

## **RESPONSE TO NORTH SYDNEY COUNCIL SUBMISSION OBJECTING TO 146 ARTHUR ST, NORTH SYDNEY - BUILD-TO-RENT (SSD-61000021).**

This response seeks to address the key points raised in the submission made by North Sydney Council dated 12 December 2024 to the SSDA application for 146 Arthur Street, North Sydney - Build-to-Rent (SSD-61000021), related to the economic analysis provided in support of the Environmental Impact Statement (EIS). It addresses the requirements outlined in the additional assessment requirement (dated 22 July 2024) of the Planning Secretary's Environmental Assessment Requirements (SEARs) to:

- *provide an economic impact assessment which assesses the economic impacts of the proposed residential uses in the North Sydney Commercial Core. The analysis must take into consideration the existing provision and demand for retail and/or commercial uses on the site and within the commercial catchment area.*

### **ISSUE RAISED:**

*The development should not be approved, due to its irreversible negative impacts on North Sydney's role as a key economic, social and cultural centre of Global Sydney.*

### **RESPONSE:**

The proposal to redevelop the 36-year-old commercial office tower at 146 Arthur Street to a build-to-rent residential tower is a permissible use under the provisions of the Housing SEPP. The provisions include requirements that the project have all dwellings on the same lot, a sole owner and managing agent, and a commitment to not subdivide the tenanted dwellings in perpetuity (in CBD zones). These requirements have the effect of ensuring that decisions related to refurbishment or redevelopment of a build-to-rent property at critical stages of the asset's lifecycle be more readily enabled, as interests are consolidated under a single owner and property. It is therefore not unreasonable to expect that in the longer term, should the fundamental drivers in the market for commercial and residential properties in North Sydney change, a rational decision be taken by the asset owner to redevelop the site as a commercial property. It is therefore incorrect to state that the impact of this development is irreversible, as in the medium to long term it can be reversed, with the provisions in the Housing SEPP ensuring that this can be done without the complications of having to deal with subdivided properties under multiple ownership.

With regard to the assertion that the development will have negative impacts to the area, based on the evidence and the reasons outlined in the EIS for SSD-61000021 and in this response to submissions, the expected impact on North Sydney's role as a key economic, social and cultural centre of Global Sydney is expected to be a positive one, considering current and medium to longer term commercial office market conditions, as described further in this response.

**ISSUE RAISED:**

The economic analysis submitted with the proposal has not, in Council's opinion, adequately responded to the SEARs in that it fails to have adequate regard to the broader economic impact of the proposal on the longer-term viability and strength of the North Sydney CBD.

**RESPONSE:**

The longer-term viability and strength of the North Sydney CBD will depend upon, amongst other factors, the ability of the area to:

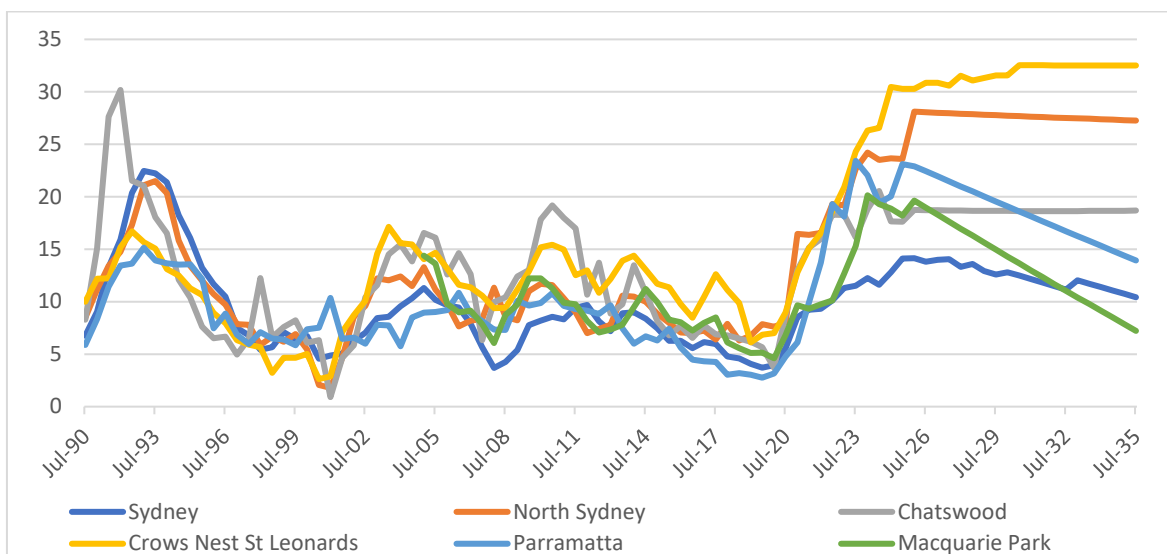
- 1. adjust to structural changes in the commercial office market and work habits,
- 2. compete with other existing and emerging centres,
- 3. respond to changing expectations and needs of office workers and their employers, and
- 4. improve activation and vibrancy, particularly after hours and on weekends.

The proposed build-to-rent residential development at 146 Arthur Street is expected to have a positive economic impact on the longer-term viability and strength of the North Sydney CBD, contributing to the above-listed factors in the following ways:

- 1. North Sydney CBD is the second worst performing commercial office markets in Sydney in terms of vacancy rates, which are expected to increase at the end of 2025 as a large amount of new premium commercial office stock is due for completion. Even as other commercial office markets begin to regain ground following the demand shocks that followed the onset of COVID, North Sydney's performance has lagged in comparison to other centres.

Forecasts indicate that vacancy rates are expected to remain higher than on average over the ten-year outlook for existing office markets, except for Crows Nest/St Leonards. The forecasts suggest that the current downturn which started in 2020, is expected to reach its low point in 2025 ahead of a slow prolonged recovery for some of these markets, while other including North Sydney are expected to remain near historic high vacancy rates levels.

**Vacancy Forecasts – Major Sydney Office Markets**



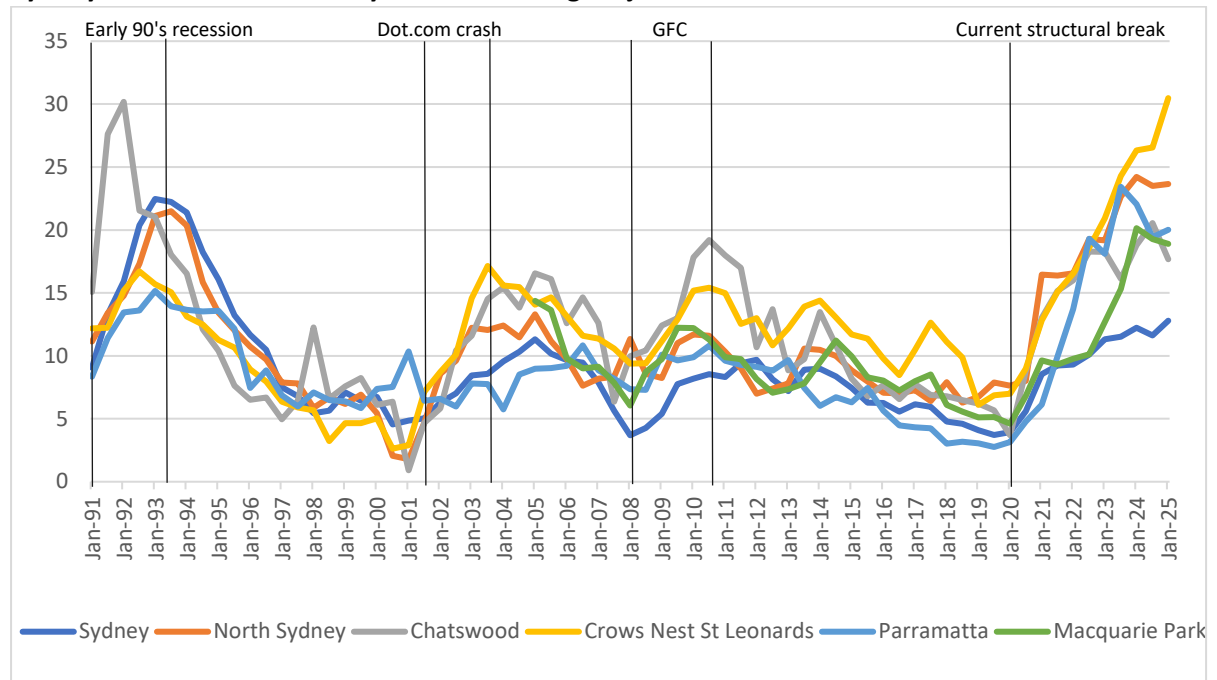
Source: Deloitte Access Economics, MSCI, Property Council of Australia, Cordell Connect

Although concerns over workplace strategy, the evolving business landscape, and uncertain economic conditions are contributing to current commercial office market conditions, the

changes in commercial office space demand that occurred since COVID are enduring, indicating a structural adjustment is underway. As a result, it cannot be expected conditions will return to pre-COVID levels.

Evidence shows notable differences to previous downturns that occurred following the Global Financial Crisis, the Dot-com crash and the early 1990's recession. The vacancy rates experienced in January 2025, almost five years after the onset of COVID, are higher compared to all previous downturn cycles for all markets except Sydney CBD and Chatswood. Both markets had a higher vacancy in 1993 than the current vacancy. Both markets have improved their prospects significantly by diversifying their land use base with more residential and/or mixed-use developments being added during the 1990s and 2000s.

### Sydney Office Market Vacancy Rates Following Major Economic downturns



Source: Property Council of Australia, Urbis

With more people working from home or under hybrid work arrangements, demand for office space is not expected to return to pre-COVID levels anytime soon. Even as some businesses have tried to enforce a return-to-the-office mandate with mixed success, many other businesses have chosen to adopt hybrid work models on a permanent basis. The impact of this on North Sydney's CBD has been especially pronounced in lower grade office space, with many of the smaller businesses which used to take up those tenancies now working from home, given technology and social constraints are no longer barriers. As for larger businesses that occupy premium-grade office space, they are reducing their tenancies significantly as they adjust to fewer people in the office on any given day. The NBN Co., a proponent of flexible working models, took on a lease of just over 20,000sq.m. at 100 Mount Street in 2019, reducing their tenancy by 7,000sq.m. shortly thereafter in 2023. They have recently announced they will take a new 9,000sq.m. lease at Victoria Cross Tower, vacating the remaining 13,000sq. m. they occupy at 100 Mount Street by the end of 2025. The overall reduction of 55% since the onset of COVID is significant and with drivers of the change being largely structural, it is unlikely the NBN Co. will

return to office space demand levels anywhere near what it was in 2019 in the foreseeable future.

Given the scale of current and forecast vacancy levels over the next ten years, the long-term recovery and strengthening of the area's commercial market will benefit from withdrawals of excess commercial floorspace, particularly lower-grade commercial stock for which prospects are most dire, such as the commercial tower currently sited at 146 Arthur Street. The withdrawal of this commercial floorspace will not impact the future potential of the area, also considering the significant latent commercial floorspace capacity that exists under current zoning. From this perspective, the proposal to convert 146 Arthur Street from a commercial property to a build-to-rent residential property will alleviate the oversupply of obsolete, under-occupied lower-grade commercial office space in North Sydney, to the benefit of the area's longer-term viability and strength.

2. Over recent decades, North Sydney has lost prominence among major commercial office markets in Sydney. Once regarded as Sydney's 'second CBD', North Sydney has been surpassed by other burgeoning markets such as Parramatta and Macquarie Park. Besides arguably having better amenity and relatively more affordable housing nearby, they have anchor tenants in place, including NSW Government departments and universities, that in turn attract other tenants looking to be part of vibrant business ecosystem. Cost and quality of available office space is also a factor impacting upon North Sydney's competitiveness.

North Sydney currently commands the highest office rents and holds the largest quantum of secondary floorspace of any Sydney office market outside of the CBD. The high proportion of secondary grade commercial office stock in North Sydney, currently 58% of the total commercial office stock, hampers its ability to compete with other markets. The only other commercial market which has a higher proportion of secondary-grade stock (62%) is Crows Nest/St Leonards, which is also the only market with a higher vacancy rate than North Sydney (30.5% versus 23.7% respectively). The 'flight to quality' experienced since COVID has accelerated the obsolescence of these assets which have been experiencing very high vacancy rates at 28%, 10-percentage points higher than the prime-grade market with 18% vacancy rates.

Besides existing centres, new emerging commercial centres are being introduced and propelled by significant public and private sector investment, targeting some of the same industry sectors that have traditionally been based in North Sydney. In December 2024, the NSW Government announced plans aimed at unleashing the full potential of the Tech Central district, positioning it to become Australia's largest innovation and technology hub. Already boasting the highest concentration of technology businesses anywhere in Australia, as well as two leading universities, the centre has a healthy pipeline of Prime commercial office space being developed, while actively being marketed by Investment NSW to drive even greater investment and activity.

Barangaroo is another emerging centre that has already had a major impact upon North Sydney's viability, following the relocation of major corporate tenants who had been calling North Sydney home. TPG, Australia's third-largest telecommunications company and owner of Vodafone, moved its North Sydney base to Barangaroo in 2023. TPG sublease around 9,000sq. m. in Barangaroo, subleasing the space in the North Sydney tower which it previously occupied until its lease runs out in 2028. WPP, a large advertising conglomerate that spans 13 agencies and has 1,300 employees in Sydney also made the move to Barangaroo in early 2025,

consolidating three Sydney offices including one in North Sydney. WPPs move to Barangaroo occurred despite media reports from 2022 having announced that the organisation had signed a pre-commitment to consolidate its offices in Victoria Cross Tower in North Sydney, a move that failed to eventuate and exposes North Sydney's lack of competitiveness when pitted against newer and more vibrant commercial centres<sup>1</sup>.

Compounding the issue, on 10 February 2025 North Sydney Council has voted to apply for a Special Rate Variation that, if approved, will see business rates increase by 87.05% over two years. While arguably the increase is applied over a relatively low base when compared to other nearby LGAs, should the increase be approved, it will exacerbate the lack of competitiveness of the area against other existing and emerging commercial centres. Major commercial property owners in North Sydney, including Lendlease, Mirvac and Pro-Invest have made submissions in opposition to the proposed Special Rate Variation, outlining some of the expected impacts of the increase, including:

- Increased occupancy costs for tenants, undermining the attractiveness and competitiveness of commercial and retail properties in North Sydney.
- Further hindrances to the feasibility of both new developments and the refurbishment of existing properties, essential for maintaining a competitive, activated and engaging office market.
- Undermining of North Sydney's reputation as an investor-friendly jurisdiction, noted as critical to attracting domestic and international capital, by adding to long-term uncertainty and further eroding investor confidence.
- Reduction of development activity and increased tenant attrition, in turn expected to have significant flow-on effects for the local economy, job creation, business growth, and the overall revitalisation of the North Sydney CBD.

The proposed development will improve the competitive positioning of the North Sydney CBD relative to existing and emerging centres, contributing to the area's longer-term viability and strength. By removing an obsolete, under-occupied commercial asset on the fringe of the commercial core and replacing it with build-to-rent housing and ground floor activation, the proposed development will contribute to the area's attractiveness as a vibrant centre for businesses to locate.

3. In a competitive job market such as the current Australian job market where there is a near record low level of unemployment, the employee value proposition of a business becomes an important factor in a business' ability to attract and retain talent. In this regard, the location of a business becomes an important factor, particularly in relation to the distance and cost of travelling to work and to the availability of relatively affordable housing nearby. Locating a business in an area where people can afford to live close to or can easily commute to, becomes an important consideration. With only 13.3% of North Sydney LGA workers residing in the area, a higher proportion of renters compared to other areas, and relatively unaffordable housing, locating in North Sydney presents disadvantages to businesses that they will need to consider in their efforts to remain competitive and ensure their workers are satisfied.

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<sup>1</sup> <https://www.realcommercial.com.au/news/victoria-cross-filling-up-as-tenants-lured-to-12bn-lendlease-tower-in-north-sydney>

Given the notion that hybrid working is here to stay, the expectations workers have of their workplace becomes an even more important factor for commercial tenants to consider. Commenting on the departure of HSBC from Canary Wharf, returning to their previous headquarters of 20 years prior at the City of London, an article from the Guardian noted: “office workers want more from their places of employment when they make their less-frequent visits than they did before – more pleasant environments, more liveliness when they go out on to the streets, more buzz.”<sup>2</sup>

The absence of an active and vibrant environment in North Sydney’s CBD is presently a challenge and despite the new retail offerings at Victoria Cross Station, the area is at a disadvantage in this regard when compared to competing centres.

The proposed development will support the longer-term viability and strength of the North Sydney CBD by providing high-amenity residences within walking distance from the commercial core as well as ground-floor activation. The type of housing on offer is in-demand and is particularly appealing to younger, white-collar professionals, a key employment demographic of media, information technology and other industry sectors that are prevalent in the area. As a result, the proposed development will arguably have a positive economic impact on the area, notwithstanding the loss of commercial floorspace, given the existing tenancies can easily be absorbed by other commercial properties in the area which are also experiencing elevated vacancy rates.

4. The position taken by the North Sydney Council of limiting non-commercial land-uses within the North Sydney CBD’s commercial core has been a critical issue contributing to its poor performance and has exposed its frailty, amid growing competition from more vibrant and affordable centres. It is well understood that promoting a variety of diverse uses together at varying scales is conducive to greater liveliness and activity. Successful activity centres around the world have a broad range of uses operating side-by-side: dining and entertainment venues alongside small and larger, more established businesses alongside residential properties, higher education facilities and public open spaces. The co-existence of these activities in one activity centre allows for the mingling of different communities and creates active spaces throughout the city, at all times of the day. The NSW Planning Minister Paul Scully recently spoke of the need for more residential development in the city’s commercial core, both in the CBD and inner ring suburbs.<sup>3</sup> While the comments made were in the relation to Sydney’s CBD, the same rationale applies to North Sydney CBD: “There is a changing expectation in the way people want to live. We should be embracing that while respecting the fact that we’ve also got to have sufficient options in the CBD for hotels, for businesses, for office space and commercial space.”

The lack of vibrancy and activity in the North Sydney CBD cannot easily be overcome in the short term and among other things, will require substantial growth to its resident population, so that there is greater diversity of patronage in North Sydney’s CBD beyond just office workers during office hours. The addition of build-to-rent residential floorspace to the area’s fringe, as proposed for the site at 146 Arthur St, is expected to contribute to the longer-term viability of the centre and strength of the North Sydney CBD. The estimated 780 new residents of 146 Arthur Street

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<sup>2</sup> <https://www.theguardian.com/artanddesign/2023/jul/01/hsbc-quits-canary-wharf-hybrid-working-london-docklands>

<sup>3</sup> <https://www.smh.com.au/national/nsw/why-sydney-must-build-more-apartments-in-the-cbd-20250204-p5l9bn.html>

will benefit the area by increasing spending in local businesses by an estimated \$24.7M per annum, as well as by increasing the local talent pool of workers required by businesses headquartered in the area.

As noted in Mirvac's submission to North Sydney Council's consultation on the proposed Special Rate Variation, the impact of the commercial office market's increase in vacancy rates has in turn had a detrimental impact on retail properties. In the submission, Mirvac notes that Greenwood Plaza has seen a decline of over 46% in retail sales since 2019, with vacancy rates at Greenwood Plaza having increased from around 2% in 2019 to 24% at the end of 2024. The submission also notes the correlated relationship between commercial property occupancy and retail in North Sydney. The submission mentions the issue is compounded by the fact that approximately 86% of the working population in North Sydney live outside the area, outlining the significant challenge for retail businesses in the area to attract patrons other than office workers. The absence of a resident population that contributes to activity and vibrancy in the centre makes it very difficult to improve the prospects for retail and other support services. In turn, the absence of quality and variety in retail and other service offerings is a limiting factor to the growth and long-term strength of North Sydney's CBD, leading to a spiralling trend that can result in further loss of commercial tenants and competitiveness. Given the challenges the commercial office sector is experiencing now and into the future, it cannot be solely relied upon to reverse the trend experienced by retail and other sectors in North Sydney's CBD.

The proposed development at 146 Arthur Street will help activate and create greater vibrancy in the North Sydney CBD, contributing to the area's longer-term viability and strength, by helping address the lack of diversity in land-uses within the North Sydney CBD through the addition of residential floorspace and ground floor activation to centre. This in turn is expected to help mitigate the impacts that structural changes to the commercial office market have had in the area, impacting positively upon the viability of retail and other land-uses by diversifying their customer base, which at present consists almost exclusively of office workers during office hours.

#### **ISSUE RAISED:**

*North Sydney Council Area's Gross Regional Product was \$23.37 billion year ending June 2023. An analysis of the value added by industry sectors in the North Sydney Council area in 2021/2022 shows the three of the largest industries were:*

- 1. Professional, Scientific and Technical Services (\$5,828 million or 27.0 %),*
- 2. Information Media and Telecommunications (\$4,421 million or 20.5 %),*
- 3. Financial and Insurance Services (\$2,592 million or 12.0%).*

*In combination, these three industries accounted for \$12,841 million in total or 59.6% of the total value added by industry in the North Sydney Council area. The comparison to Greater Sydney is compelling, reinforcing North Sydney's important role in the Eastern Economic Corridor.*

#### **RESPONSE:**

The North Sydney Council's *North Sydney Economic Development Study (2024)* alerts to the risk North Sydney LGA faces due to its dependence on three office-based sectors amid growing competition from other centres:

*"The dominance of the three office-based sectors, exposes the LGA's economy to downside risk. When measured using an entropy index, the LGA is shown to have low economic diversity – with low levels of employment in retail and services in particular (LQ 0.4 for retail*

*trade, and LQ 0.69 for accommodation and food services). Any shock to the three dominant sectors is likely to be broadly felt in the LGA. This also adds to the perception that North Sydney is just about commercial activity in the CBD and little else. For the centres themselves, low levels of retail and service activity affects their ability to meet residents' needs and detracts from the competitive offer as places for business."*

Despite the strength of the three office-based sectors in North Sydney, slow growth is projected for these selected industries between 2021 and 2041. Transport for NSW employment projection data<sup>4</sup> shows average annual employment growth in these industries in North Sydney (0.7%) is projected to be slower than in competing centres including Crows Nest/St Leonards (0.9%), Macquarie Park (1.0%) and Parramatta (1.3%).

This lower growth rate can be at least partly attributed to the loss of appeal of the North Sydney market compared to more affordable existing centres. As emerging centres such as Tech Central and Barangaroo continue to gain ground, even greater competition for North Sydney's traditional tenant base can be expected.

The proposed development at 146 Arthur Street can help improve the competitiveness of North Sydney CBDs economy amid growing competition for its three key office-based sectors. Importantly, it will help increase the resilience and diversity of its economy by growing employment in accommodation and food services, which account for just 5% of employment in the North Sydney CBD in 2021, compared to 14% for Greater Sydney.

**ISSUE RAISED:**

*With the progression of several large scale (residential) planning proposals surrounding the precinct, along with the recent Crows Nest TOD rezoning and upcoming mid-rise housing reforms, residential capacity is adequately provided for within the North Sydney LGA.*

**RESPONSE:**

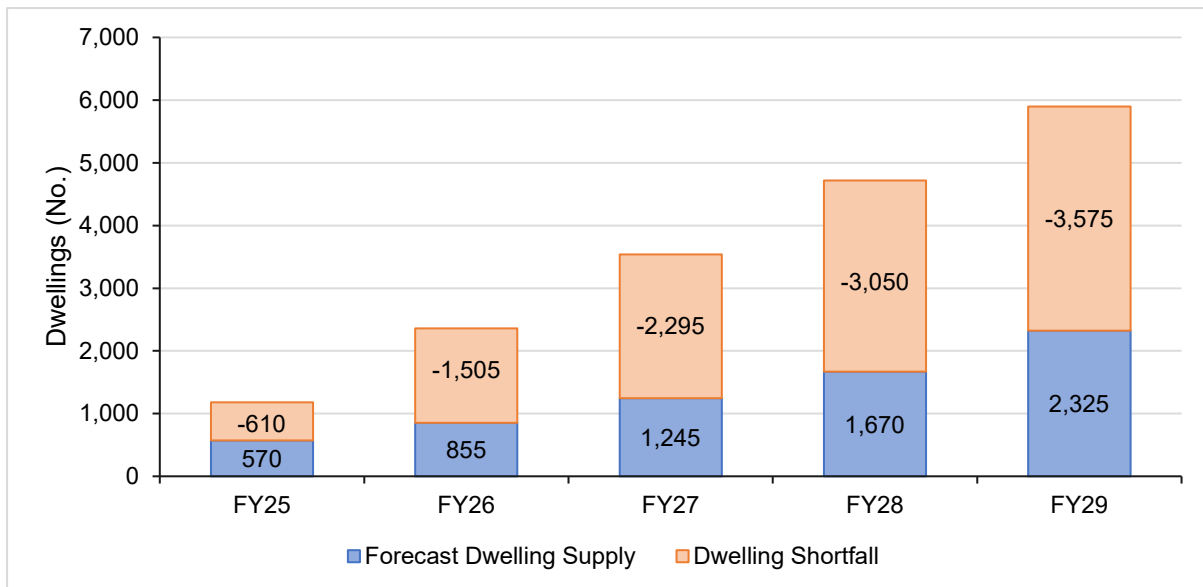
Under the National Housing Accord, North Sydney LGA has a target to deliver 5,900 new well-located dwellings in the five-year period between FY 2024 and FY 2029. These housing targets are critical to address the housing crisis, meeting the future needs of communities and providing access to diverse, well-located homes in areas with existing infrastructure capacity.

Analysis of dwelling completions to-date and of forecast supply reveals North Sydney LGA is lagging in dwelling completions and at current rates is expected to fall well below of their target, delivering 2,325 dwellings by the end of the 2029 financial year, less than 40% of what is required in the period.

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<sup>4</sup> Travel Zone Projections 2022 (TZP22), released November 2022.

## North Sydney Council Implied Dwelling Shortfall (FY25-FY29)



Source: DPHI; Urbis

Data used to complete this analysis was sourced from the Department of Planning, Housing and Infrastructure and released in May 2024. As a result, it does not consider additional dwelling capacity that has been added through land rezoned under the Transport Oriented Development (TOD) Accelerated Precincts program and other reforms that have been foreshadowed but not approved. After the lodgement of the Environmental Impact Statement for SSD 61-000021, the rezoning of the Crows Nest TOD came into effect, on 27 November 2024. The proposal rezones land in the North Sydney, Lane Cove and Willoughby LGAs, providing theoretical capacity for an additional 5,900 homes within the St Leonards and Crows Nest Precinct, which represents an increase of 4,311 dwellings above the additional capacity provided in the 2036 Precinct Plan.

Despite the uplift in dwelling capacity in the area, there is no guarantee that additional dwellings will be built on those sites to the scale required, nor that they will be completed within the timeframe of the current National Housing Accord. Even if all additional dwellings enabled were constructed, they would still fall significantly short of the total dwelling need in the area. As noted in the Economic Impact Assessment (EIA) prepared by Atlas Economics in support of the Crows Nest State-led Rezoning proposal, “the TOD Rezoning provides theoretical capacity for 5,900 dwellings. This represents approximately 36% of these LGAs total dwelling need to 2041.”<sup>5</sup>

Assertions that there is sufficient dwelling capacity provided for do not correspond to the reality on the ground, where there is a shortage of dwellings in North Sydney and insufficient dwellings in the construction pipeline to make up the shortfall in the near to medium-term; the housing crisis in North Sydney is likely to get worse before it gets better. The proposed development at 146 Arthur Street will provide 390 new dwellings, adding much needed new housing supply to the North Sydney LGA and helping to narrow the projected shortfall in meeting housing targets.

There is also a disconnect between the types of dwellings available and those that are needed in North Sydney. The *North Sydney Local Housing Strategy (2019)* identified that “there is a housing supply gap for small dwellings... Lone person households may be living in dwellings larger than they

<sup>5</sup> Atlas Economics, November 2024. *Crows Nest State-led Rezoning: Economic Impact Assessment*. Page iv.

need, which also means they may be incurring higher housing costs than required.” The proposed development at 146 Arthur Street will provide a housing typology that caters to this demographic, addressing a specific housing need in the area.

**ISSUE RAISED:**

*If re-developed to its full potential under the current NSLEP planning controls as a commercial development the site has potential to contribute approximately 2,000 jobs to North Sydney with a significantly greater long term annual benefit to the broader economy. According to the National Institute of Economic and Industry Research (NIEIR) the average worker productivity figure across the above three predominant sectors described above in North Sydney is \$244,000 per annum. Workers in these sectors typically occupy office accommodation and have, on this site, the potential to contribute some \$488million per annum to the broader economy.*

**RESPONSE:**

Redeveloping the site at 146 Arthur Street to its full potential under the current NSLEP planning controls as a commercial development is not a feasible proposition from a commercial standpoint. The scale of the site is also an impediment to a commercial redevelopment on site, with a limited floorplate that is not suited to delivering upon the requirements of a contemporary premium-grade office building.

As demonstrated in the EIS and throughout this response to submissions, the oversupply of commercial office space is projected to remain at an exceptionally high level over the coming decade, given new developments underway and the projected take-up rates. As a result, many commercial developments that have been approved in North Sydney are not progressing to construction or are being withdrawn altogether as changed market conditions since Covid make commercial developments in North Sydney unfeasible.

Valuations of commercial buildings in North Sydney have experienced a significant decline, weighing heavily upon the prospects of future developments. Negotiations underway for the acquisition of the commercial tower at 100 Mount Street illustrate the extent of the decline, with media reporting on a value of above \$600 million for the deal, a sharp 5-year decline in value from the \$800 million that the development was valued at upon completion in 2019. <sup>6</sup>

Notwithstanding the sunk costs of obtaining planning approval, landowners of properties with approved commercial development plans are firm in their position that they will not be built. In a submission to this proposal (SSD-6100021) from Corrs Chambers Westgarth on behalf of Freecity, they asserted under no uncertain terms the developer’s intention not to proceed with an approved 43-storey commercial development:

*153-157 Walker Street benefits from a development consent (DA393/22) for a 43-storey commercial tower. However, our client instructs us that it has no intention of proceeding with this development in light of the downtrend in demand for additional office floorspace that North Sydney has experienced in recent years.*

Besides the properties located at 153-157 Walker Street, there are many examples of properties in North Sydney that have existing approvals for commercial redevelopment and for which plans are now being revisited, including:

- **MLC Building (105 Miller Street) – Approved for Redevelopment but Stalled**

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<sup>6</sup> <https://www.theaustralian.com.au/business/property/hines-dials-up-interest-in-nbn-headquarters-as-north-sydney-takes-off/news-story/01c06e332742ace423b434baa063ec35>

Heritage-listed commercial office building, largely vacant. Residential development is now proposed for the site.

- **20 Berry Street – Commercial Office to Hotel**

Originally a 14-storey commercial office building. In November 2024, Holdmark submitted a \$60 million development application to convert it into a 22-storey hotel with 249 rooms.

The comparison between the economic benefit that can be achieved from a build-to-rent residential development on site that is being proposed for construction and a theoretical commercial development on site that has no realistic prospect of being built in the foreseeable future is therefore irrelevant. The benefit of an actual proposed development that is intended to be delivered is always going to be higher than a theoretical proposition for which there is no willing developer, no market for and no physical ability to be delivered.

**ISSUE RAISED:**

*The EIS documentation provided focuses too heavily on current and anticipated short term market conditions.*

*It does not consider the catalytic effect of the recent opening of the Metro in this context nor the accumulative (detrimental) impact on the economy if this conversion from commercial to residential land use proceeds. It is noted that several other sites in the North Sydney CBD have also either sought SEAR's or expressed an interest in doing so.*

**RESPONSE:**

As demonstrated in the EIS and in this response to submission, the change in North Sydney CBDs commercial market conditions is a structural one and the impacts of the downturn currently being experienced are more enduring and more pronounced than any previously experienced in the last 40 years. Forecasts that take into consideration the impact of the recent opening of the Metro indicate that for at least the next ten years, conditions are not expected to improve.

While the recent opening of the Metro has been a positive catalyst, at this early stage it does not appear to be enough in and of itself to propel the North Sydney market back to its former grandeur. The apparent struggle to attract tenants in North Sydney's most prominent new commercial building Victoria Cross Tower, the uniquely positioned over station development due for completion in late 2025, is evidenced by the fact that to-date, only two tenancies (Ventia and NBN Co.) occupying a combined 12,500sq.m. of the 55,000sq.m. available have been announced.

The analysis presented in the EIS and in this response to submissions also suggests that the conversion of this and other secondary-grade commercial properties to residential land-uses is allowed to proceed, the likely impact on the local economy and commercial office market will be positive rather than detrimental. In fact, these conversions may well be the catalyst for the recovery of the North Sydney commercial office market and for fulfilling many objectives for the centre outlined in North Sydney Council plans and strategies related to activation, vibrancy and competitiveness. Withdrawing over-supplied and underoccupied secondary-grade commercial office space from the North Sydney CBD is expected to improve the competitiveness of the centre against existing and emerging centres by:

- Reducing the anomalously high vacancy rates of the past five years that are otherwise expected to remain high over the next decade, thus improving the conditions and prospects for other existing and future premium-grade commercial assets in the area.

- Diversifying the economic base of the local economy and reducing the dependency on a small number of sectors, thus improving the centre's ability to meet residents' needs and adding to the competitive offer as a place for business.
- Increasing the resident population, in turn expected to improve the prospects for retail and population serving services in the area, bringing with them much needed activity and vibrancy (including after hours and on weekends).
- Providing actual and tangible material contributions to the area and to the broader economy.

**DECLARATION:**

*I Richard Gibbs, confirm this Response to Submission report for 146 Arthur Street, North Sydney, when read in conjunction with the Economic Analysis report dated 7 May 2024, addresses the requirement of SEAR No. 27, SSD- 61000021, and relevant State and local legislation, policies, and guidelines.*

*I further confirm that none of the information contained in this Response to Submission report for 146 Arthur Street, North Sydney, is false or misleading.*



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18 February 2025