PROPOSED WAREHOUSE & LOGISTICS HUB
(STATE SIGNIFICANT DEVELOPMENT)
657- 769 MAMRE ROAD KEMPS CREEK
MAMRE ROAD SOUTH

July 2018

SUPPORTING INFORMATION TO THE DEPARTMENT
OF PLANNING AND ENVIRONMENT

Author/s:
EG Property Group Pty Ltd
Frasers Property Australia
Altis Property Partners

Table of Contents

List of Appendices 4

Executive Summary 5

1.0 Introduction 7

2.0 Key Issues raised by the Department of Planning & Environment 8

2.1. Servicing decisions about Water and Wastewater within the South Creek catchment and evaluation of Probable Maximum Flood 8

2.2. Freight Rail Corridors through the Western Sydney Employment Area 11

2.3. Potential staging and development opportunities associated with the Western Sydney Airport Growth Area 11

2.4. Location and Design Resolution of the Southern Link Road 12

3.0 Strategic Justification for the Proposed Development 13

3.1. The development is a logical extension of the existing and well-established precinct of Erskine Park 13

3.2. The proposed development meets the need of short term industrial land supply creating immediate employment. 15

3.3 The development can be serviced at no cost to Government by existing adjacent infrastructure. 23

3.4 The development will provide uses that are complimentary to the proposed land uses within the Aerotropolis. 24

3.5 Alignment with Federal, State and Local Government Strategic Objectives. 26

4.0 Conclusion 28

List of Appendices

Appendix 1 – Urban Development Institute of Australia Report "Building Jobs for NSW- the Missing Piece in NSW's Affordability Puzzle".

Appendix 2 – Letter from Sydney Water

Appendix 3 – Market Opinion- CBRE

Executive Summary

EG Advisory, on behalf of Frasers Property Australia and Altis Property Partners, have prepared this Supporting Information Report to the Department of Planning and Environment (DPE) in relation to a Proposed Development for a Warehouse and Logistics Estate at 657-769 Mamre Road, Kemps Creek (Mamre Road South). The Site has an area of 112 hectares, and has a 1.1km frontage to Mamre Road.

The Proposed Development is deemed to be State Significant Development pursuant to Schedule 1, Part 12 of the *State Environmental Planning Policy (State and Regional Development) 2011* as the Proposed Development will exceed the Capital Investment Value of $50 million in the Warehouse and Distribution Centre category. The Capital Investment Value is estimated to be in the order of $750 Million.

This Supporting Information Report is intended to expand upon the letter addressed to the Department of Planning and Environment (DPE), dated 7 July 2018, which deals with four important categories raised in preliminary discussions with the DPE. These categories are:

1. Decisions about Waste and Waste Water servicing within the South Creek Catchment and Evaluation of Probable Maximum Flood (PMF);
2. Reservation in land-use terms of the Freight Line Corridor contained within the land;
3. Creating a complimentary development that supports the Western Sydney Airport Growth Area by having employment uses in close proximity to the airport; and
4. The resolution of the location and design of the Southern Link Road.

In response to the categories identified above, a Water Cycle Management Strategy (WCMS) will be prepared and guided by industry best practice principles including Water Management measures. The WCMS will include conceptual sizes and the location for elements of the stormwater management network, including detention and water-quality treatment infrastructure, and maintenance requirements in determining the best water cycle management option.

The whole Site will also be at designed levels that are above the 1% AEP flood level plus 500 mm of freeboard. Half of the site is above the pre-development PMF, and more than 90% of the Site will be above the post-development PMF event. The upstream and downstream effect of the final development pad levels cause minimal impact to surrounds, and have been determined to have nil impact at the proposed Western Sydney Airport.

The Freight Rail Corridor has fully been provided for in the current design (40m in width), in line with publicly exhibited material. The Southern Link Road has also fully been provided for in the current design, in line with the publicly exhibited material. Should the location or the alignment change of the Freight Rail Corridor and the Southern Link Road, there is ample scope and land within the Site boundary (the site has an area of 112 hectares) to accommodate any change requested by the DPE or the Roads and Maritime Services (RMS).

Strategic Justification for the Proposed Development is also provided as part of this Report. The Proposed Development is contiguous and a logical extension of the existing established and fully developed industrial precinct at Erskine Park, which includes the 50ha industrial development at First Estate, developed by Altis, directly adjoining the Site to the North.

There is strong evidence of an industrial land supply shortage in the Western Sydney Employment Area, supported by the market opinion from CBRE. The market opinion confirms the demand for both traditional warehousing and distribution as well as new State-of-the-Art logistics and transport in this location.

The Greater Sydney Commission's (GSC) *A Metropolis of Three Cities* and the *Western City District Plan* have as one of their key objectives the creation of Employment Lands, in addition to the key objective of the *State Environmental Planning Policy* (*Western Sydney Employment Area) 2009 "to promote economic development and the creation of employment in the Western Sydney Employment Area by providing for development including major warehousing, distribution, freight transport, industrial, high technology and research facilities"*.

The Site is in a unique position to be able to deliver on the GSC's and *WSEA SEPP's* objectives for the following reasons:

1. The proposed development meets the needs of short term industrial land supply creating immediate employment and industrial facilities;
2. The development is a logical extension of the existing and well-established precinct of Erskine Park (and therefore is not an out of sequence development);
3. The development will provide uses that are complimentary to the proposed land uses within the Aerotropolis; and
4. The development can be serviced at no cost to government by existing adjacent infrastructure.

Full detailed studies, addressing all of the above items, will be submitted as part of a Development Application for the State Significant Development.

1.0 Introduction

EG Advisory, on behalf of Frasers Property Australia and Altis Property Partners, have prepared this supporting information report to the Department of Planning and Environment (DPE) in relation to a proposed Warehouse and Logistics Estate development at 657-769 Mamre Road, Kemps Creek (Mamre Road South).

The Site has an area of 112 hectares, and is located within the Penrith Local Government Area. It is bound by Mamre Road to the east, the Sydney Water Warragamba Pipeline to the north, South Creek to the west and rural land to the south. The Site has a 1.1km frontage to Mamre Road.

The Site is located in Precinct 11- Broader Western Sydney Employment Area, within the *Western Sydney Employment Area State Environmental Planning Policy (WSEA SEPP)*. The Site is also located within the north-eastern corner of the Western Sydney Airport Growth Area, and is located approximately 6km from the centre of the Badgery's Creek Airport precinct.

It is proposed to develop the land under a Joint Venture agreement and submit a State Significant Development Application for the proposed Warehouse and Logistics Hub pursuant to Schedule 1, Part 12 of the *State Environmental Planning Policy (State and Regional Development) 2011,* and the *State Environmental Planning Policy (Western Sydney Employment Area) 2009 (WSEA SEPP)* as the Capital Investment Value exceeds $50 million in the Warehouse and Distribution Centre category. The Capital Investment Value is estimated to be approximately $750 Million, with a projected built-form in the order of 650, 000sqm. The entire development will provide employment for 2,460 permanent jobs with over 500 jobs during the Site's Construction Phase.

The GSC's *A Metropolis of Three Cities and* the *Western City District Plan* have as one of their key objectives the creation of Employment Lands, in addition to the key objective of the *WSEA SEPP "to promote economic development and the creation of employment in the Western Sydney Employment Area by providing for development including major warehousing, distribution, freight transport, industrial, high technology and research facilities".* The proposal will promote development of the Western Sydney Region, consistent with the objectives of the *WSEA SEPP* as well as *A Metropolis of Three Cities* and the *Western City District Plan* by providing new employment opportunities.

The Proposed Development will showcase the next generation in industrial estate design, comprising State-of-the-Art, Six-Star Green Star rated Warehouse and Logistics buildings, and set new standards in sustainability, social amenity and building quality.

2.0 Key Issues raised by the Department of Planning & Environment

Below is a response to each of the four key categories raised in preliminary discussions with the Department. It expands on a letter addressed to the Department of Planning and Environment (DPE) dated 7 July 2018. The four categories are:

1. Servicing decisions about Water and Wastewater within the South Creek Catchment and Evaluation of Probable Maximum Flood;

2. Land reservation for a Freight Rail Corridor;

3. Potential staging and development opportunities associated with the Western Sydney Airport Growth Area; and

4. The resolution of the location and design of the Southern Link Road.

Each category is discussed in detail below.

2.1. Decisions about Water and Wastewater servicing within the South Creek catchment and evaluation of Probable Maximum Flood

In determining servicing decisions for sewer and stormwater for the site and the region, a holistic Water Cycle Management Strategy (WCMS) will be prepared for the State Significant Development Application.

Specific studies relating to Flood Management and Evacuation Plans for South Creek, its catchment and surrounds, are already commissioned and under way, and will be submitted with the Environmental Impact Statement.

Table 1 below shows the Water Management Targets that will be utilised and the proposed concept measures to achieve the targets that will be confirmed as part of the WCMS Report.

Element	Target	Reference
Water Supply and Reuse	All proposed industrial buildings with a roof area greater than 200m^2 are required to install a rainwater tank of minimum capacity of 100,000 litres on the site for re-use of water in irrigation, industrial processes, toilet flushing or for other nondrinking purposes through a separate reticulated water supply system.	*Penrith DCP 2014* Part C3, Section 3.1 (C) (3)

Water Quantity	No increase in runoff from the site as result of the development for all storms up to and including the 1% AEP (100-year Average Recurrence Interval (ARI)) event for all storm durations	*Penrith DCP 2014* Part C3, Section 3.6
Flooding and Flood Risk	Road Levels located above the 1% AEP flood level. All properties site at a level of 500 mm above the 1% AEP flood level. Consideration to occupant safety for storm events up to the PMF flood. Water quality & quantity measures to be located above the 20% AEP flood level Filling of flood planning land completed with consideration to DCP controls set out in Penrith DCP Part C3, Section 3.5 (C) (15).	*Penrith DCP 2014* Part C3, Section 3.5 NSW Gov. Floodplain Development Manual (2005)
Water Quality	70% capture of Gross Pollutants. 80% capture of Total Suspended Solids. 45% capture of Total Phosphorus. 45% capture of Total Nitrogen. 90% capture of Free Oil and Grease	*Penrith DCP 2014* Part C3, Section 3.2 (C) (4)

Table 1 – Water Management Targets.

2.1.1 Water and wastewater within the South Creek Catchment

The WCMS will be guided by industry best practice principles including Water Management measures. The WCMS will include conceptual sizes and locations for elements of the stormwater management network, including detention and water-quality-treatment infrastructure, and maintenance requirements in determining the best water cycle management option. This will be subject to further detailed assessment during the design phase based on detailed site surveys, detailed site hydrological surveys; geotechnical and soil investigations. Further detail will be part of the Environmental Impact Assessment to be submitted as part of the State Significant Development Application, submitted to the DPE for evaluation.

2.1.2 Evaluation of the Probable Maximum Flood

Modelling of a range of storms has been completed for the property including the 5% Annual Exceedance Probability (AEP), 1% AEP, 0.5% AEP and the Probable Maximum Flood (PMF) design storms. The flood assessment, and proposed design for the Estate and Estate building pad levels, have been completed in accordance with Part C3 of *Penrith Development Control Plan 2014* (*Penrith DCP 2014*) and the NSW Floodplain Development Manual. The flood assessment includes modelling of the pre-developed and post developed conditions. Output for these conditions includes flood extents, flood depths, flood levels and flood velocity mapping for the above noted design storms. Further additional afflux, flow distribution and development potential assessments are included for the 1% AEP as required of *Penrith DCP 2014* Part C3.

The requirements for flood planning and flood immunity for commercial and industrial development, as defined in the documents quoted above, have been adopted in the design, where all Estate pad levels are higher than the 1% AEP event, plus 500mm of freeboard. This provides a suitable and societally accepted level of flood risk for the development. The design and development extent for this project has also considered the 1% AEP event and specific filling criteria as defined by *Penrith DCP 2014* Part C3.

A flooding assessment has been completed by Costin Roe Consulting Engineers and will form part of the Water Cycle Management Plan and Environmental Impact Assessment submission documents noted above. This modelling shows the 1% AEP flood level to vary between RL 34.8m AHD at the upstream southern end of the Site and RL 33.6m AHD at the downstream northern end of the Site. The assessment confirms the filling criteria as defined by Penrith Council in Part C3 of *Penrith DCP 2014* has been met for the 1% AEP storm event as some filling is proposed within areas currently shown as being flood affected. This filling is restricted to areas of currently flood affected land which exhibit low hydraulic hazard characteristics (i.e. low velocity and depth) and around the flood fringe. Additional flood storage is proposed within the flood plain to offset any lost storage due to filling.

Flood afflux between the pre and post development conditions is shown to be less than 100mm in all instances and generally less than 30mm. Further the increases are very local to the development and generally there is no increase in flood afflux and also a 10-20mm reduction to the south and west of the development site. Flood afflux to the north of the proposed development and adjacent to the previously approved First Estate development are shown to be consistent with the previous approvals associated with The First Estate. The assessment has confirmed that properties upstream, downstream and adjacent to the site are not affected by the development for the 1% AEP design storm as required of Part C3 of *Penrith DCP 2014* and the NSW Floodplain Development Manual.

Consideration of safe egress for persons within the precent for storms greater than the 1% AEP, up to the PMF has also been made for the development site (also per recommendations of the above documents). The PMF flood event has also been modelled by Costin Roe Consulting Engineers and was found to vary between RL 36m AHD at the upstream southern end of the Site and RL 35m AHD at the downstream northern end of the Site. The indicative levels for Estate pads flanking South Creek are RL 35m, 35.5m, 36m and 36.5m. Several proposed sites are currently designed at levels less than the PMF, however meet normal 1% AEP plus 500 mm freeboard. Adopted documents, guidelines, standard engineering practice and generally accepted flood risk profiles do not have any requirement for the industrial and commercial buildings or development sites to be above or clear of the PMF event.

As outlined above the effect of the development on the PMF event, although not a design criteria, has also been reviewed in the context of the proposed Western Sydney Airport, which is located approximately 6km south of this project site. The review of the development on the PMF event indicates some increase in flood depths locally around the proposed development site, and the previously approved First Estate development north of this project. These affects are limited to within a 1200-1500m zone north and south of the development site. Flood storage during the PMF, locally around the development land will be reduced in the range of 20-30%. Further, for the 1% AEP design event, there are no changes in the flood characteristics of South Creek south of the development site or the Western Sydney Airport.

In summary, the whole site will be at designed levels that are above the 1% AEP flood level plus 500mm of freeboard. Half of the site is above the pre-development PMF, and more than 90% of the Site will be above the post development PMF event. The upstream and downstream effect of the final development pad levels cause minimal impact to surrounds, and have been determined to have nil impact at the proposed Western Sydney Airport.

2.2. Freight Rail Corridors through the Western Sydney Employment Area

Transport for NSW (TfNSW) released the *Draft Western Sydney Freight Line Corridor Strategic Environmental Assessment* in February 2018 that outlined the proposed location of the Western Sydney Freight Rail Line. The Freight Line would provide for a dedicated freight rail line connecting to the existing Southern Sydney Freight Line at Leightonfield near Villawood with the Outer Sydney Orbital's freight rail corridor near Luddenham. The corridor would enable the transfer of goods and services between Port Botany and industrial areas across Western Sydney.

The location of this corridor traverses the northern boundary of the proposed development alongside the existing Sydney Water pipeline. Discussions with both the Department TfNSW have been undertaken to understand the impact to the development.

As a result, the freight rail corridor has fully been provided for in the current design (40m width), in line with the advertised publicly exhibited material. Should this location or alignment change, there is ample scope and land within the Site boundary (given the land has an area of 1.2 million m^2) to accommodate any change requested by the DPE or the Department of Transport.

2.3. Potential staging and development opportunities associated with the Western Sydney Airport Growth Area

The staging and the construction of the new Western Sydney Airport is a great stimulus for development in and around the airport and Aerotropolis. The Site presents great complimentary development opportunity to supplement the sustainable growth of the airport and its future uses.

The growth in both airport traffic and economic activity anticipated from the new Western Sydney Airport, will be a great benefit to the Site, and its future land uses, as proposed, and the employment-generation proposed at Kemps Creek will also compliment the airport uses.

It is indeed very clear that the efficient operation of the new airport will require a large number of diverse and complimentary land uses including warehousing and distribution, developed on a staged basis in the short to medium term to allow the beginning of operations at Western Sydney Airport in 2026.

2.4. Location and Design Resolution of the Southern Link Road

The DPE has completed a comprehensive study to provide a Southern Link Road connecting Eastern Creek to a location immediately east of the Site. We are aware from meetings held with the DPE and RMS, that the DPE intends to extend the Southern Link Road west through the Site. The road has fully been provided for in the current design, in line with the advertised publicly exhibited material. Should this location or alignment change, there is ample scope within the Site boundary (given it is 1.2 million m^2) to accommodate any change requested by the DPE or the RMS.

3.0 Strategic Justification for the Proposed Development

In addition to the four primary areas of concern raised by the Department of Planning and Environment, we submit further information to provide strategic justification for the proposed development of the site at Kemps Creek for a Warehouse and Logistics Hub, in accordance with the *WSEA SEPP*.

In line with the objectives of the *WSEA SEPP*, the DPE should support this State Significant Development Application for the reasons outlined below.

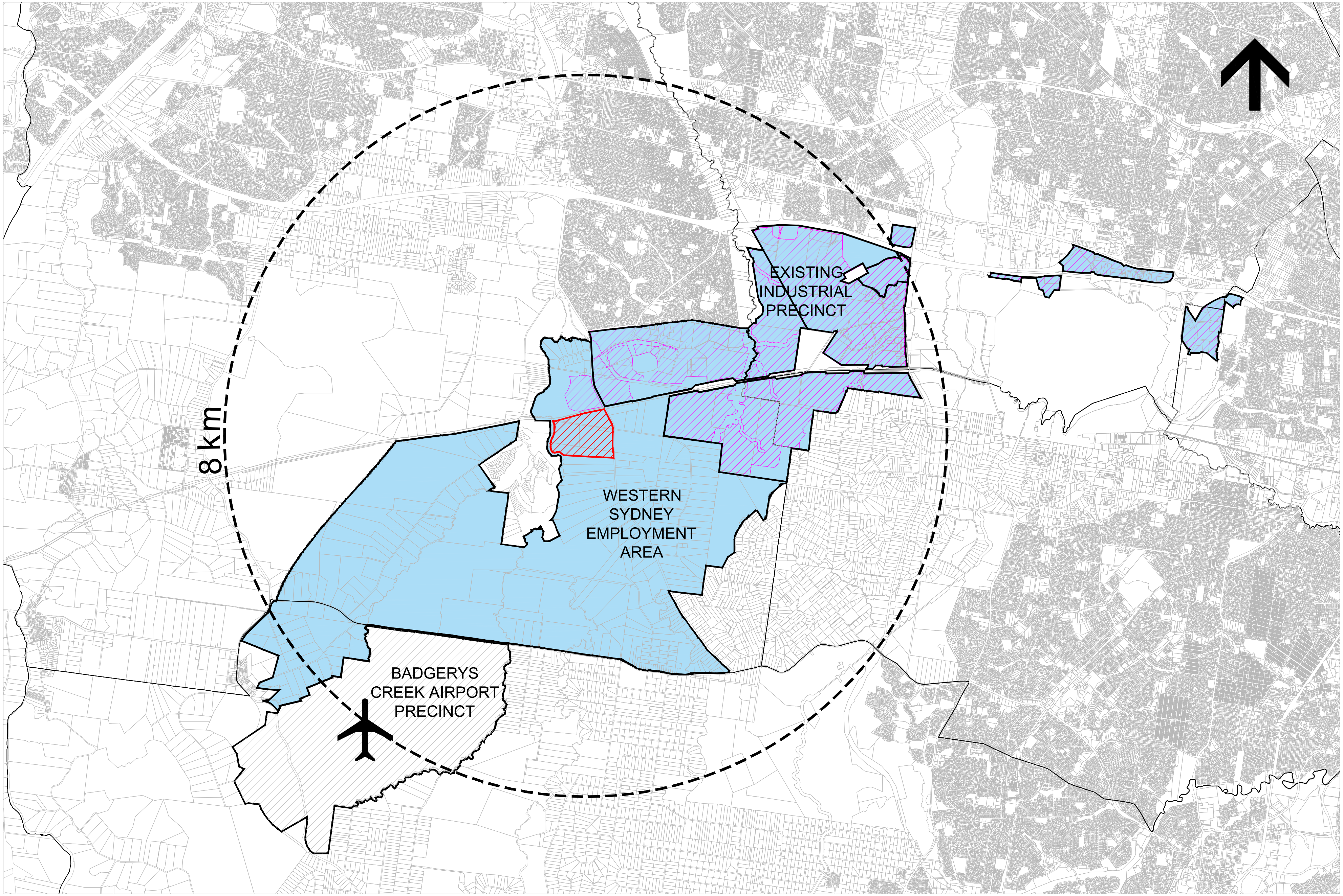
3.1. The development is a logical extension of the existing and well-established precinct of Erskine Park

The Development, as proposed, is contiguous and a logical extension of the existing established and fully developed industrial precinct at Erskine Park, including the 50ha development at First Estate, directly adjoining the Site to the North.

Effective business synergies are created by the accumulation in hubs of similar land uses, as they interact and can offer complimentary services and cost efficiencies to industry with added benefits to localised employees and the local economy. Isolated small pockets of development do not promote these incentives and do not offer the same economic advantages.

Development of the Site can take advantage of the existing employment/businesses with the established Erskine Park industrial area and will extend employment opportunities in this zone.

The Proposed Development is therefore not an out of sequence development, rather a natural extension to the available Western Sydney Employment Area land. The Map on the following page indicates the location of the Site, contiguous to the existing Altis First Estate development and located within the boundary of the *WSEA SEPP* Map area.



LEGEND

SUBJECT SITE

MAMRE RD SOUTH - LOCALITY PLAN

SCALE 1:80000 @ A3

3.2. The proposed development meets the need of short term industrial land supply creating immediate employment.

The NSW State Government has a clearly-stated objective in making Sydney more competitive, including increasing the supply of industrial land to maintain downward pressure on prices and service Sydney's growth in employment. This commitment was embraced in the 2013 draft proposal to add 4,600 hectares to the WSEA employment area and is specifically stated in the GSC's strategic documents "A Metropolis of Three Cities" and "Western City District Plan".

In terms of employment in Business and Industrial Zones, the DPE Employment Lands Development Monitor (ELDM), has tracked both the total stock and development status of all B5- Business Development, B6- Enterprise Corridor and B7- Business Park zoned land, in additional to all Industrial zoned land under the Standard Instrument Local Environmental Plans in the Greater Sydney and Central Coast Region. This included all related lands within the Employment Land and Business Park precincts and all special-use zones for the port and airport, which also provide for employment.

The DPE has tracked both the total stock and employment land across Business and Industrial Zones to determine if sufficient employment land exists in the supply chain to satisfy future demand. Clearly, the focus to provide employment is paramount in all strategic planning documents prepared for both Western Sydney specifically and Sydney Metropolitan Area generally.

WSEA's main aims are to preserve and protect and enhance employment lands for the purpose of supporting economic activity in Western Sydney. The Urban Development Institute of Australia (UDIA) has commissioned a report (**Appendix 1**) which analyses the EDLM data which concluded that the supply of zoned but undeveloped land, is inadequate to meet demand in both the short and medium term in Sydney Metro Area.

This is reflected in the current values of industrial land in western Sydney rising by up to 80%, in the three years to March 2018. The contrast with the Melbourne experience, supports inadequate industrial supply, being the chief culprit. If not addressed immediately, this threatens to stymie economic growth and makes a compelling case for a substantial increase in the supply of employment land in the immediate period ahead.

Beyond the current cycle, with projected strong growth in demand going forward, there is a substantial need for additional land to be zoned for industrial use in both the short and long-term. As the GSC (2018) has stated, "*the servicing of existing and new land, zoned for industrial and urban services, is therefore a priority, to support the continued growth of the economy and local jobs.*"

3.2.1. The Demand Position in NSW 2018

The NSW economy is currently performing strongly. The focus has been on public infrastructure (driving engineering construction) and the residential boom, as the two drivers of economic activity. The residential boom is now clearly slowing, which is likely to moderate demand/activity growth, but public infrastructure spending is set to remain at high levels.

The broad strength of spending is reflected in strong levels of business capital spending on non-residential buildings and structures (e.g. office, retail, warehouses) and high expectations going into 2019. The impact of the slowing in residential activity may moderate these expectations.

If we look at **Chart 1**, it shows the long-term upward trend in actual capital spending on new buildings and structures (in real terms), which reflects the trend growth in the size of the economy (larger population and higher spending per capita) and the need for higher levels of capital spending in a larger economy. It also shows that capital spending in the period 2015-17 was running at 12% above the average level for 2008-14. It also indicates that the current level of spending and the expectations for capital spending in 2018-19 are running at 30% above the levels in 2008-14.

While **Chart 1** relates to all buildings, approvals data for warehouses (in real terms). **Chart 2** indicates that these trends are running more strongly than the overall trend. While overall non-residential approvals for industrial buildings in 2015-17 are up 32% on the 2008-14 level, approvals for warehouses are up 52%. And the level in 2017-18 is running at 125% above the 2008-14 level for warehouses. This has overall industrial building approvals at 65% above the 2008-14 levels.

Chart 3 shows the level of warehouse approvals in both Sydney overall and in the WSEA employment area and highlights the rising share taken by the WSEA.

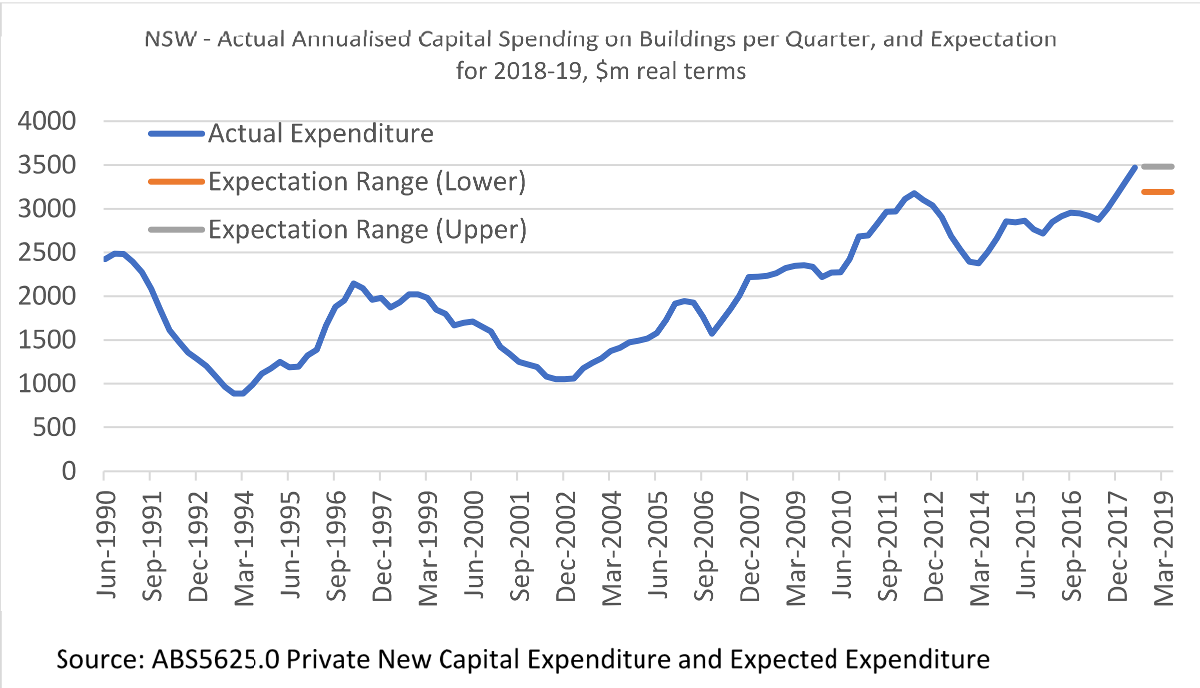
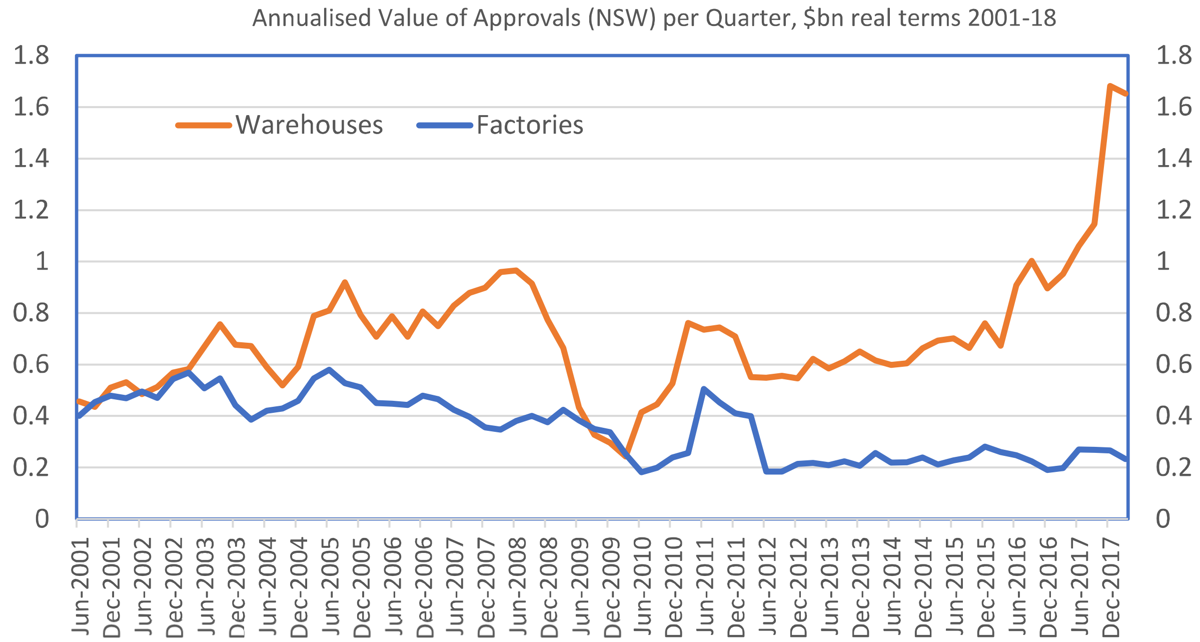
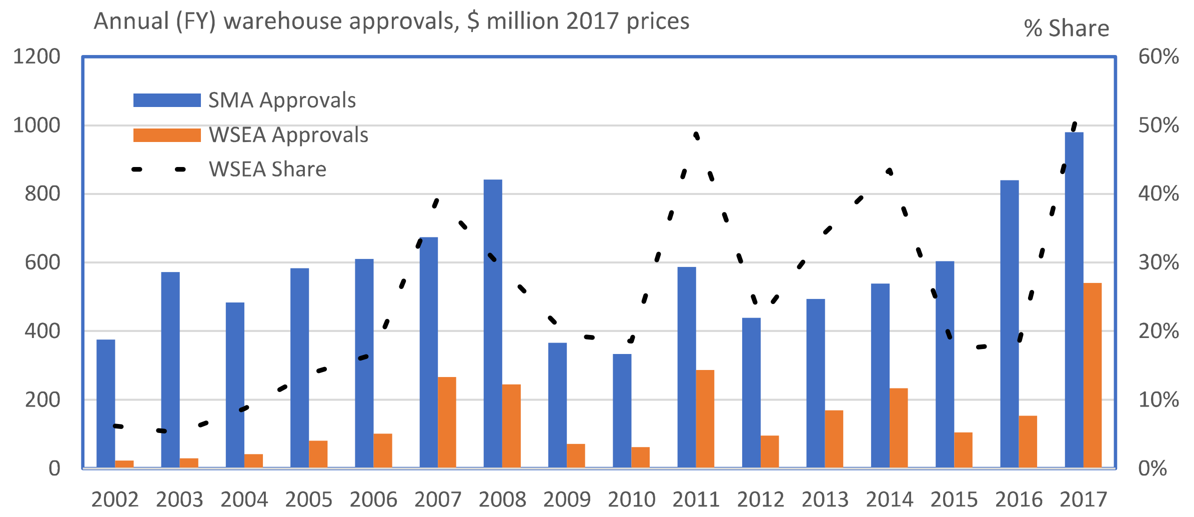


Chart 1 – The Rise in Demand for Industrial and Commercial Buildings.



Source: ABS 8731.0 Building Approvals

Chart 2 – The Rise in Warehouse Approvals.



Source: ABS 8731.0 Building Approvals

Chart 3 – The Rise in Warehouse Approvals in Sydney and WSEA's Rising Share.

3.2.2. Implications for Demand for Industrial Land

The average take-up of industrial land in the period 2008-14 was 163 hectares. The levels for 2015 (105 hectares) and 2016 (171 hectares) on average is actually marginally lower (138 hectares). That is, the lift in building approvals in Chart 2 had not yet been reflected in the take-up in new industrial land.

Given the usual lag between approvals and building work commencing, and that the real surge in approvals was in 2016-2017, it is probably too early to expect the surge in demand to be reflected in the figures for uptake in land.

Certainly, the lift in business investment, particularly in warehouse construction, suggests that the take-up of industrial land should be running at much higher levels in 2017 and 2018. Compared with 2008-09, when uptake was 230 hectares per annum, building approvals are 60% higher.

Applying uplift factors of 30% (low) and 80% (high - based on current levels of approvals), to the 2008-14 average of 163 hectares, suggests take-up of 210-290 hectares per annum.

3.2.3. Take-up and Supply

The latest ELDM estimate had 660 hectares of serviced land which was undeveloped at the start of 2017. Based on 163 hectares per annum, that is about 4 years supply, which itself is below the official benchmark for desired supply of 5-7 years.

But if the take-up is 210-290 hectares per annum as outlined within the above and the UDIA report, the number of years supply drops to 2.3-3.1 years supply or about half the level of the benchmark.

In short, supply was tight in 2017 and (highly) probably tightened further in 2018.

3.2.4. Reconciling Demand and Supply – Risk of a Supply Gap Emerging

In Chart 4, we have taken the take-up of new industrial land in the Sydney Metro Area and, assuming a plot ratio of 0.57, presented that in terms of the Gross Floor Area (GFA) of industrial space it will generate (see 3.2.10 for discussion of methodology). The value of approvals gives the floorspace demanded and is estimated on the assumption that 93% of approvals translate into actual new buildings, and that the cost per square metre is about $725.

For the period 2008-16 overall, these estimates of supply and demand have the market broadly in equilibrium.

For the period, 2017-20, the demand level reflects the high level of actual approvals in 2017 and 2018 to date, and business expectations for the level of investment in new buildings to remain at high levels into 2019. Demand in 2018 and 2019 is estimated at just over 2 million square metres per annum. For 2020, a decline of about 10% is factored in. On the supply side, the Chart assumes that the uptake is 163 hectares per annum, the ELDM estimate of the average take-up for 2008-14, capable of supplying close to a million square metres of industrial space. In practice the actual amount of supply might exceed that but given the current stock of undeveloped serviced land, that would imply either a substantially faster run-down in that stock level to extreme lows, or an unexpected acceleration in new supply.

Chart 4 highlights the potential for a significant supply gap to emerge in the period 2018-20, exacerbating the price pressure already in the market. Those price pressures will then act as a constraint on demand and investment, which in turn would have adverse implications for economic growth and job creation.

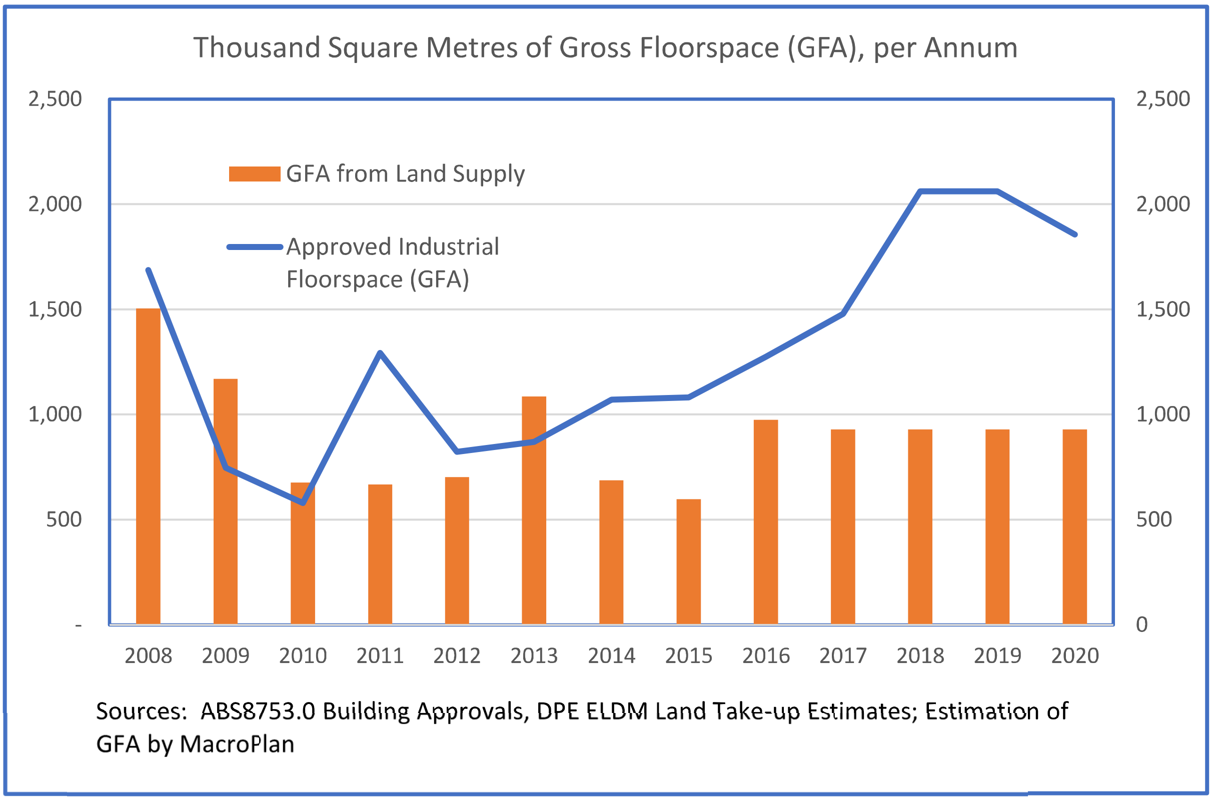


Chart 4 – Reconciling Demand and Supply in the Sydney Industrial Market.

3.2.5. Latest Price Data

While the residential housing market in Sydney has been in decline from its peak in the September quarter 2017, with now three quarters of declines recorded (Corelogic), the latest report form Colliers confirms that prices are still rising strongly in the industrial market. Significantly, the price growth has been higher in the West, with the Outer West (including WSEA) showing the largest price gains. This is consistent with the very tight market emerging in 2018.

Sub-Market	Q1 2018 ($/sqm)	QoQ Growth (%)	YoY Growth (%)
West	$575	7.0%	26.4%
North West	$600	11.6%	23.1%
Inner West	$600	0.0%	26.3%
Central West	$550	10.0%	25.7%
Outer West	$600	14.3%	33.3%
South West	$525	0.0%	23.5%
North	$2,000	14.3%	19.4%
South	$1,925	0.0%	4.1%
Sydney Average	**$970**	**6.9%**	**17.2%**

To note: Land Values refer to 2.5 ha serviced sites

Table 2 – Table showing Land-Value by Sub-Market. Source: Colliers Edge.

3.2.6 A Closer look at the WSEA.

The take-up figures indicate that WSEA has supplied 57 hectares per annum or about 35% of the take-up of industrial land in the period 2008-16. As of the start of 2017, there was a stock of 150 hectares of serviced land in the WSEA, which at that take-up rate represented just 2.6 years supply. However, if higher uplift factors are applied (as per SMA analysis), and take-up rates were 75-105 hectares per annum, the level of supply drops to 1.3-2 years supply.

The addition of Mamre West in theory would have alleviated this, but prospective tenants have already claimed a high proportion (over 80%) of the new supply this new development will create.

As with the broader SMA, the emerging potential shortage can be looked at in terms of supply-demand gap analysis.

3.2.7 Supply-Demand Gap in the Western Sydney Employment Area

In Chart 5 we have presented for the WSEA sub-market, the equivalent of Chart 4 for the Sydney market. (See Clause 3.2.10 for discussion of assumptions). On the demand side, the assumption is that about 40% of demand will be directed to the WSEA, while assuming that about a third of supply comes from the WSEA. The supply gap that that generates is clearly unsustainable.

The demand for industrial land in the WSEA is strong is evidenced by the faster rise in prices in this market (see above – Colliers report), whereas the trend has been for WSEA to account for about 33% of approvals, in 2016/17 the WSEA accounted for 45% of total industrial approvals and 55% of warehouse approvals. This points to the shift in demand which the State Government's commitment to further develop transport infrastructure in the area near the new WSA airport might be expected to generate.

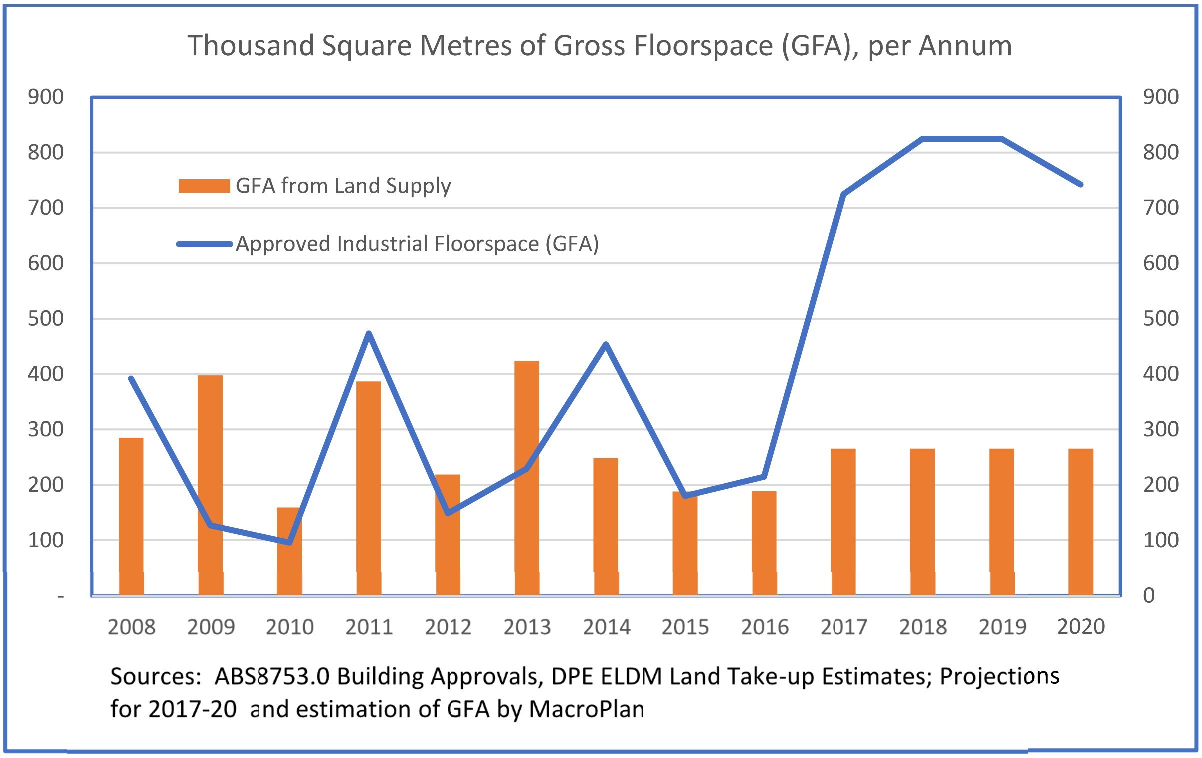


Chart 5 – Reconciling Demand and Supply in the WSEA Industrial Market.

3.2.8 A Closer Look at Two Key Precincts within the WSEA

ERSKINE PARK PRECINCT

The ELDM data had 116 hectares of undeveloped land in this precinct at the start of 2017, of which 104 hectares was serviced and in theory available to meet demand. However, 30 hectares of this land is the old quarry site which would require remediation which means it is a long-term prospect but not there to meet any short- to medium-term demand. Most of the balance is land held by Fitzgerald Investments. It appears to have no committed time-line to releasing this land to meet demand. Given the tightness of the market, that would be a sound strategy.

EASTERN CREEK

The ELDM data has 332 hectares of undeveloped land and 37 hectares of serviced land in this precinct at the start of 2017.

The adjacent Ropes Creek precinct, which is all undeveloped, has presumably been "on hold" as an earlier proposed route for the Western Sydney Freight Line (WSFL) across the Archbold Road (over the M4) was investigated. With the WSFL now proposed to follow the Sydney Pipeline through WSEA towards the mooted M9, the "on hold" status may be lifted. That "on hold' status probably applies to some (perhaps 100 hectares) of the Eastern Creek land next to Ropes Creek.

The available land in the Eastern Creek precinct appears to be principally held by Frasers and Jacfin. Development appears to be occurring at a fast pace on the Frasers land in Eastern Creek Stage 3, which is close to being fully developed. But the Jacfin land remains largely undeveloped despite its good location. Of the original estimated 120 hectares in this sub-precinct, only 10 hectares has been developed in the last 10 years.

3.2.9 Implications of a Tightening Market

When the supply of land is controlled, with a set number of years of supply available, the issue is what level of supply is required to avoid upward pressure on prices. There will be a tipping point at which the scarcity premium starts rising and the optimal strategy for landowners will be to hold.

It is not clear whether the 5-7 year supply benchmark is adequate to avoid upward pressure on prices, and on what basis this benchmark has been decided. However, regardless, what is clearly the case is that actual levels of demand in the Sydney market imply that supply is presently just 2.3-3.1 years, or about half the level of the benchmark. The supply-demand gap analysis (Chart 4), highlights a very significant shortfall emerging in the period 2018-20. The position is even more extreme in the WSEA market, with supply at a mere 1.3-2 years, because this has become the preferred location for the logistics sector and because supply has not, or not been able to, respond. The supply-demand gap analysis (Chart 5) highlights the extreme shortfall emerging in 2018-20.

The risk with supply benchmarks is that demand can exceed expectations, leading to unintended consequences. These risks have emerged, with the 2008-14 experience not reflective of the higher economic growth trajectory that the Sydney economy has since taken. That supply has been inadequate is evidenced by the on-going surge in prices.

The market needs is a competitive supply of land. That means more land and more players in the market to make it competitive.

Market opinion has been received from CBRE, the leading real estate agency in this field. They have confirmed that there is strong evidence of a critical industrial land supply shortage, causing the dramatic increase in land values in Western Sydney and ultimately leading to the flight of businesses to other states that provide more options and better value (refer to Appendix 3).

3.2.10 Methodology for Charts on Demand and Supply

In the two charts reconciling the demand and supply in the industrial land markets, a number of assumptions have been made by MacroPlan. On the demand side, an assumption is made for the proportion of approvals that lead to actual construction (93% is assumed, which has been the long-term trend) and for the cost of GFA per square metre to convert that value of approved work into an equivalent amount of floorspace. Rawlinson (2017) Australian Construction Handbook cost estimates have been used as guide. In the case of WSEA, which is largely warehouses, the assumption is $700 per square metre. For Sydney SMA, with a lesser weighting to warehouses, the cost assumption is $725. On the supply side, a plot ratio of 0.53 has been used for the WSEA, while for Sydney SMA a higher ratio of 0.57 has been used. Readers should note that these assumptions generate estimates of supply and demand which roughly equate over the period 2008-16, which is what we would expect to observe. Supply and demand can be expected to vary from year-to-year.

3.2.11 Methodology for Deriving Approvals in Real Terms

The ABS published the value of approvals by industry type (e.g. warehouses) only in nominal terms. In the Charts, all values have been adjusted to present them in real terms, in constant 2017 dollars. The implicit assumption is that costs of construction rise at the same rate in all non-residential markets (e.g. office vs warehouse). This is reasonable.

3.3 The development can be serviced at no cost to Government by existing adjacent infrastructure.

Servicing arrangements for this land are unique as it is able to be serviced immediately and at no cost to Government. This can be fulfilled through servicing arrangements from land immediately adjoining the property and provides a solution that is able to be implemented in the short term. The cost of servicing the land is estimated at $60M and this is intended to be provided at no cost to government. This adds to the uniqueness to the servicing arrangement at this location.

Servicing, which includes water, sewer and electricity has been confirmed by the respective authorities for the land, namely Sydney Water and Endeavour Energy. It is commercially well established, that serviced land in the WSEA and surrounds are in short supply and this is supported by not only the Altis and Frasers view but also that of leading real estate agents and Valuers.

Further, the ability of existing land owners to service land, zone it and place it into the market for employment generating uses, is currently sitting around 5-6 years. This provides an obvious impediment to both the DPE and GSC's vision for increased employment in the region and in Sydney generally.

Recent discussions with the various Service Authorities have confirmed the availability of the remaining spare capacity in the adjacent infrastructure that is able to be connected to by the proposed development allowing for the land to be developed and brought online immediately.

The major issue with delivery of employment land within the Western Sydney Priority Growth Area (WSPGA) is connection to waste water services which requires the construction of a new Sewage Treatment Plant that is capital intensive and requires significant planning for both lead in infrastructure and the treatment works themselves. As a result of this, development within the remaining areas of the WSPGA have a medium to long term lead time in the order of seven to ten years.

Sydney Water has confirmed the availability of connections into the existing wastewater infrastructure for the proposed development that clearly distinguishes it from other land in the WSPGA allowing it to be developed immediately. Please refer to the enclosed letter from Sydney Water (Appendix 3) which confirms the availability of connections into the existing wastewater infrastructure for the proposed development that clearly distinguishes it from other land in the WSPGA allowing it to be developed immediately.

3.4 The development will provide uses that are complimentary to the proposed land uses within the Aerotropolis.

The Western Sydney Airport and airports in general attract specific and specialized land uses and business that gravitate towards an airport due to its very nature. The unique opportunities at the airport are evidenced by the work being undertaken by the Western Sydney Airport Organisation seeking to attract specialized industry that have a benefit from being co-located at the airport.

The proposed development being approximately 6 km from the airport does not have proximity to this key piece of infrastructure and therefore will not compete directly with the Aerotropolis, rather it will provide complimentary and supporting uses to these businesses to allow them to operate at a commercial level that is sustainable for their economic existence.

The proposed highly advanced businesses located within the Aerotropolis rely on supporting and surrounding ancillary industrial facilities to provide key products and services to allow them to function efficiently. The table below provides examples of the complimentary nature of businesses within the proposed development and these uses are distinguishable from the businesses in the Aerotropolis and the importance of having these businesses established prior to the Airport being operational.

Aerotropolis Uses	Development Uses	Comments
Aerospace and Defence	Manufacturing and Storage of component parts supporting aerospace design facilities within the Aerotropolis	Aerospace and research facilities require external manufacturing and storage of products integral in their use to maintain operational efficiency.

Food and Agribusiness	Large scale warehousing of food products supporting a new Agribusiness hub	Large scale temperature controlled storage facilities are required in close proximity to support airline catering and retail business within the Aerotropolis
Health and Research	Pharmaceutical warehouse facilities, storing products used within the Health and Research facilities	Hospital and medical research facilities contained within the Aerotropolis will require large scale storage facilities of pharmaceutical and medical products to maintain efficiencies
Advanced Manufacturing	Supporting Light Industrial Uses	Highly advanced and technical, state of the art manufacturing will be undertaken in the Aerotropolis. Light Industrial uses are of a lower technological level of smart systems and engineering that are higher volume and lower costs in the adjacent development.
Freight Logistics	Warehouse and Logistics	Freight logistics is solely related to air freight distribution of products – air side. Warehouse and logistics is only for use of storage and distribution of goods and products to local and regional supply markets.
Education	No related uses	n/a
Tourism	No related uses	n/a

Table 3 – Potential Development Uses.

3.5 Alignment with Federal, State and Local Government Strategic Objectives.

Table 4 below outlines the strategic objectives of the Western City District Plan and how the development will help achieve the vision set by the GSC and the Department.

Western City District Plan Objective	Proposed Development Response
A city supported by Infrastructure	Infrastructure to service a new development at no cost to government as all works will be funded by the developer, by minor extensions of existing infrastructure facilitating immediate development.
A Collaborative City and a City for People	The development will provide community access to the South Creek corridor and activate the space through effective biometric design elements. These include the provision of bike and walking tracks, community facilities such as sporting fields and amenity for the local workforce
Housing the City	The development provides immediate employment within the local area reducing the need for increased travel and supports the vision for a 30 minute city.
A City of Great Places	The development aligns with the South Creek Strategy by provision of activated open space, protecting the natural vegetation, open space and riparian zone and includes recreation zones such as bike and walking tracks as well as community facilities such as sporting fields.
A Well Connected City	The development will participate in combining land use and transport infrastructure with pedestrian and bike links to the proposed new North – South rail link from St Mary's to the Western Sydney Airport. The development will be designed to cater for and promote the use of public transport with dedicated bus stops within the estate and end of trip facilities to promote the use of public transport for all employees.

Jobs and Skills For The City	The development provides for advanced and intelligent freight, logistics and manufacturing opportunities by planning and managing industrial services land.
A City In Its Landscape	The development will be designed using best practice biometric design elements to protect and enhance the natural bushland, increase tree cover within the estate and promote the South Creek waterway.
An Efficient City	Reducing transport related emissions by providing facilities that allow for different modes and are inclusive of public transport links.
A Resilient City	Incorporation of climate change measures to flexibly include future changes as environmental needs evolve.

Table 4 – Consistency of Proposal with Federal, State and Local Strategic Objectives.

4.0 Conclusion

This Report has confirmed the suitability of the Site for employment-generating uses at Kemps Creek and has examined:

1. Decisions about Waste and Waste Water servicing within the South Creek Catchment and Evaluation of Probable Maximum Flood;
2. Reservation in land-use terms of the Freight Line Corridor contained within the land;
3. Creating a complimentary development that supports the Western Sydney Airport Growth Area by having employment uses in close proximity to the airport; and
4. The resolution of the location and design of the Southern Link Road.

There is strong evidence of a critical industrial land supply shortage in the Western Sydney Employment Area, which is supported by the market opinion from CBRE.

After careful assessment of all of the above factors including the detailed expert reports, referred to herein, and also detailed in Appendix 1-3, it is evident that the land at Kemps Creek is highly suitable for employment generating uses. The land is also able to be serviced immediately thereby providing immediate employment in categories that support and enhance those planned for the new Western Sydney Airport.

The Site is therefore in a unique position to be able to deliver on the objectives contained in the GSC's *A Metropolis of Three Cities*, the *Western City District Plan* and the *WSEA SEPP*, with the ability to be developed immediately, alleviating the critical short-term land supply shortage, and is a natural extension of the established Erskine Park industrial precinct (which is not out of sequence development) that can be serviced at no cost to Government.

APPENDIX 1 – Urban Development Institute of Australia Report "Building Jobs for NSW- the Missing Piece in NSW's Affordability Puzzle".

Urban Development Institute of Australia
NEW SOUTH WALES

BUILDING JOBS FOR NSW

THE MISSING PIECE IN NSW'S AFFORDABILITY PUZZLE

01 **INTRODUCTION** 2

02 **UNDERLYING DEMAND** 2

03 **EMPLOYMENT TRENDS** 4

04 **SUPPLY** 6

Short Term Supply 6

Medium Term Supply 9

Physical Constraints 12

Planning Constraints 12

Major Infrastructure Uncertainty Case Study: The WSEA Precinct Known as South of the Sydney Water Warragamba Pipeline 13

Long-Term Strategy Identified Lands 14

Business Parks 16

Macquarie Park Case Study: Employment Lands in Transition 17

05 **RECOMMENDATIONS** 18

06 **ABOUT UDIA NSW** IBC

SYDNEY HAS AN EMPLOYMENT LANDS PROBLEM

The Urban Development Institute of Australia NSW (UDIA NSW) established an Employment Lands Task Force to provide expert advice on the planning and land use needs for appropriately servicing the supply of new and affordable employment lands in Sydney.

UDIA NSW Employment Lands Task Force Members

Troy Bryant (Chair) Woolworths Limited

Theodore Berney The GPT Group

Greg Ives Arcadis

Craig Jones Vaughan Constructions

Ross Lees Centuria

Rob MacKay Stockland

Roy Medich Medich Corporation

Bob Meyer Cox Richardson

Jonathan Pan Boyuan Holdings Limited

Michael Tilt MacroPlan Dimasi

Bilinda Turner Payce Consolidated Limited

Tim Ward Ethos Urban

Keith Weiner Ford Land

Michael Yiend Qube Logistics

Alan Zammit UPDM

Officer

Justin Drew UDIA NSW
General Manager, Policy & Corporate Affairs

01 INTRODUCTION

When a multinational company looking to establish a presence in Australia comes to Sydney to purchase land and has less than 5 sites with a lettable area more than 20,000 sqm across all Sydney industrial markets to choose from Sydney has an employment lands problem.

Employment land shortage coupled with increasing user demand have been driving up land values, resulting in higher rents – but industrial rents in NSW are already double that of Victoria making it less attractive for national distribution centres.

The NSW Government's Employment Lands Development Monitor (ELDM), which reviews the existing and future supply of employment lands, states that Sydney has 50 years of supply. The accuracy of this estimate is questioned and whilst the ELDM identifies a suitably large amount of strategy identified employment land, there is no land release policy presented which addresses a strategy for how this land is to be rezoned and serviced (specifically funding and prioritisation).

> **This paper aims to review demand and supply for employment lands and its drivers, employment trends and provide recommendations to make NSW an attractive market for businesses to locate and invest in.**

The Sydney Metropolitan Strategy, A Plan for Growing Sydney forecasts that by 2031 Sydney's economic output will almost double to $565 billion a year and there will be 689,000 new jobs. For this to be possible there are some major structural reforms needed, namely greater flexibility around zoning employment and land use permissibility as well as a clear and transparent land release policy and infrastructure servicing program.

The Employment Lands Development Monitor is focussed predominantly on industrially zoned lands, or land that permit a range of industrial uses, with some additional analysis in relation to business parks. Whilst the Draft District Plans have altered the label to 'employment and urban services land' they do not change which land they are referring to. UDIA NSW notes however that technology is increasingly driving new industries, meaning that actual employment lands should also consider major retail and business precincts, and that this is now reflected by the inclusion of major business parks in the ELDM since 2014 and the inclusion of B5, B6 and B7 zoned land from January 2016.

02 UNDERLYING DEMAND

Since the year 2000, across Australian capital cities over 1.5 million sqm of industrial real estate is developed annually. This is more than 25 million sqm of new industrial space since the turn of the century. Of this new supply, over 35% (8.4 million sqm) of new supply has been delivered for new facilities in NSW at an average of over 500,000 sqm per annum (peaking at approximately 1 million sqm in 2007). Working with a site efficiency assumption of 50%, this translates into a take up of 100ha per annum. The ELDM states that the take up rate is 160ha per annum.

The outer western markets have absorbed the lion's share of this new supply. The South Sydney and Inner Western Markets have reached capacity and are beginning to experience stock withdrawals for rezoning and redevelopment opportunities.

New supply has historically been demand led, with a combination of pre-committed and speculatively built facilities. According to market analysis by Colliers, vacancy rates in Western Sydney are below 1%. There are 3 sites with a lettable area more than 20,000 sqm available to lease across all Sydney industrial markets. Of this space 60% is classed as A Grade. There is current underlying demand for over 400,000 sqm of floor space from end users (tenants and owner occupiers). This equates to land demand of 80ha – 100ha with infill locations not suitable due to the need to access major road infrastructure. There are currently 8 inquiries requiring over 20,000 sqm.

Over 50% of new leases executed since 2006 have been for buildings more than 15,000 sqm, demonstrating a trend towards larger distribution centres. More recently several distribution centres exceeding 35,000 sqm have been developed. These larger facilities require large parcels of contiguous land for development, typically exceeding 10ha per property.

The market is experiencing an increase of businesses separating their office from warehousing operations due to inadequate amenity in industrial areas to attract and retain staff.

Whilst satisfaction of demand for large facilities is critical for the efficient distribution of freight in NSW, there is also a shortage of land available to smaller scale owner occupiers with only 2 subdivisions accommodating sale of land <5,000 sqm for industrial use. Added to this is the demand being created from supply withdrawals in South Sydney with an estimated 2 million sqm expected to withdraw, as well as markets including St Leonards and the Inner Western markets of Auburn and Granville.

As the South West and Outer West are now carrying the weight of demand that is unable to be satisfied from South Sydney and the Inner West, the infrastructure and servicing program must be ready to meet this challenge.

Some key international forces driving demand include:

Pacific Rim Dominance – There are more people living in Asia than the rest of the world combined, consequently the Pacific Rim is dominating the world trade in terms of container freight. Australia is well positioned to benefit from this shift in global trading patterns.

International Demand on Exports and Imports – China is a significant demand driver for Australian exports and this is only expected to grow larger.

Influence on Free Trade Agreements – Recently negotiated Free Trade Agreements with Japan, Korea and China have the potential to greatly expand Australia's trade in exports and imports.

Connectivity in Asia – There is currently a huge investment in road and rail in Asia. In the next 40 years the world will build more infrastructure than it has done in its previous 400. China's One Belt One Road initiative aims to spur economic development along the overland and maritime Silk Road economic belt that connects China with Southeast Asia, Africa and Europe. This significant investment in the Asian Highway network provides Australia with improved access for markets across this region.

Significance of the Growing Chinese Middle Class – Estimates from the Australian Government are for a rapid increase in the size of the middle class in the Asia Pacific region over the coming two decades. Based on current growth trends, it is expected that as many as 500 million Chinese could enter the global middle class over the next decade.

03 EMPLOYMENT TRENDS

To understand what type of future demand might look like it is instructive to look at the changing nature of Sydney's workforce. Western Sydney is poised to shoulder much of the burden for new employment lands and centres. According to the NSW Department of Planning & Environment:

> ***"The NSW Government established the Western Sydney Employment Area (WSEA) to provide businesses in the region with land for industry and employment, including transport and logistics, warehousing and office space. Located about 50 kilometres from the Sydney CBD, WSEA will give these businesses access to roads and utility services and is close to the planned new airport at Badgerys Creek. This will also provide people living in Western Sydney the chance to work locally so they can spend less time commuting and more time with their families."***

From 2016, the area around WSEA – namely the LGAs of Blacktown, Camden, Campbelltown, Fairfield, Liverpool and Penrith – is forecast to have an increase in population of over 400,000 people by 2031. This population growth will need to provide access to a ready and skilled labour force as well as create new demand for products and services generated in WSEA.

WSEA is a logical expansion of industrial uses with a large cohort of local workers coming from the surrounding 6 local government areas. There is a need to strategically reposition this area for white-collar containment. Presently out of the 53,000 white collar workers that live in this catchment 36,000 (68%) of them travel outside of their district each day to work.

In the period 2006-2011 we have seen significant changes in job composition across the manufacturing, transport and wholesale sectors. The manufacturing sector has seen a decline of more than 10,500 jobs, with only 5 out of 16 sub-industries recording employment growth in this time. Over 5,100 new jobs have been created in the transport sector with the 3 largest contributors to this being in road transport, rail transport and warehousing and storage services. While wholesale has seen an increase of more than 2,200 jobs with continued growth expected with the provision of supporting infrastructure. From 2016-2041 transports, postal & warehousing and professional services are projected to provide the bulk of the more than 30,000 new jobs in WSEA. To plan for this demand government needs to understand the new industrial property trends and innovations redefining built form and floor space requirements.

Key employment land use innovations re-defining employment lands demand include:

Upsizing of Distribution Centres and Warehouse Facilities – This has become a defining feature of the modern industrial market. Some estimates suggest that the average floor space of new large format industrial facilities has increased by around 30% in recent years.

Consolidation of Industrial Facilities – Through an increase in shared services and reduced overheads via centralisation of stock control transport flows, consolidation works to maintain profit margins as well as boost property management efficiencies through a reduction in the numbers of facilities. WSEA represents an ideal consolidation location.

Modern Design and Construction – Examples are higher internal clearances (30+ metres), increased automation and mechanisation, concrete tilt panel construction, fully early suppression fast response sprinkler systems, all weather awning spaces, A grade office areas with complete amenities, multiple container height roller doors and loading docks, B-Double access with heavy and light duty pavement, large hardstand areas for truck turning and container handling.

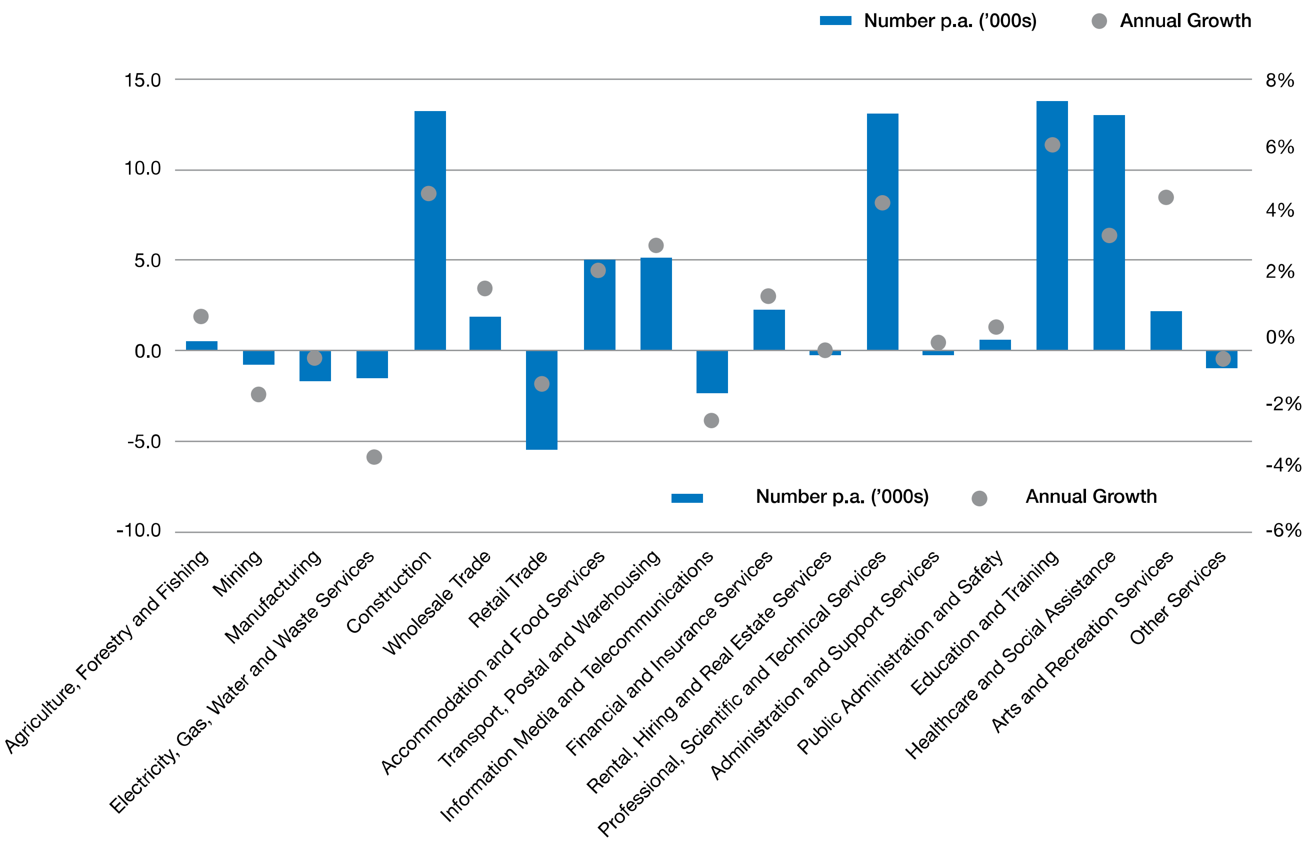
Communication Technology – Consumer expectations to rise due to improvements in information and communication technology (ICT). An increase of ICT CAPEX is required to promote improved productivity and competitiveness. The digital revolution is also enabling an increasing preference towards automation of industrial processes. This is applicable to advanced manufacturing and warehousing and storage services in WSEA.

Strategic Site Selection – Selecting the location of a site has become central to the efficient working of distribution centres at the centre of supply chains. Transport infrastructure facilitating access to markets and labour boost demand for WSEA locations.

Outsourcing of Logistic Functions – Outsourcing provides the dual benefits of devolving responsibilities to external third-party logistics (3PL) experts whilst freeing up occupiers' resources to focus on their core business. With large industrial lots available and strong locational attributes WSEA demand from 3PLs can be expected to intensify.

In addition to these trends, there is a clear direction in the Draft District Plans for employment generating activities in primary locations (such as WSEA) to provide for higher order innovation and technology related industries – including health, medical and technology services sectors.

NSW Employment by Sector, Change between February 2012 and February 2017



Graph Source: Australian Bureau of Statistics Time Series 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Feb 2017

04 SUPPLY

There are three key areas where the ELDM forecasting analysis is inaccurate and potentially misleading in relation to the adequacy of employment lands supply in Sydney:

1. The ELDM includes a large amount of zoned employment land as 'undeveloped' that is either seemingly constrained or otherwise unsuitable for new industrial development, giving a false sense of the actual supply available right now for immediate new industrial development.

2. For the medium and longer-term timeframes, the ELDM indicates that there is an ample supply of 'zoned' employment land and 'Strategy Identified Lands' but this is likely a significant overestimate of the land actually available and does not consider losses that will eventuate because of environmental and infrastructure constraints, particularly in the Broader Western Sydney Employment Area.

3. The employment land supply standards by which the ELDM is measured are not explained nor justified. Other jurisdictions use different metrics and have different supply standards.

Consistent with the ELDM, this analysis focusses on industrial lands. Analysis of business park land follows the industrial land analysis.

This analysis also adopts the same terminology as the ELDM in relation to:

- **Zoned and Serviced Employment Land –** the Department of Planning & Environment ascertain serviced land based on Sydney Water sewerage and potable water services that are available for connection.

- **Zoned Land Not Yet Serviced.**

- **Strategy Identified Land –** being land that is unzoned but identified in long term strategic plans to be zoned in the future for employment lands.

SHORT TERM SUPPLY

The main shortfall is in relation to Zoned and Serviced Employment Land – where Sydney is well below the supply standard of 5-7 years based on the Department's estimates. The ELDM calculates 497ha of 'Zoned Undeveloped and Serviced Land, representing a supply of 3-4 years based on average take up rates over 2009-2016. Given the long lead-in timeframes for securing services to zoned industrial land it is likely that this shortfall will remain for several years.

This shortfall is of major concern, given the need for employment generating industries to establish in Sydney to create employment for the growing population and the fact that Sydney competes with the other capitals to attract these industries. However, whilst the ELDM identifies this shortfall it makes no recommendations in relation to addressing the shortfall.

Further, the situation is likely to be far worse than the ELDM indicates. Of the 497ha identified as being zoned and serviced – only 423ha is located within estates greater than 5ha in total. For significant new industrial or warehouse development sites would need to be larger than what could be accommodated in estates of less than 5ha. As such, the 497ha of 'zoned and serviced' industrial land over-estimates what is actually available in the market.

Table 1 cross references the available employment land identified in the ELDM against the take up of employment land between 2008-2015. In 2015, take-up activity was concentrated in the precincts of Eastern Creek (22.8 hectares), Banksmeadow (13.8 hectares), Yarunga/Prestons (6.0 hectares), Glendenning (5.8 hectares), Marsden Park (5.0 hectares) and Huntingwood West (10.2 hectares) – which provided over 60% of the take up during 2015.

Table 1 – Employment Precincts with Available Land Supply and Recent Take Up

LGA	Precinct	Available per ELDM (Ha)[1]	Take up (Ha, 2008-2015)[2]	Comment
Central Sub-Region				
Botany Bay	Banksmeadow	1.3	17.4	Location not for large industrial users
North Sub-Region				
Ryde	Macquarie Park, Wicks Road	10.8	-	Predominantly focussed on office market
South-West Sub-Region				
Camden	Narellan	5.3	-	Not a location for prime user
	Oran Park	18.5	-	Not a location for prime users
	Smeaton Grange	29.7	55.9	Not a location for prime users
	Turner Road	5.2	-	Not a location for prime users
Campbelltown	Campbelltown, Blaxland Road	8.8	28.9	Secondary location
	Ingleburn	12.3	31.4	Smaller parcels only
	Minto	14.8	13.2	Smaller parcels only
Fairfield	Wetherill Park	21.1	21.5	
Liverpool	Casula, Cross Roads	16.9	-	
	Hoxton Park Airport	2.4	38.1	
	Moorebank	11.6	-	Fragmented
	Yarunga/Prestons	10.5	65.8	
West Sub-Region				
Blue Mountains	Katoomba	4	-	No take up. Not in Sydney
	Lawson	10.9	-	No take up. Not in Sydney
Penrith	Emu Plains	9.8	-	No take up. Secondary location, and fragmented
	Erskine Park	108.1	158.3	
	North Penrith	27	20.3	Secondary location, and fragmented
	St Marys	8	-	No take up. Secondary location, and fragmented

1. *Per the ELDM land is only shown as available if it is within an estate that had 5ha or more of zoned and serviced land during the reporting period 2008-2014.*
2. *Per the ELDM take up is only shown for precincts where there was a take up of 5ha or more in 1 or more of the reporting years.*

Table 1 – Employment Precincts with Available Land Supply and Recent Take Up (continued)

LGA	Precinct	Available per ELDM (Ha)[1]	Take up (Ha, 2008-2015)[2]	Comment
West Central Sub-Region				
Auburn	Clyburn	6.1	-	No take up
Bankstown	Chullora	0.4	11.4	No capacity
Blacktown	Arndell Park	9.1	-	Fragmented
	Eastern Creek	5.9	137.6	
	Glendenning	9.7	41.9	
	Greystanes	7.4	-	No take up
	Marsden Park	22.1	21.7	
	Minchinbury	2	8.6	
	Mount Druitt	5	-	No take up
	The Raceway Precinct	1.6	-	No take up
Holroyd	Greystanes	3.7	51.2	
	Smithfield, North	2.6	-	No take up
Parramatta	Rydalmere	0.1	8.3	No capacity
The Hills	Annangrove	10.3	10.5	
Total		**423**	**742**	

Of the 423ha, 12ha is in the Central and North sub-regions, which are identified in the ELDM as being effectively fully occupied and unable to meet significant future demand. A further 15ha is in the Blue Mountains, and some 85ha appears to be residual land within existing estates that is either very small in size or remains stubbornly and persistently undeveloped even though it is within well-established estates, meaning it is likely constrained, undevelopable or otherwise not suitable to meet the requirements of the market. This leaves only approximately 310ha of employment land that appears suitable for meeting immediate demand.

This means that actual zoned and serviced employment land suitable for development is barely enough to cover one year of high demand or 2 years at average take up rates – compared to a supply standard of 5-7 years.

1. *Per the ELDM land is only shown as available if it is within an estate that had 5ha or more of zoned and serviced land during the reporting period 2008-2014.*
2. *Per the ELDM take up is only shown for precincts where there was a take up of 5ha or more in 1 or more of the reporting years.*

Image: Ingleburn Distribution Centre

MEDIUM TERM SUPPLY

The ELDM calculates that there is 2,928ha of Zoned Undeveloped Land. Representing a supply of approximately 10 years at high take up rates, compared to a supply standard of 8-10 years.

However, of this – some 400ha is in the Central, North, and South sub-regions or within the Blue Mountains, Wollondilly or Hawkesbury LGAs and so does not readily contribute to meeting demand for significant new industrial development in Sydney.

Of the remaining 2,528ha – approximately 220ha remains stubbornly undeveloped in estates at Emu Plains (46ha), St Marys (50ha), Smithfield (13ha), Mt Druitt (5ha), Rosehill (18ha), North Dunheved (19ha), Arndell Park (17ha), Auburn (20ha), Bankstown (26ha) and Narellan (6ha) – likely representing land that is highly constrained or not being developed for other reasons. In addition, some 40ha is made up of many smaller areas (generally less than 2.5ha) that have not been developed in recent times and are not located in estates where recent take up has occurred. This 40ha likely reflects an accounting anomaly where lots of little amounts add up to a large number. It is suggested that this 40ha does not represent any real employment land supply. Resulting in an estimate of approximately 2,270ha of zoned employment land.

Table 2 provides the breakdown of available zoned land in key precincts extracted from the ELDM.

Table 2 – Zoned Employment Precincts Undeveloped Areas and Key Precincts

LGA / Sub-Region	Undeveloped Zoned Land (Ha)	Key Precincts	Area (Ha)	Comment
Central Sub-Region	44.5	-		
North Sub-Region	40.4	-		
South Sub-Region	115.6	-		
South-West Sub-Region				
Camden	180.2	Leppington North	70.8	Secondary location
		Narellan	5.7	Secondary location
		Oran Park	18.5	Secondary location
		Smeaton Grange	55.5	Secondary location
		Turner Road	29.7	Secondary location
Campbelltown	58.1	Blaxland Road	26.4	Secondary location
		Ingleburn	12.9	
		Leumeah	2.5	Secondary location
		Minto	16.3	
Fairfield	113.5	South of Sydney Water Pipeline	76.6	
		Wetherill Park	33.4	

Table 2 – Zoned Employment Precincts Undeveloped Areas and Key Precincts (continued)

LGA / Sub-Region	Undeveloped Zoned Land (Ha)	Key Precincts	Area (Ha)	Comment
Liverpool	200.4	Warwick Farm Racecourse	12.8	
		Austral	41.8	
		Cross Roads, Casula	16.9	
		Moorebank	11.7	
		Yarunga / Prestons	112	
Wollondilly	125.8	-	-	Not in Sydney
West Sub-Region				
Blue Mountains	39.4	-	-	Not in Sydney
Hawkesbury	23.9	-	-	Not in Sydney
Penrith	669.3	Werrington Road, Werrington	6.9	
		Emu Plains	43.2	No take up. Secondary location, and fragmented
		Erskine Park	122	
		North Penrith	92.4	Secondary location, and fragmented
		South of Sydney Water Pipeline	337.2	
		St Marys	49.2	No take up. Secondary location, and fragmented
West Central Sub-Region				
Auburn	17.1	Clyburn	6.1	No take up
		Silverwater	9	No take up
Bankstown	25.7	Chullora	21.1	
Blacktown	1021.7	Arndell Park	16.3	
		Eastern Creek	335.9	
		Glendenning	21.9	
		Greystanes	20.7	
		Huntingwood	60.8	
		Marsden Park	212.7	
		Minchinbury	22.5	

Table 2 – Zoned Employment Precincts Undeveloped Areas and Key Precincts (continued)

LGA / Sub-Region	Undeveloped Zoned Land (Ha)	Key Precincts	Area (Ha)	Comment
		Mount Druitt	5.1	No take up
		North Dunheved	18.5	
		Riverstone	19.9	
		Riverstone West	87	
		Ropes Creek	185.7	
		Seven Hills	11.3	
		The Raceway Precinct	1.6	No take up
Holroyd	60	Greystanes	44.5	
		Smithfield North	11.5	No take up
Parramatta	21.3	Camellia/Rosehill	17.9	No take up
The Hills	170.6	Annangrove	110.7	
		Box Hill	57.7	
Total	**2,927.5**		**2,492.8**	

Based on an analysis of the ELDM, approximately 2,270ha of real zoned employment land in suitable industrial estates is available, comprising.

- 932ha located within WSEA.
- 377ha in the North West Priority Growth Area (NWPGA), including Marsden Park Industrial, Box Hill, Riverstone and Riverstone West precincts.
- 167ha in the South West Priority Growth Area (SWPGA), including Turner Road, Oran Park, Leppington, Austral precincts.
- 30ha in new estates such as Casula Cross Roads (17ha) and Warwick Farm Racecourse (13ha).
- 987ha remaining in the existing estates listed in Tables 1 and 2 (excluding the areas identified above).

Image: Governor Macquarie Drive, Warwick Farm

PHYSICAL CONSTRAINTS

Of the actual 2,270ha of zoned employment lands, a large amount is located within new estates, including the WSEA and the Western Sydney Priority Growth Areas – 1,476ha (or 60%). A large amount of potential employment land within these precincts will be lost to constraints (in particular vegetation and flooding in Western Sydney), services, utilities and infrastructure. Table 3 shows that the years of available supply is sensitive to the significance of the constraints. The 1,100ha of employment lands located within WSEA and SWPGA are likely to be significantly eroded by constraints, utilities, services and infrastructure.

Table 3 – Potential Loss of Employment Lands to Constraints in New Estates

	Area (Ha)	Years of Supply (@ 200ha pa)	Supply Standard
Undeveloped zoned land not serviced	2,270	11 years	8-10 years
25% lost to constraints, services, utilities and infrastructure	2,270 less 25% = 1,703	8.5 years	8-10 years
50% lost to constraints, services, utilities and infrastructure	2,270 less 50% = 1,135	5.5 years	8-10 years

PLANNING CONSTRAINTS

In addition to the physical and infrastructure constraints that might apply to the land, there are planning constraints that reflect the time it takes for a development site to obtain planning approval to the point where servicing required to support development can progress. Planning issues that impact on the timely and efficient development of zoned but un-serviced employment land, include:

Fragmentation – consolidation of multiple small land holdings can be a major factor in the time taken to develop a scheme for planning approval.

Negotiation of Access Arrangements – often requiring liaison with both the local Roads Authority (normally the local council) and the State Roads Authority (Roads and Maritime Services). In WSEA, the Broader WSEA and the Priority Growth Areas, there is often a complex layering of State and local road infrastructure requirements.

Boundary Issues – development of new industrial estates will generally create a new interface between existing residential or rural-residential properties and the new industrial land uses. This can create complex assessment issues and a further erosion of the development potential for the land via the need for additional set-backs and/or boundary treatments (such as noise walls and landscaped buffers).

Major Infrastructure Uncertainty – delays in the delivery of major infrastructure projects can impact on the ability for a developer to progress through the planning approvals system until the major infrastructure projects can be defined or corridors preserved. In this context, rezoning of employment land without previously (or concurrently) identifying and providing for the major infrastructure within or through a precinct can lead to the temporary quasi-sterilisation of zoned land.

MAJOR INFRASTRUCTURE UNCERTAINTY CASE STUDY: THE WSEA PRECINCT KNOWN AS SOUTH OF THE SYDNEY WATER WARRAGAMBA PIPELINE

This precinct comprises some 650ha of land zoned IN1 predominantly held in four large land holdings. The land was zoned IN1 General Industry in August 2009. Of the four major land holdings:

First Land Holding – secured a development approval and undertaken substantial industrial development as part of a 61ha site known as Oakdale Central. It is noted that this site was subject of a planning application under Part 3A submitted before the land was rezoned to industrial. It is also noted that the Oakdale Central site is the least constrained site within the precinct as it is already connected to the existing road network within WSEA and is well separated from residential land uses. The Concept Plan approval was granted in 2009 and the site is now perhaps 50% developed.

The second stage of Oakdale (Oakdale South), is currently under assessment by the Department of Planning and Environment. The 117ha Oakdale South site will generate some 70ha of developable land and 35ha of non-developable land – indicating that approximately 30% of the site has been lost to utilities, infrastructure and other physical constraints.

A third stage of Oakdale (Oakdale West) has just commenced the planning process.

Second Land Holding – secured a Concept Plan approval for a 100ha estate at Horsley Park. The initial application for this site was made in August 2010 and the determination was not granted until October 2013 indicating the planning constraints associated with the proximity of the site near existing residential properties. The approval for the site also established a process for addressing the boundary issues, eventually resulting in the rezoning of 35ha of IN1 zoned land to RU4 Primary Production Small Lots in June 2016. The associated project approval provided for the construction of one 27,000 sqm warehouse building on a 7ha portion of the site.

Third Land Holding – currently undergoing a development assessment process with the Department of Planning and Environment for a masterplan of a 50ha site. The initial application for the development of this site was made in May 2012 – the process has extended over 5 years long and approval time continues to remain uncertain. The delays relate predominantly to the location of the Southern Link Road on part of the site which has impacted the access arrangements resulting in complications associated with infrastructure contributions and assessment of traffic impacts.

Fourth Land Holding – is subject of a development application to Fairfield Council for subdivision, lodged in December 2013 and which remains undetermined.

With consideration of the above since the rezoning of 656ha of land south of the Sydney Water pipelines, only 126ha have benefited from in-principle planning approvals – with 68ha of development approvals (for construction). This equates to 10% of the rezoned land has secured development consent for employment generating development in the 8 years since rezoning occurred. Additionally, there have been significant access and servicing constraints in relation to delivery of these lands subsequent to the issue of development consent.

LONG-TERM STRATEGY IDENTIFIED LANDS

Additional Strategy Identified Lands (i.e. land not yet zoned) of 6,972ha is focussed almost entirely in the Broader WSEA and the SWPGA, with the remainder at the Moorebank Defence Lands and Glen Lee.

- **BWSEA = 4,537ha.** Currently occupied by Kemps Creek landfill, and will be substantially eroded by transport infrastructure for airport (including the M9 and M12 road/freight corridors, and a possible future passenger railway line) as well as flooding and vegetation constraints.

- **SWPGA = 1,950ha.** Part of these lands are already occupied by Ingham's, Boral and other existing uses, and will be eroded by transport infrastructure for airport (including the M9 and M12 road/freight corridors, and a possible future passenger railway line), as well as other utilities and services.

- **Moorebank = 336ha.** It is expected that this will contain the Commonwealth Intermodal Terminal.

- **Glen Lee = 150ha.**

A large amount of future employment land within the BWSEA and new industrial precincts of the SWPGA will be lost to constraints – vegetation, flooding, riparian corridors, and major utilities and infrastructure. A strategic constraints analysis has been carried out on the strategy identified land located within the Western Sydney Priority Growth Area (comprising land formally part of the BWSEA and the South West Growth Centre). It is foreseeable that almost 40% of the strategy identified land within the BWSEA and SWPGA will be lost to constraints (vegetation, riparian corridors and flooding) and major infrastructure. These constraints have been overlayed in the map opposite.

Table 4 shows the impact on the ability of developable employment land to meet the strategy identified supply standard after losses to constraints are factored in, clearly indicating that these losses drastically reduce the long-term forecast supply.

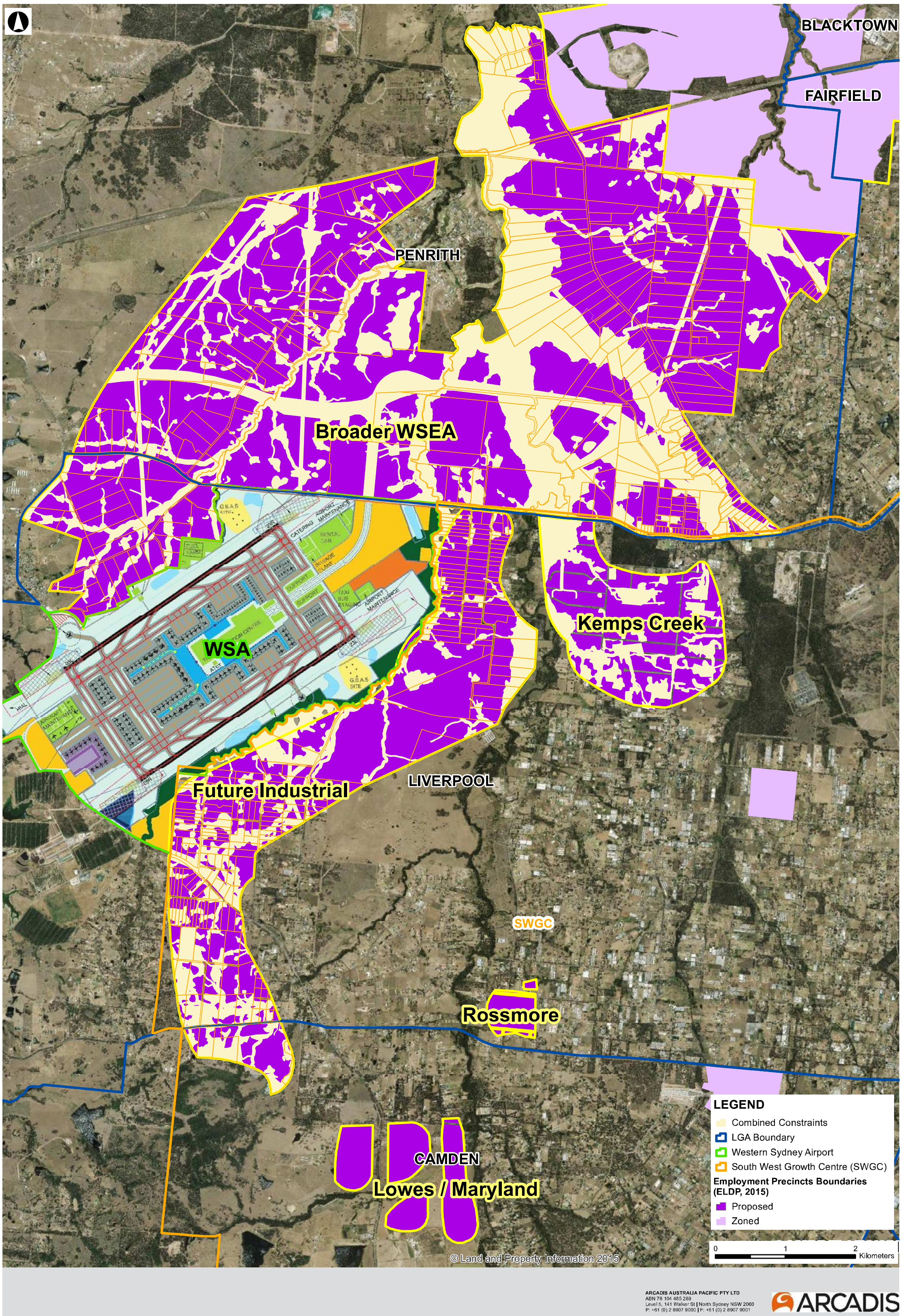
Table 4 – Potential Loss of Employment Lands to Constraints in New Estates

	Area (Ha)	Years of Supply (@ 200ha pa)*	Supply Standard
Strategy Identified Lands	6,285	31 years	20 years
25% lost to constraints, services, utilities and infrastructure	6,285 – 1,571 (25%) = 4,714	23 years	20 years
50% lost to constraints, services, utilities and infrastructure	6,285 – 3,142 (50%) = 3,143	15 years	20 years

** Excludes fragmentation.*

Image: Ingleburn Distribution Centre

Map: Sydney Employment Lands Analysis



Map Source: Arcadis Australia Pacific Pty Ltd

BUSINESS PARKS

The ELDM identifies 15 business parks with a total area of over 10ha, seven of which are greater than 50ha.

- **Box Hill (The Hills LGA) – 69ha:** Emerging business park not currently serviced.
- **Frenchs Forest (Warringah LGA) – 56ha:** Mature business park that is fully developed.
- **Leppington North (Camden LGA) – 92ha**: Emerging business park not currently serviced.
- **Macquarie Park (Ryde LGA) – 160ha:** Mature business park with minimal undeveloped land available (14ha). Take up reliant on intensification and refurbishment of existing developed areas.
- **Marsden Park (Blacktown LGA) – 123ha:** Emerging business park with no currently undeveloped serviced land available.
- **Norwest (The Hills LGA) – 157ha:** Maturing business park with minimal undeveloped land available (7ha).
- **Sydney Olympic Park/Rhodes (Auburn and Canada Bay LGAs) – 79ha:** Mature business park that is fully developed.

Whilst there is no established supply standard for business parks, as can be seen in the list above, there is a substantial shortfall in the short-term supply of business park land. Analysis of the historical data indicates an underlying demand for business parks of at least 10ha per annum, meaning that currently available zoned and serviced land within Norwest and Macquarie Park would can meet this demand for only 2 years.

As with industrial employment lands, the delivery of business parks from zoned to zoned and serviced appears to be a fundamental constraint to employment land supply.

Image: Optus Centre Sydney - 1 Lyonpark Raod, Macquarie Park

MACQUARIE PARK CASE STUDY:
EMPLOYMENT LANDS IN TRANSITION

Macquarie Park is the fourth largest business park in Australia. Development has capitalised on the site's proximity to the central business district, the size of the land available, transaction cost advantages and association with Macquarie University. Macquarie Park has built a reputation as a technology and biomedical precinct, attracting large multinational organisations.

Macquarie University was founded in 1964, triggering development of surrounding land as the Macquarie Park Employment Area. Used initially for warehouse and light industrial uses, an objective for Macquarie Park was to provide opportunities for interaction between industry and the university with a view that a hi-tech industrial area could be developed. Planning policies encouraged technology and biotechnology businesses to the precinct requiring businesses to demonstrate their contribution to research and development.

By the late 1970s, the availability of land, proximity to the central business district and Macquarie University and access to professional labour markets in Sydney's northern suburbs had attracted national and international companies to establish headquarters at Macquarie Park.

Macquarie Park was subsequently connected to the M2 Hills Motorway in 1997 and the Epping to Chatswood Rail Link in 2009.

The task of delivering a future business park like Macquarie Park is too big for a local government. It requires a joint three level government approach with Commonwealth funding, State planning and local government management.

Image: Aerial of Macquarie Park

05 RECOMMENDATIONS

1. Take Up Rates

The ELDM refers to an average rate of employment land take-up across the last 6 years of 162ha per year – prior to this land take-up was between 200ha and 300ha per annum – however, this includes several years of below average growth at a time when domestic manufacturing has been decimated (in part by the unfriendly terms of trade) and when the NSW Government has had a non-existent program to encourage investment in Western Sydney.

The Government has re-focussed in Western Sydney in A Plan for Growing Sydney and substantial catalyst infrastructure development in and around Western Sydney is being planned with significant financial assistance from the Federal Government – including the Western Sydney Airport, the Western Sydney City Deal and associated railway and motorway development.

Recommendation: The Government should aim to be able to accommodate an annual take-up rate of 200ha – 300ha and set a minimum target take-up rate for serviced employment land in NSW of 200ha per annum should be adopted for calculating adequacy of supply.

Further, the NSW Government should investigate programs that encourage the development of employment generating development in Sydney, thereby increasing the competitiveness of Sydney with Melbourne and Brisbane and improving the (existing and future predicted) jobs imbalance in Western Sydney.

2. Infrastructure and Utilities

Infrastructure is the key to unlocking new employment lands. As is often the case there is a chicken and the egg conflict between infrastructure provision and land release. UDIA NSW contends that long term strategic planning which considers land use, infrastructure provision and transport servicing in a holistic approach is required to ensure the strategy identified land can be delivered efficiently and effectively. The release of strategy identified land should include an Infrastructure Delivery Strategy that:

- Provides for the delivery of trunk and lead-in services.
- Identifies major infrastructure corridors, including for roads, rail, pipelines and intermodal terminals.
- Sets out utilities grids for sewerage, water, gas and electricity.
- Provides for sequential upgrades to roads.
- Sets out a long-term framework for funding infrastructure and services.

The new Western Sydney Airport will be a major catalyst for new major trunk and lead-in infrastructure. This infrastructure must be coordinated with planning for the WSEA and the WSPGA to maximise efficiencies and enable the staged delivery of the airport and serviced employment lands. To do otherwise would be a major lost opportunity that would undermine investment for employment generating development.

Delivery of infrastructure in the short to middle term supply of already zoned but un-serviced employment land needs particular attention. The creation of the Housing Acceleration Fund by the NSW Government has played a critical role in boosting the delivery of new homes. UDIA NSW contends that a similar fund targeting employment lands could have the same type of impact on supply.

Recommendation: The Government should establish an Employment Lands Acceleration Fund with $500 million that finances catalyst trunk and lead-in infrastructure aimed at unlocking employment land in Greater Sydney.

3. Land Release Program

Currently, there is no have a system in place where a short fall of employment land can be properly identified and once identified new zoned and serviced employment lands appropriately delivered.

The ELDM identifies a suitably large amount of 'strategy identified' employment land however, there is no related Government policy for the release (i.e. re-zoning) of this land or the servicing of this land. This is particularly important given the immediate short-term supply shortfall and the long lead terms evidenced in relation to the development of land following its rezoning.

The current land release process is unclear and lacks certainty. This makes it difficult for the private sector to invest and government agencies and infrastructure providers to arrange their capital works programs to effectively provide, prioritise and fund required infrastructure to release and unlock land.

The employment lands release program should focus on the following objectives:

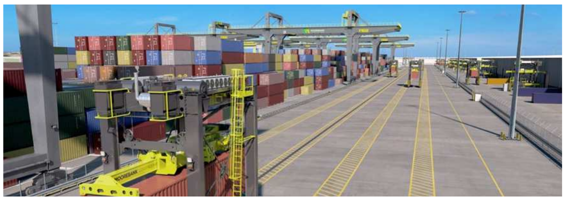
- Employment Attraction
- Management and coordination of infrastructure delivery
- Timely, transparent and affordable land release

Recommendation: The Government should establish a Land Release Program to provide clarity, transparency and investment certainty for industry and delivery agencies.

4. A Western Sydney Champion

Western Sydney needs a champion. Western Sydney is the fastest growing region in the country, within 30 years it will grow to be a city the size of Adelaide. UDIA NSW contends that in order for Western Sydney to responsibly manage its growth there needs to be a dedicated delivery authority which is responsible and accountable for this growth.

Recommendation: Establish a Western Sydney Delivery Authority to handle the growth and prosperity of the region.

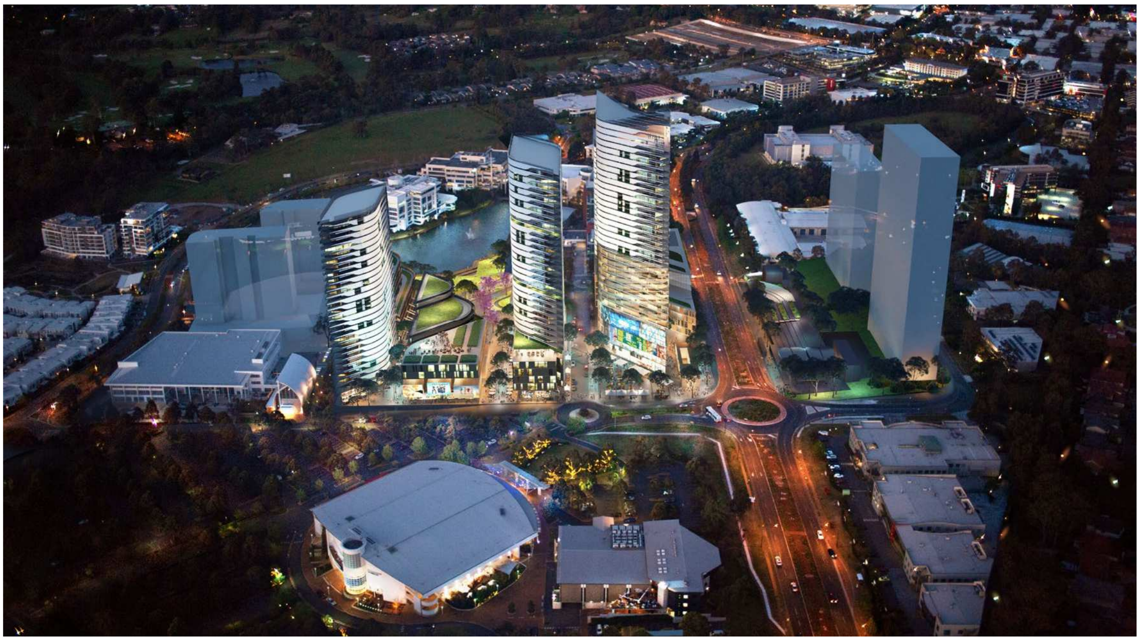


Images: Yennora Distribution Centre

5. Land Use Flexibility

It is important that land use is not too prescriptive as it tends to bring about limitations and a focus on what cannot be done with land. Norwest Business Park is a case study which should be followed when planning for employment lands in Western Sydney. The flexibility in Norwest Business Park's zoning allowed for the evolving market demands and the impact global trends have had on land use and density requirements to be accommodated. Updating and renewal of Norwest Business Park would have been considerably more difficult had it been subject to a rigid, traditional zoning control.

Recommendation: Land in and around WSEA should be subject to a flexible zoning arrangement to allow for multiple and mixed uses to improve amenity outcomes, optimise the employment generating potential and increase delivery efficiencies.



Images: Norwest Business Park circa 1992 & The Future of Norwest Business Park (Marketown Planning Proposal)

06 ABOUT UDIA

Officially established in 1963, UDIA NSW has grown to become the leading industry body representing the interest of the NSW property development sector.

UDIA NSW aims to secure the viability and sustainability of the urban development industry for the benefit of our members and the communities they create by advocating for more liveable, affordable and connected cities.

We represent the leading participants in the industry and have more than 500 member companies across the entire spectrum of the industry including developers, institutional investors, third party logistics providers, financiers, builders, suppliers, architects, engineers, lawyers, town planners, academics and state and local government bodies. A quarter of these members are based in regional NSW.

UDIA NSW members are represented by an elected Council of 13 leading industry practitioners who are responsible for the strategic direction of the Institute. UDIA NSW also has an extensive committee and regional chapter structure that involves more than 300 of the development industry's key stakeholders in policy formulation.

Document Design by **Bdesigned Graphics**

UDIA NSW

Head Office
Suite 2, Level 11, 66 King Street
Sydney NSW 2000

PO Box Q402, QVB Post Office
NSW 1230

P +61 2 9262 1214
F +61 2 9262 1218
E udia@udiansw.com.au

www.udiansw.com.au

ABN: 43 001 172 363

POLICY CONTACT

Justin Drew
General Manager, Policy & Corporate Affairs

E jdrew@udiansw.com.au
M 0422 226 878

APPENDIX 2 – Letter from Sydney Water

Sydney WATER

21 June 2018

Paul Solomon
Frasers Property Australia Pty Limited
Level 3, Building C, 1 Homebush Bay Drive
Rhodes NSW 2138

RE: Sydney Water Feasibility enquiry - Rezoning proposal for Frasers/Altis development at Mamre Rd,

Dear Paul

Following on from your meeting with Kristine Leitch, regarding your re-zoning application at Mamre Road, please find enclosed updated information on your feasibility enquiry regarding water and waste water servicing in relation to:

The creation of warehousing and a logistics hub at Mamre Road and Bakers Lane, with associated employment creation of 2,500 jobs. We understand that your development consists of five stages with the first two aiming to start in 2019-2022 and the final stage to be completed by 2026-2029.

The Growth Planning and Development Team met with relevant planning personnel on the 20th June, who have re-assessed your proposal and note the following:

Water

- Our servicing investigation shows that the drinking water systems of Minchbury Elevated and Erskine Park Elevated have adequate capacity to service the proposed development.

Waste Water

- Our servicing investigation shows that the waste water system at St Marys' has adequate capacity to service the proposed development.

Your proposed development has been included within our future planning works. If any changes should arise to timescales and employment numbers we request notification of this as soon as practicable.

Following re-zoning and finalisation of any significant transport infrastructure locations within the site, you will need to re-contact Sydney Water to carry out an Options Assessment to ascertain detailed options for the development including; modelling, potential pumping, amplifications and pipe alignment options. Furthermore, detailed planning, regulatory and servicing requirements will be provided once the development is referred to Sydney Water for a Section 73 compliance certificate.

Due to accelerated growth and development within Sydney please be advised that this Servicing Advice is accurate at date of issue only.

Yours sincerely

Paul Mulley
Manager, Growth Planning and Development

APPENDIX 3 – Market Opinion- CBRE

ADVISORY AND TRANSACTION SERVICES - INDUSTRIAL AND LOGISTICS

CBRE Pty Ltd
ABN 57 057 373 574

Level 5
10-14 Smith Street
Parramatta NSW 2150

T 61 2 9891 3330
F 61 2 9891 5533

www.cbre.com.au

Altis Property
Attn: Stephen O'Connor
Level 14, 60 Castlereagh Street
Sydney NSW 2000

13 July 2018

Dear Stephen,

Based on the current dynamics of the industrial market in the greater Western Sydney area, the Site at Kemps Creek would, in our professional view, provide a new opportunity for both traditional warehousing and distribution facilities, as well as new State-of-the-art logistics and transport.

There is currently a critical shortage of industrially zoned land and serviced land ready for development in Western Sydney. This has manifested into a sharp spike in industrial land values and increased demand in all industrial categories.

The result of this has caused some tenants to look in other more affordable inter-state markets where there is an adequate supply of land. The land at Kemps Creek with over 1.1 Million sqm and a total Gross Floor Area of 650,000 sqm, would be in strong demand currently and this would continue to be the case, in our view, for the foreseeable future.

Kind Regards,

M. Greengarten

Moshe Greengarten
CBRE | Director
Advisory & Transaction Services
Industrial & Logistics
+ 61 404 277 993
moshe.greengarten@cbre.com.au

FINDING ABSOLUTE ALIGNMENT™

The pendulum symbol represents our commitment to being in alignment with our partners.

We're an Australian business investing on behalf of leading industry and public-sector superannuation funds, as well as a range of family offices.

EG is a leading real estate fund manager founded in 2000. We're a disciplined, entrepreneurial group of people with over AU$1.25 billion in assets under management. Our team's ability to identify and realise opportunities has helped us achieve consistently high, risk-adjusted returns for our investors.

REZONE
REFURBISH
REPOSITION
REDEVELOP
RESONATE

BALANCING INTERESTS & OBJECTIVES
EG SERVING POWERFUL PARTNERSHIPS.

SYDNEY
Governor Phillip Tower
Level 21, 1 Farrer Place
Sydney NSW 2000
Australia

MELBOURNE
Kurrajong House
Suite 2, Level 7
175 Collins Street
Melbourne VIC 3000
Australia

T. +61 2 9220 7000
E. contact@eg.com.au
www.eg.com.au

EG