



Dee Why Town Centre & Site B

Economic Assessment

Prepared for Meriton Group

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QUALITY ASSURANCE

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1 EXECUTIVE SUMMARY

As instructed, HillPDA has prepared this Economic Assessment relating to a Planning Proposal (PP) that seeks to amend the Warringah Local Environment Plan 2011 (LEP 2011) for land identified as Site B in the Dee Why Town Centre. We understand that Meriton proposes to develop the site, at the Junction of Pittwater Road and Howard Avenue, for mixed uses requesting greater flexibility with the mix of uses at first and second floor levels to better account for market demand.

The Director, Metropolitan Delivery (CBD) at the NSW Department of Planning and Environment has determined the planning proposal to proceed subject to a number of conditions. Condition 1 related to the potential loss of commercial space and potential inconsistency with S117 Direction 1.1 and the Plan for Growing Sydney.

This Assessment was subsequently prepared to address Condition 1. The findings are summarised below:

- State planning policy and previous studies encourage the development of mixed use developments within Dee Why Town Centre, including a mix of retail, commercial and higher density residential. Such development would contribute to both housing and employment targets whilst ensuring a more viable and active Centre;
- The expansion of Warringah Mall and the development of the Northern Beaches Hospital, together with ancillary development in Frenchs Forest, are now forecast to facilitate the predominant share of employment and commercial floorspace growth within Warringah LGA and the broader SHOROC Region. As a consequence there is now a reduced reliance on commercial office floorspace provision in established centres such as Dee Why to meet market demand and local employment targets;
- Analysis of the development pipeline within Warringah LGA reveals only one mixed use development currently has been lodged within the Dee Why Town Centre (excluding Site B), with developers directing attention to the largely industrial areas of Manly Vale and Brookvale;
- Based on forecasts by the NSW Government, HillPDA has estimated that Dee Why Town Centre will require an additional 10,000sqm of retail floorspace from 2011 to 2031;

The proposed development scenario for the site has the potential to contribute 489 jobs to the Town Centre

- Over the same period an additional 13,000sqm of non-retail and non-industrial employment uses would be required to accommodate the projected increase in employment numbers.
- Local agents have indicated that there is presently an oversupply of commercial office floorspace within Dee Why Town Centre with some vacancies remaining for five years (particularly at first and second floor levels). Of the 6,000sqm of built commercial floorspace within the Dee Why Grand development, 40% remains vacant. It will take the market six years to absorb the non-retail commercial floor space on both Dee Why Grand and the Meriton site;
- The proposal does not result in a reduced level of jobs in the centre. On the contrary it would result in a net increase from the current maximum level of 362 jobs on site (assuming no vacancies) to an estimated 489 jobs under the proposal when fully occupied – a net increase in 127 jobs.
- Furthermore The Plan for Growing Sydney encourages high density housing in strategic centres and in close proximity to public transport.
- For all the above reasons the proposal is consistent with relevant planning instruments to the extent that it provides net increase in jobs (without providing more space for employment than the market could absorb over the short term) and it provides a significant contribution to housing density in a strategic centre.

2 INTRODUCTION

As instructed, HillPDA has prepared this Economic Assessment in response to Condition 1 of the NSW Planning and Environment Gateway Determination in relation to Meriton's Planning Proposal (PP) that seeks to amend the Warringah Local Environment Plan 2011 (LEP 2011) for land identified as Site B in the Dee Why Town Centre.

We understand that Meriton proposes to develop the site, at the Junction of Pittwater Road and Howard Avenue, for mixed uses requesting greater flexibility with the mix of uses at first and second floor levels to better account for market demand.

Condition 1 imposed by the Director, Metropolitan Delivery (CBD) at the NSW Department of Planning and Environment states:

"As the planning proposal may result in a loss of commercial floor space, the planning proposal is to be updated prior to exhibition to:

- a) explain how the planning proposal and broader town centre will continue to cater for future employment opportunities;
- b) provide justification on the inconsistency with S117 Direction 1.1 Business and Industrial Zones, supported by an independent economic/market assessment; and
- c) in the context of potential loss of commercial floor space, demonstrate consistency with 'A Plan for Growing Sydney', released on 14 December 2014."

This report has been subsequently prepared to address the above condition.

Site Context

The Subject Site is located within the suburb of Dee Why within the Local Government Area (LGA) of Warringah, on Sydney's Northern Beaches.

The Subject Site or "Site B" is further located within the western part of Dee Why Town Centre and fronts Pittwater Road. The surrounding building topology is of a mixed gain with older style commercial buildings generally ranging in height from two to three stories with a mixture of retail on the ground floor and commercial above.

Dee Why Town Centre is well positioned on the Northern Beaches and benefits from public transport services that transit along Pittwater Road, existing retail services, close proximity to Warringah Mall and State infrastructure initiatives such as the Northern Beaches Hospital.

State planning policy has identified Brookvale- Dee Why as a strategic Centre and as such encourages the development of mixed use developments with retail, commercial and higher density residential components. In “A Plan for Growing Sydney”, Pittwater Road has further been identified as an area for transport investigation which has the potential to reinforce transit links with other employment and recreation areas across Sydney, increasing the feasibility and opportunity of higher density living within Dee Why Town Centre.

Figure 1 - Boundary for Dee Why Town Centre



Source: HillPDA, MapInfo 12.5, BTS Trave Zone (TZ) is the smallest geographical unit the BTS undertakes for projections and analysis.

Report Structure

To meet the requirements of NSWPE’s request and to fully consider the employment generating potential of Site B, HillPDA has set out this report in the following manner:

- Contextual Review: undertakes an assessment of previous studies and current government strategies of relevance to

employment and floorspace provision within Dee Why Town Centre;

- Commercial and Retail Market Overview: undertakes a high level review of the current commercial and retail market within Dee Why Town Centre and an analysis of the development pipeline; and
- Response to Conditions of the Gateway Approval: provides a response to the components of Condition 1 in the Gateway Approval in respect of potential loss of employment floor space and consistency with S117 Direction 1.1 and “A Plan for Growing Sydney”.

3 PLANNING POLICY REVIEW

Assessing “the employment potential for the site and the wider Dee Why Town Centre against regional planning objective” first requires a review of the relevant planning policies and instruments relating to Dee Why Town Centre and Warringah LGA. These are listed and described below.

A Plan for Growing Sydney (2014)

A Plan for Growing Sydney released in December 2014 replaced the Draft Metropolitan Strategy for Sydney 2031. It designates Brookvale-Dee Why as a Strategic Centre.

Two significant priorities are to retain a commercial core in Brookvale-Dee Why to ensure long term employment growth, and to provide capacity for additional mixed use development which includes offices, retail, services and higher density housing.

Unlike the former metropolitan strategy the current Plan does not set dwelling and job targets below the metropolitan level. It states that these will be developed by The Government with the Greater Sydney Commission.

Draft North East Subregion Strategy (2007)

The Strategy defines Brookvale-Dee Why as a Major Centre providing shopping and businesses that serve the residential population of the locality. The draft Strategy establishes an employment target of 8,000 jobs for the Centre. The targets set under the Draft Subregional Strategy remain valid until such time as a new subregional plan or new targets are prepared under the “A Plan for Growing Sydney”.

The draft Strategy also identifies the importance of Dee Why Town Centre continuing its growth as a vibrant Town Centre. In this regard it aims for office space within Dee Why to provide new opportunities for small to medium businesses to establish lifestyle-based offices to service local businesses /residents.

Draft Centres Policy 2009

The draft Centres Policy focuses around six (6) key principles as follows:

- The need to reinforce the importance of centres and the clustering of business activities;

- The need to ensure the planning system is flexible, allows centres to grow and new centres form;
- The market is best placed to determine need, and the planning system should accommodate this need whilst regulating its location and scale;
- Councils should have a mix of retail types that encourage competition; and
- Centres should be well designed to encourage people to visit and stay longer.

As Dee Why is defined as a Strategic Centre in Sydney's Metropolitan Plan 2014, it will need to ensure integrated retail, office and employment opportunities that stimulate economic growth for the Northern Beaches and wider subregional locality.

Dee Why Town Centre Masterplan

The Dee Why Town Centre Masterplan provides a vision to make Dee Why a vibrant urban and strategic centre. The Masterplan aims to integrate civic, commercial, retail and residential activities while enhancing the economic viability of the area and creating employment opportunities in the region.

Warringah LEP 2011

The Subject Site is zoned B4 Mixed Use Development pursuant to Warringah LEP 2011. The site is identified on the "Key Sites Map" as "Site B" of Dee Why Town Centre. Proposed development with the Dee Why Town Centre triggers the application of a number of site specific development controls under Part 7 of the LEP.

Clause 7.3 of the LEP outlines the objectives for development within Dee Why Town Centre. Relevant to the Subject Site part (j) states:

(j) "To accommodate additional employment opportunities, service functions and space for business, consistent with the role of Dee Why as a major centre, by providing at least 2 levels (excluding the ground floor) of development for non-residential purposes".

The Planning Proposal aims to change part (j) to read:

(j) "To accommodate additional employment opportunities, service functions and space for business, consistent with the role of Dee Why as a major centre".

4 COMMERCIAL AND RETAIL MARKET OVERVIEW

The following chapter undertakes a high level review of the current commercial and retail market within Dee Why Town Centre. Interviews with local agents were undertaken to ascertain local insights into market trends, demands and perceptions of Dee Why Town Centre as a commercial office destination. The chapter further considers current and pipeline developments and the effect this would have upon retail and commercial floorspace provision within the wider LGA and local area.

Commercial Office and Retail Market

Commercial Market

Enquiries to property managers in the local area have indicated an oversupply of commercial office space in the Dee Why Town Centre. For example, the Dee Why Grand comprises approximately 6,000sqm of office space with approximately 40% of this being vacant over the last five years since the opening of the building. The building generates a market rent ranging from \$380/sqm to \$420/sqm (net). Typical tenants that would be attracted to this type of accommodation would be medical and health services. However with the development of the Northern Beaches Hospital (discussed further below) such potential tenants would be redirected away from the Town Centre to achieve higher efficiencies by clustering around the hospital.

Retail Market

Enquiries to local property managers suggest the retail market in the Centre is strong with few shop front vacancies on the ground floor within the Centre. Above ground floor vacancies are higher.

Development Pipeline

There are currently 17 development approvals in the Warringah LGA for additional retail and commercial space (excluding the Northern Beaches Hospital and Warringah mall extension)¹.

These approvals will provide a further 3,205sqm of commercial, 28,780sqm of retail floorspace and six SOHO units. Only one of the

¹ Coredells Connect development due for completion after the 1st of January 2015

proposed developments is located in Dee Why Town Centre with developers favouring Brookvale and Manly Vale rather than Dee Why Town Centre (Figure 2).

Northern Beaches Hospital Precinct

The Northern Beaches Hospital is being built on a 6.5 hectare site at Frenchs Forest. The new hospital will have 488 beds, a 50-space emergency department and 14 operating theatres. The Hospital will be nine-storeys in height, covering approximately 70,000sqm and employ 1,300 staff. The development of the hospital would also facilitate the development of retail and commercial services that would benefit from clustering close to the Precinct such as pharmacies, cafes and supplementary medical services.

The Northern Beaches Hospital will provide a strong stimulus to further development in the Frenchs Forest area. There are numerous examples of health clusters that exist both nationally and internationally. Local examples include the established specialised centre of Westmead, St Leonards and Randwick (all identified within the Metropolitan Plan for Sydney as health clusters). More recently, health clusters have begun to emerge in the Norwest and Macquarie Park Specialised Centres. Other notable local examples include Campbelltown and Blacktown.

Westmead for example has four main hospitals but also includes the Millennium Institute, Medical Research Foundation and Castlereagh Imaging. In 2006 there were more than 150 private medical practices around the hospital precinct occupying more than 7,000sqm of commercial floorspace².

A HillPDA survey of Nepean Hospital in 2013 identified approximately 11,000sqm of medical uses surrounding the hospital. A similar case of agglomeration in the health industry is also identifiable in locations such as Randwick, Norwest and Macquarie Park.

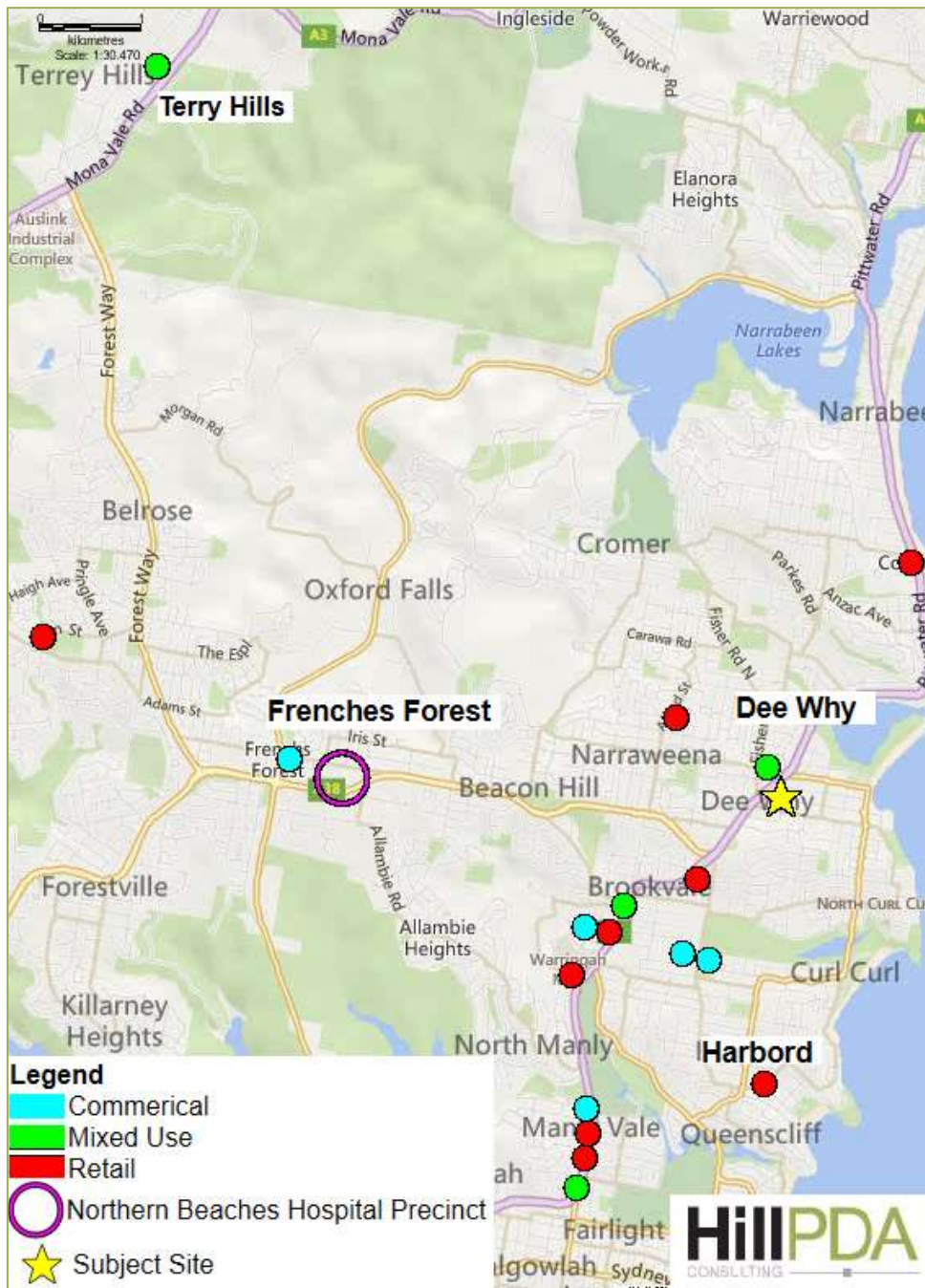
Warringah Mall Expansion

Approval has been granted for the construction of a ground floor and first floor extension. The development will provide a new two level car parking facility above a new retail floor area of 8,000sqm. The value of works is estimated at \$137.5m with completion expected in 2018. Regional centres have consistently grown over the past few

² Land Use Survey by Hirst Consulting 2006

decades, diversifying their offer and competing for an increasing share of total consumer expenditure.

Figure 2 - Development Pipeline within Warringah LGA



Source: HillPDA, Coredells Connect , Warringah Council and MapInfo 12.5

5 RESPONSE TO GATEWAY DETERMINATION CONDITION 1

This chapter responds to each of the contentious points of Condition 1 in the Gateway Determination. It draws on the evidence in Sections 3 and 4 above and comments on how the planning proposal is consistent with relevant planning instruments in terms of market or economic reasonableness.

1 a) Explain how the planning proposal and broader town centre will continue to cater for future employment opportunities;

The first point to note is that the proposal does not result in a reduced level of jobs in the centre. On the contrary it would result in an increase in jobs. Following redevelopment the estimated jobs on site is expected to be 489. This has been calculated in accordance with the following table.

Table 1 Estimated Jobs on Site under the Planning Proposal

Land Use	GLA (sqm)	Wks/sqm	Workers
Supermarket*	3,584	21	171
Other Retail*	3,422	28	122
Gymnasium**	748	50	15
Commercial***	2,598	22	118
Child Care [#]	1,184	75	16
Residential ^{##}			48
TOTAL	11,536		489

* ABS Retail Survey 1998-99

** With high level training (eg Vision)

*** HillPDA research using various sources. Employment densities vary considerably between employment areas – generally higher in CBD locations (below 20sqm) and lower in fringe centres.

Educator to child ratios from the National Quality Framework

Working at home: 7.6% of workers undertake majority of work at home (ABS Locations of Work 2008 Cat 6275.0) and there are 1.43 working residents per household in Warringah LGA (Census 2011) which calculates to 1 job per 9.2 dwellings.

It is estimated that the current maximum potential jobs on site is 362 assuming full occupancy³. This is a net increase of 127 jobs.

The second point to note is that providing additional commercial space above the ground floor on a purely speculative basis will not contribute to employment opportunities as evident in the market research documented in Section 4 above. In all likelihood any additional space would remain vacant for a number of years. As stated above there is currently 2,400sqm of commercial space in Dee Why Grand which has been vacant for the past five years.

1 b) Provide justification on the inconsistency with S117 Direction 1.1 Business and Industrial Zones.

S117 Direction 1.1 has three objectives which are to:

- a) encourage employment growth in suitable locations;
- b) protect employment land in business and industrial zones;
and
- c) support the viability of identified strategic centres.

The direction states that a council must not reduce the total potential floor space area for employment uses and related public services in business zones.

A draft LEP may be inconsistent with the Direction if it is justified by an environmental study or is of minor significance.

In this particular case the inconsistency can be supported due to the lack of market demand for non-retail employment uses in Dee Why as documented in Chapter 4 above.

The current oversupply and lack of demand is supported by the NSW Government's own forecast of workers in Dee Why. According to the Bureau of Transport Statistics 2014 employment forecasts, Dee Why Town Centre is projected to provide an additional 1,000 jobs between 2011 and 2031 which is a 30% increase on the current level as shown in Table 1 below.

³ Assuming the following:

6,040sqm of ground floor shop front space and 32sqm per worker;
2,750sqm per worker in commercial and medical services and 25sqm per worker; and
4,000sqm of large format retail (Lindcraft) and 80sqm per worker
Sources: Various including ABS Retail Survey 1998-99, land use survey and Nearmap.

Table 2 – Dee Why Town Centre Employment Projections

	2011	2031	Growth	% Growth	% of LGA Employment in 2031
Blue Collar Industries	146	177	31	21%	1%
Retail & Food Services	1,107	1,463	355	32%	9%
Commercial / Business	1,287	1,612	324	25%	12%
Special Uses and Services	821	1,115	294	36%	5%
Unclassified	61	67	6	10%	4%
Total	3,423	4,433	1,010	30%	6%

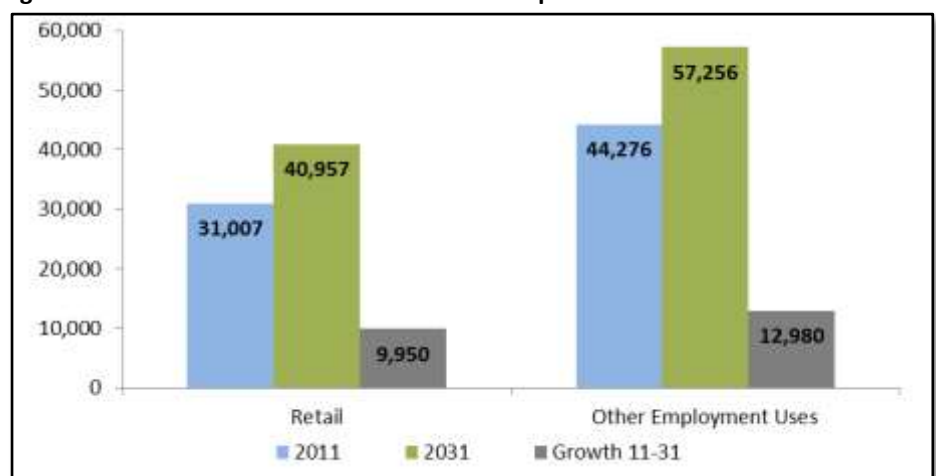
Source: BTS September 2014 V2 Employment Projections

Using a general employment density ratio of 1 worker per 28sqm for retail HillPDA has estimated that the Centre would demand almost 10,000sqm additional retail floorspace from 2011 to 2031.

At a rate of 1 worker per 21sqm an additional 13,000sqm of non-retail commercial floorspace (including office space, personal services, medical services, professional suites, etc) would be required to accommodate the projected increase in employment numbers over the same period.

However there is a current vacancy in business/office space of 2,400sqm within Dee Why Grand. Further to this is 4,500sqm proposed in the Meriton development which is a net increase of approximately 1,500sqm over and above existing office space on the site (refer to Section 4 above). Following development there would be almost 4,000sqm of non-retail commercial space on the two mentioned sites.

Figure 3 – Forecast Retail and Commercial Floorspace Demand



Source: HillPDA, BTS Job Forecasts

The demand for 13,000sqm of non-retail employment uses over the next 20 years (based on BTS jobs forecast) equates to 650sqm per annum. The level of existing vacancy (2,400sqm) combined with Meriton's net contribution of 1,500sqm will take 6 years for the market to absorb.

A complying form of development (employment uses only and no-residential on Ground Floor, Level 1 and Level 2) would add a further 9,000sqm (approximately) of non-residential space in the mix (around 1,300sqm on Level 1 and say 7,700sqm on Level 2 subject to design). In total around 15,300sqm of non-retail commercial space could be delivered. Add 2,400sqm vacancy at Dee Why Grand less 3,000sqm existing floor space results in a net increase of 14,700sqm.

Based on the BTS forecast all this non-retail commercial floor space would take more than 20 years for the market to absorb.

We have to expect long term vacancies under this scenario and any worker forecast based on 100% occupation is an imaginary number, not a real one. A mixed use development with three levels of employment uses would make no more contribution towards meeting worker targets than a mixed use development with employment uses on two levels – certainly not in the foreseeable future. Three full levels of employment space would simply further oversupply the market.

1 c) In the context of potential loss of commercial floor space, demonstrate consistency with 'A Plan for Growing Sydney', released on 14 December 2014."

A Plan for Growing Sydney designates Brookvale-Dee Why as a Strategic Centre. Two significant priorities are to retain a commercial core in Brookvale-Dee Why to ensure long term employment growth, and to provide capacity for additional mixed use development which includes offices, retail, services and higher density housing.

Unlike the former metropolitan strategy the current Plan does not set dwelling and job targets below the metropolitan level. It states that these will be developed by The Government with the Greater Sydney Commission.

As stated above the proposal does not result in a reduced level of jobs in the centre. On the contrary it would result in a net increase from the current maximum level of 362 jobs on site to an estimated

489 jobs under the proposal when fully occupied – a net increase in 127 jobs.

Whilst a complying scheme could potentially provide a further 7,000sqm of commercial space to accommodate a further 330 workers, the market evidence presented above shows insufficient demand to fill the space and long term vacancies would be expected. Given that, the “loss of 330 commercial jobs” is imaginary rather than real figure.

Furthermore “A Plan for Growing Sydney” encourages high density housing in strategic centres (Action 2.2.2) and in close proximity to public transport. Public buses from the City pass the site at an average time of 10 minutes in each direction. The level of service is doubled during peak times.

For all the above reasons the proposal is consistent with The Plan. The development is certainly not inconsistent with The Plan. There is a net increase in jobs without providing more space for employment than the market would absorb over the short term and it provides a significant contribution to housing density in a strategic centre.

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