

ECONOMIC IMPACT ASSESSMENT

Westfield Eastgardens Redevelopment

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EXECUTIVE SUMMARY

Colliers International has been commissioned by Scentre Group to prepare an Economic Impact Assessment (EIA) to support a planning proposal for the redevelopment of Westfield Eastgardens (referred to as the “subject site”). This EIA presents a comprehensive and compelling case for a modification to the existing planning controls to permit approximately 30,500m² of additional office floorspace as part of the larger expansion of the subject site.

In presenting the case for repositioning, the following tasks have been undertaken:

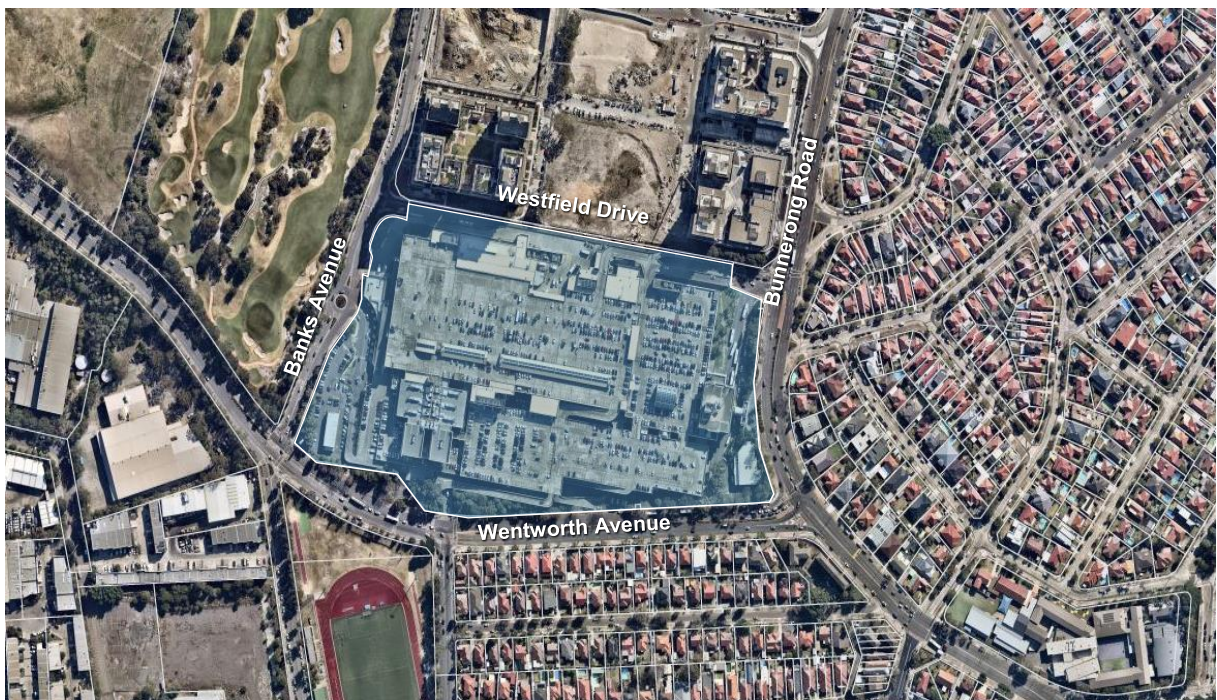
- Review of relevant strategic planning policies and documents;
- Subject site and proposed development overview;
- Office market overview;
- Survey of relevant local office destinations;
- Present the economic and market-based justification for change;
- Address the considerations raised by RPS; and
- Address the relevant Sec 9.1 Directions.

SUBJECT SITE AND PROPOSED DEVELOPMENT

Subject site

With an official street address of 152 Bunnerong Road, Eastgardens NSW 2036, Westfield Eastgardens is situated in the Bayside LGA and is located approximately 8km south of Sydney CBD and 4km east of Sydney Kingsford Smith Airport (straight-line). The site encompasses a total land area of approximately 9.29 hectares within one title, being Lot 1 DP 105 8663.

Westfield Eastgardens (Subject Site)



Source: Nearmap (aerial)

Each boundary of the subject site has street frontage i.e. Bunnerong Road to the east, Wentworth Avenue to the south, Banks Avenue to the west and Westfield Drive to the north. Road accessibility is exceptional, with access to the Sydney Orbital attained via Wentworth Avenue and the M5, and to Sydney's north, via the Eastern Distributor and Sydney Harbour Bridge or Tunnel. Surrounding uses include Pagewood Green (new Meriton development targeting a completion yield of 3,900 apartments on the former British America Tobacco site) to the north, low density residential uses to the east and south, Hensley Athletic Field and industrial properties to the south west and Mutch Park to the west.

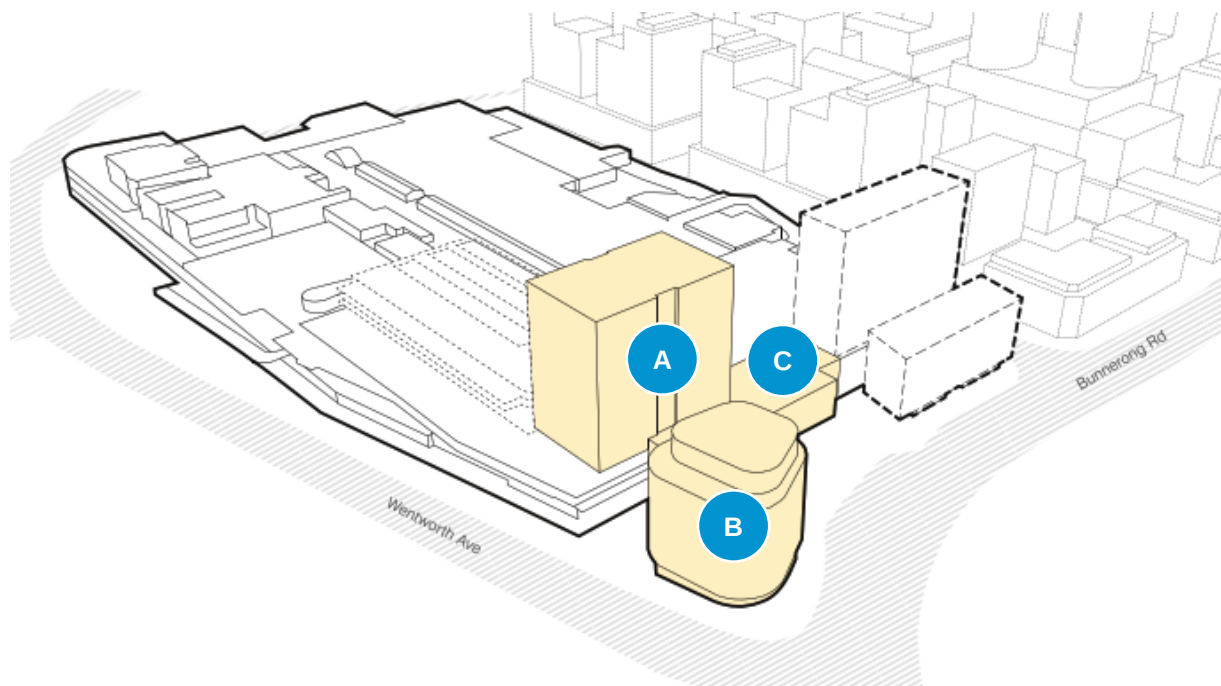
Existing built form and uses

The existing three-storey, Westfield Eastgardens building structure encompasses an estimated 74,500m² of gross lettable area of retail provision, an extensive food court, 3,700m² of commercial floorspace (net lettable), eight-screen Hoyts cinema and approximately 3,150 car spaces (open and enclosed). Classified as a major regional shopping centre, Westfield Eastgardens is co-anchored by all three supermarkets (i.e. Woolworths, Coles and Aldi), three major discount department stores (i.e. Kmart, Target and Big W) and Myer (replaced David Jones upon exit in 2008). Existing office provision is mainly accounted for by suites of between 50-300m² (mostly 90-150m²) with tenants across the legal, accounting, financial services, real estate, distribution/forward sectors and a 35-place preschool.

Proposed development

The proposed development is an expansion of the existing shopping centre at the western end and into the car park, and the addition of commercial uses along its eastern perimeter i.e. Bunnerong Road. It encompasses a combination of 27,500m² of retail (gross lettable area) and 30,500m² of commercial office provision.

Proposed Concept Plan



Source: architectus, Scentre Group

The proposed redevelopment will accommodate a total increment of 30,500m² of commercial office NLA across three distinct buildings, being:

- **Tower A:** A new A-grade commercial tower of 14 storeys which will target traditional large floor plate occupiers by providing plates of approximately 1,250m² NLA. This tower will provide a total NLA of approximately 18,000m²; and
- **Tower B:** A new corner tower of 8-10 storeys that will be geared at commercial usages around services and health. This tower will have floorplates of approximately 1,000m² net lettable area (NLA), equating to a total NLA of approximately 10,000m²;
- **Tower C:** Modifications to the existing 4 storey office tower to improve the core location and enlarge the floorplate to approximately 1,600m² NLA (from an existing 850m²) over four storeys, rendering approximately 2,500m² additional NLA.

Each office building will have an independent foyer and address point from the new public domain, and importantly, will be connected to the upgraded bus interchange.

GOVERNMENT POLICY AND STRATEGIC POLICY OVERVIEW

To develop the necessary background understanding on government policy and strategic plans relevant to the proposed development, Colliers International reviewed the following documents:

- The Greater Sydney Region Plan – A Metropolis of Three Cities (2018);
- Eastern District Plan (2018);
- Sydney Metropolitan Plan – ‘A Plan for Growing Sydney’ (2014);
- Botany Bay Planning Strategy 2031 (2009);
- Botany Bay Local Environmental Plan (2013); and
- Future Transport 2056 (2018).

A summary of relevant plans and strategies is provided in Section 2.

OFFICE MARKET OVERVIEW

Necessary market context to inform the justification section has been established. Essentially, the interaction, evolution and expansion of office centres is highly correlated with market performance. Moreover, office occupancy outcomes are driven by business decisions which are demand-based in nature, and not necessarily based on where office workers live or are expected to reside in the future. An understanding of market dynamics has been established through the provision of:

- An overview on office market performance;
- Explanation on how office destinations form, evolve and expand; and
- Outline of key demand mechanics and considerations.

Overview on office market performance

The key findings pertinent to the office market performance review include:

- The upturn in the Sydney Office Market is entrenched;
- The current cycle has been led by Sydney CBD – rental growth has been pronounced, with gross effective rents for premium floorspace eclipsing the coveted \$900 per m² mark in early 2017.

- However, the upswing has not been confined to Sydney CBD, with some metropolitan office centres such as Macquarie Park also registering considerable growth during this cycle. Contracting A-Grade vacancy rates, a delayed supply response and an increasing rental differential has underpinned the rise of commercial destinations outside Sydney CBD;
- The supply of commercial development sites has diminished, owing to an unprecedented residential apartment cycle, and strong demand for short-term stay accommodation; and
- Spillover of demand from Sydney CBD to other commercial centres has been apparent during this upturn cycle.

How office markets interact, evolve and grow

Interaction between different office destinations is generally most apparent and pronounced during an upturn. In all, there are three ways in which office destinations interact, evolve and grow, being:

- Spillover of demand;
- Offering a 'Point of Difference'; and
- Induced by government policy

Demand spillover across commercial/office markets is a common occurrence during an upturn. As occupancy costs increase in major centres such as Sydney CBD, the popularity of more cost-effective options rises. In some cases, significant or protracted market upturns have underpinned the creation of entire new office destinations, as the supply response in existing centres is usually slow. A broader economic cycle spurring above-average business and industry growth can also accentuate the magnitude and rate at which spillover transpires between office markets.

A '**Point of Difference**' (POD) has underpinned the formation and expansion of commercial office destinations in Sydney. A POD can be achieved in several ways, including and not limited to:

- Unique or established industry theme and tenant composition;
- Custom-made premises and build solutions;
- Provision of new transport or infrastructure;
- Offering distinct floorplate sizes and configurations;
- Through the quantum and quality of offer;
- Provision of car parking; and
- Locational-based attributes.

An example of a new office destination evolving is Norwest Business Park (NBP). The office buildings along Columbia Way and Norwest Boulevard offered a range of floorplate configurations and sizes. In particular, some of these office buildings incorporated a large portion of strata offices, which were geared at accommodating small-to-medium sized professional businesses. Notably, this segment of the business sector has experienced rapid expansion, which has also underscored the success of the NBP. The provision of cost-effective car parking has also supported the rise of NBP.

Government policies aimed at decentralisation and consolidation have been extremely beneficial for some office destinations, but concurrently detrimental to others. Previous and current examples of government policy affecting demand for office space include:

- During the 1980s government embarked on decentralisation program, relocating departments to regional centres in NSW, as well as other smaller office markets throughout Sydney;

- Government Office Reform Program (1998) which formalised the outflow of state government departments to Parramatta CBD; and
- Current NSW Government Decade of Decentralisation policy, which focuses on relocating jobs from Sydney CBD to metropolitan and regional locations, in particular Western Sydney.

These relocation programs have benefitted suburban office markets in the past e.g. NSW Housing and Family and Community Services to Ashfield. However, more recently, they have been detrimental to suburban office market such as Ashfield and Hurstville i.e. NSW Office of Environment and Heritage relocating from Hurstville to Parramatta CBD.

DEMAND MECHANICS AND CONSIDERATIONS

Demand for office floorspace stems from business requirements. As such, business decisions are central to understanding how commercial office markets function, usually adopting specific criteria to select their premises. While the list may vary from business-to-business, there are some common criteria, being:

- Opportunity to trade;
- Industry and sectoral compatibility;
- Floorplate configuration and quality of provision;
- Accessibility and public transport;
- Access to amenities; and
- Future infrastructure investment.

While it is one of many factors, the location and quantum of office-based workers is not the sole determinant of office floorspace demand.

LOCAL OFFICE MARKET REVIEW

A high-level review was undertaken on seven relevant commercial office destinations, being Mascot, Botany, Green Square, Banksmeadow, Maroubra, Kogarah-Rockdale and Randwick.

For each centre, a profile was developed, focusing on information on its location, character, classification, quantum of office floorspace, major office building(s), quality of stock, building format, floorplates (typical), industry/sectoral theme and any identified major office projects. A summary of key features for each office destination is presented in the table below.

Features and Attributes of Office Destination and Centres Reviewed

Centre	Estimated office stock (m ²)	Typical floorplate size (m ²)	Quality of provision	Industry theme(s) of office tenants
Mascot	160,000-165,000	250-600 1,100-2,000 (two tier market)	A or B grade	Aviation, logistics, service firms, transport and consumer durables
Green Square	45,000-55,000	400-1,000	B grade, with some C grade	Local service firms and government
Botany	3,000-4,000	50-200	C or D grade	Local service firms

Banksmeadow	5,000-6,000	100-300	C grade	Freight & logistics, construction, services
Eastgardens-Maroubra	9,200-10,200	50-200	C grade	Local service firms and primary medical and allied health
Kogarah-Rockdale	60,000-65,000	200-800	B and C grade mainly	Financial services (Westpac circa 31,700m ²), primary health and local service firms
Randwick-Kensington	7,500-9,000	100-400	Predominantly C grade	Local service firms, health and education

Source: Colliers International

ECONOMIC AND MARKET JUSTIFICATION

Owing to a Point of Difference (POD), Colliers International has demonstrated that the impact from the proposed office component will be negligible on existing office provision in the region. In all, it is evident that the office component of the proposed development should be supported in principle as it has been proven that:

- A point of difference through larger floorplates, access to transportation and amenities will ensure that the proposed development will appeal to a different cross-section of tenants and industries, and therefore will have negligible impact on existing office provision in the region;
- The regional business profile is dominated by small-to-medium sized enterprises providing professional services predominantly to local clients. Operating from retail street-strip premises, old suburban office buildings or podiums of mixed-use buildings, these tenants typically occupy a floorplate of between 50 and 200m², with an upper bound limit of 800m². It is envisaged that the proposed development which will comprise of large floorplates (i.e. at least 1,000m²) will not be in direct competition with this segment of the market;
- Our view on demand and the profile of future tenants has been informed by inbound office enquires and current market requirements. It is estimated that there is the equivalent of 35,000 to 44,000m² of demand which could be accommodated in Sydney's South East over the immediate future. Based on its configuration and format, it is envisaged that the proposed development represents a plausible destination for some of this requirement;
- Outside of established and prominent office destinations, new office development is generally a challenging proposition. There are several factors which affect the viability of new office development, with the most ostensible being achieving necessary pre-commitment levels and the cost of development sites or land.
- The proposed project represents a rare opportunity to achieve a pure office outcome. It possesses a distinct advantage from a feasibility perspective, in that the land cost component of the proposed development is partially embedded in the existing retail centre. The development also incorporates 27,500m² of retail floorspace, which typically incurs higher rents, and as such, will cross subsidise the commercial office component through back of house and construction efficiencies;
- Incorporating 30,500m² of commercial floorspace, the proposed development has the potential to accommodate close to 22% of total new office-based job additions between 2016 and 2036 (1,525 of the 7,066 new office jobs in Bayside LGA);
- Unlike the subject site which is zoned B3 Commercial Core, the majority of sites in Maroubra Junction along Anzac Parade are zoned B2 Local Centre, which permits (with consent) shop-top housing. This zoning setting reduces the probability of a standalone office development from eventuating given

that housing typically renders the highest development return. Moreover, the majority of sites in Maroubra Junction are relatively small, which will require some form of amalgamation, which is costly and time-consuming;

- Through the provision of larger floorplates, the proposed development will also assist in the retention of businesses that have outgrown existing office stock in the Bayside LGA. As noted in Section 5.3, the contribution to total growth from business with 5-19 employees has been significantly lower in the Bayside LGA relative to Greater Sydney (11.6% versus 19.9% respectively), with one plausible explanation being due to a shortfall in appropriately sized and graded office provision;
- The proposed development is also ideal for accommodating the head office or ancillary functions of an existing quasi industrial-office business that may seek to relocate its industrial function to a more affordable location in Western Sydney;
- The proposed development will diversify the local economy via the introduction of other industry types and tenants, as well as larger corporations;
- Provide an opportunity to improve current levels of self-containment in the Bayside LGA; and
- Renders a positive operational employment outcome for the immediate region (which is a core economic objective of a strategic centre), which is on par with that achieved by the entire LGA between FY2012 and FY2017.

RPS CONSIDERATIONS

Colliers International has examined some of the assertions made by RPS in their peer review of the Urbis Economic Impact Statement report. Specifically, it focuses on addressing the following:

- Relevance of office sub-markets used by agencies for the purpose of assessing the impact of new development;
- Actual classification of projects/buildings deemed as 'office' on Page 12 of the RPS review; and
- Assertions directed at market need, demand and impact.

Our core findings include:

- The regions and markets used by property agencies are not intended to be utilised as a framework for assessing the impact from a new proposed development on the existing hierarchy. These sub-markets are based on the operating model of an agency, which is constructed on experts operating in designated zones.
- While we acknowledge that the RPS survey was desktop-based and preliminary, we note that the majority of projects identified as examples of current and known 'office' supply by RPS on Page 12 (Table 1) of the peer review report are on the most part industrial or hybrid industrial/office – only four buildings identified by RPS are considered to be office.
- It is difficult with certainty to quantify the impact from the proposed development on market indicators such as vacancy rates and rents, particularly given that the product being offered will be different from existing provision in the marketplace. Moreover, the quantum of office space required in the future is not determined exclusively by employment projections across certain industries. The location decision is based on business considerations, which include many more deterministic variables other than just the usual place of residence of potential office-based workers.

ADDRESSING SECTION 9.1 DIRECTIONS

Overall, the proposed development complies with relevant Section 9.1 Directions and the Regional Plans with respect to economic employment and the role/function of the Eastgardens-Maroubra Strategic Centre, in that it:

- Encourages employment growth in a suitable location;
- Protects business zoned employment land in the Eastgardens-Maroubra Strategic Centre;
- Delivers an outcome which is consistent with the objectives of a B3 Commercial Core zoning;
- Provides an additional source of jobs growth, which is the principle underlying economic goal for strategic centres in Greater Sydney;
- By appealing to a different selection of industries and business, it will reinforce and support the viability of Eastgardens-Maroubra Strategic Centre;
- Integrates land use with transport, in that the proposed development is anticipated to result in higher public transport utilisation rates and reduced car dependence;
- Improves access to jobs and services via public transport; and
- Supports the efficient and viable operation of public transport services.

CONCLUDING STATEMENT

Through large floorplate provision and significant adjoining amenity, the proposed development will offer a point of difference which is expected to appeal to a different industry and tenant mix than that currently observed in existing local centres. Unlike these markets which are geared at local service firms and certain specialist industries such as aviation, health and logistics, the proposed development is anticipated to be tenanted by regional service firms and wealth-add industries. These tenants will generate trade from beyond the local trade area i.e. from regional, national or international businesses (as opposed to local firms and clients). The introduction of a different tenant and industry base has the added benefit of diversifying the local economy – which at present, is heavily reliant on the transport and logistics sector as a source for external trade.

The proposed development is also capable of accommodating back or head office functions of existing industrial-office businesses in the region that may seek to relocate its industrial operations to more affordable premises in Western Sydney. Additionally, the proposed development will be able to accommodate firms which have outgrown the region i.e. promote retention. Finally, there will be limited overlap with the future intended industry profile of major centres in the region such as Randwick-Kensington (designated education and health destination), Port Botany and Sydney Airport (major trade gateways).

The proposed project represents an opportunity to achieve an office outcome, which is a rare feat in the Eastgardens-Maroubra Strategic Centre. Compared to other projects, the proposed development possesses a distinct advantage from a feasibility perspective, in that the land cost component is partially embedded in the existing retail centre. The development also incorporates 27,500m² of retail floorspace, which typically incurs higher rents, and as such, will cross subsidise the ground works, basements and loading of the commercial component. Moreover, unlike the subject site which is zoned B3 Commercial Core, the majority of sites in Maroubra along Anzac Parade is zoned B2 Local Centre, which permits with consent shop-top housing, which reduces the probability of a standalone office development given the superior returns attained from residential construction.

There are attractive features and traits of the proposed development that will help differentiate it from existing provision in the area, namely accessibility (access to public transport and arterial roadways), co-location with retail, lifestyle and services (childcare and existing primary health), access to skilled workers and proximity to open space and recreational facilities.

A combination of access to public transport provision and an industry mix which is more congruent with working resident skills and expertise, the proposed development is expected to improve current levels of self-containment in the Bayside LGA. It is also anticipated to render a positive operational outcome (between 2,120 and 2,625 jobs), which is roughly on par with that registered over a five-year period to FY2017 across the entire Bayside LGA (+2,102 jobs). The office component alone is expected to render an estimated 1,220-1,525 operating jobs. Additionally, the commute time for some local working residents will be reduced below 30 minutes, which is congruent with the 30-minute objective of Greater Sydney Commissions Greater Regional Plan.

Overall, the proposed development adheres with the objectives of its zoning and the overarching strategic vision for the Eastgardens-Maroubra Strategic Centre, in that it will create jobs which is a fundamental economic goal of Sydney. Overall, the case to proceed with the proposed development is compelling.

INTRODUCTION

Colliers International has been commissioned by Scentre Group to prepare an Economic Impact Assessment (EIA) to support a planning proposal for the redevelopment of Westfield Eastgardens (referred to as the “subject site”). This EIA presents a comprehensive and compelling case for a modification to the existing planning controls to permit approximately 30,500m² of additional office floorspace as part of the larger expansion of the subject site.

This justification report is supported by market reality and rationale. It has also considered the impact from emerging trends and drivers, informed by professionals and experts who are engaged in the marketplace, and therefore have an applied knowledge on how office markets operate and function throughout Sydney.

This EIA addresses the considerations raised by RPS in the Urbis Westfield Eastgardens-Proposed Office Development Economic Impact Statement (dated March 2018) as indicated in the RPS rebuttal (final version dated 18th June 2018). It demonstrates that the proposed office provision, being large floorplate in format, will appeal to a different cross-section of tenants than those currently operating in surrounding commercial destinations – which are predominantly geared at servicing local market requirements. As such, it will diversify and reinforce the economic base of the Eastgardens-Maroubra Junction Strategic Centre, and therefore decrease its exposure and susceptibility to local and external shocks. In all, the EIA demonstrates that the proposed development will have a negligible impact on existing office provision in relevant existing centres, and in fact, may represent an opportunity to commence and amass a higher-order commercial/office destination in the Strategic Centre – currently a missing link in the local office hierarchy.

In presenting the case for repositioning, the following tasks have been undertaken:

- Review of relevant strategic planning policies and documents;
- Subject site and proposed development overview;
- Office market overview;
- Survey of relevant local office destinations;
- Present the economic and market-based justification for change;
- Addressed other considerations raised by RPS; and
- Address the relevant Section 9.1 Directions.

This report is presented in eight main sections as outlined below:

- **Section 1** provides a review of the subject site and proposed development
- **Section 2** entails a summary of planning strategy documents relevant to the proposed development
- **Section 3** entails an overview on office markets
- **Section 4** presents a profile of relevant local office markets
- **Section 5** presents the economic and market justification supporting the proposed development
- **Section 6** addresses other issues raised in the RPS peer review
- **Section 7** addresses applicable Section 9.1 Directions
- **Section 8** comprises concluding remarks and the justification statement

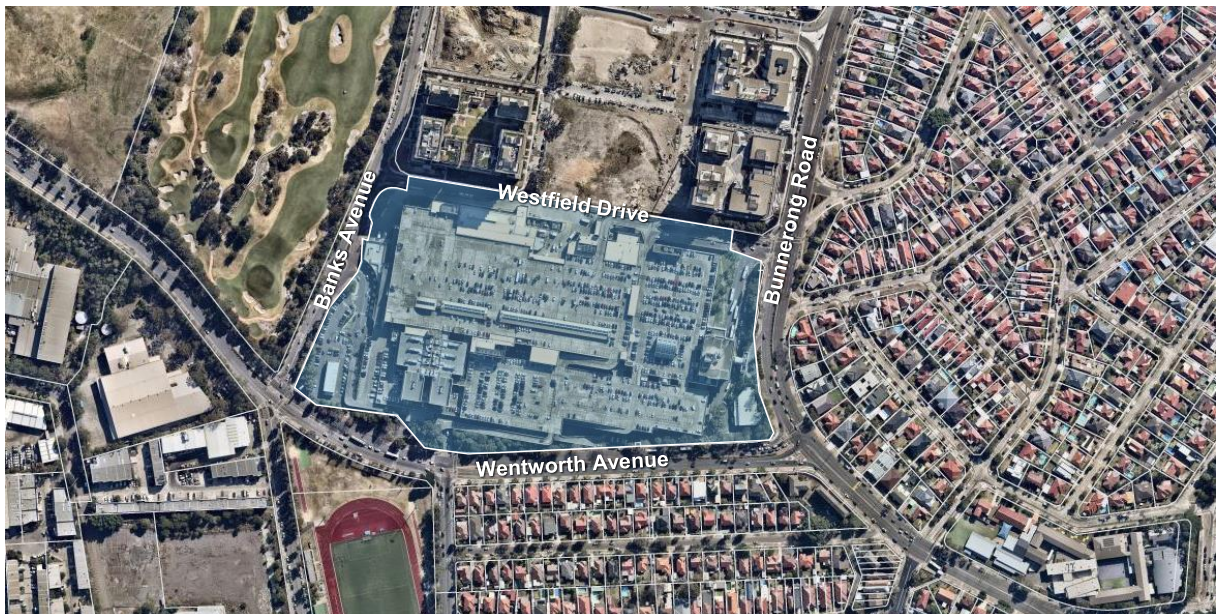
SECTION 1: SUBJECT SITE & PROPOSED DEVELOPMENT

In this section, Colliers International reviews the subject site, focusing on its key attributes including locational context, land area, existing uses and built form. Additionally, we outline the key features of the proposed development of Westfield Eastgardens.

1.1 SUBJECT SITE

With an official street address of 152 Bunnerong Road, Eastgardens NSW 2036, Westfield Eastgardens is situated in the Bayside LGA and is located approximately 8km south of Sydney CBD and 4km east of Sydney Kingsford Smith Airport (straight-line). The site encompasses a total land area of approximately 9.29 hectares within one title, being Lot 1 DP 105 8663.

Westfield Eastgardens (Subject Site)



Source: Nearmap (aerial)

Each boundary of the subject site has street frontage i.e. Bunnerong Road to the east, Wentworth Avenue to the south, Banks Avenue to the west and Westfield Drive to the north. Road accessibility is exceptional, with access to the Sydney Orbital via Wentworth Avenue and the M5, and to Sydney's north, via the Eastern Distributor and Sydney Harbour Bridge or Tunnel.

Surrounding uses include Pagewood Green (new Meriton development targeting a completion yield of 3,900 apartments on the former British America Tobacco site) to the north, low density residential uses to the east and south, Hensley Athletic and industrial properties to the south west and Mutch Park to the west.

In terms of public transport, the site is well connected to the broader region via multiple bus routes, with around a dozen services available from Bunnerong Road and Westfield Drive i.e. L09, 301, 302, 310, 316, 317, 353, 391, 392, x92, 400, and 945. The subject site is equidistant from the Mascot and Sydney Domestic Airport Rail Stations, which are approximately 4 km away. Notably, the nearest light rail station is Nine Ways (around 2km north along Bunnerong Road), albeit, it has been suggested that the light rail network may be extended to the south in the future.

1.2 EXISTING BUILT FORM AND EXISTING USES

The existing three-storey, Westfield Eastgardens building structure encompasses an estimated 74,500m² of gross lettable area of retail provision, an extensive food court, 3,700m² of commercial floorspace (net lettable), eight-screen Hoyts cinema and approximately 3,150 car spaces (open and enclosed).

Classified as a major regional shopping centre, Westfield Eastgardens is co-anchored by all three supermarkets (i.e. Woolworths, Coles and Aldi), three major discount department stores (i.e. Kmart, Target and Big W) and Myer (replaced David Jones upon exit in 2008). Existing office provision is mainly accounted for by suites of between 50-300m² (mostly 90-150m²) with tenants across legal, accounting, financial services, real estate, distribution/forward and a 35-place preschool.

The centre was redeveloped in 2002 to allow for the inclusion of two more anchors; a new supermarket and discount department store. The extension also incorporated an upgrade of Hoyts, which increased its operating capacity from six to eight screens. There have been no significant improvements since 2002, apart from the addition of six restaurants in 2013.

1.3 CURRENT PLANNING SETTING

As prescribed in the Botany Bay Local Environment Plan (2013), the subject site is zoned B3 Commercial Core. The objectives of this land use zone include:

- To provide a wide range of retail, business, office, entertainment, community and other suitable land uses that serve the needs of the local and wider community.
- To encourage appropriate employment opportunities in accessible locations.
- To maximise public transport patronage and encourage walking and cycling.

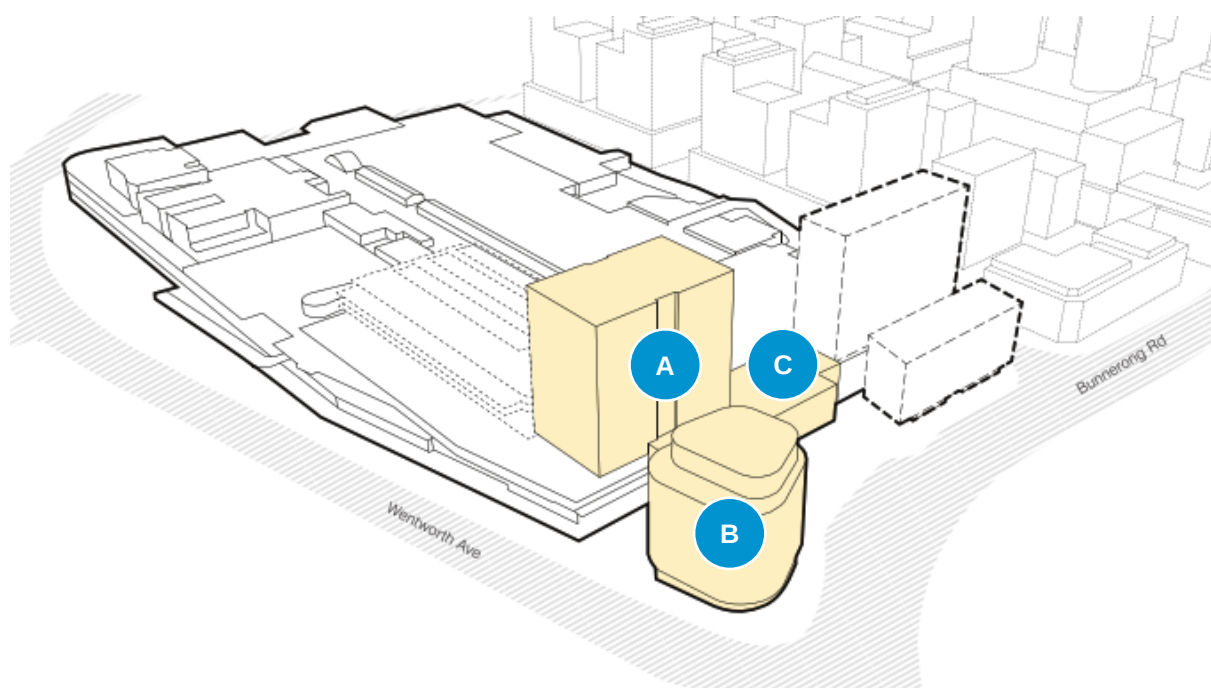
Under the B3 Commercial Core zoning, office premises are permitted with consent. The current FSR is 1:1, and the maximum height of building is set at 26 metres.

The proposed development complies with the objectives of the B3 Commercial Core zoning in that the proposed retail and office additions will seek to serve the needs of the local and wider community, encourages employment in an accessible location and seeks to increase public transport utilisation given the bus interchange located on site. It must be noted, that office premises are a permissible use (with consent), and as such should be notionally supported by Council. The only variation from the current planning setting is in the proposed FSR and height, which exceeds the 1:1 FSR and 26 metre allowance set out in the Botany Bay LEP (2013) i.e. the trigger for the planning proposal. Therefore, from a permissible land use perspective, the proposed development is notionally consistent with the current planning setting.

1.4 PROPOSED DEVELOPMENT

The proposed development is an expansion of the existing shopping centre at the western end and into the car park, and the addition of commercial uses along its eastern perimeter i.e. Bunnerong Road. It encompasses a combination of 27,500m² of retail (gross lettable area) and 30,500m² of commercial office provision.

Proposed Concept Plan



Source: architectus, Scentre Group

The proposed redevelopment will accommodate a total increment of 30,500m² of commercial office NLA across three distinct buildings, being:

- **Tower A:** A new A-grade commercial tower of 14 storeys which will target traditional large floor plate occupiers by providing plates of approximately 1,250m² NLA. This tower will provide a total NLA of approximately 18,000m²; and
- **Tower B:** A new corner tower of 8-10 storeys that will be geared at commercial usages around services and health. This tower will have floorplates of approximately 1,000m² net lettable area (NLA), equating to a total NLA of approximately 10,000m²;
- **Tower C:** Modifications to the existing 4 storey office tower to improve the core location and enlarge the floorplate to approximately 1,600m² NLA (from an existing 850m²) over four storeys, rendering approximately 2,500m² additional NLA.

Each office building will have an independent foyer and address point from the new public domain, and importantly, will be connected to the upgraded bus interchange.

SECTION 2: GOVERNMENT POLICY & PLAN OVERVIEW

In this section, Colliers International provides an overview on strategic policies and plans relevant to the proposed development and the Eastgardens-Maroubra Junction Strategic Centre. The government policies and plans that have been reviewed include:

- The Greater Sydney Regional Plan: A Metropolis of Three Cities (2018);
- Eastern City District Plan (2018);
- Sydney Metro Strategy: A Plan for Growing Sydney (2014);
- Botany Bay Planning Strategy 2031 (2009);
- Botany Bay Local Environmental Plan 2013; and
- Future Transport 2056 (2018).

2.1 THE GREATER SYDNEY REGION PLAN, A METROPOLIS OF THREE CITIES (2018)

The Greater Sydney Region Plan, A Metropolis of Three Cities is constructed on a vision of three cities where the majority of residents live within 30 minutes of their job, education and health facilities and services.

The Plan seeks to integrate land use, transport and infrastructure planning between the three tiers of government and across State agencies. This new approach to land use and transport utilisation aims to boost Greater Sydney's liveability, productivity and sustainability by distributing growth across Sydney.

With over half of Greater Sydney's future eight million population anticipated to live west of Parramatta, the vision seeks to transform Greater Sydney into a metropolis of three cities, being:

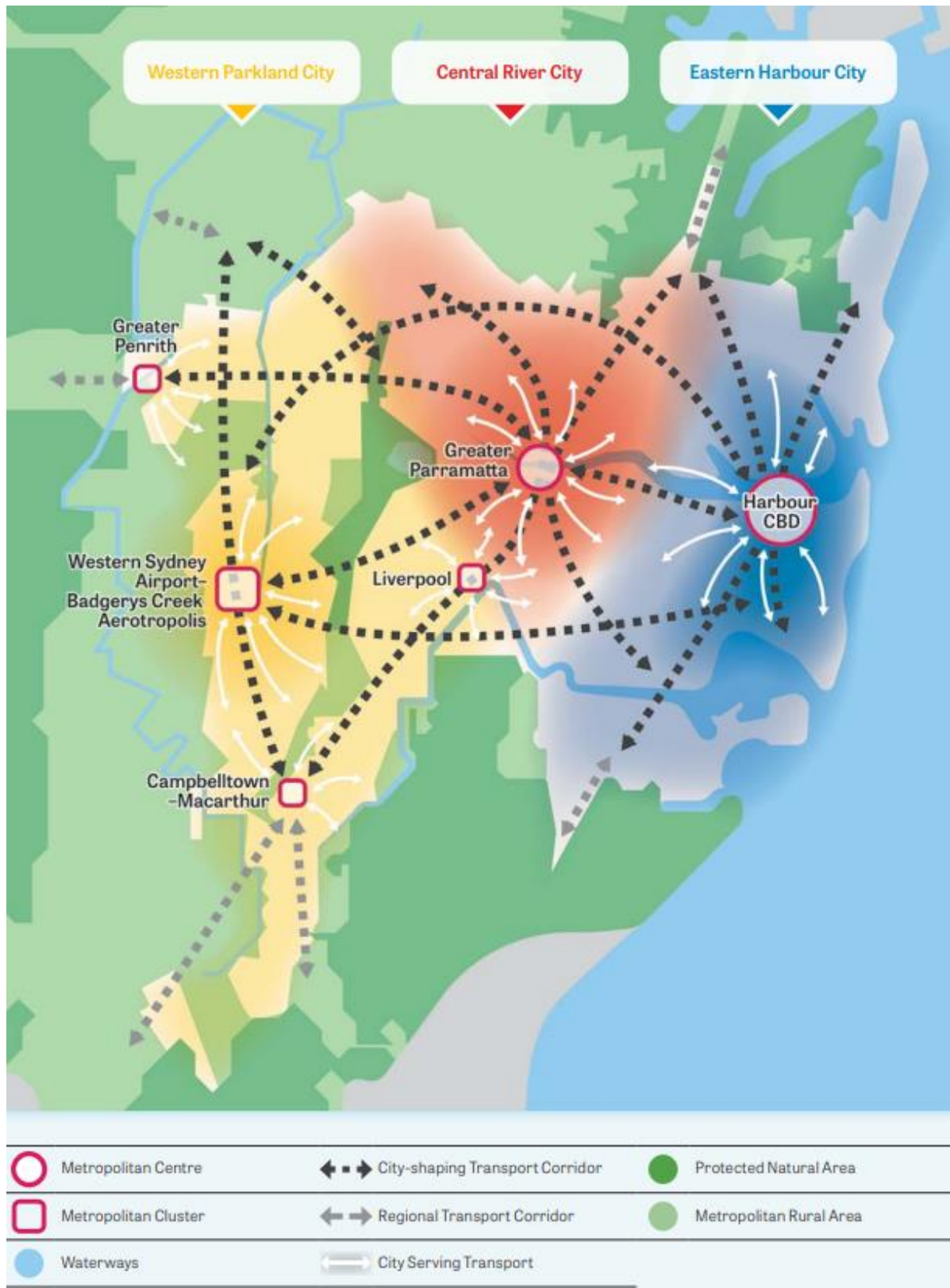
- Western Parkland City;
- Central River City; and
- Eastern Harbour City.

Some of the key benefits and outcomes that are envisaged from the implementation of the Regional Plan framework include:

- Residents to have access to jobs and essential services;
- Housing diversity and supply will increase to meet an expanding and evolving community;
- The environment and precious resources will be preserved; and
- Importantly, infrastructure will be sequenced to support growth and delivered concurrently with new homes and jobs.

The Plan provides for the creation of a new, independent body, the Greater Sydney Commission, to oversee implementation of the Regional and District Plans.

Metropolis of Three Cities Vision



Source: The Greater Sydney Region Plan, A Metropolis of Three Cities (2018)

In this plan, Eastgardens-Maroubra Junction is classified as a Strategic Centre. While they do vary in size, location and mix of activities, the overarching role of a strategic centre is to 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 into the focal point for the region. The proposed development adheres with all the general requirements envisaged for strategic centres in the Greater Sydney Regional Plan. Specifically, it will provide the Eastgardens-Maroubra Junction Strategic Centre with private sector investment, and importantly, jobs.

EASTERN CITY DISTRICT PLAN (2018)

In 2018, the Greater Sydney Commission released five District Plans for Sydney (Central City District, North District, Eastern City District, South District and Western City District), expanding on the directions and actions of The Greater Sydney Region Plan, to create priorities and actions specific to each district. These 20-year plans provide a bridge between regional and local planning and are envisaged to manage growth and facilitate the delivery of the regional 40-year vision.

These District Plans inform local strategic planning statements and local environmental plans, the assessment of planning proposals as well as community strategic plans and policies. Transport initiatives outlined in this plan are directly sourced from 'Future Transport Strategy 2056' (2018).

The overarching priorities of the Eastern City District are:

- Strengthening the international competitiveness of the Harbour CBD, supported by the Innovation Corridor, health and education precincts and the District's strategic centres;
- Boosting innovation and creative industries alongside knowledge-intensive jobs growth;
- Stimulating the night-time economy within a responsive regulatory environment;
- Protecting international trade and freight routes;
- Retaining industrial and urban services land;
- Nurturing quality lifestyles through well-designed housing in neighbourhoods close to transport and other infrastructure;
- Sustaining communities through vibrant public places, walking and cycling, and cultural, artistic and tourism assets;
- Aligning growth with infrastructure, including transport, social and green infrastructure, and delivering sustainable, smart and adaptable solutions;
- Being innovative in providing recreational and open space areas, and increasing urban tree canopy;
- Transitioning to a low-carbon, high-efficiency District through precinct-scale initiatives; and
- Building effective responses to climate change and natural and urban hazards.

Eastgardens – Maroubra Junction Strategic Centre

Under the Eastern City District Plan, Eastgardens-Maroubra Junction is a designated Strategic Centre. As such, it is subject to Planning Priority E11: Growing investment, business opportunities and jobs in strategic centres. The priority seeks to capitalise on the existing strengths of each centre to deliver on the wider productivity and liveability objectives i.e. grow jobs across Greater Sydney and improve community access to goods and services. Notably, the priority posits that employment growth is the principal underlying economic goal for strategic centres, and states that strategic centres will be the focus of public transport investments that seek to deliver the greater 30-minute city objective.

Future Vision for the Eastern City District



Source: Eastern City District Plan (2018)

Specifically, the plan seeks to strengthen Eastgardens-Maroubra Junction Strategic Centre through approaches that:

- a. Protect capacity for job targets and a diverse mix of uses to strengthen and reinforce the economic role of the centre;
- b. Extend and investigate additional economic activities to connect Eastgardens and Maroubra Junction and complement the existing activities;

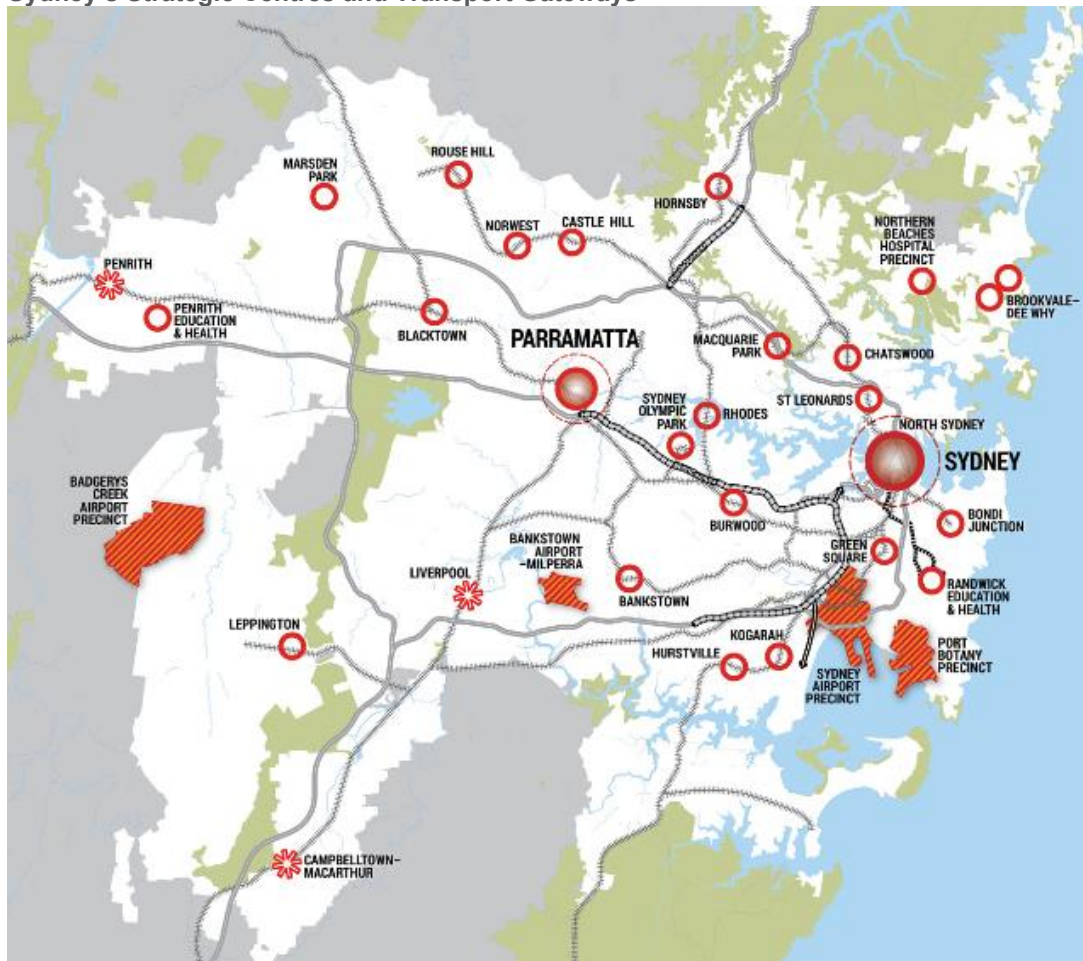
- c. Leverage future public transport connections in the south east and west of the District;
- d. Encourage provision of affordable housing to support the nearby health and education facilities and employment lands;
- e. Promote place making initiatives to improve the quality and supply of public spaces, promote walking and cycling connections and integrate with the Green Grid; and
- f. Improve public transport connections, walking and cycling between Eastgardens-Maroubra Junction and Randwick.

The proposed development complies with the approaches indicated in the Eastern City District Plan. It will realise the employment potential of the subject site, deliver a mix of uses which will strengthen and reinforce the economic base of the Eastgardens-Maroubra Junction Strategic Centre and leverage from the existing public transport network.

2.2 SYDNEY METRO STRATEGY, A PLAN FOR GROWING SYDNEY (2014)

Now superseded by The Greater Sydney Region Plan, 'A Plan for Growing Sydney' (2014) represented the cornerstone reference for land use planning decisions for the next 20 years at the time of release. It provided guidance on a few key areas, including commercial destinations, residential areas, transport and infrastructure and growth strategies.

Sydney's Strategic Centres and Transport Gateways



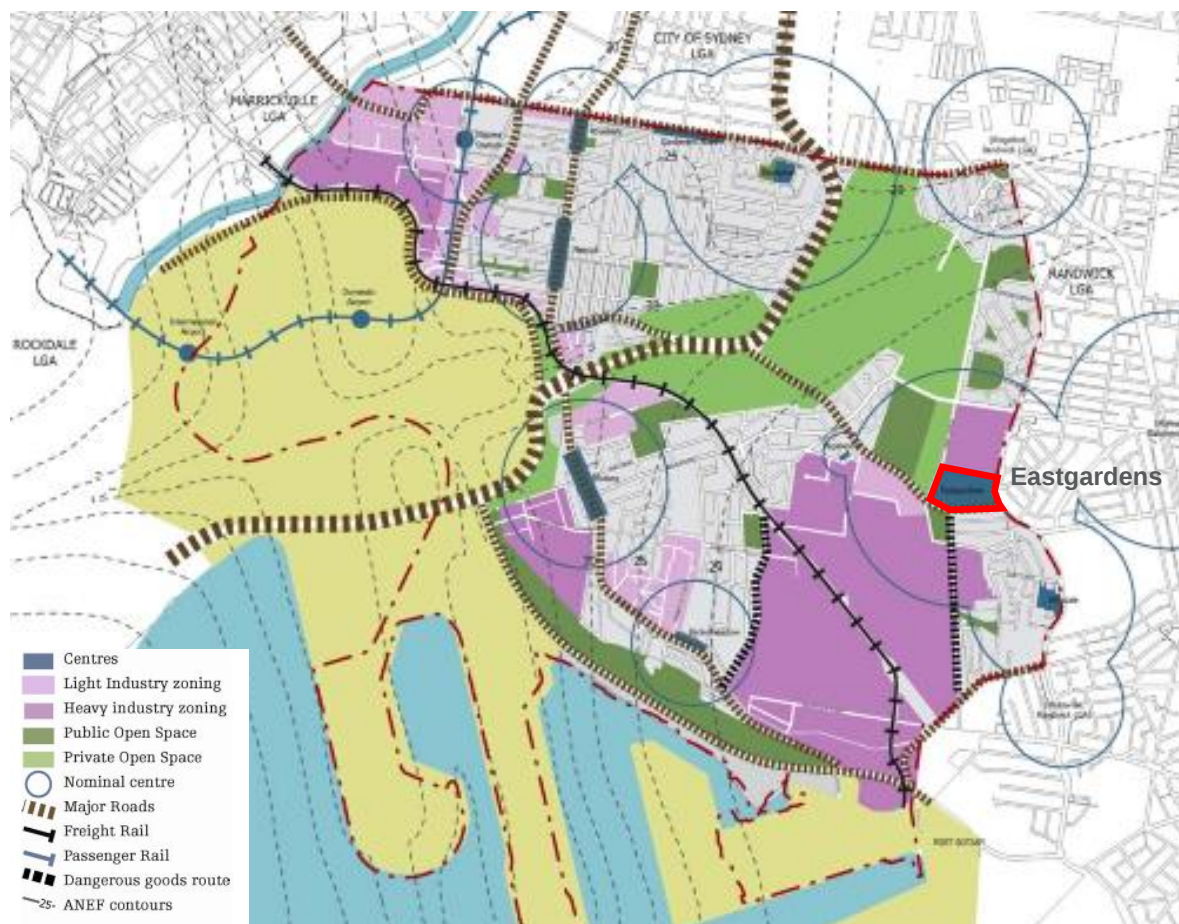
Source: A Plan for Growing Sydney (2014)

The Plan set a path for government to work collaboratively to deliver housing where people want to live and jobs in accessible locations. Under the Metro Strategy, new housing is to be located close to jobs, public transport, community facilities and services. It acknowledged the need to offer choice in housing location, size and typologies, to better suit our lifestyles and budgets. Most importantly, more intensive apartment development will be complemented by infrastructure and services, culture and the arts, a 'green-grid' of open spaces and renewed bushland to support healthy lifestyles and community life. Notably, there are no specific references to the Eastgardens-Maroubra Strategic Centre in A Plan for Growth Sydney.

2.3 BOTANY BAY PLANNING STRATEGY 2031 (2009)

The Botany Bay Planning Strategy 2031 addresses the then Draft East Sub-Regional dwelling and job targets, providing a framework for growth and development to 2031. It guided the preparation of the Botany Bay Local Environmental Plan (2013).

Overview of Land Uses, Nominal Centres and Transport Routes in Botany Bay LGA



Source: Botany Bay Strategy 2031 (2009)

A set of principles were developed to underpin the Strategy.

- Enhance existing urban character, improve amenity and protect areas of cultural and environmental significance.
- Promote the sustainable use of resources and enhance natural ecosystems.

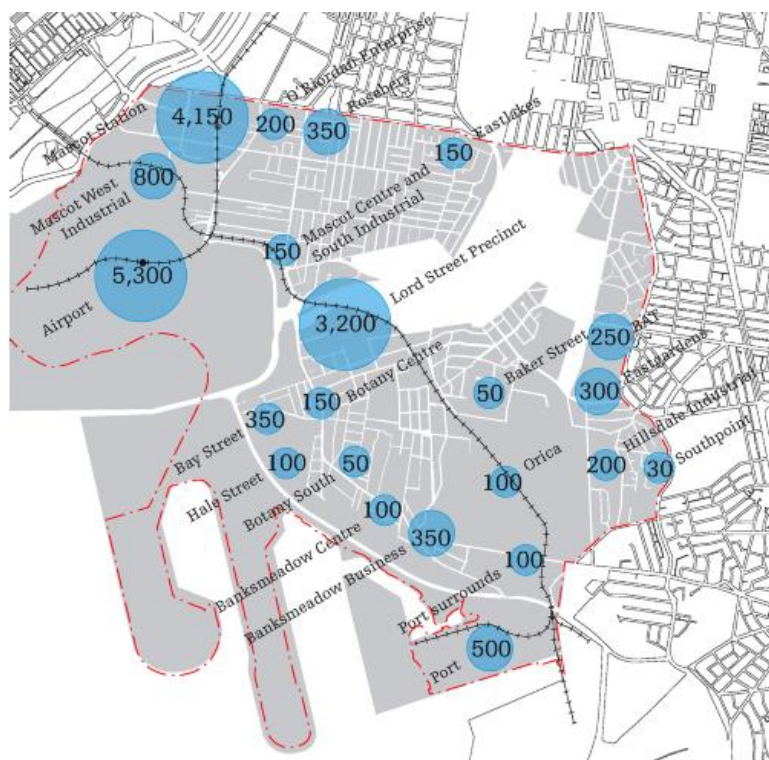
- Develop synergies between the global and local economy.
- Contain and intensify Airport and Port related activities around these economic nodes.
- Retain employment uses that are not directly related to the Airport and Port but provide critical services to the sub-region.
- Consolidate residential activity in and around existing centres.
- Separate regional and local traffic, rail and road movements.
- Ensure that future urban development is guided by principles of good urban design and built form.
- Improve quality of, and access to, open space in the LGA.

Under the planning strategy, Eastgardens is noted as an employment precinct. As presented in the next table, the future directions assigned to Eastgardens included generating employment in retail and manufacturing, as well as transitioning into a future mixed-use destination beyond 2015.

Employment area	Future directions	Strategy to address demand	Timing of implementation
Eastgardens	• Retail employment • Manufacturing (British American Tobacco) • Future mixed-use town centre	Plan for mixed-use centre in the long term (2015+, subject to BAT site coming online and structure planning)	2015+

Notably, it was recommended that a B3-Commercial Core zoning is applied to Westfield Eastgardens, and therefore grouping it together with other major retail and commercial destinations throughout the greater region. Under this strategy, Eastgardens was assigned a job target of 300 jobs by 2031 (as below).

Distribution of Additional Employment (2006-2031)



Source: SGS and Botany Bay Strategy 2031 (2009)

While this strategy has been superseded, the proposed development is consistent with its future directions and the objectives with at the time recommended and current B3-Commercial Core zoning. The proposed development will deliver a superior employment outcome relative to the prescribed target.

2.4 BOTANY BAY LOCAL ENVIROMENTAL PLAN 2013

The Botany Bay Local Environment Plan (LEP) 2013 seeks to guide planning decisions for the local government area. The document serves as a planning tool to shape future communities and ensure local development is undertaken appropriately. The plan achieves the above through zoning and development controls, which provide a framework for the way in which land can be utilised.

Under the provisions of the 2013 Botany Bay LEP, Westfield Eastgardens is assigned a B3-Commercial Core zoning. The objectives for commercial core are as follows:

- To provide a wide range of retail, business, office, entertainment, community and other suitable land uses that serve the needs of the local and wider community;
- To encourage appropriate employment opportunities in accessible locations; and
- To maximise public transport patronage and encourage walking and cycling.

Under this zoning, an extensive range of employment-generating uses are permitted on the site (with consent), including commercial premises (which includes offices), child care centres, education establishments, medical centres, recreation facilities, registered clubs, respite day centres, community facilities, information and education facilities, etc. Notably, employment-based uses which are usually accommodated in industrial zonings (IN1, IN2, IN3 and IN4), as well as B5 Business Development and B6 Enterprise Corridor are prohibited under the current zoning.

Westfield Eastgardens Land Use Zone



Source: NSW Planning Portal (2018)

2.5 FUTURE TRANSPORT 2056 (2018)

Future Transport 2056 forms an update to the 2012 Long Term Transport Master Plan for NSW. The document details a range of plans and initiatives for the next 40 years of how people will live, work and commute around the state.

Greater Sydney Strategic Transport Corridors



Source: Future Transport 2056

Importantly, the document aligns its goals with that of the Greater Sydney Commission, Infrastructure NSW, the Department of Premier and Cabinet and the Department of Planning and Environment.

At its core, Future Transport 2056 is an overarching strategy, supported by a suite of plans to achieve a 40-year vision for the NSW transport system.

The vision is built on six main outcomes:

1. Customer focused - creating a move to mobility as a service (MaaS) and beyond
2. Successful places - the liveability, amenity and economic success of communities and places are enhanced by transport
3. Growing the economy - the transport system powers NSW's future \$1.3 trillion economy¹ and enables economic activity across the state
4. Safety and performance - every customer enjoys safe travel across a high performing, efficient network
5. Accessible services - transport enables everyone to get the most out of life, wherever they live and whatever their age, ability or personal circumstances
6. Sustainability - the transport system is economically and environmentally sustainable, affordable for customers and supports emissions reductions

Eastgardens-Maroubra Junction Strategic Centre

The Eastgardens-Maroubra Junction Strategic Centre is acknowledged in Future Transport 2056. As such, it has been assigned the goals of assisting to enact the 30-minute city and providing 30-minute access for customers to their nearest metropolitan and strategic centre by public transport seven days a week.

Additionally, the centre resides along a city-shaping corridor, which is the largest transport option within the hierarchy defined by Transport 2056, defined as follows: city-shaping corridors encompass major trunk road and public transport corridors providing higher speed and volume connections between our cities and centres that shape locational decisions of residents and businesses.

2.6 CONCLUDING REMARKS

It is evident that the proposed development (which includes 30,500m² of large floorplate, high-quality office floorspace), adheres with the objectives, goals and intentions of the current strategic planning framework. Specifically, the proposed development will enhance the Eastgardens-Maroubra Junction Strategic Centre through the introduction of larger office tenants. Through the creation of between 1,220-1,525 office jobs (refer to Section 5.6), the proposed development will diversify the economic base of the strategic centre, allowing businesses to start, grow and remain in the area. It will also allow the Eastgardens-Maroubra Junction Strategic Centre to be more responsive to changing industry trends in industries. In all, the proposed development represents an opportunity to enhance the Eastgardens-Maroubra Junction Strategic Centre.

¹ The NSW Intergenerational Report 2016 projects that the size of the NSW economy will reach \$1.3 trillion (in 2014 dollars) by 2056. According to ABS data, Gross State Product for NSW was \$557.86 billion (chain volume measures) over the year to June 2017.

SECTION 3: OFFICE MARKET CONSIDERATIONS

In this section, we establish the market context required to interpret the justification presented in Section 5 of this report. As such, Colliers International provides an account into the current performance and status of the broader office market in Sydney. We also provide insight into how office centres interact, evolve and function. We demonstrate that the behaviour of office markets is correlated with broader market performance, and importantly, that outcomes are driven by business decisions which are demand-based in nature, and not necessarily where office workers live or are expected to reside in the future.

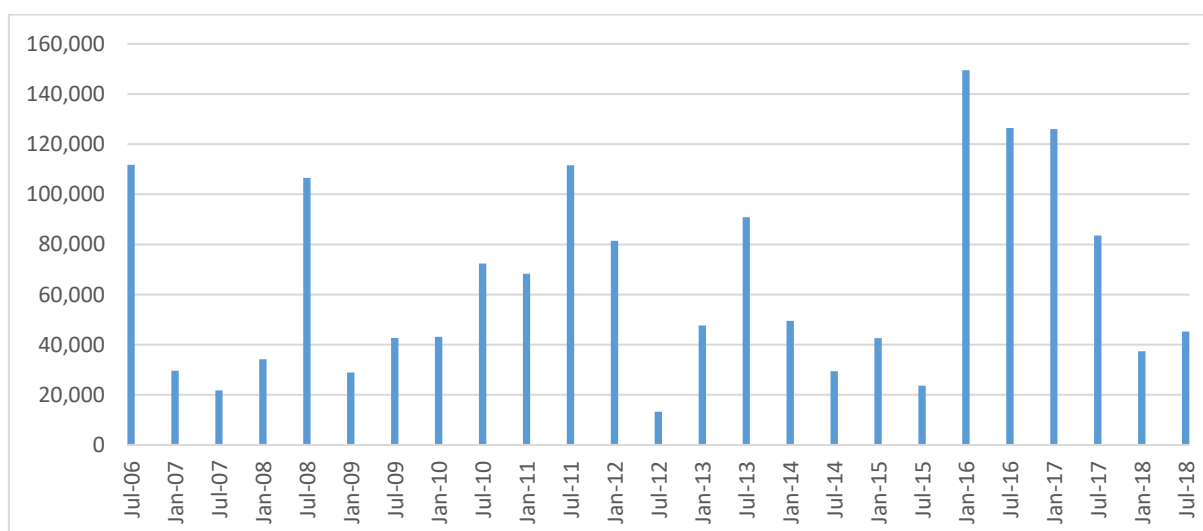
To convey this market-led approach to interpreting demand for office floorspace, Colliers International has provided:

- An overview on office market performance;
- Explanation on how office destinations form, evolve and expand; and
- Outline of key demand mechanics and considerations.

3.1 OVERVIEW ON OFFICE MARKET (PERFORMANCE)

Following a period of subdued activity, the Sydney office market has entered a protracted upturn phase. Within a relatively short period of time, improved business sentiment has underpinned a rise in demand for floorspace, which in turn, has coerced solid rental growth and importantly, a building response. Sensing heightened demand for higher grade provision (and the potential to capture high rents), landlords commenced a round of refurbishment projects along key office corridors in Sydney CBD such as Martin Place and George Street. Overall, new office supply additions in Sydney CBD improved vastly in 2010 and have remained solid. Since 2016 alone, approximately 568,140m² of new office floorspace² has been delivered in Sydney CBD.

Office floorspace supply additions (m²), Sydney CBD (2006-2018)

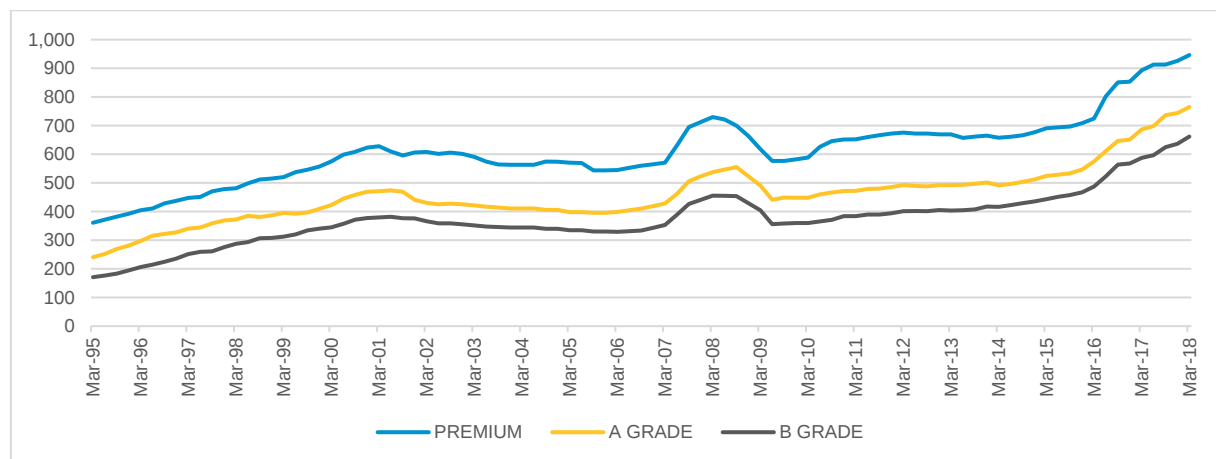


Source: Property Council of Australia – Office Market Report (July 2018)

² Gross outcome i.e. does not consider withdrawals over the same period

The recent upturn was initiated by businesses relocating to established commercial centres. The moderation after the GFC provided a slight window of opportunity for businesses to relocate to Sydney CBD and other major commercial destinations and capitalise from high incentives (and lower net effective rents) being offered in the marketplace. At this point, corporations believed that the benefits from agglomeration outweighed the higher rents being charged at premiere destinations. This 'reversion back to centrality' phase was also underpinned by other considerations, such as attracting and retaining talent and a desire to be situated in highly accessible locations.

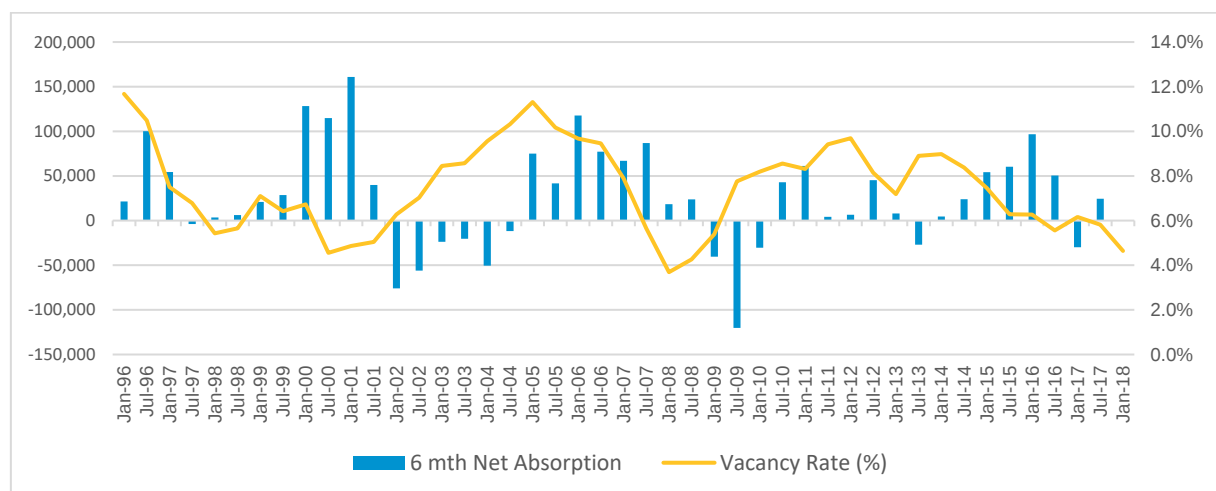
Average gross effective rents (\$/m² per annum), Sydney CBD (1995-2018)



Source: Colliers International (Q1, 2018)

The current cycle has been led by Sydney CBD. Rental growth has been pronounced, with gross effective rents for premium floorspace eclipsing the coveted \$900 per square metre mark in early 2017. Net office absorption returned to positive territory in 2014, coinciding with a sharp reduction in vacancy rates (as presented in the chart below). Recognising the value in this asset class, investment volumes rebounded strongly in 2010 (spurred by local investors) and continued to strengthen out to 2017. A surge in office purchasing activity pushed up capital values across all grades, resulting in significant yield compression in the office market, coercing a building response.

Absorption (m²) and vacancy rates (%), Sydney CBD (1996-2018)



Source: Property Council of Australia – Office Market Report (January 2018)

Several commercial centres have also performed strongly. Over the decade to 2018, net office supply exceeded 314,000m² in Macquarie Park, which was the most of any office destination in Sydney (as presented in the table below). Arguably the vanguard for new office development in Sydney, Macquarie Park is now Sydney's second largest office destination. Moreover, Parramatta, owing to an in-kind contribution of land from council and improved market sentiment (A-grade face rents have finally surpassed \$600 per square metre), witnessed its development pipeline expand rapidly, with 290,000m² earmarked to be delivered as part of the Parramatta Civic project.

Net office floorspace additions (m²), various commercial centres (2008-2018)

Office market	Supply additions (m ²)	Withdrawals (m ²)	Net addition (m ²)
Macquarie Park*	409,359	95,146	314,213
Sydney CBD	1,454,140	1,182,881	271,259
Parramatta	196,113	84,516	111,597
North Sydney	165,400	163,972	1,428

* Includes North Ryde

Source: Property Council of Australia – Office Market Report (July 2018)

In all, the upturn in the office market has been pronounced and apparent across many office destinations throughout Greater Sydney.

3.2 HOW OFFICE MARKETS INTERACT, EVOLVE AND GROW

The previous section confirmed that the Sydney office market is an entrenched upturn. Interaction between different office destinations, the evolution of office centres (existing and new) and expansion is generally most apparent and pronounced during an upturn.

In all, there are three ways in which office destinations interact, evolve and grow, being:

- Spillover of demand;
- Offering a 'Point of Difference'; and
- Induced by government policy.

The above listed influencers are not necessarily mutually exclusive. Moreover, they can influence multiple office centres concurrently i.e. while the relocation of some state government departments to Parramatta and Liverpool CBDs will augment these centres, it also has the potential to undermine the vacated suburban office markets i.e. Hurstville and Ashfield.

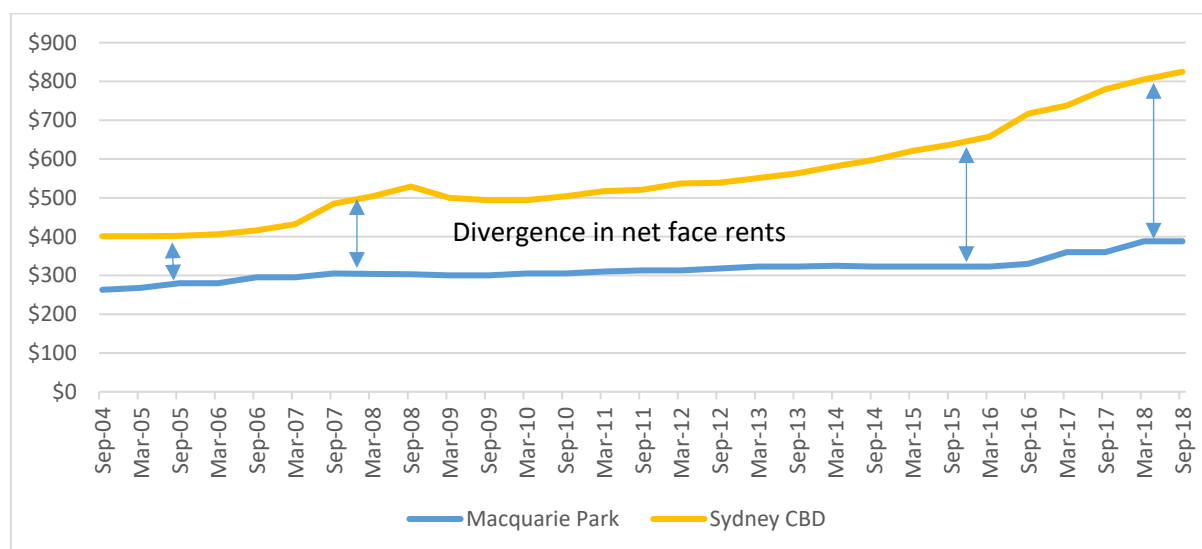
3.2.1 Spillover

Demand spillover across commercial/office markets is a common occurrence during an upturn. As occupancy costs become exuberant in major centres such as Sydney CBD, the popularity of more cost-effective options rises. In Sydney CBD, there are sub-markets which present as more affordable than others. Additionally, metropolitan office markets offer premises at a fraction of the cost of CBD equivalents, which has coerced many businesses and tenants to relocate to contain and curtail costs. In some cases, significant or protracted market upturns have underpinned the creation of entire new office destinations, as the supply response in existing centres is usually slow to respond. A broader economic cycle spurring above-average business and

industry growth can also accentuate the magnitude and rate at which spillover transpires between office markets.

Demand overflow has also been observed between Sydney CBD and several office markets in Sydney. When rents rise in Sydney CBD, the opportunity to occupy similar premises or large standalone formats at a fraction of the cost has enticed many businesses to other office markets. Moreover, co-location within an industry cluster and cost-effective car parking options have also coerced businesses to other office markets. A prime example is Macquarie Park. Spillover to this metropolitan office destination was most pronounced at the turn of the century but has also been relatively strong since the GFC, owing to a 35% discrepancy on net face rents between Macquarie Park and Sydney CBD, which has since increased to \$437 per square metre (or 113%) as at September 2018 (as shown in the chart below).

Office Rents (\$ per m² per annum), Sydney CBD and Macquarie Park (2004-2018)



Source: Colliers Edge

The Optus relocation is a classic example. In July 2007, Optus relocated from a 28-storey tower in North Sydney CBD (101 Miller Street North Sydney) to six-squat campus-style buildings in Macquarie Park. At the time, Optus cited operating synergies and cost efficiencies as the main reasons for the relocation and consolidation.

3.2.2 Point of Difference

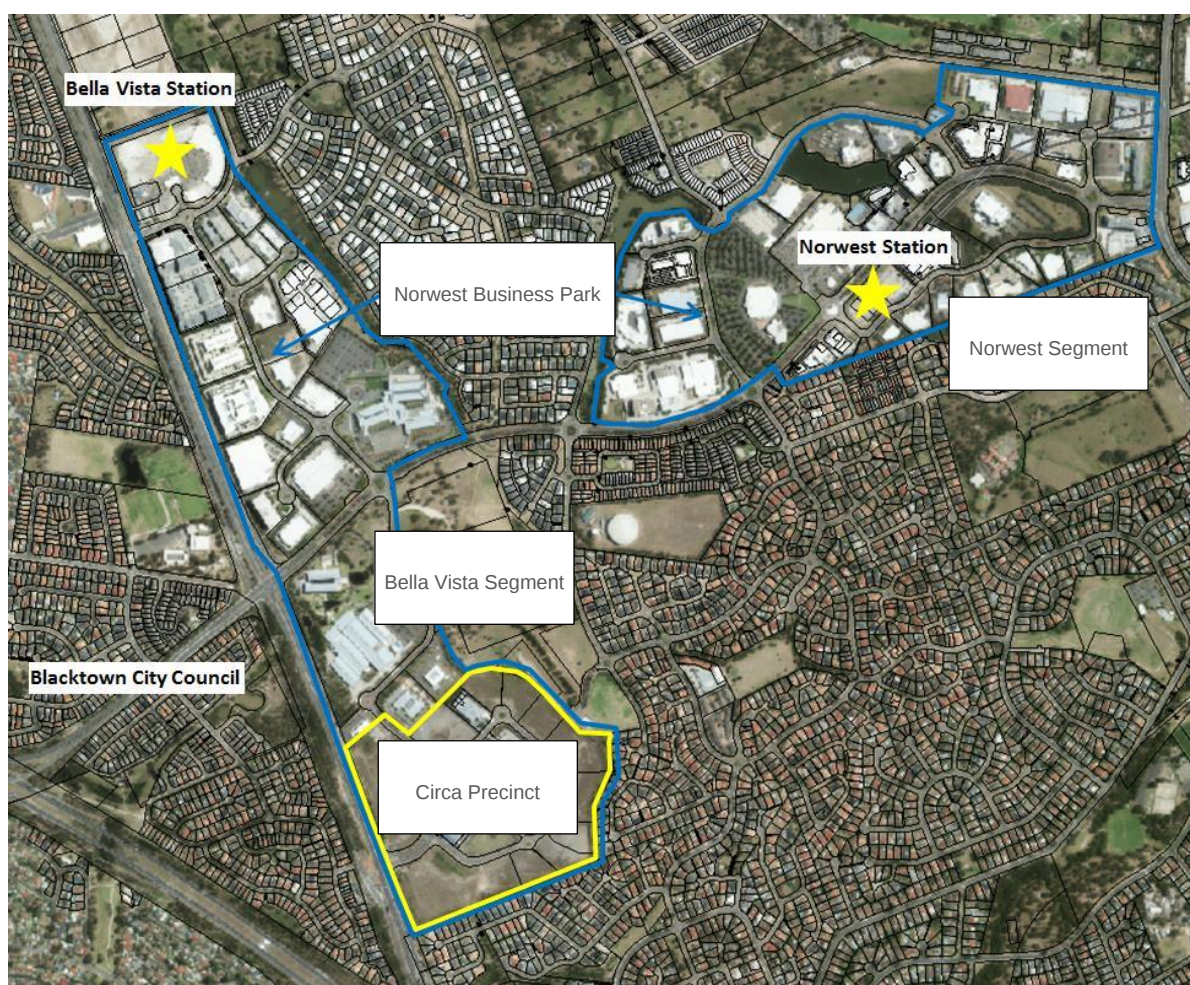
A 'Point of Difference' (POD) has underpinned the formation and expansion of commercial office destinations in Sydney. A POD can be achieved in several ways, including and not limited to:

- Unique or established industry theme and tenant composition;
- Custom-made premises and build solutions;
- Provision of new transport or infrastructure;
- Offering distinct floorplate sizes and configurations;
- Through the quantum and quality of offer;
- Provision of car parking; and
- Locational-based attributes.

The provision of any one or combination of the above POD features may provide a destination or precinct with a competitive edge.

An example of a new office destination evolving is Norwest Business Park (NBP). A portion of the business park, being the Bella Vista component (i.e. adjacent to Old Windsor Road) was created in a similar manner to Macquarie Park, in that some large owner-occupiers relocated to NBP in order to consolidate business operations and reduce occupancy costs e.g. Woolworths Group, ResMed and AV Jennings.

Norwest Business Park Map



Source: Nearmap

The POD aspect is most prevalent in the eastern segment of the NBP. The office buildings along Columbia Way and Norwest Boulevard offered a range of floorplate configurations and sizes. In particular, the supply of strata offices was solid in this segment, which were readily absorbed by small-to-medium sized businesses – this segment has experienced rapid growth in Sydney, as evidenced by businesses with one and four employees accounting for nearly three-quarters of total business growth between 2015 and 2017 (refer to table below). Strong growth in this cohort underpinned the success of commercial destinations that offered small floorplate offices (i.e. below 200m²) such as NBP. Moreover, car parking was provided at grade, which appealed to businesses which rely on mobility. It also sparked interest amongst the rapidly rising number of professionals in Sydney's north west (who were able to work closer to home).

Business Count and Change by Workforce Size, Greater Sydney (2015-2017)

	1-4 employees	5-19 employees	20-199 employees	200+ employees	Total employing
2015 (no.)	147,793	40,078	10,665	338	198,874
2017 (no.)	158,211	42,869	11,344	453	212,877
Change (no.)	10,418	2,791	679	115	14,003
% of total change	74.4%	19.9%	4.8%	0.8%	100.0%

Source: Australian Bureau of Statistics

3.2.3 Policy induced

In the past, office centres and destinations have also been affected by government policy. Policies aimed at decentralisation and consolidation have been extremely beneficial for some office destinations, and concurrently detrimental to others. In the 1980s, the government embarked on decentralisation program, relocating departments to regional NSW locations (e.g. NSW Department of Primary Industries to Orange and Australian Electoral Commission and Department of Primary Industries to Dubbo), but also to other CBDs, metropolitan office and suburban office markets throughout Sydney. A sample of relocations are listed in the next table.

Sample of Government Department Relocations to Sydney Office Centres

Destination	Government Department
Parramatta CBD	Revenue NSW (previously OSR) NSW Police Health Insurance Commission (includes Medicare) RMS (previously NSW Roads and Traffic Authority) Attorney General's Office Sydney Water
Hurstville	NSW Office of Environment and Heritage Australian Taxation Office (since closed)
Ashfield	Family and Community Services (to be relocated) NSW Housing

Source: Colliers International

The introduction of the Government Office Reform Program in 1998 formalised the outflow of public sector tenants to Parramatta CBD. Over a ten-year period, absorption from the public sector totaled circa 88,000m². More recently, the NSW government is implementing the Government's Decade of Decentralisation policy, which focuses on relocating jobs from Sydney CBD to metropolitan Sydney and regional locations, with a particular focus on Western Sydney. Major relocations announced to date include Department of Education (105 Phillip Street), Department of Planning and Environment (4 Parramatta Square), Department of Finance, Services and Innovation (4 Parramatta Square), Department of Infrastructure (4 Parramatta Square) and Industrial Relations Commission of NSW.

Historically, suburban markets benefitted from government decentralisation programs. A classic example is Ashfield, which benefitted from the relocation of two major NSW state government departments, being NSW

Housing and NSW Land & Housing Corporation. Similarly, Hurstville was the recipient of NSW Office of Environment and Heritage, and Penrith CBD the destination for a portion of NSW Fair Trade, as well as the Australian Taxation Office (federal government tenant).

However, the Decade of Decentralisation policy is undermining suburban markets. There are plans to relocate and consolidate a host of state government departments to Western Sydney over the next five years. The Ashfield office market, for example, will be compromised by the relocation of Family and Community Services to Liverpool. Similarly, Hurstville will also be losing a prominent and long-standing government anchor, with the NSW Office of Environment and Heritage earmarked to relocate to Parramatta in 2021.

3.3 DEMAND MECHANICS AND CONSIDERATIONS

Demand for office floorspace stems from business requirements. As such, understanding business decisions is the link to comprehending how commercial office markets operate, function and interact. There are a series of criteria utilised by businesses when selecting a location. While the selection criteria may vary from business-to-business, there are some common features and attributes of office destinations that are desired by businesses. These demand-led requirements include:

- **Opportunity to trade** – the office destination requires a minimum level of critical mass and co-location of other businesses to ensure that there is opportunity to trade with other businesses.
- **Industry and sectoral compatibility** – the industry and sector theme at the office destination will need to be complementary and conducive to the business and broader region.
- **Floorplate configuration and quality of provision** – the office destination will need the right floorplate configurations, building or premises i.e. standalone building and site versus strata office in a larger complex. Quality of floorspace is another important factor.
- **Accessibility** – the office destination will need to be highly accessible, either by public transport provision (rail, bus and ferry), road network (and car parking) or via bicycle and walking.
- **Amenities** – the destination will need on-site facilities and surrounding amenities to assist in attracting and retaining talent.
- **Infrastructure investment** – future infrastructure items are also a factor, as they can render positive (i.e. improved accessibility) and negative (i.e. disruption to business operations) outcomes.

In all, demand for office space is business and market based. It focuses around business decisions and is not necessarily based on the number of workers in a certain location (albeit, staff retention is one of many considerations). In fact, as shown in the next table, 17 out of 20 Sydney's SA2 regions with the highest concentration in professionals and managers do not have an office market (refer to next table).

Concentration in Professionals and Managers, Top 20 Sydney SA2 Regions (2016)

SA2 Region	No. of managers or professionals	Estimated resident population	Concentration (%)	Office market
Erskineville - Alexandria	6,731	17,340	39%	No
North Sydney - Lavender Bay	4,399	11,479	38%	Yes
Crows Nest - Waverton	7,274	19,125	38%	Yes

St Leonards - Naremburn	4,147	11,065	37%	Yes
Darlinghurst	4,408	12,202	36%	No
Neutral Bay - Kirribilli	6,851	19,052	36%	No
Paddington - Moore Park	5,894	16,411	36%	No
Surry Hills	6,104	17,844	34%	No
Balmain	5,673	16,650	34%	No
Cremorne - Cammeray	6,876	20,281	34%	No
Woollahra	2,680	8,166	33%	No
Lilyfield - Rozelle	4,831	14,933	32%	No
Newtown - Camperdown - Darlington	8,420	26,297	32%	No
Manly - Fairlight	7,508	23,669	32%	No
Potts Point - Woolloomooloo	7,271	22,990	32%	No
Bondi Beach - North Bondi	7,111	22,559	32%	No
Petersham - Stanmore	6,670	21,314	31%	No
Glebe - Forest Lodge	6,462	20,814	31%	No
Double Bay - Bellevue Hill	8,297	26,781	31%	No
Leichhardt - Annandale	8,653	27,957	31%	No

Source: Census 2016

In addition to requirements, businesses must adhere with their budgets, which serves as a limit. As such, there is an overarching trade-off between achieving necessary and desired attributes and the level of rent that a business is prepared (or capable) to pay for these attributes.

3.4 FINAL REMARKS

In all, the main observations pertinent to this section include:

- The upturn in the Sydney Office Market is extensive and entrenched;
- The upswing has not been confined to Sydney CBD, with most office centres also benefitting;
- There is a symbiotic relationship between market performance and how office destinations interact, evolve and function;
- There are three ways in which office markets interact, evolve and function, being:
 - i. Spillover of demand
 - ii. Offering a 'Point of Difference'
 - iii. Induced by government policy;
- The above listed levers are not necessarily mutually exclusive. Moreover, they can influence multiple office centres concurrently; and
- Demand is driven by business decisions, which are informed by selection criteria which relate to market considerations – demand is not determined solely by the location of labour supply.

SECTION 4: LOCAL OFFICE MARKET REVIEW

In this section, Colliers International has undertaken a high-level survey of existing office provision in seven commercial office destinations within the broader region, including:

- Eastgardens-Maroubra Junction;
- Mascot;
- Botany;
- Randwick-Kensington;
- Green Square;
- Banksmeadow; and
- Kogarah-Rockdale.

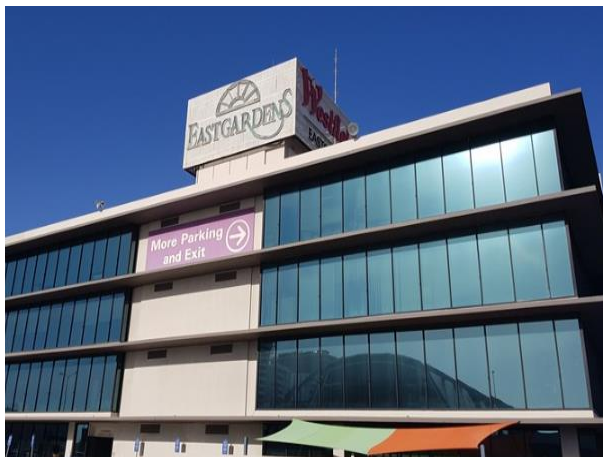
A profile has been developed for each centre which includes information on its location, character, classification, quantum of office floorspace, major office building(s), quality of stock, building format, floorplates (typical), industry/sectoral theme and any identified major office projects.

4.1 EASTGARDENS-MAROUBRA JUNCTION



Description	Eastgardens-Maroubra is located approximately 8km south east of Sydney CBD, with Westfield Eastgardens located in the western segment. Employment-based commercial uses are situated mainly along Anzac Parade between Gale Road to the north and Haig Street to the south. Barring Westfield Eastgardens and some recreational open space (Hefron, Nagle, Jellicoe, Snape and Coral Sea parks), the remainder of the area incorporates a mix of residential uses, being predominantly low density residential. Under the Greater Sydney Regional Plan, Eastgardens-Maroubra is classified as a strategic centre. As prescribed by this status, the centre should be accessible seven days a week by public transport, and provide access to jobs, shops and services.
Floorspace	Eastgardens-Maroubra contains approximately 9,200 to 10,200m² of office floorspace. The majority of office space identified is situated in 800-812 Anzac Parade, Maroubra (estimated to have 4,000m² of NLA) and Westfield Eastgardens (estimated to have 3,700m² of NLA). The remainder of office floorspace is situated in retail-strip premises on Anzac Parade and Maroubra Road, and is typically small in stature and size.

Parking	Designated on-site car parking is limited. Car parking (timed) is available along Anzac Parade and other nearby roads and streets. For Westfield Eastgardens designated parking is available for office tenants.
Grade	Office provision is generally of C grade quality.
Format	Identified office provision primarily consists of small offices and floorplates (between 50 and 200m ²).
Theme	Smaller office provision located amongst the retail strip is dominated by local service related industries (accountants, real estate, medical, mortgage brokers, employment, education, etc.). Such tenants are generally entrenched in and serve the local market.
Development (major)	At present, the proposed development represents the largest potential source of new office provision for the Eastgardens-Maroubra Strategic Centre.

Westfield Eastgardens Tower

806-812 Anzac Parade, Maroubra

737 Anzac Parade, Maroubra (Pacific Square)

783 Anzac Parade, Maroubra


4.2 MASCOT



Description	Mascot is located approximately 5.5km south of Sydney CBD, and 3km north west of Westfield Eastgardens. The area is characterised by large-format office provision, alongside industrial warehousing and business parks. According to the Greater Sydney Region Plan, Green Square-Mascot forms one of nine standalone commercial office precincts, and is designated as a strategic centre, forming part of the eastern economic corridor.
Floorspace	The largest commercial centre reviewed, Mascot comprises of 160,000 to 165,000m² of office floorspace. The largest buildings of the precinct along with their major tenants are summarised below: 203 Coward St, Mascot 40,000m² Qantas Building 185-191 O'Riordan St, Mascot 37,000m² Jaguar, TJX, Henry Schein, Patterson, Department of Agriculture and Water Resources, Department of Infrastructure and Regional Development and Cities, JLL 201 Coward St, Mascot 22,600m² TNT, Qantas, Aboriginal Affairs, Westconnex M5 / Sydney Motorway Corporation 241 O'Riordan St, Mascot 18,000m² Coates Hire, Landis+Gyr 163 O'Riordan St, Mascot 13,500m² Electrolux, Winc. (Staples) The remaining office floorspace is available in smaller formats and floorplates i.e. between 50-150m².
Parking	Most premises have a significant quantity of on-site parking, either in dedicated parking structures or in underground or basement levels.
Grade	Office provision is typically A or B grade. The overall quality of stock has been improved recently, owing to the delivery of three A-grade office towers as part of the 185, 189, 191 O'Riordan St redevelopment.
Format	Floorplates generally range between 200 – 2,000m², albeit, the largest segment is the 250-600m². There are some large corporations occupying single or multiple whole floors of around 2,000m² (per floor), such as Qantas, TNT, Electrolux, Winc. (formerly Staples), and Westconnex M5.
Theme	There is an aviation, logistics and freight-based cluster (i.e. Qantas, TNT, Sydney Motorway Corporation, Northrop Grumman, etc) – benefitting from proximity to Sydney Airport, Sydney CBD, Port Botany and key rail/road arterials. There are also several large government departments (Department of Agriculture and Water Resources, the Department of Infrastructure and Regional Development and Cities, and Aboriginal Affairs) operating in Mascot. There are also a host of entities operating in travel, transport, or rental space e.g. Jaguar/Land Rover, Qantas Holidays, QBT and Avis.

Development (major)	Potential future new office provision in Mascot is limited mainly to one development. The development with street address 7, 9, 14, 16, and 18-21 Chalmers Crescent (Mascot), aims to deliver approximately 34,000m ² of new office provision across four office towers across the 12,000m ² parcel of land. This project is still in the early design phase.
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185, 189, 191 O’Riordan Street, Mascot



201 Coward Street, Mascot



241 O’Riordan Street, Mascot



163 O’Riordan Street, Mascot



4.3 BOTANY



Description	Botany is located approximately 8km south of Sydney CBD, and 1.5km west of Westfield Eastgardens. It comprises primarily of industrial estates. The eastern component contains low-density housing. Under the Greater Sydney Region Plan, Port Botany and Sydney Airport are defined as Greater Sydney's two nationally significant trade gateways. The retention of industrial land has been classified of national significance.
Floorspace	Botany comprises of approximately 3,000 to 4,000m² of standard office floorspace, consisting mostly of small office provision (50-150m²), interspersed throughout the retail-strip premises along Botany Road. Approximately 20,000m² of office floorspace has been identified in quasi industrial-office premises and business parks (e.g. The Lakes Business Park, 2-13 Lord Street Botany). However, this has not been considered as office provision, as the tenants occupying these properties require the industrial component for their operations, and as such, is classified for industrial purposes – the office component used by back office or ancillary functions of the business. Major tenants in Botany include Telstra, GE Energy, Toll Group, LVMH and Mazda.
Parking	Parking is generally limited due to the position of small commercial tenancies amongst the retail strip.
Grade	The office provision of Botany is primarily low grade, due to the bulk of traditional office being situated in retail strip premises.
Format	The area is predominately comprised of small office leases (50-200m ²).
Theme	Smaller office provision located amongst the retail strip is dominated by local service related industries (accountants, real estate, medical, mortgage brokers, employment, etc.). Such tenants are generally entrenched in and serve the local market.
Development (major)	Not identified.

The Lakes Business Park, 2-13 Lord Street, Botany



1371 Botany Road, Botany



Botany Road Retail Strip (1415 Botany Rd, Botany)



4.4 RANDWICK-KENSINGTON



Description	Randwick-Kensington is located approximately 6km south east of Sydney CBD and 2.5km north of Westfield Eastgardens. The area is characterised by its two main anchors, being the University of New South Wales (UNSW) campus and the Prince of Wales Health Precinct which includes Prince of Wales Hospital (public and private), Sydney Children's Hospital and the Royal Hospital for Women. There is some commercial (retail and office) provision scattered along Anzac Parade and Avoca Street. Outside of its major precincts, Randwick presents as a predominately residential market, containing two relatively small areas for retail and commercial (Kingsford and Randwick retail districts). The remainder of the area incorporates a mix of residential uses, predominantly low and medium density housing. Under the Greater Sydney Region Plan, Randwick is classified as a Strategic Centre, and forms one of Greater Sydney's 13 health and education precincts.
Floorspace	Randwick-Kensington contains approximately 7,500 to 9,000m² of office floorspace. There are few traditional prominent office buildings in the centre, with the majority of identified office provision interspersed throughout small-format buildings and retail street-strip premises (along Avoca Street and Anzac Parade). Some office space has been identified above ground floor retail premises (shop-top commercial format). One premises that resembles an office building has been identified, being 66 High Street Randwick. This building is occupied by specialist medical uses (cancer treatment, pathology, infusions, medical imaging), which is infused with the dominant health and medical theme.
Parking	Dedicated parking is limited due to the small size of commercial premises. Timed street car parking is available along main roads and around the UNSW campus.
Grade	The office provision within the precinct is generally of B or C grade.
Format	The most common office size is between 100 and 400m². Not including buildings in the health precinct and UNSW campus, there are few examples of large office floorplates in Randwick-Kensington i.e. in excess of 1,000m².
Theme	Smaller office provision located amongst the retail strip is dominated by local service related industries (accountants, real estate, medical, mortgage brokers, employment, education, etc). Such tenants are generally entrenched in and serve the local market.
Development (major)	It is rumoured that UNSW may be developing an innovation precinct which may include some office space – however, geared at the incubator and co-working space.

138 Belmore Road, Randwick



66 High Street, Randwick (Wales Medical Centre)



498 Anzac Parade, Kingsford



166-168 Belmore Road, Randwick



4.5 GREEN SQUARE



Description	Green Square is located approximately 4km south of Sydney CBD, and 4km north west of Westfield Eastgardens. The area is mostly comprised of industrial and residential development, with a mix of large format industrial alongside creative office space, which is typically smaller offices paired with warehousing or storage options. Green Square also contains office provision which is directly tied to industrial warehousing or retail shopfronts, such as that found at 'The Mill', 41-45 Bourke Rd, Alexandria, or multiple business parks within the area. This office provision is skewed towards industrial usage (warehousing / storage requirements) and as such has not been considered, as it represents a fundamental difference in offering compared to standard commercial office. Under the Greater Sydney Region Plan, Green Square-Mascot forms one of nine standalone commercial office precincts, and is designated as a strategic centre, forming part of the eastern economic corridor.
Floorspace	Green square is comprised of approximately 45,000 to 55,000m² of office floorspace. The precinct has three large office buildings, being: • 61 Dunning Ave, Rosebery 11,000 m² • 77 Dunning Ave, Rosebery 5,400 m² • 11 Bowden St, Alexandria 5,700 m² The remaining office space is contained within smaller form commercial buildings (1,000 – 4,000m²) or embedded within strip retail (shop-top commercial).
Parking	Car parking is generally provided at grade, while there is some basement car parking in some smaller premises (less than 3,000m ²).
Grade	Office provision is primarily B grade with some C grade available. The office premises at 77 Dunning St represents a rare example of A grade provision.
Format	Floorplates range from 600-2,700m ² , with the majority between 400 and 1,000m ² . Overall, the Green Square market is dominated by the small floorplate segment (i.e. suites of between 70-300m ²).
Theme	The industry theme in the Green Square office market is varied. the dominant industry is fashion or apparel retailers (i.e. Nike, G-Star, Apparel Group, Noni B, etc), followed by business strategists (Cube, Ingram Micro). There are also a host of business service firms (i.e. architects, textiles, entertainment planners, interior designers, commercial IT, visual design) and startup enterprises. There is also some government presence (e.g. NSW Government Family and Community Services), albeit limited to local and regional nodes within the broader NSW network.

Development (major)	The Green Square Town Centre (a 14ha precinct located in central Green Square) is currently undergoing one of the most significant urban renewal programs in Australia. The new precinct seeks to deliver a total of 410,000m ² of floorspace (split between asset classes, community, residential, office, etc), with the Landcom and Mirvac portion of the site (5ha) set to deliver approximately 44,000m ² of office provision. Additionally, a further 9,300m ² of office will be delivered by Tipalea in their 29 Bourke Road Development.
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61 Dunning Ave, Rosebery



77 Dunning Ave, Rosebery



11 Bowden St, Alexandria



Green Square Town Centre

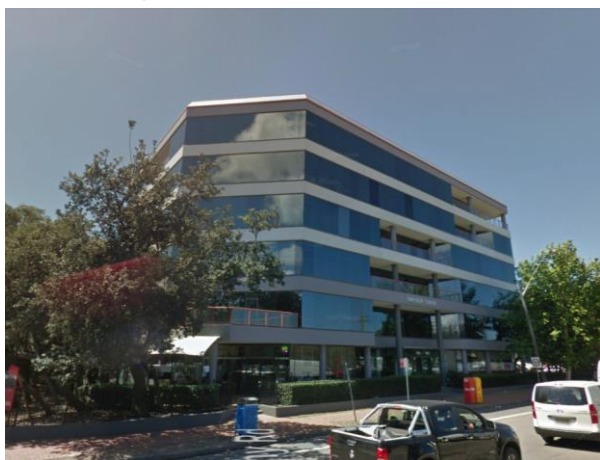


4.6 BANKSMEADOW

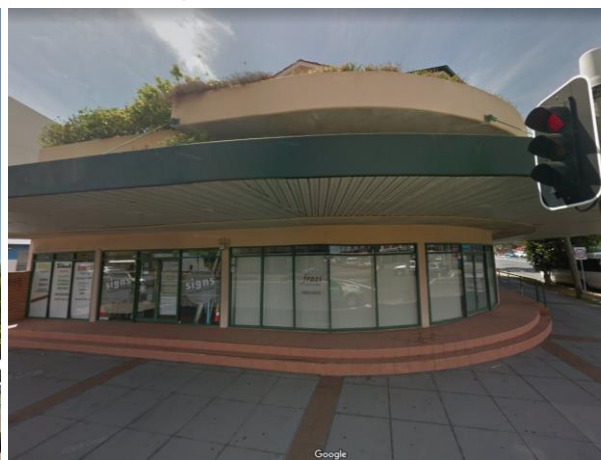


Description	Banksmeadow is located 9km south of Sydney CBD, with Westfield Eastgardens situated at its northern periphery. The area is characterised by industrial estates, with some low-density housing to the east. Under the Greater Sydney Region Plan, Port Botany and Sydney Airport are defined as Greater Sydney's two nationally significant Trade Gateways, with retaining the industrial use of land surrounding these areas having been defined as being of national significance.
Floorspace	Banksmeadow comprises of around 5,000 to 6,000m² of dedicated office floorspace, with the majority of it situated in one building, being 1753-1765 Botany Road, Banksmeadow (approximately 4,500m² of NLA). Other identified floorspace is situated in retail-strip premises along Bunnerong Road. It is generally small in size and stature.
Parking	1753-1765 Botany Road has around 80 dedicated car spaces. Office provision situated in retail-strip premises usually have one or two car spaces positioned at the rear of the property.
Grade	The quality of office provision in Banksmeadow is primarily C grade, owing to 1753-1765 Botany Road.
Format	1753-1765 Botany Road offers an array of office suite sizes, ranging from 100m² to 650m² – albeit, the majority are between 100 and 300m². This building is anchored by one large tenant, being Teekay Shipping (Australia) Pty Ltd (a specialised freight/logistics company dealing in marine energy transportation, storage, and production). The office suites offered amongst retail strip premises vary in size from 50m² to 200m².
Theme	Around one-half of office provision is occupied by tenants in the freight and logistics industry. Other prominent industries include construction, marketing, promotional goods and printing services. Situated in retail-strip premises in the east are local service related industries, in the form of accountants, real estate agents, primary health providers, mortgage brokers, solicitors/lawyers, etc.
Development (major)	New office provision is limited to one future development, being 32 Page Street, Pagewood. It is anticipated that this project will be primarily residential with some food and drink (442m²), neighbourhood shop (514m²), small office suits (1,412m²) tenancies, as well as a 90-place childcare.

1753 Botany Road, Banksmeadow



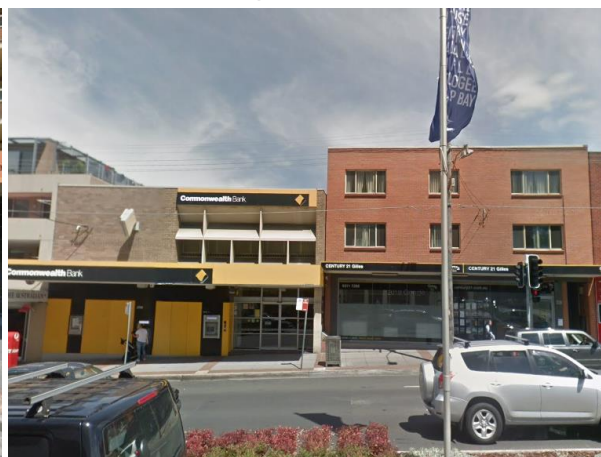
527 Bunnerong Road, Matraville



486 Bunnerong Road, Matraville



490 & 492 Bunnerong Road, Matraville



4.7 KOGARAH - ROCKDALE



Description	Kogarah and Rockdale are located approximately 11km south west of Sydney CBD, with 8km west of Westfield Eastgardens. The centre is anchored by health and medical institutions and clinics, as well as prominent civic and education facilities (e.g. Police Station, TAFE, etc). Low density housing surrounds the centre. Under the Greater Sydney Region Plan, Kogarah is defined as a strategic centre, and forms one of Greater Sydney's 13 health and education precincts.
Floorspace	Kogarah-Rockdale contains around 60,000 to 65,000m² of office floorspace, the majority of which is in two buildings: 4-16 Montgomery Street, Kogarah 31,700m² 100% lease to Westpac 15 Kensington Street, Kogarah 3,250m² 80% lease to medical The remaining office space is mostly situated in small-format commercial buildings (at most 2-3 storeys) or street strip premises. Rockdale exhibits a similar profile, albeit does not have as many standalone suburban commercial/office buildings.
Parking	Designated on-site parking provided by some buildings (either rooftop, at-grade or basement). There is a Wilson car park adjacent to TAFE – St George, and street parking (generally limited to 1 or 2 hours).
Grade	Identified office provision is generally B/C grade. The main source of A-grade stock in Kogarah and Rockdale is 4-16 Montgomery street, which underwent refurbishment in 2016 and is currently tenanted by Westpac (17 years remaining in the current lease).
Format	Office provision is mostly small in stature, with 100 and 400m² being the most popular category. Overall, office floorplates of between 200 and 800m² have been identified.
Theme	There is a definitive health and medical theme in Kogarah, owing to The St George Hospital. Supplementary and ancillary hospital uses have been identified in streets immediately adjoining the hospital, such as the St George and Sutherland Clinical School and Clinical Teaching Unit on Chapel Street. Several commercial premises serve as specialist centres, being occupied by practitioners and specialists across a variety of health disciplines e.g. the Specialist Centre at 40-42 Montgomery Street. There is also a civic (Police regional headquarters, Kogarah Town Centre Library and Cultural Centre) and education (TAFE – St George) presence in Kogarah. Rockdale is a lower-order commercial/office destination, comprising mostly of small businesses providing local services.
Development (major)	No new major developments were identified (Cordells & DA search, office provision, \$3,000,000+ project works).

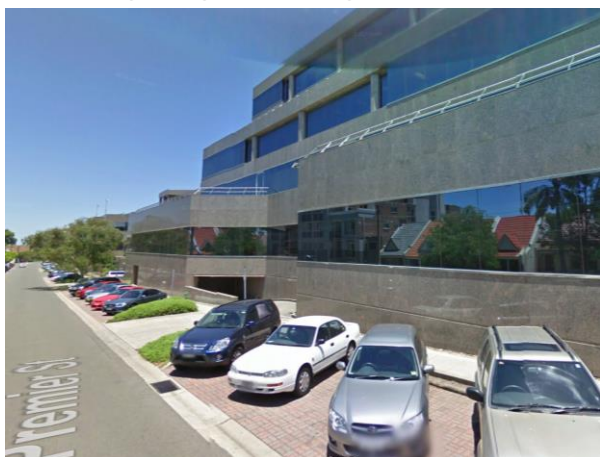
75 Railway Street, Rockdale



8-10 King Street, Rockdale



4-16 Montgomery Street, Kogarah



15 Kensington Street, Kogarah



4.8 FINAL REMARKS

The high-level survey of seven commercial office centres/ destinations has revealed that there is limited large floorplate, high-quality office provision in the broader region. The majority of 'office' provision is geared at small businesses that generally provide services to a local client base. The few examples of large standalone office premises were mainly confined to Mascot and Green Square, some of which have been tenanted by the same corporation for a long period of time.

SECTION 5: MARKET JUSTIFICATION

In this section, Colliers International provides a market justification for the proposed development. It has been demonstrated that the impact from the proposed office component will be negligible on existing office provision. The main points being presented in support of the proposed development include:

- Negligible impact on existing office provision due to POD;
- Rare opportunity to achieve a pure office outcome;
- Improved levels of self-containment;
- Diversification of the local economy;
- Retain businesses in the LGA; and
- Generates a positive operational employment outcome.

5.1 NEGLIGIBLE IMPACT ON EXISTING OFFICE PROVISION DUE TO P.O.D.

The proposed development will offer a 'point of difference' from existing employment and office destinations reviewed in Section 4. Through the provision of large floorplate and high-grade office floorspace (a product which is in short supply) which appeals to a specific tenant and industry sub-group, the impact from the proposed development on existing office provision is expected to be negligible.

As presented below, the current regional business profile is dominated by small-to-medium sized enterprises providing professional services predominantly to local clients and firms. Operating from retail street-strip premises, old suburban office buildings (3-4 storey) or podiums of mixed-use buildings, these tenants typically occupy a floorplate of between 50 and 200m², with an upper bound limit of 800m². It is envisaged that the proposed development which will comprise of larger floorplate provision (i.e. at least 1,000m²) will not undermine or compromise this segment of the market.

Features and Attributes of Office Destination and Centres Reviewed

Centre	Estimated office stock (m ²)	Typical floorplate size (m ²)	Quality of provision	Industry theme(s) of office tenants
Mascot	160,000-165,000	250-600 1,100-2,000 (two tier market)	A or B grade	Aviation, logistics, service firms, transport and consumer durables
Green Square	45,000-55,000	400-1,000	B grade, with some C grade*	Local service firms and government
Botany	3,000-4,000	50-200	C or D grade	Local service firms
Banksmeadow	5,000-6,000	100-300	C grade	Freight and logistics, construction, local service firms
Eastgardens-Maroubra	9,200-10,200	50-200	C grade	Local service firms and primary medical and allied health
Kogarah-Rockdale	60,000-65,000	200-800	B and C grade mainly	Financial services (one major tenant Westpac circa 31,700m ²), health and service firms

Randwick-Kensington	7,500-9,000	100-400	Predominantly C grade	Local service firms, health and education
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* 77 Dunning St has been identified as the only A grade commercial office building in Green Square (at present).

Source: Colliers International

A few large floorplate (pure) office buildings were identified. These buildings are occupied by whole floorplate or multiple level tenants by prominent national corporations. Of those identified, the majority were either owner-occupiers or longstanding anchor tenants. It was also apparent that their chosen location for operations were strategically inclined e.g. Qantas is positioned in Mascot to capitalise from proximity to Sydney Airport. As such, it is unlikely that any of these firms will relocate to the proposed development.

Overall, with large floorplates of at least 1,000m², the proposed development is anticipated to appeal to a mostly different subset of tenants compared to those identified in Section 4 of this report. Colliers International anticipates that the industry theme of future tenants will be dominated by regional service firms and wealth-add industries. These sub-industries trade amongst other businesses and clients beyond the immediate local market (intra-Sydney, national or international) – albeit, some can also trade to both local and regional trade areas. The prospect of attaining whole floor plate premises at more affordable rents compared to major office destinations will appeal to these firms (i.e. value for money proposition).

There are certain features of the proposed development that will also set it apart from existing office provision. Accessibility (public transport and arterial roadways), co-location with retail, lifestyle and services (childcare and existing primary health), access to skilled workers and proximity to open space and recreational facilities will offer the required point of difference. Notably, the proposed development is also ideal for accommodating the head office or ancillary functions of an existing quasi industrial-office business in the region that may seek to relocate its industrial function to a more affordable location in Western Sydney. It will be able to accommodate firms which have outgrown the region, and therefore promote greater business retention. Moreover, it is well placed to accommodate ancillary functions of existing businesses and entities such as UNSW, with a relocation permitting UNSW to expand on the provision of core operations on site (education services) – and also generate more jobs and trade for the region, and even exports for Australia.

It is anticipated that there will also be limited overlap with the future intended industry profile of major centres in the region. According to the Greater Sydney Plan, Randwick-Kensington is earmarked to be a designated health and education destination, whereas Port Botany and Sydney Airport (and immediate surrounds) are intended for industrial purposes owing to the defined strategic role of these locations, being major trade gateways. In contrast, the proposed development will appeal to office-based uses which are more aligned to business-to-business or regional industry trade and will rely on new sources of trade through value creation, innovation and efficiencies rather than seizing finite market share from existing local markets. As the profile and the means by which trade is attained is somewhat different from that intended for major centres in the broader region, it is envisaged that the proposed development will have little to no impact on existing office markets in the region.

Our view on demand and the profile of future tenants has been informed by inbound office enquires and current market requirements. Combined, these two sources of data provide the best available view on future demand. At present, there are several large tenants approaching the end of their current lease term, and who are open to the prospect of operating in the Eastern Suburbs. They are predominantly large floorplate, whole level or multi-level tenants, and as such could be accommodated in the proposed development. In all, it is estimated that there is the equivalent of 35,000 to 44,000m² of demand which could be accommodated over the immediate future. Based on its configuration and format, it is envisaged that the proposed development

represents a plausible destination for some of this requirement, with less than 70% of the upper bound required to achieve full occupancy (i.e. 30,500m²).

Prospective tenants and requirements, Broader Region (as at October 2018)

Industry or sector	Estimated requirements (m2)	Timing
Business services	8,000 - 10,000	2021-2023
Professional, scientific	10,000 - 12,000	2022-2023
Construction/development	3,000 - 4,000	2023-2024
Advanced health	6,000 - 8,000	2021-2023
Media, arts and social	8,000 - 10,000	2024
Total	35,000 - 44,000	

Source: Colliers International

The industry mix of current requirements is diverse, including business services, professional scientific, construction/development, advanced health and media, arts and social (explicit details of tenants have been withheld due to confidentiality and business strategic reasons). Although there is some minor overlap with the existing industry profile with respect to business and professional services, the prospective businesses are somewhat larger, and therefore represent a new source and component of demand for the Eastgardens-Maroubra and broader regional market. Given that the amount of large office provision is limited in the region (and new projects are rare), the proposed development represents a likely destination for these users.

5.2 RARE OPPORTUNITY TO ACHIEVE AN OFFICE OUTCOME

The proposed project represents a rare opportunity to achieve an office outcome in a location where large format office provision is scarce. Our high-level review of Eastgardens-Maroubra revealed that there is just 9,200 to 10,200m² of office floorspace stock in the strategic centre, with the majority of it situated in retail-strip premises and podiums of mixed-use buildings. Just two standalone offices were identified; 800-812 Anzac Parade Maroubra which contains around 4,000m² of office floorspace and Westfield Eastgardens Office Tower which encompasses 3,700m² of office floorspace. As such, the proposed development would be the single largest office precinct in the Eastgardens-Maroubra Strategic Centre.

Outside of established and prominent office destinations, new office development is generally a challenging proposition. There are several factors which affect the viability of new office development, with the most ostensible being achieving necessary pre-commitment levels and the cost of development sites or land.

While it was shown in Section 5.1 that there is latent demand in the broader regional market (a portion of which may be secured by the proposed development), the cost of land is a major deterrent for office/commercial developers. An unprecedented residential apartment upturn has affected land prices throughout most centres in Sydney. Sites that permit shop-top housing or have some rezoning 'potential' have attracted premium prices, especially where mixed-use development is considered the highest and best use. The significant returns from residential construction (also due to a development model which incurs gross realisations within a more compressed timeline), has led to a structural lift in land prices throughout most centres, which has outpriced some commercial/office developers completely out of the market. In addition to the sheer magnitude, outlays associated with land are incurred at the start of the project, which places greater

pressure on the viability of commercial development i.e. upfront costs have a greater impact on feasibility than costs incurred later in the development sequence.

800-812 Anzac Parade, Maroubra



Source: Google Maps

Compared to other projects, the proposed development possesses a distinct advantage from a feasibility perspective. The land cost component of the proposed development is partially embedded in the existing retail centre. The development also incorporates 27,500m² of retail floorspace, which typically incurs higher rents, and as such, will serve to also subsidise the commercial office component and overall land costs. Moreover, unlike the subject site which is zoned B3 Commercial Core, the majority of sites in Maroubra Junction along Anzac Parade are zoned B2 Local Centre, which permits with consent shop-top housing, which reduces the probability of a standalone office development. It is these features and traits that facilitates the prospect of a feasible office outcome for the proposed development. Notably, there are just a few sites in the broader region which could secure a similar outcome, most of which not in the Eastgardens-Maroubra Junction Strategic Centre.

Notably, the height of the proposed development will ensure that the floorplate size will remain within an acceptable range for operational purposes. Tenants require floorplates (and fit outs) that encourage interaction amongst employees and as such, deliver necessary operational synergies. Floorplates that are too large (circa 3,000m² outside established major commercial destinations) can lead to communication and operating inefficiencies and can be detrimental to the business in the short, medium or long term.

There is also a feasibility argument supporting the height of the proposed development. If the floorplate were to be increased significantly to accommodate a more compressed building format, it would require more access points in the form of lifts and lobbies – which adds significant expense. An expanded floorplate would also require the duplication of fire exits, bathrooms, end-of-trip and other features, which would also add to the cost of the project. Given that office development is already a challenging proposition, a compressed

building format with fewer stories would potentially undermine the viability of the proposed development, regardless of its unique features. Moreover, tenants that typically occupy 1,000m²-plus floorplates usually require high grade office with certain amenities and features such as end-of-trip facilities and view corridors. These necessary attributes will be delivered by the proposed office building i.e. on-site showers and changerooms, and views from its proposed height. The proposed development would achieve a rare feat in Eastgardens-Maroubra and could also serve as a catalyst development and trigger more office additions in the strategic centre. Additionally, a lower land cost base will enable the proponent to direct more expenditure to the end-product, accentuating the point of difference that will help it attract larger tenants.

5.3 RETENTION OF OFFICE-BASED BUSINESSES

The proposed development represents an opportunity for Bayside LGA to retain businesses which may have otherwise departed from the local office market. According to ABS data, there were just 15 large corporations with 200 or more employees in the Bayside LGA, all of which in non-office industries i.e. Health Care and Social Assistance (six businesses), Accommodation and Food Services (six business) and Manufacturing (three businesses). One plausible explanation for the observed under-representation in large office-based businesses is due to a shortfall of appropriately sized and graded provision.

Industry Composition of Business with 200 or more Employees (%), Bayside LGA (2017)

Bayside LGA		
Industry	Number	% of total
Health Care and Social Assistance	6	40.0%
Accommodation and Food Services	6	40.0%
Manufacturing	3	20.0%
Other industries	0	0.0%
Total	15	100.0%

Source: profile id, ABS

Large floorplate office provision is highly constrained in the Eastgardens-Maroubra Strategic Centre, as well as in surrounding office destinations examined barring Mascot – notably, large floorplate stock in Mascot is tenanted by long-standing, anchor corporations that have an affinity with the aviation industry. Therefore, as local office-based businesses expand and grow, it becomes extremely difficult for these businesses to remain within the locality.

Change in the Number of Business by Workforce Size, Bayside LGA vs Greater Sydney (2017)

Number of employees	Bayside		Greater Sydney	
	Change	% of total	Change	% of total
1-4	574	86.5%	10,418	74.4%
5-19	77	11.6%	2,791	19.9%
20-199	13	2.0%	679	4.8%
200+	0	0.0%	115	0.8%
Total	664	100.0%	14,003	100.0%

Source: profile id, ABS

The proposed development is also ideal for accommodating the head office or ancillary functions of an existing industrial business that may seek to relocate its industrial function to a more affordable location in Western Sydney. This will also assist in retaining businesses that may have otherwise relocated elsewhere.

Overall, there appears to be a missing link in the local office hierarchy. Given the scale of office provision, floorplate configuration and favourable attributes (proximate to amenities and accessibility), the proposed development is anticipated to be capable of catering for this missing larger business segment.

5.4 ACCOMMODATE A SIGNIFICANT PORTION OF OFFICE-BASED EMPLOYMENT IN THE FUTURE

According to BTS and Urbis employment projections³, the Bayside LGA is anticipated to accommodate an additional 7,066 office-based workers between 2016 and 2031.

Office-based Employment Projections by Industry, Bayside LGA (2016-2031)

Industry	Job additions, 2016-2031	% of office-based	Office workers
Professional, Scientific and Technical Services	1,751	98%	1,716
Public Administration and Safety	1,799	90%	1,619
Administrative and Support Services	943	95%	896
Information Media & Telecommunications	922	80%	738
Rental, Hiring and Real Estate Services	703	98%	689
Other Services	451	95%	428
Financial and Insurance Services	400	98%	392
Health Care & Social Assistance	2,133	10%	213
Arts and Recreational Services	572	30%	172
Unclassified	122	95%	116
Construction	810	5%	41
Education and Training	754	5%	38
Electricity, Gas, Water and Waste Services	94	10%	9
Retail Trade	2,625	0%	0
Accommodation and Food Services	1,544	0%	0
Wholesale Trade	439	0%	0
Manufacturing	-692	0%	0
Transport, Postal and Warehousing	1,968	0%	0
Mining	12	0%	0
Professional, Scientific and Technical Services	-5	0%	0
Total Employment	17,345		7,066

Source: Urbis (2018), BTS

³ Projections presented in Economic Impact Assessment: 128 & 130-150 Bunnerong Road, Pagewood

It is difficult to envisage that this project employment outcome will be achieved in the absence of the proposed redevelopment. Incorporating approximately 30,500m² of commercial floorspace, the proposed development is capable of accommodating 1,525 operational workers at any one time (and potentially more if Activity Based Working is deployed), which represents a large portion of future office job additions in Bayside LGA (22%).

5.5 IMPROVE SELF-CONTAINMENT RATES

The proposed development provides an opportunity for more residents (current and future) to be employed within their own locality. By rebalancing the industry mix, the proposed development will be more congruent with the industry profile of working residents, which may transpire into improved self-containment levels.

According to Census 2016, 77.5% of working residents who reside in the Botany LGA⁴ were engaged in workplaces outside the LGA, meaning that just 22.5% were employed locally – i.e. the observed level of self-containment is 22.5%. This outcome is low relative to most LGAs in Sydney, with Botany achieving only the 22nd highest rate of containment (of 32 LGAs), as well as being significantly below the weighted average outcome for LGAs in Greater Sydney (40.7%). Of the workplace destinations observed for working residents of Botany LGA, the most popular were Sydney LGA (33% of working residents) and Randwick (14% of working residents) – as shown below.

Top 10 Popular Outside Workplace Destinations for Working Residents of Botany Bay LGA (2016)

Rank	LGA	Number of workers	% of total
1	Sydney	7,617	33.4%
2	Randwick	3,229	14.1%
3	No fixed address	838	3.7%
4	Waverley	702	3.1%
5	Inner West	630	2.8%
6	North Sydney	545	2.4%
7	Rockdale	502	2.2%
8	Woollahra	423	1.9%
9	Parramatta	387	1.7%
10	Canterbury-Bankstown	358	1.6%

Source: Census 2016

To demonstrate that the proposed development can improve the rate of self-containment, we examine containment rates by industry type or sector in Botany LGA. Based on Census 2016, it is apparent that self-containment levels are low in Financial and Insurance Services (6.9%), Public Administration and Safety (9.4%), Education and Training (10.5%), Information Media and Telecommunication (12.7%), Health Care and Social Assistance (13.4%) and Professional, Scientific and Technical Services (18.0%), most of which, occupy office premises. As such, by increasing the quantum of office space at the subject site, it is possible that more outbound office workers will be engaged in the LGA. By rebalancing the employing industry

⁴ Data is not available in Table Builder for the amalgamated Bayside LGA.

composition to be more congruent with its working resident profile, it is likely that the rate of employment self-containment will improve in Botany Bay LGA (and by extension Bayside LGA).

Observed Self-containment Levels by Industry Type, Botany Bay LGA Working Residents (2016)

Industry	No. of working residents	No. employed in Botany LGA	Self-containment (%)
Transport, Postal and Warehousing	2,069	990	47.8%
Agriculture, Forestry and Fishing	28	10	35.7%
Retail Trade	2,162	765	35.4%
Manufacturing	959	323	33.7%
Mining	16	5	31.3%
Administrative and Support Services	976	273	28.0%
Inadequately described	738	191	25.9%
Construction	1,646	396	24.1%
Accommodation and Food Services	1,889	443	23.5%
Other Services	839	193	23.0%
Wholesale Trade	706	155	22.0%
Electricity, Gas, Water and Waste Services	136	28	20.6%
Rental, Hiring and Real Estate Services	477	94	19.7%
Not stated	323	62	19.2%
Arts and Recreation Services	435	80	18.4%
Professional, Scientific and Technical Services	1,897	341	18.0%
Health Care and Social Assistance	2,405	323	13.4%
Information Media and Telecommunications	528	67	12.7%
Education and Training	1,597	168	10.5%
Public Administration and Safety	1,560	147	9.4%
Financial and Insurance Services	1,286	89	6.9%

* Weighted average based on the number of workers engaged in the same LGA

Source: Census 2016

Notably, according to profile .id, the proportion of working residents in the Bayside LGA who travelled to workplace destinations outside the LGA was 72.7% in 2016, meaning 27.3% of local working residents were engaged in the same LGA - which is comparable to that presented by Botany Bay LGA.

5.6 DIVERSIFICATION OF THE LOCAL ECONOMY

By appealing to a different cross section of industries and tenants, the proposed development is anticipated to diversify the local economy. Measured by locational quotient (LQ being an industry-used approach to measure industry concentration or dominance), the Bayside LGA industry composition relative to Greater Sydney exhibits a definitive skew to Transport, Postal and Warehousing (6.11 ratio). As presented in the table

below, it is the only industry which achieved a LQ of 1.5 or above (which is the industry benchmark for determining industry specialisation).

Locational Quotient by Industry Type, Bayside LGA compared to Greater Sydney (2016)

Industry	% of total jobs in Bayside LGA	% of total jobs in Greater Sydney	Locational Quotient*
Transport, Postal and Warehousing	30.5%	5.0%	6.11
Administrative and Support Services	4.4%	3.3%	1.33
Construction	7.4%	6.9%	1.08
Accommodation and Food Services	7.2%	6.8%	1.05
Retail Trade	9.8%	9.5%	1.02
Rental, Hiring and Real Estate Services	2.0%	2.0%	1.02
Manufacturing	5.8%	5.9%	0.98
Industry not classified	4.9%	5.1%	0.96
Wholesale Trade	3.4%	3.7%	0.91
Public Administration and Safety	4.8%	5.7%	0.85
Other Services	2.8%	3.5%	0.80
Electricity, Gas, Water and Waste Services	0.5%	0.8%	0.65
Health Care and Social Assistance	5.5%	11.7%	0.47
Professional, Scientific and Technical Services	4.4%	10.1%	0.44
Education and Training	3.6%	8.2%	0.43
Arts and Recreation Services	0.7%	1.7%	0.42
Agriculture, Forestry and Fishing	0.2%	0.4%	0.41
Information Media and Telecommunications	1.0%	2.8%	0.35
Financial and Insurance Services	1.3%	6.6%	0.20
Mining	0.0%	0.2%	0.13

* Bayside LGA as % of Greater Sydney

Source: Census 2016: Colliers International

While there is just one specialist industry in the Bayside LGA, concentration in office-based industries such as Financial and Insurance Services (LQ = 0.20) and Professional, Scientific and Technical Services (LQ = 0.44) is very low (less than 0.50). As such, the provision of traditional office product at an accessible location is anticipated to improve current levels of representation and specialisation in industries which operate from office premises in the Bayside LGA.

As the regional business profile is dominated by small to medium sized enterprises, the introduction of large tenants will enhance the local economy. The introduction of large office provision will also reduce Eastgardens-Maroubra Junction's exposure to industry-specific shocks, as enterprises that trade to local and regional client bases react very differently to cyclical, industry-specific and external shocks. Overall, it is anticipated that the proposed development will enhance the local economy.

5.7 GENERATES A POSITIVE OPERATIONAL EMPLOYMENT OUTCOME

The proposed development incorporates 30,500m² of office provision. At a very conservative employment density of 20-25m² per worker, it is estimated that the office segment will accommodate an operational workforce of between 1,220-1,525 jobs at full capacity.

Estimated Operational Outcome by Land Use Type, Proposed Development (upon completion)

Land use type	Estimated floorspace additions	Job density (m ² per worker)	Number of operational jobs
Office	30,500	20-25	1,220-1,525
Retail	27,500	25-30	900-1,100
Total	58,000		2,120-2,625

Source: Colliers International

Apart from the office component, there is also the retail aspect of the proposed development, which is earmarked to entail 27,500m² of GLAR. Employment densities typically range between 25 and 30 for this sector, resulting in 900-1,100 addition retail operational jobs. A collective outcome of between 2,120 and 2,625 jobs is estimated from the entire proposed development.

The addition of circa 2,000 jobs would represent a significant outcome for Bayside LGA. According to profile id, the number of jobs in Bayside LGA increased by 2,102 jobs between FY2012 and FY2017 (from 89,251 to 91,354 jobs). As such, the proposed development would render an employment outcome which is on par with that achieved over a five-year period. Given the absolute quantum of jobs involved, it is paramount that the proposed development is advocated.

Notably, this operational employment represents the number of workers that would typically be engaged within the proposed development at completion i.e. workers who are rostered at that point in time. For office, the difference between rostered workers and operational workforce is negligible. However, the conclusive roster would be somewhat larger, and as such, a higher operational employment outcome is expected to ensue. Additionally, some of the operational jobs accommodated will be on a full-time basis, others part time. It is important that a range of work arrangements and types are provided to suit the local worker profile, which also encompasses of students and residents who seek part time employment – especially, given that one-third of working residents in Bayside LGA are engaged on a part time capacity i.e. less than 35 hours.

Resident Workers Hours Worked, Bayside LGA (2016)

Hours worked	Number of working residents	% of total
None	2,215	2.9%
1-15 hours	6,701	8.8%
16-24 hours	9,067	12.0%
25-34 hours	7,230	9.5%
35-39 hours	16,431	21.7%
40 hours	16,729	22.1%
41-48 hours	6,539	8.6%
49 hours or more	9,156	12.1%
Not stated	1,723	2.3%
Total persons	75,791	100.0%
Total below 35 hours	25,213	33.2%

Source: profile id., Census 2016

5.8 CONCLUDING REMARKS

In all, it is evident that the office component of the proposed development should be supported in principle as it has been proven that:

- A point of difference of large floorplate provision and A-Grade accommodation will ensure that the proposed development impact on existing office provision is negligible
- The proposed project represents a real opportunity to achieve an office outcome – a rare feat in the Eastgardens-Maroubra Strategic Centre;
- Through the provision of larger floorplates, it will assist in the retention of businesses that have outgrown existing stock in the Bayside LGA;
- The proposed development can accommodate close to one-quarter of new office additions between 2016 and 2031 (based on Urbis projections⁵);
- It will diversify the local economy via the introduction of other industry types and tenants;
- Provide an opportunity to improve current levels of self-containment in the Bayside LGA; and
- Renders a positive operational employment outcome for the immediate region (which is a core economic objective of a strategic centre).

⁵ Urbis (2018), Economic Impact Assessment – 128 & 130-150 Bunnerong Road, Pagewood

SECTION 6: RPS COMMENTS AND CONSIDERATIONS

In this section of the report Colliers International appraises some of the assertions made by RPS in their peer review of the Urbis Economic Impact Statement report. Specifically, it focuses on addressing the following:

- The relevance of office sub-markets used by agencies for the purpose of assessing the impact of new development;
- The actual classification of projects/buildings deemed as ‘office’ on Page 12 of the RPS review; and
- Assertions made on market need, demand and impact.

6.1 OFFICE REGIONS AND CATCHMENTS

The sub-regions and markets reported by Knight Frank in the RPS peer review are not intended to be utilised as the framework by which ‘catchments’ are adopted for the purpose of assessing the impact from a new proposed office development. In fact, these sub-markets are based primarily on the operating model of an agency, which is constructed on experts operating in designated zones or ‘patches’. These patches are based on spatial proximity or geography and is not necessarily constructed on how office markets interact and function – albeit, there may be some interaction within some regions, it is not the ultimate basis. Notably, Colliers International also produces research reports using a similar format (albeit, slightly different sub-regions), but this is also attributed to the structure of the broader business.

Knight Frank Office Sub-Regions in Sydney



Source: Knight Frank

The Sydney CBD exemplifies the disconnect between designated sub-regions and the manner by which office markets operate and function. The operating reach of the Sydney CBD extends far beyond its submarket. Locally, Sydney CBD interacts and influences every office destination in New South Wales. Being the

premiere and largest commercial destination in Australia, Sydney CBD interacts and influences every capital city office market. Finally, being a global city, Sydney also collaborates and interplays with other international cities such as Hong Kong, Tokyo, New York, London, et al. As such, the region used by agencies when preparing research is not a true representative of Sydney CBD's catchment.

6.2 CHARACTER OF 'OFFICE' PROJECTS IDENTIFIED IN THE RPS REPORT

Colliers International acknowledges that the review of office provision undertaken by RPS was desktop-based and high level in nature. While not a comprehensive survey, our survey was informed by desktop and primary research methods confirmed by site inspection. In all, it was found that most of premises identified as examples of current and known 'office' supply by RPS on Page 12 (Table 1) of the peer review report are on the most part industrial or hybrid industrial/office. The table below presents our findings with respect to the character of supply identified by RPS.

Review of RPS Office Supply (as at October 2018)

Address	Suburb	Classification (RPS)	Classification (Colliers)
45-47 Green Street	Banksmeadow	Office	Industrial
11 Erith Street	Botany	Office	Industrial
289 Kings Street	Mascot	Office	Office
1801 Botany Road	Banksmeadow	Office	Industrial
153 Beauchamp Road	Matraville	Office space	Industrial
29 Bourke Road	Alexandria	Office	Industrial
789 Botany Road	Roseberry	Office	Office
23 Bourke Road	Alexandria	Office	Industrial
2-6 Moore Street	Banksmeadow	Office	Industrial
205 Euston Road	Alexandria	Office/warehouse	Retail (dev site)
571-573 Gardeners Road	Mascot	Office	Development site
40 Ricketty Street	Mascot	Office space	Office
2-12 Beauchamp Road	Banksmeadow	Office space	Industrial
189 O'Riordan Street	Mascot	Office space	Office

Source: RPS (based list); Colliers International (observations and reclassification)

In all, only four sources identified by RPS are considered to be office, with the remaining premises being either industrial or hybrid industrial/office. With the exception of 189 O'Riordan Road, the other three sources of office floorspace are relatively small from a quantum perspective (i.e. less than 10,000m² of NLA), and generally have small-to-medium sized floorplates (circa 100-1000m²). As such, they should not be classified in the same category as the proposed development.

Notably, regardless of the size of the office component, hybrid stock is quite different from traditional office provision. Hybrid employment space accommodates tenants whose primary operating function relies on the industrial, warehouse or factory component, with the office segment, being utilised for the purpose of ancillary functions i.e. back office tasks or head office. Even in cases where the office component is offered separately to the market, it would generally not appeal to traditional office tenants, given that industrial/warehouse

functions are not typically complementary in operations or form – this argument is evidenced by the lack of industrial product in Sydney CBD and Parramatta CBD.

6.3 MARKET NEED, DEMAND AND IMPACT ASSERTIONS

In the RPS peer review, several assertions were made on the approach used by Urbis to address market need, demand and impact. According to RPS, Urbis did not conduct a comprehensive office market need and demand assessment, and such as, failed to evaluate the extent of impact the proposed development may have on existing and identified future office market supply.

The schedule below presents some of the assertions made by RPS, as well as our opinion on the comments.

RPS observation or assertions	Colliers International's opinion
No evidence is provided within the report to justify these claims (pertaining to current office supply). While an examination by RPS indicates that a number of these claims may be valid, the Urbis Office Report did not undertake either case study or a full audit of office floor space in the area to provide the necessary evidence.	A full audit of office inventory in the broader sub-market would be an extremely costly exercise and far beyond the usual budget of an EIS or EIA.
RPS does not regarding (sic) the analysis in section 3 of the Urbis report to represent a comprehensive office market need and demand assessment, nor does it clearly demonstrate the extent of impact (or not) of the proposed development on the existing and known future office market supply.	Colliers agrees that Section 3 of the Urbis report does not constitute a comprehensive office market need and demand assessment, nor does it clearly demonstrate the extent of the impact of the proposed development on existing office stock. In response, Section 4 of this report presents a much-improved assessment of existing and future office provision.
The qualitative assessment does not indicate the total amount of office floor space needed to accommodate future workers – just the number of workers (incorrectly calculated) – nor does it provide an estimate on the impact on the local office market in terms of vacancy rates, face rental values and incentives.	Deriving the amount of floorspace required to accommodate a certain job target or projection is not representative of demand. As discussed in Section 3.3 of this report, the materialisation of demand is a consequence of a vast array of business decisions, which extends beyond the number of office workers within a certain distance of the subject site. As such, a debate over which industries should be included in a notional estimate of 'office' workers can be deemed not productive and superfluous. Measuring the impact from a proposed development using vacancy rates, face rents and incentives is a convoluted and complex task. While demand and supply are determinants of some price-based indicators (i.e. rents and incentives), they do not represent an exhaustive list of deterministic factors. For instance, office rents are also affected by the quality (higher rents are usually obtained by higher grade stock) and quantum of provision (higher rentals are usually charged for smaller offices on a square metre basis). Moreover, specific attributes such as accessibility, end of trip facilities, views (height) and access to surrounding amenities also have a bearing on rent and incentives. Owing to the multivariate nature of these price-based indicators, it is very difficult to ascertain an absolute or conclusive impact from any one development.

Colliers International agrees that there is a connection between vacancy and new projects (and supply). However, the relationship between the two is not absolute in every circumstance – which is the case for the proposed development as it will deliver an office format and product that is not readily available in the market. The proposed development is expected to appeal to a group of tenants that would have been otherwise unable to operate in the Eastgardens-Maroubra Junction Strategic Centre – therefore it is not taking away from the existing pool of tenants. Moreover, for the project to progress, a minimum level of pre-commitments will be required, which indicates that the impact on vacancy rates will be negligible. Using direct linear methods to quantify the impact a new development has on vacancy rates will most likely render an erroneous outcome.

In fact, no reference is made within the Urbis Office Report to key market indicators of the health and performance of the regional office market.

A desktop review by RPS found several assessments of the performance of the Southern office sector in Metro Sydney, including from major real estate firms such as Colliers, JLL and Knight Frank. Additionally, information relating to prevailing trends in the Sydney CBD and other office markets tracked by the Property Council of Australia are not included. RPS considers the inclusion of this information as critical evidence to justify the claims and arguments presented by Urbis in section 3.

Similar to the previous point, it is very difficult to decipher the exact impact on broader market indicators from a single development. Therefore, it is questioned whether reference to agency research reports will add any value to the assessment of the proposed development. What should be considered is whether there is sufficient demand available in the marketplace. The best indication of immediate demand is direct queries for office space from businesses, as well as any large requirements currently circulating in the marketplace (which has been provided in Section 5 of this report).

As discussed in Section 3 of this report, the market setting is conducive at present for office development to occur outside of major office destinations. Moreover, as discussed in Section 5 of this report, the proposed development is viable only because of its unique traits and circumstances i.e. the land cost being partially subsidised by the existing retail asset.

The development supports Eastgardens-Maroubra Junction fulfil its role as a Strategic Centre - this is not an office market need or impact justification, but instead relates to the opinion presented by Urbis in section 1.

While we understand the rationale behind RPS' assertion, Colliers International believes that there is a symbiotic relationship between the proposed development and Eastgardens-Maroubra maintaining its status as a strategic centre. The fundamental economic objective of a strategic centre is to produce jobs, which the proposed development adheres to. The creation of operational jobs in a location which previously did not accommodate these jobs is an impact.

Moreover, the proposed development could act as a catalyst for further development of office space in the strategic centre. It is our opinion that the delivery of office jobs will be required for Eastgardens-Maroubra to reinforce its employment relevance, and therefore its status as a strategic centre in the future.

Large and Growing White Collar Workplace – this is based on data and analysis which is

As raised previously, demand is based on a vast array of business decisions and selection criteria, and not just immediate/local white collar labour supply.

incorrect and overstates demand in the area.

However, if the objective is to calculate the quantum of white collar supply, then it is recommended that this modelling is undertaken at least at an ANZSIC sub-division or group level, and not at a divisional level.

Provides More Employment Opportunities Locally – this is an economic justification not related to the market impact. In the absence of knowing the impact the development will have on the relative occupancy and vacancy of other office developments in the area, it is unclear whether the workers accommodated in the proposed development will be new workers or simply workers transferring from existing stock in the catchment.

As raised previously, it is difficult to accurately assess the impact from any one development on broader market indicators – the cause and effect relationship is not necessarily direct or one-for-one in every circumstance, particularly when there are notably differences in offering (i.e. floorplate and quality) and observed gaps in that market and.

With respect to employment, the focus should be on the absolute rise in the number of office operational jobs. In total, the office component is anticipated to render between 1,220-1,525 office jobs once operational, which is roughly equivalent to 64% of that achieved in the Bayside LGA between 2012 and 2017 (+2,102 jobs according to profile id figures). There are just few standalone developments that have the potential to deliver an office employment outcome of this magnitude.

Additionally, even if new positions are being filled by local workers (i.e. transferring from existing jobs in the LGA or region), it will most likely involve a higher salary, and potentially a promotion. The impact from higher incomes and a more mobile workforce are pronounced on many fronts for the Bayside LGA.

Finally, it is anticipated that there will be a sharp rise in the number of working residents upon completion of Pagewood Green – dual-income professional households are a prominent cohort in the Eastern Suburbs region. The provision of office job opportunities at Westfield Eastgardens may provide a valuable source of employment for some of these future working residents.

Address a Gap in the Market for A-Grade Office Stock – there is not (sic) evidence or justification for this claim in the report

Colliers International attests to RPS' assertion. To form an opinion on any potential market gap, a high-level survey of supply, as well as a view on demand (supported by evidence) is required.

Colliers International has undertaken a survey of existing and future supply (likely future and not just identified in Cordell or DA tracking) and there appears to be a gap in the large floorplate component of this market. This is supported by actual queries for office space, and current market requirements.

SECTION 7: ADDRESSING STATUTORY OBLIGATIONS

In this section, we confirm that the proposed extension of Westfield Eastgardens, and specifically, the proposed 30,500m² of commercial/office provision adheres with relevant Section 9.1 Directions. Explicitly, we address the following relevant directions:

- Business and Industrial Zones; and
- Integrating Land Use and Transport.

7.1 BUSINESS AND INDUSTRIAL ZONES

The proposed development is in accordance with the objectives of above direction, in that it seeks to encourage employment growth in the right location, protects employment land in business zones and supports the viability of the Eastgardens-Maroubra Strategic Centre.

It is estimated that the delivery of 30,500m² of commercial office space will accommodate a workforce of between 1,220 and 1,525 operational workers (at a conservative employment density of 20-25m² per worker). This represents a significant employment outcome for the Pagewood - Hillsdale - Daceyville SA2 region which accommodated 4,243 jobs as at Census 2016 (+26.5%). Importantly, the proposed development location is highly accessible for future residents living in surrounding dwellings (including Pagewood Green) relative to Maroubra Junction. Moreover, it is also accessible to those residing throughout the broader region due to the twelve bus routes servicing the bus interchange at Westfield Eastgardens. This location is also considered appropriate from a commercial perspective owing to the following reason:

- Co-located with extensive retail, lifestyle (cinema, restaurants and future entertainment) and recreation amenities (i.e. gymnasium);
- Workers will have access to services such primary medical/allied health and child care services; and
- Proximate to significant recreational infrastructure, including Mutch Park (250 metres), Hensley Athletic Field (directly opposite), Heffron Park (400 metres), Bonnie Doon Golf Club (500 metres) and Maroubra Beach (3 km).

The proposed development is consistent with the intended objectives of its B3 Commercial Core zoning. It will serve to protect employment land, and in fact, will augment it via the introduction of large floorplate, high-grade office provision – an employment-generating land use type which is scarce in the Eastgardens-Maroubra Strategic Centre.

The proposed development also supports the viability of the Eastgardens-Maroubra Strategic Centre. As the office component is anticipated to appeal to a different cross-section of tenants from that currently operating in the centre, it is expected that the final outcome will be a more balanced and resilient local economy. In addition to expanding the industry mix, a range of floorplate sizes will also reduce Eastgardens-Maroubra Junction's exposure to market downturns, as enterprises that trade to local and regional client bases can react very differently to cyclical and external shocks. It will strengthen the centre through wider productivity and liveability. Moreover, as required by the Eastern District Plan (2018), the proposed development will lead to the generation of additional jobs in the strategic centre, which is the principal underlying economic goal for strategic centres throughout Greater Sydney.

7.2 INTEGRATING LAND USE AND TRANSPORT

The proposed development integrates land use and transport. It adheres with the objectives of Direction 3.4 as it will improve access to jobs by walking, cycling and public transport, increases the choice of available transport, reduces the commute time and distance for local residents engaged at the proposed development and supports the efficiency and viability of existing public transport services.

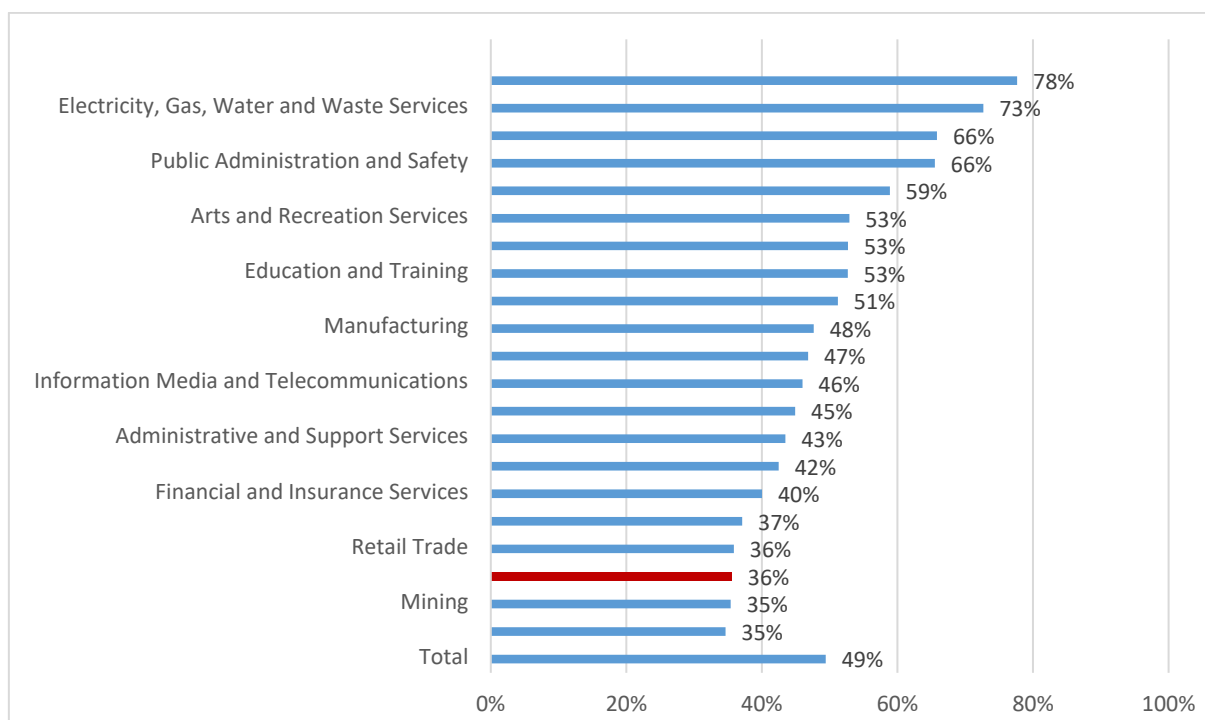
Travel Method to Work (% of total), Eastgardens-Maroubra SA2 regions vs. Greater Sydney (2016)

Method	Pagewood – Hillsdale – Daceyville SA2	Maroubra West SA2	Combined i.e. Eastgardens-Maroubra	Greater Sydney
Public transport	16%	14%	16%	24%
Vehicle	63%	58%	62%	58%
Active Transport	4%	10%	6%	5%
Other mode	0%	0%	0%	0%
Worked at home or did not go to work	15%	17%	15%	12%
Mode not stated	1%	1%	1%	1%
Total	100%	100%	100%	100%

Source: Census 2016

According to Census 2016, approximately 62% of workers in the combined Pagewood-Hillsdale-Daceyville and Maroubra-West SA2 region relied on a private vehicle to commute to work on Tuesday the 9th of August (Census day), with just 16% utilising public transport. In Greater Sydney, around one-quarter of workers used public transport on the day, suggesting that the outcome for the combined region is quite low. On that score, the fact that the proposed development is situated at a location which is highly accessible by bus and given that private vehicle usage in the Professional, Scientific and Technical Services (a key prospective tenant group for the proposed development) is low (at 36%) in comparison to other industries amongst Eastern Suburbs workers, it is expected that there will be some improvement on the 2016 outcome for the area if the development were to ensue.

Private Vehicle Utilisation by Industry, Eastern Suburbs (2016)



Source: Census 2016

The proposed development will reduce the commute time and distance for some local working residents in the Eastern Suburbs. For a working resident who lives in Randwick, Mascot, Hillsdale and suburbs south of Matraville and works in Sydney CBD, a commute to the proposed development site will be more time efficient, and substantially shorter distance-wise. It is estimated that the time to travel from Matraville to Sydney CBD (i.e. Wynyard Station) using public transport is around 44 minutes (at 7:30am on the 19/10/2018). In contrast, a commute from Matraville to the proposed development is estimated at just 10 minutes, translating to a time saving of around 34 minutes, and placing this commuter well within the objective of a 30-minute city. Average commute times for several locations in the Eastern Suburbs to Sydney CBD and the proposed development are presented in the table below, with all exhibiting a time saving and importantly, remaining within the 30-minute city objective of the GSC Greater Sydney Regional Plan.

Commute Times from Eastern Suburb Locations to Sydney CBD and Proposed Development

Usual Place of Residence	Sydney CBD*	Proposed development	Time efficiency
Matraville	44 minutes	10 minutes	34 minutes
Maroubra	44 minutes	11 minutes	33 minutes
South Coogee	44 minutes	20 minutes	24 minutes
Kingsford	32 minutes	16 minutes	16 minutes
Randwick	34 minutes	22 minutes	12 minutes
Botany^	44 minutes	19 minutes	25 minutes
Kensington	24 minutes	22 minutes	2 minutes

Note: Estimated at 730am on the 19/10/2018 via bus and walking unless otherwise specified

* Wynyard Station ^ Bus and train

Source: Google

7.3 CONCLUDING REMARKS

Overall, the proposed development complies with relevant Section 9.1 Directions and the Regional Plans with respect to economic employment and the role/function of the Eastgardens-Maroubra Strategic Centre, in that it:

- Encourages employment growth in a suitable location;
- Protects business zoned employment land in the Eastgardens-Maroubra Strategic Centre;
- Delivers an outcome which is consistent with the objectives of a B3 Commercial Core zoning;
- Provide an additional source of jobs growth, which is the principal underlying economic goal for strategic centres in Greater Sydney;
- By appealing to a different selection of industries and business, it will reinforce and support the viability of Eastgardens-Maroubra Strategic Centre;
- Integrates land use with transport, in that the proposed development is anticipated to result in higher public transport utilisation rates and reduced car dependence;
- Improves access to jobs and services via public transport; and
- Supports the efficient and viable operation of public transport services.

SECTION 8: CONCLUDING STATEMENT

Through large floorplate provision and significant adjoining amenity, the proposed development will offer a point of difference which is expected to appeal to a different industry and tenant mix than that currently observed in existing local centres. Unlike these markets which are geared at local service firms and certain specialist industries such as aviation, health and logistics, the proposed development is anticipated to be tenanted by regional service firms and wealth-add industries. These tenants will generate trade from beyond the local trade area i.e. from regional, national or international businesses (as opposed to local firms and clients). The introduction of a different tenant and industry base has the added benefit of diversifying the local economy – which at present, is heavily reliant on the transport and logistics sector as a source for external trade.

The proposed development is also capable of accommodating back or head office functions of existing industrial-office businesses in the region that may seek to relocate its industrial operations to more affordable premises in Western Sydney. Additionally, the proposed development will be able to accommodate firms which have outgrown the region i.e. promote retention. Finally, there will be limited overlap with the future intended industry profile of major centres in the region such as Randwick-Kensington (designated education and health destination), Port Botany and Sydney Airport (major trade gateways).

The proposed project represents an opportunity to achieve an office outcome, which is a rare feat in the Eastgardens-Maroubra Strategic Centre. Compared to other projects, the proposed development possesses a distinct advantage from a feasibility perspective, in that the land cost component is partially embedded in the existing retail centre. The development also incorporates 27,500m² of retail floorspace, which typically incurs higher rents, and as such, will cross subsidise the ground works, basements and loading of the commercial component. Moreover, unlike the subject site which is zoned B3 Commercial Core, the majority of sites in Maroubra along Anzac Parade is zoned B2 Local Centre, which permits with consent shop-top housing, which reduces the probability of a standalone office development given the superior returns attained from residential construction.

There are attractive features and traits of the proposed development that will help differentiate it from existing provision in the area, namely accessibility (access to public transport and arterial roadways), co-location with retail, lifestyle and services (childcare and existing primary health), access to skilled workers and proximity to open space and recreational facilities.

A combination of access to public transport provision and an industry mix which is more congruent with working resident skills and expertise, the proposed development is expected to improve current levels of self-containment in the Bayside LGA. It is also anticipated to render a positive operational outcome (between 2,120 and 2,625 jobs), which is roughly on par with that registered over a five-year period to FY2017 across the entire Bayside LGA (+2,102 jobs). The office component alone is expected to render an estimated 1,220-1,525 operating jobs. Additionally, the commute time for some local working residents will be reduced below 30 minutes, which is congruent with the 30-minute objective of Greater Sydney Commissions Greater Regional Plan.

Overall, the proposed development adheres with the objectives of its zoning and the overarching strategic vision for the Eastgardens-Maroubra Strategic Centre, in that it will create jobs which is a fundamental economic goal of Sydney. Overall, the case to proceed with the proposed development is compelling.

APPENDIX ITEM 1: SECTION 9.1 DIRECTIONS

Element	Description
1.1 Business and Industrial Zones	
Objective	The objectives of this direction are to: (a) encourage employment growth in suitable locations, (b) protect employment land in business and industrial zones, and (c) support the viability of identified centres
Where and when it applies	This direction applies to all relevant planning authorities. This direction applies when a relevant planning authority prepares a planning proposal that will affect land within an existing or proposed business or industrial zone (including the alteration of any existing business or industrial zone boundary).
Requirements	A planning proposal must: (a) give effect to the objectives of this direction, (b) retain the areas and locations of existing business and industrial zones, (c) not reduce the total potential floor space area for employment uses and related public services in business zones, (d) not reduce the total potential floor space area for industrial uses in industrial zones, (e) ensure that proposed new employment areas are in accordance with a strategy that is approved by the Secretary of the Department of Planning and Environment.
Consistency	A planning proposal may be inconsistent with the terms of this direction only if the relevant planning authority can satisfy the Secretary of the Department of Planning and Environment (or an officer of the Department nominated by the Secretary) that the provisions of the planning proposal that are inconsistent are: (a) justified by a strategy which: i. gives consideration to the objective of this direction, and ii. identifies the land which is the subject of the planning proposal (if the planning proposal relates to a particular site or sites), and iii. is approved by the Secretary of the Department of Planning and Environment, or (b) justified by a study (prepared in support of the planning proposal) which gives consideration to the objective of this direction, or (c) in accordance with the relevant Regional Strategy, Regional Plan or Sub-Regional Strategy prepared by the Department of Planning and Environment which gives consideration to the objective of this direction, or (d) of minor significance. Note: In this direction, “identified centre” means a centre that has been identified as a strategic centre, regional city or centre in a regional strategy, regional plan, sub-regional strategy, or another strategy approved by the Secretary.

3.4 Integrating land use and transport

Objective	The objective of this direction is to ensure that urban structures, building forms, land use locations, development designs, subdivision and street layouts achieve the following planning objectives: (a) improving access to housing, jobs and services by walking, cycling and public transport, (b) increasing the choice of available transport and reducing dependence on cars, (c) reducing travel demand including the number of trips generated by development and the distances travelled, especially by car, (d) supporting the efficient and viable operation of public transport services, and (e) providing for the efficient movement of freight.
Where and when it applies	This direction applies to all relevant planning authorities This direction applies when a relevant planning authority prepares a planning proposal that will create, alter or remove a zone or a provision relating to urban land, including land zoned for residential, business, industrial, village or tourist purposes
Requirements	This direction applies when a relevant planning authority prepares a planning proposal that will create, alter or remove a zone or a provision relating to urban land, including land zoned for residential, business, industrial, village or tourist purposes
Consistency	A planning proposal may be inconsistent with the terms of this direction only if the relevant planning authority can satisfy the Director-General of the Department of Planning (or an officer of the Department nominated by the Director-General) that the provisions of the planning proposal that are inconsistent are: (a) justified by a strategy which: i. gives consideration to the objective of this direction, and ii. identifies the land which is the subject of the planning proposal (if the planning proposal relates to a particular site or sites), and iii. is approved by the Director-General of the Department of Planning, or (b) justified by a study prepared in support of the planning proposal which gives consideration to the objective of this direction, or (c) in accordance with the relevant Regional Strategy, Regional Plan or Sub-Regional Strategy prepared by the Department of Planning which gives consideration to the objective of this direction, or (d) of minor significance.

Accelerating success.

