

Mixed-use Development

544-550 Box Road, Jannali

Economic Benefit Assessment

PREPARED FOR TCQ Construction

May 2021



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Table of contents

| | |
|--|----|
| Executive Summary | 5 |
| Section 1: Introduction..... | 6 |
| 1.1 Regional and Locational Context..... | 7 |
| 1.2 Planning Context..... | 9 |
| 1.2.1 Greater Sydney Commission | 9 |
| 1.2.2 Draft Local Strategic Planning Statement 2020: | 11 |
| 1.2.3 Sutherland Shire Housing Strategy 2031 | 14 |
| 1.3 Scope of Work..... | 15 |
| 1.4 Data and Information Sources..... | 15 |
| 1.5 Limitations | 15 |
| Section 2: Business & Industry Profile..... | 16 |
| Section 3: Employment Generation..... | 18 |
| 3.1 Development Phase | 18 |
| 3.2 Post-development | 18 |
| 3.2.1 Direct Employment..... | 18 |
| 3.2.2 Indirect and Induced Employment (Commercial & Retail)..... | 19 |
| Section 4: Other Considerations | 20 |
| 4.1 Employment Containment | 20 |
| 4.2 Industry Value Added | 20 |
| 4.3 Other Economic KPIs | 20 |
| 4.4 Other Social KPIs..... | 21 |
| Section 5: Conclusion..... | 22 |
| Section 6: Appendices..... | 23 |
| 6.1 IVA Calculation Methodology | 23 |
| 6.2 Housing Market Overview | 24 |
| 6.2.1 Long-term Price Trends | 24 |
| A. Price Trends in the Sydney House Market..... | 24 |
| B. Price Trends in the Unit Market..... | 24 |

| | | |
|-------|--|----|
| C. | Market Factors, Policy and Prices..... | 25 |
| D. | Interest Rates and House and Apartment Prices | 26 |
| 6.2.2 | Market Cycles | 26 |
| A. | Housing Cycles | 27 |
| 6.2.3 | The Current Residential Cycle | 28 |
| A. | The Price Cycle..... | 28 |
| 6.2.4 | The Sutherland Shire Housing Market | 30 |
| A. | Sutherland Shire LGA Residential Property Market | 30 |
| 6.2.5 | Jannali Property Market | 30 |
| 6.2.6 | Leasing Market | 32 |

Executive Summary

Macroplan has been commissioned by TCQ Construction (i.e., proponent) to undertake an economic impact assessment of a proposed rezoning of 544-550 Box Road, Jannali (subject site), and its subsequent mixed-use development.

The subject site is 1,194 m² in area and located on the corner of Box Road and Roberts Street and connected to Leopold Lane to the rear, approximately 200m away from Jannali station. The site is bounded by traditional shops to the north and west, and a mix of residential and community buildings to the south and east.

Overall, the proponent seeks to increase the maximum height & FSR of the subject site. Specifically, it is intended to enable a mixed-use development on the site, which will contain retail and commercial premises (approximately 560 m²) as well as residential dwellings (60 units), with an FSR of 5:1. These planning amendments will enable a feasible development on the subject site while still maintain a transition of appropriate building heights to the lower density zoned properties nearby.

As demand for new housing continues to expand strong in immediate future¹, the planning approval (and the subsequent development) will also complement the Council's vision and strategies for Jannali and the Sutherland Shire LGA '**...ensure there is a sufficient supply of housing over time so that residents will have comfortable and lively neighbourhoods with good access to jobs, shops, public transport, health facilities, community centres, and open space**'.

Further to this, the planning approval (and its subsequent site redevelopment) would assist in providing new employment opportunities and promoting industry diversification. The additional 560 m² of retail and commercial space will contribute to achieving the anticipated employment growth for Jannali, without a discernible impact on overall capacities across the Sutherland Shire LGA.

Economic Benefits

It is our professional opinion that the potential site redevelopment format can deliver about 18 to 22 FTE direct jobs (operational). However, the operational employment outcome is subject to several variables including economic growth trajectory or systematic risk (e.g., recession, policy changes, international conditions). Therefore, the potential FTE direct jobs could be higher or lower than our estimate. However, the employment outcome from the potential site redevelopment configuration will surpass the current land use(s).

Further to this, the additional direct job creation will generate additional 17 to 21 indirect and induced jobs outside the planned residential development on the subject site (i.e., indirect, and induced jobs).

The proponent also indicated that the capital investment value of this project is expected to be approximately \$25 million. Based on this capital investment value, over the 1.5 years of development, 30 to 40 full-time equivalent jobs per annum directly in the construction industry and a further 50 to 60 full-time equivalent jobs per annum indirectly (for example, jobs in transport, fabrication, planning and design etc).

¹ For more details, please refer to Appendix 6.2.

Section 1: Introduction

Macroplan has been commissioned by TCQ Construction (i.e., the proponent) to undertake an economic impact assessment of a proposed rezoning of a site at 544-550 Box Road, Jannali (i.e., subject site). In particular, our assessment is considering the employment generation potential arising from a future mixed-use development on the subject site.

Macroplan understands that the planning proposal seeks to increase the maximum height & FSR of the subject site. These will enable a feasible development on the subject site while still maintain a transition of appropriate building heights to the lower density zoned properties nearby.

Specifically, it is intended to enable a mixed-use development on the site, which will contain residential dwellings as well as retail and commercial premises (approximately 560 m²), with an FSR of 5:1.

The potential development² will comprise:

- 8 x 80 m² of retail and commercial premises with extensive street frontage
- 60 units of one-to-three bedroom apartments
- Communal open space and landscaping
- Basement carpark including visitors, disability, and bicycle/motorcycle spaces.

The capital investment value of the potential development is estimated to be \$25 million³. The development will employ 30 to 40 FTE direct jobs during construction⁴. According to our assessment, the associated retail and commercial floorspace could provide local employment opportunities, approximately 18 to 22 FTE direct jobs per annum at its fruition.

The report is structured as follows:

- **Section 2** identifies key business/industry trends which are expected to influence employment generation in Fairfield.
- **Section 3** examines the benefits of the planning approval including direct and indirect jobs which could be created.
- **Section 4** considers any other economic and community impacts that are achievable as a result of development.
- **Section 5** concludes the assessment.
- **Section 6** contains Appendices & References.

² Source: TCQ Construction

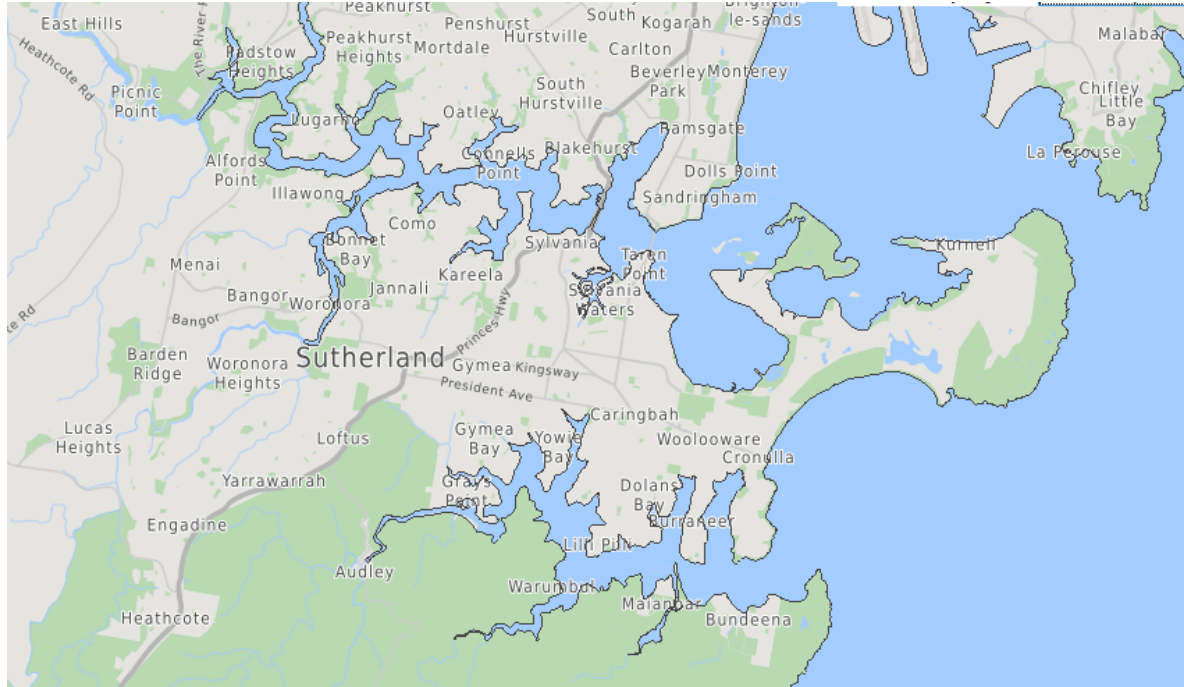
³ Source: TCQ Construction

⁴ Assuming 1.5 years of construction

1.1 Regional and Locational Context

Figures 1 & 2 illustrate the site's location and general layout (see location below).

Figure 1 Locality



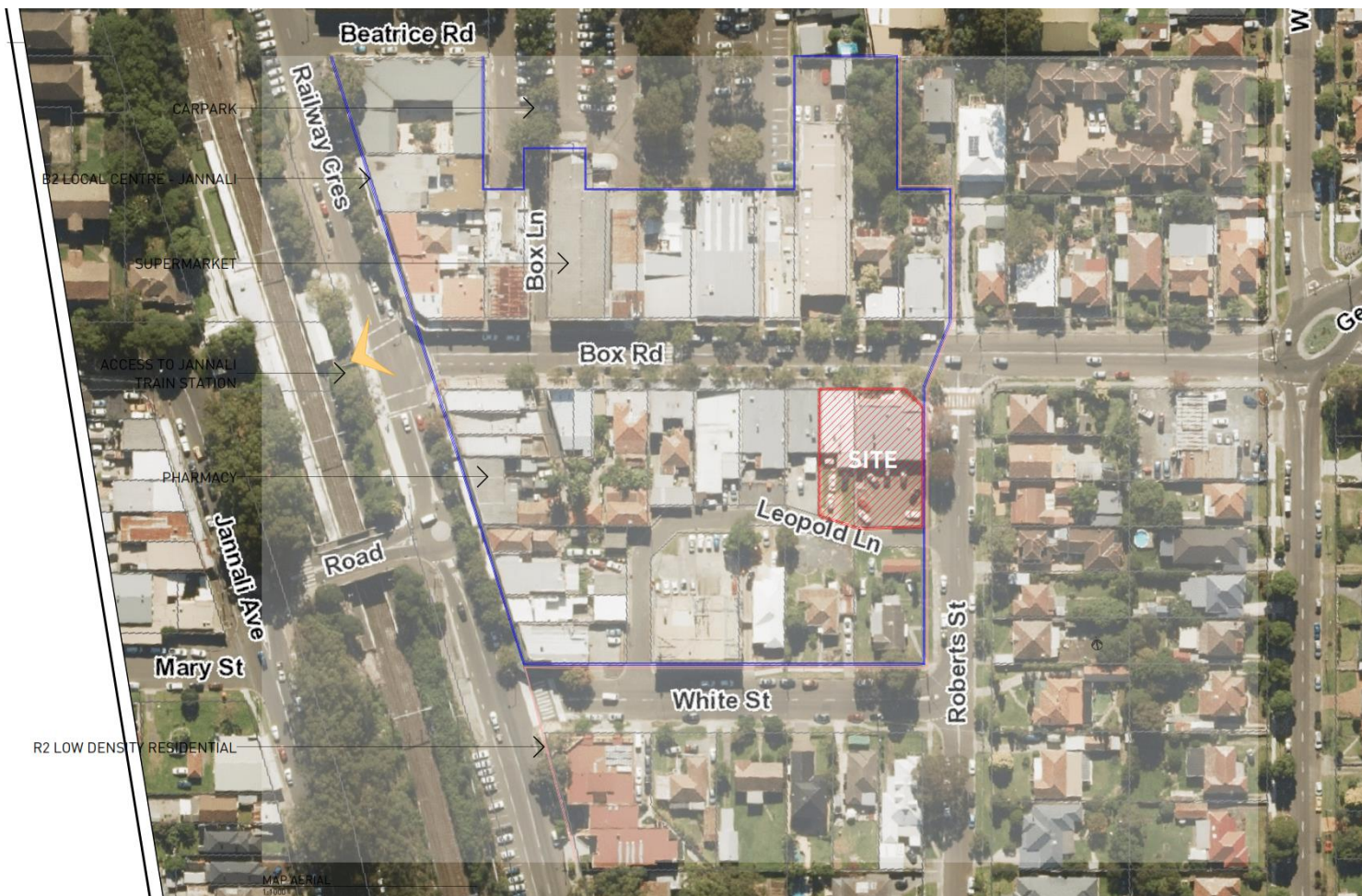
Source: MapData Services

Jannali is situated in the Sutherland Shire, approximately 28km south of the Sydney CBD. The suburb is well-connected to Greater Sydney by the Sydney Trains network (i.e., T4 – Illawarra railway line), as well as the everyday bus route (i.e., Transdev) to the broader Shire region.

The subject site is 1,194 m² in area and located on the corner of Box Road and Roberts Street and connected to Leopold Lane to the rear, approximately 200m away from Jannali station. The site is bounded by traditional shops to the north and west, and a mix of residential and community buildings to the south and east.

The site is zoned B2 (Local Centre) under Sutherland Shire LEP 2015. There are a range of commercial and retail activities are permitted such as commercial premises, community facilities, registered clubs, and recreation facilities as well as shop top housing. However, the redevelopment potential of the subject site has been constrained due the regime of current planning controls. The site is currently restricted to a FSR of 2:1 and a maximum height of 20m.

Figure 2 Subject Site - Cadastral Boundaries & Aerial Imagery



Source: Smith & Tzannes

1.2 Planning Context

1.2.1 Greater Sydney Commission

Jannali is within the South District (i.e. as defined by the Greater Sydney Commission). The South District Plan (i.e. The Plan) has identified Jannali as one of the Local Centres (i.e. Figure 3) providing opportunity to increase capacity for the required goods and services of Jannali and the broader community, as well as both employment and housing uses.

Local centres are a focal point of neighbourhoods, and, where they include public transport and transport interchanges, they are an important part of a 30-minute city. While local centres are diverse and vary in size, they have an important role in providing local employment and essential local functions, access to goods and services, social or community infrastructure as well as transport interchanges close to where people live.

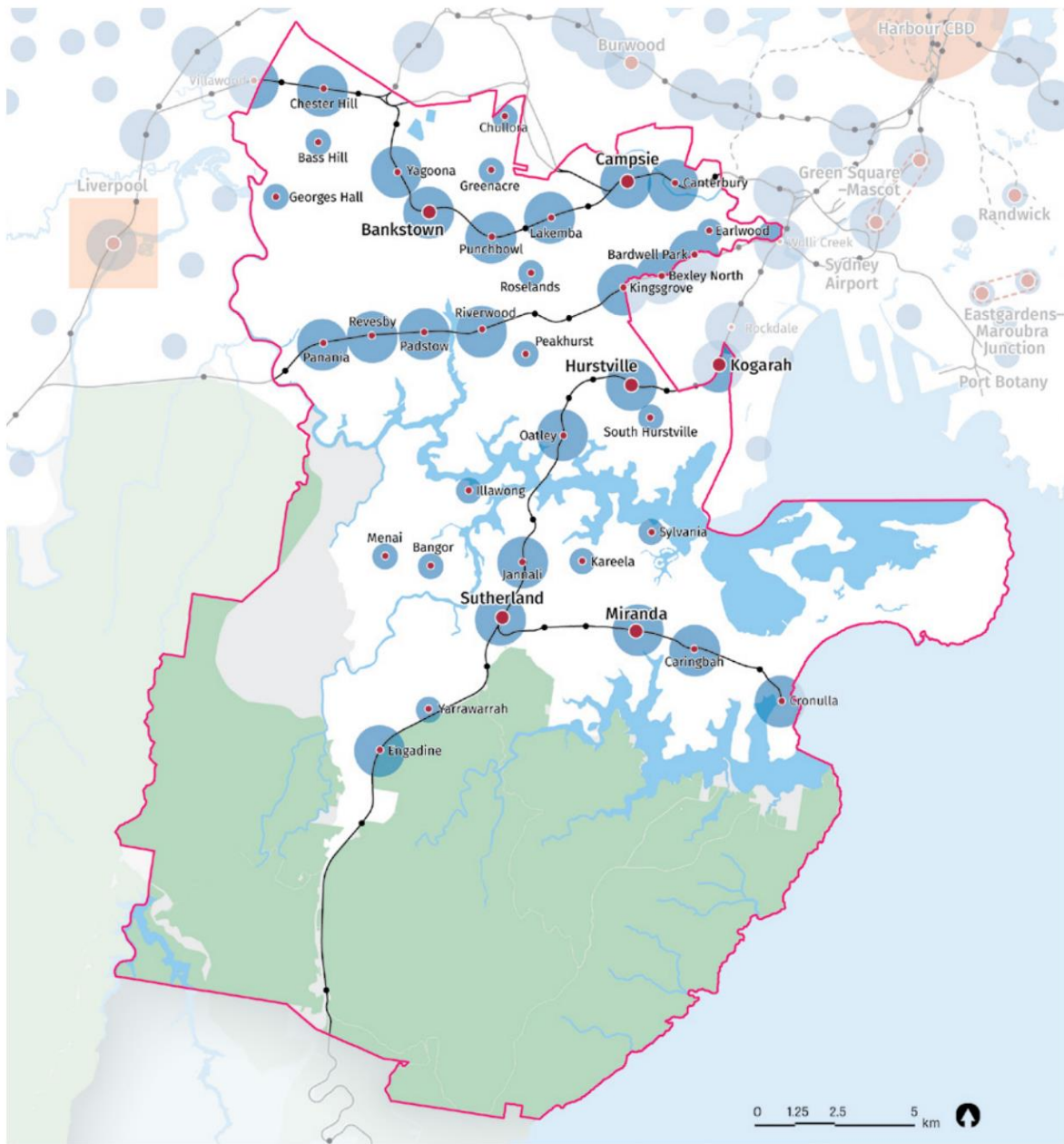
The planning proposal will incorporate a combined commercial and retail floor space of around 560 m². The proposed commercial and retail uses at the subject site will benefit the local community through job creation and amenity offering in the local area. Furthermore, such uses will complement the existing tenants and the existing tenancy mix at the town centre.

Furthermore, the NSW Government has identified demand for 725,000 homes to meet growth over the next 20 years and the Plan sets out a process to deliver a steady pipeline of supply to meet this forecast housing demand and to improve Greater Sydney's housing affordability. To this end, housing targets have been established to support the creation of supply for delivery over the next ten years and to create capacity for the longer term.

In the case of the subject site, which is in the South District, the 0–5-year (2016-2021) housing supply target and the 20-year (2016-2036) strategic housing target is 23,250 dwellings and 83,500 dwellings, respectively. This equates to an average annual supply of 4,175 dwellings, or approximately one in four of all new homes in Greater Sydney over the next 20 years, across the entire District. The Plan also highlights the need to provide greater and more diverse housing supply, with consideration given to housing preference and affordability, as well as access to jobs, services, and public transport.

The planning proposal incorporates the provision of 60-unit dwellings and will therefore contribute to achieving the dwelling targets for the South District outlined above. Furthermore, it will also play an integral role in contributing to housing diversity through higher density dwelling allocations, which (given its proximity to rail and retail services) will provide greater opportunities to cater for a range of changing needs. The additional housing at the subject site will not compromise the current town centre's primary role to provide goods and services, and the opportunity for the local employment function to grow and change over time.

Figure 3 South District – Local & Strategic Centres



| | | | | | |
|--|-------------------|--|-------------------------|--|------------------------|
| | Strategic Centre | | Protected Natural Area | | 400m Walking Catchment |
| | Local Centre | | Metropolitan Rural Area | | Train Station |
| | District Boundary | | Urban Area | | |
| | Waterways | | 800m Walking Catchment | | |

Source: South District Plan (GSC)

1.2.2 Draft Local Strategic Planning Statement 2020:

The draft Local Strategic Planning Statement (LSPS) has been developed as a framework for a growing local government area (i.e. Sutherland Shire) to mark a new phase for the South District and Greater Sydney. The framework sets a clear vision for the future and a proactive approach for delivering a growing and sustainable LGA with a strong network of Centres and thriving and connected communities.

The LSPS envisages that the Sutherland Shire will be affected by a range of factors over the next 20 years including population growth, technological innovation and shifts in social practices and preferences. The LSPS sets out a coordinated vision for how places in Sutherland Shire are planned and managed in the future.

It is envisaged that the Sutherland Shire will grow into a manner that ensures increased residential density is associated with increased accessibility to public transport options, amenities, services and employment, which in turn, can contribute to economic, social and environmental forms of resilience.

Within next 20 years, each local centre within the LGA will become a desirable place to live and work, has access to diverse housing and employment opportunities as well as vital services. It is also envisaged that Jannali will be more lively, active and socially diverse with a strong local identity and opportunity for social connections.

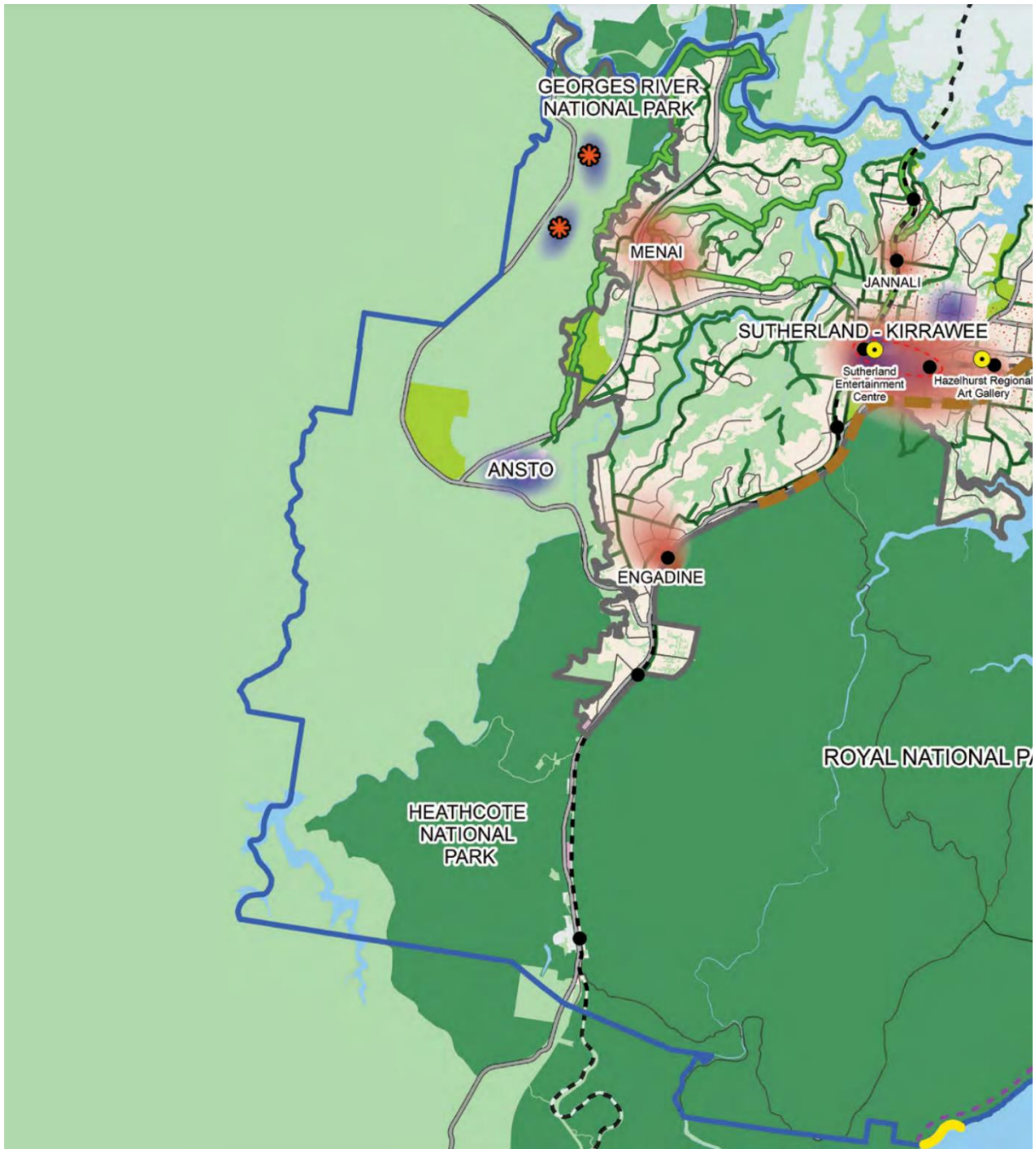
With Jannali identified as a local centre, there are various priorities outlined in the framework such as:

- Consider the capacity of existing infrastructure, committed improvements, and forecast demand from existing and anticipated population when planning.
- Manage change by considering the defining qualities and characteristics of local areas in their growth and development.
- Provide the community with housing choice by making available opportunities for a range of housing sizes and types within each community.

Macroplan also notes that there are significant practical challenges in achieving the vision, particularly transforming Jannali, including the challenges of managing housing supply with increases in population density, managing traffic congestion, increasing the capacity of transport infrastructure to support significant population growth, and provision of green infrastructure in a co-ordinated prioritised manner.

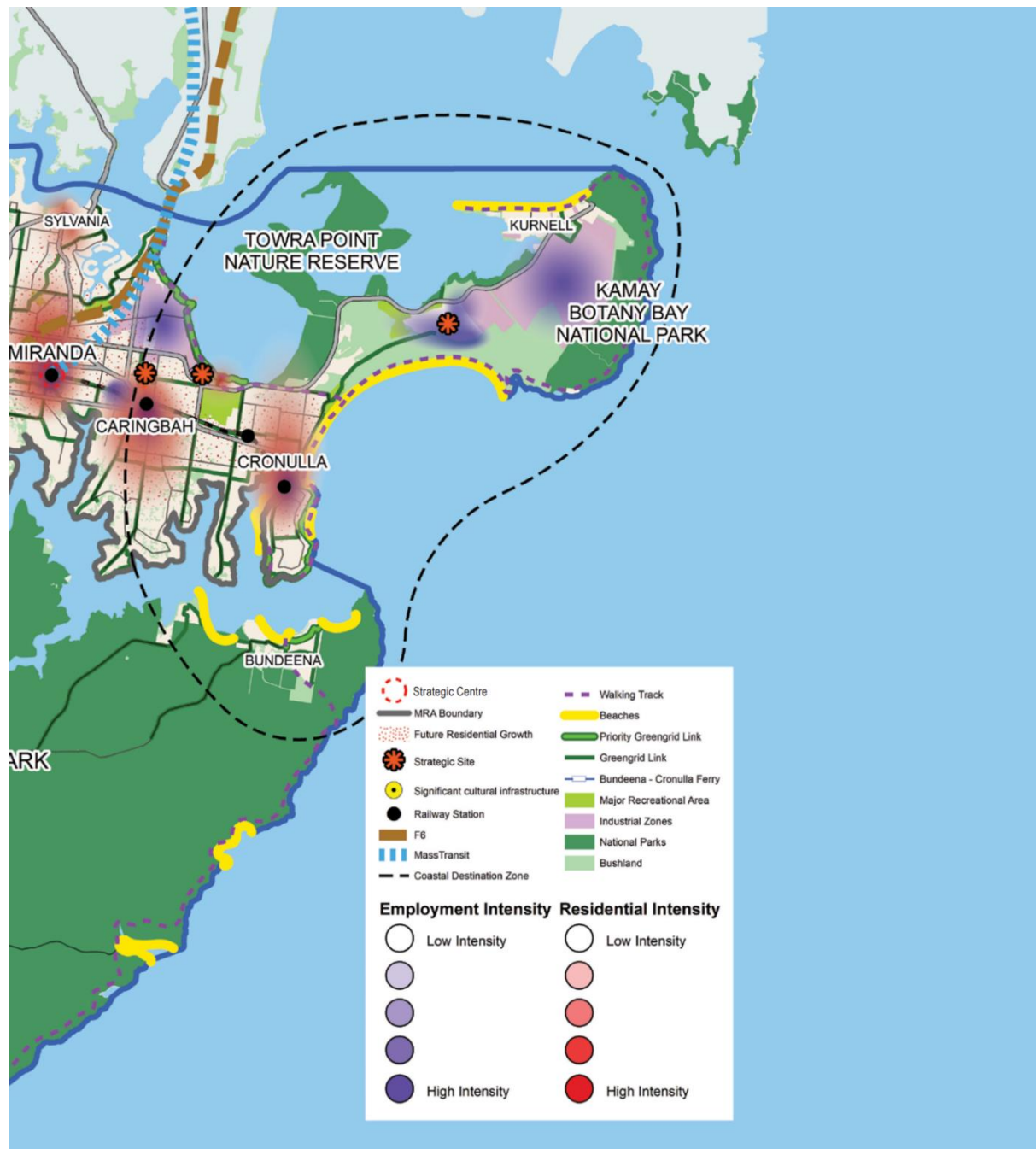
Macroplan also noted a challenge highlighted by Council related to managing the future needs of open spaces and sports facilities and acquiring new open space where existing assets cannot meet changing needs (as outlined by Council's Open Space and Recreation Strategy). This is particularly relevant for Jannali where Council noted that a number of households within the suburb are restricted by access to open space land-uses within a 400m catchment.

Figure 4 Sutherland Shire Structure Plan (1/2)



Source: Draft Local Strategic Planning Statement 2020

Figure 5 Sutherland Shire Structure Plan (2/2)



Source: Draft Local Strategic Planning Statement 2020

1.2.3 Sutherland Shire Housing Strategy 2031

The Housing Strategy 2031 is intended to create the framework that will deliver housing to meet the needs of today's community and the needs of future generations. Council's underlying goal is to ensure there is a sufficient supply of housing over time so that residents will have comfortable and lively neighbourhoods with good access to jobs, shops, public transport, health facilities, community centres, and open space.

Council's Housing Strategy 2031 seeks to ensure a reasonable supply of new housing comes onto the market over the period from 2012 to 2031. Meeting the subregional target of accommodating an additional 10,100 additional dwellings will result in an average of approximately 560 new dwellings per year over this period. This can be absorbed across the Shire without dramatic change to its existing character.

Council notes the important of the Strategy in responding to changes in population through an emphasis on meeting the community's needs to 2031. In order to manage the appropriate delivery of future housing supply that meets the community's needs, Council have proposed 9 objectives that underlie the Strategy:

- To meet the current and future needs of an ageing population;
- To deliver Council's ageing strategy;
- To meet the current and future needs of smaller sized households;
- To meet the community need for increased housing choice;
- To encourage redevelopment to promote the revitalization of centres;
- To facilitate the use of public transport and the efficient utilization of existing and future infrastructure;
- To retain the established development pattern of mostly low-density housing in a landscaped setting with some higher density precincts close to centres;
- To consider environmental constraints in nominating locations for additional housing; and
- To meet the requirements of the Draft South Sub-regional Strategy - Planning to 2031 (NSW Department of Planning and Infrastructure).

The Housing Strategy gives reference to Jannali Centre as a centre that provides retail focus for a large residential catchment including the suburbs of Jannali, Como and Bonnet Bay. Jannali commercial centre has benefited from centre upgrades and now has a quality landscaped streetscape with ample opportunities for outdoor eating. The centre has a mix of retail, commercial, and community uses, and has good accessibility by rail to the city.

The demographic profile of the suburbs which surround the Jannali centre have the greatest concentration of residents aged over 65 than any other locality in Sutherland Shire. Jannali represents an opportunity for local older residents looking to move to small dwellings because it provides ready access to medical services, shops, business services and public transport. The residential flat zone is fully developed, so there is limited opportunity to meet the need for small dwellings in the existing centre.

There are two strategies for increasing housing choice in Jannali:

- Increasing the allowable height for the local centre zone, to allow the floor space ratio to be realized.
- Increase the area zoned for flats and townhouses.

Increasing the allowable height in the centre creates redevelopment opportunities for mixed used developments as it provides flexibility for potential redevelopments to achieve a range of satisfactory design outcomes. The plan assumes mixed used developments with commercial uses for the ground floor and residential uses above.

1.3 Scope of Work

Macroplan has assessed the value of construction and infrastructure associated with the potential mixed-use development on the subject site (after a proposed rezoning), which will include:

- Assessing the potential economic benefit during development phase (i.e., direct, indirect, and induced employment generation and value-added estimation).
- Assessing the projected benefit of the potential development following completion of construction
 - Projections of total ongoing jobs created as a direct result of the development.
 - Projections of total full-time equivalents generated as an indirect and an induced result of the development.
- Considering any other economic/community benefits (e.g., more local spending from residents and workers, employment self-containment etc.).

1.4 Data and Information Sources

Our research draws on a wide range of information sources including: various planning and strategic documents (Local, State and Federal), NSW Department of Planning, Industry and Environment Projections, Department of Jobs and Small Business data, TPA Population & Employment Projections; Australian Bureau of Statistics – Census data (2011 & 2016) and various latest statistics; and relevant experience throughout NSW and Australia, with particular reference to socio-economic profiles, industry trends, and recent property market trends in Western Sydney and Greater Sydney generally.

1.5 Limitations

The information in this report have been obtained from, and opinions herein are based on, sources believed to be reliable. Although great care has been taken to ensure accuracy and completeness in this report, macroplan has not independently verified and does not accept responsibility for its completeness and accuracy of the information on which its opinions and assumptions are based. Further, as the report involves future forecasts, it can be affected by a number of unforeseen variables. It represents for the party to whom or which it is addressed the best estimates of macroplan, but macroplan can give no assurance that any forecasts will be achieved.

Section 2: Business & Industry Profile

In this section of the report, we review the recent employment trends that have been observed in Jannali.

The table below provides an indication of the growth and decline in local employment by industry in Jannali (suburb) between 2011 and 2016. Over the five years to 2016, the suburb experienced a moderate increase in total jobs by 464. Most growth has occurred in higher order, service based and professional-oriented industries including 'education and training' and 'health care and social assistance'.

Table 1. Job Growth between 2011 and 2016, Jannali

| | 2016 | 2011 | Changes since 2011 |
|---|--------------|--------------|--------------------|
| Agriculture, Forestry and Fishing | 3 | 3 | 0 |
| Mining | 0 | 0 | 0 |
| Manufacturing | 70 | 68 | 2 |
| Electricity, Gas, Water and Waste Services | 7 | 3 | 4 |
| Construction | 289 | 202 | 87 |
| Wholesale Trade | 32 | 41 | -9 |
| Retail Trade | 295 | 308 | -13 |
| Accommodation and Food Services | 222 | 191 | 31 |
| Transport, Postal and Warehousing | 57 | 58 | -1 |
| Information Media and Telecommunications | 19 | 13 | 6 |
| Financial and Insurance Services | 47 | 54 | -7 |
| Rental, Hiring and Real Estate Services | 52 | 68 | -16 |
| Professional, Scientific and Technical Services | 240 | 255 | -15 |
| Administrative and Support Services | 101 | 82 | 19 |
| Public Administration and Safety | 42 | 37 | 5 |
| Education and Training | 593 | 470 | 123 |
| Health Care and Social Assistance | 473 | 348 | 125 |
| Arts and Recreation Services | 53 | 36 | 17 |
| Other Services | 134 | 123 | 11 |
| Inadequately described/Not Stated | 130 | 35 | 95 |
| Total | 2,859 | 2,395 | 464 |

Source: ABS Census (2011 & 2016)

The following industries have been the primary source of job creation within the suburb:

- Health Care and Social Assistance (+125 jobs);
- Education and Training (+123 jobs);
- Construction (+87 jobs);
- Accommodation and Food Services (+31 jobs);
- Administrative and Support Services (+19 jobs);
- Arts and Recreation Services (+17 jobs); and
- Other Services (+11 jobs).

In terms of employment projections, macroplan reviewed the TPA projections (prepared by TfNSW) and noted that these projections appeared to be outdated and differ from the latest Census data (2016). However, when using census data for place of work, there may be apparent anomalies for people who were not at their place of work on census day – for example if they worked in the week before Census Night but were on vacation away from home on Census Night. Or there could be some people who changed their place of work or their place of usual residence during the week prior to Census Night, and for people who were employed in the week prior to the Census but were no longer employed on Census Day.

Hence, we have adopted TPA’s employment data only as an indicator of future job growth in Jannali, not an actual measure. The projections show that jobs in Jannali will grow from 3,793 jobs in 2021 to 4,118 jobs in 2036, by an average annual growth rate of 0.5%. The projected employment growth rate in Jannali is fairly subdued considering the high employment growth seen between 2011 and 2016 (i.e., 3.6% per annum). The TPA projections would have taken a view that there would be supply-side constraints (e.g., land and floorspace available for employment and future development / redevelopment) which would limit the capacity of these areas to grow.

Table 2. Employment Projections, Jannali

| | 2016 | 2021 | 2026 | 2036 | Total Change 2016-36 | % p.a. growth 2016-36 |
|--|-------|-------|-------|-------|-------------------------|--------------------------|
| Jannali Total | 3,345 | 3,793 | 3,884 | 4,118 | 773 | 0.5% |
| Retail/Service Industries ⁵ | 633 | 656 | 662 | 659 | 26 | 0.2% |
| Higher order ⁶ | 1,938 | 2,269 | 2,331 | 2,520 | 582 | 1.3% |

Source: TPA (TfNSW)

According to the TPA’s projections, however, ‘office-based’ and ‘service-related’ employment uses will continue to dominate the economic environment in Jannali going forward. The changing composition of higher-order & service-based employment will have a material impact on the demand for commercial and retail floorspace.

Based on the projection numbers, at an average employment density of (i.e., 15 to 20 m² per employee GLA), Jannali will need to provide additional commercial/retail floorspace of approximately 9,000 to 12,000 m² GLA by 2036⁷. The planning proposal incorporates the provision of about 560 m² of commercial & retail floorspace and will therefore contribute to accommodate future employment growth in Jannali and Sutherland Shire.

⁵ ‘Retail Trade’ & ‘Accommodation and Food Services’

⁶ i.e., white collar jobs comprises which comprises ‘Information Media and Telecommunications’, ‘Financial and Insurance Services’, ‘Rental, Hiring and Real Estate Services’, ‘Professional, Scientific and Technical Services’, ‘Administrative and Support Services’, ‘Public Administration and Safety’, ‘Education and Training’, ‘Health Care and Social Assistance’, and ‘Arts and Recreation Services’.

⁷ Preliminary finding only. To be revised when the TPA releases new employment projections.

Section 3: Employment Generation

In this section of our report, we examine the spatial context of the subject site, and consider its employment dividend and its potential role in contributing to the employment future of Jannali and the Sutherland Shire generally. The assessment considered the employment returns that are achievable as a result of potential rezoning compared to the current employment dividend potential (i.e., 'Do nothing' vs 'potential development').

The proposed rezoning (and its subsequent development) can support local employment by increasing employment floorspace and maintaining local employment objectives, while promoting key local industries and generating more employment during the planning, construction, operation, and maintenance stages.

There are three elements to the impact of expansion of a particular industry:

- First, there is the direct employment, value-added (income), and output in that industry.
- Secondly, there is the indirect employment, value-added (income), and output of other industries supplying inputs into the industry.
- The third element is the induced spending impact. This comes from the economic ripples that result from added consumption generated by the added income spent by those employed directly and indirectly. For example, employees spending their incomes at local supermarkets, car dealerships and hotels and these local firms having workers of their own.

3.1 Development Phase

Based upon details provided, the estimated project cost of the subsequent site redevelopment (i.e., post rezoning) is expected to be approximately \$25 million, which comprises site works and construction etc. Assuming 1.5 years of construction, the potential development will generate 30 to 40 full-time equivalent jobs per annum directly in the construction industry and a further 50 to 60 full-time equivalent jobs per annum indirectly (for example, jobs in transport, fabrication, planning, design etc).

3.2 Post-development

3.2.1 Direct Employment

The potential redevelopment of the subject site will result in additional on-going employment on site, as well as further jobs throughout the supply chain, including those in industries servicing the future tenants at the site, such as transport workers, wholesalers, and the likes.

Table 1 (below) illustrates the estimated net increase in direct employment (on-site) that could potentially be created if the potential site redevelopment at the subject site were to proceed. In estimating the various employment benefits, relevant data and information from various sources is relied upon (e.g., Homes and Communities Agency Employment density guide 2015, the ABS, state, and local government agencies), as well as 30 years of experience in preparing assessments of this nature.

As shown, it is estimated that an additional 18 to 22 direct jobs per annum could be generated on site once the proposed rezoning is permitted, and its subsequent development on the subject site is fully completed and operational.

Table 1 Estimated Employment Generation

| Land uses | GLA (m ²) | Employment Density | Potential Employment Dividend ⁸ |
|--------------------------|-----------------------|-------------------------------------|--|
| Retail/Commercial | 560 | 25 - 30 m ² per employee | 18 to 22 |

Source: Macroplan

If the development does not proceed, the site would not provide employment opportunities for an employment sector which is currently in demand. Further to this, it would not provide more employment opportunities for the people of Jannali and Sutherland Shire.

3.2.2 Indirect and Induced Employment (Retail & Commercial)

The following analyses of the 'Retail & Commercial'⁹ indicate the linkages with other sectors within the Sutherland Shire.

In 2016, the sectors employed 33,075 direct jobs, on this measure total impact was 64,031 jobs, implying a ratio of 1.94 jobs for each direct job. Therefore, the total employment multiplier was 1.94 (i.e., 100 direct commercial/retail jobs on-site will generate about 94 indirect and induced jobs outside the subject site development).

Table 2 Total Impact of commercial & retail sectors, Sutherland Shire

| | Direct | Indirect | Induced | Total Impact | Ratio Total to Direct |
|--------------------------|----------|----------|----------|--------------|-----------------------|
| Output (\$'m) | 6,589.9 | 2,997.0 | 2,975.6 | 12,562.5 | 1.91 |
| Value Add (\$'m) | 3,709.9 | 1,521.9 | 2,219.2 | 7,450.9 | 2.01 |
| Employment (jobs) | 33,075.0 | 9,709.0 | 21,246.6 | 64,030.5 | 1.94 |

Source: ABS, macroplan

As discussed before, the planning proposal approval will allow for more commercial & retail employment outcome in terms of direct jobs which means it can generate additional indirect jobs. Based on our multiplier assessment, with approval, 18 to 22 additional direct jobs at the subject site will generate additional 17 to 21 indirect and induced jobs outside the future development at the subject site.

⁸ Rounded as appropriate.

⁹ ABS Input-output tables are published using a different classification to ANZSIC: input-output product categories (IOPC) and input-output product groups (IOPG). These two classification structures do not perfectly align, but the BCAR has attempted to do the best matching possible.

Section 4: Other Considerations

In this section of the report, we considered other economic and community impacts that are achievable because of the proposed rezoning (and subsequent site redevelopment).

4.1 Employment Containment

Job containment refers to the proportion of working residents who are employed within their LGA to the total number of working residents. A high self-containment implies there are many jobs in an area which employs local people – evidence of a strong regional employment base. Sutherland Shire LGA currently achieves a self-containment level of about 40%¹⁰, noting that a high proportion of local workers travel to work outside of Sutherland Shire.

Macroplan also note that 36% of the employed local residents in Jannali working in the Shire.

If the proposed rezoning is not allowed, there will be no job creation arising from the potential development and its operation. Without job creation, this means that Jannali will provide less local job opportunities, the suburb will effectively have a lower self-containment rate and will become less self-sustainable.

4.2 Industry Value Added

Industry Value Added (IVA) is the sum of income from labour (wages), land (rent) and capital (profit) generated by the production of economic goods and services. The potential development of new commercial and retail space requires investment (i.e., profit), resulting in the creation of jobs (i.e., wages) in different industries (i.e., indirect and induced employment). The IVA in this case demonstrates the monetary value the project will contribute to the local economy.

In its developed form, the potential mixed-use development will employ about 18 to 22 FTE direct workers. This could generate an Industry Value Added (IVA) of close to \$3.5 to \$4.0 million per annum¹¹.

4.3 Other Economic KPIs

In understanding the economic importance of the planning proposal, it is relevant to highlight the strong correlation of economic development with output growth, productivity, expenditure/ income, employment and private sector investment. Specific derived benefits include:

- Increased local expenditure/spending: e.g., worker / visitor/ private expenditure, generated by the construction and ongoing operation of the mixed-use development.
- Investment stimulus: e.g., enhanced private investment, increased land values, encouragement of landlords to redevelop neglected or underutilised property for higher and better use.

¹⁰ ABS Census 2016

¹¹ Refer to methodology in Appendix 6.1.

- Transport-related benefits: i.e. generated through a centralised population, reduced vehicle movements and enhanced commuter and community safety generated through 'activating' the town centre, evening trading etc.

4.4 Other Social KPIs

Social considerations regarding the implementation of the potential rezoning have been based on local issues such as impacts on actual and perceived levels of safety, and other social equity issues such as accessibility. Amenity is also addressed in this analysis, reflecting current planning objectives and community aspirations for the site and Jannali in general. Specific social benefits of the project are attributed to:

- Health, Wellbeing and Safety: e.g., a reduction in the level/ perceptions of crime, pedestrian and vehicle accidents as well as the health and wellbeing benefits promoted by the planning proposal and subsequent development application.
- Accessibility and connectivity: e.g., enhanced pathways, connectivity, linkages between local areas.
- Social cohesion: the benefit of a broader mix of land uses provides to enhancing connections and fostering a sense of belonging between members of the community.
- Safety: Activating the town centre for 18 hours per day will help to provide both active and passive surveillance and reduce the incidence of crime.
- Service accessibility: including locally required services supporting existing and new residents.

Section 5: Conclusion

This report provides an economic benefit assessment of a proposed rezoning of the subject site at Jannali.

The rezoning (and its subsequent site redevelopment) can support the local economy and complement the existing town centre by providing affordable housing stocks and promoting industry diversification. It will also generate more employment during the planning, construction, and maintenance stages.

In addition, it is our professional opinion that the potential site redevelopment format can deliver about 18 to 22 FTE direct jobs (operational). However, the operational employment outcome is subject to several variables including economic growth trajectory or systematic risk (e.g., recession, policy changes, international conditions). Therefore, the potential FTE direct jobs could be higher or lower than our estimate. However, the employment outcome from the potential site redevelopment configuration will surpass the current land use(s).

Further to this, the additional direct job creation will generate additional 17 to 21 indirect and induced jobs outside the planned residential development on the subject site (i.e., indirect, and induced jobs).

The proponent also indicated that the capital investment value of this project is expected to be approximately \$25 million. Based on this capital investment value, 30 to 40 full-time equivalent jobs per annum directly in the construction industry and a further 50 to 60 full-time equivalent jobs per annum indirectly (for example, jobs in transport, fabrication, planning and design etc).

Section 6: Appendices

6.1 IVA Calculation Methodology

The Australian Bureau of Statistics (ABS) constructs estimates of Industry Value Added (IVA) and Gross Regional Product (GRP) for each of the States, but not at a regional or LGA level. There is insufficient data at the regional or LGA level for the ABS to assert a degree of confidence around IVA/GRP estimates, suggesting that estimates of IVA/GRP at the LGA or suburb level need to be treated with some caution.

With that qualification, the Office of the Chief Economist of Department of Industry, Innovation and Science (OCE) has published provisional estimates of regional GRP for 2014/15. The methodology used by the OCE is set out broad terms in its 2016 Report. It uses partial data, relative employee compensation (vs Labour Value Added and Capital Value Added for State industries) in most instances, to determine ratios and a region's share of State IVA. The methodology is reasonable and defensible but (as the OCE would agree) the results need to be treated with caution.

This report has adopted the OCE methodology, to generate 'estimates' of output by regions in Australia, in this case for the potential mixed-use development. Taking the estimates of floorspace by industry, we use standard measures of space per worker to derive a potential workforce if the floorspace were fully utilised.

Total factor income measures the total income generated by the production of economic goods and services. In the case of labour this means income from wages, while income from land is rents and income from business is profits. Total factor income by industry looks at the total income generated by an industry. To calculate the Industry Value Added (IVA) by industry, the total factor income per worker by industry for NSW is applied to the number of workers per industry to generate an estimate of total factor income for each industry. Total factor income incorporates income generated from capital (profit) – the methodology incorporates the assumption of the NSW capital/labour ratio for each industry. The aggregate of income (wages) and capital (profit) from each industry is an estimate of industry value added.

The estimates of IVA generate an estimate of gross regional product (GRP) for this small area, i.e., the subject site at Jannali, a monetary measure of the market value of all final goods and services produced in a region.

6.2 Housing Market Overview

In this section we look at long term trends in prices in Jannali and Sutherland Shire housing markets, and the factors which have driven those trends. Macroplan found that there are a lack of housing diversity and choices in Jannali. Inadequate residential developments mean that local residents who currently live and work in the area (or commute to nearby employment hubs) will be denied an opportunity to settle within their own communities and neighbourhoods.

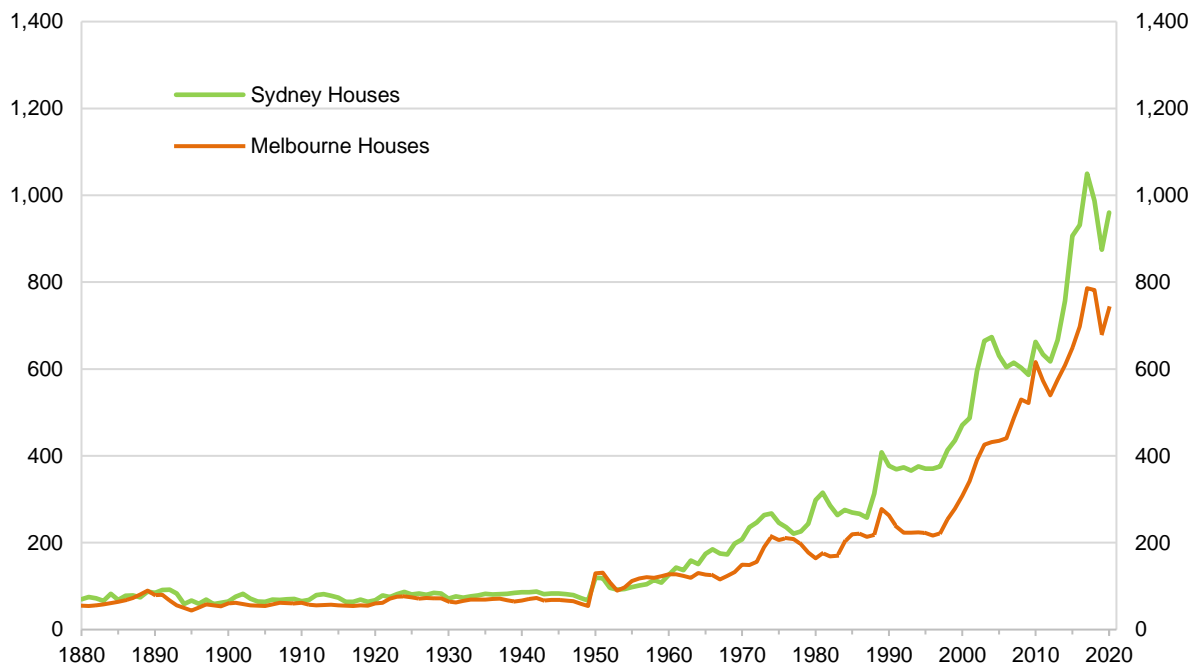
6.2.1 Long-term Price Trends

A. Price Trends in the Sydney House Market

While Sydney house prices exhibited a negligible upward trend prior to 1960 (Figure 6), over the period 1960-2019, established housing prices have risen by 3.5% per annum in real terms¹². Excluding improvements (and knock-down and rebuild) to the existing housing stock, which add 0.5-1% per annum to the value of the housing stock, the capital gain is 2.5-3% per annum and this reflects very largely the rise in land value.

The cost of constructing dwelling structures has risen but can only explain a small part of the rise in cost of housing. Over the period, 1960-2019, costs in real terms have risen on average at 0.6% per annum, well short of explaining the rise in established house prices over the same period.

Figure 6 Annual Prices \$'000, real terms (June 2019 prices)



Source: Dr Nigel Stapledon

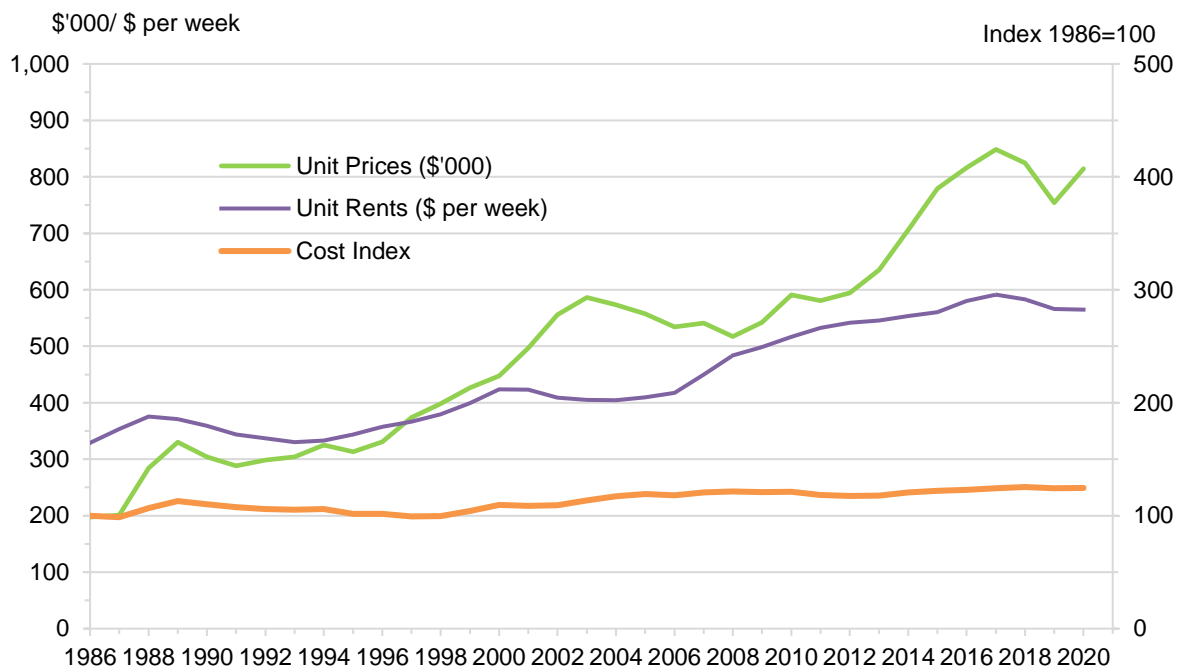
B. Price Trends in the Unit Market

Since 1986 (when data on the apartment market is available) the upward trend in house prices has also been experienced in the apartment market. The upward appreciation has been at a lesser rate – 4.2% per annum

¹² All pricing is reported in real terms, that is, nominal prices that have been adjusted for inflation.

average vs 4.5% per annum for houses over the same period. However, this can be explained in terms of the lesser component of land in the value of individual apartments and also the lesser improvements made to the stock of existing apartments. Note also that period is one when house price growth has been above the longer-term trend rise of 3.5%, in part because the starting point (1986) was a cyclical low. Longer term growth for units might be closer to 3%.

Figure 7 Sydney Units – Prices, Rents and Costs for Units 1986-2020 (Real terms (June 2019 prices))



Source: Dr Nigel Stapledon using various sources including NSW DoH Data

C. Market Factors, Policy and Prices

As the population of cities grow, and the incomes of households rise (increasing demand for space), the value of land rises as the cost of commuting from the outer to the centre (CBD) rises. As the value of land rises, there is a natural pressure for the land to be used more intensively. This implies a higher density of dwellings, including apartments in inner areas and on/around stations on rail lines – locations which have the advantage of shorter commuting times to the CBD. In cities such as Sydney with high concentrations of high-income jobs in their CBD, these pressures will be more pronounced. In addition, in cities in locations which offer high levels of natural amenity (e.g., beaches, national parks) there are added premiums. Jannali is an example of an area within Sydney with a significant premium for its location.

Where cities are constrained geographically – as Sydney is the by ocean (to its east) and national parks to its north, south and west, the upward pressure on land prices will also be higher. In addition, where cities are constrained by policy, the value of land also rises faster. In the case of Sydney, policies which limit density (zoning of land low density and impediments to rezoning for higher density) in the inner areas means that the land which is ‘selected’ for (allowed to be) developed contains a scarcity premium. It also means the unsatisfied demand pressures are pushed out to the middle and outer areas. At the same time, policies which constrain the outward expansion of the city (urban growth boundaries) serve to create a scarcity premium in fringe land prices which feeds through into

the value of land in all areas. The Productivity Commission has highlighted the rigidity of the planning system in NSW as a problem and studies by the RBA have highlighted the impact of this on the cost of housing in Sydney. It is the combination of population and income growth, against a constrained supply, which largely explains the long-term rise in prices in the Sydney market. Sydney is not unique. Globally, cities such as San Francisco (and most Californian cities) and Vancouver in Canada share a very similar combination of factors and have experienced similar long-term rises. In the US this contrasts with inland cities where supply is not constrained and growth has been lower, and where prices have shown little long-term movement. Studies of US cities have highlighted that cities such as San Francisco are more volatile than other markets, and Sydney is also a market which is subject to volatility.

Due to the time taken to construct housing, it is a market subject naturally and historically observed to be subject to cyclical swings. In the case of Sydney, when demand is strong, the significant time required for developers to obtain approvals means there is a long lead time before decisions to develop a site translates into supply. This makes the market prone to over-shooting. Therefore, allowing more greenfield developments could be a way to mitigate the shortage of affordable housing.

D. Interest Rates and House and Apartment Prices

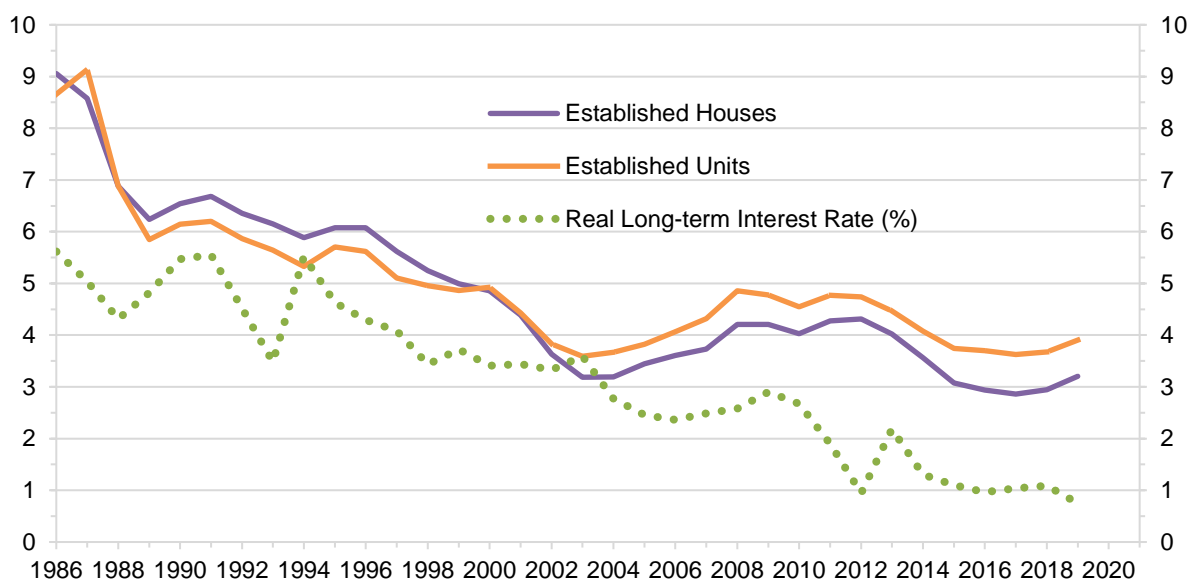
In the period since the 1989-91 recession there has been a structural decline in interest rates (see Figure 8). This has boosted asset prices generally. It has accentuated the rise in dwelling prices in Australian dwelling markets which have run well ahead of rent growth. In the case of the Sydney apartment market, in the period from 1996, rents rose by 1.9% per annum in real terms, while over the same period prices rose by 3.8% per annum – about double the rate. Correspondingly, yields on residential property have declined to low levels. Over this period, the average yield declined from about 5.5% to below 4%. The decline was more extreme in the house market, principally because of the higher land content in the value of houses – higher yields are required on the structure vs the land component of dwelling properties.

Looking ahead, with interest rates at levels which leave little scope to go lower and some risk of moving higher at some point (when economic growth is stronger), this means that the high rates of price growth experienced in the last two decades are not a guide to likely – or achievable - price growth going forward.

6.2.2 Market Cycles

While there is a clear long-term upward trend in property prices, this has been punctuated by periods of boom (high rates of price growth) and bust (periods of decline). The impact of COVID19 on net overseas migration (NOM) - a significant negative demand shock - raised the risk of a fall in prices in 2020. This did not eventuate, but the risk posed by this demand shock still remains. In this section, we look at past boom-bust cycles, their drivers and their links to cycles in activity, and what the implications might be for the outlook for the property market in the period ahead – both short and long term.

Figure 8 Sydney – Gross Rental Yields for Houses and Units 1986-2019



Source: Dr Nigel Stapledon using various sources including NSW DoH Data

A. Housing Cycles

The Sydney and Melbourne housing markets have experienced some very significant booms and busts over the past century or more. In the more recent history (post-1970), the housing cycles have been closely aligned with cycles in the commercial property market and these are discussed below.

In terms of earlier cycles, demographic factors have played a part. In the case of the Spanish flu which occurred at the end of WW1, the war period had caused a cessation in net overseas migration so the flu itself simply extended a period of weakness (in prices and activity) in the housing market. There was then an extended rebound in the 1920s.

The most significant boom-bust period was in the 1890s. A population boom in the 1880s had ignited demand for property which fed into a self-reinforcing boom which saw output of new land lots and housing at levels which proved unsustainable. Then when the bubble burst, net overseas migration collapsed in response to the sharp rise in unemployment which the collapse in housing activity precipitated. The oversupply in land took more than a decade to clear, longer in the case of Melbourne where the boom-bust was most extreme.

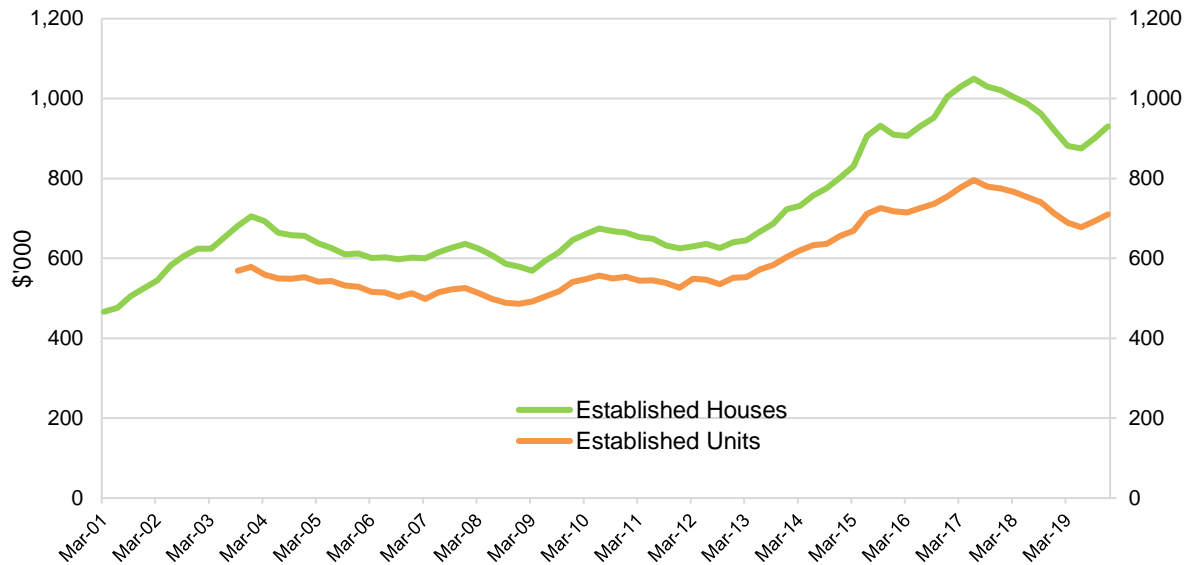
In terms of relevance to the present COVID experience, this episode provides an extreme example of how shifts in NOM can have significant impacts on the housing market. By comparison, the COVID19 experience is likely to be significantly less severe. Firstly, because the magnitude and swings in NOM are less severe/more even in the current period. Secondly, the economy is more broadly based today, with the housing sector playing a lesser role in the overall economy. That is, the impact of swings in the housing sector on overall economic activity is significantly less. In addition, Governments today have more levers to pull to support economic activity. In turn, with economic activity less affected, the resilience of economic activity itself provides valuable support to housing demand.

6.2.3 The Current Residential Cycle

A. The Price Cycle

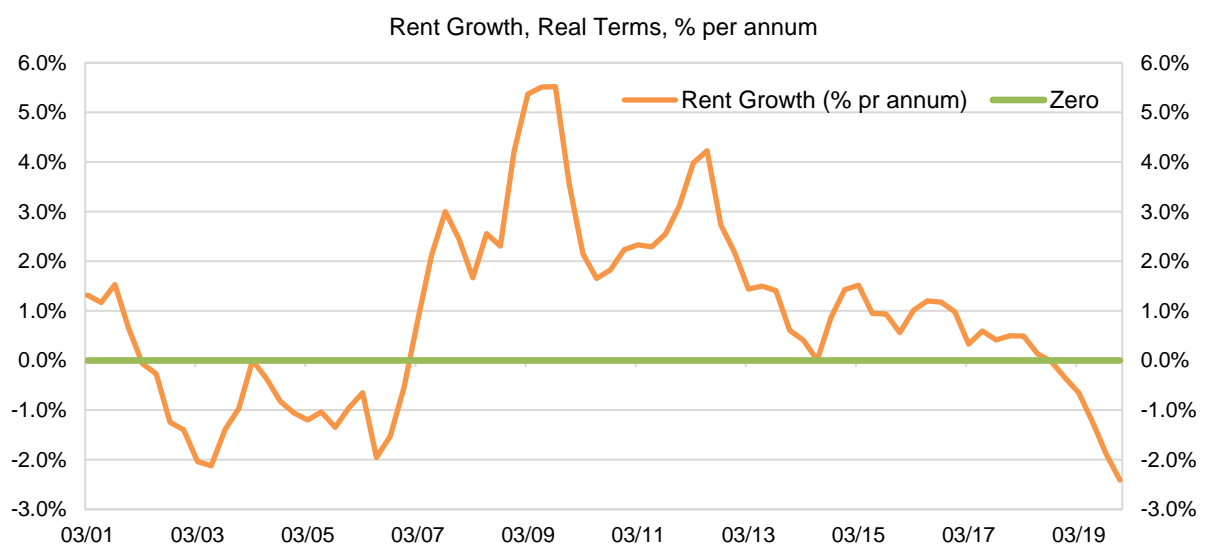
The Sydney residential market is, as observed in Section 2, a highly cyclical market. This reflects the constraints on supply (discussed above), swings in population growth and the impact of changes in interest rates. While some different factors are at play, by and large the apartment market and the house market price cycle move very closely together.

Figure 9 Sydney Established House and Unit Prices 2001-2019, (Real Terms - June 2019 Prices)



Source: ABS and macroplan

Figure 10 Sydney Market Dwelling Rent Growth 2001-2019, (Real Terms,) % Annual Growth



Source: ABS data and macroplan

The Sydney market experienced a long upswing in prices in the period 1996-2004 which largely reflected the impact of a structural decline in interest rates and the sustained recovery in the economy after the recession of the early 1990s. By 2004, after a period in which high levels of activity had growth in stock well above growth in population (underlying demand), the shift to over-supply was placing downward pressure on rents and with the impact of interest rates fading, the market weakened (see Figures 9 & 10).

The under-supply proved short-lived in this period, in part because there was a surge in population growth (immigration) in 2007 which was linked to the resources boom which Australia was experiencing. The shift back to under-supply saw a surge in rents. However, this was countered by a rise in interest rates which suppressed prices until about 2012.

The pressure on prices from rising rents and then subsequent falls in interest rates saw the market experience a significant boom in the period 2012-17. Other factors which drove the strong price gains in the period 2012-17 were the lag effects of sustained period where a lift in population growth (the principal component of 'underlying demand'), had demand outpacing supply growth. For Australia, the lift in immigration was initially stimulated by the resources boom. While the end of the resources boom has seen total immigration inflows off their peaks, it has also seen the distribution of the inflows change, with a switch in the flows to the Melbourne and Sydney markets.

In 2014, growth in stock again caught up with underlying demand and with a lag this saw the upward pressure on rents start to moderate. This moderation and the interest rate fully factored into prices, the market lost momentum and prices fell in the period 2017-19.

The period of property market weakness in prices across Sydney in the two years 2017-19, following the sharp rise from 2012-17, came to an end with prices for houses rising quite strongly in the second half of 2019 and momentum carrying that into the first half of 2020 before COVID came along.

The COVID shock in early 2020 then saw expectations for sharp falls in prices. While there were some initial declines in prices, these proved short-lived. The magnitude of the fiscal stimulus meant that the rise in unemployment which occurred was less than expected and the income support provided by the Government largely offset the rise in unemployment that has occurred. Equally importantly, the Reserve Bank cut interest rates to 0.1%, or effectively zero, and in conjunction with APRA further encouraged a loosening in lending conditions. While the decline in interest rates was small compared with previous cycles, the proportionate decline was still significant and coming on top of the cuts in 2019, the boost to the market has been significant.

In the short term, the decline in interest rates is probably not yet fully factored into prices, so prices are likely to rise further into 2021. Macroplan envisages that there will be more people moving out of the Sutherland Shire LGA due to limited housing choices and unaffordable housing.

Critically, a planning approval for the subject land redevelopment would contribute to addressing the looming supply shortage and the upcoming price surge.

6.2.4 The Sutherland Shire Housing Market

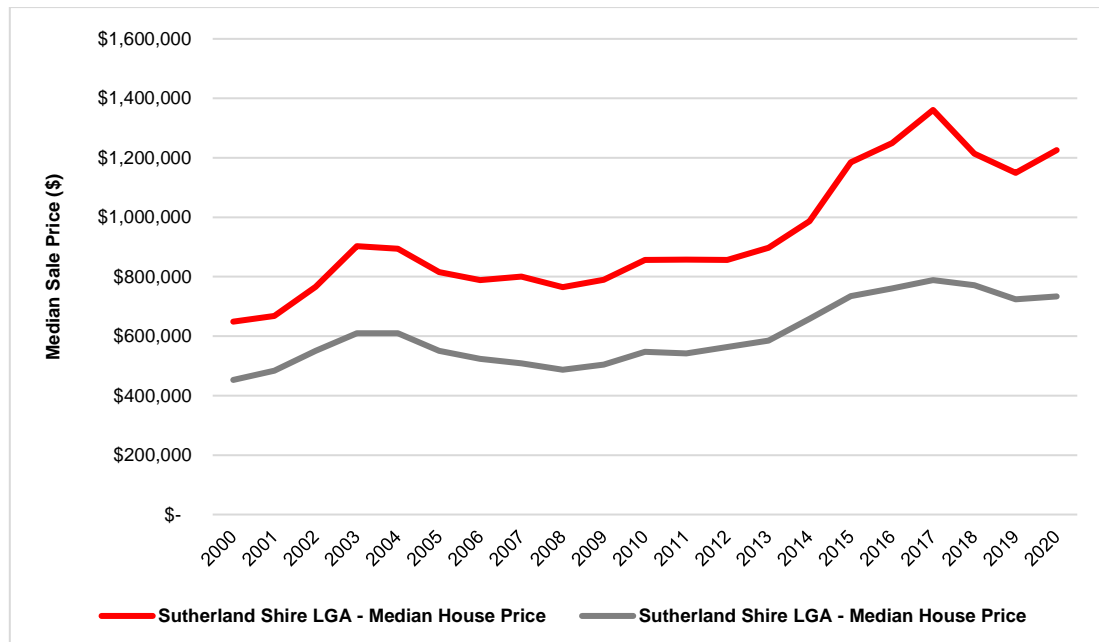
A. Sutherland Shire LGA Residential Property Market

In December 2020, the median house price in the Sutherland Shire LGA was recorded at \$1.23 million while units had a median price of \$734,000. Clearly, while units are typically smaller than houses, at almost half the price, units are the more affordable option.

Between 2017 and 2019, Greater Sydney's median dwelling prices dropped significantly. This trend was mirrored in the price of dwellings in the Sutherland Shire LGA. However, the decline in dwelling prices in the Sutherland Shire was less pronounced in that period and the lift in prices in 2020 has seen prices (in real terms) back to close to their peak in 2017. Overall, the market has performed more strongly compared with the overall Sydney market and partial indicators point to that being the case in 2021.

Taking a longer-term view, since 2000 the median house price in the Sutherland Shire LGA has risen significantly compared with the median for Greater Sydney. The Sutherland Shire LGA market has historically carried a premium over the broader Sydney market. The price premium associated with the area is a reflection of its desirable location with its eastern boundary a coastline of quality beaches and waterways and its southern and western boundary comprised of various national parks (i.e. the Heathcote, Dharawal and Royal National Parks). In the 20-year period 2000-2020, the value of the 'Sutherland Shire' premium has risen from \$176,000 (in 2019 dollars) in 2000 to \$306,000 in 2020, almost a doubling. Most of these gains can be attributed to the past seven years including a peak of \$432,000 in 2017 (prior to the period of market weakness seen across Greater Sydney).

Figure 11 Residential Median House Prices, 2000-2020 (\$'000 Real Terms 2019 dollars)



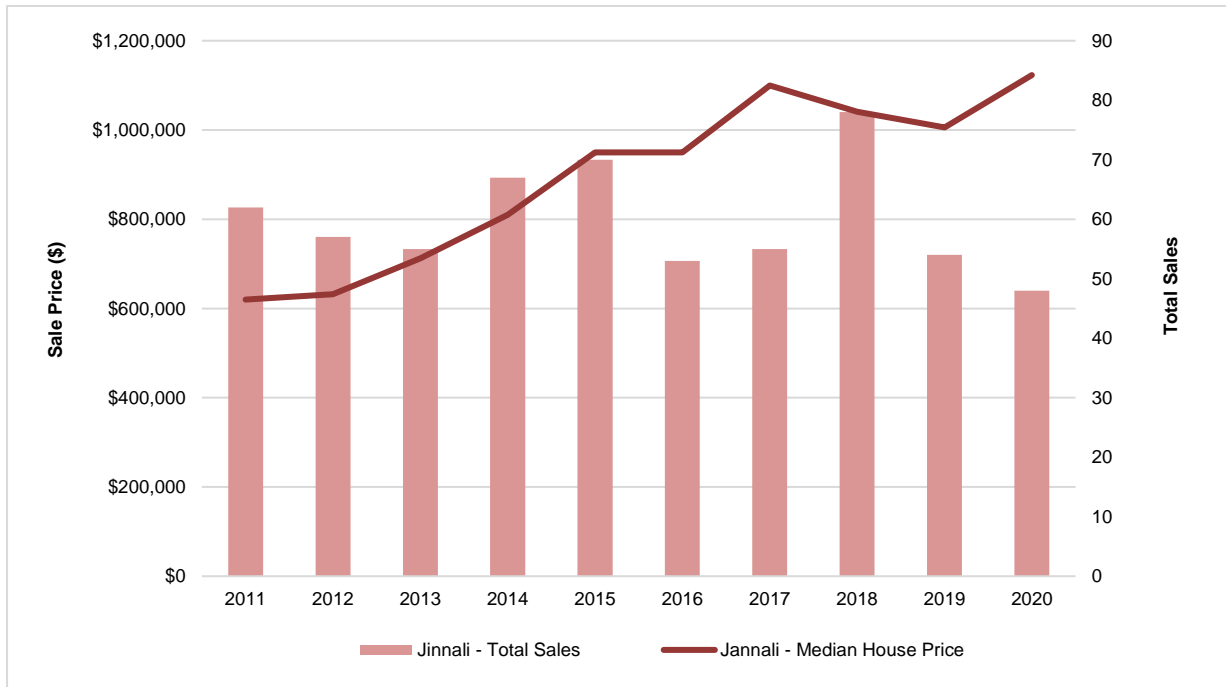
Source: RP Data, Macroplan

6.2.5 Jannali Property Market

In December 2020, the median house price in Jannali was \$1.12 million, 11.7% higher than in 2019. In line with Sutherland Shire LGA, house prices in the sub-market began trending upward in 2020.

In December 2020, the median unit price in Jannali was \$710,000, 5.7% higher than in 2019. In line with Sutherland Shire LGA, house prices in the sub-market began trending upward in 2020.

Figure 12 Jannali Housing Market, 2011-2020



Source: RP Data, Macroplan

Figure 13 Jannali Unit Market, 2011-2020



Source: RP Data, Macroplan

6.2.6 Leasing Market

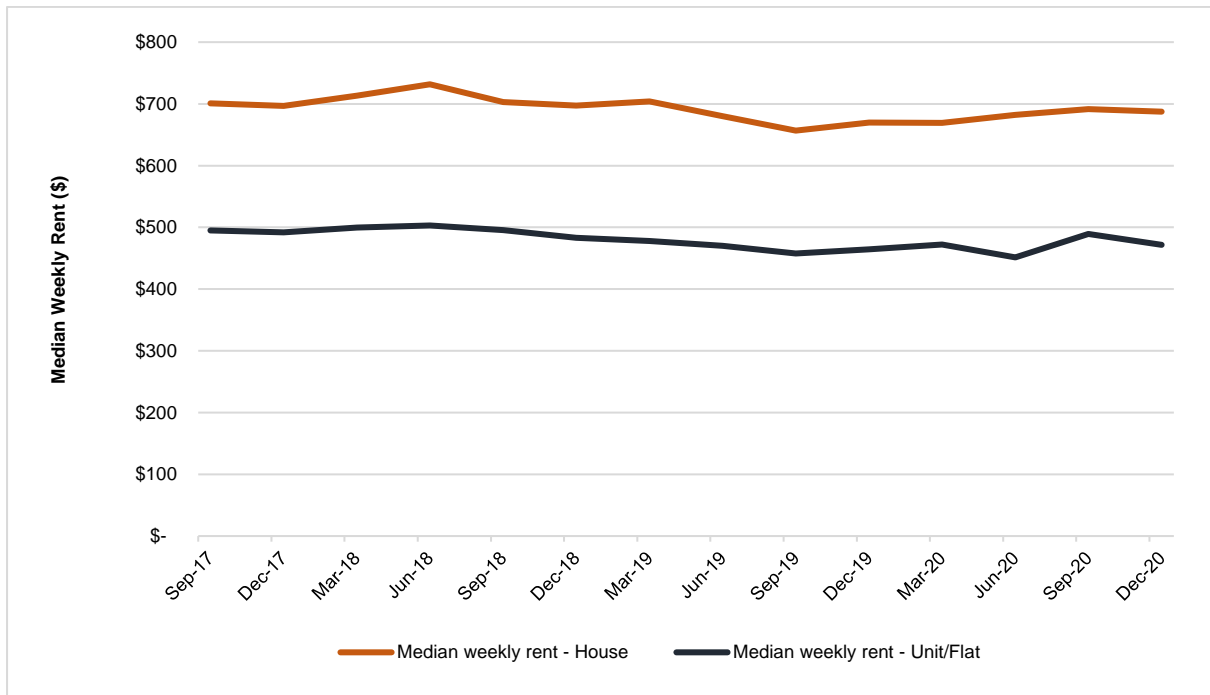
Deteriorating housing affordability can be extended by including renters.

Family & Community Services (FACS) report rents across New South Wales at a postcode level and LGA level. Jannali is located in postcode 2226.

The Figure 14 below details rental movements in real terms in the Sutherland Shire over the past 4 years. As seen, rents in the LGA remained relatively flat between Sep-17 and Dec-20. The rental market experienced year-on-year growth between Dec-17 and Jun-19 reflected through an increase in median weekly rents for houses (\$35 / 5%) and apartments (\$11 / 2%). Between Sep-18 and Dec-19 the rental market was slightly more volatile indicated by a minor decline in median weekly rents and year-on-year fluctuations for both houses and apartments. Rental growth between Mar-20 and Dec-20 has been much stronger for both houses and apartments indicating a potential point of stabilisation in the rental market. As of December 2020, the median rental value of a house within the LGA was \$688 and \$471 for an apartment. While not rising in the same manner as prices, the steadiness of rents contrasts with the falling trend in rents across the broader Sydney market, evident before COVID, but particularly the sharp fall in the inner areas of Sydney. The fact that the declines have not caused 'Sutherland Shire' rents to fall more noticeably has reflected the strength of demand for housing in the Sutherland Shire LGA.

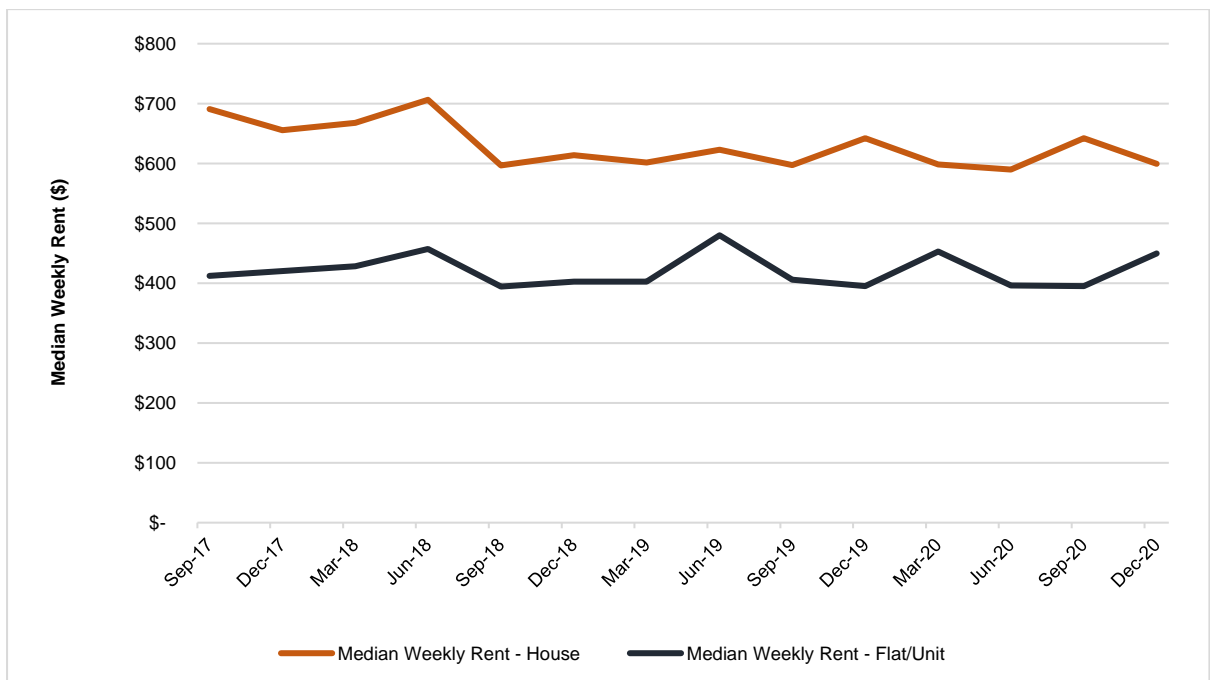
As of December 2020, the median weekly rent for houses in Jannali was \$600 per week – approximately 13% lower than the Sutherland Shire median. The Jannali housing rental market has been more volatile when compared to Sutherland Shire expressed through significant year-on-year fluctuations and a structural decline in median weekly rents. As of December 2020, the median rent for an apartment was \$450 – approximately 4% lower than the Sutherland Shire median. In comparison to the housing rental market, the apartment market has been slightly less volatile although still experienced year-on-year fluctuations throughout the observed time period. Despite this the apartment market has experienced stronger growth throughout the latter half of 2020 reflected through a \$54 (+12%) increase in median weekly rents between Jun-20 and Dec-20.

Figure 14 Weekly Rent: Sutherland Shire LGA (Real Terms)



Source: FACS

Figure 15 Weekly Rent: Postcode 2226 (Real Terms)



Source: FACS

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