



Appendix D: Economic Analysis Report – JBA



Economic Analysis Report Assessment of Planning Proposal



102-106 Dunning Avenue, Rosebery

Submitted to City of Sydney
On Behalf of Kubis Rosebery Pty Limited

November 2016 ■ 15024

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Executive Summary

This economic analysis study has been commissioned as part of the planning proposal by Kubis Rosebery Pty Limited, a subsidiary of Wilh Wilhelmsen Investment, a Norwegian investment company, which seeks to rezone land at 102-106 Dunning Avenue, Rosebery, and a number of amendments to site specific development standards under the Sydney LEP 2012.

The primary objective of the study is to determine the net economic impacts of the proposed development and it compromises the strategic economic role and function of the Southern Employment Lands in accordance to the Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas.

This economic analysis study has determined:

- Australia and Sydney have experienced significant growth in service-based employment within over the past few decades. Health Care and Social Assistance has provided the largest share of employment growth within Sydney, followed closely by Professional, Scientific and Technical Services.
- Employment in manufacturing has steadily been declining in Australia since the 1960s and experienced a net loss of jobs in the Sydney LGA between 2006 and 2011.
- Housing affordability within the City of Sydney LGA is a significant issue.
- Rosebery is forecast to experience significantly high population growth that will further exacerbate the pressure on demand and property and rental prices within the LGA, and the need for affordable housing within the LGA.
- The delivery of additional housing, and affordable housing contributions, from the proposed development will help accommodate future growth expectations, alleviate some pressure in the local housing market and providing housing to support the growth and development of Green Square, Sydney CBD and transport hubs of Sydney Airport and Port Botany.
- Green Square and Waterloo are likely to increase their proportion of commercial employment within the region with the completion of the Waterloo Metro Station.
- The proposed development is unlikely to compromise the areas ability to accommodate forecasted growth in employment as there is likely to be excess capacity in the surrounding southern employment lands to accommodate future employment growth in over time.

Importantly, although the proposal is likely to reduce the employment and salary output from the existing development, it retains an employment function through the proposed 1,000m² of commercial floor area that will support more intensive employment uses, while supporting wider employment benefits created during the construction phase. An additional \$15,330,374 of household expenditure will also be generated that may be circulated in the local economy.

In light of the findings of this report, it is our opinion that the proposed rezoning is consistent with the relevant State and local planning policies for the southern employment lands. Despite the decline in employment numbers and salary output from the proposed development, it is considered that this will be supplemented through the additional benefits the development will provide. This includes the development's response to employment trends and residential demand, additional household expenditure and the contribution of a significant public benefit through the dedication of affordable housing dwellings, which will support Council's vision and objectives for the site and locality.

1.0 Introduction

1.1 Aims and Objectives

This economic study has been commissioned as part of the planning proposal by Kubis Rosebery Pty Limited, a subsidiary of Wilh Wilhelmsen Investment, a Norwegian investment company, which seeks to rezone land at 102-106 Dunning Avenue, Rosebery, and a number of amendments to site specific development standards.

The objective of the study is to consider if the proposed development has any meaningful impact on the ability for Rosebery or the City of Sydney to attract and retain critical economic activity in accordance to the Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas.

To satisfy the primary objective the study will:

- Define geographical areas that best represent the economic geographies of interest.
- Identify the macroeconomic factors that will influence the future economic role and function of the subject site and local area.
- Outline the strategic planning context and policy framework that will influence the future economic growth and development of the local area.
- Outline the existing and future economic and demographic trends that may influence the future economic role and function of the local area.
- Asses the direct and indirect impacts of the proposed scheme and development to determine its net impact on the local and wider area.

1.2 Report Structure

The structure of the report is as follows:

- **Introduction** – Provides an overview of the subject site and surrounding land uses, features of the proposed scheme and development, assumptions used to complete this economic analysis study.
- **Macroeconomic Overview** – Outlines the macroeconomic factors and issues shaping Sydney's future growth and development such as the changing structure of Sydney's economy and issues associated with housing affordability.
- **Strategic Planning and Policy Framework** – Outlines the strategic planning and policy framework that will guide and shape growth and development around the subject site and Metropolitan Sydney
- **Existing Profile** – Outlines the existing demographic and economic characteristics of the local and wider area.
- **Future Profile** – Outlines the future demographic and economic characteristics of local area and wider.
- **Economic Impact of Developments** – Assesses the direct and indirect economic impacts of the proposed development in accordance to Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas to determine its net impact.
- **Key Findings and Recommendations** – Provides a summary of this study's key findings and recommendations.

1.3 The Site

The site is located at 102-106 Dunning Avenue, Rosebery (Lot 50 DP1171307) within the City of Sydney LGA and has a total land area of 4,948m² as shown in **Figure 1** below. It is approximately 4.8km south of the Sydney Central Business District (CBD) and 1km south of Green Square, a strategic growth centre, which is currently undergoing considerable growth and development.

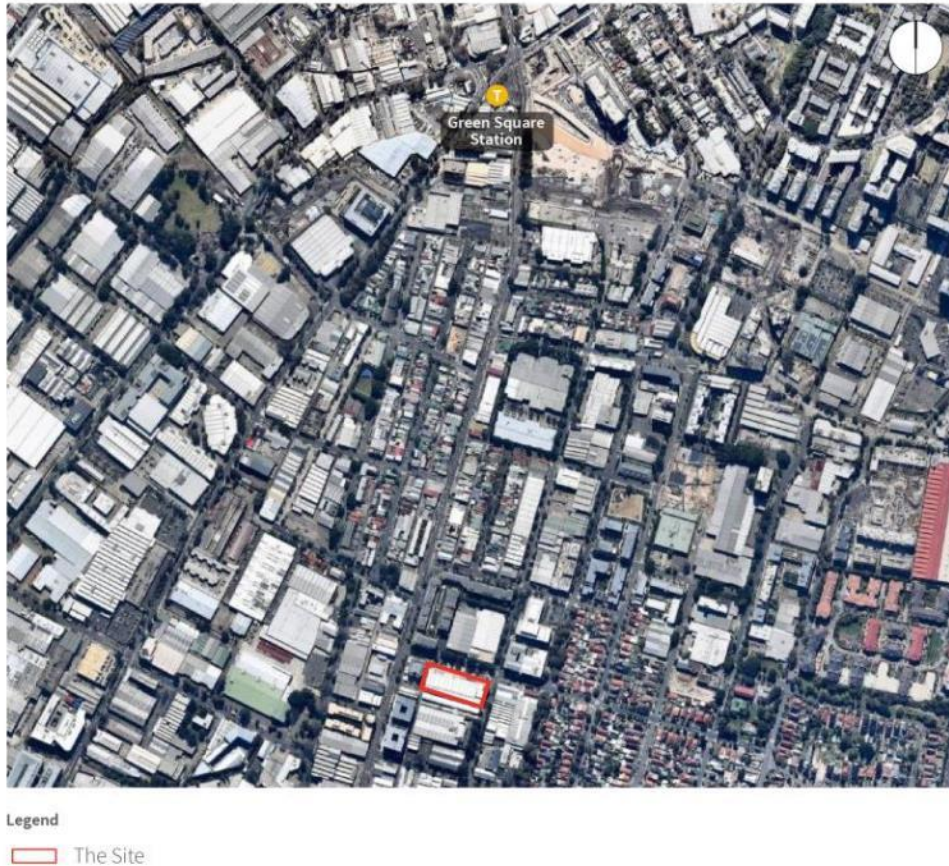


Figure 1 – Aerial of the site
Source: Nearmap

South of the site are the major economic activity generators of Sydney Airport and Port Botany. These major economic activity generators greatly influence the range of economic activities across Metropolitan Sydney.

The site is located in an employment area that contains a number of warehouse, wholesale trade and creative and knowledge-based industries. Buildings immediately surrounding site consist of higher density mixed uses developments that contain commercial, retail and residential activity.

The site is currently occupied by eight businesses in an industrial warehouse building with an ancillary office component. These eight businesses operate across the Transport, Postal and Warehousing, Manufacturing, Wholesale Trade and Administrative and Support Services industries and do not deliver any essential goods and services to the local or wider community.

1.4 Proposed Scheme and Development

Kubis Rosebery Pty Ltd is proposing to change the land use and development standards on the site from B7 Business Development to B4 Mixed Use. This change will then support the proposed development of 120 dwellings, including affordable housing units, and 1,000m² of commercial floor space.

1.5 Data Sources and Assumptions

Data sources that have been used to compile this report include:

- The Australian Bureau of Statistics (ABS) 2011 Population and Household Census Data;
- Profile.id and Economy.id;
- NSW Bureau of Transport Statistics Employment and Population Forecast 2012 and 2014; and
- Housing NSW Rent and Sales Reports 1990-2016.

Key assumptions applied to complete this study include:

- Forecasted population growth estimates are correct;
- Forecasted jobs growth estimates are correct;
- Future development in the study area is consistent with the existing land use policies;
- Future expectations of the residential property market are accurate;
- The Travel Zones boundaries of 412, 290, 289, 288, 287, 286, 285 and 284 adequately reflect the economic boundary for suburb of Rosebery;
- The estimated salary contribution of the existing and proposed development adequately reflects the economic output generated from the site;
- Professional, Scientific and Technical Services businesses will occupy the non-residential component of the proposed development; and
- The capital expenditure economic multiplier and input output model generated by the ABS adequately reflects the wider economic benefits calculated for the development.

1.6 Study Area

To facilitate this economic analysis a study area needs to be defined. A study area geographically represents the communities and economies that are likely to experience varying impacts of the proposed development.

The following factors have been considered when defining the study areas used in this assessment:

- Location of the subject site;
- The location and nature of existing centres and surrounding key land uses;
- Boundaries for gazetted state suburbs; and
- The administrative boundary of the City of Sydney Council.

Figure 2 below illustrates the study areas used in this economic report.

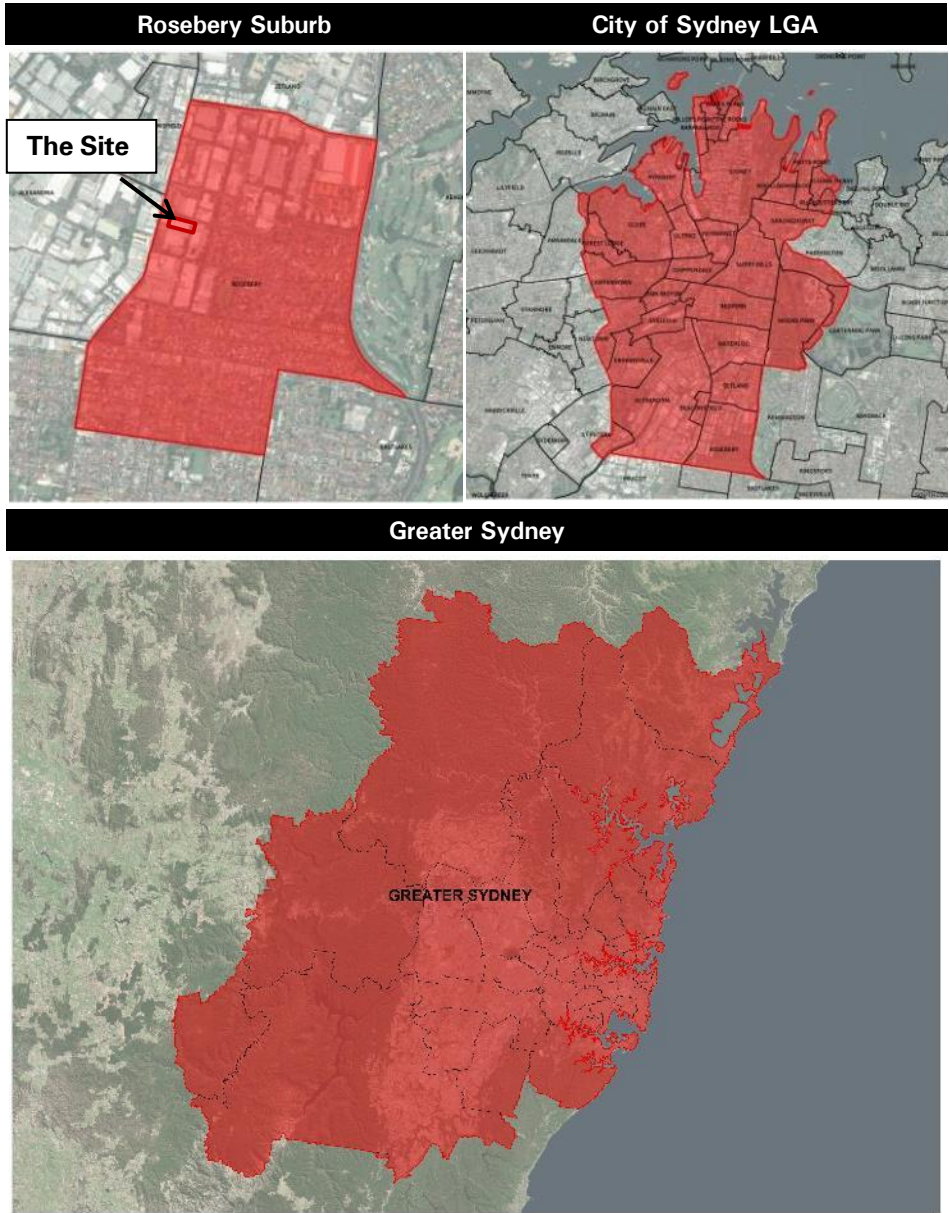


Figure 2 – Rosebery Suburb, City of Sydney LGA and Greater Sydney Study Areas
Source: JBA

By analysing Rosebery Suburb, City of Sydney LGA and Greater Sydney, this study can effectively assess the unique economic and demographic characteristics of each geography and determine if the proposed development will have a meaningful impact on the local community.

2.0 Macroeconomic Overview

2.1 Economic Growth Drivers and Trends

The structure and composition of employment and economic activity in Australia is changing. Over the last 50 years the Australian economy has progressively transitioned towards a serviced based economy that is focused on higher value-add production in knowledge intensive industries. This has meant the proportion of employment in traditional blue collar industries such as manufacturing and agricultural activities has declined, as illustrated **Figure 3** below.

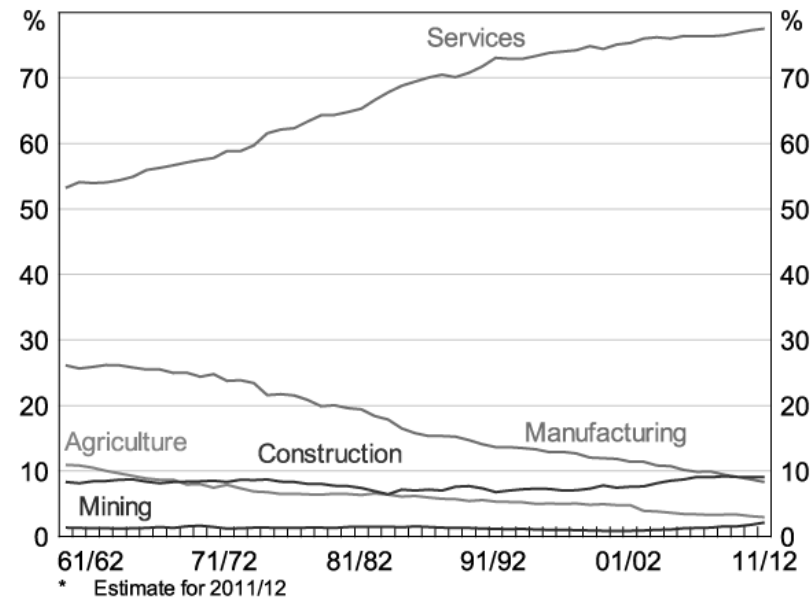


Figure 3 – Change in proportion of employment by industry in Australia
Source: Reserve Bank of Australia 2012

The increasing globalisation of production, technological change, divergence in labour costs between developed and developing economies and increasing mobility of capital and skilled labour has seen the offshoring of much of Australia's lower value industrial activity and employment as it continues to reposition its economy.

Over this time New South Wales and Greater Sydney has experienced significant economic and employment growth. Much of this growth has occurred in white collar industries such as Health Care and Social Assistance, Professional Scientific and Technical Services and Financial and Insurances Services. This economic shift has consolidated Sydney's position as the centre of the Australian economy. Sydney was estimated to account for approximately 20% of Australia's total economic output in 2014.

The changing structure of the economy has been the driving force behind Sydney's continued growth and development, and importantly has had a profound influence on the manner in which employment land is located and utilised. As the nature of business demand, labour force supply and cost of production have changed, traditional industrial uses such as manufacturing and logistics have tended to shift towards lower cost, less-constrained and more accessible land in Western Sydney that have facilitated by a number of government policies and provision of new infrastructure.

In response, traditional inner-city industrial areas have transitioned to higher value economic activities such as knowledge and corporate services, creative industries and advanced manufacturing. The changing market dynamics and shift towards office-based employment has decreased the need and demand for large industrial

zoned sites in the inner city. Between 2006 and 2011 the Manufacturing industry experienced a total decline of almost 10,000 workers across Greater Sydney, as shown in Figure 4 below, which demonstrates the decreasing demand for land dedicated to traditional industrial activities.

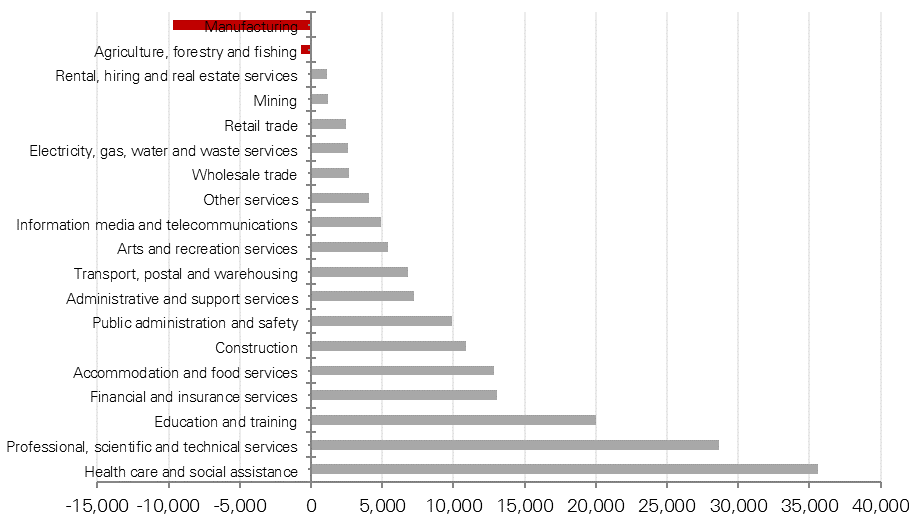


Figure 4 – Change in total employment by industry in Greater Sydney, 2006-2011
 Source: Australian Bureau of Statistics 2011

2.2 Housing Affordability

Sydney’s continued growth and development has put upward pressure on the cost of living and housing affordability. The Centre for Affordable Housing has produced snapshots of the state of housing markets across Sydney and identified there is an urgent need to increase the supply of affordable housing is identified in the Central subregion.

“This subregion has very high median rent and sales prices, a very low vacancy rate, very low levels of rental and purchase affordability, very high proportions of tenants in rental stress, increasing numbers of low income households and low income renters and yet a rapidly dwindling supply of affordable private rental. There is evidence that residents are choosing this location in spite of high housing costs relative to income and that there is movement out of Central Sydney due to affordability issues. There is a strong argument for affordable housing provision targeted to lower income households, including students and key workers.” – The Centre for Affordable Housing, 2015.

Housing affordability issues arise when housing rent and sales prices increases at a faster rate than income growth. Between 1990 and 2016 Sydney’s median rental and household sale prices increased dramatically, as shown in Figure 5 and 6 below.

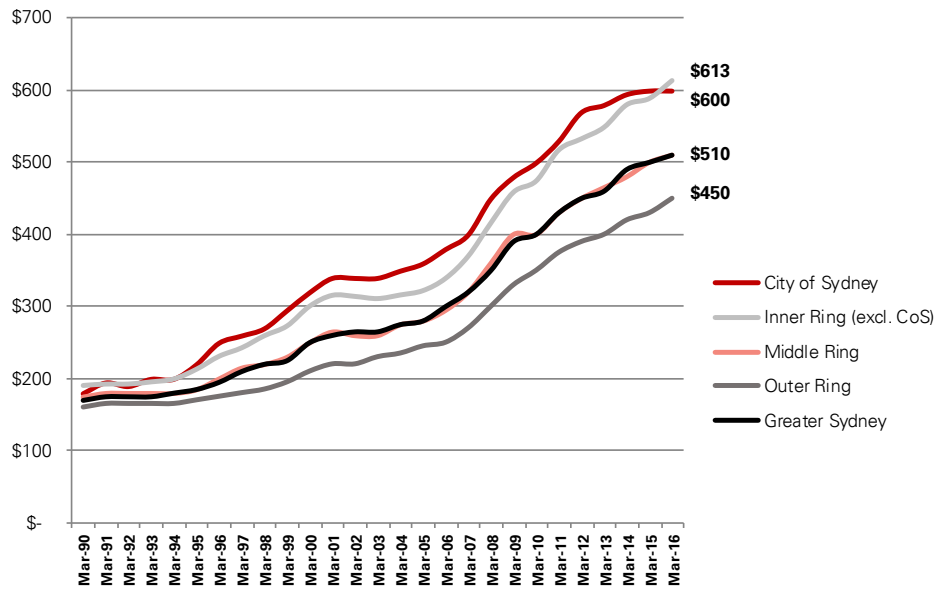


Figure 5 – Median rental price (All dwellings) within Greater Sydney 1991-2015
 Source: *Housing NSW Rent and Sales Report: Issue 115*

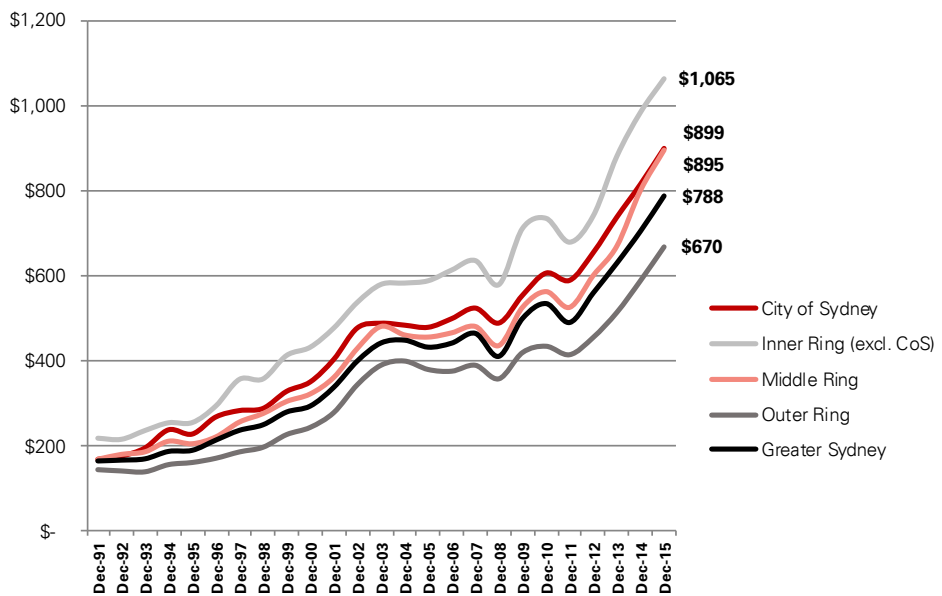


Figure 6 – Median sale price (All dwellings) within Greater Sydney 1991-2015
 Source: *Housing NSW Rent and Sales Report: Issue 115*

It can be seen from the above figures that the City of Sydney and Inner Ring suburbs of have experienced the highest median rental and household sales prices in Greater Sydney. The substantial difference in prices between the City of Sydney LGA and the other regions is an indicator of the different housing markets and pressures within Greater Sydney.

The considerable growth in median household sale and rental prices has surpassed growth in household income. City of Sydney’s *Housing Issues Paper* highlights how the substantial growth in property prices has outstripped income growth in the inner-city during 2013-14.

In 2011, the median weekly household income within the City of Sydney LGA was approximately \$1,640, compared to Greater Sydney’s median weekly household

income of \$1,450¹. This difference in household income is far less than the differences in household median rents and sales prices between the different areas of Greater Sydney is an indication of the financial strain of living within the City of Sydney particularly for those on low to medium incomes.

As **Figure 7** below illustrates, the City of Sydney LGA has a high proportion of high (\$2,500 or more) and low (\$0-\$299) income households compared to Greater Sydney.

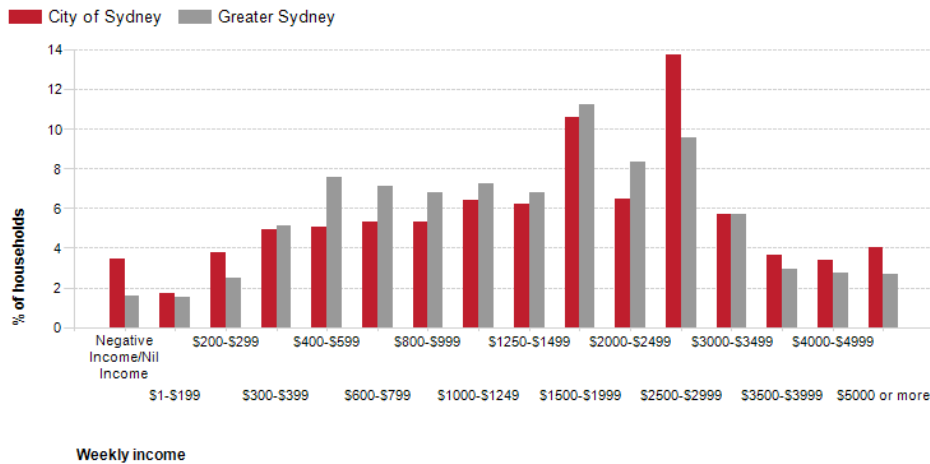


Figure 7 – Weekly Household Income
 Source: Australian Bureau of Statistics 2011

As the median household sale and rental prices are significantly higher in the City of Sydney LGA compared to Greater Sydney it is creating significant housing stress for those on low to medium incomes.

Housing affordability is expected to worsen within the City of Sydney LGA as demand for housing becomes more prevalent, driving up rental and sale prices putting upward pressure on very low to middle income households².

¹ City of Sydney, *Housing Issues Paper*, April 2015

² City of Sydney, *Housing Issues Paper*, April 2015

3.0 Strategic Planning and Policy Framework

3.1 NSW 'Premier's Priorities'

The NSW Premier's Priorities represent 12 of the 30 key policy priorities for the NSW State Government, replacing the former NSW 2021 plan. The priorities outline the NSW State Government's vision and objectives for the state's near-term future and are intended to guide all government decision making. The priorities relevant to the proposed development include:

- **Creating Jobs** - The NSW Government identifies NSW as leading the nation on key economic indicators, whilst also acknowledging that more can be done to attract new jobs and businesses to the state and has targeted the creation of 150,000 new jobs in NSW between 2015 - 2019.
- **Building Infrastructure** - The State Government has outlined an ambitious infrastructure investment program to address the future transport, water, education, health, sports and arts infrastructure needs of NSW. Projects either under construction or committed to that will influence the future location of economic activity in Sydney include:
 - WestConnex Stage 1A: M4 Widening;
 - WestConnex Stage 1B: M4 East;
 - WestConnex Stage 2: King Georges Road Interchange;
 - WestConnex Stage 2: New M5;
 - WestConnex Stage 3: M4-M5 Link;
 - Sydney Metro Northwest;
 - Sydney Metro City and Southwest;
 - Westmead Stage 1A/B Redevelopment.

The above infrastructure projects will improve the transport accessibility and connectivity of Greater Sydney. This will make Western Sydney more attractive for industrial activities such as Manufacturing, Wholesale Trade and Transport, Postal and Warehousing industries. The Sydney Metro project will encourage densification of residential and office based economic activities around metro stations. The future Waterloo Metro Station will increase the demand for office and residential developed in Waterloo and Green Square.

3.2 A Plan for Growing Sydney

A Plan for Growing Sydney is the primary strategic planning document guiding the growth and development of Metropolitan Sydney. The Plan outlines a number of key objectives and actions to guide Sydney's development over the next 20 years, to create:

- Goal 1: A competitive economy with world-class services and transport;
- Goal 2: A city of housing choice with homes that meet our needs and lifestyles;
- Goal 3: A great place to live with communities that are strong, healthy and well connected; and
- Goal 4: A sustainable and resilient city that protects the natural environment and has a balanced approach to the use of land and resources.

To achieve these outcomes the Plan outlines a strategic land use and infrastructure network for Metropolitan Sydney. The Plan's key spatial economic features, as

illustrated in **Figure 8** is the identification of Sydney’s Global Economic Corridor, running from South Sydney through to Macquarie Park and capturing Norwest, Parramatta and Sydney Olympic Park, and the Western Sydney Employment Area.

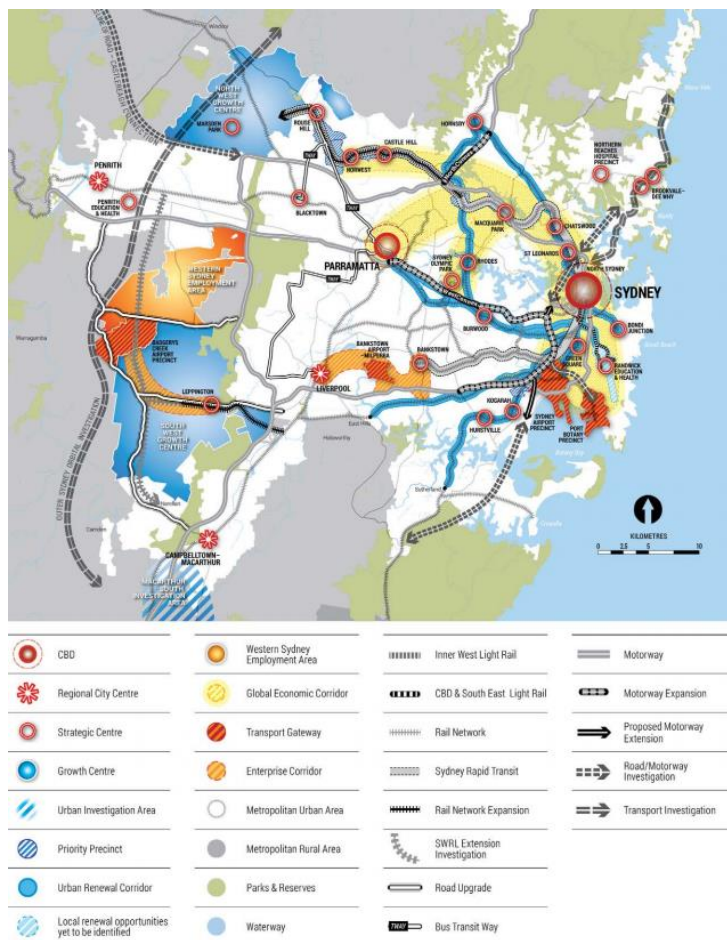


Figure 8 – Metropolitan Sydney’s Strategic Growth and Development
 Source: *A Plan for Growing Sydney*

The Global Economic Corridor seeks to support the growth of high-skilled jobs and global industry clusters while the Western Sydney Employment Area will support the future growth and development of Greater Sydney’s industrial economy. The completion of Sydney’s second airport at Badgerys Creek will increase the areas appeal for manufacturing, warehousing and logistics industries that can take advantage of the distribution and transport benefits that the new airport will and supporting infrastructure will provide.

The site is located south of the strategic centre of Green Square and Sydney CBD. The proximity of the site to the CBD and other specialised precincts and key infrastructure gateways, provides a strong basis for providing a range of land uses that complement and directly supports future development of the Global Economic Corridor. The future success of the Global Economic Corridor, Green Square and Sydney CBD will be their ability to access skilled labour within an adequate travel time.

3.3 City of Sydney Employment Lands Strategy

The City of Sydney Employment Lands Strategy 2014-2019 sets the future direction for all employment lands within the LGA. The long-term vision is to facilitate new business and industry opportunities, provide employment across a range of

sectors, and provide land for strategic industrial activity and essential urban services.

The strategy presents a flexible approach to land use in the employment lands in certain areas to support future economic and employment growth in the LGA, as well as support wider policy objectives, such as housing affordability. This is facilitated through opportunities for mixed use activities that incorporate residential with more high value employment uses such as creative and knowledge intensive industries.

A key outcome of the strategy was the need to identify areas within the Southern Employment Lands that could accommodate future commercial and residential activity. The subject site is located within an identified investigation area and will provide an affordable housing and commercial component that is consistent with the overall objectives and intent of the City of Sydney Employment Lands Strategy.

Key Observations & Implications:

- The provision of major infrastructure projects across Sydney will likely increase the demand for office based employment and residential dwellings in Sydney's inner city while industrial activities relocate to Western Sydney.
- Sydney's economy is expected to increase its share of knowledge intensive and service based workers.
- A key direction of the Plan for Growing Sydney is to expand the Global Economic Corridor by growing high-skilled jobs through the expansion of employment opportunities and mixed-use activities and the need to transition established industrial precincts to meet modern employment and economic trends.
- Green Square and Waterloo are likely to attract additional employment and residential development with the completion of the Waterloo Metro Station.
- A key goal of the Southern Employment Lands is to facilitate more intensive employment uses in the knowledge and service economy while

4.0 Existing Profile

4.1 Population

Population growth and migration has been a key driver for Sydney's growth and development. This growth can be attributed in part to the relatively high immigration rate compared to comparable countries, with a significant rate of immigration compared to comparable countries and natural birth increase within Greater Sydney.

Rosebery experienced significant population growth, as outlined in **Table 1** between 2006 and 2011, growing by 968 residents to reach a population of 5,711.

Table 1 – Population Growth between 2006 to 2011

Location	2006	2011	Growth 2006-2011	
			Total	% growth
Rosebery	4,743	5,711	968	20.4%
Sydney LGA	156,572	169,501	12,929	8.3%
Greater Sydney	4,118,041	4,391,636	273,595	6.6%

Source: *profile.id*

The suburbs considerable population grow rate between 2006 and 2011 was much higher than the growth rates the Sydney LGA and Greater Sydney. This population growth has been supported by a number of new residential developments in the local area.

While the population of Sydney has increased the average persons per household has decreased. The average persons per household in the Sydney LGA is approximately 1.95 compared to 2.69 in Greater Sydney. Future population growth in the Sydney LGA and Rosebery will require smaller residential dwellings than what might be required in other area of Greater Sydney.

4.2 Employment

Sydney's strong population growth has been accompanied by strong employment growth. As of 2011, there were approximately 483,468 jobs located within the Sydney LGA, account for approximately 17.2% of all employment within Greater Sydney, and 7,649 jobs within Rosebery, accounting for approximately 0.27% of all employment within Greater Sydney.

The industry structure of employment within Rosebery and the Sydney LGA are considerably different. Figures 9 and 10 below outline the industry composition of employment within Rosebery and Sydney LGA as of 2011.

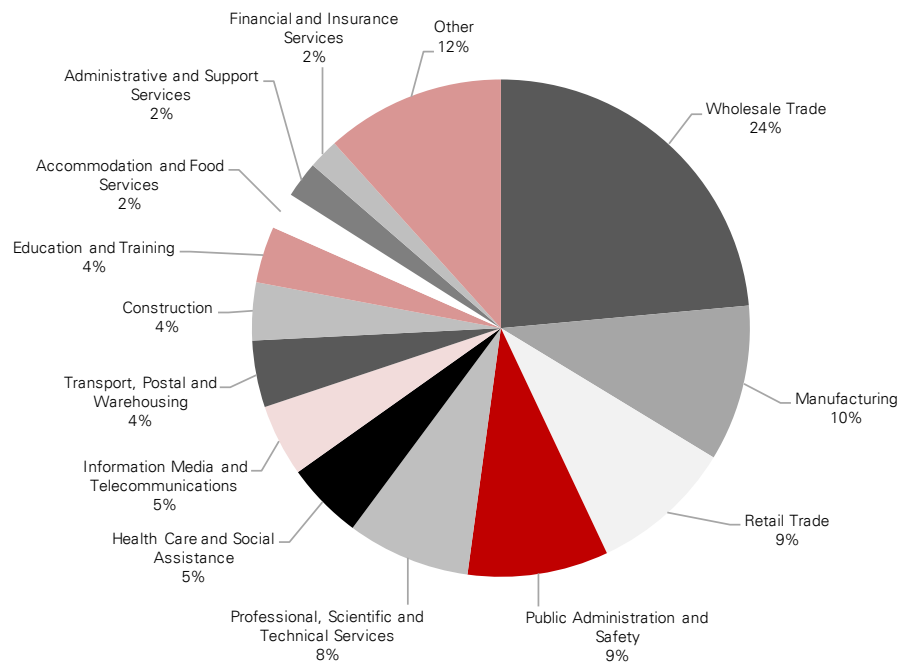


Figure 9 – Employment composition in Rosebery Suburb, 2011
 Source: *BTS Employment Forecast 2014*

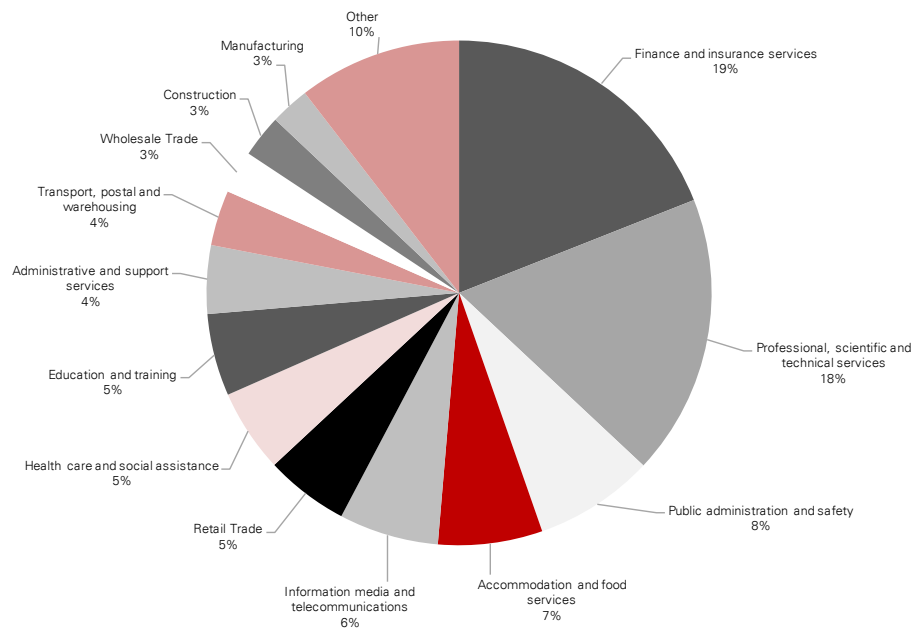


Figure 10 – Employment composition in City of Sydney, 2011
 Source: *BTS Employment Forecast 2014*

From the above **Figures 9 and 10** it can be seen that the predominate industries of employment within Rosebery are Wholesale Trade, Manufacturing and Other. These three industry groups accounted for approximately 46% of all the workers within Rosebery as of 2011. These traditionally blue collar industry groups reflect Rosebery’s traditional industrial zoning.

The three largest industries of employment within the Sydney LGA are Financial and Insurance Services, Professional Scientific and Technical Services and Other. These industry groups accounted for approximately 47% of all workers within the Sydney LGA as of 2011. The high proportion of white collar and knowledge intensive industries within the Sydney LGA is because of the high concentration of professional services located within Sydney's CBD and surrounding centres.

Between 2006 and 2011 there was a steady decline in traditional blue collar industries such as Wholesale Trade, Manufacturing, Electricity, Gas and Water and Waste Services while white collar, knowledge intensive industries such as Professional Scientific and Technical Services and Finance and Insurance Services grew dramatically, as illustrated in **Figure 11** below.

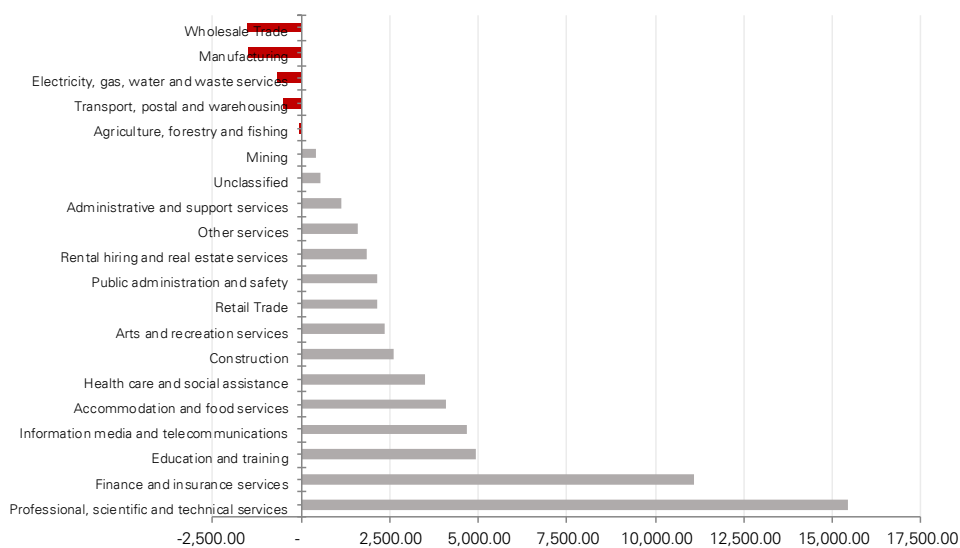


Figure 11 – Historical change in total employment by industry in City of Sydney, 2006-2011
Source: *BTS Employment Forecast 2014*

The reduction of employment in traditional industrial activities within the Sydney LGA between 2006 and 2011 reflects the changing composition and economic structure of Greater Sydney. As noted in **Section 2** of this study, the restructuring of the economy is reducing the demand for industries such as Manufacturing which is reducing the need for industrial zoned land.

Key Observations & Implications:

- Rosebery and the Sydney LGA have experienced significant employment and population growth between 2006 and 2011.
- Rosebery has a high proportion of employment in industries such as Wholesale Trade and Manufacturing which experienced a significant decline of employment within the Sydney LGA between 2006 and 2011.
- A continued reduction of employment in traditional industrial activities reduces the need for industrial zoned land as the economy continues to shift towards more knowledge based, white collar industries.

5.0 Future Profile

5.1 Population

BTS population forecasts indicate that Rosebery is expected to continue its significant population growth to 2031, as outlined in **Table 2** below, with an additional 12,183 residents. This represents a 135% increase on current population levels and 14% of total forecast growth for the City of Sydney LGA. Such significant growth highlights how Rosebery is anticipated to carry a large proportion of the LGA's population growth over the next 20 years.

Table 2 – Population Growth in Rosebery between 2011 to 2031

Location	2011	2016	2021	2026	2031	Growth 2011-2031	
						#	%
Rosebery	9,032	11,135	14,831	17,759	21,215	12,183	135%
City of Sydney	183,281	207,244	232,218	252,922	273,505	90,224	49%

Source: *BTS Population Forecast 2014*

5.2 Employment

The decline in Manufacturing jobs within the Sydney LGA is expected to continue, with an expected loss of 2,534 jobs by 2031 (see **Figure 12** below). By comparison, Financial and Insurance Services (+33,001) and Professional, Scientific and Technical Services (+28,580) industries are expected to continue to grow as major employment industries within the LGA between 2011 to 2031. This aligns with trends seen in the national economic and employment profile with significant growth expected in the knowledge and service economies over the decline in manufacturing sectors.

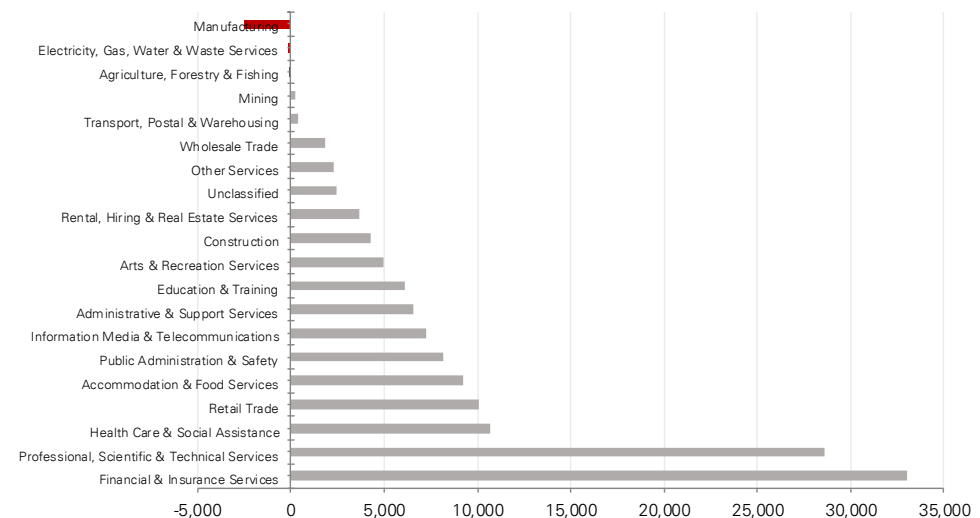


Figure 12 – Forecast change in total employment by industry in City of Sydney, 2011-2031

Source: *BTS Employment Forecast 2014*

NSW Bureau of Transport Statistics employment forecasts project that by 2031, there will be a total of 8,937 jobs within the suburb of Rosebery, as show in **Figure 13** below, an increase of 1,288 jobs (+16.8%) over 20 years. This is a significantly smaller growth rate compared to the forecast rate of employment growth for the City of Sydney (+28.3%). The key forecast trends for the suburb include:

- The majority of employment growth will be driven through the Wholesale Trade (+260), Public Administration and Safety (+203) and Retail Trade

industries (+193). This moves away from trends seen in the wider LGA that sees major growth in the knowledge and service industries.

- The most prevalent change in the future outlook of employment industries within Rosebery is the forecast loss of Manufacturing jobs (-228) which aligns with the historical trends in employment between 2006 to 2011 within the wider LGA that have seen a transition towards increased knowledge-based and service-sector employment.
- The continued growth of Retail Trade within the Suburb with an increase of 193 jobs (+27.3%).

Importantly it should be noted that these forecasts were made some 2 years ago and have assumed a status quo in the area in terms of land use and development.

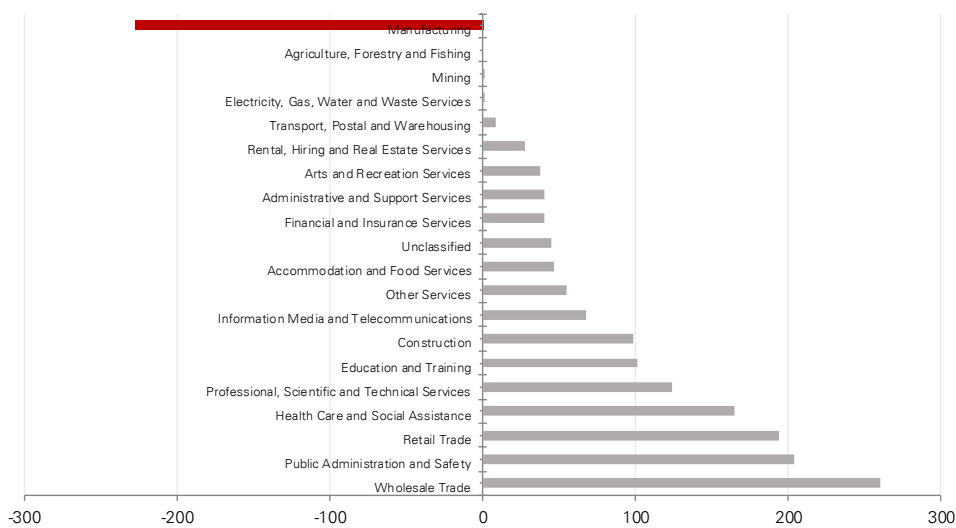


Figure 13 – Forecast change in employment by industry in Rosebery Suburb, 2011-2031
 Source: *BTS Employment Forecast 2014*

These industries do not typically locate on industrial zoned land and are predominately located within and immediately surrounding Strategic Centres on land zoned for commercial, business zoned land and special uses. Furthermore, these industries experienced considerable growth from 2009/10.

Key Observations & Implications:

- The suburb of Rosebery is forecast to experience a lower proportion of employment growth than the Sydney LGA.
- While Wholesale Trade is forecasted to have the highest total growth this is unlikely to occur as these industries relocate to other areas of Greater Sydney
- The Manufacturing industry is forecast for significant decline in line with trends seen in the LGA and nationally.
- Employment in service sectors is expected to grow in Rosebery, although not to the extent forecast for the LGA.
- Employment forecasts for the area have been made under the assumption that the area will remain consistent with its current land use mix / pattern.
- The population in Rosebery grew substantially between 2006 and 2011 and is forecast to see a significant population growth of 135% between 2011 to 2031.
- There will be a need for additional housing within Rosebery to accommodate its future population growth.

6.0 Economic Impact of Planning Proposal

This section of the report will outline and measure the direct and indirect economic impacts of the proposed development to address the requirements of the guideline and provide an assessment of the employment generation of the proposed development compared to the current use on the site.

The following table outlines the overall breakdown of the economic impact of the proposed development in comparison to the existing development.

Table 3 – Breakdown of existing and proposed land use and activity

Land Use and Activity	Existing	Proposed
Residential GFA	0	9,096m ²
Affordable housing dwellings	0	As per requirement
Non-residential GFA	3,336m ²	1,000m ²
Employment	38 - 51	25 - 30
Predominant Economic Activity	Transport, Postal and Warehousing, Manufacturing and Wholesale Trade	Professional, Scientific and Technical Services
Construction cost	N/A	\$40 million
Employment generated from construction	N/A	467
Economic activity from construction	N/A	\$114.64 million
Total salaries	\$2,052,712 – \$2,906,860	\$2,019,025 – \$2,422,830
Workers spending (\$ per year)	Unknown	\$216,000 - \$259,200
Resident spending (\$ per year)	N/A	\$15,067,192

6.1 Direct Impacts

From Table 3 above it can be seen the proposed development will result in a number of direct economic impacts. Direct economic impacts from the proposed will include changes in employment, changes in industry composition, non-residential GFA and economic output on the site.

6.1.1 Employment

The calculation of the employment generation of the existing and proposed development is based on the breakdown of GFA within the existing development, employment rates outlined within the City of Sydney s94 Contributions Plan 2015 and the City of Sydney Floor Space and Employment Survey (Green Square and City South Village Summary Report) 2012.

Current employment

The existing development currently has a total GFA of 3,336m² comprising 2,066m² of warehouse GFA and 1,270m² of ancillary office space. Table 4 below provides an estimate of the capacity of workers on site with a total of capacity of 38-51 workers.

It should be noted that while the development produces a high number of office workers (32-38 workers), the office component of the existing development is an ancillary use to the predominant function of the building for transport and

warehousing. Therefore, the amount of office workers in the existing development may result in an inflated number of workers.

Table 4 – Employment Generation from current development

Land use	S94 Contributions Plan	FES WSR Green Square and City South Village	GFA	Number of workers
Office	33.3m ²	39.6m ²	1,270m ²	32-38
Warehouse	N/A	155.3m ² – 330.1m ²	2,066m ²	6-13
Total	38-51 workers			

Source: City of Sydney section 94 Contributions Plan 2015 and Floor Space and Employment Survey (Green Square and City South Village Summary Report) 2012

Proposed Employment

The proposed scheme for the site under the planning proposal identifies 1,000m² of GFA for the non-residential uses in the form of commercial space. **Table 5** below provides an estimate of the maximum capacity of number of workers on site in accordance with the proposed scheme. This is estimated to accommodate 25-30 jobs with the proposed 1,000m² of commercial floor space.

Table 5 – Employment Generation from Proposed Scheme

Land use	S94 Contributions Plan (per worker)	FES WSR 2012 (per worker)	GFA	Number of workers
Office	33.3 m ²	39.6 m ²	1,000m ²	25-30
Total	25-30 workers			

Source: City of Sydney section 94 Contributions Plan 2015 and Floor Space and Employment Survey (Green Square and City South Village Summary Report) 2012

The proposed development may result in a decline of overall employment on the site by approximately eight jobs.

6.1.2 Industry Composition

The current composition of industries within the development has been determined by the current tenants of the site as outlined **Table 6** below. The current tenants come from a range of industries, including Transport, Postal and Warehousing, Manufacturing, Wholesale Trade and Administrative and Support Services.

Table 6 – Existing tenants and industry division

Business	Industry Division
Wilhelmsen	Transport, Postal and Warehousing
CCM	Manufacturing
Columbit	Wholesale trade
Riedel	Manufacturing
Viking	Transport, Postal and Warehousing
Wavetrain	Manufacturing
Wiltrading	Administrative and Support Services
Wilhelmsen Ships Service	Administrative and Support Services

The proposal intends to incorporate 1,000m² of commercial floor space, which will change the types of employment generating uses on the site. Based on employment trends within Rosebery, the likely commercial activities will comprise of Professional Scientific and Technical Services.

The change in employment activities on the site will support the future high growing employment sectors forecast within Rosebery, and will support the growth of the knowledge economy within the local area. It is anticipated that

most of the commercial office space growth will occur in Green Square and Waterloo with the delivery of the new Sydney Metro Waterloo station.

6.1.3 Economic Output

As the proposed development will change the total number and type of workers on the site it will therefore change the economic output generated from the site. The site currently supports a range of industrial activities this is expected to change to commercial and retail activities.

These two changes will impact the total economic output generated from the site. To better understand how the economic output generated by site might change an assessment of workers' salaries supported by the existing and proposed development is required.

Assessing the potential changes to total salaries generated by workers on the site is the best estimate for calculating changes in economic output. Similar to the income approach for calculating GDP, it assumes that the total income, or economic output, generated by businesses on the site must be higher than the total salaries paid to workers. If the economic output of the site was lower than the total salaries paid to workers the business would not be viable and would cease trading.

Table 7 and **8** below outline the estimated economic output generated by the existing and proposed development using total salary estimates for workers on the site.

Table 7 – Estimated Total Annual Economic Output of Existing Development

Industry of Employment	Average Annual Salary [^]	Number of Workers	Total Annual Salary
Transport, Postal and Warehousing	\$72,654.40	2-4	\$145,308 – \$290,617
Wholesale Trade	\$67,839.20	2-4	\$135,678 – \$271,356
Manufacturing	\$66,700.40	2-4	\$133,400 – \$266,801
Administrative and Support Services	\$51,641.20	32-38	\$1,652,518 – \$1,962,365
Estimated Total Annual Economic Output			\$2,066,906 – \$2,791,141

Source: JBA estimates using information from the ABS Average Weekly Earnings (6302.0) N.B[^] Average Annual Salary estimates were calculated as an average for Australia

Table 8 – Estimated Total Annual Economic Output of Proposed Development

Industry of Employment	Average Annual Salary [^]	Number of Workers	Total Annual Salary
Professional Scientific and Technical Services	\$80,761	25-30	\$2,019,030 – 2,422,836
Estimated Total Annual Economic Output			\$2,019,030 – 2,422,836

Source: JBA estimates using information from the ABS Average Weekly Earnings (6302.0) N.B[^] Average Annual Salary estimates were calculated as an average for Australia

*Assumed Average Weekly Earnings of Professional, Scientific and Technical Services of \$1553.10 per week

From the above tables it can be seen that the proposed development will decrease the total economic output generated by the site by approximately \$47,876 – \$368,305 each year, representing an approximate 2.3%–13.2% decrease from the existing development. This is not deemed as significant given the additional positive impacts that the proposal will provide, including, the dedication of affordable housing, economic benefits from construction expenditure on the wider

economy and the injection of additional residential spending within the local economy.

6.2 Indirect Impacts

Aside from the direct economic impacts on the site the development and operation of the site will have a number of positive indirect economic impacts. These positive indirect economic impacts relate to an increased provision of employment sustained by the construction of the building.

6.2.1 Affordable Housing

The proposed development is required to make an affordable housing contribution. The delivery of affordable housing is considered a dedication of social infrastructure for the City of Sydney LGA, which is critical in supporting a more sustainable community through enabling low to moderate income earners to access housing that meets their needs and income.

As highlighted within **Section 5** of this report, rental and sale prices growth within the City of Sydney LGA has outstripped household income growth over the last 25 years. This will particularly be the case in Rosebery, which is forecast to experience strong population growth. Strong population growth forecasted will increase the need to deliver more housing and affordable housing in the area.

The delivery of additional housing, and its required affordable housing contribution, will help the area accommodate its future growth forecasts and alleviate some pressure on the local housing market. This is considered a significant positive contribution of the development.

6.2.2 Wider Economic Benefits

Construction

Based on the estimated construction expenditure of approximately \$40 million provided by Kubis Rosebery Pty Ltd, a subsidiary of Wilh Wilhelmsen Investment, a Norwegian investment company, it is therefore estimated that the project will result in approximately \$74.6 million in capital expenditure within the broader Australian economy, meaning that the project will result in over \$114.6 million in cumulative capital expenditure throughout the Australian economy (direct + production-induced).

According to ABS, 2.86 construction jobs are created for every \$1 million of direct input in residential construction³. Given the approximate value of the proposal of \$40 million, it would directly support 114 jobs in the construction of the proposed development. Based on the estimated 114 direct employment opportunities created by the project, it is estimated that the proposed development will support flow-on employment of approximately 353 jobs within the Australian economy. Cumulatively, the project will therefore directly and in-directly support approximately 467 jobs over the construction phase.

The construction of the proposed scheme will therefore stimulate further employment in the construction industry during the development period, and will also provide an indirect contribution to employment with its links to other industry sectors. It should be noted that all estimated direct and flow-on construction phase economic benefits are short-term and limited to the period of construction.

³ ABS, 5209.0.55.001 - Australian National Accounts: Input-Output Tables, 2008-09

6.2.3 Increased Local Expenditure

Expenditure from Workers

Existing studies of average expenditure by office workers in Sydney indicate that employees will spend between \$230 and \$305 per week within the immediate locality of their place of employment on food and non-food items. These studies also indicate that between 30 and 50% of total expenditure within the local trade area is directed toward food-related purchases such as take-away, cafés, restaurant dining and take-home groceries. The remainder of workforce expenditure is dedicated to spending on retail goods, such as clothing and accessories, entertainment, leisure activities and personal services.

Actual spending is likely to vary between employment locations and individuals for a range of reasons, including availability of retail shops and services, occupation and income of workers and transport connectivity. For the purpose of this assessment, lower-ground estimates for food spending of \$80 p/w and non-food spending estimated at \$100 p/w. On this basis, it is expected that the 25 - 30 office-based workers generated by the development will create total demand for goods and services in the order of \$216,000 - \$259,200 per annum within the Rosebery area⁴.

Expenditure from Residents

The proposed development is anticipated to deliver 120 units. Assuming the average household size within the City of Sydney LGA in 2011 1.95 per household and a vacancy rate 2%, it is estimated that the proposed development will potentially accommodate 229 new residents living on the site. These additional residents will contribute to additional expenditure within the local economy, through demand for local retail and commercial goods and services.

According to the *ABS Household Expenditure Survey 2009/10*, the average weekly expenditure for households within NSW was \$1,265.30 at this time. Under this assumption, the total spending from residents of the proposed development would equate to approximately \$15,067,192 per year. Although not all of this expenditure will be directed to retail goods and services within the local area, a large proportion will be contributing to the local economy. It is noted that this estimate is based off 2009/10 data, and expenditure is likely to have increased over the last 6 years.

Key Observations and Implications:

- The proposed development will have a minor impact on the total economic output generated on the site.
- The supply of housing and provision of affordable housing on the site will help alleviate some pressure on the local housing market and is considered a significant positive economic impact of the proposed development.
- The proposed development is likely to lower the existing amount of employment on the site, however the construction of the building will directly and in-directly support approximately 467 jobs during construction.
- The proposed development will create total demand for goods and services in the order of \$216,000 - \$259,200 per annum within the Rosebery area.
- The proposal is estimated to generate an additional \$15,330,374 from resident expenditure to be redistributed in the local and wider economy.

⁴ Per week expenditure is extrapolated based on a 48-week business year.

7.0 Key Findings and Recommendations

The proposed development responds to Sydney's changing planning context, taking advantage of the site's proximity to the strategic centre of Green Square and the Global Economic Corridor. The proposal will also facilitate the objectives of City of Sydney's Southern Employment Lands Strategy, supporting housing supply required to accommodate the anticipated residential demand in Rosebery and along with the contribution of affordable housing without generating a significant negative economic impact.

This study has demonstrated that the proposed rezoning of the site will not have a significant negative impact to the surrounding local community or economy. Key findings from this study include:

- Australia and Sydney have experienced significant growth in service-based employment within over the past few decades. Health Care and Social Assistance has provided the largest share of employment growth within Sydney, followed closely by Professional, Scientific and Technical Services.
- Employment in manufacturing has steadily been declining in Australia since the 1960s and experienced a net loss of jobs in the Sydney LGA between 2006 and 2011.
- Housing affordability within the City of Sydney LGA is a significant issue.
- Rosebery is forecast to experience significantly high population growth that will further exacerbate the pressure on demand and property and rental prices within the LGA, and the need for affordable housing within the LGA.
- The delivery of additional housing, and affordable housing contributions, from the proposed development will help accommodate future growth expectations, alleviate some pressure in the local housing market and providing housing to support the growth and development of Green Square, Sydney CBD and transport hubs of Sydney Airport and Port Botany.
- Green Square and Waterloo are likely to increase their proportion of commercial employment within the region with the completion of the Waterloo Metro Station.
- The proposed development is unlikely to compromise the areas ability to accommodate forecasted growth in employment as there is likely to be excess capacity in the surrounding southern employment lands to accommodate future employment growth in over time.

The proposal to amend the zoning and development standards is consistent with the vision and strategic objectives of City of Sydney Employment Lands Strategy. Importantly, although the proposal is likely to reduce the employment and salary output from the existing development, it retains an employment function through the proposed 1,000m² of commercial floor area that will support more intensive employment uses, while supporting wider employment benefits created during the construction phase. It is noted that the proposed residential development will generate an additional \$15,330,374 of household expenditure that may be circulated in the local economy.

The supply of additional housing and provision of affordable housing will help alleviate some pressure in the local housing market and. This is of particular importance for the southern employment lands which predominately relies on a workforce of unskilled and semi-skilled workers that support the function and viability of the current employment lands.