



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



March 2019

**SUPPORTING INFORMATION TO THE DEPARTMENT  
OF PLANNING AND ENVIRONMENT**



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## Executive Summary

EG Advisory, on behalf of Frasers Property Australia and Altis Property Partners, have prepared this Supporting Information Report to the Department of Planning and Environment (DPE) in relation to a Proposed Development for a Warehouse and Logistics Estate at 657-769 Mamre Road, Kemps Creek (Mamre Road South). The Site has an area of 118 hectares, and has a 1.1km frontage to Mamre Road.

The Proposed Development is deemed to be State Significant Development pursuant to Schedule 1, Part 12 of the *State Environmental Planning Policy (State and Regional Development) 2011* as the Proposed Development will exceed the Capital Investment Value of \$50 million in the Warehouse and Distribution Centre category. The Capital Investment Value is estimated to be in the order of \$200 Million.

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

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

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

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

The Freight Rail Corridor has fully been provided for in the current design (60m in width), in line with publicly exhibited material. The Southern Link Road has also fully been provided for in the current design, in line with the publicly exhibited material. Should the location or the alignment change of the Freight Rail Corridor and the Southern Link Road, there is ample scope and land within the Site boundary (the site has an area of 118

hectares) to accommodate any change requested by the DPE or the Roads and Maritime Services (RMS).

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

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

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

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

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

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

## 1.0 Introduction

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

The Site has an area of 118 hectares, and is located within the Penrith Local Government Area. It is bound by Mamre Road to the east, the Sydney Water Warragamba Pipeline to the north, South Creek to the west and rural land to the south. The Site has a 1.1km frontage to Mamre Road.

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

It is proposed to develop the land under a Joint Venture agreement and submit a State Significant Development Application for the proposed Warehouse and Logistics Hub pursuant to Schedule 1, Part 12 of the *State Environmental Planning Policy (State and Regional Development) 2011*, and the *State Environmental Planning Policy (Western Sydney Employment Area) 2009 (WSEA SEPP)* as the Capital Investment Value exceeds \$50 million in the Warehouse and Distribution Centre category. The Capital Investment Value of the Proposed Development under this State Significant Development Application is estimated to be approximately \$208 Million, with a projected built-form in the order of 160,000 sqm. A total of 800 full-time operational jobs and over 500 jobs during the Site's Construction Phase, are estimated to be created as a result of the Proposed Development, with up to 2,500 permanent jobs when the remainder of the Estate is fully developed.

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

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

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

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

1. Servicing decisions about Water and Wastewater within the South Creek Catchment and Evaluation of Probable Maximum Flood;
2. Land reservation for a Freight Rail Corridor;
3. Potential staging and development opportunities associated with the Western Sydney Airport Growth Area; and
4. The resolution of the location and design of the Southern Link Road.

Each category is discussed in detail below.

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

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

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

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

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



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

*Table 1 – Water Management Targets.*

### 2.1.1 Water and wastewater within the South Creek Catchment

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

## 2.1.2 Evaluation of the Probable Maximum Flood

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

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

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

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

Consideration of safe egress for persons within the present for storms greater than the 1% AEP, up to the PMF has also been made for the development site (also per recommendations of the above documents). The PMF flood event has also been modelled by Costin Roe Consulting Engineers and was found to vary between RL 36m AHD at the upstream southern end of the Site and RL 35m AHD at the downstream northern end of the Site. The indicative levels for Estate pads flanking South Creek are RL 35m, 35.5m, 36m and 36.5m. Several proposed sites are currently designed at levels

less than the PMF, however meet normal 1% AEP plus 500 mm freeboard. Adopted documents, guidelines, standard engineering practice and generally accepted flood risk profiles do not have any requirement for the industrial and commercial buildings or development sites to be above or clear of the PMF event.

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

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

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

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

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

As a result, the freight rail corridor has fully been provided for in the current design (60m width), in line with the advertised publicly exhibited material. Should this location or alignment change, there is ample scope and land within the Site boundary (given the land has an area of 1.2 million m<sup>2</sup>) to accommodate any change requested by the DPE or the Department of Transport.

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

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

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

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

### **2.4. Location and Design Resolution of the Southern Link Road**

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

### 3.0 Strategic Justification for the Proposed Development

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 3.2.1. The Demand Position in NSW 2018

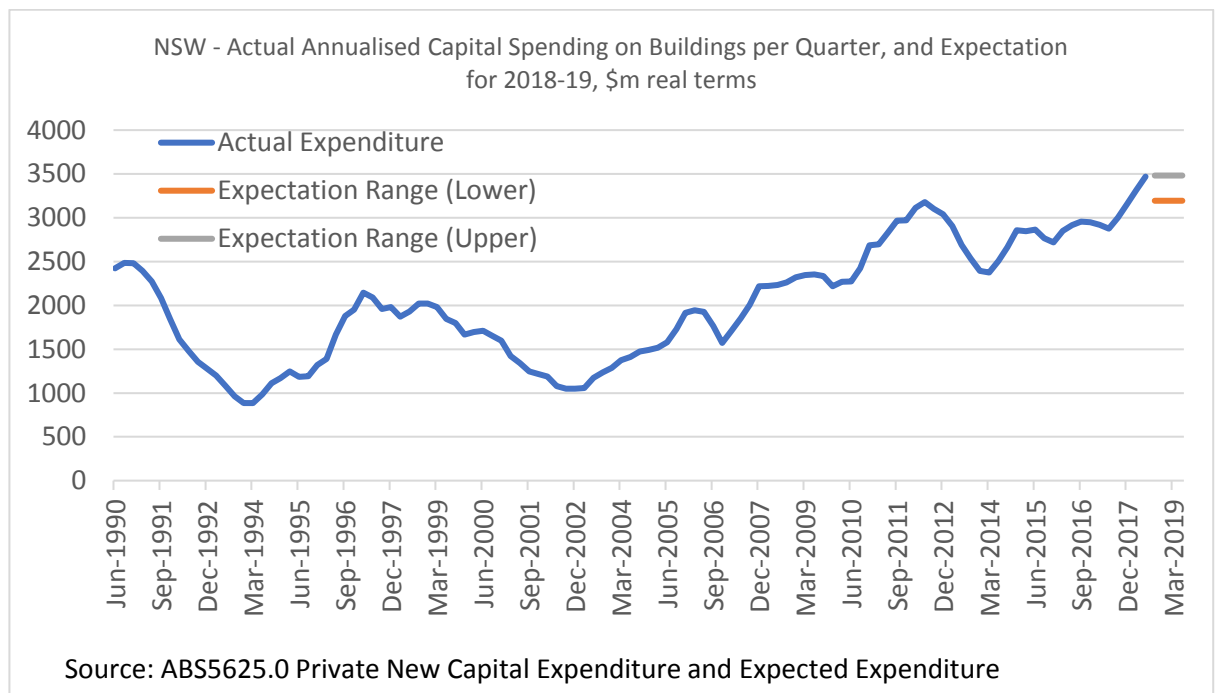
The NSW economy is currently performing strongly. The focus has been on public infrastructure (driving engineering construction) and the residential boom, as the two drivers of economic activity. The residential boom is now clearly slowing, which is likely to moderate demand/activity growth, but public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

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

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

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

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



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

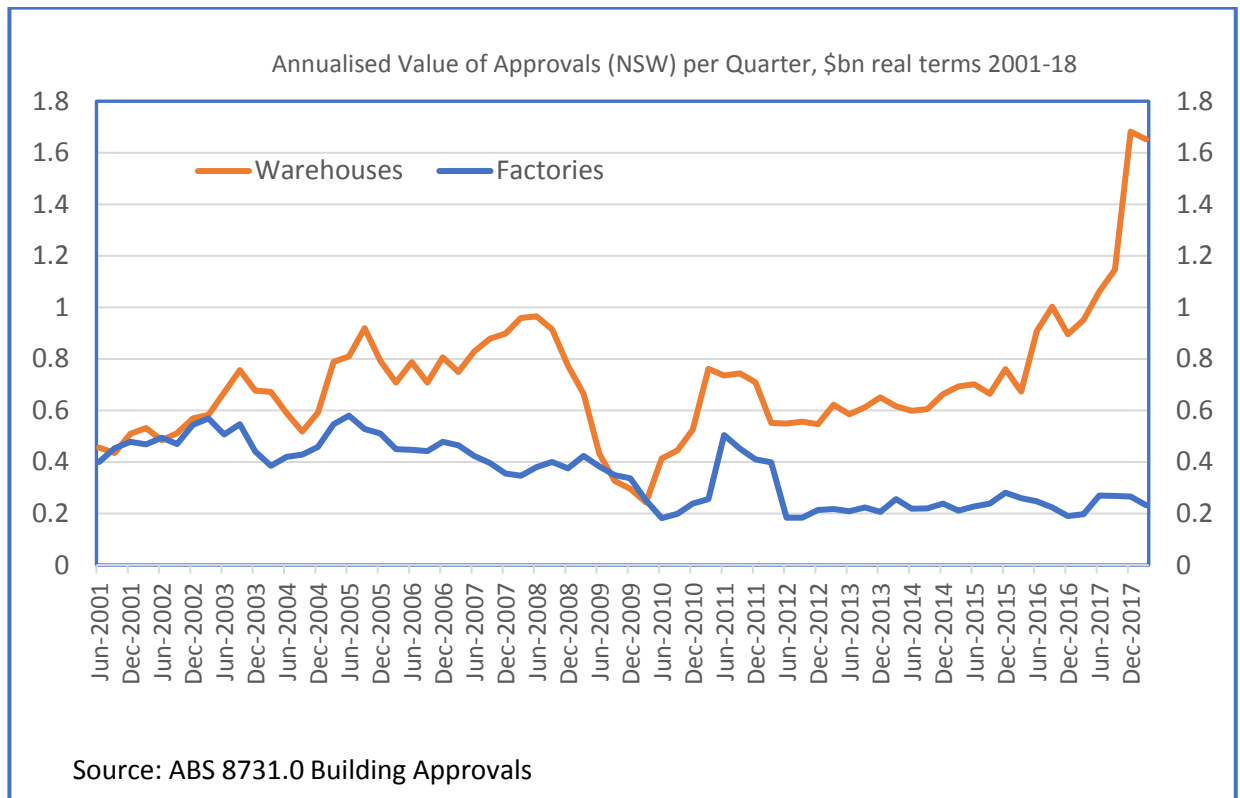


Chart 2 – The Rise in Warehouse Approvals.

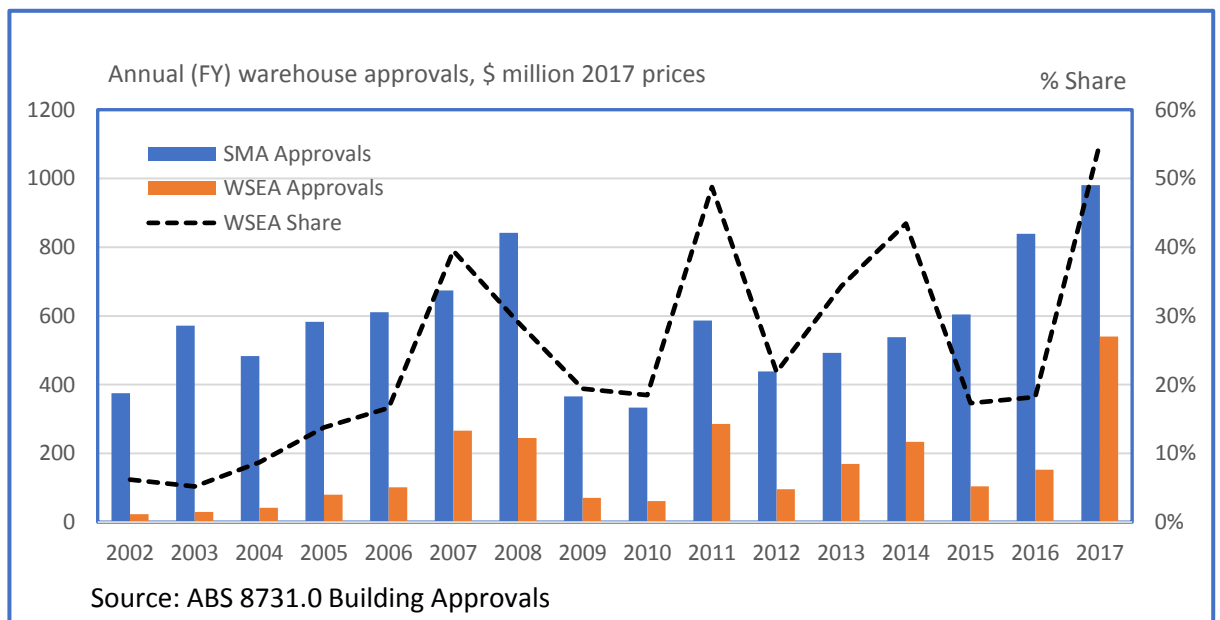


Chart 3 – The Rise in Warehouse Approvals in Sydney and WSEA's Rising Share.



### 3.2.2. Implications for Demand for Industrial Land

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

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

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

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

### 3.2.3. Take-up and Supply

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

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

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

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

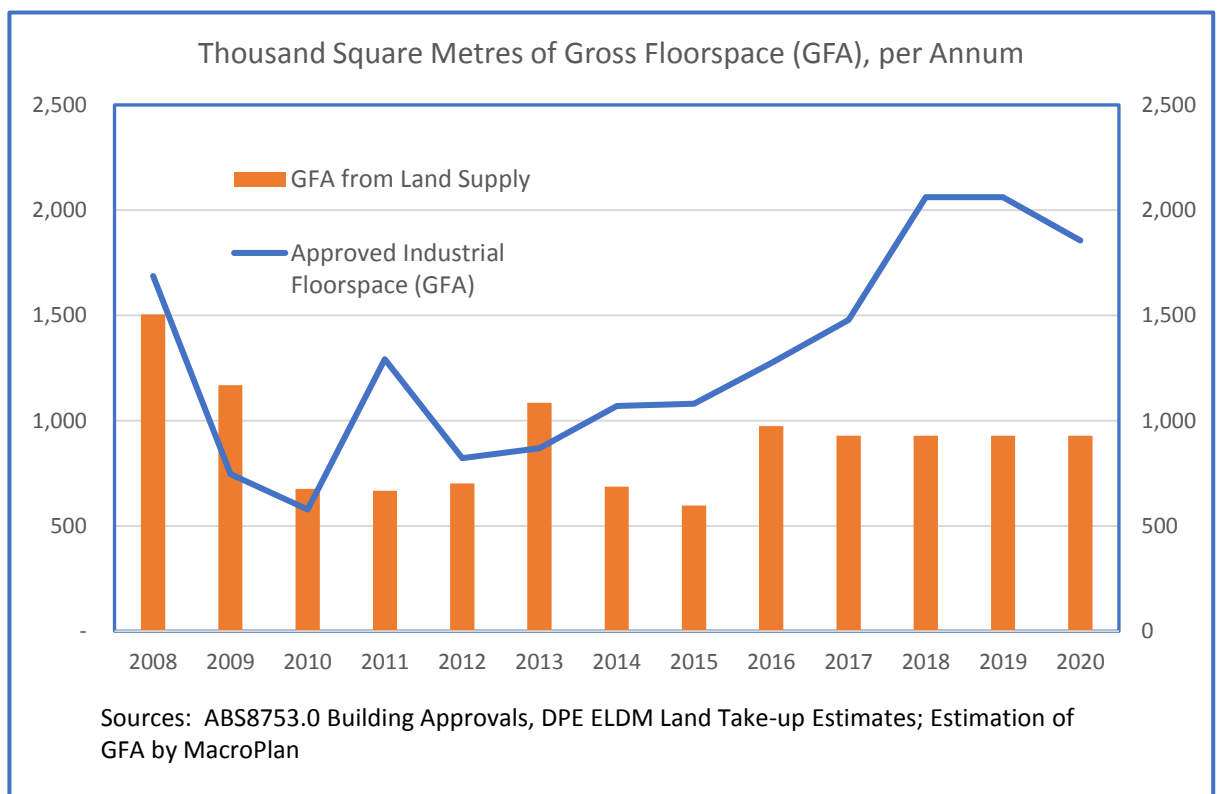
In **Chart 4**, we have taken the take-up of new industrial land in the Sydney Metro Area and, assuming a plot ratio of 0.57, presented that in terms of the Gross Floor Area (GFA) of industrial space it will generate (see 3.2.10 for discussion of methodology). The value of approvals gives the floorspace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

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

For the period, 2017-20, the demand level reflects the high level of actual approvals in 2017 and 2018 to date, and business expectations for the level of investment in new buildings to remain at high levels into 2019. Demand in 2018 and 2019 is estimated at just over 2 million square metres per annum. For 2020, a decline of about 10% is factored in. On the supply side, the Chart assumes that the uptake is 163 hectares per annum, the ELDM estimate of the average take-up for 2008-14, capable of supplying close to a million square metres of industrial space. In practice the actual amount of supply might

exceed that but given the current stock of undeveloped serviced land, that would imply either a substantially faster run-down in that stock level to extreme lows, or an unexpected acceleration in new supply.

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



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

### 3.2.5. Latest Price Data

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

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

To note: Land Values refer to 2.5 ha serviced sites

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

### 3.2.6 A Closer look at the WSEA.

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

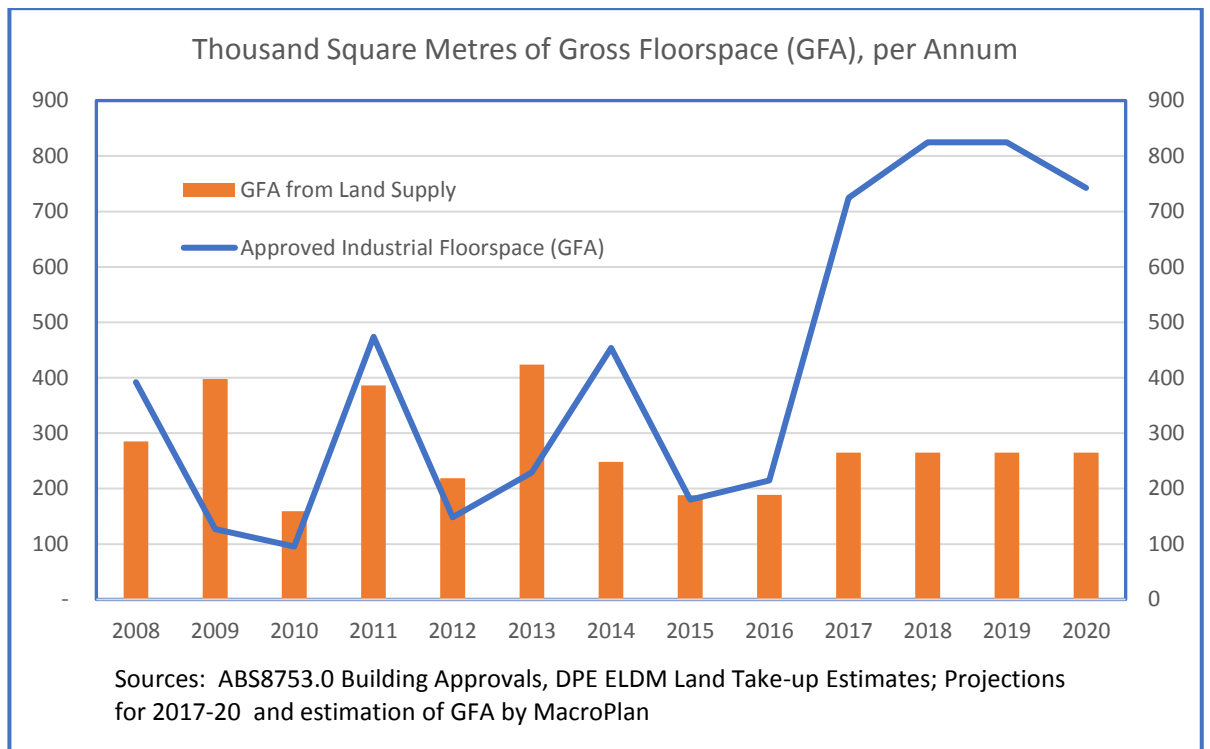
The addition of Mamre West in theory would have alleviated this, but prospective tenants have already claimed a high proportion (over 80%) of the new supply this new development will create.

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

### 3.2.7 Supply-Demand Gap in the Western Sydney Employment Area

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

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



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

### 3.2.8 A Closer Look at Two Key Precincts within the WSEA

#### ERSKINE PARK PRECINCT

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

#### EASTERN CREEK

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

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

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

### 3.2.9 Implications of a Tightening Market

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

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

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

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

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

### 3.2.10 Methodology for Charts on Demand and Supply

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

### 3.2.11 Methodology for Deriving Approvals in Real Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Table 3 – Potential Development Uses.*



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

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

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

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

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

## 4.0 Conclusion

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

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

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

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

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



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



## APPENDIX 2 – Letter from Sydney Water



## APPENDIX 3 – Market Opinion- CBRE

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