Appendix F

Economic Feasibility

Showground Station Precinct

Planning & Environment

Research Report

Economic Feasibility: Commercial, Retail, Bulky Goods, Industrial & Residential Analysis

Prepared for: NSW Planning & Environment

FINAL

26 August 2015

1 Executive Summary

1.1 Background

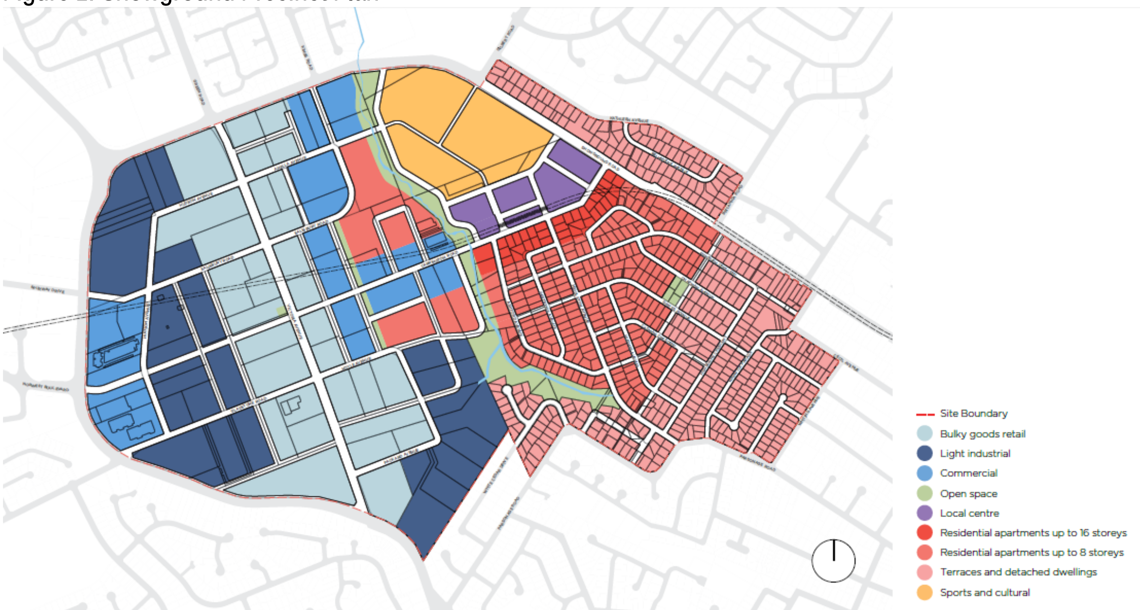
This report has been prepared by JLL and provides an assessment of economic feasibility analysis relating to the proposed rezoning of the Showground Station Precinct ("The Precinct").

The Precinct was announced by the NSW Government in August 2014. The Precinct is one of a number of Priority Precincts which aim to provide for more homes, jobs and improved public spaces close to transport and services. One of the key goals for Priority Precincts is to increase housing choice and affordability by delivering increased housing supply in an environmentally, socially and economically sustainable manner.

The Precinct is located in The Hills Shire Local Government Area ("The Hills LGA") and covers approximately 271 hectares. The boundary of the Precinct is generally based on the road boundary within a radius of 800 metres from the proposed Showground Station, which is normally considered to reflect a 10 minute walk. The boundary also takes into account predominant land uses, built form and natural features.

The vision for The Precinct is for a vibrant, mixed use centre comprising a mixture of offices, shops, community facilities, recreational, cultural and leisure activities, education, and a mix of housing types within walking distance of the new station.

Figure 1: Showground Precinct Plan



Source: SJB Planning

The Precinct is a long term project that will be delivered over the next 25 years.

1.2 Key Findings

Provided below is a summary of the key findings from this report.

Macro-Economic Considerations

- There has been continued recovery in the global economy. This trend is expected to continue with risks starting to recede and become less immediate. Domestically, the economy has gone through a transition away from resource investment & public sector drivers. The transition has assisted in the disappearance of the multi-speed economy, with NSW responding well to domestic growth drivers of consumption and housing activity.
- Australia is a small, open economy, heavily exposed to global commodity and capital markets. Redevelopment opportunities in Sydney have been assisted with access to finance which is expected to keep demand for new residential and non-residential property high in the short term. The reduced cost of capital helps development feasibility but only in

the short term. JLL are aware, however, that this study is for the longer term and therefore expect that economic conditions will mean revert.

Influences of Future Demand

- Sydney CBD continues to attract the majority of regional headquarters of global corporations locating in Australia. Industry clustering, particularly in suburban markets, is strengthening, examples include; information and communications technologies (Macquarie Park), biomedicine (Westmead, Randwick), and transport and logistics (Port Botany and Mascot).

- There has been continuing shifts in manufacturing, transport and distributions activities in Western Sydney. This is reflective in the relative importance of industrial land within Western Sydney (69% of industrial zoned land is within the South West, West and West Central regions). The current metropolitan strategy for Sydney, *A Plan for Growing Sydney*, identifies that this Western Sydney focus will continue as the region plays a vital role in Sydney's future productivity.

- The need for a number of infrastructure projects was identified by Infrastructure NSW in a 20 year Strategy prepared in 2011. The result of this report and other inputs was a number of infrastructure initiatives, many of which will impact The Precinct. The major initiatives that will have an impact on The Precinct include, the North West Rail Link (key influence), and to a lesser extent; the Western Sydney Light Rail, the WestConnex and the NorthConnex.

Locational Context

- The Castle Hill Statistical Area Level 2 (SA2) is located approx. 31 km to the north-west of the Sydney CBD. It makes up around 16% of The Hills LGA resident population. The NSW Department of Planning & Environment (The Department) forecasts population growth in the Hills LGA to average 2.3% per annum to 2031.

- The SA2 is characterised predominantly by families. Couples with Children are the largest single group comprising 45.2% of all households, followed by 26.4% of households consisting of Couples without Children. The SA2's median weekly person and household incomes are above that of the Greater Sydney region, 19% and 37% consecutively. Detached dwellings are the dominate form of housing comprising 74.9% of the SA2's housing stock. The share of apartments, however, has significantly increased between 2001 and 2011 from 2.2% to 12.7%.

Land Use Survey

- JLL considered that an improved understanding of employment could be achieved through substantiating existing employment data within the Precinct by undertaking a land use survey of part of the landholdings currently used for employment (See **Section 5.1 Survey Area and Methodology**). Ultimately, JLL identified approx. 1,584 Full-Time Equivalent (FTE) employees worked within the defined boundaries. Through this survey we were also able to identify a number of key outputs (See **Section 5.2 Survey Outputs** for further details), including; Employment by Land Use; GFA and Employment by Land Use; Effective FSR; Vacancy; Number and Proportion of Employees by Industry; and, Number and Proportion of Employees by Two Digit ANZIC.

- JLL notes it is only undertaken a survey of approximately 25% which we have used as a base to calculate employment within The Precinct (base on certain assumptions).

Commercial (Office) Analysis

- 26 million sqm is monitored by JLL, 65% of this located in the six CBD markets while the other 35% is located in the 13 metropolitan markets. These markets consist of what is known as "investment" grade office stock and therefore are the only ones covered by JLL.

- The metropolitan markets as a whole are more affordable than the CBD markets. This is reflected in Sydney with prime gross effective rents in Sydney metropolitan markets ranging from an average 39.2% of Sydney CBD rents in Norwest Business Park ($244/sqm gross effective) to North Sydney which is much closer at 79.8% of CBD rents.

- Provided within the Showground Station Precinct Structure Plan (“the Structure Plan”) is an underlying assumption about very significant growth in the commercial market employment. JLL understands ‘Commercial’ to be office uses. JLL does not agree with the forecast growth assumptions **within** The Precinct, however, does identify significant potential within the Norwest Precinct and has therefore undertaken analysis to quantify the opportunity.
- Through our analysis, JLL determined the potential for growth at Norwest in office stock, which we then converted to potential job growth (utilising 12.5/sqm per employee) in the following ranges:
  - Low 400 jobs per annum or a total of 9,600 jobs to 2036
  - Medium 800 jobs per annum or a total of 19,200 jobs to 2036
  - High 1,200 jobs per annum or a total of 28,800 jobs to 2036
- As opposed to Norwest, the opportunity within The Precinct is more for “support” type office uses. We are of the view that this type of office uses will grow in line with greater Sydney, although with a 20 basis point premium due to the location and amenity, and as such have had reference to the predicted growth of white collar employment in the Sydney Greater Capital City Statistical Area (GCCSA) as provided by Deloitte Access Economics (DAE).
- In support of our view JLL notes the following key inhibitor for investment grade office product within The Precinct:
  - Lack of recognition of being an investment grade office precinct;
  - Lack of clustering of similar and associated office occupiers;
  - “Confused” offering i.e. along similar lines to the challenges of developing office product in Chatswood, St Leonards, Sydney Fringe etc.; and,
  - Immediate proximity to high quality alternative office destination (i.e. Norwest).

Retail Analysis

- The Australian retail sector is segmented geographically and by format. They can be regional, sub-regional, neighbourhood centres, CBD retail centres, bulky goods retailing and strip precincts. Institutional investor interest has primarily focused on regional and sub-regional, although limited availability of the asset types has recently stimulated interest in CBD and neighbourhood centres.
- Demand for retail space is driven by a variety of factors, including expansion of store networks, new retail formats entering the market, population growth and growth in overall retail spending. Population growth remains strong, retail spending growth has been subdued but picked up in 2014. International retailers are pushing demand through establishing and expanding their networks. The relatively subdued retail spending and challenging market conditions has led to moderate increases to vacancy rates across retail centres.
- Retailer demand for space in Sydney is currently mixed. Demand from food and beverage operators continued to rise, while demand from discretionary retailers, especially domestic fashion retailers, remained subdued. Leasing executives reported a small increase in tenant enquiry over the second half of 2013, which mirrors a similar improvement in overall consumer sentiment across Australia.
- Growth in global brands in the Australian market has been a feature recently. The Sydney CBD along with Melbourne, are typically the first locations for store rollouts.
- Approximately 106,800 sqm of retail supply was added to the Sydney market during 2013, marking the year as the lowest year for new retail supply since 2002 (96,200 sqm). 2014 is expected to be slightly stronger, with 130,000 sqm of projects under construction and due to complete during the year.
- Broadly JLL is unable to support the current or forecast employment numbers from the Structure Plan. JLL has used the data from the land use survey to form a view on the

current levels of employment within the precinct. As discussed within **Section 11 Current and Forecast Dwelling & Employment Yields** of this report, we have made broad assumptions relating to the level of employment represented within the survey area.

- JLL is of the view that the retail employment generated within The Precinct will consist of three types of retail, these are; neighbourhood, unorganised (associated with population growth) and retail associated with growth of employment. For each of these types we have forecasted employment growth to 2036. The forecast employment growth for each retail type are:
  - Neighbourhood Centre – 150 jobs (6,000sqm of organised retail, being 3,000sqm of supermarket and 3,000sqm of specialty and support retail)
  - Unorganised retail, associated with population growth – Low 162, Medium 217 and High 271 (Unorganised retail ranging – Low 4,164, Medium 5,553 and 6,941)
  - Retail associated, with employment growth – 157 (Associated with growth of current employment within the Precinct)

Bulky Goods Analysis

- Bulky goods, defined as the merchandising of bulky goods, comprise a significant component of retail industries. They require large floorplates with large areas for handling, storage or display and easy and direct vehicular access. Successful bulky goods retailing tends to cluster together, within homemaker centres or in out-of centre developments, which encourages branding and destination shopping.
- New retail supply in 2013 was dominated by the bulky goods and neighbourhood sectors, driven by demand for new stores by Woolworths supermarkets, Master Home Improvement Stores (another Woolworths brand), and Bunnings Warehouses. As of Q4/2013, Investment yields for bulky goods (multi-unit) centres firmed marginally.
- JLL is of the view that the Precinct plays a vital role in servicing the bulky good requirements of the greater The Hills LGA. This view is similarly expressed in a survey conducted by Hill PDA in 2008, within the Baulkham Hills Retail Floorspace and Demand Analysis 2008 report. The survey identified that 64.9% of bulky goods floor space within the then Baulkham Hills LGA (now The Hills LGA) was located within the "Castle Hill Industrial Area" (The Precinct).
- In forecasting employment growth for bulky goods we have utilised the population projections of the BTS for the Hills Shire to 2036. Utilising our own metrics to identify the floor space provision allocated per 1,000 residents, JLL have then assumed a similar provision rate of bulky good floor space going forward within The Precinct (64.9%). Utilising the rate per employee (69/sqm) based on our survey findings, we determined the forecast for bulky goods employment growth within The Precinct to be 522 FTE. This resulting in approx. 1,575 FTE within the Precinct by 2036.

Industrial Analysis

- JLL Research monitors the metropolitan Sydney industrial market, including trends in supply, demand, rents, yields and investment sales. Six precincts are monitored across Sydney; South, North, Inner West, Outer Central West, Outer North West and Outer South West. The Precinct is part of the Outer North West industrial precinct.
- Supply of industrial space has remained relatively subdued when compared to historical average. The limited supply has been partly a consequence of diminishing active developer land banks and lower pre-lease activity. However, JLL's view is that greater access to greenfield sites and completion of needed infrastructure around key estates will support greater supply activity, particularly from 2016 onwards.
- While economic growth is a natural driver of demand for industrial space, there are forces at play that favour one location over others and structural changes that have impacted on demand for industrial space. Key drivers of demand for industrial land and buildings include: structural change and rise of the logistics sector, shift from manufacturing to warehousing, infrastructure, clustering, affordable land, competing uses in Inner / Middle suburban areas and on-line retailing.

- Broadly JLL is unable to support the current or forecast employment numbers from the Structure Plan. JLL is of the view that there is potential for growth of industrial employment within The Precinct, however, we believe this will occur in line with greater Sydney. We have utilised the predicted blue collar employment growth in the Sydney Greater Capital City Statistical Area (GCCSA) as provided by Deloitte Access Economics (DAE). DAE predicts blue collar employment growth in the Sydney GCCSA between 2014 and 2024 to be averaging approximately 0.85% per annum. We have thus adopted this rate out till 2036.
- Utilising our survey results, we derived a base industrial employment number of 3,218 FTE as at 2014. Our forecast has then grown this base at 0.85% per annum to 2036, resulting in approximately 3,877 FTE, a growth of 659 FTE.

Residential Analysis

- Provided within this report is various metrics that identify the current state of the residential market within The Precinct and more broadly. This analysis includes a variety of demand indicators including dwelling approvals, house and unit price and sales volumes, gross realisations from new developments and development site sales metrics which all show heightened levels of activity and strong pricing. JLL's view is that in the medium to longer term the current strong demand will mean revert to softer longer term averages.
- Notwithstanding, The Precinct has attributes that make it very attractive for residential development. However, an important consideration is the medium to long term supply along the North West Rail Corridor. This totals approx. 27,400 dwellings and based on the current structure plan, The Precinct comprises only 13% of this proposed supply. Therefore, we note that 23,800 dwelling are proposed to complete within the same timeframe and thus impact on the likely future take-up of residential at The Precinct.

Current and Forecast Dwelling & Employment Yields

- The Structure Plan identifies the current and forecast dwellings.

	Dwellings in 2012		(28% Take Up)		Growth	
Type of Housing	Total	%	Total	%	Growth	p.m.
Single Detached	500	67%	400	9%	- 100	- 0.3
Townhouse	-	0%	350	8%	350	1.2
3-6 Storey apartments	250	33%	2,600	60%	2,350	8.2
7-12 Storey apartments	-	0%	1,000	23%	1,000	3.5
Total Dwellings	750	100%	4,350	100%	3,600	13

- JLL has not been provided with the methodology used to calculate the current dwellings in the Structure Plan of 2012. Our assessment on the current dwelling yield is as follows.

	Dwellings in 2012	
Type of Housing	Total	%
Single Detached	550	100%
Townhouse	-	0%
3-6 Storey apartments	-	0%
7-12 Storey apartments	-	0%
Total Dwellings	550	100%

- Provided in the table below is a range of potential development yields for the period 2012 - 2036. On balance we are of the view that a take up rate of between 12 and 20 per month may be achieved.

Assessment	Low	Medium	High
Rate per month	12.0	16.0	20.0
Per year	144.0	192.0	240.0
For 24 years (2012-2036)	3,456	4,608	5,760

- The Structure Plan identifies the current and forecast employment numbers.

Land Use	Structure Plan		
	2012	2036	Growth
Commercial (office)	1,000	6,400	5,400
Retail	-	800	800
Bulky Goods	4,000	5,500	1,500
Industrial	2,500	2,500	-
Total	7,500	15,200	7,700

- Provided within each of the land use sections of this report is high level information on the methodology used to calculate the current employment levels. Broadly JLL is unable to support the current or forecast employment numbers from the Structure Plan.
- JLL has used the data from the land use survey as well as broad assumptions to help determine the current employment base.

Land Use	Current Showground Precinct Employment (Estimate)
Commercial (office)	1,299
Retail	768
Bulky Goods	1,053
Industrial	3,218
Total	6,338

- Within each of the individual sections of this report is additional detail on (a) the methodology used in prior reports to assess the current and forecast employment by land use and (b) JLL methodology for forecasting employment. A summary of our employment forecasts compared with that of the Structure Plan is provided below.

Land Use	Structure Plan			JLL Forecast		
	2012	2036	Growth	2014	2036	Growth
Commercial (office)	1,000	6,400	5,400	1,299	1,890	591
Retail	-	800	800	768	1,292	524
Bulky Goods	4,000	5,500	1,500	1,053	1,575	522
Industrial	2,500	2,500	-	3,218	3,877	659
Total	7,500	15,200	7,700	6,338	8,634	2,296

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2 Macro-Economic Considerations

2.1 Current Economic Conditions

2.1.1 Global

- The themes of uncertainty and volatility have continued into the first half of 2015. In recent weeks the threat of Greece leaving the Eurozone following a default to the IMF and a 30% slump in the Chinese stock exchange has concerned investors worldwide.
- The Euro area recovery continues although it remains fragile. GDP grew by only 0.4% y-y in 1Q15 following growth of 0.3% in 4Q15.
- The US surprised on the downside with negative growth in 1Q15, however, in the main part this can be explained by transitory factors and an improvement is expected in the remainder of the year.
- Despite the stock market slump in recent weeks, the Chinese economy recorded 7% growth in 2Q15. Slower growth is expected in the second half of the year.
- After moving out of recession in the final quarter of 2014 Japan recorded strong growth of 1% in 1Q15. Survey evidence suggests that business confidence has improved and the lower exchange rate is helping to support external trade.
- The possibility of a Greek exit from Europe keep re appearing and the latest agreement isn't likely to be the last we hear of it. Even in the case of a 'Grexit' the impact on Australian economic growth would be limited.

2.1.2 Domestic Economy

- Australian economic growth has disappointed over the past few quarters, however, results for the first quarter of 2015 were more encouraging. GDP grew by 0.9% over the quarter or 2.3% year-on-year (y-y).
- Export volumes grew strongly over the quarter and despite strong import growth, net exports were the largest contributor to economic growth (0.5 percentage points).
- The consumer sector appears to be improving with wealth effects from increasing house prices, strong retail spending growth and a moderate decline in the household savings rate from recent high levels.
- Falling business investment remains a key risk for the Australian economy. Non-mining investment is still struggling to pick up where the mining sector has dropped off.
- Business investment is expected to remain weak throughout the remainder of 2015. However, further depreciation of the AUD should help to support exports. Oxford Economics forecast that Australian GDP will grow by 2.6% in 2015 before picking up to 2.8% in 2016.
- The unemployment rate dipped down to 5.9% in May 2015 before edging back up to 6.0% in June. This is the average unemployment rate for Australia over the last twenty years. Wage growth has fallen off significantly, rising by 2.3% y-y in 1Q15.

2.1.3 NSW Focus

- Following a long period of relatively subdued growth the NSW economy rebounded in 2014 with State Final Demand (SFD) growing by 4% in the year to December 2014. Growth appears to have slowed in the first quarter of 2015 with SFD growing by 0.5% q-q and 1.9% y-y.
- Overall in 2014, New South Wales Gross State Product (GSP) is expected to have grown by 3.0% (DAE), a distinct improvement on the 1.1% recorded in 2013 and well above the national average (2.7%).
- The two cuts in interest rates so far this year have further boosted the housing market in New South Wales with dwelling price growth picking up strongly. Dwelling prices in Sydney

rose by 16.2% over the year to June 2015 and the average house price now rests at $900,000 (RP Data). There are now concerns that the Sydney housing market is in a bubble and that this may be a risk to financial stability particularly if interest rates rise in the next couple of years. However, at the moment house price growth is boosting the wider economic environment.

- The buoyant housing market has provided a boost for the consumer sector. Household consumption growth (around 63% of the state economy) is estimated to have been 3.1% in the year to 2Q15 whilst real retail turnover grew by 5.8% in March 2015 (y-y). After recovering in 2013 private housing investment has continued to grow strongly with growth estimated to be 10.9% in the year to June 2015 (DAE).
- Business investment recorded growth of 1.7% in 1Q15 despite machinery and equipment investment declining slightly over the quarter. Additionally, stronger infrastructure spending on road and rail projects over the next couple of years should help to bolster business investment. The NSW $20 million privatisation agenda including the 'poles and wire's' infrastructure should bolster spending on infrastructure.

2.2 Growth Outlook and Implications for the Precinct

- Low interest rates and robust growth in the housing market should help to support the NSW economy and ensure that it outperforms the national average in the short term. Overall, the outlook for the NSW economy is positive but with slower growth expected. DAE for NSW GSP will grow by 2.5% in 2015 before picking up 2.8% in 2016.
- Australia is a small, open economy, heavily exposed to global commodity and capital markets. Redevelopment opportunities in Sydney have been assisted with access to finance which is expected to keep demand for new residential and non-residential property high in the short term. The reduced cost of capital helps development feasibility; however, this is a short term consideration. JLL are aware, however, that this study is for the longer term and therefore expect that economic conditions will mean revert.

3 Influences on Future Demand

The objective of this section is to identify factors that influence future demand for employment and dwellings in Sydney.

3.1 Influence of Metropolitan and Regional Activity

JLL have provided below a summary of key economic influences that impact Sydney and the Precinct.

- The higher order industries such as finance and business services are located around the Sydney CBD and North Sydney. The Sydney CBD continues to attract the majority of regional headquarters of global corporations locating in Australia.
- Industry clusters are strengthening in information and communications technologies (Macquarie Park), biomedicine (Westmead, Sydney Central, Randwick), finance and business services, tourism and entertainment (Sydney CBD), and transport and logistics (Port Botany and Mascot).
- There has been rapid growth of business parks, particularly in North West Sydney, Rhodes and Sydney Olympic Park.
- Home–based work has grown, particularly in areas with large professional populations such as the north western suburbs.
- There has been continuing shifts in manufacturing, transport and distribution activities to Western Sydney, with concentrations of manufacturing activity in Bankstown, Blacktown and Fairfield.
- More retail, construction and community service activities and jobs are dispersing to the high population growth subregions in the west.
- In relation to occupations, recent data suggests that:
  - Jobs such as general and specialist managers, specialist business unit managers, business, information technology, science, and arts and media professionals are concentrating in and around the global economic corridor.
  - Service professional jobs are dispersing and concentrating around education and health facilities. This includes nurses, teachers, GPs, counsellors and welfare workers.
  - ‘In–person’ service workers are dispersed with higher densities in older and wealthier suburbs. This includes childcare, personal care and fitness instructors.
  - The industrial production workforce is concentrated in the post–war production areas — particularly along the M5 and M4 motorways. This includes store persons, hand packers, machine operators, product assemblers and factory labourers.

There has been a long–term trend for manufacturing and logistics employment to shift towards the western suburbs, with particular concentrations around Wetherill Park and the area known as the Western Sydney Employment Hub, incorporating the State Environmental Planning Policy (SEPP) No. 59 employment lands near the former Australia’s Wonderland site at Blacktown.

Manufacturing, transport and warehousing activity is concentrated along major transport corridors and arterial roads such as the Hume Highway, M5 and the M7. Planning for improved links between Sydney Airport, Port Botany and the manufacturing and distribution industries are a priority of the Economy and Employment Strategy.

A successful outcome for the Precinct needs to consider the changing nature of employment discussed above.

3.2 The Changing Economic Geography

3.2.1 Employment Lands

As at January 2014, there were 15,328 hectares of zoned industrial employment lands in metropolitan Sydney. Of these 4,086.6 hectares were undeveloped, including 463 hectares with water and sewer services. In the previous 12 months, total zoned stock increased by 158.7 hectares.

Since January 2010, around 320.4 hectares of land have been developed, averaging around 80.1 hectares take-up per year between 2010 and 2014. In aggregate Sydney has shortages of employment lands for industrial activities, with the supply of undeveloped and serviced land (in terms of water and sewer) below the minimum 5-7 years benchmark.

Industrial areas in established areas remain under pressure to be rezoned for residential development, although more industrial land is being rezoned for business development and enterprise corridor uses, which maintains important economic functions and employment outcomes.

Table 1: Sydney's Employment Lands below, shows the distribution of Sydney's employment lands by subregion as shown in the NSW Government's Employment Lands Development Program 2014 (ELDP 2014). An important observation is the contribution of the three Western Sydney subregions:

South West, West and West Central

The western industrial subregions; South West, West and West Central, comprises 69% of the total of the employment lands. The westward shift of employment lands is a long term process, originally initiated by relative abundant, larger and cheaper industrial land in Sydney's west, and more recently driven by development of the Sydney Orbital Network.

Table 1: Sydney's Employment Lands

Subregion	Hectares (Ha)
Central	1,477.9
North	331.6
South	896.2
South West	4,174.2
West	1,811.1
West Central	4,597.6
Central Coast	2,039.4
Sydney Region	15,328.0

Source: NSW Planning and Environment (Employment Lands Development Program Update Reports)

Take-up of developed industrial employment lands (i.e. comparing total developed land by year) across Greater Sydney in the past four years ranges significantly. Up until the onset of the Global Financial Crisis in 2008, Sydney experienced high take-up rates of new industrial employment lands, driven by high growth in new distribution and warehousing facilities.

The take-up per annum in developed industrial land between January 2010 and January 2014 can be seen below in Table 2: Annual Developed Industrial Take-Up.

Similarly, investment in industrial has been erratic. Industrial building activity approved in the Sydney Region in 2009/10 totalled approximately $400 million, while significantly higher in 2010/11 at $936 million, then back down to $510 million and $650 million in the 2011/12 and 2012/13, consecutively.

Table 2: Annual Developed Industrial Take-Up Jan-2010 to Jan-14

Year	Take-Up (Ha)
2010	120.0
2011	-266.5
2012	104.8
2013	362.1

Source: NSW Planning and Environment (Employment Lands Development Program Update Reports)

A new economy is taking place in traditional employment lands around the periphery of global city centres. In Sydney, traditional employment lands in South Sydney, Ultimo - Pyrmont and along the Parramatta River towards Parramatta have been transformed with most areas rezoned for quality residential and others redeveloped for a mix of housing and/or new economy activities. This is in fact a global phenomenon. New economic and living spaces are emerging in and around employment lands in many global cities including London, Glasgow, Hamburg, Berlin, Barcelona, Milan, New York, Montreal, Toronto, San Francisco and Vancouver. Industrial regeneration is also occurring in a number of Asian cities including Tokyo, Shanghai, Seoul and Singapore.

After many years of decline, new industries are emerging in old factories and warehouses in older industrial areas. This includes new production spaces for small knowledge based firms in multi-media, computer graphics, software design, fashion, advertising, furniture and design, film production and post-production and specialised foods and beverages such as organics and health products.

Other knowledge-based firms are spinning out of research laboratories, universities and hospitals in high growth areas such as bio-medical, environmental products and services and information and communications technologies. These firms look for flexible spaces and accessibility to major city based clients such as financial institutions, media firms and film studios. Firms in these locations seek good amenities including sport and recreational activities, cafes, childcare and accessibility to shopping opportunities. New consumption spaces are also expanding because of increasing affluence and household consumption in inner city areas, including luxury car showrooms, electronic goods and other household goods. These household consumer oriented firms look for locations that are accessible to emerging households living in gentrified residential areas.

3.2.2 Major Trends

The discussion about global Sydney has in the past been focused on the Global Economic Corridor, an area stretching from Macquarie Park through Chatswood and North Sydney, the CBD, surrounding inner city localities, and south to Sydney Airport, but now extended to include Parramatta Local Government Area.

Whilst recognising the strengths of the Corridor, the Sydney Metropolitan Plan, *A* Plan *for Growing Sydney* has made specific reference to the importance of western Sydney. It highlighted[1]:

- Currently, 47% of residents are in Western Sydney, with only 36% of jobs and one-third of Sydney's Gross Regional Product
- Many Western Sydney residents must travel outside of the region for work, particularly well-paid knowledge-based jobs. Around 28% of the resident workforce travel to other parts of Sydney to get work.

A Plan for Growing Sydney includes a vision for Western Sydney that secures the city's productivity into the future. Already extraordinary changes have taken place in Sydney's economic geography with high job growth compared to previous periods. New employment opportunities and increased employment self-containment in areas such as in the North West are being driven by:

[1] *A Plan for Growing Sydney 2014* – http://www.strategy.planning.nsw.gov.au/sydney/the-plan/

- Growing professionalisation of the labour force, leading to growth of knowledge-based service Industries
- Rapid growth of knowledge based firms
- Closer integration into the metropolitan economy
- Growth of new economic and institutional spaces in local and regional high performing areas including Norwest, Parramatta CBD, Westmead and Rouse Hill.

3.3 Infrastructure

3.3.1 State Infrastructure Strategy

In July 2011, Infrastructure NSW was tasked with preparing a 20 year Strategy that assesses the current state of infrastructure and identifies strategic priorities. The Strategy is independent advice to the Government on the specific infrastructure investments and reforms recommended to make NSW number one again.

The Strategy looks across a broad range of sectors and identifies specific projects and programs for priority consideration. It also makes recommendations to the NSW Government on how to fund these recommendations.

In its focus on Greater Sydney Infrastructure NSW identifies the following major industries and infrastructure deficiencies by Sydney Subregion

Table 3: Infrastructure Deficiencies by Sub-Region in Greater Sydney

Sub-Region	Population 2011	Major Industries	Infrastructure Deficiencies
South	650,000	Finance and Services, Logistics	Road congestion, i.e. Princes Highway, adding to freight costs and commute times
North	500,000	Business Services, Technology, Education	Inadequate connectivity to F3 Freeway access to Global Sydney from Northern Beaches and school capacity
West Central	680,000	Secondary CBD – Finance and Insurance Services, Health, Education (UWS), Manufacturing	Access to Parramatta and Global Sydney, inadequate road links, school capacity
North West	760,000	Health, Education (UWS), Construction	Flooding risks, road congestion, i.e. M4 Motorway access to Parramatta and Global Sydney
South West	410,000	Logistics, Manufacturing, Construction	Road congestion, i.e. M5 Motorway, adding to freight costs and commute times, school capacity
Central Coast	300,000	Technology, Health, Manufacturing	Access to Global Sydney, inadequate road connectivity

The key infrastructure priorities that emerge from Infrastructure NSW's capability assessment of today's infrastructure deficiencies and Greater Sydney's forecast population and employment growth are:

- Housing. Houses need to be built at a much faster rate than during the last decade. Improving the co-ordination of the utility and local transport infrastructure networks that are needed to enable this will be a major infrastructure challenge. Enabling residential development in those areas most accessible to employment is critical.
- Transport. Greater Sydney's new residents will work across the metropolitan area. As today, some will work locally, some will work elsewhere in Greater Sydney, and some will travel into Global Sydney. Sydney needs flexible transport networks that can support this complexity of journey patterns. Ensuring efficient freight movements within and through Greater Sydney is also essential to the economy.
- Social Infrastructure. Investment in schools and healthcare facilities will be required in the fastest growing areas. In the health sector, new models of care are needed to ensure affordability as Sydney ages.

Table 4: State Infrastructure Strategy: Recommended Actions – Urban Roads

	Recommendations	Years	Type	Cost and Funding Implications
	Section 6 Urban Roads			
1	WestConnex planning and delivery of initial phases	0 – 5	Major project	Target estimate of $10 billion. Modelling indicates a government funding requirement of $2.5 billion.
2	Pinch points program around Parramatta and other growing centres	0 – 5	Program	Scoping of $300 million
3	Identify and preserve corridor for Outer Western Sydney Orbital	0 – 5	Corridor	Cost of corridor preservation is not material. No assessment of land acquisition costs has been made.
4	Construct F3-M2	0 – 5	Major project	Proposal assumes private sector solution via current unsolicited proposal.
5	WestConnex project completion Includes: Parramatta Road urban regeneration	5 – 10	Major project	Target capital cost included above. Regeneration will be through private investment – assume no net cost to Government.
6	Roll-out Managed Motorways program to increase effective capacity	5 – 10	Asset utilization	Scoping of $300 million
7	Identify and preserve corridor for new sub-surface motorway links West of the CBD (Airport – Gladesville – M2)	10 – 20	Corridor	Cost of corridor preservation is not material. No assessment of land acquisition costs has been made.
8	Construct F6 Extension	10 – 20	Major project	Scoping of $3 billion assumes use of existing F6 transit corridor and surface construction. Assumption of two thirds user funding.

Table 5: State Infrastructure Strategy: Recommended Actions – Buses and Light Rail

	Recommended Actions	Years	Type	Capital and Funding Implication
9	**Develop and construct Anzac Parade Light Rail from Central Station to Moore Park and University of NSW**	0 – 5	Major project	Scoping of $500 million based on Gold Coast Light Rail assumes surface construction and no user contribution to capital costs.
10	**Reform CBD bus routing to reduce congestion**	0 – 5	Asset utilisation	Operational reform – no capital works proposed.
11	**CBD Transit Improvement Plan: Construct underground Bus Rapid Transit**	5 – 10	Major project	Scoping of $2 billion for a tunnel option from the Sydney Harbour Bridge to the Town Hall area and development of Wynyard and Town Hall bus/rail interchanges. Potential opportunities for value capture exist.
12	**Pedestrianise central part of George Street**	5 – 10	Major project	Cost included in Recommendation 11.
13	**Incremental bus priority measures for Parramatta and other strategic corridors**	5 – 10	Program	Scoping of $200 million.
14	**Northern Beaches bus corridor improvement plan incorporating Spit Bridge augmentation and priority lanes**	5 – 10	Program	Scoping of $200 million.
15	**Develop and construct transitway from Parramatta to Epping/Macquarie Park**	10 – 20	Major project	Scoping of $400 million assumes a bus T-Way option.

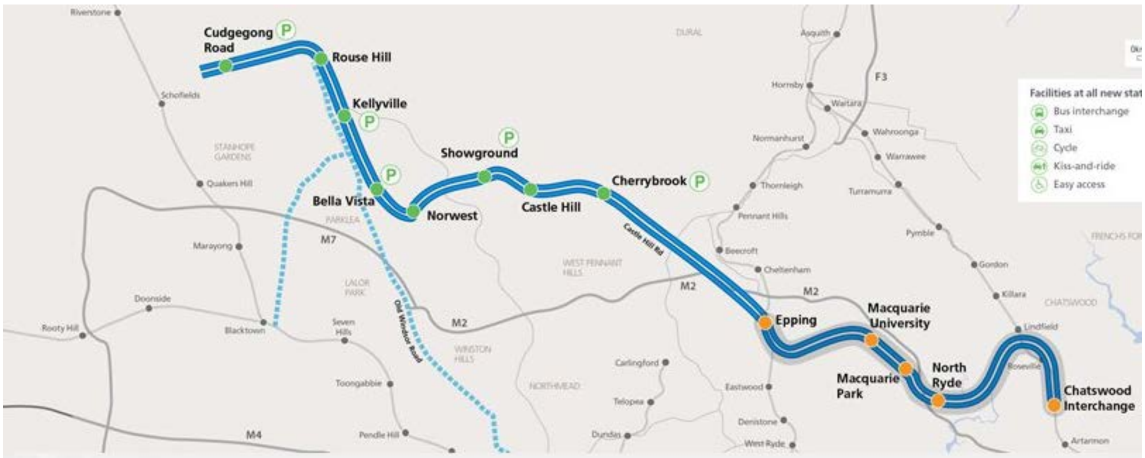
Table 6: State Infrastructure Strategy: Recommended Actions – Passenger Trains

	Recommendation	Years	Type	Cost and Funding Implications
16	Start construction of North West Rail Link	0 – 5	Major project	Existing Government commitment.
17	Mainline Acceleration Program Wollongong – Sydney pilot scheme	0 – 5	Program	Emphasis will be on operational improvements, supported by a scoping of $100 million for targeted works on speed restrictions and pinch points. Does not allow for major civil works, line re-signalling or new rolling stock.
18	Turn-up-and-go express train service between Sydney CBD and Parramatta across the day	0 – 5	Asset utilisation	Operational reform – no capital works proposed.
19	Improve CBD rail off-peak price incentives	0 – 5	Asset utilisation	Assume overall outcome is revenue neutral.
20	Mainline Acceleration Program Target one hour express service Wollongong – Sydney and Gosford – Sydney	5 – 10	Program	Continuation of pilot program from Years 0 – 5. Scoping of $1 billion for capital works.
21	Unlock City Circle spare capacity to relieve CBD congestion	5 – 10	Asset utilisation	Scoping of $1 billion allows for reconfiguration of junctions and associated works outside Central to allow more services to access the City Circle. It does not include resignalling of the City Circle.
22	Modernise Wynyard and Town Hall stations	5 – 10	Major project	Transport costs included within CBD Transit Improvement Plan (refer Recommendation II).
23	Rapid transit extension from NWRL to CBD and Inner West, and release additional capacity on Main West Lines	10 – 20	Major project	Scoping of $5 billion assumes resignalling of North Shore, Harbour Bridge and Inner West Lines and new rolling stock. Works include capacity upgrades between Chatswood and North Sydney and junction works at Central.
24	Develop extension of Eastern Suburbs Railway to Randwick and Maroubra	10 – 20	Planning	Cost of planning work is not material.
25	Mainline Acceleration Program Target two hour express service Newcastle – Sydney	10 – 20	Program	Continuation of previous program. Scoping of $500 million for capital works.

3.3.2 North West Rail Link ("NWRL")

Work has commenced on the $8.3 billion NWRL project with the opening of the first stage planned for 2019. While much debated the rail project does not pass through Parramatta. The Western Sydney Light Rail is intended to provide a link between the NWRL and Parramatta with the connection at Castle Hill.

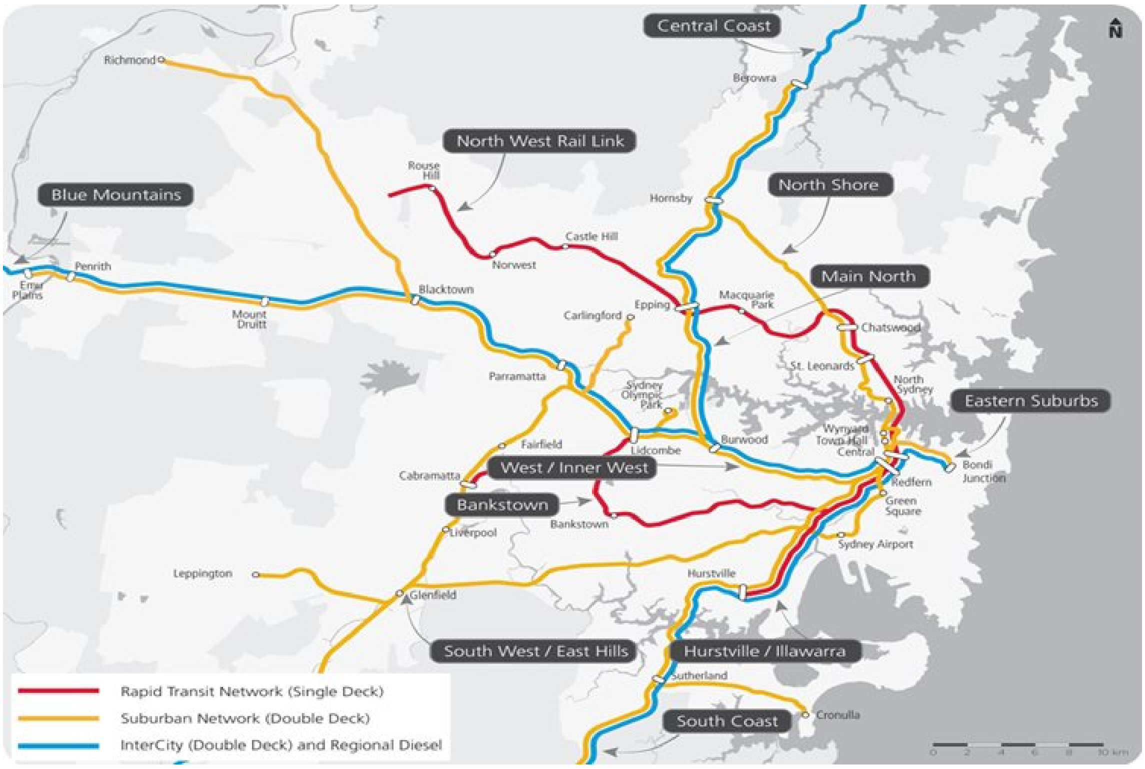
Figure 2: North West Rail Route



Source: http://www.transport.nsw.gov.au/

Once complete, the NWRL, in conjunction with the existing rail infrastructure will provide the following rail connections across Sydney (seen in Figure 3: Sydney's Three Tiered Rail Network).

Figure 3: Sydney's Three Tiered Rail Network



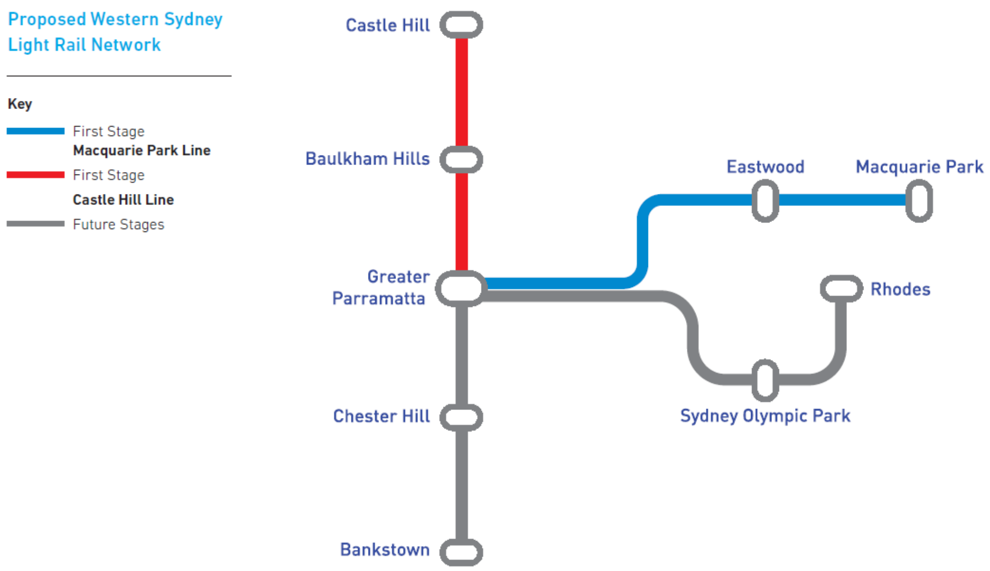
Source: http://www.transport.nsw.gov.au/

3.3.3 Western Sydney Light Rail

The NSW Government had originally set aside $400 million toward its Western Sydney light rail plan, however, has additionally committed a further $600 million for light rail bringing the funding commitment to $1 billion, although the only immediate commitment is to fund the feasibility study. 10 possible options were originally canvassed; however, this has been refined to 4 options for routes to be investigated in detail going out of Parramatta, these can be seen in the figure below.

In the study undertaken by Parramatta Council priority was given to developing the link to Macquarie Park, then Castle Hill followed by potential routes to Rhodes and Bankstown. The revised cost for both lines (Macquarie Park and Castle Hill) is $1.525b for 30km including a depot and 21 light rail vehicles to operate a service every 10 minutes during peak times, and 15 minutes at other times, on both Lines.

Figure 4: Western Sydney Light Rail –Option from Initial Feasibility Study



Source: http://nwrail.transport.nsw.gov.au/The-Project/Rapid-Transit-System

3.3.4 WestConnex

Westconnex is a 33 kilometre project which brings together a number of important road projects which together form a vital link in Sydney's Orbital Network. They include a widening of the M4 east of Parramatta, a duplication of the M5 East and new sections of motorway to provide a connection between the two key corridors.

WestConnex will be progressively opened to traffic as each stage is completed, with the final stage due to open in 2023. The entire project is expected to cost about $11-11.5 billion

Figure 5: Westconnex

Source: http://www.westconnex.com.au/about/index.html

3.3.5 NorthConnex

NorthConnex links the M1 Pacific Motorway at Wahroonga to the Hills M2 Motorway at West Pennant Hills. The proposed nine kilometre tunnel motorway includes interchanges to the north and south to accommodate connections at either end of the project.

The $3 billion project, consisting of a construction budget of $2.65 billion in addition to land and project delivery costs, will be funded through toll charges with a contribution from the NSW and Federal Governments of up to $405 million each.

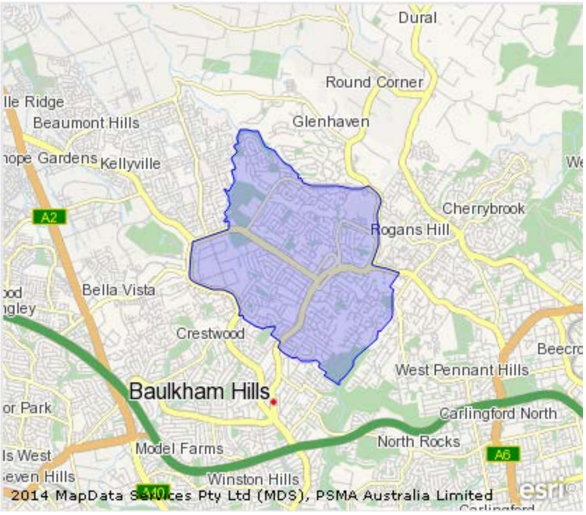
Figure 6: NorthConnex Indicative Route

Source: http://www.northconnex.com.au/

4 Locational Context

The objective of this section is to provide locational context of the Castle Hill and Showground markets.

Castle Hill Statistical Area Level 2



Source: Australian Bureau of Statistics, ESRI

Castle Hill (SA2) is located approximately 31 km to the north-west of the Sydney CBD. It has a resident population of 29,549, forming around 16% of the population of the broader The Hills Shire local government area (LGA). There are 9,386, private dwellings in the SA2, which constitutes a slightly higher share of the LGA's total private dwelling stock.

According to the NSW Department of Planning & Environment, the population of The Hills Shire LGA, which incorporates the Castle Hill SA2, is forecast to reach 183,563 by 2031, reflecting an average growth rate of 2.3% per annum, this being greater than the growth of 1.6% per annum expected across the Sydney metropolitan area over this period.

The key demographic statistics for the SA2 are provided in the following table and graphs. Comparative statistics at the LGA and the Greater Sydney are area also provided in the following table:

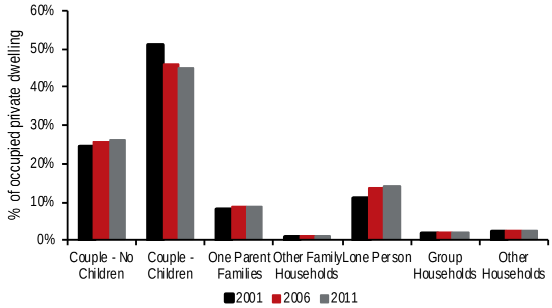
Demographic	Castle Hill	The Hills Shire	Greater Sydney
Population 2013[1]	29,549	183,563	4,747,603
Population 2011 *(Census)*	27,418	169,521	4,429,034
Population change (%)	7.8%	8.3%	7.2%
Population aged 14 years & younger (%)	19.3%	21.5%	19.1%
Population aged 65 years and older (%)	12.8%	10.7%	12.8%
Median age	38	37	36
Median weekly personal income ($)	$736	$715	$617
Median weekly household income ($)	$1,982	$2,040	$1,444
Median number of people per household	2.9	3.1	2.7
Total number of dwellings	9,386	54,493	1,601,529
Dwellings rented (%)	18.7%	15.9%	32.6%

Source: Australian Bureau of Statistics (ABS), Dept of Employment. [1] Population 2013 – Est resident population as at 30 June 2013 (ABS)

Household Type

• The SA2 is characterised predominatly by families. Couples with Children are the largest single group comprising 45.2% of all households, higher than their share of 34.8% across the Greater Sydney region. A further 26.4% of the SA2's households consist of couples without children. These two combined with the other family household types (one parent famlies & other family households) reveals that the total family households accounts for 81.3%, being higher than for the Greater Sydney region which is 69.5%. This reflects the family focus of this region.

• The proportion of households consisting of a couple with children has fallen from 51% in 2001 to 45.2% in 2011. Although their share remains significantly higher than that of Greater Sydney (34.8%), it remains below the corresponding share across the broader LGA (50.9%).



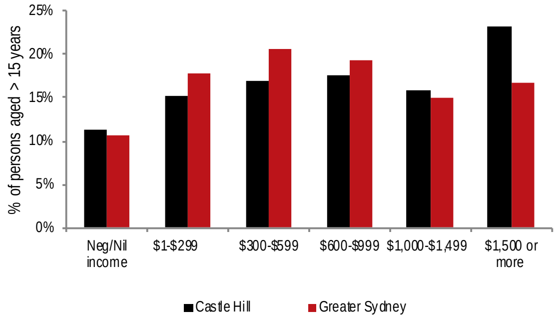
Source: JLL, ABS - 2011 Census

Weekly Personal Income

• The SA2's median weekly personal income of $736 is 19% above that of the Greater Sydney region. The SA2's median household income of $1,982, is also higher at approximately 37% above its Sydney metropolitan equivalent.

• Median personal and household incomes in the SA2 grew at an annualised rate of 3.1% and 2.7% between 2001 and 2011. This is lower than the annualised growth rate in personal and household incomes at the Greater Sydney level (3.4% and 3.8% respectively).

• Disaggregation of personal income by income band reveals that the SA2 has a smaller proportion of residents on low to mid incomes and a much higher proportion of residents with high incomes (>$1,500) compared with Greater Sydney.

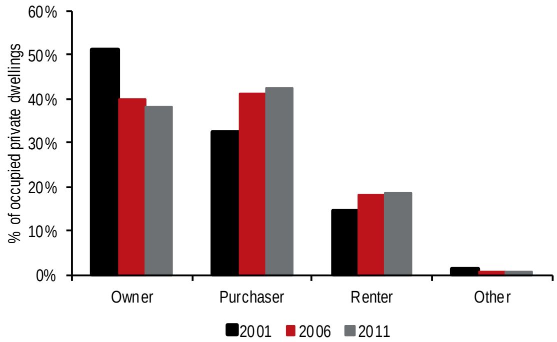


Source: JLL, ABS 2011

Housing Tenure

• Linked to the SA2's family and income demographics the proportion of owners and purchases is 14% larger than Greater Sydney.

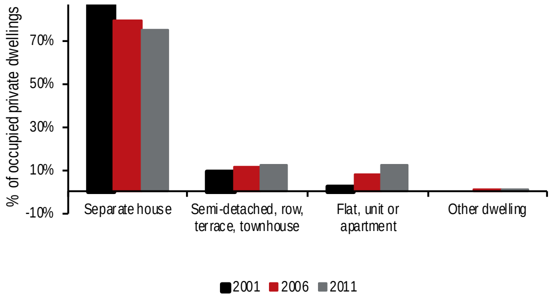
• The share of owner occupiers in the SA2 has fallen from 51.2% in 2001 to 38.2% in 2011. This has, however, primarily been offset by an increase in the rate of home purchase which has risen to 42.5% from 32.7%.



Source: JLL, ABS - 2011 Census

Dwelling Structure

• Detached dwellings are the dominant form of housing comprising 74.9% of the SA2's housing stock. The share of apartments, however, has significantly increased between 2001 and 2011 from 2.2% to 12.7%.
• The growth in apartment living in the SA2 is reflective of changes to local planning policy as well as the increased demand for apartment living across the Sydney region.
• 2 bedroom units constitute the largest share (64.2%) of the private apartment stock. A further 23.8% of all apartments consist of three bedroom units.



Source: JLL, ABS - 2011 Census

JLL

5 Land Use Survey

JLL considered that an improved understanding of employment could be achieved through substantiating existing employment data within the Precinct by undertaking a land use survey of part of the landholdings currently used for employment.

5.1 Survey Area and Methodology

The areas survey comprised the north east quadrant of the Precinct and this area was selected due to its proximity to the new train station.

JLL collected or collated the following information from each business:

- Address
- Business name
- ANZSIC to Triple Digits
- Land area
- Nature of improvements
- Gross floor areas of improvements
- Number of car spaces (defined)
- FSR (calculated)
- Occupancy (i.e. occupied vs. vacant)
- Comments and notes that we received from our discussions with the occupiers

5.2 Survey Outputs

Provided below are the key outputs from the Land Use Survey:

Employment

JLL identified approximately 1,584 full time equivalent employees worked within the defined boundaries.

Employment by Land Use

Based on some broad assumptions JLL considers employment in each of the land uses to be as follows:

Land Use	Employment
Office	325
retail	192
bulky good:	263
industrial	805
	1,584

GFA and Employment by Land Use

Based on a total GFA of 115,894 and total employees of 1,584, each employee occupies approximately 73 sqm.

Effective FSR

Based on our calculations on building GFA (122,994 sqm) and land area (344,500 sqm) JLL has calculated an effective FSR of 0.36: 1.

Vacancy

Based on our calculation of vacant areas JLL has calculated a vacancy rate of 5.8% which is below our expectations of the Sydney average for this nature of development.

Number and Proportion of Employees by Industry

Based on the ANZSIC Single Digits we have identified the following industries. As a point of reference JLL has compared this data against all industrial lands within the Parramatta LGA.

Row Labels	Sum of # Employees (FTE)	%	Parramatta Industrial Area	%
C Manufacturing	**530.9**	**34%**	**7,085**	**39%**
D Electricity, Gas, Water and Waste Services	62.0	4%	19	**0%**
E Construction	74.9	5%	300	**2%**
F Wholesale Trade	**263.2**	**17%**	**4,785**	**27%**
G Retail Trade	**165.9**	**10%**	**806**	**4%**
H Accommodation and Food Services	26.2	2%	142	**1%**
I Transport, Postal and Warehousing	2.0	0%	2,505	**14%**
J Information Media and Telecommunications	15.0	1%	28	**0%**
K Financial and Insurance Services	15.0	1%		**0%**
L Rental, Hiring and Real Estate Services	7.0	0%	133	**1%**
M Professional, Scientific and Technical Services	**186.9**	**12%**	**395**	**2%**
N Administrative and Support Services	6.9	0%	361	**2%**
O Public Administration and Safety	38.7	2%	13	**0%**
Q Health Care and Social Assistance	77.0	5%	47	**0%**
R Arts and Recreation Services	26.8	2%	131	**1%**
S Other Services	85.9	5%	1,193	**7%**
Vacant	-	0%		**0%**
Grand Total	**1,584.4**	**100%**	**17,943.0**	**100%**

Key observations from the above include:

- The comparatively high proportion retail trade and professional, scientific and technical services

- The lower proportion of manufacturing and wholesale trade

Number and Proportion of Employees by Two Digits ANSIC

Row Labels	Sum of # Employees (FTE)	1 Digit %	2 Digit %
C Manufacturing	530.9	33.5%	
13 Textile, Leather, Clothing and Footwear Manufacturing	4.9		0.3%
14 Wood Product Manufacturing	5.8		0.4%
15 Pulp, Paper and Converted Paper Product Manufacturing	85.0		5.4%
16 Printing (including the Reproduction of Recorded Media)	36.1		2.3%
18 Basic Chemical and Chemical Product Manufacturing	155.8		9.8%
19 Polymer Product and Rubber Product Manufacturing	4.0		0.3%
22 Fabricated Metal Product Manufacturing	8.8		0.6%
23 Transport Equipment Manufacturing	2.7		0.2%
24 Machinery and Equipment Manufacturing	223.0		14.1%
25 Furniture and Other Manufacturing	4.9		0.3%
D Electricity, Gas, Water and Waste Services	62.0	3.9%	
26 Electricity Supply	8.0		0.5%
28 Water Supply, Sewerage and Drainage Services	54.0		3.4%
E Construction	74.9	4.7%	
30 Building Construction	48.3		3.0%
31 Heavy and Civil Engineering Construction	2.7		0.2%
32 Construction Services	24.0		1.5%
F Wholesale Trade	263.2	16.6%	
28 Water Supply, Sewerage and Drainage Services	20.0		1.3%
33 Basic Material Wholesaling	8.9		0.6%
34 Machinery and Equipment Wholesaling	130.0		8.2%
35 Motor Vehicle and Motor Vehicle Parts Wholesaling	4.9		0.3%
36 Grocery, Liquor and Tobacco Product Wholesaling	24.4		1.5%
37 Other Goods Wholesaling	75.0		4.7%
G Retail Trade	165.9	10.5%	
39 Motor Vehicle and Motor Vehicle Parts Retailing	18.5		1.2%
40 Fuel Retailing	-		0.0%
41 Food Retailing	3.5		0.2%
42 Other Store-Based Retailing	103.9		6.6%
43 Non-Store Retailing and Retail Commission-Based Buying and/or Selling	40.0		2.5%
H Accommodation and Food Services	26.2	1.7%	
45 Food and Beverage Services	26.2		1.7%
I Transport, Postal and Warehousing	2.0	0.1%	
51 Postal and Courier Pick-up and Delivery Services	2.0		0.1%
J Information Media and Telecommunications	15.0	0.9%	
58 Telecommunications Services	15.0		0.9%
K Financial and Insurance Services	15.0	0.9%	
62 Finance	9.0		0.6%
64 Auxiliary Finance and Insurance Services	6.0		0.4%
L Rental, Hiring and Real Estate Services	7.0	0.4%	
67 Property Operators and Real Estate Services	7.0		0.4%
M Professional, Scientific and Technical Services	186.9	11.8%	
69 Professional, Scientific and Technical Services (Except Computer System Design and Related	115.8		7.3%
70 Computer System Design and Related Services	71.1		4.5%
N Administrative and Support Services	6.9	0.4%	
72 Administrative Services	5.0		0.3%
73 Building Cleaning, Pest Control and Other Support Services	1.9		0.1%
O Public Administration and Safety	38.7	2.4%	
75 Public Administration	38.7		2.4%
Q Health Care and Social Assistance	77.0	4.9%	
85 Medical and Other Health Care Services	77.0		4.9%
R Arts and Recreation Services	26.8	1.7%	
90 Creative and Performing Arts Activities	6.0		0.4%
91 Sports and Recreation Activities	20.8		1.3%
S Other Services	85.9	5.4%	
94 Repair and Maintenance	74.2		4.7%
95 Personal and Other Services	11.7		0.7%
Grand Total	1,584.4	100%	100%

6 Commercial (Office) Analysis

Provided within the Showground Station Precinct Structure Plan ("the Structure Plan") is an underlying assumption about very significant growth in the commercial market employment. JLL understands 'Commercial' to be office uses.

As has been outlined within this report JLL broadly does not agree with the forecast growth assumptions **within** the Precinct. JLL does identify significant potential for employment growth within the Norwest Precinct and has therefore undertaken analysis to quantify this opportunity.

6.1 Context on Investment Grade Office Locations

The objective of this section is to provide information into the Australian office markets so that when more focused analysis is undertaken on the Norwest it is understood in the broader context.

The Australian office markets monitored by JLL comprise just over 26 million sqm of office space, 65% of which is located in the six CBD markets of Sydney, Melbourne, Brisbane, Canberra, Perth and Adelaide, and 35% located in 13 major metropolitan office markets. The metropolitan markets monitored by JLL include the following:

- Sydney metropolitan markets:
  - Sydney Fringe
  - North Sydney
  - Chatswood
  - St Leonards
  - Macquarie Park (including North Ryde)
  - Norwest
  - Homebush/Rhodes
  - Sydney South
  - Parramatta
- Outside NSW market including Melbourne Fringe, Melbourne South East Suburbs, Brisbane Fringe and West Perth

The metropolitan markets comprise a mix of fringe CBD locations, major suburban CBDs such as Parramatta and Chatswood, inner suburban locations and business parks. Each of these locations has quite different characteristics that may attract different occupiers.

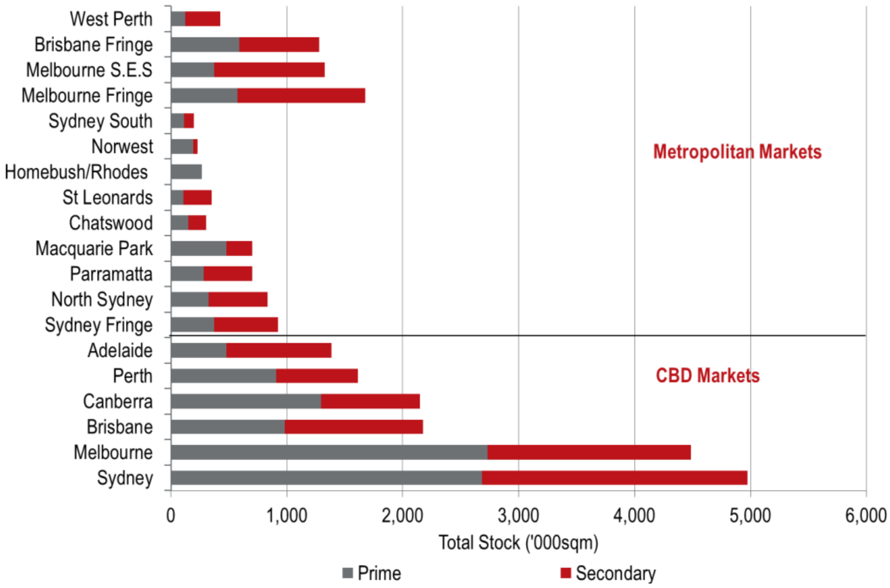
- The fringe office markets include Sydney Fringe, Melbourne Fringe, Brisbane Fringe and West Perth. These markets adjoin their respective CBD markets and provide a viable near city alternative to the CBD. Typically, occupancy costs are lower (both rents and parking costs) and car parking provision is higher. Fringe locations suit companies that desire an affordable, central location with better access to low cost parking for both workers and customers.
- Suburban CBDs include Parramatta, North Sydney and Chatswood in Sydney, and Dandenong CBD, which is part of Melbourne's South East Suburbs. Some of these markets have attracted a large government workforce (e.g. Dandenong, Parramatta) with state government in particular decentralising some of their services to these locations. The markets generally have reasonable access to public transport and a good mix of support services. Rents are significantly lower than central CBD markets.
- Business parks are typically lower density office locations providing modern, affordable accommodation with plentiful parking for workers and customers. Low rise buildings with large floor plates are common, providing greater flexibility and efficiency. Examples in Australia include Norwest and Homebush in Sydney and Monash, which is part of Melbourne's South East Suburbs.

- Other inner suburban locations are often an extension of fringe markets and have attracted office accommodation due largely to their relatively central location and good access to transport e.g. St. Leonards/Crow Nest. These markets have often been attracted to their proximity to higher socio-economic residential areas which are where a high proportion of the employees reside.

6.1.1 Supply and Demand

As at Q2/2014, the total stock across the 13 monitored metropolitan markets was 9.228 million sqm. Sydney's metropolitan markets accounted for 4.516 million sqm, or 48.9% of the total. The two largest metropolitan markets, however, are both in Melbourne. Melbourne Fringe comprises 1.676 million sqm of stock and includes St Kilda Road precinct while Melbourne South East Suburbs 1.327 million sqm across six main precincts.

Figure 7: Prime and Secondary Grade Stock by Metropolitan Market, Q2/2014



Source: JLL Research

The leasing market has been challenging across both metropolitan and CBD markets, with a decline in occupied stock in the 12 months to Q2 2014. The metropolitan markets[2] contracted by 42,766sqm, with the largest contraction being in North Sydney (18,227sqm) followed by the Melbourne Fringe (16,664sqm) and the Brisbane Fringe (12,021sqm).

The level of contraction, however, has been considerably less than Australia's six CBD markets, which during the same period shed 119,924sqm of occupied space, led by Perth (82,895sqm) and Brisbane (56,965sqm).

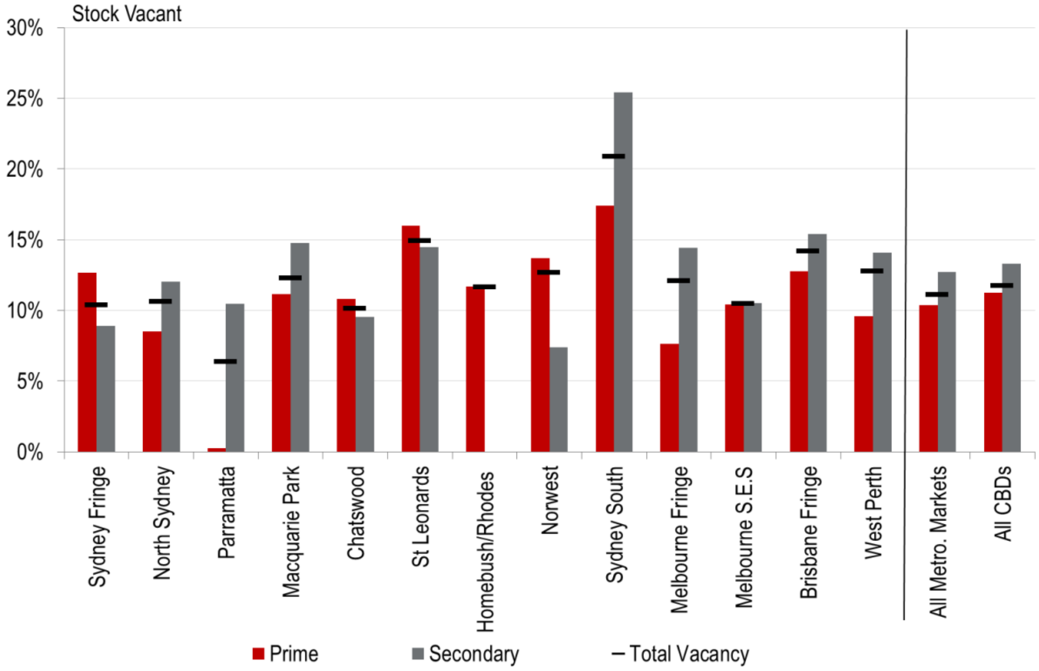
6.1.2 Vacancy

As at Quarter 2 2014, the average prime grade vacancy rate in metropolitan markets was 10.4% compared to 11.2% for CBD markets. Total vacancy was 11.7% while total vacancy for CBD markets was 12.2%. Norwest had the third highest prime grade vacancy rate, behind St Leonards and Sydney South, at 13.7%. However, the market had the lowest secondary grade vacant rate of any of the markets monitored.

Both metropolitan and CBD markets typically have higher vacancy rates in secondary stock, which supports the argument that over time, tenants will seek out opportunities to locate in higher quality stock. Only four of the 13 metropolitan markets (including Norwest, as well as, Sydney Fringe, St Leonards and Chatswood) have higher prime-grade vacancy than secondary-grade vacancy.

[2] Excluding Macquarie Park

Figure 8: Prime and Secondary Vacancy Rates, Q2/2014



Source: JLL Research

6.1.3 Rental Market

Metropolitan markets are more affordable than the respective CBD markets. Affordability is one of the key drivers attracting occupiers to metropolitan markets.

The greatest differential between metropolitan and CBD markets occurs in Sydney. Prime gross effective rents in Sydney metropolitan markets range from an average 39.2% of Sydney CBD rents in Norwest Business Park to 60.1% of CBD rents in St Leonards, with other metropolitan markets in between these levels. The North Sydney market is closer to Sydney CBD rents with prime gross effective rents averaging 79.8% of Sydney CBD rents.

The table below summarises the prime gross effective rents seen in the Sydney market across the CBD as well as metropolitan Sydney. It is evident below that the Norwest market offers the greatest level of rental discount within the Sydney region.

Table 7: Australian Office Market Profile Rents, Q2/2014

	Prime Gross Effective Rent
	$/sqm p.a.
CBD Market	
Sydney CBD	622
Suburban market[3]	
Sydney Fringe	361
North Sydney	496
Parramatta	317
Macquarie Park	288
Chatswood	354
St Leonards	374

[3] Incentives based on 10 year lease deal except Macquarie Park, Homebush/Rhodes, Norwest, Sydney South (5 years)

Homebush/Rhodes	365
Norwest	244
Sydney South	301

Source: JLL Research

6.1.4 Yields and Capital Values

Compared to CBD market, yields for Sydney metropolitan assets are relatively high. Specific yield ranges for each Sydney office market are provided below. It is evident below that the Norwest market offers the highest prime yield within the Sydney region.

Table 8: Australian Office Market Profile, Yields

	Prime Yield as at Q2/2014 %
CBD Markets	
Sydney CBD	5.75-7.00
Suburban markets	
Sydney Fringe	7.50-8.00
North Sydney	6.75-7.75
Parramatta	7.00-9.25
Macquarie Park	7.50-8.50
Chatswood	8.25-9.00
St Leonards	8.00-8.50
Homebush/Rhodes	7.50-8.50
Norwest	9.00-10.00
Sydney South	7.50-8.00

Source: JLL Research

6.1.5 Development Site Sales

Another important indicator of demand is the rates achieved for commercial development site sales. During the global financial crisis there were very few commercial development site transactions, and those that did sell were sold at a significant discount (with a number being sold mortgagee in possession). More recently there has been renewed interest and stronger prices achieved as has been presented in the following table.

Table 9: Office Development Site Sales Analysis

Property	Date	Sale Price ($ million)	Zoning	Rate $/sqm FSR
Lot 6050 Norbrik Drive, Bella Vista (Norwest Business Park)	September 2013	$8,750,000	B7 Business Park	$362
"Site 4B", Cnr Herb Elliot Avenue & Olympic Boulevard, Sydney Olympic Park	January 2013	$4,700,000	B7 Business Park	$207
144 Wicks Road, Macquarie Park	December 2012	$27,850,000	Part B3 Commercial Core and part B7 Business Park	$455*
2-4 Giffnock Avenue, Macquarie Park	October 2012	$8,300,000	B3 Commercial Core	$368
'Site 46' 3 Figtree Drive, Sydney Olympic Park	September 2012	$19,400,000	B4 Mixed use	$601
4 Eden Park Drive, Macquarie Park	April 2011	$10,000,000	B3 Commercial Core	$509

21 Talavera Road, Macquarie Park	October 2010	$10,200,000	B7 Business Park	$509
63-71 Waterloo Road, Macquarie Park	March 2010	$15,788,000	B3 Commercial Core	$572
Lot 6054, 'Circa', Norwest Business Park	November 2010	$3,960,000	Employment Area 10(a) (Business Park)	$495
5-7 Parkes Street, Parramatta	June 2010	$4,500,000	B4 Mixed Use	$558
45 Macquarie Street, Parramatta	July 2009	$15,000,000	4B Mixed Use	$511
90-100 Mount Street, North Sydney	December 2010	$48,200,000	Commercial	$1,244

Source: JLL Research

Our analysis of this market reflects the following broad range of values for the key suburban office markets:

Parramatta:	$500 - $600/ sqm GFA
Sydney Olympic Park	$450 - $550/sqm GFA
Macquarie Park	$450 – 550/sqm GFA
North Sydney	$550 - $700/sqm GFA
Norwest	$300 - $425/sqm GFA

6.1.6 Tenant Driven Demand in the Short Term

JLL has undertaken broad analysis of major tenant (1,000sqm+) requests for information (RFI's) currently in the market that are yet to be resolved. We have only identified those which have focused on Norwest or Norwest as an option among others.

Our analysis only derived a handful of major tenants, none of these had looked solely in Norwest, and all had identified at least three different suburban office markets to review. The exercise confirmed our view that the Norwest market is being considered by some larger tenants, but generally as one of a few options.

6.2 Business Parks and Norwest Market Attributes

6.2.1 Sydney Business Parks

Over the past 20 years, jobs in Sydney's business parks have grown at between two and three times the rate of Sydney's major urban centres. Norwest as discussed is but one amongst a number of markets including, Macquarie Park, Rhodes and Sydney Olympic Park. Business parks are generally high amenity large employment areas providing for multiple high value-added industrial activities characterised by different combinations of research, technology based production, distribution and office based activities. There are a number of different types of business parks, which are greatly influenced by industry clustering. Some are based around scientific and technology-intensive industries, with a strong presence of research and educational institutions. Others are dominated by offices and white collar jobs, and are more office parks than business parks.

Examples of criteria measured against previous business park success has been summarised into the below points:

- Zoning flexibility – can enable campus style accommodation with large floor plates, plentiful parking and opportunities to integrate various business functions including; research, manufacturing, management and distribution activities;

- A sizeable catchment containing a large proportion of residents with a mix of both technically and not technically skilled;

- Proximity to research, innovative firms and higher education facilities;

- Outstanding amenities including childcare facilities, entertainment, recreational and cultural facilities;

- Outstanding transport, energy and communications infrastructure and good access for suppliers and customers.

6.2.2 Norwest Market Attributes

Norwest Business Park is a master planned industrial/commercial hub that began its development in Sydney's North-West in the 1980s. The Masterplan was collaboratively designed with significant input from the Council, and has developed into Sydney's second largest specialist business park (after Macquarie Park).

As at Quarter 2 2014, Norwest had 201,032 sqm in occupied office stock. The market is made up of a number of major tenants. In 2012 the Council moved to Norwest taking up over 16,000sqm. Examples of other tenant moves over 2,000 sqm over the last 10 years include; Capital Finance Australia, Hollard Insurance, MD Equity Pty Ltd, Caroma and B Braun.

6.3 Forecasting Demand at Norwest

The objective of this section is to provide information on various factors that may influence office uses in the future.

6.3.1 Forecasting Demand for Office Uses

In forecasting demand for office uses JLL has used the following approach.

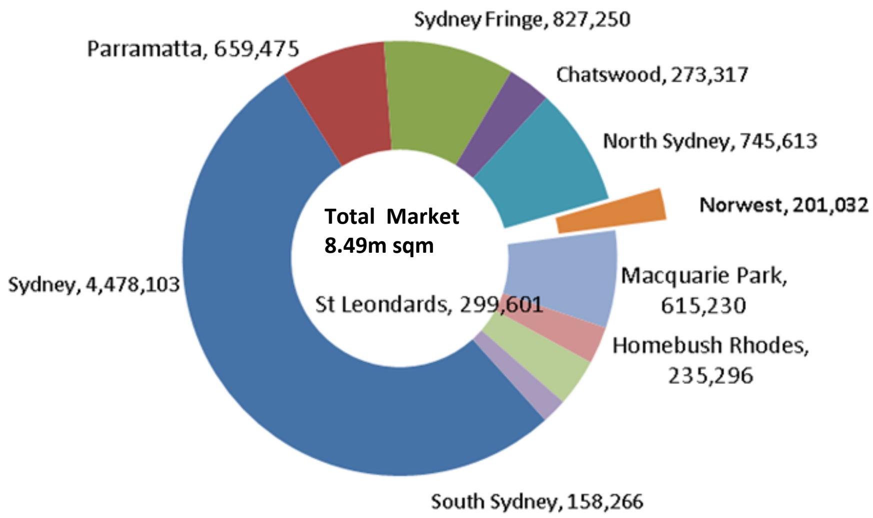
1. How big is the pie analysis? i.e. what is Sydney current office stock
2. How has the pie grown historically?
3. How will the pie get divided up? This will take into account a range of consideration including:
    a. International Benchmarks i.e. what characteristics do more mature international markets have
    b. Historic Changes in Sydney's Office Markets i.e. how have Sydney's office markets changed over time
    c. Historic Net Absorption
    d. Infrastructure
    e. Occupiers Requirements i.e. what are the key drivers for tenants
    f. Role of Norwest Office Market
4. How much pie will Norwest get?

6.3.2 How big is the Pie?

Our starting point for our analysis of Norwest is to understand the size of the Sydney Office Market. As at Quarter 2 2014 the occupied office space in the markets tracked by JLL totalled 8,493,183 sqm.

Norwest is broken out separately below.

Figure 9: Sydney Office Market Size by Occupied Square Metres

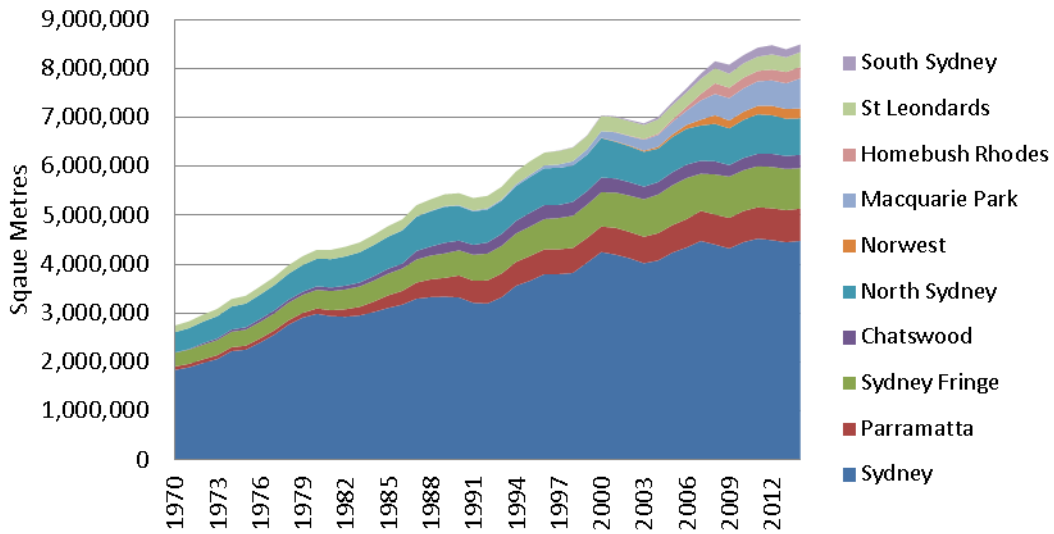


Source: JLL Research

6.3.3 How has the Pie Grown Historically?

JLL has had reference to its historic occupied stock data to derive historic demand for each of the office precincts in Sydney. In undertaking this exercise JLL has made specific assumptions about historic take up rates beyond our current data records for all markets other than Sydney CBD and Chatswood. The graph below represents the historic growth seen across the various Sydney office markets.

Figure 10: Growth of Sydney Office Markets (with Assumptions)



Source: JLL Research

6.3.4 How will the pie get divided up?

The objective of this section is to review various considerations and influences that may shape the demand for office uses within Sydney broadly, as well as specifically in Norwest.

6.3.4.1 International Benchmarks (United States Office Markets)

JLL have looked internationally to understand the CBD to Metropolitan relationship in more mature markets. The United States of America provides support to the trend away from the CBD markets with approximately 2/3rds of stock located in suburban office markets. One of the drivers for higher suburban offices has occurred through increased urban sprawl, resulting in greater reliance of cars and need for higher car space ratios.

Table 10: International Benchmarks – CBD vs. Suburban Office Markets

United States	Square feet	%
Total CBD Office Markets	1,176,266,814	33%
Total Suburban Office Markets	2,411,607,674	67%
	3,587,874,488	100%

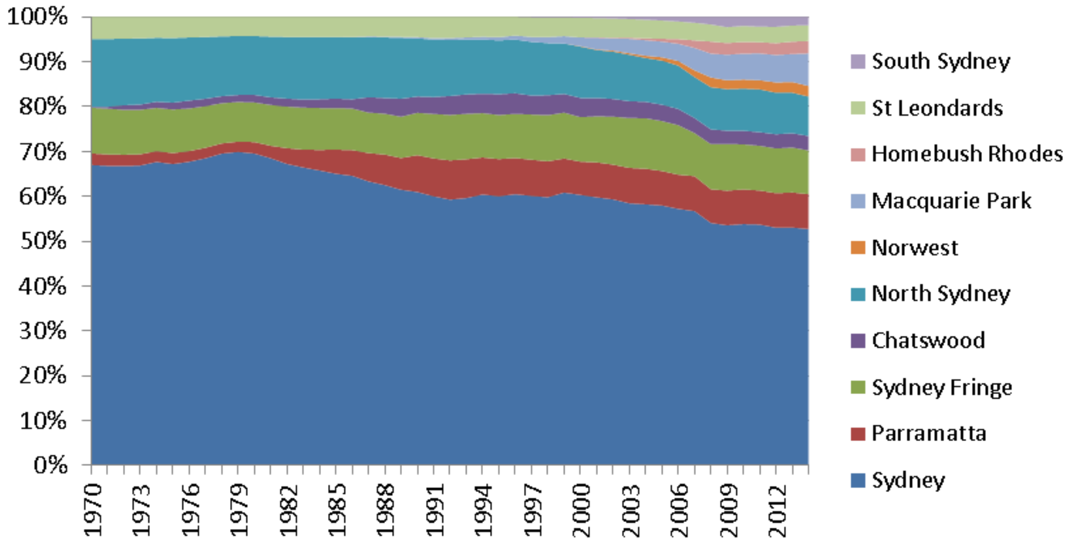
Source: JLL Research

6.3.4.2 Historic Changes in Sydney's Office Markets

Figure 10: Growth of Sydney Office Markets (with Assumptions) above shows the quantum increase of stock in the Sydney office markets. Based on the data above JLL have shown the relative contribution of each office market to the overall total over time. Of note from this analysis are the following changes in the 1970-2014 periods:

- Sydney CBD has declined from 67% to 53%
- This offset by a number of growing and generated markets, including; Parramatta, Homebush/Rhodes, Macquarie Park and Norwest

Figure 11: Sydney Office Market NLA (Proportion) 1970-2014



Source: JLL Research

6.3.4.3 Historic Net Absorption

The table below provides 5 and 10 year (and selective longer term) occupied stock growth trends based on JLL actual data series. Some markets do not have a long enough time series to calculate a 5 or 10 year trend.

Table 11: Net Absorption Trends- Suburban Office Markets

Sydney Suburban Office Market	5 Year Average (sqm)	10 Year Average (sqm)	Longer Term Averages (sqm)
Sydney CBD	9,050	42,961	59,589 (40 years)
Macquarie Park	18,017	30,260	29,634 (14 years)
Sydney Fringe	4,261	N/A	N/A
North Sydney	-1,712	4,687	1,568 (25 years)
Parramatta	8,784	11,344	16,179 (35 years)
Norwest	4,604	N/A	N/A
Homebush/Rhodes	2,630	N/A	N/A
Sydney South	-5,794	N/A	N/A
St Leonards	-1,667	1,340	2,411 (24 years)
Chatswood	39	960	5,810 (40 years)

Source: JLL Research

6.3.4.4 Review of Infrastructure Impact on Norwest

Section 4 of the report identifies numerous influences on future demand for office. A number of which are infrastructure initiatives. Our observations on their impact to Norwest are as follows:

Table 12: Infrastructure Projects

Infrastructure Initiative	Impact on Demand in Norwest	Details / Comment
Western Sydney Light Rail	Medium	Greater connectivity of North-West Sydney to greater Sydney
NWRL	Very High	Route includes Norwest. Major upside potential from rail transit access.
WestConnex	Low	Route does not extend to Norwest
NorthConnex	Medium	Improved accessibility to Norwest and greater North-West Sydney
Badgerys Creek Airport	Medium	Indirect impact via greater development in Western Sydney

6.3.4.5 Occupiers Requirements

Key to understanding the demand for users within a precinct is an understanding of the attributes that will attract them to the location. JLL have outlined below these attributes and reviewed them against the Norwest markets (having consideration of current as well as future conditions):

Table 13: Norwest Assessment of Occupier Requirements

Attributes	Norwest Relative to Competing Office Precincts
Access	
Road infrastructure	Ranking: Good
Proximity to CBD	Ranking: Fair
Proximity to suppliers & customers	Ranking: Good
Car parking	Ranking: Good
Public transport	Ranking: Good
Surrounding Influences	
Proximity to workforce	Ranking: Good
Strong residential location	Ranking: Good
Surrounding amenity	Ranking: Good
Specific industry drivers	Ranking: Fair

Compatible uses	Ranking: Good
Existing Offering	
Clustering	Ranking: Fair to Good
Corporate identity	Ranking: Fair
Build-ability considerations	Ranking: Good
Affordability	Ranking: Very Good

6.3.4.6 Role of Norwest Office Markets

JLL below have provided a snapshot of our view of the future role of the Norwest office market. This also considers strengths and weaknesses as well as potential opportunities and threats.

Market & Context	Strengths & Opportunities	Weaknesses & Threats	Forecast Role
Norwest NLA Occupied Office Stock sqm: 201,000 Tenants over 2,000 sqm include; Capital Finance Australia, Hollard Insurance, MD Equity Pty Ltd, the Hills Shire Council, Caroma and B Braun.	• Occupiers include a mix of manufacturing, retail / wholesale, finance & insurance and general business services. • This greenfield business park will continue to provide flexibility to accommodate a range of users • Population growth in the North-west sector supported by the NWRL.	• Norwest only attracts 2% of total office stock and therefore lacks the exposure of other business parks such as Macquarie Park.	• Higher share of market growth.

6.4 Current and Forecast of Office Uses within Norwest

Based on the historic performance, demand drivers and forecasted market shifts discussed above JLL has formed a view on the following ranges of potential growth at Norwest:

- Low 5,000 sqm per annum or a total of 120,000 sqm to 2036
- Medium 10,000 sqm per annum or a total of 240,000 sqm to 2036
- High 15,000 sqm per annum or a total of 360,000 sqm to 2036

The above takes into consideration the annual average 4,600 sqm of net absorption achieved over the past 5 years. However, we believe a continued shift to suburban office accommodation as well as greater demand drivers in the Norwest market will push this annual absorption rate higher.

Adopting the above growth and utilising a typical rate of employees per sqm of space (12.5/sqm per employee) equates to a range in job growth as follows:

- Low 400 jobs per annum or a total of 9,600 jobs to 2036
- Medium 800 jobs per annum or a total of 19,200 jobs to 2036
- High 1,200 jobs per annum or a total of 28,800 jobs to 2036

On balance JLL considers it reasonable to assume the medium scenarios above.

6.5 Commercial (Office) Uses SWOT at Showground

Provided below is the SWOT analysis of Commercial (Office) uses at the Showground:

Strengths

- Growing residential population
- Higher socio-economic profile

Weaknesses

- Lack of clustering of office uses
- Lack of recognition as an office location

Opportunities

- Improved transport accessibility
- To provide small floor plate “support” office uses (most likely strata)
- To provide office uses that support industrial users

Threats

- Proximity to competing supply at Norwest

6.6 Current and Forecast of Office Uses within Showground

6.6.1 Previous Approach Undertaken

JLL has had reference to the Hill PDA report of 2014 (Section 9.3 & 9.5 & 9.6). Hill PDA utilised their findings on “dwelling capacity” to forecast population growth for each precinct. They then adopted rates of occupancy from the ABS 2011 Census for The Hills LGA. Rates adopted included; 3.21 persons per detached dwelling, 2.50 persons per townhouse and 2.05 persons per apartment. The population forecasts were derived from using the dwelling capacity and the above rates, also adopting a 5% dwelling vacancy rate.

Commercial office space has been forecasted utilising the above predicted population growth. According to ABS Census 2011 51% of The Hills LGA is in the workforce with approx. 60% within “white collar” industries. They have assumed 22sqm of GFA per worker, which using the above equates to 6.7sqm (resident population). They have additionally assumed job containment within the precincts of 60% and put forward that 92% of the office demand will occur in the Norwest/Bella Vista and Castle Hill precincts.

JLL have been unable to identify the source or method derived for the rates of 22sqm of GFA per worker or the 60% job containment. Employment for office and retail is forecasted using the derived demand for office and retail space. The method has not been specified. It is believed they have utilised a similar method as above for the office portion of employment.

6.6.2 JLL Approach

JLL is of the view that the office employment generated within the North West will focus primarily in the established office market of Norwest. However, we do believe a degree of opportunity exists for office employment within the Showground precinct, this being “support” type office uses. JLL believe this type of office will grow in line with greater Sydney. As such, we have had reference to the predicted growth of white collar employment in the Sydney Greater Capital City Statistical Area (GCCSA) as provided by Deloitte Access Economics (DAE). DAE predicts white collar employment growth in the Sydney GCCSA between 2014 and 2024 to be average approximately 1.52% per annum. We are of the view that a premium should exist for the Showground area due to its location and amenity and as such, have adopted a 20 basis point premium for annual growth, out till 2036.

Broadly JLL is unable to support the current or forecast employment numbers from the Structure Plan. JLL has used the data from the land use survey to form a view on the current levels of employment within the precinct. As discussed within **Section 11 Current and Forecast Dwelling & Employment Yields** of this report, we have made broad assumptions relating to the level of employment represented within the survey area.

Utilising this method, we derived a base office employment number of 1,299 FTE as at 2014. Our forecast has then grown this base at 1.72% per annum to 2036, resulting in approximately 1,890 FTE.

In support of our view JLL notes the following key inhibitors for investment grade office product at Showground:

- Lack of recognition of being an investment grade office precinct.
- Lack of clustering of similar and associated office occupiers
- "Confused" offering i.e. along similar lines to the challenges of developing office product in Chatswood, St Leonards, Sydney Fringe etc.
- Immediate proximity to high quality alternative office destination

Recent examples of suburban office locations where viability of office development has been identified as an issue, and the development has attempted to, or has been successful in reducing the office component, include:

- Carlton United Breweries "Central Park" at Chippendale (Ultimo);
- Green Square; and,
- Wolli Creek.

6.7 Viability Considerations – Office Uses

JLL has not undertaken detailed financial analysis of office uses, and have instead prioritised 'out of scope' considerations including the detailed analysis of the employment opportunities from the Norwest and the land use survey. These additional considerations provide a more broad understanding of the market dynamics, which to a degree enable an understanding of viability.

In support of the previous analysis provided within this report JLL makes reference to the following feasibility based considerations.

Development Costs

JLL has referred to Rawlinsons 2014 for indicative estimates of office based development costs. A range of development types are identified below:

- Low rise (fully serviced)

Single storey, standard finishes, a/c, finished floor lettable type	$1,535 - $1,655 sqm
2 storey, standard finishes, a/c, finished floor lettable type	$1,755 - $1,895 sqm
3 storey, standard finishes, a/c, finished floor lettable type	$2,000 - $2,155 sqm
4-7 storey, standard finishes, a/c, finished floor lettable type	$2,240 - $2,415 sqm

- High rise

7-20, standard finishes, a/c, finished floor lettable type	$3,190 - $3,435 sqm

- Car parking

Parking station 2-3 storey (ground + 2 levels)	$15,500 – $16,700 ps
Underground two levels	$51,600 - $55,600 ps

Other Costs

All costs identified above are quoted as GST exclusive and do not include; contingency, escalations, interest costs or developer profit and risk

Land Costs

As has been outlined earlier in this report, commercial office development site sales within the Norwest Business Park generally range from $300 - $425/sqm GFA. Little evidence exists within the Showground precinct as all transactions that have occurred have significant improvements located on them.

Revenues

JLL makes the following observations regarding the revenues available for office uses.

- Large floor plate prime investment grade office uses within Norwest currently attract rents of ~ $244/sqm gross effective (see above for relativity with other office markets) which is the lowest 'recognised' commercial precinct within Sydney. Capitalisation rates of 9.0% to 10.0% generally apply.
- JLL's analysis of various transactions and asking rents within the showground precinct generally show a range of $200 to $300/sqm gross face although exceptions (out of this range) have been identified.

Development Viability

JLL have not been provided with specific development scenarios. In line with our observations outlined earlier in this section JLL makes the following comments regarding the viability of office uses.

- Large floor plate office uses are generally considered viable within the Northwest Business Park subject to market rents and long term tenant pre-commitment. The cost of land which broadly ranges between $300 - $425/sqm (the lowest of all 'recognised' office precincts in Sydney) further indicates the marginal viability of this location i.e. an increase in land value would put pressure on viability. Large floor plate office development within the Showground Precinct is not considered viable.
- Along similar lines, JLL identifies some (albeit limited) demand may exist for the development of strata office product.

7 Retail Analysis

7.1 Context into the Retail Market

The Australian retail sector is segmented geographically and by format. Enclosed shopping centres across metropolitan areas and regional Australia are categorised as regional, sub-regional and neighbourhood centres according to size and tenancy characteristics. Other formats are bulky goods (big box) retailing, strip shopping precincts and CBD retail centres. CBD centres include a mix of retail outlets at the podium levels of mixed use developments (typically an office or residential tower above the retail) or large multi-storey retail centres.

Institutional investor interest has historically focused on the regional and sub-regional formats, although limited availability of these assets has recently stimulated growing interest in CBD and neighbourhood centres. JLL estimates that Australian regional centres have a capital value of around $44 billion, and sub-regional centres, $20 billion.

7.1.1 Retail Market Supply

Construction activity in the retail sector in 2013 rebounded to be marginally above the 10-year average after three consecutive years of below average activity. Total completions (excluding bulky goods) in 2013 were 371,700 sqm.

Subdued growth in retail spending and restrictive planning policies that limit site availability for major new retail developments has resulted in a focus on refurbishment and expansion of existing core assets rather than development of new assets. Investment and refurbishment activity fell sharply with the onset of the GFC in 2007, resulting in a backlog of work for some major retailer centre owners, which is only now starting to occur.

Total new supply is forecasted to increase to 445,900 sqm in 2014 (Figure 12: National Retail Supply Pipeline, 2003-2016), while existing approvals point to another strong year in 2016. Some of these projects require substantial pre-commitment from major tenants before they proceed to construction.

CBD: There were only three completions in 2013 (45,000 sqm), with the two major projects being a refurbishment of the Myer Centre and the completion of Rundle Place. The pipeline of projects in 2014 is quite strong and includes the redevelopment of Broadway on the Mall in Brisbane (11,500 sqm) and retail components to large office projects. In early 2014, Melbourne's Emporium and GPO developments have been the most notable, bringing first-time international retailers into Australia.

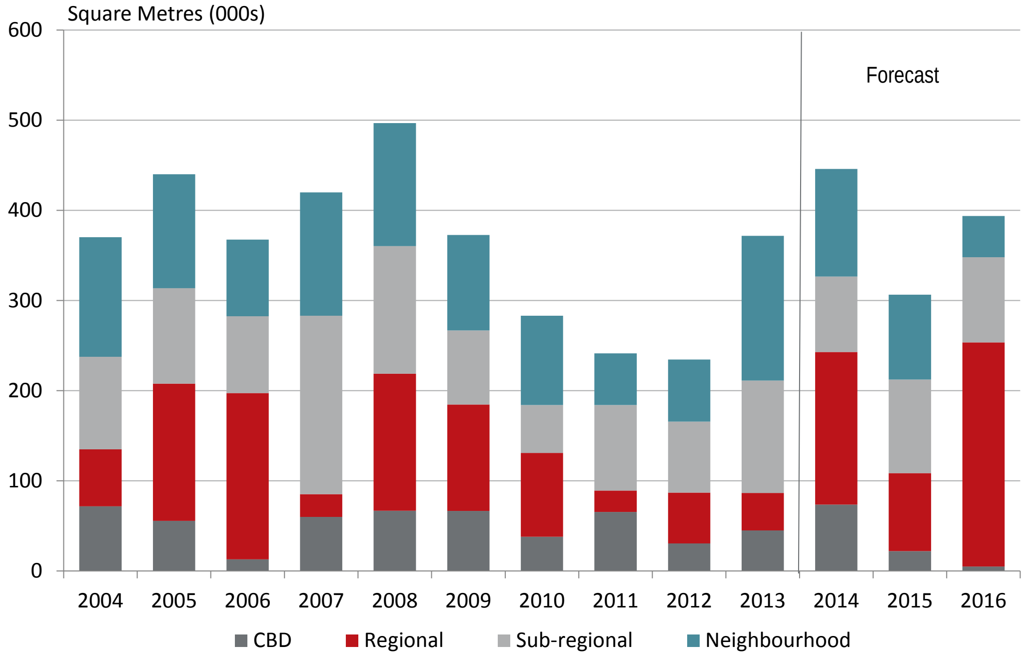
Regional: New regional centre supply has been below average for the last three years, but is expected to be particularly strong in 2014 as the backlog of projects that have been in the pipeline for a long time are completed. Major institutional landlords continue to progress with plans to commence refurbishment and extension projects on some of the country's largest and most productive shopping centres. Six regional centre projects comprising an additional 174,600 sqm of retail space commenced in 2013. This trend is expected to continue into 2014, with a number of regional centres preparing for major extensions, including Westfield Chermside (34,400 sqm) and CFX and Gandel's Chadstone (14,900 sqm).

Sub-regional: The trigger for sub-regional projects that are currently underway, or completed in the last year, has been commitments from major tenants (discount department stores and supermarkets). Completions were particularly strong in 2013 and were driven by Lend Lease's new Craigeburn Central (55,000 sqm) and QIC's extension to Woodgrove (25,000 sqm), both located in Melbourne. Also, Woolworths completed an extension to Lilydale Marketplace (16,100 sqm), also in Melbourne.

Neighbourhood: The neighbourhood centre market has been particularly strong, with 160,400 sqm of new stock added to the market in 2013 across 21 projects, the highest on record. This has been due to the aggressive expansion strategies of the leading supermarket chains Coles and Woolworths, and to a lesser extent the continued rollout of stores by ALDI. The outlook for 2014 shows a similar trend, with Woolworths continuing to dominate the pipeline, while Coles expand more selectively. Out of the 20 new neighbourhood projects scheduled for 2014 completion, 12 are anchored by a Woolworths versus just five Coles supermarkets.

Bulky Goods: The number of Bunnings and Masters Home Improvement stores has been exceptionally high for two years and has dominated development in this sector. These two retailers accounted for around 320,000 sqm of new retail space in 2012 and around 255,000 sqm in 2013. Development of multi-tenanted bulky goods centres is quite subdued and is expected to remain so for some time as this sub-sector continues to recover from the challenging years following the GFC.

Figure 12: National Retail Supply Pipeline, 2003-2016[4]



Source: JLL Research

As noted above, Australia's largest two retail groups, Woolworths and Wesfarmers, have been dominant forces in the supply of new retail space in Australia, particularly in the following areas:

- Hardware through store rollouts of Bunnings and Masters Home Improvement chains (part of the 'bulky goods' sector);
- Supermarket expansion driving the neighbourhood centre growth and to a lesser extent, sub-regional centres; and
- Liquor stores, particularly the larger format Dan Murphy's and First Choice liquor stores.

7.1.2 Market Demand and Retail Vacancy

Demand for retail space is driven by a range of factors, including expansion of store networks by retailers, new retail formats entering the market, population growth and growth in overall retail spending.

Population growth in Australia remains relatively strong, with annual growth for the year to June 2013 at 1.8%, which continues to create demand for retail space in major growth markets. While retail spending growth has been quite subdued, we noted earlier that recent retail trade figures have been positive while improved consumer confidence in the late 2013 points to moderate spending growth in 2014.

The leasing market remains generally stable, although demand from domestic fashion retailers remains challenging. International retailers, however, are building a stronger presence in the Australian marketplace. Japanese homewares and consumer products retailer, MUJI, opened its first Australian store at Chadstone Shopping Centre in Victoria in late November, while their

[4] Note: Includes national CBD, regional, sub-regional and neighbourhood centre supply data in Sydney, Melbourne, SE Queensland, Perth, Adelaide and Canberra. Bulky goods retail excluded

second opened at Emporium Melbourne (CBD). UNIQLO also launched their first Australian flagship store in Australia at Emporium Melbourne while Swedish fashion retailer, H&M, opened its first store (almost 5,000 sqm) in Australia at Melbourne's GPO in the CBD in April 2014. International luxury watch retailers, Rolex and Breitling, each opened their first stores in the Sydney CBD in early January 2014. ALDI, Costco and Ikea are also expanding their presence in the Australian market while a range of other international fashion brands have been active (e.g. Topshop, Zara).

The relatively subdued retail spending environment and challenging market conditions since the GFC has resulted in moderate increases in vacancy rates across retail centres. Table 12 compares the pre GFC (December 2007) national vacancy rate by retail sector with the vacancy rate as at December 2013. Each sector has shown an increase in the vacancy rate, although it is still relatively low for regional centres and sub-regional centres at 1.5% and 3.0% respectively.

There is also a level of hidden vacancy in many retail centres reflecting a greater level of short-term leasing which is not captured in these vacancy figures.

Table 14: National Vacancy by Retail Sector, Dec-07 and Dec-13

Retail Sector[5]	As at Dec 2007 (%)	As at Dec 2013 (%)
CBD	2.9	6.6
Regional Centres	0.5	1.5
Sub-regional Centres	1.8	3.0
Neighbourhood Centres	2.7	4.1

Source: JLL Research

7.1.3 Retail Rents

The impact of slightly higher vacancy rates and a generally competitive leasing market is being reflected in moderately declining rents. On average, across all retail formats, average rents fell by 0.4% in the year to Q4/2013, with the pace of annual decline slowing from 0.7% in Q2/2013.

Trends vary significantly between markets and sub-sectors. Getting tenants back on to sustainable rents by re-mixing centres has been a primary focus for many landlords, along with a reduction in the number of 'distressed' tenants.

Anecdotal evidence suggests leasing incentives are at elevated levels compared with historic benchmarks, but have stabilised. Short term leasing remains prevalent along with a greater number of tenants on hold-over leases, particularly in regional centres that are planning redevelopments, mid-tier quality centres and secondary grade centres, across all the retail formats.

CBD: Rents in this sub-sector have historically fluctuated with trends in CBD employment and CBD office market rents. White collar employment has contracted over the past few quarters and office market rents are in decline. The implication of these trends is slower retail spending growth within CBD retail markets and more subdued leasing demand.

Regional: It seems regional rents have now passed their trough with signs of stabilisation now coming through. Most regional centre markets reported no change to market rents in Q4/2013. In annual terms (on average across all markets) regional centre rents fell by 0.4%.

Sub-regional: The pace of annual decline has also slowed in the sub-regional sector. Average sub-regional specialty store rents declined fractionally by just 0.1% over the 12 months to Q4/2013.

Neighbourhood: There is a very wide variation in state by state performance. In annual terms, neighbourhood rents have fallen by 5.6% in Adelaide but grew by 1.0% in Perth. Sydney rents fell by 0.3% in annual terms, while Melbourne was unchanged and Brisbane grew 0.5%. The wide variations reflect localised supply and demand imbalances.

Bulky Goods: Conditions have remained very challenging in the leasing market within this retail sub-sector but the underlying drivers suggest a potential recovery over the short to medium

[5] Note: Vacancy rate is the percentage of specialty retail shops that are vacant

term, driven by a recovery in the housing market which should support growth in demand for household goods.

7.1.4 Typical Lease Terms, Structures and Occupancy Costs

Lease terms in Australia tend to be very favourable from an investment perspective when compared with similar terms in other markets. Typically, the length of the lease as well as the annual upwardly revised lease structures give way to a steady cash flow and less vacancy risk.

However, lease structures in Australian shopping centres vary considerably between anchor tenants and specialty retailers. Below sets out the key terms for anchor tenants and specialty retailers with regards to rents, lease terms, rental reviews and occupancy cost.

Table 15: Lease Structures by Tenant Type

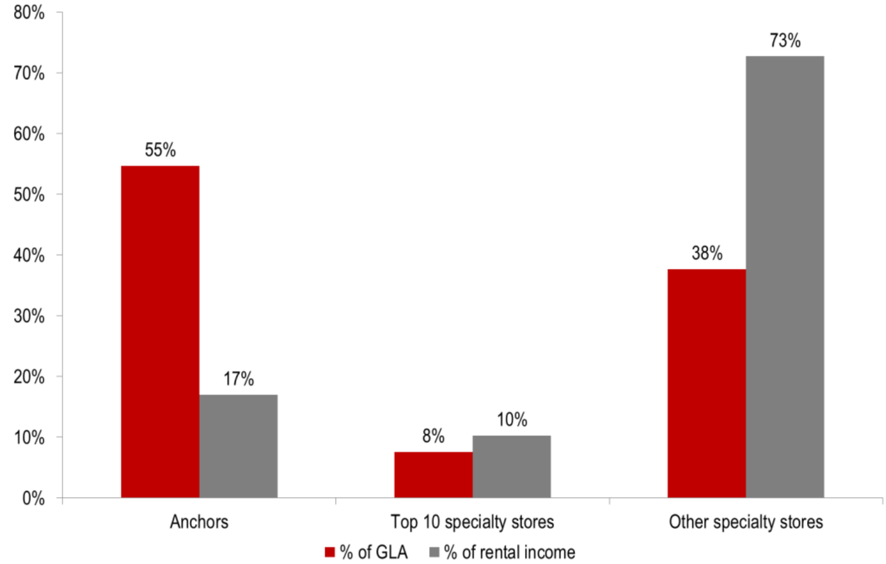
Item	Anchor tenants	Specialty retailers
Average Rent per sqm (Regional centre)	$250 - $500	$1,200 - $2,000
Occupancy Cost (%)	3% - 5%	14% - 22%
Typical lease term	15-30 years	5 years
Annual rent review	Minimum threshold + turnover linked[6]	CPI + 1%

Source: JLL

Given the disparities in rental rates per square metre, the overall rental income of a centre can vary considerably from the floor space occupied by certain types of tenants. Anchor tenants of course can occupy a large portion of the overall shopping centre; however the vast majority of the rental income will be paid by the specialty shops. The anchor tenants however drive foot traffic through a centre and generally occupy some of the less core space. Anchor tenants are fairly broad in their description but include supermarkets and department stores, as well as discount department stores, cinemas and other large, well-recognised retailers. The below chart highlights the differences between anchor tenants and specialty stores by their share of centre GLA and rental income.

[6] Typically an Anchor tenant will have in the lease a defined minimum rental amount, regardless of turnover or CPI. The rental escalations come via an agreed percentage rent linked to turnover above a certain turnover threshold, as well as a review of the minimum rental payment every 3-5 years.

Figure 13: Centre Occupancy and Income by Tenant Type[7]



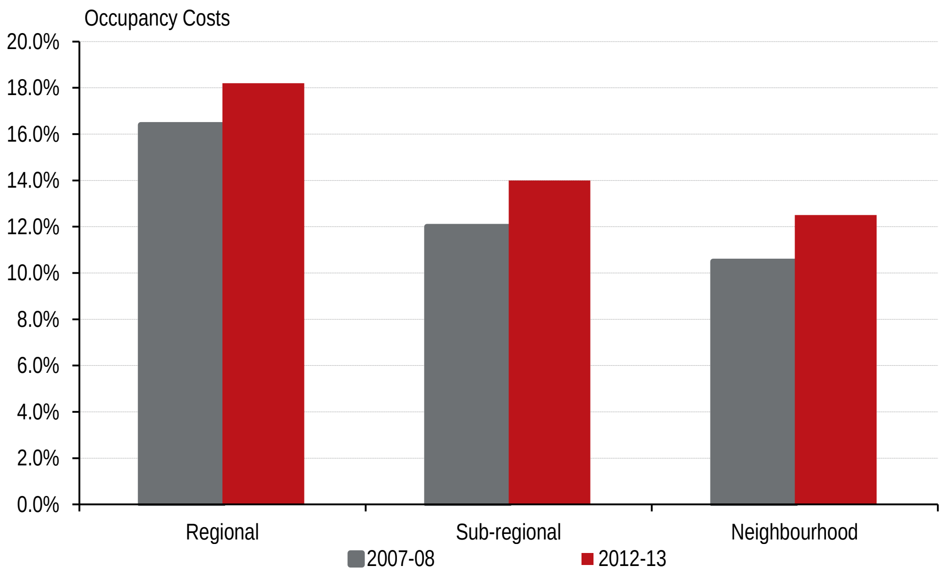
Source: Westfield Shopping Centre Operational Performance Report December 2013

There has been a steady rise in occupancy costs for specialty retail tenants in shopping centres of the past five years in all major retail categories as rental increases (often built into the lease structure) have grown at a faster rate than retail turnover. Figure 14: Occupancy Costs by Retail Sector, 2007-08 versus 2012-13 highlights that on average, occupancy costs have risen by around 2% between 2007-08 and 2012-13 in regional, sub-regional and neighbourhood centres. Our view is that continued growth in occupancy costs is not sustainable.

Occupancy costs for specialty retailers is also significantly higher in regional centres than sub-regional or neighbourhood centres. This is offset to a degree by typically higher sales turnover per square metre achieved in the larger, dominant regional centres.

We note that retailers in the important apparel sub-sector of regional centres have experienced even higher growth in occupancy costs, primarily due to the challenging retail trading conditions that have impacted this secto in recent years. Occupancy costs for apparel retailers have risen from 18.6% to 21.4% in the five years to the 2012-13 financial year.

Figure 14: Occupancy Costs by Retail Sector, 2007-08 versus 2012-13



Source: Urbis Retail Averages, JLL

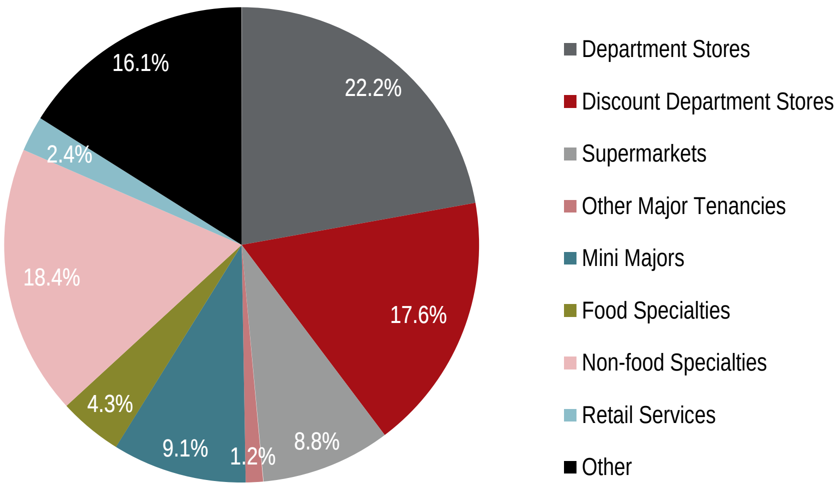
[7]Includes Centres in both Australia and New Zealand.

7.1.5 Tenancy Mix and Unit Size

Tenancy mix is largely a reflection of the type of shopping centre. For example, regional centres will have a much broader mix of tenants, with the main anchor tenants of department stores, discount department stores and supermarkets making up around 50% of the total floor space.

Non-food specialties comprise around 18% of total floor area with the apparel sector typically accounting for around 60% of all non-food specialty space.

Figure 15: Typical tenancy mix for Australian regional centres



Source: Urbis Retail Averages, JLL

A supermarket based neighbourhood centre will often have more than 50% of its total floor area in the supermarket tenancy. Relatively small (less than 200sqm) tenants make up the majority of the remaining space, with an emphasis on convenience based retailers (food specialties, cafes & take-away food, pharmacy, newsagent, hairdresser, services). Apparel / fashion retailing tends to be a small part of neighbourhood centre tenancy mix.

Likewise, sub-regional centre floor area is dominated by major tenants, typically a discount department store and supermarket(s) that combined are likely to represent more than 50% of the total floor area. Convenience based retailers are well represented while discretionary retailers including apparel / fashion are reasonably well represented.

Table 16: Typical Unit Size by Retail Category highlights typical unit size by store type. Most retail specialty stores are between 80sqm and 150sqm. There are always some exceptions, with fashion retailers, pharmacies, sporting goods, book stores and discount variety stores often occupying stores in excess of 200sqm.

Small tenancies in regional shopping centres are often located in kiosks within the centre of the mall – these will generally be less than 10sqm.

Table 16: Typical Unit Size by Retail Category

Category	Unit Size (sqm)
Department Stores	12,000-18,000
Discount Department Stores	6,500-8,000
Major Supermarkets	3,500-4,500
Mini Majors	400-800
Food Specialties	80-150
Cafes, Take-away food	50-100
Apparel	80-150
Retail Services	40-60

Source: JLL

7.1.6 Investment Yields

Evidence is beginning to emerge to suggest yields are now firming for quality retail assets that have strong trading history and solid retail fundamentals. However, yield ranges remain wide as investors continue to discriminate against assets with elements of risk attached.

CBD: Yields for CBD assets have been relatively stable over the past 12 months, with no change reported in Melbourne, Adelaide and Perth and slight tightening in Sydney and Brisbane. Yields across the CBD markets are within the range 5.25% - 8.50%. Investment demand is picking up for CBD assets and activity is rising. This should support further firming of yields moving forward.

Regional Centres: The national weighted average median yield for regional centres was 6.10% in Q4/2013 and firmed by 18 bps throughout 2013. A number of regional transactions have occurred throughout the year providing evidence to support the compression. In early 2014, GWSCF conditionally agreed to purchase a 50% share in Northland Shopping Centre on a yield of 5.6% from CPPIB. While the transaction is not yet be finalised, this sale provides further evidence of the demand for half share interests in high quality regional assets.

Between Q4/2007 and Q4/2009, the national weighted average median regional yield softened 92 basis points to 6.50%, but has since compressed by 40 bps and is still 52 bps higher than peak 2007 levels.

Sub-regional Centres: The national weighted median yield was unchanged at 7.66% throughout 2013. However, some individual centres have seen yields firm in 2013 and continued strong demand for this asset class is expected to result in modest yield compression over the next 2-3 years.

Neighbourhood Centres: The national neighbourhood centre yield range tightened marginally in 2013 from 7.25%-10.50% as at Q4/2012 to 7.00-10.50% in Q4/2013. The best quality centres in each market are typically in the range 7.00%-7.75%. Demand from institutional investors for supermarket anchored centres (which are focussed on the less-discretionary daily and weekly shopping needs) is growing.

Bulky Goods Multi-Unit Centres: There is now some evidence emerging of yield compression in the bulky goods sector. The national average yield tightened by 10bps to 9.50% in Q4/2013, representing the first sign of compression in this cycle for this retail format. There is growing demand for high quality (yet still high yielding) bulky goods centres.

7.1.7 Retail Transactions Overview

A total of $7.1 billion worth of retail assets sold in 2013, the highest annual figure ever recorded for the Australian market. By historical standards, this level of transaction activity is 84% above the long-term 15-year average of $ 3.8 billion and builds on the previous high of AUD 6.5 billion, recorded in 2012.

There were 116 transactions of $5 million and over recorded throughout the year, reflecting an average deal size of $61 million. This included portfolio sales; actual number of assets that changed hands was 159. Market dynamics have remained highly conducive to major transaction activity. Deep liquidity in capital markets is enabling the major domestic owners to execute on their investment strategies of portfolio refining, portfolio re-weighting and redeploying capital from disposals into large development pipelines and/or new acquisitions.

A-REITs continue to be the key driver of major retail transactions on the sell side; while a combination of unlisted funds, domestic superannuation funds and offshore investors are the major drivers of activity on the buy side.

The trend of capital partnering, which gained significant momentum in 2012, remains the most prominent theme in the retail investment market. This has accounted for $5.7 billion in transactions over the past two years ($3.2 billion in 2012 and $2.5 billion in 2013). The typical partnering arrangement is between a passive and often offshore capital partner being brought together with domestic A-REITs and unlisted funds that have specialist in-house retail management expertise.

Another key theme of 2013 was a capital cascading effect, whereby pent-up capital seeking core product began to move further up the risk curve, as a means for investors to deploy funds.

Capital is now cascading down from major regional and CBD assets, into quality sub-regional and neighbourhood assets. This was demonstrated in the sub-regional centre sector, where transactions surged in 2013 to $1.8 billion from $ 1.0 billion a year earlier.

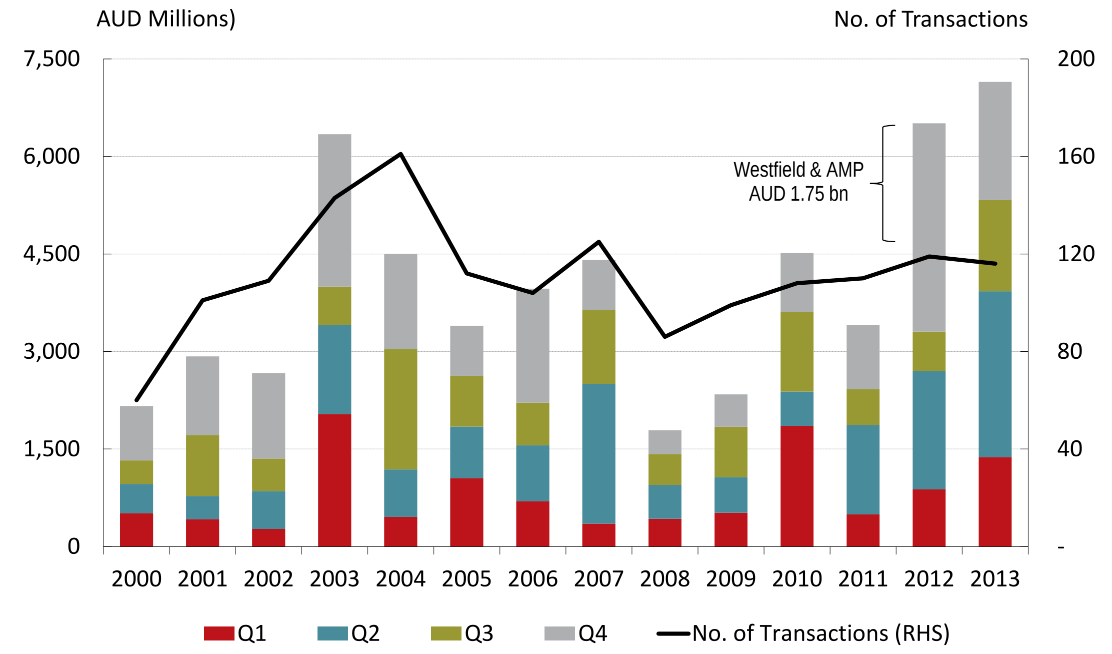
New capital sources also emerged for some of the more opportunistic retail assets, seeking to capitalise on the wide yield spread between each of the retail formats and the wide range within each of the formats. This resulted in a moderate improvement in demand for assets with a higher element of risk attached.

The pool of offshore funds seeking exposure to Australian retail property is growing. These major foreign institutions are exploring various avenues for deploying funds into the Australian retail sector, either through 100% direct acquisitions, joint venture direct acquisitions and/or indirect means through third-party managed wholesale funds.

Despite the high levels of investment activity and growing competition, yields have remained relatively stable. There has been evidence of moderate yield compression for the best quality assets. Investors remain selective, and are still conservatively pricing risk in most cases.

A recovery in discretionary retail spending which emerged in the second half of 2013 will support an improvement in asset level fundamentals. This is likely to fuel further confidence and investment into the retail sector by both domestic and offshore groups.

Figure 16: Total Retail Transactions, 2000 - 2013



Source: JLL Research

7.1.8 Transactions by Sector

This Section highlights the level of transactional activity by both sector and state.

JLL covers the various retail sectors as follows:

- **CBD:** The main commercial centre of a metropolitan area. Retail forms found within the CBD include strip shops, enclosed arcades and very large shopping complexes.
- **Regional Centres:** Major centres that are anchored by department stores (Myer, David Jones), discount department stores (Kmart, Target, Big W) and supermarkets. These centres often contain more than 200 specialty shops.
- **Sub-regional Centres:** Centres that are typically anchored by discount department stores and supermarkets.
- **Neighbourhood Centres:** Centres containing a supermarket and specialty shops.

- **Bulky Goods:** Centres and large stand-alone stores that primarily sell of low cost/high bulk goods such as furniture, electrical goods, office supplies, building products and a large range of other recreational and household goods.

Table 17: Australia Retail Transactions by Market Sector, 2012 & 2013

	2012		2013	
Market Sector	Sales Volume ($ m)	Number of Assets	Sales Volume ($ m)	Number of Assets
CBD	524.1	11	484.6	13
Regional	3,064.7	11	1,962.5	7
Sub-regional	1,001.6	14	1,848.4	27
Neighbourhood	728.4	41	1,200.1	58
Bulky Goods	786.9	29	1,104.6	38
Other	404.6	23	465.2	16
Total Retail Assets	6,510.4	129	7,065.5	159

Source: JLL Research

CBD Transactions

There were 13 CBD assets sold in 2013, for a total of $485 million. This compares with 11 transactions in 2012 totalling $524 million. Private investors were the most active purchaser and vendor type in terms of number of transactions, selling eight assets and purchasing six. The largest transaction was the Harbourside Shopping Centre, which was purchased by the A-REIT Mirvac for $252 million.

Regional Centre Transactions

Regional centre activity has continued to be very high. There were seven regional centre transactions in 2013 totalling $2.0 billion. Since the start of 2012, 18 regional centres (including part shares) have transacted. This is an exceptionally high number for a two-year period given only two and three per year are typically sold and that there are only approximately 95 regional centres within the major metropolitan areas of Australia.

Six out of seven transactions in 2013 were part shares, further emphasising the trend toward partnerships and the benefits of these arrangements for both parties. Transactions of a 100% share in a regional centre are rare.

The largest regional centre asset to transact was a half-share in Erina Fair on the NSW Central Coast, which sold for $397.1 million to a client of Lend Lease Investment Management.

There continues to be very strong demand for regional shopping centres, driven by their relatively stable and attractive returns, low volatility and a positive medium to long-term outlook. Furthermore, the nature of large regional centres is that they often are the dominant retail centre in their trade area and have potential to maintain or expand their market shares within their catchments via marketing/promotions, repositioning and/or development opportunities. These attributes make regional centre assets desirable to a range of major institutional investors, including both domestic and off-shore groups.

Sub-regional Centre Transactions

The sub-regional sector has been through a very significant upswing in activity, a trend which gained even more momentum in 2013. Over $1.8 billion of sub-regional centres were sold in 2013, 85% higher than 2012 and 56% higher than the previous record of $1.2 billion recorded in 1997. The upswing was particularly notable in the $50 to $200 million range, reflecting the demand from major institutions for scale in this sub-sector.

The pent-up capital seeking exposure to regional centres has, to some extent, cascaded down to sub-regional centres. The growing confidence among investors, combined with the improving outlook for the retail sector, is partly driving the strong level of activity in this retail format. The high yields available on sub-regional centres relative to both regional centres and long-term averages is also a major contributing factor.

Neighbourhood Centre Transactions

Neighbourhood volumes reached $1.2 billion in 2013. This included the $400 million Coles and ISPT joint venture which comprised the sale of a 75% share in 18 neighbourhood centres and one sub-regional centre to ISPT, with Coles retaining 25% ownership.

Outside of this major portfolio sale, individual neighbourhood transaction activity still remained high and grew compared with 2012. Institutional interest from listed and unlisted funds was strong, accounting for $430.0 million of purchases. Conversely, private investors were net sellers of $147.8 million of neighbourhood assets.

Bulky Goods

The bulky goods market has been through the most active period in the sub-sector's history, with 41 homemaker (multi-unit) centre transactions occurring over the past two years (18 in 2012 and 23 in 2013). Volumes reached $785.2 million in 2013, up 26% from 2012 and marks the highest year on record. The cycle of institutional investors reducing their exposure to this sub-sector is now slowing, which may see lower transaction volumes in the year ahead. Private investors and syndicates have been net purchasers of this asset class.

Sales of stand-alone bulky goods assets were dominated by Bunnings Warehouse Property Trust, effectively a transfer of recently completed stores into this A-REIT.

7.2 State Overview

JLL monitors the retail market in Australia's five largest metropolitan markets and Canberra.

Total retail floor space across Australia is estimated at around 2.0-2.1 sqm per person and 1.9 sqm per person in Greater Sydney. Less than half of this space is within regional, sub-regional and neighbourhood centres. The remaining retail floor area comprises a mix of CBD retailing, bulky goods outlets, stand-alone retail tenancies, themed retail precincts, outlet centres and 'unorganised' retail (i.e. stand-alone supermarkets, shopping strips, etc.).

Table 18: Australia Enclosed Centre Stock, as at Q4/2013

Centre Type	Sydney	Melbourne	S.E. Queensland	Perth	Adelaide
Regional Centres	2,026,057	1,157,986	1,026,055	421,845	412,010
Sub-Regional Centres	945,655	1,464,993	1,148,008	650,488	384,148
Neighbourhood Centres	983,888	809,808	978,707	694,755	403,612
Total - Enclosed Centres	3,955,600	3,432,787	3,152,770	1,767,088	1,199,770
Population (2012 estimate)	4,667,283	4,246,345	3,050,765	1,897,548	1,277,174
Provision - Enclosed Centres (sqm per capita)	0.85	0.81	1.03	0.93	0.94

Source: JLL

Table 19: Australia Retail Market Profile, Q4/2013 summarises current specialty market rents, average growth over the last five years, yields and new supply over the last five years by market and sector.

Table 19: Australia Retail Market Profile, Q4/2013

CBD Retail Markets				
Location	Prime Net Face Rent ($/sqm p.a.)	Ave. Growth (Last Five Years; % p.a.)	Yield Range (%)	Ave. Completions 2009-2013 (sqm.)
Sydney	3,615	1.2	5.25-7.25	9,815
Melbourne	3,504	0.8	6.00-8.00	19,960
S.E. Queensland	3,094	0.2	5.75-8.00	2,713
Adelaide	1,718	-1.4	6.25-8.50	9,309
Perth	1,149	-1.3	7.50-8.50	6,989
Regional Centre Markets				

Location	Prime Net Face Rent ($/sqm p.a.)	Ave. Growth (Last Five Years; % p.a.)	Median Yield (%)	Ave. Completions 2009-2013 (sqm.)
Sydney	1,938	0.5	6.00	18,255
Melbourne	1,470	1.2	6.25	22,268
S.E. Queensland	1,294	0.9	6.00	16,345
Adelaide	1,194	1.2	6.50	2,042
Perth	1,775	2.0	6.00	3,228
Sub-Regional Centre Markets				
Location	Prime Net Face Rent ($/sqm p.a.)	Ave. Growth (Last Five Years; % p.a.)	Median Yield (%)	Ave. Completions 2009-2013 (sqm.)
Sydney	973	0.8	7.75	12,856
Melbourne	790	1.0	7.50	38,682
S.E. Queensland	735	0.0	7.75	6,382
Adelaide	629	-0.9	8.00	6,956
Perth	910	0.9	7.50	17,451
Neighbourhood Centre Markets				
Location	Prime Net Face Rent ($/sqm p.a.)	Ave. Growth (Last Five Years; % p.a.)	Yield Range (%)	Ave. Completions 2009-2013 (sqm.)
Sydney	608	0.7	7.00-10.50	26,825
Melbourne	442	1.1	7.50-8.50	30,408
S.E. Queensland	551	0.0	7.25-9.75	18,774
Adelaide	327	-1.1	7.75-9.00	10,518
Perth	505	0.6	7.75-9.25	9,960

Source: JLL

7.3 Sydney Focus

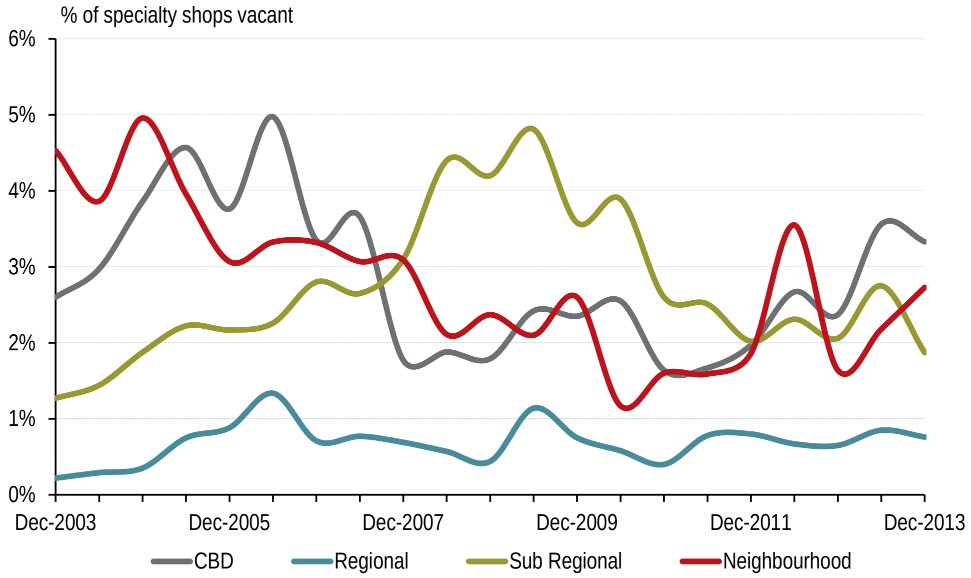
7.3.1 Demand and Vacancy

Retailer demand for space in Sydney in late 2013 was mixed. Demand from food and beverage operators continued to rise, while demand from discretionary retailers, especially domestic fashion retailers, remained subdued. Leasing executives reported a small increase in tenant enquiry over the second half of the year, which mirrors a similar improvement in overall consumer sentiment across Australia.

Growth in global brands in the Australian market has been a feature over 2013 and is set to continue into 2014. International luxury watch retailers, Rolex and Breitling, opened their first Australian stores within the Martin Place precinct in Sydney's CBD in early January 2014. US fashion retailer, Brooks Brothers, also plans to open one of its first Australian stores in Martin Place in early 2014 while H&M and UNIQLO are expected to enter the Sydney market in 2014. The Sydney CBD along with Melbourne are typically the first locations for store rollouts.

The JLL vacancy survey in December 2013 showed specialty store vacancy across all monitored sub-sectors in Sydney remained relatively stable in H2/2013. The average vacancy rate in Sydney declined to 2.2% in H2/2013 from 2.3% in H1/2013 and remained below the national average of 3.8%. Vacancy remained very low in both regional centres (0.8%) and sub-regional centres (1.9%) despite a relatively subdued demand environment.

Figure 17: Retail Vacancy by Sector, Sydney, 2003-2013



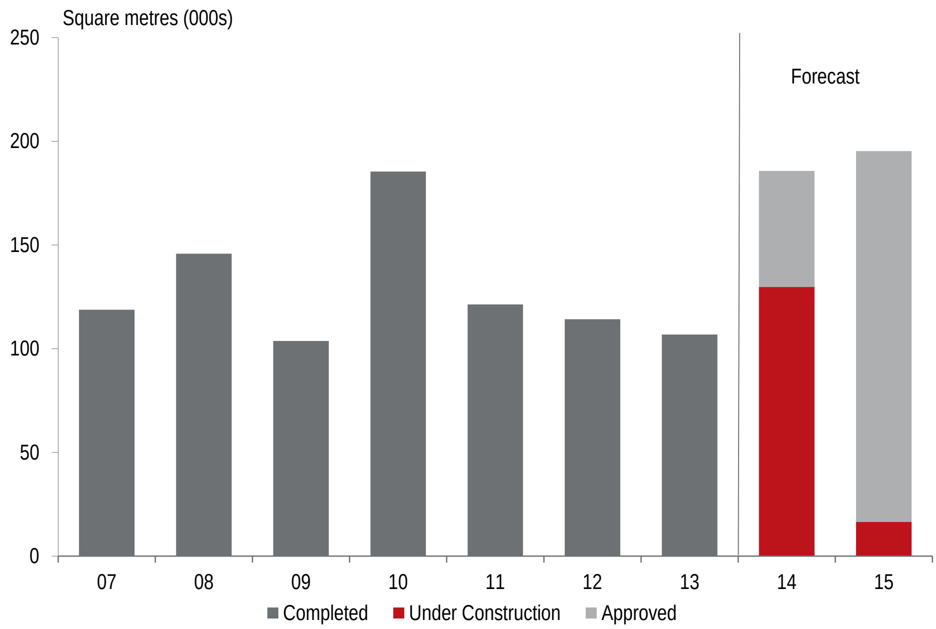
Source: JLL Research

7.3.2 Supply

Approximately 106,800 sqm of retail supply was added during 2013, marking the year as the lowest year for new retail supply since 2002 (96,200 sqm). Eight retail projects (84,500 sqm) completed in Sydney in Q4/2013. New supply was dominated by the bulky goods and neighbourhood sectors, driven by demand for new stores by Woolworths supermarkets, Master Home Improvement Stores (another Woolworths brand), and Bunnings Warehouses.

2014 is expected to be slightly stronger, with 130,000 sqm of projects under construction and due to complete during the year. While the bulky goods and neighbourhood sectors are again prominent, major extensions to two of Sydney's regional centres (Westfield Miranda; Macquarie Centre) are due to open in 2014. There are also a large number of projects with plans approved or submitted across the metropolitan area, which points to a marked rebound in project completions over the next two to three years.

Figure 18: Retail Supply, Sydney, 2007-2015

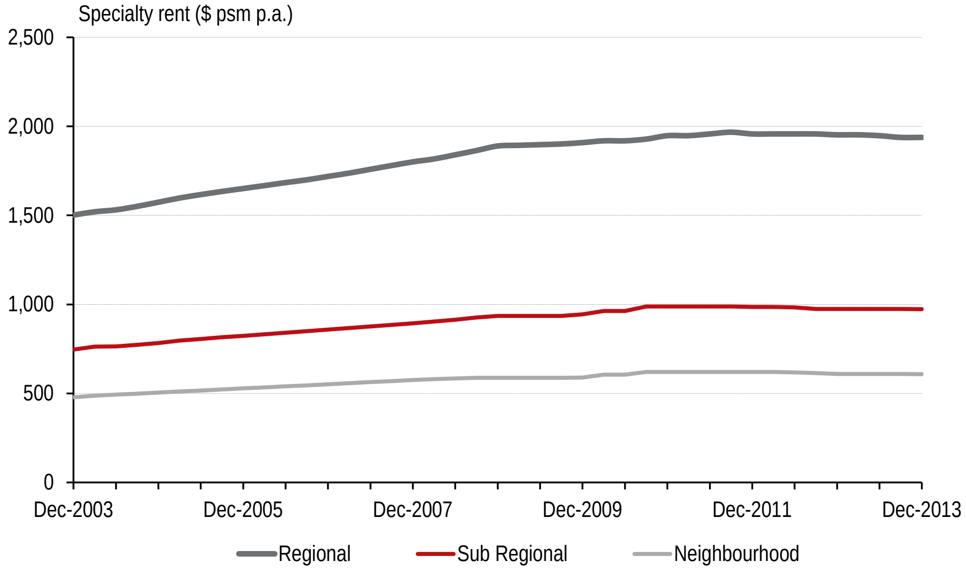


Source: JLL Research

7.3.3 Asset Performance and Recent Transactions

Average specialty rents in Sydney regional centres remained stable in Q4/2013 but declined marginally by 0.7% over the 12 months to December 2013. Average sub-regional rents and neighbourhood rents in Sydney declined by 0.1% and 0.3% respectively in Q4/2013. While vacancy levels remain reasonably tight, landlords have often needed to offer incentives and/or rent rebates in order to maintain high occupancy.

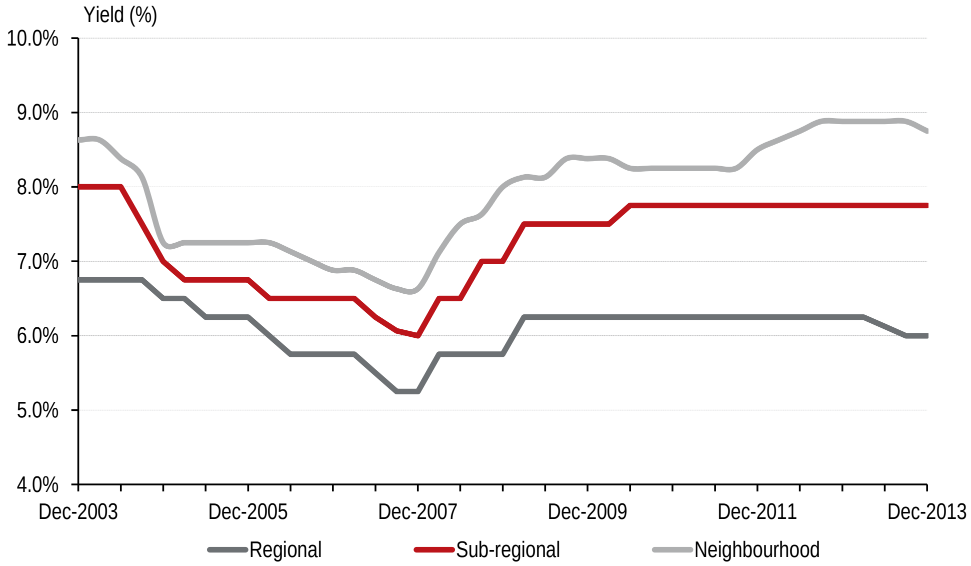
Figure 19: Retail Rents, Sydney, 2003-2013



Source: JLL Research

Investment yields for bulky goods (multi-unit) centres firmed marginally in Q4/2013, which further reflects the steady demand for quality bulky goods centres and the limited supply of these types of assets. Neighbourhood yields also tightened at the quality end of the range to 7.00%-10.50%. Regional (5.50%-7.00%) and sub-regional yields (6.50% 10.00%) remained steady this quarter.

Figure 20: Retail Yields, Sydney, 2003-2013[8]



Source: JLL

[8] Median yield for regional and sub-regional series; Midpoint yield for neighbourhood series

7.4 Retail Uses SWOT

Provided below is the SWOT analysis of retail uses at the Showground:

Strengths

- Growing residential population
- Higher socio-economic profile
- Road infrastructure

Weaknesses

- Not pedestrian friendly
- Lack of on street parking

Opportunities

- Improved transport accessibility

Threats

- Proximity to competing supply at Castle Towers and Rouse Hill Town Centre

7.5 Current and Forecast of Retail Demand at Showground

7.5.1 Previous Approach Undertaken

JLL has had reference to the Hill PDA report of 2014 (Section 9.4 & 9.6). As discussed with commercial analysis in **Section 6.6.1 Previous Approach Undertaken** Hill PDA similarly utilised their population forecast to predict demand for retail space. They had adopted a retail rate of 1.8sqm per capita plus 0.6sqm for bulky goods. They have made a number of assumptions in the allocation of retail and bulky good space. The Showground precinct is identified as one of the two clusters where bulky good space will be allocated. They also identify it will be allocated a portion of non-bulky good retailing, although 45% will be directed to the two large regional centres – Castle Hill and Rouse Hill. It is also put forward that 10% of the retail area will also escape the precincts.

JLL have been unable to identify the source or method derived for the rates of 1.8sqm per capita for retail or 0.6sqm for bulky goods. Employment for office and retail/bulky goods is forecasted using the derived demand for office and retail/bulky goods space. The method has not been specified it is believed they have utilised a similar method as above for the retail and bulky good portion of employment.

7.5.2 JLL Approach

JLL is of the view that the retail employment generated within the Showground precinct will consist of three types of retail, these are; neighbourhood, unorganised (associated with population growth) and retail associated with growth of employment. For each of these types we have forecasted employment growth to 2036.

JLL are of the view, considering the residential population and predicted growth of this population in the region, a neighbourhood centre located at the future train station is supportable. The neighbourhood centre would include a 3,000sqm full-line supermarket, in addition to 3,000sqm of support retail. A larger retail precinct will provide a better range of local services to meet the daily / weekly needs of residents, meaning a higher level of retail spending is captured locally. Our Sydney retail metrics indicate a retail employment rate of 25 jobs per 1,000 of major supermarket space (as seen in Table 21: Sydney Retail Supply Provisions per 1,000 Residents). As such, we assess the retail employment generated from the neighbourhood centre to be in the region of 150 jobs.

JLL are also aware of the potential for growth of "unorganised" retail within the precinct. This growth will be driven primarily by population growth in the precinct, as such; we have adopted the low, medium and high predictions for dwellings and assessed an applicable rate of 2.5

residents per dwelling to assess population growth. We then considered the rates identified in Table 21: Sydney Retail Supply Provisions per 1,000 Residents being 482sqm of retail space per 1,000 population as well as 39 jobs per 1,000sqm of space. Our assessment of unorganised retail can be seen below in Table 20: JLL Forecast of Employment Derived from "Unorganised" Retail.

Table 20: JLL Forecast of Employment Derived from "Unorganised" Retail

Assessment	Low	Medium	High
Assumed dwellings	3,456	4,608	5,760
Assumed residents (@2.5 per dwelling)	8,640	11,520	14,400
GFA @ 482 sqm per 1,000 residents	4,164	5,553	6,941
Jobs @ 1 job per 39 sqm	162	217	271

Source: JLL

JLL have also had consideration to the potential retail employment growth associated with employment growth in the precinct. It is difficult to ascertain a rate of growth for this type of retail. We have opted to accommodate a similar methodology to that undertaken in the office analysis. However, as the precincts employment relates primarily to blue collar, we have had reference to the predicted growth of blue collar employment in the Sydney GCCSA as provided by DAE. DAE predicts blue collar employment growth in the Sydney GCCSA between 2014 and 2024 to average approximately 0.85% per annum. As such, we have applied this annual growth out till 2036 to the retail employment number for 2014, being derived using our survey.

Broadly JLL is unable to support the current or forecast employment numbers from the Structure Plan. JLL has used the data from the land use survey to form a view on the current levels of employment within the precinct. As discussed within **Section 11 Current and Forecast Dwelling & Employment Yields** of this report, we have made broad assumptions relating to the level of employment represented within the survey area.

Utilising this method, we derived a base retail employment number of 768 FTE as at 2014. Our forecast has then grown this base at 0.85% per annum to 2036, resulting in a growth of approximately 157 FTE.

Summing the various components of retail employment we derive an increase of retail employment to 2036 of 524 FTE.

Table 21: Sydney Retail Supply Provisions per 1,000 Residents

	Total Provision GLAR			Provision Per Capita (1,000 sqm per people)			Proportions	
	Organised Retail (i.e. Shopping Centres)	Unorganised Retail (i.e. Strip)	Total	Organised Retail (i.e. Shopping Centres)	Unorganised Retail (i.e. Strip)	Total	Organised Retail (i.e. Shopping Centres)	Unorganised Retail (i.e. Strip)
Sydney								
Department Stores	504,489	32,605	537,094	117	8	125	12%	1%
Discount Department Stores	590,524	53,989	644,513	137	13	150	14%	1%
Major Supermarkets	584,576	167,355	751,931	136	39	175	14%	4%
Other Supermarkets	121,164	201,092	322,256	28	47	75	3%	5%
Bulky Goods	517,580	1,550,231	2,067,811	120	361	481	12%	38%
Total Major Uses	2,318,333	2,005,272	4,323,605	540	467	1006	55%	49%
Total 'Other' Retail	*1,875,103*	*2,072,536*	*3,947,639*	436	482	919	45%	51%
TOTAL	4,193,436	4,077,808	8,271,244	976	949	1,925	51%	49%
Proportion of Total	*51%*	*49%*		*51%*	*49%*			

	Jobs per 1,000 sqm
Department Stores	12
Discount Department Stores	10
Major Supermarkets	25
Other Supermarkets	20
Bulky Goods	10
Total Major Uses	*14*
Total 'Other' Retail	*25*
TOTAL	**39**

7.6 Viability Considerations – Retail Uses

JLL has not undertaken detailed financial analysis of retail uses, and have instead prioritised 'out of scope' considerations including the detailed analysis of a neighbourhood retail opportunity at the station and the land use survey. These additional considerations provide a more broad understanding of the market dynamics, which to a degree enable an understanding of viability.

The analysis undertaken above, forecasting potential future demand for retail provides an insight into the drivers of viability. The catchment analysis provides a more meaningful understanding of retail viability within The Precinct than a stand-alone feasibility analysis.

8 Bulky Goods Analysis

8.1 Context into the Bulky Goods Market

Bulky goods, defined as the merchandising of bulky goods, comprise a significant component of retail industries. They require large floorplates with large areas for handling, storage or display and easy and direct vehicular access to enable the goods to be collected by customers after sale. They include furniture, whitegoods, electrical equipment, bedding and manchester, lighting, automotive parts, camping and outdoor equipment, tools, building materials and DIY and homemaker products.

Successful bulky goods retailing tends to cluster together, within homemaker centres or in out-of centre developments, which encourages branding and destination shopping. They can have significant impact on employment lands. Some councils have permitted bulky goods to co-exist with traditional industries in industrial estates. Other councils are making use of the new planning templates to encourage compacting of bulky goods outlets in B5 or B6 zones close to centres. The Productivity Commission, with a brief more concerned with industry competitiveness than sound planning principles, argues that zonings need to ensure that areas where retailers locate are both sufficiently large (in terms of total retail floor space) and sufficiently broad (in terms of allowable uses, particularly those relating to business definitions and/or processes) to allow new and innovative firms to enter local markets and existing firms to expand7. The Commission suggests that business zonings be simplified to remove the need for ad hoc changes to council plans to accommodate each variation in business model.

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8.2 Bulky Goods Supply and Demand Analysis

Key Points

- The fundamental drivers of bulky goods retailing suggest a recovery is now getting underway. Household goods retail spending remains subdued, but low interest rates are providing support to the retail and residential construction sectors. Deloitte Access Economics forecasts a recovery in residential construction commencing in 2013 (5.5%) and averaging 8.7% p.a. between 2014 and 2017.
- A low homemaker centre construction pipeline and gradual recovery in discretionary goods spending will support a strengthening of bulky goods asset performance.
- Yield spreads between retail formats and spreads to the real bond rate remain wide and there is scope for yield compression as retail spending growth gains momentum and investor confidence recovers. Consequently, we believe there is a compelling counter-cyclical opportunity to gain exposure to bulky goods assets on the currently favourable terms.
- Nevertheless, individual asset characteristics such as catchment growth, tenancy mix and property access will be important in determining the longer-term success of particular bulky goods investments.

The bulky goods retail sector can be categorised into two main types of centres: Category Killers (also known as “Big Box” retailing) which have just a one occupier such as Bunnings or Masters Home Improvement hardware stores; and Multi-unit centres, which generally include a range of furniture, homewares and electrical retailers.

Trends differ quite significantly between these two formats and it is important to assess market conditions separately. The main focus of this paper is on the performance and potential recovery of the homemaker (or multi-unit) centre market.

Bulky Goods

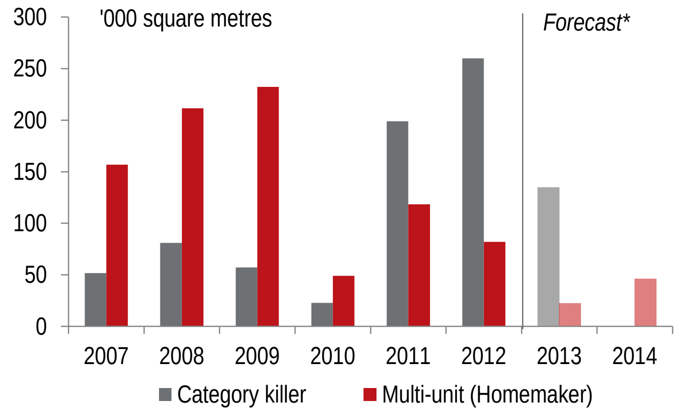
The bulky goods sector has been going through a period of repair since 2009 following a significant supply and demand imbalance created by the GFC.

Construction in the homemaker sector ground to halt in 2009 and has remained very limited since then, constrained by both a lack of demand and tight finance conditions. This is providing a solid starting point for the sector to recover as market conditions return to normal.

Conversely, there was a surge in category killer completions through 2011 and 2012, largely reflecting the roll out of new Bunnings and Masters Home Improvement stores across the country by major retailers Wesfarmers and Woolworths. These two home hardware stores have made a major contribution to total construction activity, and accounted for 55% of total retail completions in 2012.

The forward pipeline of new homemaker centres is still very low (Figure 1). Institutional landlords remain focused on refurbishing existing assets or expanding major core assets, and participation from small to mid-tier private developers remains limited by funding constraints and low-risk appetite.

Figure 21: Bulky Goods Supply Pipeline



*includes projects under construction as at Q4/2012

The limited development activity in the Homemaker sector is likely to persist over the short to medium term. Feasibility of new developments is being hindered by lower rents, higher capitalisation rates and challenging leasing market conditions. Rents remain 4.8% below their previous levels.

Bulky goods rents and yields adjusted more sharply than other retail sub-sectors during the GFC. Rents corrected through 2008 and 2009, declining on a national basis by 4.4% between Q2/2008 and Q4/2009. Rents have now generally stabilised in all markets except Perth, which recorded 4.9% decline in 2012 as a result of weaker demand.

Similarly, yields also corrected swiftly. The typical yield range for a multi-unit bulky goods property softened from a peak of between 7.00% and 8.50% in December 2007 to be between 8.00% and 10.50% by Q1/2009. Yields then remained stable from early 2010 until well into 2011, but softened further between Q2/2011 and Q1/2012 as a result of persistently low retail turnover growth, economic volatility and an erosion of confidence at that time. Yields then stabilised through 2012 at 8.50% to 11.25% with a mid-point of 9.55%.

Major institutional landlords continue to sell out of the bulky goods sector. Some groups such as GPT, Mirvac, Charter Hall, Colonial and Valad have sold down assets over the past few years. Institutional owners have sold over AUD 1.1 billion worth of Homemaker centres since 2007 and this has had a depressing effect on pricing, resulting in a wide yield spread between bulky goods assets and other retail sub-sectors. us peak (in Q2/2008) and yields are 190 basis points (bps) higher than in Q4/2007.

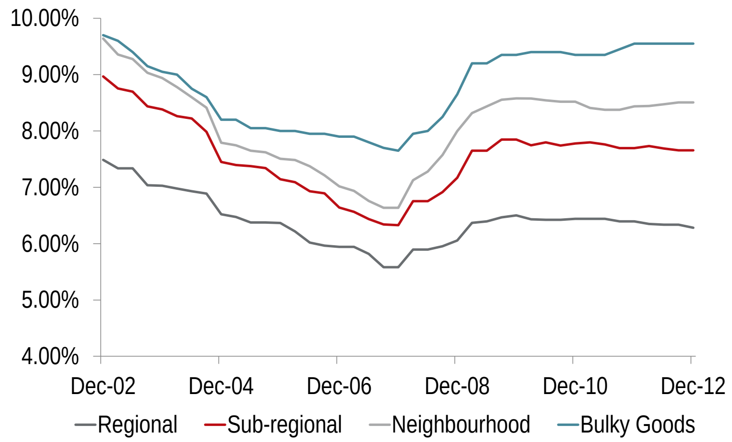
Current Yields Spreads

Yield spreads between retail sub-sectors narrowed significantly in the years leading up to 2007 (Figure 3) reflecting a general mispricing of risk. The spread between the average bulky goods and regional centre yield for example, tightened to just 196 bps in Q1/2007, then widened to 283 bps as at Q1/2009 as prices corrected and risk was re-priced. The spread has since remained wide and has grown wider through 2012 as a result of marginal compression in the regional retail sector. The spread is currently 327 bps as at Q4/2012, the widest on record since monitoring began in 1998.

While we don't expect a return to 2007 levels, this relative pricing between retail sub-sectors is unlikely to be permanent, and over time we believe this spread will narrow.

However, structural shifts underway in the retail sector are likely to create a more competitive environment for retailers and landlords. As a result, asset selection will become even more important. Further, active asset management may be necessary to drive centre performance and capital expenditure is likely to increase generally, as landlords competitively refurbish centres to maintain market share.

Figure 22: Retail Yields – by Sub-Sector



In addition to the wide yield spread between retail sub-sectors, the spread between the average bulky goods yield and the 10-year real bond rate (reflecting the excess return over the risk free rate) remains close to record highs and also supports the case for yield compression.

The spread is currently 851 bps (the difference between the average bulky goods yield of 9.55% and the real bond rate of 1.04% as at December 2012), compared with the 10-year long term average of 627 bps. This partly reflects the abnormally low yield on real 10-year government bonds and the above average property yields for bulky goods assets. Assuming over time the real bond rate reverts back to historical benchmarks (2.75%), the spread would narrow to 680 bps, still reflecting a positive spread of 52 basis points over the 10-year long term average (627 bps). We therefore believe there is scope for yield compression for quality homemaker centres even in the event of a bond market correction.

Household Goods Retailing

The best indication of the health of the multi-unit bulky goods market is the household goods category of retail turnover. Household goods retailing is highly correlated with trends in housing construction activity.

Spending in the household goods sub-sector has been below trend for over four years and growth averaged just 0.7% p.a. between June 2008 and December 2012. Similar to other discretionary categories, household goods have been adversely impacted by the sharp rise in the household saving rate as consumers choose to pay down debt and spend an increasing proportion of their income on non-retail items of consumption such as rent, education and utilities.

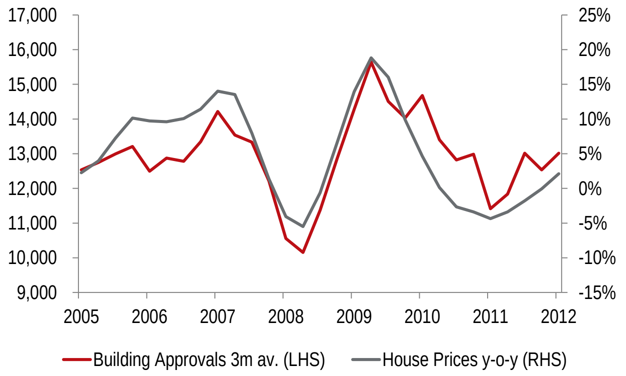
However, the high Australian dollar (AUD) has resulted in price reductions of many imported household goods items. Competition has meant that cost reductions have generally been passed on to consumers rather than used to build margins. Consequently, for many bulky goods retailers' growth in sales volumes has been stronger than growth in the dollar value of sales suggests.

New housing construction activity has languished since 2005. This extended period of below trend growth means a recovery is likely to be significant. Further, the fundamentals of underlying demand for housing construction activity are supportive of a recovery. Population growth has been strong, residential vacancy rates are low by historical standards and rents are rising in excess of inflation, emphasizing the rising scarcity of residential accommodation.

Historically, lower interest rates have been a precursor to a housing market recovery and it appears this cycle is now once again emerging. The Reserve Bank of Australia has cut the official cash rate by 175 bps since November 2011 to stimulate interest rate sensitive sectors of the Australian economy. Figure 4 shows a rise in building approvals over the past 12 months, and a U-shaped recovery in house prices which are now rising by approximately 2.1% p.a. Residential 'construction work done' rose by 1.7% in Q4 of 2012 following a 1.4% in Q3 (ABS). The drivers and forward indicators of residential construction therefore suggest a revival in this sector is now getting underway.

Deloitte Access Economics forecasts growth in housing investment of 5.5% in 2013 before moving into prolonged housing construction cycle with growth averaging 8.7% p.a. in the four years between 2014 and 2017. This pace greatly exceeds the 10-year long term average of just 0.6% p.a. and 20-year long term average of 3.0% p.a.

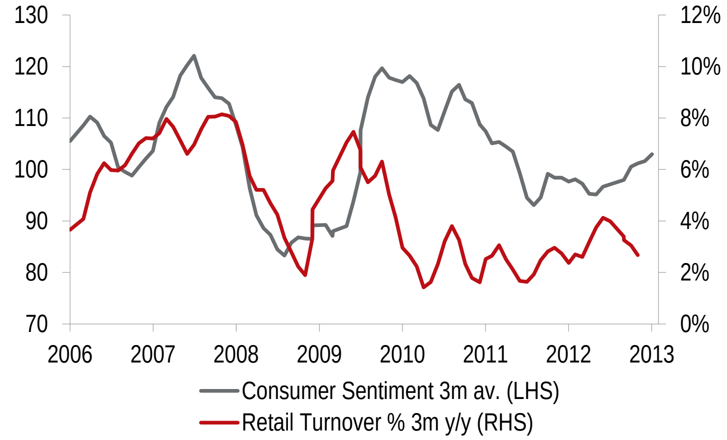
Figure 23: Building Approvals and House Prices (Australia)



The cyclical downturn in housing has been most acute in New South Wales and Queensland and this is reflected in a strong recovery forecast for 2013 to 2017. This suggests above average levels of growth in household goods spending in these two states.

The broader retail sector is also poised for recovery. Figure 5 shows consumer sentiment and against retail turnover. Consumer sentiment has begun to strengthen over the past few months while retail turnover has remained subdued. The stronger sentiment readings since December suggest further improvement in discretionary retailing over the next few months.

Figure 24: Consumer Sentiment Index & Retail Turnover



Deloitte Access Economics forecast real (inflation-adjusted) retail turnover to grow by 2.3% in 2013 before rising to 3.4% in 2015. However, household goods retailing (as with many discretionary categories) has historically been far more volatile than the overall retail sector, which suggests a stronger bounce back for this category of spending during the recovery.

Conclusion

Given the limited supply of homemaker centres and forecast strengthening of retailer demand, driven by a rebound in retail spending and housing construction activity, the homemaker sector is poised for a gradual recovery.

While there does appear to be an opportunity to capitalise on general market reversion over the next few years, we would suggest investors with a longer time horizon do need to also focus on asset specifics to ensure longer-term competitiveness of a centre. In particular, many household goods items are homogenous goods that are potentially exposed to online retailing competition. This greater level of competition is likely to further increase the performance differential between a strong 'destinational' bulky goods asset and a secondary asset.

Nevertheless, the combination of current attractive yields, potential for capital growth through yield compression and the absence of institutional competition suggests there is a counter cyclical opportunity to acquire high quality bulky goods assets on favourable terms.

8.3 Bulky Good Uses SWOT

Provided below is the SWOT analysis of bulky good uses at the Showground:

Strengths

- Growing residential population
- Higher socio-economic profile
- Road infrastructure
- Recognised investment grade bulky goods district

Weaknesses

- Not pedestrian friendly
- Lack of on street parking

Opportunities

- Improved transport accessibility
- Improving investment market in bulky goods

Threats

- Bulky goods has traditionally traded at significantly higher yields compared with other retail asset classes, i.e. less incentive to invest in this asset class.

8.4 Current and Forecast of Bulky Good Demand at Showground

8.4.1 Previous Approach Undertaken

JLL has had reference to the Hill PDA report of 2014 (Section 9.4 & 9.6). As discussed in greater detail within the commercial analysis in **Section 6.6.1 Previous Approach Undertaken** Hill PDA similarly utilised their population forecast to predict demand for bulky good space. They had adopted a retail rate of 1.8sqm per capita plus 0.6sqm for bulky goods. They have made a number of assumptions in the allocation of retail and bulky good space. The Showground precinct is identified as one of the two clusters where bulky good space will be allocated. They also identify it will be allocated a portion of non-bulky good retailing, although 45% will be directed to the two large regional centres – Castle Hill and Rouse Hill. It is also put forward that 10% of the retail area will also escape the precincts.

JLL have been unable to identify the source or method derived for the rates of 1.8sqm per capita for retail or 0.6sqm for bulky goods. Employment for office and retail/bulky goods is forecasted using the derived demand for office and retail/bulky goods space. The method has not been specified it is believed they have utilised a similar method as above for the retail and bulky good portion of employment.

8.4.2 JLL Approach

JLL is of the view that Showground precinct plays a vital role in servicing the bulky good requirements of the greater The Hills LGA. This view is similarly expressed in a survey conducted by Hill PDA in 2008, within the Baulkham Hills Retail Floorspace and Demand Analysis 2008 report. The survey identified that 64.9% of bulky goods floor space within the then Baulkham Hills LGA (now The Hills LGA) was located within the "Castle Hill Industrial Area". The report provided a map identifying this area as the current subject, the Showground precinct.

In forecasting growth for bulky goods in the Showground precinct, we utilised a variety of tools both from the above report as well as our own survey analysis and retail metrics. We have utilised the September 2014 release of the BTS population forecast for Hills Shire at 2011 and adjusted to 2014 to identify a resident population and have also made use of the projected residential population to 2036. Using this growth along with the rate of sqm allocated per 1,000 resident population (as identified previously in Table 21: Sydney Retail Supply Provisions per 1,000 Residents) we were able to predict future floor space provision of bulky goods within the Hills Shire. JLL have then assumed a similar proportion of floor space to Showground, applying the rate of 64.9% as identified above. This results in our forecasted bulky goods floor space to 2036 for the Showground precinct.

In determining the employment related to this floor space we have adopted a rate of 1 job per 69sqm of bulky goods floor space. This is the rate determined for bulky goods based on our survey findings. This represents significantly less than the 100sqm JLL have determined for greater Sydney, which is reflective of the higher density of use within the Showground precinct. The process for our calculation has been outlined below in Table 22: JLL Forecast of Employment Derived from Bulky Goods.

Table 22: JLL Forecast of Employment Derived from Bulky Goods

Assessment	
BTS Hills Shire Pop growth 2014-2036 (adjusted)	115,331
GFA @ 481 sqm per 1,000 residents	55,474
Apportioned to Showground (64.9%)	36,003
Jobs @ 1 job per 69 sqm	522

Source: JLL, BTS, Hill PDA

Broadly JLL is unable to support the current or forecast employment numbers from the Structure Plan. JLL has used the data from the land use survey to form a view on the current levels of employment within the precinct. As discussed within **Section 11 Current and Forecast Dwelling & Employment Yields** of this report, we have made broad assumptions relating to the level of employment represented within the survey area.

Utilising this method, we derived a base bulky good employment number of 1,053 FTE as at 2014. Our forecast as seen above predicts this to then grow by 522 FTE to 2036 resulting in a predicted bulky good employment at 2036 for the Showground precinct of 1,575 FTE.

8.5 Viability Considerations – Bulky Good Uses

JLL has not undertaken detailed financial analysis of bulky good uses, and have instead prioritised 'out of scope' considerations including the detailed analysis of the land use survey. These additional considerations provide a more broad understanding of the market dynamics, which to a degree enable an understanding of viability.

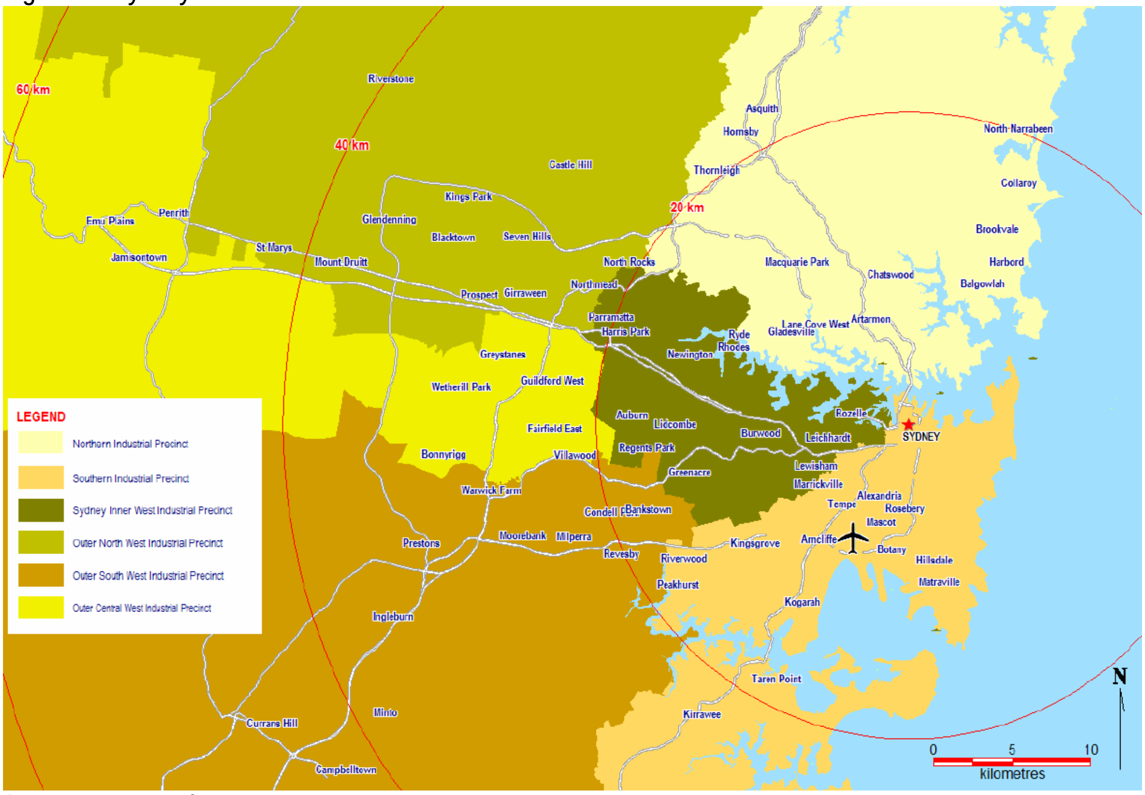
The analysis undertaken above, forecasting potential future demand for bulky goods provides an insight into the drivers of viability. The catchment analysis provides a more meaningful understanding of bulky goods viability within The Precinct than a stand-alone feasibility analysis.

9 Industrial Analysis

9.1 Context into the Industrial Market

JLL Research monitors the metropolitan Sydney industrial market, including trends in supply, demand, rents, yields and investment sales. Six precincts are monitored across Sydney; South, North, Inner West, Outer Central West, Outer North West and Outer South West. Figure 25: Sydney Industrial Precincts below identifies each of the six precincts. The Precinct is part of the Outer North West industrial precinct.

Figure 25: Sydney Industrial Precincts



Source: JLL, MapInfo

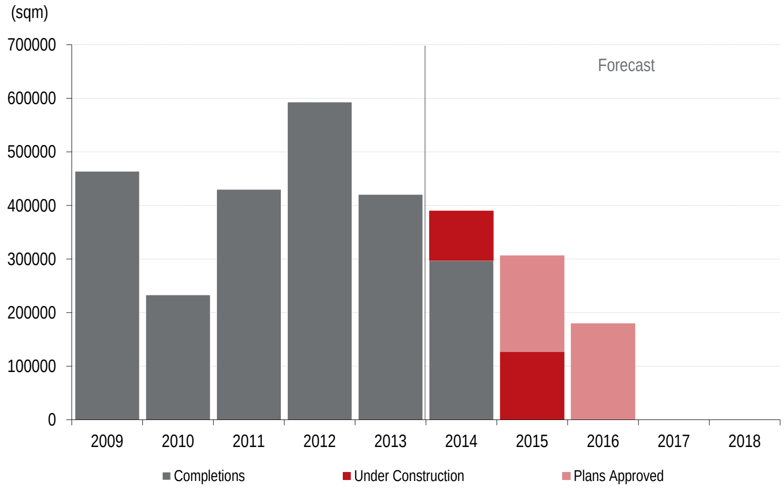
9.2 Industrial Market Supply

Supply of industrial space has remained relatively subdued when compared to historical average. 2014 has only seen 296,700sqm of industrial space added to the market by Q3 2014, this is tracking well below the annual average of 563,000sqm. The limited supply has been partly a consequence of diminishing active developer land banks and lower pre-lease activity. However, greater access to greenfield sites and completion of needed infrastructure around key estates will support greater supply activity, particularly from 2016 onwards.

Approximately 93,600sqm of industrial space was anticipated to be completed during Q4 2014. This would bring the total supply of 2014 to 390,300sqm, well below average. There are currently a further eight projects under construction due for completion in 2015, which would potentially add 126,600sqm. A further 15 projects totalling 180,200sqm have planning approval and could be delivered in 2015.

Nonetheless, the construction pipeline looks set to remain subdued in 2015, though it is expected to increase markedly in 2016 due to the factors mentioned above. The supply pipeline as of Q3 2014 can be seen below.

Figure 26: National Industrial Supply Pipeline, 2009-2016 Q3 2014



Source: JLL Research
Note: JLL monitors new supply of 5,000sqm and over

9.3 Industrial Market Demand

9.3.1 Demand Drivers

While economic growth is a natural driver of demand for industrial space, there are forces at play that favour one location over others and structural changes that have impacted on demand for industrial space.

Key drivers of demand for industrial land and buildings are summarised below.

Structural Change and Rise of the Logistics Sector – Also referred to as the changing needs of industrial space occupiers. This has in part been influenced by changes in technology. Mobile communications as well as improved data and inventory management has led to changes in business processes, including outsourcing to specialist logistics companies, consolidation and centralisation of warehousing as well as the adoption of "just-in-time" inventory management. This has transformed demand for industrial real estate away from smaller dispersed warehouse space to large distribution centres located on the major arterial road and rail networks.

Shift from Manufacturing to Warehousing – There has been a noticeable decline in manufacturing across Australia, with manufacturing output declining from 14% to less than 8% of total output in just 20 years.[9] Manufacturers have had to cope with increased competition from Asia and a strong Australian dollar for much of the past few years, with companies pushing production offshore. This has resulted in a shift in some company's property requirements from factory to warehouse space. This trend is anticipated to continue with the Department of Employment[10] projecting a loss of 40,300 manufacturing jobs in the five years between November 2013 and November 2018. However, it is estimated that this will be counterbalanced by an increase of 32,100 jobs within the Transport, Postal and Warehousing industries.

Infrastructure – Infrastructure improvements are one "pull factor" that can increase the appeal of a particular region. Good quality infrastructure can entice companies to move to outer suburban areas or even regional locations that might have been overlooked in favour of a more central location. While proximity to infrastructure such as Port Botany and the M5 Motorway are considered two of the major "pull factors" of industrial land in Hurstville, the same M5 Motorway is also providing a compelling case for major distribution centres to re-locate to outer metropolitan locations.

[9] Reserve Bank of Australia Chart Pack; Australian Bureau of Statistics
[10] Australian Government: Department of Employment – Industry Employment Projections 2014 Report

Clustering – Clustering of like-minded businesses facilitates the creation of business networks and has the potential to generate new market opportunities through collaboration.

Affordable land – A supply of affordable, well located land provides the impetus for companies to consider moving premises, particularly those companies with either poorly located properties, facilities that are out-dated, or undergoing expansion / contraction.

Competing uses in Inner / Middle Suburban Areas – This includes competition from higher order commercial and residential uses and demand from owner-occupiers for well-located sites from which to run their business. There has also been a trend towards subdivision to smaller lots as larger parcels become available. This form of re-investment in industry zones provides new opportunities for small to medium business enterprises, while industries requiring larger premises have tended to look further afield for more affordable serviced land.

On-line Retailing – The growth of this sector has seen increased demand for well-located warehouses, from both the online retailers and third party logistics providers who deliver their goods to customers.

9.3.2 Market Size and Investment

The NSW Government's Employment Lands Development Program 2014 (ELDP 2014) monitors industrial land stock, land consumption and activity across Greater Sydney. The Precinct sits within the Castle Hills industrial precinct, within The Hills LGA. This is the first time the ELDP have classified the Hills LGA (formerly Baulkham Hills) within the West Central industrial subregion. Previous versions of the report had the LGA within the North West subregion; however, the latest version has reduced number of subregions from eleven to seven.

Castle Hill, in the context of the Sydney industrial market is a small market, with approximately 82 hectares of industrial zoned land. However, it is the second largest in The Hills LGA, after Annangrove (115.2 hectares), accounting for approximately 26% of the industrial zoned land.

Castle Hill's industrial land stock has declined significantly in recent years. In the period between January 2013 and January 2014 the stock declined by a hectare, while the year previously the market lost almost 40 hectares in industrial zoned land.

Over the last four years, the activity within The Hills LGA has been fairly inconsistent as represented below. Recently, there has been limited activity within The Hills LGA and particularly when comparing to the West Central subregion. $6,672,000 of building approvals in the "warehouses, factories and other industry" categories were reported in The Hills LGA in 2012-13. This represented a low 2.5% of the total potential investment in industrial building work across the West Central subregion.

Table 23: Value of Industrial Approvals, 2009-2013, The Hills LGA

Value of Industrial Approvals ($)	2009-10	2010-11	2011-12	2012-13
The Hills LGA ($)	0	144,500	25,595,974	6,672,000
West Central Subregion ($)[11]	N/A	N/A	N/A	268,426,000
- Proportion of West Central Subregion	N/A	N/A	N/A	2.5%

Source: NSW Planning and Environment (Employment Lands Development Program Update Reports)

The West Central Subregion is a relatively large portion of Sydney's industrial market, accounting for 30.0% of total stock (or 4,597.6 hectares out of a total stock of 15,328 hectares). It accounts for an even larger proportion of overall investment in industrial construction, with 41.2% of the total value of building approvals in the Sydney Region in 2012-13 being in the West Central Subregion.

[11] Have not included analysis of the three years prior to 2012-13 as was previously classified in different subregion, making comparison difficult

Table 24: Market Size & Value of Industrial Approvals, West Central & Sydney Regions, 2012-2013

Region	Hectares	Value of Industrial Approvals ($million)
West Central Subregion	4,597.60	268.426
Sydney Region	15,328.0	650.936
- Proportion of Sydney Region	30.0%	41.2%

Source: NSW Planning and Environment (Employment Lands Development Program 2014 Update Report)

9.4 Changing Nature of Employment - Changes to Industrial Land Uses

As mentioned above, the decline in local manufacturing and a move to centralised distribution networks has transformed demand for industrial real estate away from smaller dispersed space to large space on arterial road and rail networks.

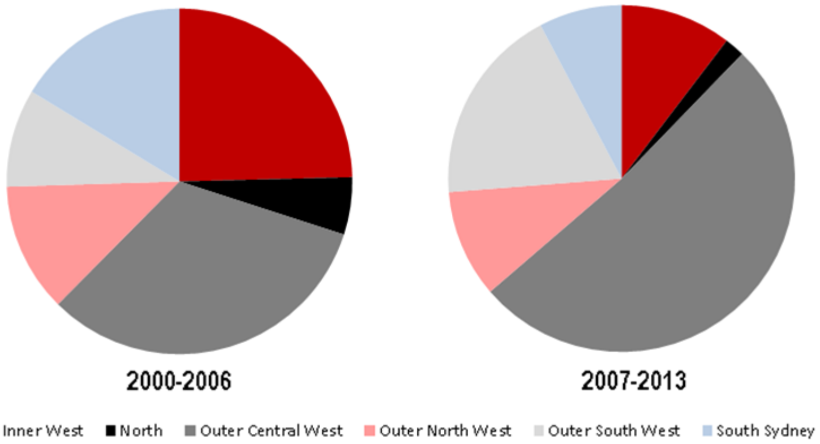
The key criteria for the success of warehouse and distribution centres include:

- Access to motorways, main arterials, Port Botany and/or Sydney Airport, and in some instances rail network;
- Centrally positioned as a transport hub within supply chains linking national and global suppliers with national and global customers;
- Competitive industrial land prices and rents;
- Appropriate buffer zones from residential areas;
- Greenfield sites that allow development of high tech warehouses; and
- Space to grow and accommodate large vehicles.

Gross take-up has been steadily decreasing in the Inner West Sydney sub-market over the last decade. As an illustration, the level of gross take-up recorded in 2012 for the Inner West region reflected a 69% decline from the level recorded in 2000. By again comparing the relative performance of the Inner West market with its most prominent decentralised alternative, the Outer Central West, we observe a prolonged period of rapid, if somewhat inconsistent, growth in gross take-up activity. The clear outperformance of the Outer Central West market relative to the Inner West region since 2003 again highlights a structural shift westward in the Sydney industrial landscape.

To further explore this idea of a fundamental westward shift in the Sydney industrial market, we can compare the relative proportion of demand between the six industrial sub-markets of Sydney over two separate periods; 2000-2006 and 2007-2013. The chart below once again highlights a clear shift away from the more centralised markets of South Sydney and the Inner West, with corresponding growth in the decentralised sub-markets of Outer South West and particularly the Outer Central West.

Figure 27: Sydney Industrial Gross Take-up, 2000-2006 vs. 2007-2013

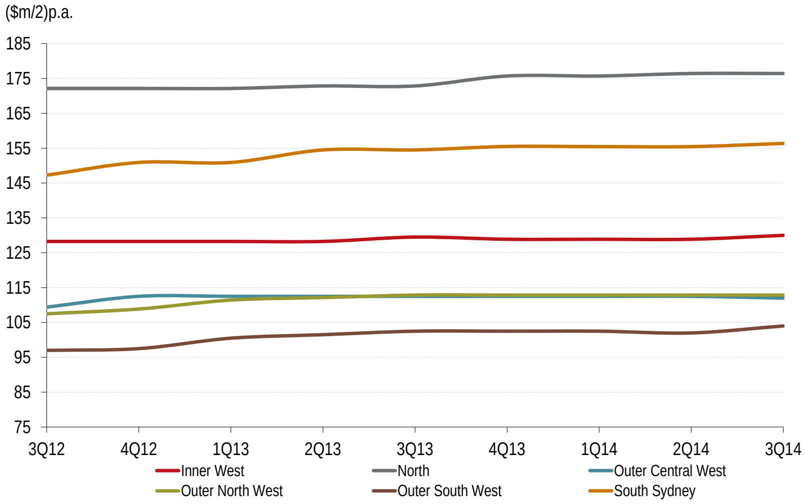


Source: JLL Research

9.5 Industrial Rents

Sydney industrial rents had remained relatively unchanged in the 12 months prior to Q3 2014. Q3 2014 saw a slight upward movement in rents, which was underpinned by a pick-up in industrial occupier demand. The largest prime rental increase occurred in the Outer South West precinct where the average prime rent increased by 2%. The growth in prime net face rents by precincts can be seen below.

Figure 28: Prime Net Face Rents by Precinct Q3 2014



Source: JLL Research

On average, rents are expected to grow moderately. A pick-up in occupier activity across most of the Outer Western precincts and diminishing stock in the Inner West and South Sydney are expected to begin to place upward pressure on existing stock rents over the next 12-18 months.

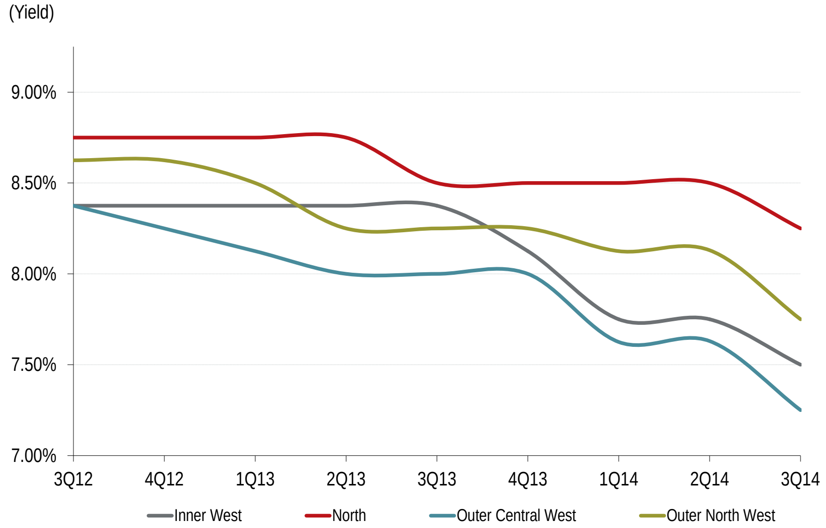
9.6 Industrial Transactions and Yields

Transaction activity has been very strong recently, with sales in Q3 2014 totalling $645.6 million. Sales in the 12 months to Q3 2014 totalled a very high $2.3 billion, reflecting the investor's strong appetite for industrial assets. However, a large number of residential redevelopment site sales continue to drive volumes in Sydney.

The demand for residential redevelopment sites can be seen when analysing the 17 transactions in Q3 2014, six of these were for residential development purposes. These sales also comprised around half of the total sales value for the quarter ($312.5 million).

The strong investor and developer demand has resulted in significant yield compressions, with all precincts recording compression of between 25 and 50 basis points in Q3 2014. As a result of significant compression, prime yields now currently range between 6.75% and 8.50%, compared to 7.50% and 9.00% at the end of 2013.

Figure 29: Average Prime Yields by Precinct Q3 2014



Source: JLL Research

A large number of investors continue to seek assets in the Sydney industrial market. The speed of recent yield compression has resulted in forecasted of further compression being brought back. It is likely that while yield compression will continue, it will unlikely continue at the same rate seen in the past 12 months.

9.7 Changing Nature of Employment - Changes to Industrial Land Uses

The decline in local manufacturing and a move to centralised distribution networks has transformed demand for industrial real estate away from smaller dispersed space to large space on arterial road and rail networks.

The key criteria for the success of warehouse and distribution centres include:

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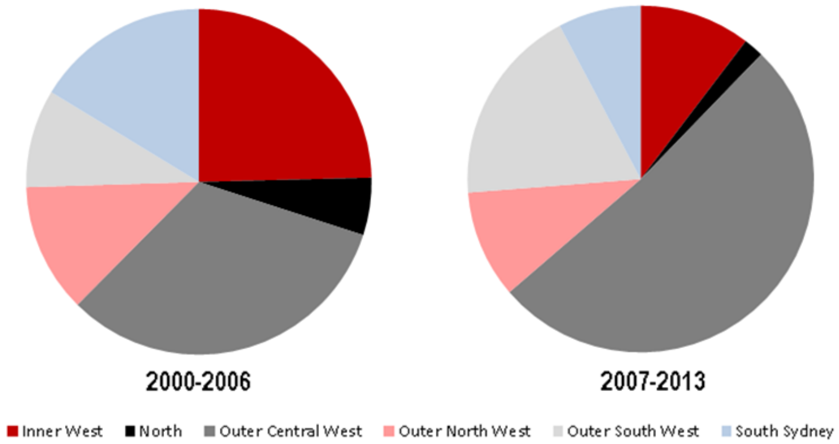
To further explore this idea of a fundamental westward shift in the Sydney industrial market, we can compare the relative proportion of demand between the six industrial sub-markets of Sydney over two separate periods; 2000-2006 and 2007-2013. The chart below once again highlights a clear shift away from the more centralised markets of South Sydney and the Inner West, with corresponding growth in the decentralised sub-markets of Outer South West and particularly the Outer Central West.

Figure 30: Sydney Industrial Gross Take-up, 2000-2006 vs. 2007-2013



Source: JLL Research

9.8 Current and Forecast of Office Uses within Showground

9.8.1 Previous Approach Undertaken

JLL has had reference to the Hill PDA report of 2014 (Section 9.10). As discussed in greater detail within the commercial analysis in **Section 6.6.1 Previous Approach Undertaken** Hill PDA similarly utilised their population forecast to predict demand for industrial space.

Industrial space has been forecasted utilising the above predicted population growth. According to ABS Census 2011 51% of The Hills LGA is in the workforce with approx. 20% within “blue collar” industries. They have additionally assumed job containment within the precincts of 60% and an industrial rate of 70sqm to determine the total industrial area demanded based on population growth.

JLL have been unable to identify the source or method derived for the rates of 70sqm for industrial workers or the 60% job containment rate. Employment for industrial has not specifically been forecasted. However, the above utilises potential industrial workers to determine space demanded.

9.8.2 JLL Approach

JLL is of the view that there is potential to for growth of industrial employment within the Showground precinct. JLL believe this will occur in line with greater Sydney. As such, we have had reference to the predicted growth of blue collar employment in the Sydney Greater Capital City Statistical Area (GCCSA) as provided by Deloitte Access Economics (DAE). DAE predicts blue collar employment growth in the Sydney GCCSA between 2014 and 2024 to be averaging approximately 0.85% per annum. We have thus adopted this rate out till 2036.

Broadly JLL is unable to support the current or forecast employment numbers from the Structure Plan. JLL has used the data from the land use survey to form a view on the current levels of employment within the precinct. As discussed within **Section 11 Current and Forecast Dwelling & Employment Yields** of this report, we have made broad assumptions relating to the level of employment represented within the survey area.

Utilising this method, we derived a base industrial employment number of 3,218 FTE as at 2014. Our forecast has then grown this base at 0.85% per annum to 2036, resulting in approximately 3,877 FTE, a growth of 659 FTE.

9.9 Industrial Uses SWOT

Provided below is the SWOT analysis of Industrial uses at the Showground:

Strengths

- Existing industrial stock

Weaknesses

- Distance to port, airport and 'recignised' investment grade industrial precincts
- Lack of easy access B-double trucks

Opportunities

- Higher intensity light industrial servicing the local area
- Strata industrial product

Threats

- Development of further competing industrial land e.g. Annangrove and more broadly within the South West and North West Growth Centres
- Lack of compatibility from the growing residential base

9.10 Viability Considerations – Industrial Uses

JLL has not undertaken detailed financial analysis of bulky good uses, and have instead prioritised 'out of scope' considerations including the detailed analysis of the land use survey. These additional considerations provide a more broad understanding of the market dynamics, which to a degree enable an understanding of viability.

JLL's view, as outlined within this report is that the demand for large floor plate industrial land uses is decreasing within this location, with the decline in manufacturing and warehousing and distribution generally locating around the port or airport facilities or alternative on key transport links in the outer Northwest and Southwest Sydney.

The analysis undertaken above, forecasting potential future demand for industrial provides an insight into the drivers of viability. The catchment analysis provides a more meaningful understanding of industrial viability within The Precinct than a stand-alone feasibility analysis.

10 Residential Analysis

10.1 Residential Supply

10.1.1 Historic and Current Supply within The Hills LGA

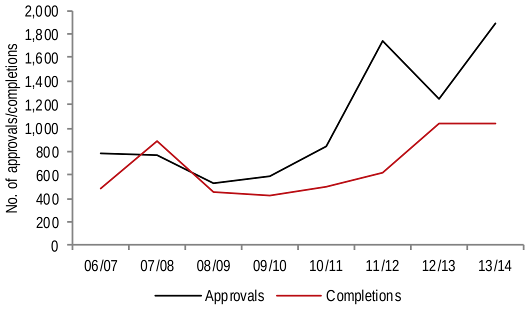
Provided below is a summary of residential supply from the 2006/07 period to the 2014.

Dwelling Approvals & Completions

The number of new residential dwelling approvals and completions within the The Hills Shire LGA over a 12 month period up to the June 2014 quarter, as well as the change over the previous 12 months, are provided in the following table and graph:

Dwelling Type	Jun-14	Jun-13	% change
Detached Approvals	901	589	53.0%
Townhouse Approvals	85	-	-
Apartment Approvals	905	297	204.7%
Total Dwelling Approvals	1,891	886	113.4%
Total Dwelling Completions	1,033	1,037	-0.4%

Dwelling Approvals & Completions - The Hills Shire LGA



Source: JLL, ABS, Dept of Planning & Environment

JLL notes the significant increase in supply has following the strengthening residential market with developers being incentivised to bring new stock to the market.

10.1.2 Supply from the North West Rail

According to the North West Rail Link Corridor Strategy ("NWRL Corridor Strategy") additional dwellings to be provided along the North West Rail line during the period between 2012-2036 totals 27,400, the breakup of which can be seen below.

Location	Total Growth in Dwellings (2012-2036)	Dwellings Per Month
Cherrybrook	1,800	6
Castle Hill	4,400	15
Showground	3,600	13
Norwest	4,350	15
Bella Vista	4,400	15
Kellyville	4,400	15
Rouse Hill	950	3
Cudgegong Road	3,500	12
Total	27,400	95

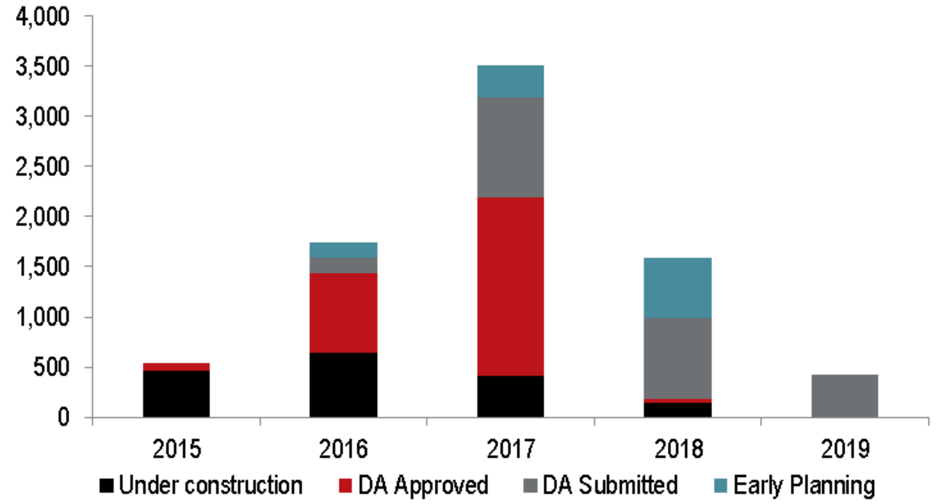
Source: NWRL Corridor Strategy

10.1.3 Forecast Supply within The Hills LGA

Townhouses & Units

Provided below is the forecasted supply pipeline by year of completion & current planning status for townhouse and units in The Hills LGA. Further we have broken these down by housing type.

Current Planning status	Year of completion					Total
	2015	2016	2017	2018	2019	
Under construction	465	642	408	140		1,655
DA Approved	77	790	1,781	36		2,684
DA Submitted		154	1,001	805	426	2,386
Early Planning		152	328	614		1,094
Total	542	1,738	3,518	1,595	426	7,819

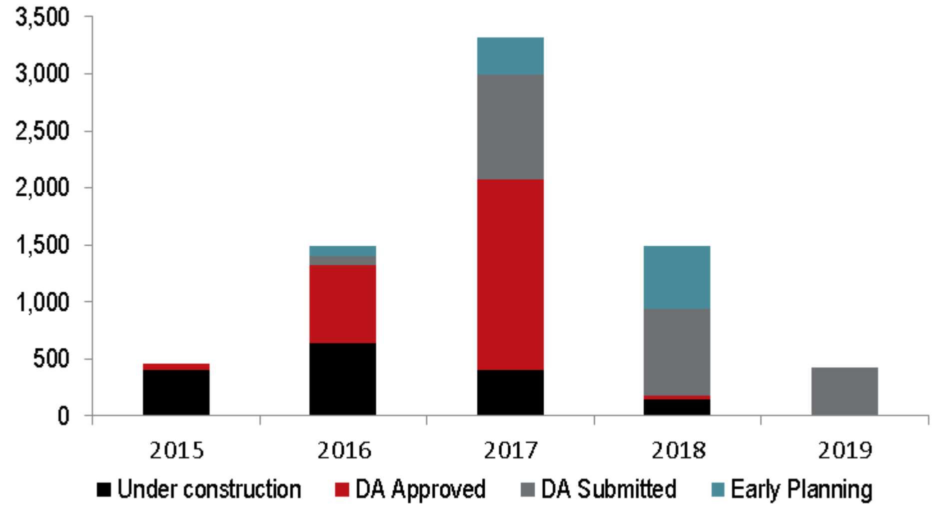


Source: JLL & Cordells

Units

Provided below is the forecasted supply pipeline by year of completion & current planning status for units in The Hills LGA.

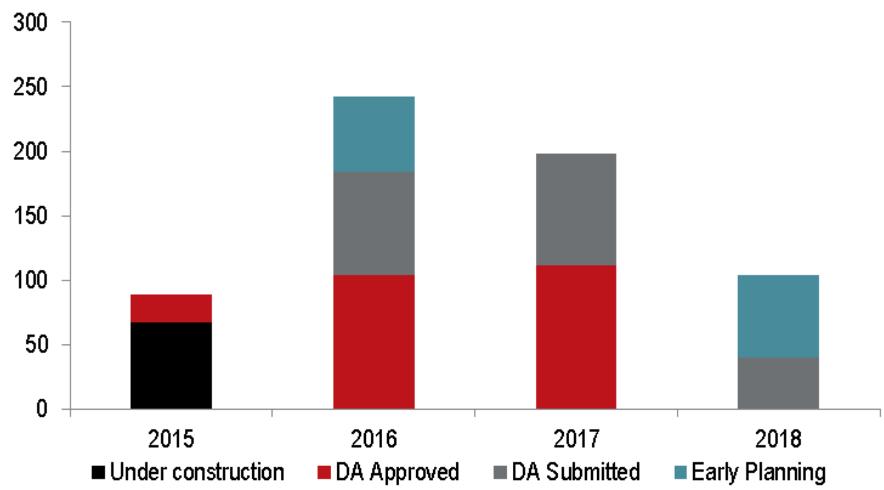
Current Planning status	Year of completion					Total
	2015	2016	2017	2018	2019	
Under construction	398	642	408	140		1,588
DA Approved	55	686	1,670	36		2,447
DA Submitted		74	914	765	426	2,179
Early Planning		94	328	550		972
Total	453	1,496	3,320	1,491	426	7,186



Townhouses

Provided below is the forecasted supply pipeline by year of completion & current planning status for townhouses in The Hills LGA.

Current Planning status	Year of completion				Total
	2015	2016	2017	2018	
Under construction	67				67
DA Approved	22	104	111		237
DA Submitted		80	87	40	207
Early Planning		58		64	122
Total	89	242	198	104	633



10.2 Residential Demand

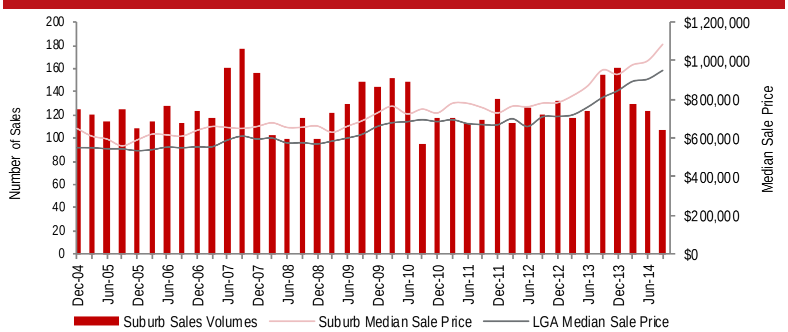
10.2.1 Sales Values and Volumes Analysis

Detached Residential Dwellings

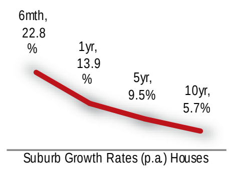
Provided below is a summary of residential demand for detached residential dwellings and how it has changed over the last 10 years.

Median House Price & Sales Volumes					
Median sale price and volumes	LGA	Suburb	Capital Growth Rates (Houses)	LGA	Suburb
Median sale price (Mar-14 Quarter)	$950,000	$1,085,000	6 month growth rate (p.a.)	13.0%	22.8%
Sales volumes (Last 12 months)	2,492	522	1 year growth rate (p.a.)	17.3%	13.9%
Sales volumes (Previous 12 months)	2,564	529	5 year growth rate (p.a.)	8.9%	9.5%
Sales volumes (% Change)	-2.8%	-1.3%	10 year growth rate (p.a.)	5.1%	5.7%

Castle Hill Median House Price & Sales Volumes vs The Hills Shire LGA Median House Price



Source: JLL, RP Data



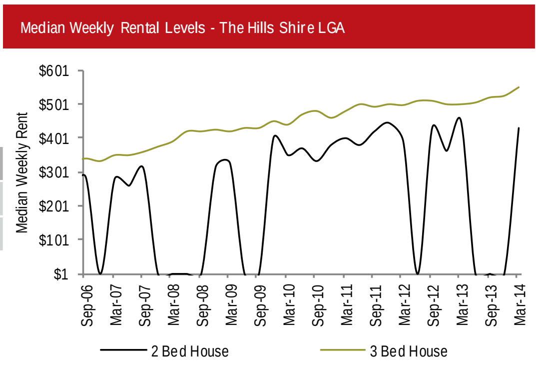
Castle Hill median house price is 14.2% above the The Hills Shire LGA median house price.

JLL notes the significant increase in values for detached residential dwellings over the 12 months and most specifically the last 6 months.

Median Weekly House Rental Levels

The June 2014 quarter median weekly rental levels provided by Housing NSW, as well as the change over the previous 12 months, in the The Hills Shire LGA, are shown in the following table and graph:

Dwelling Composition	Jun-14	Jun-13	% change
2 Bed House	$440	n/a	#VALUE!
3 Bed House	$550	$505	8.9%

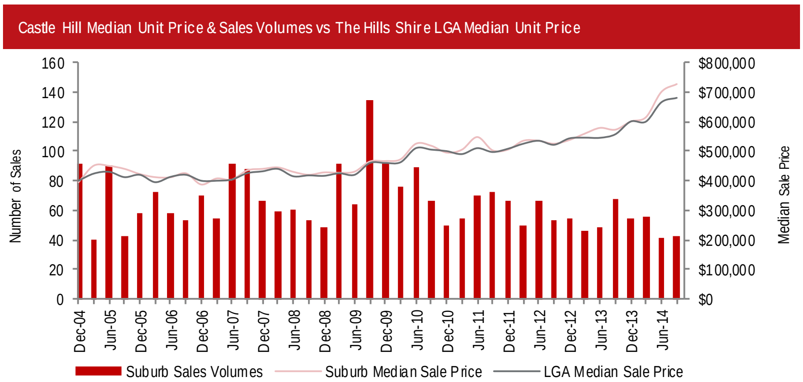


Source: JLL, Housing NSW

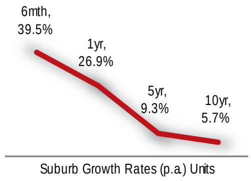
Units and Townhouses

Median Unit Price & Sales Volumes

Median Sale Price and Volumes	LGA	Suburb	Capital Growth Rates (Units)	LGA	Suburb
Median Sale Price (Jun-14 Qtr.)	$680,000	$726,500	6 month growth rate (p.a.)	28.4%	39.5%
Sales volumes (Last 12 months)	654	194	1 year growth rate (p.a.)	22.1%	26.9%
Sales volumes (Previous 12 months)	828	217	5 year growth rate (p.a.)	8.1%	9.3%
Sales volumes (% Change)	-21.0%	-10.6%	10 year growth rate (p.a.)	5.1%	5.7%



Source: JLL, RP Data

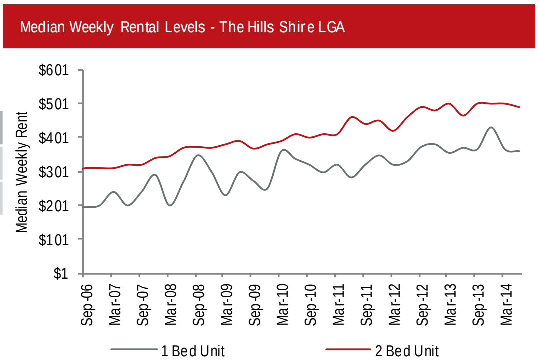


Castle Hill median unit price is 6.8% above the The Hills Shire LGA median unit price.

Median Weekly Unit Rental Levels

The June 2014 quarter median weekly rental levels provided by Housing NSW, as well as the change over the previous 12 months, in the The Hills Shire LGA, are shown in the following table and graph:

Dwelling Composition	Jun-14	Jun-13	% change
1 Bed Unit	$360	$370	-2.7%
2 Bed Unit	$490	$465	5.4%



Source: JLL, Housing NSW

10.2.2 Current Developments

Provided below is a mix of developments that JLL have used to guide analysis of development viability.

17 Hutchinson Avenue, Kellyville, NSW

The development comprises a total of 32 units which have all sold. They benefited from high specification and above average unit size. The scheme is located in close proximity to local amenities and within walking distance of local colleges and schools. Marketing commenced in early 2010. All units sold by December 2012. Prices disclosed above reflect range in achieved sales values over the entire sale period

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
3 Bed	$470,000 - $660,000	150	$3,133 - $4,400
4 Bed	$519,000 - $630,000	170	$3,052 - $3,705

Wexford, 6 Merriville Road, Kellyville Ridge, NSW

Scheme consists of four separate blocks providing a total of 197 units (comprising approximately 49 X 1 bed, 99 X 2 bed and 49 X 3 bed). The off plan marketing of the scheme commenced in Nov 2012, with an initial release of circa 60 units. Remaining units were released over a further two stages, with the second occurring over the course of 2013 and the third between Jan and March 2014. All units have sold. Construction of all four blocks is anticipated in early to mid-2015.

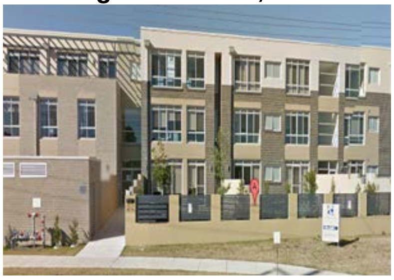
Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
1 Bed	$390,000 - $410,000	60	$6,500 - $6,833
2 Bed	$450,000 - $525,000	75 – 80	$6,000 - $6,562
3 Bed	$480,000 - $550,000	90 – 110	$5,000 - $5,333

17 Kilbenny Street, Kellyville Ridge, NSW

Constructed circa 2009 and initially retained by developer for rental. Units were refurbished in 2013 prior to being released in September 2013 for sale. All units were sold by Nov 2013.

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
1 Bed	$380,000	63	$6,031
2 Bed	$440,000	85 – 90	$5,176
3 Bed	$470,000 - $495,000	128	$3,671 - $3,867

7 Harrington Avenue, Castle Hill, NSW



3 storey block comprising 5 X 2 bed and 13 X 3 bed apartments.

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
2 Bed	TBC	110	TBC
3 Bed	TBC	110 - 126	TBC

18-20 Seven Hills Road, Baulkham Hills, NSW

Scheme provides 18 units over four storeys in a mix of 3 X 1 bed, 9 X 2 bed and 6 X 3 bedroom units. Marketing of the 2 and 3 bed units commenced in late 2012 (1 bed units were retained by the developer) with 12 sales occurring over a 2 year period.

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
1 Bed	N/A		N/A
2 Bed	$595,000 - $699,000	123	$4,837 - $5,682
3 Bed	$750,000 - $840,000	193	$3,886 - $4,352

18 Murray Street, Northmead, NSW

Scheme provided a mix of 1 bed plus study and 2 bed apartments and a 3 bed plus study penthouse. Off plan marketing commenced in early May 2014 with 60% of the units sold within 4 weeks of launch. Completion of construction phase is expected in Dec 2014.

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
1 Bed	$540,000 - $550,000	108	$5,000 - $5,185
2 Bed	$560,000 - $620,000	110 - 115	$5,090 - $5,391
3 Bed	$700,000	160	$4,375

Myrtle Street, Prospect, NSW

Project launched in early April 2014 with an initial release of circa 40 units. Remaining units to be released to the market over 3 further stages. Construction commenced in May 2014 with completion anticipated in mid to late 2015. Scheme is located within walking distance to a Woolworths supermarket.

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
1 Bed	$400,000	65	$6,153
2 Bed	$460,000 - $470,000	87 - 90	$5,222 - $5,287
3 Bed	$520,000	TBC	TBC

201 Lavender Ave, Kellyville, NSW

Marketing commenced in early Nov-14. As of 21st Nov, approximately 20 units have been reserved. Construction is expected to commence in Feb-15 with completion due after a 12 month construction phase. The 3 Bed apartments are yet to be released.

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
1 Bed	$500,000 - $575,000	75	$6,666 - $7,666
2 Bed	$600,000 - $660,000	110 - 112	$5,454 - $5,892
3 Bed	TBC	TBC	TBC

85-89 Samantha Riley Drive, Kellyville, NSW

A residential development made up of 4x2 storey buildings. Each building contains 10 x 2 bedroom units. 20 of the units are nominated for Affordable Housing (SEPP).

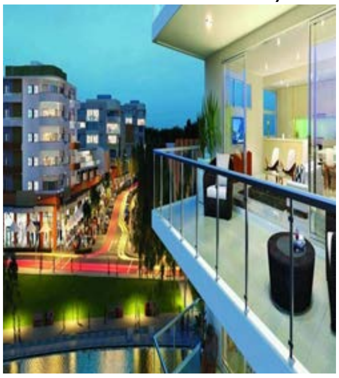
Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
2 Bed	$538,000 - $550,000	75	$7,173 - $7,333

Watermark, Lot 55/2013 Solent Circuit, Baulkham Hills, NSW

Watermark, is the 3rd stage of the Lakes development by Mulpha Norwest. Marketing commenced in April 2014. By mid-November, approximately 75% of units had sold. Construction is expected to commence in early 2015, with completion scheduled for 18 months thereafter.

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
1 Bed	$575,000 - $605,000	60	$9,583 - $10,083
2 Bed	$740,000 - $865,000	95 - 100	$7,789 - $8,650
3 Bed	$930,000 - $1,000,000	135	$6,888 - $7,407

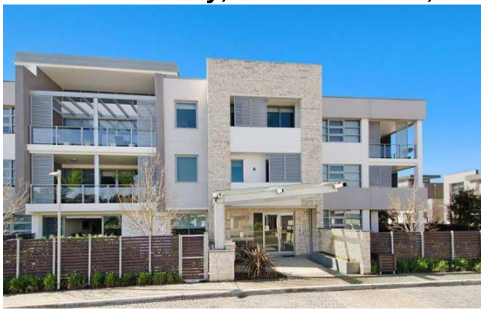
97 Caddies Boulevard, Rouse Hill, NSW



Total of 119 apartments contained within 3 separate blocks, each comprising 7 storeys and providing a mix of 2 bedroom, 2 bed + study and 3 bedroom apartments. As at the end of November, approximately 75% of the apartments have been sold.

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
2 Bed	$600,000 - $650,000	90	$6,666 - $7,222
2 Bed + study	$745,000	116	$6,422
3 Bed	$759,000 - $809,000	135	$5,622 - $5,992

48 Peninsula Way, Baulkham Hills, NSW



A three level residential apartment complex, part of the first stage of “The Lakes at Norwest” development being developed by Mulpha Norwest (also known as FKP). This was the only apartment complex within this stage with the other dwellings comprising a mixture of townhouses and freestanding dwellings. Mix of 1x1 bed and 11x3 bed.

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
1 Bed	$420,000	78	$5,385
3 Bed	$585,000 - $660,000	112 - 139	$4,344 - $5,531

The Carl, 2-8 James Street, Carlingford, NSW

Advertised as Carlingfords tallest tower, The Carl is a mixed use (primarily residential) tower comprising 140 apartments and a single ground floor retail suite. Albeit, being located in a gully, the property will achieve district views from the upper levels.

Sales Prices Achieved	$	Internal Areas Sqm	$/sqm
1 Bed	$487,000 - $557,000	55 - 55	$8,855 - $10,127
1 Bed + Study	$550,000 - $625,000	65 - 67	$8,209 - $9,615
2 Bed	$640,000 - $699,000	81 - 93	$7,108 - $8,171
3 Bed	$709,000 - $749,000	110	$6,445 - $6,809

10.2.3 Development Site Sales

Provided below is a summary of residential sales from a variety of precincts with the Sydney metropolitan market. While Northwest Sydney has not been specifically covered within this analysis our research into development site sales indicates that within The Precinct:

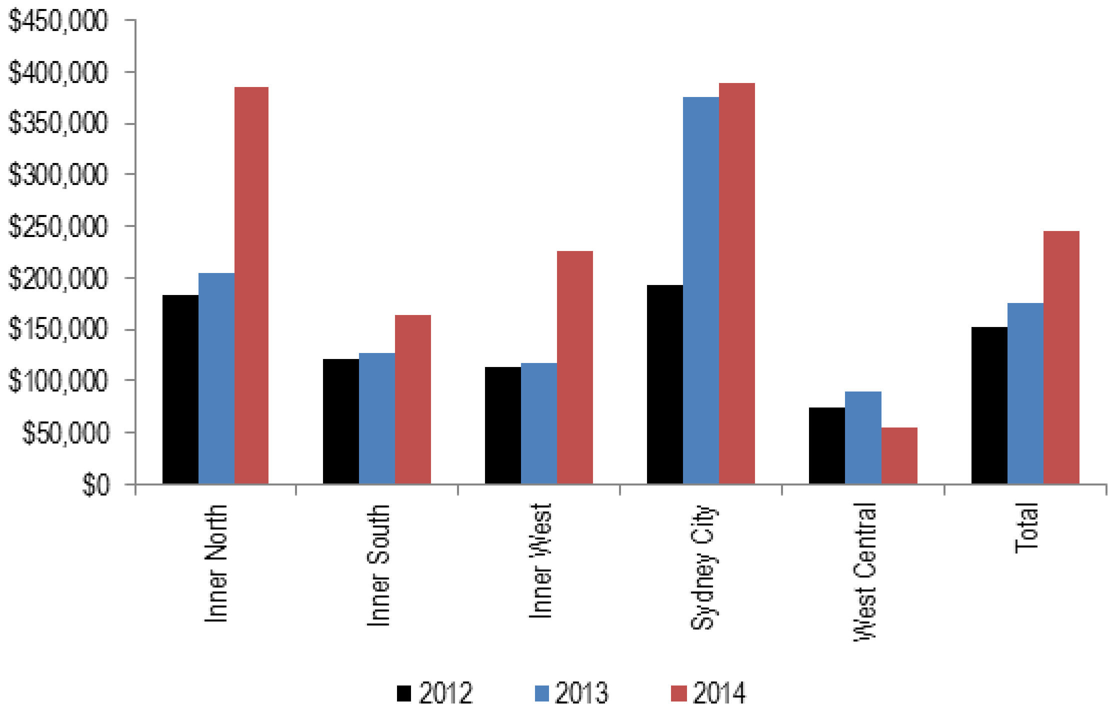
- Unit development site sales may (indicatively) achieve rates of $80,000 to $120,000 per unit, with potential for developers in this current market to pay more.
- Townhouse development site sales may achieve rates closer to $150,000 per dwelling, with potential for developers in this current market to pay more.
- Both have grown substantially in the last 3-4 years in line with the below analysis.

JLL

Table 25: Residential Development Site Sales – Inner Sydney: Average Rate ($/unit)

	2011	2012	2013	2014
Inner North	$171,108	$182,560	$205,476	$384,841
Inner South	$118,486	$120,385	$127,609	$163,678
Inner West	$116,142	$113,812	$117,998	$225,629
Sydney City	$138,089	$193,813	$374,664	$390,015
West Central	$73,987	$74,167	$90,282	$55,362
Total	**$124,057**	**$153,076**	**$174,732**	**$245,377**
Count of sales	39	43	104	88

Figure 31: Development Site Sales (Average $ Unit)



Source: JLL, based on sample of unit development site transactions

Table 26: Residential Development Site Sales – Inner Sydney: Average Price ($)

	2011	2012	2013	2014
Inner North	$8,244,714	$13,218,180	$13,836,600	$26,069,762
Inner South	$9,107,321	$11,675,000	$25,329,405	$27,335,139
Inner West	$8,110,927	$17,315,000	$15,162,086	$13,262,286
Sydney City	$19,916,667	$13,212,500	$40,780,769	$53,785,556
West Central	$22,800,000	$2,225,000	$14,290,385	$25,945,714
Total	**$10,980,915**	**$12,840,665**	**$21,490,326**	**$27,397,441**

Table 27: Residential Development Site Sales – (Total # of Units)

	2011	2012	2013	2014
Inner North	338	1,877	2,632	1,806
Inner South	1,415	1,617	8,461	4,867
Inner West	788	616	1,345	829
Sydney City	173	332	1,668	1,178
West Central	1,243	30	2,693	1,580
Total	**3,957**	**4,472**	**16,799**	**10,260**

Table 28: Count of Development Site Sales

	2011	2012	2013	2014
Inner North	7	20	30	21
Inner South	14	14	37	28
Inner West	10	4	11	16
Sydney City	3	4	13	10
West Central	5	1	13	13
Grand Total	**39**	**43**	**104**	**88**

The tables above support our analysis that the residential market within Sydney is currently strong, which we anticipate in the medium to longer term to revert to soft / lower levels of activity.

10.2.4 Demand Drivers

NWRL

Provided below is a summary of the key drivers for residential and our assessment:

- Socio-economic — Good to excellent
- Amenity (retail, community, sporting) — Good
- Proximity to employment — Good
- Transport access — Excellent
- 'Buildability' (e.g. topography / environmental) — Good
- Market conditions — Excellent but will change over time

10.2.5 Take Up

The demand for medium and high density housing product at Showground is generally untested at this location and for this reason we have used a number of data sources / indicators to form a view on this demand.

10.2.5.1 Take up by Comparison to Sydney

Provided below is a summary of take up rates from various town centres within Sydney. This information from the ABS reflects the take up of low, medium and high density product. While broadly reflective JLL has some questions about this ABS data and for this reason we have undertaken additional analysis below.

Rouse Hill			
Dwelling Net Supply (Average per month)	2001 - 2006	2006 - 2011	2001 -2011
Separate House	13.7	2.0	7.9
Semi-detached, row, terrace, townhouse	-0.1	0.4	0.2
Flat, unit or apartment	-0.1	1.4	0.7
Other dwelling	1.2	0.0	0.6
Not stated	-0.1	0.0	-0.1
Total	14.6	3.9	9.2

Rhodes			
Dwelling Net Supply (Average per month)	2001 - 2006	2006 - 2011	2001 -2011
Separate House	-0.1	0.6	0.3
Semi-detached, row, terrace, townhouse	0.2	0.2	0.2
Flat, unit or apartment	5.4	25.1	15.3
Other dwelling	0.0	0.0	0.0
Not stated	0.0	0.5	0.3
Total	5.5	26.5	16.0

Meadowbank			
Dwelling Net Supply (Average per month)	2001 - 2006	2006 - 2011	2001 -2011
Separate House	1.7	-1.6	0.0
Semi-detached, row, terrace, townhouse	0.2	0.0	0.1
Flat, unit or apartment	-0.1	10.5	5.2
Other dwelling	-0.1	-0.1	-0.1
Not stated	-0.4	0.0	-0.2
Total	1.3	8.8	5.0

Chatswood			
Dwelling Net Supply (Average per month)	2001 - 2006	2006 - 2011	2001 -2011
Separate House	-0.9	18.9	9.0
Semi-detached, row, terrace, townhouse	1.1	1.5	1.3
Flat, unit or apartment	18.7	26.3	22.5
Other dwelling	-0.1	0.0	-0.1
Not stated	-0.7	0.0	-0.3
Total	18.2	46.7	32.4

Kellyville Ridge		
Dwelling Net Supply (Average per month)	2001 - 2006	2006 - 2011
Separate House	n/a	17.7
Semi-detached, row, terrace, townhouse	n/a	2.6
Flat, unit or apartment	n/a	2.9
Other dwelling	n/a	0.0
Not stated	n/a	0.0
Total	-	23.2

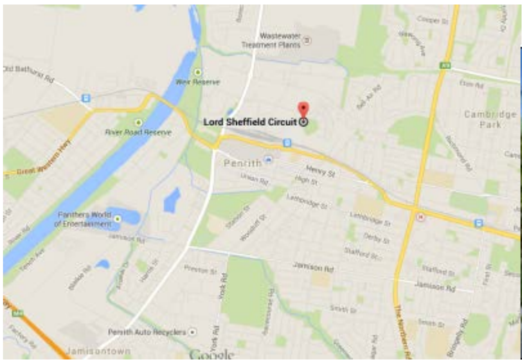
Marsden Park		
Dwelling Net Supply (Average per month)	2001 - 2006	2006 - 2011
Separate House	n/a	1.4
Semi-detached, row, terrace, townhouse	n/a	0.1
Flat, unit or apartment	n/a	0.1
Other dwelling	n/a	0.2
Not stated	n/a	0.0
Total	-	1.7

Wolli Creek		
Dwelling Net Supply (Average per month)	2001 - 2006	2006 - 2011
Separate House	n/a	-1.1
Semi-detached, row, terrace, townhouse	n/a	-0.1
Flat, unit or apartment	n/a	3.2
Other dwelling	n/a	0.1
Not stated	n/a	0.0
Total	-	2.0

In support of the above data JLL has undertaken additional research to quantify the historic take up. These developments provide a broad range in developments and are provided to show a range in potential take up rates.

Thornton Estate, Penrith

Thornton is the new residential suburb being developed in partnership with UrbanGrowth NSW. This 41 hectare site is situated on the northern side of Penrith CBD, immediately adjacent to Penrith Railway Station and in close proximity to retail amenity, via Westfield Penrith. Thornton is also close to the Great Western Highway and can also be accessed via the M4.



Selling commenced February 2013 and as at November 2014 approximately 400 dwellings have sold indicating a selling rate of 18 per month. Analysis of the type of product however indicates that only 20% of the product is considered to be 'medium' density (Patio home, terrace and loft) reflecting a sales rate of 3.6 per month.

Rouse Hill

On completion the development will comprise 1,800 dwellings with 200,000 sqm of retail and commercial plus 32ha of public open space. The town centre opened in March 2008. Our analysis is that over 800 dwellings have sold indicating a sales rate of over 10 per month. Most of this product is detached. From our very high level estimate we suggest that 30% of this product is medium and high density which would indicate a monthly take up of 3 per month.

Marsden Park, Campbelltown

The Marsden Park development is approximately 1.5 kilometres South-West of the Campbelltown Railway Station. Our analysis indicates sales of over 400 dwellings in the last 4 years in the market of which approximately 250 are medium / high density strata product. This reflects a sales rate of over 8 per month for all product and approximately 5 for medium / high density product.

Dated Developments

JLL also makes reference to the following dated estates for evidence on the nature of product developed. While we note the current market is different we are also aware that these market conditions are likely to change.

Botanica Estate, Lidcombe: Developed by Australand. Nearly 10 per month towards the end of the project however during the earlier stages sales rates of

	below 5 were achieved. Our analysis suggests that approximately 50% were a detached type indicating an average sales rate of 5 per month for medium density product.
Ashgrove Estate, Auburn	Developed by Mirvac. Sales rate of 11.4 /month
Viewpoint Estate, Bass Hill	4.8/month
Stanfield Avenue Bankstown	4/month

10.2.5.2 Take Up Rate Assessment

In making it assessment on take up rates JLL makes the following observations:

- The assessment reflects an average long term take up rate i.e. from 2014-2036. As such periods of both higher and lower rates are likely.
- The current residential market is very strong reflective of historically low interest rates. Most developments around Sydney are selling off the plan before the completion of construction, and in many cases within days / weeks of the commencement of marketing. As such JLL notes the need for caution when making reference to this type of market.
- As outlined above JLL notes the Showground precinct will be competing with the other railway stations along the North West Rail line, which based on the Structure Plan totals 27,400 dwellings additional dwellings over the 2012-2036 timeframe (or 95 per month)

On balance we are of the view that a take up rate of between 12 20 per month may be achieved.

10.3 Residential Uses SWOT

Provided below is the SWOT analysis of residential uses at the Showground:

Strengths

- Proximity to good transport options (newly completed rail, road network including the M2)
- Strong underlying demand for residential product and quality development sites
- High social economic
- Proximity to major centres of employment (Mascot, Sydney)
- Government ownership of landholdings around the railway station
- Large non-residential landholdings (non-strata)

Weaknesses

- Fragmentation of areas with low density residential landholdings

Opportunities

- Current undersupply of residential within the broader Sydney Metropolitan Area
- Potential for greater acceptance of medium and high density dwellings within the North West

Threats

- Competing supply from other stations on the North West Rail Line
- Historic low demand for medium and high density dwellings within the North West

10.4 Viability Considerations – Residential Uses

JLL has not undertaken detailed financial analysis of residential uses, and have instead prioritised 'out of scope' considerations including the land use survey and analysis of historic take up comparable residential precincts. Further, JLL notes the limited value in undertaking current day feasibility analysis, especially given the currently strong residential market conditions which we expect to 'mean revert' in the medium to longer term. JLL has instead had preference to undertaking analysis on comparable precincts to understand the potential or take up of residential product to 2036.

11 Current and Forecast Dwelling & Employment Yields

11.1 Current and Forecast Dwelling Yields

11.1.1 Structure Plan Current and Forecast Dwellings

The Structure Plan identifies the current and forecast dwellings.

Type of Housing	Dwellings in 2012		(28% Take Up)		Growth	
	Total	%	Total	%	Growth	p.m.
Single Detached	500	67%	400	9%	- 100	- 0.3
Townhouse	-	0%	350	8%	350	1.2
3-6 Storey apartments	250	33%	2,600	60%	2,350	8.2
7-12 Storey apartments	-	0%	1,000	23%	1,000	3.5
Total Dwellings	750	100%	4,350	100%	3,600	13

11.1.1.1 Reconciliation of Current Dwellings

JLL has not been provided with the methodology used to calculate the current dwellings in the Structure Plan of 2012. JLL has calculated the number of current dwellings to be 550 comprising only single detached dwellings.

JLL is unable to calculate where the 250 3-6 Storey apartments have come from and appears to be incorrect. Our assessment on the current dwelling yield is as follows.

Type of Housing	Dwellings in 2012	
	Total	%
Single Detached	550	100%
Townhouse	-	0%
3-6 Storey apartments	-	0%
7-12 Storey apartments	-	0%
Total Dwellings	550	100%

11.1.1.2 Reconciliation of Forecast Dwellings

JLL has had reference to the Hill PDA report of 2014 (Section 9.1 & 9.2). This report had regard to the BTS 2011 population projections for the relevant LGAs as well as the Structure Plan for the precincts. Hill PDA produced an alternative forecasted dwelling capacity in total quantum and mix, till 2041.

JLL have been unable to identify the method by which the above was determined. Hill PDA has also provided an annual average take-up rate for 5 year periods starting 2021. We have also been unable to identify the method used.

11.1.2 JLL Assessment on Current and Forecast Dwellings

- In line with the above JLL is of the view that approximately 550 single detached dwellings exist within the area defined by the subject.
- Provided in the table below is a range of potential development yields for the period 2012 - 2036. On balance we are of the view that a take up rate of between 12 to 20 per month may be achieved.

Assessment	Low	Medium	High
Rate per month	12.0	16.0	20.0
Per year	144.0	192.0	240.0
For 24 years (2012-2036)	3,456	4,608	5,760

11.2 Current and Forecast Employment Yields

11.2.1 Structure Plan Current and Forecast Employment

The Structure Plan identifies the current and forecast employment numbers.

Land Use	Structure Plan		
	2012	2036	Growth
Commercial (office)	1,000	6,400	5,400
Retail	-	800	800
Bulky Goods	4,000	5,500	1,500
Industrial	2,500	2,500	-
Total	7,500	15,200	7,700

Provided within each of the land use sections of this report is high level information on the methodology used to calculate the current employment levels. Broadly JLL is unable to support the current or forecast employment numbers from the Structure Plan.

11.2.1.1 Reconciliation of Current Employment

JLL has used the data from the land use survey to form a view on the current levels of employment within the precinct. JLL has made a broad assumption that the area survey comprises 25% of the total stock. This is an important assumption that needs to be verified. JLL strongly recommends completing a land use survey on the remainder of the precinct to provide higher quality data.

11.2.2 JLL Assessment on Current and Forecast Employment

JLL assessment of Current Employment

Land Use	Current Showground Precinct Employment (Estimate)
Commercial (office)	1,299
Retail	768
Bulky Goods	1,053
Industrial	3,218
Total	6,338

JLL assessment of Forecast Employment

Within each of the individual sections of this report is additional detail on (a) the methodology used in prior reports to assess the current and forecast employment by land use and (b) JLL methodology for forecasting employment. A summary of our forecasts compared with that of the Structure Plan is provided below.

Land Use	Structure Plan			JLL Forecast		
	2012	2036	Growth	2014	2036	Growth
Commercial (office)	1,000	6,400	5,400	1,299	1,890	591
Retail	-	800	800	768	1,292	524
Bulky Goods	4,000	5,500	1,500	1,053	1,575	522
Industrial	2,500	2,500	-	3,218	3,877	659
Total	7,500	15,200	7,700	6,338	8,634	2,296

12 Appendix A: Summary of Key Documents

JLL is aware of the significant work completed on the NWRL and on the Showground Station precinct ("The Precinct"). We note we have not tried to summarise all of the reports / analysis and have instead focused on considerations that impact the economic feasibility study.

For many of the below mentioned reports JLL has paraphrased and / or taken excerpts from the certain sections. As such we refer the reader to the original reports for full context. We also identify that the station has been renamed since many of these reports, from "The Hills Centre Station" to the "Showground Station" and as such we will rephrase and make use of the current terms.

12.1 North West Rail Link Corridor Strategy

Report author: NSW Transport and NSW Planning & Environment, Hill PDA, Cox

Report date: March 2013

Key observations from this report that specifically impact on the economic feasibility study include:

12.1.1 Proposed Draft Structure Plan

Drawing on the analysis and existing land uses, the Precinct is proposed to become a vibrant and active hub comprising offices, light industry, retailing, community facilities, recreation, cultural, leisure, education and housing for the greater North West.

To the immediate west of the station precinct, it is proposed that over time a more intensive commercial employment will occur within the existing industrial area bounded by Showground Road to the north, the Castle Hill Showground to the east, Gladstone Road to the south and the bulky goods retail corridor of Victoria Avenue to the west. This commercial precinct will benefit from a number of public domain upgrades and direct access to station and the associated retail and recreation opportunities.

Victoria Avenue is to be reinforced as a bulky goods retail corridor which will provide a vital service function for the growing population of the North West in to the future. To the south and west of the Precinct, existing areas of industry will be retained and reinforced in to the future which perform a vital function by providing certain types of employment, services and goods for the people of the North West.

Residential uplift is proposed within the Precinct primarily located within the area adjacent to the new station. The Draft Structure Plan provides the opportunity for a range of higher density residential development within the mixed use village. These buildings will benefit from access to the recreation space of the Showground, the green corridor of Cattai Creek, ground floor activity of retailing and restaurants and direct access to the station and the NWRL.

To the east of the station, a variety of medium density living will be located within the residential areas within an easy 10-minute walk of the station to provide a diversity of housing within an attractive and accessible Centre to cater for the growing population of the North West.

New links are proposed in locations within the Precinct where they will enable intensification of the existing broad-grain road layout by enhancing connectivity and permeability. These links could be either pedestrian or vehicular connections and would be subject to detailed analysis to determine the most appropriate location and configuration. Drawing on existing significant vegetation and parks, a green network is proposed linking Cockayne Park, Castle Hill Showground and Fred Caterson Reserve. This link will become a significant pedestrian thoroughfare, linking the key attractions within the Precinct and will also provide significant habitat for wildlife within the Precinct.

The ring road network formed by Showground Road and Windsor Road will remain significant to connect the Showground with the Norwest and Bella Vista Business Parks and Castle Hill whilst removing a large proportion of regional through traffic from the Precinct. Gateway or entry demarcation points are proposed at entry points to the Precinct at Norwest Boulevard, Windsor

Road, Victoria Avenue and Carrington Road. These are likely to take the form of a change in streetscape or defined built form.

The redevelopment of sites within the Precinct, and the establishment of a new station and transport interchange, will provide significant opportunities to improve the Precinct's public domain.

Residential projections

	2012		2036		GROWTH
	TOTAL	%	TOTAL	%	TOTAL
SINGLE DETACHED	800	47%	600	10%	-200
TOWNHOUSE	0	0%	100	2%	100
3-6 STOREY APARTMENT	800	47%	2,200	36%	1,400
7-20 STOREY APARTMENT	100	6%	3,200	52%	3,100
TOTAL DWELLINGS	1,700	100%	6,100	100%	4,400

Employment projections

	2012		2036		GROWTH
	TOTAL	%	TOTAL	%	TOTAL
COMMERCIAL	1,500	21%	8,500	52%	7,000
RETAIL	5,500	79%	8,000	48%	2,500
BULKY GOODS	0	0%	0	0%	0
INDUSTRIAL	0	0%	0	0%	0
TOTAL JOBS	7,000	100%	16,500	100%	9,500

Draft Structure Plan

Figure 14. Draft Structure Plan for the Showground Study Area

12.2 Showground Road Station Structure Plan

Report author: NSW Transport and NSW Planning & Environment

Report date: September 2013

Key observations from this report that specifically impact on the economic feasibility study include:

12.2.1 Precinct Locality and Character

The NWRL includes a new station at Showground Road. The new train station will be adjacent to Carrington Road. The Precinct currently contains a number of important civic, cultural, retail, light industrial and service uses for North Western Sydney.

The boundary of the Precinct is based on the nearest road boundary within a radius of 800m from the proposed Showground Road Station, which is a distance normally considered to reflect a 10 minute walking trip. The boundary has also been defined by taking into account the existing character, predominant land uses, built form and natural elements of the area.

The Precinct covers approximately 271 hectares and is entirely located within The Hills LGA.

The Precinct extends to Showground Road and slightly beyond to the north, Windsor Road to the west and south, and Fishburn Crescent to the south-east.

The Precinct currently contains a number of distinct precincts.

A significant amount of employment is currently generated within the Precinct in the service, administrative, bulky goods, retailing and manufacturing industries.

The Council's current administrative offices and depot are located on Carrington Road, adjacent to the Castle Hill Showground on Doran Drive. However, Council recently resolved to relocate its administrative offices and depot to Norwest Business Park.

The Castle Hill Showground, located in the Precinct's north-east, contains an oval and a spectator stand and a range of other buildings used throughout the year and during the annual show. In the south-east of the Precinct lies an established low density residential suburb, which adjoins residential areas of Castle Hill to the east. This area features single dwellings on large blocks, large setbacks with a leafy suburban character. The subdivision pattern, particularly between Cockayne Reserve and Victoria Avenue features a multitude of culs-de-sac.

The western half of the Precinct contains light industrial and bulky goods uses, providing essential services and employment to the surrounding suburbs. These uses are located along Victoria Road, between Showground Road and Windsor Road, in the Castle Hill Trading Zone, which is also known as Castle Hill Industrial Area. The built form character of the area generally comprises low density warehouse style structures ranging from 1 to 3 storeys, with large setbacks, landscaping and at grade parking on site, located within a street pattern that is generally well connected to the north, but features culs-de-sac in the south.

The Precinct contains a number of areas of ecological importance, including Cockayne Reserve in the south-east and Cattai Creek corridor though the centre of the precinct, which also contribute to the leafy character of the locality and provide a visual and physical separation between the residential and light industrial areas.

12.2.2 Opportunity & Constraints

JLL notes the site is impacted by a variety of constraints including:

- Transport, traffic and accessibility
- Open space and conservation
- Heritage
- Topography
- Drainage
- Recent residential development
- Other constraints including easements, bushfire and community / strata title

The combined constraints are outlined in the following figure:

The inverse of the above is the opportunity sites which is outlined in the following figure:

12.2.3 Projected Growth – Existing Controls

Based on current day controls the projected employment and residential yields are as follows:

	RESIDENTIAL		EMPLOYMENT	
	TOTAL DWELLINGS	GROWTH	TOTAL JOBS	GROWTH
2012	750	-	7,500	-
2036	1,150	400	8,750	1,250

12.2.4 Vision for the Precinct

The introduction of the NWRL and a station in the Precinct has the potential to provide the catalyst for the development of the area as a mixed use centre with strong public transport links to the city and other centres throughout the north west region. A new station will provide further impetus for the area to evolve as a vibrant and active Centre comprising offices, retailing, community facilities, recreation, cultural, leisure, education and housing within walking distance of a new station.

Increased utilisation of the existing employment area could deliver a significant amount of jobs for the future residents of the North West in an area with high levels of amenity, recreation and access to public transport.

Similarly, the NWRL will also provide opportunities to increase residential densities within walking distance of the station, introducing a variety of housing types to ensure there is affordable and appropriate housing for all members of the community.

The redevelopment of major land holdings adjacent to the station provides an opportunity to deliver a vibrant hub for the local area, which could include a mixture of apartments, retail, restaurants, and potentially cultural facilities such as galleries and theatres and boutique office space within a pedestrian-oriented environment.

The Showground will remain a regional recreational asset and benefit from increased activity generated by the new residents, workers and visitors to the station.

The introduction of the NWRL will enable the Precinct to become a transport hub for the local area, centred on a new train station and integrated with a bus interchange. The Showground Road station will be connected to a local feeder bus network that provides direct access for the residents of the surrounding suburbs to the NWRL and the wider Sydney Rail network.

The Precinct will provide opportunities for increased employment and housing capacities within walking/cycling distance of the station, while ensuring the local amenity, open spaces and natural environment are protected. The vision will be achieved by: identifying and assembling strategic sites and government landholdings within the Centre to attract public and private investment around a vibrant mixed-use core; and improving livability and amenities within the Centre by providing a diverse range of dwellings, retail, recreation and cultural opportunities linked by an enhanced public domain.

Underpinning this vision will be the final Structure Plan, formulated on the principles of Transit Oriented Development (TOD). TODs are generally mixed use communities within walking distance of a transit node that provide a range of residential, commercial, open space and public facilities in a way that makes it convenient and attractive to walk, cycle or use public transport for the majority of trips.

12.2.5 Proposed Structure Plan

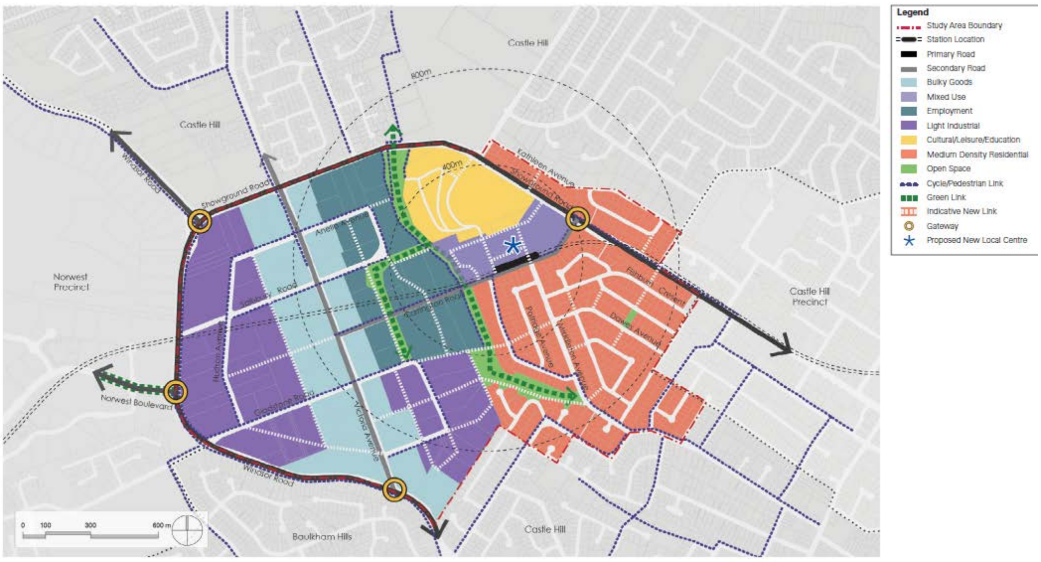
Drawing on the analysis and existing land uses, the Precinct is proposed to become a vibrant and active hub comprising offices, light industry, retailing, community facilities, recreation, cultural, leisure, education and housing for the greater North West.

To the immediate west of the station precinct, it is proposed that over time a more intensive commercial employment will occur within the existing industrial area bounded by Showground Road to the north, the Castle Hill Showground to the east, Gladstone Road to the south and the bulky goods retail corridor of Victoria Avenue to the west. This commercial precinct will benefit from a number of public domain upgrades and direct access to station and the associated retail and recreation opportunities.

Victoria Avenue is to be reinforced as a bulky goods retail corridor which will provide a vital service function for the growing population of the North West in to the future. To the south and west of the Precinct, existing areas of industry will be retained and reinforced in to the future which perform a vital function by providing certain types of employment, services and goods for the people of the North West.

Residential uplift is proposed within the Precinct primarily located within the area adjacent to the new station. The Structure Plan provides the opportunity for a range of higher density residential development within the mixed use village. These buildings will benefit from access to the recreation space of the Showground, the green corridor of Cattai Creek, ground fl oor activity of retailing and restaurants and direct access to the station and the NWRL.

To the east of the station, a variety of medium density living will be located within the residential areas within an easy 10-minute walk of the station to provide a diversity of housing within an attractive and accessible Centre to cater for the growing population of the North West.



12.2.6 Future Precinct Character

The following diagrams and images demonstrate the desired future character for the sites which may contribute to the growth of the Showground Precinct in the future.

Mixed Use Centre

Objectives: To provide a mixed-use, leisure-focused precinct and local centre providing for the day to day needs of residents, that suits the surrounding character and is located in close proximity to the proposed station.

Character: It is anticipated that under the vision and Structure Plan this precinct could accommodate retail, commercial and residential buildings up to 22 storeys to accommodate tower forms at appropriate locations within close proximity to the station, subject to merit assessment

It would create a mixed use local centre that is carefully designed to integrate into the existing streetscape. This precinct would also provide residents with direct access to the new rail link and station which would be located underground.

Employment

Objectives: To provide for the employment needs of a growing community and to encourage the emergence of a prominent employment area with direct access to the new rail link and station. Enhancement of the public domain will provide safe and efficient access for employment areas to surrounding uses, particularly the station.

Character: It is anticipated that under the vision and Structure Plan that this precinct could accommodate large floorplate commercial offices on sites that are carefully designed to integrate into the cultural/leisure/education area.

Bulky Goods

Objectives: To provide a vital retailing and service function for a growing community and the greater North West. As well as a public domain that provides safe and efficient access to employment areas for pedestrians and cyclists.

Character: It is anticipated that under the vision and Structure Plan this precinct could accommodate bulky good retail and service centres on sites that provide off-street parking within a landscaped setting with generous setbacks from the street.

Industrial

Objectives: To provide certain types of employment, services and goods for the people of the North West.

Character: It is anticipated that under the vision and Structure Plan this precinct could accommodate a variety of industrial uses on larger sites that are landscaped and that integrate into the existing streetscape.

Medium Density Apartment Living

Objectives: To provide for the housing needs of a growing community and to provide a variety of housing types within close proximity of the station and associated uses.

Character: It is anticipated that under the vision and Structure Plan that this precinct could accommodate multi-dwelling housing only where the site is an appropriate size to deliver a high level of amenity for the existing and future residents. This could comprise of 3-6 storey apartment buildings, carefully master planned around communal open spaces and incorporating landscaped setbacks to existing streetscapes.

Medium Density Townhouse Living

Objectives: To provide for the housing needs of a growing community and to provide a variety of housing types within close proximity of the station and associated uses.

Character: It is anticipated that under the vision and Structure Plan that this precinct will evolve to become a mixture of single detached dwellings, townhouses, duplexes and medium density apartments.

Areas Expected to Remain Unchanged

Within the Precinct there are areas and sites which are expected to remain largely unchanged through the delivery of the NWRL and the Structure Plan.

This is due to a number of factors including existing uses, varying degrees of constraints, connectivity, accessibility and market demand.

12.2.7 Projected Growth

The outcome of these projected growth calculations is provided in the tables below. Total opportunity site area within the Precinct equates to approximately 163 hectares. Application of the proposed land uses and typologies within the Structure Plan will result in a total capacity for an additional 7,500 dwellings by 2036. However, it is anticipated that 48% of this capacity will be realised, delivering an additional 3,600 dwellings within the Precinct.

The proposed Structure Plan will result in an additional employment capacity of 35,000 jobs by 2036. However it is anticipated that only 28% of this capacity will be realised, delivering an additional 7,700 jobs within the Precinct.

Outcomes from the Demand Analysis

Demand for Additional Dwellings. Future demand for additional residential development in the Precinct is estimated to be in the order of 165 dwellings per annum comprised of 25% 7-12 storey apartments, 65% 3-6 storey apartments, and 10% townhouses in addition to existing stock resulting in the total dwelling diversity shown in the adjacent table in 2036. Such demand is related to the high level of amenity and quality of life afforded within Showground Road, the demand for housing diversity and improved access to social, recreational and employment opportunities as a result of the NWRL.

Demand for Employment Lands. Future demand for additional employment (commercial, retail, bulky goods and industrial) floorspace within the Precinct is projected to increase within the Precinct at a rate of:

- 5,200m² p.a. of commercial,
- 1,000m² p.a. of retail,
- 4,000m² of bulky goods
- Industrial remains a constant.

TYPE OF HOUSING	DWELLINGS IN 2012		DWELLINGS IN 2036		GROWTH
	TOTAL	%	TOTAL	%	TOTAL
SINGLE DETACHED	500	67%	400	9%	-100
TOWNHOUSE	0	0%	350	8%	350
3-6 STOREY APARTMENT	250	33%	2,600	60%	2,350
7-12 STOREY APARTMENT	0	0%	1,000	23%	1,000
TOTAL DWELLINGS	750	100%	4,350	100%	3,600

TYPE OF JOBS	JOBS IN 2012		JOBS IN 2036		GROWTH
	TOTAL	%	TOTAL	%	TOTAL
COMMERCIAL	1,000	13%	6,400	42%	5,400
RETAIL	0	0%	800	5%	800
BULKY GOODS	4,000	53%	5,500	36%	1,500
INDUSTRIAL	2,500	33%	2,500	17%	0
TOTAL JOBS	**7,500**	**100%**	**15,200**	**100%**	**7,700**

12.3 North West Rail Link Economic Advice

Report author: HillPDA

Report date: June 2012

Key observations from this report that specifically impact on the economic feasibility study include:

12.3.1 Employment Trends and Influences

Commercial Office Trends in Sydney

Sydney's role as a Global City influences the types of employment generating uses that locate within the city and their spatial distribution. By way of example, Global Cities have a high concentration of multinational companies and the associated commercial office space. Much of this floorspace tends to focus around traditionally prestigious locations such as Central Business Districts (CBD). In Sydney's case, more than half (56%) of the total existing stock of office floorspace in the metropolitan area is located in the CBD (4.93 million square metres). A further 1.32 million square metres are located within Sydney CBD's fringe in Pyrmont, Ultimo, and South Sydney. Owing to Sydney's Global role, Sydney's fastest growth area with respect to employment relates to the Banking, Finance and Business Service industries. Because of the requirements of these industries to locate in prestigious locations close to a skilled labour force, over 51% of all jobs within these industries were located within Sydney's

CBD and the Lower North Shore as of 2001 and only 17% within Greater Western Sydney (including Parramatta)

Hill PDA's commercial market research has found that as a result of Sydney's Global role and the following market factors:

- low unemployment rates;
- low rates of recent office completions within Global Sydney; and
- a growth in demand for A Grade and Premium office space;

Vacancy rates are recovering since the GFC and are likely to put pressure on rents as the NSW economy grows. This effect is likely to continue to flow through from the Sydney CBD to Sydney's Global Economic Arc and more suburban locations as smaller, more price sensitive, businesses seek affordable yet suitable floorspace. This will also be encouraged by new transport infrastructure such as the NWRL and issues associated with the congestion of access to the Sydney CBD and other affected areas such as Macquarie Park.

The Growth of Business Parks

Traditionally commercial office floorspace has been located within town centres where a range of retail and business support services could cluster around traditional retail. However, with the decline of the office market in the 1970's in Sydney and changes in business composition and technology, over the three decades there has been a significant shift in the location of office-based activities. This shift has been towards business park developments and industrial zones along the new motor transport corridors of Sydney such as the M4, M5 and M7.

The Metropolitan Strategy defines some key Business Parks across the metropolitan area as Specialised Centres, which are areas comprising of major airports, ports, hospitals, universities, research and business activities that perform fundamental economic and employment roles across the metropolitan area. The Specialised Centres identified in the Metropolitan Strategy include:

- Macquarie Park;
- St Leonards - Artarmon - Royal North Shore Hospital;
- Olympic Park I Rhodes;
- Port Botany / Banksmeadow;
- Sydney Airport/Mascot;
- Randwick UNSW / Prince of Wales;
- Westmead;
- Norwest; and
- Bankstown Airport- Milperra.

Research has found that successful business parks such as Norwest, Australia Centre and Macquarie Park in Sydney tend to comprise the following key characteristics:

- they are predominantly office parks with a component of warehousing, and in some cases a component of research and development and high-technology users;
- apart from providing A-grade commercial space with cheaper rent than Sydney CBD, they enable purpose designed buildings and plenty of on-site car parking;
- they provide on-site amenities that attract large corporations, which follows in the footsteps of business park developments in Britain and the USA;
- they hold a sense of prestige, which is a further factor that attracts large corporations. Tenants sign up with a business park for its marketable image. There is a preference for a good clean suburb, which is away from polluting industries. Business parks enable large corporations to custom build their headquarters, providing them with their own stand alone identity, which cannot be achieved in a CBD building of mixed tenants;
- they have lower floorspace ratios, typically 1:1 or lower compared to 2:1, or higher in established commercial centres. This allows more cost-effective building construction; and
- they have flexible floor plates which allows warehousing, laboratories, workshops and office space to be integrated.

A growing trend in business parks has been the declining percentage of warehousing and traditional manufacturing space, and the growth in the proportion of office space. The increasing leakage of office space from established major centres and suburban centres is recognised as a real and serious threat to the economic balance of the established centres. As noted in the Metropolitan Strategy: "Business parks are competing with traditional high density centres such as North Sydney, making it more difficult for centres in rapidly growing subregions to attract office based jobs".

Research undertaken by Hill PDA has revealed that many businesses have relocated to these complexes so they can 'co-locate' their administration and warehouse needs. A mix of industrial I commercial uses is seen as a legitimate need that would not be practical or economical in an established commercial centre with its higher land values and smaller land parcels. However as land values rise and densities increase, warehousing will tend to be relocated to special purpose distribution centres further from growing centres but close to major road connections to the port and airport.

Whilst Hill PDA supports the role of business parks for the location of appropriate businesses, caution is raised however to ensure that the Hills Shire's strategically important employment lands are not eroded for office based activities that can be accommodated in the established town centres, accepting that many service businesses, such as major accountants, will wish to locate close to customer concentrations within these areas. Deloitte's opening of an office at Norwest is an example of this trend.

It is therefore recommended that appropriate commercial uses are encouraged within commercial cores or mixed use areas in town centres such as Castle Hill, Baulkham Hills and Rouse Hill, especially where mixed use zones favour residential development. These uses will support the vitality and economic viability of these centres and enhance their role as employment destinations in close proximity to sustainable transport and service functions.

Executive Living & Commercial Location

There is a geographical dimension to the success of business parks that is pertinent to the Hills Shire. This is the nexus between a successful CBD and executive living opportunities that is currently becoming more apparent.

The location of commercial activity is partially influenced by the expectations of executives who often have significant influence in location decisions and could be considered to prefer work locations closer to home, so long as it did not compromise the effectiveness of the business. The Eastem Suburbs, North Shore and Northern Suburbs combine with the Sydney CBD to produce an attractive quality of work/dwelling package for professionals and managers. Historically this has supported the creation of the belt of executive residential suburbs that arc from the North Shore through Lane Cove and Epping to the Hills Shire, approximately following Epping Road and now connected via the M2/M7. The success of both Macquarie Park and Norwest would appear partially related to this factor.

As commuting becomes more problematic and routes such as the M2/M7 reach capacity, the strength of the nexus between executive residential opportunities and demand for quality emerging commercial space will become more important. This in turn will provide a stimulus for appropriately located commercial centres and both Macquarie Park and Norwest appear to have benefited from this emerging trend in preference.

The Hills Shire is at the end of this executive residential region, exhibiting a larger proportion of professionals and managers and offering residential accommodation attractive for this group. Given the relatively high level of commuting to the Sydney CBD from this area it would appear likely that if opportunities were available, executives may be attracted to the relocation of offices closer to hand.

The success of the Norwest Business Park has proven the viability of significant commercial space set In what may have been considered a most unlikely location. Norwest leveraged the triple advantage of proximity to executive living regions of the Hills Shire, effective transport links to lower cost residential areas in Blacktown City, and good connection to the M7/M2 motorway system. The M2 link to the city has the added advantage that it connects Norwest to the Sydney CBD, Macquarie Park and the Global Economic Arc which is not available in the same measure to business parks in some other parts of the metropolitan area.

Business parks require good transport connections to more than executives. Norwest is well connected to less expensive residential areas to its west, which could be expected to supply the larger bulk of its workforce. It is also connected to the M2/M7 system to aid logistics and a thirty minute road connection to the Sydney CBD out of peak hour.

The development of further commercial space should consider these factors. As Norwest reaches capacity there is scope for extension into the Castle Hill industrial area, although this will compromise the supply of industrial land and is less well serviced by arterial roads than extension north along Windsor Road. It should be noted that many buildings within Norwest are both of recent construction and have been strata titled and therefore redevelopment of these sites will not occur for many years. Furthermore the car dependency of tenants is often difficult to dilute as evidenced by experiences in Macquarie Park where reduced parking rates are resisted by developers and tenants despite growing traffic congestion and improved public transport.

The NWRL will better connect Castle Hill to jobs, however its road connections will continue to create challenges for commercial development compared to parts of the LGA to the west and south. Notwithstanding this challenge, Castle Hill's place in the centre hierarchy as the Major Centre in the LGA, with an extensive array of retail services, must be encouraged as a place of employment particularly to smaller commercial uses that seek to collocate within established retail and residential centres.

Industrial Trends

The demand for industrial floorspace is being influenced by trends such as the globalisation of trade and the wider use of information technology. The global economy today consists of sophisticated linkages between businesses, which are designed to enable the efficient sharing of information and the delivery of goods now through a global supply chain. This supply chain, once thought of as the flow of goods through production to the end user, can now be seen as an alignment of firms that design, develop, market and produce goods and services, and deliver them to the customer when needed.

An example of this change can be seen in the motor industry. Once concentrated in cities, the industry has evolved into a process where design, manufacture, and assembly occur in many different locations worldwide.

Owing to the ability to utilise markets around the world, costs savings may be achieved. All this has heightened time based competition and flexibility, with consequential implications for the functional characteristics and spatial disposition of industrial activity.

In response to the changing format of industrial activities and the growth of inner metropolitan land values, there has been a spatial redistribution of more traditional forms of industrial activity. Those activities with lower rent sensitivities have relocated to less expensive land often on the urban periphery. Others have simply stopped operations in Sydney or altogether by transferring manufacturing of goods to cheaper locations such as China and Indonesia. An employment profile prepared for Greater Western Sydney for the Western Sydney Regional Organisation of Councils (WSROC) named this trend as the •suburbanisation" of industry whereby cheaper land opportunities have attracted industry west of Parramatta. The same report coins the growing efficiencies of industry, with particular respect to manufacturing, as "deindustrialisation" This trend has resulted in a reduction in the number of industrial jobs for the same input through greater equipment and procedural efficiencies.

As a result of the suburbanisation and deindustrialisation of industry occurring simultaneously, over the past two decades, the development of industrial land and floorspace in NSW has generally occurred at a rate slower than employment growth in other employment categories. This however, has varied considerably between specific areas of activity. In manufacturing employment growth has (with only a few exceptions) either declined or remained stagnant. Contrasting this pattern has been the performance of transport and storage, which has shown strong growth.

Industrial floorspace used primarily for business related storage will be in decline, whereas space built for the transferral of goods will increase. This 'high throughput distribution' space is essentially designed to facilitate the rapid movement of goods through the supply chain. In essence, businesses with low inventory turnover are gravitating to inexpensive land and low cost buildings.

In contrast, businesses that have high inventory turnover and high value products, and typically provide value added functions (including product customisation, packaging, and customs) are more prepared to pay a premium for excellent access to a large customer base and proximity in time and space to roads, ports and airports.

In Sydney, and in Melbourne, this pattern can be seen with the realisation of opportunities generated by the development of new transport infrastructure. In areas located on the periphery of the Sydney Metropolitan Region (such as Wetherill Park and Amdell Park) comparatively inexpensive land serviced by new infrastructure (the Western Sydney Orbital) has become attractive alternatives to traditional industrial areas for transport and logistics related activity. The MFive Industry Park at Moorebank, which offers a high level of access to the M5 Motorway, Hume Highway and several other major arterial roads, exemplifies this trend. As can be seen in the figure below, The Hills Shire is located with excellent connections to Sydney's Orbital Network. It is therefore an attractive location for businesses seeking high accessibility to transport corridors and markets. In essence, this economic trend may be summarised by the fact that traditional manufacturing is changing and becoming more efficient in its processes as a result of the use of new technologies and equipment.

Retention of industrial lands within regions should be considered to enhance service delivery for surrounding residential and commercial businesses. While there is potential to increase densities of industrial lands within Blacktown LGA it is desirable to keep some industrial lands within The Hills Shire to service the growing population and employment densities along the NWRL. It should also be noted that more industrial lands are becoming strata titled and amalgamation and redevelopment will therefore become more difficult without significant uplift in land values.

Retention of industrial lands within regions should be considered ID enhance service delivery for surrounding residential and commercial businesses888. While there is potential to increase densities of industrial lands within Blacktown LGA to service this need, It Is desirable to keep some industrial lands in the Hills Shire to service the growing population and employment densities along the NWRL.

Retail Trends

Traditionally retailing has followed a hierarchy from regional through to district to small neighbourhood centres. In the 1980s, Australian retail floor space totalled approximately 1.8 sqm per person (excluding commercial and automotive retail) which was roughly divided into equal components of regional, district and neighbourhood local centres. Mere recently that hierarchy has been challenged by the following social and economic trends:

- Increase in the proportion of working women;
- Increase in the proportion of part-time and casual employment and reduction In full-time employment;
- Reduction in the proportion of households that match the traditional Family' model and an increase in the number of single person and single parent households;
- Increase disparity of household Income, ranging from high double Income households to households that rely on welfare;
- The ageing of the population; and
- Increasing working hours for those In full time employment.

In particular economic rationalism from 1991 to 2006 resulted in considerable growth in living standards and an increase in household income disparity. During this period retail spend per person grew at almost 2% per annum in real terms. Families became typically cash-rich/time-poor or time-rich/cash-poor. Very few families were both time-rich/cash-rich, providing interesting challenges for the retail industry.

Population growth, rising real disposable incomes and innovation and change within the retail industry have underpinned a rapid increase in the supply of retail floorspace throughout Australia. Population growth and increasing levels of disposable income have provided the means to support new retail development, but it is the innovative nature of the industry itself that has generated major increases in more and larger centres.

Without a doubt the 'Global Financial Crisis' has had an impact on the Australian retail property markets in the years since. The period from late 2007 to the present has been characterised by weaker consumer sentiment and poor leasing and investment markets (i.e. weak income and capital returns). This trend was common to most commercial markets nationwide.

Retail spend per capita has stagnated since 2006 due to a combination of factors including the credit squeeze, a propensity for households to save more and reduce debt, a strong Australian dollar, relatively high interest rates compared to our trading partners and reduced job certainties.

Also the rise of internet shopping Is providing some interesting challenges for the retail industry. Whilst this market is relatively small at around 4% of total retail sales it may to increase above 10% over the next decade or so.

The long term trends of rising affluence, consumerism and technological change are likely to ensure that retail expenditure will continue to increase over the long term owing to real growth in retail spend per capita. The current economic climate of low consumer sentiment is viewed as a short term condition rather than a long term one. In the future it is inevitable that there will be periods of economic growth and adjustment.

Electronic Retailing

This retailing trend is associated with the rise of internet access within homes in Australia and globally. Considered to have potential for significant growth, this form of retailing relies on providing greater benefits over traditional shopping experiences. Electronic retailing allows consumers to research widely and easily prior to purchasing and is influencing traditional retailing formats. This form of retailing requires the rapid and efficient movement of goods, contributing to the development of warehouse distribution centres adjacent to major transport infrastructure such as the M7 Motorway.

Penetration of internet retailing in Australia is estimated to be low by world standards and acknowledging Australia as early adopter of new technology, may reflect the concentration of urban populations and good supply of shopping centres. Internet sales are estimated to comprise 3.9% of retail sales in Australia compared to 7.6% in the UK and 5% in the USA.11

Most sales have been made by higher socio-economic households and only with commodities that are suited for that type of shopping including second hand items, music, computer hardware and software and office durables.

In many cases internet shopping is used to acquire knowledge, rather than make purchases. Electronic retailing is generally considered to have growth potential. But this will be dependent on whether or not it can, and is perceived to be able to, provide superior benefits over existing retail formats. The critical benefit that electronic retailers can offer is the opportunity for consumers to search across a broad range of alternatives, develop a smaller set of alternatives based on their needs, and get specific information about the alternatives they want.

Whilst there may be some opportunity for internet shopping to capture an increasing proportion of total retail sales, the impact will not be as dramatic as initially forecast as shoppers still preferring to shop physically as the best method of comparing goods, brands, stores and prices and as a means of entertainment I leisure and socialising. Accordingly the impact on traditional bricks and mortar retailers is not likely to be as significant or detrimental as initially forecast.

Bulky Goods Retails

Bulky Goods or Big Box retailing has emerged in the last 2-3 decades as a major feature of the growth in retail floorspace which has also challenged traditional zoning of land by locating in a range of locations from major centres to industrial areas. Its emergence has evolved to respond to trends identified above and the industry has also responded with the introduction of:

- the 'super-regional centre' (e.g. Westfield) which incorporates a large diversity of shops complemented by leisure activities and other facilities with an extensive trade area;
- 'convenience community centres' usually dominated by a supermarket to meet daily and weekly shopping needs;
- 'stand alone supermarkets' offering a just-in-time 'one stop shop' (petrol, video, pharmacy, groceries, fast food, etc);
- 'power centres' and 'category killers' (eg Babyco) offering an extensive range of goods in low cost buildings; and
- bulky goods retailing in traditional industrial areas integrating (in some cases) warehousing with retail space.

In the late 1980s new forms of retail centres emerged such as the category killer and the power centres. Category killers are large stores, typically from 500m2 up to 10,000 m2 that provide an extensive range and depth of competitively priced merchandise within a single market segment. Toys R Us, IKEA, Officeworks and Harvey Norman are notable examples in Australia. The financial success of these stores has been mixed as demonstrated by the failure of Coles Myer's World 4 Kids and the strong growth of Harvey Norman, Freedom Furniture and Bunnings. Category killers can be found in regional shopping centres, on free-standing sites and in 'power centres'

Beginning in the 1980s and expanding considerably through the 1990s were power centres. Power centres, also known as 'big box' centres, consist of a collection of category killers and other specialist retailers (often retailers of bulky goods) and are usually located in secondary areas such as light industrial zones. Fit out is minimal and rents per square metre are significantly lower than in traditional centres.

Some power centres have a theme, such as a homemaker centre (hardware, carpets, tiles, furniture, kitchen/bath, etc). Examples include Moore Park SupaCenta and Totally Home Bella Vista. Power centres however can also trade successfully with a wide mix of traders (auto accessories, toys, sports, clothing). These are destination shopping venues and people are prepared to travel further to access a larger range at more competitive prices than can be offered by traditional department, discount department and specialty stores.

Bulky goods retailing, factory outlets and clearance centres in traditional industrial areas integrating warehousing with retail space are also recent innovations. As with power centres, they rely on low rents. While purpose-built factory outlets are common in the United States, most of Australia's major factory outlet centres occupy premises formerly occupied by traditional retailers, factories or other uses- eg Birkenhead Point and DFO Homebush.

Accordingly bulky goods retailing is often described as low cost I high bulk retail goods and ancillary products. Retailers of these goods and products have identified financial benefits in lower occupancy costs and economies of scale outside of established high-rent and high-cost retail centres.

Bulky goods retailing first appeared as showrooms attached to distribution and warehousing industries. Over time bulky goods strip retailing and centres have attracted a number of furniture, appliance retailers and hardware stores such as Harvey Norman, Domayne, Bing Lee, BabyCo, Bunning's, bedding shops, lighting shops, etc.

Bulky goods can take the form of strip retailing along a major highway (eg Parramatta Road, Auburn, Mulgoa Road, Penrith, King Street, Warrawong and The Entrance Road, Erina). Alternatively it can be in a stand alone building or "power centre" such as Tuggerah Supacenta, Moore Park Supacenta and Auburn Mega Home Mall.

More recently there have been non-bulky goods retailers attracted to these peripheral locations including for example The Warehouse Group which is a discount variety store, video rental stores, large liquor stores, and factory outlets. Fast food restaurants (such as McDonalds, Pizza Hut and KFC) and highway based convenience stores have also located in bulky goods precincts.

Increasingly however there is a growing trend for the expansion of 'super regional' or 'major centres' referred to above (such as Westfields) to incorporate bulky goods retailers rather than compete with them. These stores are increasingly referred to as lifestyle stores and generally relate to homewares, furniture and electrical stores such as Freedom Furniture, Dick Smith Powerhouse, Bayswiss and Borders Bookstore. Examples of recent shopping centre extensions to incorporate this lifestyle concept include the Macquarie Centre, Macquarie Park and Erina Fair, Central Coast.

Notwithstanding the growth of lifestyle centres Hill PDA's research has identified some of the key requirements for successful bulky goods centres 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. (This is why Kotara Shopping Centre, Newcastle for example has been far more successful than Newcastle CBD or Newcastle West-End);
- cheap and plentiful land (often zoned industrial) to enable plentiful par1<:ing and loading and unloading facilities; and
- being located on a major road with high visibility and accessibility.

Desirable requirements for bulky goods retailers include:

- having a trade area that is expanding as new homes generate higher demand for bulky goods than established homes; and
- having a wealthy trade area with high disposable incomes. Higher income households spend considerably more on bulky goods than lower income households.

The Hills Shire has experienced a growth in Bulky Goods retailing, particularly within the Castle Hill industrial area. More recently a bulky goods precinct has been created at Norwest Business Park. The success of this trend is likely to have been supported by the significant residential growth that occurred in the North West.

The decision by Woolworths to roll out its joint venture Masters stores in competition with Bunnings has created significant demand for large sites in growth areas such as the North West with Masters and Bunnings recently locating in Box Hill, an area of future development. It is expected that these developers will aggressively pursue key sites in the North West in anticipation of future growth in population and demand.

Another trend which may emerge in Melbourne is the combination of residential development with Bunnings proposing 350 apartments above its latest store complex in Doncaster. Woolworths is also pursuing plans for apartments above its proposed store in North Melbourne and may consider a similar approach for its Masters brand in the future if these developments are successful. While these reflect demand in more inner city locations, the scarcity of land in prime locations is likely to cause developers to examine all options in the future.

12.3.2 Castle Hill

Castle Hill is an established town centre with Castle Towers Shopping Centre being an important regional shopping centre for surrounding localities. The shopping centre precinct which is zoned mixed use, under the Draft LEP 2010 is surrounded by a mix of sbip shop and commercial floor space and higher density zoning for multi-storey residential development. The periphery of the town centre is zoned medium density residential, and transitions into lower density residential areas at a distance of approximately 1 km.

Retail

The proposed Castle Hill station is located in close proximity to Castle Towers Shopping Centre and Castle Mall, the only retail shopping centres in Castle Hill and owned by QIC, the dominant landowner in Castle Hill. QIC also owns land for expansion of its facilities west of the town centre surrounding the Castle Hill Library. Located around the regional shopping centres are several older commercial strata buildings. These strata buildings provide a mix of retail at street level and commercial office space on the first floor.

There is demand for prime retail space in close proximity to the shopping centres, Castle Towers and Castle Mall. Through investigation of the 1980's strata complex located across the road from the Castle Mall a retail value range of $4,400-$6,100 was determined. The agent advertising also indicated that new retail strata space in a prime location to the centre could command up to $7,750/sqm.

There is strong demand for prime retail space. This is supported by the further expansion of the Castle Towers shopping complex and the new development 'T2' at 250 Old Northern Road. An agent said many of the lessees in Castle Towers were eager to move out to cheaper more flexible arrangements but still benefit from the volume of people coming to the area for the main centre.

Commercial Office

Floor space around the centre is taken up by businesses delivering consumer services such as medical, financial and real estate services. Local agents indicated little demand for new businesses locating in Castle Hill. Moreover one agent indicated that a he was selling on behalf of clients that had decided to put commercial units on the market in response to the NWRL announcement and that demand was flat.

Commentary

Castle Hill has significant attributes which will make it attractive for high density residential development in the future based on the trends of transit orientated development and shopping centre mixed use development. The combination of a major shopping centre, new railway station and affluent population catchment suggests that there will be strong demand for residential development although it is likely that the product mix and size will need to evolve to improve affordability as in other areas of Sydney.

Plans to expand the shopping centre are responding to demand and Hill PDA forecasts that demand will continue to grow strongly in this large retail catchment. Expansion of the shopping centres could include residential components subject to separate titling and this should be encouraged to maximise densities on the limited land available around the station.

While Castle Hill is a major centre and expected to accommodate at least 8,000 workers this may be difficult to achieve despite the construction of the railway station, although this will have a positive effect. The major employment hub for the LGA is Norwest which has grown enormously in the last decade and accommodates many significant companies including the Woolworths headquarters. Employment is largely car based in the LGA and the location of Norwest close to the Sydney Orbital Motorway has driven development in this location. Castle Hill is less well connected to the road network and unlikely to attract significant employment generators even with the NWRL as many people will continue to rely on car based travel to Castle Hill. A light rail connection proposed by Parramatta City Council to link Castle Hill to Bankstown via Parramatta, would both bring additional commercial demand but also allow residents to commute to Parramatta to work.

Opportunities which do exist include the redevelopment of the Terminus Street Car Park and the location of Council offices in Castle Hill to create a civic heart for the centre and to build more diverse employment there. The growing residential population will also create demand for more service business in Castle Hill which will increase demand for strata offices which could be incorporated into mixed uses developments. Minimum commercial components may be required to ensure scarce land does indeed provide office accommodation as well as retail and residential floor space.

Due to the topography demand for residential development may dissipate more quickly towards the edge of the station catchment and for this reason densities should be maximised in the central zone and transition zones avoided to allow future development to spread from the centre where possible without strata titling sterilising future higher density development opportunities.

In essence, Castle Hill has the potential to emulate Chatswood in residential and retail terms although the diminishing commercial component of the Chatswood CBD is unlikely to be equalled in Castle Hill with its poorer transport connections and scarcity of land. Employment creation will require minimum commercial office components within mixed use zones and catalyst projects such as a new civic centre.

12.3.3 The Hills Centre Station (now Showground Station)

The proposed Precinct is located next to the Castle Hill Showgrounds. To the south and south east of the proposed centre precinct towards Caste Hill town Centre is the location of low density residential areas. To the west, south west the area is predominantly light industrial although the precinct either side of Victoria Avenue is zoned B5 Business Development in the Hills Shire draft LEP 201 0 and accommodates major bulky goods retailing stores.

Business Uses

Business land uses in the Precinct are primarily composed of 'light industrial and bulky goods retailing. These uses are centrally located to the higher residential densities within the LGA and include the largest cluster of bulky goods retailing in the region. The Business Development zoning in the Draft LEP 2010 recognises this demand for bulky goods retailing compared to the Light Industrial zoning under LEP 2005. On both side of the bulky goods cluster is located a light industrial corridor with old warehouses and newer industrial unit complexes. These complexes seem to cater for a range of uses from offices and showrooms to warehousing and industrial services.

Bulky Goods

The bulky goods trade of the Precinct is important to the greater region, it has been trading strongly even in difficult retail conditions. The Hills Homemaker Centre, with approximately 52,000sqm of floor area was recently sold to a syndicate of superannuation funds for $178,500,000 at a yield of 9%. The investment manager made the acquisition as the area offered significant retail growth potential. This sale accounts for over half of the bulky goods retailing in the precinct as measured by Hill PDA26, who previously undertook a floor space survey in 2008. The report surveys 99,600sqm of retail space, with 78,660sqm of the space, trading as bulky goods. This figure will be increased in 2012 with the addition of a new Bunning's store adding 16,060sqm of retail floor space and further enhancing the areas attraction as a bulky goods precinct.

Light Industrial

There is a significant amount of industrial zoned land located in the catchment area of the proposed Showground Station. The central location in the middle of The Hills Shire and the close proximity to areas of established population makes it highly accessible for the surrounding affluent population offering services such as smash repairs, motor mechanics and other services.

The area consists of a mixed stock of industrial buildings ranging in age, tenure and size. There are pockets of newer industrial strata complexes such as the industrial unit complex at 9 Salisbury Road. This building was completed in 2009 and occupies a prime location across the road from a new Bunning's store. This development represents the higher industrial values in the market with agents indicating $1,800-$2,200/sqm capital value. This is significantly less than bulky goods values and with older stock selling as low as $1,000/sqm where opportunities for renewal exist.

Commercial Development Land Sales

There have been a number of transactions since the global downtum relating to larger warehouse complexes. The consistency of prices In the range of $600-$800sqm suggests that the land is suitable for redevelopment in the near future and may be speculating on increased densities in the area.

There have been a number of deferred or abandoned developments occurring in the area. Examining a few of the larger transactions of bulky goods space sales values have declined up to 30% since 2007. Abandoned projects include 21-23 Victoria Avenue a 3 storey bulky goods and lifestyle centre containing total floor space of 25,000sqm. However Bunnings has developed a substantial new store on Victoria Avenue.

12.3.4 Commentary

The Precinct is unique along the NWRL in having industrial zoned land which is largely developed and providing employment to a variety of industrially skilled workers. This diversity of employment is desirable to maintain appropriate services and employment for sustainable communities. The location of a rail station in close proximity will provide better transport options for these workers and options for residents to use public transport, for instance when having cars serviced or repaired.

While new industrial lands are proposed elsewhere within The Hills LGA, north of Rouse Hill, these are isolated from existing populations and will not be easily accessible to existing and proposed residents of this precinct. Careful consideration will therefore need to be given to how these existing lands are to be renewed over time and for what uses. Other industrial lands on Sunnyholt Road, Blacktown and at Winston Hills may support increased densities of light industrial and commercial uses. The location of this precinct is highly strategic in the context of Norwest Business Park which has become the major employment centre of The Hills LGA and will form the major employment growth hub. However while increased densities can be achieved at Norwest, many buildings are of recent construction or strata titled and therefore unlikely to redevelop in the short term. For this reason opportunities to expand business park uses to the industrial areas to the west are attractive except to the extent that they become remote from both the Norwest and Showground stations.

The abundance of open space around the Showground station is attractive for residential development at higher densities and may suit a masterplanned community if offered as a superlot. Adjoining industrially zoned and low density residential land will also be sought after for residential use at higher densities when the station is constructed. Ideally a range of uses could be incorporated around the station including significant retail and commercial uses. St Leonards is an example of how fringe industrial areas can be attractive to commercial uses with rail access but has also benefitted from health and education infrastructure in close proximity. For this reason investigations of such potential infrastructure is essential to understand how these elements may dictate future options for development especially when high population growth is forecast. Otherwise, apart from the Council offices, which may be better located within Castle

Hill Major Centre, tenants may be difficult to attract to this site due to the poor car access and weak commercial identity.

Our conclusion is that future development is expected to favour high density residential uses and a neighbourhood shopping centre with a large supermarket and specialty shops. Initially the focus should be on redevelopment of Government land and rezoning of nearby low density residential zones, thus maintaining the industrial lands to service a growing population in the short term. Alternatively with further infrastructure such as an education campus more commercial uses could be encouraged in this location with the aim of developing a significant employment hub around the station. When other industrial precincts have matured to provide light industrial uses in the region it may then be appropriate to consider further rezoning for residential and retail uses.

Expansion of the bulky goods corridor may also be appropriate in the Precinct with the loss of the Homemaker Centre at Bella Vista but provision further north at Rouse Hill and Kellyville will also be required to meet these catchments' growing demand. However the existing Business Development zoning is expected to be adequate in the short term with a further assessment of development in the future.

12.3.5 Existing Supply

In accordance with the study brief, Hill PDA undertook a desktop review of the existing employment precincts within Hills Shire to quantify the amount of commercial and industrial site area.

As shown Table 1 below, Hills Shire currently provides close to 53ha of land zoned for commercial uses, over 188ha of land zoned for business purposes and over 322ha of land zoned for industrial purposes.

Existing Commercial, Business Park and Industrial Site Area in Hills Shire

Employment Precinct	Industrial (ha)	Commercial (ha)	Business Park (ha)
Norwest Business Park	-	-	171.6
Balmoral Road Release Area Existing (BRRA)	-	-	16.7
Total Business Park			***188.3***
Castle Hill Light Industrial Area	135.7	-	
Annangrove Road Light Industrial Area	119.6	-	-
North Rocks Light Industrial Area	46.8	-	-
Northmead Light Industrial Area	4.9	-	-
Winston Hills Light Industrial Area	14.7	-	-
Total Light Industry	***321.7***		
Castle Hill Town Centre	-	6.1	-
Rouse Hill Major Centre	-	9.4	-
Baulkham Hills Town Centre	-	3.7	-
Caddies Creek	-	7.6	-
Coonara Ave (IBM)	-	25.9	-
Total Commercial	-	***52.6***	-
TOTAL	**321.7**	**52.6**	**188.3**

Source: BHSC and desktop calculations of zoned land

12.3.6 Forecast Job Growth and Floorspace Demand

In order to forecast job growth and floorspace demand, Hill PDA commissioned the Transport Data Centre (TDC) to provide employment forecasts by industry over the study period.

The TDC forecasts for 2006 are based on the detailed analysis of employment growth across the Sydney Greater Metropolitan Region by industry category. This data is in turn distributed by LGA and Journey to Work nodes (job nodes). It is important to note the TDC employment forecasts are made on particular assumptions regarding the global economy, increased productivity and the national growth of Gross Domestic Product. Their assumptions include data on land releases, local area population growth, industry trends about offices space and storage, industries I businesses of growth and decline, government policy on education and health and so on.

Based on TDC forecasts, from 2006, Hills Shire will experience an Increase of over 41,000 jobs. The top five industries for growth in The Hills LGA to 2031 are anticipated to be:

1. Retail: + 14,719 jobs or over 36% of all new jobs;

2. Property and business services:+ 8,816 jobs or 22% of all new jobs;

3. Accommodation, restaurants, cafes and clubs:+ 3,358 jobs or 8% of new jobs;

4. Construction:+ 2,881 jobs or 7% of all new jobs; and

5. Wholesaling: +2325 jobs or 6% of all new jobs.

The growth of the top five industries will be largely related to the anticipated growth in population over the next 25 years.

It is important to note however that the TDC estimate for retail job growth show above of 14,719 has been refined by Hill PDA based on detailed retail expenditure modelling. This analysis and its implications are discussed in greater detail in Section 1.7 below.

The employment forecasts highlight four key areas of decline. They include:

1. Public administration and defence: 423 jobs or 65% of jobs within this industry as of 2006;

2. Manufacturing categorised in the 'other' or 'undefined' category: 188 jobs or 27% of jobs within this industry as of 2006;

3. Textiles, clothing and footwear: 81 jobs or 26% of jobs within this industry as of 2006; and

4. Transport and storage: 142 jobs or 15% of jobs within this industry as of 2006.

The decline in the industries shown above is consistent with wider trends occurring across Sydney and NSW. In the case of The Hills LGA, the forecast decline is far less substantial however in terms of overall jobs than some Sydney Subregions (for example the South West or Central West). This is primarily because of the significant additional demand (based on TDC forecasts) for high technology industrial space associated with the Norwest Business Park.

The table below depicts the key industries anticipated by the TDC for employment growth or decline in Hills Shire between 2001 and 2031.

Assessing job growth and decline proportionally within its own industry category, some of the big winners over the study period will be metal products (108% job growth) and on metallic products (125% growth). Given the lower starting points of these industries however combined their growth only represents 738 jobs. Retailing and accommodation, restaurants, cafes and clubs will also experience a doubling in the number of existing jobs. These sizeable industries will generate over 18,000 additional jobs over the study period.

Public administration and defence will experience a noticeable decline of over 65% or 423 jobs. The 'other manufacturing' category will experience a 27% loss and textiles, clothing and footwear will experience a 26% decline.

Growth in Demand for Commercial and Industrial Floorspace (sqm) by Travel Zone 2006 - 2031

Travel Zone (Name)	Travel Zone (Number)	2006 Commercial	2016 Commercial	2031 Commercial	2006 Industrial	2016 Industrial	2031 Industrial
Kellyville	456	7,142	7,810	9,278	31,153	29,176	26,807
Kenthurst	457	8,180	8,674	9,991	26,638	24,623	21,069
Glenorie	458	1,426	1,433	1,613	15,245	14,687	13,160
Maraylya	459	145	123	121	3,781	3,896	3,751
Maroota South - Wisemans	460	1,228	1,223	1,378	11,126	10,675	9,416
North Rocks	619	7,251	6,970	8,022	123,738	118,013	101,352
Catle Hill North	620	9,483	9,901	11,179	13,478	10,847	8,870
Baulkham Hills East	621	5,692	5,887	6,629	14,737	13,677	12,062
Baulkham Hills West	622	3,647	3,868	4,439	17,809	18,568	19,144
Kellyville South	623	1,346	5,846	8,532	16,601	28,393	34,768
Beaumont Hills	624	1,482	1,648	1,902	4,849	4,558	4,140
Annagrove	625	392	423	503	10,214	9,985	9,727
Nelson	626	70	5,129	11,454	8,446	40,712	80,131
Box Hill	627	162	191	6,863	752	864	19,707
Annangrove	628	1,126	1,199	1,403	11,119	10,631	9,808
Nelson North	667	69	80	97	0	-	0
Glenhaven	690	7,692	8,405	9,846	27,777	26,298	24,137
Rouse Hill	750	2,447	2,530	2,965	22,009	21,805	20,955
Rouse Hill South	751	920	17,496	29,787	3,324	22,949	37,217
Kellyville North	752	301	343	418	960	925	896
Castle Hill Showground	753	43,930	49,647	35,727	210,156	243,387	209,058
Norwest Business Park	754	126,278	259,009	247,045	445,686	896,994	839,381
Castle Hill	755	6,086	5,738	6,081	10,491	7,702	4,457
Castle Hill South	756	14,314	15,792	18,746	13,047	10,836	8,265
West Pennant Hills (east)	757	50,001	57,206	69,431	34,870	33,079	29,646
Middle Dural	759	3,319	3,598	4,223	14,803	14,465	13,254
Bella Vista	769	3,595	3,903	4,505	9,481	9,044	8,040
Total Floorspace		**372,796**	**552,378**	**590,318**	**1,358,673**	**1,873,061**	**1,789,310**

Source: TDC 2006, Hill PDA

Net Increase in Industrial & Commercial Floorspace (sqm) at an LGA Level by 2016 & 2031

Industry	2016 Commercial Demand	2031 Commercial Demand	2016 Industrial Demand	2031 Industrial Demand
Food industries	-	-	16,330	12,073
Textiles, clothing, footwear	-	-	1,194	-5,660
Wood and paper products	-	-	2,303	4,834
Printing, publishing, recording	-	-	14,411	2,297
Chemicals and petroleum	-	-	42,146	11,277
Metal products	-	-	19,798	42,408
Non-metallic products	-	-	4,637	9,258
Machinery, transport and equipment	-	-	60,002	57,140
Other and undefined manufacturing	-	-	-3,036	-13,127
Energy, water, sewerage	-	-	2,085	6,441
Construction	-	-	229,708	201,651
Wholesaling	-	-	116,728	116,264
Transport and storage	-	-	8,080	-14,220
Communications	10,609	4,841	-	-
Finance, insurance	19,117	29,312	-	-
Property and business services	153,828	193,954	-	
Public administration and defence	-3,971	-10,586		-
Total	**179,582**	**217,522**	**514,388**	**430,636**

Source: TDC 2006, Hill PDA

12.3.7 Forecast Demand by Precinct

Commercial and Industrial Floorspace (sqm) Demand by Employment Precinct 2006 - 2031

Precinct	Commercial Floorspace 2006	Commercial Floorspace 2016	Commercial Floorspace 2031	Industrial Floorspace 2006	Industrial Floorspace 2016	Industrial Floorspace 2031
Norwest Business Park	127,623	260,355	248,391	462,287	913,595	855,982
Balmoral Road Release Area		4,501	7,187		11,792	18,168
Castle Hill Light Industrial Area				318,770	354,896	312,000
Annangrove Rd Light Industrial Area	-	-	-	22,009	21,805	20,955
North Rocks Light Industrial Area	-	-	-	123,738	118,013	101,352
Northmead Light Industrial Area	-	-	-	19,406	18,224	16,794
Winston Hills Light Industrial Area	-	-	-	61,474	56,681	47,865
Castle Hill Major Centre	39,463	41,504	47,588	-	-	-
Caddies Creek	-	-	-	-	-	-
Rouse Hill Major Centre	920	17,496	29,787	-	-	-
Baulkham Hills Town Centre	15,230	16,255	18,592	-	-	-
Coonara Ave (IBM)	50,001	57,206	69,431	-	-	
Total	**233,237**	**397,316**	**420,975**	**1,007,683**	**1,495,006**	**1,373,116**

Source: TDC 2006, Hill PDA

The table below shows that across the combined employment precincts by 2031 there will be demand for close to 188,000sqm of additional commercial floorspace and over 365,000sqm of industrial floorspace. Together this will generate demand for over 1,794,660sqm of employment generating floorspace within the existing employment precincts and centres.

The greatest increase in demand for floorspace, based on estimated employment growth, relates to the Norwest Business Park (514,463sqm) and Rouse Hill Major Centre (28,867sqm). Owing to the wider global trends relating to greater efficiencies in manufacturing and industry, each industrial area will experience a reduction in demand for industrial floorspace by 2031.

Total and Additional Commercial and Industrial Floorspace (sqm) by Employment Precinct

Precinct	Total Floorspace 2006	Total Floorspace 2031	Net Additional Commercial Floorspace 2031	Net Additional Industrial Floorspace 2031	Net Additional Floorspace Total
Norwest Business Park	589,910	1,104,373	120,768	393,695	514,463
Balmoral Road Release Area Existing	-	25,355	7,187	18,168	25,355
Castle Hill Light Industrial Area	318,770	312,000	-	- 6,770	- 6,770
Annangrove Road Light Industrial Area	22,009	20,955	-	- 1,054	- 1,054
North Rocks Light Industrial Area	123,738	101,352	-	- 22,387	- 22,387
Northmead Light Industrial Area	19,406	16,794	-	- 2,611	- 2,611
Winston Hills Light Industrial Area	61,474	47,865	-	- 13,609	- 13,609
Castle Hill Major Centre	39,463	47,588	8,124	-	8,124
Caddies Creek	-	-	-	-	-
Rouse Hill Major Centre	920	29,787	28,867	-	28,867
Baulkham Hills Town Centre	15,230	18,592	3,361	-	3,361
Coonara Ave (IBM)	50,001	69,431	19,430	-	19,430
Total	**1,240,920**	**1,794,091**	**187,738**	**365,433**	**553,171**

Source: TDC 2006, Hill PDA

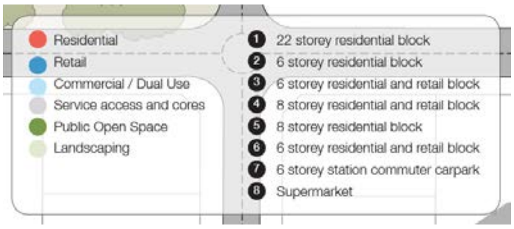
12.4 North West Rail Link Station Precinct Masterplan Review

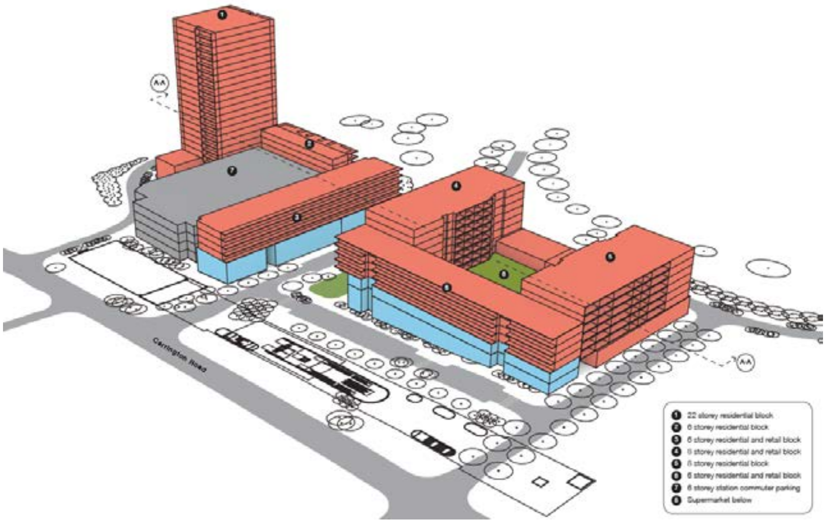
Report author: SJB

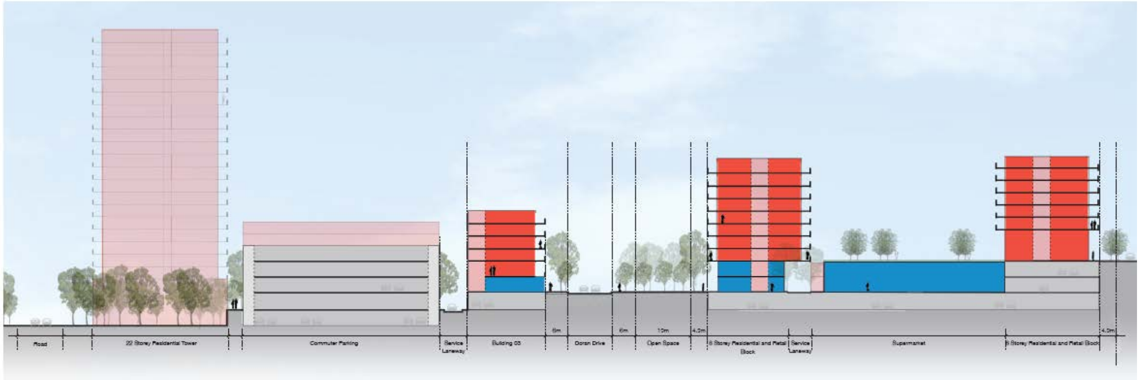
Report date: January 2014

Key observations from this report that specifically impact on the economic feasibility study include:

	GFA	Number of Units	Number of Parking
Residential	62,473	625	625 (1 space per Apartment)
Speciality Retail	2,537	-	37 (1 space per 25m² of Retail)
Supermarket	1,800	-	65 (1 space per 25m² of Supermarket)
Dual Use	1,098	-	16 (1 space per 70m² of Commercial)
Commuter Parking	25,217	-	600 + 200 (Precinct Requirement)
Total	**66,108**	**625**	**1,546**







Residential						
Typology and building (refer to 'Massing Study' Drawing)	No. of storeys	GBA per floor (m2)	GBA - (100%)	GFA - (90% of GBA)	NSA - (85% of GFA)	No. of dwellings
Apartment 01 a	2	1,500	3,000	2,700	2,295	27
Apartment 01 b	20	1,000	20,000	18,000	15,300	180
Apartment + Terraces 02	6	744	4,464	4,018	3,415	40
Apartment + Terraces 03	6	1,385	8,310	7,479	6,357	75
Apartment + Terraces 04	8	1,897	15,176	13,658	11,610	137
Apartment 05	8	1,563	12,504	11,254	9,566	113
Apartment 06	4	1,490	5,960	5,364	4,559	54
Total			69,414	62,473	53,102	625

Parking					
Typology and building	No. of storeys	GBA per floor (m2)	GBA - (100%)	GFA - (95% of GBA)	No of spaces
Commuter Carpark	6	4,424	26,544	25,217	804
Total		4,424	26,544	25,217	804

Retail					
Typology and building	No. of storeys	GBA per floor (m2)	GBA - (100%)	GFA - (90% of GBA)	GLA - (85% of GFA)
Specialty Retail 03	1	368	368	331	282
Specialty Retail 04	1	651	651	586	498
Supermarket	1	1,800	1,800	1,620	1,377
Total		2,819	2,819	2,537	2,157

Commercial						
Typology and building	No. of storeys	GBA per floor (m2)	GBA (100%)	GFA - (90% of GBA)	GLA - (80% of GFA)	No of Jobs
Dual Use retail 06	1	1,220	1,220	1,098	878	35
Total		1,220	1,220	1,098	878	35

12.5 NWRL Masterplanning Adjoining Lands to Station Precinct

Report author: Tony Caro Architecture, BVN, Stanisic Architects, SJB, Hassell, Urbangrowth NSW, Transport for NSW

Report date: June 2013

Key observations from this report that specifically impact on the economic feasibility study include:

12.5.1 Building Typology

Residential

High density residential development is proposed to the eastern precinct achieved through predominant apartment towers blocks. Tower blocks have been designed to enable staged development opportunities over a range of tower and apartment sizes. There is a potential for studio / 1-2 bed apartments for both younger and 'empty nester' demographics to boarder the village square around high service amenities with a more family orientated development to the main eastern precinct of the site. Key strategies are to create visual connectivity to the landscape and the creation of a permeable walkable precinct. Carparking is predominantly removed from the ground level with basement car parking access directly below each apartment.

Total Apartments: 878

Apartment Diversity: Apartment floors typically range from 4-10 apartments per level, Tower base apartments typically multi-level terrace with double height space, Apt mix ratio typically studio (5%) + 1 bed (25%) +2 bed (60%)+3 bed (10%)

Commercial Suites

Commercial suites are proposed along the split level base of the residential tower bordering the station. The alignment of suites between the kiss and ride drop off area and the station entrance provides optimal convenience and promotes casual interaction. Flexible suites are proposed enabling a range of smaller service providers such as real estate agent, travel agent, fi nancial services, newsagency, pharmacy, medical centre and other convenience service providers.

Additional use typology studies (as detailed later in the report) indicate a strong local presence of individual medical practices specialising in cosmetic health procedures and dentistry. Such a great accumulation in the area has meant domestic houses along Showground and Carrington Roads have been occupied by these businesses. Ideally the new village centre could become a regional focus of cosmetic health and dentistry further activating the precinct. The location of commercial suites along Carrington road will provide the suites with greater visibility and street presence than being located further within the site around the village square. The location also creates a visual and acoustic base buffer zone to the residential building over while providing a spatial boundary to the public spaces around the village square.

Retail

A range of retail spaces will assist in the activation of the urban spaces around the station precinct providing a mix of leisure and entertainment. Two main urban spaces are bordered by the retail zones, one along Doran Drive and the other bordering the village square. Doran Drive provides the main vehicular entry to the site commuter carpark and is the main site entry for the Showground. The main commuter carpark is proposed to be fronted by a midsized supermarket of around 1500 sqm. It is proposed rather than compete with larger nearby shopping centres a boutique fresh food market style offering could provide a point of difference to the site and further enhance the existing agricultural focus of the precinct. The location bordering the carpark also enables the direct natural progression from supermarket to vehicle.

The retail spaces on the eastern side of Doran Drive are situated below the western most residential tower on the site providing a buffer zone to ground level traffic and village square noise spill. The dual sided retail spaces are assisted by the location of the bus terminus along the Drive while the opposite side of retail opens north directly onto the village square. Along either side commuter convenience retail is proposed with café and outdoor seating opening onto the village square while also providing a range of fast food options for commuters.

Additional smaller convenience retail kiosk pods are proposed to be located directly around the station entry. Direct access is proposed from the retail and village square areas to basement car parking below enabling the progression from the station exit to the carpark via the precinct retail zones.

Precinct Data

Precinct Data - Showground Station precinct	
Project	Showground Station
Precinct	3
Project Architect	BVN Donovan Hill
(gross m^2) Precinct site area	95 060 m^2
(net m^2) Superlot area	36 765 m^2
[1](FA m^2) Floor area	94 842 m^2
Floor area ratio (FAR) Gross Net	 0.998 2.580
Storeys	6 - 19
(m^2) Use mix total Live/Residential Work/Commercial Shop/Retail Play/Open Space Total	 91 891 m^2 385 m^2 (Including Community Hub total 2050 m^2) 1070 m^2 (Including 1500 m^2 convenience retail total 2570 m^2) 24 294 m^2 117 640 m^2 (120 805 m^2)
[2]Dwellings	878
[3]Dwelling density Gross Net	 92.363 238.814
[4]Parking spaces	1246 (1846 including 3 level commuter car park)

Notes:

1. 80% of building envelope area
2. 90m2 allowance per dwelling
3. Dwellings per hectare
4. 1 x residential parking space per unit excluding visitors
   1 x parking space per 30sqm retail

12.6 North West Rail Link: Retail Capability Statement

Report author: Urbis

Report date: February 2013

Key observations from this report that specifically impact on the economic feasibility study include:

12.6.1 Executive Summary

Urbis was appointed by Transport NSW (TNSW) to undertake a retail demand assessment for the NWRL involving:

- Preparation of a Retail Benchmarking study investigating national and international examples retail provision around train stations and emerging retail technologies;
- Interviews with leading practitioners in Transit Oriented Development (TOD) and in on-line and integrated retailing; and
- A retail market demand assessment for each station precinct, including indicative size, turnover and indicative rental income forecasts.

No two NWRL precincts share the same characteristics or profile, therefore „retail" provision may encompass a variety of forms including:

- Shops, kiosks, cafes, services and vending machines within the NWRL station plaza areas (although the use of vending machines on station platforms should be restricted so as not to compete with retailing within the broader precinct);
- Shops (potentially including supermarkets), cafes and services beyond the station plaza but within the broader station precinct which may be included as part of the redevelopment of surplus land;
- Pop-up stores and other forms of temporary retailing, either within station plaza areas or within new centres;
- Goods collection points (e.g. lockers and valet services) where goods that have been purchased on-line can be collected;
- Virtual" retailing – linked to QR code scanners in smart phones;
- Value-adding services such as car wash and auto repairs linked to parking stations.

Xx

NWRL Indicative Retail Mix

ALL STATIONS

Station	Suggested Retail Mix	Indicative Scheme Size (sq.m GLA)	Within Station Plaza	Beyond Station Plaza			Total Retail (sq.m GLA)	Anchor Tenant	Specialty Mix (Indicative)	Associated Non-Retail Uses (Indicative)
				Major	Specialty	Non Retail				
Epping	No Retail Proposed	0	0	0			0	-	-	-
Cherrybrook	Neighbourhood Shopping Centre	5,700	115	3,800	1,285	500	5,200	Supermarket (3,800 sq.m)	12 x Food Specialties, 4 x Non-Food Specialties, 2 x Services, 1 x kiosk	Real Estate, Travel Agent, Medical Centre
Cherrybrook (reduced scheme)	Neighbourhood Shopping Centre	2,965	115	1,650	875	325	2,640	Supermarket (1,650 sq.m)	9 x Food Specialties, 2 x Non-Food, 2 x Services, 1 x kiosk	Travel Agent, Medical Centre
Castle Hill	Grab & Go Kiosks	65	65	0	0	0	65	-	1 x Café, 1 x Kiosk	-
Showground	Small Neighbourhood Shopping Centre[1]	2,735	15	1,500	820	400	2,335	Small Supermarket	6 x Food Specialties, 2 x Non-Food Specialties, 1 x Services, 1 x kiosk	Real Estate, Medical Centre
Norwest	Podium-level Food and Beverage Offer	835	15	450	370	0	835	Destinational' Restaurant 450 sq.m	4 x F&B outlets, 1 x convenience store, 1 x kiosk	-
Bella Vista	Podium F&B & Recreation[2]	2,700	15	0	1,185	1,500	1,200	-	9 x F&B Outlets, 1 x Kiosk, 2 x Ancillary Convenience Retail, 2 x Services	Learn To Swim, Dance Studio, Medical Centre
Kellyville	Neighbourhood Shopping Centre	6,630	190	4,000	1,880	560	6,070	Supermarket (4,000 sq.m)	13 x Food Specialties, 4 x Non-Food Specialties, 5 x Services, 1 x kiosk	Real Estate, Travel Agent, TAB, Medical Centre
Rouse Hill	Grab & Go Outlet with Pop-Up Space	50	50	0	0	0	50	-	1 x Food Specialty	-
Cudgegong	Showrooms & Services	3,255	0	0	2,530	725	2,530	-	9 x retail showrooms, fast food drive thru, service station, car wash café	Gym
Total (incl main Cherrybrook Scheme)		**21,970**	**465**	**9,750**	**8,070**	**3,685**	**18,285**			
Total (incl reduced Cherrybrook Scheme)		**19,235**	**465**	**7,600**	**7,660**	**3,510**	**15,725**			

**Floorspace estimates have been rounded.*

Source : Urbis

12.6.2 Showground Precinct Analysis

The NWRL Showground Station will be an underground station with surface level access providing rail services for existing residential and employment areas.

- Park and ride provision for 600 cars will be incorporated into the design.
- The Station precinct constitutes a major redevelopment opportunity at the southern end of the Showground, incorporating the existing Hills Shire Council Office and The Hills Centre, both of which will be demolished.
- There is therefore significant development potential within the site, which measures approximately 9 hectares in total.

Opportunities

- The Showground site represents a major redevelopment opportunity over 9 hectares in total.
- The site is located in an established residential area close to Castle Towers and the Hills Centre bulky goods / industrial precinct.

Constraints

- Strong retail competition from the Major Regional Centres of Castle Towers and Rouse Hill Town Centre, both of which will expend in the coming years, as well as competition from a number of smaller supermarket-based centres.

The eventual end use of the showground precinct has yet to be determined and will be subject to further highest and best use analysis.

For the purposes of this exercise it was agreed that Urbis would test the potential for a new supermarket-based shopping centre to be accommodated on the site, and to assume that the balance of the redevelopment would include medium-high density residential dwellings.

To this end, it should be noted that the potential for retail development at the Showground site would be heavily influenced by the final design and configuration of uses across the Precinct. The retail analysis should therefore be considered as a „high level" analysis, and we recommend that more detailed commercial analysis of the development potential of the site be undertaken focusing on a mix of uses including:

- Residential;
- Commercial;
- Medical;
- Education;

- Recreation.

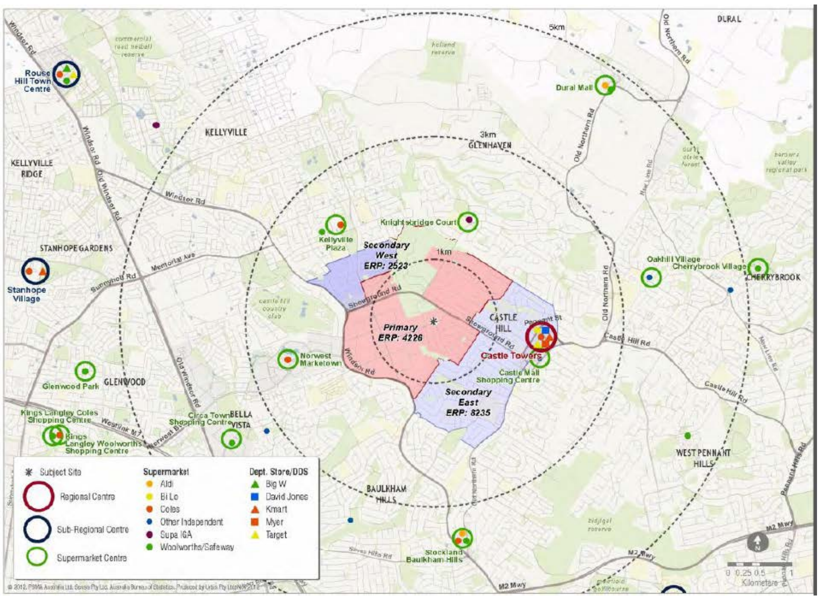
For a supermarket-based centre, the extent of the Main Trade Area is limited based on the existing provision of competing retail centres in the area.

Primary Trade Area:

- Extending from Windsor Road at the intersection of Greens Road as far north as Beaumaris Avenue and along Tuckwell Road, bound by Britannia Road.

Secondary East Trade Area:

- Extends from Tuckwell Road (at the intersection of Brittania Road) to Old Castle Hill Road/Terminus Road.
- Secondary West Trade Area:
- Extends from Windsor Road at the corner of Showground Road to Cheapstow Drive in the north, bound by Greens Road.



Competitive Environment

SHOWGROUND NWRL STATION

Centre	Retail GLA[1] (Sq.m)	Dist.[2] From Centre (km.)	Major Tenants Food	Major Tenants Non Food	Specialty GLA
Regional Centres					
Castle Towers	102,400	2.0	Coles, Bi-Lo	Myer, David Jones, Kmart	45,740
Supermarket Centres[3]					
Castle Mall	8,250	2.0	Franklins		5,950
Kellyville Plaza	10,200	2.9	Coles, Woolworths		1,875
Norwest Market Town	8,500	3.5	Coles		n/a
Stockland Baulkham Hills	17,300	4.5	Woolworths, Coles, ALDI		7,370

1. PCA, Australian Shopping Centre Database 2012 for current centres
2. Distance measured by most direct road route
Source : PCA, Australian Shopping Centre Database 2012 ; Urbis

The population forecast has been derived using 2011 Census baseline data at SA1 statistical level. The population within the Primary Trade Area has been grown to reflect an assumed development of medium density dwellings across the station precinct (up to 6 storeys), with most development occurring in tandem with construction of the NWRL station and at an average dwelling size of 2.5 persons per dwellings.

- The population of the Secondary Trade Areas has been grown having regard to BTS growth forecasts for corresponding Travel Zones.
- The population forecast shows that the Main Trade Area could grow from 14,990 persons in 2011 to 19,540 persons in 2021 and 21,120 persons by 2026. This reflects an additional 4,550 persons between 2011-21 and 6,130 persons between 2011 and 2026.

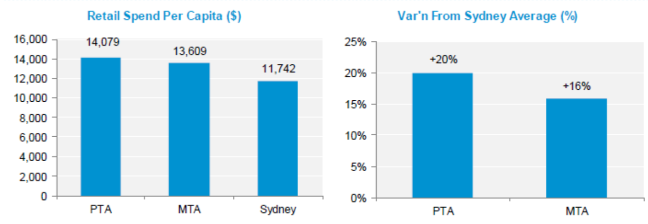
- Growth in the Primary Trade Area is forecast at 8.1% between 2016-21 and 3% between 2021-26, however this level of growth is contingent upon the precinct being redeveloped to include a significant proportion of residential apartments.

SHOWGROUND STATION, 2001-2031

Trade Area	Estimated Residential Population			Forecast Population				
Sector	2001	2006	2011	2012	2016	2021	2026	2031
Primary Trade Area	3,220	2,980	4,230	4,430	5,230	7,730	8,980	9,730
Secondary Trade Area								
• East	6,620	7,260	8,240	8,300	8,540	8,960	9,230	9,510
• West	2,450	3,420	2,520	2,590	2,850	2,850	2,910	2,970
Total Secondary	9,070	10,680	10,760	10,890	11,390	11,810	12,140	12,480
Main Trade Area	12,290	13,660	14,990	15,320	16,620	19,540	21,120	22,210
Average Annual Change (No.)								
	2001-06	2006-11		2011-12	2012-16	2016-21	2021-26	2026-31
Primary Trade Area	-48	250		200	200	500	250	150
Secondary Trade Area								
• East	128	196		60	60	84	54	56
• West	194	-180		70	65	0	12	12
Total Secondary	322	16		130	125	84	66	68
Main Trade Area	274	266		330	325	584	316	218
Average Annual Change (%)								
	2001-06	2006-11		2011-12	2012-16	2016-21	2021-26	2026-31
Primary Trade Area	-1.5%	7.3%		4.7%	4.2%	8.1%	3.0%	1.6%
Secondary Trade Area								
• East	1.9%	2.6%		0.7%	0.7%	1.0%	0.6%	0.6%
• West	6.9%	-5.9%		2.8%	2.4%	0.0%	0.4%	0.4%
Total Secondary	3.3%	0.1%		1.2%	1.1%	0.7%	0.6%	0.6%
Main Trade Area	2.1%	1.9%		2.2%	2.1%	3.3%	1.6%	1.0%

Retail Spending Per Capita Var'n From Sydney B'mark, 2012

SHOWGROUND STATION TRADE AREA ($2012, EX GST)



Source: MDS, MarketInfo 2010; ABS, Australian National Accounts: National Income, Expenditure and Product Accounts (5206.0); Urbis

Applying the population forecasts outlined previously and estimates of retail spending per capita, the current and future spending market in the Total Trade Area is detailed in the tables below:

Total Retail Spending by Trade Area, 2012-2026

SHOWGROUND STATION TRADE AREA ($2012 MILLION, EX GST)

Year	Primary ($M)	Secondary ($M)	Main TA ($M)
2012	60.9	145.2	206.1
2016	75.6	159.2	234.8
2021	118.9	178.5	297.5
2026	152.5	198.9	351.4
Average Annual Growth[1]			
2012-16	5.5%	2.3%	3.3%
2016-21	9.5%	2.3%	4.8%
2012-21	7.7%	2.3%	4.2%
Share of Total Trade Area			
2012	29.5%	70.5%	100.0%
2016	32.2%	67.8%	100.0%
2021	40.0%	60.0%	100.0%

1. Assumes per capita growth of 0.6% in 2013, 1.1% in 2014, 1.3% in 2015, 1.5% in 2016, & 1.5% thereafter, with different rates for each product group.

2. Current year is financial year ; Forecast years are financial years
Source: MDS, MarketInfo 2010; ABS, Australian National Accounts: National Income, Expenditure and Product Accounts (5206.0); Urbis

Total Retail Spending by Category, 2012-2026

SHOWGROUND STATION TRADE AREA ($2012 MILLION, EX GST)

Year	F&G $M	Total Food $M	DSTM $M	Total Non-Food $M	Total Retai $M
2012	72.0	114.2	82.7	92.0	206.1
2016	79.6	127.2	96.9	107.6	234.8
2021	94.8	153.5	129.6	144.0	297.5
2026	105.0	172.2	161.3	179.2	351.4
Average Annual Growth[1]					
2012-16	2.6%	2.7%	4.0%	4.0%	3.3%
2016-21	3.6%	3.8%	6.0%	6.0%	4.8%
2012-21	3.1%	3.3%	5.1%	5.1%	4.2%

1. Assumes per capita growth of 0.6% in 2013, 1.1% in 2014, 1.5% in 2015, 1.5% in 2016, & 1.5% thereafter, with different rates for each product group.

2. Current year is financial year ; Forecast years are financial years
Source: MDS, MarketInfo 2010; ABS, Australian National Accounts: National Income, Expenditure and Product Accounts (5206.0); Urbis

- The Tables shows that there is **$206.1m** available retail expenditure in the Main Trade Area in 2012, growing to **$297.5m** by 2021 and **$351.4m** by 2026

Key Principles:

- The Introduction of a new supermarket at the Showground site could provide an opportunity to capture spend which is currently being directed to existing centres beyond the Epping Main Trade Area, and to take advantage of spending growth accruing from assumed residential uplift.

- Our first assumption therefore is that the introduction of a new supermarket can boost spending retention rates, particularly in the Primary Trade Area with residents living in close proximity to the subject site, as it reduces the need to travel to purchase essential goods. Spending retention will also be slightly increased in the Secondary West Trade Area, but not in the Secondary East, where residents spending will continue to be focused towards Castle Hill and Castle Towers.

- A new supermarket would compete for market share within the vicinity of the subject site. Given the strength of competition of existing supermarkets and the limited size of the Primary Trade Area we assume that a supermarket is unlikely to be full-line, but rather a smaller „metro-style" store.

We have assumed that it could capture the following market shares within each Trade Area:

- Primary Trade Area: 35%;
- Secondary East Trade Area: 15%;
- Secondary West Trade Area: 15%;
- An additional 20% of supermarket turnover could be derived from beyond the Main Trade Area linked to passing trade, weekend and evening visitation of sports facilities as well as rail patronage.
- An additional 6% of sales would be general merchandise (ie not from the Food and Grocery market segment).
- Based on these assumptions, our analysis indicates that a small supermarket of around 1,500 sq.m could be supported at sustainable turnover per sq.m rates for this type of development. A small supermarket of this scale could be the anchor tenant in a Neighbourhood Shopping Centre performing a top-up convenience roll.
- Supermarket turnover in 2021 is forecast to reach $11.4m in 2021, growing to $13m in 2026, reflecting turnover rates of $7,602 per sq.m and $8,662 per sq.m respectively. These turnover per sq.m rate are lower than would typically be expected for a major supermarket, but are more in line with sustainable rates for smaller supermarkets such as IGA or Foodworks.
- It should also be noted that any expansion of Castle Towers to include a new supermarket would also contribute towards meeting demand for supermarket retailing within the MTA and beyond, and would therefore increase the competitiveness of the trading environment.

Showground Station

MTA SUPERMARKET POTENTIAL ASSESSMENT, 2021 - 2026

Factor	Unit	2021	2026
Total Available Spending to TA Smkts	$M.	108.2	119.7
Existing & Proposed Supermarket Space[1]	Sq.m	10,122	10,122
Resulting Average Trading Levels[2]	$/Sq.m	10,685	11,828
Average Supermarket Turnover	$/sq.m	9,413	9,651
Supportable Supermarket Floorspace	Sq.m	11,490	12,406
Surplus/Deficiency (+/-)	Sq.m	-1,368	-2,284
Showground Station Supermarket	Sq.m	1,500	1,500
Share of Total TA F&G to TA Smkts			
• Primary Trade Area	%	35%	35%
• Secondary East	%	15%	15%
• Secondary West	%	15%	15%
• Main Trade Area	%	23%	23%
Share of Total TA F&G to TA Smkts	$M	8.6	9.8
Plus Business from Beyond TA	%	20.0%	20.0%
Total F&G Turnover	$M	10.7	12.2
Plus GM Turnover	%	6.0%	6.0%
Total Store Potential	$M	11.4	13.0
Average Trading Level	$/sq.m	7,602	8,662
Inflated (@ 2.5% per annum)	$M	14.2	18.4
Average Trading Level	$/sq.m	9,493	12,239

1. Existing supermarket floorspace consists of Coles & Bi-Lo, Castle Towers
2. Assumes 0.5% real increase in average trading levels per year

Source : Urbis

Key Principles:

- In a typical supermarket-based shopping centre there is around 430 sq.m specialty floorspace provided and 160 sq.m of mini-major floorspace for every 1,000 sq.m of supermarket floorspace.
- There is also typically 325 sq.m non-retail floorpace for every 1,000 sq.m of supermarket floorspace;
- Therefore a centre with a 1,500 sq.m supermarket anchor tenant could be reasonably expected to include:
- Around 650-850 sq.m specialty floorspace; and
- 480 sq.m non-retail floorspace

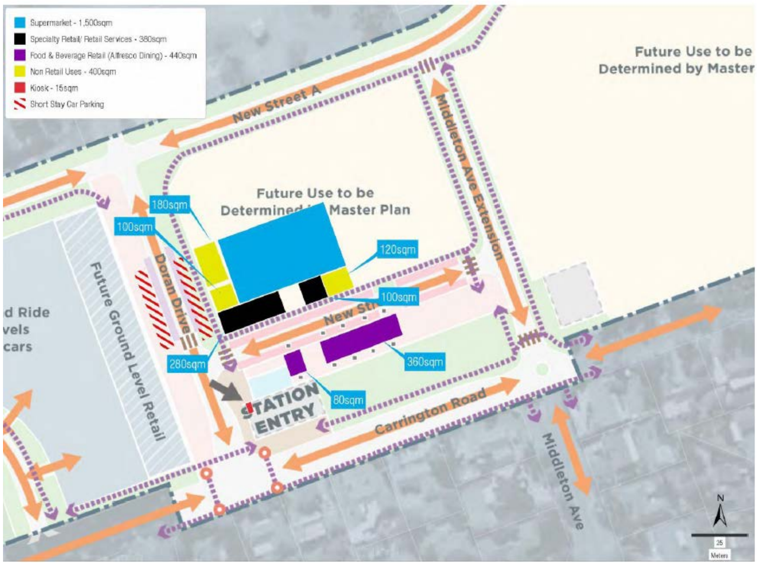
Key Considerations:

- It is somewhat premature to comment on an appropriate retail mix and configuration at the showground site until a broader development concept is established for the Precinct as a whole. The small trade area that we have identified reflects the site‟s proximity to Castle Towers and the strength of this shopping centre, as well as other nearby supermarket based shopping centres. Castle Towers is likely to expand in future and may provide an additional supermarket as part of its enhanced retail offer.
- With this in mind, it is likely that any retailing at the Showground site would be fairly restricted in size and limited to a convenience top-up role.
- An indicative retail mix is shown in the following Table. It shows provision of:
- A 1,500 sq.m supermarket;
- No mini-major floorspace
- Around 835 sq.m specialty floorspace focused on grocery retailing and food and beverage;
- Around 400 sq.m of non-retail floorspace which could include real estate office, travel agent and a medical centre.
- As with Cherrybrook, the indicative mix is focused on food and beverage, with no provision made for mini major retailing or apparel or homewares. The amount of floorspace proposed is considered suitable to enable a good quality mix of food and beverage top up grocery retailing catering to the future residential population envisaged within the Precinct, and also catering to people using the showground itself on weekends and evenings (e.g. Judo, riding school, community events). Furthermore the higher provision of food catering would be expected to also cater to the adjoining industrial area worker market for lunch time and breakfast visits.
- From an NWRL planning perspective, this retailing should be located as close to the station entry and park and ride as possible as these will be areas of high pedestrian activity. Precinct design should consider opportunities for on-street or at grade car parking adjacent to the retail centre to enhance its convenience and accessibility, as this will be critical to ensure viability. Opportunities for on-street al fresco dining for cafes should be considered.
- Due to the provision of park and ride facilities there could be opportunities for car wash and click and collect locker services integrated with the car parking.

Showground Station - Proposed Composition vs Aust. Supermarket Average, 41214

Tenant	Showground Station No. of Stores	Showground Station Total (Sq.m)	Showground Station % of Total Retail	Supermarket Average Total (Sq.m)	Supermarket Average % of Total Retail	Var'n of Centre from Benchmark
Majors						
Supermarket Provision	1	1,500	64.2%	3,762	58.8%	-2,262
Mini-Majors	0	0	0.0%	665	10.4%	-665
Specialty Stores						
• Food	7	535	22.9%	676	10.6%	-141
• Non-Food	2	200	8.6%	852	13.3%	-652
• Services	1	100	4.3%	247	3.9%	-147
Total Retail Specialties	**10**	**835**	**35.8%**	**1,775**	**27.7%**	**-940**
Vacant	0	0	0.0%	169	2.6%	-169
Total Retail Centre	**11**	**2,335**	**100%**	**6,398**	**100%**	**-4,063**
Other Reporting	0	0		126		-126
Non Retail Shops	2	150		221		-71
Entertainment/Other NR	1	250		1,066		-816
Total Centre	**14**	**2,735**		**7,840**		**-5,105**

Source : ; Urbis, 'Urbis Retail Averages 2010/11'



INDICATIVE TURNOVER AND RENTAL INCOME FORECAST 2026

Retail Category	Indicative Floorspace Sq.m	2026 Turnover Estimate 2012 $m	Turnover per sq.m 2012 $	Gross Rental Range $ per sq m		Gross Occupancy Cost Range (%)		Urbis Retail Averages * Avg Per Centre GLA	Urbis Retail Averages * Avg Per Centre T/O $/sq.m
Within Station Plaza								GLA	T/O $/sq.m
Kiosk	15	0.27	$18,000	$1,700	$1,800	9%	100.0%	n/a	n/a
Sub Total	**15**	**0.27**	$18,000						
Beyond Station Plaza								GLA	T/O $/sq.m
Supermarket	1,500	$13.00	$8,700	$350	$400	4.0%	4.6%	2,311	$8,683
Specialty Retail:									
Food Catering (café, restaurant, sushi, sandwiches, kebab shop)	440	$3.21	$7,300	$850	$1,150	12%	16%	276	$5,800
Food Retail (bakery)	80	$0.56	$6,900	$750	$850	11%	12%	292	$8,647
Non Food Specialties (newsagent, pharmacy)	200	$1.73	$8,700	$750	$1,000	9%	12%	673	$6,175
Retail Services (hairdresser)	100	$0.41	$4,100	$750	$850	18%	21%	203	$4,500
Non Retail uses (real estate, medical centre)	400			$550	$850	n/a	n/a	96	n/a
Total Retail	**2,335**	***$19.18***	**$8,200**						
Total Non Retail	**400**								

12.7 North West Rail Link: Services and Infrastructure Strategic Investment

Report author: AECOM

Report date: July 2014

Key observations from this report that specifically impact on the economic feasibility study include:

This report provides a relative assessment of development capability within the context of the existing infrastructure and projected demand. This encompasses a review of the following services and infrastructure:

Potable Water; Sewer; Electricity; Gas; Telecommunications; Stormwater; and Roads. A review has been undertaken into each of the above infrastructure services within the corridor, to develop a broad understanding of:

- The coverage and capacity of the infrastructure currently servicing the corridor;
- Any proposed capacity improvements within the corridor; and
- The potential demand impacts associated with development.

The focus of the gap analysis was to identify where augmentations to infrastructure may be required to service the individual precincts within the corridor, the potential required scope of works and the forward planning requirements for delivery of these works. It also identified the baseline development and infrastructure costs and risks.

The following table provides a summary of the infrastructure gap analysis between the potential utility or services demand and the current or proposed supply infrastructure. This demonstrates the relative capacity of the existing or currently planned infrastructure to support the proposed structure plan development.

Precinct	Development Yield		Electricity	Gas	Potable Water	Recycled Water	Wastewater	Stormwater	Telecommunications	Traffic
	Net Dwellings	Net Non-Residential GFA (m^2)								
Cherrybrook	3,200	1,750								
Castle Hill	4,400	262,500								
Showground	3,600	275,500								
Norwest	4,350	240,000								
Bella Vista	4,400	245,000								
Kellyville	4,400	28,000								
Rouse Hill	950	107,500								
Cudgegong Rd	3,500	275,572								

Note: See gap analysis sections for each service for details as to the above table.

LEGEND	Low	Med	High	Further investigation
Relative capacity of existing or planned infrastructure to support baseline proposed development.				

12.8 North West Rail Link Market Research Advice

Report author: HillPDA

Report date: April 2014

Key observations from this report that specifically impact on the economic feasibility study include:

12.8.1 Executive Summary

Dwelling Projections

	Single Detached	Townhouse	3-6 Storey Apt	7+ Storey Apt	Total Dwellings
Cherrybrook	-350	240	1,400	1,300	2,590
Castle Hill	-300	120	2,200	5100	7,120
Showground	-200	400	6,750	0	6,950
Norwest	220	1,200	2,700	350	4,470
Bella Vista	400	1,150	2,200	1,700	5,450
Kellyville	-1,000	2,400	3,200	2,200	6,800
Rouse Hill	400	50	500	0	950
Cudgegong	2,300	1,150	1,000	0	4,450
Total	**1,470**	**6,710**	**19,950**	**10,650**	**38,780**

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Non Residential Projections

	2019-26			2026-36			2036+		
	Dwellings	Retail	Other	Dwellings	Retail	Other	Dwellings	Retail	Other
Cherrybrook	1,150	New Supermarket Centre		1,440					
Castle Hill	1,315	Possible Expansion	Commercial Expansion	1,930	Possible Expansion	Commercial Expansion	3,875		Commercial Expansion
Showground	1,040	New Supermarket Centre		1,600		Possible expansion of bulky goods	4,310		
Norwest	1,100	Possible Supermarket Centre	Business Park Expansion	1,620	Possible Expansion	Business Park Expansion	1,750		Business Park Expansion
Bella Vista	400	Possible Expansion	Business Park Expansion	2,000	New Supermarket Centre	Business Park Expansion	3,050		Business Park Expansion
Kellyville	950			1,900	Possible Supermarket Centre		3,950		
Rouse Hill	300			400	Possible Expansion		250		
Cudgegong	500		Possible Industrial Area & Homemaker Centre	1,850	New centre with Supermarket		2,100		
Total	6,755	2 or 3 new centres		12,740	2 or 3 new centres		19,285		

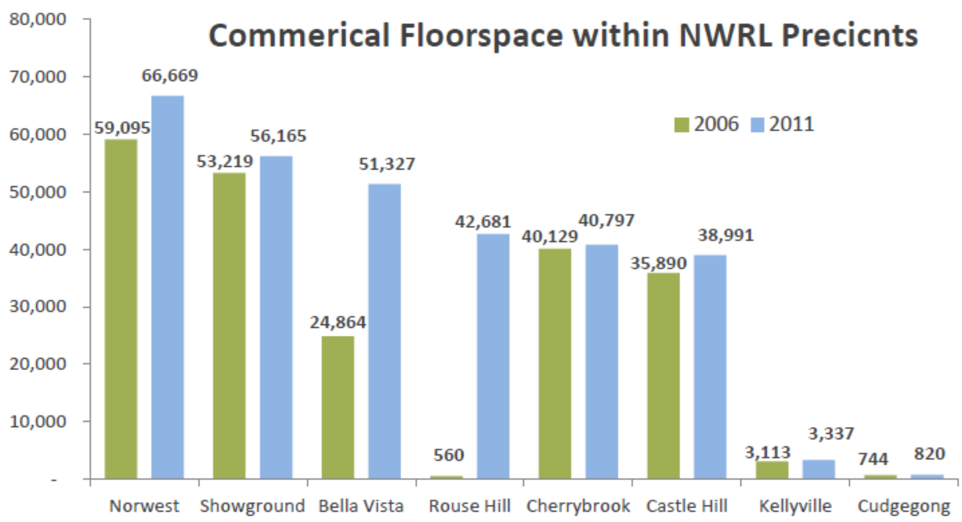
12.8.2 Commercial Market

Commercial Floorspace within the NWRL Study Area

To assess the quantum of floorspace within the Study Area HillPDA has applied employment yields20 to the BTS 2012 employment projections. This method was applied within HillPDAs Hill Shire Employment Lands Study in 2008 and has replicated as to maintain consistency with previous HillPDA Studies within the area as stipulated within the Study brief.

Please note that due to BTS geographical boundary changes, category changes and revised employment projections a direct comparison was impossible to achieve21 with the 2008 Study.

The analysis reveals that the Study Area contained 217,613 of commercial floorspace in 2006 increasing by 38% to approximately 300,800sqm by 2011. The majority of this floorspace growth (68,585sqm or 82%) was accommodated within Rouse Hill Precinct which accounted for 51% of commercial growth, increasing from 560sqm to 42,700sqm (+42,100sqm) and Bella Vista Precinct which accounted for 32% of commercial growth within the Study Area, increasing from approximately 24,900sqm to 51,300sqm (+26,464sqm). Cherrybrook Precinct contained a large quantum of commercial floorspace although the bulk of this was contained within the IBM site (34,00sqm).



Source: BTS 2012 TZ Employment Projections, HillPDA

Castle Hill &Showground

Castle Hill is a residential, retail and commercial office Precinct. The commercial office market is divided into modern and secondary office space. The prime location for office space in Castle Hill is predominately located along Old Northern Road and Terminus Street with some space located within the shopping centre district. Interviews with local agents identified that the there is a strong market demand for smaller office suites for business such as delivering consumer services such as medical, financial and real estate services. Local agents indicated little demand for new businesses locating in Castle Hill with demand mainly for retail and professional support services.

Agents further indicated however despite the growth in business activity there remains good demand from investors and owner occupiers to buy office space due to the low interest rates opposing to renting office space. Our research indicated that rents achieved for office spaces range from $250-$350/sqm net (100-150sqm). Agents indicated that sale values typically range between $3,000-$4,000/sqm with capital values ranging from 7.5%-8%. These low rental and capital sale rates make prime office space difficult to justify over above retail and professional uses.

Agents also indicated that demand for commercial office space ranges is for small sized offices (50-150sqm) and incentives such as rent free period (1 month per the yearly term of the lease) are offered to new tenants.

Table 62 below contains recent transactions over the last 12 months, showing achieved sale values for commercial office space between $3,535-$5,625/sqm. The difference in values is dependent on the age, location, size and quality of space occupied.

12.8.3 Retail Market

This assessment draws on previous work undertaken by consultants relating to retail capacity at the station sites. In particular Urbis was commissioned by Transport for NSW to undertake a retail capacity assessment for the stations on the NWRL (*North West Rail Link: Retail Capacity Statement Station & Precinct Analysis Final Report February 2013*). This report is referred to below as the Urbis Report.

JLL has relied on data considered to be reliable in undertaking this assessment. This includes the following data:

- The size and estimated resident population of the primary and secondary catchments;
- Spending data within the primary and secondary catchments;
- Forecasts for residential population growth;

12.8.3.1 Review of Urbis Report

From a retail point of view, Urbis considered the Showground Station site was constrained by strong retail competition at Castle Towers, Rouse Hill and nearby supermarket based centres (e.g. Kellyville).

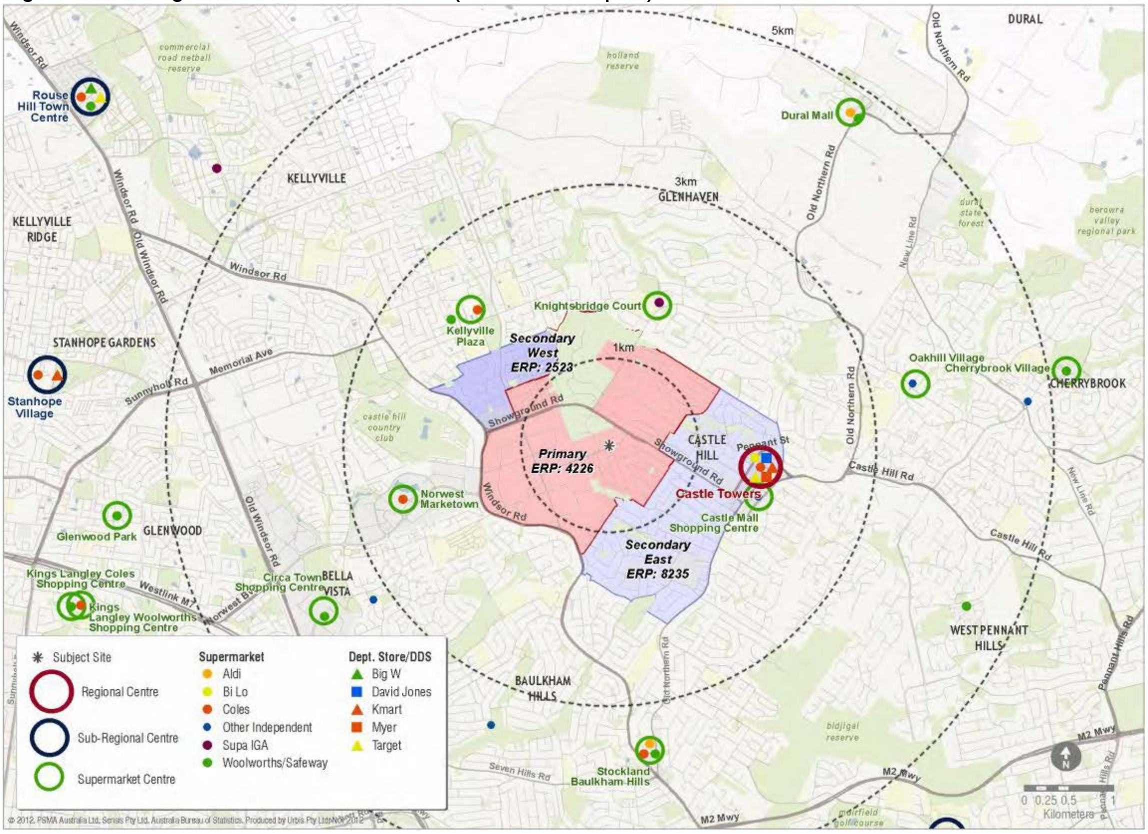
Urbis recommended the Showground precinct could support a retail precinct of 2,735sqm comprising the following:

- 1,500sqm Supermarket
- 820sqm specialty tenancies:
  - 6 food – cafes & bakery
  - 2 non-food – newsagency, pharmacy
  - 1 service - hairdresser
- 400sqm non-retail – Real estate agent & small medical centre

This was based on an estimate for residential yield from the Structure Plan area which was undertaken prior to the release of the Structure Plan. The Structure Plan increases the potential residential population adjacent to the station (in a mixed use precinct) and in the existing low density residential areas (which is planned to accommodate 3-6 storey apartments).

Trade areas were constrained by strong competition in each direction. Much of the Primary Trade Area (PTA) is within a 1km radius of the station while the Secondary Trade Areas (STAs) are within 2km of the station. The trade areas reflect where most of the trade would come from for a retail precinct at the Showground Station.

Figure 32: Showground Station Trade Area (from Urbis Report)



Source: Urbis (Station and Precinct Analysis - Showground

As at 2026, the available spending for Food and Groceries in the Main Trade Area (combined PTA and STAs) is forecast to reach $105.0 million. This reflects approximately $45.6 million in the PTA and $59.4 million in the STAs. It also is a function of the relatively high income levels of existing residents and expected high incomes for future residents attracted to the Station Precinct.

The key assumption driving potential for a supermarket at the Showground Precinct is the market share of F&G spending captured by a new supermarket. Urbis has assumed that a supermarket at Showground Station could capture the following market shares:

- PTA: 35%
- STAs: 15%
- 20% of trade from beyond the trade area
- An additional 6% of sales from non-F&G items

These market shares and broad assumptions appear reasonable. The 20% of trade from beyond the trade area would include workers and commuters that live outside the MTA.

Urbis' capacity assessment assumed a small supermarket primarily providing for top-up food and grocery purchases rather than weekly major food & grocery shopping. JLL consider that the size of the population in the MTA, and in particular the captive PTA, can support a larger supermarket. Our assessment below considers the potential for a supermarket of sufficient size to cater for the major F&G shopping of residents.

Urbis suggested a retail mix skewed towards food and beverage retailing, given the centre's role as a 'hub' of activity for future residents and station users as well as its potential to support the nearby workforce. This mix is appropriate for the roles that the retail precinct will play.

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Table 29: Key Assumptions, Urbis Report (2013)

Key Assumptions	JLL Comments
Constrained PTA and STAs due to strong existing competition, notably Castle Towers, Rouse Hill, and Kellyville.	Agree
Residential forecasts assumed new dwellings achieve 2.5 residents per dwelling	The Structure Plan assumes most development to be apartments. Apartment development in The Hills Shire achieves closer to 2 dwellings per dwelling. The Structure Plan forecasts a higher dwelling yield within the Precinct boundary. JLL assessment takes into account the final Structure Plan forecasts.
Given the strength of competition of existing supermarkets and the limited size of the PTA, Urbis assumed that a small supermarket performing a 'top-up' convenience role was most appropriate.	In light of higher population potential from the densities proposed in the Structure Plan, a larger supermarket fulfilling more than a 'top-up' function should now be explored.
Retail mix should be primarily focussed on food and beverage.	Agree.

12.8.3.2 Competitive Context

The main existing competition is highlighted in the table below and also shown in the Urbis Report (see Table 30: Existing competition to Showground Station Site).

Castle Towers is clearly the major retail centre in close proximity to the Showground Station site, being just 2km to the east. This centre is a super-regional shopping centre with two full-line department stores, Kmart and Target discount department stores, a large Coles supermarket and a new ALDI store. ALDI and other retailers replaced the former Bi-Lo supermarket in early 2014.

Stockland Baulkham Hills provides sub-regional level shopping and is located approximately 3.5km to the south near the corner of Windsor Road and Old Northern Road. The centre is anchored by three supermarkets.

Neighbourhood centres / other supermarkets within approximately 2km of the site are located at Kellyville, Castle Hill and Bella Vista. There are additional supermarket based centres located further from the site, but these are not expected to have a significant influence on demand at the Showground site.

Importantly, there are no retail centres with supermarkets closer than 2km from the Showground Station site.

Table 30: Existing competition to Showground Station Site

Centre Name	Address	Distance from Site	Retail Area (sqm)	Comments
Regional Centres				
Castle Towers	Castle Street, Castle Hill	2.0	98,560	Myer, David Jones, Kmart, Target, Coles ALDI
Rouse Hill Town Centre	Windsor Road & White Hart Drive, Rouse Hill	7.5	56,625	Big W, Target, Coles, Woolworths
Sub-regional Centres				
Stockland Baulkham Hills	375 Windsor Road, Baulkham Hills	3.5	16,800	Woolworths, Coles, ALDI
Neighbourhood Centres				
Kellyville Plaza	Wrights Road, Kellyville	2.2	5,744	Coles
Woolworths Kellyville	Wrights Road, Kellyville	2.2	4,500	Woolworths
Castle Mall S.C.	279 Old Northern Road, Castle Hill	2.0	8,243	Supa IGA
Norwest Marketown	Century Circuit, Bella Vista	2.3	9,839	Coles
Knightsbridge Court	Gilbert Road, Castle Hill	2.0	2,500	Supa IGA
Bulky Goods				
Castle Hill Homemaker Centre	Cnr Victoria Avenue & Gladstone Road, Castle Hill	1.0	11,309	Fantastic Furniture, Bing Lee, Rays Outdoors
Home Hub Castle Hill	18 Victoria Avenue, Castle Hill	1.0	52,363	Harvey Norman, Domayne, Good Guys
Bunnings Warehouse	14 Victoria Avenue, Castle Hill	1.0	18,500	Bunnings

Source: JLL

Both the major regional centres within close proximity to the site have major extensions in the pipeline. Castle Towers has plans approved for a 60,500sqm extension which almost certainly will incorporate an additional supermarket and discount department store. We note that Woolworths and Big W are not represented at Castle Towers.

Rouse Hill also has a proposal to extend its town centre, although this is expected to be many years away.

Kellyville's residential growth will eventually support additional convenience based retailing and there are four projects in the pipeline. Kellyville Plaza is undergoing an expansion, while a Woolworths anchored center is under construction at Riverbank Drive.

The proposed new centres at Riverbank Drive, Hezlett Road and Barry Road are all a significant distance from the Showground site (5-7km north and west) and are not expected to be major competitors to retailing at the subject site.

The main competing centre in the pipeline is a Woolworths anchored centre at 73-75 Windsor Road, Baulkham Hill, just 2km to the west.

Table 31: Project Pipeline - Showground Station Site

Centre Name	Address	Completion Date	Status	Retail Area (sqm)	Comments
Regional Centre Projects					
Castle Towers Extension	Castle Street, Castle Hill	2018	Plans Approved	60,500	Future redevelopment of Castle Towers. Likely to include additional DDS and supermarket.
Rouse Hill Town Centre	Windsor Road & White Hart Drive, Rouse Hill	Unknown	Proposed	65,000	Future expansion of Rouse Hill Town Centre
Neighbourhood Centre Projects					
Kellyville Plaza	90 Wrights Road, Kellyville	2015	Under Construction	5,000	Extension to Coles, specialties
The Ponds S.C.	Riverbank Drive, Kellyville	2015	Under Construction	7,000	Woolworths, specialties
	70 Hezlett Road, Kellyville	2017	Plans Approved	6,265	Woolworths, specialties
	Barry Road, Kellyville	2020	Plans Approved	9,000	Supermarket, specialties
	73-75 Windsor Road, Baulkham Hills	Unknown	Plans Approved	3,600	Woolworths anchored centre
Bulky Goods Projects					
Masters Rouse Hill	Commercial Road, Rouse Hill	2015	Under Construction	13,500	Masters Home Improvement store.
Masters Castle Hill	Victoria Avenue, Castle Hill	2016	Plans Approved	15,902	Masters Home Improvement store.

Source: JLL

Bulky goods retailing is well catered for near the showgrounds site, with Castle Hill being one of the main bulky goods retail precincts in metropolitan Sydney.

12.8.3.3Trade Areas and Population Projections

The existing and future retail competition constrains the size of the trade area for the Showground Station site. We have used the same trade area boundaries adopted in the Urbis Report. The Primary Trade Area (PTA) is confined to approximately 1-1.5km while the secondary trade areas are 1-2km from the site.

Forecast population for these trade areas is shown below. This is similar to the population forecasts in the Urbis Report but is updated to reflect the potential growth envisaged within the Precinct boundary as well as more recent projections available from the NSW Bureau of Transport Statistics (BTS). The Showground precinct is expected to yield an additional 3,600 dwellings at an average of 2 persons per dwelling. While this is a relatively low yield, it reflects the existing average occupancy for apartment style dwellings in The Hills Shire. Furthermore, there will be some loss of larger family dwellings which would have larger household sizes and replacement with smaller households in apartments.

Table 32: Population Forecasts, Showground Station Trade Area, 2011-2031

	2011	2016	2021	2026	2031
Primary Trade Area	4,240	4,360	6,810	9,310	11,800
STA East	8,250	8,530	8,870	9,170	9,480
STA West	2,500	2,650	2,660	2,770	2,850
STA Total	10,750	11,180	11,530	11,940	12,330
Main Trade Area	14,990	15,540	18,340	21,250	24,130

Source: JLL, BTS, ABS, NSW Government (Showground Station Precinct Structure Plan)

12.8.3.4 Market Assessment – Supermarket Potential

The basis for assessing the supermarket potential is to start by considering whether a medium to large supermarket that would cater for the weekly shopping needs of patrons (not just 'top-up' shopping) would be viable.

We have assumed the following market shares of Food and Grocery retailing for a supermarket at the Showground Station site:

- 35% in PTA (as per Urbis Report)
- 10% in STA East
- 10% in STA West

The low market shares in the two STAs reflect the likelihood of additional competition within the STAs. We noted earlier that Castle Towers is expected to eventually provide an additional supermarket while a Woolworths supermarket has now been approved at 73-75 Windsor Road, Baulkham Hills.

The Total available spending in the Food and Grocery category reflects the level of spending per capita from the Urbis Report, with minor adjustments to reflect growth between 2012 and 2014.

Other assumptions mirror those assumptions made in the Urbis Report, e.g.:

- 20% of spending from beyond the trade area
- 6% of sales in supermarkets being general merchandise (i.e. not food and grocery lines)

Table 33: Supermarket Potential, Showground Station Trade Area 2014 - 2031

		2014	2016	2021	2026	2031
F&G Retailing (per capita)						
Primary Trade Area ($ per annum)		5,030	5,081	5,209	5,341	5,475
Secondary Trade Area ($ per annum)		4,879	4,928	5,052	5,180	5,311
F&G Retailing ($m)						
Primary Trade Area ($m)		21.68	22.15	35.47	49.72	64.61
Secondary Trade Area ($m)		53.72	55.09	58.25	61.85	65.48
Main Trade Area ($m)		75.40	77.24	93.73	111.57	130.09
Market Shares						
Primary Trade Area ($m)	35%	7.59	7.75	12.42	17.40	22.61
Secondary Trade Area ($m)	10%	5.37	5.51	5.83	6.18	6.55
Main Trade Area ($m)		12.96	13.26	18.24	23.59	29.16
Beyond Trade Area ($m)	20%	3.24	3.32	4.56	5.90	7.29
Total F&G Sales($m)		16.20	16.58	22.80	29.48	36.45
General Merchandise Allowance ($m)	6%	1.03	1.06	1.46	1.88	2.33
Total Supermarket Sales ($m)		17.23	17.64	24.26	31.37	38.78
Average Turnover ($per sqm)		11,812	11,930	12,050	12,170	12,292
Supportable Supermarket Area (sqm)		1,459	1,478	2,013	2,577	3,155

Source: JLL, Urbis

The above analysis suggests a supermarket of around 3,000sqm should be supportable between 2026 and 2031 based on average turnover levels achieved for supermarkets in single supermarket neighbourhood centres across Australia. This is approaching a full-line supermarket size.

JLL consider that a retail precinct that provides the scope for a full-line supermarket is therefore appropriate.

12.8.3.5 Retail Mix

This section considers the mix of retailing that is considered appropriate at a retail precinct anchored by a full-line supermarket. We have identified a supermarket of 3,200sqm although we note that many full-line supermarkets are larger than this size.

The retail mix is skewed towards specialty food retailing, as previously highlighted by Urbis. We consider the main area of food retailing will be food catering (cafes; coffee shop; take-away food) with potential for a bakery and butcher.

We have identified potential for a small mini-major, which reflects a larger overall retail precinct that might attract a discount variety retailer.

Retail services have become a more prominent part of neighbourhood and sub-regional centres. We would expect interest from a hair / beauty, dry-cleaning agency, shoe repairs etc. A location near a station is expected to be popular for such service retailers.

As per the Urbis Report, non-retail uses may include a real estate agency and medical centre. Travel agents may also show interest. Banks, post offices, and other shopfront offices servicing the local community often locate in small retail precincts, but we note that these functions may also be served in other ways (e.g. an ATM or post office agency combined with a newsagent.

Total floor area envisaged in a retail precinct is 5,500sqm.

Table 34: Retail Mix, Showground Station Retail Precinct

Tenancy Type	Urbis Averages		Showground Station	
	sqm	% of Centre	sqm	% of Centre
Majors				
Supermarkets	3,485	51.5%	3,200	58.2%
Other majors / mini-majors	394	5.8%	400	7.3%
Specialties				
Food specialties	591	8.7%	800	14.5%
Non-food Specialties	613	9.1%	300	5.5%
Retail Services	187	2.8%	300	5.5%
Total Retail Specialties	1,392	20.6%	1,400	25.5%
Occupied Retail Space	5,271	77.8%	5,000	90.9%
Non-retail / other	1,152	17.0%	500	9.1%
Vacancies	350		-	
Total Centre	6,773	100.0%	5,500	100.0%

Source: JLL, Urbis

12.8.3.6 Rental Levels

We have referred to typical rent levels in neighbourhood centres in Sydney, particularly in outer suburban locations. There is wide variation in rent levels achieved, which primarily relates to the expected performance of the tenancies in the retail centre. This in turn is dependent on the quality of and performance of the anchor supermarket. The rent levels below for various tenancy types assume a national chain large format supermarket is attracted to the retail centre, such as a Coles or Woolworths supermarket.

Most retailers will have a percentage rent clause in their lease which kicks in once a benchmark turnover level is reached.

Table 35: Gross Rentals, Showground Station Retail Precinct (2014)

Tenancy Type	Gross Rents Minimum $/sqm	Gross Rents Maximum $/sqm
Supermarkets	325	375
Other majors / mini-majors	450	550
Specialties		
Food specialties	700	900
Non-food Specialties	600	800
Retail Services	600	800
Non-retail / other	400	600

Source: JLL

12.8.3.7 Summary and Conclusions

JLL is of the opinion that a retail precinct anchored by a large format supermarket (~3,200sqm) and total floor area of approximately 5,500sqm will be supportable at the Precint. This assumes that an additional 3,600 dwellings are developed within the Station Precinct. For the purposes of this analysis, we have assumed the precinct reaches capacity in 2031.

Such a development would create a sizable and captive market within a short drive of the station precinct, characterized by relatively high incomes and spending levels to support the retailing.

Such a development would be further supported by a strong existing employment base, with further employment growth anticipated both adjoining the station and within the existing nearby industrial and bulky goods precincts.

12.8.4 Industrial Market

Commercial Floorspace within the Study Area

The following Chapter provides a summary of the industrial market undertaken in the Showground Precinct. To inform this market assessment historical information was gathered from various sources including, but not limited to Property Finder, Red Square and RP Data. HillPDA also conducted interviews with local real estate agents (in March/Early April 2014).

The following market research provides information with respect to;

- Industrial Sales
- Industrial rental evidence (i,e incentives, cap rates)
- Site values for all dwelling types including new developments; and
- The quantum and type of dwelling for developments within the pipeline.

We note that our market research was conducted in March / early April 2014 and our findings demonstrate current retails sales, rents and site values over the last 12 months. The showground Precinct did not conclude market evidence in site sales or have any new developments in the pipeline.

Castle Hill Industrial Market Evidence

There is a significant amount of industrial zoned land located in the catchment area of the Castle Hill, more specially known as the Showground Precinct. By applying employment yields34 to the BTS 2012 employment projections for the TZs that comprise the Showground Precinct35, the Precinct was found to contain approximately 270,500sqm of industrial floorspace in 201136.

The industrial market in the Showground Precinct is currently experiencing high demand with prices rising due to the shortages in supply. The central location in the middle of The Hills Shire and the close proximity to areas of established population makes it highly accessible for the surrounding affluent population offering services such as smash repairs, motor mechanics and other services and therefore showing more demand for more office and showroom components.

Agents indicated that the industrial market has significantly recovered more rapidly than the retail and commercial markets in Castle Hill. This recovery has been evident through the demand from both owner occupiers and tenants for both older and new stock within the Showground Precinct. Agents confirmed that lately there have been a few investors entering the market due to the self-managed funds. Interviews with local agents confirmed that average rents for a typical warehouse and office complex range from $130/sqm-$150/sqm,

The area consists of a mixed stock of industrial buildings ranging in age, tenure and size. Agents indicated that in 2009, a total of three buildings were built and flooded the market due to the Global Financial Crisis. There are pockets of newer industrial strata complexes such as the industrial unit complex at 9 Salisbury Road, 5 Gladstone and 7 Hoyle. These developments represent higher industrial values in the market with agents indicating $1,800-$1,900/sqm capital value in December 2013 and recent transaction have shown ranges between $2,100-$2,200/sqm. Agents confirmed that a typical rate in today's current Showground Precinct would be 8-8.5%, which is low compared to other parts of Sydney that show around 10%. This is mainly due to the demand versus the limited supply.

12.8.5 The Study Area Looking Forward

Table 81 - BTS Forecasts for Employment Growth by Precinct (BTS 2012)

Employment	2011	2016	2021	2026	2031	2036	2041	Increase 2011-41	Proportional Increase 2011 - 41
Cherrybrook	848	923	1,004	1,074	1,133	1,190	1,246	398	47%
Castle Hill	7,973	8,884	9,488	10,101	10,658	11,247	11,873	3,900	49%
Showground	9,162	9,776	10,166	10,594	11,045	11,576	12,167	3,005	33%
Norwest	8,025	9,149	10,218	11,178	12,160	13,219	14,364	6,339	79%
Bella Vista	8,463	9,419	11,513	13,095	14,652	17,532	18,354	9,892	117%
Kellyville	557	601	633	652	674	696.9	722.75	165	30%
Rouse Hill	4,501	6,052	7,087	8,106	10,111	13,101	14,128	9,627	214%
Cudgegong	689	737	777	815	854	897	943	254	37%
Total	40,218	45,540	50,886	55,615	61,287	69,458	73,798	33,580	83%

Source BTS 2012 Employment Projections, HillPDA

Table 82 - White Collar Employment Growth by Precinct (BTS 2012)

Employment	2011	2021	2031	2041	Increase 2011-41	Proportional Increase 2011 - 41
Cherrybrook	195	251	301	338	143	74%
Castle Hill	948	1,086	1,163	1,276	328	35%
Showground	976	1,147	1,290	1,412	436	45%
Norwest	2,119	2,790	3,377	3,841	1,722	81%
Bella Vista	1,768	2,750	3,798	4,958	3,190	180%
Kellyville	109	127	141	153	44	41%
Rouse Hill	1,170	1,933	2,833	4,024	2,854	244%
Cudgegong	18	30	33	36	19	106%
Total	7,303	10,113	12,937	16,040	8,737	120%

Source BTS 2012 Employment Projections

White collar employment industries include: Information Media and Telecommunications, Financial and Insurance Services, Rental, Hiring and Real Estate Services, Professional, Scientific and Technical Services.

Retail Floor Space

Demand for retail space is generated by a growing population. The Study Area is an affluent aspirational middle class area and average retail spend per capita is close to $13,900, which is around 10% higher than NSW average ($12,660). This translates to a high demand for retail space of around 1.8sqm per capita plus 0.6sqm of bulky goods retailing. These were the rates selected for the forecast and applied to the population growth. On this basis our modelling has identified the need for approximately 118,000sqm of additional retail floorspace by 2041 to meet the need of the resident population within the Precincts alone.

Of note however it is not expected that the full extent of retail floorspace demand required could be accommodated within the 8 Precincts alone. This is because the supply of retail floorspace should be accommodated within a hierarchy of centres. As such future demand would be apportioned and distributed accordingly.

Bulky goods will be concentrated in only two clusters –Showground and Cudgegong Precincts or another locality such as Box Hill. For the purposes of these forecasts we have assumed Cudgegong would accommodate a homemaker centre, this is due to the fact that the cluster in Victoria Avenue Castle Hill is already fully developed and on the premise that the Bella Vista homemaker centre would not be reinstated.

Of the 1.8sqm per capita of non-bulky goods retailing required we have assumed 45% will be accommodated at the local centre near the train station. 45% will be directed to the two large regional centres – Castle Hill and Rouse Hill and the remaining 10% will escape the wider area altogether (tourism out expenditure, expenditure close to work, Sydney CBD, etc).

The forecast of demand for retail space by Precinct is given in the table below.

The expansions of Castle Hill and Rouse Hill reflect natural growth in demand from a wider sub-regional area. The floorspace growth in demand at Castle Hill and Rouse Hill in the above table relates to demand generated by the precincts. But there will be demand generated from other outer lying residential areas including for instance Box Hill and Riverstone so the above numbers at Castle Hill and Rouse Hill could be exceeded.

All other stations can support a retail centre with total shop front space of between 5,000sqm and 10,000sqm. Norwest has an existing centre but some expansion could be supported there. Each Precinct could accommodate a full line supermarket between 2,000 and 4,000sqm.

There is existing demand in some locations, such as Cherrybook Precinct, due to the fact that the existing centre in Cherrybrook is overtrading and is well to the north of the Precinct. Also there are no comparable centres in West Pennant Hills so a supermarket based centre at Cherrybrook station would draw trade from the south as well as from the north.

Table 85 - Cumulative Forecast Demand for Retail Floorspace (sqm)

Station Precinct	2021	2026	2031	2036	2041
Cherrybrook	350	1,715	3,001	3,856	3,856
Castle Hill	2,174	8,692	15,642	21,967	27,639
Showground	392	1,644	2,896	4,148	5,718
Norwest	439	2,018	3,477	4,747	6,016
Bella Vista	371	933	2,766	4,351	5,936
Kellyville	0	1,602	3,284	4,718	6,029
Rouse Hill	855	5,602	11,645	17,767	23,124
Cudgegong	0	1,235	3,047	5,429	7,889
TOTAL	**4,580**	**23,441**	**45,758**	**66,983**	**86,208**
Bulky Goods Showground	1,046	4,451	7,762	10,705	13,230
Bulky Goods Cudgegong	566	3,797	8,338	12,863	17,103
Total	**6,277**	**32,123**	**62,705**	**91,792**	**118,137**

Office Floor Space

Forecast workers were based on forecast population growth. 51% of the population are in the workforce (The Hills LGA sourced from ABS Census 2011). Approximately 60% of the workforces are within "white collar" occupations and industries. Assuming 22sqm per worker GFA, this equates to 6.7sqm per person (resident population). Assuming a job containment ratio in the sub-region of 60% then approximately 4sqm of office space is required for each person that moves into the Study Area.

Most of the demand is then allocated to the major employment Precincts these being Norwest / Bella Vista and then Castle Hill Precincts. The other Precincts are expected to capture only a minor proportion (8%) of their respective demand levels.

The forecast is given in the table below.

Table 86 - Cumulative Forecast Demand for Commercial (Office) by Precinct by Census Year (sqm)

Station Precinct	2021	2026	2031	2036	2041
Cherrybrook	138	677	1,186	1,523	1,523
Castle Hill	2,526	12,569	24,317	35,527	45,721
Showground	155	650	1,144	1,639	2,259
Norwest & Bella Vista	8,225	8,148	41,385	81,037	118,612
Kellyville	0	633	1,297	1,864	2,382
Rouse Hill	80	222	364	507	507
Cudgegong	0	488	1,204	2,145	3,117
Total	**11,047**	**56,624**	**110,549**	**161,817**	**208,252**

Industrial

Demand for industrial land has been derived from population growth and a applying a job containment rate to the sub-regional area. For the purpose of this forecast we have applied a target job containment rate of 60%, although it is possible that the future ratio could be higher. Based on the 2011 ABS Census around 51% of the population in The Hills LGA is in the workforce and around 20% of these workers are in blue collar occupations and industries. Assuming each of these workers require a floor area of 70sqm and a target job containment rate of 60% then the following floor areas for industrial uses are required beyond 2019 as a result of population growth in the NWRL Precincts.\

Table 88 - Cumulative Demand for Industrial Floorspace (sqm)

Year	2021	2026	2031	2036	2041
Total	12,113	61,989	121,004	177,134	227,973

Assuming an FSR of 0.65:1 and 22% for internal roads there is a need for 45 hectares of land by 2041. Whilst some of the businesses maybe in manufacturing, transport and warehousing industries there will be a need to provide urban services in the local area including construction, trade services, auto-repairs and servicing and the like. There are few opportunities remaining in the Showground Precinct for further expansion of such services and there may be some loss of traditional industrial businesses if bulky goods retailing continues to expand there. There are still vacant sites in the Annangrove Road area but the next logical areas to accommodate these uses are Box Hill and/or Cudgegong Road sites.

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