20 -22 ATCHISON STREET – ECONOMIC ANALYSIS

Prepared for Setia Sydney Pty Ltd
September 2025

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We acknowledge, in each of our offices, the Traditional Owners on whose land we stand.

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EXECUTIVE SUMMARY

Project Background

The subject sites are currently home to low-rise commercial office buildings located at 20 and 22 Atchison Street, St Leonards. Setia are proposing to amalgamate both sites and redevelop the combined site as a mixed-use, primarily residential development. This redevelopment opportunity follows the State-led rezoning of the broader area as part of the Crows Nest Transport Oriented Development (TOD) Accelerated Precinct in November 2024, aimed at increasing and fast-tracking the delivery of housing.

This report provides a high-level overview of residential property markets in the area, outlining market fundamentals of supply and demand, including projections that consider population growth in the area. The report also explores the market viability of commercial and retail uses for the subject site, and the supportable floorspace for each use as part of a mixed-use development.

Residential Overview

- The Residential Study Area includes the LGAs of Lane Cove, Willoughby and North Sydney.
- Residential is likely to be the highest and best use for the Subject Site.
- The Residential population is expected to grow at an annual growth rate of 0.8% until FY30, marginally lower than the Greater Sydney benchmark of 1.0%.
- As at May 2025, 72 apartment projects (with 20+ units) are proposed in the area, potentially adding a total of 8,561 units over the next seven years.
- The median apartment price in the area reached $1.18M in FY25, just shy of the $1.194M peak from FY22. Apartments in the area commanded a premium of 52.6% above the Sydney benchmark for December 2024.

Commercial Assessment

- In January 2025, stock of commercial office space in the Study Area was 357,418 sq.m, having grown at about 3% per annum in the preceding five years. In the five years to January 2030, the growth in commercial office stock is expected to be minimal (just over 600 sq.m), largely as lesser components of mixed-use developments. Notwithstanding the growth in stock observed in the past five years, an average 78 sq.m per annum in net absorption have been lost since July 1990.
- Employment growth projections indicate the need for 39,189 sq.m of commercial office space required to accommodate new jobs in the area over the ten years to FY35. It is estimated that the subject site could demand 1,308 sq.m of office space upon completion in 2028, assuming a fair market share of 8.5%.
- Vacancy rates in St Leonards/Crows Nest are the highest for any commercial office market in Sydney, reaching 30.5% (108,927 sq.m) in January 2025, having increased significantly from 7% in January 2020. Forecasts indicate the vacancy will remain high (above 25%) over the next ten years.
- Starting pre-commitment net face rents for the North Shore commercial offices market ranged from $850 to $1,075/sq.m from 2022-2024. These rent levels enabled building construction to commence. This compares to Prime net face rents of $665 to $670/sq.m in the Crows Nest/St Leonards office market, suggesting that commercial developments will not be economically feasible over the next five years.

Retail Assessment

- The Retail Trade Area is made up of 7,880 residents and 9,920 workers. Over the next decade, total retail spending is expected to grow from an estimated $180 million currently to $271 million in real terms by 2035, driven by residential population growth.
- There is a well-established supply of existing retail outlets in St Leonards, with market opportunities for the site identifying potential for the site’s commercial premises to be occupied by tenancies offering Food and Beverage as the most likely to be supported by the market at the subject site.
- The subject site development can support approximately 125 sq.m of Ground Level retail premise floorspace. While consideration was given to another retail premise at the Lower Ground Level fronting Atchison Lane, it was deemed unsuitable given the limited foot-traffic and relative isolation from other retail premises.

Recommendations

Located in a mixed-use part of St Leonards and close to the St Leonards Train Station and the new Crows Nest Metro Station, the site is ideally positioned to deliver new residential dwellings, aligned to the intent of the Crows Nest TOD precinct.

The commercial office market in St Leonards/Crows Nest is facing significant challenges, with vacancy-rates anticipated to remain above 25% over the next ten years. Considering the existing stock, planned additions and withdrawals of office floorstock in the area, the market would support a limited amount of commercial floorspace in the podium of the proposed development, of approximately 1,500 sq.m in 2028, when the development is due for completion.

The proposed development could also support limited commercial premises such as Food and Beverage on the Ground Level, up to a total of approximately 125 sq.m.

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PROJECT CONTEXT AND STUDY AREA

INTRODUCTION

SSD-87486461

This report has been prepared to support a State Significant Development Application (**SSDA**) SSD- 87486461 for the site at 20-22 Atchison Street, St Leonards (**the site**).

The Minister for Planning, or their delegate, is the consent authority for the SSDA and this application is lodged with the NSW Department of Planning, Housing and Infrastructure (**DPHI**) for assessment.

This report has been prepared in response to the requirements contained within the Secretary's Environmental Assessment Requirements (**SEARs**) dated 9 July 2025 (SSD-87486461). Specifically, this report has been prepared to respond to the following SEARs:

Secretary's Environmental Assessment Requirements	Refer Report Section
1. Statutory Context . • Provide an explanation of how the development as described in the EIS is consistent with the development as was described in the request for SEARs (including any components that were not SSD) and provide a justification for any differences.	

Figure 1 – Artist's Impression

Source: Cox Architects, Setia

INTRODUCTION

Figure 2 – Subject Site

Source: Urbis

PROJECT DESCRIPTION

Project Scope

The application seeks development consent for an SSDA which will facilitate the redevelopment of the site for a shop top housing development using the recently introduced provisions under the Transit Oriented Development (**TOD**) reforms.

The project seeks consent for:

- Demolition of existing buildings on site and tree removal.
- Construction of a 40-storey shop top housing development comprising:
  - 4-storey mixed-use (commercial, residential and retail) podium with a retail tenancy at ground level (Atchison Street frontage).
  - 36 levels of residential apartments and residential amenities within the tower.
  - Landscaping and public amenities along the Mitchell Street eastern elevation at ground level.
  - Consolidated vehicular and loading access from Atchison Lane.
  - 5-storey basement accommodating car, bicycle and motorcycle parking, storage, plant and end of trip facilities (EOTF) for the commercial component.
- Amalgamation of Lot 1 in DP740017 and Lot 120 DP564606.
- 10% of residential floor space to be used for affordable housing via monetary contribution.
- Storage areas, utilities and service provision.

Refer to Architectural Plans prepared by Cox Architecture appended to the Environmental Impact Statement.

The Site

The site occupies a strategic location in the St Leonards Crows Nest precinct and is in close proximity to the St Leonards railway station and Crows Nest Metro station and town centre.

The site is located at 20-22 Atchison Street, St Leonards. The site has a primary frontage to Atchison Street to the south, Mitchell Street to the east and Atchison Lane to the north. The site is located within the North Sydney Local Government Area (LGA) and is located approximately 4.5km north of the Sydney CBD.

The site comprises two allotments described as Lot 1 in DP740017 and Lot 120 DP564606 with a total area of 1374.4sqm. The site is located near the crest of a high ridgeline point, with Mitchell Street falling in elevation towards the north of the site and Atchison Street falls towards the east. The site location is outlined in **Figure 2.**

Existing development on the site includes:

- 22 Atchison Street is currently occupied by a six-storey commercial office building and 18-20 Atchison Street comprises a three-storey commercial building which is currently vacant. The buildings were constructed in the 1980s and have a primary frontage to Atchison Street and secondary vehicular access from Atchison Lane.
- 22 Atchison Street accommodates additional vehicular access from Mitchell Street.

Figure 3 – Existing Development at 22 Atchison Street

Source: Real Commercial

LOCAL CONTEXT

Summary

Figure 3 highlights the site's location in relation to transport connectivity and local amenity.

The site is located on Atchison Street, near major arterial roads including the Pacific Motorway and the M1 Warringah Freeway.

The site is just a three-minute walk (210m) from the St Leonards Train Station and a six-minute walk (400m) to Crows Nest Metro Station.

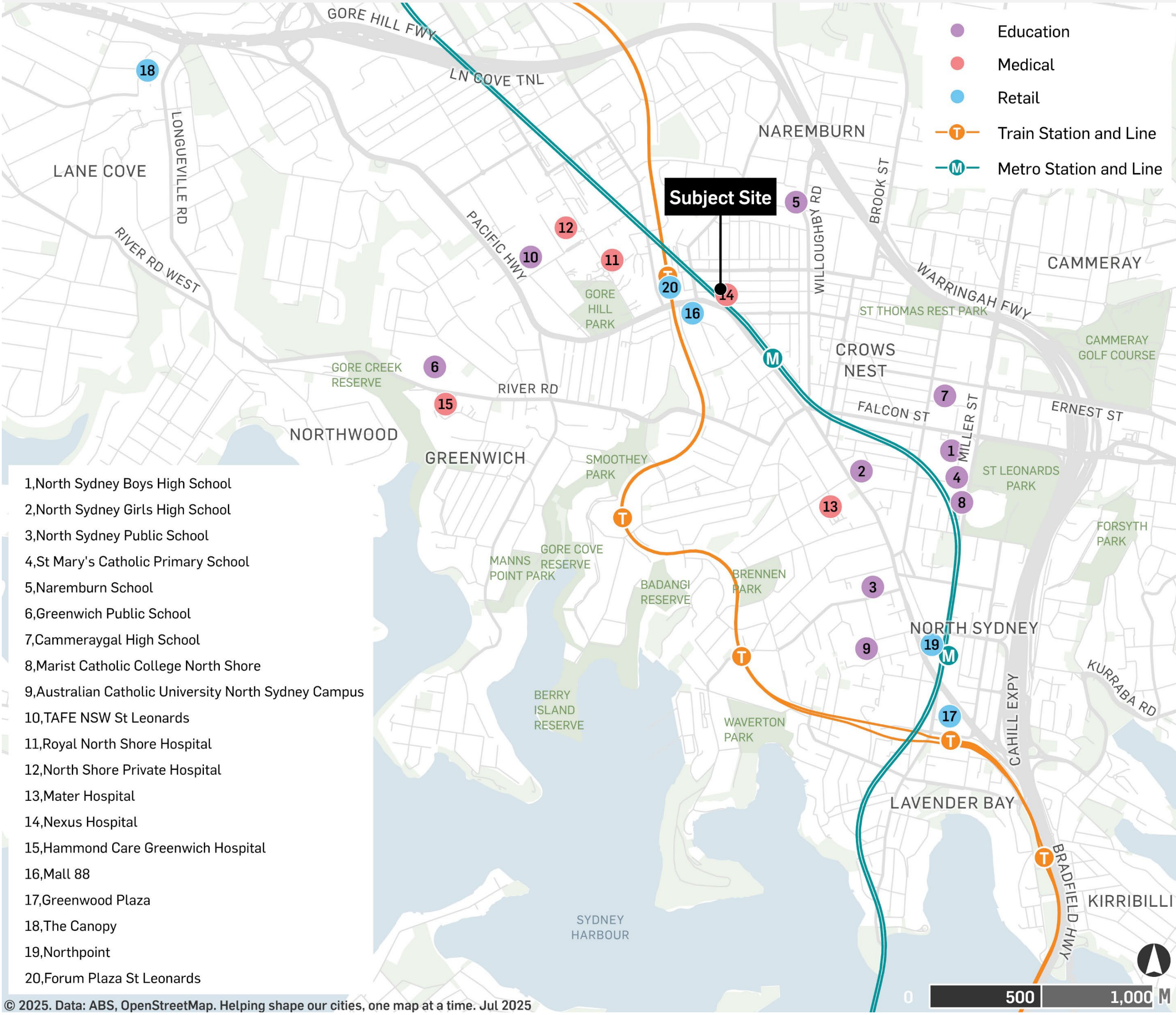
The recently opened Crows Nest Metro Station has improved connectivity, reducing the journey to North Sydney and Barangaroo to three and seven minutes, respectively. Future residents will also be able to readily access major employment precincts, including Chatswood, Macquarie Park and Norwest.

The site is in a high-amenity area, just 240m from the newly opened Mall 88 and 750m from the Royal North Shore Hospital, within the broader North Shore Hospital Precinct.

The site is serviced by some of the leading educational institutions in Sydney, including North Sydney Girls High School and North Sydney Boys High School. Tertiary education offerings include the Australian Catholic University, North Sydney Campus and TAFE NSW, St Leonards, both within a ~2km radius of the site.

The relatively dense clustering of these amenities and services presents an opportunity to provide residential dwellings in a well-serviced area offering short commute times and good quality of life.

Figure 4 - Local Context



Source: Urbis

REGIONAL CONTEXT

Summary

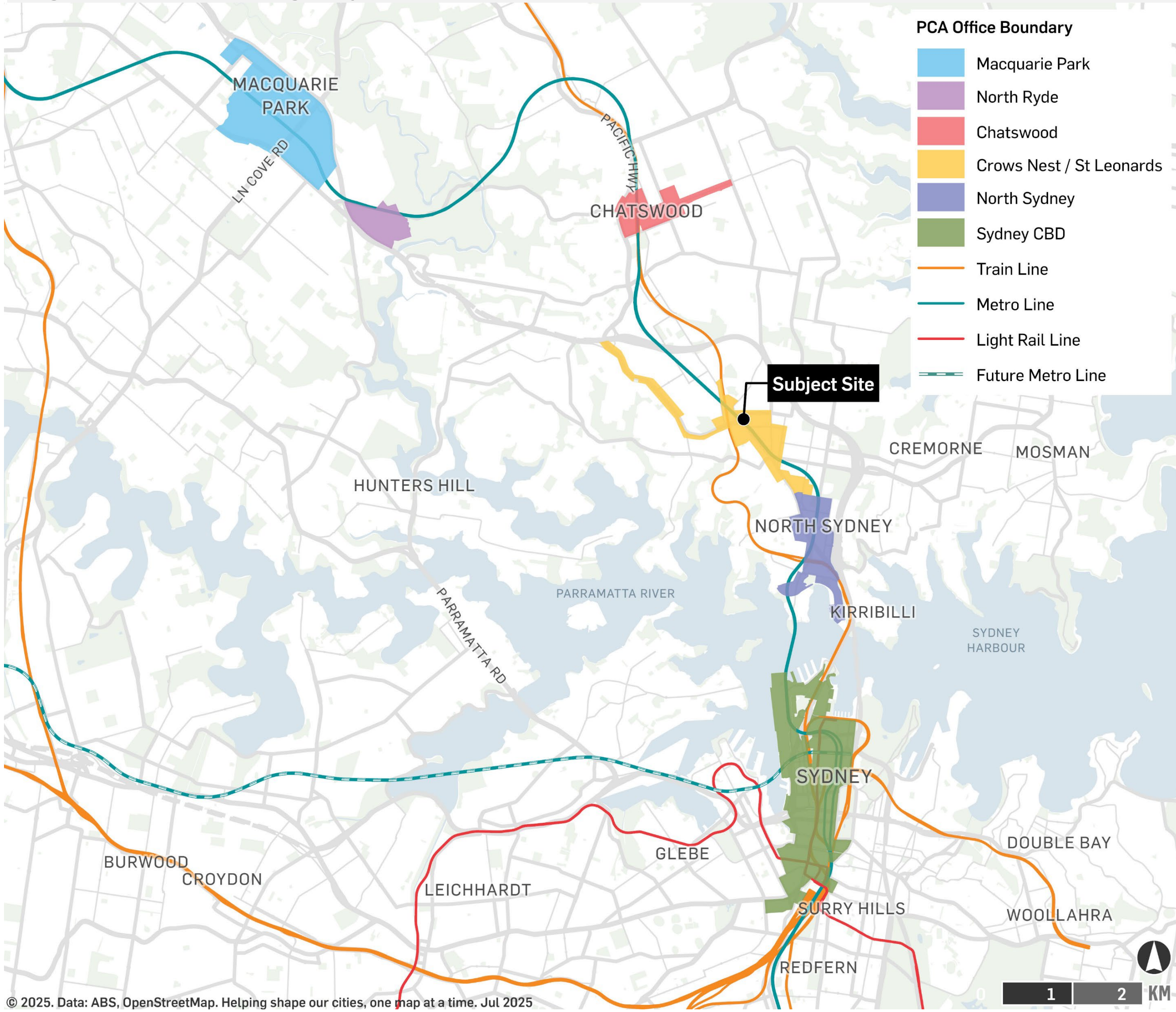
The Subject Site is in the St Leonards/Crows Nest Commercial Office market as defined by the Property Council of Australia (PCA). While considered a major office market, the Crows Nest/St Leonards office market is secondary in location to the North Sydney and Sydney CBD office markets. These markets offer a greater range of building types, quality, and views and, therefore, attract a greater number of tenants. Due to the greater number and range of tenants, agglomeration economies are superior in both these markets than in Crows Nest/St Leonards.

With North Sydney located around five minutes away by train and Wynyard 10 minutes away by train, Crows Nest/St Leonards faces strong competition for tenants from both these markets.

Chatswood and Macquarie Park are also major office markets located along the Metro Rail line from Crows Nest/St Leonards. These markets also provide competition for tenants for office space.

Macquarie Park's office market offer is different to the other major office markets shown on the map (right). It contains a higher proportion of research and development, high-tech and life sciences space. Market rents in Macquarie Park are below St Leonards, hence it is a challenge to source tenants from Macquarie Park.

Figure 5 - Competing Major Office Markets



Source: Urbis

STUDY AREA DEFINITIONS

Summary

For this assessment, three Study Areas have been defined to adequately assess office and residential demand, as well as key worker jobs.

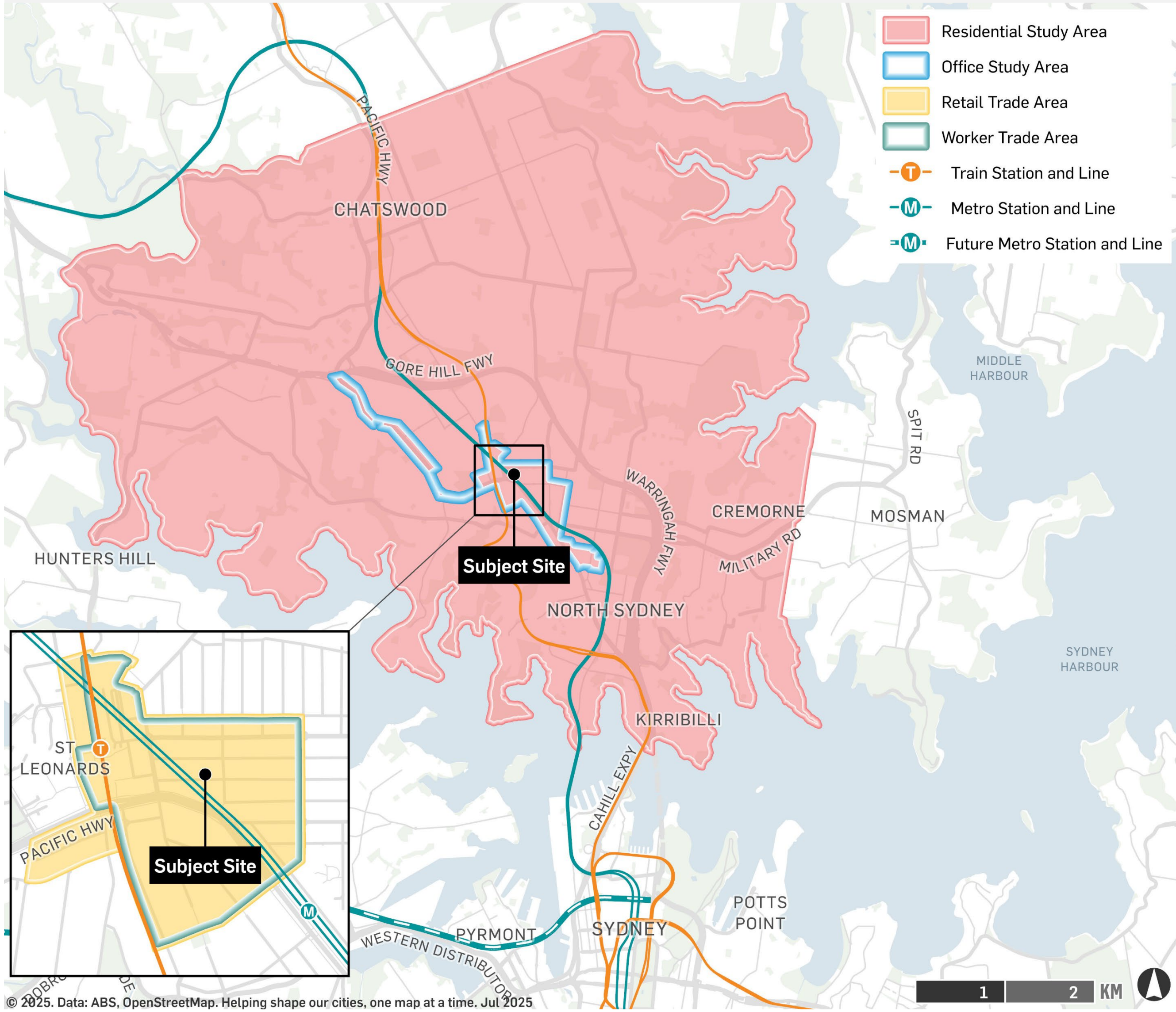
The **Residential Study Area** is composed of the three LGAs surrounding the site, Lane Cove (~1,050 hectares), Willoughby (~2,300 hectares) and North Sydney (~1,100 hectares) which make up the majority of Sydney's lower north shore.

- The Study Area is predominantly residential with approximately 54% high-density, 16% medium-density and 30% low-density housing.
- There are substantial industrial and commercial areas, especially centered around North Sydney in the southwest of the Study Area.
- There is also a considerable amount of bushland and parkland, especially Lane Cove LGA .

The **Office Study Area** is composed of the Crows Nest/St Leonards Office market as defined by the Property Council of Australia (PCA).

The **Retail Trade Area** captures the high density developed areas of St Leonards and is contained within a 500-metre walking radius.

Figure 6 - Defined Study Areas



Source: Urbis

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RESIDENTIAL MARKET OUTLOOK

RESIDENTIAL MARKET OVERVIEW

The Changing Face of St Leonards

The onset of COVID-19 triggered structural changes to residential as well as commercial office markets throughout Australia, including the Greater Sydney region.

Changes to population growth trends and to settlement patterns are some of the key drivers that have led to the current situation where there is greater demand for housing than is available, as supply has failed to keep up with population growth. Other factors contributing to the housing crisis include considerable market uncertainty, rental and house price increases, elevated interest rates and rising construction costs.

In contrast, the changes to office attendance patterns, including broad adoption of hybrid and work from home patterns, have resulted in the supply of office space far exceeding demand, as evidenced by enduring and abnormally high vacancy rates experienced for commercial office properties for the foreseeable future.

These diverging market scenarios for residential and commercial office properties are creating significant challenges and opportunities in mixed-use centres such as St Leonards. Government policy aimed at fast-tracking and augmenting the supply of housing near key transport interchanges through the Transport-Oriented Development (TOD) Accelerated Precinct program is enabling change in the area through a wholesale rezoning in the area enacted at the end of 2024, leading property owners and developers to reassess their asset holdings and development plans in response to market conditions.

With the improved connectivity in the St Leonards and Crows Nest area following the opening of the Sydney Metro City and Southwest line, these trends have the potential to significantly reshape the built environment and character of the area. In coming years, an increase in residential floorspace and a commensurate decrease in commercial floorspace is expected in St Leonards.

Figure 7 – A illustration from 2020 of the proposed development at 20-22 Atchison Street, also showing the massing of other potential developments that may change the St Leonards/Crows Nest skyline

Source: COX Architecture

POPULATION AND HOUSEHOLD PROJECTIONS

Key Findings

Population growth is a key driver of housing demand across the Study Area. Chart 1 presents population forecasts, combining historical Estimated Resident Population (ERP) data from the ABS (through to FY23) and forward growth rates from the DPHI (FY 24 onwards).

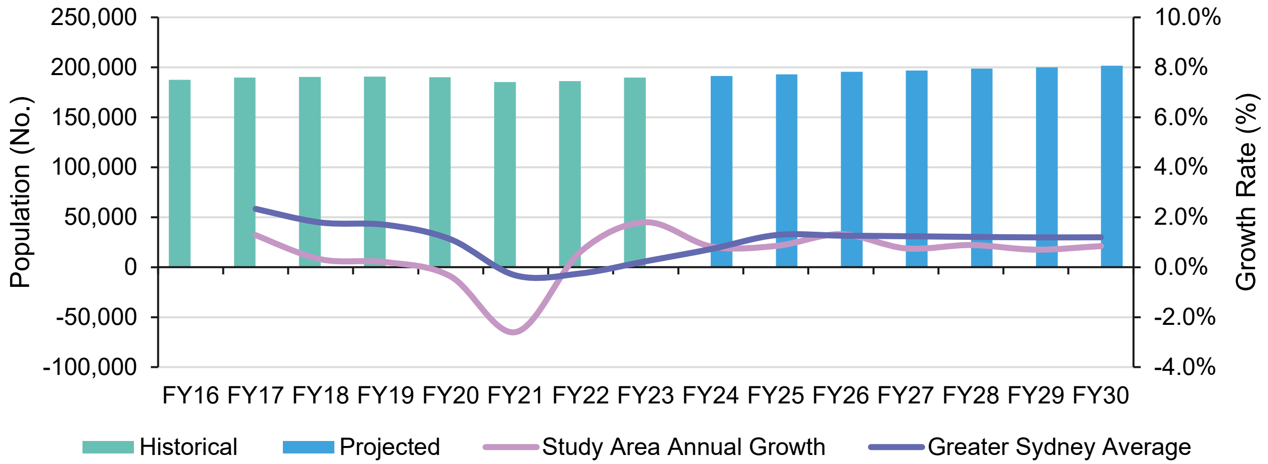
Population growth in the Study Area between FY16 and FY19 was subdued, averaging 0.6% p.a.. During the COVID-19 period (FY19–FY22), the population declined by 1.0% p.a., largely due to reduced overseas migration. For comparison, marginal growth of 0.2% p.a. was experienced in Greater Sydney over the same period.

Approximately 189,629 residents called the Study Area home as of FY23, with the population forecast to grow to 201,658 by FY30. This equates to an average annual growth rate of 0.8%, below the Greater Sydney benchmark of 1.2%.

Population growth in the study area is expected to be accommodated in eventual medium- and high-density developments in St Leonards and North Sydney, enabled by rezonings under the NSW Government's TOD program.

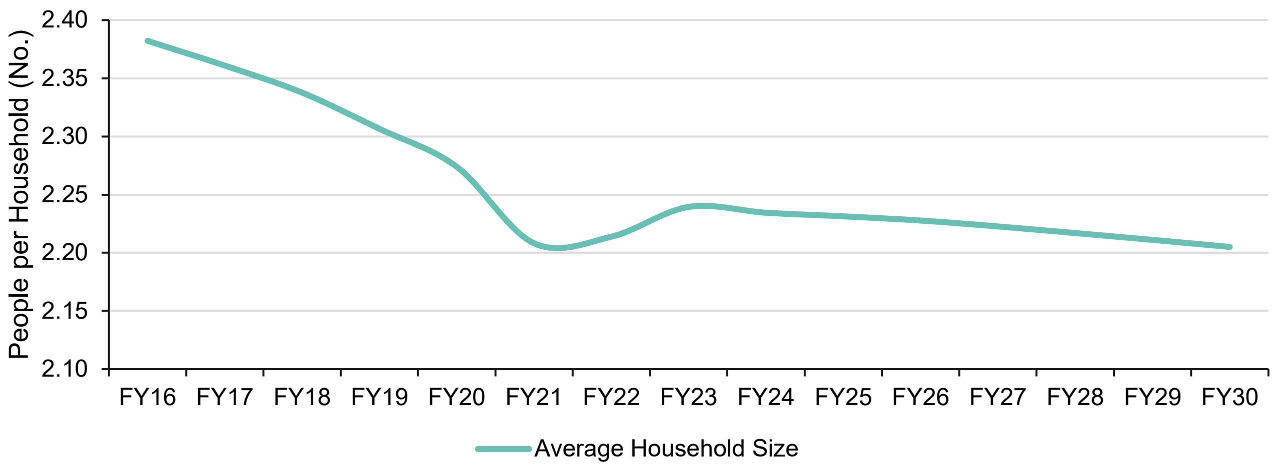
Also impacting on demand are changes to household sizes and composition. Chart 2 presents a declining trend in average household size across the Study Area, falling from 2.38 in FY16 to 2.21 in FY30, reflecting broader demographic trends of ageing populations and increasing single and couple households. As household sizes continue to fall, more dwellings are required to house the same number of people, in turn adding pressure on housing supply despite relatively modest population growth.

Chart 1 - Residential Study Area Population Projections, FY16 – FY30



Source: ABS, DPHI, Urbis

Chart 2 - Residential Study Area Household Size, FY16 – FY30



Source: ABS, DPHI, Urbis

APARTMENT SUPPLY

Key Findings

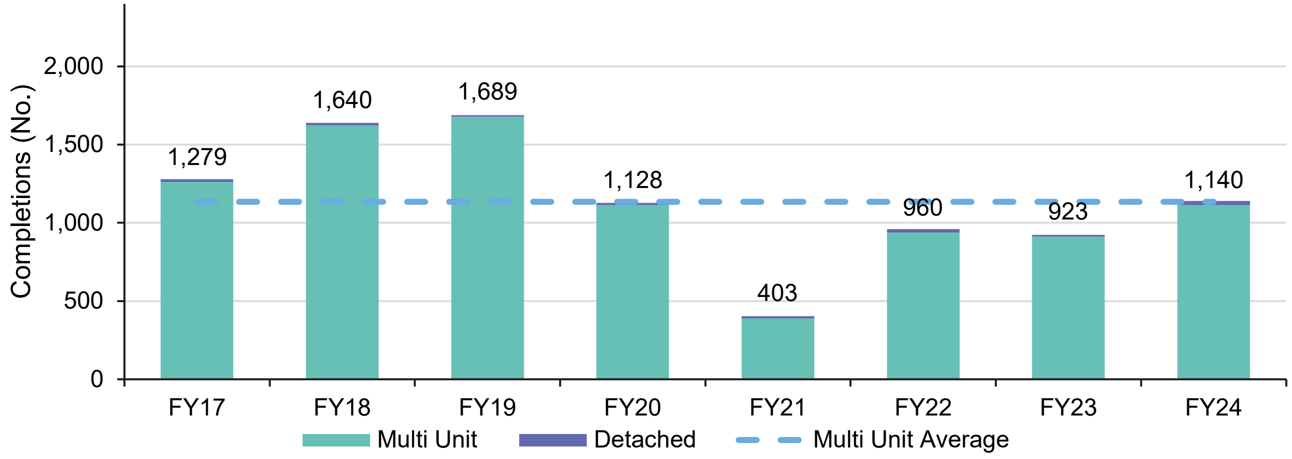
This section assesses the existing and proposed supply of residential dwellings in the Study Area, drawing on the most recent available data.

Chart 3 shows that the completion of new residential dwellings in the Study Area have oscillated, trending slightly downward since FY17, with FY24 approvals (1,140 dwellings) 11% below FY17 levels. An average of 1,145 new dwellings per year have been completed in the catchment, with approvals dominated by multi-unit developments. With softening market conditions, pandemic disruptions and escalating construction costs, approvals declined significantly from FY20..

Approvals of new residential dwellings have also trended below the historical average since FY 20. An average of 1,180 dwellings were completed per annum between FY17 and FY24, with activity peaking in FY17 (2,589 completions) before falling in subsequent years, as shown in Chart 4. Total new approvals have remained below average since FY19, reaching 1,1015 dwellings in FY24, a slight decline from the previous two years.

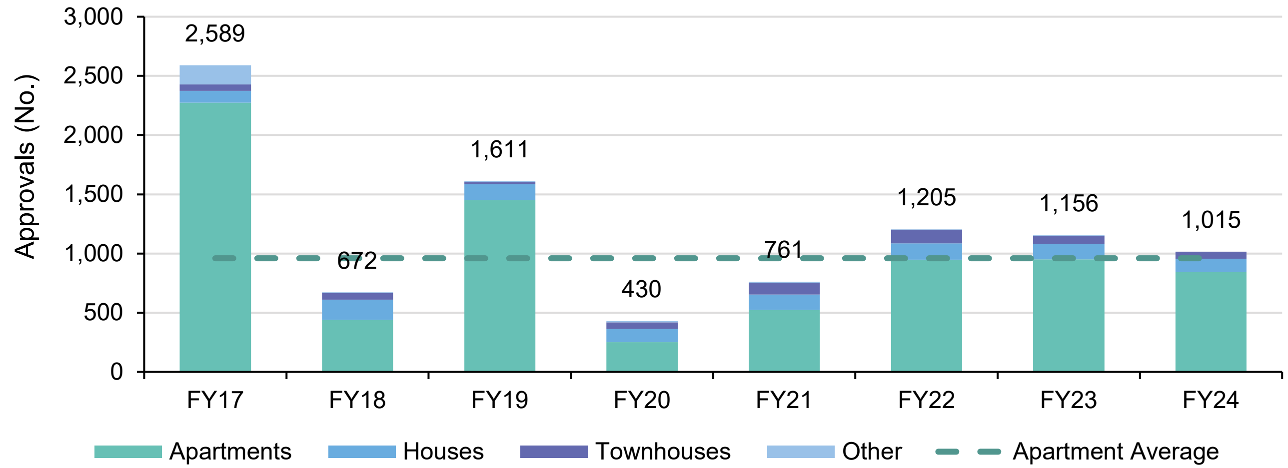
The overwhelming majority of dwelling approvals and completions in the area are accounted for by apartment developments, reflecting the area's high-density zoning and scarcity of undeveloped land. This pattern is expected to continue, with most future housing delivered through infill and vertical redevelopment, particularly around key transport-accessible locations such as St Leonards, North Sydney, and Artarmon. Conversions of commercial to residentials developments are becoming more common in TOD precincts, supporting intensified residential growth near public transport infrastructure.

Chart 3 - Residential Study Area Dwelling Completions



Source: DPHI, ABS

Chart 4 - Residential Study Area New Building Approvals



Note: Other includes alterations, additions and conversions. Source: DPHI, ABS

FUTURE RESIDENTIAL SUPPLY

Key Findings

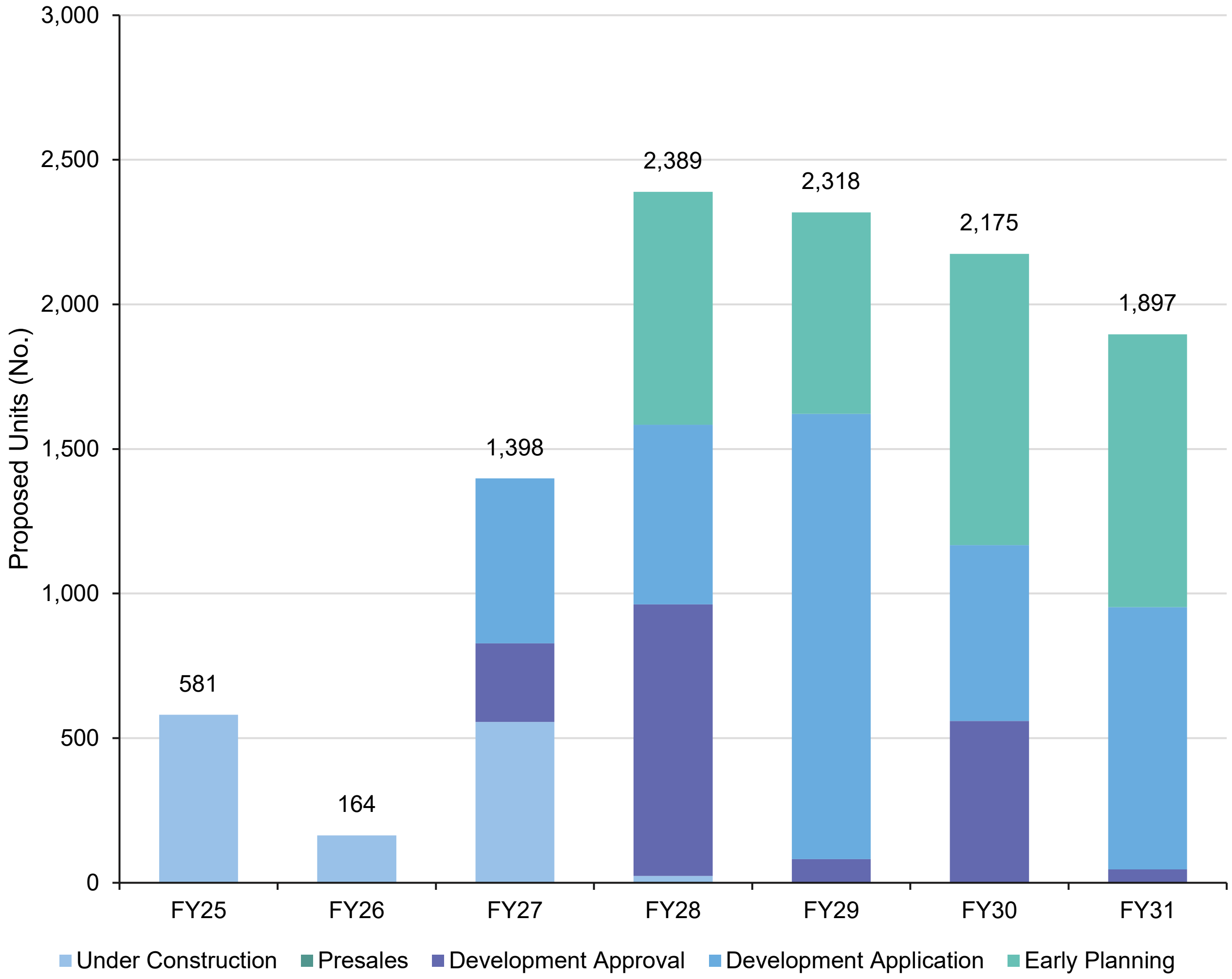
As at May 2025, 72 apartment projects (with 20+ units) are proposed within the Residential Study Area that have the potential to be completed over the next seven years, comprising a total of 8,561 units. The project stages for these proposed developments range from ‘early planning’ to ‘under construction’.

Development applications have been lodged for 2,922 apartments (34% of total), of which 1,251 apartments (15% of total) have been granted development approval. 861 apartments were under construction, all expected to be completed between FY25 and FY27. Another 464 apartments were in the ‘presales’ stage, with anticipated completion in FY27.

Another 18 projects were in the ‘early planning’ stage, contributing up to another 3,063 units; these projects are less certain of going ahead and their timing is also less certain, though they could commence construction in the next five years.

Chart 5 shows the expected delivery dates of new residential apartments in the Residential Study Area, as well as the current stage of development. Additional development proposals are expected to be added to the residential supply pipeline as other sites may also seek to take advantage of the TOD rezoning and the opportunity to develop residential properties to a higher yield.

Chart 5- Residential Study Area Total Proposed Apartments by Status and Year



Note: Data sourced in May 2025. Excludes completed apartments
Source: Cordell Connect; Urbis Apartment Essentials

MEDIAN PRICES & SALES

Key Findings

The apartment sales activity within the Residential Study Area from FY14 through FY25 is shown on Chart 6. The median apartment prices in the Residential Study Area have increased by average annual growth rate of 3.7%, rising from $820,000 to $1,180,000 in this period. This compares to 2.4% annual growth rate over the period for the broader apartment market in Sydney.

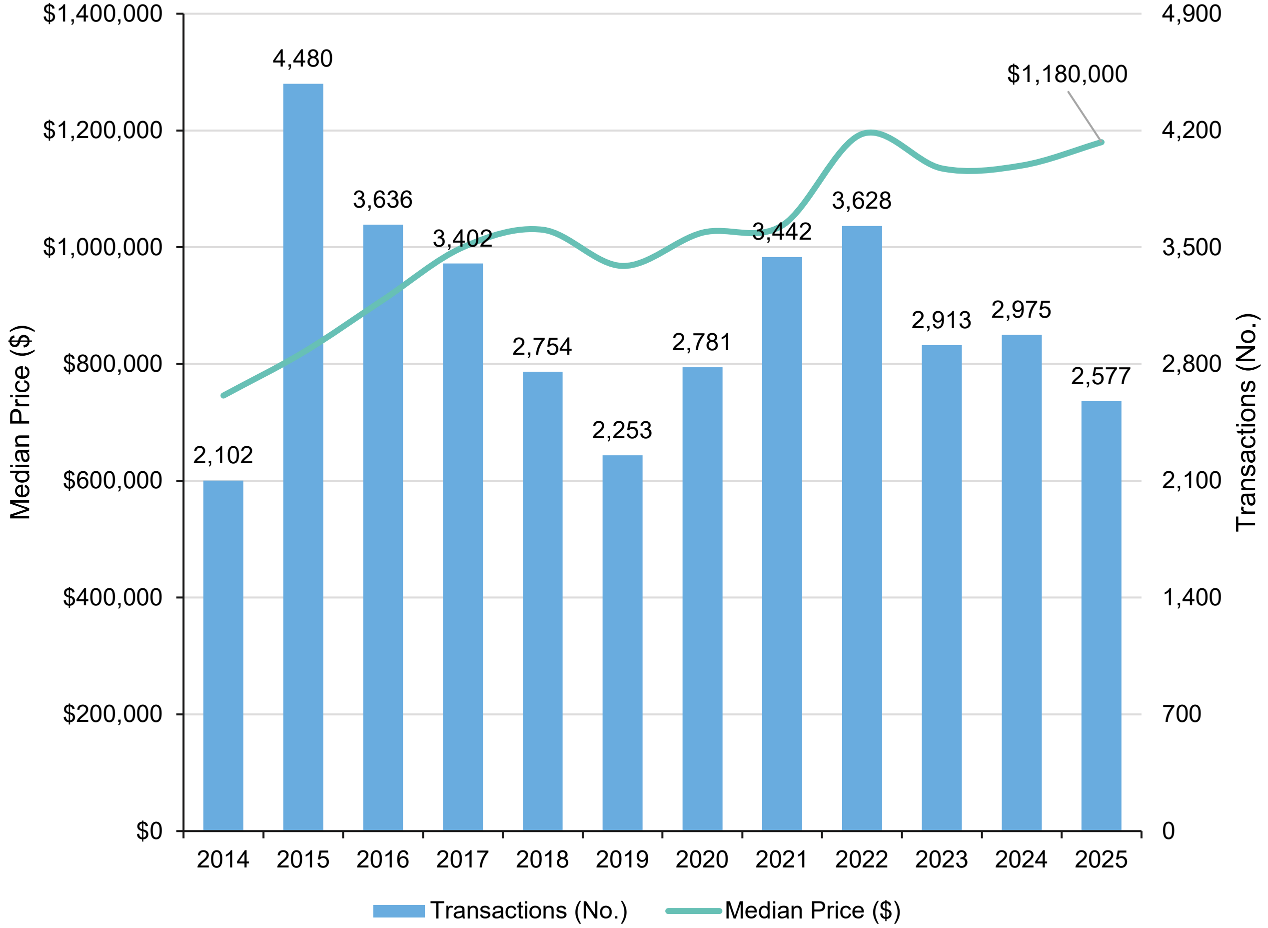
In the Residential Study Area, apartment price growth was strong from FY14 to FY18, growing at an average annual rate of 8.4%. This growth aligned with a series of off-the-plan sales for significant residential projects in the Residential Study Area and the wider Sydney apartment market boom.

In FY19, prices declined by 6.0%, as the number of transactions dropped, before a rise until FY22 where they peaked at a median price of $1,194,000. Prices then declined again in FY23, before rising again over 2024 and start of 2025. This FY22 decline was closely aligned with price trends in Greater Sydney, however, the recovery in the Residential Study Area started prior to most markets.

In the ten-year period through FY25, the Residential Study Area recorded an average of 3,036 apartment sales per year. Apartment sales peaked at 4,480 sales in FY15, before slowing to just 2,253 sales in FY19.

The median apartment price in the Residential Study Area commanded a premium of 52.6% above the Sydney benchmark in December 2024, reflecting the attractiveness and relatively high-demand of the Lower North Shore as a location.

Chart 6 - Residential Study Area Apartment Price Growth



Note: Data is from July 2013 to June 2025
Note: This data does not include off the plan sales yet to settle
Source: Pricefinder, Urbis

03

COMMERCIAL OFFICE NEEDS AND MARKET ANALYSIS

HISTORICAL STOCK AND SUPPLY AND OUTLOOK

Key Findings

Table 1 outlines the historical and forecast commercial office floorspace stock, supply, and withdrawals within the Office Study Area between 2020 and 2035.

According to the PCA Office Market Report (January 2025), the Office Study Area had 308,277 sq.m of net lettable commercial floor space (NLA) in January 2020. The market has increased moderately in stock size since then at a rate of around 3% per annum, with approximately 67,000 sq.m added since January 2020. However, ~17,900 sq.m were also withdrawn over the five-year period to January 2025.

Over the past five years much of the new office space added to the market has been as part of mixed-use developments. This indicates, office developments are only feasible if it is a small portion of a larger mixed-use development.

St Leonards/Crows Nest is undergoing urban renewal, with mixed-use and residential developments increasingly presenting as the most feasible kind of development.

Over the next five years until January 2030, commercial stock is forecast to increase by 5,663 sq.m of NLA, while 5,051 sq.m of NLA will be withdrawn (with most of this space already vacant).

There are many potential withdrawals over the next 10 years including 131-133 Alexander Street, 601 Pacific Highway, 619 and 621 Pacific Highway, 55-61 Chandos Street, 63-65 Chandos Street and 46-52 Nicholson Street and 59-67 Christie Street. Together, these account for 17,992 sq.m and are expected to be replaced with mixed-use buildings, potentially containing a smaller commercial footprint. However, as a significant portion of this space is already vacant (over 5,000 sq.m) there is likely to be minimal employment capacity reduction due to these building withdrawals.

Table 1 - Historical and Projected Stock and Supply, January 2020 – January 2035

	Stock (sq.m)	Gross New Supply (sq.m)	Withdrawals (sq.m)	Net New Supply (sq.m)
Jan-20	308,277	2,746	1,350	1,396
Jan-21	331,047	27,000	4,230	22,770
Jan-22	340,886	10,673	834	9,839
Jan-23	340,886	0	0	0
Jan-24	359,557	29,322	10,651	18,671
Jan-25	357,418	0	2,139	-2,139
Jan-26	356,501	0	917	-917
Jan-27	356,501	0	0	0
Jan-28	356,501	0	0	0
Jan-29	356,722	3,040	900	2,140
Jan-30	362,331	7,919	3,720	4,199
Jan-31	349,876	900	12,455	-11,555
Jan-32	347,056	3,7000	0	3,700
Jan-33	342,531	2,075	0	2,075
Jan-34	346,231	0	0	0
Jan-35	352,683	6,452	0	6,452

OFFICE DEMAND DRIVERS

Key Findings

The future demand for commercial office space within the St Leonards/Crows Nest Area, which incorporates the Study Area, has been forecast by adopting Australian Bureau of Statistics (ABS) and Transport for NSW (TfNSW) employment projections.

These projections indicate that employment in the wider St Leonards/Crows Nest Area is projected to grow by 1.5% p.a. from 13,630 office jobs in FY25 to 15,807 office jobs in FY35. This is a total increase of 2,177 jobs.

By FY35, TfNSW forecasts growth in several industry sectors requiring commercial floor space. The key office growth industries include:

- Professional, Scientific and Technical Services (+1,090 jobs, +1.7% per annum).
- Health Care and Social Assistance (+405 jobs, +1.4% per annum).
- Financial and Insurance Services (+288 jobs, +2.3% per annum).
- Information Media and Telecommunications (+231 jobs, +1.9% per annum)

The forecast employment growth in these sectors indicates potential demand for office space to support the additional jobs.

There are also likely to be moves out of the market, and a portion of these workers are likely to at least partially work from home. This allows companies to take less floorspace than has traditionally been the case; a conservative 10% work from home estimate has been applied to the analysis to account for hybrid working arrangements.

Table 2 - Office Study Area Employment Growth Forecasts, FY25 – FY35*

	FY25		FY35		FY25-35	
	No.	**%**	**No.**	**%**	**Total Change**	**Annual Growth (%)**
Professional, Scientific and Technical Services	5,806	43%	6,895	44%	1,090	1.7%
Health Care and Social Assistance	2,693	20%	3,098	20%	405	1.4%
Financial and Insurance Services	1,121	8%	1,408	9%	288	2.3%
Information Media and Telecommunications	1,100	8%	1,330	8%	231	1.9%
Wholesale Trade	175	1%	183	1%	8	0.4%
Rental, Hiring and Real Estate Services	417	3%	490	3%	73	1.6%
Administrative and Support Services	451	3%	455	3%	4	0.1%
Construction	344	3%	372	2%	27	0.8%
Education and Training	139	1%	144	1%	5	0.4%
Manufacturing	60	0%	68	0%	8	1.3%
Public Administration and Safety	853	6%	863	5%	10	0.1%
Other Services	218	2%	230	1%	12	0.5%
Transport, Postal and Warehousing	106	1%	111	1%	5	0.5%
Retail Trade	65	0%	69	0%	4	0.5%
Arts and Recreation Services	30	0%	34	0%	4	1.2%
Accommodation and Food Services	9	0%	11	0%	1	1.5%
Electricity, Gas, Water and Waste Services	30	0%	32	0%	2	0.6%
Mining	13	0%	13	0%	0	-0.2%
Agriculture, Forestry and Fishing	1	0%	2	0%	0	0.9%
Total	13,630	100%	15,807	100%	2,177	1.5%

**Employment numbers are adjusted based on the Urbis view on share of office jobs for each industry*
Source: ABS, TfNSW, Urbis

OFFICE DEMAND DRIVERS

Key Findings

To help determine the potential sectors which could demand space at the Subject Site, the Transport for NSW Destination zones data aligned with the Study Area was considered, including the key sectors of:

- Professional, Scientific and Technical Services
- Health Care and Social Assistance
- Financial and Insurance Services
- Information Media and Telecommunications
- Rental, Hiring and Real Estate Services

The change in number of jobs each year from FY25 to FY35 were assessed and results for FY26, FY28 (expected completion), FY30, FY32 and FY35 are shown in Table 3. From FY25 to FY26, 424 jobs are expected to be created in this Study Area, requiring approximately 7,632 sq.m of office space based on an 18 sq.m per person office space ratio. Jobs created are expected to increase at a slowing rate over the ten-year period, with only 165 jobs expected to be created from FY35 to FY36 (2,964 sq.m of office space.) Cumulating each year, this equates to a total of 39,189 sq.m of space required in the area over the ten years to FY35. This is, however, not aligned with the annual average historical loss of 78 sq.m in net absorption since July 1990 and is only likely to represent the prime portion of the market, with Secondary markets (Grades B and C) more likely to witness negative net take-up.

The Subject Site is expected to be complete by 2028. Based on potential employment in office industries and competitive market pricing, it could demand 1,308 sq.m of office space. Most jobs are likely to be in the key sectors of Professional, Scientific and Technical Services and Health Care and Social Assistance. A fair market share of 8.5% was used for the analysis based on the Subject Site being one of 12 buildings that offer existing or new Prime office space.

Table 3 - St Leonards and Crows Nest Office Employment Growth Forecasts, FY25 - FY35*

	FY26	FY28	FY30	FY32	FY35
Professional, Scientific and Technical Services					
Change in Number of Office Jobs	286	106	110	64	66
Gross Floor Area based on Jobs (sq.m)	5,153	1,916	1,983	1,161	1,195
Cumulative GFA (sq.m)	5,153	8,953	12,884	16,062	19,611
Subject Site Demand Market Share @8.5% (sq.m)	438	761	1,095	1,365	1,667
Health Care and Social Assistance					
Change in Number of Office Jobs	83	36	37	34	35
Gross Floor Area based on Jobs (sq.m)	1,486	656	673	610	632
Cumulative GFA (sq.m)	1,486	2,790	4,128	5,420	7,294
Subject Site Demand Market Share @8.5%	126	237	351	461	620
Financial and Insurance Services					
Change in Number of Office Jobs	49	29	30	22	23
Gross Floor Area based on Jobs (sq.m)	882	519	544	399	420
Cumulative GFA (sq.m)	882	1,908	2,983	3,939	5,178
Subject Site Demand Market Share @8.5% (sq.m)	75	162	254	335	440
Information Media and Telecommunications					
Change in Number of Office Jobs	-27	33	35	22	23
Gross Floor Area based on Jobs (sq.m)	-483	586	621	394	416
Cumulative GFA (sq.m)	-483	672	1,896	2,930	4,155
Subject Site Demand Market Share @8.5% (sq.m)	-41	57	161	249	353
Rental, Hiring and Real Estate Services					
Change in Number of Office Jobs	7	8	9	6	6
Gross Floor Area based on Jobs (sq.m)	131	151	157	101	105
Cumulative GFA (sq.m)	131	431	743	1,005	1,317
Subject Site Demand Market Share @8.5% (sq.m)	11	37	63	85	112
Total Demand					
Change in Number of Office Jobs	424	217	225	159	165
Gross Floor Area based on Jobs (sq.m)	7,632	3,907	4,058	2,858	2,964
Cumulative GFA (sq.m)	7,632	15,371	23,411	30,405	39,189
Subject Site Demand Market Share @8.5% (sq.m)	649	1,307	1,990	2,584	3,331

*Note: *Employment numbers are adjusted based on the Urbis view on share of office jobs for each industry # using an 18 sq.m per person benchmark ^8.5% based on the number of prime office buildings and new office space entering the market from 2025 to 2029 (competing stock). Source: ABS, TfNSW, Cityscope, Cordell Connect, Urbis*

COMPETING MAJOR OFFICE MARKETS

Key Findings

Working from home, while less prevalent than during COVID-19 lockdowns, continues across many organisations. This new hybrid model of working, combined with the modern workplace and sustainability standards required by government and private organisations has impacted all office markets, but particularly those with older stock or less well-located.

The trend of declining demand for office space is evident in the high and increasing number of office vacancies across the major markets in Sydney, particularly in Secondary space. From January 2020 to January 2025, office vacancies increased in Sydney's major office precincts by between 8.3% and 23.5%.

The largest increase in the vacancy rate was in the Office Study Area, where vacancies increased by almost 24% from January 2020 to January 2025. The Office Study Area also had the highest vacancy rate of the examined markets at 30.5% as of January 2025. Further increases to vacancy rates are likely, as tenants continue to 'right size' and lease smaller office spaces, as well as seek better quality and better located space to attract workers back into the office more days.

As of January 2025, the vacancy in the Study Area was 108,927 sq.m (30.5%), the highest for any commercial office market in Sydney, a worrying prospect for owners of buildings located in the Crows Nest/St Leonards office market.

In addition to this, weak absorption levels in Crows Nest/St Leonards continue, as the market has been subdued by competition from newer stock in other office markets and the better located North Sydney and Sydney CBD markets.

Table 4 - Office Vacancy*, Sydney Major Office Precincts, January 2020 – January 2025

Market	YTD January 2020	YTD January 2025
Sydney CBD	3.9%	12.8%
Chatswood	3.7%	17.7%
Macquarie Park	4.6%	18.9%
Parramatta	3.2%	20.0%
North Sydney	7.6%	23.7%
Office Study Area	7.0%	30.5%

*Note: *Official statistics ignore sub-lease space available in each precinct*
Source: Property Council of Australia, Urbis Office Model

Table 5 - Net Absorption (sq.m), Sydney Major Office Precincts, January 2020 – January 2025

Market	YTD January 2020	YTD January 2025
Sydney CBD	-46,252	41,604
Macquarie Park	4,361	19,293
Parramatta	46,523	4,408
North Sydney	-8,682	8,505
Chatswood	2,299	-207
Office Study Area	-1,410	-16,339

Source: Property Council of Australia, Urbis Office Model

HISTORICAL OFFICE DEMAND AND VACANCY

Key Findings

Office vacancies have substantially increased in the Office Study Area from 7.0% in January 2020 to 30.5% in January 2025. The 108,927 sq.m of vacant office floor space as of January 2025 reflects an office market heavily favouring tenants. Tenants are taking advantage of market conditions by taking up space in locations that offer higher levels of amenity and agglomeration economies. Properties located outside the core office locations and precincts are facing higher vacancies.

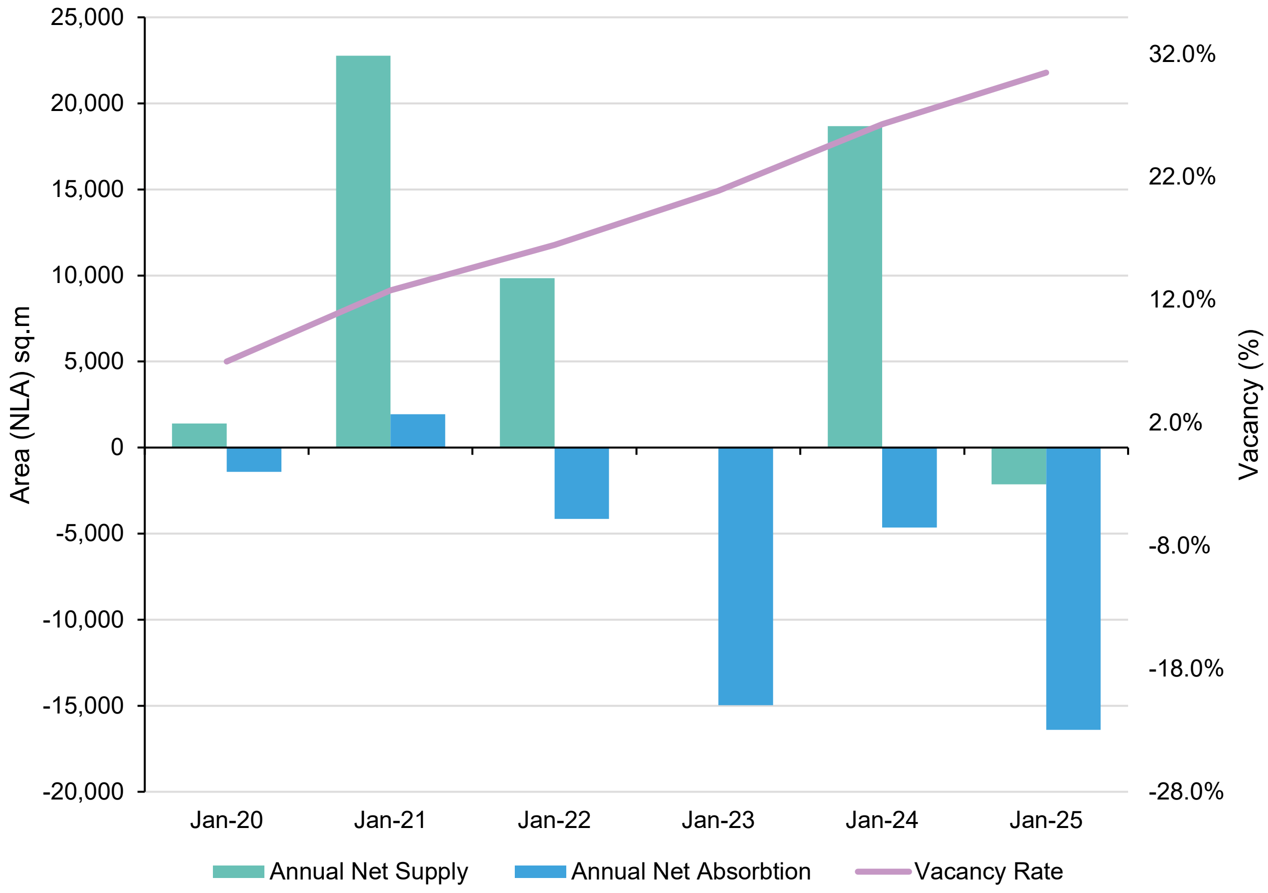
The increase in office vacancy within the Office Study Area from Jan-20 to Jan-25 was driven by a combination of factors. The net loss of tenant occupancy within office buildings, with 19,204 sq.m being relinquished and the completion of 69,741 sq.m of supply, both contributed to the sharp rise in vacancy.

The negative net absorption in the St Leonards market is not a new trend. This market has seen an annual average of -78 sq.m in net absorption since July 1990.

Supply and the health of the office market in North Sydney tends to play a significant role in the prospects for St Leonards. If vacancy rates are low in North Sydney, St Leonards tends to get overflow tenants who can't find space in this market and vice versa, if vacancy rates are high in North Sydney, tenants may leave St Leonards to seek space in the more prominent North Sydney market.

Further increases in vacancy are likely across many suburban Sydney markets and in the Office Study Area, as although many companies have now 'right sized', the supply of refurbished office or mixed-use space continues to increase the competitive supply of commercial floorspace.

Chart 7 - Office Study Area Annual Office Net Absorption, Net Supply and Vacancy Rate



Source: Property Council of Australia, Cordell Connect, Cityscope, Developer websites, Urbis Office Model

FORECAST OFFICE DEMAND AND VACANCY

Key Findings

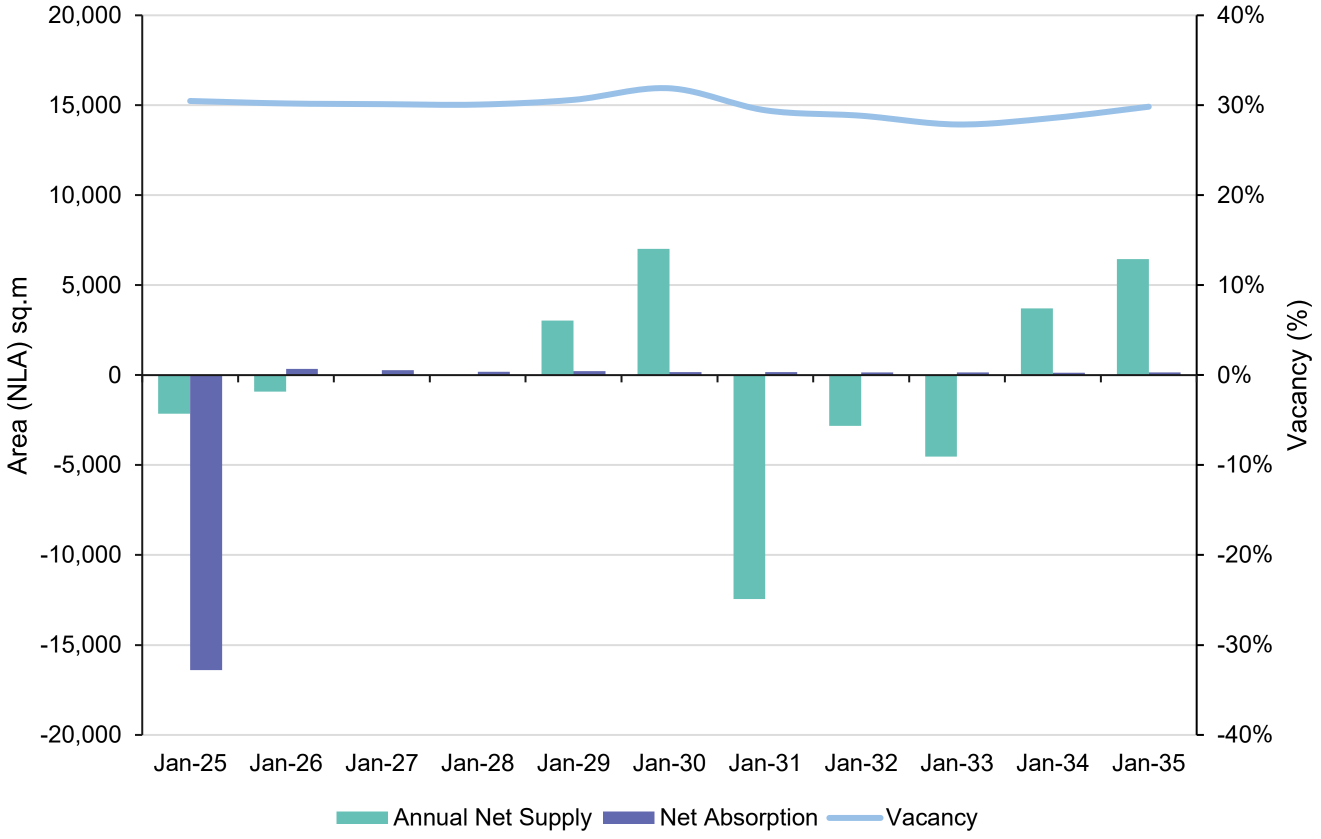
The Office Study Area has largely had a relatively high level of office space vacancy since January 1990, when PCA records commenced. The six-monthly average vacancy rate over the period is 12.0% for the Office Study Area, compared to 11.0% for North Sydney and 9.0% for Sydney CBD. This is despite a fraction of the new supply being added to the Office Study Area market, ~281,300 sq.m compared to ~650,300 sq.m for North Sydney and 5.4 million sq.m in Sydney CBD. This indicates the market has not been a high performing office market over most of the past 30 plus years.

Over the ten years to January 2030, the Office Study Area is anticipated to see moderate net absorption, slightly higher than historical averages. This is due to forecast increases in office-based employment, as illustrated on page 21, and withdrawals. However, vacancies are set to remain well above 25% (95,200-108,800 sq.m) over the next ten years.

There are likely to be several withdrawals of office stock over the period, resulting in the remaining tenants looking for alternative space within the market, as well as in superior markets, such as North Sydney and Sydney CBD. This is likely to result in net absorption being higher than has traditionally been the case over the past 30 years.

Net absorption is also likely to be assisted by the discounting of available stock, as well as by net supply expected to be negative on balance over the ten-year outlook. This is likely to result in slight falls in the vacancy rate, albeit still over double the long-term average for the market.

Chart 8 – Outlook: Office Study Area Annual Office Market Net Absorption and Vacancy



Source: PCA, Cordell Connect, Cityscope, Developer websites, Urbis Office Model

COMMERCIAL OUTLOOK AND RECOMMENDATIONS

Key Findings

The outlook for the Office Study Area will remain weak in the short to medium term. While a significant number of supply additions are likely to be delayed due to uncertainty and unfeasibility in current market conditions, the prospect of refurbished space or mixed-use supply being added to the market in the short to medium term will keep vacancies elevated.

Both face and effective rents are unlikely to grow over the short to medium term due to the stock available in the market and the stabilisation of the vacancy rate at an elevated level. Rent will, therefore, be unlikely to keep pace with inflation. The ‘flight to quality’ will likely remain a prominent factor as tenants seek out affordable A-grade stock over secondary offerings and better locations with significant agglomeration economies, especially the Sydney CBD.

Urbis forecasts the achievable prime net effective rent in the Office Study Area to range between $366/sq.m to $375/sq.m from FY25 to FY29. This rental level would have to increase substantially to achieve the economic rent required for commercial development to be economically feasible in current market conditions.

Actual starting rents for commercial office pre-commitments for the North Shore over recent years have ranged from $850/sq.m to $1,075/sq.m., enabling the commencement of many new builds in the period. In the current environment, these would need to be closer to the upper end of the range due to construction cost escalation. Rents achieved in recent preceding years are significantly higher than the net face rents achieved in the Office Study Area as of June 2025 and the forecast range shown in Table 6, which suggests a solely commercial development in the area would not be economically feasible.

According to the employment forecasts there may be potential for up to 1,500 sq.m of take up within the Subject Site by completion (expected for Q2 2028, assuming market pricing) with the majority likely to be driven by the Professional, Scientific and Technical Services, and Health Care and Social Assistance sectors. Additional commercial GFA substantially above this figure will not be supportable from a market perspective, preventing the non-residential floorspace ratio of 3:1 for this site from being achieved.

Table 6 - Key Commercial Office Metrics for Office Study Area

	Rents and Vacancy Rate
Forecast Prime Net Effective Rent ($/sq.m) FY25-FY29	$366 - $375
Forecast Prime Net Face Rent ($/sq.m) FY25-FY29	$665 - $670
Lower North Shore Pre-commitment Rents 2022-2025	$850-$1,075
Vacancy Rate (%) FY26-FY35	27% - 31%

Source: Property Council of Australia, Cordell Connect, Developer websites, Arealytics, Urbis Office Model

Note: Pre-commitment rents are historical and compared to forecasts. Pre-commitment rents provide an indication of rents needed for buildings to commence. This shows the market is not expected to reach sufficient rents for new buildings to commence over the period from FY25 - FY29. New office supply is, therefore, likely to be only possible as part of mixed-use buildings..

04

RETAIL NEEDS AND MARKET ANALYSIS

POPULATION FORECAST

Key Findings

The table on this page shows the forecast resident and worker population in the Retail Trade Area.

The resident population has been forecasted using the NSW Department of Planning, Housing and Industry (DPHI) population forecasts, and the worker population has been forecast using the Transport for NSW (TfNSW) employment projections.

The on-site population growth has been estimated by multiplying the proposed 170 apartments by the average household size for people living in apartments in St Leonards, being 1.9 people per dwelling. It is assumed that the development will be completed in 2028, and all apartments will be occupied.

Currently, the Retail Trade Area population is estimated at 7,880 residents. This is forecast to grow to 9,140 residents by 2030 and 9,845 residents by 2035. The subject site development is a contributor to population growth in the study area, as it is expected to accommodate around 325 residents.

There are currently an estimated 9,920 workers in the Retail Trade Area. This is expected to increase marginally to 10,700 workers by 2035. For the purposes of this retail assessment, the on-site worker population is aligned to the Subject Site demand market share levels presented in Table 3 (page 21).

Limited growth in worker numbers is largely influenced by the current state of the commercial office market in St Leonards, including the withdrawal of commercial office space at the subject site, which is estimated to remove around 150 workers from the market.

Table 7 – Retail Trade Area Population Forecast, 2025 to 2035

	Population (No.)					Annual Population Growth (No.)			
Trade Area Sector:	**2025**	**2027**	**2030**	**2032**	**2035**	**25-27**	**27-30**	**30-32**	**32-35**
Onsite			325	325	325				
Primary Balance	7,880	7,985	8,815	9,115	9,520				
Total Residents	**7,880**	**7,985**	**9,140**	**9,440**	**9,845**	**53**	**385**	**150**	**135**
Total Workers	**9,920**	**9,870**	**10,230**	**10,400**	**10,700**	**-25**	**120**	**85**	**100**

Source: Australian Bureau of Statistics (ABS); DPHI; TfNSW; Setia; Urbis

SPENDING PER CAPITA VARIATION

Key Findings

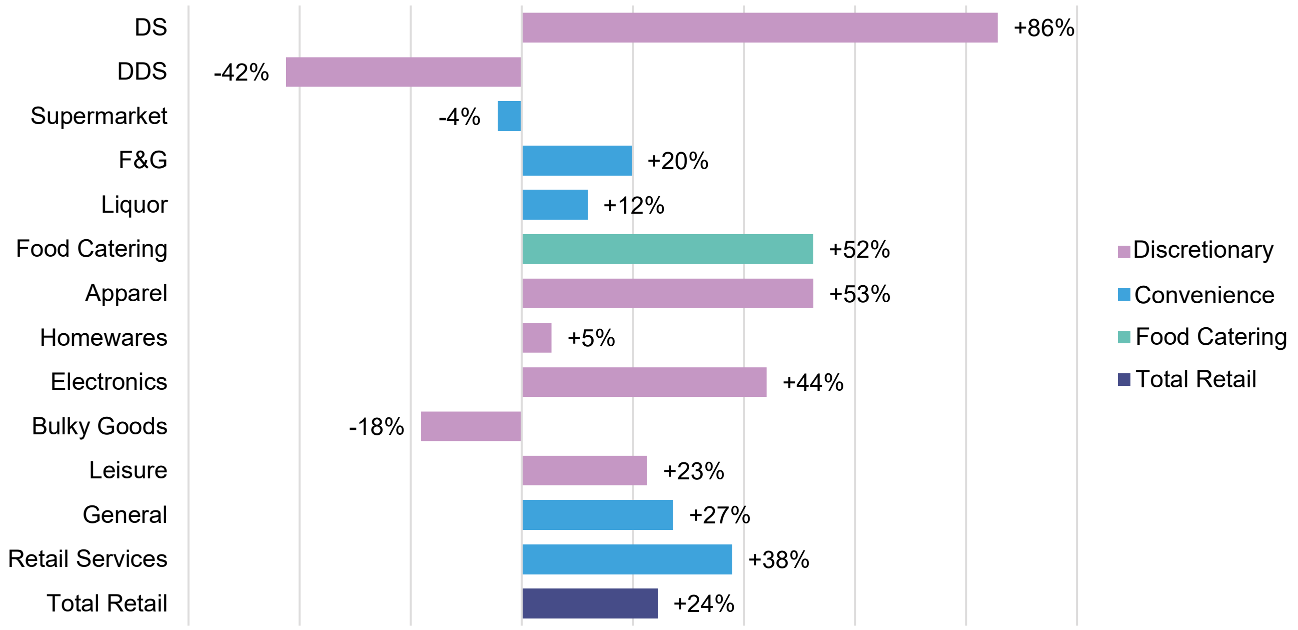
Chart 9 shows the Retail Trade Area resident spending per capita, compared against the average Sydney resident.

The Retail Trade Area's retail spending per capita is 24% higher than the Greater Sydney average. There is significant variation between individual merchant categories, including department stores (+86%), apparel (+53), and food catering (+52%).

Quick service and convenience retail categories generally exhibit higher retail spend per capita in high density areas. This is due to both the better access to retail, with a higher number of retailers located within walking distance, as well as consumer preferences, based on the demographic profile of residents in high density areas (e.g. more likely to eat out).

Spending per capita variation can also reflect an over or undersupply of a particular retail category. This may be influencing the strong levels of spending on department stores (DS) with two department stores located less than 5 km away at Chatswood.

Chart 9 - Spending Per Capita Variation from Greater Sydney Average by Merchant Group (%)



Note: Data provided for the year ending December 2024 including GST DDS = Discount Department Store, DS = Department Store, F&G Food and Groceries
Source: CommBank iQ; Urbis

TOTAL RETAIL SPENDING FORECAST

Key Findings

Table 8 shows the forecast retail spending market for the Retail Trade Area to 2035. Values are shown in real terms (i.e. excluding inflation).

Currently, the Retail Trade Area population is estimated to generate $180 million in retail spending. This is made up of $155 million from residents and $25 million from workers. The Retail Trade Area's retail spending market is forecast to grow to $271 million by 2035, with $243 million from residents and $28 million from workers.

In the resident segment of the Retail Trade Area, convenience retail is the largest market segment, comprising $64 million in 2025 and forecast to grow to $94 million by 2035.

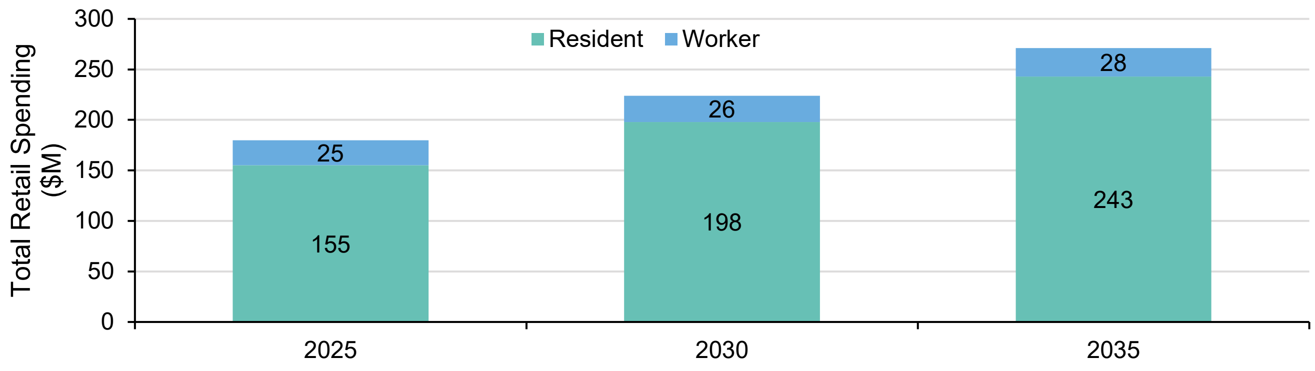
Chart 10 shows the total retail spending market forecast by Retail Trade Area segment. The spending market is currently estimated to be largely made up of the resident spending market, which comprises 86% of total trade area spending. The resident market is expected to continue to be the dominant market by 2035, making up 90% of total Retail Trade Area spending.

Table 8 - Retail Spending Market Forecast ($M, Real), 2025 to 2035

	Forecast Expenditure ($M)				
	Convenience	Food Catering	Discretionary	**Total Retail**	**Annual Growth**
Total Residents:					
2025	64	44	47	**155**	
2030	79	56	63	**198**	**5.0%**
2035	94	67	82	**243**	**4.2%**
Total Workers:					
2025	10	10	5	**25**	
2030	11	10	5	**26**	**0.8%**
2035	11	11	6	**28**	**1.5%**
Total Trade Area:					
2025	74	54	52	**180**	
2030	90	66	68	**224**	**4.5%**
2035	105	78	88	**271**	**3.9%**

Source: Australian Bureau of Statistics (ABS); Commbank iQ; DPHI; TfNSW; Setia, Urbis

Chart 10 - Retail Spending Market Forecast ($M, Real), 2025 to 2035



Source: Australian Bureau of Statistics (ABS); Commbank iQ; DPHI; TfNSW; Setia, Urbis

EXISTING AND FUTURE SUPPLY

Key Insights

The retail component of the development will face competition from a well-established network of existing retail options throughout the St Leonards area.

Considering the current supply of retail tenancies in the Retail Trade Area and the location of the site, there is a market opportunity to introduce one or two Food and Beverage tenants to the ground floor (street level) of the development.

Food and Beverage tenancies provide the greatest opportunity for the site, due to their ability to cater to both the worker and resident market. One or two casual cafes or restaurants would provide day-to-night retail activation on-site, making the location more appealing. This offer should be located towards the Mitchell Street fronting part of the site to capitalise on existing Food & Beverage offerings along Mitchell Street and ideally integrate in with the commercial lobby.

Retail Services: Although there are many of these tenancies in the Retail Trade Area, retail services can generally operate well on the ground floor of a residential building, as they do not rely solely on passer-by traffic. Specific tenant types, such as barber shops, appear to be undersupplied in this market, with only three identified in the sample. Whilst there are 3 dry cleaners within the area there appears to be only one laundromat which is located on the southern side of the Pacific Highway, making it challenging to access for residents in the Setia development.

There are five known future projects within the Retail Trade Area , in addition to the subject site, which are expected to deliver retail floorspace. These developments are proposing to incorporate retail on the ground floor of mixed-use residential buildings. Given these projects offer some additional competition, they may also pose challenges in securing tenants and could put downward pressure on asking rents within the subject site.

Table 9 - Retail Specialty Supply in Retail Trade Area

Retail Category	Tenants Captured	Tenants by Price Point (%)			Market Opportunity
		Low	Medium	High	
Supermarkets	5	-	60%	40%	Low
Convenience Stores	3	66%	33%	-	Low
Food & Beverage	50	50%	42%	8%	
Cafes	20	60%	40%	-	Low
Restaurants	10	-	60%	40%	Moderate
Takeaway Food	20	65%	35%	-	Low
Pharmacy	1	100%	-	-	Low
Retail Services	41	-	63%	37%	
Hairdresser/Beauty	21	-	66%	33%	Moderate
Massage / Nails	17	-	59%	41%	Low
Dry Cleaners/Laundromat	3	33%	33%	33%	Moderate
Gym	9	-	33%	66%	Low
Yoga / Pilates	8	-	100%	-	Low
Medical Centre	8	-	100%	-	Moderate

Table 10 - Future Retail Supply in Retail Trade Area

Project Name	Estimated GLA (sq.m)	Expected Completion Year	Project Stage
100 Christie Street	350	2029	Development Approval
67-69 Chandos Street	N/A	2027	Development Approval
25-35 Atchison Street	965	2028	Development Approval
46-52 Nicholson Street	600	2029	Development Approval
Telstra Exchange Site	N/A	2027	Development Approval

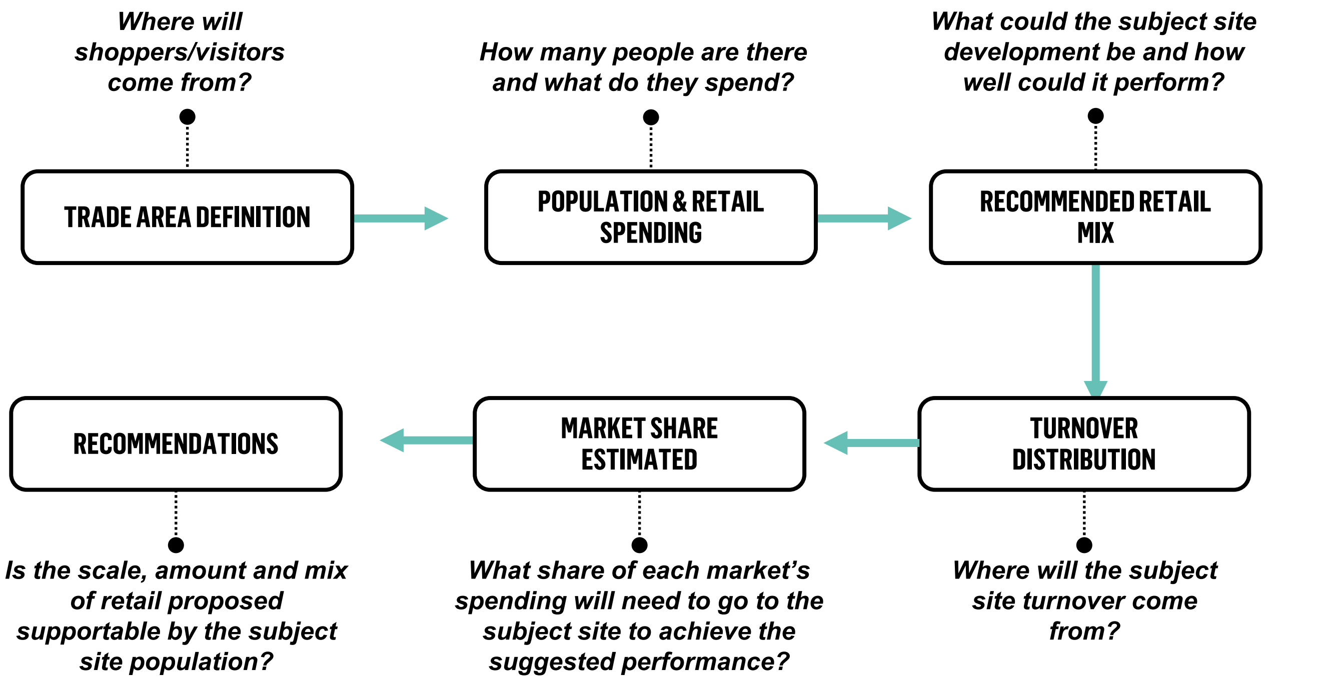
FLOORSPACE DEMAND ASSESSMENT METHODOLOGY

Key Findings

Figure 8 outlines the methodology to estimate the supportability of the planned retail floorspace at the subject site. This method requires estimating the market shares the subject site could achieve from each sector in the Retail Trade Area, and includes the following processes:

- Defining a Retail Trade Area and estimating the population and available spending market.
- Based on analysis of the size of the market and existing supply, potential undersupply of different land uses was identified. This analysis was considered alongside operational considerations to inform the recommended retail mix for the subject site.
- The turnover distribution of the recommended retail mix was then estimate. This allows estimated of the subject site's market shares to be derived, by dividing the turnover from each Retail Trade Area segment by the respective size of the market.
- The estimated market shares were then assessed to understand whether the recommended retail mix, based on supply gaps and operational factors, is supportable by the Retail Trade Area market.

Figure 8 - Retail Floorspace Demand Methodology



RETAIL MIX

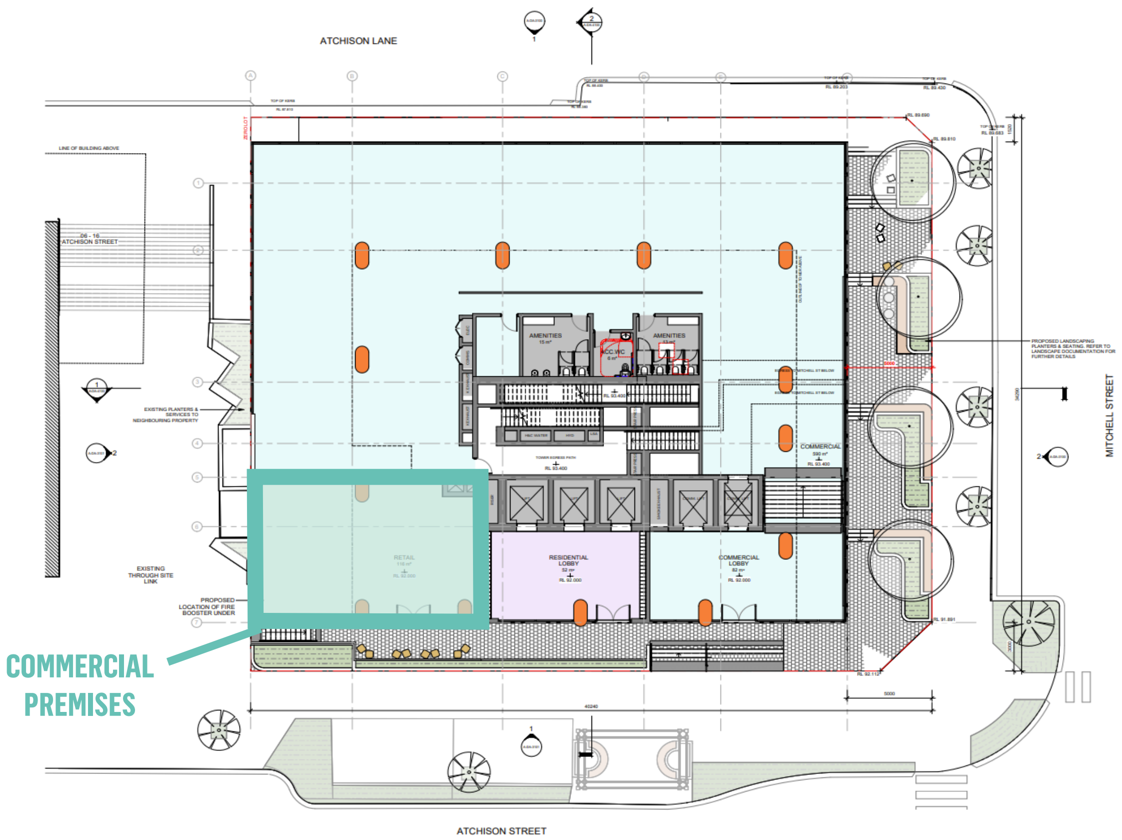
Proposed Retail and Success Drivers

Preliminary designs explored the inclusion of small-scale retail tenancy on the Lower Ground Level . However, the Lower Ground Level tenancy is deemed unsuitable for retail given limited foot traffic and relative isolation from other retail tenancies. Provision of retail as part of this development should be limited to Ground Level to provide a supportive environment for retailer performance.

Key drivers for the success of the commercial services tenancies within the building include:

- Variety of customer segments to support trade throughout the day, evening and weekend
- Proximity to passing pedestrian traffic
- Cluster or precinct of food catering tenancies to create a sense of activation and allow for 'browsing'
- Integration with the public realm
- Street-level exposure with good lines of sight
- Aspect (allowing for sun and shade)
- Outdoor seating if appropriate, to enable street activation

Figure 9 – Commercial Premises Location Ground



FLOORSPACE DEMAND ASSESSMENT RESULTS

Key Findings

Table 11 shows the results of the floorspace demand assessment for commercial premises tenancies at the subject site.

Key assumptions in this model include:

- Any commercial premises tenants on site would need to achieve Urbis Benchmark productivity levels in order to be sustainable.
- The majority of turnover from the development is assumed to be generated by the primary Retail Trade Area, with 2% from on-site residents and 72% from the primary balance. Workers are assumed to account for 25% of turnover.

Table 11 – Commercial Premises* Floorspace Demand Assessment (~125 sq.m)

	Retail
Supportable Gross Lettable Area	125 sq.m
Retail Spending Market ($M):	
On-Site Residents	$1.0
Primary Balance	$55
Workers	$10
Required Market Shares:	
On-Site Residents	2.0%
Primary Balance	1.5%
Workers	3.0%

*Note Commercial premises are assumed to be Retail (e.g. Food & Beverage) represents the GLA supportable without regard to the proposed configuration

Source: Australian Bureau of Statistics (ABS); Commbank iQ; DPHI; TfNSW; Urbis Shopping Centre Benchmarks; Setia; Urbis

05

RECOMMENDATIONS

RECOMMENDATIONS

The Subject Site is ideally located to support the delivery of additional residential dwellings as part of a mixed-use development, enabled by the provisions of the Crows Nest TOD precinct. A residential land-use is expected to be the highest and best use of the land, considering the current prospects for commercial and other land-uses in the area.

Given the poor outlook for commercial office space in the local market, the extent to which the market will support new commercial floorspace at the Subject Site is very limited; the site has been assessed of being capable of supporting approximately 1,500 sq.m of commercial floorspace upon completion. The supportable amount of commercial floorspace within the podium of the development is not sufficient to occupy the entire four-storey podium of the proposed development. As such, alternative land uses, particularly residential, are recommended for the upper two levels of the podium.

In addition to commercial floorspace, the Ground Level of the podium can also support some limited commercial premises uses of up to 125 sq. m., such as Retail or Personal Services. The Ground Level has provision for one such tenancy, occupying 116 sq.m.

Considering the limited amount of non-residential floorspace that can be supported at the subject site by the time of its expected completion in 2028, the 3:1 planning control is not feasible and a reduction in non-residential floor space is required to achieve a marketable development.

URBIS