

**Blackwattle Bay**  
State Significant Precinct


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# Attachment 6:

## Economic Development, Local Retail and Services Study

June 2021





# **BLACKWATTLE BAY STATE SIGNIFICANT PRECINCT**

## **Economic Development, Local Retail and Services**

March 2021

**we are insw** Infrastructure  
New South Wales

**HiIPDA**  
CONSULTING

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## Quality Control

This document is for discussion purposes only unless signed and dated by a Principal of HillPDA.

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## List of Abbreviations

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
ATP	Australian Technology Park
BMD	Bays Market District
CBD	Central Business District
DCP	Development Control Plan
DDS	Discount Department Store
DPIE	NSW Department of Planning, Industry and Environment
EDS	Employment Development Strategy
EIA	Economic Impact Assessment
FSR	Floor Space Ratio
GDP	Gross Domestic Product
GFA	Gross Floor Area
GLA	Gross Lettable Area
GLAR	Gross Lettable Area Retail
GMA	Greater Metropolitan Area
Ha	Hectares
HES	Household Expenditure Survey (ABS)
JTW	Journey to Work
LEP	Local Environmental Plan
LGA	Local Government Area
LQ	Location Quotient
MAT	Moving Annual Turnover
NLA	Net Lettable Area
PCA	Property Council of Australia
PPEDS	Pymont Peninsula Economic Development Strategy
PPPS	Pymont Peninsula Place Strategy
PTA	Primary Trade Area
RTD	Retail Turnover Density (\$/sqm)
SEPP	State Environmental Planning Policy
SCC	Sydney City Council
SCN	Shopping Centre News
SA1	Statistical Area Level 1
SA2	Statistical Area Level 2
Sqm	Square metre
SSP	State Significant Precinct
STA	Secondary Trade Area
SWOC	Strengths, weaknesses, opportunities and challenges
TDC	Transport Data Centre
TfNSW	Transport for NSW
TPA	Transport Performance and Analytics unit (within Transport for NSW)
TZ	Travel Zone



# EXECUTIVE SUMMARY

## Objectives

The Minister for Planning has determined that the Bays Precinct is of State planning significance which should be investigated for rezoning through the State Significant Precinct (SSP) process. Study Requirements for Blackwattle Bay (formerly the Bays Market District) investigations were issued by the Minister on 28 April 2017.

Relocating the existing Sydney Fish Market is the catalyst that will facilitate the rezoning and subsequent regeneration of Blackwattle Bay. The NSW Government has approved a State Significant Development Application (SSDA) for relocation of the Sydney Fish Markets to the head of Blackwattle Bay. The design of the new Sydney Fish Market has ensured that key aspects of the project are consistent with the vision for Blackwattle Bay. This was achieved through concurrent baseline analysis and investigations of the broader area, to inform both the SSDA and State Significant Precinct process.

*The Economic Development, Local Retail and Services Study* ('The Study') will form part of a State Significant Precinct Study to inform and guide the SSP Proposal. The primary purpose of this Study is to:

- Provide an economic development, local retail, and services solution consistent with the overall objectives sought for the Blackwattle Bay Investigation Area and that supports the SSP Study proposal
- Identify the quantum of floor space required to support economic development, local retail and service provision
- Provide a robust evidence base to inform the SSP Study
- Promote solutions that can be readily implemented and supported by key stakeholders

## Methodology

To address the Study Requirement's brief HillPDA:

- Undertook an analysis of the strengths, weaknesses, opportunities and challenges (SWOC) analysis of Blackwattle Bay site focussing on locational considerations and the site's attributes in order to understand the economic opportunities and challenges with delivering the objectives sought for the Blackwattle Bay Investigation Area (ie the base case). References to broader economic trends were also used to further inform the economic opportunities and challenges facing Blackwattle Bay
- Undertook a robust evidence based assessment (refer to 5.1 and 5.2) of the quantum of retail and commercial floorspace, by type, that Blackwattle Bay could support, taking into account infrastructure capacity constraints, the impact on surrounding centres – including future destinations within the broader Bays Precinct, and a requirement for a visually appealing, highly walkable destination which complements neighbouring centres. Consultation with industry experts was also undertaken to better understand the current and future demand for commercial uses in the Blackwattle Bay locality
- A high-level assessment of the site's suitability for retail, commercial and residential uses across key locational factors/ attribute was also undertaken

## Findings

Key opportunities and constraints with relation to the provision of retail and commercial floorspace on the site include:

- Opportunities to diversify and provide additional retail floorspace (i.e. include a supermarket) which will activate Blackwattle Bay and service the retail needs of the local community (and potential new residents/workers on site if residential/commercial uses are also provided on site) which are currently underprovided for
- Opportunities exist to activate the precinct's night-time economy
- There is potential to provide commercial/office floorspace, with opportunities to leverage off the media and technology employment uses and community office hubs which are well represented in the area and provide similar employment floorspace on site
- There are also opportunities to provide serviced apartments given the site's proximity to employment uses and the growing corporate traveller market
- The provision of wider employment opportunities with the inclusion of more professional/white collar jobs could assist in reducing local dependency on industrial related employment
- The recent decision by NSW Government to provide a Metro Station in Pyrmont within 400m of the old Sydney Fish Markets will have significant improvements in transport sustainability by reducing the need for private motor vehicle use and provide much greater connectivity and mobility for both residents and workers in the precinct and in Pyrmont generally
- A considered car parking approach should seek to balance the requirements of residential and non-residential uses
- Environmental constraints will have repercussions on the design and financial viability of development
- Land ownership is fragmented and some tenure structures are complex
- While there is broad community support for the resulting public benefits of the urban renewal of Blackwattle Bay, there is potential opposition regarding the scale of proposed development
- Additional retail in Blackwattle Bay may have potential impacts on the existing retail hierarchy
- Proposed land uses will need to be compatible with one another and existing surrounding uses

Key findings from the retail and commercial demand analysis indicate that there is demand for up to 10,000sqm of leasable retail floorspace net of the new Sydney Fish Market (SFM) by 2036 and up to 85,000sqm of intensive and office based commercial uses (or 100,000sqm including the new SFM) which would meet market needs to 2041-46. There are also opportunities to retain some of the working harbour uses that occur in Blackwattle Bay including charter vessels, marina and retail uses to support the commercial charter vessels and integrate these uses with the office based commercial space.

In addition, based on the growing presence of serviced apartments and growing traveller market and the location of the site (ie its proximity to key destinations, major employment hubs, Sydney's CBD and harbour front amenity) there is an opportunity to consider hotel/serviced apartment uses in the locality with ancillary conference facilities and exhibition spaces.

The overall level of residential and employment uses and the size and role of retail being proposed generally aligns with the Pyrmont Peninsula Place Strategy and the supporting Economic Development Strategy.

## Recommendations

Based on the findings of the retail demand assessment and key objectives of the Blackwattle Bay development (ensuring a highly walkable precinct with a high degree of containment) we would recommend a convenience based shopping centre of up to 10,500sqm gross leasable area (GLA) which will largely serve residents and workers within an 800m walkable catchment.

It is envisioned the centre's role will primarily be a local resident and worker population serving centre (ie local centre) which will complement the SFM and not directly compete with the higher order surrounding retail centres.

In terms of optimal retail mix HillPDA recommends a main anchor (ie new format supermarket/ grocer/fresh foods operator(s) of up to 3,500sqm); a small to mid-size liquor store and complementary food and non-food specialities totalling 2,000-2,500sqm (i.e. pharmacy, newsagent, variety store, etc); around 1,500sqm of food services, up to 1,000sqm of personal services (hairdresser, drycleaner, etc) and 1,000 to 1,500sqm of supporting non-retail shopfront floorspace (medical, real estate, financial, etc).

There is also opportunity for pop-up retail and incubator space (up to 1,000sqm). Retail of this nature will serve a much wider catchment – with an infrequent shopper profile –probably piggybacking from visitors of the fish markets.

In light of the broad/localised trends potential commercial uses for Blackwattle Bay include:

- Small boutique office tenancies (tenants such as architects and other professional services, media, tech and start-up companies)
- Medical centre and/or related services for the local resident and worker population
- Live/work spaces
- Other lower employment generating commercial services on site could include:
  - Working harbour uses that could be integrated with the office based commercial space
  - Hotel and serviced apartments with 100 to 180 rooms

These land uses align with the Pyrmont Peninsula Place Strategy and the supporting Economic Development Strategy.

## Economic Impacts

Total construction cost is expected to be around **\$1.7 billion**. Approximately 4,245 job years will be generated directly in construction on site. Due to multiplier impacts more than 17,000 job years would be generated in the national economy.

Renewal as envisaged by the precinct plan would provide more housing for almost 3,000 residents. These residents would spend around \$52m a year on retail goods and services, of which a major proportion would be directed to businesses in the Ultimo Pyrmont and Glebe area.

Workers on site will generate a further \$21m in expenditure within the immediate area of which a high proportion will be in food services.

Tourists staying overnight within the precinct (assuming 140 hotel rooms and serviced apartments) would generate \$10m in expenditure each year, of which around 37% would be in retail and food services and, of which, a large proportion would be captured by local businesses.

Renewal in accordance with the Precinct Plan would provide 6,000 jobs on site, which is more than a 13 fold increase on the base case (do nothing option). Total remuneration of workers on site would be \$454m per annum and the value of gross output would be \$1.8 billion.

Gross value added (contribution to the local economy or gross regional product) would be \$761m per annum (in 2020 dollars). This is 24 times higher than the base case.

The Precinct Plan will help deliver infrastructure identified for the SSP as well as for the wider Pyrmont area. Infrastructure works in the precinct include the waterfront promenade and urban parks that will provide significant social benefit to residents, workers and visitors to the precinct and the surrounding urban area. The precinct plan will result in an uplift in land value by more than \$600m, which well above the estimated cost of \$121m for infrastructure and public domain areas in the precinct. The precinct plan is essential to fund the public benefits, which in turn improves the quality of life for the residents, workers and visitors in the precinct.

# INTRODUCTION

# 1.0 INTRODUCTION

Blackwattle Bay offers an extraordinary opportunity to reconnect the harbour, its surrounding neighbourhoods and the city; to showcase Sydney's living culture and stories of Country; to build an inclusive and iconic waterfront destination that celebrates innovation, diversity and community.

This report has been prepared by HillPDA and on behalf of Infrastructure NSW, to form part of the Blackwattle Bay State Significant Precinct Study (SSP Study). The SSP Study seeks a rezoning for new planning controls for Blackwattle Bay, located on the south-western side of Pyrmont.

Blackwattle Bay presents a significant opportunity for urban renewal across 10.4 hectares of predominantly government owned land located approximately 1km from the Sydney CBD. NSW Government is also committed to the delivery of a Metro Station in Pyrmont and has recognised the potential to transform the Pyrmont Peninsula with a new 20-year vision and planning framework through the Pyrmont Peninsula Place Strategy.

In 2015 the NSW Government recognised The Bays Precinct as one of the highest potential urban transformation sites in Australia with the release of The Bays Precinct, Sydney Transformation Plan. Following this, the Minister for Planning identified the renewal of Blackwattle Bay and the broader Bays Precinct as a matter of State planning significance and to be investigated for rezoning through the State Significant Precinct (SSP) process. Study Requirements for the Blackwattle Bay (formerly known as 'Bays Market District') investigation area were issued by the Minister on 28 April 2017.

A critical part of Blackwattle Bay's revitalisation and vision has been the NSW Government's decision to relocate the Sydney Fish Market (SFM) from its existing location on Bank Street to the head of Blackwattle Bay. This was sought through a State Significant Development Application (SSDA) process and approved in June 2020. The new SFM was designed alongside the baseline Blackwattle Bay studies to ensure that key aspects of the project are consistent with the vision and principles for Blackwattle Bay.

The outcome of the Blackwattle Bay State Significant Precinct process will be a new planning framework that will enable further development applications for the renewal of the Precinct, connected to the harbour and centred around a rejuvenated SFM. The framework will also provide for new public open spaces including a continuous waterfront promenade, community facilities, and other compatible uses.

This report provides a comprehensive investigation of the demand for local retail and other commercial services on the site and the economic and employment opportunities to address a part of the Study Requirements and support the development of a new planning framework for Blackwattle Bay.

## 1.1 Blackwattle Bay State Significant Precinct

The Blackwattle Bay SSP Investigation Area ('Study Area') encompasses the land and water area, known as Blackwattle Bay, between Bank Street and the Glebe foreshore shown in the figures immediately below.



**Figure 1: Location and site plan of the Precinct**



Source: FJMT

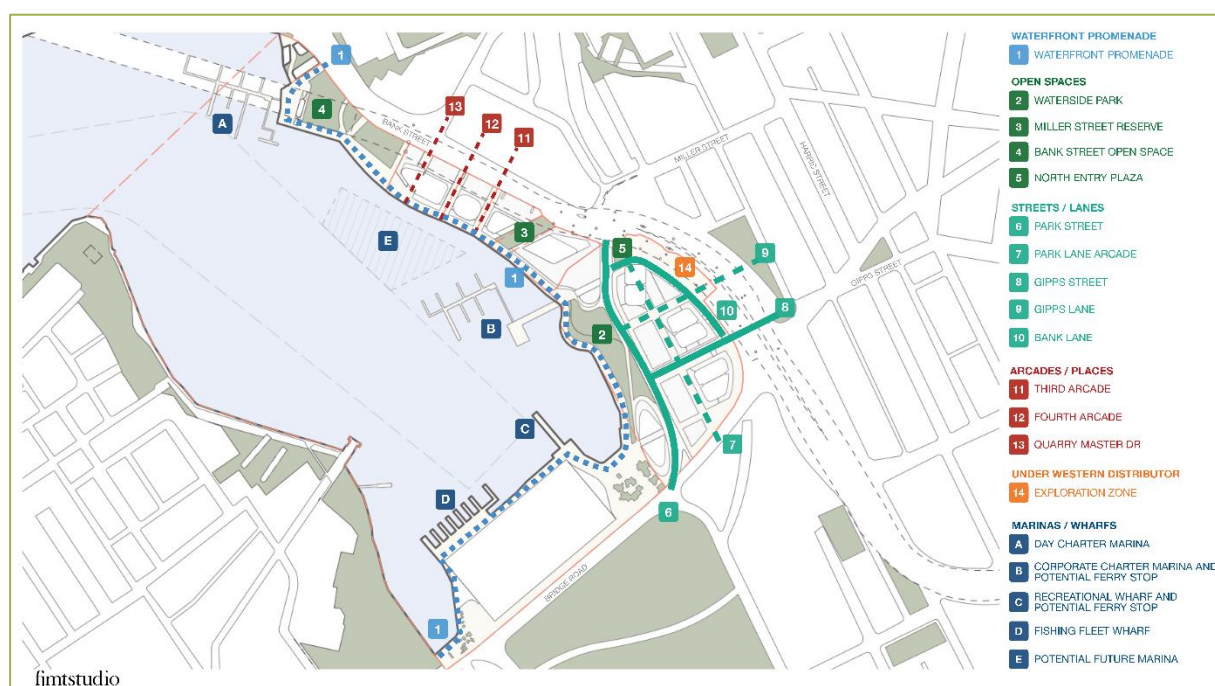
The land within the Study Area is approximately 10.4 hectares (ha) in size located within the City of Sydney Local Government Area (LGA). It is largely government owned land containing the SFM (wholesale and retail), recreation and boating operations and facilities. There are three privately owned sites including a concrete batching plant operated by Hymix, seafood wholesaler Poulos Brothers and private developer Celestino which owns further wholesaling facilities. The Blackwattle Bay land area wraps around the southern and eastern edges of Blackwattle Bay and is bounded by Bridge Road to the south and Bank Street to the east. The Western Distributor motorway / Anzac Bridge viaduct is located adjacent to the eastern boundary before traversing over the northern section of the site. The water area of Blackwattle Bay is approximately 21 hectares.

## 1.2 The Proposal

The SSP Study is proposing to rezone Blackwattle Bay with a new planning framework and planning controls to enable its future urban renewal.

The rezoning proposal is based on the Blackwattle Bay Precinct Plan ('Precinct Plan') which provides a conceptual layout to guide the development of planning controls for the precinct and has informed this report. The Precinct Plan is shown in the figure immediately below.

**Figure 2: The Precinct Plan**



Source: Fjmtstudio

The Precinct Plan provides overarching guidance about how the area should be developed based on community and stakeholder input, local character and place, current and future demographics, economic and social trends, cultural and environmental considerations, and urban renewal aspirations and needs regarding land use, community recreation, transportation, housing, and jobs. Key characteristics of the Precinct Plan include:

- New homes, jobs and services close to the CBD including:
  - Approximately 5,600 jobs
  - Approximately 170 hotel rooms and serviced apartments for tourists and visitors

- 1,546 dwellings
- Approximately 2,800 residents
- A continuous waterfront promenade – the missing link in an otherwise 15km foreshore walk from Woolloomooloo to Rozelle
- New active transport connections to bring the neighbourhood closer to the harbour through new and improved pedestrian and cycling links
- Improved public transport options and minimised vehicle usage strategies including:
  - Minimising car parking spaces with limited on-street parking
  - Ferry wharf
  - Opportunity for buses to service through site link
  - Connections to the existing light rail
  - Access to a future Sydney Metro West Station in Pyrmont
- New parks and green space with 30,000 m<sup>2</sup> of new open space
- An authentic, and world class new SFM at the heart of Blackwattle Bay
- An authentic place that builds on Indigenous and industrial stories and celebrating the local character

Once the Study Area is rezoned and the new planning controls are in place, future development will need to seek development approval through the relevant approval pathway. This will include detailed development proposals and further associated environmental, social and economic assessments.

The rezoning proposal responds to the Study Requirements issued for Blackwattle Bay (formerly Bays Market District) by the Department of Planning and Environment in April 2017.

### 1.3 Vision and Principles

Principles for a future Blackwattle Bay were formed through extensive community consultation in August 2017. These were further developed in 2019, together with a vision for the precinct. Both are provided below. These have guided the development of the Precinct Plan and will continue to guide future development proposals within the Study Area.

#### The Vision:

*“Blackwattle Bay offers an extraordinary opportunity to reconnect the harbour, its surrounding neighbourhoods and the city; to showcase Sydney’s living culture and stories of Country; to build an inclusive and iconic waterfront destination that celebrates innovation, diversity and community.”*

#### Principles:

1. Improve access to Blackwattle Bay, the foreshore and water activities for all users
2. Minimise additional shadowing to Wentworth Park and Glebe Foreshore (in mid-winter) and create new places with comfortable conditions for people to enjoy
3. Pursue leading edge sustainability outcomes including climate change resilience, improved water quality and restoration of natural ecosystems
4. Prioritise movement by walking, cycling and public transport



5. Balance diverse traffic movement and parking needs for all users
6. Link the Blackwattle Bay precinct to the City, Glebe Island and White Bay and other surrounding communities and attractors
7. Mandate Design Excellence in the public and private domain
8. Integrate housing, employment and mixed uses to create a vibrant, walkable, mixed use precinct on the city's edge
9. Maintain and enhance water uses and activities
10. Allow for co-existence and evolution of land uses over time
11. A place for everyone that is inviting, unique in character, socially inclusive and affordable
12. Expand the range of recreational, community and cultural facilities
13. Plan for the future community's education, health, social and cultural needs
14. Deliver development that is economically, socially, culturally and environmentally viable
15. Embed and interpret the morphology, heritage and culture of the site to create an authentic and site responsive place
16. Foster social and cultural understanding and respect to heal and grow relationships

## 1.4 Study Requirements

On 28 April 2017 the Minister issued Study Requirements for the Precinct. Of relevance to this study are the following requirements as they relate to economic development, local retail and services:

TASK		Section in Report
<b>18. Feasibility and Economic Benefits</b>		
18.1.	Provide an analysis of the market demand for the proposal	Sec. 5
18.2.	Demonstrate that the development can be delivered in the context of prevailing market demand and supply trends, achievable uptake rates relating to development staging and product mix.	Sec. 5
18.3.	Provide an economic assessment of the proposal, including the likely wider economic benefits.	Sec. 8
18.4.	Provide an assessment of the likely economic impacts of the rezoning of industrial and maritime related land.	Sec. 8
18.5.	Undertake an economic analysis testing feasibility of future development to contribute towards local, State and regional infrastructure.	Sec. 8.6
18.6.	Investigate the potential for visitor accommodation within the precinct and consider an appropriate target, taking into account access and connectivity to existing and planned nearby visitor accommodation including in the wider Bays Precinct.	Sec. 5.4 and 8.4
<b>19. Economic Development, Local Retail and Services</b>		
19.1.	Prepare and analyse the local economic and employment profile for the precinct and local area	Sec. 5.3
19.2.	Analyse the economic development, local employment and local retail and services needs to support the development and economic sustainability of the precinct, ensuring a highly walkable precinct with a high degree of containment, its future community and relevant local and regional centres	Sec. 5.3 and 5.4

19.3.	Identify the quantum of floor space required to support economic development, local retail and service provision	Sec. 5.3 and 5.4
19.4.	Develop a strategy to deliver strategically important uses, through market delivery combined with targeted interventions where market delivery will not satisfy identified needs	Sec. 6
19.5.	Consider the role of the precinct in terms of employment, retail, local services and other economic generating land uses within the local and regional context including nearby local centres such as Ultimo, Pyrmont, Glebe and Broadway	Sec. 5-7
19.6.	Identify measures to ensure the development of the precinct meets the economic development, local employment and local retail and service needs of the community and supports the economic development of neighbouring centres. This is to consider the different service, business and employment needs of groups within the community	Sec. 5-7
19.7.	Provide recommendations to inform planning controls on the quantum of retail, service and employment floor space needed to meet the needs of the vision and objectives of the project	Sec. 6-7

# SITE ANALYSIS



## 2.0 SITE ANALYSIS

### AT A GLANCE:

Blackwattle Bay has excellent regional and local accessibility, with good access to amenities. Sydney CBD provides greatest competition for Blackwattle Bay both in terms of retail and commercial markets. There is limited provision of supermarket and speciality retail in the locality, whilst a high representation of small offices, particularly in creative digital, design, media and cultural industries in Pyrmont.

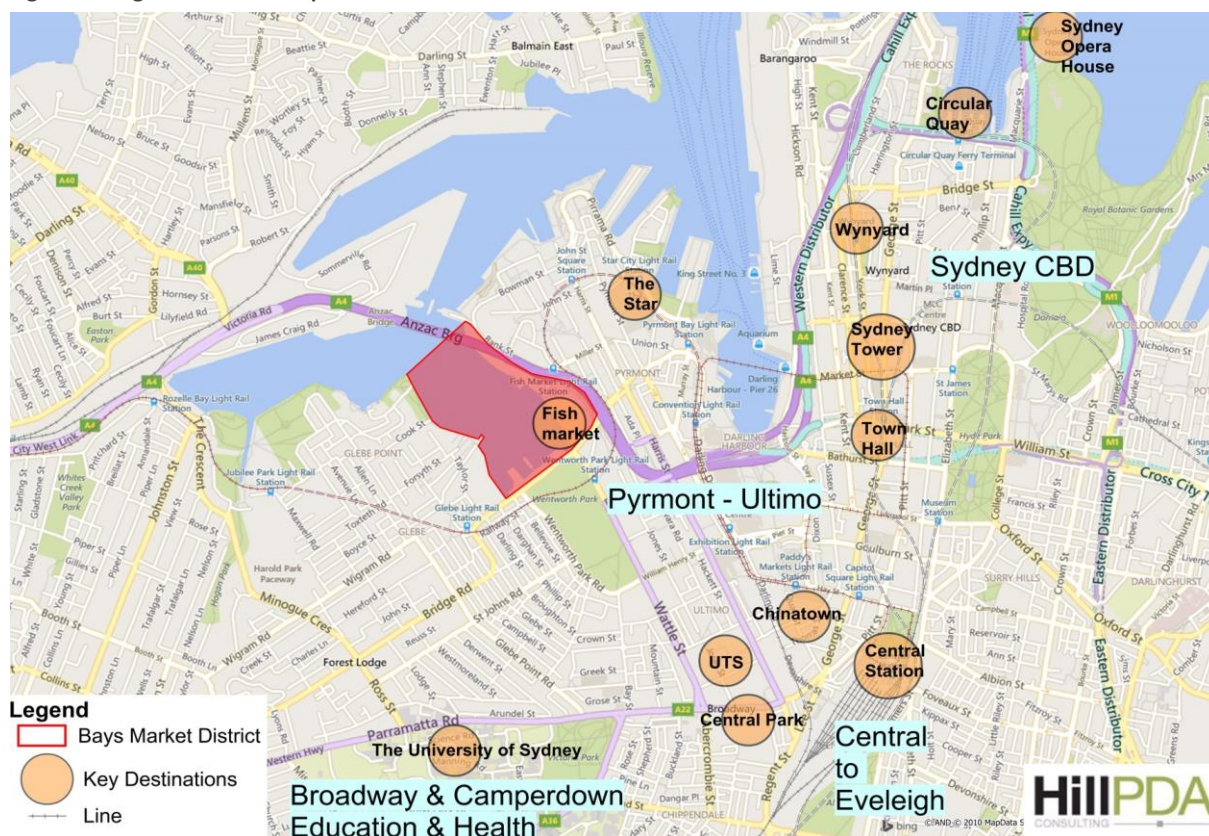
There is a high representation of intensified and office based floorspace in the local area, with strong prevalence of small offices, particularly in creative digital, design, media and cultural industry in Pyrmont. Thus there are opportunities to further grow these industries which is consistent with current employment trends.

This Chapter reviews Blackwattle Bay's regional and local context and considers the surrounding retail and commercial centres which will likely compete with Blackwattle Bay. Understanding the competitive landscape is imperative as it will influence the scale and mix of retail and commercial at Blackwattle Bay.

### 2.1 Regional Context

Blackwattle Bay is located less than 2km west of the Sydney CBD on the Pyrmont Peninsula and Glebe Foreshore and is strategically located near key destinations including (and not limited to) Darling Harbour, The Star, Central, UTS (refer the map below).

Figure 3: Regional context map



Blackwattle Bay is well serviced by public transport. Bus services less than 500m on Miller and Harris Streets provide direct access to Central Station and Sydney CBD. The site can also be easily access by light rail, with both the Fish Market and Wentworth Park light rail stops located less than 400m away. The site is well connected to major roads with Pyrmont Bridge/Bridge Road to the south and easy access into the A4/ Western Distributer and Anzac Bridge.

Blackwattle Bay has excellent local and regional accessibility and is well located to key destinations and employment.

## **2.2 Local Context**

Residential uses surround the precinct to the south and west, with commercial uses interspersed within these established residential areas. Sydney Secondary College Blackwattle Bay Campus abuts the site to the west. Commercial uses are predominately located to the east of the site. Wentworth Park, a multi-purpose sporting facility bounds the precinct to the south.

A variety of industrial and port related activities exist in the precinct. Though all the heavy industry that once used the bays are gone, the bay is currently used by a number of marine industry vessels, workboats, powered and non-powered pleasure craft and heritage vessels of the Sydney Heritage Fleet. The map below illustrates a number of the key tenants currently occupying and future development opportunities within the precinct.



**Figure 4: Blackwattle Bay Local context**



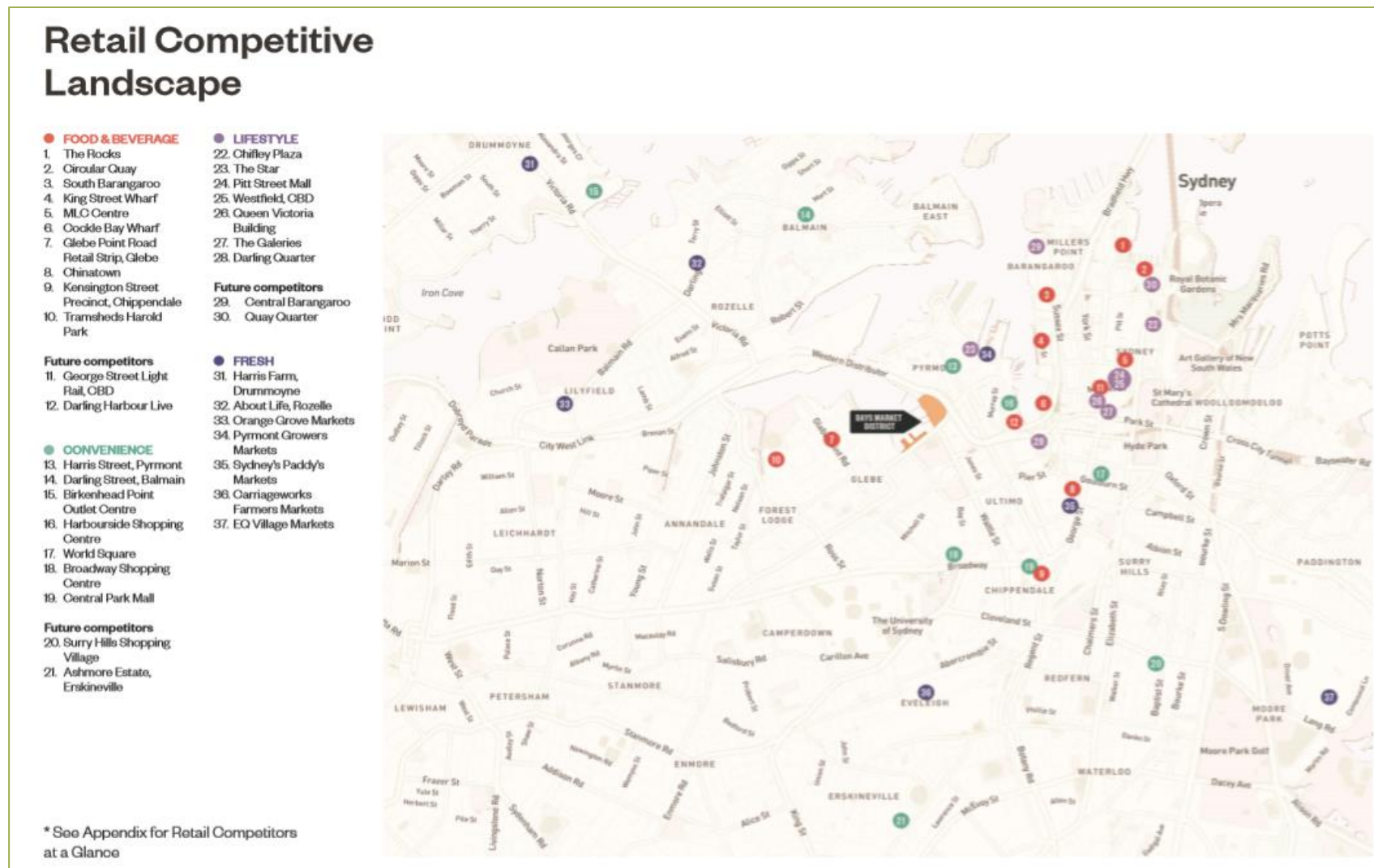
Source: Sixmaps and HillPDA

## 2.3 Local Retail Context

In determining an appropriate quantum and mix of retail at Blackwattle Bay it is important to understand the competitive landscape. Key retail competitors to Blackwattle Bay can be broken down as follows: food and beverage retail (i.e. cafes & restaurants); convenience retail (supermarkets, groceries), lifestyle (fashion focus with provision of food outlets & entertainment) and fresh food retail (predominately selling fresh food products) and are shown and described in in the map and table below, with Sydney CBD providing a significantly stronger offer across all categories.



Figure 5: Blackwattle Bay's Retail Landscape



Source: Right Angle Studio, 2015; HillPDA

**Table 1: Competitive Retail Context**

Retail Centre	Sqm	Tenant Mix	Distance (km)
<b>Sydney CBD</b>			
Westfield CBD	90,000	Myer, Zara, JB Hi-Fi, Sydney Tower, 296 specialty retailers, high end food court	2.6km
Pitt Street Mall	70,000	Significant provision of speciality retailers, including centres Mid City Centre, Glasshouse, The Arcade	2.5km
Queen Victoria Building	13,669	Luxury specialty retail	2.2km
Chifley Plaza	3,593	High end food, beverage and fashion offer	0.7km
The Galleries	13,152	JB Hi-Fi, Fitness First, Kinokunija books, Art house Hotel, Muji, 555sqm office floorspace	2.4km
Darling Quarter	3,100	Contemporary food offer, entertainment	1.5km
MLC Centre	4,170	Food court offer with small provision of retail, Office tenancies (70,000sqm)	2.2km
World Square	15,150	Food court, traditional retail offer	1.7km
Central Park Mall	8,346	Woolworths (2,045sqm), 46 specialty stores, contemporary food	1.9km
Central Barangaroo (p)	N/A	Proposed Shopping Centre	2.3km
Quay Quarter	6,000	Proposed convenience-based centre	3km
The Rocks	26,000	High end food and beverage offer; Tourist focused retail	3km
Circular Quay	2,200	Fast food; convenience; upmarket restaurants, tourist focused retail	3.1km
South Barangaroo	28,000	Food offer at varying price points	2.3km
King Street / Cockle Bay Wharf	38,500	Tourist-oriented food offer	2.5km
Chinatown	35,000	Asian inspired food offer, retail (including outlet stores), entertainment	2km
Kensington St Precinct, Chippendale	16,000	Creative businesses, food and beverage offer and galleries	2km
Sydney's Paddy's Markets	N/A	Fresh food stalls and small specialty stores	2km
Glebe Point Road Retail Strip	10,000	Convenience based retail; diverse food offer	0.9km
Tramsheds Harold park	5,970	Supamart, diverse food and beverage offer, gym	2.5km
Darling Street, Balmain	10,000	Small format Woolworths, mid-market food offer	4.5km
Drummoyne	800	Fresh food store	4.4km
Birkenhead Point Outlet Centre	28,960	Coles (2,692sqm); Aldi (1,448sqm), outlet store offer - predominately apparel	4.5km
Harris Farm Drummoyne	800	Fresh food stalls and small specialty stores	
Broadway Shopping Centre	41,000	Kmart; Hoyts, Target, Coles (4,122sqm), Aldi (1,398sqm), Harvey Norman, 133 specialty stores	1.4km
Surry Hills Shopping Village (p)	9,000	Mixed use development anchored by Coles supermarket and convenience offer	3.8km
Ashmore Estate, Erskineville	N/A	Small format supermarket, specialty stores and cafes	4.6km
About life Rozelle	N/A	Health food retail	3km
Orange Grove Markets	N/A	Urban fresh food, gourmet food stalls and artisanal crafts	3.8km
<b>Pymont</b>			
Harris Street Pymont	6,800	Convenience based retail; mid-market food offer	0.6km
The Star	5,500	High end food and beverage offer; Entertainment, Hotel	0.7km
Harbourside (existing centre)	19,214	Tourist-oriented waterfront retail, higher end food offer	0.9km
Harbourside (proposed redev.)	52,000	Tourist waterfront retail with residential tower	0.9km
Pymont Growers	N/A	Farmer's Markets	0.9km
Carriageworks Farmers Markets	N/A	Farmer's Markets	3.9km
EQ Village Markets	N/A	Farmer's Markets	5.3km

Source: Property Council of Australia,: HillPDA; Bays Market District Retail Assessment; Right Angle Studio 2015; Google Maps



## 2.4 Competitive Commercial Context

Similarly to the retail analysis, in order to determine an appropriate quantum and mix of commercial floorspace at Blackwattle Bay it is important to understand the broader and local commercial market as well as the market appetite for such uses. This is explored in greater detail below.

### 2.4.1 Broader Commercial Market

Blackwattle Bay is located near a NSW's largest employment hub – the Sydney CBD. The City of Sydney which includes the vast majority of Blackwattle Bay had a total internal commercial floor space of 37.9 million square metres in 2017, an increase of 2.68 million sqm from 2012. The city accommodated 501,786 workers, an increase of 66,017 (15.1% increase) since 2012. Professional and business services occupied the greatest number of business establishments across the city over this period at 17.2% of all businesses. The retail and personal services sector represented 15.0% of all businesses<sup>1</sup>.

The professional and business services sector also experienced the highest growth in the number of establishments since 2012 (net increase of 462 businesses), closely followed by the finance and financial services sector (grew by 459 businesses) and the food and drink sector (grew by 457 businesses)<sup>2</sup>.

Small businesses (1–19 workers) accounted for 83.8% of all businesses, employing 23.2% of workers in the local area, whilst medium businesses (20–199 workers) accounted for 14.7% of all businesses, employing 34.7% of all workers, and large businesses (200+ workers) accounted for 1.5% of all businesses, employing 42.2% of all workers in the City of Sydney<sup>3</sup>.

The largest growth sector by floor space in the City of Sydney was tourist, cultural and leisure, which grew by 368,514sqm (13.5% increase from 2012) and includes hotels. Almost 20,000sqm of that space was in the Pyrmont-Ultimo precinct. Notwithstanding JLL Research identified some losses of employment space in the cultural, arts and recreation services over the past 10 years through a combination of contraction, subletting and relocation. The reasons for this are several – but primarily, many businesses in these industries have sensitive price points and Pyrmont has become too expensive for them.

Higher education and research grew by 217,630sqm across the LGA (17.9% increase from 2012) and 72,136sqm of that space was in Pyrmont-Ultimo.

The industries with the most significant decreases in floor area since the 2012 survey were manufacturing, with a decline of 145,366 (-43.5% decrease) and transport and logistics, which declined by 265,893sqm (-14.3% decrease)<sup>4</sup>.

Harris Street village (some 500m north of Blackwattle Bay) continued to experience strong growth with the business floor area increasing by 9.0% from 2012 to 1,341,669sqm 2017, reflecting the demand and desirability of commercial uses in the Pyrmont locality.<sup>5</sup>

<sup>1</sup> Source: City of Sydney Floorspace and Employment Survey 2017

<sup>2</sup> Source: *ibid*

<sup>3</sup> Source: *ibid*

<sup>4</sup> Source: *ibid*

<sup>5</sup> Source: *ibid*

The strength of the office market is also evidenced by the low vacancy rate with the office vacancy rate for the Sydney CBD which had continue to decline from 4.1% in January 2019 to 3.5% in January 2020.<sup>6</sup> A sharp rise in the vacancy rate towards 10% is expected due to the current COVID-19 pandemic.

#### **2.4.2 Local Commercial Market**

There is a strong presence of creative digital, design, media and cultural enterprises through the Ultimo, Glebe and Pyrmont and Redfern-Eveleigh-Darlington areas, with Pyrmont/Ultimo accommodating a number of major media technology hubs. However since 2007 there has been a net loss in space occupied by the arts and entertainment industry due to contraction, relocation and sub-letting as a result of these user groups not being able to pay the rents associated with city fringe space.<sup>7</sup> Pyrmont is a well established office market, characterised by small office tenancies. Shared office space is also well represented in Pyrmont with WeWork, Wotso, Fishburner all based in the locality.<sup>8</sup>

Discussions with industry experts in 2018-19 (pre-COVID-19) indicate vacancy rates across all office grades for Pyrmont and Ultimo are lower than the CBD at 3.4% and 3.7%, respectively, indicative of a strong commercial market. The low vacancy rates were largely the result of a loyal tenant mix of IT, advertising and media companies.

#### **2.4.3 Commercial Projects in the Surrounding Area**

A significant amount of floor space was added to the supply of employment floor space in Pyrmont – Ultimo in 2019-20 – some 45,000sqm. 19,245sqm of that space was office space and 23,466 was education space. There is only one major development expected for completion by 2024 – namely a mixed-use development at 14-26 Wattle St, Pyrmont which was lodged for D.A. in 2018/19. The development proposes to include 16,701sqm of office floor area and 3,589sqm of community floor area<sup>9</sup>.

#### **2.4.4 Key findings**

There is a high representation of intensified and office based floorspace in the local area, with strong prevalence of small offices, particularly in creative digital, design, media and cultural industry in Pyrmont. Thus there are opportunities to further grow some of these industries which is consistent with current employment trends.

<sup>6</sup> Source: Property Council of Australia; Office Market Report 2019 and 2020

<sup>7</sup> JLL Research

<sup>8</sup> Source: Sydney Office Market Research Report, Colliers International , 2014

<sup>9</sup> City of Sydney Commercial Monitor June 2019

# REGULATORY CONTEXT

## 3.0 REGULATORY CONTEXT

### AT A GLANCE:

Regional, District and Local Plans promote extending the innovation corridor to include ‘the Bays Precinct’. To achieve this objective this will not only require floorspace for technology companies and startups but also the provision of affordable and diverse housing options, a range of cultural, entertainment and leisure activities, including strong night-time activities.

### 3.1 Sydney Regional Plan (Metropolis of Three Cities)

The Greater Sydney Region Plan – A Metropolis of Three Cities (Region Plan) was finalised in March 2018 by the Greater Sydney Commission. The vision of the Region Plan is to create a metropolis of three cities, known as the Western Parkland City, Central River City and the Eastern Harbour City. The Bays Precinct is located within the Eastern Harbour City. The aim of the Eastern Harbour City is to ‘build on its recognised economic strength and address liveability and sustainability’. The Eastern Economic Corridor City is defined within the Eastern Harbour City with the aim to foster innovation and global competitiveness, supported by investments in transport and services, jobs growth and business activity. The strength of the Harbour CBD which includes the Bays Precinct will be reinforced by the Eastern Economic Corridor.

Delivery of these directions and objectives will mean that homes in the Eastern Harbour City will become increasingly connected to jobs and essential services. These jobs and essential services will be concentrated within the following centre hierarchy identified in the Region Plan:

- **Metropolitan Centre** – the economic focus of Greater Sydney, fundamental to growing its global competitiveness and where government actions and investment, including transport, will be focussed
- **Strategic Centre** – enable access to a wide range of goods, services and jobs. Strategic centres are expected to accommodate high levels of private sector investment, enabling them to grow and evolve
- **Local Centre** - collections of shops and health, civic or commercial services

The Bays Precinct lies within the Harbour CBD which has been identified as a Metropolitan Centre in the Regional Plan. Further the Plan identifies the emerging innovation corridor which includes the Bays Precinct and the high-tech and start-up hubs in Pyrmont and Ultimo and highlights the importance of facilitating the attraction and development of innovation activities to enhance Greater Sydney’s global competitiveness. To achieve this objective the Plan states that ‘Planning controls need to be flexible to allow for the needs of the innovation economy’ and ‘ongoing investment and new opportunities for businesses will be needed for the continued growth’. To increase the Bays competitiveness and attractiveness as an innovation precinct improved accessibility will be imperative. Activities are underway to enhance access between The Bays Precinct to the Greater Parramatta, the Harbour CBD and Sydney Olympic Park.

The Plan also identifies that planning controls will ‘need to be flexible to allow for the needs of the innovation economy’ and this should be reflected in the master planning of Blackwattle Bay.

Finally, a core intent of the Regional Plan is to give people more housing choice and establish more jobs closer to where people live, to develop a more accessible and walkable city and creating conditions for a stronger economy with the Bays Precinct identified as key growth area which forms part of the urban renewal corridor.

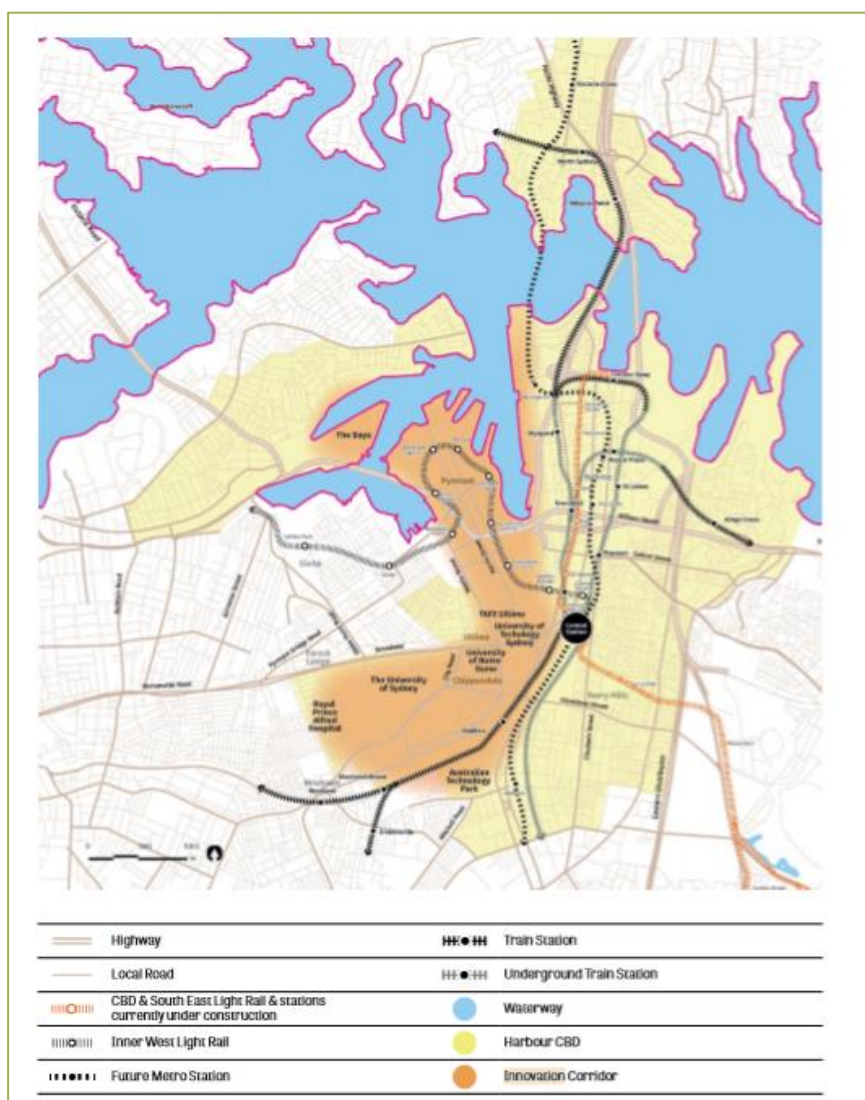
### 3.2 Eastern City District Plan

The Eastern City District Plan maps out the 20-year vision for the Eastern City District of Greater Sydney. The Eastern City District encompasses the LGAs of Bayside, Burwood, City of Canada Bay, City of Sydney, Inner West, Randwick, Strathfield, Waverley and Woollahra. By 2036 it is projected that the District will have a population of 1.3m, representing an additional 325,000 persons over the 20 year period from 2016.

To support the new housing and employment targets the Eastern City District Plan identifies the need to improve connections along the Eastern Economic Corridor and to the North and South Districts and create opportunities for the growth of commercial floor space, particularly in knowledge and professional services to reflect current employment trends.

The Bays Precinct has been identified in the District Plan as an investigation site for accelerated housing supply. The Plan also identifies that the Innovation Corridor which includes the Bays Precinct (as shown in the figure immediately below) will be pivotal to strengthening the international competitiveness of the Harbour CBD. This innovation corridor will require creative and digital industries and business support services in order to be competitive and attractive.

**Figure 6: Innovation Corridor**



Source: Eastern City District Plan



The Plan states ‘Competitive innovation precincts depend on high levels of amenity and walkability, with good transport connections spurring the rapid exchange of ideas and the establishment of networks. They require proximity to affordable and diverse housing options that can be multipurpose, and a range of cultural, entertainment and leisure activities, including strong night-time activities’. This is key for the success of commercial uses on Blackwattle Bay and to boost innovation and creative industries including knowledge-intensive jobs.

Innovation is also strongly connected to creative and cultural expression, with creativity and the creative industries key drivers for innovation and economic growth in the broader economy. Continued investment in the arts, screen and culture sector will be key to attracting a skilled workforce and encouraging innovation in other sectors.

Blackwattle Bay’s cultural significance coupled with the strong presence of media and technology related businesses within nearby Pyrmont and Ultimo and strong accessibility creates an environment conducive to innovation. Digital innovation and start-ups rely on physical location to maximise success and ultimate profitability and require events spaces, and affordable and scalable office spaces. They seek out space in character buildings in Sydney fringe locations and are attracted to a diverse pool of talent and expertise, research facilities, customers and investors.

On this basis there is potential to provide new commercial space for the jobs in innovation and technology on the subject site, with an aspirational view to create an innovation precinct in Blackwattle Bay. This will align with the Regional Plan’s vision for the area and will cement Bays Precinct’s (including Pyrmont and Ultimo) reputation as a hub of innovation and entrepreneurship. Creative industries along with a range of cultural, entertainment and leisure activities, including strong night-time activities will be important to the competitiveness and attractiveness of Blackwattle Bay as an innovation precinct and will need to be encouraged and supported.

Other key initiatives of the Plan of relevance to this assessment and to promote a more productive Sydney includes growing ‘**smart jobs**’, encouraging 30 minute cities as well as promoting mixed use development and sustainable communities through well planned urban renewal projects.

### 3.3 Pyrmont Peninsula Place Strategy 2020

A Sydney Metro Station in Pyrmont is considered to be the key catalyst for public transport connectivity and a key enabler for growth and change on the Pyrmont Peninsula. The Place Strategy prepared in December 2020 will ensure new investment is harnessed to deliver jobs, as well as the public benefits needed to support the delivery of great places.

The key directions for Pyrmont are:

1. Jobs and industries of the future
2. Development that complements or enhances that area
3. Centres for residents, workers and visitors
4. A unified planning framework
5. A tapestry of greener public spaces and experiences
6. Creativity, culture and heritage
7. Making it easier to move around
8. Building now for a sustainable future

9. Great homes that can suit the needs of more people
10. A collaborative voice

The strategy sets out ‘five big moves’ that articulate the ambition for the Pyrmont Peninsula to fully embrace its potential:

1. Build and link a world class foreshore
2. Enhance the opportunity to provide a vibrant 24-hour cultural and entertainment destination, with small bars, performance spaces, museums and other entertainment
3. Realise the benefits of a new Metro station by making Pyrmont a destination, rather than the point where journeys start
4. Create a low carbon and high-performance precinct, maintaining the shift to a place where people walk and use public transport to connect to other places
5. More, better and activated public spaces across the Peninsula

The Place Strategy also identifies key sites, where development will drive new jobs while providing the impetus for the ‘Big Moves’ necessary to make the Peninsula a more connected and integrated part of the great Sydney Harbour foreshore. The key sites include:

- Blackwattle Bay
- The Star site at Darling Island
- Harbourside Shopping Centre
- UTS in Ultimo

The Strategy targets 8,500 more residents and 23,000 more jobs by 2041. Up to 2,055 of those residents and 5,770 of those jobs could be provided in Blackwattle Bay based on the land use mix and density identified in the Precinct Plan.

### 3.4 Pyrmont Peninsula Economic Development Strategy

The Pyrmont Peninsula Economic Development Strategy (PPEDS) is a supporting study for the PPPS which outlines the future anticipated growth within the peninsula. The strategy outlines an indicative target of up to 600,000sqm to 800,000sqm GFA more employment space delivering an additional 20,000 to 23,000 workers to 2041. Half of this growth is expected in professional services and other knowledge industries.

The PPEDS outlines a number of objectives including:

- the promotion and expansion of the innovation district to encompass the peninsula
- the support of educational and training institutions
- promoting a 24 hour active economy with arts, culture, entertainment and recreational events and facilities
- providing affordable spaces for small businesses, start-ups and creative industries
- improving the amenity for new residents and creative and knowledge base workers by providing waterfront access for recreational and cultural uses

The SSPS is consistent with the PPEDS in terms of meeting these recommendations as Blackwattle Bay incorporates the mix of uses necessary to support the delivery of a successful innovation precinct. The precinct

will deliver quality employment spaces of varied scale, suited to businesses seeking city fringe accommodation, with good levels of associated amenity, supported by a range of dwelling typologies.

### 3.5 Competing Innovation Precinct

The Regional and District Plans envision that the innovation precinct will extend to include the Blackwattle Bay precinct. There is however significant floorspace dedicated towards creating new innovation jobs and scaleup companies planned in the surrounding area which offer significant competitive advantages over Blackwattle Bay.

The Innovation and Technology Precinct Panel Report 2018 identifies the aims of the Central Precinct. The Precinct aims to create 250,000sqm of net lettable floorspace for technology companies, including 50,000sqm of affordable workspace for start-ups and early stage companies. It will also aim to create 25,000 new jobs, increased educational opportunities focused on Science, Technology, Engineering and Mathematics (STEM) and life sciences and increased technology exports. Located in a vibrant urban environment with excellent amenity and (emerging) infrastructure makes Central to Eveleigh an attractive location for an innovation precinct. The below figure is an excerpt from the Central Precinct Draft Strategic Vision which provides an overview of the various sub precincts forming Central Precinct.



In addition to the above the Camperdown– Ultimo Place Strategy (2019) establishes the vision the Camperdown–Ultimo Collaboration Area as shown in the figure below. This includes an innovation precinct. The Strategy sets priorities and actions to deliver upon the vision for the collaboration area.



The key findings and recommendation from the strategy which are of relevance include:

- Renew Central Station, integrate the transport interchange and improve pedestrian and cycling connectivity (Action 5)
- Identify transport solutions to optimise connectivity (Action 9)
- Activate night time precincts and ground floor area and promote meeting places and cultural assets (Action 17)
- Celebrate local culture and events in partnership (Action 18)
- Provide spaces to encourage student connections, networking and innovation and increase commercial outcomes (Action 24)
- Deliver affordable space in developments for tech start-ups, innovation, creative industries, cultural uses, community uses (Action 28)
- Promote community use and activities (Action 30)

What does this mean for Blackwattle Bay?

There is significant competition in terms of floorspace for technology companies and affordable workspace for start-ups and early stage companies in the surrounding areas including Central-Eveleigh corridor. However Blackwattle Bay also has strong capability across a number of the identified success factors (this is assessed in more detail in Section 6.3) including good accessibility and access to amenities, diverse pool of talent and expertise, research facilities, customers and investors. Blackwattle Bays' Sydney fringe location may also be

attractive to tenants seeking cheaper/competitive rents. Thus Blackwattle Bay can complement rather than compete with Central Precinct's offer and target smaller to medium enterprises seeking cheaper rents.

Research of the aforementioned precincts also demonstrates the importance for innovation precincts to provide a range of retail (especially cafes), cultural, entertainment and leisure activities to support the technology industries. These components are required (along with a diverse range of housing options) and will be imperative to the success of Blackwattle Bay.

### **3.6 Western Harbour Precinct and the Pyrmont Peninsula Planning Framework Review Report (2019)**

This review responds to the request by the Minister for Planning and Public Spaces to the Greater Sydney Commission (the Commission) to undertake an independent review of the planning framework for the Western Harbour Precinct, including the Pyrmont Peninsula. The review revealed the peninsula at the western edge of the CBD was achieving its 'economic potential', major projects were 'disconnected from each other' and planning processes were becoming 'increasingly complex and difficult to understand'.

The review recommended developing a future place strategy and economic strategy for the Pyrmont precinct considering the individual character and potential of its various districts. Establishing a timeframe and options for implementing the strategy is also advised. A place-based approach rather than the 'site-by-site ad hoc planning'.

The review will likely lead to Government amending the planning controls to encourage additional jobs and economic activity and facilitate greater development in the area. This will have significant implications on Blackwattle Bay and mix of uses on the subject site. The greater emphasis on jobs may prompt a larger scale of employment generating uses on site (particularly commercial space) and improve the viability of such uses through critical mass and agglomeration economies.

### **3.7 Economic Development Strategy, City of Sydney (2013)**

The Strategy sets out the City's vision for the economy of Sydney and the strategies and actions to achieve that vision. It is an overarching framework that guides the City's economic development initiatives and articulates the City's role, priorities and approach.

Key objectives of the Strategy which are of relevance to this Study include:

- Encourage growth in other sectors such as tourism, education and the creative and digital industries
- Provide more jobs. The target in Sustainable Sydney 2030, adopted in this Strategy, identifies the city will contain at least 465,000 jobs, including 97,000 additional jobs (from the 2006 base) by 2030. The priority industry sectors are those that deliver the greatest contribution to job numbers in the city: Finance, professional and business services; Creative and digital industries; Education services; Retail; and Tourism
- Address transport congestion and lack of connecting infrastructure
- Addressing the issue of decreasing housing affordability and
- Maintaining a stock of affordable creative spaces

Although Blackwattle Bay was not identified as an investigation site in this Strategy, this site provides an opportunity to deliver on this objective through providing more intensive and diverse employment uses



(focused on tourism, retail, creative and digital industries - all well-established industries in the immediate surrounding area). Traffic and congestion will need to be at the forefront of designing this Precinct, however.

### 3.8 Retail Action Plan, City of Sydney (2013):

This Plan sets a framework to position Sydney as Australia's premier retail destination with a shopping experience in the city centre and thriving main streets in each of the villages that match those found in comparable global cities.

The Plan identifies a number of actions that may influence the design and type of retail which will be incorporated as part of the Blackwattle Bay development:

- Promote the City's planning controls that encourage active frontages and street level retail premises
- Explore ways to improve pedestrian amenity in key retail precincts\* by reducing the speed and/or volume of traffic
- Encouraging pop-up retail outlets for the testing of products in development
- Incubator spaces for emerging designers
- Encourage expansion of retail into first floor and basement levels with street-level access and exposure and
- Support new retailers by extending retail hours in consumer appropriate locations to encourage late trading

On this basis the Plan would encourage that the retail component of the Blackwattle Bay development is provided at street level with potential expansion into the first floor. Moreover, Blackwattle Bay's competitively priced rents (compared to the CBD) create opportunities for pop-up retail and incubator spaces which are growing in popularity <sup>1</sup> and are aligned with the Plan's action.

### 3.9 Parking Provision Requirements and Considerations

This next section outlines the Blackwattle Bay's parking provision requirements across the various land uses in accordance with the City of Sydney Local Environmental Plan (LEP) 2012.

#### High Density Residential

The maximum number of car parking spaces for residential flat buildings, dual occupancies and multi dwelling housing is as follows:

- For each studio dwelling—0.2 spaces, and
- For each 1 bedroom dwelling—0.4 spaces, and
- For each 2 bedroom dwelling—0.8 spaces, and
- For each 3 or more bedroom dwelling—1.1 spaces, and
- For each dwelling up to 30 dwellings—0.167 spaces, and
- For each dwelling more than 30 and up to 70 dwellings—0.1 spaces, and
- For each dwelling more than 70 dwellings—0.05 spaces

### **Office and Commercial**

The maximum number of car parking spaces for a building used for the purposes of office premises or business premises is 1 space per 75-175sqm gross floor area.

### **Retail**

The maximum number of car parking spaces for a building used for the purposes of retail premises is 1 space for each 50-90sqm.

Based on the above retail requires the greatest number of carspaces, followed by commercial and residential. Given that retail car spaces have the highest turnover during the day, retail uses on site may also generate the most traffic of all the land uses.

# LAND USE TRENDS

## 4.0 LAND USE TRENDS

The future of retail is shifting strongly towards experience and convenience, with technology driving the change. Rise in technology companies are locating in the Sydney Fringe.

The following Chapter documents historic and emerging trends in the commercial and retail markets which may have implications in the planning/demand for such land uses in Blackwattle Bay.

### 4.1 Economic Overview and COVID-19

The COVID-19 pandemic has resulted in Australia's first recession in 29 years. Quarterly real GDP growth fell by 0.3% over the March quarter and a further 7.0% over the June quarter. Growth over the 2020 calendar year is forecast by the Reserve Bank of Australia (RBA) to decline by 6%. Assuming the pandemic is contained globally, the RBA expects economic growth to turn positive from mid-2021 with calendar 2021 growth of 6.0% forecast. The New South Wales (NSW) economy also declined in Q2 with gross state product (GSP) estimated by Deloitte Access Economics to fall by 5.5% over Q2, with positive growth of 3.0% forecast over H2 2020. Growth in 2021 is expected to bounce back with NSW expected to generate GSP growth of 4.7% over the calendar year.<sup>10</sup>

The COVID-19 pandemic is driving the outlook for the Australian and global economies. The necessary social distancing restrictions and other containment measures that have been in place to control the virus have resulted in a significant contraction in economic activity. However, economic conditions will improve as the pandemic is brought under control, and containment measures are relaxed.<sup>11</sup>

Global GDP fell sharply in the first half of 2020. The declines in the March quarter were driven by a contraction in Chinese and euro area activity as well as the rollout of containment measures elsewhere late in the quarter. There was a further fall in global GDP in the June quarter, with many countries recording quarterly declines in GDP.<sup>12</sup>

The RBA's Statement of Monetary Policy in May 2020 forecast the Australian economy to record a contraction in GDP of around 10% over the first half of 2020; total hours worked are expected to decline by around 20%, and the unemployment rate is forecast to rise to around 10% in the June quarter. Headline inflation was expected to be negative in the June quarter largely as a result of lower fuel prices and free childcare; underlying inflation is expected to decline notably.<sup>13</sup>

Since this release, economic conditions have started to recover as containment measures have been eased, and fiscal and monetary policies have provided significant support. The RBA forecast, assuming a widespread and synchronised resurgence in infections is avoided, GDP is expected to contract by approximately 6% (y-o-y) in 2020 (down from 10%), but then grow by approximately 6% (y-o-y) to 2021. Unemployment is still forecast to increase to 10% with underlying inflation expected to remain below 2% over the next few years.

<sup>10</sup> Cushman & Wakefield Sydney CBD Office Marketbeat Q3 2020

<sup>11</sup> Reserve Bank of Australia *Statement of Monetary Policy – May 2020* 6. *Economic Outlook*

<sup>12</sup> 'Ibid'

<sup>13</sup> 'Ibid'

To explore the consequences of a range of plausible health outcomes and the associated policy responses, the RBA has considered the baseline scenario for the domestic recovery below as the most suitable at this time.<sup>14</sup> The baseline scenario assumes the heightened restriction in Victoria are in place for the announced six weeks and then gradually lifted.

**Table 2: Reserve Bank of Australia Economic Indicator Forecasts, June 2020-December 2022**

Indicator	Jun 2020	Dec 2020	Jun 2021	Dec 2021	Jun 2022	Dec 2022
GDP Growth	-6%	-6%	4%	5%	4%	4%
(previous)	(-8%)	(-6%)	(7%)	(6%)	(5%)	(n/a)
Unemployment Rate	7%	10%	9%	8.5%	7.5%	7%
(previous)	(10%)	(9%)	(8.5%)	(7.5%)	(6.5%)	(n/a)
CPI Inflation	-0.3%	1.25%	3%	1%	1.25%	1.50%
(previous)	(-1%)	(0.25%)	(2.75%)	(1.25%)	(1.50%)	(n/a)

Source: Reserve Bank of Australia Statement of Monetary Policy – August 2020 6. Economic Outlook

## 4.2 Retail Trends

The future of retail is shifting strongly towards experience and convenience, with technology driving the change. This is part of a continually evolving retail market, which has been most significantly influenced by the growth of online retailing. As the retail industry's innovative nature is driven largely by the need to anticipate and respond to its customers' needs and desires, changing socio-demographics and lifestyles require individual retailers to constantly monitor shifts in demand and reposition their offer and in instances, their mode of operation and distribution. Some of the trends influencing retail activity include:

- Full line supermarkets, that is supermarkets over 3,000sqm, are increasingly anchoring smaller centres
- Department stores declining share of trade
- New format supermarkets are being tried and developed such as metro style or café/restaurants within
- Growth in mini-major retailers overall, despite failure with several chains (e.g. Dick Smith)
- Redevelopment of some underperforming centres into mixed-use developments with high rise residential above
- The emergence of 'dark' and 'last mile' stores for online sales
- Continued expansion of new and existing international retailers
- Continued evolution of online retail

Over the last three and a half decades all retail industry groups have recorded positive growth in turnover. However, food retailing has out-performed all other industries over this period, recording a \$3 billion or 709% growth in turnover. Of this growth, around \$2.5 billion was attributed to supermarket and grocery stores with this subcategory comprising 83% of the turnover recorded for food retailing in 2018<sup>15</sup>.

Strong growth has also been recorded in the industry of household goods retailing, especially circa 2000. This industry is closely linked to the property market where the purchase of new white goods and other furnishings go hand and hand with the purchase of a new dwelling or redevelopment/refurbishment of an existing dwelling. This linkage can be seen in the slight decline in turnover experienced by the industry between 2009

<sup>14</sup> 'Ibid'

<sup>15</sup> ABS Cat. 8501.0 Retail Trade, Australia Table 13

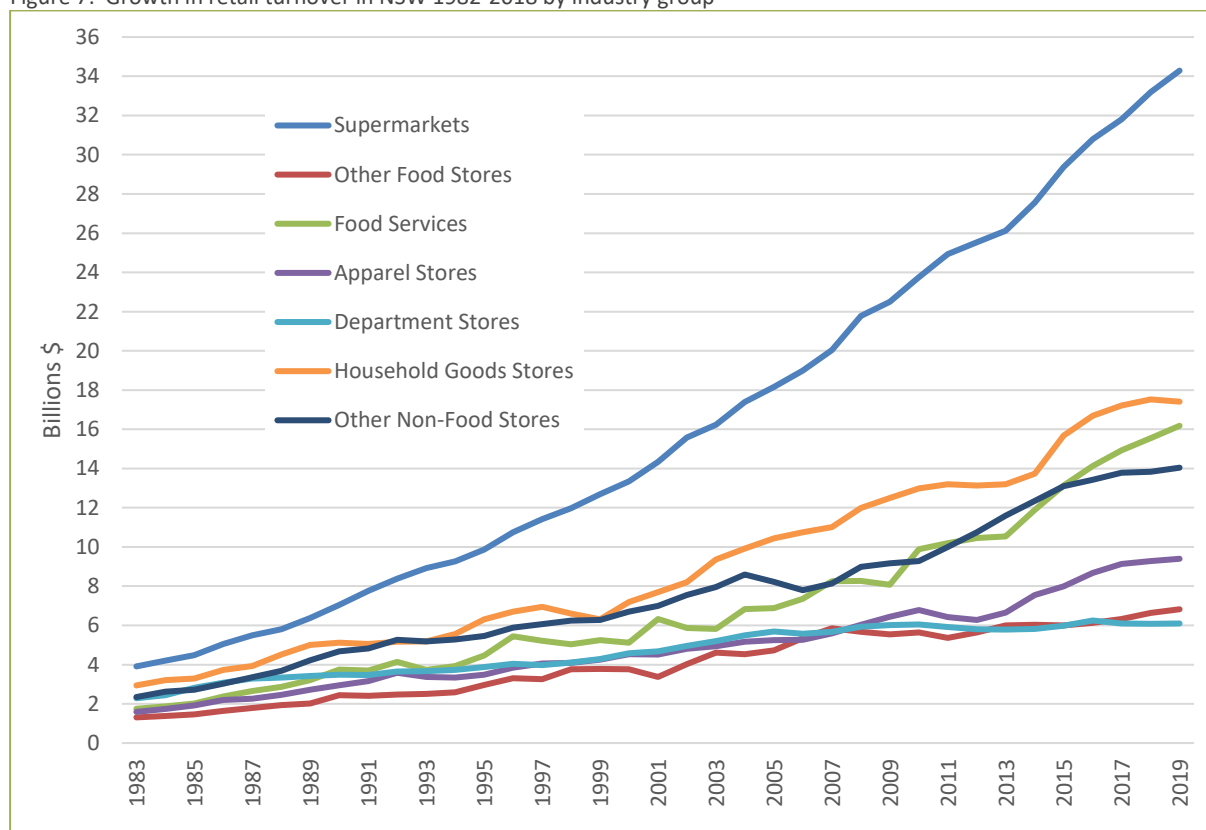


and 2012. This is likely a result of the global financial crisis where uncertainty subdued development and retail expenditure.

The rise of the café culture in NSW witnessed strong growth in the provision and turnover of the cafes, restaurants and takeaway food services industry in recent years. This is evident in the industry experiencing a \$645 million or 49% increase in turnover over the last eight years<sup>16</sup>. Hospitalities has taken a significant adverse impact from the COVID-19 pandemic and restriction measures. However these are expected to be short-term impacts.

Turnover of department stores has been variable and subdued over recent years, recording only a \$50 million increase in turnover throughout NSW over the last nine years<sup>17</sup>. Over the past 2 decades spend per capita in department stores has declined by 35% as they continue to lose market share to specialty stores, category killers and online sales. Recently department stores have experimented with new innovative sales and in-store experiences to attract shopper and reverse this trend, while also shrinking in size. Innovation in new technologies, niche markets and unique experience will need to be constantly provided and examined for this industry type to remain relevant and profitable.

Figure 7: Growth in retail turnover in NSW 1982-2018 by industry group



Source: ABS Cat. 8501.0 Retail Trade, Australia Table 13

From the above analysis, and given a stable economic environment, we can determine:

- Demand for supermarket and grocery stores will continue to experience strong growth in the coming years, with the possible provision of neighbourhood supermarkets in smaller centres

<sup>16</sup> ibid

<sup>17</sup> ibid

- Post COVID-19 the café culture is expected to bounce back and the demand for new cafés and restaurants across the study area is expected to continue. Demand for outdoor dining options will also increase which may require amenity improvements in some commercial centres.
- The attraction of new or expanded department stores to and in the study area is unlikely in the near future, as their market share has declined over recent years. Existing stores will continue to consolidate, evolving and innovating to reflect the changing trends in shopper preferences and habits.

#### 4.2.1 COVID-19 Impacts

COVID-19 and the lockdown procedures have significantly impacted the retail industry. In particular there has been a sharp rise in online sales which is now accounting for over 11% of total retail sales<sup>18</sup>. While the COVID restrictions may be short-term many commentators believe that there are longer-term impacts. Even before COVID-19 the percentage of online sales to total retail sales had been trending upwards above 7.5%. COVID-19 simply escalated it and there is a general view that as consumers become increasingly familiar with online shopping they will continue to choose this method post COVID. While not exactly agreeing many commentators believe that online retailing could reach around 15% of total retail sales before it shows signs of a slowdown or plateauing.

This trend means that demand for retail shop front space will subside over time while the demand for dark stores or mini-distribution centres will increase. Already we are seeing both Coles and Woolworths planning the delivery of dark stores across Sydney whereby the traditional supermarkets are bypassed with online food and grocery shopping. These stores will also provide customer pick-up (ie click and collect) facilities.

#### 4.2.2 New format supermarkets in smaller village and neighbourhood centres

A recent trend, which is likely to continue to influence the retail market, is the demand for larger format retail space and other new format supermarkets in smaller centres (i.e. greater than the traditional retail small centre floor plates of 400-600sqm). This trend would see an increase in proposals seeking to develop supermarkets of around 1,000sqm to 1,500sqm in smaller retail centres where previously smaller supermarkets or convenience stores may have prevailed. It is anticipated that this trend will continue, owing to:

- Growing demand for additional supermarket facilities as a result of urban infill development
- Accommodating full-line supermarkets is difficult due to site amalgamations and increasing land scarcity
- Full-line supermarkets implementing their market share growth strategy via targeting smaller centres
- Consumer habits increasingly favouring multiple smaller convenience shopping trips during the week rather than one large trolley load
- Increasing desire from consumers for walkable, convenient access to food and grocery shopping reflecting declining vehicle ownership/usage and expectations for access to retail facilities outside of traditional trading hours
- Strong activity from smaller supermarket operators including ALDI and Harris Farm with Coles and Woolworths increasingly competing at this end of the market

This trend has been reflected in the NSW DP&E's recent amendments to the definition of a neighbourhood supermarket in the standard local environmental plan template. This change in land use definition permits the development of small-scale supermarkets up to 1,000sqm in size in the B1 - Neighbourhood Centre zones.

<sup>18</sup> IBIS World

The restricted size of a maximum gross floor area (GFA) of 1,000sqm is intended to ensure compatibility with the scale and nature of the surrounding, predominately residential, area while also allowing for the development of essential services to serve the needs of people who live and work in the surrounding neighbourhood.

The attraction of larger supermarkets (up to and over 1,000sqm) into smaller centres can have both a negative and positive impact. On the one hand, a larger supermarket can directly compete with smaller speciality shops, such as bakeries, butchers and fruit and vegetable shops.

However, on the other hand, the presence of a supermarket can increase the attractiveness of a centre to its surrounding community, thereby increasing the number of times they choose to shop there. This increased foot traffic (an increase in the number of persons visiting the centre) has positive effects for other shops in the centre. This is mainly through increased opportunity for capturing passing trade.

#### 4.2.3 Continued evolution of online retail

A major topic of debate regarding the future of retail in Australia is the continued growth of online retailing and the likely impacts this may have to 'bricks and mortar' retail stores. A sudden increase in online sales has been catalysed by the COVID-19 pandemic and restriction measures.

National Australia Bank (NAB) estimates Australian online spend was around \$28.5 billion over the 12 months to October 2018 – equivalent to 9.0% of total retail spend. NAB estimates that online spend has increased to \$40.9b over the 12 months to September 2020 – 12% of total retail spend. Generally, there was a moderate slowing in penetration rates for three of eight retail categories over the past 12 months. The two strongest performing categories has been food services (probably due to COVID-19 restrictions) and department stores.

The growth of online retail is changing the way shoppers interact with physical retail stores, both expanding the opportunity for smaller boutique retailers in smaller local centres to access larger customer markets and creating competition for established bricks and mortar premises. In the twelve months leading to 2017 online purchases increased by 11.5%, with many shoppers switching to online sources due to better prices, more variety, easier comparisons and convenience<sup>19</sup>. In 2017 online sales comprised 8% of total traditional retail sales for that year<sup>20</sup>. In 2019-20 that proportion increased to more than 11%. Buyers are more commonly shopping online in a bid to seek more affordable prices for everyday essentials, avoid crowds and for a more effective use of their time<sup>21</sup>.

An opportunity for online markets and the promotion of unique brands have seen the emergence of local entrepreneur retailers, manufacturing, and distributing goods. Online retailing has enabled boutique or speciality retailers to compete in a broader market, with less reliance on traditional shops to gain market penetration.

Despite the growth, a number of barriers in online retailing are preventing some business owners from fully leveraging this market to the greatest potential. These include:

- Slow or limited internet connectivity
- Unfamiliarity with the internet or web design
- Limited vacancy in warehouse and distribution space

<sup>19</sup> 2017 eCommerce Industry Paper, Australia Pose and Startrack

<sup>20</sup> Sydney Morning Herald, Omni-channel retail the new fix for quick service, By Carolyn Cummins 2018

<sup>21</sup> ibid.

The emergence of online retailing has affected land use and building requirements. Sydney is seeing a growing demand for warehousing and distribution facilities, particularly in Western Sydney and now in inner city and fringe locations. These locations ensure that consumers get same-day delivery, with some stores opting for "within an hour", which is termed "last mile delivery". CBRE has estimated that across Australia *the growth in e-commerce sales will generate demand for an additional 350,000sqm of distribution space annually*<sup>22</sup>.

The growth in online retailing will affect the traditional brick and motor stores. However, traditional retailing will not become obsolete. Instead, retailers in the study area will need to adapt and evolve becoming or providing either display spaces, showrooms or increased experience as destinations that represent a brand's story or objective<sup>23</sup>.

Overall, it is likely that continued growth in online retail will impact on shoppers' interactions with physical stores. However, current industry forecasts suggest this may not lead to a significant decline in demand for high street floorspace (with particular regard to supermarket floorspace), due largely to forecast population growth in areas such as Sydney. Even with increased market share of online retail, anticipated population growth and associated retail expenditure, is forecast to increase the demand for additional retail shop front space to be provided in local centres into the future.

#### 4.2.4 Changes in food services

The food offering is increasing, largely as a result of changes in consumer behaviour – less cooking at home, increasing consumption of meals out and a desire for entertainment and socialisation whilst eating. Food is also diversifying resulting in a broadening of consumer choices and palates and an increased diversity in ethnicity of the population. More and more consumers are expecting high-quality food and a wide choice anywhere, at any time.

Cooking shows have had a significant impact on consumer behaviour. They have changed the way people eat out and prepare their own meals from simple meals to fine dining. With such an intense focus on fine food and the unique ingredients used to create it, the general public has developed a taste for gourmet foods that were once exclusively targeted at affluent consumers who had the knowledge and the means<sup>24</sup>.

Speciality food stores, take-away and restaurants are changing and new formats are emerging. Supermarkets are also changing their formats. Certain discount format supermarkets such as Bi-Lo and Flemings have disappeared while Coles and Woolworths have introduced more metro style and upmarket formats. The new Coles supermarket in East Village, Zetland is a good example. These formats look more and more like fresh food halls than traditional supermarkets with several long isles.

There are a number of overseas examples of emerging trends and new retail formats which have recently made their way on to the Australian market or are likely to make their way into the Australian market over the next decade or so.

These include the following:

- Amazon markets with no checkouts where the shopper can eat-in or take-out and have the items automatically billed to their credit account
- Adaptation of heritage buildings such as Mercado da Ribeira Timeout Market in Lisbon and the Chelsea Markets in New York

<sup>22</sup> Sydney Morning Herald, Omni-channel retail the new fix for quick service, By Carolyn Cummins 2018

<sup>23</sup> Sydney Morning Herald, Omni-channel retail the new fix for quick service, By Carolyn Cummins 2018

<sup>24</sup> The democratisation of food, SCN

- 3-D printed food designed by the customer him/herself
- Pop-up kitchen and restaurants
- Restaurants combined with cooking classes
- Uber eats where fine dining is delivered

Internet shopping and social media are being used increasingly in food services. However, when it comes to food services, the impact on bricks and mortar retail is not as significant as it potentially is for non-food retail. This is because when food is ordered online it is prepared, in most cases, by the same store or restaurant that people sit down in.

#### 4.2.5 Better designed eating experiences

With the rise of the café culture and increased food awareness, the eating experience has become increasingly important. With customers seeking an experience where it is not just about the food but also the environment they eat in, creating the needs for designing venues that also enhance and excite a customer's sense of touch, smell, sight and taste. Venues that create this 'point of difference' or unique experiences can evoke an emotional response and attachment from customers that will have them talking and referring friends and family.

Figure 8: Burwood Brickworks Rooftop Garden and Hugo's Manly (right)



Source: HillPDA, Frasers Property, Hugos.com.au

This 'experience' has seen increased demand for comfy outdoor dining options with centres needing to respond through providing improved centre amenity. Venues can also extend their trading hours, provide natural themes or taking advantage of existing natural assets or open space, where venues open onto scenic views or green spaces can also create a connection to the land, increasing dining experience.

#### 4.2.6 Virtual reality

Virtual reality using VR headsets or 3D 'holorooms' and holograms give the customer a virtual experience as well as the ability to design, decorate and view live. Lowe's Innovation Lab in the USA is an example of this technology in DIY renovation stores. In the future, this technology will also become increasingly useful for other retailers and services such as real estate and travel agents, car dealerships and clothing stores.

The virtual change rooms is also a recent technology that aims to enhance the shopper experience, enabling the shopper to see themselves with numerous full-scale virtual outfits in a short space of time without leaving the change room.

Myer and eBay have recently created the world's first virtual reality department store enabling consumers with a VR headset, iOS or Android device to browse and choose the departments of interest and navigate through the product range with their gaze. By simply hovering over a certain product, customers can view a 3D model



and are given the option to hover over information icons, which give more details regarding full product specifications, price, availability and shipping details.

These technologies increase the shopper experience, save time and attract shoppers into the store. This technology, coupled with the potential impacts of driverless cars and last mile delivery services, allow retailers to downsize while still offering the same range of services and products.

#### 4.2.7 Out-of-centre retailing

The continuing high level of demand for floorspace from bulky goods operators and other retailers such as supermarkets will lead to continued pressure to develop on out-of-centre industrial and employment sites, given the constraints in in-centre development. Factors and constraints that contribute to the attractiveness of out-of-centre developments have been the lack of appropriate and sizable sites in established centres and the relatively low land values when compared to the high street.

The development of out-of-centre retailing, especially those with supermarkets, has the potential to affect the continued economic viability of the established centres across the study area. For example, an international study found that the presence of out-of-centre retailing can negatively affect retail activity in nearby centres by around 12%<sup>25</sup>.

Although new centres should be allowed to form and develop, especially in areas of high growth and where demand is shown, existing centres should be the primary location for new commercial and retail floorspace. This could be achieved by tightening the sequential approach assessment, reducing barriers to in centre development such as development contribution levels, adherence to certain design requirements and retail demand and impact assessments, as well as providing disincentives for out-of-centre investment.

At the same time, in such instances where insufficient land is available to meet demand in centres, proactive action could be taken to:

- Identify additional land within centres (e.g. council car parks or additional levels above existing shopping centres) to facilitate new retail development
- Where there is a genuine demand which cannot be met in centres, ensure the zoning of additional land for retail and commercial uses to accommodate future growth

In such instances where demand cannot be met within or on the edge of centres, provide a clear process for facilitating the development of new centres in appropriate locations which are well connected to public transport and consumer markets. This is especially relevant for the LGAs with numerous urban renewal and priority precincts.

#### 4.2.8 Retailtainment

The convergence of leisure, entertainment and retail – is a growing trend in retail to deliver enticing instore customer experiences. This trend emerged from the growth in online retailing and changes in consumer behaviour. Shoppers prefer new unique experiences which they can share with loved ones and friends on social media over material things. A recent study by Eventbrite’s nationwide research on millennials found that *“more than 3 in 4 millennials (78%) would choose to spend money on a desirable experience or event over buying something desirable, and 55% of millennials say they’re spending more on events and live experiences than ever before”*<sup>26</sup>. Retailers are employing

<sup>25</sup> Land Use Policy, The impact of out-of-town shopping centres on town-centre retailers and employment: The case of the Region of Murcia. Armando Ortuño Padilla; Antonia Alarcón Hermosillab; and Olga Tomás Ozoresc 2017

<sup>26</sup> <https://medium.com/oktium/retailtainment-winning-your-consumers-by-understanding-their-emotions-e0422dd78ee1>

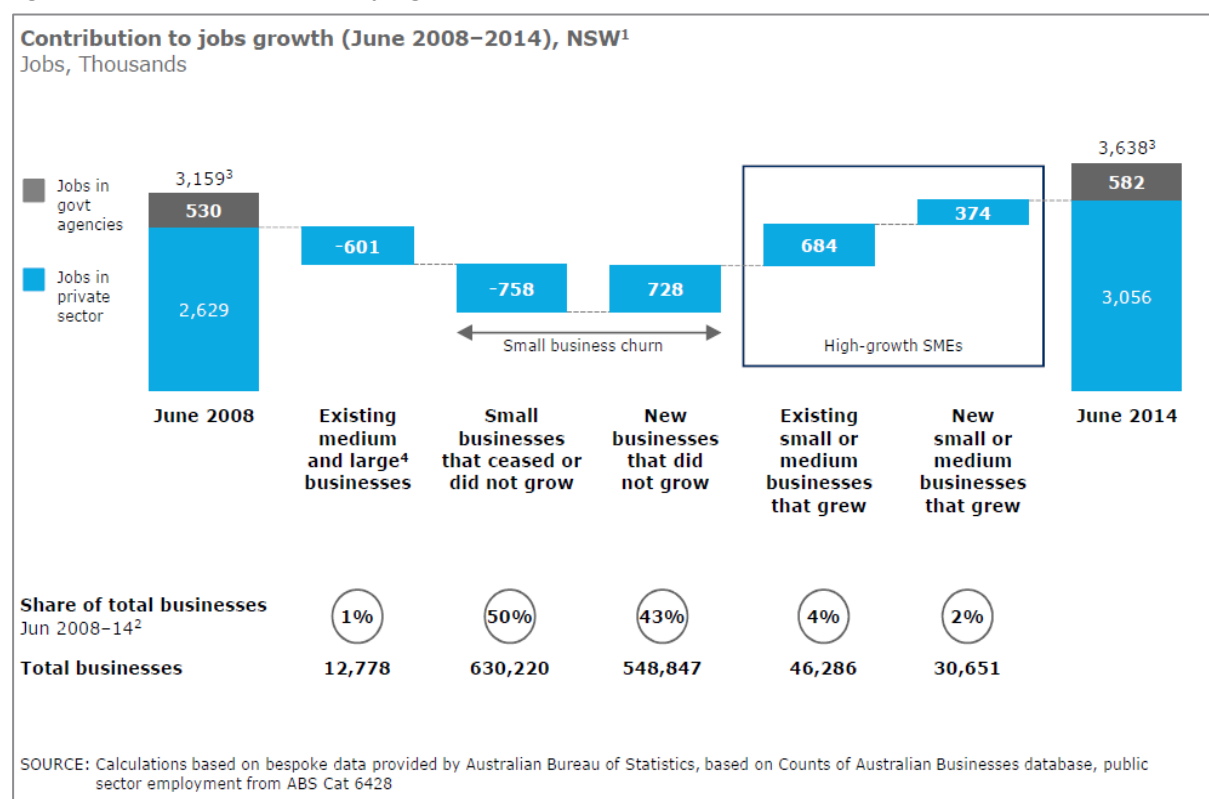
various approaches from adding lifestyle sections to their store (ie lounges, wi-fi, coffee bar etc) to adding social elements to their stores (ie installing permanent or temporary in-store art or branding exhibits or small events wine-tasting dinner party solutions, live cooking shows, fashion event) as well as incorporating smart devices (ie augmented reality or virtual reality). This trend creates opportunities to strategically incorporate leisure and entertainment in retail centre which in turn can stimulate footfall and retail sales.

### 4.3 Broader Commercial trends

Between 2008 and 2014, over 1 million new jobs in NSW came from just 6% of businesses: new or growing Small, Medium and Enterprises (SME). Of that, around 60% of these jobs came from existing firms that grew from less than 20 people to up to 199 people.

Figure 10 shows that 12,778 higher-profile medium and large businesses shed around 600,000 jobs over the same period, largely due to productivity improvements in their very large workforces. In the remaining small businesses, which make up 93% of all companies in NSW, jobs in new businesses simply replaced those in shrinking ones.

**Figure 9: Business characteristics of job growth in NSW**



Source: Jobs for the Future NSW

NSW's experience is similar to that observed in Europe and the US. A 20-year analysis of net job growth in the US revealed that firms less than five years old were the only cohort of firms that were net job creators. Every other cohort shed more jobs than they created.

There are four challenges to future job creation in NSW, these include:

- Increasing global trade in the knowledge economy
- New challenges in faster-changing industries

- Increased automation of the manufacturing line
- An ageing population

NSW's ability to respond and adapt to these challenges or 'disruptions' will play a key role in determining the state's success in being able to compete on a global platform for the jobs of the future.

Start-ups have great disruptive potential because of the ease with which they can reach global audiences through the use of technology. With high labour productivity and lower capital requirements than industry incumbents, these businesses can exploit a competitive advantage in price<sup>27</sup>.

In terms of spaces (i.e. floor plates) in which people work are also changing, with the traditional purpose-built office space increasingly giving way to more flexible options like co-working spaces. These spaces act as a shared workspace for a highly diversified workforce of small businesses, start-ups, freelancers, and entrepreneurs. The rise in demand for co-working space has grown by 6% annum in the five years up to 2017, with approximately 50,000sqm of space existing in Sydney in that year<sup>28</sup>. That said, there is still demand for larger floor plates >2,000sqm to accommodate international or domestic corporations. These tenants would likely be more attracted to CBD/ fringe locations, improved connectivity, commercial/retail services and lifestyle attractors.

The initial demand for these spaces has been focussed around urban cores, with 53% of Australian co-working spaces located in CBD or metro areas in 2017. However, there has been growth in other areas, with 32 per cent of spaces in suburban locations away from metropolitan centres<sup>29</sup>. This growing demand for flexible workspaces away from the metropolitan core echoes trends in the US market, where a growing demand for flexible working spaces in suburban locations has been observed<sup>30</sup>. This expansion will be further driven by growth in the freelancing and gig economy.

Co-working is well suited for comparatively small office spaces (under 200sqm) with evidence suggesting faster take-up by co-working tenants compared to traditional tenancy arrangements. While the demand from co-working space operators is primarily domestic at present, it is predicted that the imminent entry of international operators will increase demand for spaces suited for co-working<sup>31</sup>. Pyrmont is known for accommodating a number of these co-working spaces (eg WeWork, Wotso, Fishburner) with this trend likely to continue into the future.

JLL has predicted that 30% of all office space will be classed as flexible by 2030<sup>32</sup>. The demand for these types of spaces is continuing to grow, most notably in suburban locations. Commercial spaces, like those in the study area, would be viable candidates for this type of use.

The impact of technology is fundamentally changing the way in which people work, adding flexibility to when and how they allocate their time. The traditional concept of the workplace being a fixed space is changing, with telecommuting and remote working now commonplace. While research has found that there has been an overall decrease in regular work from home since 2001, it remains highly prevalent amongst managers and professionals, with 41% of managers and 38% of professionals regularly working at home in 2016<sup>33</sup>. Over the last twenty years the proportion of employed professionals has expanded rapidly, now comprising the largest occupational grouping, at almost 24%. As a consequence telecommuting is set to continue expanding. This trend of course has been significantly catalysed by the COVID-19 pandemic. Now that people have had several

<sup>27</sup> PwC (Commissioned by Google, 2013): The Startup Economy; How to support tech startups and acceleration innovation

<sup>28</sup> Knight Frank, 2017

<sup>29</sup> Sydney Business Insights 2017

<sup>30</sup> JLL (2017), *Bracing for the Flexible Space Revolution*

<sup>31</sup> Cheung, A. (2018), *Overseas Companies Set to Rock Australia's 'Sleeping' Coworking Market, Expert Says*, Commercial Real Estate

<sup>32</sup> JLL (2017), *Bracing for the Flexible Space Revolution*

<sup>33</sup> Bankwest Curtin Economics Centre 2018

months experience of working from home, and in many cases proven to be just as productive, then we are likely to see a higher proportion of working from home to become the new norm.

This is playing out in the changing nature of contemporary workplaces, and therefore the type of spaces that are in demand. This translates into people working from home or other suitable spaces. Naturally, this will have a flow-on effect into the way commercial space is used in the study area, influencing the times when offices are active and the total floorspace required by different industries.

In terms of industry trends the below table summaries key industry sectors trends influencing the demand for various employment uses.

**Table 3: Recent Industry Trends**

Sector	Trend
Manufacturing Sector	<p>Decline of traditional manufacturing over the past two decades. However, more recent economic conditions have accelerated this trend with an annual average decline in manufacturing jobs, sustained high Australian dollar and lower levels of consumer confidence persisting since the GFC in 2008.</p> <p>Changing focus from 'making' to 'creating'</p> <p>An over representation of jobs in the manufacturing sector with areas such as Western Sydney is particularly vulnerable to the decline of this sector.</p>
Transport, Postal & Warehousing Sector	<p>Technology leading to larger warehouses with lower employment densities.</p> <p>Consolidation of facilities to achieve economies of scale resulting in larger facilities and in turn sites.</p>
Service Sector	<p>This is a rapidly growing sector. Greater Sydney economy has seen the effects of this shift, though the employment base remains heavily reliant upon the manufacturing and retail trade sectors as at the last Census. Growth in the services sector within Greater Sydney has the potential to create greater job diversity in the region as this sector has a high proportion of 'white collar' or professional roles. Throughout Greater Sydney between 2006 and 2016 'white collar' employment increased substantially.</p>
Agriculture	<p>The contribution of the sector is declining, with this trend expected to continue with the shift to a low carbon economy</p>
ICT & Creative Industry Sectors	<p>This sector will continue to grow in the future.</p> <p>Businesses in this sector benefit from agglomeration and locations with good access to a range of services, amenities and transport choices.</p>
Health Care & Social Services	<p>Growing and ageing population will drive strong growth in demand for health care and aged care.</p> <p>Growing prosperity of the population also generating demand for health services.</p> <p>Increasing workforce participation amongst female workers will drive demand for childcare services.</p>
Professional Services	<p>Rapid growth sector due to restructuring of the economy towards services rather than goods.</p> <p>Greater use of flexible workspaces and locations and telecommunications</p>
Retail Trade	<p>Future retail development will continue to be focused around residential growth.</p>

Source: Broader Western Sydney Employment Area, Urbis, 2013; HillPDA

At a more local level (City of Sydney LGA) the largest growth sectors by commercial floor space were tourist, cultural and leisure and higher education and research demonstrating growing demand and opportunities to further expand on these industries. The industries with the most significant decreases in floor area since the 2012 survey were manufacturing and transport and logistics<sup>34</sup>. There are opportunities for Blackwattle Bay to move towards providing more knowledge and professional services to reflect current employment and industry trends.

In addition to the above the serviced apartment sector continues to move from alternative to mainstream, growing stronger market presence, stronger brands and growing corporate traveller market. Serviced apartments are another potential use for the Blackwattle Bay precinct given the sites proximity to Sydney CBD, employment hubs and attractions.

#### 4.4 Impact of COVID-19 on the Office Market

Before COVID-19 impacted NSW, the state's commercial property market was in a strong position supported by stable economic growth, low inflation, low unemployment and high levels of demand and construction. The escalation of COVID-19 since March 2020 has changed the situation. The impacts are different for each sector, and the commercial property sector is being hit hard by the recent changes.

Local and international businesses have begun to rethink the way they operate with the majority of businesses able to swiftly integrate working from home practices in a matter of weeks. Short-term ramifications of these practices have seen a rapid increase in vacancy rates within the CBD from 3.9% to 5.6% since March 2020.<sup>35</sup>

To mitigate some of the negative impacts, a mandatory code of conduct for commercial tenancies was confirmed by the Federal Government in early April 2020. The code states that landlords are unable to terminate a lease or draw on a tenant's security if they fail to pay rent and landlords must offer rent discounts proportionate to the tenant's drop in trade. These measures appear to have supported the commercial sector in the short-term, but the structural shift in professional work practices may result in a longer-term fundamental change that could negatively impact on the inner city and CBD commercial sector.

Colliers International has outlined that 'the disruption in demand will put a brake on new supply as major office projects take longer to establish sufficient pre-commitments to launch construction' and forecast the impact on supply will rebalance itself by 2024. However, the pandemic is increasing the relative attraction of metro markets as some tenants seek to reduce costs or adopt decentralisation strategies, such as 'hub and spoke' models.

While COVID-19 clearly presents risks in the near term, Sydney's tight occupier market, long-term growth potential and status as a leading global gateway city will ensure demand remains resilient.<sup>36</sup>

#### 4.5 Sydney CBD Office Market

This section examines the current Sydney CBD office market. It is a different market to the fringe sub-markets (which includes Surry Hills, Redfern, Eveleigh and Ultimo/Pymont) having considerably higher real estate value. However it is included here because it has significant impact on the fringe sub-markets. During times of strong demand and undersupply in the CBD businesses will look for alternatives. The fringe areas will quickly follow the CBD. Land use mix in the fringe is different with a higher proportion of start-up businesses, creative

<sup>34</sup> City of Sydney Commercial Monitor June 2018

<sup>35</sup> Property Council of Australia *Office Market Report* July 2020

<sup>36</sup> Knight Frank Sydney CBD Office Market Overview March 2020

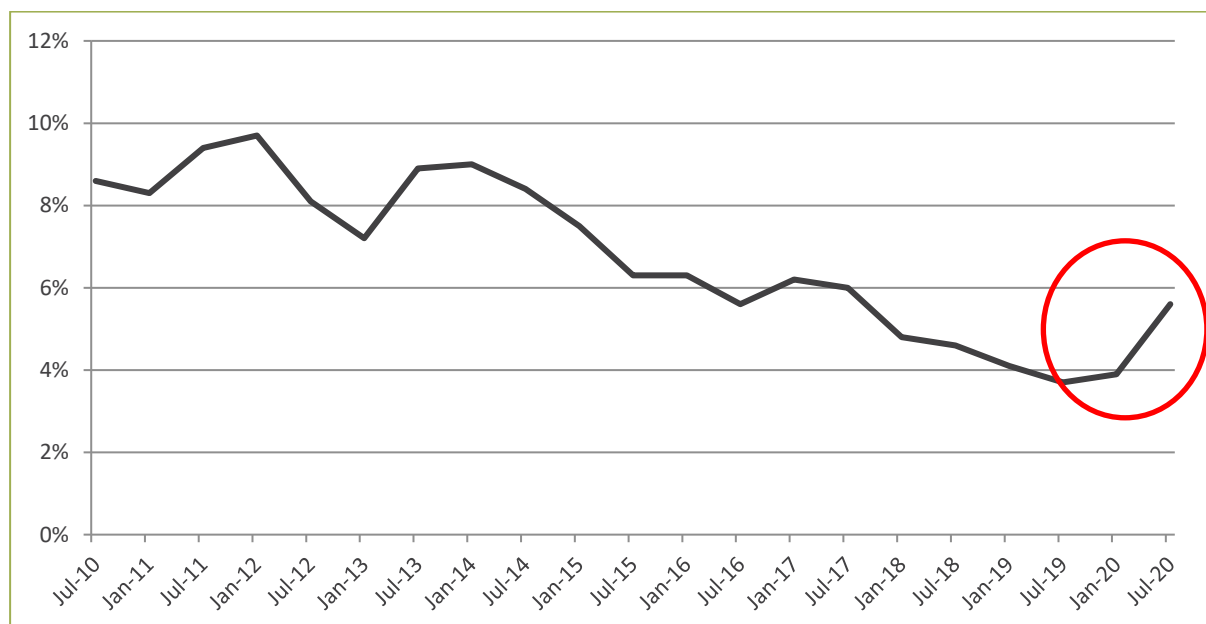
industries, arts and recreation and the like, but this is because these businesses cannot afford the higher rents in the CBD.

The Sydney CBD saw a period of extensive permanent stock withdrawals driven by the Sydney Metro, residential conversions and major redevelopment between mid-2016 to mid-2018. The permanent withdrawal of the Sydney Metro resulted in hundreds of B-grade tenants being displaced from their commercial space. This displacement combined with a limited supply pipeline caused rents to increase circa 20 to 25%, yields to compress to 4 to 5% and vacancies to decrease to 4.1%.<sup>37</sup>

Whilst new supply has been limited over the past 18 months, a number of major projects are currently under construction and set to make their way into the market over the next two years. By January 2022 the CBD office total stock level is anticipated to increase by approximately 4.8%, stemming from over 240,000sqm of new developments and refurbished stock coming back to market.<sup>38</sup> Before COVID-19, the market would have welcomed incoming new supply, but pressure on vacancy has caused owners to quickly increase incentives to ensure deals are completed.

Economic uncertainty during the pandemic and lower white collar employment has led to an increase in the CBD vacancy rate from 3.9% to 5.6% since March 2020.<sup>39</sup> The decline in leasing decision making during the last few months, in conjunction with a rise in sub-lease options, is expected to drive a further increase in vacancy in the second half of 2020.

**Figure 10: Sydney CBD Office Market Vacancy Rate, 2010-2020**



Source: Property Council of Australia *Office Market Report* 2020

Average incentives have increased to 25% to 30%, while face rents are holding but with incentives up, gross effective rents have declined by 7.9% in prime and 8.5% in secondary in the six months to July 2020.

<sup>37</sup> Knight Frank Sydney CBD Office Market Overview March 2019

<sup>38</sup> 'Ibid'

<sup>39</sup> Property Council of Australia *Office Market Report* July 2020

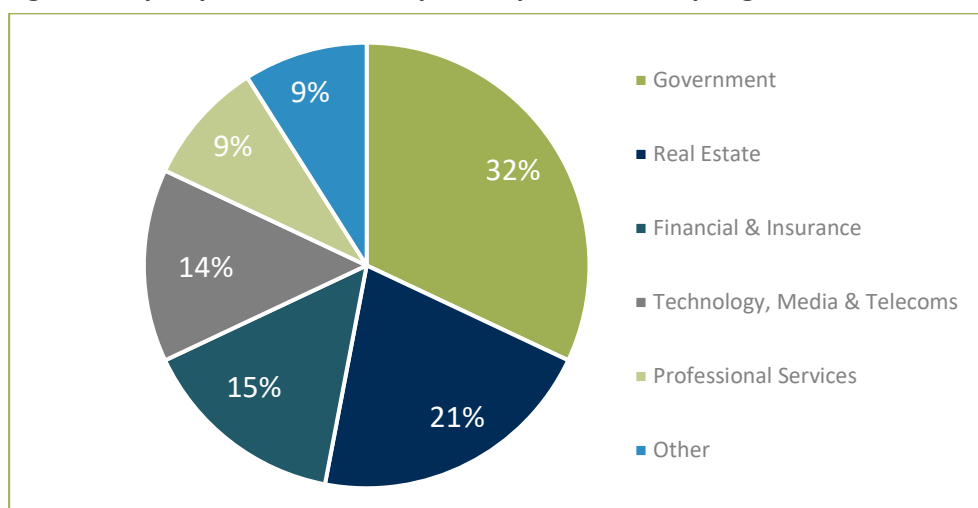


**Table 4: Sydney CBD Office Market Indicators, July 2020**

Grade	Total Stock (sqm)	Vacancy Rate	Annual Net Absorption	Annual net Additions	Average Gross Face Rent	Average Incentive	Effective Rental Growth	Average Core Market Yield
Prime	3,036,801	4.3%	29,958	74,303	\$1,385	25-30%	-6.3%	4.25-4.75%
Secondary	1,941,137	7.6%	-128,248	-79,184	\$1,017	25-30%	-10.7%	4.75-5.25%
<b>Total</b>	<b>4,977,938</b>	<b>5.6%</b>	<b>-98,290</b>	<b>-4,881</b>				

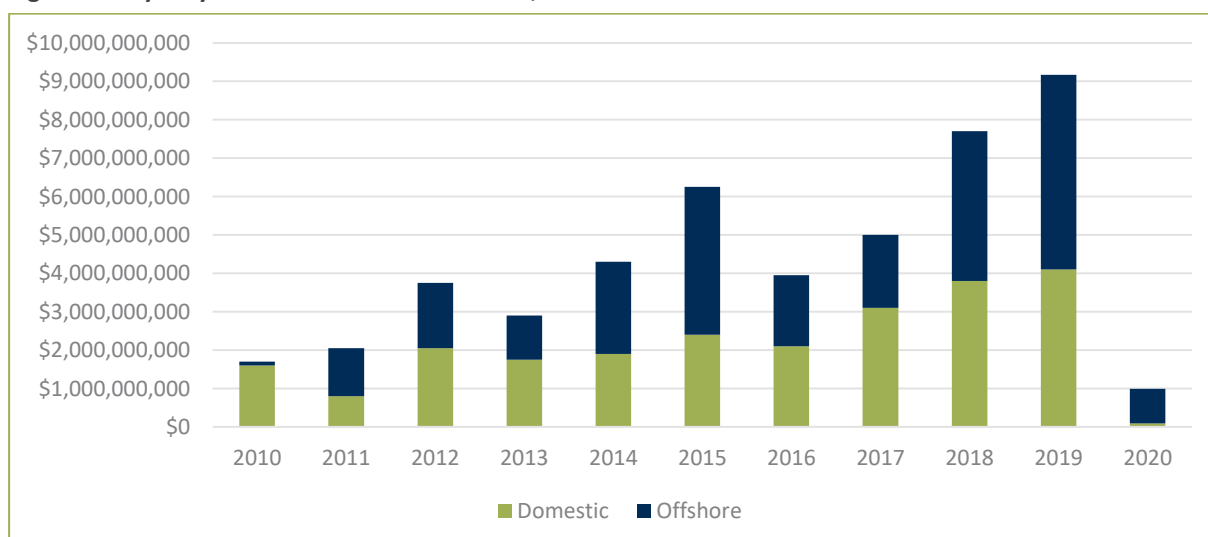
Source: Knight Frank Sydney CBD Office Market Overview September 2020

Private sector leasing demand has been subdued as tenants access workplace utilisation rates. Government demand is helping to partially offset the decline in the private sector demand, accounting for 32% of total leasing volumes in the year to August 2020.

**Figure 11: Sydney CBD Lease Deals by Industry Sector, January-August 2020**


Source: Knight Frank Sydney CBD Office Market Overview September 2020

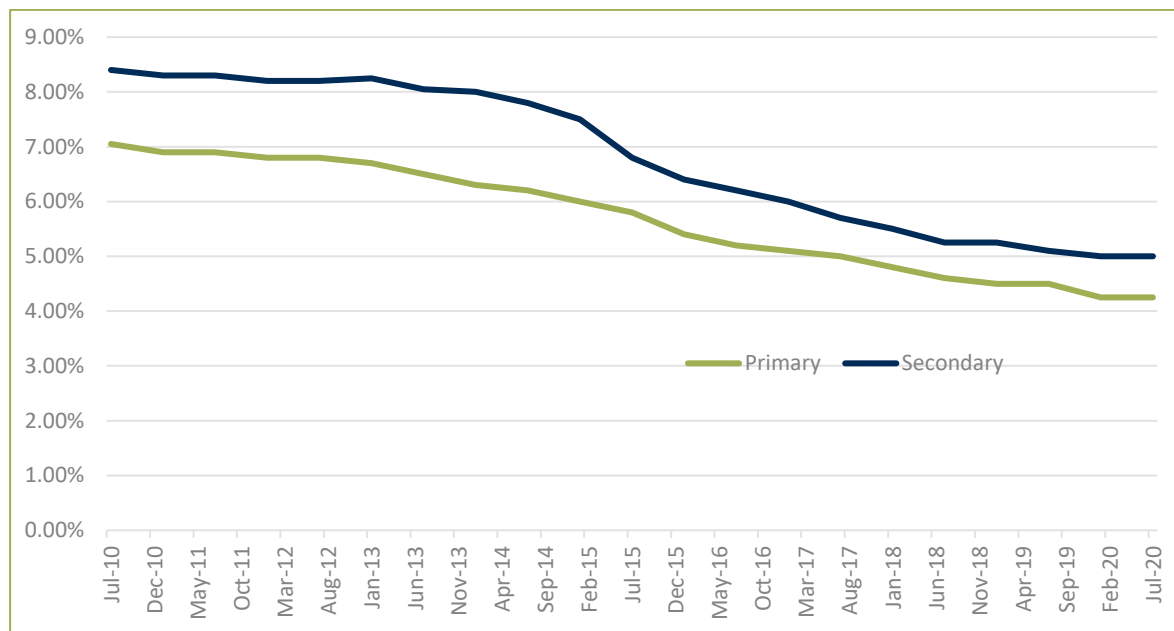
Investment volumes in the first half of 2020 reached \$991.6 million which is significantly lower than the proceeding years. It is expected a rebound is likely in the coming months with several large core CBD assets are being offered for sale.

**Figure 12: Sydney CBD Office Sales 10 million +, 2010-2020**


Source: Source: Knight Frank Sydney CBD Office Market Overview September 2020

Following significant compression during 2019, the core yield range for prime assets is holding between 4.25% to 4.75% while second grade assets sit at 4.75% to 5.25%.

**Figure 13: Sydney CBD Yield Spread, 2010-2020**

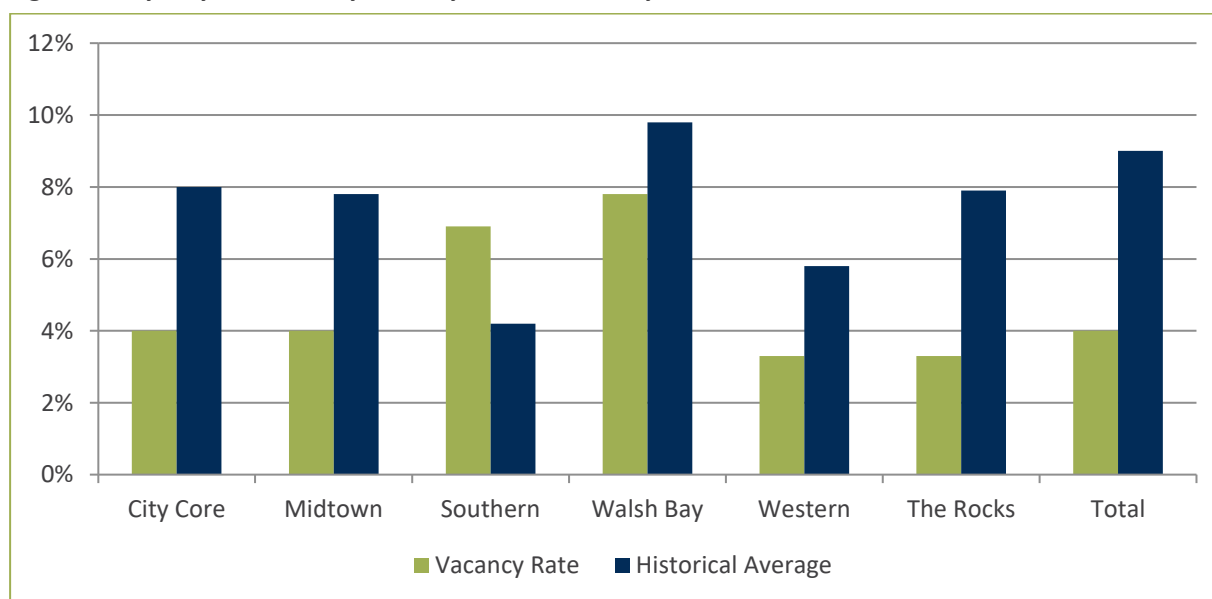


Source: Knight Frank Sydney CBD Office Market Overview September 2020

Before COVID-19, a comparison of the current level of vacancy rates within each submarket shows the strength of the CBD market which added to the increasing pressure on Sydney fringe rents.

The Southern precinct recorded the strongest rental growth of 10.3% YoY (Jan-19 to Jan-20) in the prime market to average \$927/sqm gross face. The Southern precinct has benefited from the opening of the light rail, improving its connectivity to the wider CBD. Additionally, with the Core and Midtown precinct so tightly held, tenants have had to look to the Southern CBD, which can offer up to a 30% rental discount to the CBD average.

**Figure 14: Sydney CBD Vacancy Rates by Precinct, January 2020**



Source: Knight Frank Sydney CBD Office Market Overview March 2020

## 4.6 Sydney Fringe Commercial Office Market

### Sydney Fringe Tenants require cheaper rents

Small to medium-sized enterprises, education and technology are common occupiers of the city fringe who tend to favour shorter lease terms and lower rents, while still remaining in close proximity to the CBD. Cushman & Wakefield reported that fringe rent is approximately 30% less than rent in the CBD, with A-grade net rent in Darlinghurst, Surry Hills and Camperdown currently averaging at \$675/sqm while rent in Pyrmont is currently averaging at \$655/sqm.

The small to medium enterprises that operate within these fringe markets require cheaper rents given the stage of the business cycle of their operations. These technology companies are within the early development of their products/services and cannot afford to pay the market rent in the Sydney CBD so they elect to operate within the creative spaces within the fringe. These tenants are focused on thought leadership and creating the next innovative technologies but are also being displaced given availability and affordability issues.

Given the lack of new office space development within this market over recent years, renewal of existing leases is when issues arise. Companies who signed a three-to-five-year lease in 2014-2016 are now up for renewal. Rents increased 25-40% to the start of the COVID-19 pandemic which had forced some existing businesses to seek office space elsewhere.

The table below highlights the comparison of city fringe rents within the other major commercial office precincts within Sydney.

**Table 5: Metro Sydney Office Market Indicators**

Market	Net Face Rent (\$)	Outgoings (\$)	Gross Incentives
Sydney CBD			
Prime	\$1,110	150-225	20%-24%
Secondary	\$818	100-175	17%-20%
North Sydney	705	125	21%
Surry Hills Darlinghurst	<b>675</b>	<b>110</b>	<b>20%</b>
Pyrmont Ultimo	<b>655</b>	<b>123</b>	<b>18%</b>
St Leonards	595	124	19%
Chatswood	530	107	20%
Parramatta	510	112	19%
Sydney Olympic Park	415	93	23%
South Sydney	415	85	15%
Macquarie Park	370	95	18%
Norwest	335	72	16%

Source: Cushman & Wakefield Metro Sydney Office Marketbeat June 2018

### Limited supply of commercial office space in Sydney City Fringe

Prior to COVID-19 there was a growing urgency amongst creative industries and (increasingly) tech companies to secure unique, quality space, as limited supply within the cluster of City Fringe suburbs, continues. Tech companies are particularly focussed on the role their premises play in their rapid business and staff growth.<sup>40</sup>

<sup>40</sup> Colliers Metro Office Research and Forecast Report Second Half 2017

For tech tenants, retention of staff is a primary driver when choosing the location and character of the space. The City Fringe office market has been flooded with tech start-ups. The importance of location, amenity and type of space comes as the competitiveness between tech companies grows.

Prior to COVID-19 constrained supply had driven the price of employment space, especially in the B-grade market, despite the lack of amenity relative to A-grade space. As competition between tech tenants for space increased, incentives declined. Large corporations such as Google, Woolworths and Sony Computer Entertainment Company paying rents circa \$900/sqm gross has continued to drive rental growth. This has continued to place pressure on new 'start-ups' within the market who are unable to enjoy the benefits of previous creative industries who were paying rents close to \$500/sqm gross when they first entered the market. Constrained supply is a major component of this issue and needs to be solved if new innovative 'start-ups' are sought after within the innovation precinct.

#### **Rise of Technology firms within the Sydney Fringe Market**

The construction of the Sydney Metro that displaced hundreds of B-grade tenants and helped drive Sydney CBD rents 25-35% higher had direct flow-on effects driving smaller tenants away from their existing office spaces. While rental growth and tighter vacancy rates are regarded as healthy indicators for a market's performance when these indicators reach historic levels certain stakeholders are impacted.

Technology firms competing for talent have continued to prioritise fringe markets for their office requirements. Additionally, some expanding tech firms are exclusively considering Surry Hills, unwilling to forgo its cultural, food, and beverage offerings. Once the move occurs, it can be expected that technology firms will be attracted to the southern CBD precinct and immediate surrounding fringe suburbs such as Chippendale, Ultimo, and Surry Hills, leading to increased demand in these areas.

## **4.7 Place-based Innovation**

The Regional and District Plans envisage Blackwattle Bay as forming part of the emerging innovation corridor.

Most innovation occurs as the result of an incremental process of collaboration, convergence and a critical mass of talent. Innovation has long been a process of entrepreneurs and companies coming together to solve problems in groups where they can mingle with other problem solvers. In these creative spaces, they have efficient access to everything from new ideas, financing, business advice, legal advice, sophisticated lab equipment, etc.

There is an increasing shift towards the 'hyper-localisation' of innovation. That is, there is a trend for innovative industries towards co-location and densification with other like-minded industries, universities and research institutes helps drive collaboration and foster innovation within a tightly defined geographical area and a mixed and vibrant urban community.

This is in stark contrast to the earlier 'isolated campus' model deployed by R&D firms like IBM, Microsoft and Apple, who sought to put walls up between themselves and their competitors, in an effort to protect their intellectual property and build a sense corporate loyalty to stop their staff from being poached by competitors.

The innovation ecosystem (i.e. the broader environment in which the business of innovation is being conducted) is becoming more reliant on the physical convergence of industries, government and institutions. This raises two key questions: 1) what are these spatial drivers of innovation, and 2) how can they be leveraged to support innovation and growth?

Based on a literature review<sup>41</sup> the following table summarises six key attributes a node requires to form a successful innovation district.

**Table 6: Innovation District Attributes**

Theme	Principles
Quality of place	<b>Quality of transport and connectivity:</b> residents and workers have access to quality transport options and a good walking experience within and between nodes; there are few barriers that inhibit or segregate innovations clusters.
	<b>Quality of amenity:</b> workers and residents have a range of amenities that enhance the way they live, work and play. This include quality internet access and availability of the latest digital innovations.
	<b>Distinct urban character:</b> nodes have a unique history and character, creative industries and cultural organisations are supported and encouraged; this enhances the liveability and sense of community.
Economic fundamentals	<b>Distinct industry / employment clustering:</b> there are distinct clustering of innovation workers – a critical mass; these group according to industry and occupation that complement one another.
	<b>Residential / commercial development potential:</b> there is enough commercial and residential space to accommodate future demands; land zoning is flexible and supports a changing economy.
Governance and support services	<b>Anchor institutions or firms:</b> there are large scale institutions or firms that lead and drive collaboration within and between nodes; a governance body (bodies) exist to coordinate and facilitate innovation programs, activities and services across the precinct.

Source: HillPDA

## 4.8 Industrial lands trends

The following trends are currently impacting traditional industrial lands and are essential to highlight given the existing nature of the area.

### 4.8.1 Emerging and disruptive technologies

Technological progress provides the potential for economic growth, but its impact is seen by some, as a disruptive force for labour markets and established business models. ‘Disruptive innovation’ refers to an innovation that creates a new market by applying a different set of values, and which ultimately (and unexpectedly) overtakes an existing market.<sup>42</sup> This commonly occurs by harnessing new technologies, or by developing new business models. Products based on disruptive technologies are typically cheaper to produce, simpler, better performing, and more convenient to use.<sup>43</sup>

Disruptive technologies have the potential to impact growth, employment, and inequality by creating new markets and business practices - and ultimately on demand for employment land. Disruptive technologies will have potentially negative effects on some firms, through declines in shareholder value and loss of markets. Employment lands may suffer increased vacancies unless they provide spaces that are suited to the emerging business types and their changing operations.

<sup>41</sup> Rissola et al., 2017; The Brookings Institute; NSW Innovation and Productivity Council, 2018; Lastly, Clark and Moonen, 2017

<sup>42</sup> Clayton Christenson (The Innovator’s Dilemma),

<sup>43</sup> Ibid.

Analysts have identified emerging and disruptive technologies that will likely have a significant impact on the manufacturing transformation. They include (in alphabetical order) <sup>44</sup>:

- **Additive manufacturing** (3D printing): The class of materials that can be printed has been expanded greatly, from plastics, paper, ceramics, metals, superalloys, to biomaterials. Developments in additive manufacturing will likely create new applications that will have a substantial impact on traditional manufacturing methods.
- **Advanced robotics**: New and advanced robotics will increasingly be used in precision manufacturing and assembly, in semiconductor fabrication, and even in human-robotic cooperative environments beyond manufacturing. Manufacturers using advanced robotics are typically seeking larger spaces.
- **Digital manufacturing**: Traditional experiential and experimental approaches to product development, manufacturing process design and validation, factory automation and supply network development are being replaced by highly efficient digital thread approaches.

#### 4.8.2 Microbreweries

Industrial lands have recently attracted interest as a place for microbreweries to locate. The implications of allowing microbreweries to establish in employment areas are still being monitored. Of particular concern is the potential for associated tasting rooms to lead to land-use conflicts while taking away important industrial zoned land from industrial purposes. Microbrewers are an example of emerging industries and debates ensue about how to accommodate such industries within the planning framework.

In the US, microbreweries have played a key role in the revitalisation of economically distressed neighbourhoods with many reporting rising property values in areas surrounding craft breweries.<sup>45</sup> The research found that microbreweries have a positive impact on residential property values and areas near a craft brewery appear to have been associated with relatively higher price premiums even before the opening of the brewery. However, it also found there were no significant impacts on commercial property values. Policymakers are reportedly considering revising zoning laws and other regulations in efforts to promote the growth of microbreweries and spur economic development in their local economies.



Microbreweries within the inner west are gaining an identity and are collectively promoting their product through events. There is an opportunity to support this recent initiative and for future events to be coordinated and hosted by Council, noting that the breweries are typically hosting smaller individual events already.

There is potential for the expansion of restaurant and cafes and retail floorspace within industrial zones, which would see the emphasis shift from industrial uses and production to retail and hospitality venues in these areas. Further, the expansion would potentially be impacting on businesses within town centres and properties zoned for more traditional retail uses, by drawing traffic away from them at a time when they are also competing with increasing online sales. This would be inconsistent with the Greater Sydney Commission's District Plan and more recent assertions from *A Metropolis that Works* that safeguarding all existing industrial land and urban services land is an urgent priority to ensure the long-term liveability and functionality of the city.

<sup>44</sup> Jun Ni and Jay Lee (2016) Emerging and Disruptive Technologies for the Future of Manufacturing: 2015-2025

Keywords: disruptive technologies, emerging trends, future manufacturing technologies, University of Michigan, University of Cincinnati  
<sup>45</sup> Nilson, I. The value of a craft brewery: On the relationship between craft breweries and property values, Article in Growth and Change, March 2019 DOI: 10.1111/grow.12292



## 4.9 Residential trends

Given residential uses will represent a significant component of the development at Blackwattle Bay and will influence the type of retail and commercial uses that will be provided on site HillPDA has also considered some high-level residential trends:

- Increasing demand for apartments is expected in the future due to:
  - Apartments being a more affordable alternative to houses
  - Apartment living becoming increasingly popular with families. It is now common for family households with two parents to have both parents working, creating a 'spatial leash' which in turn increases the opportunity return for working parents to live closer to work
  - Preferences are shifting with people typically demanding place over space – People are eating out more, participating in more cultural activities and drawing on more health and community services. As a result, people are choosing to reside closer to high quality amenities and transport
  - Luxury downsize market is emerging strongly in inner-city precincts such as the Sydney CBD. These precincts are attracting empty nesters who wish to downsize to luxury apartments that have strong amenities and are low maintenance.
- Continued growth of mixed-use developments
- Rise in dual key apartments stemming from multigenerational living, versatility and higher rental yields<sup>46</sup>
- Urban residential design trends:
  - Repurposed living – open plan living and dwellings will become more flexible with moveable walls allowing room conversions and adaptable furniture serving as room dividers
  - The increase in eating out and rising café and restaurant culture will translate to smaller kitchens
  - Shared spaces - shared rooms such as laundries and yoga studios to suit changing lifestyles and add value and function to available space
  - Fewer carspaces – Car sharing, improved transport and driverless cars will result in majority to minority car ownership with less demand for apartments with car spaces
  - Increased demand for green homes to appeal to the eco-conscious buyer pool.

<sup>46</sup> <https://www.whichinvestmentproperty.com.au>

EMPLOYMENT  
SPACE  
DEMAND  
FORECAST

## 5.0 EMPLOYMENT SPACE DEMAND FORECAST

Forecast demand for retail floorspace on site generated from residents and workers within the walkable catchment and beyond is around 10,000sqm and a further 85,000sqm of non-retail commercial floorspace (net of the SFM) could be supportable.

This chapter examines the opportunities and constraints for Blackwattle Bay with relation to the retail and commercial uses through undertaking a SWOC analysis of the site. A robust evidence-based assessment of the future quantum of retail and commercial floorspace was undertaken. Reference to broader economic trends are considered to further inform the economic opportunities and challenges as well as the quantitative demand analysis. Finally the chapter assesses the site's suitability for the various identified uses. Note this assessment considers matters relating to the proposed development from an economic perspective only.

### 5.1 Methodology

This section outlines the methodology used to determine the demand for and appropriate level of retail and commercial to be accommodated at Blackwattle Bay.

To address the Study requirement's brief HillPDA:

- Undertook a SWOC analysis of Blackwattle Bay site focussing on locational considerations and the site's attributes in order to understand the economic opportunities, constraints and challenges with delivering the objectives sought for the Blackwattle Bay Investigation Area (ie the base case). References to broader economic trends were also used to further inform the economic opportunities and challenges facing Blackwattle Bay
- Undertook a robust evidence based assessment (refer to Section 4) of the quantum of retail and commercial floorspace, by type, that Blackwattle Bay could support, taking into account infrastructure capacity constraints, the impact on surrounding centres – including future destinations within the broader Bays Precinct, and a requirement for a visually appealing, highly walkable destination which complements neighbouring centres. Consultation with industry experts was also undertaken to better understand the current and future demand for commercial uses in the Blackwattle Bay locality
- A high-level assessment of the site's suitability for retail, commercial and residential uses across key locational factors/ attribute was also undertaken

#### 5.1.1 Retail demand and supply analysis methodology

In assessing an appropriate level of retail for Blackwattle Bay the following tasks were undertaken:

- Upon identifying the sources of expenditure (ie residents and workers) an appropriate catchment for the development was defined. Worker catchments are typically the area within walking distance of the site (ie 800m), whilst the residential catchment 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 Blackwattle Bay

- The location and accessibility of the Centre including the available road and public transport network and travel times
- The presence or absence of physical barriers, such as rivers, railways, national parks and freeways
- Population forecasts along with social demographic profile for the catchment were established and sourced from ABS Census and Transport of NSW population forecasts
- Subsequently the current and projected future retail expenditure generated by residents and workers in the catchment was calculated using HillPDA's bespoke expenditure model which incorporates Mapinfo's Expenditure 2018 data, Anysite's Expenditure 2016 data, ABS Retail Sales data and ABS Household Expenditure Surveys
- Other projects in the pipeline and the likelihood of these projects using sources such as Council and CordellsConnect were also considered
- From there we estimated likely levels of escape expenditure by retail store type and considered the potential, if any, of expenditure captured from beyond the trade areas
- Target capture rates were applied to the projected future retail expenditure generated by residents and workers of the catchment to estimate potential retail sales in 5 year increments to 2036
- By dividing projected potential retail sales by target retail turnover densities (RTD) the required floorspace was derived based on data from various sources including ABS Retail Surveys, ABS Retail Sales data, URBIS retail averages and various annual reports
- Having determined the amount of additional retail floorspace, we undertook a demand and supply GAP analysis for locality. This highlighted any over/undersupply of retail floorspace by broad type
- Based on the above analysis we ascertained an appropriate quantum of commercial and retail provision and suggested an appropriate mix of tenants including anchors (majors), mini-majors and specialties
- Any recommendation on the scale and type of uses to be located on the site would have regard to any potential adverse impacts on the viability of the surrounding retail hierarchy

### 5.1.2 Employment/commercial demand and supply assessment

In assessing an appropriate level of non-retail commercial space for the Blackwattle Bay Precinct the following steps were undertaken:

- Using the Transport Performance and Analytics (TPA) employment forecasts we projected the amount of additional employment land/commercial space that would be required in the LGA by industry type to accommodate employment growth between 2016 and 2036. This was determined by applying industry standard employment densities
- Target capture rates were then applied to this demand for additional employment uses based on a high-level assessment of the current constraints associated with Blackwattle Bay and the developable area to estimate an appropriate quantum of commercial provision
- A qualitative assessment of the effect that commercial uses on the site would have on the supply and demand for employment land within the broader area was undertaken
- In addition to the above a high-level market appraisal through agency reports and discussions with industry experts was undertaken to better understand the current and future demand for commercial uses in the Blackwattle Bay locality

- Other sources of information utilised included the Pyrmont Peninsula Economic Development Strategy and the Draft Pyrmont Peninsula Place Strategy

## 5.2 Opportunities and Constraints Analysis

In establishing the opportunities and constraints of the site for retail and commercial floorspace, HillPDA firstly undertakes a SWOC (strengths, weaknesses, opportunities and challenges) analysis which is detailed in the section below.

### 5.2.1 SWOC Analysis of Blackwattle Bay

Having considered the site surroundings and competitive landscape the below summarises Blackwattle Bay's key strengths, weaknesses, opportunities and challenges with a focus on how they relate to retail and commercial floorspace on the site.

#### Key strengths include:

- Proximity to CBD and key destinations
- Waterfront location with uninterrupted views of the Bay. Offering excellent aspect for retail, commercial and residential uses
- Adequate public transport and pedestrian access to the site with the existing light rail servicing Blackwattle Bay and walking track (Glebe foreshore or walk across Anzac Bridge)
- Reasonably good private transport access to the site
- Major tourist destination, with 3 million visits per year, with strong potential to significantly increase tourist visitation
- Adjacent to open park space – Wentworth Park and Glebe Foreshore
- Strong mix of land uses surrounding Blackwattle Bay providing sources of expenditure including residential, commercial and tourist accommodation and attractions
- Large site of over 4Ha of government owned land is a significant landholding that is able to accommodate a relatively large-scale development
- Healthy appetite for retail and commercial floorspace given low vacancy rates and strong uptake.

#### Key weaknesses include:

- Existing heavy traffic and congestion in local areas, particularly during peak hours, requiring other transport modes (walking, cycling, bus, ferry, light rail, metro) to get to and from the site
- Strong competition from retail and commercial areas with better accessibility (eg CBD, Central, Redfern and other CBD fringe areas)

#### Key opportunities include:

- Provide new world class market food offering and dining attraction, as well as public space, housing, retail and employment uses
- Provide a greater mix of local employment opportunities; reducing local dependency on industrial related employment; while providing professional/white collar employment opportunities
- Provide local retail and services to meet the daily needs of future residents

- Reducing the need for local residents to travel for employment opportunities and convenience based retail needs which is aligned to Regional and District objectives
- Activate Blackwattle Bay's night-time economy
- Significant development may facilitate investment in improving access to and from the site. This will benefit SFM and the local community. Opportunities to improve access include:
  - Improve foreshore promenade access, including increasing pathway width to accommodate pedestrians and cyclists
  - Improve links to light rail
  - Increase bus services
  - Potential for ferry access and/or metro line to service Blackwattle Bay
  - Repurpose Glebe Island Bridge to provide a cycleway/pedestrian bridge
  - Local area traffic calming aimed at discouraging heavy vehicles from this route.

### Key challenges include:

- Ensuring high density development is adequately supported with planned infrastructure and connections into local network so as not to does not contribute to traffic congestion
- Potential community opposition towards renewal and intensification of the area
- Ensuring a complementary rather than a competitive relationship with the SFM which is addressed by providing an appropriate level of retail offer for the convenience of workers and residence within the walkable catchment only (rather than destination retail)

### 5.2.2 Opportunities and constraints

The table below identifies potential opportunities and constraints with respect to retail and commercial uses. In identifying these opportunities and constraints HillPDA draws upon the retail and commercial trends explored in Chapter 4.

**Table 7: Blackwattle Bays Opportunities and constraints**

Opportunities and Constraints Identified	
Retail	<ul style="list-style-type: none"> <li>■ There are opportunities to diversify and provide additional retail floorspace (i.e. include a supermarket). This will activate Blackwattle Bay and service the retail needs of the local community (and potential new residents/workers on site if residential/commercial uses are also provided on site) which are currently underprovided for.</li> <li>■ Given the strong performance of the surrounding retail network (with many of the centres over trading when benchmarked to industry standards i.e. Broadway Shopping Centre) and the scale of the proposed mix the additional retail on site is unlikely to threaten the viability of the surrounding retail network.</li> <li>■ Opportunities exist to activate the precinct's night time economy</li> </ul>



Commercial	<ul style="list-style-type: none"> <li>There is potential to provide commercial/office floorspace, with opportunities to leverage off the media and technology employment uses and community office hubs which are well represented in the area and provide similar employment floorspace on site. There are also opportunities to provide serviced apartments given the site's proximity to employment uses and the growing corporate traveler market.</li> </ul>
Residential	<ul style="list-style-type: none"> <li>There is potential for residential uses. Such uses will accommodate the population growth and contribute to meeting dwelling targets set out in the District Plans. Residential uses which provide the highest end sale value (above ground) would also assist in funding the renewal of the SFM and support the viability of the SFM through additional retail expenditure generated from new residents within Blackwattle Bay.</li> </ul>
Traffic	<ul style="list-style-type: none"> <li>An appropriate traffic and transport strategy will be required to demonstrate how movement of residents, workers and visitors to the area will occur and justify the appropriate land use mix with significant mode share proposed for active and public transport.</li> </ul>

Source: HillPDA

### 5.2.3 Opportunities for an innovation precinct

This next section provides a qualitative assessment of Blackwattle Bay against the innovation principles derived from the literature review (refer to section 4.3). Blackwattle Bay has also been benchmarked against competing innovation precincts to better gauge its viability and is based on our own judgment with respect to the nature of each node.

Theme	Principles	Camperdown/ University	Ultimo- Central	South Eveleigh	Surry Hills	Blackwattle Bay
Quality of Place	Quality of transport and connectivity	Train: Poor	Train: Excellent	Train: Good	Train: Good	Train: Good
		Bus: Good	Bus: Very Good	Bus: Poor	Bus: Good	Bus: Good
		Car: Poor	Car: Poor	Car: Good	Car: Poor	Car: Good
	Pedestrian Experience	Good	Poor	Poor	Good	Good
	Quality of Amenity	Good	Good	Limited	Good	Good
Economic Fundamentals	Distinct urban character	Strong. Heritage Campus	Moderate. Modern Office	Weak. Business Park	Strong. Village / Mixed Use	Strong. Mixed Use
	Distinct industry / employment clustering	Strong. Education / Hospital	Strong. Education	Strong. Financial Services	Moderate. Creative / Professional Services	Moderate. Start-ups / Professional Services
	Residential / commercial development potential	Limited	Good	Limited	Minimal	Good
Governance and Support Services	Anchor institutions or firms	Strong. University of Sydney	Strong. UTS & TAFE NSW	Moderate. Common- wealth Bank	Weak	Weak

Based on the qualitative assessment there is potential for an innovation precinct within Blackwattle Bay. Obtaining an anchor institution or firm would be critical for the precinct's success. As discussed in Section 5.2.3, there is a growing trend for small to medium-sized enterprises, education and technology firms due to lower rents. Demand for Sydney fringe commercial floorspace is further augmented by the limited supply of commercial office space. Accordingly there are opportunities for Blackwattle Bay to service some of this demand.

### **5.3 Demand for retail uses**

Opportunities exist to provide retail and commercial uses within Blackwattle Bay to service the local residential catchment. This section quantifies the total expenditure generated within the Blackwattle Bay catchment from the various sources (i.e. residents, workers and visitors/tourists) and subsequently forecasts demand for retail floorspace within Blackwattle Bay, making allowances for the existing supply of retail and commercial floorspace within the trade area.

Please note that retail potential on the site for new Sydney Fish Market (SFM) is being analysed independently and is subject to a separate proposal. For the purposes of this assessment we have only quantified the total retail potential for Blackwattle Bay (net of the new fish markets site) which is the area shown in the below map bounded by a red line (referred to as the subject site hereafter). Further we have assumed the retail mix at the proposed development will complement the SFM rather than directly compete with it.

Figure 15: Subject site



Source: HillPDA; Sixmaps

### 5.3.1 Sources of expenditure

It is envisioned that the proposed development would capture expenditure from **three main sources**:

- Local residents
- Local workers
- Visitors

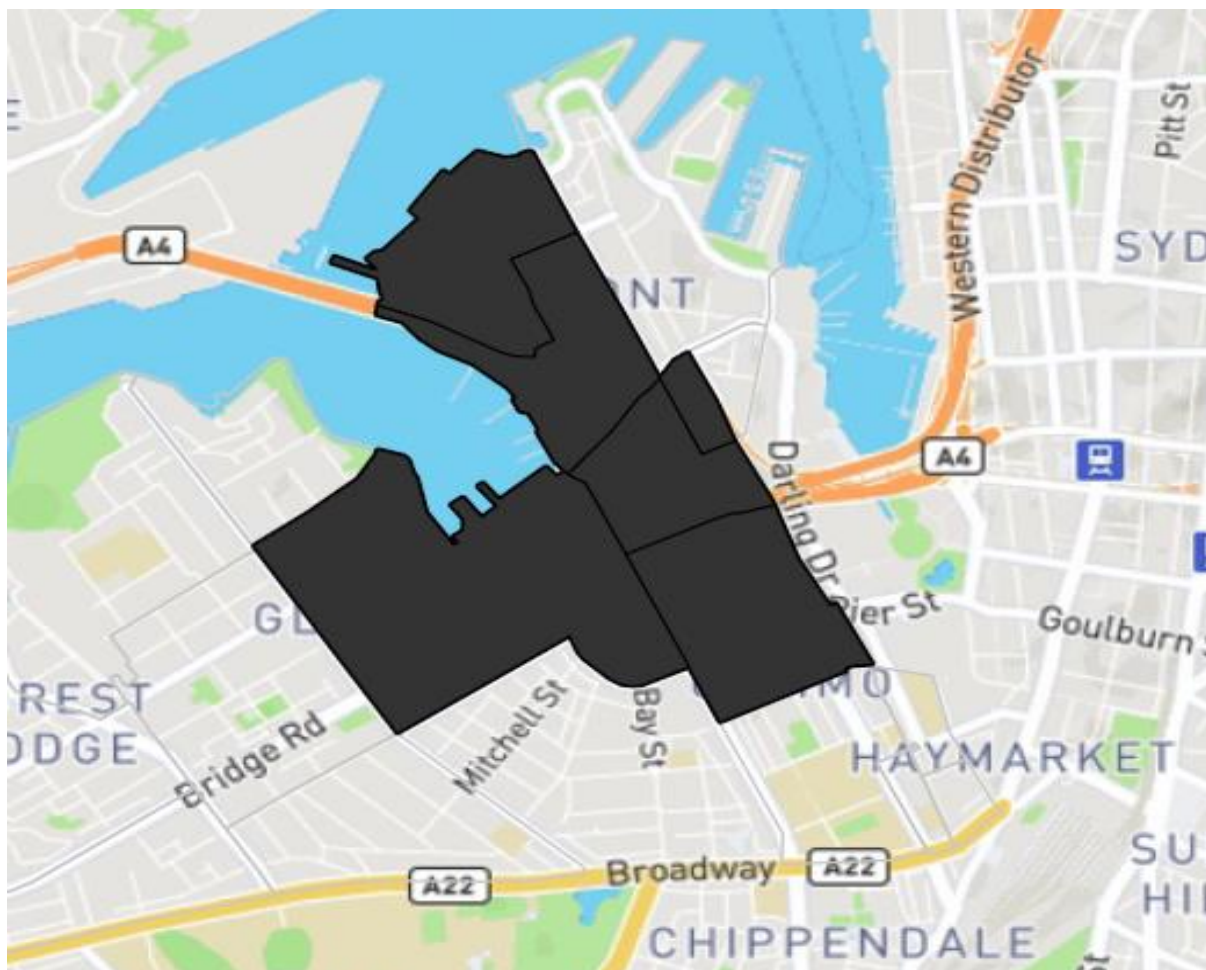
Each of these sources is considered immediately below.

### 5.3.2 Residential and Worker Catchments

A key objective of the development is to ensure a highly walkable precinct with a high degree of containment. For this reason - along with the local traffic congestion and strong competition provided at Sydney CBD and

Broadway Shopping Centre- both the residential and worker catchments for the development have been defined to include the area within walking distance of the site (ie generally within 800m of the subject site) shown in the figure below.

**Figure 16: Local residential and worker catchment (generally within 800m)**



Source: Transport of NSW Population Projections; HillPDA

### 5.3.3 Population Growth of local residential catchment

Demand for retail floorspace largely depends on the forecast population and household growth within the catchment. Population forecasts for the catchment have been sourced from the Transport of NSW (TPA) 2016 Population Forecasts. It is noted however that the TPA forecasts do not take into consideration the scale of the proposed development at Blackwattle Bay. The TPA forecasts have been adjusted to better reflect the higher residential density proposed on the subject site (ie assuming around 1,550 dwellings accommodating around 2,800 to 2,900 residents). The residential catchment was 15,600<sup>47</sup> in 2016 and is projected to increase substantially to almost 22,900 by 2036<sup>48</sup>.

### 5.3.4 Key socio demographic characteristics

Demand for retail floorspace is dependent not only on the number of households in the catchment but also the socio-demographic characteristics of those households. The walkable catchment is contained within the

<sup>47</sup> Estimated Resident Population from TPA to determine existing catchment population in 2016

<sup>48</sup> Based on TPA Forecasts and adjusted to include the higher residential density proposed at Blackwattle Bay



suburbs of Glebe, Pyrmont and Ultimo. As such, we have examined some key socio-economic characteristics of these suburbs by benchmarking to Greater Sydney. All data presented in the table immediately below has been sourced from ABS Census 2016.

**Table 8: Summary of Socio-demographic Characteristics**

Indicator	Glebe, Pyrmont and Ultimo	Greater Sydney
Median Age	32	36
Australian born	48.8%	57.1%
Median Weekly HHD Income (\$)	\$1,808	\$1,750
Age Profile		
0-14	7.9%	18.7%
15-29	36.0%	21.0%
30-44	28.0%	22.6%
45-64	18.6%	23.8%
65+	9.5%	13.9%
Occupation		
Managers	17.2%	14.0%
Professionals	36.4%	26.8%
Technicians & Trade Workers	8.3%	11.9%
Community & Personal Services Workers	11.3%	9.8%
Clerical and Administrative Workers	11.5%	14.9%
Sales Workers	7.9%	9.2%
Machinery Operators & Drivers	1.7%	5.7%
Labourers	5.7%	7.7%
Unemployment rate	7.3%	6.0%
Dwelling & Household Structure		
Own Homes	34.7%	64.1%
Rent Homes	64.7%	35.0%
Household Structure		
Families	50.6%	73.7%
Lone Persons	32.9%	21.6%
Group households	16.5%	4.7%
Average People Per Household	2.2	2.8
Family Composition		
Couple family with children	26.4%	49.5%
Couple family without children	56.3%	33.4%
One parent family	12.9%	15.2%
Other family	4.3%	1.8%
Dwelling Structure		
Separate House	2.3%	57.2%
Semi-detached	23.3%	14.1%
Apartments	73.8%	28.2%
Other dwelling	0.6%	0.6%

Source: ABS Census 2016

This analysis found:

- The median age of residents in study area was 32 – significantly younger than the Greater Sydney (36)

- The study area had a lower representation of retiree aged population, with only 10% being 65 and older years compared to 14% in Greater Sydney
- 36% of residents were aged 15-29, which is higher than the Greater Sydney average (27%)
- The study area has a significantly lower representation of families with dependent children compared to the Greater Sydney (26% compared to 50%)
- The study area has a low representation of Australian born residents (49%) compared to Greater Sydney (57%)
- The study area has a high representation of Managers (17% of working residents) and Professionals (36%) compared to Greater Sydney of 14% and 27% respectively
- Study area residents are wealthier with a median household income of \$1,808 per week – some 3% higher than Greater Sydney. Higher incomes are associated with higher than average per capita spend in retail goods and services
- Based on the above analysis residents within the Blackwattle Bay catchment are likely to be affluent young professionals

### 5.3.5 Expenditure by local residents

Household expenditure was sourced from:

- ABS Household Expenditure Survey which provides household expenditure by broad commodity type by household income quintile
- AnySite 2016 data which is generated by combining and updating data from the Population Census and the ABS Household Expenditure Survey (HES) using microsimulation modelling techniques
- Marketinfo's 2017 expenditure data adjusted to 2020 dollars based on ABS Retail Sales figures

Based on the above, and assuming population growth forecasts as discussed above, HillPDA has forecast household retail expenditure in the catchment as provided in the following table. Note the forecasts assume growth in real retail spend per capita of 1.0% per annum in food and food services and 0.5% in non-food items. This is line with long-term trend in historic spend since 1986.<sup>49</sup>

<sup>49</sup> Various sources include ABS Population, CPI and Retail Sales Time Series data.



**Table 9: Trade Area Expenditure by Retail Store Type (\$m2020)**

YEAR	2021	2026	2031	2036
No. of Residents	16,581	19,344	21,588	22,730
Supermarkets & Grocery Stores	89.3	109.5	128.4	142.1
Take-away Liquor Stores	10.9	13.3	15.6	17.3
Specialty Food Stores	10.6	13.0	15.3	16.9
Fast-Food Stores	20.8	25.5	29.9	33.1
Restaurants, Hotels and Clubs*	43.0	52.7	61.8	68.4
Department Stores	18.9	22.6	25.8	27.9
Apparel Stores	29.6	35.4	40.5	43.8
Bulky Goods Stores	44.9	53.7	61.4	66.3
Other Personal & Household Goods Retailing	40.0	47.8	54.7	59.1
Selected Personal Services**	12.1	14.9	17.5	19.3
<b>Total Retailing</b>	<b>320.0</b>	<b>388.4</b>	<b>451.0</b>	<b>494.1</b>

Source: TPA and Forecast.ID; Pitney Bowes AnySite 2016; Mapinfo 2018; HillPDA. Note: Forecasts allow for growth in real spend per capita of 1.0% per annum in food and 0.5%/ann in non-food items from 2020 onwards in line with the historic trend since 1986 (HillPDA estimate based on ABS Retail Sales, CPI and population data).

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

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

The residential catchment will generate \$320m retail expenditure in 2021. Over the period to 2036 total retail expenditure generated is forecast to increase to \$494m as a result of population and expenditure growth. However, of total retail expenditure generated by residents of the trade area, only a proportion would be captured by retail facilities proposed at Blackwattle Bay.

The type of retail floorspace proposed at the site would primarily be convenience based and population serving so that it complements rather than competes with SFM's offer (fresh food and quality dining options) and meets the day to day needs of the walkable catchment and ensure a high degree of containment.

Not all of the above expenditure will be drawn to the subject site. Only a minor proportion will. Reasons for this include:

- The presence of other competing retail centres in the surrounding area
- Strong offer in fresh food and dining options at the SFM
- Discretionary retail (department stores, clothing, household and bulky goods) will not be provided at Blackwattle Bay
- Working residents undertaking a portion of their total spend close to their place of work (approximately 15-25% and potentially higher in major centres and CBD locations) and
- Expenditure from residents who are on holidays / business trips or are away for other reasons for any extended periods

Market shares (ie, the proportion of expenditure captured by the subject site) have been adopted, considering the above factors. These market share assumptions are outlined in the following table.

**Table 10: Estimated Market Shares (%)**

Retail Store Type	Capture Rate	Potential Retail Sales in 2036
Supermarkets, grocery and liquor stores	22.5%	35.9
Specialty Food Stores	12.5%	2.1
Fast-Food Stores	10.0%	3.3
Restaurants, Hotels and Clubs	10.0%	6.8
Department, apparel and bulky goods stores	0.0%	0.0
Other Personal & Household Goods Retailing	10.0%	5.9
Selected Personal Services	20.0%	3.9
<b>Total Retail Market Share</b>	<b>11.5%</b>	<b>56.6</b>

Source: HillPDA (2020)

### 5.3.6 Demand for Retail Floor Space (sqm) generated by local residents

Demand for retail floor space is forecast by applying target retail turnover density rates (RTD) being industry benchmarks<sup>50</sup> to total potential retail sales. HillPDA's target turnover rates have been sourced from various sources and include growth at 0.5% per annum to allow for real turnover increases in line with historic trend<sup>51</sup>. The results are summarised in the table immediately below.

**Table 11: Demand for retail space (\$m2020)**

Store Type	Target RTD (\$/sqm)	2021	2026	2031	2036
Supermarkets & Grocery Stores	\$12,500	1,568	1,875	2,145	2,315
Take-away Liquor Stores	\$12,500	191	228	261	282
Specialty Food Stores	\$8,000	162	193	221	239
Fast-Food Stores	\$8,500	238	285	326	352
Restaurants, Hotels and Clubs	\$6,000	698	835	956	1,031
Other Personal & Household Goods Retailing	\$6,000	650	759	847	891
Selected Personal Services	\$5,500	431	515	589	636
<b>Total Retailing</b>	<b>\$9,081</b>	<b>3,938</b>	<b>4,691</b>	<b>5,345</b>	<b>5,747</b>

Source: TPA Population Forecasts; Pitney Bowes AnySite 2016; Mapinfo 2018; HillPDA; \* Various including ABS Retail Surveys, Shopping Centre News, Urbis Retail Averages, various annual reports and consultancy reports \*\*This includes supermarket and Grocery Stores, take-away liquor store, other personal and household goods retailing and personal services.

By applying the target RTDs to achievable retail sales, HillPDA has forecast demand from the local resident population for around 5,750sqm of leasable retail floor space by 2036 as shown in the table above.

### 5.3.7 Retail demand from local worker catchment

The local catchment includes workers, with potential to capture spend from this market. Worker forecasts for the catchment have been sourced from the Transport of NSW (TPA) 2016 Population Forecasts and have been adjusted to reflect the higher commercial density proposed at Blackwattle Bay (ie 85,000sqm commercial floorspace net of SFM).

<sup>50</sup>Note: Derived from various sources including Urbis Retail Averages, ABS Retail Survey 1998-99 escalated at CPI to \$2013, Shopping Centre News, HillPDA and various consultancy studies.

<sup>51</sup>Note: Expenditure per capita has increased at around 0.9% to 1.3% above CPI every year since 1986 although HillPDA is currently using an assumption of 0.8% growth per annum from 2016 onwards. Around half of this increase has translated into an increase in retail floorspace per capita (from 1.8sqm in the 1980s to around 2.1-2.2sqm today). The balance of the increase in expenditure has translated into a real increase in turnover per square metre rates.

The worker catchment was almost 13,000<sup>52</sup> in 2016 and is projected to increase to over 19,200 by 2036<sup>53</sup>.

The Urbis 2013 National Office Worker Survey found that in 2013 workers in the CBDs of Australian capital cities on average spend \$230 per week on retail goods and services in the CBD which equates to an average spend of \$11,000 annually. Of course this level is high in the CBDs where the retail offer is very strong and wide. The level of spend will diminish with the size and strength of the retail offer. For the purpose of this assessment we have adopted a more conservative rate of \$3,500 on retail goods and services annually.

Assuming the proposed retail on the old SFM site has the potential to capture 25% of this spend<sup>54</sup> of this spend and applying industry target rates HillPDA estimates current demand for 1,300sqm of retailing<sup>55</sup> generated from local workers increasing to 1,800sqm by 2036.

### 5.3.8 Retail demand from visitors

The SSP study suggests that the site could or may accommodate a hotel and serviced apartments providing up to 170 rooms (or around 70 hotel rooms and 70 serviced apartments) at some point in the future. Assuming 1.4 persons per hotel room and 2.0 persons per serviced apartment and occupancy rate of 78%, this would result in 68,000 visitor nights a year. Assuming an average spend of \$70 per day visitor<sup>56</sup> and 30% capture this amounts to \$1.4m per annum. Hence visitors staying in the hotel would generate a further 140sqm of demand for additional retail space.

Day visitors and occupiers in other hotels within a short walking distance are further potential sources of expenditure. In particular the SFM has a wide main trade area that encompasses a large proportion of the Sydney Metropolitan. It enjoys three and half million visitors a year of which over a million are international and other non-Sydney tourists. There is an opportunity to capture some spill over trade from SFM and other visitors to the bay. Conservatively this would comprise 20% of total potential retail sales.

### 5.3.9 Total demand for retail floorspace

The total demand for retail floorspace forecast in 2036 generated by residents and workers within the walkable catchment and from visitors total around 11,000sqm GFA as summarised in the table immediately below.

**Table 12: Summary of demand for retail space in 2036**

Source of Expenditure	\$MAT	Required GLAR (sqm)
Residents	56.6	5,747
Workers	16.8	1,706
Visitors	18.4	1,863
<b>TOTAL</b>	<b>91.8</b>	<b>9,315</b>

GFA would be 10% to 20% higher than GLAR as some space is likely to be required for circulation, amenities and on-site management. The next section will forecast demand for commercial uses. It is likely that some

<sup>52</sup> Estimated Resident Population from TPA to determine existing catchment population in 2016

<sup>53</sup> Based on TPA Forecasts

<sup>54</sup> We have assumed only a third would be captured from workers since there is likely to be significant leakage to the Sydney Fish Market (which will offer a significantly stronger specialty food offer) as well as other competing centres i.e. the Coles at Star, Woolworths Metro Pyrmont, etc

<sup>55</sup> This includes grocery stores, take-away foods, other personal and household goods retailing and personal services.

<sup>56</sup> Various regional and LGA profiles from the DestinationNSW / National Tourism Survey

commercial uses will occupy shop front space including financial, travel, real estate, medical, personal and other services. Based on typical retail mix we would recommend a further 1,500sqm is planned for such services.

## 5.4 Demand for commercial uses

### 5.4.1 TfNSW Projections

Transport for NSW (TfNSW) produces Travel Zone Projections (TZP) for population, workforce and employment for each of the 3,758 Travel Zones (TZ) across NSW in five year time periods from 2016 to 2056. The projections are developed to support a strategic view of NSW and are aligned with the NSW Government Common Planning Assumptions<sup>57</sup>.

The projections seek to represent a likely urban and regional future based on current data, trends, and an understanding of policy/structural changes that may impact the future. The TZP projections are not based on specific assumptions about future new transport infrastructure but do take into account known land-use developments underway or planned, and strategic plans.

TZP 2019 was released in September 2020 and uses key input data from the Census (ABS 2016), Department of Planning, Industry and Environment (DPIE) Population Projections (released 2019) Housing Supply Forecasts as well as NSW employment forecasts by NSW Treasury, industry forecasts by Victoria University, and a custom-built Future Employment Developments Database. Please note however that TZP 2019 is based on best available data as at late 2019 and does not include impacts from the Covid-19 pandemic.

The table below presents the recent projected employment growth within Pyrmont-Ultimo SA2 by industry type out to 2036 as forecast by TfNSW TPA. Pyrmont-Ultimo SA2 employs around 44,000 workers with this projected to increase to almost 56,500 workers by 2036.

**Table 13: Employment Forecasts Pyrmont Ultimo SA2**

Industry	2016	2036	Change
Mining	2	7	376.4%
Education and Training	6,025	8,746	45.1%
Professional, Scientific and Technical Services	9,209	13,082	42.1%
Retail Trade	2,071	2,915	40.8%
Financial and Insurance Services	937	1,287	37.3%
Printing (including the Reproduction of Recorded Media)	92	125	36.6%
Public Administration and Safety	719	927	29.0%
Other Services	782	1,009	28.9%
Accommodation and Food Services	2,680	3,438	28.3%
Health Care and Social Assistance	869	1,090	25.5%
Wholesale Trade	1,191	1,492	25.3%
Electricity, Gas, Water and Waste Services	385	475	23.3%
Construction	1,992	2,450	23.0%
Arts and Recreation Services	5,438	6,562	20.7%
Rental, Hiring and Real Estate Services	714	852	19.4%
Transport, Postal and Warehousing	821	932	13.5%

<sup>57</sup> <https://www.treasury.nsw.gov.au/information-public-entities/common-planning-assumptions>

Information Media and Telecommunications	8,392	9,257	10.3%
Manufacturing	262	287	9.5%
Administrative and Support Services	1,359	1,453	7.0%
Agriculture, Forestry and Fishing	29	22	-24.2%
<b>Total</b>	<b>43,968</b>	<b>56,409</b>	<b>28.3%</b>

Source: TfNSW TPA Employment Forecast

The industries forecast with the strongest growth from 2016 to 2036 include: Education and Training; Professional, Scientific and Technical Services; and Retail Trade. These industries are also the most represented industries and experience the greatest increase in absolute terms. The demand for these industries will require commercial floorspace in well located areas in close proximity to services including retail and public transport.

Over this same period, industries to experience minimal or negative growth in the LGA are Manufacturing; Administrative and Support Services; and Agriculture, Forestry and Fishing. This trend was reflective of the wider Eastern City District where residents employed in the industries of manufacturing and wholesale trade decreased by 8,756 persons or 22% over the same period. These industries are typically located in industrial precincts or zonings. As such, a decrease in this type of employment would likely have a corresponding reduction in the demand for additional industrial land or a conversion to alternate uses.

Implementation of a development providing more intensified employment uses would be an extremely important project for the local economy and employment base. The inclusion of professional and commercial activities will also present a range of new local employment opportunities which are more aligned with current employment trends, including jobs in such sectors as education, professional services and finance.

#### 5.4.2 Demand for Intensified commercial spaces

A variety of industrial and port related activities currently exist in the Blackwattle Bay. There is an opportunity however to diversify the commercial mix at the site to better reflect the changing nature of the workforce and current market industry trends.

The TfNSW forecasts a net increase in workers in office based industries<sup>58</sup> from 2021 to 2036 at 7,056. Average job density across these industries is 31 sqm per worker<sup>59</sup>. This means a requirement to deliver 220,000sqm more floor space to meet expected growth in the workforce across these industries. Mooted developments will provide 16,700sqm which means a further 203,000sqm GLA (or say 225,000sqm GFA) is required in the Pyrmont Ultimo peninsula.

Since the TfNSW forecast there has been two or three significant changes that are likely to impact job forecasts and the demand for office space being:

- the metro station which would have a positive impact and
- the COVID-19 pandemic and social restrictions which is having a negative impact
- A further negative impact is increased competition – particularly from Central to Eveleigh and ATP

<sup>58</sup> For the purpose of the forecast the following industries were included: Information Media and Technology; Financial and Insurance Services; Rental, Hiring and Real Estate Services; Professional, scientific and technical services; Administrative and Support Services, Public Administrative and Safety, Education and Training; Health Care and Social Assistance; Arts and Recreation Services; and Other Services

<sup>59</sup> City of Sydney Employment and Floor Space Survey 2017

### 5.4.3 The Metro

The above TfNSW forecast predates the plans for the Metro Station. The Metro is a big game changer and the PPPS Economic Development Strategy (EDS) has a higher forecast than TfNSW due with a net increase in jobs of around double TfNSW albeit to 2041 rather than 2036. The net increase in jobs is around 20,000 to 23,000 requiring 600,000 to 800,000sqm GFA of employment floor space of which just over 10% would be industrial in nature. The balance would largely be in office suites, shop front spaces and education spaces.

### 5.4.4 Impacts from COVID-19

As stated above the COVID-19 pandemic and restrictions are having a significant impact on the CBD and CBD Fringe office markets resulting in a rapid increase in vacancy rates. Businesses and staff are learning that working from home and combinations of working from home and in the office can be productive and businesses are seeking to reduce costs with more decentralised options such as the 'hub and spoke' model. While the pandemic may pass in the near future, or be managed better, it has catalysed a work related trend that is likely to have some long term impacts on the demand for office space and the long-term structural impacts of this are yet to be understood.

### 5.4.5 Increasing competition

Increasing focus on other fringe areas will result in further increases in supply that is likely to provide added competition to Blackwattle Bay and Pyrmont in general. Therefore the appropriate allocation of commercial land uses has been carefully considered in the final precinct plan, to ensure an optimum long term precinct placemaking outcome with an ability to capitalise on the proposed new metro and catalyse renewal within a reasonable timeframe. Competing Sydney CBD Fringe precincts that have gained considerable focus are to the south of Pyrmont around Central Station and Eveleigh and include the following:

- Camperdown-University Biomedical precinct - A long-standing collaboration between Royal Prince Alfred Hospital (RPA) and Sydney University biomedical research and institute located in proximity
- South Eveleigh Business & Technology precinct - the former Australian Technology Park with a cluster of research and a recent commitment by CBA to foster and financial support innovation in the Park
- Ultimo to Central Innovation & Technology precinct - incorporating the city campuses of UTS and TAFE in Ultimo along with ABC and various Start-ups connecting back to Central Station
- Surry Hills Creative precinct - with clusters of creative and professional services blended in a mixed-use community
- Central Station to Eveleigh redevelopment for mixed employment and residential spaces with short-term redevelopment of multiple sites along the railway corridor and potential long-term bridging over the railway

### 5.4.6 Commercial office market take-up

Justification for a provision of office-based commercial floorspace on the subject site will need to demonstrate market appetite for such uses, feasibility of commercial floorspace and take into consideration the site's particulars. Discussions with industry experts indicate vacancy rates across all office grades for Pyrmont and Ultimo in 2017 reached as low as 3.4%. At that time the vacancy rate in the CBD was 4.6% which demonstrates the strength of the Pyrmont – Ultimo commercial market. There are currently short-term impacts from COVID-19 with vacancies the CBD market expecting to peak above 9%. JLL estimates that vacancies in Ultimo Pyrmont have already reached 8%.



Post COVID-19 we expect some continued demand for commercial uses as demonstrated by the strength of the commercial leasing market in Pyrmont pre-COVID-19 (ranging from \$600-\$700/sqm for A-grade office space (see Appendix 2). Given the location's waterfront aspect we can also draw comparisons with King Street Wharf. Professional suites in King Street Wharf were achieving rents over \$800/sqm (see Appendix 2) in 2017-18. It is expected that King Street Wharf will achieve a premium (~\$200-\$250/sqm) relative to Blackwattle Bay given its proximity to the CBD and access to stronger amenities. Therefore professional suites within Blackwattle Bay could achieve rents of around \$550 to \$600/sqm. COVID-19 and the restrictions are having an impact in the short-term (with vacancies in the CBD likely to reach close to 10%) but the market is expected to have some rebound within the next couple of years with longer term structural changes yet to be fully understood.

Notwithstanding that there is a market, or future market, for office space in Blackwattle Bay within 400 or 500 metres of the Metro station, this market has a size limit. The amount of floor space planned for Blackwattle Bay at 100,000sqm (including SFM but excluding an assumed 140-170 room hotel) is significant in size – equivalent to Grosvenor Place. According to JLL the Sydney Fringe market achieved a net absorption rate of almost 8,900sqm per annum over the past ten years and 17,800sqm over the past five years. Assuming a rate of 13,500sqm/ann the amount of office space planned for Blackwattle Bay is equivalent to six and half years market absorption for the whole of the Sydney Fringe market (JLL). If Blackwattle Bay meets 40% of the Sydney Fringe market (an optimistic forecast) it would take 17 years to absorb all that space. 20-25 years is a more likely timeframe which means full development and occupation would not be reached until mid to late 2040s.

#### **5.4.7 Other lower/labour intensive commercial services**

Given there are a number of working harbour uses that occur in Blackwattle Bay including charter vessels, marina and retail uses to support the commercial charter vessels there are opportunities to retain some of these employment uses and integrate these uses with the office based commercial space.








In addition, based on the growing presence of serviced apartments, the growing traveller market and the location of the site (ie its proximity to key destinations, major employment hubs and Sydney's CBD) there is a palpable opportunity to include hotel/serviced apartment uses in the locality. Based on industry knowledge and a review of existing and pipeline developments which include serviced apartment some 100-180 rooms would be an appropriate number of hotel rooms/ serviced apartments in this location whilst allowing some benefits from economies of scale. The proposed zoning would provide flexibility for an operator to propose serviced apartment/hotel use within Blackwattle Bay if the market fundamentals support this.

### **5.5 Land use suitability**

This next section assesses the sites suitability for retail, commercial, tourist accommodation and residential uses across various locational factors /prerequisites and market drivers.

The table below assesses the site's suitability for retail uses.

**Table 14: Blackwattle Bay's retail market drivers**

Key Factors	Comment	Viability Ranking
Access / Public Transport	Reasonably good access with light rail, easy car access and walking track (Glebe foreshore or walk across Anzac Bridge). There are opportunities to improve accessibility through the provision of additional public transport options, particularly with the Metro station but there are other opportunities for improvement such as increasing bus services, a possible ferry terminal with services to Circular Quay and improved access to the light rail station.	
Scale	Large site size of over 4Ha of government owned land (area includes the existing fish market and car parking). This is a significant landholding that is able to accommodate a relatively large-scale development.	
Land Use Compatibility	The SFM will be relocating to the head of Blackwattle Bay. Residential and commercial uses surround Blackwattle Bay, with recreational uses to the south making it a desirable location for retail.	
Market Appetite	There is demand for retail uses as evidenced by the strength of the retail leasing market in Pyrmont (small shops achieving net rents ranging from \$500-\$700/sqm <sup>60</sup> ) as well as rents achieved in Broadway (approximately \$2,000+/sqm) and Birkenhead Point (likely to be achieving above \$1,300/sqm), with the retail turnover densities at more than \$10,000/sqm at both these centres - some of the highest in Australia. Harold Park Tram shed IGA supermarket is believed to be trading satisfactorily in its first three years of operation and the specialty stores are likely to be trading around \$8,000/sqm given that net rents are around \$800 to \$1,000/sqm. Central Park trading figures and rents are unknown.	
Catchment	The site benefits from an affluent catchment, with a significant expenditure pool. SFM also attracts a substantial volume of tourists (around three million visitors) which typically have higher propensities to spend.	
Retail Economic Drivers	Growth in GDP nationally, growth in population, labour income and retail trade will drive spending growth and in turn generate further demand for retail uses.	
Competitive Landscape	With the surrounding retail centres (e.g. Birkenhead Point, QVB and Broadway SC) trading strongly and levels well above industry average (indicative of strong demand for retail in the area as discussed above) retail uses on site are anticipated to have a minimal impact on the surrounding retail hierarchy.	

Source: HillPDA

The table below assesses the site's suitability for commercial uses.

<sup>60</sup> Refer to Appendix 1







**Table 15: Blackwattle Bay's commercial market drivers**

Key Factors	Comment	Viability Ranking
Access	Good access with the future Metro, light rail, bus services, easy car access and walking track (Glebe foreshore or walk across Anzac Bridge). There are opportunities to improve accessibility through the provision of additional public transport options, particularly with the Metro station but there are other opportunities for improvement such as increasing bus services, a possible ferry terminal with services to Circular Quay and improved access to the light rail station.	
Scale	Large site size of over 4Ha of government owned land (area includes the existing fish market and car parking). This is a significant landholding that is able to accommodate a relatively large-scale mixed use development.	
Land Use Compatibility	A mixture of commercial uses are interspersed with residential to the east of Blackwattle Bay. There is a strong presence of creative digital, design, media and cultural enterprises in Ultimo, Glebe and Pyrmont, with Pyrmont/Ultimo identified as major media and technology hubs. Shared office space is also well represented in Pyrmont with WeWork, Wotso, Fishburner all well established in the locality. Blackwattle Bay can leverage of the success of this growing market, with potential to benefit from clustering.	
Market Appetite	There is strong demand for commercial uses as demonstrated by the strength of the commercial leasing market in Pyrmont (ranging from \$600-\$700/sqm for A-grade office space; refer to Appendix 2). Notwithstanding the current COVID-19 impacts this demand is likely to continue into the longer term due to secondary stock withdrawals in Sydney and foreign investment.	
Competitive advantages	Rents for office floorspace on site would be competitively lower than prime CBD spaces making this an attractive alternative for start-up companies etc. Although business parks located in the suburbs would offer lower rents, the site has some competitive advantages given its proximity to the CBD, superior public transport accessibility as well as proximity to clients, employees, industry peers and similar businesses. There are however other city fringe markets that will gain a lot of attention and focus and will compete with Pyrmont for market share. This includes Central to Eveleigh, Camperdown and ATP.	
Amenity	The waterfront location, strong amenities and proximity to the CBD (and in turn proximity to clients) would make this site suitable for office space.	

Source: HillPDA

The table below assesses the site's suitability for tourist accommodation uses.

**Table 16: Blackwattle Bay's tourist accommodation market drivers**

Key Factors	Comment	Viability Ranking
Access	Reasonably good access with light rail, easy car access and walking track (Glebe foreshore or walk across Anzac Bridge). There are opportunities to improve accessibility through the provision of additional public transport options, particularly with the Metro station but there are other opportunities such as increasing bus services, a possible ferry terminal with services to Circular Quay and improved access to the light rail station.	
Scale	Large site size of over 4Ha of government owned land (area includes the existing fish market and car parking). This is a significant landholding that is able to accommodate a relatively large-scale mixed use development.	
Competitive environment	There are several hotels and serviced apartments in the Pyrmont area including Astral Towers (5 star) from \$260/night, The Darling Hotel (4 star) from \$340/night, Ovolo 1888 (4 star) from \$233/ night and Oaks Goldsbrough (4 star) from \$209/night. There are also three Accor hotels on the west side of Darling Harbour being Sofitel (5 star), Novotel (4.5 star) and Ibis (3.5 star).	
Market Appetite	Pre-COVID-19 the market was favourable for hotels and serviced apartments with high occupancies in the CBD and fringe areas (above 80%). Post COVID-19 it is predicted that there would be further growth in demand although sharp rises in supply could result in some fall in occupancy levels.	
Competitive advantages	Room rates would be competitive relative to the CBD spaces making this an attractive alternative. The site has some competitive advantages over suburban localities given its proximity to the CBD.	
Amenity	The waterfront location, the presence of the fish markets, light rail, strong amenities and proximity to the CBD would make this site suitable for tourism accommodation.	

Source: HillPDA; Various hotel websites

The table below assesses the site's suitability for residential uses.

**Table 17: Blackwattle Bay's residential market drivers**

Key Factors	Comment	Viability Ranking
Access	Reasonably good access with the future Metro, light rail, easy car access and walking track (Glebe foreshore or walk across Anzac Bridge). There are opportunities to improve accessibility through the provision of additional public transport options, particularly with the Metro station but there are other opportunities such as increasing bus services, a possible ferry terminal with services to Circular Quay and improved access to the light rail station.	
Scale	Large site size of over 4Ha of government owned land (area includes the existing fish market and car parking). This is a significant landholding that is able to accommodate a relatively large-scale development.	
Financially Viable	There is strong demand for residential uses with 1 b/r ranging from (\$11,600-\$15,000/sqm), 2 b/r ranging from (\$13,600- \$22,000) and 3 b/r (\$13,200-\$28,000). Refer to Appendix 3. Residential uses would also help to support the financial viability of the development due to the stronger end sale values than commercial and retail.	
Access to Amenities	Blackwattle Bay's proximity to high quality retail amenities (Sydney CBD, Broadway SC), education establishments (UTS, Glebe Public School, International Grammar), recreation uses (Wentworth Park, Ian Thorpe Aquatic Centre, Darling Harbour Leisure complex) makes this a desirable location for housing.	
Access to Employment	Blackwattle Bay is in the vicinity of major employment precincts including the Sydney CBD and a media and technology hub. Residential uses on site are consistent with metropolitan and local plan objectives to encourage homes closer to work. Some proportion of residential is required to achieve a live/work village and balanced innovation precinct. 50% to 60% residential space is workable for a live/work creative or innovation precinct. Note that one working resident would occupy around 60sqm to 90sqm of residential space but only 16sqm to 31sqm of employment space. Hence even 60% residential still results in a job containment ratio (jobs to working residents) greater than one.	
Transport and Infrastructure	The proposed Metro, the existing light rail and bus services are provided within walking distance of Blackwattle Bay. The light rail connects Pyrmont to the CBD and Dulwich Hill. Bus services are provided along Miller and Harris Streets. There are opportunities to improve accessibility through the provision of additional public transport options (i.e. increasing bus services, potential for ferry access). Shared and dedicated pathways for cyclists and pedestrians are proposed throughout the precinct.	
Population Growth and Housing Supply	Strong growth is anticipated in the locality, with over 8,000 additional people forecast over the next 15 years placing pressure on existing housing stock to accommodate this growth. With limited land available for residential development in the area (only 377 dwellings in the pipeline to 2020) has resulted in a housing shortage and an affordability constraint within the locality. Residential uses on site will contribute to meeting this demand and helping to improve affordability outcomes in the locality.	

Source: HillPDA

# RECOMMENDATIONS



## 6.0 RECOMMENDATIONS

This next section provides a number of high-level recommendations relating to an appropriate quantum of retail and commercial floorspace and optimal mix of uses. Potential opportunities and constraints relating to retail and commercial uses are further explored.

### 6.1 Retail recommendations

Based on the findings of the retail demand assessment (refer to Section 6.1 to 6.5) and key objective of the Blackwattle Bay development to ensure a highly walkable precinct with a high degree of containment we would recommend a local shopping centre of up to 10,000sqm GFA (outside the new SFM) which will largely serve a walking catchment of the residents and workers of Blackwattle Bay and immediate surrounds within an 800m distance.

It is envisioned the centre's role will primarily be a local resident and worker population serving centre (ie small local centre) which will complement the SFM and not directly compete with the higher order surrounding retail centres.

The success of a retail centre depends on a number of factors which are discussed below with relation to the Blackwattle Bay development.

#### 6.1.1 Golden rules for a successful retail tenant mix:

- **Understand the profile of your catchment:** The catchment comprises affluent young professionals who are cash rich and time poor. A high quality retail offer with a strong focus on convenience will be imperative to the success of the centre
- **Identify your markets:** Key markets for the proposed retail centre include local residents and workers. With limited services and supermarket floorspace within the immediate area opportunities to exist to meet the day to day retail needs of the local resident and worker community
- **Consider your critical mass given the location:** As above there is demand for up to 10,000sqm of shopfront floorspace based on the capture of expenditure from the above sources. 10,000sqm is typical size for a local centre and can accommodate an adequate number and mix of retail tenants to ensure the centre's desirability and visitation
- **Determine your competitive advantage:** Opportunities exist for the proposed retail centre to leverage off the Sydney waterfront location and SFM as well as being conveniently located to a substantially residential population within walking distance<sup>61</sup>

Below is a proposed retail mix for the centre<sup>62</sup>:

- **Main anchor or anchors – New format supermarket/grocery operator or operators (up to 3,500sqm).** The supermarket format would be quasi metro-style as much as car based – similar examples would be Coles supermarket in Potts Point, Greenwood North Sydney and Park Central which have very few on-site car parking spaces for shoppers and rely more on foot trade. The main anchor could be a new format supermarket (for example Harold Park Tram Shed or East Village, Zetland). There could be more

<sup>61</sup> Sources: Creating a Tenant Mix and Leasing Plan, Beatrice Mouton, 2014; Sydney CBD Retail Market Brief, Knight Frank, July 2017

<sup>62</sup> Sources: Property Council of Australia and various consultancy reports

than one store with the inclusion of a fresh market, Asian, organic/healthy and/or vegan alternatives. Examples include Harris Farm, Panetta Mercato and Flannerys

- A small to mid-size liquor store (say 200-400sqm) and two or three complementary specialty food stores
- Complementary non-food stores of around 1,000-1,500sqm (i.e. pharmacy, newsagent, variety store)
- Around 1,000sqm of food services differentiated from SFM
- Up to 1,000sqm of personal services (hairdressers, drycleaner, massage, etc)
- Potentially a fitness centre and/or a kidsplay area
- Opportunity for pop-up retail and incubator space (up to 1,000sqm).
- Supporting non-retail shopfront floorspace of around 1,000 to 1,500sqm (real estate, medical, financial services, travel, etc)
- Non-leasable spaces – circulation, amenities and management

## 6.2 Commercial recommendations

Based on the findings of the commercial demand assessment Blackwattle Bay could support up to 85,000sqm (net of SFM) as proposed but in all likelihood it would take 20-25 years for the market to absorb this amount of space in this location.

Similar to retail, the success of commercial floorspace depends on a number of factors which are discussed below with relation to the Blackwattle Bay development.

### 6.2.1 Golden rules for a successful commercial mix:

- **Understand your market:** Pyrmont/Ultimo is an established commercial market catering for smaller office tenancies with further market appetite for this type of uses
- **Identify types of tenants:** Start-up companies seeking inner city fringe locations, media and technology related businesses are well established industries within Pyrmont. There is potential attract these types of tenants which will benefit from economies of agglomeration economies and lower costs (compared to Sydney CBD). The site's proximity to major tourist attractions/ employment hubs as well as the growth in the tourist sector in terms of tourist visitation and related floorspace area creates a conducive environment for serviced apartments and hotels
- **Consider your critical mass given location:** The site benefits from having a large footprint with the potential for amalgamation. As demonstrated in the demand analysis the site could accommodate 100,000sqm of high employment generating uses in Blackwattle Bay (i.e. office floorspace, medical and other professional services etc) which will provide sufficient critical mass to encourage economies of agglomeration
- **Determine your competitive advantage:** Opportunities exist for the proposed commercial space to leverage off the Sydney waterfront location. The site also benefits from good quality local amenity and services and accessibility to the CBD and Inner West

In light of the broad/localised trends potential commercial uses for Blackwattle Bay include:

- Small boutique office tenancies (tenants such as architects, media and tech companies)
- Medical centre and/or related services

- Live/work spaces
- There are opportunities to retain some of the existing employment uses and integrate these uses with the office based commercial space
- Our high-level industry trend analysis and market research also suggests demand for a hotel or serviced apartments in the locality subject to market fundamentals at the time of development
- Taking into consideration the above as well as floorplate, sites constraints (i.e. traffic, compatibility with other land uses) and shift towards more intensive employment generating commercial uses we propose up to 10,000sqm of these low employment generating uses (such as marine contractors and vessel repair and serviced apartments as on site subject to market fundamentals at the time of development

### 6.3 Innovation Precinct recommendations

Below is a summary of principles that would facilitate an innovation precinct on site:

- Explore avenues to increase mixed use development (residential, retail, cultural, social, commercial, entertainment, etc) throughout the Precinct to achieve a 24/7 vibrancy in accord with the district plan through changes to land use zoning, joint ventures, development incentives etc
- Provide subsidised housing for researchers and visiting academics
- Provide more affordable commercial space for creative industries
- Attract industry to co-locate and expand R&D
- Implement a precinct-WiFi or 5G digital connectivity program to enhance the availability and quality of internet across the Precinct
- Provide a new metro station at Blackwattle Bay
- Form a governance body to coordinate and facilitate innovation activities across the precinct (i.e. branding, innovation events and programs, etc.)
- Develop a new special innovation business zone that would provide certified innovative / creative businesses and workers with the following benefits and support services:
  - Priority access to Visas for key workers and their families for 5 years
  - Accelerated accreditation for Health Workers relating to medical research (certain restrictions to apply)
  - Support and flexibility to claim R&D Tax Concession
  - Business start-up package (like the City of London) with tax breaks and legal support to register a business and all the associated start-up red tape streamlined
  - Free legal advice on business formation and IP partnership structures
  - IP Bank that lends money to start-up for a share in their IP with the option to buy back later
  - Business collaboration matching service for research projects

# THE PRECINCT PLAN

## 7.0 THE PRECINCT PLAN

Based on the above analysis a final precinct plan (the plan) was developed for the whole of Blackwattle Bay precinct by Infrastructure NSW. The plan provides for a residential and commercial split of floor space of approximately 60%:40% respectively on the existing fish market site and 50%:50% respectively for the whole of Blackwattle Bay Precinct.

### 7.1 Calculation of residents and workers

The table below provides the assumed land use mix and the calculated number of residents and workers on site:

**Table 18: Land use mix and forecast residents and workers**

	New SFM	Poulos	Celestino	Hymix 1	Hymix 2	Exist SFM	TOTAL
Retail GFA (sqm)	11,105m2	1,334m2	804m2	1,058m2	334m2	7,283m2	21,918m2
Office GFA (sqm)	15,646m2	11,680m2	6,235m2	5,706m2	10,357m2	50,790m2	100,414m2
Hotel / Serviced Apts GFA		0m2	0m2	0m2	0m2	9,000m2	9,000m2
Residential GFA (sqm)		10,064m2	8,910m2	6,394m2	8,505m2	94,169m2	128,042m2
No. of Apartments*	0	124	110	79	105	1,163	1,581
Total GFA (sqm)	26,751m2	23,078m2	15,949m2	13,158m2	19,196m2	161,242m2	259,374m2
Site Area (sqm)	38,450m2	5,073m2	2,971m2	3,024m2	4,667m2	41,863m2	96,048m2
FSR	0.7	4.5	5.4	4.4	4.1	3.9	2.7
Residential as % of total	0%	44%	56%	49%	44%	58%	49%
Employment Uses % total	100%	56%	44%	51%	56%	42%	51%
No. of Jobs (FTE)**	725	701	377	354	598	3,152	5,907
No. of Residents***	0	224	199	143	190	2,099	2,854

Source: \* Based on an assumed average dwelling size of 81sqm GFA

Source: \*\* Assumes 32sqm GLAR per worker in retail (assuming 60% of GLAR is food, groceries and food services) and 16sqm GLA per worker in the office space (sourced from City of Sydney Floor Space and Employment Survey 2017)

Also includes jobs in hotel at 0.75 per room and serviced apartments at 1 job per 3.5 rooms

Source: \*\*\* Assumes 2.09 residents per apartment (Forecast.ID) and 94% occupancy.

Total full time equivalent workers on site working in the employment spaces is forecast to reach 5,900. It's also likely that a proportion of residents will undertake the majority of their paid work at home. Based on an ABS survey 7.6% of workers undertake majority of their work at home (ABS Locations of Work 2008 Cat 6275.0). This means that a further 113 residents are likely to be working on site (assuming one worker per household and 94% occupancy).

#### 7.1.1 Potential demand for commercial office space

The proposal for 100,000sqm GFA of office space in Blackwattle Bay represents around half of total demand in the Ultimo/Pymont SA2 to 2036 as forecast by TfNSW. While this is very high the TfNSW forecast predated the announcement of the metro station. The metro station is expected to increase job projections but this benefit is likely to be countered with increased competition from the southern fringe precincts and COVID-19 impacts.

The PPPS forecasts a market need for approximately 400,000sqm of employment floor space (net of retail space, accommodation, hospitalities and industrial services) on the peninsula over the next 20 years. This is an average rate of 20,000sqm each year. If Blackwattle Bay captured 25% of this market it could be fully developed by 2041.

JLL research, based on actual user group market movements and employment user trends, is more conservative at around 13,500sqm of office space every year for the whole of Sydney Fringe. Even with an optimistic capture rate of 40% for Blackwattle Bay this would amount to 5,400sqm per annum – a 16 year supply (assuming 90,000sqm NLA). 30% capture of the CBD fringe market would take 21 years to absorb. It would be mid 2040s before Blackwattle Bay is fully developed.

### 7.1.2 Potential demand for shopfront space

Development in Blackwattle Bay as proposed combined with forecast growth in residents and workers within the 800m walking catchment will generate demand for retail services. In forecasting demand we have assumed the following:

- Retail stores on site will exclude fashion, department stores and bulky goods. Retailing will concentrate more on convenience shopping, food and groceries, food services, regular non-food services (such as newsagency and chemist, etc) and personal services such as hair and beauty, massage, etc
- Retailers on site will capture up to 11.5% of total expenditure generated by residents in the 800m walkable catchment
- Retailers on site will capture 25% of workers spend (\$3,500/worker/annum) within the walkable catchment
- Additional spend from visitors (overnight and day trippers including visitors of the SFM) would comprise 20% of total MAT
- Weighted average target RTD = \$9,850/sqm (in 2036)
- An additional 15% of shopfront space would comprise 2 or 3 vacancies plus non-retail businesses such as financial, medical, travel, recreational and real estate services

The calculations are shown immediately below:

**Table 19: Potential retail floor space in Blackwattle Bay**

Source of Expenditure	\$MAT	Required GLAR (sqm)
Residents	56.6	5,747
Workers	16.8	1,706
Visitors	18.4	1,863
<b>TOTAL RETAIL</b>	<b>91.8</b>	<b>9,315</b>
Non-Retail Shop Front businesses and vacancies		1,500
<b>GFA (say)</b>		<b>10,500</b>

The above table shows that total shop front space of up to 10,500sqm GLAR is supportable when Blackwattle Bay is close to fully developed. We expect that with an appropriate retail mix the centre would trade reasonably well by 2036.



From the retail modelling above the suggested retail mix is as follows:

**Table 20: Appropriate retail mix in Blackwattle Bay 2036**

Store Type	% of Total	Potential sqm
Supermarkets, grocery and fresh food stores	29%	3,500
Specialty food stores including liquor	10%	1,200
Restaurants and take-away foods	13%	1,600
Non-food stores	14%	1,700
Personal services	8%	1,000
Non-retail businesses and vacancies	13%	1,500
Non leasable GFA*	13%	1,500
<b>TOTAL</b>	<b>100%</b>	<b>12,000</b>

\* includes circulation spaces, amenities and manager's office

Net of the new SFM around 28,000sqm of ground floor GFA is provided under the precinct plan. Hence there is considerable flexibility to increase the level of retail space if market fundamentals support it. Alternatively ground floor space can be used for foyers, exhibition areas, hotel foyer and conference rooms, work spaces, recreational services and other uses.

## 7.2 Alignment with the Pyrmont Peninsula Place Strategy

To recap the PPPS targets 8,500 more residents and 23,000 more jobs in the Peninsula by 2041. Up to 2,055 of those residents and 5,770 of those jobs are anticipated to be provided in Blackwattle Bay.

The main priorities for Blackwattle Bay identified in the PPPS include:

- Redevelop a new urban quarter focused on knowledge-based jobs and supplemented with cultural and entertainment, visitor and tourism, retail and residential uses, connected to public transport, including the Pyrmont Metro station and anchored by the new Sydney Fish Market
- Prioritise commercial floor space for knowledge-based jobs to support the Innovation Corridor
- Investigate the establishment of new entertainment, events and cultural space
- Providing residential development, including affordable housing without compromising commercial development and the attractiveness of Blackwattle Bay for a range of cultural, entertainment, arts and leisure activities supporting a diverse and vibrant 24-hour economy
- Create a continuous harbourside foreshore promenade connecting to Darling Harbour, Barangaroo and Walsh Bay arts and cultural precinct in the east and the new Sydney Fish Market and Glebe to the west, and beyond

The Precinct Plan aligns with those priorities albeit with the potential for a higher number of residents (2,850) and a higher number of workers (5,900). The floor space mix proposed is around 50% residential and 50% employment uses. It provides what is considered to be an achievable amount of employment space in the market without the high risk of oversupply, while also providing significantly more jobs (estimated at 5,900) than the likely number of working residents on site (estimated at 1,800) following full development<sup>63</sup>. It

<sup>63</sup> 1,800 working residents is based on 1,581 apartments by 1.15 working residents per dwelling (Source: City of Sydney average from Census 2016)

therefore meets the objective of prioritising commercial floor space for knowledge-based jobs. It provides residential development without compromising the commercial role of the precinct. Finally it facilitates a foreshore promenade and entertainment, cultural, arts and leisure activities with the Sydney Fish Market providing a strong anchor role.

# ECONOMIC IMPACT ASSESSMENT

## 8.0 ECONOMIC IMPACT ASSESSMENT

This Chapter assesses and where possible quantifies the potential economic impacts of the Precinct Plan measured against the 'do nothing' or 'retain current land use' option.

### 8.1 The base case

Currently there are an estimated 450 workers in the precinct providing a combination of services including food wholesaling, retail, food services, construction, manufacturing and professional services.

Total revenue of all businesses within the precinct is estimated at \$180m per annum. Total wages of all staff is estimated at \$22m per annum and gross value added is estimated at \$32m. Gross value added of an industry refers to the value of outputs less the costs of inputs. It's also a measure of the contribution that the industry makes to the region's wealth or gross regional product (GRP).

### 8.2 Jobs generated

By applying job density ratios to the proposed land uses within the precinct we estimate that the precinct when fully developed under the Precinct Plan will provide 5,907 jobs within the precinct and a further 114 residents are expected to work within the precinct from home. This is more than 5,500 additional jobs – representing a thirteen (13) fold increase from the base case.

**Table 21: Estimated Jobs on site**

Land Use	Employment Density*	GLA	Units	Jobs
Hotel and Serviced apartments	1 / 144sqm	9,000	sqm	63
Retail	1 / 32 sqm	19,288	sqm	575
Office space	1 / 16 sqm	88,364	sqm	5,269
Work at Home**	1 / 13 dwellings	1,486	dwellings	114
<b>Total</b>				<b>6,021</b>

\* Sources include ABS Retail Survey 1998-99, IBIS World reports and Hill PDA Research

\*\* Work at Home: 7.6% of workers undertake majority of their work at home (ABS Locations of Work 2008 Cat 6275.0) and assuming 1.05 working residents per household translates to 1 job per 13 occupied dwellings.

### 8.3 Gross Value Added

When fully developed and nearly fully occupied the total remuneration of staff within the precinct is forecast to be \$454m per annum (in 2020 dollars). This is more than 20 times higher than the base case.

As shown in the table immediately below GVA (the contribution to gross regional product) is expected to be \$761m every year. This is 24 times higher than the base case.

**Table 22: Economic Output (\$m per annum in 2020 dollars)**

Land Use	Jobs	Gross Output*	Gross Value Added*	Workers Remuneration*
Hotel and Serviced apartments	63	7.0	3.5	2.8
Retail	575	118.9	28.6	19.7
Office	5,269	1,686.0	720.2	424.1
Work at Home**	114	11.1	8.9	7.1
<b>Total</b>	<b>6,021</b>	<b>1,822.9</b>	<b>761.2</b>	<b>453.7</b>
Increase on base case	5,571	1,642.7	729.5	431.9

\* Sources include ABS and IBIS World Reports

## 8.4 Tourism benefits

Tourism is an important component of Sydney's economy. In 2018/19 the tourism and hospitality industry generated an estimated 186,671 jobs (directly and indirectly) while it also contributed around \$23 billion to the GRP<sup>64</sup>.

It is estimated in the year ending June 2020, around 12.5 million international and domestic overnight tourists visited Sydney. These visitors spent around a combined \$14.1 billion, equating to an average spend per visitor of around \$1,130<sup>65</sup>.

The Precinct Plan would provide hotel rooms and serviced apartments as well as conference facilities thereby increasing the capacity of the local area in providing short-term accommodation and having flow-on economic benefits such as increased employment and tourism expenditure.

Assuming 140 hotel rooms and serviced apartments with an occupancy rate of 78% the total number of visitor nights per annum is expected to be around 68,000 (assuming 1.4 persons per hotel room and 2.0 persons per serviced apartment)<sup>66</sup>. Assuming an average spend per visitor night of \$186<sup>67</sup>, total expenditure generated by tourists on site is expected to be almost \$12.6 million per annum. Around \$4.7 million (37%<sup>68</sup>) of this expenditure will be on retail goods, food and drink services and the like, which will benefit existing businesses in the immediate locality.

In addition to tourist accommodation in the precinct there are hotels and serviced apartments on the Pyrmont peninsula – particularly towards Darling Harbour – and with further renewal around the Bays there is likely to be other hotels and other forms of accommodation in the locality. These places will be connected via waterfront areas linking Rozelle Bay / Glebe Foreshore Parks with Blackwattle Bay to the Western Harbour, Walsh Bay and Darling Harbour. The Old Glebe Island Bridge will provide a further important, historic and enjoyable connection for pedestrians and cyclists to link the White Bay area to Blackwattle Bay. A new Pyrmont Metro station will provide enhanced access between the new urban precinct at Blackwattle Bay and Darling Harbour.

<sup>64</sup> Economy id

<sup>65</sup> Destination NSW Sydney Travel to Sydney Tourism Region Time Series - YE June 2020

<sup>66</sup> Based of Tourist Accommodation, Small Area Data, Australia, Jun 2013

<sup>67</sup> Assumed 15% above Greater Sydney average (Destination NSW Sydney Travel to Sydney Tourism Region Time Series - YE June 2020)

<sup>68</sup> Based of International and Domestic Visitor Survey June 2020

## 8.5 Economic Impacts from Construction

The construction industry is a significant component of the economy accounting for 8% of Gross Domestic Product (GDP) and employing almost one million workers across Australia<sup>69</sup>. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

We estimate total construction cost to reach \$1.7 billion (2020 dollars) based on the following components:

- Demolition and clearing at \$8m
- Fully enclosed building area (FEBA) at \$4,600/sqm
- FEBA = GFA / 90%
- Fitout costs of commercial spaces (including the hotel) at \$1,200/sqm by 85% of the GFA
- Car parking at \$50,000 per car space by 1,500 spaces
- Car parking spaces calculated at 0.7 spaces per apartment plus 1 visitor space per 7 apartments, 50 spaces for the hotel and one space per 120sqm of retail and commercial GFA
- Site costs, public works, the waterfront promenade, landscaping and other miscellaneous works at 4% of the above costs (\$62m)
- 5% contingency on the above costs

There are two types of multipliers:

- **Production induced:** which is made up of:
  - First round effect: which is all outputs and employment required to produce the inputs for construction
  - An industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect
- **Consumption induced:** which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

The source of the multipliers adopted in this report is ABS Australian National Accounts: Input-Output Tables 2017-18 (ABS Pub: 5209.0). From these tables HillPDA identified first round effects, industrial support effects and consumption induced multiplier effects at rates of 0.62, 0.66 and 0.91 respectively to every dollar of construction. The table below quantifies associated economic multipliers resulting from the construction process.

**Table 23: Construction multipliers (\$m)**

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.620	0.661	0.905	3.186
<b>Output (\$million)</b>	<b>1,700.0</b>	<b>1,054.0</b>	<b>1,123.7</b>	<b>1,538.5</b>	<b>5,416.3</b>

Source: HillPDA Estimate from ABS Australian National Accounts: Input-Output Tables 2017-18

With an estimated construction cost of **\$1.7 billion**, development would generate a further **\$2.18 billion** of activity in production induced effects and **\$1.54 billion** in consumption induced effects. The total economic activity generated by construction would be around **\$5.4 billion**.

<sup>69</sup> 5206.0 Australian National Accounts: National Income, Expenditure and Product 2018



Note that the above multiplier effects are national, and not necessarily local. The ABS states that:

*“Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”*

Note that the NSW Treasury guidelines state:

*“Direct or flow on jobs will not necessarily occur in the immediate vicinity of the project – they may be located in head office of the supplier or in a factory in another region or State that supplies the project”<sup>70</sup>.*

Further, multiplier impacts can leave the impression that resources would not have been used elsewhere in the economy had the development not proceeded. In reality many of these resources may be employed elsewhere.

Notwithstanding these concerns, economic multiplier impacts demonstrate considerable added value to the Australian economy.

### 8.5.1 Construction related employment

Every one million dollars of construction work undertaken generates 2.5 job years directly in construction<sup>71</sup>. Based on the estimated construction cost, the proposal would directly generate **4,245 job years**<sup>72</sup> directly in construction.

**Table 24: Employment generated by construction**

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.731	0.851	1.434	4.016
Employment No. per \$million*	2.497	1.826	2.125	3.581	10.029
<b>Total job years created</b>	<b>4,245</b>	<b>3,104</b>	<b>3,613</b>	<b>6,088</b>	<b>17,050</b>

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2017-18

From the ABS Australian National Accounts: Input-Output Tables 2017-18 HillPDA identified employment multipliers for first round, industrial support and consumption induced effects of 0.73, 0.85 and 1.43 respectively for every job year in direct construction. Including the multiplier impacts, construction would generate a total of more than **17,000 job years directly and indirectly**.

## 8.6 Provision of Infrastructure

The Precinct Plan will help deliver infrastructure identified for the SSP as well as for the wider Pyrmont area. Key community and transport infrastructure planned in the SSP include:

- Bank Street Open Space and adjacent community uses including dragon boat amenities
- Waterfront Promenade
- Waterside Park

<sup>70</sup> Source: Office of Financial Management Policy & Guidelines Paper: Policy & Guidelines: Guidelines for estimating employment supported by the actions, programs and policies of the NSE Government (TPP 09-7) NSW Treasury

<sup>71</sup> Source: ABS Australian National Accounts: Input – Output Tables 2017-18 (ABS Pub: 5209.0) adjusted to 2018 dollars

<sup>72</sup> Note: One job year equals one full-time job for one year

- Urban Park
- Ferry wharf
- Intersection upgrades
- Separated cycle lanes
- Seawalls.

Total cost of these works is estimated at \$121 million<sup>73</sup>.

In addition to these works the City of Sydney Contributions Plan identifies infrastructure works in the West Precinct (Pyrmont, Ultimo and Glebe suburbs) and the wider LGA. These works are expected to be funded through Section 7.11 developer contributions.

Direct infrastructure works in the SSP will provide significant social benefits – particularly in terms of environmental improvements and use benefit (users enjoying leisure time in the public domain areas). For the purpose of this section these social benefits have not been quantified. However in this section the land value uplift from the Precinct Plan has been quantified and weighed against the cost of infrastructure in the SSP. This is summarised in the table immediately below.

**Table 25: Benefit Cost of the Precinct Plan (\$m)**

	\$m
Development rights of the residential floor space*	615
Development rights of the employment floor space**	236
Less opportunity cost of the land ('as is' value)***	-240
Less infrastructure costs on the SSP	-121
Net Benefit	490
Benefit Cost Ratio	2.36

\* Based on \$4,800/sqm GFA which would still enable the delivery of 5% affordable housing (HillPDA market research)

\*\* Based on \$1,800/sqm GFA (HillPDA market research)

\*\*\* Based on \$2,500/sqm of site area (NSW Valuer General and HillPDA market research)

The table above shows the significant uplift in residual land value from the proposed development rights. The uplift of \$611m well exceeds the infrastructure costs of \$121m. The benefit cost ratio shown in the table above would be further improved by the inclusion of social benefits. Importantly the uplift in land value is imperative to assist in the funding of the infrastructure works. The synergy is that redevelopment helps pay for the infrastructure and brings more residents, workers and visitors to the area and the infrastructure, entertainment and public domain areas improves the quality of life for those residents, workers and visitors to the precinct.

## 8.7 Market risk and management

This section provides an assessment of the risks associated with market delivery of the precinct plan and the potential measures of intervention to ensure delivery of important components. Risk is defined as the probability of an unwanted outcome or scenario by the severity of the impact resulting from that outcome or scenario.

<sup>73</sup> Blackwattle Bay Infrastructure and contributions review, HillPDA 2021

The precinct plan includes the following components – residential, retail, hotel (possible) and other commercial (office and similar). Each one of these is considered separately.

#### **8.7.1 Residential**

The risk of residential not being delivered by the market is perceived to be very low. The probability of this scenario is low because the residential market over the past 25 years has outperformed the commercial office market. Continued immigration and population growth and strong market conditions is expected to continue notwithstanding occasional adverse short-term conditions or impacts from a variety of factors (such as COVID 19 and the temporary closure on immigration).

Even the recent upturn in house prices during this period of zero immigration demonstrates how resilient this market is. Combined with the desirability to live near the city with water frontage and views means little risk in development feasibility.

#### **8.7.2 Retail**

Retail has a very important role in ground floor activation. The strategic visions of the precinct plan, the PPPS and other planning instruments and policies would be undermined without ground floor retail. Notwithstanding the risk of the spaces not being delivered or not being occupied is considered low. Given the size of the local market, the proximity / adjacency to the SFM and the waterfront location these spaces would be attractive – particularly for waterfront themed retail and food services.

For whatever reason if the delivery of retail space was to fail then intervention measures could be put in place. The main measure is to incorporate it in the planning instrument mandating that the ground floor area is used for active commercial purposes.

#### **8.7.3 Hotel**

The hotel is not imperative or essential to the success of the precinct plan and the PPPS although it is considered a desirable land use which would widen the offer and is synergistic with the range of land uses and public domain waterfront area in the Blackwattle Bay precinct.

#### **8.7.4 Commercial (office and other)**

Office and other commercial spaces is considered to be the most at-risk component which has largely been impacted by COVID-19 and associated restrictions. Some companies and commentators have suggested that long term demand for office space could contract as workers spend a higher proportion of their working hours working from home and that CBD office space could be more rationalised resulting in a decrease in demand of 20%<sup>74</sup>.

A scenario of no commercial space on site would result in the lost opportunity of 4,800 jobs. The precinct would become almost entirely a residential precinct albeit with some ground floor retail and possibly a hotel. This would undermine the vision of a mixed use development with a high level of day time workforce and activation – particularly during week days.

To a certain extent intervention measures should not attempt to create the impossible. However there are measures that could be used when there is demand for space but simply that space cannot compete with higher value land uses.

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<sup>74</sup> Australian Financial Review 7 May 2021

### **Precommitment**

Getting a pre-commitment from a head tenant. If this was achieved it attracts other potential occupiers. A good example of this is the Commonwealth Bank in the Australia Technology Park, Eveleigh. This has been a significant stimulus to the area and attracted interest from more businesses.

### **Business clustering / agglomeration**

In a similar manner business clustering or agglomeration which initially requires some strong marketing and fostering of private industries. Capturing key tenants encourages the smaller firms that develop a relationship with the key participants to follow.

### **Theming**

Developing a particular theme – such as media, innovation precinct, science/research, education, health/bio-medical, etc. The difficulty however is to ensure that Blackwattle Bay would not try to replicate the other important precincts that have government attention such as the Camperdown innovation precinct, North Eveleigh, Central Station and the education precinct in Ultimo. Blackwattle Bay needs to differentiate from those themes and develop its own – possibly expanding on the media industry and/or synergising with the SFM.

### **Government occupier**

NSW Government could give the area a significant level of support by pre-committing one of its own departments, agency or government trading enterprise. The site should meet government requirements given the proximity to the Metro Station.

### **The Metro Station**

The importance of the Metro Station cannot be overstated. Without it the market risk to the delivery of the commercial space is much higher. It also imperative to have the station if there is to be residential apartments without car spaces.

### **Public Domain**

Following from Section 8.6 above the provision of public domain and other infrastructure significantly enhances the amenity of the locality and thereby attracts businesses as well as improving residential amenity. The purpose is to make the precinct an attractive place where people want to work as well as live.

### **Financial incentives**

Finally there are a number of development and business financial incentives that can be employed such as:

- Setting up an enterprise or development zone exempting all, or a portion of, state and local government taxes otherwise imposed on property or business activity within the zone
- Tax increment financing which is allocating all or a proportion of State and local government taxes (payroll tax and ad valorem property taxes) generated by projects or capital investment for the direct or indirect benefit of private enterprise on site
- State grants or subsidies to private enterprises for new development projects
- Tax incentives and/or grants could apply to businesses in line with delivering broader social benefits such as start-up tech companies, green technologies and the like

Note that some of these incentives identified for the commercial (office) spaces can also apply to the hotel and retail spaces if necessary or desired.

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## APPENDIX A : RETAIL MARKET RESEARCH

**Table 26: Retail Market Research**

Suburb	Address	Floor Area (SQM)	Rent p.a (\$)	\$/sqm
Pymont	Shop 8/1-9 Pymont Bridge Road	64	\$29,900	\$467
Pymont	C7/1-9 Pymont Bridge Road	49	\$35,000	\$714
Pymont	G.02/55 Miller Street Pymont	249	\$160,000	\$643

Source: RP Data, interviews with industry agent.

## APPENDIX B : COMMERCIAL MARKET RESEARCH

### Commercial Leasing market research

**Table 27: Local Leasing Data**

Photo	Address	Internal Size	Rent p/a	\$/sqm	Incentive offered
<b>For Lease</b>					
	Part level 4/15 Lime Street, Sydney NSW	96sqm	\$81,600	\$850/sqm	No incentives offered
	301/25 Lime Street, Sydney	165sqm	\$136,950	\$830/sqm	No incentives offered
<b>Leased</b>					
	3/25 Lime Street, Sydney (May 2017)	221sqm	\$182,325	\$825/sqm	No incentive offered
	55 Lime Street, Sydney (leased July 2009)	96sqm	\$81,600 Office \$7,200 car-space	\$850/sqm	No Incentive offered

Source: RP Data and interviews with property managers

### Commercial Sales market research

**Table 28: Local Leasing Data**

Suburb	Address	Building Type	Floor Area (SQM)	Rent p.a (\$)	\$/sqm	Source
Pymont	19 Harris St	A-Grade	N/A	N/A	\$620	Interview with Trent Stevens from Colliers International 11/08/17
Pymont	63 Miller St	Art décor with modern office fitout	N/A	N/A	\$650	As above.
Pymont	130 Harris St	A-Grade	N/A	N/A	\$750	Interview with James McCourt from Karbon Property 11/08/17
Pymont	55 Miller St	A-Grade	246	\$139,000 + GST	\$565	Interview with agent from Fringe Commercial on 11/08/17
Pymont	6A & 9, 55 Pymont Bridge Rd	B-Grade	194	\$135,800 + GST	\$696	Interview with agent from Deans Property on 11/08/17
Pymont	Lvl 2, 26-32 Pymont Bridge Rd	B-Grade	763	\$498,913 + GST	\$654	Interview with agent from DJ Wear & Associates on 11/08/17
Pymont	106/26-32 Pirrama Rd	A-Grade	133	\$105,735	\$795	Interview with Agent on 30/08/17.

Source: RP Data and interviews with property managers



## APPENDIX C : RESIDENTIAL MARKET RESEARCH

**Table 29: Pyrmont and Surrounding Area Residential Market Research**

Suburb	Address	1 Bedroom				2 Bedroom				3 Bedroom			
		Sale Price	Car space	Floor Area (SQM)	\$/sqm	Sale Price	Car space	Floor Area (SQM)	\$/sqm	Sale Price	Car space	Floor Area (SQM)	\$/sqm
Pyrmont	11/170 Pyrmont St	\$580,000	no	50	\$11,600								
Pyrmont	7/170 Pyrmont St	\$550,000	no	40	\$13,750								
Pyrmont	302/35 Bowman St					\$2,525,000	2		unknown				
Pyrmont	403/35 Bowman St									\$2,780,000	2		unknown
Pyrmont	104/35 Bowman St					\$2,000,000	2	94	\$21,277				
Pyrmont	602/35 Bowman St									\$2,900,000	2	110	\$26,364
Pyrmont	16A/5 Tambua St									\$4,175,000	2	147	\$28,401
Pyrmont	17E/5 Tambua St									\$3,128,000	2		
Pyrmont	5G/1 Distillery Dr					\$1,700,000	1	99	\$17,172				
Pyrmont	8/1 Distillery Dr									\$1,950,000	1	140	\$13,929
Pyrmont	19E/5 Tambua St									\$3,600,000	2	340	\$10,588
Pyrmont	1404/8 Distillery Dr					\$1,750,000	2	79	\$22,152				
Pyrmont	701/8 Distillery Dr									\$2,700,000	2	130	\$20,769
Forest Lodge	6409/162 Ross St	\$705,000	no	55	\$12,818								

Suburb	Address	1 Bedroom				2 Bedroom				3 Bedroom			
		Sale Price	Car space	Floor Area (SQM)	\$/sqm	Sale Price	Car space	Floor Area (SQM)	\$/sqm	Sale Price	Car space	Floor Area (SQM)	\$/sqm
Forest Lodge	6802/162 Ross St									\$1,680,000	1	127	\$13,228
Forest Lodge	515/159 Ross St					\$1,350,000	1	99	\$13,636				
Forest Lodge	808/159 Ross St									\$1,890,000		161	
Forest Lodge	5401/148 Ross St	\$800,000	1	54	\$14,815								
Forest Lodge	5701/148 Ross St	\$670,000	no	unknown									
Forest Lodge	5403/148 Ross St					\$1,190,000	2	75	\$15,867				
Forest Lodge	710/131 Ross St					\$1,445,000	2	94	\$15,372				
Forest Lodge	711/131 Ross St					\$1,290,000	1	98	\$13,163				

Source: RP Data; Phone interviews with real estate agents



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