



469-483 Balmain Road, Lilyfield

Economic Impact Assessment

Prepared for Roche Group

Final – September 2016

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Report Details

Job Ref No: C16381

Version: Final

File Name: 469-483 Balmain Road, Lilyfield: Economic Impact Assessment

Date Printed: 05/09/16

CONTENTS

Executive Summary	6
The Planning Proposal	6
Industrial Planning Policy.....	6
Government Strategies and Targets.....	8
Residential Justification	8
Assessment of Non-Residential Uses on Site	9
Economic Comparisons	10
Summary.....	10
1 Introduction	11
2 Contextual Review	14
State Policies and Guidance	14
Local Policies and Guidance.....	20
3 Residential Assessment	28
Employment Demographics	32
Policy Perspective	33
4 Economic Impacts.....	35
Employment	35
Industry Value Added	36
Economic Impacts from Construction	36
Other Economic Impacts	39
Summary and Implications	40

TABLES

Table 1 Economic Impact of Planning Proposal	10
Table 2 Consistency of Planning Proposal with Ministerial Direction	
1.1 Business & Industrial Zones	19
Table 3 Demographic Profile of Lilyfield, Leichhardt, Sydney Metro.	28
Table 4 Demographic Profile of Lilyfield and Leichhardt	29
Table 5 Forecast Population, Households and Dwellings	30
Table 6 Private Occupied Dwellings by Bedroom Numbers	31
Table 7: Private Occupied Dwellings by Bedroom Numbers	32

Table 8: Resident Employment by Industry: Leichhardt vs Greater Sydney 33

Table 9: Planning Proposal Employment Generation 35

Table 10: Potential Annual Salary Contribution..... 36

Table 11: Annual Industry Value Added from the Various Land Uses on Site 36

Table 12: Breakdown of Estimated Construction Cost 37

Table 13 Estimated Economic Multipliers..... 38

Table 14 Estimated Job Multipliers 38

Table 15 Economic Impact of Planning Proposal 40

FIGURES

Figure 1 Aerial Image of Subject Site 11

Figure 2 Site Zoning..... 12

LIST OF ABBREVIATIONS

ABS	Australian Bureau of Statistics
BTS	Bureau of Transport Statistics
DP&E	NSW Department of Planning and Environment
EIA	Economic Impact Assessment
ELDM	Employment Lands Demand Model
FSR	Floor Space Ratio
GFA	Gross Floor Area
GLA	Gross Lettable Area
Ha	Hectares
LEP	Local Environmental Plan
LGA	Local Government Area
NLA	Net Lettable Area
PTA	Primary Trade Area
Sqm	Square metre
STA	Secondary Trade Area

EXECUTIVE SUMMARY

HillPDA was commissioned by Roche Group to undertake this Economic Assessment (hereafter referred to as 'the Study') of a Planning Proposal for the rezoning of land at 469-483 Balmain Road, Lilyfield (hence referred to as the Subject Site).

The Planning Proposal

The Planning Proposal would facilitate a mixed use development comprising residential, retail, commercial and community uses.

For the purpose of this study it has been assumed that the proposal will provide:

- 170 apartments with a NSA of 13,600sqm;
- Approximately 1,600sqm NSA of non-residential uses comprising:
 - 400sqm for a studio space for artists; and
 - 1,200sqm of flexible commercial/retail space.

Industrial Planning Policy

With the formation of the Inner West Council, future planning for industrial land within the former Leichhardt LGA will be undertaken with reference to the availability of land in the broader Inner West LGA.

SGS Economics and Planning recently undertook reviews of employment lands for both the Marrickville¹ and Leichhardt LGAs². They found that there was likely to be a shortage of industrial lands in the Leichhardt LGA to meet demand from future employment and the resident population, but a surplus within the Marrickville LGA.

Of the 150,600sqm of local light industrial uses within the Leichhardt LGA reported in the SGS study (equating to 51% of total industrial uses), 131,497sqm relates to uses by the following industries: manufacturing, electricity, gas and water, construction and transport, postal and warehousing. Of this 131,497sqm, 73% relates to uses by the transport, postal and warehousing industry and 51% to uses by the transport, postal and warehousing industry within the White Bay, Moore Street South and Camperdown precincts.

¹ SGS Economics and Planning: Leichhardt Industrial Lands Study (2015)

² SGS Economics and Planning: Marrickville Employment Lands Study (2014)

The White Bay, Moore Street South and Camperdown industrial precincts are the largest within the Leichhardt LGA. These three precincts all benefit from their large lots sizes, accessibility and agglomeration benefits from co-location of businesses. In contrast, the Subject Site is part of a small fragmented precinct, surrounded by residential uses with poor accessibility and limited parking. Uses on the Subject Site currently comprise residential (3%), storage (7%), wholesale (56%), artistic space (12%) and light manufacturing (17%) and are therefore not predominantly classified as local light industrial uses.

The manufacturing businesses at the Subject Site are likely to be benefiting from the smaller floor plates on offer, but there is no obvious strategic benefit or requirement for them to be located on the Subject Site with respect to agglomeration benefits from clustering or access to suppliers/end markets. Rather, it is the fact that access to these linkages are not major factors in the success of these businesses that they can be located there.

It is unlikely that there would be a commercially viable redevelopment option for the Subject Site for local light industrial uses given the constraints around accessibility, parking and the need for appropriate buffer zones on account of the surrounding residential uses. It is therefore likely that the site would remain underutilised under its current zoning and continue to be used for small scale and discrete wholesaling or warehousing activities rather than for uses that would directly support subregional populations or local businesses.

In contrast to the Leichhardt study, the Marrickville study found that the Marrickville LGA would have a surplus of industrial zoned land based on projected BTS employment levels. Marrickville has large tracts of strategically significant industrial lands in close proximity to transport links, the port and airport. However, the SGS report suggested that there would be sufficient capacity within the Marrickville/Sydenham Industrial Precinct to accommodate alternative uses, including live-work, creative industries and night-time entertainment.

The Marrickville/Sydenham Industrial Precinct is only 6km by road from the Subject Site and within easy access of Sydenham and Marrickville train stations and is well positioned to serve the growing local light industrial needs of the Inner West within its existing land envelope without encroaching on surrounding residential uses.

Government Strategies and Targets

The State and Local Government strategies and policies give impetus to the need to create housing and employment opportunities. This is evident in the new Sydney Metropolitan Strategy 'A Plan for Growing Sydney' and the Draft Inner West Subregional Strategy.

The Planning Proposal is in accordance with these strategies in providing significant additional housing and an increase in dwelling mixture choice in close proximity to transport and employment.

The Subject Site will be impacted by WestConnex. A proposed underground connection between the planned interchange within the Rozelle Rail Yards and Iron Cove Bridge is projected to lead to a halving of traffic on Victoria Road, reducing the exposure of industrial uses to passing trade but improving access for local residents to key public transport services, including dedicated bus lanes on Victoria Road.

The Subject Site is 900m from the Lilyfield Light Rail Station and approximately 1.4km from the White Bay Power Station, where rail options are under consideration to support future populations and employment uses within the Bays Precinct Urban Transformation Area and to link the future airport at Badgery's Creek to the Sydney and Parramatta CBDs.

Along with helping meet housing targets, the Planning Proposal would result in a more intensive use of space and increase in employment in a locality with good access to transport, employment – including a proposed technology park at White Bay – and amenities.

Residential Justification

The median house price achieved in the Lilyfield suburb over the first quarter of 2016 was 22.5% higher than that achieved in the Leichhardt LGA, whereas the unit price was only 2.5% higher³.

While the Lilyfield suburb has a household profile similar to the broader Leichhardt LGA, Lilyfield suburb's dwelling profile comprises a higher share of separate houses and lower share of semi-detached houses and units than the broader Leichhardt LGA.

This underutilisation of dwellings within Lilyfield suburb will exacerbate in the future without a rebalancing of the housing stock

³ Residex Suburb Reports

composition towards 1 and 2 bedroom dwellings to match growing demand from lone person households.

Increasing the provision of multi-unit dwellings in Lilyfield would assist in alleviating the deterioration in housing affordability in the LGA. Moreover, allowing higher density apartment buildings is consistent with the Department of Planning and Environment's objectives of encouraging higher density, mixed used developments within the vicinity of Parramatta Road and in close proximity to town centres, as previously outlined in the Draft Inner West Subregional Strategy.

Assessment of Non-Residential Uses on Site

The Planning Proposal includes 1,200sqm of flexible commercial/retail space. The scale of the retail offering would not be sufficient to impact on the existing retail hierarchy. The surrounding centres would be expected to benefit from the additional demand associated with the workers and residents on site.

The share of the Leichhardt LGA's workforce classified as managers and professionals rose from 33.2% in 2001 to 62% in 2011. Leichhardt LGA residents are more likely to be employed in service sectors than in primary and secondary industries, with a 16.8% share of employment within the professional, scientific and technical services sector the highest of any industry subsector. The changing demographic profile of the Leichhardt LGA is consistent with an influx of high income young white collar professionals.

The Planning Proposal's provision of studio spaces and a type of commercial offering that will appeal to businesses requiring small professional suites will cater for employment uses that are not only closely matched to the local population, but by providing jobs close to home will also contribute to the quality of life of the local community.

Providing office-based employment on the subject site will also have benefits in terms of reducing congestion and increasing passing trade for shops and restaurants within the Rozelle commercial centre.

A key component of the Planning Proposal is to maintain the Subject Site's contribution to creative industries in the area. The Planning Proposal will provide 400sqm of studio space. Given that the existing studio space is underutilised, it is anticipated that the proposed 400sqm space would be sufficient to accommodate the requirements of the artists using the existing facilities.

Economic Comparisons

To assess the net economic impact of the Planning Proposal, two scenarios for the site were considered:

- Maintaining the site under its existing use; and
- The Planning Proposal for medium to high density housing and mixed use development.

Table 1 below summarises the economic impact of each scenario.

Table 1 Economic Impact of Planning Proposal

	Current Uses	Planning Proposal
Total Jobs Generated	26	63
Total Salaries (\$m) Generated	\$1.5m	\$2.9m
Industry Value Added (to GDP)	\$2.3m	\$4.4m
Construction Costs	-	\$62.9m
Total Economic Activity from Construction	-	\$208m
Job Years in Construction*	-	659

Source: HillPDA, * Direct and Indirect Job Years, where a Job Year refers to a single individual who is employed for one year

The Planning Proposal would lead to a net increase in jobs (+37jobs), salaries generated (+\$1.4m) and value added contributed (+\$2.1m). Moreover, the Planning Proposal would generate additional economic activity (+\$208m) and jobs (+659 job years directly and indirectly) during the period of construction and stimulate investment in the locality.

Summary

Providing sufficient lands for light industrial uses to service local businesses and subregional populations is an important component of urban planning. However, the Subject Site is currently underutilised as an industrial site and has been for an extended period.

The Planning Proposal would result in a more intensive use of space and increase in employment on site in a locality with good access to transport, employment centres and amenities.

A mixed use development would create additional demand for local services, supporting the viability of better suited precincts providing local light industrial services within the Leichhardt LGA and the new Inner West LGA.

1 INTRODUCTION

HillPDA was commissioned by Roche Group to undertake this Economic Assessment (hereafter referred to as ‘the Study’) of a Planning Proposal for the rezoning of land at 469-483 Balmain Road, Lilyfield. Hereafter it is referred to as the Subject Site.

The Subject Site

The site is formally described as Lot 2 DP 101583. It occupies a whole street block and is bound by Balmain Road to the north west, Cecily Street to the north east, Alberto Street to the south west and Fred Street to the south east. The site is surrounded by a mixture of residential development interspersed with industrial and light industrial buildings, particularly along Fred Street (north of Cecily Street), Fred Lane and Balmain Road.

Figure 1 Aerial Image of Subject Site



Source: Six View Maps

The subject site is served well by buses, which are accessed from the site along Balmain Road. Services run from Lilyfield to Sydney CBD (via Glebe, Broadway, Leichhardt, and Broadway) and to Coogee (via Newtown). The Lilyfield light rail station in Catherine Street is 900m south of the subject site.

Figure 2 Site Zoning



Source: NSW Planning Portal

Area Overview

The Subject Site is on the outskirts of the Rozelle B2 neighbourhood centre which centres on the intersection of Victoria Road and Darling Street. The commercial zoning extends the length of Darling Street from Park Street to Norman Street. Along Victoria Road the commercial zoning extends from Gordon Street to Callan Street. There are also industrial zoned areas along Victoria Road incorporating Terry and Crystal Streets towards the Iron Cove Bridge and from Prosper Street extending to the City West Link Road and into the Rozelle industrial area across from the White Bay Station site.

The Subject Site is also distinctly positioned close to education facilities such as Orange Grove Public School, Sydney College of the Arts and the University of Tasmania Rozelle campus and recreational facilities such as Callan Park, Leichhardt Oval and Leichhardt Park Aquatic Centre.

The Study Purpose

It is understood that Roche Group is seeking the rezoning of the Subject Site from its current zoning of IN2 Light Industrial under the Leichhardt Local Environmental Plan (LEP) 2013, to a zoning that would allow a mixed use development.

The purpose of this Study is to provide an economic assessment of the Planning Proposal. As part of this assessment the Study explores

the economic viability / impact of retaining the current zoning versus amending the zoning to allow for a mixed use development. Furthermore, the Study considers the proposed rezoning of industrial lands against the directions set out in the Ministerial Section 117 Direction 1.1.

Planning Proposal

The Planning Proposal would facilitate a mixed use development comprising residential, retail, commercial and community uses.

For the purpose of this study it has been assumed that the Planning Proposal will provide:

- 170 apartments with a NSA of 13,600sqm;
- Approximately 1,600sqm NSA of non-residential uses comprising:
 - 400sqm for a studio space for artists; and
 - 1,200sqm for commercial suites and retail uses

Study Structure

To meet the requirements of the project brief and fully consider the economic impacts associated with the proposed rezoning, the study is set out in the following manner:

- Chapter 2 assesses the economic principle of the rezoning in the context of the relevant planning policies, the suitability of the site for industrial uses and the current supply and demand balance for industrial land within the Leichhardt and Inner West LGAs;
- Chapter 3 undertakes an assessment of the demographic profile for the Lilyfield suburb residential market. It uses published data sources to provide an insight into the drivers of residential demand and supply in the Lilyfield suburb locality; and
- Chapter 4 assesses the economic implications of retaining the Subject Site's current zoning versus the implication of the proposed rezoning.

2 CONTEXTUAL REVIEW

This Chapter undertakes an appraisal of the planning and legislative context for the proposed rezoning based on state, regional and local planning guidelines.

It also considers the current supply and demand balance for industrial lands within the Leichhardt LGA and the new Inner West LGA.

State Policies and Guidance

A Plan for Growing Sydney (2014)

'A Plan for Growing Sydney 2014' provides a framework for strengthening the global competitiveness of Sydney (including the Central Subregion). To achieve this vision, the Government has set down goals that Sydney will be:

- A competitive economy with world-class services and transport;
- A city of housing choice with homes that meet our needs and lifestyles;
- A great place to live with communities that are strong, healthy and well connected; and
- A sustainable and resilient city that protects the natural environment and has a balanced approach to the use of land and resources.

The Metropolitan Plan includes the following goals for the Central Subregion:

- Preserve a corridor for Sydney Rapid Transit;
- Enable delivery of key transport projects to facilitate better connections to Global Sydney, including Sydney Rapid Transit, CBD and South East Light Rail, and WestConnex;
- Prepare and deliver a Structure Plan for the Sydney Airport and Port Botany precincts to support their growth;
- Plan for adjoining land uses and freight connections at Enfield Intermodal Logistics Centre, based on continued long-term operation; and
- Identify and protect strategically important industrial-zoned land.

The Subject Site is 900m from the Lilyfield Light Rail Station. The Subject Site is also approximately 1.4km from the White Bay Power

Station, part of the Bays Precinct Urban Transformation Program. A number of transport initiatives are under consideration to support future populations within the Bays Precinct, including an option to extend either the Light Rail or Metro network to White Bay. White Bay is also under consideration as a potential stop on a route linking the future airport at Badgery's Creek to the Sydney and Parramatta CBDs.

The Subject Site will be impacted by WestConnex. The planned M4-M5 Link will create a new road interchange at Rozelle within the disused Rozelle Rail Yard, providing connections to the realigned City West Link, Victoria Road and the Anzac Bridge.

The concept design for the Rozelle Interchange includes a direct underground connection between the interchange and Iron Cove Bridge. Traffic on Victoria Road is projected to be almost halved as a result of the tunnel.

WestConnex will also impact on traffic volumes along the Parramatta Road, which along with the Parramatta Road Urban Transformation Project will reduce the stock of industrial lands and lands zoned for local industry uses within the Canada Bay, Ashfield and Leichhardt LGAs.

The plan seeks to identify and protect strategically important industrial-zoned land. Freight links within the Central Subregion extend from Chullora to the Port of Botany, connecting extensive employment lands in the LGAs of Strathfield, Marrickville, as well as lands around the port and airport. WestConnex will also connect these industrial areas with the port and airport and with the CBDs of Parramatta and Sydney, while bypassing Victoria Road between City West Link and the Iron Cove Bridge.

Draft Inner West Subregional Strategy (2007)

The draft Inner West Subregional Strategy sets a target of an additional 12,500 jobs and 30,000 dwellings within the Subregion by 2031 compared to 2001 levels. To achieve this target 500 additional jobs are to be generated and 2,000 dwellings are to be provided in the Leichhardt LGA.

In relation to employment lands, the draft Strategy identified the Subject Site as Category 1 Employment Lands, designating it as land to be retained for local industry uses.

These targets and recommendations are under review and will be updated with the impending release of the District Plans by the Greater Sydney Commission.

The Subject Site is not a strategically important industrial-zoned land, but part of a fragmented precinct on the edge of the Rozelle commercial centre. The Subject Site's current light industrial uses account for a comparatively low proportion of tenanted space and employment creation and are not directly supporting businesses within the Rozelle commercial centre or providing local industry services to residents.

NSW 2021: Plan to make NSW Number 1, NSW Government (2012)

The NSW 2021 Plan aims to rebuild the NSW economy, provide quality services, renovate infrastructure, restore government accountability and strengthen NSW's local environment and communities. The Plan comprises five key strategies. The main strategies of relevance to this Study are:

"Rebuild the Economy", which seeks to secure +100,000 new jobs in the State by 2021; improve housing affordability and availability; facilitate the delivery of additional dwellings; and increase uptake of 'empty nester opportunities'.

The provision of 170 dwellings, together with an estimated 1,600sqm of retail, commercial and community floorspace, will contribute to state dwelling targets and to diversity in employment and provide greater housing options for empty nesters in close proximity to amenities.

NSW Draft Centres Policy (2009)

The NSW Department of Planning and Infrastructure (now named the Department of Planning and Environment) released the Draft Centres Policy in April 2009.

The Draft Centres Policy focuses around six key principles. The principles relate to:

- The need to reinforce the importance of centres and of clustering business activities;
- The need to ensure the planning system is flexible, allows centres to grow and new centres to form;

- The market is best placed to determine need. The planning system should accommodate this need whilst regulating its location and scale;
- Councils should zone sufficient land to accommodate demand, including larger retail formats;
- Centres should have a mix of retail types that encourage competition; and
- Centres should be well designed to encourage people to visit and stay longer.

The Draft Centres Policy indicates that the preferred location for new retail and commercial development is in centres, although it recognises that there may be exceptions to this approach.

The Planning Proposal includes a provision of 1,200sqm of flexible commercial space. The limited retail provision anticipated would cater predominantly to the residents and workers on site. The facilities would also be expected to capture a small proportion of convenience retailing demand from other residents in Lilyfield and Rozelle suburbs. However, the scale of offering would not be sufficient to impact on the existing retail hierarchy and the surrounding centres would be expected to benefit from the additional demand associated with the workers and residents on site.

Draft State Significant Planning Policy (Competition) (2010)

Following a review undertaken by the DP&I and the Better Regulation Office concerning how economic growth and competition is affected by the planning system, a draft State Environmental Planning Policy (SEPP) was prepared and placed on public exhibition in July 2010.

The proposed state-wide planning policy removes artificial barriers to competition between retail businesses. The draft SEPP proposes:

- The commercial viability of a proposed development may not be taken into consideration by a consent authority, usually the local council, when determining development applications;
- The likely impact of a proposed development on the commercial viability of other individual businesses may also not be considered unless the proposed development is likely to have an overall adverse impact on the extent and adequacy of local community services and facilities, taking into account those to be provided by the proposed development itself; and

- Any restrictions in local planning instruments on the number of a particular type of retail store in an area, or the distance between stores of the same type, will have no effect.

There is currently a limited retail offering within Lilyfield suburb itself with Rozelle and Leichhardt the nearest centres.

The development will also continue to support the artistic community through the provision of commercial studio and gallery floorspace.

Ministerial Section 117 Direction 1.1 (2009)

Section 117 Direction 1.1 relates to Business and Industrial zones. The objectives of the direction are as follows:

- Encourage employment growth in suitable locations;
- Protect employment land in business and industrial zones; and
- Support the viability of identified strategic centres.

This Direction applies when a planning proposal would affect land within an existing or proposed business or industrial zone. As such this report will address the five key requirements of Direction 117, these being:

- Follow the objectives of the Direction;
- Retention of existing business and industrial zones;
- No net loss of potential floorspace for employment uses and related public services in business zones;
- Not reduce the potential floorspace area for industrial uses in industrial zones; and
- Be in accordance with a Strategy approved by the Director General of the DP&I.

The following table assesses the consistency of mixed use development on the Subject Site, against the five key requirements of the Direction for strategies concerning employment lands.

Table 2 Consistency of Planning Proposal with Ministerial Direction 1.1 Business & Industrial Zones

Relevant Matters	Comment and Consistency
Objectives of the Direction	A mixed use development on the Subject Site would result in a net loss in land zoned for industrial uses. However, the site is currently underutilised and the majority of uses on site are not industrial in nature. The presence of the character buildings limits potential uses and intensification opportunities. The Planning Proposal would result in a more intensive use of space and increase in employment on site in a locality with good access to transport and amenities, consistent with Objective 1a.
Retain existing business and industrial zones	The proposed rezoning would result in a loss in land zoned for industrial uses. However the site is in a predominantly residential area, which impacts on its ongoing suitability for many industrial uses. From a future supply perspective, the Subject Site represented approximately 0.7% of zoned employment lands in the Leichhardt LGA in 2015 and just 0.2% of the supply within the newly defined Inner West LGA⁴. The limited industrial uses currently on site do not directly service the neighbouring commercial zone or local residents.

⁴ NSW Department of Planning & Environment: Employment Lands Development Program, 2015 Report

No net loss of potential floorspace for employment uses and related public services in business zones	The proposed rezoning is not within a business related zone. Thus it would not result in a potential net loss in floorspace related to employment uses and related public services. The development proposes retail, commercial and community floorspace. As such the development would actually result in a net increase in employment and community floorspace in a business zone
Not reduce the potential floorspace area for industrial uses in industrial zones	The proposed rezoning would result in a potential loss in floorspace that could be utilised for industrial uses. The Subject Site's current light industrial uses account for a comparatively low proportion of tenanted space and employment creation and are not directly supporting businesses within the Rozelle neighbourhood centre or providing local industry services to residents. A mixed use development would create additional demand for local services supporting the viability of other precincts providing local light industrial services within the Leichhardt LGA.
In accordance with a Strategy approved by the Director General of DP&I	The proposed rezoning and subsequent mixed use development responds to and accords with the indicative targets for population, housing and employment growth set out in the Draft Inner West Subregional Strategy.

Local Policies and Guidance

On 12 May 2016 the Leichhardt LGA was merged with the Marrickville and Ashfield LGAs to form a single Inner West Council. The DCPs and LEPs of the former LGAs currently remain in place.

However, the basis of future planning will reflect the requirements of the new LGA.

Leichhardt Local Environmental Plan (LEP) 2013

As stated previously the Subject Site is currently zoned IN2 Light Industrial. The objectives of the IN2 zone are described below.

- To provide a wide range of light industrial, warehouse and related land uses.
- To encourage employment opportunities and to support the viability of centres.
- To minimise any adverse effect 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 retain existing employment uses and foster a range of new industrial uses to meet the needs of the community.
- To ensure the provision of appropriate infrastructure that supports Leichhardt's employment opportunities.
- To retain and encourage waterfront industrial and maritime activities.
- To provide for certain business and office premises and light industries in the arts, technology, production and design sectors.

Residential development is prohibited within an IN2 zone, as are home businesses, child care facilities, registered clubs, restaurants and cafes and shops. Neighbourhood shops however are permitted with consent.

Leichhardt Industrial Lands Study (2015)

The Leichhardt Industrial Lands Study was endorsed by Council in 2015. The SGS Economics and Planning (SGS) study recommends that all existing industrial lands are retained within the LGA to meet the demand from future population and employment growth.

Analysis for the 2015 study was based on an assessment of the Bureau of Transport Statistics employment projections⁵ (2014-2036). These employment forecasts were translated into floorspace

⁵BTS: Employment Projections, September 2014 Release

forecasts by applying the percentage growth observed to SGS's audit of existing IN2 floorspace.

A gap analysis was then performed comparing this estimated demand for industrial floorspace to potential supply capacity under a range of scenarios considering the potential for development on existing IN2 zoned lands.

This analysis suggested that Leichhardt LGA would have an overall shortage of IN2 zoned land under the medium supply scenario by 2036. In total six of the eleven IN2 zoned precincts were projected to have a supply shortfall. This included the Balmain Road precinct, which comprises the Subject Site and lands on the opposite side of Cecily Street bounded by Balmain Road and Foucart Street. It was estimated that the Balmain Road precinct, with an existing floorspace of 18,072sqm, would have a shortage of 3,297sqm by 2036 under SGS's medium supply scenario.

SGS allocated the Subject Site a Broad Land Use Classification (BLC) of 'Local Light Industrial'. This classification encompasses a range of businesses that service other businesses as well as businesses that support subregional populations.

SGS notes that while the precinct demand forecasts are based on their individual BLC mix, they use LGA-wide BLC forecasts and assume that there are no sub-LGA dynamics favouring one precinct over another.

The projections do not therefore take into account the fact the existing uses on site are not directly supporting the commercial centre along the intersection of Victoria Road/Darling Street or the light industrial requirements of households within the inner west subregion.

The 2015 study was a review of an earlier report undertaken by SGS⁶ that recommended the Balmain Road Industrial Precinct be rezoned B5 Business Development to accommodate Bulky Goods retailing to support the local commercial centre.

The Planning Proposal would directly support the local commercial centre by both increasing the number of workers on site and by accommodating an estimated resident population of 339 persons.

⁶ SGS Economics and Planning: Leichhardt Employment Lands Study (2011)

Industrial Land Demand

The demand for industrial floorspace continues to be influenced by the globalisation of trade and the increasing dominance of information technology by businesses. The global supply chain has evolved into an alignment of firms that design, develop, market and produce goods and services and deliver to the end user as required. The face of traditional manufacturing is therefore changing, becoming more efficient amid the use of new technologies.

With declines in manufacturing and a growth in imports, warehousing, transport, distribution and logistics businesses have thrived. These types of businesses together with larger manufacturing services have shifted their preferred locations from the inner city to the Outer-West and South-West of Greater Sydney. These locational decisions have been supported by improvements to the outer orbital ring roads and motorways (M5 and M7) and the development of intermodal facilities. These locations benefit from the availability of larger sites required for modern logistics businesses that are not generally available in the Inner West Subregion.

Of the 150,600sqm of local light industrial uses within the Leichhardt LGA reported in the SGS study (equating to 51% of total industrial uses), 131,497sqm relates to uses by the following industries: manufacturing, electricity, gas and water, construction and transport, postal and warehousing. Of this 131,497sqm, 73% relates to uses by the transport, postal and warehousing industry and 51% to uses by the transport, postal and warehousing industry within the White Bay, Moore Street South and Camperdown precincts.

The White Bay, Moore Street South and Camperdown industrial precincts are the largest within the Leichhardt LGA and are characterised as follows:

- The **Camperdown** precinct generally has large floor plates, is close to the CBD and has good arterial road access. The site's location and size has influenced its land use, with a significant presence of bulky goods retailing and warehousing uses.
- The **Moore Street South** precinct has a mixture of large and small floorplates and, like the Camperdown precinct, has a high share of bulky goods retailing and warehousing activity, along with uses by office-based activities and building and construction services.
- The **White Bay precinct** (which is under 2km from the Subject Site) benefits from large lots, its proximity to the port and good

arterial road access. The precinct has a diverse range of uses, and a built form characterised by three and four storey brick warehouse buildings.

These three precincts all benefit from their large lots sizes, accessibility and agglomeration benefits from co-location of similar and related businesses.

In contrast, the Subject Site is part of a small fragmented precinct, surrounded by residential uses and has limited parking. Uses on the Subject Site currently comprise residential (3%), storage (7%), wholesale (56%), artistic space (12%) and light manufacturing (17%) and are therefore not predominantly classified as local light industrial uses.

Urbis conducted an industrial land audit of the Leichhardt LGA in December 2007⁷. At that time, the Balmain Road precinct had the highest share of manufacturing industry activity of all the surveyed industrial precincts, at 61%, and there were no wholesaling or transport, postal and warehousing uses on the site⁸. The 2015 SGS study found that manufacturing accounts for only 9.4% of Leichhardt industrial land uses, so the Subject Site still has a comparatively high share compared to the LGA average. The manufacturing businesses at the Subject Site are likely to be benefiting from the smaller floor plates on offer, but there is no obvious strategic benefit or requirement for them to be located on the Subject Site with respect to agglomeration benefits from clustering or access to suppliers/end markets. Rather, it is the fact that access to these linkages are not major factors in the success of these businesses that they can be located there.

The Subject Site has previously been used for small scale warehousing activities but is too small to benefit from the agglomeration benefits associated with the co-location of warehousing, wholesaling and bulky goods retailing activity, such as benefits the Camperdown, Moore Street South and White Bay precincts.

The character buildings on the Subject Site constrain the type of uses on site and the potential for intensification of use. It is unlikely that there would be a commercially viable redevelopment option for the site for local light industrial uses given the constraints around accessibility, parking and the need for appropriate buffer zones on

⁷ Urbis, 118-120 Terry Street Rozelle Economic Impact Assessment, page 22

⁸ Urbis reported 15.6% of the precinct land as vacant as at December 2007

account of the surrounding residential uses. It is therefore likely that the site will remain underutilised under its current zoning and continue to be used for small scale and discrete wholesaling or warehousing activities rather than for uses that would directly support subregional population or local businesses.

Industrial Land Supply

Recent research from Colliers International⁹ suggests that there is a significant shortage of industrial properties for lease within the Inner West market and there is, in particular, a shortage of modern clearance buildings with floorplates above 10,000sqm. As a consequence, rents and capital values have been experiencing strong growth.

The research also notes that due to the prevailing value for alternative uses, demolition clauses are now commonplace in lease offers and that some of the demand is being driven by tenant migration with many occupiers being pushed out by rezoning, conversion and infrastructure development.

Compulsory land acquisition associated with the West Connex project and the proposed planning changes associated with Parramatta Road Urban Transformation Strategy will result in a decrease in industrial lands supply within the Inner West LGA which will need to be factored into future land use planning.

While there is a shortage of industrial properties for lease within the Inner West market, it is unlikely that the Subject Site will be redeveloped for industrial uses given the small floorplates, the presence of the character buildings which limit opportunities for use and intensification, the lack of parking and the constraints associated with the residential location.

Inner West Supply Pipeline

HillPDA has undertaken an analysis of recent and proposed private industrial developments within the Leichhardt, Ashfield and Marrickville LGAs. This has been compiled using Cordells Connect which is a leading authority on construction project activity within NSW.

⁹ Colliers International: Industrial Research and Forecast Report, First Half 2016

A total of 41 projects were analysed, which excluded projects that were proposed to have been completed prior to the 1st of January 2016. Of the 41 projects, 18 or 44% were abandoned.

Of the remaining 23 projects only four had commenced or were considered firm. These projects were comprised as follows:

- Alterations and additions to a 5-storey self-storage facility in Petersham;
- Construction of a Weighbridge in St Peters;
- Construction of a 2,451sqm bulky goods warehouse in Tempe; and
- Conversion of the former Camperdown Bowling Site for community uses.

The majority of the remaining proposed works relate to refurbishments, bulky goods retailing, showrooms and self-storage facilities.

Rather than reflecting low lease and demand activity, the low levels of investment activity are predominantly the result a shortage of sites and the high value of existing sites for alternative uses, particularly residential.

Marrickville Employment Lands Study (2014)

In 2014, SGS Economics and Planning (SGS) was commissioned by Marrickville Council to review the Marrickville Employment Lands Study (2008), also prepared by SGS. The study area comprised all land zoned IN1 General Industrial and IN2 Light Industrial under the Marrickville Local Environmental Plan 2011 (MLEP 2011).

In contrast to the Leichhardt study, the Marrickville study found that the Marrickville LGA would have a surplus of industrial zoned land based on projected BTS employment levels. Marrickville has large tracts of strategically significant industrial lands in close proximity to transport links, the port and airport. However, the SGS report suggested that there would be sufficient capacity within the Marrickville/Sydenham Industrial Precinct to accommodate alternative uses, including live-work, creative industries and night-time entertainment.

With the formation of the Inner West Council, future planning for industrial land within the former Leichhardt LGA will be undertaken with reference to the availability of land in the broader Inner West LGA. The Marrickville/Sydenham Industrial Precinct is only 6km by

road from the Subject Site and within easy access of Sydenham and Marrickville train stations.

SGS estimated there was 23,227sqm of existing local light uses surrounding the core Marrickville/Sydenham Industrial Precinct as at 2014. The supply-demand GAP analysis based on the BTS 2014 Employment Projections suggested there would be a surplus of between 98,073sqm and 155,293sqm under the medium supply growth scenarios.

The Marrickville/Sydenham Industrial Precinct is well positioned to serve the growing local light industrial needs of the Inner West within its existing land envelope without encroaching on surrounding residential uses. In contrast, the Subject Site is part of a small fragmented precinct comprising a disparate group of industrial and office based uses with limited parking availability in a predominantly residential area. While the precinct is on the edge of the commercial zone centred on Darling Street and Victoria Road, the uses on the Subject Site are not directly servicing either the commercial zone or local residents.

Summary

Providing sufficient lands for light industrial uses to service local businesses and subregional populations is an important component of urban planning. However, the Subject Site is currently underutilised as an industrial site and has been for an extended period.

The current uses on site are not servicing the needs of subregional populations nor are they directly supporting the neighbouring Rozelle commercial zone.

The Planning Proposal would result in a more intensive use of space and increase in employment on site in a locality with good access to transport, employment centres and amenities.

A mixed use development would create additional demand for local services supporting the viability of other precincts providing local light industrial uses within the Leichhardt LGA.

Moreover, there are alternative sites within the Leichhardt LGA and the new Inner West LGA which are better suited to accommodating future demand for local light industrial uses.

3 RESIDENTIAL ASSESSMENT

This Chapter undertakes an assessment of the demographic profile for the Lilyfield suburb residential market and analyses trends and factors influencing the property market within Lilyfield.

Projected Growth

The Subject Site is located within the suburb of Lilyfield. The demographic profile of Lilyfield suburb as at 2011 is detailed in Table 3, alongside that of the wider Leichhardt LGA and the Sydney Metropolitan Area.

Table 3 Demographic Profile of Lilyfield, Leichhardt, Sydney Metro

	Lilyfield	Leichhardt	Sydney Metropolitan
Age Cohort			
0-14	1,456	9,050	801,850
15-24	562	4,700	588,800
25-34	1,039	10,850	704,050
35-49	2,175	15,900	935,100
50-64	1,248	9,600	730,700
65+	862	5,600	525,750
Total	7,342	55,700	4,286,250
Household Type			
Couple families with dependents	27.2%	24.4%	36.6%
Couples without dependents	26.5%	24.4%	21.9%
Single parent families	7.9%	7.2%	10.6%
Other families	1.6%	1.0%	4.1%
Single person households	29.3%	32.5%	22.2%
Group households	7.6%	7.9%	4.6%
Total	100%	100%	100%
Dwelling Type			
Separate House	54.5%	35.3%	60.9%
Semi-detached	22.9%	36.4%	12.8%
Flat, unit, apartment	22.0%	27.0%	25.8%
Other	0.6%	1.2%	0.5%

Source: ABS Census 2011, Department of Planning and Environment

As at 2011 there were 7,342 persons in the suburb of Lilyfield. The suburb has a similar profile to the broader Leichhardt LGA with respect to the age spread of its population and household type composition. Notably, the suburb has a higher share of 34-49 year olds and lower share of 15-24 year olds than the Sydney Metro area.

Lilyfield suburb and the Leichhardt LGA have a higher proportion of households comprising single persons and couples without dependents than the Sydney Metro Area and a correspondingly lower share of family household with dependents. Lilyfield suburb and Leichhardt LGA also have a higher proportion of group households than the Sydney Metro Area.

While the Lilyfield suburb has a household profile similar to the broader Leichhardt LGA, Lilyfield suburb's dwelling profile comprises a higher share of separate houses and lower share of semi-detached houses and units than the broader Leichhardt LGA.

Despite Lilyfield's inner west location, its share of separate houses is comparable to that for Sydney Metro. Lilyfield however has a higher share of semi-detached houses and lower share of units than the Sydney Metro region.

Table 4 illustrates median house and unit prices in both Lilyfield suburb and the Leichhardt LGA. The median house price achieved in the Lilyfield suburb over the first quarter of 2016 was 22.5% higher than that achieved in the Leichhardt LGA, whereas the unit price was only 2.5% higher. Annual growth over the five years to 2016 was 9.2% for median house prices and 6.3% for median unit prices in the Lilyfield suburb. For the Leichhardt LGA the corresponding growth rates were 7.7% and 8.0% respectively.

According to the Domain Group's March 2016 House Price Report, the median house price in the Sydney Metro region was \$995,804 and the median unit price was \$656,166. Lilyfield's median house price in the March quarter 2016 was therefore around 61% higher than the Sydney Metro median, while its median unit price was around 43% higher.

Table 4 Demographic Profile of Lilyfield and Leichhardt

	2011	2012	2013	2014	2015	2016	Change 11 -16
Lilyfield							
Houses	\$1,033,000	\$1,017,000	\$1,084,000	\$1,233,000	\$1,439,000	\$1,607,000	\$574,000
Strata	\$689,000	\$663,000	\$650,000	\$771,000	\$893,000	\$937,000	\$248,000
Leichhardt							
Houses	\$904,000	\$873,000	\$918,000	\$1,038,000	\$1,200,000	\$1,312,000	\$408,000
Strata	\$623,000	\$626,000	\$635,000	\$694,000	\$803,000	\$914,000	\$291,000

Source: Residex

Consequently, while Lilyfield's median unit prices are significantly higher than the Sydney Metro region, and slightly higher than those

in the broader Leichhardt LGA, they provide a more affordable alternative for households than the suburb's stock of houses.

Looking ahead, population projections from the Department of Planning and Environment suggest that the strongest growth in household types in the Leichhardt LGA to 2031 will be lone person households (see Table 5), while the share of couple families with dependents is expected to decline.

Table 5 Forecast Population, Households and Dwellings

	Leichhardt			Sydney Metropolitan		
	2011	2031	Change %	2011	2031	Change %
Age Cohort						
0-14	16.2%	16.0%	-0.3%	18.7%	19.0%	0.3%
15-24	8.4%	9.1%	0.7%	13.7%	12.3%	-1.4%
25-34	19.5%	16.9%	-2.6%	16.4%	13.9%	-2.5%
35-49	28.5%	25.6%	-3.0%	21.8%	21.3%	-0.5%
50-64	17.2%	17.4%	0.1%	17.0%	16.6%	-0.4%
65+	10.1%	15.2%	5.1%	12.3%	16.9%	4.6%
Household Type						
Couple families with dependents	24.4%	23.1%	-1.3%	36.6%	35.1%	-1.5%
Couples without dependents	24.4%	23.3%	-1.2%	21.9%	21.9%	0.0%
Group households	7.9%	7.1%	-0.8%	4.6%	3.8%	-0.7%
Lone person households	32.5%	34.9%	2.4%	22.2%	24.1%	1.9%
One parent family	7.2%	7.9%	0.7%	10.6%	11.1%	0.5%
Other families	3.5%	3.7%	0.2%	4.1%	3.9%	-0.2%

Source: Department of Planning and Environment

Only 8.9% of Lilyfield's occupied private dwelling stock of separate houses, semi-detached houses and units had a single bedroom as at 2011 (Table 6).

This underutilisation of dwellings within Lilyfield suburb will exacerbate in the future without a rebalancing of the housing stock composition towards 1 and 2 bedroom dwellings to match growing demand from lone person households.

Increasing the provision of multi-unit dwellings in Leichhardt would assist in alleviating the deterioration in housing affordability in the LGA. Moreover, allowing higher density apartment buildings is consistent with the Department of Planning and Environment's objectives of encouraging higher density, mixed used developments within the vicinity of Parramatta Road and in close proximity to town centres, as previously outlined in the Draft Inner West Subregional Strategy.

Given Lilyfield suburb's highly sought after location – reflected in its high unit and house prices – and its good transport links to both employment and amenities, not planning for a greater mix of housing types would represent a lost opportunity for sustainable development.

Table 6 Private Occupied Dwellings by Bedroom Numbers

	Lilyfield	Leichhardt	Greater Sydney
Separate House			
Bedroom 1	0.5%	1.0%	0.8%
Bedroom 2	11.7%	10.2%	5.6%
Bedroom 3	23.5%	17.2%	27.5%
Bedroom 4+	9.1%	7.5%	27.7%
Sub-Total	<u>44.9%</u>	<u>35.9%</u>	<u>61.6%</u>
Semi-detached			
Bedroom 1	2.0%	2.3%	0.9%
Bedroom 2	15.7%	15.9%	3.8%
Bedroom 3	16.9%	15.3%	6.4%
Bedroom 4+	2.9%	3.6%	1.7%
Sub-Total	<u>37.5%</u>	<u>37.1%</u>	<u>12.8%</u>
Apartment*			
Bedroom 1	6.4%	11.0%	5.8%
Bedroom 2	8.7%	13.0%	15.9%
Bedroom 3	2.3%	2.8%	3.7%
Bedroom 4+	-	-	-
Sub-Total	<u>17.6%</u>	<u>27.0%</u>	<u>25.6%</u>
Total	100%	100%	100%

Source: Census 2011; * excludes units attached to a house

Based on a review of Cordell Connect's construction database, there are no residential apartment developments currently under construction in Lilyfield suburb, however there are projects with a total yield of 51 dwellings at various planning stages (Table 7).

Table 7: Private Occupied Dwellings by Bedroom Numbers

Address	Suburb	Development Type	Stage	Units	Expected Completion
107-109 Lilyfield Rd	Lilyfield	Townhouses	Development Approval	5	2018
55 Justin St	Lilyfield	Mixed Use	Development Approval	3	2017
83-85 Hubert St	Lilyfield	Semi-detached dwellings	Development Approval	6	2018
18-20 Lonsdale St	Lilyfield	Mixed Use	Development/Town Planning Application Refused	22	2018
64 Brenan St	Lilyfield	Units	Development/Town Planning Application Refused	6	2017
69 Church St	Lilyfield	Townhouses	Sketch Plans	3	2017
37 Edna St	Lilyfield	Semi-detached dwellings	Development Application	6	2017
Total				51 Dwellings	

Source: Cordell Connect

Employment Demographics

The Planning Proposal's provision of studio spaces and a type of commercial offering that will appeal to businesses requiring small professional suites will cater for employment uses that are not only closely matched to the local population, but by providing jobs close to home will also contribute to the quality of life of the local community.

Table 8 compares the industry employment shares in 2011 for the Leichhardt LGA and Greater Sydney based on place of enumeration. Compared to Greater Sydney, Leichhardt residents are more likely to be employed in service sectors than in primary and secondary industries. In particular, a relatively high percentage of Leichhardt LGA residents are employed in the professional, scientific and technical services sectors (16.8% versus 9.6% for Greater Sydney) and Leichhardt LGA residents are also more likely to be employed as managers and professionals and therefore be office-based.

The share of Leichhardt's workforce classified as managers and professionals was 33.2% in 2001, but by 2011 this share had risen to 62%. In contrast, the share for Greater Sydney increased from 24.2% to 38.8%. The changing demographic profile of Leichhardt is consistent with an influx of high income young white collar professionals.

Providing office-based employment on the subject site will also have benefits in terms of reducing congestion and increasing passing trade for shops and restaurants within the Rozelle commercial centre.

Table 8: Resident Employment by Industry: Leichhardt vs Greater Sydney

	Leichhardt LGA		Greater Sydney	
	Share of employment	Share of sector employment by managers and professionals	Share of employment	Share of sector employment by managers and professionals
Primary and secondary industries	10.0%	48.4%	17.0%	25.2%
Wholesale trade	4.4%	62.5%	5.2%	40.3%
Retail trade	6.4%	36.8%	9.9%	24.1%
Accommodation and food services	4.6%	29.2%	6.2%	18.5%
Transport, postal and warehousing	2.9%	38.6%	5.3%	17.6%
Information media and telecommunications	6.5%	74.1%	3.0%	60.6%
Financial and insurance services	9.9%	70.6%	6.6%	55.1%
Rental, hiring and real estate services	2.0%	42.4%	1.8%	27.0%
Professional, scientific and technical services	16.8%	78.9%	9.6%	68.6%
Administrative and support services	3.8%	57.1%	3.5%	29.2%
Government-related services	25.0%	69.9%	24.1%	51.7%
Arts and recreation services	2.9%	60.4%	1.6%	39.8%
Other services	2.7%	38.5%	3.7%	19.6%

Source: ABS Census 2011 - industry of employment by occupation (based on place of enumeration)

Policy Perspective

From a policy perspective, the Planning Proposal would help to meet demand for new dwellings and align housing supply with demand.

In addition to contributing to the supply of housing, other benefits from the development include:

- Complementing the character of the immediate region, which is predominately residential;
- Proximity to the Sydney CBD, light rail and major bus routes will reduce car dependency, promoting walking and increased public transport patronage which is consistent with NSW State Plan 2021 objectives;
- Providing live-work opportunities for residents through the provision of ground floor commercial suites;
- Creating a new pedestrian link connecting Fred Street and Maida Street and thereby providing a safe walkway towards Orange Grove Public School;
- Supporting the viability of existing centres and increasing the proportion of residents living close to employment, retail

facilities, amenities and public transport (which aligns with the NSW State Plan 2021);

- Supporting creative industries through the provision of artists' studio space and a gallery;
- The provision of public space through a communal courtyard connecting Callan Park to the development with views, greenery and sunlight; and
- The Subject Site is also distinctly positioned close to education facilities such as Orange Grove Public School, Sydney College of the Arts and the University of Tasmania Rozelle campus and recreational facilities such as Callan Park, Leichhardt Oval and Leichhardt Park Aquatic Centre. This is an advantage to residential developments with residents seeking to escape from the urban environment and attracted by proximity to schools for their children.

4 ECONOMIC IMPACTS

The following Chapter assesses and where possible quantifies the potential economic benefits of retaining the Subject Site's current use and zoning in comparison to the development of the Subject Site in accordance with the Planning Proposal.

Employment

The subject site is currently tenanted by a range of businesses. There are also two residential apartments on site. Approximately half of the non-residential floorspace is currently let by a furniture wholesaler employing 12 persons. Industrial uses comprise a carpentry business employing 2 persons and an aluminium window manufacturer employing 10 persons. It is estimated that there are a total of 26 employees at the Subject Site.

Table 8 provides an estimate of the jobs that would be supported on the Subject Site in accordance with the Planning Proposal.

Table 9: Planning Proposal Employment Generation

Land Use	Employment Density	GLA	Units	Jobs
Commercial/retail space	1 / 23 sqm	1173	sqm	51
Work at Home	1 / 14 units	170	apartments	12
Total				63

Source: IBIS World Reports; Work at Home: 7.6% of workers undertake majority of work at home (ABS Locations of Work 2008 Cat 6275.0). Assuming 1 working residents per apartment, this translates to approximately 1 job per 14 apartments.

Based on the estimates in Table 8, the Planning Proposal is forecast to provide 63 jobs on the subject site after full development. These are jobs in full, part-time and casual positions. On this basis the Planning Proposal would support approximately 37 more jobs than if the subject site were retained for its existing uses.

The combined total of the 26 workers' salaries under the Subject Site's current use is estimated at \$1.5 million.

The Planning Proposal would support a combined salary contribution of around \$2.9 million as shown in the Table below, \$1.4 million more than under the Subject Site's current uses.

Table 10: Potential Annual Salary Contribution

Land Use	Jobs	Avg Annual Wage	Total (\$m)
Commercial/retail space	51	\$50,416	\$2.6m
Work at Home	12	\$24,200	\$0.3m
Total	63	\$45,422	\$2.9m

Source: IBISWorld Industry Reports, ABS and HillPDA Estimate.

Industry Value Added

Value added of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the country's wealth or gross domestic product (GDP).

We estimate the value added from industrial uses on the site to be \$2.3m a year, reflecting the comparatively high industry value added per worker in the wholesaling and manufacturing industries.

We estimate the value added from the Planning Proposal to be in the order of \$4.4m every year as shown in the table below.

Table 11: Annual Industry Value Added from the Various Land Uses on Site

Land Use	Jobs	IVA / Worker	Industry Value Added (\$m)
Commercial/retail space	51	\$77,984	\$4m
Work at Home	12	\$31,200	\$0.4m
Total	63	\$69,073	\$4.4m

Source: IBISWorld Industry Reports, ABS and HillPDA Estimate.

Therefore, the Planning Proposal would provide an additional \$2.1m value added contribution to the economy (measured in 2014/15 dollars) to that achieved under the Subject Site's current uses along with creating an additional 37 jobs.

Economic Impacts from Construction

The following assesses the economic implications of rezoning the subject site to allow for a mixed use development. Table 11 provides a breakdown of the estimated construction costs of the Planning Proposal. This covers the cost of clearing the site of existing improvements and constructing a 170 unit development incorporating 1,660sqm of non-residential uses (GBA).

Table 12: Breakdown of Estimated Construction Cost

Work Type	sqm	\$/sqm	\$m
Demolition and Clearing	6,824	100	\$0.7m
Residential	17,318	2,800	\$48.5m
Balconies	1,632	1,000	\$1.6m
Retail/commercial space	1,660	2,150	\$3.6m
Car Parking	179	45,000	\$8m
Paths	1,000	100	\$0.1m
Open Space Embellishment	1,000	300	\$0.3m
Earthworks & water quality	1	150,000	\$0.1m
TOTAL	20,610		\$62.9m

Source: Roberts Day, RLB, Rawlinson's Construction Handbook, HillPDA Estimates. The construction industry is a significant component of the economy accounting for 7.3% of Gross Domestic Product (GDP) and employing almost one million workers across Australia¹⁰. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

- Production induced: which is made up of:
 - first round effect: which is all outputs and employment required to produce the inputs for construction; and
 - an industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect; and
- Consumption induced: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

The estimated value of these multipliers are provided in Table 12.

¹⁰ IBIS World Construction Industry Report 2011

Table 13 Estimated Economic Multipliers

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.6463	0.6734	0.9891	3.3088
Output (\$million)	63	41	42	62	208

Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0).

A \$63m construction value would generate a further \$83m of activity in production induced effects and \$62m in consumption induced effects over the life of the project. Total economic activity generated by the construction of the proposed development would be approximately \$208m.

Construction Employment

HillPDA calculates that every million dollars of construction generates 2.85 full time positions over 12 months directly in construction on site¹¹. Based on the estimated cost of \$63m, approximately 179 job years¹² would be directly generated over the life of the project.

Table 14 Estimated Job Multipliers

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.643	0.695	1.34	3.68
Employment No. per \$million	2.85	1.83	1.98	3.81	10.48
Total job years created	179	115	125	240	659

Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0).

From the ABS 2008-09 ANA Input-Output tables Hill PDA has calculated the multipliers for first round, industrial support and consumption induced effects of 0.64, 0.70 and 1.34 respectively for every job year in direct construction. Including the multiplier impacts the proposed development would therefore have potential to generate 659 job years during the period of construction.

¹¹ Source: Hill PDA and ABS Australian National Accounts: Input-Output Tables 2008-09 (ABS Pub: 5209.0)

¹² Note: One job year equals one full-time job for one full year

Note that the multiplier effects are national, and not necessarily local. The ABS notes that “Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.” Nevertheless, multipliers represent a significant additional economic benefits associated with this development to the economy.

Other Economic Impacts

Expenditure from Residents

The Planning Proposal would provide 170 new residential dwellings on site. Assuming 95% of the apartments are occupied and an average occupancy rate of 1.7 persons per apartment we estimate around 275 permanent residents on the Subject Site.

These residents would generate demand for local retail and commercial goods and services. With an assumed average retail spend of \$18,803 per capita¹³ the residents would spend around \$5.1m every year on retail goods and services.

The Subject Site’s retail offering will attract some of the convenience shopping demand previously captured by neighbouring centres for residents within a walking catchment. The majority of the residents’ spend will be captured by the Balmain and Leichhardt town centres and the Birkenhead Point Outlet Centre given the lack of a major supermarket in Lilyfield. However, there is a potential for a major supermarket to be developed at the Balmain League’s Club site in the future.

Investment Stimulus

Where a significant property investment decision has been made it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further

The proposed development would create additional business opportunities in this locality associated with future residents. It would increase the profile of this area and in so doing increase the

¹³ Average 2014 per capita spend within Lilyfield and Rozelle South (Anysite data, HillPDA analysis)

financial feasibility of future development, potentially acting as a catalyst on surrounding sites.

Summary and Implications

The below table summarises the economic benefits of retaining the current uses in comparison to the development of the subject site in accordance with the Planning Proposal.

Table 15 Economic Impact of Planning Proposal

	Current Uses	Planning Proposal
Total Jobs Generated	26	63
Total Salaries (\$m) Generated	\$1.5m	\$2.9m
Industry Value Added (to GDP)	\$2.3m	\$4.4m
Construction Costs	-	\$62.9m
Total Economic Activity from Construction	-	\$208m
Job Years in Construction*	-	659

Source: HillPDA; * Direct and Indirect Job Years, where a Job Year refers to a single individual who is employed for one year

The Planning Proposal would provide a higher employment outcome and a higher contribution in terms of value added on site compared to its current uses, while also accommodating an estimated resident population of 275 persons.

Currently only 12 of the estimated 26 jobs on site are in light industrial uses. While these industries benefit from the relatively large floorplates provided by the Subject Site, there is no imperative for these industries to be located within a predominantly residential area as they are not providing local services to residents.

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4. This report and its attached appendices are based on estimates, assumptions and information provided by the Client or sourced and referenced from external sources by HillPDA. While we endeavour to check these estimates, assumptions and information, no warranty is given in relation to their reliability, feasibility, accuracy or reasonableness. HillPDA presents these estimates and assumptions as a basis for the Client's interpretation and analysis. With respect to forecasts, HillPDA does not present them as results that will actually be achieved. HillPDA relies upon the interpretation of the Client to judge for itself the likelihood of whether these projections can be achieved or not.
5. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.
6. This report does not constitute a valuation of any property or interest in property. In preparing this report HillPDA has relied upon information concerning the subject property and/or proposed development provided by the Client and HillPDA has not independently verified this information except where noted in this report.
7. In relation to any valuation which is undertaken for a Managed Investment Scheme (as defined by the Managed Investments Act 1998) or for any lender that is subject to the provisions of the Managed Investments Act, the following clause applies:

This valuation is prepared on the assumption that the lender or addressee as referred to in this valuation report (and no other) may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio.



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