



Sydney Metro City & Southwest: Crows Nest Over Station Development

Strategic Market Assessment Report

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Executive Summary

MacroPlan has been commissioned by Sydney Metro to provide a Strategic Market Assessment of key potential uses of the Over Station Development (OSD) at Crows Nest Station.

This report provides an assessment of both local and regional market conditions across a range of candidate land uses – including residential, commercial, retail, hotel, education and childcare.

This assessment does not mean that these candidate uses should be considered as the only types of potential occupants for the OSD complex. It is more intended to provide market justification that the OSD buildings can be commercially occupied and will provide a meaningful and appropriate contribution to employment-generating floorspace at the emerging Crows Nest centre.

The Crows Nest OSD is located within the St Leonards Health and Education precinct which is planned as a mixed-use centre, supporting high-rise office and high-density residential development.

As an area in transition, with employment opportunities to be enhanced by the future metro train station, the structure and function of Crows Nest's residential and commercial markets will undergo substantial change. It will emerge as an area of high demand.

The reconnaissance undertaken in this report finds that, whilst a continued moderation in residential market conditions is likely in the short-term, the medium to long-term outlook for residential investment at Crows Nest remains positive.

In the commercial property market, Crows Nest / St Leonards is currently experiencing a supply deficit due to stock continuing to be withdrawn for residential conversions. With a tightening of stock, net effective rents have increased, and net absorption has remained positive.

The Sydney CBD office market is experiencing a low vacancy rate leading upward pressure on rentals. Spill-over of unmet demand from the CBD will ensure that tenant demand across the North Shore remains strong. The North Shore market is anticipated to benefit significantly from the construction of the new Metro railway line, which will improve its connectivity to the CBD, lift the area's accessibility and amenity, and hence elevate its employment status.

In this context, the Crows Nest OSD is expected to contribute to meeting the growing demand for office space in the North Shore market.

There is approximately 26,000m² of retail floorspace within Crows Nest at present. This floorspace is expected to grow to 36,200m² following the completion of Crows Nest Plaza in late 2018.

Retail floorspace in Crows Nest, however, will need to increase to keep pace with its expanding resident and worker population. Beyond 2018, known projects in the pipeline are expected to add roughly 6,200m² of new retail floorspace by 2021. These developments, coupled with the 1,500m² of planned retail space at the metro station, will continue to enhance the worker amenity of the OSD precinct but will only just keep pace with the projected growth in retail demand in the area.

This report also suggests the suitability of the OSD project to a range of other land use types. Strong growth in domestic and international tourism, coupled with space constraints in the CBD, is leading to growing demand for hotels in the CBD fringe, including in the North Sydney-Crows Nest-St Leonards corridor. The proximity (to the CBD) created by the metro service and the amenity offered in the Crows Nest Town Centre give the OSD favourable locational attributes for a hotel.

The OSD project is consistent with the intentions outlined in the North District Plan to encourage the progress of Crows Nest as a planned precinct for health, education and other employment activity and with North Sydney Council's adopted policy framework to provide new employment opportunity throughout its LGA.

The project is also consistent with the mixed-use vision for locality as outlined in exhibited draft St Leonards and Crows Nest 2036 Plan (draft 2036 Plan). The project will help to secure some of the major objectives of the draft 2036 Plan, i.e. to create and deliver:

- An effective employment hub, strengthening area's commercial capacity;
- Transit-oriented development to leverage the increased transport capacity of the new Metro station; and
- A vibrant community, through an improved public domain in an accessible location.

1.0 Introduction

1.1 Purpose of this report

This report supports a concept State Significant Development application (concept SSD Application) submitted to the Department of Planning and Environment (DPE) pursuant to Part 4 of the *Environmental Planning and Assessment Act 1979* (EP&A Act). The concept SSD Application is made under Section 4.22 of the EP&A Act.

The Sydney Metro Authority (Sydney Metro) is seeking to secure concept approval for a mixed use development comprising four buildings above the Crows Nest Station, otherwise known as the over station development (OSD). The concept SSD Application seeks consent for a building envelopes and land uses, maximum building heights, maximum gross floor areas, pedestrian and vehicular access, circulation arrangements and associated car parking and the strategies and design parameters for the future detailed design of the development.

Sydney Metro proposes to procure the construction of the OSD as part of an Integrated Station Development package, which would result in the combined delivery of the station, OSD and public domain improvements. The station and public domain elements form part of a separate planning approval for Critical State Significant Infrastructure (CSSI) approved by DPE on 9 January 2017.

As the development is within a rail corridor, is associated with railway infrastructure and is for commercial premises and residential accommodation with a Capital Investment Value of more than \$30 million, the project is identified as State Significant Development (SSD) pursuant to Schedule 1, 19(2)(a) of the *State Environmental Planning Policy (State and Regional Development) 2011* (SRD SEPP). The development is therefore, State significant development for the purposes of Section 4.36 of the EP&A Act.

This report has been prepared to specifically respond to the Secretary's Environmental Assessment Requirements (SEARs) issued for the concept SSD Application on 26 September 2018 which states that the Environmental Impact Statement (EIS) is to address the following requirements:

Reference	SEARs Requirement	Where Addressed in Report
Section 2: Land Use and Infrastructure	<p>Demonstrate that the proposal will meet the strategic objectives as identified in the relevant government policies and the environmental, social and economic needs of the occupants of the development and the wider area.</p> <p>This shall include ... :</p> <ul style="list-style-type: none"> [Demonstrating] that the proposed 	<p>Sections 3 – 7 of this report provide an appraisal of current market conditions for residential, commercial, retail, hotel and other land uses, providing an economic justification for the inclusion of such</p>

	<p>mix of land uses will be consistent with the strategic objectives of the North District Plan and contribute to the employment targets for the St Leonards Strategic Centres</p> <ul style="list-style-type: none"> • [demonstrating that ...] retail, services and employment needs of future residents, workers and/or visitors of the development will be met 	<p>land uses within the OSD project.</p> <p>Our market appraisal considers broad market supply and demand factors and relevant price and other indicators.</p>
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1.2 Overview of the Sydney Metro in its context

Sydney Metro is Australia's biggest public transport project. A new standalone metro railway system, this 21st century network will deliver 31 metro stations and 66km of new metro rail for Australia's biggest city — revolutionising the way Sydney travels. Services start in the first half of 2019 on Australia's first fully-automated railway.

Sydney Metro was identified in *Sydney's Rail Future*, as an integral component of the *NSW Long Term Transport Master Plan*, a plan to transform and modernise Sydney's rail network so it can grow with the city's population and meet the future needs of customers. In early 2018, *the Future Transport Strategy 2056* was released as an update to *the NSW Long Term Transport Master Plan* and *Sydney's Rail Future*. Sydney Metro City & Southwest is identified as a committed initiative in the *Future Transport Strategy 2056*.

Sydney Metro is comprised of three projects, as illustrated in **Figure 1**:

- **Sydney Metro Northwest** — formerly the 36km North West Rail Link. This \$8.3 billion project is now under construction and will open in the first half of 2019 with a metro train every four minutes in the peak.
- **Sydney Metro City & Southwest** — a new 30km metro line extending the new metro network from the end of Sydney Metro Northwest at Chatswood, under Sydney Harbour, through the CBD and south west to Bankstown. It is due to open in 2024 with an ultimate capacity to run a metro train every two minutes each way through the centre of Sydney.
- **Sydney Metro West** — a new underground railway connecting the Parramatta and Sydney central business districts. This once-in-a-century infrastructure investment will double the rail capacity of the Parramatta to Sydney CBD corridor and will establish future capacity for Sydney's fast growing west. Sydney Metro West will serve five key precincts at Westmead, Parramatta, Sydney Olympic Park, The Bays and the Sydney

CBD. The project will also provide an interchange with the T1 Northern Line to allow faster connections for customers from the Central Coast and Sydney's north to Parramatta and the Sydney CBD.

Sydney's new metro, together with signalling and infrastructure upgrades across the existing Sydney suburban rail network, will increase the capacity of train services entering the Sydney CBD – from about 120 an hour currently to up to 200 services beyond 2024. That's an increase of up to 60 per cent capacity across the network to meet demand.

Sydney Metro City & Southwest includes the construction and operation of a new metro rail line from Chatswood, under Sydney Harbour through Sydney's CBD to Sydenham and on to Bankstown through the conversion of the existing line to metro standards.

The project also involves the delivery of six (6) new metro stations, including at Crows Nest, together with new underground platforms at Central. Once completed, Sydney Metro will have the ultimate capacity for a train every two minutes through the CBD in each direction - a level of service never seen before in Sydney.



Figure 1: Sydney Metro alignment map

On 9 January 2017, the Minister for Planning (the Minister) approved the Sydney Metro City & Southwest - Chatswood to Sydenham application lodged by TfNSW as a Critical State Significant Infrastructure project (reference SSI 15_7400), hereafter referred to as the CSSI Approval.

The CSSI Approval includes all physical work required to construct the CSSI, including the demolition of existing buildings and structures on each site. Importantly, the CSSI Approval also includes provision for the construction of below and above ground structures and other components of the future OSD (including building infrastructure and space for future lift cores, plant rooms, access, parking and building services, as relevant to each site). The rationale for this delivery approach, as identified within the CSSI application is to enable the OSD to be more efficiently built and appropriately integrated into the metro station structure.

The EIS for the Chatswood to Sydenham alignment of the City & Southwest project identified that the OSD would be subject to a separate assessment process.

Since the CSSI Approval was issued, Sydney Metro has lodged five modification applications to amend the CSSI Approval as outlined below:

- **Modification 1** - Victoria Cross and Artarmon Substation which involves the relocation of the Victoria Cross northern services building from 194-196A Miller Street to 50 McLaren Street together with the inclusion of a new station entrance at this location referred to as Victoria Cross North. The modification also involves the relocation of the substation at Artarmon from Butchers Lane to 98 – 104 Reserve Road. This modification application was approved on 18 October 2017.
- **Modification 2** - Central Walk which involves additional works at Central Railway Station including construction of a new eastern concourse, a new eastern entry, and upgrades to suburban platforms. This modification application was approved on 21 December 2017.
- **Modification 3** - Martin Place Station which involves changes to the Sydney Metro Martin Place Station to align with the Unsolicited Proposal by Macquarie Group Limited (Macquarie) for the development of the station precinct. The proposed modification involves a larger reconfigured station layout, provision of a new unpaid concourse link and retention of the existing MLC pedestrian link and works to connect into the Sydney Metro Martin Place Station. It is noted that if the Macquarie proposal does not proceed, the original station design remains approved. This modification application was approved on 22 March 2018.
- **Modification 4** - Sydenham Station and Sydney Metro Trains Facility South which incorporated Sydenham Station and precinct works, the Sydney Metro Trains Facility South, works to Sydney Water's Sydenham Pit and Drainage Pumping Station and ancillary infrastructure and track and signalling works into the approved project. This modification application was approved on 13 December 2017.

- **Modification 5** - Blues Point acoustic shed modification which involves the installation of a temporary acoustic shed at Blues Point construction site and retrieval of all parts of the tunnel boring machines driven from the Chatswood dive site and Barangaroo through the shaft at the Blues Point temporary site. This modification application was approved on 2 November 2018.

The CSSI Approval as modified allows for all works to deliver Sydney Metro between Chatswood and Sydenham Stations and also includes upgrade of Sydenham Station.

The remainder of the City & Southwest alignment (Sydenham to Bankstown) proposes the conversion of the existing heavy rail line from west of Sydenham Station to Bankstown to metro standards. This part of the project, referred to as the Sydenham to Bankstown upgrade, is the subject of a separate CSSI Application (Application No. SSI 17_8256) for which an EIS was exhibited between September and November 2017, and a Submissions and Preferred Infrastructure Report was exhibited in June and July 2018. This application is currently being assessed by DPE.

1.3 Planning relationship between Crows Nest Station and the OSD

While Crows Nest Station and the OSD will form an Integrated Station Development, the planning pathways defined under the *Environmental Planning & Assessment Act 1979* require separate approval for each component of the development. In this regard, the approved station works (CSSI Approval) are subject to the provisions of Part 5.1 of the EP&A Act (now referred to as Division 5.2) and the OSD component is subject to the provisions of Part 4 of the EP&A Act.

For clarity, the approved station works under the CSSI Approval included the construction of below and above ground structures necessary for delivering the station and also enabling construction of the integrated OSD. This includes but is not limited to:

- demolition of existing development
- excavation
- integrated station and OSD structure (including concourse and platforms)
- lobbies
- retail spaces within the station building
- public domain improvements
- pedestrian through-site link
- access arrangements including vertical transport such as escalators and lifts
- space provisioning and service elements necessary to enable the future development of the OSD, such as lift cores, plant rooms, access, parking, retail, utilities connections and building services.

The vertical extent of the approved station works above ground level is defined by the 'transfer level' level, above which would sit the OSD. This delineation is illustrated in **Figure 2**.

The CSSI Approval also establishes the general concept for the ground plane of Crows Nest Station including access strategies for commuters, pedestrians, workers, visitors and residents.

Since the issue of the CSSI Approval, Sydney Metro has undertaken sufficient design work to determine the space planning and general layout for the station and identification of those spaces within the station area that would be available for the OSD. In addition, design work has been undertaken to determine the technical requirements for the structural integration of the OSD with the station. This level of design work has informed the concept proposal for the Crows Nest OSD. It is noted that ongoing design development of the works to be delivered under the CSSI Approval would continue with a view to developing an Interchange Access Plan (IAP) and Station Design Precinct Plan (SDPP) for Crows Nest Station to satisfy Conditions E92 and E101 of the CSSI Approval.

All public domain improvement works around the site would be delivered as part of the CSSI Approval.

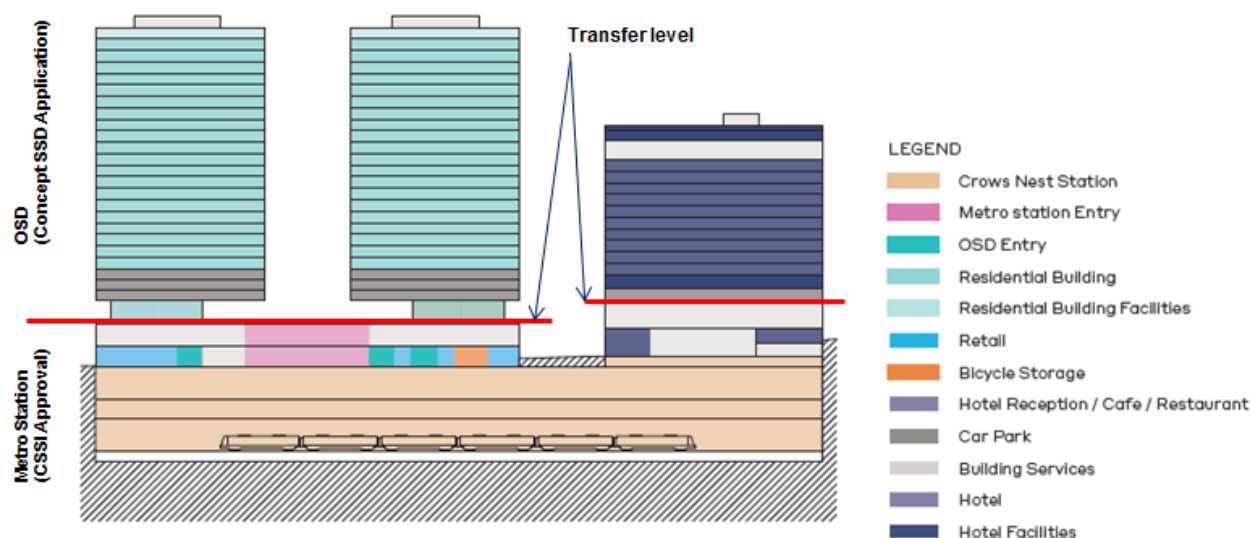


Figure 2: Delineation between the Metro station and OSD (based on indicative OSD design)

1.4 The strategic planning context

DPE is currently undertaking strategic planning investigations into revitalising the area surrounding St Leonards railway station and the metro station at Crows Nest. In August 2017, DPE released the *St Leonards and Crows Nest Station Precinct Interim Statement* and in October 2018 DPE released the *St Leonards and Crows Nest 2036 Draft Plan* (2036 Draft Plan) and supporting documents which detail recommended changes to land use controls in the precinct. These documents recommend new developments be centred around the Pacific Highway corridor and the Crows Nest Station while protecting the amenity of Willoughby Road.

In October 2018, DPE also placed on public exhibition the *Crows Nest Sydney Metro Site Rezoning Proposal* (Planning Proposal). The Planning Proposal outlines the State led rezoning of the subject site, on the basis that the current planning controls in the *North Sydney Local Environmental Plan 2013* do not reflect the opportunities for improved accessibility associated with the new metro station enabling people to live, work and spend time close to public transport. This concept SSD Application is aligned with the planning controls proposed in the Planning Proposal.

1.5 The site

Crows Nest Station precinct is located between the Pacific Highway and Clarke Street (eastern side of the Pacific Highway) and Oxley Street and south of Hume Street, Crows Nest (**Figure 3**).

The site is located within the North Sydney Local Government Area.

The Crows Nest Station precinct is divided into three separate sites as illustrated in **Figure 4** and described below:

- **Site A:** Six lots in the block bound by the Pacific Highway, Hume Street, Oxley Street and Clarke Lane (497-521 Pacific Highway, Crows Nest)
- **Site B:** Three lots on the southern corner of Hume Street and Pacific Highway (477-495 Pacific Highway, Crows Nest)
- **Site C:** One lot on the north-western corner of Hume Street and Clarke Street (14 Clarke Street, Crows Nest).

Sites A, B and C have a combined site area of 6,356 square metres.

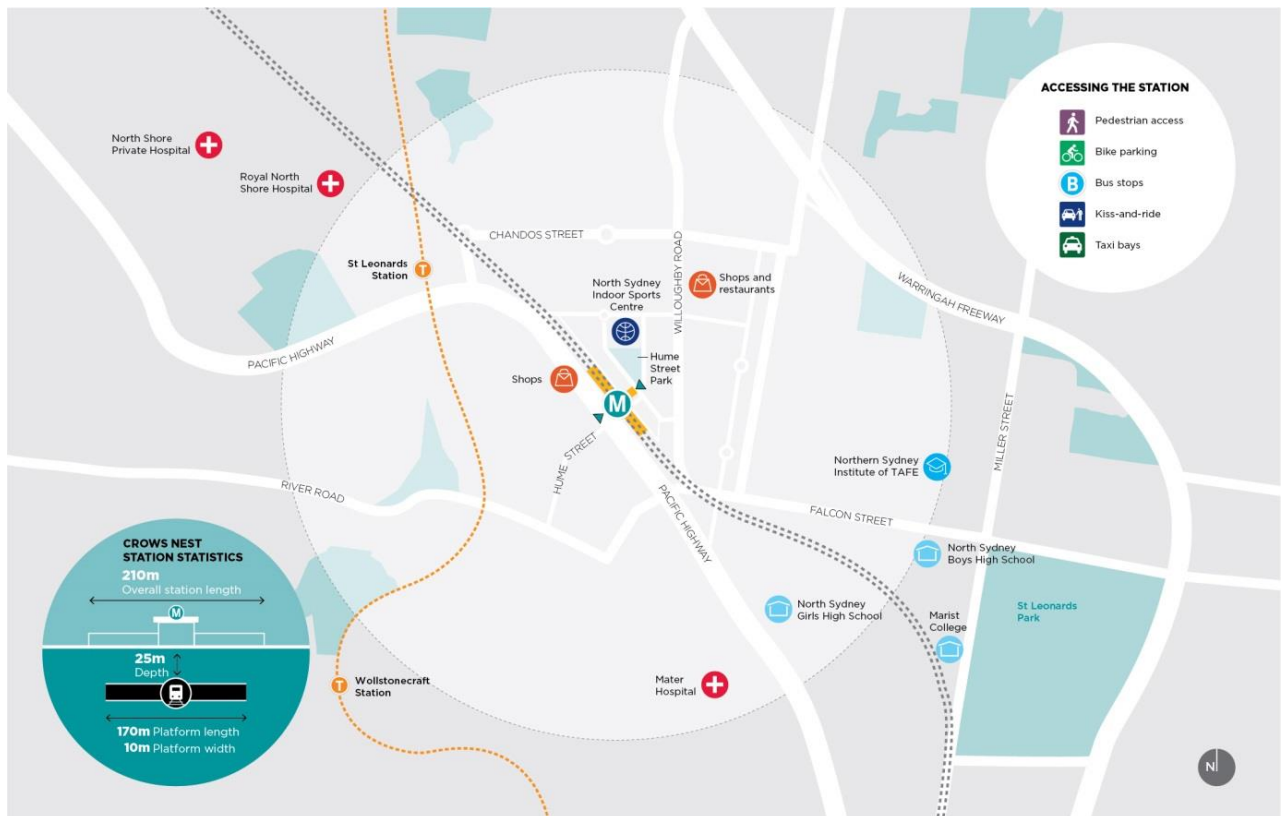


Figure 3: Crows Nest Station location plan



Figure 4: The subject site

The site comprises the following properties:

- **Site A:**
 - 497 Pacific Highway (Lot 2 in DP 575046)
 - 501 Pacific Highway (Lot 1 in DP 575046)
 - 503-505 Pacific Highway (Lot 3 in DP 655677)
 - 507-509 Pacific Highway (Lot 4 in DP 1096359)
 - 511-519 Pacific Highway (SP 71539)
 - 521-543 Pacific Highway (Lot A and Lot B in DP 374468)
- **Site B:**
 - 477 Pacific Highway (Lot 100 in DP 747672)
 - 479 Pacific Highway (Lot 101 in DP 747672)
 - 491-495 Pacific Highway (Lot 100 in DP 442804)
- **Site C:**
 - 14 Clarke Street (Lot 1 in SP 52547)

1.6 Overview of the proposed development

This concept SSD Application comprises the first stage in the Crows Nest OSD project. It will be followed by a detailed SSD Application for the design and construction of the OSD to be lodged by the successful contractor who is awarded the contract to deliver the Integrated Station Development.

This concept SSD Application seeks approval for the planning and development framework and strategies to inform the future detailed design of the Crows Nest OSD.

The concept SSD Application specifically seeks approval for the following:

- maximum building envelopes for Sites A, B and C, including street wall heights and setbacks as illustrated in the plans prepared by Foster + Partners for Sydney Metro
- maximum building heights:
 - **Site A:** RL 183 metres or equivalent of 27 storeys (includes two station levels and conceptual OSD space in the podium approved under the CSSI Approval)
 - **Site B:** RL 155 metres or equivalent of 17 storeys (includes two station levels and conceptual OSD space approved under the CSSI Approval)
 - **Site C:** RL 127 metres or 8 storeys (includes two station levels and conceptual OSD space approved under the CSSI Approval)

Note 1: the maximum building heights defined above are measured to the top of the roof slab and exclude building parapets which will be resolved as part of future detailed SSD Application(s)

- maximum height for a building services zone on top of each building to accommodate lift overruns, rooftop plant and services:
 - **Site A:** RL 188 or 5 metres
 - **Site B:** RL 158 or 3 metres
 - **Site C:** RL 132 or 5 metres

Note 1: the use of the space within the building services zone is restricted to non-habitable floor space.

Note 2: for the purposes of the concept SSD Application, the maximum height of the building envelope does not make provision for the following items, which will be resolved as part of the future detailed SSD Application(s):

- communication devices, antennae, satellite dishes, masts, flagpoles, chimneys, flues and the like, which are excluded from the calculation of building height pursuant to the standard definition in NSLEP 2013
 - architectural roof features, which are subject to compliance with the provisions in Clause 5.6 of NSLEP 2013, and may exceed the maximum building height, subject to development consent.
- maximum gross floor area (GFA) of 55,400sqm for the OSD comprising the following based on the proposed land uses:
 - **Site A:** Residential accommodation - maximum 37,500 square metres (approximately 350 apartments)
 - **Site B:** Hotel / tourist accommodation and associated conference facilities or commercial office premises GFA - maximum of 15,200 square metres (approximately 250 hotel rooms)
 - **Site C:** Commercial office premises GFA - maximum of 2,700 square metres
 - **Site A or C:** social infrastructure GFA inclusive of the GFA figures nominated above for each site, with provision optional as follows:
 - Site A: podium rooftop (approximately 2,700 square metres)
 - Site C: three floors and rooftop (approximately 1,400 square metres)

Note 1: GFA figures exclude GFA attributed to the station and station retail space approved under the CSSI Approval

- a minimum non-residential floor space ratio (FSR) for the OSD across combined Sites A, B and C of 2.81:1 or the equivalent of 17,900 square metres
- the use of approximate conceptual areas associated with the OSD which have been provisioned for in the Crows Nest station box (CSSI Approval) including areas above ground level (i.e. OSD lobbies and associated spaces)
- a maximum of 150 car parking spaces on Sites A and B associated with the proposed commercial, hotel and residential uses
- loading, vehicular and pedestrian access arrangements
- strategies for utilities and services provision
- strategies for managing stormwater and drainage
- a strategy for the achievement of ecological sustainable development
- a public art strategy
- indicative signage zones

- a design excellence framework
- the future subdivision of parts of the OSD footprint, if required.

As this is a staged development pursuant to section 4.22 of the EP&A Act, future approval would be sought for the detailed design and construction of the OSD.

The proposed location of the buildings on the site is illustrated in the location plan provided at **Figure 5**.

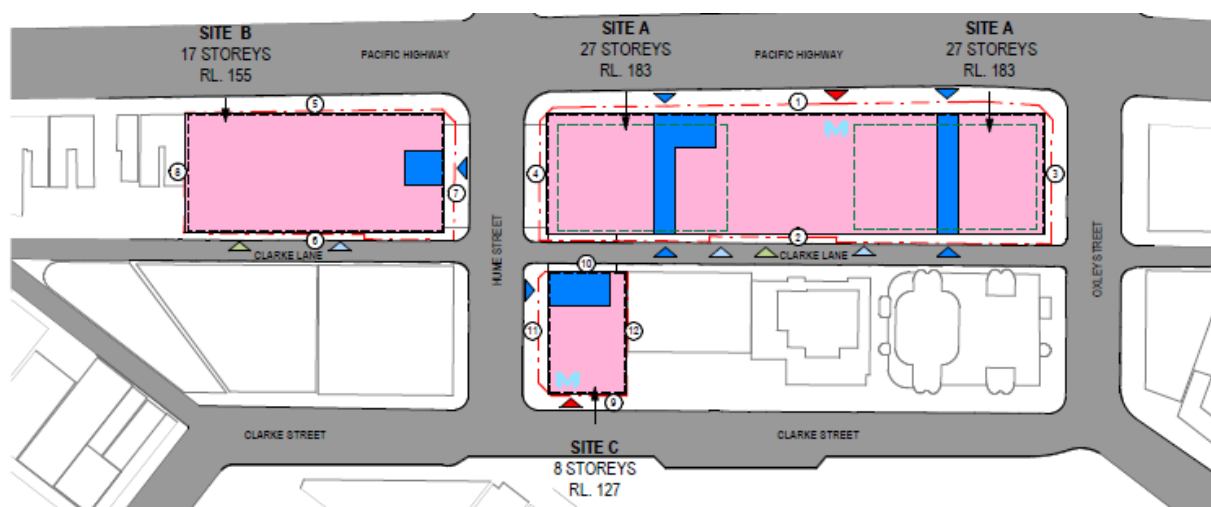


Figure 5: Proposed location of buildings on the

The total GFA for the integrated station development, including the station GFA (i.e. retail, station circulation and associated facilities) and the OSD GFA is 60,400 square metres, equivalent to a floor space ratio (FSR) of 9.5:1.

The concept proposal includes opportunities for community uses in the development on either Site A or Site C. This space has the potential to be used for a range of uses including community facilities, child care centre, recreational area/s, library, co-working space, which can take advantage of the sites accessibility above the metro station.

Through design development post the CSSI Approval, pedestrian access to the metro station is proposed from the Pacific Highway and from Clarke Street, opposite the Hume Street Park. Vehicular access to the site including separate access to the loading docks and parking is proposed from Clarke Lane.

Public domain works around the site would be delivered as part of the CSSI Approval. Notwithstanding, the OSD will be appropriately designed to complement the station and activate the public domain. Provision for retail tenancies to activate the public domain are included in the ground floor of Sites A, B and C, as part of the CSSI Approval. Future detailed development applications will seek approval for the fitout and specific use of this retail space.

Drawings illustrating the proposed building envelopes are provided in **Figures 6A** and **6B**. The concept SSD Application includes an indicative design for the OSD to demonstrate one potential design solution within the proposed building envelope (refer to **Figure 7**).

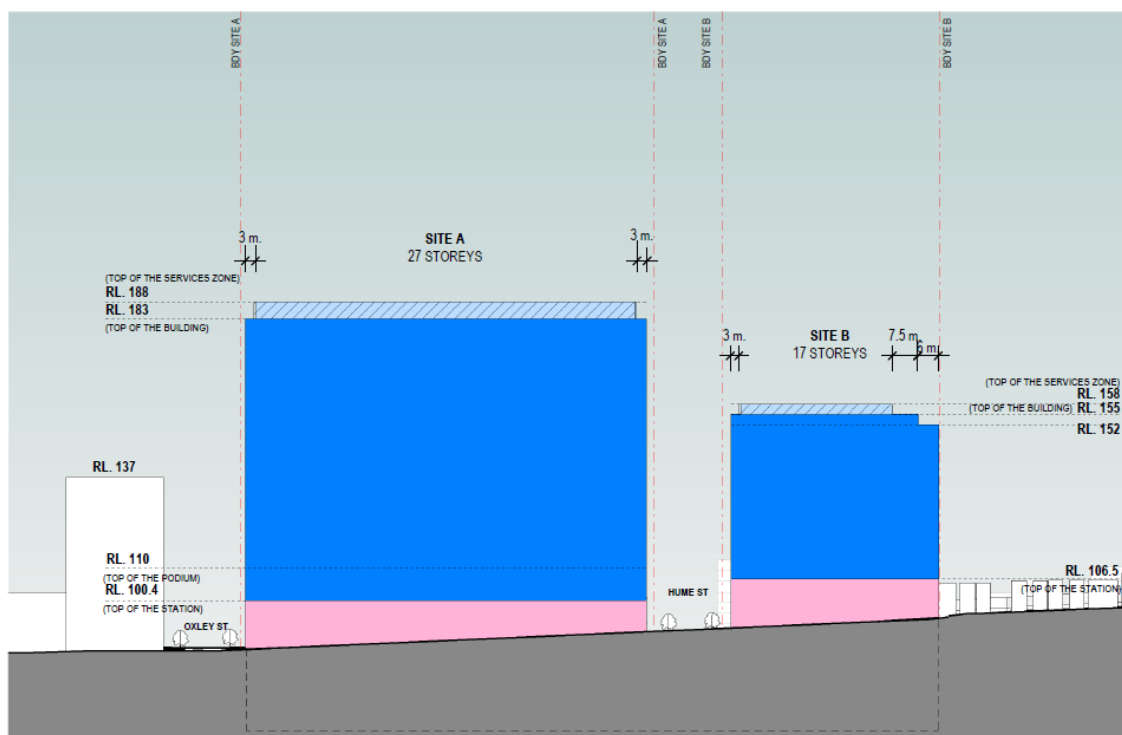


Figure 6A: Proposed Crows Nest OSD building envelopes – west elevation (Pacific Highway)

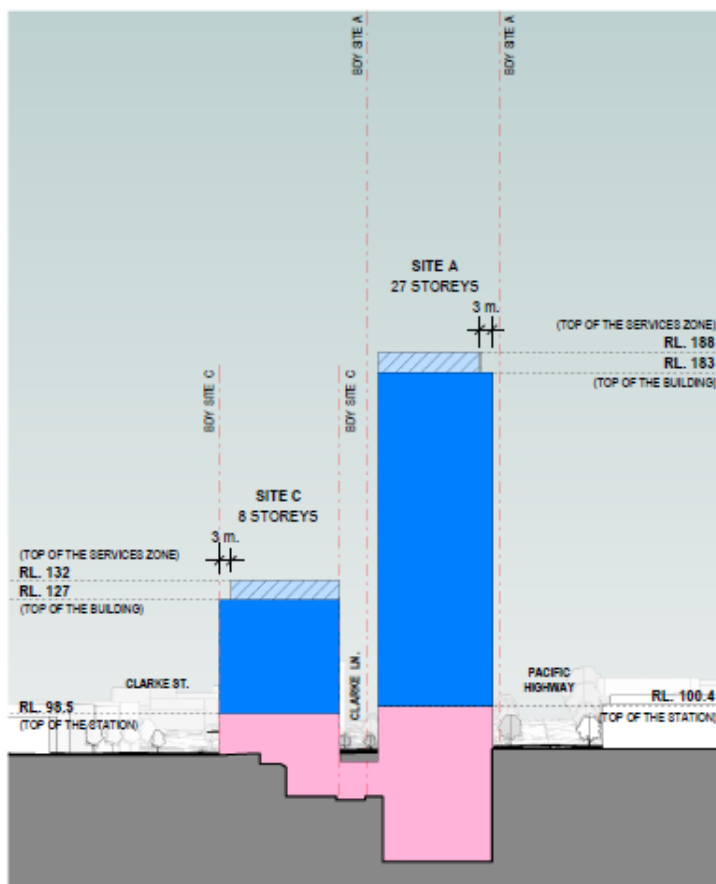


Figure 6B: Proposed Crows Nest OSD building envelopes – cross section through the site (east-west)



Figure 7: Crows Nest OSD indicative design

2.0 Scope of assessment

This report documents a Strategic Market Assessment of various land uses that could be considered as potential occupancies within the Crows Nest OSD project.

The specific matters that this report must address are outlined in the Secretary's Environmental Assessment Requirements (SEARs) issued for the concept SSD Application on 26 September 2018, as provided above.

This report provides an independent assessment of the market potential of various land use candidates for the OSD, with specific regard to the local and regional economy.

2.1 Report Scope

2.1.1 Overview

MacroPlan has been commissioned by Transport for NSW to provide a Strategic Market Assessment of key potential land uses of the Over Station Development at Crows Nest Station.

This report provides an assessment of both local and regional market conditions across a range of uses including;

- Residential;
- Commercial;
- Retail;
- Hotel;
- Education; and
- Childcare.

2.1.2 Data Sources

This report draws on a wide range of information sources, including:

- Population Projections, NSW Department of Planning and Environment (2016);
- Census of Population and Housing, Australian Bureau of Statistics (2011, 2016);
- CordellConnect;
- Australian Bureau of Statistics;
- Knight Frank;
- Tourism Research Australia;
- Realestate.com.au;
- Savills;
- Tourism Australia;

- Relevant experience throughout New South Wales and Australia, with particular reference to economic and social impact assessments, area trends, and market conditions and performance.

2.2 Site Context and Background Studies

2.2.1 St Leonards and Crows Nest Station Precinct

The Crows Nest Metro site is located in the 'St Leonards Centre and Crows Nest Station Precinct', which is depicted at **Appendix A**.

In July 2016, the then Minister for Planning announced the strategic planning investigation of the St Leonards and Crows Nest Station Precinct ('the Precinct')

DPE is currently undertaking investigations of the Precinct to accommodate the needs of its growing community. It is currently consulting with Lane Cove Council, North Sydney Council, Willoughby City Council and relevant delivery agencies to ensure a coordinated approach to planning for the precinct and has sought feedback from those who live and work in the locality.

DPE has recently released a series of draft documents (see Section 3.1.2 below) that provide a strategic planning framework to guide future development and infrastructure delivery for the precinct over the next 20 years.

An 'interim statement' for the Precinct has also been prepared. It incorporates the following vision:

"The St Leonards and Crows Nest Station Precinct has a strategic role within the Sydney metropolitan area. It provides a unique opportunity to strengthen and develop many of the existing qualities which attract people to live, work and relax here. Future development will be responsive to place with a clear identity and purpose, which is inspiring, enjoyable and rewarding."

The interim statement acknowledges that the future of St Leonards and Crows Nest is founded on its key locational and community assets which include:

- A skilled, diverse workforce supported by a diverse range of housing types and strong residential demand
- Good quality existing open spaces such as Gore Hill Oval, Newlands Park, with Hume Park to be upgraded
- Proximity to a large network of health care and education facilities
- A higher than average usage of public transport.

2.2.2 Draft St Leonards and Crows Nest 2036 Plan

The DPE has recently released its draft St Leonards and Crows Nest 2036 Plan (draft 2036 Plan) to inform planning decisions in the precinct.

The draft 2036 Plan provides a vision for future land uses and infrastructure improvements in the area, informed by the above-mentioned Interim Statement, released in August 2017, and community consultation undertaken in March 2018.

The draft 2036 Plan recognises the strategic role of the area and the capacity for a diverse range of commercial and mixed uses to be focused immediately around and between the two stations.

The draft Plan is based on a vision for growth and improvement in the area to 2036, informed by community aspirations identified in the draft Local Character Statement.

The draft Plan is informed by a draft Green Plan and technical studies that recommend new and upgraded infrastructure. A draft Special Infrastructure Contribution Scheme has been developed alongside the draft Plan to assist with funding and delivery of State and regional infrastructure to support the areas sustainable growth.

The draft 2036 Plan provides the following vision (and corresponding actions) for the St Leonards-Crows Nest area:

- An employment hub - protect and strengthen the area's commercial role with additional commercial and complementary uses to capitalise on renewed confidence in the commercial market as well as retail, creative, health and education sectors.
- Transit-oriented development - create future employment opportunities that leverage the increased transport capacity of the new Metro station.
- A vibrant community – encourage community uses on the Sydney Metro sites and improvements to the public domain to create a new community focal point in this accessible location.
- An accessible place – ensure the Sydney Metro sites are an attractive and easy place to visit, with improved pedestrian and cyclist connections.
- A well-designed place – ensure new buildings to demonstrate the highest quality design that respects and enhances the diverse local character of the area.

Specifically, for Crows Nest the draft 2036 Plan identifies opportunity for new mixed use, high density development at and between the two stations, the activation of Clarke, Sergeants and Christie Lanes, an expansion of the Hume Street Park and improved connections to regional open space.

Importantly, the draft 2016 Plan informs the DPE's separate Rezoning Proposal Report for the Crows Nest Sydney Metro site which, along with the draft 2036 Plan and other documents (including a draft Local Character Statement, a draft Green Plan and a draft Special Infrastructure Contribution), will be exhibited for public feedback until 3 December 2018.

The Rezoning Proposal Report applies to land acquired by the Sydney Metro for the construction of the Crows Nest Sydney Metro station and supports an amendment of current local planning controls to accommodate new mixed-use development outcomes.

The OSD proposal for the Crows Nest Metro station incorporates a combination of residential, commercial and community-based services and is entirely consistent with the mixed-use vision for this locality as outlined in DPE's draft 2036 Plan.

2.2.3 Market Feasibility Study, 2014

A range of studies have been commissioned by North Sydney Council and DPE to advise of the precinct's land use potential, including:

- Market Feasibility Study, undertaken for North Sydney Council by SGS and completed in July 2014; and
- St Leonards and Crows Nest Strategic Employment Review, undertaken for DPE in May 2017, also by SGS.

The Feasibility Study (2014) was undertaken to inform the potential built form and zoning controls for the precinct. The report sought to identify strategies aimed at retaining viable employment-generating uses. Key findings from the report that are relevant to current considerations include:

- Whilst identified as a key employment centre, St Leonards' stock was ageing and, at the time of the report, had notably high vacancy rates, which was partly attributed to low pedestrian amenity and lack of night time activity.
- The study area had a highly skilled workforce, noting the region was highly specialised in knowledge based and technical and professional services industries.
- 48% of office stock was C-grade and was unable to compete with stock in North Sydney and Macquarie Park.
- The completion of more projects at North Sydney and Macquarie Park was expected to support some tenant relocation.
- Businesses located at St Leonard's were mostly small business looking for cheaper rent and an ability to temporarily lease floorspace.
- An insufficient capacity to accommodate anticipated jobs growth was identified.

These findings resulted in SGS providing two potentially diverse directions for the precinct – to either retain the role of St Leonards as a major employment precinct by precluding mixed-use and residential redevelopment; or to encourage the precinct's redevelopment as a high-amenity, diverse and mixed-use precinct.

The Strategic Employment Review (2017) sought to determine whether the employment floorspace of the precinct was sufficient to meet the projected and changing demand out to 2036.

In this Review, SGS identified a shortage in floorspace supporting population-based industries providing services to the local area. This shortfall suggests that a project like the Crows Nest OSD will suit the region's needs. Additionally, the potential use of OSD

floorspace for hotel purposes is in line with SGS's recommendations that Crows Nest is well suited to this type of land use.

2.2.4 North District Plan

In March 2018 the Greater Sydney Commission released a suite of documents to guide Sydney's growth over the next 20 years. The North District Plan sets out priorities and actions for the North District, within which the proposed OSD is located.

The vision includes strengthening the Eastern Economic Corridor. Specifically, the Plan recognises the role of education, community facilities, social enterprise, community initiatives, clubs, sporting organisation and facilities in connecting people and locations. As such, the Plan recognises the role these civic uses play in fostering healthy, culturally rich and networked communities.

The North District Plan notes that the St Leonards-Crows Nest area is well served by public transport and is a key employment centre in Greater Sydney which, combined with the new Sydney Metro station at Crows Nest, presents an opportunity for renewal and activation.

The Plan projects that the North District's population will grow from 886,550 (2016) to 1,082,900 (2036), an increase of 196,350 people over 20 years and requiring a concomitant increase of 92,000 dwellings over the period 2016-2036.

The Plan set out a 5-year housing (dwelling) growth target for 2016-2021 for 25,950 dwellings, with specific target for the local government areas (LGAs) that are of relevance to the Crows Nest OSD site being:

- Lane Cove: 1,900 additional dwellings
- North Sydney: 3,000 additional dwellings
- Willoughby: 1,250 additional dwellings

The Plan also required the local governments to deliver these targets for 2016-21, set out (agreed) 5-year targets for 2021-26 and set out capacity to meeting the full target by 2036.

The Crows Nest OSD will contribute to North Sydney meeting its target for 2021-26.

The North District Plan also sets an employment growth target for the St Leonards-Crows Nest Planned Precinct. From its current (2016) total employment of 47,100, the Plan has a base target for employment to rise by 6,900 to 54,000 by 2036, with a high target of 63,500.

The Crows Nest OSD will directly generate 583 jobs when fully operational which will contribute to meeting that target. In addition, the demand which the residential and commercial activities will generate will inject spending into local businesses which will lead to additional jobs in the precinct.

2.3 Context of Market Overview

The market reconnaissance undertaken in this report provides an up-to-date assessment of the commercial likelihood of a range of land uses to locate at Crows Nest and the suitability of the OSD project to attract such uses.

This report therefore ‘tests’ the potential of Crows Nest to fulfil its identified role as outlined in the North District Plan and in the above-referenced studies.

The market potential of the OSD is explored and explained in the following chapters.

3.0 Residential Market

The Greater Sydney Commission identifies 5 districts across Sydney. Crows Nest is located in the North District (see **Appendix B**). In 2016, the North District had an estimated resident population of 886,550. In the 20 years to 2036, the district’s population is expected to grow by 196,350 people to reach 1,082,900.

Encouraging this growth is the Commission’s plans to provide quicker and easier access to a wider range of jobs, housing types and activities. This includes increasing access to and supporting jobs growth in strategic centres, including health and education precincts. Crows Nest is located within the St Leonards Health and Education precinct which, as identified in the North District Plan, is planned to be a mixed-use centre, supporting high-rise office and high-density residential development.

As an area in transition, with employment opportunities and amenity for its residents to be substantially enhanced by the future metro train station, the structure and function of Crows Nest’s residential and commercial markets will undergo substantial change. It will emerge as an area of high demand for business and residential living.

The Crows Nest OSD mixed-use project can be seen as a response to this demand. It will provide a mix of dwellings to cater for the changing needs of the population.

3.1 Demographic Trends and Drivers

This section identifies key demographic trends taking place within the Crows Nest – Waverton SA2¹ (CNWSA2 – see map at **Appendix C**) as well as the wider North Sydney LGA. In the Social Economic Impact report, analysis and projections were also made in terms of both the CNWSA2 and the one-kilometre catchment around the OSD. As outlined in **Appendix D**, the population profiles are very similar. This section also outlines the likely socio-demographics of future OSD residents based on market evidence.

¹ SA2s are a general-purpose medium-sized area that typically represent a community that interacts together socially and economically (ABS Statistics, 2016).

3.1.1 Population

In 2017, North Sydney LGA had a population of 73,077 people having grown by about 15,000 people since 2006 (Table 1).

It is interesting to note that both North Sydney LGA and Greater Sydney have had very similar population growth rates over this past 10-year period. For instance, North Sydney has grown at a compounded rate of 1.5% while Greater Sydney has grown slight faster at 1.6%.

	2006	2011	2016	2017
North Sydney (A)	58,264	62,288	67,645	73,077
Greater Sydney	4,119,187	4,391,663	4,823,993	5,131,326

Table 1: Population Change, North Sydney LGA and Greater Sydney (2006-2017)

Source: ABS Regional Population Growth, Australia

North Sydney's demographic structure has shown some specific trends over the past ten years. There has been an increase in those aged 0-4 of about 3.8% in the North Sydney LGA. This growth projection has been at a pace faster than that of Greater Sydney, which trails at 2.8%. It should be noted, however, that this is from a low initial base figure of approximately 2,600 in 2006, when this age cohort was just 4.5% of North Sydney's population vs 6.6% for Greater Sydney.

The number of school-age (5-19 years old) children has also (again from a low base) shown very high compound growth of 3.3%, being 2.4% faster than that of Greater Sydney. These trends highlight a shift by some families to trade off space for proximity. This shift that has been seen within other inner-city areas across Australia; some parents are choosing to raise their children in high-rise housing instead of low-density suburban areas.

The flip-side to this high growth of 0-19 age cohorts has been low growth or declines in the 20-34 age cohorts, although these age groups are still more highly represented relative to the Greater Sydney. While noting the trend for some families with children to choose high density living, the OSD catchment is still likely to be more heavily represented by the 20-34 age cohorts.

North Sydney has also experienced a spike in the 65+ age cohort, with those aged 65-69 increasing by 8.8% and those aged 70-74 increasing by 6.7%. Those within the 65+ age cohort are likely to consider downsizing.

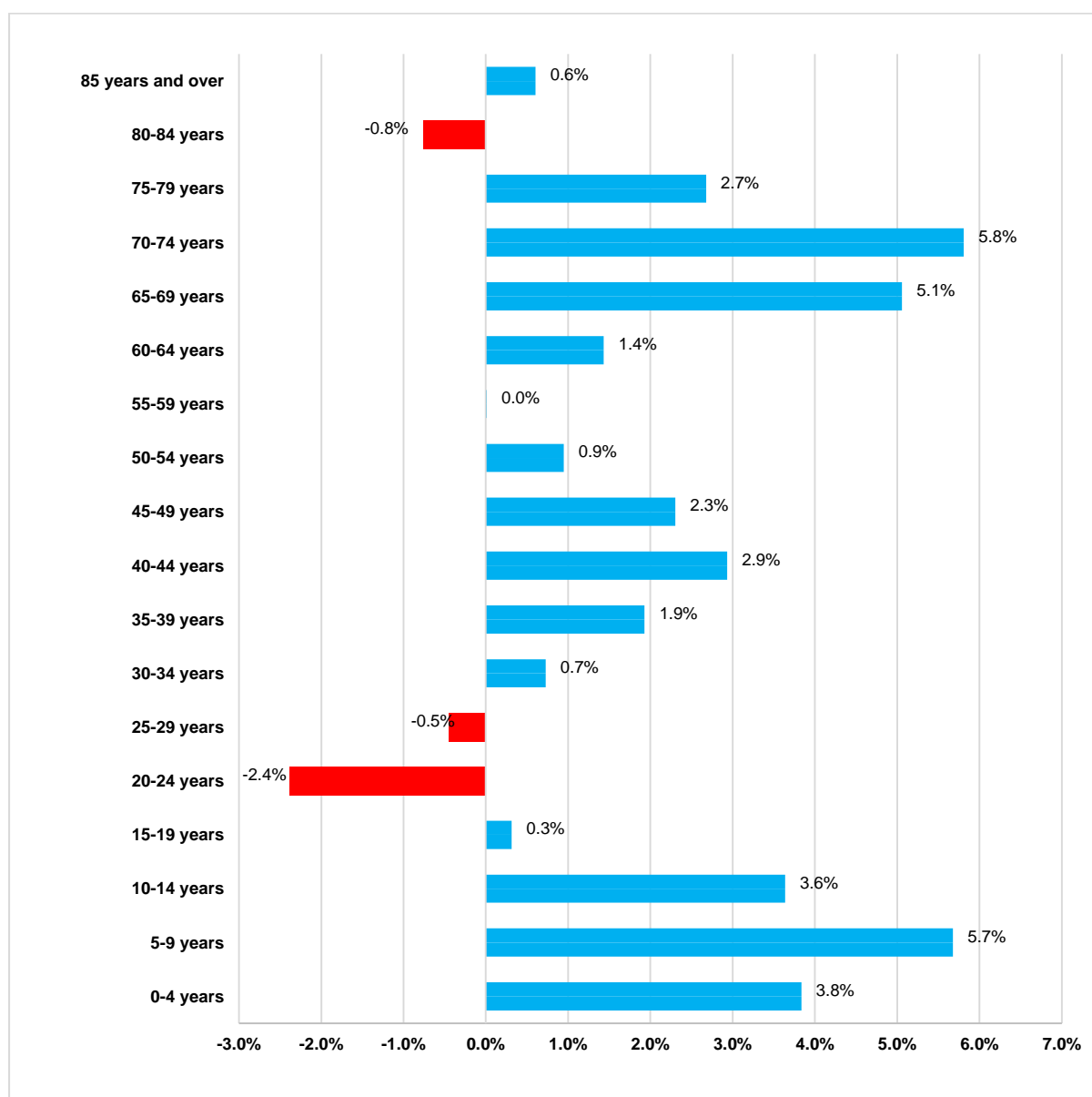


Figure 8: Compounded Population Growth by Age, North Sydney LGA (2006-2016)

Source: ABS, 2016

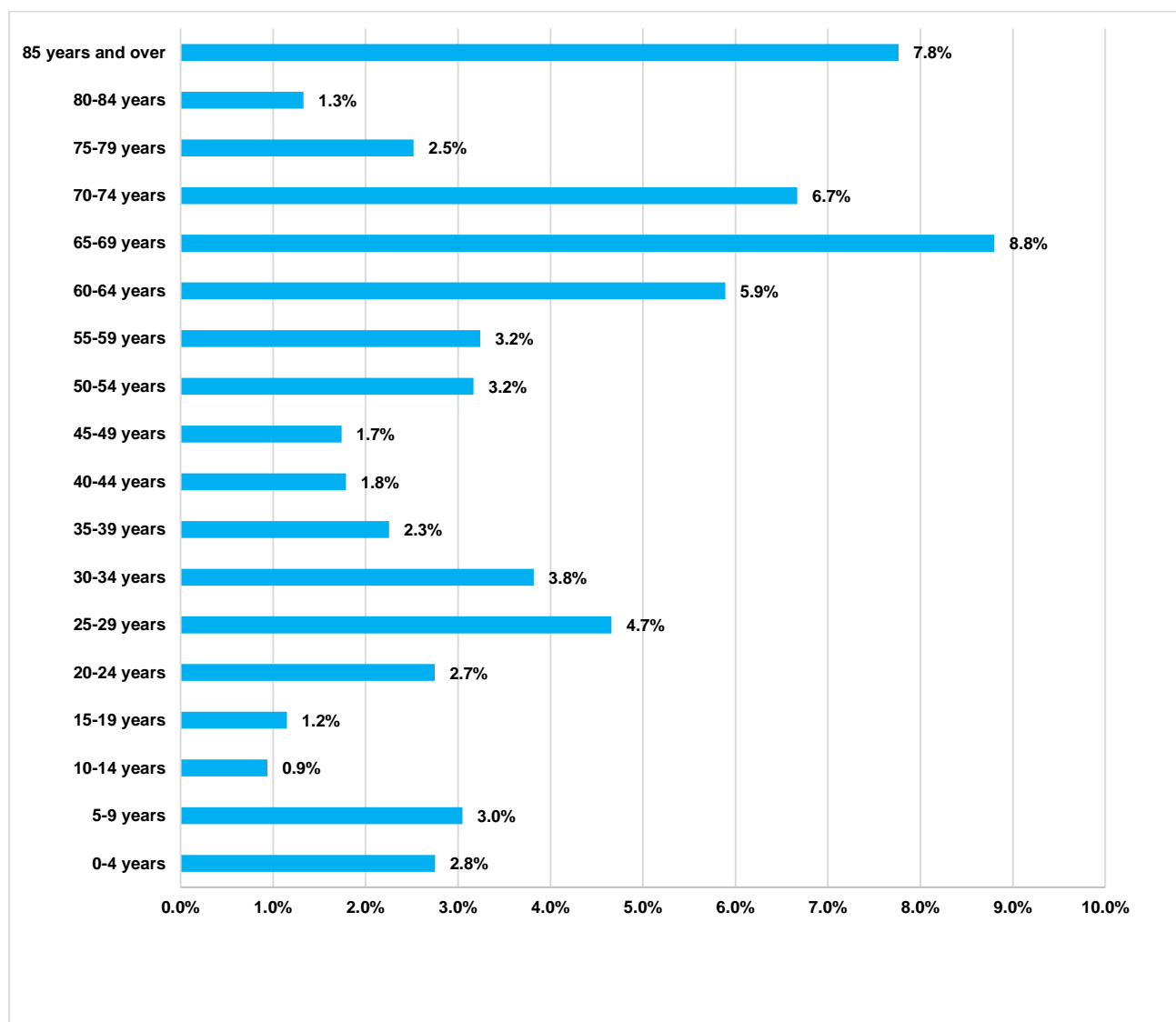


Figure 9: Compounded Population Growth by Age, Greater Sydney (2006-2016)

Source: ABS, 2016

3.1.2 Tenure

Both North Sydney LGA and the CNWSA2 are dominated by renters, with 52.0% and 50.7%, respectively, renting a home. This compares to Greater Sydney where just 34.1% of

households are renting. A high proportion of renters is not uncommon in inner areas, particularly where a high proportion of households are young, which is the case in North Sydney. As discussed below, young households, who are focussed on (career) mobility and hence more inclined to rent, are also less inclined to own cars.

In relation to home ownership, in North Sydney LGA just 25.0% of households own their home outright and a further 24.0% own their home with a mortgage. For CNWSA2, 25.5% of households own their home outright and a further 21.8% own their home with a mortgage.

3.1.3 Households

In 2016 the dominant household composition in both North Sydney LGA (32.4%) and CNWSA2 (30.5%) was lone person households (**Figure 10**), of which was well above the Greater Sydney benchmark of 21.6%. The area is attractive to young adults, predominantly young professionals as well as university students due to the area's locational advantages (i.e. proximity to the CBD, North Sydney and TAFE NSW).

Whilst lone person households are the most common type of household, couple family without children (couple only) households comprise nearly a third of households in both North Sydney LGA (28.5%) and CNWSA2 (29.0%) compared with 23.5% for Greater Sydney. An ABS study in 2016² demonstrates that couple only households are more likely to earn higher incomes when compared to other household types. The high presence of couple only households is partly attributed to their ability to afford to live in the region (which is characterised by comparatively high price-points and rentals).

² <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6523.0~2015-16~Main%20Features~Characteristics%20of%20Low,%20Middle%20and%20High%20Income%20Households~8>

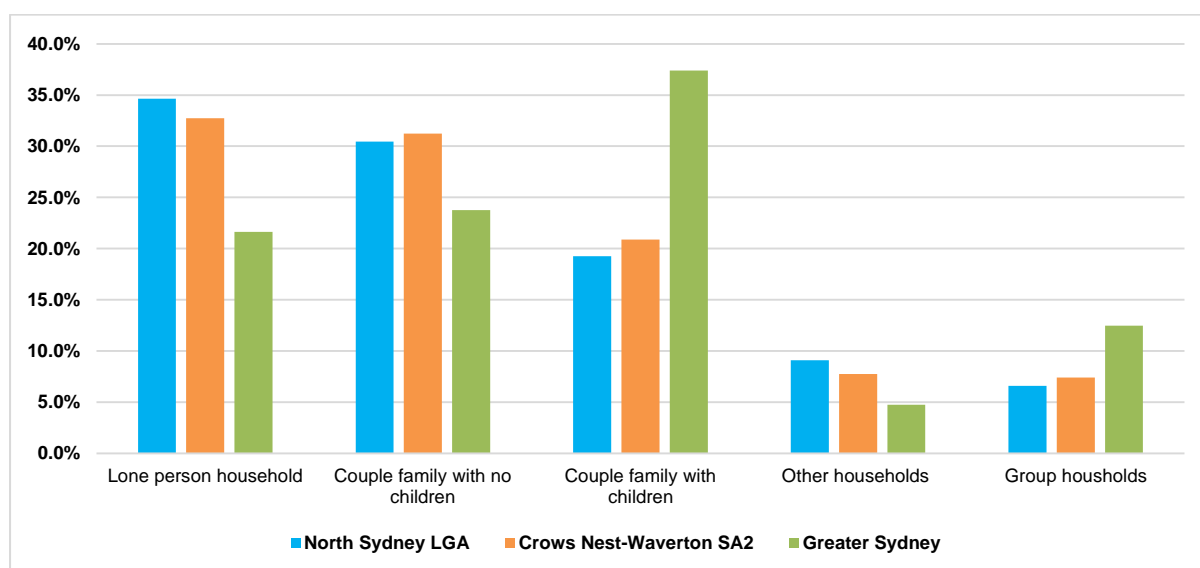


Figure 10: Household Composition, Crows Nest - Waverton SA2, North Sydney LGA & Greater Sydney
Source: ABS, 2016

The dominance of couple only and lone person households is reinforced by the average household size which is just 2.1 persons in CNWSA2 and 2.0 persons in North Sydney. This compares to Greater Sydney where there is an average of 2.8 persons per household, with the most common household composition being couple family with children.

This household composition is well suited to the car parking provisions that are being recommended for the development. Couples and lone persons households, especially students, will be less deterred by the lack of parking offered on site as driving is less pertinent to their lifestyle in comparison to couple families who, for example, will make daily use of their car for school and recreational activities. Furthermore, the increased use of car sharing among the younger generations circumvents their reliance on car ownership and hence the need for permanent parking provisions.

3.1.4 Employment

In 2016, 72.2% of CNWSA2's labour force was employed full-time, 11.1% more than Greater Sydney. Correspondingly, the share of labour force employed part-time was 20.4%, 7.8% lower than Greater Sydney. Unemployment was 3.4%, well below the 6% for Greater Sydney.

The top three occupations of residents in Crows Nest – Waverton SA2 were Professionals (45.8%), Managers / Administrators (19.5%) and Clerical / Administrative (12.7%) with the leading industries of employment; Professional, Scientific and Technical Services (21.7%), Financial and Insurance Services (12.2%) and Health Care and Social Assistance (10.7%).

	Crows Nest – Waverton SA2	Greater Sydney
1	Professionals (45.8%)	Professionals (26.8%)
2	Managers / Administrators (19.5%)	Managers / Administrators (14.9%)
3	Clerical / Administrative (12.7%)	Clerical / Administrative (14.0%)

Table 2: Major Occupations by Region

Source: ABS, 2016

3.1.5 Income

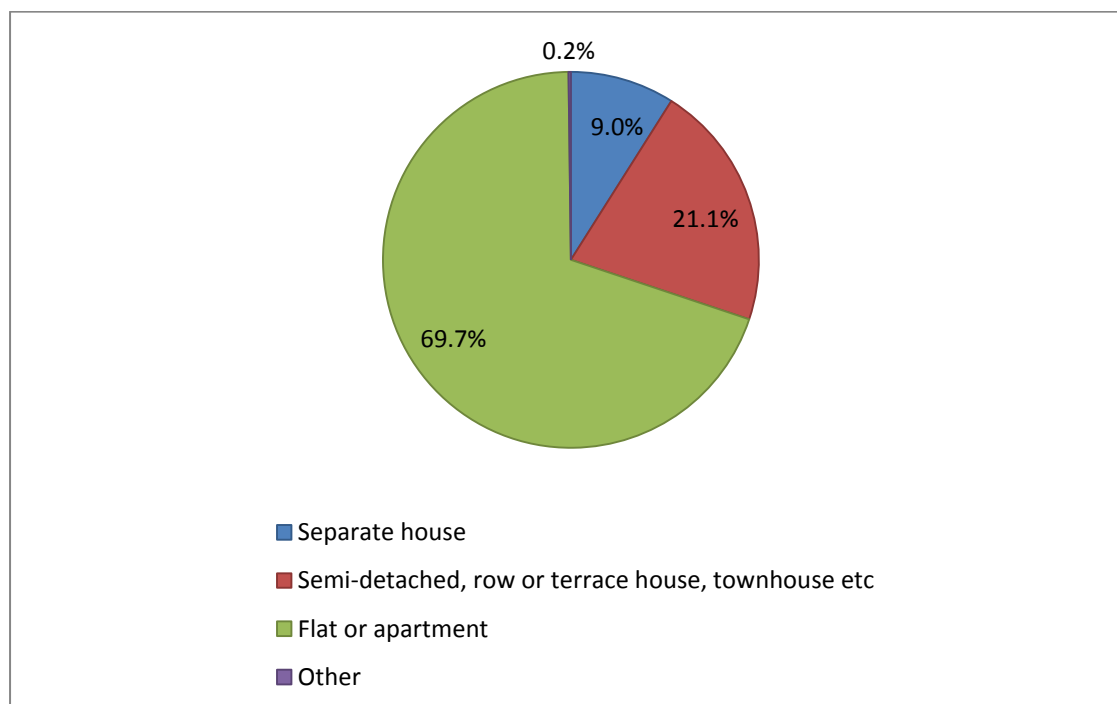
Inner North Sydney is attractive to wealthy households, with good access to city-based amenity, health care and natural landscapes including Sydney's northern beaches. In 2016, the average per capita income in the CNWSA2 was \$79,078, \$33,904 higher than Greater Sydney. This reflects the occupational and industry profiles of the workforce, which is skewed to high income sectors. Interestingly, the average household income in Crows Nest – Waverton was \$113,000, \$10,654 lower than Greater Sydney, however this explained by the considerable number of lone person households in the region. The high-income per capita measure is a better reflection of the relative wealth of the area.

3.2 Residential Supply

3.2.1 Dwelling Structures

The dwelling mix of CNWSA2 differs significantly to Greater Sydney. In 2016, 'apartments' were the dominant form of housing in Crows Nest - Waverton accounting for 69.7% of the total dwelling stock, this compares to Greater Sydney, where apartments are only responsible for 28.1% of dwellings.

Conversely, separate houses make up a lower proportion of total dwelling types within the SA2 (9.0%) compared to Greater Sydney (56.9%).



	Crows Nest - Waverton	Greater Sydney
Separate house	9.0%	56.9%
Semi-detached, row or terrace house, townhouse etc	21.1%	14.0%
Flat or apartment	69.7%	28.1%
Other	0.2%	0.6%

Table 3: Dwelling Structure Composition, Crows Nest– Waverton SA2 & Greater Sydney (2016)

Source: ABS Census, 2016

3.2.2 Supply Pipeline

The rate of new dwelling approvals in CNWSA2 has been quite volatile in the 6-year period from FY2011-12 to FY2017-18. Approvals have been dominated by ‘flats, units and apartments.’

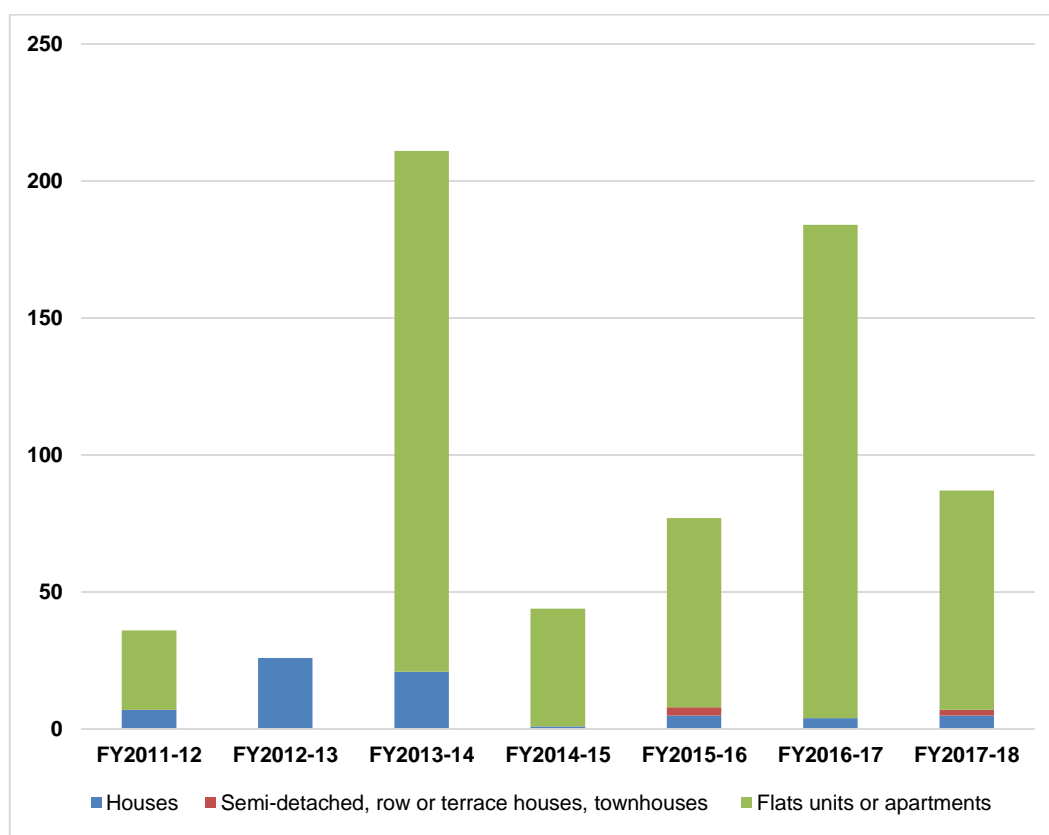


Figure 5: New Dwelling Approvals, Crows Nest - Waverton SA2 (FY2011-12 to FY2017-18)

Source: ABS Census, 2016

According to CordellConnect, there are currently 37 major apartment projects that have received a development approval or are under construction in Crows Nest and St Leonards.

Within both areas the projects range from 3 to 47 storey developments each offering a mixed bag of retail, commercial and residential floor spaces. Crows Nest will deliver a total of 283 apartments to the area. For St Leonards this figure is considerably higher at 3,200 units planned for the precinct. However, a lot of these developments are still in their early planning stages and as such their developments and unit offerings may not come to fruition. A comprehensive list of the developments that will take place within these areas is provided at **Appendix E**.

3.2.3 Residential Market Trends

Sydney's residential property market experienced a strong upswing from 2012-17. The median price in the Sydney market rose over 50% in real terms in this period, before a moderation in prices started to emerge in the second half of 2017 and continued into 2018.

From their recent peak levels (June quarter 2017), Sydney's median house price values were recorded as being 3.8% lower and 5.7% lower in real terms in the June quarter 2018. A further moderation in prices over the next 12 months seems the most probable scenario, followed by a period where prices stabilise but fall in real terms.

Crows Nest and St Leonards shared in the aforementioned greater Sydney property price boom, with house prices growing by 78% between 2012 and 2017. The factors which drove strong price gains were lower interest rates and the lag effects of sustained period where population growth (the principal component of 'underlying demand') outpaced supply growth. More recently, with credit conditions tightening (including higher interest rates) and supply catching up with demand, the boom in prices has begun to deflate.

The Crows Nest median house price (May 2018) is \$2,150,000. The median unit price at Crows Nest (May 2018) was recorded at \$800,000, having fallen by 4.8% between 2017 and 2018, after experiencing year-on-year growth over the four years prior. St Leonards on the other hand recorded a median house sale price (May 2018) of \$5,455,192³ while the median unit price was recorded at \$936,000, having increased by 10% from the previous year.

Similar to the wider Sydney market, it is expected that both unit and house prices at Crows Nest and St Leonards will moderate over the coming 12 months.

Population growth will be the critical driver of demand for housing in Crows Nest-St Leonards in the short and long-term. Crows Nest station is expected to encourage population growth with people attracted to the area due to its increased accessibility and amenity. Furthermore, the large gap between unit and house prices means that Crows Nest is an ideal market for downsizers with the region providing the opportunity to sell out of the family home, purchase a unit and earn a significant financial gain to use during retirement.

Adjusted population projections⁴ indicate that CNWSA2's population has the potential to grow to approximately 23,000 people by 2034. Therefore, whilst a continued moderation in market conditions is likely in the short-term, the medium to long-term outlook for property at Crows Nest remains positive.

³ This median is sourced from RPData and is drawn from 58 sales. It is likely to reflect block size and the existence or potential of a higher density zoning.

⁴ Adjusted TPA projections based on actual ERP (20160 and application of compounded annual growth

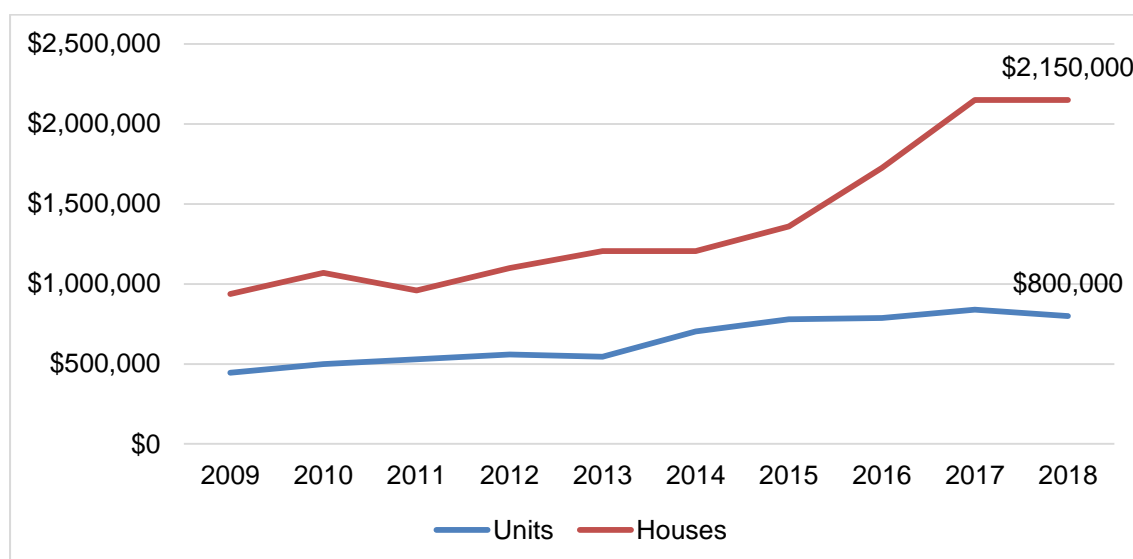


Figure 6: House and Unit Prices, Crows Nest (2009-2018)

Source: CoreLogic, 2018; MacroPlan 2018

3.2.4 Off-the-Plan Apartment Sales

The sample in the table below provides an indicator of the price premium associated with new apartments when compared to the median unit prices for Crows Nest and St Leonards of \$800,000 and \$936,000. Sale prices have been sourced from a range of real estate offices and cover a range of product sizes and facilities.

Notably, the Crows Nest OSD is ideally located to compensate for its lesser provision of on-site parking and is unlikely to be discounted to the extent shown for units without a parking space at St Leonards (which, as shown below, are not located above a rail station).

Project	Bed	Bath	Car Park	Price
105 Willoughby Road, Crows Nest	3	2	2	\$2,600,000
139-147 West Street, Crows Nest	2	2	1	\$1,575,000
53 Atchison Street, Crows Nest	2	2	1	\$1,395,000
105 Willoughby Road, Crows Nest	2	1	1	\$1,410,000
105 Willoughby Road, Crows Nest	1	1	1	\$975,000
1 Marshall Avenue, St Leonards	1	1	0	\$750,000
51 Chandos Street, St Leonards	1	1	0	\$690,000
472-486 Pacific Hwy, St Leonards	1	1	0	\$740,000
472-486 Pacific Hwy, St Leonards	1	1	1	\$865,000
472-486 Pacific Hwy, St Leonards	3	3	3	\$4,525,000

Table 4: Off-the-Plan Apartments for Sale, Crows Nest & St Leonards, September 2018

Source: Various real estate offices

3.3 OSD Target Market

It is expected that a large proportion of total households at the OSD will be 'double income no kids' (DINKS) households. DINKS are couple only households in which both parties are earning an income. The DINKS demographics aligns mostly with the young professionals and renters, predominantly in the age bracket 20-39, but will also include a cohort of owner-occupier retirees.

DINKS are more likely to have the capacity to rent or purchase upscale apartments, with, as identified earlier, couple only households more likely to fall within the upper income quartiles. Demand from the retiree cohort will be supported by their capacity to access their equity from the detached housing market. Whilst DINKS are expected to be the most likely occupiers of the OSD, other key occupiers will be lone person households, most likely young professionals but also including single retirees and international students.

DINKS and lone person households, particularly for example students, will be less deterred by the lack of car parking due to cars being less pertinent to their lifestyle compared to couple families with children who, for example, need a car daily to take their children to school or recreational activities. Relatively speaking you can see that there would be a greater market acceptance, especially among DINKS, for units without car parking provisions.

4.0 Commercial Office Market

4.1 Sydney Office Market

Sydney's total metropolitan office market comprises over 12 million m² of office floorspace. Over 40% of this space is held in the Sydney CBD (about 5 million m²). Other dominant centres include:

- The North Shore (including North Sydney, Macquarie Park, Crows Nest/St Leonards and Chatswood) – 2.3 million m²; and
- Parramatta - 0.7million m².

Recent development trends in the Sydney CBD have flow-on implications for the rate of demand that can be expected in other centres, including the North Shore.

These trends include:

- A combination of positive absorption and limited new supply resulting in the overall vacancy rate declining from 6.0% in June 2017 to 4.3% in June 2018.
- This is 2.7% below the 10-year average of 7.3%. Vacancy levels in the CBD are expected to trend down further in the short term reaching just 3% by 2019.
- It is estimated that 201,480m² of existing office stock (3.9% of the total stock) has been taken offline for the Sydney Metro Construction, residential conversions and redevelopment.
- New office supply in Sydney CBD has been severely limited, due to the high-rise residential building boom. However, approvals for new office building projects have lifted with new supply expected to arrive from 2020 onwards.

Net Supply by Year (square metres)

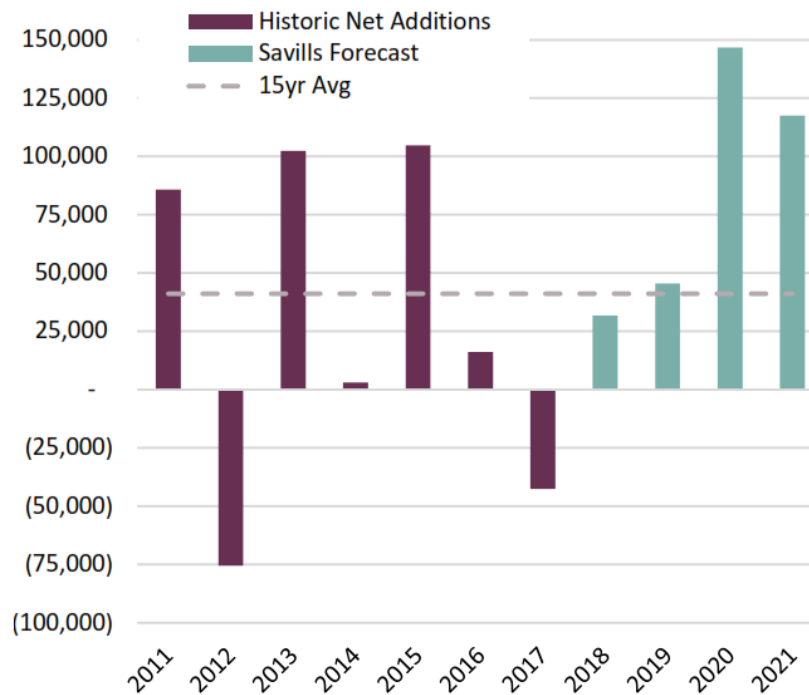


Figure 13: Sydney CBD Office Supply

Source: PCA/Savills

Historic Vacancy Rate

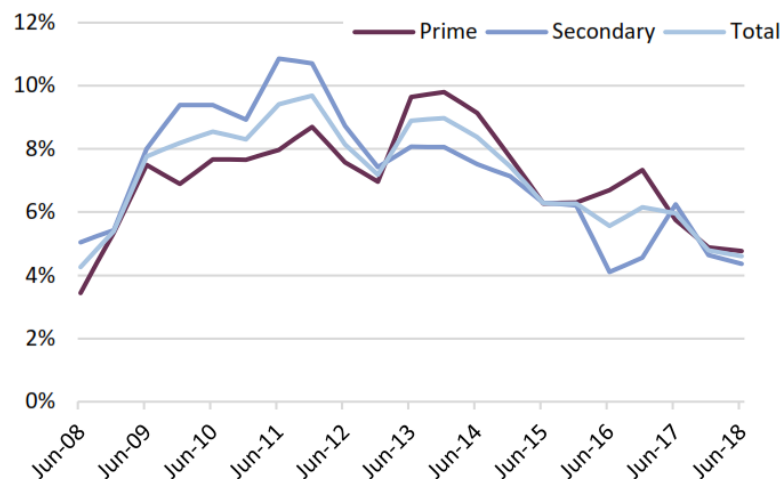


Figure 14: Sydney CBD Historic Vacancy Rates

Source: PCA/Savills

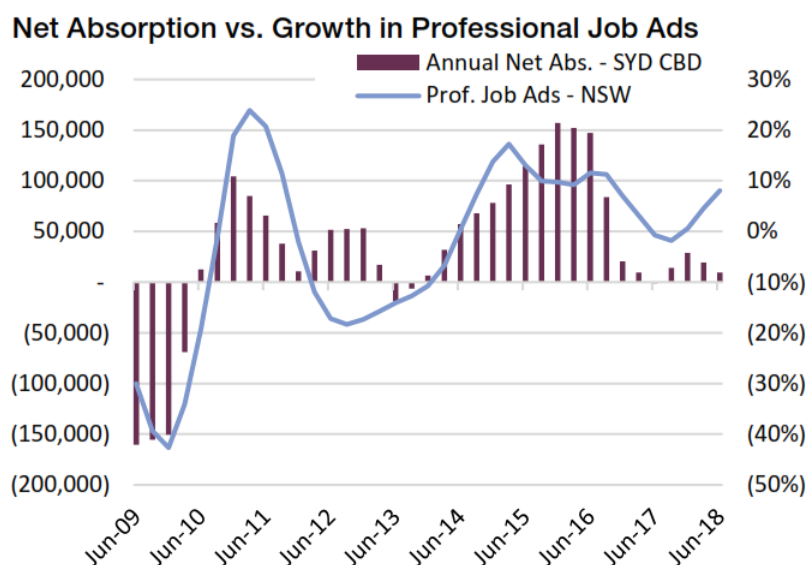


Figure 15: Net Absorption, Sydney CBD

Source: DOE/ Savills Research

The Sydney CBD market is expected to tighten further over the next two years, driving positive rental growth. Accordingly, new tenancies or those looking to extend their leases are likely to consider North Sydney, St Leonards, and (with Crows Nest metro) Crows Nest, and other peripheral locations as a viable alternate office location.

The completion of the Sydney Metro rail project will reduce commuter times between the North Shore markets and the city. Accordingly, these North Shore markets will be viewed by occupiers more as an extension of, and comparable to, certain precincts within the Sydney CBD.

4.2 North Shore Office Market

Sydney's North Shore office market comprises North Sydney, Macquarie Park, Crows Nest / St Leonards and Chatswood totalling approximately 2,265,264m² of stock. The majority of supply is located in Macquarie Park (38% of stock) and North Sydney (35.7%).

The strength of the Sydney CBD market has spilled into the North Shore office markets. The lack of supply and rapidly increasing rents in Sydney CBD has drawn tenants to the North Shore.

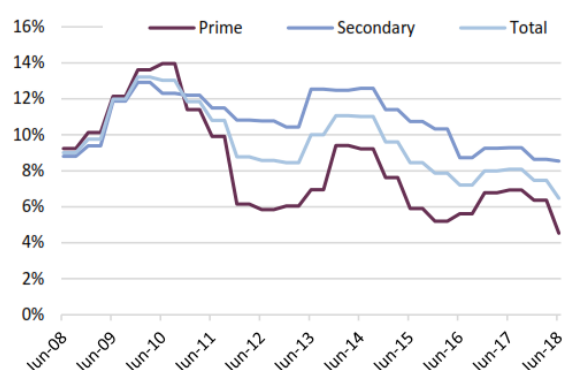
Despite strong demand, the North Shore had 164,700m² of stock withdrawn in the year to June 2018. Whilst an additional 154,100m² of stock was added to the market, the market still

experienced an overall net loss of commercial floorspace (-10,600m²). This is a trend taking place across Sydney with the continued redevelopment of commercial stock into residential and other uses. Lack of supply has caused significant pent-up demand and rental pressures. However, the completion of the next development cycle, due for completion in 2019/2020, will bring relief to the market with 3 large projects in North Sydney delivering 130,000m² of supply to the market.

Robust tenant demand in combination with current limited supplies has caused a decline in office vacancy rates. In the six-month period from January 2018 to July 2018 the overall vacancy rate for the North Shore market fell from 8.4% to 7.9%.

The recent decline in vacancy can be largely attributed to the strong take-up of prime market space, coupled with stock conversions and the removal of stock associated with the Sydney Metro project.

Historic Vacancy (North Shore inc. Macquarie Park)



Net Supply by Year (North Shore inc. Macquarie Park)

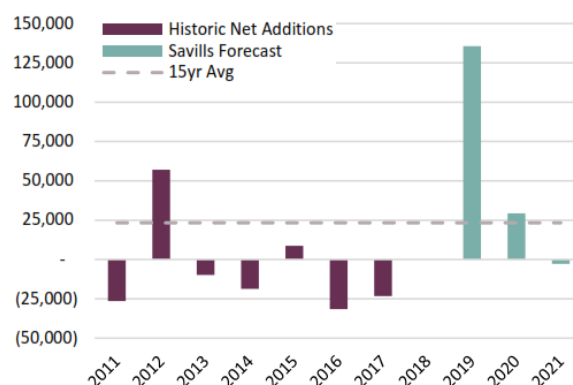
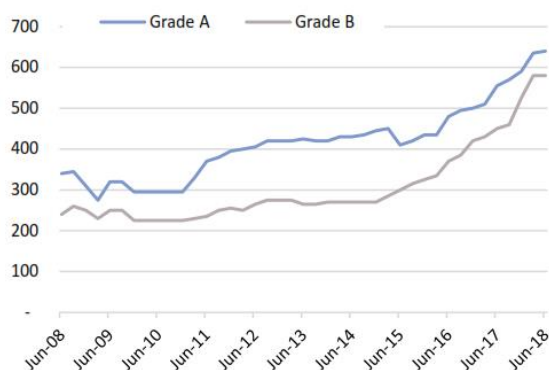


Figure 16: North Shore Net Absorption, Vacancy Rates

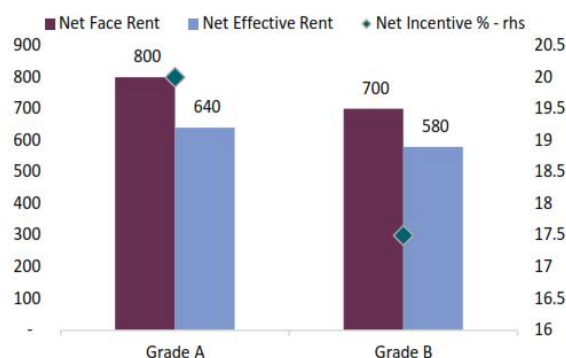
Source: Savills Research (2018)

Net Effective Rents by Grade (\$/sq m) – Nth Sydney



Source: Savills Research

Net Face & Net Effective Rents (as at Jun-18) – Nth Sydney



Source: Savills Research

Figure 17: North Sydney Rents

Source: Savills Research (2018)

In the 12 months to June 2018, \$1.70 billion worth of office transactions (of properties > \$5m) took place across the North Shore. Whilst largely in line with the 12 months previous, sales were 16% lower than the 5-year average of \$2.02 billion.

North Sydney was responsible for 66% of deals transacted, with both local and international investors showing interest in the area.

As just at June 2018, A Grade market yields in North Sydney ranged from 5% to 5.5% (decreasing 75 basis points YoY), B Grade ranging from 5.5% to 6.0% (decreasing 90 basis points).

This compares to Macquarie Park where prime yields range from 5.5% to 6.0%, decreasing by around 50 basis points over the 12-month period.

Property	Price (\$m)	Date	NLA	Yield	\$/m ²
168 Willoughby Road, Crows Nest	16.3	May-17	1,712	5.00	9,492
39-47 Albany Street, Crows Nest *	22.0	May-17	3,286	4.50	6,695
154 Pacific Hwy, St Leonards	60.2	Jun-18	6,299	5.94	9,557
29-57 Christie St, St Leonards	166.0	Dec-17	18,000	5.74	9,222
201 Pacific Highway, St Leonards	171.6	Dec-17	16,499	6.50	10,401
657 Pacific Highway, St Leonards	22.2	Aug-17	3,534	6.10	6,268
77 Pacific Hwy, North Sydney	112.4	May-18	9,392	5.36	11,962

54 Miller St, North Sydney	59.4	May-18	6,955	6.08	8,541
157 Walker St, North Sydney	80.1	Mar-18	8,928	6.09	8,972
1 Pacific Hwy, North Sydney	114.5	Oct-17	7,642	4.88	14,983
32 Walker St, North Sydney	74.8	Oct-17	6,546	5.91	11,419
116 Miller St, North Sydney	134.0	Jul-17	11,376	5.25	11,779
56 Berry St, North Sydney	62.0	Dec-17	5,175	5.48	11,981
75 Miller Street, North Sydney	51.8	Nov-17	4,930	5.71	10,507
8-22 West Street, North Sydney	59.0	Jul-17	6,023	5.50	9,796
165 Walker Street, North Sydney	55.9	Jul-17	5,244	6.00	10,659
15 Blue Street, North Sydney	169.0	Jul-17	16,114	C/C	10,488
146 Arthur Street, North Sydney	78.0	May-17	8,195	6.00	9,518
88 Walker Street, North Sydney	19.3	Mar-17	2,972	-	6,477
2 Elizabeth Plaza, North Sydney	81	Mar-17	7,610	6.60	10,368
8 Khartoum Rd, Macquarie Park	95.3	Aug-17	12,000	5.25	7,942
1-5 Railway Street, Chatswood	115.0	Jun-17	18,248	6.00	6,302

* Sold for repurposing to residential

Table 5: Recent Notable Sales

Source: Savills Research, Knight Frank (2018)

4.2.1 North Shore Strata Activity

Strata sales activity between 2016 and 2017 was focused in two core markets; North Sydney (37.3%) and Crows Nest (38.3%). Crows Nest recorded \$37.3 million in total sales across 33 suites, triple the previous year. This increase was fuelled by the sale of 260-284 and 270 Pacific Highway for potential redevelopment purposes.

North Shore Precinct Strata Annual Sales

\$ Rate per Sqm (LHS) and Number (RHS)

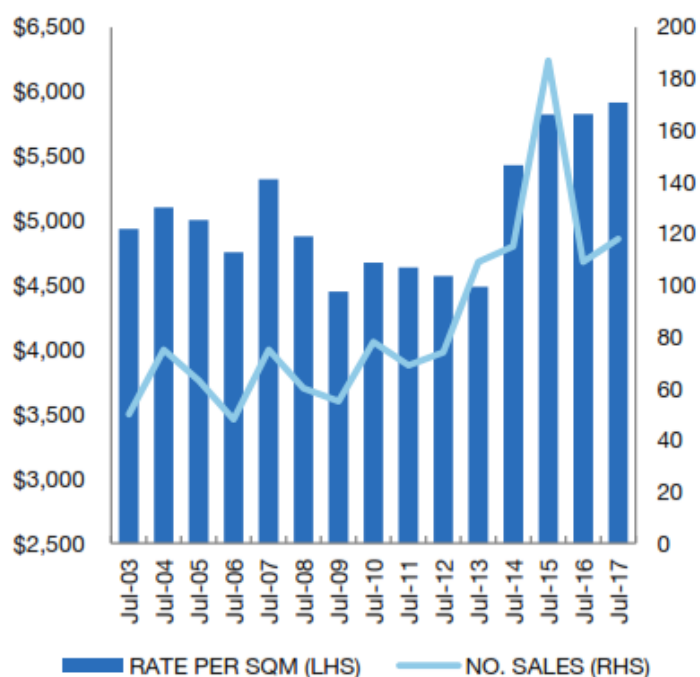


Figure 7: North Shore Strata Sales

Source: Knight Frank

In the 12 months to June 2018, 49,350m² of leasing activity (of spaces >1,000 m²) took place in the North Shore. This is approximately 62% less than leased in FY17, however, this is largely due to pre-commitment activity on the upcoming developments in North Sydney. Part of the fall in leasing activity can also be attributed to a lack of available space, particularly in North Sydney.

The following table identifies notable leases agreed in the North Shore market over the past 18 months.

Address	Suburb	Area (m ²)	Face Rent Net (\$/m ²)	Term (yrs)	Tenant
72 Christie Street	St Leonards	7,227	U/D	10	Mastercard
207 Pacific Highway	St Leonards	220	625	5	Harbour Spine Centre
201 Pacific Highway	St Leonards	600	570	3	Bench Platform
101 Miller Street	North Sydney	5,600	U/D	10	Allianz
80 Pacific Highway	North Sydney	3,017	U/D	10	Broadspectrum
40 Miller Street	North Sydney	1,100	660	5	Info Global
146 Arthur Street	North Sydney	747	U/D	5	Ebiquity
60 Miller Street	North Sydney	6,566	U/D	8	Flight Centre
60 Miller Street	North Sydney	1,172	U/D	7	Ardent Leisure
100 Mount Street	North Sydney	20,000	750	10	NSN
50 Miller Street	North Sydney	6,000	740	7	US Consulate General
80 Pacific Highway	North Sydney	2,027	708	7	Arthur J Gallagher
100 Pacific Highway	North Sydney	1,663	680	7	Reckon
39 Delhi Road	Macquarie Park	1,200	350	5	Nick Scali
2-4 Lyon Park Road	Macquarie Park	1,225	350	5	Hill-Rom
123 Epping Road	Macquarie Park	517	350	5	Linear Healthcare
12 Waterloo Road	Macquarie Park	525	310	5	SunPharma
821 Pacific Highway	Chatswood	315	565	5	Green Capital
821 Pacific Highway	Chatswood	567	550	5	Sennheiser
799 Pacific Highway	Chatswood	1,100	520	5	NCR Australia
57-61 Herbet Street	Artarmon	2,200	310	10	North Shore Veterinary Hospital

Table 6: Recent Notable Leasing Activity

Source: Savills Research, Knight Frank (2018)

4.2.2 Crows Nest/St Leonards Office Market

Crows Nest/St Leonards is currently experiencing a supply deficit due to stock continuing to be withdrawn for residential conversions. According to Savills, over the 12 months to June 2018, 8,961m² of stock was withdrawn from the market and just 1,825m² added.

With a tightening of stock, net effective rents (as seen in **Figure 19**) continued to grow over the 12-month period. Net absorption remained positive with the vacancy rate falling from 11.1% to 9.9% over the 6 months to July 2018.

Average Net Effective Rents

Prime & Secondary, Crows Nest/St Leonards (\$/m²)

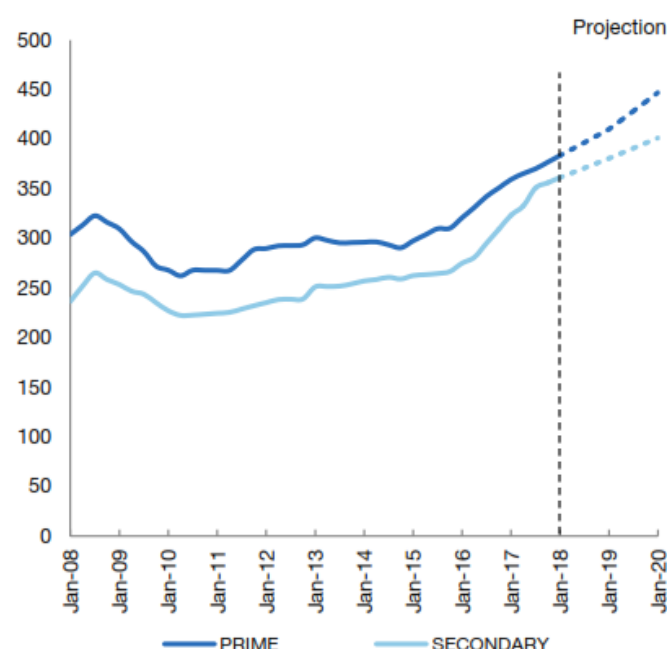


Figure 19: Net Effective Rents, Crows Nest/St Leonards

Source: Knight Frank, 2018

With Sydney CBD's vacancy constraints and increasing rental levels, it is expected that tenant demand in the North Shore will remain strong. Another factor expected to support growing demand in the area is the increasing trend toward co-working spaces, with companies like WeWork and WOTSO identifying fringe sites for these purposes, which suit their desire for large spaces.

The North Shore commercial market will benefit significantly from the construction of the new Metro railway line, which will improve the accessibility and amenity of the region and elevate its employment status.

North Sydney Council has estimated that approximately 176,893m² of new office accommodation is likely to be required in the North Sydney LGA by 2036⁵. However, underlying demand is likely to exceed this figure due to the expected continued demand for higher quality office accommodation, which can be only met through new development⁶.

North Sydney Council's *Economic Development Strategy 2016* reflects these trends and observations and seeks to address this shortfall in office supply by implementing strategies

⁵ Urbis, North Sydney Commercial Centre Study (2015)

⁶ North Sydney Centre Capacity and Land Use Study (2016)

that encourage the development of new commercial floor space, the facilitation of new and innovative businesses, and an improvement of North Sydney's overall amenity for workers. With the advent of the metro rail service at Crows Nest, it too will contribute to the LGA's future office needs.

5.0 Retail Market

5.1 Australian Market Snapshot

The Australian retail property sector has had stable growth as evidenced through strong investment volumes and a healthy development pipeline. Continued population growth has underpinned this progress, leading to increased catchment densities for established centres. This is particularly evident in both Sydney and Melbourne, where the population growth has been more concentrated. The resulting density increases has led developers to look for sites that have a combination of retail, residential and commercial to maximise their site value.

5.2 Sydney CBD and North Sydney Market

Current infrastructure related development in Crows Nest and the broader CBD / Northern Sydney region is not only leading to population growth but is also placing increased strain on retail amenity. This has created a supply-demand shortfall, which is placing retailers in a favourable position to capitalise on improving consumer demand levels within these regions.

In terms of market activity, NSW has seen a steady retail asset turnover this past year. As the table below shows, the majority of these sales have been within or proximate to metropolitan Sydney.

Key asset sales that are expected to impact on the retail performance of the OSD site are the Coles in Crows Nest, Home HQ in Artarmon and Chatswood Chase.

Within the Sydney CBD, retail floor space is estimated to account for roughly 9% of the combined commercial and retail floorspace provision. The North Sydney CBD has a comparatively low retail offering, representing 4% of all combined retail and commercial floorspace. This is considerably lower than the other major CBD precincts within Metropolitan Sydney. For example, in Parramatta and Chatswood CBDs, the retail floor space is estimated to account for approximately 25% and 40% of the combined commercial and retail floor space, respectively.

In forms of competing retail space, there is about 37,500m² of directly competing retail facilities in the North Sydney CBD and 6,000m² in St Leonards. Moving further out, there is 180,000m² of retail space in Chatswood CBD, 28,000m² in Neutral Bay and 40,000m² in the Lane Cove Town Centre.

These centres are proximate to the Crows Nest OSD and, like Crows Nest, compensate for the relatively small levels of retail located within the North Sydney CBD.

Property	Type	Price (\$m)	Date	GLA	\$/m ²
Chatswood Chase	Regional	562.3	Nov-17	63,175	18,011
QVB, The Galleries, Strand Arcade	City Centre	556	Nov 17	34,314	32,407
East Village, Zetland	Sub regional	155.3	Aug-17	33,000	9,412
Home HQ Artarmon	Large Format	140.1	Dec-17	22,199	6,311
Park Sydney*	Other	100	Mar-18	10,000	10,000
Pittwater Place, Pittwater	Neighbourhood	98	Oct-17	12,094	8,130
Soul Pattinson, Pitt Street	Shops	95.5	Mar-18	1,290	74,031
Toormina Garden Shopping Centre	Sub Regional	83.3	Jan-18	20,898	3,986
Stockland Wallsend	Sub Regional	81	May-18	12,009	6,745
Bathurst City Centre	Neighbourhood	71.15	Oct-17	12,559	5,665
Chester Square Shopping Centre	Neighbourhood	68.5	Nov-17	8,270	8,283
Bunnings Caringbah	Large Format	59.6	Jul-17	13,604	3,764
Bunnings Bonnyrigg	Large Format	45.5	Jul-17	12,185	2,994
Coles Crows Nest*	Neighbourhood	45	May-18	4,493	10,016
Woodcroft Village	Neighbourhood	43.85	Sep-17	4,669	9,408

* Under Construction

Table 7: Reported Retail Asset Sales in NSW over \$5 million

Source: MacroPlan

5.3 Crows Nest Market

Recent supply assessments suggest that there is approximately 26,000m² of retail floorspace within Crows Nest. This floorspace is expected to grow to 30,000m² following the completion of Crows Nest Plaza in late 2018, and to 36,200m² in 2021.

Crows Nest Retail Floorspace (GLA)	GLA (m ²)
Crows Nest Town Centre	26,000
Crows Nest Plaza (under construction)	4,000
Projects due for completion by 2021	6,200
Future Crows Nest Total	36,200

Table 8: Crows Nest Retail Floorspace

Source: MacroPlan

The Crows Nest Town Centre retail precinct is comprised predominantly of street-based retail floorspace and includes a large Woolworths supermarket which was recently expanded. Furthermore, the Crows Nest Plaza is being converted into a full-line Coles anchored supermarket centre that is expected to be completed late 2018.

Retail floorspace in Crows Nest will have to increase to keep pace with its expanding resident and worker population. Adjusted population projections⁷ indicate that CNWSA2's population has the potential to grow up to 23,000 people by 2034, whilst the total employment is expected to increase from 10,320 (2016) workers to 13,150 by 2036⁸.

Beyond 2018, known projects in the pipeline are expected to add roughly 6,200m² of new retail development by 2021⁹.

It is expected that these developments, coupled with the 1,500 m² of retail space at the OSD, will continue to enhance the worker amenity of the OSD precinct but will only just keep pace with the projected growth in retail demand in the area.

5.4 Prospects for retail trade

The residential community of Crows Nest is becoming better serviced by a growing number of supermarkets and other retail outlets that are open for both weekday and weekend trading.

There are already extensive provisions of retail, health services and general amenity within walking distance of the OSD site including: private and public hospitals, the Crows Nest town centre and local shopping centres. In this regard, the Crows Nest Metro Station and the accompanying OSD will undergo increased use from a broader commuter catchment.

At the same time the renewal and transformation of the Crows Nest/St Leonards Pacific Highway strip will bring more mixed-use, commercial, residential and associated retail offerings to the catchment. The transformation of this area is expected to accelerate following the development of the Crows Nest metro and OSD but will not impact upon the viability of prime retail space within the station concourse.

⁷ Adjusting for actual ERP (2016) and application of compounded annual growth

⁸ NSW TPA Projections (2018)

⁹ Cordell Connect (2018)

6.0 Hotel Market

6.1 Investment

There has been a slowing in the turnover of hotels in the Australian market after a period of high activity from 2014-16. Australia in CY17 had \$1.6 billion of hotel sales compared to the peak of \$3.5 billion in CY15.

Direct overseas buyers and equity from China, Hong Kong, Singapore and Japan continue to provide the largest injections of capital into the Australian hotel market. In the peak years of 2014 and 2015, investors from China and Singapore accounted for 50%-60% of hotel acquisitions. A tightening in controls by the Chinese Government on foreign investment by Chinese firms has contributed to a decline in acquisitions in 2016 and 2017. However, longer term, with the continued growth in tourism from China, investor interest in the Australian hotel market is expected to be a sustained source of capital.

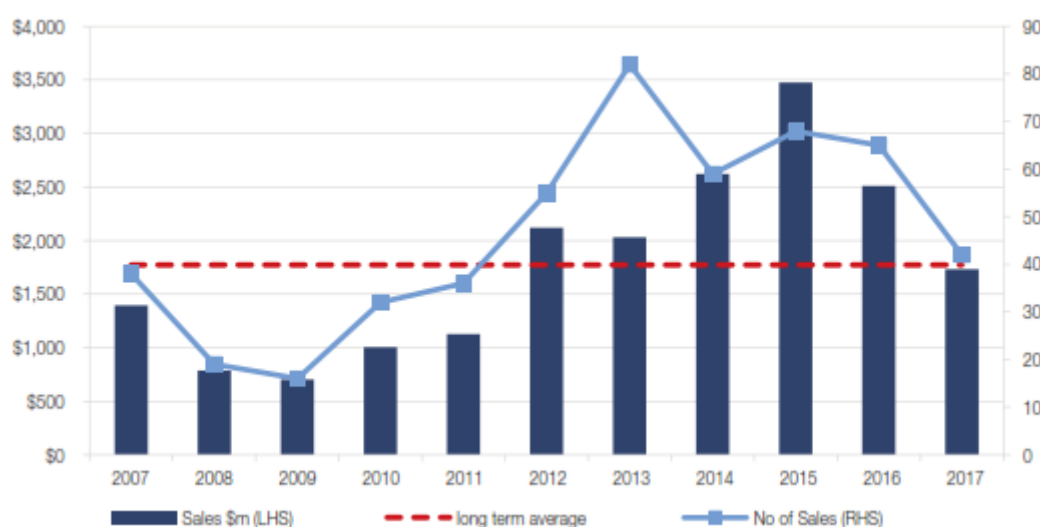


Figure 20: Australian Sales Volumes (\$m) and Total Sales (no.)

Source: Savills, 2018

In 2017, NSW had 11 hotel transactions with none of them taking place in the Sydney CBD¹⁰. However, moving into the broader Sydney metropolitan market, notable hotel transactions include: Mercure Sydney International Airport, Airport Sydney International Inn, InterContinental Double Bay and Four Points by Sheraton Hotels. These sales reinforce the shifting market preferences for hotel sites within NSW, with key industry players looking to establish footholds in areas outside of the CBD.

¹⁰ Colliers, Hotel Sales (2017)

Hotels	Month	Rooms	Sale Price(\$)	Rate Per Room (\$)
Four Points by Sheraton Central	April 17	297	156,000,000	525,253
InterContinental Double Bay	May 17	140	140,000,000	1,000,000
Airport Sydney International Inn	May 17	120	32,000,000	266,667
Mercure Sydney International Airport	Nov 17	271	74,600,000	275,277

Table 9: CY2017 Metropolitan Sales Transactions Sydney
Source: Savills Hotels, 2018

6.2 Sydney Hotel Market

Sydney has been a strong performing hotel market, reflecting the strength of the Sydney economy, particularly its CBD and Sydney's role as the main entry point for international tourism. This is reflected in its high occupancy rate and high yield per room (Table 10) with an occupancy rate of 84.6% and average daily rate of \$229 in Sydney both well above the current Australian rate (75%, \$188). Occupancy and Room rates have been trending up and are evidence of a tightening market.

City	Occupancy	OCC YTD Growth %	ADR	ADR YTD Growth %	RevPAR	RevPAR YTD Growth %
Australia	75.2%	1.4%	\$187.56	1.7%	\$140.98	3.2%
Sydney	84.6%	-1.1%	\$228.72	1.0%	\$193.51	-0.2%
Melbourne	81.9%	-0.2%	\$186.01	0.4%	\$152.34	0.2%
Hobart	81.7%	-3.8%	\$181.23	0.8%	\$148.10	-3.0%
Gold Coast	71.3%	3.4%	\$203.68	10.6%	\$145.22	14.4%
Canberra / ACT	77.9%	2.5%	\$173.24	0.7%	\$134.90	3.2%
Adelaide	79.5%	1.8%	\$157.04	1.8%	\$124.86	3.6%
Perth	72.8%	0.1%	\$166.38	-3.4%	\$121.13	-3.3%
Cairns	80.2%	-0.6%	\$144.23	3.4%	\$115.68	2.9%
Brisbane	70.4%	-0.1%	\$152.30	0.6%	\$107.16	0.4%
Darwin	70.6%	6.3%	\$139.51	0.5%	\$98.44	6.8%

Table 40: Australia and City Hotel Market Operating Performance
Source: Savills, 2018

Looking at the supply side, the pipeline of new hotels under active consideration (expected to proceed), will provide an additional 3,000 rooms over the next three years, which would increase the stock by about 15%. This is substantial, but given demand is growing at about 3% per annum, it will be readily absorbed.

The major constraint to new supply has been the paucity of development sites in the CBD. This has meant investors have had to look elsewhere for development opportunities. Recently, two hotel projects have been approved in North Sydney and another two are likely to proceed, catering for an increasing level of business demand¹¹.

¹¹ Cordell Connect, 2018

6.2.1 Domestic Market

Total Domestic Hotel Overnight Stays	2007	2017	Growth Rate (actual %)	2027 Forecast	Growth Rate (projected %)
Sydney	3,335,433	4,549,549	36%	5,655,582	24%
CBD	2,492,579	2,985,027	20%	3,432,781	15%
EX CBD	842,854	1,564,523	86%	2,221,622	42%
CBD Fringe	102,363	238,122	133%	416,713	75%

Table11: Total Domestic Hotel Overnight Stays
Source: Tourism Research Australia, MacroPlan 2018

The domestic market is the biggest source of hotel demand. Growth in domestic overnight stays in the Sydney hotel market has been trending consistently upwards since 2007, growing year-on-year by 3.2% to around 4.6 million domestic overnight stays in 2017. With Sydney CBD supply constrained, growth has bolstered demand for accommodation outside the CBD, which has increased year-on-year by 6.4% accounting for 1.6 million domestic overnight stays or 39% of the Sydney market (in 2017).

The relatively slow growth in CBD hotel overnight stays can be attributed to a mixture of both the cost associated with staying in a central area and the related slow growth in supply. Also, domestic tourists visiting Sydney for reasons other than business are more likely to consider options to stay in areas away from the CBD. This preference has helped drive the growth in fringe hotel market locations.

While coming off a low base, the CBD fringe market has been growing at a year-on-year rate of 8.8%, doubling in size over the past 10 years from 102,363 (2007) to 259,098 (2017) in terms of domestic hotel overnight stays.

Given forecast growth in Australia's population and the size of the domestic market, it is expected that domestic overnight stays within the Sydney city fringe will continue to grow strongly. It is projected to rise to about 416,000 domestic overnight hotel stays by 2027.

6.2.2 International Market

Total International Hotel Overnight Stays	2007	2017	Growth Rate (actual %)	2027 Forecast	Growth Rate (projected %)
Sydney	1,518,559	2,055,195	35%	3,226,657	57%
CBD	1,352,524	1,594,012	18%	2,120,035	33%
EX CBD	166,035	461,184	178%	1,106,841	140%
CBD Fringe	37,526	86,417	130%	259,252	200%

Table12: Total International Hotel Overnight Stays
Source: Tourism Research Australia 2018, MacroPlan 2018

International tourism has been a major source of growth for the Australian economy over the past decade. As Australia's gateway city, Sydney has been a significant beneficiary. International visitors' overnight hotel stays into Sydney have increased steadily from 2007 to 2017, increasing year-on-year by 3.1% to about 2.1 million overnight stays.

A high proportion of international travellers are more likely to stay in the CBD, whether this is for business or leisure. Despite this, over the same period there was a substantial increase in the amount of overnight stays by international visitors in the CBD fringe, increasing from 37,526 in 2007 to 86,417 in 2017 at a yearly rate of 8.7%. As with the domestic market, the continued tightening of supply within the Sydney CBD is pushing travellers to other locations.

Tourism Research Australia projects higher growth in international visitor numbers from 2017-27. Adopting more modest projections, overnight stays by international visitors in Sydney are forecast to increase about 57%. With CBD supply constrained, the ex-CBD fringe hotel market will need to take an increasing share to accommodate this demand.

6.2.3 Total Aggregate Hotel Market

Table 13 highlights aggregate growth in overnight stays for the past and future decades. The fringe CBD market, which includes Crows Nest, is forecast to double in the next 10 years.

Total Hotel Overnight Stays	2007	2017	Growth Rate (actual %)	2027 Forecast	Growth Rate (projected %)
Sydney	4,853,992	6,604,744	36%	8,882,239	34%
CBD	3,845,104	4,579,038	19%	5,552,816	21%
EX CBD	1,008,889	2,025,706	101%	3,328,463	64%
CBD Fringe	139,889	324,539	132%	675,965	108%

Table 13: Forecast Hotel Overnight Stays
Source: TRA, 2018

7.0 Other Uses

This section of the report investigates a number of candidate land uses that could be incorporated into any future development at the Crows Nest OSD.

7.1 Childcare

Childcare has evolved significantly over the last 20 years. It now takes on a myriad of forms. While many families make use of long day care, grandparents and other home-based providers also play a significant role in assisting with childcare.

As of 2017, 17.4% of families use only formal care (long day care centres, family day care, after-school care), 22.2% use only informal care and 9.7% use a combination of both¹². Long day centres (LDC) are the predominant form of formal childcare catering for children up to school age (i.e. up to 4-5 years). Demand for childcare places is projected to increase in line with population growth, which will be largely driven by net migration, the growth in female participation in the workforce and, related to that, the level of subsidies for using childcare.

In July 2017 the Federal Government implemented a \$3.5 billion 'Jobs for Families' package, which established a new childcare subsidy. For family incomes of up to \$65,000 the Childcare Subsidy will be 85% of the childcare fees. The subsidy tapers down to 50% for families who earn \$170,000 per year and ends for families earning more than \$350,000 per annum. It is estimated that the package will encourage more than 240,000 families to increase their involvement in paid employment.

7.1.1 Sydney

As of May 2017, there are 5,398 early childhood education services, including pre-schools, long day care, family day care and outside-of-school-hours centres in NSW. This has grown by 42% since 2013 when there were 3,813 services provided.

The ABS' release of Childhood Education and Care (2017)¹³ estimated that 169,300 children attended long day care (LDC) within NSW. When this figure is divided by the estimated resident population of 0-4-year-olds in 2017 (520,950), a penetration rate of 32.5% is derived.

7.1.2 Crows Nest

The Social and Economic Impact report used an industry-derived benchmark, which requires 0.5 places per child aged 0-4 years, and applied this to the population of the 1km catchment around the OSD to estimate demand for long day care centres. This generates demand for 631 places in 2024. If we apply the actual penetration rate for NSW (32.5%), this would indicate lower demand for about 410 places. However, the higher income-professional occupation mix of the population would be expected to generate greater demand for long day care, so the NSW average would understate demand.

In the CNWSA2, the population in the 0-4 age cohort in 2024 is projected to be 1,349, which is only marginally higher than the 1km catchment. That is, choice of catchment (CNWSA2 vs one-kilometre) does not materially impact the demand metric.

¹² ABS Child Education and Care, 4402.0

¹³ Childhood Education and Care, 2017, 4402.0

The supply of long day care places in the 1km catchment is 1,280 places. It is proposed that a long day care centre will be located within the OSD. This will replace an existing childcare centre in Hume Park which is being redeveloped by North Sydney Council.

Relative to demand, the supply of 1,280 places suggests more than 'ample' supply. However, the LDCs in Crows Nest-St Leonards are well located to serve a broader catchment. When fully operational, the OSD site will have almost 600 full time equivalent employees, and the provision of Metro services at Crows Nest will broaden its labour draw such that a complementary increase in childcare demand is likely in the future.

7.2 Tertiary Education

The Crows Nest OSD by itself, and the projected growth in population in the OSD's population catchment will not have a material effect on demand for tertiary education services.

This does not mean, however, that the Crows Nest location is not suited to some form of tertiary education presence, particularly as its connection to the Sydney metro network will increase its accessibility and hence increase its demand draw to a much broader Sydney market.

The North District Plan has identified the Crows Nest-St Leonards location as a 'Health and Education Precinct', acknowledging the potential to build upon existing health and education assets in the area. This raises the potential for some tertiary education facilities in the OSD, or in its proximity. Growth in the size of the domestic and international student market has been and will continue to underpin growth in tertiary education facilities in the Sydney market.

7.2.1 Domestic and Foreign Enrolment Movements

The growth in domestic student numbers reflects several factors – population growth coupled by a rise in the share of the population participating in tertiary education. Participation experienced modest growth of 1.4% per annum in the period 2001-06, which was broadly in line with population growth in this period. Over the 2006-16 period, the number of domestic students rose by 4.1% per annum, compared with population growth of 1.6%, lifting domestic student numbers by 330,000 or 45%.

While domestic numbers have grown strongly, in growth terms it has been outstripped by the increase of international students. In 2001, international students numbered 158,000 and accounted for 18.7% of the total Australian student populace. Then in the period 2001-11, numbers more than doubled to 335,000. In the period 2011-14, numbers stabilised before a

more recent surge which has seen overseas student numbers increase to an estimated 560,000 in 2018, accounting for upwards of 31% of all students.

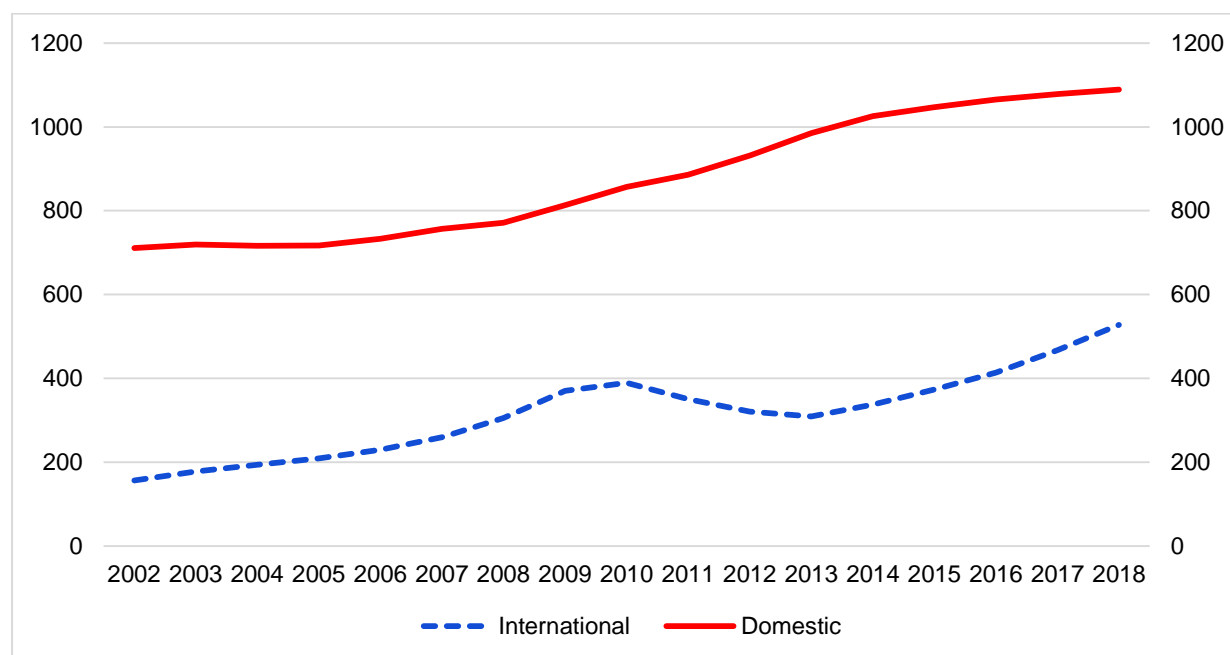


Figure 21: The Tertiary Education Market in Australia 2002-2018
Source: MacroPlan, 2018

7.2.2 Opportunities

It is expected that the pace of growth in demand for tertiary education by domestic and international students will start to slow.

At the same time, however, tertiary educators have demonstrated a recent keenness for integrated, co-located campuses that are positioned close to town centres, other employment precincts or transport networks, as opposed to stand-alone ‘isolated’ campuses. Recent examples across Sydney includes UTS’ Health Faculty at SFS Moore Park, WSU’s vertical campus at Liverpool and its Clinical School at Campbelltown Hospital, ACU’s North Sydney campus and an expansion of Sydney University’s and WSU’s presence at the Westmead health campus.

This interest is partly driven by new standards in education which place a greater emphasis on matters that impact on educational outcomes such as the quality of physical learning environments, technology-driven changes that affect how teaching and learning occur, and levels of teacher training and support.

Another response from tertiary education providers has been to deliver smaller 'learning centres' that provide opportunity to study higher education courses without having to travel to a 'head' campus. These facilities are generally located in town or city centres and provide flexibility for students and teachers.

A university campus or learning centre could operate in tandem with the nearby Royal North Shore or independent of it. Deakin University, for example, has three learning centres in the outer metropolitan area of Victoria (Dandenong, Werribee and Craigieburn), and delivers courses in conjunction with four local TAFE providers. UTS's Health Faculty at Moore Park is another example of educational uses co-located with other commercial uses to form an integrated sports-based learning and practice campus.

Notwithstanding what form of educational floorspace might be attracted, Crows Nest will be, by virtue of the Sydney metro network, a very well-connected specialised centre in the Sydney metropolitan context and will attract interest from a range of 'people-facing' service providers.

8.0 Conclusion

This report has provided an assessment of both local and regional market conditions across a range of uses including; Residential, Commercial, Retail, Hotel, Education, and Childcare.

As an area in transition, with growing employment opportunities and a future train station, changes in the structure and function of the Crows Nest's property market is likely. As the area densifies, the region will begin to attract different market segments with prices across all markets likely to shift with the area's increased accessibility, opportunity and amenity likely to make it an area in high demand. The OSD is leading the beginning of this transition with a high density mixed use development.

Population growth will be the critical driver of demand for housing in the Crows Nest in the short and long-term. Crows Nest station is expected to encourage population growth with people attracted to the area due to its increased accessibility and amenity. Furthermore, the large gap between unit and house prices leaves Crows Nest an ideal market for downsizers with the region providing the opportunity to sell out of the family home, purchase a unit and make a significant financial gain to use during retirement. Whilst retirees will form a significant proportion of future OSD tenants it is expected that most households will be dual income no kids (DINKS).

The commercial market in Sydney CBD is tightening with the CBD's low vacancy rates and increasing rental levels likely to continue to support strong tenant demand in the North Shore. Commercial spaces in the North Shore, in particular the location of future stations (such as Crows Nest), will benefit significantly from the construction of the new Metro railway line, which will improve the accessibility and amenity in the region, making it an interestingly viable alternative to Sydney CBD.

Crows Nest currently has a retail supply-demand shortfall, which is placing retailers in a favourable position, capitalising on improving consumer demand levels. Almost all new apartments developments in the pipeline are expected to deliver ground floor retail helping to meet this shortfall, with these future retailers expected to perform well with a fast-growing worker and resident population.

Sydney has been the strongest performing hotel market within Australia. It has achieved revenue per available room of \$198, \$55 ahead of the overall Australian market. However, the market is tightening and given the number of international tourists travelling to Australia is forecast to increase, extra provisions for hotel space will be needed. As such, this has led to developers looking outside the CBD for development opportunities including areas in the North Shore and Crows Nest.

The projected growth in the broader OSD catchment area will mean increased demand for a range of community services including childcare. This aligns with the current development mix which is set to provide 50 long day care places within the OSD.

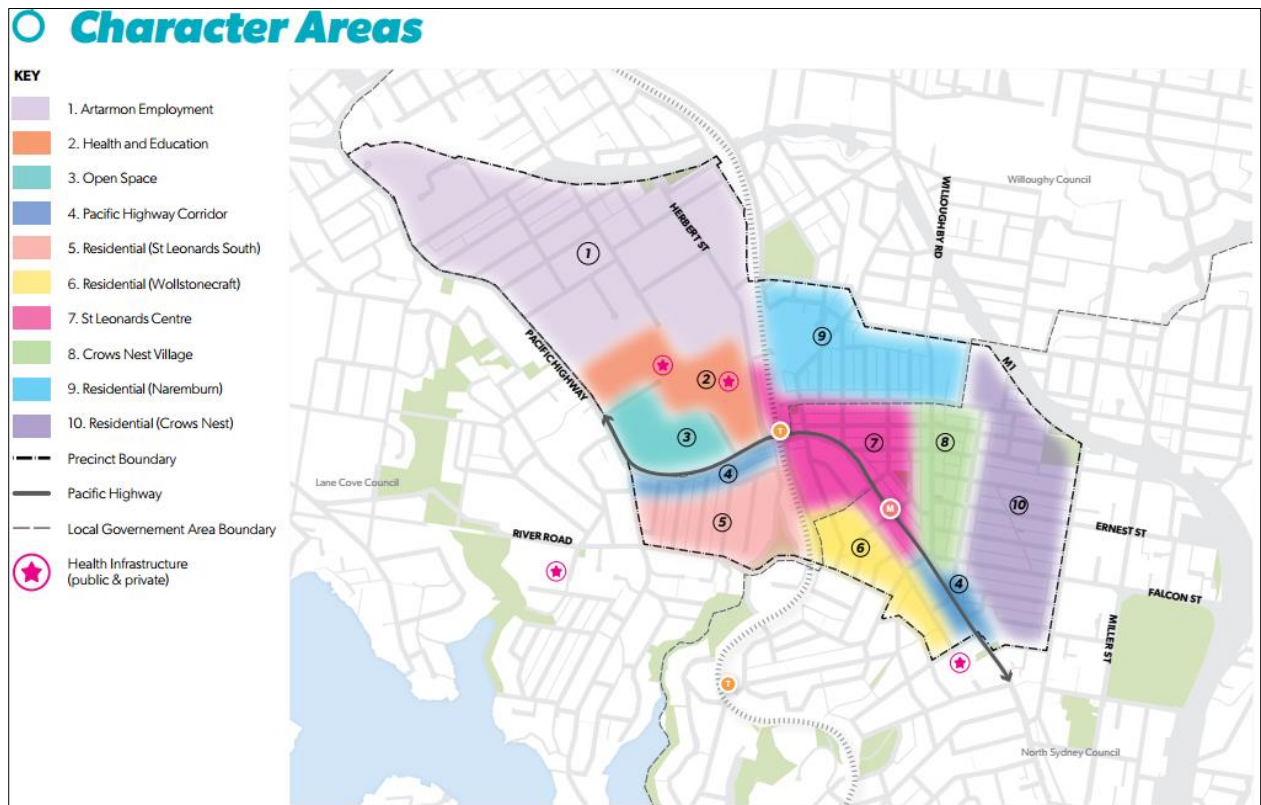
The delivery of some form of teaching-learning facility which provides the opportunity to study higher education courses without having to travel to university has potential. These require minimal commercial floorspace and offer flexibility to students and teachers. This location opens up the opportunity to connect with the Royal North Shore Hospital, as well as feeding off the North Districts Plan to turn Crows Nest into a 'Health and Education Precinct'.

In sum, the OSD has the potential to respond to demand from a range of different uses. The existing strengths of Crows Nest, as well as its future strengths stemming from the development of the Sydney metro, in particular, its proximity to the CBD (only 7 minutes on the metro), indicate that the OSD will be a strategic location for many businesses to locate, as well a convenient place for people to live.

Accordingly, the market context of the Crows Nest OSD project is entirely consistent with the mixed-use vision for locality as outlined in exhibited draft St Leonards and Crows Nest 2036 Plan (draft 2036 Plan). Importantly, the project will help to secure some of the major objectives of the draft 2036 Plan, i.e. to create and deliver:

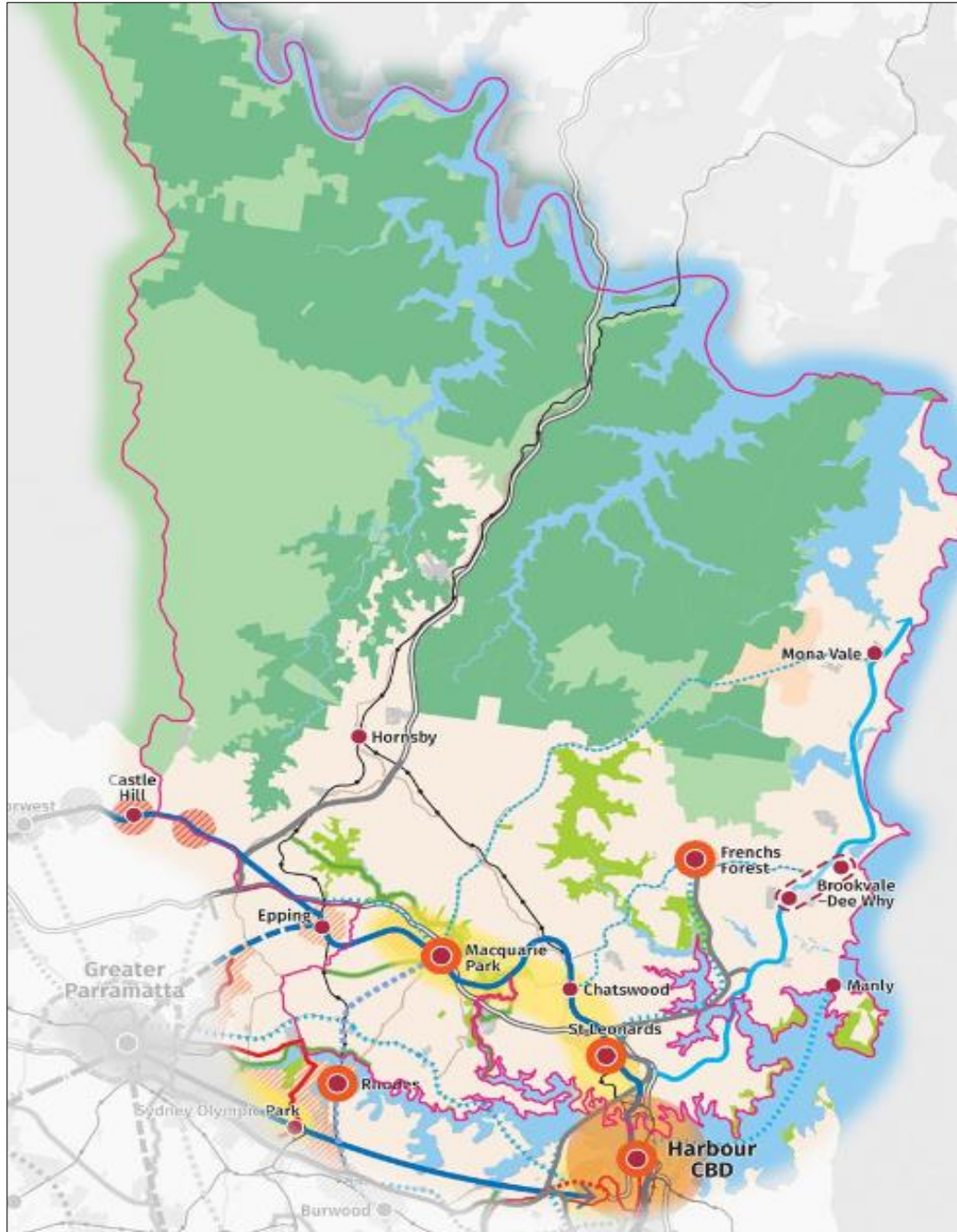
- An effective employment hub, strengthening area's commercial capacity;
- Transit-oriented development to leverage the increased transport capacity of the new Metro station; and
- A vibrant community, through an improved public domain in an accessible location.

Appendix A: St Leonards/Crows Nest Character Precinct



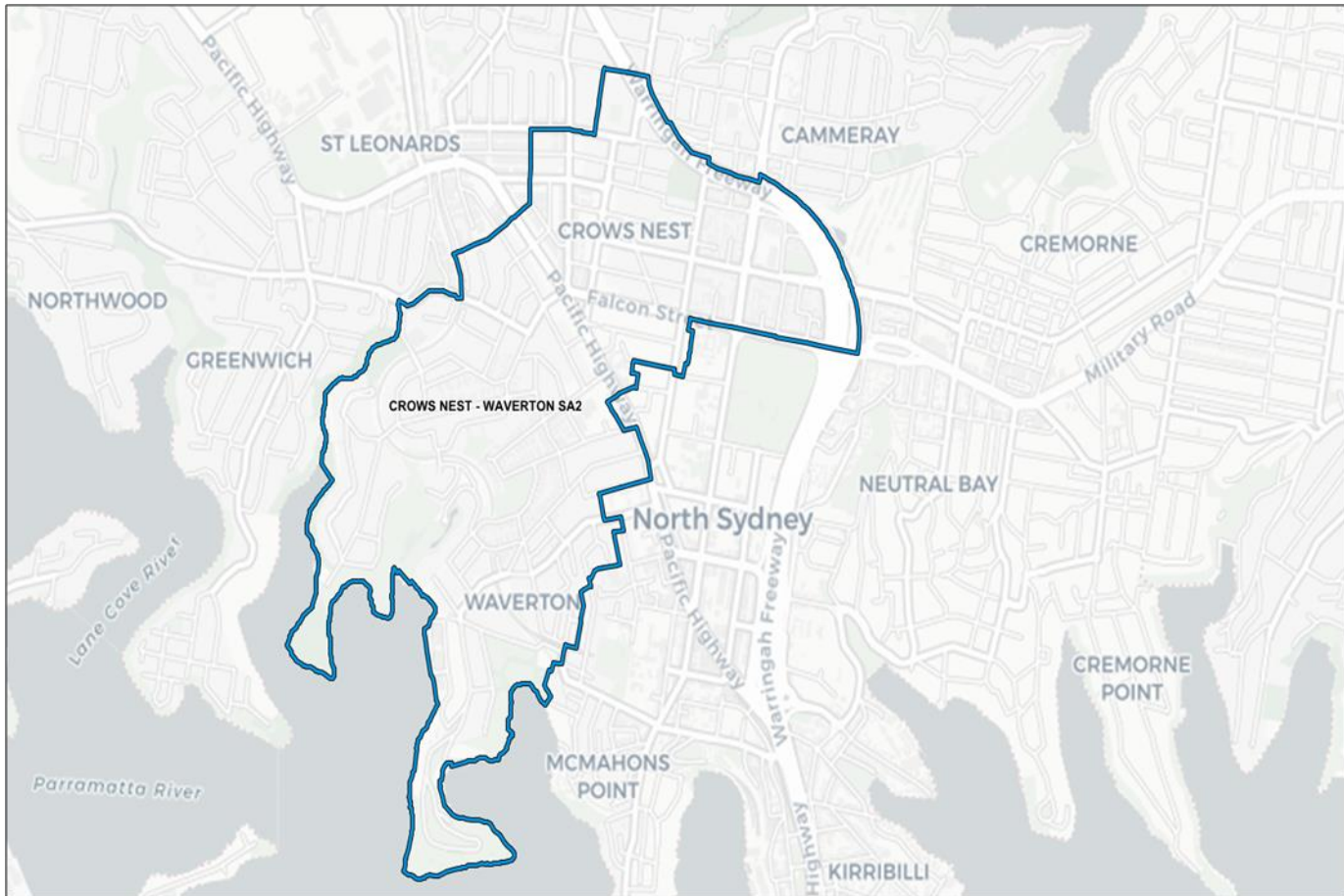
Source: DPE, St Leonards and Crows Nest Station Precinct 'Interim Statement' (2017)

Appendix B: The North District



Source: Greater Sydney Commission, 2018

Appendix C: SA2 Map



Source: ABS (OSM Data Series), MacroPlan2018

Appendix D: Population Profiles

The below table presents the DPE (2016) projections for growth by age cohort in the CNWSA2 for the period 2024-2034 and, for comparison, the total population projection for the 1km catchment.

The 1km catchment population is used in the accompanying Social and Economic Impact Assessment to determine levels of access for the walkable catchment around the OSD site, bearing in mind that several of the OSD residents will not own or utilise a motor vehicle.

Both series are used for analysis, principally because more information is available with the SA2 profile. It is important to note that the two series are very close, so that choice does not materially change any conclusions reached in this or the Social and Economic Impact work.

Age	2024	2029	2034
0-4	1,349	1,408	1,470
5-9	785	819	855
10-14	528	551	575
15-19	510	532	555
20-24	1,164	1,215	1,268
25-29	2,467	2,575	2,688
30-34	2,946	3,075	3,210
35-39	2,186	2,281	2,381
40-44	1,639	1,710	1,785
45-49	1,328	1,386	1,447
50-54	1,096	1,144	1,194
55-59	1,065	1,111	1,160
60-64	924	965	1,007
65-69	893	932	973
70-74	648	676	706
75-79	406	424	442
80-84	269	281	293
85+	238	248	259
Total – CNWSA2	20,440	21,335	22,269
Total One-km Catchment	20,993	22,028	23,231

Table 14: Population by Age, Crows Nest-Waverton SA2 and Total One-KM Catchment

Source: DPE, 2016, MacroPlan Dimasi, 2018

Appendix E: Supply Pipeline

The following is the supply pipeline that is referenced in 3.2.2 for the Crows Nest and St Leonards area.

Crows Nest				
Project Address	Type	Estimated Value	Stage	No. Units
101-111 Willoughby Rd	Apartments (70)/Supermarket/Shops - 6 Storey	\$46,813,000	Construction	70
53-57 Atchison St	Apartments (18) - 5 Storey	\$5,290,000	Contract Let	18
31-33 Albany St	Apartments (35)/Retail (3) - 8 Storey	\$13,600,000	Contract Let	35
104-106 Alexander St	Apartments (10)/Retail - 4 Storey	\$4,620,000	Development Approval	10
222 Pacific Hwy	Apartments (16)/Retail/Commercial - 5 Storey	\$5,500,000	Site Preparation	16
84-90 Atchison St	Apartments (32) - 6 Storey	\$25,972,000	Development Approval	32
51 Alexander St	Apartments (7)/Retail - 3 Storey	\$2,250,000	Development Approval	7
34-40A Falcon St	Apartments (13)/Retail - 3 Storey	\$7,258,000	Site Preparation	13
88-9 Alexander St	Apartments (16)/Retail - 5 Storey	\$4,500,000	Development Approval	16
118 Alexander St	Apartments (12)/Shop - 4 Storey	\$3,500,000	Development Approval	12
139-147 West St	Apartments (54) - 4 Storey	\$7,888,000	Construction	54

St Leonards				
Project Address	Type	Estimated Value	Stage	No. Units
71-79 Lithgow St	Apartment (654) / Commercial / Retail – 47 Storey	\$255,915,000	Development Application	654
1-13A Marshall Av	Apartment (269)/Commercial/Retail - 29 storey	\$95,559,000	Construction	269
385-389 Pacific Hwy	Units (23)/ Retail (6) – 4 Storey	\$6,300,000	Development Approval	23
84-90 Atchison St	Apartments (32) – 6 Storey	\$25,972,000	Development Approval	32
100 Christie St	Apartments (239)/Commercial – 36 Storey	\$80,000,000	Rezoning Application	236
18-20 Atchison St	Commercial/Units (25)/Childcare/ Gym/Retail – 16 Storey	\$22,900,000	Development Approval	25
472-486 Pacific Highway	Units (539)/Commercial/Retail/Gym/Childcare – 36 Storey	\$239,800,000	Construction	539
617-621 Pacific Highway	Apartments (195)/Commercial/Retail – 43 Storey	\$50,000,000	Rezoning Application	195
222 Pacific Highway	Apartments (16)/Retail/Commercial – 5 Storey	\$5,500,000	Site Preparation in Progress	16
22-28 Albany St	Apartments (48)/Café/Commercial – 13 Storey	\$13,235,000	Construction	48
67-73 Chandos St	Units/Retail	\$20,000,000	Early Planning	0
121 Alexander St	Units (16)/Retail – 4 Storey	\$3,869,000	Construction	16
2 Canberra Ave	Units (34) – 7 Storey	\$9,589,000	Development Approval	34
7-19Albany St	Units	\$33,000,000	Construction	125
23-31 Holdsworth Ave	Residential Development Site	\$20,000,000	Early Planning	0
Berry Rd &	Residential Development Site	\$10,000,000	Site Acquisition	0

Park Rd				
504-520 Pacific Highway	Apartments (458)/Office/Retail – 44 Storey	\$250,000,000	Contract Let	458
34-40A Falcon St	Apartments (13)/Retail – 3 Storey	\$7,258,000	Site Preparation in Progress	13
31-33 Albany St	Apartments (35)/Retail – 8 Storey	\$13,600,000	Contract Let	35
575-583 Pacific Highway	Apartments (82)/Commercial – 17 Storey	\$24,000,000	Rezoning Application	82
41-49 Atchison St	Units (34) – 5 Storey	\$9,775,000	Development Approval	34
160 Willoughby Rd	Units (9)/Commercial – 4 Storey	\$3,498,000	Development Approval	9
108 West St	Shop Top Housing – 2 Storey	\$685,000	Development Approval	0
601 Pacific Hwy	Apartment/Office/Retail/Childcare – 64 Storey	\$100,000,000	Rezoning Application	0
137-139 Alexander St	Units (10)/Commercial (2) – 3&4 Storey	\$5,100,000	Development Approval	10
Pacific Hwy & Clarke St & Oxley St	Railway Station / Units / Shops – 8-27 Storey	\$200,000,000	Tenders/Submission Of Props For Design Construct	350

Table 15: Development Pipeline Crows Nest & St Leonards

Source: CordellConnect