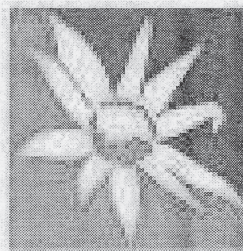


The Entrance Peninsula Planning Strategy - Economic Feasibility Assessment

**FINAL
November 2008**

Wyong Shire Council



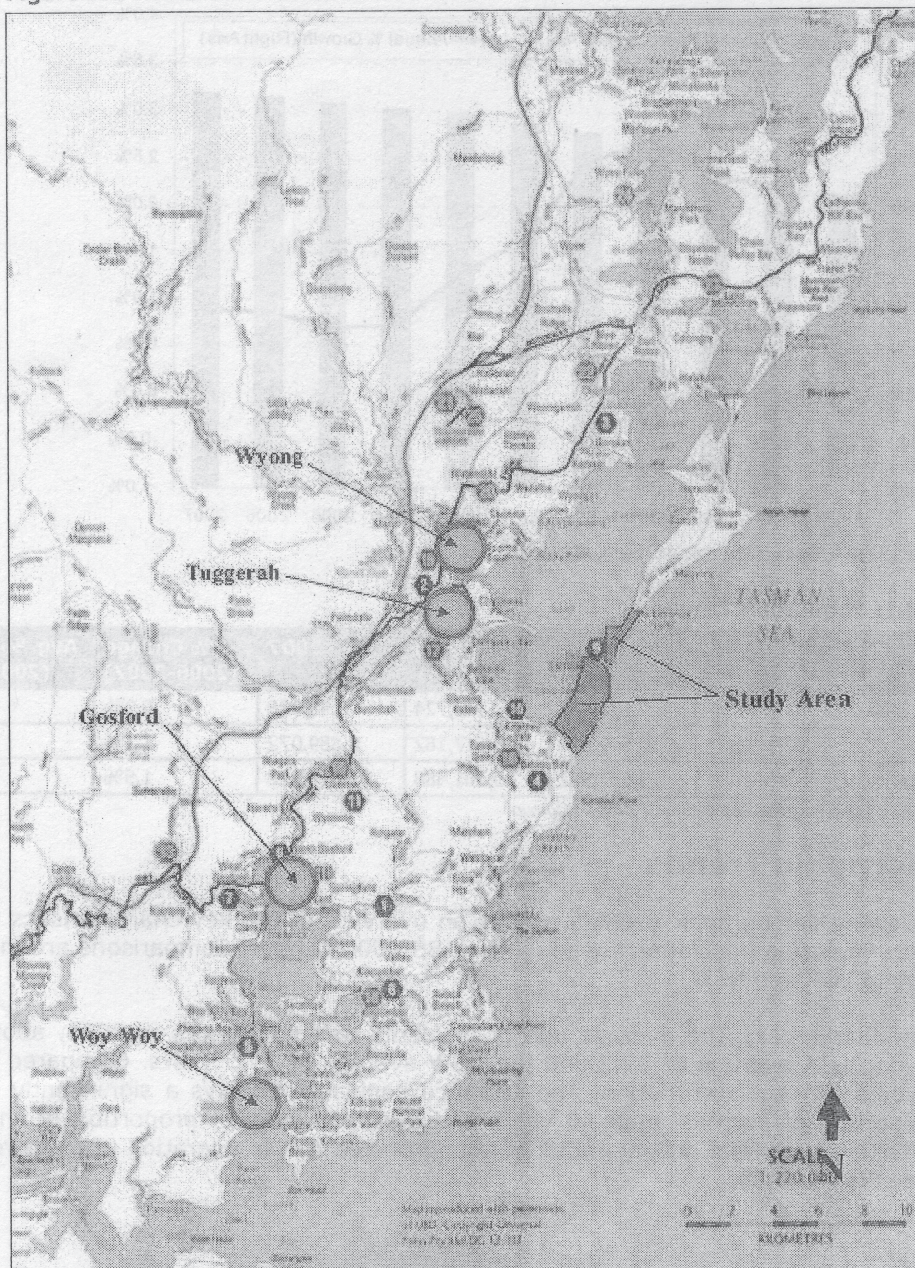
3. Economic & Social Overview

3.1 Regional Overview

The Entrance Peninsula is located on the coast of the Wyong Shire LGA in the Central Coast of New South Wales. The Entrance Peninsula is surrounded by 7 kilometres of coastline on either side of the mouth of Tuggerah Lake. The region is approximately 100 kilometres north of Sydney, 63 kilometres south of Newcastle and 20 kilometres from the administrative centre of the Shire in Wyong (see **Figure 3.1**).

The region encompasses the suburbs of The Entrance, The Entrance North, Blue Bay, Toowoyn Bay, Shelly Beach and Long Jetty. Access to the Peninsula is primarily by road with Wilfred Barrett Drive from the north and The Entrance Road or Wyong Road from the South.

Figure 3.1 The Entrance Peninsula



Source: Draft Entrance Peninsula Planning Strategy

Executive Summary

Wyong Shire Council's Future Planning Department is currently finalising *The Entrance Peninsula Planning Strategy*. The Entrance has experienced significant growth and changes in development activity in recent years requiring a new plan for the future of the area be developed. The Planning Department is evaluating proposed planning strategies, policies and controls in order to set out the direction for future development. The goal is for a plan that ensures that The Entrance Peninsula remains and continues to develop as a desirable place to live and visit.

This project follows from the *Development Feasibility: The Entrance* study that was completed by SGS Economics & Planning in early 2007. That project aimed to respond to claims by developers that planning controls in The Entrance were restrictive and making Development unviable.

Overview of Findings

The Entrance and Long Jetty both currently suffer from a very weak residential market, soft tourism market and oversupply of residential, retail and commercial space. These factors account for development being mostly unviable in the region at present.

Planning controls were not found to be major factors under most scenarios for the viability of development according to modelling conducted on a number of example sites.

In The Entrance the work conducted in this study supports the current proposed zoning with the possible exception of the vacant site on the corner of The Entrance Road and Marine Parade being altered from 3 (d) Tourist Business to 3 (a) Business Centre. Rezoning the site to 3 (a) Business Centre would improve the feasibility of development on the site though still remains negative in the current market.

For Long Jetty, the results of the study do not support the rezoning of 3 (a) Business Centre and 3 (b) Business Centre Support to 2 (c) Medium Residential.

Outcomes for the zoning types studied in this assessment are provided below.

Zone 2 (g) Residential Tourist:

Constraints: The 2 (g) zones in The Entrance are set further back from the prime beachfront zone and are also in proximity to residential areas. A key requirement of 2 (g) is to ensure tourist development does not significantly adversely impact on the amenity of adjacent residential areas. This reduces the options for potential higher impact retail or commercial uses.

Opportunities: The 2 (g) zones present relatively large parcels of land with relatively low density existing utilisation. There is potential to significantly add to the supply of tourist accommodation in The Entrance on these sites which are still within walking distance of the main beach and dining precinct.

Impact of Existing Planning Controls: The 2 (g) zoned sites are less likely to have demand for alternative uses than the existing 3 (d) sites. As for the 3 (d) sites, the feasibility for permanent residential development may be greater than tourist development.

Impact of Amalgamating Lots: The development of a large lot would almost certainly need to be staged as the market would need time to absorb the increased supply of tourist accommodation, residential units and retail floorspace. This would in turn minimise the benefits of economies of scale that may be achieved by amalgamation.

Development Forms Informed by the Study: The impact on development feasibility of allowing 8 storey development on 2 (g) zoned sites is marginal. Even assuming significantly improved market conditions that would be required to initiate any development, there is no major economic argument to increase building heights.

Zone 3 (a) Business Centre-

Constraints: The potential greater catchment of Wyong for businesses in The Entrance is effectively intercepted by the Bay Village Shopping Centre to the south, Toukley to the north and Westfield Tuggerah to the west. The Entrance lacks the availability of relatively large and affordable sites with easy access from the greater catchment that has made major new shopping developments such as the Bay Village Shopping Centre attractive to develop. As such, it is not going to be able to compete with the aforementioned centres for weekly and Convenience shopping needs, except for within its relatively small primary catchment.

Opportunities: The Entrance has higher natural amenity than competing nearby shopping areas with proximity to the ocean and some dining precincts and tourist activity. While there is some need for servicing the local catchment and tourists, the remaining retail approach at The Entrance should aim to differentiate itself as more closely approximating a 'high street' experience. This should not necessarily be confused with 'upmarket' but rather involves more individual and boutique style shops and those with unique offerings that appeal to tourists and locals alike.

The Entrance should also aim to build upon and leverage its amenity to attract more office tenants in the longer term. It has the potential to attract commercial development to service the greater Wyong region. However development of commercial space is unlikely to be attractive in the near future without a pre-negotiated significant tenant. Any new office supply should be consolidated as closely as possible within existing 3 (a) and 3 (d) zones. The potential for long-term growth of The Entrance's office market will not be best served by disjointed commercial developments that fail to create a functional cluster for tenants and customers alike.

Impact of Existing Planning Controls: The feasibilities conducted in this study demonstrate no value in altering existing planning controls in Zone 3 (a) in The Entrance. Allowing for higher residential developments reduces, rather than improves, development viability in the current market.

Impact of Amalgamating Lots: The need to amalgamate lots within Zone 3 (a) is limited at present by the size of the development that the market can absorb. It would not be viable to develop larger lots in a single stage at present with the gains from economies of scale in construction outweighed by the risk of tenancies in the new development remaining vacant. The Entrance market either needs to grow substantially in size or significant latent demand needs to develop in the market to consider the larger developments that justify amalgamating lots within Zone 3 (a) as tested in this study.

Development Forms Informed by the Study: Large-scale retail developments within Zone 3 (a) in The Entrance are not supported at present by the market. The forecast rate of growth in the market is also insufficient to justify large-scale single-stage developments. Ongoing revitalisation and small-scale new supply as the market grows would better maximise the stability and market share for The Entrance.

The various property markets (commercial, residential, retail, industrial) often cycle independently and it is possible that in some point in the future residential will recover to a point that a development will carry a commercial or retail development loss to enable a residential development to occur (the mixed-use development model). However the value of potentially empty retail or commercial space to The Entrance's amenity and appearance needs to be considered.

Planning controls for Zone 3 (a) within The Entrance should consider that major new development of retail and commercial space is unlikely in the foreseeable future. As such, any new development should aim to consolidate the precinct along The Entrance Road and improve amenity and connectivity along the corridor. This could involve encouraging

further anchor tenants into the precinct, and the encouragement of reinvestment in existing shop fit outs and streetscapes, particularly towards Lakeside Plaza, with the aim of improving the destination value and interest in strolling from one end of the strip to the other. To encourage reinvestment, trading positions must be consolidated by not allowing new development in the region to exceed demand.

Zone 3 (d) Tourist Business Zone:

Constraints: The differentiation between tourist businesses and other businesses is indistinct in many cases. 3 (d) zoning aims to *encourage development providing accommodation, services, entertainment and attractions for tourists*. 3 (a) zoning is capable of accommodating tourist businesses whereas 3 (d) aims to preserve high natural amenity sites for tourism with a lower intensity of retail and commercial space. Strict application of 3 (d) has the potential to reduce the viability of a development by restricting permanent residential units or some retail/business uses.

Opportunities: The 3 (d) sites have excellent amenity for tourism and other uses. High value residential and commercial space has potential for these zones, with the possibility of improving the status of The Entrance as a commercial centre within the district.

Impact of Existing Planning Controls: The 3 (d) zoning restricts the ability of the developer to create a mixed-use development as the intensity of retail and commercial space must remain low. The feasibilities conducted for this assessment indicate that in the present market the site would have slightly more potential with permanent residential and retail/commercial as opposed to tourist accommodation. However, all options in the current market are unviable. While the future market may see a relative improvement in tourist accommodation, this is uncertain, and increased flexibility in terms of development options for the site can only improve the feasibility of development of this site.

Impact of Amalgamating Lots: The feasibilities conducted for this assessment demonstrated virtually no change in project viability through amalgamating the vacant site on the corner of The Entrance Road and Marine Parade with the KFC Site. The most positive effect of amalgamation was noted under the high property revenue scenario, which would most closely resemble the situation when the site was feasible to develop.

Impact of rezoning to 3 (a) Business Centre: The modelling conducted for this assessment indicates that the impact of rezoning to 3 (a) is likely to be positive for the viability of the site. However, by doing so, some control is lost over the nature of potential development on the site with a broader allowance of complying development.

Development Forms Irefor'necd by the Study: The 3 (d) zones are the highest value sites in The Entrance. It is appropriate that any development on the sites, whether that be tourist, commercial, residential or retail based (or a mix) maximises the return from the site for Wyong Shire by catering for tourists, offices, residents or businesses that will bring maximum economic benefit to the Shire.

Long Jetty

Based on the analysis of the Long Jetty Commercial District the following recommendations for the future development of the area are given.

Impact of Rezoning 3 (a) Business Centre and 3 (b) Business Centre Support to 2 (c) Medium Density Residential: The feasibility modelling conducted for this study indicates that the rezoning of 3 (a) and 3 (b) land at Long Jetty to Z(c) is unlikely to result in a favourable outcome for Wyong.

The one competitive advantage that the current businesses on Long Jetty retain is their high drive-by visibility. As such a consolidated retail centre in Long Jetty would not be viable for most of these existing business. Rather, the types of businesses most likely to establish in a consolidated centre at Long Jetty would compete more closely with those at The Entrance and Bateau Bay. To remain viable in the long term, businesses at Long Jetty need to further differentiate themselves from The Entrance and Bateau Bay, by

moving towards bulky goods, warehouse and showroom styles of retailing that thrive on relatively low-density sites with high drive-by visibility and on-site parking at-grade. Current rents on Long Jetty are relatively cheap at \$150-\$250/sqm. A new centre would require higher returns to be a viable proposition, particularly if it was developed to a density where on-grade parking would be insufficient. Many of the existing businesses at Long Jetty would be unable to afford the higher rents that would be required from a new centre. Businesses would also have to recoup significant moving and refurbishment costs. If the businesses were unable to increase earnings to fully cover the additional costs of establishing and renting in the new centre, this would be reflected in reduced business values.

Residential development is currently not viable at Long Jetty. Significant improvements in the residential property market are required to make residential redevelopment viable. Single and two storey retail developments are currently much closer to being viable for the precinct than residential. The situation of the busy road means that this relationship between retail and residential development is unlikely to significantly change in the foreseeable future.

Development Forms Informed by the Study: Revitalisation of the Long Jetty retail precinct is desirable. While residential is not a viable option, planning direction could encourage the development of relatively large format bulky goods and showroom (eg. motor vehicles, motor bikes, boats) that thrive on the high drive-by visibility. The amalgamation of lots for these purposes would be desirable in many cases to allow space for large displays of goods and on-grade parking.

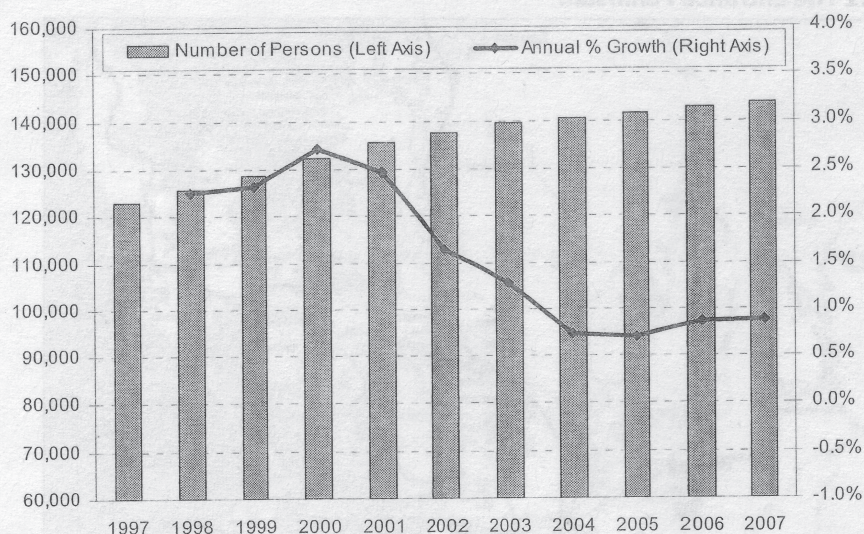
There may be a role for some small-scale conveniences at Long Jetty to cater for the local market however overall retail uses that compete with The Entrance and the Bay Village Shopping Centre should not be encouraged.

3.2 Population Trends

Data from the 2006 ABS Census reports an estimated 10,400 people living in The Entrance Peninsula based on their usual place of residence. The Entrance Peninsula has a large seasonal population due to the large number of holiday homes and apartments in the area. The ABS Census confirms that a large amount of houses and apartments are not occupied year round, with a large proportion of private dwellings being vacant on Census night (which occurred in winter).

According to the ABS estimated resident population series, there were an estimated 144,000 persons residing in the Wyong LGA in 2007, representing growth of 0.9% from 2006 (see **Figure 3.2**). The LGA's population growth rate has stabilised in recent years, increasing by an average of 0.9% per year. This was marginally above the average growth rate of 0.8% recorded in NSW over the same period.

Figure 3.2: Estimated Resident Population Trends, Wyong LGA



Source: ABS 3218.0 Regional Population Growth, AECgroup

Table 3.1: Population Trends

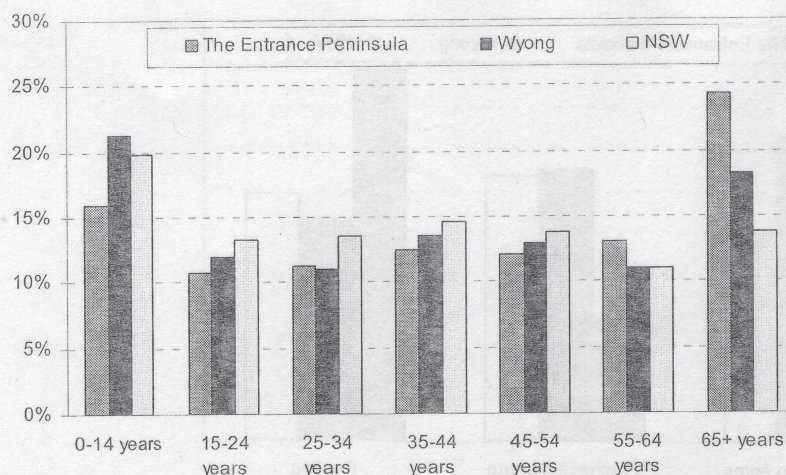
Region	2002	2006	2007	% Change (2006-2007)	Avg. % Change (2002-2007)
Wyong LGA	137,721	142,724	143,988	0.9%	0.9%
NSW	6,629,829	6,817,182	6,889,072	1.1%	0.8%
Australia	19,652,562	20,701,488	21,017,222	1.5%	1.4%

Source: ABS 3218.0 Regional Population Growth, AECgroup

3.3 Demographic Trends

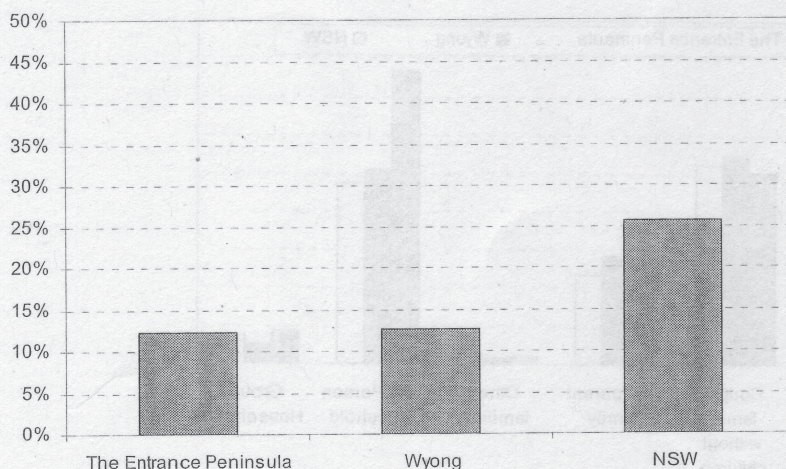
The following demographic profile provides an overview of the key characteristics of The Entrance Peninsula population based on the ABS 2006 Census. Comparisons are made to the Wyong LGA and NSW.

- Age distribution: The average age of residents was 43.7 years in 2006, above the Wyong LGA average of 39.2 and the NSW average of 37.5 years. Compared to the Wyong LGA age distribution, The Entrance Peninsula displays a significantly higher proportion of persons aged 55 years and over and a lower proportion of children, reflecting a general out-migration of young people and in-migration of older retirees (see **Figure 3.3**).

Figure 3.3: Age Distribution, 2006 Census


Source: ABS 2006 Census, AECgroup

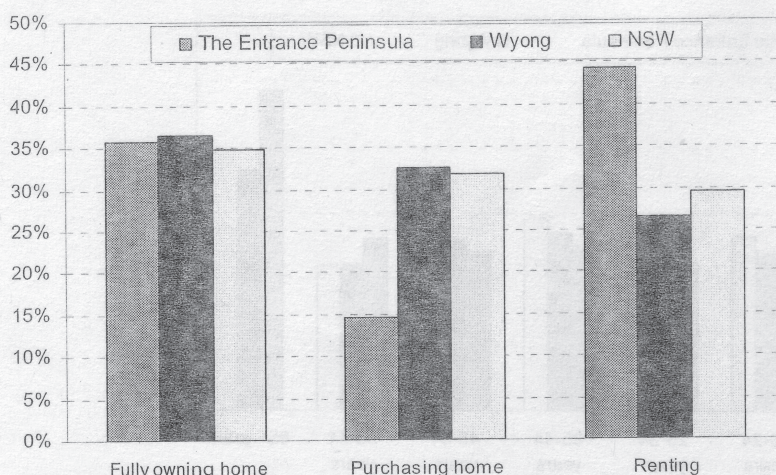
- **Ethnicity:** The majority of The Entrance Peninsula residents in 2006 were born in Australia (87.7%), slightly above the Wyong LGA average of 87.3% and above the NSW average of 74.4%. Of The Entrance Peninsula residents born overseas, the United Kingdom is the most prominent country of birth (4.4%), followed by New Zealand (1.6%) (see **Figure 3.4**).

Figure 3.4: % of Persons Born Overseas, 2006 Census


Source: ABS 2006 Census, AECgroup

- **Housing tenure:** 35.9% of The Entrance Peninsula households fully own their home, marginally below the Wyong LGA average (36.5%) though above the NSW average of 34.8% (see **Figure 3.5**). The proportion of residents purchasing their own home (14.5%) is well below the Wyong LGA (32.6%). Households renting account for 44.4% of households, above the Wyong LGA (32.6%) and NSW (26.5%) averages.

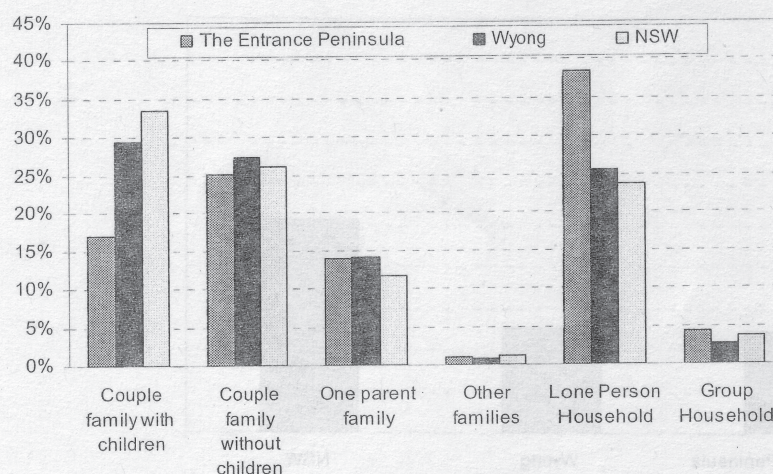
Figure 3.5: Housing Tenure, 2006 Census



Source: ABS 2006 Census, AECgroup

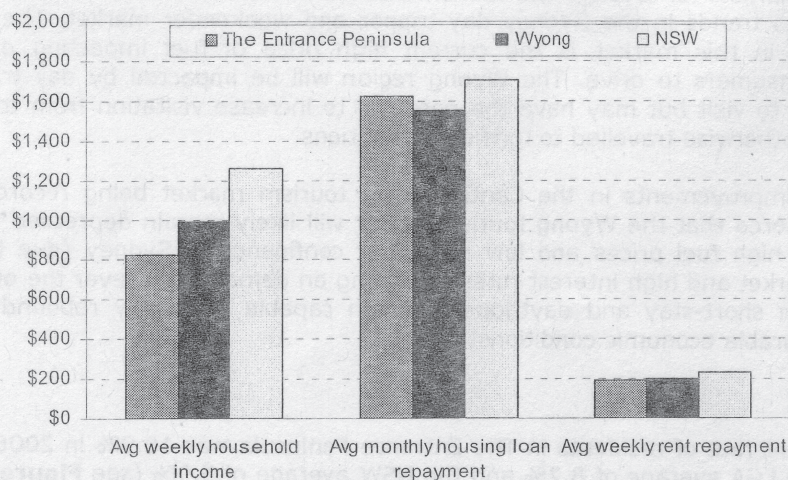
- Household structure: The Entrance Peninsula records a different household structure to Wyong LGA. Couple families with children account for 17.0% of households in The Entrance Peninsula, well below the Wyong LGA average of 29.5% (see **Figure 3.6**). The proportion of lone person households (38.5%) is significantly higher than the Wyong LGA (25.5%) and NSW (23.8%) averages.

Figure 3.6: Household Structure, 2006 Census



Source: ABS 2006 Census, AECgroup

- Household finances: The average weekly household income in The Entrance Peninsula was estimated at \$821 in 2006, significantly below the NSW average of \$1,264. Household income reflects a range of factors, including average household size and workers, unemployment rates and the nature of employment available locally. The average monthly housing repayment in The Entrance Peninsula was \$1,621 in 2006, above the Wyong LGA (\$1,554) below the NSW (\$1,706) average. This reflects the generally more affordable housing market in The Entrance Peninsula although relative to incomes the market is not so affordable. Average weekly rent in the area was \$192, slightly below the Wyong LGA average of \$198.

Figure 3.7: Household Finances, 2006 Census

Source: ABS 2006 Census, AECgroup

3.4 Economic Trends

3.4.1 Tourism

The local economy of The Entrance Peninsula is heavily reliant on the tourism industry especially throughout the peak tourism period of the summer holiday season. The local resident population in The Entrance Peninsula of 11,600 in 2006 increases significantly during summer as tourists visit the area and people from Sydney and nearby areas spend time at their holiday homes (Tourism NSW, 2007).

Wyong forms part of the Central Coast tourism region along with the neighbouring Gosford LGA. Approximately 1.3 million domestic visitors stayed overnight in the Central Coast during the year ending December 2007, down 5.3% from in the previous year (Tourism NSW, 2007). Overnight visitors spent an average of 3.1 nights in the Central Coast: a relatively short average stay. Almost half of all overnight visitors reported 'holiday or leisure' as the main purpose for their visit, followed by 32.5% 'visiting friends or relatives'.

The short average stay is influenced by the fact that the major source market is nearby Sydney, for which the Central Coast region is a convenient overnight or weekend destination. The proximity to Sydney makes it an attractive location. Almost 90% of visitors to the Central Coast in 2007 were from elsewhere in NSW (primarily Sydney). The area also attracts a relatively high proportion of budget visitors with caravan parks a popular choice of accommodation.

Daytrips to the Central Coast region were estimated at 3.4 million in the year ending December 2007, up 9.0% from the previous year (Tourism NSW, 2007).

International overnight visitors to the Central Coast have increased steadily over the last 5 years although this still represents a relatively small component of the region's tourism sector. An estimated 36,000 international visitors stayed overnight in the Central Coast in 2007, up from 29,000 in 2003.

The Tourism and Transport Forum (TTF) Australia estimated that there were approximately 7,000 people employed in the tourism sector in the Central Coast during 2004-05, accounting for 5.2% of total employment. This represented an increase of 580 new jobs from 1997-98.

Outlook

The NSW tourism industry in general is considered to have lagged the rest of the country in recent years. This was recently recognised by the NSW Government, which announced \$40 million in funding for the State tourism industry in early June, 2008.

This funding will mostly target international and interstate tourists, which are not currently major markets for Wyong. The tourism outlook in the foreseeable future for the region is linked to trends in the Sydney day-tripper and weekender market. The most significant factor in this market is the current high price of fuel impacting on the willingness of consumers to drive. The Wyong region will be impacted by day-trippers being less willing to visit but may have the potential to increase visitation from tourists who would have otherwise travelled to further destinations.

Despite modest improvements in the Central Coast tourism market being recorded in 2007, it is considered that the Wyong tourism sector will likely remain depressed in the near future with high fuel prices and low consumer confidence in Sydney (due to the weak housing market and high interest rates) weighing on demand. However the outlook is uncertain, with short-stay and daytripper tourism capable of rapidly rebounding in response to favourable economic conditions.

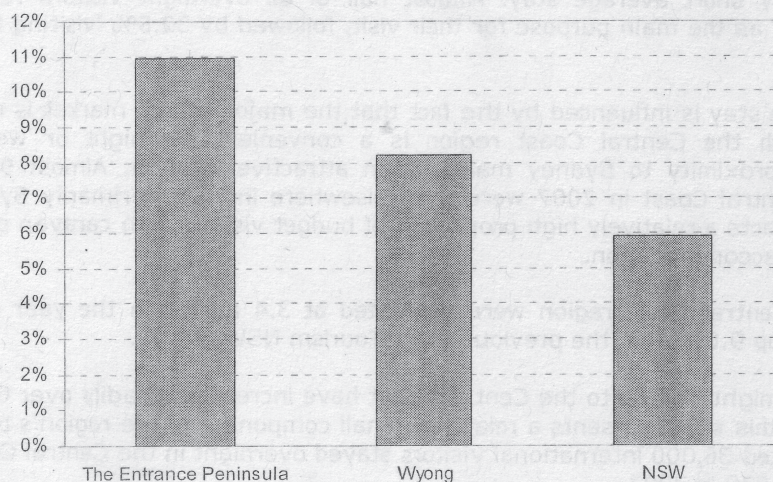
3.4.2 Employment

The unemployment rate of residents in The Entrance Peninsula was 10.9% in 2006, well above the Wyong LGA average of 8.2% and the NSW average of 5.9% (see **Figure 3.8**). This indicates lower socio-economic characteristics for the local area.

For the greater Central Coast region, the smoothed unemployment rate in the March Quarter 2008 was approximately 6.5%, above the NSW average of 4.6%. The very strong jobs market throughout most of Australia has helped drive this result, although unemployment in the region has been historically volatile, regularly swinging between up to 8.5% and as low as 5.0% over the past 3 years.

The two main commercial and employment precincts in The Entrance Peninsula are the Entrance Town Centre and the Long Jetty commercial district. These precincts primarily provide retail and professional services to local residents and visitors. Further assessment of both precincts is provided in **Chapter 4**. There are also small centres at Toowoona Bay and The Entrance North, with a small range of convenience retail and take away food stores.

Figure 3.8: Unemployment Rate, 2006 Census



Source: ABS 2006 Census, AECgroup

3.5 Investment Trends

The number of residential building approvals in The Entrance Peninsula has declined in recent years. Almost 500 residential dwellings were approved by Wyong Council in both 2003 and 2004 during the peak of the cycle. This has declined severely with only 222 residential dwellings approved in 2007 and only 22 in 2008 to the end of June (see **Table 3.2**). This highlights the decline in the residential market with developers unwilling to undertake new development.

Table 3.2: Number of Residential Building Approvals, The Entrance Peninsula

Year	Residential Dwellings	Tourist Units	Total
2003	498	16	514
2004	490	0	490
2005	320	0	320
2006	51	0	51
2007	222	29	251
2008	22	0	22
Total	1,603	45	1,648
Average	291	8	299

Source: Wyong Council

The ABS also reports building approvals data that provides an insight into new investment in the Wyong LGA. There are two components to building investment:

- Residential building investment consists of investment in the construction of new dwellings, including flats, units and apartments, along with investment in the alterations and additions to existing dwellings; and
- Non-residential investment consists of investment in the construction of all non-residential development, which commonly includes retail, commercial, tourism, community, industrial, engineering and other non-residential infrastructure.

Residential building investment in the Wyong LGA totalled \$140.1 million in 2007, up from \$118.9 million in 2006 (see **Table 3.3**). This reflected an increase in the number of housing and unit approvals. Building approvals peaked in 2003, when 1,375 dwelling approvals totalling over \$200 million were recorded.

Table 3.3: Number and Value of New Residential Building Approvals, Wyong LGA

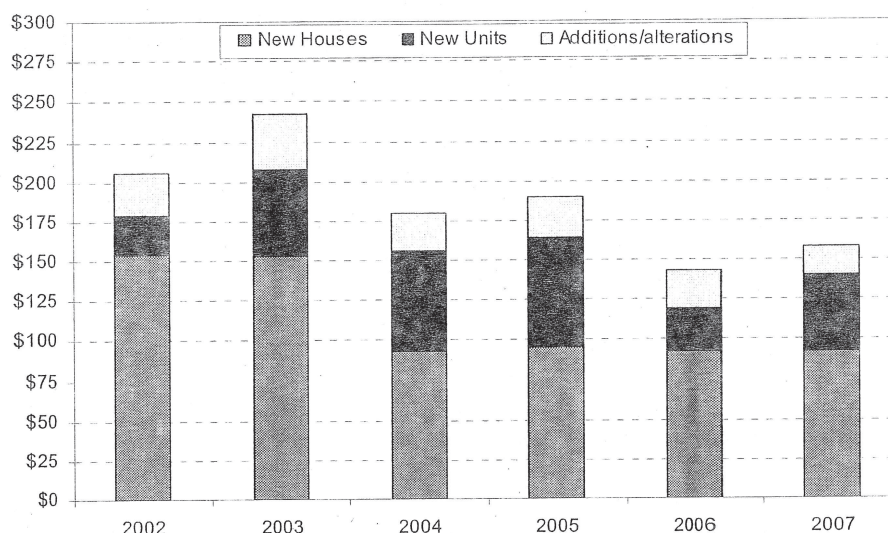
Year	No. of Dwellings			Value of Dwellings (\$'000)		
	Houses	Units	Total	Houses	Units	Total
2002	1,077	227	1,304	\$154,424	\$24,089	\$178,513
2003	959	416	1,375	\$153,051	\$54,336	\$207,387
2004	506	408	914	\$93,205	\$62,346	\$155,551
2005	471	515	986	\$95,653	\$68,257	\$163,910
2006	419	169	588	\$92,745	\$26,193	\$118,938
2007	446	263	709	\$92,604	\$47,489	\$140,093

Source: ABS 8731.0

In addition to new residential dwelling investment are investments in alterations and additions to dwellings. Investment trends in alterations and additions to residential property were similar to those in new investment with \$17.9 million in 2007. However this is also down significantly from a high in 2003 of \$35.5 million.

Overall, Wyong recorded \$158.0 million in residential building investment in 2007 (see **Figure 3.9**).

Figure 3.9: Total Value of Residential Building Approvals, Wyong LGA (\$m)



Source: ABS 8731.0

A total of \$106.0 million in non-residential building approvals was recorded in Wyong in 2007 (**Table 3.4**). This represented a slight decline from \$110.4 million in 2006 and a near halving of the non-residential investment peak in 2004, when \$214.0 million in approvals was recorded. Alterations and additions accounted for \$13.5 million in 2007.

Table 3.4: Value of Non-Residential Building Approvals, Wyong LGA (\$'000)

Year	New	Alterations & Additions	Total
2002	\$79,656	\$29,900	\$109,556
2003	\$53,068	\$29,790	\$82,858
2004	\$131,465	\$82,534	\$213,999
2005	\$103,544	\$57,345	\$160,889
2006	\$57,888	\$52,542	\$110,430
2007	\$92,514	\$13,489	\$106,003

Source: ABS 8731.0

4. Commercial Study Areas

4.1 The Entrance Town Centre

4.1.1 Role & Function

The Entrance Town Centre incorporates the Town Centre and the Picnic Point to Memorial Park Tourist Areas as described in the *Draft Entrance Peninsula Planning Strategy* (see **Figure 2.1**). The Town Centre contains the retail and commercial core of The Entrance Peninsula and is a strip centre anchored at either end by major retail and tourist attractors. Picnic Point to Memorial Park Tourist Area to the north of the town centre is an evolving tourist precinct supporting a mix of residential, commercial, tourist accommodation and recreation development and activity.

The role of The Entrance Town Centre is currently anchored by:

- **Retail:** Provides a range of retail shopping services to The Entrance and surrounding suburbs. The CBD trades primarily on convenience and a range of hospitality businesses targeting visitors to the area. The Lakeside Shopping Centre with Coles and a range of specialty stores is a major anchor for the Town Centre. Strip retail along The Entrance Road complements the shopping centre;
- **Office and administrative:** Provides office space for local commercial, professional and community services businesses, mainly in small office floorplates on ground and first floor premises;
- **Residential:** Residential development within the town centre includes some medium density residential as part of mixed-use developments. Low to high density residential development surrounds the town centre; and
- **Tourism:** Tourism development represents the major roles of the Picnic Point to Memorial Park Tourist Area to the north of the town centre. The area includes recreational and open space along the waterfront with tourist accommodation and retail/commercial businesses targeted at the visitor market.

4.1.2 Business Profile & Characteristics

The performance of The Entrance Town Centre and its future retail and commercial development potential is largely affected by activity catalysts/anchors/attractors which inspire flow-on activity and complementary trade. It is important to understand the primary motivators for why people visit the town centre, so as to identify key anchors and activity catalysts.

The key established and emerging catalysts in the town centre are identified as:

- **Retail / hospitality:**
 - Lakeside Shopping Centre (Coles)
 - Waterfront Mall
 - The Entrance Road retail, commercial and hospitality
- **Professional services:**
 - Banking services
 - Legal services
 - Real estate services
- **Entertainment:**
 - Children's Cinemas
 - Vera's Water garden

Businesses are primarily geared to cater for the local market, which is dominated by retirees, empty-nesters and tourists. The current supply of commercial space is best suited for smaller companies looking for local offices. The wider catchment is attracted to The Entrance on a lesser scale due to its natural amenity and dining and entertainment options.

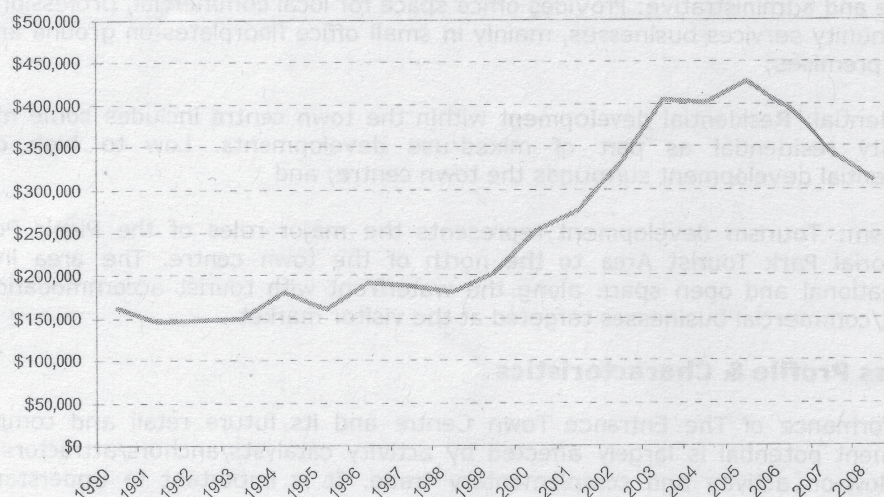
4.1.3 Property Market & Development Trends

4.1.3.1 Residential

The residential property market in The Entrance has experienced a significant decline in recent years after several years of strong growth. The sale price of residential apartments averaged approximately \$425,000 in 2005, doubling in value from 1999. Since 2005 the average sale prices for apartments have declined by over 25% to record an average of \$310,000 in early 2008 (see **Figure 4.1**).

There is currently an oversupply of residential apartments in The Entrance with several large developments having been completed in recent years and demand having retracted with the general downturn in the greater Sydney market. Local real estate commentators report difficulty in selling apartments, which is a common indicator for an oversupply in the market. Demand for holiday units, while also relatively poor, is considered to be stronger than for permanent residential.

Figure 4.1: The Entrance Residential Apartment Sales Prices



Source: RPdata, AECgroup

Development activity within the residential apartment sector has dried up in recent years in response to the depressed market. The recent global credit crisis with the resultant increase in the cost of finance along with inflation in construction costs has further reduced interest in residential development in The Entrance. Current developments have more of a focus towards the tourist accommodation with smaller units in serviced apartment style complexes. There is some overlap between the tourist accommodation and permanent residential sectors as discussed below.

4.1.3.2 Tourist Accommodation

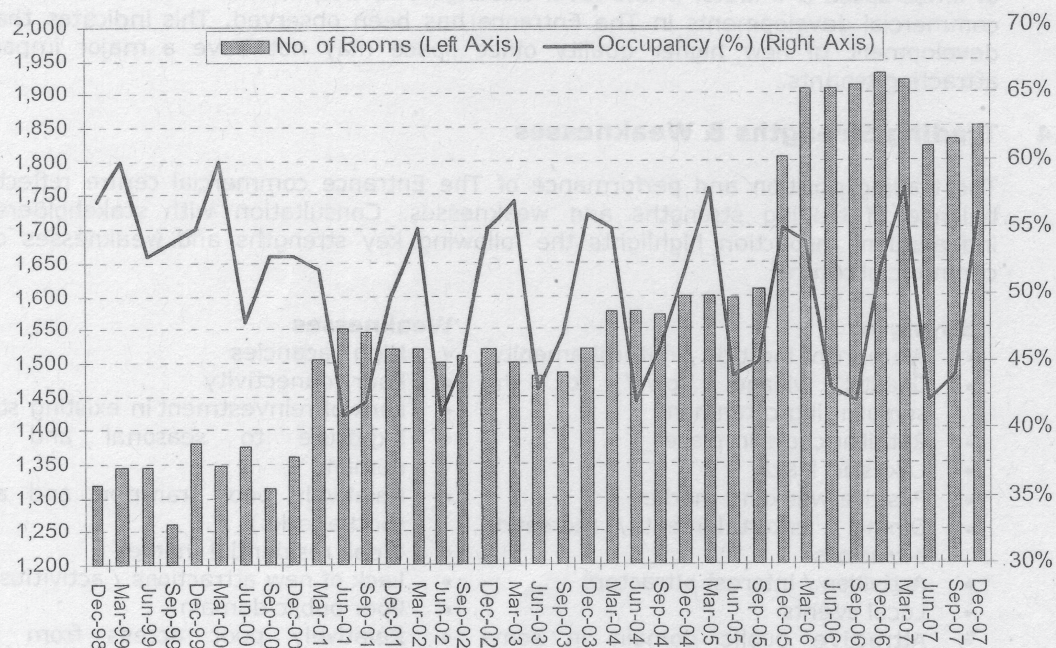
There is significant overlap between the residential property and tourism accommodation markets in The Entrance. Serviced apartments represent a relatively high proportion of tourist accommodation when compared to other regions. Serviced apartments are often sold by developers and purchased by people to live in, to use as a holiday unit and/or as an investment to lease out to tourists. For this reason the tourist accommodation market has followed a similar trend to the residential market as outline above with sales prices having declined following a peak in 2005.

Development activity in the tourist accommodation sector in The Entrance includes the following current projects:

- **Coast on Coral Development:** The resort complex is located within The Entrance Town Centre and is nearing completion. Once finished it will consist of 32 fully self-contained apartments with 11 retail and commercial tenancies on the ground floor; and
- **Picnic Point Riviera:** A recently completed resort and apartment complex located on Tuggerah Parade to the north of The Entrance. The development includes two and three bedroom units and ground floor retail and commercial tenancies.

The total number of hotel rooms in the Central Coast has increased significantly over the last five years from an estimated 1,500 in the December Quarter 2002 to 1,850 in the December Quarter 2007. The rate of occupancy between the December Quarter 2006 and December Quarter 2007 has increased by 4.2 per cent.

Figure 4.2: Central Coast Region Hotel Accommodation



Source: PRP Research/ ABS Tourist Accommodation Cat.no.8635

4.1.3.3 Retail

The retail property market in The Entrance is currently depressed as a result of the general economic malaise. The tourism sector traditionally underpins the retail activity in the area, however, the seasonal nature is difficult for local businesses with an impact on their viability. Consultation with market commentators has identified that several businesses have closed their operations in the last 12 months resulting in a number of long-term vacancies.

Retail rents vary across the commercial centre based on trading position, location, building / floorspace quality, ground floor versus above-ground, land values and yields. Rents for ground floor retail ranges from \$180-\$350/sqm, representing a decline from recent years. There is a relatively high level of vacancy throughout The Entrance with existing and newly developed premises both experiencing difficulty in securing tenants.

The recent Coast on Coral and Picnic Point Riviera developments have both incorporated ground floor retail tenancies. Tenancies at these developments have been advertised from between \$400-\$700/sqm and have received limited take up.

The Fisherman's Wharf Waterfront Complex is a tourist-focused development with construction expected to be completed in late 2008. The development located along the foreshore of the channel will include restaurants, cafes and retail, adding further to the supply in the local market.

4.1.3.4 Commercial Office

The commercial property market in The Entrance is currently experiencing a downturn. Market commentators have reported weak demand for office space in the centre with several tenants moving to nearby commercial centres such as Bateau Bay. Occupiers of commercial space comprise mostly small local commercial, professional and community services businesses with a small cluster of legal services.

The supply of commercial office space in The Entrance is primarily small floorplate tenancies on ground and first floor buildings. There is a lack of larger tenancies suitable to attract major businesses.

Commercial rents for first floor level commercial currently range from \$100-\$200/sqm. There is a relatively high level of vacancy throughout the centre with tenants moving out of the centre and landlords having difficulty in finding replacement tenants. While quality of office space is a factor in the level existing vacancies, limited latent demand for new commercial developments in The Entrance has been observed. This indicates that the development of new higher quality office space may not have a major impact on attracting tenants.

4.1.4 Trading Strengths & Weaknesses

The trading position and performance of The Entrance commercial centre reflects the balance of trading strengths and weaknesses. Consultation with stakeholders and independent inspection highlights the following key strengths and weaknesses of the commercial centre:

Strengths

- Waterfront location / natural amenity
- Coastal village 'town' for the surrounding catchment
- Retail anchors in place
- Lakeside Plaza
- Positive weekend market
- Dining / entertainment / recreation attractors
- Activities / interest attractors
- Local events
- Attractive public domain in some areas

Weaknesses

- High vacancies
- Poor connectivity
- Lack of reinvestment in existing stock
- Exposure to seasonal and cyclic demand
- Relatively poor transport and access (bottlenecks)
- Weak residential market
- Lack of new attractions / activities
- Poor public domain
- Relatively poor access from major transport corridors and major retail/commercial nodes

4.1.5 Local Retail Hierarchy

The Entrance has been identified as a Town Centre under the Wyong Shire Retail Centres Hierarchy as outlined in the *DCP No 81 – Retail Centres* and the *Central Coast Regional Strategy*. The Entrance is seen as having an ongoing important role in providing district based services, retailing, recreation and employment to the region as well as tourist attractions and activities.

There are a number of traditional and new centres competing with The Entrance on a local, district and regional level, as described in **Table 4.1**. The centre generating the most competition to The Entrance in the retail sector is the nearby Bateau Bay centre (Bay Village Shopping Centre), located approximately 4km to the south. The Bay Village Shopping Centre has major tenants including Coles, Woolworths, Aldi and Kmart as well as over 100 specialty stores. Other large centres including Gosford, Erina and Tuggerah provide significant competition, especially in the higher order retail categories. Long Jetty is not considered to have significant retail overlap with The Entrance at present.

Table 4.1: Description of Competing Centres to The Entrance

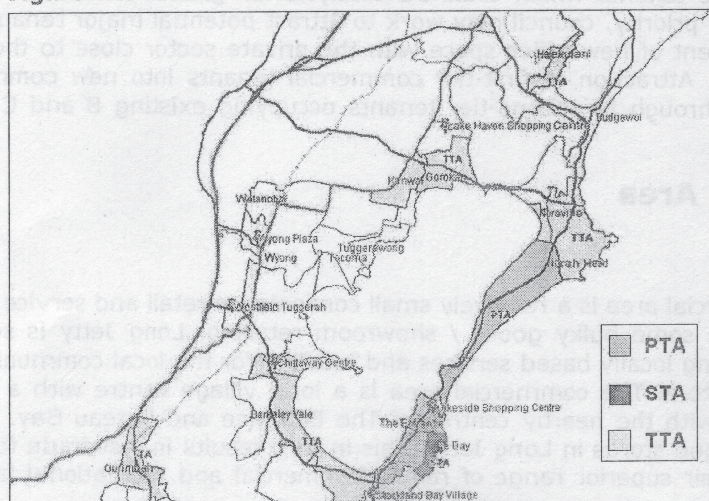
Centre	Role	Tenancy Mix
Gosford	Regional City	<ul style="list-style-type: none"> Major commercial centre for the Central Coast Major shopping centres (Gosford Central Plaza & Imperial Shopping Centre) Key State and Federal Government services
Tuggerah/Wyong	Regional Centre	<ul style="list-style-type: none"> Regional centre for the Wyong Shire Administrative centre of the Wyong Shire Regional shopping centre (Westfield Tuggerah) Major bulky goods sector (Tuggerah Supa Centa)
Erina	Town Centre	<ul style="list-style-type: none"> Major shopping centres (Fountain Plaza & Erina Fair)
Toukley	Town Centre	<ul style="list-style-type: none"> District shopping centre (Toukley Shopping Centre) Range of retail for weekly shopping Range of personal and professional services Small range of hospitality and tourism businesses
Lake Haven	Town Centre	<ul style="list-style-type: none"> District shopping centre (Lake Haven Shopping Centre) Small range of bulky goods retailing Small range of hospitality and tourism businesses
Bateau Bay	Town Centre	<ul style="list-style-type: none"> District shopping centre (Bay Village Shopping Centre) Small range of bulky goods retailing Small range of hospitality and tourism businesses
Killarney Vale	Village Centre	<ul style="list-style-type: none"> Small range of convenience retail, hospitality, services and tourism businesses
Chittaway Bay	Village Centre	<ul style="list-style-type: none"> Small range of convenience retail, hospitality, services and tourism businesses

Source: Central Coast Regional Strategy, AECgroup

4.1.6 Trade Area Analysis

The trade areas for The Entrance were defined in the *Wyong Retail Centres Strategy*. The trade areas include a Primary Trade Area (PTA), Secondary Trade Area (STA) and Tertiary Trade Area (TTA). The trade areas are mapped in **Figure 4.3** based on ABS Census Collection Districts (CCDs):

- PTA: Comprises The Entrance and Long Jetty and areas north of The Entrance stretching up to Norah Head:
- STA: Comprises a small STA around Blue Bay: and
- TTA: Comprises a large area including suburbs on the southern side of Tuggerah Lake and encompassing the area from Killarney Vale to Chittaway Bay and north of the lake in an arc stretching from Kanwal through to the Toukley Peninsula.

Figure 4.3: Trade Area for The Entrance

Source: Wyong Retail Centres Strategy Review

The primary trade area for The Entrance is relatively small with the Bay Village Shopping Centre to the south, Toukley to the north and Westfield Tuggerah to the west intercepting much of the potential market.

4.1.7 Market Demand Assessment

The *Wyong Retail Centres Strategy* estimated \$61.5 million in retail expenditure in The Entrance during 2006. With an estimated 19,800sqm of retail space this represents an average turnover of \$3,100/sqm in 2006. With a predominance of food retailing and hospitality this level is relatively low compared to national benchmarks (See **Table 4.2**).

Table 4.2: National Benchmark Retail Trading Levels (2006)

Retail Type	National Benchmark Averages (\$/sqm)
Groceries & Specialty Food	\$6,000-\$8,700
Food & Liquor Catering	\$5,300-\$7,000
Clothing & Accessories	\$2,700-\$3,800
Furniture	\$2,000-\$3,800
Houseware & Appliances	\$2,000-\$3,800
Recreation & Entertainment Equipment	\$3,800-\$4,900
Garden & Hardware Goods	\$2,000-\$3,800
Other Goods & Personal Services	\$6,000-\$8,000
Average	\$4,000-\$5,100

Source: AECgroup

The recommended additional retail floorspace requirement for The Entrance between 2006-31 was estimated at 10,000 sqm in the study. It is proposed that the additional floorspace be developed from 2006-11.

Demand for additional retail floorspace in The Entrance is currently weak with the centre characterised by numerous vacancies in existing tenancies. Recently completed mixed-use commercial/residential developments are experiencing difficulties in leasing their ground floor retail space. This indicates that their asking rents for new tenancies are above what the market is willing to pay. The retail sector in The Entrance in particular relies heavily on visitors (with the restricted local catchment) and the performance of the seasonal tourism market will be a major factor in the demand for additional retail space in the near-term future unless change occurs.

The office market in The Entrance has recently recorded a fall in demand with tenants attracted to other centres such as Bateau Bay. The Entrance has good amenity and attractive facilities which presents longer term potential to be leveraged to develop a stronger office sector. Existing office space is however, not suitable in size or quality to attract the larger office tenants which could be catalysts for growth in the market. If office development is a priority, council may work to attract potential major tenants and facilitate the development of new office space with the private sector close to the main strip in The Entrance. Attraction of first-tier commercial tenants into new commercial space will often flow through to second-tier tenants occupying existing B and C grade space.

4.2 Long Jetty Study Area

4.2.1 Role & Function

The Long Jetty commercial area is a relatively small convenience retail and service centre for the local area with some bulky goods / showroom retailing. Long Jetty is seen as having a role in providing locally based services and retailing for the local community and some potential for visitors. The commercial area is a local village centre with a "lower order" role compared with the nearby centres of The Entrance and Bateau Bay. This is reflected by less boutique stores in Long Jetty. This in turn results in lost trade to these destinations due to their superior range of retail, commercial and recreational facilities and services.

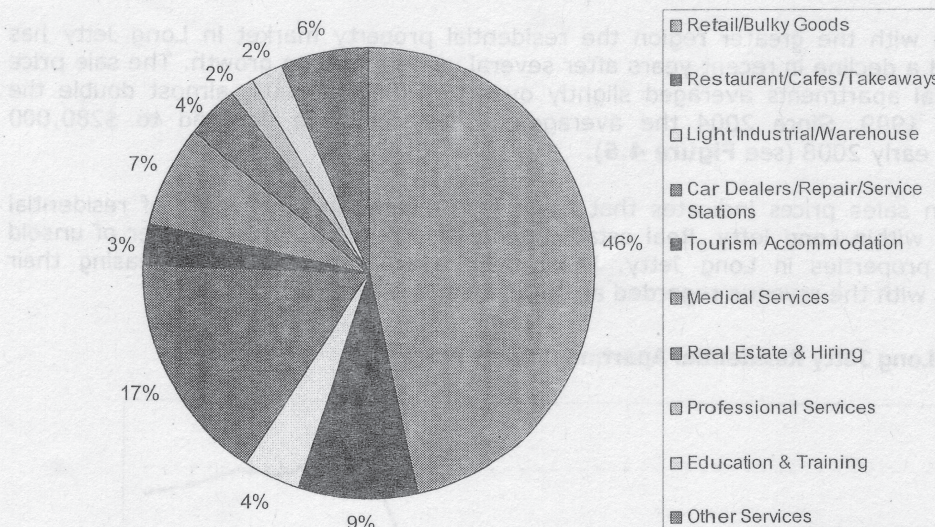
The following describes, in more detail, the role of the Long Jetty commercial centre:

- **Retail:** The commercial centre trades primarily on convenience and a range of hospitality and bulky goods businesses. The centre is a strip retail precinct with the majority of small floorplates in the 3(a) Business Centre zone and larger floorplates in the 3(b) Business Centre Support zone;
- **Office and services:** Provides office space for local commercial, professional and community services businesses, mainly in small office floorplates on ground and first floor level premises;
- **Residential:** There is limited residential development along The Entrance Road within the commercial centre that includes relatively low density residential flat buildings, multi dwelling housing and single level dwellings; and
- **Tourism accommodation:** There is a limited supply of tourism accommodation that includes a motel, hotel and caravan park.

4.2.2 Business Profile & Characteristics

There are approximately 135 businesses operating within the Long Jetty commercial area. Of these, almost half of all businesses are described as retail/bulky goods (see **Figure 4.4**). Car dealers and automotive repairers are the next most common category accounting for an estimated 14% of total businesses.

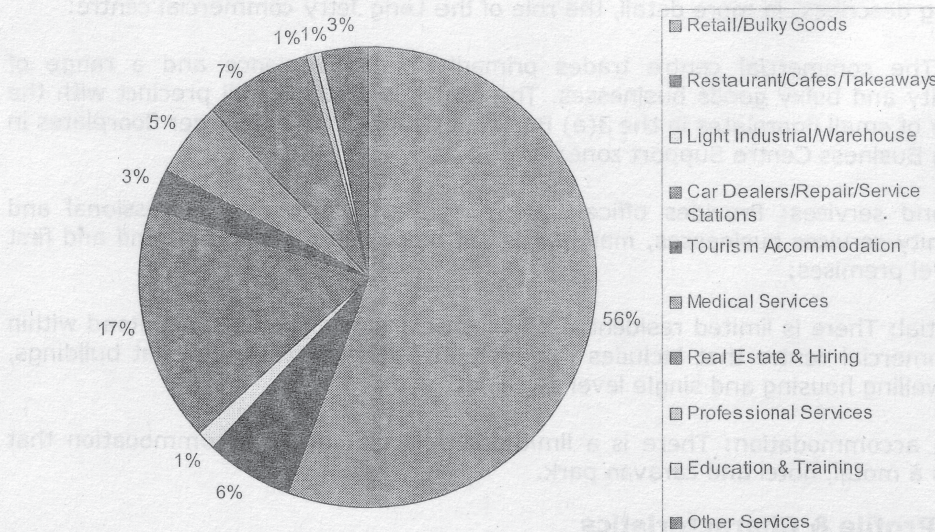
Figure 4.4: Business Tenancy Mix in Long Jetty, January 2008



Source: Wyong Shire Council, AECgroup

An audit of commercial operations within the Long Jetty commercial district in January 2008 by Council estimated total employment of approximately 435 including 320 full time and 115 part time employees. Over half of Full Time Equivalent (FTE) employment was in the retail/bulky goods sector followed by 17% employed in the car dealer and repair operations (see **Figure 4.5**).

Figure 4.5: FTE Employment by Business Type in Long Jetty



Source: Wyong Shire Council, AECgroup

Leyshon Consulting estimated 3,800sqm of retail floorspace in the Long Jetty commercial centre in 2006.

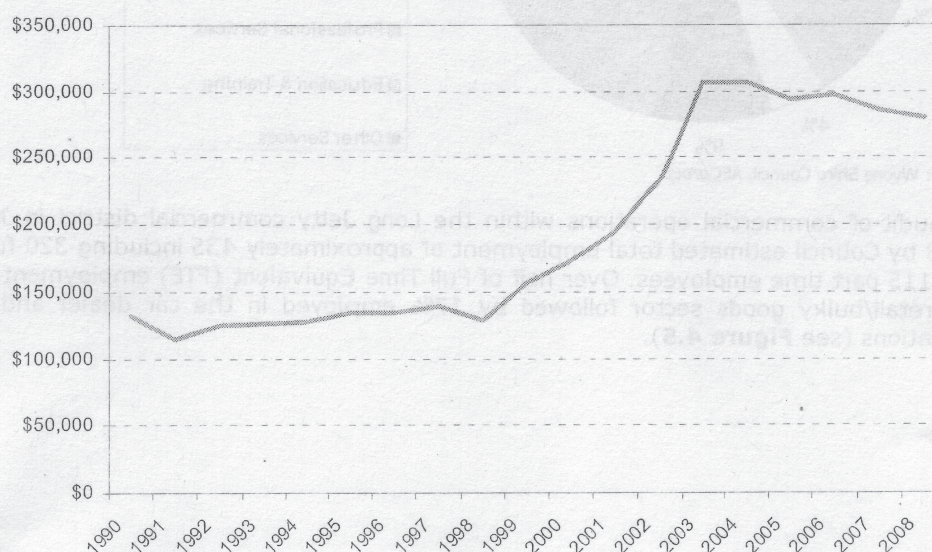
4.2.3 Property Market & Development Trends

4.2.3.1 Residential

In common with the greater region the residential property market in Long Jetty has experienced a decline in recent years after several years of strong growth. The sale price of residential apartments averaged slightly over \$300,000 in 2004, almost double the average in 1999. Since 2004 the average sales prices have declined to \$280,000 recorded in early 2008 (see **Figure 4.6**).

A decline in sales prices indicates that there is currently an oversupply of residential apartments within Long Jetty. Real estate agents also report a large number of unsold residential properties in Long Jetty. Many owners are reported to be leasing their apartments with the revenue regarded as better than selling.

Figure 4.6: Long Jetty Residential Apartment Sales Prices



Source: RPdata, AECgroup

Development activity in the residential market is very low at the moment with developers unable to access funding at prices which make development attractive. The cost of constructing apartments is thought by local commentators to exceed the potential revenue based on sales prices in the current market.

4.2.3.2 Retail

Overall, the retail property market in the Long Jetty centre is experiencing some difficulties though has some positive signs for investment with planned developments in the pipeline. However, generally low reinvestment levels in commercial properties characterise the centre with a large proportion of absentee landlords living in Sydney. As a result, performance in the precinct is patchy with a large number of vacancies.

Retail rents vary across the commercial centre based on trading position, location, building / floorspace quality, ground floor versus above-ground and land values and yields. Rents for ground floor commercial ranges from \$150-\$250/sqm though are generally towards the lower end of this range. Vacancy levels are estimated at about 25% for commercial tenancies based on data from Council's business audit. Lower quality tenancies without street frontage to The Entrance Road record vacancy levels of up to 40%. This highlights the one key competitive advantage that businesses derive from location at Long Jetty as opposed to The Entrance or Bateau Bay; drive-by visibility and access.

Development activity within the Long Jetty commercial centre has been limited in recent years. A bulky goods development is being planned for The Entrance Road which will include showrooms between 200sqm and 1,165sqm. The development is currently at the stage of securing tenants before construction begins. Real estate agents indicate that the developer is seeking rents of \$275/sqm though demand has been limited.

4.2.3.3 Commercial

Commercial office floorspace in the Long Jetty commercial district is limited and comprises of ground floor and first level floorspace. Commercial rents range from \$100-\$200/sqm for mostly lower quality tenancies. The average rent is towards the bottom of this range.

Commercial office development within the commercial district has been virtually non-existent in recent years. Competing centres with higher quality office space in larger centres at Bateau Bay and The Entrance have resulted in a lack of demand in Long Jetty.

4.2.4 Trading Strengths & Weaknesses

The trading position and performance of the Long Jetty commercial centre reflects a number of trading strengths and weaknesses. Long Jetty has lost business to The Entrance and Bateau Bay with conventional retail but has failed to reinvent itself to capitalise on its competitive advantages. Consultation with stakeholders and independent inspection highlights the following strengths and weaknesses of the commercial area.

Strengths

- High traffic flows
- On-street parking
- Bulky goods retailing
- Drive-by visibility
- Location near lake

Weaknesses

- High vacancies
- Lack of connectivity
- Low quality of tenancies
- Low amenity and streetscape
- Low reinvestment
- Weak residential market
- High traffic flows and perceived congestion
- Poor quality public domain

4.2.5 Local Retail Hierarchy

Long Jetty has been identified as a village centre under the Wyong Shire Retail Centres Hierarchy as outlined in the *DCP No 81 – Retail Centres and Central Coast Regional Strategy*. Long Jetty is seen as having a convenience retail role for the local area with bulky goods and light industrial services.

The major retail centres competing with Long Jetty are described in **Table 4.1**. The centres generating the most competition to Long Jetty in the retail sector are the nearby Bateau Bay centre (approximately 2km to the south) and The Entrance (approximately 2km to the north). Both these centres have shopping centres with major supermarkets and specialty stores which are not offered by Long Jetty.

There are several bulky goods centres within Wyong that compete with Long Jetty. Bulky goods precincts have recently expanded within the Lake Haven centre and the Tuggerah Business Park, one of the other major locations of bulky goods retail in the region. There is also planning for an additional 5,000 sqm of bulky goods in the nearby Bateau Bay centre as outlined in the Retail Centres Strategy.

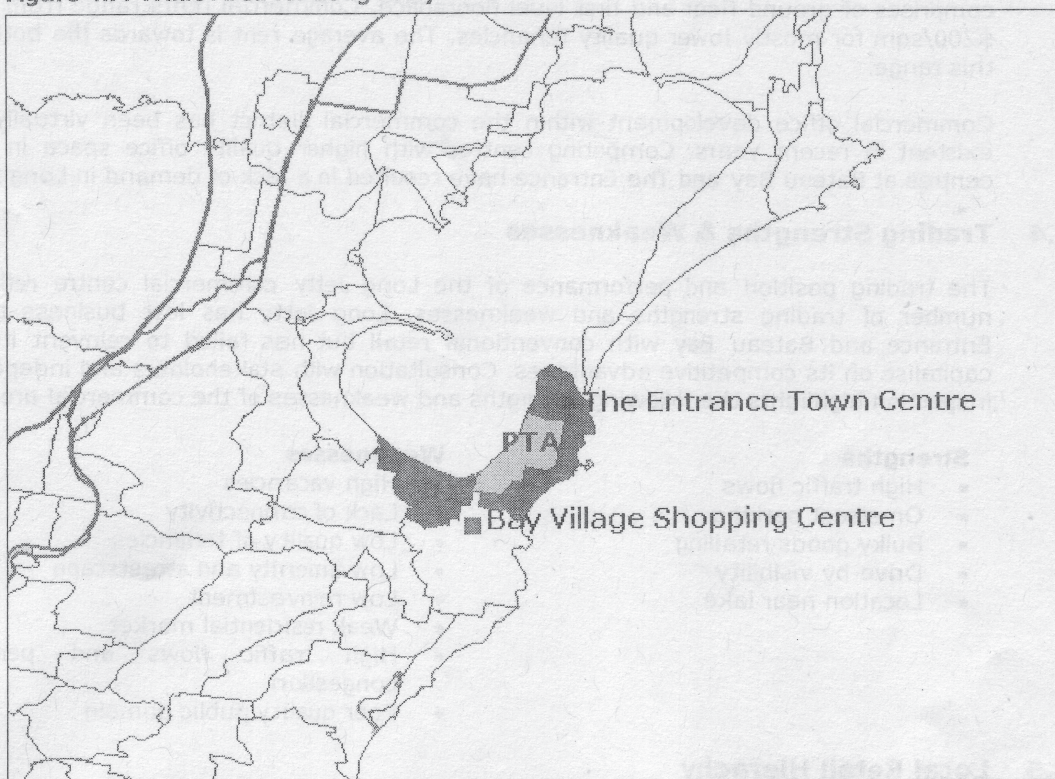
4.2.6 Trade Area Analysis

The Long Jetty trade area is relatively small reflecting the centre's primary role as a convenience retail and small bulky goods centre servicing the following PTA and STA (see **Figure 4.7**):

- PTA: Comprises the suburb of Long Jetty that is within walking distance; and
- STA: Represents the bulky goods role of the centre which attracts shoppers from suburbs including Blue Bay, Killarney Vale, Shelley Beach, The Entrance and Toowoona Bay.

Leyshon Consulting estimated that retail expenditure per capita for residents living within The Entrance Social Planning District (SPD) was \$7,986 in 2005. When adjusted to 2008 levels retail expenditure of residents living in the Long Jetty PTA is estimated to be between \$40-\$50 million in 2008 with expenditure of between \$100-\$120 million in the STA.

Figure 4.7: Trade Area for Long Jetty



Source: AECgroup

4.2.7 Market Demand Assessment

The *Wyong Retail Centres Strategy* recommends additional retail floorspace for Long Jetty of 5,000 sqm between 2006-31. This is additional to the estimated existing floorspace of 3,800 sqm and would take the total to 8,800 sqm. It is proposed that the additional floorspace be developed between 2016-21 when demand is forecast to warrant the growth.

Demand for retail floorspace in Long Jetty is at best moderate with the centre characterised by numerous vacancies in existing tenancies. Significant shopping centres are located less than 2km away at Bateau Bay and The Entrance, placing significant competitive pressure on the commercial centre. **Table 4.3** provides an overview of the two major competing centres to Long Jetty and their forecast growth over the next 25 years.

Long Jetty has potential as an emerging bulky goods corridor and to accommodate showrooms that depend on drive-by visibility such as car and boat retailing. Passing traffic is funnelled along The Entrance Road creating opportunities for retail development that values such a position. Potential bulky goods developments are being planned along The Entrance Road indicating demand in this sub-sector of market.

In order for Long Jetty to reverse the high rate of vacancies and accommodate any significant expansion it needs to leverage its competitive advantage of drive-by visibility and build a cluster of businesses that depend on this position and can draw upon a greater catchment area. Business types that compete closely with The Entrance and Bateau Bay are likely to continue to lose market share.

The office market in Long Jetty is not performing well with low rental prices and relatively high vacancy rates. The commercial centres at The Entrance and Bateau Bay are both located nearby and are more attractive as commercial office destinations.

Table 4.3: Description of Competing Centres to Long Jetty

Centre	The Entrance	Bateau Bay
Role	Town Centre	Town Centre
Tenancy Mix	<ul style="list-style-type: none"> Shopping centre (Lakeside Plaza) Small commercial office Lower order strip retail Restaurants and hospitality Tourist businesses 	<ul style="list-style-type: none"> Retail Shopping centre (Bay Village Shopping Centre) Small range of bulky goods retailing Small range of hospitality and tourism businesses
Major Businesses	<ul style="list-style-type: none"> Coles Discount Shop 	<ul style="list-style-type: none"> Coles Woolworths Kmart Aldi The Reject Shop
2006 Floorspace	19,800	30,046
2031 Floorspace	29,800	30,046
Proposed Growth (2006-31)	10,000	0

Source: Wyong Shire Retail Centres Strategy Review, AECgroup

5. Feasibility Assessments

5.1 The Entrance

5.1.1 Feasibility Model Approach

Several property feasibility/performance/valuation techniques can be utilised to assess whether economically viable development is possible on the identified sites. This study adopts the mindset of a developer in evaluating a potential investment, as it is the development feasibility of a site that creates the potential for economic outcomes. The following approach (see **Table 5.1**) calculates Return on Investment (ROI) and development profit. The development feasibility appraisal is based upon a develop and sell approach. The feasibility model assumptions are outlined in **Appendix A**.

Table 5.1: Summary of Feasibility Methodology

Capital Costs	
+ Land	
+ Land purchase costs	
+ Building	
+ Parking	
+ Professional fees	
+ Statutory fees	
- GST input tax credits	
= Net Costs	(A)
Capitalised Revenue	
+ Property sales	
- Selling costs	
- GST payments	
= Net Revenue	(B)
Return on Investment (\$)	
ROI (\$)	(C) = (B) - (A)
ROI (%)	(D) = (C) / (A)
Other Capitalised Costs	
Capitalised interest	(E)
Holding interest	(F)
Development Profit/Loss	
\$	(G) = (C) - (E) - (F)
%	(H) = (G) / (A)

Source: AECgroup

The calculation of the capitalised revenue for retail and office development is undertaken using a direct capitalisation approach. This approach is based on traditional valuation theory, whereby the market net income of a single year is capitalised (multiplied) in perpetuity to arrive at the market value of the property. The net market income is capitalised using a rate or yield which is analysed from sales of investment properties.

The formula for the calculation of a yield can be expressed as:

$$\text{Yield} = \text{Net rent} / \text{sale price}$$

Given a known net income, and by applying an appropriate yield, the formula can be used to ascertain the market value of a property, as follows:

$$\text{Market value} = \text{Sustainable net rent} / \text{yield}.$$

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- Wyong Section 94 Contributions Plan No 3 The Entrance District (2006)*, Wyong Shire Council

Appendix A: Feasibility Model Assumptions

Costs

Land

The assumed land valuations (see **Table C.1**) have been formulated by comparing the most recent Unimproved Land Values (ULV) for each site with recent vacant land sales in the study areas. Upon inspection, the ULVs have been used.

Table C.1: Land Value Assumptions for Sites

Site	ULV
Site 1	\$1,851,000
Site 2	\$4,554,000
Site 3	\$6,880,000
Site 4	\$14,947,000

Source: Wyong Shire Council, AECgroup

Land Purchase

The feasibility model assumes land purchase costs of 2.50% of the land valuation. This includes, where appropriate, purchaser stamp duty calculated in NSW for premium property valued in excess of \$3 million using a fixed fee of \$150,490 plus a variable fee of \$7 per every \$100 in value above \$3 million.

Building

Building costs have been estimated using *Rawlinsons Australian Construction Cost Handbook 2008* and the *Napier Blakeley Construction Datacard July 2007*. Each of these schedules provides low and high cost bounds relative to standard of finish. An average of the low and high costs has been assumed in the base case of the feasibility model.

The building costs have been adjusted for price inflation to June 2008 (index rating of 105 in June 2008 versus 100 as at July 2007 for Napier Blakeley and index rating of 103 in June 2008 versus 100 as at January 2008 for Rawlinsons).

Parking

Parking costs include the construction of parking for residents, visitors, employees and business owners. The feasibility model assumes parking provisions in line with Council's parking controls in the Wyong DCP 2005. The financial implications of these controls are tested in the sensitivity analysis. It is assumed the car parking for each site achieves an average yield of 1 space per 31sqm to account for roadways and footprint.

The underground car parking construction costs below in **Table C.2** assume reinforced concrete construction including deck over, mechanical ventilation, sprinklers, landscaping to top deck, minimal facilities and no lifts. The model assumes the \$17,512 per space for all offsite car parking as per the Section 94 Developer Contribution schedule.

Table C.2: Parking Construction Cost Assumptions Per Space

	Low	High
Underground – 2 or 3 levels	\$40,000	\$45,000
Underground – 1 level	\$32,000	\$35,000
Deck	\$10,900	\$11,800
At grade	\$2,505	\$2,705
Section 94 Developer Contribution	\$17,512	\$17,512

Source: Wyong Shire Council, AECgroup

Professional Fees

Professional fees include fees associated with the following services:

- Architects;
- Structural engineers;
- Electrical engineers;
- Mechanical and lift engineers;
- Development/project management costs;
- Hydraulic engineers;
- Landscape architects;
- Quantity surveyors;
- Town planners;
- Feasibility consultants; and
- Other specialist consultants.

Professional fees are usually expressed as a percentage of the building costs (including parking) and range between 7.0% and 13.0% for the types of development being considered in this study. An average ratio of 9.0% has been assumed for this study.

Statutory Fees

Statutory fees relate to government costs including all local, state and federal taxes and compliance costs, including:

- Development application fees;
- Advertising;
- Construction certificate;
- Section 68 application;
- Section 149 building certificate;
- Water access charges;
- Sewerage access charges;
- Section 94 developer contributions:
 - Open space;
 - Multicultural and youth services; and
 - Community services and facilities.

The feasibility model has calculated statutory fees for each development model in accordance with the schedules outlined in Council's Management and Section 94 Plans.

Capitalised and Holding Interest

Capitalised and holding interest is not included in the return on investment calculation. However, these interest costs are included in the calculation of development profit.

Capitalised interest on the development is included as a capital cost in the model to reflect the interest costs incurred during the development period, which is assumed at 12 months which is generally accepted as a benchmark in the industry. The annual interest rate is assumed at 9.00% based on the market averages, and has been altered in the sensitivity analysis.

Holding interest is included as a capital cost in the model to reflect the interest costs incurred during the selling period, which is assumed at 6 months. The annual interest rate is assumed at 9.00%, or 4.50% effective over 6 months.

GST Input Tax Credits

The feasibility model assumes GST tax input credits equivalent to 10% of capital costs, excluding capitalised interest and holding costs.

Revenue

Commercial Rents & Yields

The feasibility model has estimated indicative commercial rents based upon market research of rental rates across the study areas and adjustments relative to locational characteristics and market position. The model has assumed lease incentives/vacancy rates average 10.0% of the gross rent. This produces effective weekly rents that have been used in the modelling.

The feasibility model assumes capitalisation rates of 6.0% for retail and 8.00% for office. This compares with yield ranges of 5.25%-7.25% in the Sydney retail sector and 5.89%-9.70% in the Sydney office sector as reported by CB Richard Ellis research. The difference in these yields is determined by the risk associated with development in different locations.

Residential Sales

The feasibility model has estimated sales prices from market research of recent sales within the study areas.

Sales & Marketing

The selling costs of the development include:

- Financial and legal costs;
- Real estate commissions; and
- Marketing and sales expenses.

As of 2005, vendor transfer duty is payable to the NSW Government upon the sale/transfer of the asset. The rate of duty is 2.25% of the dutiable value of the land related property i.e. selling price.

The feasibility model assumes selling costs of 4.75% of the gross sales realisation.

GST Payments

The feasibility model assumes GST payments of 10% gross realisation after sales costs. Therefore, the model assumes an overall GST payment of 10% on profit.

Timing

The feasibility model assumes a construction period of 12 months and a sales period of 6 months for each development which are generally accepted as benchmarks in the industry.

The return on investment (ROI) calculation has been adjusted for this period.

Price to Earnings Ratio

The Price to Earnings Ratio (PE Ratio) is a financial ratio used to compare the valuation and performance of businesses. It is calculated by:

PE Ratio = Value of Business / Profit After Tax

If the PE Ratio is known, a business can be valued by multiplying the PE Ratio and earnings. For this study low, medium and high PE Ratios have been estimated for businesses located in Long Jetty of 5, 7 and 9. These ratios reflect a benchmark range for small unlisted companies in Australia.

6. Key Findings and Recommendations

6.1 The Entrance

A consistent finding from this study has been the significant impact the depressed nature of the property market has had on the feasibility of new development. In order to increase property prices, demand needs to be increased through the attraction of new residents, jobs, businesses and visitors. In any case planning strategies need to address issues such as transport, access, infrastructure, marketing and image to ensure that the region has the maximum appeal to residents, businesses, visitors and investors.

The current malaise is in part due to factors outside of Wyong's control, including the greater Sydney property market, interest rates, fuel prices and the global credit crisis. An oversupply of residential apartments and townhouses within The Entrance is, however, a key reason for the depth and length of the decline in property prices. Much of the existing supply of residential apartments are built for the holiday market and not attractive to residents. A minimum dwelling size ratio of around 120 sqm could be considered to encourage a more permanent population. This would slow the construction of tourism accommodation in the 'boom' times but result in a more stable property market in the 'bust' times.

Outcomes for the zoning types studied in this assessment are provided below.

6.1.1 Zone 2 (g) Residential Tourist:

Constraints: The 2 (g) zones in The Entrance are set further back from the prime beachfront zone and are also in proximity to residential areas. A key requirement of 2 (g) is to *ensure tourist development does not significantly adversely impact on the amenity of adjacent residential areas*. This reduces the options for potential higher impact retail or commercial uses..

Opportunities: The 2 (g) zones present relatively large parcels of land with relatively low density existing utilisation. There is potential to significantly add to the supply of tourist accommodation in The Entrance on these sites which are still within walking distance of the main beach and dining precinct.

Impact of Existing Planning Controls: The 2 (g) zoned sites are less likely to have demand for alternative uses than the existing 3 (d) sites. As for the 3 (d) sites, the feasibility for permanent residential development may be greater than tourist development.

Impact of Amalgamating Lots: There are some economies of scale to be realised from a large scale amalgamation and development of the 2 (g) areas however this is likely to be outweighed by the practicalities of financing and marketing such a large development. The development of a large lot would almost certainly need to be staged as the market would need time to absorb the increased supply of units and commercial floorspace. This would in turn minimise the benefits of economies of scale.

Development Forms Informed by the Study: Design, scale, bulk, land-use mixes, planning controls.

6.1.1 Zone 2 (g) Residential Tourist:

Constraints: The potential greater catchment of Wyong for businesses in The Entrance is effectively intercepted by the Bay Village Shopping Centre to the south, Toukley to the north and Westfield Tuggerah to the west. The Entrance lacks the availability of relatively large and affordable sites with easy access from the greater catchment that has made major new shopping developments such as the Bay Village Shopping Centre attractive to develop. As such, it is not going to be able to compete with the aforementioned centres for weekly and convenience shopping needs, except for within its relatively small primary catchment.

Opportunities: The Entrance has higher natural amenity than competing nearby shopping areas with proximity to the ocean and some dining precincts and tourist activity. While there is some need for servicing the local catchment and tourists, the remaining retail approach at The Entrance should aim to differentiate itself as more closely approximating a 'high street' experience. This should not necessarily be confused with 'upmarket' but rather involves more individual and boutique style shops and those with unique offerings that appeal to tourists and locals alike.

The Entrance should also aim to build upon and leverage its amenity to attract more office tenants in the longer term. It has the potential to attract commercial development to service the greater Wyong region. However development of commercial space is unlikely to be attractive in the near future without a pre-negotiated significant tenant. Any new office supply should be consolidated as closely as possible within existing 3 (a) and 3 (d) zones. The potential for long-term growth of The Entrance's office market will not be best served by disjointed commercial developments that fail to create a functional cluster for tenants and customers alike.

Impact of Existing Planning Controls: The feasibilities conducted in this study demonstrate no value in altering existing planning controls in Zone 3 (a) in The Entrance. Allowing for higher residential developments reduces, rather than improves, development viability in the current market.

Impact of Amalgamating Lots: The need to amalgamate lots within Zone 3 (a) is limited at present by the size of the development that the market can absorb. It would not be viable to develop larger lots in a single stage at present with the gains from economies of scale in construction outweighed by the risk of tenancies in the new development remaining vacant. The Entrance market either needs to grow substantially in size or significant latent demand needs to develop in the market to consider the larger developments that justify amalgamating lots within Zone 3 (a) as tested in this study.

Development Forms Informed by the Study: Large-scale retail developments within Zone 3 (a) in The Entrance are not supported at present by the market. The forecast rate of growth in the market is also insufficient to justify large-scale single-stage developments. Ongoing revitalisation and small-scale new supply as the market grows would better maximise the stability and market share for The Entrance.

The various property markets (commercial, residential, retail, industrial) often cycle independently and it is possible that in some point in the future residential will recover to a point that a development will carry a commercial or retail development loss to enable a residential development to occur (the mixed-use development model). However the value of potentially empty retail or commercial space to The Entrance's amenity and appearance needs to be considered.

Planning controls for Zone 3 (a) within The Entrance should consider that major new development of retail and commercial space is unlikely in the foreseeable future. As such, any new development should aim to consolidate the precinct along The Entrance Road and improve amenity and connectivity along the corridor. This could involve encouraging further anchor tenants into the precinct, and the encouragement of reinvestment in existing shop fit outs and streetscapes, particularly towards Lakeside Plaza, with the aim of improving the destination value and interest in strolling from one end of the strip to the other. To encourage reinvestment, trading positions must be consolidated by not allowing new development in the region to exceed demand.

61.3 Zone 3 (d) `Tourist Business Zone.

Constraints: The differentiation between tourist businesses and other businesses is indistinct in many cases. 3 (d) zoning aims to *encourage development, providing accommodation, services, entertainment and attractions for tourists*. 3 (a) zoning is capable of accommodating tourist businesses whereas 3 (d) aims to preserve high natural amenity sites for tourism with a lower intensity of retail and commercial space. Strict application of 3 (d) has the potential to reduce the viability of a development by restricting permanent residential units or some retail/business uses.

Opportunities: The 3 (d) sites have excellent amenity for tourism and other uses, High value residential and commercial space has potential for these zones, with the possibility of improving the status of The Entrance as a commercial centre within the district.

Impact of Existing Planning Controls: The 3(d) zoning restricts the ability of the developer to create a mixed-use development as the intensity of retail and commercial space must remain low. The feasibilities conducted for this assessment indicate that in the present market the site would have slightly more potential with permanent residential and retail/commercial as opposed to tourist accommodation. However, all options in the current market are unviable. While the future market may see a relative improvement in tourist accommodation, this is uncertain, and increased flexibility in terms of development options for the site can only improve the feasibility of development of this site.

Impact of Amalgamating Lots: The feasibilities conducted for this assessment demonstrated virtually no change in project viability through amalgamating, the vacant site on the corner of The Entrance Road and Marine Parade with the KFC Site, The most positive effect of amalgamation was noted under the high property revenue scenario, which would most closely resemble the situation when the site was feasible to develop.

Impact of rezoning to 3 (a) Business Centre: The modelling conducted for this assessment indicates that the impact of rezoning to 3 (a) is likely to be positive for the viability of the site. However, by doing so, some control is lost over the nature of potential development on the site with a broader allowance of complying development.

Development Forms Informed by the Study: The 3 (d) zones are the highest value sites in The Entrance. It is appropriate that any development on the sites, whether that be tourist, commercial, residential or retail based (or a mix) maximises the return from the site for Wyong Shire by catering for tourists, offices, residents or businesses that will bring maximum economic benefit to the Shire.

6.2 Long Jetty

Based on the analysis of the Long Jetty Commercial District the following recommendations for the future development of the area are given.

Impact of Rezoning 3 (a) Business Centre and 3 (b) Business Centre Support to 2 (c) Medium Density Residential: The feasibility modelling conducted for this study indicates that the rezoning of 3 (a) and 3 (b) land at Long Jetty to 2 (c) is unlikely to result in a favourable outcome for Wyong.

The one competitive advantage that the current businesses on Long Jetty retain is their high drive-by visibility. As such a consolidated retail centre in Long Jetty would not be viable for most of these existing business. Rather, the types of businesses most likely to establish in a consolidated centre at Long Jetty would compete more closely with those at The Entrance and Bateau Bay. To remain viable in the long term, businesses at Long Jetty need to further differentiate themselves from The Entrance and Bateau Bay, by moving towards bulky goods, warehouse and showroom styles of retailing that thrive on relatively low-density sites with high drive-by visibility and on-site parking at-grade.

Current rents on Long Jetty are relatively cheap at \$150-\$250/sqm. A new centre would require higher returns to be a viable proposition, particularly if it was developed to a density where on-grade parking would be insufficient. Many of the existing businesses at Long Jetty would be unable to afford the higher rents that would be required from a new centre. Businesses would also have to recoup significant moving and refurbishment costs. If the businesses were unable to increase earnings to fully cover the additional costs of establishing and renting in the new centre, this would be reflected in reduced business values.

Residential development is currently not viable at Long Jetty. Significant improvements in the residential property market are required to make residential redevelopment viable. Single and two storey retail developments are currently much closer to being viable for the precinct than residential. The situation of the busy road means that this relationship

between retail and residential development is unlikely to significantly change in the foreseeable future.

Development Forms informed by the Study: Revitalisation of the Long Jetty retail precinct is desirable. While residential is not a viable option, planning direction could encourage the development of relatively large format bulky goods and showroom (eg. motor vehicles, motor bikes, boats) that thrive on the high drive-by visibility. The amalgamation of lots for these purposes would be desirable in many cases to allow space for large displays of goods and on-grade parking.

There may be a role for some small-scale conveniences at Long Jetty to cater for the local market however overall retail uses that compete with The Entrance and the Bay Village Shopping Centre should not be encouraged.