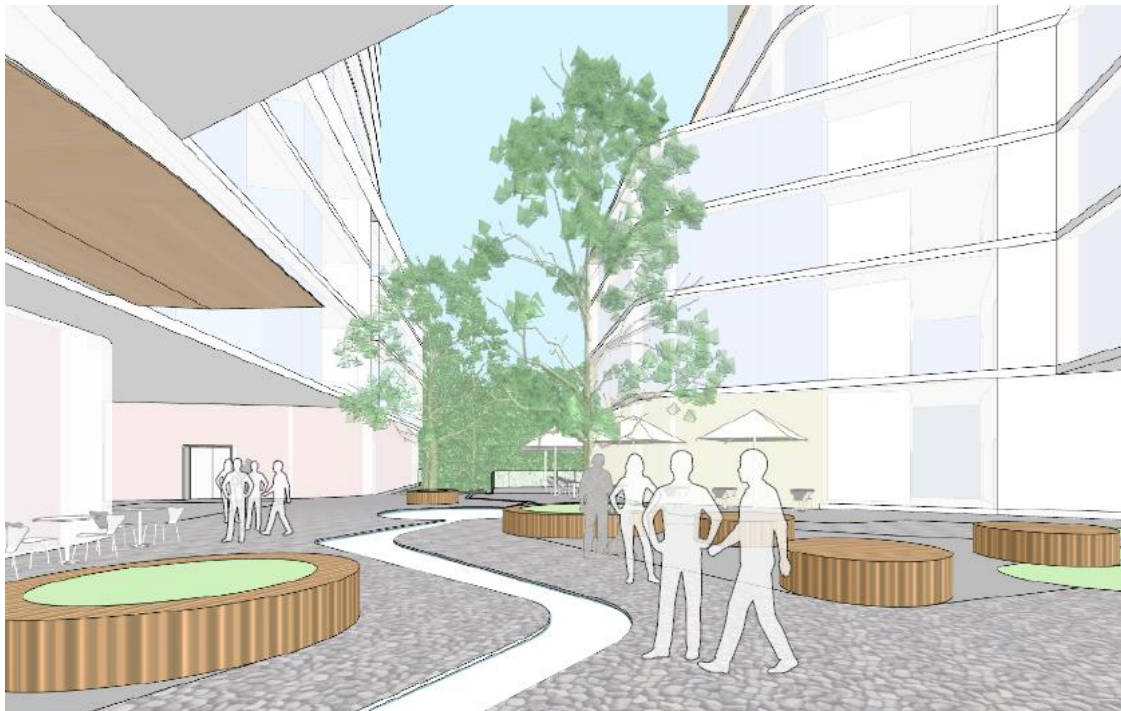


EDGECLIFF 8-10 NEW MCLEAN STREET

Economic Assessment



Prepared for Landmark Group

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EXECUTIVE SUMMARY

The site known as 8-10 New McLean St, Edgecliff (subject site) comprises two older residential apartment buildings less than fifty metres (50m) from Edgecliff Station and immediately across New McLean Street from Edgecliff Centre Shopping Mall. Mount St 4 Pty Ltd intends to redevelop the site as a mixed-use development. HillPDA was commissioned by Mount St 4 Pty Ltd to assess the demand for residential, retail and other commercial land uses on the site, to provide evidence supporting the case for increased density and the likely economic impacts from redevelopment.

The need for housing

When compared to Greater Sydney the higher prices of strata dwellings in Edgecliff, the significantly higher growth rate in strata prices over the past 10 years and the lower number of strata sales are evidence of a strong and growing demand for apartment living in the suburb combined with a very tight supply that has been largely static. The median strata price in Greater Sydney increased by 47% but more than doubled in Edgecliff. Notwithstanding that almost the entire stock in Edgecliff is more than 30 years old the median price is 70% higher than Greater Sydney.

In the Eastern Suburbs the supply of land is fixed making it impossible to increase the supply of detached housing. As a result families have been shifting their preferences towards apartment living. Demand for apartments have also been driven by CBD workers that prefer to minimise commuting times, and also by older residents looking to divest their large homes and downsize into apartments with elevated views in close proximity to services. Council has also identified a clear need for 1,900 affordable dwellings for key workers in the Woollahra LGA that cannot afford the housing costs in the local area.

Despite this high level of demand, which continues to rise, supply is constrained. The supply of new dwellings in Edgecliff and in the rest of the LGA has been slow – well below the targets set by NSW Government. The NSW Government target is 160 more dwellings every year over the next 20 years but supply has only increased by 512 over the past 15 years – around 35 per annum.

At best the ECCPUDS will deliver 500 new apartments by 2041, but this would only meet 16% of the DPIE forecast for the LGA. Development in the ECCPUDS will be difficult because it involves site amalgamations many of which are already strata titled, vehicle access would be compromised and the residential amenity along the busy arterial road is poor.

The subject site provides one of the few opportunities to develop a large single parcel of land within 500m of the train station without direct frontage and access to New South Head Road.

The need for commercial space

Edgecliff shopping centre has a primary trade area of a walkable catchment that extends to a distance of 500m to 600m from the train station, which includes the suburb of Edgecliff and parts of Darling Point, Woollahra and Paddington. It also includes a secondary trade area which is the balance of Darling Point. Some trade is also generated from workers in the centre, from commuters (train/bus interchange) and other sources (such as Ascham Girls High School and visitors to the medical centres and other service providers).

The population of the primary and secondary trade areas is expected to increase from 9,300 in 2022 to around 10,900 by 2041 and the number of jobs is expected to increase from 4,200 to 4,700. Based on reasonable levels

of capture of expenditure from these sources around 16,300sqm of shopfront space is supportable by 2026 which will increase to around 19,250sqm by 2041.

Edgecliff currently has around 13,000sqm of shop front space GLA. Edgecliff Centre and Eastpoint Food Fair above the train station provides around 8,000sqm and there is an additional 5,000sqm approximately of lower grade strip retail along New South Head Road. The two main anchor retailers are Coles supermarket and ALDI Foodstore.

Our demand analysis indicates a demand for 15,000sqm of shopfront space in 2022, projected to grow to 19,250sqm by 2041. Considering the current provision of 13,000sqm, this suggests a need for an additional 6,250sqm by 2041. The proposed 1,000 to 2,000sqm on-site accounts for only 16 to 32 percent of this growth, with the balance potentially being accommodated into Edgecliff commercial centre's planned uplift.

The retail floorspace identified and quantified in the Edgecliff Commercial Core Planning and Urban Strategy (draft Strategy) and in this report cannot be compared because they are not like for like. The estimate of 20,500sqm in the draft strategy refers to Gross Floor Area (GFA), not leasable floor area (GLA) and it includes uses which are not defined as retail in this report such as petrol stations, automotive retailing, gymnasiums and other recreational uses. The retail floorspace in this report is gross leasable area retail (GLAR) as defined by the Property Council of Australia which excludes those uses mentioned above.

The draft Strategy also suggests an additional 5,450sqm of retail space GFA is achievable by 2041 if all the remaining potential sites in the redevelopment area are redeveloped. This is unlikely to be achieved given the difficulties of site amalgamations and resolving access and amenity problems through reasonable design solutions for properties fronting New South Head Road (NSHR). Assume 80% of that floor space is delivered the more likely estimate is 4,360sqm.

Assuming 63% (13,000sqm / 20,500sqm) of this space meets the definition of GLAR then the amount of additional space being delivered by 2041 under the draft strategy is likely to be around 2,800sqm. This is almost 3,500sqm below the 6,250sqm of additional space that will be demanded by additional residents, workers and visitors in Edgecliff. The subject site can deliver some this shortfall.

In contrast to the congestion and poor amenity along NSHR the subject site offers a far superior quality of amenity between the train station and Trumper Park which would significantly enhance the shopping experience in the area.

Moreover, there is a notable absence of food services (restaurants and the like) in Edgecliff. It's likely that spending in these categories is currently directed towards Double Bay and Bondi Junction. The Planning Proposal, synergizing with adjacent Trumper Park and facilitating improved access between the park and Edgecliff Station, presents an opportunity to establish a dedicated restaurant precinct and dining experience which is presently lacking in Edgecliff.

Based on Transport for NSW job forecasts there is a need for more commercial office space in Edgecliff of more than 7,000sqm by 2041. Up to 2,000sqm is supportable on the subject site although the rental levels are expected to be a little lower than Edgecliff Centre which will be more A-grade in quality. Likely occupants would be medical and education services but legal, financial, business and real estate services providers are also possible as well as hi-tech incubator space service providers such as WeWork and WOTSO.

Economic impacts

Based on an estimated cost of \$204m, design and construction will generate 444 job years (full time equivalent jobs over one year). A further 1,207 job years is expected to be generated and/or supported through production induced and consumption induced multiplier impacts.

State and local government stand to receive additional revenue and benefits from design and construction which is estimated at \$118.1m. This includes GST and stamp duties on the sale of apartments, developer contributions, affordable housing contribution, payroll tax and long service levy.

When fully occupied the proposed building is expected to provide 97 jobs on site. Around 74 jobs will occupy the retail, commercial and community spaces. A further 23 residents in the building will undertake the majority of their paid work at home.

INTRODUCTION

1.0 INTRODUCTION

The site known as 8-10 New McLean St, Edgecliff (subject site) has a land area of 7,226 square metres and comprises two older residential apartment buildings less than fifty metres (50m) from Edgecliff Station and immediately across New McLean Street from Edgecliff Centre Shopping Mall. Mount St 4 Pty Ltd intends to redevelop the site as a mixed use development. HillPDA was commissioned by Mount St 4 Pty Ltd to assess the demand for residential, retail and other commercial land uses on the site, to provide evidence supporting the case for increased density and the likely economic impacts from redevelopment.

This report has been structured as follows:

- Introduction:
- Residential demand: This chapter assesses the demand for more residential apartments in Edgecliff based on the socio-demographic character of residents in the locality, prices and price movements in apartments.
- Retail demand: This chapter considers the opportunity for retail spaces on the subject site and quantifies the demand generated by residents in the locality, workers and visitors.
- Office space demand: This chapter considers the opportunity for office suites on the subject site based on forecast office workers and commercial real estate market evidence
- Economic impacts of construction: This chapter considers and quantifies the economic benefits from design and construction in terms of job creation, value adding to the regional economy and financial benefits to whole of government
- Economic impacts post construction: This chapter quantifies job creation on site and value adding to the regional economy.

RESIDENTIAL DEMAND

2.0 RESIDENTIAL DEMAND

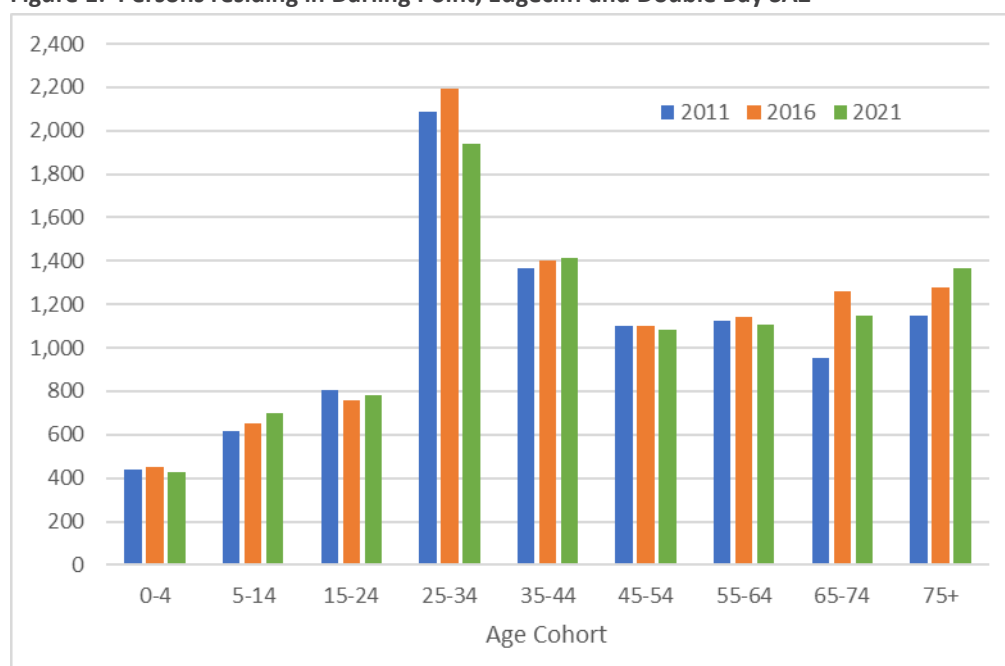
2.1 Demographic characteristics

Population in the Edgecliff / Double Bay / Darling Point Statistical Area 2 (SA2)¹ increased from 9,631 in 2011 to 10,232 in 2016 (6.2% increase) but decreased to 9,958 in 2021 (3.7% decline). This is largely the result of insufficient supply of new housing. Occupied dwellings increased 5% from 2011 to 2016 but decreased 5% from 2016 to 2021. The lack of new housing supply to keep up with rising demand is resulting in house price increases over and above the metropolitan average and an increasing affluent resident population.

Edgecliff has an affluent population with a personal median income of \$1,690/week which is almost double the median personal income in Greater Sydney. Also median family income (\$4,303/week) is 81% higher than Greater Sydney. The difference with family income is a little narrower due to slightly smaller average household size².

The population is ageing with the median age increasing from 41 years in 2011 to 43 years in 2021. The chart below shows population by age cohort.

Figure 1: Persons residing in Darling Point, Edgecliff and Double Bay SA2



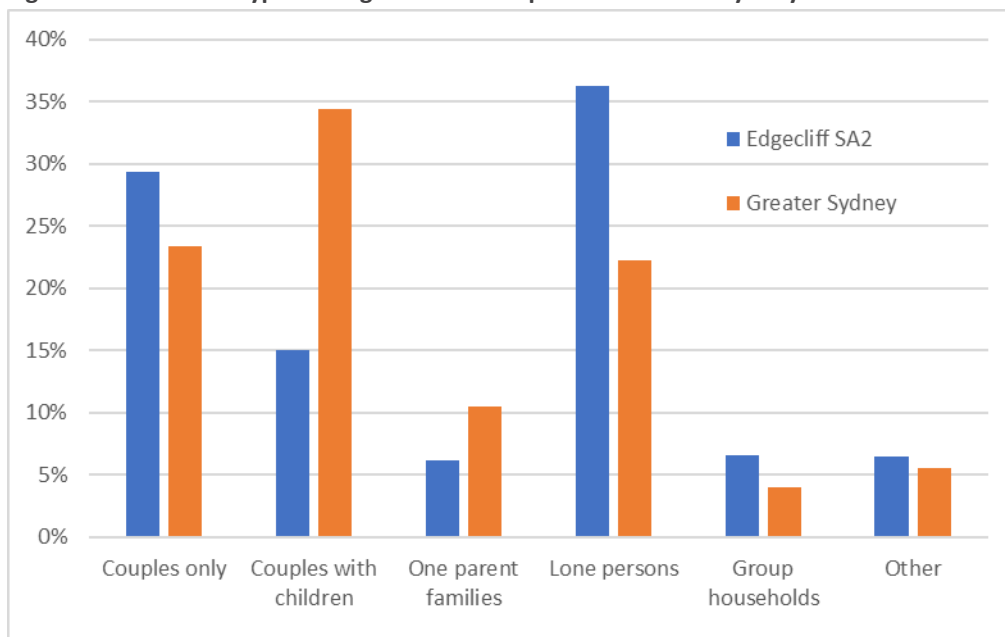
Source: ABS Census Time Series Data

Edgecliff SA2 has a high proportion of lone person households compared to Greater Sydney as depicted in the chart immediately below.

¹ Refer to ABS website <https://www.abs.gov.au/census/guide-census-data>

² ABS Census Edgecliff Double Bay SA2 Time Series Profile 2011-21

Figure 2: Household types in Edgecliff SA2 compared to Greater Sydney



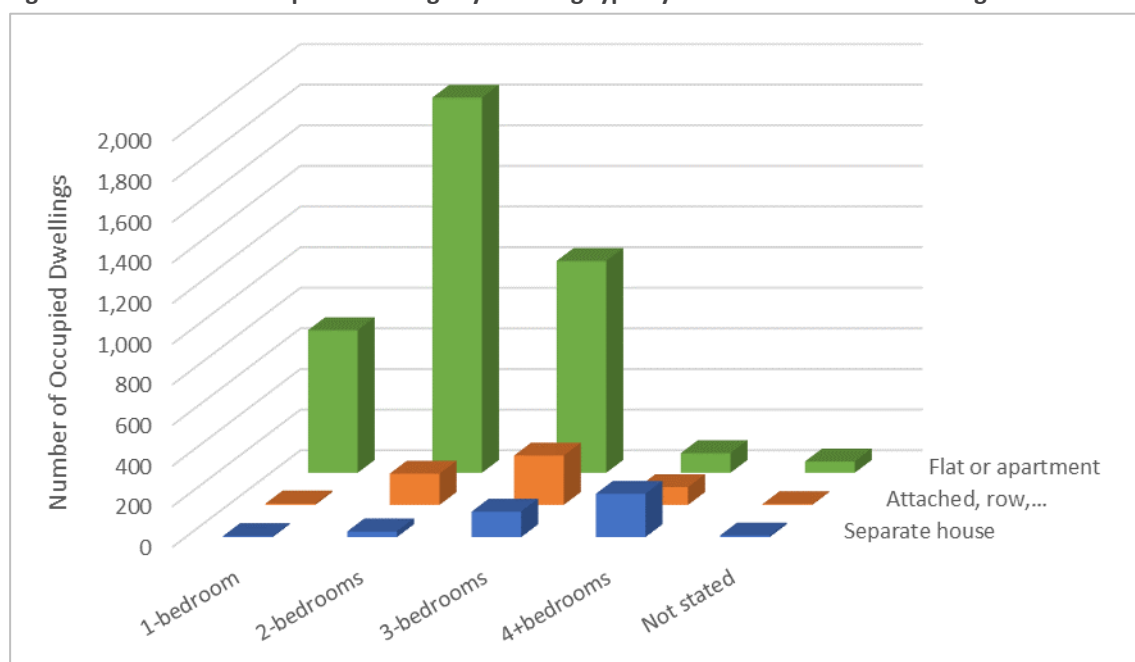
Source: ABS Census 2021

Lone person households comprise 36% of total households in the Edgecliff SA2 compared to 22% for Greater Sydney. The SA2 has an underrepresentation of couples with children households at 15% compared to 34% for Greater Sydney. Single parent households are also underrepresented at 6% compared to 10% for Greater Sydney.

2.2 Dwelling Type

The chart immediately below shows the number of occupied dwellings by dwelling type and by bedroom number in the Edgecliff SA2 in 2021.

Figure 3: Number of occupied dwellings by dwelling type by number of bedrooms in Edgecliff SA2 2021



Source: ABS Census 2021

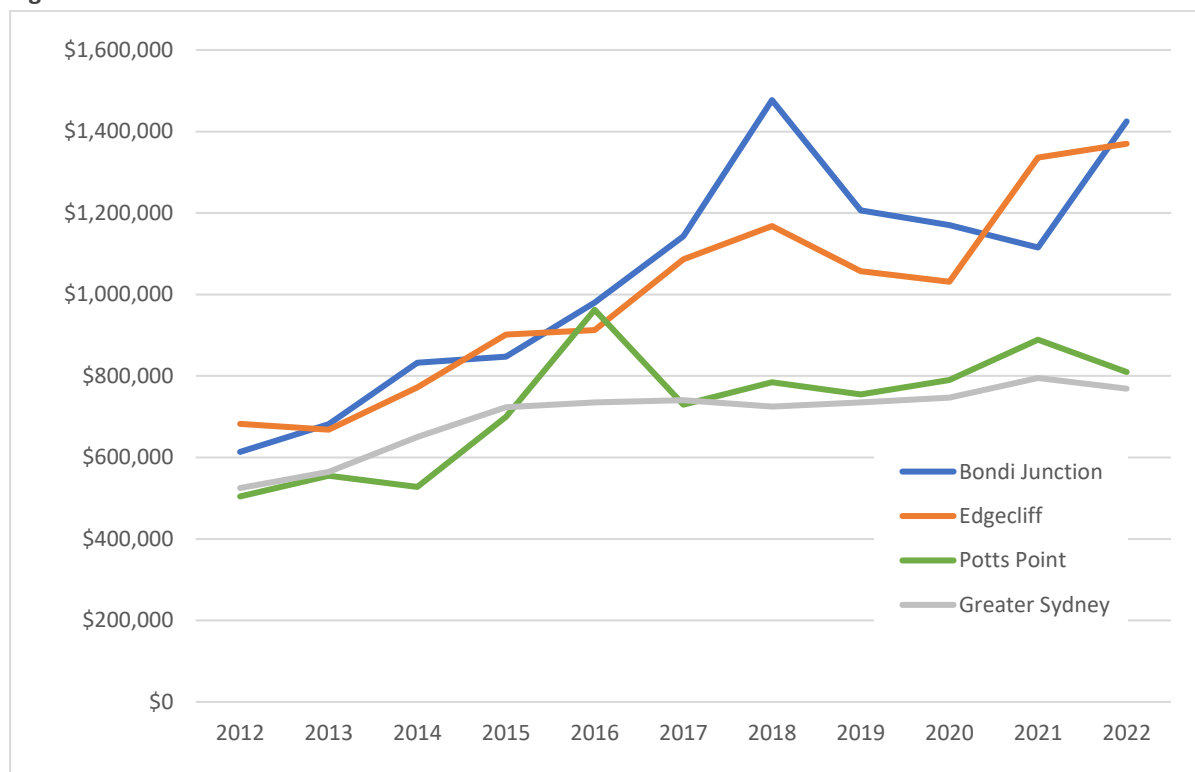
Edgecliff SA2 has a very high proportion of apartments (81% of total dwellings) compared to Greater Sydney (31%) which is understandable given its location in the inner city area. It also has a very high proportion of 1 and 2 bedroom dwellings (60% of total dwellings) compared to Greater Sydney (35%).

2.3 The residential market

By far the best measure of over or undersupply of any commodity relative to demand is the price that consumers are prepared to pay and movements in price over time. If the price of dwellings is high in a capital city relative to other capital cities it is because of stronger desirability to live there. If the price of a particular suburb in a city is high relative to the rest of the city it is because there is a strong desirability to live in that suburb. Sharp upward movements in price in a particular suburb reflects a sharp increase in demand for housing relative to constrained supply.

As shown in the chart below the prices of apartments in the suburbs of Edgecliff and Bondi Junction are considerably higher than Greater Sydney reflecting a strong desire to live there. The price increases in these suburbs have also been significantly higher than Greater Sydney. In 2012 apartments in Edgecliff were 30% higher than Greater Sydney. Today they are 80% higher.

Figure 4: Median Strata Price 2012 to 2022



Source: CoreLogic Suburb Statistics Reports and ABS Cat 6416.0

Potts Point prices appear low given its position in Sydney. However much of the stock in Potts Point is older smaller apartments without car spaces which discounts the value. Median unit prices are considerably lower than average prices in the eastern suburbs due to the skewing of prices in the upper end – particularly 3 bedroom apartments with multiple car spaces and water views which can achieve prices well above \$3m.

The table immediately below shows the range of prices by bedroom mix in the Edgecliff and Bondi Junction suburbs. The prices were derived from actual sales from July 2018. Three further sets of sales were analysed for

comparison purposes. The column heading “Edgecliff Towers” refers to sales from July 2016 in the only four high rise buildings (eight plus storeys) within 300m from Edgecliff Station. These buildings are:

- 170 Ocean Street Edgecliff
- 180 Ocean Street Edgecliff
- 442-446 Edgecliff Road Edgecliff and
- 3-17 Darling Point Road Darling Point.

These four buildings were all completed in the 1980s. There have been no further additions of high rise buildings in Edgecliff since. Two further buildings in Bondi Junction were analysed separately as these buildings were completed more recently. 59 Oxford Street was completed in April 2020 and 109 Oxford Street was completed in October 2019.

Table 1: Selected statistics on unit prices in Edgecliff and Bondi Junction

	Edgecliff*	Edgecliff Towers**	Bondi Junction*	59 Oxford St Bondi Jn***	109 Oxford St Bondi Jn***
No. of Sales	198	91	787	58	85
Average Prices					
1-bed	\$836,184	\$1,480,571	\$903,491	\$1,112,143	\$1,075,150
2-bed	\$1,444,032	\$2,136,026	\$1,412,263	\$1,640,500	\$1,604,000
3+ bed	\$2,966,400	\$2,951,900	\$2,369,399	\$2,560,833	\$2,652,500
ALL UNITS	\$1,552,093	\$2,248,377	\$1,463,600	\$1,621,466	\$1,292,840
Lowest Price	\$442,500	\$940,000	\$400,000	\$800,000	\$850,000
Median Price	\$1,200,000	\$2,150,000	\$1,340,000	\$1,517,500	\$1,135,000
Highest Quartile	\$1,922,500	\$2,750,000	\$1,750,000	\$2,262,500	\$1,500,000
Highest Decile	\$3,053,000	\$3,250,000	\$2,400,000	\$2,682,500	\$1,775,333
Highest Price	\$5,750,000	\$6,100,000	\$5,600,000	\$2,800,000	\$2,625,000
Preselling				Aug-17	Dec-16
Building Completion		1980s		Apr-20	Oct-19

* Includes all sales since July 2018

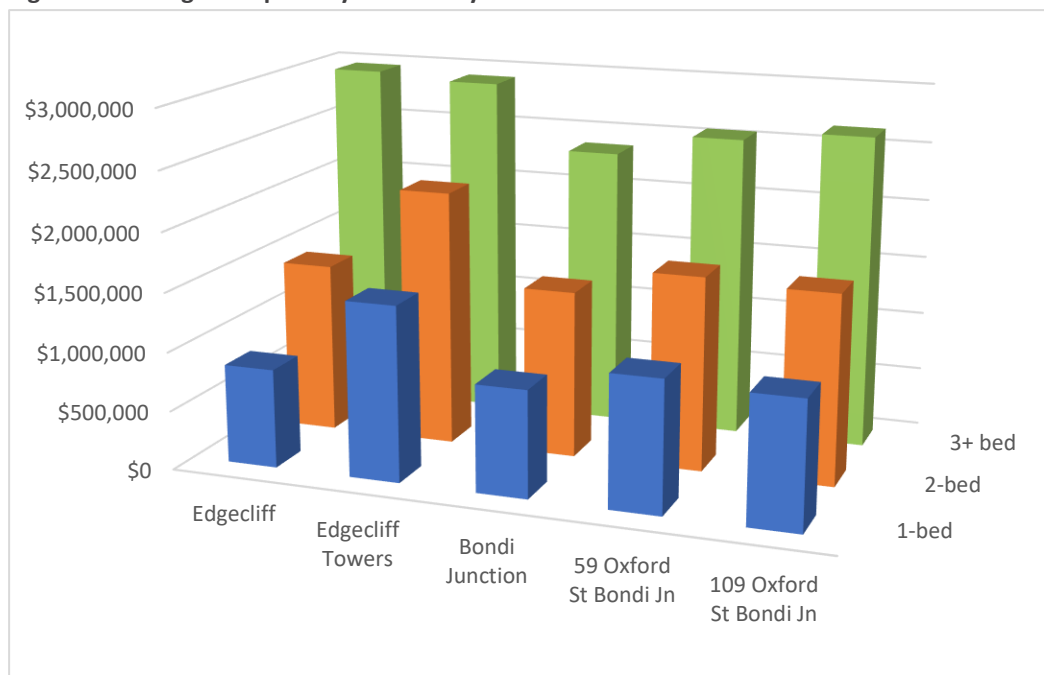
** Edgecliff towers refer to the only four high-rise residential buildings (8+ storeys) within 300m from Edgecliff Station. The addresses of these buildings are 170 Ocean Street Edgecliff, 180 Ocean Street Edgecliff, 442-446 Edgecliff Road Edgecliff and 3-17 Darling Point Road Darling Point. Data Includes all sales since July 2016.

*** Indicative of two recently completed buildings. Includes all sales

The average price of all units in Edgecliff sold since July 2018 was \$1.55m. Average price in the four high rise buildings was considerably higher at \$2.25m and considerably higher in all bedroom categories. The main reason is that these buildings were designed and pitched to a higher market and on the upper levels these apartments have views to the harbour. Average prices in the newer towers in Bondi Junction are a little higher than all units in Bondi Junction across all bedroom categories.

Average prices for one and two bedroom apartments in Edgecliff are similar to Bondi Junction but considerably higher for 3 plus bedrooms. While the median apartment price in Edgecliff is a little lower the highest quartile and decile price is considerably higher. This reflects the quality of stock in Edgecliff where larger apartments with distant views can command high prices. The difference in average prices is shown in the figure immediately below.

Figure 5: Average unit price by location by bedroom number

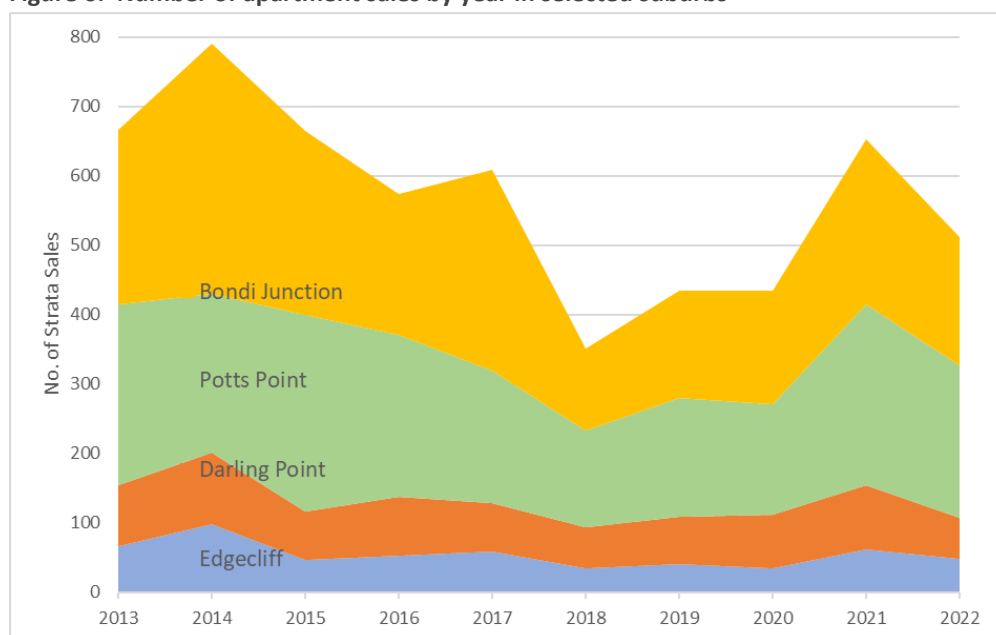


Source: CoreLogic RPData

The higher prices of more luxury apartments in Edgecliff compared to Bondi Junction reflects the fact that there has been no increase in supply since the 1980s. Rising demand and constrained supply is driving the prices upwards.

The number of sales in Edgecliff has been low by comparison with other suburbs as shown in the figure immediately below.

Figure 6: Number of apartment sales by year in selected suburbs



Source: CoreLogic RPData

Edgecliff and to some extent Darling Point as well have been tight markets with much fewer sales than Bondi Junction and Potts Point. Sales in Edgecliff have averaged 54 per annum over the past 10 years. By comparison Darling Point has averaged 77, Bondi Junction 223 and Potts Point 215. Bondi Junction and Potts Point have each achieved around four times as many strata sales as Edgecliff.

2.3.1 Key findings

When compared to Greater Sydney the higher prices of strata dwellings in Edgecliff, the significantly higher growth rate in strata prices over the past 10 years and the lower number of strata sales are evidence of a strong and growing demand for apartment living in the suburb combined with a very tight supply that has been largely static.

2.4 Buyer characteristics

Demand for apartments in the locality comes from family type households, downsizers and CBD workers.

2.4.1 Family households

Increasing scarcity of low-density housing and corresponding price rises is also impacting the demand for large apartments. In the established suburbs of Sydney, including the Eastern Suburbs, it is very difficult if not impossible to increase the supply of detached houses simply because land supply is fixed. Even medium density housing (such as villas and town houses) is difficult to procure due to high land costs and the lack of development feasibility. There are no development sites, or very few sites, available. This is a large factor in the high growth in house prices over the past 3 years compared to apartments. Little or nothing can be done about increasing land supply in the existing suburbs. This means that Sydney needs to grow upwards more than outwards, which has been occurring over the past couple of decades. As a result households must shift, and have been shifting, their dwelling preferences away from detached homes to higher density housing forms.

Whilst there may be a preference to live in detached dwellings the high costs for these dwelling types have limited the ability of households to afford to do so. One choice is to live further from the CBD. Alternatively the family household could shift its dwelling preference to say a large apartment. A large new apartment has some advantages over a detached house – particularly lower maintenance and proximity to Sydney CBD, major public transport infrastructure, retail, commercial and other urban services.

2.4.2 Downsizers

Housing suitable for older persons is increasingly demanded. This is known as the ‘downsizer market’ where older singles and couples in the Eastern Suburbs have lived most of their adult lives in detached houses. They are asset rich and can afford the luxury of a large apartment from divesting their house. There is stronger potential for downsizers to relocate if suitable apartments were available which then frees up their house for a new family household or for redevelopment. A luxury apartment elevated above ground with distant views and within a short walking distance to Edgecliff Station is an attractive housing choice giving these residents proximity to retail, health/medical, commercial, public transport and other services that they require.

2.4.3 Workers

Apartments in Edgecliff offer an ideal choice for CBD workers that want proximity to public transport with a high level of frequent service and rapid times to and from work. Whether owner-occupiers or renters these workers also demand amenity and proximity to retail and other services.

2.4.4 Affordable housing

Woollahra Council has an adopted Affordable Housing Policy 2021 which identifies a need for 1,900 affordable housing units. This need comes from key and essential workers in the LGA (such as nurses, police officers, teachers, etc) that can't afford the high cost of housing in the area. We understand that the subject proposal includes a component of affordable housing equivalent to 5% of the bonus floor space.

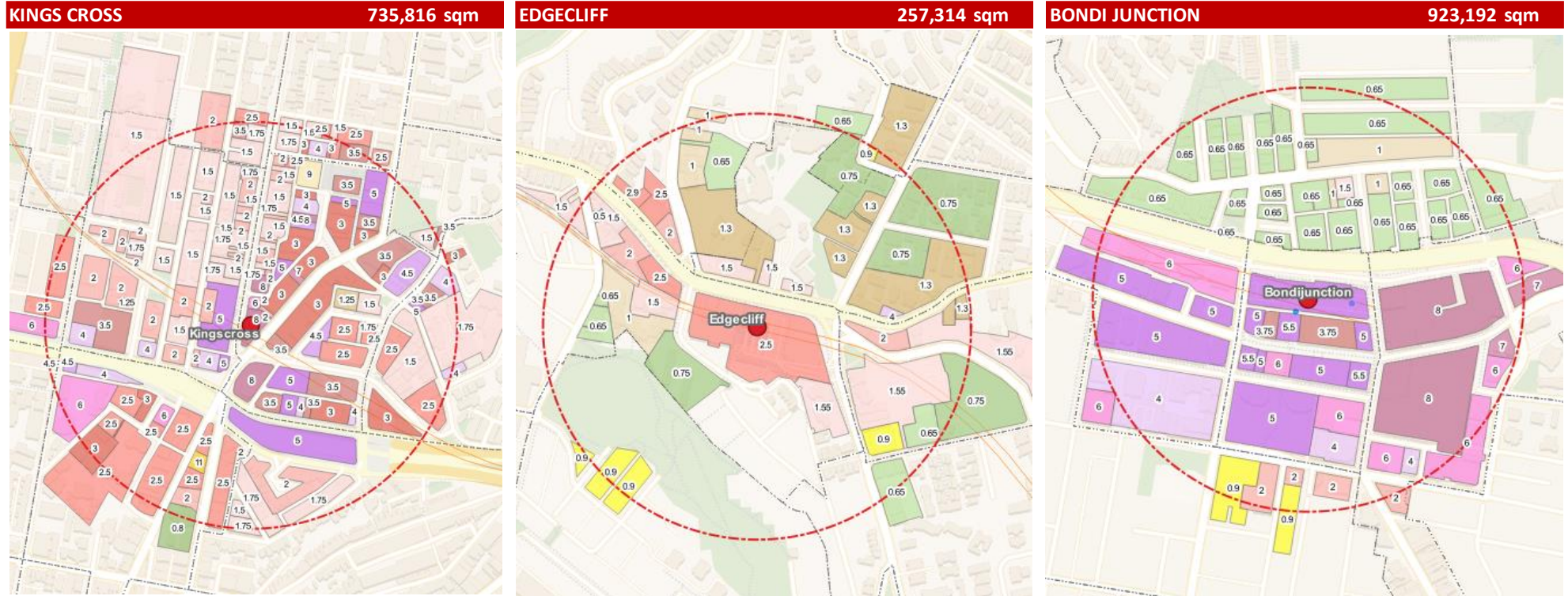
2.5 Housing capacity

Housing capacity in Edgecliff is benchmarked to other locations based on allowable floor space ratios by site areas. We benchmarked Edgecliff to Bondi Junction and Kings Cross to calculate allowable or maximum gross floor area within 500 metre radius of the train stations. These two localities were selected being on the same train line. The results are illustrated in the figure immediately below.

The assessment shows Edgecliff to have a possible maximum GFA of 257,314sqm. This is 35% of the potential maximum GFA at Kings Cross. In other words maximum GFA at Kings Cross is 2.85 times higher than Edgecliff. The contrast is even stronger when benchmarked to Bondi Junction. Maximum GFA at Bondi Junction is 923,192sqm. This is 3.6 times higher than Edgecliff.

All three stations share the same train line with frequent and rapid travel into Sydney CBD. Edgecliff is closer to Sydney CBD than Bondi Junction with a strong retail offer for regular food and grocery shopping and a strong offer of commercial and person services, particularly medical services. Being on a hill it enjoys views over Double Bay and Rushcutters Bay towards the harbour.

Figure 7: Maximum permissible floor space within 500m of Eastern Suburbs rail stations



2.6 Housing Targets

Under the Eastern City District Plan Woollahra was required to deliver 300 more dwellings between 2016 and 2021. It came close to achieving this target with 284 completions. This is by far the most conservative target. The other LGAs have considerably higher targets as shown immediately below.

■ Bayside	10,150
■ Burwood	2,600
■ Canada Bay	2,150
■ Inner West	5,900
■ Randwick	2,250
■ Strathfield	3,650
■ City of Sydney	18,300
■ Waverley	1,250
■ Woollahra	300
■ Eastern City District total	46,550

Woollahra's contribution is expected to be only 0.65% of the total Eastern City District. This is unusual considering the high level of desirability to live in the LGA. As measured by house prices it is the most desirable place to live in the Eastern City District (with a median house price of \$4.2m). It is the second most desirable place to live in NSW with Mosman LGA being the only LGA with a higher median house price (\$4.9m)³.

Council's adopted Housing Strategy 2021 sets further targets of 500 new dwellings from 2021 to 2026 and 400 new dwellings from 2026 to 2031.

NSW Department of Planning has higher targets post 2021. Based on its revised population and household projections 2022, NSW Department of Planning estimates that Woollahra LGA needs to deliver over 3,660 dwellings from 2016 to 2041 equivalent to around 730 dwellings every five years (or 140 per annum) from 2016 to 2041⁴. Given that only 300 was delivered in the first five years to 2021⁵ this means that an average of 840 every five years or 168 every year need to be delivered from 2021 over the next 20 years. This is a rate which is 87% higher than the annual rate under Council's Housing Strategy.

Edgecliff is clearly the best location to meet these dwelling targets given its position on the Eastern Suburbs Railway and its proximity to Sydney CBD.

This has been acknowledged by Council which is why it prepared the *Edgecliff Commercial Centre Planning and Urban Design Strategy* (ECCPUDS) which would significantly upzone the land along New South Head Road (NSHR) to permitting height and FSR increases. However redeveloping sites along NSHR comes with difficulties. It requires site amalgamations, many of which are already strata titled. Many sites have frontage and direct access only from NSHR. Many new dwellings along NSH Rd would have vehicle movements and waste collection arrangements directly on NSH Rd, which is already a compromised arterial road. Residential amenity along NSHR is poor due to traffic and noise thereby further undermining feasibility.

At best the ECCPUDS will deliver 500 new apartments by 2041, but this would only meet 14% of the DPIE forecast for the LGA.

³ NSW Rent and Sales Report March Quarter 2022

⁴ NSW Department of Planning, 2022 NSW Population, Housing and Implied Dwelling Projections Access on 14/11/2023
<https://www.planning.nsw.gov.au/research-and-demography/population-projections/explore-the-data>

⁵ Eastern City District Plan

There have been few new apartments in Edgecliff in the past 15 years – around 60 completions. No high-rise buildings (8+ storeys) have been completed since the 1980s.

The subject site provides one of the few opportunities to develop a large site within 500m of the train station without direct frontage and access to New South Head Road.

2.7 Pipeline projects

There are only a few projects in the pipeline in the Woollahra LGA. These are shown in the table immediately below.

Table 2: Pipeline projects in the Woollahra LGA

Project	Suburb	Stage	Units
Cross Street Car Park Development Site	Double Bay	Sketch Plans	18
Cross Street Mixed Development	Double Bay	Site Preparation in Progress	21
New South Head Road Apartments	Point Piper	Development Approval	17
Bellevue Road Units	Bellevue Hill	Development Approval	11
Yarranabbe Road Apartments	Darling Point	Development Approval	3
19-27 Cross Street Mixed Use Building	Double Bay	Contract Let	15
Victoria Road Apartments	Bellevue Hill	Construction	25
Wolseley Drive Units	Point Piper	Development Approval	4
Bellevue Road Apartments	Bellevue Hill	Development Approval	17
Wiston Gardens Units	Double Bay	Construction	4
195-203 O'Sullivan Road Apartments - Mira	Bellevue Hill	Construction	15
1 Mona Road	Darling Point	Construction	24
60-80 Oxford Street & James Street Units	Woollahra	Development Approval	14
84-88 Birriga Road Units	Bellevue Hill	D.A. Refused	16
186-192 Old South Head Road Residential	Bellevue Hill	Development Application	36
27-33 & 31-33 Knox Street Shop Top Housing	Double Bay	Development Application	2
TOTAL			242

Source: CoreLogic CordellsConnect March 2023 (only projects above \$10m investment value were included)

With so few apartments under construction and in the pipeline the LGA will face difficulties meeting its current and future housing targets. The other thing to note in the above table is that there is nothing planned in Edgecliff. While there are planning proposals including the subject site, Edgecliff Centre and Council's urban design strategy, it will be several years before these result in building completions. Even if building completion was achieved on the subject site within the next three years it would provide some small contribution towards meeting future housing targets. More likely it would be addressing inactivity over the past 3 decades and addressing pent-up demand rather than meeting future housing targets.

2.8 Key findings

When compared to Greater Sydney the higher prices of strata dwellings in Edgecliff, the significantly higher growth rate in strata prices over the past 10 years and the lower number of strata sales are evidence of a strong and growing demand for apartment living in the suburb combined with a very tight supply that has been largely static. The median strata price in Greater Sydney increased by 47% but more than doubled in Edgecliff. Notwithstanding that almost the entire stock in Edgecliff is more than 30 years old the median price is 70% higher than Greater Sydney.

In the Eastern Suburbs the supply of land is fixed making it impossible to increase the supply of detached housing. As a result families have been shifting their preferences towards apartment living. Demand for apartments have also been driven by CBD workers that prefer to minimising commuting times and by older residents looking to divest their large homes and downsize into apartments with elevated views in close proximity to services. Council has also identified a clear need for 1,900 affordable dwellings for key workers in the Woollahra LGA that cannot afford the housing costs in the local area.

Despite this high level of demand, which continues to rise, supply is constrained. The supply of new dwellings in Edgecliff and in the rest of the LGA has been slow – well below the targets set by NSW Government. The NSW Government target is 160 more dwellings every year over the next 20 years but supply has only increased by 512 over the past 15 years – around 35 per annum.

At best the ECCPUDS will deliver 500 new apartments by 2041, but this would only meet 16% of the DPIE forecast for the LGA. Development in the ECCPUDS will be difficult because it involves site amalgamations many of which are already strata titled, vehicle access would be compromised and the residential amenity along the busy arterial road is poor.

The subject site provides one of the few opportunities to develop a large site within 500m of the train station without direct frontage and access to New South Head Road.

RETAIL
DEMAND
ASSESSMENT

3.0 RETAIL DEMAND

The Chapter undertakes an assessment of the amount of retail space that could be accommodated on the subject site based on demand. The method of assessing demand was to identify the sources of trade – residents, workers and commuters.

Expenditure captured from surrounding residents is quantified by identifying the trade area(s), the current and future population in the trade area(s), the expenditure levels of trade area residents and the likely percentage of capture. In defining the trade area it is necessary to have an understanding of competing centres, their location relative to the subject site and their respective retail offers. This is provided in the following section.

3.1 Retail Centres

Below is a list of centres in the locality which influences the size of the likely trade area and the strength of influence and retail capture that could be achieved at Edgecliff.

3.1.1 Edgecliff

Edgecliff commercial area is centred above the train station where there are two shopping centres and a bus interchange directly above the train station. The two shopping centres are Edgecliff Centre and Eastpoint Food Fair.

Edgecliff Centre is a single level shopping centre with a total gross lettable area retail⁶ (GLAR) area of 3,154sqm. The anchor tenant is an ALDI foodstore of around 1,400sqm. The balance of retail is 24 specialty stores.

Eastpoint Food Fair is a two level shopping centre with a Gross Leasable Area (GLA) of 4,858sqm and a medical centre. The retail centre is anchored by a 3,183sqm Coles supermarket. The 900sqm Harris Farm was a mini-major although it recently closed and has been absorbed by an expanded Coles. The centre includes 28 specialty shops totalling 1,675sqm GLAR⁷.

Outside the two indoor centres there is around 5,000sqm of shop front space along New South Head Road stretched over a distance of around 500m from Glenmore Road to the west to 50m past Ocean Street to the East. The strip retail includes three restaurants, one specialty food store, four bulky good retailers, a bridal store, five homemaker/bulky goods retailers several personal services and non-retail commercial services.

3.1.2 Double Bay

Double Bay commercial centre is only 600m east of Edgecliff. It comprises around 35,000sqm of shop front space of which around 8,000sqm is occupied by non-retail commercial and community services. A survey by HillPDA in 2002 identified around 13 vacant shop front premises totalling around 1,000sqm – a vacancy rate of only 3%. CBRE found the vacancy rate had increased to just over 10% by 2006 largely due to the impact of the expansion of Westfield Bondi Junction. The centre has been slowly rebounding since and by 2012 the vacancy rate had fallen to a much healthier 5.2%⁸. Today there are five shop front premises available for lease (620sqm) which is a healthy vacancy rate of 1.8%⁹.

⁶ As defined by the Property Council of Australia

⁷ Property Council of Australia Shopping Centre Directory 2023

⁸ CBRE Marketview Sydney Metropolitan Retail 2012.

⁹ Commercial properties available for lease (source: www.realcommercial.com.au)

The centre has a further 23,000sqm of office space above ground floor space and in stand alone office buildings. At the time of survey Double Bay had around 6,700sqm of apparel stores, most of which provided high end fashion. This comprised 22% of total shop front space compared to 9% average for all shopping centres between 20,000sqm and 40,000sqm in size¹⁰.

The centre has a dual role providing both food, groceries and other regular shopping facilities for residents in the Double Bay suburb and surrounding of suburbs of Darling Point, Edgecliff, Bellevue Hill, Point Piper and Woollahra. It also has a large proportion of retail stores with high end fashion, other apparel and homewares for affluent residents of the eastern suburbs and further beyond.

Double Bay has some competition with Edgecliff in its food and groceries role but has almost no competition in the high end fashion and homewares area. Its strongest competitor in this category is Bondi Junction.

3.1.3 Bondi Junction

Bondi Junction is a major centre, 1.8km southeast of Edgecliff Station. It has wide trade area encompassing the eastern suburbs as well with a strong influence extending into the inner South Sydney / Botany area. Total GLAR is around 170,000sqm.

The centre is dominated by Westfield with around 131,767sqm of gross lettable area (GLA), including 97,832sqm of GLAR over six levels. It includes a David Jones, Myer and Target department stores, Coles and Woolworths full-line supermarkets, two food courts, Events Cinemas, numerous mini-majors such as Harris Farm, Rebel Sports Harvey Norman, Zara H&M, JB Hi-Fi, etc and around 250 specialty shops¹¹. In year to 31 December 2022 the centre achieved total retail sales of \$1,155.1 million – the highest performing centre in NSW. Total retail sales per square metre in 2022 was \$11,680/sqm – almost 50% higher than the median for regional shopping centres (above 50,000sqm GLAR) across Australia¹².

Eastgate Shopping Centre on Spring Street is a three level centre with 15,200sqm GLA including a Kmart department store, Coles and ALDI supermarkets and 30 specialty shops. In the 2022 calendar year it achieved total retail sales of \$111.4 million¹³, which equates to \$7,494/sqm – 19% below similar sized centre (between 6,000-20,000sqm).

Outside the two large indoor centres is a further 60,000sqm approximately of shop front space mainly fronting Oxford Street (for almost a kilometre) and Bronte Road and in numerous arcades.

3.1.4 Woollahra

Woollahra is a village centre on Queen Street one kilometre south of Edgecliff. Total GLAR is around 2,600sqm of which around 2,000sqm is occupied by retail stores. The centre has no supermarket or other anchor tenant. Many of the shops specialise in fashion, homewares and antiques.

3.1.5 Paddington

Paddington has around 36,000sqm of shop front space most of which fronts Oxford Street. There is a small cluster of retailers on Glenmore Road 800m to the southwest of Edgecliff Centre which is anchored by a 650sqm

¹⁰ IBECON Floor space data in Greater Sydney 2004

¹¹ Property Council of Australia Shopping Centre Directory 2022

¹² Shopping Centre News Big Guns 2023

¹³ Shopping Centre News Mini Guns 2022

Metro Woolworths supermarket. There is also a small 100sqm grocery store on Cascade Street just 500m south of Edgecliff Centre.

3.2 Resident expenditure

Current and forecast expenditure captured from surrounding residents is quantified by identifying the trade area(s), the current and future population in the trade area(s), the expenditure levels of trade area residents and the likely percentage of capture.

Adjacent to the existing Edgecliff commercial centre, the proposed retail centre on site is well placed to draw trade from patrons of Edgecliff Commercial Centre. As such it is considered an extension of the commercial centre of Edgecliff.

3.2.1 Trade area(s)

In defining Edgecliff's trade area(s) we have considered the below:

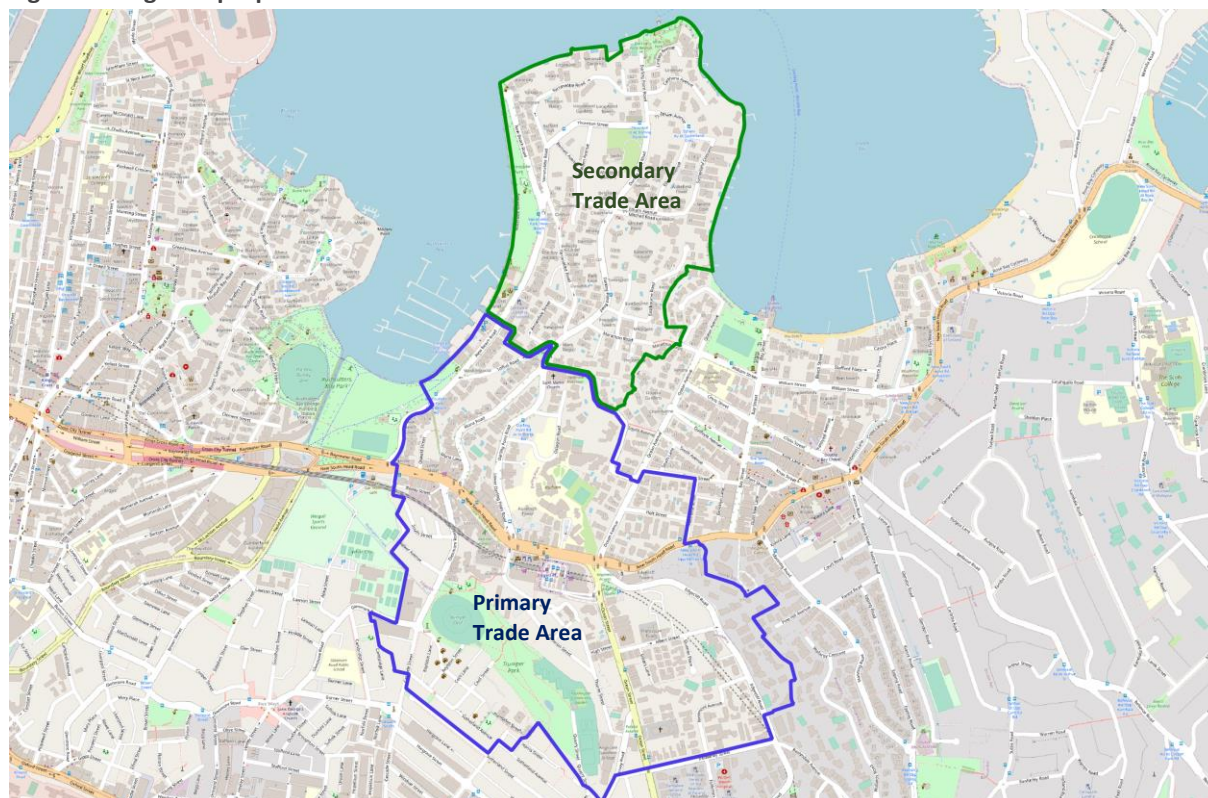
- The strength and attraction of the existing and future centre, factors such as composition, layout, ambience/atmosphere, car parking and synergy with other land uses
- Competitive retail centres, particularly their proximity to the subject site, respective sizes, retail offer and attraction
- The location and accessibility of the surrounding residential area, including the available road and public transport network and travel times and the respective levels of convenience between competing centres
- The presence or absence of physical barriers, such as rivers, railways, major parks and freeways.

Based on the above we have derived the following trade areas:

- Primary trade area (PTA) is the residential area generally within 550m walking distance from the subject site. The trade area shortens to the east due to the topography of the land and the presence of the much larger centre of Double Bay which is only 600m to the east.
- Secondary trade area (STA) North is the balance of the suburb of Darling Point. There are no retail centres in Darling Point and the main collector road, Darling Point Road, that runs through the middle of the suburb starts from New South Head Road just opposite Edgecliff Centre. As a result it is reasonably convenient for Darling Point residents to shop in Edgecliff although Double Bay also provides a strong and relatively convenient offer.

The trade areas are depicted on the map immediately below:

Figure 8: Edgecliff proposed centre’s residential trade area



Source: QGIS, ABS Meshblocks and HillPDA

3.2.2 Population Growth

The PTA accommodates around 6,300 residents and the STA around 3,000 residents, giving the main trade area (MTA which is the PTA and STA combined) of around 9,300 residents. Based on Transport for NSW (TPA) forecasts population growth in the MTA is expected to be modest – around 0.2% per annum. However the TPA forecasts do not account for:

- the proposed development which (if approved) has the potential to deliver around 250 apartments in the PTA over the short term
- the FSR uplifts proposed in the draft Edgecliff Commercial Centre Planning and Urban Design Strategy (draft Strategy) which theoretically could add a further 400 to 500 apartments in the PTA over the medium to long term.

Taking into account the proposed development and proposed uplifts¹⁴ as well as modest infill development across the balance of MTA, population in the MTA is projected to grow to almost 11,000 by 2041. The projected MTA populations are shown in the table immediately below.

Table 3: MTA population projections

Trade area	2022	2026	2031	2036	2041
PTA	6,318	6,675	7,359	7,680	7,856
STA	2,979	2,947	3,003	3,038	3,078
Total	9,297	9,622	10,362	10,717	10,934

Source: ABS Census of Population and Housing: Mesh Block Counts.

¹⁴ Assuming around 750 additional apartments with 1.7 residents per apartment (average household size in occupied apartments in 2021 in Edgecliff Suburb (ABS Census) and an occupancy rate of 95%

3.2.3 Household expenditure

Edgecliff residents have much higher personal income levels than NSW average and spend almost \$24,000 average per person per annum on retail goods and services. This is around 50% above the Sydney average (\$15,790)¹⁵. Darling Point residents spend a little more at around \$25,500 per annum – 60% above the Sydney average.

Assuming the proposed development is largely occupied by 2031 then estimated expenditure generated by trade area residents is forecast as follows:

Table 4: Total retail expenditure in the trade area from 2022-2041 (\$Millions¹⁶)*

Retail Category	2022	2026	2031	2036	2041
Primary					
Supermarkets and grocery stores	44.7	49.1	56.9	62.5	67.2
Specialised food stores	9.7	10.5	12.0	13.0	13.8
Bulky goods stores**	28.0	30.5	34.8	37.6	39.8
Department stores	4.6	4.8	5.1	5.2	5.2
Apparel stores	14.0	15.1	17.2	18.5	19.5
Other non-food stores	24.3	26.4	30.2	32.6	34.5
Restaurants and fast food services***	20.8	22.9	26.6	29.3	31.5
Personal services****	5.4	5.8	6.6	7.1	7.5
Sub-total	151.5	165.2	189.5	205.8	219.1
Secondary					
Supermarkets and grocery stores	21.5	22.1	23.7	25.2	26.8
Specialised food stores	4.8	4.9	5.2	5.4	5.7
Bulky goods stores**	14.1	14.4	15.2	15.9	16.7
Department stores	1.9	1.8	1.8	1.8	1.7
Apparel stores	7.4	7.5	7.8	8.2	8.5
Other non-food stores	12.8	13.0	13.7	14.3	15.1
Restaurants and fast food services***	10.8	11.1	11.9	12.7	13.6
Personal services****	2.8	2.8	3.0	3.1	3.3
Sub-total	76.0	77.6	82.3	86.6	91.3
Main Trade Area					
Supermarkets and grocery stores	66.2	71.3	80.6	87.7	94.0
Specialised food stores	14.4	15.4	17.2	18.5	19.5
Bulky goods stores	42.2	44.8	49.9	53.5	56.5
Department stores	6.5	6.6	6.9	7.0	7.0
Apparel stores	21.4	22.6	25.0	26.7	28.0
Other non-food stores	37.1	39.4	43.9	47.0	49.6
Restaurants and fast food services***	31.6	34.0	38.5	42.0	45.1
Personal services****	8.2	8.7	9.6	10.2	10.7
Total	227.5	242.8	271.8	292.4	310.4

Source: ABS retail sales data

* Allows 0.8% per annum real growth in spend per capita in line with the long term historic trend since 1986.

** Bulky Goods includes fabrics, soft goods, furniture, floor coverings, hardware, houseware, electrical appliances, sports and camping stores.

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

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

¹⁵ ABS retail sales data. Expenditure includes selected personal services such as optical dispensing, hair and beauty and clothing alterations but excludes financial, travel, real estate, medical and other commercial services.

¹⁶ In 2022 dollars

3.2.4 Capture of household expenditure

The previous analysis identified the total volume of retail expenditure in the trade area. However, not all of this expenditure will be captured by retailers in the proposed development. Reasons for this include:

- The proximity of surrounding centres which provide a greater range and quantum of retail floorspace
- Residents leaving the locality to, predominantly, undertake leisure and discretionary shopping (in department stores, apparel stores and bulky goods stores elsewhere – such as Westfield Bondi Junction)
- Working residents spending a portion of retail expenditure close to their place of work (approximately 15-25%)
- Expenditure from residents who are on holidays/business trips or are away for other reasons for any extended period.

Taking the above into account the table below shows the potential percentage capture of resident expenditure to Edgecliff based on the population catchment and competitive landscape. Note that actual capture rates may vary depending on the size and range of the retail offer.

Table 5: Target capture rates (2022-2041)

Store Type	PTA	STA
Supermarkets and grocery stores	72.5%	36.3%
Specialised food stores	65.0%	32.5%
Bulky goods stores	10.0%	5.0%
Department stores	-	-
Apparel stores	15.0%	7.5%
Other non-food stores	25.0%	12.5%
Restaurants and fast food services	55.0%	27.5%
Personal services	35.0%	17.5%
Total*	41.6%	20.6%

Source: HillPDA *As at 2022

The table immediately below shows ultimate potential retail sales the retailers within the Edgecliff could achieve assuming the above capture rates.

The result is a potential to capture \$80 million from PTA residents and a further \$17 million from STA residents by 2031.

Table 6: Potential sales from trade area (\$Million¹⁷)

Retail Category	2026	2031	2036	2041
Primary				
Supermarkets and grocery stores	35.6	41.3	45.3	48.7
Specialised food stores	6.8	7.8	8.5	9.0
Bulky goods stores	3.0	3.5	3.8	4.0
Department stores	0.0	0.0	0.0	0.0
Apparel stores	2.3	2.6	2.8	2.9
Other non-food stores	6.6	7.5	8.2	8.6
Restaurants and fast food services	12.6	14.6	16.1	17.3
Personal services*	2.0	2.3	2.5	2.6
Sub-total	69.0	79.7	87.0	93.2
Secondary				
Supermarkets and grocery stores	8.0	8.6	9.1	9.7
Specialised food stores	1.6	1.7	1.8	1.9
Bulky goods stores	0.7	0.8	0.8	0.8
Department stores	0.0	0.0	0.0	0.0

¹⁷ In \$2022's

Apparel stores	0.6	0.6	0.6	0.6
Other non-food stores	1.6	1.7	1.8	1.9
Restaurants and fast food services*	3.1	3.3	3.5	3.7
Personal services*	0.5	0.5	0.5	0.6
Sub-total	16.1	17.1	18.1	19.2
Main Trade Area				
Supermarkets and grocery stores	43.6	49.9	54.4	58.4
Specialised food stores	8.4	9.5	10.2	10.9
Bulky goods stores	3.8	4.2	4.6	4.8
Department stores	0.0	0.0	0.0	0.0
Apparel stores	2.8	3.2	3.4	3.6
Other non-food stores	8.2	9.3	9.9	10.5
Restaurants and fast food services	15.7	17.9	19.6	21.1
Personal services*	2.5	2.8	3.0	3.2
Total	85.1	96.8	105.2	112.4

* Personal services include optometry, repairs, clothing alterations, video hiring, hair and beauty, etc
Source: ABS retail sales data

3.3 Other sources of Expenditure

Two other main sources of expenditure were identified being public transport commuters and workers in the immediate area.

3.3.1 Expenditure from Workers

Workers typically spend a proportion of their total spend close to their place of work. Within the PTA there are over 4,000 workers, increasing to almost 4,700 by 2041. Assuming an average spend of \$3,800 per annum per worker¹⁸ total retail sales from non-resident workers at Edgecliff would be \$16.6m per annum by 2031.

3.3.2 Expenditure from Commuters

Edgecliff railway station is located on the Eastern Suburbs line, serving the Sydney suburb of Edgecliff. It is served by Sydney Trains T4 Eastern Suburbs & Illawarra Line services and NSW TrainLink South Coast Line services. Edgecliff station opened in 1979 when the Eastern Suburbs line opened from Central to Bondi Junction. In June 2019 a Transport for NSW upgrade was completed providing a new access ramp on New McLean Street and a bus canopy extension. 20,000 passengers a day pass through the station¹⁹. Around half of these passengers are commuters using the train to work and around two thirds of commuters live outside the MTA.

The following bus routes operate from Edgecliff Interchange. All routes are operated by the State Transit Authority.

- Bus Interchange
 - 200: to Bondi Junction Interchange via Woollahra
 - 328: to Bondi Junction Interchange
 - 323: to Dover Heights
 - 324: Watsons Bay via Vaucluse Heights
 - 325: Watsons Bay via Vaucluse
 - 326: to Bondi Junction Interchange via Victoria Road
 - 327: to Bondi Junction Interchange via Bellevue Road
 - 328: to Darling Point

¹⁸ An Urbis study found workers in the CBD spend \$11,000 per annum in the CBD of which 33% was in food services (<https://insideretail.com.au/news/office-workers-big-spenders-201407>), accounting for growth in retail spend to 2022, the offer and location we estimate assumed an average spend of around \$3,800 per worker across all retail categories.

¹⁹ Transport for NSW

- New South Head Road
 - 200: to Chatswood station
 - 324: to Walsh Bay
 - 325: to Walsh Bay

Hence there a fair number of commuters at Edgecliff Station that live further east in the suburbs of Double Bay, Bellevue Hill, Point Piper, Rose Bay, Vaucluse and Watsons Bay. These residents are very affluent with an average spending level of \$22,000 to \$23,000 per annum – almost 40% higher than the Sydney Average. Capturing a very small level of their total spend (say 2%) equates to around \$495 per annum spend by each commuter living outside the MTA. In total a further \$6.6m could potentially be captured from this source. We consider this to be a reasonable, even conservative, assumption.

Finally we would expect some additional capture of expenditure from other sources – people that neither work or live in the area such as students (Ascham Girls High School), visitors to medical services, family, friends and the like. We have assumed 10% (around \$9 to \$11 million) of total revenue will be derived from these miscellaneous sources.

3.4 Total forecast potential retail sales

From the above data and assumptions made we forecast potential retail sales to 2041 as follows:

Table 7: Potential retail sales by store type 2026 - 2041 (\$Million²⁰)

Retail Store Type	2026	2031	2036	2041
Supermarkets and grocery stores	59.90	66.84	72.10	76.86
Specialised food stores	11.56	12.73	13.56	14.28
Bulky goods stores	5.17	5.68	6.03	6.34
Department stores	-	-	-	-
Apparel stores	3.88	4.25	4.49	4.69
Other non-food stores	11.29	12.40	13.18	13.84
Restaurants and fast food services	21.48	24.01	25.95	27.73
Personal services	3.48	3.80	4.02	4.20
Total Retailing	116.8	129.7	139.3	147.9

Total potential or achievable retail sales in Edgecliff by 2031 would be around \$130 million of which almost 20 percent would be captured by restaurants and fast-food services.

3.5 Demand for shop front space

Demand for shop front space is calculated by dividing potential retail sales by industry target retail turnover density levels (\$/sqm). Target RTDs are sourced from a number of sources including ABS Retail Sales, ABS Retail Survey 1998-99, Shopping Centre News, Urbis Retail Averages, various annual reports and other consultancy studies. The results are shown in the table immediately below.

²⁰ In 2002 dollars

Table 8: Floorspace demand by broad retail type

Retail Store Type	Target RTD (\$/sqm)*	2026	2031	2036	2041
Supermarkets and grocery stores	13,000	4,517	4,916	5,172	5,378
Specialised food stores	12,000	944	1,014	1,054	1,082
Bulky goods stores	3,700	1,383	1,500	1,574	1,633
Department stores					
Apparel stores	7,000	549	593	619	639
Other non-food stores	6,000	1,864	2,021	2,121	2,199
Restaurants and fast food services	7,000	3,008	3,279	3,457	3,603
Personal services**	4,500	765	826	862	890
Total Retailing	8,800	13,029	14,150	14,860	15,424
Non-retail commercial space @ say 20% on retail floorspace***		2,606	2,830	2,972	3,085
Vacancies (say 4%)		625	679	713	740
Total shop front space		16,260	17,659	18,545	19,249

* Assumes to increase at 0.5% per annum for food and food services and 0.25% for non-food retailing

** Including hair and beauty, laundry, clothing hire and alterations, optical dispensing

*** Includes financial, real estate, travel and medical services that occupy shop front space

Currently, an estimated 13,000sqm of occupied leasable shopfront floorspace exists in the Edgecliff Commercial Centre. This comprises traditional retail gross leasable area and includes some non-retailers like banks, real estate, travel, and medical services occupying shopfront space. Notably, it excludes premises such as petrol stations, automotive retailers, showrooms, and other professional services that occupies ground floor space.

Our demand analysis indicates a need for nearly 15,000sqm of shopfront floorspace in 2022, projected to increase to almost 19,300sqm by 2041. Considering the existing 13,000 square meters of traditional shopfront floorspace, this suggests a demand for an additional 6,200sqm of such space by 2041. The proposed 1,000 to 2,000sqm of retail and/or commercial space on the subject site represents only 16 to 32 percent of the demand growth.

The Edgecliff Commercial Core Planning and Urban Strategy (draft Strategy) estimates a total of around 20,500sqm of retail Gross Floor Area (GFA). GFA of course is a higher number than GLA because not all GFA is leasable. Much of it is circulation / arcade space, management office space, amenities, storage and other non-leasable space. Further analysis reveals that the estimates in the draft Strategy of current retail provision incorporates spaces like petrol stations (including the open canopy which is not internal floor space), automotive and tyres, recreational uses (e.g., Anytime Fitness), other commercial suites and home improvement / showroom space (such as tiling, hardware, flooring, etc) which were not defined as retail space in this study. The draft Strategy also assumes a significantly higher provision of existing retail floorspace for Edgecliff Centre and Eastpoint Food Fair, exceeding the GLAR sourced from the Property Council of Australia Shopping Centres Directory – likely because it included arcade space, amenities and the like. As such comparisons of floor space in the draft Strategy with this study cannot be done simply because the two studies are defining retail floor space very differently.

The draft Strategy proposes an uplift accommodating an extra 5,450sqm of retail GFA which was not based on any expenditure (demand forecast) modelling. Also as above it is unclear how much of this is GLA and the type of retail it includes. Notwithstanding this, assuming 63%²¹ of this space is GLA as defined in this study then this translates to a further 3,500sqm. Its highly unlikely that all the sites along NSHR will be developed by 2041. Assuming 80% are developed this means the potential for 2,800sqm more retail space along NSHR. Given that

²¹ The ratio of current occupied leasable space, as outlined in this study, to the existing retail GFA provided in the draft Strategy.

the demand modelling shows a need for 6,200sqm more GLAR by 2041, then there would be a shortfall of almost 3,500sqm. The subject site can meet some this shortfall.

It is important to note potential challenges in securing retail tenancies within the Edgecliff's Commercial Core as defined in the draft Strategy due to issues such as high traffic volumes impacting pedestrianization and the poor amenity and shopping experience along New South Head Road. Retail and food services on the subject site provides a far more attractive alternative, benefiting from its close proximity to Edgecliff Station and Trumper Park, providing a far more attractive shopping experience the NSHR.

3.6 Type of retail

Taking into account the current retailers in the MTA, with Edgecliff Centre already having a strong provision of food and grocery retailing (including a full-lined Coles and Aldi, as well as specialised food retailers at Edgecliff Centre and Eastpoint Food Fair) a supermarket or large grocery store is probably not appropriate on the subject site and it would also likely find difficulty in competing with traders in Edgecliff Centre and Eastpoint.

Given the affluence of the MTA and the high level of expenditure on restaurants and food services, a dedicated restaurant precinct and dining experience would be a more appropriate use on the subject site. Currently, restaurant expenditure levels are low due to residents in the MTA preferring alternative locations like Double Bay and Bondi Junction, possibly due to the lack of such retailing in Edgecliff. Thus, providing food and beverage services could help retain some of this spend within Edgecliff.

Additionally, there could be a potential synergy between the neighbouring Trumper Park and the planning proposal, with the proposed planning also providing the added benefit of improving access between Trumper Park and Edgecliff Train Station, benefitting local residents and visitors alike. Offering retail and commercial amenities at the subject site has the potential to enhance the overall visitor experience at Trumper Park and increase visitation to this park, with positive flow on effects for Edgecliff's commercial centre.

The proposed retail offerings on-site are expected to complement rather than compete with the traditional retail and commercial offerings within Edgecliff's commercial centre. This symbiotic relationship is likely to foster synergy between the different retail, commercial and recreational areas, enhancing the overall experience for visitors and patrons in the area.

3.7 Retail impact assessment

Assuming the proposed retail uses on the site trade at an average of \$7,000/sqm²² total sales is expected to reach \$7 million annually.

The \$7 million should be viewed in the context of growth in expenditure by main trade area residents which is expected to be almost \$44 million over the nine years to 2031 (2022-2031). Growth in potential retail sales in Edgecliff is expected to increase by \$18m over the same period. The proposed retail space on the subject is therefore justifiable based on growth alone and would not be dependent on redirecting trade away from existing centres. As such impacts on the surrounding centres are likely to be insignificant. All centres are likely to experience some increase in trading levels with or without the proposed development on the subject site.

²² Various sources including Shopping Centre News, PCA Shopping Centres Director, URBIS, annual reports and other consultancy studies

OFFICE
SPACE
DEMAND

4.0 OFFICE SPACE DEMAND

Transport for NSW projects 300 more jobs in white collar industries in Edgecliff over the next 15 years as shown in the table immediately below.

Table 9: Forecast Jobs by industry in Edgecliff

Industry	2021	2026	2031	2036
Financial and Insurance Services	169	182	189	203
Rental, Hiring and Real Estate Services	387	420	426	444
Professional, Scientific and Technical Services	558	647	637	658
Administrative and Support Services	85	89	92	96
Public Administration and Safety	54	56	55	56
Education and Training	518	540	537	540
Health Care and Social Assistance	503	536	556	571
TOTAL	2,274	2,470	2,492	2,568

Source: Transport for NSW

At a rate of say 25sqm per worker²³ this would translate to a need for 7,350sqm more leasable office space over the next 15 years. Notwithstanding these projections, demand for office space is restricted by supply. There is some competition with Bondi Junction and the Sydney CBD markets and Edgecliff can be an attractive and more affordable alternative than Sydney CBD with strong attributes of regular train service and proximity into Sydney CBD combined with an affluent and professional labour force.

For the subject site office space is not the highest and best use. Residential will considerably outprice office space. The table below shows the sale values of office space ranging from \$7,000/sqm to \$16,000/sqm.

Table 10: Strata titled office suites sales in Edgecliff

Address	Car spaces	Unit Size (sqm)	\$ Price	Sale Date	\$/sqm
31/100 New South Head Road		39	\$273,900	16-Dec-19	\$7,023
2/2 New McLean Street	3	117	\$850,000	05-Jul-19	\$7,265
4/85-97 New South Head Road		130	\$1,000,000	28-Nov-16	\$7,692
3/85-97 New South Head Road		90	\$710,000	01-Dec-16	\$7,889
18/20 New South Head Road		216	\$1,760,000	16-Aug-19	\$8,148
1/85-97 New South Head Road		156	\$1,320,000	08-Oct-21	\$8,462
21/1 New McLean Street	2	97	\$1,100,000	29-Mar-19	\$11,340
2/100 New South Head Road		345	\$4,000,000	22-Nov-21	\$11,594
115 New South Head Road		348	\$4,040,000	04-May-17	\$11,609
16/220 New South Head Road		75	\$1,150,000	16-May-18	\$15,333
155 New South Head Road	3	180	\$2,900,000	16-Aug-21	\$16,111

Source: CoreLogic RPData

²³ Various sources including NSW Landcom, City of Sydney Employment and Floorspace Survey 2017, various UK studies and HillPDA Research.

Net market rent is around \$450 to \$550/sqm. Current asking rent at 180 Ocean Street is \$579/sqm. At a low yield of say 5% this would equate to a value of \$11,500/sqm, making the two sales in the above table at more than \$12,000/sqm seem too high. Note that the two sales above \$12,000/sqm were at a time when interest rates were at record lows and investors were satisfied with yields below 5%. With brand new office suites we could expect some premium with a current net market rent of say \$600/sqm and an end sale value of \$12,000/sqm. Some car parking spaces would be necessary to achieve this value – at a rate of say 1 space per 50sqm to 60sqm of office space.

Anywhere up to 2,000sqm is workable on the site although some discounting on end sale value may be required with more space. Likely occupants would be medical and education services but legal, financial, business and real estate services providers are also possible as well as hi-tech incubator space service providers such as WeWork and WOTSO.

The grade of office space on the subject site will not be as high as at Edgecliff Centre after it's redeveloped. Office space on Edgecliff Centre will be more A-grade quality and is likely to house a range of medical services, the head offices of small corporations, professional service providers and potentially some government agencies and Consulates. The subject site however provides an opportunity for occupiers that are more price conscience.

ECONOMIC
IMPACT
ASSESSMENT

5.0 ECONOMIC IMPACTS OF CONSTRUCTION

The planning proposal would require capital investment, which would drive economic activity and create employment across the economy. This section considers the economic benefits associated with constructing the proposed development.

It should be noted that no construction activity is anticipated in the base case scenario. As such all benefits associated with constructing the planning proposal in terms of job creation and increased economic activity represent a net gain.

5.1 Approach to estimating the economic impacts

To derive employment support and economic activity estimates, HillPDA has developed an input-output (IO) model which applies industry specific employment, output and gross value-added multipliers (refer to Section 5.1.1) to spending /capital investment estimates (detailed in Section 5.1.2) to formulate:

- gross output estimates
- gross value added estimates
- employment estimates

supported by constructing the proposed uses on site.

The IO modelling for this report is based on the Australian National Accounts and has adjusted these effects for industry size relative to the State and calculated the direct, indirect, and induced effects of construction expenditure as well as industry output and employment job creation.

The ABS notes that “Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment.” In particular it may leave the impression that resources used for production would not have been utilised elsewhere in the local economy. Nevertheless, the estimates illustrate the high flow-on effects of construction activity.

5.1.1 Economic multipliers

The construction industry is a significant component of the economy, accounting for 5.96% of Gross Domestic Product (GDP) and employing just over one million workers across Australia²⁴. The industry has strong linkages with other sectors, so the impacts on the economy go further than the direct contribution of construction. This is known as the multiplier effect. Multipliers refer to the level of additional economic activity generated and/or supported by a source industry.

There are two types of effects captured by multipliers:

Production Induced Effects: which is made up of:

- *Direct effects:* which constitutes all outputs and employment required to produce the inputs for construction, and
- *Indirect effects:* which is the induced extra output and employment from all industries to support the increased production of the construction sector.

Consumption Induced Effects: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

²⁴ Source: IBIS World Construction Industry Report 2018

5.1.2 Capital investment value (CIV)

Based on the preliminary concept plan and schedule of areas provided by the Client, HillPDA estimate the CIV for the proposed development to be in the order \$203.6 million. The calculations and assumptions are detailed in the table below.

Table 11: Estimated capital investment value of proposed uses

Land use	GFA (sqm)	\$/sqm	\$m
Residential	27,169	5,000	135.8
Community	924	3,500	3.2
Retail /commercial	1,953	3,500	6.8
Car parking*			20.5
Site works & external costs @ 5%			8.3
Contingencies @ 8%			13.7
Design and other professional fees @ 8.0%			15.1
Total			203.6

Source: Rawlinson's, RLB, various other consultancy reports and HillPDA research

* Assumes 316 basement car spaces at \$65,000/ car space

5.2 Gross output

As above the construction of the proposed development will have a direct impact on job creation as well as indirectly stimulating other industries which assist in production or cater to increased consumption.

The table below details the output multipliers and shows the impact of the change in demand generated by the proposed development and the impact on the NSW State economy. These multipliers reflect the size of State industries based on 2021 Census data. The forecast increase in total State output for the planning proposal is estimated at \$579.2 million.

Table 12: Gross output (\$m)

	Direct effects*	Production induced effect		Consumption induced effect	Total
		First Round effects	Industrial Support Effects		
Output in the State economy (\$m)	203.6	120.3	109.2	146.2	579.2

* Includes design costs and application fees assumed at 8.0% of construction costs

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2019-20 (ABS Pub: 5209.0), ABS Census 2021 Data

5.3 Gross value added (GVA)

The Gross Value Added (GVA) of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the regions' wealth or gross regional product (GRP). The main components of GVA are workers' remunerations, profits and government taxes.

Table 13: Gross value added (\$m)

	Direct effects*	Production induced effect		Consumption induced effect	Total
		First Round effects	Industrial Support Effects		
GVA in the NSW economy	62.2	46.9	48.3	77.7	235.1

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2019-20 (ABS Pub: 5209.0), ABS Census 2021 Data

As shown in the table immediately above, the planning proposal would directly contribute around \$62.2 million GVA to the State economy. Including the multiplier impacts, the planning proposal would contribute and/or support a total \$235.1 million GVA to the State economy (measured in 2022 dollars).

5.4 Job creation

Every million dollars of CIV generates 2.2 job years²⁵ directly in design and construction. Based on the estimated CIV, 444 job years²⁶ would be directly supported during the construction phase of the planning proposal.

Table 14: Construction employment impact

	Direct effects*	Production induced effect		Consumption induced effect	Total
		First Round effects	Industrial Support Effects		
Total Job years generated in the NSW economy	444	365	339	503	1,651

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2019-20 (ABS Pub: 5209.0), ABS Census 2021 Data

Through production induced and consumption induced multiplier impacts a total of 1,651 job years would be supported State-wide during the design and construction phase of the proposed development.

5.5 Financial benefits to Government

State and local government stand to receive additional revenue and benefit from development which is estimated at \$118m. The details are shown in the table immediately below:

Table 15: Impact on whole of government revenue

Source of Revenue	TOTAL (\$m)
GST from Residential Apartments *1	45.3
Stamp Duty Revenue *2	32.7
Developer Contributions *3	4.7
Affordable housing contribution*4	26.4
Payroll Tax and Long Service Levy *5	8.9
TOTAL	118.1

*1 Assuming average apartment sale price of \$2.5m and consideration method applied (25% land component)

*2 Assuming average apartment sale price of \$2.5m

*3 Assuming 1% of design and construction cost plus \$10,000 per apartment 'Housing and Productivity Contributions' charge

*4 Assuming 12 apartments by an end sale value of \$2.2m per apartment and assuming apartments are retained in perpetuity for A.H.

*5 Assuming 50% of construction workers do not attract payroll tax due to varying business sizes

²⁵ Source: ABS Australian National Accounts: Input – Output Tables 2019-20

²⁶ Note: Job years is used to calculate the amount of work needed to complete a construction project. One Job year is one full-time job over one year. Construction projects are not permanent but often span over several years and the number of workers on site vary at any one time. To calculate the average number of jobs on site during construction, divide total job years by the number of years of construction.

6.0 ECONOMIC IMPACTS POST CONSTRUCTION

The following section assesses and where possible quantifies the net potential economic impacts of the planning proposal during the operational phase as measured against the base case. Economic metrics estimates include employment, wages and gross value added per annum assuming operation at full development.

6.1 Base case scenario

HillPDA estimates the subject site currently supports up to five full-time equivalent (FTE) jobs²⁷. It is estimated that these five jobs directly generate an estimated \$0.5 million in salaries, \$1.3 million in State gross output and \$0.7 million in State GVA²⁸.

Taking into account production and consumption induced multipliers, the number of jobs supported by the current uses increases to 13 jobs. These jobs generate \$1.1 million in salaries, \$3.7 million in State gross output, \$1.9 million in State GVA.

6.2 Planning Proposal scenario

6.2.1 Employment generation

It is estimated that development of the planning proposal has the potential to support up to 97 jobs. This is a net increase of 92 jobs from the base case.

The breakdown of these jobs by the proposed land use is provided in the table immediately below.

Table 16: Proposed development employment estimate (FTE)

Land Use	GFA (sqm)	Employment density (sqm/worker)	No. of workers
Retail / commercial	2,000	1/36	56
Community	1,000	1/53	19
	No. of apartments	Workers / dwelling	
Work from home*	266	1 /11.5	23
Total			97

* Assumes 1 worker per 11.5 units works from home as sourced from Woollahra LGA 2016 and 2021 profiles and ABS national trends and HillPDA research

The proposed uses also have strong linkages with other sectors, so the impacts on the economy go further than the direct contribution of providing jobs on site. Taking into account production and consumption induced effects as derived from the Australian National Accounts: Input-Output tables, the number of jobs (direct and indirect) supported by the proposed uses increases to 190 jobs State-wide, which is 177 more jobs than the base case.

The results are shown in the table immediately below.

²⁷ Source: Assumes 1 worker per 11.5 units works from home as sourced from Woollahra LGA 2016 and 2021 profiles and ABS national trends and HillPDA research

²⁸ Source: Australian National Accounts: Input-Output Tables 2019-20 (ABS Pub: 5209.0)

Table 17: Direct and indirect jobs creation and supported (F.T.E.)

Direct Jobs	Production Induced Jobs		Consumption Induced jobs	Total
	First Round	Industrial Support		
97	21	14	58	190

* Source: ABS Input Output tables 2019-20 and HillPDA

6.2.2 Gross Output

Gross economic output for the planning proposal scenario is estimated at \$16.5 million every year. A total of \$43.8 million of gross output is generated and/or supported in the NSW economy when accounting for production and consumption effects as shown in the table immediately below.

Table 18: Direct and indirect Gross output (\$m/ann)

Initial effects	Production Induced effects		Consumption Induced effects	Total
	First Round	Industrial Support		
16.5	6.1	4.4	16.8	43.8

* Source: ABS Input Output tables 2019-20 and HillPDA

6.2.3 Gross Value Added

The proposed development is estimated to contribute \$9.7 million directly to the NSW economy every year. Total GVA generated and/or supported is estimated at \$23.9 million when accounting for production and consumption effects as shown in the table immediately below.

Table 19: Direct and indirect GVA (\$m/ann)

Initial effects	Production Induced effects		Consumption Induced effects	Total
	First Round	Industrial Support		
9.7	3.1	2.2	8.9	23.9

* Source: ABS Input Output tables 2019-20 and HillPDA

6.2.4 Workers remuneration

The 97 jobs on site are estimated to generate \$7.2 million in total remuneration (staff and proprietors' wages, bonuses, overtime pay, superannuation, etc) every year. When accounting for production and consumption effects total remuneration generated and/or supported would total \$14.3 million every year.

Table 20: Direct and indirect staff remuneration (\$m/ann)

Initial effects	Production Induced effects		Consumption Induced effects	Total
	First Round	Industrial Support		
7.2	1.7	1.2	4.2	14.3

* Source: ABS Input Output tables 2019-20 and HillPDA

6.2.5 Additional revenue for local businesses

We estimate that the 74 non-resident workers on the site would spend around \$0.27 million per annum on retail goods and services in the Edgecliff commercial centre based on an average spend of \$15 per day per worker²⁹. Residents on site by far will make the strongest contribution to supporting existing and new businesses. Residents on site will be affluent each spending on average around \$25,000 per annum on retail goods and services of which close to half of this would be spent in the Edgecliff town centre. Assuming \$11,000 per resident and a net increase in the number of residents of around 350³⁰, this would amount to a net increase of \$3.9m in retail sales every year for Edgecliff businesses.

6.3 Summary and implication

This section summaries the economic merits of the proposed design and finds that the planning proposal will deliver substantial net economic benefits. From this assessment, it is concluded that the planning proposal is strongly supported from an economic impact perspective.

The below table summarises the economic benefits of the planning proposal as compared to the base case.

Table 21: Economic impact of the planning proposal

Performance indicator	Scenario		Net gain from base case
	Base Case 'Do nothing'	Proposed development	
Direct job on site	5	97	92
Direct and indirect jobs	13	190	177
Direct gross output (\$m/ann)	1.3	16.5	15.2
Direct and indirect gross output (\$m/ann)	3.7	43.8	40.1
Direct GVA (\$m/ann)	0.7	9.7	9.0
Direct and indirect GVA (\$m/ann)	1.9	23.9	22.0
Direct total salaries (\$m/ann)	0.5	7.2	6.7
Direct and indirect salaries (\$m/ann)	1.1	14.3	13.1

Source: HillPDA,

²⁹ Note that this is around 30% of the total spend by workers in the Sydney CBD near the place of work based on a recent Urbis Survey of workers in the CBD (<https://insideretail.com.au/news/office-workers-big-spenders-201407>)

³⁰ Assuming 1.8 residents per apartment (average was 1.7 in the SA2 in 2021 from ABS Census. We accounted for a slightly higher average household size of 1.8 to reflect a higher proportion of 2-3 bedroom apartments, constituting over 50% of the total proposed) less existing residents (assuming 106 residents)

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