URBIS

PARRAMATTA ECONOMIC ASSESSMENT

Prepared for: JQZ
October 2024

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Urbis acknowledges the important contribution that Aboriginal and Torres Strait Islander people make in creating a strong and vibrant Australian society.

We acknowledge, in each of our offices, the Traditional Owners on whose land we stand.

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Project code	P0046076
Report number	Final Report

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01

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Key Market Findings

The Subject Site is a mixed-use residential, office and retail development located at 83 Church Street, Parramatta. It is located on the border of the Parramatta Office Market as defined by the Property Council of Australia (PCA).

Being located outside of the Mid City of Parramatta in a building located within a largely retail and residential location, the office space (under expected market conditions) is unlikely to be able to be leased over the short to medium term. While some office leasing activity is likely to occur in Parramatta, this will primarily be moderate and in more prominent office locations, which are currently being discounted in an attempt to lure tenants from less well-positioned locations and from lower-grade stock.

Vacancy is expected to remain at or above 20% over the five-year outlook in the Office Study Area, well above the long-term average. This is despite most of the planned pure office supply being pushed out beyond 2030. This is due to a structural change that occurred in 2020 that has altered the way people work and, therefore, office requirements and considerations.

Urbis forecasts the achievable net effective rent in the Office Study Area to range between $354/sq.m and $412/sq.m and face rents to range from $624/sq.m to $635/sq.m from 2024 to 2030. This is significantly below the pre-commitment rents that have been achieved, which has resulted in office space being able to commence and commercial development being viable for their owners.

Due to current and forecast office market conditions, commercial development at the Subject Site will likely be economically unfeasible over the short to medium-term; thus, alternative land uses should be explored.

Residential is likely to represent the highest and best use for the Subject Site, with the Apartment needs assessment compared to apartment supply showing a large gap. This is compounded by State Government dwelling targets compared to expected dwelling supply showing more housing is going to be needed in the City of Parramatta over the short to medium term.

Parramatta Commercial Office Market Rents, ranges achievable 2024-2030

Forecast Prime Net Effective Rent ($/sq.m)	$354 - $412
Forecast Prime Net Face Rent ($/sq.m)	$624 - $635

Source: Urbis Office Model

	January 2024	January 2029	30-year historical average
Vacancy Rate	22%	20%	8.5%

Source: PCA, Cordell Connect, Cityscope, Developer websites, Urbis Office Model

Current State of the Parramatta Residential Market – Against Targets

	Five Years to FY29
State Government Dwelling Target	19,500
Cumulative Dwelling Supply Forecast	13,126
City of Parramatta Dwelling Shortfall	-6,374

Source: Planning NSW; UDP; Urbis

EXECUTIVE SUMMARY CONTINUED

The Development Proposal Findings

Key highlights of the proposed Parramatta Gateway Development include:

- The project is shovel-ready, which would contribute significantly to the projected shortfall in housing in the Parramatta LGA over the next five years.
- The project is set to add a significant amount of ongoing direct employment with over 500 jobs (as shown in the table right). It will also contribute hundreds of additional indirect jobs to the Local Government Area.
- The project completion is expected to be at the end of 2026, and recruitment of ongoing jobs within the development will commence in early 2026. The benefits to the area will, therefore, start in 2026.
- Negotiations have commenced with tenants and space operators and Marriott is close to finalising a deal for the significant amount of hotel space included in the plans.

Expanding office space from the proposed square metres identified will likely make the development unfeasible. With completion likely in late 2026, office space is also unlikely to contribute significant additional employment as the space is expected to remain predominately vacant over the next five years. Given the Parramatta CBD vacancy is going to be over 20% over this period, tenants will be able to occupy space in the Parramatta CBD Core at discounted rents and will, therefore, not consider space located in the Fringe (see Appendix 1 for a letter outlining expectations for the office space from CBRE a major International leasing agency).

The table right shows employment from non-residential uses, but it should be noted that the additional residential space will also create direct and indirect jobs.

Proposed Development to Make a Significant Contribution to Employment

Land Use	Non-Residential GFA	Direct Job Work Space Ratio	Direct Jobs (FTE)
Site 1			
Retail	1,959 sq.m	26.7 sq.m per worker	73
Hotel	18,001 sq.m (288 rooms)	JLL Data	160
Office	2,656 sq.m	15 sq.m per worker	177
Community Space	555 sq.m	84.6 sq.m per worker	6
Sub-Total	23,171 sq.m		416
Site 2			
Retail	502 sq.m	26.7 sq.m per worker	18
Childcare*	800 sq.m	65 sq.m per worker	12
Lobby	62 sq.m		1
Office	844 sq.m	15 sq.m per worker	56
Sub-Total	2,208 sq.m		87
Total	**25,379 sq.m**		**503 jobs**

Source: JQZ, City of Sydney Floor space and Employment Survey, 2017, WA Land Use Employment Survey JLL estimate of hotel staff. *Childcare jobs will be dependent on the number of places and is estimated at 10.25 sq.m per child (Education and Care Services National Regulations 2016). Applying this to a 800 sq.m centre a ratio of 65 sq.m per worker is estimated. Note: Assumes space is fully occupied Excludes outdoor dining areas.

02

SITE OVERVIEW

SUBJECT SITE CONTEXT

Key Findings

The Subject Site is an approved mixed-use development made up of two registered lots located at 83 Church Street (including 44 Early Street) and 63 Church Street, Parramatta, referred to as Sites 1 and 2, respectively. The proposed development changes to convert large portions of the approved commercial floorspace to residential apartments only relate to Site 2.

The site is located around the southern entrance to Parramatta CBD. To the north and east, the area is generally comprised of several car dealerships and urban services land, followed by the beginning of Parramatta CBD. The site is classified as being located in the Parramatta Fringe.

The alignment of Church Street and the Great Western Highway, which extends along the northern and eastern boundary of the site, is fronted, namely, by industrial and urban service-based land uses. Towards the west, the land uses transition to medium-density and low-density housing, with higher-density housing along the Great Western Highway. This area is interspersed with retail, showrooms and a substation.

The Subject Site is within walking distance of existing amenities, including Ollie Webb Reserve, Westfield Parramatta and the Church Street retail strip.

Parramatta and Harris Park Stations are approximately 500-700 metres walk from the Subject Site. The Sydney Metro West is scheduled to open in 2030 and will link residents in Parramatta to the Sydney CBD in around 20 minutes.

Potential ground-floor retail and medical tenants, including Coles, and a private health care operator have raised concerns about access to the Site. In particular, they see the lack of a right-hand turn from Church Street into Early Street as a constraint. The concerns stem from the busy nature of the surrounding roads and concrete traffic islands. This may limit ground floor retail and medical potential.

Subject Site Map

SITE AND DEVELOPMENT OVERVIEW

Key Findings

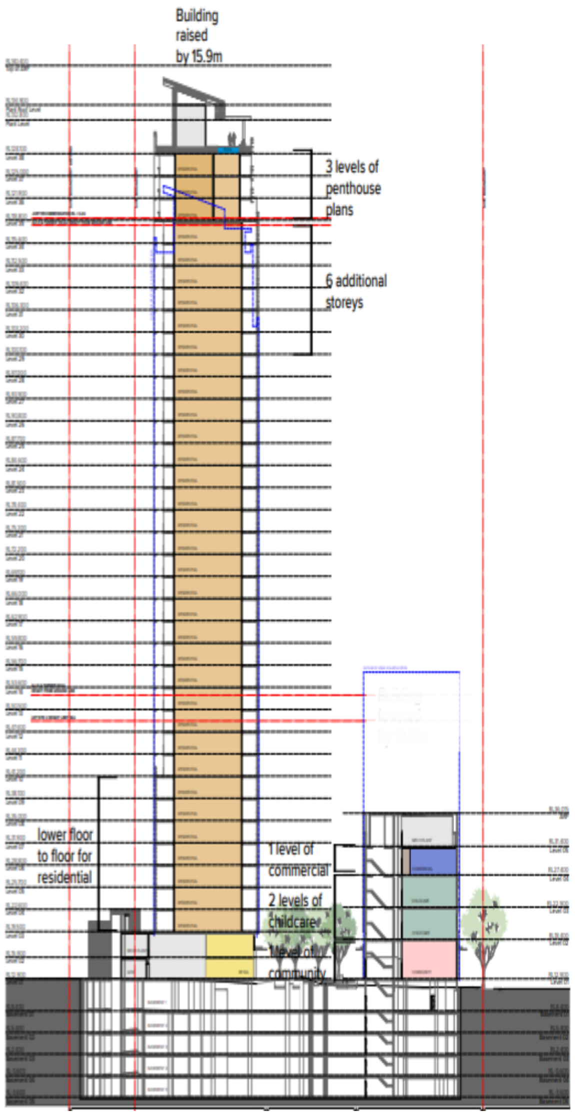
The consent for the original Development Application (DA) was granted for a mixed-use development across two sites, including the development of a hotel containing 275 rooms and two residential towers containing 542 apartments over two levels of retail and commercial podium at Site 1. Additionally, Site 2 includes the construction of a non-residential building and a mixed-use tower containing 9 levels of non-residential floor space and 22 storeys comprising 235 apartments.

The proposed shift from commercial to residential GFA at the Subject Site only relates to Site 2.

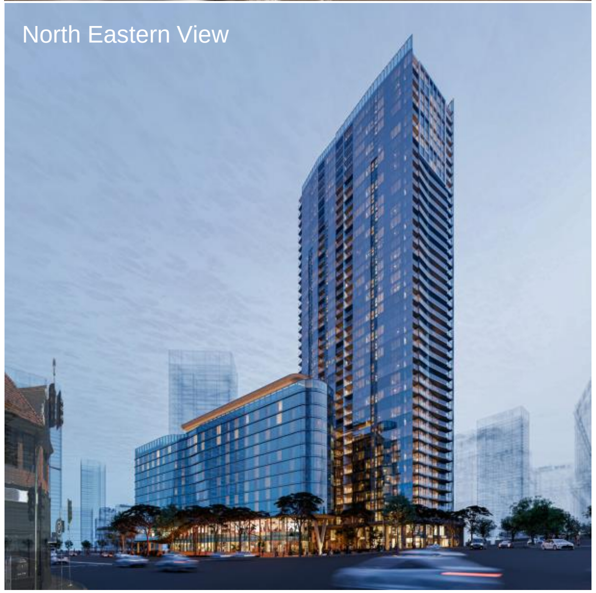
The new Planning Proposal for the Subject Site consists of:

- DA-approved total GFA of 34,901 sq.m
- An increase of 148 apartments to a total of 383 residential apartments, offering a mix of 138 one-bedroom units, 166 two-bedroom units and 79 three-bedroom units.
- 13,625 sq.m GFA converted from office to residential
- Community and retail Use at Level 1
- Childcare at Levels 2 and 3
- Commercial at Level 4.

Planning Proposal Scheme



Source: JQZ; Turner



03

COMMERCIAL OFFICE

COMMERCIAL OFFICE STUDY AREA

Key Findings

The proposed development at the Subject Site is located within the 'Parramatta Fringe' just outside the Parramatta Office Market boundaries defined by the PCA shown on the map adjacent.

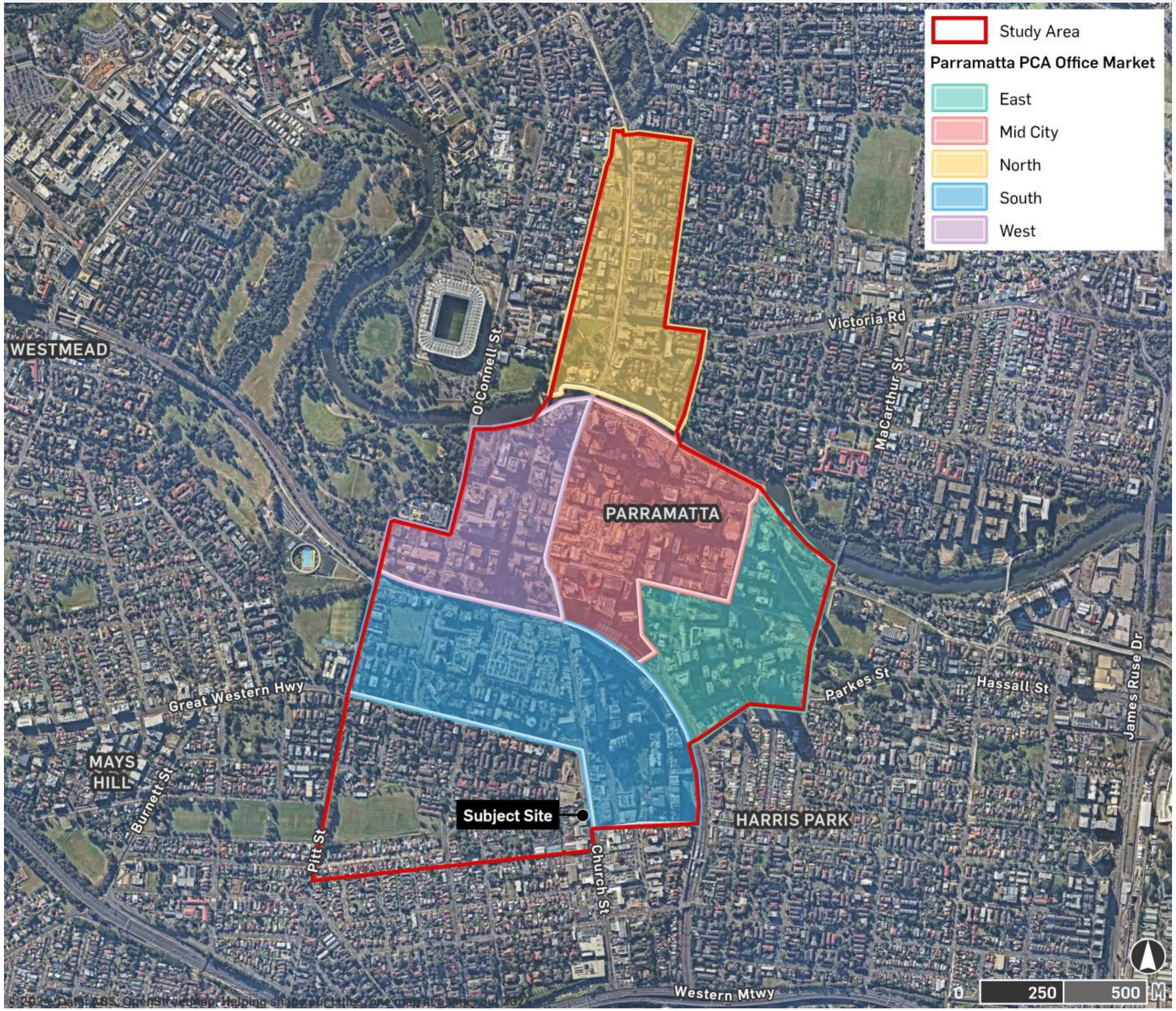
For the purpose of this analysis, Urbis have considered the PCA office market plus the additional area to the South of the CBD, which incorporates the Subject Site, as the Office Study Area. This Study Area was chosen as the Subject Site will have to compete directly with any office space located within this area.

Generally, the Fringe is less desirable than the CBD from the perspective of tenants for the following reasons:

- Lower agglomeration economies
- Often further distance to/from amenities in particular key transport hubs
- Often in residential or retail areas and hence the area is unlikely to hold prestige or in many cases have a corporate look and feel. This can severely impact the type of potential tenants that will go to the area.

This needs to be carefully considered in the context of the Study Area, as while the area included is directly competing for tenants, the area in the CBD has a significantly higher chance of obtaining those tenants.

Commercial Office Study Area



3.1

OFFICE SUPPLY ANALYSIS

HISTORICAL STOCK AND SUPPLY AND OUTLOOK

Key Findings

The table adjacent outlines the historical and forecast stock, supply and withdrawals within the Parramatta commercial office market between January 2019 and January 2029.

According to the PCA Office Market Report (January 2024) and an examination of the additional area outside of the PCA office market area, the Study Area had ~719,500 sq.m of net lettable commercial floorspace (NLA) in January 2019. The market has been significantly increasing stock size since 2019 at 5% per annum, with approximately 243,840 sq.m developed (with moderate withdrawals) to January 2024.

Since 2005, the rapid rise in population in the Parramatta area has resulted in increased demand from the local population servicing office tenants, in particular from professional services firms. This has been combined with increased investment in the area and supply of A-grade office stock, which is attracting business and professional services firms as well as financial and insurance services firms to the area. This assisted in filling some of the net 243,839 sq.m of office space added to the market over the five years to January 2024.

Over the next five years, commercial stock is forecast to increase by more than 63,630 sq.m of NLA. Also consistent with the past five years, there is unlikely to be a moderate rate of withdrawal in the Study Area to January 2029. This is indicative of a market that is in oversupply. The excess supply is due to the completion of several office developments throughout the pandemic and a slowing of tenant demand.

Historical and Projected Stock and Supply, Jan 2019 – Jan 2029

	Stock (sq.m)	Gross New Supply (sq.m)	Withdrawals (sq.m)	Net New Supply (sq.m)
Jan-19	719,547	26,920	12,789	14,131
Jan-20	768,421	62,174	13,300	48,874
Jan-21	809,526	44,363	3,258	41,105
Jan-22	887,268	126,222	48,480	77,742
Jan-23	959,818	74,800	2,250	72,550
Jan-24	963,386	21,964	18,396	3,568
Jan-25	993,298	24,912	0	24,912
Jan-26	1,028,298	5,000	0	5,000
Jan-27	1,019,554	35,000	8,744	26,256
Jan-28	1,025,819	6,265	0	6,265
Jan-29	1,027,019	11,396	8,800	2,596

Source: PCA, Cordell Connect, Cityscope, Developer websites, Urbis Office Model

SUPPLY OUTLOOK BREAKDOWN

Key Findings

In addition to the 963,386 sq.m of existing commercial floorspace, the Office Study Area has proposed commercial developments that are anticipated to deliver more than 225,530 sq.m of commercial floorspace by 2031. The majority of proposed developments in the Study Area are located in the Mid-City sub locale of the Parramatta PCA Office Market, which has greater access to public transport and retail amenities than the other sub-locales. Many of these projects have developer completion dates earlier than indicated in the table. However, as most office developments are currently not feasible and are unlikely to receive precommitments, all the pure office buildings that have not commenced have been pushed out along the development timeframe. The rising construction costs, in conjunction with low effective rents, have led to very few economically feasible projects.

The notable developments include:

- **197 Church Street** is a mixed-use development currently under construction that comprises a hotel, retail space and commercial office. The 25-storey commercial office is estimated to deliver 35,000 sq.m of office floor space by 2026.
- **110 George Street (The Octagon)** is a mixed-use development currently in the development approval stage that comprises 397 BTR apartments, childcare, retail and commercial office space. The commercial office development is estimated to deliver 40,499 sq.m of commercial floor space by 2027 according to the developer. Urbis have factored in an expected completion of 2031 due to the expected market conditions over the next five years.

Proposed Stock and Supply

Project Address	Type	Development Status	Estimated Completion Date	Office NLA (sq.m)
7 Charles Street	Mixed-Use inc Office	Construction	2025	5,000
197 Church Street	Mixed-Use inc Office	Construction	2026	35,000
64-66 Phillip Street	Mixed-Use inc Office	DA Applied	2027	6,265
132 Marsden Street	Pure Commercial	DA Approved	2028	11,396
81 George Street	Pure Commercial	DA Approved	2030	50,000
2 Fitzwilliam Street	Mixed-Use Office and BTR	DA Applied	2030	30,000
33 Argyle Street	Mixed-Use Office and BTR	DA Applied	2030	3,570
110 George Street	Mixed-Use Office and BTR	DA Approved	2031	40,499
140 George Street	Pure Commercial	DA Approved	2031	43,800
Total Proposed Commercial Floorspace				**225,530**

Source: PCA, Cordell Connect, Cityscope, Developer websites, Urbis Office Model
Note: Completion dates have been adjusted outwards, factoring in expected market conditions. Only Office NLA is included in the Office NLA (sq.m). No projects listed above have applied for change of use to residential/BTR as of October 10, 2024.

3.2

OFFICE DEMAND AND VACANCY

OFFICE DEMAND DRIVERS

Key Findings

The future demand for commercial office space within the Office Study Area has been forecast by adopting the Australian Bureau of Statistics (ABS) and Transport for NSW (TfNSW) employment projections for the Study Area. Based on the employment projections, employment in the Office Study Area is projected to grow by 2.4% from around 33,160 in 2024 to more than 37,250 in 2029. This is a total of 4,096 jobs. By 2029, TfNSW forecasts strong growth in several industry sectors requiring commercial floorspace. The key growth industries include:

- Financial and Insurance Services (+1,584 jobs, +2.9% per annum)
- Professional, Scientific and Technical Services (+753 jobs, +2.7% per annum)
- Public Administration and Safety (+745 jobs, +1.8% per annum).
- Health Care and Social Assistance (439 jobs, +3.9% per annum).

The solid forecast employment in the top four sectors indicates some demand for commercial office space to support the additional jobs. In total, the 4,096 additional jobs in the CBD equates to around 61,440 sq.m of office space, applying a floor space ratio of 15 sq.m per worker. This indicates a potential gross absorption of 12,288 sq.m per year. There are also likely to be moves out of the market, and a portion of these workers are likely to at least partially work from home. This allows companies to take less space than has traditionally been the case.

Employment Growth Forecasts, 2024 – 2029

	2024		2029		2024-29	
	No.	**%**	**No.**	**%**	**Total Change**	**Annual Growth (%)**
Financial and Insurance Services	10,434	31%	12,019	32%	1,584	2.87%
Professional, Scientific and Technical Services	5,375	16%	6,128	16%	753	2.66%
Public Administration and Safety	8,035	24%	8,780	24%	745	1.79%
Health Care and Social Assistance	2,061	6%	2,500	7%	439	3.93%
Administrative and Support Services	1,194	4%	1,338	4%	144	2.30%
Education and Training	834	3%	961	3%	127	2.89%
Rental, Hiring and Real Estate Services	902	3%	975	3%	73	1.57%
Other Services	463	1%	531	1%	68	2.77%
Arts and Recreation Services	153	0%	216	1%	63	7.18%
Information Media and Telecommunications	485	1%	537	1%	53	2.08%
Electricity, Gas, Water and Waste Services	554	2%	585	2%	31	1.10%
Wholesale Trade	385	1%	398	1%	14	0.70%
Manufacturing	485	1%	496	1%	11	0.44%
Transport, Postal and Warehousing	380	1%	392	1%	11	0.58%
Agriculture, Forestry and Fishing	16	0%	17	0%	1	1.39%
Mining	11	0%	10	0%	0	-0.50%
Construction	702	2%	701	2%	-1	-0.03%
Accommodation and Food Services	191	1%	183	0%	-8	-0.87%
Retail Trade	504	2%	492	1%	-12	-0.46%
Total	**33,164**	**100%**	**37,260**	**100%**	**4,096**	**2.36%**

Source: ABS; TfNSW; Urbis

OFFICE DEMAND DRIVERS

Key Findings

Remote working opportunities increased markedly during the pandemic, with many companies permanently providing flexible or hybrid positions.

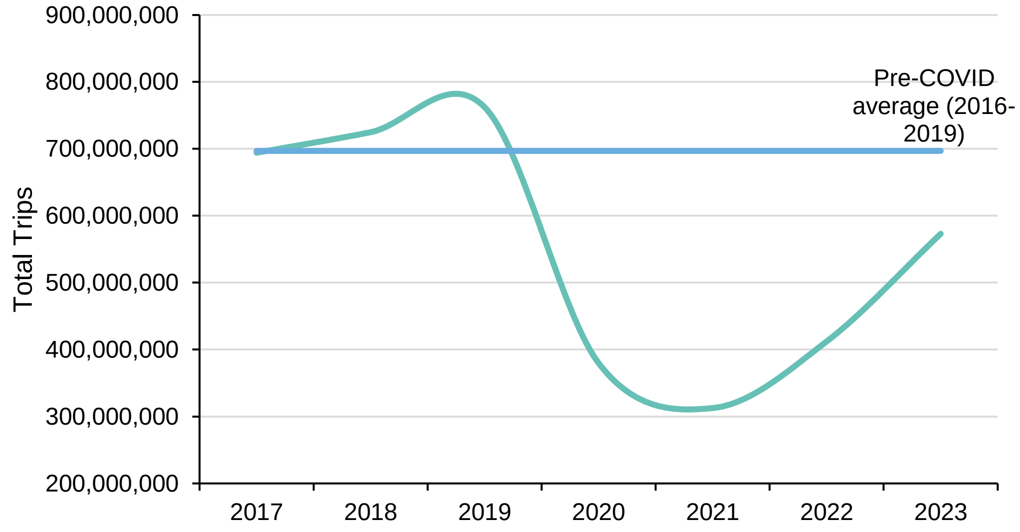
As most workers commute into Parramatta via public transport, Transport for NSW opal card data provides a substantial measure of the number of workers returning to the office. The chart shows the total trips to Parramatta Train Station via all public transport modes. Total trips are starting to increase but are still well below pre-pandemic averages, and, as of December 2023, were at 75.2% of 2019 levels. This level is likely to decrease again in 2024 as the first four months of 2024 have been 10% below the same time last year. This data indicates on average, people are working 2 to 3.5 days in Parramatta. This may return to 4 days a week, but Urbis believe it is likely to stabilise around this level.

According to the 'Taking the Pulse of the Nation' Survey, run by The University of Melbourne, 70% of Australians who work from home would like to continue doing so. Work from home trends are likely to stay, with many workers expressing a preference for working remotely. Opal card data indicates a structural shift in work patterns to the detriment of the office sector. This structural change occurred in 2020 and has altered the way people work and, therefore, office requirements and considerations across markets. All studies completed prior to 2020, in light of this, would need to be reviewed.

An indicator of this shift is the high and increasing office vacancy across the major office markets. As shown in the table, office vacancy rose in major Sydney precincts by between 8.3% and 19.3 percentage points from January 2020 to January 2024. The current market conditions have been witnessed through the marketing of 558 Pacific Highway, St Leonards, in which 53% of the building remains vacant with incentives as high as 50% being required. The main contributing factors driving these weaker market conditions in areas such as St Leonards are increased competition within the market reflected by the high vacancy rate of 26.3% as per the PCA and weaker demand as occupiers are drawn to markets such as North Sydney as they look at locations that can aid in retaining and attracting talent within their organisations. The current vacancy rates reflect office markets heavily favouring tenants.

Further increases in vacancy are likely across Sydney as companies continue to 'right size' and lease smaller office spaces.

All Trips to Parramatta Train Station, 2017 – 2023



Source: TfNSW; Urbis

Impact of Office Structural Change on Total Vacancy in Major Sydney Markets

CBD	January 2020	January 2024
Parramatta	3.2%	22.0%
Macquarie Park	4.6%	20.1%
Chatswood	3.7%	18.8%
Crows Nest/St Leonards	7.0%	26.3%
North Sydney	7.6%	24.2%
Sydney	3.9%	12.2%

Source: Property Council of Australia Office Market Report (January 2024)

HISTORICAL OFFICE DEMAND AND VACANCY

Key Findings

The opal data has shown that the pandemic has significantly changed work patterns, sharply increasing remote working opportunities. This has caused substantial changes to the office sector in the Office Study Area.

One indicator of this shift is **the increase in office vacancies.** Office vacancies have substantially increased in the Office Study Area and Parramatta City South by ~19% and ~21%, respectively, from January 2019 to January 2024). The 212,416 sq.m of vacant commercial floorspace in the Office Study Area as of January 2024 reflects an office market heavily favouring tenants, particularly in B-grade stock, as tenants experience the 'flight to quality' phenomenon and upgrade to newly completed A-grade spaces. This is largely driven by rents being offered in these buildings at lower rates than what they are currently paying under existing lease terms and incentives being offered that pay for the entire move and fit out of any new space taken up.

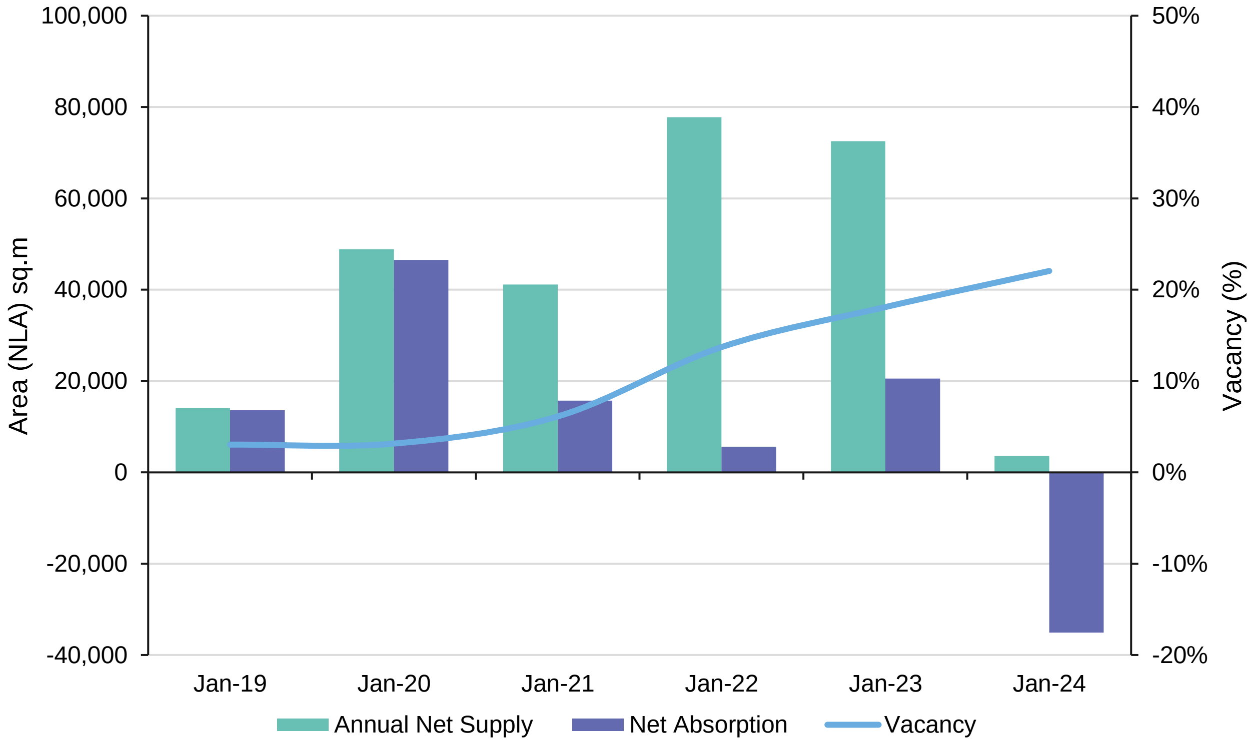
During January 2024, the total vacancy for the Study Area was 22%. This compares with the pre-COVID-19 rate of circa 3%.

The significant increase in office vacancies within Parramatta City South (the closest PCA office sub-locale to the Subject Site) since the pandemic coincides with the completion of four large office buildings in Parramatta Square, which have more convenient access to public transport, retail amenities, and agglomeration benefits.

Further increases in vacancy are likely across Sydney as companies continue to 'right size' by leasing smaller office spaces on lease expiry.

The negative net absorption (reduction in tenant leased space) over the year to 2023 is in part driven by this right-sizing.

Office Study Area Annual Office Market Net Absorption and Vacancy, Jan 2019 - Jan 2024



Source: PCA, Cordell Connect, Cityscope, Developer websites, Urbis Office Model

FORECAST OFFICE DEMAND AND VACANCY

Key Findings

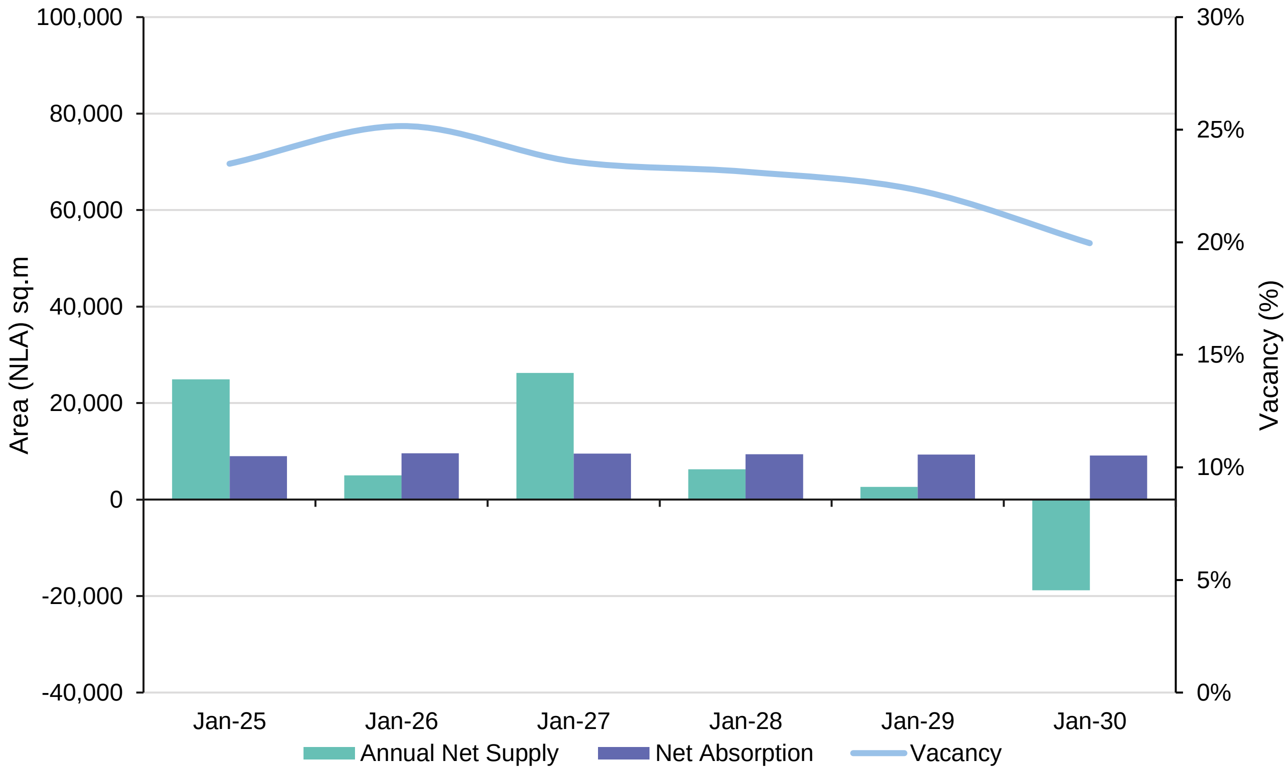
As shown on the previous page, the Office Study Area witnessed a sustained low level of vacancy in the period prior to COVID-19. However, the continuous supply of commercial office space has placed significant pressure on the market, particularly secondary (consisting of B-Grade, C-Grade and D-Grade stock) grade stock, with many tenants taking advantage of high incentives and lower rents on offer to upgrade to new, A-grade facilities.

Over the five years to January 2030, the Office Study Area is anticipated to see moderate net absorption in line with historical averages. This is due to forecast increases in office-based employment, as illustrated on page 16. However, vacancies are set to remain at or above 20% over the next four years, peaking at ~25% in January 2026.

It must be noted that it took approximately four years for Parramatta CBD to exit the early 90's downturn. This was a supply-led downturn, and vacancy only peaked at 15.2%. It is likely that the current downturn (which is already significantly more severe) will be prolonged by the combination of stronger supply and the structural change brought about by an increased acceptance of employees working from home. Office vacancy in Parramatta going into the early-90s downturn (2.6%) was similar to the current downturn (3.0%), and net supply was 161,417 sq.m, whereas net supply over the current supply cycle has been 243,839 over the same 3.5-year lead-in period and is still underway.

This indicates vacancy is likely to remain high over a significantly longer period, resulting in greater difficulty for the office market during the next 5-10 years than during the early-90's recession.

Office Study Area Annual Office Net Absorption and Vacancy, Jan-25 – Jan-30



Source: PCA, Cordell Connect, Cityscope, Developer websites, Urbis Office Model

CBRE Analysis of Potential of Subject Site for Office

"Due to its fringe location, we would expect that occupiers will be drawn initially to more centrally located options within the CBD and hence we would not expect that there would be demand from occupiers for more than the currently proposed envelope of 3,000+ sqm."

Stefan Perkowski - Director Office Leasing North Sydney
See Appendix 1 for details

3.3

OFFICE RENTS AND INCENTIVES

RENTAL AND INCENTIVE MARKET

Key Findings

Office rents are another key indicator of demand for office space in a market. Decreasing rents and rising incentives signify a lower need for office space as landlords have to discount effective rents to attract tenants.

There has been a distinct 'flight to quality' in Sydney generally, and particularly in the Office Study Area, with vacancy in the A-grade market at 18.4% compared to 40% in B-grade stock. Face rents have not significantly responded to the current supply and demand discrepancy as owners try to keep these stable. High incentives, however, have increasingly become commonplace, notably for institutionally owned assets, resulting in significant decreases in effective rents. B-grade rents have been under greater pressure as vacancies continue to increase, and the flight-to-quality continues. This is due to the lower effective rentals available in prime space and the need for tenants to have higher-quality and located office space to attract tenants back into the office.

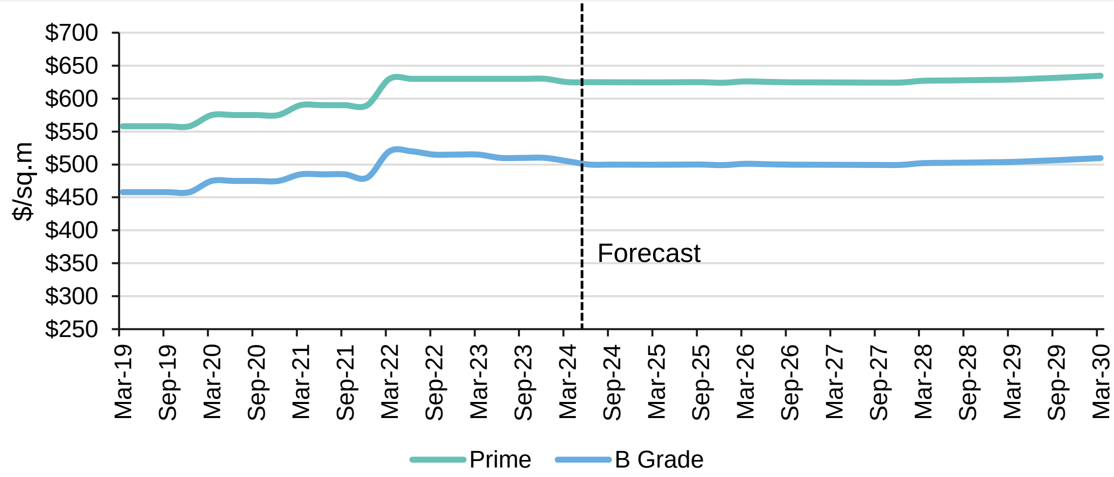
Despite market challenges, face rents are expected to stabilise in the short term. As of March 2024, net prime face rents sat at $625/sq.m, relative to the $505/sq.m achieved in the B-grade office market.

The Office Study Area Prime Office Market experienced volatile net effective rents from March 2019 to March 2023, peaking at $528/sq.m and quickly declining to $386/sq.m in March 2022. Since March 2019, Prime incentives in the Market have increasingly become more significant, growing from 8% in March 2020 to approximately 36% in March 2024. Urbis forecasts that incentives will increase to around 43% towards the second half of 2025 before gradually declining to a still high 35% by March 2030.

Net effective rents are forecast to be subdued over the short to medium term, due to incentives remaining high.

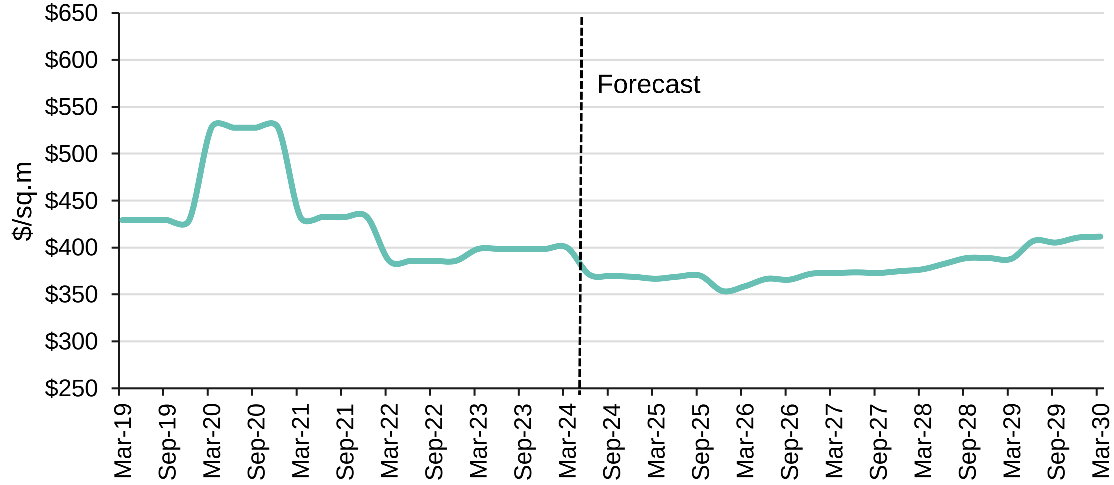
The Subject Site is located in a secondary location just outside of the fringe of the PCA-defined Parramatta CBD market and is, therefore, more likely to achieve closer to B-Grade rentals.

Office Study Area Net Face Rents, Mar 2019 – Mar 2030



Source: PCA, Cordell Connect, Developer websites, Urbis Office Model

Office Study Area Prime Net Effective Rents, Mar 2019 – Mar 2030



Source: PCA, Cordell Connect, Developer websites, Urbis Office Model

3.4

COMMERCIAL OFFICE RECOMMENDATIONS

RECOMMENDATIONS

Key Findings

The outlook for the office market is weak in the short to medium term. While a significant number of pure office supply additions have been postponed due to uncertainty and unfeasibility in current market conditions, the prospect of further refurbished or mixed-use supply being added to the market in the short to medium term will keep vacancies elevated.

While office face rents are unlikely to see much growth over the short to medium term due to the stock available in the market, net effective rents may see some improvement if incentives decline from their current high. The 'flight to quality' will likely remain a prominent factor as tenants seek out affordable A-grade stock over secondary offerings. Secondary stock and that outside the Mid City is, however, unlikely to see any rental growth over the short to medium-term

Urbis forecast the achievable prime net face rent in the Office Study Area to range between $624/sq.m to $635/sq.m and B-Grade to range from $505/sq.m to $510/sq.m from 2024 to 2030.

The starting rents for commercial office pre-commitments in the Office Study Area over the past few years ranged from $558/sq.m to $751/sq.m, significantly higher than the $505/sq.m net face rents being achieved in the Office Study Area B-grade commercial office market at current. This is likely to render the office component of this development unfeasible. The data and findings outlined in this report demonstrate that due to the current and forecast office market conditions, it is highly unlikely that a commercial development at the Subject Site will be economically feasible over the short to medium term. Therefore, alternative land uses such as residential should be explored.

Key Commercial Office Metrics in the Office Study Area

Forecast Prime Net Effective Rent ($/sq.m) (2024-2030)	$354 - $412
Forecast Prime Net Face Rent ($/sq.m) (2024-2030)	$624 - $635
Forecast B-Grade Net Face Rent ($/sq.m) (2024-2030)	$505 - $510
Current Pre-Commitment Rent in Parramatta Mid-City (2023-2024)	$558 - $751
Forecast Vacancy Rate (2024-2030)	20% - 22%

Source: PCA, Cordell Connect, Developer websites, Urbis Office Model
Note: Pre-commitment rents are historical and compared to forecasts. Pre-commitment rents provide an indication of rents needed for buildings to commence. This shows we are not expecting the market to reach sufficient rents for new buildings to commence over the period from 2024-2030.

04

RESIDENTIAL

HISTORICAL AND PROJECTED POPULATION GROWTH

Key Findings

To determine the potential demand for a residential development at the Subject Site, Urbis have adopted the Parramatta Local Government Area (LGA) as our Residential Study Area.

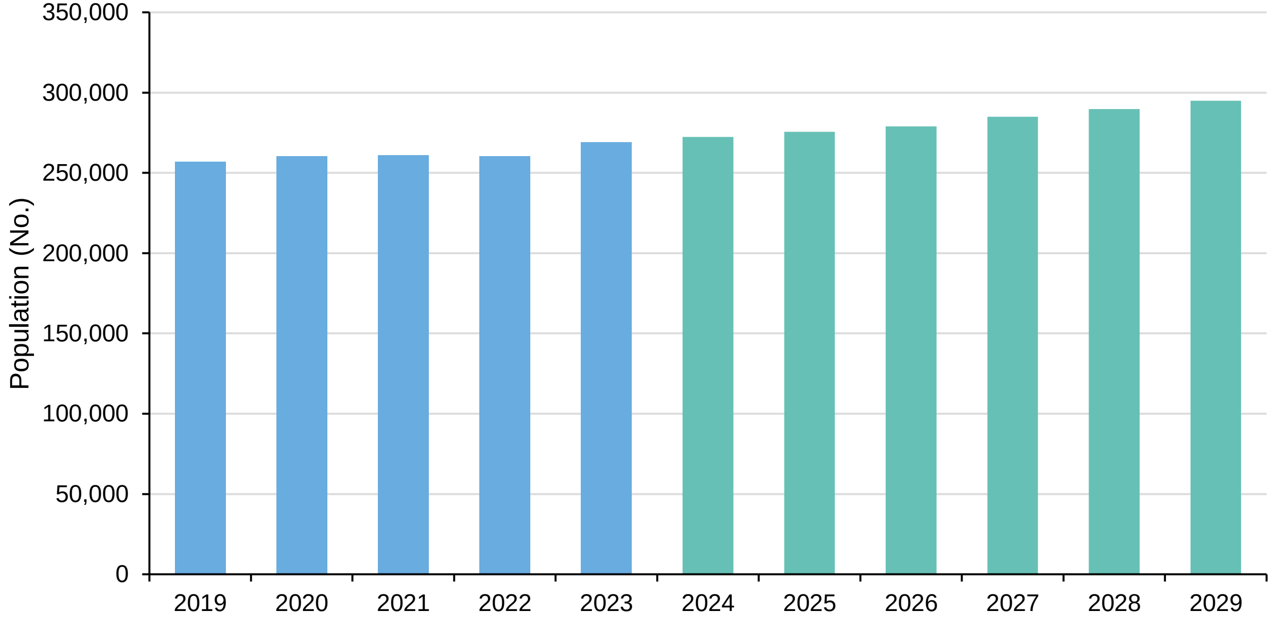
The rate and extent of future population growth in the Residential Study Area will have a substantial bearing on future demand for residential apartments.

The Chart shows historical and projected population growth within the Residential Study Area between 2019 and 2029. From 2019 to 2024, the Study Area population grew by an average of 1.2% per annum to reach ~272,351 residents in 2024. According to official DPHI projections, the Study Area is estimated to experience population growth between 2024 and 2029, averaging 1.6% per annum to reach ~294,872 residents in 2029. This equates to an additional ~22,521 residents during this period.

The Table highlights the Residential Study Area household size projections between 2021 and 2041. The Study Area is projected to see a decline in average household size over the forecast period. This reflects the Study Area's potential for smaller products to meet the needs of smaller households, including the growing cohort of lone-person households.

Families and couples remain a key driver of the market, and while their share is likely to reduce as a percentage over the outlook period, they are still going to take a large share of the available apartments.

Residential Study Area Historical and Projected Population Growth, 2019 – 2029



Source: ABS; DPHI; Urbis

Household Size Projections, 2021 – 2041

	2021	2026	2031	2036	2041
Residential Study Area	**2.70**	**2.69**	**2.66**	**2.62**	**2.60**

Source: ABS; DPHI; Urbis

SOCIO-DEMOGRAPHIC CHARACTERISTICS

Key Findings

The chart, overleaf, summarises the key demographic characteristics of residents within the Residential Study Area relative to the Greater Sydney average, as at the ABS Census 2021. Key findings include:

- The Residential Study Area saw average household incomes increase by 3.8% over the last 10 years to $133,400 in 2021. Although they remain below the Greater Sydney benchmarks.
- The average age of the Residential Study Area residents is 37 years, ~4% lower than the Greater Sydney average. This variance reflects the high proportion of residents under 36 years of age and families with children within the Study Area, indicating potential demand for young establishing families looking to live close to employment opportunities and amenities and who are willing to rent.
- Apartments account for 47% of the Residential Study Area dwellings, significantly higher than the 31% in Greater Sydney. This reflects the Study Area's proximity to a CBD location, availability of amenities and apartment affordability compared to Greater Sydney.
- Around 47% of the Residential Study Area households are renting, 10% higher than the benchmark, indicating potential demand from investors.
- In 2021, the Residential Study Area recorded a significantly higher proportion of overseas-born residents relative to Greater Sydney. This is likely attributed to the proximity of the Study Area to amenities, employment, education and medical precincts.
- Around 80% of employed residents in the Residential Study Area are white-collar workers, which is slightly higher than the Greater Sydney average.

Overall, the 2021 resident population of the Residential Study Area can generally be characterised as comprising young families with children who are renting or paying off their mortgage. In addition, there is a relatively high proportion of residents who have obtained tertiary certifications due to the presence of Western Sydney University campuses and other tertiary institutions in the area.

The continued growth of residents and household formation in Greater Sydney and Parramatta LGA is driving a need for further housing. Parramatta has a lower household size than Greater Sydney and a mix of household types, which indicates a need for housing diversity. With apartment living already accepted within much of Parramatta LGA, particularly in and around the City, there is further opportunity to increase density and meet this housing demand.

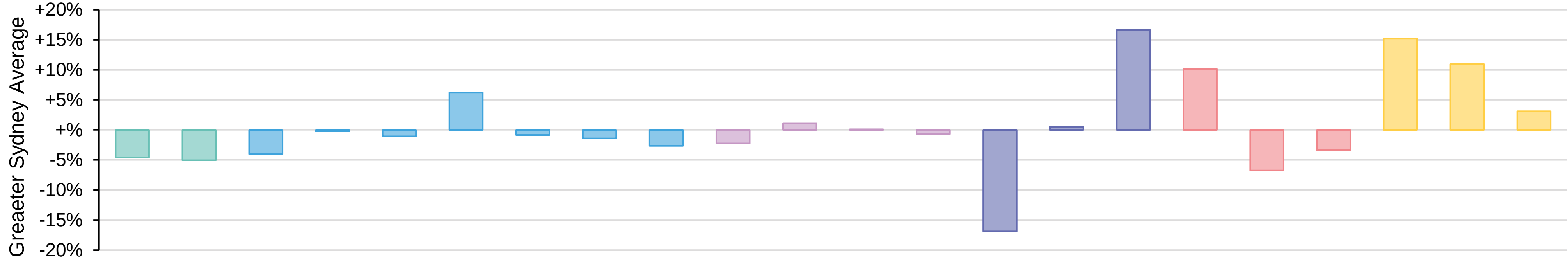
It was found that couple households and lone-person households, which are more likely to be located in higher-density dwellings, particularly apartments accounted for almost half the population in Parramatta LGA as at the 2021 Census.

The lower personal and household incomes in the Study Area compared to Greater Sydney also means affordability of future housing needs to be considered. Apartments are generally cheaper than houses and will, therefore, better meet these affordability needs.

Residents are likely to be attracted to the Residential Study Area because it offers larger apartments at a relatively affordable price point without compromising on amenities, employment, or education opportunities.

SOCIO-DEMOGRAPHIC CHARACTERISTICS

Key Demographic Characteristics, Residential Study Area and Greater Sydney, 2021



	Income		Age Profile							Household				Dwelling Type			Tenure Type			Other		
	Avg. Per Capita Income	Avg. Household Income	Avg. Age	0-14	15-24	25-39	40-54	55-64	65+	Avg. Household Size	Couple Family with Children	Couple Family with No Children	Lone Person Households	House	Semi-detached	Apartment	Renter	Owner	Purchaser	Born Overseas	Bachelor Degree or Higher	White Collar
	($)	($)	(years)	(% pts)	(% pts)	(% pts)	(% pts)	(% pts)	(% pts)	(persons)	(% pts)	(% pts)	(% pts)	(% pts)	(% pts)	(% pts)	(% pts)	(% pts)	(% pts)	(% pts)	(% pts)	(% pts)
Residential Study Area	*$65k*	*$133k*	*36.9*	*18%*	*11%*	*30%*	*19%*	*10%*	*13%*	*2.6*	*37%*	*24%*	*23%*	*39%*	*13%*	*47%*	*47%*	*22%*	*31%*	*56%*	*65%*	*80%*
Greater Sydney	*$68k*	*$140k*	*38.4*	*18%*	*12%*	*23%*	*20%*	*11%*	*15%*	*2.7*	*36%*	*24%*	*23%*	*56%*	*13%*	*31%*	*37%*	*29%*	*34%*	*40%*	*54%*	*77%*

Source: ABS; Urbis

04

4.1

RESIDENTIAL SUPPLY ANALYSIS

EXISTING RESIDENTIAL SUPPLY

Key Findings

This section provides an assessment of the existing and proposed supply of residential dwellings in the Residential Study Area.

The Chart top right shows new dwelling approvals within the Residential Study Area between FY18 and FY24. New dwelling approvals in the Study Area have historically been dominated by apartment developments, accounting for an average of 76% of total approvals.

Approvals peaked at almost 4,100 dwellings in FY19 and remained high in FY20, reflecting the 'flight to suburbia' trend catalysed by the pandemic. However, approvals have since fallen, spurred by high construction costs and interest rates.

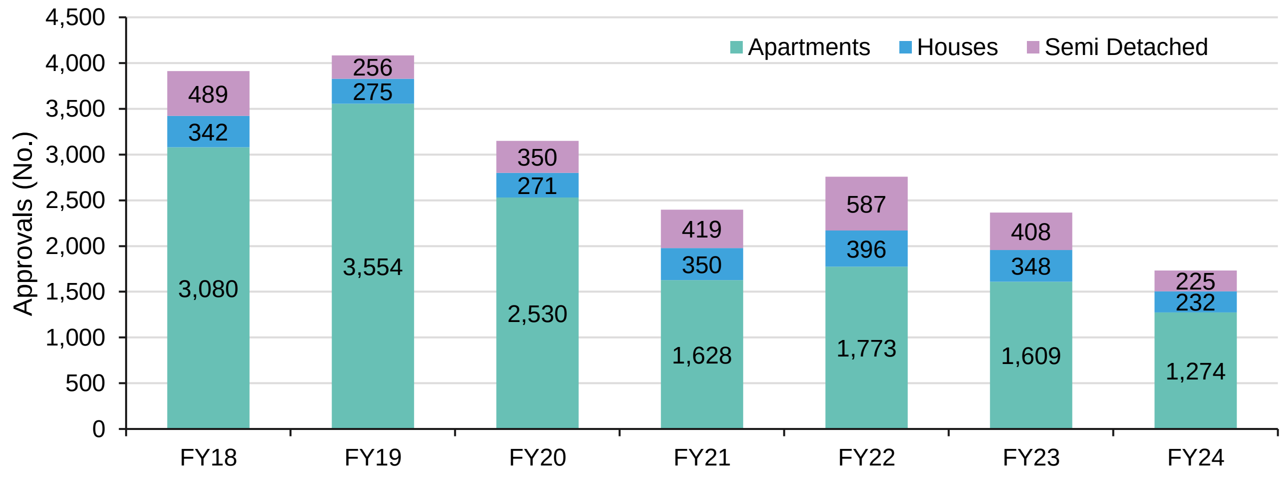
The Chart at the bottom right shows new dwelling completions within the Residential Study Area between FY18 and FY23 (the latest available data). Similar to approvals, apartments accounted for an average of 80% of dwelling completions during this period. Semi-detached and houses comprised 14% and 6%, respectively.

Completions have declined since FY18, averaging ~2,890 dwellings per annum. Below-average approvals since FY23 will likely translate to fewer completions over the short—to medium-term. This will likely be fueled by the current high construction costs and interest rate environment, which will continue to put pressure on project feasibility.

According to Urbis Essentials, in FY24, there were approximately 1,390 apartment completions within the Residential Study Area,

The Subject Site is well placed to deliver additional housing over the medium to longer term to help fill any supply gap.

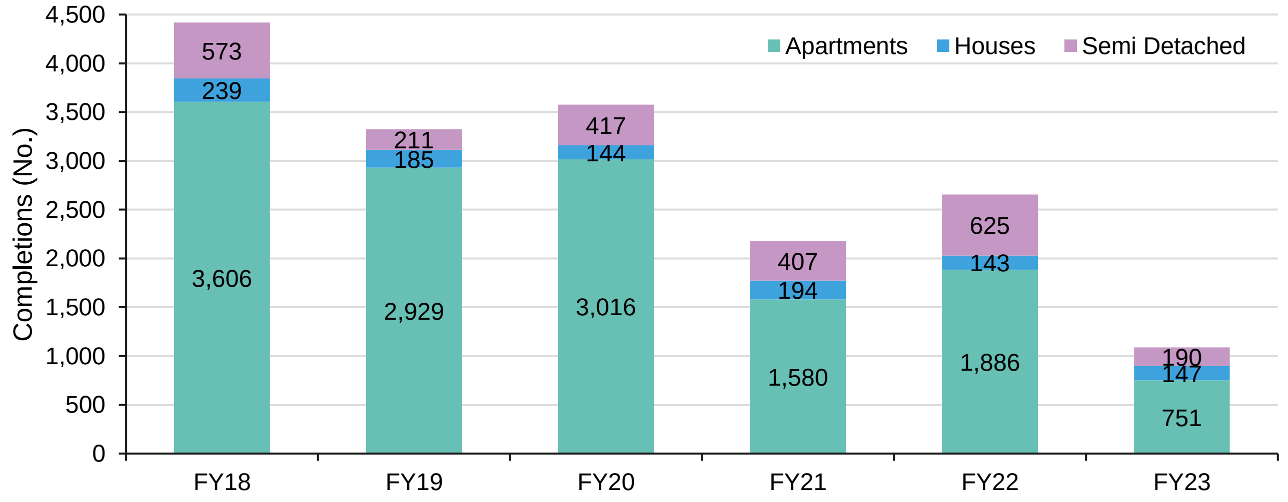
Residential Study Area New Dwelling Approvals, FY18 – FY24*



*FY24 Approvals are to April 2024

Source: UDP; Urbis

Residential Study Area New Dwelling Completions, FY18 – FY23



Source: UDP; Urbis

FUTURE RESIDENTIAL SUPPLY

Key Findings

According to Cordell and Urbis research, there are 21 new residential apartment projects in the Residential Study Area. These projects, with an average size of 311 units, are at various stages of development, from early planning to under construction.

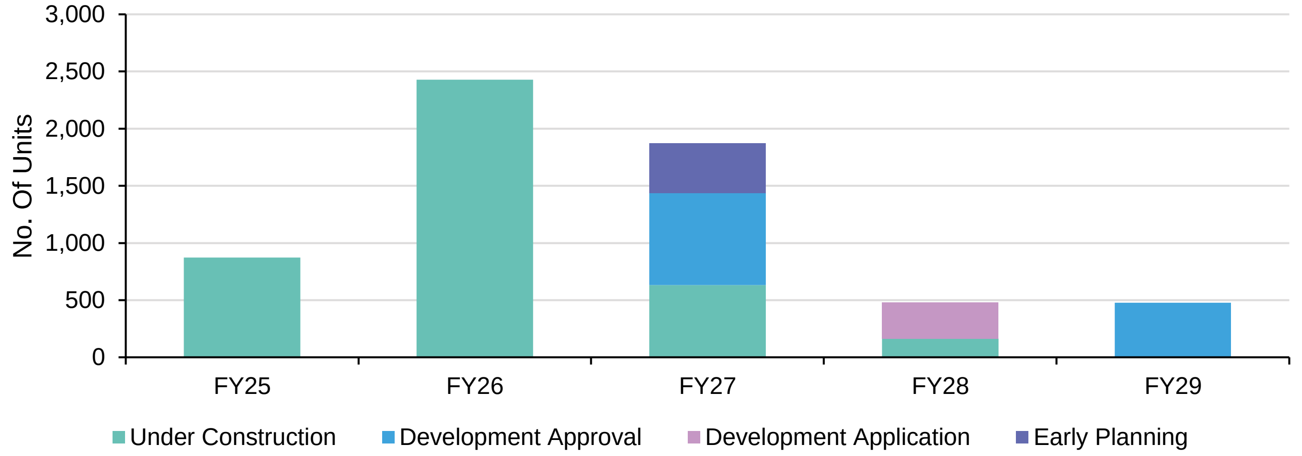
The Chart adjacent shows the status of the proposed residential apartment projects in the Residential Study Area by stage and financial year. Of the proposed apartments, a majority, 67%, are in the construction phase, 2`% are in the development approval stage, and 12% of projects are in the development application and early planning stages and face a higher probability of changes and delays.

Approximately 60% of apartments currently under construction are expected to be completed by FY26.

The development site located at 189 Macquarie Street has been included in the supply pipeline as it was recently purchased by ALAND as an incomplete development site. ALAND has plans to develop 425 BTR apartments at the site and is anticipated to come online in 2027.

It must be noted that the existence of defective and empty apartment developments within the Residential Study Area has not been included in the supply chart, as the anticipated completion date of these developments cannot be determined due to external factors such as unknown extent of defects and ability to find a buyer. These projects are shown in the table opposite. Only one of these projects is likely to receive practical completion within the five-year assessment period.

Proposed Apartments by Year and Status, Study Area



Source: Cordell; Urbis Essentials

Apartments yet to achieve Practical Completion, Study Area

Project	Current Status	Estimated Completion	Yield
Imperial Towers	Prohibition Order Issued – Being sold in current state and will not be issued an Occupation Certificate until sold and fixed.	2025-2029*	179
Three Sisters	Development Site with 22% dedicated to social housing	2030+	4,700
Total			**4,879**

Source: Cordell; RP Data; Urbis
*This project had an initial completion of 2021

EMPTY (GHOST) HOUSING RESEARCH

Key Findings

The ABS broadly defines unoccupied dwellings as structures built specifically for living purposes that are habitable but unoccupied on Census night. Vacant houses, holiday homes, huts and cabins (other than seasonal workers' quarters) are considered unoccupied private dwellings. Also included are newly completed dwellings not yet occupied, dwellings that are vacant because they are due for demolition or repair, and dwellings to let. This definition also includes all unoccupied dwellings, including those temporarily empty because they are being sold or rented, which reflects market mobility and churn, not a vacancy. Further, it also includes homes where residents are "temporarily absent": on holiday, staying with family or a partner, or away for work on Census night.

According to ABS estimates, there were more than 2,580 unoccupied apartments in the Parramatta LGA as of 2021. This was impacted by COVID-19 with rental vacancies at around 4-5% during this time in the Parramatta area.

Additionally, the recent trend of builders going bust could resulted in Imperial Towers stalling prior to Practical Completion. This development could potentially add 179 apartments to the existing stock over the next five years. Adding this building to supply would still result in an undersupply of residential apartments, bringing the undersupply in FY29 to -2,061.

This influx of unfinished or partially completed projects could further complicate the housing market dynamic in the area. However, despite these unoccupied apartments and the potential addition of new stock, the overall result remains an undersupply of housing stock in the Parramatta LGA.

Imperial Towers complex could result in 179 apartments being added to housing supply once defects have been rectified and Practical Completion issued. Most of the 179 apartments have been pre-sold according to ABC News article 1 July 2021 (https://www.abc.net.au/news/2021-07-01/nsw-parramatta-twin-towers-development-defects/100255704)

TRANSACTION VOLUMES AND SALES PRICE GROWTH

Key Findings

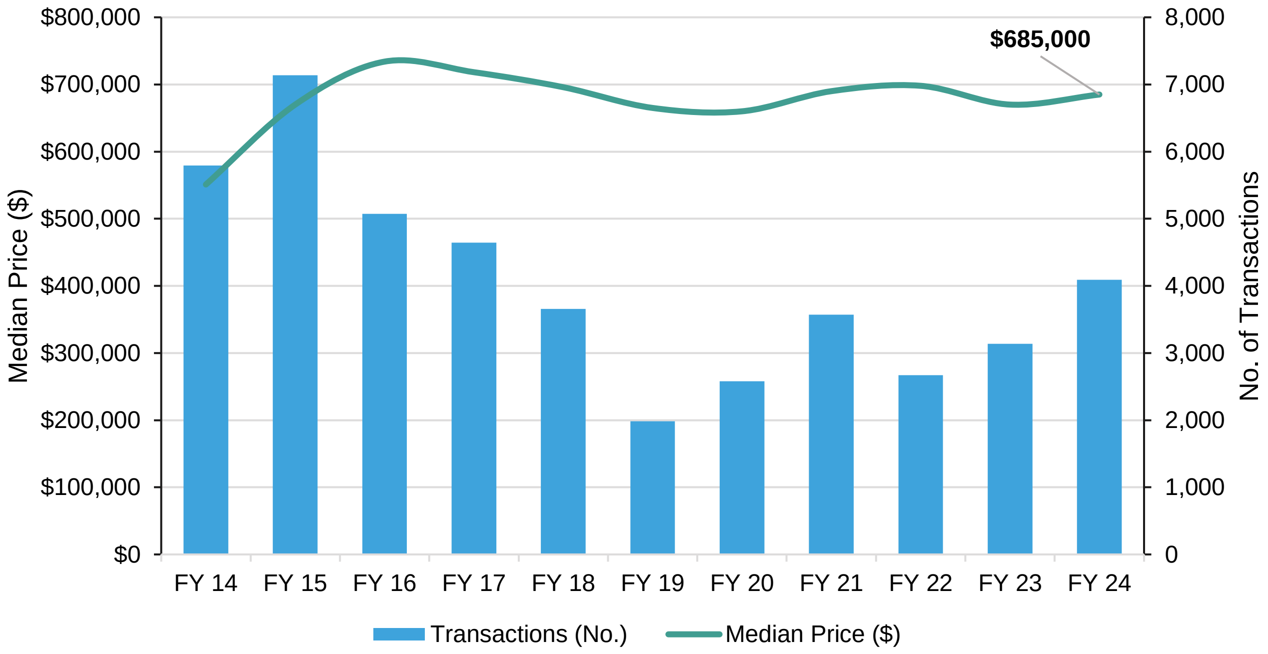
The Chart shows historical apartment prices and transactions between FY14 and FY24.

The Residential Study Area has recorded a steady launch of new apartment projects since FY14. New apartment transactions peaked in FY15 as the Sydney apartment market was booming and major apartment projects were launched. However, new sales slowed in line with the broader Sydney market downturn in FY18. Since FY20, prices have increased, reflecting the Study Area's resilience to the impacts of COVID-19 and consistent demand for an attractive location surrounding Sydney's second CBD.

Between FY14 and FY18, median apartment prices in the Residential Study Area grew, averaging 6.0% per annum, to $695,900. During this period, the Residential Study Area averaged ~5,260 sales annually.

Median apartment prices then remained steady through to FY20, before the onset of the pandemic, before experiencing near year-on-year growth through to FY24, during the COVID-induced 'flight to suburbia' boom. In FY23-FY24 median apartment sales prices have stabilised, reflecting the impacts of interest rate hikes on sales and affordability.

Residential Study Area Apartment Price Growth, FY14 – FY24



Source: Pricefinder; Urbis.
Note: Chart shows settled sales volumes and pricing

PRIVATE RENTAL MARKET

Key Findings

The rental market provides a good indication of the current state of the residential market, with rents and vacancy rates responding quickly to changes in supply and demand dynamics.

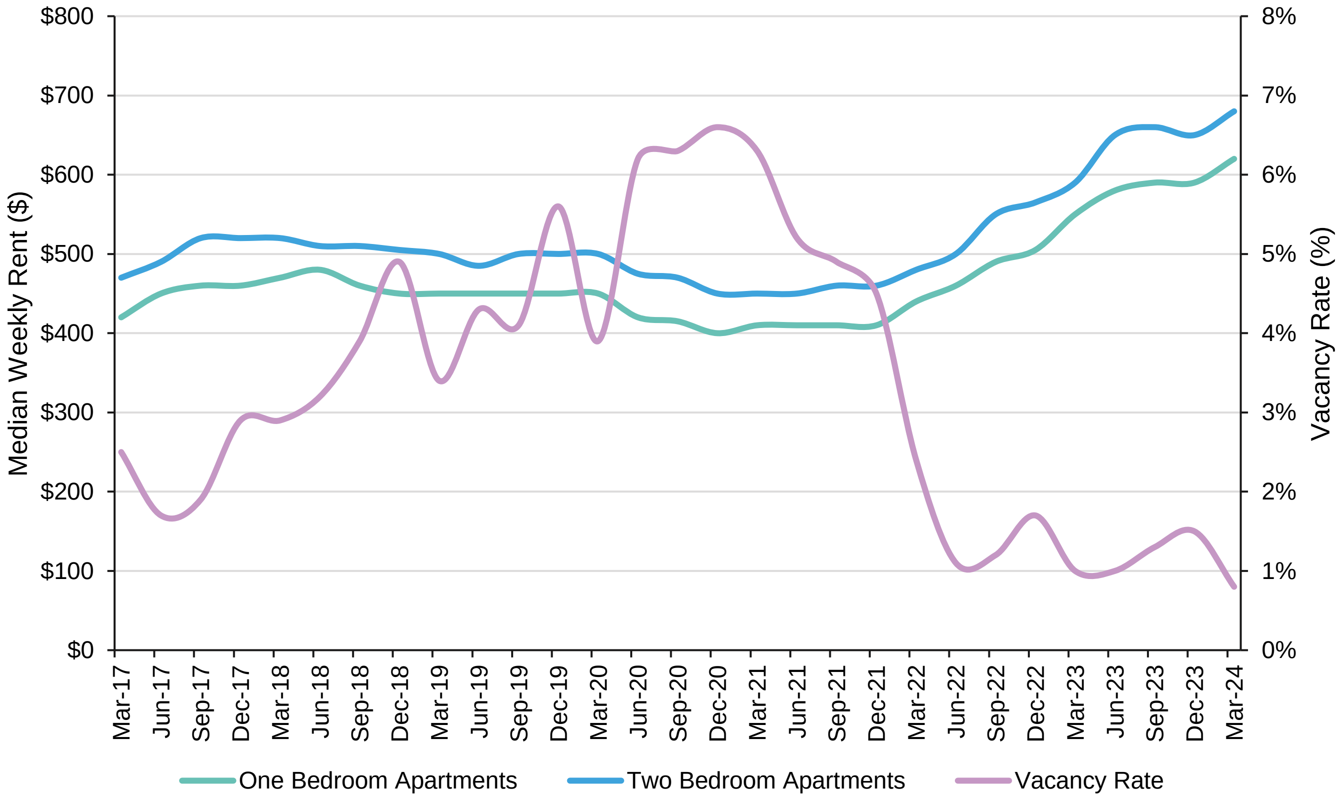
The Chart adjacent depicts historical vacancy rates and median weekly apartment rents in the Residential Study Area between March 2017 and March 2024.

Between March 2017 and March 2019, one- and two-bedroom apartments in the Residential Study Area generally increased by 3.5% and 3.1% per annum, respectively. During this period, the Residential Study Area witnessed an increase in vacancy, with some spikes likely associated with new supply coming online.

Vacancy rates in the Residential Study Area then reached a peak of 6.6% in December 2020, during the onset of the pandemic, before tightening significantly to reach 1.1% by June 2022. During this period, the Residential Study Area recorded strong rental growth, with one-bedroom apartments averaging 7.2% per annum to reach $460 per week and two-bedroom apartments averaging 5.4% growth per annum to reach $500 per week.

Vacancy rates in the Residential Study Area have since remained below equilibrium (2.5%-3.5%) and recorded a historic low of 0.8% in March 2024. Weekly median apartment rents have continued to rise, reaching $620 for one-bedroom apartments and $680 for two-bedroom apartments in March 2024, reflecting potential housing supply constraints in the area.

Median Weekly Apartment Rents and Vacancy Rates, March 2017 – March 2024



Source: Department of Communities and Justice; SQM Research; Urbis

4.2

RESIDENTIAL NEEDS ASSESSMENT

RESIDENTIAL NEEDS VERSUS SUPPLY FORECAST

Key Findings

The Table, right, details forecast residential apartment need within the Residential Study Area between FY25 and FY29.

Based on official population and household size projections released by ABS and DPHI, there is projected need for an additional ~1,404 dwellings in FY24, growing to demand for ~2,295 dwellings in FY29. Apartments are estimated to account for 75% of dwelling need in FY24, based on historical shares of dwelling approvals and completions. This is anticipated to increase to 80% by FY29. This will be driven by the continued densification in and around the Residential Study Area. Urbis estimate that in the Study Area, there is cumulative demand for approximately 1,067 apartments in FY25, growing to ~7,622 in FY29.

We then applied the forecast apartment supply pipeline in the Residential Study Area, which includes projects that are under construction, have received development approval or have applied for development approval. It is estimated that there is an undersupply of apartments in the Residential Study Area in FY25 of 194 apartments, relative to demand. The Study Area is then forecast to enter an oversupply of 1,173 apartments as the majority of developments under construction come online. This isn't expected to last long, with the Study Area forecast to return to a shortage of apartments in FY28. Undersupply is expected to continue until FY29 when a shortfall of ~2,240 apartments will have accumulated. This is further compounded by an undersupply of housing that the vacancy rates indicate has existed in the Study Area since March 2022.

Residential Study Area Apartment Demand and Gap Analysis, FY25-FY29

	FY24	FY25	FY26	FY27	FY28	FY29
Study Area Population	272,351	275,595	278,877	284,978	289,708	294,872
Study Area Household Size	2.5	2.5	2.5	2.5	2.5	2.5
Study Area Annual Dwelling Requirement	-	108,746	110,124	112,657	114,786	117,082
Study Area Annual Dwelling Need	-	1,404	1,378	2,533	2,129	2,295
Apartment Share of Dwelling Need (%)	75%	76%	77%	78%	79%	80%
Study Area Annual Apartment Need	-	1,067	1,061	1,976	1,682	1,836
Cumulative Apartments Need	**-**	**1,067**	**2,128**	**4,104**	**5,786**	**7,622**
Study Area Annual Apartments Supply Pipeline	-	873	2,428	1,440	163	478
Study Area Cumulative Apartments Supply Pipeline	-	873	3,301	4,741	4,904	5,382
Apartment Gap (+oversupply/-undersupply)	**-**	**-194**	**1,173**	**637**	**-822**	**-2,240**

Sources: DPHI, ABS, Cordell Connect (October 2024), and Urbis Essentials (September 2024).

RESIDENTIAL NEEDS VERSUS SUPPLY FORECAST

Key Findings

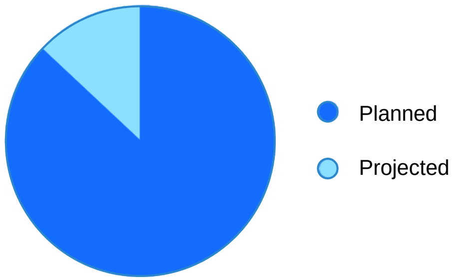
In May 2024, the NSW Government released five-year housing completion targets, responding to the National Housing Accord target to deliver 377,000 new well-located homes across the State by FY29. The City of Parramatta has a target to achieve 19,500 new dwellings by FY29. Urbis has applied the Greater Sydney Urban Development Program housing supply forecasts from FY25 to FY27 and the 10-year completions average of 3,138 dwellings in FY28 and FY29, which is significantly higher than what has been achieved in FY23 and FY24. Looking at the difference there is an undersupply of approximately 6,374 dwellings in the Parramatta LGA by FY29.

A residential development at the Subject Site provides a shovel-ready opportunity to deliver a significant number of apartments to the Study Area, helping meet the significant need for apartments as well as bridging the undersupply of dwellings compared to the Parramatta Council's Dwelling Targets.

Parramatta Council Housing Targets Five Years to FY29

	Five Years to FY29
Parramatta Council Dwelling Target	19,500
Cumulative Dwelling Supply	13,126
Dwelling Gap (+oversupply/-undersupply)	**-6,374**

Planned and Projected Need for Dwellings in the Parramatta LGA FY25 - FY29



Source: Planning NSW (May 2024); UDP (June 2024); Urbis. Note: The State Government Housing targets incorporate both Planned and Projected growth in dwellings for the Parramatta LGA and are aimed at best meeting the dwelling need across NSW of 377,000 homes. The UDP dashboard indicates a significant portion of the planned supply is unlikely to be achieved.

05

MULTI-CRITERIA ASSESSMENT AND EMPLOYMENT GENERATION

LAND USE ASSESSMENT

Key Findings

Urbis looked at a range of potential land uses for the Subject Site (including the current proposed uses) to determine if there are additional opportunities for employment generation in the development.

It was found that the land uses selected in the proposed development are the highest and best uses for the Site. Of these uses, Residential is the most financially feasible under current market conditions.

The inclusion of additional employment-generating uses will be challenging due to the fringe location of the site, competition from both the CBD/Westfield Parramatta and in the surrounding area and market fundamentals.

A list of the potential supportability and comments on the examined uses are included in the table right.

The uses with high supportability are already included in the development plans and other uses that are only moderate are also included. There may be an opportunity to include a small medical centre within the development based on the analysis, but this is likely to be incorporated into the ground floor retail, which is already included in the development proposal.

Supportable Land Uses

Land Use	Currently Included	Supportability	Comment Based on High-level assessment
Residential	Y	High	Significant housing need in Parramatta and Greater Sydney. Highest and best use for the site as outlined in the needs/gap analysis.
Hotel	Y	High	The growing tourism market in Parramatta is supported by major infrastructure investment. Negotiations have commenced with Marriott Hotels to develop a 288-room hotel at the Subject Site from completion in 2026 (see Appendix 2). Given the scale, there is no further opportunity for hotel space.
Convenience Retail	Y	Moderate - High	Floorspace included in development to support onsite residents. Potential constrained by competition from nearby Westfield Parramatta, which limits potential for more.
Supermarket	N	Low	Constrained by competition from nearby Westfield (200m). Within a 2km drive of the site there are 9 supermarkets. There is also a road constraint of no right turn from Church Street, which limits accessibility. As mentioned on page 7 this was seen as a constraint for Coles operating on the Site and have indicated they are not attracted to the site. Therefore, there is limited opportunity at the Subject Site for a major supermarket.
Discretionary Retail	N	Low	A critical mass of supply is generally needed to support discretionary retail. The site opportunity is constrained by competition from nearby Westfield Parramatta (200m).
Showroom Retail	N	Low	Constrained by competition in surrounding area with considerable supply along Great Western Highway.
Private Hospital	N	Low	Further to comments on page 7, private hospital/healthcare market is challenging with higher costs and constrained revenue due to insurance revenue. Site is also in proximity to Westmead, which is a major existing health precinct
Medical Suites	Potentially	Moderate	Potential for some small-scale medical facilities in the retail space to support onsite and nearby residents.
Office	Y	Moderate - Low	Limited by the location and state of the office market. Likely to be significant vacancies and, therefore, limited employment increase, if expanded
Gym	N	Low	A gym requires a population of 10,000-20,000 within 3 km for success. However, there is already extensive supply within this trade area.
Community Hall	Y	Moderate - High	The population within a 1.3 kilometre radius is above the 30,000 persons benchmark requirement. It is noted that the community hall at 160 Marsden Street is 1.4 kilometres from the Subject Site.
Childcare	Y	Moderate	Large floorspace included in development to support onsite residents

EMPLOYMENT GENERATION WITHIN PROJECT

Key Findings

There is the potential for over 500 direct operational jobs at the Subject Site based on the non-residential land uses in the proposed development plans.

Based on these direct employees, it is calculated that hundreds of jobs could be indirectly generated due to the supply chain impacts created by the direct employees. These supply chain jobs include, but are not limited to:

- Online travel agents, group and wholesale agents
- Operating supplies and equipment suppliers for all hotel departments
- Part-time agencies for housekeeping and events requirements
- Linen laundry
- Laundry and dry cleaning of Hotel Team member uniforms.
- Recycling and waste removal and disposal
- Sales and Marketing agencies including PR agencies, webpage designers, photographers and videographers, sign makers etc.
- Recruitment agencies
- Equipment maintenance contractors, including swimming pool, gym, lifts, kitchen, MEP, fire life safety, etc.
- Landscaping and indoor plant hire
- Heavy-duty cleaning for carpets, external glass windows, etc.
- Food and beverage supplies and distributors
- Audio visual vendors for events
- IT equipment suppliers
- Cafes and shops

Further employment (direct and indirect) is also generated during the construction of the buildings and from the residential space on the Site, including strata and building management jobs, maintenance, cleaning, etc.

The 233 potential jobs from office uses is based on full occupancy of the available space. It is likely that over 50% of this space will be vacant for at least two years. This is based on current leasing up times in new buildings, such as 558 Pacific Highway, St Leonards, which completed in 2023. It currently has 53% vacancy despite 50% incentives being offered. As such, more office space would have a limited impact on employment generation. Fringe locations in Sydney are experiencing high vacancies due to more core locations also experiencing high vacancies and challenging demand conditions.

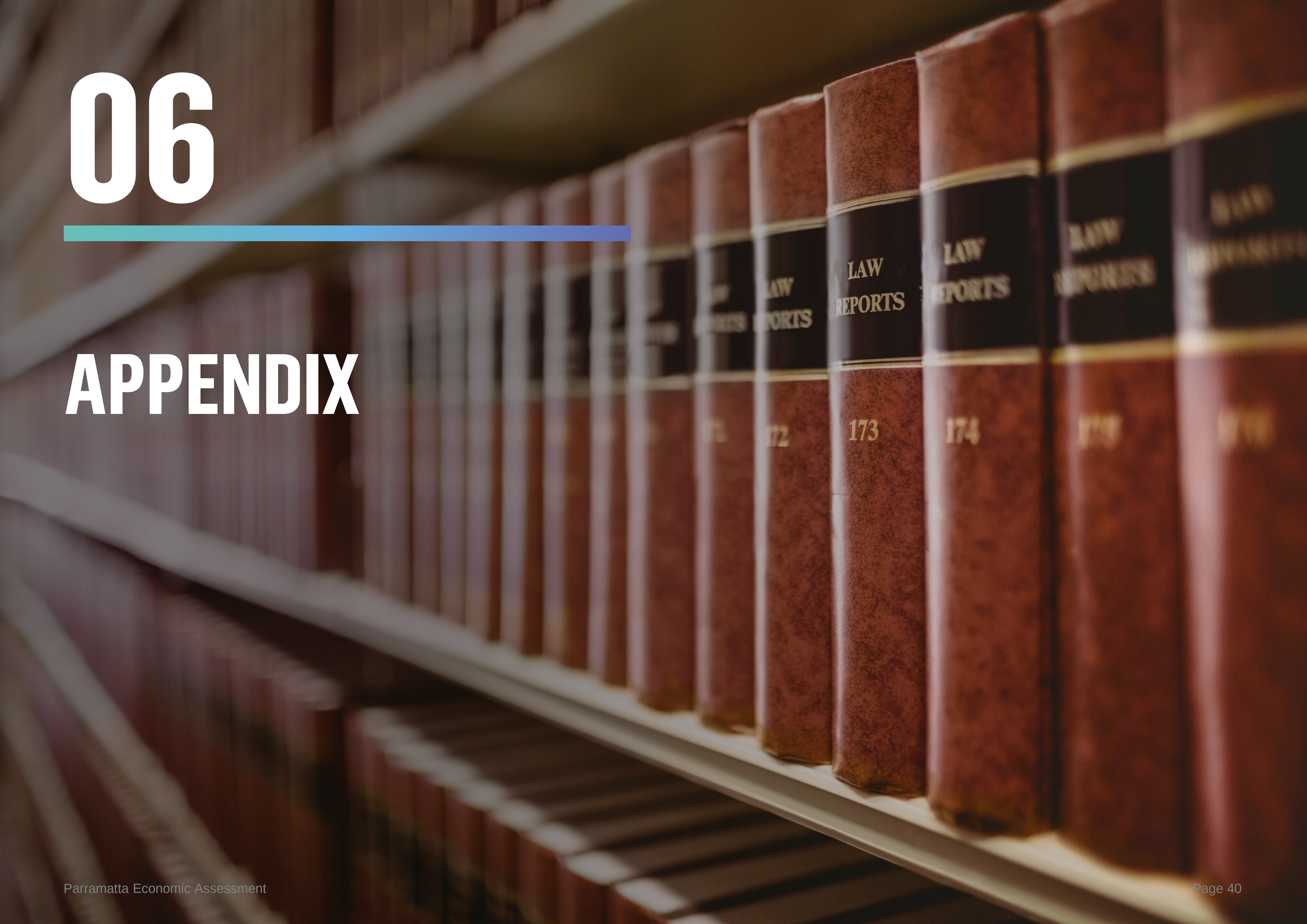
Development's Employment Space Contribution

Land Use	Non-Residential GFA	Direct Job Work Space Ratio	Direct Jobs (FTE)
Site 1			
Retail	1,959 sq.m	26.7 sq.m per worker	73
Hotel	18,001 sq.m (288 rooms)	JLL Data	160
Office	2,656 sq.m	15 sq.m per worker	177
Community Space	555 sq.m	84.6 sq.m per worker	6
Sub-Total	23,171 sq.m		416
Site 2			
Retail	502 sq.m	26.7 sq.m per worker	18
Childcare*	800 sq.m	65 sq.m per worker	12
Lobby	62 sq.m		1
Office	844 sq.m	15 sq.m per worker	56
Sub-Total	2,208 sq.m		87
Total	**25,379 sq.m**		**503 jobs**

Source: JQZ, City of Sydney Floor space and Employment Survey, 2017, WA Land Use Employment Survey JLL estimate of hotel staff. *Childcare jobs will be dependent on the number of places and is estimated at 10.25 sq.m per child (Education and Care Services National Regulations 2016). Applying this to an 800 sq.m centre a ratio of 65 sq.m per worker is estimated. Note: Assumes space is fully occupied Excludes outdoor dining areas.

06

APPENDIX



APPENDIX 1

LETTER FROM CBRE
OFFICE MARKET CONDITIONS

Kenny Chen
Associate Property
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CBRE

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www.cbre.com.au

Dear Kenny,

We are pleased to provide you with an update on the current market conditions that we are witnessing through the marketing of 558 Pacific Highway St Leonards.

In summary upon practical completion of the building in 2023 and whilst we have completed 7 leasing transactions, 53% of the building remains vacant. Net rentals that we achieved to date have ranged from $710 psqm to $820 psqm with incentives as high as 50% required.

The main contributing factors driving these weaker market conditions in St Leonards are:

- Increased competition within the St Leonards market as we are experiencing a high vacancy rate in St Leonards of 26.2% as per PCA
- Weaker demand as occupiers as drawn to markets such as North Sydney as they look at locations that can aid in retaining and attracting talent within their organisations
- Supply issues as markets such as North Sydney experiencing historically high vacancy rates at 23.5%

The latest Property Council of Australia Office Market Report for the six months to July shows for the Parramatta market:

- Vacancy rates for Parramatta fell from 22.0 per cent to 19.4 per cent. However this can be attributed to 35,000 sqm in office space being taken off the market at Jessie Street Centre at 2-12 Macquarie Street.
- The period saw 39,741sqm of withdrawals, while 8,899sqm of space was added
- Future supply anticipates 20,547sqm coming online in the second half of this year. Another 40,000sqm is anticipated in 2025.

We have analysed the subject project location at Parramatta, which currently allows for 3,000+ sqm of office space. Due to its fringe location, we would expect that occupiers will be drawn initially to more centrally located options within the CBD and hence we would not expect that there would be demand from occupiers for more than the currently proposed envelope of 3,000+ sqm.

If you require anything further at this stage please do not hesitate to contact me.

Regards,

Stefan Perkowski

Director Office Leasing North Sydney

APPENDIX 2

LETTER OF SUPPORT FROM MARRIOTT HOTELS
INTEREST IN 83 CHURCH ST, PARRAMATTA

Marriott International Inc
Offices at Sheraton Grand Sydney Hyde Park
161 Elizabeth Street
Sydney NSW 2000

14 October, 2024

Chief Executive Officer
City of Parramatta Council

Letter of Support: JQZ Pty Group Ltd Hotel, Parramatta

Further to our recent correspondence with JQZ Pty Group Ltd, I write to confirm Marriott International's (NASDAQ: MAR) interest in progressing ongoing discussions regarding their desire to develop an approximate 288 key hotel as part of a proposed mixed-use development at 83 Church Street and 44 Early Street, Parramatta.

We believe this is a compelling opportunity to introduce an internationally branded full-service hotel to Parramatta, an area with excellent underlying demand and prospects for long-term success, in line with ownership's vision.

Marriott International is the world's largest hotel group, with 32 brands, 9,000 properties and 800,000 people across 142 countries. This advancement promises unrivalled opportunities for the hotel investment and local communities that we serve, and Parramatta is a priority consideration, with no operational hotels currently within our network and a substantial loyalty base of over 210 million globally to satisfy.

Marriott International is recognized as the global leader in the full-service/premium accommodation space with brands including Westin, Marriott, and Sheraton, along with numerous others which enjoy dominant international market profiles and a growing footprint domestically.

The hotel scheme gained our immediate interest, as it is clear this will be the premium hotel offering in Parramatta, and we believe that our globally recognised Marriott brand is the perfect fit. We currently have Marriott branded hotels in the capital cities of Sydney, Melbourne, Brisbane and Adelaide, and see Parramatta as a logical next fit.

We look forward to the opportunity to progress discussions.

Best wishes,

Tristan Cooper
Director | Hotel Development
Australia, New Zealand, and Pacific

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