

Appendix 2

Economic assessment

Hill PDA 2012

This economic assessment was used to inform the directions of the urban renewal strategy. It does not form part of the strategy and therefore feedback is neither required nor being sought on this document. It was prepared prior to the government's decision on transport services and was therefore written to enable the successful implementation of all possible transport arrangements.

Newcastle Urban Renewal Study

Economic Assessment

PREPARED FOR
NSW Department of Planning & Infrastructure
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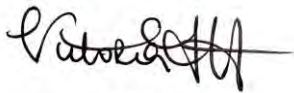
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DEFINITION OF TERMS

Big Gun Shopping Centre – *Shopping Centre News* define Big Gun Shopping Centres as centres with a Gross Lettable Area in excess of 45,000sqm, which contain a department store/s, discount department store/s, supermarket/s and specialties.

Census Collection District (CCD) – The smallest geographic area defined in the Australian Standard Geographical Classification (ASGC). It can be defined as an area which one census collector can cover delivering and collecting census forms in a specified period. On average there are about 150 - 250 dwellings per CCD.

Development Margin – Profit divided by total development costs (including selling costs).

Development Profit – Total revenue less total cost including interest paid and received.

Employment Lands – Land that is predominantly used for commercial or industrial activities resulting in employment.

Major Regional Centre – A concentration of business, higher order retailing, employment and professional services and generally includes civic functions and facilities. A focal point for subregional road and transport networks which may serve a number of districts.

Mini Gun Shopping Centre – *Shopping Centre News* defines Mini Gun Shopping Centres as those centres with a Gross Lettable Area in excess of 6,000sqm but less than 20,000sqm.

Neighbourhood Centre – Emerging centre identified as necessary to meet the day to day needs of future residents. Providing retail and community facilities to meet the needs for the local population and workforce. Often includes a small walkable catchment.

Net Present Value (NPV) – Is the project's cash flow stream discounted to present value. It includes financing costs but excludes interest and corporate tax.

Project Internal Rate of Return (IRR) – The discount rate where the Net Present Value equals zero.

Regional City – Services the region with higher order administration, education, health services, cultural and recreational facilities in addition to higher density commercial and residential. Has a commercial centre focus with large retail and commercial floor area, including department stores.

Renewal Corridor – Situated along strategic transport routes and links strategic centres, these corridors present opportunities for economic renewal and / or housing intensification.

Resident Workforce – refers to the number of people living in an area (defined as their usual place of residence) that work in or outside of that area. This is the origin of their journey to work. Jobs or employment by area on the other hand refers to the number of people stating they work in that given area. They may live in, or outside of that area. This is the destination of their journey to work.

Residual Land Value – The purchase price for land whilst achieving the target development margin.

Specialised Centre – A concentration of regionally significant economic activity and employment.

Stand-alone Shopping Centre – Privately owned centres (often enclosed) located away from other commercial centres, containing many attributes of a Town Centre but without housing or open space.

Town Centre – The shopping and business centre for the district including health and professional services mixed with medium and higher density residential.

Travel Zone – A small geographic area used as the basis for NSW Bureau of Transport (BTS) modelling and data analysis. Travel Zones provide a level of analysis between Census Collection District and Statistical Local Areas as defined by the Australian Bureau of Statistics.

LIST OF ABBREVIATIONS

Australian and New Zealand Standard Industrial Classification	ANZSIC
Australian Bureau of Statistics	ABS
Census Collection District	CCD
City Development Companies	CDC
Commercial Business District	CBD
Council of Australian Governments	COAG
Development Control Plan	DCP
Economic Development Companies	EDC
Enterprise Zones	EZ
Expression of Interest	EOI
First Home Owner Boost	FHOB
First Home Owner Grant	FHOG
Floorspace Ratio	FSR
Global Financial Crisis	GFC
Gross Domestic Product	GDP
Gross Floor Area	GFA
Gross Lettable Area	GLA
Hunter Development Corporation	HDC
Local Environmental Plan	LEP
Local Government Area	LGA
Local Trade Area	LTA
Moving Area Turnover	MAT
National Australian Built Environment Rating System	NABERS
National Rental Affordability Scheme	NRAS
NSW Bureau of Transport Statistics	BTS
Property Council of Australia	PCA
Secondary Trade Area	STA
State Environmental Planning Policy	SEPP
State Property Authority	SPA
Statistical Division	SD
Statistical Local Area	SLA
Urban Regeneration Companies	URC

1. EXECUTIVE SUMMARY

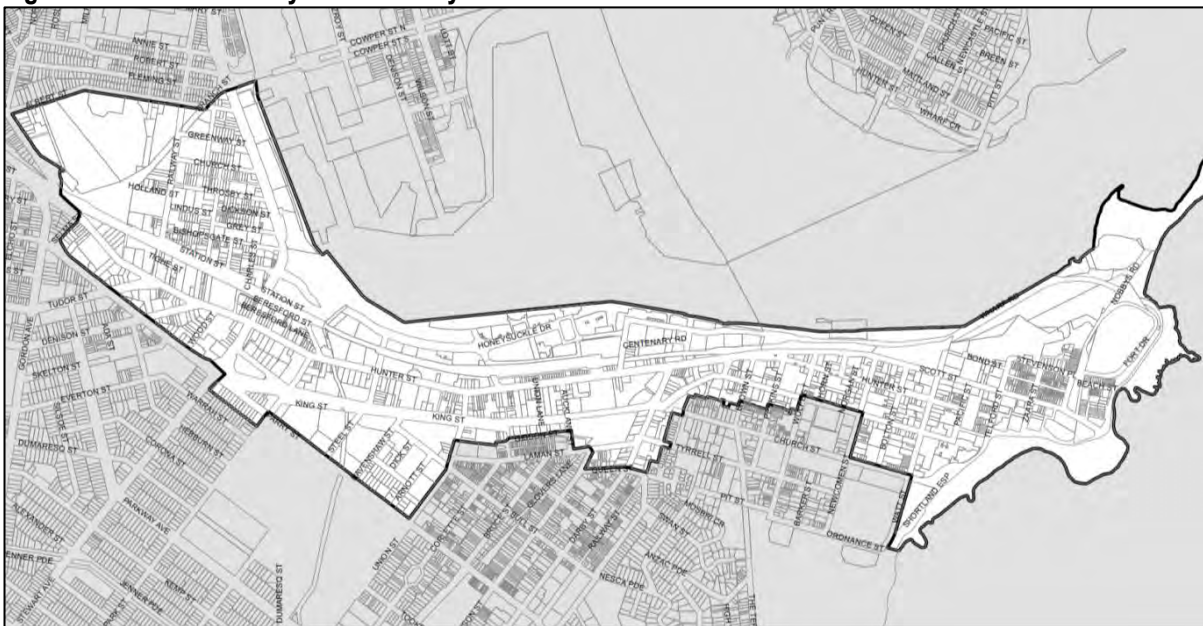
Introduction

In December 2010 the NSW Government established the State Environmental Planning Policy (Urban Renewal) 2010 (hereafter referred to as the Urban Renewal SEPP or SEPP). It is understood that the SEPP initially focuses on Redfern-Waterloo, Granville Town Centre and Newcastle City Centre. The SEPP will enable the NSW Government to plan for the urban renewal of these centres, facilitating investment in order to achieve a range of housing and employment outcomes.

The following document provides a comprehensive Economic Assessment of Newcastle City Centre. The Assessment seeks to provide the NSW Department of Planning & Infrastructure (the Department) and Newcastle City Council (the Council) with a range of mechanisms by which to facilitate development and investment in the City Centre to create new business and employment opportunities. This Assessment is one part of a broader range of studies being undertaken by the Department in accordance with the requirements of the SEPP.

Newcastle City Centre is the defined study area for the purpose of this Economic Assessment as shown in the figure below.

Figure 1 - Newcastle City Centre Study Area



Source: State Environmental Planning Policy (Urban Renewal) 2010 Newcastle Potential Precinct Map, NSW Department of Planning & Infrastructure (2010)

For clarity the Economic Assessment has been divided into six parts as follows:

- Part A – Residential Drivers to Growth
- Part B – Retail Drivers to Growth
- Part C – Employment Drivers to Growth
- Part D – Other Drivers of Change
- Part E – Capacity to Meet Growth
- Part F – Initiatives to Meet Growth

The following Economic Assessment Summary outlines the main findings of examining development drivers and strategic economic issues affecting Newcastle City Centre. This included determining the drivers of floorspace and dwelling growth, understanding the feasibility of redevelopment within the City Centre, the capacity of Newcastle City Centre to meet growth forecasts, and the investigation of initiatives to manage and facilitate growth and investment in the City Centre

Part A - Residential Drivers to Growth

Part A of the Assessment examines population and dwelling growth forecasts for the City Centre, the local government area and the broader Lower Hunter Region. Part A investigates the demand for residential land uses within the City Centre based on an examination of the market and relates this back to targets outlined in planning policies and directions.

As of the 2006 ABS Census, the City of Newcastle had a resident population of over 141,700 people representing 29% of the Lower Hunter Region's total population.

Based on the Department of Planning & Infrastructure's population forecasts (dated March 2010) the City of Newcastle is forecast to accommodate the lowest level of population growth in the Lower Hunter Region relative to its current population (0.6% average annual growth) equivalent to an additional 24,900 people by 2031. By comparison, Maitland and Port Stephens have the highest forecast growth rates in the Lower Hunter Region (1.9% and 1.2% average annual growth respectively), although it is recognised these forecasts are below historic annual growth levels.

Based on the Lower Hunter Regional Strategy (2006), whilst the City of Newcastle is forecast to accommodate 20,500 new dwellings to 2031, as the Regional City for the Lower Hunter, Newcastle City Centre is also anticipated to accommodate a significant increase in residential dwellings. The Regional Strategy plans for an additional 4,000 dwellings in the City Centre by 2031¹. This is equivalent to 19.5% of total dwellings required within the City of Newcastle over that timeframe. Based on 2.1 persons per household, this could equate to an additional 8,400 residents in the City Centre by 2031.

However, the Regional Strategy does not clearly define the boundary of the City Centre which will accommodate these target dwellings. The NSW Bureau of Transport Statistics' (BTS) forecast of occupied dwellings in the study area as defined in this Assessment (inclusive of four travel zones being TZ3208 to TZ3211) is far more modest than the Regional Strategy with an increase of just 424 dwellings from 2006 to 2031².

By contrast the BTS forecasts considerably more growth in surrounding suburbs such as Cooks Hill, Merewether, Bar Beach, Hamilton and Mayfield. These suburbs which make up the balance of the Newcastle Inner City SLA are forecast to provide an additional 5,450 dwellings from 2006 to 2031.

Hill PDA believes the City Centre has the potential to achieve higher dwelling forecasts than the 424 additional dwellings as forecast by BTS. As a result, there is the capacity for the study area of this Assessment to capture a higher share of the additional 4,000 dwellings projected under the Regional Strategy. For the purpose of this Assessment, Hill PDA has adopted three scenarios of residential dwelling growth being:

- Low forecast of 424 additional dwellings (23% increase from 2006);
- Medium forecast of 1,200 additional dwellings (66% increase from 2006); and

¹ Source: Table 2, Lower Hunter Regional Strategy, NSW Department of Planning and Infrastructure (2006)

² From 1,808 dwellings in 2006 to 2,233 dwellings in 2031.

- High forecast of 2,100 additional dwellings (116% increase from 2006).

The low forecast equates to the BTS forecast of additional dwellings in the travel zones that make up the study area. However, Hill PDA considers the medium forecast to be a more likely scenario representing 30% of the 4,000 additional dwellings forecast for Newcastle City Centre under the Regional Strategy. The high forecast of 2,100 dwellings is a higher but nevertheless achievable forecast providing for 53% of the 4,000 additional dwellings under the Regional Strategy.

It should be noted that the Hunter Development Corporation's Honeysuckle Masterplan (2004) plans for almost 110,000sqm (GFA) of new residential floorspace in the Cottage Creek Precinct. Depending on dwelling mix, this may equate to up to 1,500 new dwellings within the City Centre which could meet up to 40% of the City Centre's dwelling target under the Regional Strategy.

These dwelling targets will not only influence residential density and development options for the City Centre, but residential living in City Centres is recognised as an important element of fostering the 'living city' concept. Hill PDA recognises the following factors that have led to increased housing in City Centres:

- Changing demographics and lifestyles with an increasing proportion of single households made up of empty nesters, university students and young professionals;
- Housing choice shifts where suburban homes with the ¼ acre block have been replaced by apartments - there has been a value shift from sense of space to sense of place;
- An increasing sea and tree change retiree market, which has led to greater living choice in coastal centres and towns;
- Growing cultural and entertainment activities which have made city centre living attractive for social interaction;
- Easy access to places of work or public transport; and
- Affordability – property costs can be cheaper than the traditional home.

Additionally, local residents in a centre extend the level of activity past office and shopping hours. They create a demand for a variety of uses and lobby for improved amenity and safety.

Given the spread of existing land uses across the City Centre, it is largely assumed that new dwellings will need to be accommodated through an increase in densities and the provision of additional medium and high rise residential developments.

Hill PDA's market investigations indicate that the 'top end' of the market in Newcastle City Centre (comprising larger units, penthouses and the retiree market) has declined significantly. A combination of a poorer performing market coupled with the fact that the market for these housing types has largely been exhausted, has resulted in a shift, in both demand and provision of new units in Newcastle City Centre.

In response, recent market activity shows demand for smaller and more affordable units is increasing with recent residential developments changing their unit mix to increase the number of studio, 1 and 2 bedroom apartments. A review of recent projects indicates the majority of developments are exhibiting a unit mix of 55% to 60% studio and one bedroom units, 32% to 40% two bedroom units and up to 12% three bedroom units.

The University of Newcastle has the potential to significantly contribute to residential demand in the City Centre. If the proposed expansion of the University's City Campus is progressed, an additional 2,500 student places are expected to

be provided in the City Centre. This will significantly increase the demand for not only student accommodation, but smaller and more affordable private dwellings. The presence of additional students in the City Centre will provide other benefits including supporting demand for retail shops and services.

Part B - Retail Drivers to Growth

Part B of the Assessment examines the performance of Newcastle City Centre as a retail centre today versus its potential future role and function given its status as a Regional City in the centres hierarchy. Part B also assesses retail demand to determine, based on various sources of retail expenditure, future floorspace requirements. The results influence the future role of the City in the provision of retail goods and services.

Newcastle City Centre is identified as the Regional City of the Lower Hunter Region. That said, the role of the City Centre in the provision of retail goods and services to residents of the wider area has changed significantly over the last two decades.

Previously the City Centre was the sole regional retail centre within the Lower Hunter Region, however the development of newer and more easily accessible shopping centres, particularly Westfield Kotara and Charlestown Square, have led to a significant diversion of trade away from Newcastle City Centre. The recent closure of David Jones has also been a significant misfortune to the City Centre given that it now lacks a department store, and the inaction of the mooted Hunter Street Mall development has also affected confidence.

Strip retail accounts for the majority of retail provision in Newcastle City Centre, of which the greatest proportion fronts Hunter Street to a distance of almost 2.5km from Watt Street in the east to Stewart Avenue (Pacific Highway) in the west. The City Centre also contains the Hunter Street Mall and Marketown Shopping Centres which anchor the east and west of the City Centre respectively.

Based on Hill PDA's 2011 floorspace survey, the Property Council of Australia Shopping Centre Directory (2010), and information concerning recent development applications, it is estimated there is approximately 108,000sqm of occupied retail floorspace in the City Centre. Further to this is 14,000sqm of occupied commercial shopfronts (for the likes of accountants, real estate agents, travel agents etc.) and 36,000sqm of vacant shopfronts.

The vacancy rate of 22.5% appears high but a large proportion of this floorspace is attributable to the closure of the David Jones department store. Net of David Jones, the vacancy rate reduces to around 17%. This is still considered high compared to most other regional cities and town centres – normally 5% to 10% is considered healthy.

In order to assess current trading levels of Newcastle City Centre, Hill PDA relied on published turnover figures for the Marketown Shopping Centre (prior to its expansion) and industry benchmark turnover rates from various sources including the ABS Retail Survey 1998-99, Urbis Retail Averages, Shopping Centre News and various consultancy studies. Hill PDA estimates that retail sales in the City Centre are currently around \$590m.

There is no published trading information concerning the retail facilities outside of Marketown, however anecdotal evidence suggests that retailers in the area are underperforming. This is evident by:

- The cancellation of the proposed GPT Hunter Street Mall development;
- The recent closure of the David Jones store in the Hunter Street Mall;
- The high proportion of vacancies;

- The high proportion of low value retailers such as discount variety stores; and
- The high proportion of lower rent paying non-retail uses (e.g. commercial) occupying retail shopfronts.

To forecast demand for retail floorspace in Newcastle City Centre and understand the implications on land uses across the study area, Hill PDA identified a Local and Secondary Trade Area. The Local Trade Area (LTA) comprises the area within which the City Centre is the main retail destination for all types of purchases (food and non-food). Essentially, the LTA comprises the residents of the study area.

The Secondary Trade Area (STA) comprises the area from within which the City Centre will draw a lesser proportion of trade. Whilst residents in the STA will prefer to use their local facilities for regular “core” shopping (for items such as food and groceries), they will visit the City Centre for certain types of comparison shopping and in conjunction with trips for other reasons (e.g. work, medical, recreation, government services, etc.). For the purposes of retail modelling the STA has been defined as comprising the balance of the City of Newcastle and the City of Lake Macquarie.

A wider Tertiary Trade Area could have been defined as comprising the balance of the Newcastle Statistical Division, being the local government areas of Cessnock, Maitland and Port Stephens. However, Hill PDA quantified tourism expenditure that would be available to the City Centre, and residents from these surrounding LGAs are defined as day tourists or day trippers. As to avoid double counting, residents beyond the STA have been excluded.

Based on population forecasts and growth in real retail spend, Hill PDA determined that residents within the trade areas would generate \$4.55b of retail expenditure in 2011 increasing to \$6.69b in 2031 – an increase of \$2.13b or 1.9% per annum over the period. The LTA (i.e. the study area) only accounted for 3.5% (or \$161.4m) of total expenditure generated by the trade areas in 2011.

However, only a proportion of this expenditure will be captured by retail stores in Newcastle City Centre. Residents in the STA will undertake the majority of their food and grocery shopping at local facilities and will direct only a small proportion of their total retail expenditure to Newcastle City Centre.

For the purposes of retail floorspace demand modelling it has been assumed that 75% of the expenditure generated in the LTA is available to support retail facilities in the City Centre³. Hill PDA has assumed that 8% of overall expenditure generated by residents of the STA is captured by retail facilities in the City Centre given around 25% of household expenditure within any given Greater Metropolitan Area is directed towards regional centres⁴. On the basis that there are three regional centres within the Local and Secondary Trade Areas (Newcastle City Centre, Charlestown and Kotara), Hill PDA has assumed that around one third of expenditure generated by the STA is captured by the City Centre (i.e. 8% of total STA expenditure, or 25% divided by 3).

Based on assumed capture rates, it is assumed Newcastle City Centre could capture a total of \$458.0m from the trade areas in 2011, increasing to \$623.1m by 2031.

However, further to resident retail spend, is tourism spend which contributes to the sustainability of retail provision in Newcastle City Centre. Based on data from Tourism Research Australia, Hill PDA estimates Newcastle City Centre captures around 1.1m international tourist nights (although this includes students), 1.7m domestic tourist nights and 1.3m day trippers every year. In 2009/2010 average tourist spend per day on food, drinks and shopping in the Hunter

³ Note: Note that this is a target capture rate and reflects the amount of expenditure the City Centre should capture in its role as a Regional City.

⁴ Note: Defined for the purpose of this study as a centre with more than 80,000sqm of retail floorspace

Region was \$29 for international tourists, \$69 for domestic overnight and \$57 for day trippers⁵. Hence in 2009/2010, Hill PDA estimates that Newcastle City Centre retailers captured around \$223m from tourist spend.

Combining residential and tourism expenditure, Newcastle City Centre could or should achieve retail sales of \$690.6m in 2011. However as indicated previously, the estimate of total retail sales based on the floorspace survey and reported turnover figures suggests the City Centre achieved around \$590m. Hence it is failing to achieve the above targets largely due to the strength of competing centres.

Demand for retail floorspace is calculated by applying target turnover rates to captured retail sales. Based on a range of target turnover rates, 139,000sqm (NLA) of occupied retail floorspace (including restaurants and other premises used for the consumption of liquor and food) could be supported in the City Centre in 2011. This is a significant increase on the existing level of occupied retail floorspace in the City Centre of around 108,000sqm. The level of supportable retail floorspace is forecast to increase to more than 172,000sqm by 2031, equivalent to an additional 33,000sqm of floorspace from 2011 to 2031.

Note that with the closure of David Jones, the City Centre no longer has a national department store and there is currently only a single discount department store (Big W at Marketown), yet the demand results suggest that there is potential to have one national department store (at say 12,000sqm) and two discount department stores (at say 7,000sqm each) within the City Centre.

The analysis within this Assessment demonstrates Newcastle City Centre's mediocre retail performance against its potential. Whilst the alleged current undersupply suggests existing retailers are over trading, most likely Newcastle City Centre (outside of Marketown) is capturing trade at below target turnover levels (\$/sqm). The centre lacks a full line supermarket outside of Marketown. This "under performance" is the result of several factors including the City Centre's geographical position and its limitations with respect to accessibility, retail range, convenience, parking and retail offer.

However, Marketown is a success story largely as a result of its retail mix (including 2 supermarkets and a discount department store), ample car parking and reasonable access. Unfortunately beneficial impacts are not being captured by the balance of the City Centre due to its location west of the peninsula and the dominance of car based shopping from its trade area. Furthermore, at only 1.4km to the south, The Junction is another supermarket based centre that is trading strongly and is pulling trade away from the City Centre.

Any proposal for an improvement and expansion of retail offer in Newcastle City Centre should be encouraged and supported. However because of the sheer size of the City Centre (in particular the length of Hunter Street) the provision of retail will need to be carefully managed and in the first instance should be focussed on Hunter Mall. This includes attracting:

- A national department store (Myer or David Jones) or as a minimum a discount department store (Big W, Kmart or Target);
- A full-line supermarket;
- A cluster of quality restaurants in an "eat street" setting; and
- Fashion and boutique specialties.

⁵ Source: Hunter Region Regional Tourism Profile 2009/2010, TRA (January 2011)

Part C: Employment Drivers to Growth

Part C of the Assessment examines employment growth for the City Centre, which subsequently informs demand modelling for commercial and employment lands within the City Centre.

Newcastle City Centre is the 7th largest commercial market and/or CBD within NSW⁶. In terms of floorspace provision Newcastle City Centre is the largest business district outside those contained within the Sydney Metropolitan Area, and is followed by Wollongong CBD.

Hill PDA's 2011 floorspace survey indicated there is currently 698,000sqm of employment floorspace (including retail, industrial, automotive, hotels, and community uses) in the City Centre, of which 259,000sqm was associated to occupied commercial floorspace and 44,000sqm associated to vacant floorspace.

Across the range of commercial floorspace grades, the Property Council of Australia (PCA), estimates around a third of all space in the City Centre is A-grade, with a further third being B-grade stock, and the remainder lower C and D-grade stock⁷. Between the different classes, A-grade has performed strongly over the past 12 months with vacancies falling from 10.1% in 2010 to 5.6% in 2011. B-grade vacancies have also fallen from 14.7% to 11.4% over the same period.

Whilst high vacancies are experienced in D-grade accommodation, there is only limited provision of this type of space within the City Centre. However, C-grade accommodation not only had a high vacancy rate of 15.7% in 2011, but also supplies a significant amount of floorspace stock (a third of all stock). Furthermore, there is more vacant C-grade space within Newcastle City Centre (estimated at up to 11,500sqm) than any other class. This suggests existing space is not being absorbed in preference of new or upgraded accommodation. This may also indicate significant refurbishment of C-grade space is required in order to meet market expectations, and/or that various adaptive reuse opportunities may be available for older redundant accommodation.

In terms of proposed developments, research⁸ indicates there were no new commercial developments (additions) in the City Centre in 2011, with over 20,000sqm of additions predicted in 2012 and 2013 largely due to the proposed staged development of Honeysuckle Central (around 22,500sqm). That said, there are various government related tenants in the City Centre which are mooted to relocate and will influence the spread and demand for commercial lands across the study area. These include:

- Relocation of the existing NSW Courts from the East End to the Civic Precinct. Work on the new facility is expected to commence in 2012 and be completed in 2014.
- The Newcastle Communication Centre is a proposed 10,000sqm facility building to be located in the City Centre. Hill PDA understands that an EOI for the proposed Centre closed in December 2010. A range of mechanisms (i.e. buy, lease, pre-commit, joint venture etc.) are being considered to secure the required space.
- Anecdotally it is understood that NSW Police may be looking to move to a new facility, however this is not yet confirmed.

The key driver to demand for commercial and employment land is jobs. As a result, a key consideration is the important role which the Newcastle performs in the provision of jobs and employment to a much wider area. In 2006 the City of Newcastle contained 61,413 working residents but provided 97,600 jobs. The City provided 59% more jobs than it

⁶ Source: Property Council of Australia Office Market Report (January 2011)

⁷ Source: Property Council of Australia Office Market Report (January 2011)

⁸ Source: CBRE (2011)

contains working residents, being a net importer of workers. This result is not surprising and reflects the City's strong industrial base and its role as provider for a significant number of government and professional jobs.

The City Centre provided 22,825 jobs and contained 6,048 working residents in 2006. The City Centre provides nearly four times more jobs than it contains working residents. The City Centre is also a net importer of workers, with most travelling from the outer suburbs as well as the surrounding local government areas of Lake Macquarie and Port Stephens.

The City Centre accounted for 20% of all jobs in the City of Newcastle in 2006. Based on BTS forecasts, jobs in the City Centre are forecast to increase of 10,240 jobs or 52% from 2006 to 2031. This is slightly higher than the City Centre employment target of 10,000 jobs as nominated in the Lower Hunter Regional Strategy (2006). Based on the BTS forecasts, the largest proportional increases are expected to be in:

- Health Care and Social Assistance – growth of 1,127 jobs (65% growth over the period);
- Accommodation and Food Services – growth of 1,054 jobs (65% growth over the period);
- Public Administration and Safety – growth of 1,931 jobs (63% growth over the period)
- Retail Trade – growth of 1,043 jobs (60% growth over the period); and
- Professional, Scientific and Technical Services – growth of 2,164 jobs (55% growth over the period).

For the purposes of providing more detailed analysis of employment change within Newcastle City Centre and the subsequent impact on land use, Hill PDA forecast demand for employment floorspace in the City Centre to 2031.

The conversion of the BTS job forecasts to employment floorspace demand was calculated by applying worker ratios on a square metre basis. In doing so, Hill PDA determined there was demand for almost 647,000sqm of employment floorspace (including retail floorspace) within the City Centre in 2011. This is forecast to increase to over 900,000sqm by 2031. The majority of this demand will be for commercial floorspace. Based on the above results, demand for additional gross floorspace by broad land use type to 2031 is forecast as follows:

- Retail – 40,000sqm (GFA);
- Accommodation and Food Services – 46,000sqm (GFA);
- Education, Health And Community Services – 35,000sqm (GFA); and
- Other Commercial Space – 133,000sqm (GFA).

By comparison Hill PDA's 2011 floorspace survey indicated there is currently 698,000sqm of employment floorspace. Of this 618,000sqm is occupied with 80,000sqm of vacant floorspace. Of total floorspace supply, almost 259,000sqm (37.1%) was associated with occupied commercial office tenancies.

In addition, there is almost 47,000sqm of floorspace occupied by industrial users (manufacturing, trade related businesses, service industries, warehousing, construction sub-contractors, etc.) in Newcastle City Centre. The majority of these jobs and associated floorspace is in Wickham and the West End and includes a significant proportion of the City Centre's "blue-collar" workers.

Whilst there is expected to be some expansion in job numbers in the "blue collar" industries – particularly in construction, manufacturing and wholesale trade, the new jobs themselves are likely to be more "white collar" jobs. Given the nature of Newcastle City Centre, further growth in industrial floorspace is not envisaged. If anything there

may be some loss in industrial and warehouse floorspace to accommodate future expansion in commercial and residential space.

Despite the demand forecasts, this Economic Assessment has identified conflicts between commercial office historical trends, the property market and aspirational targets. On the one hand an assessment of the commercial property market and historical take-up rates suggest that the City Centre should forecast (or plan for) around 3,600sqm of new office space every year.

However to achieve the job targets under the Lower Hunter Subregional Strategy (2006) the rate of office space would need to double at 7,500sqm per annum. This is not to say that the targets are overly ambitious, only that there may need to be incentives (financial or otherwise) to achieve the targets. All planning tools should adopt, or accommodate for, the higher forecast.

Part D: Other Drivers to Change

Part D of the Assessment identifies other drivers to change in Newcastle City Centre over and above the forecast growth in population and dwellings. This includes the plans of Newcastle University, tourism and other land use and demand influences.

The University on Newcastle plays an important role in Newcastle, promoting the City and attracting people to the City Centre. Any new development by the University in Newcastle City Centre would attract new students and workers and would contribute to the local economy and environment.

The University's current expansion plans comprise an 18,000sqm building providing for 2,500 students and 100 staff. The City of Newcastle and the NSW Government should support the University of Newcastle with any current and / or future expansion plans in the City Centre. Positive flow-on effects include increased demand for student housing in the City Centre, that would drive new construction as well as support its retail and commercial functions. Assuming the Universities expansion did proceed, the following additional demand for student housing may result:

- 2,500 additional students, equates to demand to between 600 to 1,250 dwellings (assuming between two to four persons per dwelling); and
- Depending on unit size and mix, this may equate to up to 125,000sqm (GFA) of residential floorspace⁹.

Further to the University are the plans for the Port of Newcastle. The planned development of the former BHP Steelworks site by the Port of Newcastle will increase the Port's capacity for general cargo, bulk materials, bulk liquids, and particularly container trade. It is reasonable to expect that this would have a flow-on effect for the Newcastle City Centre, however it is evident that there is a current disconnect between the Port and the City Centre. Improved linkages between the Port and the City Centre should be encouraged in order for Newcastle City Centre to benefit from Port related activities. Similarly, the linkages between the cruise passenger terminal (i.e. the Channel Berth) and the City Centre need to be improved in order for the City Centre to capitalise fully on this tourism opportunity.

The proposed Newcastle Airport upgrade project will also strengthen the position of Newcastle, supporting the connectivity of Newcastle throughout Australia (and internationally) for both business and tourism related activities. However, the implication of the Airport upgrade to Newcastle City Centre is difficult to quantify. The likely result is an

⁹ Based upon 1,250 units at 100sqm GFA per unit.

increased demand for accommodation (supporting business and tourism), which may ultimately drive development of hotel, motel and serviced apartments.

With the City of Newcastle receiving an average of 2.9m tourists per year, the City Centre needs to capitalise on this strong audience converting the large number of domestic day trippers to overnight stays. This will result in increased revenue generated in accommodation, food and beverage, entertainment and retail.

Part E: Capacity to Meet Growth

Part E considers the implications of mine subsidence, planning controls and other influences to redevelopment and investment in the City Centre. In doing so, this part of the Assessment outlines the outcomes of the feasibility modelling of a range of sites in the West End and City Centre.

The key considerations to development feasibility in the City Centre include:

- **Development Controls** - Excluding a small proportion of residential zoned land (R3 Medium Density) to the east, the City Centre is mostly zoned B3 Commercial Core and B4 Mixed Use. Existing controls permit FSRs of up to 8:1 and building heights up to 90m. The implications of which is that significant buildings are permissible (e.g. commercial buildings of up to 85,000sqm in the West End) which impact on amenity, urban design and the local property market.
- **Mine Subsidence** - Due to the extent of historical mining under the City Centre, there is now an underlying risk to property and life, due to the loss of structural integrity of the pillars within the disused mines, and therefore the lands above. As the extent of mine subsidence works varies significantly across the City Centre, the nature of any proposed buildings must be considered in light of the requirements for mitigation. It is generally understood that any proposed development of 4-6 levels or greater will require mitigation works. The cost attributable to mine subsidence works varies significantly across the study area, and there are many variables to consider when determining the level of affectation (e.g. the depth of mining, the number of remaining pillars, the distance between pillars, and whether the mine has been flooded with ground water).
- **Flooding and Water Tables** - Flooding and water tables present additional challenges to development in some areas of Newcastle City Centre. These issues ultimately result in increased development (construction) costs for developers especially in the provision of basement car parking. The risk of flooding in some locations has also resulted in the requirement to raise ground floor levels which increases development costs and impacts amenity and urban design outcomes.
- **Heritage** - Newcastle City Centre LEP (2008) identifies 169 heritage listed items including 117 items of local significance and 52 items of state significance¹⁰ in the City Centre. The City Centre also has 4 heritage conservation areas being Cooks Hill, Newcastle City Centre, Newcastle East and The Hill. The level of affectation and/or restrictions imposed on development by heritage listed items or conservation areas can vary significantly and may include the requirement to retain whole or part of buildings and restoration works.
- **Market Trends and Attributes** - Hill PDA's market appraisal of Newcastle City Centre identified residential as the strongest market segment in Newcastle City Centre. That said, the viability of commercial is an issue across all major markets and is not particular to Newcastle City Centre. Construction costs are relatively high in comparison to capital values (end sales values), and as a result there is simply no margin achieved between

¹⁰ Newcastle City Centre LEP (2008) viewed online [<http://www.legislation.nsw.gov.au>]. Current version for 7 May 2010 to date (accessed 9 November 2011).

costs and revenues in the current market. Notwithstanding this, campus style and large floor plate development (similar to that of Honeysuckle) performs better, largely due to developers being able to minimise construction costs and seek higher rental values due to new A-grade accommodation being offered.

In order to test the viability of redevelopment in the City Centre based on a range of constraints, Hill PDA completed feasibility modelling for a range of sites across the study area. These sites were identified by the Department of Planning & Infrastructure as having potential for redevelopment due to their size, underutilisation, location and other attributes that made them ripe for redevelopment.

Initial feasibility modelling undertaken by Hill PDA was based on assessing the viability of redevelopment under existing Newcastle City Centre LEP (2008) controls. This resulted in predominately residential or commercial high rise towers with ground floor retail uses. Development options were provided by the Department. Dependent on the feasibility results, further analysis was undertaken which either reduced or increased floorspace and height controls, reduced the number of basement car parks required, considered mixed use options (e.g. vertical mix of uses with ground floor retail, a few levels of commercial and numerous levels of residential units above), or considered a different range of land uses (e.g. bulky goods, serviced apartments etc).

The results of the feasibility modelling for commercial, residential and other development options vary significantly. Key factors affecting viability include the nature of the existing improvements (i.e. nominal versus buildings still offering significant utility), current market conditions and construction costs.

In general, the current property market does not support commercial office tower development to the extent proposed under existing planning controls. This is the present case for many City Centres across NSW. However it is important to consider that increasing occupied employment generating floorspace in the City Centre and the provision of new and additional jobs in the City Centre is a long term objective.

Given the current depressed state of the market (particularly for commercial) and the cyclical nature of the property market, development that is not viable in the current market may well become viable in the future. Furthermore, it is not a desirable outcome for all available development sites to be developed simultaneously, as this could lead to oversupply of new floorspace that has further implications.

Given the size of key development sites in the West End, the amount of floorspace that may be delivered on a single site under existing controls is significant. The West End commercial redevelopment options considered in this Assessment had the potential to deliver between 30,000sqm (GFA) and 85,000sqm (GFA) on a single site. Given the current state of the market, and historical take up rates of commercial floorspace in Newcastle, this equates to the provision of 8 to 20 years' worth of demand on a single site. As a result, it is very unlikely a commercial building of this scale will be developed in the City Centre given the requirement to gain substantial pre-commitments.

That said, the possibility of “carving up” these large sites into smaller, staged and more achievable development parcels should be investigated. A reduction in existing FSR controls should also be considered. The high FSRs nominated for the West End, are likely to be creating false hope to land owners that much larger buildings than the market can absorb, are possible. Some owners may also be holding their sites (land banking) until such time as they perceive the market to improve. However, it is unlikely that the market will improve to a point where commercial buildings of the scale tested in this Assessment will be appropriate without a key government or institutional tenant secured.

By contrast residential unit buildings were shown to be more economically viable than commercial office towers, largely due to prevailing market conditions and the superior margins (difference between costs and revenues) for residential land uses. The viability of residential development further improved when unit sizes were reduced. Whilst larger residential units have been the trend of recent years due to a strong retiree market and a general residential market boom, a downturn in economic conditions and an influx of new residential units to the market (thanks to the development of Honeysuckle and other key residential sites), has largely exhausted the large unit market.

This is evidenced in recent residential developments in the City Centre, which have moved away from the provision of predominately 2 and 3 bedroom apartments, to providing more studio and 1 bedroom apartments. This is meeting a need for more affordable options.

Whilst residential remains the most viable land use, the ability of the City Centre to accommodate retail and commercial floorspace needs to be preserved. As a result, this Assessment also examined the viability of providing a vertical mix of land uses. This included consideration of the provision of ground floor retail with a few levels of commercial and residential units above, as well as options which considered bulky goods and showroom space with residential above. The results indicated that residential units could viably offset the low rents and high costs of lower order land uses.

Car parking and particularly basement car parking is also often considered one of the key development costs which often renders development options unviable. The more basement levels of car parking the higher the cost per car space. As a result, alternative car parking solutions for the City Centre should be considered. Feasibility modelling within this Assessment indicated that adopting a reduced car parking allowance and/or providing above ground multi-level parking structures within the building footprint are alternatives which improved the viability of redevelopment in most cases.

An additional cost particular to Newcastle City Centre is site mitigation works due to underground mining. Hill PDA's sensitivity analysis shows that mine subsidence can have a significant impact on development viability. The impact of mine subsidence is also not only mitigation costs, but also the length of time taken for investigation, which can further prolong the project period, whilst the land owners continue to incur holding costs.

Part F: Initiatives to Meet Growth

Part F of the Assessment examines best practice approaches to instigating investment and urban renewal in other cities. Further to this, Part F builds upon the data, drivers, constraints and capacity knowledge gained as a result of previous Stages to inform changes to existing planning and policy frameworks to meet future growth forecasts. Lastly Part F suggests an economic development framework appropriate for the City Centre and identifies a range of macro and micro economic strategies which could be implemented to support this growth.

A number of planning principles are recommended for consideration when strategically planning for, or assessing development proposals, associated with Newcastle City Centre. These are summarised below.

1. Discourage fringe / out of centre retail and commercial development;
2. Provide opportunities to expand to accommodate future needs;
3. Encourage economically viable centres, enhanced choice and competition;
4. Develop a busy, vibrant city centre;
5. Maintain the integrity and viability of the city centre;
6. Facilitate investment, employment and business growth;
7. Maximise transport, access and connectivity;

8. Deliver housing mix and affordability;
9. Support the extension or development of supermarket based retail;
10. Recognise the regional demand for bulky goods retail; and
11. Retain and protect land appropriate for employment generating uses.

Based on analysis within this Economic Assessment, Hill PDA has identified a range of recommendations and actions for the planning and renewal of Newcastle City Centre, the key of which include:

- Providing **floorspace and job target scenarios** based on a low, medium and high forecast of new residential dwellings Newcastle City Centre to 2031.
- **Encouraging and attracting new industries and businesses** into the City Centre. Proposed plans by the University of Newcastle to extend their campus into the City Centre would be a significant catalyst for change and is likely to instigate numerous synergy industries and businesses to consider locating in the City Centre. However, locations in the West End should also be the focus of encouraging new businesses and industries given the availability of large sites ripe for redevelopment and which provide flexibility in terms of lot size and built form. In the short term, the West End also provides the opportunity for new businesses, micro industries and start-ups to adaptively reuse existing redundant buildings which would otherwise remain vacant.
- Recognising that **investment attraction strategies and an aggressive marketing approach** will be required to encourage new businesses to relocate to Newcastle City Centre or existing businesses to expand. Strong partnerships between landowner and all levels of government will also be essential in promoting the benefits of Newcastle City Centre not only for business but for potential workers (i.e. lifestyle benefits).
- **Encouraging new retail businesses** in the City Centre and re-establishing Hunter Street as the key retail and commercial spine of the City Centre. In doing so, encourage small clusters or hubs of retail and other uses along its length, particularly around locations which are the focus of the Department of Planning & Infrastructure's urban design and public domain initiatives. Furthermore, encourage and prioritise additional retail anchors for Hunter Mall and the East End. These anchors include a full line supermarket and a national department store or as a minimum a discount department store. For this to occur, additional retail specialties would be required, with fashion and food options (e.g. café's and restaurants) a priority.
- **Reviewing the extent of Mixed Use and Commercial Core Zone boundaries** across the City Centre given that over time the selection of zones and the permissible uses within each zone has the potential to encourage or discourage uses which will contribute to the life of a centre.
- Considering a change in use to **higher density residential on the fringe** of the City Centre, particularly in the East End and the length of the City Centre south of King Street (where land is currently zoned Mixed Use), which will expand the number of people living within walking distance the City Centre by encouraging a variety of uses including flat buildings, residential care facilities, and hotels and serviced apartments.
- **Reviewing development controls**, FSR, height and car parking controls across the City Centre as well as other planning mechanisms which can be considered to incentivise certain forms of development,
- Considering the commercial component in the **Cottage Creek Precinct as a dedicated and marketed business park** as a long term strategy for Newcastle City Centre, largely due to the existing attributes of the Precinct which are already exhibiting the characteristics of a business park (provision of A-grade commercial campus style and large floor plate accommodation). In such a case, the likes of Hunter Street should be able to leverage off this strength, providing ancillary business, retail and community services (e.g. day care centres).

- Considering **key opportunity sites** that, by virtue of their unique locational and site attributes, may present development opportunities that act as a catalyst for renewal. These sites may be the subject of further precinct planning or examination by the Department.
- **Providing greater certainty and information regarding the extent of mine subsidence** in different parts of the City Centre, and highlight the potential impact on new construction of various scales.
- Recognising the **benefits of public domain infrastructure improvements** to improve the pedestrian experience of the City Centre, promote sustainable transport options and make public spaces more attractive places to spend time. These elements together can stimulate greater economic activity for local retail and businesses whilst improving the overall image of the City.
- Considering **other economic development initiatives** including Business Precinct or Business Improvement Plans, subsidised workspace, live/work villages, events and entertainment spaces, and other fiscal incentives

Timing and phasing of the implementation of recommendations and actions within this Economic Assessment are highlighted in the following Implementation Plan. The plan identifies short (2011-2016), medium (2017-2021) and long term (2022-2026) timeframes for the implementation of actions.

Table 1 - Newcastle Strategies and Initiatives for Renewal Implementation Plan

Activities Area	Action	Timeframe	Lead
Overall Actions	Consider the key planning recommendations of this Economic Assessment in the context of the overall work being undertaken as part of the Newcastle Urban Renewal SEPP including proposed changes to existing planning and development controls such as FSR, height and land use zones.	Short Term	Department of Planning & Infrastructure (DoPI), Newcastle City Council (Council)
	Consider the key economic development strategies of this Economic Assessment in the context of the overall work being undertaken by Newcastle City Council and as part of the Newcastle Urban Renewal SEPP. This includes a business precinct plan, subsidised workspace initiatives, a business support centre, event space, attraction of new industries and live/work opportunities within the context of the City's economic development, residential and broader policies. Identify those locations that best suit such a uses and commence discussions with land owners.	Short to Medium Term	Council
	Identify and prioritise urban design, amenity and public domain improvements for Council to undertake to create a sense of place and improve the overall amenity of the City Centre.	Short Term	DoPI, Council
	Consider a Place Manager or Local Business Coordinator for the City Centre. The Coordinator would help shape the future of the City Centre by providing direct links between Council and the community. This includes business people, land owners, prospective developers, retailers, shoppers and residents.	Short Term	Council
	Commence discussions with landowners in locations earmarked for further intensification or where existing development controls will change. The outcomes of which may include rezoning to allow mixed use or residential uses.	Short Term	Council
	Identify key opportunity sites for further precinct planning, examination or consultation with land owners.	Short Term	DoPI, Council
Civic Precinct	Define the extent of the Commercial Core Zone inclusive of the Civic Precinct and adjoining land. This could consider: <ul style="list-style-type: none"> ▪ The spread of existing commercial, employment and civic land uses along Hunter Street; ▪ The availability and location of sites ripe for redevelopment to accommodate the intensification of retail and employment floorspace; ▪ Existing building and land use types including land ownership patterns and fragmentation; ▪ Constraints to development and the realisation of intensification including mine subsidence and flooding; and ▪ The proximity to public transport and other required infrastructure. 	Immediate	DoPI
	Identify, prioritise and implement key initiatives to improve the precinct. This could consider: <ul style="list-style-type: none"> ▪ The appropriate final Commercial Core boundary. ▪ Key redevelopment sites and/or potential intensification opportunities. ▪ Discussions with the University of Newcastle regarding potential university campus accommodation in the City Centre. ▪ Improved pedestrian linkages and better connections from Hunter Street and railway stations to the waterfront, as well as improvements to the pedestrian environment along the road corridor. ▪ Improved pedestrian linkages and better connections between the commercial core and retail provision in Hunter Mall. ▪ Improvements to urban design and amenity (e.g. weather protection, landscaping, way finding, and opportunities for community congregation). ▪ Opportunities for new social and community infrastructure. 	Short Term	DoPI, Council, local community and stakeholders within and around the proposed zone.

Activities Area	Action	Timeframe	Lead
West End	<p>Define the extent of the Mixed Use and Commercial Core Zones in the West End. This could consider:</p> <ul style="list-style-type: none"> The highest and best use of large sites in single ownership, based on the feasibility results in this Economic Assessment. Identification and protection of sites which are strategically important for the long term delivery of commercial floor space to the City and broader Hunter Region. The definition of zones and any proposed planning and development control amendments based on the feasibility results in this Economic Assessment. A vertical mix of uses on sites in Mixed Use Zones. The preferred locations for bulky goods and active ground floor uses being along the Hunter Street frontage. The location of traditional retail to meet the needs of local workers and residents. This should be restricted to the likes of a corner store to meet the needs of surrounding workers and residents, or as part of identified activity hubs nominated by the Department. 	Short Term	DoPI, Council
	<p>Identify, prioritise and implement key initiatives to improve the precinct. This could consider:</p> <ul style="list-style-type: none"> The appropriate final zone boundaries. Key redevelopment sites and/or potential intensification opportunities. Better vehicle movement and connections between the West End, Honeysuckle and remaining precincts. Opportunities for additional social and community infrastructure. Ensure physical integration between residential and employment land uses within the precinct. Consider urban design and amenity improvements including landscaping and creating a sense of place. Encourage and attract new industries, businesses and start-ups into the West End, either through the adaptive reuse of existing buildings or the development potential of various sites. 	Short Term	DoPI, Council, local community and stakeholders within and around the proposed zone.
East End and Hunter Mall	<p>Define the extent of the Mixed Use and Commercial Core Zones in the East End. This could consider:</p> <ul style="list-style-type: none"> The highest and best use of large sites in single ownership, based on the feasibility results in this Economic Assessment. A vertical mix of uses on sites in Mixed Use Zones. Those sites which are more/less affected by mine subsidence. The redevelopment potential of Council owned public car parking sites. 	Short Term	DoPI, Council
	<p>Identify, prioritise and implement key initiatives to improve the precinct. This could consider:</p> <ul style="list-style-type: none"> Potential retail expansion opportunities and the attraction of key retailers. Improvement to vehicle and pedestrian access around the precinct, the waterfront and Nobby's beach. Ensure physical integration between the mix of uses that are within the precinct. Improve way finding and signage for navigation between the Civic Precinct and Hunter Mall. Discussions with GPT with regards to their intended role, function and plans for their sites in the East End. Consider additional residential uses and intensification in or within proximity of Hunter Mall. 	Short to Medium Term	DoPI, Council, local community and stakeholders within and around the proposed zone.
	<p>Identify, prioritise and implement key initiatives to improve the retail offer in Hunter Mall. This could consider:</p> <ul style="list-style-type: none"> Target new key anchor retailers such as a full line supermarket and a national department store (Myer or David Jones) or as a minimum a discount department store (Big W, Kmart or Target). Target additional retail specialties, with boutique, fashion and food options (e.g. café's and restaurants) a priority. Improve connections between the Hunter Mall, the beach and surrounding precincts (way finding initiatives and improvements) 	Short to Medium Term	DoPI, Council, local community and stakeholders within and around the proposed zone.

Activities Area	Action	Timeframe	Lead
	to public domain), as well as being aligned with broader tourism and event strategies. <ul style="list-style-type: none"> Encourage Hunter Mall as the 'eat street' of the East End. 		
	Work with stakeholders to develop an Investment Attraction Strategy. This would consider branding improvements and would include economic development strategies which promote Hunter Mall as the key retail focal point of the City Centre and broader Newcastle Local Government Area.	Short to Medium Term	Council, local community, business associations, trader groups, tenants, landowners and business networks.
Honeysuckle and Cottage creek	Improve physical linkages (both pedestrian and vehicle) between the Honeysuckle and Cottage Creek Precincts and Hunter Street.	Medium Term	Hunter Development Corporation (HDC), Council
	Recognise the commercial portion of the Cottage Creek Precinct (towards the West End surrounding existing commercial buildings) as a business park. Consider marketing strategies to promote the business park to the benefit of the City Centre as a whole.	Medium Term	HDC, Council
	Consider the use of vacant land for a range of temporary and interim land uses.	Short Term	HDC, Council
New Residential Zones	Consider residential intensification opportunities on the fringe of the City Centre and within existing Mixed Use Zone lands along principle public transport networks.	Short Term	DoPI, Council
	Rezone lands identified as Commercial Core south of King Street extending through to Parry Street to mixed use or higher density residential zones.	Short Term	DoPI, Council
	Consider the potential for residential locations in the existing Medium Density Zone to move to the Higher Density Zone.	Medium to Long Term	Council
Encouraging New Retail Businesses	Encourage small clusters or hubs of retail and other uses along Hunter Street, particularly around locations which are the focus of the Department's urban design and public domain initiatives.	Short Term	DoPI, Council
	Consider the location of a new supermarket based centre along Hunter Street servicing local workers and in easy walking distance of residents in Honeysuckle (assuming connectivity between Honeysuckle and Hunter Street is improved). Should the University of Newcastle continue with their consideration of a campus or other facilities in Hunter Street adjacent to the Civic Precinct, the viability of a supermarket in this location would be further strengthened.	Long Term	Council
	Consider targeting alternative types of retail activity in the City Centre including a brand outlet centre, organic foods and fresh produce or noddle markets and bulky goods, homemaker and showroom space.	Medium Term	Council
	Work with stakeholders to form a Business Association and develop an Investment Attraction Strategy including a Target Tenancy Plan to target a particular centre anchor (not necessarily retail), and/or increase the range of service and retail opportunities available within the centre.	Short to Medium Term	Council
	Consider additional social and community infrastructure which can be located in conjunction with retail clusters.	Short Term	DoPI, Council

Introduction



Welcome to Newcastle City Centre



2. INTRODUCTION

In December 2010 the NSW Government established the State Environmental Planning Policy (Urban Renewal) 2010 (hereafter referred to as the Urban Renewal SEPP or SEPP). It is understood that the SEPP initially focuses on Redfern-Waterloo, Granville Town Centre and Newcastle City Centre. The SEPP will enable the NSW Government to plan for the urban renewal of these centres, facilitating investment in order to achieve a range of housing and employment outcomes.

The following document provides a comprehensive Economic Assessment of Newcastle City Centre. The Assessment seeks to provide the NSW Department of Planning & Infrastructure (the Department) and Newcastle City Council (the Council) with a range of mechanisms by which to facilitate development and investment in the City Centre to create new business and employment opportunities. This Assessment is one part of a broader range of studies being undertaken by the Department in accordance with the requirements of the SEPP.

2.1 Background

Hill PDA's assessment of the commercial, retail, and residential market as part of the previous Hunter Street Revitalisation Masterplan (2010)¹¹ identified the following:

- The long length of Hunter Street as a commercial precinct (almost 2.5km) hampers walkable catchments, which is exacerbated by a lack of any major attractors or retail anchors between the Markettown shopping centre in the west to Hunter Mall in the east;
- The City Centre is used largely as a destination centre due to its civic and government functions, provision of government agencies and specialist services, and is used to a lesser extent for browsing, entertainment and tourism;
- The City Centre has a high level of vacancy for commercial office (especially of older stock) and retail shopfronts (particularly along Hunter Street and in the West End);
- There was no significant value difference between Newcastle's suburban centre markets (e.g. Hamilton) and Newcastle City Centre B-grade and C-grade commercial rents, with an abundance of commercial buildings in the City Centre for lease or sale (mostly B and C grade) and minimal interest from the market;
- The City Centre has a contracting retail trade area and increasing escape expenditure due to the growth of surrounding centres such as Westfield Kotara and Charlestown Square;
- There was strong demand for residential units in the City Centre with a range of price points and housing choice required; and
- Various approved development applications for higher density development had not commenced, were abandoned, were for sale, or were deferred. These applications included a range of mixed use, commercial, residential and hotel / motel uses, most in excess of six levels.

Despite these issues, Hill PDA and the project team commissioned to undertake the Masterplan found that there were various opportunities for positive change within the City Centre. These included the potential for student housing and

¹¹ Prepared for Newcastle City Council 2010 in conjunction with the project team.

new campus accommodation in partnership with the University of Newcastle, identification of key sites ripe for redevelopment, and opportunities for the refurbishment and adaptive reuse of older buildings along Hunter Street.

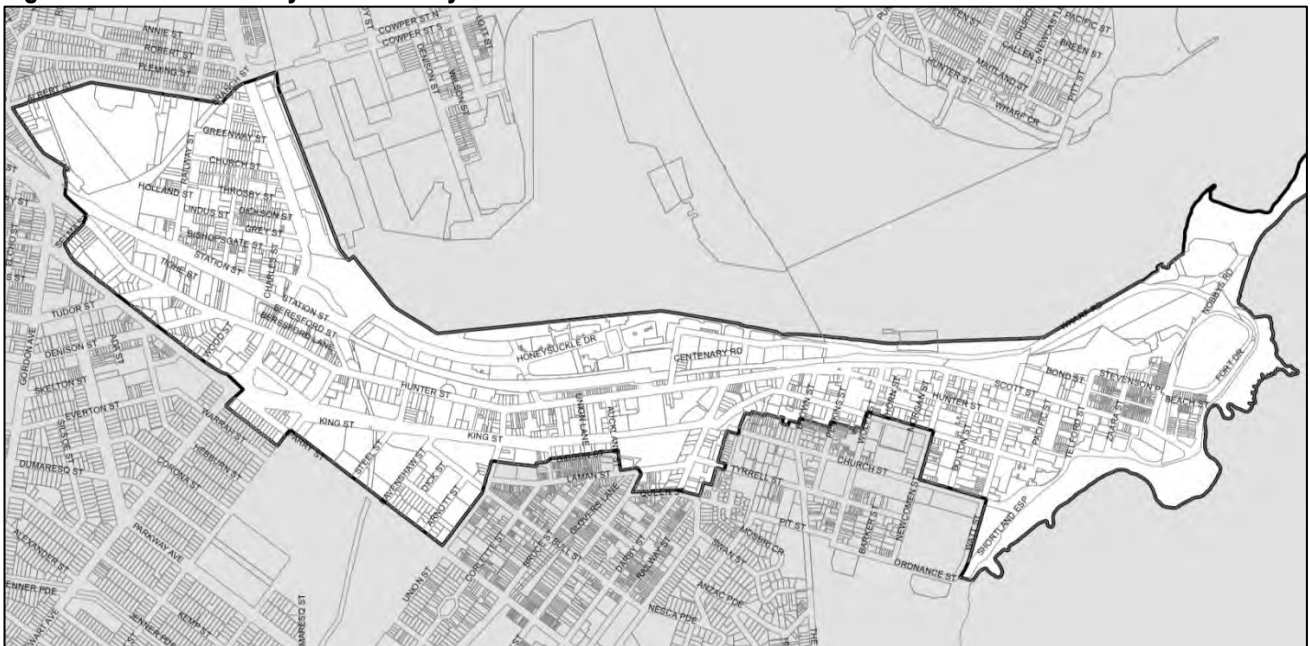
2.2 Brief and Scope

Prior to the establishment of the Urban Renewal SEPP in December 2010 and the inclusion of Newcastle City Centre as one of the three urban renewal areas, a number of initiatives to encourage urban renewal have occurred in Newcastle including¹²:

- The publication of a Newcastle City Centre Vision document and gazettal of a new City Centre Local Environmental Plan (LEP), Development Control Plan (DCP) and Civic Improvement Plan;
- The formation of Hunter Development Corporation (HDC) through the merger of the Honeysuckle Development Corporation and the Regional Land Management Corporation;
- The creation of a Newcastle CBD Taskforce and Steering Group;
- The release of the Newcastle City Centre Renewal Report by HDC in March 2009; and
- Hill PDA's 2010 assessment of the commercial, retail, and residential market as part of the Hunter Street Revitalisation Masterplan (2010)¹³.

It is understood that the NSW Department of Planning & Infrastructure has commenced investigating Newcastle City Centre as a potential urban renewal area. To support the Department's investigations, Hill PDA has been engaged to provide strategic economic advice for Newcastle City Centre. This will form an integral part of a broader review of constraints, capacity and planning controls for Newcastle City Centre as part of the SEPP. Newcastle City Centre is the defined study area for the purpose of this Economic Assessment as shown in the figure below.

Figure 2 - Newcastle City Centre Study Area



Source: State Environmental Planning Policy (Urban Renewal) 2010 Newcastle Potential Precinct Map, NSW Department of Planning & Infrastructure (2010)

¹² Urban Renewal in Newcastle, Background and Process Overview, State environmental Planning Policy (Urban Renewal) 2010 (Department of Planning & Infrastructure, January 2011)

¹³ Prepared for Newcastle City Council 2010 in conjunction with the project team.

It should be noted that this Economic Assessment assumes that the railway line that runs the length of the City Centre and study area remains. Whilst the removal of the line may result in the provision of additional land for redevelopment, it would not be the only catalyst for change in the City Centre. Furthermore, its removal is unlikely to influence the viability of development elsewhere in the City Centre.

As required by the project brief, Hill PDA's Economic Assessment has occurred in three distinct stages as identified below:

Stage 1 – West End	Economic feasibility analysis of redeveloping sites located in the West End of Newcastle City Centre under existing Newcastle built form controls and with amended height, density, car parking and land use mix controls.
Stage 2 – City Centre	Economic feasibility analysis of redeveloping sites located in the City Centre under existing Newcastle built form controls and with amended height, density, car parking and land use mix controls.
Stage 3 – Strategic Economic Framework	Examining development drivers and strategic economic issues affecting Newcastle City Centre. This included determining the drivers of floorspace and dwelling growth, understanding the feasibility of redevelopment within the City Centre, the capacity of Newcastle City Centre to meet growth forecasts, and the investigation of initiatives to manage and facilitate growth and investment in the City Centre.

2.3 Assessment Structure

For clarity the Economic Assessment has been divided into six parts as follows:

Part A – Residential Drivers to Growth	This part of the Assessment reviews and explores the characteristics of the City Centre population and dwelling growth forecasts as compared to the broader local government area and Lower Hunter Region. Part A investigates the demand for residential land uses within the City Centre based on an examination of the market and relates this back to dwelling targets outlined in planning policies and strategies.
Part B – Retail Drivers to Growth	This part of the Assessment examines the performance of Newcastle City Centre as a retail centre today versus its potential future role and function given its status as a Regional City in the centres hierarchy. Part B assesses various sources of retail expenditure available to the City Centre to determine the implications to demand for retail floorspace. The results influence the future role of the City Centre in the provision of retail goods and services.
Part C – Employment Drivers to Growth	This part of the Assessment examines employment growth in the City Centre, which subsequently informs demand modelling for commercial and employment floorspace. Part C determines the role of the City Centre in the provision of jobs and the implications this has on job targets as outlined in planning policies and strategies.

Part D – Other Drivers of Change	This part of the Assessment identifies other drivers to change in Newcastle City Centre over and above the forecast growth in population and dwellings. This includes the plans of Newcastle University, tourism and other land use and demand influences (e.g. Port of Newcastle).
Part E – Capacity to Meet Growth	Part E considers the implications of mine subsidence, planning controls and other influences to redevelopment and investment in the City Centre. In doing so, this part of the Assessment outlines the outcomes of the feasibility modelling of a range of sites in the West End and City Centre.
Part F – Initiatives to Meet Growth	To conclude the final part of the Assessment builds upon the data, drivers, constraints and capacity knowledge gained as a result of previous stages to inform changes to existing planning and policy guidelines to meet future growth and to instigate urban renewal. Lastly, Part F suggests an economic development framework appropriate for the City Centre and identifies a range of macro and micro economic strategies which could be implemented to support this growth.

2.4 Background Documentation

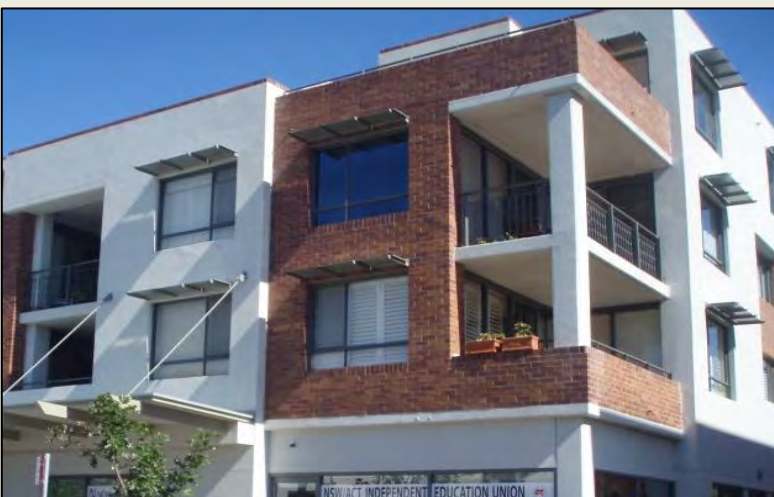
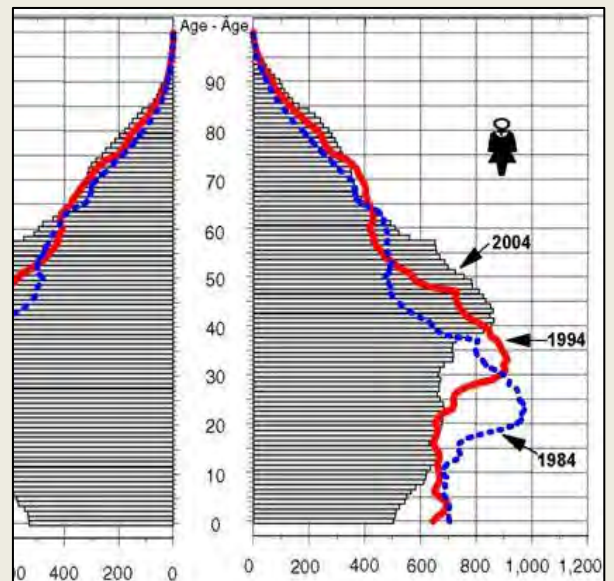
The following documents were reviewed as background to this Economic Assessment:

- Lower Hunter Regional Strategy, NSW Department of Planning & Infrastructure (2006)
- State Environmental Planning Policy (Urban Renewal) 2010
- Urban Renewal in Newcastle Background and Process Review, State Environmental Planning Policy (Urban Renewal) 2010
- Newcastle Draft Local Environmental Plan, Newcastle City Council (2011)
- Newcastle Local Environmental Plan, Newcastle City Council (2008)
- Newcastle Development Control Plan, Newcastle City Council (2005)
- Newcastle City Centre Plan, Cities Taskforce (2006)
- Hunter Street Revitalisation Framework, Scape Strategy (2010)
- Newcastle Employment Lands Strategy, Hill PDA and Newcastle City Council (2010)
- Newcastle Hunter Street Revitalisation Masterplan, Scape and Newcastle City Council (2009)
- Newcastle Capacity Modelling, Newcastle City Council (2008)
- NSW Statistical Local Area Population Projections 2006-2036, NSW Department of Planning & Infrastructure (March 2010)
- NSW Bureau of Transport Statistics Job Forecasts (October 2009 Release)
- Hunter Region Regional Tourism Profile 2009/2010, Tourism Research Australia (January 2011)

Part A: Residential Drivers to Growth



Part A of the Assessment examines population and dwelling growth forecasts for the City Centre, the local government area and the broader Lower Hunter Region. Part A investigates the demand for residential land uses within the City Centre based on an examination of the market and relates this back to targets outlined in planning policies and directions.



3. RESIDENTIAL TRENDS

Australia has one of the highest levels of home ownership in the world. This rate can be attributed to increasing standards of living and strong population growth in the immediate period following World War II, coupled with higher household incomes.

Generally it is recognised that values around Australia are being restrained by affordability ceilings that are closely related to household income and interest rates. While this constraint has impacted on the most expensive market first (which explains Sydney's more recent lack lustre performance) other cities are also reaching affordability ceilings.

The key drivers to the residential property market are:

- Interest rates underpinning affordability;
- High ownership costs resulting in strong demand for rental properties;
- Strong population growth; and
- Household income.

The table below indicates growth in unit values across capital cities in Australia to the September Quarter 2011 based data compiled by Rismark International and RP Data. It shows that despite a minor decline in capital growth rates for the previous month and quarter, unit price growth over the previous year for Sydney has been 1% year on year, the second highest growth rate out of all the capital cities shown behind Brisbane. The median unit price in Sydney is \$458,000 which is the highest of all the capital cities shown and compares to a median of \$415,000 across all cities.

Table 2 - Capital Growth and Rental Yields for Units Across Australian Major Cities (September 2011)

Percentage Change (%)	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	Australian Capitals
Month	-0.3	-0.2	3.2	1.8	-0.6	-3.3	-3.0	0.0
Quarter	-0.4	-2.9	3.2	0.7	-1.1	-0.7	-5.6	-0.8
Year to Date	0.7	-4.4	-0.8	3.1	-2.2	-3.9	-6.6	-1.4
Year on Year	1.0	-2.6	-0.9	2.6	-3.9	-3.6	-9.7	-1.1
Rental Yield (%)	5.2	4.3	5.4	4.8	4.9	5.8	5.6	5.0
Median Price	\$458,000	\$423,000	\$365,000	\$319,000	\$386,000	\$410,000	\$420,000	\$415,000

Source: Rismark International and RP Data (2011)

The problem of affordability has already resulted in a growing gap between real and effective demand for property. Real demand is based on the relationship between household growth and dwelling supply and it has been steadily increasing. Effective demand is derived from a household's capacity to pay for real estate and is limited by income growth and debt servicing costs. Generally effective demand has stalled due to the confluence of several factors including property values, indebtedness, household structure and interest rates. It is difficult for real demand to drive price growth in the absence of effective demand, unless the community is willing to accept an overall drop in its standard of living.

It is widely acknowledged that residential development has not kept pace with real demand, contributing to a tight rental market and rising house prices. In order to meet the increasing housing needs of the growing population, State and local governments have implemented various measures to ensure an affordable, well planned and sustainable supply of housing in the state.

Planning incentives have been aimed at the affordable housing sector facilitated by SEPP No 70 – Affordable Housing and SEPP (Affordable Rental Housing) 2009 where sites for development (urban infill and greenfield) are identified prior to consideration for rezoning. Furthermore, key sites are being rezoned with increased densities around town centres and city transport nodes in draft LEP's prepared by Councils (in complying with the Department's Standard Instrument LEP template) to incentivise residential redevelopment and investment, and in order to meet dwelling targets identified in State Planning Strategies.

4. DEMOGRAPHIC GROWTH AND CHANGE

This Chapter examines population and dwelling growth forecasts for Newcastle City Centre, the Newcastle Local Government Area and the broader Lower Hunter Region. It investigates the reasons behind these projections and examines how they may manifest spatially. Apart from influencing residential growth, this analysis will also inform the retail and employment land demand modelling undertaken in further stages of this Assessment.

4.1 Population Growth and Change

Population growth for the City of Newcastle, within the context of the Lower Hunter Region (which includes the surrounding local government areas of Cessnock, Maitland, Lake Macquarie, Port Stephens) over the 1996 to 2006 period is shown in the table below.

Table 3 - Historic Population Growth in the Lower Hunter Region (2001-2006)

Local Government Area	1996	2001	2006	Change in Persons	Average Annual Change
Cessnock	44,362	45,071	46,206	1,844	0.42%
Maitland	49,941	53,718	61,880	11,939	2.39%
Lake Macquarie	170,495	177,185	183,138	12,643	0.74%
Newcastle	133,686	136,413	141,753	8,067	0.60%
Port Stephens	51,288	56,474	60,484	9,196	1.79%
Total	449,772	468,861	493,461	43,689	0.97%

Source: ABS Census data (2001 & 2006)

The results indicate that over the 10 year period the strongest population growth was experienced in Maitland (average annual growth of 2.4% per annum), followed by Port Stephens (1.8%), Lake Macquarie (0.7%) and Newcastle (0.6%). Overall the Lower Hunter Region recorded an increase of 43,689 persons between 1996 and 2006. Some 18% of this growth was attributable to the City of Newcastle.

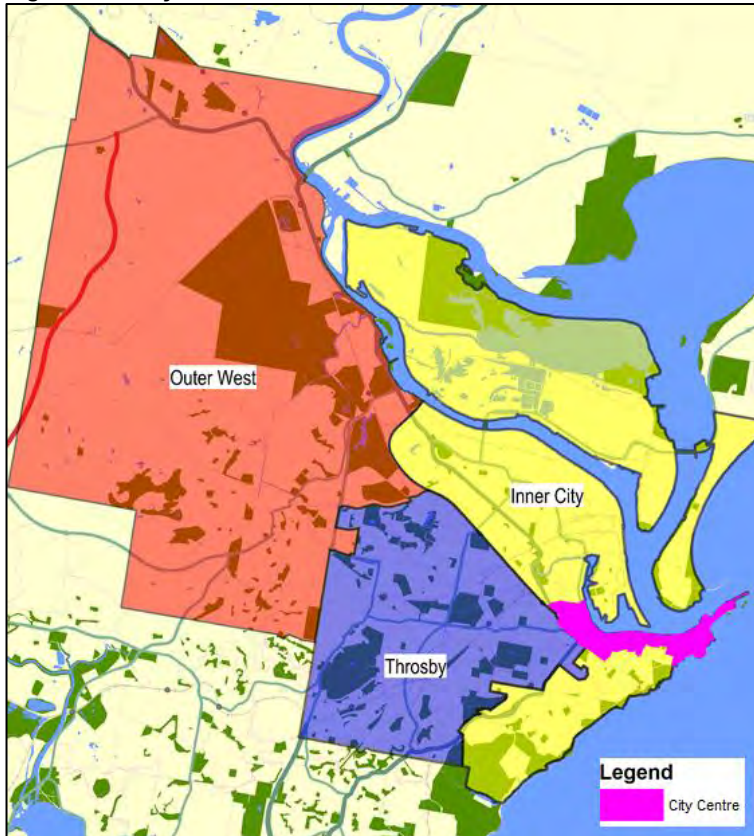
As of the 2006 ABS Census, the City of Newcastle had a resident population of over 141,700 people representing 29% of the Lower Hunter Region's total population. As outlined in the following table, there was a relatively even population distribution across the statistical local area's (SLA) of the City, with the largest share within Throsby (36%), followed by the Inner City (34%) and the Outer West (30%).

Table 4 - City of Newcastle Population by SLA (2006)

Statistical Local Area	No. Persons	Proportion of Total
Newcastle - Inner City	48,063	34%
Newcastle - Throsby	51,511	36%
Newcastle - Outer West	42,181	30%
City of Newcastle	141,755	100%

Source: NSW Department of Planning & Infrastructure (2010)

The Newcastle City Centre study area is located within the Inner City SLA as indicated in the following map.

Figure 3 - City of Newcastle Statistical Local Areas

Source: MapInfo 10.5, Hill PDA (2011)

The Department of Planning & Infrastructure's population forecasts (dated March 2010) for the City of Newcastle to 2031, compared to the local government areas of the Lower Hunter Region, is shown in the table below.

Table 5 - Forecast Population Growth in the Lower Hunter Region to 2031

Local Government Area	Forecast Population (Persons)						Growth 2006-2031	
	2006	2011	2016	2021	2026	2031	Persons	Average Annual Growth
Cessnock	48,300	50,500	53,100	56,500	60,100	64,000	15,700	1.1%
Maitland	64,700	73,300	82,000	89,600	96,600	103,200	38,500	1.9%
Lake Macquarie	192,000	197,000	202,300	210,100	218,200	226,000	34,000	0.7%
Newcastle	149,300	155,500	161,300	165,600	170,000	174,200	24,900	0.6%
Inner City (SLA)	51,000	53,300	55,300	56,900	58,600	60,200	9,200	0.7%
Outer West (SLA)	44,200	46,700	49,200	51,000	52,700	54,400	10,200	0.8%
Throsby (SLA)	54,100	55,500	56,800	57,700	58,700	59,600	5,500	0.4%
Port Stephens	63,300	69,400	74,500	78,700	82,300	85,400	22,100	1.2%
Total	517,600	545,700	573,200	600,500	627,200	652,800	135,200	0.9%

Source: NSW Statistical Local Area Population Projections 2006-2036, NSW Department of Planning & Infrastructure (March 2010)

The forecasts show that the population of the broader Lower Hunter Region is anticipated to grow from 517,600 persons in 2006 to 652,800 persons in 2031, an increase of 135,200 persons (26.0%) over the period. Maitland and Port Stephens have the highest forecast growth rates in the Region (1.9% and 1.2% average annual growth respectively), although it is recognised these forecasts are below historic annual growth levels.

The City of Newcastle is forecast to accommodate the lowest level of population growth in the Lower Hunter Region relative to its current population (0.6% average annual growth). In absolute terms the City of Newcastle is forecast to accommodate an additional 24,900 people by 2031 based on the Departments forecasts.

The results indicate that this growth is not distributed evenly across the City of Newcastle. The Outer West is expected to experience the greatest level of growth to 2031 (0.8% per annum or 10,200 additional people), followed by the Inner City (0.7% per annum or 9,200 additional people) and Throsby (0.4% per annum or 5,500 additional people).

4.2 Dwelling Growth and Change

In order to accommodate some 135,000 additional people in the Lower Hunter Region over the 2006 to 2031 period the Lower Hunter Regional Strategy (2006) indicates an additional 80,000 homes will be needed.

A further 35,000 dwellings will be required to accommodate existing residents as a result of demographic and lifestyle changes. One such trend relates to the occupancy rate of households in Newcastle contracting from 2.5 persons per dwelling in 2001 to an estimated 2.1 persons per dwelling in 2031¹⁴. Based on these assumptions a total of 115,000 additional dwellings will be required in the Lower Hunter Region by 2031 as a result of this change.

Sufficient residential release land has been identified by the Regional Strategy to accommodate 69,200 dwellings, with the residual 48,000 dwellings being located in existing urban areas and centres. Planned dwelling growth across the Region is shown in the table below. This provides an insight into how population growth forecasts could manifest spatially.

Table 6 - Forecast Dwelling Growth in the Lower Hunter Region to 2031

Local Government Area	Infill			New Release	Total Dwellings	Proportion of Total Growth
	Centres & Corridors	Urban	Total			
Cessnock	500	1,500	2,000	19,700	21,700	18%
Maitland	2,000	3,000	5,000	21,500	26,500	23%
Port Stephens	3,300	2,000	5,300	7,200	12,500	11%
Newcastle	12,200	2,500	14,700	5,800	20,500	17%
Lake Macquarie	14,000	7,000	21,000	15,000	36,000	31%
Total	32,000	16,000	48,000	69,200	117,200	100%

Source: Lower Hunter Regional Strategy, NSW Department of Planning & Infrastructure (2006)

Whilst the City of Newcastle is forecast to accommodate 20,500 new dwellings to 2031, as the Regional City for the Lower Hunter, Newcastle City Centre is forecast to accommodate a significant increase in residential dwellings. The Regional Strategy plans for an additional 4,000 dwellings in the City Centre by 2031¹⁵. This is equivalent to 19.5% of total dwellings required within the City of Newcastle over that timeframe. Based on 2.1 persons per household, this could equate to an additional 8,400 residents in the City Centre by 2031.

However, the Regional Strategy does not clearly define the boundary of the City Centre. The NSW Bureau of Transport Statistics (BTS) forecast of occupied dwellings in the study area as defined in this Assessment (inclusive of four travel zones being TZ3208 to TZ3211) is far more modest than the Regional Strategy with an increase of just 424 dwellings from 2006 to 2031¹⁶. By contrast the BTS forecasts considerably more growth in surrounding suburbs such as Cooks Hill, Merewether, Bar Beach, Hamilton and Mayfield. These suburbs which make up the balance of the Newcastle Inner City SLA are forecast to provide an additional 5,450 dwellings from 2006 to 2031.

¹⁴ Source: Lower Hunter Regional Strategy, NSW Department of Planning & Infrastructure (2006)

¹⁵ Source: Table 2, Lower Hunter Regional Strategy, NSW Department of Planning and Infrastructure (2006)

¹⁶ From 1,808 dwellings in 2006 to 2,233 dwellings in 2031.

Hill PDA believes the City Centre has the potential to achieve higher dwelling forecasts than the 424 additional dwellings as forecast by BTS. As a result, there is the capacity for the study area of this Assessment to capture a higher share of the additional 4,000 dwellings projected under the regional strategy. For the purpose of this Assessment, Hill PDA has adopted three scenarios of dwelling growth being:

- Low forecast of 424 additional dwellings (23% increase from 2006);
- Medium forecast of 1,200 additional dwellings (66% increase from 2006); and
- High forecast of 2,100 additional dwellings (116% increase from 2006).

The low forecast equates to the BTS forecast of additional dwellings in the travel zones that make up the study area. Hill PDA considers the medium forecast to be a more likely scenario representing 30% of the 4,000 additional dwellings forecast for Newcastle City Centre under the Regional Strategy. The high forecast of 2,100 dwellings is a higher but nevertheless achievable forecast providing for 53% of the 4,000 additional dwellings under the Regional Strategy.

As discussed further in Section 6.1 of this Assessment, it should also be noted that Hunter Development Corporation's Honeysuckle Masterplan (2004) plans for almost 110,000sqm (GFA) of new residential floorspace in the Cottage Creek Precinct. Depending on dwelling mix, this may equate to up to 1,500 new dwellings within the City Centre which could meet up to 40% of the City Centre's dwelling target under the Regional Strategy.

These additional dwellings would not only influence residential density and development options for the City Centre, but the growth in residents living within the City Centre itself will impact on the demand for services, particularly for retail floorspace. It would also impact positively on other aspects of the City Centre including demand for restaurants, café's, tourism, recreation and entertainment options.

5. MARKET DRIVERS

This Chapter examines the market attributes of residential land uses in the City Centre, which predominately includes apartment and unit dwellings. Given the significant increase in the number of apartment dwellings in the City Centre in more recent times due to developments such as Honeysuckle, this Chapter highlights the drivers of unit development and seeks to determine those market attributes which influence the viability of residential high rise development in Newcastle City Centre.

5.1 Residential Market Drivers

As discussed in Chapter 4, Newcastle City Centre in its role as the Regional City for the Lower Hunter has been targeted to accommodate a significant increase in residential dwellings. As already noted, whilst the exact area of the Newcastle City Centre targeted for growth in the Lower Hunter Regional Strategy (2006) is unknown, the Regional Strategy nominates an additional 4,000 dwellings in the City Centre by 2031. This is equivalent to average annual growth of 160 dwellings per annum between 2006 and 2031.

Whilst the basis for this forecast dwelling assumption is unclear, based upon Hill PDA's market investigations, the following factors have been identified as the key drivers for residential development and demand within the Newcastle City Centre:

- Strong demand from students for accommodation in close proximity to the Newcastle City Centre given the amenities that it provides and the attractiveness of living in an urban area as opposed to being located on campus. However, discussions with the University of Newcastle indicate that they do not intend to provide any student accommodation within the City Centre. Instead, they intend to let the 'market' provide any required accommodation with the University only providing on campus options.
- Strong demand from professionals within the City Centre, particularly for those who travel for work between Newcastle and another location (e.g. Sydney). Demand for accommodation types include serviced apartments (i.e. for more casual use) and longer term leases (e.g. when professionals may work on a permanent basis in Newcastle, say 3 to 4 days per week).
- First home buyers and young people (18 to 35 years of age) who are attracted to units due to their relative affordability, as well as the amenities provided by the City Centre and the overall attractiveness of living in an urban setting.
- Investors who have historically been active in Newcastle City Centre's unit market. Discussions with agents indicate that rentals of approximately \$380 to \$400 per week can be achieved for a \$250,000 studio apartment. This represents an approximate yield of 8.3% gross, which is strong for residential property.
- The 'top end' of the market (which includes a large number of retirees) has previously been a strong market component, however agents believe that this market is largely exhausted. There are a finite number of buyers available, most of which have already purchased property. Notwithstanding this, units for these buyers must be large, provide good storage, secure parking, large outdoor areas and have a higher standard of finish.
- Increasing demand for smaller and more affordable units evidenced by various recently approved or built developments in the City Centre having modified their unit mix to increase the number of studio and 1 bedroom apartments and provide minimal or no 3 bedroom apartments (examples include Arvia Beachside Apartments,

67 Watt Street with only one 3 bedroom unit out of 101 units). Various developments have also considered a mix of privately owned and serviced apartment units to offset less favourable current market conditions.

Given the spread of existing land uses across the City Centre, it is largely assumed that new dwellings will need to be accommodated through an increase in densities and the provision of additional medium and high rise residential developments. However unlike the City Centre, the broader LGA largely provides detached housing. This results in very little unit development elsewhere.

If smaller dwellings are demanded in suburban Newcastle locations, they generally result in townhouse dwellings and in some cases three level walk-up unit buildings. The construction costs associated with high rise residential development in these suburban areas result in asking unit prices which are well above those for detached dwellings and townhouses. As a result, locations within close proximity of Newcastle City Centre itself provide the only sensible opportunity for viable larger scale and high rise residential unit development.

5.2 Residential Market Indicators

Residential market indicators such as sale values, rents and take-up (rates of sale) are good indicators of the markets ability to demand a particular product type and provide valuable information on the viability of such development.

To analyse sale values, Housing NSW data indicates that the median house price for the City of Newcastle was \$385,000 in September 2011, up 0.4% on the previous 12 months¹⁷. By comparison the median for residential units was \$339,000 up 3.0% over the same period. Research¹⁸ indicates that for the inner city (i.e. within 5km of the City Centre) median house and unit prices are 6% to 8% higher than median prices for broader suburban areas of the City.

Based on a review of residential projects within the City Centre¹⁹, the following value parameters are currently achievable for new residential units in Newcastle City Centre.

Table 7 - Residential Unit Development Characteristics and Asking Prices (2011)

Unit Type	Description	Asking Price/Unit
Bed-sit (studio) apartments	Standard bed-sit apartment, containing combined lounge/ dining/ bedroom, small kitchenette and ensuite/bathroom. Commonly without a car space.	From \$200,000
1 Bedroom	Typical 1 bedroom units, from around 50sqm, with an ensuite (or separate bathroom), double bedroom with built-in wardrobe. Commonly without a car space.	From \$275,000
2 Bedroom	Typical 2 bedroom units, from around 80sqm, with a master bedroom ensuite, second bathroom, small double (second) bedroom, both bedrooms with built-in wardrobes. Typically 1 car space.	From \$400,000
3 Bedroom	Typical 3 bedroom units, from around 110sqm, with a master bedroom ensuite, second bathroom, small double (second and third) bedrooms, all bedrooms with built-in wardrobes. Typically 2 car spaces.	From \$450,000
Sub-penthouse	Comprising 3 or 4 bedrooms, from around 120sqm, with a master bedroom ensuite, small double bedrooms, and all bedrooms with built-in wardrobes. Large main bathroom, possibly second ensuite to bedroom 2 or additional WC. Large balcony area(s). Typically 2 car spaces. Prices vary due to	\$600,000 to \$900,000

¹⁷ Source: Housing NSW, Rent and Sales Report, Issue 98 (2012)

¹⁸ Source: PRD Nationwide (2011)

¹⁹ Includes 14 Honeysuckle Drive (Pacific Lifestyle Projects P/L); 15, 17 and 19 Honeysuckle Drive (Hunter Development Corporation), 1, 3 and 7 King Street (Mirvac), Harbour Pier 21 Merewether Street (Merewether Wharf P/L) and 738 Hunter Street (Task Developments 2 P/L)

Unit Type	Description	Asking Price/Unit
	views, location, aspect, provision of storage etc.	
Penthouse	These units are mostly 3 or 4 bedroom units with a higher standard of fixtures and fittings and larger floor areas, both internal and external areas. Typically 2 car spaces. Prices vary due to views, location, aspect, provision of storage etc.	From \$1m up to \$2m

Source: Hill PDA Research (2011). Note Appendix 1 provides details of current residential projects in Newcastle City Centre that have indicated prices for studio, 1 bedroom, 2 bedroom and 3 bedroom units. Asking prices for sub-penthouse and penthouse apartments have been sourced from a review of 'for sale' properties as well as through discussions with local real estate agents.

By comparison, prices in Sydney are approximately 36% higher than in Newcastle City Centre. Housing NSW data²⁰ indicates the median price for residential strata units was \$460,000 in the Sydney Statistical Division (SD) compared to \$339,000 in the City of Newcastle.

Whilst average apartment values in Newcastle City Centre are less than those achieved in the Sydney market, by comparison, the rental market is exhibiting asking rents similar to those of the inner city Sydney market. Asking rents for residential units in the City Centre range from \$300/week to \$750/week as indicated in the following table.

Table 8 - Residential Unit Asking Rents in Newcastle City Centre (2011)

Unit Type	Newcastle City Centre Asking Rental \$/week	Inner City Sydney Asking Rental \$/week
1 Bedroom (no car space)	\$300 to \$400	\$375 to 500
1 Bedroom (with car space)	\$400 to \$480	\$400 to \$550
2 Bedroom	\$500 to \$650 (\$850*)	\$500 to \$800
3 Bedroom	\$600 to \$750 (\$950*)	From \$600

Source: Hill PDA Research (2011)

* Denotes asking rentals for 'best' units, i.e. units with higher standard of fixtures and fittings, located on upper levels - with views available, good floor plates/layouts, security parking, storage, building services - pool, BBQ area, etc.

By comparison Newcastle suburban unit rents are reported at \$220/week for 1 bedroom units and \$320/week for 2 bedroom units (as at December quarter 2011)²¹, approximately 50% below rents achieved in the City Centre, and approximately 60% below Sydney median rents.

In terms of take up rates of new residential units, the following projects are currently in the final stages of construction having achieved 141 sales out of 182 units, equivalent to 4 to 5 sales per month:

- Grand Central Apartments at 111 Scott Street – 55 out of 81 units sold, equivalent to 4 to 5 sales per month; and
- Arvia Beachside Apartments at 67 Watt Street – 86 out of 101 units sold, equivalent to around 5 sales per month.

By comparison, Sydney's unit market typically achieves a stronger rate of sales, commonly between 5 to 10 sales per month (during pre-sales) with some projects achieving far stronger sales, anywhere between 15 to 30 sales per month.

²⁰ Source: Housing NSW, Rent and Sales Report, Issue 98 (2012)

²¹ Source: Housing NSW, Rent and Sales Report, Issue 98 (2012)

6. OTHER RESIDENTIAL DRIVERS

This Chapter reviews other drivers of residential demand and supply in Newcastle City Centre, focussing on the plans of Hunter Development Corporation, the affordable housing sector and student accommodation. This Chapter seeks to understand each of the drivers and their effect on potential residential growth or change within the City Centre.

6.1 Hunter Development Corporation

The Hunter Development Corporation (HDC) was formed through the merger of the Honeysuckle Development Corporation and the Regional Land Management Corporation in 2007. The HDC facilitates economic growth in the region consistent with the Lower Hunter Regional Strategy (2006), by supporting and facilitating development by the private sector on key State land holdings under its control. An aim of which is to provide a greater certainty of investment to the private sector.

The key sites in which the HDC is involved are:

- Intertrade Industrial Park;
- The former BHP Steelworks site;
- Kooragang Island;
- Tomago – former rural land adjacent to the Tomago Industrial area;
- West Wallsend – land formerly owned by BHP on the outskirts of Newcastle and Lake Macquarie;
- The Cottage Creek Precinct; and
- The Honeysuckle Precinct where the last stages of development are now proceeding.

Relevant to this Economic Assessment are the Cottage Creek and Honeysuckle Precincts which are located within the City Centre study area.

The Honeysuckle and Cottage Creek Precincts are both located on the north side of the railway line along the foreshore. These precincts have emerged as the prime location for commercial (A-Grade) and residential unit buildings. A retail and restaurant hub has also emerged to the east of the Honeysuckle Precinct. The Cottage Creek Precinct comprises the area between Hannell Street (west) and Worth Place (east). Worth Place forms the western boundary of the Honeysuckle Precinct which runs through to Merewether Street.

The general locations of the Cottage Creek and Honeysuckle Precincts are shown in the following aerial map.

Figure 4 - Hunter Development Corporation – Cottage Creek and Honeysuckle Precincts

Source: Hunter Development Corporation, <http://hunterdevelopmentcorporation.com.au> (2011)

The Honeysuckle Precinct is largely fully developed with the HDC²² indicating that the only remaining vacant site will comprise a new commercial development known as Honeysuckle Central.

Within the Cottage Creek Precinct, the HDC²³ has indicated that approximately 109,700sqm (GFA) of new residential floorspace is expected to be delivered based upon the current Newcastle City Centre LEP (2008) and Honeysuckle Masterplan (2004). Depending on dwelling mix, this may equate to up to 1,500 new dwellings within the City Centre which indicates that forecast dwellings in Cottage Creek could meet up to 40% of the City Centre's dwelling target under the Lower Hunter Regional Strategy (2006). That said, it is understood the current Masterplan (an excerpt of which is provided in Appendix 4) is under review.

6.2 Student Accommodation

The presence of additional students in the City Centre would not only support demand for retail shops and services, but increase general activity and passive surveillance. Students help to create a stable and reliable customer base for existing businesses, drive the entertainment and leisure markets, and support the provision of local jobs – they provide a readily accessible, flexible and plentiful workforce.

There are a myriad of factors that influence demand for student accommodation generally. Current student numbers and expected student numbers are a major determinant of on-campus accommodation demand with the direct relationship between the number of students enrolled and accommodation demanded needing no explanation. In choosing whether to live on-campus or off-campus however, students will have consideration to a range of factors including cost, location and convenience to university and the type and quality of accommodation offerings in their price range.

²² Source: Jacob Whiting, Senior Development Manager, Hunter Development Corporation (2011)

²³ Source: Jacob Whiting, Senior Development Manager, Hunter Development Corporation (2011)

The University of Newcastle had 23,000 enrolled students in 2004, which had grown to 35,500 students in 2011²⁴. By 2015 the University is expecting to cater for some 40,000 students²⁵, an increase of 4,500 students or 13% between 2011 and 2015.

A sizable proportion of students at the University are international students. Of all students enrolled at the University in 2011, some 8,000 (23%) originated from overseas. Of these over 5,000 studied onshore, meaning they studied in Australian campuses, as opposed to over the internet or via the University campus in Singapore. This equates to approximately 14% of all students enrolled in the University in 2011.

Currently University campus facilities in Newcastle City Centre cater for 1,000 students and more than 100 staff. Whilst residential on-campus accommodation options are provided in Callaghan, the University does not own any residential colleges in the City Centre, nor does it plan to own or develop any in the future. Any residual student accommodation demand in the City Centre will be satisfied by the private sector.

International students, as well as Australian students from intrastate, will drive demand for student housing in Newcastle City Centre, particularly in view of the potential gap between accommodation demand and supply provided by the University as student numbers increase.

However, prevailing market rents in the private rental market drive demand for off-campus accommodation regardless of how attractive it might be to reside in a City Centre location. Added to basic rent are also the costs of furnishing and utilities. As a result, it must be recognised that whilst increasing the number of students in the City Centre is a strategy to drive revitalisation, the lack of affordable residential accommodation is likely to prevent students from choosing the City Centre over on-campus offer or other suburban rental options.

6.3 Affordable Housing

The affordable housing sector has received a significant boost from a variety of initiatives relating to the Nation Building stimulus package and remains the focus of considerable policy development by both the State and Federal Governments. The mounting crisis in the affordability of housing, especially within the nation's capital cities threatens to overshadow the moderation of house prices achieved during the Global Financial Crisis, combined with low interest rates which had improved affordability.

It must be recognised that the term affordable housing has multiple definitions. It can mean either the provision of social and community housing, or the provision of residential dwellings at lower price points than the market median. The latter are often smaller in size than conventional dwellings being delivered by the market and can often refer to key worker and student housing.

In order to address the provision of affordable housing, the Federal Government has announced a number of initiatives over the past few years including:

- The National Rental Affordability Scheme (NRAS) which is designed to encourage private and non-profit housing developers to develop affordable rental housing through the provision of incentives in the form of tax credits or grants.

²⁴ Source: <http://www.newcastle.edu.au/about/> (2011)

²⁵ Source: Building Distinction: Strategic Plan, The University of Newcastle (2011-2015)

- A National Housing Supply Council has been established and reported in April 2010 on the state of land supply and dwelling construction in Australia, estimating that there was a shortfall in supply of 178,000 dwellings as at June 2009.
- The Housing Affordability Fund was established to mitigate the high State and Local Government regulatory costs related to approvals and infrastructure, and to mitigate holding costs associated with new dwelling approvals.
- First Home Savers Accounts have been introduced to encourage savings by first home buyers through low taxation and Government contributions.
- The First Home Owner Boost (FHOB) was added to the First Home Owner Grant (FHOG) to provide up to \$21,000 for the purchase of new housing by first home buyers and this element expired in December 2009, leaving the \$7,000 FHOG in place for new dwellings.
- The National Affordable Housing Agreement (2008) which incorporates the Homelessness National Partnership Payment, Social Housing National Partnership Payment, and the Remote Indigenous Housing National Partnership Payment.
- A Social Housing Initiative to fund 20,000 new public and community dwellings as part of the Nation Building and Jobs Plan, to sustain economic growth during the Global Financial Crisis.
- A ministerial taskforce for Affordable Housing which is in part charged with reviewing the Affordable Housing SEPP and identifying planning mechanisms by which to enable and encourage the provision of Affordable Housing.

Whilst the focus of Government policy has been on the affordability of both renting and purchasing housing, recent focus has shifted firmly towards initiatives in the rental sector. A number of other mechanisms such as shared equity schemes and density bonuses have also been used by Landcom and other housing authorities to encourage affordable dwellings for purchase, but these schemes tend to have a one off benefit only (although resale restrictions can be imposed). Furthermore, purchasers who are eligible may only be eligible at the time of purchase and soon thereafter increase their income and are able to purchase without such assistance.

Dwelling sizes for apartments in the affordable housing sector tend to reflect the lower end of market preferences although there is also a trend towards smaller units to maintain affordability of both market and affordable products.

7. IMPLICATIONS TO NEWCASTLE CITY CENTRE

Residential living in City Centres is recognised as an important element of fostering the living city concept. Hill PDA recognises the following factors that have led to increased housing in City Centres:

- Changing demographics and lifestyles with an increasing proportion of single households made up of empty nesters, university students and young professionals;
- Housing choice shifts where suburban homes with the ¼ acre block have been replaced by apartments - there has been a value shift from sense of space to sense of place;
- An increasing sea and tree change retiree market, which has led to greater living choice in coastal centres and towns;
- Growing cultural and entertainment activities which have made city centre living attractive for social interaction;
- Easy access to places of work or public transport; and
- Affordability – property costs can be cheaper than the traditional home.

Additionally, local residents in a centre extend the level of activity past office and shopping hours. They create a demand for a variety of uses and lobby for improved amenity and safety.

Hill PDA's market investigations indicate that the 'top end' of the market in Newcastle City Centre (comprising larger units, penthouses and the retiree market) has declined significantly. A combination of a poorer performing market coupled with the fact that the market for these housing types has largely been exhausted, has resulted in a shift, in both demand and provision of new units in Newcastle City Centre.

In response, recent market activity shows demand for smaller and more affordable units is increasing with recent residential developments changing their unit mix to increase the number of studio, 1 and 2 bedroom apartments. A review of recent projects indicates the majority of developments are exhibiting a unit mix of 55% to 60% studio and one bedroom units, 32% to 40% two bedroom units and up to 12% three bedroom units.

Although it is recognised that preferences and market attributes can change over time, for the purpose of testing the viability of residential development as part of this Assessment, Hill PDA has assumed a majority of 1 and 2 bedroom units in most development options (see Chapter 21).

This assumption also reflects market investigations which indicated increasing demand from students, first home buyers and young people for accommodation in close proximity to the Newcastle City Centre, given the amenities that it provides and the attractiveness of living in an urban setting.

The University of Newcastle has the potential to significantly contribute to residential demand in the City Centre. If the proposed expansion of the University's City Campus is progressed, an additional 2,500 student places are expected to be provided in the City Centre. This will significantly increase the demand for student accommodation. Furthermore, the presence of additional students in the City Centre will provide other benefits including supporting demand for retail shops and services.

Part B: Retail Drivers to Growth



Part B of the Assessment examines the performance of Newcastle City Centre as a retail centre today versus its potential future role and function given its status as a Regional City in the centres hierarchy. Part B also assesses retail demand to determine, based on various sources of retail expenditure, future floorspace requirements. The results influence the future role of the City in the provision of retail goods and services.



8. RETAIL TRENDS

Over the past three decades significant changes including the introduction of new technologies', the ageing of the population, increased female participation in the workplace and changing consumer preferences, have occurred which in turn have impacted on the retail industry. These changes are placing greater pressure on Newcastle City Centre to either adapt or lose market share.

As a result of changing lifestyle trends and retail formats, shoppers are increasingly spending more on entertainment, technology and leisure related goods rather than traditional grocery and clothing offers. Shoppers are also seeking a broader range of activities that provide both retail and entertainment options including eating out, wine bars, cinemas and video game parlours. Accordingly some of the key trends influencing retail in Newcastle City Centre include:

- Changing shifts in trade particularly:
 - The expansion of major regional centres (such as Kotara and Charlestown);
 - The emergence of more convenience centres on major roads which are taking trade away from the traditional neighbourhood centres based around public transport nodes;
 - The growing predominance of bulky goods retailers on the fringe of large shopping centres and in industrial areas which are taking trade in bulky goods away from the traditional retail centres; and
 - The declining market share of older style strip retail centres in favour of the 'mega' mall.
- The growing importance of convenience retailing including not only geographic proximity to home but the convenience of one stop shopping at convenient hours resulting in the extension of operating hours.
- The success of smaller suburban centres in the City of Newcastle, which are strengthening their role and function against the larger regional centres through active Chambers of Commerce and local community and retailer groups. This has led to not only strong retail trade, but the retention of local commercial office occupiers.
- The development of larger (i.e. 4,000sqm+) supermarkets to include a wider range of food and non-food items in addition to the emergence of smaller discount supermarkets (800sqm to 1,500sqm) such as ALDI. Increasingly supermarkets are becoming the core or anchor tenant for successful modern retail centres.
- The growing number of specialty store chains and franchises and the importance of their location close to major anchors in centres.
- The growing size and diversification of major centres and their expansion to include entertainment, accommodation (hotel/serviced apartments) and a lifestyle focus including eat streets, recreation and open space (e.g. piazza's, grassed areas, playground equipment etc).
- The growing popularity of internet shopping which presently accounts for approximately 5% of total retail sales.
- The growth of bulky goods retailing which has impacted on traditional centres and the department stores in those centres over the past three decades. That impact is spatially manifested in locations such as Kotara and Bennetts Green which have captured growth in bulky goods expenditure at the expense of Newcastle City Centre.

The impact of these trends on Newcastle City Centre are further discussed in Chapter 9.

9. RETAIL HIERARCHY AND COMPETITIVE CONTEXT

This Chapter reviews the role of Newcastle City Centre today and how it addresses the requirements, role and function of a Regional City in the centres hierarchy. Notwithstanding its role, this Chapter also examines how Newcastle City Centre has lost its share of retail sales and has experienced a contracting trade area due to the increasing size and growth of surrounding centres, as a direct result of the trends discussed in the preceding Chapter.

9.1 Retail Hierarchy

Newcastle City Centre is identified as the Regional City of the Lower Hunter Region as indicated in the map below. The City is supported by a range of town centres including the likes of The Junction, Mayfield, Hamilton and Jesmond.

Figure 5 - Lower Hunter Region Centres Hierarchy



Source: Lower Hunter Regional Strategy, NSW Department of Planning & Infrastructure (2006) and Hill PDA (2011)

The Centres Hierarchy for the Lower Hunter Region as identified within the Regional Strategy (2006) and supplemented by Council is provided in the following table.

Table 9 - Lower Hunter Region Centres Hierarchy

Category	Key Functions	Centres
Regional City	Services the region with higher order administration, education, health services, cultural and recreational facilities higher density commercial and residential. Commercial centre focus with large retail and commercial floor area, including department stores.	Newcastle
Major Regional Centre	A concentration of business, higher order retailing, employment, professional services and generally including civic functions and facilities. A focal point for subregional road and transport networks and may service a number of districts.	N/A
Specialised Centre	Centres and concentrations of regionally significant economic activity and employment.	Newcastle University, John Hunter Hospital
Town Centre	Shopping and business centre for the district, including health and professional services mixed with medium and higher density residential.	Adamstown; Hamilton, Jesmond, The Junction, Mayfield, Wallsend, Waratah Shopping Village
Stand-alone Shopping Centre	Privately owned centres located away from other commercial centres, containing many attributes of a town but without housing or open space.	Kotara
Neighbourhood Centres	Emerging centres identified as necessary to meet the day to day needs of future residents. Providing retail and community facilities to meet the needs for the local population and workforce.	Broadmeadow; Carrington; Cooks Hill; Beresfield/ Tarro; Elmore Vale; Georgetown; Islington; Fletcher; Lambton; Maryland; Stockton; New Lambton; Warabrook; Waratah (Station St); Merewether (Llewellyn Street)
Renewal Corridor	Renewal corridors are situated along strategic transport routes and link strategic centres. These corridors present opportunities for economic renewal and / or housing intensification.	Mayfield – Islington (Maitland Road), Broadmeadow – Adamstown (Brunker Road) and Hamilton – Islington (Tudor Street).

Source: Lower Hunter Regional Strategy NSW Department of Planning & Infrastructure (2006) and Newcastle City Council (2010)

9.2 Performance of Newcastle City Centre

The role of Newcastle City Centre in the provision of retail goods and services to residents of the wider area has changed significantly over the last two decades. Previously the centre was the sole regional retail centre within the Lower Hunter Region however the development of newer and more easily accessible shopping centres, particularly Westfield Kotara and Charlestown Square, have led to a significant diversion of trade away from Newcastle City Centre. The recent closure of David Jones has also been a significant misfortune to the City Centre given that it now lacks a department store, and the inaction of the mooted Hunter Street Mall development has also affected confidence in the centre.

Strip retail accounts for the majority of retail provision in Newcastle City Centre, of which the greatest proportion fronts Hunter Street to a distance of almost 2.5km from Watt Street in the east to Stewart Avenue (Pacific Highway) in the west. The City Centre also contains the Hunter Street Mall and Marketown Shopping Centres which anchor the east and west of the City Centre respectively. It is understood that there have been discussions concerning the expansion of

the Hunter Street Mall by GPT although these have been put on hold. The retail offer of Newcastle City Centre comprises some 158,000sqm (NLA) of shopfront floorspace including the recent expansion of Marketown Shopping Centre.

Based on Hill PDA's 2011 floorspace survey, the Property Council of Australia Shopping Centre Directory (2010), and information concerning recent development applications, it is estimated there is approximately 108,000sqm of occupied retail floorspace in the City Centre. The following table further categorises this floorspace by retail store type.

Table 10 - Estimated Shopfront Floorspace Supply in Newcastle City Centre (2011)

Retail Store Type	Shopfront Floorspace (sqm NLA)	Proportion of Total
Discount Department Stores	7,000	4.4%
Supermarkets and Grocery Stores	9,000	5.6%
Specialty Food	8,000	4.7%
Restaurants, Café's & Take-away	19,500	16.3%
Bulky Goods	19,000	11.9%
Other Non-Food	41,500	18.8%
Personal Services	4,000	2.5%
Total Retail Shopfront	108,000	68.8%
Commercial Shopfront	14,000	8.8%
Vacant Shopfront	36,000	22.5%
Total Retail & Commercial Shopfronts	158,000	100.0%

Source: Hill PDA Survey (2011) and Property Council Shopping Centre Database (2010)

Note the above figures have been rounded to the nearest 1,000.

The vacancy rate of 22.5% shown above appears high but a large proportion of this floorspace is attributable to the closure of the David Jones department store. Net of David Jones, the vacancy rate reduces to around 17%. This is still considered high compared to most other regional cities and town centres – normally 5% to 10% is considered healthy.

By contrast Wollongong CBD (with around 100,000sqm of shopfront space) had a vacancy rate of around 9% to 10% when Hill PDA surveyed it in 2004. Additionally, Hill PDA floorspace surveys of Maitland in 2006 indicate a vacancy of 6%, and Byron Bay in 2010 indicates a vacancy of 1%.

Prior to its redevelopment, the Coles anchored Marketown Shopping Centre provided around 9,200sqm of retail floorspace. Prior to expansion it achieved a turnover of \$100.63m for the August 2009 to July 2010 period²⁶. This equated to a turnover of \$11,306/sqm which is some 61% above the median for similar sized shopping centres nationally²⁷. This placed the centre 14th out of the 141 similar sized centres in Australia indicating that it was trading very strongly.

An expansion of Marketown was completed in mid-2011, comprising an additional 16,000sqm of retail floorspace and including a new 3,800sqm Woolworths supermarket, 1,200sqm Dan Murphy's liquor store and 30 additional specialty stores. Marketown now comprises over 25,000sqm of retail floorspace. Hill PDA has not been able to source trading figures for the Marketown post expansion.

There is no published trading information concerning the retail facilities outside of Marketown, however anecdotal evidence suggests that retailers in the area are underperforming. This is evident by:

²⁶ Source: Shopping Centre News Mini-Guns (2010)

²⁷ Defined as those centres with a Gross Lettable Area in excess of 6,000sqm but less than 20,000sqm (i.e. Mini Gun).

- The cancellation of the proposed GPT Hunter Street Mall development;
- The recent closure of the David Jones store in the Hunter Street Mall;
- The high proportion of vacancies;
- The high proportion of low value retailers such as discount variety stores; and
- The high proportion of lower rent paying non-retail uses occupying shopfronts.

In addition to providing retail facilities, Newcastle City Centre also performs an important regional employment role providing around 259,000sqm of occupied commercial floorspace (excluding shop front space, industrial buildings, automotive industries, hotels and entertainment / recreational spaces) and around 44,000sqm of vacant commercial floorspace at the time of survey²⁸. Around 90,000sqm of occupied space was occupied by government agencies. Commercial office provision in Newcastle City Centre is further discussed in Chapter 15.

In addition to retail and office space there are a range of entertainment venues, hotels and tourist related uses totalling some 125,000sqm of floorspace. There is a further 73,000sqm of industrial buildings and automotive industry uses which are generally located towards the West End of the City Centre.

In order to assess current trading levels of Newcastle City Centre, Hill PDA relied on published turnover figures for Marketown (prior to its expansion) and industry benchmark turnover rates from various sources including the ABS Retail Survey 1998-99, Urbis Retail Averages, Shopping Centre News and various consultancy studies. Hill PDA estimates that retail sales in the City Centre are currently around \$590m.

Around \$200m is being captured by Marketown (approximately one third of total City Centre sales). This equates to turnover of around \$8,000/sqm.

The remaining occupied retail space in Newcastle City Centre is likely to be trading at around \$4,700/sqm – only 55% to 60% of the level of Marketown on a per square metre basis and considerably lower if we include the level of vacancies on the supply side of the equation.

Table 11 - Estimated Retail Sales in Newcastle City Centre (2010-11)

Location	GLA (sqm)	Turnover (\$/sqm)	Total Retail Sales (\$m)
Marketown	25,000	\$8,000	\$200
Other Occupied Retail Space	83,000	\$4,700	\$390
Total	108,000	\$5,464	\$590

Source: Shopping Centre News (2010) and Hill PDA Estimate

This poor performance is also supported by an examination of retail market attributes in the City Centre which indicates there is a considerable lack of recent retail sales and leasing evidence.

Hill PDA's enquiries with local real estate agents indicate that retail properties in fringe City Centre locations (either on Hunter Street, peripheral City Centre locations or even within the Honeysuckle precinct) have been vacant for periods of up to 18 to 24 months. Vacancy rates across all precincts are high and vacant premises are being absorbed within 3 to 9 months. Current rents across precincts in the City Centre are indicated in the following table.

²⁸ Source: Hill PDA Survey 2011. Newcastle Employment Lands Study (2010)

Table 12 - Retail Leasing Values in Newcastle City Centre (2011)

Retail Precinct	Average Net Face Rents (\$/sqm)
Honeysuckle Drive	\$400 to \$500
Hunter Mall	\$200 to \$300
City Centre General Strip Retail	\$130 to \$175
Suburban City of Newcastle	\$150 to \$200

Source: Hill PDA Research (2011)

Given retail rents are traditionally significantly higher than commercial rents, the above retail rents (particularly those of the Hunter Mall and general strip retail) indicate the poor performance of strip retailing in the City Centre given current rents in these locations are the same as that of B-grade and C-grade commercial accommodation in similar locations (being \$175/sqm to \$300/sqm).

As a result of high vacancies, poor market conditions and low rents, it is likely that an increasing number of shopfronts in the City Centre may be used as commercial premises. Additionally, agents report that GPT encouraged tenants into the Hunter Mall precinct using large incentives. It is likely that without development of the GPT precinct, these tenants will continue to demand significantly reduced rentals, and/or are likely to vacate the precinct upon expiry of their leases.

A review of the retail sales market indicates a mix of activity. Prices vary significantly due to key factors including vacant possession or leased investment and whether there may be any underlying development potential. End sales values range from \$2,000/sqm to \$4,000/sqm as indicated in the following table.

Table 13 - Retail Capital Values in Newcastle City Centre (2011)

Location	Average Capital Values (\$/sqm)
Honeysuckle	\$3,000 to \$4,000 (up to \$5,000)
Hunter Mall	\$3,000 to \$3,500
City Centre General Strip Retail	\$2,000 to \$2,500
Suburban City of Newcastle	\$2,000 to \$2,500

Source: Hill PDA Research (2011)

9.3 Performance of Competing Centres

This section examines retail floorspace supply and the performance of retail centres within close proximity and surrounding Newcastle City Centre.

Kotara

Kotara is a stand-alone shopping mall operated by Westfield and situated approximately 6km east of Newcastle City Centre. The retail offer of Westfield Kotara comprises 72,496sqm of floorspace²⁹, including David Jones, Kmart, Target, Coles and Woolworths. It recorded a turnover of \$491m in 2010³⁰, equivalent to \$8,135/sqm which ranks it 9th out of 91 similar sized centres in Australia, indicating it is one of Australia best performing large centres.

Immediately north of Westfield Kotara is the Kotara Homemaker Centre. Today Kotara has around 65,000sqm of bulky goods retailing with more than 60 outlets³¹. The centre is located just south of Domayne on Kullaiba Road with

²⁹ Source: Newcastle Employment Lands Study, Hill PDA (2010)

³⁰ Source: Shopping Centre News Big Guns (2011)

³¹ Source: Kotara's Retail Reputation Cemented, The Post (19 March 2009) and <http://www.bbretailcapital.com.au/bbretail-media.php>

occupants including a 12,863sqm Bunnings, Nick Scali Furniture (1,980sqm), JB Hi Fi (1,3220sqm), Go Lo (1,265sqm), and BBQ's Galore (1,105sqm). Other tenancies include Forty Winks, Dick Smith Electronics, Beacon Lighting, A-Mart All Sports, Sleep City, Hungry Jacks, Subway, Super Cheap Auto, Strathfield Car Radio, and AGL Energy Shop. It achieved total sales of \$14.6m in 2007, equating to \$4,013/sqm.

Charlestown

Charlestown is defined as a Major Regional Centre by the Lower Hunter Regional Strategy. It is situated some 8km south-west of Newcastle City Centre. Retailing in the centre is dominated by GPT's Charlestown Square, a purpose-built 90,800sqm shopping centre of which 85,100sqm is associated to retail.

An expansion of Charlestown Square has recently been undertaken. The retail offer of the centre includes Myer (12,840sqm), Target (5,590sqm), Big W (7,750sqm), Woolworths (4,800sqm), Coles (4,320sqm) and includes a Reading Cinema (4,320sqm). The centre had a reported moving annual turnover of \$444.8m in 2011³². Whilst still being recognised as a centre 'under development', turnover is equivalent to \$5,633/sqm which is low compared to its performance prior to expansion (\$7,423/sqm in 2007). Specialty store turnover was reported at \$8,209/sqm in 2011, down from \$10,880/sqm in 2007. Prior to expansion the centre was ranked 12 out of the 82 largest indoor centres in Australia with regards to turnover performance, and was ranked 6 in specialty turnover.

The other indoor centre at Charlestown is Hilltop Plaza with 6,000sqm of space which includes a discount variety store and 16 specialties. Additional strip retail is located outside Charlestown Square on Pacific Highway and Charlestown Road. Outside the two indoor centres there are around 100 shop-front premises totalling some 15,000sqm of floorspace. Around one third of this space is occupied by non-retail commercial users such as banks, real estate agents and medical centres.

In addition to the shop-front space Charlestown has a considerable number of commercial businesses occupying office space in a combination of stand-alone commercial buildings on the fringe of the retail core and in shop-top premises. Charlestown also has a diversity of specialised medical practices and community groups. The other anchor or attraction to Charlestown is the Hoyts Cinema complex at the northern end of the centre.

Glendale/ Cardiff

Glendale is an emerging Regional Centre and is located in the City of Lake Macquarie. The Stockland Glendale shopping centre provides approximately 55,000sqm floorspace. Major retailers in the centre include Woolworths, Coles, ALDI, Kmart and Target. The centre also contains a cinema. Stockland Glendale recorded a turnover of \$337.50m in 2010, equivalent to \$6,614/sqm³³. This ranks the centre 42nd out of 91 similar sized centres in Australia.

Significant growth of retail floorspace in Glendale is planned. It is anticipated that the centre will expand to become one of the three major centres in the City of Lake Macquarie and will eventually accommodate up to 100,000sqm of retail floorspace³⁴.

³² Source: GPT 2011 Annual Result Data Pack Retail (2011)

³³ Source: Shopping Centre News Big Guns (2011)

³⁴ Source: Glendale Regional Centre Master Plan – Version 2 – Adopted by Council (May 2010)

The Junction

The Junction is defined as a Town Centre by the Lower Hunter Regional Strategy. It is located approximately 1.5km south of Newcastle City Centre. Junction Fair comprises a purpose built shopping centre and adjacent strip retail totalling 19,748sqm of floorspace³⁵.

The 7,454sqm Junction Fair shopping centre recorded a turnover of \$66.88m or \$9,731/sqm for the August 2009 to July 2010 period³⁶. This turnover is 39% above the median and ranks it 27 out of 141 similar sized centres³⁷ in Australia. This indicates that the centre is performing well.

Hamilton

Hamilton is defined as a Town Centre by the Lower Hunter Regional Strategy. Hamilton is located approximately 1.5km by west of Newcastle City Centre. The retail centre comprises approximately 14,000sqm of retail floorspace, which includes two supermarkets (IGA and ALDI) totalling 2,300sqm. Over the past couple of decades Beaumont Street has transformed into a lively and viable “eat street”.

Mayfield

Mayfield is defined as a Town Centre by the Lower Hunter Regional Strategy. Mayfield consists of village shopping and strip retailing on Maitland Road and Valencia Street, located approximately 4km north-west of Newcastle City Centre. There is approximately 25,000sqm of retail floorspace in Mayfield. The centre is anchored by two supermarkets (a full-line Woolworths and a Franklins) and is supported by a range of specialty retailers.

Waratah

Waratah is defined as a Town Centre by the Lower Hunter Regional Strategy. The main retail centre in Waratah is Waratah Village, which comprises 11,180sqm of retail floorspace. Waratah Village is located on Turton Road, approximately 5km north-west of Newcastle City Centre. The centre is anchored by Coles (2,940sqm) and a K-Mart discount department store.

Bennetts Green

The Bennetts Green bulky goods precinct is on the fringe of an existing industrial area on the Pacific Highway 12km from Newcastle City Centre. The area is dominated by the Harvey Norman Centre. Bulky goods accounts for about 28,000sqm of lettable floorspace. Other national retailers include Super Cheap Auto, Bing Lee, Forty Winks, Snooze, Fantastic Furniture, Batavia Furniture, Furniture One, Sleep Lab, an outdoor leisure and adventure store and a Boating Camping Fishing (BCF).

Warners Bay (Hillsborough Road Precinct)

Hillsborough Road stretches from Warners Bay to Charlestown. The bulky goods cluster is predominantly located along Hillsborough Road between King Street, Macquarie Road and Medcalf Street, which is approximately 13km by road from Newcastle City Centre. Surrounding the precinct are light industrial uses, leisure facilities and open space.

³⁵ Source: Newcastle Employment Lands Study (2010), Hill PDA (2010)

³⁶ Source: Shopping Centre News Mini Guns (2011)

³⁷ Being centres with a GLA in excess of 6,000sqm but less than 20,000sqm.

The cluster comprises around 43,000sqm of bulky goods floorspace. Retailers include a range of furniture outlets, camping, outdoor and sporting goods, baby goods outlets and electrical appliance stores. There are also home traders and wholesalers such as plumbing and building suppliers.

BB Retail Capital built the 13,000sqm Warners Bay Homemaker Centre in 2009. The centre is anchored by The Good Guys. Other occupants in the area include Tradelink (1,000sqm), Macs Timber and Hardware (2,000sqm), McDonalds, Sleep City (800sqm), Camping World (500sqm), Sheridan Factory Outlet (600sqm), One Stop Pine Furniture (1,000sqm), Hunter World of Lights (600sqm), Bristol Pants (600sqm), and Carpet Choice (500sqm).

10. SOURCES OF RETAIL SPEND IN NEWCASTLE CITY CENTRE

This Chapter considers how the retail role of Newcastle City Centre could change in the future. It is based on an assessment of the level of household expenditure available in the trade area for the City Centre, and includes assumptions regarding the proportion of this expenditure the City Centre could capture.

10.1 Capture of Residential Retail Expenditure

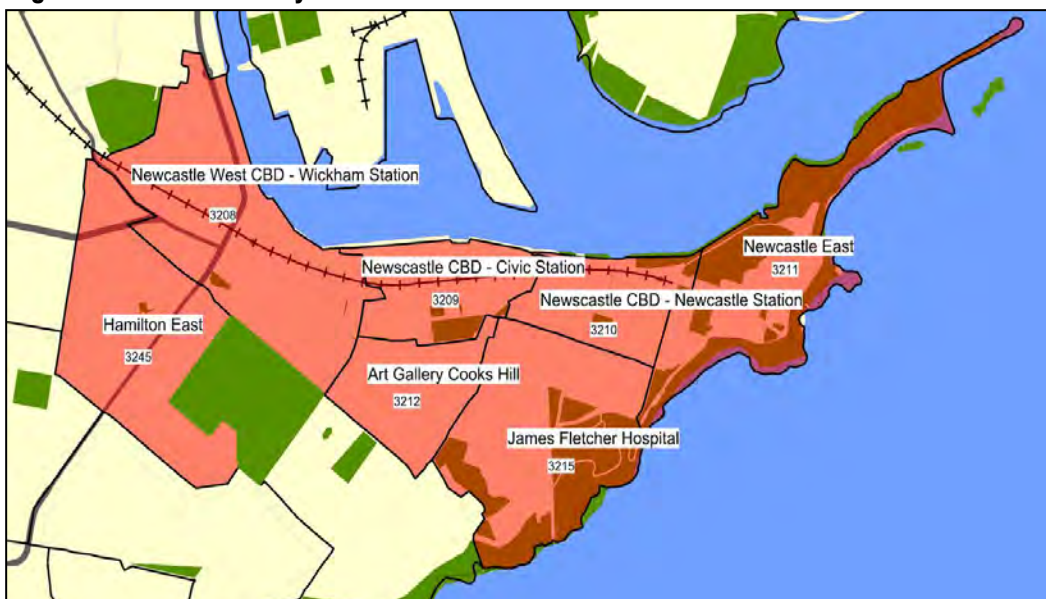
In order to measure future demand for retail space from residents a trade area needs to be defined. The trade area served by any retail centre is determined by a number of factors including:

- The strength and attraction of the centre in question, determined by factors such as the composition, layout, ambience/atmosphere and car parking in the centre;
- Competitive retail centres, particularly their proximity to the subject centre and respective sizes, retail offer and attraction;
- The location and accessibility of the centre, including the available road and public transport network and travel times; and
- The presence or absence of physical barriers, such as rivers, railways, national parks and freeways.

For the purposes of modelling demand for retail floorspace in Newcastle City Centre, a Local and Secondary Trade Area were defined.

The Local Trade Area (LTA) comprises the area within which the City Centre is the main retail destination for all types of purchases (food and non-food). The extent of the LTA is defined by travel zones and is depicted in the map below. Essentially, the LTA comprises the residents of the study area.

Figure 6 - Newcastle City Centre Local Trade Area



Source: MapInfo 10.5, Hill PDA (2011)

The Secondary Trade Area (STA) comprises the area from within which the City Centre will draw a lesser proportion of trade. Whilst residents in the STA will prefer to use their local facilities for regular “core” shopping (for items such as food and groceries), they will visit the City Centre for certain types of comparison shopping and in conjunction with trips for other reasons (e.g. work, medical, recreation, government services, etc.). For the purposes of retail modelling the STA has been defined as comprising the balance of the City of Newcastle and the City of Lake Macquarie.

A wider Tertiary Trade Area could have been defined as comprising the balance of the Newcastle Statistical Division, being the local government areas of Cessnock, Maitland and Port Stephens. However Section 10.2 of this Assessment quantifies tourism expenditure and residents from these surrounding LGAs are defined as day tourists or day trippers. As to avoid double counting, residents beyond the STA have been excluded from the resident household expenditure modelling.

Based on the above trade areas, household expenditure was sourced from:

- ABS Household Expenditure Survey 2003-04 which provides household expenditure by broad commodity type by household income quintile; and
- The MarketInfo 2009 database which is generated by combining and updating data from the Population Census and the ABS Household Expenditure Survey (HES) using “microsimulation modelling techniques”.

MarketInfo combines the data from the Census, HES and other sources to derive total HES by commodity type. This data, which was validated using taxation and national accounts figures, quantifies around 14% more expenditure than the ABS HES Survey. The ABS Retail Survey 1998-99 (Cat No. 8624.0) provides a cross tabulation of store type (defined by ANZIC), by commodity type. Multiplying the percentages in the cross tabulation by total dollars spent generates household expenditure by retail store type.

Based on the above assumptions, household expenditure generated by the trade areas is provided in the following table. The results show the LTA generated \$161.4m of household expenditure in 2011 increasing to \$234m in 2031. The largest proportion of this is related to supermarkets and grocery stores (\$63.6m in 2031), followed by bulky goods (\$36.9m), and so on. Note the expenditure forecasts include an increase of 1.3% per annum as a result of increasing affluence³⁸ which is in line with historic trends.

³⁸ Expenditure per capita has increased at around 1.3% to 1.4% above CPI every year since 1986 (ABS Retail Sales, CPI and Population Estimates). Note that we have made no allowance for increase in real retail spend between 2009 and 2011 due to limited actual growth recorded for this period

Table 14 - Newcastle City Centre Forecast Household Expenditure to 2031 (\$m2010)

Retail Store Type	2011	2016	2021	2026	2031
Local Trade Area					
Supermarkets & Grocery Stores	43.9	48.5	53.1	58.2	63.6
Specialty Food Stores	16.0	17.7	19.4	21.2	23.2
Fast-Food Stores	8.8	9.7	10.7	11.7	12.8
Restaurants, Hotels and Clubs*	14.2	15.7	17.2	18.9	20.6
Department Stores	14.8	16.3	17.9	19.6	21.5
Clothing Stores	9.5	10.5	11.5	12.6	13.8
Bulky Goods Stores	25.5	28.1	30.8	33.8	36.9
Other Personal & Household Goods Retailing	24.1	26.7	29.2	32.0	35.0
Selected Personal Services**	4.5	5.0	5.5	6.0	6.6
Total Local Trade Area	161.4	178.3	195.2	214.0	234.0
Secondary Trade Area					
Supermarkets & Grocery Stores	1,365.4	1,500.9	1,654.7	1,824.2	2,006.4
Specialty Food Stores	466.5	512.8	565.3	623.2	685.4
Fast-Food Stores	218.6	240.3	264.9	292.0	321.2
Restaurants, Hotels and Clubs*	263.5	289.6	319.2	351.8	386.8
Department Stores	390.8	429.6	473.6	522.0	574.2
Clothing Stores	237.2	260.8	287.5	316.9	348.5
Bulky Goods Stores	669.3	735.6	811.0	894.1	983.4
Other Personal & Household Goods Retailing	670.9	737.4	813.0	896.1	985.7
Selected Personal Services**	108.9	119.7	132.0	145.4	160.0
Total Secondary Trade Area	4,391.2	4,826.7	5,321.2	5,865.6	6,451.6
Total Expenditure Generated from Trade Areas	4,552.5	5,005.0	5,516.4	6,079.6	6,685.6

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

The above results indicate total expenditure generated by the trade areas was equivalent to \$4.55b in 2011 increasing to \$6.69b in 2031 – an increase of \$2.13b or 1.9% per annum over the period. In 2011, the LTA accounted for 3.5% (or \$161.4m) of total expenditure generated by the trade areas.

Only a proportion of this expenditure will be captured by retail stores in Newcastle City Centre. Residents in the STA will undertake the majority of their shopping at local facilities and will direct only a small proportion of their retail expenditure to Newcastle City Centre.

For the purposes of retail modelling it has been assumed that 75% of the expenditure generated in the LTA is available to support retail facilities in the City Centre. Note that this is a target capture rate and reflects the amount of expenditure the City Centre should capture in its role as a Regional City.

Hill PDA has assumed that 8% of overall expenditure generated by residents of the STA is captured by retail facilities in the City Centre. Around 25% of household expenditure within any given Greater Metropolitan Area is directed towards regional centres³⁹. On the basis that there are three regional centres within the Local and Secondary Trade Areas (Newcastle City Centre, Charlestown and Kotara), Hill PDA has assumed that around one third of expenditure generated by the STA is captured by the City Centre (i.e. 8% of total STA expenditure, or 25% divided by 3).

Furthermore, the proportion of expenditure captured by different retail store types varies. The City Centre is unlikely to capture any significant supermarket expenditure from the STA residents (due to both a lack of provision and a preference to shop closer to home for these items) but will capture some expenditure spent on comparison goods and

³⁹ Note: Defined for the purpose of this study as a centre with more than 80,000sqm of retail floorspace

restaurants, hotels and clubs. Based on assumed capture rates, the following table shows total resident spend captured by Newcastle City Centre.

Table 15 - Newcastle City Centre Capture of Household Expenditure to 2031 (\$m2010)

Retail Store Type	Capture Rate	2011	2016	2021	2026	2031
Local Trade Area						
Supermarkets & Grocery Stores	75%	32.9	36.4	39.8	43.6	47.7
Specialty Food Stores	75%	12.0	13.3	14.5	15.9	17.4
Fast-Food Stores	75%	6.6	7.3	8.0	8.8	9.6
Restaurants, Hotels and Clubs*	75%	10.7	11.8	12.9	14.2	15.5
Department Stores	75%	11.1	12.3	13.4	14.7	16.1
Clothing Stores	75%	7.1	7.9	8.6	9.4	10.3
Bulky Goods Stores	75%	19.1	21.1	23.1	25.3	27.7
Other Personal & Household Goods Retailing	75%	18.1	20.0	21.9	24.0	26.2
Selected Personal Services**	75%	3.4	3.8	4.1	4.5	4.9
Total Capture from the Local Trade Area	75%	121.0	133.7	146.4	160.5	175.5
Secondary Trade Area						
Supermarkets & Grocery Stores	3%	34.1	37.5	41.4	45.6	50.2
Specialty Food Stores	3%	14.0	15.4	17.0	18.7	20.6
Fast-Food Stores	7%	15.3	16.8	18.5	20.4	22.5
Restaurants, Hotels and Clubs*	10%	26.4	29.0	31.9	35.2	38.7
Department Stores	15%	58.6	64.4	71.0	78.3	86.1
Clothing Stores	15%	35.6	39.1	43.1	47.5	52.3
Bulky Goods Stores	8%	53.5	58.9	64.9	71.5	78.7
Other Personal & Household Goods Retailing	15%	100.6	110.6	121.9	134.4	147.8
Selected Personal Services**	8%	8.2	9.0	9.9	10.9	12.0
Total Capture from the Secondary Trade Area	8%	346.3	380.7	419.7	462.6	508.8
Total Capture by the City Centre		458.0	467.3	514.4	566.1	623.1

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

It should be reiterated that the above capture rates are targets rather than capture currently being achieved within the City Centre. Supply constraints may result in some expenditure being redirected towards other centres. Discussion comparing the existing performance of the City Centre versus its potential is provided in Chapter 9 of this report.

10.2 Capture of Other Sources of Retail Expenditure

Workers

The City of Newcastle is a net importer of jobs. From analysis of Journey to Work data compiled by the NSW Bureau of Transport Statistics (BTS), in 2006 there were 22,825 jobs in the travel zones which constitute the LTA. The LTA also accommodated 6,048 working residents. As such the LTA provides nearly four times more jobs than it contains working residents.

A significant number of workers will therefore travel into the City Centre from outside the LTA and will direct some of their personal expenditure to local retail businesses in the centre as a result. These workers are likely to be residing in the STA and even beyond.

Given capture rates have already been applied to the proportion of household expenditure captured from the STA no additional allowance has been made for capture of retail spend by workers in the City Centre to avoid double counting and remain conservative.

University Students

The University of Newcastle could potentially have a significant impact upon demand for retail within the City Centre, both through retail spend and the provision of labour. The University has expressed a desire to develop additional teaching facilities in the City Centre, and this would clearly be of benefit to retail uses in the surrounding area, increasing demand for shopfront floorspace.

However, the development of such facilities is not certain and the number of additional students which the University would attract to the City Centre as a result of such development is not known. Whilst we acknowledge the importance of the University in the future development of the City Centre and the positive impact this would have on demand for retail floorspace, it has not been considered at this stage.

Tourism

Tourism plays an important role in the economy of the City of Newcastle. Tourism Research Australia (TRA) compiles historic data on tourism⁴⁰ and indicates the City of Newcastle captures an average of \$525m of tourism spend generated from 2.9m visitors annually (based on three to four year averages to June 2007)⁴¹. Of all annual visitors approximately 2m are domestic day trippers. However, not all of this tourism expenditure is directed towards either retail facilities or Newcastle City Centre. For further detail on the type of visitors to the City of Newcastle see Section 19.1 of this report.

In relation to tourism in Newcastle City Centre, the TRA estimates that in 2009/2010 the Inner City SLA of Newcastle of which the City Centre is part, accounted for 849,000 domestic overnight visitors and 78,000 international visitors⁴². This is equivalent to 2.198m domestic tourist nights and 1.261m international visitor nights. The TRA also estimates the City of Newcastle captures around 37% of the Hunter Region day tripper market⁴³.

From this data, Hill PDA estimate that Newcastle City Centre captures around 1.1m international tourist nights (although this includes students), 1.7m domestic tourist nights and 1.3m day trippers every year.

In 2009/2010 average tourist spend per day on food, drinks and shopping in the Hunter Region was \$29 for international tourists, \$69 for domestic overnight and \$57 for day trippers⁴⁴. Hence in 2009/2010, Hill PDA estimate that Newcastle City Centre retailers captured around \$223m from tourist spend.

It is noted that the number of tourists visiting the City Centre may increase as a result of marketing, increased awareness, increased accessibility (e.g. Newcastle Airport expansion) and so on. As such, the relative economic input of tourism into the local economy would increase. However, the continued strength of the Australia dollar compared to

⁴⁰ Tourism Research Australia (TRA) currently produces a wide range of tourism research information at the National, State/Territory and Regional level. Data is gathered from the two primary surveys conducted by TRA – the International Visitor Survey (IVS) and the National Visitor Survey (NVS). Tourism Profiles for each LGA are created only when the IVS and NVS provide an adequate sample size. TRA survey data is averaged over three or four years to June 2007. This minimises the impact of variability in estimates from year to year. The Profiles are based on 2006 Local Government boundaries.

⁴¹ Source: Tourism Research Australia (2008)

⁴² Source: Hunter Region Regional Tourism Profile 2009/2010, TRA (January 2011)

⁴³ Source: Hunter Region Regional Tourism Profile 2009/2010, TRA (January 2011)

⁴⁴ Source: Hunter Region Regional Tourism Profile 2009/2010, TRA (January 2011)

other currencies may curb growth in international tourism and encourage Australians to holiday aboard. In addition increased household austerity measures within Australia may reduce the economic impact of domestic tourism.

As a result, given the uncertainty regarding the contribution of future tourism to the City Centre, to determine tourism spend it has been assumed that tourist retail expenditure remains constant, equivalent to \$223m per annum, albeit with an increase of 1.3% per annum to reflect growth in real retail spend.

Tourist retail expenditure has been apportioned across retail store categories, with the largest proportion assumed to be captured by restaurants, hotels and clubs (30% of tourist spend in the City Centre), other personal and household goods retailing (20%), selected personal services (16%) and clothing stores (14%). This is shown in the following table.

Table 16 - Estimated Tourist Spend Capture by Newcastle City Centre to 2031 (\$m2010)

Retail Store Type	Capture Rate	2011	2016	2021	2026	2031
Supermarkets & Grocery Stores	5%	11.2	11.9	12.7	13.6	14.5
Specialty Food Stores	5%	11.2	11.9	12.7	13.6	14.5
Fast-Food Stores	10%	22.3	23.8	25.4	27.1	28.9
Restaurants, Hotels and Clubs*	30%	67.0	71.5	76.2	81.3	86.7
Department Stores	0%	0.0	0.0	0.0	0.0	0.0
Clothing Stores	14%	31.3	33.3	35.6	37.9	40.5
Bulky Goods Stores	0%	0.0	0.0	0.0	0.0	0.0
Other Personal & Household Goods Retailing	20%	44.7	47.6	50.8	54.2	57.8
Selected Personal Services**	16%	35.7	38.1	40.7	43.4	46.3
Total	100%	223.3	238.2	254.1	271.0	289.1

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

10.3 Total Available Retail Expenditure to the City Centre

Combining residential and tourism expenditure, the table below shows Newcastle City Centre could or should achieve retail sales of \$690.6m in 2011.

Table 17 - Newcastle City Centre Retail Sales by Retail Store Type to 2031 (\$m2010)

Retail Store Type	2011	2016	2021	2026	2031
Supermarkets & Grocery Stores	78.2	85.8	93.9	102.8	112.3
Specialty Food Stores	37.2	40.6	44.2	48.2	52.4
Fast-Food Stores	44.2	47.9	52.0	56.3	61.0
Restaurants, Hotels and Clubs*	104.0	112.2	121.1	130.6	140.9
Department Stores	69.7	76.7	84.5	93.0	102.2
Clothing Stores	74.0	80.3	87.3	94.9	103.1
Bulky Goods Stores	72.7	80.0	88.0	96.9	106.4
Other Personal & Household Goods Retailing	163.4	178.2	194.7	212.6	231.9
Selected Personal Services**	47.3	50.8	54.7	58.8	63.2
Total	690.6	752.6	820.2	894.1	973.4

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

However, as indicated in Chapter 9 of this Assessment, the estimate of total retail sales based on the land use survey and reported turnover figures suggests the City Centre achieved around \$590m. Hence it is failing to achieve the above targets as a likely result of its retail mix and other factors discussed in Chapter 9. This predominantly relates to the strength of competing centres.

11. RETAIL FLOORSPACE DEMAND IN NEWCASTLE CITY CENTRE

In this Chapter the level of retail floorspace required for Newcastle City Centre is forecast given the level of expenditure that the City Centre should be capturing as quantified in the preceding Chapter. As stated in Chapter 10 there is a potential for Newcastle City Centre to capture almost a billion dollars in retail sales from 2031 onwards based on assumed capture rates of household and tourism spend.

11.1 Demand for Retail Floorspace

Demand for retail floorspace is calculated by applying target turnover rates to captured retail sales. The table below provides assumed target turnover levels (or industry benchmarks) by retail store type to 2031. The table assumes that real turnover per square metre will increase at a rate of around 0.65% per annum from 2011 onwards⁴⁵.

Table 18 - Benchmark Turnover Rates to 2031 (\$/sqm GLA)

Retail Store Type	2011	2016	2021	2026	2031
Supermarkets & Grocery Stores	10,000	10,329	10,669	11,021	11,383
Specialty Food Stores	7,500	7,747	8,002	8,265	8,538
Fast-Food Stores	7,500	7,747	8,002	8,265	8,538
Restaurants, Hotels and Clubs	4,500	4,648	4,801	4,959	5,123
Department Stores	3,700	3,822	3,948	4,078	4,212
Clothing Stores	5,500	5,681	5,868	6,061	6,261
Bulky Goods	3,500	3,615	3,734	3,857	3,984
Other Personal & Household Goods Retailing	5,000	5,165	5,335	5,510	5,692
Selected Personal Services	4,000	4,132	4,268	4,408	4,553

Source: ABS Retail Survey 1998-99 (escalated to 2011 dollars), JHD Retail Averages, Hill PDA and various consultancy studies.
Allowance for growth in real turnover per square metre of 0.65% per annum.

Based on the above target turnover rates, estimated demand for retail floorspace in Newcastle City Centre to 2031 is provided in the following table.

Table 19 - Demand for Retail Floorspace in Newcastle City Centre to 2031 (sqm GLA)

Retail Store Type	2011	2016	2021	2026	2031
Supermarkets & Grocery Stores	7,823	8,305	8,800	9,328	9,869
Specialty Food Stores	4,955	5,237	5,524	5,829	6,143
Fast-Food Stores	5,898	6,189	6,493	6,813	7,143
Restaurants, Hotels and Clubs*	23,110	24,142	25,215	26,344	27,505
Department Stores	18,844	20,067	21,396	22,812	24,270
Clothing Stores	13,450	14,138	14,877	15,658	16,463
Bulky Goods	20,763	22,116	23,564	25,111	26,699
Other Personal & Household Goods Retailing	32,673	34,512	36,489	38,586	40,745
Selected Personal Services**	11,818	12,305	12,808	13,334	13,876
Total Retail	139,332	147,012	155,165	163,816	172,712

* Relating to floor area for consumption of food and liquor on premises

** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

⁴⁵ This is in line with historic trends. Expenditure per capita has increased at around 1.3% to 1.4% above CPI every year since 1986. Around half of this increase has translated into an increase in retail floorspace per capita (from 1.8sqm in the 1980s to around 2.1-2.2sqm today). The balance of the increase in expenditure has translated into a real increase in turnover per square metre rates.

The results indicate that 139,000sqm of occupied retail floorspace (including restaurants and other premises used for the consumption of liquor and food) could be supported in the City Centre in 2011 based on assumed target capture rates. This is a significant increase on the existing level of occupied retail floorspace in the City Centre of around 108,000sqm. The level of supportable retail floorspace is forecast to increase to more than 172,000sqm by 2031, equivalent to an additional 33,000sqm of floorspace from 2011 to 2031.

Whilst the alleged current undersupply suggests over trading, most likely Newcastle City Centre (outside of Marketown) is capturing trade at below target turnover levels (\$/sqm). This is a result of several factors mainly relating to Newcastle's competitive disadvantages including its retail mix and other factors relating to its underperformance (e.g. growth and expansion of surrounding regional centres) as discussed in Chapter 9.

Note in particular that with the closure of David Jones, the City Centre no longer has a national department store yet the figures in the above table suggest that there is potential to have one national department store (at say 12,000sqm) and two discount department stores (at say 7,000sqm each) within the City Centre. At this stage, the City Centre only has one discount department store being Big W.

12. IMPLICATIONS TO NEWCASTLE CITY CENTRE

12.1 Objectives and Guiding Principles

In order to develop and evaluate a range of options for the planning and management of retailing in Newcastle, it is necessary to have a clear set of objectives. Objectives can include the following:

- Ensure residents have the widest possible range of shopping opportunities and commercial services;
- Provide quantity, quality and convenience for consumers;
- Provide for further growth in retail space to meet growth in demand generated by population growth;
- Protect the integrity and viability of existing centres to the extent that they continue to perform a useful community function;
- Protect current employment levels in retailing and hospitality industries for the residents of Newcastle and expand opportunities for further employment;
- Provide opportunities for local employment and start-up businesses for local residents; and
- Balance social, economic and environmental considerations and focus on local ecological sustainable development principles including reduction in transport demand.

Consistent with the above objectives are general development principles that will guide the planning, development and management of retail. Such principles are defined as follows:

- Maximise access to existing retail services, having regard to current plans for urban growth;
- Ensure planning instruments are flexible enough to accommodate innovation and new forms of retailing and experiences, but not at the expense of the objectives and principles of the Lower Hunter Regional Strategy (2006);
- Protect the integrity and viability of centres from threats generated by new centres, expansion of existing centres, changes in the retail hierarchy, “out of centre” and other forms of retailing;
- Contain retailing (as opposed to dispersing or spreading it) to minimise travel times, improve convenience and improve competition within retail centres;
- Encourage diversity of uses to maintain economic activity and extend hours of use;
- Maximise public transport and convenience. Plan for transport infrastructure and management that prioritises pedestrian movement and public transport access;
- Define bulky goods retailing to ensure the protection of existing centres and prohibit retailing in the industrial areas (other than ancillary retail and services); and
- The primary function for a centre’s core should be for retail and commercial uses particularly at street level. This does not preclude residential uses or parking areas however their location and design should not be detrimental to this primary objective.

12.2 Matching Supply with Demand

An important objective of any retail strategy is to achieve the right level of shopfront retail and commercial floorspace. An undersupply of floorspace creates the following issues:

- It undermines the objective of residents having the widest possible range of shopping opportunities and commercial services;
- It undermines the objective of providing quantity, quality and convenience for consumers;
- It results in considerable expenditure escaping the area to other areas;
- It results in longer travel times for shopping and increased car use; and
- It results in increased congestion, parking difficulties and loss of convenience.

An oversupply of shopfront retail and commercial floorspace results in:

- High vacancies, low rents and neglect of retail centres;
- Inefficient use of land and other resources; and
- An uninviting appearance and ambience with lack of users.

In many cases an oversupply of shopfront space occurs as a result of intense competition in the retail industry with competitors trying to be first. In areas of stagnant population growth, oversupply is an issue that is difficult to address.

The analysis within this Assessment demonstrates Newcastle City Centre's mediocre retail performance against its potential. The centre lacks a full line supermarket outside of Marketown and with the closure of David Jones lacks any department or discount department store anchor. This "under performance" is the result of several factors including the City Centre's geographical position and its limitations with respect to accessibility, retail range, convenience, parking and retail offer.

However, Marketown is a success story in Newcastle City Centre largely as a result of its retail mix (including 2 supermarkets and a discount department store), ample car parking and reasonable access. Unfortunately beneficial impacts are not being captured by the balance of the City Centre due to its location west of the peninsula and the dominance of car based shopping from its trade area. Furthermore, at only 1.4km to the south, The Junction is another supermarket based centre that is trading strongly and is pulling trade away from the City Centre.

Any proposal for an improvement and expansion of retail offer in Newcastle City Centre should be encouraged and supported. However because of the sheer size of the City Centre (in particular the length of Hunter Street) the provision of retail will need to be carefully managed. Key considerations are identified below.

Hunter Mall

Expansion of retail space should be encouraged at Hunter Mall and the East End of the City Centre. This is because with the closure of David Jones the Mall and East End lost its only major retail anchor tenant. Without a full-line supermarket, department store or discount department store there is little offer to encourage shoppers to this end of the City Centre. Even its restaurants and other food premises are considered "inferior" to alternative locations. Again retail space in this area should primarily occupy ground floor tenancies, although some retail on the first floor could also be encouraged to accommodate anchor tenants.

The Mall needs to replicate the retail offers of The Junction and Marketown and/or introduce a whole new retail offer and mix. This includes attracting:

- A national department store (Myer or David Jones) or as a minimum a discount department store (Big W, Kmart or Target);
- A full-line supermarket;
- A cluster of quality restaurants in an “eat street” setting; and
- Fashion specialties.

Encourage Alternative Types of Retail

Traditionally retailing has followed a hierarchy from regional through district to small neighbourhood centres. With the introduction of the discount department store in the mid-1960s however, a wave of new centre development and expansion was spawned.

Increasingly centres are diversifying the retail experience with the incorporation of multiple food courts, cinemas, family entertainment centres, larger supermarkets, department stores, and other major tenants. Some are incorporating community facilities such as libraries, child care centres, “market squares” or piazzas, and community meeting rooms.

Mini-majors and category killers are playing an increasing anchor role, as well as lifestyle areas being introduced, with examples being Toys R Us, Freedom, Borders, JB Hi-Fi, Dick Smith Powerhouse, House & Garden, Home Storage, etc.

Different types of retail offer that could be incorporated in Newcastle City Centre include a brand outlet centre – ideally 15,000sqm or more to create a destination shopping experience. Currently the nearest outlet centre is in Tuggerah 75km away.

Organic foods and fresh produce or noddle markets are another unique retail offer for the Newcastle area that could be accommodated in any redevelopment at the Mall end of the City Centre.

12.3 Mixed Use

Mixed use development should be investigated for Newcastle whereby higher density residential housing surrounds the City Centre core. A mixed use approach would benefit the City Centre in establishing a sense of place, sense of community and would increase the number of residents within walking distance of the centre, which would further sustain other activities.

Furthermore, ground floor retail in the form of showroom space (cars, furniture, bridal, etc.) in sub-prime retail areas such as the along the northern side of Hunter Street in the Civic and West End precincts should be considered. Given their higher end sales values, residential units help support and subsidise lower order ground floor uses.

Mixed use development can be vertical (where the mix of uses occurs on different levels in a building) or horizontal (where the mix of uses occurs within one site). The idea and term 'mixed-use development' is applied to urban development at a variety of different levels. At a large area or sub-regional level it means something very different to that at a local level.

In some areas, shopping centres, business parks and schools need to be developed alongside housing. At a local level, 'mixed use' begins to mean the likes of small local shops, meeting places, churches, nurseries, doctors' surgeries and small-scale employment centres. All of these things contribute to the quality of life in neighbourhoods.

Mixed use is seen as essential for a number of reasons:

- Different uses create a sense of place, community, life and vibrancy;
- Local people can make the most of the infrastructure by using it in different ways at different times of the day;
- Local people do not need to drive to their nearest facilities, providing health and environmental benefits to local residents through walking and fewer exhaust emissions;
- Residents are not left out of opportunities that may need long-distance travel or that may not be in their local area; and
- Local employment opportunities are available.

However, if a mixed use development is not well designed, it can result in land use conflicts and can undermine redevelopment in the long term. For example, if a residential flat building is built over an enclosed shopping centre, it limits the redevelopment, expansion and remodelling potential of the shopping centre in the future.

Different communities choose mixed use development options for different reasons. Some see it as an excellent way to incorporate a mix of housing types on a small scale while enhancing traditional town character. Others see it primarily as a vehicle for revitalising struggling areas and spurring economic development. Still others use it to create or enhance village centres. Suburban communities in metro areas have identified many benefits of mixed use development. Communities find that mixed use:

- Spurs revitalisation;
- Encourages high quality design by providing both greater flexibility and more control;
- Preserves and enhances traditional village centres;
- Promotes a village-style mix of retail, restaurants, offices, civic uses, and multi-family housing;
- Provides more housing opportunities and choices;
- May increase affordable housing opportunities;
- Enhances an area's unique identity and development potential (e.g., village centres, locations near bike paths, or "gateway" areas that announce a community's strengths);
- Promotes pedestrian and bicycle travel;
- Reduces auto dependency, roadway congestion, and air pollution by co-locating multiple destinations;
- Promotes a sense of community or sense of place;
- Encourages economic investment;
- Promotes efficient use of land and infrastructure; and
- Embodies "Smart Growth".

12.4 Bulky Goods

Modelling within this Economic Assessment indicated Newcastle City Centre demanded 20,700sqm of bulky goods floorspace in 2011 increasing to 26,900sqm of bulky goods floorspace to 2031. Current demand is therefore similar to supply of around 19,000sqm of shopfront floorspace.

Within this report Hill PDA assumed Newcastle City Centre would capture 75% of bulky goods expenditure from the Local Trade Area and only 8% from the Secondary Trade Area. The great majority of bulky goods expenditure from the Secondary Trade Area is expected to be directed elsewhere due to significant clusters like that at Kotara and Warners Bay. As a result, demand for bulky goods in the City Centre itself is likely to be for those bulky goods retailers that sometimes occupy “mini-major” shop fronts, for example a Retravisation store or non-national “mums and dads” furniture store.

Whilst it is recognised that significant bulky goods clusters have more recently been developed in the likes of Charlestown and Kotara, bulky goods on the fringe of the Newcastle City Centre is an appropriate land use especially given the long term planning of this study.

The location of bulky good stores may often be removed from the main street because of their low level of intensity of use and their requirement for large car park access; however their location should not be too far separated so as to discourage clustering of development and shopper activity. Due to the length of Hunter Street the West End may be considered a fringe location and a bulky goods development may provide an anchor tenant for this location.

Whilst a homemaker centre would be an ideal anchor for Newcastle City Centre which could attract additional expenditure from the Secondary Trade Area and beyond, the logistics of putting together a site to accommodate it is highly problematic. Furthermore, the City Centres location for such a use will remain inferior to Kotara, Charlestown and Warners Bay.

The best option for Newcastle City Centre, particularly along Hunter Street, will be for showroom and bulky goods spaces on the ground floor in mixed use developments (with either residential or commercial above). There may also be some opportunities for bulky goods retailers to fill vacant spaces along Hunter Street although this would not be a long-term measure.

Part C: Employment Drivers to Growth



Part C of the Assessment examines employment growth for the City Centre, which subsequently informs demand modelling for commercial and employment lands within the City Centre.



13. EMPLOYMENT LAND TRENDS

The impact of the GFC is evident in the commercial property sector, particularly the slowdown in the number of transactions and deals and the increase of tenant incentives. This was a result of businesses taking a more cautious approach to decisions such as expansion and relocation, as companies sought to reduce staff numbers, or take advantage of the changing market conditions. Even so, a drive for greater efficiencies has seen a number of businesses moving to cheaper space and/or locations where all operations can be consolidated.

The GFC aside, over the past 30 years the most prevalent trend for the commercial property sector has been office occupiers moving from established centres to business parks in “out of centre” locations. Although a decline in office space in established centres was expected as a result of the oversupply in the 1980’s, followed by the recession of the early 1990’s, the trend has continued through the buoyant period and the more recent GFC, with an increased share of office space development moving to out of centre locations. These out of centre locations have in some cases proved so successful that they have become centres in their own right (for example Norwest Specialised Centre).

The leakage of office space from established major centres and suburban centres to business parks has been recognised as a real and serious threat to the balance of the established centres as noted in the Sydney Metropolitan Strategy: *“Business parks are competing with traditional high density centres such as North Sydney, making it more difficult for centres in rapidly growing sub regions to attract office based jobs”*.

Research undertaken by Hill PDA has revealed that many businesses relocated to business parks to lower rental costs, as rents within established centres threatened to grow well above inflation. As well as reducing overheads, which has recently become increasingly important, business parks also provide occupiers with purpose built buildings, a range of amenities and plenty of onsite parking for employees and visitors in an attractive location. Stand alone, purpose built buildings enable major occupiers to achieve a sense of identity that would be difficult and in some cases impossible to achieve in established centres, where buildings tend to have multiple tenancies.

Notwithstanding the trend to “out of centre” locations, “in-centre” locations remain the preferred option for a number of businesses, government agencies and trading enterprises. This is particularly true for government agencies and smaller businesses that require smaller floor areas, professional and medical suites and the like. This is also the case for smaller businesses that do not require A-grade space or prefer to pay the lower costs of B and C-grade space.

Further to those trends highlighted above, Hill PDA has identified the following employment land trends.

Continued Demand for Commercial Floorspace

Deindustrialisation is a trend that has and is continuing to result in the decline of industrial jobs. This trend is a global trend owing to the greater efficiencies of technology and mechanisation. Conversely, the increasing affluence of Sydney’s population and growth of the New Economy (otherwise referred to as a knowledge and ideas based economy) is expected to strengthen demand for commercial floorspace.

Barkham (2002) notes that *“Service sector organisations, both public and private sector, are the main users of office space.”* The key long term trend in office development has therefore been the growth in the service and knowledge sectors. These sectors relate to civil service and public sector administration; banking insurance and finance; private sector administration (corporate headquarters etc.), business services (law, accountancy and consultancy) and consumer services (health, education, media etc.).

In the 1970's there were predictions that with technological advances, a much larger proportion of people within the service and knowledge sectors would work from home, reducing employers overheads and demand for office floorspace. This phenomenon has not been realised, with technology increasing the amount of out of hours work taking place at home but more than 80%⁴⁶ of the persons employed across Australia still work in business premises. Rather than a move away from businesses premises, technological advances have contributed towards a greater choice of locations and higher densities of employment within offices with wireless networks and the like facilitating initiatives such as “hot-desking”.

Sustainable Communities

With rising fuel prices and the introduction of mandatory energy efficiency disclosure for large commercial buildings (>2,000sqm) by the Federal Government, sustainability will become an increasingly important driver of price and demand⁴⁷. Sustainability is already a key driver, with the Jones Lang LaSalle survey (2009) finding that whilst only 37% of corporate occupiers were willing to pay rental premiums of between 1-10% for sustainable floorspace, almost 90% considered green building certification when selecting premises.

The Jones Lang LaSalle Survey confirms Hill PDA's view that energy efficient buildings are becoming the norm and moving forward sustainability will need to go further. This may result in the more efficient use of brownfield land through higher density development and the integration of employment opportunities across a broader range of centres in Sydney to minimise the need to travel between home and places of work.

Furthermore, with strategic planning policies (global and regional) focussed on the delivery of sustainable communities, the ability to deliver new business parks in out of centre locations is becoming difficult – largely due to a lack of public transport options. As a result, there is evidence that investors and developers are beginning to revisit traditional centres which offer a greater variety and choice of shops and services together with higher levels of accessibility by sustainable modes of transport.

Work Life Balance / Lifestyle Choices

An increase in the number of working hours per household has resulted in time pressures for the workforce. Linked to this is the impact of a greater proportion of dual earning households that means less time for family responsibilities. The employment rate for women in Australia has steadily increased from 29% in 1954 to 47% in 1980 to 61% in 2000⁴⁸ with almost half of these having dependent children. In addition a large number of workers are responsible for caring for an ageing population (population aged 65 years and over projected to rise from 12.2% in 1999 to 22% in 2030 and 26% in 2050⁴⁹).

As a result work places that enable workers to conveniently combine paid work, leisure and family responsibilities are becoming increasingly attractive.

It is considered that the need for offices to be conveniently located to a vibrant mix will become increasingly important to office workers and as a result tenant occupiers. As such, work places that enable workers to conveniently combine paid work, leisure and family responsibilities are likely to be more successful. Newcastle City Centre needs to improve its provisions of shops and services of the retail core and open space / parklands to ensure it has the right elements to be more attractive to workers than some competing office locations (particularly Honeysuckle).

⁴⁶ Source: ABS Locations of Work Survey (2005)

⁴⁷ Source: The Jones Lang LaSalle global survey on Corporate Real Estate and sustainability indicates that an increasing number of corporate executives consider sustainability to be a critical business issue (2009)

⁴⁸ Source: ABS (2004)

⁴⁹ Source: ABS (2000)

Maintaining a Critical Mass

It is appropriate to consider the issue of maintaining a “critical mass” of office floorspace within Newcastle City Centre and the following are identified as key indicators of an appropriate critical mass:

- A recognisable commercial centre in its own right - *Newcastle is a large regional centre. Its retail and commercial performance is closely monitored by real estate companies and the Property Council of Australia.*
- Businesses deriving efficiencies from being able to support services and industries essential to the operation of the business (e.g. printing services, catering and so on) - *Newcastle City Centre has a range of business support services located within and close to the City Centre.*
- The ability to attract tenant services such as food and drink outlets, gyms and child care facilities that make a significant contribution towards creating an attractive workplace - *A variety of facilities are available, however an increase in the range and quality to services offered will further enhance the City Centre for tenants.*

14. EMPLOYMENT GROWTH AND CHANGE

This Chapter examines employment growth for the City Centre, the City of Newcastle and the broader Lower Hunter Region. This is informed in part by work undertaken by Hill PDA as part of the Newcastle Employment Lands Strategy (2010) and informs demand modelling for commercial and employment lands within the City Centre.

14.1 Flow of Workers in and out of the City of Newcastle

A key consideration to demand for employment land, is the important role which the Newcastle performs in the provision of jobs and employment to a wider area. The following table shows that in 2006 there was an estimated 61,413 working residents in the City of Newcastle. Whilst the largest proportion (66%) worked within the LGA itself, 13.2% travelled to Lake Macquarie for employment, 4.6% travelled to Port Stephens and so on.

Table 20 - Where Newcastle's Resident Workforce Travel to for Employment (2006)

Destination LGA	No. Resident Workers	Proportion of Total
Newcastle	40,619	66.1%
Lake Macquarie	8,122	13.2%
Port Stephens	2,800	4.6%
No Fixed Address	2,338	3.8%
Maitland	2,193	3.6%
Cessnock	686	1.1%
Wyong	383	0.6%
Sydney City	257	0.4%
Gosford	208	0.3%
Ryde	61	0.4%
Parramatta	50	0.1%
Not Stated/ Undefined	3,131	5.0%
Other	5,469	9.0%
Total	61,413	100.0%

Source: NSW Bureau of Transport Journey to Work Data (2006)

Note: Based on the travel of residential from the City of Newcastle (LGA).

The term resident workforce refers to the number of people living in an area (defined as their usual place of residence) that work in or outside of that area. This is the origin of their journey to work. Jobs or employment by area on the other hand refers to the number of people stating they work in that given area. They may live in, or outside of that area. This is the destination of their journey to work.

In 2006 the City of Newcastle contained 61,413 working residents but provided 97,600 jobs. Thus the City provided 59% more jobs than it contains working residents – it is a net importer of workers. This result is not surprising and reflects the City's strong industrial base and its role as provider for a significant number of government and professional jobs.

In 2006 the City Centre itself (i.e. study area of this Assessment) provided 22,825 jobs and contained 6,048 working residents. As such the City Centre provides nearly four times more jobs than it contains working residents. Like the broader City, the City Centre is a net importer of workers, with most workers travelling from the outer suburbs as well as the surrounding local government areas of Lake Macquarie and Port Stephens.

14.2 Jobs in the City of Newcastle

Of all jobs generated in the City of Newcastle in 2006 the top six employment generating industries were:

1. Health Care and Social Assistance – generating over 16,493 jobs (17% of all jobs);
2. Retail Trade – generating close to 9,848 jobs (10% of all jobs);
3. Education and Training – generating over 8,270 jobs (8% of all jobs);
4. Professional, Scientific and Technical Services – generating over 7,102 jobs (7% of all jobs);
5. Accommodation and Food Services – generating close to 6,395 jobs (7% of all jobs); and
6. Public Administration and Safety – generating over 6,313 jobs (6% of all jobs).

These jobs were distributed across the City in different ways. The following table is extracted from the Newcastle Employment Lands Strategy (2010) and indicates jobs generated across the City by Statistical Local Area (SLA) and industry type as at the 2006 ABS Census. Note the City Centre is predominately located within the Inner City SLA, which generates the majority of the City's jobs (45,406 jobs or 47% of all jobs). The results show the top employment generating industries were:

- Inner City – manufacturing (11.3% of all jobs), health care and social assistance (10.8%), professional, scientific and technical services (10.5%), and public administration and safety (9.7%);
- Outer West – education and training (17.9%), manufacturing (10.9%), retail trade (9.9%), health care and social assistance (9.7%); and
- Throsby – health care and social assistance (29.5%), manufacturing (10%), retail trade (13.1%) and education and training (7.4%).

Table 21 - City of Newcastle Estimated Employment by SLA (2006)

Industry	Inner City		Outer West		Throsby		Total City	
Agriculture, forestry and fishing	82	0.2%	597	3.1%	34	0.1%	713	0.7%
Mining	157	0.3%	107	0.6%	36	0.1%	301	0.3%
Manufacturing	5,201	11.3%	2,080	10.9%	2,360	7.0%	9,639	9.9%
Electricity, gas, water and waste services	548	1.2%	1,238	6.4%	227	0.7%	2,013	2.1%
Construction	2,124	4.7%	1,450	7.6%	1,695	5.1%	5,270	5.4%
Wholesale Trade	1,520	3.3%	1,371	7.1%	931	2.8%	3,821	3.9%
Retail Trade	3,612	8.0%	1,902	9.9%	4,334	13.1%	9,848	10.1%
Accommodation and food services	3,151	6.9%	1,010	5.3%	2,235	6.8%	6,395	6.6%
Transport, postal and warehousing	3,058	6.7%	652	3.4%	1,119	3.4%	4,829	4.9%
Information media and telecommunications	1,409	3.1%	169	0.9%	234	0.7%	1,812	1.9%
Finance and insurance services	2,939	6.5%	197	1.0%	1,055	3.2%	4,191	4.3%
Rental hiring and real estate services	917	2.0%	218	1.1%	462	1.4%	1,597	1.6%
Professional, scientific and technical services	4,768	10.5%	739	3.8%	1,595	4.8%	7,102	7.3%
Administrative and support services	1,409	3.1%	340	1.8%	754	2.3%	2,504	2.6%
Public administration and safety	4,395	9.7%	375	2.0%	1,543	4.7%	6,313	6.5%
Education and training	2,382	5.2%	3,437	17.9%	2,450	7.4%	8,270	8.5%
Health care and social assistance	4,893	10.8%	1,854	9.7%	9,746	29.5%	16,493	16.9%
Arts and recreation services	305	0.7%	259	1.3%	469	1.4%	1,033	1.1%
Other services	1,574	3.5%	756	3.9%	1,191	3.6%	3,520	3.6%
Unclassified	962	2.1%	457	2.4%	548	1.7%	1,967	2.0%
Total Employment	45,406	100%	19,208	100%	33,018	100%	97,631	100.0%

Source: Newcastle Employment Lands Strategy, Hill PDA (September 2010), NSW Bureau of Transport Statistics Job Forecasts (October 2009 Release).

The Employment Lands Strategy also forecast future jobs for the City of Newcastle by industry based on NSW Bureau of Transport Statistics (BTS) forecasts to 2031. Based on the forecasts, the following industries are likely to experience the most notable growth to 2031:

1. Professional, Scientific and Technical Services – growth of 3,656 jobs (51% growth over the period);
2. Health Care and Social Assistance – growth of 7,593 jobs (46% growth over the period);
3. Accommodation and Food Services – growth of 2,969 jobs (46% growth over the period);
4. Retail Trade – growth of 3,731 jobs (38% growth over the period); and
5. Education and Training – growth of 2,779 jobs (34% growth over the period).

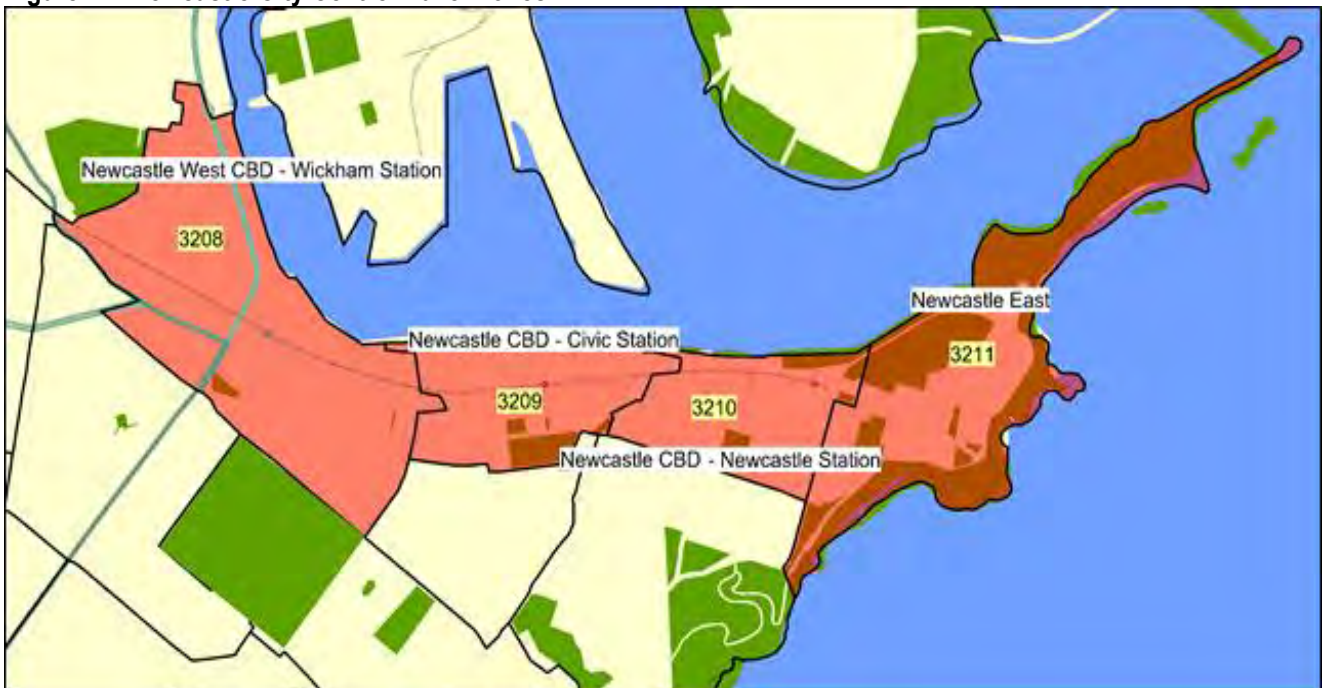
Those industries forecast to decline in jobs include manufacturing, wholesale trade, utilities, and administrative and support services. However, it should be recognised that the forecasts **are based on historical trends** (e.g. overall decline in the manufacturing industry brought about by increases in technology and efficiencies) and will not necessarily reflect changes such as a new base industry moving into the City of Newcastle or other economic factors which may impact on the demand for jobs in particular sectors.

14.3 Jobs in Newcastle City Centre

The following travel zones apply to the City Centre study area and are identified in the following map:

- 3208 - Newcastle West CBD and Wickham Station
- 3209 - Newcastle CBD (Western End) and Civic Station
- 3210 - Newcastle CBD (Eastern End) and Newcastle Station
- 3211 - Newcastle East

Figure 7 - Newcastle City Centre Travel Zones



Source: MapInfo 10.5, Hill PDA (2011)

The City Centre accounted for 20% of all jobs in the City of Newcastle in 2006 and is forecast to account for 24% of all jobs by 2031. In 2006 the largest employment sectors in the City Centre were:

- Professional, Scientific and Technical Services – 3,914 jobs (20.0% of all jobs);
- Public Administration and Safety - 3,075 jobs (15.7% of all jobs);
- Financial and Insurance Services – 2,355 jobs (12.0% of all jobs);
- Retail Trade - 1,752 jobs (8.9% of all jobs); and
- Health Care and Social Assistance – 1,744 jobs (8.9% of all jobs).

Cumulatively these sectors accounted for 66% of all employment in the City Centre in 2006. With the exception of utilities (12% decline) all job sectors are forecast to experience growth. The forecast growth in the number of jobs generated by industry for the City Centre between 2006 to 2031 is shown in the following table and is based on BTS forecasts.

Table 22 - Forecast Employment Change by Industry in Newcastle City Centre (2006 – 2031)

Industry	2006	2011	2016	2021	2026	2031	Change 2006- 2031	Growth 2006- 2031
Agriculture, Forestry and Fishing	10	9	10	12	13	14	4	40%
Mining	27	33	35	37	39	40	13	48%
Manufacturing	496	451	462	482	496	515	19	4%
Electricity, Gas, Water and Waste Services	410	374	354	362	360	361	-49	-12%
Construction	584	610	629	685	721	758	174	30%
Wholesale Trade	351	366	379	394	389	384	33	9%
Retail Trade	1,752	1,853	2,117	2,409	2,601	2,795	1,043	60%
Accommodation and Food Services	1,621	1,761	2,033	2,298	2,487	2,675	1,054	65%
Transport, Postal and Warehousing	657	810	813	859	882	913	256	39%
Information Media and Telecommunications	992	1,003	1,108	1,190	1,212	1,204	212	21%
Financial and Insurance Services	2,355	2,396	2,599	2,922	3,159	3,403	1,048	45%
Professional, Scientific and Technical Services	3,914	4,461	4,987	5,329	5,717	6,078	2,164	55%
Public Administration and Safety	3,075	3,390	3,684	4,190	4,587	5,006	1,931	63%
Education and Training	581	662	691	757	801	849	268	46%
Health Care and Social Assistance	1,744	2,065	2,255	2,518	2,692	2,871	1,127	65%
Arts and Recreation Services	91	115	121	129	133	138	47	52%
Other Services	570	736	822	945	1,031	1,119	549	96%
Unclassified	364	430	493	580	645	712	348	96%
Total Employment	19,596	21,523	23,592	26,097	27,965	29,836	10,240	52%

Source: NSW Bureau of Transport Statistics Job Forecasts (October 2009)

Over the 2006 to 2031 period the number of jobs in the City Centre is forecast to increase from 19,596 to 29,836 jobs. This equates to an increase of 10,240 jobs or 52% over the period. This is slightly higher than the City Centre employment target of 10,000 jobs as nominated in the Lower Hunter Regional Strategy (2006). The largest proportional increases are expected to be in:

- Health Care and Social Assistance – growth of 1,127 jobs (65% growth over the period);
- Accommodation and Food Services – growth of 1,054 jobs (65% growth over the period);
- Public Administration and Safety – growth of 1,931 jobs (63% growth over the period)
- Retail Trade – growth of 1,043 jobs (60% growth over the period); and
- Professional, Scientific and Technical Services – growth of 2,164 jobs (55% growth over the period).

It should be noted that the above employment forecasts were produced using BTS Small Area Employment Forecasting Model which adopts the following methodology:

1. Estimation of total Greater Metropolitan Area (GMA) employment for each historical and forecast year;
2. Trend analysis of employment shares by industry by geographic subregion by specific job node;
3. Distribution of GMA total employment forecasts using forecast shares derived from trend analysis; and
4. Review of forecast results and adjustment for major new developments.

It is important to also note that the BTS nominates their job forecasts as being aspirational. The initial forecast for the City Centre based on trend analysis to 2031 was 22,815 jobs – an overall increase of 3,219 (refer to Steps 2 and 3 above). An adjustment of around 7,256 jobs was made by the BTS (under Step 4 above) **to meet job targets under the Lower Hunter Regional Strategy on the assumption that the market would respond to planning incentives and/or other mechanisms that are in place for Newcastle City Centre.**

Chapter 15 will investigate how these forecasts could translate into demand for employment floorspace in the City Centre over the Assessment period.

15. EMPLOYMENT FLOORSPACE DEMAND

For the purposes of providing more detailed analysis of employment change within Newcastle City Centre and the subsequent impact on land use, this Chapter forecasts demand for employment floorspace in the City Centre. By determining jobs within the City Centre, implications to land supply by land use type can be investigated.

15.1 Worker Ratios

The conversion of job forecasts to employment floorspace demand in the City Centre was calculated by applying worker ratios on a square metre basis to jobs as forecast by the BTS and discussed in Chapter 14. Assumed worker ratios are provided in the following table.

Table 23 - Assumed Worker Ratios

Industry	Worker Ratio (1 Worker per sqm GFA)
Retail Trade	42
Accommodation and Food Services	50
Manufacturing, Construction & Wholesale Trade	35
Education and Training	35
Health Care and Social Assistance	35
Arts and Recreation Services	35
All Other Industries	24

Source: Newcastle Employment Lands Strategy (2010), ABS Retail Survey (1998-99) Hill PDA floorspace survey (2011)

These ratios were sourced from the Newcastle Employment Lands Strategy (2010), ABS Retail Survey 1998-99 and cross checked against Hill PDA's 2011 floorspace survey. Note however that higher job yields were used for blue collar industries than were adopted for industrial zoned lands in the Newcastle Employment Lands Strategy. Given the nature of floorspace and accommodation in Newcastle City Centre, a large proportion of these jobs are office based, notwithstanding their classification of industry.

15.2 Demand for Employment Floorspace

The following table forecasts demand for employment floorspace in the City Centre to 2031, by applying worker ratios on a square metre basis to forecast jobs in the City Centre (as forecast by the BTS).

Table 24 - Demand for Employment Floorspace in Newcastle City Centre to 2031 (sqm GFA)

Industry	2011	2016	2021	2026	2031
Agriculture, Forestry and Fishing	219	247	284	313	343
Mining	796	833	897	932	968
Manufacturing	15,769	16,155	16,869	17,351	18,038
Electricity, Gas, Water and Waste Services	13,107	12,379	12,653	12,612	12,623
Construction	21,359	22,024	23,985	25,228	26,523
Wholesale Trade	12,801	13,271	13,785	13,620	13,434
Retail Trade	77,806	88,934	101,165	109,261	117,390
Accommodation and Food Services	88,033	101,646	114,882	124,331	133,770
Transport, Postal and Warehousing	19,437	19,523	20,626	21,158	21,922
Information Media and Telecommunications	24,079	26,587	28,551	29,091	28,907
Financial and Insurance Services	57,498	62,370	70,122	75,807	81,677
Professional, Scientific & Technical Services	107,063	119,684	127,888	137,214	145,862
Public Administration and Safety	81,349	88,418	100,566	110,077	120,149
Education and Training	23,173	24,194	26,489	28,034	29,700
Health Care and Social Assistance	72,268	78,912	88,122	94,214	100,469
Arts and Recreation Services	4,009	4,240	4,524	4,663	4,822
Other Services	17,656	19,725	22,674	24,751	26,862
Unclassified	10,329	11,825	13,921	15,484	17,093
Total Floorspace	646,753	710,969	788,004	844,142	900,551

* Note care should be made in any comparison with Part B of the study. Part B suggests that there is around 108,000sqm of occupied retail space in Newcastle City Centre compared to 78,000sqm in the above table. However the above table excludes restaurants (around 20,000sqm which is in Accommodation and Food Services) and personal services (around 5,000sqm which is in health care and other services). Note also that the above figures are gross floorspace whereas the retail demand modelling in Part B refers to leasable area.

The above results indicate there was demand for almost 647,000sqm of employment floorspace (including retail floorspace) within the City Centre as of 2011. This is forecast to increase to 788,000sqm by 2021. By 2031 demand for employment floorspace is projected to reach over 900,000sqm.

The majority of this demand will be for commercial floorspace. Based on the above results, demand for additional gross floorspace by broad land use type to 2031 is forecast as follows:

- Retail – 40,000sqm (GFA);
- Accommodation and Food Services – 46,000sqm (GFA);
- Education, Health And Community Services – 35,000sqm (GFA); and
- Other Commercial Space – 133,000sqm (GFA).

By comparison Hill PDA's 2011 floorspace survey indicated there was 698,000sqm of employment floorspace supply in Newcastle City Centre as indicated in the following table. Of this 618,000sqm was occupied floorspace with 80,000sqm of vacant floorspace.

Table 25 - Estimated Floorspace Supply in Newcastle City Centre (2011)

Non-Residential Floorspace	Floorspace (sqm NLA)
Shopfront Floorspace:	
Retail	108,000
Commercial	14,000
Vacant	36,000
Total Retail and Commercial Shopfront Floorspace	158,000
Non-Shopfront Floorspace:	
Occupied Commercial	259,000
Vacant Commercial	44,000
Industrial	47,000
Automotive Businesses	26,000
Entertainment & Recreation	38,000
Hotels	87,000
Community Uses	26,000
Other	13,000
Total Non-Shopfront Floorspace	540,000
Total Employment Floorspace	698,000

Source: Property Council Shopping Centre Database and Hill PDA Survey (2011)

Of total floorspace, almost 259,000sqm or 37.1% was associated to occupied commercial office tenancies. Existing commercial land uses are spread across Newcastle City Centre from the East End through to Honeysuckle and the West End. Honeysuckle itself comprises 6 commercial buildings. Government offices are spread between the West End and City Centre, with commercial stand-alone buildings more prevalent in the City Centre and East End. Likewise, the East End accommodates the most commercial shopfront premises. Furthermore, the majority of ground floor premises in the City Centre were stand-alone commercial buildings rather than commercial shopfronts.

In addition, there is almost 47,000sqm of floorspace occupied by industrial users (manufacturing, trade related businesses, service industries, warehousing, construction sub-contractors, etc.) in Newcastle City Centre. The majority of these jobs and associated floorspace is in the Wickham area in the West End and includes a significant proportion of the City Centre's "blue-collar" workers.

Whilst there is expected to be some expansion in job numbers in the blue collar industries – particularly in construction in manufacturing and wholesale trade – the new jobs themselves are likely to be more "white collar" jobs. Given the nature of Newcastle City Centre, further growth in industrial floorspace is not envisaged. If anything there may be some loss in industrial and warehouse floorspace to accommodate future expansion in commercial and residential space.

The implications for forecast demand are discussed in Chapter 18.

16. MARKET DRIVERS

Whilst determining employment floorspace demand based on a forecast of resident workers and/or jobs (as done in Chapter 15) is a sound approach, it does not often account for market or supply led demand. This is based on the premise that locational decisions by many firms (for large firms in particular) are often based on a range of factors compared across a large geographical area.

These considerations can include local market attributes (e.g. land values, rents and construction costs), individual site characteristics (e.g. site configuration, lot size and accessibility), labour force characteristics (e.g. prevalence of blue or white collar workers), perceptions regarding potential government support or otherwise, the level of existing developer activity and so on. These considerations are increasingly relevant for those firms that are less dependent on being located close to a particular market or city. In this respect, it is recognised that large employment precincts will compete regionally (and in some cases nationally) to attract new industries and businesses.

Given the role and function of Newcastle City Centre as a Regional City which should provide the largest concentration of retail and commercial floorspace in the Lower Hunter Region, this Chapter investigates the market attributes associated with commercial uses in order to understand demand from the market, as opposed to demand stemming from resident workers and population growth.

16.1 Commercial Market Drivers

Newcastle City Centre is the 7th largest commercial market and/or CBD within NSW⁵⁰. In terms of floorspace provision Newcastle City Centre is the largest business district outside those contained within the Sydney Metropolitan Area, and is followed by Wollongong CBD.

Discussions with local agents indicate the market has experienced positive results over the 12 months to March 2011, evidenced by increased activity in the leasing market, falling incentives and rising rents, as well as increasing activity in the investment market.

A comparison of Newcastle City Centre to competing markets is provided in the following table, which reflects mixed performance indicators. Whilst it had the third highest vacancy rate (11.5%) in January 2011, a net absorption (i.e. increase in occupied space) of 8,068sqm is a far stronger result than the larger Sydney metropolitan CBDs of Parramatta, Crows Nest/St Leonards and Chatswood.

Table 26 - Commercial Market Comparison by Location (January 2011*)

Commercial Market	Stock (sqm)	Vacancy (sqm)	Vacancy Rate	Net Absorption (sqm)*
Sydney CBD	4,844,540	398,080	8.2%	105,392
North Sydney	860,793	89,748	10.4%	33,221
North Ryde	807,957	83,491	10.3%	37,129
Parramatta	685,371	65,792	9.6%	4,565
Crows Nest/St Leonards	366,086	53,673	14.7%	943
Chatswood	283,900	51,059	18.0%	-442
Newcastle	248,614	28,583	11.5%	8,068
Wollongong	146,784	13,147	9.0%	6,095

Source: Property Council of Australia (January 2011). *12 Months to January 2011

⁵⁰ Source: Property Council of Australia Office Market Report (January 2011)

According to the Property Council of Australia (PCA), there is around 248,614sqm of commercial office floorspace located in Newcastle City Centre. Of this around a third (80,326sqm or 32.3%) is A-grade office stock. A further third is B-grade stock (84,517sqm or 34.0%), with the remaining third lower C and D-grade stock (83,771sqm or 33.7%)⁵¹.

According to PCA data, the Newcastle market has experienced strong levels of net absorption with over 8,068sqm of commercial floorspace absorbed over the 12 months to January 2011. This was preceded by a net absorption of -7,792sqm for the 12 months to January 2010 which was the first negative result since January 2005.

These results were in part affected by the flood of new office floorspace to the market from commercial development in Honeysuckle in 2008/2009, rather than the absorption of existing vacant commercial space in the City Centre, which led to significant supply still being available – albeit lower quality accommodation.

However, due to strong net absorption and low supply additions (plus 586sqm) over the past 12 months, commercial vacancies have tightened from a 15 year high of 14.5% in 2010 to 11.5% in 2011. A review of historical data indicates an average net absorption over the past ten years of 3,580sqm per annum. Appendix 2 indicates historical stock levels, vacancies and absorption levels for Newcastle City Centre since 2001.

Between the different classes of office space, A-grade has performed strongly over the past 12 months with vacancies falling from 10.1% in 2010 to 5.6% in 2011. B-grade vacancies have also fallen from 14.7% to 11.4% over the same period. The following table analyses Newcastle City Centre's vacancies and absorption by accommodation grade.

Table 27 - Newcastle Commercial Office Market Indicators (2011)

Grade	Stock (sqm)	Vacancy (sqm)	Vacancy Rate	Supply Additions (sqm)	Net Absorption (sqm)*
A-grade	80,326	4,491	5.6%	586	4,150
B-grade	84,517	9,637	11.4%	-	2,819
C-grade	73,287	11,493	15.7%	-	1,306
D-grade	10,484	2,962	28.3%	-	-207
Total	248,614	28,583	11.5%	586	8,068

Source: Property Council of Australia (January 2011)

*12 months to January 2011.

Whilst high vacancies are experienced in D-grade accommodation, there is only limited provision of this type of space within the City Centre (10,484sqm). However, C-grade accommodation not only had a high vacancy rate of 15.7% in 2011, but also supplies a significant amount of floorspace stock (73,287sqm).

Furthermore, there is more vacant C-grade space within Newcastle City Centre (11,493sqm) than any other class. This suggests existing space is not being absorbed in preference of new or upgraded accommodation. This may also indicate significant refurbishment of C-grade space is required in order to meet market expectations, and/or that various adaptive reuse opportunities may be available for older redundant accommodation. Total C and D-grade stock equates to approximately 1/3 of total stock in Newcastle City Centre. As such, there is an opportunity for this grade of commercial to be recycled by the market (refurbished) as A or B-grade.

Comparing the PCA data to Hill PDA's 2011 floorspace survey indicated there was 698,000sqm of employment floorspace (including retail, industrial, automotive, hotels, community floorspace) supply in the City Centre, of which 259,000sqm was associated to occupied commercial and 44,000sqm associated to vacant floorspace.

⁵¹ Source: Property Council of Australia Office Market Report (January 2011)

By 2031 Hill PDA estimates demand for employment floorspace is projected to reach 878,000sqm, the majority of which will be for commercial floorspace (131,000sqm). Hill PDA's market appraisal indicates an average net absorption over the past ten years of 3,580sqm per annum. By comparison, extrapolated PCA data to 2031 suggests commercial floorspace in the City Centre will increase to 384,940sqm or by approximately 133,000sqm over the same period, equating to 6,650sqm per annum.

In terms of proposed developments, research⁵² indicates there were no new commercial developments (additions) in the City Centre in 2011, with over 20,000sqm of additions predicted in 2012 and 2013. This includes the staged development of Honeysuckle Central (around 22,500sqm).

16.2 Commercial Market Attributes

This Section examines the market attributes of commercial land uses in the City Centre. A significant amount of commercial floorspace could be achieved in the City Centre under Newcastle City Centre LEP (2008) given permissible building heights of up to 90m and FSR's of up to 8:1. The implications of which are (for example) commercial buildings of up to 85,000sqm (GFA). As a result, this section highlights the market attributes which influence the viability of commercial high rise development in Newcastle City Centre.

Leasing Activity

Agents suggest that the low rents, high vacancies and high incentives offered over the past 12 months have resulted in various building owners upgrading their accommodation. Due in part to this trend, as well as a general increase in leasing activity, rents have improved.

Local agents indicate the market has experienced positive results over the 12 months to March 2011. Research⁵³ indicates that net face rents for A-grade property have increased by 3.4% over the 6 months to March 2011, with an increase of 5.0% for B-grade property over the same period.

The following table provides a summary of the key leasing indicators for A-grade and B-grade commercial office floorspace. Whilst rental rates of A-grade and B-grade accommodation overlaps, research indicates average rents for A-grade of \$300/sqm, B-grade \$250/sqm and less than \$200/sqm for C and D-grade property.

Table 28 - Commercial Leasing Market Indicators for Newcastle City Centre (2011)

Grade	A-grade	B-grade
Average Net Face Rents	\$270 to \$340/sqm	\$200 to \$340/sqm
Average Outgoings	\$81/sqm	\$83/sqm
Incentives	Approx. 11% (i.e. 6.6 months on 5yr lease)	Approx. 10% (i.e. 6 months on 5yr lease)

Source: CBRE and Hill PDA Research (2011)

The following table provides rental value comparisons across Newcastle City Centre, as compared to suburban office locations and locations outside of Newcastle Local Government Area.

⁵² Source: CBRE (2011)

⁵³ Source: CBRE (2011)

Table 29 - Commercial Net Rental Comparison (2011)

Precinct / Grade / Market	Average Net Face Rents (\$sqm)
A-grade	\$270 to \$350
B-grade	\$200 to \$340
C-grade	Less than \$200
Honeysuckle	\$300 to \$350
West End	\$150 to \$300
City Centre	\$150 to \$300
East End	\$200 to \$300
Suburban Newcastle LGA	\$180 to \$280
Suburban Sydney	\$300
Sydney CBD	\$600

Source: Hill PDA Research (2011)

Whilst rents vary, the Honeysuckle Drive precinct is considered the prime location for commercial accommodation in Newcastle City Centre, where high rents reflect the precinct's location, and its modern A-grade accommodation. Generally, rents decline the further south a commercial building is located in the City Centre, being further from the railway line and the water. Rents between the West End, City Centre and East End do not vary significantly, although they are slightly lower around the Civic precinct and in the West End.

The suburban office market in Newcastle has been performing well, evidenced by rents being in line or higher than those being achieved in Newcastle City Centre itself. There is not a significant value difference between suburban Newcastle office, and City Centre B-grade and C-grade commercial rents.

Hill PDA expects that net face rents will continue to increase over the next 12 months due to an increasingly active and competitive leasing market together with a lack of new construction and supply coming onto the market in 2011 in the first half of 2012. This increase in rents should be accompanied by tightening incentives.

Sales Activity

Hill PDA's review of the commercial market has revealed relatively few sale transactions over the past 12 months. The investment market appears to be significantly stronger than the owner occupier market, with the number of investment sales outweighing vacant possession sales.

That said, from an investment (and vacant possession) perspective, the commercial market over the past 12 to 24 months has been sluggish. This has been a function of global uncertainty, the difficulty in obtaining finance and the high cost of debt resulting in many investors adopting the wait-and-see approach. An indicator of this is the high number of properties available for sale or lease within Newcastle, however the majority of available buildings are inferior C and D-grade accommodation.

A review of recent sales evidence indicates the following value parameters. Further sales evidence has been summarised in Appendix 2.

Table 30 - Commercial Sales Indicators for Newcastle City Centre (March 2011)

Grade	Average Capital Values (\$/sqm)	Indicative Market Yield
A-grade	\$2,900 to \$3,000	9.5% to 11.0%
A-grade Strata	Up to \$5,500	7% to 9%
B-grade	\$2,250 to \$2,350	10.0% to 13.5%

Source: CBRE, Market View, Newcastle Office and Industrial (First Quarter 2011) and Hill PDA Research (2011)

Local agents have also noticed⁵⁴ many smaller professional firms purchasing industrial units, fitting them out as office accommodation and having an area for storage and parking in the warehouse component. This allows for easy expansion should they require more space, and allows firms to enter the market as an owner occupier which is cheaper than buying office space in the City Centre where parking is also much more difficult.

⁵⁴ Source: Herron Todd White (2011)

17. OTHER EMPLOYMENT DRIVERS

This Chapter reviews other drivers of employment land demand and supply in the City Centre. This Chapter considers the Hunter Development Corporation which has been a significant contributor to recent commercial development in Newcastle City Centre, as well as the plans of major government tenants and potential new industries to encourage redevelopment in the City Centre.

17.1 Hunter Development Corporation

The Hunter Development Corporation (HDC) has facilitated the development of some 47,900sqm (GFA) of commercial floorspace to date. As indicated in Chapter 6 the HDC is currently involved in two precincts relevant to this Assessment, being the Cottage Creek Precinct and the Honeysuckle Precinct.

Whilst commercial development opportunities exist across the City Centre, it is evident that the majority of recently constructed commercial development (particularly A-grade) has been within HDC controlled precincts.

With respect to commercial development, the HDC⁵⁵ has indicated that the Cottage Creek Precinct will yield approximately 150,000sqm (GFA) of new commercial floorspace based upon the Newcastle City Centre LEP (2008) and Honeysuckle Masterplan (2004). It should be noted however that the Masterplan (an excerpt of which is provided at Appendix 5) is under review.

Additionally, the development of Honeysuckle Central in the Honeysuckle Precinct will yield a further 22,500sqm (GFA) of commercial floorspace, at which point the Honeysuckle Precinct will be fully developed.

17.2 Relocation of Government Tenants

Discussions with the State Property Authority (SPA) responsible for the property portfolio of government office accommodation in NSW have informed the following discussion on the relocation of government related tenants in the City Centre.

NSW Courts Relocation

The SPA is involved in the project to relocate the existing NSW Courts from the East End of Newcastle City Centre to the Civic Precinct. Hill PDA understands that the State has purchased a site on Hunter Street (known as the Burwood Wedge) upon which a modern facility will be developed.

It is understood that an Expression of Interest (EOI) process for the design of this facility has commenced and the SPA is aiming to progress the development of this facility, with the lodgement of a development application by the end of 2011. Work on the new facility is expected to commence in 2012 and be completed in 2014.

In the medium to longer term, the SPA envisages the need to procure additional leased space around the new court building, to service the needs of existing occupiers who are currently located in the East End, near the existing Court facilities.

⁵⁵ Jacob Whiting, Senior Development Manager, Hunter Development Corporation (2011)

New Newcastle Communication Centre

The Newcastle Communication Centre is a proposed 10,000sqm facility building to be located in the City Centre. Hill PDA understands that an EOI for the proposed Centre closed in December 2010. The building is to have a minimum 4.5 star NABERS⁵⁶ energy and water rating. A range of mechanisms (i.e. buy, lease, pre-commit, joint venture etc.) are being considered to secure the required space. An alternative is for proponents to develop a Government owned lot identified as the Empire Hotel Site.

NSW Police Relocation

Hill PDA understands that the NSW Police portfolio is currently managed by United Group Limited. Anecdotally it is understood that NSW Police may be looking to move to a new facility, however this is not yet confirmed.

The relocation of Government tenants, namely the NSW Court and the rumoured relocation of the NSW Police are internal movements (i.e. relocation of existing tenants within Newcastle City Centre) which will not necessarily result in new and/or increased jobs in the City Centre. The likely outcome will be that whilst new A-grade commercial office space is developed, it is likely that higher vacancy rates for inferior grade accommodation (i.e. C and D-grade) will result.

Of greater benefit would be the attraction of new Government tenants not already located in the City Centre who would generate new jobs as well as stimulate commercial development. In order to instigate change, a strategic decision at the NSW State Government level would need to be made to move jobs to Newcastle City Centre.

⁵⁶ National Australian Built Environment Rating System

18. IMPLICATIONS TO NEWCASTLE CITY CENTRE

18.1 Objectives and Guiding Principles

The following provides key land use principles to be applied to Newcastle City Centre's employment lands. The principles are aimed at promoting consistency and providing a clear future direction for land use planning within the City Centre:

- Retain a range of employment generating lands to meet the varying needs of the City and the Lower Hunter Region.
- Preserve employment zoned land within the City Centre that can accommodate relatively large floor plates and are well serviced or connected to main road networks and rail.
- Encourage a clustering of employment generating uses so that they can share resources and services and attract new businesses to Newcastle. Actively promoting the presence and the merits of agglomeration of existing clusters in Newcastle.
- Recognise that whilst most industrial land uses will be provided in alternative locations, some light industrial land on the fringe of the City Centre to meet the requirements of local urban services (similar to that whilst currently exists in the West End) is appropriate.
- Do not permit bulky goods retailing in industrial zones and restrict the proportion of office space permitted within industrial and mixed use. Allow retailing in industrial areas only where it is ancillary to industrial uses.

18.2 Matching Supply with Demand

Hill PDA's Newcastle Employment Lands Strategy (2010) forecast demand for employment lands within the City. In doing so, the City Centre was included in calculations for the Newcastle Inner Precinct. The Strategy forecast that by 2031, the Inner Precinct will experience a 25% (+720,864sqm) increase in demand for employment floorspace, representing the greatest increase in demand across the City. The largest growth category related to commercial and retail uses followed by construction and industry.

Based on a forecast of jobs in the City Centre, Hill PDA estimates demand for 779,000sqm of employment floorspace in 2021 and 893,000sqm by 2031 – an increase from 287,000sqm in 2011. The majority of this increased demand will be for office floorspace (an additional 158,000sqm) followed by occupied shop front space of 63,000sqm.

Based on Hill PDA's modelling, the two industries with strongest expected growth in demand for office space are government administration and professional, scientific and technical services. Finance and health care are also expected to be major contributors.

Despite the demand forecasts, this Economic Assessment has identified conflicts between commercial office historical trends, the property market and aspirational targets. On the one hand an assessment of the commercial property market and historical take-up rates suggest that the City Centre should forecast (or plan for) around 3,600sqm of new office space every year.

However to achieve the job targets under the Lower Hunter Subregional Strategy (2006) the rate of office space would need to double at 7,500sqm per annum. This is not to say that the targets are overly ambitious, only that there may need to be incentives (financial or otherwise) to achieve the targets.

Whilst forecast demand for office space in Newcastle City Centre ranges from 3,600sqm per annum (based on the historic trends) to 7,500sqm per annum (based on target projections of workers) all planning tools should adopt, or accommodate for, the higher forecast.

Newcastle City Centre should be promoted and encouraged as the predominant location for commercial office space in the City. Key considerations include:

- The majority of employment floorspace in the City Centre is expected to be commercial office space.
- A large portion of the commercial office market is attracted by new, purpose built and more sustainable commercial office options. This is as compared to the majority of existing vacant floorspace which is either shop front floorspace or is lower grade accommodation ill-suited to the needs of new business in the City. As a result, the majority of new office development in the City Centre is expected to be A-grade. Significant opportunities to address this demand do exist, particularly with the ongoing development of areas such as Honeysuckle and Cottage Creek (discussed in Section 18.3 below).
- Government agencies and departments should prioritise their location on Hunter Street in the Civic Precinct (and to a lesser extent the West End) as a means to stimulate and rejuvenate Hunter Street.
- Health care and community services could also locate in Hunter Street to help stimulate rejuvenation. However the East End of Hunter and King Streets may be the preferred choice in the market given the benefits of agglomeration and synergies with the James Fletcher Hospital and the other services already established in this area.

18.3 A-Grade Accommodation

A 2010 Hill PDA study for the NSW Department of Planning & Infrastructure examined appropriate locations for a business park in the South West Subregion of Sydney⁵⁷. The study identified eight key criteria that were used to assess the suitability of potential locations for a business park. The key criteria relate to:

1. The provision of and access to infrastructure - The provision of hard infrastructure such as roads, drainage, water and electricity services is key to enabling development to occur, to ensuring the efficient use of infrastructure and to reducing the financial implications to prospective developers / investors. Furthermore industry consultation conducted during the Study found that the existing provision or committed provision of infrastructure was crucial to providing certainty to investors, developers and tenants thereby reducing the potential risk of development and the attraction of the location for a business park.
2. Accessibility to existing and proposed transport networks - Direct and efficient access helps to reduce travel times and business costs whilst improving connectivity to broader markets. It is also likely that a successful business park would employ residents from outside the Region and accordingly the business parks accessibility to the wider region is an important consideration.

⁵⁷ Source: South West Subregion Business Park Location Study, Hill PDA (2010)

3. Relationship to the centre hierarchy - In light of the high commercial floorspace component of a potential business park in addition to requirements for retail floorspace, it is important to ensure that the site of a business park does not detract from the vitality or viability of established or proposed centres in the Region.
4. Accessibility to existing and planned residential growth areas - The proximity of a potential location to existing and planned major residential areas is an important criterion as it enables efficient and timely travel between residential and working locations. The close proximity of these locations enhances the availability and mix of skills and a critical mass of workers to the benefit of local businesses. It also reduces the need for residents to travel enhancing the appeal of working locally.
5. Opportunity to cluster with other businesses and magnet infrastructure - Agglomeration relates to the concentration of related or similar activities within a common geographic area such as a business park. Many of Sydney's business parks benefit from strong clusters in areas such as telecommunications, scientific and technology, media and property industries.
6. Land availability, lot sizes and ownership - A successful business park requires a critical mass of floorspace and supporting facilities (open space, car parking, services etc.). Accordingly a location of a suitable scale, with large sites capable of amalgamation in a reasonable period of time is required to support a viable cluster of associated uses.
7. Environmental impact - Factors to consider include site topography, flooding, water tables, substratum soil conditions, vegetation, fauna, heritage features and visual sensitivities. These features may relate to the location itself or adjacent areas and can have a direct and significant impact on the extent of land that can be developed, the form and financial viability of development. Importantly however, the environmental quality and visual appeal of a location may also have a bearing on the suitability of a location for a business park. A longstanding feature of business parks has been their high quality of landscaping, recreation space and environmental features that cannot be offered in more densely developed centres. This visual appeal or amenity value can give a business park an important point of difference.
8. Prestige and image of the location - The location of a business's offices and facilities not only relates to the practical factors such as access and services but also to the image that it seeks to portray. Furthermore the appeal of a business's location and its proximity to services and lifestyle factors plays an important part in its ability to attract suitable employees with appropriate skills. For this reason the perceived appeal or image of a location can play an important part in defining its success.

Given the above criteria, the Cottage Creek Precinct has the characteristics of a business park and is likely to continue to be an attractive location for prime A-grade commercial accommodation in Newcastle City Centre. The other attributes that make the Precinct appropriate for such development include its land ownership structure and its location adjacent to Hunter Street.

One of the key land related factors required for a successful business park is land ownership and availability. Land must be available for development and with appropriate ownership to enable timely delivery. Accordingly a desirable location has reasonable parcels of vacant / underutilised land to support viable redevelopment. Conversely locations with high levels of site fragmentation, strata titles or land owners not inclined to sell can create significant barriers.

By way of example, a highly fragmented location (similar to many locations along Hunter Street – particularly towards Civic and the East End) can hinder a developer's ability to effectively acquire a number of sites for redevelopment on account of extended time periods, holding costs and risk. The need to acquire a number of sites can also result in the

prospective developer paying a premium or higher purchase price than the sum of individual land values. A highly fragmented location can therefore limit the attraction of developing an area by creating significant time constraints for development, costs and risks thus rendering prospective development unattractive, unviable or unworkable.

As a result, a notable factor in the success of Sydney's existing business parks relates to the presence of institutional developer owners (like the Hunter Development Corporation) organisations with the experience and financial capacity to assemble sites and undertake larger more complex developments. It may be appropriate for a suitable location to accommodate a number of these interests so as to minimise risk of timely delivery and enhance investment competition to the benefit of the market.

The Hunter Development Corporation has facilitated the development of some 47,900sqm (GFA) of commercial in the Honeysuckle and Cottage Creek Precincts to date. Furthermore, it is expected that the precinct will yield an additional 150,000sqm (GFA) into the future.

Nevertheless, given the existing commercial office market in Newcastle, it is recognised that short term take-up of new commercial office land in the Precinct is likely to be low. Notwithstanding this, the potential long term take up for such a use does not preclude planning for it now.

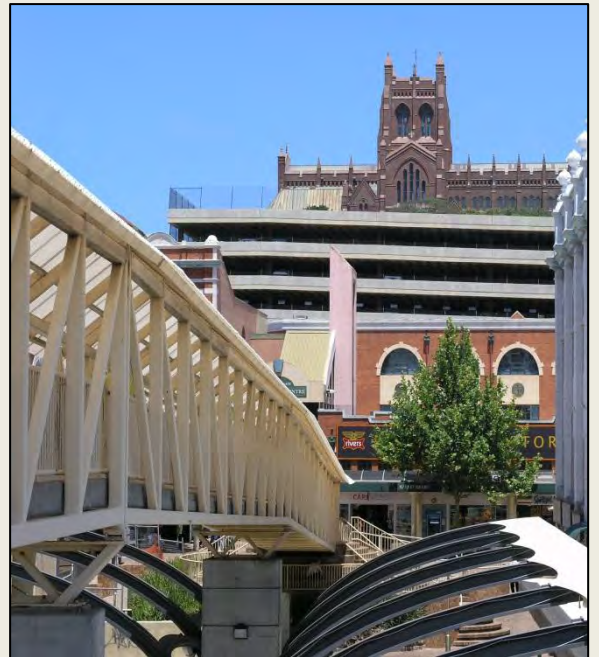
Furthermore, should the commercial portion of the Cottage Creek Precinct (towards the West End) be recognised as a business park and be marketed as so, the likes of Hunter Street should be able to leverage off this strength, providing ancillary business, retail and community services (e.g. day care centres) to meet the needs of new businesses and tenants. It is likely that this would initially encourage the refurbishment of existing commercial and retail space, and subsequently may result in new activity and investment.

This business park strategy is further discussed in Section 24 of this Assessment.

Part D: Other Drivers of Change



Part D of the Assessment identifies other drivers to change in Newcastle City Centre over and above the forecast growth in population and dwellings. This includes the plans of Newcastle University, tourism and other land use and demand influences.



19. OTHER DRIVERS OF CHANGE

This Chapter investigates other drivers to change and urban renewal over and above organic population growth and an increase in residential dwellings and jobs. These drivers can be a result or reaction to government policy or industry changes. They can also revolve around particular institutions or other government affiliated organisations whose plans can be used as facilitators for further change.

19.1 Tourism

Newcastle City Centre is a popular tourist destination and has been named as one of the global top ten cities of 2011 by Lonely Planet⁵⁸. Tourism Research Australia (TRA) compiles historic data on tourism numbers and tourist spend in the City of Newcastle⁵⁹. A summary of this data, based on the three or four year average to June 2007 and compared to State and national averages, is shown in the following table.

Table 31 - City of Newcastle Tourism Statistics (2008)

	International	Domestic overnight	Domestic Day
City of Newcastle			
Visitors ('000)	59	903	1,959
Visitor nights ('000)	1,066	2,358	-
Spend (\$million)	74	263	188
Average stay (nights)	18.0	2.6	-
Average spend per trip (\$)	1,249	291	96
Average spend per night (\$)	69	111	-
NSW Average			
Average stay (nights)	19.0	3.5	-
Average spend per trip (\$)	1,837	433	99
Average spend per night (\$)	97	124	-
National Average			
Average stay (nights)	28.6	3.9	-
Average spend per trip (\$)	2,717	500	95
Average spend per night (\$)	95	127	-

Source: Tourism Profiles for Local Government Areas in Regional Australia: City of Newcastle, Tourism Research Australia (2008)

Note: Based on three or four year average to June 2008

Based on the table above the City of Newcastle accommodates an average of 2.9m tourists per year of which the majority (approximately 2m) are domestic day trippers. Tourists generate an estimated \$525m in expenditure per year.

However, compared to state and national averages, all tourists visiting the City of Newcastle (international, domestic overnight and domestic day) spend on average less per trip and per night, and on the whole stay for a shorter length of time.

Other data compiled by TRA for the City of Newcastle indicates:

- 50% of visitors did so for holiday and leisure purposes, with 30% visiting friends and relatives, 11% for business, and 11% for other reasons;

⁵⁸ Source: <http://www.lonelyplanet.com/usa/new-york-city/travel-tips-and-articles/76165> (2011)

⁵⁹ Tourism Research Australia (TRA) currently produces a wide range of tourism research information at the National, State/Territory and Regional level. Data is gathered from the two primary surveys conducted by TRA – the International Visitor Survey (IVS) and the National Visitor Survey (NVS). Tourism Profiles for each LGA are created only when the IVS and NVS provide an adequate sample size. TRA survey data is averaged over three or four years to June 2007. This minimises the impact of variability in estimates from year to year. The Profiles are based on 2006 Local Government boundaries.

- Top tourist activities included eating out (86%), going to the beach (73%), going shopping (71%) and going to pubs and clubs etc. (54%); and
- Most domestic overnights (76%) originated from NSW, with 43% originating from Sydney.

Tourists contribute to retail spend within the City which has been discussed in Chapter 10 of this Assessment.

19.2 Hotel / Motel and Serviced Apartment Accommodation

Hill PDA's investigations suggest that there is strong demand for hotel, motel and serviced apartment accommodation in the Newcastle City Centre, evidenced by discussions with local real agents, a review of recent development applications (which indicated a number of development applications for this type of accommodation) as well as new developments in the City Centre.

An example of a recent project included the Grand Central Apartments development (indicated in Appendix 1) which is currently advertising apartments for sale with leaseback option to a serviced apartment operator. At present is not known how many apartments will take up the serviced apartment leaseback option. Hill PDA understands that the leaseback option cannot be accepted until construction of the development is completed.

Appendix 3 also indicates a number of development applications containing serviced apartments, however these developments have not yet progressed. While construction has not yet commenced, the number of developments demonstrates potential of this sector and includes:

- 'The Meritus' 398 King Street 45 containing serviced apartments (plus commercial accommodation);
- 764-778 Hunter Street containing 18 serviced apartments (plus 29 residential apartments);
- 11-15 Watt Street & 68 Hunter Street containing 36 serviced apartments; and
- 643-651 Hunter Street containing 113 serviced apartments (plus ground floor retail).

The following table provides a summary of hotel, motel and serviced apartment establishments in the City of Newcastle at the June quarter 2009. The table shows that the City of Newcastle contains 5 establishments providing 5 to 14 rooms (a total of 159 bed spaces) and 20 establishments providing 15 or more rooms (a total of 3,248 bed spaces).

Table 32 - Summary of Hotel, Motel & Serviced Apartment Accommodation in Newcastle (2009)

No. Rooms	5 to 14	15 +
Establishments	5	20
Bed Spaces	159	3,248
Persons Employed	69	501
Average Takings from Accommodation	\$234,000	\$10,213,000
Annual Takings per Bed Space	\$1,472	\$3,144

Source: ABS, Table 16 Tourist Accommodation, NSW Local Government Areas (2009)

As at June 2011, statistics⁶⁰ indicate that occupancy rates for hotels / motels and serviced apartments with 15 or more rooms was 66.4% in NSW.

⁶⁰ ABS Data, 8635.0 Tourist Accommodation, Australia, Table 10. Summary of accommodation establishments with 15 or more rooms, All series, States/Territories and Australia (30 September 2011)

Market investigations indicate that room rates for serviced apartments start from approximately \$185 per night (for a typical 1 bedroom room). Rates for hotels range in price from approximately \$150 per night (Travelodge) up to \$385 per night (Crown Plaza).

19.3 The Port of Newcastle

The Port of Newcastle is the largest export port in Australia. It is one of the world's largest coal tonnage ports and is a growing cargo and general container hub, with further expansion plans currently being developed. The Port is managed by the Newcastle Port Corporation. Total trade through the Port of Newcastle in 2007-08 was valued at \$10.3 billion, with coal trade valued at \$7.7 billion and other trade valued at \$2.6 billion.

The Port is supported by strong road infrastructure (connected to the F3 Freeway) and rail infrastructure (connected to the NSW freight network) which allows the Port to compete with Ports in larger metropolitan locations (i.e. Port Botany). Recent activity and investment in the Port includes:

- Investment of \$25m to upgrade the infrastructure at Mayfield No. 4 Berth. This work was completed in March 2010, and comprises a 265m long wharf area and a 10,000sqm adjoining hardstand for port-related uses; and
- Planned development of the former BHP Steelworks site. The 90ha Port side development site is now under the control of Newcastle Port Corporation. This land has been set aside for the specific intent of supporting cargo handling infrastructure. It is a superior site that can support a diverse range of infrastructure such as general cargo, bulk materials, bulk liquids, and particularly container trade. The land a strategic site with excellent road, rail and sea access.

Further to the Ports export operations, Cruise Hunter was established in 2002 to evaluate the feasibility of Newcastle and the surrounding Hunter Region as a destination for visiting cruise and naval vessels. The City of Newcastle managed the Cruise Hunter project between 2004 and 2007. Cruise Hunter relocated to Newcastle Port Corporation in late 2007 linking the tourism marketing and development of the project with Port operations.

The Channel Berth is the designated berth for cruise operations. The berth is located in the Port's Carrington Precinct, approximately 4.5km by road north of the City Centre. Access to the Channel Berth from City Centre is generally restricted to vehicular access. A \$2.55m refurbishment of the Channel Berth for tie up purposes and as a dedicated facility for P&O Cruises' Pacific Sun cruise liner and for visiting international cruise ships was completed in September 2010. The refurbishment was a joint project with Cruise Hunter, the Newcastle Port Corporation and the NSW Government.

Newcastle Port and the City Centre have a strong historical relationship, largely through the coal industry. While the Port and the City Centre are located adjacent to each other, there is minimal interaction between them. The Port has sufficient land supply to provide for administration jobs onsite, as opposed to within Newcastle City Centre. This provides efficiency's for the Port through having administration and direct related port staff in one location.

19.4 University of Newcastle

The University of Newcastle is a key facet of the local economy of the City of Newcastle and the City Centre itself. The University acts as an ambassador for the City raising its awareness nationally and internationally. As a result, any future plans by the University should be a key consideration in the planning of the City. Any University campuses,

students and workers located in the City Centre will contribute not only to the life of the City but also to the ongoing sustainability of the local economy.

The University is currently situated on a number of campuses across the Lower Hunter Region. The main and largest being the Callaghan campus, approximately 12km to the north-west of the City Centre. Within the City Centre itself, the University is represented on two sites. Part of the School of Drama, Fine Art, and Music (incorporating the Conservatorium) is located in the Civic Centre precinct, whilst the Newcastle Legal Centre and the Newcastle Business School Postgraduate facilities are located in University House opposite Civic Park. Other University campuses comprise Ourimbah on the Central Coast, the Port Macquarie Campus and internationally in Singapore.

Beyond 2015 the University has ambitious expansion plans and is exploring the potential of establishing a campus in Newcastle City Centre, with one potential site already nominated in Honeysuckle and the potential for other sites along Hunter Street.

It is understood that Stage 1 of the University's expansion plans on the Honeysuckle site would include the School of Business and comprise approximately 18,000sqm of floorspace, providing for 2,500 students and 100 staff. The University is currently trying to secure funding for the development of Stage 1⁶¹. Approximately \$40m will be contributed by the University with a further \$25m secured from the State Government however this is also subject to Federal Government support. The University is seeking the remaining funding (approximately \$65m) through the Federal Education Investment Fund, with the next round of funding to be awarded early in 2012.

Stage 2 would include the School of Law and the School of Fine Art, Drama and Music in the Civic Precinct. Stage 3 would include the School of Education, School of Humanities and Social Science⁶².

19.5 Newcastle Airport Expansion

The Hunter's major airport, Newcastle Airport is located in the Port Stephens LGA at Williamstown, a 25 minute drive from Newcastle City Centre.

It is understood there is a proposal with the Department of Planning & Infrastructure to consider the expansion of Newcastle Airport to include an extension of the terminal for both domestic and international flights, car parks and internal roads, airport support services (including aircraft maintenance, freight, fuel and ground support equipment) and a business park (including office space). The estimated total capital investment value of the expansion proposal is \$120m.

Newcastle Airport currently connects to Australia's east coast cities including Brisbane, Sydney, Canberra, Melbourne, Gold Coast and Narrabri. Additionally, Newcastle Airport also facilitates business activity, including support for fly-in fly-out mining operations in the Hunter Valley. While it is not known if the airport upgrade will result in connections to additional major centres (which will likely be related to demand as assessed by individual aircraft carries and not related to the infrastructure of the Airport), the upgrade will strengthen the position of Newcastle Airport, supporting the connectivity of Newcastle for both business and tourism related activities.

⁶¹ Source: John McGloughlin, Project Director, City Campus, University of Newcastle (2011)

⁶² Source: Newcastle City Centre Renewal: A University City, Infrastructure Australia Submission (March 2011)

Newcastle Airport's influence on the Hunter economy is undeniable. An economic impact assessment in 2008 reported that the airport supports over 3,200 jobs and generates \$465.5m for the local economy, of which \$151m supports local tourism.

19.6 Implications to Newcastle City Centre

This Chapter has reviewed drivers of change to Newcastle and the City Centre over and above organic population growth and an increase in residential dwellings and jobs. The Chapter has focussed on the University of Newcastle, the Port of Newcastle, the proposed Newcastle Airport expansion, tourism and the hotel/motel and serviced apartment industry.

The University on Newcastle plays an important role in Newcastle, promoting the City and attracting people to the City Centre. Any new development by the University in Newcastle City Centre would attract new students and workers and would contribute to the local economy and environment. The University's current expansion plans comprise an 18,000sqm building providing for 2,500 students and 100 staff. The City of Newcastle and the NSW Government should support the University of Newcastle with any current and / or future expansion plans in the City Centre. Positive flow-on effects include increased demand for student housing in the City Centre, would drive new construction as well as support its retail and commercial functions. Assuming the Universities expansion did proceed, the following additional demand for student housing may result:

- 2,500 additional students, equates to demand to between 600 to 1,250 dwellings (assuming between two to four persons per dwelling); and
- Depending on unit size and mix, this may equate to up to 125,000sqm (GFA) of residential floorspace⁶³.

Further to the University are the plans for the Port of Newcastle. The planned development of the former BHP Steelworks site by the Port of Newcastle will increase the Port's capacity for general cargo, bulk materials, bulk liquids, and particularly container trade. It is reasonable to expect that this would have a flow-on effect for the Newcastle City Centre, however it is evident that there is a current disconnect between the Port and the City Centre. Improved linkages between the Port and the City Centre should be encouraged in order for Newcastle City Centre to benefit from Port related activities. Similarly, the linkages between the cruise passenger terminal (i.e. the Channel Berth) and the City Centre need to be improved in order for the City Centre to capitalise fully on this tourism opportunity.

The proposed Newcastle Airport upgrade project will also strengthen the position of Newcastle, supporting the connectivity of Newcastle throughout Australia (and internationally) for both business and tourism related activities. However, the implication of the Airport upgrade to Newcastle City Centre is difficult to quantify. The likely result is an increased demand for accommodation (supporting business and tourism), which may ultimately drive development of hotel, motel and serviced apartments.

With the City of Newcastle receiving an average of 2.9m tourists per year, the City Centre needs to capitalise on this strong audience converting the large number of domestic day trippers to overnight stays. This will result in increased revenue generated in accommodation, food and beverage, entertainment and retail.

⁶³ Based upon 1,250 units at 100sqm GFA per unit.

Part E: Capacity to Meet Growth



Part E considers the implications of mine subsidence, planning controls and other influences to redevelopment and investment in the City Centre. In doing so, this part of the Assessment outlines the outcomes of the feasibility modelling of a range of sites in the West End and City Centre.



20. CONSTRAINTS TO INVESTMENT AND DEVELOPMENT

Hill PDA's previous work as part of the Hunter Street Revitalisation Masterplan (2010) revealed there were numerous approvals for higher density development that had not commenced, were abandoned, were for sale, or were deferred. These applications included a range of mixed use, commercial, residential, hotel and serviced apartment uses, most in excess of 6 levels. A list of current development approvals that have not commenced is provided in Appendix 4.

Whilst a deflationary market was dampening the viability of development, the lack of actual construction post approval indicated there were likely to be broader structural issues impacting high rise development over and above the current market.

This included the impact of existing height and floorspace controls within the Newcastle City Centre LEP (2008) which permitted residential and commercial tower development in excess of 30 levels. This form of development was unprecedented in the City Centre and had significant impacts on construction costs, car parking provisions, pre-commitments and funding requirements.

Furthermore, these factors combined with the discovery of mine subsidence, serious flooding (risk to property and life) and groundwater constraints, most of which had not been fully understood. These constraints were negatively impacting not only redevelopment and density potential, but the extent of costs required to redevelop over land affected by mine subsidence.

As a result, this Chapter identifies and outlines the range of potential constraints on development in Newcastle City Centre. The information discussed in this Chapter informs the outcomes of the feasibility modelling undertaken for a range of sites in the City Centre as discussed in Chapter 21.

20.1 Planning and Development Controls

The following table summarises the key development controls placed on the City Centre by Newcastle City Centre LEP (2008) and Newcastle Development Control Plan (2005). Relevant maps relating to these controls are provided in Appendix 6.

Table 33 - Existing Newcastle City Centre Planning and Development Controls

Development Control	Applicable Controls
Zoning	B3 Commercial Core, R3 Medium Density, RE1 Public Recreation, B4 Mixed Use
Floorspace Ratio (FSR)	From 1:1 to 8:1
Building Height	From 10m to 90m
Car Parking Provisions	Urban Housing: Small (<75sqm or 1 bedroom) – average 0.6 spaces per unit Medium (75sqm to 100sqm or 2 bedroom) – average 0.9 spaces per unit Large (>100sqm or 3 bedrooms) – average 1.4 spaces per unit All remaining development: at least 1 space per 60sqm of GFA.

Source: Newcastle City Centre LEP (2008) and Newcastle Development Control Plan (2005)

Excluding a small proportion of residential zoned land (R3 Medium Density) to the east, the City Centre is mostly zoned B3 Commercial Core and B4 Mixed Use as indicated in the following map.

Figure 8 - Newcastle City Centre Zoning Map

Source: Newcastle City Centre LEP (2008)

Whilst the majority of land within the City Centre is zoned for a mix of uses, there are three key commercial precincts and one residential precinct being:

- Residential – bounded by Telford Street (west), Stevenson Place/the Foreshore Reserve (north) and Shortland Esplanade. Existing planning and development controls include building heights between 10m to 20m, and FSRs of 1:1 to 1.5:1.
- Commercial – located in the West End and focussed at the intersection of the Pacific Highway and Hunter Street. Existing planning and development controls include building heights of up to 90m, and FSRs of 6:1 to 8:1.
- Commercial – focussed around Hunter and King Streets at their intersection of Union Street. The precinct extends south to Parry Street/national Park and north to Honeysuckle Drive in the Honeysuckle Precinct. Existing planning and development controls include building heights of up to 60m, and FSRs of 2.5:1 to 7:1.
- Commercial – located in the City Centre, bounded by Hunter Street (north), King Street (south), Newcomen Street (east), and Perkins Street (west). Existing planning and development controls include building heights of 24m, and FSRs of 4:1.

Further to zoning, FSR and height controls mentioned above, Section 23 of Newcastle City Centre LEP (2008) nominates additional floorspace controls for specific sites (mostly in the West End and part East End). The impact of which is reduced FSR's on small sites (less than 1,500sqm) and reduced FSR's if developed for mixed use residential.

The implications of current planning controls on development in Newcastle City Centre is that significant buildings of high densities are permissible, for example commercial buildings of up to 85,000sqm (GFA) (depending on site characteristics). Buildings of this scale have significant impacts on amenity, urban design and the local property market.

Furthermore, buildings of this size are equal to, if not larger than those permissible in comparable locations (e.g. Wollongong CBD). The following table provides a comparison of development controls in Newcastle City Centre against other major centres.

Table 34 - Comparison of Development Controls Across Major Centres

Centre	Floorspace Ratio (FSR)	Building Height
Newcastle	1:1 to 8:1	10m to 90m
Wollongong	FSR maps indicate 1.5:1 for most parts of the city centre. However, the LEP indicates FSR's of up to 6:1 for Commercial and up to 3.5:1 for Residential subject to site parameters (frontage, land area and zone).	Up to 120m
Sydney	2:1 to 8:1 Plus additional 4.5:1 for commercial and 6:1 for residential in certain areas.	Up to 235m
Parramatta	0.6 to 10:1	Up to 200m
Geelong (VIC)		24m to 40m

Source: Newcastle City Centre LEP (2008), Sydney LEP (2005), Parramatta City Centre LEP (2007), Wollongong LEP (2009), Central Geelong Urban Design Guidelines (2008)

The above table indicates that the maximum FSR potential in Newcastle City Centre is almost in line with that of Sydney CBD and Parramatta CBD, which are significantly larger centres.

Compared to Newcastle, Wollongong CBD has a similar approach to FSRs, that is, FSRs are generally restricted by land area and use. For example, in Wollongong CBD, differing FSRs apply to sites smaller than 800sqm, between 800sqm to 2,000sqm and greater than 2,000sqm. Additionally, differing FSRs apply with sites that have a street frontage of less than 20m or greater than 20m.

20.2 Mine Subsidence

Historically Newcastle City Centre was the site of the first coal mines in Australia post settlement. The majority of coal was mined from the 6m to 8m thick Borehole Seam that lies at a depth of 70m to 80m. However by 1916, the economically mined coal beneath Newcastle had been exhausted and mining operations ceased⁶⁴.

Mining of the Borehole Seam mostly involved hand mining which resulted in a system of pillars within the seam to support the weight of the earth above. This system is shown in the following map.

Figure 9 - Typical Mine Workings in Newcastle City Centre



Source: S.J. Machenzie, Coffey Geotechnics, (2006)

⁶⁴ Source: An overview of multistorey development and mine subsidence risk in Newcastle, Coffey Geotechnics, S.J. Machenzie (2006)

Due to the extent of historical mining under the City Centre, there is now an underlying risk to property and life, due to the loss of structural integrity of the pillars within the disused mines, and therefore the lands above. As the extent of mine subsidence works varies significantly across the City Centre, the nature of any proposed improvements must be considered in light of the requirements for mitigation. As a result the extent of mitigation works required represents the risk profile of the improvements and resultant use.

For example, construction of a private single level dwelling on land subject to mine subsidence is unlikely to require any mitigation works, however large developments greater than 4 to 6 levels and containing a significant number of workers, residents, or shoppers would likely require mitigation works dependant on its location in the City Centre.

Hill PDA has been advised that whilst sites and proposed developments are assessed on an individual basis, it is generally understood that any proposed development of 4-6 levels or greater will require mitigation works.

The NSW Mine Subsidence Board is the service organisation responsible for administering the Mine Subsidence Compensation Act, providing for compensation or repair services where improvements are damaged by mine subsidence, resulting from the extraction of coal in Newcastle City Centre.

The Board is also responsible for reducing the risk of future mine subsidence damage by assessing and controlling the types of buildings and improvements which can be erected in effected locations. Any proposed improvements need to gain approval not only through Council (and by other typical authorities) but subsequently by the Mine Subsidence Board. The Mine Subsidence Board dictates which sites and proposed developments require mitigation works to proceed.

The cost attributable to mine subsidence works varies significantly across the City Centre, and there are many variables to consider when determining the level of affectation (e.g. the depth of mining, the number of remaining pillars, the distance between pillars, and whether the mine has been flooded with ground water). Based on discussions with active property developers in the City Centre, these costs can range from \$500/sqm to \$1,000/sqm of site area. It can take up to 3 months to complete mine subsidence site mitigation works.

In 2011 the Mine Subsidence Board produced a map indicating the extent of mining throughout the City Centre (see Appendix 5). The map indicates that the areas most affected by underground mining are primarily within the East End and Honeysuckle Precincts. By comparison there is minimal affectation in the West End.

20.3 Flooding and Water Tables

Flooding and water tables present additional challenges to development in some areas of Newcastle City Centre. These issues ultimately result in increased development (construction) costs for developers especially in the provision of basement car parking. The risk of flooding in some locations has also resulted in the requirement to raise ground floor levels which increases development costs and impacts amenity and urban design outcomes.

In other locations basement car parking is either not possible or requires higher building specification to ensure structural integrity remains. As with costs associated with mine subsidence, flooding and water table issues need to be investigated on an individual site basis.

This consideration has been reflected in Hill PDA's feasibility modelling of sites through increased construction costs associated with basement car parking on effected sites.

20.4 Heritage

The Newcastle City Centre LEP (2008) identifies 169 heritage listed items including 117 items of local significance and 52 items of state significance⁶⁵ in the City Centre. The City Centre also has 4 heritage conservation areas being Cooks Hill, Newcastle City Centre, Newcastle East and The Hill. The level of affectation and/or restrictions imposed on development by heritage listed items or conservation areas can vary significantly and may include the requirement to retain whole or part of buildings and restoration works. Heritage restrictions can sometimes act as a barrier to development, through either increased costs and/or challenges in gaining development approval.

20.5 Market Trends and Attributes

Hill PDA's market appraisal of Newcastle City Centre (see Chapters 5 and 16) and feasibility modelling, identified residential as the strongest market segment in Newcastle City Centre. The viability of commercial is an issue across all major markets. Hill PDA's feasibility modelling of key sites in Parramatta CBD and other core markets has had similar results. This is not an issue particular to Newcastle City Centre.

Construction costs are around \$4,000/sqm to \$4,500/sqm of total hard costs for inner city and CBD commercial development. This is as compared to commercial office end sales values of \$3,530/sqm to \$4,411/sqm (based upon rents of \$300/sqm to \$375/sqm). As a result, there is simply no margin achieved between costs and revenues in the current market. Rents would need to reach around \$425/sqm in Newcastle City Centre for development to be viable.

Notwithstanding this, campus style and large floor plate development (similar to that of Honeysuckle) performs better, largely due to developers being able to minimise construction costs and seek higher rental values due to new A-grade accommodation being offered.

For example, those commercial developments that have worked in recent years are all large floor plate (1,000sqm to 2,000sqm) campus style buildings. This includes recent development in Melbourne Docklands, Darling Harbour and around Canberra Airport. Developers have been able to minimise costs on Melbourne Docklands by building cheaply (around \$2,000/sqm). They are achieving commercial rents of around \$370/sqm.

Whilst commercial development in Newcastle is not currently viable, the Urban Renewal SEPP is planning for the future and planning for the next economic recovery, so when the commercial market does improve, new commercial development in Newcastle will occur in preferred locations.

⁶⁵ Newcastle City Centre LEP (2008) viewed online [<http://www.legislation.nsw.gov.au>]. Current version for 7 May 2010 to date (accessed 9 November 2011).

21. IMPACT OF CONSTRAINTS ON THE FEASIBILITY OF DEVELOPMENT

In order to test the viability of redevelopment in the City Centre based on a range of constraints, Hill PDA completed feasibility modelling for sites within the West End, Civic and East End Precincts. This Chapter discusses the main outcomes of this process.

21.1 Methodology of Assessment

Hill PDA completed preliminary feasibility testing of a range of sites. These sites were identified by the Department of Planning & Infrastructure as having potential for redevelopment due to their size, underutilisation, location and other attributes that made them ripe for redevelopment.

Initial modelling undertaken by Hill PDA was based on assessing the viability of redevelopment under existing Newcastle City Centre LEP (2008) controls. This resulted in predominately residential or commercial high rise towers with ground floor retail uses. Development options were provided by the Department of Planning & Infrastructure.

Dependent on the feasibility results, further analysis was undertaken which either reduced or increased floorspace and height controls, reduced the number of basement car parks required, and/or considered an alternative mix of uses.

For the purposes of assessing economic feasibility, Hill PDA adopted the project's Internal Rate of Return (IRR) as the primary performance indicator. IRR is the discount rate where the Net Present Value (NPV) equals zero⁶⁶. Hill PDA has had regard to standard industry expectations in adopting these assumptions.

Target IRR's are dependent on the perceived risk associated with the project (planning, market, financial and construction risk). By way of example a site that has clear and unambiguous planning controls is considered less risky. Furthermore good planning direction can contribute to mitigating planning risk and thereby reducing the lead-in time to development commencement. The target IRR's adopted are indicated in the following table.

Table 35 - Performance Criteria for Development Options

Criteria	Target IRR
Economically Viable	18%+
Marginally Viable	15% to 18%
Not Viable	less than 15%

The target IRR's adopted by Hill PDA seek to reflect those that a developer would accept in the current market and development climate. It must be noted that these rates are a guide only. For example some developers may be willing to develop at a 15% IRR while others will require an 18% IRR for the same project. Ultimately the IRR that a developer will accept may vary greatly due to a number of factors. For large projects such as high rise commercial towers, these rates may be between 14% to 20%.

⁶⁶ When NPV equals zero, a project is considered viable. If the NPV is close to zero, a project will be considered marginally viable.

Whist Hill PDA has adopted project IRR as the primary performance criteria in analysing feasibility results, other performance indicators have been considered including:

- Development Profit: total revenue less total cost including interest paid and received;
- Development Margin: the profit divided by total development costs (including selling costs);
- Residual Land Value: the purchase price for the land whilst achieving the target development margin; and
- Net Present Value: is the project's cash flow stream discounted to present value. It includes financing costs but excludes interest and corporate tax.

Assumptions as to rents, end sales value, take-up rates and other market attributes are based on Hill PDA's market research for residential, retail and employment lands provided in Parts A to C of this Economic Assessment.

21.2 Commercial Development Results

This section discusses the feasibility testing of commercial redevelopment sites within the City Centre, under the provisions of the Newcastle City Centre LEP (2008).

Newcastle City Centre LEP (2008) results in commercial floorspace ratios (FSRs) of between 4:1 and 8:1 in the West End. The impact of which is commercial towers of between 37,800sqm and 85,600sqm (GFA) providing between 13 and 26 levels of office space above ground floor retail. Due to the scale and mass of these redevelopments, they were largely assumed to be completed over 2 to 3 stages of development.

By comparison, sites towards the Civic and East End were less dense as a result of FSR's of between 3.9:1 and 6.96:1. The impact of which were commercial buildings of between 10,200sqm and 38,600sqm (GFA) providing between 7 and 17 levels of office space above ground floor retail. Dependent on the scale and design of buildings they were generally considered to be developed either in a single stage, or in some cases up to three stages.

The retail components associated with these options generally ranged from 3,000sqm to 19,000sqm in the West End, and 775sqm to 5,060sqm in the remaining precincts. To put this into context, Marketown Shopping Centre is around 25,000sqm indicating an equivalent or slightly smaller centre could be provided on a single site in the West End (at ground level).

Based on the feasibility results, the development of commercial office towers to the extent proposed under Newcastle City Centre LEP (2008) is not economically viable. That is, the project IRR across all sites is negative (-2.8% to -30.2%). The other key performance indicators are also negative or below satisfactory levels.

The results are largely due to market factors. Market research indicated the West End is viewed as an inferior location for commercial office when compared to the Honeysuckle Precinct, Civic and the East End. Given its predominance of lower grades of commercial accommodation, it experiences low commercial rents and low end sales values.

Therefore the comparatively high cost of commercial construction (up to \$4,500/sqm of total hard costs) compared to achieved low end sales values (up to \$3,000/sqm for A-grade commercial accommodation), is largely rendering development unviable. In other words, the cost of development is greater than revenues received.

Additionally demand for commercial floorspace in Newcastle is relatively low, reported at between 7,000sqm and 8,000sqm per annum over the past 2 years. As a result, significant holding costs would be incurred based on a proposed commercial building of 50,000sqm to 85,000sqm, owing to a long letting up period whilst pre-commitments are secured.

In addition to the LEP options tested, Hill PDA examined options with reduced car parking (which results in reduced construction costs), however the results remained unviable.

21.3 Residential Development Results

This section discusses the feasibility testing of residential redevelopment sites within the West End and remainder of the City Centre, under the provisions of the Newcastle City Centre LEP (2008).

Newcastle City Centre LEP (2008) results in residential FSR's of between 4.01:1 and 5.78:1 in the West End. The impact of which is residential towers of between 21,500sqm and 78,500sqm (GFA) providing between 10 and 19 levels of residential and between 200 units and 850 units. Due to the scale and mass of these developments, they were largely assumed to be completed over 2 to 3 stages of development.

By comparison, under Newcastle City Centre LEP (2008) the residential site tested in the Civic Precinct assumed an FSR of 4:1. The impact of which is a residential tower of 15,945sqm (GFA) over 15 levels and inclusive of 236 units. Due to the scale and mass of the development, it was assumed to be developed over 2 stages.

The ground floor retail and commercial components associated with these options ranged from nil to 7,000sqm in the West End, and 775sqm on the site in the Civic Precinct. To put this into context, this could result in a few new specialty shops in the Civic Precinct and a new supermarket based shopping centre in the West End.

Based on the feasibility results, whilst development margins and IRR's are positive, the development of residential towers to the extent proposed under Newcastle City Centre LEP (2008) is not economically viable with IRRs of 3.5% to 13.1%, with viable options requiring IRR returns of 15% and above.

It should be noted that some options adopted units equating to approximately 90sqm of GFA which are considered relatively large. These sites are not viable given the low development profit/margin provided by large residential units. Note the end sale values that would be required for large units (which allow development to be economically viable) are similar to values for detached residential dwellings within the wider City of Newcastle, making detached housing a more attractive offer to the market.

By comparison, other options reduced the average unit size to address the abovementioned issue (reduced to 65sqm units to reflect a majority of studio, 1 and 2 bedroom units). This improved the viability of development. However, due to a high proportion of commercial floorspace (equivalent to 6,927sqm) viability remained questionable in today's market.

Options with reduced car parking were also tested and were shown to have a positive impact on residential development feasibility, improving the performance criteria (IRR and development margin). However in most cases this increase was not significant.

However, the results did indicate that development of residential under the existing Newcastle City Centre LEP (2008) is viable on smaller lots, when commercial and/or retail floorspace is minimised and smaller unit sizes are adopted.

21.4 Mixed Use Development

Based on the outcomes of the commercial and residential modelling, it was decided that a vertical mix of land uses (e.g. mix of retail, commercial and residential on a single site) should be investigated. This was due to the poor results provided for purely commercial options and the relative strong results of redeveloping residential units. Providing a vertical mix of uses should allow for some commercial floorspace to still be provided within the City Centre with its costs being offset by higher residential values.

Furthermore, given the historic performance of commercial in Newcastle City Centre indicates a net absorption of 3,580sqm per annum, a commercial tower of say 38,000sqm would equate to over 10 years' worth of demand. As such, it was considered that the potential yield of commercial floorspace brought about by existing controls would be well in excess of demand and delivered on a single site.

The vertical mix options provided by the Department for testing included a mix of retail, commercial and residential unit options under varying FSR controls.

The results indicated that a vertical mix with reduced commercial and retail floorspace, and the addition of between 11 to 28 levels of residential vastly improved results with an 18% target IRR and a 20% target development margin being achieved. Furthermore, residual land values (RLV's) for each option demonstrated growth on the adopted purchase price indicating an uplift in land value brought about by redevelopment. The reasons for this improvement from the initial commercial testing were:

- Residential has been shown to be more viable than commercial. The comparative high cost of commercial construction (up to \$4,500/sqm of total hard costs) compared to end sales values (up to \$3,000/sqm for A-grade commercial accommodation), is largely rendering development unviable. This is in contrast to residential with lower construction costs (up to \$4,000/sqm of total hard costs) and higher end sales values (up to \$6,000/sqm);
- Vertical mix options adopted multi-level above ground parking (as opposed to predominantly basement parking as per the initial testing) which has resulted in a significant cost saving (over 50%) and therefore improved feasibility results; and
- Smaller residential units (65sqm of GFA) were adopted. This change has increased revenue per square metre of GFA with more residential dwellings achieved.

21.5 Bulky Goods Development

Based on the outcomes of the commercial and residential development feasibility modelling, and particularly considering the poor performance of the commercial tower development in the West End, a number of alternative land uses were considered.

As a result, Hill PDA in consultation with the Department adopted bulky goods retail options for feasibility analysis in the West End. The West End is the gateway to the City Centre (via the Pacific Highway) and is a City Centre fringe location, which together with opportunities for large floor plates (due to large sites in single ownership), have good visibility and passing trade, making it an appropriate location for bulky goods.

The alternative land use options included both a standalone bulky goods homemaker centre and the provision of ground floor bulky goods stores in a mixed use residential development. The bulky goods options were benchmarked against predominantly commercial and residential options.

The homemaker centre tested comprised approximately 19,200sqm (GFA) constructed over 3 levels. This recognised that a destination homemaker centre is typically a minimum of 15,000sqm to 20,000sqm to be sustainable. By comparison, the mixed use (bulky goods and residential) alternative reduces the amount of bulky goods floorspace in order to facilitate additional car parking brought about by the construction of a residential tower above.

The proposed homemaker centre resulted in a negative IRR of -6.6%. However, the results also indicated that residential in a mixed use scenario will support the viability of ground floor bulky goods (showrooms) with an IRR of 22.2% achieved.

The modelling indicates bulky goods and commercial floorspace would otherwise prove unviable if developed alone.

21.6 Impact of Mine Subsidence

As discussed in Section 20.2 of this Economic Assessment, mine subsidence poses a risk for developers as the extent of underground mining in Newcastle City Centre varies and is not fully understood until a site has been investigated by geotechnical engineers. This means that there is an unknown development cost which may have a significant impact on the viability of development. This is considered a notable development risk.

Based on consultation with active participants in the Newcastle property industry (i.e. land owners, developers, engineers), Hill PDA has estimated an average cost of \$750/sqm of site area, as an approximate assumption for mine subsidence mitigation works, reflective of all sites within the City Centre. Given the scope of works can vary across the City Centre, Hill PDA examined the sensitivity of redevelopment in the City Centre subject to varying degrees of mitigation including:

- Base Case: \$750/sqm of site area;
- No Cost: Nil cost / works on mine subsidence site works;
- Low Cost: \$500/sqm of site area; and
- High Cost: \$1,000/sqm of site area.

To determine the impact of mine subsidence, the above costs were considered in light of redeveloping sites in the City Centre and the impact the variations in costs would have on the performance criteria of each site. Note that a sensitivity analysis was not undertaken for the sites in the West End due to land in the West End being less affected by mine subsidence / underground mining than land in the City Centre and East End.

The sensitivity analysis showed that mine subsidence can have a significant impact on development indicators. The sensitivity results show a variance in IRR of 1.84% to 6.27% between No Cost and High Cost sensitivities. While development is not economically viable for all options at this time, the effect on IRR does indicate that these costs can significantly impact upon the viability of development.

Mine subsidence can represent a significant cost item (millions of dollars). However, mine subsidence should be considered in conjunction with other key factors, including other construction cost items (e.g. basement car parking) and the depressed condition of the property market (end sales values), when assessing viability.

Notwithstanding this, developers consider that this cost represents a substantial development risk, as the extent of works required and the subsequent costs are not known until the site has been fully investigated and development approved (including description of works required) by the NSW Mine Subsidence Board.

Additional concerns from developers is that they are uncertain of the process required to gain development approval from the Mine Subsidence Board. Furthermore, there is no set time period for a determination to be made, with no right to appeal the decisions made by the Mine Subsidence Board.

Another consideration is the impact on development timeframe. Site mitigation works can usually be completed in 3 to 4 months, which can be planned for. However delays can occur when waiting for approval which can affect a project due to increased holding costs.

21.7 Conclusions

The results of the feasibility testing for commercial, residential and other development options within the City Centre vary significantly. Key factors affecting viability include the nature of the existing improvements (i.e. nominal versus buildings still offering significant utility), current market conditions and construction costs.

The current property market does not support commercial office tower development to the extent proposed under existing planning controls. This is the present case for many city centres across NSW. However it is important to consider that increasing occupied employment generating floorspace in the City Centre and the provision of new and additional jobs in the City Centre is a long term planning objective.

Given the current depressed state of the market (particularly for commercial) and the cyclical nature of the property market, development that is not viable in the current market may well become viable in the future. Furthermore, it is not a desirable outcome for all available development sites to be developed simultaneously, as this could lead to oversupply of new floorspace that has further implications.

Given the size of key development sites in the West End, the amount of floorspace that may be delivered on a single site under existing controls is significant. The West End commercial redevelopment options considered in this Assessment had the potential to deliver between 30,000sqm (GFA) and 85,000sqm (GFA) on a single site. Given the current state of the market, and historical take up rates of commercial floorspace in Newcastle, this equates to the provision of 8 to 20 years' worth of demand on a single site.

As a result, it is very unlikely a commercial building of this scale will be developed in the City Centre given the requirement to gain substantial pre-commitments for commercial prior to development.

That said, the possibility of 'carving up' these large sites into smaller, staged and more achievable development parcels should be investigated. A reduction in existing FSR controls should also be considered. The high FSRs nominated for the West End, are likely to be creating false hope to land owners that much larger buildings than the market can absorb, are possible. Some owners are likely to be holding their sites (land banking) until such time as they perceive

the market to improve. However, it is unlikely that the market will improve to a point where commercial buildings of the scale tested in this Economic Assessment will be appropriate without a key government or institutional tenant secured.

By contrast residential unit buildings were shown to be more economically viable than commercial office towers, largely due to prevailing market conditions and the superior margins (difference between costs and revenues) for residential.

The viability of residential development further improved when unit sizes were reduced. Whilst larger residential units have been the trend of recent years due to a strong retiree market and a general residential market boom, a downtown in economic conditions and an influx of new residential units to the market (thanks to the development of Honeysuckle and other key residential sites), has largely exhausted the large unit market in Newcastle.

Recent residential developments in the City Centre have moved away from the provision of predominately 2 and 3 bedroom apartments, to providing more studio and 1 bedroom apartments. This is also meeting a need for more affordable residential options.

Whilst residential remains the most viable land use, the ability of the City Centre to accommodate retail and commercial floorspace needs to be preserved. As a result, this Assessment also examined the viability of providing a vertical mix of land uses. This included consideration of the provision of ground floor retail with a few levels of commercial and numerous levels of residential units above, as well as options which considered bulky goods and showroom space with residential above. The results indicated that residential units could viably offset the low rents and high costs of lower order land uses.

In terms of costs, car parking and particularly basement car parking is often considered one of the key development costs which often renders development options unviable. The more basement levels of car parking the higher the cost per car space. As a result, alternative car parking solutions for the City Centre should be considered. Feasibility modelling within this Assessment indicated that adopting a reduced car parking allowance and/or providing above ground multi-level parking structures within the building footprint are alternatives which improved the viability of redevelopment in most cases.

An additional cost particular to Newcastle City Centre is site mitigation works due to underground mining. Hill PDA's sensitivity analysis shows that mine subsidence can have a significant impact on development viability. The impact of mine subsidence is not only mitigation costs, but also the length of time taken for investigation, which can further draw out the project whilst the land owners continue to incur holding costs.

Part F: Initiatives to Meet Growth



REVITALISATION IN PROGRESS

Watch this space... an exciting new development for Hunter Street



Demolition of dilapidated structures was completed in March 2011. The demolition prepares the way for a new lease of life on the site.

The site is zoned mixed-use and is the subject of an Expression of Interest campaign for a new communication centre.

Further information will be shared with the community as it comes to hand.

The NSW Government purchased this site, home of the former Empire Hotel, in September 2010 as part of a wider revitalisation plan for the Newcastle CBD.

For more information, visit hunterdevelopmentcorporation.com.au/sites/newcastle-cbd or contact HDC on 02 4904 2750.

 **Land & Property Management Authority**
Hunter Development Corporation

Part F of the Assessment examines best practice approaches to instigating investment and urban renewal in other cities. Further to this, Part F builds upon the data, drivers, constraints and capacity knowledge gained as a result of previous Stages to inform changes to existing planning and policy frameworks to meet future growth forecasts. Lastly this part suggests an economic development framework appropriate for the City Centre and identifies a range of macro and micro economic strategies which could be implemented to support this growth.



22. BEST PRACTICE APPROACHES

Retail strips, commercial corridors and major shopping centres can serve as a “front door” to communities. However, the advent of large superstores and shopping malls and the preference for car-based shopping have undermined the viability of centres in many areas. The revitalisation of centres is therefore crucial to fostering sustainability, social inclusion and urban regeneration.

There is no simple answer as to how an area can be regenerated, but successful initiatives have some factors in common:

- Attention to the retail marketplace: clear attention to what is possible within the framework of the local or sub-regional marketplace and available catchment area, overlaid with strong aspirations to business success and profitability;
- Leadership: clear leadership in the regeneration initiative;
- Involving residents: respect for local residents needs and aspirations;
- Local vision: a strong, positive vision for local quality of life, with the retail strategy embedded in the local regeneration or neighbourhood strategy;
- Organisational innovation: partnerships with strong private sector participation or with experienced community development organisations;
- Use of investment: use of public and social investment to reinforce potential achievement in the marketplace, but not to subsidise marginal schemes; and
- Recreational and community facilities: promotion of the locality as a high quality destination, and thus footfall, through environmental enhancements and community facilities.

Where projects have been less successful, they have:

- Short-term aspirations: that dominate development planning;
- A lack of vision and strategy: and thereby pursue partnership without achieving a clear vision and consensus on future aspirations, and thus a clear, agreed strategy; and
- Failed to work towards sustainability: ignoring the need to achieve economic, social and environmental objectives simultaneously, which defines the term sustainable development.

If small wins are achieved, people are likely to see this as a strong sign that the whole centre is improving. This signal then impacts the location choices of potential residents and businesses and ultimately the overall composition of the centre. However a long term strategic vision is also required, given not all actions and not all projects will be implemented in the short term.

There are various examples across NSW, broader Australia and internationally where urban renewal policies, revitalisation strategies and catalyst projects have been initiated to combat issues such as the degradation of cities and town centres. Examples include Brisbane City (QLD), Fremantle (WA), Geelong (VIC), and the Gold Coast (QLD).

Appendix 8 reviews various approaches to meet growth and instigate revitalisation and investment in a City Centre context. The selection of comparative cities has been based on a range of factors including their comparability with

Newcastle in terms of locational attributes, role and function, provision of particular land uses, and/or their experiences with similar economic challenges. For example, recent challenges facing Fremantle (WA) which has been examined as a case study include:

- Declining retail market – poor quality and amenity, declining retail floorspace (back to levels of 20 years ago), threat of Myer vacating and leaving; and a restricted catchment – all of which contributed to Fremantle being downgraded in the retail hierarchy;
- High level of commercial and retail vacancies;
- Restrictive planning framework;
- Strong performance of surrounding regional centres (e.g. Joondalup);
- Lack of commercial floorspace options and poor number of workers in the CBD;
- Poor integration between the waterfront, port activity and city centre (general consensus is that Fremantle turns its back on the water);
- Lack of general investment activity, new business interest and development; and
- Minimal residents living in the City Centre (currently 850 people live in Fremantle City Centre).

To meet the above challenges the City of Fremantle has recently:

- Considered modifications to height and building controls along the waterfront, on key strategic sites, near the railway line and at gateway's into the City;
- Implemented bonus floorspace and height schemes based on urban design and architecture merit;
- Created Business Improvement Districts where the majority of business owners have voted to positively invest collectively in local improvements to their trading environments (over and above Council services); and
- Created the Fremantle Union, a significant partnership between four government agencies with planning responsibilities within and adjacent to Fremantle City Centre. The Union will provide an efficient, non-bureaucratic vehicle for facilitating the delivery of aspects of the City's economic development strategies.

Much of the successes attributed to particular initiatives mentioned across the selected case studies have considered a mix of measures including the likes of:

- Adopting planning scheme amendments to promote development and increase densities in city centres;
- Establishing a local government Place Manager responsible for ensuring strategies for the City Centre are implemented whilst being the liaison between government departments, the community and local businesses;
- Fast-tracking the development of sites that are government owned or controlled;
- Facilitating the creation of an alliance that can guide and promote public and private development;
- Improve retail management and coordination;

- Conceptualise a mix of short term “low hanging fruit” projects versus the development of long term strategic goals and initiatives;
- Assign measurable and accountable actions;
- Ensure strategies and actions follow through to a range of broader State and local government policies; and
- Formulation of development bodies and partnerships across differing levels of government, government agencies and with the private sector to aid local councils with a range of additional skills and experience.

Outside of Australia there are further examples of regeneration projects and initiatives that have successfully delivered renewal of urban areas. Whilst the UK is currently undergoing a major shift in politics with a move from central government decisions to a more localised approach, some of the lessons learnt from the successful urban renewal projects remain relevant, albeit the structure and responsibilities for delivery is changing.

A significant UK initiative is the formulation of Urban Regeneration Companies (URCs). In their simplest form URC's are private companies that focus on the radical physical transformation of areas identified as being some of the most deprived or challenged. This occurs through masterplanning and importantly co-ordinating financial assistance that was available to support development from both the public and private sector. Following changes to the UK Government, a number of URCs have transitioned to be City Development Companies (CDCs) or Economic Development Companies (EDCs). These are run by Local Councils and the Homes & Communities Agency. The role of UK Government is to provide support and assistance to the URCs, EDCs and CDCs by:

- Helping to deliver their strategic priorities by participating in joint venture agreements, making acquisitions for development schemes, acting as a catalyst for regeneration projects and encouraging private-sector investment;
- Helping to establish CDCs/EDCs providing support for master planning, running costs and research to help identify and deliver strategic priorities; and
- Providing best practice support and guidance, the organisation of training, workshops and conferences, disseminating information on the National Archive website and undertaking specific items of research.

Further detail on the role of the URCs, EDCs and CDCs is provided in Appendix 8.

In 2011, the UK Government also established 21 Enterprise Zones (EZs). Defined as areas between 50ha to 150ha, the EZs are intended to help remove the barriers that can obstruct sustainable, private sector-led, growth. The core elements of an EZ are simplified planning and business rate discounts. They are also intended to encourage and develop innovative ways to address specific local economic challenges including:

- Providing strong positive financial incentives for local authorities and communities to support and encourage local housing and business growth;
- Supporting local enterprise partnerships to establish collaboration between public and private sector and between different authorities so economic decisions are more business-led to have the maximum impact on growth;
- Substantial planning reform to ensure planning policy supports growth, and wider reductions in regulations to make it easier to get things done and to drive local enterprise;
- Greater financial flexibility locally so that there is greater scope to support local economic growth through new instruments such as Tax Increment Financing; and

- Providing direct support through the Regional Growth Fund to give further help to areas where there are particular challenges or opportunities for local growth.

Whilst the EZs are still at an early stage the desired outcomes are:

- Opportunity – focusing areas of genuine economic opportunity, to maximise the positive effect that they have on the wider area.
- Long-term viability – involving business and local communities through local enterprise partnerships in the long-term success of the area beyond the initial period of Government business rate subsidy. The uplift in business rates receipts as a result of the introduction of the Enterprise Zone will be used by the local enterprise partnership for key economic priorities, related to the zone itself or elsewhere within the local enterprise partnership's boundaries.
- Strategic fit – local enterprise partnerships will have a key role in developing and implementing Enterprise Zones. Government intends to offer a menu of options to Enterprise Zones to suit local economic needs, rather than a uniform central model.
- Minimising displacement – Competition is considered to be healthy and should lead to an improved environment for business. Competition to attract foreign inward investment will be most highly valued of all.

EZs recognise the benefit of single land ownership to help instigate change and in this regard allow central Government to transfer assets to the local authorities at market price.

23. PLANNING PRINCIPLES AND CONSIDERATIONS

The purpose of this Economic Assessment is to provide clear directions for the future planning and development of Newcastle City Centre from an economic perspective. In order to inform the preparation of strategies and guidelines, the following section outlines some principles and considerations to guide and support future decision making for Newcastle City Centre.

23.1 Principle Objectives

The following section provides recommendations concerning planning principles that may be applied across Newcastle City Centre to facilitate consistency and certainty in the planning system. These recommendations have been made with careful regard to current planning policy, as well as the objectives of the Newcastle Employment Lands Strategy (2010) and the Urban Renewal SEPP. The principles seek to ensure that:

1. The strengths of Newcastle's hierarchy of centres are recognised and reinforced;
2. Newcastle City Centre is vibrant, viable and attractive destination for businesses, residents and visitors and minimises the need to travel to outlying centres;
3. Newcastle City Centre's employment lands provide accessible and suitable employment opportunities as well as a mix of retail and service facilities for its community; and
4. Newcastle City Centre's retail and employment lands are attractive locations for local, national and international businesses to invest in, both today, and in the future.

23.2 Guiding Principles

A number of planning principles are recommended for consideration when strategically planning for, or assessing development proposals associated with Newcastle City Centre. These are summarised below.

1. Discourage Fringe / Out of Centre Retail and Commercial Development

New retail and commercial development (particularly major developments) should be discouraged in City fringe or out of centre locations as they could potentially further weaken the role and function of Newcastle City Centre. Proposals for development or the expansion of activities remote from existing centres should be discouraged by giving preference to central locations and creating clusters of activity at desired locations.

2. Opportunity to Expand to Accommodate Future Needs

There is a need to ensure that there is adequate zoned land available within Newcastle City Centre so that the City Centre can remain economically sustainable and accommodate anticipated growth. This allows flexibility for the City Centre to grow and develop over time, having regard to changes in population and lifestyle characteristics, and trends in employment, retail and community service provision. Sites suitable for large scale retail and commercial development should also be proactively identified and monitored.

3. Economically Viable Centres, Enhanced Choice and Competition

It is recognised that Newcastle City Centre supports a diversity of retail, commercial and residential uses which meet the needs of local catchments. It is important to encourage development that will provide increased consumer choice such as department stores, discount department stores, supermarkets and commercial. Newcastle City Centre also requires strong and diverse services in order to minimise levels of escape expenditure to competing centres.

Successful centres provide a diversity of cultural, community and educational services together with business and retail activities that appeal to a range of customers including the “time poor” worker. In addition, there is the need to ensure sufficient flexibility exists to accommodate emerging trends in retailing and other uses, where they result in an improved outcome for the City Centre.

4. A Busy, Vibrant City Centre

The opportunity should be provided for Newcastle City Centre to develop its own character and identity, which reflects the needs and aspirations of the community and local demographic. This identity can positively influence the branding and marketing of the City Centre, assist in attracting new investment, and in developing notions of “community” and “sense of place”. A vision for the character and identity of a centre should be developed by working closely with stakeholders, local businesses and community groups.

5. Integrity and Viability of the City Centre

The integrity and viability of the City Centre should be protected and enhanced by working with applicants to conceptualise and implement appropriate development proposals. Improvements should be encouraged through the implementation of programs (such as main street programs, place making, festivals and events) that enhance their convenience, retail offer, accessibility, visual character and vitality.

6. Investment, Employment and Business Growth

As the City of Newcastle experiences population growth, so too will it demand additional jobs and services. To support this need, it will be necessary to attract and facilitate additional investment. It will also be necessary to enable the growth and expansion of existing businesses through the provision of suitable land use zones and development controls.

Facilitating the development of new businesses and the expansion of existing businesses will be vital in ensuring the long term viability of the City Centre. Where appropriate the undertaking of targeted investment attraction strategies should also be considered, to ensure that the best outcome for the City Centre can be achieved.

7. Transport, Access and Connectivity

Maximise the accessibility and convenience of public transport services to and within the City Centre, and plan for transport infrastructure and management that prioritises pedestrian movement and public transport access reducing the use of private vehicles and road related congestion.

Improve connectivity and way finding between key City Centre Precincts and attractions (e.g. Honeysuckle to Hunter Street and the beach to Hunter Mall) and encourage pedestrian activities and movement throughout the City Centre.

8. Housing Mix and Affordability

Delivering more residential development in Newcastle City Centre will increase its vibrancy and viability through increased day and night activity, as more people live within their respective catchment. This Assessment strongly supports the provision of medium and high density housing within Newcastle City Centre as well as consideration of student and seniors housing.

9. Supermarket Based Retail

Support the extension or development of supermarkets on appropriate sites to provide a range of convenient retail options, enhanced competition and support the economic viability of the City Centre. Due consideration should be given in the assessment of the suitability (with respect to scale and range of goods / services) of the potential impact of more significant retailers or potential anchor stores to other centres in the locality.

Ensure that development applications for retail facilities with the potential for adverse economic impacts are submitted with appropriate economic impact assessments for review by Council and other relevant planning authorities.

10. Bulky Goods Retail

Recognise the regional demand for bulky goods retailing. The development of bulky goods should be primarily located within or surrounding the City Centre to help ensure the centres vitality and viability as well as the creation of sustainable form of development that will not “crowd out” industrial users from industrial land.

New bulky goods development (or the expansion of existing premises) that is not located within the City Centre or other retail centre must be supported by an economic impact assessment and sequential test analysis that looks at the impact on a local and regional basis with the intention of protecting the existing centre hierarchy.

11. Retain Land Appropriate for Employment Generating Uses

Newcastle City Centre needs to retain a commercial core and a range of employment generating lands to meet the varying needs of the City and the Lower Hunter Region. Encourage a clustering of employment generating uses so that they can share resources and services and attract new businesses to Newcastle. Investigate existing clusters of industry in Newcastle further and build on this by actively promoting their presence and the merits of agglomeration.

Consider economic development initiatives, investment attraction strategies and active marketing of Newcastle City Centre’s commercial core to attract businesses to the City that will generate employment and support the regional economy. Ensure a range of retail goods, wine bar, restaurant facilities and cafes are provided within Newcastle City Centre to enhance its appeal as a place to visit and work.

Preserve employment zoned land within the City Centre that can accommodate relatively large floor plates that are well serviced or connected to main road networks and rail. Prioritise Newcastle City Centre as the primary location for commercial office, entertainment and community floorspace that serves not only the City of Newcastle, but the wider Lower Hunter Region.

23.3 Consideration of Feasibility in Long Term Planning

There are a number of constraints to development within Newcastle City Centre that will impact upon its ability to achieve key planning and policy objectives. Analysis within this Assessment has found that at present the key constraint to development is the underlying economic and more specifically property market conditions.

As discussed in Chapter 21, whilst viable development is encouraged, it is not considered either necessary or desirable for all development to be viable at any one point in the current market. Given the current depressed state of the market, particularly for commercial office, and the cyclical and dynamic nature of property, development that is not viable now may well become viable in the future. Furthermore, if all sites were feasible in the current market an oversupply of new development may result, leading to increased vacancies and therefore downward pressure on rent and capital values.

What is important for future opportunities however is that development potential, particularly for the provision of employment land uses in the City Centre, is safe guarded.

Furthermore, whilst mixed use development is often encouraged as a revitalisation strategy, it can have a detrimental impact to the realisation of particular forms of development. If located in a fringe location, the retail and/or commercial component may effectively act as a “cost” to an otherwise viable residential development, whereby the space remains vacant but is subject to holdings costs (e.g. Land Tax, Council Rates and interest). This has occurred in locations such as parts of Alexandria in Sydney, where there isn’t sufficient passing trade (either pedestrian or vehicular) to render this active ground floor uses viable and has effectively left dead spaces.

24. STRATEGIES AND INITIATIVES FOR RENEWAL

There are a range of strategies, recommendations and additional mechanisms that could be used to attract further investment to Newcastle City Centre. In this Chapter a range of fiscal, social, planning and other initiatives are considered. These have been derived from the analysis undertaken through the process of this Assessment and Hill PDA's experience with similar centre studies and masterplans.

24.1 Changes to Floorspace and Job Targets

The Lower Hunter Regional Strategy (2006) identifies a job growth target of 66,000 new jobs for the Lower Hunter Region by 2031. The Regional Strategy does not provide a job growth target by LGA but rather breaks down this target for the Region's strategic centres (60% or 39,600 jobs), employment lands (25% or 16,500 jobs) and dispersed areas (15% or 9,500 jobs).

The broader Lower Hunter job targets translate into an additional 22,500 jobs for the City of Newcastle, representing over 34% of all targeted job growth in the Lower Hunter Region and 33% of all job growth within strategic centres. As the Newcastle Employment Lands Strategy (2010) noted, this can be broken down as +5,625 jobs relating to Newcastle's employment lands, +3,375 jobs dispersed across the City of Newcastle and +13,100 jobs within Newcastle's Strategic centres as follows:

- Newcastle City Centre - 10,000 jobs;
- John Hunter Hospital - 300 jobs;
- Newcastle University – 1,600 jobs; and
- Kotara – 1,200 jobs.

Based on BTS employment forecasts, it is anticipated that by 2031, Newcastle City Centre will account for 29,836 jobs, an increase of 10,240 jobs since 2006. The BTS acknowledges that they adjusted their forecasts to meet job targets under the Regional Strategy on the assumption that the market would respond to planning incentives and/or other mechanisms that are in place for Newcastle City Centre.

Notwithstanding this, it is important to note that employment targets and forecasts can differ substantially from the actual realisation of jobs. Accordingly forecasts should be equally regarded as targets and not considered a likely outcome without the realisation that conditions must be appropriate to achieve that growth. For example, development within Newcastle City Centre will need to be attractive, viable and realistic if the 10,000 additional jobs are to be achieved.

The Regional Strategy also does not clearly define the boundary of the City Centre. Whilst the Regional Strategy nominates 4,000 additional dwellings in Newcastle City Centre to 2031, the BTS forecast of occupied dwellings in the study area as defined in this Economic Assessment (four travel zones being TZ3208 to TZ3211) is far more modest with an increase of just 424 dwellings from 2006 to 2031.

By contrast the BTS forecasts considerably more growth in the surrounding suburbs of Cooks Hill, Merewether, Bar Beach, Hamilton and Mayfield. These suburbs, which make up the balance of the Newcastle Inner City SLA, are forecast to provide an additional 5,450 dwellings from 2006 to 2031.

As a result, it is anticipated that there is considerably stronger potential to achieve higher dwelling numbers for the study area than the 424 additional dwellings as forecast by BTS, and the capacity to capture a higher share of the additional 4,000 dwellings projected under the Regional Strategy. As a result Hill PDA forecast further retail and employment floorspace based on three scenarios of dwelling growth being:

- Low forecast of 424 additional dwellings (23% increase from 2006);
- Medium forecast of 1,200 additional dwellings (66% increase from 2006); and
- High forecast of 2,100 additional dwellings (116% increase from 2006).

The low forecast equates to the BTS forecast of additional dwellings in the travel zones that make up the study area. Hill PDA considers the medium forecast to be a more likely scenario representing 30% of the 4,000 additional dwellings forecast for Newcastle City Centre under the Regional Strategy. The high forecast of 2,100 dwellings is a higher but nevertheless achievable forecast providing for 53% of the 4,000 additional dwellings under the regional strategy.

It should be noted however, that the Hunter Development Corporation's Honeysuckle Masterplan (2004) plans for almost 110,000sqm (GFA) of new residential floorspace in the Cottage Creek Precinct. Depending on dwelling mix, this may equate to up to 1,500 new dwellings within the City Centre which could meet up to 40% of the City Centre's dwelling target under the Regional Strategy.

These additional dwellings would not only influence residential development options for the City Centre, but the growth in residents living within the City Centre itself will impact on the demand for services (particularly for retail floorspace) and is likely to drive employment growth. It would also impact positively on other aspects of the City Centre including demand for restaurants, café's, tourism, recreation and entertainment options.

The following table provides a summary of existing floorspace and projected floorspace demand in Newcastle City Centre from 2011 to 2031 based on a low, medium and high forecast of new residential dwellings.

Table 36 - Floorspace Demand in Newcastle City Centre to 2031(GFA sqm)

Type of Floorspace	2011	Low* Forecast 2031	Change 2011 to 2031	Mid** Forecast 2031	Change 2011 to 2031	High*** Forecast 2031	Change 2011 to 2031
Total Occupied Retail Space	108,000	160,000	52,000	165,000	57,000	170,000	62,000
Commercial Shopfront	14,000	19,500	5,500	20,000	6,000	20,500	6,500
Vacant Shopfront Space	36,000	12,000	-24,000	12,000	-24,000	12,000	-24,000
Total Shopfront Space	158,000	191,500	33,500	197,000	39,000	202,500	44,500
Industrial	47,000	42,000	-5,000	40,000	-7,000	38,000	-9,000
Occupied Commercial	259,000	354,000	95,000	417,000	158,000	480,000	221,000
Vacant Commercial	44,000	34,000	-10,000	37,000	-7,000	42,000	-2,000
Automotive Businesses	26,000	26,000	-	26,000	-	26,000	-
Entertainment & Recreation	38,000	49,000	11,000	57,000	19,000	65,000	27,000
Hotels	87,000	111,000	24,000	127,000	40,000	143,000	56,000
Community Uses	26,000	34,000	8,000	40,000	14,000	46,000	20,000
Other	13,000	13,000	-	13,000	-	13,000	-
Total Non- Residential Floorspace	698,000	854,500	156,500	954,000	256,000	1,055,500	357,500
Residential Floorspace #	202,000	237,500	35,500	329,200	127,200	424,600	222,600
Total Floorspace	900,000	1,092,000	192,000	1,283,200	383,200	1,480,100	580,100

* Low forecast allows a further 335 dwellings from 2011 to 2031 (as per the BTS forecast) and growth in commercial office space is 40% below the required level to meet BTS employment forecast

** Mid forecast assumes a further 1,200 dwellings and growth in commercial office space is just sufficient to meet BTS employment forecast.

*** High forecast assumes a further 2,100 dwellings and growth in commercial office space is 40% higher than required to meet BTS employment forecast.

Residential GFA is calculated at 106sqm (assumed) per dwelling unit.

Notes: The retail floorspace of 160,000sqm in 2031 for the low forecast sits between Hill PDA's expenditure modelling (which suggests 172,000sqm) and the BTS forecast (which suggests around 150,000sqm). The increase in other non-residential floorspace is based on BTS worker projections. The table allows for some reduction in vacant floor areas which can be either taken up by demand or be redeveloped into new buildings. Hence a 287,000sqm increase in occupied employment space but only 256,000sqm net increase in total non-residential space. The vacancies in 2031 are assumed at 6% of total shop front space and 8% of total office space in line with industry benchmarks.

Whilst there is expected to be some expansion in job numbers in the “blue collar” industries (particularly in construction but also in manufacturing and wholesale trade), the new jobs themselves are likely to be more “white collar” jobs generated in the knowledge industry. Given the nature of Newcastle City Centre it is not envisaged that there will be further growth in the demand for floorspace related to industrial uses. If anything there may be some loss in industrial and warehouse floorspace to accommodate future expansion in commercial and residential space.

Based on the varying scenarios of residential growth and employment floorspace, the following job forecast is provided based on assumed worker ratios per square metre.

Table 37 - Forecast Jobs in Newcastle City Centre to 2031(sqm)

Type of Floorspace	Worker Ratio (per sqm)*	2011	Low Forecast 2031	Change 2011 to 2031	Mid Forecast 2031	Change 2011 to 2031	High Forecast 2031	Change 2011 to 2031
Total Occupied Retail Space	38	2,842	4,211	1,368	4,342	1,500	4,474	1,632
Commercial Shopfront	24	596	830	234	851	255	872	277
Total Shopfront Space		3,438	5,041	1,602	5,193	1,755	5,346	1,909
Industrial	60	783	700	-83	667	-117	633	-150
Occupied Commercial	24	11,021	15,064	4,043	17,745	6,723	20,426	9,404
Automotive Businesses	45	578	578	0	578	0	578	0
Entertainment & Recreation	35	1,086	1,400	314	1,629	543	1,857	771
Hotels	60	1,450	1,850	400	2,117	667	2,383	933
Community Uses	30	867	1,133	267	1,333	467	1,533	667
Other	24	553	553	0	553	0	553	0
Total Jobs		19,776	26,319	6,543	29,815	10,038	33,309	13,534

Source: Hill PDA estimate from land use survey and JTW data and utilising data from various sources including Selected Industrial Development Parameters for Dandenong (Tim Nott), Newcastle Industrial lands Employment Study and SGS. Please note that employment density numbers may differ from Table 23 above. The category types in Table 23 are ANZIC industry codes whereas this table forecasts jobs by land use / urban form.

In approximate numbers the medium forecast will provide for a further 10,000 jobs over current levels. The low forecast provides for around 6,500 more jobs and the high forecast provides for 13,500 more jobs.

24.2 Encouraging and Attracting New Industries in the City Centre

Despite a long term decline in manufacturing and agriculture, there are various new and innovative technologies and products which are supplementing these industries. Examples include nanotechnology, biotechnology, and clean technology (current areas of significant investment include solar energy, wind management and optimisation, energy efficiency and energy storage).

Of relevance to this Assessment, the University of Newcastle also has a strong research mandate being ranked in the top 10 universities in Australia for research⁶⁷. To continue to attract and support world leading researchers, in 2010 the University launched two of its largest infrastructure projects being the Hunter Medical Research Institute Clinical Research Building located on the Rankin Campus of Hunter New England Health, and the Newcastle Institute of Energy and Resources. The University has strong links with local health bodies and the community through the Hunter Medical Research Institute, the only medical research institute in regional Australia. Newcastle Innovation, the commercial arm of the University of Newcastle, was also established in 1969 to enable businesses to benefit from research in areas such as health, biotechnology, mining and minerals processing conducted by researchers at the University.

⁶⁷ Source: Hunter Investment Prospectus 2011, RDA Hunter

In order to encourage and support many new industries many are being clustered. Successful clustering can occur via research and development functions, and in many cases there is often some scope for research facilities with affiliations with universities to occur, especially in the areas of agricultural sciences. Examples include: Coffs Harbour Technology Park which aims to help underpin emerging e-commerce opportunities in the Mid-North Coast Region; Ballarat Technology Park located adjacent to the University of Ballarat and which is designed to support the development of both emerging and existing technology-oriented enterprises; and Wollongong Innovation Campus which aims to provide an environment for commercial and research entities to co-locate with University of Wollongong teams and establish successful productive partnerships.

There are various other opportunities which have been identified for diversifying the economic base of Newcastle and the Hunter Region⁶⁸ including sustainability (solar, wind and alternative power and energy technology), education and training (the University of Newcastle and Hunter TAFE work closely with the business community to develop customised courses to satisfy specific workplace needs), eco-industry and lean manufacturing, and freight and logistics. However, in many cases these new industries require land within industrial precincts due to the nature and scale of their operations.

It is possible for Newcastle City Centre to attract various new and expanded industries which are appropriate for commercial office accommodation and which would promote local job growth and economic sustainability, and much can be learned from case studies such as Ballarat Technology Park and Innovation Campus in Wollongong. In many cases the success of these developments has been in the promotion of a particular theme, as opposed to the provision of conventional commercial accommodation, which can be found in traditional town centres. This has led to not only clusters of like industry, but the co-location of businesses which benefit from each other through the supply chain or through collaboration in managing environmental and resource issues.

Whilst clustering and agglomeration supports the ongoing sustainability of the likes of technology parks, logistic hubs and manufacturing clusters, driving the momentum for new clusters is also innovative leadership between government and the private sector. Furthermore, whilst the likes of Ballarat Technology Park and Innovation Campus Wollongong were established in connection with universities and with the assistance of government funding, in many cases their success was also largely in securing an ‘anchor’ tenant which became the catalyst for further investment and tenant attraction.

Ballarat Technology Park secured its first tenant IBM in 1995, whose prime reason for relocation was the availability of skilled labour (as a product of being located adjacent to the University). Today IBM has over 800 workers on site and are investigating further expansion. Likewise Wollongong’s Innovation Campus opened in 2008 with the Australian Institute for Innovative Materials and the Institute for Transnational & Maritime Security which was a catalyst for further tenants such as the Sydney Business School and Digital Media Centre.

As noted previously, in many cases these clusters have not traditionally been located in city centres, primarily because the other industries or institutions to which they are associated have been located out of centres or on the fringe. The challenge with Newcastle is encouraging new industries and businesses to locate within the City Centre itself.

⁶⁸ Source: This has been informed by priorities of RDA Hunter, developers of land for new and emerging industries in comparable locations, and a review of various government and research reports.

This is where proposed plans by the University of Newcastle to extend their campus into the City Centre would be a significant catalyst for change and is likely to instigate numerous synergy industries and businesses to consider locating in the City Centre.

Furthermore, for those that require purpose built accommodation, locations like the West End should be encouraged, given the availability of large sites ripe for redevelopment and which provide flexibility in terms of lot size and built form. In the short term, the West End also provides the opportunity for new businesses, micro industries and start-ups to adaptively reuse existing redundant buildings which would otherwise remain vacant.

That said, it should be noted that the provision of suitable land alone will not drive demand for new industry. Investment attraction strategies and an aggressive marketing approach will be required to encourage new businesses to relocate or existing businesses to expand. Furthermore, strong partnerships between landowner and all levels of government will be essential in promoting the benefits of Newcastle City Centre not only for business but for potential workers (i.e. lifestyle benefits). The identification and attraction of new industry to a particular location is also the result of long term planning.

Newcastle City Council should work together with government agencies like RDA Hunter and the NSW Department of Trade & Investment which both have policies supporting the protection and provision of future employment land to meet a wide range of businesses – including new and emerging industry. By way of example, the NSW Department of Trade & Investment's Regional Business Development Scheme offers financial and other assistance to businesses expanding in, or relocating to, regional NSW. In doing so, the Department helps potential investors identify and develop commercial opportunities, assists businesses wanting to relocate to regional areas, assists regional firms to expand and find new markets, and helps firms to diversify and add value to products.

24.3 Encouraging New Retail Businesses in the City Centre

Whilst it is recognised within this Assessment that a desirable outcome for Newcastle City Centre is additional retail uses, given the length of Hunter Street it is unlikely and unrealistic to expect all ground floor shopfronts to be occupied by retail tenancies. As a result, there are various options available to Newcastle City Centre for the encouragement of new retail businesses. These options are discussed below.

1. Small Activity Hubs along Hunter Street

Hunter Street should be re-established as the key retail and commercial spine of the City Centre. In doing so, encourage small clusters or hubs of retail and other uses along its length, particularly around locations which are the focus of the Department of Planning & Infrastructure's urban design and public domain initiatives. These smaller hubs would include a mix of retail and other land uses (e.g. educational, civic, cultural, tourist etc.) and should also be the location for improved linkages between Hunter Street and the waterfront.

Potential locations include Wheeler Place, Steel Street, and the Cottage Creek Precinct where activity is already occurring and therefore is reinforced and supported.

2. Improved Retail Offer in Hunter Mall

Newcastle City Centre lacks a full line supermarket, department or discount department store outside of Marketown. Typically City and Major Regional Centres with the comparable role and function of Newcastle include 1 department store, 3 to 4 discount department stores and 3 to 4 supermarkets.

Further to the closing of David Jones, Hunter Mall suffers for a range of reasons including its location near the 'peninsula' end of the City Centre which lacks passing trade (both vehicle and pedestrian), lack of sufficient parking, low visual amenity and a less than optimum public domain, and is not well connected to other surrounding precincts in the City Centre like Civic and Honeysuckle.

To abate these issues, additional retail anchors such as a full line supermarket and a national department store (Myer or David Jones) or as a minimum a discount department store (Big W, Kmart or Target) should be encouraged and prioritised. For this to occur, additional retail specialties would be required, with fashion and food options (e.g. café's and restaurants) a priority.

However, the main difficulties with this option include recent retail centre expansions at Charlestown Square, the continuing strong role and performance of Westfield Kotara, and recent announced expansions in other major centres (GPT recently announced it plans a \$200m extension to Wollongong Central in Wollongong CBD58). The impact being that there are only so many regional centres national retailers will locate in and/or prioritise during a certain timeframe and over a certain geographic area.

Many national retailers have recently invested in the expansion of Charlestown (including David Jones), and are likely to do the same with Wollongong Central. This may delay their appetite for expansion into Newcastle City Centre without any assurances that the local dynamics will improve or without certain incentives to do so. The recent expansion of Marketown to include additional supermarket and discount department store anchors may also prevent some retailers from considering other locations in the City Centre in the short term.

Notwithstanding this, the main advantage of this option is that with the closing of David Jones, there is a significant amount of vacant space to be filled with new anchors. New retail floorspace may not be required in order to facilitate a new and improved retail mix.

Furthermore, despite recent retail developments, the planning for new retailers in Hunter Mall should be planned for now as a medium and long term strategy to revitalise the East End. This strategy should also be aligned with other initiatives for the East End that consider improving connections between the Hunter Mall, the beach and surrounding precincts (way finding initiatives and improvements to public domain), as well as being aligned with broader tourism and event strategies.

Given Hunter Mall is under 800m from the beach and is in close proximity to various hotel and motel accommodation options, it should also be encouraged as the 'eat street' of the East End. Consideration should be given to extending the hours of the Mall into the evening to encourage night time activation of the street.

It should be recognised that whilst retail anchors such as a supermarket or discount department store often attract visitors and shoppers to a precinct, if the specialty mix is right, a centre can often operate viability without an anchor retailer, and in fact be the major attractor itself.

As a result, the encouragement of boutique retail which would differentiate Hunter Mall from the national retailers in Marketown Shopping Centre and other shopping centres to which Hunter Street competes (e.g. Kotara Westfield and Charlestown Square) should be considered as an economic development initiative.

3. New Supermarket Based Centre in the City Centre

This Assessment determined the need for new retailers within the City Centre. In doing so, it is acknowledged that the short to medium term priority should be the addition of a new supermarket and discount department store in the East End at Hunter Mall. However, a long term option may be the addition of a new supermarket along Hunter Street west of the Civic Precinct.

The new supermarket would service local workers and be in easy walking distance of residents in Honeysuckle (assuming connectivity between Honeysuckle and Hunter Street is improved), as well as residents and workers in surrounding mixed use zones. Should the University of Newcastle continue with their consideration of a campus or other facilities in Hunter Street adjacent to the Civic Precinct, the viability of a supermarket in this location would be further strengthened.

Whilst retail demand modelling within this Assessment indicates that there is unlikely to be demand for more than one new supermarket in the City Centre to 2031, it should be recognised that the results were based on a low capture of available supermarket spend from residents in the Secondary Trade Area (equivalent to 3% of total supermarket expenditure).

This assumption was conservative and reflective of both the lack of supply of supermarket floorspace over and above Marketown, and the strong performances of centres such as Kotara and Charlestown which are pulling retail spend away from the City Centre. Should the performance of Newcastle City Centre improve over time, this would likely increase the capture of spend from the Secondary Trade Area, increasing floorspace demand for supermarket and other retail store types.

Furthermore, whilst the preferred location for a supermarket is in Hunter Mall (to help drive revitalisation of the East End), dependent on timing, market interest and the actions of particular land owners, there is the possibility that a new supermarket could be developed in the core prior to one being developed in Hunter Mall.

In considering new supermarkets in the City Centre, it should also be acknowledged that supermarkets have diverse requirements and impacts. The entry of ALDI has changed the landscape significantly. Being a discount supermarket ALDI's have larger and thinner trade areas than the likes of Coles and Woolworths. In many cases the addition of an ALDI supermarket to a retail centre has an overall positive impact. It widens the trade area (albeit for less frequent shoppers) and increases retail spend overall due to dual shopping trips (given ALDI doesn't provide a full service line of items, shoppers may still need to shop at specialties nearby or alternative supermarkets).

4. Encourage Alternative Types of Retail

This Assessment has identified other forms of retailing that may be appropriate for the City Centre. These include:

- A brand outlet centre of around 15,000sqm or more to create a destination shopping experience (currently the nearest outlet centre is in Tuggerah almost 75km away).
- Organic foods and fresh produce or noodle markets (further discussed in Section 24.6) below.
- Bulky goods and showroom space (further discussed below).

Note bulky goods retailing and factory-outlets should not be considered as an exception to traditional retailing requiring separate concessions or provisions, but rather be included as general retail, making an important and essential contribution to a vital and viable retail community.

5. Bulky Goods Retailing

With bulky goods now making up more than 20% of all retail floorspace in NSW it is essential to recognise its position in the retail hierarchy and its impact on traditional retail centres. As recommended in the Newcastle Employment Lands Strategy (2010) all future planning of bulky goods outlets should be considered as part of the established retail hierarchy and any new location only be considered on the basis that it will support rather than detract from that hierarchy.

Bulky goods type retailing, supermarkets, discount department stores and factory outlets should be recognised as an important precursor to town centre development and consequentially be planned in the revitalisation and/or establishment of a centre.

The guiding principles for bulky goods retail should include:

- Bulky goods retailing should not be allowed in industrial zones;
- Bulky goods development should primarily be located within existing commercial centres, which helps ensure centre vitality, viability and a sustainable form of development that will not 'crowd out' industrial users from industrial land; and
- There may be special circumstances where the location of bulky goods may be considered outside town centres such as an existing large bulky goods cluster with good highway/main road frontage. Such development areas would be restricted within enterprise areas as identified by the Newcastle Employment Lands Strategy (2010) and any expansion of floorspace must be supported by the performance of an Economic Impact Assessment that looks at the regional impact and protection of the retail hierarchy.

Requirements for successful bulky goods centres or clusters include:

- Having a large and extensive trade area of 100,000 or more people;
- Being in a central position in the trade area or near the main entry point of a large trade area;
- Cheap and plentiful land to enable plentiful parking and loading and unloading facilities; and
- Being located on a major road with high visibility and accessibility.

Whilst it is recognised that significant bulky goods clusters have more recently been developed in the likes of Charlestown and Kotara, bulky goods as a land use to support the viability of Newcastle City Centre is appropriate especially given the long term planning of this study.

The location of bulky good stores is often removed from the main street because of their low level of intensity, their requirement for large car park access and their relatively low rents (and land values) compared to other retail store types. Bulky goods retailers also tend encourage shoppers from a much larger geographical area which would only benefit the City Centre as a whole. As a result, their location should not be too far from the main street to result in an out of centre development, where the existing retail centre does not benefit from the additional visitors and therefore additional spend.

In this respect it is ideal for bulky goods uses to be provided within existing centres. Owing however to the relatively large site areas that they generally require (particularly those with lower site costs) in some cases it may be appropriate for bulky goods clusters to form centres within the hierarchy in their own right.

That said due to the length of Hunter Street, the West End is considered an appropriate location for bulky goods retailing due to the availability of large sites, ample at grade car parking, good exposure, visibility and access to passing traffic. Furthermore, bulky goods in this location would provide an anchor tenant or attractor to this part of the City Centre, providing a retail offer which would not necessarily compete with the remainder of the City Centre (although it is recognised that discount department stores and some specialty retailers in the City Centre may offer similar products in some instances).

As a result, in the short to medium term the adaptive reuse of existing buildings and shopfronts in the West End for bulky goods and showroom space should be encouraged as an 'interim use' until such time as the West End redevelops for higher order commercial and other land uses. These types of retail shopfronts could be occupied by a range of bulky goods store types and show room uses and would typically be between 1,000sqm and 5,000sqm (NLA).

24.4 Increasing Residential Density on the City Centre Fringe

There are various examples where increasing density on the fringe of a centre has led to revitalisation of a centres core and contributed to the sustainability of retail uses. However the application of the Commercial Core Zone in Newcastle City Centre has resulted in the possibility of fringe commercial tower development as opposed to residential tower development. As discussed in Section 24.2, the preferred location for commercial towers should be in a centres core, with the fringe including high density residential uses.

For example in Greater Dandenong (VIC), increased residential densities were applied to the fringe of Central Dandenong (the centre's core) to instigate change as part of 'Revitalising Central Dandenong', a campaign and partnership between Local and State Government to aid one of Melbourne's largest Central Activities Areas⁶⁹. This decision resulted in residential apartment buildings of up to 5 on the fringe. Discussions with Greater Dandenong Council indicate that this has had a positive impact on Central Dandenong. The increase in residents on the fringe has increased activity, patronage and retail expenditure within the core and has allowed the core to remain a focus of retail, commercial and other employment generating land uses (e.g. education, medical etc.).

This planning mechanism has also been combined with State Government intervention to encourage further private investment and development in Central Dandenong. This includes development of an 8 level Government Services Office, funding of public domain and main street improvements (including a new public plaza), upgrade and redevelopment of Dandenong Railway Station and its environs, and the \$26m redevelopment of Dandenong Markets (fresh food, jewellery, homewares, toys and clothing) which is located adjacent to Council and opposite GPT's Dandenong Plaza shopping centre.

A change in use to higher density residential on the fringe, particularly in the East End and the length of the City Centre south of King Street (where land is currently zoned Mixed Use), will expand the number of people living within walking

⁶⁹ There are 7 metropolitan Central Activities Areas in Victoria being Melbourne CBD, Box Hill, Broadmeadows, Dandenong, Footscray, Frankston, and Ringwood. Melbourne is the metropolitan area's largest centre of activity with the greatest variety of uses and the most intense concentration of development. The additional 6 Central Activities Areas will allow Melbourne to move away from one large inner centre (focused around the Central Business District) to a number of larger centres, like mini-CBDs in the suburbs and regional centres, and will be the focus of a substantial proportion of future employment growth and public investment.

distance of the City Centre by encouraging a variety of uses including flat buildings, residential care facilities, and hotels and serviced apartments.

Furthermore, as discussed within this Assessment the presence of additional students in the City Centre would also go a long way to revitalising the City, contributing to demand for retail shops and services, as well as general activity and passive surveillance. Students help to create a stable and reliable customer base for existing businesses, drive the entertainment and leisure markets, and support the provision of local jobs – they provide a readily accessible, flexible and plentiful workforce.

Whilst the University has indicated it has no plans to provide additional student housing outside of on-campus accommodation, it is recognised there are few affordable options for students in the City Centre. Regardless of the status of the University's plans, consideration should be given to identification of an appropriate site near the City Centre's core suitable for student housing.

Opportunities should be explored for a joint venture with the University of Newcastle, private investors and/or student housing providers. Avenues for this project to become a “demonstration” project on innovative solutions to student accommodation should be explored. Transport options between the City Centre and the University's Callaghan and other campus' should be investigated if not already provided.

24.5 Honeysuckle and Cottage Creek Precincts

As discussed previously within Chapter 18 of this Assessment, consideration of the commercial component in the Cottage Creek Precinct as a dedicated and marketed business park should be considered as a long term strategy for Newcastle City Centre.

This is largely due to the existing attributes of the Precinct which are already exhibiting the characteristics of a business park, with the provision of A-grade commercial floorspace and the preference of the market (especially for larger professional firms and government tenants) to be located in campus style and large floor plate accommodation. As already recognised, the Precincts land ownership structure and its location adjacent to Hunter Street are other attributes which encourage the recognition of the Precinct as being appropriate for a business park.

It is widely recognised that challenges exist in the physical relationship between the Honeysuckle and Cottage Creek Precincts and Hunter Street. However, the location of a business park adjacent to Hunter Street should be viewed as advantageous. In many cases, due to their size and scale business parks are often developed as ‘out of centre’ developments, where appropriate sites adjacent to town centres are not available. This often results in the leakage of office space (and in some cases retail) out of traditional centres.

As a result, the masterplanning of new major centres, such as Leppington Major Centre in the South West Growth Centre of Sydney, support the development of a business park directly adjacent to proposed centres and public transport infrastructure, in order to take advantage of the positive impacts an injection of businesses and workers has on the viability of other uses within a centre's core.

Should the commercial portion of the Cottage Creek Precinct (towards the West End surrounding existing commercial buildings) be recognised and marketed as a business park, the likes of Hunter Street should be able to leverage off this strength, providing ancillary business, retail and community services (e.g. day care centres). It is likely that this would also encourage the refurbishment of existing commercial and retail tenancies along Hunter Street, and subsequently

may result in new activity and investment. Initially, this could lead to some tenants from the remainder of Newcastle to Honeysuckle as has already happened, but also provides opportunity to actively pursue new tenants to Newcastle.

In such a case that a business park is considered for Cottage Creek, its development should have regard to the following key requirements for business parks:

- Business parks should only permit businesses that require large floor plates (say more than 500sqm);
- Small businesses that are purely office related (i.e. accountants, solicitors, etc.) should not be permitted but encouraged along Hunter Street to help support its viability;
- An Economic Impact Assessment should be undertaken at the development application stage for large scale development, which needs to justify their location. It also should include an impact statement with regards to the established centre hierarchy, and its use of existing and proposed infrastructure; and
- Future developments must demonstrate a contribution to Regional economic and job growth.

However, for Hunter Street and the remainder of the City Centre to reap the benefits, new and improved connections between the Cottage Creek and Honeysuckle Precincts and Hunter Street would be required. If workers north of the railway line can easily access the remainder of Hunter Street (and vice versa), a proportion of their household expenditure would go towards the viability of other land uses in the City Centre (e.g. retail).

This improved connection would also benefit the mixed use buildings in the Honeysuckle Precinct. The Honeysuckle Precinct provides various examples of new high rise residential development which incorporates retail and active ground floor uses. However, in some cases these ground floor uses have been underperforming, evidenced by numerous vacancies. This has largely been due to a lack of passing and pedestrian trade.

However, notwithstanding improved connections, the two main clusters of existing retail activity are at Hunter Mall in the East End, and Marketown in the West End. There is a lack of provision between these two anchors that even with pedestrian access across the railway line, would encourage people to cross and visit.

24.6 Key Opportunity Sites

This Assessment considered redevelopment of key opportunity sites identified by the Department of Planning & Infrastructure. Opportunity sites are those areas of the Newcastle City Centre that, by virtue of their unique locational and site attributes, may present development opportunities that act as a catalyst for renewal. It is understood that some of these sites may be the subject of further precinct planning or examination by the Department.

Key attributes of these opportunity sites may include one or a combination of the following:

- Large allotments under single or limited ownership that can deliver appropriate commercial floor plates;
- Sites that are not impacted by key constraints, such as flooding or mine subsidence;
- Sites that are located within defined activity hubs;
- Proximity to key infrastructure, such as public transport; and
- Sites that through financial feasibility analysis indicate they are developable and can contribute to housing and employment growth in the city centre.

24.7 Application of Land Use Zones across the City Centre

Excluding a small proportion of R3 Medium Density Zone in the east, the City Centre is mostly zoned B3 Commercial Core (light blue) and B4 Mixed Use (purple) as indicated in the following map.

Figure 10 - Newcastle City Centre Zoning Map



Source: Newcastle City Centre LEP (2008)

It is recognised that a wide range of functions and facilities are needed to ensure a vibrant and viable City Centre. The best cities and centres integrate retail, commercial and residential uses both vertically (e.g. shop top housing) and horizontally (i.e. a commercial building next to a residential apartment building).

Over time the selection of zones and the permissible uses within each zone has the potential to encourage or discourage uses which will contribute to the life of a centre. A continuous retail frontage is desirable within a central retail core however outside this area a mixed use area is more responsive to a wider range of opportunities. That said, ground floor retail space on a centre fringe can remain vacant if it is too removed from regular passing trade, leaving dead spaces. Parts of Alexandria's recently developed residential areas have suffered from this.

With this in mind, it is recognised that the Mixed Use Zone in the City Centre under the existing Newcastle City Centre LEP (2008) permits a range of uses including business, office, residential, retail and other development (e.g. cultural, social and entertainment) across the majority of the study area.

The benefits of mixed use development have been discussed extensively throughout this Assessment both as a result of delivering additional residents and workers into the City Centre improving the sense of place, and as a way of funding lower order and less viable land uses. Further to this, there are already various examples within the City Centre where mixed use development has occurred. Examples include the East End where hotel and motel accommodation is built above retail specialties and the Honeysuckle Precinct where residential apartment buildings include ground floor retail shopfronts.

However, whilst there are many benefits of mixed use development, the extent of the current Mixed Use Zone in the City Centre is not promoting a core or directing the community towards the best locations for new retail and commercial development.

In most cases, to identify and preserve locations for intensified retail and employment uses, a Commercial Core Zone would be applied. That said, the Commercial Core Zone under Newcastle City Centre LEP (2008) also permits residential when provided within a mixed use development, although the FSR attributed to a mixed use development is less than would be permitted if a purely commercial building.

Furthermore, the application of the existing zone has largely been applied to locations away from Hunter Street, for example in the West End and along King and Parry Streets. Based on discussions with the Mine Subsidence Board, it is understood that these locations are less affected by mine subsidence than the remainder of the City Centre. As a result, it could be assumed that the application of the Commercial Core Zone to these areas is indicative of sites requiring less mitigation works and therefore where higher densities are possible.

Whilst this is a valid argument for considering the location for higher density development, the location of the zone and its permissible uses needs to be considered in light of its impact on the remainder of the City Centre. This is especially pertinent given these locations include significant land holdings (lots between 4,000sqm to 10,000sqm), which together with existing FSR and height controls (up to 8:1 and 90m), result in commercial office towers of up to 80,000sqm (GFA). Redevelopment of fringe commercial towers to the density currently permitted under existing planning controls is not viable, particularly in the short to medium term.

That said, there is still the need to protect employment lands in Newcastle City Centre into the future. The Mixed Use Zone largely encourages residential development, which due to higher end sales values, will remain the most viable land use in the City Centre particularly in the medium term until the next economic recovery. As a result, developers of land within the Mixed Use Zone, will always preference the development of residential, which will drive land values higher, negatively impacting the viability of other lower order uses (e.g. commercial). As a result, over time employment generating land uses will be pushed out of the City Centre to competing locations.

Based on the above and analysis within this report, Hill PDA therefore makes the following recommendations with regards to land use zones across the City Centre:

- Generally provide more differentiation between the Commercial Core and Mixed Use Zones and as a result, adjustments to the boundaries of the Commercial Core and Mixed Use Zones in the City Centre may be required.
- Removing residential flat buildings as a permissible use in the Commercial Core Zone, so the Commercial Core Zone protects employment land and is a focus of commercial and retail activity.
- For mixed use developments limit the amount of non-residential uses permissible (through a combination of LEP and DCP controls) so as to focus commercial activity into Commercial Core Zones.
- Reduce the extent of the Mixed Use Zone on the fringe of the City Centre and consider a higher density R4 Residential Zone.

Further recommendations for particular precincts within the City Centre are provided below.

Civic Precinct

A Commercial Core Zone should be focussed around the Civic precinct to reflect the nature and agglomeration of uses located there (i.e., civic administration and cultures industries). This land is currently zoned Mixed Use. The extent of the zone to the east will likely be only as far as the Hunter Street and Darby Street intersection. However, the extent of the core to the west will be dependent on a range of factors including:

- The spread of existing commercial, employment and civic land uses along Hunter Street;
- The availability and location of sites ripe for redevelopment to accommodate the intensification of retail and employment floorspace;
- Existing building and land use types including land ownership patterns and fragmentation;
- Constraints to development and the realisation of intensification including mine subsidence and flooding; and
- The proximity to public transport and other required infrastructure.

The extent of the core to the south should be constrained, particularly that land currently Commercial Core Zone south of King Street extending through to Parry Street. Land in this location should be reconsidered for higher density residential. Commercial towers in this location away from Hunter Street would not be desirable, either from an economic or urban design perspective. However, increased residents in this location, in close walking distance to Hunter Street is only of benefit to the City Centre.

West End

The West End (excluding Honeysuckle and most of Wickham) is that part of the City Centre least affected by mine subsidence. It therefore presents the best opportunity for higher density development.

Whilst issues with the existing Commercial Core Zone and the current viability of commercial office development in the West End are acknowledged, the cyclical nature of the property market means that development that is not viable in the current market now may well become viable in the future. Furthermore, it is not a desirable outcome for all available development sites to be developed simultaneously, as this could lead to oversupply of new floorspace that has further implications.

As a result, there is still a need to protect strategic sites for future employment land in close proximity of the City Centre, and the West End with its large sites in single ownership, are in a unique position to meet this purpose long term. Therefore, it needs to remain as the City's future and emerging commercial area.

As a result, Hill PDA recommends that the Commercial Core Zone remain, particularly for those sites that are strategically important for the long term delivery of commercial space to the City and broader Hunter Region. For these reasons, residential as permissible under the current Commercial Core Zone should be restricted.

That said, there may be some locations on the fringe of the West End where consideration of a mixed use or higher density residential zone may be appropriate. A vertical mix of uses as examined in this Assessment (e.g. ground floor showrooms, 2 levels of commercial and upper levels of residential) could be applicable in these locations. Whilst active street fronts should be ensured, retail other than bulky goods should be restricted in this location unless it includes a corner store at a busy intersection or is part of an activity hub as identified by the Department's public domain initiatives.

The exact location of potential mixed use or higher density residential zones in the West End would be part of the Department's more detailed precinct planning process.

East End

The East End inclusive of Hunter Mall is the focal point of existing retail activity in the City Centre and will continue to be into the future. It is also significantly affected by mine subsidence. The majority of the East End consists of a Mixed

Use Zone with a Medium Density Residential Zone fronting the beach, with a small component of land around Hunter Mall zoned Commercial Core.

The Commercial Core Zone could remain. However, a Mixed Use Zone may also be appropriate in order to encourage redevelopment and revitalisation of this part of the City Centre. Effectively the Mixed Use Zone would permit a vertical mix of uses similar to that tested within this Assessment (i.e. retail and commercial uses on ground and levels 1 and 2). The DCP would provide guidance on built forms that will encourage non-residential uses in the lower sections of buildings.

Wickham

The existing Mixed Use Zone in Wickham (north and west of Station and Hannell Streets) should be re-examined to better reflect the existing land use pattern. The extensive Mixed Use Zone in this location is premature, with the precinct currently an important location for local urban services (e.g. auto-smash repairs, maintenance and wholesale). Gentrification of this area (i.e. to residential or mixed use) is likely to be a longer term strategy.

24.8 Application of Development Controls across the City Centre

Floor Space Ratios (FSRs) are important for the success, viability and visual appeal of Newcastle City Centre. There are currently a range of FSR and height controls applicable to land within the City Centre. However, as discussed extensively within this Assessment, in many cases the existing planning controls have resulted in:

- An overall lack of new development and investment;
- Unviable development options;
- A decline in local community and developer confidence;
- Undesirable built form outcomes (density and scale); and
- A distribution of land uses across the City Centre which do not positively impact on the role and function of the study area as a Regional City.

Furthermore, in many cases existing controls in Newcastle City Centre are almost in line with that of Sydney CBD and Parramatta CBD, which are significantly larger centres. As a result, and as part of this Assessment, Hill PDA analysed the feasibility of redeveloping under a range of existing and potential FSR and height controls across the City Centre.

Results showed for example that permissible commercial FSRs in the West End and western half of the City Centre are a hindrance to commercial development in any other location of the City Centre (i.e. Civic and East End) largely as:

- Developers will prefer to develop commercial office in the West End because with higher FSR's possible, they believe they will achieve higher returns than developing at a lower commercial FSR in the Civic and East End; and
- With higher commercial FSRs in the West End and lower FSRs in Civic and East End, should a commercial development at either end of the City Centre be constructed at the same time, the West End can command lower asking rents (due to the higher densities achieved), therefore undermining the commercial development in the East End where higher rents are required for viable development.

Furthermore, current FSR's in the West End could result in one 30 level commercial building in the City Centre. Given this would provide around 10 years' worth of office space, oversupply and rent reductions would result. As a result, it would be unlikely any other commercial office development in the City Centre would occur for some time. This not only has long term market implications, but long term amenity issues (i.e. one very tall, random and largely empty office tower sitting in the West End which does not relate to the remainder of the City Centre).

As a result, Hill PDA would recommend a considered and detailed review and simplification of FSR's and other development controls within the City Centre to not only better reflect development viability and improve urban design outcomes, but also reflect the need to plan for the long term future needs of the City.

It is understood the Department is currently undertaking detailed precinct planning across the City Centre which will consider the outcomes of Hill PDA's analysis. This may result in some FSR's being reduced (i.e. for commercial towers) and some FSR's being increased (e.g. for mixed use zones) where resultant heights and built form are acceptable.

In terms of costs, car parking and particularly basement car parking is often considered one of the key development costs which often renders development options unviable. The more basement levels of car parking the higher the cost per car space. As a result, alternative car parking solutions for the City Centre should be considered. Feasibility modelling within this Assessment indicated that adopting a reduced car parking allowance and/or providing above ground multi-level parking structures within the building footprint are alternatives which improved the viability of redevelopment in most cases.

Further planning mechanisms and conditions which can be considered to incentivise certain forms of development include:

- Reduction of car parking ratio's and controls given the high costs associated with basement car parking often negatively impact on development viability – particularly car parking controls regarding commercial and retail uses;
- Residential floorspace bonuses should a developer provide a certain amount of commercial floorspace within a mixed use development;
- Density bonuses, zoning variances, and/or expedited permits should a developer provide a percentage of housing units appropriate for student housing or low and moderate income households;
- Bonus floorspace provisions based on architectural merit, urban design outcomes and/or contribution to superior and significant public domain improvements;
- A dispensation of Section 94 contributions should a particular site require significant mine subsidence prevention or if particular land uses/community facilities are included within a development; and
- Resources dedicated to streamlining the development approval process.

24.9 Mine Subsidence

As recognised by this Assessment, the study area is affected by mine subsidence, to varying degrees. Mine subsidence can represent a significant cost item, however it should be considered in conjunction with other key factors, including other construction costs (e.g. basement car parking) and the condition of the property market (end sales values).

The western end of the City Centre (west of Union Street) includes the largest section of land with the least affectation. This excludes Honeysuckle and most of Wickham. The West End therefore provides the most opportunity for higher densities and larger built form, as it is largely not impacted by mine subsidence.

Remaining areas of the City Centre still provide opportunities for redevelopment; however this will be subject to geotechnical investigations with larger structures requiring coal seam grouting.

The overall achievable building heights in other parts of the City Centre is also already generally lower in response to the existing built form, heritage character and desired urban design outcomes. It is noted that lower building forms in mine subsidence affected areas generally require less remediation work and grouting, and masonry buildings of three storeys or less do not require approval from the Mine Subsidence Board nor do they require a grouting strategy.

The NSW Government developed a grouting strategy for part of the Honeysuckle precinct, which has provided more certainty regarding development costs for these sites. This has resulted in significant development and strong take-up rates in the last decade.

It is understood the Mine Subsidence Board are actively working towards releasing a map that will provide the community with a better understanding of the extent of mine subsidence in different parts of the City Centre, and will highlight the potential impact on new construction of various scales. This will provide more certainty to the market and will assist prospective purchasers and developers in consideration of their plans in the City Centre.

In the longer term, more specific information about the magnitude of mine workings and the likely extent of grouting required in different areas of the City Centre (corresponding with the map information and supplementary to existing Mine Subsidence Guidelines) would also assist.

For the wider City Centre a possible longer term initiative could be the strategic selection of larger key development sites for a targeted grouting program. This could be an initiative funded by another party to encourage redevelopment of certain parts of the City Centre (e.g. State government could champion and seek grants and/or funding for this work).

24.10 Public Domain Infrastructure

Research evidence⁷⁰ and international case studies show there are many positive financial benefits for the local economy by improving walking and cycling accessibility in city centres. Providing high quality walking and cycling conditions that are more comfortable and enjoyable for residents and visitors can be a significant contributing factor to successful urban renewal.

Investing in the improvement of pedestrian and cycle-friendly streets and spaces can attract more people to visit, spend dollars, and stay longer in their local centres. Greater pedestrian activity generated by higher quality public streets and spaces can increase retail rental values, increase sale prices of nearby homes and generate more business activity for the local economy by increasing the exposure of local shops.

Some successful strategies to making streets more attractive for walking and cycling include activated frontages, footpath widening, reducing traffic speed, reallocation of road spaces, improving connections to/between public transport stops, street tree planting, improved signage and lighting, and provision of comfortable street furniture.

⁷⁰ Source: Good for Business Discussion Paper - The benefits of Making Streets More Walking and Cycling Friendly, Heart Foundation (2011)

The Department of Planning & Infrastructure have engaged JMD Design to prepare a concept plan for Hunter Street, Hunter Street Mall and Wheeler Place to improve the pedestrian experience of the City Centre, promote sustainable transport options and make public spaces more attractive places to spend time. These elements together can stimulate greater economic activity for local retail and businesses whilst improving the overall image of the City.

24.11 Other Economic Development Initiatives

There are additional mechanisms that could be used to attract a diverse range of employment generating businesses and further investment in Newcastle City Centre. These include:

1. Business Precinct Plan or Business Improvement Plan

One of the clear competitive advantages of private shopping centres is their ability to co-ordinate their tenants and shared domain. These centres can coordinate operating hours, parking offers, physical improvements and marketing. Each tenant is also required to provide an annual levy to contribute to the latter two factors creating a sizeable budget that can have a significant effect on attracting additional customers over other retail centres. The management and promotional models of such malls operate in a similar manner to body corporates for residential unit buildings.

In order to combat the co-ordination advantage private shopping centres have over retail strips, a number of initiatives have been implemented in business precincts with similar characteristics and issues to those experienced in Newcastle City Centre. The names of these initiatives vary dependent on the country they originate from and include: Town Centre Management (UK), Main Street Programme (Canada) and Business Improvement Districts (WA and the US).

Despite the variations in the names for the centre management models given above, each approach has some very similar principles. These principles include the creation of a committee or board comprising key interested parties that uses funding generated by local businesses through a special levy to guide a Local Business Coordinator to organise and implement priorities for change. What does vary however is the remit of the model and the coordinator.

The need for a coordinated approach between all stakeholders was identified by the research findings of a study undertaken by the Urban Land Institute (ULI) with respect to revitalising centres. The study found that:

"long-term success will only come when public / private partnerships are created that marry the public planning, coordination, infrastructure and public financing tools with the private sectors entrepreneurial savvy, development expertise, retailing know-how and private capital."⁷¹

Consequently a coordinated and agreed approach will be fundamental to the sustainable economic success of Newcastle City Centre. The ULI study also identified the need for someone to be the proponent of the cause. The need for this person (or teams of persons) was identified owing to the prospective length of the project and the need to continue to prioritise it over other competing community needs.

The Local Business Coordinator would have the responsibility of coordinating the preparation and implementation of the Business Improvement Plan. The merits of this approach are many, including the fact that the Local Business Coordinator can be entirely focused on the City Centre and implementation of strategies. The disadvantages are clearly cost related.

⁷¹ Source: Ten Principles for Rebuilding Neighbourhood Retail – Urban Land Institute

Whilst some initiatives will be part of the masterplanning process of the City Centre, some of the key components of a Business Improvement Plan include:

- Strategies to address car parking, road access, pedestrian footpath widths and the quality of roads;
- Strategies to address the quality of the streetscape including landscaping and street furniture;
- Mechanisms to raise capital to support the physical centre improvements;
- Strategies to enhance the quality of the private domain (i.e. shopfronts and the upper floors of buildings) and Council support through the development assessment process;
- Targeted tenancy campaigns that actively seek businesses that meet the centre's niche or market;
- A series of events that attract visitors and shoppers to the centres throughout the year;
- A vision for the centre or market niche that differentiates it from its rival;
- A marketing and advertising campaign that promotes the centre to a wider catchment of shoppers and visitors and brings old shoppers back; and
- A Local Business Coordinator who can act as a single point of communication between all stakeholders (i.e. Council, Businesses, Landlords, Department of Trade & Industry Development, Department of Business & Innovation) as well as action and monitor the implementation of these strategies.

Similar to a Place Manager, a Local Business Coordinator will also play a key role in realising strategies for sustainable economic growth in the precinct. Particular responsibilities or priorities for the Local Business Coordinator will be to:

- Work with the local community and business groups to agree a long term vision for the centres;
- Pull together a core group of stakeholders to form a public/ private partnership entity;
- Prepare in consultation with stakeholders a 5 year Business Improvement Plan with key actions to phase over the life of the plan to achieve real change;
- The coordination of events;
- A point of communication for stakeholders and the Council;
- Communicate the vision and strategies agreed for the Villages and build on their success to elicit more support from local interests and the Council;
- Meet with representatives of enclosed shopping centres to agree visions and marketing programs that complement rather than compete with each other and investigate the possibility of joint marketing;
- Identify funding sources and opportunities to secure contributions from local businesses and landlords or the Council to achieve strategies; and
- Promote membership of the public and private entity for tenants and landlords.
- The Business Improvement Plan should clearly outline strategies for economic growth and funding. The plan would be informed by extensive consultation with the local business community and other relevant stakeholders (i.e. State Government organisations). It would in turn establish a series of steps to facilitate the implementation of the strategies identified, who would lead on key strategies and how to fund them.

2. Subsidised Workspace

- Affordable or subsidised workspace is a concept that can support small start-up businesses and is an appropriate concept for Newcastle City Centre, especially those with a high number of vacant shopfronts. The initial years of any new business are testing and the reduction of costs through subsidised rent or the provision of communal services can reduce business outlay and therefore risk. It in turn enhances the prospect of business success and their growth to employ a greater number of local residents and purchase local goods and services.
- The existing Renew Newcastle initiative established to find short and medium term uses for buildings in the City Centre that are vacant, disused, or awaiting redevelopment is a well-recognised and successful example of how to provide subsidised workspace. However another example is Greater Dandenong's InCube8, a project by Grocon and Places Victoria which recently called for Expressions of Interest for the operation, activation and management of subsidised retail incubator space as part of the new C2 Government Services Building in Central Dandenong.
- InCube8 is a similar concept to Renew Newcastle in terms of providing new employment opportunities and supporting start-up businesses, however the available space is part of a new commercial office building which will be occupied by government agencies and tenants.

3. Live/Work Villages

Employment generation is no longer simply a matter of attracting large companies, but rather attracting mobile workers who run their own businesses or subcontract their labour from home. Like the corporate business park, the live/work village is one of the real estate solutions to economic and employment trends. Whilst business parks are the solution for large corporations and multi-nationals, the live/work village is the solution for small business enterprises, home-based businesses, creative industries, small scale professional firms, free-lance professionals, and so on.

Building forms for live/work accommodation can vary. Vertical live/work options can be found in terrace or townhouse style attached dwellings. However, they are also possible in residential flat building developments where ground floor apartments accommodate a shopfront with residential either at the rear or on the first level. The internal design is flexible enough to allow alternate uses.

Live/work spaces do much towards creating activity within centres. Whilst they are often incorporated into new developments, this may be an option for the fringe of Newcastle City Centre.

The capacity to increase the proportion of home based businesses relates to the capacity to implement various strategic initiatives. The following principles are relevant to the promotion of home based businesses:

Target the groups known to choose home business: Only a minority of people choose their housing with a view to its suitability for home based employment. Indeed, few people take up home employment (especially if they do so as a result of the loss of a job) at the same time as they move house. It will therefore be important to make the development attractive to those groups that are most likely to choose to take up home based employment. It is also important to recognise that for many of these people, working from home may be a future option rather than as an immediate choice. Many will initially wish to treat their home based work as a hobby or part time activity. Flexibility is therefore important. Available evidence suggests that a choice to work from home is most often made by people setting up their own businesses (rather than by outworkers). Key fields for home based business include:

- Creative industry – painting, glass blowing, glass staining, dress making, pottery, fashion design, writing, architecture, etc.;
- Professionals – including accountants, IT consultants, web designers, etc.;
- Retail – including crafts, assembled computers, etc.;
- Professional suites – including general practitioner, dentist, acupuncturist, etc.; and
- Teleworking – or virtual offices as part of a larger corporation.

There may be particular promise in appealing to:

- Entrepreneurial young adults, who may appreciate proximity to an educational facility (e.g. Tafe campus) and to transport, and the availability of rental housing; and
- People with existing home business (which may be in unsuitable premises in surrounding areas).
- Provide premises suitable as home or home/business: It is important that any accommodation designed to appeal to home based workers should be equally suitable as residential accommodation, for the following reasons:
 - People will move to the area primarily because it offers well located, suitable residential accommodation rather than simply because it offers particular scope for home employment; and
 - Many people will move to accommodation which offers the option of home based employment in future, utilising space which can be readily put to residential use in the meantime.
 - Minimise obstacles: Research indicates the most significant obstacles to home based employment are regulatory barriers, particularly those imposed by Councils.

4. Events and Entertainment Spaces

It is recognised that there are already a range of popular and successful events held in Newcastle City Centre annually including the Short & Sweet Film Festival, the Red Lantern Market Night and the Summer in Town Festival. Additional uses that could be encouraged on particular sites in the City Centre include:

- Day and Night Time Markets - Whilst it is recognised that the Hunter Street Mall Market is open Thursday to Saturday, consideration should be given to a themed market and potential night time market (e.g. Noodle Markets during summer evenings or monthly weekend organic and/or gourmet food markets in coordination with local restaurants and food growers). These would not only targets locals, but capitalise on the tourist market as well. The location for such markets is not restricted to Hunter Mall, but could also consider the locations along the length of Hunter Street or along the waterfront.
- Open Air Cinema - King Edward Park has previously been used as a location for an Open Air Cinema. Alternative locations within the City Centre should also be investigated for such a use.
- Use of Cottage Creek Vacant Land - Whilst this Assessment has recognised the current lack of demand for existing development sites in the Cottage Creek Precinct, temporary and interim land uses could be considered for land, which otherwise will remain vacant. Consideration could be given to temporary events and productions such as those that currently occur on the Barangaroo site in Sydney being⁵⁹ corporate and charity functions, concerts, government events, community and cultural events, free public events, charity functions,

media and promotional events, ticketed events and filming (e.g. TV commercial and shows, student filming, children's production and music videos).

5. Fiscal Incentives

There are a range of fiscal incentives or options which can proactively and positively encourage businesses to relocate or expand. Hill PDA's research and experience with a range of economic and employment studies have highlighted the potential for the following options:

- A subsidy or grant system for start-up businesses meeting a selected criteria;
- Reduced Council rates for a set period of time for start-up businesses, desirable businesses or businesses looking to contribute to training and apprentice programs for local residents;
- The provision of bonus floorspace and building heights by Council in return for developer contributions to affordable workspace or other forms of desirable employment generating space;
- Waiving of development application fees and charges for applicable projects;
- Exemption from rates and utilities charged during construction;
- Tax incentives which either reduce the cost of maintenance or reduce the 'opportunity cost' of retaining a building rather than demolishing and rebuilding;
- Cost recovery initiatives for mine subsidence; and
- Business relocation incentive packages for targeted industries and employers.

In terms of tax incentives, in 2005 the ACT Government considered a proposal to offer up to \$1 million in tax waivers for converting ageing commercial buildings into low-cost housing (change of use fees and stamp duty). Conversion of vacated commercial buildings to residential was fully consistent with the ACT Government's policy of encouraging residential development in the city and the town centres, which already have essential transport links, as well as recreation and retailing infrastructure in place.

The ACT Governments 2011-12 Budget Paper No. 3 (Revenue and Forward Estimates) indicated that the office vacancy rate in Canberra remains significantly higher than the historical average of around 5.4%. With continuing demand for residential accommodation in Civic and the other Town Centres, it is to be expected that conversion of C and D grade office stock to residential use will be economically viable for the landlords, without the need for Government subsidies⁷². As a result, the initiative supports improvements in environmental performance of the retrofit and public spaces. It will provide a remission of 75% on the Lease Variation Charge associated with projects involving adaptive re-use of office stock in Town Centres. The initiative will also support waivers of conveyance duty for the first transaction to reduce the costs for the 'financial vehicle' used for the project. To be eligible, the improvements in environmental performance and public space will need to be demonstrably commensurate with the tax subsidies, and comes into effect once the project starts.

It is important to recognise that one, or some, of the fiscal incentives discussed above should not be seen as a means of attracting business by themselves. Rather they work in cooperation with a range of factors including a transparent

⁷² The population of Civic is projected to increase from 800 in 2007 to 2,100 by 2019, as indicated in *ACT Population Projections for Suburbs and Districts 2007 to 2019*; ACT Chief Minister's Department.

and efficient local development assessment process, available suitable land or buildings, existing industry clusters and a quality living and working environment.

24.12 Implementation Plan

Timing and phasing of the implementation of recommendations within this Economic Assessment are highlighted in the Implementation Plan in the following table. The plan identifies short (2011-2016), medium (2017-2021) and long term (2022-2026) timeframes for the implementation of actions.

Table 38 - Newcastle City Centre Strategies and Initiatives for Renewal Implementation Plan

Activities Area	Action	Timeframe	Lead
Overall Actions	Consider the key planning recommendations of this Economic Assessment in the context of the overall work being undertaken as part of the Newcastle Urban Renewal SEPP including proposed changes to existing planning and development controls such as FSR, height and land use zones.	Short Term	Department of Planning & Infrastructure (DoPI), Newcastle City Council (Council)
	Consider the key economic development strategies of this Economic Assessment in the context of the overall work being undertaken by Newcastle City Council and as part of the Newcastle Urban Renewal SEPP. This includes a business precinct plan, subsidised workspace initiatives, a business support centre, event space, attraction of new industries and live/work opportunities within the context of the City's economic development, residential and broader policies. Identify those locations that best suit such a uses and commence discussions with land owners.	Short to Medium Term	Council
	Identify and prioritise urban design, amenity and public domain improvements for Council to undertake to create a sense of place and improve the overall amenity of the City Centre.	Short Term	DoPI, Council
	Consider a Place Manager or Local Business Coordinator for the City Centre. The Coordinator would help shape the future of the City Centre by providing direct links between Council and the community. This includes business people, land owners, prospective developers, retailers, shoppers and residents.	Short Term	Council
	Commence discussions with landowners in locations earmarked for further intensification or where existing development controls will change. The outcomes of which may include rezoning to allow mixed use or residential uses.	Short Term	Council
	Identify key opportunity sites for further precinct planning, examination or consultation with land owners.	Short Term	DoPI, Council
Civic Precinct	Define the extent of the Commercial Core Zone inclusive of the Civic Precinct and adjoining land. This could consider: <ul style="list-style-type: none"> ▪ The spread of existing commercial, employment and civic land uses along Hunter Street; ▪ The availability and location of sites ripe for redevelopment to accommodate the intensification of retail and employment floorspace; ▪ Existing building and land use types including land ownership patterns and fragmentation; ▪ Constraints to development and the realisation of intensification including mine subsidence and flooding; and ▪ The proximity to public transport and other required infrastructure. 	Immediate	DoPI
	Identify, prioritise and implement key initiatives to improve the precinct. This could consider: <ul style="list-style-type: none"> ▪ The appropriate final Commercial Core boundary. ▪ Key redevelopment sites and/or potential intensification opportunities. ▪ Discussions with the University of Newcastle regarding potential university campus accommodation in the City Centre. ▪ Improved pedestrian linkages and better connections from Hunter Street and railway stations to the waterfront, as well as improvements to the pedestrian environment along the road corridor. ▪ Improved pedestrian linkages and better connections between the commercial core and retail provision in Hunter Mall. ▪ Improvements to urban design and amenity (e.g. weather protection, landscaping, way finding, and opportunities for community congregation). ▪ Opportunities for new social and community infrastructure. 	Short Term	DoPI, Council, local community and stakeholders within and around the proposed zone.

Activities Area	Action	Timeframe	Lead
West End	<p>Define the extent of the Mixed Use and Commercial Core Zones in the West End. This could consider:</p> <ul style="list-style-type: none"> The highest and best use of large sites in single ownership, based on the feasibility results in this Economic Assessment. Identification and protection of sites which are strategically important for the long term delivery of commercial floor space to the City and broader Hunter Region. The definition of zones and any proposed planning and development control amendments based on the feasibility results in this Economic Assessment. A vertical mix of uses on sites in Mixed Use Zones. The preferred locations for bulky goods and active ground floor uses being along the Hunter Street frontage. The location of traditional retail to meet the needs of local workers and residents. This should be restricted to the likes of a corner store to meet the needs of surrounding workers and residents, or as part of identified activity hubs nominated by the Department. 	Short Term	DoPI, Council
	<p>Identify, prioritise and implement key initiatives to improve the precinct. This could consider:</p> <ul style="list-style-type: none"> The appropriate final zone boundaries. Key redevelopment sites and/or potential intensification opportunities. Better vehicle movement and connections between the West End, Honeysuckle and remaining precincts. Opportunities for additional social and community infrastructure. Ensure physical integration between residential and employment land uses within the precinct. Consider urban design and amenity improvements including landscaping and creating a sense of place. Encourage and attract new industries, businesses and start-ups into the West End, either through the adaptive reuse of existing buildings or the development potential of various sites. 	Short Term	DoPI, Council, local community and stakeholders within and around the proposed zone.
East End and Hunter Mall	<p>Define the extent of the Mixed Use and Commercial Core Zones in the East End. This could consider:</p> <ul style="list-style-type: none"> The highest and best use of large sites in single ownership, based on the feasibility results in this Economic Assessment. A vertical mix of uses on sites in Mixed Use Zones. Those sites which are more/less affected by mine subsidence. The redevelopment potential of Council owned public car parking sites. 	Short Term	DoPI, Council
	<p>Identify, prioritise and implement key initiatives to improve the precinct. This could consider:</p> <ul style="list-style-type: none"> Potential retail expansion opportunities and the attraction of key retailers. Improvement to vehicle and pedestrian access around the precinct, the waterfront and Nobby's beach. Ensure physical integration between the mix of uses that are within the precinct. Improve way finding and signage for navigation between the Civic Precinct and Hunter Mall. Discussions with GPT with regards to their intended role, function and plans for their sites in the East End. Consider additional residential uses and intensification in or within proximity of Hunter Mall. 	Short to Medium Term	DoPI, Council, local community and stakeholders within and around the proposed zone.
	<p>Identify, prioritise and implement key initiatives to improve the retail offer in Hunter Mall. This could consider:</p> <ul style="list-style-type: none"> Target new key anchor retailers such as a full line supermarket and a national department store (Myer or David Jones) or as a minimum a discount department store (Big W, Kmart or Target). Target additional retail specialties, with boutique, fashion and food options (e.g. café's and restaurants) a priority. Improve connections between the Hunter Mall, the beach and surrounding precincts (way finding initiatives and improvements) 	Short to Medium Term	DoPI, Council, local community and stakeholders within and around the proposed zone.

Activities Area	Action	Timeframe	Lead
	to public domain), as well as being aligned with broader tourism and event strategies. <ul style="list-style-type: none"> Encourage Hunter Mall as the 'eat street' of the East End. 		
	Work with stakeholders to develop an Investment Attraction Strategy. This would consider branding improvements and would include economic development strategies which promote Hunter Mall as the key retail focal point of the City Centre and broader Newcastle Local Government Area.	Short to Medium Term	Council, local community, business associations, trader groups, tenants, landowners and business networks.
Honeysuckle and Cottage creek	Improve physical linkages (both pedestrian and vehicle) between the Honeysuckle and Cottage Creek Precincts and Hunter Street.	Medium Term	Hunter Development Corporation (HDC), Council
	Recognise the commercial portion of the Cottage Creek Precinct (towards the West End surrounding existing commercial buildings) as a business park. Consider marketing strategies to promote the business park to the benefit of the City Centre as a whole.	Medium Term	HDC, Council
	Consider the use of vacant land for a range of temporary and interim land uses.	Short Term	HDC, Council
New Residential Zones	Consider residential intensification opportunities on the fringe of the City Centre and within existing Mixed Use Zone lands along principle public transport networks.	Short Term	DoPI, Council
	Rezone lands identified as Commercial Core south of King Street extending through to Parry Street to mixed use or higher density residential zones.	Short Term	DoPI, Council
	Consider the potential for residential locations in the existing Medium Density Zone to move to the Higher Density Zone.	Medium to Long Term	Council
Encouraging New Retail Businesses	Encourage small clusters or hubs of retail and other uses along Hunter Street, particularly around locations which are the focus of the Department's urban design and public domain initiatives.	Short Term	DoPI, Council
	Consider the location of a new supermarket based centre along Hunter Street servicing local workers and in easy walking distance of residents in Honeysuckle (assuming connectivity between Honeysuckle and Hunter Street is improved). Should the University of Newcastle continue with their consideration of a campus or other facilities in Hunter Street adjacent to the Civic Precinct, the viability of a supermarket in this location would be further strengthened.	Long Term	Council
	Consider targeting alternative types of retail activity in the City Centre including a brand outlet centre, organic foods and fresh produce or noddle markets and bulky goods, homemaker and showroom space.	Medium Term	Council
	Work with stakeholders to form a Business Association and develop an Investment Attraction Strategy including a Target Tenancy Plan to target a particular centre anchor (not necessarily retail), and/or increase the range of service and retail opportunities available within the centre.	Short to Medium Term	Council
	Consider additional social and community infrastructure which can be located in conjunction with retail clusters.	Short Term	DoPI, Council

Appendix

APPENDIX 1 – NOTABLE DEVELOPMENT PROJECTS

Grand Central Apartments, 111 Scott Street, Newcastle

A development of 81 residential apartments comprising: 45 x 1 bedroom units; 26 x 2 bedroom units; and 10 x 3 bedroom units. The development is currently under construction with completion expected in October 2011.

The selling agent indicates that the development is selling well, with approximately 55 units sold to date, indicating approximately 4.6 sales per month. Purchasers of units within the development have an option of leasing their unit back to a serviced apartment operator. Hill PDA has not further investigated this leaseback option. The following table indicates asking prices within the development.

Asking Prices for 111 Scott Street, Newcastle

Unit Type	Asking Price
Studio	From \$250,000 to \$310,000
1 Bedroom – inferior*	From approx. \$299,000
1 Bedroom – standard**	From \$350,000 to \$380,000
2 Bedroom – inferior*	From approx. \$399,000
2 Bedroom – standard**	From \$500,000 to \$600,000
3 Bedroom	From \$1,000,000

Source: Hill PDA Research 2011

* Inferior units refer to ground floor, no views, poor natural light.

** Standard units refer to typical units within the development, superior view and light, etc.

Arvia Beachside Apartments, 67 Watt Street, Newcastle

A development of 101 residential apartments comprising: 60 x 1 bedroom units; 40 x 2 bedroom units; and 1 x 3 bedroom unit. The development is currently in the final stages of construction, expected to be completed by September 2011.

The selling agent indicates that the development is selling well, with approximately 86 units sold to date, indicating approximately 4.8 sales per month. The development is on an elevated site and will provide northerly and easterly views. The following table indicates asking prices within the development.

Table 39 - Asking Prices for 67 Watt Street, Newcastle

Unit Type	Asking Price
Studio	From \$225,000 to \$265,000
1 Bedroom	From \$400,000 to \$450,000
2 Bedroom	Up to \$650,000 (\$500,000 to \$550,000)
3 Bedroom	NA

Source: Hill PDA Research 2011

* Agent indicates that the asking prices for 2 bedroom units, from approximately \$600,000 to \$650,000 is too high. It is considered that the appropriate value for these units is circa \$500,000 to \$550,000.

Honeysuckle Central, (Corner Honeysuckle Drive and Wright Lane), Newcastle

A modern commercial development that is currently advertising space for lease (pre-commitments). The development comprises approximately 22,500sqm over 3 buildings, of up to 8 levels, plus basement parking over 4 levels. Current rentals being sought by agents are circa \$350/sqm net. Indicative outgoings for the building are from \$90 to \$100/sqm p.a. Stage 1 of the development is expected to be completed by mid-2012.

APPENDIX 2 – NEWCASTLE OFFICE MARKET DATA

Newcastle Commercial Office Market Indicators (2001-2011)

Year	Stock (sqm)	Vacancy (sqm)	Vacancy Rate (%)	Supply (sqm)		Net Absorption (sqm)*
				Additions	Withdrawals	
Jan-01	203,953	19,718	9.7	15,237	-	12,761
Jan-02	200,462	16,652	8.3	-	3,491	-425
Jan-03	200,203	12,248	6.1	7,257	7,516	4,145
Jan-04	202,331	11,468	5.7	2,828	700	2,908
Jan-05	199,723	11,215	5.6	4,542	7,150	-2,355
Jan-06	212,595	12,257	5.8	12,962	90	11,830
Jan-07	218,655	15,209	7.0	6,060	-	3,108
Jan-08	220,219	13,263	6.0	13,900	12,336	3,510
Jan-09	244,167	24,410	10.0	23,948	-	12,801
Jan-10	248,028	36,065	14.5	5,747	1,886	-7,794
Jan-11	248,614	28,583	11.5	586	-	8,068

Source: Property Council of Australia (January 2011)

* Over a 12 month period.

Strata Sales Evidence (2011)

Property	Sale Date	Sale Price	Strata Area (sqm)	Value \$/sqm	Market Yield (net)
2 / 956 Hunter Street (Newcastle West)	Mar-11	\$1,400,000	991	\$1,413	-
1 / 356-384 Hunter Street	Apr-11	\$1,100,000	447	\$2,461	-
2,3,8,9 / 356-384 Hunter Street	Oct-10	\$2,300,000	1,156	\$1,990	-
7,12,13 / 356-384 Hunter Street	Feb-10	\$1,500,000	577	\$2,693	-
2 / 77-79 Hunter Street	Mar-11	\$1,100,000	370	\$2,973	9.07%
4 / 19 Bolton Street	Mar-10	\$163,000	53	\$3,075	-
5 / 77-79 Hunter Street	Nov-09	\$910,000	374	\$2,433	9.70%
11 / 19 Honeysuckle Drive	Sep-09	\$1,040,000	191	\$5,445	-
10 / 19 Honeysuckle Drive	Jul-09	\$795,000	138	\$5,761	-
Lots 1 & 2, 123 Scott Street	Aug-08	\$1,175,000	338	\$3,476	-

Source: Red Square, Commercial Property Monitor and Hill PDA Research 2011

The above sales evidence indicates commercial office units are achieving \$1,410/sqm to \$5,760/sqm of strata area which reflects a range of sizes, locations and quality (grade) of accommodation⁷³.

Commercial Sales Evidence (2011)

Property	Date	Sale Price (\$m)	Site Area (sqm)	\$/sqm Land	NLA (sqm)	\$/sqm NLA	Market Yield (net)
24 Honeysuckle Drive	Jan-11	\$22.5	9,071	\$2,480	6,091	\$3,694	9.78%
199-201 Hunter Street	Oct-10	\$1.4	228	\$6,140	444	\$3,153	9.37%
96 Hunter Street	May-10	\$4.3	1,113	\$3,819	2,010	\$2,114	-
444 Hunter Street	Oct-09	\$1.6	284	\$5,634	568	\$2,817	8.75%
528 Hunter Street	Jul-09	\$5.8	1,075	\$5,395	1,476	\$3,930	8.75%
450 Hunter Street	Jun-09	\$1.7	284	\$5,986	1,227	\$1,385	11.27%
615 Hunter Street	Apr-09	\$3.8	1,455	\$2,612	1,170	\$3,248	NA
461 Hunter Street	Mar-09	\$748,000	348	\$2,149	-	-	-
356-384 Hunter Street	Jan-09	\$8.7	2,170	\$3,986	6,550	\$1,321	-
102 Hunter Street	Mar-08	\$1.9	278	\$6,835	793	\$2,396	6.85%

⁷³ Excluding the 2 lowest sales = \$2,433/sqm to \$5,761/sqm of strata area. Note the 2 lowest sales comprise the largest strata suites (991sqm and 1,156sqm respectively) which will result in lower value rates due to a discount being applicable for larger premises.

Property	Date	Sale Price (\$m)	Site Area (sqm)	\$/sqm Land	NLA (sqm)	\$/sqm NLA	Market Yield (net)
433 Hunter Street & 6-8 Auckland Street	May-08	\$6.2	2,641	\$2,348	2,177	\$2,848	8.98%

Source: Red Square, Commercial Property Monitor and Hill PDA Research 2011

The above sales evidence indicates freehold commercial accommodation is achieving sales in the range of \$1,320/sqm to \$3,930/sqm of net lettable area.

APPENDIX 3 – DEVELOPMENT PIPELINE AND DEVELOPMENT SITE SALES / VALUES

Development Pipeline

Property	Project Description
Residential Development	
643-651 Hunter Street	Approval has been given for a 15-storey building comprising 113 serviced apartments and ground floor retail. Development has not commenced, however this site was recently purchased by the Hunter Development Corporation and commencement in the short term is likely.
11-15 Watt Street & 68 Hunter Street	Approval has been given for an 8 storey building comprising 36 serviced apartments. In addition, 68 Hunter Street will be restored and converted into a café/restaurant/bar and conference facilities. Development has not commenced.
311 and 317 Wharf Road, 1 Merewether Street, and 27 Centenary Road	Construction of a \$56m, 31,600sqm of commercial and residential development. Comprises two 10 level residential towers, and three 10 level commercial/residential buildings. Development has not commenced.
764-778 Hunter Street	Approval has been given for a 9-storey commercial and residential building comprising 18 serviced apartments, 29 residential apartments and ground floor retail. Development has not commenced.
'The Meritus' 398 King Street	Approval has been given for a 12-storey mixed use building with 45 serviced apartments and 1,800sqm of commercial floorspace (6 tenancies). Development has not commenced.
61-63 Hunter Street	Approval has been given for a mixed use development over 6 storeys providing 10 apartments and lower level commercial suites. Development has not commenced.
563-571 Hunter Street –	Approval has been given for a 12-storey development providing 76 apartments and around 800sqm of commercial space. Development has not commenced. The site is currently for sale.
'Legacy House' 45 Bolton Street	Approval has been given for a 6-storey mixed use development comprising 18 units and ground floor commercial space. The site was sold with development approval. Development has not commenced.
9 Watt Street (Surf City Nightclub site)	Approval has been given for two 8-storey residential flat buildings providing 46 residential units and ground floor retail. The project has been deferred and it is understood that the site is for sale with development approval. Development has not commenced.
Commercial Development	
Honeysuckle Central (Corner Honeysuckle Drive and Wright Lane), Newcastle	Upon completion, Honeysuckle Central will comprise approximately of 22,500sqm A-grade accommodation over 3 buildings, of up to 8 levels, plus basement parking over 4 levels. Leasing (pre-commitment) activity in the development has been strong and has reached a point where construction is viable. Stage 1 of the development is expected to be completed by mid-2012.
538-540 Hunter Street	Proposed construction of a 4 level office building comprising approximately 1,290sqm per floor (total 5,160sqm). The building will target a 4.5 star NABERS energy rating and provide approximately 62 car spaces.
Lot 22 Honeysuckle Drive	Announced in May 2011 ⁷⁴ HDC has agreed to sell the 3,700sqm site to the Greater Building Society to be developed with a new corporate headquarters. The property has not yet transacted, with the agreement in the form of an Option Deed. The Greater Building Society has not released any plans indicating the scale of their proposed premises.
Other Development	
University of Newcastle	The University has expressed interest in the development of a City Campus with Stage 1 will include the School of Business in a new development in the Honeysuckle Drive Precinct. Stage 1 will comprise approximately 18,000sqm of space, providing for 2,500 students and 100 staff. Hill PDA understands that this project has been put on hold, subject to the University gaining additional finance (through government grants).
Relocation of Newcastle Courts	Hill PDA understands that the State has purchased a site on Hunter Street which will comprise the location of a new state facility. It is understood that an EOI process for Architects has been commenced, and a target exists for a development application for the facility to be lodged by November 2011. It is proposed that the new courthouse will provide a minimum of 10 courts in a proposed 10 500 sqm, nine-storey building.

The following table provides examples of recent activity surrounding the acquisition of development sites in Newcastle CBD.

⁷⁴ Source: Hunter Development Corporation, Media Release, 27 May 2011

Development Site Sales Activity in Newcastle CBD (2011)

Property	Sale Date	Sale Price (\$m)	Site Area (sqm)	Analysis (\$/sqm)	Comments
643-651 Hunter Street, Newcastle West	Sep-10	\$2.3	2,081	\$1,105	A vacant residential development site purchased by the Hunter Development Corporation. It's understood a DA has been lodged on this site.
777 Hunter Street, Newcastle West	Apr-09	\$7.1	12,295	\$577	Former Council owned site, part of which comprises the Newcastle Regional Museum buildings.
669 Hunter Street, Newcastle West	Jun-10	\$1.25	1,050	\$1,190	A large site comprising the former Royal Theatre.
28-30 Bolton Street, Newcastle	Oct-10	\$9.5	3,016	\$3,150	A large property containing approx. 3,646sqm of commercial accommodation. The site has significant development potential with approx. 1,600sqm comprising largely vacant land. Allowing \$2,000/sqm of NLA, indicates a deduced land value of \$2.208m (\$1,380/sqm) for the vacant (1,600sqm) component of the site.
684 Hunter Street, Newcastle West	May-08	\$5.15	2,524	\$2,040	A vacant development site. Has since been developed with a KFC and Pizza Hut restaurants.

Source: Red Square, Commercial Property Monitor (PIM), Hill PDA Research 2011

Of the 5 development sites sales highlighted only 684 Hunter Street has been redeveloped. Not all sites have a development application. The best indicators of value are 643-651 Hunter Street, Newcastle West (\$1,105/sqm of site area) and 669 Hunter Street, Newcastle West (\$1,190/sqm of site area).

The sale of 777 Hunter Street, Newcastle West (\$577/sqm of site area) shows a significantly lower rate of value, reflecting the large size of the property (in excess of 1.2ha).

The sale of 684 Hunter Street, Newcastle West (\$2,040/sqm of site area) occurred during stronger market conditions. The site reflects values at the height of the market, prior to the global financial crisis.

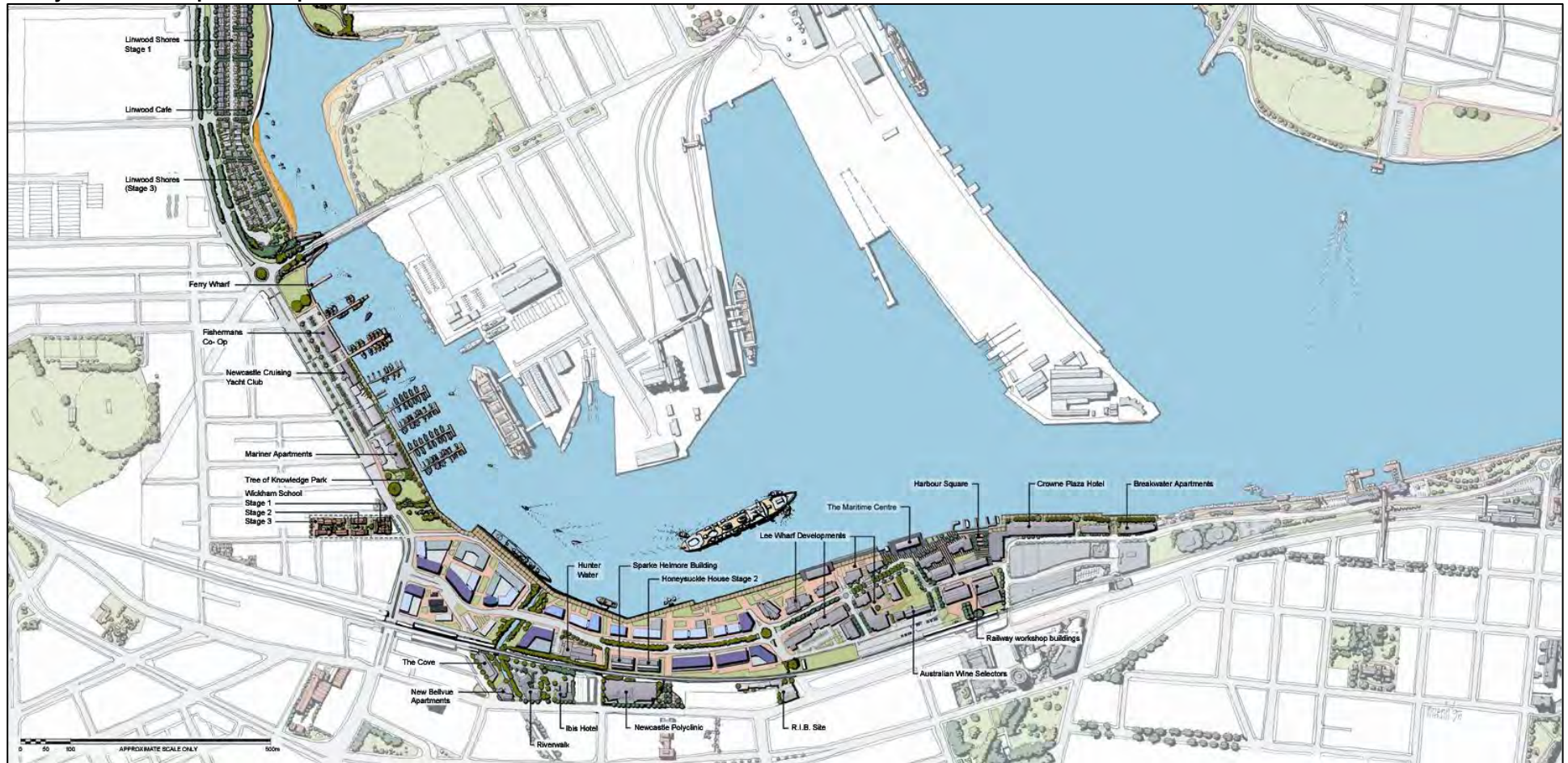
28-30 Bolton Street, Newcastle is an improved sale, however has been analysed to indicate a land value of \$1,380/sqm for the 'vacant' component of the site.

The above evidence indicates land values as follows:

- Low of – \$577/sqm of site area (a very large site in the west of the City);
- From – \$1,100/sqm to \$1,200/sqm for sites within the west of the City; and
- To – around \$1,400/sqm (deduced land value) in the CBD.

APPENDIX 4 – HONEYSUCKLE MASTERPLAN (2004)

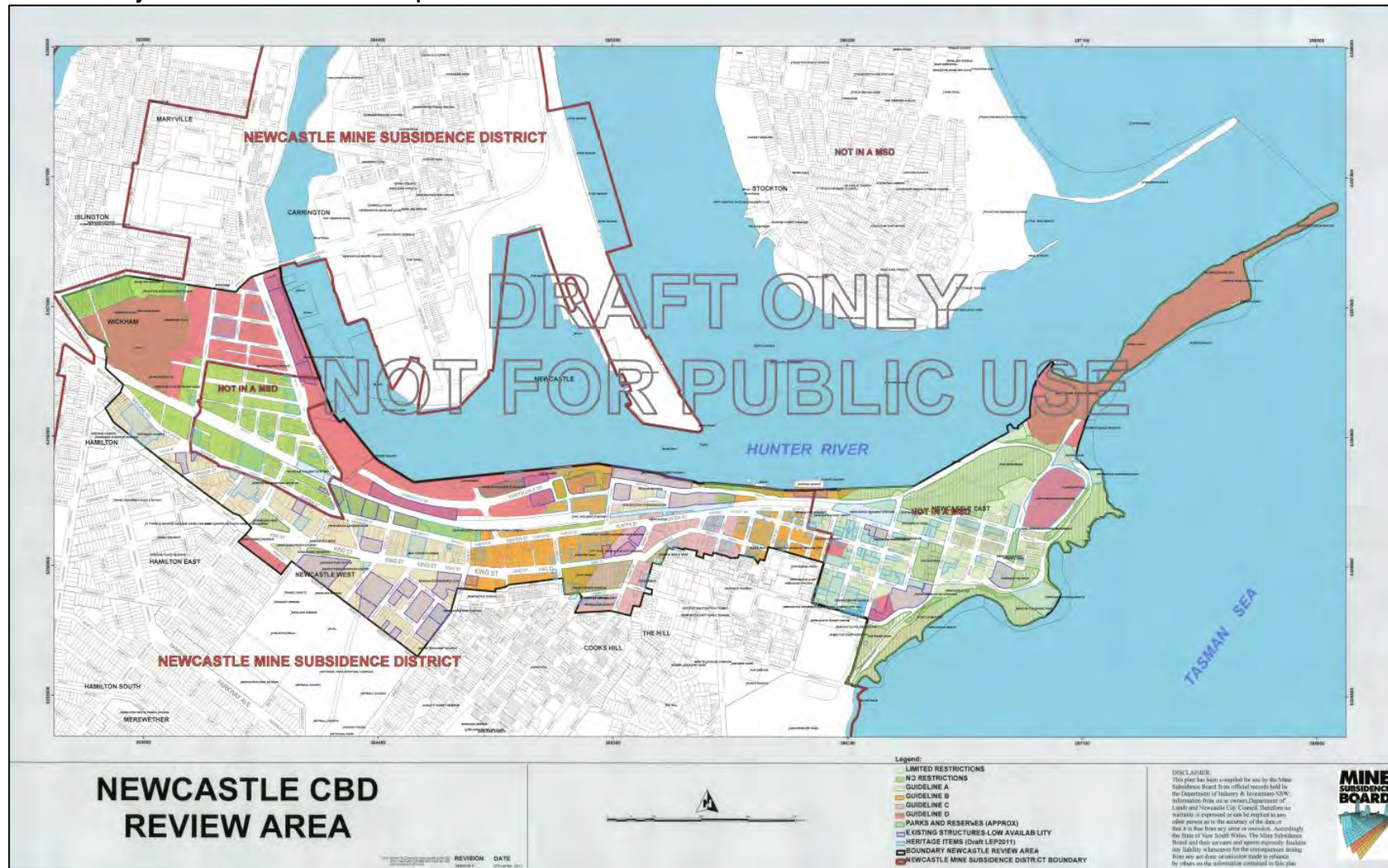
Honeysuckle Masterplan Excerpt



Source: Hunter Development Corporation

APPENDIX 5 – MINE SUBSIDENCE MAP

Newcastle City Centre Mine Subsidence Map



Source: NSW Mine Subsidence Board

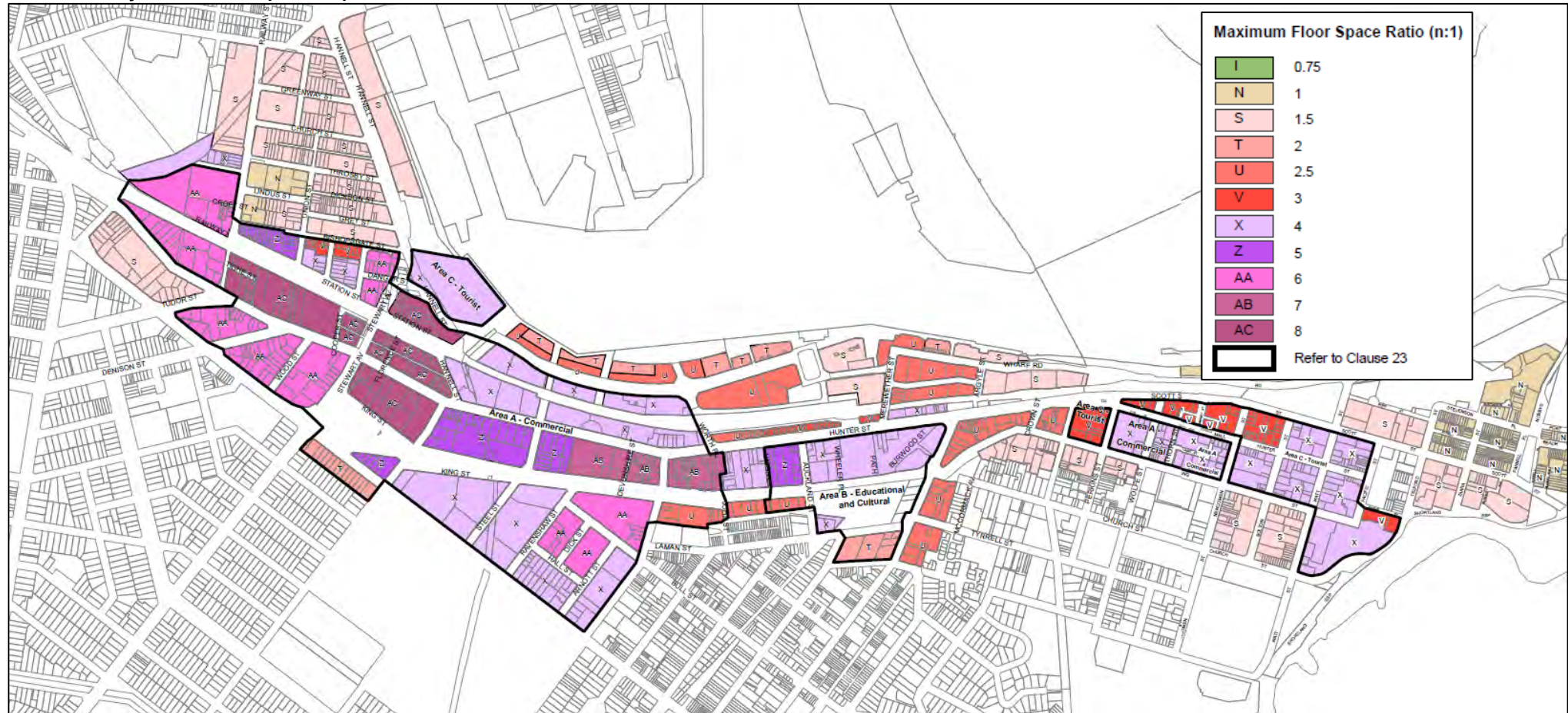
APPENDIX 6 – NEWCASTLE CITY CENTRE LEP (2008) MAPS

Newcastle City Centre Zoning Map



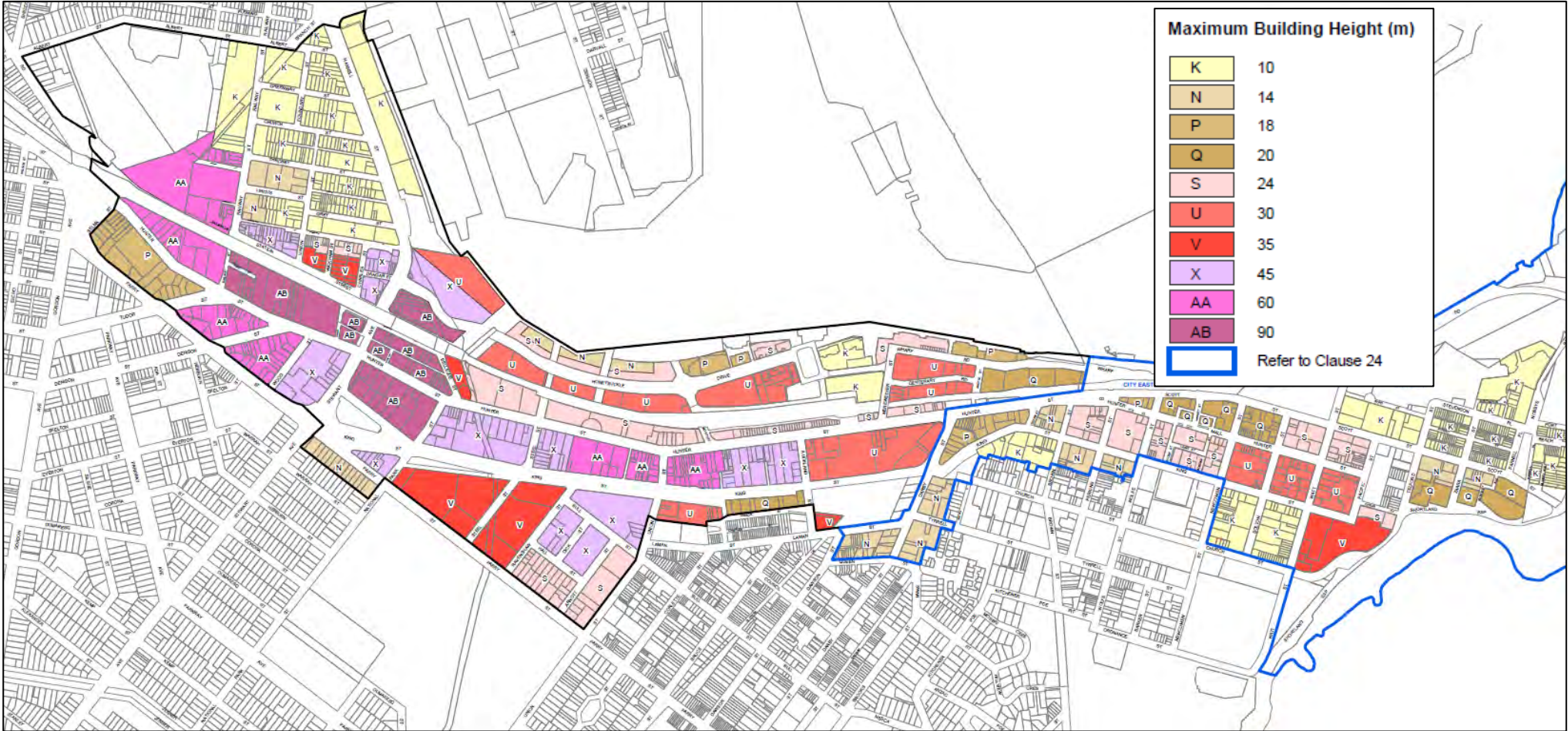
Source: Newcastle City Centre LEP 2008

Newcastle City Centre Floorspace Map



Source: Newcastle City Centre LEP 2008

Newcastle City Centre Height Map



Source: Newcastle City Centre LEP 2008

APPENDIX 7 – RELEVANT SECTIONS OF NEWCASTLE CITY CENTRE LEP (2008)

Section 23 Floorspace ratio

(1) The objectives of this Plan for the control of floorspace ratios are as follows:

- (a) to ensure a degree of equity in relation to development potential for sites of different sizes and for sites located in different parts of the Newcastle city centre,
- (b) to ensure that proposals for new buildings are assessed with due regard to the design excellence and built form provisions of this Plan,
- (c) to provide sufficient floorspace for high quality development for the foreseeable future,
- (d) to regulate density of development and generation of vehicular and pedestrian traffic,
- (e) to facilitate development that contributes to the economic growth of the Newcastle city centre.

(2) The maximum floorspace ratio for a building on any land is not to exceed the floorspace ratio shown for the land on the Floorspace Ratio Map.

(3) Despite subclause (2) and except as provided by subclauses (4) and (7), the maximum floorspace ratio for a building on land that is:

- (a) in Area A, and
 - (b) in a zone specified in the Table to this subclause, and
 - (c) on land for which the maximum building height is as specified in Column 1 of the Table under the heading for that zone,
- is the amount specified opposite that height in Column 2 of the Table if the building is not used for a commercial activity or in Column 3 if the building is used only for a commercial activity.

Maximum FSR in Area A

Column 1	Column 2	Column 3
B3 Commercial Core zone		
24m, 30m or 35m	3.0:1	4.0:1
45m	3.0:1	6.0:1
60m	3.5:1	7.0:1
90m	3.5:1	8.0:1
B4 Mixed Use zone		
24m	2.5:1	3.0:1
30m or 35m	3.0:1	4.0:1
45m	3.5:1	5.0:1
60m	4.0:1	6.0:1

(4) The maximum floorspace ratio for a building in Area A that has a site area of less than 1,500 square metres is the least of the following:

- (a) the floorspace ratio determined in accordance with subclause (3),
- (b) 4.0:1,
- (c) the floorspace ratio determined in accordance with subclause (7).

(5) Despite subclause (2) and except as provided by subclause (7), the maximum floorspace ratio for a building on land that is:

(a) in Area B, and

(b) in a zone specified in the Table to this subclause, and

(c) on land for which the maximum building height is as specified in Column 1 of the Table under the heading for that zone,

is the amount specified opposite that height in Column 2 of the Table if the building is not used for an educational and cultural activity or in Column 3 if the building is used only for an educational and cultural activity.

Maximum FSR in Area B

Column 1	Column 2	Column 3
B4 Mixed Use zone		
24m	2.5:1	3.0:1
30m or 35m	3.0:1	4.0:1
45m	3.5:1	5.0:1

(6) Despite subclause (2) and except as provided by subclause (7), the maximum floorspace ratio for a building on land that is:

(a) in Area C, and

(b) in a zone specified in the Table to this subclause, and

(c) on land for which the maximum building height is as specified in Column 1 of the Table under the heading for that zone,

is the amount specified opposite that height in Column 2 of the Table if the building is not used for a tourist activity or in Column 3 if the building is used only for a tourist activity.

Maximum FSR in Area C

Column 1	Column 2	Column 3
B4 Mixed Use zone		
18m, 20m or 24m	2.5:1	3.0:1
30m or 36m	3.0:1	4.0:1
45m	3.5:1	5.0:1
60m	4.0:1	6.0:1

(7) If a building within Area A, Area B or Area C is used for a combination of the specified activity for the Area and one or more other activities, the maximum floorspace ratio for the building is:

$$((NFSR \times N/100) + (SFSR \times S/100)):1$$

where:

N is the percentage of the building used for an activity other than the specified activity.

NFSR is the maximum floorspace ratio in accordance with this clause if the building were used only for an activity other than the specified activity.

S is the percentage of the building used for the specified activity.

SFSR is the maximum floorspace ratio in accordance with this clause if the building were used only for the specified activity.

Note. The following gives an example of how a maximum floorspace ratio is to be calculated for a building on land, having a site area equal to or greater than 1,500 square metres and a maximum building height of 90m, that is within Zone B3 Commercial Core (located in Area A), 30 per cent of which is to be used for commercial activity and 70 percent of which is to be used for another activity:

$$((NFSR \times N/100) + (SFSR \times S/100)):1$$

$$((3.5 \times 70/100) + (8 \times 30/100)):1$$

$$(2.45 + 2.4):1$$

4.85:1 is the maximum floorspace ratio.

(8) In this clause:

Area A means the area shown on the Floorspace Ratio Map edged heavy black and marked “Area A–Commercial”.

Area B means the area shown on the Floorspace Ratio Map edged heavy black and marked “Area B–Educational and Cultural”.

Area C means the area shown on the Floorspace Ratio Map edged heavy black and marked “Area C–Tourist”.

APPENDIX 8 - BEST PRACTICE APPROACHES AND EXAMPLE INITIATIVES TO FOSTER GROWTH AND CHANGE

Best Practice Approaches and Example Initiatives to Foster Growth and Change

Modifications to Building and Height Controls in City Centres
<ul style="list-style-type: none"> The City of Fremantle has prepared planning amendments for permissible heights on the waterfront (increased from 3 levels to a maximum of 7 storeys or 24.5m), increased heights on strategic sites (increased to between 14m and 21m), and increased heights on identified gateway sites (increased to 8 and 9 levels). For the waterfront precinct, these changes may result in an additional 2,000 people living in the precinct. It is noted that there are provisions within the amendment to ensure there are studio units provided for in large developments. For strategic sites in the City Centre a minimum of 15% of the net lettable area within all new development on sites with a site area greater than 3,000sqm shall be provided for Office use.
Height or Floorspace Bonuses
<ul style="list-style-type: none"> The City of Fremantle's planning amendment for Strategic Sites proposes that additional height may be approved at the discretion of the Council and subject to satisfying a number of performance criteria. Up to two additional storeys may be permitted and those sites close to the railway station have no prescribed upper height limit but would be determined on a site by site basis. The proposed performance criteria for additional height reinforces the increasing recognition of the importance of design quality, rather than just addressing height alone. A number of Gold Coast City Council Local Area Plans allow for floorspace or plot ratio bonuses to be earned for the inclusion of public benefit components in the development, and/or the achievement of a very high standard of architectural merit and/or urban design. Typically, these opportunities are provided in the major town centres and in the mixed use commercial areas of the City. These bonuses are most commonly to be sought for developments with the potential to exceed four storeys in height. However, it is also possible for these bonuses to apply to low-rise buildings.
Alternative Car Parking Solutions
<ul style="list-style-type: none"> The City of Geelong is considering the waiving of formal car parking requirements where a developer is seeking to convert an existing Central Geelong property into a residential apartment. The aim of the waiver would be to encourage the reuse of Central Geelong properties, and in particular the development of residential conversions in locations where there is not the physical space to provide the required off street car parking.
Place Management
<ul style="list-style-type: none"> The Fremantle Retail Model Plan (2010) recommended better whole-of-city retail management and coordination through the creation of Business Improvement Districts (BIDs). The Model Plan nominates a BID is based on a clearly defined geographical area where the majority of businesses and property owners have voted positively to invest collectively in local improvements to improve their trading environment and attract more customers and business. Under a BID scheme, businesses in the BID area decide which new or expanded services are required to improve their business district and agree to implement these services by way of a special rate. All funds raised are spent within the defined BID area. All services provided are over and above council services being provided by general rates. A BID Steering Committee was recently formed by Council. Wollongong City Council has developed an Action Plan for the CBD which covers a range of tasks including for example: Crown Street Mall upgrade; business and investment attraction program; various streetscape upgrades; identification of key sites and development of key performance indicators for these sites; traffic and transport actions. The primary aim of the Gold Coast Centre Improvement Program is to help centres to meet both growth forecasts and the changing needs of the community who are seeking more from the city's centres. The Program links into the new <u>Gold Coast Planning Scheme</u>, and aims to facilitate the physical, economic and social revitalisation of Gold Coast centres. The Program provides an opportunity for Council, commercial property owners, traders and the local community to work together to achieve a better outcome for each local centre. Commercial property owners have the opportunity to maximise the potential gains to their private properties by undertaking upgrade works in partnership with the works undertaken by Council. All commercial property owners within a proposed Centre Improvement Project area are given the opportunity to vote on whether they would like a project to proceed in their area. If commercial property owners vote to proceed with a Centre Improvement Project for their centre, Council will provide two thirds of the cost of the project and commercial property owners will be required to contribute one third of the cost of the project. Council will initially pay the full cost of each project. One third of the cost of the project is then repaid to Council by commercial property owners over a ten year period, through the Council rates process. Penrith City Council has been working with the various Penrith chambers of commerce and businesses in preparing and

implementing a revitalisation strategy for both Penrith and St Marys town centres over the past 10 years. The strategies focus on infrastructure provision, centre management, marketing and promotion of healthy communities. The strategies also emphasise the need for better civic spaces, streetscapes, accessibility, public transport and car parking.

- The City of Ballarat has established a CBD Place Manager to implement the outcomes of the Ballarat CBD Strategy. This includes: establishing a high profile for investment in the CBD by public and private parties; fostering relationships with other levels of government; seeking funding and investment to meet the CBD Plan objectives from various sources; negotiating with major retailers and investors; working within a clear understanding of both the economic impacts on the CBD and the planning and development constraints and opportunities; liaising with the economic development team; and, continue to lead the Project Steering Committee and Community Reference Group established during the consultation period.
- Liverpool City Council has established a CBD Place Manager whose role is to provide a direct link between Council and the City Centre community including local business people, retailers, shoppers and residents. The CBD Place Manager's role includes managing projects such as: ensuring carefully guided planning for the City Centre; streetscape improvements; the Shopfront Façade Program which encourages businesses to paint the exterior of their premises, funded by a Council subsidy; the installation of new interpretative signage highlighting Council's heritage; and improvements to Pioneers' Memorial Park.

Cultural Precincts

- Central Geelong Cultural Precinct Master Plan enlivens the cultural life of the people of Greater Geelong and its visitors. A key project of the proposed precinct is the replacement of the current out-dated and inefficient central library and separate heritage centre with an integrated, modern facility. Central Geelong Waterfront Masterplan (recommends Council continues its planning and advocacy for priority projects based in the vicinity of the waterfront – including the Convention Centre, Yarra Street Pier and Eastern Beach Mineral Spa – each of which will further add to the appeal of the waterfront.
- The draft Gold Coast Cultural Precinct Masterplan shows the long term vision of the proposed cultural precinct, incorporating a range of new cultural facilities to complement the existing parklands and lake at Evandale. The precinct is proposed to include such uses as cinemas, theatres, restaurants/café's, library, creative industry/educational space, art development/incubator space, community space and new Council and civic buildings.

Promotion of Live/Work and Shop Top Living in City Centres

- Central Geelong Western Wedge is a project between Council and State Government aimed at creating opportunities for people to live and work in the same area, and also develops sustainable transport options. This project sits within the Western Wedge an area within Central Geelong identified as 'under-used' with a mix of warehousing and light industry, but with great potential for high density, mixed-use development. In the past five years, over \$31m has been invested in a program of studies and infrastructure works. These have focused on encouraging a mix of residential opportunities in Central Geelong, and improved access to and from Geelong railway station including forecourt works, traffic management, parking, and the recently completed entrance off Mercer Street.
- In August 2011, the Central Geelong Urban Living Demonstration Project was announced by the City of Geelong to showcase 'shop top' living, which was identified as one of the measures to stimulate development in Central Geelong. The project is in partnership with the State Government's Places Victoria (equivalent of Landcom). Council and Places Victoria will identify a suitable property in Central Geelong that could be converted into a residential apartment. It is envisaged that an actual conversion will enable Council to identify what issues need to be overcome to make shop top living a commercially viable prospect for property owners, and it is hoped that such a project would serve as a stimulus to other owners to follow suit.

Formation of Planning and Development Authorities

- 'Fremantle Union' is a significant partnership with four government agencies with planning responsibilities within and adjacent to the Fremantle CBD. The Union (comprising the City of Fremantle, Western Australian Planning Commission, Department of Planning, Fremantle Port Authority, Department of Transport and Public Transport Authority) has been established to provide an efficient, non-bureaucratic vehicle for facilitating the delivery of aspects of the City's economic development strategy. A key role for the Fremantle Union will be to support the development of a structure plan for the Fremantle CBD and surrounds. The Fremantle Union was established to enable each partner to participate in the resolution of longstanding planning challenges in Fremantle. The Fremantle Union will ensure direct lines of communication between the City and the key state government agencies.

Formation of Advocacy Groups

- The Central Geelong Advocacy Group serves as a reference group for ideas and actions from the member organisations including the City of Greater Geelong as well as members of the business community, State government, media and special interest groups.
- The G21 Geelong Region Alliance is the formal association of government, business and community organisations working together to improve the lives of people within the Geelong region across five municipalities – Greater Geelong, Colac Otway, Surf Coast,

Queenscliffe and Golden Plains. One of the initiatives of G21 is to identify and support particular and individual projects which support the broader Geelong Regional Plan.

- Gold Coast City Council established the Business Gold Coast Advisory Board in 1996 and since that time it has played a pivotal role in the economic agenda and future direction of Gold Coast City. The Advisory Board works with key business development organisations throughout the city to strengthen and diversify the Gold Coast's economic base and encourage national and international business investment.

Investment Attraction

- Gold Coast City Council's Economic Development Branch "Business GC" develops and facilitates the Program to assist in attracting new business investment to the city. The Investment Attraction Program incorporates a suite of investment attraction services with one component being a financial assistance package which is seeking to attract companies from export focused and knowledge-based industry sectors to strengthen the city's economy.
- Gold Coast City Council has partnered with the Gold Coast Music Industry Association to provide a new space for up-and-coming artists to hone their talent as part of the 2010 Big Music Project. The Big Music Project, which comprises three Council music development programs, is about supporting the city's creative industries and providing career options for up-and-coming artists.

Marketing and Branding

- NSW Tourism and Wollongong City Council have developed "Brand Wollongong" which is a marketing strategy. Initiatives include: a city centre marketing and events strategy an integrated online events calendar an ongoing collaborative marketing program for Wollongong. Brand Wollongong will have opportunities for start-up operators to big business. It has already been instrumental in attracting the National Judo Federation championships and the 80s Rewind Festival which will generate increased spending in the local economy. Local businesses will have the chance to tap into a range of business tools, share resources, spread costs, access marketing materials to gain greater market awareness.
- Central Geelong Marketing has been established as a Special Committee of Council with delegated responsibility for the expenditure of the funds raised by the Special Rate Scheme. This committee comprises members, either elected from the rate-paying community or nominated by various stakeholder bodies. Central Geelong Marketing's Mission Statement is: *the role of the Central Geelong Marketing Committee is to, market and promote Central Geelong in a coordinated and integrated manner aimed at enhancing its economic and social viability and its general amenity, making it an exciting, and vibrant focus for the whole of the Geelong region.*
- In August 2011 Council received a financial grant towards branding Geelong as a preferred place to live, work and invest. The Hit Geelong project will have a strong focus on web applications, multimedia and social media, which will be used to boost Geelong's profile as a business and industry destination. The project will promote investment opportunities both nationally and internationally. Another key aim of the project is to fill more than 20 skills shortages in Geelong with suitably qualified professionals from Australia or overseas.

Business Forums and Workshops

- Wollongong City Council manages regular forums with city centre businesses in relation to the future operations, events and marketing of the Mall and the City Centre. These forums enable Council and businesses to develop and implement future operations, events and marketing of the Mall and the City Centre. This provides an opportunity for all the key stakeholders to team together and come with the best options for the future. The forum is a key part of engagement with Business and Property Owners in preparation for Council taking back responsibility of the operations of the Mall come 1 November 2011.
- NSW Department of Trade & Investment, Regional Infrastructure & Services and Wollongong City Council provide a series of free retail skills workshops.

Sustainability

- The Future Proofing Geelong initiative promotes and support new and existing projects that seek to improve environmental outcomes for Geelong, making it an economically productive, vibrant and liveable city. A sustainable covenant was signed in May 2011, in which the partners of Future Proofing Geelong agreed to work together to see Geelong become nationally recognised as a city demonstrating sustainability leadership.

UK Best Practice Approaches and Example Initiatives to Foster Growth and Change

Liverpool Vision

Liverpool City Centre is not unlike Newcastle in that it competes with a major City (Manchester). Liverpool Vision is the EDC (former URC) responsible for the City's physical and economic regeneration.

The EDC has in place a Vision that has been agreed with the strategic partners, namely Liverpool City Council, The North West Regional Development Agency and the Home and Communities Agency.

Liverpool City Council (and its EDC – Liverpool Vision) is the main partner and is responsible for the following:

- To approve the Business Plan and to monitor progress;
- To provide operational and other support funding for projects which address the objectives of the Plan;
- Allocate its own resources in line with the vision and the Plan;
- Establish planning policies and frameworks that facilitate the Plan; and
- Support the objectives of the Plan through use of its other statutory powers.

The Regional Development Agency's responsibility was (powers recently transferred to either Council or Government):

- To approve the Business Plan and to agree a funding allocation for projects and to support operations;
- To provide indirect support through its programme of business support, sector development and other programmes (much the same of NSW Trade and Investment);
- Provide assets and resources in line with the Plan (e.g. surplus assets);
- Support the objectives of the Plan through use of its statutory powers.

The Home and Communities Agency's responsibility is:

- To approve the Business Plan and to agree an investment programme and provide operational funding support.
- Provide its own assets and resources in line with the Plan.
- Support the objectives of the Plan through use of its statutory powers.

Liverpool Vision also works with a wide range of partners including hospitals, other government agencies and universities.

A key part of the plan is identifying a family of "brands" to help market the City and also to provide businesses (new and existing) with the information and support they need. Within identified "Priority Areas" resources are pooled to fund visionary masterplans and funding needed to deliver projects.

Notable successes from this coordinated approach to funding focussed on delivery of a set of common priorities and projects include:

- **Marketing/Attracting Investment:** Showcased Liverpool at the World Expo in Shanghai – highlighting Liverpool's re-emergence as a city with a genuine global profile. More than 770,000 visitors to the Liverpool showcase. The economic benefits are estimated at up to £47.5m over the next 10 years through increased numbers of tourists and students, exports and foreign direct investment. 12% of sponsors secured sales or orders during the Expo and 70% expected sales in the future.
- **Land Assembly and City Centre Re-Generation:** Involved in the delivery of Liverpool One (retail scheme providing new streets and buildings that connect back into the city centre) selecting Grosvenor as the City Council's development partner. The development made a significant contribution to Liverpool becoming one of the top five, most popular retail destinations in the UK.
- **Masterplan led Development of Waterfront:** Liverpool Vision was responsible for the coordination of stakeholders in the development of a masterplan for the waterfront area (14.6ha). It was linked to the City's role as European Capital of Culture 2008 and the need to provide quality facilities and a sustainable legacy. This included represents an overall framework for development, and provided for the development of a conference centre, associated indoor arena and exhibition space, and adjoining 'plaza' where open air events are held.
- These 'civic facilities' were combined with residential, hotel, retail, office, leisure and car parking uses to create a new waterfront quarter of outstanding quality. Identified benefits were estimated as:
 - Approximately 3,200 jobs, 700 construction jobs, and opportunities for local business development; and
 - Employment, training and business development opportunities were targeted for the benefit of Merseyside. Building contractors for example were encouraged to establish on site recruitment facilities to be operated with employment and training agencies so that where skills and requirements permit jobs could be accessed by local people.

MediaCity, Manchester UK

This is an interesting case study for Newcastle. It demonstrates how the public sector can drive change by creating the framework for growth, while the actual delivery is the responsibility of the private sector. The opportunity that was captured in the form of MediaCityUK stemmed from a decision to relocate the BBC from expensive real estate within London to the northwest of England. To provide some context regarding scale, the relocation involved shifting around 1,600 jobs from London. A further 250 jobs were estimated for in-house services (for example post-production facilities) and 150 ancillary roles (for example in contract services such as cleaning and security). Economic assessments estimated that the move would generate more than £1.5bn in Gross Value Added over ten years and a total of 4,400 jobs.

At a strategic level, the North West Development Agency (NWDA) identified Councils with land that could accommodate the needs of the BBC and make a contribution to wider regeneration. The NWDA worked with those Councils in the North West of England to prepare economic impact studies to demonstrate the transformational impacts associated with the proposed relocation.

At a very early stage it was recognised that the relocation could be used to anchor a “Media Enterprise Zone” or “Cluster” generating additional benefits through the participation and relocation of other media and creative related businesses.

The BBC together with the NWDA identified a shortlist of locations and ultimately decided to relocate to MediaCityUK in Salford.

MediaCityUK is owned by a private landowner and developer (Peel Holdings). It is promoted as a destination in its own right, complementing the existing uses at Salford Quays, which includes The Lowry Arts Centre (Manchester’s most popular cultural tourist attraction), Manchester United Football Club, Lancashire Cricket Club and Imperial War Museum North.

Since the decision to relocate the BBC was made in 2004, MediaCityUK has been developed and the BBC has relocated (in stages) to the site. In addition the following users have been attracted to MediaCityUK.

- The Studios. An advanced HD facility in a comprehensive and flexible media production environment;
- By early 2012, more than 2,300 BBC North staff will be working at MediaCityUK;
- ITV is moving to MediaCityUK in 2012 and is also building a bespoke production centre for a major soap, Coronation Street on Trafford Wharf next to Imperial War Museum North;
- Media Village. Houses more than 40 small and medium-sized creative businesses located in The Greenhouse and The Pie Factory buildings; and
- Satellite Information Services (SIS), is relocating its production and engineering teams from London to MediaCityUK and is also Peel’s operational partner in The Studios.

It is interesting to note that the public sector involvement was focussed at the front end of the project with much of the masterplanning and implementation being the responsibility of the landowner and developer.

This is not to underplay the scale of the public sector intervention. Significant resources were allocated from Central Government and Local Government together with the funding of associated infrastructure.

Another important finding was the way Salford City Council, the North West Development Agency and Central Salford (the Urban Regeneration Company – see above) and the Peel Group worked together as partners to deliver the outcomes.

Salford City Council supports the development of MediaCityUK, recognising the opportunity to make a positive contribution to the community and to create employment for residents. Salford City Council also uses the success to market the City, attracting more businesses and driving economic growth beyond the boundaries of MediaCityUK.

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