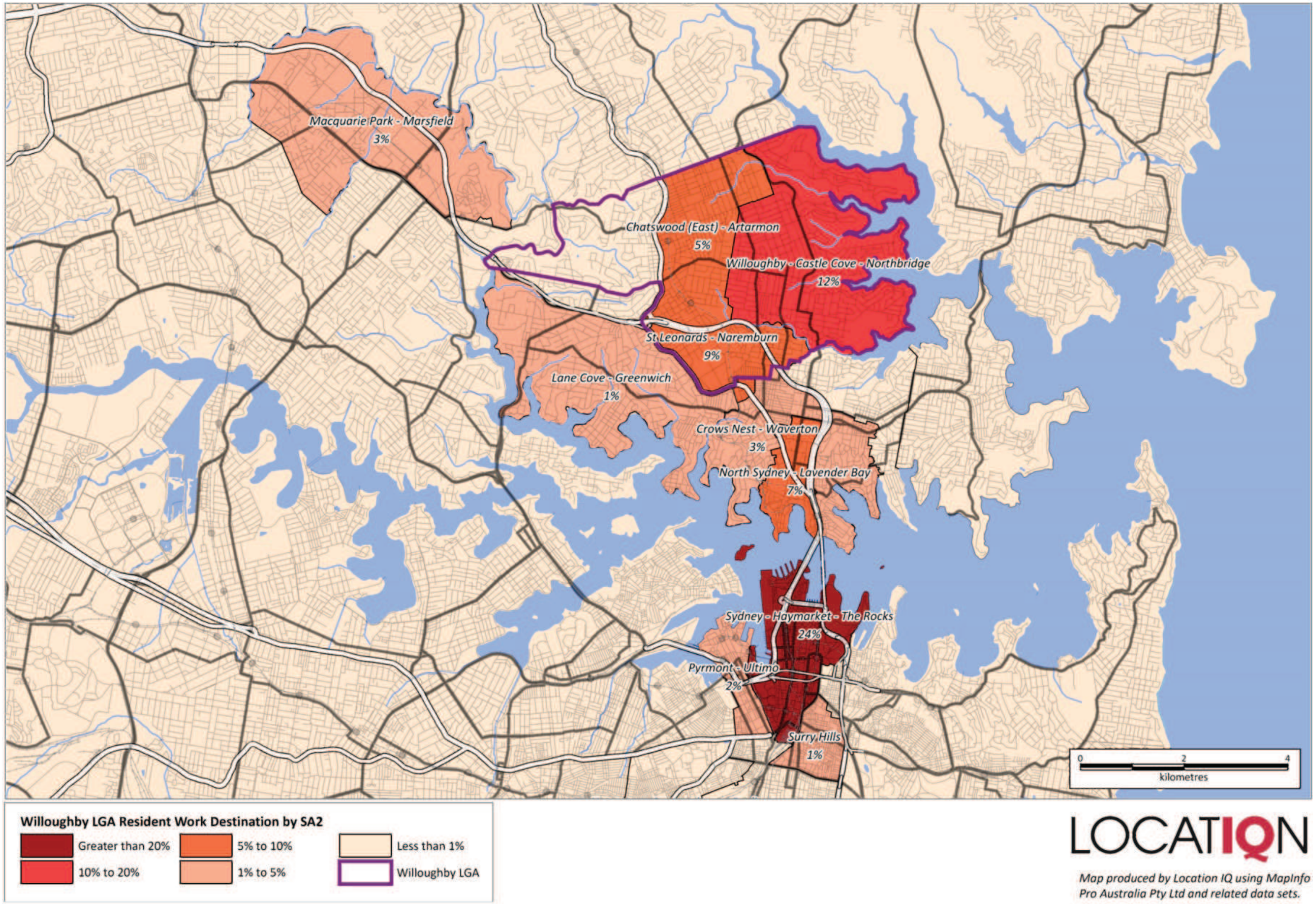
	Willoughby (LGA)		Metro Sydney		Australia	
Industry	2006	2011	2006	2011	2006	2011
Agriculture, forestry and fishing	0.3%	0.2%	0.5%	0.4%	4.0%	2.5%
Mining	0.2%	0.3%	0.2%	0.2%	1.8%	1.8%
Manufacturing	4.8%	4.3%	12.5%	8.5%	14.4%	9.0%
Electricity, gas, water and waste services	0.5%	0.5%	1.2%	0.9%	1.4%	1.1%
Construction	3.8%	3.9%	11.2%	7.1%	12.5%	8.2%
Wholesale trade	6.1%	5.6%	6.4%	5.3%	5.3%	4.0%
Retail trade	8.8%	7.4%	8.7%	9.8%	9.0%	10.5%
Accommodation and food services	5.5%	6.0%	5.6%	6.2%	5.0%	6.5%
Transport, postal and warehousing	2.9%	2.6%	7.6%	5.3%	6.7%	4.8%
Information media and telecommunications	5.1%	5.2%	3.2%	3.0%	2.1%	1.8%
Financial and insurance services	11.4%	11.7%	5.9%	6.6%	3.2%	3.8%
Rental, hiring and real estate services	2.3%	2.3%	1.8%	1.8%	1.5%	1.6%
Professional, scientific and technical services	17.7%	18.7%	9.1%	9.6%	6.7%	7.3%
Administrative and support services	3.9%	3.6%	3.0%	3.5%	2.8%	3.2%
Public administration and safety	3.6%	3.6%	6.0%	5.6%	7.0%	6.9%
Education and training	6.7%	7.0%	4.1%	7.6%	4.3%	8.0%
Health care and social assistance	9.4%	10.3%	4.4%	10.9%	4.2%	11.6%
Arts and recreation services	1.3%	1.5%	1.4%	1.6%	1.4%	1.5%
Other services	3.1%	2.8%	4.0%	3.7%	3.9%	3.8%
Not Stated	2.5%	2.5%	3.1%	2.6%	2.9%	2.3%

Source: ABS

MAP 4.1 – WHERE ST LEONARDS/NAREMBURN SA2 RESIDENTS WORK



MAP 4.2 – WHERE ST WILLOUGHBY LGA RESIDENTS WORK



4.2 Worker Profile of St Leonards SA2 and Willoughby LGA Workers

i. This sub-section reviews workers within the St Leonards/Naremburn SA2 and Willoughby LGA. Key information includes the types of workers in these areas as well as where workers live.

ii. Tables 4.5 and 4.6 outline the proportion of workers in each occupation and industry, respectively for the St Leonards/Naremburn SA2 and Willoughby LGA, benchmarked against the Sydney metropolitan and Australian averages. Key points to note include the following:

— As can be seen, the proportion of professionals, at 40.6% for the St Leonards/Naremburn SA2, is significantly higher than both the metropolitan Sydney average and the Australian average.

— The proportion of managers is also quite high however, this is more in-line with the averages.

— The is a lower proportion of community and personal services workers at 3.5% for the St Leonards/Naremburn SA2, compared with around 6% - 10% for the benchmarks.

— The proportion of sales workers and labours is also lower than the benchmarks at 5.6% and 2.7%, respectively, for the St Leonards/Naremburn SA2.

— The professional, scientific and technical services industry as well as healthcare and social assistance represent the two largest industries within the St Leonards/Naremburn SA2 at 24% and 20.6%, respectively. This is significantly higher than for Willoughby, Sydney and Australia.

— The high proportion of workers in the healthcare and social assistance sector would largely result from the inclusion of the Royal North Shore Hospital within the St Leonards/Naremburn SA2.

— In comparison to the metropolitan Sydney and Australian benchmarks, retail trade in the St Leonards/Naremburn SA2 only accounts for around 5% compared with 10%.

— Other sectors which have a lower proportion of workers compared with the benchmarks include education and training (3.3%), manufacturing (6.7%) and construction (4.1%).

iii. Overall, workers within the St Leonards/Naremburn SA2 area are generally made up of healthcare workers associated with the Royal North Shore Hospital and a number of technical services firms.

TABLE 4.5 – ST LEONARDS OCCUPATION OF EMPLOYMENT, 2011

Occupation	St Leonards Naremburn (SA2)	Willoughby (LGA)	Metro Sydney	Australia
Managers	17.3%	15.9%	14.0%	12.9%
Professionals	40.6%	33.6%	27.0%	21.3%
Technicians and trades workers	9.9%	10.3%	10.9%	14.2%
Community and personal service workers	3.5%	6.2%	8.8%	9.7%
Clerical and administrative workers	16.9%	16.1%	17.1%	14.7%
Sales workers	5.6%	10.5%	9.2%	9.4%
Machinery operators and drivers	2.6%	2.8%	5.4%	6.6%
Labourers	2.7%	3.7%	6.4%	9.4%
Not Stated	0.9%	1.0%	1.1%	1.9%

Source: ABS

TABLE 4.6 – ST LEONARDS INDUSTRY OF EMPLOYMENT, 2011

Industry	St Leonards Naremburn (SA2)	Willoughby (LGA)	Metro Sydney	Australia
Agriculture, forestry and fishing	0.1%	0.1%	0.4%	2.5%
Mining	0.1%	0.2%	0.2%	1.8%
Manufacturing	6.7%	5.7%	8.8%	9.0%
Electricity, gas, water and waste services	0.5%	0.7%	0.9%	1.1%
Construction	4.9%	6.9%	5.4%	8.2%
Wholesale trade	5.6%	6.2%	5.5%	4.0%
Retail trade	5.0%	11.3%	10.1%	10.5%
Accommodation and food services	2.1%	4.0%	6.3%	6.5%
Transport, postal and warehousing	2.9%	2.1%	5.2%	4.8%
Information media and telecommunications	7.8%	8.8%	3.2%	1.8%
Financial and insurance services	5.0%	4.5%	7.0%	3.8%
Rental, hiring and real estate services	2.0%	2.4%	1.9%	1.6%
Professional, scientific and technical services	24.0%	13.6%	10.2%	7.3%
Administrative and support services	2.7%	3.0%	3.2%	3.2%
Public administration and safety	0.9%	3.1%	6.0%	6.9%
Education and training	3.3%	4.6%	8.0%	8.0%
Health care and social assistance	20.6%	16.7%	11.3%	11.6%
Arts and recreation services	0.8%	1.0%	1.6%	1.5%
Other services	3.9%	3.8%	3.7%	3.8%
Not Stated	1.2%	1.3%	1.2%	2.3%

Source: ABS

iv. Maps 4.1 and 4.2 outline where the workers within the St Leonards/Naremburn SA2 and the Willoughby LGA, respectively, reside. Key points to note include:

— Workers within the St Leonards/Naremburn SA2 cover a significant area in Sydney.

— The highest number of workers also live in the St Leonards/Naremburn SA2 at 3.7%. The second highest number of workers come from the Lane Cove/Greenwich SA2, located to the south of the site.

— Similarly, for workers in the Willoughby LGA the greatest number reside within the Willoughby - Castle Cove – Northbridge SA2. The next highest residence is Chatswood East and Chatswood West.

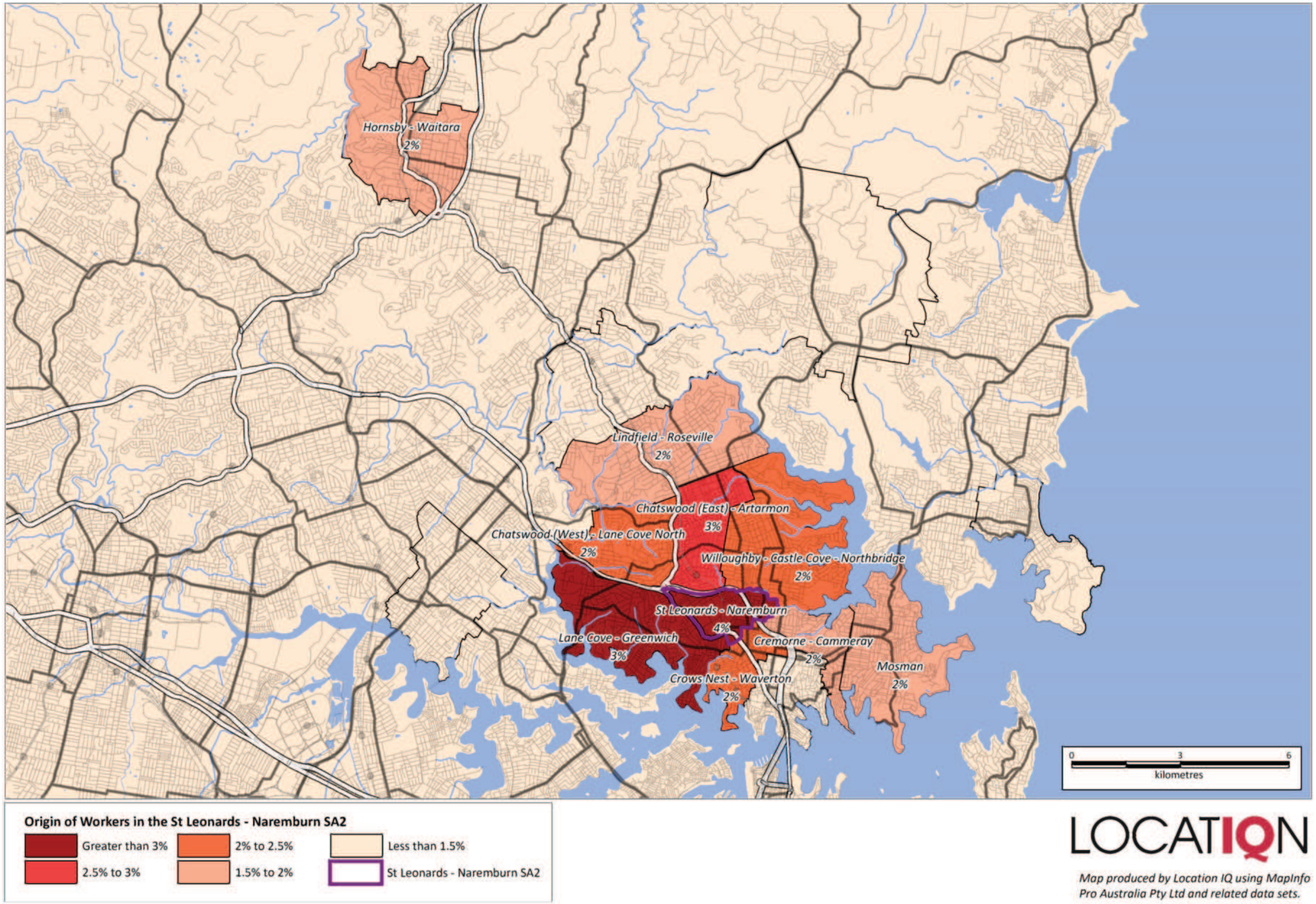
v. The above analysis highlights that within inner city locations such as the City of Willoughby, there are no barriers to movement of workers within the market throughout the broader Sydney region.

vi. Workers within the St Leonards/Naremburn SA2 area are coming from throughout the broader Sydney market, however, concentrated on the north shore of Sydney. This is a reflection that many of the industrial jobs within the area are being occupied by residents throughout the broader Sydney area rather than the affluent resident market within the City of Willoughby itself.

vii. There is no requirement for self containment of jobs within the City of Willoughby, given it forms part of the broader metropolitan area with major business precincts in close proximity such as the Sydney CBD, North Sydney and Macquarie/North Ryde.

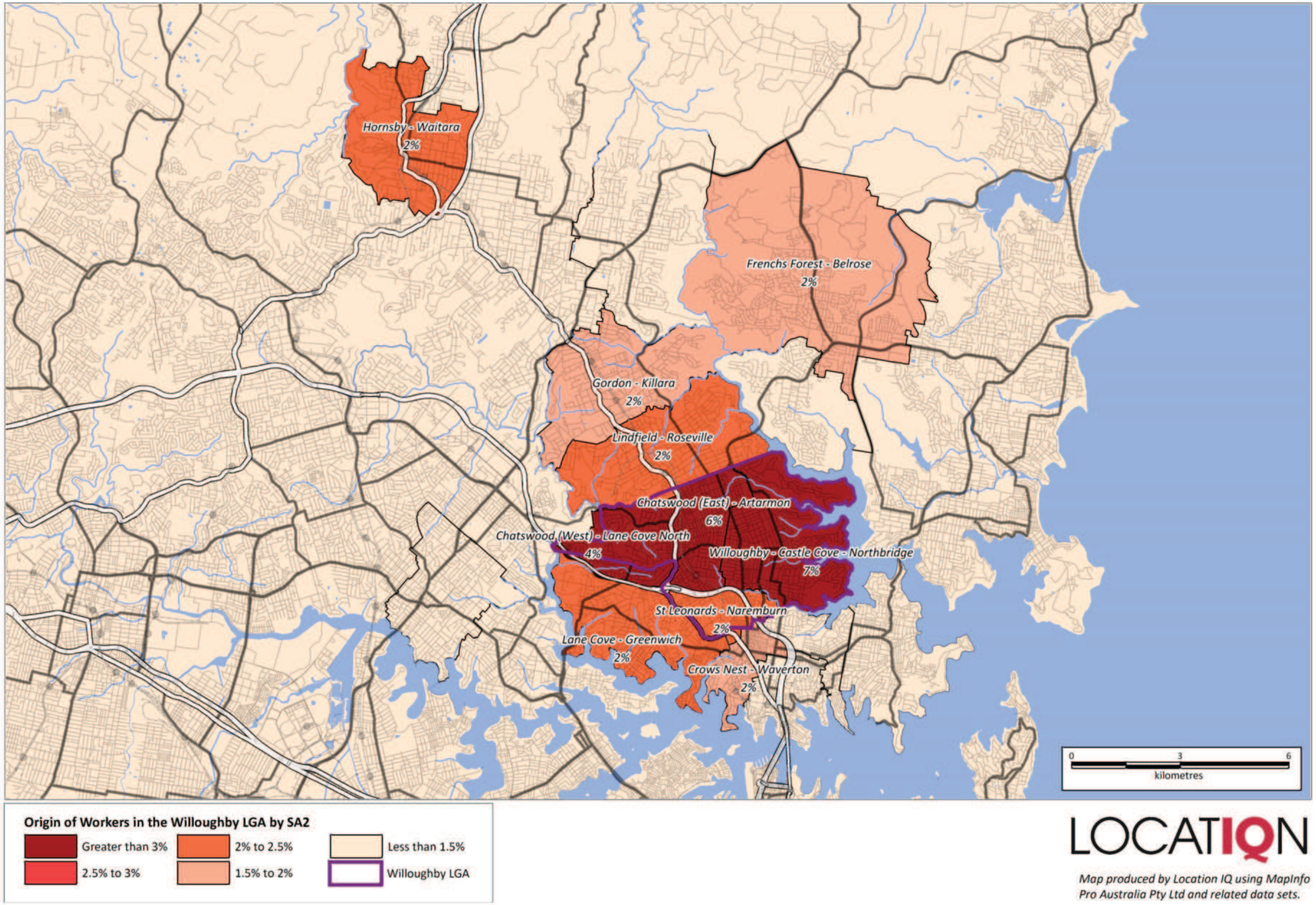
viii. Industrial facilities within St Leonards/Artarmon, therefore, are of little relevance to local residents in terms of providing a source of employment.

MAP 4.3 – WHERE ST LEONARDS/NAREMBURN SA2 WORKERS RESIDE



Map produced by Location IQ using MapInfo Pro Australia Pty Ltd and related data sets.

MAP 4.4 – WHERE ST WILLOUGHBY LGA WORKERS RESIDE



4.3 Employment Forecasts

i. The Bureau of Transport Statistics provides forecasts for employment growth within the St Leonards/Naremburn SA2 and Willoughby LGA as summarised in Table 4.7. They key points include:

— Employment levels are projected to increase from 31,417 in 2011 to 43,338 by 2041 for the St Leonards/Naremburn SA2. This indicates a rate of employment growth of approximately 1.1% between 2011 to 2041

— Similarly for the Willoughby LGA, average annual employment growth is anticipated to be 1.1%, which is in line with average annual population growth of 0.9% - 1.2% for Willoughby.

— This indicates that jobs growth planned within the Willoughby LGA would be faster than employment growth, as not all people who contribute to population growth will be of working age (i.e. those who require jobs will only be a subset of the overall population).

— The key industries for growth include:

  - Health care and social assistance which is anticipated to increase 3.7 percentage points to 23.7% of the workforce by 2041 in the St Leonards/Naremburn SA2.

  - Professional, scientific and technical services workers are anticipated to increase in the order of two percentage points for the St Leonards/Naremburn SA2 and one percentage point for the Willoughby LGA.

ii. Overall, growth in commercial type job markets is higher between 2011 and 2041 for both the St Leonards/Naremburn SA2 (30.9% for commercial and 27.2% for industrial jobs) and Willoughby LGA (33.6% for commercial and 16.3% for industrial jobs). This indicates that commercial floorspace are likely to be in higher demand over the long term for both the St Leonards/Naremburn SA2 and Willoughby LGA.

iii. In summary, the worker profile within the St Leonards SA2 mainly consists of scientists and technical services workers as well as health care workers associated with the Royal North Shore Hospital. A number of workers in the area live locally; however, the residential location of workers is spread significantly with the majority of workers residing on the North Shore. The most common place of work for residents of both the St Leonards/Naremburn SA2 and the Willoughby LGA is the Sydney CBD. There is anticipated to be significant growth in both commercial and industrial employment over the period to 2041, however, commercial employment will receive higher growth overall.

TABLE 4.7 – ST LEONARDS INDUSTRY OF EMPLOYMENT GROWTH, 2011 – 2041

	St Leonards/Naremburn (SA2)				Willoughby (LGA)				Job
	2011		2041		2011		2041		
Industry	No.	%	No.	%	No.	%	No.	%	**Type**
Accommodation and Food Services	683	2.2%	954	2.2%	2,384	4.2%	3,330	4.3%	Other
Administrative and Support Services	874	2.8%	1,247	2.9%	1,774	3.1%	2,532	3.2%	Commercial
Agriculture, Forestry and Fishing	20	0.1%	38	0.1%	51	0.1%	96	0.1%	Other
Arts and Recreation Services	281	0.9%	334	0.8%	611	1.1%	728	0.9%	Other
Basic Chemical and Chemical Product Manufacturing	110	0.3%	149	0.3%	134	0.2%	182	0.2%	Industrial
Beverage and Tobacco Product Manufacturing	302	1.0%	732	1.7%	219	0.4%	529	0.7%	Industrial
Construction	1,685	5.4%	2,393	5.5%	4,199	7.4%	5,964	7.6%	Other
Education and Training	1,019	3.2%	1,464	3.4%	2,562	4.5%	3,680	4.7%	Other
Electricity, Gas, Water and Waste Services	171	0.5%	249	0.6%	446	0.8%	649	0.8%	Other
Fabricated Metal Product Manufacturing	18	0.1%	21	0.0%	17	0.0%	20	0.0%	Industrial
Financial and Insurance Services	1,512	4.8%	1,787	4.1%	2,215	3.9%	2,618	3.4%	Commercial
Food Product Manufacturing	36	0.1%	40	0.1%	324	0.6%	362	0.5%	Industrial
Furniture and Other Manufacturing	223	0.7%	294	0.7%	387	0.7%	510	0.7%	Industrial
Health Care and Social Assistance	6,296	20.0%	10,281	23.7%	9,594	16.9%	15,668	20.1%	Other
Information Media and Telecommunications	2,353	7.5%	3,516	8.1%	4,756	8.4%	7,107	9.1%	Commercial
Machinery and Equipment Manufacturing	828	2.6%	949	2.2%	977	1.7%	1,121	1.4%	Industrial
Mining	36	0.1%	49	0.1%	134	0.2%	181	0.2%	Other
Non-Metallic Mineral Product Manufacturing	26	0.1%	20	0.0%	74	0.1%	55	0.1%	Industrial
Other Services	1,233	3.9%	1,692	3.9%	2,143	3.8%	2,941	3.8%	Other
Petroleum and Coal Product Manufacturing	3	0.0%	5	0.0%	3	0.0%	5	0.0%	Industrial
Polymer Product and Rubber Product Manufacturing	18	0.1%	13	0.0%	44	0.1%	31	0.0%	Industrial
Primary Metal and Metal Product Manufacturing	166	0.5%	440	1.0%	88	0.2%	234	0.3%	Industrial
Printing (including the Reproduction of Recorded Media)	255	0.8%	191	0.4%	523	0.9%	393	0.5%	Other
Professional, Scientific and Technical Services	7,331	23.3%	9,255	21.4%	7,103	12.5%	8,967	11.5%	Commercial
Public Administration and Safety	263	0.8%	312	0.7%	1,972	3.5%	2,344	3.0%	Other
Pulp, Paper and Converted Paper Product Manufacturing	14	0.0%	3	0.0%	25	0.0%	6	0.0%	Industrial
Rental, Hiring and Real Estate Services	614	2.0%	793	1.8%	1,267	2.2%	1,638	2.1%	Commercial
Retail Trade	1,566	5.0%	2,186	5.0%	6,509	11.4%	9,084	11.6%	Other
Textile, Leather, Clothing and Footwear Manufacturing	42	0.1%	37	0.1%	168	0.3%	150	0.2%	Industrial
Transport Equipment Manufacturing	43	0.1%	65	0.1%	89	0.2%	134	0.2%	Industrial
Transport, Postal and Warehousing	928	3.0%	1,170	2.7%	1,283	2.3%	1,616	2.1%	Industrial
Unclassified	771	2.5%	927	2.1%	1,453	2.6%	1,747	2.2%	Other
Wholesale Trade	1,684	5.4%	1,719	4.0%	3,279	5.8%	3,348	4.3%	Industrial
Wood Product Manufacturing	14	0.0%	12	0.0%	96	0.2%	83	0.1%	Industrial
Total	**31,417**	**100%**	**43,338**	**100%**	**56,903**	**100%**	**78,052**	**100%**	

Source: ABS

5 SITE POTENTIAL

This section of the report outlines our recommendations in relation to the highest and best use for the site, including the potential for a number of alternative land uses, based on the potential for the site to be rezoned to include uses other than allowable under its current zoning of light industrial (IN2). Consideration of uses include high tech industrial services, commercial uses including film, television and telecommunications, retail facilities such as a cafés and restaurants and child care.

5.1 Existing Infrastructure

i. Before analysing the demand for highest and best use of the site, a review of key infrastructure in the surrounding area is undertaken. Map 5.1 highlights existing infrastructure including:

— The St Leonards Railway Station is within 400 metres of the site along a key transport facility being the North Shore Railway Line. The average train trip to the CBD is 15 minutes.

— Major employment precincts including the St Leonards office precinct as well as the Royal North Shore Hospital within 500 metres.

— Major shopping destinations including Chatswood 3 km to the north.

— Immediate surrounding uses primarily being residential in nature.

— Park and recreational facilities to the north-east and south-west.

ii. In summary, there is a significant amount of infrastructure currently serving the St Leonards area. This infrastructure is of a type commonly associated with an established inner city location catering to a number of different land uses including residential, commercial and industrial.

5.2 Recommended Zoning

i. Consistent with recent trends in industrial land supply, the subject site would be better utilised for mixed uses based on the following:

– Increasing population pressures as outlined in the *Willoughby City Strategy 2013 - 2029*, which identifies the need for an additional 6,800 dwellings in Willoughby.

– Lack of land available for residential development in Willoughby to allow for the dwelling targets outlined in the *Willoughby City Strategy 2013 – 2029* to be achieved. A discussion paper, prepared in order to guide the housing outcomes of the *Willoughby City Strategy 2013 – 2029*, noted: *"Opportunities for growth in the number of residential dwellings is restricted in certain areas of the City by the presence of important features such as bushland, heritage conservation areas and topographical constraints. In addition, the desire to continue to meet the demand for low density areas further restricts the locations in which residential development can occur."*

– The built up nature of the land surrounding the site, with dense residential land located immediately to the south of the site and also on the northern side of the Gore Hill Freeway (refer Map 5.1).

– The close proximity of supporting infrastructure and other facilities to the site. The previously mentioned discussion paper on housing states "*The majority of new development should occur in locations that are in close proximity to sufficient educational, transport, health, social, cultural and employment services. New residential development needs to be adequately serviced by infrastructure."*

– The change of use from light industrial (IN2) to residential uses would form a natural progression in the surrounding precinct, with the shift to more mixed uses, including residential already underway to the south along Herbert Street.

– The nature of the current light industrial/commercial uses at the site and within the St Leonards/Artarmon industrial area. These facilities are not necessary to serve the needs of the local population and could effectively locate in any industrial precinct.

– North Sydney also has the highest rents for industrial tenancies in Sydney as well as comparatively expensive industrial land. There is also a limited ability for new sites to service the future needs of industrial tenancies due to the constraints of encroaching residential development and densification. This is anticipated to have further upward pressure on rents and land values in the future.

– The combination of small lot sizes and increasing costs for industrial tenants in North Sydney, and for the St Leonards/Artarmon industrial area in particular, is likely to push marginal tenants out to areas where rents and land are cheaper and there is enough space to gain efficiencies of a consolidated location as well as serving a broader population base.

– The continued use of the site for commercial floorspace makes it adaptable to market conditions.

– The ongoing need for commercial high tech facilities could be incorporated as part of a mixed use site.

– The mix of uses could potentially include childcare and limited retail facilities at a local neighbourhood shop level.

ii. Based on all of the above, there is likely to be potential for a mix of uses including commercial, retail, high tech and the like which will continue to see employment generation on the site, but with a higher density residential development also making use of existing infrastructure.

iii. In relation to some of these other uses, we make the following comments:

iv. In summary, the St Leonards site would be more suited to residential/mixed uses given its location along Herbert Street which includes a number of residential apartment buildings to the south of the site. The site does not currently consist of industrial uses and would be better suited to a range of other facilities such as ground floor retail and office/residential on the upper levels. The infrastructure provided around the site is also suitable to service such a mixed use development.

MAP 5.1 – ST LEONARDS KEY INFRASTRUCTURE

5.3 High Technology Industry Potential

i. There are a number of firms located within the St Leonards/Artarmon industrial area that meet the definition of a high technology industry including:

— Telstra Data Centre

— SBS Studios

— Broadcast Australia

— Fox Sports

ii. The majority of the business above relate to television broadcasting, suggesting there is potential for additional supporting floorspace to service the needs of the larger television networks.

iii. Technology companies such as this are not suited to industrial floorspace, but would likely prefer to locate in office space as the requirement for heavy machinery and labour intensive jobs is limited. The employment profile, discussed previously in section four of this report, suggest there is already a considerable number of technical professionals in the area and further businesses of a similar nature would likely find the area attractive.

5.4 Retail Potential

i. There are a number of retail tenants currently provided within the St Leonards/Artarmon industrial area. These area mainly limited to cafés which would serve the significant local worker population, including:

— Artarmon Super Sandwiches

— HMT & Coffee House

— Peoples Café

ii. There are also a number of large format retail tenants located in the area, such as those within Home HQ homemaker centre and Bunnings Warehouse. In the context of a mixed use development, tenants such as these are unlikely to be supportable.

iii. Depending on the ultimate composition of the mixed use retail development (i.e. residential, office, other commercial), further café floorspace may be supportable to cater for the additional office workers which may be provided as part of the development.

iv. A small convenience store such as 7 Eleven or City Convenience may also be supportable to cater for the immediate convenience needs of both workers and residents in the area.

v. Should the development primarily consist of residential floorspace, a small food store of 200 sq.m – 400 sq.m could be provided as the convenience needs of the residents are likely to be greater than those of a mixed office/residential offer and are unlikely to be served by a convenience store.

vi. Other retail may also be supportable within a small ground floor offer. Tenants such as a hair dresser, news agent and pharmacy/chemist would also likely be supportable.

5.5 Child Care

i. According to childhood education and care data provided by the ABS, some 36.2% of children aged five or under are in formal childcare. As at the 2011 Census there were some 8.9% of the St Leonards/Naremburn SA2 were aged five years and under, corresponding to 827 children. Similarly, for the Willoughby LGA, some 5,814 people were aged five and under, corresponding to some 8.6% of the total population.

ii. The above indicates some 300 places demanded for childcare facilities within the St Leonards/Naremburn SA2 and 2,100 for the Willoughby LGA.

iii. Given the anticipated population increase of some 15,000 persons within the Willoughby LGA over the next 15 – 20 years, it is likely that additional child care facilities will be required.

iv. Child care facilities are typically located close to either a parents' work place or home. A mixed use development would be ideal for a child care centre as there are a number of residential developments to the south of the site which could utilise such facilities as well as a number of businesses provided to the north, the works of which would be conveniently located to a mixed use development at the St Leonards site.

5.6 Summary

i. The location of the St Leonards site, at the edge of the current industrial area and to the north of multi-story residential building, lends itself to a mixed use development comprising either office and/or residential on the upper levels as well as a ground floor retail component.

ii. In terms of what can be supported at the site, depending on the final configuration of the mixed use development, ground floor retail floorspace is likely to be supportable. This may include a convenience store/food store, hair dresser, newsagent and pharmacy/chemist. A child care centre could also be provided.

iii. Commercial tenants could also be supported at the site, particularly technical professionals, a number of which are already located in the area. This would provide support to large broadcasters located in the area such as Fox Sports and SBS Studios.

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