

EDGECLIFF CENTRE

Economic Impact Assessment



Prepared for Longhurst Investment No1 Pty Ltd

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EXECUTIVE SUMMARY

HillPDA was commissioned by Longhurst Investments No. 1 Pty Ltd to undertake a retail demand and economic impact assessment Ltd in relation to a planning proposal for the Edgecliff Centre at 203–233 New South Head Road and part of the adjoining Council-owned road reserve fronting New McLean Street.

The planning proposal seeks to amend the building height and FSR of the site to enable redevelopment for mixed uses including retail, residential, commercial and medical uses.

Demand for retail space comes from several sources – mostly from residents within a 550 metre walking distance (defined as the primary trade area) and to a lesser extent from residents in the balance of the Darling Point suburb (defined as the secondary trade area) where there is no shopping centre. The primary trade area will have 7,200 residents by 2031 and the secondary trade area a further 3,000 residents. Demand also comes from the 4,200-4,700 workers in Edgecliff, the 13,200 train commuters that live beyond the trade area that enter and exit the station, and finally from students and other visitors.

From these sources of demand Edgecliff retailers could achieve potential total retail sales of almost \$127.9 million by 2031. This translates to a need for 14,000sqm of retail space of which 4,850sqm would be supermarkets and grocery stores. Demand for shop front space (allowing for some non-retail commercial occupiers such as banks, travel agents and real estate agents and say 4% vacancies) results in 17,400 square metres of shop front space.

Following development total gross leasable area (GLA) shop front space in Edgecliff would be around 15,500 to 16,000 square metres– some 1,400 square metres to 2,000 square metres less than the supportable level based on the demand projection. However this shortfall would be addressed within the Woollahra Council Draft ECC strategy.

It should be noted that the Edgecliff Commercial Core Planning and Urban Strategy (draft Strategy) estimates Edgecliff provides around 20,500 square metres of retail Gross Floor Area (GFA). This includes non-leasable spaces like circulation areas and offices and various areas not defined as retail in this study, such as petrol stations, automotive shops, and recreational facilities. The draft Strategy also proposes an uplift accommodating an extra 5,450 square metres of retail GFA. Again it is unclear how much of this is GLA and the type of retail it includes. As such comparisons of floor space in the draft Strategy with this study cannot be done simply because the two studies are defining retail floor space very differently.

Construction cost is estimated at \$488m. Assuming design and application fees amount to 8.6% then total design and construction cost will be \$530m. This will generate and/or support an additional \$596 million of economic activity in production induced multiplier effects in NSW and a further \$381 million in consumption induced effects. Total economic activity generated and supported in the State economy by design and construction is estimated at \$1.5 billion. Development will generate 1,160 job years directly in design and construction. A further 3,142 job years will be generated and/or supported across the State through production induced and consumption induced multiplier impacts. Including the multiplier impacts a total of 4,302 job years will be created and supported across the State.

When fully occupied, or close to fully occupied, development will accommodate an estimated 785 jobs. This is a net increase of 364 over the base case (no redevelopment option), although as the asset ages further vacancies are likely to continue to increase over time. Under the proposal 224 jobs will be in retail in both full time and part time positions. 478 jobs (mostly full-time) will be in the office suites and 56 jobs (both full time

and part time positions) will be in the community spaces. A further 26 residents on site will predominantly work from home.

Gross value added (or contribution towards regional domestic product) will be \$77.2 million per annum – a net increase of \$32.2 million from the base case.

The additional workers and residents on site will generate a net increase in expenditure for retail businesses in Edgecliff of around \$6.5 million every year.

The increase in retail floor space of 2,500-3000 square metres will have insignificant impacts on retail centres. Edgecliff is expected to achieve an immediate net increase in total retail sales of around \$22.8 million. This increase will be redirected from competing centres such as Double Bay, Bondi Junction, Woollahra and Paddington. However the percentage shift in loss of trade will be well below 2% which is insignificant. All centres will enjoy real growth in trade from 2022 to 2031 of more than 7%.

Additional whole of government revenue from development is estimated at \$104 million being \$44 million in GST, \$34 million in stamp duties, \$21 million in payroll tax and long service levy during construction and \$5m in developer contributions.

Other unquantified economic benefits include:

- the replacement of an ageing shopping centre and office building with a new modern high-density mixed-use development with retail, commercial and residential uses
- providing new jobs closer to home and contributing to the 30 minute city direction of State Government
- increasing activation of the town centre and public transport patronage
- the provision of a transit orientated development with high-density work and living at a major transport node thereby contributing to urban consolidation objectives of improved transport sustainability and reduce dependence on private vehicle usage.

1.0 INTRODUCTION

This economic impact assessment has been prepared on behalf of Longhurst Investments No. 1 Pty Ltd in relation to a planning proposal for the Edgecliff Centre at 203–233 New South Head Road and part of the adjoining Council-owned road reserve fronting New McLean Street (herein collectively identified as the site). It seeks the following amendments to the Woollahra Local Environmental Plan 2014 (WLEP 2014) to support the mixed-use redevelopment of the site:

- Increasing the maximum permitted Height of Buildings from part 0m, part 6m and 26m to part 13 and part 35 storeys plus plant.
- Increase the maximum permitted GFA on the Edgecliff Centre portion of the site to 44,190 sqm;
- Increase the maximum permitted GFA on the Council-owned road reserve to 3,300 sqm; and
- Introduce a site-specific provision to retain a minimum 2:1 FSR for non-residential purposes.

The Planning Proposal will also incorporate a portion of residual land which forms part of the New MacLean Street road-reserve, abutting the southern boundary of the Site, and the FSR and Height of Buildings development standard proposed for the Site are proposed to extend to this portion of land.

The Planning Proposal is supported by an indicative development concept to demonstrate the anticipated built form outcome envisioned for the site under the proposed amendments to the WLEP 2014. The concept is centred around revitalising the site for a vibrant mixed-use development that can simultaneously give back to the community through a combination of community uses and public open spaces, the provision of essential medical services whilst increasing employment generating floor space and housing close to transport.

Specifically, the concept includes:

- A combination of commercial (including office and retail), residential, and medical land uses with a total Gross Floor Area of circa 44,190 sqm;
- The distribution of form comprising:
 - A mixed-use podium between two and three storeys with retail, office, medical, community uses and public open space;
 - Two individual tower components for commercial and residential uses up to a height of part 13 storeys and part 35 storeys plus plant;
- Basement with capacity for End of Trip facilities along with circa 333 car parking spaces, 429 bicycle spaces and 34 motorcycle spaces;
- Activated and landscaped frontages to New McLean and New South Head Road within an integrated civic ground floor retail precinct;
- Delivery of a town square plaza, open green space and forecourt visibly prominent and publicly accessible, and
- Introduction of a network of pedestrian laneways, through site links and colonnade.

A detailed description is provided within the Planning Proposal Justification Report prepared by Ethos Urban.

Existing uses on the site include a single level shopping centre with a total gross leasable floor retail (GLAR) area of 3,154 square metres. The anchor tenant is an ALDI foodstore of around 1,400 square metres. The balance of retail is 24 specialty stores. At the time of reporting nine of the specialty stores were vacant.

On top of the shopping centre is a 6 level commercial office tower with a total leasable floor area of 7,965 square metres occupied by multiple tenants.

There are 254 car spaces on site with access from New McLean Street.

The proposal involves the demolition of the existing structure and the erection of a building with two levels of retail space and two buildings – a commercial building and a residential tower. Land uses are summarised below.

Table 1: Edgecliff Centre redevelopment – indicative scheme proposed land uses

Land use	No.	GFA (sqm)
Commercial		8,500
Retail		6,230
<i>Sub-total</i>		<i>14,730</i>
Community space		2,500*
Residential		29,460
Car spaces	333 car spaces	

Source: Longhurst Pty Ltd, * The preliminary design propose an area of 2,000-3,000 sqm. For our analysis , we have taken the midpoint of 2,500sqm as our working assumption.

The retail will have two anchor tenants at around 1,450 square metres and 1,640 square metres. The likely uses would be food and groceries related – possible tenants are Metro Woolworths, Asian supermarket, Harris Farm or the like. The spaces however are speculative and a non-food retailer occupying one of the spaces (such as a discount variety store) is also a possibility. The residential tower will provide a total gross floor area of 29,460 square metres. To support both the residential and non-residential uses, the tower will have 333 car spaces available.

This report is set out in the following manner:

- **Chapter 2 | Retail demand assessment:** undertakes an assessment of the surrounding centre network, population projections and expenditure available to estimate the amount of retail space that could be accommodated on the subject site.
- **Chapter 3 | Economic impact assessment:** assesses the economic impact of the proposed development both during and post construction. Trading impacts on competing centres is also quantified as well as impacts on whole of government revenue.

2.0 RETAIL DEMAND ASSESSMENT

The Chapter undertakes an assessment of the amount of retail space that could be accommodated on the subject site based on demand. The method of assessing demand was to identify the sources of trade – residents, workers and commuters.

Expenditure captured from surrounding residents is quantified by identifying the trade area(s) for each source, the current and future population in the trade area(s), the expenditure levels of trade area residents/workers and the likely percentage of capture. In defining the trade area it is necessary to have an understanding of competing centres, their location relative to the subject site and their respective retail offers. This is provided in the following section.

2.1 Retail Centres

Below is a list of centres in the locality which influences the size of the likely trade area and the strength of influence and retail capture that could be achieved at Edgecliff.

2.1.1 Edgecliff

Edgecliff commercial area is centred above the train station where there are two shopping centres and a bus interchange directly above the train station. The two shopping centres are Edgecliff Centre (the subject site) and Eastpoint Food Fair.

Edgecliff Centre is a single level shopping centre with a total gross leasable floor retail (GLAR) area of 3,154 square metres. The anchor tenant is an ALDI foodstore of around 1,400 square metres. The balance of retail is 24 specialty stores.

Eastpoint Food Fair is a two level shopping centre with a GLAR of 4,858 square metres and a medical centre. The retail centre is anchored by a 3,183 square metres Coles supermarket. The 900 square metres Harris Farm was a mini-major although it recently closed and has been absorbed by an expanded Coles. The centre includes 28 specialty shops totalling 1,675 square metres GLAR¹.

Outside the two indoor centres there is around 5,000 square metres of shop front space along New South Head Road stretched over a distance of around 500m from Glenmore Road to the west to 50m past Ocean Street to the East. The strip retail includes three restaurants, one specialty food store, a bridal store, five homemaker/bulky goods retailers, several personal services and additional non-retail commercial services.

2.1.2 Double Bay

Double Bay commercial centre is only 600m east of Edgecliff. It comprises around 35,000sqm of shop front space of which around 8,000sqm is occupied by non-retail commercial and community services. A survey by HillPDA in 2002 identified around 13 vacant shop front premises totalling around 1,000sqm – a vacancy rate of only 3%. CBRE found the vacancy rate had increased to just over 10% in 2006 largely due to the impact of the expansion of Westfield in Bondi Junction. The centre has been slowly rebounding since and by 2012 the

¹ Property Council of Australia Shopping Centre Directory 2023

vacancy rate had fallen to a much healthier 5.2%². Today there are five shop front premises available for lease (620sqm) which is a healthy vacancy rate of 1.8%³.

The centre has a further 23,000sqm of office space above ground floor space and in stand alone office buildings. At the time of survey Double Bay had around 6,700sqm of apparel stores, most of which provided high end fashion. This comprised 22% of total shop front space compared to 9% average for all shopping centres between 20,000sqm and 40,000sqm in size⁴.

The centre has a dual role providing both food, groceries and other regular shopping facilities for residents in the Double Bay suburb and surrounding suburbs of Darling Point, Edgecliff, Bellevue Hill, Point Piper and Woollahra. It also has a large proportion of retail stores with high end fashion, other apparel and homewares for affluent residents of the eastern suburbs and further beyond.

Double Bay has some competition with Edgecliff in its food and groceries role but has almost no competition in the high end fashion and homewares area. Its strongest competitor in this category is Bondi Junction.

2.1.3 Bondi Junction

Bondi Junction is a major centre, 1.8km southeast of Edgecliff Station. It has wide trade area encompassing the eastern suburbs with a strong influence extending into the inner South Sydney / Botany area. Total GLAR is around 170,000sqm.

The centre is dominated by Westfield with 97,832sqm of GLA retail (GLAR) over six levels. It includes a David Jones, Myer and Target department stores, Coles and Woolworths full-line supermarkets, two food courts, Events Cinemas, numerous mini-majors such as Harris Farm, Rebel Sports Harvey Norman, Zara H&M, JB Hi-Fi, etc and around 250 specialty shops⁵. In the 2022 calendar year the centre achieved total retail sales of \$1.155.1 million – the highest performing centre in NSW. Total retail sales per square metre in 2022 was \$11,680/sqm – almost 50% higher than the median for regional shopping centres (above 50,000sqm GLAR) across Australia⁶.

Eastgate Shopping Centre on Spring Street is a three level centre with 15,166sqm GLAR including a Kmart department store, Coles and ALDI supermarkets and 30 specialty shops. Over August 2022 to July 2023 it achieved total retail sales of \$135.41 million⁷, which equates to \$8,088/sqm – 13% below similar sized centre (between 6,000-20,000sqm).

Outside the two large indoor centres is a further 60,000sqm approximately of shop front space mainly fronting Oxford Street (for almost a kilometre) and Bronte Road and in numerous arcades.

2.1.4 Woollahra

Woollahra is a village centre on Queen Street one kilometre south of Edgecliff. Total GLAR is around 2,600sqm of which around 2,000sqm is occupied by retail stores. The centre has no supermarket or other anchor tenant. Many of the shops specialise in fashion, homewares and antiques.

² CBRE Marketview Sydney Metropolitan Retail 2012.

³ Commercial properties available for lease (source: www.realcommercial.com.au)

⁴ IBECON Floor space data in Greater Sydney 2004

⁵ Property Council of Australia Shopping Centre Directory 2023

⁶ Shopping Centre News Big Guns 2023

⁷ Shopping Centre News Mini Guns 2023

2.1.5 Paddington

Paddington has around 36,000sqm of shop front space most of which fronts Oxford Street. There is a small cluster of retailers on Glenmore Road 800m to the southwest of Edgecliff Centre which is anchored by a 650sqm Metro Woolworths supermarket. There is also a small 100sqm grocery store on Cascade Street just 500m south of Edgecliff Centre.

2.2 Resident expenditure

Current and forecast expenditure captured from surrounding residents is quantified by identifying the trade area(s), the current and future population in the trade area(s), the expenditure levels of trade area residents and the likely percentage of capture.

2.2.1 Trade area(s)

In defining a trade area(s) served by the Edgecliff Centre we have considered the below:

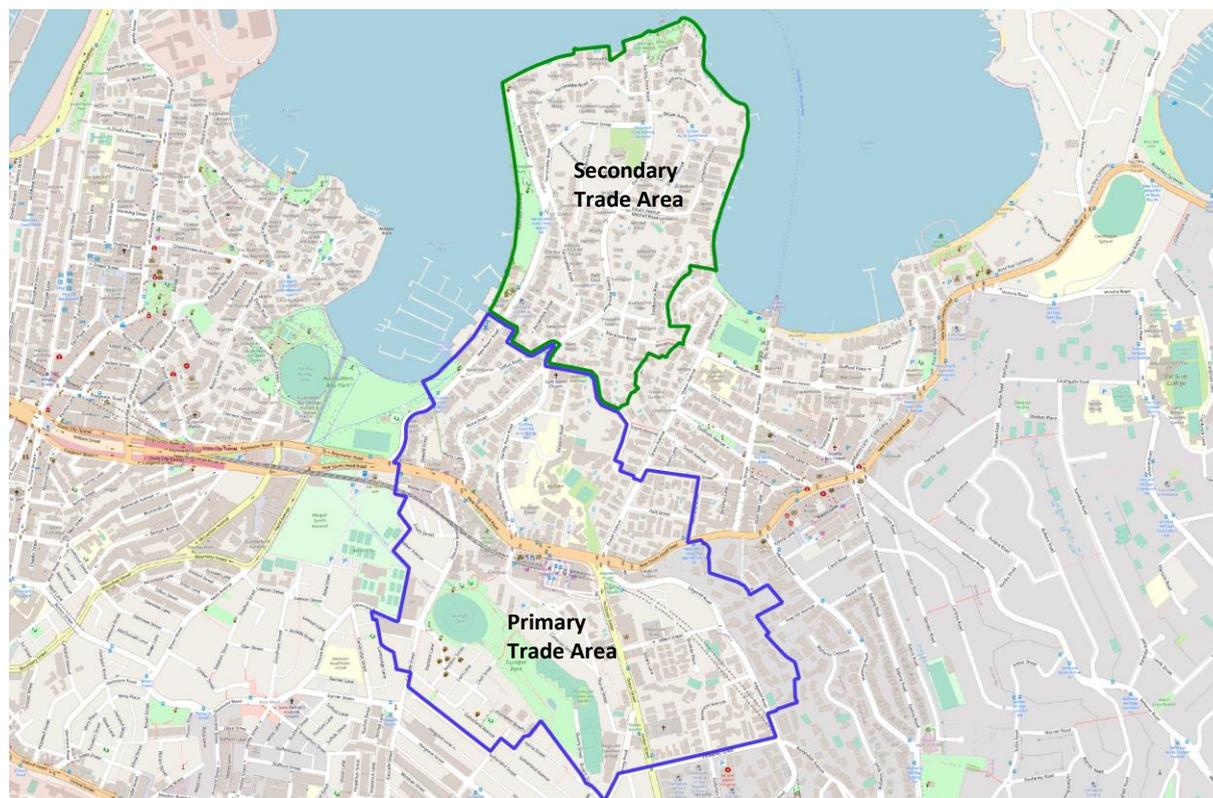
- The strength and attraction of the proposed centre on the site, factors such as composition, layout, ambience/atmosphere, car parking and synergy with other land uses
- Competitive retail centres, particularly their proximity to the subject site, respective sizes, retail offer and attraction
- The location and accessibility of the surrounding residential area, including the available road and public transport network and travel times and the respective levels of convenience between competing centres
- The presence or absence of physical barriers, such as rivers, railways, major parks and freeways.

Based on the above we have derived the following trade areas:

- Primary trade area (PTA) is the residential area generally within 550m walking distance from the subject site. The trade area shortens to the east due to the typography of the land and the presence of the much larger centre of Double Bay which is only 600m to the east.
- Secondary trade area (STA) North is the balance of the suburb of Darling Point. There are no retail centres in Darling Point and the main collector road, Darling Point Road, that runs through the middle of the suburb starts from New South Head Road just opposite Edgecliff centre. As a result it is reasonably convenient for Darling Point residents to shop in Edgecliff although Double Bay also provides a strong and relatively convenient offer.

The trade areas are depicted on the map immediately below:

Figure 1: Edgecliff Centre trade area



Source: Mecone Mozaic Beta, Google Maps and HillPDA

2.2.2 Population Growth

The PTA accommodates around 6,300 residents and the STA around 3,000 residents, giving the main trade area (MTA which is the PTA and STA combined) of around 9,300 residents. Based on Transport for NSW (TPA) forecasts population growth in the MTA is expected to be modest – around 0.2% per annum. However the TPA forecasts do not account for the FSR uplifts proposed in the Edgecliff Commercial Centre Planning and Urban Design Strategy which could add a further 400 to 500 apartments in the PTA.

Taking into account the proposed development and proposed uplifts⁸ as well as modest infill development across the balance of MTA, population in the MTA is projected to grow to almost 10,600 by 2041. The projected MTA populations are shown in the table immediately below.

Table 2: MTA population projections

Trade area	2022	2026	2031	2036	2041
PTA	6,318	6,675	7,209	7,330	7,506
STA	2,979	2,947	3,003	3,038	3,078
Total	9,297	9,622	10,212	10,367	10,584

Source: ABS Census of Population and Housing: Mesh Block Counts 2021; TPA; HillPDA Research

⁸ Assuming around 500 additional apartments with 1.7 residents per apartment (average household size in occupied apartments in 2021 in Edgecliff Suburb (ABS Census) and an occupancy rate of 95%

2.2.3 Household expenditure

Edgecliff residents have much higher personal income levels than NSW average and spend almost \$24,000 average per person per annum on retail goods and services. This is around 52% above the Sydney average (\$15,790)⁹. Darling Point residents spend a little more at around \$25,500 per annum – 61% above the Sydney average.

MTA residents spend around \$7,120 per annum in supermarkets and grocery stores – some 53% above Sydney average. In specialty food stores (including liquor) they spend 56% more. In meals and drinks on premises (restaurants, clubs and hotels) their spend is 61% higher which reflects their high level of affluence. Apparel expenditure is also much higher at 62% above the Sydney average.

Assuming development is fully occupied by 2031 then estimated expenditure generated by trade area residents is forecast as follows:

Table 3: Total retail expenditure in the trade area from 2022-2041 (\$2022 Millions)*

Retail Category	2022	2026	2031	2036	2041
Primary trade area					
Supermarkets and grocery stores	44.7	49.1	55.8	59.6	64.2
Specialised food stores	9.7	10.5	11.8	12.4	13.2
Bulky goods stores**	28.0	30.5	34.1	35.9	38.0
Department stores	4.6	4.8	5.0	5.0	5.0
Apparel stores	14.0	15.1	16.9	17.7	18.6
Other non-food stores	24.3	26.4	29.6	31.1	33.0
Restaurants and fast food services***	20.8	22.9	26.1	27.9	30.1
Personal services****	5.4	5.8	6.5	6.8	7.2
Sub-total	151.5	165.2	185.6	196.4	209.3
Secondary trade area					
Supermarkets and grocery stores	21.5	22.1	23.7	25.2	26.8
Specialised food stores	4.8	4.9	5.2	5.4	5.7
Bulky goods stores**	14.1	14.4	15.2	15.9	16.7
Department stores	1.9	1.8	1.8	1.8	1.7
Apparel stores	7.4	7.5	7.8	8.2	8.5
Other non-food stores	12.8	13.0	13.7	14.3	15.1
Restaurants and fast food services***	10.8	11.1	11.9	12.7	13.6
Personal services****	2.8	2.8	3.0	3.1	3.3
Sub-total	76.0	77.6	82.3	86.6	91.3
Main Trade Area					
Supermarkets and grocery stores	66.2	71.3	79.5	84.8	91.0
Specialised food stores	14.4	15.4	17.0	17.9	18.9
Bulky goods stores	42.2	44.8	49.2	51.8	54.7
Department stores	6.5	6.6	6.8	6.8	6.7
Apparel stores	21.4	22.6	24.7	25.8	27.1
Other non-food stores	37.1	39.4	43.3	45.5	48.0
Restaurants and fast food services***	31.6	34.0	38.0	40.6	43.7
Personal services****	8.2	8.7	9.5	9.9	10.4
Total	227.5	242.8	267.9	283.0	300.7

Source: ABS retail sales data, ABS Household Expenditure Surveys and HillPDA

* Allows 0.7% per annum real growth in spend per capita in line with the long term historic trend since 1986.

** Bulky Goods includes fabrics, soft goods, furniture, floor coverings, hardware, houseware, electrical appliances, sports and camping stores.

*** Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

**** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

⁹ ABS retail sales data. Expenditure includes selected personal services such as optical dispensing, hair and beauty and clothing alterations but excludes financial, travel, real estate, medical and other commercial services.

2.2.4 Capture of household expenditure

Forecasting potential retail sales is derived from varying capture rates assumed as follows:

Table 4: Target capture rates

Store Type	PTA	STA
Supermarkets and grocery stores	72.5%	36.3%
Specialised food stores	65.0%	32.5%
Bulky goods stores	10.0%	5.0%
Department stores	-	-
Apparel stores	15.0%	7.5%
Other non-food stores	25.0%	12.5%
Restaurants and fast food services	55.0%	27.5%
Personal services	35.0%	17.5%
Total	41.6%	20.6%

Source: HillPDA

The percentages in the above table reflect the potential percentage capture of resident expenditure to Edgcliff. The result is a potential to capture \$78 million from PTA residents and a further \$17.1 million from STA residents by 2031, which equates to \$95.2 million by 2031 as shown in the table below.

Table 5: Potential sales from trade area residents (\$2022 Millions)*

Retail Category	2026	2031	2036	2041
Supermarkets and grocery stores	43.6	49.0	52.4	56.2
Specialised food stores	8.4	9.3	9.8	10.5
Bulky goods stores	3.8	4.2	4.4	4.6
Department stores	0.0	0.0	0.0	0.0
Apparel stores	2.8	3.1	3.3	3.4
Other non-food stores	8.2	9.1	9.6	10.1
Restaurants and fast food services	15.7	17.6	18.9	20.3
Personal services*	2.5	2.8	2.9	3.1
Total	85.1	95.2	101.2	108.3

* Personal services include optometry, repairs, clothing alterations, video hiring, hair and beauty, etc

Source: ABS retail sales data, ABS Household Expenditure Surveys and HillPDA

2.3 Other sources of Expenditure

Two other main sources of expenditure were identified being public transport commuters and workers in the immediate area.

2.3.1 Expenditure from Workers

Workers typically spend a proportion of their total spend close to their place of work. Within the PTA there are over 4,000 workers, increasing to almost 4,700. Assuming an average spend of \$3,800 per annum per worker¹⁰ total retail sales from non-resident workers at Edgecliff would be \$16.6m per annum by 2031.

2.3.2 Expenditure from Commuters

Edgecliff railway station is located on the Eastern Suburbs line, serving the Sydney suburb of Edgecliff. It is served by Sydney Trains T4 Eastern Suburbs & Illawarra Line services and NSW TrainLink South Coast Line services. Edgecliff station opened in 1979 when the Eastern Suburbs line opened from Central to Bondi Junction. In June 2019 a \$26 million Transport for NSW upgrade was completed providing a new access ramp on New McLean Street and a bus canopy extension. 20,000 passengers a day pass through the station¹¹. Around half of these passengers are commuters using the train to work and around two thirds of commuters live outside the MTA.

The following bus routes operate from Edgecliff Interchange. All routes are operated by the State Transit Authority.

- Bus Interchange
 - 200: to Bondi Junction Interchange via Woollahra
 - 328: to Bondi Junction Interchange
 - 323: to Dover Heights
 - 324: Watsons Bay via Vaucluse Heights
 - 325: Watsons Bay via Vaucluse
 - 326: to Bondi Junction Interchange via Victoria Road
 - 327: to Bondi Junction Interchange via Bellevue Road
 - 328: to Darling Point
- New South Head Road
 - 200: to Chatswood station
 - 324: to Walsh Bay
 - 325: to Walsh Bay

Hence there a fair number of commuters at Edgecliff Station that live further east in the suburbs of Double Bay, Bellevue Hill, Point Piper, Rose Bay, Vaucluse and Watsons Bay. These residents are very affluent with an average spending level of around \$22,000 per annum – almost 40% higher than the Sydney Average. Capturing a very small level of their total spend (say 2%) equates to around \$495 per annum spend by each commuter living outside the MTA. In total a further \$6.6 million could potentially be captured from this source. We consider this to be a reasonable, even conservative, assumption.

Finally we would expect some additional capture of expenditure from other sources – people that neither work or live in the area such as students (Ascham Girls High School), visitors to medical services, family, friends and the like. We have assumed 10% (around \$9 to \$11 million) of total revenue will be derived from these miscellaneous sources.

¹⁰ An Urbis study found workers in the CBD spend \$11,000 per annum in the CBD of which 33% was in food and drink services (<https://insideretail.com.au/news/office-workers-big-spenders-201407>), accounting for growth in retail spend to 2022, the offer and location we estimate assumed an average spend of around \$3,800 per worker across all retail categories.

¹¹ Transport for NSW, Transport Performance and Analytics (TPA)

2.4 Total forecast potential retail sales

From the above data and assumptions made we forecast potential retail sales in 2041 as follows:

Table 6: Potential retail sales by store type 2026 - 2041 (\$2022 Millions)

Retail Store Type	2026	2031	2036	2041
Supermarkets and grocery stores	59.9	65.9	69.8	74.5
Specialised food stores	11.6	12.6	13.1	13.8
Bulky goods stores	5.2	5.6	5.8	6.1
Department stores	-	-	-	-
Apparel stores	3.9	4.2	4.3	4.5
Other non-food stores	11.3	12.2	12.8	13.4
Restaurants and fast food services	21.5	23.7	25.1	26.9
Personal services	3.5	3.7	3.9	4.1
Total Retailing	116.8	127.9	135.0	143.4

Total potential or achievable retail sales in Edgecliff by 2031 would be around \$127.9 million of which more than half would be captured by supermarkets, food and grocery stores.

2.5 Demand for shop front space

Demand for shop front space is calculated by dividing potential retail sales by industry target retail turnover density levels (\$/sqm). Target RTDs are sourced from a number of sources including ABS Retail Sales, ABS Retail Surveys 1998-99, Shopping Centre News, Urbis Retail Averages, various annual reports and other consultancy studies. The results are shown in the table immediately below.

Table 7: Floorspace demand by broad retail type

Retail Store Type	Target RTD (\$/sqm)*	2026	2031	2036	2041
Supermarkets and grocery stores	13,000	4,517	4,848	5,009	5,211
Specialised food stores	12,000	944	1,000	1,021	1,049
Bulky goods stores	3,700	1,383	1,480	1,525	1,583
Department stores					
Apparel stores	7,000	549	585	600	619
Other non-food stores	6,000	1,864	1,994	2,055	2,132
Restaurants and fast food services	7,000	3,008	3,234	3,350	3,493
Personal services**	4,500	765	814	835	862
Total Retailing	8,800	13,029	13,956	14,396	14,949
Non-retail commercial space @ say 20%***		2,606	2,791	2,879	2,990
Vacancies (say 4%)		625	670	691	718
Total shop front space		16,260	17,417	17,966	18,657

* Assumes to increase at 0.5% per annum for food and food services and 0.25% for non-food retailing

** Including hair and beauty, laundry, clothing hire and alterations, optical dispensing

*** Includes financial, real estate, travel and medical services that occupy shop front space and 20% assumption is consistent with current levels and similar sized centres

The net increase in GLAR proposed on the subject site is around 2,500-3,000 square metres¹². This would bring the total level of occupied shop front floor space in Edgecliff to around 15,500-16,000 square metres – some 1,400 -1,900 square metres less than what could be provided to meet potential demand by 2031.

Note that the Edgecliff Commercial Core Planning and Urban Strategy (draft Strategy) estimates a total of around 20,500 square metres of retail Gross Floor Area (GFA) within Edgecliff's commercial core. GFA of course is a higher number than GLA because not all GFA is leasable. Much of it is circulation / arcade space, management office space, amenities, storage and other non-leasable space. Further analysis reveals that the estimates in the draft Strategy of current retail provision incorporates spaces like petrol stations (including the open canopy which is not internal floor space), automotive and tyres, recreational uses (e.g., Anytime Fitness), other commercial suites and home improvement / showroom space (such as tiling, hardware, flooring, etc) which were not defined as retail space in this study. The draft Strategy also assumes a significantly higher provision of existing retail floorspace for Edgecliff Centre and Eastpoint Food Fair, exceeding the GLAR sourced from the Property Council of Australia Shopping Centres Directory – likely because it included arcade space, amenities and the like. The draft Strategy also proposes an uplift accommodating an extra 5,450 square metres of retail GFA which was not based on any expenditure (demand forecast) modelling and it is unclear how much of this is GLA and the type of retail it includes. As such comparisons of floor space in the draft Strategy with this study cannot be done simply because the two studies are defining retail floor space very differently.

¹² Preliminary design proposes 6,230sqm GFA, we have assumed conversion to GLA of 90-100% of GFA.

3.0 ECONOMIC IMPACT ASSESSEMENT

The following Chapter assesses the economic impacts of the proposal during and post-construction. Economic impacts include employment generation, wages and gross value added (GVA) and increased business generated from additional workers and residents.

3.1 Proposed land uses

A preliminary concept plan has been prepared for the site, which encompasses:

- Approximately 275 apartments
- 6,230sqm of retail space GFA
- 8,500sqm of commercial space GFA
- Around 2,500sqm of community space GFA
- 333 basement car spaces

The economic impacts of the planning proposal were evaluated using this concept plan. It is important to note that this plan is preliminary and subject to potential changes. Any alterations to the scheme would consequently modify the estimated economic impacts outlined in this analysis.

3.2 Approach to estimating the economic impacts

To derive employment support and economic activity estimates, HillPDA developed an input-output (IO) model which applies industry specific employment, output and gross value-added multipliers (refer to Section 3.2.1) to spending and/or capital investment estimates (detailed in Section 3.3.1) to formulate:

- gross output estimates
- gross value added estimates
- employment estimates

supported by constructing the proposed uses on site.

The IO modelling for this report is based on the Australian National Accounts and has adjusted these effects for industry size relative to the State and calculated the direct, indirect, and induced effects of construction expenditure as well as industry output and employment job creation.

The ABS notes that “Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment.” In particular it may leave the impression that resources used for production would not have been utilised elsewhere in the local economy. Nevertheless, the estimates illustrate the high flow-on effects of construction activity.

3.2.1 Economic multipliers

The construction industry is a significant component of the economy, accounting for 5.96% of Gross Domestic Product (GDP) and employing just over one million workers across Australia¹³. The industry has strong linkages with other sectors, so the impacts on the economy go further than the direct contribution of construction. This is known as the multiplier effect. Multipliers refer to the level of additional economic activity generated and/or supported by a source industry.

¹³ Source: IBIS World Construction Industry Report 2018

There are two types of effects captured by multipliers:

Production Induced Effects: which is made up of:

- *Direct effects:* which constitutes all outputs and employment required to produce the inputs for construction, and
- *Indirect effects:* which is the induced extra output and employment from all industries to support the increased production of the construction sector.

Consumption Induced Effects: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

3.3 Construction impacts

The planning proposal would require significant capital investment, which would drive economic activity and create employment across the economy. This section considers the economic benefits associated with constructing the proposed development.

It should be noted that no construction activity is anticipated in the base case scenario. As such all benefits associated with constructing the planning proposal in terms of job creation and increased economic activity represent a net gain.

3.3.1 Capital investment value (CIV)

Total cost of construction is estimated at \$488 million as detailed in the table below.

Table 8: Estimated capital investment value of proposed uses

	GBA (sqm)	\$/sqm (GBA)	Total \$
Site Specifics	80,882	\$544	\$44,000,000
Retail	10,015	\$4,105	\$41,111,466
Basement	20,247	\$4,094	\$82,890,058
Commercial	9,770	\$6,125	\$59,841,250
Residential	38,276	\$6,795	\$260,088,151
TOTAL			\$487,930,925

Source: Longhurst

Assuming design and application fees at 8.6% of construction then total design and construction (or capital investment value) is estimated at \$530m.

3.3.2 Gross output

As above the construction of the proposed development will have a direct impact on job creation as well as indirectly stimulating other industries which assist in production or cater to increased consumption.

The table below details the output multipliers and shows the impact of the change in demand generated by the proposed development and the impact on the NSW State economy. These multipliers reflect the size of State industries based on 2021 Census data. Total gross output direct and indirect from development is estimated at \$1.51 billion.

Table 9: Gross output (\$m)

	Direct effects*	Production induced effect		Consumption induced effect	Total
		First Round effects	Industrial Support Effects		
Output in the State economy (\$m)	529.9	312.6	283.5	381.4	1,507.4

* Includes design costs and application fees assumed at 8.6% of construction costs

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2020-21 (ABS Pub: 5209.0), ABS Census 2021 Data

3.3.3 Gross value added (GVA)

The Gross Value Added (GVA) of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the regions' wealth or gross regional product (GRP). The main components of GVA are workers' remunerations, profits and government taxes.

Table 10: Gross value added (\$m)

	Direct effects*	Production induced effect		Consumption induced effect	Total
		First Round effects	Industrial Support Effects		
GVA in the NSW economy	162.4	122.0	125.5	202.7	612.7

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2020-21 (ABS Pub: 5209.0), ABS Census 2021 Data

As shown in the table immediately above, the planning proposal would directly contribute around \$162.4 million GVA to the State economy. Including the multiplier impacts, the planning proposal would contribute and/or support a total \$612.7 million GVA to the State economy (measured in 2023 dollars).

3.3.4 Job creation

Every million dollars of CIV generates 2.2 job years¹⁴ directly in design and construction. Based on the estimated CIV, 1,160 job years¹⁵ would be directly generated in design and construction.

Table 11: Construction employment impact

	Direct effects*	Production induced effect		Consumption induced effect	Total
		First Round effects	Industrial Support Effects		
Total Job years generated in the NSW economy	1,160.3	949.9	881.1	1,311.0	4,302.3

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2020-21 (ABS Pub: 5209.0), ABS Census 2021 Data

Through production induced and consumption induced multiplier impacts a total of 4,302 job years would be generated and supported across NSW in the design and construction process.

¹⁴ Source: ABS Australian National Accounts: Input – Output Tables 2020-21

¹⁵ Note: Job years is used to calculate the amount of work needed to complete a construction project. One Job year is one full-time job over one year. Construction projects are not permanent but often span over several years and the number of workers on site vary at any one time. To calculate the average number of jobs on site during construction, divide total job years by the number of years of construction.

3.3.5 Other construction impacts

The construction process may lead to short-term negative impacts in the locality such as increased traffic, noise, dust and so on. The development would take the necessary steps to mitigate the extent of these impacts which will form part of further approvals. Impacts during construction are short term and can be managed but an improved retail offer with added health services and increased activity will benefit the centre in the long term.

3.4 Economic impacts post construction

The following section assesses and where possible quantifies the net potential economic impacts of the planning proposal during the operational phase as measured against the base case.

3.4.1 The base case scenario

The base case is referred to as the 'do nothing' option. The existing building on the site has employment uses comprising 3,154 square metres retail GLAR and 7,965sqm of office GLA. The current vacancy rate is quite high – 9 retail vacancies totalling 640 square metres which equates to 20% of floor area. The office tower currently has 19 vacant suites totalling 3,238 square metres which equates to 41% of floor area. The high vacancies are likely a reflection of varying factors including the requirement for substantial capital investment, the building's age and nearing economic obsolescence, redevelopment clauses to facilitate capital investment and changing retail/office trends and needs of businesses. Notwithstanding the current high vacancy rates, for the purposes of this assessment, it is assumed that most (90%) of the floor area is occupied.

Assuming an employment density rate of 22 square metres per worker for the office component and 30sqm per worker¹⁶ for the retail component then total employment on site is estimated at 421.

Based on an average remuneration of around \$83,500 in the office space and \$36,570 in the retail space total remuneration of all workers is \$30.7 million per annum¹⁷.

Gross value added (GVA) of an industry refers to the value of outputs less the costs of inputs. It measures the contribution that the industry makes to the country's wealth or gross domestic product (GDP). Based on the number of existing workers by industry type we estimate the current level of GVA at \$45 million per annum¹⁸.

3.4.2 Planning Proposal scenario

3.4.2.1 Employment generation

After the construction phase is completed, the proposal would provide employment floorspace. By applying industry standard employment densities, we have estimated that the proposal has the potential to support up to 785 jobs upon operation and assuming 95% occupancy. The calculations are shown in the table below.

¹⁶ Lower employment densities are adopted to reflect the older style offices and less efficient design.

¹⁷ Sources include ABS, IBIS World reports and "Living in Australia"

¹⁸ IBIS World Reports

Table 12: Estimated employment generation of Planning Proposal

Land Use	Employment Density*	No.	Units	Jobs
Retail	1 / 25 sqm	5,607	Sqm GLA****	224
Commercial	1 / 16 sqm	7,650	Sqm GLA****	478
Community	1 / 40 sqm	2,250	Sqm GLA****	56
Work at Home**	1 / 10 units	261***	apartments	26
Total (GLA)				785

* ABS Retail Survey 1998-99, Australian Benchmarks, Sydney City Employment & Floorspace Survey 2019 and HillPDA

** As sourced from ABS Community Profile for Woollahra LGA 2016 and 2021 and national trends

*** Assumes 5% vacancy.

**** Assumes GLA @ 95% of GFA and 5% vacancy

The 785 jobs on site is a net increase of 364 jobs above the base case. It is likely that the difference would increase further over time as the existing building continues to age and becomes increasingly less attractive to new tenants in the commercial property market.

3.4.2.2 Workers' remuneration

HillPDA has estimated a total annual remuneration of \$53.2 million for the workers on site. The details are provided in the table immediately below.

Table 13: Estimated remuneration

Land use	No. of Workers	Average Wage	Total Wage Generation (\$m)
Retail	224	36,571	8.2
Commercial	478	83,516	39.9
Community	56	55,487	3.1
Work at Home**	26	73,990	1.9
Total	785	67,773	53.2

Source: IBIS World Reports and ABS Average Weekly Earnings

Remuneration of workers on site is a net increase of \$22.5m per annum from the base case scenario.

3.4.2.3 Gross value added

HillPDA has estimated the combined GVA from land uses proposed in the planning proposal at \$77.2 million per annum. The details by land use is provided in the table below.

Table 14: Estimated Gross Value Added

Land use	No. of Workers	GVA / Worker	GVA (\$m)
Retail	224	56,766.0	12.7
Commercial	478	121,345.3	58.0
Community	56	62,674.0	3.5
Work at Home**	26	110,360.0	2.9
Total	785	98,318.0	77.2

Source: HillPDA, IBIS 2018/19 World Reports and Economy id

Gross value added of \$77.2 million is a net increase of \$32.2 million per annum from the base case scenario.

3.4.2.4 Additional revenue for local retailers

We estimate that the 759 non-residential workers on the site would spend around \$2.7m per annum on retail goods and services in the Edgecliff town centre based on an average spend of \$15 per day per worker¹⁹. This is an increase of \$1.2m per annum from the base case.

Residents by far make the strongest contribution to supporting existing and new businesses. Residents on site will be affluent each spending on average around \$24,000 per annum on retail goods and services of which close to half of this would be spent in the Edgecliff town centre. Assuming \$12,000 per person this would amount to a further \$5.3 million every year in additional revenue for Edgecliff retailers.

3.5 Retail trading impacts

3.5.1 Forecast retail sales

The proposal will provide 6,230 square metres of GFA. This represents a 2,500 to 3,000 square metres net increase GLAR. For the purposes of this assessment we have assume the midpoint of 2,750 square metres. Assuming an average turnover of \$8,280/sqm we estimate that this net increase will lead to an increase in retail sales of \$22.8 million.

3.5.2 Retail trading impacts

Total retail sales would be redirected from competing centres. In order to quantify the redirection of trade from competing centres HillPDA prepared a bespoke gravity impact model. For evaluation purposes, we will assess the impact of the centre during its first complete year of operation, which is expected to be in the year 2031. This timeframe allows sufficient time for the centre to establish a solid customer base and attain full occupancy.

The gravity model was designed on the premise that the level of redirected expenditure from a competing centre selling like for like products is directly proportional to the turnover of that centre and indirectly proportional to the distance from the Subject Site. The results are presented in the table immediately below.

¹⁹ Note that this is around 30% of the total spend by workers in the Sydney CBD near the place of work based on a recent Urbis Survey of workers in the CBD (<https://insideretail.com.au/news/office-workers-big-spenders-201407>)

Table 15: Trading Impacts of the Proposal (\$2022 Millions)

1	2	3	4	5	6	7	8	9	10
Retail Centre	Distance from Subject Site (km)	Approx. Retail Floor Space	Turnover in 2022	Turnover in 2031 without Proposal	Turnover in 2031 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2031	Shift in turnover from 2022 to 2031	% Shift in turnover from 2022 to 2031
Marginal Increase					22.8	22.8		22.8	
Existing Retailers		10,450	92.5	109.6	106.5	-3.1	-2.8%	14.0	15.1%
Total Edgecliff Town Centre		10,450	92.5	109.6	129.3	19.7	18.0%	36.8	39.7%
Bondi Junction	1.8	150,000	1526.5	1692.0	1681.5	-10.5	-0.6%	155.0	10.2%
Double Bay	0.7	26,000	201.3	220.1	216.5	-3.6	-1.6%	15.2	7.6%
Woollahra	1.0	2,000	13.6	14.8	14.6	-0.2	-1.2%	1.0	7.6%
Paddington	0.8	27,000	183.3	199.6	196.5	-3.1	-1.6%	13.2	7.2%
Other Localities						-2.3			
TOTAL		205,000	1924.6	2126.4	2131.8	0.0	0.3%	221.2	10.8%

Columns:

1. Retail Centre Name (includes strip shops)
2. Distance in kilometres from subject site (source: Googlemaps).
3. Various including Shopping Centre News, PCA Shopping Centres Directory, Hill PDA and IBECOM Floorspace Surveys.
4. Various including Shopping Centre News, PCA Shopping Centres Directory, Shopping Centre Annual Reports, Urbis Retail Averages, Other Consultancy Reports and Hill PDA Estimate.
5. Allows for population growth and real growth in retail spend per capita of 0.8% per annum in line with historic trend since 1986 (Hill PDA Calculation from ABS Retail Sales, population estimates and CPI indexes).
6. The turnover of centres following the proposed development. The forecast turnover of the proposed development is redirected from the existing centres based on distance and size.
7. This is difference between the development and the do nothing options (i.e. Column 4 minus Column 5).
8. Immediate percentage shift in turnover divided by turnover in 2031 without development (ie Column 6 - Column 5)
9. This is the shift in turnover from 2022 to 2031 after the opening of the new development (Column 6 minus Column 4)
10. This is shift in turnover from 2022 to 2031 divided by the base turnover in 2022

The table above shows that the strongest immediate impacts will be on existing retailers in Edgecliff (which includes the site itself) with a loss of \$3.1 million or 2.8% average loss in trade. Note however that this is the immediate impact – the difference between the proposal and the ‘do nothing’ option. From 2022 to 2031 existing retailers will enjoy considerable growth in trade due to population growth and real growth in retail spend per capita (at around 0.8% per annum in line with the long-term trend since 1986). As shown in the far right column of the table existing retailers will enjoy real growth in turnover of 15.1%. This growth is also partly due to the additional residents and workers on the site itself that will spend around \$6.5 million more in the Edgecliff town centre than the existing workers in Edgecliff Centre.

A further important consideration is that the impacts on existing retailers is not a relevant matter for consideration at development application stage. The NSW Land and Environment Court has clearly stated that competition between traders in the same centre is not a relevant matter for determination and that the relevant matter is the impact on the centre and other centres as a whole. In this particular case Edgecliff centre will enjoy additional trade as a result of the proposal because the proposal will replace old with new. It will significantly improve the retail mix, the layout and connectivity making Edgecliff a more attractive place to shop for Edgecliff and Darling Point residents, commuters and for Edgecliff workers. The current retail offering is dated, has a poor layout and connectivity, it also suffers from a larger vacancy. A new retail experience with larger and more generous communal offerings, higher quality retail environment, improved connections to the street network and the inclusion of significant public spaces will result in improved place making and amenity in the Edgecliff town centre.

Therefore the only relevant matter in terms of trade impacts is the impacts on other centres and the above table shows that these impacts will be insignificant. This is understandable given the sheer sizes of these competing centres and their retail mix – with a considerable component of fashion and homewares that would not be impacted by the modest expansion in Edgecliff.

3.6 Additional government revenue

State and local government stand to receive additional revenue from development which is estimated at around \$104 million. Moreover the \$104 million is exclusive of the final negotiated Voluntary Planning Agreements (VPA). The details are shown in the table immediately below:

Table 16: Impact on whole of government revenue

Source of Revenue	TOTAL (\$m)
GST from Residential Apartments *1	43.8
Stamp Duty Revenue *2	33.8
Developer Contributions *3	5.3
Payroll Tax and LSL during Construction *4	20.9
TOTAL	103.8

*1 Assuming average apartment sale price of \$2.5m (based on recent comparable apartment sales at No. 170 and 180 Ocean Street and elsewhere in the Edgecliff and Darling Point suburbs) and assuming GST is discounted by 30% using the Consideration Method of calculation.

*2 Assuming average apartment sale price of \$2.5m

*3 Assuming 1% of design and construction cost

*4 Assuming 50% of construction workers do not attract payroll tax due to varying business sizes

3.7 Other Impacts

3.7.1 Investment stimulus

Where a significant property investment decision has been made, it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further investment. The direct investment in the Subject site would raise the profile of the Edgecliff town centre and support a wide range of economic multipliers which would in turn support investment in associated industries.

Moreover, the planning proposal would increase the economic benefits to surrounding businesses, services and increase the patronage of the public transport system – particularly the train line.

3.7.2 Jobs closer to home

There are many benefits associated with providing jobs closer to home, most notably a reduced need to travel and the flow on benefits associated with this in terms of reduced pressure on infrastructure.

A reduction in the number and length of journeys made, in particular those made in private vehicles, has environmental benefits. There are also lifestyle benefits related to increased free time, reduced travel related stress and a reduced likelihood of road related accidents.

Edgecliff station is only 4 minutes from Martin Place (which will also be on the new Metro Northwest to Bankstown Metro line) and 7 minutes from Town Hall Station providing a rapid and frequent public transport

service to the city. Providing jobs closer to home meets the GSC 30 minute city direction, where residents live within 30 minutes of their jobs, education and health facilities, services and great places.

3.7.3 Town centre activation

A high-density mixed-use development comprising retail, commercial, medical services and residential uses would create increased pedestrian traffic having the effect of further activating the town centre. This precinct activation would have the benefits of increasing security, increasing trade for retailers through increased passing trade and increased investment in the local area.

3.7.4 Transit Orientated Development (TOD)

High-density mixed-use development close to major transport nodes meets urban consolidation objectives. It results in improved efficiencies, reduces dependency on private motor vehicle usage and encourages the use of public transport.

Apart from proximity to major public transport infrastructure, TODs provide a wide range of land uses – combining residential with retail, educational, medical, financial and other personal services. The purpose is to create a precinct where people can live, work, shop, learn and play with public transport connections to reduce the need to use private motor vehicles and improve transport and environmental sustainability. The proposal makes a strong contribution towards these goals by replacing an ageing building with new housing, a new retail centre, medical and other commercial services adjacent to the Edgecliff train station only five minutes away from the Sydney CBD.

3.7.5 Economic stimulus

Recently the national economy was significantly impacted from the COVID 19 pandemic. The redevelopment of Edgecliff centre is a timely project that would provide some needed stimulus by way of multiplier impacts that would ripple through the economy and utilising resources including labour that would otherwise not be utilised during times of recession.

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