



# Heartland - Castle Hill Gateway Site Redevelopment - Economic Analysis

Boyd Industries Pty Ltd

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# Executive Summary

## HEARTLAND – GATEWAY SITE OPPORTUNITY

Boyded Industries Pty Ltd (“the landowner”) is examining the potential for comprehensive redevelopment of its landholdings at 1 Packard Avenue, Castle Hill. Known as the ‘Heartland site’, the lands measure 2.24 hectares and benefits from an elevated position at the intersection of Windsor Road and Victoria Avenue. The site is a gateway to the Castle Hill Trading Zone and Showground Station precinct, located at the south western entrance to the precinct.

The landowner’s long term vision for the site is to retain existing car showroom uses, but to redevelop these as a premium service and showroom mixed use concept, potentially akin to the Audi centre at East Village, Zetland.

In order to fund the commercial redevelopment of the site, and to create a high quality mixed use development outcome, the landowner would ultimately seek to develop an appropriate residential apartment mix on the site.

East Village at Zetland, and other examples have demonstrated that modern car showrooms can be successfully integrated into mixed use developments. The landowner is therefore seeking to utilise the locational advantages of the site, and leverage off increased accessibility afforded by the new Showgrounds metro station, to incorporate residential apartment development within the subject site.

The creation of additional dwellings and employment at the subject site – in close proximity to the Showground metro station - could assist train patronage. This can, in turn assist the payback to NSW state government against the costs of the Sydney Metro project.

A mixed use development on the subject site has the potential to deliver a broad range of economic benefits which may include:

- Retention and expansion of current employment uses

- Major capital investment in a gateway site
- Construction employment, related to the proposed development
- Additional retail spending from a future on-site resident market
- The benefits of orderly and efficient use of land
- Contributions to housing affordability
- Investment stimulus
- Increased vibrancy

## SHOWGROUND STATION PRECINCT PROPOSAL

The draft Showground Station Precinct Proposal supports the development of commercial (office) floorspace at the subject site, and also extensively throughout eastern and western edges of the Castle Hill Trading Zone. It proposes B5 Business Development Zoning across the subject site and a floor space ratio (FSR of 1:1)

Independent commercial analysis by JLL exhibited with the draft Showground Station precinct documentation questions the potential to support large-scale commercial development within the Castle Hill Trading Zone. Urbis’ own analysis in this report supports this view.

There are a number of significant impediments to the investment and demand for large-scale commercial office development within Castle Hill Trading Zone (and at the subject site) including:

- 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 (Norwest).

In the absence of demand for large scale commercial office development at the subject site, we consider that there may be broader economic benefits that could be achieved through mixed-use redevelopment in future, subject to detailed planning and design. Ultimately this would likely require an amendment to the current proposed zoning and FSR controls affecting the subject site.

At 2.24 hectares, the site offers a significant redevelopment opportunity. The current low density use including open lot car sales under utilise the potential of the site. It currently has some of the lowest development and employment density within the precinct despite being a key gateway site.

Redevelopment could have a transformative effect - not only through providing an enhanced use and design for the subject site – but as a catalyst for future development and investment in the southern part of the precinct. This, combined with investment around the future Showground Metro station, could make a substantial contribution to the revitalisation of physical and economic performance of the precinct.

# Introduction

Boyded Industries Pty Ltd (“the landowner”) is examining the potential to comprehensively redevelop its landholdings at 1 Packard Avenue, Castle Hill. Known as the ‘Heartland site’, the lands measure 2.24 hectares and benefit from an elevated position at the intersection of Windsor Road and Victoria Avenue.

The site is a gateway to the Castle Hill Trading Zone and Showground Station precinct, located at the south western entrance to the precinct.

The landowner’s vision for the site is to retain existing car showroom uses, but to redevelop these as a premium service and showroom mixed use concept, akin to the Audi centre at East Village Zetland. This concept reflects the changing requirements for car showrooms, moving towards the co-location with residential uses.

Ultimately this would likely require an amendment to the current proposed zoning and FSR controls affecting the subject site as set out in the Showground Station Precinct proposal, currently on public exhibition.

East Village at Zetland, and other examples have demonstrated that modern car showrooms can be successfully integrated into mixed use developments. The landowner is therefore seeking to utilise the locational advantages of the site, and leverage off increased accessibility afforded by the new Showgrounds metro station to incorporate residential apartment development within the subject site. This could be augmented by public and private open space and potentially business incubator space to facilitate business start-ups and home working.

Independent commercial analysis by JLL - exhibited with the Showground Station Precinct Proposal documentation - calls into question the potential to support large-scale commercial development within the Castle Hill Trading Zone.

Urbis’ own analysis supports this view, and we consider that there broader economic benefits that could ultimately be achieved through mixed-use redevelopment.

The purpose of this report is therefore to:

- Determine the likely demand (short to medium run) for large scale commercial development in the area in response to the *Showground Station Precinct Proposal*
- Identify the opportunities and constraints with respect to commercial development on the subject site, including potential opportunities to retain / increase employment linked to the landowner’s initial consideration of future land use options

The report is structured as follows:

- **Section one** provides an overview of the subject site, its locational and regional context within the Castle Hill Trade Zone, Showground Precinct, and the Hills Shire LGA.
- **Section two** provides an overview of the Draft Showground Station Precinct Proposal and relevant supporting documentation
- **Section three** examines the major demographic, policy and infrastructure drivers of change in the area
- **Section four** sets out an overview of the Castle Hill Trading Zone and the Hills Shire LGA employment profile having regard to current and projected labour market segmentation
- **Section five** identifies the key competitive commercial office markets at a Sydney-wide level to establish the current performance and trends in the office market. This, in turn, allows for the identification of key success factors for commercial precincts and an assessment of the suitability of the Castle Hill Trading Zone to sustain large scale commercial development
- **Section six** presents relevant case studies and development profiles of mixed use developments that have incorporate car showroom type uses

- **Section seven** considers broad economic benefits that could be derived as a result of permitting mixed use development at the subject site
- Conclusions are set out in **Section eight**



# 1 Site Location and Context

There are a number of location factors that support the redevelopment of the subject site to permit a mix of residential and car showroom uses. These include:

- Proximity to existing residential neighbourhoods
- Prominent location on a major road
- Access to a range of amenities, serving daily community needs
- The site's role as a south western gateway to Castle Hill Trading Zone

These factors are discussed in the following sections.

## 1.1 SUBJECT SITE

The subject site is currently zoned B5 Business Development and measures approximately 2.24 hectares. It contains the Heartland group of car showrooms including Mitsubishi, Chrysler, Jeep, Dodge, Suzuki, Fiat, Alpha Romeo and Kia and is a successful and profitable business. Built form on the site consists of a mix of single storey showrooms and open lot car parking for vehicle display.

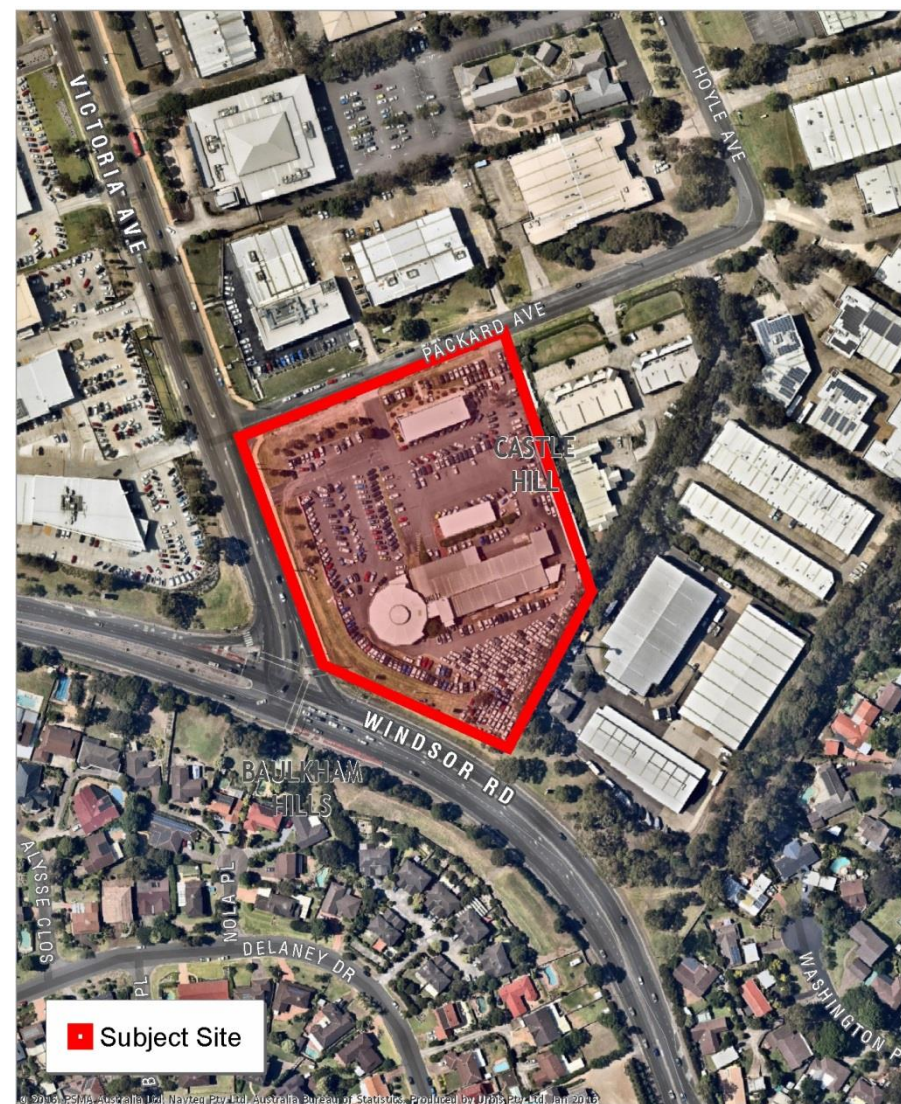
Current operations employ around 40 people on site, resulting in a very low employment density of 15 jobs per hectare.

The subject site is bounded by the following:

- Victoria Avenue, to the west
- Windsor Road, to the south-west
- Packard Avenue, to the north
- A mix of light industrial uses to the east and south-east.

SUBJECT SITE

MAP 1.1



Access to the subject site is via Victoria Avenue and Packard Avenue.

The site is located at the gateway to the south western entrance to the Castle Hill Trading Zone. The Castle Hill Trading Zone covers approximately 136 hectares and is bounded by the following:

- Cattai Creek to the East
- Windsor Road to the West
- Residential properties of White Cedar Drive to the south
- Showground Road to the North.

The employment area contains a range of uses including bulky goods outlets, car showrooms, and a mix of light industrial and commercial tenancies.

Victoria Avenue provides a north-south connection through the Trading Zone, and predominantly consists of bulky goods retailing and car showrooms.

The subject site is situated at a prominent, highly exposed area due to the fact that it is:

- Located at the southern gateway to the Castle Hill Trading Zone
- Bounded by a major arterial road (Windsor Road), which has a large volume of passing traffic. Roads and Maritime services (RMS) 2012 data indicates that Windsor Road accommodates 21,200 weekday vehicle movements (northbound) and 20,700 (southbound). Weekend movements were recorded as 14,700 (northbound) and 14,600 (southbound).
- The sloping nature of the site (south to north) means that the southern edge is particularly prominent along Windsor Road
- Positioned on a high elevation point of the Precinct, therefore offering view amenity (a benefit for residential use).

Aerial images of the subject site and environs are provided opposite and on the following pages.

FIGURE 1 – AERIAL IMAGES







WINDSOR ROAD / VICTORIA AVENUE



ADJACENT LAND USES TO EAST



WINDSOR ROAD HEADING SOUTH

FIGURE 2 – SITE PHOTOGRAPHS



SOUTH-EAST BOUNDARY OF SUBJECT SITE



CORNER OF PACKARD AND VICTORIA AVE

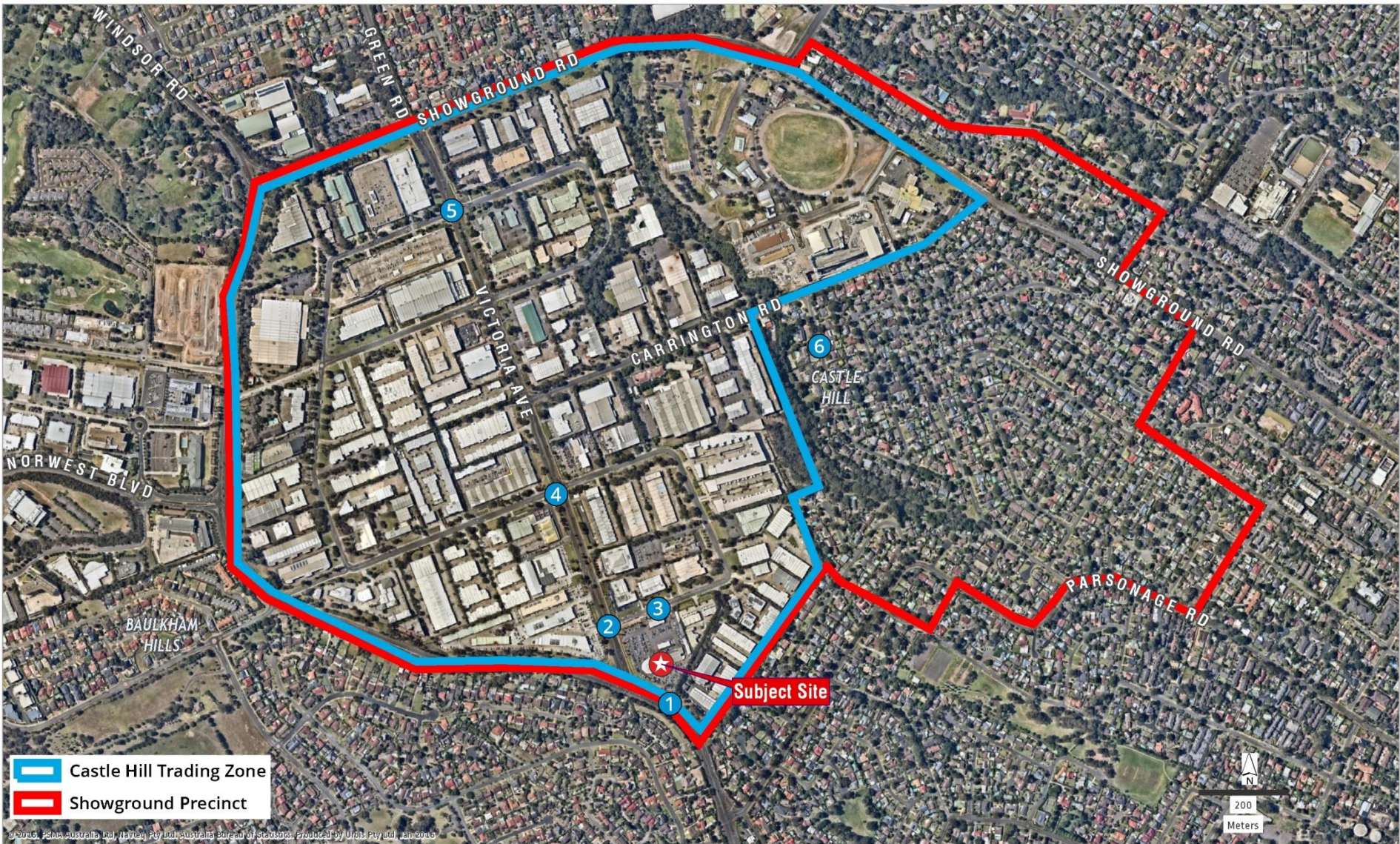


PACKARD AVE



CAR DEALERSHIPS (VICTORIA AVENUE)







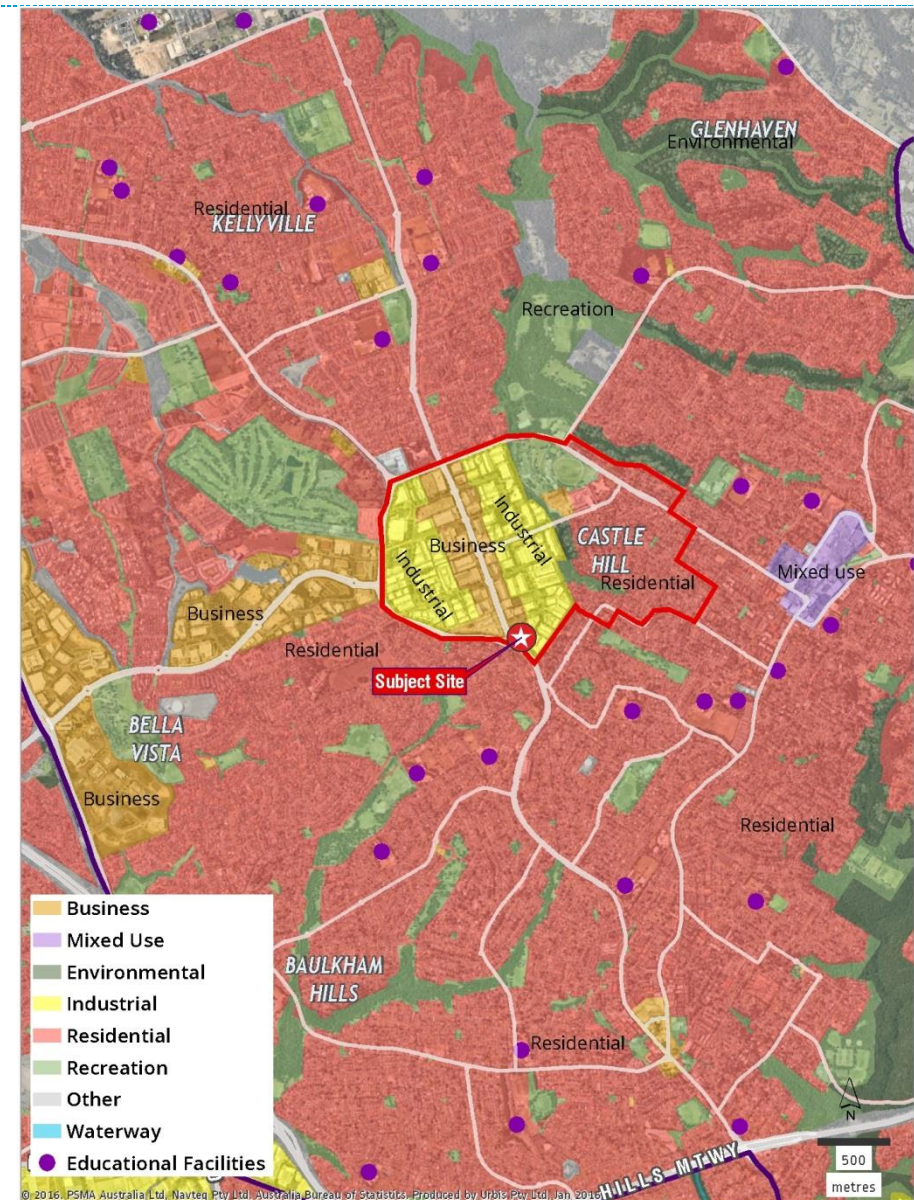
## 1.2 SURROUNDING LAND USE

The zoning overlay on Map 1.3 as well as the surrounding amenities map following (Map 1.4) illustrates that the following uses are located in the vicinity of the subject site:

- A mix of typically low density employment generating uses within the Castle Hill Trading Zone (discussed in more detail in Section 4). The predominant use along Victoria Avenue are bulky goods retailing and car showrooms.
- The established residential suburbs Castle Hill, Kellyville, Baulkham Hills and Bella Vista to the north, east, south and west
- Close proximity to a number of recreational areas and facilities (as shown in Map 1.4), including the following:
  - Mackillop Drive Reserve, 0.7 km south-west
  - The Charles McLaughlin Recreation Reserve, 1.2 km south-west
  - Castle Hill Country Club, 1.6 km north-west
- Castle Towers Shopping Centre, 2.0 km east of the subject site, is a major regional shopping centre providing a large discretionary offer for residents
- A number of medical centres, health practices and hospitals are located within a short driving distance of the subject site. The nearest hospitals include:
  - The Hills Private Hospital, 1.1 km south
  - Norwest Private Hospital, 2.8 km south-west
  - The Hills Clinic Hospital, 3.4 km north-west
- A number of primary and high schools within 2.0 km from the subject site.

SURROUNDING LAND USES

MAP 1.3









### 1.3 PRELIMINARY REDEVELOPMENT CONCEPT

The landowner's vision for the site is to retain existing car showroom uses, but to redevelop these as a premium service and showroom mixed use concept, akin to the Audi centre at East Village Zetland.

This concept reflects the changing nature of car showrooms, with an increasing propensity for showrooms to co-locate with residential, commercial uses and retail uses, as well as car servicing facilities.

#### CHANGING NATURE OF CAR SHOWROOMS

The changing nature of the motor industry presents challenges to the existing car sales yard model. With an increasing number of consumers searching for cars online, there is pressure for car sales yards to optimise stock levels into a more efficient format.

New format dealerships accommodated in showrooms is one response from the industry to this change. It allows for fewer display cars located in the showroom, with stock available onsite in basement car parking. This provides fewer constraints in terms of stock holding, and a modern sales showroom floor.

These types of developments provide a more efficient use of development sites and provide opportunities for the development of complementary land uses. In addition to the redevelopment of the car dealership into a showroom format, a number of new auto showroom developments incorporate a mix of residential, commercial and auto servicing uses. Other compatible uses such as residential apartments, which typically represent the strongest financial return for a development site, enhance the feasibility of the overall project and underpinning the viability of the renewal of auto sales sites.

In addition, the auto sales use services a regional trade area (as opposed to being a purely local service), which means it is not constrained to its existing location. Planning controls that allow businesses to respond to disruptive innovation (e.g. online internet sales) will help retain existing car sales yards and businesses.

Without appropriate planning controls, there is a risk that the car dealerships and businesses will move to areas where they are able to adapt to the changing industry business model and the needs of today's consumer. A more flexible development format, allowing complementary uses that will underpin the feasibility of its renewal, is therefore required.

#### BUSINESS INCUBATOR / COMMERCIAL FLOORSPACE

Acknowledging the intent of the Draft Showground Station Precinct planning currently being undertaken by the DPE, the landowner may consider safeguarding land within the site for the future development of business incubator / commercial office space. This report will nevertheless demonstrate that the market for commercial floorspace within the Showground precinct is expected to remain limited for the foreseeable future.

#### RESIDENTIAL DEVELOPMENT

In order to fund the commercial redevelopment of the site and to create a high quality mixed use development outcome, the landowner would seek to develop an appropriate quantum of residential apartments.

East Village at Zetland, and other examples have demonstrated that modern car showrooms can be successfully integrated into mixed use developments. The landowner is therefore seeking to utilise the locational advantages of the site and leverage off increased accessibility afforded by the new Showground metro station to incorporate residential apartment development within the subject site.

This could be augmented by public and private open space and a small quantum of retail / service floorspace to meet on-site resident and worker demands. A development concept would require further analysis, but in the long term it would require the rezoning of the subject site from the current B5 Business Development zone to B4 Mixed Use zone together with a substantially increased floorspace ratio.

## 2 Draft Showground Station Precinct Proposal

The DPE Showground Station Precinct Proposal is currently on public exhibition. The documentation sets out a vision and intended planning outcomes to guide future development in the vicinity of the new Showground Road metro station and environs, including the subject site.

The draft Showground Precinct Proposal has been prepared by the New South Wales Government in planning for the implementation of the Sydney Metro North. The Showground Precinct is one of eight transit oriented precincts that is being reviewed along this corridor.

The defined precinct extends along Showground Road to the north and Windsor Road to the south and west. It also includes established residential areas to the east of Old Northern Road.

A range of supplementary documentation has also been publically exhibited, including an Economic Feasibility Research Report prepared by JLL in August 2015, which examines the market outlook for commercial, retail, bulky goods, industrial and residential development in the precinct.

The salient points from these documents are summarised in the following sections.

Under the Proposal, the Precinct is being positioned to:

*“...become a transport hub for the local area, centred on a new train station and integrated with a bus interchange.”*

The 20-year vision for the Precinct is to deliver a vibrant and active hub comprising office, light industrial, retail, community / recreational / culture and leisure facilities, education, and residential uses.

The proposal for the Precinct is shown in Map 2.1. This proposal is based on the updated Plan published in December 2015.

The subject site is located around 870 metres in a direct line from the site of the new metro station on Carrington Road.

The Built Form Map provided in Section 4.5 of the draft Structure Plan report is reproduced in Map 2.1 on page 11. This map sets out the DPE's intended long term land use across the precinct and the nature of building form. Critically, in regard to the subject site it shows the following:

- The site identified to accommodate 'commercial buildings', distinct from any other sites along Victoria Avenue which are intended to retain their bulky goods use
- Other 'commercial buildings are envisaged in the west of the precinct (west of Hudson Avenue) and in the central part of the precinct (along Carrington Road and to the east of the existing bulky goods / showroom uses along Victoria Avenue)
- This means that commercial uses on the subject site would stand in isolation from other intended commercial uses
- The proposed building height map identifies the subject site as having potential to accommodate buildings up to 21 metres or six stories in height
- The proposed floorspace ratio map supports an FSR of 1:1 across the site. This could ultimately permit around 26,000 sq.m commercial floorspace across the site.

The potential to increase height and density on the subject site clearly reflects the locational attributes of the subject site. Nevertheless, Section 5 of this report will highlight that there is limited market opportunity or demand for commercial office development in the area, and more so on the subject site in particular. Critically, this view is supported in the Economic Feasibility Report prepared by JLL which has been exhibited with the draft Showground Station Precinct Proposal.

Additional opportunity and constraints mapping in the original Station Precinct Proposal (September 2013) nevertheless highlights the redevelopment potential of the subject site. Key maps are reproduced on page 12 of this report.





Maps 2.2 and 2.3 highlight that:

- The subject site has been identified as a short term opportunity site
- The subject site has been identified as being free of significant constraints that would impact on redevelopment. Constraints that affect other sites within the precinct include:
  - Fragmented land ownership and concentrations of strata title development
  - Bushfire prone land
  - Community ownership
  - Potential presence of endangered species communities.

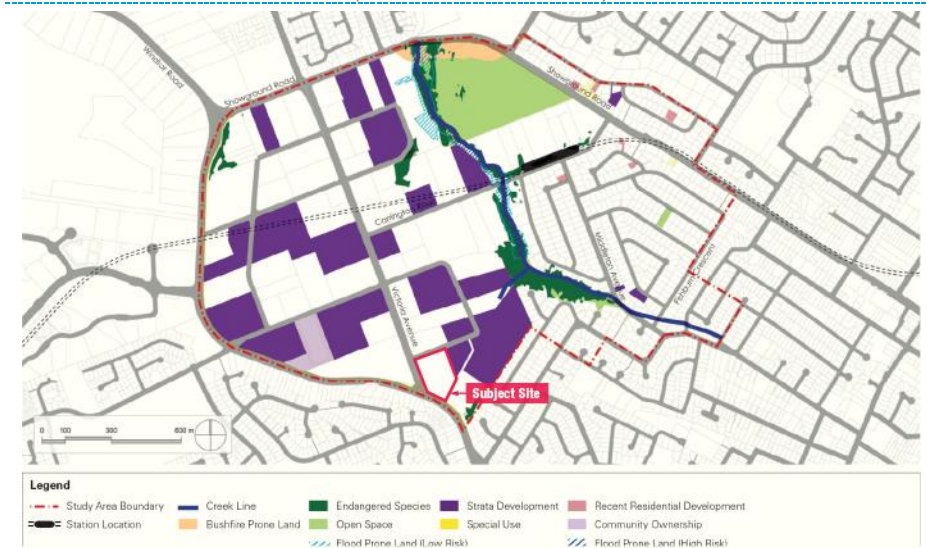
OPPORTUNITY SITES (STRUCTURE PLAN)

MAP 2.2



CONSTRAINTS MAPPING (STRUCTURE PLAN)

MAP 2.3



## 2.1 SHOWGROUND STATION PRECINCT PROPOSAL ECONOMIC FEASIBILITY

In conjunction with the Showground Structure Plan, the NSW Government commissioned JLL to conduct an Economic Feasibility of the Precinct (as added in 'Appendix F' of the Precinct's Proposal).

The Economic Feasibility highlights that there a number of impediments in the investment and demand for office product within the Showgrounds Precinct. Conversely, it highlights that Norwest<sup>1</sup> has significant potential for employment growth within the commercial sector.

JLL identify the following impediments to commercial development within the Showgrounds Station 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.*
- *Immediate proximity to high quality alternative office destination (Norwest).*

The report notes that:

*"...as opposed to Norwest, the opportunity within the precinct is more for "support type" office uses"*

*"Broadly JLL is unable to support the current or forecast employment numbers from the Structure Plan."*

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<sup>1</sup> In this report Norwest relates to the broad office / employment area including Norwest Business park and Bella Vista

The report's analysis identifies the following key indicators for the Norwest commercial market which signals that office development should be focused in this area instead of the Precinct:

- *Norwest has developed into Sydney's second largest specialist business park (after Macquarie Park)*
- *The Norwest market offers the greatest level of rental discount within the Sydney region*
- *The Norwest market offers the highest prime yield within the Sydney region.*

In addition to the advantages exhibited in Norwest, the report reinforces Norwest's future role by identifying the following factors that will positively influence the future demand for office space in Norwest:

- The addition of two new Sydney metro stations
- Good access to road infrastructure, proximity to suppliers and buyers, car parking, and public transport
- Affordability (low rent prices)
- Areas of greenfield will continue to provide flexibility to accommodate a range of users
- Population growth in the North-west sector.

## 2.2 SUMMARY

Previous opportunity and constraint analysis correctly identifies that the subject site offers potential for development uplift in future (typical of most open lot car sales sites).

Independent commercial analysis by JLL questions the potential to support large scale commercial development across the Showground precinct, highlighting:



*“Provided within the Showground Station Precinct Structure Plan is an underlying assumption about very significant growth in the commercial market employment...JLL does not agree with the forecast growth assumptions within the precinct, however, does identify significant potential within the Norwest Precinct”*

Urbis’ own analysis, set out in the following sections, supports this view. We therefore consider that a broader range of economic benefits could potentially be achieved through mixed-use redevelopment of the site in the longer term.

### 3 Drivers of Change

Broad strategic planning, infrastructure investment and emerging demographic trends will all have a bearing on changing land use patterns within the Hills region in coming years.

The key drivers identified, relevant to the Showground Precinct, include the following:

#### POPULATION GROWTH

- Based on DPE forecasts, the Hills Shire LGA population is projected to increase by 79,100 persons over 2016-2031 (2.2%, or 5,270 persons, per annum)
- Solid population projected for the Hills Shire LGA is anticipated to be driven by the North West Growth Centre release areas (i.e. Box Hill, Rouse Hill, Kellyville)
- In addition to this, population growth is expected to be driven by the significant uplift in residential density around the Sydney Metro North West stations:
  - Kellyville
  - Showground
  - Castle Hill
  - Cherrybrook.

Chart 3.1, opposite shows the following:

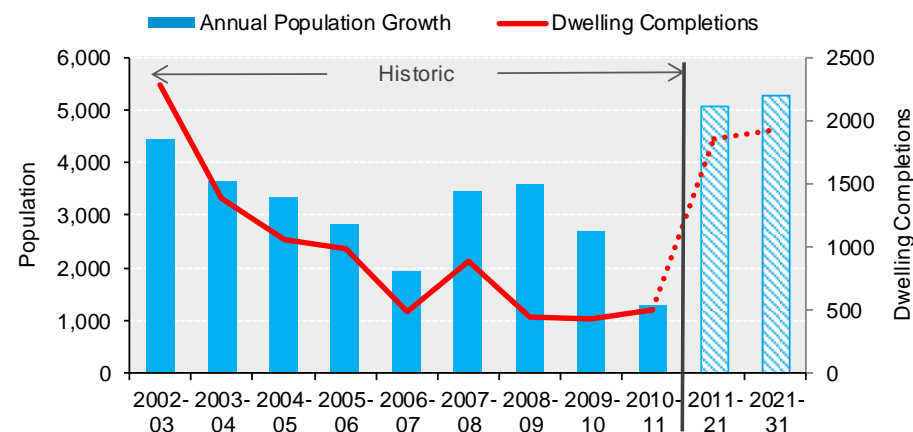
- The annual population growth and new dwelling completions over the period 2002 to 2011 for the Hills Shire LGA
- The DPE projected average annual population growth and new dwelling completions over the next two decades

- This chart shows that the projected required average annual level of dwelling production over the periods 2011 to 2021 and 2021 to 2031 has not been achieved in any year over the period 2003 to 2011. Therefore, the current levels of dwelling production are unlikely to be adequate to meet the delivery of dwelling projections over the next 20 years.

#### Historical and Projected Dwelling and Population Growth

THE HILLS SHIRE LGA, 2003 TO 2031

CHART 3.1



Source: ABS; Department of Planning and Environment; Sydney Water; Urbis

There is a significant step up from historical trends to the projected future dwelling growth levels required. The increased dwelling projections also reflect the household formation projections as well as population growth forecast. The required annual new dwelling completions over 2011 to 2021 have been projected by DP&E as 1,858 dwellings between 2011 and 2021, and 1,921 dwellings over 2021 to 2031.

It is clear therefore that significant opportunities to bring forward new housing stock will be required to keep pace with projected housing needs.

## EMPLOYMENT GROWTH

- The Bureau of Transport Statistics projected job growth for the Hills Shire LGA is 65,300 jobs in the period 2016 to 2036
- Employment is expected to grow within existing as well as emerging centres and employment areas, including Norwest, Castle Hill, Rouse Hill, Box Hill and around the Sydney Metro North West stations.

## THE NORTH WEST GROWTH CENTRE

- Upon completion the North West Growth Centre will accommodate an additional 200,000 residents, 38,000 jobs (in designated employment lands at Box Hill, Marsden Park and Riverstone West), as well as new jobs in the various centres planned throughout the area. The North West Growth Centre includes the local government areas of Hills Shire, Blacktown, Hawkesbury and Penrith.

## THE SYDNEY METRO NORTH WEST

- The Sydney Metro North West is Australia's largest public transport infrastructure project, a new rail service connecting to the Epping-to-Chatswood Rail Link and to the wider Sydney rail network. The project involves the construction of 15 km twin tunnels between Bella Vista and Epping, and delivering eight new stations. As a result, the Sydney Metro North West is a catalyst in revising urban density within Sydney's West Central Subregion, as well as the Showground Precinct.
- The Sydney Metro North West has the potential to significantly change the mobility of the labour force and journey to work patterns across the North West and West Central subregions by:
  - Improving connectivity to centres
  - Providing opportunities for multi-modal travel to designated employment lands
  - Increasing accessibility to key employment nodes beyond The Hills Shire, making the LGA a viable opportunity for people wishing to commute using public transport

- Increasing opportunities for people to use public transport to commute into The Hills Shire.

## IMPLICATIONS FOR THE SHOWGROUNDS PRECINCT AND SUBJECT SITE

The challenge therefore for the Showground Precinct Structure Plan is to ensure that the subject site and other “short term opportunity sites” within the Precinct can make an effective contribution towards delivering planned growth in the region by effectively leveraging their attributes. For the subject site, this should include:

- Making the most effective use of an under-utilised site in a gateway location
- Maintaining existing employment levels as a minimum and identify opportunities for additional employment in the long-term (subject to market demand)
- Creating the economic conditions necessary to allow existing uses to adapt to meet the changing, and increasingly sophisticated and up-skilled requirements of the automotive industry
- Leverage off new opportunities afforded by proximity to the new Showground metro station, and providing opportunities for development that can boost patronage of the station in order to maximise the payback on this major State Government investment
- Provide opportunities for additional employment growth that are based on a realistic market assessment.

More broadly, development within the Showground precinct should seek to complement, rather than compete with established and emerging strategically important precincts within the area. Strategic land use planning should be cognisant of the increased labour market mobility afforded by the Sydney metro project. It should seek to maximise labour market retention and reduced journey to work times by encouraging people to live and work close to established employment nodes.

## 4 Current and Future Employment Profile

This section sets out an overview of the Castle Hill Trading Zone and the Hills Shire LGA employment profile, having regard to current and projected labour market segmentation. This allows for the identification of key industry growth sectors so that a profile of future demand for employment uses can be identified.

Bureau of Transport and Statistics (BTS) employment data has been used for the proceeding analysis.

### 4.1 CURRENT JOBS

#### CASTLE HILL TRADING ZONE

The Hills Shire LGA (through Remplan) has estimated that there are around 6,800 people employed within the Castle Hill Trading Zone, equal to around 12% of the 56,850 jobs within the Hills Shire LGA (identified by Remplan). This employment figure equates to a gross employment density of 50 jobs per hectare.

The key employment sectors within the Castle Hill Trading Zone are:

- Retail trade 1,370 jobs, 20% of precinct total
- Wholesale trade 1,350 jobs, 20% of precinct total
- Manufacturing 1,100 jobs, 16% of precinct total.

This reflects the current nature of employment uses within the Precinct, i.e. dominated by bulky goods outlets, car showrooms and a mix of light industrial and commercial tenancies.

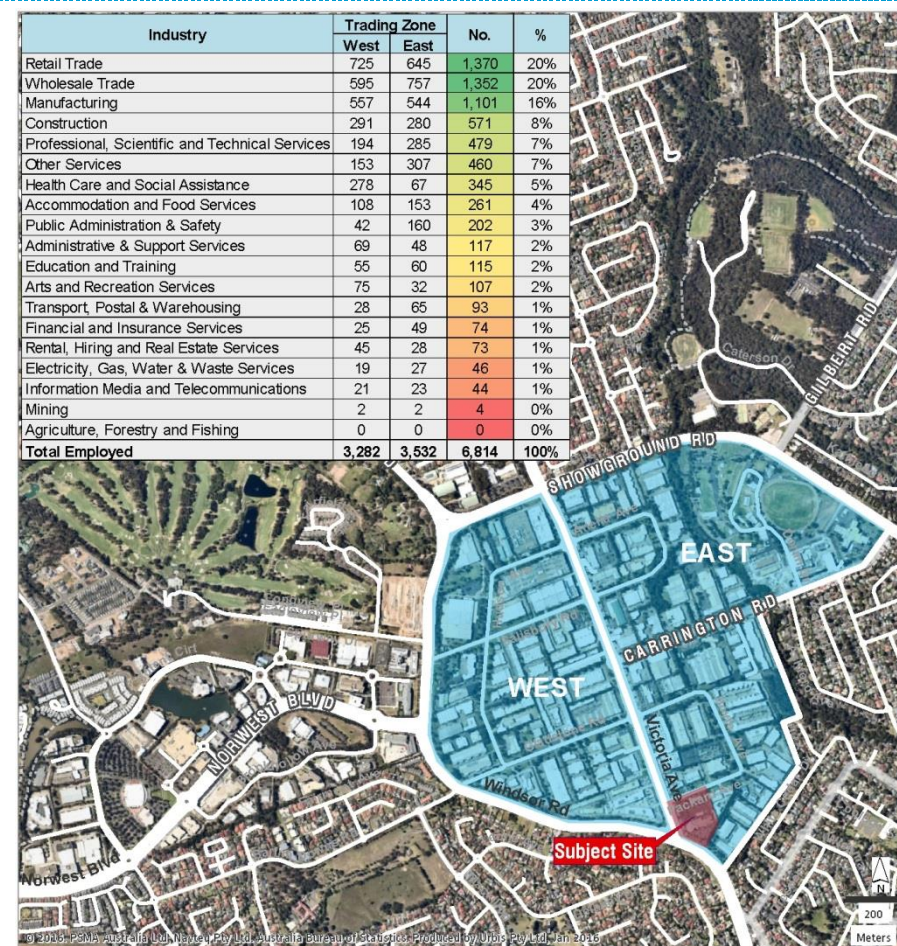
Around 1,900 jobs within the Precinct, equal to 28% of the Precinct's total, are in sectors that are typically 'office based' (professional and scientific, services, health care and social assistance, public administration and safety, administration and support services, education and training, financial and

insurance services, rental hiring and real estate, information media and telecoms). These are most commonly found in small strata office suites.

Unlike Norwest (located immediately to the west), Castle Hill Trading Zone is not an established location for large scale commercial office floorspace. It would therefore require a significant repositioning and major capital investment to establish the precinct as a sustainable office market location.

CASTLE HILL TRADING ZONE, 2011

MAP 4.1



## HILLS SHIRE LGA JOBS

A review of jobs and resident employment by industry in the Hills Shire LGA in 2011 (as shown in Chart 4.1) confirms that:

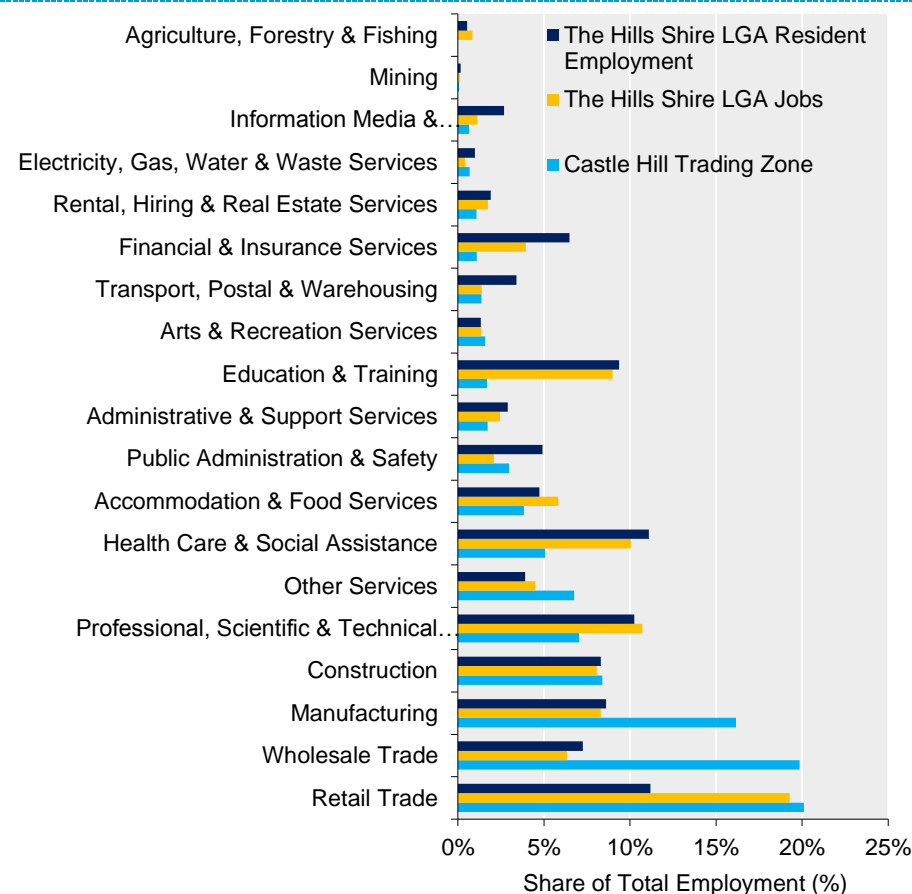
- The retail sector provides the highest proportion of jobs in all employment categories across the LGA (19%) and also within Castle Hills Trading Zone (20%). Around 11% of Hills Shire resident workers are employed in the retail sector
- Office-based jobs within the Castle Hill Trading Zone accounts for only around 28% of the total. This compares to 46% of all jobs across the LGA, and again highlights the fact that the Trading Zone is not currently a recognised office market. Around 53% of Hills Shire resident workers are employed in office-based employment
- The Castle Hill Trading Zone contains a higher proportion of 'industrial' based jobs compared to the LGA as a whole. Sectors that we have defined as being within the 'industrial category' include:
  - Manufacturing
  - Mining
  - Electricity, Gas, Water and Waste Services
  - Wholesale Trade
  - Transport, Postal and Warehousing.

Some 38% of jobs in the Castle Hill Trading Zone are within the industrial sector, compared to 17% across the LGA as a whole. Around 20% of Hills Shire resident workers are employed in industrial-based employment.

## Jobs and Resident Workers by Industry

CASTLE HILL V. THE HILLS SHIRE LGA, 2011

CHART 4.1



Source: BTS 2014 Release; Urbis



## 4.2 PROJECTED JOBS GROWTH

Table 4.1 illustrates the projected jobs growth for the Hills Shire LGA between 2016 and 2036, and its distribution across different industry sectors. The table shows a projected 65,300 additional jobs in the LGA between 2016 and 2036 (3,300 jobs per annum).

The following sectors are expected to experience the highest jobs growth:

- Retail Trade (+11,700 new jobs)
- Professional, Scientific and Technical Services (+10,200 new jobs)
- Health Care and Social Assistance (+6,300 new jobs)
- Accommodation and Food Services (+4,800 new jobs)
- Education and Training (+4,500 new jobs).

Notably, three of these five key growth sectors (Retail Trade, Health Care and Social Assistance, Accommodation and Food Services) are industries that do not typically require a high proportion of commercial office floorspace.

Although Health Care and Social Assistance and Education and Training typically require an office component, this is commonly an additional component to their primarily client-facing role.

The sectors that would typically require commercial office accommodation include:

- Professional, Scientific and Technical Services
- Administrative and support services
- Financial and insurance services
- Public administration and safety
- Rental, hiring and real estate services

- Information media and telecommunications
- General service sector uses, as well as
  - Education and training (partially)
  - Health care and social assistance (partially); and
  - Other uses including arts and recreation services, construction, electricity, gas and water

Collectively, these sectors are projected to add around 26,600 jobs within the Hills Shire LGA between 2016 and 2036, equal to around 40% of all new jobs. This means that around 60% of future jobs are projected to be primarily contained in non-office premises.



## Projected Jobs by Industry

THE HILLS SHIRE LGA, 2016 TO 2036

TABLE 4.1

Industry Sector	2016		2021		2026		2031		2036		2016-36		
	No.	%	No.	%	No.	%	No.	%	No.	%	Total Change	Annual Growth %	Annual Growth (No.)
Retail Trade	16,650	20%	20,531	20%	22,998	20%	25,688	19%	28,340	19%	11,690	2.7%	585
Professional, Scientific & Technical Services	8,250	10%	12,532	12%	14,246	12%	16,205	12%	18,474	13%	10,224	4.1%	511
Health Care & Social Assistance	8,110	10%	10,055	10%	11,506	10%	13,054	10%	14,440	10%	6,330	0.0%	317
Accommodation & Food Services	4,784	6%	5,984	6%	7,095	6%	8,366	6%	9,546	6%	4,762	3.5%	238
Education & Training	6,802	8%	8,132	8%	9,224	8%	10,411	8%	11,288	8%	4,486	2.6%	224
Construction	6,625	8%	7,691	7%	8,367	7%	9,271	7%	10,069	7%	3,444	2.1%	172
Administrative & Support Services	2,210	3%	3,093	3%	3,852	3%	4,540	3%	5,142	3%	2,932	4.3%	147
Public Administration & Safety	1,977	2%	2,882	3%	3,497	3%	4,225	3%	4,799	3%	2,822	4.5%	141
Financial & Insurance Services	3,005	4%	3,743	4%	4,365	4%	5,077	4%	5,782	4%	2,777	3.3%	139
Other Services	3,562	4%	4,497	4%	5,052	4%	5,799	4%	6,283	4%	2,721	2.9%	136
Wholesale Trade	5,145	6%	5,903	6%	6,167	5%	7,051	5%	7,436	5%	2,291	1.9%	115
Information Media & Telecommunications	1,307	2%	1,947	2%	2,530	2%	2,974	2%	3,332	2%	2,025	4.8%	101
Manufacturing	6,433	8%	7,140	7%	7,519	6%	8,049	6%	8,422	6%	1,989	1.4%	99
Rental, Hiring & Real Estate Services	1,556	2%	2,191	2%	2,548	2%	3,047	2%	3,353	2%	1,797	3.9%	90
Arts & Recreation Services	1,185	1%	1,822	2%	2,131	2%	2,643	2%	2,947	2%	1,762	4.7%	88
Transport, Postal & Warehousing	1,235	2%	1,808	2%	2,021	2%	2,690	2%	2,890	2%	1,655	4.3%	83
Unclassified	1,899	2%	2,257	2%	2,448	2%	2,784	2%	2,946	2%	1,047	2.2%	52
Electricity, Gas, Water & Waste Services	377	0%	521	1%	563	0%	800	1%	841	1%	464	4.1%	23
Agriculture, Forestry & Fishing	581	1%	588	1%	599	1%	612	0%	625	0%	44	0.4%	2
Mining	77	0%	87	0%	94	0%	102	0%	111	0%	34	1.8%	2
<b>Total Employment</b>	<b>81,770</b>	<b>100%</b>	<b>103,404</b>	<b>100%</b>	<b>116,822</b>	<b>100%</b>	<b>133,388</b>	<b>100%</b>	<b>147,066</b>	<b>100%</b>	<b>65,296</b>	<b>3.0%</b>	<b>3,265</b>

Source: BTS 2014 Release; Urbis

### 4.3 THE HILLS SHIRE EMPLOYMENT NODES

There are a number of major employment nodes within the Hills Shire LGA that have scope to accommodate the employment growth / projections shown in Section 4.2 above. Most of these employment nodes also have strong access to transport infrastructure.

Norwest is the largest commercial office location within the Hills Shire LGA and, as identified in the *NSW Government's Economic Feasibility Report*, is recognised as having significant potential for employment growth. Detailed analysis of the opportunity at Norwest is provided in Section 5.2 of this report.

Commercial floorspace is also provided within the Castle Hill Town Centre (around 5,500 workers in total currently across all sectors) and Rouse Hill Town Centre (around 2,000 workers in total currently across all sectors). The predominant land use in each of these centres is retailing. There is nevertheless an ancillary commercial floorspace component and this has the potential to increase in future as the range of uses in the centres expand.

We note that a planning proposal was lodged in December 2015 to amend planning controls pertaining to Castle Towers to facilitate the expansion of the centre resulting in an estimated additional 2,400 jobs (Source: JBA / MacroPlan Dimasi).

Beyond these centres key employment areas within the Hills Shire are:

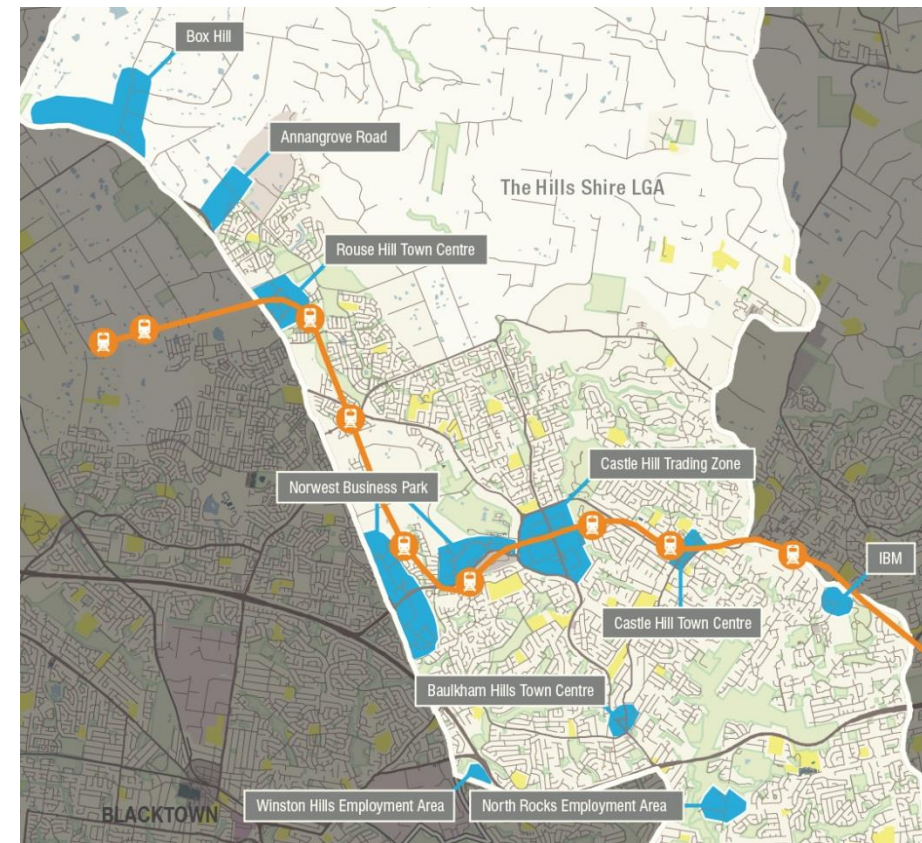
- Box Hill (emerging)
- Annangrove
- Baulkham Hills Town Centre
- Winston Hills Employment Area
- North Rocks Employment Area.

These employment nodes are shown in Map 4.2.

These employment nodes demonstrate that there are a number of existing and planned employment centres within the LGA with potential to accommodate additional commercial employment.

THE HILLS SHIRE EMPLOYMENT NODES

MAP 4.2



## 5 Commercial Office Market Analysis

The potential long term demand for commercial office floorspace cannot be viewed in isolation from the broader supply in the Sydney office market, where changes in the supply pipeline in core office locations have knock on implications for suburban locations such as Norwest and the broader Hills Shire. This section provides an overview of the Sydney-wide commercial office market trends.

The relative attributes of the Showground precinct and Norwest as future commercial office locations are outlined in this section.

Our analysis highlights that the potential to include a commercial floorspace component within the proposed redevelopment of the site carries a high degree of risk. There is a high likelihood that it would not be possible to secure a pre-commitment from a large scale business to occupy office floorspace.

### 5.1 SYDNEY COMMERCIAL OFFICE MARKETS

Commercial office floorspace within metropolitan Sydney is clustered around a number of key locations (shown in Map 5.1), notably:

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

SYDNEY COMMERCIAL OFFICE MARKETS

MAP 5.1

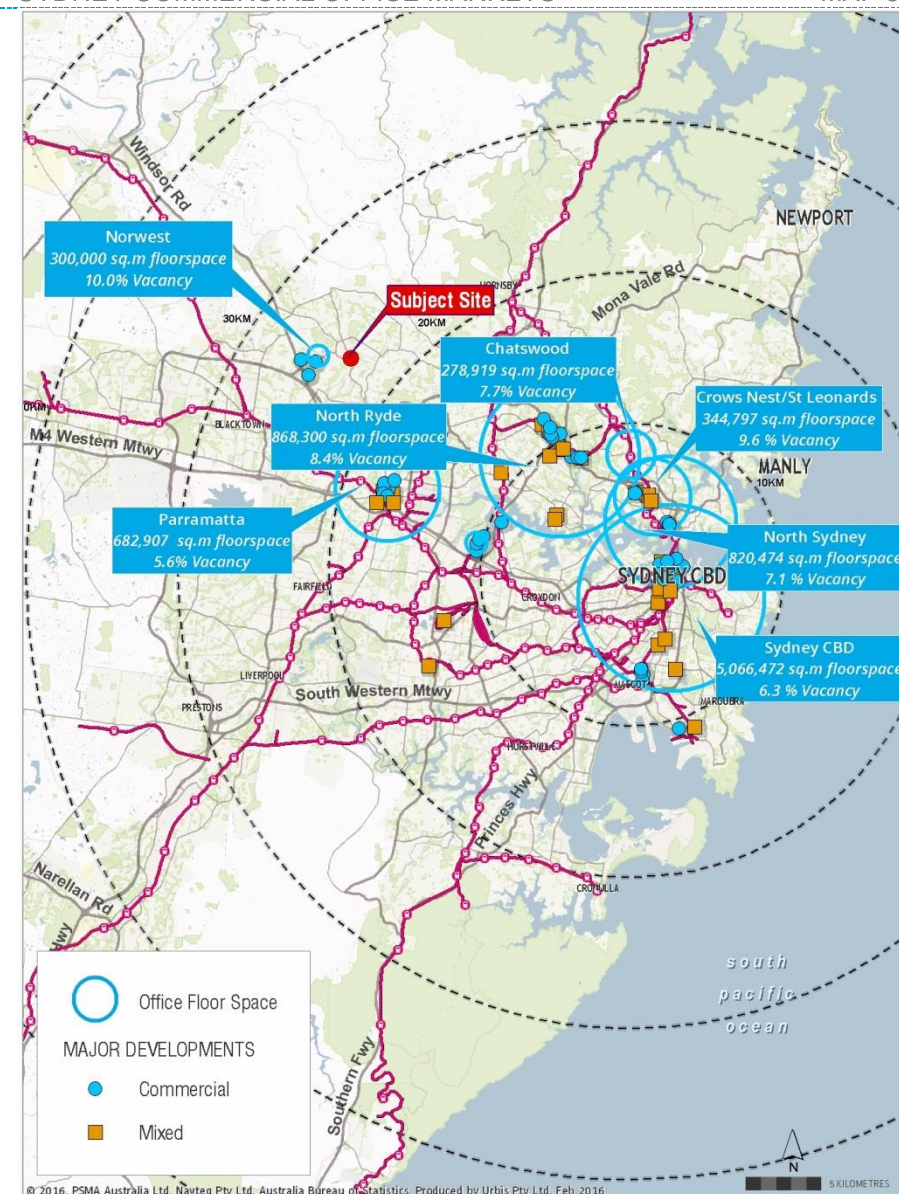




Chart 5.1 illustrates the total commercial floor space in each of the major commercial office markets across Sydney, as well as the annual growth in occupied floorspace (over July 2014 to July 2015). The chart shows that the office markets combined provide a total commercial floor space of over 8 million sq.m. This is an extensive supply of commercial office floorspace.

There is currently a significant amount of commercial floorspace in the development pipeline within metropolitan Sydney (in excess of one million sq.m). There is a large amount of commercial floorspace within mixed use developments, including around 320,000 sq.m additional commercial floorspace being developed in Sydney CBD as part of the Barangaroo development. The Barangaroo development in particular is expected to have a metropolitan wide impact on the commercial office market, as major tenants seek out opportunities to locate in higher quality stock.

There are also major commercial developments currently in the development pipeline at Macquarie Park (which is located within the North Ryde office market). Around 21,400 sq.m of office space was completed in 2015, and two projects currently at the development approval stage adding 44,900 sq.m of office space.

The additional supply of office stock is expected to:

1. Place downward pressure on office market rents, particularly for suburban office market locations
2. Place upward pressure on vacancy rates, particularly for suburban office market locations.

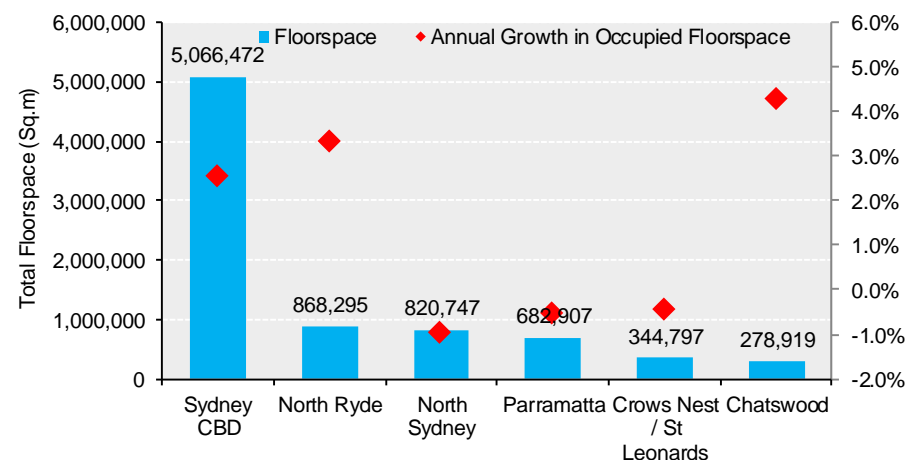
In the face of declining rents and higher vacancies high quality office space becomes more affordable, in turn increasing the competitive environment of the commercial market. The importance of location therefore becomes a critical demand factor for those tenants seeking commercial space. Already established suburban/fringe commercial markets, such as Norwest, Crows Nest / St Leonards, and Chatswood, become inferior office locations relative to prime (and increasingly affordable) CBD locations. This is reflected in the relatively higher vacancy rates exhibited in these suburban/fringe locations, as shown in Chart 5.2.

Crows Nest / St Leonards vacancy rates have trended above the other Sydney office markets since 2013. Although the vacancy rate for this location has fallen in the past year, this has been due to the withdrawal of unoccupied stock.

Given the subdued demand expected to continue for suburban/fringe commercial markets and increasing office stock, the Precinct (an unestablished commercial hub) is expected to have limited demand for commercial space now and in the future. This is due to the fact the Precinct lacks the commercial success driver attributes, as evaluated in the following section (Section 5.2).

This is particularly true as Norwest, an already established commercial area neighbouring the Precinct, exhibits greater competitive attributes and greater long-term potential to accommodate office market growth (as detailed in Section 5.3).

**Commercial Floorspace and Growth in Occupied Floorspace**  
SYDNEY OFFICE MARKETS, AS AT JANUARY 2016 CHART 5.1

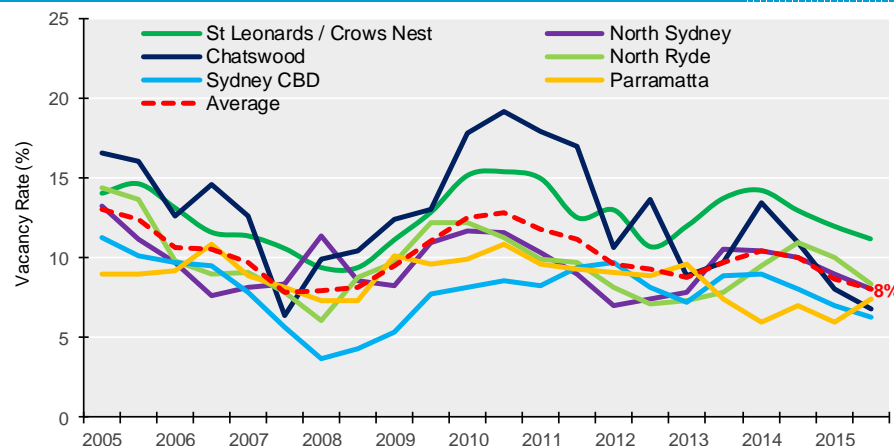


*Note: the 'Annual growth in Occupied Floorspace' calculated is from July 2014 to July 2015*  
*Source: PCA Office Market Report January 2016; Urbis*

## Vacancy Rate Trends

SYDNEY OFFICE MARKETS, 2005 TO 2015

CHART 5.2



Source: PCA Office Market Report July 2015; Urbis

development pipeline, without it just 7%. This highlights the relatively small scale of the commercial office market in the area.

## FUTURE OFFICE SUPPLY AT THE SUBREGIONAL LEVEL

In terms of developments at the subregional level (i.e. West Central Subregion) around 355,854 sq.m of commercial floorspace is in the development pipeline.

A summary of the key commercial developments within the West Central Subregion is provided in Table 5.1.

Commercial floorspace for the Subregion will mainly be delivered within the Parramatta LGA, where the Parramatta LGA has the greatest number of projects and commercial floorspace in the development pipeline (around 165,800 sq.m of floorspace or 41% of the Subregion's total development pipeline). This aligns with the State government's objective of supporting the growth of Parramatta as Sydney's second CBD and Western Sydney's number one location for employment and health and education services.

For the Hills Shire LGA, the largest amount of commercial floorspace is expected to be added at Rouse Hill (40,000 sq.m), although this is a prospective rather than firm development proposal. Including this development, the Hills Shire contains 18% of the current subregional office

## Commercial Office Space Pipeline

WEST CENTRAL SUBREGION, AS AT JANUARY 2016

TABLE 5.1

Development Name	Suburb	Floor Area (Sq.m)	Completion Date (Expected)	Status
<b>The Hills Shire LGA</b>				
Skyline Dural	Dural	4,500	2019	Rezoning Application
Old Northern Rd Mixed Development - Cascades	Dural	800	2017	Contract Let
The Glasshouse Village	Kellyville	1,800	2018	Development Approval
Eclipse Norwest	Bella Vista	10,000	2019	Sketch Plans
Century Estate Stage 7	Baulkham Hills	11,000	2019	Early Planning
Northern Precinct Plan Rouse Hill Regional Centre - Overall	Rouse Hill	40,000	N/A	Early Planning
<b>Total</b>		<b>63,600</b>		
<b>Auburn LGA</b>				
Northumberland Rd Mixed Development	Auburn	528	2018	Development Approval
Station Rd Mixed Use Development	Auburn	521	2017	Development Approval
Wentworth Point Marinas - Block E - Marina Square	Auburn	10,674	2017	Development Approval
Sydney Olympic Park - Site 53 Residential Development - Pavilions	Sydney Olympic Park	1,578	2018	Development Application
Murray Rose Av Commercial Building Parkview Precinct Sydney Olympic Park	Sydney Olympic Park	15,713	2018	Development Approval
Sydney Olympic Park Town Centre - Site 8D	Sydney Olympic Park	5,900	2018	Tenders/Submn Of Props For Development
Grey St & Silverwater Rd Mixed Development	Silverwater	4,000	2019	Rezoning Application
Carter St Priority Precinct	Lidcombe	5,500		Rezoning Approval
		<b>43,886</b>		
<b>Bankstown LGA</b>				
Sita Chullora Office Complex & Maintenance Facility	Chullora	34,200	2018	Development Application
Waterloo Rd Commercial Building	Greenacre	739	2016	Contract Let
Bankstown Community Hub - Stage 1	Bankstown	2,897	2017	Development Approval
Bankstown Community Hub - Stage 2	Bankstown	635	2017	Development Application
Bankstown Sports Club - Tower	Bankstown	41,065	2017	Contract Let
George St & Hume Hwy Mixed Development	Yagoona	2,364	2018	Development Approval
		<b>47,700</b>		

Note: Developments that comprise less than 500 sq.m of commercial space have not been included

Source: Cordell Connect; Urbis



Development Name	Suburb	Floor Area (Sq.m)	Completion Date (Expected)	Status
<b>Blacktown LGA</b>				
Second Av Mixed Development - Altitude Tower	Blacktown	3,304	2017	Development Approval
Peter Brock Industrial Development	Eastern Creek	1,650	2016	Development Approval
Railway Terrace Mixed Development - 111 On Railway	Schofields	3,250	2017	Development Approval
Second Ave Mixed Development	Blacktown	1,150	2017	Development Approval
Best Rd Mixed Use Development	Seven Hills	560	2017	Contract Let
First Av Shop Top Housing	Blacktown	1,170	2018	Development Application
Zoe PI Mixed Development	Mount Druitt	2,449	2018	Development Approval
Skylands Estate - Overall	Schofields	12,000	2019	Early Planning
		<b>22,229</b>		
<b>Holroyd LGA</b>				
Neil St Mixed Development - Jade Towers	Holroyd	9,791	2018	Development Approval
Garfield St & Dunmore St Mixed Development	Wentworthville	6,954	2016	Contract Let
Civic Av Mixed Development	Pendle Hill	4,616	2017	Development Approval
Paton St Mixed Development	Merrylands	1,046	2017	Development Approval
Terminal PI & Pitt St Mixed Development - Block 4 - Sites A & B	Merrylands	0	2019	Development Application
		<b>12,616</b>		
<b>Parramatta LGA</b>				
Sydney Trains Administration Centre	Clyde	N/A	2017	Tenders/Submn Of Props For Design Construct
Parramatta Square - Stage 1 - 1Psq	Parramatta	27,740	2016	Contract Let
Cowper St Shop Top Development	Granville	1,600	2016	Contract Let
Goodyer Building Shop Top Housing	Parramatta	1,364	2017	Development Approval
Adderton Rd Mixed Development	Telopea	2,400	2017	Development Approval
Victoria Rd Shop Top Housing	Parramatta	2,000	2017	Development Application
Westfield Parramatta	Parramatta	35,000	2018	Early Planning
George St Mixed Development - Parramall Site	Parramatta	20,000	2018	Rezoning Application
Aspire Tower - Parramatta Square Stage 2	Parramatta	1,829	2019	Sketch Plans
Church & Macquarie Sts Commerical Building	Parramatta	27,581	2019	Rezoning Approval

*Note: Developments that comprise less than 500 sq.m of commercial space have not been included*

*Source: Cordell Connect; Urbis*

Development Name	Suburb	Floor Area (Sq.m)	Completion Date (Expected)	Status
<b>Parramatta LGA</b>				
Parramatta Square Stage 4	Parramatta	5,000	2019	Early Planning
Parramatta Square Stages 3 & 4	Parramatta	40,000	2020	Tenders Called For Consultants
Church St Mixed Use Development - West Village	Parramatta	1,309	2020	Development Approval
Old David Jones Carpark Site Parramatta	Parramatta	0	2021	Early Planning
<b>Total</b>		<b>165,823</b>		
<b>Grand Total</b>		<b>355,854</b>		

*Note: Developments that comprise less than 500 sq.m of commercial space have not been included*

*Source: Cordell Connect; Urbis*

## 5.2 COMMERCIAL SUCCESS FACTORS

The Showground Station Precinct is an untested commercial location, and although the Precinct's accessibility will be improved by the Sydney Metro North (i.e. Showground metro station) there are a number of factors which contribute to it being a sub-optimal location for major commercial development.

Discussions with local commercial real estate agents highlight there is a high volume of vacant commercial floorspace within the Castle Hill Trading Zone, highlighting the lack of demand for office floorspace in the area at present.

In contrast, Norwest is well positioned to be the focus for commercial development within the Hills Shire LGA moving forward.

Norwest holds a greater competitive advantage than the Showground Precinct (Section 5.3), and will be significantly strengthened by the addition of new metro stations at Norwest and Bella Vista.

### SHOWGROUND STATION PRECINCT

Table 5.2 provides an assessment of the suitability of the subject site to accommodate large scale commercial development. This is based on key success factors for successful commercial centres, which include:

- **Access** to transport infrastructure (such as motorway networks and train stations), workforce, and worker amenities
- **Scale** of the commercial centre, where larger established office precincts increases the opportunity to expand the type of commercial tenants that would be attracted to an established well-connected centre
- **Location** relative to other established and competing commercial hubs.

Table 5.2 demonstrates that the subject site does not rate highly against the success factors for commercial development.

Consistent with the Economic Feasibility Report undertaken by JLL, our view is that large-scale commercial development within the Castle Hill Trading Zone is unlikely to be supportable based on the following factors:

- Lack of recognition of being an investment grade office precinct
- Lack of clustering of similar and associated office occupiers
- No clear offering in the type of office product, therefore challenging development
- Immediate proximity to high quality alternative office destination (i.e. Norwest Business Park)
- Greater scope to provide additional commercial floorspace at Norwest
- Additional commercial floorspace is proposed to be added within the mixed use development at Rouse Hill Town Centre, Castle Hill, and within close proximity of the Showground Station, which offer more viable locations.

Established business park locations elsewhere in metropolitan Sydney (particularly Norwest, Marsden Park, and Sydney Olympic Park) will also continue to offer a greater competitive advantage.

This analysis confirms that future business incubator / commercial floorspace at the site would need to be underpinned by other economically viable uses.

## Success Factors for Commercial Development

SUBJECT SITE

TABLE 5.2

FACTORS	COMMENTS	IMPLICATIONS FOR THE SUBJECT SITE
<b>1. Access to Transport Infrastructure</b>	Access to efficient public transport and road networks, particularly links to the CBD, airport and other major employment centres are important to potential tenants and employees.	<ul style="list-style-type: none"> <li>▪ Limited connectivity at present. Road connections to Sydney CBD take around 35 minutes in moderate traffic and around 50 minutes to the airport. This compares to 20 minutes to Sydney CBD and 35 minutes to the airport for workers at Macquarie Park</li> <li>▪ Although the Showground Precinct will benefit from improved transport accessibility, the Showground station will be located around 800 metres from the subject site in a direct line (approximately a 10 minute walk with proposed future site connections)</li> <li>▪ There are east-west bus stops immediately outside of the subject site (on Windsor Road and Victoria Avenue) providing connections between Blacktown and Castle Hill and Castle Hill and Rouse Hill, which provide employment opportunities within the retail and commercial sector.</li> </ul>
<b>2. Access to Workers</b>	Commercial tenants consider where workers live in choosing an office location.	<ul style="list-style-type: none"> <li>▪ A large and growing population in Sydney's North West region provides a large employment pool for potential office tenants, however sites that can offer direct public transport accessibility and a range of ancillary services will be better placed as office locations.</li> </ul>
<b>3. Established Commercial Office Hub</b>	Large scale commercial tenants look for established commercial areas where there is a clustering of other reputable companies.	<ul style="list-style-type: none"> <li>▪ The subject site is not part of a recognised / established commercial precinct, therefore limiting its potential to attract major commercial tenants</li> <li>▪ Current uses within the Castle Hill Employment Precinct are focused on showrooms, bulky goods retailing and light industrial uses. Therefore shifting the Precinct's competitive strength toward a more commercially focused centre is a long-term strategy conversely, leveraging the Precinct's existing uses (showroom, bulky goods etc.) will have greater potential to enhance trading / business performance levels of the area.</li> </ul>
<b>4. Services and Amenities</b>	Locations that have easy access to retail and other amenities will be highly sought after as office locations.	<ul style="list-style-type: none"> <li>▪ Currently limited services and amenities provided around the subject site</li> <li>▪ The Showground station development will provide local-scale retail and service activity which will improve local service provision.</li> </ul>

FACTORS	COMMENTS	IMPLICATIONS FOR THE SUBJECT SITE
<b>5. Competing Supply</b>	<p>Competing commercial space provide an indication of market preferences in terms of location and product.</p> <p>The quantum of better located supply can limit the market potential to support commercial uses on the subject site.</p>	<ul style="list-style-type: none"> <li>▪ There are a number of superior located commercial precincts elsewhere within Sydney (for e.g. Sydney Olympic Park and Parramatta)</li> <li>▪ Norwest is an established commercial centre within the Hills Shire LGA currently accommodating around 20,000 employees and the potential to accommodate up to 23,000 additional jobs</li> <li>▪ Beyond Norwest, a significant supply of additional commercial floorspace is planned in existing commercial nodes in Metropolitan Sydney including over 320,000 sq.m of A-grade net leasable office floorspace at Barangaroo in Sydney CBD, together with additional developments at Sydney Olympic Park, Parramatta CBD, Macquarie Park (North Ryde) and North Sydney. This supply pipeline is expected to place downward pressure on rents and vacancy rates, providing greater opportunities for businesses to relocate closer to Sydney CBD.</li> <li>▪ Outer metropolitan locations such as The Hills Shire are geographically disadvantaged, particularly as the Sydney Metro North West will increase accessibility to these competing locations</li> <li>▪ Overall this limits the market potential for commercial development in untested locations such as the subject site, particularly in the short-medium term.</li> </ul>

Source: Urbis



## NORWEST

Norwest is the largest commercial office location within the Hills Shire LGA and, as identified in the *NSW Government's Economic Feasibility Report*, is recognised as having significant potential for employment growth due to the following attributes:

- Offers the greatest level of rental discount against the other Sydney Metropolitan office markets
- Exhibits the highest prime yield against the other Sydney Metropolitan office markets
- Exhibits lowest rent per sq.m when compared to the key suburban markets (i.e. Parramatta, Sydney Olympic Park, and North Sydney)
- Provides flexible floorspace to accommodate a range of users.

Norwest was rezoned for employment in 1987 with the first major subdivision works occurring in the early 1990s and with the original occupants being Australia Post, Cathay Pacific and the Hillsong Church.

Since this time Norwest has further evolved so that the major land use, excluding residential, is for office purposes rather than industrial warehouse usage. Woolworths, Resmed, and Wyeth Australia were “early adopters”, constructing major head office style facilities in the early 2000's.

Norwest has grown into a full service, self-sufficient employment precinct and features recreational areas with walking tracks and water features, two shopping centres (one sub-regional), restaurants and cafes, child care centres, hotels and the former Bella Vista Totally Home bulky goods centre (which has been demolished to make way for the new Sydney Metro North West Bella Vista Station).

Norwest is North Western Sydney's largest employment centre, with around 20,000 employees, 800 businesses and 500,000 sq.m of occupied space, of which around 300,000 sq.m is office space.

The Norwest Business Park website states that future expansion has the potential to increase the workforce to 35,000.

The majority of remaining vacant B7 Business Park zoned land at Norwest is located on the southern side of Norwest Boulevard (around Nobrik Drive). Furthermore, there is potential to develop land currently used for at-grade parking around the Hillsong Church between Norwest Marketown shopping centre and Solent Circuit.

A lack of construction activity has been a feature in Norwest over the last two years and absorption has occurred at a slow pace. However, unlike most other metro markets in Sydney, Norwest has significant expansion potential and is unaffected by residential encroachment. The development of the new Sydney Metro North West stations at Bella Vista and Norwest are expected to enable Norwest to further strengthen its position as a significant employment destination.

Norwest will be well served by new residential development linked to the Sydney Metro North West and the North West Growth Centre, enabling the business park to make a strong pitch to prospective employers by offering the ability to live and work locally.

Compared to the commercial assessment of the Showground Precinct, Norwest performs higher against the following key criteria:

- Ability to leverage growth off an established commercial hub, with the potential to accommodate significant employment growth
- Access to a broad range of services to meet the needs of workers and surrounding resident market. This includes access to:
  - Supermarket-based shopping centres (Norwest Marketown and Centra Norwest)
  - Virgin Active Gym, and
  - Range of retail services restaurants, bars and cafes and recreational lakes, walking and bicycle tracks.

Norwest has taken several years to become an established commercial centre, due to its location on the edge of metropolitan Sydney and competition from other business parks in more central locations (e.g. Macquarie Park, and Sydney Olympic Park).

The Metropolitan Sydney office supply pipeline will increase the competitive environment for all existing business parks. If Norwest is maintained as the primary commercial office location for the Hills Shire LGA, its outlook should be positive, benefiting from the Sydney Metro North West and population growth within the North West Growth Centre. A planning strategy which supports fragmentation of commercial activity across the LGA has the potential to undermine future take up of commercial space at Norwest.

It is a logical approach to maximise agglomeration effects around existing and planned infrastructure at Norwest, specifically:

- Leveraging the strength of an established business park location
- Utilising undeveloped appropriately zoned and serviced land
- Taking full advantage of the provision of two new train stations to service the precinct.

Historically, Norwest has under-performed as a business park relative to other commercial centres in Metropolitan Sydney. Planning policies which direct future commercial development to Norwest can assist in increasing demand for floorspace. An expanded Norwest with enhanced connectivity, resulting from the Sydney Metro North West, would enable it to compete more effectively against other metropolitan business parks such as Macquarie Park, Chatswood and St Leonards.

Norwest has significant capacity for expansion. The majority of vacant land is located on the lands to the south of Norwest Boulevard around Centra Norwest, as shown in Map 5.2.

The Norwest Structure Plan (September 2013) and the 2015 draft Bella Vista Structure Plan (both prepared by NSW Government) collectively, identify the potential for around an additional 23,000 commercial jobs in the precinct.

The clustering of commercial jobs around the existing business park precinct would represent effective and efficient use of land and would leverage the increased accessibility afforded by the development of two new Sydney Metro North West stations. Additional commercial development would also

be provided as part of the expansion of activities at Castle Hill and Rouse Hill Town Centres.

In our view targeting commercial employment in these locations can maximise the net benefit to The Hills Shire LGA and increases the prospects for employment retention.

## OTHER OFFICE LOCATIONS

The Sydney Metro North West is a catalytic project for the North West and West Central subregions. It will significantly increase accessibility to existing Hills Shire office locations such as Norwest, as well as Castle Hill and Rouse Hill Town Centres.

In addition, industrial and business park developments at Marsden Park and Box Hill will increase the supply of employment lands in the region. As such, these areas will largely be able to accommodate the projected employment growth within the commercial sector (i.e. around 26,600 office based jobs projected to 2036, Section 4.2)

The metro will also increase ease of accessibility to other established centres such as Macquarie Park, Chatswood, North Sydney and Sydney CBD for the Hills Shire residents.

Future development of commercial floorspace within the Showground Station Precinct should therefore be smaller scale and more in line with “support type” offices, consistent with the JLL analysis. This could include office space that is ancillary to other uses.







## 6 Mixed Use Development Case Studies

Current market conditions combined with the scale of the subject site provide an opportunity to modernise the existing businesses to create a modern, high tech car showroom precinct that is integrated as part of a broader mixed use scheme.

The redevelopment, combined with the landowner's willingness to set aside land for the development of businesses incubator space or other commercial development would result in an employment uplift across the site. The inclusion of a residential component would also deliver a range of social, economic and environmental benefits (outlined in more detail in Chapter eight).

The nature of car yards/dealerships is changing in such a way that they require an increasingly skilled and diverse workforce. This is due to service businesses focusing on greater customisation and customer interaction in order to differentiate their services, as well as offering greater services under the one location.

This can be best experienced at the Audi Centre located at East Village (as detailed in this Section), which includes car sales, hire, showroom, service (automotive repair, and car parts and accessories), and a coffee and food workstation.

These sleek, modern car showroom service centres can be successfully incorporated as part of mixed use schemes incorporating a significant residential element.

There have been many recent development sites which have successfully rejuvenated and modernised an area that previously served for only one functional role. Furthermore, there has been an increasing trend to improve and modernise sites that serve a light industrial role in order to improve the surrounding amenities, enhance employment density, and increase house housing affordability.

The following case studies (some of which are also categorised as successful urban renewal projects) have been chosen to demonstrate the fact that residential developments are able to co-locate with car showroom uses:

- East Village (Zetland, Sydney)
- The Hawksburn (South Yarra, Melbourne)
- Eureka Tower (Southbank, Melbourne)
- Mercedes House (Manhattan, New York).

In addition to these case studies, there are also other successful examples of car showrooms being integrated within mixed use developments, demonstrating that upper levels of non-showroom use can be successfully incorporated into building design. These include:

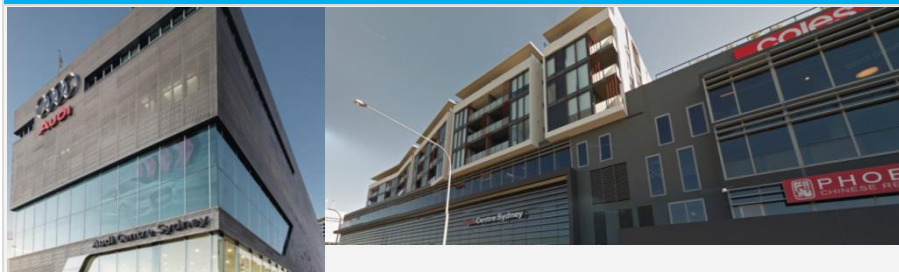
- The integrated Hyundai showroom and Australian head office at Lane Cove
- Commercial development on upper levels above the Trivett car showrooms at O'Riorden Street, Alexandria



HYUNDAI LANE COVE AND TRIVETT ALEXANDRIA



## EAST VILLAGE



- A former wasteland in a semi-industrial site
- The development is located adjacent to a car dealership area
- The development scheme incorporated a car showroom (Audi Centre Sydney).

<b>Developer</b>	Payce, Joynton North Pty Ltd
<b>Location</b>	2-4 Defries Avenue, Zetland (NSW)
<b>Completion</b>	2014
<b>Residential Component</b>	206 units
<b>Commercial Component</b>	10,000 sq.m Audi Service Centre, urban marketplace, dining precinct, public gym and a Coles supermarket.
<b>Property Description</b>	<p>East Village is a \$300 million mixed use residential and retail precinct which forms a major part of the Victoria Park redevelopment area.</p> <p>The development comprises of 206 residential apartments, a Coles supermarket, a Virgin Active Health Club, 50 specialty shops and a total of 1,183 car parking spaces.</p> <p>Additionally, the development includes a 10,000 sq.m Audi Service Centre, which complements the neighbouring showroom at 895 South Dowling Street (covering approximately 2,500 sq.m land area). The Service Centre is one of the largest Audi service and parts facilities in the world, offering 48 service bays.</p>

Source: Cordell Connect; Payce; Urbis

## THE HAWKSBURN



- Residential apartments and Volvo car showroom.

<b>Developer</b>	The Hawksburn South Yarra Pty Ltd and Peter Gibson Developments Pty Ltd.
<b>Location</b>	441 Malvern Road, South Yarra (VIC)
<b>Completion</b>	2014
<b>Residential Component</b>	135 units
<b>Commercial Component</b>	Volvo showroom and café
<b>Property Description</b>	<p>The Hawksburn is a five storey mixed use development incorporating commercial and residential uses. The building is being developed by The Hawksburn South Yarra Pty Ltd with a development cost of approximately \$46 million and completion expected in December 2014.</p> <p>The mixed use development comprises three levels of basement car parking offering 140 secure car parks, a ground floor Volvo car showroom with café and four levels of residential apartments including 135 units. The residential component offers one, two and three bedroom units in addition to three 250 sq.m penthouses.</p>

Source: Cordell Connect; Urbis

## EUREKA TOWER



- CBD apartments and lower level car showroom for Aston Martin and Rolls Royce.

<b>Developer</b>	Eureka Tower Pty Ltd (joint venture consisting of Daniel Grollo of Grocon, investor Tab Fried and Eureka Tower's architect Nonda Katsalidis)
<b>Location</b>	7 Riverside Quay, Southbank (VIC)
<b>Completion</b>	2006
<b>Residential Component</b>	556 units
<b>Commercial Component</b>	890 sq.m car showrooms (Aston Martin and Rolls Royce)
<b>Property Description</b>	<p>The Eureka Tower in Southbank is a residential skyscraper that stands 297 metres tall. When completed in 2006, the Tower was the tallest residential building in the world, with a construction cost of approximately \$500 million.</p> <p>The building consists of 91 storeys above ground with one basement level. The basement level and the first 9 floors contain car parking and there are 84 floors of apartments (some floors consist of both apartments and car parking).</p> <p>The commercial component of the building consists of an 890 sq.m Aston Martin and Rolls Royce car showroom at the base of the tower at street level.</p>

Source: Cordell Connect; Urbis

## MERCEDES HOUSE



- CBD apartments and car showroom for Mercedes Benz.

<b>Developer</b>	Two Trees Management
<b>Location</b>	Between 53rd and 54th Street and 11th Avenue, Manhattan (NY)
<b>Completion</b>	2012
<b>Residential Component</b>	900 units (rentals and condominiums)
<b>Commercial Component</b>	30,937 sq.m Mercedes Benz flagship dealership
<b>Property Description</b>	<p>Mercedes House is a \$US550 million mixed use development comprising of a five storey Mercedes Benz dealership at the base, with a 27 storey luxury rental complex sitting above.</p> <p>The residential component of Mercedes House consists of rental apartments and condominiums including studio, one bedroom and two bedroom layout options. The residents have access to an array of amenities within the complex including a wellness centre and health club, indoor parking, indoor and outdoor swimming pools, two outdoor decks with green space, indoor basketball, barbeques, boxing ring, golf simulator, outdoor screening area, volleyball court and spa facilities.</p>

Source: Cordell Connect; Urbis

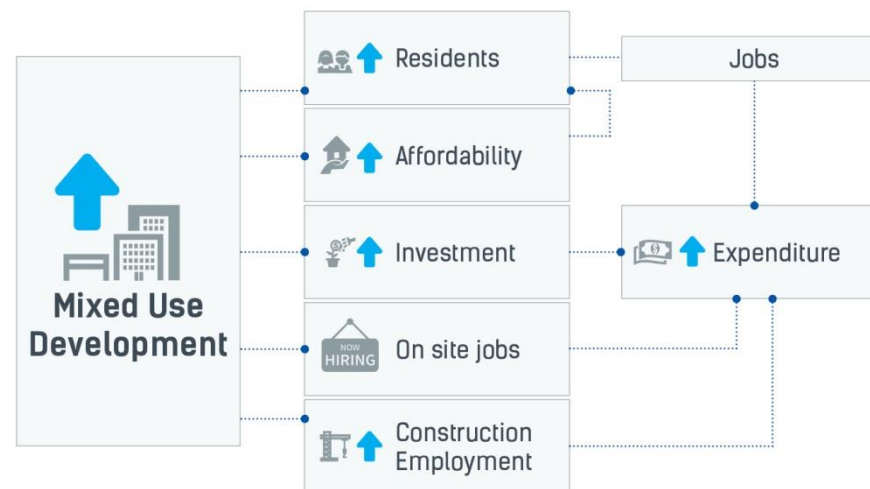
## 7 Economic Benefits

The redevelopment of the subject site to facilitate a mix of uses and retain the car yard/showroom activity offers potential for a range of economic benefits. These economic benefits would be derived from the following sources:

- Retention and expansion of current employment uses
- Construction employment, related to the proposed development
- Additional retail spending from a future on-site resident market
- The benefits of orderly and efficient use of land
- Contributions to housing affordability
- Investment stimulus
- Increased vibrancy
- Consistency with the NSW Planning and Environment 'A Plan For Growing Sydney' on housing choice, locating housing close to jobs, increasing residential density around train stations as well as strengthening Castle Hill's role as a strategic centre.

A detailed economic benefit assessment of any future mixed use development scheme at the subject site would be undertaken to quantify these benefits in more detail

FIGURE 8.1 – ECONOMIC BENEFIT FLOW CHART



### 7.1 ORDERLY AND EFFICIENT USE OF LAND

Mixed use redevelopment of the subject site would allow for the orderly and efficient use of land by:

- Achieving the highest and best value use for the subject site
- Maintaining employment functions on the subject site
- Sustaining a resident population that can generate and retain expenditure within the Hills Shire LGA
- Provide opportunities for people to live and work within the Hills Shire LGA, thereby enhancing employment retention
- Take advantage of social and transport infrastructure in the immediate vicinity of the subject site (e.g. recreational parks and the Showground train station).



## 7.2 HOUSING AFFORDABILITY

The development of residential dwellings of varying sizes would create a range of housing options and price points targeted to the future requirements of the Hills Shire LGA residents. This includes opportunities for future workers within the LGA to purchase new housing close to their place of work.

## 7.3 INVESTMENT STIMULUS

Any future redevelopment involving substantial property investment has the potential to deliver a range of spill-over effects, including:

- A strong positive commitment for the local area
- Enhanced residential amenity (new infrastructure)
- Greater housing choice for local residents and increased affordability
- Opportunities for the Hills Shire LGA to broaden its residence base
- Added opportunities for people to live and work within the LGA, thereby enhancing labour market containment
- Stimulate and attract further investment to the immediate area
- Assist in raising the profile of the local area as a place to live, work and invest

At 2.24 hectares, the site offers a significant redevelopment opportunity. The current low density use including open lot car sales under utilise the potential of the site. It currently has some of the lowest development and employment density within the precinct despite being a key gateway site.

Redevelopment could have a transformative effect - not only through providing an enhanced use and design for the subject site – but as a catalyst for future development and investment in the southern part of the precinct. This, combined with investment around the future Showground Metro

station, could make a substantial contribution to the revitalisation of physical and economic performance of the precinct.

## 8 Conclusion and Recommendation

Independent commercial analysis by JLL exhibited with the Showground Structure Plan documentation calls into question the potential to support large-scale commercial development within the Castle Hill Trading Zone.

Urbis' own analysis supports this view. Consistent with the Economic Feasibility Report undertaken by JLL, our view is that large-scale commercial development within the Castle Hill Trading Zone is unlikely to be supportable. The precinct performs poorly against key success factors for commercial office development, which include:

- Access to transport infrastructure
- Access to workers
- Track record as an established commercial hub
- Provision of services and amenities
- Competition from existing and proposed supply

It would therefore require a fundamental repositioning and major capital investment to establish the precinct as a sustainable office market location.

We consider that potential exists to capture broader economic benefits at the subject site through mixed-use redevelopment. The subject site benefits from its location as a south western gateway to the Castle Hill Trading Zone.

Further detailed site planning would be required, but there are several examples of successful integration of modern car showrooms, commercial and residential development, notably the award winning East Village development at Zetland.

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