

10.5. Draft amendment to NSDCP 2013: North Sydney CBD – Commercial tower setbacks and separation

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ATTACHMENTS:

1. NSDCP 2013 Amend NS CBD Setbacks Post Exh Sept 2022 Track Changes 2 [10.5.1 - 25 pages]
2. NSDCP 2013 Amend NS CBD Setbacks Post Exh Sept 2022 For Adoption 2 [10.5.2 - 22 pages]
3. C 22060 - North Sydney CBD Commercial Tower Setbacks Economic and Feasibility Analysis - final draft [10.5.3 - 56 pages]

PURPOSE:

To seek Council's endorsement to amendments to the North Sydney Development Control Plan 2013, relating to built form guidelines for commercial towers as they apply to the North Sydney CBD, following public exhibition.

EXECUTIVE SUMMARY:

On 28 June 2021, North Sydney Council resolved to place [draft amendments to North Sydney Development Control Plan 2013](#) (NSDCP 2013) on public exhibition.

The purpose of the draft amendment is to provide better design guidance for commercial towers in the North Sydney CBD. Specifically, it identifies building setback and separation distances for commercial towers to:

- protect daylight and sky views, and reduce wind impact on the public domain;
- provide occupants of commercial buildings increased levels of amenity in terms of ventilation, natural light, and views;
- promote appropriate scale and proportion and avoid the appearance of contiguous 'walls of towers;'
- enhance the character and image of the North Sydney CBD with commercial towers seen "in the round;" and
- better align the CBD's planning controls with other major centres.

The [draft amendment to NSDCP 2013](#) and [background study](#) was placed on public exhibition from Monday 19 July 2021 to 30 August 2021. Eighty-one (81) submissions were received.

On 25 October 2021, Council considered the post exhibition report and resolved that a review be undertaken on the impact of the draft amendment on the CBD and that a briefing be

provided to Councillors. An external economic review was subsequently commissioned, and a Councillor briefing was held on 16 May 2022.

This report outlines the submissions received during exhibition and the outcome of the review.

Of the eighty-one (81) submissions received during the exhibition period:

- 25 expressed some support for the objectives and/or proposed amendments;
- 68 requested a savings provision to apply to lodged development applications;
- 12 raised concerns regarding a perceived loss of commercial floorspace, inability to achieve Premium or A-Grade floorplates, or a lack of economic impact analysis to support the amendment;
- 11 made site-specific requests for variations or exceptions to the proposed guidelines to realise development opportunities on particular sites within the North Sydney CBD;
- 7 requested better alignment with the City of Sydney DCP controls.

The economic review (Attachment 3) outlines the importance of commercial floor plates over 1,000sqm to the market and discusses mechanisms to encourage or require site amalgamations to achieve this. The amendment may impact development feasibility on some sites over the short to medium term, however, it is not expected to impact the significant amount of new commercial development already in the pipeline over the next eight to 16 years. Over this time, the market is expected to absorb the proposed design guideline changes.

In response to the submissions made and the outcome of the economic review, it is recommended that the draft amendment to the NSDCP 2013 be further revised to:

- Increase the proposed maximum façade length control from 55m to 60m to further incentivise the amalgamation of smaller lots and ensure viable commercial development on longer sites;
- Include the western boundary of 65 Berry Street; southern boundary of 90 Arthur Street; southern boundary of 122 Arthur Street; eastern boundary of 80 Mount Street; northern boundary of 20 Berry Street; and southern boundary of 1 Wheeler Lane as exceptions to the 6m side setback requirement to address boundary interface issues;
- Reduce the weighted above podium setbacks to Elizabeth Plaza and Hill Street from 5m to 4m to reflect the proportion of the urban block and the scale of the laneways;
- Increase the above podium setback to the southern boundary of 128 Miller Street (Lots 1 & 8) from 4m to 5m to fix an error in Figure C-2.3, Part C, Section 2.1.3; and
- Allow for a 2m setback to the ground level of buildings fronting Arthur Street to create a comfortable street environment for pedestrians.

It is recommended that Council adopt the draft amendment as revised and that investigations commence into further statutory mechanisms to encourage or require site amalgamations via an amendment to the North Sydney Local Environment Plan 2013.

FINANCIAL IMPLICATIONS:

Minor expenses associated with the implementation of the DCP amendment will be funded through existing recurrent budgeting lines.

RECOMMENDATION:

1.THAT Council note the submissions made to the public exhibition of the draft amendments to NSDCP 2013, as provided across pages 16 to 67 (Attachment 8.14.1) of the [post-exhibition report](#) (October 25 2021).

2.THAT Council adopt the draft amendment to NSDCP 2013 as amended, forming Attachment 2 to this report, in accordance with clause 21(1) of the Environmental Planning and Assessment Regulation, 2000.

3.THAT public notice of the publication of the amendment to NSDCP 2013 be given on Council's website in accordance with clause 21(3) of the Environmental Planning and Assessment Regulation, 2000.

4.THAT Council investigate amending the North Sydney Local Environmental Plan 2013 to encourage or require site amalgamations in the CBD and that the matter be reported back to Council.

5.THAT all submitters be notified of Council's decision and thanked for their submissions.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

- 2. Our Built Infrastructure
 - 2.2 Vibrant public domains and villages
- 3. Our Innovative City
 - 3.1 Our commercial centres are prosperous and vibrant
 - 3.3 Distinctive sense of place and design excellence
- 5. Our Civic Leadership
 - 5.1 Lead North Sydney's strategic direction

BACKGROUND

On 20 March 2017, North Sydney Council resolved that a final North Sydney Centre Capacity and Land Use Strategy (the strategy) and any proposed amendments to North Sydney's planning controls be prepared to increase employment capacity and encourage investment in the centre. This work focused on increasing height limits in the CBD.

On 1 May 2017, Council resolved to adopt the finalised strategy and accompanying planning proposal. The Strategy recommended a review of NSDCP 2013 to provide further built form guidance on commercial towers within the centre to support the proposed height increases.

On 26 October 2018, the maximum height limits on sites within the CBD were increased via Amendment No. 23 to North Sydney Local Environment Plan 2013 (NSLEP 2013).

On 28 June 2021, Council resolved to adopt a draft amendment to NSDCP 2013 to provide further design guidance for commercial towers in the CBD and place that amendment on public exhibition.

The draft amendment to NSDCP 2013 was exhibited from Monday 19 July 2021 to Monday 30 August 2021. Eighty-one (81) submissions were received.

On 25 October 2021, Council considered the post exhibition report and resolved:

1. THAT Council note the quantum of submissions questioning the impact of the proposal on current applications and its ongoing impact on the development of the CBD.
2. THAT a detailed review be undertaken on the impact of the proposal on achievement of Council's Ward Street Masterplan and future development within the broader CBD.
3. THAT a detailed briefing be provided to Council on:
 - i. The submissions; and
 - ii. The outcome of the review at item 2 before the proposal is further considered by Council.

A review of the economic impacts of the draft amendment was subsequently commissioned. The review is discussed in Section 6 of this report and attached at Attachment 3.

On 16 May 2022 Council was briefed on submissions and the outcome of the draft review.

CONSULTATION REQUIREMENTS

Community engagement has occurred in accordance with Council's *Community Engagement Protocol*. The detail of this report provides the outcomes from the engagement for Council to consider prior to adoption.

DETAIL

1. Purpose

The purpose of the report is to recommend amendment of the NSDCP 2013 controls that apply to commercial towers in North Sydney CBD with the benefit of submissions received during the public exhibition period and subsequent preparation of the economic review.

The draft amendment to the NSDCP 2013 implements a recommendation of the *North Sydney Centre Capacity and Land Use Strategy (2017)* that enabled significant height increases to commercial towers in the CBD. It also responds to several recent development proposals that have sought to provide limited side and street setbacks.

The draft amendment identifies setback and separation distances for commercial towers to:

- protect daylight and sky views, and reduce wind impact on the public domain;
- provide occupants of commercial buildings with increased levels of amenity in terms of ventilation, natural light, and views;
- promote adequate scale and proportion and discourage continuous, uninterrupted walls of towers;
- enhance the character and image of the North Sydney CBD with commercial towers seen "in the round;" and
- better align the CBD's planning controls with other major centres.

2. Public exhibition

The [draft amendment to NSDCP 2013](#) as initially placed on public exhibition for 29 days, from Monday 19 July 2021 to Monday 16 August 2021. This was extended by a further two weeks to Monday 30 August 2021.

Public consultation included the following:

- 5,594 letter notifications mailed to building owners within the North Sydney CBD;
- Letter notifications to relevant industry bodies and public authorities;
- Notification to Precinct Committees via the Precinct e-newsletter;
- Notification in the North Sydney Business e-newsletter;

- A dedicated exhibition web page including all documentation, contact information and online submission form; and
- Notification of the exhibition on the North Sydney Council website.

3. Submissions overview

A total of eighty-one (81) submissions were received including:

- 25 submissions from landowners or consultants on behalf of landowners;
- The Milson and Waverton Precinct Committees; and
- The Property Council of Australia.

Twenty-five (25) submissions expressed some support for the objectives and/or proposed controls of the amendment. Nine (9) submissions noted no support for the amendment.

A summary and response to all submissions is located across pages 16 to 67 (Attachment 8.14.1) of the [post-exhibition report](#) (October 25 2021).

4. Consideration of Submissions

This section addresses key issues raised in the submissions (see Figure 1).

4.1 Savings provision

Sixty-eight (68) submissions request the inclusion of a savings or transitional provision in NSDCP 2013 to guarantee that active development applications (DAs) will not be affected by the proposed amendment. Of these sixty-eight submissions: -

- 43 submissions explicitly refer to the ‘*Warada on Walker*’ proposal at 63-83 Walker Street, which was under assessment at the time of exhibition;
- 34 additional submissions are from residential addresses outside the North Sydney LGA;
- 5 submissions are by, or on behalf of landowners in the North Sydney CBD, of which two are still the subject of active DAs.

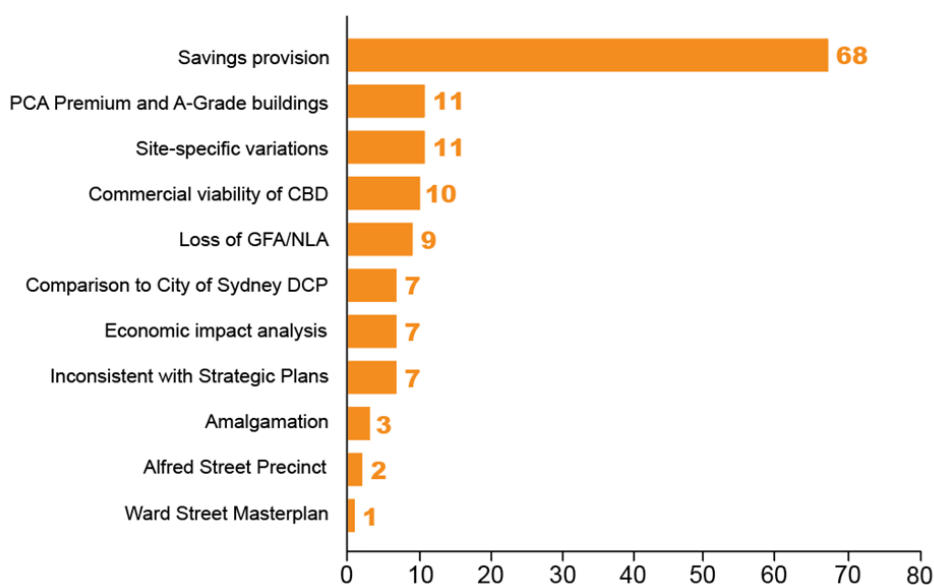


Figure 1: Key issues highlighted in submissions received during the public exhibition of the Draft DCP amendment.

Comment

Savings provisions are used to preserve an existing legal rule that would otherwise be replaced or cease to have effect because of new legislation (or an amendment to existing legislation). A transitional provision delays the new legislation (or amendment) for a finite time.

Whilst savings and transitional provisions are typically applied to the commencement of new *comprehensive* LEPs and DCPs, they are less frequently used in relation to their amendment. This is typically due to new comprehensive LEPs and DCPs incorporating significantly different sets of rules for development.

In some instances, it may be important to include a savings and/or transitional provision relating to an LEP amendment, as the amendment may have the unintended effect of prohibiting development applications that are currently under consideration. However, such an inclusion in a DCP amendment is not considered as necessary, as DCPs cannot prohibit development and may be interpreted with some degree of flexibility¹.

Critically, the NSDCP 2013 states that the DCP may be updated to 'immediately resolve arising issues to ensure that the desired future character of North Sydney is maintained.' (Section 1.10 to Part A). Incorporating a savings and/or transitional provision would undermine this objective as it would:

- create a precedent for future amendments and impact their effectiveness;
- allow proposals in the earlier stages of development (i.e., pre-lodgement or planning proposals) to apply the savings provision as a means of non-compliance with endorsed controls at the DA stage;
- result in poor design that creates further problems for future adjoining development; and/or
- be perceived as preferential treatment for certain sites over others, thereby reducing public confidence in the planning system.

It is noted that since exhibition of the draft DCP amendments, 'Warada on Walker' (63-83 Walker St) development application has subsequently been determined, which addresses forty-three (43) submissions on this matter.

Regarding the two active DAs (107 Mount St and the heritage-listed MLC building at 105-153 Miller Street), the proposed controls are critical to the future built form and tower separation required of any new commercial towers that could potentially be achieved under NSLEP 2013 on these sites to support the desired future character of the North Sydney CBD.

Accordingly, it is recommended that a savings provision not be included in the NSDCP 2013.

¹ The exception to this is a savings provision at Section 1.4 to Part A of NSDCP 2013. It sought to permit the continued application of NSDCP 2002 where a development application had been lodged and not yet determined. This was to reflect the savings and transitional provisions within NSLEP 2013 to permit the continued operation of NSLEP 2001 for the same purposes. This ensured that all applications were considered under a consistent set of controls at the time.

4.2 PCA (Property Council of Australia) Premium/A-Grade floorplates

Eleven (11) submissions concern the draft DCP amendment limiting the ability to develop Premium or A-Grade commercial office floorplates. Ten (10) of these submissions relate to specific sites and one (1) submission is from the Property Council of Australia (PCA).

Specifically, submissions raise concern that in setting above podium setbacks, including the proposed 6m minimum side setback to separate commercial towers, the draft amendment reduces the size of commercial floor plates and thereby makes Premium and A-Grade towers (prime grade) unachievable.

Comment

The grading of office floor plates refers to the PCA classification for commercial office buildings, established under its *Guide to Office Building Quality* (the ‘PCA Guide’). The guideline is a voluntary, market-based approach that identifies parameters that typically influence building quality. Prime grade building ratings are important in attracting tenants and achieving premium rents.

Whilst supporting almost 15% Premium-Grade, North Sydney falls behind Macquarie Park, Sydney CBD, Parramatta, and Chatswood in terms of total prime grade (“premium” and “A” grade) office stock (Figure 2).

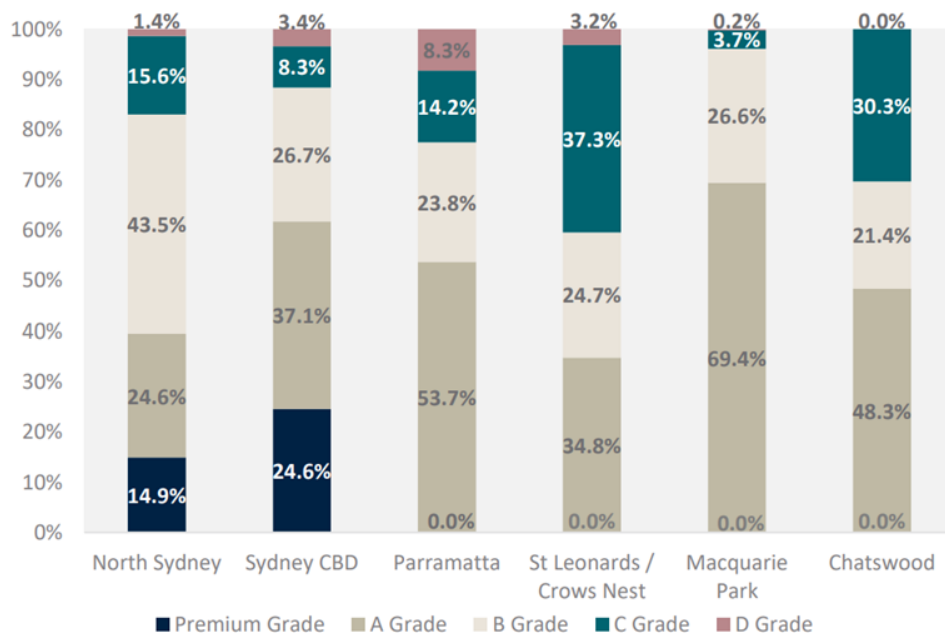


Figure 2. Office supply by building grade in major Sydney office markets (See Attachment 3)

In addressing submissions, it must be emphasised that the PCA grading system is a market-based guideline and not a planning requirement. The classification is not an assessable criterion in a development application process and does not consider the adjacent context or location of proposed commercial development. Similarly, achieving Premium or A-Grade buildings is not a requirement of the Greater Cities Commission’s North District Plan nor the North Sydney Local Strategic Planning Statement’s (LSPS) planning priorities and actions.

These key strategic documents focus on jobs growth targets being met within a high quality, high amenity public domain, and do not specify particular grades of buildings.

There are over 60 parameters that contribute towards the building grade of a commercial office building. These range from environmental, structural, building management, building performance, security, and amenity considerations. In defining a new office building as “Premium” or an “A-Grade,” the PCA factors in “high-quality views and outlook, ample natural light, and attractive street settings” among other high-quality amenities.

Notwithstanding this, the building’s nett leasable floorplate area (NLA) is a key factor in the PCA grading and is the focus of submissions on the draft amendment. To achieve a “Premium” and an “A-Grade” floorplate, the guidelines recommend that a building achieve a minimum floorplate of 1,500sqm and 1,000sqm NLA, respectively.

Commercial tower floorplates over 1,000sqm attract large anchor tenants, which increases their attractiveness to developers and owners. Industry consultation by property advisory firm Savills, which included some of the largest occupiers in North Sydney, suggested that the ideal floor plate is between 1,200-1,800sqm (Appendix B of Attachment 3).

Achieving larger floor plates, however, should not come at the expense of the long-term character, amenity, and design of the CBD. As outlined in the [background study](#), the lack of adequate setbacks would result in:

- continuous, uninterrupted walls from tall towers;
- a lack of daylight and sky views to the public domain;
- a ‘canyon effect’ resulting in dark, windy streets;
- a lack of views from within each tower; and
- limited access to natural light to commercial office floors.

Over time, the cumulative effects of the above will lead to poor urban outcomes and amenity in the CBD that limit the capacity of future towers to achieve a prime grading in North Sydney.

The draft amendment supports well-designed, better separated commercial towers that contribute to the future desired character and urban design of the North Sydney CBD. Under the existing planning framework, larger commercial floor plates over 1,000sqm are predominantly achieved through site amalgamations. Sites that are unable achieve a “Premium” or “A-Grade” floor plate size when complying with controls are strongly encouraged to amalgamate with neighbouring sites to appropriately accommodate a compliant prime grade tower with acceptable amenity.

It is worth noting that of the eleven (11) submissions that raised these concerns, nearly half referred to sites that are not large enough to achieve Premium or A-Grade floorplates without further site amalgamation irrespective of the draft DCP. It is further noted that there has been recent evidence of sites being amalgamated to aggregate sites that can sustain larger floor plates. Whilst it is acknowledged that amalgamation does pose challenges, the market is meeting such challenges.

The economic feasibility of amalgamating land is discussed in Section 6.

4.3 Site-specific provisions or variations/exemptions to the amendment

Eleven (11) submissions sought site-specific variations or exemptions from the draft DCP:

- Four (4) requested variations or exemptions due to site-specific constraints. These included the inability to amalgamate with neighbouring sites, boundary interface issues, corner sites, narrow lots, and smaller site areas;
- Four (4) requested site-specific provisions to better align NSDCP 2013 with their own proposals/design schemes; and
- Three (3) requested further flexibility in the application of the draft DCP amendment as they relate to certain sites. That is, a proposal may not need to comply with the controls if it can achieve the objectives of the draft amendment and provide equal or better amenity.

Comment

There are two key reasons why it is preferable to limit the use of site-specific variations in NSDCP 2013, where possible.

First, it is standard practice for numerical controls such as those in the draft amendment to be included in the area character statement (or equivalent) of DCPs, as evident in both the City of Parramatta DCP 2011 and the City of Sydney DCP 2012. These controls, applied at a city precinct level, are important to the identity of a city, as they help to strengthen the desired streetscape and built form typology, and guide future development to align with the long-term vision for the centre.

Secondly, in comparison to other centres, the NSLEP 2013 has a high level of flexibility as it does not include Floor Space Ratio (FSR) controls for sites in the North Sydney CBD. Managing a proposal's bulk and relationship to neighbouring towers relies on built form guidance on setbacks in NSDCP 2013. Variation of these guidelines could lead to excessively dense and overscale development that adversely impacts the centre.

Explicit variation to DCP controls is therefore generally not recommended, however, in light of the economic feasibility report and further design review, some site-specific variations are supported and are described in Section 7.

4.4 Commercial viability of North Sydney CBD

Ten (10) submissions questioned the impact of the draft DCP amendment on the commercial viability of North Sydney CBD. They suggested that the amendment may reduce the number of sites able to accommodate tower development, and that this could impact the creation of employment-generating floor space, stifle development and reduce demand for commercial office stock in North Sydney CBD.

Comment

Council has undertaken a 6-year comprehensive planning review of North Sydney CBD to identify and implement strategies that ensure that North Sydney becomes a more attractive, sustainable, and vibrant place for residents, workers, and businesses.

One of the studies that informed the review is the *North Sydney Centre Capacity and Land Use Strategy* (2017). The strategy and associated planning proposal delivered significant height uplift to sites within the North Sydney CBD. This was in response to the arrival of the new Victoria Cross metro station and State government directions under the *North District Plan*. These height uplifts increased opportunities for commercial floorspace growth within the CBD and ensured that Council was on track to meet the employment target of 15,600-21,100 additional jobs by 2036 outlined in the *North District Plan*. The economic review highlights that the proposed tower setback amendment would not restrict the potential of North Sydney CBD to meet its 2036 employment targets.

Notwithstanding the importance of enabling new development in the CBD, the economic performance of the CBD is also affected by the quality, design, and scale of both new development and amenity of both surrounding public domain and future building occupants.

The proposed amendments will ensure that necessary building setbacks and breaks are provided to promote high-quality design and a high level of amenity to the public spaces of the CBD. This will contribute to increasing the productivity and commercial viability of North Sydney CBD as it continues to grow as a vibrant and inviting area for workers, residents, and visitors alike.

It is noted that there is a healthy pipeline of approved commercial development that has not yet been built. This is discussed further in section 6.1.5.

The economic impact of the draft amendment is further discussed in Section 6.

4.5 Perceived loss of Gross Floor Area (GFA) and Nett Leasable Area (NLA)

Related to the issues raised in sections 4.2 and 4.4, nine (9) submissions cited concerns that the draft DCP amendment would result in a *loss* of Gross Floor Area (GFA) or Net Lettable Area (NLA) which would make redevelopment on some sites financially unfeasible and impact the viability of commercial projects in the CBD.

The key controls of concern identified include:

- above podium side setbacks (8 submissions);
- above podium rear setbacks (6 submissions); and
- the minimum setback requirement for above podium weighted setbacks (5 submissions).

Comment

The suggestion that a 0m side setback control currently applies is not correct. As existing DCP requirements are not expressed in numerical terms, they are often interpreted by applicants as not being required. Above podium side setbacks, and rear setbacks for sites not fronting a street or laneway, are already a requirement under the NSDCP 2013 as quoted below:

Objective O3: *“To avoid the creation of long solid masses of development which prevent the penetration of daylight and/or sunlight through to pedestrian levels and to northern and eastern facades of buildings”*

Provision P5: “Spaces between taller buildings to avoid a solid mass of development and to allow daylight and/or sunlight to penetrate through to pedestrian level”

Provision P6: “Setbacks must be provided between buildings above the podium level”

(Part B, Section 2.3.7)

The draft amendment applies a numerical control to side setbacks. This provides greater clarity for future development proposals.

Similarly, the weighted above podium setback of 5m (or otherwise stated) to street frontages is an existing control in the NSDCP 2013. The proposed amendment that no part of a tower may be located within 3m of the podium frontage to the street or laneway has arisen out of an increase in tower proposals that utilise the weighted setback control to provide minimal or nil tower setbacks to the street, eliminating views from neighbouring towers and reducing daylight to streets. (In comparison, the City of Sydney’s DCP applies an 8m above podium setback to street frontages with a 2m ‘encroachment zone’ applied to only the middle third of the street frontage).

Several submissions cited reduced GFA and NLA based on non-compliant envelopes under existing controls. Some individual sites are not large enough to support the desired floorspace yields without significantly compromising appropriate articulation and separation distances from neighbouring boundaries. Other submissions had above podium side setbacks and rear setbacks grouped together, implying they operated as the same control. This perceived ‘reduction’ is therefore of GFA/NLA that does not exist within a compliant building envelope.

It is also worth noting that the significant height uplift for commercial towers in the CBD was supported on the basis that further built form guidance, including above podium setbacks, would be provided in the NSDCP 2013. Changes to the DCP was therefore indicated as far back as 2018. Accordingly, the amendment to the DCP and perceived ‘loss’ of GFA/NLA should be seen in the context of the increased building heights and associated additional floorspace.

Finally, comparable controls can be found in both the City of Sydney DCP 2012 and the City of Parramatta DCP 2011 and more recent amendments to these instruments. Both these CBDs remain commercially viable for development.

Further comment on the economic impact of the draft amendment is provided in Section 6.

4.6 Comparison to City of Sydney DCP 2012 and draft DCP amendment

Seven (7) submissions requested that the draft amendment better align with the City of Sydney DCP 2012 and the endorsed DCP amendment associated with the *Central Sydney Planning Framework 2020*.

Five (5) submissions requested that the draft amendment be modified to allow for variations to setback controls based on amenity. These submissions argue that this would align the amendment with the City of Sydney’s endorsed DCP which includes a provision for variations

to setback controls where equivalent or improved amenity to public places can be demonstrated.

Comment

The application of a maximum Floor Space Ratio (FSR) control on sites in the Sydney CBD, and guidelines and objectives for tall tower development, both found within the Sydney LEP 2012, largely regulate the bulk and scale of proposals. This ensures any variations to DCP controls do not result in a proposal that is overscale for its context. Alongside these legislative requirements are numerical guidelines in the City of Sydney DCP 2012 that allow for adequate setbacks and separation between buildings to minimise the impact of tall buildings on the amenity in the public domain. Many of these provisions have been strengthened in the endorsed Sydney DCP amendment, such as the 4 – 8m above podium side setbacks (increased from 0-3m) and the maximum tower envelope areas. As a result, any development in the Sydney CBD must prove that the amenity outcomes of their proposal are equivalent to or better than, the outcomes of these strengthened controls.

The NSLEP 2013 does not include maximum FSR controls for North Sydney CBD, nor guidelines for tall tower development, and the NSDCP 2013 does not currently contain the same level of numerical controls for setbacks and separation as the City of Sydney. A provision to allow for performance-based variations to the proposed draft DCP amendment in the absence of stronger LEP controls would therefore represent a significant weakening of the planning framework for North Sydney and is therefore not recommended.

4.7 Economic impact analysis

Seven (7) submissions noted that the draft DCP amendment was not accompanied by an economic impact analysis. One (1) submission requested Council engage an independent consultant to undertake an economic analysis of the impacts of the proposed amendment.

Comment

An economic impact analysis has now been undertaken (Attachment 3).

4.8 Amendment is inconsistent with State and Local strategic plans

Seven (7) submissions suggest that the draft DCP amendment is inconsistent with state and local strategic documents, specifically Planning Priority N7 and Action 24 of the *North District Plan*, and Planning Priority P1 and Action P1.1 in the *North Sydney Local Strategic Planning Statement* (LSPS).

Comment

Planning Priority N7 under the *North District Plan* is: “*Growing a stronger and more competitive Harbour CBD*”. Action 24 supports economic growth by increasing employment capacity, expanding the range of activities, and providing high quality civic spaces in the CBD.

Planning Priority P1 under the LSPS is: “*Grow a stronger, more globally competitive North Sydney CBD: Provide opportunities for commercial office and employment growth while improving user and public domain amenity to support an attractive, vibrant and globally competitive North Sydney CBD with an 18-hour economy and greater range of after-hour activities.*”. Action P1.1 is to “*Continue to implement the North Sydney CBD Capacity and Land*

Use Strategy (2017)... [including to] Ensure high-quality design that responds to context and enhances the amenity of the North Sydney CBD.”

The draft DCP amendment is entirely consistent with these directions. Council is currently well on track to more than meet the employment capacity and job targets in the *North District Plan*. The proposed amendment will assist in delivering high-quality commercial design that responds to context and enhances the amenity of the CBD.

Achievement of North Sydney’s employment target is discussed in Section 6.

4.9 Amalgamation

Two (2) submissions cited concerns that the proposed maximum façade length of 55m would disincentivise the amalgamation of sites with neighbouring lots, as it would limit the footprint achievable across all sites.

Conversely, one (1) submission cited concerns that a focus on amalgamation of smaller lots disadvantaged isolated lots not capable of amalgamation.

Comment

This is agreed with. Increasing the maximum façade length from 55m to 60m could further encourage amalgamation of smaller contiguous lots, resulting in larger sites with appropriate commercial tower setbacks and separation. See recommended post exhibition changes at Section 7.

4.10 Alfred Street Precinct

Two (2) submissions request that the Alfred Street Precinct be excluded from the draft amendment as the area was not included as part of the *North Sydney Capacity and Land Use Strategy* and associated planning proposal and was not identified for height uplift.

Comment

The Alfred Street Precinct is included in the existing Central Business District Area Character Statement map within NSDCP 2013 (Part C, Section 2.1). The area is currently zoned B3 Commercial Core. The draft amendment applies to land zoned B3 Commercial Core or B4 Mixed Use within the North Sydney CBD Area Character Statement, and therefore applies to Alfred Street Precinct.

Despite not being identified for height uplift in the strategy, additional height for the site associated with a rezoning to B4 Mixed Use, may be pursued via a planning proposal. The draft amendment does not apply to mixed use towers.

5. Ward Street Masterplan

The finalised Ward Street Masterplan was endorsed by Council on 24 June 2019. It aims to improve the public domain offering of the CBD and carefully plan for the urban renewal of the Ward Street Precinct block, which is a mix of commercial, mixed-use, and residential developments located at the northern end of the CBD. The finalised Ward Street Masterplan includes several large landholdings identified for significant height uplift, supported by appropriate public benefits.

The draft DCP amendment will have limited impact on the feasibility and future capacity of these sites. To achieve the height uplift identified in the masterplan, site-specific planning proposals and DCP amendments still need to be carefully drafted and supported by voluntary planning agreements (VPAs). This process will identify the optimal height, setbacks, confirm site-specific financial feasibility, and be exhibited for comment. As they are large sites, there is scope to ensure an economically feasible outcome which is based on best practice urban design practices and principles.

6. Economic Review

In response to Council's decision on 25 October 2021, a review of the economic impact of the draft amendment was commissioned (Attachment 3).

6.1 Impact of the draft amendment

6.1.1 Market image and competitiveness

Current commercial office tenants are attracted to North Sydney for its location, connectivity and amenity attributes including access to executive and white-collar workers, value compared to the Sydney CBD, strong and further improving transport connections and harbour views.

The proposed amendments will not impact these attractive features of North Sydney. It encourages high quality urban form and amenity to public spaces which would, in turn, contribute to the competitive advantages and prestigious image of the North Sydney office market.

6.1.2 Amenity, health, and productivity benefits

The review suggests greater separation between commercial towers would not only protect and enhance the attractiveness and amenity of the CBD but yield economic benefits for both property owners and building occupants. It cites studies that suggest increased natural light into the workplace increases rental yields, health, and productivity benefits. The review also outlines the shift in office market trends with the growing demand for office buildings with better views and better amenity over traditional metrics involving space efficiency and cost effectiveness. This is reinforced by the PCA guide that identifies views, outlook, ample natural light, and attractive street setting as factors for prime grade buildings and the emerging importance of indoor environment quality, daylighting levels and wellness factors for new builds.

6.1.3 North Sydney CBD will continue to meet its employment target

A high-level gap analysis suggests the CBD can comfortably meet the 2036 employment targets set by the Greater Cities Commission. It estimates the CBD needs between 242,000 – 323,000sqm of office floor space over the next 14 years to meet its target. The hypothetical capacity of sites over 1,000sqm under the draft amendment is estimated at around 722,000sqm (this is in addition to smaller sites that may still redevelop, the current development pipeline and take up of vacant space). Therefore, the draft amendment will not impede North Sydney achieving its employment target.

6.1.4 Height increases in 2018 outweigh the impact of greater side setbacks

Height uplifts in 2018 are estimated to have delivered an additional 500,000sqm of new office floorspace. Taller commercial towers, however, require greater separation. At an absolute theoretical maximum, a 12% reduction across the CBD (based on the difference between 3m and 6m above podium side setbacks for mid-block sites) would equate to around 184,000sqm less office floor space. The 3m side setback scenario reflects some recently approved development applications. This reduction would be offset by greater floorplate efficiencies achieved from amalgamated sites. On balance, these controls will continue to deliver a significant amount of additional commercial capacity.

6.1.5 North Sydney has 8 to 16 years commercial office supply in the pipeline

Over 100,000sqm of additional commercial office space has been added to CBD over the past two years. The CBD is forecast to accommodate an extra 187,890 - 283,890sqm of office floorspace over the next three to five plus years. This substantial 20-30% increase in office space, translates to anywhere between 8-16 years of office space supply depending on demand.

With such a surplus, and forecasted weakening demand, the draft amendment will have little effect on commercial office supply in the short to medium term. Longer term impacts are discussed below.

6.1.6 Market can absorb any adverse impacts to financial feasibility in the longer term

There is evidence to suggest the amendment may adversely impact development feasibility and investor confidence in the CBD in the short to medium term. This is a key issue raised in the submissions. Specifically, the draft amendment:

- Increases the need for site amalgamations which increases time and costs associated with redevelopment;
- Decreases the ability of some sites to achieve over 1,000sqm floor plates, which are more easily financed (see section 4.2); and
- May have other unintended impacts such as making it harder for commercial towers to achieve more aspirational environmental outcomes.

The economic review suggests a hypothetical redevelopment with a 5% reduction in floorspace, may change from feasible to marginally feasible. A high impact scenario with a 12% reduction in floorspace would no longer be feasible.

Market research on the draft amendment reinforces these concerns, with landowners, developers and larger tenants predicting the draft amendment may threaten future development in the CBD with the market potentially looking to invest to other centres if they are seen as easier to achieve larger floorplates.

The economic review notes, however, that amalgamations are already necessary under the current planning framework given the existing small lot configurations. The recently approved 'Warada on Walker' (63-83 Walker St) redevelopment is a good example of this. Further, it suggests the financial impact of the draft amendment is mitigated in part through further site amalgamations which increase site efficiency and overall floorspace yield as well as increased

rental yields from better views and sunlight. There are other amalgamations that have occurred more recently.

The review concludes that considering the current approvals in the pipeline, and with the impacts of COVID-19 upon workplace practices, supply chains and the wider development industry still largely unknown, it is surmisable that additional development over and above existing approvals in the short to medium term is somewhat unlikely given these factors.

Critically, adoption of the proposed amendment now would allow the industry time to absorb the proposed design guideline changes and provide certainty in the medium to long term.

6.2 Review recommendations

The review recommends that the proposed controls should further encourage the amalgamation of smaller contiguous sites, resulting in larger self-sufficient sites that maximise their ability to accommodate productive floor space with appropriate amenity.

Where amalgamation is not possible or feasible, the review recommends some flexibility to the application of the tower setback controls. Such proposals would need to demonstrate economic hardship; and planning/architectural merit with improved natural light, ventilation and building articulation in the proponent's building design proposal. Presumably, it would also consider light, amenity and sky views from the public domain.

The review also suggests planning instruments could provide specific benefits for securing a large site to encourage site consolidation. It cites the City of Sydney and Parramatta City Council planning controls that set minimum lot sizes and provide FSR or height bonuses for larger sites that demonstrate design excellence via a design competition and meet other design requirements.

6.3 Comment

North Sydney CBD has achieved a significant level of renewal in recent years that is set to continue as further approvals get underway.

Apart from building height and some solar controls, the overall massing of major commercial towers in the CBD relies largely on design guidance in the NSDCP 2013. Compared to the City of Sydney and Parramatta City Council, North Sydney's built form controls provide limited guidance for commercial developments in the CBD. The lack of adequate controls to support the area's increasing development activity will result in poor urban design outcomes that cumulatively undermine the desired future character of the centre.

The proposed amendments to the NSDCP 2013 promote appropriate tall buildings in the CBD that can be seen 'in the round'. It identifies building setback and separation distances for commercial towers to protect and enhance amenities of the public domain and building occupants.

The proposed changes to the DCP will not stifle the delivery of additional commercial capacity or limit North Sydney's ability to meet employment targets. Whilst the amendments may impact the development feasibility of some sites over the short to medium term, these

implications are not anticipated to be long term. Conversely, the amendments will encourage high amenity outcomes that support the long-term vision of North Sydney CBD as an attractive, sustainable, and vibrant centre.

The economic review recommendation to examine other statutory mechanisms to encourage or further require site amalgamations in the CBD is supported. Amalgamated sites represent a more efficient use of land with larger floorplates, better tower separation and fewer vehicle entries to the street. It is recommended that Council investigate an amendment to the NSLEP 2013 that supports site amalgamations in the CBD and that the matter be reported back to Council in due course.

7. Post exhibition amendments to the draft DCP

This section recommends a number of additional amendments to the draft DCP, having regard to the submissions made during public exhibition and the outcome of the economic review. These amendments aim to support slightly larger commercial floorplates to increase the financial feasibility of redeveloping some sites in the CBD while maintaining strong urban design outcomes.

7.1 Maximum tower façade length

To promote larger high quality floor plates and ensure adequate setbacks and breaks, the economic review highlights the importance of amalgamating sites for the efficient use of developable land. Increasing the proposed maximum façade length control from 55m to 60m will incentivise the consolidation of smaller sites and support the delivery of commercially viable towers.

Applied concurrently with the proposed setback provisions, the increase in maximum façade length would not significantly impact the bulk and scale of future development. Further, a maximum 60m tower façade length sits more in line with the requirement from the City of Sydney and City of Parramatta and will ensure that developments in North Sydney remain competitive in comparison to other CBDs.

The amendment of Provision P7, Part C, Section 2.1.3 is recommended to allow the increase in the horizontal width of towers to 60m.

7.2 Exception to 6m Above Podium Side Setback Requirement

As discussed in Section 6, the economic review recommends some level of flexibility to the proposed building setback controls where there is demonstrated economic hardship and planning/architectural merit. In view of this, a nil above podium setback is recommended for various sites as a response to their site constraints. These sites include:

- 65 Berry Street (Figure 3 and 3A)
- 90 Arthur Street (Figure 4, 4A and 4B)
- 122 Arthur Street (Figure 5, 5A and 5B)
- 80 Mount Street (Figure 6 and 6A)
- 20 Berry Street (Figure 7 and 7A)
- 1 Wheeler Lane (Figure 8 and 8A)

The abovementioned sites are located adjacent to neighbouring buildings with extensive blank walls along their shared boundary, resulting in boundary interface issues that hinder the prospect of enhanced building occupant amenity normally associated with building separation.

Furthermore, a number of these sites are limited in their capacity to amalgamate with the adjacent site or any other site. In other circumstances where amalgamation is possible, the consolidated lot size will yield a poor design outcome resulting in an overscale tower exceeding the 60m maximum tower façade length control.

It is recommended to include the western boundary of 65 Berry Street; southern boundary of 90 Arthur Street; southern boundary of 122 Arthur Street; eastern boundary of 84 Mount Street; northern boundary of 20 Berry Street; and southern boundary of 1 Wheeler Lane in Provision 24, Part C, Section 2.1. 3 to allow a nil above podium setback.

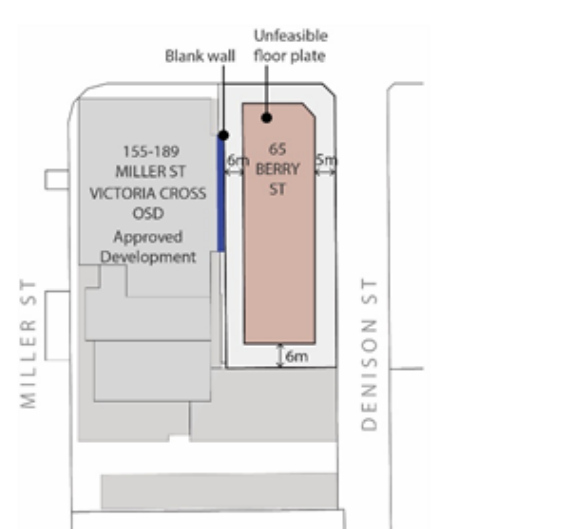


Figure 3: 65 Berry Street with 6m above podium setback to western boundary

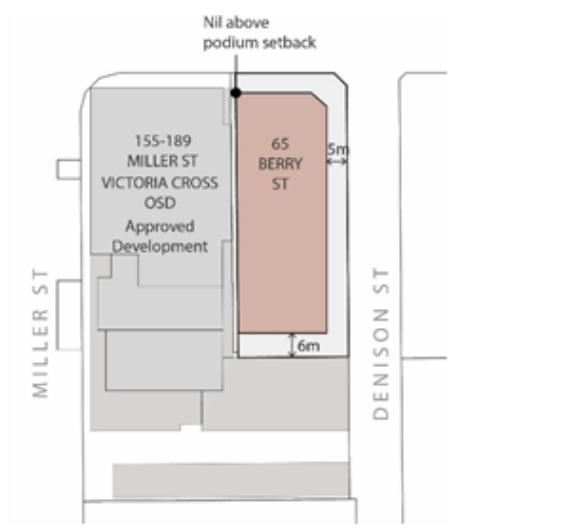


Figure 3A: 65 Berry Street with nil above podium setback to western boundary

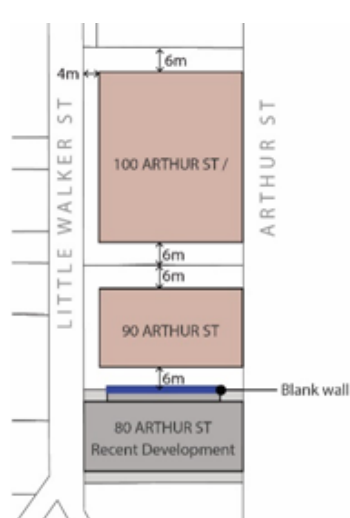


Figure 4: 90 Arthur Street with 6m above podium setback to southern boundary

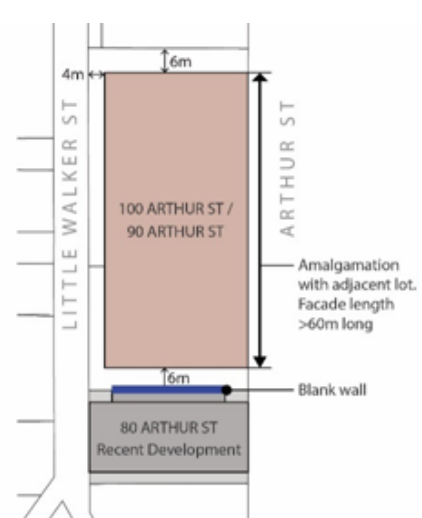


Figure 4A: 90 Arthur Street amalgamated with 100 Arthur St

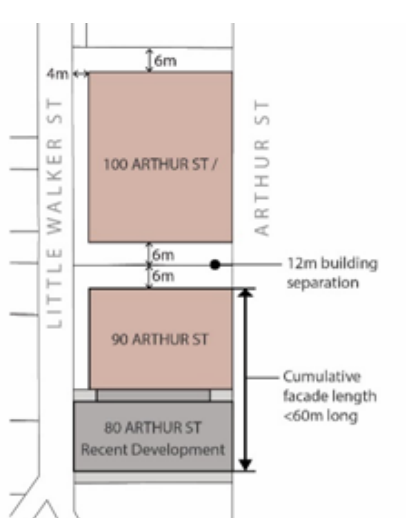


Figure 4B: 90 Arthur Street with proposed nil above podium setback to southern boundary

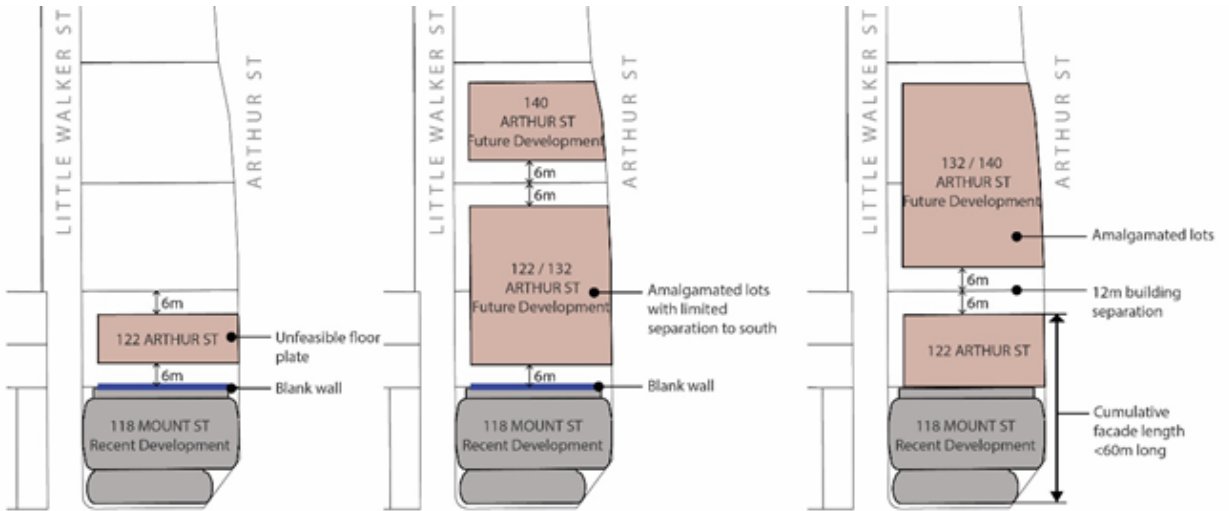


Figure 5: 122 Arthur Street with 6m above podium setback to southern boundary

Figure 5A: 122 Arthur Street amalgamated with 132 Arthur St

Figure 5B: 122 Arthur Street with proposed nil above podium setback to southern boundary

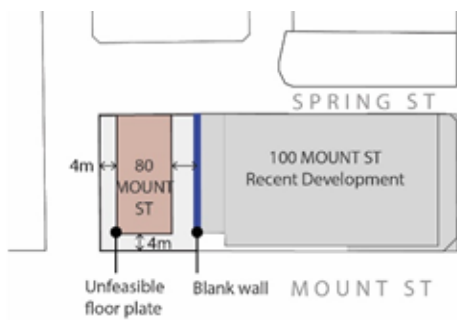


Figure 6: 80 Mount Street with 6m above podium setback to eastern boundary

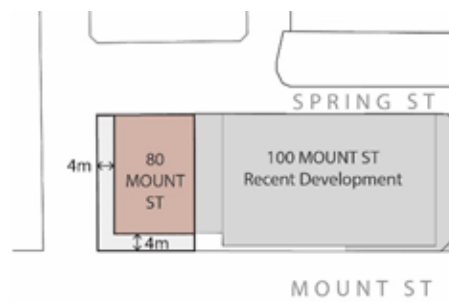


Figure 6A: 80 Mount Street with proposed nil above podium setback to eastern boundary



Figure E7: 20 Berry Street with 6m above podium setback to northern boundary

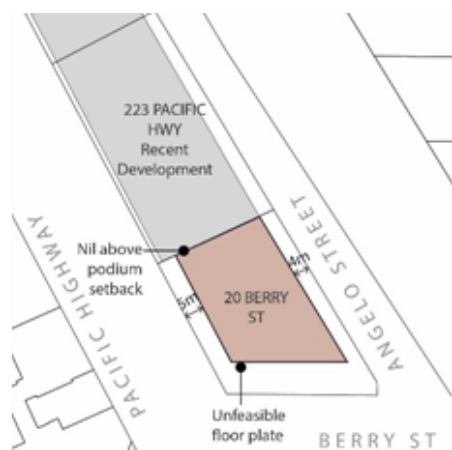


Figure 7A: 20 Berry Street with proposed nil above podium setback to northern boundary

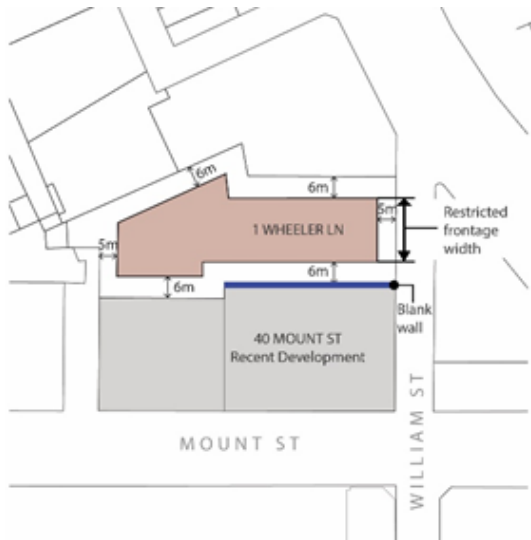


Figure 8: 1 Wheeler Lane with 6m above podium setback to southern boundary



Figure 8A: 1 Wheeler Lane with proposed nil above podium setback to southern boundary

7.3 Amendment to Above Podium Setback Controls

7.3.1 Elizabeth Plaza and Hill Street

The Elizabeth Plaza and Hill Street laneways run alongside smaller scaled blocks formed by only up to 3 lot parcels. The length of these laneways is also significantly shorter in comparison to others in the CBD. (Figure 9)

To reflect the proportion of the urban block and scale of the laneways, it is recommended to reduce the weighted above podium setbacks from 5m to 4m for the eastern boundary of 2 Elizabeth Plaza; western boundaries of 83 Mount Street and 1 Elizabeth Plaza (Lots 2 & 4); northern boundary of 111 Pacific Highway; and southern boundaries of 1 Elizabeth Plaza (Lots 4 & 6) and 99 Mount Street (Figure C-2.3, Part C, Section 2.1.3).

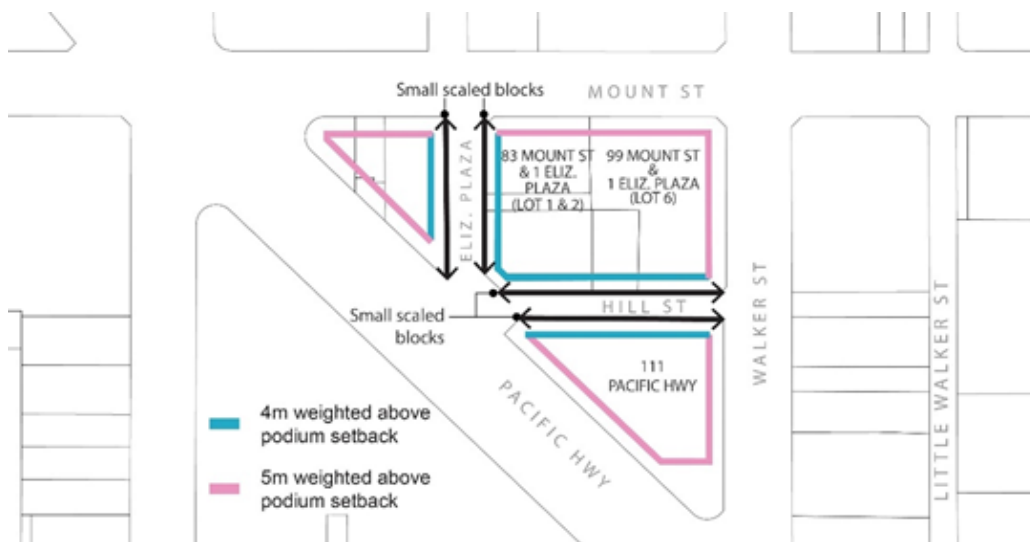


Figure 9: Elizabeth Plaza and Hill Street urban blocks and proposed above podium setbacks

7.3.2 128 Miller Street

During the review of the DCP, it was noted that Figure C-2.3, Part C, Section 2.1.3 shows a 4m weighted above podium setback to the southern boundary of 128 Miller Street (Lots 1 & 8) (Monte Sant’Angelo Mercy College). This is in error. All other street frontages to Berry Street support a 5m weighted above podium setback.

7.4 Ground Level Setback to Arthur Street

Currently, Arthur Street presents a nil ground level and above-podium setback along its entire street frontage that is bound by a busy road. This has created a hostile streetscape that is poorly activated due to its compromised pedestrian amenity. (Figure 10)

Incorporating a 2m ground level setback to the buildings along Arthur Street will craft a more pedestrian friendly street, providing a protected footpath that is wider and further set back from Warringah Freeway. (Figure 10A)

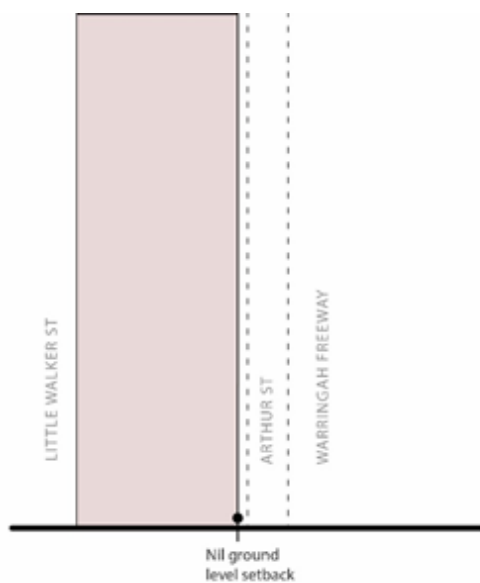


Figure 10: East-west section through 132 Arthur Street with nil ground level setback

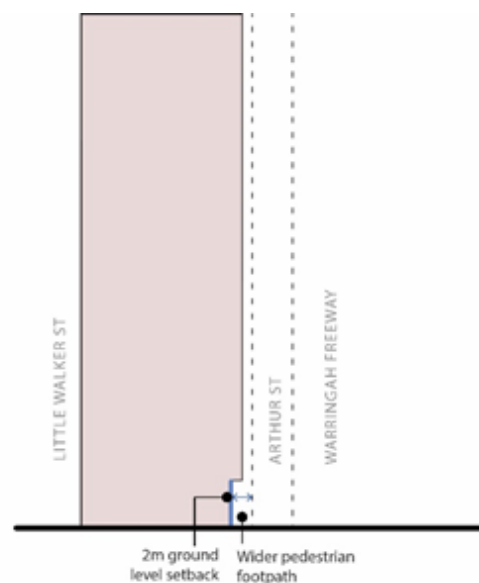


Figure 10A: East-west section through 132 Arthur Street with 2m ground level setback

8. Adoption of Amendment

The post-exhibition amendments to the NSDCP 2013 incorporates a number of additional changes that improve the financial feasibility of some sites in the CBD. These changes are minor in nature, and therefore do not require re-exhibition.

Should Council resolve to adopt amendments to the NSDCP 2013 following its public exhibition, it has 28 days within which it is to publish those amendments on its website in accordance with clause 21 of the EP&A Regulation. The amendments will not take effect until they are published on Council’s website. All submitters will be advised of the adoption of the DCP amendments once they are published on Council’s website.

9. Conclusion

The draft amendment to NSDCP 2013 as publicly exhibited sought to provide tower setbacks and separation controls for commercial development in North Sydney CBD and give effect to recommended Strategy 5 in the *North Sydney Centre Capacity and Land Use Strategy*.

In response to the submissions made, it is recommended that the following changes be incorporated into the draft amendment to NSDCP 2013:

- Increase the maximum tower façade length from 55m to 60m in Provision 7, Part C, Section 2.1.3.
- Include Provision 26, Part C, Section 2.1.3 to allow a nil setback above the podium level to the western boundary of 65 Berry Street.
- Include the following in Provision 24, Part C, Section 2.1.3, to allow a nil above podium setback:
 - o southern boundary of 90 Arthur Street;
 - o southern boundary of 122 Arthur Street;
 - o eastern boundary of 80 Mount Street;
 - o northern boundary of 20 Berry Street; and
 - o southern boundary of 1 Wheeler Lane.
- Reduce the weighted above podium setbacks from 5m to 4m in Figure C-2.3, Part C, Section 2.1.3 to the following:
 - o eastern boundary of 2 Elizabeth Plaza;
 - o western boundary of 83 Mount Street;
 - o western boundary of 1 Elizabeth Plaza (Lots 2 & 4);
 - o northern boundary of 111 Pacific Highway;
 - o southern boundary of 1 Elizabeth Plaza (Lots 4 & 6); and
 - o southern boundary of and 99 Mount Street.
- Increase the weighted above podium setback from 4m to 5m in Figure C-2.3, Part C, Section 2.1.3 to the southern boundary of 128 Miller Street (Lots 1 & 8).
- Include a 2m setback to the ground level of buildings fronting Arthur Street in Provision 10, Part C, Section 2.1.3.

It is recommended that Council resolve to adopt the proposed amendment to NSDCP 2013 and give public notice in accordance with Clause 21 of the EP&A Regulation.

Draft Amendment to North Sydney Development Control Plan 2013

- ***North Sydney CBD commercial tower setbacks and separation***

The following pages represent a “**tracked changes**” version of those pages within Section 2 to Part B and Section 2 to Part C of NSDCP 2013 which are proposed to be amended. Those parts of these sections which are not proposed to be amended have been specifically excluded.

Part B: Development Controls

Section 2: Commercial and Mixed Use Development



2.4.2 Site Consolidation

Objectives

- O1 To enable the creation of a human scale that also reflects a consistent subdivision pattern.
- O2 To enable the creation of suitably sized commercial floor plates that can be tenanted easily.

Provisions

- P1 Amalgamate lots to achieve lot frontage identified in the relevant area character statement (refer to Part C of the DCP).
- P2 Break down the apparent length of buildings by incorporating articulation, design and detailing and or a change in materials, finishes and colours.

2.4.3 Setbacks

Objectives

- O1 To enable a reduction in the impact of scale.
- O2 To ensure adequate ventilation, solar access, sky views, privacy, view sharing and a reduction of adverse wind effects.
- O3 To improve pedestrian flow and amenity and allow a range of activities to be accommodated.

Provisions

General

- P1 Provide a setback for public space at ground level where indicated in the relevant area character statement (refer to Part C of the DCP).
- P2 New development must give consideration to the setbacks of adjacent buildings and heritage items.

Front

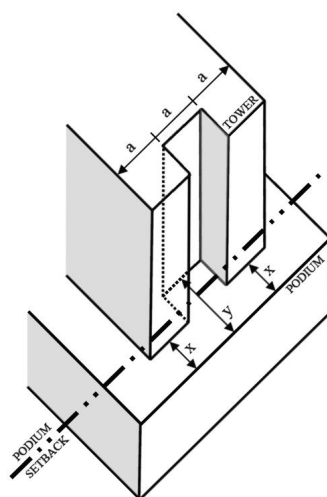


Figure B-2.1:
Weighted average is the average of projections and recesses from setback above podium (i.e. $x + x + y / 3 =$ podium setback)

- P3 A zero metre setback must be provided, unless an alternative setback is identified within the in the relevant area character statement (refer to Part C of the DCP).



DRAFT AMENDMENT – POST EXH – North Sydney Development Control Plan 2013

Commercial & Mixed Use Development

P4 That part of the building located above the podium must be setback a weighted average (refer to Figure B-2.1) in accordance with the relevant area character statement (refer to Part C of the DCP).

Side & Rear

P5 A zero metre setback, unless an alternative setback is identified within the relevant area character statement (refer to Part C of the DCP).

P6 Despite P5 above, buildings containing non-residential activities must be set back a minimum of 3m from the property boundary where the adjoining site has balconies or windows to main living areas of dwellings or serviced apartments located at the same level.

Note: Side setbacks may be affected by building separation requirements and or podium level setback requirements.

P7 Despite P5 above, a development proposed on land adjoining or adjacent to a residential or recreation zone must not exceed a building height plane commencing:

- (a) at 3.5m above ground level (existing) and projected at an angle of 45 degrees internally to the site from all boundaries that directly adjoin land zoned *R2 Low Density Residential, R3 Medium Density Residential, R4 High Density Residential, RE1 Public Recreation*, or
- (b) at 3.5m above ground level (existing) and projected at an angle of 45 degrees internally to the site from the centre line of any adjoining road or laneway separating the site from land zoned *R2 Low Density Residential, R3 Medium Density Residential, R4 High Density Residential, RE1 Public Recreation*.

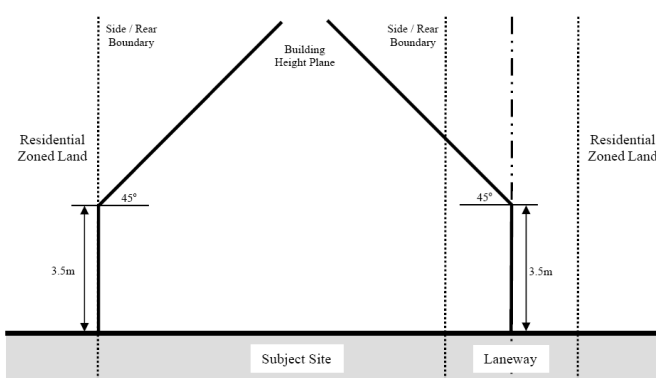


Figure B-2.2:
Building height plane requirements

P8 Where setbacks are required from existing property boundary this should be clear of all structures above and below ground level, excluding awnings and other elements allowed by Council.

P9 Where an applicant seeks a basement structure built to the property boundary fronting a laneway in the *B1 Neighbourhood Centre* or *B4 Mixed Use* zone for the purposes of underground car parking, Council may require a 1.5m setback at street level to be provided subject to an s.88B instrument application outlining public access rights, clear of any structure to 1.5m below ground level (existing) and 3m above ground level (existing) and requiring all maintenance, cleaning and the like to be the responsibility of the property owner. Applicants are advised to contact Council prior to the lodgement of any development application seeking a basement car park built to the property boundary fronting any laneway to determine if the setbacks in this provision are required to be met.

P10 Stratum subdivisions will generally not be accepted for dedication of land/airspace to Council.



Commercial & Mixed Use Development

2.4.4 Podiums

Objectives

- O1 For buildings to reinforce a human scale when read from the public domain.
- O2 To ensure that laneways are integrated into pedestrian network.
- O3 To ensure that laneways are safe and comfortable for pedestrians.

Provisions

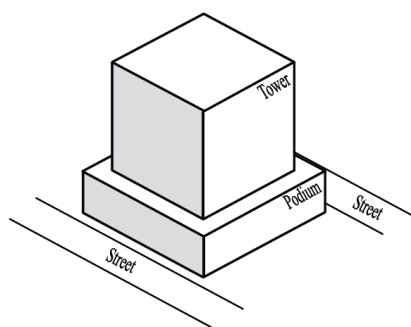


Figure B-2.3:
Podium/tower form of development

- P1 Where required, a podium must be provided along all street frontages including laneways, with a height and setback above the podium, in accordance with the relevant area character statement (refer to Part C of the DCP).
- P2 Podiums should match the height and setbacks of adjacent buildings or the average of the heights of the adjacent podiums having regard to their existing nature and/or their redevelopment potential.
- P3 Where the ground level changes across the width of a site, the podium should be stepped at an appropriate location to maintain a characteristic podium height.

2.4.5 Building design

Objectives

- O1 To ensure that buildings are designed to reinforce the urban character of a locality.
- O2 To ensure that buildings clearly define streets, street corners and public spaces.
- ~~O3~~ To encourage high quality, built form outcomes and achieve design excellence.

Provisions

- P1 Floor to ceiling heights should be provided in accordance with the minimum requirements set out in Table B-2.9.

TABLE B-2.9: Minimum floor to ceiling height requirements			
Zone	Ground Floor	First Floor	Upper Floors
B1 Neighbourhood Business	3.3m	2.7m	2.7m
B3 Commercial Core	3.3m	3.3m	3.3m
B4 Mixed Use	3.3m	3.3m	2.7m
IN2 Light Industrial	3.3m	2.7m	2.7m



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Commercial & Mixed Use Development

- P2 Council may consider a variation to the minimum requirements in P1, but only if the applicant can demonstrate that the dwelling or non-residential floor space is capable of receiving satisfactory natural daylight and ventilation (e.g. shallow apartments / commercial tenancies with large amounts of window area).
- P3 The apparent length of buildings should be broken down through the use of articulation, design and detailing, changes in materials and colours.
- P4 High quality materials should be used throughout the building design.
- P5 Podiums are to be built to the boundary of the site unless providing a setback for public space at ground level as required by the relevant area character statement (refer to Part C of the DCP).
- P6 Buildings should be built predominantly to setback alignment.
- P7 Building should be articulated and have a positive relationship with the public domain in terms of scale and setbacks.
- P8 Building elements, such as materials, finishes, and window dimensions should relate to neighbouring buildings.
- P9 Buildings are to respect the setting and curtilage of heritage items (refer to Part B: Section 13 - *Heritage and Conservation* of the DCP).
- P10 Buildings should incorporate architectural detailing and ornamentation which provides a rich visual reference for pedestrians.
- ~~P10~~P11 Where party walls are exposed or new developments result in a blank wall, a visually interesting treatment is required for that wall. The architectural treatment used should be sympathetic to the character of the area and any nearby heritage items or conservation areas.
- ~~P11~~P12 Balconies are to be incorporated within the setback or building envelopes.
- ~~P12~~P13 Within the *B1 Neighbourhood Centre* zone, provide a traditional two storey shopfront parapet form along the primary street frontages, with any development above two storeys (where permissible) set back in accordance with the relevant area character statement.

2.4.6 Skyline

Objectives

- O1 To provide a distinctive and well designed skyline through the introduction of visually interesting elements in the articulation and detailing of the upper levels and roofs of buildings.

Provisions

- P1 Buildings located on land within the North Sydney Centre must comply with the building height requirements outlined in cl.4.3 and cl.6.3 of NSLEP 2013.
- P2 The built form should step down from the centre of each commercial or mixed use centre to a comparable scale at the interface of any adjoining residential zone.
- P3 Roofs should be designed such that they are integral with the overall design of the building.
- P4 All roof top located building plant and services are to be contained within a single structure. It should be centrally located to avoid overshadowing and other impacts.
- P5 If telecommunication aerials are to be provided, they must be incorporated into the roof top design, and not comprise ad-hoc additions.
- P6 With respect to buildings greater than 30m in height, and all buildings within the North Sydney Centre, the roof is to be designed such that consideration is given to the building being seen in a regional view catchment.

B **Part**

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Part C: Character Statements

Section 2: North Sydney Planning Area



SECTION 2 NORTH SYDNEY PLANNING AREA

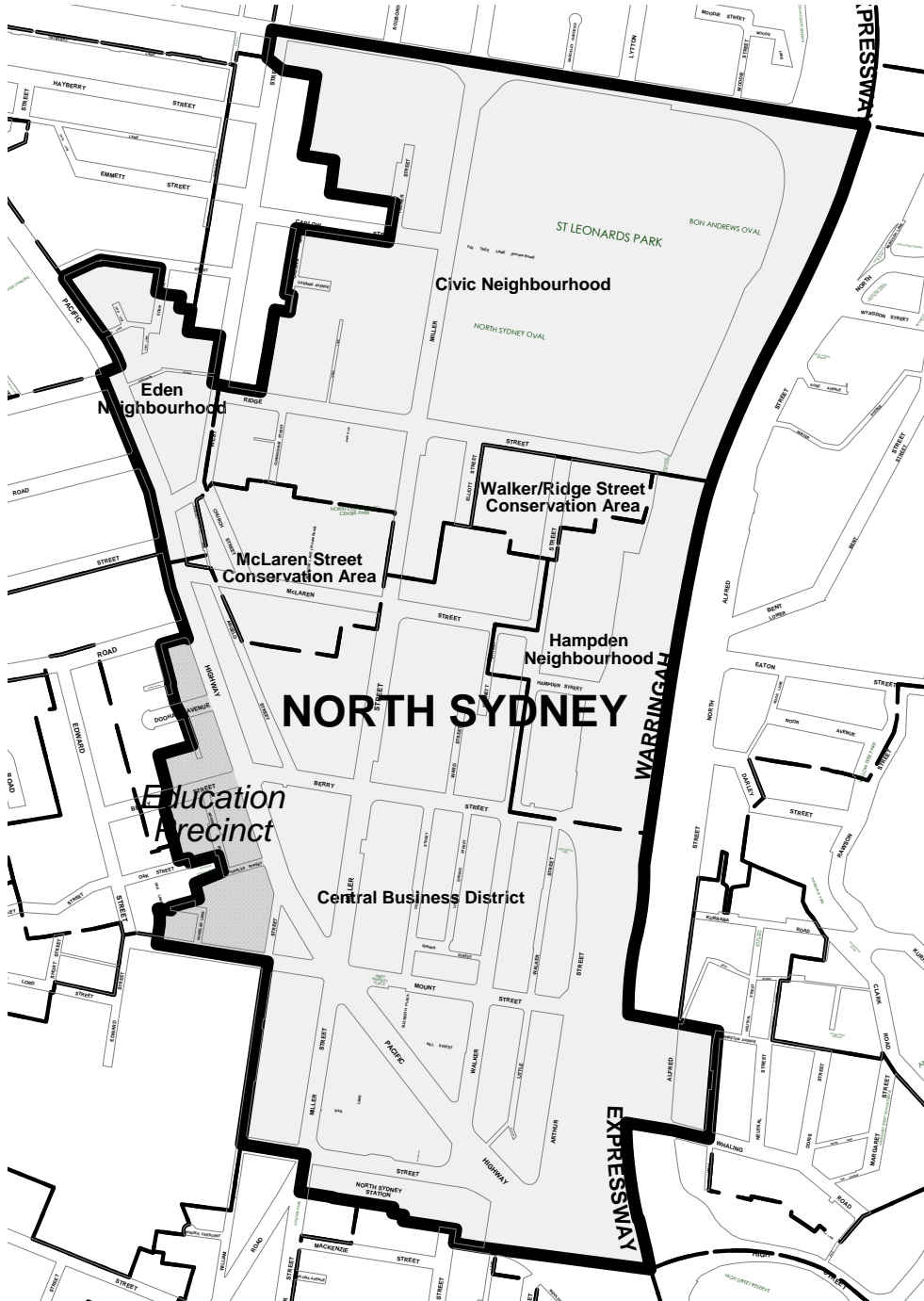
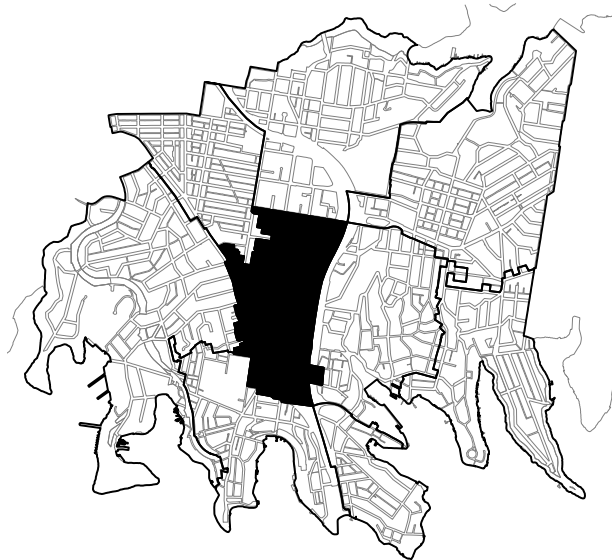


Figure C-2.1: North Sydney Planning Area and associated Locality Areas

Part	C
Page	C2-1



2.0 NORTH SYDNEY PLANNING AREA CHARACTER STATEMENT



The North Sydney Planning Area is an iconic, attractive, and sustainable area, with the focus on the North Sydney CBD, which is identified under the Metropolitan Strategy 2036 as a global commercial centre. A portion of the Education Precinct is located within the Planning Area on the western edge of the North Sydney CBD and the Ward Street Precinct is located within the northern portion of the Planning Area.

New development within the Planning Area should result in:

- a viable and attractive employment centre
- a diverse range of living, employment, recreation and social opportunities being provided that attract both local and regional populations which contribute to the vibrancy of the North Sydney CBD
- a vibrant and engaging Education Precinct with safe pedestrian networks and a range of formal and informal public spaces for students to study, socialise and engage with the local community
- the creation of a new vibrant public meeting place within the Ward Street Precinct for workers, residents and visitors which has high levels of amenity and is activated in the daytime, evenings and weekends
- a high level of amenity for residents, workers, students and visitors to enjoy
- a high quality built form
- a high level of public transport patronage which is easily accessible to residents, workers, students and visitors
- the area being linked to the Sydney CBD, other suburban centres and many parts of the Sydney Region by rail and bus as well as by road and is a place of interchange between the various modes

North Sydney Development Control Plan 2013 - DRAFT AMENDMENT – POST EXH**Area Character Statements - North Sydney Planning Area**

and where:

Function

- The North Sydney CBD comprises one of Australia's largest commercial centres serving the local population and that of the Sydney region
- There is a mix of uses and activities to meet the demands of the residents, workforce, students and visitors
- There is a civic focus supported by community facilities such as North Sydney Oval, the Stanton Library and the Independent Theatre
- There is an education focus in the Education Precinct, supported by educational establishments such as the Australian Catholic University (ACU), the Sydney Church of England Grammar School (Shore) and North Sydney Demonstration School
- Creation of a new pedestrian focal point centrally within the Ward Street Precinct, through the provision of new public squares which integrate with a highly permeable pedestrian network and is activated by commercial and community frontages
- Community facilities meet the needs of the CBD's working and resident population, students, visitors, and residents of nearby neighbourhoods, in terms of wellbeing, culture and recreation, and add to the diversity and activity of the CBD
- Various grades and sizes of commercial floorspace accommodate a mix of small and larger business, services and retail
- New residential development will not occur in the commercial core, with further high density housing to be concentrated in the areas zoned mixed-use
- There is housing choice in the mix of dwelling sizes and in the range of affordability
- There are active uses outside of standard business hours
- Parks and public spaces are well used and provide for a range of social and recreational activities

Environmental Criteria

- The extremes of sun, wind and rain are mitigated by good building design
- Buildings, public places and streets all receive good access to natural light
- Mechanical noise and other commercial noise is controlled, to protect residential amenity
- Use of local flora extends habitats for native birds and other fauna
- Solar access to special areas and open spaces is maintained and contributes to the enjoyment of those spaces for use by the public
- There is an opportunity to enjoy the views from and within the area towards the Sydney CBD, Sydney Harbour, heritage items and surrounding areas
- Additional public open space is provided for increased worker and residential populations

Built Form

- There is a pleasant, well designed and well-lit series of easily accessible and connected urban plazas and gardens.
- The setback on the eastern edge of Miller Street between McLaren Street and Mount Street is maintained and incorporates landscaped areas and actively utilised open space

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DRAFT AMENDMENT – POST EXH – North Sydney Development Control Plan 2013

Area Character Statements - North Sydney Planning Area

- Physical breaks are provided between tall commercial towers to afford occupants of commercial buildings reasonable levels amenity in terms of ventilation, daylight access, solar access and views
- Physical breaks are provided between tall commercial towers to afford users of the public domain reasonable levels of amenity in terms of daylight access, solar access, sky views and reduction in adverse wind impacts
- Avoiding continuous, uninterrupted walls of towers to reinforce a human scale when read from the public domain
- The significance of heritage items is retained, and promotes the rich development history and provides interest in the physical fabric of the area
- Heritage items are protected, and significant streetscape elements are conserved in the Walker and McLaren Street Conservation Areas
- Predominant early 20th Century character of the McLaren Street Conservation Area is maintained and protected
- Victorian and Federation character of streets in the Walker Street Conservation Area is maintained and protected
- Pedestrian connections provide alternate east/west and north/south routes through the CBD to promote pedestrian movement

Quality Urban Environment

- There are links to the Sydney CBD, other suburban centres and many parts of the Sydney region by ferry, rail, bus and road and the CBD is a place of interchange between the various transport modes
- Public transport, including walking and cycling, is the main form of access to the North Sydney CBD and the Education Precinct
- Traffic is managed so that pedestrians can move within the area freely and safely, and amenity is maintained
- Parking is managed in a way that maintains pedestrian safety and the quality of the public realm and minimises traffic generation
- The cumulative desired future built form outcome within the Ward Street Precinct does not result in a nett increase in traffic generation for the Precinct
- Rear lanes allow for the primary vehicular access to properties
- Limited increase to the capacity of private parking
- Pedestrians are assisted to safely cross barriers such as the Pacific Highway
- Educational establishments are oriented to the public domain to provide increased surveillance and activation
- Loading and delivery facilities should be located away from the street and where possible be located underground

Efficient Use of Resources

- Energy efficient design and life cycle assessment of buildings enables the conservation of natural resources and minimisation of use of non-renewable energy resources
- Stormwater runoff is minimised, and recycled on-site where possible

Public Domain

- Additional open space is provided to service the increased residential, working and student population of the North Sydney CBD and the Education Precinct
- A new public square/s be provided centrally within the Ward Street Precinct which is integrated with a highly permeable pedestrian network

C Part

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North Sydney Development Control Plan 2013 - DRAFT AMENDMENT – POST EXH



Area Character Statements - North Sydney Planning Area

- Streetscape improvements occur in accordance with the *North Sydney Centre Public Domain Strategy* and *Education Precinct Public Domain Masterplan*

In addition to the above character statement for the Planning Area, the relevant character statement for the following Locality Areas also requires consideration:

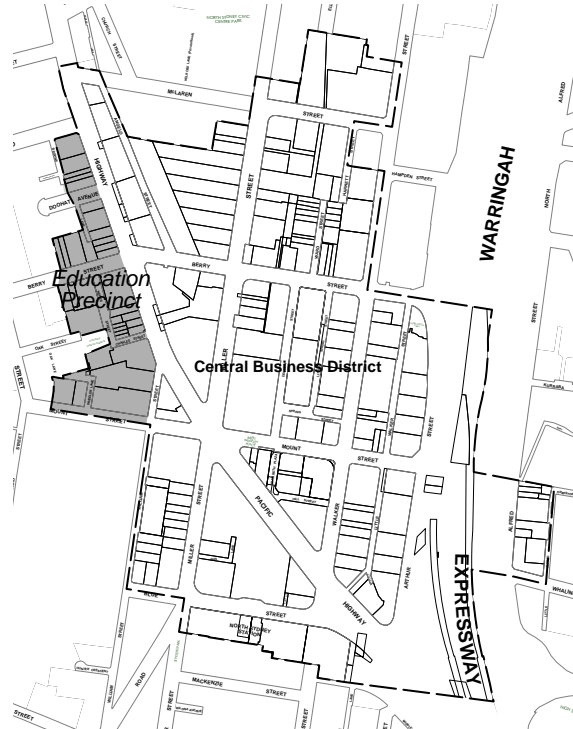
- Section 2.1: Central Business District
- Section 2.2: Civic Neighbourhood
- Section 2.3: Eden Neighbourhood
- Section 2.4: Hampden Neighbourhood
 - Section 2.4.4 East Walker Street Precinct
- Section 2.5: ~~McLaren~~ Walker/Ridge Street Conservation Area
- Section 2.6: Walker ~~McLaren~~ Street Conservation Area



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Area Character Statements - North Sydney Planning Area

2.1 CENTRAL BUSINESS DISTRICT



2.1.1 Significant Elements

Land Use

- P1 Predominantly high-rise commercial development.
- P2 Medium to high rise mixed commercial and residential development at the fringes.
- P3 Educational facilities.
- P4 Regional rail and road infrastructure.

Topography

- P5 Typically falling from the north to the south towards Sydney Harbour.

Natural Features

- P6 Natural rock outcrops at 136 Walker Street.

Views

- P7 The following views and vistas are to be preserved and where possible enhanced:
 - (a) From the plaza at No.5 Blue Street and located over North Sydney Rail Station to the Sydney Harbour Bridge.
 - (b) From Doris Fitton Park (160-166 Arthur Street) to Sydney Harbour and Neutral Bay district.
 - (c) Views along the Pacific Highway to the Post Office on Mount Street from the south-east.
 - (d) Views along the Pacific Highway to Sydney Harbour from the intersection with Mount Street.

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North Sydney Development Control Plan 2013 - DRAFT AMENDMENT – POST EXH**Area Character Statements - North Sydney Planning Area****Identity / Icons**

- P8 Brett Whiteley Place.
- P9 Greenwood.
- P10 Post Office and Court House.
- P11 MLC Building.
- P12 Don Bank Museum.

Subdivision

- P13 Predominantly large consolidated allotments within a rigid grid pattern.
- P14 Smaller allotments generally along the Pacific Highway north of Berry Street.

Streetscape

- P15 Wide fully paved footpaths, promoting heavy pedestrian use.
- P16 Active street frontages provided with a variety of shops, cafes and other commercial uses.
- P17 Buildings generally built to the boundary, with entry at street level.
- P18 Continuous awnings provided on commercial buildings.
- P19 Street trees.

Public transport

- P20 Development is to take advantage of the accessibility provided by existing and planned public transport infrastructure.

2.1.2 Desired Future Character**Diversity of activities, facilities, opportunities and services**

- P1 High rise and medium density, commercial and mixed use developments.
- P2 Provision of a variety of different sized office, retail, community and entertainment spaces.
- P3 Provision of a variety of outdoor and indoor community spaces (e.g. urban plazas, gymnasium; gardens; outdoor and indoor dining areas and food courts).
- P4 The commercial focus of the CBD is to be enhanced by preventing any further residential development from occurring in its core (i.e. the *B3 Commercial Core* zone).
- P5 Development above the Victoria Cross metro station will provide significant commercial floorspace, as well as retail, dining and community uses that will contribute to the overall amenity and vitality of the CBD.
- P6 Council will pursue its vision for Miller Street as the civic heart of North Sydney. This will involve significant interventions and public domain improvements aimed at creating a vibrant place for people, with vehicle movements removed or minimised as much as practicable and both sides of Miller Street activated.
- P7 Creation of a substantial new public space within the middle of the street block bound by McLaren, Walker, Berry and Miller Streets, activated by surrounding buildings and new community facilities consistent with the *Ward Street Precinct Masterplan*. This space is to be designed to be highly adaptable for events and prominent activities and form a spill over space for other community events associated with community facilities to be located in adjacent buildings.
- P8 Brett Whiteley Place is a key public space for the North Sydney CBD which will incorporate an expanded Elizabeth Plaza, as well as portions of Denison Street and Mount Street. This expanded plaza will provide dedicated space for outdoor dining, large and small events, and other activities.



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Area Character Statements - North Sydney Planning Area

- P9 Consideration be given to expanding Berrys Square to the northern side of Berry Street.
- P10 The Central Laneways Precinct will become a major focal point of pedestrian activity and amenity.
- P11 Active frontages to the Metro site, 1 Denison Street and the MLC building will contribute to the activation of the public domain in the Central Laneways Precinct.
- P12 A new laneway is provided across the redevelopment of 1 Denison Street to link the Metro site, Denison Street, Little Spring Street and Walker Street.
- P13 Alternatives to the current entry of the commercial car park entry at 100 Miller Street (Northpoint) will be pursued to reduce or remove traffic on Miller Street and improve pedestrian amenity.
- P14 Provide roof top gardens and/or public facilities that allow the public and/or residents to access district views.
- P15 Development should maximise opportunities to incorporate retail, restaurant, bar facilities and other non-residential floor space at ground level to promote street level activation, amenity, diversity and place making objectives.
- P16 Provide a diverse mix of higher density, non-residential land uses in the *B4 Mixed Use* zone of the Education Precinct, including education, shops, cafes, gyms, entertainment and small businesses.
- P17 Provide continuous active uses such as shops and cafes at the ground level of all buildings along Pacific Highway, Berry Street and Napier Street, especially within the Education Precinct.
- P18 Consideration should be given to the inclusion of educational or community-related purposes in the redevelopment of 110, 112, 116 and 120 Pacific Highway and 9 Napier Street.
- P19 Community facilities that are of a type that support the creation of a cultural destination which is activated in the daytime, evenings and weekends are to be incorporated into the lower levels of the redevelopment of 56-66 Berry Street and the Ward Street Carpark site and these facilities are to front onto a new public square/s consistent with the *Ward Street Precinct Masterplan*.

Accessibility and permeability

- P20 Victoria Cross metro station is designed to enhance the North Sydney CBD as a major commercial centre and further encourage the use of public transport. Pedestrians are prioritised throughout the CBD with a number of interconnected pedestrian routes that facilitates all direction movement and encourages fine grain retail and dining uses.
- P21 Consideration be given to providing a direct vertical pedestrian connection between the new public open space located centrally within the Ward Street Precinct and the Victoria Cross Metro Station concourse.
- P22 Barriers to pedestrian movement, particularly within the Ward Street Precinct, Miller Street, Berry Street and the Pacific Highway, will be reimagined such that their function and treatment favour pedestrian movement and amenity.
- P23 New development focuses on the use of public transport, cycling and walking.
- P24 Pick up and drop off points for public transport and taxi ranks are located as close as possible to public spaces and activities, and main building entries.
- P25 Loading and delivery facilities should be located away from the street and where possible be located underground.
- P26 The following through site links are to be provided, retained and enhanced:
- (a) A north - south pedestrian link from McLaren Street to Elliot Street across 52 and 54 McLaren Street.

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North Sydney Development Control Plan 2013 - DRAFT AMENDMENT – POST EXH**Area Character Statements - North Sydney Planning Area**

- (b) A north - south pedestrian link from McLaren Street to Ward Street across the vehicle access of 221 Miller Street.
 - (c) An east-west pedestrian link of at least 3m in width is provided from Miller Street to the future public open space off Ward Street along the northern boundary of 201 Miller Street.
 - (d) An east-west pedestrian link of at least 6m in width is provided from Miller Street to the future public open space off Ward Street along the southern boundary of 213-219 Miller Street.
 - (e) An east - west pedestrian link from Miller Street to Ward Street across 221 Miller Street.
 - (f) A north - south pedestrian link from Charles Street to Wheeler Lane across 100 Pacific Highway and 16 Mount Street.
 - (g) An east - west pedestrian link from Harnett Street to Walker Street across 142 Walker Street.
 - (h) An east - west pedestrian link from Harnett Street to Walker Street across 144-150 Walker Street.
 - (i) An east - west pedestrian link from Walker Street to Little Walker Street across 81-83 Walker Street.
 - (j) An east - west pedestrian link from Little Walker Street to Arthur Street across 100 Arthur Street.
 - (k) An east - west pedestrian link from Napier Street to Oak Street across the southern side of 8-20 Napier Street.
 - (l) A north - south pedestrian link from the green space of 100 Pacific Highway to Wheeler Lane across the western side of 1 Wheeler Lane. The pedestrian link may be made through the building envelope or an alternative architectural treatment that gradually 'reveals' the establishments on either side.
 - (m) An east - west pedestrian link through the Victoria Cross metro station linking Miller Street and Denison Street.
 - (n) A new laneway is provided across the redevelopment of 1 Denison Street to link the Metro site, Denison Street, Little Spring Street and Walker Street.
 - (o) A widened and improved pedestrian link from Little Spring Street and Walker Street across 102 Walker and 110 Walker Street.
- P27 Consideration should be given to the provision of an east - west pedestrian link from the Pacific Highway to Napier Street across either the northern side of 120 Pacific Highway or the southern side of 33 Berry Street.
- P28 Consideration should be given to the demolition of the single storey structure at the northern end of 105 Miller Street (MLC Building) to improve accessibility and permeability to Miller Street and the Victoria Cross metro station.

2.1.3 Desired Built Form**Subdivision**

P1 Development sites should be of a size which enables:

- (a) -the creation of large high quality floor plates which helps to reinforce the Centre's role as a Global City as identified within the Metropolitan Strategy; and
- ~~(a)~~ (b) the incorporation of adequate setbacks and breaks between tall commercial towers above the podium level to maintain reasonable access to sky views and daylight to the public domain.

~~P1~~ P2 Development on small sites should not detrimentally impact on the long-term ability of the amalgamation of sites for significant commercial development.

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Area Character Statements - North Sydney Planning Area

P2P3 Site amalgamation should occur generally in accordance with that identified within the Ward Street Precinct Masterplan to maximise the delivery of the desired outcomes of the Masterplan.

Form, massing and scale

P3P4 Buildings should be carefully designed to minimise the impact of their height and bulk on surrounding residential areas.

P4P5 Roof design contributes to building's appearance from a regional view catchment.

P6 Buildings on 116 and 120 Pacific Highway and 9 Napier Street should be designed such that their bulk steps down from the Pacific Highway to Napier Street to protect sunlight access to the Don Bank Museum and enhance pedestrian amenity to Napier Street.

P5P7 No part of a building located above the podium and which exceeds 45m in height may have a horizontal width of more than 5560m.

P6P8 Development is to be designed to maximise year round solar access to the new public squares to be created centrally within the Ward Street Precinct.

P7P9 Development must not result in a nett increase in overshadowing to the main southern square to be created centrally within the Ward Street Precinct between 9am and 4pm from the March equinox to the September equinox (inclusive).

Street Setbacks

Note. Additional setbacks may be required for any part of the building located above the podium level.

P8P10 Buildings are to provide a Zzero metre setback to all street frontages at the ground floor level and adjacent to heritage items, with the following exceptions:

- (a) In accordance with cl.6.4 of the LEP for all properties on the eastern side of Miller Street, north of the Pacific Highway.
- (b) 5m from the western side of Walker Street, north of 76 Berry Street.
- (c) 5.4m from the southern side of Berry Street, between Pacific Highway and Miller Street.
- (d) 14.5m from the western side of Miller Street, at No.60 Miller Street.
- (e) 15m from the southern side of Mount Street, at No.60 Miller Street.
- (f) Maintaining the setback of existing buildings to all properties comprising Monte St Angelo Convent and Girls School.
- (g) Maintaining the setback of existing buildings to all properties on the northern side of McLaren Street.
- (h)** 1.5m whole of building setback from the eastern side of Napier Street, at No. 1-9 Napier Street and No.120 Pacific Highway.

(h)(i) 2m setback to the ground level of buildings fronting Arthur Street.

P9P11 Buildings must be setback to conserve views to, and the setbacks and settings of, heritage items at 86 and 144 - 150 Walker Street, 94 Pacific Highway (Post Office), 36 Blue Street (Greenwood), 153 Miller Street (MLC Building), 168 - 172 Pacific Highway and 1-7 Napier Street.

P10P12 The setback of new buildings or alterations and additions to existing buildings on land fronting McLaren Street between Miller and Walker Streets are to match that existing to protect the existing fig trees. Encroachments will only be permitted where the development does not cover the drip line of any of the existing trees.

Podium Heights

P13 Podiums are to be provided to a height in accordance with the Podium Heights Map (refer to Figure C-2.2).

North Sydney Development Control Plan 2013 - **DRAFT AMENDMENT – POST EXH****Area Character Statements - North Sydney Planning Area**

~~P11~~ A maximum podium of 5 storeys to all streets, with a weighted setback of 5m above the podium with the following exceptions:

- ~~(a)~~ No podium to Arthur Street.
- ~~(b)~~ A maximum podium of 3 storeys to McLaren Street and Miller and Walker Streets north of McLaren Street, with a weighted setback of 3m above the podium.
- ~~(c)~~ A podium of between 2 and 3 storeys to Wheeler Lane and Angelo, Charles, Denison, Harnett, Napier, Little Spring and Little Walker Spring, Ward Streets, with a weighted setback of 4m above the podium.

~~P12~~P14 Despite ~~P13~~, A podium of between 3 and 5 storeys above the finished level of the new public squares to be created centrally within the Ward Street Precinct, where buildings front onto those squares, ~~with setbacks above the podium that result in the minimising of potential wind impacts and~~ maintaining a human scale to the squares.

~~P15~~ The entirety of a podium must be setback from any street frontage if required under Provisions P7 – P9P10 – P12 to s.2.1.3 to this Part of the DCP.

~~P16~~ Podiums are to be built to all side and rear boundaries that do not have a street frontage, except where the site directly adjoins residentially zoned land (i.e. R2 Low Density Residential, R3 Medium Density Residential, R4 High Density Residential) or requires a through site link as required under P23 to s.2.1.2 to this Part of the DCP.

~~P13~~P17 Podium heights should match or provide a transition in height between immediately adjacent buildings.

~~P14~~P18 Podium heights should match the height of adjacent heritage items.

~~P15~~P19 Podium height may be reduced to that part of the building devoted to commercial use in mixed-use buildings.

~~If there is no commercial component, and therefore no podium, adequate side separation should be provided for residential amenity.~~

Above Podium Setbacks

~~P20~~ All parts of a building located above the podium are to be setback from the podium's frontage to a street or laneway in accordance with the Above Podium Setbacks Map (refer to Figure C-2.3). Setbacks are to be measured from the outer wall of the podium. Where a weighted setback is required, it applies to the width of the building's facade located above the podium.

~~P21~~ Despite ~~P16~~P20, no part of any building may be located within 3m of the outer wall of the podium level fronting a street or laneway.

~~P22~~ Despite ~~P16~~ and ~~P17~~P20 and P21, for buildings fronting Ward Street and the new public squares to be created within the Ward Street Precinct, that part of the building located above the podium is to be setback a sufficient distance to ensure the minimising of potential wind impacts and maintaining a human scale to the squares.

~~P23~~ Where a building is to be erected on land zoned B3 Commercial Core or on any other land and the building will not contain residential accommodation, all parts of the building located above the podium must be setback a minimum of 6m from any side boundary, unless:

- ~~(a)~~ the area of the site is less than 1,000sqm; and
- ~~(b)~~ the building does not exceed 45m in height.

~~P24~~ Despite ~~P19~~P23, no setback is required above the podium level to:

- ~~(a)~~ the southern boundaries of 122 Arthur Street (SP 57439) or 100 Walker Street (Lots 1 and 2, DP 542915), if developed in isolation from sites to their north;
- ~~(b)~~ the southern boundary of 90 Arthur Street (Lot 1, DP 738262), if developed in isolation from the site to the south;



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Area Character Statements - North Sydney Planning Area

- (c) the northern boundary of 20 Berry Street (Lot 1, DP 550167) if developed in isolation from the site to the north;
- (d) the eastern boundary of 80 Mount Street (Lot 1, DP 566189) if developed in isolation from the site to the east; and
- (e) the southern boundary of 1 Wheeler Lane (Lot 101, DP 1076397) if developed in isolation from the site to the south.

P25 Where a building does not contain residential accommodation, All parts of a all parts of the building located above the podium on land zoned B3 Commercial Core or on any other land and the building will not contain residential accommodation it must be setback a minimum of 6m from any rear boundary that does not have a street or laneway frontage.

P26 Despite P25, no setback is required above the podium level to the western boundary of 65 Berry Street (Lot 2, DP 1230458) if developed in isolation from the site to the west.

P27 Where there is more than one tower located above the podium level on land zoned B3 Commercial Core or on any other land and the building will not contain residential accommodation, the towers must maintain a minimum 12m separation from one another.

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Figure C-2.2: Podium Heights Map

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Area Character Statements - North Sydney Planning Area



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Area Character Statements - North Sydney Planning Area



Figure C-2.3: Above Podium Setbacks Map

Building design

P16P28 Provide architectural detailing, high quality materials and ornamentation provide a rich visual texture and a symbolic/decorative reference to the history of the place, the building’s use or occupant.

P17P29 Provide a visually rich intimate pedestrian environment with active street frontages at ground level.

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North Sydney Development Control Plan 2013 - DRAFT AMENDMENT – POST EXH**Area Character Statements - North Sydney Planning Area**

~~P18~~P30 The natural rock outcrop at 136 Walker Street should be incorporated into the design of any redevelopment proposal for the site.

Awnings

~~P19~~P31 Continuous awnings must be provided to all commercial buildings, except on the eastern side of Miller Street between the Pacific Highway and McLaren Street.

~~P20~~P32 Consideration should be given to the provision of weather protection at the pedestrian entrances or over outdoor seating areas for buildings fronting Miller Street between the Pacific Highway and McLaren Street.

Streetscape

~~P21~~P33 A 'sense of arrival' is established at North Sydney Station with strong linkage to the north to connect with the pedestrian bridge over Pacific Highway and Denison Street.

~~P22~~P34 The Greenwood historic school building and large Moreton Bay Figs are retained and incorporated as the southern pedestrian gateway to the North Sydney CBD.

~~P23~~P35 The intersection of Miller Street and Pacific Highway forms an important focal point of the North Sydney Centre with a distinctive character reinforced by the Post Office and the MLC building.

~~P24~~P36 Improve amenity and safety by installing lighting, public art and/or landscape along the eastern facade of 12-14 Mount Street.

~~P25~~P37 Provide a consolidated green space over the Don Bank Museum and 100 Pacific Highway. Consideration should be given to extending this green space over the western side of 1 Wheeler Lane to allow for a more direct north – south pedestrian link from Charles/Napier Street to Wheeler Lane.

~~P26~~P38 33 Berry Street should be designed such that Napier Street is activated by non-residential tenancies such as commercial or educational facilities (At least 50% of its frontage should comprise of non-residential tenancies at the ground level).

Public Domain

~~P27~~P39 Have regard to Public Domain designed in accordance with the *North Sydney Centre Public Domain Strategy* and *North Sydney Council Infrastructure Manual*.

~~P28~~P40 A new multi-purpose public square with a minimum dimension of 52m by 40m is to be created in the centre of the Ward Street Precinct and integrated with a secondary public square of minimum dimension 35m by 33m consistent with the *Ward Street Precinct Masterplan*. The squares are to be designed to maximise the flexibility of uses.

~~P29~~P41 Consideration be given to activating the secondary northern square within the Ward Street Precinct with a café, public facilities or other active and community uses.

~~P30~~P42 Consideration be given to expanding Berry Square across to the northern side of Berry Street.

Landscaping

~~P31~~P43 Continued use of tree planting and use of native vegetation to enhance the urban environment and attract birdlife.

~~P32~~P44 Choice of trees and vegetation in accordance with *North Sydney Centre Public Domain Strategy*, *Street Tree Strategy* and *North Sydney Council Infrastructure Manual*.

Car accommodation

~~P33~~P45 Short stay parking spaces should be located within or as close as possible to meeting places.

~~P34~~P46 Reduce the amount of long stay commuter parking on site.

~~P35~~P47 Reduce the amount of non-residential parking on site.

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DRAFT AMENDMENT – POST EXH – North Sydney Development Control Plan 2013

Area Character Statements - North Sydney Planning Area

Vehicle Servicing

P36P48 Consideration to be given to providing all vehicular access to 213-219 Miller Street, 56-66 Berry Street and the Ward Street Carpark site from Harnett Lane and underneath the proposed new public squares, to maximise pedestrian amenity within the Ward Street Precinct.

P37P49 Vehicular access to 76 Berry Street is to be provided from Walker Street.

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Draft Amendment to North Sydney Development Control Plan 2013

- ***North Sydney CBD commercial tower setbacks and separation***

The following pages represent a “**accepted changes**” version of those pages within Section 2 to Part B and Section 2 to Part C of NSDCP 2013 which are proposed to be amended. Those parts of these sections which are not proposed to be amended have been specifically excluded.

Part B: Development Controls

Section 2: Commercial and Mixed Use Development



2.4.2 Site Consolidation

Objectives

- O1 To enable the creation of a human scale that also reflects a consistent subdivision pattern.
- O2 To enable the creation of suitably sized commercial floor plates that can be tenanted easily.

Provisions

- P1 Amalgamate lots to achieve lot frontage identified in the relevant area character statement (refer to Part C of the DCP).
- P2 Break down the apparent length of buildings by incorporating articulation, design and detailing and or a change in materials, finishes and colours.

2.4.3 Setbacks

Objectives

- O1 To enable a reduction in the impact of scale.
- O2 To ensure adequate ventilation, solar access, sky views, privacy, view sharing and a reduction of adverse wind effects.
- O3 To improve pedestrian flow and amenity and allow a range of activities to be accommodated.

Provisions

General

- P1 Provide a setback for public space at ground level where indicated in the relevant area character statement (refer to Part C of the DCP).
- P2 New development must give consideration to the setbacks of adjacent buildings and heritage items.

Front

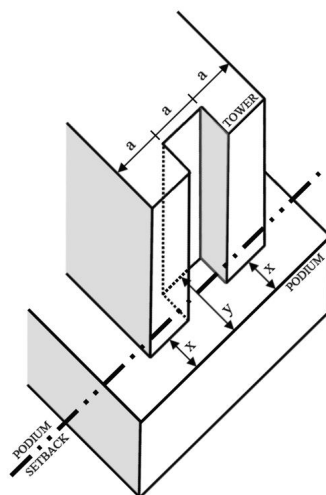


Figure B-2.1:
Weighted average is the average of projections and recesses from setback above podium (i.e. $x + x + y / 3 =$ podium setback)

- P3 A zero metre setback must be provided, unless an alternative setback is identified within the in the relevant area character statement (refer to Part C of the DCP).



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Commercial & Mixed Use Development

P4 That part of the building located above the podium must be setback a weighted average (refer to Figure B-2.1) in accordance with the relevant area character statement (refer to Part C of the DCP).

Side & Rear

P5 A zero metre setback, unless an alternative setback is identified within the relevant area character statement (refer to Part C of the DCP).

P6 Despite P5 above, buildings containing non-residential activities must be set back a minimum of 3m from the property boundary where the adjoining site has balconies or windows to main living areas of dwellings or serviced apartments located at the same level.

Note: Side setbacks may be affected by building separation requirements and or podium level setback requirements.

P7 Despite P5 above, a development proposed on land adjoining or adjacent to a residential or recreation zone must not exceed a building height plane commencing:

- (a) at 3.5m above ground level (existing) and projected at an angle of 45 degrees internally to the site from all boundaries that directly adjoin land zoned *R2 Low Density Residential, R3 Medium Density Residential, R4 High Density Residential, RE1 Public Recreation*, or
- (b) at 3.5m above ground level (existing) and projected at an angle of 45 degrees internally to the site from the centre line of any adjoining road or laneway separating the site from land zoned *R2 Low Density Residential, R3 Medium Density Residential, R4 High Density Residential, RE1 Public Recreation*.

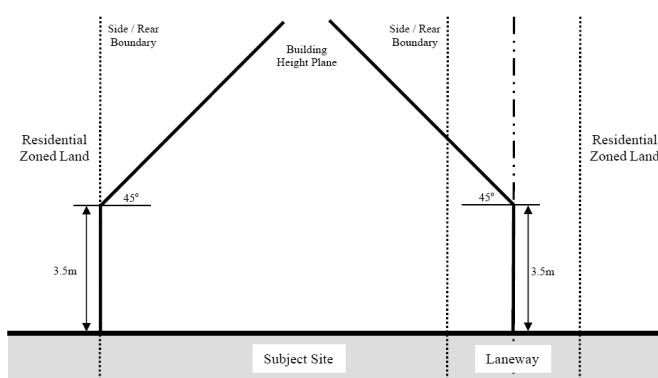


Figure B-2.2:
Building height plane requirements

P8 Where setbacks are required from existing property boundary this should be clear of all structures above and below ground level, excluding awnings and other elements allowed by Council.

P9 Where an applicant seeks a basement structure built to the property boundary fronting a laneway in the *B1 Neighbourhood Centre* or *B4 Mixed Use* zone for the purposes of underground car parking, Council may require a 1.5m setback at street level to be provided subject to an s.88B instrument application outlining public access rights, clear of any structure to 1.5m below ground level (existing) and 3m above ground level (existing) and requiring all maintenance, cleaning and the like to be the responsibility of the property owner. Applicants are advised to contact Council prior to the lodgement of any development application seeking a basement car park built to the property boundary fronting any laneway to determine if the setbacks in this provision are required to be met.

P10 Stratum subdivisions will generally not be accepted for dedication of land/airspace to Council.



Commercial & Mixed Use Development

2.4.4 Podiums

Objectives

- O1 For buildings to reinforce a human scale when read from the public domain.
- O2 To ensure that laneways are integrated into pedestrian network.
- O3 To ensure that laneways are safe and comfortable for pedestrians.

Provisions

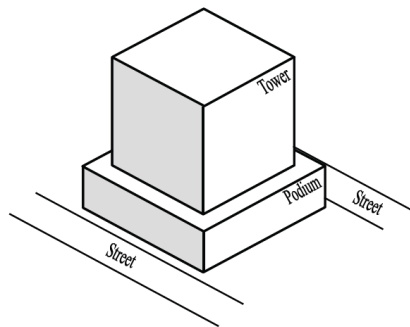


Figure B-2.3:
Podium/tower form of development

- P1 Where required, a podium must be provided along all street frontages including laneways, with a height and setback above the podium, in accordance with the relevant area character statement (refer to Part C of the DCP).
- P2 Podiums should match the height and setbacks of adjacent buildings or the average of the heights of the adjacent podiums having regard to their existing nature and/or their redevelopment potential.
- P3 Where the ground level changes across the width of a site, the podium should be stepped at an appropriate location to maintain a characteristic podium height.

2.4.5 Building design

Objectives

- O1 To ensure that buildings are designed to reinforce the urban character of a locality.
- O2 To ensure that buildings clearly define streets, street corners and public spaces.
- O3 To encourage high quality, built form outcomes and achieve design excellence.

Provisions

- P1 Floor to ceiling heights should be provided in accordance with the minimum requirements set out in Table B-2.9.

TABLE B-2.9: Minimum floor to ceiling height requirements			
Zone	Ground Floor	First Floor	Upper Floors
B1 Neighbourhood Business	3.3m	2.7m	2.7m
B3 Commercial Core	3.3m	3.3m	3.3m
B4 Mixed Use	3.3m	3.3m	2.7m
IN2 Light Industrial	3.3m	2.7m	2.7m



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Commercial & Mixed Use Development

- P2 Council may consider a variation to the minimum requirements in P1, but only if the applicant can demonstrate that the dwelling or non-residential floor space is capable of receiving satisfactory natural daylight and ventilation (e.g. shallow apartments / commercial tenancies with large amounts of window area).
- P3 The apparent length of buildings should be broken down through the use of articulation, design and detailing, changes in materials and colours.
- P4 High quality materials should be used throughout the building design.
- P5 Podiums are to be built to the boundary of the site unless providing a setback for public space at ground level as required by the relevant area character statement (refer to Part C of the DCP).
- P6 Buildings should be built predominantly to setback alignment.
- P7 Building should be articulated and have a positive relationship with the public domain in terms of scale and setbacks.
- P8 Building elements, such as materials, finishes, and window dimensions should relate to neighbouring buildings.
- P9 Buildings are to respect the setting and curtilage of heritage items (refer to Part B: Section 13 - *Heritage and Conservation* of the DCP).
- P10 Buildings should incorporate architectural detailing and ornamentation which provides a rich visual reference for pedestrians.
- P11 Where party walls are exposed or new developments result in a blank wall, a visually interesting treatment is required for that wall. The architectural treatment used should be sympathetic to the character of the area and any nearby heritage items or conservation areas.
- P12 Balconies are to be incorporated within the setback or building envelopes.
- P13 Within the *B1 Neighbourhood Centre* zone, provide a traditional two storey shopfront parapet form along the primary street frontages, with any development above two storeys (where permissible) set back in accordance with the relevant area character statement.

2.4.6 Skyline

Objectives

- O1 To provide a distinctive and well designed skyline through the introduction of visually interesting elements in the articulation and detailing of the upper levels and roofs of buildings.

Provisions

- P1 Buildings located on land within the North Sydney Centre must comply with the building height requirements outlined in cl.4.3 and cl.6.3 of NSLEP 2013.
- P2 The built form should step down from the centre of each commercial or mixed use centre to a comparable scale at the interface of any adjoining residential zone.
- P3 Roofs should be designed such that they are integral with the overall design of the building.
- P4 All roof top located building plant and services are to be contained within a single structure. It should be centrally located to avoid overshadowing and other impacts.
- P5 If telecommunication aerials are to be provided, they must be incorporated into the roof top design, and not comprise ad-hoc additions.
- P6 With respect to buildings greater than 30m in height, and all buildings within the North Sydney Centre, the roof is to be designed such that consideration is given to the building being seen in a regional view catchment.

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Part C: Character Statements

Section 2: North Sydney Planning Area



SECTION 2 NORTH SYDNEY PLANNING AREA

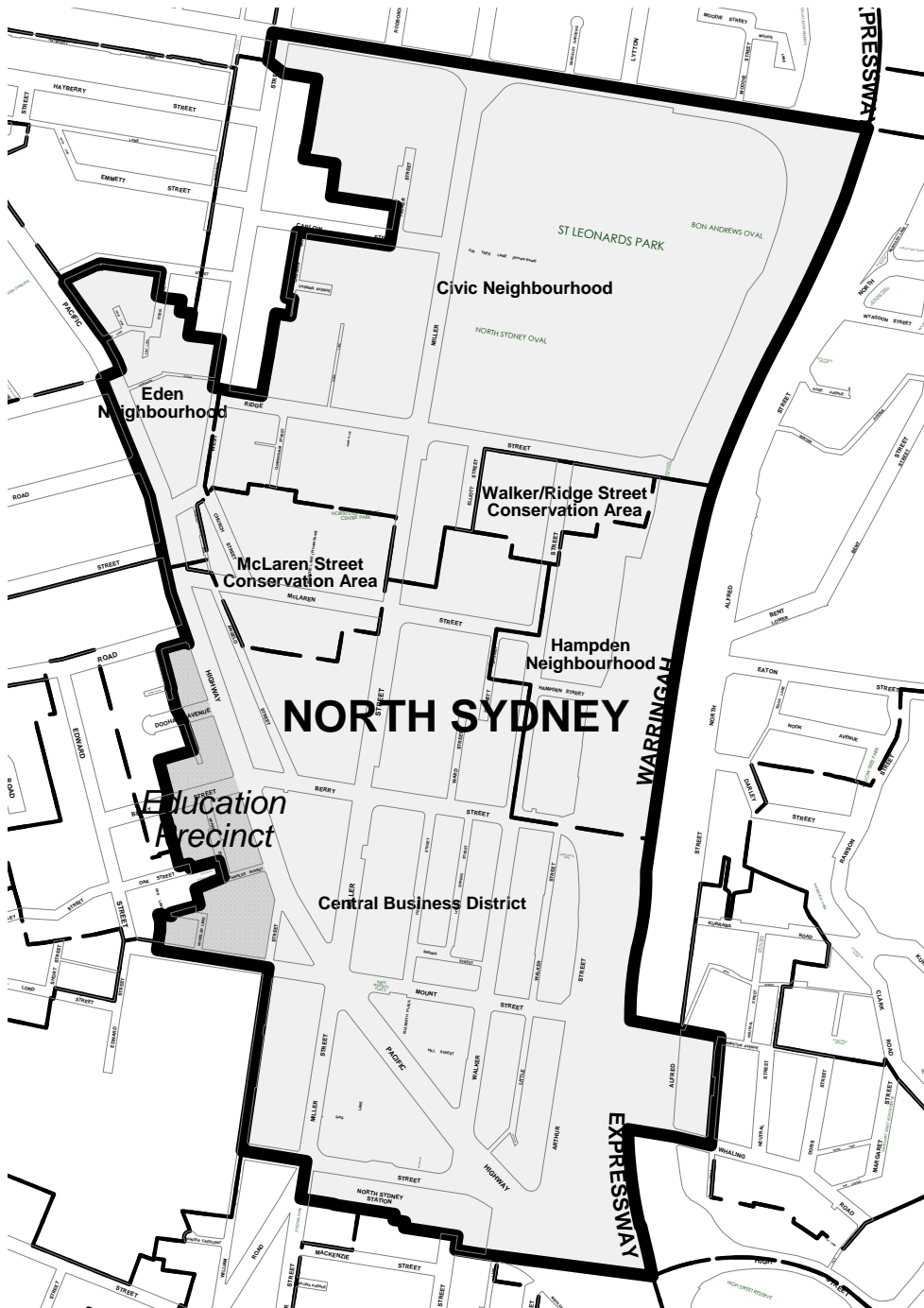
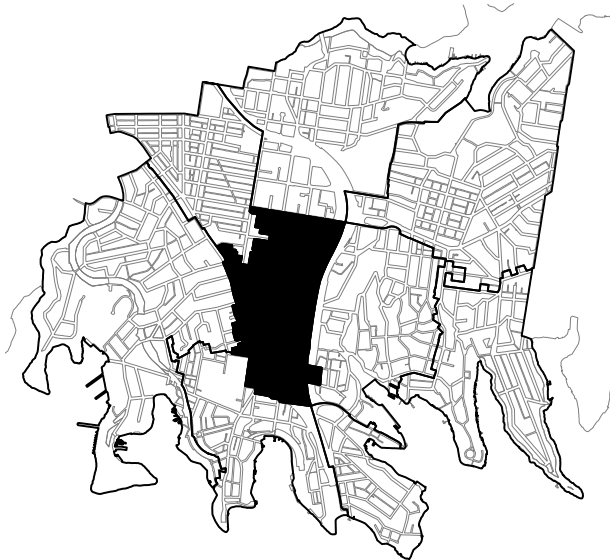


Figure C-2.1: North Sydney Planning Area and associated Locality Areas

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2.0 NORTH SYDNEY PLANNING AREA CHARACTER STATEMENT



The North Sydney Planning Area is an iconic, attractive, and sustainable area, with the focus on the North Sydney CBD, which is identified under the Metropolitan Strategy 2036 as a global commercial centre. A portion of the Education Precinct is located within the Planning Area on the western edge of the North Sydney CBD and the Ward Street Precinct is located within the northern portion of the Planning Area.

New development within the Planning Area should result in:

- a viable and attractive employment centre
- a diverse range of living, employment, recreation and social opportunities being provided that attract both local and regional populations which contribute to the vibrancy of the North Sydney CBD
- a vibrant and engaging Education Precinct with safe pedestrian networks and a range of formal and informal public spaces for students to study, socialise and engage with the local community
- the creation of a new vibrant public meeting place within the Ward Street Precinct for workers, residents and visitors which has high levels of amenity and is activated in the daytime, evenings and weekends
- a high level of amenity for residents, workers, students and visitors to enjoy
- a high quality built form
- a high level of public transport patronage which is easily accessible to residents, workers, students and visitors
- the area being linked to the Sydney CBD, other suburban centres and many parts of the Sydney Region by rail and bus as well as by road and is a place of interchange between the various modes

North Sydney Development Control Plan 2013 - DRAFT AMENDMENT – POST EXH**Area Character Statements - North Sydney Planning Area**

and where:

Function

- The North Sydney CBD comprises one of Australia's largest commercial centres serving the local population and that of the Sydney region
- There is a mix of uses and activities to meet the demands of the residents, workforce, students and visitors
- There is a civic focus supported by community facilities such as North Sydney Oval, the Stanton Library and the Independent Theatre
- There is an education focus in the Education Precinct, supported by educational establishments such as the Australian Catholic University (ACU), the Sydney Church of England Grammar School (Shore) and North Sydney Demonstration School
- Creation of a new pedestrian focal point centrally within the Ward Street Precinct, through the provision of new public squares which integrate with a highly permeable pedestrian network and is activated by commercial and community frontages
- Community facilities meet the needs of the CBD's working and resident population, students, visitors, and residents of nearby neighbourhoods, in terms of wellbeing, culture and recreation, and add to the diversity and activity of the CBD
- Various grades and sizes of commercial floorspace accommodate a mix of small and larger business, services and retail
- New residential development will not occur in the commercial core, with further high density housing to be concentrated in the areas zoned mixed-use
- There is housing choice in the mix of dwelling sizes and in the range of affordability
- There are active uses outside of standard business hours
- Parks and public spaces are well used and provide for a range of social and recreational activities

Environmental Criteria

- The extremes of sun, wind and rain are mitigated by good building design
- Buildings, public places and streets all receive good access to natural light
- Mechanical noise and other commercial noise is controlled, to protect residential amenity
- Use of local flora extends habitats for native birds and other fauna
- Solar access to special areas and open spaces is maintained and contributes to the enjoyment of those spaces for use by the public
- There is an opportunity to enjoy the views from and within the area towards the Sydney CBD, Sydney Harbour, heritage items and surrounding areas
- Additional public open space is provided for increased worker and residential populations

Built Form

- There is a pleasant, well designed and well-lit series of easily accessible and connected urban plazas and gardens.
- The setback on the eastern edge of Miller Street between McLaren Street and Mount Street is maintained and incorporates landscaped areas and actively utilised open space

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Area Character Statements - North Sydney Planning Area

- Physical breaks are provided between tall commercial towers to afford occupants of commercial buildings reasonable levels amenity in terms of ventilation, daylight access, solar access and views
- Physical breaks are provided between tall commercial towers to afford users of the public domain reasonable levels of amenity in terms of daylight access, solar access, sky views and reduction in adverse wind impacts
- Avoiding continuous, uninterrupted walls of towers to reinforce a human scale when read from the public domain
- The significance of heritage items is retained, and promotes the rich development history and provides interest in the physical fabric of the area
- Heritage items are protected, and significant streetscape elements are conserved in the Walker and McLaren Street Conservation Areas
- Predominant early 20th Century character of the McLaren Street Conservation Area is maintained and protected
- Victorian and Federation character of streets in the Walker Street Conservation Area is maintained and protected
- Pedestrian connections provide alternate east/west and north/south routes through the CBD to promote pedestrian movement

Quality Urban Environment

- There are links to the Sydney CBD, other suburban centres and many parts of the Sydney region by ferry, rail, bus and road and the CBD is a place of interchange between the various transport modes
- Public transport, including walking and cycling, is the main form of access to the North Sydney CBD and the Education Precinct
- Traffic is managed so that pedestrians can move within the area freely and safely, and amenity is maintained
- Parking is managed in a way that maintains pedestrian safety and the quality of the public realm and minimises traffic generation
- The cumulative desired future built form outcome within the Ward Street Precinct does not result in a nett increase in traffic generation for the Precinct
- Rear lanes allow for the primary vehicular access to properties
- Limited increase to the capacity of private parking
- Pedestrians are assisted to safely cross barriers such as the Pacific Highway
- Educational establishments are oriented to the public domain to provide increased surveillance and activation
- Loading and delivery facilities should be located away from the street and where possible be located underground

Efficient Use of Resources

- Energy efficient design and life cycle assessment of buildings enables the conservation of natural resources and minimisation of use of non-renewable energy resources
- Stormwater runoff is minimised, and recycled on-site where possible

Public Domain

- Additional open space is provided to service the increased residential, working and student population of the North Sydney CBD and the Education Precinct
- A new public square/s be provided centrally within the Ward Street Precinct which is integrated with a highly permeable pedestrian network

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Area Character Statements - North Sydney Planning Area

- Streetscape improvements occur in accordance with the *North Sydney Centre Public Domain Strategy* and *Education Precinct Public Domain Masterplan*

In addition to the above character statement for the Planning Area, the relevant character statement for the following Locality Areas also requires consideration:

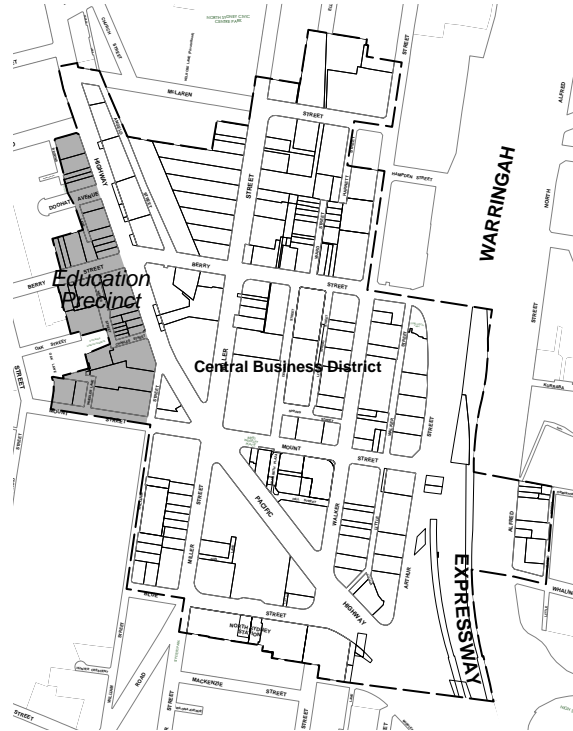
- Section 2.1: Central Business District
- Section 2.2: Civic Neighbourhood
- Section 2.3: Eden Neighbourhood
- Section 2.4: Hampden Neighbourhood
 - Section 2.4.4 East Walker Street Precinct
- Section 2.5: Walker/Ridge Street Conservation Area
- Section 2.6: McLaren Street Conservation Area



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Area Character Statements - North Sydney Planning Area

2.1 CENTRAL BUSINESS DISTRICT



2.1.1 Significant Elements

Land Use

- P1 Predominantly high-rise commercial development.
- P2 Medium to high rise mixed commercial and residential development at the fringes.
- P3 Educational facilities.
- P4 Regional rail and road infrastructure.

Topography

- P5 Typically falling from the north to the south towards Sydney Harbour.

Natural Features

- P6 Natural rock outcrops at 136 Walker Street.

Views

- P7 The following views and vistas are to be preserved and where possible enhanced:
 - (a) From the plaza at No.5 Blue Street and located over North Sydney Rail Station to the Sydney Harbour Bridge.
 - (b) From Doris Fitton Park (160-166 Arthur Street) to Sydney Harbour and Neutral Bay district.
 - (c) Views along the Pacific Highway to the Post Office on Mount Street from the south-east.
 - (d) Views along the Pacific Highway to Sydney Harbour from the intersection with Mount Street.

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Area Character Statements - North Sydney Planning Area

Identity / Icons

- P8 Brett Whiteley Place.
- P9 Greenwood.
- P10 Post Office and Court House.
- P11 MLC Building.
- P12 Don Bank Museum.

Subdivision

- P13 Predominantly large consolidated allotments within a rigid grid pattern.
- P14 Smaller allotments generally along the Pacific Highway north of Berry Street.

Streetscape

- P15 Wide fully paved footpaths, promoting heavy pedestrian use.
- P16 Active street frontages provided with a variety of shops, cafes and other commercial uses.
- P17 Buildings generally built to the boundary, with entry at street level.
- P18 Continuous awnings provided on commercial buildings.
- P19 Street trees.

Public transport

- P20 Development is to take advantage of the accessibility provided by existing and planned public transport infrastructure.

2.1.2 Desired Future Character

Diversity of activities, facilities, opportunities and services

- P1 High rise and medium density, commercial and mixed use developments.
- P2 Provision of a variety of different sized office, retail, community and entertainment spaces.
- P3 Provision of a variety of outdoor and indoor community spaces (e.g. urban plazas, gymnasium; gardens; outdoor and indoor dining areas and food courts).
- P4 The commercial focus of the CBD is to be enhanced by preventing any further residential development from occurring in its core (i.e. the *B3 Commercial Core* zone).
- P5 Development above the Victoria Cross metro station will provide significant commercial floorspace, as well as retail, dining and community uses that will contribute to the overall amenity and vitality of the CBD.
- P6 Council will pursue its vision for Miller Street as the civic heart of North Sydney. This will involve significant interventions and public domain improvements aimed at creating a vibrant place for people, with vehicle movements removed or minimised as much as practicable and both sides of Miller Street activated.
- P7 Creation of a substantial new public space within the middle of the street block bound by McLaren, Walker, Berry and Miller Streets, activated by surrounding buildings and new community facilities consistent with the *Ward Street Precinct Masterplan*. This space is to be designed to be highly adaptable for events and prominent activities and form a spill over space for other community events associated with community facilities to be located in adjacent buildings.
- P8 Brett Whiteley Place is a key public space for the North Sydney CBD which will incorporate an expanded Elizabeth Plaza, as well as portions of Denison Street and Mount Street. This expanded plaza will provide dedicated space for outdoor dining, large and small events, and other activities.

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Area Character Statements - North Sydney Planning Area

- P9 Consideration be given to expanding Berrys Square to the northern side of Berry Street.
- P10 The Central Laneways Precinct will become a major focal point of pedestrian activity and amenity.
- P11 Active frontages to the Metro site, 1 Denison Street and the MLC building will contribute to the activation of the public domain in the Central Laneways Precinct.
- P12 A new laneway is provided across the redevelopment of 1 Denison Street to link the Metro site, Denison Street, Little Spring Street and Walker Street.
- P13 Alternatives to the current entry of the commercial car park entry at 100 Miller Street (Northpoint) will be pursued to reduce or remove traffic on Miller Street and improve pedestrian amenity.
- P14 Provide roof top gardens and/or public facilities that allow the public and/or residents to access district views.
- P15 Development should maximise opportunities to incorporate retail, restaurant, bar facilities and other non-residential floor space at ground level to promote street level activation, amenity, diversity and place making objectives.
- P16 Provide a diverse mix of higher density, non-residential land uses in the *B4 Mixed Use* zone of the Education Precinct, including education, shops, cafes, gyms, entertainment and small businesses.
- P17 Provide continuous active uses such as shops and cafes at the ground level of all buildings along Pacific Highway, Berry Street and Napier Street, especially within the Education Precinct.
- P18 Consideration should be given to the inclusion of educational or community-related purposes in the redevelopment of 110, 112, 116 and 120 Pacific Highway and 9 Napier Street.
- P19 Community facilities that are of a type that support the creation of a cultural destination which is activated in the daytime, evenings and weekends are to be incorporated into the lower levels of the redevelopment of 56-66 Berry Street and the Ward Street Carpark site and these facilities are to front onto a new public square/s consistent with the *Ward Street Precinct Masterplan*.

Accessibility and permeability

- P20 Victoria Cross metro station is designed to enhance the North Sydney CBD as a major commercial centre and further encourage the use of public transport. Pedestrians are prioritised throughout the CBD with a number of interconnected pedestrian routes that facilitates all direction movement and encourages fine grain retail and dining uses.
- P21 Consideration be given to providing a direct vertical pedestrian connection between the new public open space located centrally within the Ward Street Precinct and the Victoria Cross Metro Station concourse.
- P22 Barriers to pedestrian movement, particularly within the Ward Street Precinct, Miller Street, Berry Street and the Pacific Highway, will be reimagined such that their function and treatment favour pedestrian movement and amenity.
- P23 New development focuses on the use of public transport, cycling and walking.
- P24 Pick up and drop off points for public transport and taxi ranks are located as close as possible to public spaces and activities, and main building entries.
- P25 Loading and delivery facilities should be located away from the street and where possible be located underground.
- P26 The following through site links are to be provided, retained and enhanced:
- (a) A north - south pedestrian link from McLaren Street to Elliot Street across 52 and 54 McLaren Street.

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Area Character Statements - North Sydney Planning Area

- (b) A north - south pedestrian link from McLaren Street to Ward Street across the vehicle access of 221 Miller Street.
 - (c) An east - west pedestrian link of at least 3m in width is provided from Miller Street to the future public open space off Ward Street along the northern boundary of 201 Miller Street.
 - (d) An east-west pedestrian link of at least 6m in width is provided from Miller Street to the future public open space off Ward Street along the southern boundary of 213-219 Miller Street.
 - (e) An east - west pedestrian link from Miller Street to Ward Street across 221 Miller Street.
 - (f) A north - south pedestrian link from Charles Street to Wheeler Lane across 100 Pacific Highway and 16 Mount Street.
 - (g) An east - west pedestrian link from Harnett Street to Walker Street across 142 Walker Street.
 - (h) An east - west pedestrian link from Harnett Street to Walker Street across 144-150 Walker Street.
 - (i) An east - west pedestrian link from Walker Street to Little Walker Street across 81-83 Walker Street.
 - (j) An east - west pedestrian link from Little Walker Street to Arthur Street across 100 Arthur Street.
 - (k) An east - west pedestrian link from Napier Street to Oak Street across the southern side of 8-20 Napier Street.
 - (l) A north - south pedestrian link from the green space of 100 Pacific Highway to Wheeler Lane across the western side of 1 Wheeler Lane. The pedestrian link may be made through the building envelope or an alternative architectural treatment that gradually 'reveals' the establishments on either side.
 - (m) An east - west pedestrian link through the Victoria Cross metro station linking Miller Street and Denison Street.
 - (n) A new laneway is provided across the redevelopment of 1 Denison Street to link the Metro site, Denison Street, Little Spring Street and Walker Street.
 - (o) A widened and improved pedestrian link from Little Spring Street and Walker Street across 102 Walker and 110 Walker Street.
- P27 Consideration should be given to the provision of an east - west pedestrian link from the Pacific Highway to Napier Street across either the northern side of 120 Pacific Highway or the southern side of 33 Berry Street.
- P28 Consideration should be given to the demolition of the single storey structure at the northern end of 105 Miller Street (MLC Building) to improve accessibility and permeability to Miller Street and the Victoria Cross metro station.

2.1.3 Desired Built Form

Subdivision

- P1 Development sites should be of a size which enable:
- (a) the creation of large high quality floor plates which helps to reinforce the Centre's role as a Global City as identified within the Metropolitan Strategy; and
 - (b) the incorporation of adequate setbacks and breaks between tall commercial towers above the podium level to maintain reasonable access to sky views and daylight to the public domain.
- P2 Development on small sites should not detrimentally impact on the long-term ability of the amalgamation of sites for significant commercial development.

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Area Character Statements - North Sydney Planning Area

P3 Site amalgamation should occur generally in accordance with that identified within the Ward Street Precinct Masterplan to maximise the delivery of the desired outcomes of the Masterplan.

Form, massing and scale

P4 Buildings should be carefully designed to minimise the impact of their height and bulk on surrounding residential areas.

P5 Roof design contributes to building's appearance from a regional view catchment.

P6 Buildings on 116 and 120 Pacific Highway and 9 Napier Street should be designed such that their bulk steps down from the Pacific Highway to Napier Street to protect sunlight access to the Don Bank Museum and enhance pedestrian amenity to Napier Street.

P7 No part of a building located above the podium and which exceeds 45m in height may have a horizontal width of more than 60m.

P8 Development is to be designed to maximise year round solar access to the new public squares to be created centrally within the Ward Street Precinct.

P9 Development must not result in a nett increase in overshadowing to the main southern square to be created centrally within the Ward Street Precinct between 9am and 4pm from the March equinox to the September equinox (inclusive).

Street Setbacks

Note. Additional setbacks may be required for any part of the building located above the podium level.

P10 Buildings are to provide a zero metre setback to all street frontages and adjacent to heritage items, with the following exceptions:

- (a) In accordance with cl.6.4 of the LEP for all properties on the eastern side of Miller Street, north of the Pacific Highway.
- (b) 5m from the western side of Walker Street, north of 76 Berry Street.
- (c) 5.4m from the southern side of Berry Street, between Pacific Highway and Miller Street.
- (d) 14.5m from the western side of Miller Street, at No.60 Miller Street.
- (e) 15m from the southern side of Mount Street, at No.60 Miller Street.
- (f) Maintaining the setback of existing buildings to all properties comprising Monte St Angelo Convent and Girls School.
- (g) Maintaining the setback of existing buildings to all properties on the northern side of McLaren Street.
- (h) 1.5m whole of building setback from the eastern side of Napier Street, at No. 1-9 Napier Street and No.120 Pacific Highway.
- (i) 2m setback to the ground level of buildings fronting Arthur Street.

P11 Buildings must be setback to conserve views to, and the setbacks and settings of, heritage items at 86 and 144 - 150 Walker Street, 94 Pacific Highway (Post Office), 36 Blue Street (Greenwood), 153 Miller Street (MLC Building), 168 - 172 Pacific Highway and 1-7 Napier Street.

P12 The setback of new buildings or alterations and additions to existing buildings on land fronting McLaren Street between Miller and Walker Streets are to match that existing to protect the existing fig trees. Encroachments will only be permitted where the development does not cover the drip line of any of the existing trees.

Podium Heights

P13 Podiums are to be provided in accordance with the Podium Heights Map (refer to Figure C-2.2).

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Area Character Statements - North Sydney Planning Area

- P14 Despite P13, a podium of between 3 and 5 storeys above the finished level of the new public squares to be created centrally within the Ward Street Precinct, where buildings front onto those squares, maintaining a human scale to the squares.
- P15 The entirety of a podium must be setback from any street frontage if required under Provisions P10 – P12 to s.2.1.3 to this Part of the DCP.
- P16 Podiums are to be built to all side and rear boundaries that do not have a street frontage, except where the site directly adjoins residentially zoned land (i.e. *R2 Low Density Residential, R3 Medium Density Residential, R4 High Density Residential*) or requires a through site link as required under P23 to s.2.1.2 to this Part of the DCP.
- P17 Podium heights should match or provide a transition in height between immediately adjacent buildings.
- P18 Podium heights should match the height of adjacent heritage items.
- P19 Podium height may be reduced to that part of the building devoted to commercial use in mixed-use buildings.

Above Podium Setbacks

- P20 All parts of a building located above the podium are to be setback from the podium's frontage to a street or laneway in accordance with the Above Podium Setbacks Map (refer to Figure C-2.3). Setbacks are to be measured from the outer wall of the podium. Where a weighted setback is required, it applies to the width of the building's façade located above the podium.
- P21 Despite P20, no part of any building may be located within 3m of the outer wall of the podium level fronting a street or laneway.
- P22 Despite P20 and P21, for buildings fronting Ward Street and the new public squares to be created within the Ward Street Precinct, that part of the building located above the podium is to be setback a sufficient distance to ensure the minimising of potential wind impacts and maintaining a human scale to the squares.
- P23 Where a building is to be erected on land zoned *B3 Commercial Core* or on any other land and the building will not contain residential accommodation, all parts of the building located above the podium must be setback a minimum of 6m from any side boundary, unless:
- the area of the site is less than 1,000sqm; and
 - the building does not exceed 45m in height.
- P24 Despite P23, no setback is required above the podium level to:
- the southern boundaries of 122 Arthur Street (SP 57439) or 100 Walker Street (Lots 1 and 2, DP 542915), if developed in isolation from sites to their north;
 - the southern boundary of 90 Arthur Street (Lot 1, DP 738262), if developed in isolation from the site to the south;
 - the northern boundary of 20 Berry Street (Lot 1, DP 550167) if developed in isolation from the site to the north;
 - the eastern boundary of 80 Mount Street (Lot 1, DP 566189) if developed in isolation from the site to the east; and
 - the southern boundary of 1 Wheeler Lane (Lot 101, DP 1076397) if developed in isolation from the site to the south.
- P25 Where a building does not contain residential accommodation, it must be setback a minimum of 6m from any rear boundary that does not have a street or laneway frontage.
- P26 Despite P25, no setback is required above the podium level to the western boundary of 65 Berry Street (Lot 2, DP 1230458) if developed in isolation from the site to the west.



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P27 Where there is more than one tower located above the podium level on land zoned *B3 Commercial Core* or on any other land and the building will not contain residential accommodation, the towers must maintain a minimum 12m separation from one another.



Figure C-2.2: Podium Heights Map

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Figure C-2.3: Above Podium Setbacks Map

Building design

- P28 Provide architectural detailing, high quality materials and ornamentation provide a rich visual texture and a symbolic/decorative reference to the history of the place, the building’s use or occupant.
- P29 Provide a visually rich intimate pedestrian environment with active street frontages at ground level.

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P30 The natural rock outcrop at 136 Walker Street should be incorporated into the design of any redevelopment proposal for the site.

Awnings

P31 Continuous awnings must be provided to all commercial buildings, except on the eastern side of Miller Street between the Pacific Highway and McLaren Street.

P32 Consideration should be given to the provision of weather protection at the pedestrian entrances or over outdoor seating areas for buildings fronting Miller Street between the Pacific Highway and McLaren Street.

Streetscape

P33 A 'sense of arrival' is established at North Sydney Station with strong linkage to the north to connect with the pedestrian bridge over Pacific Highway and Denison Street.

P34 The Greenwood historic school building and large Moreton Bay Figs are retained and incorporated as the southern pedestrian gateway to the North Sydney CBD.

P35 The intersection of Miller Street and Pacific Highway forms an important focal point of the North Sydney Centre with a distinctive character reinforced by the Post Office and the MLC building.

P36 Improve amenity and safety by installing lighting, public art and/or landscape along the eastern facade of 12-14 Mount Street.

P37 Provide a consolidated green space over the Don Bank Museum and 100 Pacific Highway. Consideration should be given to extending this green space over the western side of 1 Wheeler Lane to allow for a more direct north – south pedestrian link from Charles/Napier Street to Wheeler Lane.

P38 33 Berry Street should be designed such that Napier Street is activated by non-residential tenancies such as commercial or educational facilities (At least 50% of its frontage should comprise of non-residential tenancies at the ground level).

Public Domain

P39 Have regard to Public Domain designed in accordance with the *North Sydney Centre Public Domain Strategy* and *North Sydney Council Infrastructure Manual*.

P40 A new multi-purpose public square with a minimum dimension of 52m by 40m is to be created in the centre of the Ward Street Precinct and integrated with a secondary public square of minimum dimension 35m by 33m consistent with the *Ward Street Precinct Masterplan*. The squares are to be designed to maximise the flexibility of uses.

P41 Consideration be given to activating the secondary northern square within the Ward Street Precinct with a café, public facilities or other active and community uses.

P42 Consideration be given to expanding Berry Square across to the northern side of Berry Street.

Landscaping

P43 Continued use of tree planting and use of native vegetation to enhance the urban environment and attract birdlife.

P44 Choice of trees and vegetation in accordance with *North Sydney Centre Public Domain Strategy*, *Street Tree Strategy* and *North Sydney Council Infrastructure Manual*.

Car accommodation

P45 Short stay parking spaces should be located within or as close as possible to meeting places.

P46 Reduce the amount of long stay commuter parking on site.

P47 Reduce the amount of non-residential parking on site.

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Area Character Statements - North Sydney Planning Area

Vehicle Servicing

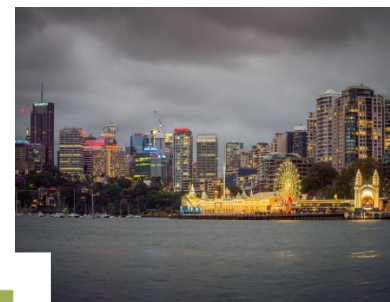
P48 Consideration to be given to providing all vehicular access to 213-219 Miller Street, 56-66 Berry Street and the Ward Street Carpark site from Harnett Lane and underneath the proposed new public squares, to maximise pedestrian amenity within the Ward Street Precinct.

P49 Vehicular access to 76 Berry Street is to be provided from Walker Street.



NORTH SYDNEY CBD, COMMERCIAL TOWER SETBACKS

Economic and Feasibility Study



Prepared for North Sydney Council

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Report details

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Executive summary

North Sydney Council (Council) is considering implementing a proposed draft amendment to the North Sydney Development Control Plan 2013 (NSDCP 2013). The draft amendment seeks to introduce numerical in-between building separation/setback controls for commercial towers in the North Sydney CBD (referred to as tower setback controls or amendment in this report). The aim of the amendment is to protect the prestige office market image of the CBD along with improved solar access, and amenity for the CBD centre.

The draft tower setback amendment and background study were placed on public exhibition from 19 July 2021 to 30 August 2021. Council received a total eighty-one (81) submissions during the exhibition period. Of relevance to this study, were 12 submissions that raised concerns relating to:

- A regarding a perceived loss of Gross Floor Area (GFA)
- The inability of the CBD to reach its employment targets
- An inability to achieve PCA Premium or A-Grade floor plates and
- A lack of economic impact analysis to support the controls.

To address these concerns, North Sydney Council have engaged HillPDA and Savills to assess the potential economic implication that implementing a 6-metre tower setback control would have upon North Sydney CBD. This economic assessment is referred to as the study hereafter.

The objectives of the study were to examine the implications of a 6-metre tower setback amendment on the:

- Market Image and long-term commercial success of the North Sydney CBD, having regard to Council's vision and strategic objectives for the centre.
- Development feasibility, investor confidence and future commercial development decisions in the North Sydney CBD.
- Impact the renewal and long-term resilience and competitiveness of the CBD.
- Perceived loss of Gross Floor Area (GFA), on each site and across the CBD.
- Ability of North Sydney CBD to reach its employment targets.

Although the current NSDCP 2013 does not provide an exact numerical tower setback control it does state that tower setbacks are required. Council has informed HillPDA that current development trends average tower setbacks at 3 metres. As such, to better understand the implications of the proposed 6 metre setback control, its implication has been compared to a 3-metre tower setback base case. It is also worth noting that the amendment only applies to sites of 1,000sqm and over.

The key findings for each of the study's objectives are as follows:

Market Image and long-term commercial success of the North Sydney CBD, having regard to Council's vision and strategic objectives for the centre.

The long-term vision for North Sydney CBD is the "the principle economic engine of Sydney's North Shore and an attractive, sustainable, and vibrant place for residents, workers and businesses.

Consultation undertaken by Savills noted commercial office tenants were attracted to North Sydney because of its:

- Access to executive and white-collar workers
- Comparatively better value and lower rents in North Sydney than in Sydney CBD
- Proximity to the Sydney CBD
- Transportation connections
- Proximity to clients / customers / competitors
- Sydney harbour views
- Desirability as a place where staff want to work.

Savills commented that the major tenant occupiers consulted, stated they would only consider buildings with floor plates 1,000sqm and over. Savills consulted with major tenants as these tenants are often required to underwrite major office developments. Analysis of study area however shows that the majority (87%) of knowledge intensive businesses in 2021 employed less than 20 people. It may be the case that larger companies

are attracted/require larger floor plates (1,000sqm and over), however, this analysis implies that most of the businesses in the CBD likely require well under this floor plate requirement. Larger floor plates provide greater opportunity to secure large anchor tenants which increases their attractiveness to developers and owners.

Putting floor plates to one side, the majority of reasons why businesses were attracted to North Sydney CBD are associated with its amenity, locational, connectivity and attributes. The proposed 6 metres tower setback would not impact these attractive features of North Sydney CBD.

The proposed tower setbacks would increase the access to light and overall amenity of the CBD by reducing the chance and development of:

- Continuous, uninterrupted walls from tall towers
- A lack of daylight and sky views to the public domain
- A 'canyon effect' resulting in dark, windy streets
- A lack of views from within each tower
- Limited access to natural light to commercial office floors.

As such, it is surmisable that the proposed controls would increase the attractiveness of the CBD to potential commercial office tenants, assuming their space requirements are met. Hence the proposed tower setback control would contribute to the Council's vision and strategic objectives for the CBD.

Lastly, there are several economic benefits that increasing access to natural light in the workplace provides. These primarily being:

1. **Increased rental yields:** a study estimated that occupied spaces with access to high amounts of daylight paid a 5–6% value premium on rent.
2. **Increased health and associated productivity benefits:** studies have shown that improved access to natural light has numerous health benefits for workers which increased overall productivity and economic output.

The proposed amendments to the DCP would increase the amount of light and subsequent amenity of North Sydney CBD. This would, in turn, contribute to increased economic output of North Sydney CBD while also likely increasing the potential rental yield of landlords.

Development feasibility, investor confidence and future commercial development decisions in the North Sydney CBD

North Sydney CBD is undergoing a period of increased development interest following, in part, the adoption of increased building heights for commercial towers in the CBD recommended in the *North Sydney CBD Capacity and Land Use Strategy (2017)*.

Savills estimates that North Sydney CBD is forecast to accommodate around an extra 187,890sqm to 283,890sqm of office floorspace over the next three to five plus years, which would be a substantial increase in office supply (20-30% increase over current supply). The proposed tower setback control amendment would not impact this significant amount of pipeline commercial office space. This potential supply is estimated to be between eight to 16 years of the CBD floorspace requirements over the 14 years (to 2036). Despite the industry generally agreeing that the intent and outcome of the proposed tower setback amendment would be an overall positive for North Sydney CBD, consultation undertaken by Savills suggested that the proposed tower setback amendment may reduce development feasibility and in investor confidence and future commercial development decisions in the North Sydney CBD. Reasons for this were that the amendment would:

- Increase the need for site amalgamations which increases the time and costs associated with redevelopment.
- Decrease the ability of sites to achieve 1,000sqm floor plates, which a sought after by larger tenants.

Although the two above statements are reasonable, it is worth noting the average lot size in the study area is around 1,125sqm, while the average commercial floor plate is 685sqm. Indicating, Premium and A-grade tower floor plates are primarily feasible through the amalgamation of individual parcels of land.

This is evident in the fact that of the four proposed commercial office developments in North Sydney that have floor plates of 1,000sqm or over, three or 75% have been achieved through site amalgamations.

Furthermore, modelling a tower setback scenario of 3 metres (current average tower setback being achieved in the CBD) suggests that the current average floor plate achievable on sites with a lot size 1,000sqm or over and which are considered developable is around 877sqm net leasable area (NLA). This further highlights the current requirement for site amalgamations to achieve Premium and A-grade floor plates.

As such, the current planning framework and site characteristics encourage site amalgamations to achieve floorplates of 1,000sqm and over. This trend would continue under the proposed tower setback amendment, albeit at an incentivised higher rate/need.

To further encourage amalgamations Council could consider mechanisms that incentive site amalgamations like those provided by The City of Sydney. In the City of Sydney LEP two provisions are included which encourage site amalgamation.

1. In tower cluster areas (clause 6.21E of the LEP) a site over 2,000sqm is eligible for up to 50% extra FSR if the design demonstrates design excellence and does not exceed the sun access plane controls, overshadowing controls and view plane controls.
2. A building can only be over 55 metres if the site is over 1,000sqm (see clause 6.16). It is noted if a site is over 55 metres in Central Sydney then it triggers a design competition under clause 6.21D, which allows for up to 10% extra FSR or height.

To further test the implications of the proposed tower setback amendment upon development decisions and feasibility, HillPDA tested the feasibility of four hypothetical development of varying lots sizes, site amalgamation and number of tower setback requirements.

Our modelling suggests that the proposed tower setback amendment would reduce the amount of achievable floorspace by between 5 to 12% when compared to the current generally adopted 3 metre tower setbacks being applied by the industry. For larger corner amalgamated sites, the impact is less, however even for corner sites with surrounding development, the impact is likely to be between 9 to 11%. The development industry and property valuers may argue that this will reduce development potential; however, this ignores long term benefits such improved controls will have on development amenity, views, and possible improved market rents.

The proposed controls should further encourage site consolidation to minimise boundary impacts and encourage development for larger floorplates. However, amalgamation is not always possible/feasible, and it is recommended that consideration of altering tower setbacks may need flexibility. Such planning requests will need to demonstrate economic hardship and planning/architectural merit with improved natural light, ventilation and building articulation in the proponent's building design proposal.

Perceived loss of GFA, on each site and across the CBD

Modelling undertaken by HillPDA suggests that the proposed tower setback amendment would reduce the amount of achievable floorspace on an individual site by between 5 to 12% when compared a 3 metre tower setbacks base case scenario.

While, compared to the base case, the implications of the proposed tower setback amendment across the CBD is estimated overall reduction in maximum GFA achieved of around 184,210sqm or 12%. This analysis, however, did not consider site amalgamations which would increase site efficiency and overall floorspace yield.

This potential reduction in floorspace on each site and across the CBD should be seen in context of the recent increased building heights for commercial towers in the CBD implemented by Council in 2017. This increased the potential floorspace achieved across the CBD by over 500,000sqm GFA (*North Sydney CBD Capacity and Land Use Strategy (2017)*).

Ability of North Sydney CBD to reach its employment targets

The North District Plan sets a low and high employment target for North Sydney. Over the period between 2022-36 the study area's target is estimated at an additional 9,519 to 13,293 jobs. These additional jobs would require an estimated 242,170 to 323,290sqm GFA.

Our modelling assessed the development potential 34 sites across North Sydney CBD. If these sites were redeveloped to the proposed tower setback amendment control of 6 metres it is estimated that an additional 722,600sqm of GFA could be accommodated in the CBD.

This alone is sufficient to accommodate the low and high employment targets identified in the North District Plan with a surplus in supply of between 400,000sqm and 480,430sqm in GFA.

It must be noted that this high-level capacity assessment does not consider (1) The potential redevelopment sites of less than 1,000sqm (2) The current development pipeline and (3) The take up of vacant space within other commercial buildings.

The incentivisation and amalgamation of smaller sites, the realisation of the current development pipeline and take-up of vacant space would increase the capacity of North Sydney above what is identified in this assessment.

Therefore, it is concluded that the proposed tower setback amendment would not have an impact on the theoretical potential of North Sydney CBD to attain and accommodate its 2036 employment targets.

Impact the renewal and long-term resilience and competitiveness of the CBD

Industry consultation undertaken by Savills concluded that the proposed tower setback would impact the renewal and long-term resilience and competitiveness of the CBD for the following reasons:

- As the proposed amendment is expected to reduce the amount of development capacity, this is expected to result in slower and less development activity.
- The long-term uncertainty around the redevelopment potential of a site would impact the willingness purchases to acquire sites for development.
- The preferred outcome for incoming developers and investors is to offer and occupy large floor plates which is not only efficient to construct but also offers efficient subdivision opportunities for smaller occupiers, thereby catering for the whole of the occupier market.

Analysis and modelling undertaken by HillPDA as part of this study has explored these industry concerns with the key findings/response for each being:

Reduced development capacity

As discussed, when compared to a 3-metre tower setback base case, modelling indicates the proposed tower setback amendment would reduce the amount of achievable floorspace on an individual site by between 5 to 12%.

The level of impact differs from site to site being dependent on the number of side boundaries with adjoining towers, lot configurations and land size. Impacts are mitigated through site amalgamations. Site amalgamations are predominantly required under the current planning framework and lot configurations to achieve larger floorplates and development yields.

As such, the proposed amendment is likely to continue the current trend and further encourage site amalgamations to reduce the impact, increase development yields and achieve larger floor plates. Mechanisms, such as those provided by the City of Sydney, could be explored to offset any financial hardship incurred to potential developers.

Long-term uncertainty around the redevelopment potential

Over the last two years over 100,000sqm of additional commercial office space has been added to North Sydney CBD. While Savills estimates that North Sydney CBD is forecast to accommodate a further 187,890sqm to 283,890sqm of office floorspace over the next three to five plus years. This represents a significant amount of space recently being added and is in the pipeline.

Considering the current pipeline and with the impacts of COVID-19 upon workplace practices and the wider development industry still entirely unknown, it is surmised that additional development in the short to medium term is unlikely. Hence, adoption of the proposed amendment now would the industry allow time to determine the implications at the site level and provide certainty in the medium to long term.

The ability/preference to achieve of larger floor plates

The current planning framework (with regards to tower setbacks) and individual site characteristics limit the ability for most sites to achieve larger floor plates.

For example, assisting the redevelopment potential of 34 individual sites across the CBD, which have lot sizes over 1,000sqm and are considered to have redevelopment potential, it is estimated that the resulting average floor plate size is around 877sqm NLA. The impact of the proposed tower setback amendment on this is a 11% reduction, although once again this is reduced through site amalgamations.

The need for site amalgamations is further evident in the fact that three out of the four planning proposals with floor plates over 1,000sqm are amalgamated sites.

Therefore, even under current market conditions, planning framework and site characterises the achievement of larger floor plates is predominantly achieved through site amalgamations. The proposed tower setback amendment would continue this trend albeit at a higher frequency. Mechanisms, such as those provided by the City of Sydney, could be explored to offset any financial hardship incurred to potential developers.

INTRODUCTION

1.0 INTRODUCTION

North Sydney Council (Council) is considering implementing a proposed draft amendment to the North Sydney Development Control Plan 2013 (NSDCP 2013). The draft amendment seeks to introduce numerical in-between building separation/setback controls for commercial towers in the North Sydney CBD (referred to as tower setback or amendment in this report). The aim of the amendment is to protect the image and amenity of the centre.

The draft tower setback amendment and background study were placed on public exhibition from 19 July 2021 to 30 August 2021. Council received a total eighty-one (81) submissions during the exhibition period. Of relevance to this study were 12 submissions that raised concerns relating to:

- A regarding a perceived loss of Gross Floor Area (GFA)
- Inability of the CBD to reach its employment targets
- An inability to achieve PCA Premium or A-Grade floor plates and
- A lack of economic impact analysis to support the controls.

To address these concerns, North Sydney Council have engaged HillPDA and Savills to assess the potential economic implications that implementing a 6 metre tower setback control would have upon North Sydney CBD. This economic assessment is referred to as the study hereafter.

1.1 Study background and context

North Sydney CBD is undergoing a period of increased development interest following, in part, the adoption of the *North Sydney CBD Capacity and Land Use Strategy (2017)*.

The *Capacity and Land Use Strategy* recommended increasing the maximum building height controls under North Sydney Local Environmental Plan 2013 (NSLEP 2013) to further enable commercial office and jobs growth in the CBD, whilst maintaining solar amenity to key public spaces and adjoining residential zoned land. This was subsequently implemented through **Amendment No. 23 to NSLEP 2013** came into force on 26 October 2018.

Alongside Amendment No. 23, the scheduled opening of the Victoria Cross Metro Station in 2024 has increased development interest in the North Sydney CBD. Several proposals have challenged the built form controls in both NSLEP 2013 (i.e. maximum building height controls) and NSDCP 2013 (i.e. above podium street setback controls) and proposed limited side setbacks to adjoining buildings and street frontages.

There is a concern that in the absence of more specific design guidance, these proposals will lead to bulky and overscale development, undermining the long-term vision for the North Sydney CBD.

To ensure the building height increases were supported by appropriate built form controls, the *Capacity and Land Use Strategy* also recommended a review of the following sections of NSDCP 2013:

- Commercial and Mixed-Use Development (Section 2 to Part B of NSCP 2013)
- North Sydney CBD Area Character Statement (Section 2 to Part C of NSDCP 2013)

This review was undertaken in the report entitled *North Sydney CBD – Commercial Tower Setbacks and Separation (June 2021)*. The Commercial Tower Setbacks and Separation Report identified the following issues:

- No guidance on commercial tower separation
- Potential for extensive façade lengths
- Reduced setbacks to street frontages
- A push for large floor plates on small sites
- No guidance for “internal” tower separation on large, amalgamated sites
- Blank party walls.

The study identified that the NSDCP 2013 provided limited guidance to achieve appropriate separation between commercial towers. This lack of adequate controls to guide future development in the CBD could contribute to:

- Continuous, uninterrupted walls of tall towers
- A lack of daylight and sky views to the public domain

- A 'canyon effect' resulting in dark, windy streets
- A lack of views from within each tower
- Limited natural light to office floors.

It was determined that the above issues could lead to a diminished amenity for pedestrians and building occupants in the North Sydney CBD. They could also affect the quantity of premium and A-grade buildings in the CBD. To address this, the Commercial Tower Setbacks and Separation Report provided several built form controls for commercial towers in North Sydney CBD. These included:

- 6 metres minimum above podium whole of tower side setbacks for sites over 1,000sqm.
- 6 metres minimum above podium whole of tower rear setbacks on sites with no laneway frontage.
- A provision that any weighted setback above podium to street frontages must be setback a minimum of 3 metre.
- A maximum tower façade length above podium of 55 metres. This was recommended to be increased to 60 metres, post exhibition.
- A minimum separation of 12 metres above podium for commercial towers on the same site.
- A provision to ensure party walls are visually interesting.

These recommendations formed the basis of the proposed draft amendment to the NSDCP 2013, the subject of this study.

1.2 Study objectives

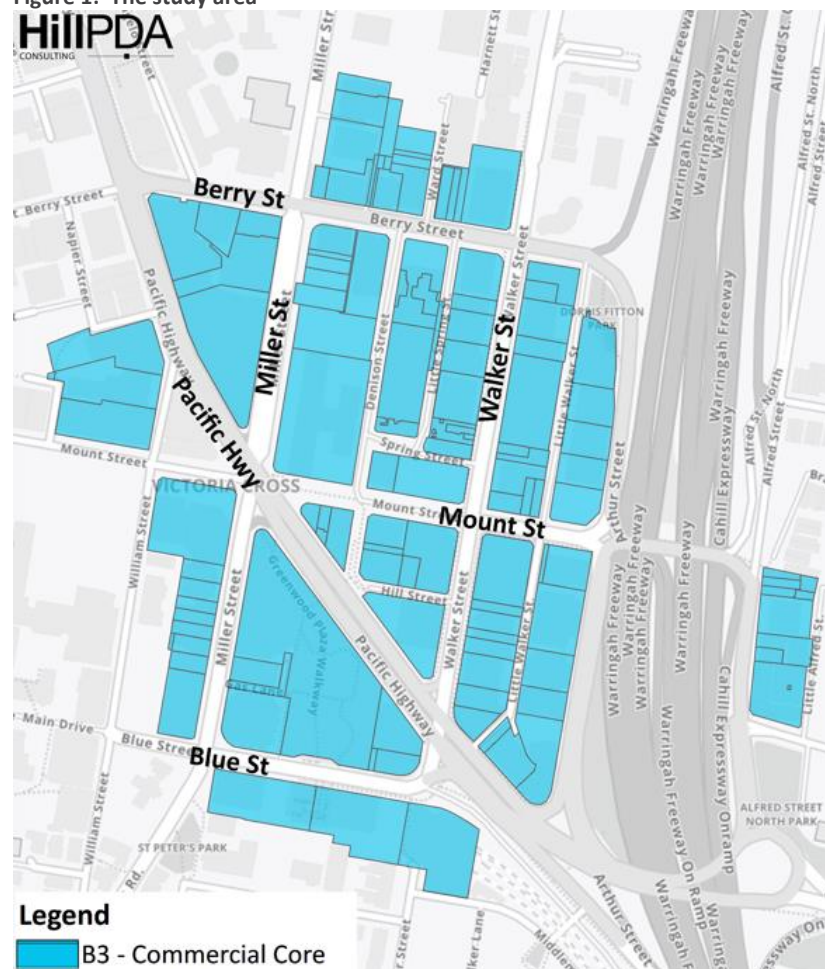
The objectives of the study are to examine the impacts of the draft amendment on the:

- Image and long-term commercial success of the North Sydney CBD, having regard to Council's vision and strategic objectives for the centre.
- Development feasibility, investor confidence and future commercial development decisions in the North Sydney CBD.
- Impact the renewal and long-term resilience and competitiveness of the CBD.
- Perceived loss of Gross Floor Area (GFA), on each site and across the CBD.
- Ability of North Sydney CBD to reach its employment targets.

1.3 The study area

The study area comprises land zoned B3 – Commercial Core within the North Sydney CBD (refer to Figure 1).

Figure 1: The study area



Source: HillPDA

1.4 Study structure

To meet the study objectives, the study is set out in the following manner:

- **Chapter 2: Strategic policy review** | HillPDA provides an overview of the relevant state and local government policy and legislation to understand the strategic context, vision, and job targets for North Sydney CBD.
- **Chapter 3: Commercial market trends & competitive review** | Savills undertakes analysis on key trends that are expected to impact the demand for office space and the design of office space.

The Chapter also provides analysis on North Sydney CBD’s development activity, competitive advantages and selected commercial market metrics (rents and yields) and how these compare to competing commercial markets.
- **Chapter 4: Proposed tower setback implications** | HillPDA undertakes analysis to understand the impact of the proposed amendment upon the perceived loss of GFA across the CBD and the subsequent ability of North Sydney CBD to reach its employment targets.
- **Chapter 5: Industry consultation** | Savills undertakes direct industry consultation in the form of informal interviews to understand market’s floor plate requirements, the market for smaller floor plates and the impact the draft DCP amendment may have upon the commercial activity in the CBD.
- **Chapter 6: Commercial feasibility analysis** | HillPDA undertakes feasibility analysis on several hypothetical redevelopment scenarios to better understand the impact of proposed amendment upon development viability.

2.0 STRATEGIC POLICY REVIEW

The following section provides an overview of the relevant state and local government policy and legislation to understand the strategic context, vision, and job targets for North Sydney CBD.

2.1 North District Plan

The Greater Sydney Commission's (GSC) North District Plan, released in March 2018, identifies North Sydney CBD as a thriving office market and attractive complementary office market to Sydney CBD. For this reason, it is recognised as the northern component of the Harbour CBD and a key component of the Eastern Economic Corridor. North Sydney CBD is also an attractive alternative to the Macquarie Park commercial office market, offering:

- a distinct and high quality commercial core.
- Sydney Harbour and Sydney CBD views.
- high accessibility to Sydney CBD and a skilled labour force.
- surrounding high-amenity residential and mixed-use precincts that, along with the commercial core, provide specialist services and experiences.

North Sydney CBD will continue to benefit from higher proportions of jobs in professional, scientific and technical services, financial and insurance services, and information, media and telecommunications. North Sydney CBD's strong commercial core is thriving. Its ongoing protection and growth is key to its prominent role in the Greater Sydney office market and the Eastern Economic Corridor.

Development of the Sydney Metro City & Southwest will deliver a second North Sydney station – Victoria Cross station improving connectivity with the Harbour CBD and other centres in the Eastern Economic Corridor and expanded labour pool from the north west.

The North District Plan identifies an employment target of 15,600-21,000 additional jobs for the North Sydney component of the Harbour CBD by 2036.

2.2 North Sydney CBD Capacity and Land Use Strategy

North Sydney CBD Capacity and Land Use Strategy (2017) primarily to explored and assessed mechanisms to increase commercial floor space capacity within the Centre.

The Capacity and Land Use Strategy determine the hypothetical capacity of North Sydney CBD under several development scenarios.

A scenario, referred to as Test 4 (50k), was developed which respond to the need to find an appropriate and supportable balance providing additional building height and subsequent floor space capacity in the North Sydney Centre whilst providing a reasonable level of solar amenity protection to areas surrounding it.

Under Test 4 (50k) it was estimated that the CBD could provide an additional 528,953sqm of commercial space.

From this analysis, the Capacity and Land Use Strategy recommended increasing the maximum building height controls under North Sydney Local Environmental Plan 2013 (NSLEP 2013) to further enable commercial office and jobs growth in the CBD, whilst maintaining solar amenity to key public spaces and adjoining residential zoned land. This was subsequently implemented through Amendment No. 23 to NSLEP 2013, which came into force on 26 October 2018.



2.3 Ward Street Masterplan

To deliver much needed public domain and amenity improvements to the North Sydney CBD and identify commercial growth opportunities, Council endorsed the Ward Street Precinct Masterplan.

The Ward Street Precinct is located immediately north of the future Victoria Cross Metro Station in the CBD. It includes a major car park in the centre of the block that is owned by Council.

The final masterplan proposes a central civic precinct, additional open public space, and green space for the CBD. It also proposes two new Premium-Grade commercial towers along Berry Street. The masterplan will be implemented via:

- Site specific planning proposals to increase the maximum height limit that applies to the land along Berry Street.
- A DCP amendment that identifies building setbacks, amongst other design matters.
- Voluntary planning agreements to deliver the public benefits.

2.4 North Sydney CBD - Commercial Tower Setbacks and Separation Background Study

The North Sydney CBD - Commercial Tower Setbacks and Separation Background Study identified the following issues for commercial buildings in North Sydney CBD:

- Insufficient guidance on commercial tower separation
- Potential for extensive façade lengths
- Reduced setbacks to street frontages
- A push for large floor plates on small sites
- No guidance for “internal” tower separation on large, amalgamated sites
- Blank party walls.

The primary intent of the study was to enable jobs growth in commercial towers that are of a bulk and scale that complement the long-term vision for North Sydney CBD as “the principle economic engine of Sydney’s North Shore and an attractive, sustainable and vibrant place for residents, workers and businesses.”

The study identified that the NSDCP 2013 provided very limited guidance to achieve appropriate separation between commercial towers. This lack of adequate controls to guide future development in the CBD could contribute to:

- Continuous, uninterrupted walls of tall towers
- A lack of daylight and sky views to the public domain
- A ‘canyon effect’ resulting in dark, windy streets
- A lack of views from within each tower
- Limited natural light to office floors.

It was determined that the above issues could lead to a diminished amenity for pedestrians and building occupants in the North Sydney CBD. They could also affect the quantity of premium and A-grade buildings in the CBD, which are required to offer high-quality views, outlook, and ample natural light (PCA, 2019).

The objectives of the study focused on improving pedestrian amenity, protecting building occupant amenity and view sharing, and delivering commercially viable towers that achieve design excellence and contribute to the character and vibrancy of the CBD.

The study recommended NSDCP 2013 be amended to incorporate the following built form controls for commercial towers:

- 6 metres minimum above podium whole of tower side setbacks for sites over 1,000sqm.
- 6 metres minimum above podium whole of tower rear setbacks on sites with no laneway frontage.
- A provision that any weighted setback above podium to street frontages must be setback a minimum of 3 metre.
- A maximum tower façade length above podium of 55 metres (60 metres post exhibition).
- A minimum separation of 12 metres above podium for commercial towers on the same site.
- A provision to ensure party walls are visually interesting.

The above controls would bring the NSDCP 2013 more in line with City of Sydney and City of Parramatta built form controls and ensure that North Sydney CBD continues to grow as a resilient and competitive economic centre.

The North Sydney CBD - Commercial Tower Setbacks and Separation Background Study identified where potential development within North Sydney CBD. The Strategy first identified constrained sites in the North Sydney CBD, where future development is unlikely to occur (Figure 2).

- Approved and/or under construction
- Built or renovated after 2010
- State Significant approvals
- Heritage items
- Residential strata schemes
- North Sydney CBD boundary

Figure 2: North Sydney CBD constrained sites



Source: North Sydney CBD - Commercial Tower Setbacks and Separation Background Study

The North Sydney CBD - Commercial Tower Setbacks and Separation Background Study then identified potential redevelopment sites in the North Sydney CBD after eliminating constrained sites. The sites have been classified into two categories:

- Sites less than 1,000sqm in size and



2.5 Draft amendment public exhibition submission's summary

North Sydney Council placed the draft amendment to NSCP 2013 and background study on public exhibition from 19 July 2021 to 30 August 2021. During this period Council received a total 81 submissions. Of these 81 submissions 12 were of relevance to this study. These 12 submissions raised concerns that the draft amendment may:

3. Reduce the amount of gross floor area and net lettable area that could be achieved on a site
4. Limit the development of PCA Premium and A-grade floor plates within commercial towers
5. That the amendment was not evaluated or justified by any economic analysis of its implications upon the CBD
6. The amendment may impact the commercial viability of development in the CBD
7. Limit the North Sydney's ability to attain employment targets identified in the North District Plan

This study directly responds to the above concerns raised during the public exhibition of the draft amendment to NSCP 2013 and background study

2.6 A Guide to Office Building Quality 3rd Edition

The Property Council of Australia (PCA) released the third edition of the A Guide to Office Building Quality in July of 2019. The Guide provides just over 60 metrics for classifying and defining:

- Premium, Grade A and Grade B standards for new office building
- Premium, Grade A and Grade B standards for existing office building.

These metrics are a guide which is reflective of current market perceptions and expectations.

Of relevance to this study are the premium and A grade floor plate size guides for new office developments, these are:

- 1,500sqm and over for premium grade, and
- 1,000sqm and over for A-grade.

Floor plate requirements are only one metric (out of just over 60) for the grading of office space. The Guide states:

The quality matrices provide a guide to the typical features of different quality grades of office space. It is not necessary to achieve every parameter nominated in this Guide, however it is anticipated a building will overwhelmingly meet the stated criteria of that grade.

Furthermore, the PCA defines a new office building as Premium Grade when it is “a landmark office building located in major CBD office markets which is a trendsetter in establishing rents. Includes expansive views and outlook, ample natural light, prestige quality access from an attractive street setting, prestige lobby and lift finishes, premium quality lift ride, premium quality amenities, premium presentation, and maintenance”.

The PCA defines a new office building as A Grade when it is “high-quality office building including high-quality views, outlook and natural light, high-quality access from an attractive street setting, high-quality lobby and lift finishes, high-quality lift ride, high-quality amenities, high quality presentation and maintenance”.

The PCA defines a new office building as B Grade when it is “good quality office building with a good standard of finish and maintenance.”

As noted in the North Sydney CBD - Commercial Tower Setbacks and Separation Background Study the lack of adequate controls to guide future development in the CBD could contribute to:

- Continuous, uninterrupted walls of tall towers
- A lack of daylight and sky views to the public domain
- A ‘canyon effect’ resulting in dark, windy streets
- A lack of views from within each tower
- Limited natural light to office floors.

The proposed amendment to the DCP aims to reduce these impacts which if not implemented the likely cumulative impacts would reduce the ability of future development

¹ Infrastructure beyond COVID-19, A national study on the impacts of the pandemic on Australia

in the North Sydney CBD to attain Premium and A-Grade status due to reduced expansive views, outlook and ample natural light.

2.7 The impact of COVID-19 on commercial office space demand

The lockdown measures imposed to control the spread and of COVID-19 saw a mass exodus of workers from traditional commercial office markets and a readjustment to and increased rates of working from home. Although this revitalised local centres its impact on central business districts has been significant.

For example, during the pandemic, across Australia, around 30% of commercial office employees worked from home to slow the spread of the virus. In Sydney and Melbourne, this resulted in widespread office vacancies¹.

A survey undertaken for Infrastructure Australia into COVID-19 impacts found that:

- The proportion of respondents who wish to work from home once per week or more has grown from 27% prior to COVID-19 to 42% post-COVID-19.
- Around 15% of employees surveyed would like to increase their level of working from home post-COVID-19 compared with pre-COVID-19 levels.

As the workplace becomes more flexible with more employees working remotely from home, office space requirements are likely to be reduced to reflect this new demand while any new space will need to offer increased amenity and services to incite employees back into the office.

Additional research undertaken by Investa² has concluded that the impact of increased working from home rates would likely see a reduction in commercial office space within CBD locations of up to 15%. This estimate is based on the prospect of staff working from home between two and two and half days a week, an increase of one to two days when compared to pre-COVID-19 levels of working from home.

² Investa Property Group is a company that delivers end-to-end property management for commercial real estate assets, located in the core Australian CBD markets

The estimate also takes into account the offset to softer demand from the likely increase in workspace ratios – anywhere between 10-20% – as greater amounts of space are earmarked for collaborative work and meetings³.

Inciting workers back into work will be integral to the continued economic resilience, activation, and growth of CBD locations. Although this, may take a wide range of initiatives and practices, ensuring that offices are in good condition, have access good natural light, have collaborative spaces, street frontages are activated and build form controls allow development that meets the market needs can contribute to achieving this.

As previously stated, the North District Plan identifies an employment target of 15,600-21,000 additional jobs for the North Sydney component of the Harbour CBD over the 20 years to 2036. The impact of COVID-19 upon working practices, particularly increased rates of working from home, may imply that this overall job target is not impacted but the total number of commercial workers at any one time in North Sydney CBD is lower. This may reduce the overall amount of commercial space required to attain the targets.

For example, if 100,000sqm of commercial space was required to support North Sydney’s employment targets pre-COVID-19, then post-COVID-19 around 75,000sqm (-15%) of additional space would be needed.

2.8 Key findings and implications

From the above review, the following key findings are summarised:

- The North District Plan identifies an employment target of 15,600-21,000 additional jobs for the North Sydney component of the Harbour CBD over the 20 years to 2036.
- Council increased commercial building heights to ensure the CBD had enough capacity to reach its targets. This additional capacity was estimated at just under 530,000sqm.
- It was found that the lack of adequate controls, particularly building setbacks controls, to guide future development in the CBD would contribute to:
 - Continuous, uninterrupted walls of tall towers

- A lack of daylight and sky views to the public domain
- A ‘canyon effect’ resulting in dark, windy streets
- A lack of views from within each tower
- Limited natural light to office floors.
- To ensure that North Sydney CBD continues to grow as a resilient and competitive economic centre Council has proposed new building set controls. These controls would bring North Sydney CBD into City of Sydney and City of Parramatta built form controls.
- The impact of COVID-19 on work practices, practically increased working from home rates, could result in a 15% reduction in the demand for commercial office space.
- Appropriate building controls that increase the amenity, activation and access to natural light will increase CBD locations activeness to workers and occupants. This would contribute to inciting workers back into work and ensure the continued economic activation, resilience, and growth of North Sydney and other CBD locations.
- Floor plate requirements are only one metric, the just over 60 metrics for grading office space in the PCA A Guide to Office Building. The PCA guide specifically states that “It is not necessary to achieve every parameter nominated in this Guide”. Therefore, as long as local build form controls allow developments that overwhelmingly meet the other set criteria, then premium and A-grade office space can still be achieved even with smaller floor plates.

³ Work from home trend eats into office demand, Financial Review, Nick Lenaghan 18th of January 2020

3.0 COMMERCIAL MARKET TRENDS & COMPETITIVE REVIEW

In considering the potential economic impact of the proposed draft amendment to the DCP on the development of office towers in the North Sydney CBD, Savills reviewed recent office market trends and interviewed a range of architects, town planners, developers, landlords, anchor tenants, leasing agents and tenant representatives who have recently worked on new office developments in North Sydney.

Please note that besides from Section 3.3, the following Chapter’s analysis, discussion, and conclusions have been compiled and provided by Savills.

3.1 Commercial office market trends and competitiveness

3.1.1 Location decisions of office occupiers and competitive advantages of the North Sydney office market

The two main drivers of demand for office space in Sydney, both in the CBD and across the broader metropolitan market, are macroeconomic factors of national economic and employment growth and ‘organic’ local growth within NSW and Sydney. These sources of demand can also be influenced by the global economy, particularly in relation to business confidence and increasingly decisions on work locations (i.e., working from home, hybrid working etc.). At the national level, Sydney also competes against other Australian cities, in particular Melbourne as well as some international centres while ‘organic growth’ can see the CBDs compete with suburban markets.

Interviews with major tenants and surveys with tenants in North Sydney highlight five main criteria which make North Sydney attractive to office occupiers:

- **Access to executive and white-collar workers** – all companies that Savills interviewed chose to locate in North Sydney due to its access to ‘white collar’ workers and the availability of public transport. Several occupiers noted that North Sydney provided good access to staff who lived north of the Harbour Bridge, in the Eastern Suburbs and Inner West. In a survey of office occupiers in North Sydney in 2015, 85% stated the availability of public transport was a trigger for the company to move to North Sydney. The choice of location is often also influenced by the preference of senior executives, who prefer centres close to where they live.

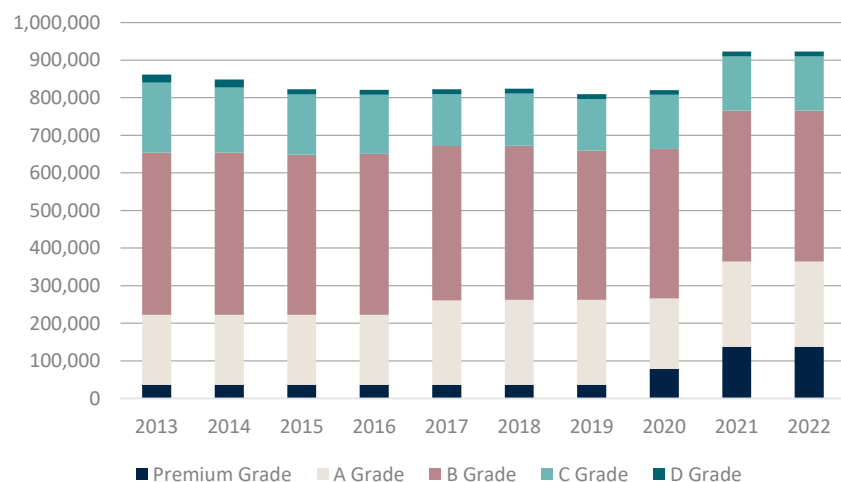
- **Rents and their relativities**— the cyclical movements of rents and their relativities between locations impacts the amount of demand for office space. The economic cycle also drives demand and affordability. It influences businesses’ profitability and their propensity to expand or shrink their workforce, which in turn feeds through to demand for office space. Most major occupiers that Savills spoke with mentioned they obtained better value and lower rents in North Sydney than in Sydney CBD. In a survey of office occupiers in North Sydney in 2015, 46% stated the cost of office space was a trigger for the company to move to North Sydney. In Savills experience cost/value would be a driver for a higher proportion of larger occupiers.
- **Proximity to the Sydney CBD** – all companies that Savills interviewed indicated that being close to the CBD was beneficial including when meeting clients and customers, attending events and functions and using facilities and services in Sydney CBD. Most believed the metro train service will improve access and reduce travel times from North Sydney to Sydney CBD. In a survey of office occupiers in North Sydney in 2015, 78% stated being close to the Sydney CBD was a trigger for the company to move to North Sydney.
- **Proximity to clients / customers / competitors** – most occupiers that Savills interviewed stated they chose to locate in North Sydney to be close to clients/customers and firms in the same industry (competitors), with staff attraction and ease of access important. In a survey of office occupiers in North Sydney in 2015, 58% stated being close to clients/customers was a trigger for the company to move to North Sydney.
- **Building and area meeting occupier requirements** - most occupiers that Savills interviewed stated they chose to locate in North Sydney as it is a desirable location for attracting staff and where it is staff want to work. Further, the buildings selected and centre ‘fit with the corporate image’ and floor plate and building service requirements. All major occupiers interviewed by Savills stated they would only consider buildings with floor plates 1,000sqm and over – which is discussed further in the next chapter.

3.1.2 Comparison of office supply in North Sydney & major Sydney office markets

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 months⁴. 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)⁵.

As shown in Figure 4, 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.

Figure 4: 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 over the past five years that only Parramatta CBD had a larger increase in office stock than North Sydney with the decentralisation of several NSW Government agencies and relocation and establishment of a range of businesses underpinning demand

⁴ Property Council of Australia, January 2022, Office Market Report.

⁵ Property Council of Australia, January 2022, Office Market Report.

for office space in Parramatta. The Sydney CBD had the most prime grade office buildings (i.e., buildings classified a Premium Grade or A Grade) added but also had large (173,417sqm) reduction of secondary grade office stock.

Table 1 also shows that across Sydney the growth in office stock was primarily driven by new prime grade office buildings (i.e., buildings classified a Premium Grade or A Grade), while the amount of secondary grade office stock declined by 104,708sqm. This highlights that overwhelmingly new office stock was A-Grade or Premium Grade⁶.

Table 1: Change in office stock, by grade in selected office markets, 2017-21 (sqm)

Centre	Grade	2017	2018	2019	2020	2021	5-years
Parramatta	Prime	0	25,000	1,496	42,000	108,295	176,791
	Secondary	-1,683	-10,869	47,378	-895	-30,553	3,378
	Total	-1,683	14,131	48,874	41,105	77,742	180,169
North Sydney	Prime	1,408	0	4,295	98,026	0	103,729
	Secondary	78	-14,552	6,812	4,230	0	-3,432
	Total	1,486	-14,552	11,107	102,256	0	100,297
Sydney CBD	Prime	42,936	17,522	17,435	132,018	47,529	257,440
	Secondary	-85,500	-44,328	-72,892	-3,677	32,980	-173,417
	Total	-42,564	-26,806	-55,457	128,341	80,509	84,023
St Leonards / Crows Nest	Prime	0	0	-21,787	27,000	10,673	15,886
	Secondary	-7,811	-850	23,183	-4,230	-834	9,458
	Total	-7,811	-850	1,396	22,770	9,839	25,344
Macquarie Park	Prime	704	0	-63,098	49,874	0	-12,520
	Secondary	-17,672	-6,448	63,098	-4,198	4,759	39,539
	Total	-16,968	-6,448	0	45,676	4,759	27,019
Chatswood	Prime	0	0	-25,231	0	0	-25,231
	Secondary	0	0	20,336	-570	0	19,766
	Total	0	0	-4,895	-570	0	-5,465
Sydney's major office markets	Prime	45,048	42,522	-86,890	348,918	166,497	516,095
	Secondary	-112,588	-77,047	87,915	-9,340	6,352	-104,708
	Total	-67,540	-34,525	1,025	339,578	172,849	411,387

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

⁶ As per the Property Council of Australia, 2019, A Guide to Office Building Quality.

Table 2 shows the details of the major office buildings (i.e., over 20,000sqm) completed in North Sydney over the past five years, showing all developments where Prime Grade building (i.e., A Grade or Premium Grade) and two of the three developments had floor plates over 1,000sqm.

Savills notes the PCA “Guide to Office Quality” states the minimum net lettable area (NLA) is:

- 1,500sqm in Sydney, Melbourne, Brisbane & Perth CBD and 1,200sqm in other CBDs for Premium Grade Buildings.
- 1,000sqm in Sydney, Melbourne, Brisbane and Perth CBD and 800sqm in other CBDs for A Grade Buildings.
- 700sqm in Sydney, Melbourne, Brisbane and Perth CBD and 600sqm in other CBDs for B Grade Buildings.

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

Source: Development Applications, Property Council of Australia, Office Market Report, January 2022 and Cordell Connect, April 2022⁷

⁷ Cordell Connect by CoreLogic is an online database of fully researched construction, infrastructure and building project information for the Australian and New Zealand markets, covering all types of construction projects including residential, commercial, retail, mining and industrial.

Table 3 and Table 4 show North Sydney is forecast to accommodate between an extra 187,890sqm to 283,890sqm of office stock over the next 3-5+ years, which would be a substantial increase in office supply. This highlights that North Sydney is forecast to continue to be attractive location for office development, noting that these developments were planned prior to the current proposed amendments to the DCP, and they may not all proceed if lease pre-commitments cannot be secured or market conditions or planning controls change.

Table 3: PCA forecast office supply in major Sydney office markets (sqm), January 2022

Forecast supply	2022	2023	2024+	Mooted	Total forecast
Sydney CBD	146,740	7,772	91,000	146,241	391,753
North Sydney	12,501	14,961	11,000	245,425	283,887
Parramatta	61,899	0	0	73,382	135,281
Macquarie Park	18,000	16,800	0	137,310	172,110
St Leonards / Crows Nest	0	16,738	0	42,600	59,338
Chatswood	0	0	0	31,000	31,000
Total	239,140	56,271	102,000	675,958	1,073,369

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

Table 4 also shows that 4 out of 6 of the recently approved office developments in North Sydney are forecast to have a floor plate of over 1,000sqm and the average floor plate size ranges from approximately 950 to 1,030sqm. Savills research shows that most new office buildings proposed in other major office markets are expected to have a floor plate over 1,000sqm.

- 2,231sqm average office floor plates in Macquarie Park
- 1,722sqm average office floor plates in Parramatta
- 1,182sqm average office floor plates in St Leonards / Crows Nest
- 1,150sqm average office floor plates in Sydney CBD.

Table 4: Forecast commercial office supply pipeline summary, April 2022

Address	Building Area	Land Area	Indicative Typical Floor Plate	Status	Developer/Owner
63-83 Walker St	33,000	1,825	1,200-1,300	Approved	Thirdi
86-88 Walker St	12,501	1,076	598	Due for completion 2022	Billbergia
2-4 Blue St	14,961	2,326	1,586	Under construction c. 2023	Keppel REIT/ Lendlease
173 Pacific Hwy & 116 Miller St	11,000	2,305	378	Under construction due 2023	Maville Group
189 Miller St 'Victoria Cross Station'	55,980	~4,700	1,680	Under construction due 2024	Lendlease
110-122 Walker St*	60,445	2,300	900-1,260	Approved	Stockland

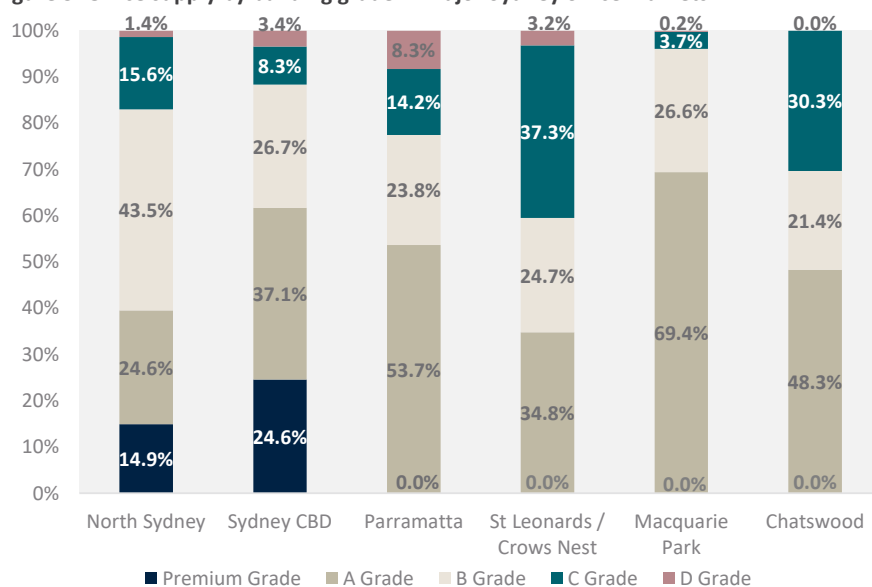
Source: North Sydney Council; Property Council of Australia, Office Market Report, January 2022 and Cordell Connect (subscription only database accessed May 2022). This excludes refused / mooted DAs and those which Council advises do not align with planning controls. *A range of 1,000 to 1,400sqm GFA for 110-122 Walker Street was provided by Council assumed 90% efficiency.

3.1.3 Comparison of building office grades in selected office markets

North Sydney has a higher proportion of secondary grade (B Grade, C Grade and D Grade) office buildings (60.5% of total office stock) than other major office markets in Sydney – where the average is 46.4% of office buildings are classified as secondary grade office buildings. This is partly due the fact that around two-thirds of all commercial office floorspace in North Sydney is between 30-50 years old having been developed between the 1970s and 1980s.

As shown in Figure 5, Sydney CBD has the highest percentage of prime grade office stock (Premium Grade 24.6% and A Grade 37.1%) with Paramatta (53.7% A Grade), Macquarie Park (69.4% A Grade) and Chatswood (48.3%) all offering higher levels of prime grade office space than North Sydney (14.9% Premium Grade and 24.6% A Grade = 39.5% Prime Grade).

Figure 5: Office supply by building grade in major Sydney office markets



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

⁸ Cityscope is CoreLogic's subscription only commercial property database, offering detailed coverage of building size, floorplate, age, for office, retail and industrial properties in Australia's capital cities.

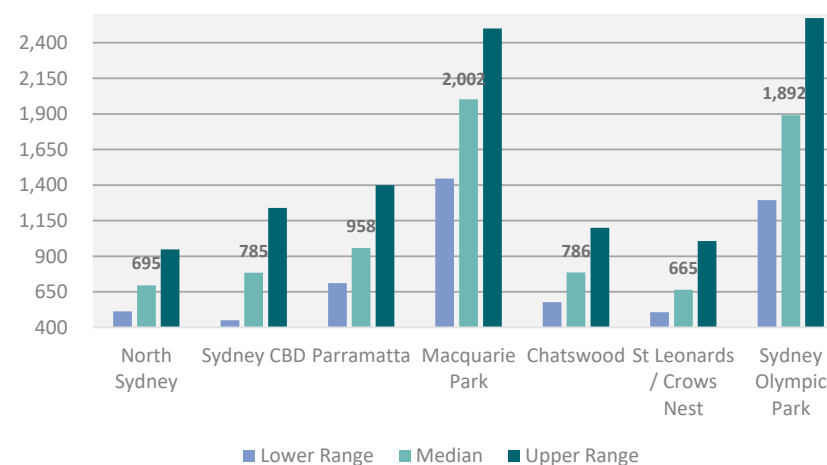
Table 5 shows North Sydney also has a lower proportion of buildings with floor plates over 1,000sqm compared with other office markets. However, across the major office markets in Sydney, as discussed later in the report, the strongest demand is for A Grade office space and the most demand/take-up is for buildings with floor plates over 1,000sqm.

Table 5: Average building (>2,000sqm) and floor plate sizes in selected office markets

Market	Average Building Size (sqm)	% office buildings with floor plates > 1,000 sqm
North Sydney	12,288	22%
Sydney CBD	19,844	39%
Parramatta	12,816	48%
Macquarie Park	14,041	96%
Chatswood	8,351	34%
St Leonards / Crows Nest	5,929	28%
Sydney Olympic Park	10,038	94%

Source: Savills and City Scope

Figure 6: Average office floor plates in major Sydney office markets



Source: Savills and City Scope⁸

Table 6 shows the average floor plate of proposed office buildings in all markets is over 1,000sqm. Based on projects included in the PCA pipeline the average floor plate of proposed new office developments in North Sydney is 1,178 sqm. The historic floor plate data also shows that the average size of office floor plates is increasing, and the majority of new space is over 1,000sqm which allows developers maximum opportunity to secure / attract both large tenants (100+ staff) and smaller tenants. This is discussed further on the next section.

Table 6: Comparison of average office floor plates for proposed developments in major Sydney office markets

Centre	Average floor plate for proposed office buildings
North Sydney	1,178
Sydney CBD	1,150
St Leonards / Crows Nest	1,182
Macquarie Park	2,231
Parramatta	1,722

Source: Property Council of Australia, Office Market Report, January 2022. The figures for North Sydney exclude 105-153 Miller Street which is included in the PCA report.

3.1.4 Leasing activity

Table 7 shows the total amount of space leased by tenant size, noting tenants can occupy multiple levels in a building. It shows over the past five years that almost two thirds (65%) of office space leased in North Sydney was by leased by organisations requiring over 1,000 sqm of space. Further, tenants leasing over 2,000sqm accounted for around half of take-up (51%). These larger office occupiers overwhelmingly lease office buildings with larger floor plates (average floor plates of 1,146sqm), with 85% of tenants leasing over 1,000sqm of office space locating in office buildings with over 1,000sqm floor plates. These tenants typically prefer office buildings with larger floor plate because it allows them accommodated across less floors than if they were in a building with a smaller floor plate. Additionally, it is generally easier for a building owner to subdivide a larger floor plate, to also accommodate smaller tenants, than a smaller floor plate.

While there are examples of new office buildings in North Sydney with smaller floor plates that have leased there is not a viable market for more than a small number of new office buildings with smaller floor plates. These buildings would need to compete with cheaper existing buildings for start-up, co-working and small and medium enterprises. These types of firms have leased around 24,600sqm of office space per annum over the last five years, while firms over 1,000sqm have leased just over 45,611sqm of office space per annum.

Table 7: Office leasing take-up in North Sydney 2017-22, by tenant size

Year	0-999sqm	1,000-1,500sqm	1,501-2,000sqm	2,001+sqm
2017	25,060	2,562	1,925	5,845
2018	34,039	7,669	7,109	85,463
2019	34,611	5,965	5,004	54,463
2020	15,972	3,767	1,830	25,580
2021	13,483	3,674	8,689	8,514
5 years – take-up	123,165 (35% of take-up)	23,637 (7% of take-up)	24,557 (7% of take-up)	179,865 (51% of take-up)

Source: Savills and Arealytics⁹

⁹ Arealytics is a subscription only database which provides details of commercial leasing transactions and tenant information across Sydney.

Table 8 presents a small number of examples of recent office lease transactions in North Sydney, showing that North Sydney remains popular with technology, insurance, engineering/construction and media and advertising firms occupying office space.

Table 8: Examples of recent office leases in North Sydney over 700sqm

Address	Grade	Tenant	Sector	Leased (sqm)	Face rent \$/sqm	Typical floor plate
100 Pacific Hwy	A Grade	Beam Suntory Australia	Premium Spirits	1,044	\$905	1,244
40 Miller St	A Grade	Infor Global Solutions	Technology	1,134	\$817	1,133
100 Pacific Hwy	A Grade	Workday Australia	Technology	1,194	\$850	1,244
100 Pacific Hwy	A Grade	Seek Learning - Sydney	Technology / Employment Services	1,268	\$850	1,244
100 Pacific Hwy	A Grade	Robert Bird Group Australia	Engineering	1,273	\$800	1,244
100 Mount St	Premium	Palo Alto Networks	Technology	1,300	\$960	1,350
177 Pacific Hwy	A Grade	AbbVie Pty Ltd	Pharmaceutical	1,362	\$807	1,290
73 Miller St	A Grade	Sony Australia Limited	Electronics	1,717	\$880	1,712
73 Miller St	A Grade	Taylor Thomson Whitting	Engineering	1,721	\$860	1,712
80 Pacific Hwy	A Grade	Okta Australia	Technology	1,794	\$887	901
100 Pacific Hwy	A Grade	Fireeye Australia	Technology	1,830	\$850	1,244
33 Berry St	B Grade	Minister for Police	Government	2,116	\$542	722
100 Arthur St	Premium	Kimberly-Clark Australia	Consumer Goods	2,198	\$750	1,174
40 Mount St	A Grade	MLC Limited	Insurance	3,499	\$850	1,350
73 Miller St	A Grade	Aurecon	Engineering	4,514	ND	1,712
73 Miller St	A Grade	oOh! media	Advertising	6,929	\$850	1,712
1 Denison	A Grade	SAP	Technology	9,400	ND	1,809
1 Denison	A Grade	Microsoft	Technology	10,700	ND	1,809
100-102 Walker St	B Grade	Christie System Services	Serviced Offices	10,788	\$774	830
1 Denison	A Grade	Nine Entertainment	Media	24,500	ND	1,809

Source: Savills and Arealytics

3.1.5 Net absorption and office vacancy rates

The North Sydney CBD had a net absorption of 72,068sqm of Prime Grade Office Space over the past five years, while there was negative net absorption (-64,887sqm) of secondary grade office stock, due to building withdrawals and some conversions to residential sites. Net absorption is a primary indicator of office demand and is calculated by measuring the change in occupied office space between time periods less vacant stock. It considers losses from total stock due to demolition, refurbishment, change of use or change in a building's grade.

Over the past five years, except in 2019, net absorption of Prime Grade office space in North Sydney was positive, with the highest net absorption in Premium Grade office buildings (see Table 9). This trend of tenants moving from lower grade buildings to higher grade buildings is often referred to as a 'flight to quality' and is a trend which appears to have also been reinforced during COVID.

In 2019, 73 Miller Street underwent a full refurbishment, resulting in 13,791 sqm being withdrawn and 168 Walker Street was converted to a residential/retail building, resulting in 17,663 sqm being withdrawn from the office market. These two buildings plus some other smaller withdrawals resulted in 37,705sqm being withdrawn from the North Sydney A-Grade office market in 2019 and vacancy levels for A-Grade offices also increased by 13,489sqm.

Table 9: Net absorption of office space in North Sydney over past 5 years by grade of office building (sqm)

Grade	2017	2018	2019	2020	2021	5 years
Premium Grade	2,832	4,159	41,337	37,519	15,805	101,652
A Grade	-697	8,622	-51,194	17,181	-3,496	-29,584
B Grade	-2,468	-14,365	7,275	-36,563	-6,262	-52,383
C Grade	-3,522	-2,509	6,446	-5,234	-7,048	-11,867
D Grade	-43	7	-636	16	19	-637

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

As shown in Table 10, office vacancy rates in North Sydney have generally been slightly higher than the Sydney CBD in the past five years and was at 16.6% in January 2022. This rate was also higher than the average for Sydney, Parramatta and Macquarie Park (11.3%, 13.4% and 9.8%, respectively). While vacancy levels for A Grade office space in North Sydney (20.2%) were higher than B Grade vacancy rates (18.7%) there was 74,900sqm of B Grade space vacant and 45,874sqm of A Grade space, indicating there are likely to be options for tenants looking for B Grade office space.

Table 10: Office vacancy rates North Sydney and Sydney CBD

Grade	10 year average	5 year average	January 2022	Sydney CBD 5 year average	Sydney CBD 2022
Premium Grade	8.4%	10.1%	6.2%	5.8%	4.9%
A Grade	8.1%	9.9%	20.2%	5.6%	10.8%
B Grade	10.3%	10.9%	18.7%	6.5%	11.3%
All Grades	9.3%	9.8%	16.6%	6.0%	9.3%

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

The trend of a 'flight to quality' office space is evident in most major Sydney office markets over the past five years, particularly for the Sydney CBD and Parramatta, with positive net absorption of prime grade (A Grade and Premium Grade) office stock and generally negative net absorption of secondary grade stock.

Table 11: Net absorption of office space by grade of office building in major markets

Centre	Grade Type	2017	2018	2019	2020	2021	5-years
North Sydney	Prime	2,135	12,781	-9,857	54,700	12,309	72,068
	Secondary	-6,033	-16,867	13,085	-41,781	-13,291	-64,887
Sydney CBD	Prime	112,435	53,333	37,354	-36,911	37,628	203,839
	Secondary	-83,414	-43,741	-83,606	-73,435	-4,517	-288,713
Parramatta	Prime	70	22,331	2,906	30,917	36,620	92,844
	Secondary	7,469	-8,717	43,617	-15,193	-28,574	-1,398
St Leonards / Crows Nest	Prime	-8,953	14,187	-20,765	26,607	-6,046	5,030
	Secondary	-41	415	19,355	-24,674	1,902	-3,043
Macquarie Park	Prime	11,219	3,582	-58,686	5,037	12,107	-26,741
	Secondary	-10,569	-1,123	63,047	-7,041	-8,841	35,473
Chatswood	Prime	2,425	4,000	-21,840	-17,892	-3,577	-36,884
	Secondary	259	-2,355	24,360	-8,223	-4,514	9,527

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

3.1.6 Office rents, incentives, and yields

Average rents for A Grade office buildings in North Sydney are typically around 30% less than comparable buildings in the Sydney CBD. While B Grade office buildings on average rent for 20% less for B Grade office space in Sydney CBD.

North Sydney achieves higher average office rents than Parramatta, Chatswood, St Leonards, and Macquarie Park but lower rents to the CBD and the lower rents provides North Sydney an advantage over the Core Sydney CBD and Barangaroo. The emergence of Tech Central (around Central Station) and any further development in the city fringe is likely to result in new office buildings that have a similar rent to North Sydney and could result in more competition to North Sydney.

Whilst the rental differential remains between Sydney and North Sydney, there is an opportunity for the North Sydney CBD to attract corporate tenants who wish to take advantage of the forecast supply of high-quality office space.

Average office yields for A Grade buildings remain firmer in the Sydney CBD (4.7% for A Grade and 4% for Premium Grade buildings) than in North Sydney than in North Sydney (5.1%) which means a building generating the same net income will sell for slightly more in the Sydney CBD.

Table 12: Rents, yields and incentives for North Sydney, Sydney CBD, Parramatta, and Macquarie Park

Key Indicators	North Sydney		Sydney CBD			Parramatta		Macquarie Park
	A Grade	B Grade	Premium	A Grade	B Grade	A Grade	B Grade	A Grade
Gross Face Rent (\$/sqm)	\$1,005	\$870	\$1,605	\$1,310	\$1,050	\$688	\$600	\$505
Net Face Rent (\$/sqm)	\$850	\$725	\$1,350	\$1,100	\$875	\$563	\$475	\$385
Net Effective Rent (\$/sqm)	\$555	\$473	\$810	\$658	\$508	\$408	\$345	\$250
Gross Incentive Level	35%	35%	34%	34%	35%	28%	28%	35%
Total Outgoings	\$153	\$143	\$255	\$208	\$173	\$123	\$123	\$120
Typical Lease Term	5	4	7	6	4	6	4	7
Market Yield	5.1%	5.6%	4.0%	4.7%	5.1%	5.1%	5.8%	5.4%
Office Capital Values (\$/sqm)	\$16,000	\$12,750	\$26,250	\$19,750	\$16,000	\$11,750	\$10,000	\$7,625

Source: Savills

3.1.7 North Sydney office market trends and competitiveness review - summary and implications

The total amount of office stock in North Sydney declined in the 10 years to 2020, and North Sydney was outperformed in attracting tenants by a variety of centres including Sydney CBD, Parramatta, Macquarie Park, Rhodes/Sydney Olympic Park. Analysts BIS Shrapnel¹⁰ also forecast North Sydney would run out of office development capacity by the late 2020's. However, changes to the North Sydney LEP, centre improvements and the new metro train line and station in particular have increased the capacity, competitiveness and attractiveness of North Sydney. Consequently, North Sydney accommodated a comparatively high amount of office development since 2020, with over 100,000sqm being built. The strong level of office development in North Sydney is forecast to continue with between 187,890sqm to 283,890sqm of new office stock being planned or progressed.

The majority of new office stock in North Sydney is different to the existing office stock. The new stock is generally A Grade and most have floor plates over 1,000sqm. This is consistent with the majority of new office buildings being built in other major office markets in Sydney.

Over the past five years 51% of office space in North Sydney was leased by larger organisations that require more than 2,000sqm of office space. Also, while the average floorplate of an office building in North Sydney is 685sqm, 85% of tenants leasing over 900sqm of office space in North Sydney have located in office buildings with over 900sqm floor plates. In other words, larger office occupiers in North Sydney overwhelmingly lease office buildings with larger floor plates. To remain competitive new planning controls in North Sydney should support the delivery of buildings with larger floorplates (1,000sqm+). Buildings with a larger floor plate allow larger occupiers to be accommodated across less floors than a smaller floor plate. Additionally, it is generally easier to subdivide a larger floor plate, to also accommodate smaller tenants, than a smaller floor plate.

Based on the trend data and comparisons with other centres Savills view is if the proposed DCP controls result in the more new office buildings only being able to achieve an office floor plate of less than 1,000sqm it will negatively impact the competitiveness of North

Sydney as a major office market. New major tenants and some developers will choose to relocate to competing centres where there are more opportunities to develop buildings that meet larger tenants floor plate requirements. However, in addition to considering the demand large floor plates it is also important to consider the opportunities to amalgamate sites to secure a sufficiently large parcel of land to deliver a building with large floorplates and the Council's study which concluded that without adequate controls, particularly building setbacks controls, outcomes in the North Sydney CBD could include a continuous, uninterrupted walls of tall towers; a lack of daylight and sky views to the public domain; a 'canyon effect' resulting in dark, windy streets; a lack of views from within each tower and limited natural light to office floors. The issue of site amalgamation is addressed in the next chapter.

Table 13 presents a summary SWOT assessment of North Sydney as a major office market, informed by the market trends and industry feedback.

¹⁰ BIS Shrapnel, 2015, Forecasting the Distribution of Stand Alone Office Employment Across Sydney to 2035.

Table 13: SWOT assessment of North Sydney as a major office market

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Good public transport accessibility and proximity to professional workforce • Proximity to the Sydney CBD • Harbour views and location • A CBD which accommodates a range of activities and uses (such as schools, families, retail) – which one occupier noted ‘humanises’ the CBD. • Strong levels of recent office development and a strong office development pipeline 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Prior to 2020 there was a reduction in the amount of office space in North Sydney. • A higher proportion of office buildings in North Sydney are classified as secondary grade offices than in other centres in Sydney and it has a lower proportion of buildings with larger floor plates which are most popular with larger occupiers • The geographic area of the North Sydney CBD is smaller than a range other centres which creates limitations on the expansion of the CBD.
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Future improvements in public transport accessibility created by the new metro train line and Victoria Cross. One leasing agent stated “North Sydney will soon be recognised as Sydney North” • Leverage the investment in public transport and the flight to better quality buildings, by ensuring planning controls continue to support the competitiveness of North Sydney. 	<p>THREATS</p> <ul style="list-style-type: none"> • An article published in 2021 in the Sydney Morning Herald states “<i>the North Sydney office market is off life support with a swathe of new leases albeit in the new towers at rents that rival the Sydney CBD</i>”. There is a threat to the competitiveness of North Sydney if it becomes more difficult and/or costly to continue to deliver new office towers in the future. • If rental parity is reached with the Sydney CBD, it is likely more major occupiers will choose to relocate to the CBD or to other markets in the North Shore or Macquarie Park. • If changes to planning controls due to the DCP reduce the feasibility of development for owners that purchased sites following changes to the LEP, future demand in North Sydney may reduce.

3.2 Office market trends

There is an increasing consensus that COVID 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.

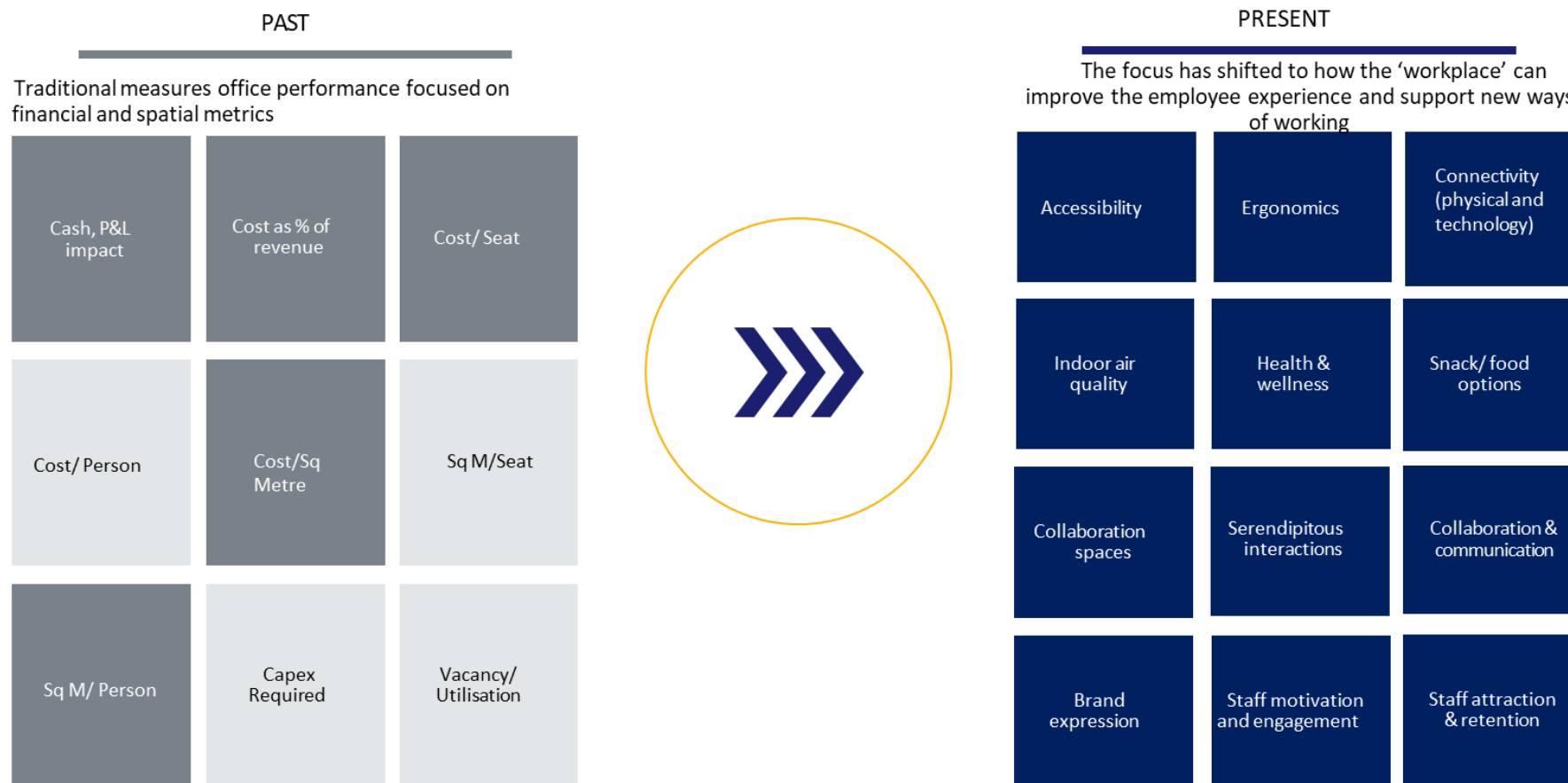
KKS Savills (London) and the Savills Workplace Strategy Team argue a traditional office configuration will not support the demand for dynamic, collaborative and highly connected and accessible workspace in the future. Mirvac also recently published a discussion paper recommending an overhaul of what 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 have 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 Figure 7, 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 increasingly more companies are 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 the significant reductions in office demand or wholesale changes in office design that some analysts forecast at the start of the COVID 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 wellbeing (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 Savills experience a large number of larger companies adopted a wait and see approach as they have leases which don’t expire for several years or relatively new fit-outs.

Figure 7: Shifts in performance metrics for office design and office functionality



3.2.1 International office market trends

As part of the review of the North Sydney office market, Savills Australia spoke with colleagues in five overseas offices to discuss recent trends in office demand and tenant requirements in those markets. Further details of activity and trends in London, New York, Paris, Hong Kong, and Singapore are included in Appendix B.

The following themes, emerged from these discussions:

- In 2020 overall demand for office space was weak and demand / take-up was strongest from smaller occupiers taking less than 1,000sqm. Larger occupiers generally adopted a wait and see strategy.
- In 2021 the strongest take-up of office space was by larger occupiers (1,000sqm+) leasing A Grade office space. The majority new leases for very large occupiers (5,000sqm+) were in A Grade or Premium Grade buildings and the percentage of large occupiers taking A Grade space was slightly above the 5-year average – consistent with the ‘flight to quality’ office accommodation in Sydney.
- In Europe Savills¹¹ forecasts there will be a 10% - 15% reduction in office space demand due to hybrid working and therefore the competition between buildings is expected to intensify as there will be less demand at least in the short term for the same or an increasing number of office buildings. While in Asia the forecast change in demand for office space varies more by country depending on the acceptance of working from home and hybrid working.
- Most overseas teams expect stronger interest in A Grade office buildings in the future, particularly buildings which offer good sustainability credentials, health and well-being features, space for collaboration and amenity. Further, most teams expect buildings that cannot meet these requirements to become less competitive.
- Most overseas teams have not seen a shift in floor plate requirements over the past two years and most did not expect to see a material shift in the future. While some tenants dropped space and could move to buildings with smaller floor plates (800sqm-1,300sqm), the majority of take-up in 2021 was by tenants leasing more than 1,000sqm and the majority of tenant briefs being tracked are for new A Grade

space with floor plates over 1,000sqm and for buildings and locations that have a range of features to attract workers back to the office.

3.2.2 General office design trends and international office market trends - summary and implications

It is likely that COVID will mean there is slower population growth and economic growth and a reduction in office demand and office supply at least for the next few years and compared to the forecasts prior to COVID. Savills Australia view is there is likely to be increased demand for office buildings with good sustainability credentials, health and well-being features, space for collaboration and amenity. While buildings and centres that cannot meet these requirements to become less competitive.

Generally, the trends in office design are not underpinning a notable or material change in floor plates planned for new buildings. In the design of new offices Savills expects a stronger emphasis will be placed on how well the building, fit-out, location deliver more sustainable, light filled, spaces with better views and better amenity and how company work practices improve the employee experience and meet business objectives, rather than traditional metrics such as space efficiency, cost effectiveness and utilisation.

¹¹ https://www.savills.com/research_articles/255800/326010-0%20

3.3 The economic benefit/value of natural light in the workplace

Detailed analysis on the economic value of natural light in the commercial office space is limited. However, there is some evidence/research to impact upon rents and the positive impact on human wellbeing in particular, increased productivity, decreased stress, improved health, and higher employee satisfaction which increases economic performance and output.

The following provides a summary of the economic benefits that providing adequate access to natural light has upon the economic productivity of the workplace.

Increased rent: A study sampled 5,154 office spaces in Manhattan. Combining an urban daylight simulation with a hedonic valuation model, the study determined the marginal value of daylight in offices. Holding all other factors constant, the study found that occupied spaces with access to high amounts of daylight paid a 5–6% value premium on rent when compared to occupied spaces with low amounts of daylight.¹²

Increased health and associated productivity benefits: A study conducted by Northwestern Medicine and the University of Illinois concluded that workers exposed to natural light sleep longer and better than those who aren't exposed to natural light. Those working next to windows receive 176% more white light exposure than their non-window co-workers. This increased access to natural light translated to 46 minutes of extra sleep¹³.

A 2011 study at the University of Oregon found that those who had nice views of the outside and received a decent amount of sunlight took 6.5% less sick leave than others. Furthermore, a study at Cornell University showed workers exposed to natural light experienced an 84% reduction in health-related issues such as headaches, eyestrain, and blurred vision.

Increased sleep and health benefits associated with access to natural light increases workplace positivity and revenue. In fact, Dr. Alan Hedge, who undertook the Cornell University study, suggested that a mere 2% increase in productivity is the “*equivalent of an additional \$100,000 of annual value for every 100 workers*” earning an average yearly salary of \$50,000¹⁴.

Pacific Gas & Electric undertook a study to determine that benefits of natural light via sky lights on store revenue. The study performed the study on stores that were identical (such as geographic area and layout), the only significant difference was some stores had sky lights while the others did not. The study concluded that stores with skylights had a 40% higher volume in sales¹⁵.

This research highlights the health, productivity and economic benefits that increasing the amount and access to natural light has upon commercial workers and businesses. The proposed amendments to the DCP would increase the amount of light and subsequent amenity of North Sydney CBD. This would, in turn, contribute to increased economic output of North Sydney CBD while also likely increasing the potential rental yield of landlords.

¹² The value of daylight in office spaces, Building and Environment January 2020

¹³ Natural Light in the Workplace Increases Health, Northwestern Medicine August 2014

¹⁴ Lighting the Computerized Office, Alan Hedge Cornell University

¹⁵ Skylighting and Retail Sales - An Investigation into the Relationship Between Daylighting and Human Performance, George Loisos Pacific Gas and Electric Company 1999

4.0 PROPOSED TOWER SETBACK IMPLICATIONS

The following section assesses the likely impacts of the proposed draft tower setback controls upon the study area's future capacity, ability to attain its employment targets and to provide premium and A-grade floor plates.

4.1 Implications on North Sydney CBD's floorspace capacity – sites over 1,000sqm

Building on previous studies, HillPDA undertook a capacity assessment of the study area to estimate the impact the proposed amendment to the DCP may have on North Sydney's future capacity.

The analysis considered the following:

- Constraints (Heritage)
- Recently developed/DA approved, State significant
- Developable sites over 1,000sqm (the time the analysis was undertaken)
- Excludes sites under 1,000sqm (the time the analysis was undertaken)
- Existing podium setbacks
- Existing above podium setbacks
- Side setbacks between buildings (0m, 3m, 6m).

As seen in Figure 8:

- The green lots identified show sites larger than 1,000sqm with no constraints to development.
- The red hatched are those DA approved or under construction
- The yellow buildings highlight sites that have been built or renovated after 2010 and hence would be unlikely sites for redevelopment.
- Sites hatched in pink are constrained by heritage items.

Please note that for the purposes of this exercise, potential amalgamation of sites to achieve a development site of 1,000sqm or over have not been considered or included.

Figure 8: Redevelopment potential of North Sydney CBD



Source: HillPDA, 2022

4.1.1 Assumptions and development scenarios

HillPDA only assessed the development potential of sites over 1,000sqm in size as these are impacted by the proposed tower setback amendment to the DCP.

The net increase in floorspace for sites with an approved development application and State Significant Sties was added to the theoretical capacity under each development scenario.

In modelling and calculating the estimated impact in floorspace, the modelling included assumptions including:

- Floor to floor level of 3.75 metres. HillPDA's case study analysis indicated a range of floor-to-floor heights with utility levels often requiring larger heights. For the purpose of this assessment, we have adopted a 3.75 metre assumption as a rule of thumb in our modelling.
- GBA to GFA efficiency - Typically, GBA to GFA efficiencies vary depending on building requirements and HillPDA has observed typical efficiency of 90%. In the analysis of recent development applications, we have found an efficiency as low as 75% when factoring in the allowance of plant and equipment for GBA to GFA efficiencies of the entire building. We have adopted a conservative GBA to GFA efficiency of 75% for the purpose of the modelling.
- GFA to NLA efficiency - We have adopted a GFA to NLA efficiency of 85% for the purposes of this study.
- Existing building areas have been sourced from Geoscape which provide building footprints and estimated number of levels.

The two development scenarios tested were:

- **Scenario 1 | 3 metre tower setback controls:** tested the theoretical capacity for sites over 1,000sqm which have redevelopment potential. The scenario applies current DCP controls (podium height controls, street setbacks and maximum height) and a 3 metre between building separation control.
- **Scenario 2 | 6 metre tower setback controls:** tested the theoretical capacity for sites over 1,000sqm which have redevelopment potential. The scenario applies current DCP controls (podium height controls, street setbacks and maximum height) and a 6 metre between building separation control.

4.1.2 Maximum hypothetical capacity by development scenario

Applying the above assumptions and methodology, 34 potential development sites with a site area 1,000sqm were tested. The resulting hypothetical maximum development potential under each scenario for the 34 sites combined were as follows:

- **Scenario 1 | 3 metre tower setback controls:** resulted in a maximum development potential of around 1.53 million square metres of GFA. This was a net increase of around 904,816sqm of GFA.
- **Scenario 2 | 6 metre tower setback controls:** resulted in a maximum development potential of around 1.34 million square metres of GFA. This was a net increase of around 722,600sqm of GFA.

The overall difference in maximum development potential between the two tower setback scenarios is a reduction of around 184,210sqm GFA or 12%.

The following tables provides a summary of the net additional floorspace capacity under each of the tested scenarios.

Table 14: Net additional capacity summary table by development scenario (sqm)

	Scenario 1	Scenario 2
Net uplift in capacity floorspace (GFA)	904,816	722,604

4.1.3 Approved development applications

It is noted that there are currently four developments over 1,000sqm within the study which have approval. Combined these developments have the potential to increase commercial floorspace within the study are by around 82,410sqm.

Table 15: Study area sites with approved development applications (sqm)

	Existing GFA	Proposed GFA	Net change
Victoria Cross Sydney Metro Station (SSD)	15,000	60,000	45,000
2-4 Blue Street & 1-5 William Street	2,728	15,246	12,518
86-88 Walker Street	3,522	5,411	1,888
63-83 Walker Street	10,000	33,004	23,004
Total			82,410

4.3 Average floorplate size implications

Our modelling suggests that the average floorplate size achievable across the 34 sites assessed under Scenario 1 (3 metre tower setback controls) is around 877sqm NLA. This is compared to an average floorplate of around 777sqm NLA under Scenario 2 (6 metre tower setback controls).

As such, the implication of the proposed setback controls on the average floorplate size is a reduction of around 100sqm NLA or 11%.

This analysis also highlights that even under the current DCP controls and development practices being experienced in North Sydney CBD amalgamations are frequently required to achieve floor plates of 1,000sqm NLA and over.

The proposed tower setback controls would only like encourage increased rates of site consolidation which is already occurring across the CBD.

Table 16: Average floorplate size implications

	A	B	C = B-A	D = C/A
	Scenario 1	Scenario 2	Difference (sqm)	Difference (%)
Average floorplate (NLA)	877sqm	777sqm	-101sqm	-11%

4.4 Employment target implications

The following assesses if the proposed amendments would affect the ability of the CBD to attain employment target's set out in the North District Plan.

The North District Plan sets a low and high employment target for the North Sydney CBD of 15,600 to 21,000 additional jobs between 2016-36. However, as seen in Figure 9 in Appendix A, the area defined as North Sydney CBD in the North District Plan extends further than this study's study area. As such, estimating the impact of the proposed amendments on the North Districts Plans total employment targets would be an overestimate.

4.4.1 Employment growth within the study area

To estimate the net amount accommodated within this study's study area two scenarios were developed. The scenarios were based on ABS 2016 journey to work data at the ANZSIC 1-digit level and Destination Zone level. The scenario applied to the low and high estimates are detailed below:

- **Low target scenario** | Using ABS 2016 journey to work data at the ANZSIC 1-digit level and Destination Zone level it was found that 87.2% of employment within the wider North District Plan's North Sydney CBD boundary were located in the study area. This was applied to the low targets net increase.
- **High target scenario** | applied a slightly higher proportion ratio of 90% to the high target to reflect the greater locational preference of the study areas CBD location.

Using this methodology, it is estimated that of the total net employment target set out in the North District Plan between 13,598 and 18,990 jobs are estimated to be accommodated in the study area between 2016-36. This elutes to an average growth of around 680 to 950 jobs per annum.

This average annual increase implies that over the 2022-2036 period, the study area would accommodate between an estimated 9,519 to 13,293 additional jobs. This 2022-36 target forms the basis of our assessment on the capacity of the study area to reach its employment targets.

Table 17: North District Plan and study area net employment targets

Locality and period	Low	High
Net employment change 2016-36		
North Sydney CBD	15,600	21,100
Study area (commercial core)	13,598	18,990
Net employment change 2022-36		
North Sydney CBD	10,920	14,770
Study area (commercial core)	9,519	13,293

Source: North District Plan and HillPDA

The next step is to estimate the amount of commercial office workers and non-commercial works that comprise the low and high targets. To estimate this, two methodologies were developed, these are detailed below:

- **Low target scenario** | Using ABS 2016 journey to work data at the ANZSIC 1-digit level and Destination Zone level it was found that around 65% of workers in the study area were within knowledge intensive industries as defined by the Greater City Commission. This proportion was applied to the low target. The remaining employment was attributed to non-commercial works such as health and retail.
- **High target scenario** | applied a slightly higher proportion of 70% to the target to estimate knowledge intensive or commercial office workers. this higher proportion was applied to reflect changing employment preferences i.e a shift towards knowledge intensive jobs and the study areas commercial core status. The remaining employment was attributed to non-commercial works such as health and retail.

Using this methodology, it was estimated that:

- Of the low targets 9,519 additional jobs around 6,187 are estimated to be commercial office workers and 3,332 are non-commercial workers.
- Of the high targets 13,293 additional jobs around 9,305 are estimated to be commercial office workers and 3,998 are non-commercial workers.

4.4.2 Additional floorspace required to accommodate employment targets

Employment is translated into floorspace requirements by applying industry standard employment densities, that is, the amount of floorspace required per employee. For this assessment, we have assumed an average gross floor area (GFA) provision per commercial office worker of 17.6sqm/worker (based of 15sqm net leasable area per worker and 85% efficiency) and 40sqm GFA per worker for non-commercial workers.

Table 18: Study area employment targets and floorspace demand 2022-36

Category	Low	High
Net commercial employment	6,187	9,305
Net non-commercial employment	3,332	3,988
Total net employment	9,519	13,293
Net commercial space demand (GFA/sqm)	108,891	163,768
Net non-commercial space (GFA/sqm)	133,280	159,520
Total net space demand (GFA/sqm)	242,171	323,288

Source: HillPDA

Using this methodology, it is estimated that the study area would need to accommodate between 242,170sqm and 323,290sqm of additional GFA over the next 14 years (2022-36) to reach its employment targets. This equates to an annual provision of between 17,300sqm to 23,100sqm over the 14 years.

4.4.4 North Sydney CBD GAP analysis

Section 4.1 estimated that 34 sites over 1,000sqm had the potential for redevelopment. If these sites were redeveloped to proposed tower setback amendment control of 6 metres an additional 722,600sqm of GFA could be accommodated in North Sydney CBD.

This alone is sufficient to accommodate the low and high employment targets identified in the North District Plan with a surplus in supply of between 400,000sqm and 480,430sqm in GFA. It must be noted that this high-level capacity assessment does not consider:

1. The potential redevelopment sites of less than 1,000sqm.
2. The current development pipeline.
3. The take up of vacant space within other commercial building. Currently, North Sydney has an overall vacancy rate of 16.6% equating to an estimated 153,184sqm of commercial space across the CBD.

The incentivisation and amalgamation of smaller sites, realisation of the current development pipeline and take-up of vacant space would increase the capacity of North Sydney above what is identified in this assessment.

Therefore, it is concluded that the proposed amendment to the DCP would not have an impact on the theoretical potential of North Sydney CBD to attain and accommodate its 2036 employment targets.

Table 19: North Sydney CBD capacity to accommodate employment target demand

Column		Low	High
A	Net employment space demand	242,171	323,288
B	Net redevelopment net capacity (1,000sqm sites)	722,604	722,604
C (B-A)	GAP	480,432	399,316

Source: HillPDA – GAP (negative number indicates a deficit in capacity while positive indicates a surplus in capacity)

It must also be noted that Savills estimated that in Section 3.1.2 Savills estimated that North Sydney CBD has between 188,000sqm to 283,890sqm of office floorspace currently in the pipeline and is due for completion over the next three to five plus years. This space alone is equivalent to around 11 to 16 years of supply under the low demand scenario and eight to 12 years supply under the high demand scenario.

5.0 INDUSTRY CONSULTATION

Savills reviewed the proposed changes to the North Sydney DCP and conducted interviews with a range of organisations that have been actively involved in new office developments and office refurbishments in North Sydney. With occupiers our focus was on better understanding what attracted their organisation to North Sydney, their requirements, and their future plans. With other stakeholders we discussed both their view of tenant requirements and their view on the expected impact of the proposed changes to the DCP.

This included architects (x5), town planners (x2), developers and building owners (x4), major tenants (x5) and leasing agents and tenant representatives (x5).

Additionally, Savills reviewed some of the submissions to the DCP and reviewed the results of previous surveys of occupiers in North Sydney. We also contacted the 15 largest office occupiers in North Sydney and the PCA to add any further comments on the proposed DCP and have sought to provide a comment on several questions discussed with North Sydney Council.

Please note that, the following Chapter's analysis, discussion and conclusion have been compiled and provided by Savills. The Chapter has been used to understand perceived implications of the proposed amendment form the industry.

5.1 Optimal floor plates

The feedback from the major occupiers was the ideal office floor plate is around 1,200 - 1,800sqm and is an efficient floorplate . This allows them to co-locate teams and maximise interactions. Good natural light, a regular floor plate shape and good connectivity within and between floors were also raised as being important.

One major occupier stated, “when considering office space requirements and floor plates business ask themselves how many floors we are prepared to be fragmented over, and what is the most efficient number of floors you can connect by staircase”.

Another noted “the shape and size of the floor plate, and location of building core, all inform whether a space is suitable for occupation, this also influences the length of lease we a prepared to take”. A similar theme was evident with another occupier stating “when deciding to take up space you need regular shaped floor plates, irregularity is not great”

One major occupier stated, “when considering office space requirements and floor plates business ask themselves how many floors we are prepared to be fragmented over, and what is the most efficient number of floors you can connect by staircase”.

Another noted “the shape and size of the floor plate, and location of building core, all inform whether a space is suitable for occupation, this also influences the length of lease we a prepared to take”. A similar theme was evident with another occupier stating “when deciding to take up space you need regular shaped floor plates, irregularity is not great”

Our discussions with leasing agents and tenant representatives found they felt large occupiers in North Sydney generally look to secure contiguous and connected floors and generally seek efficient, high-quality floor plates with a good line of sight across the floor that are easily adjustable for future changes such as contraction of space. The more of these qualities exhibited the longer the lease term the occupier can consider. As the lease term is a major contributor in determining the market yield, all other things remaining equal the longer the lease, the sharper the capitalisation rate, equating to higher property values. Both agents and tenants noted occupiers will typically consider a range of markets, generally within 5-10kms from their current site, to find a building with a floor plate which is large enough to meet their needs.

All architects (x5) and town planners (x2) reported they believed the ‘ideal’ floor plate was over 1,000sqm and Ethos Urban quoted statistics from several submissions they prepared on behalf of developers to support their position. While the architects and town planners overwhelmingly believed that the current DCP controls needed to change to protect the amenity of North Sydney, most believed more flexibility and/or an outcomes based approach (i.e., specifying the outcomes for sky views and harbour views, pedestrian amenity, solar access etc. which they could develop a design around) to the proposed DCP could facilitate a better design response – achieving closer to the desired floor plates and better protecting the amenity of North Sydney. Around half of the architects believed the proposed DCP changes would negatively impact office development activity by negatively impacting development feasibility, while the others didn't have an opinion on the potential impact on financial feasibility.

Several developers and architects noted having a regular shaped floor plate also permits efficient subdivision maximizing the opportunity for floor to be taken up by large occupiers and/or smaller occupiers. As noted in various submissions office developers / owners believe the optimal floor plate is one that meets the minimum standard for an A Grade office and/or Premium Grade office. As noted earlier while it is possible to classify an office as A Grade with a smaller floor plate, these are the minority, and argued the proposed DCP amendment would significantly impact commercial development activity, due to a reduction in achievable Net Lettable Area (NLA) and reduced floor plates.

The feedback from the leasing agents and developers is there can demand from smaller occupiers (less than 500sqm), and a range of SMEs have been leasing office space in the Sydney CBD. However, they feel it is unlikely that the creation of smaller spaces would lead to the creation of viable 'niche'.

Table 20: Feedback from major occupiers on floor plate requirements

Tenant	Current area leased	Existing floor plates (sqm)	Floor plate comments
Cisco (177 Pacific Highway)	c. 9,500sqm	1,300sqm - 1,500sqm	The ideal floor plate is at least 1,600sqm -- 1,700sqm and is up to 2,000sqm
Coca Cola (140 Mount)	c. 8,787sqm	1,357sqm	The ideal floor plate is at least 1,500sqm. Noted that with floor plates above 2,000sqm can lose connectivity between people on the floor.
WPP (65 Berry)	10,103sqm	854 sqm	The ideal floor plate is 1,500sqm - 2,000sqm. Noted that floors below 1,000sqm are not efficient and it means the organisation would need to be spread over too many floors, but also greater than 2,000sqm is generally too big.
Nine (1 Denison)	24,500sqm	1,959sqm- 2,548sqm	The ideal floor plate is 1,950sqm - 2,550sqm. Nine noted that while they have a bespoke floor plate and building services requirements that without floor plates of this size, Nine would not have relocated to North Sydney.

Key observation - floor plates:

- Large occupiers report that their ideal office floor plates is between 1,200sqm and 1,800sqm, which is consistent with the findings of the office market review.
- This size floor plates not only service large anchor tenants but allows for more efficient subdivision to cater for the smaller tenant in effect servicing the entire market.
- While the size of the floor plate is key for large tenants, the shape and connectivity within and between floors is also important.
- While the architects and town planners overwhelmingly believed that the current DCP controls needed to change to protect the amenity of North Sydney, a vast majority believed more flexibility and/or a different approach to the proposed DCP could facilitate a better design response – achieving closer to the desired floor plates and better protecting the amenity of North Sydney.

5.2 The role of the Property Council of Australia Guide to Office Building Quality

The Guide to Office Building Quality published by the Property Council Australia (PCA) provides guidelines for assessing office building quality in new and existing buildings.

The guide is a voluntary market based approach to classify Australian Office Building's based on parameters and criteria that typically influence perceptions of building quality held by occupants and investors.

The building grade as outlined by the PCA always accompanies any published description of a property, whether it be within a valuation report provided each year to a bank, annual reports and in all advertisements for sale and lease. This is due to the classification system being accepted and understood by the market participants as it provides a summary of the characteristics of the property and informs incoming occupiers broadly to asking rents, outgoings and applicable capitalisation rates.

Savills acknowledges that within Council's DCP amendment that the "PCA's criteria is voluntary and "is not an assessable criterion in the development application process". However, the PCA guidelines and criteria are an accepted industry standard and a widely

recognised and adopted by occupiers, developers and Real Estate Investment Trusts (REITs).

The feedback from five major occupiers in North Sydney indicated that rather than specifically seeking an A Grade or Premium Grade building, they compared buildings that meet their specific requirements. While the majority of requirements were consistent with the key features in the PCA definition of an A-Grade office building most had other specific requirements or extra ways to evaluate and compare buildings. Overall, the Guide to Office Quality was not as important for occupiers as it is for owners and developers.

Developers and owners noted there are several reasons why being able to classify a new asset as an A-Grade or Premium Grade office building is critically important, particularly as these gradings heavily influence pricing of office assets including rents and capital values. Developers and owners also noted the PCA Guide differentiates buildings based on their Green Star and NABERS Rating (which covers water and energy use, indoor environment quality and climate change adaptations). Higher environmental standards are expected of the Premium and A Grade Buildings and these standards are typically rewarded with higher rents and firmer capitalisation rates, translating to more valuable real estate assets. As such, developers and leasing agents noted there is a strengthening relationship between the adoption of the characteristics in the PCA Guide and Environmental, Social and Governance (ESG) principles.

Most of the office buildings in North Sydney are owned by REIT's, large corporate enterprises and high net worth individuals. Most of these large landowners have embarked on sustainability journeys and the large institutions have adopted on Sustainability Policies with set mandates. Not only do their shareholders demand good corporate sustainable governance, but their employees do and it's becoming a factor in staff retention and tenant attraction. Further, increasingly large corporate occupiers are accountable for their ESG actions. Employees want to occupy buildings with good sustainability credentials such as Green star and NABERS ratings and increasingly Boards and Investment Committees are also demanding it.

Anecdotally, Savills is aware of an Institutional real estate finance team within a major bank in Australia has been asked to provide the PCA classification of all office assets on its balance sheet, to in essence report their ESG credentials to their Board. Further, we know

of a landlord in Sydney CBD who had recently shortlisted two occupiers, for vacant space and choose the occupier with the best sustainability credentials.

Savills United Kingdom noted “for real estate investors ESG has moved front and centre in due diligence and is considered intrinsically linked with resilience”. Feedback from the majority of leasing teams is that office and office investors will increasingly gravitate to best-in-class buildings, offering leading environmental performance, digital connectivity and employee experience”.

Key observation – PCA Guide to quality

- Developers and leasing agents note that while the PCA Guide to Office Quality is voluntary it is broadly adopted document and ensuring a building can be classified as an A Grade Building and location are the primary factors in the amount of rent and perceived attractiveness of the building.
- Developers and leasing agents also note the expectation is an A Grade office building will meet the overwhelming majority of A Grade criteria including floor plates. While it is possible to classify a building as an A Grade office building with smaller floor plates developers and owners indicate this occurs in a small minority of assets.
- Developers and leasing agents seek to develop A Grade and Premium Grade office buildings for a range of reasons including an increasing emphasis being placed on achieving ESG targets and goals. Some developers suggested reducing the floor plate size, which can reduce rental revenue, is likely to make it harder for developers to achieve pursue more aspirational ESG targets which typically have an upfront cost and medium term pay-back.
- Leasing agents believe to remain competitive with other CBD’s the quality of stock available needs to be commensurate with competing CBD’s.
- Occupiers and investors in the North Sydney market acknowledge the need to strike a balance between development and preserving the overall character and amenity of North Sydney, the market sounding revealed all parties felt strongly about achieving an appropriate balance.

¹⁶ <https://www.commercialrealestate.com.au/news/workplace-of-the-future-stockland-plans-1-3b-tower-1021407/>

5.3 The opportunity for additional site amalgamation to support new office development

It is often necessary to amalgamate sites to pursue a new office development, however most developers report that site amalgamation is expensive and time consuming and becomes more time consuming with the more sites that need to be purchased. At times some owners also buy adjoining sites to protect the owner’s existing property, so views cannot be obstructed by a new construction and to put sites together to create bigger and better buildings in the future.

There are some examples of substantial site amalgamations in North Sydney. For 63-83 Walker Street, Thirdi Group and Coulombis Property Group acquired 31 lots from 21 owners across two freehold and two strata buildings. This process took years to achieve and was facilitated by a local agent who had a long standing relationship with the previous building owners. The real estate agent involved in this transaction reported site amalgamation on this scale would not be easily undertaken in the current market due to rising property values. Other examples of site amalgamations for an office building include Stockland’s 2019 acquisition of two office buildings at 118 Walker Street and 122 Walker Street reported¹⁶ to be for \$121 million, adjacent to its existing office building at 110 Walker Street. Thirdi, with the support of a local property agent amalgamated 40 apartments across five apartment blocks under strata renewal laws to put together a 2326sqm office development site at 2-4 Blue Street and 1-5 William Street. The deal took more than a year to execute and comprises three apartment blocks that were company-titled, while the other two were strata-titled.

Agents report that needing to amalgamate multiple sites typically results in the purchaser paying a “premium” to market value as each individual owner knows they can hold out and command “top dollar” knowing that their suite is a critical piece in completing the development.

The developers interviewed by Savills noted they expect it would be necessary to amalgamate more sites to secure a site large enough to meet the set-back controls in the proposed DCP and deliver large floor plates required for A Grade and Premium Grade buildings. The developers report this means development will be more expensive and

slower than under the current controls. As such, it will be less financially feasible to progress planned or new office developments.

Some Local Environmental Plans and Development Control Plans include benefits for securing a larger site / for amalgamating sites to secure a larger site. For example, the Parramatta CBD Strategy has a sliding scale floorspace ratio, so higher FSRs can be delivered on larger sites.

The City of Sydney LEP includes two provisions which encourage site amalgamation.

4. In tower cluster areas (clause 6.21E of the LEP) a site over 2,000sqm is eligible for up to 50% extra FSR if the design demonstrates design excellence and does not exceed the sun access plane controls, overshadowing controls and view plane controls.
5. A building can only be over 55 metres if the site is over 1,000sqm (see clause 6.16). It is noted if a site is over 55 metres in Central Sydney then it triggers a design competition under clause 6.21D, which allows for up to 10% extra FSR or height.

The architects interviewed, reported that while better design outcomes could be achieved on some sites through site amalgamation, in their experience on developments it is not always commercially viable, particularly in CBD's like North Sydney with high levels of strata ownership which in essence creates a larger pool of the vendors to negotiate with.

Developers and investors also reported it is becoming increasingly difficult to allocate funds for an undefined time and outcome to amalgamate sites. It may not be practical nor possible to invest funds for several years to purchase multiple sites to then go on spend 2-5 years in planning and construction. This time horizon sits outside the parameters of most investment committees, in terms of seeking a return for the capital allocation.

Key observation – site amalgamation

- Site amalgamations are often required to progress new office developments, including in North Sydney, but become more time consuming and expensive as more sites need to be acquired.
- Planning instruments can include clauses that provide specific benefits for securing a large site and these can encourage amalgamation, without providing specific benefits (such as increased heights and/or FSRs) from having a larger site

the development industry notes that new increased set-back controls are a cost and would make it less financially feasible to pursue new office development.

- Investment committees, risk departments and boards won't allow capital to be held for years to simply amalgamate sites.
- Site amalgamation becomes increasingly difficult depending on the number of site or lots that require amalgamation.

5.4 Impacts to the long term resilience and competitiveness of the North Sydney market impacts

The following comprises statements made by landowners to the Savills team as part of the market sounding exercise as to the perceived impacts to changes to the DCP.

"If large floor plates cannot be found, occupiers will look to competing CBD's for their needs to limit the amount of fragmentation of this workforce over numerous floors".

"The development of the Sydney Metro and the surrounding development has revitalised North Sydney and we would like to see that momentum continue; however, we believe the introduction of the DCP setbacks threatens significant investments in North Sydney"

"North Sydney has the potential to compete with the Sydney CBD and other markets including Macquarie Park, and Parramatta and can attract major tenants with the right built-form amenity due to the solid attributes of North Sydney. The market can leverage its value proposition as offering premium and A-grade floorspace at a substantial discount to the Sydney CBD – aligned to the 'flight to quality' trend that has been emphasised further during the pandemic. To achieve this, North Sydney needs a greater quantity of prime grade stock in the future at sites that can achieve larger floor plates that will be competitive and attractive to key occupiers. The proposed setback controls will directly restrict this potential. Securing major tenants will be critical to the success of North Sydney in the longer term. This means providing quality developments with amenities that can attract tenants that are larger than 5,000sqm-10,000sqm."

As discussed previously most of the office buildings in North Sydney are owned by REIT's, large corporate enterprises and high net worth individuals. These assets are purchased on the basis of their ongoing earning potential and future capital gain "As Is" or as a development opportunity.

The purchase price for a development site is deduced by assessing the planning controls at the time and determining the built form / amount of office space that can be developed along with thorough assessment of all costs and revenues to determine the property value at completion of construction.

The amount that a developer will pay for a site is a function of the difference between the revenue expected from the development and the costs of the development (including profit). This feasibility exercise is carried out prior to purchasing the asset and the total amount of lettable/saleable area is one of the most critical factors in determining the purchase price offered. Any changes to the variables adopted can have significant impacts to returns whether that be an increase in construction costs or changing setbacks, reducing the floor plates and net lettable area and therefore reducing cashflow.

As such, the introduction of the proposed DCP controls could threaten the viability of mooted projects and place long term investment in North Sydney at risk, unless Council is confident that there will be an offsetting increase in rent or faster tenant take-up when the DCP is introduced.

On the whole real estate agents also believe the DCP changes will negatively impact office development in North Sydney rather than the creation of niche boutique accommodation.

Key observation

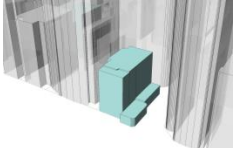
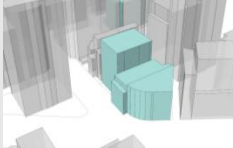
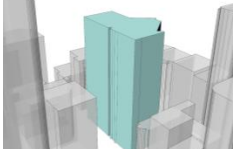
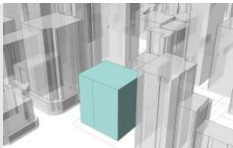
- As the proposed DCP changes are expected to reduce the amount of development capacity, this could result in slower and less development activity in the North Sydney Market, unless equally offset by increases in rents and take-up. Further, purchasers become less willing and able to buy properties to develop where there is no certainty at the time of purchase as to the longer term potential or development outcomes associated with the property.
- All stakeholders, particularly the architects, conclude consideration must be required to items such as natural light but suggest the controls could be more site specific or to allow the design to show how the development achieves the desired outcomes (sky views, harbour views, pedestrian amenity, solar access etc).
- Incoming developers and investors overwhelmingly want to build larger floor plate office building which is more efficient to construct and caters for the large tenants and smaller occupiers, thereby catering for the whole of the occupier market.

- All market participants interviewed wish to see the continued evolution of the North Sydney CBD and believe a balance can be struck between development requirements and maintaining light, amenity, and views. After all, these factors are all key drivers in determining the value of the property whether it be a product of the rents that are achievable or the end value. Therefore, each participant has a vested interest in achieving a balance between amenity and maximising the valuation proposition.

6.0 COMMERCIAL FEASIBILITY ANALYSIS

The following section details the results and findings of feasibility analysis undertaken to determine the implication that the proposed 6 metre tower setback controls would have on the viability of commercial development in North Sydney CBD. The modelling scenarios were derived from floorspace modelling undertaken across four hypothetical test sites across North Sydney CBD.

The test sites were selected in consultation with North Sydney Council with the reason(s) and characteristics for their selection outlined in the following table.

Image	Description	Reasons for site selection
1 	Small corner site with one building separation boundary	Corner site, Harbour views, Single consolidated site, H.O.B 23 amendment changes
2 	Large amalgamated corner site with one building separation boundary	Inner city location, Assumed amalgamation of three lots, Potential harbour views
3 	Large midblock site with two building separation boundaries	Large single site, adjoining to two existing buildings, therefore 6m setbacks are applicable to two sides
4 	Small corner site with two building separation boundaries	Single large, consolidated site with 7 metre podium setbacks. Site adjoins two existing buildings therefore 6m setbacks are applicable to two sides

Source: HillPDA, 2022

6.1 Floorspace analysis

In analysing the implications of the proposed tower setback controls on floorspace and feasibility, we note that the primary factors that define the magnitude of the potential “impact” of the proposed tower setback controls are the size/geometry of the lot, number of building separation boundaries and distance of the setback. As a result, site typology is a critical step and depending on individual site conditions the extent of the impact may vary.

To understand the potential impacts that the proposed tower setback controls may have upon development viability in North Sydney CBD, we have nominated four common site typologies characteristic of potential development sites in North CBD for analysis. These typologies being:

- **Typology 1** – typology one is a small corner site with two main road frontages and one laneway frontage. There is one adjoining lot to the rear boundary in which the 6-metre building setback would apply.
- **Typology 2** – typology two investigates the amalgamation of three lots, forming one large lot with two street frontages and one adjoining lot in which the 6-metre setback applies. If these sites were treated as separate development sites, the 6-metre setback would apply to each of the middle boundaries between lots resulting in a much lower achieved tower floorspace.
- **Typology 3** – typology three is a middle block with one main road on one side and a smaller laneway on the opposite side. The remaining two boundaries adjoin neighbouring lots meaning the setback controls are applicable to two sides.
- **Typology 4** – Typology four is a large corner site with two adjoining lots. The remaining two boundaries have a frontage to two main roads.

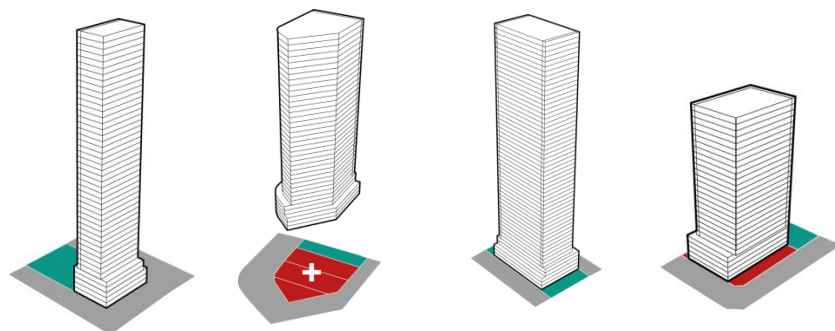
The size of a lot defines the proportional impact a tower setback control boundary depth may have on the amount of floorspace achievable. A small narrow site, say with a width of 20m and dual tower setback boundaries may result in insufficient width to achieve usable tower floorplates. In this case, it is likely that development would be podium only. These smaller sites would need to be amalgamated to achieve a viable floorplate.

In the case of lot amalgamation, the number of tower setback boundaries can be minimised. For example, with a three-lot amalgamation site the adjoining two tower setback boundaries in the middle, requiring a total setback of 12 metres (6 metres for each site under the proposed tower setback controls), is no longer required, significantly improving the amount of floorspace achievable.

The number of tower setback boundaries on a site is associated to the amount of potential floorspace achieved on the site. Table 19 illustrates these typologies and site characteristics which determine the relative setback implications.

Table 21: Selected site for impact testing

Typology 1	Typology 2	Typology 3	Typology 4
Small site 1 setback boundary	Large site 1 setback boundary	Large midblock with 2 setback boundaries	Large corner site with 2 setback boundaries
1,251sqm	2,464sqm	2,992sqm	2,589sqm



Small corner site with one building separation boundary	Large amalgamated corner site with one building separation boundary	Large midblock site with two building separation boundaries	Large corner site with two building separation boundaries
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Source: HillPDA, 2022 *red indicates lots amalgamated in typology type and teal indicates an adjoining building boundary

6.1.1 Achievable gross floor area (GFA) by site typology

The section summarises the floorspace implications resulting from the proposed 6m tower setback controls. This is compared to current development trends in the CBD with regards to tower setbacks. Council has advised that although the current DCP does not nominate a tower setback number it does state that such setbacks are required. Currently the industry is providing an average of 3 metre tower setbacks. As such, a 3 metre tower setback has been assessed against the proposed 6 metre tower setback scenario. This is to provide a comparison and better understand the impact that the proposed 6 metre tower setback would have upon development feasibility.

The four sites selected in consultation with Council's project team cover the four typologies outlined in Table 20.

For each typology, the two tower setback control scenarios (3m and 6m) were applied with the aim of understanding the implication on the amount of floorspace that could be achieved. The results of the 6m tower setback control when compared to the 3m tower setback control are as follows:

- Typology 1, the small site with one tower setback boundary, had a 11.6% reduction in floorspace achieved. This was the greatest reduction in floorspace across the four typologies.
- Typology 2, the large site with only one adjoining tower setback boundary, had a 5.4% reduction in GFA. This was the lowest reduction in floorspace across the four typologies.
- Typology 3, the large midblock with two tower setback boundaries had a moderately reduction in achievable floorspace estimated 8.5% in GFA.
- Typology 4, the large corner site with two tower setback boundaries, had a 11.1% reduction in floorspace achieved.

The results illustrate the magnitude that the proposed 6 metre tower setback has upon the amount of floorspace achieved, when compared to the 3 metre tower setback scenario, is a reduction of between approximately 5% and 12%.

Table 22: Case study sites floorspace GFA (sqm)

Typology	Site area sqm	GFA sqm with 3m tower setbacks	GFA sqm with 6m tower setbacks	Floorspace difference	% change in GFA
1	1,251	29,368	25,952	-3,416	-11.6%
2	2,464	49,762	47,063	-2,699	-5.4%
3	2,992	94,122	86,103	-8,019	-8.5%
4	2,589	39,924	35,498	-4,426	-11.1%

Source: HillPDA, 2022

6.1.2 Tower floorplate GFA impact

Error! Not a valid bookmark self-reference. shows the floorspace implications that the two tower setback scenarios have upon floorplate achieved in the tower levels (excluding the podium floorspace). Larger sites with the capacity to achieve larger floorplates are less adversely impacted than smaller sites. Additionally, sites with multiple tower setback boundaries are more greatly affected by the setback controls.

Tower setback controls do not apply to podium levels or sites less than 1,000sqm. The built form testing shows floorspace achievable under the 6m tower setback compared to that otherwise achievable under the 3m tower setback scenario.

The floorspace difference was taken as a percentage of the overall building area. The proportional (%) impact to tower levels is greater than that of the total GFA as the setbacks only apply to above podium levels. The podium setbacks are dependent on site and frontage to street as outlined in the DCP controls and therefore vary by site and situation within the CBD.

Table 23: Case study sites average tower floor plate sizes (sqm)

Typology	Case study	3m tower setback floorplate	6m tower setback floorplate	Floorspace difference between 3m and 6m *	% Difference
1	Small site 1 setback boundary	575	493	-82	-14%
2	Large site 1 setback boundary	1,199	1,120	-79	-6.5%
3	Large midblock with 2 setback boundaries	1,514	1,369	-145	-9.5%
4	Large corner site with 2 setback boundaries	1,279	1,102	-177	-13.8%

Source: HillPDA, 2022

*Difference in floorspace per tower level. Note that these are above podium levels only as proposed controls do not apply to the podium levels.

6.2 Feasibility assumptions

Financial modelling objective

To test the financial implications of the proposed tower setback amendments, we have set up a hypothetical development feasibility model that we believe is representative of the North Sydney office market. For our modelling it is assumed the hypothetical development has a substantial tenant precommitment (70% of GFA). The incentives we have adopted reflect standard market conditions (not current post Covid market). The target IRR adopted assumes an end take out based on the substantial tenant precommitment. Purchase price is based on analysis of development site sales. Our assumptions are detailed below.

Development site sales

Our analysis of property sales in recent years suggest development sites trade at residual land value equivalent to around **\$4,000/sqm** of permissible GFA. There are some exceptions. The commercial building at 70-74 Berry Street (substation) traded at a higher **\$4,809/sqm** of permissible GFA. This is a small site opposite Victoria Cross OSD. The major outlier development site sale was 2 Blue Street which traded at a premium of **11,000/sqm** of permissible GFA. This is a boutique office development sold to a Singaporean REIT at a premium price of \$320m (\$21,333/sqm of NLA capital value). Early development site sales have traded between \$1,500 - \$1,836/sqm of permissible GFA. Our feasibility testing supports the \$3,600 - \$4,000/sqm of permissible GFA as a viable rate.

Strata sales

Analysis of strata sales and capital investment sales indicates a capital range of \$9,000 to \$15,000/sqm of NLA for B-Grade stock while A-Grade was higher at \$15,000 to \$17,000/sqm of NLA. Premium stock forecast to be built in 2023/4 are projecting capital value of \$20,000 to \$24,000/sqm of NLA.

Hurdle rates

To undertake the feasibility modelling, we have used the proprietary software Estate Master, an industry standard used by developers, financiers, and property valuers. To test the viability of the proposed development, HillPDA views the IRR, Development margin and RLV as the primary performance measures to understand the viability of each option.

We have adopted a **development phase IRR of 12% p.a** and a **development margin of 20%** as the primary hurdle rate. Additionally, the project **residual land value (RLV)** was used as a secondary metric. The following assumptions were adopted for each testing scenario:

Table 24: Modelling assumptions

	Assumptions
Commercial revenue	Premium stock: \$20,000 to \$24,000/sqm of NLA. A-Grade: \$15,000 to \$17,000/sqm of NLA. B-Grade stock: \$9,000 to \$15,000/sqm of NLA
Land purchase price	\$4,000/sqm
Rent	\$1,000 gross face rent
Pre commitment	70% precommitment *Commercial buildings of this quantum typically require significant pre-commitment prior to funding approval and construction commencement. HillPDA have typically seen precommitment around 70% and have made this assumption for all modelling scenarios
Incentives	20% incentive. We note that current market incentives are around 30-35% however we have assumed normal market conditions.
Outgoings	\$170/sqm per week for outgoings. We have adopted a conservative rate for outgoings.
Capitalisation rate	4.5%
Cost escalation	2.5% cost escalation
Revenue escalation	3% for first three years, 3.5% thereafter
Equity	20% equity
Loan 1 - Construction loan	4% interest (with 1% application fee)
Loan 2 - Stabilised loan	2.75% interest rate (with 1% application fee)
Built form construction	\$5,500/sqm
Professional Fees	5% (plus 1.5% Development Management)
Car Parking Costs	\$1,900 per sqm
Sales Escalation	An escalation of 3% has been applied
DA & CC fees + 7.12	DA & CC fees: 0.5% 7.12 rates: 1.0%

Source: HillPDA 2022

6.3 Feasibility sensitivity impacts to boundary changes

The findings in the previous section indicate that the impacts of 6 metre tower setback controls, when compared to a 3 metre tower setback, was a reduction in achievable GFA of between 5% and 12% for the four hypothetical site typologies. In developing the feasibility options, we have considered these end point values as testing scenarios. The scenarios that have been tested are the following:

- **Scenario 1 ‘Base Case’** – Although the DCP stipulates tower separation is required, no exact numerical control is provided. Discussions with Council indicated that the development industry/trends is achieving an average tower separation of 3 metres in the CBD. This has been applied as the base case to test the implication of the proposed tower setback amendment.
- **Scenario 2 ‘Proposed controls 5% reduction’** – Scenario 2 is the low impact scenario with a 5% reduction in floorspace relative to the base case as found in the built form testing. The purpose of this scenario is to understand the financial implication for the less severe impact site typologies.
- **Scenario 3 ‘Proposed controls 12% reduction’** - Scenario 3 is the high impact scenario with a 12% reduction in floorspace relative to the base case as found in the built form testing. The purpose of this scenario is to understand the financial implication of the more severe impacted sites.

The results of the modelling are as follows:

- Scenario 1 with a 3 metre side setback, assuming 70% tenant precommitment achieves an internal rate of return (IRR) of 12.29% exceeding the project target hurdle rate of 12% and a margin of 30.06% making the base case feasible. This scenario shows a residual land value (RLV) of \$222.3 million.
- Scenario 2 showing a 5% reduction in the achievable floorspace resulting from the 6 metre side setback shows a project IRR of 11.59% and an RLV of \$210.1m, falling below the target hurdle rate of 12%. This option would be considered marginally feasible. The residual value is 94.5% of that achieved in scenario 2 indicated a **5.5% loss** in residual land value (RLV) compared to base case (3m set back).
- Scenario 3 shows the results of the high impact scenario with a 12% floorspace reduction from the base case. The project margin is 23.06% however the project

IRR achieved in this scenario in 10.67% making this option not feasible. The RLV is \$195.2 indicating a **12.2% loss** in RLV compared to the base case (3m set back).

Table 25: Feasibility and sensitivity analysis results

	Scenario 1	Scenario 2	Scenario 3
Description	Current DCP controls assuming 3 metre tower setbacks	Proposed 6m tower setback controls (-5% impact in floorspace)	Proposed tower setback controls (-12% impact in floorspace)
Site area	2,464	2,464	2,464
GFA	59,717	56,476	52,548.32
NLA	50,759.45	48,004.60	44,666.07
Land purchase	\$238.9	\$238.9	\$238.9
Total revenue	\$946.0m	\$894.7m	\$832.5m
Total cost	\$788.3m	\$763.3m	\$732.9m
IRR	12.29%	11.59%	10.67%
Development Margin (DM)	30.06%	27.02%	23.06%
RLV (Residual Land Value)	\$222.3m	\$210.1m	\$195.2m
RLV % of Scenario 1	100%	94.5%	87.8%

Source: HillPDA, 2022* Assumes 70% tenant precommitment ** Floor areas shown above are indicative of a hypothetical development site in North Sydney with scenarios showing the relative impact to feasibility resulting from difference in floorspace impacted and possible improvement in rental rate rates that may come about from improved sunlight, aspect (views), and building articulation.*** Refer Table 18 for all modelling assumptions

6.4 Rental sensitivity analysis

The prior analysis has not assumed any premiums to market rents being achieved with improved sunlight and/or views generated by increased tower separation.

It is reasonable to assume that some benefit to rentals rates will flow from increased tower separation generating improved views and sunlight to the tower's boundary sides. Accurately quantifying this premium is difficult, as each building will have many variables relating to architectural design merit, the site's location, views, and orientation/access to sunlight.

As discussed in 3.3, a study sampled 5,154 office spaces in Manhattan. Combining an urban daylight simulation with a hedonic valuation model, the study determined the marginal value of daylight in offices. Holding all other factors constant, the study found that occupied spaces with access to high amounts of daylight paid a 5–6% value premium on rent when compared to occupied spaces with low amounts of daylight.¹⁷ This indicates that tenants would likely pay a premium for space which has better access to light.

With this in mind, we undertook a hypothetical case for both Scenario 2 and 3 in the previous model whereby we have assumed a 10% increase in rent for 30% of NLA in the building. We are assuming about 30% of floorspace will have a direct benefit with improved tower separation. This is only a hypothetical case to demonstrate financial impact.

In Sensitivity A (Scenario 2) the 5% GFA loss in floorspace is offset by the increase in rental rates achieving a viable project IRR of 12.61% and a margin of 31.92%. The model shows a RLV of \$227.9 million which exceeds that of Scenario 1 (102.5%).

In Sensitivity B (Scenario 3 with 12 % GFA loss) the rental increase improves the project IRR, but not enough to offset the impacts induced by the 12% loss in floorspace, with an achieved project IRR of 11.68% and development margin of 27.81%. The RLV is \$211.8 million indicating a loss in value of 4.7% relative to Scenario 1.

¹⁷ The value of daylight in office spaces, Building and Environment January 2020

Table 26: Feasibility and sensitivity analysis results

	Sensitivity A (Scenario 2)	Sensitivity B (Scenario3)
Description	6m setback / 5% loss in GFA + increase by 10% on 30% of tenancies.	Increase by 10% on 30% of tenancies.
Site area	2,464	2,464
GFA	56,476	52,548
NLA	48,004.60	44,666.07
Land purchase	\$238.9	\$238.9
Total revenue	\$928.9m	\$864.3m
Total cost	\$763.1m	\$732.8m
IRR	12.61%	11.68%
Development Margin (DM)	31.92%	27.81%
RLV (Residual Land Value)	\$227.9m	\$211.8m
RLV % of Scenario 1	102.5%	95.3%

Source: HillPDA, 2022* Assumes 70% tenant precommitment ** Floor areas shown above are indicative of a hypothetical development site in North Sydney with scenarios showing the relative impact to feasibility resulting from difference in floorspace impacted and possible improvement in rental rate rates that may come about from improved sunlight, aspect (views), and building articulation.*** Refer Table 18 for all modelling assumptions

6.5 What do the feasibility results indicate?

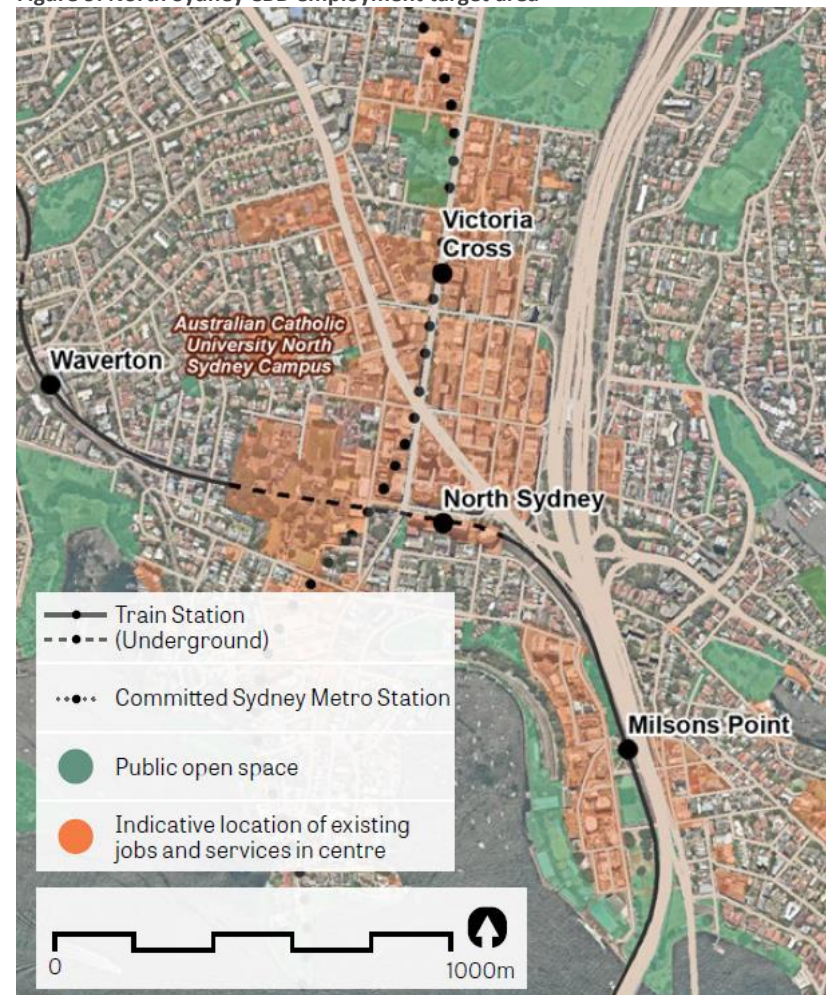
Our modelling suggests that the proposed tower setback amendment would reduce the amount of achievable floorspace by between 5 to 12% when compared to the current generally adopted 3 metre tower setbacks being applied by the industry. For larger corner amalgamated sites, the impact is less, however even for corner sites with surrounding development the impact is likely to be between 9 to 11%. The development industry and property valuers may argue that this will reduce development potential; however, this ignores long term benefits such improved controls will have on development amenity, views, and possible improved market rents.

The proposed controls should further encourage site consolidation to minimise boundary impacts and encourage development for larger floorplates. However, amalgamation is not always possible/feasible, and it is recommended that consideration of altering tower setbacks may need flexibility. Such planning requests will need to demonstrate economic hardship and planning/architectural merit with improved natural light, ventilation and building articulation in the proponent's building design proposal.

APPENDIX A: NORTH DISTRICT PLAN'S NORTH SYDNEY CBD BOUNDARY

The figure to the left shows the extent of what the North District Plan considers to be the boundary for North Sydney CBD and subsequently its employment targets.

Figure 9: North Sydney CBD employment target area



Source: North District Plan

APPENDIX B: RECENT OFFICE TRENDS IN FIVE MAJOR INTERNATIONAL OFFICE MARKETS

London

Demand for office space in London in 2021 returned to near the 10 year average, with 65% of demand for A Grade space and 53% for space with good sustainability credentials.

Savills London reported there have been a resurgence in office leasing demand in Greater London and the South East office market in 2021, after the weaker take-up recorded in 2020 as a consequence of lockdowns. Office take-up in Greater London was 46% and 12% higher than take-up recorded in 2020 and 2019, respectively and was only slightly below the pre-COVID ten-year average take-up.

There has been a continued move to quality office buildings with 65% of take-up recorded being of A Grade offices. This was the highest proportion in the last three years. Savills London expects the polarisation between Grade A and Grade B stock to continue with demand focused on 'prime A' space. Buildings that can satisfy ESG (sustainability) criteria have appealed with 53% of take-up recorded in 2021 was in buildings that had an environmental sustainability rating of A or B. For buildings with smaller floor plates, Savills London reported these meet the needs of some tenants but even in this category the highest demand was for offices in good condition with good natural light, volume, collaborative spaces, operable windows and communal terraces and flexible leases.

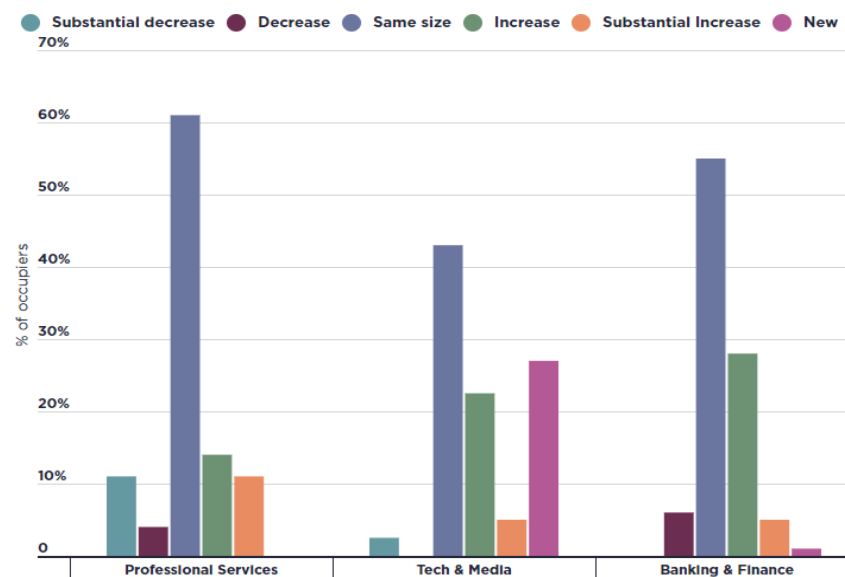
The average size of an office lease in London in 2021 was 1,593sqm and the majority of large firms are seeking the same amount of space as they currently occupy.

The average size of an office lease in the past year was 17,154 square feet (1,593sqm) and the occupier demand has focused on 'Redefined Grade A', a qualification over and above traditional Grade A offering best in class space including shared amenities and outdoor space that can satisfy ESG requirements.

The requirements of a majority of occupiers haven't materially changed, although there is still some uncertainty as businesses adapt their workplace strategies to accommodate for hybrid working.

Over 2021, Savills London reported 28% of tenants increased their office space by at least 10,000 square feet (930sqm). While less than 2% of occupiers were seeking to reduce their office footprint by 10,000 square feet (930sqm) or more. As shown below the majority of firms (occupying over 10,000 square feet) are seeking to occupy the same amount of space in new lease transactions, and there has been more firms seeking to expand than firms seeking to downsize.

Active Demand Analysis over 10,000 sq feet in London, Jan 2021



Enquiries across Central London for flexible office space were also up 20% in 2021 when compared to pre-COVID levels. However, a quarter of the 8 million square feet of active requirements is from organisations wanting to pre-commit to an A Grade office building (i.e., enter an agreement to lease a building before it is built).

The average size of an office floor plate does vary between the sub-markets in London and are typically in a similar range to Sydney, albeit with larger floor plates in Kings Cross than in much of the Sydney CBD.

The average size of an office floor plate in Central London varies between the submarkets:

- Kings Cross: 34,940 square feet (3,246sqm)
- Docklands: 23,260 square feet (2,160 sqm)
- Paddington: 16,950 square feet (1,574 sqm)
- Southbank: 10,740 square feet (997 sqm)
- Midtown: 8,740 square feet (811 sqm)
- West End: 7,960 square feet (739 sqm)

Savills London noted there have been some shifts over the past 5 – 10 years with the 100,000sqm buildings with 3,000sqm floor plates in Docklands and Canary Wharf increasingly difficult to rent in the past few years. Further, many companies have become more agnostic around location, with a focus on individual assets increasingly important. With the expected focus on sustainability, health and well-being and amenity, migration between submarkets is anticipated to increase in the post-pandemic environment.

Paris

Demand for office space in Paris in 2020 was at the lowest level in 20 years, however take-up recovered gradually in 2021 with stronger take-up in Paris CBD and La Défense.

Savills France reported that in 2020 office take-up in Greater Paris was 40% below the ten year average and take-up was at the lowest level in 20 years. Leases over 5,000sqm accounted for 30% of total take-up in 2020 compared with an average of 40% over the last ten years.

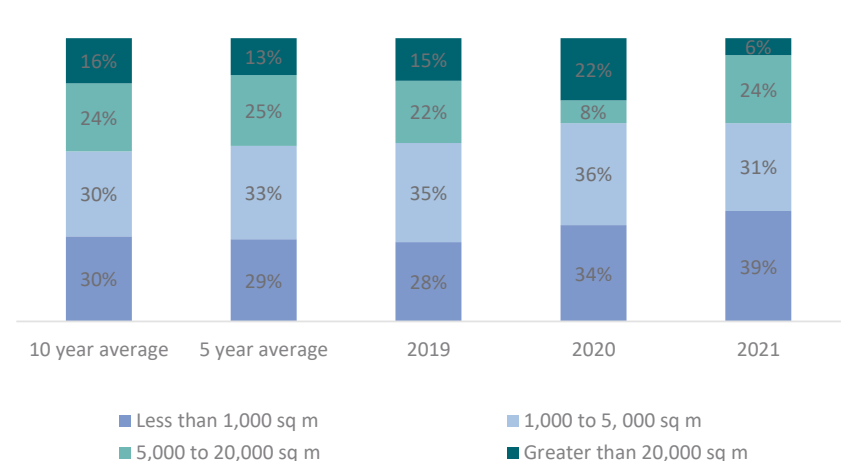
In 2021, office take-up gradually recovered during the year and while take-up was higher than 2020, take-up remained 24% below the 10 year average.

Over 70% of office take-up in Paris over the past 10 years has been from organisations leasing more than 1,000sqm. This declined to between 61% and 66% of take-up in the past two years which has been driven by a 22% decrease in the average size of a lease of over

5,000sqm, but 75% of large occupiers (> 5,000sqm) continued to lease space in Grade A office buildings.

Savills France reported that 75% of take-up in 2021 by large occupiers (over 5,000sqm) was in Grade A space, which was slightly above the 5 year average of 72%.

Office take-up in Paris by size of tenant



EMEA Office Markets

The Savills Global Research Team reported that there was a significant decrease in office leasing / take-up across the major office markets in Europe in 2020, with take-up 30% below the 10 year average. While 2021 saw increased office leasing activity with total take-up 16% below the 5 year average.

The Global Research Team reported that the majority of office space leased in 2021 had been leased by companies taking between 1,000sqm and 5,000sqm with strongest demand from technology, law, and financial services companies.

While demand was lower than average new office supply was strong and reached the highest levels since 2009, as most projects started before COVID, which will increase competition. The Global Research Team believes most companies in EMEA will place more focus of high quality, accessible, sustainable buildings that can deliver a better user

experience and more amenity. As this high quality, Grade A space becomes more of a focus the Global Research Team expects a stronger divergence between best in class offices and the rest of the office market with rent growth in Premium and A Grade space and rent reductions in older and smaller B Grade and C Grade office stock.

Singapore

Demand for A Grade office space in Singapore in 2021 has returned to near pre-COVID levels, driven by strong take up in newly completed offices. However, most leasing activity particularly in 2020 was from tenants between 500sqm and 1,000sqm and overall demand in 2021 for office space was below the 5 year average.

Savills Singapore reported that the majority of leasing activity, particularly in 2020, was from tenants either rightsizing down or upsizing from co-working locations. On an aggregate level, the greatest demand has been for tenants between 500sqm and 1,000sqm. Savills Singapore reported they expect this tenancy size may well be the short term sweet spot, at least until tenants no longer need to right size and/or those expanding out from co-working space take a larger step to sign on space >1,000sqm. Demand for some new office buildings was slow at the start of 2021 with a 62,600sqm new building which was 75% completed, only 38% pre-committed in January 2021, but by the end of 2021 it was 93% leased. By the end of 2021, A Grade buildings had registered positive net demand and B Grade building had registered negative net demand. Savills Singapore expects relocations to A Grade buildings will remain a major driver of demand in 2022, with a heightened emphasis on sustainability and wellness from tenants

New York

Savills New York reported net absorption of office space in 2021 was negative and was 35% below average pre-COVID levels. However, demand was stronger than in 2020, increasing throughout 2021 and was positive in Q4 2021.

Class A offices in Mid-Town led the market recovery with occupiers entering leases with an average term of 9.3 years which is in line with pre-COVID conditions. Demand for Class A offices accounted for 94% of total office take-up in New York in 2021.

The Savills New York team expects existing Class A and new Class A buildings to benefit from the strongest take-up in the future, with tenants focusing on buildings with attractive

amenities, transit accessibility, good HVAC (air quality) and more green space best positioned to meet tenant preferences

The average size of floor plates in office buildings built in the past 5 years in New York was 2,224sqm and the average size of office floor plates in office buildings that are proposed to be built in the next three years is 2,660sqm.

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