

NEUTRAL BAY TOWN CENTRE

Economic analysis and Financial Feasibility Assessment



Prepared for North Sydney Council

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Quality Control

This document is for discussion purposes only unless signed and dated by a Principal of HillPDA.

Reviewer

Signature		Dated	Click here to enter a date.
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PHASE 1

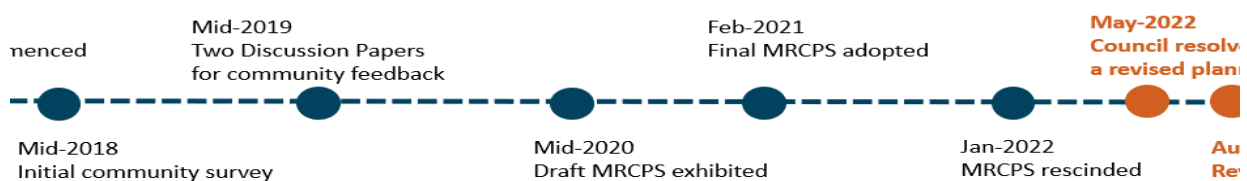
1.0 INTRODUCTION

1.1 Background

HillPDA was commissioned by North Sydney Council to provide economic analysis to guide planning decisions in the Neutral Bay Town Centre following the MRCPS being rescinded in January of 2022. In May of 2022 Council resolved to revise the planning study following the community engagement outcomes as a result of changes in market conditions, economic context and desired planning outcomes. It is understood that the MRCPS was rescinded as a result of community concerns around building heights, village atmosphere/heritage character, parking access and arrangement, solar access and traffic impacts.

The intent of this updated study is to provide guidance and advice based on current market conditions, trends and economic changes. The figure below illustrates the key milestones provided by Council:

Figure 1: Timeline of key events



Source: North Sydney Council

The Neutral Bay Town Centre has increasingly attracted development interest of varying scales. This development interest has been challenging under existing planning controls and the current strategic framework. The purpose of this update work is to provide a clear framework for planning changes that balance both economic and financial viability and meeting desirable community outcomes. The Planning Study will provide greater certainty for the community and potential proponents. The objective of the study is to:

- Provide an understanding of current economic activity and future market trends in the study area
- Develop an updated economic strategy for the Neutral Bay Town Centre

The study objectives that have departed are primarily around building height and built form controls including:

- possible reduction in building heights on the key sites
- amendments to the proposed built form controls to reflect the new building height and reinforce the village character.
- incorporation of public benefits including public open spaces and community facilities.

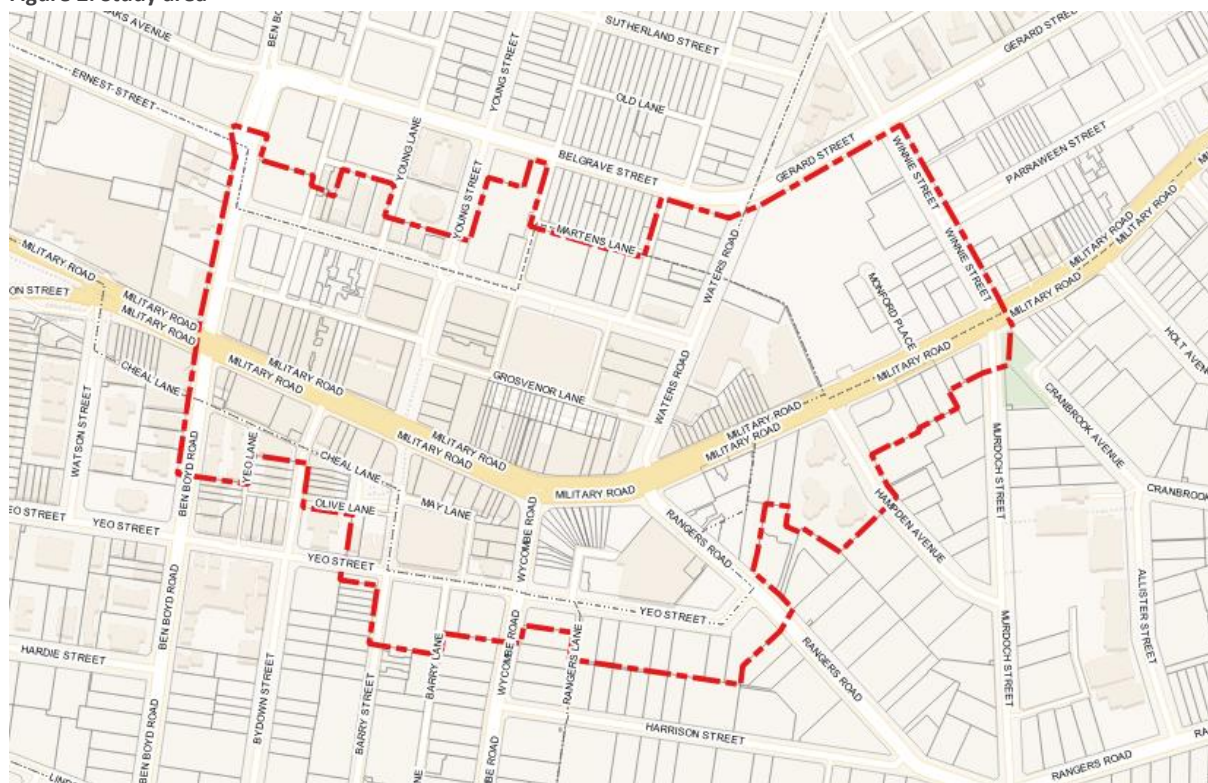
The following project teams had been engaged:

- **Economic Analysis & Financial Feasibility** - Prepare an updated Economics Study and Financial Feasibility Assessment.
- **Landscape Architect** - Prepare the Public Domain Concept Design for town centre and estimate value of construction costs.
- **Transport Planner** - Provide Transport Analysis on the proposed design and planning controls.
- **Community Engagement Consultant** - Plan and undertake the key stakeholders engagement sessions.

1.3 Study area

The Neutral Bay Town Centre Study area is defined in Figure 2. The study area relates to the Neutral Bay town centre as shown by the broken red line below.

Figure 2: Study area



Source: North Sydney Council, 2023

Neutral Bay Town Centre

The Neutral Bay Town Centre (as defined under section 5 of Part C to North Sydney DCP 2013) is a mixed-use commercial and residential area containing significant retailing, hospitality and entertainment uses as well as commercial office spaces servicing the business needs of the local population. The precinct includes two full-line supermarkets, two small retail malls, a school, two Council owned car parks, a bus depot and community centre. The area includes large consolidated sites intermixed with older style main street retail development on elongated lots with narrow street frontages, many with dual frontages. A portion of the Neutral Bay Town Centre is included in the Stage 2 component of the planning study as per Figure 2 above.

1.4 Purpose of the updated study

The updated study will be completed in two stages, the first stage is an economic analysis including an updated review of relevant planning documents and previous studies, study area profile and floorspace supply analysis, emerging market trends and updated floorspace demand. The following detailed tasks and outcomes have been undertaken:

Stage 1: Economic analysis

- Strategic context and information review:
 - Strategic planning documents
 - Previous studies and reports
 - Submissions received by Council to understand issues
 - DCP controls within competing commercial markets (Mosman, Double Bay, Cremorne?)

- Study area profile and floorspace supply
- Study area supply and pipeline analysis
- Updated baseline on commercial and residential floorspace
- Identify any changes to the economic profile (businesses, workers, industries)
- Emerging market trends:
 - Identify key trends expected to impact future demand for commercial and residential floorspace
- Updated floorspace demand:
 - Provide updated floorspace demand analysis for both commercial and residential
 - Investigate the relationship between height and non-residential floorspace requirements

Outcome:

- **Existing:** How much commercial floorspace (retail/office) do we have?
- **Future demand:** How much commercial floorspace (retail/office) do we need today and by 2036 to meet demand?
- What trends are driving this?
- **Results:** “What is the minimum non-residential floor space ratio (FSR) take-up to achieve no net loss?”
- What is the minimum non-residential FSR take-up to meet future demand?
- What residential and non-residential provision (height in storeys and FSR) to make redevelopment financially feasible?

Stage 2: Financial feasibility

- Market research
- Financial feasibility

PHASE 1 ECONOMIC BASELINE

2.0 STRATEGIC PLANNING REVIEW

In undertaking a review of planning documents, we note that in large part the previous planning documents are still applicable and relevant to the current study. The following planning documents have been reviewed and included in appendix A. In undertaking an updated review of the relevant planning documents, HillPDA note that the planning studies identified in the previous studies still apply. For the purposes of this report, we have summarised this section in the following table.

Type	Key points
State review	
Greater Sydney Regional Plan	<p>The Greater Sydney Region Plan – <i>A Metropolis of Three Cities</i> (Region Plan) was finalised in March 2018 by the Greater Sydney Commission. The Region Plan vision is to create a metropolis of three cities, specifically the Western Parkland City, Central River City and the Eastern Harbour City. The study area is within the Eastern Harbour City with its aim to – <i>build on its recognised economic strength and address liveability and sustainability</i>. The Eastern Economic Corridor City is identified within the Eastern Harbour City to foster innovation and global competitiveness, supported by investments in transport and services, jobs growth and business activity.</p> <p>A core intent of the Region Plan is to give people more housing choice and establish more jobs closer to where people live, to develop a more accessible and walkable city and creating conditions for a stronger economy. This intent is delivered through a number of strategic objectives relevant to the Neutral Bay Town Centre including:</p> <ul style="list-style-type: none"> • Objective 3: Infrastructure adapts to meet future needs. • Objective 6: Services and infrastructure meet communities’ • Objective 9: Greater Sydney celebrates the arts and supports creative industries and innovation • Objective 12: Great places that bring people together • Objective 13: Environmental heritage is identified, conserved and enhanced • Objective 14: A Metropolis of Three Cities – integrated land use and transport creates walkable and 30-minute cities. <p>An overarching strategy of the Greater Sydney Region Plan is providing housing in locations well serviced by transport and social infrastructure. Local centres are particularly important clusters of day-to-day services.</p>
North District Plan	<p>The North District Plan is a 20-year plan to manage growth in the context of economic, social and environmental matters. It is a guide for implementing the Greater Sydney Region Plan at a district level and is a bridge between regional and local planning. The District Plan informs local strategic planning statements and environmental plans, the assessment of planning proposals as well as community strategic plans and policies. Cremorne and Neutral Bay are identified as ‘Local Centres’, so there is no explicit state policy for each of these areas. There are broad planning principles for local centres, which include:</p> <ul style="list-style-type: none"> • Provide a public realm and open space focus • Deliver transit-oriented development and co-locate facilities and social infrastructure • Provide, increase or improve local infrastructure and open space • Improve walking, cycling and public transport connections including through the Greater Sydney Green Grid • Protect or expand retail and/or commercial floorspace • Protect or expand employment opportunities • Integrate and support arts and creative enterprise and expression • Support the night-time economy • Augment or provide community facilities, services, arts and cultural facilities • Conserve and interpret heritage values • Accommodate local festivals, celebrations, temporary and interim uses

Type	Key points						
State review							
	<ul style="list-style-type: none">• Increase residential development in, or within a walkable distance of, the local centre• Provide parking that is adaptable to future uses and takes account of access to public transport, walking and cycling connections. <p>These planning principles are intended to form part of local area plans. Respective Councils are required to implement the North District Plan with community and stakeholder engagement and advisory from the private sector.</p>						
Council review							
North Sydney local strategic planning statement	<p>The Local Strategic Planning Statement (LSPS) sets out North Sydney Council’s land use vision, planning principles, priorities and actions for the next 20 years.</p> <p>It expresses the desired future direction for housing, employment, transport, recreation, environment and infrastructure for the North Sydney LGA. Planning Priorities and Strategies of the LSPS provide a direct line of sight with Region and District Plans and include directions to achieve their objectives. Accordingly, the LSPS sets out Strategies and Actions requiring the preparation of a LHS to inform and align council’s vision for housing with the hierarchy of plans and ensures a clear plan for housing within the local context. The LSPS also recognises the direct link between housing and planning issues such as employment and infrastructure, enabling the LHS to focus solely on housing by ensuring the desired future direction of the LGA is guided by the LSPS.</p>						
Military Road Corridor Planning Study	<p>The previous military road planning study has now been rescinded. The purpose of the study was to provide an understanding of current economic activity and future market trends in the study area and Develop an economic strategy for Neutral Bay Centre.</p> <p>The objective of the study was to give a vision to guide the future economic direction. Since this study was first undertaken the study has been rescinded following output from community engagement and concerns arising around building heights.</p>						
MRCPS Economic baseline report & economic study	<p>The MRCPS economic baseline report analysed the existing study area including market factors, economic conditions and feasibility landscape at the time. The study analysis informed the establishment of a vision and intervention to guide the development of corridor. The previous study suggested the vision for the economic development of Neutral Bay Centre as follows:</p> <p><i>Neutral Bay Centre offers a mix of high quality, small-scale, speciality retailing and office spaces. Cafes, restaurants and bars punctuate the urban fabric delivering a vibrant centre for extended hours. Community facilities and attractive public spaces provide informal gathering opportunities and breakout spaces for workers and residents. The centre encourages the revival and further development of fine-grain commercial that maintains the area’s highly valued character that makes the centre unique. Employment generating uses are concentrated at the centre’s core with additional commercial space encouraged to both the north and south of Military Road. Diverse and affordable housing opportunities are provided, which cater to a broad demographic.</i></p>						
MRCPS Financial feasibility assessment (2019)	<p>The previous feasibility assessment undertaken by HillPDA. The purpose of this current study would be to update the feasibility analysis to understand current market conditions and economic factors impacting development in the Neutral Bay Town Centre.</p>						
MRCPS – Implications of Covid-19 on Neutral Bay 2019	<p>Following the initial studies HillPDA was engaged to provide updates to the centre, specifically the impacts of the COVID-19 pandemic on the town centre. HillPDA undertook a study that detailed the impacts at the time. The study identified several observed impacts some more severe than others.</p> <p>At the time the overall implications of COVID-19 and government restrictions were uncertain with speculation that in the mid to long term the market will recover. Specific to Neutral Bay the report noted the following:</p> <table><tr><th>Sector</th><th>Short term risk/opportunities</th><th>Mid-long-term risk/opportunities</th></tr><tr><td>Retail and business services</td><td><ul style="list-style-type: none">• A turnover in premises due to less viable businesses closing, with the potential for higher vacancy rates in the shorter term.</td><td><ul style="list-style-type: none">• Establishment of new businesses filling the gap in the market where less viable businesses have vacated.• Businesses will likely continue some form of online trading once</td></tr></table>	Sector	Short term risk/opportunities	Mid-long-term risk/opportunities	Retail and business services	<ul style="list-style-type: none">• A turnover in premises due to less viable businesses closing, with the potential for higher vacancy rates in the shorter term.	<ul style="list-style-type: none">• Establishment of new businesses filling the gap in the market where less viable businesses have vacated.• Businesses will likely continue some form of online trading once
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Type	Key points		
State review			
		<ul style="list-style-type: none"> Changed nature of retail and café/restaurants with a higher percentage of businesses operating physical and online platforms. Lower revenue stream for retailers and service businesses with more conscious consumer expenditure and changes in purchasing behaviour. Reduced foot traffic from local workers in the centres, but countered by increased foot traffic from local residents working at home. 	<ul style="list-style-type: none"> operation is normalised. This may increase demand for deliveries and need for more loading zones. Relatively fast recovery and return to 'business as usual model' for cafes, restaurants and personal service businesses once restrictions are eased however employee numbers may remain lower to reduce overhead costs.
	Office	<ul style="list-style-type: none"> More people working from home, reducing demand for office space 	<ul style="list-style-type: none"> More people may choose to continue working from home leading to a potential decline in demand for office space. An increase in demand may be generated from smaller businesses seeking to benefit from the affordability of the market and appeal of local centre operation. Shared office spaces may become more popular as employees seek to maintain work-life flexibility and reduced commute times.
	Residential	<ul style="list-style-type: none"> Developers may be less inclined to take on financial risk or may seek to vary planning controls in response to a depressed and uncertain market. 	<ul style="list-style-type: none"> Demand for larger lifestyle apartments in local centres as people place higher value on amenities such as private open space, extra bedroom and larger living areas.

In 2020, the draft Future Direction Report was publicly exhibited as part of the development of the Military Road Corridor Planning Study. In total there were 435 submissions with the findings of the engagement indicating the following key points:

MRCPS – Community engagement outcomes

- the most frequent issues raised were concerns relating to building height, public parking and other traffic issues - with most specifically related to the Grosvenor Lane car park request better access and more support of local shops without being compromised by the Grosvenor Lane supermarket.
- a smaller number of submissions supported modest height increases in acknowledgement of the potential associated public benefits, however, believe that the proposed building height of 12 storeys is inappropriate for the area.
- some submissions expressed concerns that the changes will impact on the character of the area.
- there was support for the proposed public domain and community facility improvements, with several in support of additional height.
- The post exhibition report (available in the Document Library - Neutral Bay Town Centre Future Directions Report: Post Exhibition) recommended that this Study be adopted to provide a framework and guidance for ongoing discussion with local landowners about the future development of the Centre. The Study proposes to retain height increases on sites 1, 2 and 3 as previously exhibited (8 and 12 storeys) to strike a balance between the careful management of height to preserve character and enhance amenity whilst delivering on much needed public benefits for the centre. Sites 1 and 2 would benefit from the preparation of a collaborative masterplan, but the Study does not mandate this.

North Sydney DCP 2013	The NSDCP, supports the implementation of LEP provisions and guides dwelling mix, sizes and design quality. It contains detailed provisions on all aspects of development not covered under the LEP. The DCP provisions are not legally binding, however they are given weight in the assessment
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Type	Key points
State review	
	of all development applications. The North Sydney DCP would be further analysed in Phase 2 of the report when undertaking feasibility analysis to determine the assumptions for testing.

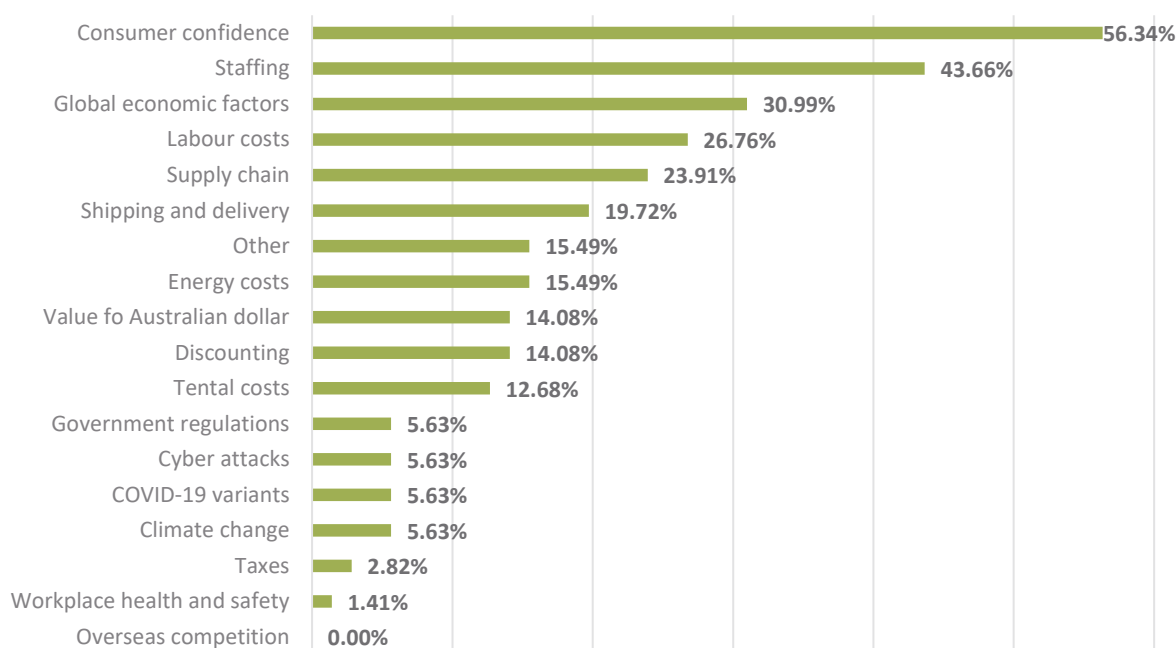
3.0 TRENDS

This chapter discusses retail, commercial and residential industry trends occurring nationally, or in some cases internationally, and the implications of these trends to the study area. Previously HillPDA provided an update of retail trends in 2020 following the outbreak of the COVID-19 pandemic. At the time there was great uncertainty around the medium to longer term impacts on retail and commercial office markets with varying opinions on implications.

With the adaptation to COVID-19 and the subsequent abolition of restriction and isolation measure, trading in personal services, retail, hospitality and food services have begun to normalise. However, some emerging trends catalysed by the pandemic and lockdown periods are likely to stay including the expansion and consumer preference of online retailing and more flexible remote working practices. Supply chain impacts are stabilising.

The following section details some broader emerging trends in the retail and commercial sector that would likely impact the Neutral Bay Town Centre and the implications to the centre. In the '2023 Australian Retail outlook' by KPMG a poll of various retailers showed the following when asked what the biggest challenges that faced retailers in 2023 were:

Figure 3: What are the biggest challenges facing retailers in 2023 (retailer poll)

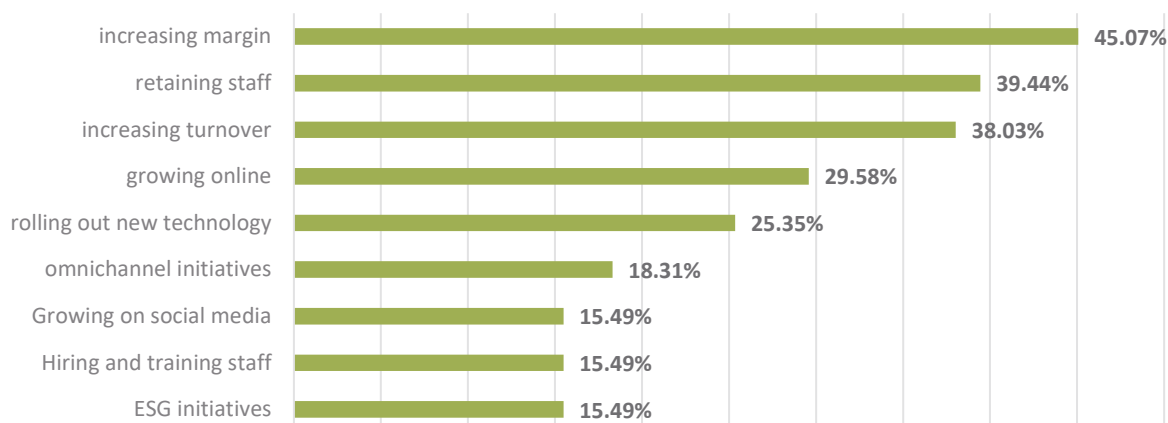


Source: KPMG 'Australian Retail Outlook', 2023

In the poll there was general consensus amongst retailers that consumer confidence was the greatest challenge as well as staffing shortages, Global economic factors, labour costs and supply chain issues. Only 5.63% of respondents thought that future COVID-19 variants would be the greatest challenge. This sentiment reflects the post COVID-19 landscape that we are in. Although future variants are unpredictable and would undoubtedly be an ongoing issue, the abolishment of lockdown measures and social distancing alongside improved systems and adapted health infrastructure has removed much of the impediments that retailers were facing when the pandemic first emerged. Staff shortages have greatly impacted physical stores alongside labour costs.

Retailer priorities are shown in the chart immediately below.

Figure 4: What will priorities be for your business in 2023?



Source: KPMG 'Australian Retail Outlook', 2023

3.1 Retail market and overview

3.1.1 Broader Trends since "return to work" from COVID-19

The removal of restrictions on movement in the early months of the year, coupled with pent-up demand in households, formed the catalyst for a boom in household spending; monthly retail turnover rose 12.5 percent between December 2021 and November 2022.

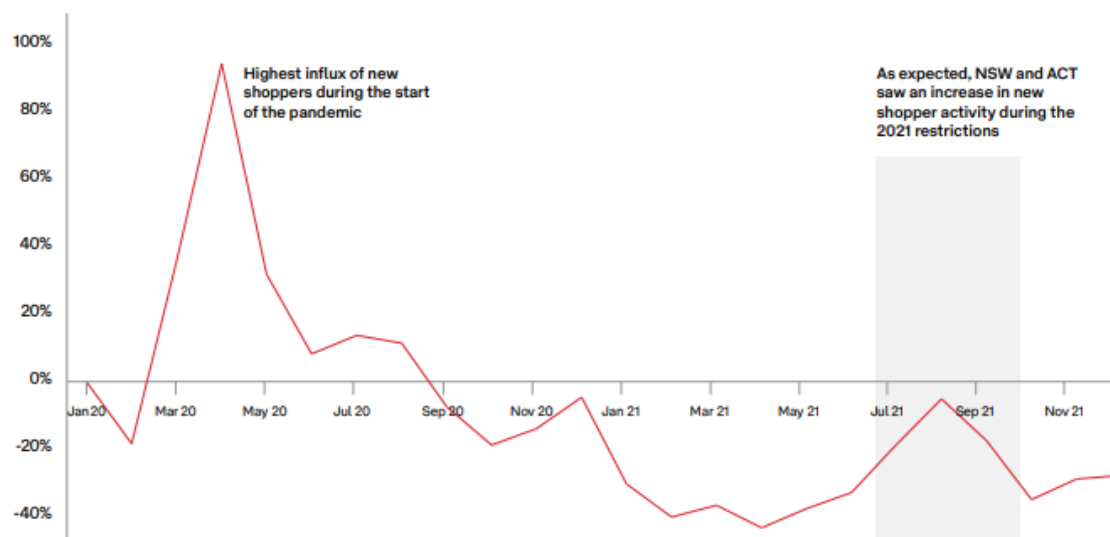
Throughout the COVID-19 pandemic record both neighbourhood centres and large-format retailing and hardware premises experienced record highs in retail sales. The products most sought after were groceries and household goods. The continuous lockdowns and trading restrictions resulted in the closure of several retail premises and businesses in the Sydney Central Business District (CBD). Regional centres that best cater to discretionary retail and mid-range fashion were also heavily impacted by a lack of trade with some stores permanently closing.

The development of the COVID-19 vaccination enabled some return to normality. This return to work has been a positive impact on CBD retailing with more foot traffic meaning more spending. However, as a nation there are many factors that Australians face that have and will impact the retail market, these include:

- 1. Shortage of Stock:** With several shutdowns, the war in Ukraine, COVID -induced factory shutdowns in China, and massive natural disasters both overseas and in Australia has resulted in widespread product shortages. This was all good for retailers if they had the products to sell to customers. It has been identified that shipping goods to Australia increased by 700 percent, with ordering times taking three times as long to be delivered.
- 2. The costs of Living:** The plan to decrease inflation to at least 3%, has led to 10 consecutive rises in interest rates. This has impacted the confidence of consumers and therefore spending on discretionary items has decreased with spending on essential products being a priority.
- 3. Hire of Staff:** Throughout 2022, finding staff to hire was difficult for many retailers especially those in hospitalities. The main factor to this was the COVID induced carer leave as well as the lack of international migrants moving to Australia. It is difficult to predict when the amount of staff levels will be at a healthy level. A survey undertaken by KMPG stated "that 44 percent of retailers believe staffing will be one of their biggest challenges in 2023 and 39 percent name retaining staff as one of their top priorities for the year."
- 4. Online Shopping Vs Retail Stores :** Throughout the pandemic, this shift online shopping to peak, however, research shows that over the last 6 months, "almost three in four shoppers preferred to shop in-store, and nearly two in five said they have a newfound appreciation for being able to touch and try on

fashion items.” The number of new shoppers entering the eCommerce market has been declining since the biggest influx was recorded in April 2020, indicating that new shoppers have transitioned to active online shoppers. That influx (shown in the graph below) coincided with increased restrictions.

Figure 5: Australian Household shopping monthly online January 2020 to Nove 2021



Source: E-commerce-industry-report-2022

3.1.2 Broader future trends for retail

The future of retail is shifting strongly towards experience and convenience, with technology continuing to drive the change. As the retail industry’s innovative nature is driven largely by the need to anticipate and respond to its customer’s needs and desires, changing socio-demographics and lifestyles, require individual retailers to constantly monitor shifts in demand and reposition their offer and in some instances, their mode of operation and distribution.

Our research has revealed the following emerging trends for 2023:

- **Faster delivery:** As online shopping matures the expectation of delivery and more convenient shopping will increase. The “next day” delivery concept being replaced with same-day delivery is more popular than ever.
- **Continued growth in online retailing with Omnichannel Retail - hybrid models (evolution of digital technology)** As stated above, bricks and mortar stores were majorly hit during the height of COVID-19, with online shopping peaking. This trend however seems to be equalising with online shopping. This effect has created a new phase of shopping called Hybrid online and in-store purchasing. With more consumers returning to in-store retailing, this market is also forever evolving to meet the needs and requirements of its customers. As online companies now have the opportunity to have a brick-and-mortar space, that allows their customers to experience the product before purchasing. For example, retailers have hosted events such as yoga classes for activewear and or product demonstrations.

In addition, in a survey undertaken by Ayden Australia 2022 Retail Report, 73% stated they preferred to visit a brick-and-mortar but it wasn’t just about the transaction it was important to have that ‘touch point’. It also stated that brick-and-mortar stores remain the staple of shopping.

Research suggests that retail expenditure increases are expected to lead to the demand for an additional 7.2 million sqm of shopfront retail floor space by 2031 in Australia.

- **Customer retention strategies:** As inflation increases so do the prices of the products. To retain customers' interest various promotions/sales are required to spark a stable interest from consumers. For example, the Black Friday and Click Frenzy sales helped to propel end-of-season retail sales well into November, permanently changing the flow of consumers' retail spending patterns.

In addition to the above, loyalty programs that incentivise customers to continue their relationship with the brand and business. In addition, is the Buy Now, Pay Later concept.

Self-service in store: The introduction of more self-service options will allow shoppers to have control of their purchasing as it mimics the convenience and speed of online shopping. For the retailer, it alleviates ongoing labour shortages. It is said that service is similar to how we view an ATM versus waiting for a teller at a bank. An ATM is quicker and therefore creates better service for the customer. In saying technology is quicker and faster, it is still recommended that retailers have that face-to-face customer experience with the staff. For example, Bunnings offers a mix of self-service and staffed checkouts, but includes staff support throughout its stores..

Mixed use investment: Neighbourhood centre is looked upon as good to invest in as they have a lot of benefits from offering residential apartments for downsizers that then allows the large housing stock to be freed up. It is also said that the carbon footprint is reduced as the residents can go and have a coffee and socialise and do their shopping without having to use their car.

The Australian economy is likely to escape a recession growth is likely to be below 2 percent, which is below the trend. Australians are of the mindset to get out and enjoy their lives. Domestic travel has fully rebounded, with 27.7 million passengers flying domestically in the three months to September 2022. The hospitality sector has been making a comeback over the last 12 months. This has led to an increase in spending in food services, clothing, and department stores. International spending is still lower than pre-pandemic due to labour shortages, aircraft capacity, and the current higher than average cost of flying. This is likely to be a short-term issue as global airlines return their fleet to Australia.

3.2 Commercial office market and trends 2023

It was understandable why the commercial market suffered the most out of all the sectors from the pandemic with office buildings being empty for weeks and months at a time. It's been three years since the initial lockdown, so what trends were formed and how is the office market looking now?

3.2.1 Trends from working through the pandemic

There is an increasing consensus that COVID-19 resulted in a shift in office demand and office demand requirements. There remains debate about the extent of the reduction in the demand for office space and whether the impacts will continue long-term.

KKS Savills (London) and the Savills Workplace Strategy Team argue a traditional office configuration will not support the demand for dynamic, collaborative and highly connected, and accessible workspace in the future. Mirvac also recently published a discussion paper recommending an overhaul of what it sees as the outdated metrics defining office spaces, as hybrid work styles become the norm in the wake of the pandemic. Mirvac argues "the way we work has changed forever, and with experience, culture, learning and connection now the focus, many existing fit outs are no longer fit for purpose". Mirvac also argues that only "modern, high-quality, tech-enabled, sustainable workplaces can support newer ways of working, so demand is growing apace for prime and A-grade space across all office markets, particularly from our large corporate customers". While Mirvac has created a pilot floor in 200 George Street to explore how office space can be used to boost performance and collaboration, facilitate experiences and encourage people back into the office, Savills has not seen the results from the pilot.

As shown in the figure below, there has been a shift in focus and thinking about the role of the office and office performance metrics for many occupiers. While cost and spatial metrics remain important, more companies are increasingly placing a stronger focus on ensuring the ‘workplace’ improves the employee experience, as they adopt a mix of working from home and working from the office. While many companies are encouraging at least 2-3 days in the office, this hasn’t resulted in significant reductions in office demand or wholesale changes in office design that some analysts forecast at the start of the COVID-19 pandemic. The newer office designs are generally increasing the amount of space per person by introducing more spaces for collaboration such as spaces for team and client connections, health and well-being (such as end-of-trip facilities, multi-faith and parents rooms, and more quiet rooms), and social interaction and maintaining or only slightly reducing the amount of office space required.

There is also a stronger focus on design for health and wellness, environmental sustainability, and outdoor spaces/connections to the outdoors where possible.

The increased emphasis on providing flexibility and choice to office-based employees in where they work is also reflected in providing more flexibility and choice for where people work in an office with more work settings in new office designs. Occupiers are also seeking more flexibility in leases and lease terms, although this is likely to be difficult to achieve. In the office, agents experience a large number of larger companies adopting a wait-and-see approach as they have leases that don’t expire for several years or relatively new fit-outs.

Figure 6: Shifts in performance metrics for office design and office functionality



3.2.2 Post-pandemic office trends

Similar to the retail market the effect of the economy has been influenced by the government's decisions. Office trends indicated from our research review include:

1. **Office market resilience:** In accordance with commercial real estate *“Australia’s ‘solid economic growth’ in 2022 was one component of Australia’s resilience in 2023. Also aiding the case was low unemployment, wage growth, strong occupier demand, no new supply completion, and stable vacancy rates and rents”*.
2. **Inflation peak:** The inflation level experience in 2023, is higher than that experienced in 1994, as well as a rapid shift in the macro-financial context underpinning property investment. This has led to an increase in interest rates, resulting in uncertainty as to how high they could reach. It has been predicted that this increase will give more clarity to the interest rate rises to come with liquidity and confidence expected to be restored by mid-2023.

3. **Yields increase to reflect the higher cost of funding:** The office market has experienced an increase in yields over the last 12 months however these forecast impacts are milder than in previous cycles, with sustained income growth helping to mitigate the impact of higher interest rates.
4. **Flight to quality:** The refurbishment of B-grade office buildings is the balance between cost, quality, specification, and amenity that will draw a competitive perspective in the market. In turn, refurbishments will improve the performance of B-grade buildings by capturing higher rents and reducing downtime. In return, the tenants require their businesses to work towards their Environment Social Governance (ESG) goals. Also, a safe COVID-19 environment to entice workers back to desks and improve space ratios will be a big factor.
5. **Rents and incentives:** Over the last 12 months some landlords have offered 40% incentives to attract tenants to the available space. From research we note that North Sydney landlords are applying 30% to 35% incentives for tenants.
6. **Vacancy rates:** Vacancy levels have dropped in North Sydney CBD significantly, even with new developments coming to market.
7. **Working from home arrangements:** Offices are becoming more hybrid working spaces. A report undertaken by Deloitte states that approximately 9% of employees are stuck with inflexible work arrangements these days. The remainder of the employees have adapted to a Hybrid. This model allows businesses to use their spaces more efficiently, altering layouts and existing designs to enhance the workplace experience. It should also be noted that a centralised environment is crucial for a business to bolster team culture and to drive development for new and younger staff and therefore the need and demand for office space will never change.

Overall, our research has revealed that the office market has been slowly improving over the last three years of office life distributions. With small improvements to office accommodation and the investor market making an appearance, the sector is set to keep performing.

8. **Local co-working places:** Shared office spaces may become more popular as employees seek to maintain work-life flexibility and reduced commute times.

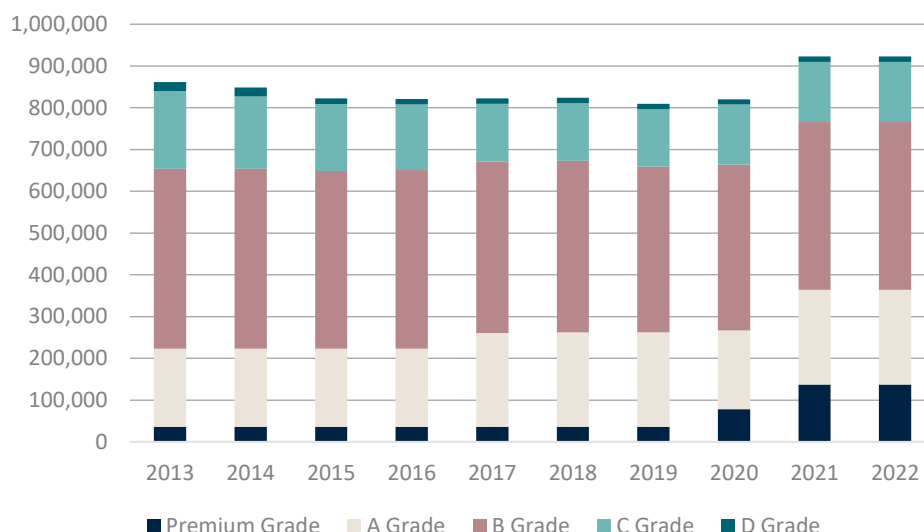
3.2.3 North Sydney office market

The PCA Office Market Report (Jan 2022) reports that as of January 2022, North Sydney contained around 922,793sqm of office floorspace, with over 100,000sqm added in the past 24 months¹. This means North Sydney accommodates the second largest amount of office space in NSW, with slightly more office space than Parramatta (887,268sqm) and Macquarie Park (909,469sqm)². As shown in Figure 7, the amount of office stock in North Sydney declined between January 2013 and January 2020 but increased by 62,332sqm over the past 10 years, with new developments spurred by the new Victoria Cross Station and metro rail line and changes to the North Sydney Local Environmental Plan.

¹ Property Council of Australia, January 2022, Office Market Report.

² Property Council of Australia, January 2022, Office Market Report.

Figure 7: Office stock by building grade North Sydney CBD, Jan 2013-22 (sqm)



Source: Savills analysis of Property Council of Australia, Office Market Report, January 2022

Table 1 shows the north shore office markets comparison in total stock, vacancy, average rent, incentive and yield.

Table 1: North Shore Office Market

MARKET	GRADE	TOTAL STOCK SQM	VACANCY RATE %	SIX MONTH NET ABSORPTION SQM	SIX MONTH NET ADDITIONS SQM	AVERAGE NET FACE RENT \$/ SQM	INCENTIVE %^	CORE MARKET YIELD %*
North Sydney	Prime	364,536	14.9	-3,778	0	842	30-35	4.50-5.00
North Sydney	Secondary	558,257	17.6	2,020	0	701	30-35	5.00-5.50
North Sydney	Total	922,793	16.6	-1,758	0			
St Leonards	Prime	118,585	15.2	-6,103	3,285	634	30-35	5.00-5.50
St Leonards	Secondary	223,301	17.3	3,215	-834	558	30-35	5.75-6.25
St Leonards	Total	340,886	16.5	-2,888	-2,451			
Chatswood	Prime	132,181	18.3	-608	0	578	30-35	5.25-6.00
Chatswood	Secondary	141,273	13.8	-1,673	0	497	30-35	5.50-6.00
Chatswood	Total	273,454	15.9	-2,281	0			
Macquarie Park	Prime	631,600	8.2	3,628	0	420	30-35#	5.25-5.75
Macquarie Park	Secondary	277,869	13.3	-3,403	4,579	358	30-35#	5.75-6.25
Macquarie Park	Total	904,710	9.6	-15,573	4,579			

Source: Savills analysis of Property Council of Australia, Office Market Report, January 2022

New development in North Sydney is outlined in the table below. Over two years, an influx of office space has been delivered, coupled with large tenants relocating to other areas. As of January 2022, Knight Frank reported a vacancy rate of 16.6% in the North Sydney market. This was decreased slightly due to the 'return to work' policy being encouraged in 2021. Research indicated that 100 Mount Street is 100% occupied, 118 Mount Street is now 100% committed and 1 Denison St is over 85% committed. This shows that the top asset buildings are in high demand.

Table 2: Commercial developments >20,000sqm delivered in past 5 years

Address	Building Area	Land Area	Grade	Indicative Floor Plate	Construction Status	Developer/ Owner
100 Mount St	45,439	1,761	Premium	1,350	Completed 2019	Dexus
118 Mount St	21,000	1,145	A	881	Completed 2020	CB Investment Management
1 Denison St	61,000	3,750	A	1,929	Completed 2020	Winten Property Group

A new commercial building is 88 Walker Street, which encompasses 13,000 sqm. A new commercial development at 2-4 Blue Street and 1-5 William Street due for completion in 2024 will add a further 14,000 sqm commercial space.

The research has revealed the following for the North Sydney office market:

1. Premium office shows a decrease in vacancy from 17.7% to 6.1% over the last 12 months to January 2022.
2. Demand for quality top-end assets is strong
3. Lease deals have tripled from 2020 to 2021. This indicates the market is coming back to its original historical figures
4. Tenants are seeking hole floor options rather than smaller suites. North Sydney tenants occupy floors from 500 sqm to 2,500 sqm. Whereas Sydney CBD leasing deals are taking place sub 500 sqm
5. Aurecon has secured a leasing deal of several floors with Sony occupying one floor at 73 Miller Street
6. With no significant supply due for completion by 2024, the research suggests there will not be any oversupply in the market causing high vacancies
7. The development of prime office space again in North Sydney has led average rents to increase over the last 12 months to \$842/sqm net and or \$992/sqm gross as of January 2022. Secondary has remained steady at \$701/sqm net and \$844/sqm gross. Incentives are in the order of 30% to 35 %. This has stabilised the net effective rent to \$519/sqm and \$448/sqm for prime and secondary respectively.

3.3 Trends in the Neutral Bay Town Centre

Neutral Bay Town Centre is a main street shopping centre providing retail goods and services for the residents of Neutral Bay and Cremorne, as well as Mosman, Kirribilli and Cammeray. It also provides retail goods and services for its worker population. The diverse range of developments that incorporate residential, retail, and office space enables the Centre to thrive in both footfall activation and spending.

There are currently several new mixed-use developments under construction in the Centre. Mixed-use developments with residential apartments above ground floor retail is becoming increasingly popular in main street shopping centres. Centres provide a diverse range of land uses where people can work, live, shop, and socialise. Our research indicates that neighbourhood centre supermarkets account for at least one-third of total retail sales in the centre and can be as high as two thirds. Neutral Bay Woolworths draws a large trade from residents and workers as well as consumers from Mosman and Cammeray. Supermarkets are becoming more sophisticated and therefore the offer in a centre is important. Since the beginning of the pandemic, the centre has continued to improve with various changes to the streetscape and retail premises. The introduction of connecting pedestrian links to make it easier to walk from one end of the centre was achieved by closing Young Street to create the Young Street Plaza as well as allowing premises to front onto laneways incentivising people to shop.

Workers in the centre and residents in the wider trade area are typically white-collar workers. One of the largest trends from the pandemic is the hybrid working model of working half the week at home and the remainder at work. This trend is unlikely to change due to the ability of white-collar workers to remote work from home which creates even further demand for local retail space. The need for the dining premises to operate during the day and night would have come more apparent. Coupled with the transport and proximity to the city makes Neutral Bay a convenient place to do business.

The online frenzy experienced throughout the pandemic has seen this decrease with various surveys stating people prefer to go out and experience the shopping trip in person while touching and feeling the products. The need for professional retailers such as supermarkets where people can handpick their groceries, post office, dry cleaner go to hairdressers/ beauty shops, massagers, dining and entertainment premises that cannot be purchased online and delivered the 'same day', will always generate demand for retail space in Neutral Bay. The centre acts as a vital place for people to meet, eat and shop. The broader trends will only compliment the centre in its growth. Longer term we do not envisage these trends adversely affecting the vitality and performance of the centre.

3.4 Trend summary

The previous implications of COVID-19 on the economy have been largely brought about by government mandated isolation measures, operating and capacity restrictions and temporary business closures. Previously the full implications were unknown, however with the abolishment of restriction and distancing measures and general return to normal we have begun to see more normalised trends following the height of the pandemic.

Previously the accommodation, food services and retail trade were most greatly affected by government restrictions. These two industries are particularly prevalent in Neutral Bay Town Centre, with the temporary closure of shops and restaurants greatly impacting the Town Centre at the height of the pandemic. Despite this the retail and hospitality services available in the centre, tailored to a local market were quick to recover once restrictions were eased with our recent updated floorspace audit indicating the vacancy rate closely resembling pre-COVID-19 levels. There were however observations that the commercial office vacancy rate had increased while the retail vacancy rate had decreased likely reflective of the ongoing and likely long-term implications of WFH and hybrid working models.

Despite the movement to online continuing to trend it is unlikely that over the medium to long term physical stores would be detrimentally impacted with most retailers adopting a hybrid approach. It is likely that over the longer-term local services and in person offerings in the categories of personal services, hospitality, specialty non-food and food offerings will continue to thrive under post-COVID landscape.

Our most recent audit revealed that the proportion of residential floorspace has increased with a decline in commercial office floorspace and slight increase in retail floorspace relative to the previous audit (due to completion of developments previously under construction). The overall vacancy rate for the Neutral Bay Town Centre had reverted to pre-pandemic levels although there has been a growth in commercial vacancies and decrease in retail vacancies.

HillPDA undertook additional research and 1 on 1 interviews with local agents to understand the current market conditions on the ground. Our discussions indicated the following points/trends:

- There are vacancies along the military road for both retail and office space as working from home is more apparent
- Owner occupiers are the typical buyers in the area wanting to set up new businesses
- Smaller suites of less than 100sqm and medical uses are in high demand
- Agents believe that the vacant space will start to be occupied by those who are readjusting to the space post COVID-19
- Leasing of office space is a more difficult in the current market as there is an abundance of supply. New stock in Neutral Bay have provided reduced rents and additional market incentives to attract tenants
- There has been an observed trend for owner occupiers seeking to purchase commercial properties to capitalise on the investment and are asking for cheaper rents
- This year there has been growing market confidence despite the interest rate hikes, the market seems to be rebounding from COVID-19
- In 2020, Colliers sold 9 properties across the North Shore. Over the last 12 months, there has been an increase by 400%
- When queried why buyers would choose neutral bay over say north Sydney the responses included: The village feel, proximity to housing (tenants and owners can walk to work) street activation, outdoor seating, close to the city, and transport lots of parking available. Retail space is realistic to do well in the village and not in a CBD environment

- Vacancies in retail are due to an increase in rents. The owner-occupier needs to factor in the increase in interest rates etc and that affects the lessor
- Agents suggested that Council make the owner occupier pay a levy if the premises are not occupied for several months. This may stop owner-occupiers from upping the rent and having vacant properties
- It was suggested that Council build the relationship with the locals of Neutral Bay but have more event days say once a quarter.

SECTION 2

STUDY AREA

PROFILE

4.0 DEVELOPMENT TRENDS AND PIPELINE

4.1 DA Analysis

Development approval completions

The following chapter analyses the development approval data sourced from Cordell connect to understand the development since 2018 and future development pipeline in the North Sydney LGA. Additionally, HillPDA have reviewed applications flagged by Council and any development sites observed in the updated floorspace audit. The analysis is intended to provide an indication to whether the centre is attracting new development. Information on recent, larger scale development applications has also been compiled. Council provided Development applications since 2018 tabulated in the table below:

Table 3: Major development approvals 2018-2022

Property Address	Determined	No of. Dwellings (Residential)	No of Commercial/ Retail Units	Residential GFA (sqm)	Commercial/ Retail GFA (sqm)	Total GFA (sqm)
140 Military Road Neutral Bay	May-2018	38	2	2,525	600	3,125
11 Rangers Road Neutral Bay, 9 Rangers Rd Neutral Bay	Jun-2018	23	6	3,090	538	3,628
288 Military Road Cremorne	Jul-2020	20		632	0	632
DA92/21 (12-14 Waters Road)	Feb-2022	36	6	4,238	1,954	6,192
211 Military Road Cremorne	Sep-2022	20	0	1,777	0	1,777
12 Grosvenor Street Neutral Bay	Aug-2022	19	0	2,103	0	2,103

Source: North Sydney Council, 2023* Determination - Certifier Approved projects

Development application pipeline

The following table details future planning proposal provided by Council. These planning proposals give an indication of future supply and would be taken into account when estimating the hypothetical supply and demand scenarios in later chapters and phase 2 of the study.

Table 4: Additional development applications

Property Address	Status	Non-Residential GFA (sqm)	Residential GFA (sqm)
1/23-1-7 Rangers Road & 50 Yeo St Neutral Bay	Planning proposal under assessment	8,302	7,566
DA42/23 (12-14 Waters Road)	Under assessment		+ additional 902
DA404/22 (165-173 Military Road) a height breach of up to 7m against the current max LEP height of 16m	currently appealed and going through a court process	455	2,550

Source: North Sydney Council, 2023

5.0 FLOORSPACE AUDIT

This chapter presents findings from an updated floorspace audit undertaken by HillPDA in March of 2023. The audit provides an estimate of floorspace and land use in the Neutral Bay Town Centre compared to previous 2018 floorspace.

The floorspace audit was undertaken as an on-ground field survey using the pacing method verified using aerial imagery building outline measurements. The floorspace figures are gross floor plate estimates and generally, do not take into account any voids and circulation space. The floorspace estimates are likely to be subject to a human error factor of around plus or minus 10 per cent. The floorspace audit provides an indication of the types of businesses and uses currently operating in the centre and the mix of floorspace devoted to different uses.

5.1 Floorspace snapshot

The overall breakdown of floorspace across specific land use types can be found in Table 5. The updated floorspace survey indicated that there was 162,888sqm of floorspace in the Neutral Bay town centre. Between the period there was a 2,444sqm increase in commercial floorspace, 1,457sqm increase in retail floorspace and 1,991sqm increase in residential. The following table details the floorspace in 2018 compared to 2023 and the change between the period.

Table 5: Industry floorspace breakdown

Landuse type	2023		2018		2018-23
	(sqm)	%	(sqm)	%	Change
Retail					
Clothing	2,503	1.5%	2,235	1.4%	268
Convenience Store	364	0.2%	225	0.1%	139
Personal services - massage	4,224	2.5%	4,001	2.5%	223
Supermarket	7,050	4.2%	7,050	4.4%	-
Service Station Convenience	132	0.1%	132	0.1%	-
Specialty Food	1,767	1.1%	1,196	0.8%	571
Specialty non food	2,493	1.5%	2,270	1.4%	223
Take Away Food	374	0.2%	449	0.3%	-75
Cafes & Restaurants	5,794	3.5%	5,651	3.5%	143
Bulky goods*	591	0.4%	865	0.5%	-274
Pubs, clubs**	284	0.2%	284	0.2%	-
Subtotal	25,576	15.4%	24,074	15.1%	1,502
Commercial					-
Commercial - finance	2,879	1.7%	3,784	2.4%	-904
Commercial - travel	529	0.3%	652	0.4%	-123
Commercial - general	12,277	7.4%	12,057	7.6%	220
Commercial - medical	6,391	3.8%	6,081	3.8%	310
Commercial - legal	1,118	0.7%	1,211	0.8%	-93
Commercial - real estate	3,791	2.3%	3,659	2.3%	132
Commercial - government	314	0.2%	314	0.2%	-
Subtotal	27,300	16.4%	27,758	17.4%	-458
Other					-

Landuse type	2023		2018		2018-23
	(sqm)	%	(sqm)	%	Change
Automotive	-	0.0%	-	0.0%	-
Community***	15,117	9.1%	15,247	9.6%	-130
Hotel	1,603	1.0%	1,603	1.0%	-0
Recreation/fitness	3,331	2.0%	2,851	1.8%	480
Utility	822	0.5%	822	0.5%	-
Unknown	977	0.6%	1,077	0.7%	-100
Construction Site	-	0.0%	1,709	1.1%	-1,709
Vacant	5,340	3.2%	5,162	3.2%	178
Residential	84,709	50.9%	76,832	48.3%	7,877
Car Park	1,796	1.1%	1,796		-
Total	166,570	100.0%	159,214	99.8%	7,356

Source: HillPDA land use audit 2023

* includes bulky goods, homewares, hardware and large electronics

** includes pubs and clubs eating and drinking areas

***includes schools

The slight increase in retail space was due to building completions post 2018 to 2023. There was a total of 2,676sqm of non-residential floorspace in the previous audit that was under construction at the time that have since completed.

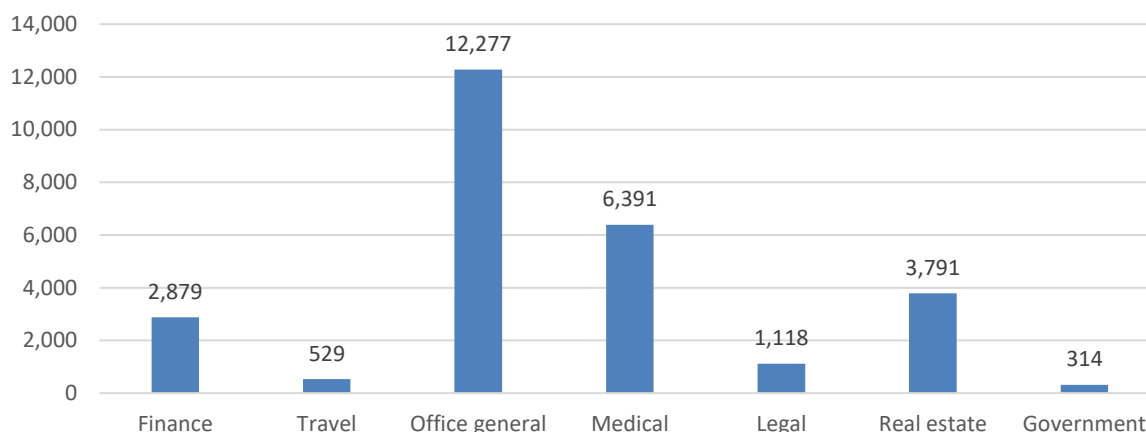
5.2 Commercial office floorspace

The Neutral Bay study area currently contains approximately 27,300sqm of occupied office and business floor area. This contributed to around **16.4** per cent of the total floor area in the study area. The proportion of occupied commercial office floorspace has decreased by 458 sqm.

Office and business premise floorspace contribution

2018	2023	Change
27,758	27,300	-458
of study area	of study area	

Figure 8: Office and business floorspace breakdown in the study area by type



Source: HillPDA, 2023

5.3 Retail

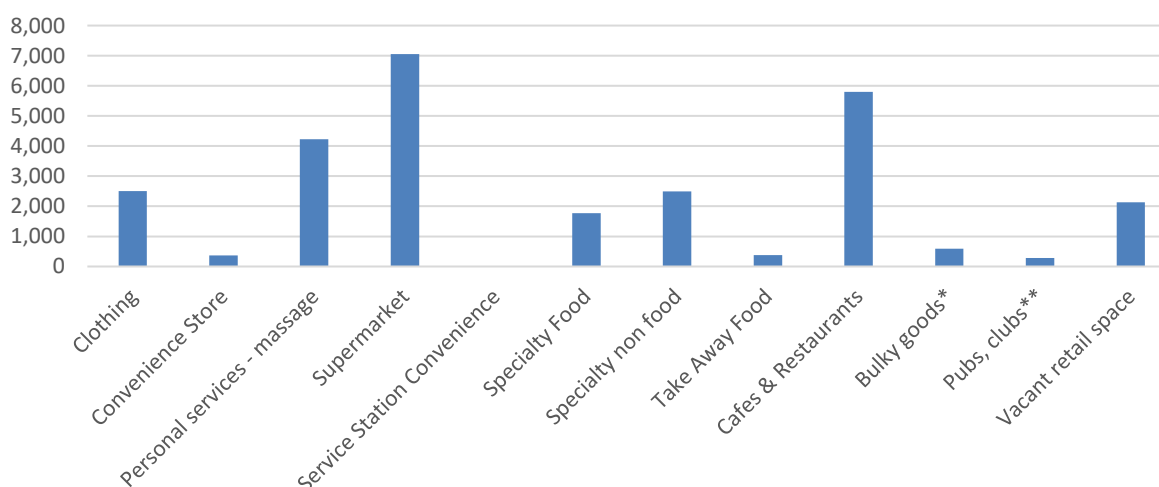
The Neutral Bay town centre contains around 25,576sqm of occupied retail space, which includes general retailing and cafes, restaurants, and bars. Although the comparison of the two audits indicates a total positive change to retail floorspace our analysis shows that this increase was due to buildings that had been constructed since the 2018 survey. There was a delivery of 1,502sqm of non-residential floorspace between the two periods.

Retail floorspace contribution (% of Centre)



*This increase was due to the delivery of non-residential floorspace under construction under the previous audit.

Figure 9: Retail floorspace breakdown in the study area by type



Source: HillPDA, 2023

The study area contained approximately 27,704 sqm of occupied and vacant retail floor space. Amongst the different store types shown in the table below supermarkets has the highest representation, followed by cafes and restaurants and then personal services.

Table 6: Retail floorspace breakdown

Retail	Floorspace 2023 (sqm)	Proportion of retail (%)
Clothing	2,503	9.0%
Convenience Store	364	1.3%
Personal services - massage	4,224	15.2%
Supermarket	7,050	25.4%
Service Station Convenience	132	0.5%
Specialty Food	1,767	6.4%
Specialty non food	2,493	9.0%
Take Away Food	374	1.3%
Cafes & Restaurants	5,794	20.9%
Bulky goods*	591	2.1%
Pubs, clubs**	284	1.0%
Vacant retail space	2,128	7.7%
Subtotal	27,704	100.0%

* Includes bulky goods, homewares, hardware and large electronics

5.3.1 Cafes, restaurants, and bar retailing

The study area contained approximately 6,452sqm of food and beverage services. Cafes and restaurants comprised of 3.5 per cent of the total floorspace in the centre with pubs and clubs and take away food comprising of 0.2% each.

Retail floorspace contribution (% of centre) 2023

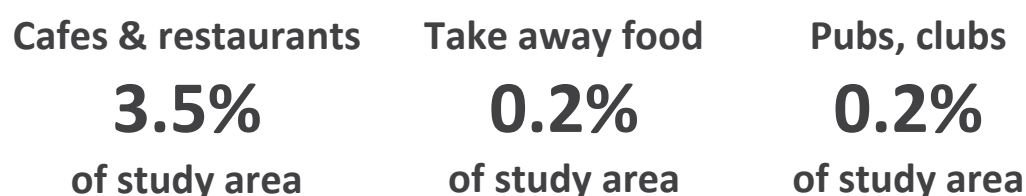
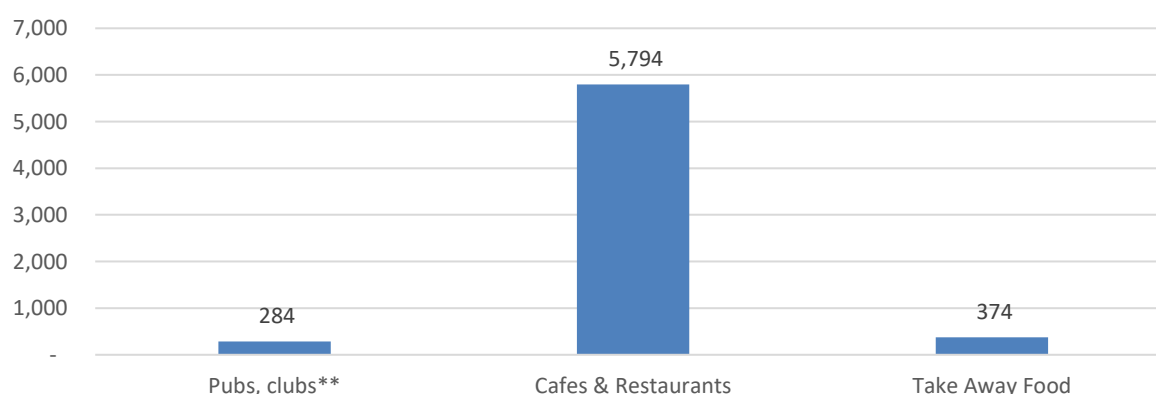


Figure 10: Food and beverage proportional floor area



Source: HillPDA, 2023

Table 7: Food and beverage floorspace breakdown

Land use type	Study area (sqm)	Proportion
Pubs, clubs**	284	4%
Cafes & Restaurants	5,794	90%
Take Away Food	374	6%
Total	6,452	100%

** includes pubs and bars eating and drinking areas

5.4 Residential

The study area contained approximately 84,709sqm of residential floor area, contributing to around one half (50.9%) of the overall floorspace in the study area. The residential floorspace in the study area has increased from 2018 to 2023 by approximately 7,356sqm.

2018	2023	Change
76,832	84,709	+7,877
of study area	of study area	

Table 8: Residential floorspace breakdown

Land use type	Floorspace 2023 (sqm)	Floorspace 2018 (sqm)	2018-2023 change
Short term accommodation	1,603	1,603	-0
Residential	84,709	76,832	+7,877

Source : HillPDA, 2023

The study area contained approximately 1,603sqm of short-term accommodation floor area, contributing to around 1.0 per cent of the overall floorspace in the town centre. Since 2018 there has been no change in quantum of short-term accommodation floor area.

5.5 Community uses, recreation and entertainment

The study area contained approximately 18,448sqm of community and recreational land uses, contributing to around 11.3 per cent of the overall floorspace in the study area.

Table 9: Community, recreation and entertainment uses floorspace breakdown

Land use type	Study area (sqm)
Recreation/fitness	3,331
Community uses (including schools)	15,117
Total	18,448

Source : HillPDA, 2023

5.7 Vacancies

The study area contained approximately 5,340sqm of vacant floor area distributed across the study area. The floorspace audit identified that approximately 3,212sqm was non-retail commercial (office) space and 2,128sqm was retail floorspace. This equated to 3.3 per cent of the overall floorspace in the study area.

2018	2023	Change
5,162sqm	5,340sqm	178
3.2%	3.3%	+0.1%
of study area	of study area	

There was a 699sqm decrease in vacant retail floorspace and a 877sqm increase in vacant office floorspace. Although vacancies appear to have reverted to pre-pandemic levels a decrease in retail vacancies has offset the increase in commercial vacancies. This is reflective of the mid to longer term impacts of COVID-19 on commercial office tenancies with the adoption of WFH or hybrid working practices standardised in the workplace.

5.8 Findings

HillPDA analysed the overall breakdown of floorspace across specific land use types. The updated floorspace survey indicated that there was 166,570sqm of floorspace in the Neutral Bay town centre.

The Neutral Bay study area contains approximately 30,512sqm of office and business floor area as of 2023.

The Neutral Bay town centre contains around 27,704sqm of retail space, which includes general retailing and cafes, restaurants, and bars.

The study area contains approximately 84,709sqm of residential floor area, contributing to more than half (50.9%) per cent of the overall floorspace in the study area. The residential floorspace in the study area has increased from 2018 to 2023 by approximately 7,977sqm.

The study area contains approximately 18,448sqm of community and recreational land uses, contributing to around 11.3 per cent of the overall floorspace in the study area.

The study area contains approximately 5,340sqm of vacant floor area distributed across the study area. The floorspace audit identified that approximately 3,212sqm was vacant office floorspace and 2,128sqm was vacant retail floorspace. This equated to 3.2 per cent of the overall floorspace in the study area.

There was a 699sqm decrease in vacant retail floorspace and a 877sqm increase in vacant commercial floorspace. Although vacancies appear to have reverted to pre-pandemic levels a decrease in retail vacancies has offset the increase in commercial vacancies. This is reflective of the mid to longer term impacts of COVID-19 on commercial office tenancies with the adoption of WFH or hybrid working practices standardised in the workplace.

6.0 COMMERCIAL FLOORSPACE DEMAND ANALYSIS

The following chapter assesses the demand for commercial floorspace to 2041. It considers the theoretical capacity of the centre under current planning controls and determines if there is adequate supply to meet future demand.

6.1 Retail floorspace demand

The projected demand for retail floorspace within the study area has been calculated to understand future land use requirements. Retail demand was calculated with consideration of the following inputs:

- The surrounding competitive retail landscape
- Trade area population projections
- Retail expenditure generated by trade area residents
- Retail expenditure generated by workers in the immediate locality
- Retail capture rates by broad store type
- Potential retail sales in the study area.

The projected retail expenditure is then translated into floorspace demand. The difference between current supply and projected floorspace demand is then calculated to quantify the amount of additional floorspace required in the study area.

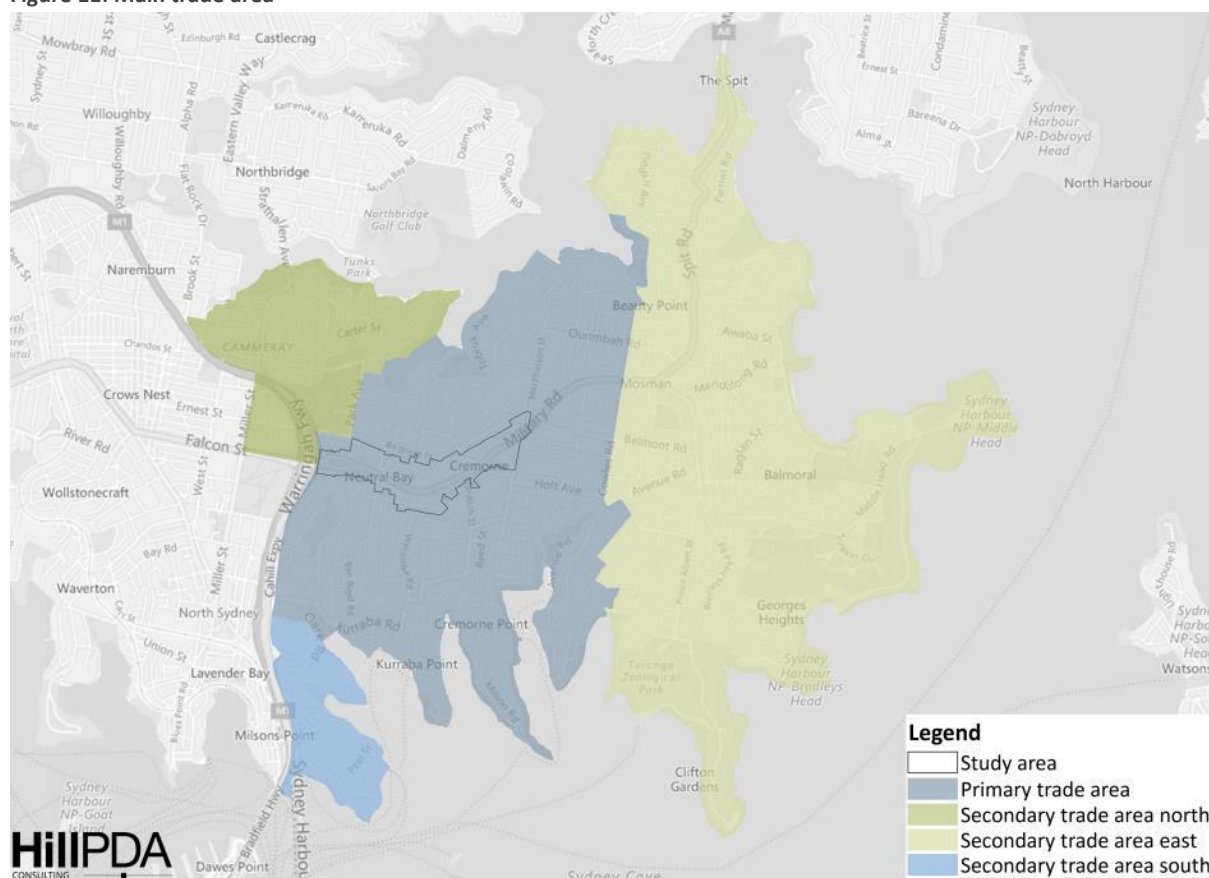
6.1.1 Trade area definition

For the purposes of this assessment we have adopted the same trade area as that defined for the Military Road Corridor in the previous 2019 report for Neutral Bay Town Centre. This is because Neutral Bay Town Centre accommodates the two main anchor tenants of the corridor, namely the two full-line Woolworths supermarkets. These tenants would share the same customer base, particularly since the competitive landscape has remained largely unchanged from 2019 to 2023.

The main trade area for the study area (see Figure 11) comprises four sub-trade areas as follows:

- A **primary trade area** (PTA) – this area predominantly consists of Neutral Bay, Cremorne, Cremorne Point and Kurraba Point suburbs
- A **secondary trade area-north** (STAN) – this area predominantly consists of the suburb of Cammeray
- A **secondary trade area-east** (STAE) – this area predominantly consists of the suburb of Mosman
- A **secondary trade area-south** (STAS) – this area predominantly consists of the suburb of Kirribilli and the proportion of North Sydney suburb east of the Cahill Expressway.

Figure 11: Main trade area



Source: HillPDA

6.1.2 Main Trade Area projections

The population projections for the MTA have been sourced from:

- The ABS 2021 Census
- Forecast.id

The MTA population projections by sub-trade area are shown in the table below. The MTA currently accommodates around 65,100 residents, with resident population projected to grow to 73,050 by 2041. More than half of the MTA's population and growth is captured in the PTA, which is indicative of the area's higher density.

Table 10: MTA population projections

Trade Area	2022	2026	2031	2036	2041
PTA	36,697	38,983	39,996	40,963	43,114
STAN	7,197	7,523	7,695	7,859	8,124
STAE	17,380	17,408	17,432	17,455	17,479
STAS	3,818	3,997	4,071	4,184	4,331
MTA	65,092	67,911	69,193	70,461	73,048

Source: ABS 2021 Census and Forecast.id

6.1.3 Retail expenditure projections

6.1.3.1 Resident expenditure

The projected growth in household retail expenditure within the main trade area between 2022 and 2041 has been calculated based on:

- ABS Retail Turnover data which provides total turnover every month by State and by industry sub-groups across Australia
- ABS Household Expenditure Survey which provides household expenditure by broad commodity type by household income quintile; and
- HillPDA's bespoke retail expenditure model which is generated by combining data from the Census and the ABS Household Expenditure Survey (HES).

As can be seen in Table 11, the main trade area residents generated an estimated \$1.51 billion in retail expenditure in 2022. This figure is forecast to increase to approximately \$1.97 billion by 2041.

Of total retail expenditure at 2022, approximately \$432.3 million, or about 29 per cent, was spent in supermarkets and grocery stores. Expenditure in this retail sub-category is forecast to increase by around \$154.4 million, reaching a total of \$587 million by 2041.

Table 11: Main trade area total retail expenditure (\$m)

Retail category	2022	2026	2031	2036	2041
Supermarkets and grocery stores	432.3	469.5	502.9	538.3	586.7
Specialised food stores	95.1	102.2	108.1	114.3	123.1
Bulky goods stores	278.6	299.0	315.5	332.7	357.2
Department stores	47.6	48.7	48.4	48.0	48.6
Apparel stores	142.5	152.3	159.9	167.8	179.3
Other non-food stores	247.5	265.6	280.2	295.5	317.2
Restaurants and fast food services	210.0	228.5	245.3	263.2	287.6
Personal services	54.6	58.3	61.2	64.2	68.6
TOTAL	1,508.2	1,624.2	1,721.5	1,824.2	1,968.3

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

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

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

6.1.3.2 Worker retail expenditure

Local workers typically spend around an estimated 15-20 per cent of their annual retail expenditure near their place of work. This expenditure is typically directed towards food, cafes, apparel, giftware and other leisure retailing³.

Table 12 estimates the potential number of workers within the study area, which live outside the main trade area. 86.7 per cent of all workers in the North Sydney LGA lived outside the LGA, whilst 60.8 percent of Mosman LGA workers work outside the LGA. Given Neutral Bay's demographic profile an assumption has been made that 70 per cent of the workforce live outside of the main trade area and would contribute to worker expenditure. Workers that live within the main trade area have been excluded as to avoid double counting.

Table 12: Estimated number of workers from outside main trade area

	2022	2026	2031	2036	2041
Workers that live outside of MTA	3,010	2,871	2,884	2,935	3,008

Source: TPA 2022 employment projections.

Based on the number of workers and estimate annual spend (which accounts for real escalation rates by retail category type), it is projected that workers in the study area would spend around \$9.0 million on retail items in the local area. This is forecast to increase to around \$9.8 million by 2041.

³ A worker expenditure of around 20% of the Greater Sydney average annual retail spend (around \$15,000) has been adopted. That is, it has been assumed that 15-20% of this expenditure would be spent near a person's place of work.

6.1.3.3 Retail capture rates by broad store type

Retail capture rates and assumptions by broad store type have been applied to calculate potential retail expenditure captured in the study area and are shown in the table below.

Note the capture rates that have been adopted for the purpose of this report are based on the type and quantum of retail floorspace observed in the floorspace audit, business survey results and the surrounding competitive environment.

Table 13: Capture rates of Neutral Bay Town Centre

Retail category	2022
Supermarkets and grocery stores	31.8%
Specialised food stores	24.8%
Bulky goods stores	5.9%
Department stores	-
Apparel stores	6.8%
Other non-food stores	9.4%
Restaurants and fast food services	17.2%
Personal services	24.3%
Total retailing	17.2%

Source: HillPDA Research

Based on the capture rates and potential local resident and worker population expenditure, the study area would have achieved total retail sales of around \$304 million in 2022, increasing to \$411 million by 2041. This represents an increase of around \$108 million or 35 per cent over the period. The table below provides a breakdown of potential retail expenditure captured by the study area based on the broad retail categories.

Please note that an additional five to fifteen per cent capture of trade across the various retail store types has been accounted for from beyond the identified trade area, given its location on a major arterial road.

Table 14: Total potential retail expenditure captured by Neutral Bay Town Centre (\$2022 Mil)

Retail category	2022	2026	2031	2036	2041
Supermarkets and grocery stores	160.4	175.5	188.5	202.3	222.0
Specialised food stores	28.7	31.0	32.9	34.9	37.7
Bulky goods stores	17.4	18.8	19.8	21.0	22.6
Department stores	0.0	0.0	0.0	0.0	0.0
Apparel stores	11.3	12.1	12.7	13.4	14.3
Other non-food stores	26.3	28.3	29.9	31.6	34.0
Restaurants and fast food services	44.5	48.4	52.1	56.0	61.0
Personal services	15.4	16.5	17.4	18.3	19.7
Total Retailing	303.9	330.6	353.4	377.5	411.4

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

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

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

6.1.4 Retail floorspace demand

In order to determine the demand for retail floorspace within the study area, the projected study area retail expenditure (see Table 14) has been divided by the target turnover rates (\$/sqm of retail floorspace) as defined in Table 15. These target turnover rates broadly represent industry averages.

Table 15: Potential retail floorspace demand (GFA)

Retail category	Target Rate*	2022	2026	2031	2036	2041	Growth
Supermarkets and grocery stores	16,000	10,028	10,751	11,263	11,789	12,622	2,594
Specialised food stores	11,000	2,606	2,763	2,860	2,959	3,119	513
Bulky goods stores	4,700	3,696	3,913	4,037	4,161	4,381	685
Department stores	-	-	-	-	-	-	-
Apparel stores	6,000	1,881	1,975	2,027	2,079	2,170	289
Other non-food stores	7,000	3,754	3,964	4,087	4,213	4,424	670
Restaurants and fast food services	7,000	6,358	6,785	7,115	7,461	7,924	1,566
Personal services	4,000	3,841	4,049	4,160	4,271	4,472	631
Total retailing	9,450	32,164	34,199	35,550	36,934	39,112	6,948

*Sources: ABS Retail Survey 1998-99 (2017 dollars), JHD Retail Averages, Shopping Centre News, HillPDA and various consultancy studies
An allowance for real growth in retail store turnover of 0.5 per cent per annum. Also assumes 5 to 15 per cent trade captured by residents beyond the trade area

Table 15 identifies that the study area could currently support up to 32,164sqm of retail floorspace. This is forecast to increase by almost 7,000sqm, reaching almost 39,100sqm in 2041. Of this net growth, around 2,600sqm is attributed to supermarket floorspace, which would be sufficient for the development of another mid-sized supermarket of around 2,000-2,500sqm.

6.1.5 Supply versus demand

As identified in the floorspace audit in chapter 5.0, the study area currently contains around 25,600sqm of occupied retail floorspace, with a further 2,128sqm of vacant retail space. With consideration of the development pipeline (see chapter 4.0), supply in the study area is anticipated to increase to almost 29,400sqm by 2026.

Table 16 indicates the current floorspace requirements of the study area (supply less demand). The results indicate that the study area currently has an undersupply of around 5,000sqm. Even accounting for current projects in the pipeline this undersupply is forecast to increase to around 9,750sqm by 2041.

Table 16: Retail floorspace supply versus demand

	2023	2026	2031	2036	2041
Supply	27,704*	29,365**	29,365**	29,365**	29,365**
Demand	32,661	34,199	35,550	36,934	39,112
Over/undersupply (+/-)	-4,957	-4,834	-6,185	-7,569	-9,747

Source: HillPDA, *includes retail vacant floorspace from audit **includes vacant retail floorspace and the approved retail/commercial floorspace identified in Table 3 of Chapter 4 (assuming commercial and/or retail GLA @ 85% of the proposed GFA)

To estimate any particular deficiencies in retail provision in the study area, the current and pipeline supply of retail space has been proportioned into broad retail categories and subtracted from demand.

From this, it is estimated that:

- Current demand is sufficient for the development of an additional supermarket
- There is a significant undersupply of bulky good retailing or hardware stores in the study area, along with other non-food stores
- There is adequate supply of personal services and potentially a slight over-supply of apparel stores
- There is a slight undersupply in speciality food retailing, increasing to around 1,350sqm by 2041
- There could be demand for additional cafés and restaurants in the study area to 2041.

Table 17: Retail supply versus demand by broad category 2023 to 2041⁴

Retail category	Supply		Demand		Over/undersupply (+/-)	
	2023	2041	2023	2041	2023	2041
Supermarkets and grocery stores	7,546	7,546	10,204	12,622	-2,658	-5,076
Specialised food stores	1,767	1,767	2,644	3,119	-877	-1,352
Bulky goods stores	591	591	3,749	4,381	-3,158	-3,790
Department stores	-	-	0	-	-	-
Apparel stores	2,503	2,503	1,904	2,170	599	333
Other non-food stores	2,493	2,493	3,805	4,424	-1,312	-1,931
Restaurants and fast food services	6,452	6,452	6,462	7,924	-10	-1,472
Personal services	4,224	4,224	3,892	4,472	332	-248
Vacant / pipeline development	2,128	3,789			2,128	3,789
Total	27,704	29,365	32,661	39,112	-4,957	-9,747

Source: HillPDA 2018

*includes speciality non-food, service station convenience and convenience store

** Note with regard to the need for additional supermarket and bulky goods retailing in the area, this does not necessarily need to be provided within the study area. It may be better located beyond the study area along the Military Rd Corridor towards Cremorne and/or Mosman as these areas currently lack a full-line supermarket.

6.1.6 Implications for the study area

Residents within the study area's main trade area are affluent, evident by the average retail expenditure per capita being around \$23,171 per annum. This is around \$7,000 to \$7,500 per annum higher than the average for Greater Sydney. The amount of retail expenditure generated by residents within a trade area is the primary factor that influences the demand for retail floorspace.

From land use audit and demand modelling the following observations can be made for the study area:

- There is demand for another supermarket, which will further strengthening the offer and appeal to shoppers. Depending on the design of the supermarket and how it integrates with surrounding retailers, a supermarket in this location could have potential positive flow-on effects to surrounding retailers. Please note however that an additional full-line supermarket in say Cremorne just outside the study area could satisfy this demand
- There is an undersupply of speciality food retailers in the study area, such as butchers, bakeries, alcohol and takeaway food. Over the past three decades growth in the size and diversification of supermarkets have impacted traditional speciality food retailers such as fruit and veg stores, butchers and bakeries. However, good quality/unique speciality food stores in themselves can become mini anchors drawing people from outside of the trade area – benefiting surrounding retailers. An example is the Victor Churchill butcher in Woollahra
- There is demand for additional café/restaurant retailing in the study area. Although there are some good pockets of restaurant precincts in the study area, there is an opportunity to strengthen, expand or create new precincts to achieve the overall vision of the area
- The above table shows an undersupply of bulky goods retailing but again it is not imperative that space be planned for this type of retail inside the study area if supply/site constraints are too difficult. Bulky goods space can be accommodated outside the study area or even from expansions of existing clusters outside the MTA such as in Manly Vale and Crows Nest.

We conclude that 9,750sqm of additional retail space, including a further supermarket and additional bulky goods retail, could be supported by resident expenditure in the locality. However, it is not imperative that all this

⁴ Automotive floorspace is not included in retail modelling

space, including the supermarket and bulky goods space, be located in the study area. Cremorne is an alternative location if land constraints in the study area prove too difficult.

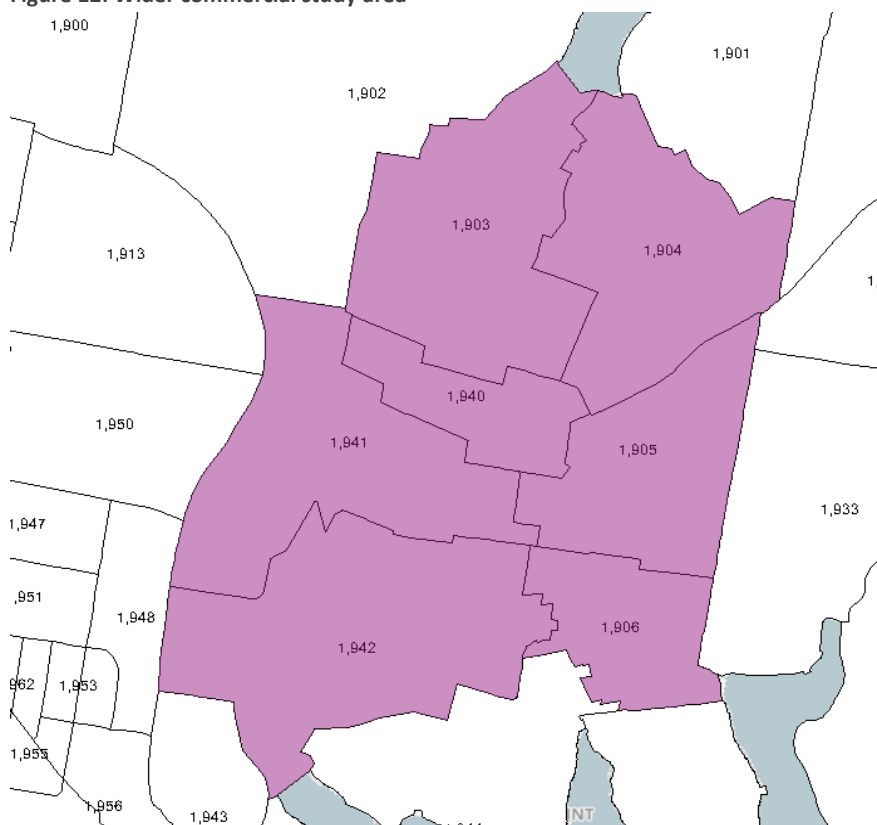
6.2 Demand for Business and office premises

The following chapter forecasts the demand for office and business premises⁵ and the associated floorspace to be accommodated in the study area over the 20 years to 2041.

To estimate business and office premise demand the following approach was used:

- Estimate the number of workers by industry type for the Military Road Corridor and surrounds, referred to as the wider commercial study area hereafter (refer to Figure 12) using ABS 2021 Place of Work (POW) data
- Assess TPA office and business premise employment projections for the wider commercial study area
- Applied the TPA net growth in commercial related industries to current employment levels, with adjustments made to employment forecasts to account for TPA overcount and ABS undercount
- Estimate employment directed towards business and commercial zones for the commercial study area
- Apply observed employment densities to employment by industry type
- Estimate the amount of commercial office space that could be directed to or accommodated in Neutral Bay Town Centre.

Figure 12: Wider commercial study area



Source: HillPDA, QGIS, TZ

⁵ This includes knowledge intensive industries and allied/health services

6.2.1 Commercial floorspace demand

6.2.2 Employment growth in the study area

The table below outlines the projected employment numbers in the wider commercial study area for industries that are typically office based. As sourced from the ABS POW, there were 3,400 office based jobs in the wider commercial study area as at 2021. Applying TPA's projected net job growth across these industries to current levels, these types of jobs are projected to increase to almost 3,600 jobs by 2041 (+189 jobs).

These employment projections form the base of the office and business premises floorspace projections.

Table 18: Commercial study area employment projections

Industry	2021*	2026	2031	2036	2041	Change
Information Media & Telecommunications	280	243	247	256	264	-16
Financial and Insurance Services	248	265	272	292	311	63
Rental, Hiring and Real Estate Services	355	356	359	374	388	33
Professional, Scientific & Technical Services	1547	1495	1497	1498	1506	-41
Administrative and Support Services	132	125	131	139	148	16
Public Administration and Safety	79	70	68	69	68	-11
Health Care and Social Assistance	760	800	832	854	905	145
Total	3,401	3,354	3,406	3,482	3,590	189

Source: * ABS POW 2021; TPA 2021 employment forecasts; HillPDA Research

6.2.3 Employment captured within the Military Road Corridor

The employment projections presented in the aforementioned data refer to a catchment area (as shown in Figure 12) that encompasses not only the Military Road Corridor but also various other employment zones across the broader area. As a result, some of the office based jobs would also be accommodated in these other employment precincts outside of the mixed-use zoning of the Military Road Corridor as well as in home-based businesses.

As such, capture rates ranging from 60% to 65% have been applied to the above projections to estimate the number of office based jobs in the mixed-use zone in the Military Road Corridor. The results are shown in the table below.

Table 19: Military Road Corridor employment projections

Industry	Capture rate	2021	2026	2031	2036	2041	Change
Information Media & Telecom.	65%	182	158	161	167	171	-11
Financial and Insurance Services	65%	161	172	176	190	202	41
Rental, Hiring and Real Estate Ser.	65%	231	231	233	243	252	22
Professional, Scientific & Technical	65%	1,006	972	973	974	979	-27
Administrative and Support Services	65%	86	81	85	90	96	10
Public Administration and Safety	65%	51	45	44	45	44	-7
Health Care and Social Assistance	60%*	456	480	499	512	543	87
Total		2,173	2,173	2,172	2,221	2,288	116

Source: HillPDA, *we have applied a lower capture rate to capture allied/health services provided in the study area

It has been estimated that the Military Road Corridor accommodated around 2,200 office-based jobs in 2021, with these jobs projected to increase to almost 2,300 by 2041.

6.2.4 Military Road Corridor Office floorspace projections

By applying observed employment densities to Military Road Corridor's office- based employment forecast (refer to Table 19) the amount of floorspace required to accommodate these types of jobs has been estimated (see table immediately below).

Using this methodology, it is estimated that there is demand for around 53,500sqm of office-based floorspace across the Military Road Corridor by 2041.

Table 20: Floorspace projections for the Military Road Corridor

Industry	Job density (sqm/job)	2021	2023	2026	2031	2036	2041	Growth
Information Media & Telecom	25	4,550	4,296	3,942	4,018	4,168	4,283	-267
Financial and Insurance	25	4,030	4,139	4,309	4,412	4,739	5,061	1,031
Rental, Hiring and Real Estate	25	5,769	5,774	5,782	5,835	6,079	6,308	540
Professional, Scientific & Technical	20	20,111	19,840	19,441	19,464	19,480	19,578	-533
Administrative and Support Services	20	1,716	1,678	1,623	1,704	1,810	1,922	206
Public Administration and Safety	25	1,284	1,223	1,137	1,098	1,115	1,103	-181
Health Care and Social Assistance	28	12,768	13,034	13,443	13,985	14,342	15,211	2,443
Total demand (sqm)		50,228	49,985	49,676	50,516	51,732	53,466	3,239

Source: Various including Sydney City Employment and Floorspace Survey 2017, NSW Landcom and HillPDA

6.2.5 Neutral Bay Town Centre Office floorspace projections

Assuming Neutral Bay Town Centre were to capture 64 per cent of the total demand (broadly in line with the current provision of office space in Neutral Bay Town relative to the wider corridor), it is estimated that there is demand for 31,990sqm of the office floorspace in Neutral Bay Town Centre as at 2023, increasing to around 34,220sqm by 2041, with the results shown in the table below.

Table 21: Neutral Bay Town Centre office floorspace projections

Industry	Capture rate	2021	2023	2026	2031	2036	2041	Change
Neutral Bay Town Centre - demand	64%	32,146	31,990	31,793	32,330	33,108	34,218	2,073
Supply (sqm)*		30,512	30,512	30,512	30,512	30,512	30,512	
Over/undersupply (+/-)*		-1,634	-1,478	-1,281	-1,819	-2,597	-3,707	

Source: HillPDA Research and audit undertaken on May 14th 2023, *Includes around 3,200sqm of vacant floorspace

With approximately 30,500sqm of commercial office space (including vacant space) this would suggest that there is demand for a further 1,500sqm of office floorspace currently, increasing to over 3,700sqm by 2041.

7.0 PHASE 2 – FEASIBILITY

The following chapter details market research and feasibility analysis undertaken for the Neutral Bay Town Centre.

7.1 Testing assumptions and methodology

7.1.1 Methodology

To undertake the feasibility modelling, we have used the proprietary software EstateMaster which is an industry benchmark used by developers, financiers and property valuers. This method calculates the residual land value by subtracting from the anticipated net sales revenue, the anticipated costs of development plus a margin for its profit and risk.

Any unpredicted change, such as an increase in developer contributions or development costs in the short term could have a notable effect on development feasibility unless it could be absorbed by either making allowances in the project contingency or increases in market sale values for the developed product.

Our feasibility assessment is based on profit and risk factors which determine our selection of an appropriate project hurdle rate in line with industry expectations. These two factors are subjective elements that determine the how much a developer is willing to pay for a site, in considering the risk associated and potential return. For the purpose of our hypothetical modelling, regard has been given to the following:

- **Project internal rate of return (IRR):** is the actual return on the investment on an annualised basis and expressed as a percentage. This approach considers the cost of time in its calculation within cash flow and indicating average returns over a period of time. Typically, this is lower for quick turnaround and lower density developments and high for multistorey buildings. The industry typically targets 14-18% with lower annualised returns expected for lower densities like townhouse developments (14%) and higher rate for complex multi-storey apartment development (18%). In our experience hurdle rates have dropped with the increasing cost of lending and construction costs. For the purposes of modelling, we have adopted a hurdle rate of 16%
- **Development margin (DM):** the DM is the net profit expressed as a percentage of the development costs. Typically, this is Development Margin (DM) of 16% to 22% per townhouse, mixed-use and residential apartment buildings. We have adopted a hurdle rate of 20% as a reasonable target. With longer projects the development margin is not a good indicator as it does not account for the time value of money. We have used the DM as a secondary indicator for overall project performance and profit
- **Residential land value:** is the maximum price that a hypothetical developer would pay for the land to achieve acceptable hurdle rates (such as an IRR) based on the highest and best use or optimal development option for the land.

Using hypothetical development feasibility testing, HillPDA identified a residual land value (RLV) that was viable for development. It is critical that for development to be viable, the RLV must be higher than the 'as is' market value. Where sites are unable to be developed in isolation, it is common that a premium is paid for the lot amalgamations to incentivise landowners to sell. For the purpose of our modelling, we have applied a premium as most of the nominated sites are not under single ownership. This premium ranges from 20-25% where multiple sites are required to be amalgamated.

Considering the criteria established above, the sites were assessed against a target Development Margin of 20% and Project IRR of 16%.

Table 22: Industry Standard Performance Indicators

Performance	Project IRR	Development Margin
Feasible	>16%	>20%
Marginally feasible	14%-16%	18%-20%
Not feasible	<14%	<18%

Source: HillPDA, 2023

7.1.2 'As is value'

In establishing the viability of a project, it is important to understand the 'as is' value of each site. In undertaking a highest and best use of the site. If it is found that the as is value is greater than the value of re-development, then the project would be considered un-viable as there would be no financial incentive for redevelopment and the highest and best use would be to keep as existing.

HillPDA have considered various hypothetical options for redevelopment under controls produced in conjunction with Council. For the purposes of this study, we have estimated the 'as is value' based on direct comparison of comparable sales, applying a \$/sqm GFA rate to the existing improvements for each site. The as is value is based on the current market value established through direct comparison applied to the existing GFA of the improved site. The 'as is' value is therefore the existing market value including any existing improvements and land.

We note that the basis of the feasibility testing is on the assumption that a developer would acquire the site for the current market price. We have given no regard to the historic price the sites were acquired for, instead we have adopted a hypothetical approach assuming acquisition at current market rate making adjustments for sites comprising of multiple lots applying a 25% premium where applicable (All sites have a premium with the exception of Site 1). For the same reason although HillPDA have been provided indicative ownership details for the sites we have taken these into account, however on testing the feasibility of the site and capacity to provide public benefits the modelling has been undertaken on the basis that a developer acquires and amalgamates the sites at the current market value. This approach provides a more impartial approach as it does not account for any discounts or overpayment in the transactions of the sites, as any discounts afforded by the developers should not be captured as these profits are entitled to the developer and should not be captured in determining the amount of public benefit to be provided.

Table 23: Estimated 'as is' value of site based on direct comparison

	Site 1	Site 2A	Site 2B	Site 3A	Site 3B
'As is' value including premium	62,237,000	53,348,000	29,710,000	20,986,000	88,782,500
Premium	+ No premium	+ 25% premium for sites 180 Military Road & 188 Military Road.	+ 25% premium for 214 Military Road	+ No premium under single ownership	+ 25% premium for 50 Yeo Street, Neutral Bay

Source: HillPDA, 2023*Premium only for 50 yeo Street, Neutral Bay

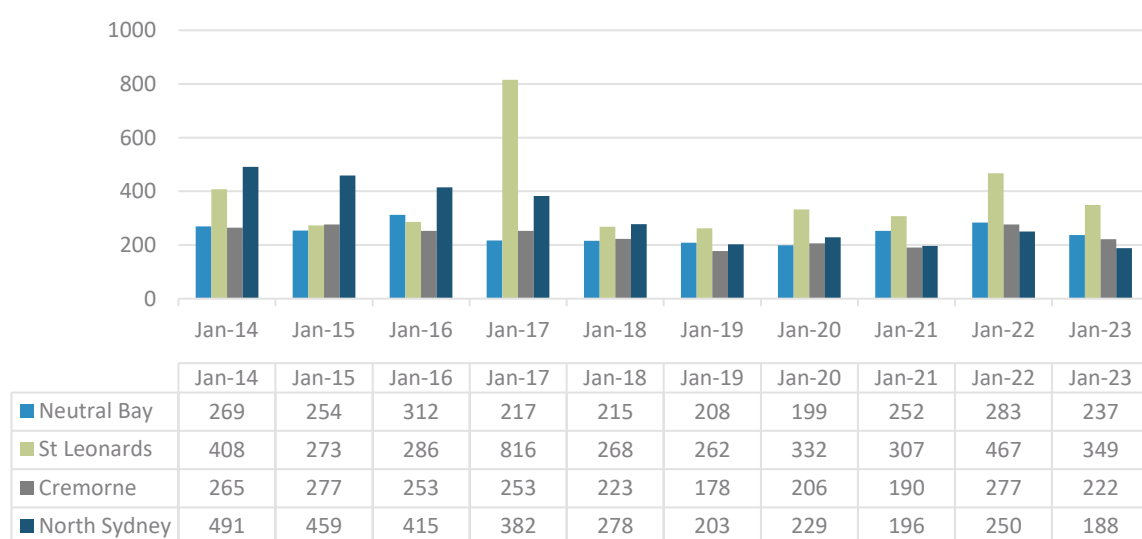
7.1.3 Market research

The following Chapter analyses trends and factors influencing the property market in the study area and its surrounds. It also investigates the sale prices of a range of uses including residential apartments, retail shops and commercial office space. The research is based on our discussions with agents, and industry experts as well as a review of relevant property databases. These market rates inform the feasibility modelling.

7.1.3.1 Market context

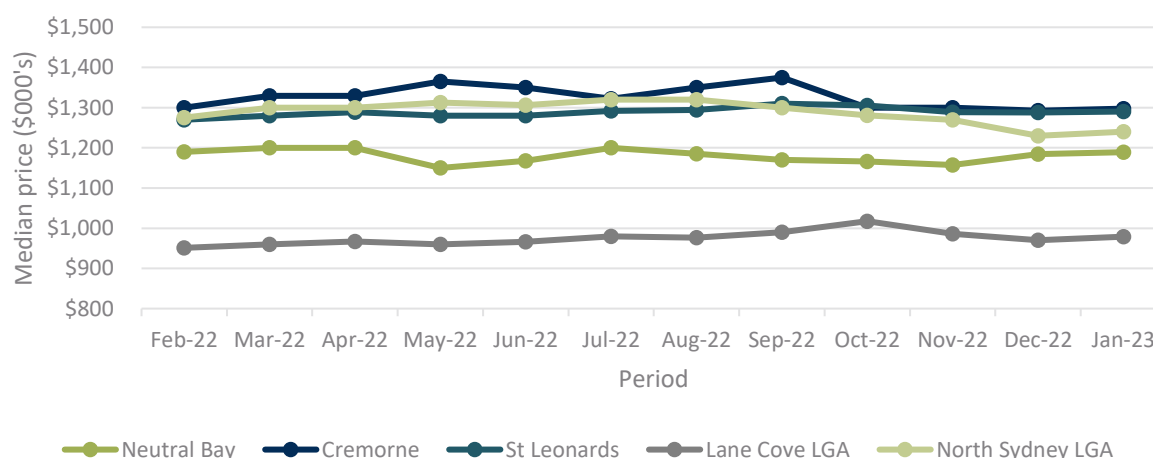
Our analysis of strata sales in Neutral Bay and surrounding suburbs indicate an average of approximately 245 units sold per annum. In comparison St Leonards had an average sale rate of 377/annum 234 for Cremorne and 309 for North Sydney.

Figure 13: Number of Unit sales by suburb



Source: RPdata, HillPDA analysis

Figure 14: Median price of apartments by Suburb



Source: CoreLogic, 2023

The median unit price over the past 12 months in Neutral Bay has seen little movement for the past 12 months since January of 2022 to January of 2023. The median unit price in Neutral Bay sits at approximately \$1,190,000 as of January 2023.

7.1.3.2 Apartment Sales

Our research has revealed there has been limited development activity occurring directly within the Neutral Bay town centre. We have therefore expanded our area of analysis to include neighbouring areas including, Cremorne, North Sydney and St Leonards. Our sales evidence indicates that:

- 'Off the plan' sales directly in and around Neutral Bay range between **\$26,250-\$34,127/sqm NSA**. The majority of units comprised of 3-bedroom units with some 2 bedroom and very limited 1 bedroom or smaller. Our discussions with agents noted high demand for larger dwelling types with most new developments targeting empty nesters and downsizers. These apartments typically included luxury amenities, parking, and superior finishes. These developments were approximately 5 storeys in height
- Resales of recently completed developments range between **\$15,300- \$18,500/sqm NSA**
- Other sales around neighbouring suburbs like St Leonards showed more development activity achieving lower rates, but much higher density. Apartments in St Leonards ranged from approximately **\$14,000-\$29,000/sqm NSA**.

Further details of the specific project sales are contained in **Appendix B**.

7.1.3.3 Retail & Commercial Sales

Discussions with agents found the retail market has seen more sales activity since 2018 With several sales of street retail tenancies. Recent sale transactions show a large range with upper sales achieved by tenancies directly in the town centre. Sale value of retail are dependent upon the location and proximity to the Town Centre therefore the value spread is quite high. Regarding the town centre agents indicated that prime retail in Grosvenor Street and Young Street are in high demand with rents staying strong, however with parking changes and clearways enforced along Military Road retail has been noticeably affected translating into rents.

As a general rule agents indicated that current rents for retail sat at around \$500/sqm with some asking rents at around 800-900/sqm, however these upper ranges have not necessarily been achieved.

As a background COVID19 saw unprecedentedly low cash rates with the RBA dropping interest rates to 0.1% and record stimulus packages. with the availability of low-cost lending, we saw asset prices skyrocket. As a result, we are currently seeing a pullback with RBA directive currently trying to control inflation with ratcheting cash rates.

Regarding the retail in Neutral Bay agents noted capitalisation rates were as low as 3.5-3.6% during COVID19 moving to 4.5% at recent market peak and current yields at 5.5-6.0% for both office and retail.

Agents indicates that retail retails for premium ground floor retail ranged from \$20,000-\$30,000/sqm NLA particularly around the town centre and \$10,000-\$14,000/sqm for office space. These figures were noted at the peak in the past 12 months however it was noted that figures have likely come down since the peak.

Our sales evidence indicates that:

- Ground floor retail is achieving a rate of \$9,600-\$27,800/sqm NLA
- Commercial is achieving a rate of \$5,600-\$11,600/sqm NLA.

For the purposes of modelling, we have adopted a rate of **22,000/sqm** for GF retail and **\$11,500/sqm** for brand new Retail and commercial office space within the Neutral Bay Town Centre.

Further details of the specific project sales are contained in **Appendix B**.

7.1.3.4 Development Site Sales

The sales evidence suggests a dollar per sqm of GFA value ranges from \$5,100-\$11,100/sqm of GFA. The research found there was limited development site sales evidence directly in the B4 study area which reflects a tightly held market, however there were some limited development site sales within the R4 surrounds. Discussions with

local sales agents suggested a \$6,000/sqm-\$7,500/sqm GFA rate for developments located in the core; however, this is speculative and depends on the quantum of retail/commercial space. With a higher proportion of not residential floorspace (retail/commercial) the development site values would decrease due to higher development yield on residential uses.

Further details on the development sites are contained within **Appendix B**.

7.1.4 Assumptions

The following section details assumptions made in our financial modelling, verified through market research and industry experience.

Table 24: General assumptions summary

Area	Description
Professional Fees	DM and consultant fees: 4% of construction costs
	Construction Certificate (CC): 4% of construction costs
	Development Management 1.5% of project costs (excluding land, finance & tax).
Escalation	Construction cost escalation of 3.0% p.a.
	Sale revenue escalation of 4.0% p.a.
Construction Period	17-20-month construction period depending on the height of the proposal.
Contingency	5% of Construction Costs
Statutory Fees	DA fees at 0.35% of Construction Cost
	CC fees at 0.25% of Construction Cost
	Long Service Levy of 0.35% of Construction Cost
	S7.11 - Contribution rates shown in North Sydney Local Infrastructure Contributions Plan 2020 (from December 2020) and current indexed contribution rates are shown below. The rates have been indexed for inflation in accordance with section 2.2.3 of the plan. The residential rates have been capped at \$20,000 per dwelling in accordance with the Minister's Direction.
	<ul style="list-style-type: none"> • Studio and 1 bed - \$15,548 • 2 bed - \$20,000 • 3 bed - \$20,000 • Non-res - \$4,423/worker (assumes 1 worker/20sqm GFA)
State Infrastructure Contributions (SIC)	Nil assumed in the models.
Affordable housing	Nil assumed in the models.
Selling Costs	Sales Commissions:
	Residential: 2.00% of Gross Revenue
	Retail/Commercial: 1.75% of Gross Revenue
	Other Costs:
	Marketing 1.0% of Gross Sales
	Legal 0.25% of Gross Sales
Land Holding Costs	Statutory costs (Council rates, water rates and land tax) to be paid diminishing with settlements based on a Statutory Land Value. Land tax is paid annually with council and water rates are paid quarterly in the cash flow
Financing	
Equity	Assuming 25% of Net Cash Flow to be Funded by the developer
Loan	7.5% per annum compounded
Project Hurdle Rates	16% target IRR (Primary)
	20% target margin

Source: HillPDA, 2023

Revenue

Residential Sales revenue is increase per floor to account for views and amenity. Average rates for each site are provided below.

- **Residential:** for residential revenue HillPDA have varied the rates in accordance with the built form density/ height with taller buildings, units are able to achieve higher rates due to improved unobstructed views and aspect for upper levels often achieving an additional premium for penthouse. The follow rates on a per bedroom basis have been applied.

Table 25: Summary of adopted sales rates

	6-storey	8-storey	10-storey
1 bed	\$1,600,000	\$1,640,000	\$1,680,000
2 bed	\$2,465,000	\$2,515,000	\$2,565,000
3 bed	\$3,100,000	\$3,160,000	\$3,220,000

- **Retail:** \$22,000/sqm NLA
- **Commercial:** \$11,500/sqm NLA
- **Supermarket:** \$12,000/sqm NLA Sites 1 & 3B
- **Community:** facilities are gifted – i.e. no revenue
- No affordable housing was modelled
- Sales rates assume 10/months for 6 storeys, 12/month 8+ storeys.

Apartment mix

We note that although the North Sydney DCP 2013 sets out a guide for bedroom mix, discussions with selling agents indicated a preference for larger unit sizes. For following rates are the advised mix for mixed use development for North Sydney:

Table 26: North Sydney DCP 2013, Commercial and mixed-use development

Dwelling type	% of total dwellings	Minimum internal areas	Balconies
Studio	10-20%	35sqm	4sqm
1 bedroom	25-35%	50sqm	8sqm
2 bedroom	35-45%	70sqm	10sqm
3 bedroom+	10-20%	90sqm	12sqm

Source: North Sydney Development Control Plan 2013 – Commercial & Mixed-use development

In considering these rates we note that the previous study adopted a rate of apartments 20% 1 bedroom, 75% 2 bedroom and 5% 3 bedrooms. In considering these mixes we note that our analysis of recent developments indicated majority of developments had demonstrated sufficient evidence for market preference and demand for 2 and 3-bedroom units over smaller 1 bedroom and studio apartments. For these reasons HillPDA have adopted a mix more in line with market units delivered within the region. We have adopted a rate of 20% 1 bedroom, 75% 2 bedroom and 5% 3 bedrooms.

7.1.4.1 Construction costs

HillPDA have adopted construction costs as set out in the table below. With increasing building heights rates per square metre increase. We have adopted rates based on QS benchmarks Rawlinson's, and RLB and made adjustments.

Table 27: Construction costs by height

Storeys	\$/sqm GFA (low)	\$/sqm GFA (high)	Parking
6	3,500	4,800	\$65,000
8	3,800	4,850	\$65,000
10	4,200	4,900	\$65,000

Source: RLB 2022 Q4, Rawlinson's 2023, HillPDA research 2023

Other costs

- Demolitions: for demolitions and clearing of the existing sites HillPDA have adopted a rate of \$200/sqm of existing full enclosed building area (FEBA)
- FEBA = 110% X GFA
- Retail: \$3,350/sqm FEBA for retail
- Commercial: \$3,500/sqm FEBA for Commercial
- Supermarkets: \$3,500/sqm FEBA for Supermarkets
- Balconies: \$1,400/sqm for balconies.
- Motorcycle parking: \$10,000/sqm for motorcycle
- Car parking: \$65,000/space
- Bicycle parking: \$500/space.

Public benefit

HillPDA have made assumptions around costs for public benefits. The adopted rates have been determined based on industry benchmarks and our experience on similar projects.

- Plaza embellishments: Say \$3,000/sqm plus 15% contingency – Plaza embellishments range in costs depending on design and quality from \$200/sqm for very basic options up to \$3,500/sqm for a very quality space.
- Community centre: \$3,500/sqm GFA the costs to construct a community centre have been derived from Rawlinson's construction handbook 2023 update
- Site through links: \$3,300/sqm which assumes open to sky with furnishings and landscaping of high quality
- Footpath widening \$500/linear metre - assumes paving and hardscape costs 2 metre width.

Other critical assumptions

1. The assessment assumes the availability of vacant possession.
2. The assessment assumes an encumbrance free title with no impediments to redevelopment.
3. We are not an architect or town planner and the adopted dwelling yield is indicative only for the purpose of assessing the site value by way of a hypothetical residual cash flow analysis. This report is conditional that the above potential dwelling yield be confirmed by an appropriately qualified architect or town planner. On receipt of professional advice should there be any deviation in the yield which may adversely affect the assessment on an 'as is' basis and this report should be returned back to HillPDA for further comment.
4. For the purpose of our modelling, we have applied a premium to the 'as is' value as the village centres comprise fragmented ownership. This premium will vary and should account for variables such as the encumbrance of a long lease, special value (financial value of any advantage) attached to the property and potential landowner motivations. For the purpose of this exercise we have applied a 25% premium.

5. The 'as is' value does not account for speculative land purchases where anticipated uplift in zoning, FSR or building height limits are anticipated which may result in unrealistic expectations by the owner.
6. Any unpredicted change, such as an increase in developer contributions or development costs in the short term could have a notable effect on development feasibility unless it could be absorbed by either making allowances in the project contingency or increases in market sale values for the developed product.
7. It should be noted that in the case of advice provided in this report, which is of a projected nature, we must emphasise those specific assumptions have been made which appear reasonable based on current market sentiment and forecasts. It follows that any one of the associated assumptions may change over time and no responsibility can be accepted in this event. The value performance indicated above is an assessment of the potential value trend and the indicated figures should not be reviewed as absolute certainty.

7.1.4.2 Section 7.11/7.12 contributions

According to the North Sydney contribution plans website the plan will apply to the following development types:

1. Residential accommodation development that results in a net increase in residents on the land. These developments will be subject to condition requiring a s7.11 contribution.
2. Non-residential development that results in a net increase in workers on the land. These developments will be subject to a condition requiring a contribution imposed under either s7.11 or s7.12 of the EP&A Act (whichever is the higher).
3. Development types apart from (a) or (b) where the proposed cost of development is more than \$100,000. These developments will be subject to a condition requiring the payment of a levy under s7.12 of the EP&A Act.

For developments that comprise a combination of some or all of type (a), (b) and (c) (i.e. mixed-use developments), the type of contribution and the amount of the contribution will be determined based on the higher amount, after both s7.11 and s7.12 are considered. This approach will capture a considerable amount of development which has not been captured in the past, including fit outs (under s7.12).

The draft plan applies to secondary dwellings, schools, boarding houses, student accommodation, residential and commercial uplift.

Table 28: Contribution assumptions

Assumption	Rate		
Section 7.11/7.12 contributions		S7.11 (2020 Draft)	S.7.11 (2013)
	Studio	\$13,685	\$11,999
	1bed	\$13,685	\$11,999
	2bed	\$19,550	\$15,500
	3+bed	\$20,000	\$20,000
Source: North Sydney Council			
S7.12	S7.12 <ul style="list-style-type: none"> Where the estimated cost of works is ≤\$100,000, no contributions are payable; Where the estimated cost of works is >\$100,000 & ≤\$200,000, 0.5% payable; and Where the estimated cost of works is >\$200,000, 1% payable. 		

* The greater of the two will apply

7.1.4.3 Parking requirements

Carparking rates

HillPDA have adopted the follow car parking rates as per the North Sydney Development Control Plan 2013.

Table 29: North Sydney DCP 2013, Commercial and mixed use development car parking rates

Development type		Max parking rate
Residential flat	B4 Mixed use (All – except St Leonards precincts 2 & 3)	Studio: 0.5 space/dwelling 1 bed: 0.5 space/dwelling 2 bed +: 1 space/dwelling Motorcycle parking: 1 space/10 car spaces
Non-residential	B4 – Mixed use (Neutral Bay)	1 space /60sqm non-residential GFA
Supermarkets	All other areas	4 spaces /100sqm of GFA

Source: North Sydney Development Control Plan 2013 – Commercial & Mixed-use development

Refer appendix for full rates.

7.1.5 Testing sites and options

North Sydney Council have identified three key sites to be tested. The purpose of the testing is to determine the viability of redevelopment and the quantum of commercial and residential floorspace required for financially viable develop.

Figure 15: Test site location map



Source: HillPDA, 2023, North Sydney Council

HillPDA have been instructed to test multiple options ranging from 6 storeys to 10 storeys with varying amounts of public benefit and minimum non-residential FSR's. The following options were developed in conjunction with Council, with consideration to urban design and setbacks translated into application FSRs for testing.

Table 30: Feasibility testing options by site and FSR

	Option A	Option B	Option C	Option D
Site 1 (Coles site)				
FSR / Storeys	3.2:1 (6 storeys)	3.5:1 (8 Storeys)	-	-
Non-res FSR	1.2:1	1.5:1	-	-
Public benefits	Footpath widening	Footpath widening Plaza (3,000sqm)	-	-
Site 2A (Arkadia West)				
FSR	2.7:1 (6 storeys)	3.4:1 (8 storeys)	3.7:1 (10 storeys)	3.7:1 (10 storeys)
Non-res FSR	1.2:1	1.5:1	1.5:1	1.5:1
Public benefits	None	Community centre (1,020sqm) Site through link (OTS 36+40lin m) Footpath widening	Site through link (OTS 36+40lin m) Footpath widening	Community centre (1,020sqm) Site through link (OTS 36+40lin m) Footpath widening
Site 2B (Arkadia East)				
FSR	3.0:1 (6 storeys)	3.8:1 (8 storeys)	4.5:1 (10 storeys)	-
Non-res FSR	1.2:1	1.5:1	1.5:1	-
Public benefits	None	Community centre (1,000sqm) Site through link	Site through link	-
Site 3A (Equitibuild)				
FSR	3.1:1 (6 storeys)	2.9:1 (8 storeys)	3.5:1 (10 storeys)	3.5:1 (10 storeys)
Non-res FSR	1.2:1	1.5:1	1.5:1	1.8:1
Public benefits	None	Plaza (partial) Footpath widening	Plaza (partial) Community centre (726sqm) Footpath widening	Plaza (partial) Footpath widening
Site 3B (Woolworths site)				
FSR	3.0:1 (6 storeys)	3.5:1 (8 storeys)	-	-
Non-res FSR	1.2:1	1.5:1	-	-
Public benefits	None	Plaza (900sqm) Site through link (OTS 26lin m)	-	-

Source: HillPDA, North Sydney Council 2023

Figure 16: Diagrammatic public benefit map provided by North Sydney Council



Source: North Sydney Council

7.2 Feasibility testing

7.2.1 Site 1 – 41-53 Grosvenor Street Neutral Bay

Site 1, which is the current Woolworths supermarket site, is owned by Coles Group Property Developments Ltd and leased to Woolworths Limited until November 6, 2024. HillPDA research indicates that upon the lease termination, Coles intends to redevelop and occupy the site. The current Coles supermarket is located approximately 400 meters southwest of the site where the Woolworths supermarket is currently situated. It is worth noting that Site 1 currently performs better than the Coles supermarket site to the southwest.

The property benefits from its strategic position along Grosvenor Street, which offers excellent visibility and exposure to both pedestrian and vehicular traffic. The street serves as a major thoroughfare in the area, connecting various parts of Neutral Bay and facilitating convenient access for visitors and customers. Given its prime position on Grosvenor Street, the site offers businesses the advantage of high visibility and the potential to capitalize on the steady flow of foot traffic. The commercial nature of the area also contributes to a vibrant atmosphere, fostering a sense of community and commercial activity.

Figure 17: Site 1 location map



Source: Metromap, HillPDA 2023

7.2.1.1 'As is value'

The property is currently utilised as a Woolworths supermarket with speciality retail. To estimate the site value, we have relied on recent retail and commercial sales freehold sales and applied an appropriate \$/sqm rate to determine an appropriate 'as is' value.

We note that in the previous 2018 feasibility study the 'as is' value included the estimated VG value for the Council carpark included in the deemed land value. Our discussion with council has indicated that the carpark site and Grosvenor Lane would remain under ownership of Council there we have not included the value of the Council carpark site, however the modelling would assume that the developer would forgo costs associate to

construction and embellishment of the public plaza as a public benefit with the plaza remaining under ownership of Council.

Table 31: Site 1 – Estimated ‘as is value’

Address	Site area	VG land	Existing NLA				As is value
			Supermarket	Retail	Commercial	Residential	
41-53 Grosvenor St, Neutral Bay	4,282	\$44,100,000	3,661				\$62,237,000
Grosvenor Lane Carpark	2,170	-	-				-
Total	4,282	\$44,100,000	3,661	-	-	-	\$62,237,000
‘As is value’ (no premium)							\$62,237,000

Source: HillPDA, 2023 * \$17,000/sqm NLA for Supermarket

7.2.1.2 Feasibility results

HillPDA have tested two options for site 1: Option A being 6 storeys with a minimum non-residential FSR of 1.2:1 and Option B being 8 storeys with a minimum non-residential FSR of 1.5:1. Both options include footpath widening costs for Waters Lane for an additional 2 metres spanning across approximately 68m at a rate of \$500/linear metre. Option B includes the additional construction of Grosvenor Lane Plaza estimated at a cost of around \$10million. The table below provides a summary of the options tested.

Table 32: Site 1 feasibility results summary

	Option A	Option B
Scheme	6 Storey	8 Storey
Total FSR	3.2:1*larger footprint	3.5:1
Non-Residential FSR	1.2:1	1.5:1
Estimated Residential Units	89	89
Total Parking Spaces	246	264
Project performance		
Public benefit	<ul style="list-style-type: none"> Footpath widening (Waters Ln - additional 2m - 68lin metres) 	<ul style="list-style-type: none"> Grosvenor Lane construction (3,000sqm) Footpath widening (Waters Ln - additional 2m -68 linear metres)
Development Margin	34.88%	31.70%
IRR	29.14%	27.80%
‘As is’ Value (\$mil)	\$62.24mil	\$62.24mil
RLV (16% IRR)	\$86.14mil	\$84.64mil

Note: The car parking rates are according to the DCP

Based on an estimated ‘as is’ site value of \$62.24mil Option A shows an RLV at \$86.14million and an IRR of 29.14% indicating this option is viable at 6 Storeys and a non-residential FSR of 1.2:1. For Option B at 8 storeys, we have assumed a public benefit including footpath widening along Waters Lane and construction and embellishment of the public plaza at Councils car parking site. We have not included the cost to replace the lost car parking spaces however in undertaking additional sensitivity to investigate the impact of replacing the lost parking spaces (estimated at 80 space) into public basement car parking the modelling results indicate the project would still be viable for both the 6 and 8-storey options.⁶

⁶ We note the previous modelling scheme undertaken in 2018 included 2 levels of public carparking under the council site to be paid for by the developer.

7.2.2 Site 2A – 166-192 Military Road (West)

Site 2 has a primary frontage to Military Road. It is understood that the site is under majority ownership by Arkadia, however in assessing the 'as is' value HillPDA note that there have been no recent listed transactions with our analysis showing separate ownership. For the purposes of our feasibility study, it would be assumed that the sites would need to be amalgamated and a premium of 25% has been applied to sites not currently owned by Arkadia. The site has a secondary rear frontage to Grosvenor Lane backing onto the Council carpark to be redeveloped into a plaza. Site 2A includes a large specialty shop mall to (Western most building) which offers some significant commercial/retail floorspace as currently exists.

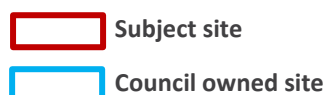


Figure 18: Site 2 location map



Source: HillPDA, 2023

7.2.2.1 'As is value'

The property is currently utilised as various at grade speciality retail and commercial retail shops with first and second floor commercial offices. To estimate the site value, we have relied on recent retail and commercial sales. Note the \$/sqm value does not include the premium a developer might pay to incentivise amalgamation, however HillPDA have included an additional amalgamation premium to the 'as is value' for sites not under ownership of the developer. For the base modelling HillPDA have included the two Councils owned lots assuming acquisition at market rate with no additional premium, however we have also undertaken additional scenarios which exclude Council owned sites. The estimated existing site value is shown in the following table.

Table 33: Site 2A – Estimated ‘as is value

Address	Site area	VG land	Existing NLA				As is value	Including Premium
			Super-market	Retail	Commercial	Residential		
166-174 Military Rd, Neutral Bay	1,088	\$11,400,000		1,137	209		\$21,210,000	\$21,210,000
176 Military Rd, Neutral Bay	145	\$1,640,000		188			\$3,196,000	\$3,196,000
178 Military Rd, Neutral Bay	145	\$1,640,000		400			\$6,800,000	\$6,800,000
180 Military Rd, Neutral Bay	284	\$3,070,000		322	178		\$7,076,000	\$8,845,000
184-186 Military Rd, Neutral Bay	452	\$5,120,000		428	159		\$8,707,000	\$8,707,000
188 Military Rd, Neutral Bay	158	\$1,810,000		216			\$3,672,000	\$4,590,000
190-192 Military Rd, Neutral Bay	310						\$2,866,000	\$2,866,000
Total							\$53,527,000	\$56,214,000

Source: HillPDA, 2023 * \$17,000/sqm NLA for Supermarket

Based on the existing building areas and \$/sqm rates applied we have derived a market value of \$53.53 million. Assuming an amalgamation premium of 25% for sites not currently under ownership of Arkadia, we estimated the site value to be in the order of **\$56.21** million.

7.2.2.2 Feasibility results

We have tested four options for site 2A with all options assuming purchase of Council site at market price. In addition, we have included scenario analysis assuming the exclusion of council sites.

Table 34: Site 2A feasibility results summary (Assuming purchase of Council sites included in FSR)

	Option A	Option B*	Option C	Option D
Scheme	6 Storey	8 Storey	10 Storey	10 Storey
Site area	2,582sqm (Includes council site assumed to be purchase by developers at market value)			
Total FSR	2.7:1	3.4:1	3.7:1	3.7:1
Non-Residential FSR	1.2:1	1.5:1	1.5:1	1.5:1
Estimated Residential Units	42	49	58	58
Total Parking Spaces	88	113	118	118
Project performance				
Public benefit	<ul style="list-style-type: none"> no public benefit 	<ul style="list-style-type: none"> New community centre (1,020m²) Footpath widening (Military Rd) Through site links (open to the sky) 36+40 lin metres 	<ul style="list-style-type: none"> Footpath widening (Military Rd) Through site links (open to the sky) 36+40 lin metres 	<ul style="list-style-type: none"> New community centre (1,020 m²) Footpath widening (Military Rd) Through site links (open to the sky) 36+40 lin metres
Development Margin	6.40%	9.41%	25.34%	18.93%
IRR	9.16%	10.66%	20.40%	16.49%
‘As is’ Value (\$mil)	\$56.21mil	\$56.21mil	\$56.21mil	\$56.21mil
RLV (16% IRR)	\$48.37mil	\$48.93mil	\$62.90mil	\$56.75mil

Note: The car parking rates are according to the DCP

The testing results show that at 6 storeys with no public benefit the project is not viable. At 8 storeys with an FSR of 3.4:1 and a new 1,020sqm community centre, through site link and footpath widening the project remains unviable. Options C and D illustrate that in order for public benefit to be viable on the site a 10-storey option is required.

Additional scenario analysis

Additional scenario analysis for the 8-storey option which excludes the Council sites have been modelled below. The results indicate at 3.8:1 FSR with a non-residential FSR 1.5:1 and dedication of a community centre (1,020sqm) and an open to sky through site link the project is not viable. Given no community centre but with a through site link and footpath widening the 8-storey option would be viable. Additionally, with just the footpath widening the 8 storey is viable showing a project IRR of 20.13% and RLB of \$59.23mil exceeding the 'as is value'.

Table 35: Site 2A feasibility results summary (Excluding Council sites)

	Scenario 1	Scenario 2	Scenario 3
Scheme	8 Storey	8 Storey	8 Storey
Site area	2,279sqm (excludes Council site)		
Total FSR	3.8:1	3.8:1	3.8:1
Non-Residential FSR	1.5:1	1.5:1	1.5:1
Estimated Residential Units	54	54	54
Total Parking Spaces	107	106	106
Project performance			
Public benefit	<ul style="list-style-type: none"> Community Centre (1,020sqm) Through site links (open to the sky) 36+40 lin metres 	<ul style="list-style-type: none"> Footpath widening (Military Rd) Through site links (open to the sky) 36+40 lin metres 	<ul style="list-style-type: none"> Footpath widening (Military Rd)
Development Margin	13.75%	22.59%	25.12%
IRR	13.20%	18.63%	20.13%
'As is' Value (\$mil)	\$53.34mil	\$53.34mil	\$53.34mil
RLV (16% IRR)	\$49.49mil	\$57.08mil	\$59.23mil

7.2.3 Site 2B - 198-214 Military Road (East)

The existing properties located at 198-214 Military Road, Neutral Bay, comprise a commercial complex in a prominent location. The complex is situated along Military Road, a major thoroughfare in the suburb of Neutral Bay, which is known for its vibrant mix of residential and commercial areas.

The properties consist of multiple commercial units, offering a diverse range of businesses and services. These units include retail shops, restaurants, cafes, offices, or other types of commercial establishments. The complex also feature common areas, parking facilities, and amenities to cater to the needs of tenants and visitors. Like site 2A the central location on Military Road gives the tenancies high visibility and a significant amount of foot and vehicular traffic.

Figure 19: Site 2 location map



Source: HillPDA, 2023

7.2.3.1 'As is value'

The property is currently utilised as various at grade speciality retail and commercial retail shops with first and second floor commercial offices. To estimate the site value, we have relied on recent retail and commercial sales. The estimated existing site value is shown in the following table.

Table 36: Site 2B – Estimated 'as is value'

Address	Site area	VG land	Existing NLA				As is value	Including Premium
			Supermarket @17,000/sqm	Retail @17,000/sqm	Commercial @9,000/sqm	Residential		
198-200 Military Rd, Neutral Bay	500	\$5,360,000			558		\$5,022,000	\$5,022,000
202-212 Military Rd, Neutral Bay	1,122	\$12,000,000		759	500		\$17,403,000	\$17,403,000
214 Military Rd, Neutral Bay	219	\$2,270,000		220	232		\$5,828,000	\$7,285,000
Total	1,840	\$19,630,000		979	1,290		\$28,253,000	29,710,000

Source: HillPDA, 2023

7.2.3.2 Feasibility results

The following details the results for site 2B, the eastern Arkadia site. We have tested the 6, 8 and 10 storey options however, have included a variation on Option B (8 storeys) which includes a 1,000sqm community centre within the non residential FSR. As advised by Council the site is already under single ownership with the exception of 214 Military Road, Neutral Bay where a 25% premium has been applied to the 'as is' value.

Table 37: Site 2B feasibility results summary

	Option A	Option B	Option B-(Var1)	Option C
Scheme	6 Storey	8 Storey	8 Storey	10 Storey
Total FSR	3.0:1	3.8:1	3.8:1	4.5:1
Non-Residential FSR	1.2	1.5	1.5:1 (incl community centre)	1.5
Estimated Residential Units	34	43	43	56
Total Parking Spaces	70	87	88	98
Project performance				
Public benefit	<ul style="list-style-type: none"> no public benefit 	<ul style="list-style-type: none"> Through site links (open to the sky) 31 lin metres 	<ul style="list-style-type: none"> Community centre (1,000sqm) Through site links (open to the sky) 31 lin metres 	<ul style="list-style-type: none"> Through site links (open to the sky) 31 lin metres
Development Margin	34.07%	46.29%	36.31%	60.77%
IRR	27.94%	34.24%	28.20%	44.21%
'As is' Value (\$mil)	29.71mil	29.71mil	29.71mil	29.71mil
RLV (16% IRR)	38.99mil	\$46.69mil	\$40.74mil	\$58.65mil

The testing results show that at 6 storeys and a minimum non-res FSR of 1.2:1 the project achieved a IRR of 27.94% and an RLV of \$38.99mil exceeding the as is value showing a viable project with no public benefit.

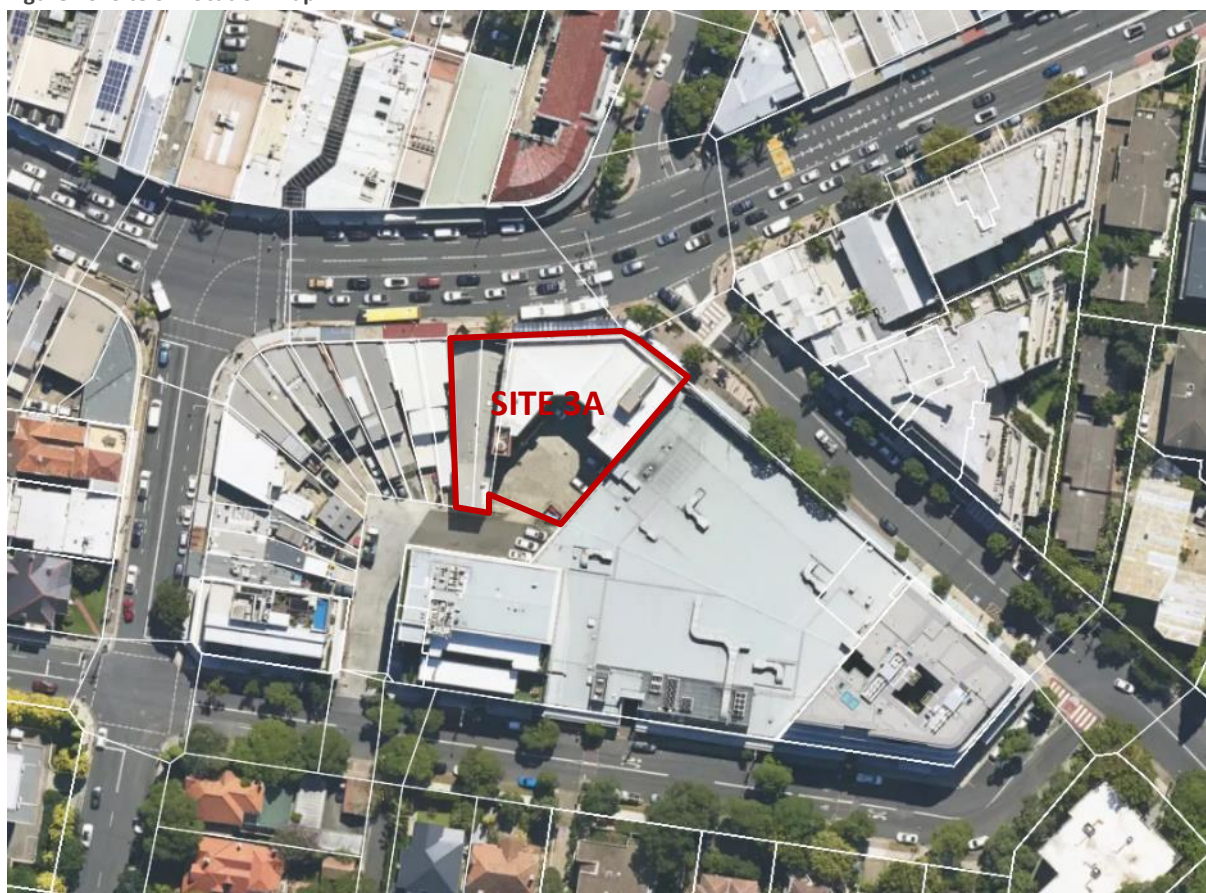
Options B and C tested at 8 and 10 storeys respectively and a non res FSR of 1.5:1 shows both options to be viable even with the inclusion of through site links.

We have tested an additional variation of Option B at 8 storeys with the inclusion of a 1,000sqm community centre within the 1.5:1 non-residential FSR resulting in a lower level of commercial floorspace. The project results still show a viable option at 28.20% IRR and a residual land value of \$40.74mil.

7.2.4 Site 3A – 183-185 Military Road, Neutral Bay

Site 3A has a planning proposal with no GFA breakdown, however the proposal is for a 12-storeys building with a non-residential FSR of 2.5:1 (i.e. 3,248sqm non-residential GFA), 323sqm community facility, 43 apartments and basement car park comprising 57 spaces.

Figure 20: Site 3A location map



Source: HillPDA, 2023

7.2.4.1 'As is value'

To estimate the site value, we have relied on recent retail and commercial sales. As the site is currently under single ownership, no premium has been applied. The estimated existing site value is shown in the following table.

Table 38: Site 3A – Estimated 'as is value'

Address	Site area	VG land	Existing NLA				As is value
			Supermarket	Retail	Commercial	Residential	
185 Military Rd, Neutral Bay	951	8,420,000		245	910		\$5,022,000
183a Military Rd, Neutral Bay	162	1,330,000		161			\$17,403,000
183 Military Rd, Neutral Bay	162	1,330,000		262	160		\$5,828,000
Total	1,840	19,630,000		979	1,290		\$20,986,000

Source: HillPDA, 2023*

7.2.4.3 Feasibility results

Table 39: Site 3A feasibility results summary

	Option A	Option B	Option C	Option D
Scheme	6 Storey	8 Storey	10 Storey	10 Storey
Total FSR	3.1:1	2.9:1	3.5:1	3.5:1
Non-Residential FSR	1.2	1.5	1.5	1.8
Estimated Residential Units	24	19	26	22
Total Parking Spaces	51	50	58	60
Project performance				
Public benefit	<ul style="list-style-type: none"> no public benefit 	<ul style="list-style-type: none"> Rangers Rd Plaza – a small portion Footpath widening (Military Rd) 	<ul style="list-style-type: none"> Rangers Rd Plaza – a small portion Footpath widening (Military Rd) New community centre (726sqm) 	<ul style="list-style-type: none"> Rangers Rd Plaza – a small portion Footpath widening (Military Rd)
Development Margin	33.54%	19.12%	25.80%	29.83%
IRR	26.62%	19.12%	22.13%	25.69%
'As is' Value (\$mil)	\$20.99mil	\$20.99mil	\$20.99mil	\$20.99mil
RLV (16% IRR)	\$27.06mil	\$22.47mil	\$24.53mil	\$26.42mil

Note: The car parking rates are according to the DCP

The testing for site 3A show that Option A at 6 storeys is viable with no public benefit and a larger footprint. At 8 storeys with the additional public benefit and smaller footprint the project still remains viable, noting that Option B also has a lower FSR. Option C at 10 storeys and 1.5:1 non-residential FSR with the provision of a new community centre on site is still viable achieving a project IRR of 22.1% and a RLV of \$24.5mil. Option D at 10 storeys and a non-residential FSR of 1.8:1 with no community centre is viable with a 26% IRR.

7.2.5 Site 3B – 1-7 Rangers Rd, Neutral Bay

Site 3B includes 1-7 Rangers Road which currently under ownership by Woolworths and 50 Yeo Street which has significant commercial improvements. The site currently has a development application proposing a part 6 storey and part 8 storey building comprising of approximately 63 residential apartments and a varied mix of retail, commercial and supermarket use. The proposal includes 4 basement levels of parking for approximately 350 cars.

We note Council views that the planning proposal represents an overdevelopment of the site and would likely not progress and would likely expect a reduction in yield to any revised scheme. As part of the testing for Site 3B We have included 2 options produced in coordination with Council testing a 6-storey option with no public benefit and 8 storey option with including of delivery of a public plaza, through site link.

Figure 21: Site 3B location map



Source: HillPDA, 2023

7.2.5.1 'As is value'

The currently includes the Woolworths supermarket, speciality retail and commercial office space. To estimate the site value, we have relied on recent retail and commercial sales. As the existing site is under majority ownership by Woolworths, we have applied a 25% premium to the 'as is' value at 50 Yeo Street. The estimated existing site value is shown in the following table.

Table 40: Site 3B – Estimated 'as is value'

Address	Site area	VG land	Existing NLA				As is value	Including Premium
			Supermarket	Retail	Commercial	Residential		
1-7 Rangers Rd, Neutral Bay	4,207	31,074,225	3,300	20			56,440,000	\$56,440,000
1/1-7 Rangers Rd, Neutral Bay	189	230,331		150			2,550,000	\$2,550,000
50 Yeo Street Neutral Bay	904	2,548,632		70	2,516		23,834,000	\$29,792,500
Total	5,300	33,853,188	3,300	240	2,516	-	\$82,824,000	\$88,782,500

Source: HillPDA, 2023*

7.2.5.2 Feasibility results

We have tested 2 options for site 3B at 6 storeys with 1.2:1 non-residential FSR and 8 storeys at a minimum non-res FSR of 1.5:1. Option 2 includes a basement supermarket, through site link and the delivery of the Plaza (majority).

Table 41: Site 3B feasibility results summary

	Option A	Option B
Scheme	6 Storeys	8 Storeys + (basement supermarket)
Total FSR	3.3:1	3.5:1
Non-Residential FSR	1.2:1	1.5:1
Estimated Residential Units	75	87
Total Parking Spaces	204	248
Project performance		
Public benefit	<ul style="list-style-type: none"> no public benefit 	<ul style="list-style-type: none"> Rangers Rd Plaza – majority Plaza construction cost Through site link (open to the sky) 26 lin metres
Developers Margin	12.29%	21.16%
IRR	12.82%	18.50%
'As is' Value (\$mil)	\$88.78mil	\$88.78mil
RLV (16% IRR)	\$82.26mil	\$94.50mil

Option A shows an IRR of less than 13% and a RLV of \$82mil (lower than the as is value of 88.8mil), suggesting that it is not viable. Option 2 at 8 storeys with the addition public benefits of the plaza and through site link is viable indicating with a RLV of \$94.5mil - \$5.7m above the 'as is' value.

7.3 Additional scenario analysis

HillPDA have undertaken additional analysis to determine the results of alternate scenarios on the feasibility of the sites. The testing indicated the follow:

Table 42: Scenario analysis results

Site	Results
Site 1 (Coles)	<ul style="list-style-type: none"> Is Option A (6st/1.2:1) likely to be viable if plaza embellishments were provided? – Even with additional costs for embellishments for a 3,000sqm plaza, site 1 would still be viable showing an IRR of 27.21%. This assumes that the plaza would be delivered on the Council carpark site with Council retaining ownership of the site. Is Option B (8st/1.2:1) likely to be viable if the community centre were provided? Yes, even with the provision of a 609sqm community centre in equivalent monetary contribution this option would be viable. This assumes that the project contributes the cost to construct a 609sqm community centre (@\$3,500/sqm). The community centre is modelled in the form of cash contribution to be constructed on Council site.
Site 2B (Arkadia – East)	<ul style="list-style-type: none"> Is option A and B likely to be viable if a community centre were provided on the site (instead of Site 2A)? - Assuming both option A and Option B were to have a 1,020sqm community centre both options would still be viable. We have updated the modelling to include the community centre to be included on the site and therefore would form a part of the FSR. As an alternative approach Council could request an equivalent cash contribution for the provision of community facilities on Councils site which would be

Site	Results
	able to achieve a greater outcome as the community floorspace would not form a part of the permissible FSR for the scheme.
Site 3B (Woolworths)	<ul style="list-style-type: none"> – Is Option B (8st) likely to be viable if a higher non-residential FSR (1.8:1) were applied? - No at 1.8:1 non-residential FSR the project becomes unviable indicating a project IRR of approximately 14% falling below the hurdle rate of 16%. – Is Option B (8st/1.5:1) likely to be viable if a community centre was delivered on the site? – given the delivery of a community centre of 726sqm the project IRR would achieve a project IRR of 14% and RLV of \$94mil falling below the project hurdle rate.

7.4 Town centre feasibility (5 to 6 storeys)

We have conducted hypothetical scenario impact analysis to evaluate the feasibility of increasing the building height from 5 storeys to 6 storeys and adding a commercial level. It should be noted that the feasibility of the project would depend on factors such as the site's purchase price, amalgamation premium, site-specific constraints, and other site-related factors. However, the relative impact of an additional commercial level, while maintaining the same residential floorspace, remains consistent for both the 5 and 6 storey options. Therefore, we have conducted a theoretical assessment of the potential impacts of adding another level, considering costs, revenue, parking requirements, and other implications related to the building's structure. The main impacts are as follows:

- If the height controls remain unchanged and the residential floorspace is replaced with commercial floorspace, the project's viability would be negatively affected due to the higher profit margin on residential uses (\$22,000/sqm NSA end sale value) compared to commercial uses (\$11,500-12,000/sqm NSA).
- In the proposed scenarios, increasing from 5 to 6 storeys does not result in any loss of residential floorspace compared to the existing base scenario. The profit margin for commercial use is positive, resulting in an overall positive impact on feasibility. However, in regions with low demand for commercial floorspace, where the yield could be negative, feasibility could be affected.
- Assessing the additional car parking required at a rate of 1 space per 150 sqm, an additional 13 car spaces would be needed. If the additional commercial space leads to the need for more parking levels, there may be additional costs for the project. However, considering the rate of 1 space per 150 sqm, this is unlikely to have a significant impact, potentially resulting in cost savings.

Our assessment of the potential impact on the Town Centre is based on the evaluation of the variables that influence development viability. Based on our analysis, adding an additional level of commercial floorspace, without reducing residential floorspace, has a positive impact on feasibility compared to the base scenario.

7.5 Feasibility summary

The following table summarises the results of the testing. The analysis undertaken by HillPDA has investigated various options for each of the five selected sites in the Neutral Bay Town Centre. The key determinants of feasibility in the town centre include the existing site value and improvements, achievable floorspace, mix of residential and non-residential floorspace, height/storeys and the public offerings to be provided.

	Viable	marginal	Unviable
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Table 43: Feasibility results summary

	Option A	Option B	Option C	Option D
Site 1 (Coles)	6 Storey (3.2:1 FSR) 1.2:1 Non-res PB:FP widening	8 Storey (3.5:1 FSR) 1.2:1 Non res PB: FP widening + Plaza (3,000sqm)		
Site 1 is viable for both options at 6 storeys without a plaza and 8 Storeys with a plaza. The single large site with minimal improvements gives the site an advantage.				
Site 2A (Arkadia West)	6 Storey (2.7:1 FSR) 1.2:1 Non res PB:None	8 Storey (3.4:1 FSR) 1.5:1 Non res PB: Community Centre (1,020sqm) + FP widening + TSL	10 Storey (3.7:1 FSR) 1.5:1 Non res PB: FP widening + TSL	10 Storey (3.7:1 FSR) 1.5:1 Non res PB: Community Centre (1,020sqm) + FP widening + TSL
Site 2A has some significant improvements and includes a total of 7 allotments for the base options we have assumed Council sites have been acquired the developer at market price. We have undertaken additional sensitivity for an option where Council sites have been excluded for the 8-storey preferred option. The results indicated at 8 storeys excluding the Council site the project is unviable if a community centre is included. However, is viable with through site link (OTS) and footpath widening). The above results including Council sites indicate the project is unviable at 8 storeys with community centre with 10 storeys required. Even at 8 storeys including Council sites without the community centre the project would not be viable given provision of the through site link and footpath widening due to additional costs to acquire Council sites.				
Site 2B (Arkadia East)	6 Storey (3.0:1 FSR) 1.2:1 Non res PB: None	8 Storey (3.8:1 FSR) 1.5:1 Non res PB: TSL	10 Storey (4.5:1 FSR) 1.5:1 Non res PB: TSL	+8 Storey (VAR1) 1.5:1 Non res PB:TSL + Community centre (1,000sqm)
Site 2B comprises of only 3 allotments with an estimated existing floorspace of 2,269sqm. The modelling shows that at 6 storeys with no public benefit the project is viable. Increasing to 8 storeys the site is viable with the provision of a through site link. Additionally, even with the provision of a 1,000sqm community centre on site contributing to the Non-res FSR the 8-storey option would still be viable. At 10 storeys the site is viable even with a through site link.				
Site 3A (Equitibuild)	6 Storey (3.1:1) 1.2:1 Non res PB: None	8 Storey (2.9:1) 1.5:1 Non res PB: Plaza (part)+ FP widening	10 Storey (3.5:1) 1.5:1 Non res PB: Plaza (part) + FP widening+ Community Centre (726sqm)	10 Storey (3.5:1) 1.8:1 Non res PB: Plaza (part) + FP widening
Based on ownership information provided by Council we have made the assumption that the site is already under single ownership and therefore no premium to the 'as is' value has been applied. It is our understanding that site 3A currently has an existing DA approval for a 5-storey mixed use development. Our testing shows that at 6 storeys and 1.2:1 FSR without any public benefit the option is viable. Given additional contributions of a plaza (only small portion on site) and footpath widening the 8-storey option would be viable. Similarly, the 10-storey option with is shown to be viable even with the provision of a 726sqm community centre on site.				
Site 3B (Woolworths)	6 Storey (3.3:1 FSR) 1.2:1 Non res PB: None	8 Storey (3.5:1 FSR) 1.5:1 Non res PB: Plaza (majority)+ TSL		

	Option A	Option B	Option C	Option D
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The Woolworths site which includes 50 Yeo Street to the south is significantly improved with a large commercial building with approximately 2,586sqm of commercial floorspace. As majority of the site is under ownership of Woolworths, we have applied a 25% premium on the 'as is' value for 50 Yeo Street, Neutral Bay.

At 6 storeys and 1.2:1 Non-res FSR the redevelopment of the site would not be viable given the costs for acquisition with insufficient density. The modelling shows however that at 8 storeys and 1.5:1 FSR even with the benefits of a Plaza (majority) and Through site links the option would be viable.

A comparison was made between the rates adopted in a previous study (2018) and the updated assumptions for the current study (2023). Significant changes were observed in rates, particularly in residential construction costs and end sale values. Here are the summarized key findings:

- Construction costs for residential buildings have increased by approximately 40% since 2018, with the updated rate being \$4,800-\$4,900 per square meter of gross floor area (GFA)
- Residential end sale values have experienced a rise of approximately 45% within the same period, with the current range being \$28,000-\$30,000 per square metre
- Development site values have remained relatively stable, with limited sales recorded in the B4 centre since 2018. The analysed rate is between \$6,500 and \$7,500.

Overall, the increase in residential end sale values has positively impacted the feasibility of the project despite the rise in construction costs. Development site values have shown minimal movement based on limited sales and discussions with agents, aligning with the analysed rate from the 2018 study.

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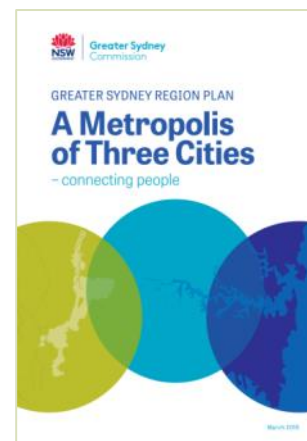
APPENDIX

APPENDIX A : PLANNING & POLICY CONTEXT

A.1 Greater Sydney Region Plan

The Greater Sydney Region Plan – *A Metropolis of Three Cities* (Region Plan) was finalised in March 2018 by the Greater Sydney Commission. The Region Plan vision is to create a metropolis of three cities, specifically the Western Parkland City, Central River City and the Eastern Harbour City. The study area is within the Eastern Harbour City with its aim to – *build on its recognised economic strength and address liveability and sustainability*. The Eastern Economic Corridor City is identified within the Eastern Harbour City to foster innovation and global competitiveness, supported by investments in transport and services, jobs growth and business activity.

A core intent of the Region Plan is to give people more housing choice and establish more jobs closer to where people live, to develop a more accessible and walkable city and creating conditions for a stronger economy. This intent is delivered through a number of strategic objectives including:



- **Objective 3: Infrastructure adapts to meet future needs.**
Infrastructure to support Greater Sydney needs to be designed to adapt and transition with technological changes and megatrends. This includes designing places for electric vehicle recharging and accommodating decentralised utilities. As technologies evolve, a precinct-based approach to community and public infrastructure, including car parking, needs to be taken to maximise adaptability, access and utilisation
- **Objective 6: Services and infrastructure meet communities' changing needs**
Greater Sydney is growing at the same time as major demographic changes are occurring. Improved health, public transport and accessibility outcomes can be achieved through the provision of schools, recreation, transport, arts and cultural, community and health facilities in walkable, mixed-use places co-located with social infrastructure and local services
- **Objective 9: Greater Sydney celebrates the arts and supports creative industries and innovation**
Great places are made when artistic, cultural and creative works are visible, valued, distinctive and accessible. Providing local opportunities for artistic, cultural and creative expression through support for, and access to, arts, literature, screen, performance and cultural experiences, public art and events encourages creativity and innovation that contributes to local identity
- **Objective 12: Great places that bring people together**
This objective highlights urban design and planning features that attract residents, workers, visitors, enterprise and investment. This includes built environment with a range of building sizes and functions including social infrastructure and local services at the heart of communities. Opportunities for social interaction and connections are encouraged by fine grain, walkable neighbourhoods that are accessible for people of all ages and abilities
- **Objective 13: Environmental heritage is identified, conserved and enhanced**
Heritage identification, management and interpretation are required so that heritage places and stories can be experienced by current and future generations. Sympathetic built form controls and adaptive reuse of heritage are important ways to manage the conservation of heritage significance. Respectfully combining history and heritage with modern design achieves an urban environment that demonstrates shared values and contributes to a sense of place and identity

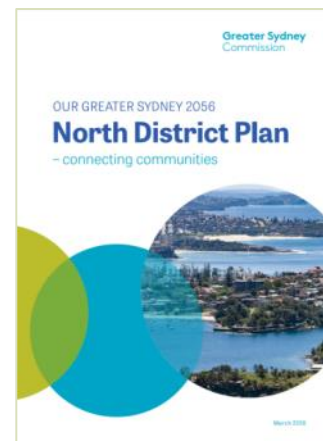
- Objective 14: A Metropolis of Three Cities – integrated land use and transport creates walkable and 30-minute cities.

The Region Plan acknowledges that productivity is delivered through the creation of a diverse economy, supported by a network of centres. It encourages enhanced business access to a greater number of skilled workers to increase employment opportunities and productivity. It promotes the 30 minute city concept, where people can conveniently access jobs and services within 30 minutes by public or active transport.

An overarching strategy of the Greater Sydney Region Plan is providing housing in locations well serviced by transport and social infrastructure. Local centres are particularly important clusters of day-to-day services.

A.2 North District Plan – Greater Sydney Region Plan

The North District Plan is a 20-year plan to manage growth in the context of economic, social and environmental matters. It is a guide for implementing the Greater Sydney Region Plan at a district level and is a bridge between regional and local planning. The District Plan informs local strategic planning statements and environmental plans, the assessment of planning proposals as well as community strategic plans and policies. Cremorne and Neutral Bay are identified as ‘Local Centres’, so there is no explicit state policy for each of these areas. There are broad planning principles for local centres, which include:



- Provide a public realm and open space focus
- Deliver transit-oriented development and co-locate facilities and social infrastructure
- Provide, increase or improve local infrastructure and open space
- Improve walking, cycling and public transport connections including through the Greater Sydney Green Grid
- Protect or expand retail and/or commercial floorspace
- Protect or expand employment opportunities
- Integrate and support arts and creative enterprise and expression
- Support the night-time economy
- Augment or provide community facilities, services, arts and cultural facilities
- Conserve and interpret heritage values
- Accommodate local festivals, celebrations, temporary and interim uses
- Increase residential development in, or within a walkable distance of, the local centre
- Provide parking that is adaptable to future uses and takes account of access to public transport, walking and cycling connections.

These planning principles are intended to form part of local area plans. Respective Councils are required to implement the North District Plan with community and stakeholder engagement and advisory from the private sector.

A.3 Future Transport Strategy 2056

Future Transport 2056 is an overarching strategy, supported by a suite of plans to achieve a 40-year vision for the NSW transport system. Projects relevant to the Military Road Corridor include the Beaches Link and Gore Hill Freeway Connection and the Northern Beaches B-Line, seen in Figure 22.

Figure 22: Nearby transport projects



Source: Adapted from Transport for NSW

Beaches Link and Gore Hill Freeway Connection

This project involves the construction and operation of a 7.5 kilometre, tolled underground twin tunnel motorway to improve transport connections to the Northern Beaches, reduce road congestion, improve amenity and provide better access to employment centres. Between Balgowlah and North Sydney, the Beaches Link is proposed to bypass 19 traffic lights compared to the existing route via the Spit Bridge and Military Road. The project intends to transfer traffic from Military Road/Spit Road corridor and Warringah Road into the new motorway tunnels. The Beaches Link and Gore Hill Freeway Connection is proposed to reduce congestion to enable improvements in urban amenity of arterial roads that perform a 'place' function including Military Road.

The environmental assessment process for the project is currently being undertaken, which will provide details on the potential impacts to the Military Road Corridor.

B-Line

The NSW Government is currently delivering the Northern Beaches Bus Service Plan (Northern Beaches B-Line) to provide more frequent and reliable bus services to the Northern Beaches. Northern Beaches B-Line involves a series of improvements works including:

- A new B-Line double-decker bus fleet for improved onboard capacity and comfort
- Roadworks including new bus lanes, bus bays, minor lane widening and other road improvements to support bus services
- Eleven modern B-Line stops at Newport, Mona Vale, Warriewood, Narrabeen, Collaroy, Dee Why, Brookvale, Manly Vale, Spit Junction (Mosman), Neutral Bay Junction and Sydney CBD, including real-time passenger information and improved facilities for customers
- Modifications to the bus network to provide for a turn-up-and-go B-Line service with at least a 10-minute frequency during the day.

The Northern Beaches B-Line travels along Military Road/Spit Road, Burnt Bridge Creek Deviation, Condamine Street and Pittwater Road. The Beaches Link would be complementary to the Northern Beaches B-Line project, particularly through a reduction in surface road congestion. Existing bus infrastructure through the design development corridor includes on-street bus priority infrastructure, typically in the form of bus lanes and T2 transit lanes. Bus lanes are provided in both the northbound and southbound direction of the Burnt Bridge Creek Deviation with the southbound bus lane extending along Manly Road towards the Spit Bridge.

Dedicated B-Line stops are in place or under construction along Military Road, along with improved road safety and dedicated lanes. The intent is to improve the customer experience with improved frequency, capacity and reliability of bus services. The implementation of the B-line project has removed some on-street parking and loading zones along Military Road. Bus stop locations have also been altered, which has changed pedestrian movement patterns in some locations.

A.4 North Sydney Council strategies and studies

A.4.1 North Sydney Community Strategic Plan 2018 - 2028

The document is a 10-year plan to shape the North Sydney Local Government Area's future. The main priorities for the North Sydney community - made up of its residents, businesses, workers, students, community organisations/groups and tourists - are (not in any priority order) increased access to open space and recreation facilities to support active lifestyles; environmental sustainability including waste reduction; better use of existing infrastructure and improved urban design; new assets to meet current and future community needs including the ageing population; managing traffic congestion; conserving and celebrating the heritage and village atmosphere; increasing economic development; and making North Sydney a smart city by embracing technology, liveability and supporting creative enterprise and cultural expression.



Some relevant policies include:

- Expand urban tree canopy cover
- Encourage community gardening and rooftop and hard surface greening, incorporating native vegetation planting where possible
- Provide integrated and efficient on-street and off-street parking options in residential and commercial areas
- Encourage a diverse mix of business size and type
- Support existing business and attract and foster new businesses
- Promote and enhance the night time/after hours and weekend offer
- Balance visitor impacts with residents' lifestyles and economic development
- Attract and support start-up businesses
- Improve access to early childhood care facilities
- Plan for future social infrastructure and health services to support healthy communities

Strategic planning in the area is subject to the above policies. What stands out in this strategy is the high level of community consultation. A key challenge identified is maintaining economically competitive and attracting jobs targets set out by State government. Diverse and affordable housing is a priority for the North Sydney Council, particularly with the increasing population in the area. These directions will be considered in the following sections.

A.4.2 North Sydney Economic Development Strategy

SGS Economics and Planning was commissioned by North Sydney Council to develop an Economic Development Strategy for the North Sydney Local Government Area (LGA). The Economic Development Strategy informs Council policies, procedures and projects to stimulate and facilitate further economic growth across the North Sydney LGA. It was adopted by Council on 15 August 2016. The following actions are relevant to the Military Road Corridor.

Action 1.2 - Configure planning controls and utilise relative incentives to encourage high-quality development and facilities within office developments

Planning controls set by Council can encourage design excellence for office spaces and building facilities through development incentives and by establishing clear standards for office development and refurbishment, enabling and attracting new employment in the local government area. Potential controls and incentives can include increased floorspace ratios, the use of Voluntary Planning Agreements, discounted infrastructure levies (as appropriate) for meeting a certain standard set by Council, for example, 4 star Greenstar rating or above, meeting design excellence criteria established by Council.

Action 2.1 - Implement a rolling program of public domain upgrades

The consultation found that many businesses in North Sydney were contemplating relocating to other centres with better pedestrian amenity, attractive public domain, and vibrant public spaces. To encourage businesses to remain in North Sydney, and attract new businesses, a rolling program to improve the public domain of the local government area's centres should be implemented. Works to improve the legibility, accessibility and ease of the pedestrian experience in centres should be prioritised. A high-quality pedestrian environment and public domain will improve the amenity of the local government area's employment centres.

Action 7.2 - Conduct regular monitoring of the North Sydney commercial property market to identify gaps and opportunities

The report recommends keeping tabs on the economic activity across North Sydney's centres and providing multiple avenues to monitor employment trends. These include:

- *An online database of available sites and floorspace. Whilst this provides an opportunity for investors, developers and businesses to find out more about the supply stock of commercial floorspace and lands in the centres, the real motive behind this initiative would be to collect quality data on the who, what and why of potential tenants/investors who don't eventually do their business in North Sydney. Insights derived from this information eventually leads to more powerful and targeted market interventions*
- *Land audits which identify the use of individual lots across employment centres by industry, including recording vacant lots. This data can be useful to monitor changes in North Sydney's economic makeup on a more regular basis than the Census, which is collected every 5 years, and provide an indication of the floorspace used by different industries across the local government area.*

Action 22.1 - Assess the impact of shifting the focus of Neutral Bay away from Military Road

An opportunity exists to shift the retail and hospitality focus off Military Road to areas with an emerging retail and hospitality role along side streets to the north of Military Road (Grosvenor Lane and Young Street etc.). Development of retail and hospitality activity has naturally evolved along these streets,

anchored by The Oaks and the Woolworths north of Military Road, directing some pedestrian flows and economic activity away from Military Road. A focused shift would provide for a more pleasant and accessible pedestrian experience and improve the amenity of Neutral Bay. This may be complicated by the presence of retail anchors on both sides of Military Road and difficulties for pedestrians to cross Military Road. A similar focus on Rangers Road and Wycombe Road south of Military Road, where a smaller but similar retail and hospitality focus has developed, could help to counteract any risk of downgrading retail activity on the south side of Military Road.

It is recommended that a potential shift in Neutral Bay's focus of Military Road is investigated further by Council. Further assessment is required to determine which option provides the greatest benefits to workers, shoppers and visitors to Neutral Bay, including pedestrian amenity, traffic management, the amenity of public domain and general activity and vibrancy.

Actions 10.1 and 10.2 include encouraging businesses to operate into the evening, targeting the market for residents on their way home from work, and improving the public domain attractiveness to encourage evening activity. Actions 14.1 and 14.2 highlight public domain improvements are required in local centres to improve the retail experience and encourage business.

This Military Road Corridor Economic Analysis aims to explore the Military Road Corridor in more detail, using Council's *Economic Development Strategy* as a reference. This includes revisiting planning controls, identifying public domain improvements, and exploring market gaps to better specify commercial and retail land use.

A.4.3 North Sydney Affordable Housing Strategy 2015

North Sydney Council's Affordable Housing Strategy provides a range of activities aimed to increase the effectiveness and long-term sustainability of the Council's involvement in affordable housing. Generally, the aim is to retain and increase the amount of affordable rental stock in North Sydney LGA. The actions relevant to Military Road Corridor Economic Analysis include Council's following positions:

- *Notwithstanding SEPP ARH and the Ministerial Directive, Council will collect contributions to its Affordable Housing Fund for the loss of boarding houses and low-cost flats and units through redevelopment, conversion or strata subdivision under s94 of the Environmental Planning and Assessment Act 1979*
- *Council will give in-principle agreement to a share of the title on selected properties to Link Housing to enable sale or redevelopment of appropriate properties in order to increase stock, build Link Housing capacity, and reduce Council's maintenance liability pending review of stock to be transferred*
- *Council will provide in-principle support to increase the amount of affordable rental stock through debt-equity partnerships and use existing resources dedicated to affordable housing in the most effective way.*
- *Council considers the provision of affordable housing a key public benefit when undertaking local planning studies*
- *Council will utilise Voluntary Planning Agreements in conjunction with site-specific Planning Proposals to facilitate the provision of affordable housing.*

A.4.4 North Sydney Local Development Strategy 2009

Formally adopted in June 2011, the plan is for an additional 15,000 jobs by 2031. A small portion of this potential commercial floorspace is in the mixed-use areas along Military Road.

Residential targets for the North Sydney LGA sit at 6,199 additional dwellings from 2009-2031. Although these targets have changed since the Greater Sydney Commission's Region Plan was released, they indicate North Sydney's preference for facilitating dwelling targets. Targets have been appointed for the following dwelling numbers in each zone in Neutral Bay.

Table 44: Neutral Bay dwelling targets

	Medium Density Res (R3)	High-Density Res (R4)	Mixed Use (B4)	Total
Neutral Bay	79	272	509	860

Neutral Bay is identified as a local mixed-use centre. The strategy warns that restricting conditions to limit future growth of individual business types undermines the flexibility and viability of a retail centre. Also, strong clustering of individual business types within a permitted use category can also affect trade. This means that a diversity of businesses is important for the area to naturally form its own market.

A.4.5 Council Uses on Community Land Study, 2016

From 2013 to 2015, North Sydney Council undertook studies to identify opportunities to provide new community uses on existing Council-owned assets. The overall intent involved maximising the public benefit that these assets are presently providing to the community.

One of these assets was the Neutral Bay Community Centre on Military Road, backing onto Grosvenor Lane. Potential outcomes identified in the study include an upgrade of the community centre within a larger amalgamated site either on the site of the current Woolworths or the Military Road side (see Figure 23). This proposal would be facilitated via a public-private partnership, development contributions or voluntary planning agreements. Another option was to relocate the community centre to the site of the Barry Street Car Park.

Barry Street Car Park is another Council-owned asset situated 200 metres from the existing community centre, one street south of Military Road. The Barry Street Car Park could accommodate a 350 to 979 square metre community centre space with indoor sports facility included. Other options for the car park include redevelopment into a mixed-use residential development.

The Grosvenor Lane site and Barry Street carpark site present key opportunities for Council to deliver improved community facilities and public domain improvements. Planning for these two sites needs to be considered in the context of the overall needs for Neutral Bay Centre.

A.4.6 Grosvenor Lane Planning Study, 2014

A planning study has been prepared for the area surrounding the Grosvenor Lane Car Park in Neutral Bay. Council has, for some time, sought to maximise the benefits of this site to improve public car parking availability, the public realm and pedestrian amenity as well as exploring the possibility of creating a vibrant heart for the Neutral Bay Centre. The study outcomes informed the development of a planning framework for the site which is set out in North Sydney Development Control Plan (Section A.5.5).

The proposal includes:

- The provision of underground public car spaces
- The design and construction of a public plaza at ground level on the existing car park site
- The construction of a public through-site link between Military Road and the proposed plaza.

Figure 23: Potential for expanded public /pedestrian realm under high intervention strategy



A.4.7 Neutral Bay Shopping Centre Urban Design Study and Masterplan, 2000 and 2011

The principal objective of this study was to develop a comprehensive urban design strategy to revitalise the Neutral Bay Shopping Centre. It envisaged the development of a 'main street' atmosphere with easy pedestrian movement, outdoor dining, attractive public spaces and convenient parking with the expectation that these outcomes would be conducive to a more commercially successful precinct. The study concluded that landscaping works along Military Road and its tributary streets would help grow retail business in the area.

The smaller landscaping elements of this plan have been included in the North Sydney Development Control Plan. However, none of the anchor projects or plans for open space has progressed at this stage.

Figure 24: Urban Design Study



A.4.8 Neutral Bay streetscape upgrade

Council has committed to progressively upgrading the public domain through Neutral Bay Centre to make it more attractive for shoppers and to reinforce the "village vibe" by introducing:

- New footpath paving
- Better pedestrian access (safety, crossings, walkability)
- New lighting for safety and nighttime interest
- Street trees, vegetation and garden beds
- Seating such as benches and chairs
- Street furniture (bollards, signage, bins)
- Bicycle improvements (cycle routes, access and parking).

The streetscape upgrades will comply with a *Public Domain Style Manual and Design Codes* document released in March 2018, which acts as a guideline for small-scale urban design outcomes.

Community consultation was undertaken June-July 2018 for the proposed upgrade of Grosvenor Lane Shared Zone between Ben Boyd Road and Young Street, Neutral Bay. This proposal will see the laneway converted into a pedestrian priority space with cars limited to 10km/h, new pedestrian paving, planting and street furniture installed to bring the area in line with the Public Domain Style Manual. These streetscape upgrades will make a positive contribution to the centre's commercial and residential landscape.

A.4.9 Military Road Corridor Planning Study, Stage 1 – Engagement Outcomes

A project plan was developed for the Planning Study in June. The first phase of this work commenced with a community survey to better understand local values, issues and aspirations.

The community survey was conducted between Thursday 26 July 2018 and Wednesday 22 August 2018. The survey included a questionnaire, mapping tool and an opportunity for free-form comments. It was widely advertised via a mail out, online and print media and several information kiosks. Council received 497 responses from the engagement process.

The community highly value the village atmosphere of Neutral Bay Centre with restaurants and cafes offering the most popular places to socialise. The community highly regarded the excellent access to shops and services. Over 70 per cent of survey respondents identified the laneway network in and around Grosvenor Lane, Grosvenor Street and Young Street as their favourite area in Neutral Bay.

The top three issues expressed by respondents were for more ‘beautiful public spaces’, a more ‘healthy and safe environment’ and ‘limited building heights’.

A total of 90 per cent of survey participants wish to see improvements made to the Military Road environment including better road crossing opportunities. Seventy-seven per cent of the respondents expressed a desire for ‘more trees and vegetation’ followed by 61 per cent for ‘improved plazas for outdoor activities’. A significant proportion of the community would support a social facility like a library or community centre in Neutral Bay.

A.5 Local planning controls

A.5.1 North Sydney Local Environmental Plan 2013

A.5.2 Zoning

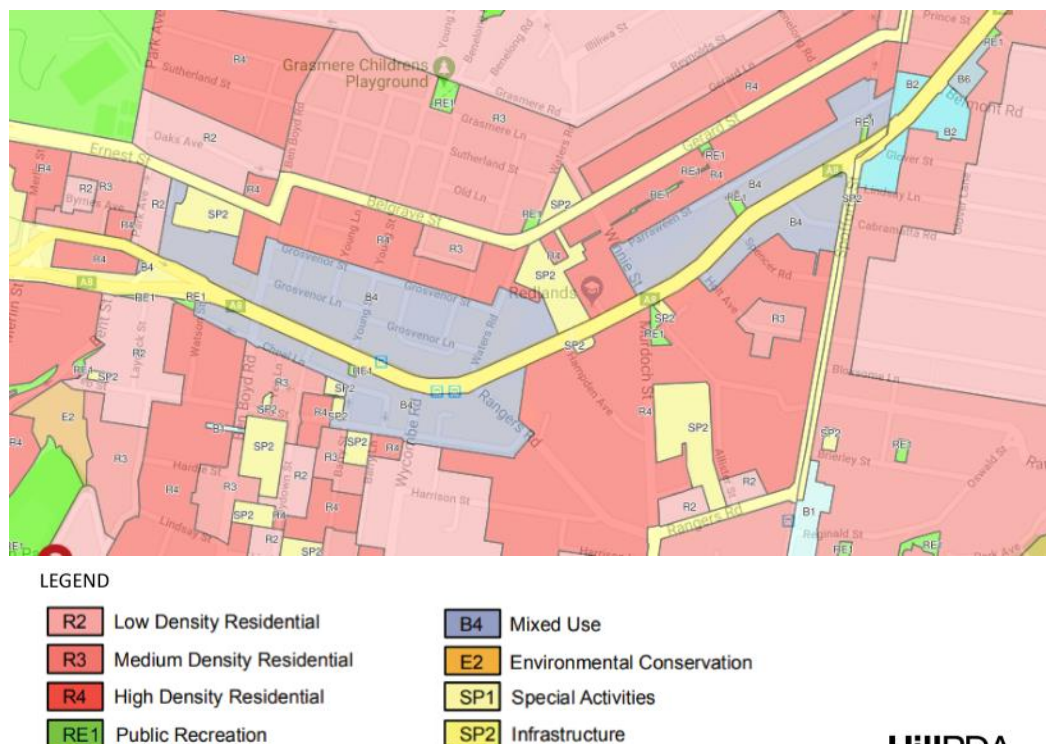
North Sydney Local Environmental Plan 2013 establishes land use zones for the study area as indicated in Figure 25. Most of the study area is zoned B4 – Mixed Use or R4 High-Density Residential. The objectives of the B4 zone are as follows:

- To provide a mixture of compatible land uses
- To integrate suitable business, office, residential, retail and other development in accessible locations so as to maximise public transport patronage and encourage walking and cycling
- To create interesting and vibrant mixed-use centres with safe, high-quality urban environments with residential amenity
- To maintain existing commercial space and allow for residential development in mixed-use buildings, with non-residential uses concentrated on the lower levels and residential uses predominantly on the higher levels.

The following uses are permissible in the B4 Zone:

Amusement centres; Backpackers’ accommodation; Boarding houses; Car parks; Centre-based child care facilities; Commercial premises; Community facilities; Educational establishments; Entertainment facilities; Function centres; Hostels; Hotel or motel accommodation; Information and education facilities; Medical centres; Passenger transport facilities; Places of public worship; Recreation areas; Recreation facilities (indoor); Registered clubs; Residential flat buildings; Respite day care centres; Restricted premises; Roads; Seniors housing; Serviced apartments; Sex services premises; Shop top housing; Signage; Vehicle repair stations; Veterinary hospitals.

Figure 25: Zoning extract, North Sydney LEP 2013



A.5.3 Building height

Building height restrictions in the study area are indicated in Figure 26. Development up to 15 metres is permitted, although this is mainly limited to the existing commercial area.

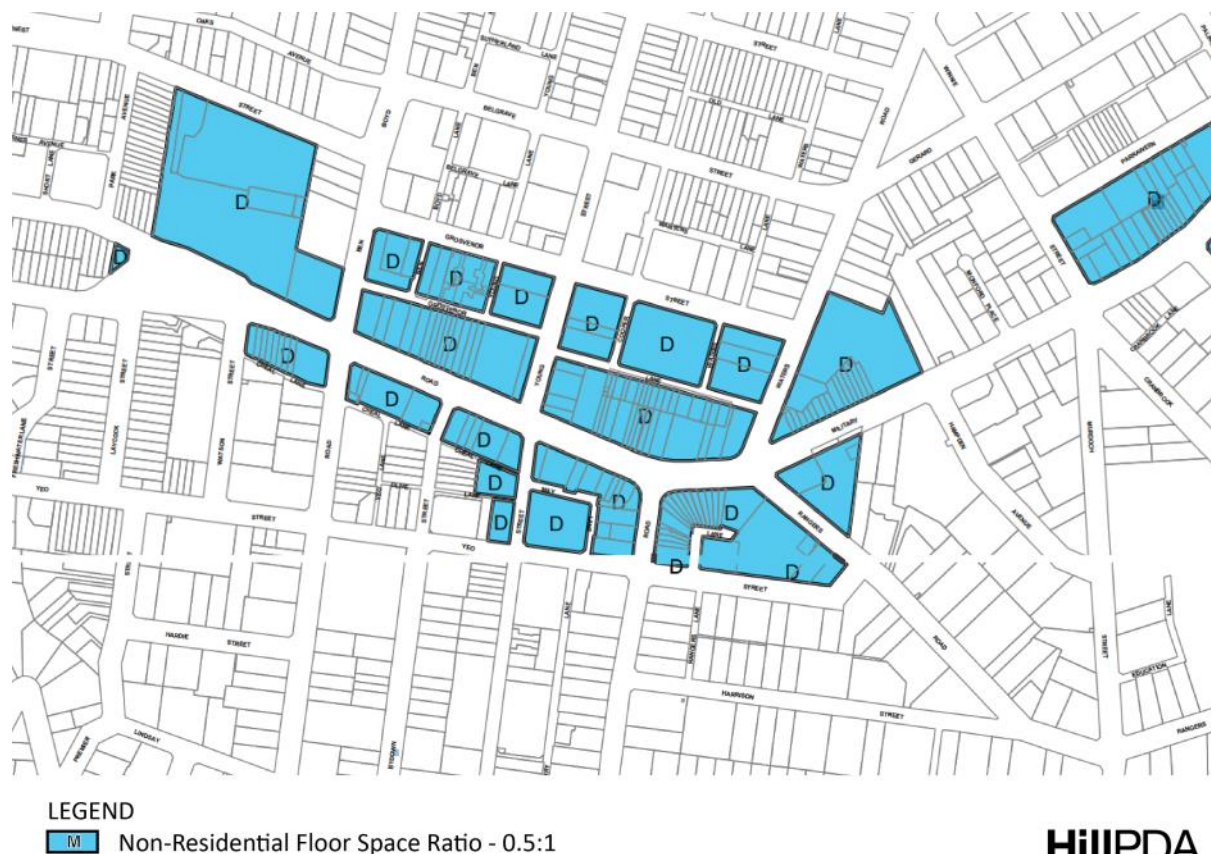
Figure 26: Maximum building height



A.5.4 Non-residential floorspace ratio

Clause 4.4A of North Sydney LEP 2013 applies to the B4 Mixed Use zone. The clause seeks to achieve development with a continuous and active street frontage and encourage an appropriate mix of residential and non-residential uses. It also aims to ensure that a suitable level of non-residential floorspace is provided to promote employment and reflect the hierarchy of commercial centres. A non-residential floorspace of 0.5:1 applies as indicated in Figure 27, meaning that all buildings must have a non-residential floorspace of no less than 0.5:1.

Figure 27: Non-residential floorspace ratio, North Sydney LEP 2013



A.5.5 Minimum lot size

There are no minimum lot size requirements in the study area.

A.5.6 North Sydney Development Control Plan 2013

The Development Control Plan for Mixed Use Areas is primarily to protect residential amenity while still encouraging a mix of commercial and residential.

The DCP for Commercial and Mixed Use Development includes the following relevant provisions among a number of objectives:

Function

- Non-residential buildings or components of buildings should incorporate a variety of different sized spaces that reflect a site's location in the commercial centre hierarchy (i.e. large floor plates should be provided in higher order centres with small floor plates in lower order centres)
- Mixed-use developments within the B1 – Neighbourhood Centre, B4 – Mixed Use or IN2 – Light Industrial zones should:
 - ensure all residential common areas of the building (including the principal entrance to the building) are accessible to all persons regardless of mobility; and
 - have the retail/commercial uses located on the ground floor, retail/commercial or residential uses on the first floor, and residential uses on upper floors.

Maximising the use of public transport

- Locate pick up and drop off points for public transport and taxi ranks as close as possible to public spaces and activities
- Locate short stay (ten minutes) parking spaces within or as close as possible to meeting places
- Limit the amount of long-stay commuter parking on site to that which existed at the time of gazettal of NSLEP 2001 (Amendment No.9 – North Sydney Centre) on the 28 February 2003
- Minimise any non-residential parking on site
- Bicycle storage facilities are provided in accordance with Part B: Section 10 - Car Parking and Transport of the DCP
- Provide showers for use by cyclists and people that walk to work.

Mixed residential population

- Mixed-use developments incorporating residential accommodation should aim to achieve a dwelling yield generally consistent with Council's Residential Development Strategy (2009)
- Mixed-use developments incorporating residential accommodation containing less than 20 dwellings must include, at least two of the following dwelling types:
 - studio
 - 1-bedroom
 - 2-bedroom
 - 3-bedroom.
- Despite the above, no more than 55 per cent of all dwellings must comprise a combination of both studio and 1-bedroom dwellings.

- Mixed-use developments incorporating residential accommodation containing 20 or more dwellings should provide a mix of dwelling sizes in accordance with the following:
 - Studio 10-20 per cent (of total dwellings)
 - 1 bedroom 25-35 per cent
 - 2 bedroom 35-45 per cent
 - 3 bedroom+ 10-20 per cent
- Variations to the dwelling mix within the above standards will not be considered unless the applicant can adequately demonstrate by an authoritative analysis of current and future market demand that the suggested mix is not reasonable
- A minimum of 15 per cent of dwellings in mixed-use developments containing more than 5 dwellings must comprise adaptable housing, and be designed and constructed to a minimum Class C Certification under AS 4299 – Adaptable Housing
- Where adaptable housing is to be provided, the adaptable housing components must: (a) be integrated into the overall design of the development, and must not be isolated; and (b) not use a different standard of materials and finishes to the remainder of the building
- Provide services and facilities within the development that meet the needs of different population groups and build flexibility into communal spaces to meet changing needs.

Noise

Noise emission associated with the operation of non-residential premises or non-residential components of a building must not exceed the maximum 1-hour noise levels (LAeq 1 Hour) specified in the following table:

Time of week	Period	Time	Max 1 hour noise level
Weekday	Day	7am – 6pm	60 dBA
	Evening	6pm – 10pm	50 dBA
	Night	10pm – 7am	45 dBA
Weekend	Day	8am – 7pm	60 dBA
	Evening	7pm – 10pm	50 dBA
	Night	10pm – 8am	45 dBA

However, the noise emission associated with the operation of non-residential premises or non-residential components of a building must not exceed 5 dBA above the background maximum 1-hour noise level during the day and evening and not exceeding the background level at night.

Through-site pedestrian links

- Provide linkages through sites to other streets and laneways as identified in the relevant area character statement (refer to Part C of the DCP) applying to the site or where enhancing pedestrian movement to public transport infrastructure
- Provide linkages to facilities, outdoor spaces and public transport
- Provide public access through pedestrian links from 6 am to 10 pm daily
- Pedestrian links must be lined with active uses along at least one side of the link to engage pedestrians
- Pedestrian links must be a minimum of 6m in width that is free from obstructions
- Escalators must be provided within the link where there is a substantial change in level
- The number of pedestrian entries to the link is maximised
- The extent of natural light to the link should be maximised where possible
- Signage must be provided at the entry to the linkage, indicating public accessibility and the street to which the connection links
- Opportunities for the integration of public art installations within the link are to be maximised
- The linkage is to be designed to positively respond to the “safer by design” principles.

Car parking

- Provide on-site car parking in accordance with Part B: Section 10 – Car Parking and Transport of the DCP
- All car parking must be provided underground
- Where security doors/gates are proposed to provide an intercom system to facilitate visitor/service access to underground parking areas
- Disabled and visitor parking spaces must be designated common property once the development is subdivided.

Adaptive reuse of buildings

- Where feasible, existing buildings are to be reused in preference to demolition
- Buildings should be designed to encourage adaptable office floorspace to accommodate changing occupier requirements.

The DCP contains area character statements for the following sub-precinct along the Military Road Corridor:

Grosvenor Lane Car Park

- Provide a fine-grain of retail and other frontages at the interface with the public realm, including the public plaza, to maximise the variety of uses
- Provide opportunities for outdoor dining
- Provide active frontages to the plaza and, where possible, to laneways
- Create a public plaza on the current public car park site
- Implement shared zones or widen footpaths where possible to improve pedestrian safety and amenity
- Design plaza to be flexible and able to accommodate passive recreation and special events
- Design of built form should facilitate the revitalisation and improvement of the public domain along Military Road
- Upgrade adjoining laneways to complement the public plaza
- Provide quality, active pedestrian links between Military Road and the public plaza
- Relocate public parking underground and provide additional public car spaces
- Maintain existing laneway network or provide an adequate alternative for small-scale loading, short-term parking and vehicular circulation
- Loading facilities should not impact on the amenity of the plaza and should ideally be provided underground
- Upgrade or relocate Neutral Bay Community Centre as part of any redevelopment incorporating the existing site
- Provide improved bus stop infrastructure on Military Road.

Section 10 of the DCP contains controls regarding car parking and transport. The general objectives refer to the reduction of traffic generation and containment of traffic, on-street parking is preserved, and the limitation of parking to minimise impacts on surrounding areas.

All of the above controls have implications for economic activity in the town centre, while also aiming to balance amenity consideration and other development related issues.

APPENDIX B : DA

Our analysis of future development applications revealed no development applications within the Neutral bay town centre study area however there were multiple anticipated development applications in the pipeline in the north Sydney centre west of the study area. Of the 32 projects 16 were commercial office developments, 11 were residential, 2 hotel and 3 student accommodation. The following table summarises the information.

Other Da's in LGA

Address / DA / Date	Site Area (sqm) GFA (sqm)	FSR	Storeys	Estimated Completion	Type
7-11 Mount St & 80 William St	10,079 site	NA	4 storeys	Jan-2023	Student
Demolition of existing structures including Anderledy Lodge & The Hermitage & the existing landscaped basement car park. Construction of a 4 storey building for a short term accommodation of pilgrims & visitors to Mary McKillop Place with associated amenities including dining facilities. Ground floor - Formal entrance foyer, reception, office & luggage storage areas, commercial kitchen & associated storage, servery & dining area, lounge area & associated bathroom facilities. Levels 1-3 - 18 bedrooms with ensuites (a total of 54 bedrooms) capable of accommodating a maximum of 2 persons & a housekeeping storeroom. Sandstone cladding, rendered cement, bricks & metal roof sheeting. Basement car parking for 43 vehicles including 3 accessible bays, 2 motorcycle & 6 bicycle bays. Associated landscaping.					
2-4 Blue Street & 1-5 William Street	- 10 storeys			Feb-2023	Offices
Demolition of 5 residential flat buildings, bulk excavation & tree removal. Construction of a 10 storey commercial building to comprise 9.5 storeys of A grade commercial office space & rooftop plant. 1.5 basement level car parking for 30 vehicles including 2 accessible spaces, 118 bicycle parking spaces & 10 motorcycles, associated end of trip facilities, 2 loading spaces & storage space. Associated landscaping.					
5-7 Doohat Avenue	1,800 site 2,442 GFA	1.4:1	4 storeys	Apr-2024	Residential
Demolition of existing buildings & associated structures. Construction of a 4 storey residential building with 29 apartments to comprise 5 x 1 bedroom, 16 x 2 bedroom, 1 x 2+study, 4 x 3 bedrooms, 3 x 3+study & 4 bedrooms. Brick & rendered concrete wall, metal & wood grain cladding, batten screening, aluminium framed windows & doors & glass balustrades. 2 levels of basement car parking for 41 vehicles including 9 visitor spaces, 5 accessible bays & 12 bicycle spaces. Associated landscaping.					
1 Eden Street	183 site 507 GFA	2.8:1	5 storeys	Oct-2024	Student
Demolition of existing structures. Construction of a 5 storey community & commercial building to comprise 2 ground floor commercial tenancies & a boarding house on levels 1-4 with 12 rooms/suites, (including manager's room) each with a bathroom, kitchenette & living area. Concrete lift core, colour coated metal roof & cladding, metal louvres, balustrade & door/window frames & frameless glass door. 12 bicycle bays & 1 motorcycle space. Associated landscaping.					
63-83 Walker Street	1,825 site 33,004 GFA	18.1:1	26 storeys	Feb-2025	Offices
Demolition of all existing structures & bulk excavation. Construction of a new commercial building consisting of 26 storeys including a podium & public domain, lobbies, basements, retail spaces & 23 levels of office accommodation. The building is to include terraces on level 4 as well a roof terrace on level 30.4/5 basement levels containing 73 car parking spaces & 34 bicycles.					
100-102 Walker Street	1,392 site 42,573 GFA	30.6:1	48 storeys	Sep-2025	Commercial
Proposed demolition of existing site improvements & excavation. Construction & operation of a 48 storey commercial building plus rooftop plant to comprise 35 levels of commercial office spaces (41476sq m) including terraces on the eastern elevation & building plant the low rise deck (Level 17), mid-rise deck (Level 31) & rooftop (Levels 45 & 46). Retail tenancies (1097sq m) including food & beverage premises & shops accommodated at lower ground, upper ground & basement Level 1. 6 levels of basement car parking for 74 vehicles, 2 loading bays & 397 bicycle bays. Associated landscaping.					
65-83 Walker St	1,825 site 33,004 GFA	18.1:1	26 storeys	Nov-2025	Commercial

Address / DA / Date	Site Area (sqm) GFA (sqm)	FSR	Storeys	Estimated Completion	Type
Proposed site preparation works including demolition of all existing structures & bulk excavation. Construction & use of a 26 storey commercial building to comprise lower ground floor & ground floor retail tenancies, dual podium & tower lobby divided by a central podium atrium, 23 commercial office levels, podium & rooftop terrace & top of building plant level. Powder coated curtain wall, vertical sunshade scallop form ceramic extrusion, podium facade glazed ceramic tiles, weatherproof louvres & clear vision glass. Part 4 & part 5 basement level for 82 vehicles & 34 motorcycle bays. Associated landscaping.					
2-6, 107 High Street	1,262 site 1,620 GFA	1.3:1	4 storeys	Dec-2025	Residential
Proposed demolition of all existing structures on site. Construction of a part 3 & part 4 storey residential building to comprise 10 x 3 bedroom units (including 2 adaptable units). Brickwork, sandstone cladding, fixed & operable glazing, metal louvres, balustrade, awning & window surround, flat steel bar fencing, sliding glazed doors, concrete edge profile & roof & timber soffit lining. 2 levels of basement car parking for 18 vehicles to include 15 residential & 3 visitor spaces. Associated landscaping.					
116 Miller Street & 173 Pacific Highway	- 33 storeys			Apr-2026	Offices
Demolition of existing 4 storey building & site improvements at 173 Pacific Highway to ground level. Construction of a new 33 storey commercial office building on the western part of the site including ground floor lobby accessed from the Pacific Highway with the potential of a pedestrian through-site connection to the Miller Street frontage of the site in the future, 6 floors of co-working offices & 22 floors of office tenancies, multi-function meeting space & collaboration lounge on Level 28, a cantilever on the southeastern corner of the building commencing at Level 7 & tapering outwards over the retained building in the east of the site (116 Miller Street) between Levels 14-18 & tapering inwards from Level 18 to the roof. 2 levels of basement for servicing, loading, 110 bicycle bays, 86 lockers & end of trip facilities utilising the existing basement footprint.					
105-151 Miller Street	74,000 GFA 27 storeys		27 storeys	Jul-2026	Offices
Construction of a 27 storey commercial building comprising 74,000sq m of net lettable area. Publicly accessible lower ground floor & ground floor containing retail tenancies, commercial lobby, passive recreation & dining facilities, 24 commercial office levels & mid & top of building plant levels. Total 73,756sq m GFA or 66,247sq m NLA. Floor plates ranging from 1,310sq m to 4,921sq m at the lower levels & 1,306sq m & 2,704sq m at the upper levels. 2 basement levels car parking for 123 vehicles, 802 bicycle parking spaces & associated end of trip facilities including 802 lockers & 72 showers & change cubicles. Landscaping.					
70-74 Berry Street & Walker Street	3,550 site 66,000 GFA	18.6:1	40 storeys	Oct-2026	Offices
Proposed construction of an approx 40 level, 66,000sq m office building.					
253-267 Pacific Highway	1,469 site 6,003 GFA	4.1:1	10 storeys	Dec-2026	Residential
Construction of an 8-10 storey mixed use development with 3 storey podium comprising 39 apartments GFA 4,351sq m & commercial/retail space approx 1,752sq m within podium & residential communal facilities. Integration of heritage item into the new podium development. Communal open space on the rooftop of the lower component of the tower. Activation to streets with a mix of commercial/retail & communal uses. Laneway widening to Church Lane. Car parking for 39 vehicles. Landscaping.					
110, 118 & 122 Walker Street	2,305 site 68,318 GFA	29.6:1	55 storeys	Dec-2026	Offices
Demolition of existing structures. Construction of a 55 storey commercial tower (inclusive of 2 level roof plant), roof terraces & retail premises. Total GFA 68,318sq m NLA approx 59,000sq m. Use of lower ground, ground floor, podium & rooftop retail tenancies to support office workers & site visitors. 1200sq m floor plates. 4,900sq m 4 level podium will cater for child care, co-working & wellness spaces as well as event spaces with a terrace to provide tenants with outdoor experiences in the form of functions & events. Through-site link from Walker Street to Little Spring Street, connecting to Denison Street & the Victoria Cross Sydney Metro station (partially on the site at 110 Walker St). Basement car parking over 7 levels for 170 vehicles, 547 bicycle parking spaces & end of trip facilities (547 lockers & 56 showers. Landscaping at the ground floor, level 4 terrace, rooftop & western green wall.					

Address / DA / Date	Site Area (sqm) GFA (sqm)	FSR	Storeys	Estimated Completion	Type
313 Pacific Highway	436 site 4 storeys	-	4 storeys	Feb-2027	Student
Demolition of the existing structures. Construction of a 4 storey community & commercial development to comprise retail/commercial space on the ground floor & new-age boarding house with 31 self-contained boarding rooms with kitchenette & bathroom facilities (the size of these rooms vary between 17sq m - 30sq m) & some with balconettes including manager's room. Rooftop communal outdoor space (45sq m) & communal living room & kitchen (59sq m) & communal laundry. Basement car parking for 5 vehicles including 1 service bay & 8 motorcycle bays. Associated landscaping.					
153 Walker St	- 46,000 GFA			Apr-2027	Offices
Construction of an office tower of 46,000sq m. Associated car parking. Landscaping.					
173-179 Walker Street & 11-17 Hampden Street	3,950 site 24,102 GFA	6.1:1	28 storeys	Aug-2028	Residential
Demolition of all existing structures. Construction of a residential development of up to 28 storeys with 4 storey podium comprising 3 components: Walker Street terraces: Part 3 to part 5 storey multi dwelling housing development to comprise 6 x 4 bedroom terraces. Hampden Street building component: Part 4 to part 5 storey residential apartment building comprising 24 apartments & rooftop communal open space. Tower component: Part 27 & part 28 storey residential apartment building, comprising 159 apartments & rooftop private open space. Apartments to comprise 3 studio, 41 x 1 bedroom, 68 x 2 bedroom, 68 x 3 bedroom & 3 x 4 bedroom apartments. Internal plaza to provide a link between Walker Street & Hampden Street. 1255sq m communal space & 1645sq m communal open space. Basement car parking over 3/part 4 levels for 240 vehicles, 19 motorcycle spaces & 208 bicycle spaces. Landscaping 1,193sq m.					
107 Mount Street	1,250 site 29,631 GFA	23.7:1	37 storeys	Feb-2029	Offices
Proposed demolition of the existing commercial office building & excavation to accommodate 8 basement levels. Construction of a new 37 storey commercial tower (29631sq m) including a 3 storey podium comprising 330sq m. Cafe tenancy at the corner of Mount & Little Walker Streets. 1068sq m conference/well-being facilities across Level 1 & Level 2. 27097sq m of commercial office across 30 tower levels. 726sq m restaurant tenancy & outdoor terrace at Level 34. 3 terraced rooftop areas & landscaped podium facades at Levels 1-2. 2 after-trip facilities including 2 facilities (male/female) with 13 showers/changing cubicles. Glazing & aluminium framed window & plant room louvres. 8 levels of basement car parking for 76 vehicles, 8 motorcycle & 280 bicycle spaces. Associated landscaping.					
45 McLaren Street	1,793 site 14 storeys	-	14 storeys	Jan-2030	Residential
Construction of a 10-14 storey mixed use development comprising 90 units with a fresh food retailer, cafe/dining outlets, shops (2,212sq m), a gym & rooftop terraces. Basement car parking for 169 vehicles. Landscaping					
Walker Street	1,928 site 51,967 GFA	27:1	43 storeys	Dec-2030	Offices
Demolition of the existing structure on site. Construction of a 43 storey mixed use commercial development to comprise 40 offices, 2 retail tenancies & restaurant. Basement levels 1-5 - 2 car park fan rooms, 4 storages, electrical room, mechanical room, switch room, substation, grease arrestor room & base building comms room. Lower ground - retail, storage, waste room, diesel generator room, lower ground lobby & security room. Ground floor - Retail, restaurant, reception, lobby lounge, upper ground lobby, shuttle lobby & outdoor retail area. Level 1 - End of trip area. Levels 2-26 & 28-41 - 40 offices. Levels 27, 42 & 43 - Plant rooms. Roof level - 3 cooling towers. 5 basement levels car parking for 130 vehicles to include 13 motorcycle & 480 bicycle spaces (lower ground). Associated landscaping.					
Ridge St	2,790 site 10,584 GFA	3.8:1	10 storeys	NA	Residential
Redevelopment of Ridge St Carpark. Option 1 (medium intervention) total GFA 6,128sq m, 3 split level public basement carparking for 220 vehicles. Option 2 (high intervention) comprises 4 level indoor sports facility, total recreational facilities 6973sq m, with retail 296sq m also on ground floor, 6 basketball courts, 18 badminton courts, 6 volleyball courts, 2 tennis courts, 373sq m community facilities & 8 levels of affordable & private housing above comprising 42 apartments, 22 x 1, 14 x 2 & 6 x 3 bedroom, new public plaza with seating and public art, basement carparking over 5 levels for 282 carparking spaces. Podium landscaping.					

APPENDIX C : SALES EVIDENCE

A.6 Residential sales

The following appendix details sale evidence for off the plan residential developments in Neutral Bay and surrounding areas. The following residential projects were analysed:

- 14-16B Thrupp Street, Neutral Bay NSW 2089
- 'Eleve' 131-139 Holt Avenue, Cremorne, NSW 2090
- 2 Sutherland Street Cremorne
- 229 Miller Street North Sydney
- 'Aura by Aqualand' 168 Walker Street, North Sydney, NSW 2060
- 'Eighty Eight', 88 Christie Street, St Leonards
- 'Landmark', 500 Pacific Highway, St Leonards
- 'The Newlands', 21-41 Canberra Avenue, St Leonards
- 'Elation', 1-3 Holdsworth Avenue, St Leonards
- 'Audrey', 13-19 Canberra Avenue, St Leonards.

7.5.1.1 14-16B Thrupp Street, Neutral Bay

This development currently selling off the plan is a part 4, part 5 storey residential building with 20 residential apartments. It comprises of 1 x 1 bedroom, 7 x 2 bedroom & 12 x 3 bedrooms (including 3 adaptable apartments). Each apartment has private open space in the form of either a terrace or balcony with an additional 183sqm of communal open space. The development includes car parking for 32 vehicles to comprise 21 car spaces (basement level) & 11 car spaces (lower ground level) including 5 visitor spaces, 3 accessible bays & 24 bicycle bays. Agents have indicated there are only 3-bedroom apartments left with asking prices detailed below:



Number	Type	Asking price	Internal Areas (sqm)	\$/sqm of NSA
LG02	3BR	\$3,975,000	144	\$27,604
G01	3BR	\$3,500,000	108	\$32,407
G06	3BR	\$3,600,000	111	\$32,432
101	3BR	\$3,300,000	108	\$30,556
106	3BR	\$4,300,000	126	\$34,127
Sales				
	Sale date	Sale price	Internal Areas (sqm)	\$/sqm NSA
2/14 Thrupp Street	03/11/17	1,150,000		-
1/14 Thrupp Street	03/11/17	2,975,000		-
2/16A Thrupp Street	19/10/17	1,100,000		-
3/16A Thrupp Street	19/10/17	1,100,000		-
4/16A Thrupp Street	19/10/17	1,100,000		-
1/16A Thrupp Street	19/10/17	1,100,000		-

Source: Selling agent, Cordell Connect and Domain website

7.5.1.2 'Eleve', 131-139 Holt Avenue, Cremorne

Presales grand opening last weekend and sold 10/22 residences on the first day. Completion anticipated September 2025. 22 residences, 2 & 3 bedroom residences, which have been specifically designed for empty-nesters and owner occupiers in the heart of Cremorne.

Table 45: Off the plan asking prices for 2 and 3 bedroom apartments in 'Eleve'

'Eleve', 131-139 Holt Avenue, Cremorne			
			
Type	Sale Price range	Internal Areas	\$/sqm of NSA
Two bedroom	2,750,000	95-100sqm	\$27,500-\$28,947
Three bedroom	4,200,000	130-160sqm	\$26,250-\$32,307

Source: Selling agent, Cordell Connect and Domain website*units include 15sqm balcony and 2 double lock up garages

7.5.1.3 'Eighty Eight', 88 Christie Street, St Leonards

Proposed project of mixed-use development comprising 10,363sqm of retail (including a supermarket), 19,297sqm of commercial space, public library, two residential towers (maximum 47 storeys) consisting of 654 apartments (consisting of 2 x studio, 197 x 1, 395 x 2, 56 x 3, 3 x 4 & 1 x 5 bedroom). Built over ten levels of basement car parking for 1,138 parking spaces (including 316 to be used as public parking). Date of completion is expected to be Q1 2023.

Table 46: Sales rate range of 'Eighty Eight', 88 Christie Street, St Leonards

'Eighty Eight', 88 Christie Street, St Leonards			
			
Type	Sale Price range	Internal Areas	\$/sqm of NSA
One bedroom	\$770,000-\$1,000,000	50-59sqm	\$15,400- \$16,949
Two bedroom	\$1,210,000-\$1,890,000	75-92sqm	\$16,133- \$20,543
Three bedroom	\$2,800,000-\$2,920,000	95-110sqm	\$26,545-\$29,474

Source: Selling agent, Cordell Connect and Domain website.

7.5.1.4 'Landmark', 500 Pacific Highway, St Leonards

Mixed use development comprising two towers of 7 storeys and 23 storeys with commercial floor space in the high rise tower. Low rise building comprising a 6 to 7 storey scale building to provide 52 residential apartments (18 x 2, 24 x 2, 10 x 3 bedroom). The high rise building proposed at the eastern end of the site will contain 29 levels comprising 217 apartments (21 x studio, 80 x 1, 89 x 2 & 27 x 3 bedroom). Built over three levels of basement carparking for 291 vehicles.

Table 47: Sales rate range of 'Landmark', 500 Pacific Highway, St Leonards

'Landmark', 500 Pacific Highway, St Leonards



Type	Sale Price range	Internal Areas	\$/sqm of NSA
One bedroom	\$685,000-\$795,000	64-74sqm	\$13,700 - \$15,900
Two bedroom	\$1,100,000-\$2,150,000	73-146sqm	\$10,274 - \$26,543
Three bedroom	\$2,538,000-\$4,200,000	168-270sqm	\$13,719 - \$19,345

Source: Selling agent, Cordell Connect and Domain website.

7.5.1.5 'Audrey', 13-19 Canberra Avenue, St Leonards

Table 48: Sales rate range 'Audrey', 13-19 Canberra Avenue, St Leonards

'Audrey', 13-19 Canberra Avenue, St Leonards



Type	Sale Price range	Internal Areas	\$/sqm of NSA
One bedroom	\$860,000 – \$975,000	61 – 68sqm	\$14,098.36 - \$14,338.24
Two bedroom	\$1,450,000	89sqm	\$16,292.13
Three bedroom	\$2,150,000	122sqm	\$17,622.95

Source: Selling agent, Cordell Connect and Domain website.

7.5.1.6 'The Newlands', 21 Canberra Avenue, St Leonards

Table 49: Sales rate range 'The Newlands', 21 Canberra Avenue, St Leonards

'The Newlands', 21 Canberra Avenue, St Leonards			
			
Type	Sale Price range	Internal Areas	\$/sqm of NSA
One bedroom	\$795,000 - \$995,000	53 – 59sqm	\$15,000.00 - \$16,864.41
Two bedroom	\$1,295,000 - \$1,950,000	76 – 90sqm	\$17,039.47 - \$21,666.67
Three bedroom	\$1,975,000 - \$3,250,000	102 – 181sqm	\$17,955.80 - \$19,362.75

Source: Selling agent, Cordell Connect and Domain website.

A.7 Sales

Street Address	Suburb	Bed	Bath	Car	Sale Price	Sale Date	NSA	\$/sqm NSA
101/58 Aubin Street	Neutral Bay	2	2	0	\$2,550,000	4-Mar-21	88	\$28,977
102/12 Grosvenor Street	Neutral Bay	3	2	0	\$2,250,000	5-Jan-22	125	\$18,000
203/12 Grosvenor Street	Neutral Bay	2	2	1	\$1,865,000	7-Apr-22	87	\$21,436
202/14 Grosvenor Street	Neutral Bay	3	2	2	Not Disclosed	28-Nov-22	122	
1/1 Lower Bent Street	Neutral Bay	3	2	1	\$2,900,000	6-Mar-21	127.4	\$22,763
3/1 Lower Bent Street	Neutral Bay	3	2	1	\$2,900,000	15-Apr-21	162	\$17,901
201/74 Merlin Street	Neutral Bay	2	2	1	Not Disclosed	8-Nov-22	81	

APPENDIX D : ADDITIONAL INFORMATION

A.8 Residential parking requirements NSDCP2013

Development type	Residential parking rate
Carparking (Maximum)	
Attached dwellings/ multi-dwelling housing	
Studio, 1 bedroom	1 space/dw
2 or more bedrooms	1.5 spaces/dw
Motorcycle parking	0.25 space/dw
Residential flat/Shop top	
Studio, 1 bedroom	0.5 space/dw
2 or more bedrooms	1 space/dw
Visitors	1 space/10 car spaces
Non residential	
Non-residential parking rate (Neutral Bay)	1 space / 60sqm non-residential GFA
Supermarkets (All other areas)	4 spaces/100sqn if GFA
Bicycle parking (minimum)	
Residential accommodation	Occupants: 1/dwelling Visitors: 1/10 dwellings
Office premises, business premises	Occupants: 1/150sqm GFA Visitors: 1/400sqm GFA
Bulky goods premises	Occupants: 1/600sqm GFA Visitors: 1/1000sqm GFA
Shop, Restaurant or café	Occupants: 1/250sqm GFA Visitors: 2+1/100sqm over 100sqm GFA

Source: North Sydney Development Control Plan 2013