

**ANGEL PLACE
LEVEL 8, 123 PITT STREET
SYDNEY NSW 2000**

URBIS.COM.AU
Urbis Pty Ltd
ABN 50 105 256 228

16 December 2020

Jane Grose
Director Western
DPIE
Submitted via the submission

Dear Jane,

SUBMISSION ON DRAFT MAMRE ROAD DCP

This letter has been prepared on behalf of Altis Property Partners (**Altis**) in response to the release of the draft Mamre Road Development Control Plan (**the DCP**) which is on public exhibition from 10 November to 17 December 2020.

This submission is made in respect to Altis' landholding as the owner of **772-782 Mamre Road, Kemps Creek (the site)**.

We understand that the DCP seeks to provide fine grain planning controls for development in the Mamre Road Precinct and Altis commends the Department of Planning, Industry and Environment and Penrith City Council on finalising the planning for the Mamre Road Precinct in 2020.

As a major landowner in the Mamre Road Precinct with landholdings across the broader precinct, and an active member of the Mamre Road Precinct Landowner Group, Altis seek to support the Mamre Road Landowner Group's submission, which discusses collective issues to be addressed to unlock the Mamre Road Precinct for development.

This submission addresses the site-specific concerns and provides recommendations on the DCP for consideration during the post-exhibition period.

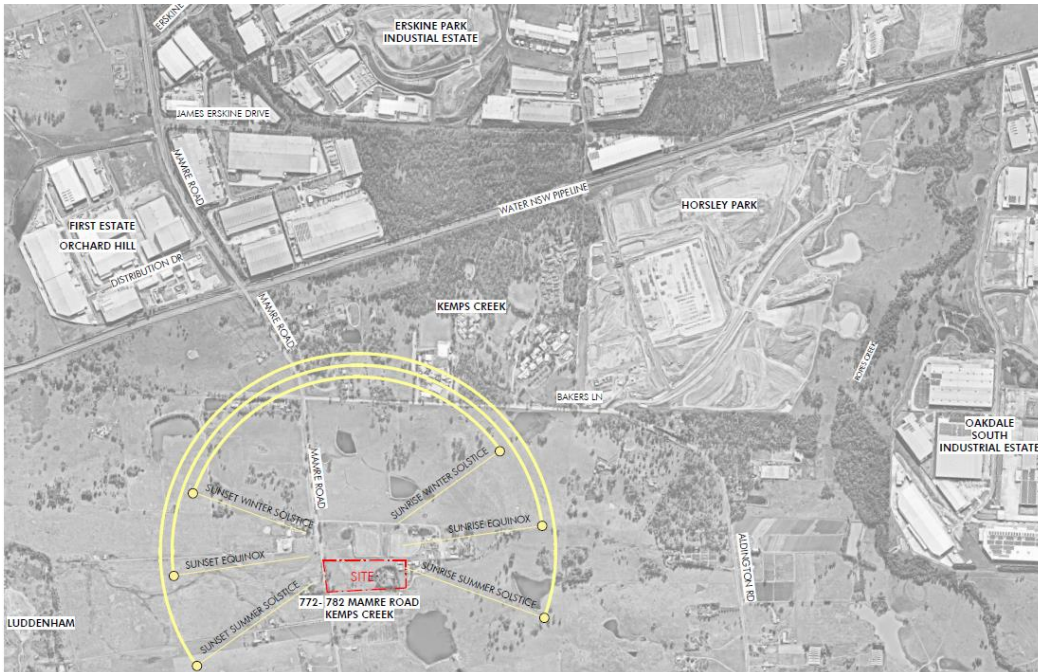
1. ABOUT ALTIS PROPERTY PARTNERS

Altis is a leading real estate firm with a portfolio of over 30 assets, worth over \$3 billion. Since its establishment in 2008, Altis has developed extensive experience and expertise in industrial, office, retail, residential and other specialist real estate sectors. Altis has extensive experience within Western Sydney, particularly within the Mamre Road Precinct through current projects including 772-782 Mamre Road and Access Logistics Park, Kemps Creek and the Altis-Frasers estate at 649-763 Mamre Road, Orchard Hills.

2. THE SITE

This submission is made in relation to the site located at 772-782 Mamre Road, Kemps Creek (as shown in Figure 1 and Figure 2 below).

Figure 1 Location Plan

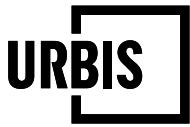


Source: Nettleton Tribe

Figure 2 Site Aerial



Source: Near Maps / Urbis



A Development Application (DA20/0564) for the site's redevelopment is currently under assessment by Penrith City Council. The proposed development is described as:

Construction of an industrial warehouse, and ancillary office and associated site preparation works, landscaping, car parking and loading bays.

The DA was received by Penrith City Council (**Council**) on 9 September 2020. At the time of lodgement, the draft Mamre Road Development Control Plan (the DCP) was still being prepared by the Department of Planning, Industry and Environment. The DA was accepted for lodgement with agreement that an assessment against the DCP be provided when it became available. An addendum assessment of the proposal against the DCP has since been issued to Council and is currently being considered.

The subsequent assessment of the proposed development against the DCP has informed the recommendations made within this submission, further enhanced by a practical assessment of the DCP's feasibility in the context of an industrial warehouse development.

3. KEY RECOMMENDATIONS

3.1. INTEGRATED WATER CYCLE MANAGEMENT

The DCP proposes strict controls relating to Integrated Water Cycle Management and Water Quality. Specifically, the DCP establishes a maximum 1.9ML/ha/year mean annual runoff control which is a vast misalignment with that typically adopted by Penrith City Council and other Growth Centre DCP's.

In the context of large format industrial warehouse development that require substantial hardstand areas for loading and car parking, a flow limiting value of 1.9ML/ha/year is unfeasible. It is recommended that a Stream Erosion Index (SEI) criteria be adopted rather than a flow limiting value, consistent with most Growth Centre DCP's.

Implementing the current controls seeks to not only increase costs, it will also reduce the land take for development that must include larger treatment facilities and larger landscaping areas that incorporate swales.

This is not in line with the governments objectives to attract and encourage employment in Western Sydney and must be seriously reviewed

3.2. VIEWS AND VISUAL IMPACTS

The DCP provides objectives and controls in relation to views and visual impacts with the overarching intent to preserve the existing natural landscape, prevent development on ridgelines, maintain existing topography to retain a sense of rural character in the Mamre Road Precinct. This section of the DCP misaligns with the vision for the Mamre Road Precinct which is to provide employment uses through industrial and warehouse development.

Given the topography of the Mamre Road Precinct and significant earthworks required to facilitate building large warehouse buildings, it is considered unfeasible for these controls to remain and must be removed to avoid large areas of the Precinct becoming undevelopable.

3.3. LANDSCAPING

The DCP identifies a 40% tree canopy cover target within its objectives and controls. Clarity is required regarding whether the 40% target relates to the metropolitan as a whole or site by site. Achieving 40% tree canopy cover for an industrial development is not considered feasible due to truck circulation, hardstand requirements and to allow for safe manoeuvring of heavy vehicles. As such, the target should not be included within the controls and should only be addressed in the objectives with reference made towards the requirement for DAs to demonstrate how they are supporting the 40% canopy cover (whether it be through retaining existing trees or planting additional trees).

Furthermore, the minimum 15% pervious area control contained within the DCP is not considered economical nor feasible for and industrial development. This control should be removed or reduced to ensure that it is commercially feasible in an industrial precinct which requires large format warehouse buildings and expansive hardstand areas.

3.4. BUILDING DESIGN

The DCP establishes a minimum 30% glazing requirement to facades along the main street frontage(s) to strengthen passive surveillance and streetscape character. Further clarity is required as to whether this control relates to the warehouse components of a development or office components as it is not typical for large format warehouse, as intended to be developed within the Mamre Road Precinct, to comprise such an extensively glazed façade.

It is recommended that this control is removed to allow flexibility in dealing with tenants and occupiers that may have specific building requirements

In addition, the DCP prescribes a 50% maximum on building materials, a control that is not conducive to industrial development that is typically built with precast concrete and metal wall cladding. This control is not economical and should be removed.

3.5. EARTHWORKS AND RETAINING WALLS

The delivery and practical design of earthworks and retaining walls are critical to the success of the Mamre Road Precinct. The current objectives and controls contained in this section are inconsistent with outcomes associated with employment lands. This section needs to be reviewed and address the following matters:

- Control 4: The requirement that retaining walls can only be a max 1m in height adjacent to public domain boundaries is impractical. The slope of the precinct varies up to 120m. It is recommended to amend the control to allow 4m.
- Control 12: Fill material must include resource recovery materials.
- Control 13: Delete reference to pier foundation building design. This design is not practical for industrial building construction.

3.6. TRANSPORT NETWORK

Altis the Landowner Group is working with Transport for NSW and the Department of Planning, Industry and Environment to finalise transport modelling to understand the broader road network

needs across the precinct. This work is anticipated to be completed in Q1 2021. Once this work is complete, the DCP must be updated to align with the results.

In addition to the broader modelling, the Altis has concerns with the proposed road typologies, classification of roads, requirement for roads adjoining open space and the notion that Distributor or higher order roads might be access denied. These are outlined below.

- The proposed road typologies within the DCP of 26.5m and 24m respectively are between 20% and 30% larger than the current council guidelines and are not required to support safe industrial movements. In addition, these typologies have introduced medians that may seek to restrict access to sites within the precinct's local road network.
- It is considered both inefficient and uneconomical to have access denied on roads that run parallel to each other. For example, the western side of Mamre Road has the potential for five internal roads running parallel with each other in an industrial zoned area of less than 500m wide. This concept would not only cause significant impact to developable area and jobs but it would be cost prohibitive to developers due to the need to construct and pay for the additional roads and only achieve small lots.
- Roads adjoining open space, including RE1, RE2 and the Wianamatta-South Creek Precinct are not required, nor do they have any nexus to an industrial development. If DPIE or Council require these roads, they should be located on the RE1 and RE2 zoned land and paid for by government. Roads are permissible with consent in these zones.
- Finally, there are discrepancies between the naming of road typologies as shown in the road sections (Figure 12 and Figure 13) and the road classifications used in Figure 14. In order to minimise confusion, Figure 14 must be updated to reflect the terminology associated with the road sections, whereby only Aldington Road and Abbots Road should be classified as Distributor Road. All other roads should be industrial roads.

3.7. ECONOMIC IMPACT

The DCP in its current form will impose not only controls that seek to reduce the amount of developable area within the Precinct, but it will also significantly increase costs. With a current affordability crisis in Sydney already causing tenants and occupiers to relocate to other states like Brisbane and Melbourne any substantial increase in cost will dramatically increase the rate at which this will occur. The below analysis completed by Urbis identifies the current affordability between states and outlines the impacts of adopting the current DCP controls.

3.7.1. Industrial Land Market Trends

Sydney average existing warehouse net rents in September 2020 are \$156.34/sqm which is 66% higher than rents in Melbourne (\$94.31/sqm) and 36% higher than Brisbane (\$115.06/sqm).

The net rent spread between Sydney and Melbourne is \$62.03/sqm in September 2020, which is 5.3% higher than 12-months ago (\$58.94/sqm) and 28.5% higher than the 10-year average spread (\$48.24/sqm)

The net rent spread between Sydney and Brisbane is \$41.28/sqm in September 2020, which is 4.6% higher than 12-months ago (\$39.47/sqm) and 94% higher than the 10-year average spread (\$21.27/sqm) – see Figure 3 below.

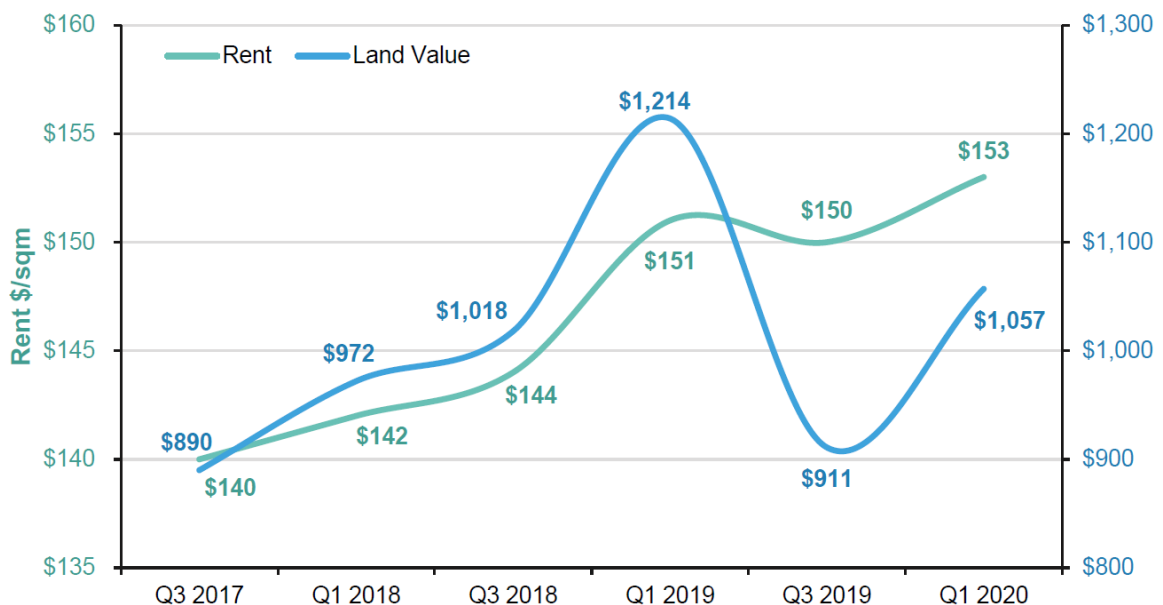
3.7.2. Land Values

Sydney Outer Central West serviced land values reached \$658.33/sqm which is 135% higher than land values in Melbourne West (\$280/sqm) and 73% higher than Brisbane’s Trade Coast (\$380/sqm)

The existing serviced land value spread between Sydney Outer Central West and Melbourne West is \$378.33/sqm which is 59.8% above the 10-year average spread of \$236.75/sqm. The existing serviced land value spread between Sydney Outer Central West and Brisbane Trade Coasts is \$278.33/sqm which is 220% above the 10-year average spread of \$87.10/sqm.

While it is appreciated the NSW Government recognises the shortage of industrial land and has actively responded through rezonings such as Mamre Road Precinct. This alone is unlikely to completely address Sydney’s affordability issues associated with industrial supply and demand. What is required is timely servicing and delivery of this land and ensuring it can be done so whilst maintaining competitive costs for occupiers relative to other states and precincts.

Figure 3 Sydney Industrial Rents and Land Values, Q3 2017 – Q1 2020 (\$ per sqm)



- The significantly more expensive industrial rents in Sydney are largely driven by limited industrial land supply. As at 2018, Sydney had approximately 2,937 hectares of undeveloped zoned industrial land supply (which has decreased to 2,837 hectares in 2019) compared to 3,736 hectares in Brisbane and 6,466 hectares in Melbourne.
- While the NSW Government appreciates the shortage of industrial land in Sydney and is actively rezoning land to address this shortage, this alone is unlikely to completely address Sydney’s affordability issues.

3.8. IMPACTS OF THE DCP

- The proposed DCP is likely to have significant impacts on the feasibility of developing industrial land within the Mamre Road Precinct.
- First, the proposed DCP implements a number of additional requirements that reduce the ability to convert Gross Land Area to Net Developable Area (NDA). These requirements include increased on-site stormwater detention, water quality treatment, trunk drainage, road widths, riparian corridors, and tree canopy. As a result of these proposed requirements, site efficiency is likely to be reduced from 80% today to approximately 58%. This means that the ultimate quantum of supportable Net Lettable Area (NLA) in the precinct will decrease.
- In addition, a permeability target of 35% of NDA has been set which reduces the ability to convert NDA to Net Lettable Area (NLA). Historically in the WSEA, sites could be developed to achieve a Floorspace Ratio (FSR) of 0.6:1. However, based on the proposed permeability target of 35% and the “new urban typology for large format industrial” analysis published by Sydney Water in the *Mamre Road Flood, Riparian Corridor and Integrated Water Cycle Management Strategy*, an FSR of only 0.45:1 will be capable of being achieved (despite the Strategy’s claims of 0.6:1). These proposed changes will significantly impact the quantum of NLA that can be achieved in the Mamre Road Precinct.
- The additional infrastructure requirements under the proposed DCP will also result in increased development costs, including the extra over costs of water treatment and paving as well as additional landscaping.

3.9. IMPACTS TO AFFORDABILITY

- Sydney is already Australia’s most expensive industrial market and as a result of reduced NDA and NLA, and higher infrastructure and statutory costs, developers in the Mamre Road Precinct will be forced to seek even higher rents per sqm in order to maintain their development margin and project feasibility. This means rents in the precinct could increase to \$214 per sqm, some \$100 per sqm or 90% to 93% higher than Melbourne and Brisbane average rents.
- As a result, Sydney will become even less competitive with Melbourne and Brisbane with prospective and even existing tenants expected to increasingly choose to locate in those more affordable cities. Therefore, the precinct is unlikely to be developed in line with the NSW Government and Penrith City Council’s vision. This will, in turn, negatively impact Sydney’s ability to create jobs and economic opportunities.
- Sydney also already underperforms relative to its size and population in terms of trade processed. Despite Sydney’s large population and therefore the potential economies of scale and agglomeration benefits it can offer in addition to its geographical location between Brisbane and Melbourne, an average of only 5 tonnes of goods are processed through its ports and airports per head of population. In comparison, 7.3 tonnes per capita are processed through Melbourne while 13.5 tonnes per capita are processed through Brisbane. The proposed changes to the DCP and infrastructure contributions will dramatically increase industrial rents and further worsen the quantum of trade processed per capita in Sydney.



4. CONCLUSION

Altis recognises the extensive work undertaken by the Department of Planning, Industry and Environment and Penrith City Council in advancing the DCP's exhibition in 2020. We commend the NSW Government on advancing the development of the Mamre Road Precinct and appreciate the opportunity to comment on the DCP.

Altis, as a member of the Mamre Road Precinct Landowner Group have worked in collaboration with other major landholders in the Precinct to consider and comment on the DCP to ensure any issues that may affect the realisation of the vision for the Precinct are addressed.

Altis supports the recommendations made within the Landowner Group submission and seeks to build off the broader precinct concerns through this site-specific submission. We welcome the opportunity to discuss any of the issues raised within this submission with the Department of Planning, Industry and Environment and Penrith City Council to ensure the successful development of the Mamre Road Precinct as envisaged within the Precinct Plan.

Yours sincerely,

A handwritten signature in cursive script that reads "Bruce Colman".

Bruce Colman
Director
02 8233 7680
bcolman@urbis.com.au