



Economic Assessment

14-16 and 18-20 Orion Road, Lane Cove West

September 2015

OWNER/PROPONENT of Proposal: DUCRU PTY. Ltd.



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Executive Summary

Urbis has been appointed to undertake an Economic Assessment of a proposed mixed use development on an 1.7 hectare site at 14-16 and 18-20 Orion Road, Lane Cove. In conjunction with this, Urbis has prepared a planning proposal to rezone the site from IN2 Light Industrial to B4 Mixed Use zone.

An indicative mixed use development concept for the site, involving capital investment of around \$118 million could deliver:

- 459 residential dwellings, amounting to 42,178sq.m of residential GFA
- 1,300 sq.m of commercial space, including a 194sq.m retail suite
- A child care facility of approximately 750 sq.m
- Direct construction employment benefits of 510 employees
- Direct ongoing employment benefits of 105 employees.

ECONOMIC CONSIDERATIONS	RESPONSE
Lane Cove West – employment land capacity	▪ The combination of existing vacancy and identified development potential uplift indicates that the precinct does not lack existing or potential capacity to accommodate future tenant demand and its ability to maintain its role as an industrial employment hub.
Viability of the existing commercial development	▪ Inferior competitive position of the subject site relative to other commercial employment centres. ▪ Lack of demand for commercial use on the subject site, where vacancy has remained almost 40% for over four years. ▪ Current extent of commercial space is not supportable and changed market dynamics mean this is unlikely to become supportable. Therefore the proposed scheme adjusts this space to suit market demand. ▪ Strong trend for commercial tenants to move to North Ryde / Macquarie Park, for which the existing subject property cannot compete, due to the following major trends: – Strong transport connections – Amenity / services – Large office floorplates.
Constraints for industrial development on the subject site	▪ Industrial redevelopment is unlikely to be feasible due to: – Constraints owing to topography and existing vegetation on the subject site that place upward pressure on development costs – Lack of financial viability of industrial development, where there are high costs associated with site conditions (i.e. a negative return on costs) – Weak demand for industrial use on the subject site (locational and site condition issues).
Employment benefit of proposed development concept	▪ The proposed development at the subject site will result in a number of direct economic benefits at the construction stage of the development as well as from the ongoing employment uses. These include: – A total of 510 direct and 802 indirect construction jobs, equating to 1,312 construction one-year-equivalent jobs over the life of the construction project – Ongoing employment of around 189 total jobs (105 direct and 84 indirect jobs) – This is a relatively marginal reduction from the existing 269 jobs estimated to be accommodated in the site's existing commercial building.

Introduction

Urbis has been appointed to undertake an Economic Assessment of a proposed mixed use development on an 1.7 hectare site at 14-16 and 18-20 Orion Road, Lane Cove.

The site is legally defined as Lot 1 & 2 of Deposited Plan 1095363 and is currently a commercial building zoned IN2 Light Industrial in the Lane Cove Local Environmental Plan (LEP) 2009.

The purpose of this report is to:

- Assess the tenant demand for office space on the subject site, versus established commercial precincts
- Assess the site's capacity for industrial development
- Identify the economic benefits associated with the proposed development concept
- Confirm that rezoning the site will not inhibit the Lane Cove West industrial area from catering for future industrial demand.

The study has been commissioned by Ducru Pty Ltd as the owners of the site. In conjunction with this, Urbis has prepared a planning proposal to rezone the site from IN2 Light Industrial to B4 Mixed Use zone.

The rezoning is intended to facilitate the redevelopment of the site involving:

- Development of up to 459 apartments
- Mixed commercial uses, retail and child care.

The remainder of this report is structured as follows:

- **Section one** provides an overview of the subject site, its locational context within the Lane Cove Industrial Precinct and a summary of the proposed development
- **Section two** sets out an overview of the Lane Cove LGA and the Lane Cove Industrial Precinct employment profile, having regard to historic, current and projected labour market industry sectors. This includes an analysis of projected demand for industrial land within the Precinct, the capacity for the precinct to meet this demand, and an evaluation of the site's viability for industrial development
- **Section three** will provide an overview of Sydney's office markets and competing commercial precincts, in order to assess the viability of the site's commercial building within an industrial precinct
- **Section four** sets out the economic benefits associated with the proposed rezoning of the site to permit mixed use development, having regard to an indicative size, layout and uses of the proposed development.

1 Site Context

1.1 SUBJECT SITE

The subject site is located at 14-16 and 18-20 Orion Road, measuring approximately 1.7 hectares. The site is located on the periphery of the Lane Cove West Industrial Precinct, south of Epping Road. The site is legally defined as Lot 1 & 2 of Deposited Plan 1095363, and sits within the Lane Cove Local Government Area (LGA).

Lot 1: 14-16 Orion Road (approx. 7,922 sq.m)

- Vacant and undeveloped land

Lot 2: 18-20 Orion Road (approx. 8,938 sq.m)

- Nine-storey commercial building with ground floor childcare centre
- Parking for approximately 350 cars
- Total net lettable area (NLA) of around 8,850 sq.m

Current occupancy of the commercial building is around 60% due to the relocation of anchor tenants, Cochlear, Dade Behrin and Compaq. Since the relocation of Cochlear to Macquarie Park, Ducru Pty Ltd have been unable to occupy the vacant space. Ducru Pty Ltd has been unable to secure tenants for the vacant space.

Access to the subject site is via Orion Road.

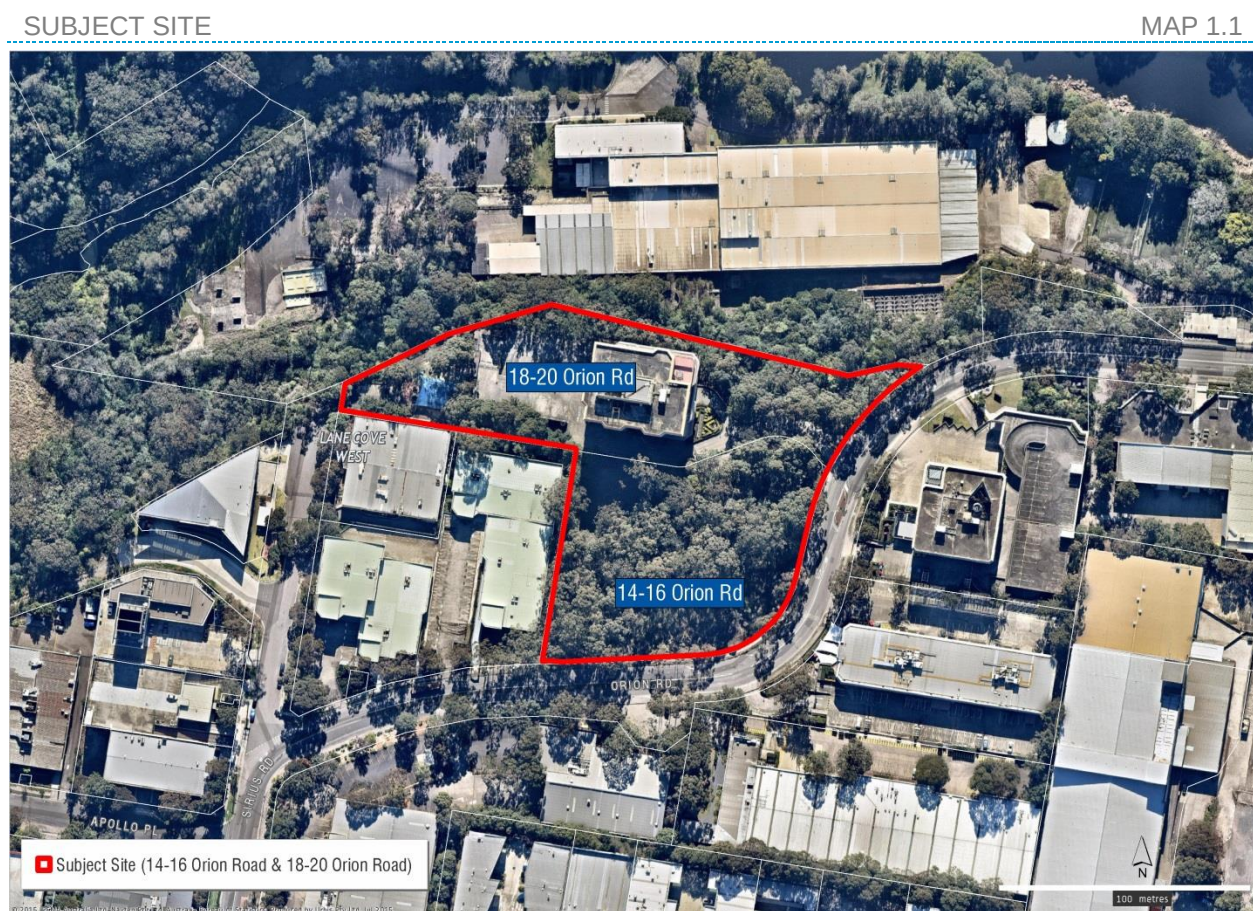
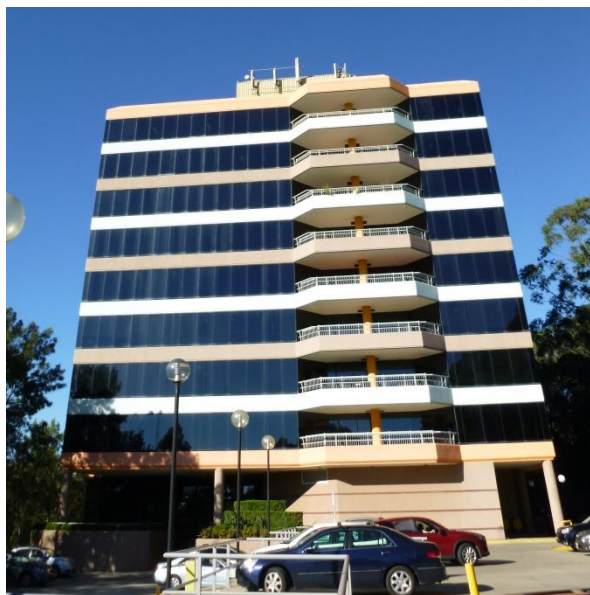


Figure 1 contains images of the existing built form on the subject site.

FIGURE 1 – SITE IMAGES



PICTURE 1 – EXISTING COMMERCIAL BUILDING AT 18-20 ORION RD



PICTURE 2 – STEEP DROP IN GROUND LEVEL AT NORTHERN BOUNDARY OF 18-20 ORION RD



PICTURE 3 – OPEN AIR PARKING AT 18-20 ORION RD



PICTURE 4 – LOOK NORTH - VIEW OF 160 EPPING RD FROM 18-20 ORION RD



PICTURE 5 – CHILD CARE CENTRE AT 18-20 ORION RD



PICTURE 6 – VACANT BLOCK AT 14-16 ORION RD

As illustrated in Map 1.1, the subject site is defined by the following boundaries:

- SC Johnson (160 Epping Road) to the north with the Lane Cove River and Lane Cove tunnel / M2 Hills Motorway beyond
- Orion Road to the east and south
- Lane Cove National Park and industrial buildings to the west, separated by a wide nature strip.

1.2 LANE COVE WEST INDUSTRIAL PRECINCT

The Lane Cove West Industrial Precinct (the study area) is situated between Epping Road to the north and Lloyd Rees Drive to the south, and covers an area of around 46.9 hectares.

As illustrated in Map 1.2, the Lane Cove West Industrial Precinct is defined in the Bureau of Transport and Statistics (BTS) Journey to Work at a Travel Zone (TZ) Level. Data for employment has been retrieved at the TZ level and used for the proceeding section (i.e. Section 2).

LANE COVE WEST INDUSTRIAL PRECINCT

MAP 1.2



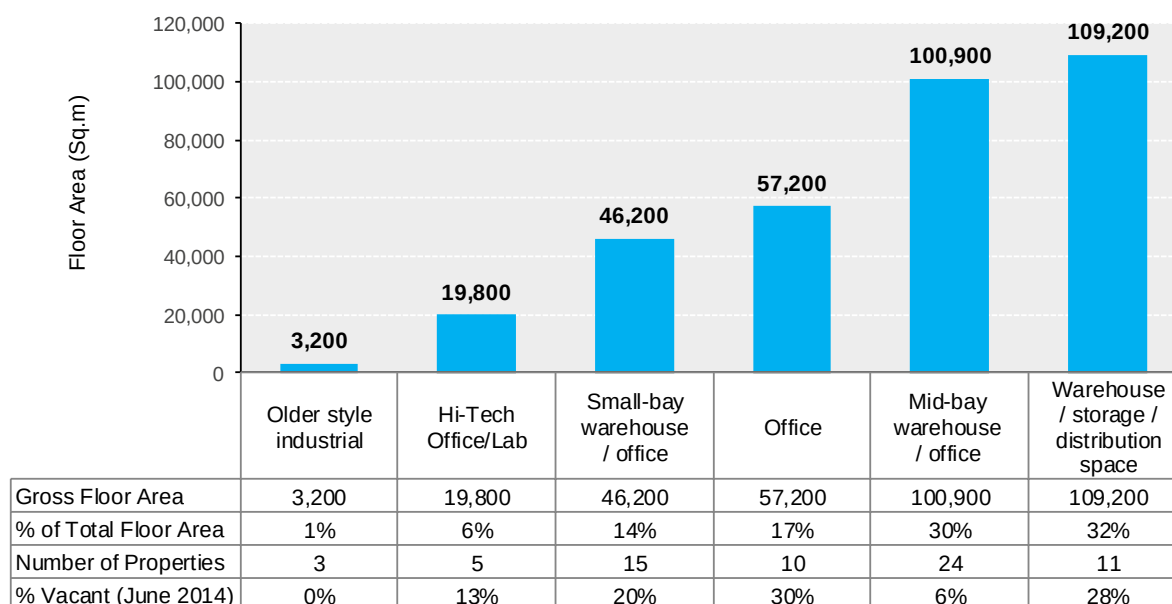
The precinct provides around 33.7 hectares of IN2 zoned land (over 66 properties), and 1 hectare of SP2 zoned undevelopable land. The amount of land within the subject site that is proposed to be rezoned is in the order of 3.6% of the land within the Lane Cove Industrial Precinct.

Chart 1.1 illustrates the type of uses (determined by property type) that currently occupy the precinct, and the proportion of vacant floorspace. The most prevalent buildings in the precinct are mixed warehouse / office stock that accommodate businesses requiring co-located office space and warehouse space.

Tenant /Property Type

LANE COVE WEST INDUSTRIAL PRECINCT

CHART 1.1



Source: Urbis

This data was collected by Urbis in June 2014, and included a combination of:

- Physical inspection of properties
- Geospatial analysis
- Phone interviews to local real estate agents.

2 Employment Analysis

This section will present an analysis of historic, existing and future employment within Lane Cove West and the Lane Cove LGA. Assessing the growth of current and projected industry sectors will assist in determining the nature of the Precinct and demand for industrial land moving forward.

This will consist of an analysis of both local residents and local workers, and will include:

- The size and profile of the local resident workforce and employment base, in terms of industry sector
- Journey to work / place of residence of the local resident workforce and local workers employment in the Lane Cove LGA
- Comparison between the study area jobs and resident workers.

In order to analyse the existing employment in the Lane Cove Industrial Area the data published by the BTS in their Journey to Work projections has been used for the Lane Cove West Travel Zone (as illustrated in Map 1.2) for greater accuracy.

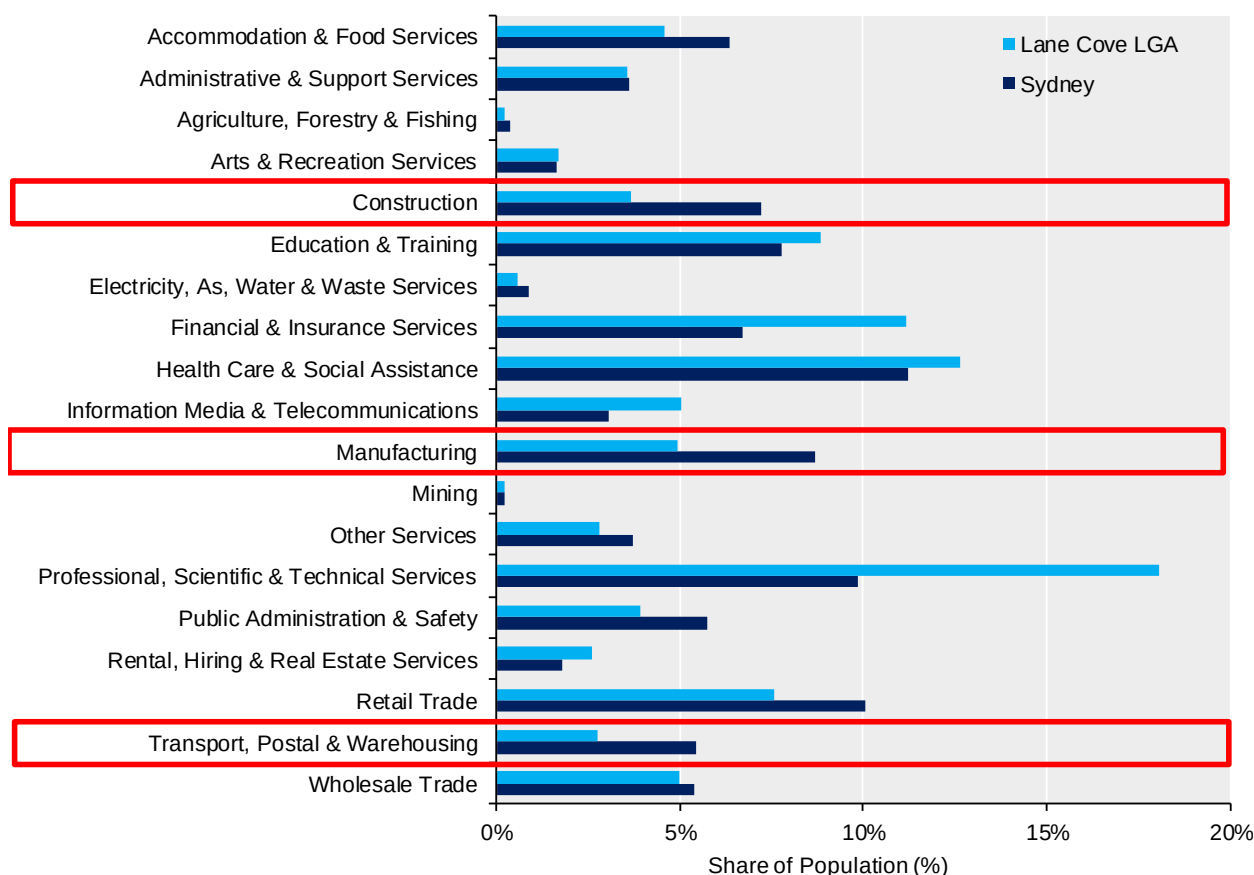
2.1 LOCAL RESIDENT WORKERS

Chart 2.1 illustrates the industry distribution of the Lane Cove LGA resident workers compared to the broader Sydney distribution. The chart shows a lower proportion of Lane Cove LGA resident workers employed in industrial sectors such as Manufacturing, Transport, Postal and Warehousing, and Construction (11%) compared to broader Sydney (21%).

Resident Employment by Industry

LANE COVE LGA AND SYDNEY, 2011

CHART 2.1



Source: ABS Census 2011; Urbis

Table 2.1 illustrates the changing local workforce in the Lane Cove LGA between 2006 and 2011. According to the BTS Journey to Work data, there are around 16,800 employed local residents.

Between 2006 and 2011 the resident worker base grew by almost 1,000 with the majority of growth in non-industrial sectors, including the following:

- Professional, Scientific and Technical Services (+309 workers, +11%)
- Financial and Insurance Services (+234 workers, +14%)
- Health Care and Social Assistance (+196 workers, +10%).

The majority of employment contraction experienced by Lane Cove residents were in industrial sectors, including the following:

- Wholesale Trade (-61 workers, -7%)
- Manufacturing (-57 workers, -6%)
- Construction (-57 workers, -8%)
- Electricity, Gas, Water and Waste Services (-19 workers, -16%).

Change in Resident Employment by Industry

LANE COVE LGA, 2006 AND 2011

TABLE 2.1

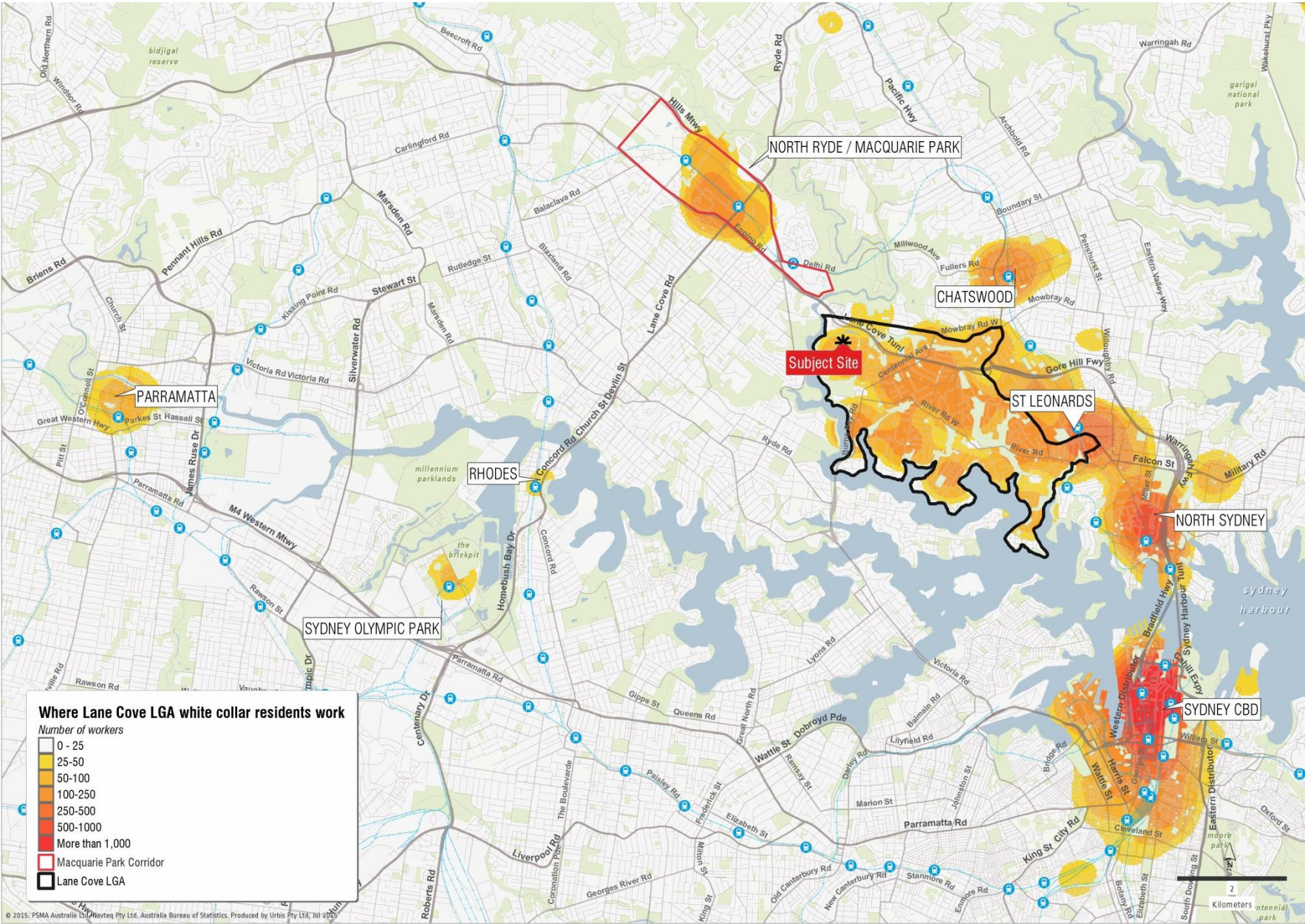
Industry Sector	2006	2011	2006-11 Total Change
Professional, Scientific and Technical Services	2,736	3,045	309
Financial and Insurance Services	1,650	1,885	234
Health Care and Social Assistance	1,930	2,126	196
Education and Training	1,369	1,491	122
Rental, Hiring and Real Estate Services	355	439	84
Accommodation and Food Services	705	769	64
Transport, Postal and Warehousing	400	463	63
Public Administration and Safety	624	665	41
Information Media and Telecommunications	806	846	40
Arts and Recreation Services	266	289	23
Administrative and Support Services	586	602	16
Mining	32	41	9
Agriculture, Forestry and Fishing	31	38	7
Other Services	474	472	-2
Electricity, Gas, Water and Waste Services	121	102	-19
Construction	678	621	-57
Manufacturing	886	829	-57
Wholesale Trade	904	843	-61
Retail Trade	1,363	1,277	-85
Total	15,916	16,843	927

Source: ABS Census 2006 and 2011; Urbis

This will have implications for the type of job demand from local residents, with the majority of new residents working in health and office properties. As illustrated in Map 2.1, these types of workers appear to prefer working in major centres that provide:

1. Large office jobs base
2. Train stations / public transport
3. Retail services and amenity.

This trend may inhibit the subject site attracting tenants as they seek out locations with attributes amenable to attracting and retaining workers.



2.2 LOCAL JOBS

The Lane Cove West Precinct accommodates around 5,800 jobs, equating to around 30% of Lane Cove LGA's resident workforce.

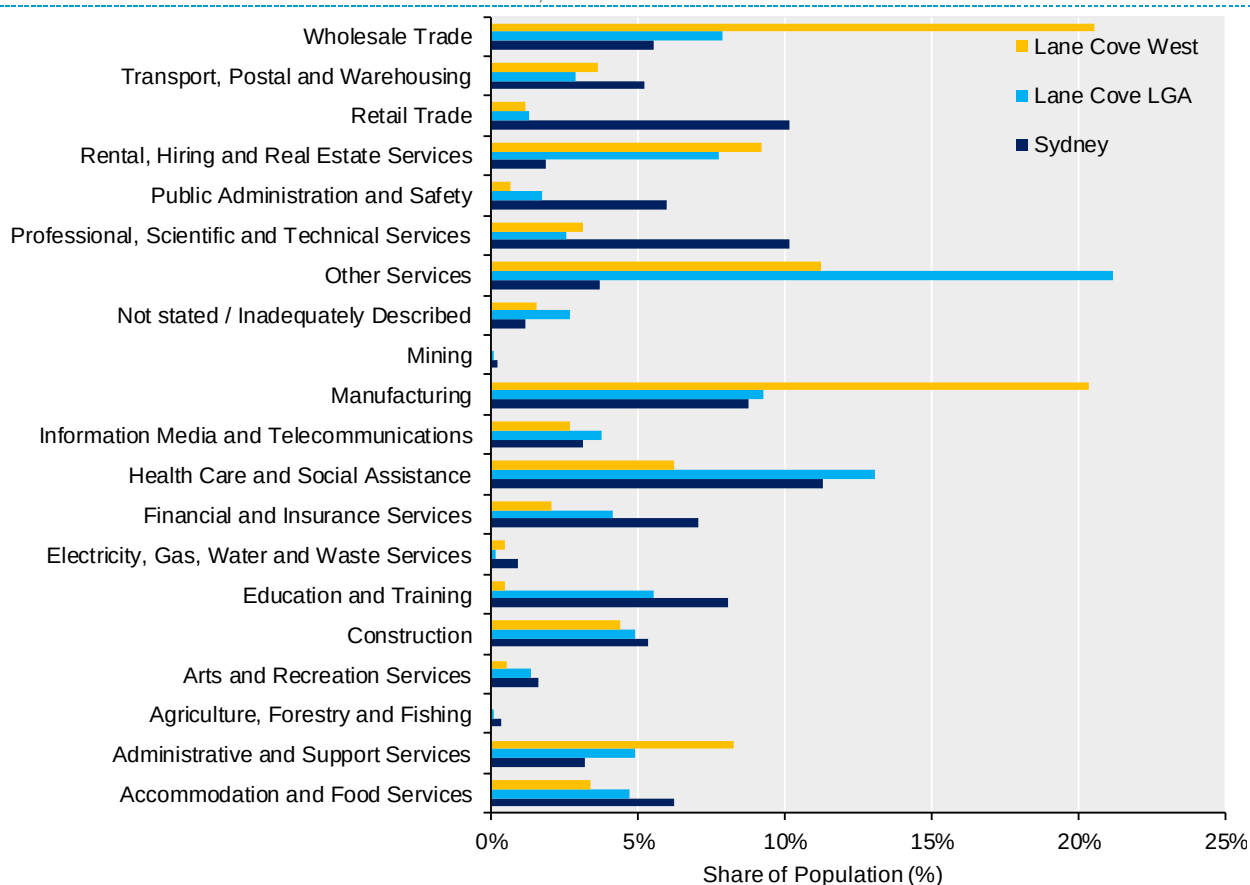
Industry employment sectors represented in Lane Cove West, Lane Cove LGA and Sydney are displayed in Chart 2.2. The chart shows the following:

- **Manufacturing (20%) and Wholesale Trade (21%)** provide 41% of jobs in Lane Cove West, therefore accommodating a higher proportion of jobs in these sectors than the Lane Cove LGA
- Compared to Lane Cove LGA resident workers (Table 2.1), jobs in Manufacturing and Wholesale Trade within Lane Cove West accommodate more than the LGA resident workers in these sectors
- The high proportion of industrial jobs within Lane Cove West illustrates that it is not an established office precinct
- The St Leonards centre is reflected in the high proportion of white collar jobs represented in the Lane Cove LGA. The St Leonards office market is a major hub for white collar workers (in particular health workers) and, as such, is a more competitively located white collar employment precinct within the LGA compared to the subject site (as further discussed in Section 3).

Local Jobs by Industry

LANE COVE WEST AND LANE COVE LGA, 2011

CHART 2.2



Source: BTS 2011 Journey To Work; Urbis

Table 2.2 presents the job growth in Lane Cove West and Lane Cove LGA by industry between 2006 and 2011.

Although the following industry sectors experienced employment growth in Lane Cove West during this period, jobs within the industrial sector represent a large share of users within the Precinct:

- Wholesale Trade (+357 jobs)
- Health Care and Social Assistance (+266 jobs)
- Professional, Scientific and Technical Services (+183 jobs)
- Manufacturing (+182 jobs).

Lane Cove LGA, on the other hand, experienced greater growth in white collar and services industry sectors:

- Professional, Scientific and Technical Services (+1,954 jobs)
- Health Care and Social Assistance (+846 jobs)
- Retail Trade (+361 jobs)
- Financial and Insurance Services (+300 jobs).

Change in Local Jobs by Industry

LANE COVE WEST AND LANE COVE LGA, 2006 AND 2011

TABLE 2.2

Industry Sector	Lane Cove West			Lane Cove LGA		
	2006	2011	2006-11 Total Change	2006	2011	2006-11 Total Change
Wholesale Trade	842	1,199	357	1,109	1,530	421
Health Care and Social Assistance	99	365	266	1,678	2,524	846
Professional, Scientific and Technical Services	474	657	183	2,147	4,101	1,954
Manufacturing	1,004	1,186	182	1,752	1,797	45
Retail Trade	367	536	169	1,137	1,498	361
Accommodation and Food Services	29	196	167	737	909	172
Administrative and Support Services	336	483	147	791	948	157
Unclassified	82	214	132	268	555	287
Financial and Insurance Services	36	121	85	499	799	300
Information Media and Telecommunications	81	156	75	513	729	216
Public Administration and Safety	142	182	40	590	500	-90
Electricity, Gas, Water and Waste Services	21	27	6	450	35	-415
Mining	0	0	0	6	7	1
Other Services	89	89	0	563	520	-43
Rental, Hiring and Real Estate Services	40	38	-2	271	340	69
Agriculture, Forestry and Fishing	4	0	-4	30	21	-9
Education and Training	30	26	-4	797	1,067	270
Transport, Postal and Warehousing	74	68	-6	258	252	-6
Arts and Recreation Services	39	32	-7	198	263	65
Construction	345	258	-87	1,063	950	-113
Total	4,134	5,833	1,699	14,857	19,345	4,488

Source: BTS 2006 Journey To Work and 2014 Release; Urbis

2.3 JOURNEY TO WORK

Table 2.3 shows both the place of residence of Lane Cove LGA workers and place of work of Lane Cove LGA resident workers for the top 10 locations.

Place of residence represents where people who work in Lane Cove live. It shows that local jobs attract workers from a broad catchment, including surrounding LGAs comprising majority of workers. The highest concentration of place of residence is Lane Cove itself at 20% of workers.

Place of work shows where Lane Cove residents work, highlighting that 17% of employed Lane Cove residents live and work within the LGA, with the balance of workers (over 80%) traveling further afield to work. The most frequent employment destinations for Lane Cove working residents are:

- Sydney Inner City (30%)
- North Sydney (13%)
- Willoughby (11%)
- Ryde (7%).

Journey to Work Explorer

LANE COVE LGA 2011

TABLE 2.3

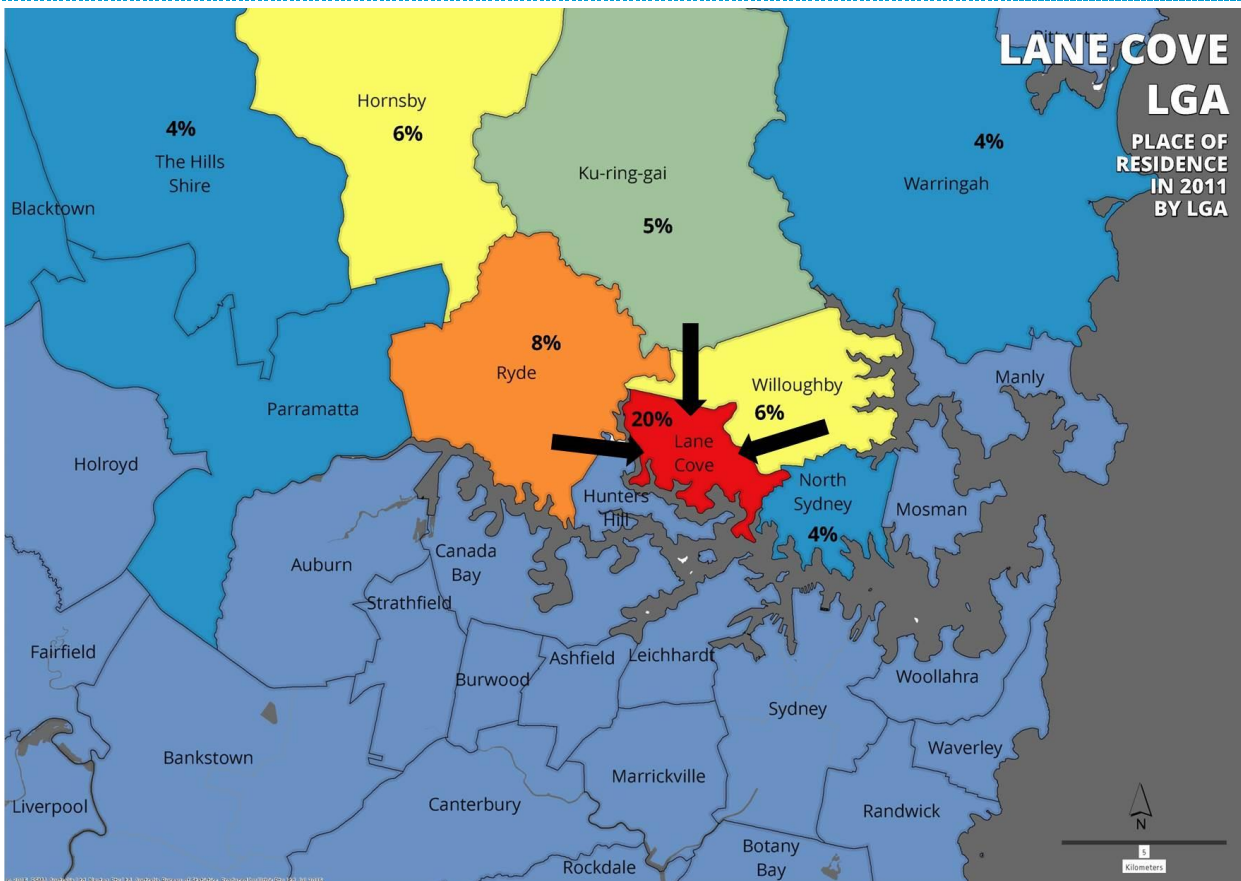
Origin of Workers - Place of Residence			Destination of Resident Workers - Place of Work		
LGA	Number	%	LGA	Number	%
Lane Cove	2,827	20%	Sydney	4,964	30%
Ryde	1,078	8%	Lane Cove	2,827	17%
Willoughby	823	6%	North Sydney	2,160	13%
Hornsby	813	6%	Willoughby	1,796	11%
Ku-ring-gai	710	5%	Ryde	1,105	7%
Parramatta	621	4%	Parramatta	338	2%
The Hills Shire	621	4%	Warringah	291	2%
North Sydney	607	4%	Ku-ring-gai	289	2%
Blacktown	579	4%	The Hills Shire	195	1%
Warringah	514	4%	Randwick	188	1%
Balance	5,177	36%	Balance	2,567	15%
Total	14,370	100%	Total	16,720	100%

Source: Journey to Work 2011 Bureau of Transport Statistics; Urbis

These trends are shown graphically in Map 2.2 and 2.3.

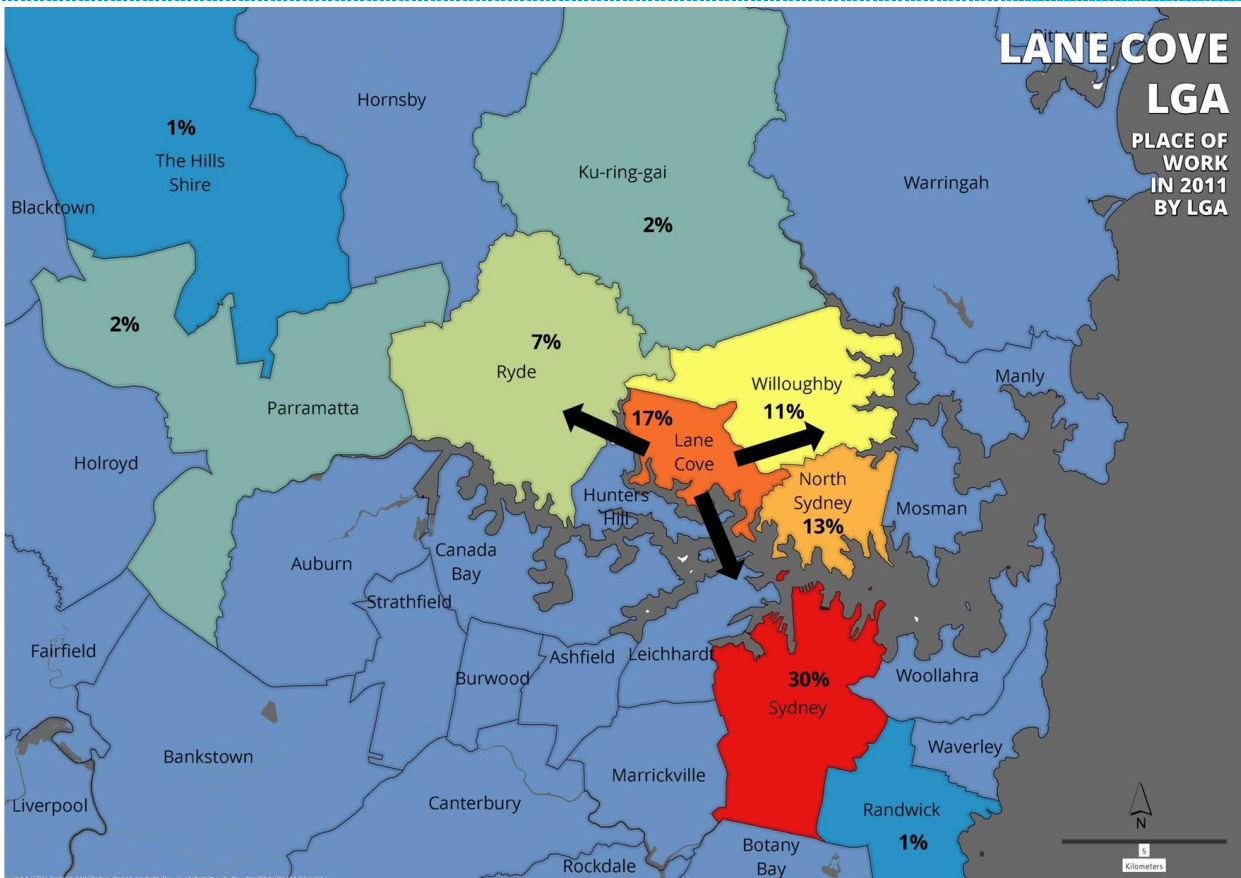
PLACE OF RESIDENCE, LANE COVE LGA WORKERS

MAP 2.2



PLACE OF WORK, LANE COVE LGA RESIDENTS

MAP 2.3



The above maps indicate that:

- Local residents tend to work in major employment centres, such as Ryde, Sydney CBD and North Sydney
- Lane cove LGA draws on a north shore worker base.

The Journey to Work figures reflects the occupancy of the existing commercial building, which competes against established commercial precincts. Given the industrial nature of the precinct, the Journey to Work map, and the competition from stronger employment centres the existing commercial use on the subject site does not appear to support employment growth within the Lane Cove West precinct.

3 Office Market Review

The analyses in this section show the level of tenant / business interest for office space within the precinct, and more specifically on the subject site. Although the white collar resident worker location of work preference has been shown in Section 2.3, this section will assess the office market trends observed in the North Shore Centres through the following key measures:

- Size and position
- Historic net absorption
- Vacancy rates.

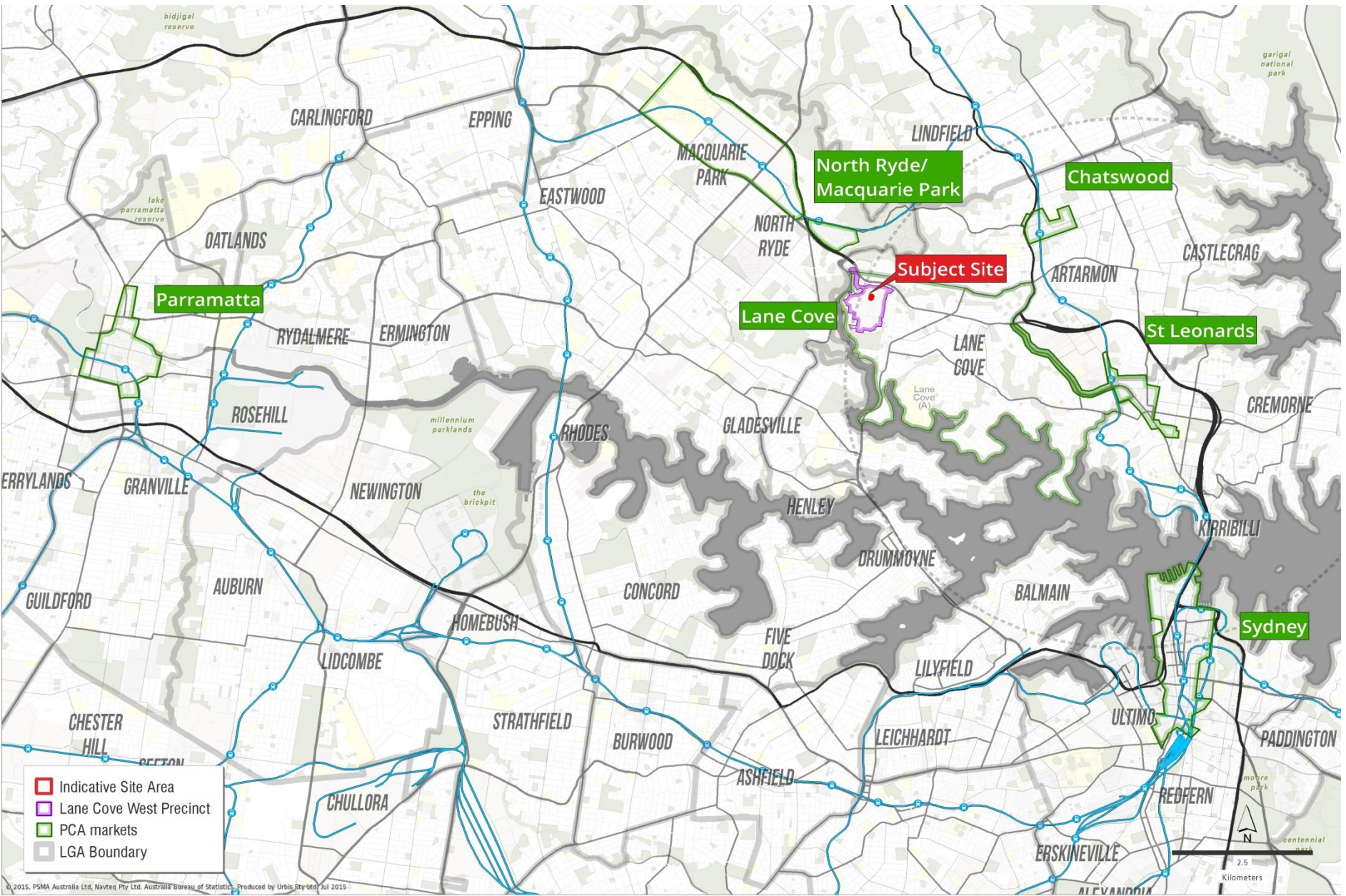
3.1 SYDNEY OFFICE MARKETS

Map 3.1 shows the major office precincts throughout Sydney, which are:

- Sydney CBD
- St Leonards
- Chatswood
- North Ryde / Macquarie Park
- Parramatta.

From the map it can be seen that, compared to competing commercial centres, the Lane Cove West industrial precinct does not have access to a train station. The precinct also lacks the scale of commercial tenants in the area, thereby limiting the type of commercial tenants that would be attracted to an unestablished centre that is relatively disconnected.

Due to the fact that the Lane Cove industrial precinct is not a well-established commercial centre, tenant needs such as retail services and high grade office floorspace are not met. These demand drivers further hinder the prospect of demand for office floorspace on the site and within the precinct.



3.2 NORTH SHORE OFFICE MARKET TRENDS

In order to analyse the suitability of commercial use within Lane Cove West it is important to consider its competitive context, i.e. the North Shore office market, which includes the following centres:

- North Ryde / Macquarie Park
- North Sydney
- St Leonards
- Chatswood.

NET ABSORPTION

Chart 3.1 illustrates the North Shore centres net absorption and annual growth in occupied floorspace from January 2010 to January 2015.

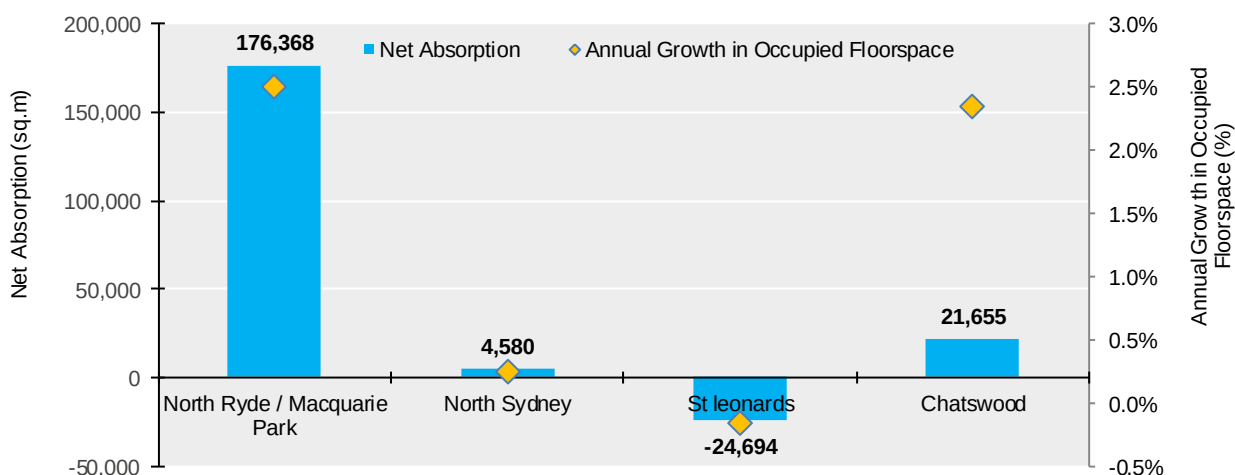
The chart shows that net absorption and annual growth in occupied floorspace was the highest for North Ryde / Macquarie Park. This is reflective of its superior office products (a large share of A-grade stock) and the competitive leasing market of North Ryde. The shift in focus toward North Ryde / Macquarie Park in recent years has undermined the competitiveness of other North Shore suburban centres.

St Leonards experienced negative net absorption coupled with a contraction in occupied floorspace (-0.2% per annum). This is reflective of the growing health care and social services sector within St Leonards, particularly given the redevelopment of the Royal North Shore Hospital, and a contraction in demand from traditional corporate tenants who are moving to North Ryde / Macquarie Park.

Net Absorption / Growth in Occupied Floorspace

NORTH SHORE OFFICE MARKETS (JANUARY 2010 TO 2015)

CHART 3.1



Source: PCA Office Market Report January 2015; Urbis

The St Leonards office market has not continued to attract new office investment, office developments or major refurbishments. This is shown in the large proportion of C-grade office stock (as illustrated in Chart 3.2), which has further reduced the appeal of St Leonards to the office tenant market. Particularly when compared to other centres, which have attracted a greater level of investment in new and therefore higher grade stock (i.e. North Ryde / Macquarie Park and Chatswood). St Leonards is likely to experience growth in health based employment rather than as a pure office market (in line with its designation as a Specialist Centre).

Lane Cove West and the subject property specifically have lost tenants to North Ryde / Macquarie Park such as Cochlear and Dade Behrin. From Map 3.1 it can be seen that, compared to competing commercial centres, the Lane Cove West industrial precinct does not have access to a train station. The

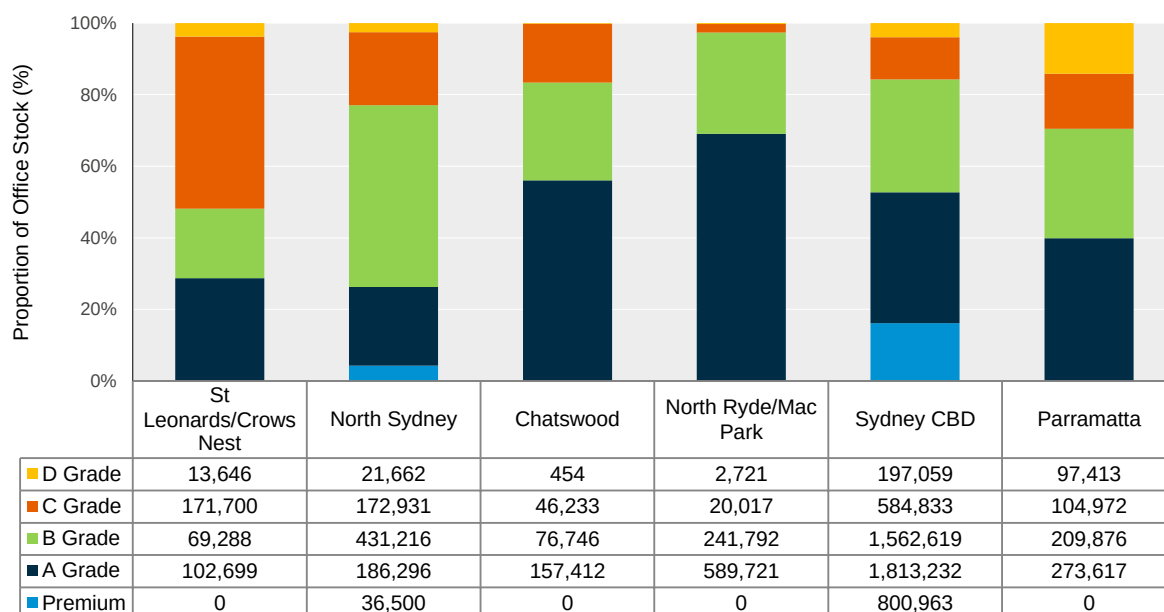
precinct also lacks the scale of commercial tenants in the area, thereby limiting the type of commercial tenants that would be attracted to an unestablished centre that is relatively disconnected.

Due to the fact that the Lane Cove industrial precinct is not a well-established commercial centre, tenant needs such as retail services and high grade office floorspace are not met. These demand drivers further hinder the prospect of demand for office floorspace on the site and within the precinct.

Grade of Office Space

NORTH SHORE OFFICE MARKETS (JANUARY 2015)

CHART 3.2



Source : Urbis; PCA Office Market Report Jan-14

VACANCY

Chart 3.3 provides a comparison of North Shore office markets vacancies from January 2005 to January 2015. Vacancy rates provide an indication of market demand for commercial office space across the centres.

Historically St Leonards and Chatswood have displayed higher vacancy rates, reflecting their higher rental cost compared to North Ryde / Macquarie Park.

Urbis has calculated the long run vacancy rates for competing North Shore office markets based on the average of the past 10 years. The combined North Shore office markets long run vacancy rates average at around 10%, with both North Sydney and North Ryde / Macquarie Park recording the lowest long run vacancy rate of 10%. This reinforces the higher demand trends for office space in these locations. On the other hand, St Leonards and Chatswood had the highest long run average vacancy rates of around 13%.

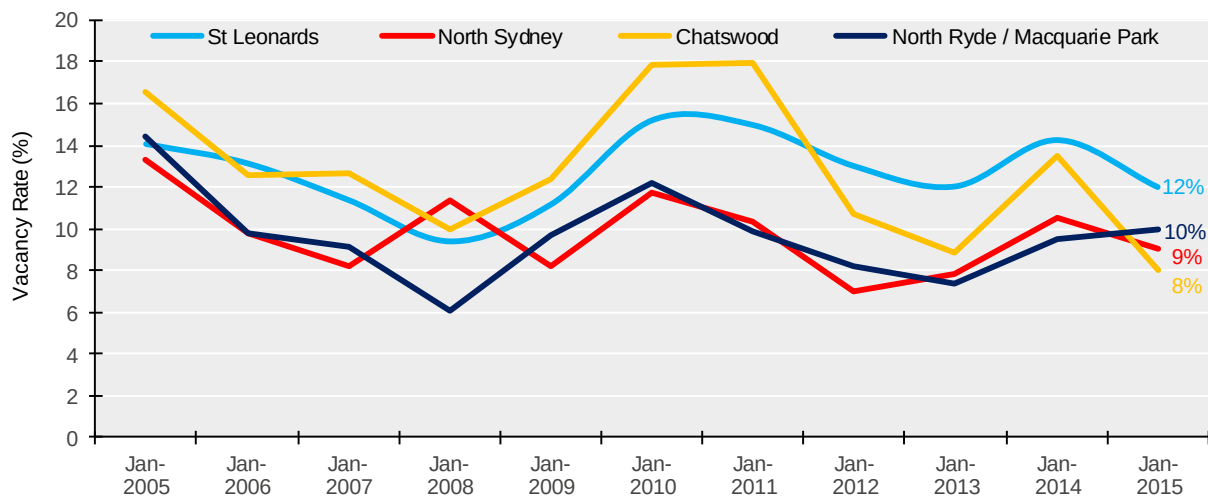
Recently, vacancy rates at North Ryde / Macquarie Park have increased. However, this has been the result of new office stock being supplied to the market and has coincided with an increase in net absorption (Chart 3.3) reflecting strong tenant interest.

The other office markets have been impacted by softening tenant demand. Net absorption for these markets have been relatively low, and negative for St Leonards and has coincided with stock being withdrawn from the market.

Vacancy Rates

NORTH SHORE OFFICE MARKETS (JANUARY 2005 TO 2015)

CHART 3.4



Source: PCA Office Market Report January 2015; Urbis

3.3 IMPLICATIONS FOR THE SUBJECT SITE

The market demand trend toward the North Ryde / Macquarie Park centre demonstrate the competitive strength of the office market in this location relative to the benchmarked centres analysed in section 3.2. This trend has placed pressure on existing office developments outside of the North Ryde / Macquarie Park corridor, particularly St Leonards. Given the fact that the Lane Cove Industrial precinct is an inferior office location (lacking amenity, public transport, retail services and quality office floorspace) to the St Leonards centre, there would be even weaker demand for commercial use on the subject site.

The inferior competitive position of the subject site is demonstrated from the following well-known larger tenants vacating the site and moving to more competitive and established commercial precincts:

- Cochlear (moved to Macquarie Park)
- Dade Behring, acquired by Siemens (moved to North Ryde)
- Compaq Computer Australia Pty Ltd, acquired by Hewlett-Packard Australia Ltd (moved to Rhodes).

The vacant space has remained unoccupied for over four years, thereby reinforcing the lack of demand for commercial use on the subject site. It is likely that vacancy will be exacerbated with future lease expiration

4 Future Demand for Industrial Land

Within this economic context it is important to consider the necessity of retaining the subject site for industrial use within Lane Cove West, as an alternative employment use.

Future demand for employment land in Lane Cove can be estimated by applying the BTS September 2014 release job projections for Lane Cove (rebased off Journey to Work data for 2011 using census data), and applying floorspace benchmark ratios to these. This involves the following:

1. Analysis of job growth projections at the individual industry level
2. Converting jobs growth per industry into jobs growth by land use
3. Converting projected jobs growth into floor space demand.

4.1.1 EMPLOYMENT PROJECTIONS

Table 4.1 and 4.2 illustrates the employment projections for Lane Cove LGA and Lane Cove West between 2011 and 2031 and its distribution across different industry sectors. The tables show that employment, for both study areas, is projected to increase.

The key growth sectors for the Lane Cove LGA are:

- Health Care and Social Assistance
- Professional, Scientific and technical Services
- Retail Trade.

The key growth sectors for Lane Cove West are:

- Manufacturing
- Health Care and Social Assistance
- Administrative and Support Services.

Employment Projections by Industry

LANE COVE LGA, 2011 TO 2031

TABLE 4.1

Industry Sector	2011		Forecast								2011-31	
	No.	%	2016 No.	%	2021 No.	%	2026 No.	%	2031 No.	%	Total Change	Annual Growth %
Health Care & Social Assistance	2,524	13%	2,829	14%	3,128	14%	3,375	15%	3,616	15%	1,092	1.8%
Professional, Scientific & Technical Services	4,101	21%	4,084	20%	4,215	19%	4,414	19%	4,665	20%	564	0.6%
Retail Trade	1,498	8%	1,658	8%	1,755	8%	1,835	8%	1,912	8%	414	1.2%
Manufacturing	1,797	9%	1,992	10%	2,056	9%	2,116	9%	2,176	9%	379	1.0%
Information Media & Telecommunications	729	4%	972	5%	988	5%	1,007	4%	1,029	4%	300	1.7%
Education & Training	1,067	6%	1,129	5%	1,200	6%	1,282	6%	1,364	6%	297	1.2%
Administrative & Support Services	948	5%	1,127	5%	1,164	5%	1,198	5%	1,243	5%	295	1.4%
Construction	950	5%	968	5%	1,041	5%	1,116	5%	1,193	5%	243	1.1%
Accommodation & Food Services	909	5%	960	5%	1,017	5%	1,074	5%	1,133	5%	224	1.1%
Other Services	520	3%	589	3%	607	3%	631	3%	657	3%	137	1.2%
Financial & Insurance Services	799	4%	880	4%	872	4%	888	4%	904	4%	105	0.6%
Unclassified	555	3%	650	3%	652	3%	658	3%	660	3%	105	0.9%
Public Administration & Safety	500	3%	530	3%	542	2%	555	2%	568	2%	68	0.6%
Rental, Hiring & Real Estate Services	340	2%	344	2%	359	2%	376	2%	393	2%	53	0.7%
Transport, Postal & Warehousing	252	1%	287	1%	282	1%	287	1%	295	1%	43	0.8%
Arts & Recreation Services	263	1%	265	1%	266	1%	275	1%	285	1%	22	0.4%
Agriculture, Forestry & Fishing	21	0%	29	0%	31	0%	33	0%	35	0%	14	2.6%
Electricity, Gas, Water & Waste Services	35	0%	42	0%	43	0%	45	0%	46	0%	11	1.4%
Mining	7	0%	6	0%	7	0%	7	0%	8	0%	1	0.7%
Wholesale Trade	1,530	8%	1,538	7%	1,518	7%	1,516	7%	1,522	6%	-8	0.0%
Total Employment	19,345	100%	20,879	100%	21,743	100%	22,688	100%	23,704	100%	4,359	1.0%

Source: BTS 2014 Release; Urbis

Employment Projections by Industry

LANE COVE WEST, 2011 TO 2031

TABLE 4.2

Industry Sector	Forecast										2011-31	
	2011		2016		2021		2026		2031		Total Change	Annual Growth %
	No.	%	No.	%	No.	%	No.	%	No.	%		
Manufacturing	1,186	20%	1,299	21%	1,319	20%	1,339	20%	1,356	20%	170	0.7%
Health Care & Social Assistance	365	6%	409	6%	452	7%	488	7%	522	8%	157	1.8%
Administrative & Support Services	483	8%	574	9%	593	9%	611	9%	634	9%	151	1.4%
Retail Trade	536	9%	593	9%	628	10%	656	10%	684	10%	148	1.2%
Professional, Scientific & Technical Services	657	11%	654	10%	675	10%	707	11%	747	11%	90	0.6%
Construction	258	4%	263	4%	283	4%	303	5%	324	5%	66	1.1%
Information Media & Telecommunications	156	3%	208	3%	212	3%	216	3%	221	3%	65	1.8%
Accommodation & Food Services	196	3%	207	3%	219	3%	231	3%	244	4%	48	1.1%
Unclassified	214	4%	250	4%	251	4%	253	4%	254	4%	40	0.9%
Public Administration & Safety	182	3%	193	3%	197	3%	202	3%	207	3%	25	0.6%
Other Services	89	2%	101	2%	104	2%	109	2%	113	2%	24	1.2%
Financial & Insurance Services	121	2%	133	2%	132	2%	135	2%	137	2%	16	0.6%
Transport, Postal & Warehousing	68	1%	77	1%	76	1%	78	1%	79	1%	11	0.8%
Electricity, Gas, Water & Waste Services	27	0%	33	1%	34	1%	35	1%	36	1%	9	1.4%
Education & Training	26	0%	28	0%	29	0%	31	0%	33	0%	7	1.2%
Rental, Hiring & Real Estate Services	38	1%	39	1%	41	1%	42	1%	44	1%	6	0.7%
Arts & Recreation Services	32	1%	32	1%	32	0%	33	0%	34	0%	2	0.3%
Agriculture, Forestry & Fishing	0	0%	0	0%	0	0%	0	0%	0	0%	0	0.0%
Mining	0	0%	0	0%	0	0%	0	0%	0	0%	0	0.0%
Wholesale Trade	1,199	21%	1,206	19%	1,190	18%	1,188	18%	1,193	17%	-6	0.0%
Total Employment	5,833	100%	6,299	100%	6,467	100%	6,657	100%	6,862	100%	1,029	0.8%

Source: BTS 2014 Release; Urbis

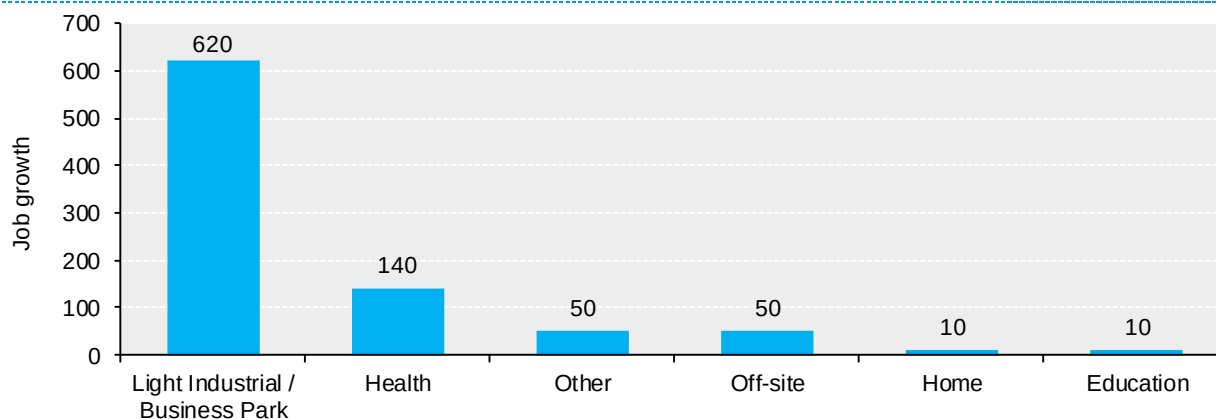
4.1.2 INDUSTRIAL LAND DEMAND ASSESSMENT

Chart 4.1 illustrates how the projected employment growth for Lane Cove West (from Table 2.5) is likely to be split by property type. The analysis is based on benchmarks derived by Urbis that identify the property type required to accommodate future employment growth.

Employment Growth by Property Type

LANE COVE WEST, 2011 TO 2031

CHART 4.1



Source: BTS 2014 Release; Urbis

To determine the floorspace requirement that will arise from the additional jobs projected for Lane Cove West, Urbis have derived employment floorspace densities from the typical sq.m per employee by land use. This takes into account differing floorspace requirements for industry sectors and business types, with light industrial operators typically needing larger sites with fewer employees, resulting in a lower employment yield per sq.m compared to non-industrial uses. Table 4.3 presents the results of these calculations.

Floorspace Demand

LANE COVE WEST, 2011 TO 2031

TABLE 4.3

LAND USE	JOB GROWTH	SQ.M / JOB	FLOORSPACE (SQ.M)
Light Industrial / Business Park	620	80	49,600
Health	140	10	1,400
Education	10	25	250
Other	50	10	500
Total Floorspace Demand			51,750

Source: BTS 2014; Urbis

The results in Table 4.3 show that the indicative demand for the combined floorspace by land use in Lane Cove West is 51,750 sq.m.

POTENTIAL UPLIFT

There are a number of potential sources of development uplift within Lane Cove West to accommodate future employment growth.

In order to quantify this, Urbis have undertaken external inspections of properties within the industrial precinct. This was supplemented with information collated from Urbis' Geographic Information Systems (GIS) tools.

Urbis used the following methodology to fully consider the potential development resulting from an increase in Lane Cove West's floorspace ratio (FSR) limits:

1. Site and floor area were based on the property specific FSR database, which is provided by Lane Cove Council. This outlines the extent of development within the precinct, therefore reflecting the Gross Floor Area (GFA) of properties
2. External inspections of properties in order to estimate unoccupied floor area and identify property types. We note that vacancy is typically defined by real estate industry commentators as advertised space; our assessment however refers to buildings / tenancies that were not occupied or tenanted on the day of inspection (i.e. on May 2014)
3. Supplemented information provided by Urbis' GIS tools, including ownership type.

The findings from these analyses are the following:

- Short to Medium term (5-10 years) there is approximately 81,100 sq.m of additional development capacity
- Medium to Long term (10-20 years) there is an additional 34,100 sq.m of development capacity.

Therefore in the long run there is **potential for approximately 115,200 sq.m of additional floorspace**. If fully developed this constitutes an FSR of 0.94. This FSR is below the FSR threshold of 1.34:1 that was identified by Lane Cove Council to result in negative traffic impacts.

The net development uplift is presented in Table 4.4 and illustrated in Map 4.1 following.

Development Uplift

LANE COVE WEST

TABLE 4.4

		GFA (SQ.M)	FSR
A	Existing Floor Area	336,600	0.72
B	Short to Median Term (5-10 years)	+81,100	+0.17
C	Medium to Long term (10-20 years)	+34,100	+0.07
D	Rezoning of subject site (less retained commercial space i.e. approx. 1,300 sq.m)	-10,300	-0.02
E	Total Potential Uplift (B+C-D)	104,900	0.94
F	Total Floorspace Demand	51,750	
G	+Surplus / -Deficit Floorspace Capacity (E – F)	+53,150	

Source: BTS 2014; Urbis

To note, consolidated ownership is a requisite for redevelopment and increasing density in the precinct. Given that 13 properties are strata titled and collectively have an FSR of 1.3:1 they prove difficult to increase density further. Consequently, the most significant floorspace gains would be made through the redevelopment of non-strata titled lots with consolidated ownership.

FLOORSRATIO INCREASE POTENTIAL (SHORT TO LONG TERM)

MAP 4.1



The combination of existing vacancy and identified development potential indicates that the precinct does not lack existing or potential capacity to accommodate future industrial tenant demand. Taking into consideration the indicative future demand for floorspace (Table 4.3), there is potential for the precinct to have a surplus of available floorspace approximately equal to 53,150 sq.m (Part G, Table 4.4).

Therefore rezoning the subject site will not inhibit the Lane Cove West industrial area from catering to future demand from all industry sectors.

4.2 VIABILITY FOR INDUSTRIAL DEVELOPMENT

Given the fact that there is a surplus of industrial land supply, the subject site will not be required to cater for future growth. In addition to this, there are a number of development constraints on the site that may affect its viability as an industrial development.

The following factors have been identified to determine the viability of industrial development on the subject site:

- **Constraint(s)** owing to land structure and natural surroundings
- **Feasibility** of industrial development (in monetary terms)
- **Demand** for industrial use in terms of location.

The viability for industrial development is provided in Table 4.8. An evaluation of each of the above factors is provided with a 'high', 'medium' or 'low' ranking.

The table illustrates that in addition to the surplus development capacity in the precinct, the viability of an industrial development on the subject site is limited.

Industrial Viability Analysis

SUBJECT SITE (14-16 AND 18-20 ORION ROAD)

TABLE 4.5

FACTORS	IMPLICATIONS FOR SUBJECT SITE	VIABILITY RANKING
Constraints	There are land structure and natural constraints associated with an industrial development, which are more easily overcome (due to design/layout) with a mixed use development. These constraints are related to topography and vegetation, which both add to the cost of development (as discussed below in the 'feasibility').	Medium
Feasibility	Urbis has estimated the cost of an industrial development on the site and the value of net realisation (Appendix A) in order to deduce the return on cost. The return on cost is negative and statistically significant. The high cost of development calculated is owing to the relatively high cost of demolition and land contour (as mentioned above in the 'constraints'). This therefore undermines the feasibility of developing a light industrial / business park product.	Low
Demand	The market trend for the precinct has illustrated the following: ▪ Limited new developments over the past decade ▪ Major tenants vacating (include Cochlear, Dade Behring, and Compaq) to more competitive and established centres such as North Ryde and Macquarie Park. These centres offer tenants rail transport access and higher levels of amenity, which the Lane Cove West precinct lacks ▪ Smaller / marginalised / isolated industrial areas that have no synergies or clusters with other industrial precincts are sub-optimal for both tenants and investors. This is true for the Lane Cove West industrial precinct. Focusing on the subject site in particular, there is a relative disconnect between the subject site's location (toward the edge of precinct, surrounded by natural vegetation) and other industrial sites within the precinct. The location-specific issue of the subject site is reflected in current vacancy rates (almost 50% vacancy) and the fact that these spaces have been vacant for a considerable period of time (over four years) ▪ Increasing vacancy over the years coupled with declining demand has been driven by the lack of large floor plates for larger warehouse space in the precinct. The uplift potential demonstrated in Section 2.4.2, involving increased density and redeveloping underutilised/vacant sites with consolidated ownership would assist in achieving an optimal occupancy outcome.	Low - Medium

5 Economic Benefits

The proposed development of 14-16 and 18-20 Orion Road will deliver employment benefits associated with the construction phase of the development and operational phase. Currently, there are around 269 employed persons on the site (4.6% of total employment in the Lane Cove West Industrial Precinct).

5.1 CONSTRUCTION EMPLOYMENT IMPACTS

Construction of a new mixed use development would require a substantial capital investment. This would sustain significant employment in the construction industry throughout the development period. Therefore, with reference to *Rawlisons 'Australian Construction Handbook' 2015 Edition 33* and the proposed scheme, an indicative construction value has been calculated totalling to \$118 million. Using \$118 million as the indicative value of the development (\$2015) the number of direct employment can be calculated. The estimated number of jobs created is illustrated in Table 5.1.

Table 5.1 indicates that the construction investment of \$118 million would generate direct employment of around 510 full-time, part time and casual one year equivalent jobs over the life time of the construction period.

Construction Employment Impact of Proposal

PROPOSED DEVELOPMENT CONCEPT

TABLE 5.1

Development Option/Type of Employment	Capital Cost (indicative)	Construction Jobs per \$1 Million Dollar Invested	Direct Employment
Construction Phase	\$118 million	4.087	510

1. Indicates the estimated number of jobs over the life of the construction project

Source: Urbis

5.2 OPERATIONAL EMPLOYMENT IMPACTS

The proposed development concept is expected to deliver both new amenity / retail services to the Lane Cove West precinct, in addition to retaining employment on the site.

Table 5.2 illustrates the proposed development concept's target mix of retail/commercial and child care uses. Under this target scheme there is a potential to generate approximately 105 direct full-time, part-time and casual jobs on the subject site.

The site currently employs around 269 people; as such the employment yield from the proposed development will retain 39% of the current number of jobs. The decrease will have a marginal impact on Lane Cove West's job base as it represents 2.8% reduction for the Lane Cove West Industrial Precinct.

Ongoing Operational Employment Potential

PROPOSED DEVELOPMENT CONCEPT

TABLE 5.2

Type of Use	Employment Per '000 Sq.m	Indicative Floorspace and Employment Yield	
	Industry Average	GLA (Sq.m)	Employment (Persons) ¹
Retail	41	194	8
Commercial	67	1,300	87
Child Care Centre ²	N/a	750	10
Total Property		2,244	105

Source: Urbis

1. Total Employment – full-time, part-time and casual

3. Based on existing child care centre employment

Source: Urbis

5.3 ECONOMIC ACTIVITY

In addition to the direct employment to be generated from the proposed commercial / retail / residential development, there are multiplier effects that will be felt throughout the local economy. Indirect impacts related to the employment generated in supporting and supplying businesses as a result of increased demand for intermediate goods and services.

For the purposes of this analysis the Australia Input-Output (I-O) employment multiplier tables from 1996-97 have been utilised. These are the most recently published tables by the Australian Bureau of Statistics (ABS). We note that the published tables are not current. In order to reflect the current state of the economy more accurately, appropriate adjustments have been made for productivity and inflation changes since 1996-97. The combined direct and indirect employment effects are detailed in Table 5.3, with the latter being based on ABS input-output multiplier tables.

Direct and Indirect Employment

SUBJECT SITE

TABLE 5.3

Development Option/Type of Employment	Direct Employment	Supplier Employment Multiplier Effects	Total Jobs ¹
Construction Phase	510	802	1,312
Centre Employment	105	84	189

Total Employment - full-time, part-time and casual

1. Jobs are for the equivalent of one year of employment.

Source: Urbis

The direct employment of **510** jobs from the 'construction phase' would generate an additional **802** indirect one year equivalent jobs in supporting industries and other businesses servicing the expenditure by the employed workers. Total employment from the construction phase therefore would be in the order of **1,312** full-time, part-time and casual equivalent jobs over the development timeframe.

The ongoing 'centre employment' (i.e. retail/commercial and child care centre employment) could sustain an additional **84** supplier jobs in the broader economy. Total employment from centre employment therefore would equate to **189** jobs per year.

5.4 SUMMARY OF EMPLOYMENT IMPACTS

The proposed development at the subject site will result in a number of direct economic benefits at the construction stage of the development as well as from the ongoing employment uses. These include:

- A total of 510 direct and 802 indirect construction jobs, equating to 1,312 construction one-year-equivalent jobs over the life of the construction project
- Ongoing employment of around 189 total jobs (105 direct and 84 indirect jobs).

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Appendix A

Preliminary Feasibility of Industrial Development

		\$ (MILLION)
A	Gross Realisation (with full occupancy) ¹	29.9
B	Selling Costs	1.3
C	Net Realisation (A-B)	28.6
D	Development Cost ²	35.4
E	Cash flow after interest (C-D)	-6.8
F	Return on Cost (E/D)	-19.2%

Source: ¹Savills 2014 rents achieved by comparable properties; ²Rawlisons 2014; Urbis

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