

Carter Street Lidcombe  
Urban Activation Precinct

# Appendix E Economic Feasibility





JONES LANG  
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# Economic Feasibility Study

## Carter Street Urban Activation Precinct – Overview of Key Findings

Prepared for the Department of Planning &  
Infrastructure



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# Overview of Key Findings

## 1.1. Introduction

The Department of Planning and Infrastructure (DoP&I) NSW has engaged Jones Lang LaSalle, in conjunction with LFA Pacific and Parsons Brinckerhoff, to provide economic input into the Carter Street Urban Activation Precinct. Specific deliverables that Jones Lang LaSalle committed to include:

- Analysis of the residential, retail, office and industrial markets by:
  - Provision of context and current supply and demand influences;
  - Identification of area constraints;
  - Provision of a SWOT (strength, weakness, opportunity and threat) analysis for each asset class;
- A review of proposed land uses to test their relative viability; and
- Analysis of the timing and impact of infrastructure costs.

## 1.2. Carter Street Overview

On 16 March 2013 the NSW Premier announced the Urban Activation Precincts program as an important element of a package of wider housing delivery and jobs initiatives. The aim of Urban Activation Precincts is to deliver more homes in places with access to infrastructure, transport, services and jobs.

## 1.3. Precinct Analysis

The precinct adjoins the Sydney Olympic Park Specialised Precinct and the Parramatta Road Corridor. Sydney Olympic Park is an entertainment and event destination with an established office precinct. The Sydney Olympic Park Authority (SOPA) has developed a master plan that will facilitate the development of additional commercial, residential and retail zones to transform the area into a mixed use community. The Sydney Olympic Park Master Plan 2030 is consistent with the transformation of the broader area (including Newington, Rhodes and Wentworth Point) from industrial use to mixed use precincts supported by medium to high density residential communities.

The Carter Street Precinct is currently an industrial area with the majority of existing development occupied by warehouse facilities providing logistics services.

## 1.4. Summary of Findings

JLL has had regard to the attributes of the precinct, industry trends and market forces. The findings are summarised as follows:

- The large contiguous land holdings provide a strong base for redevelopment of the precinct.
- The current use is not the optimum use of the land and does not leverage the unique characteristics of the immediate area.
- Longer term the feasibility of the precinct will be driven by the proximity to and size of a permanent residential population.
- Demand for retail, community and local services will be driven by a local population within the precinct and will not be feasible until a permanent population is established.
- Transport linkages are critical to the feasibility of the precinct.

- Planning controls should be flexible enough to encourage development that reactivates the precinct as a vibrant destination with a range of residential and employment based uses. This will also help to minimise the impact of economic cycles on a precinct, as different sectors can be viable at different points in the economic cycle.

## 2. Industrial Land Use

### 2.1. SWOT Analysis

#### Strengths

- Carter Street is an existing industrial precinct that generally has dated improvements (some newer facilities do exist).
- Ongoing cash flow from these existing industrial uses represents low risk to land owners.
- Existing employment within the Carter Street Precinct (approximately 3,500 jobs)<sup>1</sup> are predominantly provided through current industrial uses.

#### Weaknesses

- Suitable industrial access is comparatively weak in relation to alternative industrial areas in less central locations (Outer Central Western Sydney, Southern Sydney).
- The precinct is no longer an industrial node. Industrial occupiers are trending towards a strong preference for clustering with like uses within large, well-served nodes.
- Existing industrial use does not effectively leverage this unique cultural location adjoining Olympic Park.
- Location within close proximity to non-industrial uses is not advantageous and potentially restricts capacity to intensify such uses within the Carter Street Precinct. Stakeholders of alternative uses within the surrounding precincts are likely to offer greater resistance to proposals for higher intensity industrial use rather than alternate uses such as retail, commercial or residential uses.
- Land is comparatively expensive compared to industrial employment land holdings in less central locations.
- There are a number of obsolete buildings that are currently vacant.

#### Opportunities

- Intensification of uses to higher technology uses, thus delivering greater employment densities and better capitalising on the higher skilled labour market in inner western Sydney.
- Development of further intensified industrial uses could be staged with existing industrial operations to limit loss during the development process.
- Potential to offer a more defined industrial precinct more in-line with occupier demand for clustered precincts.

#### Threats

- Industrial market in Australia trending towards greater freight and logistics activities and a contraction in small scale manufacturing activity. Location on orbital road network is more advantageous for logistics uses.
- Significant local alternative industrial offerings with spare capacity, e.g. Flemington Markets and surrounding land.
- On a broader basis, adjoining planning strategies do not marry easily with continued or intensified industrial uses within the Carter Street Precinct.

### 2.2. Development Drivers

- The industrial landscape of Sydney is in the midst of structural change, trending toward greater activity in freight and logistical services.

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<sup>1</sup> Hill PDA Auburn Employment Lands Study April 2008

- The Sydney industrial market is undergoing a shift westward. Supply of new industrial floor space in the inner west region has declined dramatically in the last decade, as has the level of demand.
- Industrial occupiers are trending toward an appetite for decentralised industry precincts that are better serviced by the Sydney Orbital Road Network and other vital infrastructure.
- Larger decentralised nodes with better access to vital industrial access routes also offer the potential to gain the symbiotic benefits of co-location within industry clusters.
- Occupier cost savings in relation to larger and less expensive landholdings and an abundance of Greenfield sites are further comparative advantages of alternative industrial areas in less central locations.

### 2.3. Recommendations

Maintaining existing predominant industrial use or further intensifying these uses is not recommended for the Carter Street Precinct as:

- Existing or higher intensity industrial use does not effectively capitalise upon the unique location of the Carter Street Precinct adjoining the significant cultural, sporting and social infrastructure of Olympic Park; and
- A general shift westward within the Sydney industrial landscape, supported by planning infrastructure and evidenced by Jones Lang LaSalle Research data, indicates a preference (particularly within the rapidly growing freight and logistics industry) for alternative decentralised industrial nodes over the established industrial precincts of the Inner West.

## 3. Residential Land Use

Provided below is our analysis of the potential for residential uses to be incorporated within the Carter Street Urban Activation Precinct.

### 3.1. SWOT Analysis

#### Strengths

The strengths for incorporating residential uses within the Carter Street Urban Activation Precinct are as follows.

- There is an underlying demand for residential product in Sydney. A major factor behind the lack of affordable housing which exists in metropolitan Sydney and beyond is the shortage of supply from new developments. Sydney and regional nodes remain a major destination for new migrant population along with domestic movements toward Sydney as an employment centre, which has seen demand for housing long exceeding supply. This strong demand for residential products can be seen by analysing the growth of new residential suburbs in the inner west of Sydney such as Rhodes which is demonstrated by strong presale figures and prices.
- The Carter Street Urban Activation Precinct has close proximity to existing and future amenity planned for the Sydney Olympic Park precinct which includes sporting, cultural and entertainment facilities located within Olympic Park, as well as future commercial precincts to be constructed as part of the SOPA 2030 plan which should provide local employment for the area. In addition to these the newly developed Rhodes Waterside development includes the sub-regional retail amenity.
- Existing public transport infrastructure (approximately 1km from Olympic Park Train Station and within 3kms to Auburn, Lidcombe, Flemington, North Strathfield and Concord West Train Stations).
- The central location is attractive for a multitude of Sydney's workforce as it allows acceptable travel distances for residents to work in multiple employment districts such as the Parramatta CBD (6.5km), Macquarie Park (10km), Norwest Business Park (15km) and Sydney CBD (16km)

- Due to the relatively large area for the proposed urban activation precinct, there is significant opportunity to produce affordable housing due the economies of scale of potential residential development.
- Large land sizes and limited land owners improve development feasibility as there is less need to amalgamate sites.

### **Weaknesses**

Some of the weaknesses associated with incorporating residential uses within the Carter Street Urban Activation Precinct are as follows:

- Although located approximately 1km south of Olympic Park Train Station, the proposed area does not have its own train station, which would reduce the amenity of the precinct.
- The precinct lacks retail amenity and any changes of use would need to consider the impact of this on the attractiveness of the development.

### **Opportunities**

Opportunities to capitalize on when considering the incorporation of residential development in the Carter Street Urban Activation Precinct are as follows:

- Sydney is experiencing strong demand from both domestic buyers and foreign investors who have a strong appetite for new residential products in well located areas as evidenced by current rates of sale in neighbouring precincts.
- Significant infrastructure upgrades are planned for the area which improves linkages and amenity throughout the broader region.

### **Threats**

Threats towards any potential residential product being incorporated in the Carter Street Urban Activation Precinct come from future development competition and in surrounding areas. The most significant of which are:

- Sydney Olympic Park (SOPA 2030) including Wentworth Point, and
- Other areas within Auburn and the surrounding LGAs that will continue to provide competition (suburbs such as Rhodes, Ryde and Meadowbank).

### **3.2. Development Drivers**

Residential development is driven by a wide array of factors. Putting financial returns aside, the main drivers are:

- More broadly, demand for residential product in Sydney;
- Access to local amenity and geographic location;
- Access to existing infrastructure; and
- Clarity of planning outcomes.

The Carter Street Precinct provides an opportunity to produce land in an area that satisfies many of these drivers.

### **3.3. Recommendations**

- Deliver a precinct that is sympathetic to the location and amenity of the adjoining land uses and has regard to the need to activate the broader precinct by bringing permanent residents to the area.
- Future neighbourhoods need to consider a mix of residential, retail and employment opportunities.

#### 4. Commercial Land Use

In its review of 'commercial' uses Jones Lang LaSalle has considered a range of employment generating uses namely high tech industrial, office and bulky goods.

**High tech industrial:** While Jones Lang LaSalle has identified the challenges associated with industrial uses in the Carter Street Precinct some potential may exist for adhoc investment in 'high tech' industrial uses. We have used a broad definition for this use to reflect the development of higher proportions of office space that can support industrial uses.

**Office:** Jones Lang LaSalle has identified the potential take up of approximately 7,500 to 12,500 sqm p.a. of office uses although importantly we note there is risk associated with this outcome. Such development is likely to be 'back ended' based on the assumption that (a) SOP gains even greater acceptance as being an dedicated office precinct and (b) competing suburban office markets being more constrained. Demand will also be determined by having a highly competitive economic rent and attractive car parking controls.

**Bulky goods:** The Carter Street precinct lacks the critical drivers that support bulky goods including a lack of exposure and a large quantum of superior existing supply. Jones Lang LaSalle does not consider there will be sufficient demand for a material stand-alone bulky goods offering. Potential may exist however for a small amount of supporting bulky goods that is attached to existing facilities e.g. warehouses.

The below SWOT analysis reflects broad considerations primarily associated with office uses (stand alone or as part of high tech industrial). We consider bulky goods will only occur on an opportunistic basis and have therefore not included this specifically within the SWOT below.

#### 4.1. SWOT Analysis

##### Strengths

- Precinct offers some amenity to the office worker population.
- Access to public transport.
- Some office uses within the broader office precinct including Olympic Park (for examples CBA, Thalis).

##### Weaknesses

- Close to but not part of an identified or established commercial precinct.
- Secondary commercial location.
- Lack of clustering with other commercial operators, albeit there are some office uses in the wider precinct as mentioned above.
- Although located approximately 1km south of Olympic Park Train Station, the proposed area does not have its own train station, which would reduce the amenity of the precinct (i.e. not within easy walking distance for some occupiers).
- Frequency of public transport currently poor – but assumption is that frequency will increase in line with growth in demand.

##### Opportunities

- Lower land value and lower economic rent commercial option.
- Potential to have generous car parking controls to attract tenants.
- On grade car parking can be used over the easements on the south side of Carter Street.
- Potential development of local office uses such as real estate, solicitor and community uses as part of a mixed use development with residential and retail.
- Increased local workforce with likely population growth both within the Carter Street Precinct and in surrounding localities.

### **Threats**

- Competing office locations, particularly those of Olympic Park, Macquarie Park, Rhodes and Parramatta.
- Susceptible to changes and advances in the above markets; this could be a threat or an opportunity depending on the nature of the change.

### **4.2. Development Drivers**

- Likely growth in local residential population requiring a workplace within reach by public transport, close to amenities and other social infrastructure and within close proximity to home.
- Unique amenities and social infrastructure of Sydney Olympic Park, adjacent to the site.
- Growth in Sydney CBD base office demand likely to drive up effective CBD rents and occupancy costs, so occupiers will seek more cost effective alternatives in non-CBD business park locations.
- Employers attracted by access to skilled workforce as the residential population grows.
- Ample development opportunities within a supportive local planning framework.
- Increasing urban density and public planning policy (Sydney Metropolitan Strategy) is driving employment growth in well-serviced, decentralised business hubs.
- There are changing tenant needs for accommodation that in many cases can be better satisfied in a quality business park solution rather than in the CBD or the Fringe markets.
- Some businesses are seeking representation within large growing communities that are rapidly becoming a major source of both demand and workforce for their businesses.

### **4.3. Recommendations**

- Commercial office uses could be developed on the site along with other uses to form a viable mixed use scheme although we do not recommend these uses be developed across the entirety of the site. We expect the level of demand to be inferior to areas such as Macquarie Park and SOP which have greater market acceptance and potential. Our analysis suggests a medium to long term take up rate of 7,500 sqm to 12,500 sqm p.a. may be achieved.
- There is potential for significant competition from SOP which has the potential for a superior offer. Market positioning (differentiate or integrate with SOP) of any business park in the Carter Street Precinct is critical to the development feasibility of the precinct.
- The controls proposed should allow for cost competitive office development inclusive of generous car parking.
- The controls should allow flexibility for office uses to be aligned with the industrial uses (pseudo high tech industrial) and potential for some complementary bulky goods offering.

## **5. Retail Land Use**

### **5.1. SWOT Analysis**

#### **Strengths**

- Large land holding in single ownership on north side of Carter Street – allows flexibility.
- Master planned opportunity – providing greater certainty for investors.
- Existing visitor accommodation on Edwin Flack Avenue – potential patronage.
- Relative proximity to station – approximately 800m – 1km away.
- Existing visitor destination (although somewhat removed from main visitor nodes).

- Existing working population base is relatively large.
- Land is freehold (as opposed to SOP land).

### **Weaknesses**

- Land fragmentation on southern side of Carter Street.
- Noise from adjoining M4 Motorway.
- Access to the site is poor – particularly for existing nearby residents at Lidcombe and Newington. This means that retailing will predominantly rely on patronage from within the Carter Street Precinct.
- Frequency of public transport is currently poor – but the assumption is that frequency will increase in line with growth in demand.

### **Opportunities**

- Retailing to serve future residential population within the precinct.
- Retailing to serve increased local workforce.
- Linking in and complementing the aspirations identified in SOPA's Sydney Olympic Park Master Plan 2030.
- Potential to increase the trade area by providing access to south of the M4.
- Large land holdings may offer opportunities that will be difficult to meet on SOP land.

### **Threats**

- Timing – coincides with Sydney Olympic Park Master Plan 2030 which may threaten interest / demand from retailers.
- Building the critical mass of residents to support retail in the short term. This may delay the retail offer being brought to market.
- Strong competition limits the potential scale / demand for retail services. However, if the scale of retail suits the local population, then this is not a threat as the market will be captive.

### **5.2. Development Drivers**

- Residential development is a key driver for the development of retail uses.
- Workforce population is also another key driver, including commercial office development.
- Drivers also include reaching the critical mass necessary to support a supermarket.
- Linking in and complementing the aspirations identified in SOPA's Sydney Olympic Park Master Plan 2030.

### **5.3. Recommendations**

- Retail land uses should be considered in conjunction with proposed residential and commercial land uses. The development of retail accommodation should complement other uses as part of a wider mixed use scheme. Assuming the retail is developed to support the other proposed uses, we predict demand of between 8,000 to 12,000 sqm may be achieved for this land use.
- The timing of retail uses needs to be carefully considered. To develop too early will impact their viability. If retail uses are developed too late it may impact the viability of other uses.

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