

An aerial photograph of Sydney Olympic Park, showing various sports venues, green spaces, and surrounding urban areas. A semi-transparent green rectangle is overlaid on the right side of the image, containing the title and subtitle text.

# Sydney Olympic Park Master Plan 2030

5 Year Review: Feasibility & Market Testing



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## LIST OF ABBREVIATIONS

|        |   |
|--------|---|
| ABS    | Australian Bureau of Statistics                               |
| ANZSIC | Australian and New Zealand Standard Industrial Classification |
| BTS    | Bureau of Transport Statistics                                |
| CBD    | Central Business District                                     |
| CCD    | Census Collection District                                    |
| DCP    | Development Control Plan                                      |
| DP&E   | NSW Department of Planning and Environment                    |
| EIA    | Economic Impact Assessment                                    |
| FSR    | Floor Space Ratio   |
| HES    | Household Expenditure Survey (ABS)                            |
| JTW    | Journey to Work   |
| LEP    | Local Environmental Plan                                      |
| LGA    | Local Government Area   |
| NLA    | Net Lettable Area   |
| PTA    | Primary Trade Area  |
| SEPP   | State Environmental Planning Policy                           |
| SA3    | Statistical Area Level 3                                      |
| SA4    | Statistical Area Level 4                                      |
| SD     | Statistical Division  |
| SLA    | Statistical Local Area  |
| Sqm    | Square metre  |
| STA    | Secondary Trade Area  |
| TTA    | Tertiary Trade Area   |
| TZ     | Travel Zone   |

## EXECUTIVE SUMMARY

Sydney Olympic Park Authority (SOPA) has commissioned HillPDA to undertake development feasibility testing and land use demand forecasting as part of a periodic review of the Sydney Olympic Park (SOP) Master Plan 2030. This research has informed the Master Plan revision process.

The current SOP Master Plan 2030 (SOP MP 2030) has a baseline GFA capacity of 1,500,000sqm of which 490,000sqm of GFA (32.6%) is completed or committed for development. The remaining capacity is 1,010,000sqm of GFA in the current Master Plan.

Our key market findings indicate a growing demand for residential development and a corresponding decline in commercial office space development. This is demonstrated by an increase in development applications for the conversion of existing commercial building sites to residential in SOP and competing centres.

HillPDA's retail expenditure modelling also indicates a significant growth in demand for retail floorspace in SOP with potential for a regional shopping centre. Although such a major retail centre may generate traffic constraints, its inclusion is seen as advantageous for both local residents and employees for both shopping choice and entertainment.

Our market research suggests the following revision to market take-up rates per annum for the SOP study area as follows:

**Table 1: Annual take up rates**

|                        | MP (2030) | HILLPDA |
|------------------------|-----------|---------|
| RESIDENTIAL (units/pa) | 414       | 575     |
| COMMERCIAL (sqm/pa)    | 23,770    | 10,000  |
| RETAIL (sqm/pa)        | 1,680     | 4,400   |

The retail floorspace take up is likely to occur in a major block of 50,000-60,000sqm if a regional shopping centre is approved at SOP. The balance of retail take up will be proportional to development in other precincts at SOP.

A key concern in our research is the market potential for residential development to "crowd-out" existing and potential commercial office uses. This may justify the master plan review to nominate a commercial core that is exclusive for commercial office uses. Alternatively, a mandatory component of commercial floor space for mixed use development could also be considered. An expanded shopping /entertainment centre is likely to improve the prospect of attracting more office space as SOP becomes more activated on a daytime basis.

The comparison of the Hill PDA supply target to the current SOP MP 2030 capacity target is shown in the table below:

**Table 2: Hill PDA Revised Capacity Forecast**

| Floorspace Forecast Units/ Sqm | 2011-2015 Supply | SOP MP 2030 | HillPDA Forecast 2016 - 2030 |
|--------------------------------|------------------|-------------|------------------------------|
| Residential (Units)            | 2,250            | 6,000       | 8,625                        |
| Commercial (GFA, Sqm)          | 115,000          | 479,000     | 150,000                      |
| Retail (GFA, sqm)              | 8,562            | 33,000      | 66,000                       |

The Hill PDA forecasts are “probable” take up rates to 2030 based on our demand analysis discussed later in this report. We propose that it is prudent to have capacity over and above these likely take up rates to make the plan “future proof” with the flexibility to reallocate floorspace demand to alternative locations if development potential is not realised in any one redevelopment site.

The revised suggested SOP MP for 2030 is shown below:

**Table 3: Revised SOP Master Plan 2030**

|                      | Hill PDA Revised MP (2030) |
|----------------------|----------------------------|
| Residential (Units)  | 10,700                     |
| Commercial GFA (Sqm) | 412,000                    |
| Retail GFA (Sqm)     | 100,000                    |

The revised master plan recommendation shows increased capacity for residential and retail and a likely reduction in the take up of commercial floorspace.

The commercial capacity remains well above current demand take up forecast but with the advent of the Parramatta Light Rail, the expanding educational demand and the likely growth of retail offer we consider it is prudent to provide such surplus capacity.

The retail capacity recommendation provides for a concentration of retail uses in the Central Precinct and a spread of retail across other precincts.

The findings in this report are based on existing published information, and have been prepared for the purposes of strategic land use planning at Sydney Olympic Park. This report should not be relied upon for other purposes. It is recommended that interested parties undertake their own investigations.

# 1 INTRODUCTION

Sydney Olympic Park Authority (SOPA) has commissioned HillPDA to undertake a review of the Sydney Olympic Park (SOP) Master Plan 2030 (MP 2030). The SOP MP 2030 is subject to five year reviews which require consideration of current market conditions and changes in broader policy to land use and planning.

This report forms part of the five year review to the Master Plan with specific focus on understanding viable development options in current market conditions.

## SOP 2030 Master Plan Context

### Residential Context

Since the adoption of the SOP MP 2030 in 2010, there has been a considerable shift in State Government policy toward residential development. This shift has been particularly focussed on the intensification of residential development around key transport nodes and priority precincts.

The shift in government policy is partially a reflection of changed market conditions during this time. There has been a major new wave of medium and high density residential development along rail corridors and medium to large retail centres over the past five years. This new wave of development is due to a general increase in the number of dwelling completions across Sydney increasing from 13,959 in 2009-2010 to 23,456 in 2013-2014, an increase of nearly 10,000 dwellings per annum<sup>1</sup>.

### Commercial Market Context

Conversely to the residential market, the commercial office market across Sydney has experienced modest growth over the past five years since the 2010 plan. There has been a shift of major tenancies relocating from traditional metropolitan commercial centres such as Bondi Junction, Pymble, Chatswood, North Sydney and St Leonards to Macquarie Park and the Sydney CBD including Darling Harbour and Barangaroo. With these relocations there has been an intensification of residential uses and a reduction in commercial floorspace<sup>2</sup>.

<sup>1</sup> NSW DP&E (2015) NSW Housing Performance Monitor - Dwelling Completions by LGA & State Suburb

<sup>2</sup> CBRE (2014) 'Residential Conversions: Keeping Sydney's Office Markets Balanced'



## 2 ASSESSMENT OF SOP MASTER PLAN 2030

The Sydney Olympic Park Master Plan 2030 (SOP MP 2030) outlined a land use plan which sought to considerably intensify the uses within SOP with a specific focus on the Sydney Olympic Park Town Centre. The figure below shows the SOP Vision in the SOP MP 2030.

**Figure 1: SOP Vision in 2030 Master Plan**



Source: SOPA (2010)

The SOP MP 2030 differed from previous studies through its promotion of a considerable uplift in the density of residential, commercial and retail land uses. The plan sought to increase the long term focus of SOP as a liveable day-to-day employment and residential precinct which still has capacity to support major events.

Figure 2 shows the current land use plan in the SOP MP 2030. This land use plan has divided commercial and residential areas, with an interface around Figtree Drive. It can be argued the intensification is still fairly modest across much of the events/facilities area.

**Figure 2: Land Use Plan in the SOP Master Plan 2030**



Source: SOPA (2010)

## Master Plan Revision Background

The current SOP Master Plan 2030 (SOP MP 2030) has a baseline GFA capacity of 1,500,000sqm of which 490,000sqm of GFA (32.6%) is completed or committed for development. The remaining capacity is 1,010,000sqm of GFA in the current Master Plan.

### 3 RESIDENTIAL MARKET CONSIDERATIONS

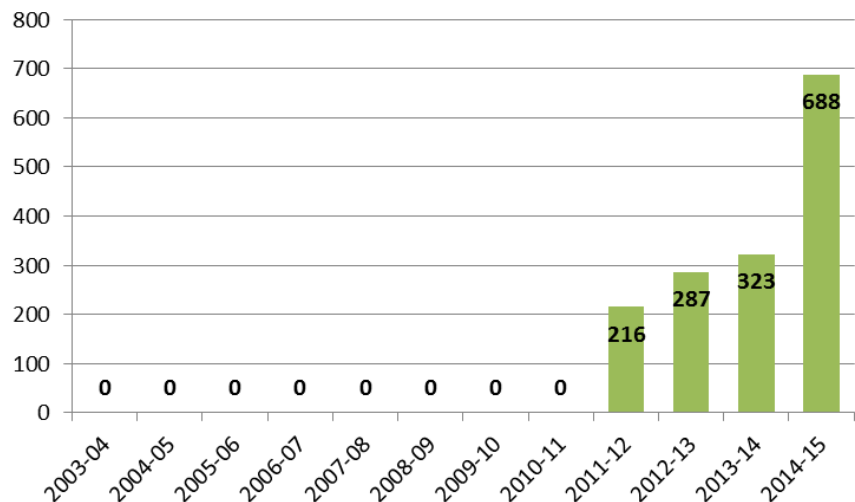
This chapter assesses the current residential market conditions and the likely future capacity to grow and how this will impact the SOP Master Plan 2030 review.

#### Residential Market Activity

The residential property market across Sydney as a whole has been very strong in the past decade and especially since the SOP MP 2030 was adopted in 2010.

This is reflected in the development of 2,250 apartments being built in SOP since the last review. Historical completion of apartments in SOP to the 1<sup>st</sup> quarter in 2015 is shown below:

**Figure 3: Dwelling Completions in Sydney Olympic Park 2004-2015**



Source: NSW DP&E Housing Performance Monitor

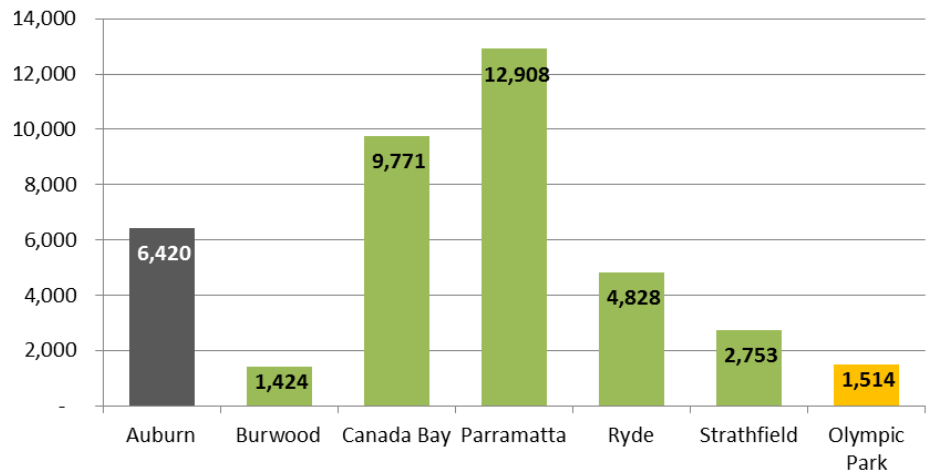
#### Historic Trends

The housing market in Sydney's Inner West and West Central areas has been reflective of the strong housing conditions across Sydney. Of six LGA's surrounding SOP there have been 39,618 dwelling completions between 2004 and January 2015. This includes 1,514 in SOP, which is nearly 4% of the total dwelling completions.

Figure 4 shows the distribution of the dwelling completions between these six LGAs. The total figure for the former Auburn Council (which encompassed SOP) has been calculated subtracting the SOP total.



**Figure 4: Dwelling Completions (2004- 2015 Q1)**



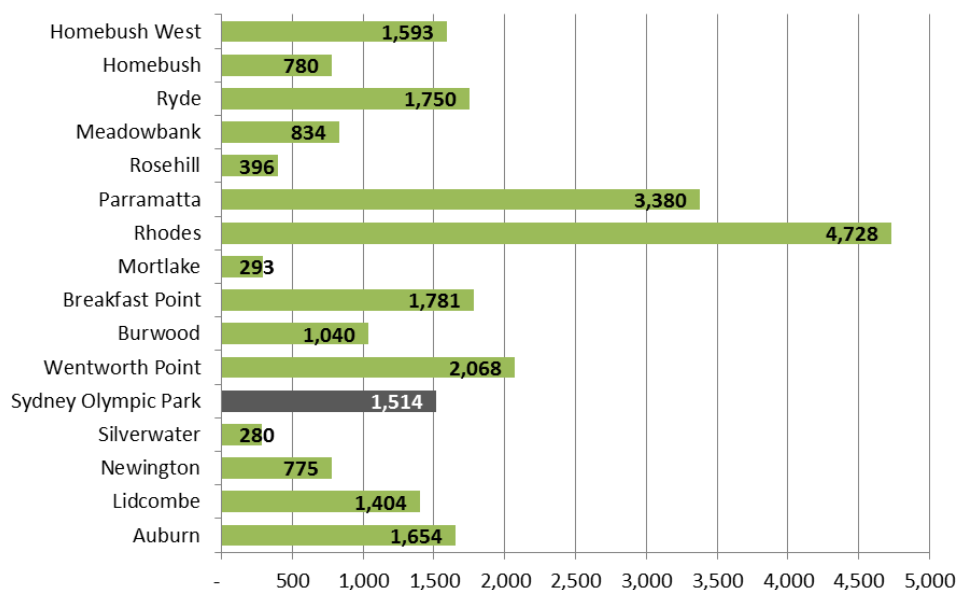
Source: NSW DP&E Housing Performance Monitor

At a more detailed level, identifying what could be considered 'directly competing markets', there have been 24,271 new dwellings completed from 2004 to January 2015. The area considered a 'directly competing market' includes the suburbs as shown in Figure 5.

The totals in Figure 5 show that of the directly competing markets, Rhodes had the highest number of completions with 4,728, followed by Parramatta (3,380) and Wentworth Point (2,068). SOP had the 8th highest number of completions with 1,514 out of the 16 suburbs.

Over the 11 year period SOP had 6% of the market share.

**Figure 5: New Dwellings in Directly Competing Markets (2004 – Q1/2015)**



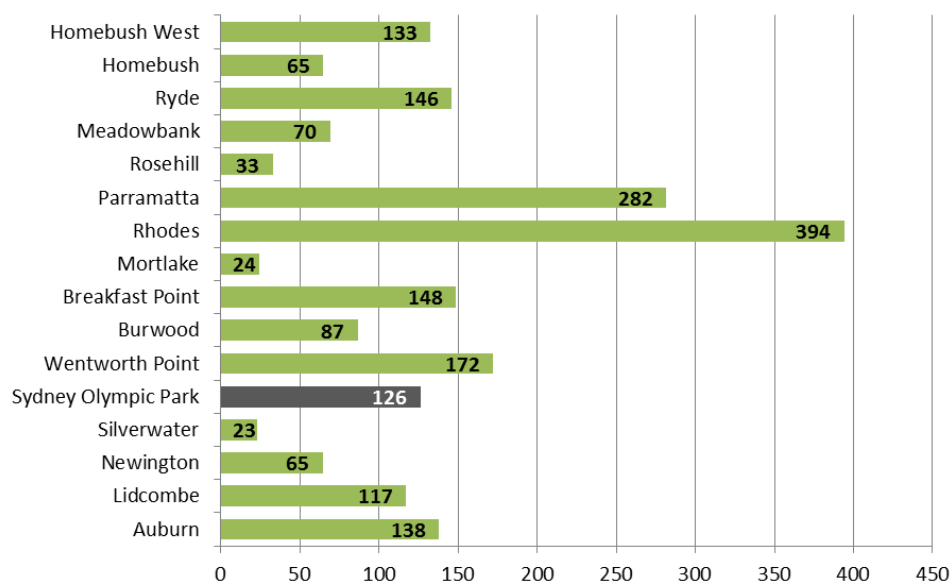
Source: NSW DP&E Housing Performance Monitor

Over the past four years, SOP has completed 1,514 dwellings out of a total of 10,054 comprising 15% of the total completions during this time.

**Table 4: 4 Year Dwelling Total and Market Share**

| 4 Year Totals       | 2011-12      | 2012-13      | 2013-14      | 2014-15 part year to Q1 2105 | Total         | Market Share |
|---------------------|--------------|--------------|--------------|------------------------------|---------------|--------------|
| Auburn              | 50           | 16           | 15           | 40                           | 121           | 1%           |
| Lidcombe            | 287          | 126          | 99           | 51                           | 563           | 6%           |
| Newington           | -            | -            | -            | -                            | -             | 0%           |
| Silverwater         | 7            | 6            | -            | 7                            | 20            | <.2%         |
| Sydney Olympic Park | 216          | 287          | 323          | 688                          | 1,514         | 15%          |
| Wentworth Point     | 215          | 476          | 154          | -                            | 845           | 8%           |
| Burwood             | 218          | 499          | 36           | 11                           | 764           | 8%           |
| Breakfast Point     | 163          | 183          | 177          | 151                          | 674           | 7%           |
| Mortlake            | 17           | 27           | 59           | 20                           | 123           | 1%           |
| Rhodes              | 361          | 789          | 943          | 161                          | 2,254         | 22%          |
| Parramatta          | 174          | 291          | 695          | 105                          | 1,265         | 13%          |
| Rosehill            | 113          | 23           | 31           | -                            | 167           | 2%           |
| Meadowbank          | -            | -            | 39           | -                            | 39            | <.4%         |
| Ryde                | 245          | 233          | 429          | 126                          | 1,033         | 10%          |
| Homebush            | -            | 62           | 9            | 65                           | 136           | 1%           |
| Homebush West       | -            | 237          | 188          | 111                          | 536           | 5%           |
| <b>Total</b>        | <b>2,066</b> | <b>3,255</b> | <b>3,197</b> | <b>1,536</b>                 | <b>10,054</b> | <b>100%</b>  |

In identifying the 11 year average between 2004 to 2015, Rhodes had an average per annum dwelling completion rate of 394, however there were major variances over those years. The peak completion rate was in 2013-2014 where Rhodes had 943 dwelling completions, whilst only 7 in 2003-2004. Figure 6 shows the 11 year per annum dwelling completion rate for SOP of 126 dwellings per annum.

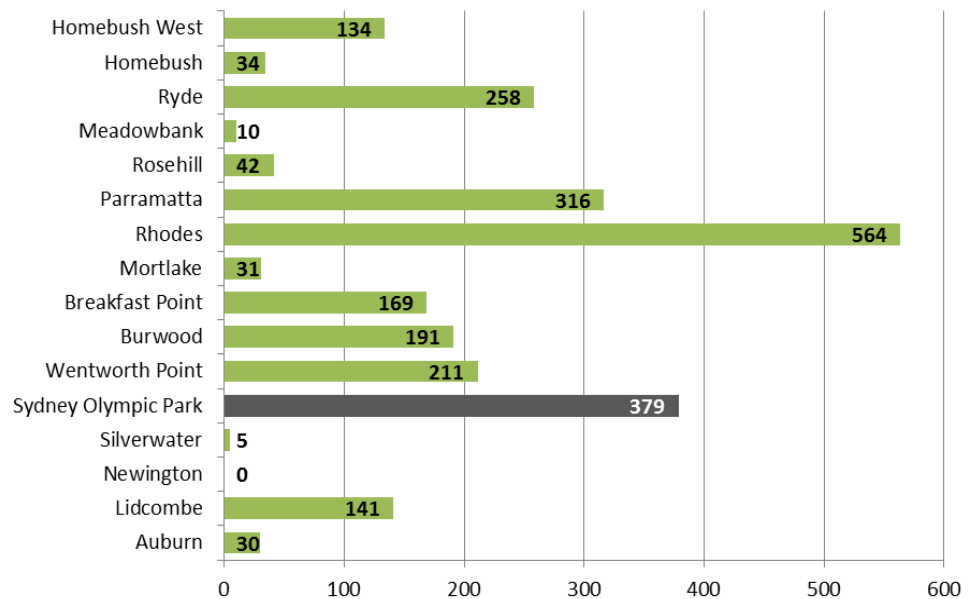
**Figure 6: 11 Year Average in Directly Competing Markets (2004-2015)**

Source: NSW DP&amp;E Housing Performance Monitor

The 11 year average dwelling completion rate is misleading for SOP as there were no dwellings built until 2011-2012. Identifying the four year average since that time, SOP has actually had a per annum dwelling completion rate of 379 dwellings, second only behind Rhodes which has had a rate of 564 dwellings per annum. This demonstrates the SOP is an attractive development area for residential.

Further, in July 2014 to the end of March 2015 there were 688 dwellings completed. Caution however must be made in extrapolating this sale rate for future years as an average rate, as it represents the probable peak in the residential market and a likely backlog of demand.

**Figure 7: 4 Year Average in Primary Market Area (2011-2015)**

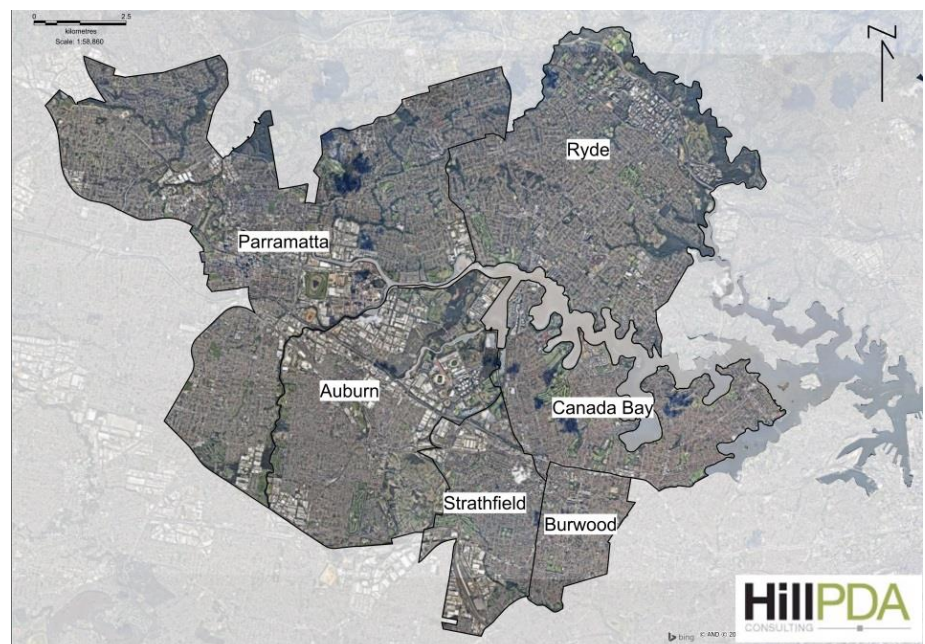


Source: NSW DP&E Housing Performance Monitor

### Competing Market Capture Area

The competing market catchment area has been defined as the area shown in Figure 8. This includes Parramatta and Auburn to the West, Ryde to the North, Canada Bay and Burwood to the East and North Strathfield to the South.

**Figure 8: Competing Market Capture Area**

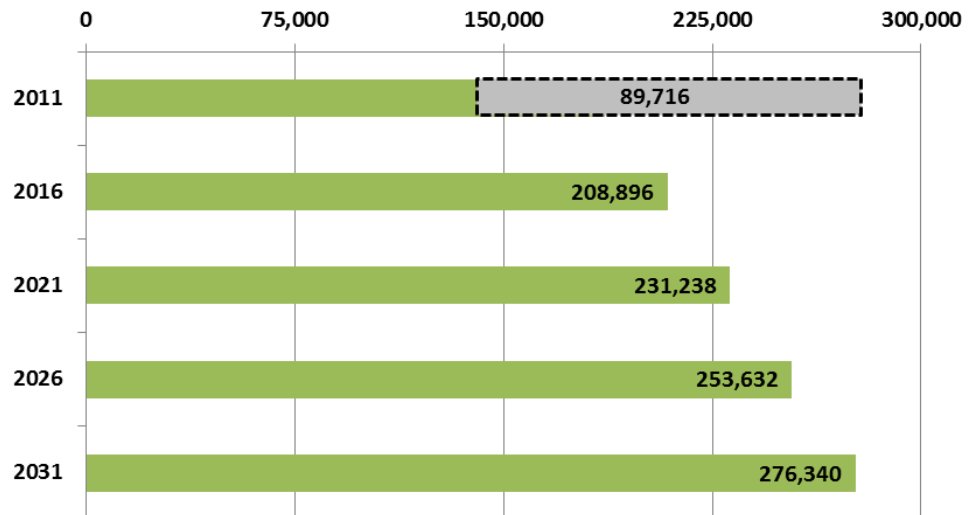


Source: HillPDA



The NSW BTS forecasts an additional 89,716 dwellings from 2011 to 2031 for our defined market capture area for SOP. Between 2016 and 2031 the forecast growth is 67,444. See Figure 9 below.

**Figure 9: Forecast Dwelling Growth in Competing Market Capture Area**



Adopting SOP's market share at 15%, based on historical take up rates, the BTS forecasts would suggest potential for SOP to add 10,116 new dwellings to 2031 at an average rate of 674 per annum. This would mean an annual completion rate that is almost as high as the peak year (2014-2015) of 688 dwellings.

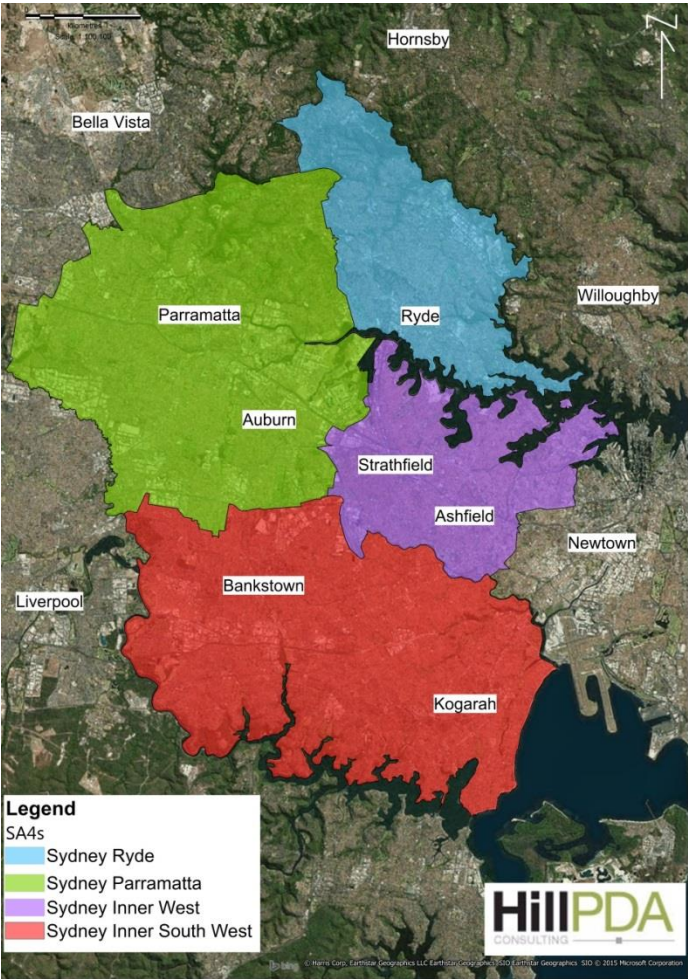
The current SOP MP 2030 was forecasting an average take up rate of 414 new dwellings per annum.

### Secondary Market Capture Area

Hill PDA has also considered a broader catchment area with a corresponding smaller capture rate. We consider this Secondary Market Capture Area to include four SA4 areas which are:

- Sydney SA4 - Inner South West;
  - Bankstown, Canterbury, Hurstville, Rockdale & Kogarah LGAs
- Sydney SA4 - inner West;
  - Canada Bay, Leichhardt, Strathfield, Burwood & Ashfield LGAs
- Sydney SA4 - Parramatta; and
  - Auburn, Holroyd, Parramatta LGAs
- Sydney SA4 – Ryde;
  - Ryde, Hunters Hill & Hornsby (Part) LGAs

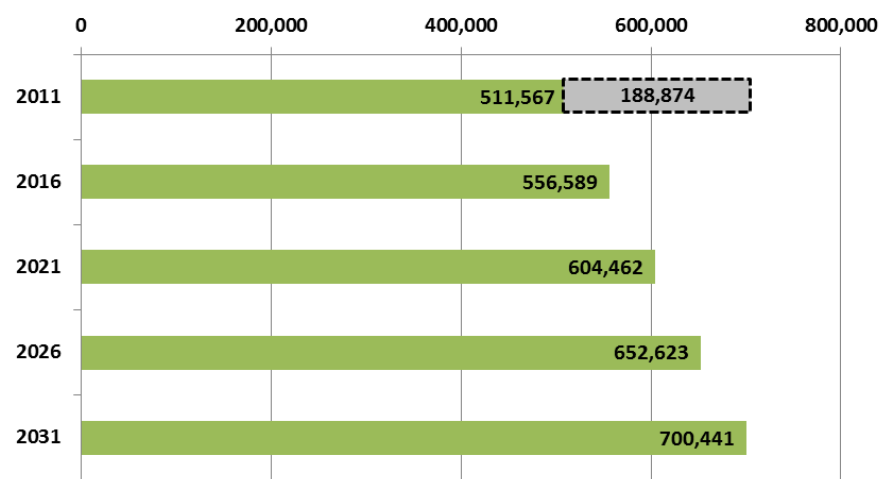
Figure 10: Secondary Market Capture Area



Source: HillPDA & ABS

The BTS dwelling forecast from 2011 to 2031 is 188,874 dwellings and 143,852 dwellings from 2016 to 2031.

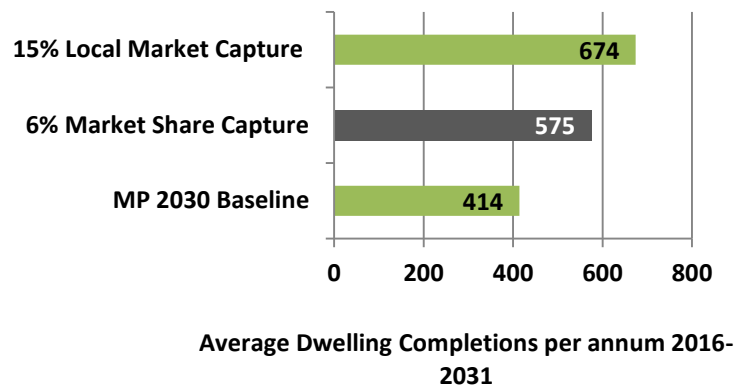
Figure 11: Forecast Dwelling Growth in Secondary Market Capture Area



Source: BTS Population & Dwelling Projections

If SOP was to maintain the current level of market capture over this broader area of 6% based on historical capture rates, we could expect 8,631 additional dwellings by 2031. This would mean an average per annum dwelling completion rate of 575 dwellings per annum,

**Figure 12: Comparison of Forecast Take Up Rates**



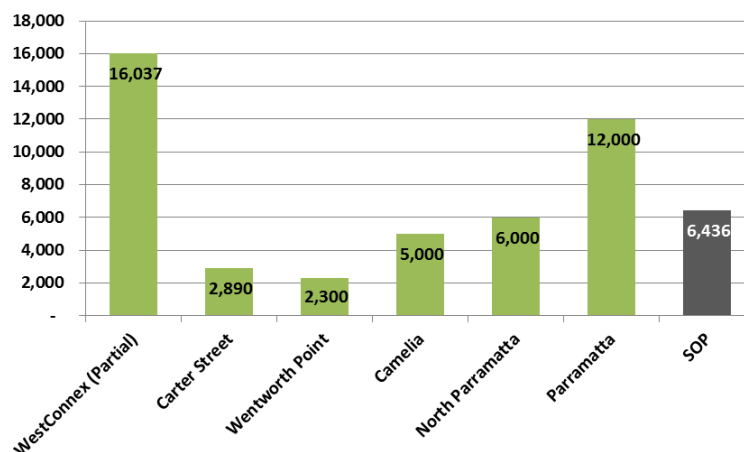
Source: HillPDA & NSW BTS (Population & Dwelling Projections)

Both the local market capture forecast and the broader market capture calculation yield higher take-up rates than the current forecast of 414 dwelling per annum in the current SOP MP 2030.

## Competing Markets

A major consideration in the ability for SOP to grow at a continued activated level requires consideration of the multiple competing markets that will be accommodating new residential development over the next 20 years. Figure 13 shows a baseline of competing markets that are within the primary market capture area. It is important to note, this only covers major developments.

**Figure 13: Competing Markets**



Source: NSW DP&E

## Conclusion

Our research shows a projection of 50,663 dwellings from major developments over the next 20 years alone.

In conclusion for the 15 year period to 2030, taking into account competing centres, population forecasts and fair market share for SOP we forecast an average annual take up rate of 575 dwellings to 2030.

Other factors that will impact these forecasts may include:

- New competition outside the direct market area might include Bays Precinct & Macquarie Park; and
- The current market boom is likely to move to a stagnation period and maybe a slump. This will impact the initial forecasts but over a 15 year period the average should be achievable barring any unforeseen externality.

Negative externalities include:

- FIRB controls on foreign investment could tighten. This will impact the foreign investor market which has knock on effects to SOP market; and
- Changes to fiscal policy such as negative gearing and investment of property in self-managed superannuation funds can have sizeable impacts.

Positive Externalities includes:

- Light Rail from Parramatta;
- Upgrades from WestConnex with improved access to Motorway;
- Improved retail offer; and
- New public and private Schools.



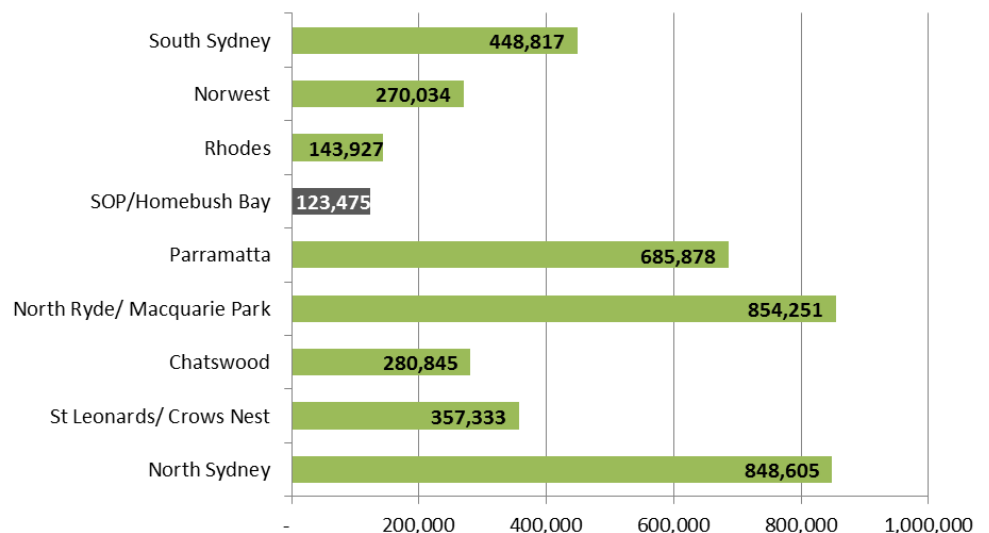
## 4 COMMERCIAL MARKET CONSIDERATIONS

### Historic Trends

The commercial office market across Sydney over the past five years in comparison to the residential market has experienced irregular conditions for rental and capital growth.

As of January 2015, SOP accommodates 123,475sqm of commercial office space of which 117,000sqm is A Grade<sup>3</sup>. It is one of the smaller metropolitan office markets in Sydney with most other non-CBD commercial centres having over 300,000sqm of commercial floorspace.

**Figure 14: Commercial Floorspace in Non-Metropolitan Commercial Office Markets**

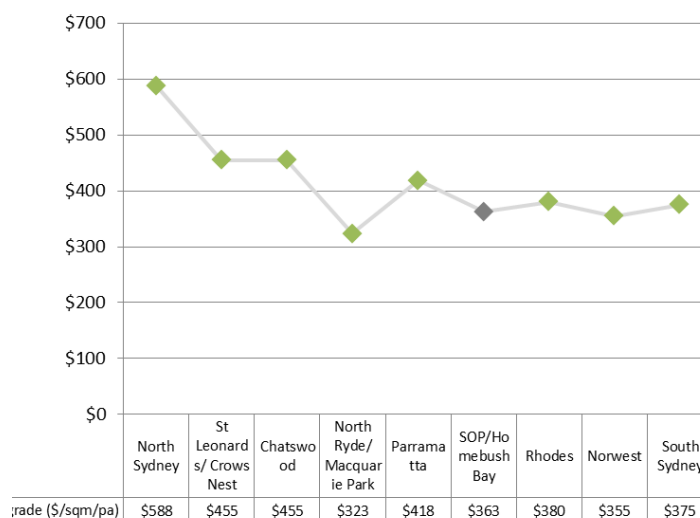


Source: Colliers - Sydney Office Market Research Report

### Key Market Indicators

As a comparison against other markets, SOP has one of the lower median net face rents at \$363/sqm/per annum, Macquarie Park which can be identified as a major competitor has a lower median net face rents of \$323 \$/sqm. Figure 15 shows the rental comparison between metropolitan office markets in Sydney

<sup>3</sup> Colliers (2015) Sydney Metro Office Market Report.

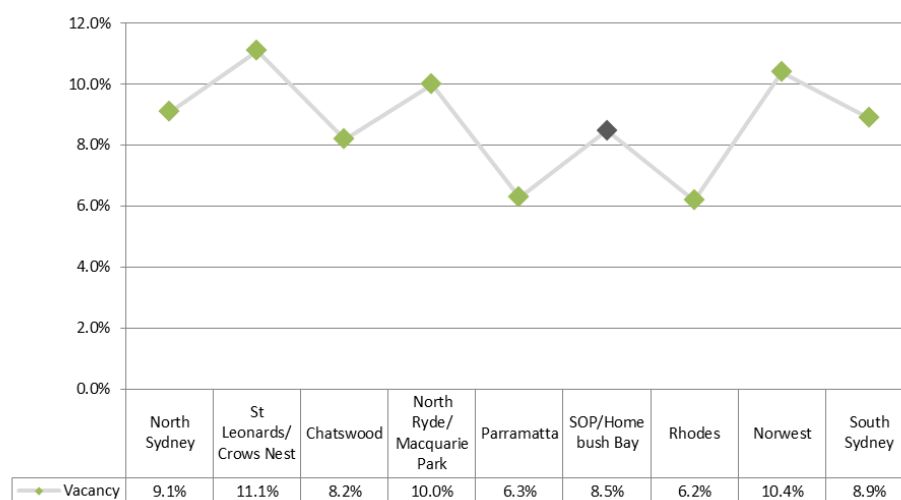
**Figure 15: Market Rent Comparison (\$/sqm per annum) in Metropolitan Office Markets**

Source: Colliers - Sydney Office Market Research Report

The vacancy rate in SOP was 8.5% as of January 2015. The vacancy rates across the metropolitan markets do not vary greatly, with a range in January 2015 from a low of 6.2% in Rhodes to a high of 11.1% in St Leonards/ Crows Nest.

A major factor emerging across many commercial office markets in Sydney is that office vacancy is being kept stable by conversions of lower grade office stock to residential. In some markets such as Chatswood and St Leonards, this has meant a contraction in the total supply of floorspace and continuous negative net absorption of office space each quarter over the past two to three years.

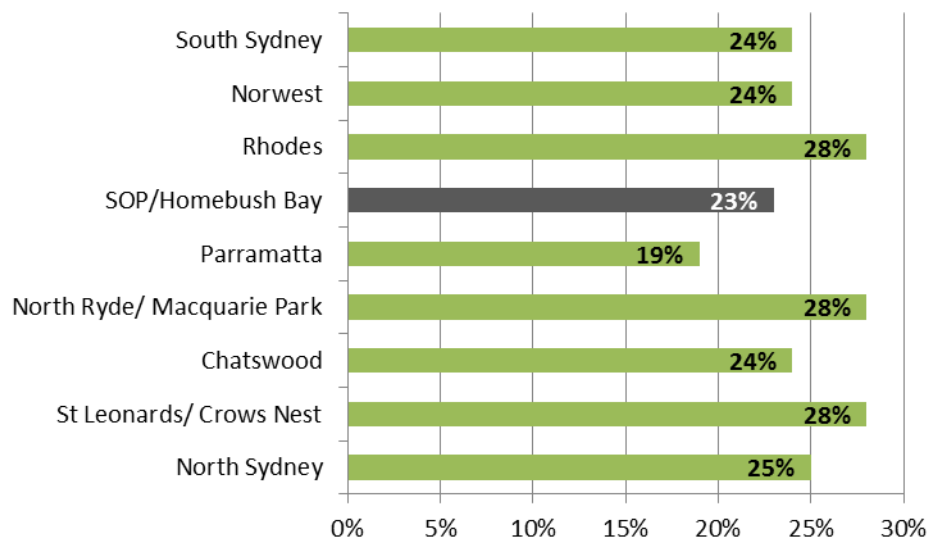
This trend is likely to impact SOP, as land owners seek to look for alternative land use options for holdings in areas currently zoned commercial.

**Figure 16: Market Vacancy Across Metropolitan Markets.**

The incentives being offered across the Sydney Metropolitan Office Markets are generally high. This means that the net-effective rents are often a quarter to a third lower than their net-face rent. With average incentive rates of 28% in Macquarie Park and Rhodes, combined with a comparable or lower net face rent, makes these markets very competitive with SOP.

Figure 17 shows the market incentive rates across commercial office markets in Sydney.

**Figure 17: Average Market Incentives Across Sydney Metropolitan Office Markets**



Source: Colliers Sydney Suburban Office Market Report 2015

### Projected Future Growth

At present there is 48,400sqm of commercial office space in the pipeline for SOP, which represents 39% of the total market. Table 5 shows the current projected pipeline of commercial office space in SOP.

**Table 5: Commercial Pipeline in Sydney Olympic Park**

| Address                     | Sqm           | Stage        | Completion | Tenant  |
|-----------------------------|---------------|--------------|------------|---------|
| 3 Murray Rose Ave           | 12,200        | Construction | 2015       | Samsung |
| 10 Herb Elliott Ave Stage 2 | 16,000        | DA Approved  | 2017       |         |
| 4 Murray Rose Ave           | 15,800        | DA Approved  | 2017       |         |
| Site 8C, 9 Murray Rose Ave  | 4,400         | DA Approved  | 2017       | NRMA    |
| <b>Total</b>                | <b>48,400</b> |              |            |         |

Source: Knight Frank Sydney Suburban Office Market Report 2015

### Forecast Commercial Demand

The fundamental determinants for forecasting commercial office demand is growth in employment demand by sector (white collar vs manufacturing). At commercial centre level it is more difficult as you need to consider the availability of supply (zoning and land supply), desirability of location (prestige, transport, access and amenity) and cost of delivery (built cost and net rent). The other complicating factor is market speculation which can run well ahead or behind underlying demand. With those reservations made we have attempted to forecast the underlying demand for office take up in SOP based on the following fundamentals:

- a) Growth in Population in the Catchment Area;
- b) Percentage share of white collar employment;
- c) Worker containment within catchment area;
- d) Average floor space per worker; and
- e) SOP market share.

For the last point, SOP current market share is 7% while Rhodes is 8%. We have combined Rhodes and SOP market share together to 15% as Rhodes is a commercial centre that is likely to be limited in growth and future activity may be the conversion of existing commercial to residential. We have also increased that share to 25% to account for the Parramatta Light Rail, the continued activation of SOP and improved access from Westconnex.

**Table 6: Current Local Market Share %**

|                            | Floorspace sqm   | Market Share |
|----------------------------|------------------|--------------|
| North Ryde/ Macquarie Park | 854,251          | 47%          |
| Parramatta                 | 685,878          | 38%          |
| SOP/Homebush Bay           | 123,475          | 7%           |
| Rhodes                     | 143,927          | 8%           |
|                            | <b>1,807,531</b> |              |

Based on the revised market share of 25% we calculate the annual take up of commercial office floorspace per annum in SOP as follows:



**Table7: Office Space Market Share Forecast**

|                                    |            |
|------------------------------------|------------|
| BTS Population Forecast 2016 -2031 | 143,852    |
| % Employed in Population           | 51%        |
| White collar %                     | 60%        |
| sqm floor space per worker         | 22         |
| sqm GFA total demand               | 968,412    |
| Containment with catchment         | 60%        |
| sqm local office floorspace demand | 581,047sqm |
| 25% over 15 years                  | 145,261    |
| Forecast supply /per annum         | 10,000sqm  |

Based on the above long term fundamentals we believe SOP has potential to attract on average 10,000 sqm of office floorspace per annum to 2030.

This is a downward revision from the current SOP MP 2030 for commercial office floor space demand for the following reasons:

- There will be a replacement of commercial office space to make way for additional residential dwellings;
- Current market conditions are not favourable to capture large tenancies to underwrite a new commercial development; and
- Competing markets to SOP are expanding to include a revitalised Parramatta CBD, Macquarie Park to the North, possibly the Bays Precinct with White Bay Terminal & the Parramatta Road Corridor.

That said the commercial market is highly volatile and supply can exceed demand by many multiples of annual forecast demand.

Positive factors include:

- Improved vehicle access with the WestConnex and Parramatta Road upgrades;
- The roll out of the Parramatta Light Rail will increase the attractiveness of SOP for recreation, entertainment and education. This will shift the nature of the built form from the current dominant office park type building form to a more mixed use building type with residential tower and non-residential uses located in a podium; and
- Growth of the Sydney Global economy with the global arc spreading south from Macquarie Park, through to Rhodes and SOP. This arc could then form more of a concentric circle linking back to the Sydney CBD through an urban activation corridor along Parramatta Road and the revitalisation of the Bays Precinct.

## 5 RETAIL MARKET CONSIDERATIONS

Retail demand projections by HillPDA forecast a further 66,471sqm of new retail in SOP from 2016 to 2031.

### Methodology

The methodology applied for this analysis is based on household expenditure modelling.

This practice involves the definition of a trade area for the SOP development, analysing forecast population, estimating and projecting expenditure levels from current and future population, estimating the level of expenditure captured specifically by the trade area and dividing captured expenditure by industry benchmark turnover levels to derive required floor areas.

### Trade Area

The retail trade area is determined by a combination of factors including:

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

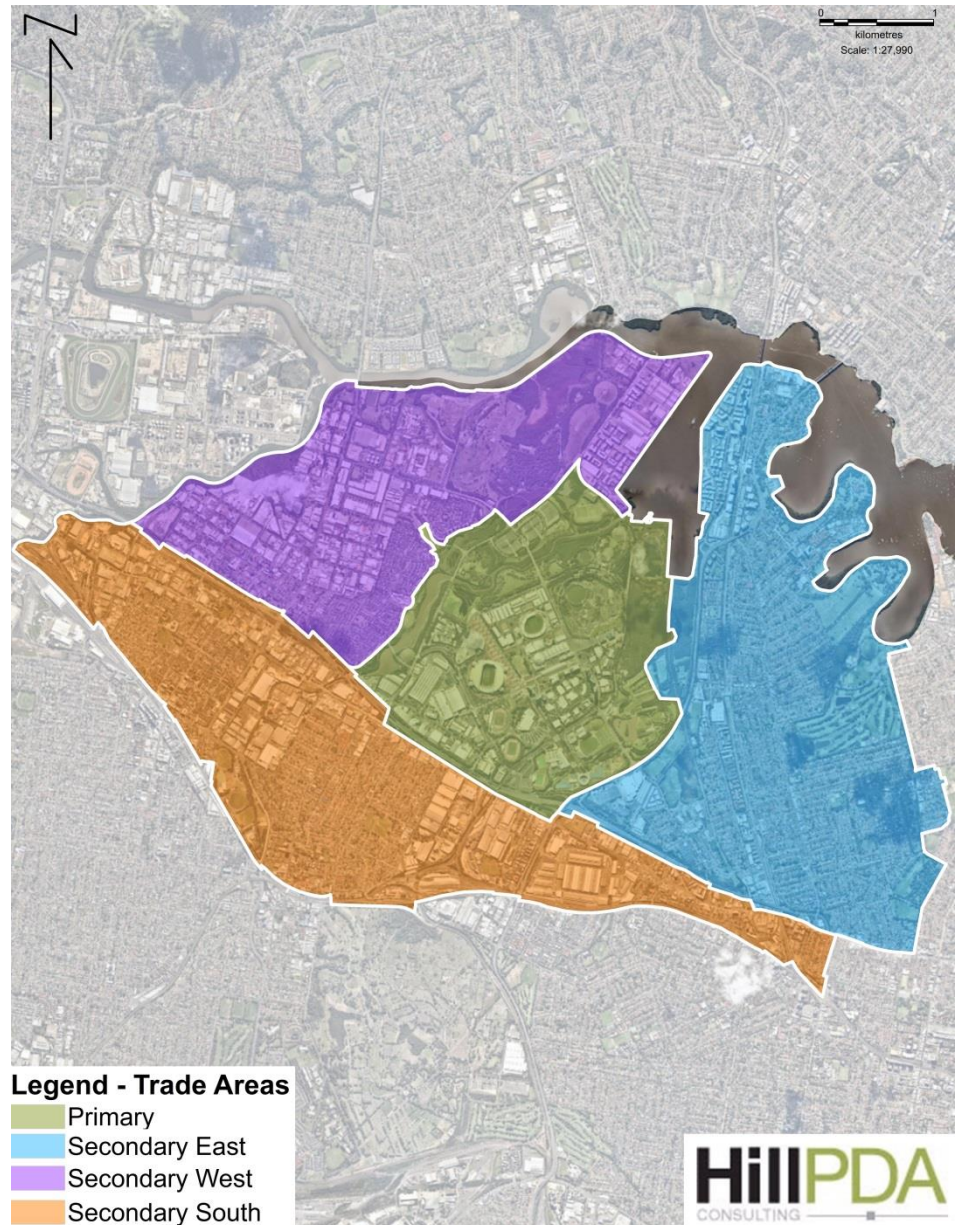
The Trade Area has been defined to include one Primary Trade Area and three Secondary Trade Areas as follows:

- **Primary Trade Area** – encompasses the suburb of Sydney Olympic Park and bounded to the south by M4. Retail facilities at the Subject Site would capture a majority of top-up shopping from residents in this area;
- **Secondary East Trade Area** – includes the Rhodes the peninsula, North Strathfield and parts of Concord. The Subject Site will generate a small proportion of business from the Secondary East and a minimal proportion of food and grocery related expenditure;

- **Secondary South Trade Area** – extends south of the M4 running through Auburn and Lidcombe. Its boundary is limited further to south by retail provided at Auburn and Homebush;
- **Secondary West Trade Area** – Includes the suburbs of Silverwater, Newington and Wentworth Point.

The extent of the trade area is shown in the figure below.

**Figure 18: Proposed Developments Main Trade Area**



We refer hereafter to the combination of the Primary Trade Area and Secondary Trade Area as the Main Trade Area (MTA) of SOP.

## Population Projections

Population projections for the MTA from 2014 to 2031 have been based on various sources including the NSW Bureau of Transport Statistics (BTS) projections (released September 2014). The Primary Trade Area projections have been broadened to include the residents residing in the proposed development at the Subject Site. We have considered two scenarios:

HillPDA has applied a rate of 1,265 new residents every year from 2016 to 2031 within the Primary Trade Area (i.e. 575 new dwellings at an occupancy rate of 2.2 persons per dwelling).

In addition to the above we have also applied a rate of 900 new residents every year from 2016 to 2031 within the Secondary West sector to factor the additional growth anticipated at Wentworth Point.

Population growth in the trade areas under both scenarios are shown in the table below.

**Table 8 – HillPDA Revised Population Forecast Scenario: Population Forecasts**

| Trade Area      | 2014          | 2019          | 2024           | 2031           | Change from 2014-2031 |
|-----------------|---------------|---------------|----------------|----------------|-----------------------|
| Primary         | 2,220         | 6,015         | 12,340         | 21,195         | 18,975                |
| Secondary East  | 30,498        | 36,161        | 40,278         | 44,817         | 14,319                |
| Secondary South | 25,385        | 29,097        | 33,408         | 38,915         | 13,530                |
| Secondary West  | 11,082        | 14,136        | 18,636         | 24,936         | 13,854                |
| Main Trade Area | <b>69,185</b> | <b>85,409</b> | <b>104,662</b> | <b>129,863</b> | <b>60,678</b>         |

## Forecast Household Expenditure

For the purposes of this analysis, household expenditure was sourced from AnySite Data 2014 which provides household expenditure by broad commodity type.

Based on the above, and assuming population growth forecasts as discussed above, HillPDA has forecast household retail expenditure in the trade area as provided in the following table. Note the forecasts assume growth in real retail spend per capita of 1.0% per annum consistent with the long term trend in historic spend.

**Table 9 – HillPDA Revised Population Forecast Scenario: Expenditure by Retail Store Type for the MTA**

| YEAR                                       | 2014<br>\$m  | 2019<br>\$m    | 2024<br>\$m    | 2031<br>\$m    |
|--|--------------|----------------|----------------|----------------|
| Supermarkets & Grocery Stores              | 270.3        | 354.2          | 461.6          | 621.2          |
| Take-away Liquor Stores                    | 56.8         | 74.5           | 97.1           | 130.6          |
| Specialty Food Stores                      | 30.0         | 39.2           | 51.2           | 68.8           |
| Fast-Food Stores                           | 47.2         | 61.8           | 80.6           | 108.4          |
| Restaurants, Hotels and Clubs*             | 85.1         | 111.6          | 145.5          | 195.8          |
| Department Stores                          | 59.9         | 78.5           | 102.2          | 137.4          |
| Apparel Stores                             | 75.8         | 99.3           | 129.3          | 173.9          |
| Bulky Goods Stores                         | 118.6        | 155.3          | 202.1          | 271.7          |
| Other Personal & Household Goods Retailing | 124.5        | 163.1          | 212.5          | 285.8          |
| Selected Personal Services**               | 31.5         | 41.2           | 53.7           | 72.3           |
| <b>Total Retailing</b>                     | <b>899.7</b> | <b>1,178.7</b> | <b>1,535.8</b> | <b>2,065.9</b> |

The above table indicates that by 2031 the trade areas generated approximately \$2.1b of retail expenditure by households within the MTA.

However, of total retail expenditure generated by residents of the trade areas, only a proportion would be captured by retail facilities proposed at SOP.

Based on the likely retail mix, HillPDA has estimated a range of capture rates for different retail stores types as shown in the following table. It should be noted that in developing these capture rates we have used aspirational target capture rates for SOP which reflect the size of the MTA and household expenditure available as well as a competitive landscape.

**Table 10 - Potential Capture Rates of Household Expenditure**

| Retail Store Type                          | Primary | Secondary East | Secondary South | Secondary West |
|--|---------|----------------|-----------------|----------------|
| Supermarkets & Grocery Stores              | 90%     | 7%             | 45%             | 30%            |
| Take-away Liquor Stores                    | 90%     | 7%             | 45%             | 30%            |
| Specialty Food Stores                      | 85%     | 8%             | 25%             | 25%            |
| Fast-Food Stores                           | 75%     | 8%             | 25%             | 25%            |
| Restaurants, Hotels and Clubs*             | 75%     | 8%             | 25%             | 25%            |
| Department Stores                          | 40%     | 5%             | 15%             | 30%            |
| Apparel Stores                             | 40%     | 5%             | 15%             | 30%            |
| Bulky Goods Stores                         | 0%      | 0%             | 0%              | 0%             |
| Other Personal & Household Goods Retailing | 55%     | 5%             | 15%             | 20%            |
| Selected Personal Services**               | 75%     | 5%             | 15%             | 20%            |



## Benchmark Turnover Levels

Demand for floorspace is estimated by dividing household expenditure captured by benchmark retail turnover densities (RTD) measured as \$/sqm/annually. For the purpose of this analysis we have adopted the following target RTDs and assumed a real growth rate of 0.5% per annum<sup>4</sup>.

**Table 11 - Benchmark Turnover Levels 2014**

| Year                                       | 2014<br>\$/sqm/pa |
|--|-------------------|
| Supermarkets & Grocery Stores              | 11,000            |
| Take-away Liquor Stores                    | 12,000            |
| Specialty Food Stores                      | 8,000             |
| Fast-Food Stores                           | 8,000             |
| Restaurants, Hotels and Clubs              | 5,000             |
| Department Stores                          | 3,600             |
| Clothing Stores                            | 6,000             |
| Bulky Goods Stores                         | 3,700             |
| Other Personal & Household Goods Retailing | 4,900             |
| Selected Personal Services                 | 3,500             |

Source: National average from ABS Retail Survey 1998-99, escalated to 2007 dollars; Urbis Retail Averages, Shopping Centre News and other Consultancy Reports.

\* Hotels and Clubs only includes the Restaurant and Catering component. Other sources of revenue such as gaming and accommodation are excluded.

\*\* Required floor space to meet expenditure generated by the primary and secondary trade areas.

<sup>4</sup> This is in line with historic trends. Expenditure per capita has increased at around 1.1% above CPI every year since 1986. Around half of this increase has translated into an increase in retail floorspace per capita (from 1.8sqm in the 1980s to around 2.2sqm today). The balance of the increase in expenditure has translated into a real increase in turnover per square metre rates.

**Table 12 – HillPDA Revised Population Forecast Scenario: Demand for Retail Floorspace by Retail Category (sqm)**

| YEAR                                       | Target Rate* | Growth**     | 2014          | 2019          | 2024          | 2031          |
|--|--------------|--------------|---------------|---------------|---------------|---------------|
| Supermarkets & Grocery Stores              | 11,000       | 0.50%        | 6,607         | 9,306         | 13,368        | 19,275        |
| Take-away Liquor Stores                    | 12,000       | 0.50%        | 1,239         | 1,756         | 2,537         | 3,673         |
| Specialty Food Stores                      | 8,000        | 0.50%        | 738           | 1,087         | 1,620         | 2,398         |
| Fast-Food Stores                           | 8,000        | 0.50%        | 1,145         | 1,657         | 2,433         | 3,563         |
| Restaurants, Hotels and Clubs              | 5,000        | 0.50%        | 3,290         | 4,771         | 7,014         | 10,281        |
| Department Stores                          | 3,600        | 0.50%        | 2,379         | 3,330         | 4,753         | 6,827         |
| clothing Stores                            | 6,000        | 0.50%        | 1,808         | 2,531         | 3,613         | 5,190         |
| Bulky Goods Stores                         | 3,700        | 0.50%        | 0             | 0             | 0             | 0             |
| Other Personal & Household Goods Retailing | 4,900        | 0.50%        | 3,293         | 4,854         | 7,248         | 10,744        |
| Selected Personal Services                 | 3,500        | 0.50%        | 1,235         | 1,910         | 2,969         | 4,520         |
| <b>Total Retailing</b>                     | <b>1,448</b> | <b>0.50%</b> | <b>21,733</b> | <b>31,202</b> | <b>45,554</b> | <b>66,471</b> |

Based on the floorspace forecasts shown in the tables above, it is anticipated that by 2019 residents within the MTA would generate sufficient demand for almost 31,200sqm of retail floorspace at SOP. Over the period to 2031 this is expected to increase to a demand of 66,471sqm under the HillPDA Revised Population Forecast Scenario.

## 6 DEFINITION OF TERMS

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

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

**Greater Capital City Statistical Areas** – The GCCSAs represent the socio-economic extent of each of the eight State and Territory capital cities. GCCSAs are aggregates of SA4s. The GCCSAs combined with the Rest of State regions cover the whole of Australia without gaps or overlaps and aggregate directly to S/T

**Gross Floor Area** – Gross Floor Area (GFA) is Gross Lettable Area plus common mall spaces (including amenities), centre management area and plant rooms. In a typical indoor centre with at least one department store and supermarket the GLA makes up around 72% to 75% of the GFA.

**Gross Lettable Area** – Gross Lettable Area (GLA) is the common measure used for lease and for other descriptive purposes in retail centres and shops. It is usually defined as the total area of the lease and includes back of house, storage, offices and mezzanine levels but usually excludes loading docks and common mall spaces. GLA is more commonly used in the industry because it defines the area of the lease. Shopping centre owners report rents and turnover figures on the leased area and benchmarking is usually made on the GLA. For the purpose of Hill PDA's demand modelling all floor areas expressed are in GLA.

**Household** – One or more persons that usually reside in the same private dwelling.

**Infill Development** – New development that occurs within established urban areas where the site or area is either vacant, or has previously been used for another urban purpose.

**Journey to Work data** – Comprises datasets which analyse employment distribution and trends, including commute patterns.

**Mesh Block** - The Mesh Blocks are a new micro-level geographical unit for statistical analysis developed by the ABS. There are 314,369 spatial Mesh Blocks covering Australia with most residential Mesh Blocks containing approximately 30 to 60 dwellings.

**Primary Trade Area** – The area from within which a centre or retail facility will draw the majority of its trade.

**Secondary Trade Area** – The area from within which a centre or retail facility will draw some trade, but a significantly lesser proportion than in the Primary Trade Area.

**Statistical Area Level 1** - SA1s are built from whole Mesh Blocks. Whole SA1s aggregate directly to SA2s in the Main Structure, as well as all of the Non-ABS Structures except LGAs and Tourism Regions. There are approximately 55,000 SA1s. SA1s do not cross state borders and cover the whole of Australia without gaps or overlaps. SA1s generally have a population of 200 to 800 persons, and an average population of about 400 persons. SA1s in remote and regional areas generally have smaller populations than those in urban areas. SA1s closely bound small rural towns with a population of 180 persons or more.

**Statistical Area Level 2** - The SA2s are a general-purpose medium-sized area built from whole SA1s. There are 2,196 SA2 spatial units covering Australia with non-crossing over state borders and without gaps or overlaps. The aim of this

geographical unit is to represent a community that interacts together socially and economically. SA2s generally have a population range of 3,000 to 25,000 persons, and have an average population of about 10,000 persons. SA2s in remote and regional areas generally have smaller populations than those in urban areas.

**Statistical Area Level 3** - The SA3s provide a standardised regional breakup of Australia. The aim of SA3s is to create a standard framework for the analysis of ABS data at the regional level through clustering groups of SA2s that have similar regional characteristics. SA3s are built from whole SA2s and aggregate directly to form SA4s in the Main Structure. There are 333 SA3 spatial units in Australia without crossing state borders. In aggregate, they cover the whole of Australia without gaps or overlaps. In general, the SA3s are designed to have populations between 30,000 and 130,000 persons. The lack of specific statistical requirements provides the SA3s with considerable flexibility in terms of population variability and this allows the definition of meaningful regional areas to take precedence over population criteria. As a result, there are a number of SA3s with populations above 130,000 or below 30,000.

**Statistical Area Level 4** - The SA4 level represents the largest sub-state regionalisation of the main structure in the ASGS. Its main purpose is to provide the geographical basis for labour force statistics. In regional areas, SA4s represent a single, or clusters of labour markets, with an average population of between 100,000 and 300,000 people. While in a capital city labour markets will be broken up into sub markets of between approximately 150,000 and 500,000 thousand people based on an analysis of travel to work data.

**Statistical Division** – A Statistical Division (SD) is an Australian Standard Geographical Classification (ASGC) defined area which represents a large, general purpose, regional type geographic area. SDs represent relatively homogeneous regions characterised by identifiable social and economic links between the inhabitants and between the economic units within the region, under the unifying influence of one or more major towns or cities. They consist of one or more Statistical Subdivisions (SSDs) and cover, in aggregate, the whole of Australia without gaps or overlaps. They do not cross State or Territory boundaries and are the largest statistical building blocks of States and Territories.

**Statistical Local Area** – The Statistical Local Area (SLA) is an Australian Standard Geographical Classification (ASGC) defined area. SLAs are Local Government Areas (LGAs), or parts thereof. Where there is no incorporated body of local government, SLAs are defined to cover the unincorporated areas. SLAs cover, in aggregate, the whole of Australia without gaps or overlaps.

**Tertiary Trade Area** – The area from within which the centre or retail facility will draw a small proportion of trade from residents who visit it on an infrequent basis.

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

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