

Appendix J

Retail and Commercial Land Use Analysis

CUDGEGONG ROAD STATION PRECINCT SOUTH

RETAIL AND COMMERCIAL LAND USE ANALYSIS

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EXECUTIVE SUMMARY

BACKGROUND

The NSW Government is currently building the Sydney Metro Northwest (SMNW) that is due to start operations in 2019. The SMNW is Stage 1 of the overall Sydney Metro project and involves the construction of eight new metro stations supporting infrastructure between Cudgegong Road and Epping and converting five existing stations between Epping and Chatswood. Stage 2 will deliver a new metro rail line from Chatswood through Sydney's CBD to Sydenham (Sydney Metro City and Southwest).

Landcom and the Sydney Metro Delivery Office (SMDO), part of Transport for NSW (TfNSW), are working in collaboration to develop walkable, attractive, mixed use places around the SMNW stations. This includes using the surplus government owned land located around the Cudgegong Road Station.

The subject site (Cudgegong Road Station Precinct South) is located between Cudgegong Road, Tallawong Road, Schofields Road and the Metro corridor and comprises around 7.8ha of government owned land. It is within the southern part of the broader Cudgegong Road Station Precinct (Area 20) of the North West Priority Growth Area, a substantial land release area for homes and jobs in Sydney's northwest.

AEC Group (AEC) is engaged to carry out a Retail and Commercial Land Use Analysis to support the State Significant Development Application (SSDA) for the Station Precinct South concept proposal. The concept proposal allows for approximately 1,100 dwellings and supporting retail, commercial and community uses. It also includes a central park, new streets and supporting public domain.

PURPOSE & APPROACH

The overarching objectives of the Study are to:

- Carry out economic and property market analysis to assist Landcom prepare an SSD application to guide development that will accommodate future growth on government-owned lands around the train station.
- Address the requirements of the SEARS (Secretary's Environmental Assessment Requirements).

The Land Use Analysis will have regard to anticipated residential yields in the catchment, also considering the implications of proposed caps on dwelling densities in the recently released North West Priority Growth Area Land Use Infrastructure and Implementation Plan (LUIIP).

In order to fulfill the requirements of the brief, the following tasks are carried out:

- Review of state and local planning policies to understand the local and regional context and potential role for Cudgegong Road Centre and Station Precinct South.
- Analysis of development activity and anticipated dwellings/population growth in the immediate catchment and broader North West Priority Growth Area.
- Investigation of market capacity for a retail-based centre in Cudgegong Road Centre (also referred to as "Cudgegong Road town centre") and more specifically Station Precinct South considering:
 - Existing retail and commercial floorspace in the region.
 - Potential role for Cudgegong Road Centre and the context of expected population growth and competitive context.
 - Potential for future retail floorspace on Station Precinct South, noting likely market demand and development controls.
 - Non-retail facilities, particularly commercial spaces that would support a vibrant town centre and precinct.
- Recommendations on land use mix and staging, review of economic needs of Local Centre and the wide North West priority growth area and identification of matters for consideration for planning and delivery.
- Consideration of economic impacts of the Proposal.

While examining the broader Cudgegong Road Centre, the Study findings focus on Station Precinct South, acknowledging the potential for development on these lands to deliver investment impetus to the broader Precinct.

PLANNING CONTEXT & DEVELOPMENT POTENTIAL

Early precinct planning in the growth centre structure plans envisaged 2,500 dwellings in the Cudgegong Road Precinct (or Area 20 as it was then named). The finalisation report (2015) increased the residential capacity to 4,400 dwellings and recommended a retail centre in the order of 12,500sqm to 15,000sqm of floorspace.

The LUIIP (2017) recognised structural changes in the market and proposed revised planning controls to facilitate smaller format housing and higher residential densities. Residential capacity was revised to circa 5,000 dwellings.

This study undertook a review of the development pipeline in the Precinct (i.e. dwellings that are already in the system, either with development approval or in early planning), finding that the number of dwellings proposed already exceeds the capped potential of 5,000, with some 5,700 dwellings proposed (not including dwelling potential on the Site). The majority comprise higher density formats, i.e. units and apartments.

Not all of the Cudgegong Road Precinct is currently progressed for development; there are parts of the precinct that remain undeveloped. An estimate of the remaining land in the Precinct not progressed for development is made by deducting the land area of those projects in the pipeline from the overall developable area of the Precinct. By applying average market densities to the remaining land, an additional dwelling potential of circa 2,400 dwellings is calculated.

The LUIIP acknowledges the difficulty of infrastructure provision that accompanies escalating residential densities. In order to ensure new communities are supported with adequate infrastructure, the LUIIP proposes dwelling maximums (or caps) be imposed on each precinct. Notwithstanding, the number of dwellings in the development pipeline in recent years already exceeds the revised dwelling capacity contemplated.

Not all development proposals eventuate into delivery, hence it is reasonable to assume not all of the 5,700 dwellings proposed will be delivered. If all the 5,700 proposed dwellings were delivered, along with circa 1,100 dwellings on the Site and a further 2,400 dwellings in the rest of the Precinct, there could potentially be a total of more than 9,000 dwellings.

The Study examines two growth scenarios - one where dwellings equivalent to those in the pipeline (including on the Site) are delivered (approximately 6,800 dwellings) and a scenario where some 9,200 dwellings are delivered.

SOURCES OF DEMAND

The retail hierarchy around the Cudgegong Road Centre is broadly well defined and incorporates existing and planned retail centres of various sizes. It is close to Rouse Hill Town Centre which is the highest order centre.

Alex Avenue (Schofields) which will be a new sub-regional centre in addition to the existing sub-regional centre at Stanhope Village. Neighbouring precincts have provision for their own, smaller centres to serve localised demand emanating from their future populations. This will limit the role of the Cudgegong Road Centre to provision of daily and some weekly shopping needs of a localised catchment.

Local residents, workers and commuters will generate demand for retail and commercial floorspace in the Cudgegong Road Centre.

Residents will account for the largest proportion of demand. Their needs will focus on localised goods and services such as supermarket floorspace, food specialty shops, non-food specialty uses like pharmacies, florists and hardware stores, retail services like hairdressers, beauticians and dry cleaners, non-retail services like real estate agents, post offices and banks and food and beverage uses like cafes, restaurants and fast-food take-aways.

The expected above average levels of affluence of many households and the greater prevalence of dual-working households with children, increasing their demand for accessible retail. The expected high proportion of young families with young children will create particular demand for tailored retail goods and services, including support facilities like GP surgeries, childcare and community facilities. The provision of commercial office floorspace that offer residents the ability to work close to home would be beneficial.

Workers and commuters will generate additional demand. This will largely be for supermarket and convenience retail, food and beverage outlets and retail services. The emphasis for these users is on quick and conveniently accessible facilities. This demand will peak during the weekday morning and evening rush-hours and at lunchtime.

DEMAND ASSESSMENT

Retail Land Uses

The Study assesses the demand for retail, commercial and other land uses in the Cudgegong Road Centre. Demand is estimated both qualitatively and quantitatively.

- The quantitative assessment applies demand assumptions to the sources of demand.
- The qualitative assessment considers additional uses which would be appropriate in the context of the role and function of the centre and the socio-demographic characteristics of its catchment population.

After having considered the Cudgegong Road Centre's potential, the assessment considers the role and opportunity for Station Precinct South.

Table ES.1 summarises the floorspace potential in two growth scenarios:

- **Scenario 1 (Capped Growth)** assumes a total development yield of 5,000 dwellings in the Cudgegong Road Precinct which includes 1,100 dwellings on the Site, and circa 1,800 dwellings in Riverstone East Stage 1, thereby giving circa 6,800 dwellings in the Main Trade Area (MTA).
- **Scenario 2 (High Growth)** assumes a development yield of 9,200 dwellings in the Cudgegong Road Precinct which includes the Capped Growth scenario and further development potential of land not as yet progressed, and circa 1,800 dwellings in Riverstone East Stage 1. This gives circa 11,000 dwellings in the Main Trade Area.

Achievement of the Capped Growth scenario implicitly assumes not all dwellings proposed in the development pipeline will be approved/progressed (approximately 5,700 dwellings at the time of writing and not including development potential on the Site).

Table ES.1: Total Retail Floorspace Demand, Cudgegong Road Centre, GFA (sqm)

Floorspace Demand	2017	2018	2019	2020	2021	2026	2031	2036
Capped Growth Scenario								
Supermarket	243	629	1,327	2,023	4,135	5,328	5,476	5,629
Non-supermarket Retail	417	1,078	2,275	3,474	7,136	9,219	9,475	9,379
Non-retail shopfronts @ 20%	132	342	720	1,099	2,254	2,909	2,990	3,073
Total	793	2,049	4,322	6,597	13,525	17,457	17,942	18,441
High Growth Scenario								
Supermarket	243	629	1,328	2,052	4,288	6,260	8,004	9,299
Non-supermarket Retail	417	1,078	2,277	3,526	7,403	10,825	13,816	16,039
Non-retail shopfronts @ 20%	132	342	721	1,116	2,338	3,417	4,364	5,068
Total	793	2,049	4,325	6,693	14,029	20,502	26,184	30,405

Note: Retail floorspace demand = total resident demand in the MTA plus an additional 12% allowance to allow for commuters, local workers and infrequent customers from outside the MTA

Source: AEC

Residents in the MTA are estimated to generate demand for between 11,200sqm and 11,700sqm of total GFA at Cudgegong Road Centre by 2021 in the Capped Growth and High Growth scenarios respectively.

After considering demand from workers, commuters and infrequent visitors to the area, overall demand increases to 13,500sqm and 14,000sqm by 2021 in the Capped Growth and High Growth scenarios respectively. Assuming these levels of population growth are permitted and do eventuate, after allowing for non-retail floorspace, the planned capacity at the Cudgegong Road Centre will be reached by this time.

Commercial Land Uses

The pace of development in digital technology is enabling working remotely progressively more viable and attractive for a large cohort of professional workers. Digital technology is also driving the rise of entrepreneurship on a national level. Coupled with other market and social trends such as activity-based working and work-life balance, both small and large businesses are increasingly becoming attracted to co-working arrangements.

Employee memberships to co-working facilities are increasingly being made available by large corporates in facilitating flexible work arrangements for those employees who may live a distance from the office. Current market activity suggests demand for, and indeed supply of these type of co-working facilities within Western Sydney is increasing. The availability of flexible offices close to large residential areas providing workers an alternative to lengthy commutes is a primary driver of demand for many Western Sydney based co-working providers. An estimated 30% of corporate real estate portfolios will include flexible space by 2030 (JLL, 2016) meaning strong demand growth for co-working facilities.

Market activity is also responding to growth in demand from small businesses. Co-working users are traditionally comprised of a higher proportion of self-employed, freelancers or small companies compared to occupiers of traditional offices. This accords with the profile of Western Sydney where 97% of business have less than 19 employees (Western Sydney Business, 2017). Overall, emerging market and social trends suggest the Cudgegong Road Centre is well-located to benefit from the rise in demand for co-working space in Western Sydney.

The Cudgegong Road Centre exhibits many locational attributes necessary to deliver a successful co-working facility. This includes localised amenity (cafes, shops), high quality physical environment, proximity to residential areas dominated by households employed in white collar employment jobs and proximity to a major transport node. Delivery of the Cudgegong Road train station will provide strong regional public transport linkages to and from the centre. Residential development within the Cudgegong Road Precinct and broader North West PGA will deliver a large population catchment in close proximity, as will retail, non-retail and community facilities.

Accordingly, development of a co-working facility within the Cudgegong Road Centre has merit for further consideration. This is a strong recommendation for the developer rather than being a requirement. In order to ensure financial viability of any development, a large floorplate is needed to deliver a range of suite sizes, open areas, hot desks, meeting rooms, function areas and the like.

Co-locating flexible offices with conventional office suites is a logical consideration to foster a corporate community within the Cudgegong Road Centre whilst providing co-working users opportunity to expand and upgrade premises within the Centre should they require, upon reaching further business maturity.

Provision of an amenity-rich commercial environment will play a major role in determining the success of a co-working facility within the Cudgegong Road Centre. Delivery of other land uses, specifically retail, would be a pre-requisite in order to ensure market appeal and take-up of co-working space. The Cudgegong Road Centre must be an attractive and convenient location in order to appeal to potential users.

Opportunity for Station Precinct South

Initial precinct planning for the Cudgegong Road Precinct makes provision for 12,500sqm to 15,000sqm of retail and commercial floorspace in the B2 Local Centre (north of the station).

Development momentum and activity suggests that even increased maximum dwelling capacities (though capped) in the Cudgegong Road Precinct could ultimately be exceeded significantly. It is unknown at this stage the extent to which additional development will be permitted beyond the capped densities in the Cudgegong Road Precinct and neighbouring Riverstone East Stage 1 given the pressures on infrastructure.

This Study explores a scenario where dwelling density is capped (circa 5,000 dwellings in the Cudgegong Precinct) as well as a scenario where some increase to dwelling capacity will be permitted, to be equivalent to that which is in the pipeline, plus development on lands not yet progressed as well as accounting for the dwelling potential of the Site in the B4 Mixed use zone south of the station.

Based on dwelling numbers in both scenarios, our demand projections indicate a Centre of this size (12,500sqm to 15,000sqm) could be fully realised by 2021 once allowance is made for additional land uses such as commercial floorspace for offices and other commercial. Demand for retail floorspace will continue to grow beyond 2021.

The B4 Mixed Use portion of the Site is currently subject to a floorspace cap restricting the size of retail premises to 300sqm. This was intended to ensure that retail uses in the B4 Mixed Use zone south of the train station would not compete with the B2 Local Centre north of the train station.

The level of demand identified means a fully realised centre on the B2 Local Centre zoned land is likely to exceed the initial planned capacity of 12,500sqm to 15,000sqm for the town centre. On this basis, the Study finds there is justification for relaxing the restrictive retail premises cap. This would allow the delivery of a metro-style supermarket of at least 1,200sqm GFA in Station Precinct South.

Given the level of demand identified and assuming dwellings development occurs as estimated, the B2 Local Centre could be fully realised by 2021 and include a full-line supermarket. Under the existing planned capacity, it will have reached its full potential. The B4 Mixed Use land (at Station Precinct South) will make an important contribution towards meeting the demand for additional retail goods and services that remains unmet. This unmet demand will increase every year. A metro-style supermarket on Station Precinct South would cater directly to some of the unmet demand and would help the Cudgegong Road Centre respond better to the needs of shoppers.

Table ES.2 shows an indicative floorspace mix for Station Precinct South if the retail premises cap were relaxed, broadly summarised into the following categories:

- Retail - 4,500sqm.
- Commercial - 3,000sqm.
- Community/other non-retail - 1,500sqm

These figures represent a potential land use mix and may not necessarily be the outcome in future applications.

Table ES.2: Alternate Potential Land Use Mix, The Site

Land Uses	Units	Floorspace (GFA, sqm)	Potential Occupiers
Retail			
<i>Food</i>			
Small Supermarket	1	1,200-1,500	
Other Food	4-5	400	Bakery, patisserie, butcher, fishmonger, greengrocer, deli, health food, ethnic food
<i>Food and Beverage</i>			
Take-aways	8	400	
Restaurants	2	500	
Cafés/restaurants	6-8	600	
<i>Non-food</i>			
Pharmacy	1	200	
Other non-food	5-7	500	Florist, hardware store, newsagency, electronics, haberdashery, household goods, giftware
<i>Personal Services</i>	5-7	500	
<i>Non-retail Shopfronts</i>			
General	3-4	300	Flexible arts/dance/community space, retail estate agency, bank, travel agency, lawyers, tax agent
Childcare Facilities	1	800	
Health and Fitness Studio	1	400	
Total Retail	43-52	Approx. 6,000	
Commercial			
Commercial Office	1	2,000	Mix of co-working/flexible space and conventional office space
GP Surgery	1	500	An alternative to commercial office uses

Land Uses	Units	Floorspace (GFA, sqm)	Potential Occupiers
Medical Suites	5	500	An alternative to commercial office uses
Total Commercial	7	3,000	

Source: AEC

If a metro-style supermarket were to be provided on the Site it would not detract from the vitality or viability of the B2 Local Centre. The Local Centre would have a full-line supermarket in addition to a retail offer that is broader and deeper than the Site. There is ample demand for retail goods and services in this locality and without the Site meeting some of the unmet demand for supermarket-related floorspace residents, workers and commuters may need to travel to other centres instead.

Providing a metro supermarket on the Site would:

- Allow easier access to a supermarket offer for residents living south of the train station and for commuters using the car park on Schofields Lane.
- Allow a better mix of complementary retail uses to be provided across the B4 lands.
- Be well aligned to the aim of this Centre to provide convenient, accessible localised retail goods and services to local residents, workers and commuters.
- Increase the overall attraction of Cudgegong Road as a centre to spend time in. It would promote activation of the Site throughout the week and at weekends.

Some flexible community space could be considered for Station Precinct South commensurate with the needs identified in the Cudgegong Road Station Precinct South State Significant Development Application (SSDA) Social needs and impact assessment (GHD, 2018). Community uses would contribute to the daily activity and vibrancy of the precinct.

Temporary/Interim Uses

Prior to March 2021 demand will emanate from the following main sources and is likely to be the lowest possible demand scenario:

- **Commuters** who will create demand for convenience and catering retail uses.
- **Metro facility workers** who will create localised demand for convenience and food catering uses.
- **Building workers** who are temporary but who will nevertheless demand localised food and catering facilities.
- **Local residents** who will seek to have their demand met elsewhere if retail is not delivered in the precinct.

The cumulative demand from residents, commuters as well as temporary and permanent workers would effectively make a range of (permanent) retail uses viable on the Site. Utilisation of the Site for temporary/interim uses should ideally be focused on uses that all the above user segments can benefit from and that will serve as an attraction to the centre and provide precinct activation prior to the completion of development surrounding the station. Eating/dining facilities and entertainment uses are suitable for this purpose.

Prior to establishment of a new centre, local residents will conceivably have to access larger centres for their high order shopping and their dining and entertainment needs. An eating/entertainment type of offer in the early years would benefit the most users and will be demanded at all times - weekdays, evenings and weekends.

Quirky and unusual spaces would appeal to consumers' desire for a 'unique experience' and could include:

- **Semi-Permanent Metal Structures** are beneficial as occupiers can easily move in and out of them, with no extensive fitouts required. Though they don't offer much flexibility if an occupier requires larger space. They usually focus on food operators who only need a small space, rather than a broader range of retail uses that are normally found in a local centre.

Set-up costs can be fairly sizeable however they would give the area a 'buzz' and the flexibility of uses would allow the retail mix to be dynamic and evolve over time. It would also help to 'test' customer demand which could inform the final composition of the ultimate centre.

- **Day/evening Markets with Temporary Market Stalls** have no upfront cost to the landowner and there is more size flexibility for market stalls versus semi-permanent metal structures. That is why they tend to have a broader offer, not just for catering uses but fresh fruit and veg, fishmongers, cheesemongers, meat sellers etc.

This use would be complementary to other types of semi-permanent structures as it would provide additional uses not accommodated in a semi-permanent structure but which residents will want. The market stalls could be operated when there is most demand, e.g. Thursday/Friday/Saturday rather than daily which may not be viable for traders.

- **Temporary Wooden Structures** could be semi-permanent in nature and are a bit more versatile compared to semi-permanent metal structures and so they offer, for example, larger restaurant or event space and a mix of uses of different sizes. They can be put up and taken down fairly easily so they are often shifted around development sites in London. It could be a lower cost use than semi-permanent metal structures and has more flexibility but could take longer to get up and running as they may need to be designed and built from scratch.
- **Temporary (Pop-up) Entertainment Uses** - a deckchair cinema similar to Bondi or Centennial Park would draw from a wide area, with set-up costs relatively low (generally borne by the operator). It would also support demand for 'eat street' type uses and complement seasonable food festivals or outdoor theatre shows.

A childcare facility is in theory a community use that should be provided as early as possible. However given the statutory requirements and compliance issues for childcare centres, this is not likely to be a viable temporary use.

ECONOMIC IMPACTS

Notwithstanding the important role for a small convenience-based retail in the Station Precinct South, the majority of retail and non-retail facilities would be focused in the B2 Local Centre zone north of the train station.

There is not a defined retail or centres hierarchy in the North West Priority Growth Area. At the foregoing recommended retail and non-retail floorspace of 6,000sqm, Station Precinct South would effectively serve a localised convenience role to surrounding residents, workers and commuters and supplement the role of the Local Centre to the north of the station. Higher order retail needs will continue to be met in higher order centres.

Operational Impacts

On completion of development, the Site is expected to generate ongoing economic/operational activity through direct turnover generated by the retail and commercial operational activities.

The activity associated with the Station Precinct South concept proposal is estimated by the Study to support the following economic activity through direct and flow-on impacts (indirect impacts) on an annual basis, once fully developed and operational:

- \$136.0 million in output (including \$64.4 million in direct activity).
- \$71.2 million contribution to Gross Regional Product (GRP, including \$32.1 million in direct activity).
- \$20.0 million in incomes and salaries paid to households.
- 602 full-time equivalent (FTE) jobs (including 350 direct employees on the Site).

Household Expenditure Supported

The future residents of dwellings will support household expenditure activity. Some of this household expenditure will result in increased economic activity outside of the Site and in the Blacktown LGA. Household expenditure activity should not be combined with the operational impacts, as some of these impacts are likely to already be captured in the assessment (e.g. some expenditure on retail and food and beverage by households is likely to be spent at the retail and food and beverage outlets locating on the Site).

Household expenditure associated with the net residential dwellings is estimated by the Study to support the following economic activity through direct and flow-on impacts (per annum):

- \$80.7 million in output (including \$40.8 million in direct activity).

- \$47.0 million contribution to Gross Regional Product (GRP, including \$25.1 million in direct activity).
- \$23.1 million in incomes and salaries paid to households.
- 374 full-time equivalent (FTE) jobs (including 235 direct employees).

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1. INTRODUCTION

1.1 BACKGROUND

The NSW Government is currently building the Sydney Metro Northwest (SMNW) that is due to start operations in 2019. The SMNW is Stage 1 of the overall Sydney Metro project and involves the construction of eight new metro stations supporting infrastructure between Cudgegong Road and Epping and converting five existing stations between Epping and Chatswood. Stage 2 will deliver a new metro rail line from Chatswood through Sydney's CBD to Sydenham (Sydney Metro City and Southwest).

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The subject site, the Cudgegong Road Station Precinct South, is located between Cudgegong Road, Tallawong Road, Schofields Road and the Metro corridor and comprises around 7.8ha of government owned land. It is within the southern part of the broader Cudgegong Road Station Precinct (Area 20) of the North West Priority Growth Area, a substantial land release area for homes and jobs in Sydney's northwest.

AEC Group (AEC) is engaged to carry out a Retail and Commercial Land Use Analysis to support the State Significant Development Application (SSDA) for the Station Precinct South concept proposal. The concept proposal allows for approximately 1,100 dwellings and supporting retail, commercial and community uses. It also includes a central park, new streets and supporting public domain. The lands are immediately south of the train station and collectively referred to as 'the Site' or 'Station Precinct South'.

1.2 SCOPE AND APPROACH

The overarching objectives of the Study are to:

- Carry out economic and property market analysis to assist Landcom prepare an SSD application to guide development that will accommodate future growth on government-owned lands around the train station.
- Address the requirements of the SEARS (Secretary's Environmental Assessment Requirements).

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 - Potential for future retail floorspace on the Site, noting likely market demand and development controls.
 - Potential non-retail facilities, particularly commercial and community spaces that would support a vibrant town centre and precinct.
- Recommendations on land use mix and staging, review of economic needs of Local Centre and the wide North West priority growth area and identification of matters for consideration for planning and delivery.
- Consideration of economic impacts of the Proposal.

While examining the broader Cudgegong Road Town Centre, the Study findings focus on Station Precinct South, acknowledging the potential for development on these lands to deliver investment impetus to the broader Precinct.

1.3 ASSUMPTIONS AND LIMITATIONS

The Study is predicated on a number of assumptions and is subject to a number of limitations.

It is acknowledged that a retail centres study for the North West Priority Growth Area has not been carried out, hence the Land Use Analysis seeks to identify a role for the Cudgegong Road Town Centre based on an analysis of the local catchment and existing competitive context. The analysis will not seek to designate roles for individual centres that are proposed or still in planning.

It is unclear the ultimate permitted dwelling capacity, hence the assessment of market capacity to accommodate a new retail-based centre is based on some key assumptions on population growth:

- Future expectations of population growth in the catchment is calculated from development pipeline proposals and observations of development activity.
- Scenario analysis on permitted dwelling densities given that the quantum of development proposed exceeds that which is anticipated in initial precinct planning and in the LUIIP.
- In making projections, the Study assumes a stable economic climate in Sydney and Australia.

Population growth assumptions are key to demand for retail and commercial floorspace in the Cudgegong Road Town Centre and indeed in Station Precinct South. Should the assumed growth rates require revision, the Study findings will require review.

This Study is prepared on the instructions for the party to whom it is addressed and is not suitable for use other than by that party.

2. CUDGEGONG ROAD CENTRE CONTEXT

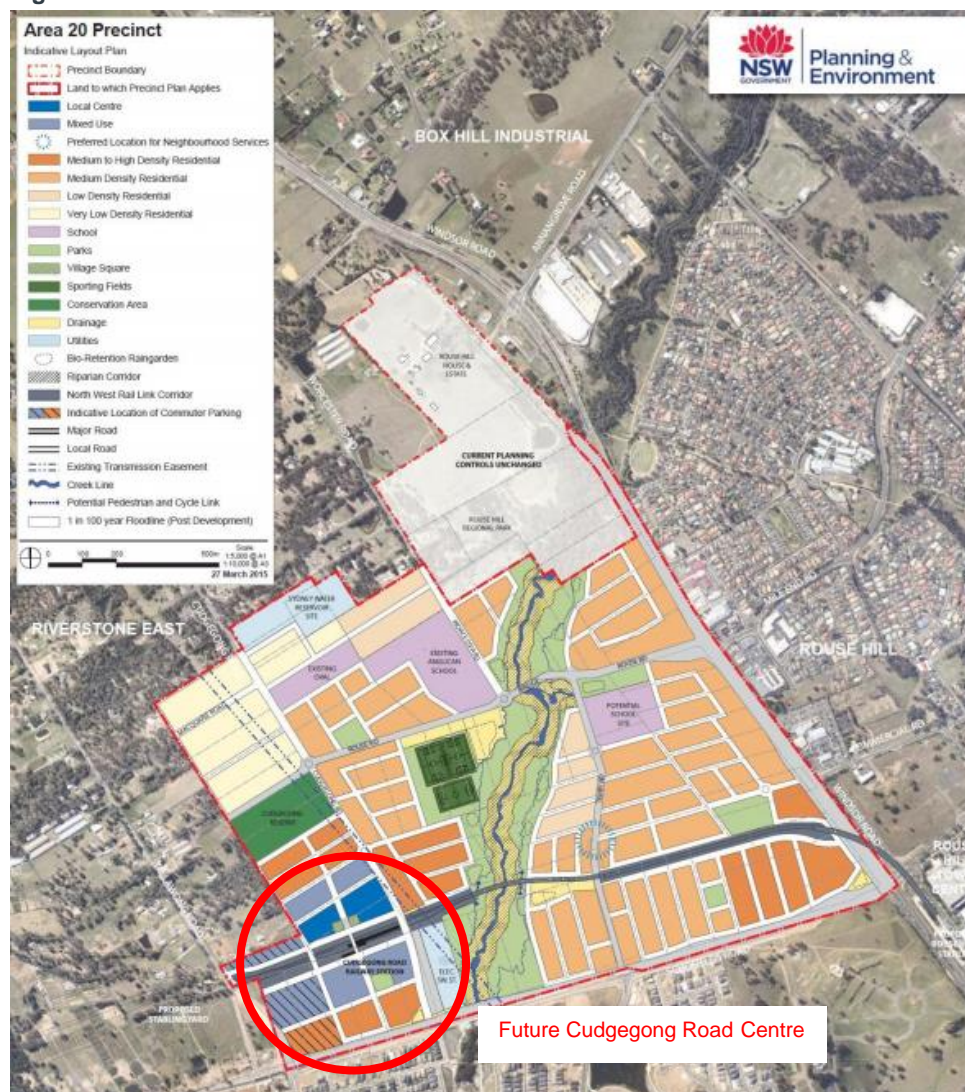
2.1 LOCATION

Cudgegong Road or the Area 20 Precinct ('the Cudgegong Road Precinct') forms part of the North West Priority Growth Area (referred to as the North West PGA). It is situated approximately 41km north-west of Sydney CBD and 3km north-west of Rouse Hill Town Centre. The Cudgegong Road Precinct is bounded by Windsor Road (east), Tallawong Road (west), Schofields Road (south) and broadly the Rouse Hill Regional Park in the north.

The new Cudgegong Road station will be the last stop on the Sydney Metro Northwest which is due to commence operations in 2019. Stations along the Sydney Metro Northwest have been planned as part of the Sydney Metro Northwest Urban Renewal Corridor with structure plans prepared for each of the station precincts. Station precincts along the Sydney Metro Northwest most recently rezoned are Kellyville and Bella Vista. The Cudgegong Road Precinct was rezoned in 2011 as part of the North West Priority Growth Area.

Precinct planning identifies land in the Cudgegong Road Precinct and future centre as shown in **Figure 2.1** and **Figure 2.2**.

Figure 2.1: Area 20 Precinct Plan



Source: DPE (2015)

The future centre is identified to be situated around the Cudgegong Road station. Immediately to the north of the station is B2 Local Centre zoned land and to the south of the station is B4 Mixed Use zoned land.

Figure 2.2: Future Cudgegong Road Centre



Source: DPE (2016)

2.2 SITE CONTEXT

The Cudgegong Road Precinct is bordered by Windsor Road (east), Tallawong Road (west), Schofields Road (south) and broadly the Rouse Hill Regional Park in the north.

Rouse Hill is located just outside the North West PGA, incorporating the Rouse Hill town centre which contains significant retail facilities and is a major employer for the area. Similarly, Norwest and Bella Vista business parks which are outside the North West PGA also accommodate major employment opportunities for the region.

The new Cudgegong Road train station orientates east-west in alignment to the rail corridor, with a large commuter car park for approximately 1,000 cars immediate southwest of the train station. A Sydney Metro Trains Facility is located immediately west on Tallawong Road, accommodating state-of-the-art monitoring, maintenance and stabling facility.

Sydney Metro Delivery Office acquired land around the future Cudgegong Road station to support the delivery and operation of the Sydney Metro Northwest project.

This area comprises a narrow strip of B2 Local Centre zoned land immediately north of the station as well as B4 Mixed Use and R3 Medium Density Residential land to the south of it. The Subject Site is depicted in **Figure 2.3**.

Figure 2.3: The Site



Source: Landcom

2.3 PLANNING CONTEXT

The North West PGA is approximately 10,000ha in size and straddles the local government areas of The Hills Shire, Blacktown and Hawkesbury. There are 16 precincts, some of which have been released and rezoned. Originally referred to as the North West Growth Centre (NWGC), since rezoning of the first NWGC precinct (North Kellyville) in 2008, several rail infrastructure projects have commenced and been completed.

- The North West PGA is now serviced by the Cumberland and North Shore, Northern and Western lines.
- The Quakers Hill to Vineyard rail duplication with a new train station at Schofields has been in service since 2011. Delivered in two stages, the project was intended to provide capacity for additional peak service on the Richmond branch lines to cater for future passenger demand.
- The Sydney Metro Northwest (formerly North West Rail Link) is the first stage of Sydney Metro and will be the first fully automated metro rail system in Australia. Sydney Metro City & Southwest is the second stage. Construction is underway with operations scheduled for 2019. The new metro will connect the North West PGA to Chatswood via Epping, beginning at Cudgong Road station. An extension to the Sydney Metro Northwest to Marsden Park to the west is identified for longer term investigation.

In 2014 the Department of Planning and Environment introduced new planning controls (referred to as 'Housing Diversity Package') to increase housing choice and improve affordability in the Growth Centres, amending the Growth Centres SEPP and Growth Centre Precinct Development Control Plans (DCP) to provide consistent planning controls for the assessment and delivery of small lot housing.

Development in the North West PGA has been keen in the last 2-4 years as market acceptance and overall desirability of the area continues to build. Implementation of the housing diversity package in 2014 contributed to a distinct uptick in development activity and momentum.

2.3.1 Central City District Plan

The Greater Sydney Commission adopted the Central City District Plan (the District Plan) in March 2018. The Blacktown LGA is now incorporated within the Central City District Plan.

The District Plan articulates key directions for the district, including to deliver a more productive region. Growing investment, business opportunities and jobs in strategic centres is a key tenet of achieving productivity for the district. Equally important is the priority to create and support local centres which are the focal point of neighbourhoods and the focus for public transport.

Local centres with supermarkets greater than 1,000sqm are identified to account for nearly 18% of all jobs in Greater Sydney, playing an important role to meet residents' needs for shopping, social interaction, cultural and creative needs. Many local centres are increasingly supported by residential development, however, the District Plan cautions that housing should not compromise the ability of the centre to grow, expand and change over time.

The District Plan states an importance to ensure the success of local centres and high streets through specific and flexible measures to improve activation and viability. These measures could include provision of creative workspaces, opportunities for social, creative or cultural enterprise, pop-up retail and other innovative uses. Activation of side streets could assist in some centres.

The planning for local centres is predominantly led by councils, led by a strategic planning process which identifies how a proposed hierarchy influences decision-making for commercial, retail and other uses.

As an important strategic centre in the North West region, Rouse Hill's role is envisaged to be expanded concurrent with delivery of Sydney Metro Northwest and Rouse Hill train station. A greater proportion of knowledge-intensive jobs, and growing health and education sector is anticipated.

2.3.2 State Environmental Planning Policy (Sydney Growth Centres)

The Growth Centres SEPP establishes the land use zoning and development controls for all land in the growth centres (i.e. North West and South West priority growth areas). Consent authorities (i.e. local councils) must apply the provisions and consider the objectives of the Growth Centres SEPP when they make planning decisions in the growth centres.

Over time, as precincts are released and precinct planning is completed, land within the growth centres is rezoned by making amendments to the Growth Centres SEPP. This occurs after the preparation of a Precinct Plan that is guided by Growth Centre Structure Plans and the Development Code.

Structure Plans were prepared for the North West and South West growth centres which form part of the Growth Centres SEPP. The Structure Plans are indicative regional land use plans that guide the detailed planning for precincts when they are released.

In 2015, DPE commenced a comprehensive review of the Structure Plans prepared for the growth centres. The review of the North West Structure Plan culminated in the release of the North West PGA Land Use and Infrastructure Implementation Plan.

2.3.3 North West Priority Growth Area Land Use and Infrastructure Implementation Plan

DPE released the North West PGA Land Use and Infrastructure Implementation Plan (LUIIP) in May 2017. The LUIIP updates the planning framework for the North West PGA in light of the development activity and housing demand that occurred since the release of the NWGC Structure Plan in 2006. The LUIIP identifies opportunities for future growth and recommends a planning pathway to realise the area's potential, the intention is for the LUIIP to replace the 2006 Structure Plan.

The overarching objective of the LUIIP is to plan for growth in the North West and ensure the infrastructure required to support growth is delivered. Relevantly for the Study, the LUIIP proposes to establish new density controls (minimum and maximum) for residential land so that new communities are supported by adequate infrastructure and local councils can properly plan for the new population.

The LUIPP additionally proposes to explore new land uses along major infrastructure corridors to maximise public investment in infrastructure, including the Sydney Metro Northwest corridor and its future extension to Marsden Park.

Employment opportunities and local services will be delivered in employment lands and centres, with the types of retail, commercial and industrial development influenced by population growth and associated economic activity.

The LUIPP includes a suite of changes to the SEPP that will streamline development, consolidate plans and give councils greater control over local planning matters.

The following statutory reforms are envisaged:

- Establish the North West Priority Growth Area Land Use and Infrastructure Implementation Plan as the structure plan for the North West PGA.
- Establish new density controls on residential land to ensure local councils can adequately plan for the new population.
- Set minimum subdivision lot sizes in all residential areas consistent with the standard instrument LEP.
- Insert requirements for rezoning proposals to require preparation of a site-specific DCP and to specify arrangements to delivery of infrastructure.
- Consolidate six existing precinct plans in the Blacktown LGA into a single Blacktown Growth Centres Precinct Plan.

New Residential Density Controls

When first established, the growth centres were imposed with a minimum residential density control under the Growth Centres SEPP to ensure dwelling targets were met and that planned infrastructure investment was balanced against population growth and demand.

In recent years however, structural changes in the housing market have resulted in smaller housing formats increasingly being sought and development applications progressed which exceed the minimum residential densities that were originally envisaged in the Growth Centres SEPP.

Increased residential density not previously planned for from an infrastructure perspective places pressure on roads, utilities, schools and open space to support growth not previously contemplated. In response, the LUIPP proposes to set maximum residential density controls on land in the North West PGA.

Simplification of the minimum lot size controls are also proposed to facilitate more effective implementation and improve consistency with local environmental plans.

Planning Controls to be Administered by Local Councils

DPE will transfer planning controls from the Growth Centres SEPP to local environmental plans. Proposed amendments in the LUIPP will consolidate separate precinct plans into a single plan and make development controls more consistent with the standard instrument local environmental plan.

Those precinct plans identified for consolidation include: Riverstone West, Alex Avenue (Schofields) and Riverstone East, Marsden Park Industrial, Area 20, Schofields and Blacktown Growth Centres. These plans are to be consolidated into a single precinct plan known as the Blacktown Priority Growth Area Precinct Plan.

2.3.4 Cudgegong Road Precinct Plan and Development Control Plan

Finalisation Report

The Finalisation Report for the Cudgegong Road Precinct indicated a future community encompassing 4,400 new homes, employment and retail uses centred around the Cudgegong Road train station (DPE, 2015). Though this report pre-dates DPE's review of the growth centres structure plans and release of the LUIPP in 2017.

The finalisation report also identified potential for additional residential development in the local centre (up to 200 dwellings) and mixed use area (700 dwellings).

DCP controls were originally deferred for the land north and south of the station (including the Subject Site) when the Area 20 precinct plan was adopted in 2011, recognising the need for coordination once design of the train station was known. Following the emergence of detail around train station design and orientation, B2 and B4 land use zones were applied to the lands immediately north and south of the train station and with retail gross floor area increased from 12,500sqm to 12,500sqm-15,000sqm.

Development Control Plan (Schedule 4)

The Development Control Plan for the Cudgegong Road Precinct envisages retail and commercial floorspace of 12,500sqm to 15,000sqm in total within the planned retail centre (DPE, 2016). This quantum of permissible floorspace seeks to ensure that the centre can effectively fulfil its localised role without competing with higher order centres nearby. A range of retail, commercial, entertainment, recreation and community uses are encouraged to meet community need and support an active and vibrant centre.

The envisaged role of the Cudgegong Road Centre is to provide village centre-type uses serving local residents, workers and visitors within walking distance. The mixed use land around the centre and railway station is to complement the main retail centre with community facilities, workspaces and retail destinations.

The B2 Local Centre will provide the core retail activity including supermarket floorspace. It will deliver the majority of the retail offering. To help achieve this, individual retail premises within the B4 Mixed Use zone is restricted to a maximum size of 300sqm.

2.4 DEVELOPMENT POTENTIAL

Cudgegong Road Precinct

Early precinct planning in the growth centre structure plans envisaged 2,500 dwellings in the Cudgegong Road Precinct (or Area 20 as it was then named). The finalisation report (2015) increased the residential capacity to 4,400 dwellings and recommended a retail centre in the order of 12,500sqm to 15,000sqm of floorspace.

The LUIIP (2017) through a series of technical studies, recognised structural changes were occurring in the market and proposes changes to planning controls to reflect market demand for smaller format housing and higher residential densities. The LUIIP revised capacity in the Cudgegong Road Precinct to circa 5,000 dwellings. However, the Study reviewed the development pipeline in the Precinct (i.e. dwellings that are already in the system, either with development approval or in early planning) and found that proposed dwellings already exceeds 5,000, with some 5,700 dwellings proposed (Cordell Connect). This does not include the dwelling potential on the Site. The majority of the development pipeline comprise higher density formats, i.e. units and apartments.

Not all of the Cudgegong Road Precinct is currently progressed for development; there are still parts of the precinct that remain undeveloped. An estimate of the remaining land in the Precinct not progressed for development is made by deducting the land area of those projects in the pipeline from the overall developable area of the Precinct. By applying average market densities to the remaining land, an additional dwelling potential of circa 2,400 dwellings is calculated.

The LUIIP acknowledges the difficulty of infrastructure provision that accompanies escalating residential densities. In order to ensure new communities are supported with adequate infrastructure, the LUIIP proposes dwelling maximums (or caps) be imposed on each precinct. Notwithstanding, the number of dwellings in the development pipeline in recent years already exceeds the revised dwelling capacity contemplated.

Not all development proposals eventuate into delivery, hence it is reasonable to assume not all of the 5,700 dwellings proposed will be delivered. If all the 5,700 proposed dwellings were delivered, along with circa 1,100 dwellings on the Site and a further 2,400 dwellings in the rest of the Precinct, there could potentially be a total of circa 9,200 dwellings.

For the purposes of the Study two growth scenarios are examined - one where dwellings equivalent to the LUIIP cap are delivered (approximately 5,000 dwellings) and a scenario where some 9,200 dwellings are delivered.

Riverstone East (Stage 1)

There are currently around 800 dwellings proposed in the pipeline at neighbouring Riverstone East (Stage 1), at various stages of planning. The timeframe for delivery of these dwellings is slightly later than in the Cudgegong Road Precinct, with earliest delivery anticipated in 2019.

As this precinct was rezoned more recently compared to the Cudgegong Road Precinct, the development pipeline is not as extensive and has better prospects of alignment with precinct planning capacities.

Broader North West PGA

The LUIIP envisages approximately 20,000 more dwellings than previously contemplated by the 2006 growth centres structure plans. Development activity momentum is showing minimal signs of abating particularly as completion of Sydney Metro Northwest train stations are imminent.

3. COMPETITIVE CONTEXT

This chapter explores existing and planned future retail centres in the area around the Cudgegong Road Centre. Understanding the competitive context in which the Cudgegong Road Centre will operate is essential in determining how it will function in the retail hierarchy and the trade area it can expect to draw custom from. Surrounding centres are considered in order of their size below.

Dwelling capacities quoted in this chapter reflect those envisaged during precinct planning and do not include proposed density reform in the LUIP.

3.1 EXISTING AND PLANNED CENTRES

Rouse Hill Town Centre

Rouse Hill Town Centre is situated 3km south-east of Cudgegong Road Centre. Once the Sydney Metro Northwest begins operation in 2019, Rouse Hill train station will be the first stop from Cudgegong Road train station with a travel time of 2 minutes (TfNSW, 2017).

Rouse Hill is identified as a strategic centre in the recently released draft Greater Sydney Region Plan 2017 (GSC, 2017a), the draft metropolitan plan for Sydney. It currently provides approximately 53,500sqm of retail space anchored by Woolworths, Coles, Target and Big W (PCA, 2016). It also has a cinema and a range of residential, civic and commercial uses.

As the primary retail centre serving the North West PGA, Rouse Hill has a large trade area and significant expansion potential. The recently adopted Central City District Plan (GSC, 2017b) identifies the potential for additional office, retail and housing capacity around the future Rouse Hill train station as a priority.

A proposed expansion of the town centre will increase the size of the centre to 130,000sqm which will allow an expanded food and beverage and non-food retail offer, accommodating a new department store, 8 mini-major stores and 90 specialty stores.

Alex Avenue (Schofields)

The Alex Avenue precinct was expected to deliver 6,300 new homes upon full realisation (per 2010 precinct plan). Alex Avenue will accommodate a new town centre of at least 25,000sqm retail GFA situated on the eastern side of Railway Terrace, directly opposite Schofields train station. This planned centre is located 3.2km the west of Cudgegong Road Centre.

A full-line Woolworths supermarket of 3,300sqm is already trading from Alex Avenue, with a full-line Coles supermarket of 4,200sqm with development approval on adjacent land. Further retail provision at Alex Avenue is expected to be phased-in line with adjacent housing development.

Stanhope Village

Stanhope Village is an existing sub-regional centre located 5km by road south of the Cudgegong Road Centre. It provides 18,081sqm of retail GFA anchored by Coles, Aldi and Kmart with over 70 additional specialty retailers (PCA, 2016). It serves a large trade area of nearly 129,000 people and was expanded in 2015.

Schofields Town Centre

In the Schofields precinct, a new retail centre is planned around the Schofields train station, directly opposite Alex Avenue centre, 3.2km west of the Cudgegong Road Centre.

Upon full realisation Schofields has capacity for 2,950 dwellings and an estimated population of 8,000 (per 2012 precinct plan). Schedule 5 of the Blacktown Council Development Control Plan (Blacktown Council, 2015) provides for a new centre of up to 13,600sqm GFA for retail and commercial development, including a supermarket. The centre is expected to cater for the needs of the local population.

This centre is at an early stage of planning and is not expected to be delivered until 2026.

Riverstone Marketown

Riverstone Marketown is 5.5km by road north-west of Cudgegong Road Centre. It comprises 2,500sqm of retail GFA including an IGA supermarket (PCA, 2016). Development application approval has been granted for an expansion of 7,200sqm retail floorspace to Riverstone Marketown which would deliver two new supermarkets and 25 specialty shops.

Rouse Hill Village

2.6km to the north-east of Cudgegong Road Centre and situated on Windsor Road is Rouse Hill Village Centre. It provides 7,500sqm of retail GFA. Rouse Hill Village Centre encompasses a freestanding ALDI, McDonald's, Red Rooster and Hungry Jacks on pad sites and a small shopping centre anchored by IGA.

The Ponds

The Ponds local centre is located 2.5km by road south of the Cudgegong Road Centre. It provides 7,000sqm of retail GFA which includes Woolworths, BWS and over 25 specialty stores (ISPT, 2017). The centre commenced trading in 2015.

Riverstone East

A local centre in the Riverstone East precinct, which abuts the Cudgegong Road Precinct to the north and west, is planned. This will be located on Guntawong Road, adjacent to a new community facility some 2km north-west of Cudgegong Road Centre.

Riverstone East will be developed in 3 stages. Stage 1 will provide 1,800 new homes on the section of Riverstone East south of Guntawong Road and immediately west of Cudgegong Road station (per 2016 precinct plan). Stage 2 is to the north of Guntawong Road and will provide 1,700 new homes. Stage 3 comprises the residential land located to the north of the Cudgegong Road Precinct. It will be developed at a later point and could increase the total residential yield of Riverstone East to 6,100 homes.

Riverstone East village centre will be delivered as part of Stage 2. This centre will sustain up to 4,500sqm of retail GFA including a 2,000sqm supermarket. However, it will only be permitted once the Riverstone East reaches a population of around 7,000 to avoid adversely impacting on the Cudgegong Road Centre (SGS, March 2014).

3.2 OBSERVED RETAIL HIERARCHY

A summary of existing and planned retail facilities around the Cudgegong Road Centre is contained in Table 3.1.

Table 3.1: Observed Retail Hierarchy around Cudgegong Road Centre

Centre	Distance by Road (km)	Retail GLA (sqm)	Anchor Tenants
Rouse Hill Town Centre	3.0	53,500sqm existing Up to 130,000sqm planned	Woolworths, Coles, Target, Big W
Alex Avenue (Schofields)	3.2	3,300sqm existing Up to 25,000sqm planned	Woolworths (existing), Coles (planned)
Stanhope Village	5.0	18,081sqm existing	Coles, Aldi, Kmart
Schofields Town Centre	3.2	Up to 13,600sqm planned	n/a
The Ponds	2.5	7,000sqm existing	Woolworths, BWS
Rouse Hill Village	2.6	7,500sqm existing	Aldi, McDonald's, Red Rooster, Hungry Jacks, IGA
Riverstone Marketown	5.5	2,500sqm existing Up to 7,200sqm planned	IGA
Riverstone East	2.0	4,500sqm planned	Supermarket of 2,000sqm

Source: various

3.3 IMPLICATIONS FOR CUDGEGONG ROAD TOWN CENTRE

The retail hierarchy around the Cudgegong Road Centre is broadly well defined and incorporates existing and planned retail centres of various sizes. It is close to Rouse Hill Town Centre which will be the highest order centre serving the North West PGA.

Alex Avenue (Schofields) which will be a new sub-regional centre in addition to the existing sub-regional centre at Stanhope Village. Neighbouring precincts have provision for their own, smaller centres to serve localised demand emanating from their future populations. This will limit the role of the Cudgegong Road Centre to provision of daily and some weekly shopping needs of a localised catchment. This is consistent with planning policy aspirations for the Cudgegong Road Centre.

The next chapter considers the various sources of demand for retail and commercial floorspace firstly in the Cudgegong Road Town Centre and thereafter at Station Precinct South.

4. SOURCES OF DEMAND

This chapter identifies the expected customer profile of the future Cudgegong Road Centre. There are three primary sources of demand for retail and commercial floorspace in the centre: local residents, local workers and commuters. Each of these groups is examined separately.

4.1 RESIDENT POPULATION

Trade Area Definition

The trade area for a retail centre is determined based on:

- The location and accessibility of the centre.
- The presence and accessibility of competing retail provision.
- The location and quantum of surrounding urban development.
- The presence of any barriers such as roads, rivers or railway lines.

Chapter 3 examined existing and planning retail centres in the area surrounding the Cudgegong Road Centre. It established the presence of higher order centres nearby as well as localised centre provision within other proximate North West PGA precincts. This limits the role of the centre to cater to the residents in the immediate local area.

Based on existing and planned retail provision in the surrounding area and the presence of physical barriers, the Primary Trade Area (PTA) for the Cudgegong Road Centre is defined as comprising the Cudgegong Road Precinct. The PTA is bounded by the physical barriers of Schofields Road to the south, Windsor Road (the A2) to the east, First Ponds Creek to the west and Guntawong Road and Rouse Hill Park to the north. Within this area, the Cudgegong Road Centre will capture the majority of localised convenience and comparison goods retail demand.

The Secondary Trade Area (STA) comprises Riverstone East Precinct Stage 1. Cudgegong Road Centre will be easily accessible to residents on foot and the presence of the train station will be a significant attraction. Once the future retail centre in Stage 2 of Riverstone East Precinct is developed it will be closer to many residents in the STA. However, its retail offer at 4,500sqm will be smaller. Residents of the STA are still likely to visit Cudgegong Road Centre regularly after the Riverstone East Centre is developed.

The PTA and STA combined comprise the Main Trade Area (MTA).

Figure 4.1: Trade Area



Source: AEC

Population

Based on the relevant finalisation plans, 4,400 dwellings are expected to be delivered at the Cudgegong Road Precinct and 1,800 in Riverstone East Stage 1. The LUIIP revises the dwelling capacities upwards to 5,000. However, a review of the development pipeline indicates some 5,700 dwellings (mostly units) are already in the pipeline for the Cudgegong Road Precinct, greater than the revised capacity in the LUIIP. Land in the Precinct not currently progressed for development is estimated to have the potential to add another 2,400 dwellings to the pipeline.

For the purposes of this Study, two growth scenarios are considered:

- **Scenario 1 (Capped Growth)** assumes a total development yield of 5,000 dwellings in the Cudgegong Road Precinct which includes 1,100 dwellings on the Site, and circa 1,800 dwellings in Riverstone East Stage 1, thereby giving circa 6,800 dwellings in the Main Trade Area (MTA).
- **Scenario 2 (High Growth)** assumes a development yield of 9,200 dwellings in the Cudgegong Road Precinct which includes the Capped Growth scenario and further development potential of land not as yet progressed, and circa 1,800 dwellings in Riverstone East Stage 1. This gives circa 11,000 dwellings in the Main Trade Area.

Achievement of the Capped Growth scenario implicitly assumes not all dwellings proposed in the development pipeline will be approved/progressed (approximately 5,700 dwellings at the time of writing and not including development potential on the Site).

AEC has assumed an overall average rate of 2.8 persons per dwelling in the North West PGA. Given the prevalence of smaller format housing (mostly units) in Cudgegong Road Precinct, an average persons per dwelling rate of 2.5 is applied (based on advice from Blacktown City Council). Note the estimated dwellings and population in Table 4.1 represent an expected take-up of development opportunities based on historical growth and current observed momentum in activity.

Table 4.1: Main Trade Area* Estimated Dwellings and Population

Dwellings and Population	2017	2018	2019	2020	2021	2026	2031	2036
Cumulative Dwellings								
Capped Growth Scenario	309	795	1,669	2,557	3,493	6,800	6,800	6,800
High Growth Scenario	309	795	1,669	2,607	3,593	7,892	9,752	10,932
Cumulative Population								
Capped Growth Scenario	773	1,986	4,173	6,393	8,731	17,000	17,000	17,000
High Growth Scenario	773	1,986	4,177	6,493	8,987	19,895	24,509	27,577

*Main Trade Area comprises Primary Trade Area of Cudgegong Road Precinct and Secondary Trade Area of Riverstone East Stage 1
Source: various

Table 4.1 indicates that in the Capped Growth scenario the MTA reaches build-out by 2026, at which point it could accommodate an estimated 17,000 new residents. In the High Growth scenario the MTA achieves build-out by 2036 and accommodates 27,600 new residents.

Socio-demographic Profile

The PTA is sparsely populated at present, although it does include an existing over-50s retirement village. Previous work undertaken for the NSW Department of Planning and Environment has anticipated the likely socio-demographics profile of future households in the PTA. These predictions were made based on societal household trends, the typical socio-demographic profile of new housing developments and the characteristics of the Blacktown LGA. A summary of these predictions is provided in Table 4.2.

Table 4.2: Cudgegong Road Precinct Projected Household Types, 2021

Household Type	Proportion
Couple family with dependents	35%
Couples without dependents	29%

Household Type	Proportion
Lone parent families with dependents	10%
Other families	2%
Lone person households	20%
Group households	4%
Total	100%

Source: Elton (2010)

Reflecting provision of high density dwellings, the Cudgegong Road Precinct is likely to be characterised by a younger and smaller household profile compared to Blacktown LGA. Analysis by GHD indicates that a future profile of residents will be characterised by 69% of adults (18 to 49 years) and 16% of children (under 18 years).

Other socio-demographic traits of the future population were identified by GHD as:

- Predominantly middle-income households.
- Mostly renters, based on trends of similar high density developments.
- Largely employed with two working parents in many families and high levels of commuting.
- High car ownership, however expected to be lower than the average for the LGA owing to presence of future Metro station.
- A higher proportion of privately rented households in the high density housing stock.
- Culturally diverse with representation from Chinese and Indian origin households.

The implications of this analysis are that the Cudgegong Road Centre can best support local residents by providing accessible, convenience focused retail for households who are likely to have above average incomes but who are time poor. The centre should seek to reduce the need for residents to travel to fulfil their regular shopping needs. Provision of commercial floorspace within the centre that may help to reduce the need for employed residents to travel further afield to work would be beneficial.

Provision for children and working parents is important. This suggests provision of childcare locally and ancillary retail uses will be needed. Younger, smaller households are likely to spend a greater proportion of their income on eating out, food and beverage compared to older or larger households. This will generate above average demand for cafes, restaurants, food and beverage facilities in the centre.

In light of the culturally diverse nature of future households, provision of specialist food and non-food stores as well as retail services and catering may be appropriate.

4.2 WORKER POPULATION

B2 Local Centre and B4 Mixed Use zonings are adopted around the Cudgegong Road train station. Workers in the future Cudgegong Road Centre will also contribute to demand for retail and non-retail floorspace.

Immediately adjacent to Cudgegong Road Precinct to the west, within the Riverstone East Precinct, will be a Sydney Metro Trains Facility (SMTF) and adjacent employment land fronting Schofields Road. The SMTF is a major piece of infrastructure that will provide specialised train stabilising and maintenance to support the Sydney Metro Northwest. It will also act as its control centre.

The SMTF will be constructed in stages. By 2019 it will have capacity for 20 automated trains. Later it will provide stabling for 46 trains and maintenance services for a fleet of 76 trains (Sydney Metro, 2017). It will occupy 590,000sqm of land area. We understand that this facility will employ approximately 100 construction workers during development and 300 permanent operational staff in management, administration, maintenance and cleaning positions (JBA, July 2013).

Cudgegong Road Centre will be the closest retail facility to the SMTF and a short walk from it. It is expected to cater for demand emanating from future workers in the SMTF.

In addition to local office and SMTF workers, future retail uses will themselves create more employment. The number of jobs supported by future retail facilities depends on the type of retailers provided - retail specialties sustain higher employment on average than majors or mini-majors. On average around 1 retail job is supported for every 25sqm of retail floorspace based on ABS data.

Assuming a 90% occupancy rate and using the indicative 12,500sqm to 15,000sqm of retail floorspace, this equates 450 to 486 jobs from retail uses in the centre. If some of this space is used for commercial uses, the employment density would be greater.

4.3 COMMUTERS

Cudgegong Road train station is expected to be a major destination for local residents. From 2019 it will offer fast, reliable connections into the employment centres of Rouse Hill (2 minutes), Norwest (9 minutes), Castle Hill (13 minutes), Macquarie University (26 minutes), Macquarie Park (28 minutes), North Ryde (30 minutes) and Chatswood (37 minutes) (Transport for NSW, May 2017). On-site provision within the Cudgegong Road Centre is made for a 1,000 vehicle commuter car park.

Table 4.3 presents peak passenger forecasts for the station in 2026. These figures include all commuters reaching the train station, whether by foot, bike, public transport, via the car park or 'kiss and ride'.

Table 4.3: Sydney Metro NorthWest - Station Entries and Exits

Station Entries and Exits	Number of Passengers
Total Entries (AM per hour)	1,250-1,600
Total Exits (AM per hour)	100-200

Source: TfNSW (2017)

Commuters will demand accessible retail at the Cudgegong Road Centre including food and beverage uses, convenience shops and retail services. Given that residents arriving by non-car modes of transport are likely to live locally and predominantly within the MTA, it is prudent to include some additional allowance for the retail floorspace demand generated by daily commuters travelling to the centre from outside of the MTA.

The Cudgegong Road Centre will be conveniently situated on the northern side of Schofields Road. In addition to train-related commuters, it is well placed to capture demand from car-based commuters. It is positioned to cater for commuters heading east-bound to Rouse Hill and the employment centres in the southern Hills Shire in the morning. In the evening, it could capture demand from commuters working in Marsden Park and the surrounding employment areas returning to their homes in Blacktown LGA and the Hills Shire by car.

4.4 IMPLICATIONS FOR STATION PRECINCT SOUTH

Local residents, workers and commuters will generate demand for retail and commercial floorspace in the Cudgegong Road Centre.

Residents will account for the largest proportion of demand. Their needs will focus on localised goods and services such as supermarket floorspace, food specialty shops, non-food specialty uses like pharmacies, florists and hardware stores, retail services like hairdressers, beauticians and dry cleaners, non-retail services like real estate agents, post offices and banks and food and beverage uses like cafes, restaurants and fast-food take-aways.

The expected above average levels of affluence of many households and the greater prevalence of dual-working households with children may mean that residents are cash rich but time poor, increasing their demand for accessible retail. The expected high proportion of young families with young children will create particular demand for tailored retail goods and services, including support facilities like GP surgeries, childcare and community facilities. The provision of commercial office floorspace that offer residents the ability to work close to home would be beneficial.

Workers and commuters will generate additional demand. This will largely be for supermarket and convenience retail, food and beverage outlets and retail services. The emphasis for these users will be on quick and conveniently accessible facilities for time-poor customers. This demand will peak during the weekday morning and evening rush-hours and at lunchtime.

5. DEMAND ASSESSMENT

This Chapter firstly assesses the demand for retail, commercial and other land uses in the Cudgegong Road Centre. Demand is estimated both qualitatively and quantitatively.

- The quantitative assessment applies demand assumptions to the sources of demand identified in Chapter 4.
- The qualitative assessment considers additional uses which would be appropriate in the context of the role and function of the centre and the socio-demographic characteristics of its catchment population.

After having considered the Cudgegong Road Centre's potential, the assessment then considers the role and opportunity for Station Precinct South.

5.1 RETAIL LAND USES

5.1.1 Resident Population Demand

To quantify demand for retail floorspace in the Cudgegong Road Centre, this section applies average retail provision per person rates to the estimated population of the MTA under the Capped and High Growth Scenarios. Additional allowances are made for demand from local workers and commuters who reside outside of the MTA in line with our analysis in the previous Chapter.

Australia provides, on average, 2.2sqm of retail floorspace per person. These per person rates encompass all types of retail - large purpose-built shopping centres, bulky goods facilities, and strip shops. Around half of this demand is expected to be retained by local shopping centres such as Cudgegong Road Centre. This equates to 1.1sqm of local centre demand per person. The residual demand is directed towards higher order large centres and bulky goods facilities.

The now discontinued ABS Retail Census indicates the average provision of retail floorspace per person has risen by approximately 1.1% per annum since 1991/2. This increase reflects structural change in the retail sector with new types of floorspace emerging, such as homemaker centres and larger purpose built shopping centres, as well as new retail entrants and greater competition.

Over the next few years the increase in retail floorspace demanded per person is expected to be more subdued compared to the period since 1991/2. This is because online retail penetration rates are increasing and, in so doing, moderating demand for physical store floorspace. Retail units are also becoming more efficient. For the purposes of this assessment therefore future retail floorspace demand per person is assumed to grow at half the rate since 1991/2, equivalent to 0.55% per annum.

Supermarket Demand

Full-line supermarkets in modern local centres usually occupy 3,000sqm to 3,500sqm of retail floorspace. This is consistent with the size of existing and planned supermarket provision in the North West PGA as considered in Chapter 3. Full-line supermarkets in urban areas typically serve a catchment of 8,000 to 10,000 persons, equivalent to demand of up to 0.35sqm of supermarket floorspace demand per person. In areas where households have above average levels of affluence, such as the Cudgegong Road Precinct, demand for all types of retail floorspace including supermarket floorspace is normally above average. This reflects the availability of more disposable income.

Discount supermarket retailer Aldi typically occupies units of 1,500sqm serving a catchment of 15,000 to 20,000 persons. There are two existing Aldis in the vicinity of Cudgegong Road Centre at Rouse Hill Village (2.6km by road) and Stanhope Village (5km by road). The future MTA population is expected to be between 18,100 and 22,800 people by 2022. This would be sufficient to support another Aldi locally.

For the purposes of this assessment, a supermarket at Cudgegong Road Centre is assumed to capture 75% of all supermarket-related demand from residents in the PTA and 60% of demand from residents in the STA.

Non-supermarket Retail Floorspace

As discussed earlier, it is estimated that 1.1sqm of demand per person is generated for local centres in NSW in 2017. Assuming that 0.35sqm of this captured by supermarkets there is 0.75sqm of non-supermarket demand per person for retail floorspace in local centres. We have applied this to the Capped and High Growth Scenario populations to estimate demand for non-supermarket retail floorspace.

Capture rates of 60% in the PTA and 50% in the STA are assumed. Whilst the Cudgegong Road Centre can expect to capture a significant proportion of the total non-retail floorspace demand generated in the MTA, shoppers have a greater propensity to direct their spending for these types of retailers across multiple different locations. Therefore capture rates are comparably lower than for supermarket-related expenditure.

Demand for non-supermarket retail floorspace will be met by both mini-majors and specialty retailers. Mini-majors are non-major retail tenancies of greater than 400sqm, encompassing uses such as pharmacies, newsagencies, greengrocers, liquor stores and apparel retailers. Anything less than 400sqm is considered a specialty retailer.

Planning restrictions in the B4 Mixed Use land limit the maximum size of individual retail premises to 300sqm. Mini-major retail provision will therefore be concentrated on the B2 Local Centre land north of the train station, as was the intention of this policy.

Non-retail Floorspace

Non-retail floorspace will be needed in Cudgegong Road Centre. This would include uses like banks, real estate agents, travel agents and post offices. An allowance of 20% additional floorspace for non-retail specialties is made which accords with neighbourhood centre benchmarks.

Total Demand from Residents

Based on the foregoing assumptions, total retail floorspace demand from the estimated resident population is calculated in two growth scenarios:

- **Scenario 1 (Capped Growth)** assumes a total development yield of 5,000 dwellings in the Cudgegong Road Precinct which includes 1,100 dwellings on the Site, and circa 1,800 dwellings in Riverstone East Stage 1, thereby giving circa 6,800 dwellings in the Main Trade Area (MTA).
- **Scenario 2 (High Growth)** assumes a development yield of 9,200 dwellings in the Cudgegong Road Precinct which includes the Capped Growth scenario and further development potential of land not as yet progressed, and circa 1,800 dwellings in Riverstone East Stage 1. This gives circa 11,000 dwellings in the Main Trade Area.

Demand is estimated at 2017-2021 and thereafter in five-year increments to 2036. Table 5.1 and Table 5.2 summarise demand assessed in the Capped Growth and High Growth scenarios respectively.

Table 5.1: Retail Floorspace Demand from Residents, Capped Growth Scenario, GFA

Floorspace Demand	2017	2018	2019	2020	2021	2026	2031	2036
<i>Floorspace Demand per person (sqm)</i>								
Supermarket	0.35	0.35	0.35	0.36	0.36	0.37	0.38	0.39
Non-supermarket Retail	0.75	0.75	0.76	0.76	0.78	0.79	0.81	0.83
Total	1.10	1.11	1.11	1.12	1.14	1.16	1.19	1.22
<i>Population Estimates</i>								
Primary Trade Area	773	1,986	4,138	6,013	10,683	12,500	12,500	12,500
Secondary Trade Area	-	-	35	380	2,525	4,500	4,500	4,500
Total Main Trade Area	773	1,986	4,173	6,393	13,208	17,000	17,000	17,000
PTA Retail Floorspace Demand (sqm)								
Supermarket	270	699	1,464	2,139	3,864	4,596	4,724	4,856
Non-supermarket Retail	579	1,498	3,137	4,584	8,280	9,849	10,123	10,405
Total PTA	850	2,197	4,601	6,723	12,144	14,446	14,848	15,260

Floorspace Demand	2017	2018	2019	2020	2021	2026	2031	2036
<i>PTA Capture Rates</i>								
Supermarket	75%	75%	75%	75%	75%	75%	75%	75%
Non-supermarket Retail	60%	60%	60%	60%	60%	60%	60%	60%
STA Retail Floorspace Demand (sqm)								
Supermarket	-	-	14	151	1,009	1,798	1,848	1,899
Non-supermarket Retail	-	-	30	324	2,162	3,852	3,959	4,069
Total STA	-	-	44	476	3,170	5,650	5,807	5,968
<i>STA Capture Rates</i>								
Supermarket	60%	60%	60%	60%	60%	60%	60%	60%
Non-supermarket Retail	50%	50%	50%	50%	50%	50%	50%	50%
Estimated Retail Demand (sqm)								
Supermarket	203	524	1,106	1,686	3,446	4,440	4,564	4,690
Non-supermarket Retail	348	899	1,896	2,895	5,947	7,683	7,896	8,116
Non-retail shopfronts @ 20%	110	285	600	916	1,879	2,425	2,492	2,561
Total	660	1,708	3,601	5,497	11,271	14,547	14,952	15,367

Note: Retail floorspace demand per person is assumed to grow by 0.55% every year after 2017
Source: AEC

Table 5.2: Retail Floorspace Demand from Residents, High Growth Scenario, GFA

Floorspace Demand	2017	2018	2019	2020	2021	2026	2031	2036
<i>Floorspace Demand per person (sqm)</i>								
Supermarket	0.35	0.35	0.35	0.36	0.36	0.37	0.38	0.39
Non-supermarket Retail	0.75	0.75	0.76	0.76	0.78	0.79	0.81	0.83
Total	1.10	1.11	1.11	1.12	1.14	1.16	1.19	1.22
<i>Population Estimates</i>								
Primary Trade Area	773	1,986	4,138	6,138	11,183	15,365	20,015	22,965
Secondary Trade Area	-	-	35	380	2,525	4,500	4,500	4,500
Total Main Trade Area	773	1,986	4,173	6,518	13,708	19,865	24,515	27,465
PTA Retail Floorspace Demand (sqm)								
Supermarket	270	699	1,464	2,184	4,045	5,650	7,564	8,921
Non-supermarket Retail	579	1,498	3,137	4,679	8,668	12,107	16,209	19,116
Total PTA	850	2,197	4,061	6,863	12,712	17,757	23,774	28,036
<i>PTA Capture Rates</i>								
Supermarket	75%	75%	75%	75%	75%	75%	75%	75%
Non-supermarket Retail	60%	60%	60%	60%	60%	60%	60%	60%
STA Retail Floorspace Demand (sqm)								
Supermarket	-	-	12	135	913	1,655	1,701	1,748
Non-supermarket Retail	-	-	27	290	1,957	3,546	3,644	3,746
Total STA	-	-	39	425	2,870	5,200	5,345	5,494
<i>STA Capture Rates</i>								
Supermarket	60%	60%	60%	60%	60%	60%	60%	60%
Non-supermarket Retail	50%	50%	50%	50%	50%	50%	50%	50%
Estimated Retail Demand (sqm)								
Supermarket	203	524	1,106	1,719	3,582	5,230	6,694	7,739
Non-supermarket Retail	348	899	1,896	2,953	6,179	9,037	11,548	13,342
Non-retail shopfronts @ 20%	110	285	600	934	1,952	2,853	3,648	4,216
Total	660	1,708	3,601	5,606	11,713	17,121	21,890	25,298

Note: Retail floorspace demand per person is assumed to grow by 0.55% every year after 2017
Source: AEC

Residents in the MTA are estimated to generate demand for between 11,200sqm and 11,700sqm of total GFA at Cudgegong Road Centre by 2021 in the Capped Growth and High Growth scenarios respectively. This increases to (rounded) 15,000sqm and 21,900sqm by 2031 and 15,400sqm and 25,300sqm by 2036.

5.1.2 Worker Demand

As a rule of thumb around 15% to 20% of the retail demand generated by workers will be directed to retail facilities near their place of employment. Based on aggregate demand of 2.2sqm per person in 2017 this means that 0.33sqm to 0.44sqm per person will be generated by workers and available to be captured by local facilities. Local facilities may include both neighbourhood centres and larger shopping centres, depending upon the offer provided.

Chapter 4 quantified the potential local workforce in and around the Cudgegong Road Centre as follows:

- 450 to 486 retail workers based on the indicative 12,500sqm to 15,000sqm of retail floorspace.
- 100 to 120 office workers.
- 100 temporary construction workers whilst the SMTF facility is developed.
- 300 permanent workers once the SMTF facility is operational.

At full employment 850-900 workers would be employed in the trade area which, applying 0.44sqm of demand per person, would equate to total additional demand of circa 350sqm in 2021.

5.1.3 Commuter Demand

Commuters using the train station and driving east-bound on Schofields Road will generate additional retail demand. The presence of a full-line supermarket within the Cudgegong Road Centre is likely to be attractive to these commuters and encourage linked trips. This is consistent with shopping patterns observed at other train station-based centres.

Peak traffic through Cudgegong Road train station in 2026 is estimated at 1,250-1,600 persons per hour. This equates to all types of users including many MTA residents whose floorspace demand has already been captured. No shorter-term commuter numbers or projected AM and PM peak flows east-bound on Schofields Road are yet to be available as dwelling yields within the North West PGA continue to be determined.

For the purposes of this analysis, an additional 10% of demand for retail floorspace within Cudgegong Road Centre is assumed over and above MTA resident demand. This reflects commuter spend and infrequent demand from visitors to the area.

5.1.4 Summary of Findings

Total demand for retail floorspace within the Cudgegong Road Centre is calculated below.

Table 5.3: Total Retail Floorspace Demand, Cudgegong Road Centre, GFA (sqm)

Floorspace Demand	2017	2018	2019	2020	2021	2026	2031	2036
Capped Growth Scenario								
Supermarket	243	629	1,327	2,023	4,135	5,328	5,476	5,629
Non-supermarket Retail	417	1,078	2,275	3,474	7,136	9,219	9,475	9,739
Non-retail shopfronts @ 20%	132	342	720	1,099	2,254	2,909	2,990	3,073
Total	793	2,049	4,322	6,597	13,525	17,457	17,942	18,441
High Growth Scenario								
Supermarket	243	629	1,327	2,063	4,298	6,276	8,032	9,287
Non-supermarket Retail	417	1,078	2,275	3,543	7,415	10,844	13,857	16,011
Non-retail shopfronts @ 20%	132	342	720	1,121	2,343	3,424	4,378	5,060
Total	793	2,049	4,322	6,727	14,055	20,545	26,268	30,357

Note: Retail floorspace demand = total resident demand in the MTA plus an additional 12% allowance to allow for commuters, local workers and infrequent customers from outside the MTA

Source: AEC

5.2 COMMERCIAL LAND USES

Commercial uses are justifiable as part of Cudgegong Road Centre as these would capitalise on its on accessibility and infrastructure connectivity. Commercial uses would also support jobs, generating demand for retail uses and offering the potential for more people to work closer to home.

5.2.1 Co-Working Space

The global trend for workspaces with flexible tenure arrangements is generating increasing demand across the Sydney commercial market. Interchangeably referred to as co-working, shared offices and serviced offices (the latter being a slightly different product offering), flexible office providers are well-established within the Sydney CBD and City Fringe markets, e.g. Pyrmont and Surry Hills. An estimated 30% of corporate real estate portfolios will include flexible space by 2030 (JLL, 2016) and demand for co-working facilities is growing.

The ability to co-work or share office space offers significant flexibility (no commitment to a fixed lease, ability to use common facilities such as meeting rooms, printing facilities) and the opportunity to interact and collaborate with other businesses/individuals. Given the flexibility and minimal set-up costs, flexible offices have proven particularly popular amongst start-up and emerging businesses.

Flexible office providers typically operate using a subscription membership model based on intensity of use, size requirements and level of access to shared facilities. Spaces provided range from single desks (hot desks), shared offices, private suites and meeting rooms. Membership tiers dictate the frequency which users can use and access facilities on a weekly basis.

Key Drivers of Demand

Working practices are changing due to socio-demographic change and technological advancements.

- **Rise of Digital Technology**

The constant evolution of digital technology has shifted the nature of working practices globally. Working remotely has become increasingly popular with the improvement of digital technology. Advancements in emerging technologies such as website design and online business services is facilitating the growth of small business, the key customer segment of co-working space.

- **Entrepreneurship and Worker Mobility**

Self-employment is on the rise. A global study (BNP Paribas, 2016) found that Gen Y (born between 1980 and 1995) are increasingly exploring entrepreneurial opportunities, being both ambitious and having high expectations. With the rise of digital technology, sole operators and small businesses are growing with the advent emerging technologies.

Both the corporate and public sector have progressively engaged with freelancers in order to drive greater efficiency and capability. This trend is set to continue as recent surveys such as Deloitte's Millennial Survey (2017) have found younger workers are increasingly opting for flexible work arrangements, such as freelancing.

- **Activity-based Working**

Activity-based working (ABW) has emerged over the past decade to rationalise office space whilst driving increased productivity and collaboration. Open plan office layouts and 'hot desking' are common features of ABW with the practice widely adopted by Australia's large corporates. Co-working and ABW share many similar features which has begun to drive interest from this segment of the market as large corporates seek additional co-working space for their employees.

- **Importance of Work-Life Balance**

Work-life balance has been a fundamental goal of the public and private sector for over a decade. Reducing the time employees spend away from home whilst balancing key performance indicators and targets has often proved problematic however. The advancement of digital technology has greatly improved the viability of working remotely and facilitating work-life balance. The recent introduction has provided an additional option

for employees seeking to work remotely, particularly if home-offices are unsuitable for particular work practices.

The culmination of the above trends is driving demand for co-working space within metropolitan Sydney.

Western Sydney Co-Working Market

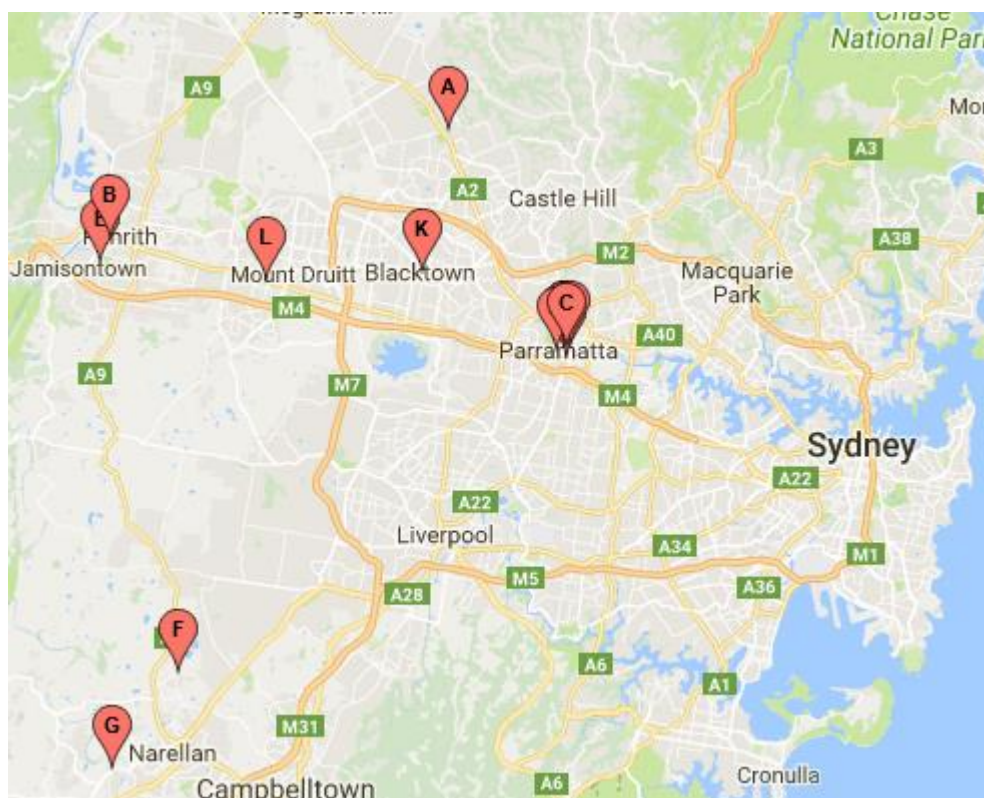
Whilst the emergence of co-working providers within metropolitan Sydney over the past five years has traditionally been clustered within the Sydney CBD and surrounding markets, a rising number of flexible office providers are beginning to operate within Western Sydney.

A variety of co-working and shared office providers have emerged in Western Sydney, ranging from large corporate operators to smaller boutique firms. In addition to private for-profit operators, co-working spaces are also being progressed and operated by government agencies and tertiary educations (e.g. Launch Pad, WSU).

An audit of existing co-working operators within Western Sydney indicates there are approximately 14 co-working facilities across Western Sydney within Rouse Hill, Parramatta, Blacktown, Penrith, Oran Park and Camden. Many of these facilities are located within Parramatta, primarily being private operators however a not-for-profit co-working hub has also recently been opened by Western Sydney University. A detailed list of existing co-working operators within Western Sydney is included in Appendix A.

Figure 5.1 illustrates the location of co-working facilities across Western Sydney.

Figure 5.1: Western Sydney Co-Working Facilities



Source: BatchGeo

The scale of the co-working operators within Western Sydney is contrasting. For example, Regus is a global serviced office provider with circa 3,000 offices in over 100 countries and has recently begun offering a co-working service within their existing serviced office facilities in Blacktown and Parramatta. By contrast, Grounded Space is a boutique co-working provider which commenced operations in 2017 with its sole facility in Parramatta.

Informal discussions with co-working operators within Western Sydney indicates demand for space over the past 12-18 months has been steady. WOTSO Penrith has experienced a strong uptick in demand over 2017 and plans to expand the existing facility to incorporate a further 8 office suites. New operator Grounded Space at 79 George

Street, Parramatta opened in May 2017 with approximately half of the 27 available hot desks now occupied under a variety of casual, part-time and full-time arrangements.

The Oran Park Smart Work Hub has experienced strong demand since commencing operations in late 2014 with a total of 150 current members. The facility was expanded from 500sqm to 1,100sqm in mid-2016 to accommodate growing demand. Office suites within the facility are well-sought with waiting lists for availability.

The vast majority of Western Sydney co-working users are observed to be local residents. A strong mix of both sole operators and corporate workers utilising co-working space is currently being observed; the latter a growing cohort across many co-working facilities. For example, approximately 75% of existing occupants at WOTSO Penrith are understood to be employees of large corporations utilising the facility to work off-site and closer to home.

The start-up and sole operator culture that has traditionally driven co-working space is also observed. For instance, the Collaboratory (2/96 Phillip Street, Parramatta) focuses on start-ups and small businesses, acting as both a co-working hub and incubator providing technical advice over a 6-12 month period in exchange for an equity stake. The Oran Park Smart Work Hub is dominated by sole operators (circa 90% with emerging businesses in the finance and training industries, accountants, financial advisors, business coaches and conveyancers are well-represented).

Review of existing membership rates for co-working spaces within Western Sydney indicates current market rates for hot-desks on a casual and part-time basis typically range from \$200 to \$280 per month. Higher rates are quoted for boutique co-working space within Parramatta - Grounded Space and Collaboratory in Parramatta including part-time memberships at \$385 and \$528 per month, respectively. Full-time memberships, typically providing unlimited building and facility access, ranges from \$440 to \$660 per month. Private office suites, often offered under short-term lease agreements, have rents premised on dollar per square metre rates with rents observed between \$800 and \$1,200 per month for suites between 10sqm and 50sqm.

Requirements for Co-Working Space

A number of success factors are typically observed to underpin the viability of co-working facilities. These requirements are not dissimilar to traditional office markets; accessible, connected and amenity-rich environments are major factors behind where co-working facilities can function and thrive.

- **Connectivity**

Internet connectivity is now the fourth utility for occupiers, as important as water, electricity and gas. For co-working providers, connectivity is arguably the most important of these four. The appeal of co-working facilities is intrinsically linked to quality of the internet offer. Facilities which have superior connectivity, bandwidth and latency have a competitive advantage over those that do not in attracting and retaining occupiers.

- **Amenity**

A high quality urban environment is required for successful co-working facilities. Research suggests 45% of co-working users previously worked from home (Deskmag, 2017). The amenity offering of both the facility and surrounding urban realm is a crucial factor to attract people who could otherwise work from home. Internal amenity (good coffee, gym) and external amenity (attractive buildings and open spaces) are equally important.

- **Accessibility**

Walking, cycling and public transport are increasingly important to the workforce. Successful flexible offices are highly accessible by a range of transport modes other than the private car. The provision of quality end-of-trip facilities for workers (e.g. bike racks) plays a major role in attracting co-working users. Co-working facilities positioned close to residential areas are well-placed to benefit from users looking to reduce commute times.

- **Range of Floorspace**

Successful co-working facilities provide a range of office floorspace suitable to cater for a variety of users; casual drop-ins, small start-ups and growing businesses. Co-working models can typically work off approximately 185sqm to 930sqm of floorspace (JLL, 2017) to optimise these requirements, however, such models also typically co-locate within well-established commercial office precincts.

- **Community**

Most of the attributes considered above relate to the physical infrastructure of co-working facilities. These are the minimum necessary requirements needed. Just as important in the success of these hubs is the soft infrastructure which ties companies together, fosters collaboration and creates a sense of community.

Creating a sense of community happens organically over time, although for new facilities it can/should be engineered/curated to an extent. Curation mechanisms could include online tools and programs for encouraging talent 'collisions' or meet-up groups, or providing a quality urban realm with the right type of retail/entertainment which means workers choose to spend time in the facility and engage with each other.

- **Critical Mass**

Ultimately for a co-working space to be successful it requires a critical mass of occupiers and talent. As the facility gains in size and gathers momentum, critical mass becomes a self-reinforcing process. More occupiers bring more talent to the area which in turn increases its appeal to other occupiers and so on. A cluster may lack a critical mass initially but over time it must develop it if it is to succeed in the long term.

Synergy with Conventional Office Space

In instances where emerging businesses grow to a size and operations stabilize, business owners may look to transition into more permanent accommodation arrangements, where they have autonomy in the premises and are able to customise fitout to their requirements as well as lower the per square metre rate of annual rent cost.

Some businesses may remain small and suit co-working space arrangements even when they reach maturity, however each business' accommodation profile and needs are unique. The ability to accommodate a continuum of needs would attract a broad user base who may consider a longer term proposition to require conventional office space with fixed term leases, etc.

The majority of co-working facilities in Western Sydney examined are located within established commercial centres such as Penrith, Parramatta, Blacktown and Camden. Occupiers who may 'outgrow' co-working space have the option of securing permanent office premises within the commercial centre. In emerging commercial centres such as Oran Park, the co-working provider (Greenfields) recognises the need to provide for various formats and tenure arrangements, enabling occupiers to rent a hot desk, transition to an office suite on flexible tenure to eventually transition into permanent accommodation on a fixed lease at a lower rental rate. Though, permanent office accommodation in Oran Park is not due for completion for another 18 months (approximate).

Opportunity for Station Precinct South

The pace of development in digital technology is making working remotely progressively more viable and attractive for a large cohort of professional workers. Digital technology is also driving the rise of entrepreneurship on a national level. Coupled with other market and social trends such as activity-based working and work-life balance, both small and large businesses are increasingly becoming attracted to co-working arrangements.

Employee memberships to co-working facilities are increasingly being made available by large corporates in facilitating flexible work arrangements for those employees with long commute times. Current market activity suggests demand for, and indeed supply of, these types of co-working facilities within Western Sydney is increasing. The availability of flexible offices near large residential areas which provide workers an alternative to lengthy travel times is a primary driver of demand for many Western Sydney based co-working providers.

Market activity is also responding to growth in demand from small businesses. Co-working users are traditionally comprised of a higher proportion of self-employed, freelancers or small companies compared to occupiers of traditional offices. This is accords with the profile of Western Sydney where 97% of business have less than 19 employees (Western Sydney Business, 2017). Overall, emerging market and social trends suggest the Cudgegong Road Centre is well-located to benefit from the rise in demand for co-working space in Western Sydney.

The Cudgegong Road Centre also exhibits many locational attributes necessary to deliver a successful co-working facility. This includes localised amenity (cafes, shops), high quality physical environment, proximity to residential areas dominated by households employed in white collar employment jobs and proximity to a major transport node. Delivery of the Cudgegong Road train station will provide strong regional public transport linkages to and from the

centre. Residential development within the Cudgegong Road Precinct and broader North West PGA will deliver a large population catchment in close proximity, as will retail, non-retail and community facilities.

Accordingly, development of a co-working facility within the Station Precinct South has merit for further consideration. This is a strong recommendation for the developer rather than being a requirement. In order to ensure financial viability of any development, a large floorplate is needed to deliver a range of suite sizes, open areas, hot desks, meeting rooms, function areas and the like.

Provision of an amenity-rich commercial environment will play a major role in determining the success of a co-working facility within the Station Precinct South. Delivery of other land uses, specifically retail, would be a prerequisite in order to ensure market appeal and take-up of co-working space. The Cudgegong Road Centre must be an attractive and convenient location in order to appeal to potential users.

Co-locating flexible offices with conventional office suites is a logical consideration to foster a corporate community within the Cudgegong Road Centre whilst providing co-working users opportunity to expand and upgrade premises within the Centre should they require upon reaching further business maturity.

Demand for traditional office space within the immediate vicinity of the Centre is strong. The Rouse Hill Town Centre comprises approximately 1,400sqm of conventional office floorspace in addition to private co-working facility, Space & Co. Anecdotal evidence from leasing agents indicates that traditional office space is fully occupied with strong demand from commercial service operators (tax agents, financial advisors) and medical-related operators. It is further understood no additional commercial office floorspace is envisaged within the proposed expansion of the Rouse Hill Town Centre.

Provision of a complementary traditional office component similar to that observed within Rouse Hill Town Centre is expected to be well-received by the market, particularly from commercial users reliant on surrounding population catchments (tax agents, small solicitors, etc). Delivery of conventional office will additionally provide opportunity for co-working users to transition to more permanent office accommodation should they require.

5.3 OTHER LAND USES

A range of additional land uses would be suitable in the Cudgegong Road Centre.

Childcare

Projected demographics show the Cudgegong Road Precinct is likely to be characterised by a high proportion of young residents aged under 12 and households with dependent children in which both parents work. Previous work undertaken for the Cudgegong Road Precinct indicated that 2 to 3 childcare facilities are supportable in this area. Dwelling yields have subsequently been increased meaning that this should be consider a minimum requirement.

Childcare centres average between 250 to 500sqm in size. Childcare facilities would perform a beneficial role in supporting other uses in the centre, underpinning its vitality and viability and providing a convenient service for commuters. 1 or 2 childcare centres could be provided within the Cudgegong Road Centre in ensure adequate and accessible provision. Ideally these would be located north and south of the train station.

Medical Facilities

The provision of medical facilities will be an important part of meeting the needs of residents and workers in this area. NSW had 10,587 general practitioners in 2015-16 (Department of Health, 2016) and a population of 7.7 million in March 2016 (ABS, 2017). This equates to approximately 1 doctor per 730 people.

The Main Trade Area will accommodate at least 8,800 residents in 2021. This means it will generate demand for at least 12 doctors. Under the High Growth scenario demand would be greater.

Provision of a GP surgery in the Cudgegong Road Centre to meet some of this demand is justifiable. Provision should also made for medical suites which could accommodate other complementary uses such as a dentist, chiropractor, physiotherapist, dermatologist and/or ophthalmologist.

Health and Fitness Studio/Gym

Health and fitness studios are supportable based on the size of the MTA population and given the future role of the centre in serving the localised needs of residents and workers. Health and fitness provision would support liveability and workability as well as centre activation, vitality and viability. Based on the operator, space of up to 400sqm could be provided for this use. The provision of a facility north and south of the train station is likely to be justifiable.

Community Facility

The future population of the Cudgegong Road Precinct will generate sufficient need for a community facility to meet the needs of health and aged car providers, young people, civic and emergency services. Blacktown City Council has noted its preference for a community facility on the site. At this stage Council's section 94 Plan identifies a future Community Resource Hub in the Riverstone East Precinct to serve the needs of the area.

There is nevertheless opportunity for shared multi-purpose community facilities in the Cudgegong Road Precinct.

5.4 IMPLICATIONS FOR CUDGEGONG ROAD CENTRE

Initial precinct planning for the Cudgegong Road Precinct makes provision for 12,500sqm to 15,000sqm of retail and commercial floorspace in the B2 Local Centre.

Development momentum and activity suggests that even increased maximum dwelling capacities (though capped) in the Cudgegong Road Precinct could ultimately be exceeded. It is unknown at this stage the extent to which additional development will be permitted beyond the capped densities in the Cudgegong Road Precinct and neighbouring Riverstone East Stage 1 given the pressures on infrastructure.

This Study explores a scenario where dwelling density is capped (circa 5,000 dwellings in the Cudgegong Precinct) as well as a scenario where some increase to dwelling capacity will be permitted, to be equivalent to that which is in the pipeline, plus development on lands not yet progressed as well as accounting for the dwelling potential of the Site in the B4 Mixed use zone south of the station.

Based on dwelling numbers in both scenarios, our demand projections indicate a Centre of this size (12,500sqm to 15,000sqm) could be fully realised by 2021 once allowance is made for additional land uses such as commercial floorspace for offices and other commercial. Demand for retail floorspace will continue to grow beyond 2021.

Table 5.4 sets out a potential land use mix for the B2 Local Centre (based on the initial floorspace potential identified by DPE) in view of the identified demand, the parameters of the centre, its role and function.

Table 5.4: Potential Land Use Mix, B2 Local Centre, GFA

Floorspace Demand	2021 (sqm)
Supermarket	3,500
Mini-majors	
Food	1,000
Pharmacy	600
Specialty Retail	
Food	1,000
Non-food	1,200
Retail Services	1,200
Food and Beverage	1,600
Non-retail shopfronts	2,000
Retail Sub-total	12,100
Other Uses	
Commercial Office	2,000
Childcare facilities	500
Health and Fitness	400
Centre Total	15,000

Source: DPE (2015), AEC

The Cudgegong Road Centre will broadly cater for the demand generated by residents, workers and commuters. Additional demand will exist for retail floorspace outside the local centre over and above that identified in Table 5.4 and will increase every year thereafter. A second supermarket will in time be supportable in the B2 Local Centre.

It will be necessary for the B4 Mixed Use land in the Cudgegong Road Precinct (specifically Station Precinct South) to assist in supplementing the needs of shoppers that are not be met within the Local Centre. More critical will be for these B4 lands (and the Site) to service the daily activity that will be focused south of the train station.

The commuter car park will in and of itself drive high volumes of pedestrian and vehicular activity on a daily basis. Having retail and complementary facilities that are directly accessible will contribute to an active and convenient offer available to local residents, workers and commuters alike.

Given the extent of residual retail demand and considering the aspirations for the Site, potential land use mixes are shown in Table 5.5 in Table 5.6.

Opportunity for Station Precinct South

Given residual retail demand and in light of the aspirations for the Site, a potential land use mix is shown in Table 5.5, that is compliant with DCP controls (specifically the 300sqm cap on retail premises).

Table 5.5: Compliant Potential Land Use Mix, The Site

Land Uses	Units	Floorspace (GFA, sqm)	Potential Occupiers
Retail			
<i>Food</i>			
Small Supermarket	1	300	
Other Food	8-11	800	Bakery, patisserie, butcher, fishmonger, greengrocer, deli, health food, ethnic food
<i>Food and Beverage</i>			
Take-aways	8	400	
Restaurants	2	600	
Cafés/restaurants	8-11	800	
<i>Non-food</i>			
Pharmacy	1	200	
Other non-food	7-10	700	Florist, hardware store, newsagency, electronics, haberdashery, household goods, giftware
<i>Personal Services</i>	7-10	700	
<i>Non-retail Shopfronts</i>			
General	4-5	400	Retail estate agency, bank, travel agency, lawyers, tax agent
Childcare Facilities	1	700	
Health and Fitness Studio	1	400	
Total Retail	51-63	6,000	
Commercial			
Commercial Office	1	2,000	Mix of co-working/flexible space and conventional office space
GP Surgery	1	500	An alternative to commercial office uses
Medical Suites	5	500	An alternative to commercial office uses
Total Commercial	7	3,000	

Source: AEC

The timing of the above provision is dependent upon the development yield of the broader MTA. There are many advantages of front-loading retail and delivering it ahead of demand. It allows early residents to have access to the range of retail goods and services they will need. It can cater for demand from construction workers. It will help to create a sense of vibrancy, activate street frontages and provide investment impetus which may assist households and occupiers commit to homes and commercial premises within the Cudgegong Road Precinct.

Alternative Scenario for Station Precinct South

The B4 Mixed Use portion of the Site is currently subject to a floorspace cap restricting the size of retail premises to 300sqm. This was intended to ensure that retail uses in the B4 Mixed Use zone south of the train station would not compete with the B2 Local Centre north of the train station.

The level of demand identified and assumed population growth means a fully realised centre on the B2 Local Centre zoned land is likely to exceed the initial planned capacity of 12,500sqm to 15,000sqm for the town centre. On this basis, the Study finds there is justification for relaxing the restrictive retail premises cap. This would allow the delivery of a metro-style supermarket of at least 1,200sqm GFA on the Site.

A metro-style supermarket in Station Precinct South would cater directly to some of the unmet demand created and would help the Cudgegong Road Centre respond better to the needs of shoppers. Table 5.6 shows an indicative floorspace mix for the Site if the retail premises cap were relaxed, summarised as: Retail (4,500sqm), Commercial (3,000sqm) and Community/other non-retail (1,500sqm). These figures represent a potential land use mix and may not necessarily be the outcome in future applications.

Table 5.6: Alternate Potential Land Use Mix, The Site

Land Uses	Units	Floorspace (sqm GLAR)	Potential Occupiers
Retail			
<i>Food</i>			
Small Supermarket	1	1,200-1,500	
Other Food	4-5	400	Bakery, patisserie, butcher, fishmonger, greengrocer, deli, health food, ethnic food
<i>Food and Beverage</i>			
Take-aways	4-5	400	
Restaurants	2	500	
Cafés/restaurants	6-8	600	
<i>Non-food</i>			
Pharmacy	1	200	
Other non-food	5-7	500	Florist, hardware store, newsagency, electronics, haberdashery, household goods, giftware
<i>Personal Services</i>	5-7	500	
<i>Non-retail Shopfronts</i>			
General	3-4	300	Flexible arts/dance/community space, retail estate agency, bank, travel agency, lawyers, tax agent
Childcare Facilities	1	800	
Health and Fitness Studio	1	400	
Total Retail	33-42	Approx. 6,000	
Commercial			
Commercial Office	1	2,000	Mix of co-working/flexible space and conventional office space
GP Surgery	1	500	An alternative to commercial office uses
Medical Suites	5	500	An alternative to commercial office uses
Total Commercial	7	3,000	

Source: AEC

If a metro-style supermarket were to be provided in Station Precinct South it would not detract from the vitality or viability of the B2 Local Centre. The Local Centre would have a full-line supermarket in addition to a retail offer that is broader and deeper than the Site. There is ample demand for retail goods and services in this locality and without the Site meeting some of the unmet demand for supermarket-related floorspace residents, workers and commuters may need to travel to other centres instead.

Providing a metro supermarket on the Site would:

- Allow easier access to a supermarket offer for residents living south of the train station and for commuters using the car park on Schofields Lane.
- Allow a better mix of complementary retail uses to be provided across the B4 lands.
- Be well aligned to the aim of this Centre to provide convenient, accessible localised retail goods and services to local residents, workers and commuters.
- Increase the overall attraction of Cudgegong Road as a centre to spend time in. It would promote activation of the Site throughout the week and at weekends.

Some flexible community space could be considered for Station Precinct South commensurate with the needs identified in the Cudgegong Road Station Precinct South State Significant Development Application (SSDA) Social needs and impact assessment (GHD, 2018). Community uses would contribute to the daily activity and vibrancy of the Station Precinct South.

Notwithstanding the important role for a small convenience-based retail in the Station Precinct South, the majority of retail and non-retail facilities would be focused in the local centre north of the train station.

Furthermore as the Site will be delivered in an orderly manner, it has the opportunity to set the tone for the wider Cudgegong Road Centre and Precinct. This would validate delivery of the suggested uses in Table 5.6.

5.5 ECONOMIC IMPACTS

Initial precinct planning for the Cudgegong Road Precinct makes provision for 12,500sqm to 15,000sqm of retail and commercial floorspace in the B2 Local Centre.

Development momentum and activity suggests that the increased maximum dwelling capacities (though capped) in the Cudgegong Road Precinct could ultimately be exceeded. This Study explored a capped density scenario (circa 5,000 dwellings in the Cudgegong Precinct) and a scenario where increased dwelling capacity is permitted.

Based on dwelling numbers in both scenarios, demand projections indicate a centre as initially envisaged in initial precinct planning (12,500sqm to 15,000sqm) could be fully realised by 2021 once allowance is made for additional land uses such as commercial floorspace for offices and other commercial. Demand for retail floorspace will continue to grow beyond 2021.

The level of demand identified and assumed population growth means a fully realised centre on the B2 Local Centre zoned land is likely to exceed the initial planned capacity of 12,500sqm to 15,000sqm for the town centre. On this basis, the Study found there is justification for relaxing the restrictive retail premises cap. This would allow the delivery of a metro-style supermarket of at least 1,200sqm GFA on the Site.

The Station Precinct South concept proposal allows for approximately 1,100 dwellings and supporting retail (4,500sqm), commercial (3,000sqm) and community uses (1,500sqm). It also includes a central park, new streets and supporting public domain.

5.5.1 Economic Activity and Impacts

The economic impacts resulting from development as proposed by the concept proposal can be classified as:

- **Direct impacts**, which are the first round of effects from direct operational expenditure on goods and services.
- **Indirect Impacts (Flow-on impacts)**, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales. Flow-on impacts can be disaggregated to:
 - **Indirect Impact (Type I)** represents the production induced support activity as a result of additional expenditure by the industry experiencing the stimulus on goods and services in the intermediate usage quadrant, and subsequent round effects of increased purchases by suppliers in response to increased sales.
 - **Indirect Impact (Type II)** represents the consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries being paid within the economic system.

The premise behind Type I and Type II indirect impacts applies across both the construction and operational phase, except the impacts on industry will be different. For example, Type I impacts during the operational phase may include manufacturing (food and beverage, food related) and administrative and support services (e.g. building cleaning, employment services, travel agencies, etc.).

5.5.2 Operational Impacts

On completion of development, the Site is expected to generate ongoing economic/operational activity through direct turnover generated by the retail and commercial operational activities.

The activity associated with the Station Precinct South concept proposal is estimated to support the following economic activity through direct and flow-on impacts (indirect impacts) on an annual basis, once fully developed and operational:

- \$136.0 million in output (including \$64.4 million in direct activity).
- \$71.2 million contribution to Gross Regional Product (GRP, including \$32.1 million in direct activity).
- \$70.4 million in incomes and salaries paid to households.
- 602 full-time equivalent (FTE) jobs (including 350 direct employees on the Site).

Table 5.7. Operational Impacts - Concept Proposal

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$64.4	\$32.1	\$31.7	350
Type I Flow-On	\$26.4	\$12.7	\$12.6	87
Type II Flow-On	\$45.3	\$26.4	\$26.1	165
Total	\$136.0	\$71.2	\$70.4	602

Source: AEC

5.5.3 Household Expenditure Supported

The future residents of dwellings will support household expenditure activity. Some of this household expenditure will result in increased economic activity outside of the Site and in the Blacktown LGA. Household expenditure activity should not be combined with the impacts in Table 5.7, as some of these impacts are likely to already be captured in the assessment (e.g. some expenditure on retail and food and beverage by households is likely to be spent at the retail and food and beverage outlets locating on the Site).

Household expenditure associated with the net residential dwellings is estimated to support the following economic activity through direct and flow-on impacts (per annum):

- \$80.7 million in output (including \$40.8 million in direct activity).
- \$47.0 million contribution to Gross Regional Product (GRP, including \$25.1 million in direct activity).
- \$23.1 million in incomes and salaries paid to households.
- 374 full-time equivalent (FTE) jobs (including 235 direct employees).

Table 5.8. Household Expenditure Impacts - Concept Proposal

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$40.8	\$25.1	\$13.2	235
Type I Flow-On	\$12.5	\$5.9	\$3.2	40
Type II Flow-On	\$27.4	\$16.0	\$6.7	100
Total	\$80.7	\$47.0	\$23.1	374

Source: AEC.

6. RECOMMENDATIONS

This Study has assessed the demand for retail, commercial and other suitable floorspace at Cudgegong Road Centre and the Station Precinct South specifically.

6.1 MATTERS FOR CONSIDERATION

Retail/commercial centres are most successful when they are clustered/consolidated in one location, thereby creating a vibrant and active area. As is typical of any successful retail facility, key tenants are those who are customer generators with specialty shops feeding off the customer flows of the major tenants. The location of key major attractors therefore requires considered thought to ensure a strong consolidated retail offering.

Retail uses are followers, in that they 'follow' demand from population. While front-loading of retail facilities is desirable from a marketing perspective, in reality it is difficult without some cross-subsidy. While flexibility is required in development planning, a designated location for a supermarket would help avoid this core element being located away from the main active pedestrian fronts.

In the early stages of development, possible interim use of space may be required to ensure that retail can be 'switched on' when required. Retail is typically lumpy in its delivery given the critical mass of catchment demand needed to establish before it can be viable.

The Study highlights the following matters for consideration:

- Substantial car parking is important for an emerging retail/commercial centre, particularly in the early years if there is limited population that is resident immediate around the Site. If the large commuter car park can be appropriated for retail centre use (particularly on weekends), the cost and provision of separate car parking could be alleviated.
- Cafés, restaurants and other food catering facilities are essential to a convenience-based retail precinct.
- Co-location of pharmacy, fresh produce stores and other food specialties are typically successful in mixed use developments.
- Hairdressing/beauty tenants and other personal services form key parts of mixed use developments in inner city precincts. This will in time be observed in outer areas such as Cudgegong Road.
- Incorporation of non-retail elements such as gym and fitness studio, health-related uses and the like are important.
- In mixed use developments, creating active street frontages is important, however, noting that not every building will be able to contain successful retail at ground level. The consolidation of retail space is therefore more important than active frontages to every building in one area.

The provision of commercial space (co-working spaces) within mixed use developments should have regard to the ability of its siting and location to facilitate pleasant worker amenity. Different user segments are attracted to co-working space facilities hence different formats and commercial arrangements will appeal to a broad user base.

Careful curation and design by a provider will be key to ultimate appeal and success. Securing interest from a specialist provider will be key to planning, curating and delivering co-working spaces that promote collaboration and concurrently build a vibrant worker community in the Cudgegong Road Centre.

The majority of co-working facilities in Western Sydney examined are located within established commercial centres such as Penrith, Parramatta, Blacktown and Camden. Occupiers who may 'outgrow' co-working space have the option of securing permanent office premises within the commercial centre.

In emerging commercial centres such as Cudgegong Road though, long term provision of commercial floorspace could be considered to enable occupiers who may have 'outgrown' co-working spaces to transition into permanent accommodation on a fixed lease at a lower rental rate.

6.2 OPPORTUNITY FOR STATION PRECINCT SOUTH

Our recommendations for the Site based on this analysis are as follows:

- The primary role of retail and non-retail facilities on the Site will be convenience-based, to serve localised demand for residents, workers and commuters.
- Commensurate with the B4 Mixed Use zoning objectives retail and commercial uses should be ancillary to and support the primacy of the B2 Local Centre land. The majority of retail floorspace is expected to be accommodated in the area north of the train station in the local centre.
- Retail floorspace on the Site should primarily focus on: convenience goods, everyday comparison goods, food, beverage, cafes and eating out; retail services, and non-retail shopfronts which reflect the local demographics.

In a complying scheme, a total up to 6,000sqm of retail/community floorspace on the Site is justifiable based on:

- 1 x small supermarket of 300sqm GFA.
- 8-11 x specialty retail stores of 800sqm GFA.
- 18-20 x food and beverage occupiers of 1,800sqm GFA. This includes an allowance for 2 x large restaurants of 300sqm GFA each.
- 1 x pharmacy of 200sqm.
- 7-10 x other non-food outlets of 800sqm GFA.
- 7-10 x other retail services of 800sqm GFA.
- 4-5 x non-retail shopfront uses of 400sqm GFA.
- 1 x childcare centre of 700sqm GFA.
- 1 x health and fitness studio of 400sqm GFA.
- Commercial office floorspace that is flexible in function and use.

The B4 Mixed Use portion of the Site is currently subject to a floorspace cap restricting retail premises to 300sqm. The level of demand identified means a fully realised centre on the B2 Local Centre land is likely to exceed initial planned capacity of 12,500sqm to 15,000sqm. On this basis, the Study finds there is justification for relaxing the floorspace cap, allowing delivery of a metro-style supermarket of 1,200sqm to 1,500sqm GFA on the Site.

Relaxation of the retail premises cap would not vastly alter the quantum of floorspace on the Site, rather it would result in a slightly differently configured land use mix.

- 1 x metro-style supermarket of 1,200sqm-1,500sqm GFA.
- 4-5 x specialty retail stores of 400sqm GFA.
- 14-16 x food and beverage occupiers of 1,500sqm GFA.
- 1 x pharmacy of 200sqm.
- 5-7 x other non-food outlets of 500sqm GFA.
- 5-7 x other retail services of 500sqm GFA.
- 3-4 x non-retail shopfront uses of 300sqm GFA.
- 1 x childcare centre of 700sqm GFA.
- 1 x health and fitness studio of 400sqm GFA.
- Commercial office floorspace that is flexible in function and use.

The market will ultimately determine the nature of retail premises delivered, but the above mix is considered suitable given the location of the Site in Station Precinct South and its important synergy with users of the train station and commuter car park and local residents.

6.3 STATION PRECINCT SOUTH AND THE LOCAL CENTRE

Given the amount of retail demand generated by future shoppers in the Cudgegong Road Centre, even with a fully realised B2 Local Centre it is likely there would remain unmet demand for retail floorspace.

Retail facilities on the Site to the south of the train station are important for reasons that are several-fold:

- Activating the public realm and contributing to a vibrant local community that incorporates convenience-based retail facilities.
- Complementing the overall travel experience of commuters and those who use the commuter car park and residents from The Ponds who will walk through the site to access the metro station.
- Providing the retail and urban amenity that is necessary for commercial uses to be successful and well patronised.
- Accommodating spillover demand from the local centre north of the train station.

In our opinion relaxation to the restrictive floorspace cap in the B4 Mixed Use zone (in particular with respect the Site) is justified to enable the development of a metro-style supermarket of up to 1,500sqm. Doing so would better spread supermarket provision north and south of the train station and support the overall attraction, functionality and viability of the Cudgegong Road Centre.

This retail provision would serve localised demand without adversely impacting the vitality, viability or attraction of the B2 Local Centre. Indeed, it would contribute to the overall attraction of the Cudgegong Road Centre as a place to live, work and visit. A greater quantum of retail floorspace could ultimately be supportable depending upon the offer provided at Cudgegong Road Centre as well as the residential yield of the MTA, the number of future workers employed in the area and commuter patronage of the Cudgegong Road train station and Schofields Road. This however depends on the ultimate permissibility of dwelling numbers in the local catchment.

Commercial uses of 3,000sqm GFA are supportable. We have suggested a single flexible office provider of 2,000sqm GFA, a GP surgery of 500sqm GFA and other medical suites of up to 500sqm GFA. Dependent on market demand, flexible office space could be scaled down to facilitate occupation by a single operator. However flexible space would offer more local residents the ability to work close to their homes and it would widen the offer provided by the Cudgegong Road Centre.

Careful curation and design by a provider will be key to ultimate appeal and success. Securing interest from a specialist provider will be key to planning, curating and delivering co-working spaces that promote collaboration and concurrently build a vibrant worker community in the Cudgegong Road Centre.

Health-related uses could additionally be provided as commercial office suites subject to demand.

The Site is at an early stage of delivery relative to the wider precinct. There are a variety of benefits to providing retail and commercial uses ahead of demand. Provision of these uses in advance of the B2 Local Centre is considered reasonable in conjunction with divestment and development of government-owned lands at the Site.

There is not a defined retail or centres hierarchy in the North West Priority Growth Area. At the foregoing recommended retail and non-retail floorspace of 6,000sqm, Station Precinct South would effectively serve a localised convenience role to surrounding residents, workers and commuters and supplement the role of the Local Centre to the north of the station. Higher order retail needs will continue to be met in higher order centres.

6.4 TEMPORARY/INTERIM USES

Prior to March 2021 demand will emanate from the following sources and is likely to be the lowest demand scenario:

- **Commuters** - we are advised that 1,600 commuters will use the station per day by 2021. It is conceivable this is a conservative estimate but in any event, these commuters will be heavily weighted towards the start of that time-frame. They will create demand for convenience and catering retail uses.
- **Metro facility workers** - The first phase of the metro facility will open by 2019 but this will represent only a small part of its ultimate capacity so it will employ only a proportion of the 300 permanent staff. These workers will create localised demand for convenience and food catering uses.
- **Building workers** - There will be many construction workers employed in the vicinity pursuant to construction of the metro facility and the residential uses nearby. It is difficult to estimate the number of construction workers, but they will nevertheless create demand for localised food and catering facilities in the main.
- **Local residents** - as set out in our previous estimates resident demand will be sizeable, equivalent to at least 11,200 by 2021. If retail is not delivered on the site prior to 2021 this demand will be met elsewhere, presumably Rouse Hill and Alex Avenue (Schofields).

The cumulative demand from residents, commuters as well as temporary and permanent workers would effectively make a range of (permanent) retail uses viable on the Site. Utilisation of the Site for temporary/interim uses should ideally be focused on uses that all the above user segments can benefit from and that will serve as an attraction to the centre and provide precinct activation prior to the completion of development surrounding the station. Eating/dining facilities and entertainment uses are suitable for this purpose.

Prior to establishment of a new centre, local residents will conceivably have to access larger centres to fulfil their high order shopping needs as well as have their dining and entertainment needs met. An eating/entertainment type of offer in the early years would benefit the most users and will be demanded at all times - weekdays, evenings and weekends.

Quirky and unusual spaces would appeal to consumers' desire for a 'unique experience' and could include:

- **Semi-Permanent Metal Structure Uses** like shipping containers as seen at Re-start in Christchurch and Boxpark Shoreditch. Other examples are Eat Street Hamilton and Boxpark Croydon. The benefit of these structures is that occupiers can easily move in and out of them, with no extensive fitouts required. Though they don't offer much flexibility if an occupier requires larger space. They usually focus on food operators who only need a small space, rather than a broader range of retail uses that are normally found in a local centre. They usually comprise semi-permanent structures e.g. Boxpark Shoreditch has been open since 2011. Set-up costs can be fairly sizeable (Boxpark Croydon cost £3m to set up) meaning it may only be viable if it is in use for a medium term. They would give the area a 'buzz' and the flexibility of uses would allow the retail mix to be dynamic and evolve over time. It would also help to 'test' customer demand which could inform the final composition of the ultimate centre.
- **Day/evening Markets with Temporary Market Stalls** - there are plenty of examples of this around Sydney and beyond. In the UK there are daily markets - traders set up temporary stalls on the same spot every single day and clear it away at night. These have no upfront cost to the landowner and there is more size flexibility for market stalls versus a semi-permanent metal structures. That is why they tend to have a broader offer, not just for catering uses but fresh fruit and veg, fishmongers, cheesemongers, meat sellers etc. This use would be a good complement to a semi-permanent metal structure type use as it would provide additional uses unlikely to be accommodated within them but which residents will want. The market stalls could be operated when there is most demand, e.g. Thursday/Friday/Saturday rather than every day which may not be viable for traders. It could offer convenience food items and some comparison goods so residents will have lesser need to travel if they can fulfil their top-up shopping needs here.
- **Temporary Wooden Structures** as seen at Dinorama or Pop Brixton in London. These examples are semi-permanent wooden structures and are a bit more versatile compared to semi-permanent metal structures and so they offer, for example, larger restaurant or event space and a mix of uses of different sizes. They can be put up and taken down fairly easily so they are often shifted around development sites in London. It could be

a lower cost use than semi-permanent metal structures and has more flexibility but could take longer to get up and running as they may need to be designed and built from scratch.

- **Temporary (Pop-up) Entertainment Uses** - a deckchair cinema similar to Bondi or Centennial Park would draw from a wide area, with set-up costs relatively low (generally borne by the operator). It would also support demand for 'eat street' type uses and complement seasonable food festivals or outdoor theatre shows.

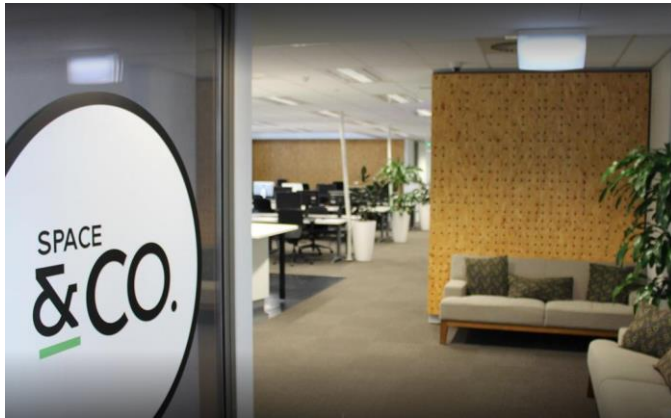
A childcare facility is in theory a community use that should be provided as early as possible. However given the statutory requirements and compliance issues for childcare centres, this is not likely to be a viable temporary use.

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APPENDIX A: WESTERN SYDNEY CO-WORKING SPACES

Space & Co, Rouse Hill



Address: L1, Cnr Main Street and Link Lane, Rouse Hill Town Centre, Rouse Hill

LGA: The Hills Shire

Floor Area: 300sqm-500sqm (approx.)

Description:

Co-working facility owned and operated by GPT Group located within the Rouse Hill Town Centre.

Mix of hot desks and office suites.

Services provided include security access, unlimited wifi, kitchen amenities, printing, phone, bike and locker storage, mail services, cleaning services, meeting room and teleconference facilities.

Membership is subscription based premised on intensity of use and access to facilities:

- **Connect Membership:** 5 days access per calendar month with 2 hours of meeting room usage per month; limited access to all facilities.
- **Casual Membership:** 3 days access per week, 4 hours meeting room usage per month; mailing address available.
- **Everyday Membership:** 5 days access per week, 6 hours meeting room usage per month, mailing address available.
- **Your Desk Membership:** 24/7 access with 6 hours meeting room usage per month, mailing address available. Permanent desk location.
- **Your Office Membership:** 24/7 access with 6 hours meeting room usage per month, mailing address available. Permanent office suite.

	Connect	Casual	Everyday	Your Desk	Your Office
Rate	\$210 per month	\$450 per month	\$550 per month	\$600 per month	\$1,300 per month

WOTSO, Penrith



Address: 95 Station Street, Penrith
LGA: City of Parramatta
Floor Area: 300sqm-600sqm (approx.)

Description:

Commenced operations in early 2016, WOTSO Penrith is one of WOTSO's four NSW locations and sole Western Sydney facility.

The facility provides a range of co-working subscription memberships premised on intensity of use and access to facilities.

Includes a total of 34 hot desks and 6 office suites.

Membership is subscription based premised on intensity of use and access to facilities:

- Hot Desk Membership: unlimited 24/7 access; limited access to all facilities. All items must be removed at end of day and same desk cannot be guaranteed; monthly subscription.
- Permanent Desk Membership: unlimited 24/7 access, free hotdesking at other WOTSO facilities, lockable storage; monthly subscription.
- Office Memberships: unlimited 24/7 access with all facilities available. Separated office; monthly subscription.

Services provided include secure 24/7 access, unlimited wifi, kitchen amenities, printing, phone, bike and locker storage, mail services, cleaning services, meeting room and teleconference facilities.

Strong demand observed over the course of 2017. A total of 19 desks and 5 offices are currently occupied; all existing memberships are full-time.

	Hot Desk	Permanent Desk	Office Suite
Rate	\$220 per month	\$440 per month	\$836 per month*

*Based on \$/sqm rate; average office size of 7.4sqm.

The Creative Fringe, Jamisontown



Address: 6/51 York Road, Jamisontown

LGA: Penrith City Council

Floor Area: 375sqm

Description:

Private co-working provider geared towards creative-type users (web design, graphic design, app development, etc) co-located with two permanent occupiers within small suburban business park.

Range of hot desks, five (5) private office suites (9sqm-50sqm), meeting rooms and venue hire facilities. Services provided include secure 24/7 access, unlimited wifi, kitchen amenities, printing, phone, bike and locker storage, mail services, cleaning services, meeting room and teleconference facilities.

Hot desks and office suites are available via subscription based memberships or short-term lease agreements as follows:

- Daily Hot Desk: casual membership with working hours access Mon-Fri, free carparking, access to printing services and free kitchen amenities.
- Roaming Fringer: part-time membership with 24/7 access, roaming monthly desk, personal locker, access to all facilities; monthly contract.
- Dedicated Fringer: full-time membership with 24/7 access, designated permanent desk and access to all facilities; monthly contract.
- Office Suites: short-term lease agreements (6-12 months) with permanent office suite and access to all facilities.

	Daily Hot Desk	Roaming Fringer	Dedicated Fringer	Office Suites
Rate	\$44 per day	\$363 per month	\$440 per month	Unknown

Grounded Space, Parramatta



Address: 79 George St, Parramatta

LGA: City of Parramatta

Floor Area: 200sqm-300sqm (approx.)

Description:

Private operator within Parramatta CBD which commenced operations in May 2017.

Hot desks and meeting rooms in addition to other facilities (free coffee, gym membership, IT, etc) are provided through a variety of memberships based on intensity of use.

Includes a total of 27 hot desks.

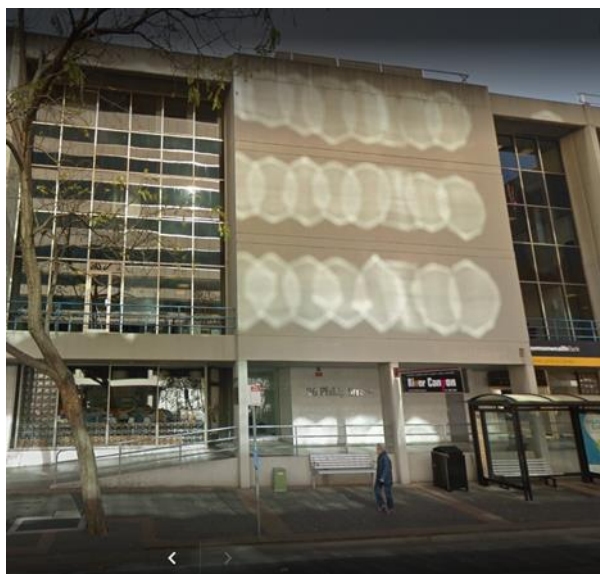
Membership is subscription based premised on intensity of use and access to facilities:

- Hot Desk Membership: casual use of facilities (up to twice a week) and includes access to free coffee and limited use of facilities.
- Part-time Membership: use of facilities up to three (3) times per week. Greater level of access to facilities (including gym) than the granted in hot desk membership.
- Full-time Memberships: unlimited access and use of all facilities.

Strong demand since commencing operations in May 2017 with approximately half of hot desks currently occupied under range of memberships. Recently secured Red Bull on a part-time membership

	Hot Desk	Part-time	Full-time
Rate	\$55 per day	\$528 per month	\$660 per month

Collaboratory, Parramatta



Address: 2/96 Phillip Street, Parramatta

LGA: City of Parramatta

Floor Area: 200sqm-300sqm (approx.)

Description:

Co-working and incubator provider within the Parramatta CBD with specialist app design, design, communications, legal and finance expertise to support small business and entrepreneurs.

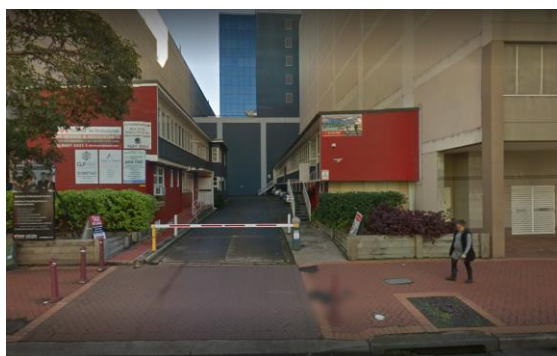
Hot desks and meeting rooms in addition to other facilities (free coffee, gym membership, IT, etc) are provided through a variety of memberships based on intensity of use. Includes a total of 27 hot desks.

Membership is subscription based premised on intensity of use and access to facilities:

- Hot Desk Membership: casual use of facilities (up to twice a week) and includes access to free coffee and limited use of facilities.
- Part-time Membership: use of facilities up to three (3) times per week. Greater level of access to facilities (including gym) than the granted in hot desk membership.
- Full-time Memberships: unlimited access and use of all facilities.

	Casual	Part-time	Full-time
Rate	\$264 per month	\$385 per month	\$550 per month

HatchSpace, Parramatta



Address: 126 Marsden Street, Parramatta

LGA: City of Parramatta

Floor Area: 155sqm

Description:

Private co-working facility located directly adjacent the Westfields Parramatta within two low-rise commercial demountable buildings.

Hot desks are available under casual membership subscriptions from \$70 per week. Facilities include free wifi, printing services, kitchen amenities, meeting rooms, and 24/7 access.

A total of 32 businesses currently utilise the facility under casual memberships.

	General Membership
Rate	\$280 per month

Oran Park Smart Work Hub, Oran Park



Address: Level 2, Oran Park Podium, 351 Oran Park Drive, Oran Park

LGA: Camden Council

Floor Area: 1,100sqm

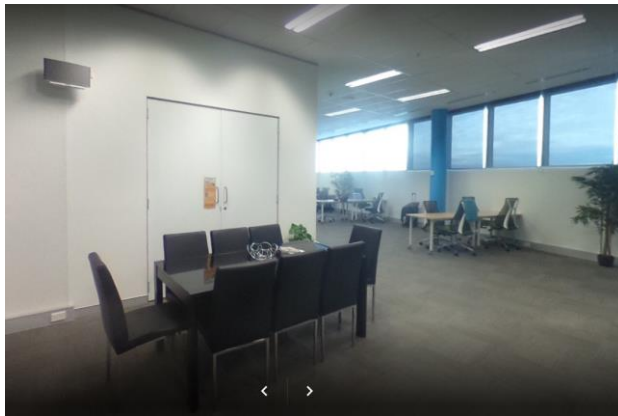
Description:

Shared workspace facility developed and operated by UrbanGrowth NSW comprising 19 office suites, 50 hot desks, event space for presentations and professional events, quiet booths (3 booths) and meeting rooms (5 rooms).

Variety of facilities include free wifi, meeting facilities, parking, printing facilities and secure locker and storage space.

Memberships are subscription based premised on intensity of use and access to facilities:

- Part-time: individual casual membership for access up to 2 days per week; limited access to facilities.
- Full-time: individual access up to 5 days per week with additional use of facilities including postal services.
- My Desk: unlimited individual access with use of all facilities permitted including dedicated hot desk and personal storage.
- My Office: unlimited access for up to 3 people with use of all facilities permitted; signage within the facility is also permitted.



Since operations commenced in 2014, uptake has been strong with 250 members to date (150 current members). Office suites are currently at full capacity with hot desks circa 60% occupied.

Prominent industries occupying space within the facility are finance and training with a strong cohort of conveyancers, accountants, financial advisors, solicitors, business coaches and tutors.

	Part-Time	Full-Time	My Desk	My Office
Rate	\$200 per month	\$340 per month	\$500 per month	\$1,220 per month

Regus Co-Working Spaces, Parramatta and Blacktown



Address: 91 Phillip Street, Parramatta; 30 Cowper Street, Parramatta, 81 Flushcombe Road, Blacktown

LGA: City of Parramatta; City of Blacktown

Floor Area: 150sqm-200sqm at each facility (approx.)

Description:

Co-working spaces provided within Regus' existing shared office facilities within both Parramatta and Blacktown.

Both Parramatta facilities include between 14-17 hot desks within a 50sqm office suite; the Blacktown facility includes a total of 14 desks. Facilities provided include free wifi, end of trip facilities, printing and phone services and access to networking and social events.

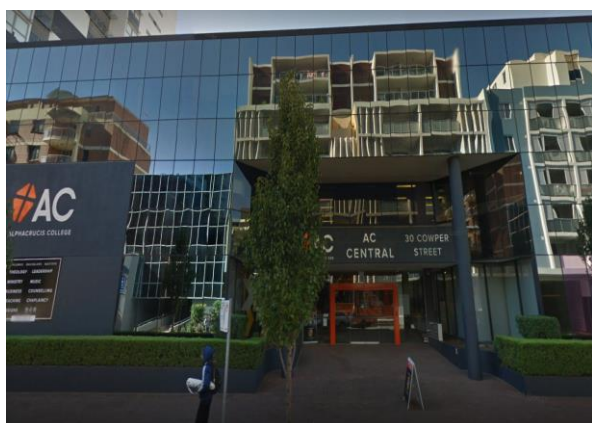
Membership is subscription based premised on frequency of use:

- Casual: access to hot desk up to 5 days per month with limited access to other facilities.
- Part-time: access to hot desk up to 10 days per month with unlimited access to other facilities.
- Full-time: unlimited access to hot desk and other facilities.

Both Parramatta facilities have received strong demand over the course of 2017 and are currently fully occupied under a range of casual, part-time and full-time memberships.

A range of users are observed including sole traders within creative and tech industries, small businesses utilising space to undertake admin work as well as larger corporates providing space for employees to work closer to home on a casual basis. The majority of all users are Western Sydney locals.

The Blacktown facility is largely vacant with only two desks currently occupied.



	Casual	Part-time	Full-time
Rate	\$170 per month	\$240 per month	\$400 per month

The Collaborative Camden, Camden



Address: 1/156 Argyle St, Camden

LGA: Camden Council

Floor Area: 250sqm-300sqm (approx.)

Description:

A total of five (5) office with a shared workshop are currently operating from a large first floor studio above with a two storey commercial building.

Established in 2012 "with a view of bringing together wedding & events related businesses to share, work and meet with clients from the one space".

Located within the Camden Town Centre, existing occupiers include a digital marketing agency (sole operator), bakery and cake design, graphic design, styling agency and hair and make up artist.

Hire rates are unknown.

APPENDIX B: INPUT-OUTPUT METHODOLOGY

INPUT-OUTPUT MODEL OVERVIEW

Input-Output analysis demonstrates inter-industry relationships in an economy, depicting how the output of one industry is purchased by other industries, households, the government and external parties (i.e. exports), as well as expenditure on other factors of production such as labour, capital and imports. Input-Output analysis shows the direct and indirect (flow-on) effects of one sector on other sectors and the general economy. As such, Input-Output modelling can be used to demonstrate the economic contribution of a sector on the overall economy and how much the economy relies on this sector or to examine a change in final demand of any one sector and the resultant change in activity of its supporting sectors.

The economic contribution can be traced through the economic system via:

- **Direct impacts**, which are the first round of effects from direct operational expenditure on goods and services.
- **Flow-on impacts**, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales. Flow-on impacts can be disaggregated to:
- **Industry Support Effects (Type I)**, which represent the production induced support activity as a result of additional expenditure by the industry experiencing the stimulus on goods and services in the intermediate usage quadrant, and subsequent round effects of increased purchases by suppliers in response to increased sales.
- **Household Consumption Effects (Type II)**, which represent the consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries being paid within the economic system.

These effects can be identified through the examination of four types of impacts:

- **Output:** Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.
- **Gross Product:** Refers to the value of refers to the value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g. Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.
- **Income:** Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the project.
- **Employment:** Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow-on activity, and is expressed in terms of full-time equivalent (FTE) positions.

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow-on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending.

Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

MODEL DEVELOPMENT

Multipliers used in this assessment are derived from sub-regional transaction tables developed specifically for this project. The process of developing a sub-regional transaction table involves developing regional estimates of gross production and purchasing patterns based on a parent table, in this case, the 2014-15 Australian transaction table (ABS, 2017a).

Estimates of gross production (by industry) in the study area were developed based on the percent contribution to employment (by place of work) of the study area to the Australian economy (ABS, 2012), and applied to Australian gross output identified in the 2014-15 Australian table.

Industry purchasing patterns within the study area were estimated using a process of cross-industry location quotients and demand-supply pool production functions as described in West (1993).

Where appropriate, values were rebased from 2014-15 (as used in the Australian national IO transaction tables) to current values using the Consumer Price Index (ABS, 2017b).

MODELLING ASSUMPTIONS

The key assumptions and limitations of Input-Output analysis include:

- **Lack of supply-side constraints:** The most significant limitation of economic impact analysis using Input-Output multipliers is the implicit assumption that the economy has no supply-side constraints, so the supply of each good is perfectly elastic. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or near capacity.
- **Fixed prices:** Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using Input-Output multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. The system is in equilibrium at given prices, and prices are assumed to be unaffected by policy and any crowding out effects are not captured. This is not the case in an economic system subject to external influences.
- **Fixed ratios for intermediate inputs and production (linear production function):** Economic impact analysis using Input-Output multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. That is, the input function is generally assumed linear and homogenous of degree one (which implies constant returns to scale and no substitution between inputs). As such, impact analysis using Input-Output multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. In reality, however, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount. Further, it is assumed each commodity (or group of commodities) is supplied by a single industry or sector of production. This implies there is only one method used to produce each commodity and that each sector has only one primary output.
- **No allowance for economies of scope:** The total effect of carrying on several types of production is the sum of the separate effects. This rules out external economies and diseconomies and is known simply as the “additivity assumption”. This generally does not reflect real world operations.
- **No allowance for purchasers’ marginal responses to change:** Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- **Absence of budget constraints:** Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.

Despite these limitations, Input-Output techniques provide a solid approach for taking account of the inter-relationships between the various sectors of the economy in the short-term and provide useful insight into the quantum of final demand for goods and services, both directly and indirectly, likely to be generated by a project.

In addition to the general limitations of Input-Output Analysis, there are two other factors that need to be considered when assessing the outputs of sub-regional transaction table developed using this approach, namely:

- It is assumed the sub-region has similar technology and demand/ consumption patterns as the parent (Australia) table (e.g. the ratio of employee compensation to employees for each industry is held constant).

Intra-regional cross-industry purchasing patterns for a given sector vary from the national tables depending on the prominence of the sector in the regional economy compared to its input sectors. Typically, sectors that are more prominent in the region (compared to the national economy) will be assessed as purchasing a higher proportion of imports from input sectors than at the national level, and vice versa.

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OUTCOME DRIVEN

