Bays West Precinct Stage 1 Economic Impact Assessment

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BACKGROUND

Bays West is one of the final strategic urban renewal precincts in inner Sydney. A complex precinct spanning some 77ha and including Glebe Island, White Bay Power Station, White Bay, Rozelle Bay, and the Rozelle Rail Yards, renewal of the precinct has been planned for several decades. In 2015, the NSW Government released the *Bays Precinct, Sydney: Transformation Plan (2015)* which outlined an ambition to transform Bays West into an iconic Sydney destination.

In 2019, the NSW Government announced that a new metro station would be delivered at Bays West by 2030 as part of the new Sydney Metro West metro line connecting the Sydney CBD to Parramatta. Bays West is specifically identified in the Greater Sydney Region Plan as forming part of the 'Harbour CBD' and emerging innovation corridor, stretching from Bays West to Pyrmont, Ultimo, the Southern Sydney CBD and Eveleigh.

Building upon a suite of previous strategies and technical studies, the Bays West Place Strategy was finalised in November 2021 by the NSW Department of Planning and Environment (DPE) and provides a long-term vision, strategic framework and Structure Plan to guide the renewal of the Bays West precinct.

The Bays West Place Strategy envisages a staged urban renewal process and identifies 10 distinct sub-precincts across the Bays West area. The first sub-precincts progressed for renewal include the White Bay Power Station (and Metro) and Robert Street sub-precincts. The draft Bays West Stage 1 Master Plan for these initial precincts was exhibited for public consultation in May 2022. Since exhibition of the draft Stage 1 Master Plan, the Robert Street sub-precinct no longer forms part of the Stage 1 rezoning package.

Following further refinement and consideration of public feedback and submissions, the final Bays West Stage 1 Master Plan and rezoning package outlines the statutory controls which will apply to the initial precincts (White Bay Power Station and Metro). To support the rezoning package, Atlas Economics (Atlas) is engaged by DPE to carry out an Economic Impact Assessment to examine the economic impacts of the Stage 1 Master Plan.

Scope and Approach

The following tasks have been undertaken to complete the Economic Impact Assessment.

- Assessment of the influencing factors for the success of Bays West from a land use and market perspective.
- Market appraisal to understand the patterns of supply and demand for commercial, retail and residential uses and the baseline market context of the Study Area.
- Review of the Stage 1 Masterplan to observe how the proposed land uses respond to market demand.
- Estimate the economic impacts of the Stage 1 Masterplan on the local economy and surrounding region.

Assumptions and Limitations

Atlas acknowledges a number of limitations associated with the Study.

- The long-term economic implications of the COVID-19 pandemic, particularly the shift in migration patterns to the regions, is yet to be fully understood.
- Data from third party sources is assumed to be correct and is not verified.
- Desktop market research has been undertaken without physical site surveys and inspections.
- Projections carried out by the NSW Government (DPE) are 'point in time' projections and were made following the outbreak of the COVID-19 pandemic.
- Specific assumptions related to economic impact modelling are detailed in Chapter 4.

Some economic impacts are not typically modelled within an Input-Output modelling framework, with alternative economic measures better placed to assess their impacts (e.g. Cost Benefit Analysis, Computable General Equilibrium).



BAYS WEST STAGE 1 MASTERPLAN

The draft Bays West Stage 1 Masterplan was released in May 2022. Following engagement with a variety of stakeholders, a preferred Masterplan option has been refined. Overall, the Stage 1 Masterplan is anticipated to accommodate some 500 residents and almost 5,000 workers, with more than 50% of the site provided as public open space. Key yields include:

- Approx. 71,000sqm commercial gross floor area (GFA)
- 250 apartments
- Approx. 4,700sqm retail GFA and 3,000sqm community GFA
- White Bay Power Station to be retained and adaptively reused for commercial, creative, community and entertainment uses.

Building heights are proposed to generally range from 4-storeys to 8-storeys, with several taller buildings proposed from 10-storeys to 20-storeys. New planning controls (e.g. building heights, floor space ratios) are included in the rezoning package to guide development potential of the sub-precincts, while also ensuring important heritage items (i.e. White Bay Power Station) are protected and new public benefit is created.

DEMAND FOR PROPOSED LAND USES

Brownfield precincts proximate major central business districts such as Bays West will attract a significant level of demand for a variety of land uses. The entry of a new precinct of the size and profile of Bays West will have implications for broader regional land use markets, influencing market dynamics and market behaviour.

Based on market research and analysis, the following observations are made on the likely market need and the land use response proposed in the Stage 1 Masterplan.

Land Use	Observations	Conclusion
Commercial	 Employment projections suggest that there will be some 2.8 million 'white collar' office workers across Greater Sydney by 2041 – a rise of some 655,000 workers from 2022. Demand projections suggests that Bays West could accommodate demand of between ~66,000sqm and ~99,000sqm of commercial floorspace by 2036. Owing to the amenity and accessibility requirements of most office-based occupiers, most of this demand is anticipated to mature post-2030 once the Bays West metro station is operational. While demand projections suggest that Bays West could accommodate play a large commercial role looking forward, Bays West is constrained in its development potential from an environmental capacity perspective. Future development needs to accordingly balance meeting commercial office demand and accommodating an active mix of land uses. The Stage 1 Masterplan envisages the delivery of some ~71,000sqm of commercial floorspace. Based on demand projections, this level of floorspace would assist in satisfying regional-wide demand in the coming years to 2036. The proposed clustering around the future metro station is a prudent strategy to facilitate good accessibility and critical mass. 	Commercial uses proposed in the Stage 1 Masterplan (~71,000sqm of commercial GFA) is considered to be market supportable.
Residential	 The most recent DPE population projections for the Inner West and Sydney LGAs indicate the over the coming decades to 2041, an additional ~46,500 dwellings will be required to satisfy future population growth. Based on current supply forecasts, between 15,100 and 18,150 dwellings could be delivered across both LGAs in the coming years to 2026. This suggests there is a remaining need for between ~33,600 to ~35,300 dwellings. The locational characteristics of Bays West, proximity to the Sydney CBD and significant level of planned infrastructure investment make it an appropriate location for new housing. The location and quantum of residential uses will need to be considered in the context of the existing port and other heavy industrial uses. 	Residential uses proposed in the Stage 1 Masterplan (250 dwellings) is considered a viable market proposition.
Retail	 The Bays West Precinct Retail Market Potential Assessment and Strategy (Retail Strategy) prepared by Location IQ examined the quantum of retail and non-retail floorspace which could be supported in the Stage 1 Masterplan. Latent demand in Bays West's surrounding catchment, coupled with 'on-site' demand, have the potential to support ~5,000sqm of retail and non-retail floorspace (LIQ, 2022). 	Retail uses proposed in the Stage 1 Masterplan (4,700sqm of retail floorspace) aligns with the findings of the Retail Strategy.

Table ES.1: Viability of Proposed Land Uses, Bays West Stage 1 Masterplan

Source: Atlas Economics



ECONOMIC IMPACTS OF STAGE 1 MASTERPLAN

The economic impacts of the Stage 1 Masterplan have been estimated using an Input-Output model and assessed at the Greater Sydney level. Economic modelling estimates the 'net' impacts between two scenarios:

- **Base Case**: The Site continues to function in its existing use, with the eastern portion of the Site utilised for industrial and working port uses. The former White Bay Power Station is assumed to remain closed.
- **Proposal Case**: The Site is developed as per the Bays West Stage 1 Master Plan, including 70,998sqm of commercial GFA, 4,718sqm of retail GFA, 3,000sqm of community GFA, 250 dwellings and a mix of public open spaces.

The assessment distinguishes the economic impacts during construction and those that are more permanent.

Construction Phase

During construction the Proposal Case is projected to generate significant economic impacts for Greater Sydney, including:

- **\$2.4 billion** in output (including \$1.07 billion in direct activity).
- \$993.6 million contribution to GRP (including \$316.3 million in direct activity).
- \$548.6 million in incomes and salaries paid to households (including \$204.3 million in direct income).
- 5,456 FTE jobs (including 1,956 FTE directly employed in construction activity).

Operational Phase

Compared with the Base Case, the Proposal is estimated to result in a net increase in economic activity, including:

- \$4.2 billion additional in output (including \$2.1 billion in direct activity).
- \$2.5 billion additional in contribution to GRP (including \$1.3 billion in direct activity).
- \$1.1 billion additional in incomes and salaries paid to households (including \$551.9 million directly).
- 10,448 additional FTE jobs (including 4,703 additional FTE jobs directly related to activity on the Site).

Table ES. 2 summarises the estimated economic impacts during the operational phase in both the Base and Proposal Case.

Table ES. 2: Operational Impacts in Greater Sydney, Base Case and Proposal Case

Indicator	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Base Case				
Direct	\$140.2	\$70.2	\$41.5	251
Flow-on Type I	\$82.6	\$39.1	\$22.1	206
Flow-on Type II	\$96.9	\$55.0	\$23.9	261
Total	\$319.7	\$164.3	\$87.5	717
Proposal Case				
Direct	\$2,230.4	\$1,413.9	\$593.4	4,954
Flow-on Type I	\$984.8	\$525.0	\$303.4	2,537
Flow-on Type II	\$1,365.4	\$775.1	\$337.2	3,674
Total	\$4,580.6	\$2,714.0	\$1,234.1	11,165
Net Operational I	mpacts			
Direct	\$2,090.2	\$1,343.7	\$551.9	4,703
Flow-on Type I	\$902.2	\$485.9	\$281.3	2,331
Flow-on Type II	\$1,268.5	\$720.1	\$313.3	3,413
Total	\$4,260.9	\$2,549.7	\$1,146.6	10,448

Source: Atlas



OTHER SOCIO-ECONOMIC IMPACTS

City-shaping projects have the ability to fundamentally change the composition of local economies, generating a greater level of economic impacts than smaller, more 'typical' developments. As one of the final strategic urban renewal precincts in inner Sydney and in effect forming an extension of the Sydney CBD, the development of the Bays West Precinct will generate a catalytic shock to the Greater Sydney economy.

Accordingly, the development of the Stage 1 Masterplan is anticipated to generate a variety of other socio-economic benefits (which are not measured in the Input-Output modelling above). Some of these impacts include:

Agglomeration Benefits

Businesses and industry display a strong tendency to locate in specific geographic areas due to various opportunities and constraints for the firm. Shorter distances between firms generates economic advantages because of the agglomeration of economic activity (Rosenthal & Strange, 2003).

Agglomeration facilitates positive impacts for a variety of reasons, including knowledge spillovers, efficient utilisation of infrastructure, proximity to customers, and a better matching of job opportunities and skills between firms and workers. Agglomeration benefits are the key driver behind the success of cities and employment precincts and illustrative of the importance for employment precincts to have sufficient 'critical mass' to be economically sustainable.

Increased Urban Intensification

Intensifying the use of urban lands has multiple economic benefits and is a well-founded principle of urban planning. Urban intensification promotes economic sustainability by supporting the financial viability of public transport networks and can reduce the cost of energy, water and waste systems maintenance through reducing urban sprawl.

• Facilitating Local Labour Movements

Upon buildout, the Bays West precinct is anticipated to be a metropolitan centre with a notable resident population. When the new Bays West metro station is operational, this will provide nearby employment precincts (e.g. Sydney CBD, Pyrmont/Ultimo, North Sydney) with an accessible labour pool.

Equally, businesses who locate in the Bays West precinct will be able to access the rich skilled labour pool connected by metro.

• Visitation Benefits

The Stage 1 Masterplan is anticipated to deliver a world-class promenade along the Sydney Harbour and White Bay waterfront. The Masterplan also envisages a mix of new recreational spaces, ecological areas, public art and cultural and community facilities. The largest of these will be the adaptive reuse of the heritage-listed White Bay Power Station for a broad mix of community uses.

This variety of amenity is anticipated to generate strong visitation benefits from local, regional and international visitors alike. Proximity to the White Bay Cruise Terminal will provide opportunities for international and domestic travellers to visit the Bays Precinct, generating ongoing economic benefits.

The economic impacts estimated demonstrates the Proposal has economic merit, having the ability to contribute significantly to the Greater Sydney economy.

The Stage 1 Masterplan is also considered to have merit from a market perspective and its delivery will be critical for the successful development of the Harbour CBD's Innovation Corridor.



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1. Introduction

1.1 Background

Bays West is one of the final strategic urban renewal precincts in inner Sydney. A complex precinct spanning some 77ha and including Glebe Island, White Bay Power Station, White Bay, Rozelle Bay, and the Rozelle Rail Yards, renewal of the precinct has been planned for several decades. In 2015, the NSW Government released the *Bays Precinct, Sydney: Transformation Plan (2015)* which outlined an ambition to transform Bays West into an iconic Sydney destination.

In 2019, the NSW Government announced that a new metro station would be delivered at Bays West by 2030 as part of the new Sydney Metro West metro line connecting the Sydney CBD to Parramatta. Building upon a suite of previous strategies and technical studies, the Bays West Place Strategy was finalised in November 2021 by the NSW Department of Planning and Environment (DPE) and provides a long-term vision, strategic framework and Structure Plan to guide the renewal of the Bays West precinct.

The Bays West Place Strategy envisages a staged urban renewal process and identifies 10 distinct sub-precincts across the Bays West area. The first sub-precincts progressed for renewal include the White Bay Power Station (and Metro) and Robert Street sub-precincts. The draft Bays West Stage 1 Master Plan for these initial precincts was exhibited for public consultation in May 2022. Since exhibition of the draft Stage 1 Master Plan, the Robert Street sub-precinct no longer forms part of the Stage 1 rezoning package.

Following further refinement and consideration of public feedback and submissions, the final Bays West Stage 1 Master Plan and rezoning package outlines the statutory controls which will apply to the initial precincts (White Bay Power Station and Metro). To support the rezoning package, Atlas Economics (Atlas) is engaged by DPE to carry out an Economic Impact Assessment to examine the economic impacts of the Stage 1 Master Plan.

1.2 Bays West Precinct

Bays West is a significant harbour-side precinct within the suburb of Rozelle and supports a mix of ports, working harbour and industrial land uses (including the heritage-listed former White Bay Power Station). Bisected by Victoria Road, it is located ~2km west of the Sydney CBD and falls within the Inner West local government area (LGA). The entirety of the Bays West precinct is held in NSW Government ownership (albeit controlled by various NSW Government agencies).





Source: DPE (2022)

The White Bay Power Station (and Metro) and Robert Street sub-precincts (the Stage 1 precincts) are focused around the future Bays West metro station and measure roughly ~9.3ha and ~2.7ha in site area respectively. The White Bay Power Station currently comprises the former White Bay Power Station building and Sydney Metro construction site, with the Robert Street sub-precinct utilised as a port buffer by NSW Ports. As previously noted, the Robert Street sub-precinct does not form part of the updated rezoning package.



1.3 Scope and Approach

Atlas is engaged by the NSW DPE to support implementation of the Bays West Place Strategy and Stage 1 Master Plan and rezoning package. This advice is provided in several parts, including:

- Land Use and Market Appraisal Paper carried out property market research and development feasibility analysis to understand the opportunity for Bays West to accommodate various land uses.
- **Retail Strategy** (carried out by Location IQ) considered the opportunity for retail and non-retail uses as part of the Masterplan, including quantum of floorspace, role of the centre and recommendations for staging. The Retail Strategy considered the broader Bays West precinct (beyond the Stage 1 precincts).
- **Economic Impact Assessment (this Study)** considers how the Master Plan responds to demand for various land uses and estimates the economic impacts that could result if the Master Plan was implemented.

This Study comprises the Economic Impact Assessment with the other parts reported under separate cover as the master planning and rezoning process progresses.

Approach to Economic Impact Assessment

The following tasks have been undertaken to complete the Economic Impact Assessment.

- Assessment of the influencing factors for the success of the Bays West precinct from a land use and market perspective.
- Market appraisal to understand the patterns of supply and demand for commercial, retail and residential uses and the baseline market context of the Study Area.
- Review of the Stage 1 Masterplan to observe how the proposed land uses respond to market demand.
- Estimate the economic impacts of the Stage 1 Masterplan on the local economy and surrounding region.

1.4 Assumptions and Limitations

Atlas acknowledges a number of limitations associated with the Study.

- The long-term economic implications of the COVID-19 pandemic, particularly the shift in migration patterns to the regions, is yet to be fully understood.
- Data from third party sources is assumed to be correct and is not verified.
- Desktop market research has been undertaken without physical site surveys and inspections.
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- Specific assumptions related to economic impact modelling are detailed in Chapter 4.

Some economic impacts are not typically modelled within an Input-Output modelling framework, with alternative economic measures better placed to assess their impacts (e.g. Cost Benefit Analysis, Computable General Equilibrium).



2. Strategic Context

2.1 Greater Sydney Region Plan

The Greater Sydney Region Plan (the Region Plan) is the principal strategic planning framework for the Greater Sydney region. The Region Plan seeks to accommodate the needs of Sydney's growing population into a metropolis of three cities: Western Parkland City, Central River City and Eastern Harbour City, building on a vision where most residents live within 30 minutes of their jobs, education and health facilities.

The Region Plan delineates Greater Sydney into five districts: Western Parklands City, Central River City, Eastern Harbour City, Northern District and the Southern District. The Bays West precinct falls within the boundaries of the Eastern Harbour City, and specifically an area defined as the 'Harbour CBD'.

The Harbour CBD

The Harbour CBD includes the areas of Sydney CBD, North Sydney CBD, Barangaroo, Darling Harbour, Pyrmont, The Bays Precinct, Camperdown-Ultimo health and education precinct, Redfern to Eveleigh, part of Surry Hills and Sydney East.

The Harbour CBD is recognised as economically significant to the Greater Sydney and NSW economy given its large cluster of knowledge-intensive and health and education sectors, in addition to being a major international destination.

The Region plan recognises that an 'innovation corridor' is emerging across the Harbour CBD, encompassing the Bays Precinct, Pyrmont, Ultimo and multiple health and education facilities. The need to facilitate and encourage the development of this innovation corridor is expressly acknowledged in the Region Plan in order for Greater Sydney to retain its global competitiveness. Development is to be encouraged throughout the Harbour CBD, particularly given an anticipated shortfall in future office floorspace supply.

Figure 2.2 illustrates the Bays West precinct in the context of the broader Innovation Corridor and Harbour CBD,

Figure 2.1: Innovation Corridor, Harbour CBD



Source: GSC (2018)



2.2 Bays West Place Strategy

The Bays West Place Strategy was finalised in November 2021 and contains a unified planning framework and vision for the progressive urban renewal of the precinct. The Place Strategy outlines 14 Directions which address matters relating to land use, design, transport and movement, heritage and culture and infrastructure delivery across Bays West.

In addition to 14 Directions, the Place Strategy also identifies 'Six Big Moves' for Bays West to guide the planning and urban design framework. These six moves are to:

- 1. Repurpose White Bay Power Station to become a focal point of the precinct.
- 2. Reinstate a crossing from Bays West to Pyrmont to create more convenient and direct active transport connections.
- 3. Connect community to water, while recognising and supporting the working harbour and port operational requirements.
- 4. Deliver a significant, connected, activated public open space near the water at an early stage.
- 5. Make the most of the opportunity that a new metro station presents to renew the precinct and surrounds through development that has a strong dependence on public and active transport.
- 6. Enable a world-class harbour foreshore walk.

The Place Strategy incorporates a Structure Plan to guide the long-term development of Bays West. The Structure Plan is an aspirational end-state representation of the precinct and starting point for more detailed investigations to be based on. Masterplans for each sub-precinct are to be prepared prior to their rezoning and release, with the initial sub-precinct identified as the White Bay Power Station (and Metro) sub-precinct.

Figure 2.2 outlines the long-term (2040+) Bays West Structure Plan as per the Bays West Place Strategy.

Figure 2.2: Bays West Structure Plan (2040+)



Source: DPE (2021)

2.3 Bays West Stage 1 Masterplan

The draft Bays West Stage 1 Masterplan was released for public exhibition in May 2022. Following engagement with a variety of stakeholders, a preferred Masterplan has been refined. The Stage 1 Masterplan envisages a broad mix of commercial, community, civic, retail, residential and recreational land uses and aligns with the Key Directions and 'Big Moves' outlined in the Bays West Place Strategy.

Overall, the Stage 1 Masterplan is anticipated to accommodate some 500 residents and almost 5,000 workers, with more than 50% of the site provided as public open space. Key development yields include:

- Approx. 71,000sqm commercial gross floor area (GFA)
- 250 apartments
- Approx. 4,700sqm retail GFA
- 3,000sqm community GFA (within the White Bay Power Station which is to be retained and adaptatively reused)

Four land use zones are proposed to apply across the sub-precinct, including MU1 - Mixed Use in the southern portion, E2 - Commercial Core around the future Metro Station, RE1 - Public Recreation around the future White Bay Park and SP1 - Special Activities around the White Bay Power Station and surrounds.

Figure 2.3 outlines the proposed land use zones envisaged to deliver the Bays West Stage 1 Masterplan.

Figure 2.3: Proposed Land Use Zones, Bays West Stage 1 Masterplan



Source: Cox

Building heights are proposed to generally range from 4-storeys to 8-storeys, with several taller buildings proposed from 10-storeys to 20-storeys. New planning controls (e.g. building heights, floor space ratios) are included in the rezoning package to guide development potential of the sub-precincts, while also ensuring important heritage items (i.e. White Bay Power Station) are protected and new public benefit is created.

There is potential for Affordable Housing contributions to be made alongside development of the Stage 1 Masterplan.



2.4 Infrastructure Requirements

Bays West will require a comprehensive package of infrastructure to support the planning vision for a connected and sustainable urban renewal of the precinct.

Preliminary infrastructure investigations undertaken as part of the draft Stage 1 Masterplan provide guidance on the nature and potential cost of infrastructure required (whether new or upgrades) to support urban renewal of the precinct. Delivery of the infrastructure will occur within the Bays West precinct or outside the precinct.

The Bays West Infrastructure Delivery Plan (GLN, 2022) reviews the infrastructure requirements to support Stage 1 development, funding mechanisms and identifies a potential funding mix through which infrastructure can be delivered.

Table 2.1: Stage 1 Infrastructure and Conceptual Cost Estimates

Infrastructure Category	Estimated Cost
Transport	\$37.2 million
Precinct streets	_
Pedestrian streets	_
Intersections	
Roundabout	
Active transport	
Social Infrastructure	\$60.5 million
Multi-purpose library and community hub	_
District cultural spaces	_
Early education/ childcare	_
Local cultural theatre space	_
District indoor sports/ recreation centre	
Open Space	\$104.3 million
Power Station park (district park)	_
White Bay Power Station Transformer and South yards (pocket park)	_
Coal Loader Plaza (linear park)	_
Penstock zones (local park)	_
Urban platform (local park)	
Flood and Stormwater Management	\$3.0 million
Total	\$204.9 million

Source: GLN (2022)

The Stage 1 infrastructure is in the main expected to be State-delivered or developer delivered. Inner West South is unlikely to deliver the Stage 1 infrastructure however could play a role to operate certain social infrastructure facilities.

State-delivered Infrastructure

The NSW Government will be required to fund upfront capital costs of infrastructure to enable early works/ development.

There is no existing or proposed special infrastructure contribution (SIC) that applies to Bays West, however regional infrastructure contributions (RIC) are proposed which if implemented, would apply to Bays West. The timing of the RIC framework is however uncertain. Applying the draft RIC rates to Stage 1 at Bays West, regional contributions in the order of \$2.5 million could be received on build-out.

State planning agreements could be utilised between the Minister for Planning, potential future Bays West Delivery Authority and future developers upon sale of development sites.

Landownership in Bays West is State government owned, though landholdings are held across different state agencies. The divestment of development sites in Stage 1 could assist to recoup/ fund delivery of the required infrastructure. Infrastructure delivery arrangements between State Government and future developers will have direct implications for the amount of proceeds from the sale of development lots.



Developer-delivered Infrastructure

In the normal course of development, developers will deliver the required infrastructure (roads, stormwater, etc.) within their development lot. Requirements to deliver infrastructure beyond the development lot will affect the pricing of development sites.

In principle the net outcome is the same - whether NSW Government delivers infrastructure and recoups the upfront investment from development site sales, or if infrastructure is delivered by future developers which correspondingly reduces the proceeds from development site sales. Delivery of infrastructure by future developers (subject to the tender process) introduces contestability to the process and will conceivably result in better outcomes.

There will however be early works infrastructure needed well before developer participation can occur.

Local Infrastructure Contributions

Some of the Stage 1 infrastructure is included in Inner West Council's recently exhibited draft Inner West Local Infrastructure Contributions Plan (2022). Further work is required between State Government and Inner West Council to agree a mechanism for delivery of local infrastructure.



Brownfield precincts proximate major central business districts such as Bays West will attract a significant level of demand for a variety of land uses. The entry of a new precinct of the size and profile of Bays West will have implications for broader regional land use markets, influencing market dynamics and market behaviour.

This section considers the potential role of Bays West in accommodating demand for the primary land uses proposed in the Stage 1 Masterplan, namely commercial, residential and retail.

3.1 Commercial Land Uses

3.1.1 Sydney's Commercial Office Markets

There are a variety of commercial markets located across Greater Sydney. These can be distinguished by their size, role, function and occupier profile and can be categorised as CBD, Major and Suburban. These are summarised in **Table 3.1**.

Precinct Type	Location(s)	Size Range (Floorspace)
CBD Market	Sydney CBD	>5,000,000sqm
Major	Sydney CBD Fringe, North Sydney, Macquarie Park, North Shore, Parramatta	500,000sqm to 900,000sqm
Suburban Markets	Norwest/ Bella Vista, Green Square/ Mascot, Burwood, Sydney Olympic Park, Rhodes, Bankstown, Liverpool, Blacktown, Penrith, Pymble/Gordon	70,000sqm to 300,000sqm

Table 3.1: Office Markets, Greater Sydney

Source: Atlas

There are minor commercial office markets interspersed throughout Greater Sydney within local centres, typically comprising less than 50,000sqm of commercial office floorspace (e.g. Neutral Bay, Campbelltown, Pennant Hills).

The CBD and Major markets are distinct given the scale of commercial development, typically comprising standalone office buildings exceeding 10 storeys. This intensity of development is illustrative of local market dynamics; tall buildings occurring where commercial rents are sufficient to offset the cost of constructing taller office buildings.

Market Conditions

Commercial office markets in Greater Sydney commenced 2021 at a time of significant flux. The global and domestic economy was still recovering from the COVID-19-induced recession over the course of 2020, with many businesses taking a cautious approach to capital expenditure. Many occupiers remained hesitant to commit to any large and/or long-term office tenancies as forced working from home practices over the course of 2020 have resulted in most businesses reconsidering their workspace requirements.

The outbreak of the Delta variant of COVID-19 across NSW and subsequent lockdown restrictions from June to October 2021 expectedly resulted in an uptick in office vacancy levels across Greater Sydney. In July 2021, the Sydney CBD recorded a vacancy rate of 9.2% (compared to 8.5% in January 2021). Whilst vacancy levels in the Sydney CBD are comparatively low compared to Australia's other capital cities, steep escalations in incentives have resulted in effective rents falling substantially as landlords look to attract occupiers back to the office.

Following the reopening of the NSW and Victorian State economies in October 2021 and reopening of international borders, businesses and employees will be able to operate in a more 'stabilised' environment and able to make longer term decisions on future office demand. This bodes well for office demand over the short-term. However, it is clear that structural changes in the office market resulting from the COVID-19 pandemic will persist. Most organisations are expected to adopt a hybrid accommodation model (mix of home and office working), with offices remaining important for collaboration and innovation to thrive and where organisational culture can be created and enforced.

In our view, it still remains difficult to estimate with any degree of accuracy the long-term implications of flexible working practices on demand for office floorspace.



3.1.2 Competitive Context

All property markets operate within a competitive context. The principle of substitutability reflects that where accommodation is unavailable in one market, occupiers will seek accommodation in the most comparable alternative.

Bays West is located approximately 2.5km west of the Sydney CBD. Market investigations suggest that the primary office markets which will compete with future office development in Bays West from a commercial occupier perspective include Pyrmont, Ultimo, the Southern CBD and Tech Central.

• Pyrmont

Pyrmont comprises ~250,000sqm of commercial office floorspace and will be Bays West closest competitor. As a fringe area to the Sydney CBD, Pyrmont comprises a mix of A-Grade, B-Grade and Tertiary office stock with only a small number of A-Grade buildings which are scattered across the northern end of the Pyrmont peninsula. Most office buildings across Pyrmont comprise floorplates in the order of 1,500sqm to 2,000sqm.

The 'boutique' nature of the Pyrmont office market contributed to its establishment as a hub for technology, advertising, media and information technology (TAMI) occupiers, including the likes of Google and WeWork. Testament to its growing importance as an office market, Pyrmont is increasingly attracting large scale capital investment.

The popularity of Pyrmont as an office precinct is set to amplify over the coming decades given the amount of infrastructure investment being delivered into the precinct. Pyrmont is set to benefit from a new metro station as part of the Sydney Metro West metro line which will directly link Pyrmont to the Sydney CBD. This is expected to have catalytic benefits for the local office market.

The Pyrmont office market is set to further expand over the coming decades with the progression of the Blackwattle Bay State Significant Precinct (the quantum of commercial office being proposed in this precinct is still being explored). The Pyrmont Peninsula Place Strategy (PPPS) is also anticipated to unlock a significant volume of commercial development opportunities in the coming decades.

Ultimo

Directly adjoining Pyrmont, Ultimo is another of the Sydney CBD's fringe office markets. Comprising ~150,000sqm of commercial office floorspace, Ultimo is characterised by its large education presence given it includes the TAFE Ultimo campus and neighbours the University of Sydney campus. Office stock in Ultimo is predominantly B and Tertiary grade and accordingly does not accommodate the same quality of occupiers as observed in Pyrmont.

Ultimo is not expected to be a key competitor with Bays West given its lack of A-grade office stock and limited supply expected in the coming years. It will however benefit from the rise in popularity of neighbouring Pyrmont and could capture some overflow demand from this market as it grows and matures.

• Southern CBD

The Southern CBD broadly comprises the area of the Sydney CBD south of Liverpool Street and comprises Chinatown, Central railway station and the University of Technology. Comprising ~380,000sqm of office floorspace, the Southern precinct comprises a mix of A-Grade, B-Grade and tertiary office stock.

The Southern CBD is not considered to be a major office precinct within the Sydney CBD with only a small cluster of A-Grade buildings (mostly occupied by government agencies). This has historically been a function of limited retail amenity, poor quality stock and a large resident and student population, detracting from its desirability.

The popularity of the Southern CBD is shifting as the NSW Government's 'Tech Central' begins to progress, including the proposed 40-storey office tower opposite Central Station to be occupied by Australian technology firm Atlassian.

• Tech Central

Tech Central is set to become one of Australia's largest technology precincts. Forming part of ~34ha of State Government owned-land between Central and North Eveleigh, Tech Central is planned to comprise ~250,000sqm of commercial office floorspace (approximately equivalent to the existing Pyrmont office market).

The initial development within the precinct – a 40-storey office tower to be solely occupied by Atlassian – is set for completion in 2026. Tech Central is also expected to accommodate several major research anchors, including the National Space Industry Hub. The precinct is expected to be largely developed by 2036.



Overall, the Pyrmont and Tech Central office precincts will be the primary competitors to future commercial uses within Bays West. Whilst not as proximate to the Sydney CBD as these precincts, Bays West's waterside location, future public transport accessibility and potential for high-quality urban amenity will enable Bays West to provide a competitive and compelling offer as a new precinct within the Sydney CBD Fringe office market.

3.1.3 Future Demand

Demand for commercial floorspace has historically been intrinsically tied to the growth of 'white collar' employment.

To understand the potential role of Bays West in accommodating demand for commercial floorspace, two sets of employment projections and forecasts have been reviewed. These include:

- Employment Forecasts (Deloitte Access Economics, 2021): forecasts for 'white collar' employment over the 2021-2030 period across the Greater Sydney Capital City Statistical Area, Sydney CBD and North Shore. These forecasts also include historical employment data from 1980-2021.
- Employment Projections (Transport, Performance and Analytics, 2019): projections for employment (ANZSIC) over the 2016-2056 period across the Greater Sydney Capital City Statistical Area.

Atlas have extrapolated the historical share of white-collar employment as identified in the DAE (2021) forecasts and applied these to the TPA employment projections for the 2021-2056 period. This provides an indicative white-collar workforce for the broader Greater Sydney area from which analysis of Bays West's role can be considered.

Figure 3.1 illustrates the employment forecasts for the Greater Sydney area over the 2021-2056 period.



Figure 3.1: Employment Forecasts (2021-2056), Greater Sydney Capital City Statistical Area

Source: Atlas Economics/Deloitte Access Economics (2021)/TPA (2019)

DAE (2021) forecasts suggest that the Sydney CBD is anticipated to account for a share of around 15% of Greater Sydney's white-collar workforce over the coming years to 2030. The North Shore office markets of North Sydney, Crows Nest and St Leonards are anticipated to account for just over 2% of total white-collar employment.

The remaining ~83% of white-collar employment is expected to be distributed across Greater Sydney's other major office markets, suburban office markets and local centres.



Historical Supply

The CBD and Major office markets have historically accounted for the overwhelming majority of total office stock across Greater Sydney, with suburban office markets playing a more minor and complementary role. Bays West is anticipated to comprise a new sub-market within the City Fringe office market (comprising Pyrmont, Ultimo, Surry Hills, Redfern/Eveleigh, Chippendale, Darlinghurst). The City Fringe market is the second largest market outside of the Sydney CBD.

A review of historical supply activity shows that the City Fringe office market recorded significant growth over the 2015-2021 period. In 2015, the City Fringe accounted for around 10% of total office stock (in the CBD and Major markets). By 2021, the City Fringe has grown to account for approximately 13% of total office stock.

Looking forward, the City Fringe is anticipated to continue experiencing strong growth brought on by new supply, with Tech Central and Blackwattle Bay precincts potentially delivering ~380,000sqm of new floorspace over the coming decade. This would see the City Fringe grow to ~15% of the CBD and Major office market.

Table 3.2 outlines the historical supply of office floorspace in Greater Sydney's CBD and Major office markets.

Market				Historical				Pip	eline
	2015	2016	2017	2018	2019	2020	2021	2022	2023+
Supply (sqm)									
Sydney CBD	4,957,765	5,062,509	5,078,603	5,036,039	5,009,233	4,953,776	5,149,548	5,296,288	5,543,379
City Fringe	928,634	916,717	936,968	922,636	1,202,859	1,272,859	1,292,859	1,307,359	1,687,359
North Sydney	822,190	820,747	822,496	823,982	809,430	820,537	922,793	935,294	1,206,680
Macquarie Park	866,480	886,499	882,450	865,482	859,034	859,034	904,710	922,710	1,037,626
Parramatta	680,317	682,907	707,099	705,416	719,547	768,421	836,026	897,925	943,254
Crows Nest/ St Leonards	348,369	344,797	315,542	307,731	306,881	308,277	338,435	355,173	397,773
Chatswood	285,245	278,919	278,919	278,919	278,919	274,024	273,454	273,454	276,454
Total	8,889,000	8,993,095	9,022,077	8,940,205	9,185,903	9,256,928	9,717,825	9,988,203	11,092,525
Supply (% of Total)									
Sydney CBD	55.8%	56.3%	56.3%	56.3%	54.5%	53.5%	53.0%	53.0%	50.0%
City Fringe	10.4%	10.2%	10.4%	10.3%	13.1%	13.8%	13.3%	13.1%	15.2%
North Sydney	9.2%	9.1%	9.1%	9.2%	8.8%	8.9%	9.5%	9.4%	10.9%
Macquarie Park	9.7%	9.9%	9.8%	9.7%	9.4%	9.3%	9.3%	9.2%	9.4%
Parramatta	7.7%	7.6%	7.8%	7.9%	7.8%	8.3%	8.6%	9.0%	8.5%
Crows Nest/ St Leonards	3.9%	3.8%	3.5%	3.4%	3.3%	3.3%	3.5%	3.6%	3.6%
Chatswood	3.2%	3.1%	3.1%	3.1%	3.0%	3.0%	2.8%	2.7%	2.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 3.2: Historical Office Supply, Greater Sydney's Key Office Markets

Source: Atlas/PCA (2021)

Future Demand at Bays West

Bays West is well-positioned to become a major sub-precinct within the broader City Fringe office market. Its locational characteristics, proximity to new transport infrastructure and masterplanned approach could provide it a competitive edge against many existing sub-precincts within the City Fringe, along with other Major office markets.

To understand potential demand for office floorspace at Bays West, the proportionate share of white-collar employment which Bays West could 'capture' has been analysed in two scenarios – a Low Scenario and High Scenario. This proportionate share of captured white collar employment can subsequently be converted into office floorspace through applying a generic workspace ratio of 15sqm of office floorspace per worker.

Under the Low Scenario, Bays West could capture up to 0.5% of Greater Sydney's white-collar employment¹ by 2056, equating to demand for ~200,000sqm of office floorspace. Demand for office floorspace is not anticipated to substantially



¹ Excluding that already captured by the Sydney CBD, North Sydney and Crows Nest/St Leonards

occur until the delivery of the future metro station in 2030. Overall, this would equate to an average annual supply rate of ~6,600sqm of office floorspace over 2031-2056.

In the High Scenario, Bays West could capture up to 0.75% of Greater Sydney's white-collar employment by 2056, equivalent to around ~300,000sqm of office floorspace. Similar to the Low Scenario, demand for office floorspace prior to the completion of the metro station in 2030 is anticipated to be nominal. Overall, this would equate to an average annual supply rate of ~10,500sqm of office floorspace over the 2031-2056 period. If Bays West was less constrained by its geographical land form, a higher capture rate (i.e. higher than 0.75%) at Bays West could potentially occur.

The consideration of demand capture and overall scale of Bays West as a commercial precinct should necessarily be carried out in the context of facilitating a critical mass of workers that would support sufficient retail and non-retail facilities that would in turn position it as a desirable location to do business in.

Figure 3.2 illustrates the potential demand for commercial office floorspace at Bays West over the 2021-2056 period.

350,000 Commercial Office Floorspace (sqm) 300,000 250,000 200.000 150,000 100.000 50,000 2021 2026 2031 2036 2041 2046 2051 2056 Low Scenario 66,286 14,640 31,273 104,786 146,887 171,784 197,172 **High Scenario** 14,640 31,273 99,430 139,715 183,609 229,045 295,758 _ Low Scenario High Scenario

Figure 3.2: Office Floorspace Scenarios (2021-2056), Bays West

Source: Atlas Economics

Comparison to the Stage 1 Masterplan

Scenario analysis suggests that Bays West could accommodate demand of between ~66,000sqm and ~99,000sqm of commercial floorspace by 2036 (and up to ~200,000sqm and ~300,000sqm by 2056). Owing to the amenity and accessibility requirements of most office-based occupiers, the majority of commercial floorspace demand is anticipated to mature post-2030 once the Bays West metro station is operational.

While demand projections suggest that Bays West could be positioned to accommodate a significant amount of office floorspace in the coming decades to 2056, the Bays West precinct is constrained in its development potential from an environmental capacity perspective. Future development needs to accordingly balance meeting commercial office demand and accommodating an active mix of land uses in accordance with the Bays West Precinct Plan.

The Stage 1 Masterplan envisages the delivery of some ~71,000sqm of commercial floorspace within the White Bay Power Station (and Metro) sub-precinct. Based on demand projections, this level of commercial floorspace would potentially satisfy future demand in the coming years to 2036. The proposed clustering of commercial floorspace around the future Bays West metro station is considered ideal in order to facilitate good accessibility and critical mass.

Future provision of additional commercial floorspace across the later stages of the broader Bays West precinct could be considered, though this would need to be weighed up against other the environmental capacity constraints of the precinct and need for other land uses.

Overall, the proposed quantum of commercial floorspace within the Stage 1 Masterplan is considered supportable.



3.2 Residential Land Uses

Population growth is one of the key drivers of demand for new housing. Official population projections in NSW are carried out by the NSW Department of Planning and Environment's (DPE) Demography and Research Unit. These projections of population growth are divided by projected household occupancy rates to arrive at the number of implied dwellings required to accommodate the projected population.

White Bay forms a natural boundary between the Inner West and Sydney local government areas (LGAs). Whilst Bays West is located within the Inner West LGA, it is expected to form a strong relationship with the Sydney LGA. From a housing market perspective, Bays West will likely be influenced by market dynamics in both LGAs.

A review of DPE's population projections for the Inner West and Sydney LGAs indicate the over the coming decades to 2041, an additional ~46,500 dwellings will be required. As shown in **Table 3.3**, this equates to ~2,300 new dwellings per annum.

LGA	2021	2026	2031	2036	2041	Change (2021-41)	Avg. Annual Dwellin Requirement	
							No.	%
Inner West	90,717	91,512	94,200	97,478	100,723	10,006	500	0.5%
Sydney	125,533	126,878	137,894	150,222	162,059	36,526	1,826	1.3%
Total	216,250	218,390	232,094	247,700	262,782	46,532	2,327	1.0%

Table 3.3: Implied Dwelling Requirements (2021-2041), Inner West and Sydney LGAs

Source: DP3E (2022)

Understanding the role Bays West can play in meeting some of this housing demand over the coming decades will be influenced by the level of expected supply across other areas of the Inner West and Sydney LGAs.

Supply forecasts in DPE's *Greater Sydney Housing Supply Forecasts* suggest that over the 2020-2025 period, between 15,100 and 18,150 dwellings could be delivered across both LGAs. Accordingly, there would remain a significant quantum of housing still required over the years to 2041 to meet projected demand. This is shown in **Table 3.4**.

LGA	Su	pply Forecast Five Year	Total	Remaining Supply Required to 2041			
	High Scenario	Central Scenario	Low Scenario	High Scenario	Central Scenario	Low Scenario	
Inner West	3,585	3,360	3,170	6,421	6,646	6,836	
Sydney	9,320	8,625	8,065	27,206	27,901	28,461	
Total	12,905	11,985	11,235	33,627	34,547	35,297	

Source: DPE (2021)

Based on the quantum of supply that will be required to meet projected housing demand in the Inner West and Sydney LGA housing markets (~33,600 to ~35,300 dwellings), Bays West can play a role in accommodating some of that future demand. The Inner West Local Housing Strategy (Inner West Council, 2020) specifically identifies the Bays West precinct as capable of contributing to the Inner West housing target of 10,000 new dwellings over the 2026-2036 period.

Overall, the locational characteristics of Bays West, proximity to the Sydney CBD and significant level of planned infrastructure investment into the Bays West precinct will be a boon for residential development. There will be minimal need to proactively attract demand for residential uses – they will occur naturally and 'as of course'.

The Stage 1 Masterplan envisages the delivery of some 250 dwellings within the White Bay Power Station (and Metro) sub-precinct. Further stages of the Bays West precinct will include additional housing to support future demand for housing in both the Inner West and Sydney LGAs.



3.3 Retail Land Uses

The viability of retail land uses is intrinsically linked to the size and characteristics of their surrounding resident, worker and visitor populations. From a development perspective, retail uses are considered 'followers' – they will not establish prior to other land uses unless there is existing latent demand which can be easily captured.

Notwithstanding the population size of the immediate trade catchment area, the designated role of a centre within a broader hierarchy is also a major determinant of retail floorspace provision. Metropolitan Centres and Strategic Centres play a much greater role in servicing the retail needs of the broader region, thus encompassing significant trade catchment areas.

This section summarises the findings of the Bays West Precinct Retail Market Potential Assessment and Strategy (Retail Strategy) prepared by Location IQ which examined the quantum of retail floorspace which could be supported

3.3.1 Main Trade Area

Location IQ (LIQ) carried out a baseline assessment of the Bays West Precinct to identify its Main Trade Area (MTA). The MTA is defined to include one primary sector – this sector covers the Bays West Precinct; and three secondary sectors, and generally extends 2km in all directions around the precinct. The MTA definition takes into consideration the development of the entire Bays West Precinct (i.e. all stages) and the ability to consolidate the retail and complementary non-retail floorspace around the future Metro Station.

The defined MTA is densely populated, with a current population of around 66,333 persons (ABS, 2021). This does not account for any future development in the Bays West precinct.

Within the MTA, the current retail offer is limited to smaller supermarkets, with large retail strips along Darling Road at Rozelle and Balmain. Beyond the MTA, there are a range of retail destinations, including Broadway Shopping Centre, Marketplace Leichhardt, Norton Plaza/Norton Street, Sydney CBD/Darling Harbour, and Birkenhead Point Outlet Centre.

Table 3.3 illustrates the defined Main Trade Area for the Bays West Precinct.

Figure 3.3: Main Trade Area, Bays West





Latent Demand in the MTA

The estimated provision of retail floorspace in Australia is around 2.2sqm per person and has grown over the past 30 years, largely driven by real growth in income levels and consequently increases in retail spending capacity. In addition, new retail formats have been introduced as the retail industry has evolved. In inner suburban areas, the provision of retail floorspace is around 0.95 sqm per person, with larger formats not as common (i.e. department stores).

Within the MTA, the current offer is limited to smaller supermarkets, with large retail strips along Darling Road at Rozelle and Balmain. Beyond the MTA, there are a range of destinations, including Broadway Shopping Centre, Marketplace Leichhardt, Norton Plaza/Norton Street, the Sydney CBD/Darling Harbour, and Birkenhead Point Outlet Centre.

The MTA population would currently support some 60,000sqmm (0.95sqm per person) to 145,000sqm (2.2sqm per person) of retail floorspace. In terms of supermarket floorspace, across the Sydney metropolitan area, there is around 0.27sqm per person. The MTA could support ~18,000sqm of supermarket floorspace, indicating an under supply of around 10,000sqm.

Whilst there is an opportunity within the MTA for a full-line supermarket of 3,000sqm or larger, the Bays West Stage 1 Masterplan area would have limited connectivity by private car as the precinct is intended to be delivered as a low-private vehicle project (i.e., limited car parking provision). This would limit the potential draw of retail at the site by car in the initial years, thereby limiting the potential for a full-line supermarket.

3.3.2 Demand Forecasts

In fringe CBD locations, the supportable provisions of retail floorspace that are commonly applicable include:

- Residents: 1sqm retail floorspace per resident
- Workers: 0.25sqm retail floorspace per worker

Upon buildout, it is estimated that the Stage 1 Masterplan will accommodate circa 4,950 workers and just over 500 residents.

Applying these benchmarks to the estimated worker and resident population in the Stage 1 Masterplan indicates that around 2,000sqm of retail floorspace could be supportable. To secure a small supermarket/foodstore, this may increase the provision to around 2,500sqm to 3,000sqm given the typical box size of such tenants is around 1,000sqm. In addition to this baseline demand, visitors/tourists are also expected to generate demand for retail uses. This is assessed to be around double the on-site demand and includes demand from the balance of the MTA and non-worker and non-resident commuters.

Overall, the Retail Strategy indicates that some 5,000sqm of retail and non-retail floorspace could be supportable in the Stage 1 Masterplan. Additional floorspace, mainly food catering, at key, activated locations across the balance of the site possibly taking advantage of water views and open space would be ideal if quality tenants can be attracted.

Table 3.5 summarises the findings of the Retail Strategy and supportable quantum of retail and non-retail floorspace.

Table 3.5: Supportable Retail and Non-Retail	Floorspace, Bays West Stage 1	Masterplan
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Category	Examples	Supportable GLA (sqm)	
Retail			
Supermarket	Small neighbourhood supermarket	1,000	
Other Food Retail	Liquor store, bakery/patisserie, health food	400	
Food Catering	Takeaway food stores, cafes, restaurants	1,050	
Non-Food	Apparel, household goods, leisure retail	350	
Retail Services	Hairdressers, beauticians, cobblers, massage, dry cleaning, laundromats	280	
Non-Retail			
Non-retail Shopfronts	Bank, travel agent, post office, lottery kiosks	300	
Health and Wellness	Gyms (small, large), fitness studios, allied health	400	
Medical	Medical centres, childcare centre	500	
Tavern	Small bar, larger bar, brewery/distillery	750	
Total		5,030	

Source: LIQ (2022)



A more detailed assessment of retail floorspace demand and retail categories is provided in the Retail Strategy.

In Summary, the Bays West Precinct and Stage 1 Masterplan area is considered well-positioned for retail uses. Latent demand in its surrounding catchment (i.e. the Main Trade Area), coupled with 'on-site' demand from future residents and workers, have the potential to support up to 5,000sqm of retail and non-retail floorspace.

The Bays West Precinct Retail Market Potential Assessment and Strategy identified that some 5,000sqm of retail floorspace could be supported in the Stage 1 Masterplan, servicing a mix of residents, workers and visitors.

The Stage 1 Masterplan envisages the delivery of 4,700sqm of retail floorspace, aligning with the findings and recommendations of the Retail Strategy. The Stage 1 Masterplan also envisages delivering much of the retail floorspace proximate the future Metro station which will enable a clustering of activity and amenity, supporting the viability of other land uses (e.g. commercial).

Overall, the proposed quantum and distribution of retail floorspace within the Stage 1 Masterplan is supportable.

3.4 Implications for the Masterplan

The Stage 1 Masterplan envisages the delivery of a broad mix of market and non-market (i.e. community, recreational) land uses. Market uses proposed include a mix of commercial, residential and retail land uses. This Chapter has examined the market need for the above land uses and makes the following observations.

Commercial Land Uses

- Employment projections suggest that there will be some 2.8 million 'white collar' office workers across Greater Sydney by 2041 a rise of some 655,000 workers from 2022.
- Demand projections suggests that Bays West could accommodate demand of between ~66,000sqm and ~99,000sqm of commercial floorspace by 2036 (and up to ~200,000sqm and ~300,000sqm by 2056). Owing to the amenity and accessibility requirements of most office-based occupiers, the majority of commercial floorspace demand is anticipated to mature post-2030 once the Bays West metro station is operational.
- While demand projections suggest that Bays West could accommodate play a large commercial role looking forward, Bays West is constrained in its development potential from an environmental capacity perspective. Future development needs to accordingly balance meeting commercial office demand and accommodating an active mix of land uses in accordance with the Bays West Precinct Plan.
- The Stage 1 Masterplan envisages the delivery of some ~71,000sqm of commercial floorspace within the White Bay Power Station (and Metro) sub-precinct. Based on demand projections, this level of commercial floorspace would assist in satisfying regional-wide demand in the coming years to 2036. The proposed clustering of commercial floorspace around the future metro station is a prudent strategy to facilitate good accessibility and critical mass.

The Stage 1 Masterplan (which proposes ~71,000sqm of commercial GFA) is considered market supportable.

Residential Land Uses

- The most recent DPE population projections for the Inner West and Sydney LGAs indicate the over the coming decades to 2041, an additional ~46,500 dwellings will be required.
- Based on current supply forecasts, between 15,100 and 18,150 dwellings could be delivered across both LGAs in the coming years to 2026. This suggests there is a remaining need for between ~33,600 to ~35,300 dwellings

Accordingly, The Stage 1 Masterplan (which proposes 250 dwellings) is considered a viable market proposition.

Retail Land Uses

- The Bays West Precinct and Stage 1 Masterplan area is considered well-positioned for retail uses. Latent demand in its surrounding catchment (i.e. the Main Trade Area), coupled with 'on-site' demand from future residents and workers, have the potential to support up to 5,000sqm of retail and non-retail floorspace.
- The Stage 1 Masterplan envisages the delivery of 4,700sqm of retail floorspace, with much of this focused in and around the future Metro Station. This aligns with the findings and recommendations of the Retail Strategy.

The next Chapter examines the economic impacts of the Stage 1 Masterplan during construction and upon completion.



4.1 Overview and Approach

This chapter examines the economic activity and impacts that could result through progression of the Proposal during construction and upon completion. The analysis estimates the economic activity supported in the following scenarios:

- **Base Case**: The Site continues to function in its existing use, with the eastern portion of the Site utilised for industrial and working port uses. The former White Bay Power Station is assumed to remain closed.
- **Proposal Case**: The Site is developed as per the Bays West Stage 1 Master Plan, including 70,998sqm of commercial GFA, 4,718sqm of retail GFA, 3,000sqm of community GFA, 250 dwellings and a mix of public open spaces.

The economic impacts are assessed at the Greater Sydney level. An Input-Output model (including the development of specific regional Input-Output transaction tables) was developed to reflect the economic structure of Greater Sydney (see Schedule 1 for further detail).

Input-Output modelling considers economic activity through examining four types of impacts as described in Table 4.1.

Table 4.1: Economic Indicators

Indicator	Description
Output	The gross value of goods and services transacted, including the cost of goods and services used in the development and provision of the final product. Care should be taken when using output as an indicator of economic activity as it counts all goods and services used in one stage of production as an input to later stages of production, thus overstating economic activity.
Gross Product	The value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g. Gross Regional Product (GRP)) defines a net contribution to economic activity.
Incomes	The wages and salaries paid to employees as a result of the Project either directly or indirectly.
Employment	Employment positions generated by the Project or Proposal (either full time or part time, directly or indirectly). Employment is reported in terms of Full-time Equivalent (FTE) positions or person-years.

Source: Atlas

Input-Output modelling estimates show the impacts of direct spending in a particular industry as well as from Productioninduced impacts (Type I) or Consumption-induced impacts (Type II).

- **Production-induced impacts (Type I)** show the effects of industrial support effects of additional activities undertaken by supply chain industries increasing their production in response to direct and subsequent rounds of spending.
- **Consumption-induced impacts (Type II)** estimate the re-circulation of labour income earned as a result of the initial spending, through other industry impacts, or impacts from increased household consumption.

The estimates of economic impacts consider production and consumption-induced flow-on impacts. Type II impacts are commonly considered to overstate economic activity and therefore the types of flow-on impacts are reported separately.

Drivers of Economic Activity

To understand the economic impacts likely to result from the Proposal compared to the Base Case, it is necessary to distinguish economic impacts during the construction phase and those economic impacts that will be more permanent in nature following construction completion and operations commencement and stabilisation to long run averages.

• **Construction Phase:** Construction activity will draw resources from and thereby generate economic activity in Greater Sydney as well as from outside Greater Sydney.

Assumptions are made on the proportion sourced from within and from outside Greater Sydney. The construction phase is assessed for the Proposal Case only.



• Operational Phase:

- Base Case: The Site will generate ongoing employment activity and be utilised for industrial/working port uses (noting that the former White Bay Power Station is assumed to remain closed). Employment estimates for the Site have been benchmarked using Transport for NSW Travel Zone employment projections (TZP19).
- Proposal Case: On completion of the development, the Site is expected to generate ongoing economic/ operational activity through the direct activity generated by the various commercial, retail and community uses proposed.

Refer to Schedule 1 for a description of the drivers and assumptions that underpin the assessed economic impacts.

4.2 Economic Activity and Impacts

Economic impacts arising in the Construction phase are estimated separately to the Operational phase. Construction impacts are expected to be short-term in nature and will conclude when development activity is completed.

4.2.1 Construction Phase

During construction the Proposal Case is projected to generate significant economic impacts for Greater Sydney, including:

- **\$2.4 billion** in output (including \$1.07 billion in direct activity).
- \$993.6 million contribution to GRP (including \$316.3 million in direct activity).
- \$548.6 million in incomes and salaries paid to households (including \$204.3 million in direct income).
- 5,456 FTE jobs (including 1,956 FTE directly employed in construction activity).

Economic impacts during construction are summarised in **Table 4.2**. It should be noted that construction impacts are reported in total for the construction phase, and do not represent an average annual estimate.

Indicator	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$1,069.9	\$316.3	\$204.3	1,956
Flow-on Type	\$731.9	\$332.5	\$194.3	1,866
Flow-on Type	\$607.4	\$344.8	\$150.0	1,634
Total	\$2,409.2	\$993.6	\$548.6	5,456

Table 4.2: Construction Impacts in Greater Sydney, Proposal Case

Source: Atlas

4.2.2 Operational Phase

Following the completion of construction, the Proposal Case is estimated to support the following annual economic activity through direct and indirect (flow-on) impacts associated with operations on the Site:

- \$4.5 billion in output (including \$2.2 billion in direct activity).
- **\$2.7 billion** contribution to GRP (including \$1.4 billion in direct activity).
- \$1.2 billion in incomes and salaries paid to households (including \$593.4 million in direct income).
- 11,165 ongoing FTE jobs (including 4,954 FTE directly related to activity on the Site).

 Table 4.3 summarises the estimated economic impacts during the operational phase in both the Base and Proposal Case.



Indicator	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Base Case				
Direct	\$140.2	\$70.2	\$41.5	251
Flow-on Type	\$82.6	\$39.1	\$22.1	206
Flow-on Type	\$96.9	\$55.0	\$23.9	261
Total	\$319.7	\$164.3	\$87.5	717
Proposal Case				
Direct	\$2,230.4	\$1,413.9	\$593.4	4,954
Flow-on Type	\$984.8	\$525.0	\$303.4	2,537
Flow-on Type	\$1,365.4	\$775.1	\$337.2	3,674
Total	\$4,580.6	\$2,714.0	\$1,234.1	11,165
Net				
Direct	\$2,090.2	\$1,343.7	\$551.9	4,703
Flow-on Type	\$902.2	\$485.9	\$281.3	2,331
Flow-on Type	\$1,268.5	\$720.1	\$313.3	3,413
Total	\$4,260.9	\$2,549.7	\$1,146.6	10,448

Table 4.3: Operational Impacts in Greater Sydney, Base Case and Proposal Case

Note: Totals may not sum due to rounding. Source: Atlas

Compared with the Base Case, the Proposal Case facilitates a significantly intensified use of the Site, accommodating more businesses and employment activity, resulting in greater levels of output and contribution to the Greater Sydney economy.

The Proposal is estimated to result in **a net increase in economic activity** through direct and indirect (flow-on) annually at:

- \$4.2 billion additional in output (including \$2.1 billion in direct activity).
- **\$2.5 billion** additional in contribution to GRP (including \$1.3 billion in direct activity).
- \$1.1 billion additional in incomes and salaries paid to households (including \$551.9 million directly).
- 10,448 additional FTE jobs (including 4,703 additional FTE jobs directly related to activity on the Site).

The economic impacts estimated in this section demonstrates the Proposal has economic merit, having the ability to contribute significantly to the local economy.

4.3 Other Socio-Economic Impacts

City-shaping projects have the ability to fundamentally change the composition of local economies, generating a greater level of economic impacts than smaller, more 'typical' developments. As one of the final strategic urban renewal precincts in inner Sydney and in effect forming an extension of the Sydney CBD, the development of the Bays West Precinct will generate a catalytic shock to the Greater Sydney economy.

Accordingly, the development of the Stage 1 Masterplan is anticipated to generate a variety of other socio-economic benefits (which are not measured in the Input-Output modelling above). Some of these impacts include:

Agglomeration Benefits

Businesses and industry display a strong tendency to locate in specific geographic areas due to various opportunities and constraints for the firm. Shorter distances between firms generates economic advantages because of the agglomeration of economic activity (Rosenthal & Strange, 2003).

Agglomeration facilitates positive impacts for a variety of reasons, including knowledge spillovers, efficient utilisation of infrastructure, proximity to customers, and a better matching of job opportunities and skills between firms and workers. Agglomeration benefits are the key driver behind the success of cities and employment precincts and illustrative of the importance for employment precincts to have sufficient 'critical mass' to be economically sustainable.



• Increased Urban Intensification

Intensifying the use of urban lands has multiple economic benefits and is a well-founded principle of urban planning. Urban intensification promotes economic sustainability by supporting the financial viability of public transport networks and can reduce the cost of energy, water and waste systems maintenance through reducing urban sprawl.

• Facilitating Local Labour Movements

Upon buildout, the Bays West precinct is anticipated to be a metropolitan centre with a notable resident population. When the new Bays West metro station is operational, this will provide nearby employment precincts (e.g. Sydney CBD, Pyrmont/Ultimo, North Sydney) with an accessible labour pool.

Equally, businesses who locate in the Bays West precinct will be able to access the rich skilled labour pool connected by metro.

• Visitation Benefits

The Stage 1 Masterplan is anticipated to deliver a world-class promenade along the Sydney Harbour and White Bay waterfront. The Masterplan also envisages a mix of new recreational spaces, ecological areas, public art and cultural and community facilities. The largest of these will be the adaptive reuse of the heritage-listed White Bay Power Station for a broad mix of community uses.

This variety of amenity is anticipated to generate strong visitation benefits from local, regional and international visitors alike. Proximity to the White Bay Cruise Terminal will provide opportunities for international and domestic travellers to visit the Bays Precinct, generating ongoing economic benefits.

4.4 Summary of Findings

The development of the Bays West Stage 1 Masterplan is shown to deliver significant and positive economic impacts to the Greater Sydney economy.

Compared with the Base Case, it is estimated to result in **a net increase in economic activity** during the construction phase through a mix of direct and indirect (flow-on) activity, including:

- **\$2.4 billion** in output (including \$1.07 billion in direct activity).
- \$993.6 million contribution to GRP (including \$316.3 million in direct activity).
- \$548.6 million in incomes and salaries paid to households (including \$204.3 million in direct income).
- 5,456 FTE jobs (including 1,956 FTE directly employed in construction activity).

When operational, the Proposal is estimated to result in an annual net increase in economic activity with:

- \$4.2 billion additional in output (including \$2.1 billion in direct activity).
- **\$2.5 billion** additional in contribution to GRP (including \$1.3 billion in direct activity).
- \$1.1 billion additional in incomes and salaries paid to households (including \$551.9 million directly).
- 10,448 additional FTE jobs (including 4,703 additional FTE jobs directly related to activity on the Site).

The economic impacts estimated in this chapter demonstrates the Proposal has economic merit, having the ability to contribute significantly to the Greater Sydney economy.

The Stage 1 Masterplan is also considered to have merit from a market perspective and its delivery will be critical for the successful development of the Harbour CBD's Innovation Corridor.



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Schedules

SCHEDULE 1

Input-Output Modelling Methodology

Input-Output models are a method to describe and analyse forward and backward economic linkages between industries based on a matrix of monetary transactions. The model estimates how products sold (outputs) from one industry are purchased (inputs) in the production process by other industries.

The analysis of these industry linkages enables estimation of the overall economic impact within a catchment area due to a change in demand levels within a specific sector or sectors.

Impacts are traced through the economy via:

- Direct impacts, which are the first round of effects from direct operational expenditure on goods and services.
- Flow-on impacts, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales. Flow-on impacts can be disaggregated to:
 - Industry Support Effects (Type I) derived from open Input-Output models. Type I impacts represent the production induced support activity as a result of additional expenditure by the industry experiencing the stimulus on goods and services, and subsequent round effects of increased purchases by suppliers in response to increased sales.
 - Household Consumption Effects (Type II) derived from closed Input-Output Models. Type II impacts represent the consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries being paid within the catchment economy.

Economic analysis considers the following four types of impacts.

Table S1.1: Economic Activity Indicators

Indicator	Description
Output	The gross value of goods and services transacted, including the cost of goods and services used in the development and provision of the final product. Care should be taken when using output as an indicator of economic activity as it counts all goods and services used in one stage of production as an input to later stages of production, thus overstating economic activity.
Gross Product	The value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g. Gross Regional Product (GRP)) defines a net contribution to economic activity.
Incomes	The wages and salaries paid to employees as a result of the Project or Proposal either directly or indirectly.
Employment	Employment positions generated by the Project or Proposal (either full time or part time, directly or indirectly). Employment is reported in terms of Full-time Equivalent (FTE) positions or person-years.

Source: Atlas

REGIONAL MODEL DEVELOPMENT

Multipliers used in this assessment have been created using a regionalised Input-Output model derived from the 2019-2020 Australian transaction table (ABS, 2022a).

Estimates of gross industry production in the catchment area were developed based on the share of employment (by place of work) of the catchment area within the Australian economy (ABS, 2017) using the Flegg Location Quotient and Cross Hauling Adjusted Regionalisation Method (CHARM). See Norbert (2015) and Kronenberg (2009) for further details. Where required, values were indexed to current dollar values using CPI (ABS, 2022b).



MODELLING LIMITATIONS AND ASSUMPTIONS

Input-Output modelling is subject to a number of key assumptions and limitations (ABS, 2022a):

- Lack of supply-side constraints: The most significant limitation of economic impact analysis using multipliers is the implicit assumption that the economy has no supply-side constraints. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or near capacity.
- **Fixed prices:** Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. Prices are assumed to be unaffected by policy and any crowding out effects are not captured.
- Fixed ratios for intermediate inputs and production: Economic impact analysis using multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. As such, impact analysis using multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. In reality, however, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount.
- No allowance for purchasers' marginal responses to change: Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- Absence of budget constraints: Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.

Despite these notable limitations, Input-Output techniques provide a solid approach for assessing the direct and flow on economic impacts of a project or policy that does not result in a significant change in the overall economic structure.

DRIVERS OF ECONOMIC IMPACT

In order to understand the economic impacts likely to result from the Proposal, it is necessary to distinguish economic impacts during the construction phase and those economic impacts that will be more permanent following construction completion.

• **Construction Phase:** Construction activity will draw resources from and thereby generate economic activity in the Greater Sydney economy as well as from outside Greater Sydney

Assumptions are made on the proportion sourced from within and from outside Greater Sydney. The construction phase is assessed for the Proposal Case only.

- Operational Phase:
 - Base Case: The Site will generate ongoing employment activity and utilised for industrial/working port uses (noting that the former White Bay Power Station is assumed to remain closed). Employment estimates for the Site have been benchmarked using Transport for NSW Travel Zone employment projections (TZP19).
 - Proposal Case: On completion of the development, the Site is expected to generate ongoing economic/ operational activity through the direct activity generated by the various commercial, retail and community uses proposed.

Construction Phase

For modelling purposes, construction costs (including contingency) for the Proposal Case were broken down into their respective Australia and New Zealand Standard Industrial Classification (ANZSIC) industries.

The breakdowns were developed based on the following assumptions by Atlas regarding the most appropriate ANZSIC industries for each activity. Construction cost estimates were provided by Aurecon/Genus (2022).



Table S1.2: Construction Cost Allocation (including Contingency)

Work Type	(\$M)	ANZSIC
Precinct Streets	\$30.4	Heavy and Civil Engineering Construction
Pedestrian Streets	\$0.8	Heavy and Civil Engineering Construction
Intersections	\$1.8	Heavy and Civil Engineering Construction
Active Transport Infrastructure	\$0.3	Heavy and Civil Engineering Construction
Stormwater Works	\$2.6	Heavy and Civil Engineering Construction
Social Infrastructure	\$54.2	Heavy and Civil Engineering Construction
Open Space Works	\$93.4	Heavy and Civil Engineering Construction
Earthworks	\$87.3	Construction Services
Utilities	\$27.9	Heavy and Civil Engineering Construction
Development Costs	\$669.7	Residential Building Construction (50%)/ Non-Residential Building Construction (50%)
Client Costs	\$112.7	Professional, Scientific and Technical Services
Total	\$1,081.2	-

Note: numbers may not sum due to rounding Source: Atlas Economics/Aurecon (2022)

Of the above capital outlay, not all activity will be undertaken within the Greater Sydney economy. It was assumed:

- Approximately 100% of the direct expenditure on construction-related activity would be sourced from local businesses and labour. Of this:
 - Approximately 25% of purchases on goods and services (supply chain related activity) made by constructionrelated businesses sourced from outside Greater Sydney would be spent within the local economy (i.e., 25% of the Type I flow on activity associated with non-local construction companies is assumed to represent additional local activity in Greater Sydney).
 - Approximately 5% of wages and salaries paid to construction-related workers sourced from outside the region would be spent on local goods and services, such as food and beverages (i.e. 5% of the Type II).

Only flow-on activity of locally sourced professional, scientific and technical services activity (90%) is included, as it is not anticipated professional, scientific and technical services businesses located outside of Greater Sydney would purchase goods/ services locally.

Operational Phase

In order to model the economic impacts, operational employment levels for the economic activity occurring in Base and Proposal Case were categorised into the ANZSIC industries.

In the Base Case, employment was estimated through analysis and benchmarking of Transport for NSW Travel Zone employment projections (TZP19). The White Bay Travel Zone (TZ) encompasses the Site (and the eastern portion of White Bay) and is projected to have employed 720 workers in 2021, equating to approximately 27 jobs/ha. This benchmark employment density was applied to the area of the Site (9.3ha) to arrive at an estimate of 251 jobs. The White Bay TZ industry (ANZSIC) mix was adopted for the purposes of modelling.

In the Proposal Case, employment was estimated through converting the floorspace proposed in the Bays West Stage 1 Master Plan with industry standard workspace ratios (Landcom, 2019).

Employment by industry estimates were converted to a direct output value using a multiplier based on the national transaction table (ABS, 2022a). The resultant estimates of output were modelled as the direct activity associated with the Base Case and Proposal Case.



Table S1.3: Operational FTE Allocation of Floorspace

Work Type	GFA (sqm)	GFA (sqm) / FTE	Estimated Jobs (FTE)	Direct Output (\$M	ANZSIC)
Base Case					
Working Harbour/Industrial	-	-	251	\$138.1	Split as per the current catchment Place of Work employment profile for White Bay Travel Zone
Total	-	-	256	\$138.1	
Proposal Case					
Retail	4,718	35	135	\$23.0	Retail Trade (50%), Food and Beverage Services (50%)
Office	70,998	15	4,773	\$2,196.5	Professional, Scientific and Technical Services (50%)/Finance (25%)/Auxiliary Finance and Insurance Services (25%)
Community	3,000	35	86	\$10.9	Arts, Sports, Adult and Other Education Services (50%)/Heritage, Creative and Performing Arts (50%)
Total	102,639		4,991	\$2,230.4	-

Notes: Calculated assuming an average 2% vacancy, 1.5 FTE workers per household, and 7.5% working from home. Source: Atlas



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