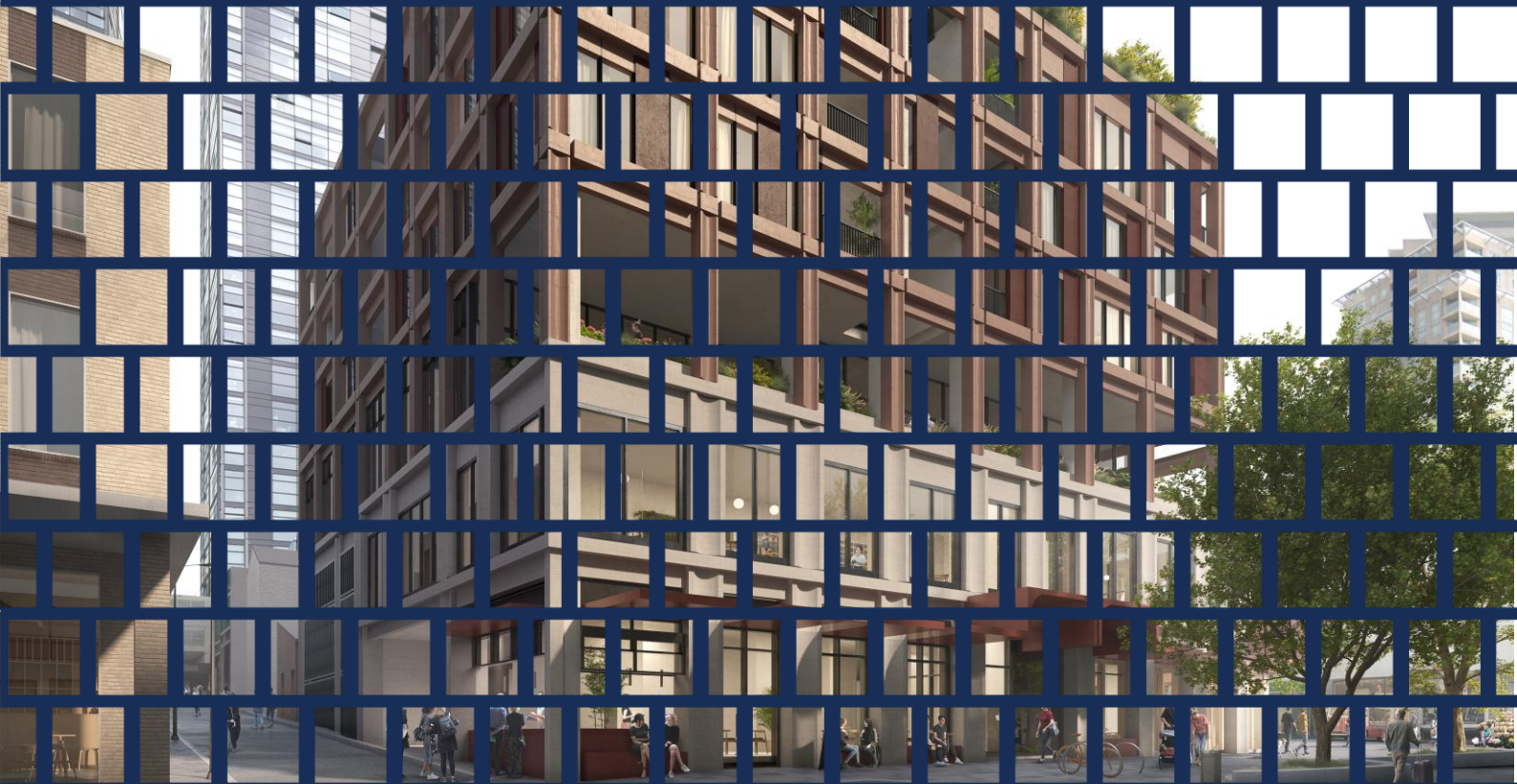


# 410-416 Victoria Ave Chatswood Economic Impact Assessment



**Prepared for:**

Novus

1 April 2025

**HiIPDA**  
CONSULTING

# Quality Assurance

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## Quality control

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This document is for discussion purposes only unless signed and dated by a Principal of HillPDA.

## Reviewer

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Signature		Dated	01/04/25
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## Acknowledgment of Country

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***HillPDA acknowledges the Traditional Custodians of Country throughout Australia and their continuing connection to land, waters, culture, and community.***

***We acknowledge the Gadigal people of the Eora Nation, the traditional owners of the land on which this report is prepared, and we show our respect for elders' past and present.***

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## EXECUTIVE SUMMARY

HillPDA was engaged by Novus to prepare an Economic Impact Assessment (EIA) for the State Significant Development Application (SSDA) for their mixed-use project at 410–416 Victoria Avenue, Chatswood (Novus on Victoria), which includes Build-to-Rent (BTR) residential components.

The EIA addresses the additional assessment requirements of the SEARs covering letter issued on 4 February 2025 (SSD-63324208) by DPHI, which requires the proponent to:

*"Provide an economic impact assessment which assesses the economic impacts of the proposed residential uses on the growth potential of the commercial core to meet the community's vision for a vibrant and growing strategic employment centre."*

### The proposal

The proposal seeks approval for a 46-storey mixed-use development comprising 260 units. Key components of the development include:

- A diverse mix of build-to-rent apartment types (totalling 16,280sqm Gross Floor Area (GFA)), set above a range of resident amenities and retail or hospitality opportunities
- A lobby area providing residents with a first point of contact, personalised services and parcel hold stations
- Resident amenities (totalling 1,047sqm), featuring a pool, spa, gym, flexible fitness spaces (including a yoga deck) and communal spaces (including co-working, lounge and dining spaces for residents)
- 1,110 square metres of retail across the ground floor and level 1
- Basement areas which include car share parking, in line with the Willoughby DCP's car share replacement ratio.

### Need for additional housing

All levels of government understand that we are in the midst of a housing crisis with historically high prices and low vacancies in a period of recent increases in interest rates. All of this is having detrimental impacts on affordability. A failure to address the barriers to housing development could significantly deepen Australia's housing crisis, with far-reaching social and economic consequences including escalating property prices, rising rents and rental affordability crisis, housing insecurity and homelessness, health issues, social disruption, widening inequality, barriers to education and employment, financial instability, impacts on climate change, low productivity growth and strain on social services.

The National Cabinet agreed to a National Housing Accord to collectively deliver 1.2 million dwellings across Australia over 2024-2029. NSW would need to deliver 375,000 dwellings over this period to meet targets of the Accord.

To meet forecast population growth Willoughby LGA will require 3,400 more dwellings over the five years to 2026-27 – an average of 680 per annum. However, the average net new dwellings completed per annum over the five years to 2024 is averaging at just 175 per year – falling well short of its annual target by 74%.

Housing supply constraints have driven prices higher, with median house prices in the Willoughby LGA rising from \$2.4 million to \$3.5 million over the March 2018 quarter to March 2024 quarter, and unit price increasing from \$1.0 million to \$1.1 million over this same period. Rental pressures have also intensified, with median rents for all dwelling types increasing from \$610 per week in 2018 to \$780 per week in 2024 —a 28% rise.

In order to address the rapid increases in cost of housing seen in the Willoughby LGA in recent years, urgent new housing supply is required across the entire housing continuum. The proposed development presents an opportunity to deliver 260 apartments on the subject site and contribute towards meeting local housing targets. Apartments on the subject site would also align with the principles of transport-oriented development by providing higher density living approximately 50 metres of Chatswood station.

### **Drivers for residential / BTR in this location**

The combination of a growing and aging population, an increase in lone-person households, high representations of couples without children, evolving lifestyle trends, and a rising preference for renting is driving demand for BTR apartments in the area. Proximity to workplaces, transit, and strong amenities will continue to support Chatswood's rental market. As population growth accelerates, the need for a diverse range of housing options intensifies. In particular, an aging population and increased lone households require adaptable housing solutions, which BTR apartments provide through well-designed, professionally managed units offering flexibility and convenience.

Moreover, changing lifestyle preferences towards urban living, convenience, and shared amenities further boost demand for rental properties. The BTR proposal aligns with the precinct's transition toward a more residential, retail, and transit-oriented environment. Declining home ownership and a growing preference for apartment living in Chatswood and across Greater Sydney reinforce this trend, while the scheme helps to address rental stress by adding much-needed rental supply.

The site's strategic location (50m from Chatswood Station and bus services and close to key amenities and major employment hubs) and its consistency with the surrounding mixed-use developments renders it an ideal location for residential uses. Furthermore, BTR developments accommodate work from home solutions and generate employment in on-site management and operations – providing additional economic benefits in the locality.

### **Chatswood office market and implications of this proposal on the commercial core**

Chatswood's office market is facing significant challenges, with a persistent 20.6% vacancy rate—well above the Australian CBD average of 13.6% and Sydney CBD's 11.6%—alongside declining investment values and shifting work trends. Despite Council's intention to preserve the commercial core for office and non-residential uses, there has been no large-scale office development in Chatswood for over 20 years due to sustained weak demand, high vacancies, low investor appetite, and changing employment trends. Chatswood has lost its competitive advantage to other major markets such as North Sydney and Macquarie Park. Most major tenants have also relocated, and office or commercial development remains challenged.

The sustained high vacancy rate, driven by a shift towards hybrid working and reduced space requirements, suggests that it may take well beyond a decade for the market to absorb existing vacant stock and return to a healthier vacancy rate of 5% to 6%, assuming no further increases in supply or a significant slowdown in new developments. Meanwhile, the urgent need for new housing continues to grow amid rising unaffordability.

Given these market conditions and the broader structural uncertainties affecting long-term office demand, BTR provides an alternative solution. Repurposing the currently underutilised subject site into high-quality rental housing addresses current market inefficiencies and supports long-term urban renewal, contributing to a resilient and diversified local economy. Importantly, the proposed residential uses complement rather than impede the commercial core's growth by providing additional residents to support local businesses and retail activity. The proposal is designed with long-term flexibility in mind, seeking approval under State Environmental Planning Policy (Housing) 2021, which mandates that the tenanted component remain under single ownership and not be subdivided into strata lots. This requirement preserves future flexibility if market conditions change in the future, thereby positioning the development as a strategic long-term asset capable of supporting

Chatswood’s economic and commercial growth over the longer-term if commercial office space were to improve over the longer term.

## Economic benefits

The economic benefits of the proposed development during the design and construction and operation phases are as follows.

### Design and construction benefits\*



Creates and supports 1,261 jobs years\*\* (direct and indirect)



Provides \$100.7 million annually in combined salaries (direct and indirect)



Contributes \$480.2 million of gross output Statewide (direct and indirect)



Contributes \$191.5 million of gross value added\*\*\* (GVA) Statewide (direct and indirect)

### Operational benefits



Creates 60 ongoing direct FTE jobs and 71 indirect FTE jobs (41 more direct and indirect jobs than the base case)



Provides \$3.8 million annually in direct combined remuneration and a further \$4.8 million in indirect combined remuneration (\$3.5m more than the base case across both direct and indirect remuneration)



Contributes \$17.8 million direct gross output annually to the State economy and a further \$32.8 indirect gross output annually (\$16.1m more than the base case across both direct and indirect gross output)



Contributes \$5.7 million direct GVA annually to the State economy and a further \$10.5 indirect GVA annually (\$5.9m more than the base case across both direct and indirect GVA)



On-site residents are expected to generate \$12.2 million per year in retail spending

\* Estimated design and construction cost of \$163.3 million

\*\* One job year is equivalent to one full time equivalent job for one year

\*\*\* Gross value added (GVA) is the equivalent to contribution to the State economy. It is a measure of gross output less cost of inputs. Its main components include salaries, taxes and company profits.

The proposed development as shown in the table above delivers net economic gains in terms of increased jobs, gross output, wages, and GVA.

As such this increased number of jobs and activity on-site will help to strengthen the Chatswood’s commercial core. Residents on-site will spend \$12.2 million annually on retail goods and services, most of which will be captured by businesses in the Chatswood CBD. Moreover, during the design and construction phase, the project is expected to generate significant job years and boost economic activity, further contributing to the region's future growth and resilience.

The direct investment on the subject site would also raise the profile of Chatswood to potential investors improving the feasibility of mixed-use development, potentially acting as a catalyst on surrounding sites. From an economic perspective this is a good outcome given that it maximises the potential of this in-centre site and creates a greater economic benefit from it.

Overall, when considering the combined impacts of the construction and operational phases along with the broader redistribution of employment, the SSDA demonstrates strong economic merit and makes a positive contribution to the region's future growth.

Therefore, BTR presents a more viable and beneficial outcome, as commercial office redevelopment is unlikely to proceed due to oversupply and high vacancy in the current market. In contrast, BTR will deliver direct economic benefits, activating the site and stimulating business activity within the commercial core. This contribution ultimately supports a more vibrant and growing strategic employment centre.

# INTRODUCTION

# 1.0 INTRODUCTION

HillPDA was engaged by Novus to prepare an Economic Impact Assessment (EIA) for their State Significant Development Application (SSDA) for a mixed-use development at 410-416 Victoria Avenue, Chatswood, known as Novus on Victoria. The proposed development includes Build-to-Rent (BTR) residential uses.

The EIA addresses the additional assessment requirements of the SEARs covering letter issued on 4 February 2025 (SSD-63324208) by DPHI, which requires the proponent to:

*"Provide an economic impact assessment which assesses the economic impacts of the proposed residential uses on the growth potential of the commercial core to meet the community's vision for a vibrant and growing strategic employment centre."*

## 1.1 The site

The street address for Novus on Victoria development is 410-416 Victoria Avenue, Chatwood, and includes lots legally described as 4/DP82303, A/DP406105 and B/DP406105.

The site has a total area of approximately 1,050 square metres, with three street frontages, including circa 30 metre frontages to Victoria Avenue and Post Office Lane and a circa 40 metre frontage to Victor Street. The western boundary of the site also adjoins a 2-storey commercial retail building.

The site is currently occupied by two 2-storey commercial retail buildings. An aerial image of the site and its surrounds is shown in Figure 1.

Figure 1: The site



Imagery: Sixmaps (2024)

The development site, is situated in a highly connected area, characterised by a mix of retail, commercial, and residential uses. The surrounding context is described below.

**North and west:** To the north, Victoria Avenue features a retail strip of predominantly two-story buildings with ground-floor retail. This strip extends westward toward the Chatswood Interchange, which is approximately 50 metres from the site.

The Chatswood Interchange is a major transit-oriented hub integrating a shopping centre, railway station, bus connections and residential uses. The shopping centre spans four levels with 10,117 square metres of Gross Lettable Area (GLA), including a Woolworths Metro supermarket and 70 specialty stores. Adjacent to the retail centre is the Metro Residences, a transit-oriented development that includes three high-rise residential towers (Metro View, Metro Spire, and Metro Grand), with over 550 apartments.

Chatswood Interchange sits on the North West to Bankstown Metro, and the North Shore heavy railway lines, providing frequent services. Bus connections from Orchard Road are also provided linking Chatswood to the Sydney CBD, North Shore, Northern Sydney, and surrounding suburbs.

**East:** Directly opposite the site is Westfield Chatswood – a regional shopping centre with a Gross Floor Area (GFA) of 81,385 square metres. It includes major retailers such as Myer, Target, Coles, Aldi, and Hoyts, alongside 230 specialty stores and 16 mini-majors. The centre attracts 16.2 million visits annually, with an average spend of \$32.90 per visit, and generating a Moving Annual Turnover (MAT) of \$533 million<sup>1</sup>.

Located 450 meters to the east of the subject site, Chatswood Chase is another prominent regional shopping centre, offering additional retail options and amenities.

**South:** Immediately south of the site is Post Office Lane, a pedestrianised shared zone that connects to the Chatswood Interchange. This busy laneway enhances pedestrian access to public transport and retail facilities.

On the southern side of Post Office Lane is the former Chatswood Post Office, a three-story L-shaped building that has been vacant for several years. Previous planning proposals have sought to introduce residential uses to this site.

South of the former Post Office are several mixed-use developments with residential or tourist components, including:

- An 8-storey mixed use development at 39 Victor Street, comprising 7 levels residential uses and ground floor retail uses currently occupied by Amplifon which provides hearing care service.
- the Sebel Hotel, a 4-star accommodation offering.
- Located 110 metres south, the Mandarin Centre at 65 Albert Avenue which currently provides 14,665 sqm GLA has received approval for redevelopment, allowing up to 30% of the site to be used for residential accommodation.

In summary the site is only 50 metres from Chatswood railway station and within walking distance of major retail centres and amenities including Westfield Chatswood, Chatswood Chase, and the Chatswood Interchange shopping centres, employment opportunities, and transit connections. As such the site benefits from its proximity to public transport, providing easy access to major employment hubs. The area surrounding the site is undergoing a transition, with mixed-use and residential developments complementing its established commercial and retail uses.

The site is zoned E2 Commercial Centre, and the proposed BTR use is made permissible on the land by virtue of the Housing SEPP. In addition, the site's location is strongly aligned with the principles of transport-oriented development, supporting the integration of the proposed residential use into the strategic urban centre.

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<sup>11</sup> Big Guns 2024

## 1.2 The proposal

The proposal seeks approval for a 46-storey mixed-use development with approximately 260 units. Key components of the development include:

- A diverse mix of build-to-rent apartment types (totalling 16,280sqm Gross Floor Area (GFA)), set above a range of resident amenities and retail or hospitality opportunities
- A lobby area providing residents with a first point of contact, personalised services and parcel hold stations
- Resident amenities (totalling 1,047sqm), featuring a pool, spa, gym and flexible fitness spaces (including a yoga deck) and communal spaces (including co-working, lounge and dining spaces for residents)
- 1,110 square metres of retail across the ground floor and level 1
- Basement areas which include car share parking, in line with the Willoughby DCP's car share replacement ratio.

Figure 2 shows a concept rendering of the proposed development.

**Figure 2: Concept rendering**



Source: FK (2024)

Figure 3 illustrates an example floor plan.

Figure 3: Indicative typical residential floor plan



Source: FK (2024)

### 1.3 The purpose and structure of this report

This EIA addresses the SEARs requirements to assess the economic impacts of the proposed residential uses on the growth potential of the commercial core to meet the community's vision for a vibrant and growing strategic employment centre.

To address these requirements the report is structured as follows:

- **Chapter 1: Introduction** | including site details, proposal description, and study purpose.
- **Chapter 2: Housing Need** | evaluates the demand for local housing and suitability of the site to accommodate residential uses.
- **Chapter 3: Office Need** | analyses the need for office space and the impact of residential uses on the area's employment potential.
- **Chapter 4: Economic Impact Assessment** | assesses job creation, gross value added, revenue, and salaries during construction and operation.
- **Chapter 5: Conclusion** | summarises the key findings and the net impacts of the development.

# HOUSING NEED

## 2.0 HOUSING NEED

This Chapter assesses firstly whether there is a need for residential uses in the area and whether it is a suitable location for residential uses.

### 2.1 Housing market assessment

#### 2.1.1 The national housing market

All levels of Government recognise that Australia is facing a ‘housing crisis’, with the National Cabinet announcing a National Housing Accord in October 2023 with the ambitious aim of delivering 1.2 million new dwellings over 2024-2029.

In accordance with the Accord, the NSW Government is committed to facilitating 377,000 new dwellings by 2029 (around 75,000 new homes annually over five years). Based on current supply forecasts, there is a projected shortfall ranging from over 166,000<sup>2</sup> to 462,000 homes<sup>3</sup> to meet the National Housing Accord target.

Notwithstanding strong demand for housing there has been significant difficulties in delivery. Rising construction costs, borrowing constraints, and development feasibility challenges are making it increasingly difficult for developers to deliver the required volume of new homes. This constrained supply has exacerbated the housing shortage and affordability concerns.

Economic, climatic, and demographic trends will further pressure construction costs and housing affordability. Additionally, an aging population and a growing number of individuals with disabilities will necessitate new homes tailored to their needs, intensifying the housing shortage.

Across Sydney and across the country we are experiencing declining housing affordability due to interest rate rises and cost of living increases in the post-COVID period. Notwithstanding, house price have been steady or have continued to increase in many parts of Sydney. The primary reason for this has been a slowdown in dwelling completions and the inability for the industry to keep up with rising demand for housing from immigration.

The post-pandemic development landscape has been affected by economic volatility, supply chain disruptions, labour shortages, and inflated costs. As a result, numerous projects have experienced financial strain. Even where development may be theoretically viable, difficulties in procuring project finance have resulted in projects being delayed. This has resulted in fewer development applications and more projects abandoned, hastening the supply and demand gap.

The development industry has expressed this downturn ominously as the ‘**Perfect Storm**’. The development viability challenge stated by the industry itself is related to the following current risks and market conditions:

- **Sales risk** where consumers are less inclined to buy off-the-plan. Higher interest rates and other factors have resulted in waning consumer confidence in off-the-plan developments prompting a wait-and-see approach.
- **Building risk** where the cost of work and delays in procuring materials and labour has increased. This was caused by local and global pressures, including inflation, supply, and skills shortages, building standards, bonds, building costs and issues with tendering. The lack of supply for certain building materials like steel has led to overall construction delays which in turn ripple out to additional financing and land holding costs all contributing to additional project risk and cost.

<sup>2</sup> Source: Master Builders Association (2024) Australia moves further away from National Housing Accord target

<sup>3</sup> Source: Property Council of Australia (2025) Smarter Incentives, More Homes research prepared by Mandala

- **Additional developer charges** which includes the Housing Productivity Contribution (introduced in May 2023) and increasingly a component of affordable housing contribution is being imposed on new developments.
- **Financial risk** where the likelihood of obtaining construction finance has fallen. Banks generally require an adequate proportion of pre-sales to reduce market risk and also fixed-price contracts to cover procurement risk. In the current climate it has been very difficult for developers to meet the requirements of lenders, which is a primary reason why so many projects with development approval have failed to proceed.
- **Cost of land.** Rising interest rates, slow down in pre-sales, increasing building costs and procurement risk and difficulties in obtaining construction finance should result in declining residual land values (the maximum price a developer could pay for land). However, landowners are reluctant to sell at lower prices than what they could have previously sold their land for. As a result, more negotiations fail, and transactions do not proceed. In particular, the values of detached houses have increased significantly over the past five years making it more difficult and costly for developers to amalgamate sites.

Additional barriers stalling housing development and making it difficult to achieve the government’s housing targets include:

- labour shortages: the construction industry requires an estimated 90,000 additional workers to meet the demand for new homes, driving up costs and delaying project timelines.
- regulatory delays: prolonged planning and approval processes deter investment and slow development.
- declining approvals: National building approvals declined by 6.5% in mid-2024, indicating a slowdown in housing supply<sup>4</sup>.

### Summary of barriers to housing development and reaching targets

The barriers to housing development can be summarised as follows:

- financial constraints—rising construction costs and additional developer charges
- labour shortages increase costs and delay construction
- regulatory inefficiencies slowing down project delivery
- declining approvals signal a reduced pipeline of housing supply
- difficulties in procuring project finance
- economic, climatic, and demographic trends.

Experts estimate that without significant reforms and targeted investments to overcome these challenges, Australia could fall short of its housing target by approximately 300,000 homes<sup>5</sup>.

### What are the implications of these barriers?

A failure to address the barriers to housing development could significantly deepen Australia’s housing crisis, with far-reaching social and economic consequences including:

- **Escalating property prices:** Continued undersupply would drive property prices higher, making homeownership unattainable for many Australians. Affordability challenges would particularly impact first-home buyers and low-income earners.
- **Rising rents and rental affordability crisis:** Tight rental markets would worsen, driving rents to unprecedented levels and increasing financial stress for tenants. Population growth in high-demand regions would intensify competition for rental properties, exacerbating the rental affordability crisis.

<sup>4</sup> Australia’s Housing Crisis: The Supply and Demand Dilemma, Core Elite Real estate 2024

<sup>5</sup> Australia’s Housing Crisis: The Supply and Demand Dilemma, Core Elite Real estate 2024

- **Housing insecurity and homelessness:** Vulnerable populations would face longer waiting lists for social housing, increasing homelessness rates, while low-income households would struggle to secure stable housing, leading to greater reliance on temporary or inadequate accommodations.
- **Health Issues:** Inadequate housing and insecurity can lead to physical health problems and can contribute to mental health challenges which generates additional stress on health care system and economy.
- **Social disruption:** Housing unaffordability may force individuals to move away from their communities, disrupting social connections and support networks.
- **Economic consequences:** Workforce mobility and productivity would decline due to a lack of affordable housing near employment hubs, with businesses in high-demand areas facing labour shortages as workers are forced to live farther away. Moreover, rising housing costs would reduce disposable income, slowing consumption and economic growth.
- **Widening inequality:** The gap between property owners and renters would deepen, entrenching social and economic disparities. Moreover younger generations would face declining homeownership rates, exacerbating intergenerational wealth divides.
- **Barriers to education and employment:** Housing shortages can limit access to education and employment opportunities, particularly for those in remote or unaffordable areas. Relocation for better opportunities may become unattainable for many households.
- **Financial Instability:** Difficulty securing suitable housing can strain household budgets, increasing financial instability and reliance on credit.
- **Impact on climate change:** Housing shortages can lead to urban sprawl, increasing reliance on cars and contributing to greenhouse gas emissions.
- **Low productivity growth:** Housing stress can reduce workforce efficiency, increase workers commute time and increase worker fatigue.
- **Strain on social services:** Increased housing insecurity can pressure social services, including welfare systems, healthcare, and emergency housing<sup>6</sup>.

## 2.1.2 The local housing market

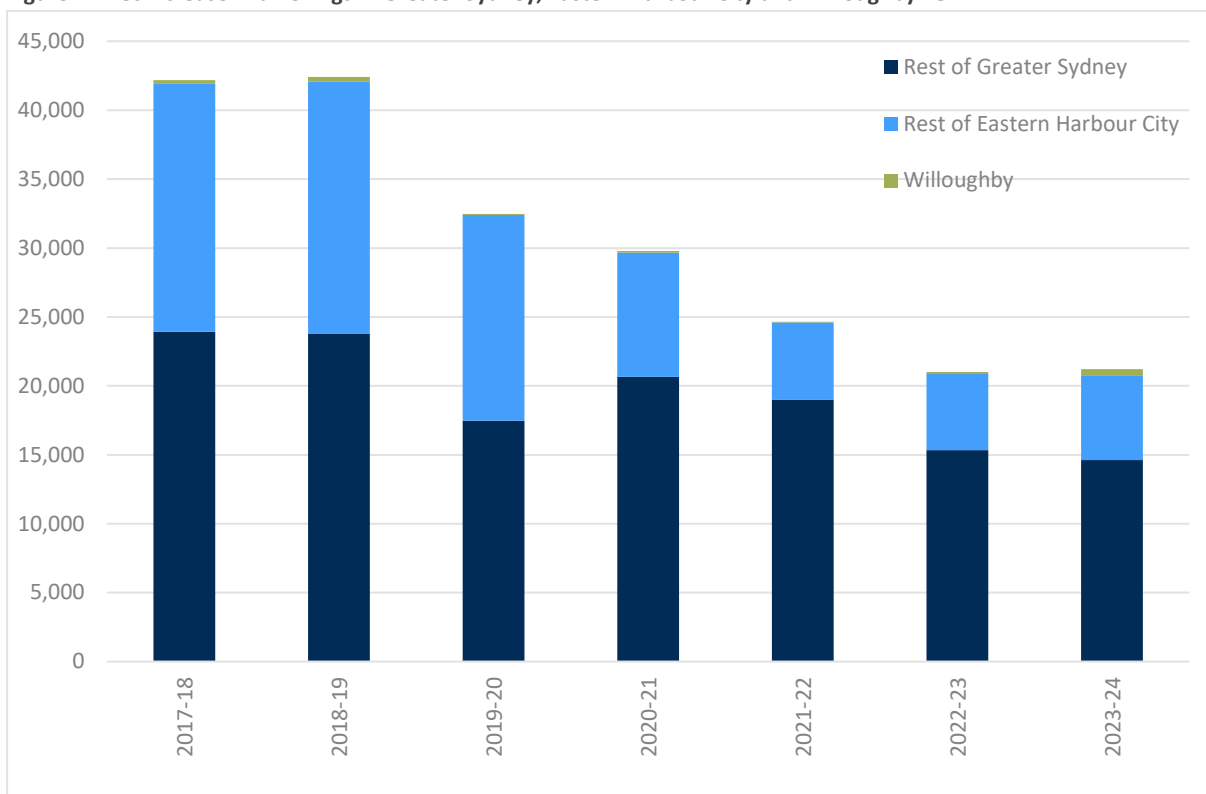
This section examines the local housing market in the Willoughby LGA and the broader Eastern Harbour City district. Data from these areas, alongside available information for the Chatswood suburb, has been used to assess housing need.

### 2.1.2.1 Dwelling completions in the Eastern Harbour City and Willoughby LGA

The undersupply of housing in the Willoughby LGA is in part driven by the sharp decline in dwelling completions over recent years as shown in the figure immediately below.

<sup>6</sup> Australia's Housing Crisis: The Supply and Demand Dilemma, Core Elite Real estate 2024; Parliament of Australia (2024) Housing

**Figure 4: Net increase in dwellings in Greater Sydney, Eastern Harbour City and Willoughby LGA**



Source: NSW Urban Development Program

In 2018-19 Greater Sydney produced more than 42,400 dwellings<sup>7</sup>. Production rates have declined since to just under half that level at 21,200 in 2023-24. The Eastern Harbour City levels fell significantly from 18,639 to 6,607 dwelling completions – a decline of 65% over the same period. Willoughby LGA dwelling completions fell from 327 in 2018-19 to 143 in 2022-23 – a 56% decline – and then increased over the last year to 499<sup>8</sup>.

This diminishing pipeline of housing delivery is failing to keep pace with demand, exacerbating affordability challenges and limiting housing choices for both renters and home buyers. The NSW Department of Planning, Industry and Environment’s five-year forecast for dwelling completions to 2026-27 estimates the Willoughby LGA will need to deliver 3,400 new dwellings, or 680 per year, to meet expected demand. However, the average net new dwellings completed per annum over the five years to 2024 is averaging at just 175 per year —achieving only 26% of the target. If similar trends persist in the Willoughby LGA, the area will continue to experience severe housing shortages, placing additional strain on affordability and accessibility.

### 2.1.2.2 Housing undersupply and a tight rental market

Sydney’s ongoing housing undersupply is also evident in its persistently low vacancy rates of around 1.2% to 2.1% throughout 2024 and down to 1.5% as at February 2025 as shown in Figure 5. During COVID, vacancy rates peaked at approximately 4.3% due to increased housing supply and reduced migration. However, these vacancies have since been absorbed, leading to the current tight rental market. A balanced market typically has a 3% vacancy rate, where supply meets demand without favouring landlords or tenants<sup>9</sup>. However, the current vacancy rate of 1.5% across Sydney and in Chatswood (refer to Figure 6), indicates a critical undersupply of rental housing and unbalanced market .

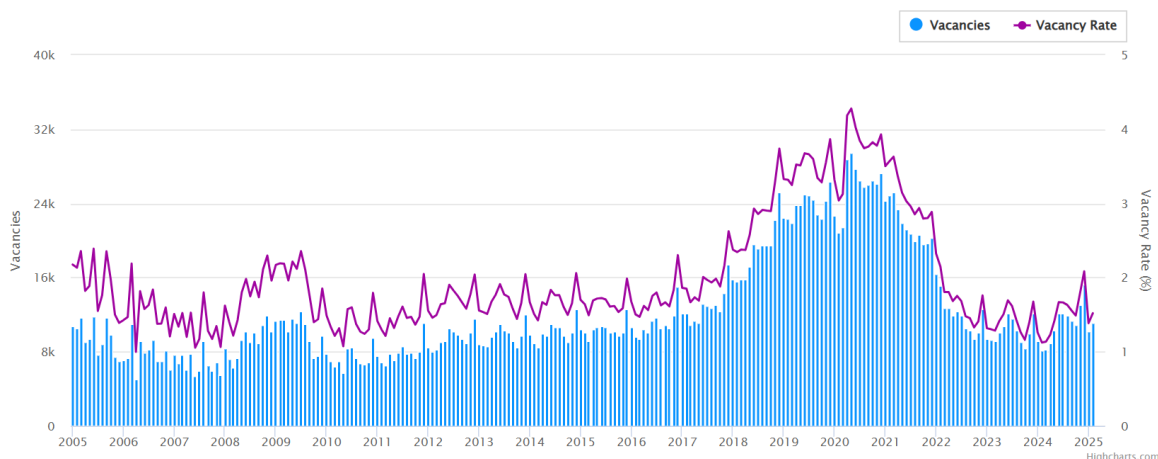
<sup>7</sup> These are net completions of total dwellings as sourced from NSW Urban Development Program

<sup>8</sup> Source: NSW UDP 2024

<sup>9</sup> Source: [www.suburbfinder.cm.au](http://www.suburbfinder.cm.au); [Realestate.com.au](http://Realestate.com.au); [www.propertydirector.com.au](http://www.propertydirector.com.au)

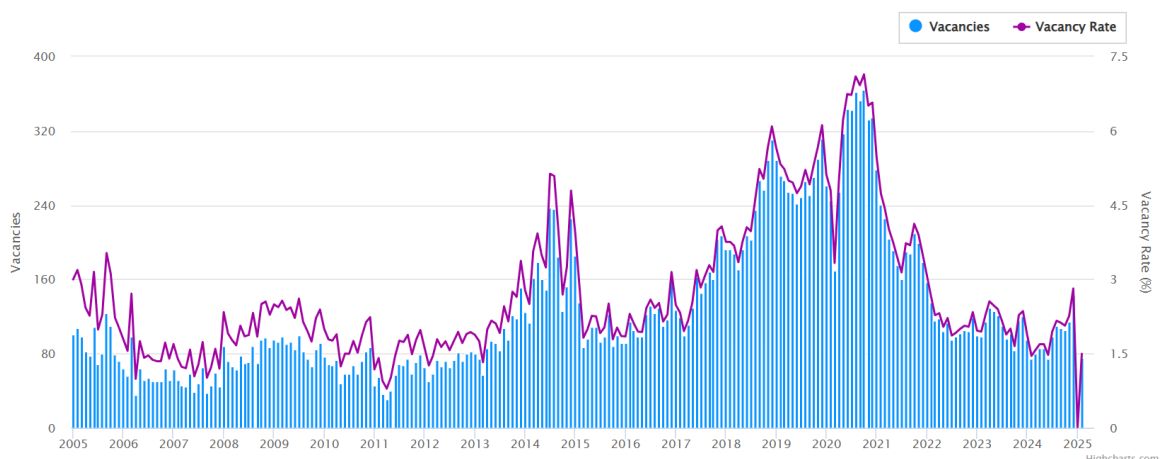
Without a significant uplift in new housing supply, rental market pressures will continue to intensify, making it increasingly difficult for households to secure affordable accommodation.

**Figure 5: Residential vacancy rates in Metropolitan Sydney**



Source: SQM Research

**Figure 6: Residential vacancy rates in the Chatswood**



Source: SQM Research

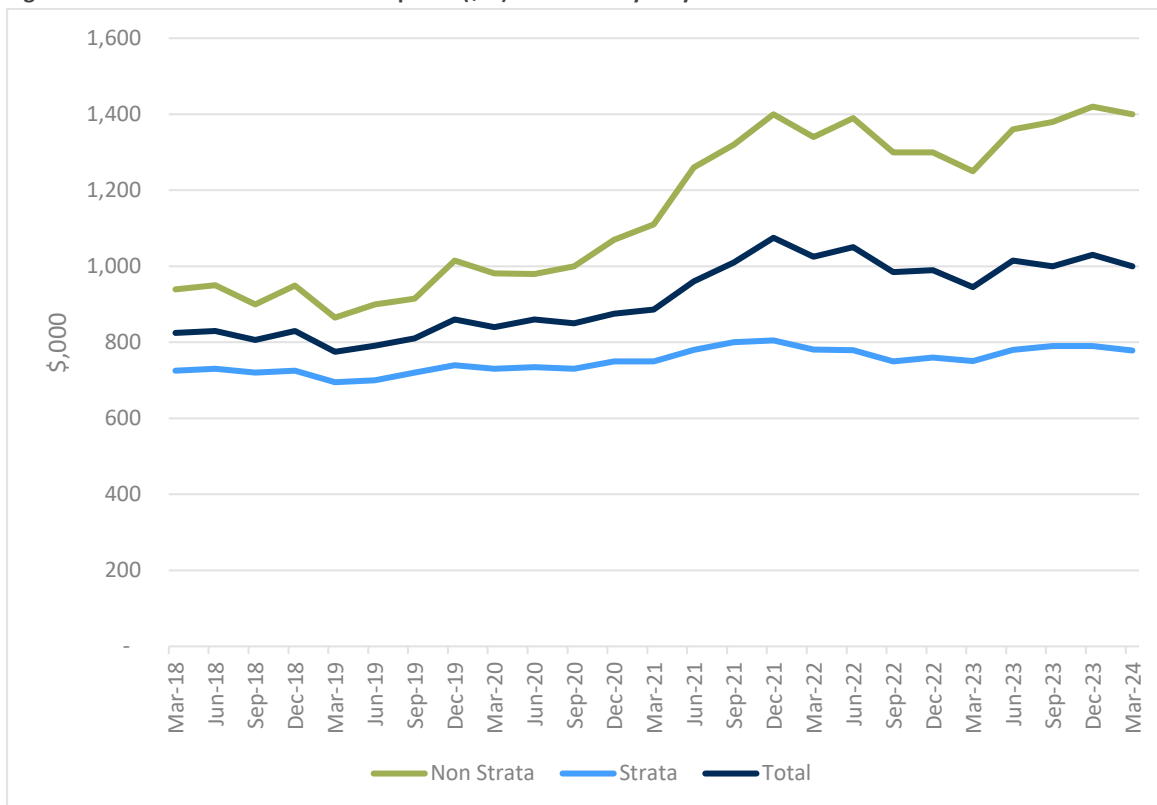
### 2.1.2.3 Rising prices due to housing shortfall

The undersupply of housing has directly contributed to escalating property prices and rents across Sydney, including the Willoughby LGA. Prices serve as a key indicator of housing scarcity—when demand exceeds supply, values rise accordingly. Despite declining affordability, the lack of available housing has driven sharp increases in property prices over time.

As shown in Figure 7, between the March quarter of 2018 and March 2024, the median house price in Greater Sydney increased from \$939,000 to \$1.4 million—a 49% rise—while the median price of strata properties rose from \$725,000 to \$778,000 (a 7% increase). In the Willoughby LGA (refer to Figure 8), median house prices have climbed at a similar rate, from \$2.4 million to \$3.5 million, reflecting a 49% increase. Median strata prices in the Willoughby LGA also increased from \$1.0 million to \$1.1 million – a 12% increase.

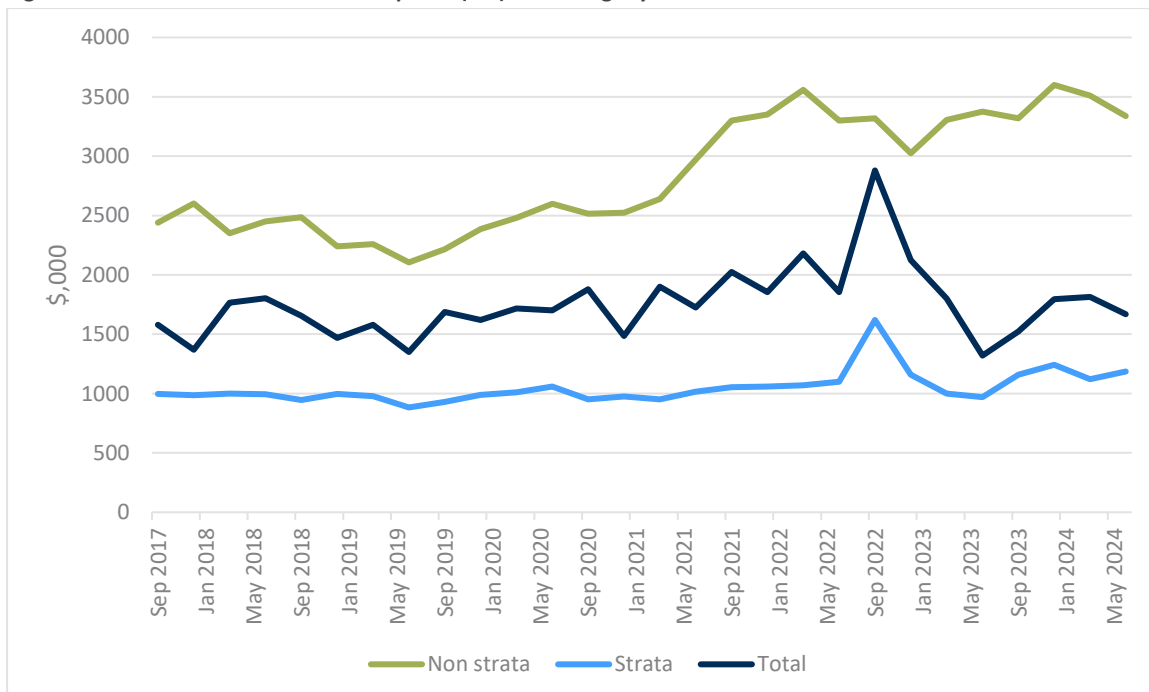
Importantly, these price escalations have occurred despite mortgage interest rates rising from 1.8%-2.2% in 2020-21 to approximately 6.0%-6.5% in 2024. Historically, increasing interest rates would place downward pressure on house prices. However, the continued price growth in Willoughby LGA and Greater Sydney emphasises the severity of the housing shortage, with demand still outpacing supply.

**Figure 7: Median strata and non-strata prices (\$m) in Greater Sydney**



Source: NSW Sales and Rent Reports

**Figure 8: Median strata and non strata prices (\$m) in Willoughby LGA**



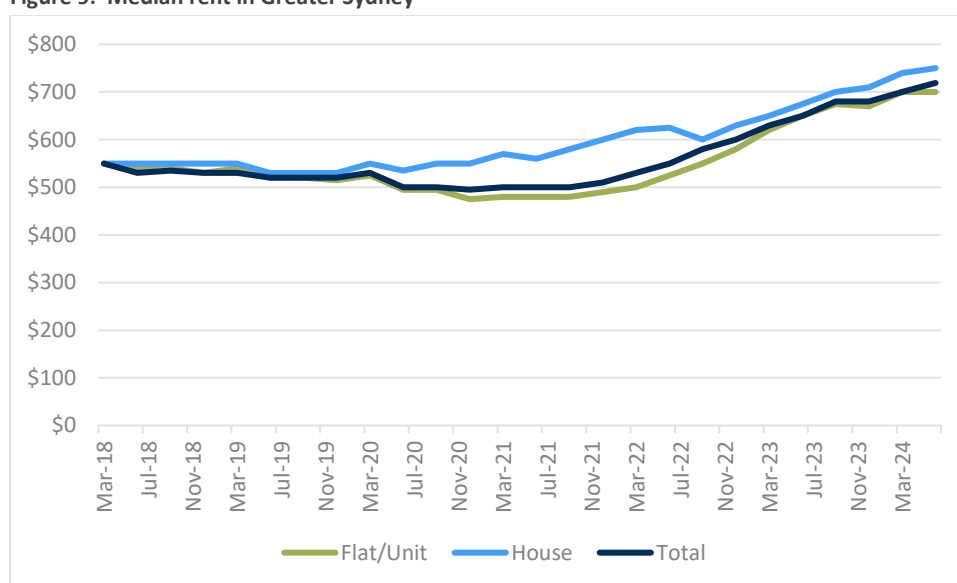
Source: NSW Sales and Rent Reports

### 2.1.2.4 Rising rents due to limited supply

The constrained housing supply has also driven substantial increases in rental prices. As shown in Figure 9, across Greater Sydney, median apartment rents have surged from \$550 per week in March 2018 quarter to approximately \$700 per week in the June 2024 quarter—a 27% increase. The median rent for all dwellings, including houses, has risen from \$550 per week to \$719 per week, reflecting a 31% increase over six years.

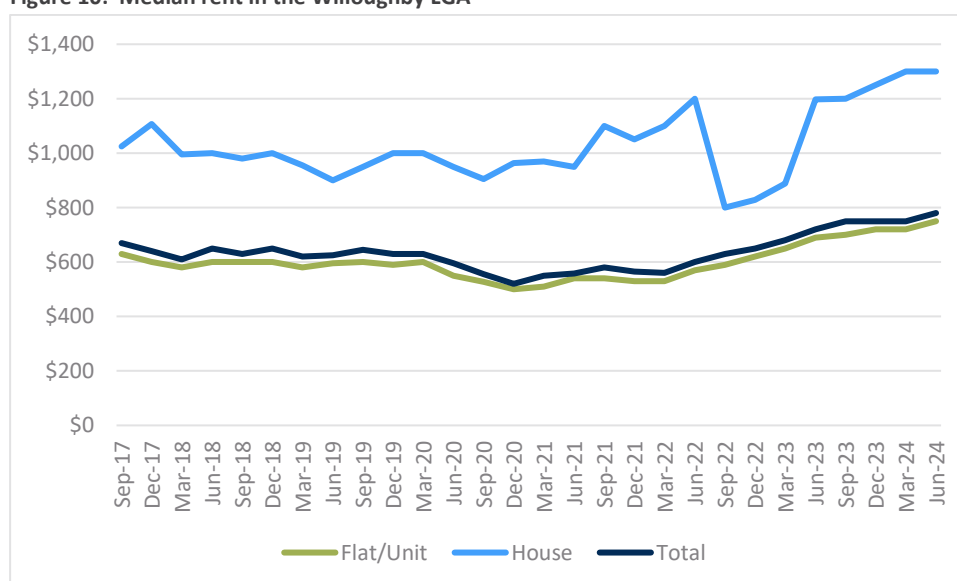
The Willoughby LGA (refer to Figure 10) has experienced even steeper rental growth recently, with median apartment rents rising from \$530 per week in the March 2022 Quarter to \$750 per week in the June 2024—a 42% increase (16.5% per annum). Similarly, the median rent for all dwellings, including houses, has climbed from \$560 per week to \$780 per week, representing a 39% increase over the same period. These figures highlight the need for increased housing supply to address affordability concerns and alleviate rental market pressures.

**Figure 9: Median rent in Greater Sydney**



Source: NSW Sales and Rent Reports

**Figure 10: Median rent in the Willoughby LGA**



Source: NSW Sales and Rent Reports

### 2.1.3 Key findings

All levels of government understand that we are in the midst of a housing crisis with historically high prices and low vacancies in a period of recent increases in interest rates. All of this is having detrimental impacts on affordability. A failure to address the barriers to housing development could significantly deepen Australia's housing crisis, with far-reaching social and economic consequences including escalating property prices, rising rents and rental affordability crisis, housing insecurity and homelessness, health issues, social disruption, widening inequality, barriers to education and employment, financial instability, impacts on climate change, low productivity growth and strain on social services.

The National Cabinet agreed to a National Housing Accord to collectively deliver 1.2 million dwellings across Australia over 2024-2029. NSW would need to deliver 375,000 dwellings over this period to meet targets of the Accord.

To meet forecast population growth Willoughby LGA will require 3,400 over the five years to 2026-27 – an average of 680 per annum. Over the five years to 2024, Willoughby LGA has been averaging only 175 per annum – falling well short of its target by 74%.

Housing supply constraints have driven prices higher, with median house prices in the Willoughby LGA rising from \$2.4 million to \$3.5 million over the March 2018 quarter to March 2024 quarter, and unit price increasing from \$1.0 million to \$1.1 million over this same period. Rental pressures have also intensified, with median rents for all dwelling types increasing from \$560 per week in 2022 to \$780 per week in 2024 – a 39% rise.

In order to address the rapid increases in cost of housing seen in the Willoughby LGA in recent years, urgent new housing supply is required across the entire housing continuum. The proposed development presents an opportunity to deliver 260 apartments on the subject site and contribute towards meeting local housing targets. Apartments on the subject site would also align with the principles of transport-oriented development by providing higher density living approximately 50 metres of Chatswood station.

## 2.2 Drivers of BTR housing in the locality

This next section considers the key demographic and economic drivers of BTR apartments in the locality. For this assessment, the Chatswood - East Statistical Area Level 2 (SA2) <sup>10</sup> has been chosen as the study area, as it includes the subject site and its immediate surroundings, and as such is reflective of the local context.

### 2.2.1 Population growth

The population in the Chatswood - East SA2 increased from 15,706 in 2011 to 19,601 in 2021 (25% increase), with occupied dwellings increasing 22% over this same period and is indicative of rising demand for housing<sup>11</sup>. The lack of new housing supply and rising demand is resulting in house price increases over and above the metropolitan average.

The population projections by the NSW Department of Planning, Housing and Infrastructure (DPHI) <sup>12</sup> indicate that the locality, specifically in the vicinity of the Chatswood Station, will experience an increase of approximately 2,224 residents by 2041. This projected population growth will create heightened demand for housing in the area for both renters and homebuyers.

<sup>10</sup> Statistical Areas Level 2 (SA2s) are medium-sized general purpose areas built up from whole Statistical Areas Level 1 (SA1s). Their purpose is to represent a community that interacts together socially and economically.

<sup>11</sup> ABS Census Chatswood - East SA2 Time Series Profile 2011-21

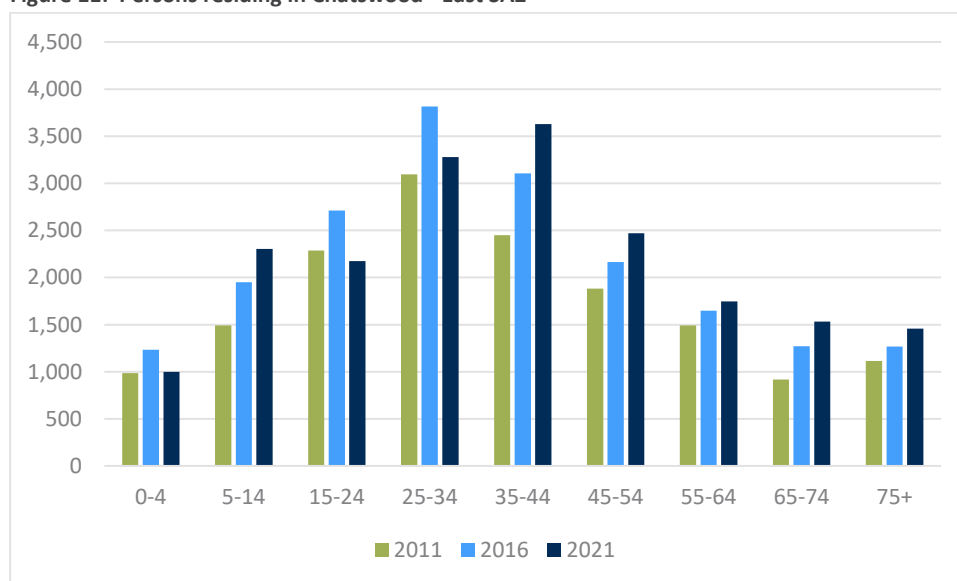
<sup>12</sup> Source: DPHI, Population projections 2024, accessed at <https://www.planning.nsw.gov.au/data-and-insights/population-projections/explore-the-data>

### 2.2.2 Demographic characteristics

Chatswood-East SA2 has above average income levels with a personal median income of \$912/week which is 3.52% higher than the median personal income in Greater Sydney. Also median household income (\$2,123/week) is 2% higher than Greater Sydney. The difference with family income is a little narrower due to slightly smaller average household size<sup>13</sup>.

The population is ageing with the median age increasing from 34 years in 2011 to 37 years in 2021. Figure 11 shows population by age cohort.

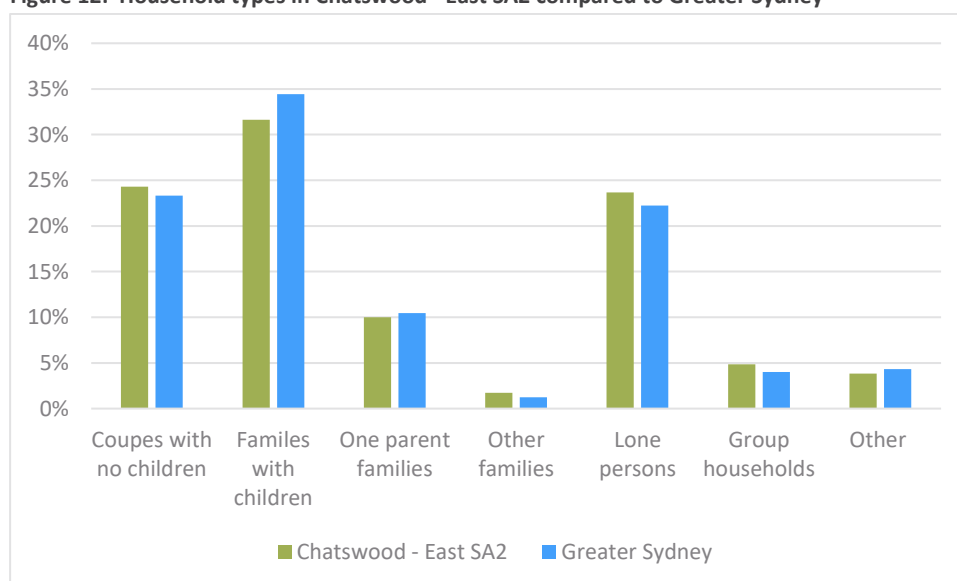
**Figure 11: Persons residing in Chatswood - East SA2**



Source: ABS Census Time Series Data

Chatswood -East SA2 has a high proportion of lone person households and couples without children compared to Greater Sydney as depicted in Figure 12.

**Figure 12: Household types in Chatswood - East SA2 compared to Greater Sydney**



Source: ABS Census 2021

<sup>13</sup> ABS Census St Chatswood- East SA2 Time Series Profile 2011-21

Lone person households and Couples without Children comprise 24% of total households each in the Chatswood - East SA2 compared to 22% and 23% for Greater Sydney. The SA2 has an underrepresentation of couples with children households at 32% compared to 34% for Greater Sydney.

The residential market is influenced by various factors, including demographic trends and evolving lifestyle preferences. One significant driver is the aging population, as older individuals seek housing options that cater to their changing needs and offer convenience and accessibility. Additionally, affluent individuals, such as lone persons and couples without children, are attracted to high-quality apartments with strong accessibility and amenities.

### 2.2.3 Rental price and tenure

Chatswood-East SA2 has witnessed a notable increase in the proportion of renters. As shown in the table below in 2021, 54% of all households in the Chatswood-East SA2 rented, up from 42% in 2011. Apartments experienced a higher rental rate, with 67% of households residing in apartments renting in 2021, compared to 57% in 2011. This surge in demand for rental housing may also account for the rising median weekly rent, which climbed from \$600 per week in the March quarter 2020 to \$750 in the June quarter 2024<sup>14</sup>.

**Table 1: Tenure by dwelling type Chatswood-East SA2**

Year	Tenure	Detached	Attached	Apartment	Other	Total
2011	Owned outright	50%	29%	23%	0%	32%
	Owned with a mortgage	29%	29%	18%	0%	22%
	Rented	18%	39%	57%	0%	42%
	Other tenure type	3%	3%	3%	0%	3%
2016	Owned outright	49%	32%	19%	0%	28%
	Owned with a mortgage	31%	30%	16%	0%	21%
	Rented	18%	34%	62%	100%	48%
	Other tenure type	3%	4%	3%	0%	3%
2021	Owned outright	47%	34%	17%	0%	26%
	Owned with a mortgage	30%	28%	12%	0%	18%
	Rented	21%	34%	67%	100%	54%
	Other tenure type	2%	3%	3%	0%	3%

Source: ABS Census 2021

The growth in rentals and in turn growing demand for rental accommodation in Chatswood-East SA2, highlights the market's need for additional apartments. The primary goal of BTR is to cater to the increasing demand for rental housing and offer a viable alternative to homeownership. The provision of BTR responds to market demand for more rental housing options. BTR development caters specifically to the preferences and requirements of renters, offering well-designed and professionally managed apartment units. By focusing on the BTR, developers can meet the increasing demand for apartments while providing high-quality living spaces and amenities that align with the evolving needs of renters in Chatswood.

<sup>14</sup> Median rent for apartments in Post Code 2065, NSW Department of Communities and Justice, Rent and Sales Reports

#### **2.2.4 Rental stress**

'Rental stress' refers to households that face difficulties in meeting their rental costs and may have limited affordability, which can hinder their ability to secure housing that fulfills their basic needs. It is commonly measured by housing costs exceeding 30% of a household's gross income.

Based on average weekly incomes and rental payments as sourced from the Australian Bureau of Statistics (ABS) Census 2021, we estimate that approximately 39.4% of households in the Chatswood-East SA2 area are experiencing rental stress.

Increasing the overall supply of rental units such as those proposed at the site, can contribute to lowering rental prices and improving affordability for households. This increased supply has the potential to alleviate some of the rental stress experienced by residents in the Chatswood area.

#### **2.2.5 Suitability for site residential uses**

The site is 50 metres of Chatswood Station and bus services, aligning with TOD objectives. It is also in close proximity to essential amenities, retail outlets, and services, and lies within a major employment hub, with a 30-minute public transport connection to other significant employment centres. Additionally, the proposal is consistent with the surrounding area, which is transitioning towards more mixed-use developments. Consequently, the site is considered highly suitable to support residential and BTR uses.

#### **2.2.6 Implications for BTR on the site**

The combination of a growing and aging population, an increase in lone-person households, high representations of couples without children, evolving lifestyle trends, and a rising preference for renting is driving demand for BTR apartments in the area. Proximity to workplaces, transit, and strong amenities will continue to support Chatswood's rental market. As population growth accelerates, the need for a diverse range of housing options intensifies. In particular, an aging population and increased lone person households require adaptable housing solutions, which BTR apartments provide through well-designed, professionally managed units offering flexibility and convenience.

Moreover, changing lifestyle preferences towards urban living, convenience, and shared amenities further boost demand for rental properties. The BTR proposal aligns with the precinct's transition toward a more residential, retail, and transit-oriented environment. Declining home ownership and a growing preference for apartment living in Chatswood and across Greater Sydney reinforce this trend, while the scheme helps to address rental stress by adding much-needed rental supply.

Additionally, the site's strategic location (50m from Chatswood Station and bus services and close to key amenities and major employment hubs) and its consistency with the surrounding mixed-use developments renders it an ideal location for residential uses. Furthermore, BTR developments can also generate employment through their operational and management requirements, providing additional economic benefits to the local area.

## 3.0 OFFICE MARKET

This chapter examines the current state of the Chatswood office market and its implications for commercial future development. Drawing on the recent Chatswood CBD Discussion Paper prepared for Willoughby Council, Colliers' Australian Metro Office Snapshot Q3 2024, and other sources, the analysis reviews key market dynamics such as tenant profiles, floorplate sizes, vacancy rates, and the impact of work-from-home trends nationally and in Chatswood.

It also considers the location of Chatswood relative to key transport nodes and explores the strategic rationale for adopting a BTR approach in light of persistent market challenges.

### 3.1 Broader office market overview

The office market across Australia has been profoundly affected by the COVID-19 pandemic. The pandemic, coupled with advancements in information technology, has driven long-term structural changes in how and where people work. Across the nation, CBD office vacancy rates have climbed dramatically, reaching levels such as 14.8%—the highest in almost three decades and 50% above the average. With new supply tapering off while demand weakens, corporate tenants are reassessing their workspace requirements<sup>15</sup>. Many companies have reduced their pre-pandemic office space needs; for example, major corporations such as the Commonwealth Bank, Westpac, and Telstra have collectively cut their Sydney CBD office space by nearly 200,000 square metres<sup>16</sup>. Rising vacancies and escalating interest rates have further depressed market valuations by more than 20% in recent years, leading to a significant decline in effective rents. Record construction costs and increased financing expenses have undermined the viability of new commercial office developments, with industry experts suggesting it may take a decade or more before conditions become favourable again for substantial new office supply<sup>17</sup>.

Chatswood's office market, however, has faced persistent challenges for over two decades, predating the pandemic, as explored in the following section.

### 3.2 Chatwood office market

#### 3.2.1 Chatswood CBD Discussion Paper insights

The key insights from the Chatswood CBD discussion paper include:

- High vacancy rates: Chatswood CBD currently exhibits a vacancy rate of 20.6%, a significant increase from pre-pandemic levels that were below 5%.
- Changing employment patterns: Although knowledge-based jobs are forecast to comprise 60% of NSW employment by 2036, Chatswood CBD has a lower concentration of these roles compared to markets like North Sydney and Macquarie Park making it less attractive to prospective tenants.
- Health sector employment growth: Rapid growth is projected in healthcare sector, however Chatswood is not a preferred location for health services, which tend to cluster near established hospital precincts such as Royal North Shore Hospital and Northside Clinic.
- Remote and hybrid work trends: The persistence of work-from-home and hybrid arrangements continues to reduce overall demand for traditional office space, despite government efforts to encourage a return to the office. Moreover, work from home is more prevalent in industries which typically occupy office space and amongst managers and professionals (with 60 per cent of managers

<sup>15</sup> Source: Australian Financial Review 1 February 2024

<sup>16</sup> Source: Australian Financial Review 18 July 2024

<sup>17</sup> Source: Australian Financial Review 18 July 2024

and professionals regularly working from home in August 2023, compared with around 22 per cent across other occupations) which has further implications on the demand for office space in Chatswood given the industry profile.

- Negative absorption: there has been less demand for office space than available supply in most of the major office markets in Sydney in the 5 years to January 2024, with this trend more pronounced in Chatswood.
- Preference for prime-grade offices: There is strong demand for modern, well-located office spaces, while older office stock—characterised by smaller floorplates—faces significant leasing challenges.
- Competition: There is evidence that tenants have relocated from Chatswood to North Sydney, Macquarie Park and Sydney CBD potentially due to the office rent, quality of office available for a nominated rent and access to staff.
- Strong retail environment: Retail floorspace still seems to be performing with spend data for Chatswood CBD indicating overall spend and nighttime economy spend increased by 6.3 per cent in 2023, demand for space in both Westfield Chatswood, Chatswood Chase and along Victoria Avenue.

### 3.2.2 Office floorspace and supply

Chatswood CBD encompasses approximately 271,003 square metres of office space, making it the smallest of Sydney’s major office markets. Most buildings in the area were constructed in the 1980s, and the median floorplate size is 955 square metres. There have been no significant new additions to Chatswood’s office stock over the past 30 years, with investment focused primarily on refurbishments. In contrast, North Sydney has experienced robust new developments, highlighting Chatswood’s relative stagnation in office growth<sup>18</sup>. The limited development pipeline is evident, as the Chatswood Chase redevelopment was the only project scheduled to add office space—delivering 3,800 square metres and was due for completion in March 2026. However, Vicinity has modified the DA to allow staging, with the commercial component deferred until "market conditions are more suitable to this type of land use"<sup>19</sup>. As such the only anticipated office project has now also been put on hold for the foreseeable future, highlighting the ongoing challenges facing Chatswood’s office market—even within a broader mixed-use development.

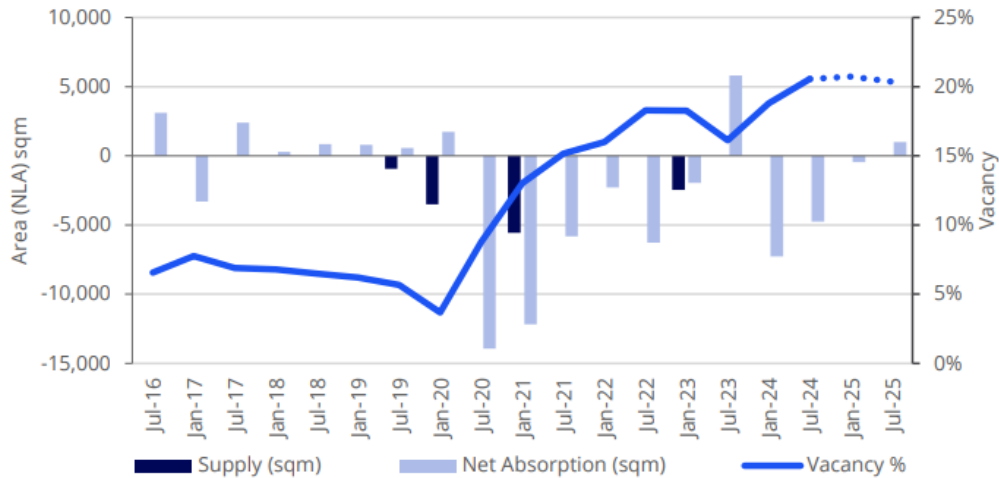
### 3.2.3 Chatswood office demand and vacancy

As shown in the extract from Colliers Australian Metro Office Snapshot, vacancy in Chatswood CBD increased from 18.8% to 20.6% over the first half of 2024, driven by a negative net absorption of 4,759 square metres. This decline is primarily due to tenant contractions and relocations, particularly among IT tenants downsizing their space. A-grade stock similarly saw vacancy rise to 25.1% in the first half of 2024, due to a 5,000 square metres net absorption loss, and is expected to remain between 24% and 25% until 2027. Chatswood’s current vacancy rate of 20.6% is substantially higher than the Australian CBD average of 13.6% and Sydney CBD’s 11.6%, demonstrating the market's challenged state.

<sup>18</sup> Source: Chatswood CBD Discussion Paper 2024

<sup>19</sup> Source: Colliers Q3 2024 Australian Metro Office Snapshot; DA-2022/305/E

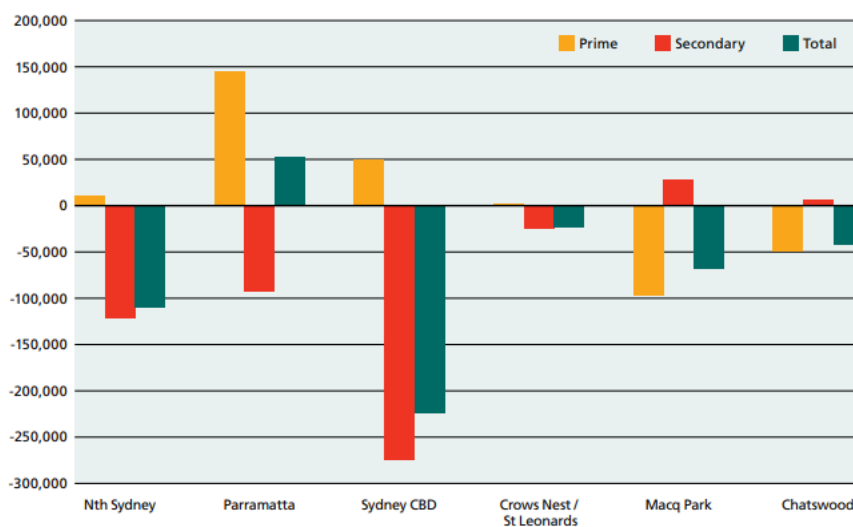
**Figure 13: Chatswood Net Supply, net absorption and vacancy**



Source: Colliers Q3 2024 Australian Metro Office Snapshot

Moreover, over the past five years—as indicated in the figure below—demand for office space across major Sydney markets has consistently lagged behind supply, including in Chatswood<sup>20</sup>.

**Figure 14: Net absorption of office stock in major office markets in Sydney 2020-2024**



Source: Chatswood CBD Discussion Paper 2024

### 3.3 Workplace trends and market outlook

The lockdown measures accelerated existing trends in the office market, leading to a mass exodus from traditional office environments and a significant shift towards working from home. Across Australia, around 30% of commercial office employees worked from home to slow the spread of the virus. In Sydney and Melbourne, this resulted in widespread office vacancies<sup>21</sup>.

A survey for Infrastructure Australia revealed that the proportion of respondents working from home at least once a week increased from 27% pre-COVID to 42% post-COVID, with roughly 15% of employees wishing to further increase their remote working frequency. ABS data now indicate that 37% of Australians work from home regularly—five percentage points above pre-pandemic levels—with 60% of managers and professionals doing so

<sup>20</sup> Chatswood CBD Discussion Paper 2024

<sup>21</sup> Infrastructure beyond COVID-19, A national study on the impacts of the pandemic on Australia

compared to only 22% in other occupations. This enduring shift, coupled with technological advances that enable more dispersed work practices, has reduced overall office occupancy and dampened demand, with future leasing concentrated in prime-grade, well-located, modern office spaces.

Even before the pandemic, forecast demand for office space across Australia was contracting by 10% to 20% due to improvements in workspace ratios and changing work practices<sup>22</sup>. Demand has waned even more from COVID. Recent technological advances have further dispersed office work across home, co-working spaces, hotels, libraries, and coffee shops. This shift has resulted in a contraction in forecast demand of at least 20%.

Chatswood, in particular, has long faced structural challenges, with several major tenants relocating over the past two decades. Currently, Chatswood exhibits a vacancy rate of 20.6%, reflecting a significant imbalance between supply and demand<sup>23</sup>. The market's persistent high vacancy—exacerbated by the ongoing shift towards hybrid working and reduced space requirements—suggests that it may take well beyond a decade for vacant stock to be absorbed and for vacancy rates to return to a healthier level of 5% to 6%, assuming no further increases in supply or a significant slowdown in new developments.

### 3.4 Feasibility considerations

Given the uncertainties in long-term office demand and the prolonged timeframe required to address the 20.6% vacancy rate, mandating commercial uses on the subject site would exacerbate oversupply. This is financially unfeasible in the medium term due to:

- High costs: Construction costs have risen by 25% to 30% since 2019, and financing costs have more than doubled. Total project cost has risen by at least 35%.
- Weak demand: Leasing downtime has increased and tenant incentives are near 40%.
- Market contraction: Chatswood continues to experience high vacancy rates.
- New commercial developments are unlikely to proceed under these conditions, given the lack of financial viability.

Ground-floor retail uses in prime locations such as the subject site are viable, offering higher sale values and activating the area. However above ground floor space will be increasingly difficult to lease particularly in a mix-use building. Some population serving commercial uses such as co-work spaces, medical, education, legal, accounting services, etc is possible on the first level above ground floor.

Increasing the proportion of residential floorspace addresses urgent housing shortages and affordability concerns while mitigating the impact of poor commercial market performance. This approach balances current market realities with future flexibility for commercial opportunities as conditions improve.

### 3.5 Long-term flexibility

There remains a question over the likely long-term demand for office accommodation in the Chatswood CBD and across the metropolitan area in general. There is a considerable level of uncertainty in forecasting the level of demand largely due to structural changes in employment, technological changes, growth and job replacements in various sectors and locations of work. If demand for office accommodation were to significantly improve (following absorption of current vacancies) in the medium to long term, then this could result in significant improvements in investment returns thereby improving the viability of development.

We understand that the proposal seeks approval under State Environmental Planning Policy (Housing) 2021. Under Part 4, Clause 73 (1) *“development consent must not be granted to the erection or use of a building for*

<sup>22</sup> Work from home trend eats into office demand, Financial Review, Nick Lenaghan 18<sup>th</sup> of January 2020

<sup>23</sup> 2024 Third Quarter, “Australian Office Indicators”, Knight Frank

*development to which this part applies unless the consent authority is satisfied that, during the relevant period, the tenanted component of the building—*

- (a) will not be subdivided into separate strata lots, and*
- (b) will be owned and controlled by 1 person, and*
- (c) will be operated by 1 managing agent, who provides on-site management.”*

We further understand that under Clause 73 (3) the relevant period means “*for development on land in Zone E2 Commercial Centre, Zone B3 Commercial Core or Zone SP5 Metropolitan Centre—a period commencing on the day an occupation certificate is issued for all parts of the building or buildings to which the development relates and continuing in perpetuity*”.

In other words, the proposed build-to-rent apartments cannot be strata subdivided, and the tenanted component of the building will remain under single ownership ensuring flexibility to respond to future market conditions.

### **3.6 Key findings**

In summary, the Chatswood office market faces significant structural challenges, including high vacancy rates and a shift towards remote and hybrid work arrangements which has lowered demand for commercial office space. Although Chatswood’s strategic location near the station offers some advantages, its capacity to attract large, specialised tenants remains limited compared to larger office markets such as North Sydney, Macquarie Park and Sydney CBD.

These market conditions strongly support the shift to providing BTR on-site as a forward-thinking solution. The proposal not only addresses current market inefficiencies, enhances long-term urban renewal, and contributes to a resilient, diversified local economy, but it also ensures that the proposed residential uses do not impede the commercial core’s growth. Instead, they complement it by providing additional residents to support local businesses and retail in a challenged market, which in turn supports the development of a vibrant, growing strategic employment centre.

Moreover there remains considerable uncertainty over the long-term demand for office accommodation in Chatswood CBD and across metropolitan markets, driven by structural changes in employment, technological advances, and evolving work practices. If demand for office space improves after current vacancies are absorbed, investment returns could strengthen, thereby enhancing the viability of future developments. Notably, the proposal seeks approval under State Environmental Planning Policy (Housing) 2021, which requires that the tenanted component of the building remain under single ownership and not be subdivided into strata lots—a condition that preserves future flexibility.

ECONOMIC  
IMPACT  
ASSESSMENT

## 4.0 ECONOMIC IMPACT ASSESSMENT

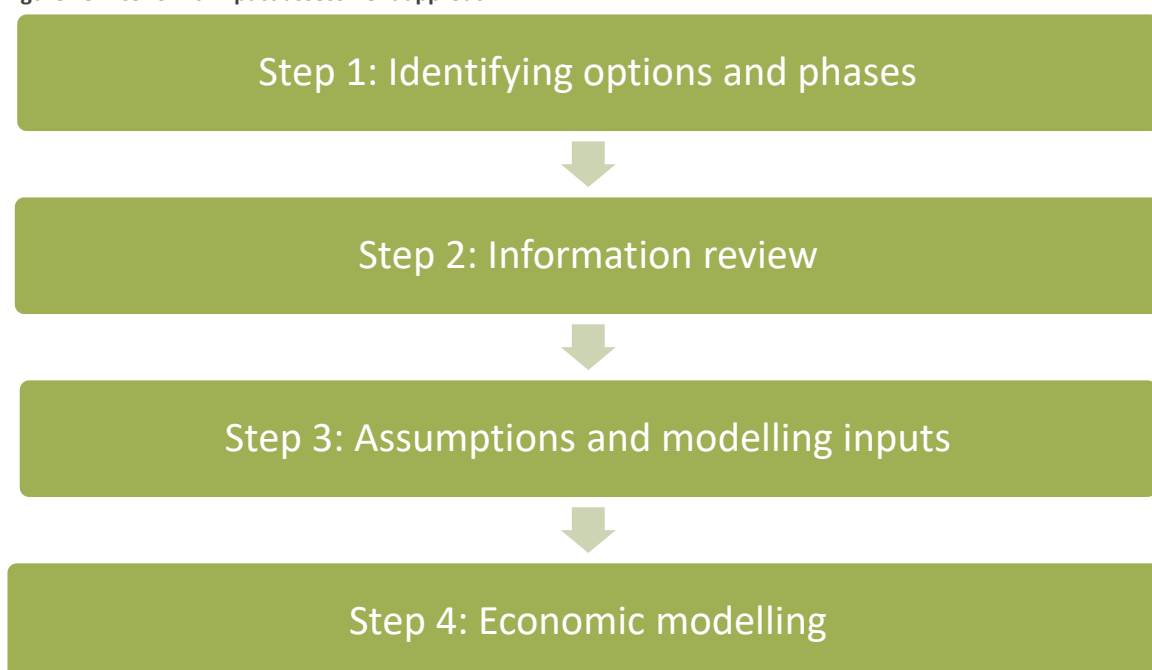
This chapter assesses the net economic impacts of the proposed development focussing on job creation, gross value added, gross output, and remuneration supported during the design and construction and operational phases of the proposed development.

### 4.1 Economic impact assessment approach

This next section outlines the economic assessment methodology used to assess the economic impacts of proceeding with the proposed development.

The study's economic impact assessment follows the approach shown (Figure 15) and outlined below.

**Figure 15: Economic impact assessment approach**



#### Step 1: Identifying options and phases

The net economic impacts of the proposed development are assessed by comparing it against the base case scenario, as outlined below:

**base case option:** assumes the continued operation of existing commercial buildings, providing approximately 2,000 square metres of gross floor area (GFA). The site currently accommodates a mix of commercial and retail tenants, including fast food retailers, personal services, and apparel stores on the ground floor and tutoring services on the upper level. It is assumed these, or similar activities and employment levels, remain on-site.

- **the proposal (or proposed development) option:** assumes redevelopment of the site as described in Section 1.2.

The proposed development will impact the economy across two distinct phases, being:

- **design and construction phase:** captures the economic activity generated and supported during the design and construction of the proposed development. These impacts are short-term and cease upon

project completion. As no construction occurs under the base case, all jobs and activities in this phase are considered new or additional.

- **operational phase (post-construction):** focuses on permanent jobs created or retained once the development is complete and occupied. Net operational impacts are determined by comparing employment levels under the base case and proposed development.

## Step 2: Information review

Key data is collated and reviewed, including:

- GFAs: Proposed uses as provided by the Client; existing uses identified from Google Maps as well as aerial photography including Metro Maps, and Mecone.
- Estimated construction cost: Sourced from the Client
- Employment numbers from similar scaled BTR projects
- Work-from-home rates and household workforce data: Derived from ABS Census data.
- Existing employment levels: Sourced from Transport of New South Wales employment forecasts and NSW Common Planning Assumptions
- Revenue, remuneration and value-added estimates per worker: Sourced from ABS National Accounts and 2023 IBISWorld Reports for construction, hospitality, education, retail and other professional services industries.
- Industry employment, output, income and Gross Value Added (GVA) multipliers: Based on the National Accounts: Input-Output Tables, 2021-22 for construction, hospitality, education, retail and other professional services.

## Step 3: Assumptions and modelling inputs

The following assumptions and modelling inputs have been developed to estimate the economic impacts of the design, construction, and operational phases of the proposed development:

### Design and construction phase assumptions

- Direct job creation: Every \$1 million spent on design and construction is estimated to generate 2.04 FTE job years, based on ABS Input-Output Tables.
- Gross revenue, gross value added (GVA) and workers' remuneration are calculated by HillPDA from the National Accounts: Input-Output Tables.
- Economic multipliers: National industry employment, output, income, and GVA multipliers for construction, hospitality, retail, education and professional services are weighted and adjusted to reflect statewide economic impacts. These multipliers account for job distribution across industries within NSW.

### Operational phase assumptions

#### Base case option

- The existing or similar commercial and retail space and tutoring services are assumed to remain operational, supporting an estimated one worker per 35 square metres for the ground floor space, in line with NSW Common Planning Assumptions and one FTE worker per 50 square metres for the upper level educational services in line with Transport of New South Wales employment forecasts and NSW Common Planning Assumptions.

#### Proposed development option

- Residential employment contribution: The residential (BTR) component of the development is expected to support employment, as a proportion of residents will work from home or operate home-based businesses.

- Occupancy rate: It is assumed that 95% of residential apartments will be occupied during the operational phase.
- approximately 8% of the working residents in proposed residential uses (at a rate of around 1.25 working residents per occupied dwelling) work or operate a business from home which translates to one FTE worker per 10.5 occupied dwellings.
- Workforce density for retail/commercial components: A workforce density of one FTE worker per 35 square metres has been applied to the retail/commercial space, in line with the retail and commercial worker densities under the Common Planning Assumptions.
- 5 FTE workers for on-site BTR management and maintenance, based on similar-scale projects and IBIS World Reports.

#### Base case and proposed development options

- Revenue, income and GVA per worker: Revenue, income and GVA per worker are weighted and converted into FTE jobs using industry employment data from the National Accounts: Input-Output Tables.
- The economic impact analysis is conducted at the NSW State level. If assessed at the local government or national level, the impacts would differ due to variations in economic linkages and employment distribution.

### Step 4: Economic modelling

#### Design and construction phase economic modelling

This step firstly assesses economic impacts during the design and construction phase, focusing on job creation, revenue, remuneration and GVA. A summary of these key economic metrics is provided in Table 2 below.

**Table 2: Economic impact metrics assessed**

Metric	Description
Job years	Number of full-time equivalent (FTE) jobs created, retained, and supported during the design and construction phase of the proposed development. A job year represents one full-time job sustained for one year.
Gross Revenue / Output	Total revenue generated and supported by the design and construction of the proposed development.
Remuneration	Combined annual wages of FTE workers employed and supported throughout the design and construction phase of the proposed development.
Gross Value Added (GVA)	Contribution to Gross State Product (GSP) resulting from the design and construction of the proposed development, calculated as total output minus input costs. This includes workers' remuneration, company profits, and government taxes derived from production.

Source: HillPDA

The analysis considers both direct and indirect economic impacts, which are defined as follows:

- **Direct impacts** refer to the economic activity directly generated by the proposed development, primarily through on-site activities.
- **Indirect impacts (or economic multipliers)** refer to the broader economic activity generated or supported by a source industry. These include:
  - **Production induced effects** which comprise:
    - *First round effects*: all outputs and employment required to supply the inputs to the source industry; and

- *industrial support effects*: additional output and employment from industries supporting increased production.
- **Consumption induced effects**: increased demand for goods and services from higher household spending due to employment gains.

Direct impacts are estimated as follows:

- direct jobs during the design and construction phase are estimated by applying the ratio of 2.04 job years per \$1 million of design and construction cost.
- weighted revenue, remuneration, and value-added estimates per FTE worker are applied to estimated direct jobs to quantify total remuneration and GVA during design and construction.

Indirect impacts were estimated by HillPDA from the direct impacts based on the ABS Input Output tables.

### Operational phase economic modelling

This step also estimates and compares the number of direct ongoing jobs supported by the development once operational relative to the base case as follows:

- Workforce densities are applied to the retail/commercial space of the proposed development and the commercial space under the base case to estimate employment levels.
- Work-from-home rates per dwelling are applied to projected occupied apartments to calculate residential employment under the proposed development option.
- BTR maintenance employment levels are estimated.
- Weighted revenue, income, and GVA per worker rates are applied to the estimated direct jobs to quantify the direct output, income, and GVA for both the base case and proposed development options.

Indirect impacts were estimated by HillPDA from the direct impacts based on the ABS Input Output tables.

### Limitations with multipliers

Both the ABS and the NSW Treasury Employment Calculator describe several limitations with input-output multipliers, or at least shortcomings with typical interpretations of the multipliers, which generally result in an over-estimation of impacts. The main shortcomings or limitations are as follows:

- Production induced impacts can leave the impression that extra output can be produced without taking resources away from other activities.
- Multipliers assumed fixed input ratios and hence measure impacts based on average effects rather than marginal effects.
- The impacts are nationwide and are not regional or local impacts which would be smaller.

Other limitations are described in both the NSW Treasury Guide and on the ABS website.<sup>24</sup>

## 4.2 Construction phase: Economic impacts

This section assesses the economic impact of the proposed development on the State economy during the design and construction phase, based on an estimated design and construction cost of around \$163.3 million (excludes GST)<sup>25</sup>.

<sup>24</sup> <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-input-output-tables/latest-release>  
<https://www.treasury.nsw.gov.au/information-public-entities/nsw-treasury-employment-calculator>

<sup>25</sup> Source: Client refer to Section 4.1

#### 4.2.1 Job creation during design and construction

Based on the estimated design and construction cost, the proposed development would directly generate approximately **333 job years** directly in design and construction, as shown in the table below.

**Table 3: Job creation during design and construction (job years)**

	Direct effects	Production induced effect		Consumption induced effect	Total
		First Round	Industrial Support		
Multipliers	1.00	0.81	0.76	1.22	3.79
Job Years per \$m	2.04	1.66	1.54	2.49	7.72
<b>Total Job Years Generated</b>	<b>333</b>	<b>271</b>	<b>251</b>	<b>406</b>	<b>1,261</b>

Source: HillPDA estimate using data from ABS Australian National Accounts: Input-Output Tables 2021-22 – NSW State multipliers

Through **production-induced and consumption-induced multiplier impacts**, an additional **928 indirect job years** will be generated and/or supported statewide.

In total the proposed development would generate and support **1,261 job years** statewide.

#### 4.2.2 Gross output

In addition to direct gross output of \$163.3 million there will be economic activity generated by the indirect jobs that are generated and/or supported through multiplier impacts. The table below summarises gross output generated by total jobs directly generated and indirectly supported by production.

**Table 4: Gross output from design and construction (\$m)**

	Direct effects	Production induced effect		Consumption induced effect	Total
		First Round	Industrial Support		
Output multipliers	1.00	0.60	0.55	0.79	2.94
<b>Gross output (\$m)</b>	<b>163.3</b>	<b>98.1</b>	<b>89.2</b>	<b>129.7</b>	<b>480.2</b>

Source: HillPDA estimate using data from ABS Australian National Accounts: Input-Output Tables 2021-22 – NSW State multipliers

Combined with the direct design and construction output, the proposed development is estimated to **generate and support a total gross output of \$480.2 million** across NSW during the design and construction phase.

#### 4.2.3 Workers' remuneration during design and construction

The remuneration of direct workers involved in the design and construction of the proposed development is estimated at approximately **\$26.5 million**.

Further remuneration will be paid to workers that are indirectly generated and supported in NSW through multiplier impacts estimated at **\$74.2 million**.

In total, remuneration paid to all workers directly involved in design and construction and indirectly supported through multiplier impacts is estimated at **\$100.7 million**, as detailed in the table below.

**Table 5: Workers' remuneration from design and construction (\$m)**

	Direct effects	Production induced effect		Consumption induced effect	Total
		First Round	Industrial Support		
Gross output multipliers	1.00	0.80	0.80	1.20	3.80
<b>Workers remuneration (\$m)</b>	<b>26.5</b>	<b>21.3</b>	<b>21.2</b>	<b>31.8</b>	<b>100.7</b>

Source: HillPDA estimate using data from ABS Australian National Accounts: Input-Output Tables 2021-22 – NSW State multipliers

#### 4.2.4 Gross Value Added (GVA) during design and construction

The project would directly contribute an estimated **\$46.5 million of GVA** to the state during design and construction.

Additionally, through multiplier effects, an additional **\$145.0 million in GVA** would be generated by the workers that are indirectly supported.

In total, design and construction is projected to generate and support approximately **\$191.5 million in GVA** for NSW.

**Table 6: Gross value added (GVA) from design and construction (\$m)**

	Direct effects	Production induced effect		Consumption induced effect	Total
		First Round	Industrial Support		
GVA multipliers	1.00	0.81	0.84	1.47	4.12
<b>GVA (\$m)</b>	<b>46.5</b>	<b>37.4</b>	<b>39.1</b>	<b>68.5</b>	<b>191.5</b>

Source: HillPDA estimate using data from ABS Australian National Accounts: Input-Output Tables 2021-22 – NSW State multipliers

#### 4.2.5 Construction phase economic impact summary

The table below provides an overview of the estimated jobs and economic activity generated and supported across NSW during the design and construction phase of the proposed development.

**Table 7: Construction phase economic impact summary**

Proposed development	Direct	Indirect	Total
Employment	333	928	1,261
Gross Output (\$m)	163.3	317.0	480.2
Workers' remuneration (\$m)	26.5	74.2	100.7
<b>GVA (\$m)</b>	<b>46.5</b>	<b>145.0</b>	<b>191.5</b>

### 4.3 Operational phase: Economic impacts

This section examines the economic impacts the proposal would have during its operational phase. The economic impacts of the proposal are measured against the base to determine its net economic impact.

#### 4.3.1 Base case – economic impact

The subject site currently provides approximately 2,000 square metres of GFA of employment space over two levels. A mix of commercial and retail tenants, including fast food retailers, personal services, and apparel stores occupy the ground floor, with tutoring services on the upper level. It is assumed these, or similar activities and employment levels, remain on-site.

Based on the types of tenancies, floorspace provisions and the adopted workplace ratios (as sourced from NSW Common Planning Assumptions), the existing uses on site are estimated to employ around 49 FTE jobs as shown in the table below.

**Table 8: Base case – onsite employment generation**

Land use	Floorspace (GFA)	Sqm/FTE	FTE
Ground floor retailers and commercial tenants	1,000sqm	35sqm/worker	29
Level one education/tutoring services	1,000sqm	50sqm/worker	20
<b>Total</b>			<b>49</b>

Source: HillPDA, NSW Common Planning Assumptions

As shown in the table below, these 49 workers are estimated to support the following direct and indirect jobs, gross output, remuneration and GVA:

- **Employment:** an additional 41 indirect FTE jobs across NSW
- **Gross output:** generate \$12.3 million in direct gross output and a further \$22.2 million in gross output is generated by workers that are indirectly supported by multipliers, totalling \$34.5 million statewide
- **Remuneration:** provide approximately \$2.7 million in direct on-site remuneration and a further \$2.5 million is earned by workers that are indirectly supported by multipliers, amounting to around \$5.2 million statewide
- **GVA:** contribute \$4.1 million in direct GVA to the region’s GSP and a further \$6.1 million in GVA is generated by workers that are indirectly supported by multipliers, for a total impact of about \$10.3 million statewide.

**Table 9: Base case - economic activity**

Base Case	Direct	Indirect	Total
Employment	49	41	89
Gross output (\$m)	\$12.3	\$22.2	\$34.5
Wages (\$m)	\$2.7	\$2.5	\$5.2
GVA (\$m)	\$4.1	\$6.1	\$10.3

Source: Australian National Accounts Input Output tables 2020-21, IBIS World Reports 2023, HillPDA

#### 4.3.2 Proposal’s operational phase – economic impact

This section estimates the likely economic impact of the proposed land uses, which are expected to generate employment across three key streams:

- Retail / hospitality / commercial: Approximately 1,100 sqm of retail / hospitality/ commercial space.
- Residential (Work-from-Home): A proportion of onsite BTR residents are expected to operate home based home-based businesses and/or predominantly undertake the majority of their paid work at home. The Chatswood - East SA2 —which includes the subject site and surrounding neighbourhoods—will likely reflect the future on-site resident profile. In this area, only 5.0% of working residents were working from home in 2016, a figure that rose to 49.8% in 2021 due to COVID-19 lockdown measures. Although office attendance has since rebounded, hybrid work remains common, thereby reducing the overall demand for traditional office space. Considering national trends, industry composition, and the proposed on-site co-working spaces, we assume that 8% of BTR onsite residents will continue to work or operate their businesses from home.
- BTR services and amenities: The BTR development includes concierge services and wellness amenities (pool, spa, gym, yoga deck, terraces), requiring ongoing upkeep. Based on similar-scale BTR projects, maintenance is estimated to require 5 FTE workers.

Using NSW Common Planning Employment Density Assumptions, the proposed development is expected to accommodate approximately 60 FTE on-site jobs as calculated in the table below.

**Table 10: Proposal’s – onsite operational phase employment generation**

Land use	No. Units/Floorspace (GFA)	Sqm/FTE	FTE
Residential	247 occupied units*	10.5 FTE workers / occupied dwelling	23
Retail/commercial	1,110 sqm GFA	35sqm/worker	32
BTR maintenance		5 per development	5
<b>Total</b>			<b>60</b>

Source: HillPDA, NSW Common Planning Assumptions – \*includes a 5% vacancy rate

As shown in the table below, these 60 workers are estimated to support the following direct and indirect jobs, gross output, remuneration and GVA:

- **Employment:** an additional 71 FTE indirect jobs across NSW
- **Gross output:** Generate \$17.8 million in direct gross output and a further \$32.8 million in gross output is generated by workers that are indirectly supported by multipliers, totalling \$50.6 million statewide
- **Remuneration:** Provide approximately \$3.8 million in direct on-site remuneration and a further \$4.8 million of remuneration is earned by workers that are indirectly supported by multipliers, amounting to around \$8.7 million statewide
- **GVA:** Contribute \$5.7 million in direct GVA to the region’s GSP and an additional \$10.5 million in GVA is generated by workers that are indirectly supported by multipliers, for a total impact of about \$16.2 million statewide.

**Table 11: Proposed development – annual economic activity**

Proposed development	Direct	Indirect	Total
Employment	60	71	131
Gross output (\$m)	\$17.8	\$32.8	\$50.6
Wages (\$m)	\$3.8	\$4.8	\$8.7
GVA (\$m)	\$5.7	\$10.5	\$16.2

Source: Australian National Accounts Input Output tables 2020-21, IBIS World Reports 2023, HillPDA

### 4.3.3 Net operational phase economic impact summary

Compared to the base case, the proposal delivers a stronger economic outcome during the operational phase, with statewide net gains in employment, gross output, remuneration and GVA as follows:

- **Employment:**
  - 11 additional FTE jobs generated on-site
  - Indirectly supports an extra 30 FTE jobs across NSW
  - Total net gain: Approximately 41 FTE jobs statewide
- **Gross Output:**
  - Direct increase of \$5.5 million annually
  - Indirect increase of around \$10.6 million annually
  - Total net gain: Approximately \$16.1 million annually
- **Remuneration:**
  - Direct increase of around \$1.1 million annually
  - Indirect increase of about \$2.4 million annually
  - Total net gain: Approximately \$3.5 million annually
- **GVA:**
  - Direct increase of around \$1.6 million annually
  - Indirect increase of about \$4.3 million annually
  - Total net gain: Approximately \$5.9 million annually.

The net gains are tabulated below.

**Table 12: Annual net operational phase economic gain – proposal over the base case**

Net economic gains (proposal minus base case)	Direct	Indirect	Total
Employment	11	30	41
Output (\$m)	\$5.5	\$10.6	\$16.1
Wages (\$m)	\$1.1	\$2.4	\$3.5

GVA (\$m)	\$1.6	\$4.3	\$5.9
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#### 4.3.4 Other economic benefits

##### 4.3.4.1 Expenditure from residents

The proposed development would accommodate around 260 new residential dwellings on the subject site. Assuming 95% of the apartments are occupied and an average occupancy rate of 2.3 persons per apartment<sup>26</sup> we estimate around 570 permanent residents on the subject site.

These residents would generate demand for local retail and commercial goods and services. With an average retail spend of around \$21,500 per capita<sup>27</sup> the residents would spend around \$12.2 million every year on retail goods and services. The majority of this spend will be captured by businesses in the Chatswood CBD. This increased demand will not only stimulate local businesses but also enhance the viability of surrounding retail and commercial services.

##### 4.3.4.2 Broader economic impacts and catalytic effects

High-density residential development in this area will have a wide-ranging catalytic impact on the local economy. The influx of new residents is anticipated to boost surrounding business activity, enhance public transport utilization—particularly the existing railway network—and generate vibrant day- and night-time activity. These effects will increase the feasibility and sustainability of retail, commercial, and transport services, and are expected to stimulate further urban renewal.

Moreover, where a significant property investment decision has been made it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further investment. The direct investment on the subject site would also raise the profile of Chatswood to potential investors improving the feasibility of mixed-use development, potentially acting as a catalyst on surrounding sites. From an economic perspective this is a good outcome given that it maximises the potential of this in-centre site and creates a greater economic benefit from it.

##### 4.3.4.3 Place Making and Transit-Oriented Development

The development strongly aligns with TOD principles by providing high-density, mixed-use housing near key transport nodes, including the Chatswood centre and railway station. This approach supports urban consolidation and efficiency improvements, reduces dependence on private vehicles, and promotes public transport usage. By creating a dynamic, mixed-use town centre community, the project will foster enhanced local amenities and a stronger sense of community, further driving urban renewal and sustainable economic growth in the area.

##### 4.3.4.4 Benefits of Build-to-Rent (BTR)

The proposed BTR apartments provides a stable, long-term tenancy model that supports consistent rental income and helps maintain occupancy levels over time. This approach ensures a reliable supply of quality housing for residents, which in turn attracts a diverse mix of tenants. The presence of dedicated on-site co-working spaces further supports entrepreneurial and remote working trends. Overall, the BTR model contributes to the project's economic resilience by bolstering tenancy stability and enhancing the attractiveness of the development for both residents and local businesses.

<sup>26</sup> Average household size in occupied apartments in Chatswood - East SA2 2021 (ABS Census)

<sup>27</sup> HillPDA based on ABS Household Expenditure Survey and ABS Monthly Retail Turnover data

# CONCLUSION

## 5.0 CONCLUSION

The housing demand analysis, identifies a critical need to address local housing shortages and affordability concerns. In the Willoughby LGA—and particularly in Chatswood—constraints in housing supply have led to rising prices and intensified rental stress. The proposed development, which delivers 260 BTR apartments and accommodates 570 additional residents, is expected to help meet local housing targets while supporting TOD objectives. Its location, within 400 metres of metro and bus services and near key amenities and employment hubs, makes it well located for high-density residential uses that complement the surrounding area which is transitioning towards a mixed-use environment.

At the same time, Chatswood’s office market has faced long-term structural challenges, with no major commercial development of scale in the past 20–30 years, persistently high vacancy rates (currently at 20.6%), limited floorplate sizes, and an ongoing shift towards remote and hybrid work. These factors have significantly weakened demand for new office space. Even the only recent proposal expected to deliver new office supply—Chatswood Chase—has now deferred its commercial component indefinitely due to market conditions.

By repurposing underutilised business and retail floorspace into high-quality BTR housing, the proposal, not only addresses these market inefficiencies but also delivers net economic gains in terms of increased jobs, gross output, wages, and GVA. More specifically, the proposal is estimated to support:

- 11 additional FTE jobs generated on-site
- A further 30 indirect FTE jobs across NSW
- a net increase of \$5.5 million of direct gross output annually
- a net increase of around \$10.6 million in indirect gross output annually
- an increase of around \$1.1 million in direct combined salaries annually
- a further \$2.4 million of additional indirect combined salaries annually
- an increase of around \$1.6 million of direct GVA annually
- and a further increase of about \$4.3 million of indirect GVA annually.

As such this increased number of jobs and activity on-site will help to strengthen the Chatswood’s commercial core, supporting the CBD’s growth potential and its role as a strategic urban centre. The uplift of residents on-site (and increased spend with these residents estimated to spend \$12.2 million annually on retail goods and services) will also help to support surrounding businesses and services in Chatswood.

The direct investment on the subject site would also raise the profile of Chatswood to potential investors improving the feasibility of mixed-use development, potentially acting as a catalyst on surrounding sites. From an economic perspective this is a good outcome given that it maximises the potential of this in-centre site and creates a greater economic benefit from it.

Moreover, during the design and construction phase, the project is expected to generate significant job years and boost economic activity, further contributing to the region’s future growth and resilience.

Overall, when considering the combined impacts of the construction and operational phases along with the broader redistribution of employment, the SSDA demonstrates strong economic merit and makes a positive contribution to the region’s future growth.

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