

BAKEHOUSE QUARTER PART 3A PROJECT APPLICATION ECONOMIC IMPACT ASSESSMENT

August 2010

urbis

DISCLAIMER

This report is prepared on the instructions of the party to whom or which it is addressed and is thus not suitable for use other than by that party. As the report involves future forecasts, it can be affected by a number of unforeseen variables. It represents for the party to whom or which it is addressed the best estimates of Urbis Pty Ltd, but no assurance is able to be given by Urbis Pty Ltd that the forecasts will be achieved.

URBIS STAFF RESPONSIBLE FOR THIS REPORT WERE:

Director	Clinton Ostwald
Consultant	Chrystal Desange
Job Code	SPE0231
Report Number	2

Copyright © Urbis Pty Ltd
ABN 50 105 256 228

All Rights Reserved. No material may be reproduced without prior permission. While we have tried to ensure the accuracy of the information in this publication, the Publisher accepts no responsibility or liability for any errors, omissions or resultant consequences including any loss or damage arising from reliance in information in this publication.

URBIS

Australia Asia Middle East
www.urbis.com.au

Executive Summary	i
1 Introduction.....	1
1.1 Study Purpose	1
1.2 Regional & Local Context	1
1.2.1 Canada Bay Local Planning Strategy (LPS)	1
1.2.2 Employment Targets for the Inner West Subregion	2
1.3 Site Description	3
1.4 Proposed Development	4
2 Office Market Overview.....	9
2.1 Existing Office Supply.....	9
2.2 Office Vacancy	10
2.3 Proposed Future Office Supply	10
2.4 Office Demand Drivers	11
2.4.1 Population Growth	11
2.4.2 White Collar Employment Growth	12
2.5 Office Demand Forecasts.....	14
2.6 Department of Planning Employment Targets and Implications for Office Demand.....	15
3 Hotel & Tourism Market Overview.....	16
3.1 NSW Hotel & Tourism Market	16
3.1.1 Hotel Supply	16
3.1.2 Guest Arrivals at Hotels.....	16
3.1.3 Hotel Room Occupancy.....	17
3.1.4 Hotel Takings.....	18
3.1.5 Tourist Arrivals.....	18
3.2 Local Hotel Market.....	19
4 Development Impact Assessment.....	21
4.1 Office Market Impacts.....	21
4.2 Accommodation & Tourism Market Impacts.....	22
4.3 Retail Market Impacts.....	22
4.4 Theatre Impacts.....	23
4.5 Employment Impacts.....	24
4.6 Income Impacts	25
4.7 Worker Expenditure Impacts	26
4.8 Conclusion	26

FIGURES:

Figure 1 Bakehouse Quarter: Masterplan for Proposed Additional Development.....	v
Figure 2 Future Office Supply – Bakehouse Quarter, Rhodes, Homebush, Burwood & Strathfield (2010-2012+)	11
Figure 3 NSW Hotel Bed Spaces & Establishment Number	16
Figure 4 NSW Hotel Bed Spaces & Guest Arrivals.....	17
Figure 5 NSW Hotel Room Occupancy & Bed Spaces.....	17
Figure 6 Revenues per NSW Hotel	18
Figure 7 Domestic & Overnight Visitors to NSW (2005-2009)	19

TABLES:

Table 1 Inner West Subregion Job Growth Forecasts	3
Table 2 Development Floorspace	4
Table 3 Existing Office Supply – Bakehouse Quarter, Rhodes, Homebush, Burwood & Strathfield	9
Table 4 Local Catchment Population Forecasts	12
Table 5 Study Area White Collar Employment Forecasts – Scenario 1 (Low Growth)	13
Table 6 Employment Containment Ratio Benchmarks (2006)	13
Table 7 Study Area White Collar Employment Forecasts – Scenario 2 (Likely Scenario)	14
Table 8 Study Area Office Demand Forecasts – Scenario 1 (Low Growth)	14
Table 9 Study Area Office Demand Forecasts – Scenario 2 (Likely Scenario)	14
Table 10 Bakehouse Quarter Retail Tenancies	23
Table 11 Employment Impacts of Proposed Development	25
Table 12 Income Impacts of Proposed Development	26

Executive Summary

Background

- The intention of this study is to provide an assessment of the likely economic impacts of the proposed additional development at the Bakehouse Quarter in North Strathfield. The development will comprise commercial office, a hotel and theatre, and a small amount of ancillary retail.
- The proposed development has a Gross Floor Area (GFA) of 34,625sq.m. and an estimated construction cost of \$140 million.

Local Office Market Overview

- The Bakehouse Quarter in North Strathfield falls within the Inner West office market. The major office markets within the region are Rhodes, Homebush and Burwood. A small amount of office space is also located in Strathfield.
- As at 2010 these markets had estimated combined office space of 357,000 sq.m. The largest market is Rhodes (146,000 sq.m.) followed by Homebush (101,000 sq.m.) and Burwood (93,000 sq.m.).
- Tight supply in these markets has kept vacancy at relatively low levels. Current vacancy rates range from 2% (Homebush) to 10% (Burwood).
- An additional 72,800 sq.m. of office space is planned and approved within the study area (comprising North Strathfield, Rhodes, Homebush, Strathfield and Burwood). However, the timing and certainty of several developments is not known. Developments that look certain to be completed include 8 Australia Avenue at Sydney Olympic Park (5,100sq.m. due for completion by the first half of 2010), Boulevard at Sydney Olympic Park (14,000 sq.m. due for completion in 2012), Building F at Riverside in Rhodes (12,000 sq.m. due for completion in 2011) and an office building within the Burwood Civic Precinct (5,500 sq.m. due for completion in 2013).
- Since 2007 office rents in Rhodes, Homebush, Burwood and Strathfield have increased at an average annual rate of around 3% to 4.5%.

Office Demand

- Population forecasts prepared by Urbis indicate that the combined population of Canada Bay, Strathfield and Burwood LGAs is forecast to increase by around 2,400 persons annually to 2016, tapering off to between 1,000 to 1,200 persons annually thereafter. The forecasts are based on Department of Planning (DoP) population projections, DoP housing and employment strategies for the study area, and ABS census data. The projected population growth will drive growth in white collar employment and therefore office demand.
- Based on an employment containment ratio for the study area of 16% (as per 2006), an additional 5,700 additional office-based white collar workers would be employed in the study area by 2031. This would translate to demand for an additional 114,000 sq.m. of office space between 2010 and 2031. However, an assumed employment containment ratio of 16% is conservative since the degree of employment containment is driven largely by the quantity and type of employment options that are made available to residents within a given area. Therefore, if more office space is provided employment containment could be higher.
- Based on a revised employment containment ratio of 20% an additional 6,600 office-based white collar workers would be employed in the catchment area by 2031. An additional 132,000 sq.m. would be required to accommodate these additional workers. An employment containment ratio of

20% more closely reflects the employment containment ratios in comparable regions, and therefore in our view this growth scenario is the more likely scenario.

Hotel & Tourism Market Overview

- Due to high hotel development costs, growth in hotel supply in NSW – in terms of the number of establishments and bed spaces – has been very modest since 1998. In Sydney, only one five star hotel – the Pullman at Sydney Olympic Park – has been developed since 2000.
- Over the period 1998 to 2009 growth in guest arrivals¹ at hotels surpassed growth in accommodation bed supply by around 1% annually. In total, annual guest arrivals increased by 30% over the period, while the number of beds increased by 20%.
- Room occupancy has generally increased since 1998, as a result of visitor arrival growth surpassing growth in the supply of accommodation beds. Occupancy averaged 69% during the Global Financial Crisis – significantly higher than the occupancy rates achieved by competing tourist markets over the period.
- NSW accommodation establishments achieved strong revenue growth from 1998 to 2009 as a result of tight supply, growth in room rates and some growth in visitor numbers. Over the period, average revenues per establishment increased by 57%, translating to an average annual growth rate of over 5%.
- Tight accommodation supply has resulted in high hotel room rates. Whilst this is positive from the operators' perspective, high room rates affects NSW's ability to compete for tourists. This is reflected by visitor numbers². From 2005 to 2008 NSW achieved practically no growth in domestic overnight and international visitor numbers, and negative growth in 2009.
- In the study area there are four branded hotels, all within the Sydney Olympic Park precinct. Combined the hotels have 321 rooms. The hotels reportedly achieved consistently strong occupancy rates of around 70%. During peak times (e.g. when significant sporting and entertainment events are held at Sydney Olympic Park) the hotels often achieve 100% occupancy and increase room rates by up to 70%.

Development Impacts

- Assuming that all office developments which are currently planned / proposed for the study area (including Bakehouse Quarter) are completed within their scheduled timeframe, additional office supply would briefly outweigh additional demand by around 16,000 sq.m. If this situation occurred it might result in a slight increase in office vacancy of no more than approximately 3.5% (since the excess 16,000 sq.m. would equate to 3.5% of total office supply in the study area at that time). This excess supply would be gradually absorbed after 2016. By 2021 the additional supply would be entirely absorbed and demand would outweigh supply, resulting in a need for more office development to support white collar employment growth. In reality however, the certainty of all planned and proposed developments progressing and being completed within their scheduled completion date is not known. It is reasonable to assume that not all developments would proceed, or that they might be delayed. In this case, additional office demand would outweigh supply. In summary, in terms of its affects on surrounding competing office developments, in the most extreme case additional development at Bakehouse Quarter might result in a very minor and temporary increase in office vacancy across the markets, but it is more likely that it would not have any negative impact. Note that a certain level of vacancy in the market is healthy, as it reduces the risks of hyperinflation in rents.

¹ Guest arrivals refers to people that stayed at hotels.

² Visitors refers to all visitors to NSW, irrespective of what type of accommodation they stayed at.

- The proposed hotel development at Bakehouse Quarter would increase Sydney's accommodation supply, and support growth in tourist numbers. If the hotel could achieve a 70% occupancy rate – the average occupancy rate achieved across Sydney Hotels and specifically at the nearby Sydney Olympic Park hotels – this would translate to an additional 44,700 visitor nights annually. Assuming average daily expenditure of \$138, this would generate an additional \$6.2 million in tourist expenditure in NSW annually.
- The proposed hotel at Bakehouse Quarter would also have space to accommodate conferences. Conferences and exhibitions are a major vehicle for attracting people into a city. Limited availability of conferencing space in Sydney has been identified as a key barrier to the industry's growth. Provision of conferencing space in the proposed hotel development at Bakehouse Quarter would contribute to alleviating the problem of a lack of conferencing space, and facilitate industry growth. This has the potential to would bring significant economic benefits to Sydney.
- Given the small amount of additional retail that is proposed within the Bakehouse Quarter expansion, and given that the additional retail is likely to vary to the existing retail offer, we do not foresee that there would be any adverse impact of the additional retail on the existing retail at Bakehouse Quarter. Moreover, the retail would be supported by the growth in employees and visitors that will arise from the office, hotel and theatre components of the expansion.
- Given the limited number of custom theatre facilities within the study area, we do not foresee that proposed theatre would have an adverse economic impact on existing theatre facilities within the catchment area.
- During construction, the development would generate an estimated 1,811 jobs on a one year full time equivalent basis over the period of construction. This means that that if the development took two years to complete, 905 people could be sustainably employed on a full time basis throughout the two year construction period as a result of the development. Jobs would comprise both direct construction jobs, and indirect jobs throughout all other industries in the economy.
- Once operational, we estimate that the development would accommodate 1,211 employees – most of these would be accommodated within the office component of the development. Additional incomes and expenditure generated by the additional workers employed within the development would create an estimated 2,270 indirect jobs throughout all other industries in the economy. \
- Note that our estimate of jobs that would be accommodated by the additional development at Bakehouse Quarter is fairly consistent with the employment capacity estimates contained within Canada Bay Council's LPS, as prepared by SGS Economics. SGS Economics estimated that Bakehouse Quarter has capacity to accommodate an additional 1,237 jobs upon expansion, slightly higher than our estimate of 1,211 additional jobs. The difference between our estimate and SGS Economics' estimate is attributed to a slight variation in employment densities that were applied.
- The additional direct and indirect jobs created during construction of the development would generate an estimated \$95 million of incomes throughout the entire duration of construction.
- Additional direct and indirect jobs created during the operating phase would generate an estimated \$187 million in employee income annually.
- The additional 1,211 workers employed within the new development would spend an estimated \$5.1 million at surrounding retail and services businesses annually.

1 Introduction

1.1 Study Purpose

This report has been prepared to address the Director General's Requirements (DGR's) forming part of Pelorus Property Group's Part 3A Development Application for the expansion of its Bakehouse Quarter Development in North Strathfield.

The intention of the study is to provide an assessment of the economic impacts that are likely to accrue as a result of proposed further development of the Bakehouse Quarter, being buildings F, O, P and Q.

Key economic impacts that have been measured include:

- The impact on surrounding commercial, accommodation, arts / cultural and retail precincts;
- Jobs and incomes generated as a result of construction and ongoing operation of the new development;
- Additional retail expenditure generated as a result of the new development.

1.2 Regional & Local Context

The Bakehouse Quarter is a 7.6 hectare property, centrally located in North Strathfield in the Canada Bay Local Government Area (LGA) approximately 11 kilometres west of Sydney CBD and 9 kilometres east of Parramatta as shown in Map 1 overleaf.

North Strathfield is centrally located between the commercial and retail centres of Rhodes, Homebush / Sydney Olympic Park and Burwood. The locality is characterised by a diverse mix of land uses, including medium to high density housing, retail strip development, mixed uses aligning Parramatta Road, educational facilities and some light industrial uses to the north.

In addition to North Strathfield, Canada Bay LGA also includes the suburbs of Abbotsford, Breakfast Point, Cabarita, Canada Bay, Chiswick, Concord, Concord West, Drummoyne, Five Dock, Liberty Grove, Mortlake, Rhodes, Rodd Point, Russell Lea, Strathfield (part) and Wareemba.

Major features of the City include the Parramatta River, Birkenhead Point Shopping Centre, Rhodes Shopping Centre, Yaralla Dame Edith Walker Hospital, Concord Repatriation General Hospital, Concord Golf Club and many parks and reserves. The City is served by the Western Motorway, Parramatta Road and the main northern railway line.

1.2.1 Canada Bay Local Planning Strategy (LPS)

The Canada Bay Local Planning Strategy (LPS) was adopted by Canada Bay Council on the 1st of June 2010. The strategy is based largely on SGS Economics' *Housing and Employment Study* prepared for Council.

The LPS is the principal document for communicating the future land use planning of Canada Bay. The aim of the strategy is to provide long term direction for the planning of Canada Bay, to assist future decision making in response to population growth and change.

The LPS includes long term planning projects of the State Government, as well as responding to and planning for local needs such as employment, housing and transport.

Key findings and recommendations contained within the Canada Bay LPS, which relate to employment within Canada Bay, and therefore have implications for future development at Bakehouse Quarter are as follows:

- Strong jobs growth occurred in Canada Bay LGA between 2001 and 2006. ABS data indicates that 3,655 of the Transport Data Centre's (TDC) anticipated employment growth for an additional 7,870 jobs in the LGA between 2001 and 2031 already occurred in the five years to 2006;
- Going forward, TDC forecasts significant growth in the following key industries between 2006 and 2031:
 - Property and Business Services (an increase of 5,869 jobs or 153.4% growth); and
 - Retail Trade (an increase of 1,542 jobs or 36.9%).
- The LPS identifies opportunities to intensify development at Bakehouse Quarter, Rhodes, Victoria Road and Parramatta Road. The strategy notes that these sites are well served by existing public transport, or will be well served by proposed public transport infrastructure in the future.
- The LPS recognises the physical capacity and availability of infrastructure at Bakehouse Quarter, and therefore the ability for Bakehouse Quarter to contribute to achieving the job growth targets set for the Inner West Subregion;
- Consultation which was undertaken by SGS Economics with Council, Real Estate agents and key stakeholders revealed that:
 - There is healthy demand for retail floor space in local centres in the LGA;
 - There is strong demand for office space and retail floor space from local business and businesses seeking to relocate from the CBD;
 - The supply of small office space (approx. 100sq.m.) is particularly scarce and in high demand throughout the LGA;
 - There is strong demand for A Grade commercial floor space at Rhodes;

The above findings and recommendations presented in the Canada Bay LPS reinforce the important role that Bakehouse Quarter has to play in providing services to meet the demand of the growing population, and accommodating future employment growth expected to occur in the region going forward.

1.2.2 Employment Targets for the Inner West Subregion

Job growth forecasts/targets have been prepared for the Inner West subregion, by DoP and TDC. These forecasts form an important basis for development of key planning strategies for the region, including the DoP's Draft Inner West Subregional Strategy and Canada Bay Council's LPS. .

In preparing this assessment of the additional development at Bakehouse Quarter, Urbis has also developed our own independent job growth forecasts for the Inner West Subregion. Our job growth forecasts presented in section 2.5 of this report indicate an increase of 11,056 jobs across all industries in the Inner West subregion between 2010 and 2031. In comparison, DoP's job growth target for the Inner West subregion, as laid out in the Draft Inner West Subregional Strategy, is 11,500 new jobs, 6,000 of these being in Canada Bay LGA; while TDC forecasted 7,870 additional jobs in Canada Bay LGA between 2001 and 2031.

Taking into account the variation in timeframes of the forecasts (our forecasts relate to a 21 year period, while DoP's and TDC's relate to a 30 year period), and the different geographic scope (our forecasts are for the entire Inner West subregion; the TDC forecasts presented in the Canada Bay LPS are for the Canada Bay LGA, DoP's forecasts cover both Canada Bay LGA and the entire Inner West subregion) our forecasts are somewhat more bullish. This seems reasonable, considering that 3,655 (46%) of the additional 7,870 jobs that TDC anticipated in Canada Bay LGA between 2001 and 2031 already occurred in the 5 years to 2006. Since our forecast are from 2010 onwards, they take this historical growth into account.

We note that the population and employment targets for the entire Sydney metropolitan area have recently been reviewed and revised upwards. In line with this, targets for the individual subregions are also likely to be subsequently revised upwards. Certainly, we would expect the targets for Canada Bay LGA to be increased in view of the significant jobs growth that occurred between 2001 and 2006. An upward revision of DoP's forecasts would mean that they would more closely align with Urbis' forecasts.

The various job forecasts for Canada Bay LGA and the broader Inner West subregion are presented in Table 1.

Table 1 Inner West Subregion Job Growth Forecasts

Source	Source Document	Scope	Timeframe	Forecast Additional Jobs
TDC	Canada Bay Local Planning Strategy	Canada Bay LGA	2001-2031	7,870
DoP	Draft Inner West Subregional Strategy	Canada Bay LGA	2001-2031	6,000
DoP	Draft Inner West Subregional Strategy	Inner West Subregion	2001-2031	11,500
Urbis	Bakehouse Quarter Part 3A Project Application Economic Impact Assessment	Inner West Subregion	2010-2031	11,056

1.3 Site Description

The Bakehouse Quarter is bisected by George Street, a primary local road running north-south and providing direct connection to Parramatta Road.

The site comprises three large lots to the north and a number of smaller lots to the south. It is generally bound by Allen Street, Hamilton Street East and apartment buildings to the north, the Northern Railway Line immediately to the east, Parramatta Road to the south and Powell's Creek Reserve to the west.

The site is in close proximity to three railway stations:

- North Strathfield railway station (approximately 200 meters from Bakehouse Quarter) provides access to the Northern railway line;
- Homebush railway station (approximately 800 meters from Bakehouse Quarter) provides access to the Inner West and South railway lines;
- Strathfield railway station (approximately 1 kilometer from Bakehouse Quarter) provides multiple services along the Western, Northern and Inner West lines.

The Bakehouse Quarter currently comprises approximately 45,000 sq.m. of mixed commercial and retail space. Major tenants currently include NRMA, Campbell Arnotts, Fitness First, Harris Farm Markets, Aldi and AMF Bowling.

This economic impact assessment relates to new development proposed on the south eastern portion of the site, on the corner of George Street and Parramatta Road, which has a total site area of approximately 6,000 sq.m. The components of the proposed development are described in section 1.4.

1.4 Proposed Development

The proposal, which is the subject of a Concept / Project Application to the Minister for Planning, relates to the redevelopment of the south eastern portion of the Bakehouse Quarter, on the corner of George Street and Parramatta Road. The proposed redevelopment comprises the following components:

- Building F –approximately 19,000 sq.m. NLA of commercial office space on the upper levels and retail tenancies on the lower and upper ground;
- Building O – a single level restaurant with outdoor terrace located on the corner of Parramatta Road and George Street (associated with the theatre building);
- Building P – a multi-level theatre building with rehearsal space and ancillary facilities that physically adjoins the restaurant in Building O;
- Building Q – a hotel and function centre that physically adjoins the theatre building and comprises reception, function, restaurant and ancillary facilities on the ground and first floor with approximately 176 accommodation suites on the upper floors.

Buildings O, P and Q will be constructed as a single building mass located along the southern portion of the site adjacent to Parramatta Road.

The development will have a Gross Floor Area (GFA) of 34,625 sq.m. and will cost an estimated \$140 million (including GST) to construct. A breakdown of the floor spaces and construction costs for the various components of the development is presented in Table 2 below.

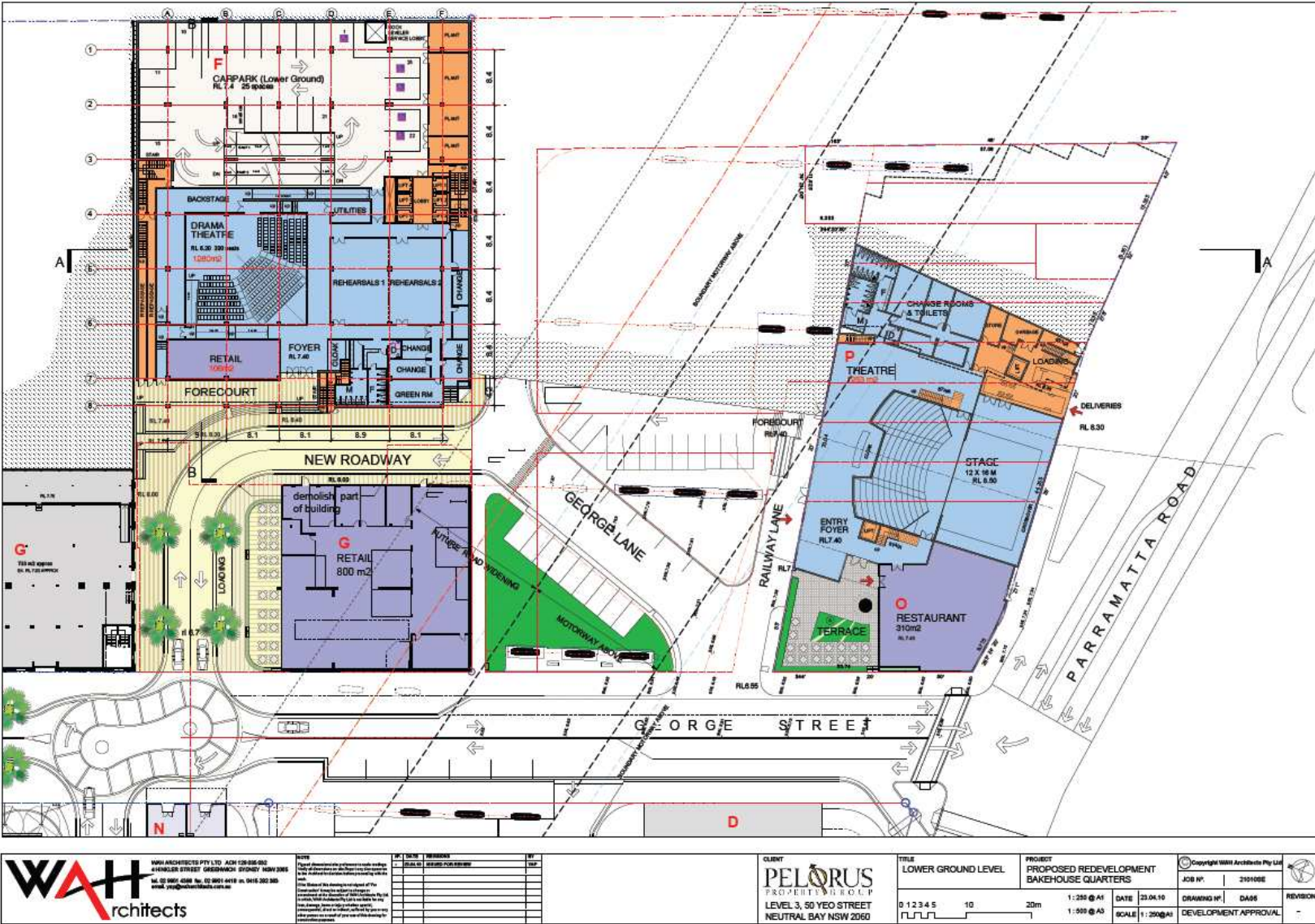
Table 2 Development Floorspace

Proposed Development Floorspace	
Building	GFA (sq.m.)
F (Office, Retail)	24,651
O (Restaurant)	310
P (Theatre)	1,993
Q (Hotel)	7,671
Site Improvements	-
Total	34,625

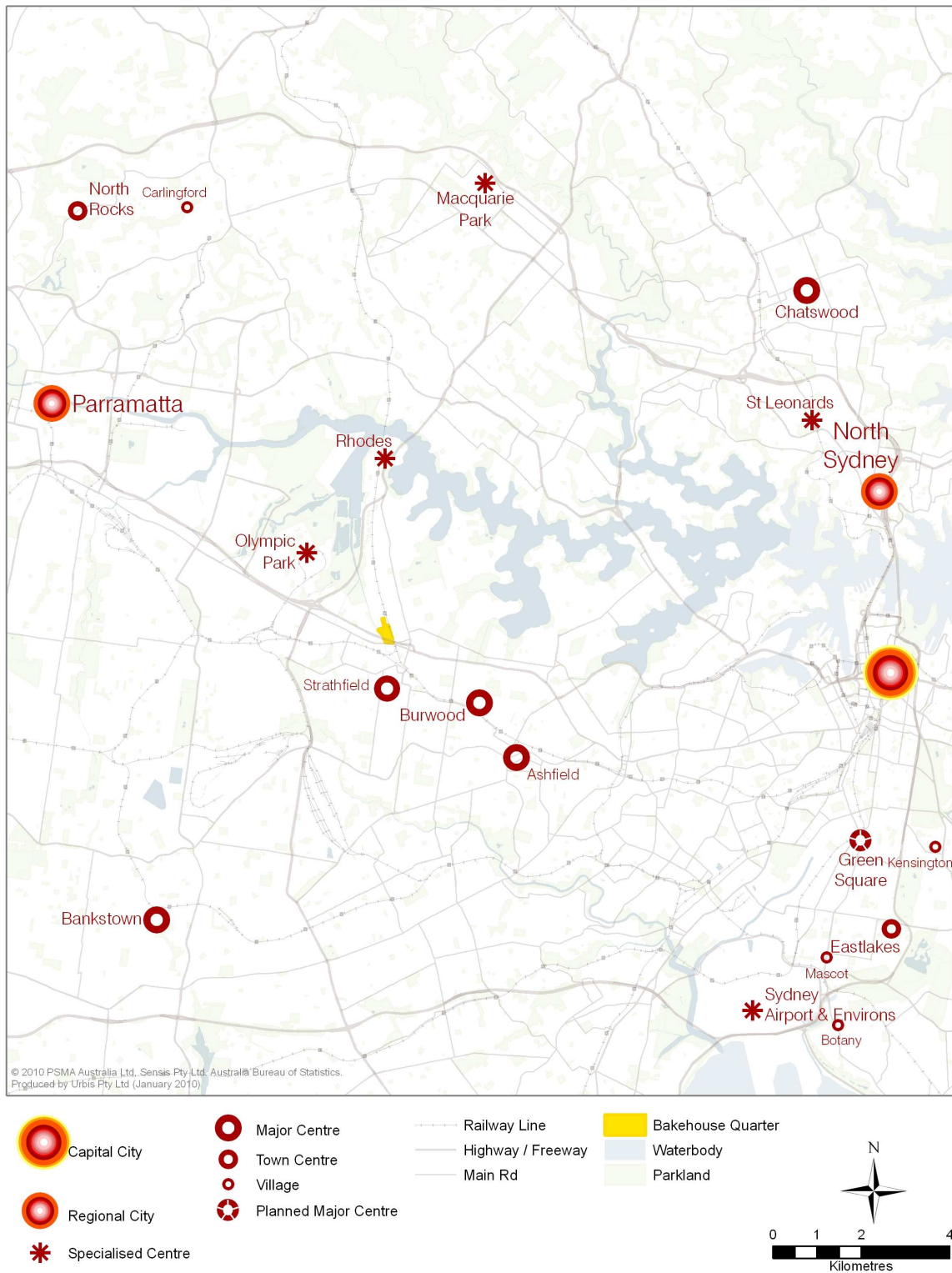
Source: Wah Architects, Rawlinsons, Urbis

INTRODUCTION

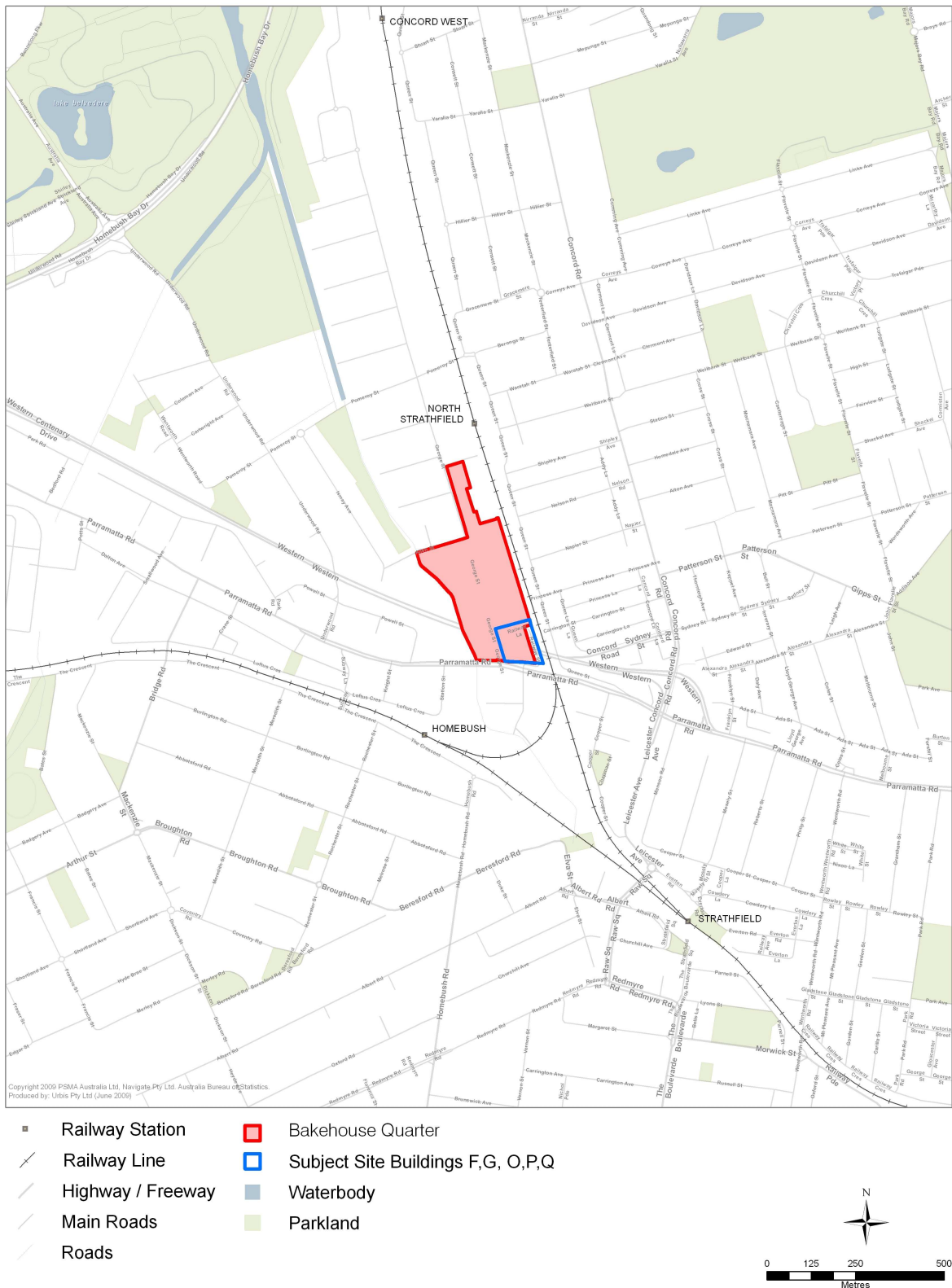
Figure 1 Bakehouse Quarter: Masterplan for Proposed Additional Development



Map 1 Regional Context



Map 2 Site Location



Map 3 Aerial View of the Subject Site



2 Office Market Overview

2.1 Existing Office Supply

As at February 2010, the Sydney suburban office market contained an estimated 4.67 million sq.m. dispersed across seven regions – City Fringe, North, Inner West, South, North West, South West and West. Of these, the North region was the largest, accounting for 33% (1.54 million sq.m.) of the suburban office market.

The Bakehouse Quarter in North Strathfield falls within the Inner West office market. The major office markets within the region are Rhodes, Homebush and Burwood. A small amount of office space is also located in Strathfield.

Currently there is around 10,000 sq.m. of office space at Bakehouse Quarter which is primarily occupied by two major tenants – NRMA and Campbell Arnotts. The remaining space is largely made up of small medical suites and serviced offices.

As at February 2010, there was an estimated 146,000 sq.m. of office space at Rhodes, 101,000 sq.m. at Homebush, 93,000 sq.m. at Burwood and 7,000 sq.m. at Strathfield. At the Bakehouse Quarter, there is currently around 10,000 sq.m. of office space within the development, equivalent to less than 3% of the combined spaces of the aforementioned office markets.

Rhodes offers primarily A Grade offices with large floor plates, Green Star ratings and easy access to the adjoining shopping centre and Rhodes railway station. Major tenants include Australand and Unisys and NAB Customer Contact Centre.

Homebush / Sydney Olympic Park also primarily comprises of A Grade space, with a small amount of B Grade space within some business park / light Industrial type development. It also has good rail access. Major tenants include CBA, Acer Computers and the Australian College of Physical Education.

Burwood differs to Rhodes and Homebush in terms of quality and size of office space. It comprises largely B and C Grade space, with smaller floor plates. The space is occupied predominately by professional services, including legal services associated with the local court, and a wide range of small medical practices which have concentrated near the rail station. The NSW Metropolitan Strategy notes that these sectors are likely to continue to lead demand for office space in the centre in the future.

The office space at Strathfield is predominately located above Strathfield plaza. It is mainly C grade and occupied by small, local services firms.

Table 3 Existing Office Supply – Bakehouse Quarter, Rhodes, Homebush, Burwood & Strathfield

Existing Office Space - Bakehouse Quarter, Rhodes, Homebush, Burwood & Strathfield	
	sq.m. NLA
Bakehouse Quarter	10,000
Rhodes	146,000
Homebush	101,000
Burwood	93,000
Strathfield	7,000
Total	357,000

Source: Colliers, Knight Frank, Urbis

2.2 Office Vacancy

Office vacancy at Rhodes increased slightly from 4% in 2007 to 6% in July 2009. The increase was largely attributed to the completion of Building A at Rhodes Corporate Park (15,000 sq.m.) in the second half of 2007. Despite the increase, this level of vacancy is below that of most other non-CBD office markets in Sydney.

Vacancy at Sydney Olympic Park / Homebush fell from 13% in 2007 to 2% in July 2009 – among the lowest vacancy levels across all suburban Sydney office markets. This is despite a significant increase in supply over the period, including CBA's new building.

In 2007, office vacancy in Burwood was 10%. Whilst no official data is available on the current level of vacancy in Burwood, a moderate level of vacancy was observed during a physical assessment of the precinct. Moreover, no major leases are known to have been secured since 2007. Therefore we assume that vacancy has most likely remained at around the 10% mark since 2007. We note that this vacancy appears to be spread through most buildings, given the relatively low average size of office tenancies and multi-tenant nature of most buildings in the area.

2.3 Proposed Future Office Supply

In the volatile economic climate that existed over the past 12 months a number of new office developments were delayed, postponed or cancelled. Despite the market demonstrating positive signs of recovery, the level of new supply expected to enter the market over the next few years is moderate.

Building F at Riverside in Rhodes will add around 14,400 sq.m. NLA to the market by 2011. The building is being developed by Australand as an extension to their existing development. Due to the lack of new supply, market commentators expect that this space will be nearly fully committed by the time it comes to market, keeping vacancy tight.³

At Sydney Olympic Park, 8 Australia Avenue will bring an additional 5,100sq.m. NLA to the market by the first half of 2010. The only other proposed new office development that looks very likely to progress at Sydney Olympic Park at this stage is the Boulevard at the corner of Sarah Durack Ave and Olympic Boulevard, with a NLA of 12,000 sq.m. The development is not expected to be completed before 2011. Two other developments – 5b Uhrig Road and Prime are DA approved but have been postponed at this stage. Nevertheless we have incorporated these developments into our assessment in order to give a thorough and conservative assessment of the economic impacts of the proposed additional development at Bakehouse Quarter. The buildings have proposed NLAs of 6,400sq.m. and 17,600 sq.m. respectively.

A new office building within Burwood Council's new Civic Precinct development will bring an additional 5,500 sq.m. to the market. The development is scheduled for completion in 2013. We note that within the Metropolitan Strategy the Department of Planning has identified Burwood as a Major Centre with potential for significant commercial office space expansion. At this stage, however, no other office developments have been formally proposed or approved.

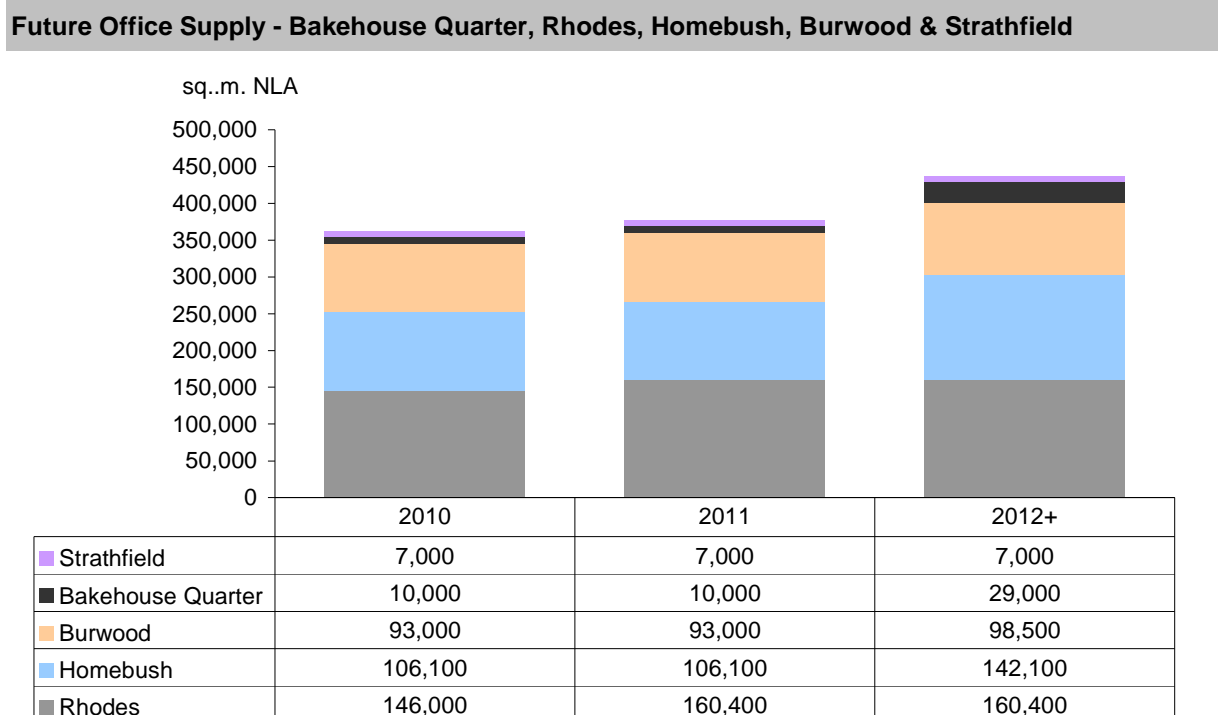
The chart overleaf illustrates office supply projected for Bakehouse Quarter, Rhodes, Homebush, Burwood and Strathfield for 2010, 2011, and 2012 and beyond. From this illustration we can gauge the extent of development at Bakehouse Quarter relative to the markets.

The above mentioned proposed developments would result in a 20% increase in the total office space in these markets, from 357,000 sq.m. to 437,000 sq.m. after 2012, while Bakehouse Quarter's share of total space would increase from 3% to 6.5%.

³ Colliers International, *Sydney Metropolitan Office Report*, Spring 2009.

The additional office accommodation at Bakehouse Quarter will begin to provide a critical mass of office based employment. In our opinion the development would not compromise the roles of the existing centres of Homebush, Rhodes and Burwood within the sub-region.

Figure 2 Future Office Supply – Bakehouse Quarter, Rhodes, Homebush, Burwood & Strathfield (2010-2012+)



Sources: Urbis, Knight Frank, Colliers, Reed Construction Data

2.4 Office Demand Drivers

2.4.1 Population Growth

Future population growth will drive demand for office space, as a certain proportion of the population will be employed in white collar positions that are accommodated in offices. Demand will be somewhat driven by population growth that occurs across the broad Sydney SD – since people that are employed within the catchment area will come from all over Sydney SD. However, a significant proportion of white collar employees will also come from within the catchment population, as has been the case historically. An assessment of future population growth within the catchment therefore provides a basis for estimating future office space demand in the catchment area.

The combined population of Canada Bay, Strathfield and Burwood LGAs is forecast to increase by around 2,400 persons annually to 2016, tapering off to between 1,000 to 1,200 persons annually thereafter.

These population forecasts feed into our white collar employment and office demand forecasts in sections 2.5.2 and 2.6.

Table 4 Local Catchment Population Forecasts

Local Catchment Population Forecasts (2006-2031)						
Estimated Resident Population (No.)						
	2006	2011	2016	2021	2026	2031
Canada Bay	68,725	81,694	89,665	92,866	95,948	98,790
Strathfield	33,231	36,426	39,090	40,429	41,702	42,859
Burwood	32,395	34,223	35,618	36,993	38,341	39,617
Total Study Area	134,351	152,343	164,373	170,289	175,991	181,266
Average Annual Growth (No.)						
	2006-2011	2011-2016	2016-2021	2021-2026	2026-2031	
Canada Bay	2,594	1,594	640	616	568	
Strathfield	639	533	268	255	231	
Burwood	366	279	275	270	255	
Total Study Area	3,598	2,406	1,183	1,141	1,055	
Average Annual Growth (%)						
	2006-2011	2011-2016	2016-2021	2021-2026	2026-2031	
Canada Bay	3.8%	2.0%	0.7%	0.7%	0.6%	
Strathfield	1.9%	1.5%	0.7%	0.6%	0.6%	
Burwood	1.1%	0.8%	0.8%	0.7%	0.7%	
Total Study Area	2.7%	1.6%	0.7%	0.7%	0.6%	

Source: ABS, NSW DoP, Urbis

2.4.2 White Collar Employment Growth

Growth in white collar employment is the key driver of office demand. Within the study area, around 80% of the working population were employed in white collar roles in 2006. Despite the proportion of working residents that are employed in white collar jobs remaining constant, the absolute number of working residents employed in white collar jobs increased between 2001 and 2006.

Based on forecasted population growth, employment participation rates, white collar employment, and employment self containment rates (i.e. the proportion of study area residents that are employed within the study area), we have estimated future white collar employment growth under two scenarios.

The first scenario presented in Table 5 overleaf is based on the following assumptions:

1. The proportion of employed versus non-employed persons within the catchment will remain constant at 46%;
2. The proportion of white collar workers will remain constant at 80% (such was the case over the period 2001 to 2006);
3. The proportion of working residents that are employed within the study area will remain constant at 16% (this is a conservative assumption since the degree of employment containment is driven largely by the quantity and type of employment options that are made available to residents within a given area. Therefore, if more jobs are available there is scope for the employment containment ratio to increase).

Table 5 Study Area White Collar Employment Forecasts – Scenario 1 (Low Growth)

Study Area White Collar Employment Forecasts - Scenario 1 (Low Growth)						
	2010	2011	2016	2021	2026	2031
Population	148,745	152,343	164,373	170,289	175,991	181,266
Additional Persons (Cumulative)		3,598	15,628	21,544	27,247	32,521
% of Employed Catchment Population		46%	46%	46%	46%	46%
# of Additional Catchment Population that are Employed		1,652	7,173	9,888	12,505	14,926
% of Working Residents that are Employed within Catchment		16%	16%	16%	16%	16%
No. of Additional Working Catchment Population that are Employed within Catchment		264	1,148	1,582	2,001	2,388
Working Residents as a % of all People Employed in Catchment		25%	25%	25%	25%	25%
Total Additional Workers in Catchment Area		1,057	4,590	6,328	8,003	9,553
Total Additional Office Based White Collar Workers in Catchment		634	2,754	3,797	4,802	5,732

In preparing the second set of forecasts presented in Table 7, we have maintained assumptions one and two from scenario one (low growth), but have amended assumption three. Based on the employment containment benchmarks presented in Table 6 below, in our view there is significant scope to increase the employment containment ratio within the study area, which is currently at 16% - below the employment containment ratio for all benchmarked LGAs.

In terms of the demographic and employment profile, the study area is most comparable to LGAs such as Ashfield, Parramatta and Ryde. Based on these benchmarks, we believe that there is scope to increase the employment containment ratio in the study area to at least 20%. Therefore, the scenario 2 white collar employment forecasts presented in Table 7 overleaf assume that employment containment within the catchment area increases to 20% by 2016. In our view these scenario 2 white collar employment forecasts represent the most likely scenario.

Table 6 Employment Containment Ratio Benchmarks (2006)

Employment Containment Benchmarks (2006)			
Ashfield	24%	Mosman	35%
Bankstown	32%	Parramatta	18%
Fairfield	39%	Randwick	42%
Hornsby	50%	Ryde	23%
Hurstville	30%	Warringah	61%
Kuring-gai	40%	Leichhardt	28%

Source: ABS, TDC

Table 7 Study Area White Collar Employment Forecasts – Scenario 2 (Likely Scenario)

Study Area White Collar Employment Forecasts - Scenario 2 (Likely Scenario)						
	2010	2011	2016	2021	2026	2031
Population	148,745	152,343	164,373	170,289	175,991	181,266
Additional Persons (Cumulative)		3,598	15,628	21,544	27,247	32,521
% of Employed Catchment Population		46%	46%	46%	46%	46%
# of Additional Catchment Population that are Employed		1,652	7,173	9,888	12,505	14,926
% of Working Residents that are Employed within Catchment		16%	20%	20%	20%	20%
No. of Additional Working Catchment Population that are Employed within Catchment		264	1,435	1,978	2,501	2,985
Working Residents as a % of all People Employed in Catchment		25%	27%	27%	27%	27%
Total Additional Workers in Catchment Area		1,057	5,313	7,324	9,263	11,056
Total Additional Office Based White Collar Workers in Catchment		634	3,188	4,395	5,558	6,634

2.5 Office Demand Forecasts

Based on the white collar employment forecasts presented in the previous section, and assuming a space requirement of 20 sq.m. per employee, under the 'low' growth scenario there would be demand for an additional 55,086 sq.m. of office space by 2016, and 75,938 sq.m. of additional office space by 2021. This means that planned future supply (excluding Bakehouse Quarter) would slightly outweigh demand by 5,914 sq.m. by 2016, and would fall short by approximately 14,938 sq.m. by 2021.

Under the 'likely' white collar employment growth scenario an additional 63,757 sq.m. of office space would be required by 2016 and an additional 87,892 sq.m. of office space would be required by 2021. This means that by 2016 there would be a shortage in office space of 2,757 sq.m. and by 2021 there would be a shortage in office space of around 26,892 sq.m. The additional office demand that would arise under this 'likely' scenario is equivalent to approximately 17% and 25% of the office floor space that is currently in Rhodes, Homebush, Bakehouse Quarter and Burwood, over the next six years and 11 years respectively.

Table 8 Study Area Office Demand Forecasts – Scenario 1 (Low Growth)

Study Area Office Demand Forecasts - Scenario 1 (Low Growth)				
Sq.m. NLA	2010-2016	2010-2021	2010-2026	2010-2031
Forecasted Additional Office Demand (cumulative)	55,086	75,938	96,040	114,630
Planned Additional Office Supply (cumulative; exc. BHQ)	61,000	61,000	61,000	61,000
Office Under/Over Supply	5,914	-14,938	-35,040	-53,630

Source: Urbis

Table 9 Study Area Office Demand Forecasts – Scenario 2 (Likely Scenario)

Study Area Office Demand Forecasts - Scenario 2 (Likely Growth)				
Sq.m.	2010-2016	2010-2021	2010-2026	2010-2031
Forecasted Additional Office Demand (cumulative)	63,757	87,892	111,157	132,674
Planned Additional Office Supply (cumulative; exc. BHQ)	61,000	61,000	61,000	61,000
Office Under/Over Supply	-2,757	-26,892	-50,157	-71,674

Source: Urbis

2.6 Department of Planning Employment Targets and Implications for Office Demand

The Department of Planning has established employment targets for the Inner West Region, as laid out in the Draft Inner West Subregional Strategy. The strategy states an employment target for Canada Bay, Strathfield and Burwood LGAs of 11,500 additional employees between 2001 and 2031.

Whilst we note that strong jobs growth was achieved in the Subregion between 2001 and 2031 – particularly in Canada Bay LGA – and that growth is on track to meet the DoP's target for 2031, we note that there may have been some mismatch between the type of new jobs created between 2001 and 2006, and the employment profile of the Inner West subregion resident population. This means that, although new jobs were created in the subregion, they may not have provided for the local population, which is contrary to the DoP's objective of providing jobs for people within their local areas.

As at 2001, 80% of residents in the Inner West subregion were employed in white collar roles, with 60% of these being office-based. Therefore, to match the employment profile of the local resident population, approximately 80% of new jobs should be white collar, and of these approximately 60% should be office-based. Applying the DoP's job forecasts for the Inner West subregion, this translates to an average annual growth in office based white collar jobs of around 920. Such an increase in the number of office-based white collar jobs would result in demand for an additional 110,000 sq.m. of office space over the entire 30 year period from 2001 to 2031.

Therefore, if office-based white collar jobs grew at this rate between 2001 and 2010, an additional 77,000 sq.m. of office space would be required from 2010 to 2031 to support ongoing achievement of the employment targets.

However, looking at the change in the employment profile of Canada Bay, Burwood and Strathfield LGAs between 2001 and 2006 we note that the number of new office-based jobs generated in these LGAs over the period was around 530 annually – significantly below the target of 920. Growth in office-based white collar jobs could have been inhibited by the modest level of new office space within the LGAs over this period. To allow for greater growth going forward, such that the new jobs more closely align with the local resident employment profile, the level of new office supply required from now till 2031 will most likely need to be significantly greater than 77,000 sq.m. In any case, additional office developments to those that are already planned (which have a combined NLA of 61,000sq.m., excluding Bakehouse Quarter) will need to occur in the Inner West subregion to accommodate future jobs growth. This reinforces the important role that Bakehouse Quarter has to play.

We note that the population and employment targets for the entire Sydney metropolitan area have recently been reviewed and revised upwards. In line with this, targets for the individual subregions are also likely to be subsequently revised upwards and this would result in an even higher demand for office space within the study area than what the current targets require.

3 Hotel & Tourism Market Overview

In 2009, the Australian hotel market proved to be one of the most resilient hotel markets globally, with hotels recording occupancy rates of 70% or more in comparison to other markets throughout the Asia Pacific region that experienced average occupancy rates as low as 40%. The NSW hotel market emulated the performance of the national market. This strong performance can be largely attributed to tight levels of accommodation supply and high room rates. Whilst this is positive for hotel operators, accommodation supply issues are inhibiting growth of NSW's tourism market, particularly during peak periods. A review of key hotel and tourism operating and performance indicators is presented in the following sections.

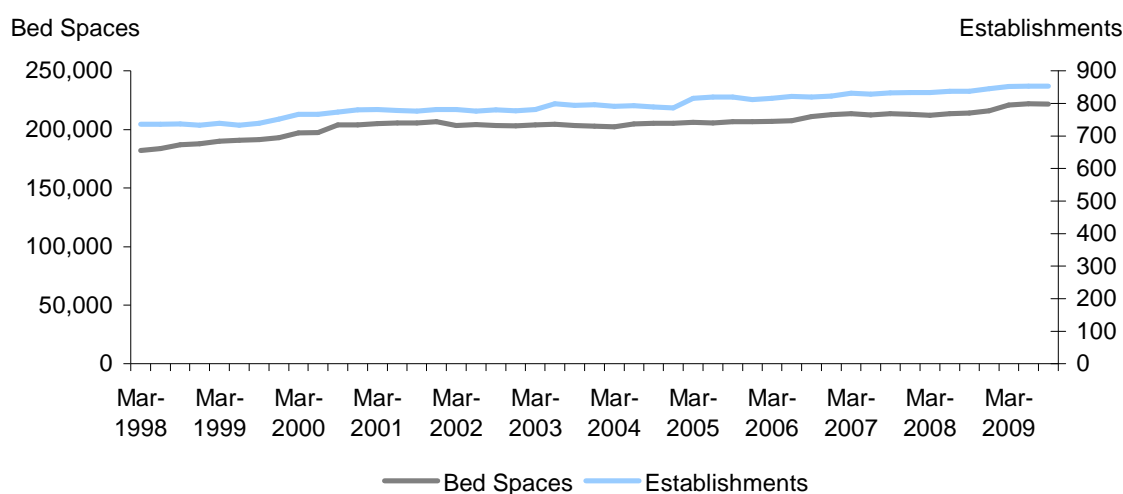
3.1 NSW Hotel & Tourism Market

3.1.1 Hotel Supply

Due to high hotel development costs, growth in hotel supply in NSW – in terms of the number of establishments and bed spaces – has been very modest since 1998. In Sydney, only one five star hotel – the Pullman at Sydney Olympic Park – has been developed since 2000.

Figure 3 NSW Hotel Bed Spaces & Establishment Number

Bed Spaces & Establishments (1998 - 2009)

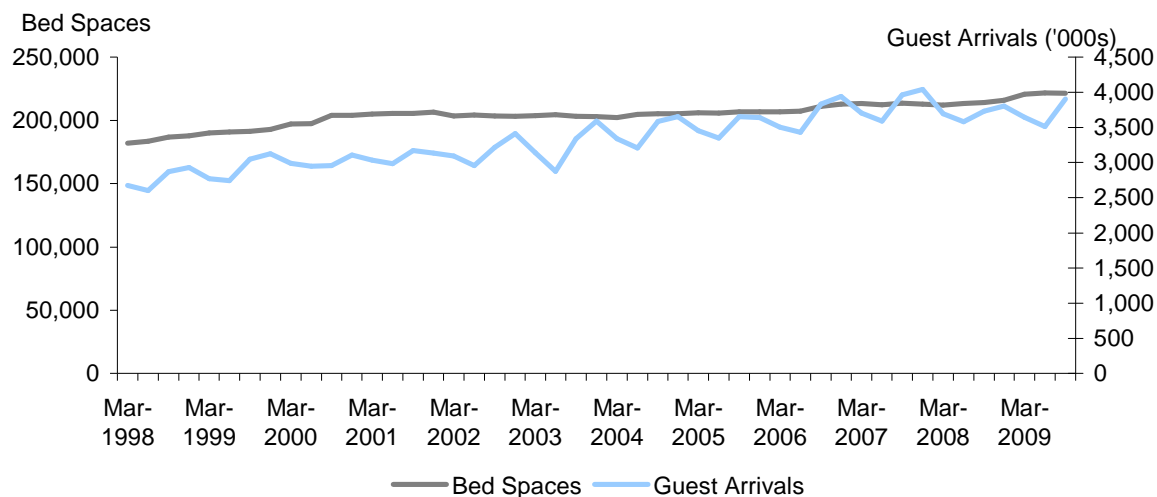


Source: ABS

3.1.2 Guest Arrivals at Hotels

Over the period 1998 to 2009 growth in guest arrivals surpassed growth in accommodation bed supply by around 1% annually. In total, annual guest arrivals increased by 30% over the period, while the number of beds increased by 20%.

Figure 4 NSW Hotel Bed Spaces & Guest Arrivals

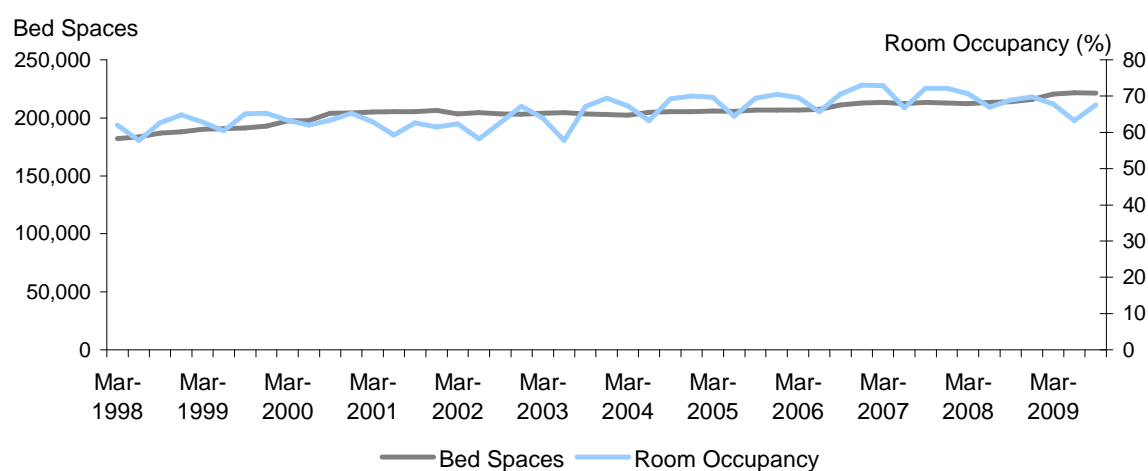
Bed Spaces & Guest Arrivals (1998 - 2009)

Source: ABS

3.1.3 Hotel Room Occupancy

Room occupancy has generally increased since 1998, as a result of visitor arrival growth surpassing growth in the supply of accommodation beds. Occupancy averaged 69% in 2009 which was fairly strong compared to occupancy rates achieved by other tourist markets during the Global Financial Crisis (GFC).

Figure 5 NSW Hotel Room Occupancy & Bed Spaces

Room Occupancy (1998 - 2009)

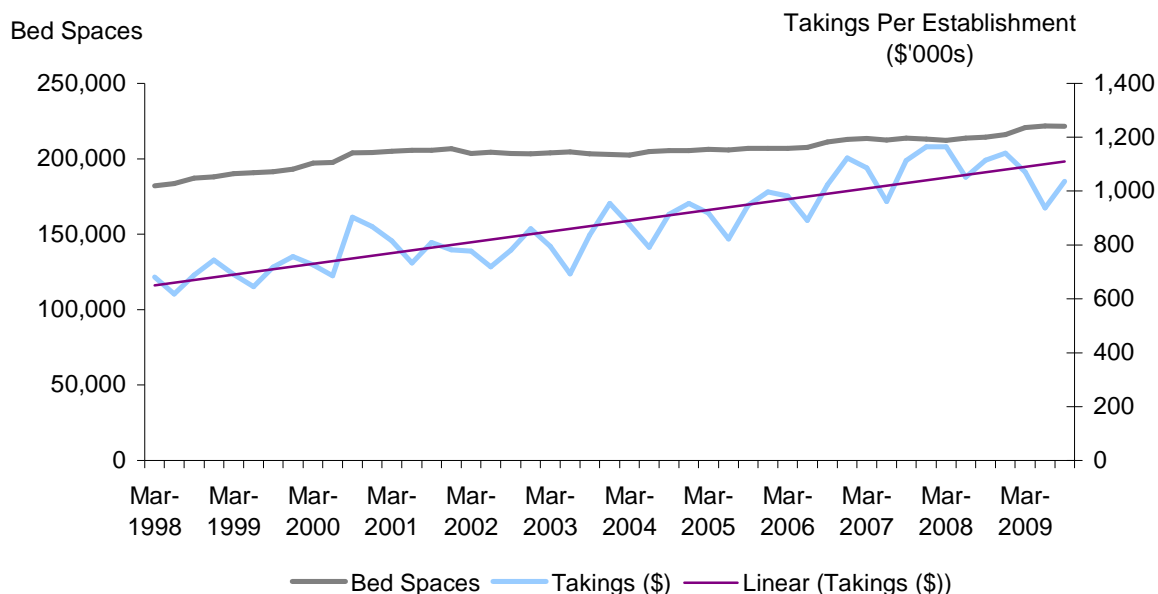
Source: ABS

3.1.4 Hotel Takings

NSW accommodation establishments achieved strong revenue growth from 1998 to 2009 as a result of tight supply, growth in room rates and some growth in visitor numbers. Over the period, average revenues per establishment increased by 57%, translating to an average annual growth rate of over 5%.

Figure 6 Revenues per NSW Hotel

Accommodation Takings (1998 - 2009)

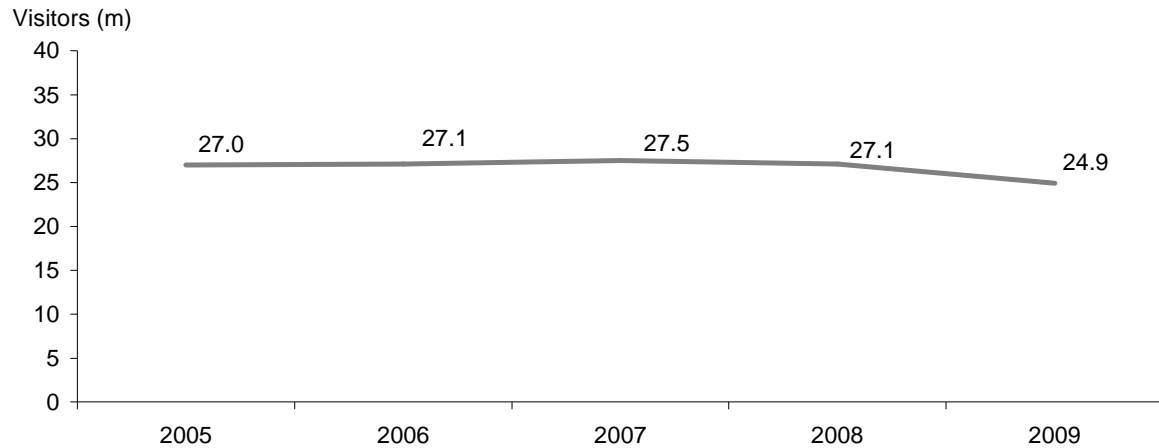


Source: ABS

3.1.5 Tourist Arrivals

As mentioned above, tight accommodation supply has resulted in high hotel room rates. Whilst this is positive from the operators' perspective, high room rates affects NSW's ability to compete for tourists. This is reflected by the modest growth in tourist numbers that has been achieved. Figure 7 below illustrates combined domestic overnight and international visitor arrivals to NSW from 2005 to 2009. As shown, from 2005 to 2008 practically no growth was achieved, and during the GFC of 2009 visitor arrivals fell to their lowest level over the period.

Figure 7 Domestic & Overnight Visitors to NSW (2005-2009)

Domestic and International Overnight Visitors to NSW (2005-2009)

Source: TRA, Tourism NSW

3.2 Local Hotel Market

Within the study area there are four branded hotels:

- Pullman Sydney Olympic Park (5 star)
- Novotel Sydney Olympic Park (4 star)
- Ibis Sydney Olympic Park (3 star)
- Formula 1 Sydney Olympic Park (2 star)

All four hotels are owned and managed by the Accor Group. Combined they have 321 rooms.

The Pullman hotel caters largely to the business traveller market. It has three meeting rooms for up to 220 delegates limited conferencing space of 340sq.m. The Novotel and Ibis hotels also cater to the business traveller market, as well as leisure travellers that attend sporting and music events held at Sydney Olympic Park. The Formula 1 hotel caters to budget leisure travellers.



Novotel, Ibis and Pullman hotels at Sydney Olympic Park

Whilst official data on individual hotel occupancy rates is not available, a September 2008 article by BT Publishing indicated that occupancy at the Sydney Olympic park hotels increased by 68% over the year to September 2009. The article stated that during the Pullman's first year of operations, the Sydney Olympic Park precinct saw almost 101,000 room nights booked – translating to an occupancy rate of 86% – and the Pullman hosted more than 700 meetings, events and conferences throughout the year.

When large sporting and entertainment events are held at Sydney Olympic Park the hotels reportedly achieve up to 100% occupancy and increase room rates significantly. For example, on the 26th of May 2010 game 1 of the NRL State of Origin is being played at ANZ Stadium. When a mock reservation was attempted to be made for this period through Novotel's online reservation system, the room rate that was quoted was \$389 (including breakfast) – a 70% premium on the standard weekend rate. On the 7th of July 2010 game 3 of the NRL State of Origin is being at ANZ Stadium. There are no rooms available at any of the Sydney Olympic Park hotels on this date.

4 Development Impact Assessment

This section of the report considers the potential economic impacts of the proposed additional development at Bakehouse Quarter on surrounding office, hotel and retail markets, in addition to considering the employment, income and expenditure benefits that would arise from the proposed development.

For this assessment we have focused on the major components of the development – the office, hotel and theatre. Given their small scale, we expect that the impacts of the remaining components – the restaurant and small amount of retail – would be negligible.

4.1 Office Market Impacts

The proposed development would add 19,000 sq.m of office floor space to the market, representing an increase of around 5% of the existing combined floorspace currently at Rhodes, Homebush, Bakehouse Quarter and Burwood.

As discussed in section 2.5, we estimate that approximately 63,757 sq.m. of additional office space will be required within the study area between 2010 and 2016, and an additional 87,892 sq.m. will be required between 2010 and 2021. This means that if all of the planned developments in Rhodes, Homebush and Burwood proceed, in addition to the expansion at Bakehouse Quarter, by 2016 the additional supply would slightly outweigh additional demand by around 16,000 sq.m. This might result in a slight increase in office vacancy in these markets during this period. All additional supply that would enter the markets if all proposed developments progressed would be gradually absorbed after 2016 and by 2021 this new space would be entirely absorbed and additional space would be required.

In reality, the likelihood of all proposed developments progressing is unknown. It is reasonable to assume that not all developments will proceed, or they will not be completed by the scheduled time frame. For example it is possible that the Prime development in Homebush may not proceed. In this instance, there would be insufficient office space to absorb all the projected growth in white collar employment in the longer term.

Therefore, in the worst case the proposed office development at Bakehouse Quarter might result in a very minor and temporary increase in vacancy in the short term if all other planned / proposed office developments proceed and are completed on time. In this instance overall vacancy is unlikely to exceed 6% to 7% which is considered to be a sustainable level of vacancy. In the medium to longer term demand for additional office space would significantly outweigh the additional supply provided by these developments.

Moreover, commercial floor space demand is unlike retail floor space where it competes for a geographically constrained catchment. A retail centre catchment typically has a certain expenditure capacity that tends to be diluted with the addition of further retail space without associated growth in the expenditure of the existing catchment or expansion of the catchment boundaries (which can occur as a result of an increased retail offer). Adding commercial floor space to a precinct does not tend to impact the demand from existing tenants due to the inertia associated with tenants moving from one building to another. This is due to the long term nature of commercial leases, the provision of tailored fit-outs, corporate and staff stability objectives, location familiarity and preference, and the costs associated with relocating offices. Typically new commercial office developments attract new tenants to an area or cater to expansion requirements of existing tenants.

In consideration of future office space requirement for the study area and the tenant inertia associated with office relocation, we believe the office component of the proposed Bakehouse Quarter development will not have a significant impact on the existing study area office market or any particular existing or approved commercial developments in this study area.

4.2 Accommodation & Tourism Market Impacts

As discussed in section 3, growth in NSW's tourism market has been largely inhibited by tight accommodation supply and high hotel room rates. The challenge of providing sufficient supply of accommodation to support growth in tourist numbers is identified as a critical issue in the NSW Tourism Masterplan, prepared by Tourism NSW. The strategy notes that "industry indicates that currently Sydney and some regions do not have sufficient accommodation supply to meet demand in peak times" In response, Department of Planning, Property Industry, Tourism NSW and the Department of State and Regional Development have initiated discussions regarding strategies for improving accommodation supply in Sydney and regional NSW.

The proposed hotel development at Bakehouse Quarter would increase Sydney's accommodation supply, and support growth in tourist numbers. If the hotel could achieve a 70% occupancy rate – the average occupancy rate achieved across Sydney Hotels and specifically at the nearby Sydney Olympic Park hotels – this would translate to an additional 44,700 visitor nights annually. Assuming average daily expenditure of \$138⁴, this would generate an additional \$6.2 million in tourist expenditure in NSW annually.

The proposed hotel at Bakehouse Quarter would also have space to accommodate conferences. Conferences and exhibitions are a major vehicle for attracting people into a city. The Sydney Convention and Visitor Bureau's (SCVB) 2006 Convention Delegate study showed the majority of overseas (76%) and interstate delegates (57%) would not have come to Sydney if it were not for the conference they attended. In addition, nearly two-thirds said they would return to Sydney for a holiday within the next five years.

Limited availability of conferencing space in Sydney has been identified as a key barrier to the industry's growth. A 2007 study commissioned by the Tourism and Transport Forum (TTF) found that the inadequate provision of convention and exhibition space is costing the NSW economy \$477 million a year. Sydney's declining competitiveness as an international conference and convention market is clearly reflected by the International Congress Convention Association (ICCA) rankings. In 2000, Sydney held 49 conventions and was ranked 5th in the world. By 2006 it had fallen to 20th in the world rankings and was rated alongside Athens, Bangkok and Melbourne. Provision of conferencing space in the proposed hotel development at Bakehouse Quarter would contribute to alleviating the problem of a lack of conferencing space, and facilitate industry growth. This has the potential to would bring significant economic benefits to Sydney.

Additional employment and incomes generated as a result of additional tourist expenditure attributed to the proposed hotel are captured in sections 4.5 and 4.6.

4.3 Retail Market Impacts

Existing retail tenancies at Bakehouse Quarter currently comprise of cafes and restaurants, grocery and fresh food retailers, a pharmacy and a newsagency.

⁴ Tourism Research Australia, 2008

Table 10 Bakehouse Quarter Retail Tenancies

Bakehouse Quarter Retail Tenancies	
Cafes & Restaurants	Groceries & Fresh Food
707 Sushi & Salad Buffet	Aldi North Strathfield
Bakehouse Garden Korean BBQ	Harris Farm Markets North Strathfield
Bar Biscotti	Moree Meats
Bin 24	Bakehouse Quarter Minimart
The Blue Lantern	Komart
Dawat Indian Restaurant	
Thai Paragon	Specialty Stores
Gloria Jeans	Harrison's Pharmacy
O'Briens Sandwich Bar	The Bakehouse Newsagency
Outback Steakhouse	
Subway North Strathfield	
Zenja	
Zenobia	

The additional retail within the proposed expansion includes a two story tavern, a restaurant and some small retail tenancies below the office development, which would accommodate specialty retail.

Given the small amount of additional retail that is proposed within the Bakehouse Quarter expansion, and given that the additional retail is likely to vary to the existing retail offer, we do not foresee that there would be any adverse impact of the additional retail on the existing retail at Bakehouse Quarter.

Moreover, in our opinion the additional retail space proposed within the Bakehouse Quarter expansion would not adversely affect surrounding retail centres within Canada Bay LGA, including Rhodes Waterside, Birkenhead Point, Five Dock, Majors Bay Road and Victoria Road. This is in view of the fact that the quantum of planned additional retail at Bakehouse Quarter is small relative to the overall supply of retail within the LGA, and that the projected growth in the resident and worker populations in the LGA would be sufficient enough to support this volume of additional retail.

We note that Canada Bay's local centres are a vital economic, social and cultural contributor to the area. The Canada Bay LPS questions the potential adverse impacts of the additional development at Bakehouse Quarter on these local centres. However, retail activity is the key component of these centres. Therefore, given that the proposed expanded retail at Bakehouse Quarter is only very minimal, we do not foresee that the development would negatively impact existing local centres.

Positive economic impacts would be generated in the form of additional jobs and incomes – these impacts have been captured in sections 4.5 and 4.6. Apart from the benefits of additional jobs and incomes, the expanded retail offer would also provide benefits to workers and local residents in terms of greater consumer choice, and would activate the street front.

4.4 Theatre Impacts

The proposed theatre will provide performance and rehearsal space for music and performing arts activities, and will also accommodate other commercial and community activities that require large-format meeting space, for example conferences, seminars, exhibitions and trade shows. It will have a seating capacity of 700 people and it is intended that it would be utilised by neighbouring schools and community organisations, as well as commercial enterprises. In this way the proposed theatre precinct will contribute to the cultural diversity of the Inner West and Greater Western Sydney.

Given the limited number of custom theatre facilities within the study area, we do not foresee that proposed theatre would have an adverse economic impact on existing theatre facilities within the catchment area which include:

- McDonald College (directly adjacent to Bakehouse Quarter)
- Australian Latvian Centre Auditorium (1.6km from Bakehouse Quarter);
- Strathfield Town Hall (2km from Bakehouse Quarter);

We note that the Masterplan for the Civic Precinct Development in Burwood also includes a multifunction auditorium with seating for more than 1,000 people.

4.5 Employment Impacts

During construction, the development would generate an estimated 1,811 jobs on a one year full time equivalent basis over the period of construction. This means that if the development took two years to complete, 905 people could be sustainably employed on a full time basis throughout the two year construction period as a result of the development. Jobs would comprise both direct construction jobs, and indirect jobs throughout all other industries in the economy.

Once operational, the development would accommodate 1,211 employees – most of these would be accommodated within the office component of the development. Additional incomes and expenditure generated by the additional workers employed within the development would create an estimated 2,264 indirect jobs throughout all other industries in the economy. Therefore, the development would support almost 3,500 jobs in total once operational. These employment impacts are summarised in Table 11 overleaf.

Employment numbers for the operating phase of the development are based on the following employment densities:

- Office: 25 sq.m. GFA per employee;
- Hotel: 2 accommodation suites per employee;
- Theatre: 45 sq.m. GFA per employee (derived through discussions with theatre operators);
- Retail: 25 sq.m. GFA per employee.

Note that our estimate of jobs that would be accommodated by the additional development at Bakehouse Quarter is fairly consistent with the employment capacity estimates contained within Canada Bay Council's LPS, as prepared by SGS Economics. SGS Economics estimated that Bakehouse Quarter has capacity to accommodate an additional 1,237 jobs upon expansion, slightly higher than our estimate of 1,211 additional jobs.

The difference between our estimate and SGS Economics' estimate is attributed to a slight variation in employment densities that were applied – we applied a specific employment density for the various components of the redevelopment (e.g. 25sq.m. per employee for office and retail; 45sq.m. per employee for the hotel and theatres), while SGS applied an average employment density of 30sq.m per employee across the entire development.

Table 11 Employment Impacts of Proposed Development

Employment Impacts of Proposed Office, Hotel, Theatre & Retail Development			
	Direct Employment	Indirect Employment	Total Employment
Office			
Construction Phase	430	642	1,072
Operating Phase	986	2,009	2,995
Hotel			
Construction Phase	217	324	541
Operating Phase	88	119	207
Theatre			
Construction Phase	53	79	132
Operating Phase	29	40	69
Retail			
Construction Phase	27	40	66
Operating Phase	108	97	205
Total Development			
Construction Phase	727	1,085	1,811
Operating Phase	1,211	2,264	3,476

Source: ABS, Urbis

4.6 Income Impacts

The additional direct and indirect jobs created during construction of the development would generate an estimated \$95 million of incomes throughout the entire duration of construction.

Additional direct and indirect jobs created during the operating phase would generate an estimated \$187 million in employee income annually.

Table 12 Income Impacts of Proposed Development

Income Impacts of Proposed Office, Hotel, Theatre & Retail Development			
	Direct Income (\$m)	Indirect Income (\$m)	Total Income (\$m)
Office			
Construction Phase	19	36	55
Operating Phase	74	87	161
Hotel			
Construction Phase	10	18	28
Operating Phase	5	7	12
Theatre			
Construction Phase	3	6	9
Operating Phase	2	2	4
Retail			
Construction Phase	1	2	3
Operating Phase	5	4	9
Total Development			
Construction Phase	33	62	95
Operating Phase	86	101	187

Source: ABS, Urbis

4.7 Worker Expenditure Impacts

Some of the additional incomes earned by new workers within the Bakehouse Quarter would be spent in surrounding retail and services businesses. The flow-on benefits of this expenditure, in terms of jobs and incomes, are already reflected in the measures of indirect employment and indirect incomes presented in sections 4.5 and 4.6. None-the-less, it is interesting to measure additional worker expenditure that would be generated as a result of the new development, in order to gauge the degree of impact on local businesses.

A survey conducted by Urbis revealed that, where there is a moderate supply of retail and services expenditure such as that at Bakehouse Quarter, workers spend an average of \$17.50 per day. Therefore, assuming a five day working week and a 48 week working year, the additional 1,211 workers employed within the new development would spend an estimated \$5.1 million at surrounding retail and services businesses annually.

4.8 Conclusion

Based on our assessment of the office, retail, accommodation markets and theatre facilities in the study area, we do not foresee that the proposed additional development would have a detrimental impact on these markets. On the contrary, the development would contribute to overall employment growth and economic development within the study area, having flow on effects to Greater Sydney. As noted in our analysis, a key challenge for the Inner West region is the low level of jobs provided relative to the size of the population, resulting in a low level of employment containment. Additional development at Bakehouse Quarter would contribute to increasing the provision of jobs in the region thereby potentially increasing the rate of employment containment from the current low rate of 16%. Therefore, in conclusion we foresee that the development would have an overall positive economic impact.

Sydney
Level 21, 321 Kent Street
Sydney, NSW 2000
Tel: +612 8233 9900
Fax: +612 8233 9966

Brisbane
Level 12, 120 Edward Street
Brisbane, QLD 4000
Tel: +617 3007 3800
Fax: +617 3007 3811

Dubai
Level 4, Attareen Building,
Saaha Offices, Old Town Island
Downtown Burj Dubai, UAE
Tel: +971 4 4200212
Fax: +971 4 4200209

Melbourne
Level 12, 120 Collins Street
Melbourne, VIC 3000
Tel: +613 8663 4888
Fax: +613 8663 4999

Perth
Ground Floor, 53 Ord Street
West Perth, WA 6005
Tel: +618 9346 0500
Fax: +618 9321 7790

Australia • Asia • Middle East
www.urbis.com.au
info@urbis.com.au