30 July 2021

David Workman
YPI2B Ownership Trust No. 4

Sent via email: dworkman@eg.com.au

Dear David

Re: 175-177 Cleveland Sr & 1-5 Woodburn St, Redfern - Strategic Review of Economic Impacts

A State Significant Development Application (SSDA) for 175-177 Cleveland Street and 1-5 Woodburn Street, Redfern (the Site) envisages the development of a privately-operated boarding house. Specifically, the proposal involves:

- Construction of a six (6) storey mixed use boarding house, comprising:
  - Approximately 3,720sqm GFA (FSR 3.5:1) comprising 150sqm of retail and 3,567sqm of boarding house GFA
  - Approximately 115-125 boarding rooms
  - Ground floor retail uses fronting Cleveland and Eveleigh Streets
  - Communal areas and resident facilities including an open to the sky internal courtyard
- Associated landscape works
- Extension and augmentation of services and infrastructure as required

The Planning Secretary's Environmental Assessment Requirements (SEARs) requires the Environmental Impact Statement (EIS) to address "*the economic impacts of the proposal, specifically impacts resulting from the loss of any commercial floorspace given the site's mixed use zoning*".

Existing Context and Implications for Economic Redevelopment of Site

The Site measures approximately 1,062sqm and is improved with two retail/ commercial buildings which accommodate a lettable area of some 1,020sqm. The buildings are occupied by a retail showroom, online art gallery and creative studio space.

The buildings are aged and in need of renewal. Net commercial rents (circa $300/sqm lettable area) are achieved for the buildings. These rents are on par with light industrial rents, which indicate the buildings are at the end of their economic useful life and in need of comprehensive refurbishment or redevelopment.

The location and amenity context of Cleveland Street does not particularly lend itself to high order commercial uses. This has corresponding implications for the depth of market demand for commercial uses and constrains the prices and rents achievable for employment floorspace. This means that a commercial-only development does not achieve the economic prices required for viable redevelopment.

The Mixed Use zone (equivalent to a B4 zone) permits a wide range of uses. The issue for a viable development of the Site is therefore - to accommodate a combination of uses that meets market demand but that also facilitates a commercial outcome.

The redevelopment of the Site will invariably result in the loss of the existing employment floorspace. As a commercial-only development is not viable, the alternative to avoiding the loss of the floorspace would be to retain the existing employment floorspace (i.e. without a redevelopment). The development potential of the Site would therefore be unrealised.

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The Higher Education Sector

The Australian government recognises the economic significance of Australia's largest service export sector to the national economy. Initiatives over a number of decades to increase the number of onshore university enrolments have resulted in a significant overseas student population in Australia, in the main concentrated in capital cities.

The Productivity Commission identified that while course programming and portfolio is an important influencing factor for growth, the availability of student accommodation is a key factor in maintaining sustainable growth in international student numbers (Productivity Commission, 2015).

The onset of the COVID-19 pandemic in 2020 and resultant closed international borders have significantly impacted on the sector's profitability. Prior to COVID-19, changes to student visa requirements and a weak Australian dollar significantly boosted international enrolments over the previous five-year period to 2020. A strong rebound is expected once vaccination rates gain momentum and borders re-open.

Table 1 lists higher education institutions located within 5 kilometres of the Site and corresponding overseas student enrolments in 2019. More recent data is not available.

Table 1: Proximate Higher Education Institution Overseas Student Enrolments (2019)

Institution	Overseas Students
University of Sydney	29,592
University of Technology Sydney	13,826
Private Universities and Non-University Higher Education	
Academy of Information Technology	416
Australian College of Applied Psychology	326
Kaplan Business School	2,944
Kent Institute Australia	1,173
Kings Own Institute	2,019
Notre Dame Australia	1,503
SAE Creative Media Institute	607
TAFE NSW	925
Top Education Institute	987
UTS: Insearch	2,480
Universal Business School Sydney	1,618
Wentworth Institute	351
Total Overseas Students Enrolled (within 5km)	**58,767**

Source: Department of Education, Skills and Employment (2020)

Several of Sydney's tertiary institutions are located in the areas bounded by Camperdown, Chippendale and Ultimo. A number of institutions are located in the Sydney CBD.

At Redfern, the Site is located at the edge of Camperdown and Chippendale, is well accessible by public transport facilities and is a popular residential location choice for many tertiary students.

The Student Accommodation Sector

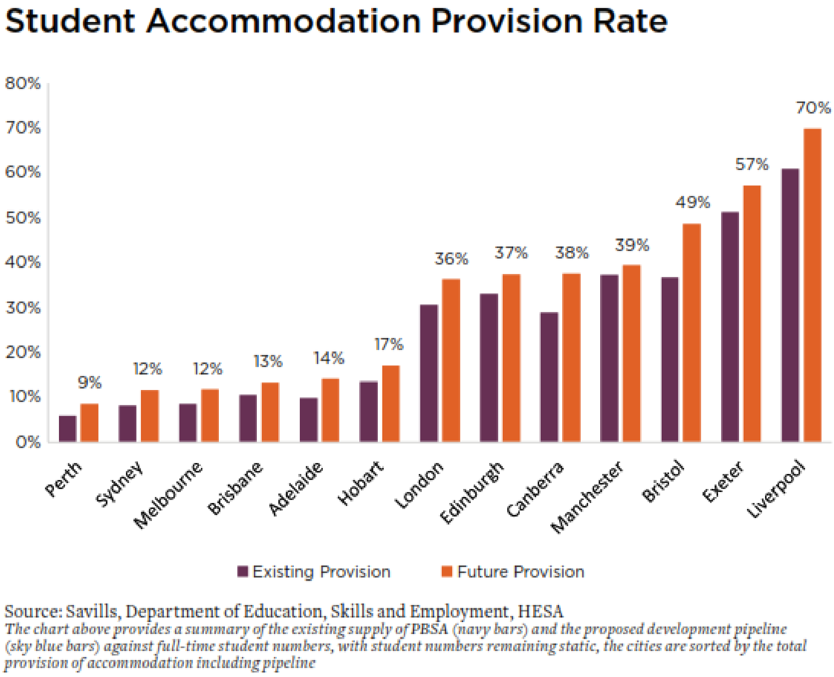
The availability of suitable accommodation for international students is a key factor for success of the Higher Education sector. Sufficiency of housing choice and the affordability of accommodation options is critical.

Research indicates the provision of student accommodation beds per enrolled student in Australian capital cities is substantially lower than global benchmark cities. As an example, 36% of full-time students in London have access to a student accommodation bed, while in Sydney only 12% of full-time enrolled students have (Savills, 2020).

When comparing the Australian and UK markets, it is important to distinguish the propensity of domestic students in the UK to move away from home for higher education - and therefore demanding accommodation. In Australia 120,000 domestic students lived away from home during term time (in 2020), up 23,000 since 2012.

Figure 1 shows the student accommodation provision rate for comparison cities including Sydney (8% current, 12% potential future including pipeline supply).

Figure 1: Select Global Cities, Ratio of Student Accommodation Beds to Full-time Students



Source: Savills (2020)

Table 2 summarises the current population of full-time students in main capital cities measured against the number of student accommodation beds.

Table 2: Australian Greater Capital Cities, Provision of Student Accommodation Beds (2019)

Greater Capital City	Full-time Students	University Accommodation	Commercial Accommodation	Students Renting Privately or Living at Home
Sydney	**250,314**	**3.8%**	**4.4%**	**91.8%**
Melbourne	335,504	3.1%	5.4%	91.5%
Brisbane	155,448	2.4%	8.2%	89.4%
Perth	104,738	3.0%	2.9%	94.1%
Adelaide	79,104	3.0%	6.8%	90.2%
Canberra	33,186	14.2%	14.7%	71.1%
Hobart	12,990	12.2%	1.0%	86.8%
Darwin	6,224	7.9%	4.9%	87.2%

Source: Savills (2020)

In Sydney, the provision of university accommodation and commercial accommodation is relatively low (combined 8.2%), thereby with almost 92% of students either renting in the private rental market or living at home.

Demand for accommodation close to universities and other higher education institutions continues to be driven in large part by the number of international students. **Table 1** shows there were almost 59,000 international students enrolled at higher education institutions in close proximity to the Site.

A high-level review of purpose-built student accommodation (PBSA) indicates there were approx. 12,000 beds in the Camperdown/ Chippendale/ Ultimo/ Redfern area in December 2020. This is well below the number of international students (59,000 in 2019), let alone interstate or inter-city students requiring accommodation on or around campus.

This indicates that there is a significant undersupply of student accommodation beds in Sydney. Those students unable to secure PBSA are likely to look to neighbouring private rental markets.

The Site's proposal for 115-125 boarding rooms will assist to ameliorate the shortfall in student accommodation.

Evolution of Student Accommodation

Student accommodation facilities have evolved over the past few decades. In the 2000's residential accommodation was largely built for sale, with strata titled apartments a common product. Over the past decade, the student accommodation sector has been the beneficiary of innovative design and improved service levels. Greater levels of amenity are incorporated within the design of student accommodation to enhance the resident's living experience and consequently has raised resident expectations and introduced competition into the market. This has led to delivery of residential products including build-to-rent and co-living.

While the international student cohort is a key driver of demand, as preferences and lifestyle choices evolve the number of domestic students living away from home is likely to increase, adding to the demand catchment for student accommodation.

Land Uses that are Productive

Despite their business zoning, it is a commercial reality that some locations do not lend themselves to achieving the economic rents and prices needed for a viable commercial development. In these instances accommodating land uses that are productive (i.e. generate economic activity) but that do not necessarily accommodate direct jobs (i.e. jobs on-site) would achieve a better economic outcome than retaining a scarce, inner city site underutilised in its economic potential.

The high price of land in Sydney and demand for competing uses is also challenging for the feasibility of PBSA. Therefore, accommodative density provisions are required for a viable proposal on the Site.

Higher Education Sector

The availability of suitable and affordable student accommodation is a necessary ingredient for the success of the Higher Education sector. This was highlighted in the Productivity Commission's review in 2015.

Compared to comparison cities globally, Sydney (and indeed Australia) has low provision of student accommodation beds. In the immediate locality of Camperdown/ Chippendale/ Ultimo/ Redfern there is an estimated 12,000 PBSA beds. Without considering domestic students, this is significantly lower than the nearly 59,000 international students enrolled in the locality.

The Proposal therefore has the potential to contribute to partly addressing the identified shortfall.

Once the international border reopens, an increasing number of international students is expected to be attracted to study onshore in Australia, leading to the Higher Education sector gaining market share from key competitors such as the UK and US. This would underpin return to strong levels of occupancy in student accommodation.

Economic Contribution Beyond the Site

Boarding houses (and co-living), hotels and short-term accommodation are examples of land uses that do not necessarily accommodate employment directly (on-site) but these land uses accommodate resident cohorts (students, tourists and visitors) that themselves are generators of economic activity. These resident cohorts and their activities support a range of sectors - education, tourism, hospitality and leisure, etc.

The accommodation that is required for these resident cohorts is an equally important type of floorspace that should be planned for development.

The Cleveland Street locality (and broader Redfern area) is home to a burgeoning student and footloose population who require housing that is affordable. The Proposal would contribute to addressing this need and in particular the shortfall in student accommodation beds.

Please contact the undersigned should you require further information.

Yours sincerely

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References

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