

Industrial Rezoning Economic Justification

67-73 Lords Road, Leichhardt

October 2013



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Table of contents

Executive Summary.....	i
Section 1: Context	1
Current Examination	2
Section 2: Government Policy Overview	4
Draft Metropolitan Strategy 2031	4
Draft Inner West Sub Regional Strategy 2006	5
Employment Lands Development Program	6
SREP 26 – City West	7
SEPP Western Sydney Employment Area	8
Leichhardt Employment and Economic Development Plan 2013	8
S.117 Planning Direction - 1.1 Business and Industrial Zones	11
Section 3: Industrial Development Trends & Drivers	13
Broad Development Trends	13
Industrial Land Values	14
Industrial Land Capacity	15
Major Industrial Projects and Built Form Trends	17
Industrial Market Prospects	21
Infrastructure Investment	22
Long Term Planning	27
Section 4: Local Employment Provision	28
Section 5: Subject Site - Strategic Assessment	34
Checklist for Rezoning Existing Industrial Land	34
Site Specific Assessment	36
Other Matters	37
Conclusion	44

Executive Summary

This report provides detailed economic justification to support the rezoning of land at 67-73 Lords Road, Leichhardt from industrial to residential. This proposal responds to Leichhardt Municipal Council's Employment and Economic Development Plan (EEDP) 2013, which outlines a strategy to enable transformation of redundant fragmented industrial areas, and realise their potential for redevelopment to other uses in response to the market.

The findings of this report support a planning proposal to rezone land under the NSW Gateway and addresses strategic planning considerations regarding rezoning land from industrial to residential, as follows:

1. A comprehensive review of traditional 'employment lands' and other employment generating land use zones at local government area (LGA) and sub- regional level.
2. Comparisons with provision of employment lands in relation to infrastructure, market demand and wider metropolitan strategic initiatives.
3. An economic appraisal of the site suitability for industrial or other employment purposes.
4. Written justification against the principles of Metropolitan Strategic Priorities and relevant Section 117 Ministerial Planning Directions.

The buildings on this site have reached the end of their industrial life. The prospect of industrial redevelopment at this site in the medium to long term is poor given the availability of other larger, contiguous industrial parcels with good infrastructure access available elsewhere.

Larger agglomerations of industrial clusters are generally more attractive to investors and more suitable for a range of industrial uses because they generate a critical mass to support necessary supply, logistics and distribution networks. Hence, it is efficient for industry to co-locate in locations with good access to

infrastructure. There is clear market evidence that industrial developments prefer these types of locations.

Based on our detailed analysis of industrial development trends, we consider the current location and industrial zoning of the subject land to be sub-optimal. It is our view that the site is unlikely to be redeveloped for industrial purposes due to its scale and location. Specifically, the use of the site for industrial purposes is significantly constrained, given:

- The current industrial use is considerably isolated from other strategic industrial clusters with limited scope for viable industrial redevelopment.
- The site's dislocation from freight and distribution centres that service the area. Particularly its distance from key transport corridors including the Southern Sydney Freight Line, the main interstate rail line and the M5 and M7 motorways and more locally the Bays Precinct.
- The incompatibility of an industrial use with adjoining sensitive uses and reliance on vehicular access from a local road that services adjoining residential properties.
- The financial risks associated with investment in isolated industrial development.
- Resultants lack of market demand for industrial redevelopment on fragmented land.

Our report has specific regard for the redevelopment potential of this land arising from the significant investment by the NSW Government in the Inner West Light Rail Extension, currently under construction. It is our view that the presence of an industrial zone in proximity to this emerging public transport node will undermine its attractiveness and access to residents. The ongoing use of this site for industrial purposes is incompatible with the surrounding residential and recreation use and will detract from the character and function of this area.

We opine that the best use of the land is for residential purposes, in keeping with the site's exposure and short walking distance to the future light rail station on Marion Street and with high pedestrian and cycle accessibility to existing shops, services and community infrastructure.

Rezoning this land to allow residential mixed use will help to support access to employment locations nearer central Sydney, through the availability of less expensive housing and provision of childcare for working households. Rezoning from industrial land would be appropriate, as the market is evidently taking a strong role in the redevelopment of small fragmented industrial lands in Leichhardt and surrounding local government areas. Our findings support an alternate zone for the site.

In Leichhardt Local Government Area (LGA) key industrial clusters are predominantly located along main classified roads or at the 'White Bay and Glebe Island' site.

The broader economic environment is expected to remain adverse for traditional factory uses, as emphasised by the 2013 Metropolitan Strategy:

Our economy will continue to shift away from manufacturing to a stronger finance and services focus.

(NSW Government - Metropolitan Strategy for Sydney 2031)

New warehouse and logistics facilities on the other hand represent a vital part of Sydney's service sector economy. For these industrial uses, Sydney's evolution is well underway. In total, approximately 329,000m² of new industrial floorspace was commenced in the Eastern Creek precinct alone over the four years to 2011/12.

Market conditions dictate the preferred location of 'new' industrial projects. Rentals and land values explain why new development is gravitating towards Sydney's outer west regions. The yields on new projects (rentals relative to land cost) are substantially higher in the outer west, when compared to the inner west areas such as Leichhardt. In the inner west, rents and land values tend not to be supportive of redevelopment. There remains ample scope for further employment growth throughout western Sydney. In 2011, the north-west region had 580 undeveloped zoned industrial lots sized at or below 1 hectare. These lots represent competition for redevelopment of the subject site. The significant

supply of small sized allotments across the north-west region compensates for any 'loss' of employment land at the subject site on a metropolitan scale.

The market environment for redevelopment of the subject site is set to become even more challenging in the next few years. The Moorebank IMT is due to be completed in 2017, and is being progressed by the Commonwealth Government. This facility will provide an efficient solution for the improved movement of container freight between Port Botany and south west Sydney. This will further enhance the attractiveness for industrial development in western Sydney. Over an extended period, there will be an outright decrease in road freight from Port Botany along the M4. As such, the future demand for industrial space along the M4 will be greatly diluted. This outcome will further reduce the redevelopment prospects of the subject site for industrial purposes.

Our report finds that, in light of current industrial development trends and having regard for the evolving stock of industrial land in metro Sydney and the specific locational constraints of the subject site, its usefulness as employment land has now expired. The prospects for new industrial buildings at Lords Road are very poor given the lack of scale economies associated with this land as opposed to other larger, contiguous industrial parcels.

Based on our detailed analysis of industrial market prospects and development trends, we strongly concur with Council's EEDP that the site presents a redevelopment opportunity for mixed use development that is more compatible with its surrounding and will meet the needs of a growing working age population in professional, technical and scientific 'knowledge sector' jobs.

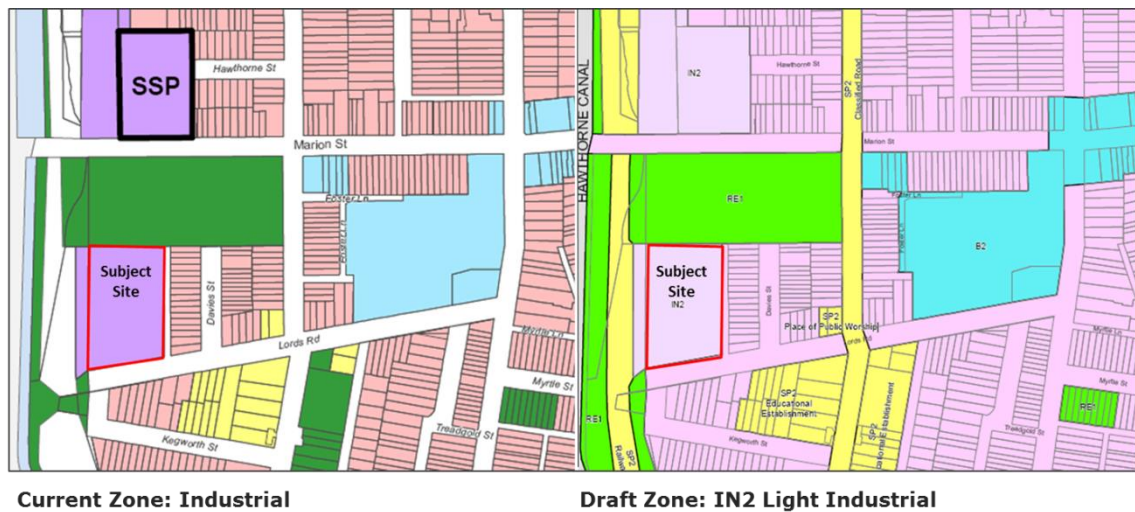
We conclude that the land's redundancy as a contributor to the LGA's or sub-region's employment capacity compels Council to consider its suitability for other uses.

Section 1: Context

MacroPlan Dimasi has been commissioned to consider the economic relevance and function of land at 67-73 Lords Road, Leichhardt. This report considers the specific attributes of the current industrial zone to assess its potential use of this site that meets the demographic and economic profile of Leichhardt now and in the future. Our report is intended as a background economic report that will support a separate planning proposal to rezone the subject land under the NSW Gateway. In the context of a potential transformation of this land for residential use, the report considers the broader market conditions affecting the future of industrial land.

The current and draft land use zone plans applicable to the site are compared below:

Figure 1. Current and Draft Land Use Zone



Source: Leichhardt Municipal Council

Notwithstanding the current and draft industrial zoning, the use of this site for ongoing industrial purposes is significantly constrained. The site is isolated from other major industrial development; freight, distribution and infrastructure. It is accessible by a local road shared with adjoining residential use. All of these

constraints combined have led to a lack of market demand for industrial redevelopment as it presents a significant financial investment risk.

Figure 2. 67-73 Lords Road, Leichhardt - Location and Site Context



Source: MacroPlan Dimasi

The site location presents a number of strengths, which support its redevelopment for residential mixed used, particularly compatibility with adjoining residential land, good access to public transport, community infrastructure, open space and a local centre at Leichhardt Market Place.

Current Examination

Our report considers the implications for Leichhardt's long term strategy for ensuring job creation and growth with respect to development tendencies and demand, current stocks of employment land, and the impacts of emerging and future trends.

Further, we assess the role and function of the land at Lords Road against the principle strategic planning strategies including:

- *Draft Metropolitan Strategy for Sydney to 2031;*
- *Employment Lands Development Program;*
- SREP 26 – City West
- *SEPP Western Sydney Employment Area;*
- *Long Term Transport Master Plan;*
- *State Infrastructure Strategy; and*
- *Leichhardt's Employment and Economic Development Plan 2013.*

Our study is framed by its regard for current Government policy direction to protect and enhance employment lands, as stated in Ministerial Direction 1.1 under Section 117 of the Environmental Planning and Assessment Act 1979 (The Act).

A first port of call in relation to rezoning industrial land is to initially establish why the subject site ought not to be retained for industrial/employment purposes, particularly given current Government policy direction to protect and maintain employment lands in established areas.

Our report addresses local employment demands and trends, the broader context for interpreting the relevance of employment land across the Leichhardt LGA and Inner West sub-region, and the specific suitability of the subject site for ongoing industrial usage.

Our report finds that, in light of current employment trends and having regard for the evolving stock of industrial land within the West Central & North-West sub-region and the specific locational constraints of the subject site, its usefulness as employment land has now expired. The land's redundancy as a contributor to the LGA's or sub-region's industrial employment capacity compels Council to consider its suitability for other uses.

Section 2: Government Policy Overview

The purpose of this section is to examine and critique the legislative and policy background for employment lands in western Sydney.

Draft Metropolitan Strategy 2031

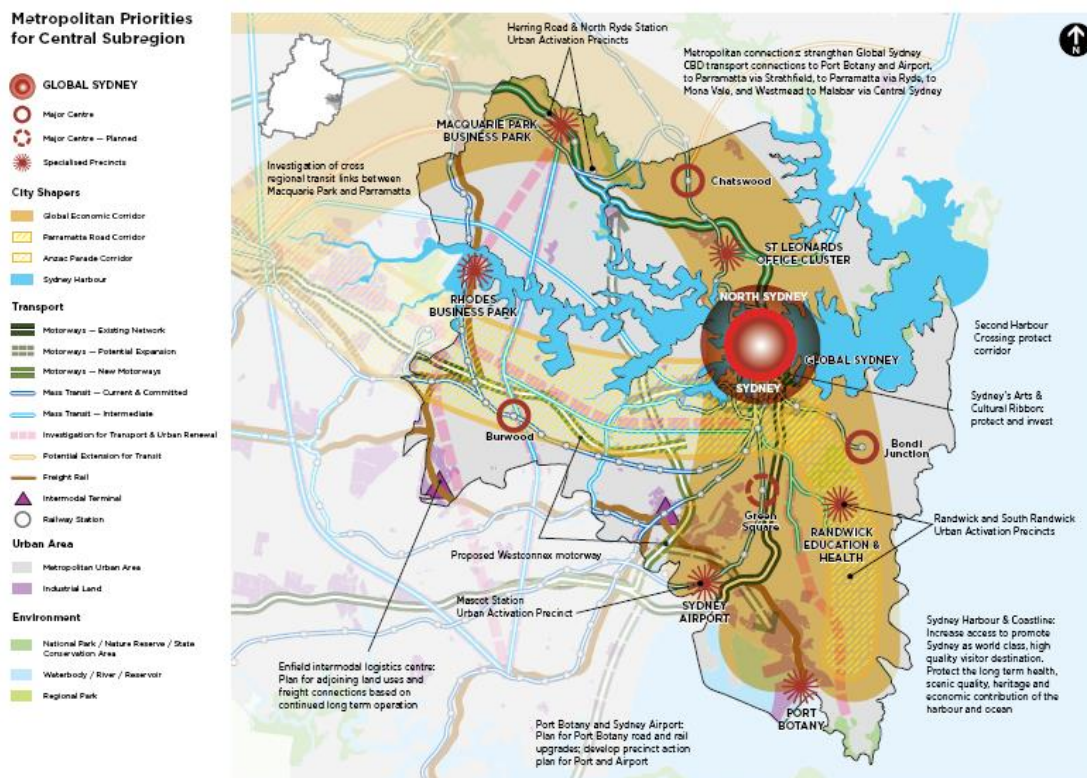
The Draft Metropolitan Strategy focuses on boosting housing delivery and jobs growth. This strategy provides a strategic planning framework to 2031 to meet the needs of a growing and increasingly aging population, with a significant emphasis on the role of Greater Western Sydney. The strategy acknowledges that our economy will continue to shift away from manufacturing to a stronger finance and services focus.

Strategic growth is intended to be driven through subregional delivery plans, which will focus on measuring short to medium term outcomes to 2021 as well as longer term targets to be measured at 2031. Delivery plans will replace the current draft subregional strategies.

The current subregional areas will be reconfigured and Inner West Sydney will combine with Inner North Sydney and City of Sydney under a single 'Central Sydney' delivery plan covering the local government areas of Ashfield, Botany Bay, Burwood, Canada Bay, Hunters Hill, Lane Cove, Leichhardt, Marrickville, Mosman, North Sydney Randwick, Ryde, Strathfield, Sydney, Waverly, Willoughby and Woollahra. This will result in an emphasis on the collective role of inner local government areas in relation to the role of Sydney as a "global economic driver".

It is anticipated the principle economic objectives of the Central subregional delivery plan will in essence retain current Draft Inner West Sub Regional Strategy *key directions* to *protect* [well located, highly functional] *employment lands and the working harbour, and promote Parramatta road as an enterprise corridor*.

Figure 3. Central Subregional Priorities 2031.



Source: Draft Metropolitan Strategy 2013

Notwithstanding the existing role of the Inner West sub region and future Central sub region, the West Central & North West Sydney sub region has been the dominant location for recent industrial development. This position will be strengthened by the future development of key infrastructure. The scale of outer western subregion's industrial land supply is huge, comprising more than 3,000 hectares of zoned and unzoned industrial lands in the pipeline.

A checklist for justification of rezoning industrial zoned land to other uses is provided under Objective 13 of the Draft Metropolitan Strategy 2031.

Draft Inner West Sub Regional Strategy 2006

It is acknowledged that the Draft Inner West Sub Regional Strategy (2006) will be replaced by a new Action Plan for the Central Sub Region under the Metropolitan Strategy 2031. This will update and augment the strategic direction of all employment lands in the context of the Sydney metropolitan area.

Under the Draft Sub Inner West Regional Strategy 2006 the land at Lords Road, is amongst a very broad range of sites in Inner West Sydney categorised as land to be retained for industrial purposes. The 2006 draft sub regional document, which has never been fully adopted in final format, indicated *that the majority of sites are currently considered to be most appropriately placed in category one (i.e. to retain for industrial purposes).... they vary significantly in size (from less than 0.5 hectares to over 500 hectares...*

This old draft strategy does not take into consideration the wider trends now affecting the re-location of industrial land in response to costs, infrastructure investment and workforce trends.

Further, many comparable parts of the inner Sydney metro area, which once performed as industrial areas are proving to be highly successful mixed residential re-developments that attract and retain a local population, close to employment in the City with access to high frequency public transport. For example: Green Square.

The opportunity for a more suitable future use of a number of industrial sites that present limited scope for ongoing industrial redevelopment have been considered in local studies, which analyse the specific performance and function of all industrial zoned land in Leichhardt LGA. This more recent strategic evidence provides a clearer understanding of strategic role and function of various industrial land parcels in Leichhardt; many of which are reaching the end of their life for industrial use.

Employment Lands Development Program

The NSW Government in conjunction with the Department of Planning and Infrastructure produce this program's outputs, which outline the provision of employment lands throughout NSW. Particular emphasis is placed on Greater Sydney and its subregions.

The ELDP report is generated in order to evaluate the following:

- Supply of employment lands
- Demand of employment lands

Overall the site is not considered suitable for industrial purposes given it is isolated, relies upon access through residential streets, is surrounded by incompatible land uses and is disconnected to major arterial roads and freight movements.

recent ELDP 2010 (Report 4) presents the following key findings and trends:

- 344 hectares existing Employment Lands (2% of Sydney Region's total stocks)
- 34 hectares of undeveloped land (less than 1% of Sydney Region's undeveloped land)
- \$195 million of industrial building approvals between 2001/02 and 2008/09 (3% of Sydney Region's total approvals)
- 1 hectare of Employment Lands take-up in 2009, compared to 3.8 hectares in 2008
- 19,300 jobs in Inner West Employment Lands (19% of all jobs within the subregion)
- 62 jobs per hectare (fifth highest job density rate)

MacroPlan Dimasi has utilised information provided in this report in order to understand employment land trends in the context of employment capacity of Western Sydney, which includes the key competitor areas for industrial development across the metropolitan Sydney area.

SREP 26 – City West

In Leichhardt Local Government Area (LGA) key industrial clusters are predominantly located along main classified roads or the 'White Bay and Glebe Island' site, which forms part of the area covered by State Regional Environmental Plan 26 (SREP 26). This strategic site is zoned "Port and Employment" and is governed under a Master Plan for Glebe Island and White Bay by the Minister for Planning and Infrastructure to protect and enhance its function as a working port. This will remain an important strategic location and is not affected by the supply of 1.1 hectare of industrial land at Lords Road.

SEPP Western Sydney Employment Area

In 2008, the NSW state government finalised and published the SEPP Western Sydney Employment Area. The purpose of the SEPP was to identify potential future employment land and increase capacity for western Sydney. The SEPP identified and rezoned an additional 826 ha of new employment land in the region. The majority of rezoning had been concentrated around the M4 and M7 road infrastructure. Further investigation lands have also been identified south of Erskine Park. The Western Sydney Employment Lands comprise of ten precincts:

- Erskine Park Employment Lands (existing)
- Eastern Creek (existing)
- Former Wonderland site (existing)
- Quarantine Station (existing)
- Huntingwood West (existing)
- 'Raceway' precinct (existing)
- Huntingwood (existing)
- Greystanes Northern & Southern Employment Lands (existing)
- South of Warragamba Pipeline i.e. Sydney's Water Pipeline (newly zoned)
- Ropes Crossing (newly zoned)

Leichhardt Employment and Economic Development Plan (EEDP) 2013

Leichhardt Municipal Council has finalised its Employment and Economic Development Plan (EEDP) 2013. Hill PDA has undertaken economic research in preparation of the Leichhardt EEDP. This plan follows a previous Employment Lands Study. The EEDP was informed by research undertaken in relation to economic, social and demographic analysis affecting the strategic planning direction of all industrial and business land in the LGA.

The EEDP is a ten year plan, which indicates the strategic importance of individual precincts in order to provide a clearer strategy for its employment lands. This plan provides a better understanding of the changing dynamics of various employment sectors and their future needs. The EEDP and its associated four year action plan will be used to guide Council's strategic planning in key employment areas including planning proposals that seek the rezoning of specific employment

land parcels across the whole LGA. Generally, the EEDP identifies broader industrial trends affecting the future location of industrial and manufacturing activities in Leichhardt. Specifically, the EEDP acknowledges Bureau of Transport Statistics (BTS), which indicates a *significant proportion (67%) of workers resident in Leichhardt LGA is employed in 'white collar' sectors.*

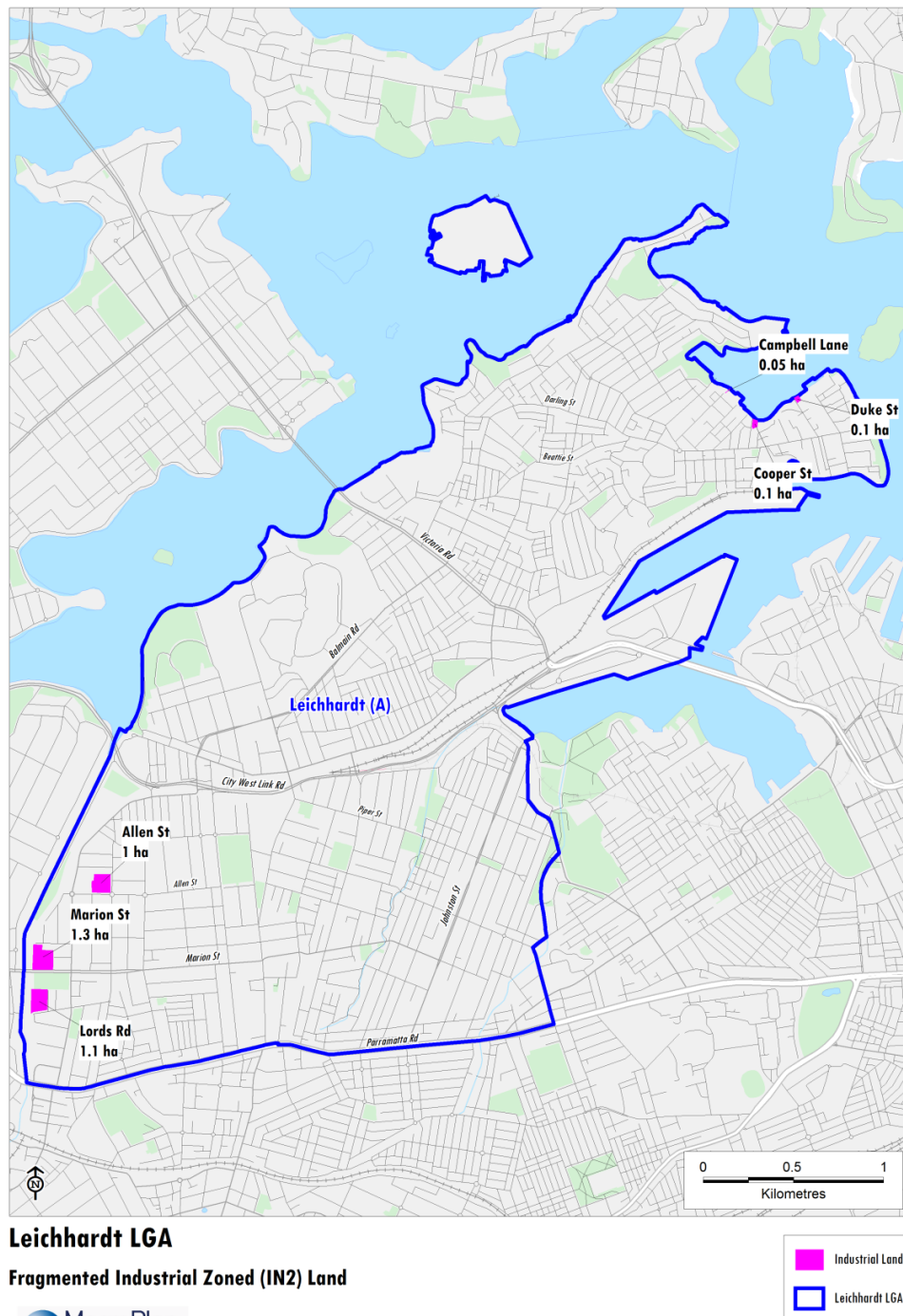
The site at Lords Road is one of 6 industrial areas identified in Council's EEDP and previous Employment Lands Study as fragmented industrial land. Our appraisal considers findings regarding the role and function of fragmented sites identified in the EEDP; providing comment in terms of suitability for long term employment usage and opportunities for redevelopment. These sites all share a number of characteristics, which limit their role and function for industrial purposes. Significantly, all of these sites are close to or below one hectare in size. Surrounding uses, which are incompatible with industrial activity, include residential and public recreation. All of these sites contain uses, which are not industrial, such as indoor recreation and residential use. Most have very limited vehicular access. A number of these sites have therefore already been redeveloped to a use, which is compatible with the surrounding area. Further opportunities are identified for each of these sites in the EEDP.

Figure 4. Review of Fragmented Industrial Land

Site Characteristics	<i>Lords Road</i>	<i>Marion Street</i>	<i>Allen Street</i>	<i>Duke Street</i>	<i>Cooper Street</i>	<i>Campbell Lane</i>
EEDP Site No.	18	19	17	16	15	14
Isolated Location	Yes	Yes	Yes	Yes	Yes	Yes
Size (ha)	1.1	1.3	1	0.1	0.1	0.05
Street Frontage	78m	113m	202m (corner)	13m	9m	13m
Distance to LRT Station or Ferry terminal	110m	10m	250m	500m	850m	250m
Surrounding Use	Residential, rail infrastructure, recreation	residential, rail	residential	waterfront, residential, recreation	waterfront, residential, recreation	waterfront, residential, recreation
Restricted HRV DB vehicle access	Yes	Yes	No	Yes	Yes	Yes
Vacancies	Yes	redeveloped Aged Care Hostel and	Low vacancy rate	Partly redeveloped	Yes	Vacant
Non-industrial uses currently	Yes	Yes	Yes	Yes	Yes	Yes
Opportunities identified in EEDP	Mixed use residential	higher density commercial/residential	Potential residential	Already part developed residential	Increase density mixed use	Residential led mixed use and café

Source: EEDP, MacroPlan Dimasi

Figure 5. Fragmented Industrial Land in Leichhardt



Source: Leichhardt EEDP, MacroPlan Dimasi

Although the findings of this report apply to the likely future planning of many of these fragmented sites, our report deals with the implications of broader industry and employment trends on the viability of continued industrial use at Lords Road.

S.117 Planning Direction - 1.1 Business and Industrial Zones

This direction applies to all planning authorities when considering the rezoning of employment land. This direction states:

Objectives

(1) *The objectives of this direction are to:*

- (a) encourage employment growth in suitable locations,*
- (b) protect employment land in business and industrial zones, and*
- (c) support the viability of identified strategic centres.*

Where this direction applies

(2) *This direction applies to all relevant planning authorities.*

When this direction applies

(3) *This direction applies when a relevant planning authority prepares a planning proposal that will affect land within an existing or proposed business or industrial zone (including the alteration of any existing business or industrial zone boundary).*

What a relevant planning authority must do if this direction applies

(4) *A planning proposal must:*

- (a) give effect to the objectives of this direction,*
- (b) retain the areas and locations of existing business and industrial zones,*
- (c) not reduce the total potential floor space area for employment uses and related public services in business zones,*
- (d) not reduce the total potential floor space area for industrial uses in industrial zones, and*
- (e) ensure that proposed new employment areas are in accordance with a strategy that is approved by the Director-General of the Department of Planning.*

Consistency

(5) *A planning proposal may be inconsistent with the terms of this direction only if the relevant planning authority can satisfy the Director-General of the Department of Planning (or an officer of the Department nominated by the Director-General) that the provisions of the planning proposal that are inconsistent are:*

- (a) justified by a strategy which:*
 - (i) gives consideration to the objective of this direction, and*
 - (ii) identifies the land which is the subject of the planning proposal (if the planning proposal relates to a particular site or sites), and*
 - (iii) is approved by the Director-General of the Department of Planning, or*
- (b) justified by a study (prepared in support of the planning proposal) which gives consideration to the objective of this direction, or*
- (c) in accordance with the relevant Regional Strategy or Sub-Regional Strategy prepared by the Department of Planning which gives consideration to the objective of this direction, or*
- (d) of minor significance.*

Note: *In this direction, "identified strategic centre" means a centre that has been identified as a strategic centre in a regional strategy, sub-regional strategy, or another strategy approved by the Director General.*

Further consideration of the strategic relevance of the subject site is provided in subsequent sections of this report.

Suffice to say at this stage, the subject land has not been identified as strategically important. Due to its relative isolation and small size, its preservation will not encourage or protect employment growth in Leichhardt. The S.117 Direction therefore should not prohibit the consideration of rezoning this land on its own merits.

Having identified the policy and strategic context in which the continued use of the subject site must be considered, the remainder of this report has regard for Sydney's broader industrial trends and their implications for continued industrial activity at Lords Road.

We return, in later sections, to assess the site's utility against the NSW Checklist for rezoning existing industrial land, as required under Objective 13 of the Draft Metropolitan Strategy 2031.

Section 3: Industrial Development Trends & Drivers

This section of the report has regard for Sydney's broader industrial trends and their implications for continued industrial use on fragmented industrial land in inner Sydney, specifically in relation to the redevelopment potential of 67-75 Lords Road.

Broad Development Trends

Over the last decade, industrial businesses have relocated to outer western Sydney. Rising rents in established industrial regions and greenfield residential development (and hence population growth) have motivated this geographic transition by industrial businesses.

Significant investment in road and freight infrastructure has facilitated this movement. Industrial development has been most pronounced at the intersection of the M4 and M7. Direct connection to the M4 supports movements of containerised trade. Accordingly, businesses that operate in the logistics, warehouse and distribution industry have relocated to this area. More recently, industrial development at the M5 and M7 intersection has gathered momentum, where more affordable industrial land is available.

In total, approximately 711,300m² of new industrial space was commenced over the four years to 2011/12. Industrial building activity has been most pronounced in Eastern Creek, with approximately 329,000m² of industrial space commenced over the same period. Prestons (117,000m²) and Erskine Park (95,000m²) represent the next most popular destinations.

The scale of new development across Western Sydney is huge by comparison with the redevelopment potential of the subject site. This comparison underlines the miniscule impact of the subject site on the supply of industrial space, relative to the recent trends in demand.

The pattern and extent of new industrial development across western Sydney is depicted in the following table.

Figure 6. Industrial Building Commencements (2008/09 - 2011/12 cumulative)

Suburb	LGA	Net additions (m ²)
Eastern Creek	Blacktown	328,900
Prestons	Liverpool	116,900
Erskine Park	Penrith	92,100
Wetherill Park	Fairfield	36,500
Smithfield	Fairfield	21,900
Greystanes	Holroyd	18,400
Bankstown	Bankstown	17,900
Narellan	Camden	16,900
Castle Hill	The Hills Shire	16,200
Glendenning	Blacktown	12,300
Prospect	Blacktown	8,500
St Marys	Penrith	7,200
Ingleburn	Campbelltown	4,800
Moorebank	Liverpool	4,000
Milperra	Bankstown	2,500
Minto	Campbelltown	2,500
Penrith	Penrith	2,300
Hoxton Park	Liverpool	1,500
Total		711,300

Source: Cordell Connect, ABS custom data, MacroPlan Dimasi

Industrial Land Values

A key factor for businesses opting for a less centralised location is the trade-off between travel time and property values.

The Inner West subregion has significantly higher land values than the Outer West, with rentals being marginally higher land values are in some cases up to double the value in inner western Sydney. This market evidence shows why new development is gravitating towards the outer west regions of Eastern Creek and Erskine Park.

Rents and land values are most supportive of industrial development in the outer western regions. The table below clearly denotes this trade-off, identifying the comparative rents and land values of all regions.

Figure 7. Industrial Face Rents and Land Values by Region, 2012

Region	Grade	Avg. Net face rents (\$/m ²)		Average Land Value (\$/m ²)	
		Low	High	Low	High
North	Prime	160	185	400	900
	Secondary	110	150		
North West	Prime	110	115	240	350
	Secondary	90	105		
South	Prime	130	160	600	1200
	Secondary	100	120		
South West	Prime	95	110	150	350
	Secondary	70	80		
Inner West	Prime	115	135	300	500
	Secondary	95	115		
Central West	Prime	105	115	250	350
	Secondary	85	100		
Outer West	Prime	100	110	175	250
	Secondary	75	90		

Source: Colliers International

Industrial Land Capacity

In 2011, the north-west region had 580 undeveloped zoned lots sized at or below 1 hectare. These lots represent competition for industrial redevelopment at the subject site. Consequently, there is a huge supply of small sized lots which can compensate for rezoning of the subject site at the metropolitan level. MacroPlan Dimasi has identified approximately 3,175 hectares of undeveloped zoned employment land in Sydney's growth centres. The majority of employment land capacity is situated in the north-west region, which at current take-up rates,

represents about 22 year's worth of land supply. Approximately 14 year's worth of capacity has been identified in the south west region.

Figure 8. Industrial Land Indicators – Undeveloped Industrial Land

	North West	South West
Current Provision (ha)		
Zoned	1,958	521
Zoned & Serviced	500	196
Unzoned	1,600	2,700
Historical Take-up (ha per annum)		
2008	107	38
2009	116	71
2010	95	62
Average	106	57
MacroPlan Dimasi Projections (ha per annum)		
2012-2015	65	65

Source: ELDP (2010 Report & 2011 Update), MacroPlan Dimasi

Blacktown and Penrith LGAs account for the majority of employment land capacity in the north-west region. Collectively, a total of 1,800 hectares of undeveloped zoned employment land has been identified in these LGAs. In the south west region, employment land capacity is evenly spread across three LGAs, with Camden, Liverpool and Campbelltown LGAs all comprising of between 129 and 155 hectares of undeveloped zoned employment land capacity.

By number, the majority of employment land lots are small in size i.e. less than 1 hectare. A lack of suitably sized lots can potentially stymie development activity. However, there are approximately 60 lots greater than 5 hectares in the north-west (of which, 35 are greater than 10 hectares) and over 200 lots sized between 1-5 hectares across both regions, which should cater for larger industrial style development formats over the immediate future. The majority of lots available for development are relatively small. Approximately 78% of all lots in Sydney are smaller than one hectare in size. In total, 750 undeveloped zoned employment lots have been identified in the north-west region, accounting for one-third of Sydney's capacity. Similar to Sydney, approximately 77% of all available lots in the north-west are smaller than one hectare in size.

Figure 9. Undeveloped Zoned Employment Lands by Lot Size, 2011

Lot Sizes	North West				South West			
	Lots		Area		Lots		Area	
	No.	%	ha	%	No.	%	ha	%
<0.1ha	171	23%	8.1	0%	42	10%	1.6	0%
0.1-0.5ha	309	41%	71.8	4%	206	49%	54.5	9%
0.5-1ha	100	13%	72.8	4%	51	12%	35.5	6%
1-5ha	111	15%	244.0	12%	100	24%	231.4	40%
5-10ha	24	3%	163.0	8%	11	3%	72	12%
>10ha	35	5%	1,394.1	71%	9	2%	185.8	32%
Total	750	100%	1,953.8	100%	419	100%	581	100%

Source: ELDP, MacroPlan Dimasi

Major Industrial Projects and Built Form Trends

MacroPlan Dimasi has identified major industrial projects (greater than 6,000m²) that have commenced since 2008/09. The largest identified projects predominantly comprised of distribution, logistics and warehouse type development (with accompanying office offer). These buildings were typically developed for one occupier, with the majority of space utilised for warehousing functions (e.g. storage, loading docks, cool rooms, etc.). Some ancillary/mezzanine office space had also been developed. Critical mass is apparent within this industry.

Data centres represented the next most popular land use type for new industrial premises (4 identified projects in total), followed closely by self-storage (2 projects).

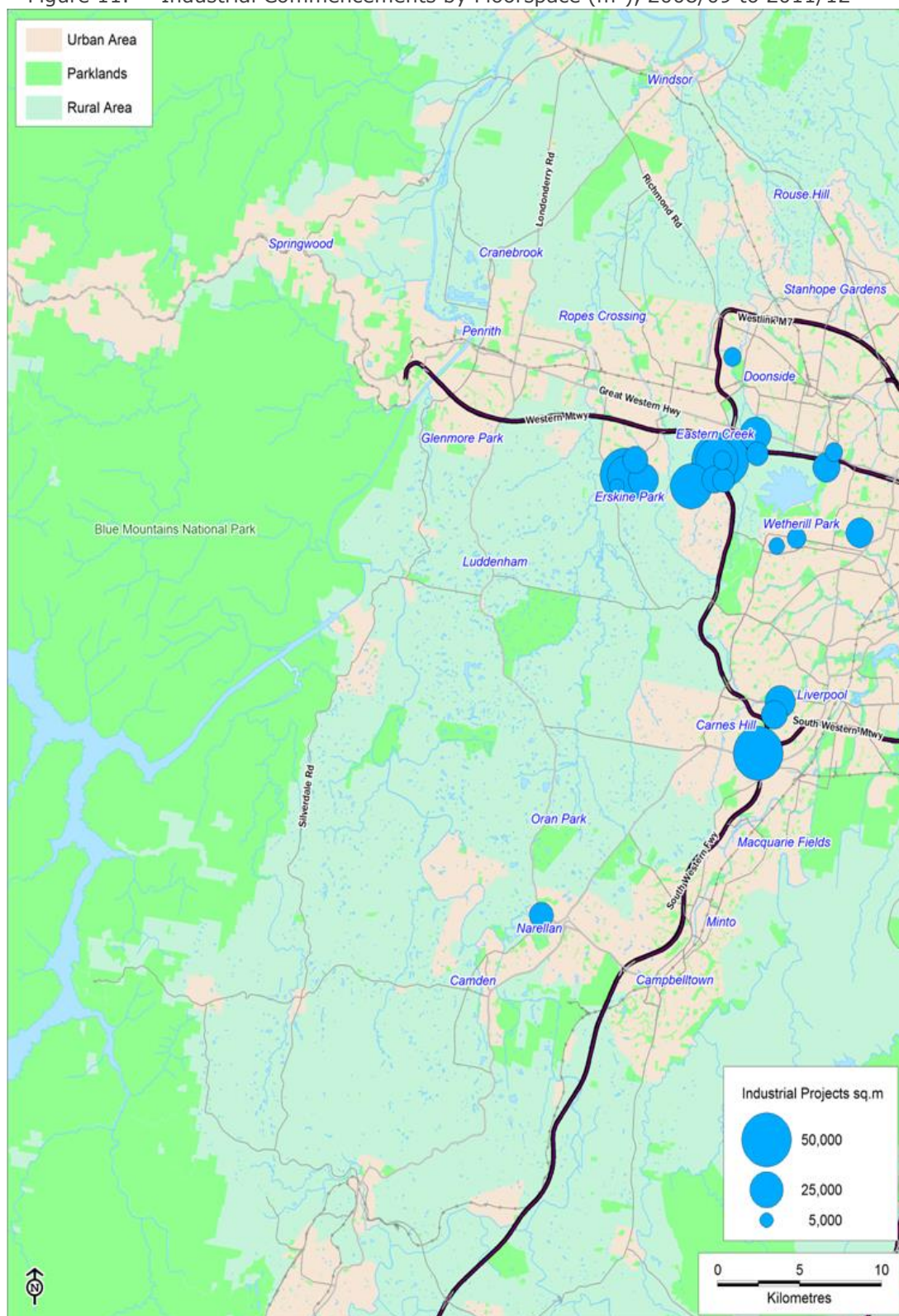
The predominance of the freight and logistics sector in western Sydney is also reflected in industrial building approvals data (below).

Figure 10. Major Industrial Projects, Commenced (2008/09 to 2011/12)

Project	Address	Suburb
Interchange Park Warehouse D1	11 Interchange Dr	Eastern Creek
Aldi Distribution Centre	41-43 Ash Rd	Prestons
Kmart warehouse and distribution centre	2 Wonderland Dr	Eastern Creek
Templar Rd Industrial Development	116 Erskine Park Rd	Erskine Park
Ingram Micro Distribution Centre	22 & 24 Wonderland Dr	Eastern Creek
Best & Less Logistics Centre	122 Old Wallgrove Rd	Eastern Creek
Westpark Industrial Estate	116 Erskine Park Rd	Erskine Park
Bagtrans Warehouse	Brabham Dr	Eastern Creek
Nexus Industry Park	15 Lyne Pde	Prestons
DHL Distribution Facility	147-297 Lenore Dr	Erskine Park
Greystanes Data Centre (Fujitsu)	Reconciliation Dr	Greystanes
Britton Street Warehouse	45 Britton St	Smithfield
Swire Cold Facility	59 Jedda Rd	Prestons
Erskine Business Park	1-21 Grady Cr	Erskine Park
Hewlett Packard Data Storage Facility	554 Capicure Dr	Eastern Creek
Bunnings Warehouse	1 Porrende St	Narellan
Woolworths Data Centre	22-24 Peter Brock Dr	Eastern Creek
Clay Place Industrial Development	10 Clay Pl	Eastern Creek
Southern Steel Logistics Centre	Nancy Ellis Leebold Drive	Bankstown
ABC Tissue Products Warehouse	412-424 Victoria St	Wetherill Park
Kennards Self Storage	15-17 Rowood Rd	Prospect
AHG Automotive Precinct	2A Victoria Av cnr Windsor Rd	Castle Hill
Power Street Industrial Development	170 Power St	Glendenning
Beach Street Industrial Development	2 Beach St	Eastern Creek
Hills Self Storage	50 Carrington Rd	Castle Hill
Newton Rd Industrial Development	59 Newton Rd	Wetherill Park
Quarry Rd Industrial Development	50 Quarry Rd	Erskine Park

Source: Cordell Connect, MacroPlan Dimasi

Figure 11. Industrial Commencements by Floorspace (m²), 2008/09 to 2011/12



Source: Cordell Connect, ABS Custom Data, MacroPlan Dimasi

In all sub-regions, warehouses represented the most popular industrial built form option. In value terms, approximately 84% of all industrial approvals in the south west were accounted for by warehouses. Although less in proportion, warehouses accounted for the majority of industrial development in the north-west.

This record of industrial building activity ties with observed sectoral trends. Clearly, the dominance of warehouse typologies reflects the import/export dominance of industrial demand in western Sydney. In addition, a lesser share of factory development reconciles with the relocation of domestic manufacturing activity to offshore locations.

Figure 12. Sydney Industrial Approvals by Type (2009/10)

Industrial Built-form Approvals				
Subregion	Factories	Warehouse	Other	Total
South West	13%	84%	3%	100%
North West	28%	68%	4%	100%
West Central	17%	74%	10%	100%
Inner West	17%	83%	0%	100%

Source: ABS, MacroPlan Dimasi

Our examination of industrial development trends has demonstrated that Sydney's need for well-located and accessible freight and logistics hubs and the rising cost of business in established central parts of the city has coincided with the State Government's infrastructure investment in Sydney's outer growth areas. The culmination of these forces is a push-pull effect on existing and new development options for business investment locations.

This effect is reflected in a growing demand for a change in approach to zoning industrial land in central Sydney that is no longer fit for purpose; is financially unviable and which cannot compete with the attractiveness of large, well serviced employment precincts in Greater Western Sydney.

These market forces are reflected in an interest in pursuing rezoning applications for traditional industrial land and vacancy rates of such land in Leichhardt and

other Local Government Areas where there is an emphasis on strengthening technology based, service and knowledge sector jobs in higher density precincts.

Industrial Market Prospects

Ironically, growth in key service sector employment and business locations is currently supported and underpinned by the same policy direction which seeks to protect redundant industrial lands.

Clearly, the protection of all industrial lands is unnecessary, especially where abundant industrial land stocks in more favourable investment locations exist.

As the "economy will continue to shift away from manufacturing to a stronger finance and services focus" (NSW Government - Metropolitan Strategy for Sydney 2031), attraction to investors for new industrial development along the Sydney Orbital Road System and in designated growth centres will continue to be a significant regional industrial development trend.

Characteristics of this trend include:

- The north-west has been the dominant frontier for industrial development in western Sydney.
- Over the three years to 2009/10, take-up of industrial space in Sydney averaged 163 hectares per annum, primarily concentrated in the north-west region, representing 111 hectares.
- Eastern Creek is the current epicentre for industrial development in western Sydney. Development at the M4/M7 intersection is favoured.
- These locations deliver benefits from access to transport, a relative price advantage, large consolidated lots and access to road infrastructure.
- Warehouses represented the most popular industrial built form option.

The trend of metropolitan migration of industrial land use towards outer western Sydney is driven by numerous factors indicative of the diminishing future viability of constrained older style industrial land in higher value urban areas across many local government areas in Sydney. The subject site is a clear reflection of these trends.

Key attributes of the outlook for industrial land demand include:

- There are approximately 3,175 hectares of undeveloped zoned employment land in Sydney's growth centres.
- At current take-up rates, the north-west region has about 22 year's worth of land capacity compared to 14 years of capacity in the south-west.
- Locations with access to the M7 will continue to be prioritised for industrial development.
- The Moorebank Inter Modal Transit (IMT) will provide an efficient solution for improved movement of container freight between Port Botany and south-west Sydney. It will reduce congestion along the M4, which will enhance the prospects for residential development along Parramatta Road.
- Over an extended period, there will be an outright decrease in road freight from Port Botany along the M4. The current demand for industrial property along the M4 (east of the M7 intersection) will be diluted by the Moorebank IMT. This outcome will further reduce the redevelopment potential of the subject site for industrial purposes.

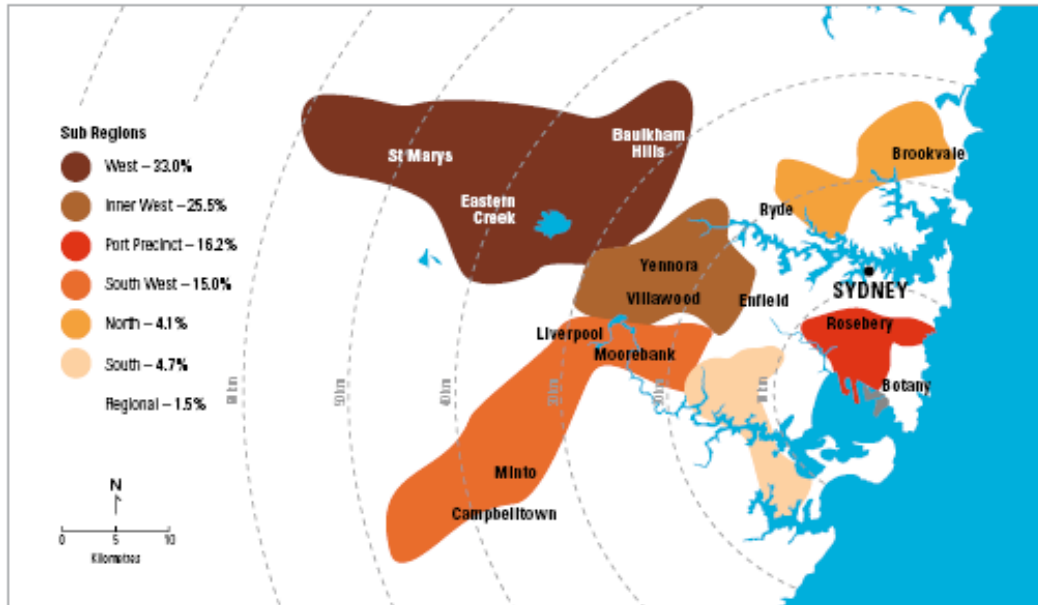
The recent success of the M7 as a magnet for industrial development is striking. It provides clear evidence as to the impact of new infrastructure investment on the patterns of demand for industrial space.

The primary problem of road congestion remains, however, because container movements from Port Botany along the M4 and M5 continue to be the dominant method for distributing imports and arranging exports.

Infrastructure Investment

Over the past decade, road transport has come to dominate the movement of freight from Port Botany in the absence of rail freight capacity. The destinations for rail freight from Port Botany are primarily to Chullora, Yennora and Minto.

Figure 13. Sydney Metro - Import Destinations



Source: Sydney Ports Corporation

Whilst the distribution of access points for Port Botany have been skewed in the past to north western Sydney, construction of the M7 has altered the nature of distribution networks. Development has concentrated around the intersection of the M4 and the M7. More recently, it has also supported industrial development at the intersection of the M5 & M7 (i.e. at Prestons and Hoxton Park).

Construction of the proposed Moorebank IMT (Inter Modal Transport) project will significantly improve the efficiency of freight distribution throughout Greater Sydney. Planned and potential transport infrastructure investment can increase capacity at existing employment precincts and will be a catalyst for the development of new industrial hubs.

MacroPlan Dimasi has examined potential major and minor transport infrastructure projects that could impact the demand for industrial space in western Sydney. Potential projects and their prospect timings have been generated considering the NSW Long Term Transport Master Plan (2012) and Infrastructure NSW's 20-Year Infrastructure Strategy (2012).

Figure 14. Potential Transport Infrastructure Projects and Timing

Project	Completion (approx.)	Status
Regional		
M7 WestLink	0-5 years	Completed
Enfield IMT	0-5 years	Commenced
M5 (Hume Highway) upgrade	0-5 years	Approaching Completion
M2	0-5 years	Commenced
North West Rail	5-10 years	Land Acquisition
South West Rail	5-10 years	Commenced
Moorebank IMT	5-10 years	Concept/ Exhibition
WestConnex (M4 & M5 extension)	5-10 years	Concept/ Exhibition
Dombarton Rail	10+ years	Deferred
M9	10+ years	Concept/ Exhibition
Local		
Greystanes to Wetherill Park	0-5 years	Approaching Completion
Erskine Park Link Rd	0-5 years	Approaching Completion
Northern Rd upgrade	0-5 years	Concept/ Exhibition
Oran Park Rd duplication	0-5 years	Commenced
Bingelley Rd upgrade	5-10 years	Concept/ Exhibition

Source: Infrastructure NSW, Department of Transport, MacroPlan Dimasi

Unlike a number of other Australian cities, Sydney is predominantly an importer of containerised freight. A wide range of commodities are imported into NSW via Port Botany, including manufactured products, machinery and transport equipment, chemicals, paper products and food and beverages. Construction of the proposed Moorebank IMT is expected to significantly improve the efficiency of freight distribution throughout Greater Sydney.

The Sydney container freight market is almost entirely dependent on Port Botany which is a major container port. Sydney's need for additional IMT capacity is being driven by strong growth in freight volumes – Port Botany has experienced around 7% p.a. growth in freight volumes over the five years to 2011. Almost all of this growth was enabled through road freight.

The port is currently subject to a cap on throughput of 3.2 million TEU p.a. which, at current rates of growth, is expected to be reached between 2016/17 and 2020/21. The cap is imposed through a planning restriction which is correlated to the actual approximate capacity of the existing Port Botany infrastructure.

The use of rail freight is currently a small proportion of import and export through Port Botany. Current capacity of intermodal facilities is 225,000 TEUs. The closure of the Camellia IMT in 2010 substantially reduced capacity across the Sydney

network. The major facilities currently in operation are the Yennora, Chullora and Minto IMTs.

New capacity is under construction, through the Enfield Intermodal Logistics Centre. Hutchinson Port Holding has been appointed to develop, operate and maintain the IMT at Enfield. Enfield is planned to have a maximum capacity of 300,000 TEU p.a. Enfield IMT is anticipated to commence operations by the end of 2013.

The Moorebank IMT site layout has a sustainable practical capacity of approximately 1.2 million TEU p.a. for the IMEX facility, and 0.5 million TEU p.a. for the interstate terminal.

Figure 15. Moorebank IMT plan

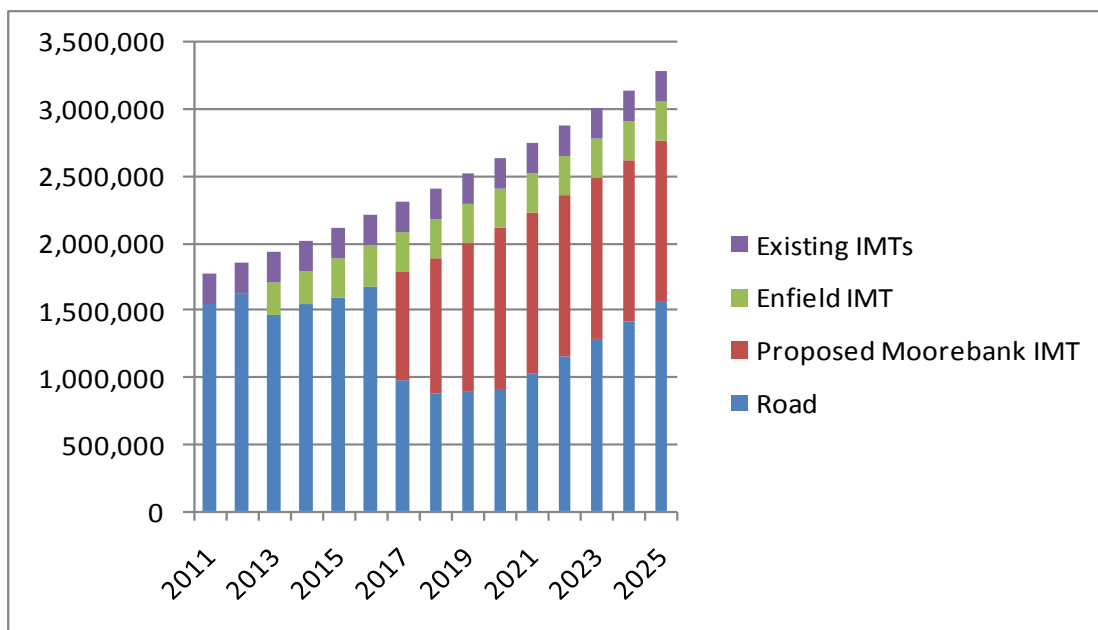
January 2013:	GBE established
July 2013:	Procurement process for port shuttle terminal operator begins
December 2014:	Defence vacates IMT site
January 2015:	Port shuttle construction begins
Mid 2017:	Port shuttle operations begin
July 2027:	Interstate construction begins
January 2029:	Interstate operations begin

Source: NSW Infrastructure

The subject site is distant from the Moorebank IMT and the M7. Once the Moorebank IMT is complete and operational, road freight movements along the M4 will become less frequent. This outcome means that locations on the eastern part of the M4 will become much less valuable for industrial redevelopment.

This outlook is reflected in the chart below. The scope of freight movement along the road network is set to drop sharply as the Moorebank IMT begins operation. Based on the projections shown below, the volume of road freight would not recover to current levels until beyond 2025.

Figure 16. Projected TEU Movements from Port Botany



Source: Sydney Ports Corporation

This outcome will greatly reduce freight traffic along key arterial roads, particularly the M4 and the M5. A by-product of this modal shift is that access to the M4 will no longer deliver a premium value for many industrial businesses, as road freight movements will be predominantly sourced from the M5/M7 intersection.

In the short term, road freight will continue as the main mode for distribution and logistics of containerised goods. This will continue to support demand for warehouse space and distribution facilities at Prestons, Erskine Park and Eastern Creek i.e. at locations within proximity to the M4/M7 and M5/M7 Sydney Orbital intersections.

From 2017, the Moorebank IMT will become the dominant driver for warehouse and logistics trade. Consequently, the centre of gravity for industrial development will move away from the M4, along the M7 and towards the south-west intersection of the M7 and M5.

Market demand will remain focused on light industrial offerings at the two major intersections of the Sydney Orbital Network.

Long Term Planning

Clearly the pattern of new industrial development in western Sydney favours warehousing and industrial development that is connected to transport and freight infrastructure. The larger industrial estates have proven to be most popular given the critical mass that they offer and business efficiencies that they create for a range of industrial pursuits, big and small. This trend has been supported and will remain supported by recent and proposed infrastructure investment.

The recent pattern of industrial development is consistent with current long term strategies to build an employment presence in Sydney's west.

The most recent draft Metropolitan Strategy for Sydney seeks to locate 50% of new jobs in Sydney's west. The Metropolitan Strategy is supported by other recent strategies which address the land and infrastructure capacity of western Sydney to support its expected employment base (e.g. the Transport for NSW Masterplan, the various Port Strategies, and the Western Sydney Employment Area – Draft Structure Plan).

All documents point to the need to service significant industrial precincts as the major employment hubs for western Sydney and identify the benefits and importance of an aggregated land supply, spread across well located employment precincts.

Section 4: Local Employment Provision

Our analysis thus far has demonstrated the advantages of an aggregated employment land offer whereby critical mass and scale economies combine to provide a range of business and transport efficiencies. The market response to this type of offer has been strong and underlies a structural weakness in the desirability of smaller industrial pockets that are disconnected from major roads and/or which are located alongside land that is predominantly intended for residential purposes.

The Inner West subregion employment lands consist of 344 hectares, accounting for 2% of the Sydney Region total (Employment Lands Development Plan 2010). These are concentrated at Strathfield south, in and around the location of the Enfield Intermodal Logistics Centre (under construction), which is an intermodal transit facility (IMT) on the main freight line close to the Hume Highway. The Enfield IMT facility is a major part of Sydney Ports' plans to double the number of container movements to and from Port Botany by rail.

Leichhardt contributes 31% of the subregion's total employment land stocks (107 hectares) primarily within the Bays Precinct (Glebe Island/White Bay), supplying approximately 73 hectares. Key industrial clusters are predominantly located along main classified roads or close to the 'White Bay and Glebe Island' site, which forms part of the area covered by State Regional Environmental Plan 26 (SREP 26). This strategic site is zoned "Port and Employment" and is governed under a Master Plan for Glebe Island and White Bay by the Minister for Planning and Infrastructure to protect and enhance its function as a working port.

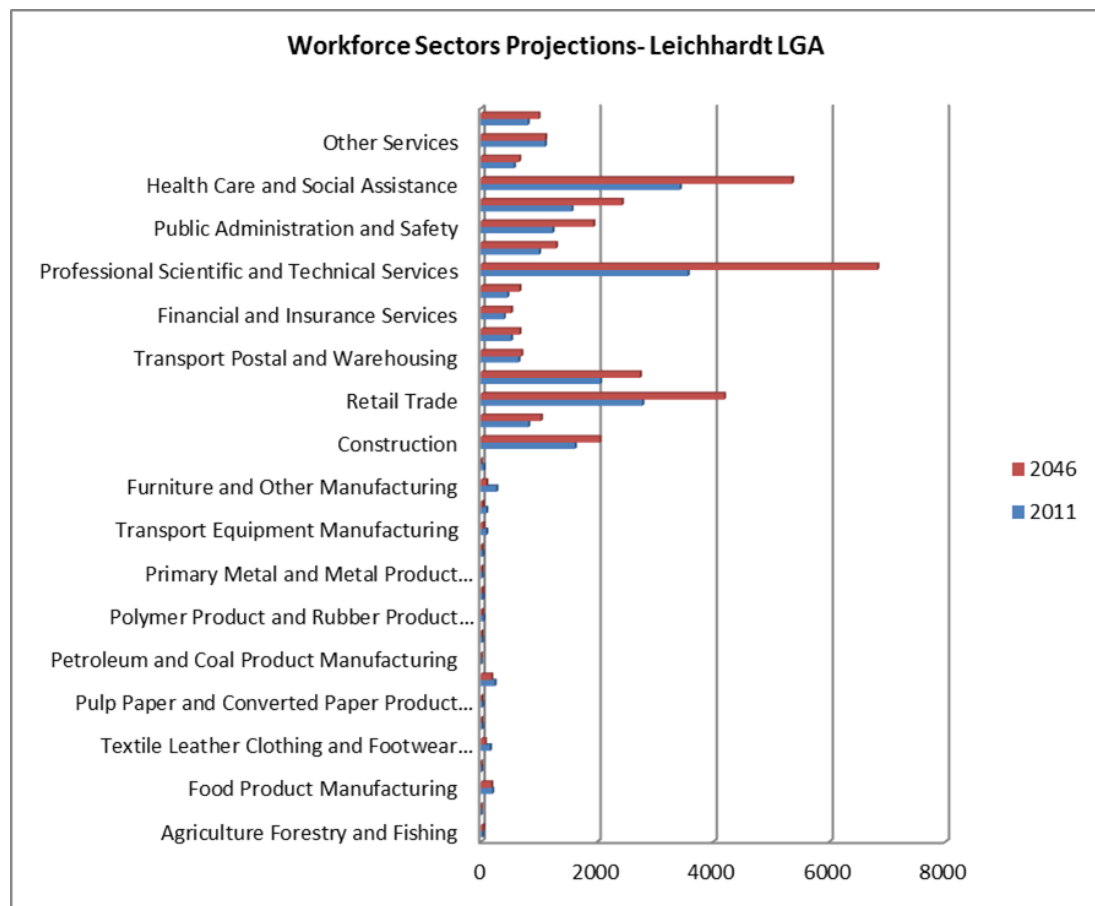
Existing industrial zones close to major precincts and infrastructure well serve the demand for local industrial type uses and at which there are current vacant land offerings. The industrial land at Lords Road contributes a nominal amount (1%) to overall employment land stocks in Leichhardt LGA. Lords Road will have no impact on well-located precincts in the Leichhardt LGA, which will remain strong, where supported by access to vehicle and port infrastructure, freight and logistics.

Smaller fragmented sites such as that at Lords Road have lost their industrial relevance. This presents an opportunity to reconsider the role of this land, which will meet the needs of the growing professional and technical workforce and an aging population in inner Sydney.

Leichhardt Population and Workforce

The occupation of Leichhardt residents will grow in most sectors, with a continued emphasis on professional, scientific and technical services; health care and social assistance (driven by an aging population); and retail trade.

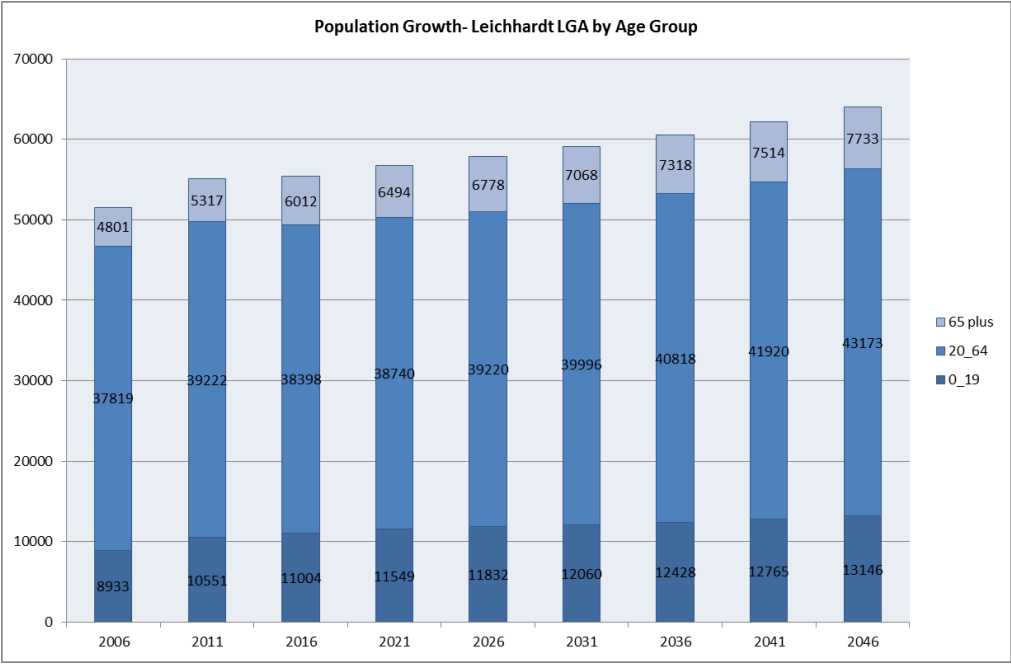
Figure 17. Workforce Projections- Sectors



Source: BTS, MacroPlan Dimasi

Population growth is anticipated across the whole metropolitan area. Specifically, the workforce population in Leichhardt is expected to grow from 39,222 in 2011 to around over 43,000 by 2046.

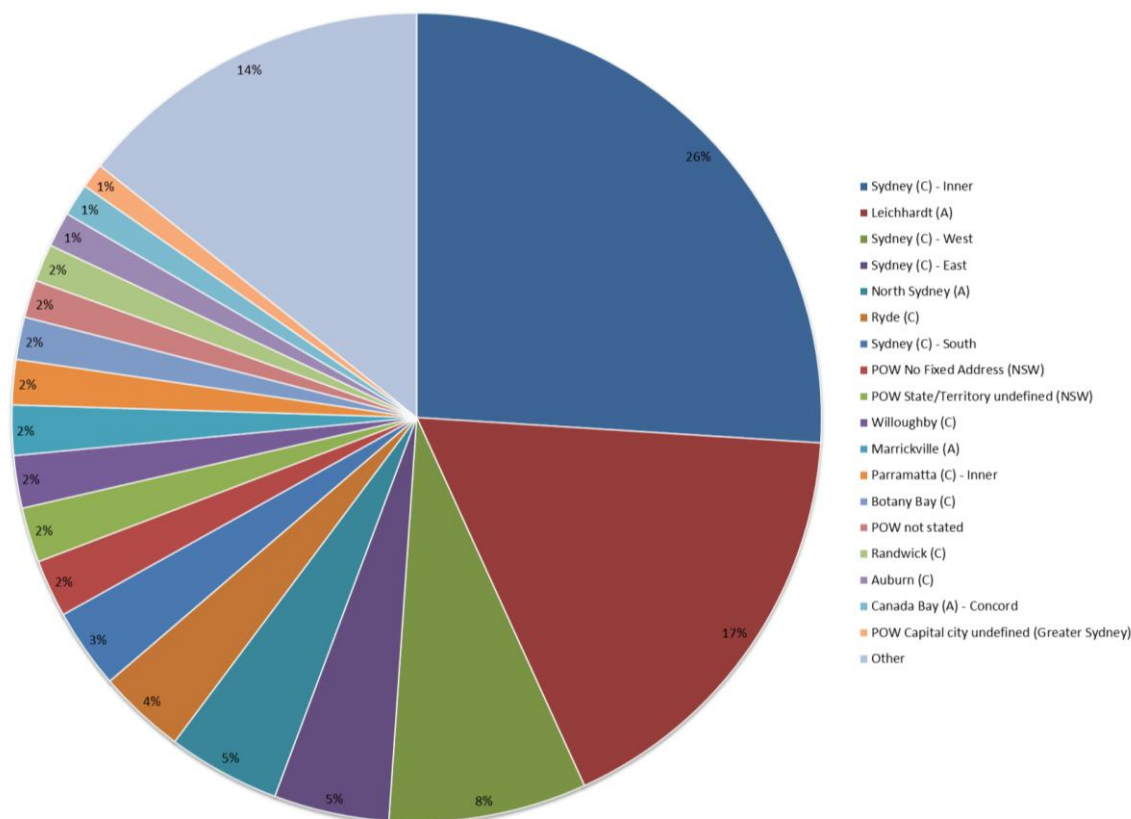
Figure 18. Population Growth



Source: Bureau of Transport Statistics

The largest proportion of Leichhardt’s resident population work in Inner Sydney (26%). Currently, 17% of the population in Leichhardt work within the LGA.

Figure 19. Employment location of Leichhardt residents (2011)



Source ABS Census

The future rezoning of this land presents an opportunity to provide accommodation close to commuter transit with links to the Global City of Sydney and specialist precincts underpinned by education, scientific and technological sectors.

It is anticipated that as the population ages in place and the working age increases beyond 65 years, this delay in 'retirement' and extended employment participation will have an impact on the size and mobility of the work force.

Based on current trends, we forecast this will likely result in more people working from home, in professional and managerial type occupations, either as sole traders or on more flexible contractual arrangements with employers in Central Sydney.

Retail- Leichhardt Marketplace Town Centre

The subject land is adjacent to residentially zoned land and is within 500 metres of the Leichhardt Marketplace centre. The town centre itself is a model for employment provision.

There is an opportunity to provide further retail and services employment opportunities in this local centre, to match the skills of the local population better, given the decline in industrial and manufacturing workers living in Leichhardt LGA.

Based on Bureau of Transport Statistics the number of workers employed in retail services is expected to grow further. This sub-regional retail centre of around 18,000 sq.m of retail space currently supports approximately 550 jobs:

Figure 20. Jobs in Retail – Leichhardt Marketplace

Type of use	Estimated employment per '000 sq.m	GLA (sq.m)	Employment (persons)
Discount Dept.	15	3,961	59
Supermarket	27	5,732	155
Specialty shops	40	<u>8,307</u>	<u>332</u>
Total centre¹		18,000	546

Source: MacroPlan Dimasi/Cordell 2013

This represents an average employment density of 30 jobs per 1,000m² of floorspace which compares favourably to the level of employment that would normally be associated with industrial development (at around 5-11 jobs/1,000m² of floorspace).

Consequently, even in the unlikely event of successful redevelopment of industrial development at Lords Road, the potential loss of employment capacity is more than compensated by the town centre's employment focus.

Clearly, a greater jobs yield is achievable through retail and commercial development. The following table illustrates the comparative employment densities that can be achieved by different land uses.

Figure 21. Job density by sector

Type of use			Estimated employment per '000 sq.m of floorspace
Department Store	Store/Discount	Department	20
Supermarket			40
Mini-majors			25
Specialty shops			50
Bulky Goods			20
Office/business			40
Government Administration			29
Hospitality, services and accommodation			34
Industrial & Manufacturing			11
Freight Wholesale and Storage			5

Source: MacroPlan Dimasi

Section 5: Subject Site - Strategic Assessment

This section of the report focuses on our examination of the suitability of the subject site to continued industrial use, using the policy framework of the draft Metropolitan Strategy as a base for this assessment.

Checklist for Rezoning Existing Industrial Land

A detailed assessment of the site has been undertaken and justified against the NSW Checklist for rezoning existing industrial land to other uses, as required under Objective 13 of the Draft Metropolitan Strategy for Sydney to 2031.

Our assessment demonstrates that the planning proposal will have no impact on the employment capacity of the local government area or subregion.

Figure 22. Checklist for rezoning existing industrial land to other uses

Checklist for rezoning of existing industrial land to other uses	Assessment	Justified redundancy of land for employment purposes?
Is the proposed rezoning consistent with State and/or council strategies on the future role of industrial lands?	The site is not considered of strategic importance in Council's EEDP, Metropolitan Plan 2036 or the more recent Draft Metropolitan Strategy to 2031. The site is isolated, relies upon access through residential streets and is disconnected to major arterial roads and freight movements. The dated content of the Draft Sub-Regional Strategy has been supplanted by recent strategic planning and economic analysis, which identifies this site, has reached the end of its economic life and is suitable for consideration to a more appropriate land use, much like other fragmented sites across the LGA.	Yes
Is the site: Near or within direct access to key economic infrastructure?	The site is spatially separated and distant from key economic freight and logistics infrastructure and physically isolated by a number of constraints including a commuter rail line, public recreation to the north and adjoining residential lands. The Lords Road employment	Yes

Contributing to a significant industry cluster?	area is not considered a significant cluster in the local or regional context. It does not play a strategic role in the future productivity of key strategic locations in the LGA or wider region such as the Parramatta Road Corridor or other Specialised Precincts.	
How would the proposed rezoning impact the industrial land stocks in the subregion or region and the ability to meet future demand for industrial land activity?	This study demonstrates that there are sufficient industrial land stocks at a regional and metropolitan level to meet current and future demand and that the 'loss' of the subject site from the region's employment land stocks will have no material impact on its ability to meet future demand. The Leichhardt Local Government Area has a substantial supply of suitably located employment land and the site represents 1% of all such land in the LGA.	Yes
How would the proposed rezoning impact on the achievement of the subregion/region and LGA employment capacity targets and employment objectives?	Redevelopment of the site will generate employment during the construction stage. It is anticipated that the rezoning will result in full time equivalent jobs including strata management and grounds maintenance. In addition, there is potential for jobs associated with the childcare component of the proposed use. Notwithstanding, it is our view that the potential for replacement jobs is the wrong premise by which to assess the worthiness of retaining the subject site as industrially-zoned land. Considered more broadly, rezoning of the site will not materially impact the LGA's employment capacity. On a sub-regional basis, there are sufficient employment zoned and planned-to-be-zoned lands to accommodate and grow its job containment potential.	Yes
Is there a compelling argument that the industrial land cannot be used for an industrial purpose now or in the foreseeable future and what opportunities may exist to redevelop the land to support new forms of industrial land uses such as high-tech or creative industries?	The future viability of this relatively small, isolated site for industrial purposes is not feasible due to current and future macro and micro trends in industrial land development. The site is isolated and disconnected and does not form part of a strategic employment hub or precinct. The site's buildings are in need of replacement which is unlikely to occur given the strategic and locational demands of new businesses and the availability of better positioned industrial estates where new development can be accommodated. The site is in the wrong location to support new forms of industrial use and will not attract investment.	Yes
Is the site critical to	The owner-initiated planning proposal will enable	Yes

meeting the need for land for an alternative purpose identified in other NSW government or endorsed council planning strategies?	delivery of residential development that is feasible, meets local demand and is perfectly positioned adjacent to a suburban light rail station (under construction) to provide a practical and affordable housing outcome. The proposal particularly addresses the intention to <i>deliver new housing to meet Sydney's growth (OBJECTIVE 5 of the current draft Metropolitan Strategy)</i> . The subject site is of a suitable land size and configuration, is singularly owned and is well positioned to a range of services and amenities. This suits redevelopment for residential purposes with provision of childcare facilities. This will support working families who can integrate child care drop off with a short commute to Sydney CBD. The rezoning will allow this development to occur within the short-to-medium term.	
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Source: Adapted from Criteria Table 1: Industrial Lands Strategic Assessment, Draft Metropolitan Strategy, Chapter 5 - Productivity

Site Specific Assessment

The principle intended outcome of the planning proposal is to deliver a mix of residential apartments and childcare centre. The planning proposal provides an opportunity to integrate existing and proposed residential uses with the new Light Rail Extension, close to existing public amenities, shops and services. The proposed rezoning is in response to current market demand and would not represent a significant loss of employment lands on this 10,691 sq.m site, which is partly vacant site and has reached the end of its economic life.

Upon consideration of the vision to rezone this land, Council has acknowledged in the EEDP that the fragmented industrial area at Lords Road is not of strategic significance to the economic development of and growth of Leichhardt and represents an opportunity for mixed use development,

The site is not well suited to future industrial uses and therefore consideration must be given to more appropriate function in the context of the local economy in such close proximity to Sydney CBD.

Its use for alternate purposes will not compromise the function of strategically important employment precincts, which will continue to attract and generate both

traditional and new “creative and knowledge jobs” associated with education, health and creative industry precincts.

Other Matters

Planning Consultants *Mecone* prepared a sequential assessment to test alternative redevelopment options as part of a vision statement for this land. These findings reach a preferred option, which optimises the role and function of this land in the context of surrounding uses and services and emerging opportunities for improved public transport.

Figure 23. Assessment of Redevelopment Options

Use	Assessment
Bulky Goods/ Retail Warehouse	Considered to be inappropriate because: • Requires access for large B-double trucks that is considered inappropriate for local area • Needs to be located on major transport routes • Major traffic generator • Requires to be co-located with other large retail warehouse outlets/bulk goods stores.
Industrial	Considered to be inappropriate because: • Potential impacts from noise to neighbours • Impact on surrounding roads from heavy vehicles • Needs to be near new major transport routes • It is an isolated site.
Commercial	Considered not viable because: • Not an employment destination site to warrant demand for commercial uses • Commercial property is best located on or near a Metropolitan Railway Station • Not located near major centres • Needs to be co-located with other uses in synergy with commercial uses, e.g. restaurants, cafes, wine bars.
Retail	Considered inappropriate because: • There are existing retail centres in close proximity to the site including, Leichhardt Marketplace and Norton Street • Retail uses will generate unnecessary competition to existing facilities in the area • Retail uses will generate substantial traffic.
Medical and Community Uses	Considered inappropriate because they: • Need to be co-located with other similar uses, for example a pharmacy or complimentary retail uses • Require 'main street' presence or to be located in a highly visible place • Generate substantial traffic on local roads.
Child care centre	Considered to be appropriate because: • The site is located in close proximity to Kegworth Public School and other local schools • A child care centre that is in close proximity to public transport and residential uses provides parents with greater time management opportunities by being on the way to and from work.
Residential Uses including Open Space	Considered appropriate because: • The site is located in close proximity to bus and light rail public transport • The site is located in close proximity to open space, retail uses and other services that can cater for the incoming residents • The increased population will support existing local retail centres, including Norton Street, Leichhardt Marketplace and associated retail strip.

Source: *Mecone Vision Statement, August 2013*

In addition to the site’s obvious unsuitability as industrial land per se, we note three further factors that ought to be considered in determining the preferred long term use of the land:

- **The site's interface with land zoned residential**
- **The sites proximity to 'white collar' employment in Sydney CBD.**
- **Working from home forecasts**

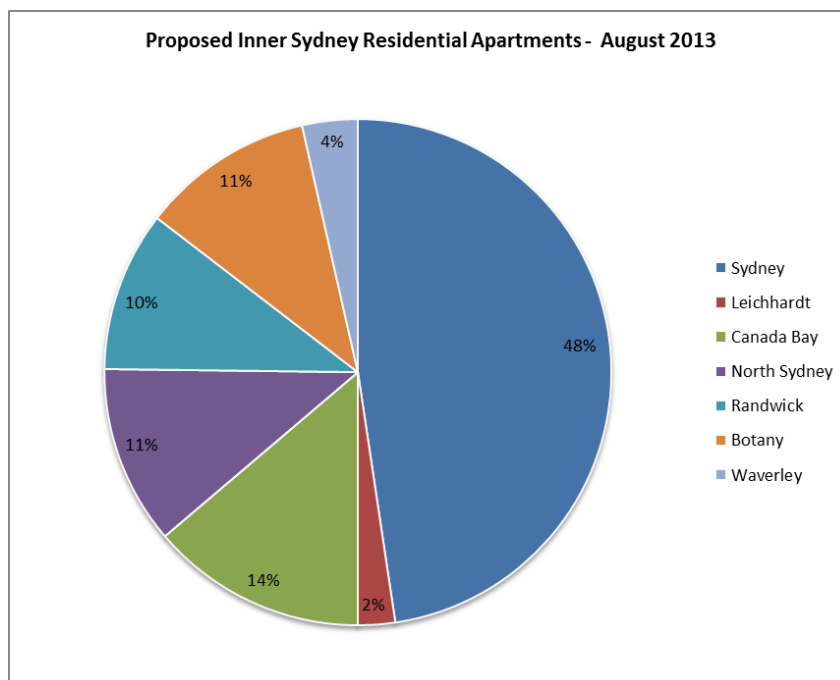
Residential Development

Council is correct in identifying the land's appropriateness for mixed use residential development in the EEDP, particularly given its proximity to the future Marion Street, light rail station, local open space, retail, services and community infrastructure. We surmise that the presence of industrial development will act to deter substantial residential redevelopment in this part of Leichhardt.

Further opportunities to increase density around Marion Street station will be supported by this proposal. Higher density living, close to public transport, shopping centres and services is an increasing development proposition, which is evident across the inner Sydney area.

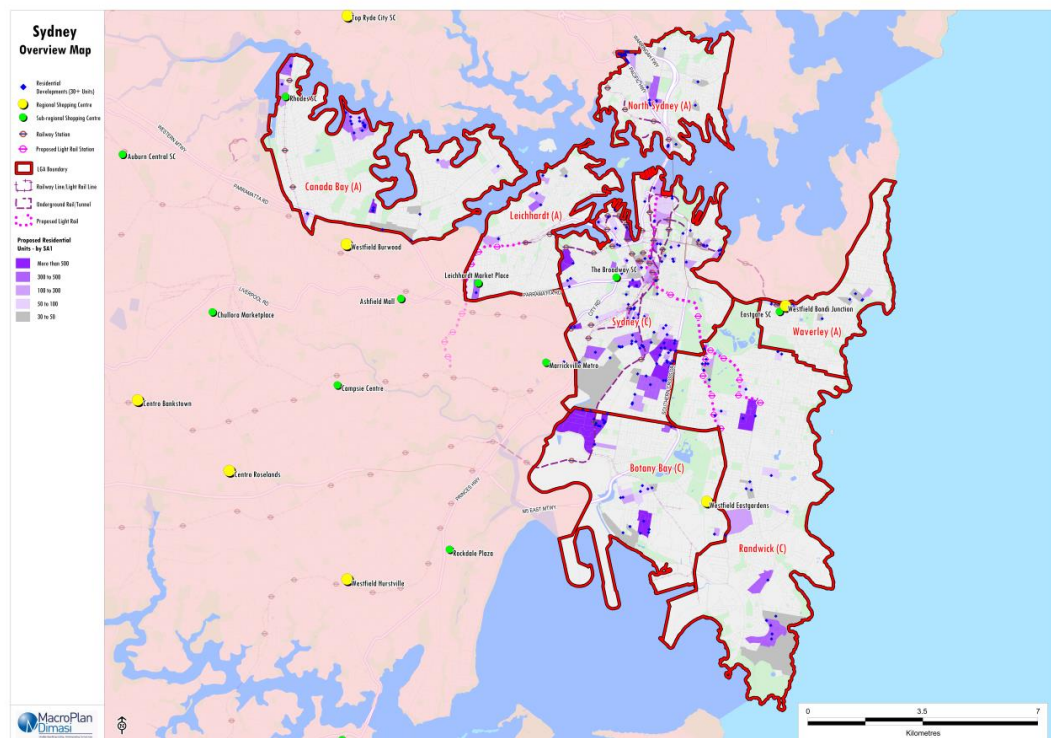
MacroPlan Dimasi has undertaken a review of 254 residential apartment developments currently proposed in the inner Sydney local government areas of Sydney, Leichhardt, Canada Bay, North Sydney, Randwick, Botany Bay and Waverley. Approximately half of all proposed residential apartment developments in Central Sydney, with around 10-15% each in Canada Bay, North Sydney, Randwick and Botany; 4% in Waverley and 2% are located in Leichhardt.

Figure 24. Residential apartment developments proposed in Inner Sydney



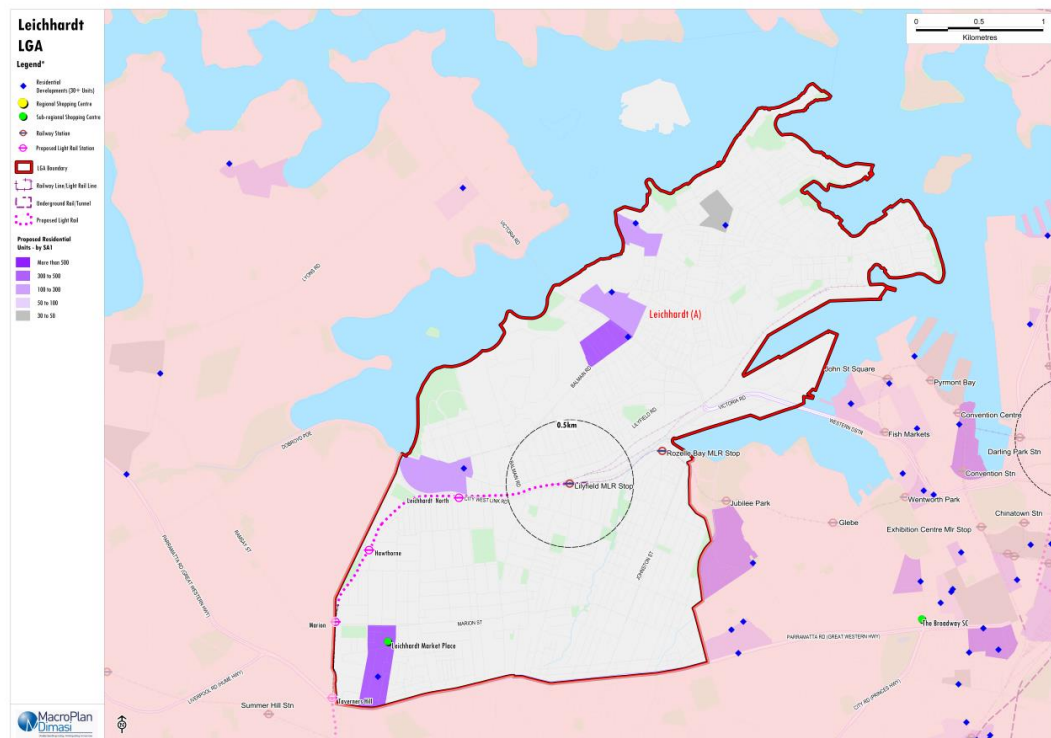
Source: MacroPlan Dimasi

Figure 25. Map of residential apartment developments proposed in Inner Sydney



Source: MacroPlan Dimasi

Figure 26. Residential apartment developments proposed in Leichhardt LGA



Source: MacroPlan Dimasi

Proximity to 'white collar' employment in Sydney CBD.

Evidently, Leichhardt LGA has a significantly high proportion of workers in professional, technical and service sector employment. The working age population is forecast to increase and will generate demand for more affordable, entry level residential offer close to public transit, which connects with specialist precincts and Central Business Districts. To meet the needs of a growing working age population, the demand for apartments is set to increase. Residential zoning at the subject site shall encourage the conversion of other low density housing in the vicinity of the light rail network to a higher or more fitting use. The presence of neighbouring industrial land would reduce the value of zoned residential land, making this potential redevelopment unlikely.

Work from Home (or not at a fixed location)

ABS Census data identifies the percentage of people working from home in Leichhardt has increased to 6% between 2006 and 2011; 2% above the Greater Sydney average.

Figure 27. Method of travel to work

Leichhardt Council area	2011		2006				Change
Main method of travel	Number	%	Greater Sydney	Number	%	Greater Sydney	2006 to 2011
Train	1,345	4.6	13.8	1,086	3.9	12.3	+259
Bus	6,207	21.0	5.8	5,729	20.5	5.4	+478
Tram or Ferry	1,027	3.5	0.4	933	3.3	0.4	+94
Taxi	209	0.7	0.3	219	0.8	0.3	-10
Car - as driver	12,028	40.7	53.8	12,006	43.0	53.7	+22
Car - as passenger	984	3.3	4.5	1,103	3.9	5.3	-119
Truck	108	0.4	1.1	132	0.5	1.3	-24
Motorbike	439	1.5	0.6	263	0.9	0.5	+176
Bicycle	840	2.8	0.8	442	1.6	0.6	+398
Walked only	1,549	5.2	4.1	1,537	5.5	4.2	+12
Other	404	1.4	1.0	292	1.0	0.9	+112
Worked at home	1,778	6.0	4.0	1,549	5.5	3.9	+229
Did not go to work	2,396	8.1	8.5	2,319	8.3	9.5	+77
Not stated	239	0.8	1.5	342	1.2	1.9	-103
Total employed persons aged 15+	29,553	100.0	100.0	27,952	100.0	100.0	+1,601

Source: Australian Bureau of Statistics, Census of Population and Housing 2006 and 2011

MacroPlan Dimasi expects that an estimated 15% of jobs in Australia will be at no fixed address by the year 2036. This estimate incorporates a 10% 'work from home' component and a 5% 'no fixed address' component as a sub-set of future jobs. We are confident that our estimates are sound and that the potential of technology-assisted employment choices is not yet fully tapped.

More broadly, there are numerous references that can be used as a proxy for estimating work from home forecasts. The ABS 'Residential & Workplace Mobility (2009) survey' attributes 7.8% for NSW currently (work from home and no fixed workplace).

The 'Impacts of Teleworking under the NBN (2010)' report by Access Economics suggests that improved technologies to be provided under the National Broadband Network (NBN) rollout may act as a further catalyst for teleworking. The Australian Government's Department of Broadband, Communication and the Digital Economy has set a target of 12% by 2020. The federal Coalition government has proffered a more limited commitment to the extent of a future NBN than the preceding Australian Labor Government. Nonetheless, it is reasonable to assume that the general national trend for improvements to telecommunications services will continue to influence how the general population use the internet to access employment, education and services from the home.

The ABS 'Locations of Work' (2008) Survey identifies work at home demographics and presents useful indicators for types of occupations, profiled by age and sex for people who work only or mainly at home.

"... the proportion of older people who worked at home was greater than the proportion of all employed people. For example:

Of all people who worked only or mainly at home,

- *4% were aged 15-24 years,*
- *29% were aged 35-44 years, and*
- *17% were aged 60 years and over.*

Of all employed people,

- *17% were aged 15 -24 years,*
- *23% were aged 35-44 years, and*
- *8% were aged 60 years and over.*

... [For men] the most common occupation groups of their job at home were 'Managers' (42%), followed by 'Professionals' (32%) and 'Technicians and trades workers' (9%). By comparison, the most common occupation groups for women, in their job at home, were 'Clerical and administrative workers' (37%), followed by 'Professionals' (23%) and 'Managers' (21%)."

These trends suggest that an ageing population, with an increasing workforce generally employed in professional, managerial and technical occupations will result in a higher than average work from home forecast in Leichhardt LGA.

This further supports the argument that the retention of fragmented employment land has lost relevance in relation to job creation and economic activity, now and in the future.

Conclusion

MacroPlan concludes that 1.1 hectare of isolated land zoned industrial is unlikely to attract major investment or high density employment uses to Leichhardt.

Based on our detailed analysis of industrial market prospects and development trends, we consider the current location and zoning of the subject land to be sub-optimal.

The prospect for new industrial buildings at this site in the medium to long term is poor given the availability of other larger, contiguous industrial parcels with good infrastructure access in more affordable areas of Western Sydney.

We find that the subject land is not strategically important for employment or economic purposes, nor is its preservation likely to encourage or protect employment growth in Leichhardt.

The site does not play a critical role in providing employment to nearby residents with a high proportion of the workforce in knowledge based jobs. These needs are already well catered for through opportunities presented by proximity and access to Sydney CBD, local centres and other employment precincts.

Our findings therefore support an alternate zone for the site.

We recommend that the best use of the land is predominantly for residential purposes, which will enhance local residential and recreation uses. This will provide more affordable housing for sale within 110 metres to the new light rail station at Marion Road, with direct access to growing employment sectors in professional, technical and managerial jobs in central Sydney.

We conclude that the land's redundancy as a contributor to the LGA's or sub-region's employment capacity compels Council to consider its suitability for other uses.



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