



MARKET AND ECONOMIC ASSESSMENT

**PROPOSED MIXED USE DEVELOPMENT
43-49 THE ESPLANADE
ETTALONG BEACH NSW 2257**

INSTRUCTED BY

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FOR AND ON BEHALF OF

PARFORM PTY LTD

DATE OF REPORT

MARCH 2020

"Liability limited by a scheme approved under Professional Standards Legislation"

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1.0 INSTRUCTIONS

Mr Matthew Wales, Director, Wales & Associates Pty Ltd, Urban & Environmental Design Planners, acting on behalf of Parform Pty Ltd, has requested a market and economic overview report within the Ettalong Beach area including demand and supply of retail/commercial space.

The report is required to support a planning proposal for a proposed mixed use development at 43-49 The Esplanade, Ettalong Beach NSW.

2.0 SITE & SURROUNDS

The subject property is described as Lots 117, 118, 119, 120,121,122 within Deposited Plan 10650 and Lot 100 within Deposited Plan 1234105 known as 43-49 The Esplanade, Ettalong Beach.

The subject site is located upon the northern side of The Esplanade approximately 35 metres west of the intersection of The Esplanade and Picnic Parade and approximately 70 metres east of the intersection of The Esplanade and Memorial Avenue.

The site is located opposite road front reserve to Ettalong Beach foreshore.

The site comprises 4 separately titled lots each with the following land area:

- Lot 117 - 505.9 square metres
- Lot 118 - 505.9 square metres
- Lot 119 - 505.9 square metres
- Lot 120 - 505.9 square metres
- Lot 121 - 670.3 square metres
- Lot 122 - 448.9 square metres
- Lot 100 - 2234 square metres

The total combined site area is approximately 5376.8 square metres.

The combined site has frontage, being the southern boundary to The Esplanade, of approximately 128.29 metres, rear northern boundary to an unnamed bitumen sealed laneway of 131.43 metres, western side boundary of approximately 45.825 metres and eastern side boundaries of approximately 36.58 metres.

Situated upon the corner of The Esplanade and Memorial Avenue is the Ettalong Diggers Club and Mantra Resort which is a nine storey mixed use development combining tourist/hotel unit accommodation, hospitality and retail activities.

To the east of the site is Ettalong Beach Hotel which is a two storey mixed use development offering hotel accommodation and hospitality.

In addition to, and within close proximity, is a variety of older style, predominantly single level community based retail and commercial development whilst immediately to the east is a vacant lot and adjoining that is an older style, medium density, two storey flat building.

3.0 CURRENT ZONING

The subject site is currently zoned B2 Local Centre under the terms and provisions of Gosford Local Environmental Plan 2014, as amended.

The objectives of the abovementioned zones as well as those uses which are permitted with and without consent and those which are prohibited are as follows:-

1 Objectives of zone

- To provide a range of retail, business, entertainment and community uses that serve the needs of people who live in, work in and visit the local area.
- To encourage employment opportunities in accessible locations.
- To maximise public transport patronage and encourage walking and cycling.
- To provide for residential uses, but only as part of a mixed use development.
- To ensure that development is compatible with the desired future character of the zone.
- To promote ecologically, socially and economically sustainable development.
- To ensure that the town centres of Erina and Woy Woy are recognised as providing a higher level, and greater diversity, of services and facilities to serve a wide population catchment from numerous localities and as key public transport nodes, secondary to Gosford City Centre.
- To ensure that village centres such as Avoca, East Gosford, Ettalong Beach, Kincumber, Lisarow, Niagara Park, Terrigal, Umina Beach, West Gosford and Wyoming are recognised as providing a broad range of services and facilities to serve the population of the locality.
- To ensure that villages are recognised as providing local level services and facilities and are developed at a scale that reflects their population catchment and as a focus for public transport routes.
- To ensure that the different roles of villages are recognised with some villages being key tourist destinations with boutique activities in addition to serving the needs of local residents, while other villages are purpose-built centres to serve the needs of the local population.
- To encourage the residential population of villages and town centres to contribute to the vitality of those locations.

2 Permitted without consent

Recreation areas.

3 Permitted with consent

Boarding houses; Centre-based child care facilities; Commercial premises; Community facilities; Educational establishments; Entertainment facilities; Function centres; Information and education facilities; Medical centres; Passenger transport facilities; Recreation facilities (indoor); Registered clubs; Respite day care centres; Restricted premises; Roads; Service stations; Shop top housing; Tourist and visitor accommodation; Any other development not specified in item 2 or 4.

CURRENT ZONE Cont'd

4 Prohibited

Agriculture; Air transport facilities; Animal boarding or training establishments; Biosolids treatment facilities; Boat building and repair facilities; Boat sheds; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Correctional centres; Crematoria; Depots; Eco-tourist facilities; Electricity generating works; Environmental facilities; Environmental protection works; Exhibition homes; Exhibition villages; Extractive industries; Farm buildings; Flood mitigation works; Forestry; Freight transport facilities; Heavy industrial storage establishments; Highway service centres; Home-based child care; Home businesses; Home occupations (sex services); Industrial retail outlets; Industries; Marinas; Mooring pens; Moorings; Mortuaries; Open cut mining; Recreation facilities (major); Recreation facilities (outdoor); Research stations; Residential accommodation; Resource recovery facilities; Rural industries; Sewage treatment plants; Sex services premises; Storage premises; Transport depots; Vehicle body repair workshops; Vehicle repair stations; Warehouse or distribution centres; Waste disposal facilities; Water recreation structures; Water recycling facilities; Water supply systems; Wholesale supplies.

4.0 EXISTING AND PROPOSED DEVELOPMENT

Existing development upon the subject development site includes the recently completed seven storey mixed use residential/commercial strata unit development known as "Atlantis" which incorporates basement parking, ground floor commercial space and 6 levels of residential units plus open space common areas including pool and gymnasium. This development has been constructed upon and sits within (lot 100 DP1234105)

Located upon the remainder of the subject development site is an older style two storey motel plus detached single storey caretakers cottage and detached garage and older two storey brick veneer flat building.

Additional improvements include bitumen sealed hardstand/carpark, balconies and basic landscaping. The existing improvements are considered to have been constructed in excess of 60 years and present in a dated original standard.

We note Lots 120 and 121 are currently vacant.

It is proposed to demolish the existing two storey motel and residential flat building and construct a five storey mixed use development over the subject site comprising of :-

- 2 retail/commercial shopfront tenancies at ground level
- Ground level tenancy 1 is to have an approximate area of 351.95 square metres, and tenancy 2 – 707.96 square metres. In addition to the ground floor tenancies a large forecourt, loading bay and amenities/utilities are to be provided.
- 38 residential apartments (shop top housing) over 4 levels
- Basement car parking for a total of 40 vehicles plus 7 motorcycle spaces.
- Access to the apartments is to be via a lobby, internal staircase and passenger lift

5.0 DEMOGRAPHIC PROFILE – ETTALONG BEACH

The suburb of Ettalong Beach is located within the Local Government Area of Central Coast and covers an area of approximately 2.1 square kilometres. The population of Ettalong Beach (2016) was 4,793 comprising 47.3% male and 52.7% female with Aboriginal and/or Torres Strait Islanders making up approximately 3.3% of the population.

The median age of people within Ettalong Beach was 52 years old with 0-14 years making up 13.2% and people aged 65 years and over at 32.4% of the population. There are approximately 2801 dwellings. The majority of these consist of separate houses being 53% or 1158 dwellings, 35.8% semi-detached terrace and/or townhouse, 9.3% being flat or apartment and 1.9% classified as 'other'.

Currently the median house, unit and vacant land price within Ettalong Beach is \$713,931 compared to \$612,600 for the local government area of the Central Coast. There were 1,833 people within Ettalong Beach primary trade area who reported being in employment as at 2016. Of these 52.2% were employed full time, 32.7% were employed part-time and 9.2% were unemployed. Of employed people in Ettalong Beach, 11.7% worked 1 to 15 hours, 12.6% worked 16 to 24 hours and 37.3% worked 40 hours or more.

The most common occupations in Ettalong Beach included Professionals 16.2%, Technicians and Trades Workers 15.5%, Clerical and Administrative Workers 14.7%, Community and Personal Service Workers 12.5%, and Labourers 10.9%. (Source 2016 Census)

6.0 CENTRAL COAST REGIONAL ECONOMIC PROFILE

The 2016 ABS Census indicates an estimated 122,950 jobs within the Central Coast Local Government Area. Over 40% of these jobs were concentrated in three key industry sectors including health care and social assistance with 22,430 jobs (18% of total jobs), retail trade 16,440 (13% of total jobs) and construction 12,435 (10% of total jobs).

Whilst the sectors forecast to experience strong growth over the next 20 years, in particularly health care and social assistance wherein approximately 6,660 jobs are anticipated by 2036, significant growth is also projected within the following sectors:-

- Education and training forecast to increase by 5,180 jobs, approximately 2.2% per annum;
- Professional, scientific and technical services by 4,655 jobs, approximately 2.7% per annum;
- Public administration safety by 3,865, approximately 2.5% per annum; and
- Arts and recreational services projected to increase by 1,130 jobs, approximately 2.2% per annum.

Overall an additional 31,560 jobs are projected for the Central Coast Local Government Area between 2016 and 2036.

This is expected to create various new opportunities for development in the region, particularly focused on health and education.

CENTRAL COAST REGIONAL ECONOMIC PROFILE Cont'd

The regional economic characteristics and context of the Central Coast Local Government Area will impact the demand for various land uses including the supply of lands suitable for mixed use development.

The Australian Bureau of Statistics indicate the following for the Central Coast Local Government Area:-

The average household incomes are approximately 10% to 14% below the NSW average whilst the proportion of residents employed in work collar profession is minus 4% below the NSW average.

Within the Central Coast Local Government Area there are a high proportion of residents aged 65 plus (plus 5%) but lower proportion of residents aged 12 to 34 (minus 4%) compared to the NSW average.

The differing age profile is consistent with a lower representation of families with children under 15 years (minus 2%) and smaller average household size (minus 5%) compared to NSW overall.

Qualification levels within the Central Coast LGA are below the State average with a proportion of residents currently undertaking tertiary education or already with a Bachelor Degree and/or higher being 2% which is approximately 9% below the NSW average.

In addition, there are a higher proportion of separate houses – dwellings (plus 12%) whilst a lower proportion of apartments (minus 12%) compared to the NSW average.

7.0 CENTRAL COAST PLAN OVERVIEW

The Central Coast Regional Plan 2036 has identified a population projection for the Central Coast Region of an additional 75,000 people over the next 20 years requiring 41,500 new dwellings, i.e. 2,075 dwellings per annum.

To quote from the Regional Plan *“Demographic trends towards smaller households and an ageing population will fuel the need for greater housing diversity in locations with good access to transport, health and community services and more affordable housing”*.

It should be noted that Ettalong Beach has reasonable access to transport, good access to health and community services and provides relatively affordable residential housing.

There is no doubt that the Central Coast Region, and specifically the prior Gosford Local Government Area within which Ettalong Beach is located, is experiencing, and will continue to experience, land supply issues not only for residential development but also for adequate zoned lands suitable for future retail/commercial development either in combination with residential development or as standalone developments.

The Regional Plan notes that *“To accommodate the projected housing growth over the next 20 years 2,075 new homes will be needed each year on average”*. This is 685 more homes each year than the average annual housing production of 1,390 dwellings over the prior 19 years to 2014-2015.

CENTRAL COAST PLAN OVERVIEW Cont'd

Unless either further residential land is released or redevelopment of existing lands with higher density development is undertaken then it is our opinion that the targeted annual requirement of 2075 new homes will not be achieved.

In addition the constrained nature of parts of the Sydney Metropolitan Area which have been identified for future development will most likely result in the Sydney Metropolitan Area not being able to accommodate its growth projections thus putting further growth pressure on the Central Coast Region. Therefore we consider that the Central Coast population projection of 75,000 people over the next 20 years may be conservative.

If this assessment is correct further pressure will be placed on the Central Coast property market, noting that the completion of NorthConnex and the proposed upgrading of the rail line between Sydney and Newcastle will improve the attractiveness of the Central Coast Region for residential habitation.

The Central Coast Regional Plan has recognised that the Central Coast Region requires more lands for industrial, retail and commercial purposes as the existing level of retail/commercial development will not sustain the level of growth projected. Historically the Central Coast area has had difficulty in attracting executive relocation but is now better placed to provide not only the lifestyle advantages of residing on the Central Coast but also quality schooling, shopping, medical and professional facilities.

In addition improved internet speed/NBN access has increased the attractiveness of working from home and not having to commute to an office 5 days per week.

It is important that adequate supply of both residential and retail/commercial development of low, medium and high density be made available to ensure the property market is able to meet the demands and requirements of the projected future population growth.

8.0 UNIT DEVELOPMENT AND FUTURE SUPPLY

A recent study of a residential catchment area as defined within a report prepared by Cordell in 2019 with the catchment area identified as being bounded by Pacific Motorway to the west, Patonga to the south, Terrigal and North Avoca to the east and Cutrock Road to the north provides an indication as to the development and future supply of residential units upon the Central Coast.

This catchment area was defined by assessing statistics from the 2016 ABS Census. The statistics identified the origin of local residents and provide an indication of the areas that a residential development would draw residents from. The subject development site would expect to compete with the proposed developments within this defined catchment area.

The demand for units within the defined catchment area has been assessed by looking at the projected demand for dwellings within the Central Coast as provided by the NSW Department of Planning Industry & Environment (DPIE) which predicts the Central Coast population growth to be .9% per annum over the next decade equating to demand for approximately 2,075 additional dwellings per year.

UNIT DEVELOPMENT & FUTURE SUPPLY Cont'd

Within the same period approximately 34% of new dwellings across the Central Coast over the last 3 years were units peaking at 52% in Year 2018. It is estimated that this will decrease to approximately 40% over the next 10 years which equates to demand for approximately 840 additional units per year.

The projected growth is anticipated to be driven by higher density developments, the majority of which are to be located within existing centres such as Gosford as well as beach suburbs such as Ettalong Beach.

It is forecast that the defined catchment area within which the subject site is located will provide approximately 90% share of future unit demand upon the Central Coast.

Currently there are approximately 20 unit developments approved for construction within the peninsula area which is inclusive of Umina Beach, Woy Woy, Blackwall and Ettalong Beach. The majority of these are low density townhouse/villa developments averaging 3-6 units.

There are currently 3 approved developments located within Ettalong Beach comprising a 3 and 4 unit townhouse development plus a larger 52 mixed use unit development located at 237 Ocean View Road, Ettalong Beach.

The only units currently under construction within Ettalong Beach are at 143 Springwood Street which upon completion will provide for 6 townhouses.

9.0 COMMERCIAL SUPPLY AND DEMAND - ETTALONG BEACH

The Ettalong Beach Commercial Precinct is generally centred around Ocean View Road, between Broken Bay Rd and Picnic Parade with a smaller section of retail/commercial development fronting Ocean View Road between Whiting Road and Snapper Road.

Ettalong Beach Commercial Precinct is made up of approximately 61 strata/torrens title B2 Local Centre zoned sites which are improved with a variety of single and two storey buildings providing a mixture of retail space and limited commercial space (predominately first floor) and larger mixed use developments including the substantial 'Mantra' Resort and the recently completed 'Atlantis' development as well as the Ettalong Market complex.

In addition there is a Hotel, Motel and several converted residential buildings which are primarily utilised for medical type purposes.

Historically Ettalong Beach has experienced low level vacancy rates for retail/commercial property in part due to the small number of existing retail properties available but also the limited amount of appropriately zoned lands permitting such use.

Also, being a small localised precinct a large amount of the existing retail/commercial space is owner occupied.

The shortage of retail/commercial space and appropriately zoned lands within Ettalong Beach has resulted in generally higher rent levels being achieved than other areas.

COMMERCIAL PRECINCT SUPPLY & DEMAND, Cont'd

Currently rental rates within Ettalong Beach generally fall between \$300 to \$550 per square metre depending on size, age, location, level of exposure and accommodation provided.

There are several locations, particularly closer to the 'main' retail area between Memorial Ave and Picnic Parade, that can attract rates up to \$600 per square metre with similar rates being achieved within the recently completed Atlantis development. In comparison and compared to larger retail/commercial precincts such as Gosford CBD and to a lesser extent adjoining suburbs of Umina Beach and Woy Woy wherein similar space is available for rates generally between \$275 to \$400 per square metre

Retail properties currently for lease within Ettalong Beach total approximately 8 being smaller retail shops with some first floor office and having floor areas ranging from approximately 30 square metres to 160 square metres with the majority of larger space located on the ground floor of the recently constructed Atlantis development.

The resultant shortage and good demand has adversely affected retail/commercial supply levels with current vacancy rates within Ettalong Beach estimated to be approximately 3.7% which is below adjoining retail/commercial precincts of Umina Beach and Woy Woy wherein vacancy rates are typically between 4.5 - 6% and approximately half of the average for the Central Coast region which is estimated as at June 2019 to be 6.6%.

In addition there is limited opportunity for any new development upon lands which are zoned for retail/commercial purposes within Ettalong as all existing B2 Local Centre zoned land within Ettalong Beach is fully developed, therefore any future retail/commercial development will require either renovation of existing stock which is most likely to be cost prohibitive or removal and redevelopment of existing buildings resulting in further supply pressures for retail/commercial space.

A notable development approval within Ettalong Beach is for a 6 storey mixed use strata unit complex at 237-245 Ocean View Road, Ettalong Beach wherein the existing improvements currently provide the largest commercial floor space within Ettalong being occupied by Centrelink.

The development consent is for 52 shop top residential apartments and 5 ground floor retail units plus separate managers office with the ground floor retail space to total approximately 520 square metres. This will result in a loss in NLA for commercial space within Ettalong of approximately 725 square metres if constructed.

10.0 SUMMARY

Retail/commercial development is intrinsically linked to residential demand wherein population generates increased greater demand for both residential and retail/commercial development.

In our opinion, given the anticipated population growth for the Central Coast Region wherein it is projected an additional 75,000 people will populate the Central Coast over the next 20 years requiring some 41,500 new dwellings will generate corresponding demand for both medium/high density residential and retail/commercial development.

SUMMARY Cont'd

Within recently released strategic plans, including the Central Coast Regional Plan 2036, several key precincts have been identified as growth areas, one being the Peninsula area which includes Ettalong Beach. As such there will be continuing pressure for supply of adequate residential, retail and commercial development in order to support these projections.

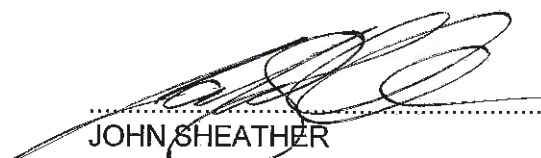
There are limited options wherein the supply of medium to high density residential and retail/commercial space can be provided within Ettalong Beach, given the limited suitably zoned lands available for development and in particular suitable to meet the demands for mixed use development.

The subject property is zoned B2 Local Centre and improved with an older motel building which does not fully utilise density provisions or provide mixed uses permissible under the current B2 Local Centre zone.

It is our opinion that the proposed mixed use development does not give rise to any adverse impact to the amenity of the site or surrounding properties and is unlikely to create any adverse social or economic affects within the locality as evidenced by the adjoining four, five, seven and nine storey mixed use developments all of which have building heights in excess of 11.5 metres and floor space ratios in excess of 1:1.

For the beforementioned reasons it is important that further retail/commercial development be encouraged within Ettalong Beach either by way of intensive redevelopment of existing sites and/or suitably zoned lands to alleviate current supply shortage and address demand issues.

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