



## NEWCASTLE EMPLOYMENT LANDS STRATEGY

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City of Newcastle

Independent  
insight.



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# EXECUTIVE SUMMARY

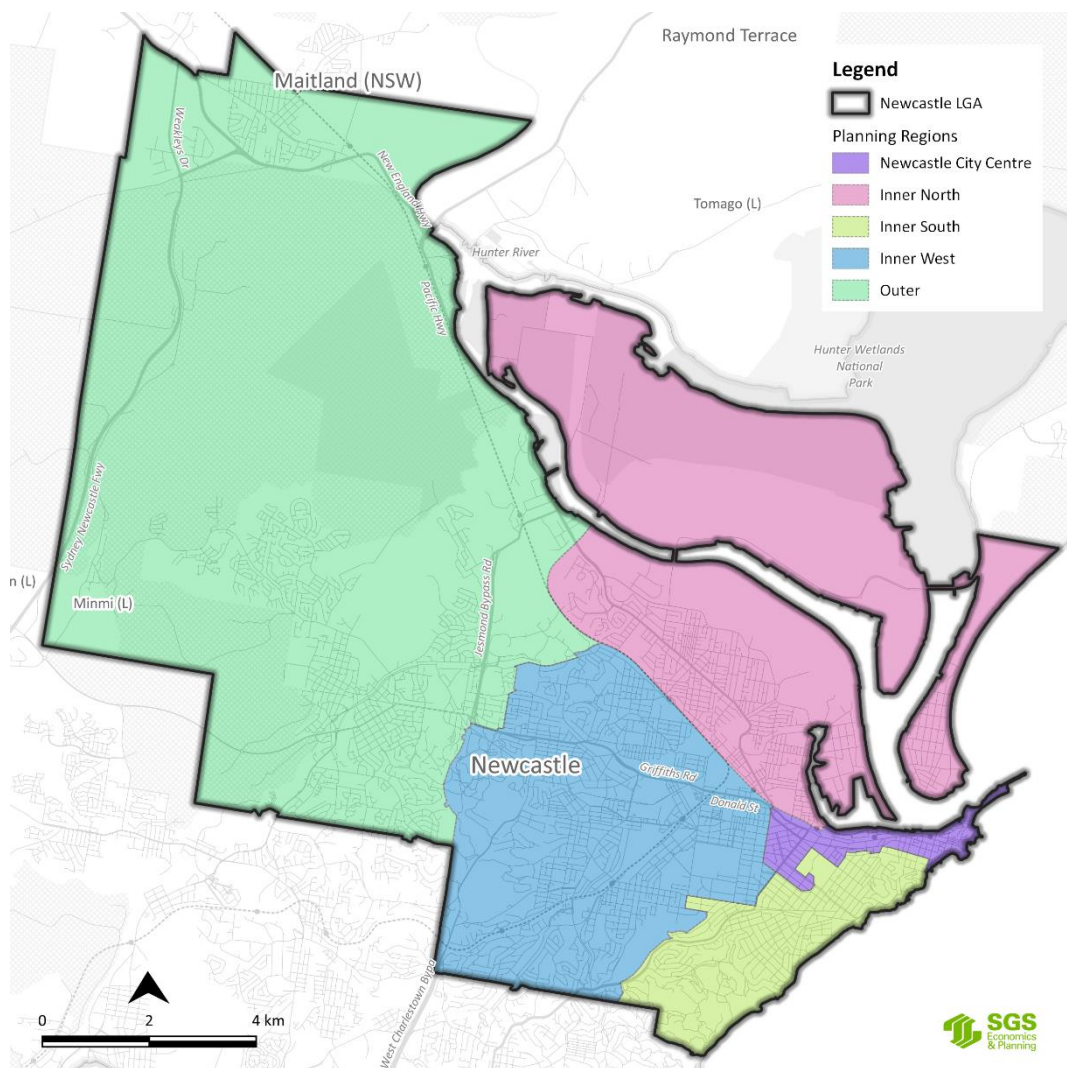
## Introduction

SGS Economics and Planning was commissioned by the City of Newcastle (Council) to update the *Newcastle Employment Lands Strategy*, which was adopted in 2013. This update will inform the planning of employment generating lands (including all land with an industrial, business or special activities zone) in the Newcastle LGA

This Project is intended to provide an up-to-date evidence base which will inform Newcastle's local strategic planning statement. It responds to the recent release of the NSW Government's *Greater Newcastle Metropolitan Plan 2036* and *Hunter Regional Plan 2036* as well as to changes in the economy, land uses and land use projections since 2013.

Land use regions have been defined which split the LGA into five areas which represent broad retail and service sub catchments. Supply and demand results are reported for these planning regions.

PLANNING REGIONS WHICH HAVE BEEN USED TO REPORT LAND USE SUPPLY AND DEMAND



## Newcastle's economy

Newcastle has historically been viewed as an industrial city anchored by the steel industry, although this status began to decline in the 1980s as the number of workers in the steel industry decreased. Employment and economic profiling in this study revealed some signs that the local economy is undergoing a transition towards other sectors, many of which are more knowledge intensive.

The Newcastle LGA is a major regional employment destination with many more trips into than out of the LGA for work (approximately 49,300 vs 22,100). Knowledge intensive industries like professional and financial services are concentrated in the Newcastle LGA compared to the Hunter Region and NSW outside of Greater Sydney. However, knowledge intensive industries are much less concentrated than in Greater Sydney, and shift-share analysis showed that the Newcastle LGA has a negative competitive effect in these sectors compared with the broader NSW economy, which in industries like financial and professional services is dominated by Greater Sydney.

The largest employment sectors in the Newcastle LGA are health care and social assistance (20%) and education (10%), with traditionally industrial sectors like manufacturing, utilities and wholesale trade making up only a small portion of total employment (17% from six ANZSIC categories). Between 2006-2016 employment declined in traditionally industrial sectors (defined by grouping ANZSIC categories from the ABS), with particularly significant declines in manufacturing (-30% or approximately -2,600 jobs), although employment in transport and warehousing grew (+18%). At the same time health care & social assistance and education were the sectors with the highest growth rates (+31% and +25% respectively between 2006-2016), and there was modest growth in some knowledge intensive industries. Employment in the population serving sectors of accommodation, food services and public administration also grew between 2006-2016.

Educational attainment grew rapidly in the Newcastle LGA between 2006-2016 with the proportion of people with a bachelor level degree or higher increasing from 14.3% to 19.5%, although this is still lower than the proportion in Greater Sydney (28.3% in 2016). Newcastle is a destination for tertiary study, with many people migrating to the LGA to attend university, including from overseas. This presents a potential opportunity to attract people to stay in the area following their education, or to move back to the area later in life, attracted by the amenity and affordability of Newcastle compared to Sydney. This opportunity is expanded by increasing housing unaffordability across Greater Sydney.

SGS has identified the following other economic catalysts which present opportunities for economic development in the Newcastle LGA:

- The opening of the Newcastle Light Rail, with opportunities for increased permeability and development in Newcastle City Centre,
- Potential growth in the University of Newcastle and the proposed opening of additional universities in Newcastle,
- The expansion of the Port of Newcastle, which provides a competitive advantage to the Newcastle LGA in the freight and logistics sector,
- Tourism to the nearby Hunter Valley Wine Region and Port Stephens, with an opportunity for Newcastle to play a greater role as a base for visitors to the Hunter Region with visitors attracted by Newcastle's urban amenity,
- Potential improvements in transport connectivity to Sydney, with faster rail connections under investigation by the NSW government, and
- The proposed expansion of the John Hunter Hospital to create a health and innovation precinct.



## Industrial land uses

As noted above, employment in many traditionally industrial sectors like manufacturing declined between 2006-2016 in the Newcastle LGA. They are projected to continue to decline in the future. However, there is a difference between industrial ANZSIC categories in which employment estimates are projections are organised (the categorisation used by the ABS for economic sectors) and the economic activity that actually takes place in industrial lands, including in the Newcastle LGA.

Newcastle's industrial land houses a diverse range of businesses from a variety of ANZSIC sectors. This includes sectors that would be traditionally defined as industrial such as manufacturing, as well as others like recreation services, retail trade (warehousing associated with retail businesses), rental services, health care and professional services. Even if employment in traditionally industrial ANZSIC sectors are predicted to continue to decline, overall employment in industrial areas in Newcastle is expected to increase. This means that there is likely to be demand for increased amounts of industrial floorspace.

Industrial land uses are changing across Australia in response to broader economic trends and drivers, impacting future land use requirements. Industrial employment is increasingly automated, meaning that the number of workers per square metre of floorspace is likely to be lower in the future. Opportunities in advanced manufacturing may mean that industrial activity becomes more knowledge intensive, with a higher economic output. Supply chain optimisation and the rise of online retail means that small industrial distribution facilities are required throughout populated areas, allowing rapid responses to orders for goods. This will heighten the importance of small and centrally located industrial precincts.

SGS has modelled the likely future demand and capacity for industrial floorspace in Newcastle LGA, which are shown in the table below. Industrial demand is based on employment projections produced by Transport for NSW, which are converted to projections by broad land use category and then floorspace requirements by use of average employment to floorspace ratios. Industrial capacity has been modelled under three scenarios, but only the medium scenario, which represents the most likely development outcome, is shown here.

### INDUSTRIAL LAND USE DEMAND AND CAPACITY

Industrial land use demand				
	Light industrial	Heavy industrial	Industrial offices	Total
Demand (sqm) 2016-2036	122,983	-17,465	15,443	120,961
Industrial land use capacity				
	Inner North	Inner South	Inner West	Outer
Capacity (sqm)- medium scenario	275,191	2,504	44,123	2,074,788

Industrial demand has been broken down by broad industrial use types, showing the differences in prospects of different industrial precincts. Demand for light industrial precincts and offices in industrial areas is likely to increase, while demand for heavy industrial premises is forecast to decline, driven by the forecast decline in traditionally industrial ANZSIC categories.

While there is significant industrial floorspace capacity in Newcastle overall, most is located in greenfield precincts in Mayfield North, Hexham and Beresfield (in the Inner North and Outer regions in the table above). Many light industrial premises are located in the other regions in which there is little capacity. However, much of the additional light industrial demand would be expected to occur in these areas given forecast population growth in them, making it important to protect the operation of existing small industrial precincts.

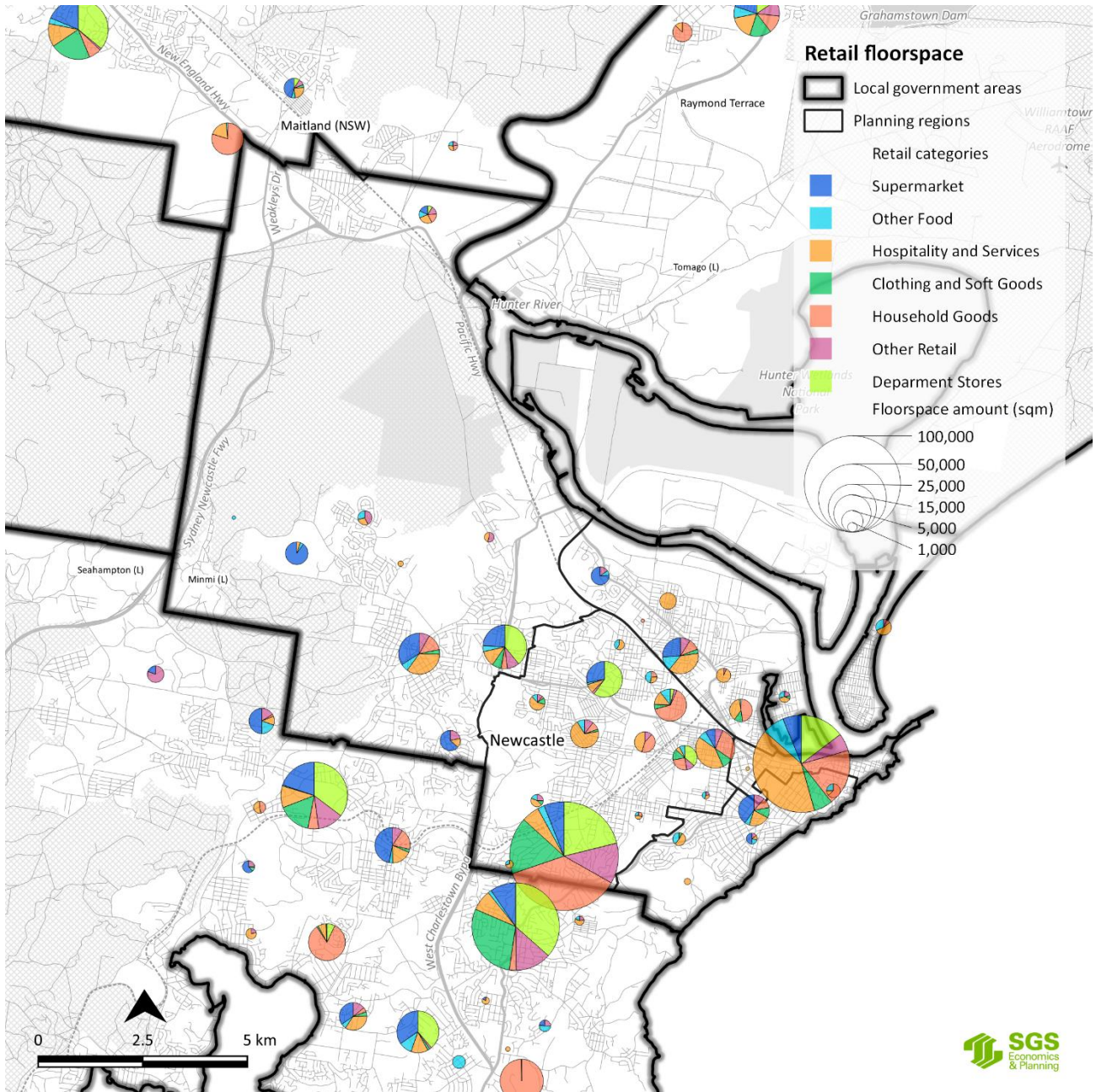
Given the varied prospects of different kinds of industrial land uses in Newcastle, future land use directions have been broken down by a classification of precincts as follows:

- **Light industrial and urban services precincts** are distributed throughout the LGA and contain predominately smaller premises housing a wide range of industrial uses which either service the local population or are important parts of the supply chains of other nearby industries and businesses. Increasing demand and limited capacity for these uses in established areas mean that these precincts should be preserved and protected where possible.
- **Strategic industrial precincts** are strategically located near major transport infrastructure, house relatively large premises and accommodate a narrower range of uses including large-scale freight and logistics. The supply of land in these precincts appears to be sufficient, and continued development is occurring, so little planning intervention is required.
- **Remnant industrial sites** are surrounded by non-industrial uses but house large current or former traditional industrial operations (such as factories). The continued decline in manufacturing and evolution of industrial uses may cause these sites to become vacant and not fit for purpose in the future, in which case rezoning and redevelopment may be necessary to accommodate other employment generating uses, or non-employment-generating uses if necessary for feasibility reasons.
- **Lands associated with the port**, which should be managed in association with the Port of Newcastle and NSW Government. Potential future expansion of the Port supports retention of this land. Principles for the former BHP intertrade site are provided in the action plan at the end of this Strategy.

## Retail land uses

Retail uses across the Newcastle LGA and surrounds have been profiled and an overview of the retail system is shown in the figure below. Kotara and the Newcastle City Centre (including Cooks Hill) are the two largest retail centres in the LGA. The large enclosed centres at Charlestown, Glendale and The Hunter Shopping Centre are near the LGA boundaries. Much (41%) of the retail floorspace in the Newcastle City Centre is devoted to hospitality, comprising 42% of all hospitality space in the LGA, while Kotara is a more broad-based regional shopping centre with a much broader retail mix.

RETAIL SYSTEM IN NEWCASTLE LGA AND SURROUNDS



Source: SGS Economics and Planning 2019

Future retail floorspace demand has been modelled with a retail gravity model based on current floorspace and projections of population and expenditure. This is shown in the table below. As the population in the LGA increases, we expect an increase in floorspace demand of around 26%. The retail model assumes that the relative attractiveness of centres will remain the same in the future, and so the largest increases in floorspace demand are predicted to occur in the largest current retail centres near where population growth is expected. As such, Newcastle City Centre and the Inner West region have the largest expected increases (Kotara is in the Inner West Region).

The retail model presents one possible view of the future in which the retail landscape does not change dramatically. The results should be taken as a starting point for strategic planning and the model does not show what could occur if the roles of centres or their relative levels of attractiveness change. The model may over-estimate floorspace demand, as it assumes that retail floorspace demand and supply are currently in equilibrium, but the Newcastle LGA

currently contains more retail floorspace per person than the benchmark area of Greater Sydney, suggesting that it may not be in equilibrium. This effect is likely to be most acute in the Newcastle City Centre, where there are high levels of retail vacancy.

RETAIL FLOORSPACE DEMAND BY DISTRICT, 2016-2036

Area	2016	2026	2036	Increase	% Increase
Newcastle City Centre	102,759	118,249	137,763	35,004	34.1%
Inner North	32,838	35,800	41,386	8,548	26.0%
Inner South	16,320	17,804	20,146	3,826	23.4%
Inner West	199,259	213,405	240,202	40,943	20.5%
Outer	56,605	63,702	72,928	16,323	28.8%
<b>Total</b>	<b>407,782</b>	<b>448,960</b>	<b>512,426</b>	<b>104,645</b>	<b>25.7%</b>

Source: MarketInfo, SGS Economics & Planning

Online retailing has been included in the retail model. However, the continued rise of online retailing and other changes in the retail sector introduce inherent uncertainty into retail futures as the impacts of online retailing may exceed current estimates. Some retail formats, including department stores, household goods, and to a lesser extent fashion, are particularly susceptible to competition from online trade.

Retail supply and model results inform the competitive prospects of different centres. The Newcastle City Centre has declined in retail primacy, with Kotara surpassing it in total retail floorspace amount and retail mix. The City Centre's unique attributes suggest a future as a lifestyle destination with a retail focus on hospitality, leisure, provision for local workers and boutique retail experiences which are not likely to be offered in large stand-alone shopping centres. This focus offers better prospects for the City than trying to compete directly with Kotara, Charlestown and Glendale as a broad-based regional retail centre.

Kotara functions as the largest broad-based shopping centre in Newcastle and surrounds and operates in direct competition with the Newcastle City Centre. As the Kotara Centre is not co-located with social infrastructure, a train station or a broad range of services (unlike the Newcastle City Centre), it is less suitable to take on a broader centre role than that of a retail centre. If a significant diversification of uses were permitted, this could hinder the intended transition of the Newcastle City Centre.

The homemaker centre in Kotara is the largest cluster of bulky goods floorspace in the Newcastle Region and the only consolidated homemaker centre which facilitates a broad range of comparison shopping in a single destination. This is an important retail role which should not be compromised by redevelopment for other uses.

## Commercial land uses

Commercial (non-retail) floorspace demand has been modelled using employment projections and the same method as that for industrial floorspace demand. Commercial floorspace demand has been split into demand from two different kinds of business:

- Population serving firms like accountants and real estate agents, with demand expected to be located throughout the LGA, and
- Large firms and business serving firms, which are more selective about their location. Demand of this type is aggregated for the whole LGA and is likely to be concentrated in few locations with the highest business amenity.

Most employment in knowledge-intensive ANZSIC categories such as professional services occurs in commercial offices. Some employment in these industries such is located

throughout the LGA, including in office buildings in industrial precincts which are serving more of a business park role. However, by far the largest concentration of knowledge intensive employment currently is in the Newcastle City Centre. While some commercial development is likely to continue to occur in industrial areas, the City Centre is likely to continue to remain the most attractive place for commercial businesses in the Hunter Region in the future. As the commercial development market is influenced by perceived prestige and development momentum, Council should encourage continued commercial development and concentration in the Newcastle City Centre.

Commercial capacity has been modelled under three scenarios, but only the medium scenario, which represents the most likely development outcome, is shown in the table below.

There is a large amount of commercial development capacity in the Newcastle City Centre, particularly around the Honeysuckle Precinct and in the western end of the City around Newcastle Interchange Station. This is sufficient to accommodate likely future demand, but Council should continue to monitor the development market for any potential constraints on commercial development and to ensure that provision is left for development in the longer term.

There is also sufficient capacity to accommodate likely demand elsewhere, providing that some redevelopment of existing premises occurs.

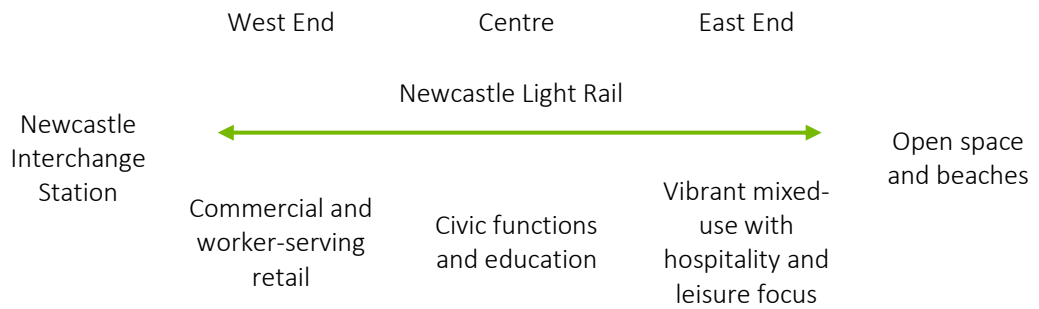
#### COMMERCIAL FLOORSPACE DEMAND AND CAPACITY

<b>Commercial and retail land use demand</b>						
	Newcastle City Centre	Inner North	Inner South	Inner West	Outer	<b>Total</b>
Population serving commercial	6,762	4,387	2,841	7,658	11,733	<b>33,381</b>
Other commercial (including business serving)			<b>249,882</b>			
Retail (from table above)	41,766	12,935	6,667	48,601	28,056	<b>138,025</b>
<b>Commercial and retail land use capacity</b>						
Capacity (sqm) – medium scenario	406,957	79,887	5,810	31,746	28,775	<b>553,175</b>

## Newcastle City Centre

As noted in the sections above, the best future retail prospects for the Centre are as a vibrant mixed-use lifestyle, hospitality, entertainment and boutique retail destination. Projections indicate that there is also likely to be demand for additional commercial development and the City Centre is the most attractive place for this to occur, but this will depend on the future state of the commercial development market and the City Centre remaining competitive with other commercial destinations.

While the overall development prospects of Newcastle City Centre are strong, the different parts of Newcastle City Centre have different strengths and weaknesses. These have been conceptualised through the diagram below, which shows the identity of each part of the City Centre which would best take advantage of its evolving context. This is aligned with the NSW Government's *Newcastle Urban Renewal Strategy*.



- The West End is nearest to the Train Line and has the most commercial development capacity as well as an evolving role as the major commercial destination in the City. In the future it should consolidate this role, providing A-grade commercial space and worker-serving retail.
- The Centre contains multiple civic functions and a campus of the University of Newcastle. These are major anchor destinations and establish a strong precinct identity which should be consolidated.
- The East End, including the Hunter Street retail area, has significant natural amenity relating to the built form, landscape and access to open space, but has declined as a retail destination. There are significant opportunities for redevelopment of this area as a mixed-use precinct and the primary hospitality destination in the LGA.

The connection of each of these precincts by the Newcastle Light Rail will allow people to travel between them and ensure that each part of the City Centre benefits from development elsewhere.

## Employment Lands Strategy

The Employment Lands Strategy is divided into planning principles, which provide high level directions for land use planning, and specific actions for the City of Newcastle.

### Centres hierarchy

#### Planning principles

- **Maintain centres planning framework**
- **Provide flexibility in permitted uses and principal planning controls**

	Action	Timeframe
Action 1	Plan for small increases in retail floorspace across Newcastle’s centres	S-M-L
Action 2	Maintain flexibility in planning controls for local centres to allow uses to transition in response to the changing retail landscape	S-M-L
Action 3	Continue to improve the amenity of local centres through infrastructure investment, increasing their ability to compete with larger centres and online retail	S-M-L

## Newcastle City Centre

Newcastle City Centre should continue to be the major regional centre for the Newcastle LGA. It should be the primary business and entertainment centre of the LGA, with a vibrant mix of uses and high amenity built form, next to the Hunter River, beaches and substantial open space.

### Planning principles

- The western end should build on its current commercial role
- The eastern end should become a mixed-use precinct
- The centre of the City should consolidate its civic and educational role,
- Encourage commercial development
- Consolidate retail energy along the current retail spine
- Additional convenience-based retailing should be provided throughout Newcastle City Centre, increasing its retail amenity for local workers and residents.
- Provide flexible ground floor spaces in mixed-use developments
- Connections from Newcastle City Centre to other centres by public transport should be improved
- Permeability between different parts of the City Centre should continue to be improved following the opening of the Light Rail
- Encourage the night-time economy

	Action	Timeframe
Action 4	Consult with commercial landlords and developers and where possible remove impediments to commercial development	S-M-L
Action 5	Limit new retail provision in the Western end of the City Centre to facilities catering to local workers	S-M
Action 6	Continue to invest in the amenity of the Eastern End of the Newcastle City Centre to facilitate its transition to a lifestyle precinct	S-M
Action 7	Review development controls for ground floor retail in mixed-used developments to provide flexible spaces and focus retail energy along the existing retail spine	S
Action 8	Advocate to Transport for NSW for improved public transport connections from Newcastle City Centre to other parts of the Newcastle LGA	S-M-L
Action 9	Continue to improve urban connections across the former railway line from the Honeysuckle Precinct and Hunter River to the rest of the Newcastle City Centre	S-M
Action 10	Review planning controls to ensure that new residential and mixed-use developments are designed to minimise potential impacts on night-time economy uses	S
Action 11	Review planning controls and approval processes to allow longer opening hours for businesses in the Newcastle City Centre	S

## Kotara

Kotara should retain its current retail role as a large stand-alone shopping centre which provides retail access to people from throughout the LGA. Kotara competes with Newcastle City Centre as a retail destination. If it takes on a more significant and broader centre role in the future it will also compete to be the primary centre in the LGA, which could jeopardise plans for continued development of the role of the City Centre.

The home-maker centre is the only large and consolidated large-format household goods retailing centre in the Newcastle region. This is an important retail role providing a comparison-shopping experience that can compete with online retailing.

### Planning principles

- **Retain the current retail role for both Kotara Westfield and the Homemaker Centre, but do not allow a transition to a higher order centre**

	Action	Timeframe
Action 12	Retain the current role of Kotara as an important shopping centre which is predominately car-based, providing convenient retail access to the local population	S-M-L
Action 13	Permit expansion of retail provision in Kotara only if it does not harm to role or function of other centres, particularly Newcastle City Centre	M-L
Action 14	Advocate to the Department of Planning, Industry and Environment to retain the current role of the Kotara Homemaker Centre in long term strategic plans given its lack of suitability for a mixed-use town centre	S
Action 15	Investigate prohibiting residential and large office developments at Kotara	S

### Renewal corridors and new centres

The City of Newcastle is planning for a new centre to be delivered in Broadmeadow around the Nineways, and for renewal corridors with mixed-use development along major roads in Adamstown, Hamilton, Islington and Mayfield.

In the short term, mixed-use development in centres with high density residential components should be relatively limited outside of the Newcastle City Centre, concentrating the market for this kind of housing product on the City Centre (particularly the eastern end) where it forms an important part of the City's evolving identity.

### Planning principles

- **Provide a local population-focused centre in Broadmeadow**
- **Mixed-use development in renewal corridors reinforcing the existing structure of centres**

	Action	Timeframe
Action 16	Work with developers and landowners to facilitate development of a new local centre in Broadmeadow with a local population-serving focus	M – L
Action 17	Ensure that new retail development at Broadmeadow does not harm to role or function of other centres, particularly Hamilton and Newcastle City Centre	M – L
Action 18	Review land use controls in renewal corridors to facilitate a modest amount of mixed-use development which extends and strengthens local centres	M

## 1.2 Industrial Precincts

### Planning principles

- **Consider industrial land operational need, not just its employment generation.**

### Light Industrial Precincts

Light industrial precincts have a vital role servicing the local population and local businesses, as well as supporting higher-order businesses through their role in the local supply chain. These precincts host a wide variety of businesses from multiple industries. Demand for floorspace in these areas is already high and is likely to increase the future.

### Planning principles

- **Retain and protect light industrial precincts.**
- **Manage land use conflicts between light industrial uses and surrounding residences.**



	Action	Timeframe
Action 19	Retain and protect light industrial precincts, by not supporting any rezoning in these areas away from industrial uses	S-M-L
Action 20	Investigate the rezoning of the Kotara Homemaker Centre or of other B5 zones to differentiate their uses: Kotara as a large-format retail area and other B5 zones as predominately light industrial precincts with some retail and wholesale	S
Action 21	Manage land use conflicts in order to preserve the continued viability of light industrial precincts.	S-M-L

### Strategic Industrial Precincts

Strategic industrial precincts provide capacity for new industrial and related uses near major transport infrastructure and the Port of Newcastle. There is enough capacity in these precincts to provide for employment needs until 2036.

#### Planning principles

- Continue to support the development and operation of strategic industrial precincts
- Plan for a variety of lot sizes in greenfield industrial precincts
- Consider uncertainty in projections when planning for industrial land supply with periodic reviews and a precautionary approach

	Action	Timeframe
Action 22	Review take-up rates and supply of greenfield industrial land, considering the needs of different kinds of industrial uses of a variety of sizes	M

### Remnant Industrial Sites

Remnant industrial sites may become vacant in the future if traditional manufacturing businesses employment continues to decline. In this case redevelopment to facilitate other uses may be necessary. When considering which kinds of uses are allowed, one should consider local feasibility and the remediation expenses of the sites in question as well as the appropriateness of their location for other industrial uses.

#### Planning principles

- Encourage redevelopment of remnant industrial uses in urban areas with high levels of amenity to creative employment space.
- Prioritise the provision of employment-generating floorspace in any redevelopment which occurs.
- Minimise displacement of industrial uses

	Action	Timeframe
Action 23	Facilitate redevelopment of remnant industrial sites if they are deemed to be no longer viable for heavy industrial uses and this will not result in the displacement of industrial businesses out of the LGA	M-L

## 1.3 Ports land

The land on which the Three Ports SEPP applies should be managed in consultation with the Port of Newcastle, Department of Planning, Industry and Environment and Transport for NSW. The land covered by the Three Ports SEPP which is not part of the port provides strategic industrial land whose uses support the operation of the port.

### Planning principles

- Ensure that development does not curtail the current or future potential operation of the Port of Newcastle
- Preserve land for potential long-term employment opportunities

	Action	Timeframe
Action 24	Consult with the Port of Newcastle regarding any proposed developments in land covered by or immediately adjacent to the Three Ports SEPP	S-M-L
Action 25	Collaborate with the Port of Newcastle, Department of Industry, Planning and Environment and Transport for NSW with regards to any proposed changes to planning controls in land covered by or immediately adjacent to the Three Ports SEPP	S-M-L
Action 26	Retain land around the Port of Newcastle to preserve future freight and logistics opportunities, in collaboration with relevant stakeholders	S-M-L

# 1. INTRODUCTION

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SGS Economics and Planning (SGS) was commissioned by the City of Newcastle (CN) to update previous strategic work undertaken to inform the planning of employment lands (including centres) in the Newcastle LGA. The most recent study on this topic was the *Newcastle Employment Lands Strategy* (2013) by HillPDA.

This Project is intended to provide an up-to-date evidence base which will inform Newcastle's local strategic planning statement. This will inform the Newcastle Local Strategic Planning Statement and any required revisions to the local environmental plan.

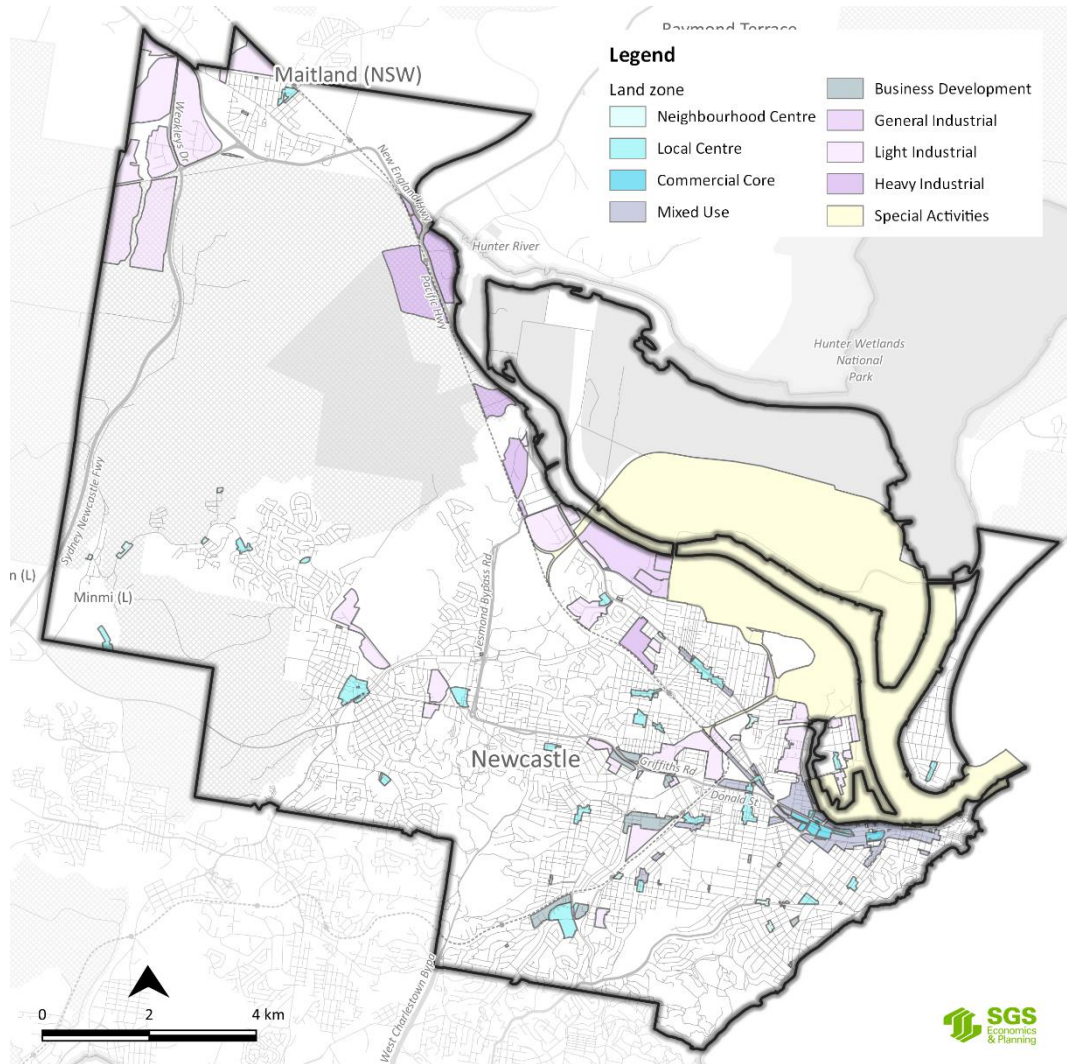
Since the *Newcastle Employment Lands Strategy* was written in 2013, the *Greater Newcastle Metropolitan Plan 2036* and *Hunter Regional Plan 2036* have been released. These NSW Government documents set the metropolitan and regional planning context for the Newcastle LGA. They contain several actions for Council to undertake in relation to employment lands. They also identify seven 'catalyst areas' within the Newcastle LGA, which are activity, employment and logistics centres of metropolitan significance. The update of the *Newcastle Employment Lands Strategy* responds to this altered strategic context as well as to changes in projections, land uses and the Newcastle economy since 2013.

## Study area

This strategy considers the land use planning for employment generating zones in the Newcastle LGA, which are zones under either the Newcastle Local Environmental Plan 2012 or State Environmental Planning Policy (Three Ports) 2013. This includes the following zones, which are shown in Figure 1:

- B1 Neighbourhood Centre
- B2 Local Centre
- B3 Commercial Core
- B4 Mixed-use
- B5 Business Development
- IN1 General Industrial
- IN2 Light Industrial
- IN3 Heavy Industrial
- SP1 Special Activities

FIGURE 1: STUDY AREA



### Scope of work

The scope of this work includes the following elements identified by the City of Newcastle in their brief for the strategy:

- Analysis of any recent population and employment profiles within the City using relevant data such as ABS, and Bureau of Transport Data.
- Analysis of recent macro and micro economic trends including emerging industries that may influence the future of employment lands in the City of Newcastle.
- Audit existing land uses across employment areas to identify the strengths and weaknesses of each area (if necessary).
- Project future employment growth to predict future floor space demand.
- Estimate trends in retail demand and implications for future floor space demand.
- Assess the suitability and capacity of existing employment lands to accommodate projected growth
- Identify opportunity sites and buildings to continue regeneration and revitalisation, promote creative industries, innovation and entrepreneurship, and attract additional anchor institutions and cultural facilities.
- Consider the relationship of employment land within the City to the suitability and capacity of employment land in adjoining local government areas.
- Identify land use planning opportunities to address the identified needs.

## Document structure

The report is structured into the following sections:

- **Section 1: Strategic context** - The broader context for the strategy, including existing policies and consultation with stakeholders.
- **Section 2: Land use context** – A summary of current retail and industrial land use in the Newcastle LGA
- **Section 3: Economic trends and drivers** – Economic trends in the broader economy and how they may impact on employment generating land uses in the future
- **Section 4: Economic and demographic profile** – Analysis of current employment and demographics in the Newcastle LGA and how they have changed recently
- **Section 5: Floorspace supply** – The current amount of retail and industrial floorspace in each part of the Newcastle LGA and the capacity for additional floorspace
- **Section 6: Floorspace demand** – Likely future demand for employment generating floorspace based on population and employment projections
- **Section 7: Discussion** – Synthesis of the findings in the study and their implications for land use planning in the Newcastle LGA
- **Section 8: Employment strategy** – Planning principles and actions responding to the findings of the report

## 2. STRATEGIC CONTEXT

### 2.1 Policy review

#### Hunter Regional Plan 2036

The Hunter Regional Plan 2036 was released by the NSW Government in 2016 to guide land use planning priorities and decisions over the next 20 years. It provides an overarching framework to guide more detailed land use plans, development proposals and infrastructure funding decisions.

The vision for the Hunter Region is **the leading Regional economy in Australia with a vibrant new metropolitan city at its heart**. Greater Newcastle, which includes Newcastle Local Government Area (LGA) and four other LGAs, is the centrepiece of the Hunter Region and key to its success. The Plan identifies Newcastle City Centre as the heart of Greater Newcastle and the capital of the Hunter Region.

The vision for Greater Newcastle is **a vibrant new metropolitan area with global gateways that maximise exports and tourism, and a centre of excellence for health and education**. The Newcastle City Centre will be a knowledge centre of excellence in health and education providing world-class research into medical technologies, agricultural productivity, renewable energy and mining services.

The Plan notes the growing demand in Asia for agricultural produce, increasing environmental tourism and greater demand for education and innovation in medical research as macro trends that could influence Greater Newcastle's economic prosperity.

Table 1 summarises the directions and actions in the Plan that are relevant to the Newcastle Employment Lands Strategy Review project.

TABLE 1: STRATEGIC DIRECTION AND ACTIONS RELEVANT TO NEWCASTLE LGA

Directions	Actions
<b>Direction 1 – Grow Greater Newcastle as Australia's next metropolitan city</b>	Prepare a Greater Newcastle Metropolitan Plan that focuses investment to growth industries and increase economic diversification.
<b>Direction 2: Enhance connections to the Asia-Pacific through global gateways</b>	Promote diversification of operations at the Port of Newcastle and the Newcastle Airport and enhanced connectivity to the Asia-Pacific.
<b>Direction 3 – Revitalise Newcastle City Centre</b>	Leverage the increased presence of the University of Newcastle in the city centre.
<b>Direction 4: Enhance inter Regional linkages to support economic growth</b>	Strengthen and leverage opportunities from the interconnections with other Regions, particularly the Pacific Highway, the Golden Highway and the New England Highway.
	Promote freight facilities that leverage the Port of Newcastle and its associated freight transport network.
	Investigate opportunities for logistics and freight growth and other complementary land uses around airports, leveraging investments at Taree and Newcastle airports.
<b>Direction 7: Develop advanced manufacturing, defence and aerospace hubs</b>	Cluster emerging high-technology industry, defence and aerospace activities on land surrounding Newcastle Airport.

	Grow and diversify the manufacturing sector
	Promote manufacturing business export opportunities.
	Facilitate research partnerships between tertiary education providers and businesses.
	Protect strategic defence establishments.
<b>Direction 8: Promote innovative small business and growth in the service sectors</b>	Implement initiatives to promote small business growth and innovation, particularly in Newcastle City Centre and other strategic centres.
	Facilitate opportunities for incubator spaces for technology and non-technology early stage businesses.
	Foster education precincts.
<b>Direction 12: Diversify and grow the energy sector</b>	Identify and support opportunities for smaller-scale renewable energy initiatives such as those using bioenergy or waste coalmine methane.
<b>Direction 24: Protect the economic functions of employment land</b>	Locate new employment land so that it does not conflict with surrounding residential uses.
	Protect the economic functions of employment land by not permitting non-industrial uses unless opportunities for urban renewal arise and contaminated land can be remediated.
<b>Direction 27: Strengthen the economic self-determination of Aboriginal communities</b>	Work with Local Aboriginal Land Council to identify priority sites and to develop options for the potential commercial use of the land

Source: Hunter Regional Plan 2036

### Key points for future planning

- Newcastle City Centre will play an important local and Regional role as the heart of Greater Newcastle and the capital of the Hunter Region.
- The Plan envisions that Greater Newcastle will have a skilled science, technology and engineering workforce engaging in advanced manufacturing and digital technologies
- Newcastle Airport and the Port of Newcastle are catalyst areas for economic development. The Plan identifies that Newcastle Airport will have strong technology, defence and aerospace industries while the Port of Newcastle will be a vital hub for exporting agricultural produce and coal to new markets throughout Asia.
- A new cruise ship terminal is proposed in Newcastle Harbour, but NSW Government funding for this project has since been removed and it is uncertain whether it will proceed. If this terminal were to be built, it would create opportunities for the tourism sector.
- Newcastle City Centre could leverage the \$95 million investment in the University of Newcastle's City Centre campus and the \$9.8 million investment in the Hunter Innovation Project.
- There are anticipated to be an additional 61,500 jobs at the Hunter Region by 2036, with 12.6 per cent of them in the Newcastle City Centre (32,691 jobs by 2036, a growth of 31 per cent from 2016).
- 25 per cent of the population is anticipated to be aged over 65 years by 2036 indicating a growing demand for Healthcare and Social Assistance workers.
- Domestic Services (Construction, Retail Trade, Accommodation and Food Services, Arts and Recreation Services, Other Services) sector is projected to remain the largest employment sector in the Hunter Region by 2036.

### Greater Newcastle Metropolitan Plan 2036

The Greater Newcastle Metropolitan Plan 2036 was released by the NSW Government in 2018 to set out strategies and actions that will drive growth across Cessnock, Lake Macquarie, Maitland, Newcastle and Port Stephens Local Government Areas (LGAs). The Metropolitan

Plan is a 20 year plan for the Greater Newcastle area to deliver the vision of the Hunter Regional Plan 2036.

The Metropolitan Plan outlines five elements that will shape Greater Newcastle into a **dynamic and entrepreneurial city with a globally competitive economy and a great lifestyle, framed by wineries to the waterfront**. These five elements are the metro heart, metro core, metro frame, trading hubs and iconic tourism destinations. The Plan identifies Newcastle City Centre as the metro heart that will attract residents, workers and students.

Table 2 summaries the outcomes for each of the goals set out in the Hunter Regional Plan.

TABLE 2: GOALS AND OUTCOMES FOR GREATER NEWCASTLE

Goals	Outcomes
<b>Goal 1 – The leading regional economy in Australia</b>	Create a workforce skilled and ready for the new economy
<b>Goal 2 – A biodiversity-rich natural environment</b>	Enhance environment, amenity and resilience for quality of life
<b>Goal 3 – Thriving communities</b>	Deliver housing close to jobs and services
<b>Goal 4 – Greater housing choice and jobs</b>	Improve connections to jobs, services and recreation

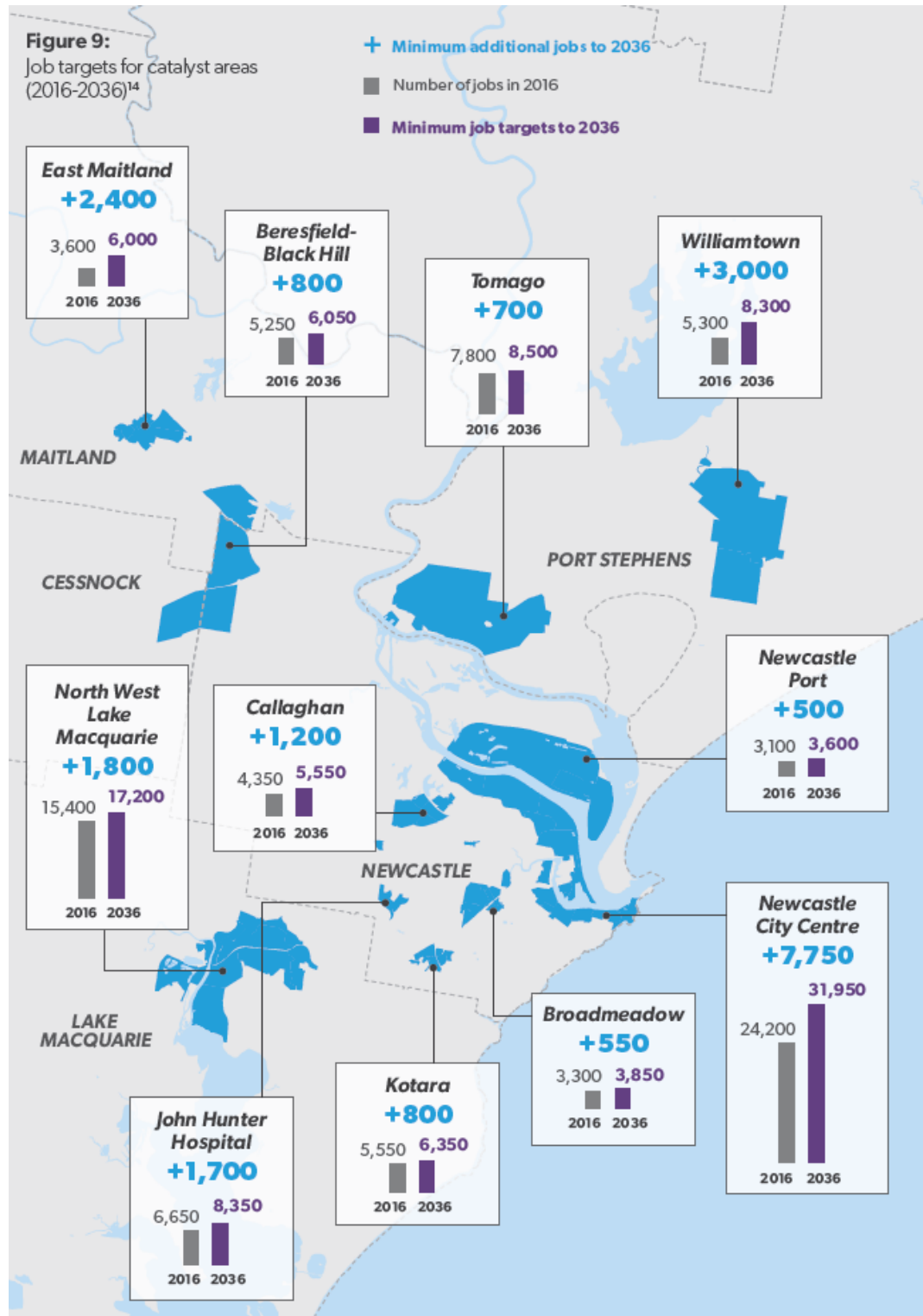
Source: Greater Newcastle Metropolitan Plan 2036

Several areas within the Newcastle LGA have been identified as catalyst areas for Greater Newcastle including Newcastle City Centre, Beresfield-Black Hill, Broadmeadow, Callaghan, John Hunter Hospital, Kotara and Newcastle Port. These catalyst areas are places of metropolitan significance that need a collaborative approach in delivering new jobs and homes.

Figure 2 outlines the job target for each of the catalyst areas by 2036. Newcastle City Centre has the highest minimum additional jobs to 2036 and the highest minimum job target. Table 3 outlines the desired role and outcomes for the Catalyst Areas in Newcastle LGA that are relevant to the economic development of Newcastle LGA.



FIGURE 2: JOB TARGETS FOR CATALYST AREAS 2016 TO 2036



Source: Greater Newcastle Metropolitan Plan 2036

TABLE 3: SUMMARY OF CATALYST AREAS

Catalyst Areas	Desired role	Outcomes
Newcastle City Centre	Business district with significant commercial floor space	Wickham Precinct – expand the city centre towards Wickham and provide floorspace for emerging <b>new economy industries and businesses</b>
	Metropolitan civic, recreation and cultural facilities, and major events	West End Precinct – increase <b>commercial and accommodation</b> floorspace surrounding the Newcastle Interchange
	Education and innovation precinct	Civic Precinct – promote the Precinct as an education and research hub
	Urban renewal precinct	East End Precinct – transport spaces for <b>new shops and other uses</b> , revitalise Hunter Street Mall
		Newcastle East Precinct – plan for additional <b>tourists</b>
Beresfield-Black Hill	Freight and logistics hub, with complementary manufacturing and light industrial activity	Beresfield Precinct – promote <b>freight and logistics, manufacturing</b> and other <b>light industrial uses</b> and protect the freight corridor
	Potential for growth and expansion of industries	Emerging Black Hill Precinct – plan for <b>freight and logistics uses</b>
Broadmeadow	Nationally significant sport and entertainment precinct	Hunter Sports and Entertainment Precinct – Improve pedestrian and cycle access and connections within the Precinct, and to Broadmeadow Station and other public transport stops
	Providing a mix of uses that facilitates growth and change in surrounding centres and residential areas	Nineways Precinct – facilitate <b>office, retail</b> and medium density housing and protect corridors for major future public transport
		Lambton Road Precinct – promote <b>light industrial and business uses</b> to support the growth of surrounding areas and investigate potential for mixed-uses
		Broadmeadow Station Precinct – improve the street layout to increase pedestrian access between Broadmeadow Station and surrounding residential and employment areas
		Broadmeadow Road Precinct – align local plans to protect <b>light industrial uses</b> and facilitate commercial and medium density housing
		Locomotive Depot Precinct – plan for medium density and business uses
		Former Gasworks Precinct – respond to opportunities for re-use of the site and buildings and allow for <b>business, light industrial</b> and other uses that provide for economic renewal
Callaghan	Tertiary education, research and innovation cluster based around the University of Newcastle	Callaghan Campus Precinct – grow an <b>education cluster</b> within and surrounding the Callaghan Campus, including student accommodation, research and business
	Emerging mixed-use centre that utilises Warabrook Station and bus routes,	Warabrook Station Precinct – facilitate <b>accommodation, residential and business uses</b>
		Warabrook Business Park Precinct – promote <b>business uses</b> that grow <b>engineering, research and high-tech manufacturing jobs</b>
		Student Accommodation Precinct – facilitate <b>residential and student accommodation</b>
		Jesmond, Warabrook and Waratah Centres – facilitate <b>business uses</b> and the development of <b>innovation hubs and start-up businesses</b> capitalising on proximity to the University
John Hunter Hospital	Health cluster centred around the John Hunter Hospital, providing tertiary level medical services, and a diverse range of complementary health services	John Hunter Hospital Precinct – intensify the <b>medical research, education and ancillary health uses</b> within the precinct and in nearby centres of Jesmond, Lambton and New Lambton, and increase the potential for <b>retail, commercial and short-stay accommodation</b> within and surrounding the Precinct
	Emerging medical research, innovation and education hub	
Kotara	Diverse employment centre with mixed-use and high density residential connected to frequent public transport services	New Kotara Town Centre Precinct – transform the Precinct from large format retail to a <b>mixed-use</b> town centre with diverse uses, including office and shop top housing
		Kotara Shopping Centre Precinct – diversify the mix of land uses including housing

		Park Avenue Employment Precinct – retain existing <b>business development and industrial land uses</b> to service the surrounding communities of Adamstown and New Lambton
		Searle Street Employment Precinct – intensify <b>light industrial and office uses</b> , and improve internal street layout and integration with surrounding residential and commercial areas and Kotara Railway Station
<b>Newcastle Port</b>	Global gateway, providing international freight connections servicing Greater Newcastle and the Hunter Region	Carrington Precinct – enable <b>existing port- related activities</b> and investigate options for land uses in this Precinct that support further growth and diversification of trade
	Emerging tourism gateway centred around the Newcastle Cruise Terminal	Dyke Point Precinct – reactivate Port of Newcastle and the Hunter as a major <b>ship repair and maintenance destination</b>
	Capacity to generate port-associated industry and regional and local employment	Kooragang Coal Export Precinct – protect the operation of <b>coal exports</b>
		Mayfield Port Precinct – support the growth and diversification of <b>port import and export operations</b> and protect freight rail access allow for expansion
		Walsh Point Precinct – enable <b>heavy industry land uses</b> , including chemical and mining manufacturing
		Mayfield North Industrial Precinct – protect existing industrial land uses, investigate the potential diversification and growth of <b>industrial land use</b> , maintain prohibition of retail, bulky goods and residential uses
		Mayfield Freight and Logistics Precinct – facilitate <b>freight and logistics, intermodal and warehousing uses</b> , maintain prohibition of retail, bulky goods retailing and residential uses
		Steel River Precinct – facilitate <b>engineering, research and high-tech manufacturing uses</b>
	Throsby Precinct – accommodate <b>light industrial and new economy uses</b> , support <b>tourism opportunities</b> , plan for the relocation of bulk fuels to Mayfield Port Precinct, investigate renewal opportunities including creative industries and medium density housing	

Source: Greater Newcastle Metropolitan Plan 2036

### Key points for future planning

- Freight and Logistics uses will be promoted in Beresfield- Black Hill and Newcastle Port.
- Mayfield North Industrial Precinct and Mayfield Freight and Logistics Precinct of Newcastle Port will be protected from retail, bulky goods and residential uses.
- Engineering, research and high-tech manufacturing uses will be promoted in Warabrook Business Park and Steel River Precinct.
- An increased diversity of exports would grow trade levels at the Port of Newcastle, increasing its strategic importance and generating other economic opportunities.
- Increased tourism is expected around Newcastle City Centre and Newcastle Port as a result of a proposed cruise ship terminal.
- The health and education sectors are supported by anchor institutions including John Hunter Hospital and the University of Newcastle.
- There are urban renewal opportunities as manufacturing and heavy industry move outside the built-up area.

### Newcastle Local Planning Strategy

The Newcastle Local Planning Strategy (LPS) was released by the City of Newcastle in 2015 to guide the future growth and development of Newcastle to 2030 and beyond. The LPS is a comprehensive land use strategy that provides strategic directions to both the Newcastle Local Environmental Plan 2012 (LEP) and the Development Control Plan 2012 (DCP). The LPS contains 17 principles that aim to implement the seven strategic directions from the

Newcastle 2030 Community Strategic Plan (CSP) which emphasises the importance of creating a liveable and distinct built environment. The principles and strategic directions of the LPS are to be considered in land use planning decisions. The LPS will inform amendments to the Newcastle LEP 2012.

The Smart and Innovative City direction from the CSP envisions a vibrant, diverse and resilient green economy built on educational excellence and research. The principles related to this direction are:

- A creative, culturally rich and vibrant community will be encouraged by providing a greater diversity of quality housing, business and recreational opportunities
- The land use pattern will reinforce mixed-use centres, educational nodes and support technology-based businesses and industries

The LPS identifies a hierarchy of commercial centres and notes that the LPS principles will be achieved by reinforcing the hierarchy. The hierarchy identifies Newcastle City Centre as the Regional City which services the Hunter Region. Most of the Catalyst Areas in the Greater Newcastle Metropolitan Plan belong to Major Local Centres and Specialised Centres, except for Kotara. The LPS identifies Kotara as a Neighbourhood Centre which is a smaller centre that meets the daily and weekly needs of the local residents and the working population. The Metropolitan Plan on the other hand envisions Kotara to become a diverse employment centre with offices and shop top housing.

#### **Key points for future planning**

- Out of centre development is discouraged by the LPS, with the hierarchy of centres promoting mixed-use centres located near transport nodes or along public transport routes.
- Specialised Centres including Port of Newcastle, Newcastle Airport, University of Newcastle, John Hunter Hospital and Mater Hospital are important strategic assets for the economic development of Newcastle.
- Renewal corridors including Islington, Mayfield, Hamilton, Broadmeadow and Adamstown have been identified as having opportunities for economic and/or housing renewal and intensification.
- Land use zonings correspond with the centres hierarchy and reinforces the higher order of Newcastle City Centre by giving it a B3 Commercial Core zoning. The B3 zoning is intended to provide an advantage for commercial uses to locate within the City Centre over alternative centres.
- It is expected that future growth will require more health and education uses and that the existing clusters such as the John Hunter Hospital may not be sufficient.
- Additional commercial office space is allowed in the centres.
- Retail services are encouraged in neighbourhood and local centres or renewal corridors.

#### **Newcastle Employment Lands Strategy**

Newcastle Employment Lands Strategy was released by the City of Newcastle in 2013 to inform the demand for employment uses and promote economic growth in the LGA. The Strategy identifies the short term (2006 to 2016), medium term (2017 to 2021) and long term (2022 to 2031) economic role of Newcastle LGA, the three precincts and the centres within the precincts.

The top three employing industries in 2006 were Health Care and Social Assistance, Retail Trade and Education and Training. The top three industries for growth are projected to be Health Care and Social Assistance, Retail Trade and Professional, Scientific and Technical Services. The largest actual growth in demand for floorspace is projected to occur in the Transport, Postal and Warehousing sector. It is also projected to have the greatest increase in demand for site area.

Analysis shows that population growth and labour market trends are likely to generate demand for 11,000 additional jobs to 2031. Health Care and Social Assistance jobs are expected to continue to play an important role to meet the needs of local residents, particularly the ageing resident population. Manufacturing jobs has declined and there is a trend towards more people seeking Professional or Manager positions. A growth in knowledge based jobs is expected. The demand for retail floor space will increase as it is tied to population growth. It is projected that there will be demand for over 570,000 square metres of retail space across Newcastle LGA by 2031. 37 percent of the demand is expected to occur in the Inner Precinct of Newcastle,

#### **Key points for future planning**

- The Strategy found that there will be a net increase in the demand for 57 ha of industry and construction related land by 2031 across Newcastle LGA, despite the expected decline in the demand for industrial land in the Central and Outer Precincts
- Wider uses of industrial land are recommended in the Central Precinct given the long-term trend of the decline in the demand for employment lands
- The Beresfield Employment Area in the Outer Precinct is an attractive place to businesses as it allows development at a lower cost than on brownfield sites. It is expected to contribute to the mix of employment areas in Newcastle LGA.

#### **TfNSW Regional NSW Services and Infrastructure Plan**

The Regional NSW Services and Infrastructure Plan was released by Transport for NSW in 2018 to provide a long-term strategic vision at the state-wide level for regional NSW. Inland Rail through NSW is identified as a game changer opportunity for the regional freight network.

Transport for NSW is introducing a new Intercity Fleet that will provide services from Sydney to the Central Coast, Newcastle, the Blue Mountains and the Illawarra. It will improve levels of passenger comfort, operational performance and regional jobs.

The Plan discusses the following initiatives that will provide or improves connections to Newcastle:

- Strategic investigation to increase access across the Great Dividing Range from inland NSW to Newcastle/Sydney/Wollongong
- Faster rail connections between Newcastle and Sydney
- Improved east-west crossings of the Greater Dividing Range will connect the resource rich regions of the Hunter, Central West and Orana and New England and North West to Newcastle's port and airport

The Plan identifies freight, logistics and distribution services as the core industry of regional NSW. The industry is expected to grow and will require more investment in freight and logistics infrastructures. One important factor in planning regional transport is geography. The Plan identifies four different geographies; remote, inland, coastal and outer metropolitan. Newcastle LGA is in the coastal area. Newcastle has been identified as a global gateway city and has both city to city links and city to regional centre links.

The Plan suggests a 'hub and spoke' approach to regional transport network planning that radiates out from regional cities such as Newcastle rather than a network that focuses on Sydney. Newcastle LGA could leverage from this transport approach by connecting more efficiently to other centres.

#### **Key points for future planning**

The following transport infrastructure projects will bring more jobs and people to Newcastle as accessibility is enhanced:

- These initiatives will improve the local and regional connections of Newcastle

- There will be town centre revitalisation opportunities for the new rail station locations.
- A wider workforce would be able to access Newcastle via the light rail, rapid bus and faster rail.
- Improvements to Newcastle Port and M1- Newcastle SMART Motorway will make Newcastle a more attractive place for industries that require good freight and logistic access.
- Regional NSW committed initiatives (0 to 10 years): Newcastle Cruise terminal, Newcastle Light Rail, Newcastle Inner City Bypass - Rankin Park to Jesmond
- Regional NSW initiatives for investigation (0 to 10 years): Improvements to Newcastle Port, bus head start for Greater Newcastle, Greater Newcastle Rapid Bus Package, Newcastle Light Rail network extension, Greater Newcastle Place Plans, Sydney-Central Coast-Newcastle Faster Rail improvement
- Regional NSW initiatives for investigation (10 to 20 years): Newcastle Ferry Network extension, M1- Newcastle SMART Motorway, Dubbo to Newcastle rail connection
- Regional NSW initiatives for investigation (20+ years): New rail alignment of North Coast Line between Newcastle and Stroud Road, new suburban type rail service for Greater Newcastle, Cessnock to Newcastle rail services via Kurri Kurri

### Greater Newcastle Future Transport Plan

The Greater Newcastle Future Transport Plan provides the overarching strategic transport network and vision that will guide future transport planning for the Greater Newcastle area. The following table summarises the drivers of transport demand across the centres in Newcastle:

TABLE 4: DRIVERS OF TRANSPORT DEMAND FOR CENTRES

Centre	Drivers of demand
<b>Kotara</b>	<ul style="list-style-type: none"> <li>▪ Retail and businesses: Westfield Kotara and Homemakers Centre Charlestown, Charlestown Square and Pacific Highway retail and businesses</li> <li>▪ Health: Charlestown Private Hospital</li> </ul>
<b>Broadmeadow</b>	<ul style="list-style-type: none"> <li>▪ Recreational: Newcastle Showground, Newcastle Entertainment Centre, Newcastle Basketball Stadium, McDonald Jones Stadium, Newcastle, International Hockey Centre and Broadmeadow Racecourse</li> </ul>
<b>City of Newcastle</b>	<ul style="list-style-type: none"> <li>▪ Retail and business: Newcastle city centre retail and businesses, Marketown Shopping Centre and Darby Street</li> <li>▪ Transport: Wickham Interchange and Queens Wharf Ferry stop</li> <li>▪ Education: University of Newcastle city campus and TAFE NSW – Hamilton Campus</li> <li>▪ Civic: Newcastle City Council Administration Centre, Newcastle Library, Newcastle courthouse, Newcastle Museum</li> <li>▪ Recreational: Newcastle harbour foreshore and beaches, including Nobbys Lighthouse, Newcastle Civic Theatre, parks.</li> </ul>
<b>John Hunter Hospital</b>	<ul style="list-style-type: none"> <li>▪ Health: John Hunter Hospital and Newcastle Private Hospital</li> <li>▪ Recreational: Blackbutt Reserve</li> </ul>
<b>University of Newcastle, Callaghan</b>	<ul style="list-style-type: none"> <li>▪ Education: University of Newcastle</li> <li>▪ Health: Calvary Mater Hospital</li> </ul>

### Port of Newcastle Master Plan 2040

The Port Master was released by the Port of Newcastle in 2018 to outline key strategic development and trade opportunities for the Port and broader region to 2040.

The Port of Newcastle is the largest port on the East Coast, and Australia’s third largest port by trade volume. It is expected that Port of Newcastle’s coal export trade will provide a stable foundation for the economy and the trade volumes of fuels, and dry bulk such as wheat, grains and fertiliser will continue to grow. The Master Plan identifies that following goals:

- Promote the capacity of the Port and the supply chain to support the economy

- Utilise the existing road and rail transport assets to improve freight efficiency
- Facilitate new trade and supply chains
- Support the development of new facilities and enabling infrastructure
- Protect the Port and transport corridors from urban encroachment.

The vision for the Port of Newcastle is to become Australia’s first-choice East Coast port, able to accommodate, attract and grow a diverse trade base in an efficient, sustainable, profitable and innovative manner. The Master Plan identifies the following future opportunities including: the Newcastle Container Terminal in Mayfield, the Newcastle Bulk Terminal in Walsh Point, a specialised Automotive and Ro-Ro Hub<sup>1</sup>, the Maritime Precinct in Carrington, and the construction of the Newcastle Cruise Terminal in Carrington.

Port of Newcastle’s core trades include bulk commodities such as coal, fuel, grains and fertiliser, and breakbulk and project cargo. These trades are expected to continue to grow.

#### Key points for future planning

- Future growth in coal export can be accommodated within the current coal terminal capacity.
- Fuel imports are projected to increase to 4,100 ML by 2040, a fuel pipeline from Newcastle is suggested to reduce fuels cost and safety risks for other road users.
- Future growth in grains export can be accommodated within the current capacity.
- The visitor economy is expected to grow, and the Channel Berth in Carrington and the Newcastle Cruise Terminal have the capacity to accommodate the current and future needs of the cruise industry
- The Port of Newcastle plans to develop a container terminal at Mayfield to accommodate larger regional trains for quick turnaround and generate significant cost savings in land freight transport costs for exporters.
- The Port of Newcastle has adequate land within the Port to develop dedicated Ro-Ro (wheeled cargo) facilities to support the development of new supply chains that cater for emerging import industries and innovative technologies in the automotive industry.
- The development of the Mayfield Freight and Logistics Precinct for an integrated multi-modal freight and logistics hub to complement the Newcastle Container Terminal is critical for the efficacy of supply chains.

#### Wickham Master Plan

The Master Plan was adopted by Council in 2017 and it outlines the vision of the transformation of a semi-industrial suburb to a mixed-use urban area reinforcing the Newcastle City Centre Core. The vision for the area is to continue to **evolve into a diverse and dynamic mixed-use neighbourhood**.

This master plan was prepared because there was a strategic shift of moving Newcastle City Centre’s commercial core from Newcastle East and Newcastle West. Also, there was a need to identify appropriate building envelopes, land use and public domain planning For the Wickham area.

## 2.2 Stakeholder consultation

Six one on one stakeholder interviews have been conducted. Stakeholders from the following organisations were contacted:

- Property Council of Australia, Newcastle Chapter
- Hunter and Central Coast Development Corporation
- Knight Frank

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<sup>1</sup> Roll-on/roll-off (RORO or ro-ro) ships are ferries designed to carry wheeled cargo, such as cars, trucks, semi-trailer trucks, trailers, and railroad cars, that are driven on and off the ship on their own wheels or using a platform vehicle, such as a self-propelled modular transporter.

- Port of Newcastle
- Westfield Kotara
- Department of Planning, Industry and Environment

There is a consensus that independent retailers are not doing well in Newcastle. The three shopping centres including Westfield at Kotara, Stockland Green Hills Shopping Centre at East Maitland and Charlestown Square at Charlestown have attracted most of the customers away from main street retailers. Main street retailers are also doing poorly in Newcastle CBD.

Most commercial office uses are concentrated in Newcastle CBD. There is some demand for A grade office space and the vacancy rate is low. Tourism was identified as a growing sector, with some recent hotel developments in Newcastle CBD.

Industrial uses are in demand and the Port of Newcastle holds large areas of undeveloped industrial land. The Port is looking to package up this land and release it to the market.

Professional service and industrial jobs were anticipated to grow as the Port will become a major supplier of renewable energy. John Hunter Hospital, Callaghan and Newcastle CBD intend to diversify their health and education offers and attract other businesses, which would also increase employment.

Public transport accessibility is poor in many places. As a result, many workers who live in outer suburbs drive to Newcastle CBD to work. The provision of car parking spaces was seen to be crucial for businesses in Newcastle CBD.

Land use conflicts could be an issue for Kotara as a result of surrounding low-density residential development. Management of the transition from low density to higher densities needs to be considered.



# 3. LAND USE CONTEXT

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## 3.1 Retail centres

### Current centre hierarchy

The previous Newcastle centre hierarchy as adopted in the 2013 Newcastle Employment Lands Strategy and is shown in Figure 3. The intended current and future functions of each kind of centre as identified in the Strategy are listed in Table 5.

TABLE 5: INTENDED ROLES OF EACH KIND OF CENTRE IN THE PREVIOUS CENTRE HEIRARCHY

Centre type	Centre function
<b>Regional City</b>	Services the region with higher order administration, education, health services, cultural and recreational facilities higher density commercial and residential. Commercial centre focus with large retail and commercial floor area, including department stores.
<b>Town Centre</b>	Shopping and Business centre for the district, including health and professional services mixed with medium and higher density residential.
<b>Stand-alone shopping centre</b>	Privately owned centres located away from other commercial centres, containing many attributes of a town but without housing or open space.
<b>Neighbourhood centre</b>	Emerging centre identified as necessary to meet the day to day needs of future residents. Providing retail and community facilities to meet the needs for the local population and workforce
<b>Specialised centre</b>	Centres and concentrations of regionally significant economic activity and employment

Source: City of Newcastle 2013, *Newcastle Employment Lands Strategy*

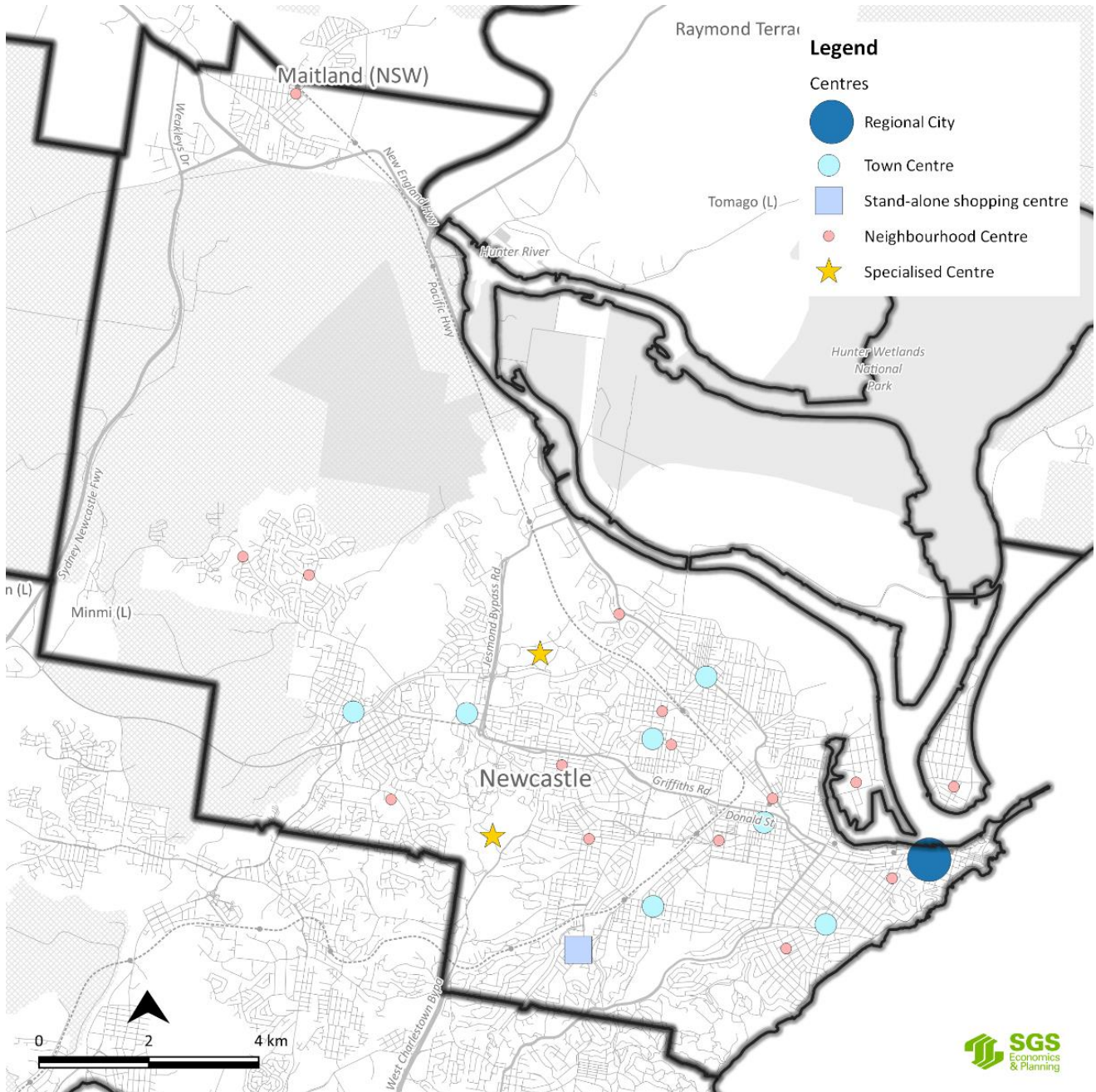
This hierarchy emphasises the primacy and importance of the Newcastle City Centre as the only centre of its kind in the LGA and surrounds, and as having a higher-order administration, education, health services, cultural and commercial role.

Smaller town centres are intended to serve as both shopping and business centres for their surrounding catchments and are distributed throughout the LGA. There are also a large number of neighbourhood centres, although these are more densely distributed in the eastern half of the LGA than the western half.

Kotara is identified as a stand-alone centre, which means it is located away from other centres and does not contain all of the attributes which would lend themselves to a larger centre role, including housing and open space.

Newcastle University and John Hunter Hospital are listed as specialised centres, meaning that they are concentrations of regionally significant employment but do not have a broader centre role.

FIGURE 3: PREVIOUS CENTRE HEIRARCHY IN THE NEWCASTLE LGA



### Major retailers

Figure 4 shows the distribution of major retailers in the Newcastle LGA. These supermarkets and department stores are large and commonly visited retailers which provide an anchor function to the surrounding centre, driving local foot traffic. Their distribution illustrates the current function of different centres as well as influencing their future prospects.

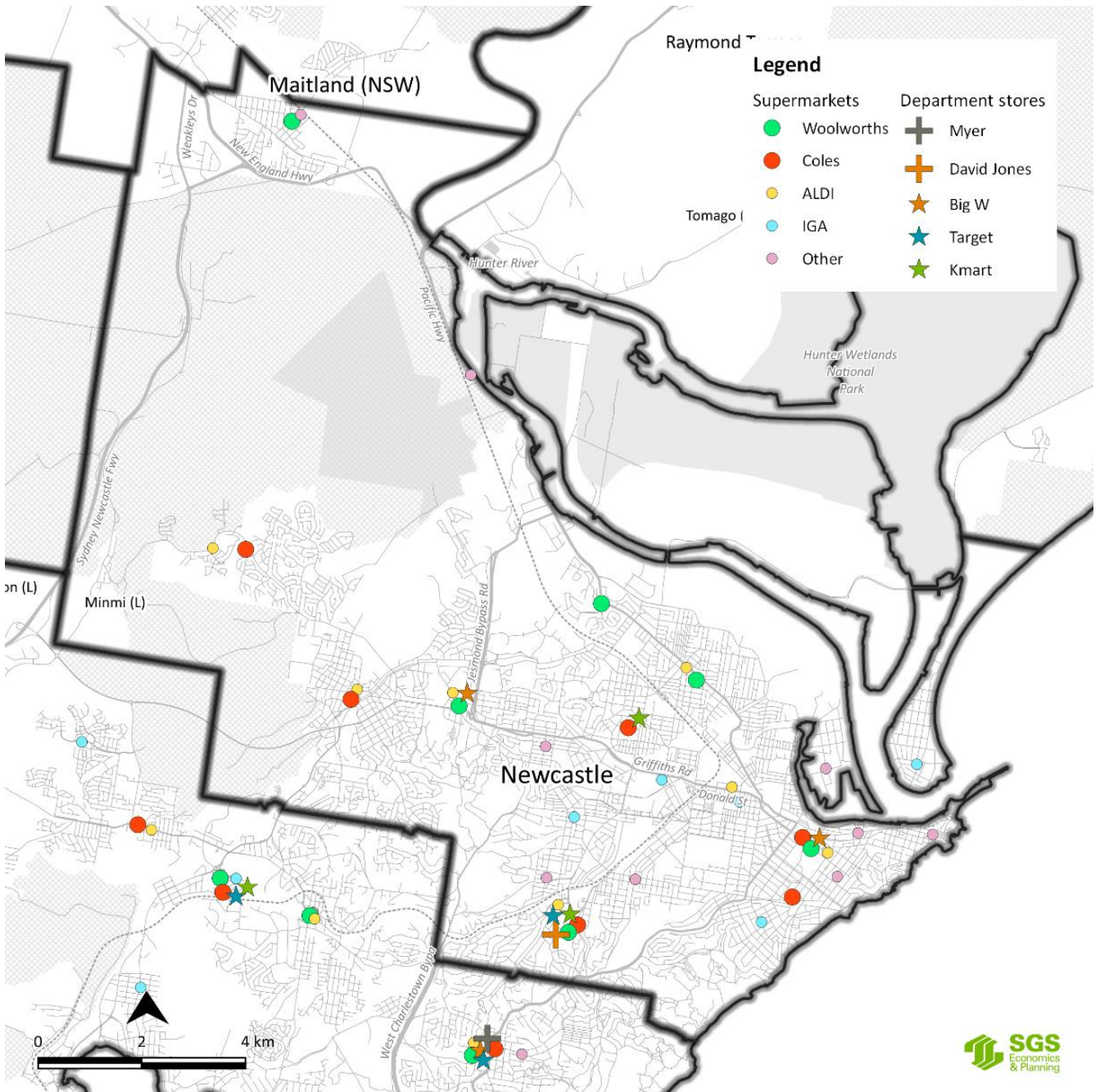
Each of the town centres discussed above, except for Adamstown, and some of the neighbourhood centres, contains a major supermarket in the form of a Woolworths or Coles. Supermarkets are distributed throughout the LGA, reflecting their local convenience retailing role. Spending in supermarkets is relatively resilient to the impacts of online retailing, which is likely to assist the performance of centres with a large supermarket in the future.

There are five discount department stores in the Newcastle LGA, with two in Kotara, one in the Newcastle City Centre and two in smaller town centres. Kotara contains the only non-discount department store in the form of a David Jones. The disparity in the number of

anchor retailers in Kotara compared to Newcastle City Centre illustrates the larger retail role it plays.

As well as Kotara, there are several other major shopping centres nearby which perform a stronger retailing function in terms of anchor tenants than the Newcastle City Centre. Charlestown and Glendale are both near the boundary of the Newcastle LGA to the south and each contain three supermarkets and two discount department stores, while Charlestown also contains a Myer. These centres pose a threat to the status of Newcastle City Centre as a major and mainstream retailing destination given their broad range of anchor tenants and their convenient locations for car access next to major roads.

FIGURE 4: ANCHOR RETAILERS IN THE NEWCASTLE LGA



Source: SGS Economics and Planning

## 3.2 Industrial and employment lands

### Land use zones

In the Newcastle LGA the following zones have a predominately industrial function:

- IN1 General Industrial
- IN2 Light Industrial
- IN3 Heavy Industrial
- B5 Business Development
- SP1 Special Activities

The land to which these zones apply is shown in Figure 5.

The majority of industrial land in the LGA is zoned IN2, which is intended to permit industrial uses which have minimal adverse effects on other land uses. The IN1 zone only applies to a large release precinct in Mayfield, while the IN3 zone applies to industrial areas in Sandgate and Hexham as well as a steel mill in Mayfield.

A large part of the Newcastle LGA is zoned SP1 Special Activities. The development of this land is governed by the *State Environmental Planning Policy (Three Ports) 2013*, which aims to allow the efficient development, re-development and protection of land at Port Botany, Port Kembla and the Port of Newcastle for port purposes, including heavy industry in some cases. The SP1 zone permits a variety of industrial land uses, but much of the land it covers is part of the Port of Newcastle Lease Area and is used as part of the Port rather than for general industrial purposes.

The overall amount of developed and undeveloped industrial land in the Newcastle LGA is shown in Table 6. There is a very large amount of undeveloped and serviced industrial land, although around half of this is zoned SP1. Some of this land is likely to be subject to environmental and other development constraints, for example from flooding or biodiversity. There is less, but still a substantial amount, of unserviced and undeveloped industrial land.

FIGURE 5: INDUSTRIAL LAND USE ZONES IN THE NEWCASTLE LGA

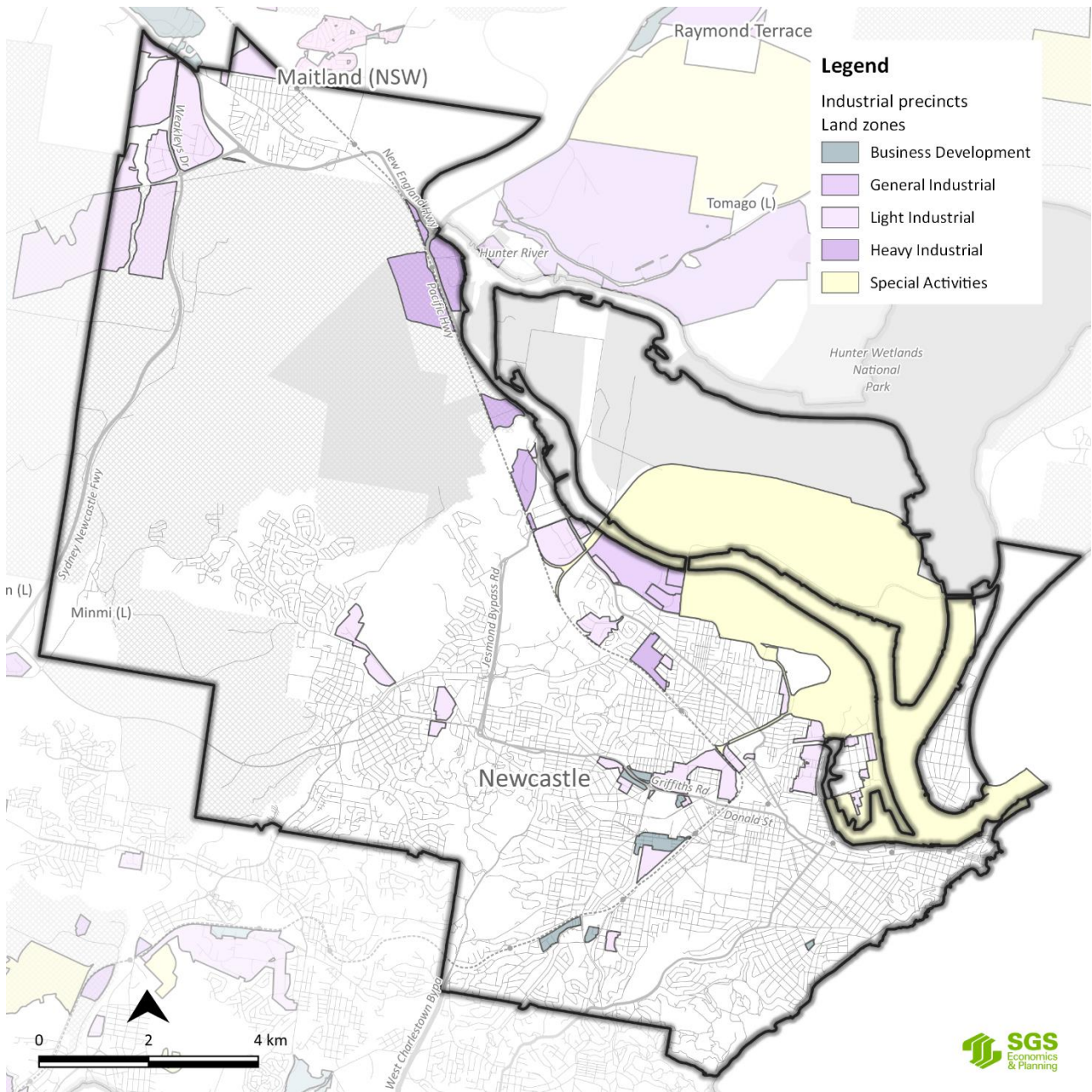


TABLE 6: INDUSTRIAL AND EMPLOYMENT LAND IN THE NEWCASTLE LGA (HA)

Zone	Undeveloped - Serviced	Undeveloped – Unserved	Developed	Total
IN1			40.3	58.3
IN2	357.9	149.3	466.3	897.4
IN3			148.1	224.2
B5	0.8	6.1	52.5	59.4
SP1	375.8	53.6	1,057	1,486
Total	725.5	209	1,764	2,726

Source: Department of Planning, Industry and Environment 2019, *Employment Land Development Monitor Hunter Region 2018*

Note that the amount of undeveloped land is not broken into land use zones by the 2018 *Employment Land Development Monitor Hunter Region*, so the reported figures are totals across the IN1, IN2 and IN3 zones

## Purpose of the B5 zone

The B5 zone is intended to enable a wide range of business and warehouse uses with a variety of employment generating functions. This includes large-format retail premises and most commercial premises. It is applied in different contexts, including to the large-format homemaker retail centre in Kotara. However, most of the areas zoned B5 (those in Lambton and Broadmeadow) appear to have a strong light industrial function, although they contain a larger amount of retail and wholesale activity than other industrial zones. An example of a B5 zoned area in Broadmeadow is shown in Figure 6, with the predominately industrial and warehousing built form visible.

FIGURE 6: A MAJOR ROAD CORRIDOR ZONED B5



Source: Planning Portal, NSW Government

The diverse uses of the B5 zone are visible in the zone objectives, which are:

- To enable a mix of business and warehouse uses, and bulky goods premises that require a large floor area, in locations that are close to, and that support the viability of, centres.
- To accommodate a wide range of employment generating uses and associated support facilities including light industrial, transport and storage activities.

These objectives include two broad classes of land uses: business and warehouse uses including light industrial, transport and storage activities; and bulky goods premises. The land uses expected in each area are different, with many industrial premises not expected in a bulky goods retail centre like the B5 zone in Kotara and significant amounts of specialised floorspace not expected in predominately light industrial precincts like the B5 zone shown in Figure 6. Splitting these two zone functions would allow more specific zone objectives to be developed and permissible uses to be reviewed.

## Industrial precincts and functions

SGS has categorised the industrially zoned areas in the Newcastle LGA into employment precincts to facilitate discussion of the different current and future industrial roles and functions of each precinct. The precincts are shown in Figure 7.

These precincts generally group together areas which are nearby and in most cases, which have similar land uses. However, in some cases a variety of built forms and uses are present in a small area.

There are a wide variety of land uses in industrial precincts in the Newcastle LGA. This diversity is mirrored in the industries and kinds of businesses operating in different precincts.

Nonetheless, it possible to identify several broad categories of industrial activity and associated precincts to provide strategic guidance about industrial land use functions.

**Light industrial precincts** predominately contain uses dependent on local resident populations and local business connections and often service local catchments. Example uses include domestic storage, some minor local or 'urban' manufacturing and motor repairs. These precincts often have smaller lots than other kinds of precincts, with lots which may be strata titled and accommodate several small businesses.

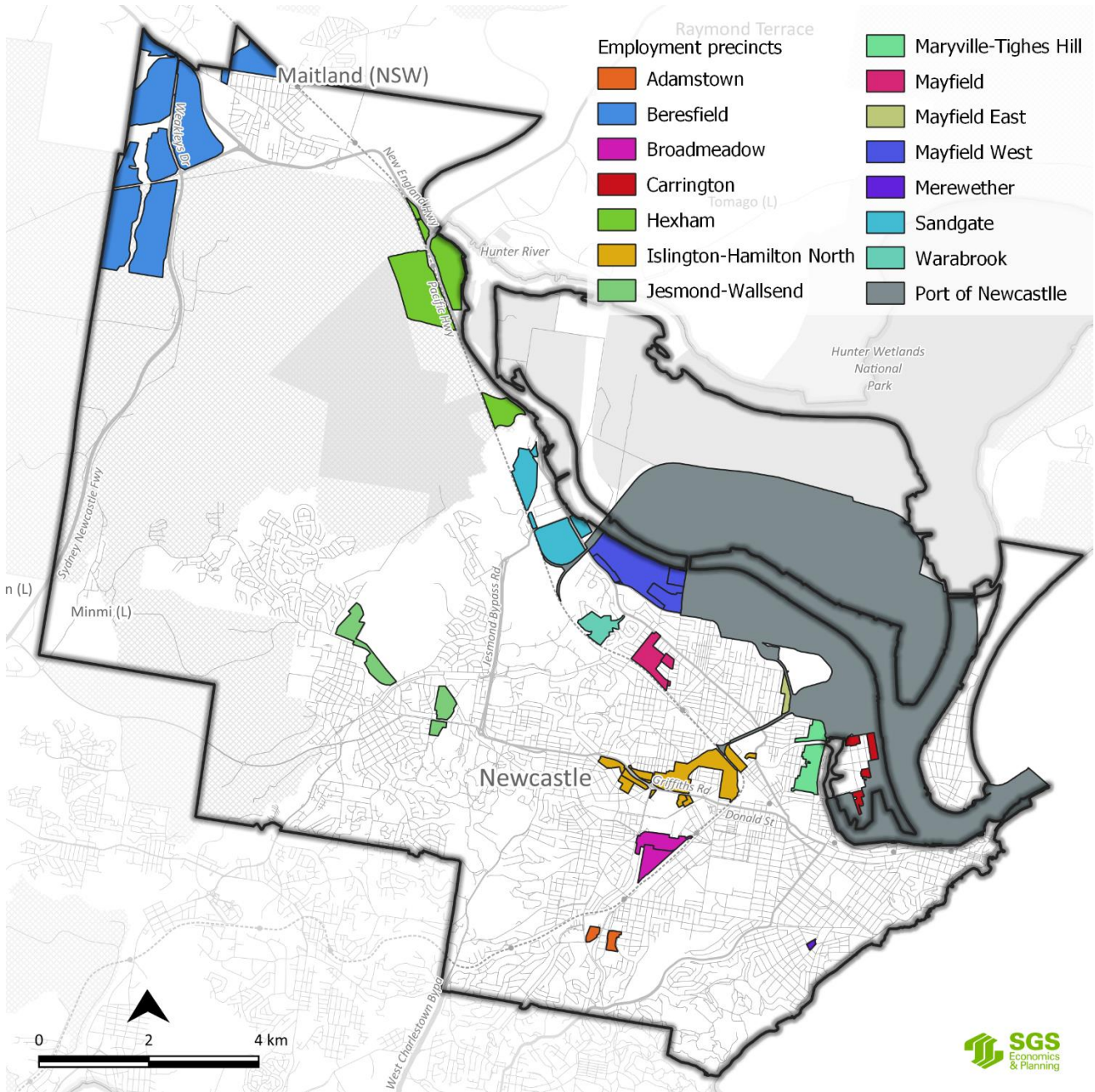
Some uses common in light industrial precincts, for example car repairers, provide important services to the local population. If they were not present the urban amenity of the area would be reduced. Other common uses, like small warehousing spaces or wholesalers, may form an important part of the local supply chain associated with larger centres with higher-order economic functions like Newcastle City Centre.

The importance of light industrial precincts scattered throughout a region has been recognised by the Greater Sydney Commission and NSW Government in the policy to protect land for industrial and urban services uses. The use of the term urban services reflects their role in serving the local urban population and enabling other businesses and industries to operate.

**Strategic industrial precincts** contain businesses which are not as dependent on the local population and local businesses connections. These include larger manufacturing businesses and large freight and logistics premises. These businesses are more footloose in their location choices and depend on proximity to major transport infrastructure, and in some cases strategic infrastructure like the Port of Newcastle. These precincts generally have larger lot sizes and premises.

**Subregional activities** are those that do not depend on a local population catchment but need to have access to clients in metropolitan subregions, such as concrete batching plants and transport and council depots. They occupy larger sites than those found in light industrial precincts and generally have low employment densities, but still form an important part of the local economy and supply chain.

FIGURE 7: EMPLOYMENT PRECINCTS IN THE NEWCASTLE LGA



Source: SGS Economic and Planning

**Remnant industrial sites** are large sites housing substantial buildings that serve or have served a strategic industrial function in the past such as large-scale manufacturing. The location and attributes of these buildings and sites may not be appropriate for modern industrial uses.

The **Port of Newcastle** also occupies a large amount of land, as noted above. While much of the land is zoned SP1 but not used by the port or currently developed, the *State Environmental Planning Policy (Three Ports) 2013* sets a clear policy direction around the strategic importance of this land for future uses associated with the port.

Some industrial precincts, like Mayfield West, also contain **office** buildings, similar to what would typically be regarded as a business park function.

The industrial precincts in the Newcastle LGA are classified according to which predominant functions they have, as well as whether they contain remnant sites, in Table 7. These



functions should be considered when planning for the future use of industrial precincts, which will be discussed in more detail in Section 8.3. Some precincts contain multiple different built forms and roles, and different planning outcomes may be different in each case.

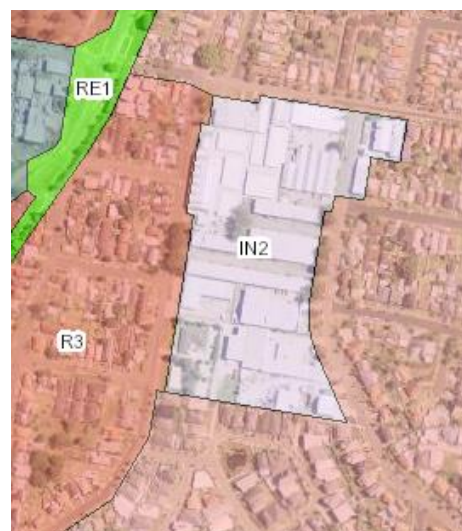
TABLE 7: THE CURRENT FUNCTIONS OF INDUSTRIAL PRECINCTS

Precinct	Current predominant functions	Contains remnant sites
Adamstown	Light industrial	
Beresfield	Strategic industrial	
Broadmeadow	Light industrial	Yes
Carrington	Light industrial & Port activities	Yes
Hexham	Strategic industrial & Subregional activities	
Islington-Hamilton North	Light industrial	Yes
Jesmond-Wallsend	Strategic industrial	
Maryville-Tighes Hill	Light industrial & Subregional activities	Yes
Mayfield	Remnant site	Yes
Mayfield East	Light industrial	Yes
Mayfield West	Strategic industrial & Office	
Merewether	Light industrial	
Port of Newcastle	Port activities & Strategic industrial	
Sandgate	Light industrial	
Warabrook	Light industrial & Office	
Wickham	Light industrial	Yes

### Light industrial case study – Adamstown employment precinct

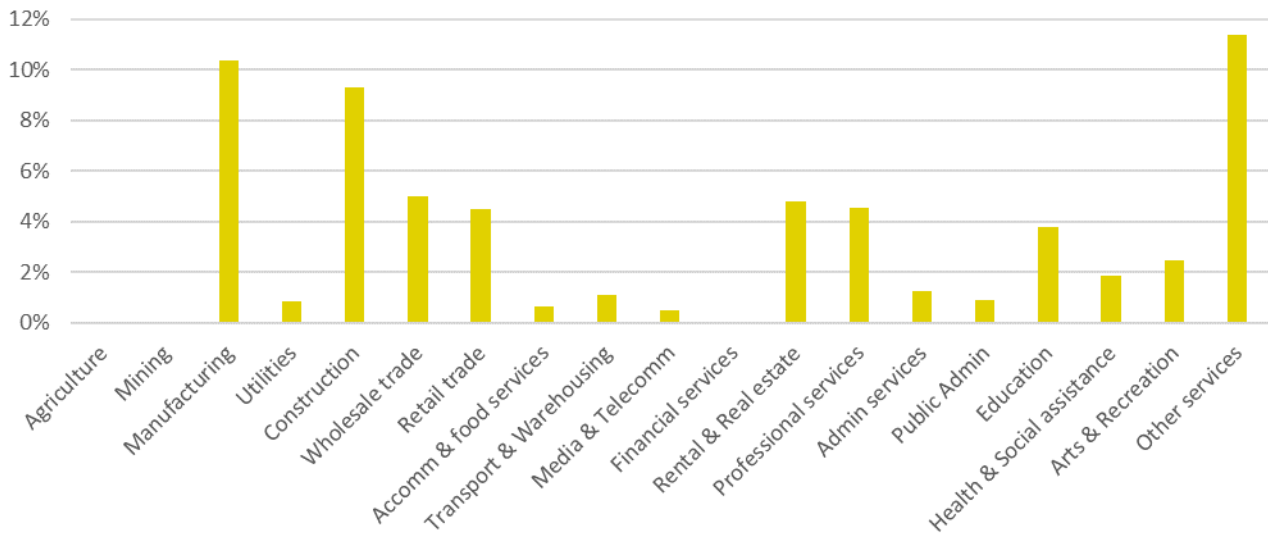
The Adamstown industrial precinct (shown on the right) is around 600m east of the Kotara Shopping Centre, and is surrounded on all sides by dwellings. It has relatively poor access to the arterial road network through residential streets and Park Avenue, and then onto Northcott Drive.

This Precinct is a typical light industrial precinct housing uses with low amenity impacts on surrounding dwellings. Land uses in the precinct include storage premises, wholesale, small warehousing and repair premises. The industrial composition of this precinct is shown in Figure 8, which shows employment in a broad range of industries beyond those typically regarded as industrial. These include rental services, professional services, health care and social assistance and arts and recreation.



There is likely to be some land use conflict around this precinct due to it being adjacent to dwellings, despite its light industrial nature. However, it serves an important economic role and its businesses service the local population, as well as other nearby businesses.

FIGURE 8: EMPLOYMENT COMPOSITION OF THE ADAMSTOWN EMPLOYMENT PRECINCT



Source: ABS Census 2016

### Land values

Recorded sale prices for each industrial precinct and zone in the Newcastle LGA are shown in Table 8. This provides an indication of current land values in each zone and precinct, which in turn provides an illustration of the demand for space and a broad measure of each precinct’s performance.

The highest land prices are found in the B5 zone, although this represents a limited number of sales. This suggests that these precincts are in demand under the current planning framework, although land values in Broadmeadow may be increased by speculation based on its designation as a catalyst precinct.

High sales volumes show a high level of demand for sites in the Mayfield West precinct, which is a land-release employment precinct with a large amount of land remaining to be developed and contains the only IN1. Sites in this precinct are relatively large, which is likely to depress the land price per sqm somewhat. However, prices are around double those in Beresfield, the other large land-release industrial precinct in the LGA. This suggests that Mayfield West is more attractive for development.

Sale prices vary between different IN2 industrial precincts. Those closer to the Newcastle City Centre and to the Port of Newcastle generally have higher land values, with Maryville-Tighes Hill having the highest sale prices (note that residential sales have been excluded from this analysis). Jesmond-Wallsend and Beresfield have relatively low sale prices. Adamstown also has a relatively low price, but it is not possible to draw any conclusions from this figure as it represents only one sale.

The only recorded sales in the IN3 zone were in Hexham. This precinct has very low sales values, which are likely to be limited by environmental constraints. Those sites which are developed in this precinct generally have low employment densities, with several depots and similar uses.

TABLE 8: THE AVERAGE SALE PRICE (\$/SQM) AND NUMBER OF SALES (IN BRACKETS) OF INDUSTRIAL LAND BETWEEN 2016-2018

Precinct	B5	IN1	IN2	IN3	Total
Adamstown			798 (1)		798 (1)
Beresfield			506 (70)		506 (70)
Broadmeadow	1,839 (6)				1,839 (6)
Carrington			874 (4)		874 (4)
Hexham				254 (6)	254 (6)
Islington-Hamilton North	1,395 (6)		1,222 (19)		1,264 (25)
Jesmond-Wallsend			612 (9)		612 (9)
Maryville-Tighes Hill			1,950 (33)		1,950 (33)
Mayfield			1,080 (1)		1,080 (1)
Mayfield East			806 (3)		806 (3)
Mayfield West		1,015 (86)			1,007 (87)
Merewether	2,674 (1)				2,674 (1)
Sandgate			882 (39)		882 (39)
Warabrook			909 (9)		909 (9)
<b>Total</b>	1,698 (13)	1,015 (86)	948 (189)	254 (6)	987 (294)

Source: SGS Economics and Planning, calculated from Property NSW 2019, Bulk property sales information

Sales data for industrial land across the LGA since 2001 are shown in Figure 9. Prices increased between 2014-2018 after declining from a peak in 2007. Sales volumes have fluctuated somewhat but reached a peak in 2017. In combination, these indicators show relatively high levels of recent demand and interest in industrial land in the Newcastle LGA.

FIGURE 9: SALES PRICES FOR INDUSTRIAL LAND IN THE NEWCASTLE LGA, 2001-2018



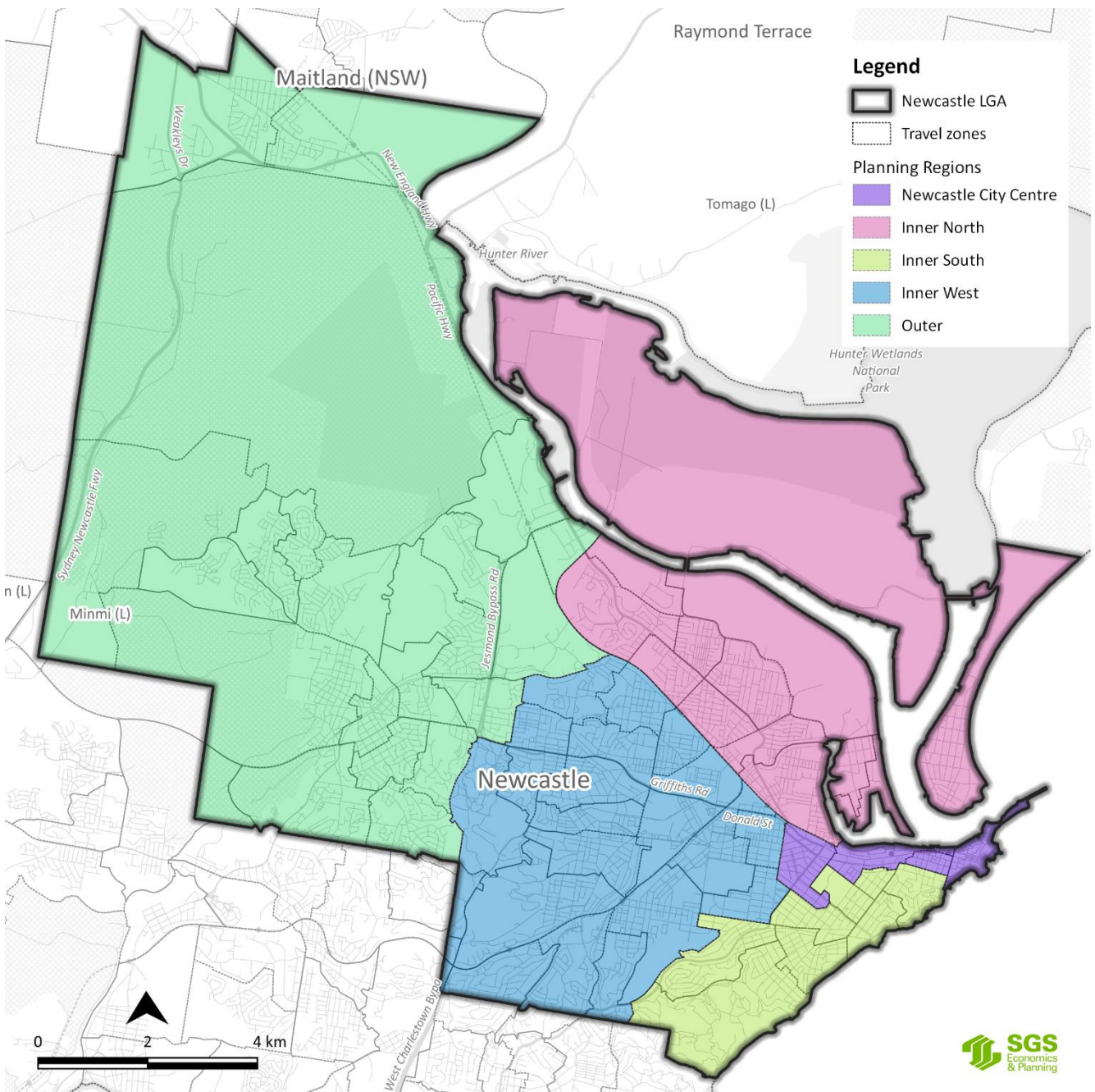
Source: SGS Economics and Planning, calculated from Property NSW 2019, Bulk property sales information

### 3.3 Planning regions

SGS has divided the Newcastle LGA in planning regions which broadly show sub-catchments within the LGA for services and retail provision. They also provide a useful breakdown to discuss commercial supply and demand at a subregional scale. This allows modelling results to be aggregated to a larger spatial area which is more meaningful than an individual small area. Land use supply and demand results in this report will be presented for these regions.

The regions are shown in Figure 10. They have been organised around travel zone boundaries, which allows them to be used for population projections and ensures they align with ABS statistical area boundaries. The boundaries in Figure 9 are not completely aligned with the boundaries of the Newcastle LGA because travel boundaries do not conform with the LGA boundary. Nonetheless, the LGA boundary has been respected in SGS’s modelling.

FIGURE 10: PLANNING REGIONS IN THE NEWCASTLE LGA



Source: SGS Economics and Planning 2019

# 4. ECONOMIC TRENDS AND DRIVERS

This section considers some trends and drivers that may impact future land use and economic activity centres in Newcastle LGA. It considers retail trends, employment trends and industrial trends.

## 4.1 Retailing

### Rise of Online Retailing

Online retail currently makes up a small proportion of retail turnover in Australia. Despite these low levels, growth has been strong. Since 2013, it is estimated online retail turnover has grown 142 percent<sup>2</sup>. NAB estimated that in the 12 months leading up to January 2019, Australians spent approximately \$28.88 billion on online retail which was the equivalent of about nine percent of retail in the traditional 'brick and mortar' retail sector<sup>3</sup>.

Reasons individuals choose to shop online include the reduced amount of time it takes to undertake purchases; it is easier to find the cheapest price; and online shopping provides the flexibility to shop at convenient times<sup>4</sup>.

Department and variety stores recorded the highest online retail sales at approximately 29.6 percent year to year sales average, followed by games and toys (20.1 percent) and takeaway food (12.7 percent), as shown in Figure 11.

FIGURE 11: ONLINE RETAIL SALES BY INDUSTRY (YOY S.A.)



Source: NAB, Online Retail Sales Index, January 2019

The introduction of Amazon in Australia is expected to contribute to the growth of online shopping and further impact bricks and mortar retail. While the Department of Industry, Innovation and Science expects Australia's small and dispersed population will mean the impact of Amazon will take time to gain a significant market share, it is estimated it could

<sup>2</sup> Department of Industry, Innovation and Science, 2017, Inquiry into impacts on local businesses in Australia from global internet-based competition: Department of Industry, Innovation and Science submission, industry.gov.au, p. 9

<sup>3</sup> NAB, 2019, 'NAB Online Retail Sales Index, Monthly Update – January 2019, <https://business.nab.com.au/nab-online-retail-sales-index-monthly-update-january-2019-33762/>, date accessed: 28/03/2019

<sup>4</sup> CBRE, 2015, Asia Pacific Consumer Market: How we like to shop online, <https://www.cbre.com/research-and-reports/apac-consumer-survey-how-we-like-to-shop-online>.

reach two percent of retail sales within five years of entering Australia. This compares to five percent current market share in the US<sup>5</sup>.

It has been noted in both domestic and international contexts that growth in online retailing has led to increased demand for industrial and logistics property. Colliers International expects the demand for industrial space in Australia due to growth in eCommerce to grow over the short, medium and long term, with high levels of emphasis on supply chain efficiency and effectiveness<sup>6</sup>. To compete with Amazon, it is expected Australian online retailers will need to make investments in automation to offer comparable services given Amazon's sophisticated and efficient automation systems that improve warehousing, logistics and distribution<sup>7</sup>.

In the face of competition from online retailing, landlords of traditional 'bricks and mortar' retail centres are providing increased floorspace for food, beverage, grocery and non-retail uses to align with strong customer trends towards dining out. Shopping centres are also exploring mixed-use options or change-of-use options where more value is extracted from the site by adding residential, commercial or hotels to surplus land or air space above centres. Entertainment, events and 'experiences' are also becoming more important to develop the social aspect of retail, as millennials seek a different shopping experience than previous generations<sup>8</sup>.

For large retailers, it is predicted that Australia's trend of department store floorspace expansion and the existing footprint of these stores will decrease as market share is lost to online retailers. For small retailers, it is expected that leveraging local customer relationships and providing specialised and boutique in-store services and advice will ensure continued relevance and competitiveness<sup>9</sup>.

The impact of international retailing competition on employment is unclear. It is expected Amazon's arrival will put pressure on job growth in traditional retail, but this could be offset by employment growth in other areas, such as logistics and warehousing. In the US, it was estimated 51 thousand jobs were lost in the general retail sector between 2007 and 2016 but this was outweighed by growth in 355 thousand warehousing jobs, noting Amazon is also headquartered in the US which may add weight to the increase in job numbers in this industry<sup>10</sup>.

### Changing Profile of Supermarkets

High street retail strips and enclosed shopping centres are often anchored by a supermarket that acts as the major tenant with smaller stores clustered around it. Anchor stores play a key role in the overall health of a shopping centre or district.

Traditionally, Australia's groceries market has been dominated by Woolworths and Coles brands. Even today, together they account for about 70 percent of the market<sup>11</sup>. However, the past decade has seen the rise of two main competitors – IGA and Aldi. Combined, these two chains account for approximately 21 percent of market share.

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<sup>5</sup> Department of Industry, Innovation and Science, 2017, Inquiry into impacts on local businesses in Australia from global internet-based competition, industry.gov.au, p. 10

<sup>6</sup> Colliers International, 2018, 'eCommerce is driving Australian Industrial Investment', <https://www.colliers.com.au/news/2018/industrial-most-in-demand-property-asset-class-for-2018/>, date accessed: 28/03/2019

<sup>7</sup> Department of Industry, Innovation and Science, 2017, Inquiry into impacts on local businesses in Australia from global internet-based competition, industry.gov.au, p. 11

<sup>8</sup> JLL, 2018, 'Australian Shopping Centre Investment Review & Outlook 2018', <https://www.jll.com.au/content/dam/jll-com/documents/pdf/research/apac/australia/australian-shopping-centre-investment-review-outlook-2018.pdf>, dated accessed: 28/03/2019

<sup>9</sup> Department of Industry, Innovation and Science, 2017, Inquiry into impacts on local businesses in Australia from global internet-based competition, industry.gov.au, p. 12, 14.

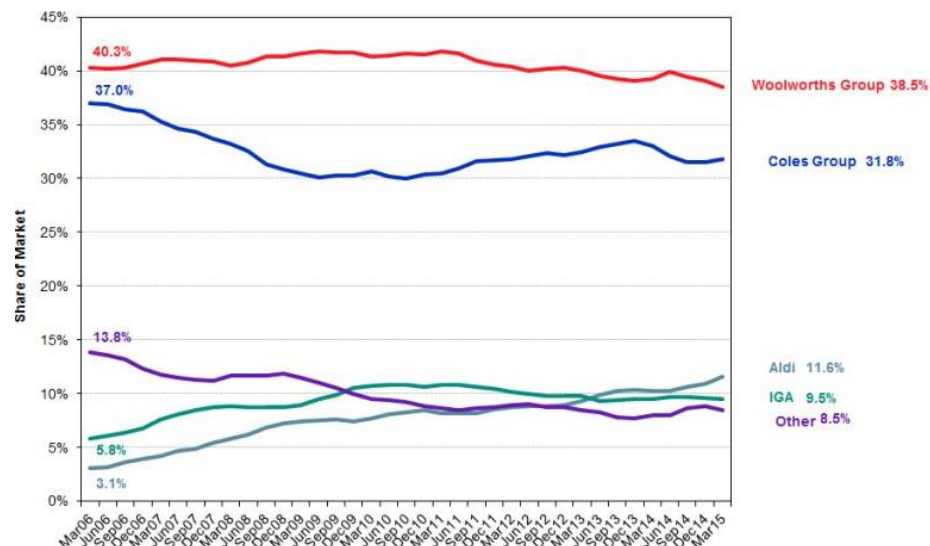
<sup>10</sup> Department of Industry, Innovation and Science, 2017, Inquiry into impacts on local businesses in Australia from global internet-based competition, industry.gov.au, p. 18

<sup>11</sup> Roy Morgan Research 2015, 'The ALDI effect: Australia's changing supermarket scene' – 22 June 2015 <http://www.roymorgan.com/findings/6297-aldi-effect-australias-changing-supermarket-scene-201506220132>

Aldi tripled its market share (3.1 percent to 11.6 percent) in the ten years to 2015. The promotions focus on low-price items of ‘home brands’ attracted shoppers who may not have traditionally shopped at discount supermarkets. In NSW and Victoria, about 47 percent of grocery buyers in each state now shop at Aldi in any given four-week period. Woolworths and Coles in contrast have seen their market share decrease<sup>12</sup>.

Where supermarkets tend to service their surrounding population catchment, anecdotally Aldi appears to challenge this trend, with people often deliberately shopping at Aldi in search of a bargain even though it is not their closest supermarket.

FIGURE 12: MARKET SHARE OF LEADING SUPERMARKETS, 2006-2015



Source: Roy Morgan Research, 2015

In addition to the shifts in market share of supermarket operators, there are also shifts in Australian consumer lifestyles and food retailing preferences. Supermarket operators, regardless of who they are, need to adapt to the changing market.

The demand for organic produce is a small but growing sub-sector of food retailing. It is estimated that the total value of the organic market in Australia is \$2.4 billion, an 8.8 percent increase since 2012<sup>13</sup>. The growing awareness of how food is produced and the impact of chemicals on the environment has driven growth in organic produce. People are choosing vegetarian, vegan and gluten-free diets and are driving the specialised retail offer of organic, fresh and minimally processed foods.

Supermarkets are noted as being the dominant purchasing pathway for organic grocery products, with Woolworth and Coles having the dominant share at over 65 percent but they are under pressure. Aldi has grown its share of organic produce since 2018 alongside other non-supermarkets and independents like Costco increasing their share since 2016<sup>14</sup>.

Another new trend is the development of smaller format supermarkets that are tailored to the local market and offer a larger range of convenient, ready-to-go foods. Key reasons for the development of smaller supermarket stores is the lack of available land in urbanised areas as the population increases in density, higher rents, the arrival of global players in the Australia markets forcing store closures and rising inventory costs and wages requiring downsizing. Supermarket operators, however, see the smaller format as an opportunity to offer tailored products of convenience rather than focusing on a wide selection of goods, at a

<sup>12</sup> Roy Morgan Research 2015, ‘The ALDI effect: Australia’s changing supermarket scene’ – 22 June 2015

<http://www.roymorgan.com/findings/6297-aldi-effect-australias-changing-supermarket-scene-201506220132>

<sup>13</sup> Australian Organic, 2018, Australian Organic Market Report, <https://user-cprcmgz.cld.bz/Australian-Organic-Market-Report-2018>, date accessed: 09/04/2019, p. 27

<sup>14</sup> Australian Organic, 2018, Australian Organic Market Report, <https://user-cprcmgz.cld.bz/Australian-Organic-Market-Report-2018>, date accessed: 09/04/2019, p. 48

range of prices. They see customer habits have changed where Australians want faster, takeaway foods of high quality which fits with the smaller supermarket format<sup>15</sup>. For the supermarket giants, Coles and Woolworths, the new format is a way to compete with the independent retailers, such as Harris Farm and IGA.

Convenience stores are struggling with the strong competition posed by the new supermarket formats. Operators are having to adjust product ranges and prices to provide value for money. Industry revenue is expected to fall -0.8 percent annually from 2019 to 2024<sup>16</sup>.

It is worth noting that while supermarkets capture a significant proportion of food retailing, the role of non-supermarket specialty food stores, such as bakeries, grocers, delicatessens and farmers markets in meeting food retailing needs is not insignificant. The bi-weekly market at Broadmeadow is quite popular.

### The Continued Rise of Regional Shopping Centres

Historically, retailing was viewed as a city centre or town centre activity, particularly for higher order retailing. However, regional suburban centres have emerged as the preferred destination for many consumers and preferred location for retailers, particularly around Newcastle and in the Hunter Region.

In recent years, some regional suburban centres, such as Bondi Junction, Chatswood and the Macquarie Centre, have recently attracted large international retailers ahead of store developments in the city centre. The trend of retail decentralisation is driven by a number of factors including:

- Growth of an affluent and mobile population in suburban areas
- Development of strong corporate chains with fewer ties to a locality and more willingness and need to move shops to areas of demand and opportunity
- Changes in the methods of selling which have seen a demand for larger stores and associated parking.

The prospects for this to occur around Newcastle are much higher in large shopping centres like Kotara Westfield than in the Newcastle City Centre. The shift to regional suburban centres occurred in the 1990s in Newcastle. Recent expansions to both Charlestown Square and Kotara reflected this trend. The repurposing of the shopping centres to offer a range of professional and personal services adds a lot more flexibility into their offering.

It has been noted that the popularity of regional shopping centres is being challenged with the rise of online retailing, emerging international brands, pop-up stores, general weak retail sales growth and smaller neighbourhood centres offering a range of conveniences. Repurposing these centres to offer a wider range of uses and services is often cited as a requirement to regain market share. This includes medical centres, gyms and greater inclusion of entertainment and events<sup>17</sup>.

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<sup>15</sup> Mitchell, S, 2018, 'Coles unveils first Coles Local convenience store format', Financial Review, <https://www.afr.com/business/retail/coles-unveils-first-coles-local-convenience-store-format-20181111-h17rz5>, date accessed: 10/04/2019; Grimmer, L & Mortimer, G, 2018, 'Honey I shrunk the store: why your local supermarket is getting smaller', <https://theconversation.com/honey-i-shrunk-the-store-why-your-local-supermarket-is-getting-smaller-98246>, date accessed: 10/04/2019; Hatch, P, 2018, 'Coles opens its own little shop as battle for customers goes small', <https://www.smh.com.au/business/companies/coles-opens-its-own-little-shop-as-battle-for-customers-goes-small-20181113-p50foj.html>, date accessed: 15/05/2019

<sup>16</sup> IBISWorld, 2019, 'Convenience Stores in Australia', [www.ibisworld.com.au](http://www.ibisworld.com.au), p. 3

<sup>17</sup> Commercial Property Guide, 2019, 'Sub-regional shopping centres set course for survival', <https://www.commercialpropertyguide.com.au/blog/investing/sub-regional-shopping-centres-set-course-for-survival-126>, date accessed: 10/04/2019



## Fine Grain Spaces

'Fine grain' is a term used to describe small-scale spaces that provide diverse and specialised activities in a place<sup>18</sup>. This generally refers to the traditional high-street style premises that have been impacted by the rise of regional shopping centres. Fine grain spaces can encourage greater community interaction, cultural and creative expression and promote more walkability and sociability in activities and through the fabric of the built environment<sup>19</sup>.

A fine grain high street shopping experience offers a 'more' unique retail experience to shopping centres with small local businesses and boutiques. Examples are often seen in villages in the Blue Mountains, such as Leura or Blackheath, or in the Southern Highlands, for example Bowral, both key visitor destinations. Parts of the Newcastle City Centre offer a fine-grained retail environment, while large centres like Waratah and Kotara do not.

As shopfronts are often owned and rented individually along a high street, there is limited control on where certain shops and businesses set up. This contrasts with shopping centres, where centre managers can direct the location of stores to create clusters, such as fashion floors and fresh food sections. The inability to control the clustering of businesses may limit the ability for collaboration, which in turn may impact the shopping experience as a 'one-trip' experience. However, this lack of synergy may form part of the appeal of high street retailing with an eclectic mix of stores in proximity.

High street retailing has faced significant challenges in recent years. This is attributed to the rise of regional shopping centres, changes in consumer habits and online retailing. Fine grain retailing along high streets has, however, been adapting to combat these changes, changing from a convenience shopping role to a destination and an experience, as evident in the rise of cafés and cultural uses, such as art galleries and performance spaces that are not easily replicated in shopping centres and not available online.

Principles to successfully promote fine grain activities include having a variety of scales with small and large activities; proximity of shared activities; permeability and engagement with the street; and having spaces that are multifunctional and encourage shared use anytime of the day<sup>20</sup>.

## 4.2 Employment

### Visitor Economy

Tourism plays an important role in the Australian economy. The tourism economy accounts for 4.7 percent of Australia's GDP and provides significant benefits and advantages to business. Of Newcastle's gross regional product of \$17.617 billion it is estimated that \$505.384 million is generated from tourism<sup>21</sup>. The Hunter Region received 3.9 million domestic overnight visitors and 207,700 international overnight visitors in 2017.<sup>22</sup> There are 1,963 tourism businesses in Newcastle.

In 2017, 8.8 million international tourists visited Australia. Of these 8.8 million people the highest proportion of visitors came from China, this was followed by New Zealand, the United States, the United Kingdom, Japan and Singapore<sup>23</sup>. The Hunter Region on the other hand, received the highest proportion of visitors from the United Kingdom followed by the United

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<sup>18</sup> City of Sydney, 2015, George Street 2020 – A public domain activation strategy, part 3, [https://www.cityofsydney.nsw.gov.au/\\_data/assets/pdf\\_file/0010/308827/George-Street-2020-A-Public-Domain-Activation-Strategy\\_Part3.pdf](https://www.cityofsydney.nsw.gov.au/_data/assets/pdf_file/0010/308827/George-Street-2020-A-Public-Domain-Activation-Strategy_Part3.pdf), date accessed: 09/04/2019

<sup>19</sup> Greater Sydney Commission, 2017, Fine Grain People Places, [https://issuu.com/roberts-day-global/docs/gsc\\_fin\\_-\\_fine\\_grain\\_people\\_places](https://issuu.com/roberts-day-global/docs/gsc_fin_-_fine_grain_people_places), date accessed: 10/04/2019, p. 4

<sup>20</sup> Greater Sydney Commission, 2017, Fine Grain People Places, [https://issuu.com/roberts-day-global/docs/gsc\\_fin\\_-\\_fine\\_grain\\_people\\_places](https://issuu.com/roberts-day-global/docs/gsc_fin_-_fine_grain_people_places), date accessed: 10/04/2019, p. 20-21

<sup>21</sup> REMPLAN tourism estimates based on ABS 2017 / 2018 Tourism Satellite Account as reported on <https://www.economyprofile.com.au/newcastle/>

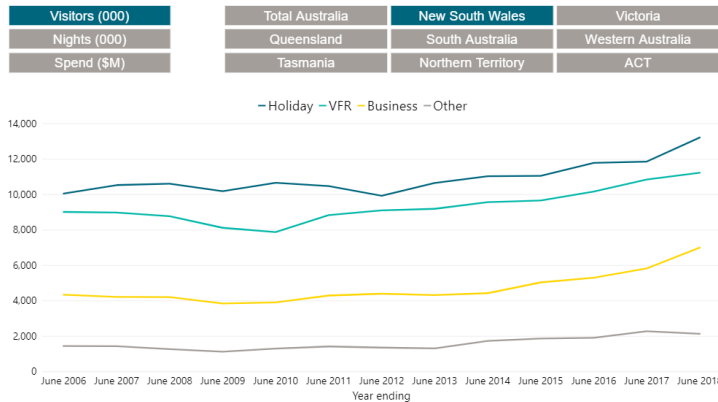
<sup>22</sup> Destination NSW. 2018, Travel to the Hunter

<sup>23</sup> Tourism Research Australia, 2010, <https://www.tra.gov.au/International/International-tourism-results/overview> date accessed 16/04/19

States and New Zealand. In Australia, the most popular place for holiday makers was Sydney. For the Newcastle LGA, international overnight visitors totalled 94,000 in 2017, their average stay was 20 nights. The main reason for overnight stay was for holiday.

According to Tourism Research Australia, domestic overnight tourism for holiday, visiting friends and relatives and business have generally increased in recent years, as shown in Figure 13. For the Newcastle LGA, domestic overnight visitors totalled 1,169,000 in 2017. Their average stay was two nights. The main reason for overnight stay was for visiting friends and relatives.

FIGURE 13: DOMESTIC OVERNIGHT TOURISM TRENDS

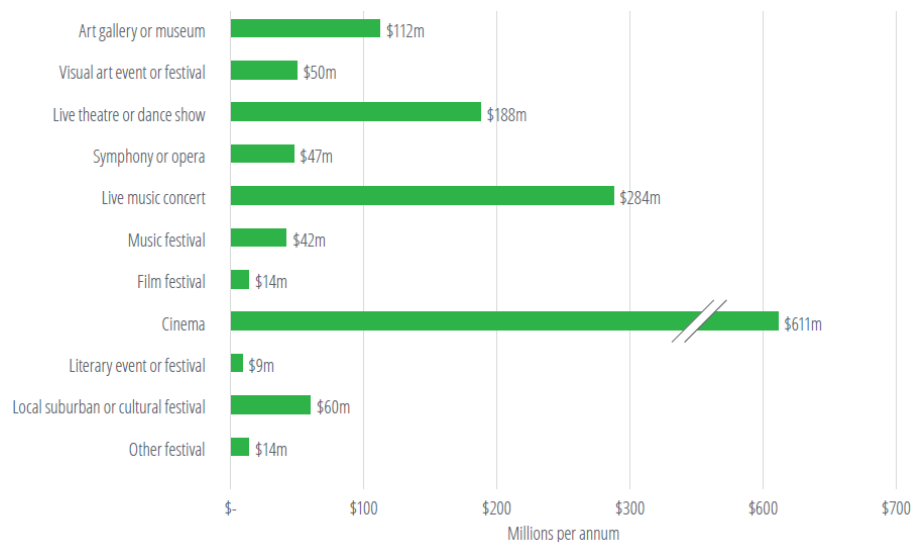


Source: Tourism Research Australia, 2019

### Arts and Culture Based Tourism

A study by Deloitte Access Economics identified the economic visitation value for the arts and cultural scene in Sydney. The study found the highest value was attributed to cinema, (\$611m) followed by live music concerts (\$284m), live theatre or dance show (\$188m), and art gallery or museum (\$112).

FIGURE 14: ECONOMIC VISITATION VALUE FOR ARTS AND CULTURAL SCENE IN SYDNEY



Source: Deloitte, 2016

### Nature Based Tourism

Nature based tourism is leisure travel undertaken largely or solely for the purpose of enjoying natural attractions and engaging in a variety of nature-based activities. Nature based tourism is currently experiencing growth.

In 2015, there was 13 percent growth in international visitors who went to State and National Parks. In 2016, 68 percent of all international visitors engaged in nature-based activity. Nature based tourism was also found to be popular among overnight domestic tourists, research suggests that 27 percent of overnight tourists engaged in nature-based tourism<sup>24</sup>.

### Food & Wine Tourism

Tourism Australia reports that, of people who have never visited Australia, only 26 percent associate the destination with good food and wine. Those who *have* visited Australia, rank the country as second across 15 major markets for food and wine experiences<sup>25</sup>. This suggests food and wine tourism is of high quality in Australia but there is a need for this message to become more widespread.

Some of the most attractive food related experiences amongst high value travellers include:

- Heritage: gourmet experiences which speak of a region's heritage and highlight local produce.
- Wellness: desire for balanced eating using the freshest and most nutritious produce.
- Occasions: experiences where the food takes centre stage at any price point from street food to fine dining.
- Stories: the provenance, production, craftsmanship of products and personalised culinary experiences<sup>26</sup>.

In 2018, the NSW Government released its *NSW Food and Wine Tourism Strategy and Action Plan 2018-2022* that recognises the trend of eating and drinking local produce in a unique location or venue is an integral part of the travel experience and is a notable way to connect travellers with local customs and culture.

It has been estimated that in the year ending December 2017, there were approximately 1.3 million domestic wine travellers spending \$1 billion. In relation to food travellers, there was 3.5 million domestic overnight visitors spending \$3.1 billion and 1.4 million international visitors, spending \$5.4 billion<sup>27</sup>.

Newcastle is in close proximity to New South Wales' most visited wine region – the Hunter Valley. Newcastle Airport is approximately 45 minutes drive from Hunter Valley Wine Country. One option to get to Hunter Valley is to fly to Newcastle and then either drive or get on a shuttle bus to Hunter Valley.

### Accommodation

The Australian accommodation monitor (2017-2018) found that Australian accommodation created \$14.7 billion worth of revenue. Australian capital cities had the highest revenue per room and the highest occupancy rate at 79.8 percent. Luxury and upper scale rooms were found to have a higher occupancy rate of 80.9 percent which was compared to a 75.5 percent of upscale and upper mid classes. The occupancy rate of midscale and economy rooms were found to have a 68.9 percent occupancy rate<sup>28</sup>.

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<sup>24</sup> Tourism Australia, 2017, <https://www.ecotourism.org.au/assets/Uploads/Manifesto-v5.0.pdf>, date accessed: 14/04/2019

<sup>25</sup> Tourism Australia, 2019, Food and Wine, <http://www.tourism.australia.com/en/about/our-campaigns/food-and-wine.html>, date accessed: 27/05/2019

<sup>26</sup> Tourism Australia, 2019, Food and Wine, <http://www.tourism.australia.com/en/about/our-campaigns/food-and-wine.html>, date accessed: 27/05/2019

<sup>27</sup> NSW Government, 2018, NSW Food and Wine Tourism Strategy and Action Plan 2018-2022, <https://www.destinationnsw.com.au/wp-content/uploads/2018/11/nsw-food-and-wine-tourism-strategy-and-action-plan-2018-2022.pdf?x15361>, date accessed: 27/05/2019

<sup>28</sup> Tourism Research Australia, 2010, <https://www.tra.gov.au/Economic-analysis/Australian-Accommodation-Monitor/aam-2018>, date accessed: 16/04/2019

## Future Jobs

The top industries for jobs growth over the next five years (to 2023) are Health Care and Social Assistance, Construction, Education and Training, Professional, and Scientific and Technical Services as projected by the Australian Government.

An ageing population, the NDIS (Australia's National Disability Insurance Scheme), and growing demand for childcare and homecare-based services will drive jobs growth in the Health Care and Social Assistance sector across Australia. Another demographic trend that would influence the trend of future jobs is the growing number of school-aged children. There is strong demand for adult and community education.

Demand for freight and logistics, public transport and major road will continue to drive growth in the construction sector. The growing population would also provide jobs for construction workers in the residential development industry.

As the society embraces new technologies and the demand for innovation increase, the demand for workers with digital skills and knowledge in computer systems is expected to increase. This is a focus of the Newcastle Smart City Strategy, which identifies regional strategic growth areas of advanced manufacturing, creative industries, defence/aerospace, food/agribusiness, medical technology & pharmaceuticals, mining equipment & support, and energy resources.

Jobs in the Arts and Recreation Services industry are expected to grow over the next five years off the back of strong involvement in sport at all levels and ongoing demand for personal fitness services. The creative industries have been identified as one of the growth industries for the Hunter Region.

Continued growth in domestic and international visitors to Newcastle and the Hunter Region means that Accommodation and Food Services industry are likely to employ more people in the future.

## 4.3 Industrial Lands

### Advanced Manufacturing

Globally, manufacturing and the supply chains that support it are changing. While manufacturing covers a large spectrum of industries, services and products, increasingly complex and inter-connected changes are transforming these industries into what is collectively referred to as 'advanced manufacturing'.

The CSIRO define advanced manufacturing as 'the set of technology-based offerings, systems and processes that will be used to transition the current manufacturing sector into one that is centred on adding value across entire supply chains.' In advanced manufacturing, industrial and knowledge sectors are more closely integrated and have close links to research and development.

Examples of advanced manufacturing include the use of sensors and data analytics not only during production but across the whole value chain; replacing workers for hazardous tasks with assistive smart robotics and automation; and proactive integration of advanced materials in the early design phase like biodegradability, energy efficiency and self-repairing.

Driving this change are five mega trends<sup>29</sup>:

- Made to Measure – advances in technology and greater consumer expectations are causing a shift from mass production of goods to bespoke solutions.
- Service Expansion – manufacturers are expanding their role in the value chain from making 'widgets' to developing tightly integrated service-product bundles.

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<sup>29</sup> CSIRO, 2016, Advanced manufacturing: roadmap for unlocking future growth opportunities for Australia, p. 11

- Smart and Connected – advances in data capture and analytics are optimising operations across the manufacturing value chain and the factory floor.
- Sustainable Operations – resource scarcity and increasingly valued environmental and social credentials are encouraging manufacturers to look for more efficient and sustainable processes and operating models.
- Supply Chain Transformations – specialisation is promoting collaboration in some markets while technological advancements are enabling the vertical integration of others.

Success in fostering an advanced manufacturing economy is contingent upon a number of wider socio-economic and governance factors. The CSIRO identify several comparative advantages and disadvantages presented by the Australian economy in attracting or developing an advanced manufacturing sector, as shown in Table 9.

TABLE 9: AUSTRALIA’S COMPETITIVE LANDSCAPE

Comparative Advantages	Comparative Disadvantages
Education and research skills	High labour costs
Quality and standards	Geographical remoteness
Small and medium-sized enterprises	Small and dispersed domestic market
Access to Asia	Risk averse culture
Early adopters	Segregated national agenda
Political and economic stability	Commercialisation
Natural resources	Staff training and development
Intellectual property laws	Digital infrastructure
	Public perception
	Quality and quantity of leaders

Source: CSIRO, Advanced manufacturing: roadmap for unlocking future growth opportunities for Australia, p. 16-20

With respect to these elements, the presence of educational facilities in Newcastle, available industrial premises to cater to small and medium enterprises, and access to Asia through the Port of Newcastle are aligned with the competitive advantages. None of the disadvantages apply to Newcastle more than to other places, although the smaller labour market of educated innovators than Greater Sydney may be a barrier to developing advanced manufacturing capability.

Advance Manufacturing has been identified by Regional Development Australia as one of the growth industries for the Hunter Region<sup>30</sup>. The Hunter Research Foundation identifies the barriers to the development of the manufacturing industries as lone operator, local narrow market, lack of information and short-term focus. The enablers are collaboration, global supply chain, strategic planning and innovations<sup>31</sup>. These enablers could apply to advanced manufacturing as well.

### Supply Chain Optimisation

Supply chain optimisation can save operating and transportation costs and has become a critical competitive advantage for many industrial businesses. Supply chain optimisation can

<sup>30</sup> Regional Development Australia 2016, Smart Specialisation Strategy for the Hunter Region

<sup>31</sup> Hunter Research Foundation, 2014, Manufacturing Our Future

occur through consolidation of nodes in a supply chain. Progress in digital technologies will allow companies to design, prototype and manufacture products in close proximity to the end user and subsequently save transportation costs<sup>32</sup>.

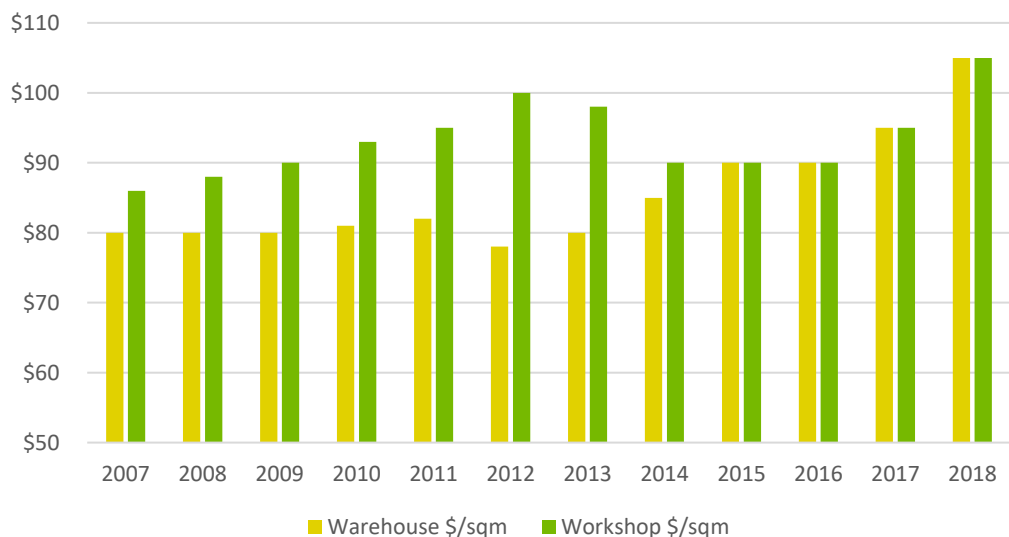
Retailers and logistics companies are seeking new technological solutions to improve delivery efficacy and overcome geographical challenges, using solutions such as drones or crowdsourcing local delivery sources<sup>33</sup>. However, in the interim, the value of industrial, logistics land and dispatch centres close to urban areas remains apparent and highly valuable for speed of delivery – particularly given land use is highly contested and land prices are high.

### Newcastle’s Strong Industrial Leasing Market

The industrial rental market in Newcastle has grown since 2007, as shown in Figure 6. The disparity in workshop versus warehouse rental rates has closed due to the increasing diversification of the industrial market. Vacancy rates for industrial buildings in the lower Hunter Region have continued to fall since 2018, from five per cent in 2018 to 3 per cent in 2019. Newcastle Port has relatedly low vacancy rates, with some industrial suburbs recording vacancy rates of one per cent or less in 2019.<sup>34</sup>

There has been a shortage of serviced industrial lots ready for development within major industrial estates in the Newcastle industrial market, which led to prospective companies to delay their relocation plans. This has resulted in rising rents, increased capital values and a rising demand for off-the-plan industrial land sales. Collier International estimated that the shortage of readily available industrial land will ease as new industrial estates is completed, with strong demand for premium grade industrial investment from the private sector. Along with the large amount of serviced industrial land available in the Newcastle LGA shown in Table 6, this suggests that a shortage of development sites is due to the operation of the development market rather than an underlying shortage of available land.

FIGURE 15: NEWCASTLE INDUSTRIAL RENTS



Source: Colliers International 2019, *Industrial Research and Forecast Report First Half 2019*

<sup>32</sup> CSIRO, 2016, *Advanced manufacturing: roadmap for unlocking future growth opportunities for Australia*, p. 6

<sup>33</sup> Business Insider, 2018, 'The Challenges of Last Mile Logistics & Delivery Technology Solutions', <https://www.businessinsider.com/last-mile-delivery-shipping-explained/?r=AU&IR=T>, date accessed: 28/03/2019; Strategy + Business, 2018, 'Convenience is key in last-mile delivery around the world', <https://www.strategy-business.com/article/Convenience-Is-Key-in-Last-Mile-Delivery-around-the-World?gko=bef84>, dated accessed: 28/03/2019

<sup>34</sup> Colliers International, 2019, *Industrial Research and Forecast Report First Half 2019*

#### 4.4 Implications

- Growth in online retailing is likely to continue with the emergence of new forms of retailing such as 'click and collect,' though the impact of this on physical stores is likely to affect some sectors more than others. The click and collect model and the increased use of multi-channel retailing will mean that retailers will still need physical stores in key local centres, but stores selling goods that are standardised and can be easily compared and bought online such as department stores and household goods stores may suffer in the face of competition from online retailing.
- A new cruise terminal at Port Newcastle could increase international tourism at Newcastle. There is currently no funding from the NSW Government for this project.
- The Freight and Logistics industry is well positioned to benefit from new industrial precincts at Newcastle and the new technologies and innovative methods that could be used to transform the supply chain.
- Advanced manufacturing is a growing sector and is supported by a variety of organisations at Newcastle, including the State Government, City of Newcastle, University of Newcastle and industrial groups.

# 5. ECONOMIC AND DEMOGRAPHIC PROFILE

## 5.1 Employment

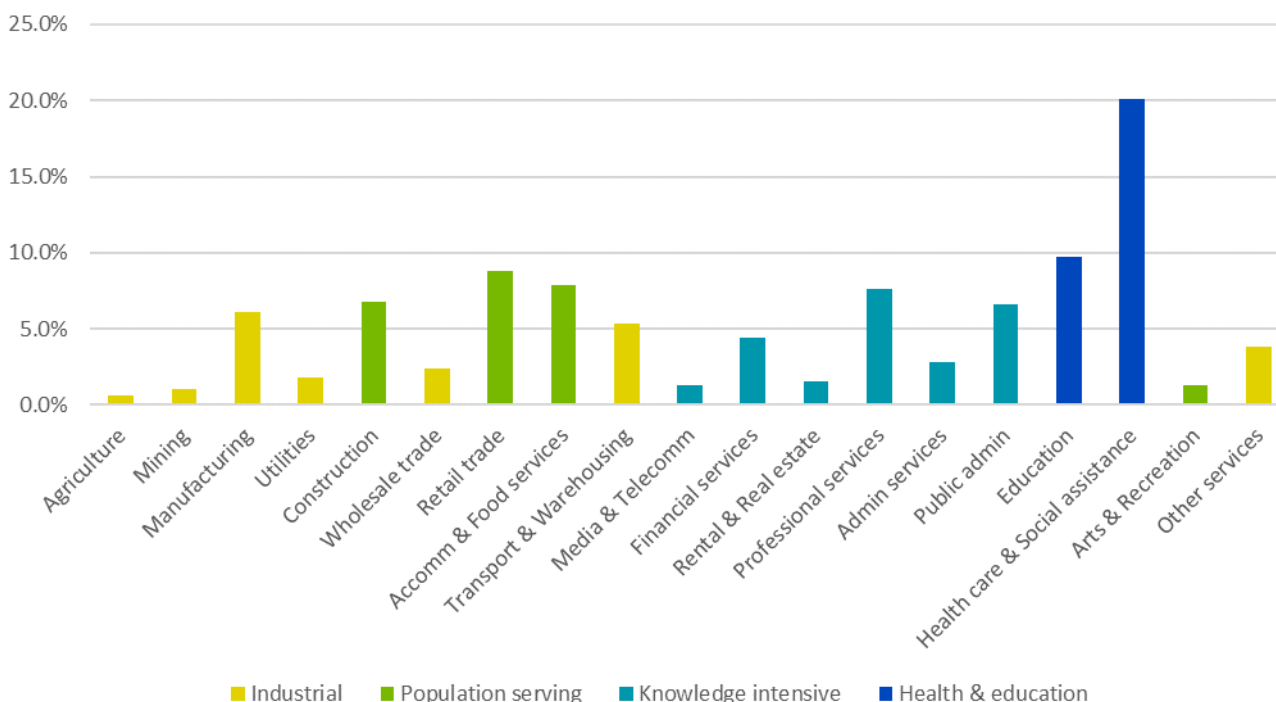
### Industry composition

The employment composition of the Newcastle LGA is shown in Figure 16, based on reported places of work and industries from the 2016 census. These industries are broken into four broad industry categories as defined by the Greater Sydney Commission: industrial, population serving, knowledge intensive and health and education. These categories provide a high-level indication of the predominant category of an industry but will not always correspond with the nature of individual businesses and jobs.

The following notable characteristics emerge from this industry profile:

- The largest industries in the Newcastle LGA are education and health care and social assistance, reflecting the LGA's status as a regional service destination.
- While Newcastle has traditionally had a reputation as an industrial city, traditionally industrial ANZSIC categories make up a relatively small proportion of total employment
- Knowledge intensive industries generally make up a small proportion of total employment, with particularly small media and telecommunications and rental and real estate industries.

FIGURE 16: INDUSTRY OF EMPLOMENT COMPOSITION IN THE NEWCASTLE LGA, 2016



Source: ABS Census 2016



## Industrial ANZSIC categories

Employment in this report is categorised according to the Australian and New Zealand Standard Industrial Classification (ANZSIC), which is used by the Australian Bureau of Statistics and other government agencies in their statistics. It groups businesses into 19 categories, with more detailed breakdowns available within these categories.

Industrial employment is often considered to fall within the traditionally industrial ANZSIC categories: agriculture and primary industries, mining, manufacturing, utilities and wholesale trade. However, these provide a relatively poor reflection of modern land uses in industrial zones and premises. In part this reflects how the Australian economy has evolved, with emerging land use types like factory door retailers, craft and artisanal production and creative industries appearing in industrial spaces.

More broadly, uses from a wide range of ANZSIC categories are found in industrial areas. While this section discusses industry composition through the ANZSIC categories as they are the most straightforward way to categorise employment, they should be viewed as only one indication of the way the economy is structured.

## Change in employment

The approximate change in employment in each of these industries in the Newcastle LGA between 2006 -2016 is shown in Figure 17. Changes in the ABS methodology for reporting place of work prevent employment statistics from 2016 and earlier censuses from being directly compared. SGS has corrected for this change, but Figure 17 should nonetheless be interpreted as illustrating the relative performance of different industries in the LGA rather than providing an exact and accurate account of changes in employment.

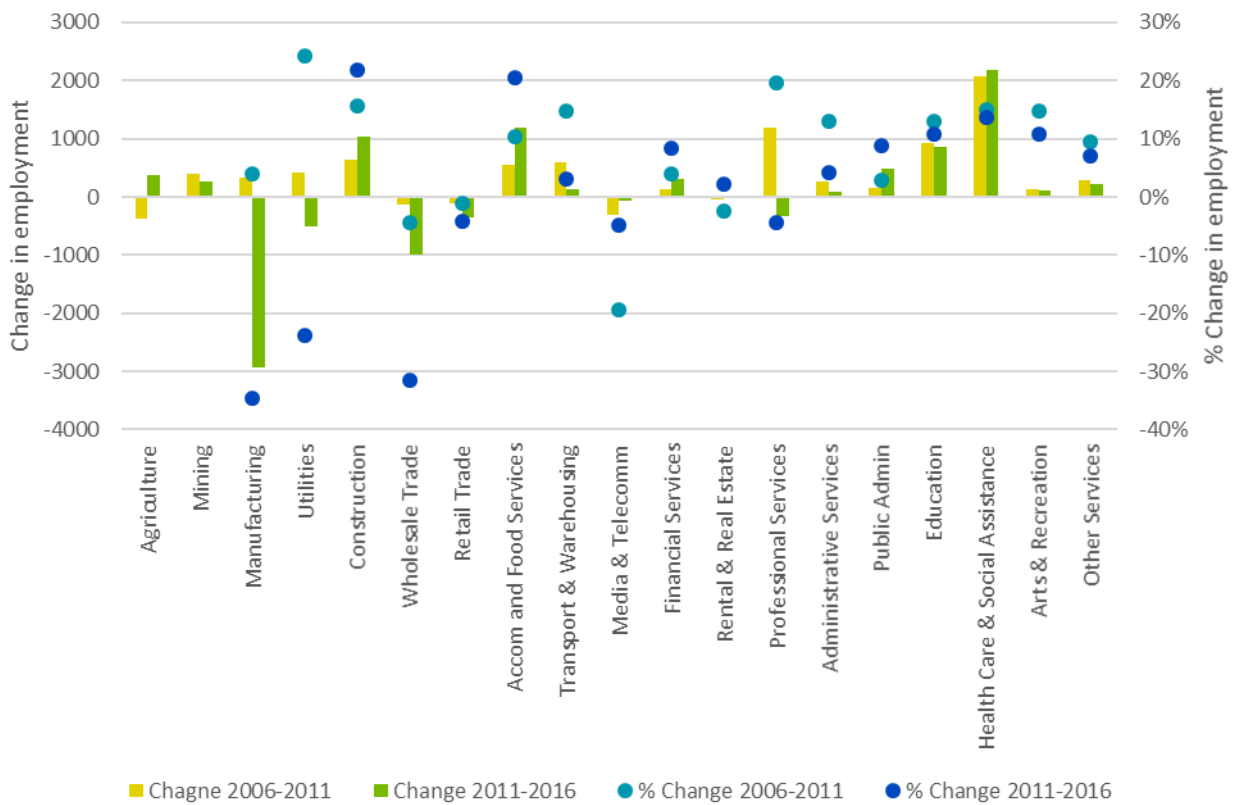
Health care and education, the two largest industries in the LGA in terms of employment, grew strongly between both 2006-2011 and 2011-2016 in both absolute and percentage terms. Growth in these industries was outpaced in percentage terms only by construction and accommodation and food services, two population serving industries.

Knowledge intensive employment generally did not grow significantly between 2006-2016 in absolute terms. Professional services grew rapidly between 2006-2011 but contracted between 2011-2016. Financial services experienced modest growth, while media and telecommunications reduced and rental and real estate services employment changed little.

Employment in most traditionally industrial sectors fell between 2006-2016. Manufacturing and utilities employment grew between 2006-2011 but shrank substantially between 2011-2016 with a decline of over 30% in the manufacturing sector. Wholesale trade employment fell between both 2006-2011 and 2011-2016, with a more substantial decline between 2011-2016.

The overall picture of differences in employment growth between 2006-2011 and 2011-2016 is mixed. Employment grew more slowly between 2011-2016, with lower growth rates in many sectors and dramatic contractions in employment in manufacturing and wholesale trade. Despite this employment growth in the construction, accommodation and food services and financial services sectors between 2011-2016 outpaced growth between 2006-2011.

FIGURE 17: APPROXIMATE CHANGE IN EMPLOYMENT IN THE NEWCASTLE LGA BY INDUSTRY, 2006-2016



Source: SGS Economics and Planning, ABS Census 2006, 2016

### Spatial location of employment

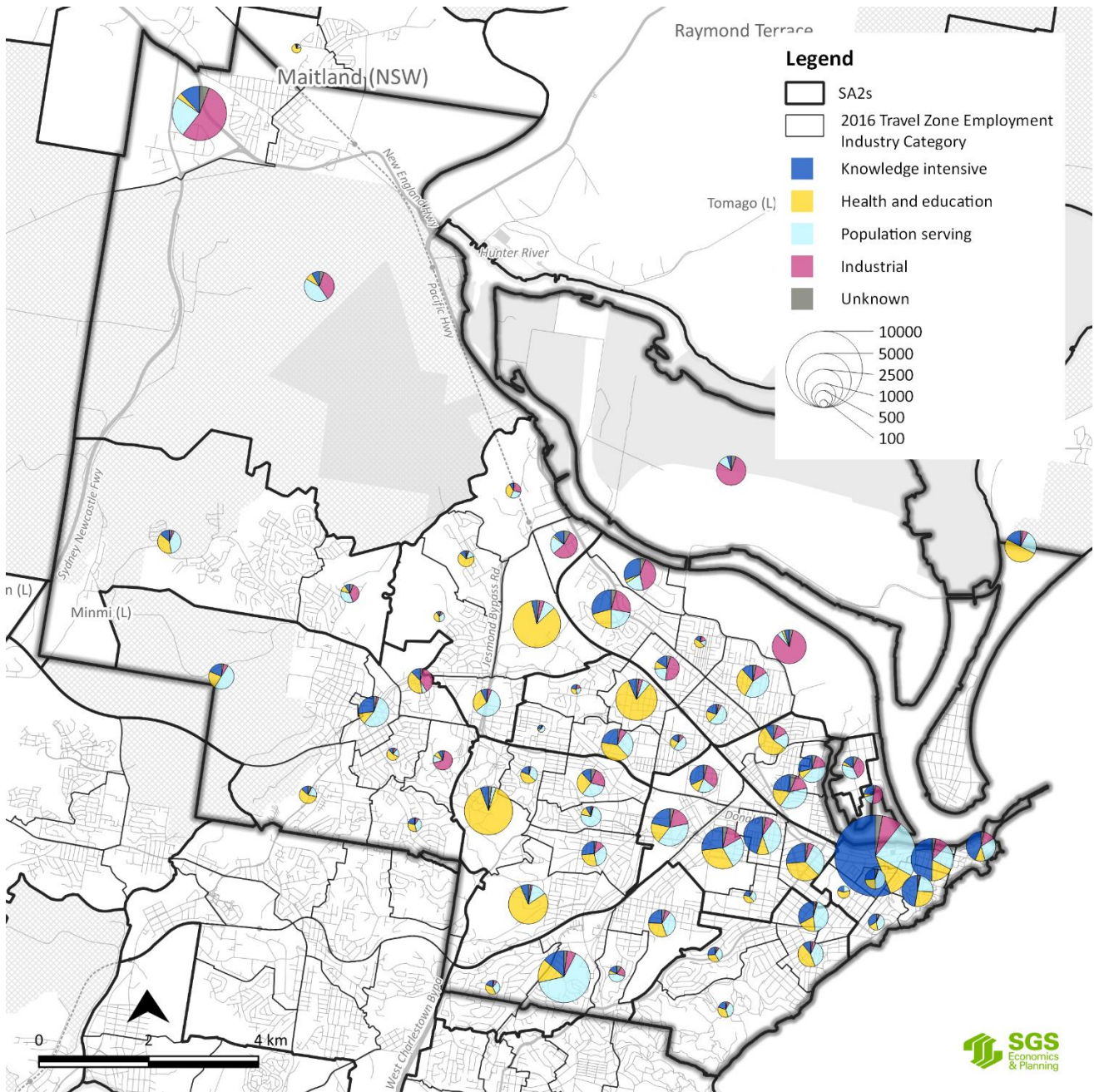
Along with the overall industry composition of the Newcastle LGA economy, the spatial locations of employment in various industries are important to understand in order to plan for future land use requirements at a local level. This distribution is illustrated in Figure 18.

By far the largest concentration of employment in the Newcastle LGA is in the Newcastle City Centre. Most of these jobs are in knowledge intensive industries, although there are also jobs in each of the other sectors.

Figure 18 shows that employment is distributed across the Newcastle LGA, particularly in the eastern half of the LGA in which there is a broader mix of land uses. There are jobs in a range of industry sectors spread across Newcastle’s centres and industrial precincts. Specialisations of certain industrial precincts are visible, with predominately industrial employment around Mayfield North, the Port of Newcastle and Beresfield and a greater mix in some other precincts like Mayfield West, Warabrook and Maryville-Tighes Hill.

Concentrations of health and education employment are visible at the University of Newcastle in Callaghan, the John Hunter Hospital and the Mater Hospital. These are all in out-of-centre locations, creating suburban clusters of employment. An additional large suburban cluster is found at Kotara, with population serving employment corresponding to the retail centre.

FIGURE 18: SPATIAL DISTRIBUTION OF EMPLOYMENT ACROSS THE NEWCASTLE LGA



Source: ABS Census 2016

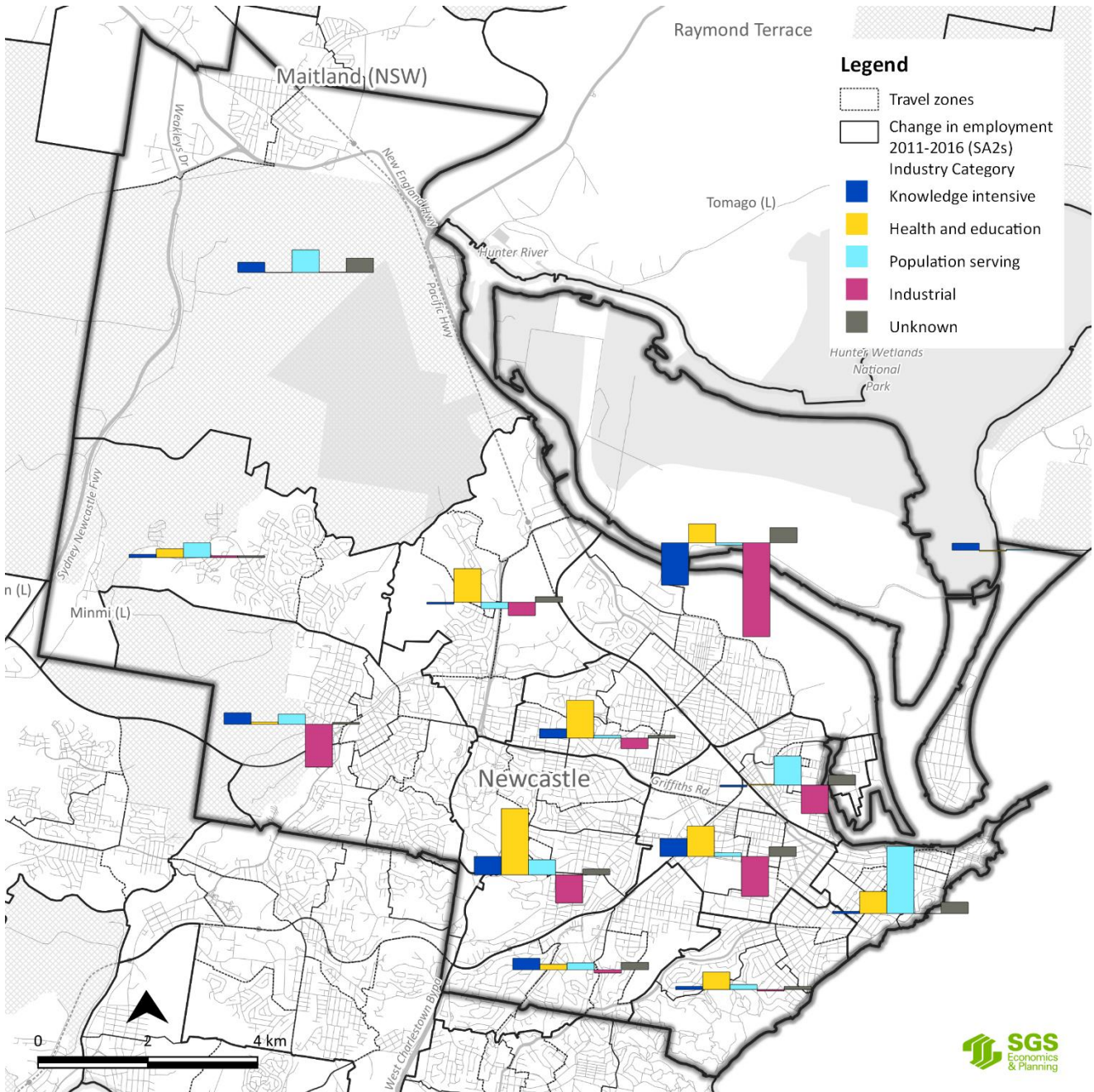
The approximate change in employment between 2011-2016 in each part of the Newcastle LGA by industry is shown in Figure 19.

The decline in industrial employment noted in LGA-wide statistics appears in multiple parts of the LGA. The decline in Mayfield is particularly substantial, and may have been caused by the closure or decrease in scale of one or more very large manufacturing businesses. The ANZSIC four digit industries with the greatest decreases and increases in employment are shown in Table 10.

However, the presence of decreases in industrial employment in several areas indicates that this trend is not confined to several notable businesses. Rather, employment in traditional industrial sectors is broadly contracting across the LGA.

At the same time, there are large increases in health and education sectors and generally smaller increases in population serving and knowledge intensive sectors. This is consistent with an economic transition in the Newcastle LGA, as areas where employment has traditionally been dominated by industrial sectors is diversified to include a broader range of economic activities. The decline in industrial jobs does not indicate that industrial land is not needed, but rather suggests that its function is changing over time.

FIGURE 19: SPATIAL CHANGE IN EMPLOYMENT ACROSS THE NEWCASTLE BETWEEN 2011-2016



Source: SGS Economics and Planning, ABS Census 2011, 2016

TABLE 10: THE FIVE FOUR DIGIT ANZSIC INDUSTRIES WITH THE GREATEST INCREASES AND DECREASES OF EMPLOYMENT IN THE MAYFIELD AREA, 2011-2016

Greatest increases in employment		Greatest decreases in employment	
Industry	Change in employment 2011-2016	Industry	Change in employment 2011-2016
Other social assistance services	89	Iron smelting and steel manufacturing, iron and steel casting or iron and steel forging	-361
State government administration	80	Engineering design and consulting services	-327
Takeaway food services	78	Non-residential building construction	-138
Other water transport support services	58	Shipbuilding and repair services	-112
Sports and physical recreation administrative services	58	Metal and mineral wholesaling	-92

Source: ABS Census 2016

Note that multiple industries associated with steel have been combined due to anomalies in reported employment

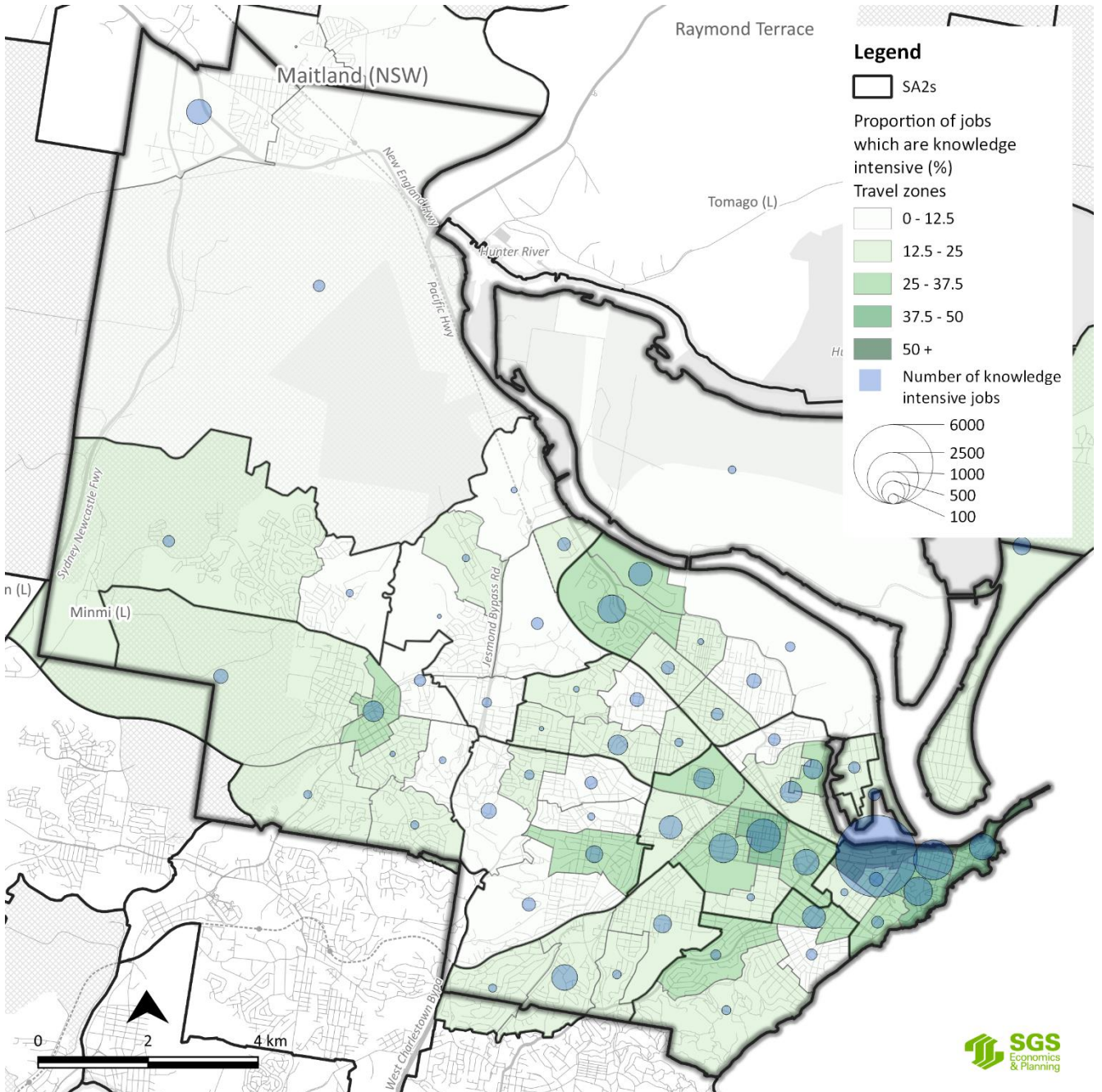
### Knowledge Intensive Jobs

The distribution of knowledge intensive jobs in different parts of the Newcastle LGA is shown in Figure 20. The Newcastle City Centre has by far the highest number of knowledge intensive jobs in the Newcastle LGA. Most of these are in the Central and Western parts of the City Centre between Brown Street and Stewart Avenue.

There are smaller, but still large, concentrations of knowledge intensive employment across the LGA in local centres and industrial precincts. For example, the eastern part of the Newcastle City Centre, Hamilton, Broadmeadow, Kotara and The Junction all contain substantial numbers of knowledge intensive jobs. The industrial precincts of Mayfield West and Warabrook also contain large numbers of knowledge intensive jobs. This highlights the competition for knowledge intensive jobs between what would otherwise be regarded as light industrial precincts and traditional centres.

Figure 20 also shows the proportion of jobs in each destination zone which are in a knowledge intensive industry. The highest proportions are in the Newcastle City Centre and Hamilton, followed mostly by local centres. The large number of knowledge intensive jobs in Warrabrook and Mayfield West precincts is reflected in a high proportion of jobs in knowledge intensive industries (between 25-37.5%).

FIGURE 20: KNOWLEDGE INTENSIVE JOBS IN THE NEWCASTLE LGA



Source: ABS Census 2016

### Industry specialisation

Location quotient analysis is a measure of relative industry specialisation of a local economy compared with a larger area. In this case, this measures the Newcastle LGA industry employment profile against Greater Sydney (Figure 21), NSW outside Greater Sydney (Figure 22) and the Hunter Region (Figure 23) to determine the relative specialisation of each industry. The location quotient score directly compares the proportional size of employment in the industry in Newcastle to the benchmark area. For example, an LQ of 2 means that Newcastle is twice as specialised as Greater Sydney or the rest of NSW, or an LQ of 0.5 meaning that it is half as specialised. This is shown below in Figure 21 (compared to Greater Sydney) and Figure 22 (compared to the rest of NSW).

Of most importance are the two right hand quadrants. The top right quadrant shows industries that are both specialised and growing while the bottom shows specialised industries that are contracting.

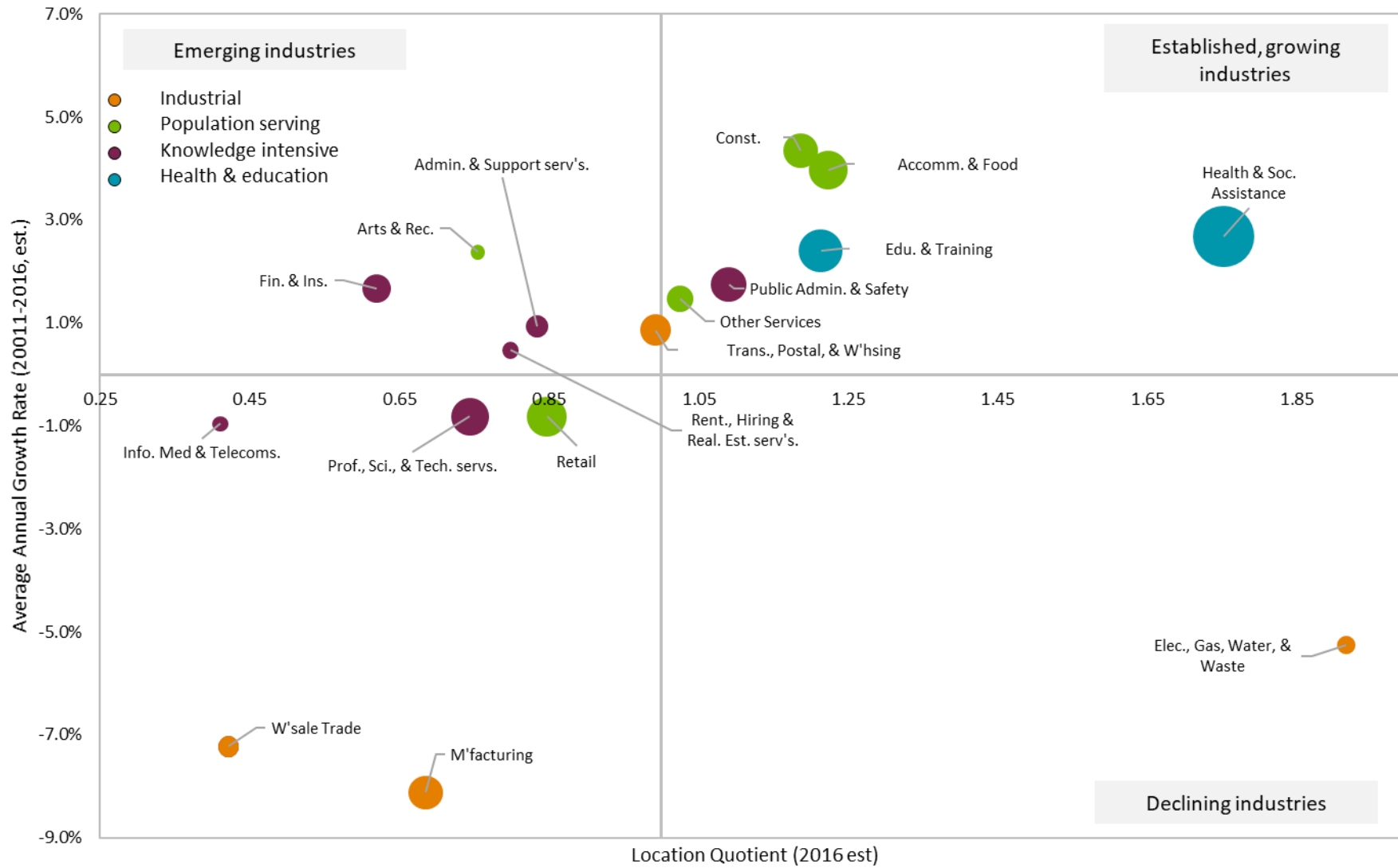
The two largest industries in the Newcastle LGA are health care and social assistance and education, and these are both relatively specialised. Healthcare is one of the most specialised industries, corresponding to Newcastle's regional service-based role, and is rapidly growing. The education and training industry is slightly specialised with respect to Greater Sydney and the Hunter Region, but not with respect to NSW outside Greater Sydney. As both industries are growing, they represent potential opportunities for continued economic growth, including in businesses in the healthcare supply chain and through research and innovation.

The traditional industrial industries of manufacturing and wholesale and wholesale trade shrank substantially between 2011-16 and are relatively unspecialised when compared to Greater Sydney. Compared to the rest of NSW and to the Hunter Region, these industries occupy around the same amount of the industry profile. The lack of specialisation in manufacturing in particular shows the decline in employment in Newcastle compared with its historic reputation as an area with a strong heavy industrial presence.

In contrast with manufacturing and wholesale trade, the transport, postal and warehousing sector is growing slightly in Newcastle, and is specialised in the LGA compared to NSW outside of Greater Sydney and to the Hunter Region. This specialisation is likely to be driven at least in part by the presence of the Port of Newcastle.

Knowledge intensive industries, including professional services, media and financial services, are often specialised in large cities and centres, and are relatively unspecialised in Newcastle compared to Greater Sydney, with lower employment growth rates than several other industries. However, a different picture emerges when Newcastle is compared to NSW outside Greater Sydney or to the Hunter Region, with professional services employment and financial services highly specialised, but public administration less specialised. This shows the relative strength of Newcastle as a destination for knowledge intensive jobs with high levels of value added compared to much of NSW, but the LGA's lack of competitiveness when compared with Greater Sydney.

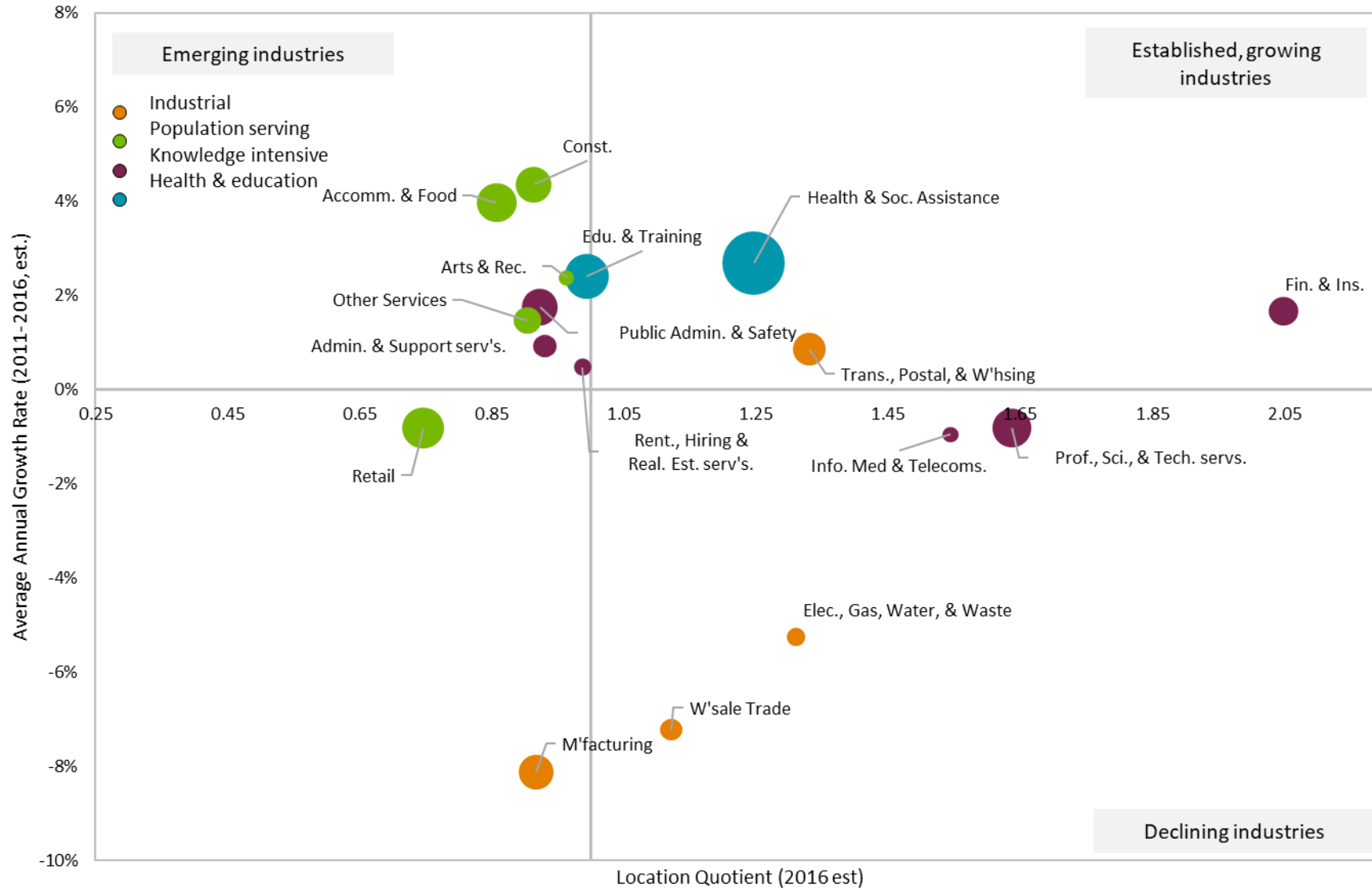
FIGURE 21: LOCATION QUOTIENT OF THE NEWCASTLE LGA COMPARED TO GREATER SYDNEY



Source: SGS Economics and Planning, ABS Census 2016

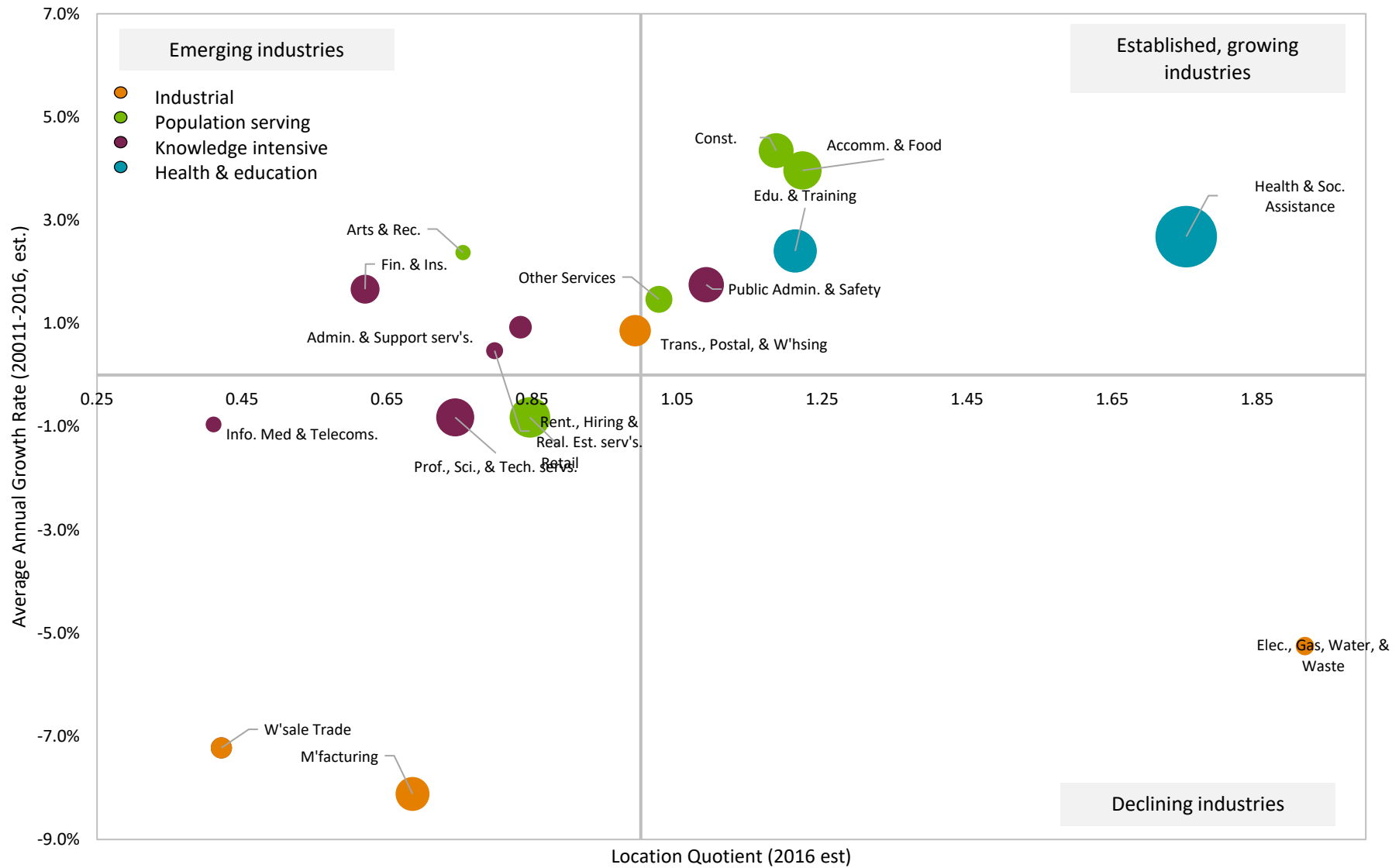


FIGURE 22: LOCATION QUOTIENT OF NEWCASTLE LGA COMPARED TO NSW OUTSIDE GREATER SYDNEY



Source: SGS Economics and Planning, ABS Census 2016

FIGURE 23: LOCATION QUOTIENT OF NEWCASTLE LGA COMPARED TO THE HUNTER REGION



Source: SGS Economics and Planning, ABS Census 2016

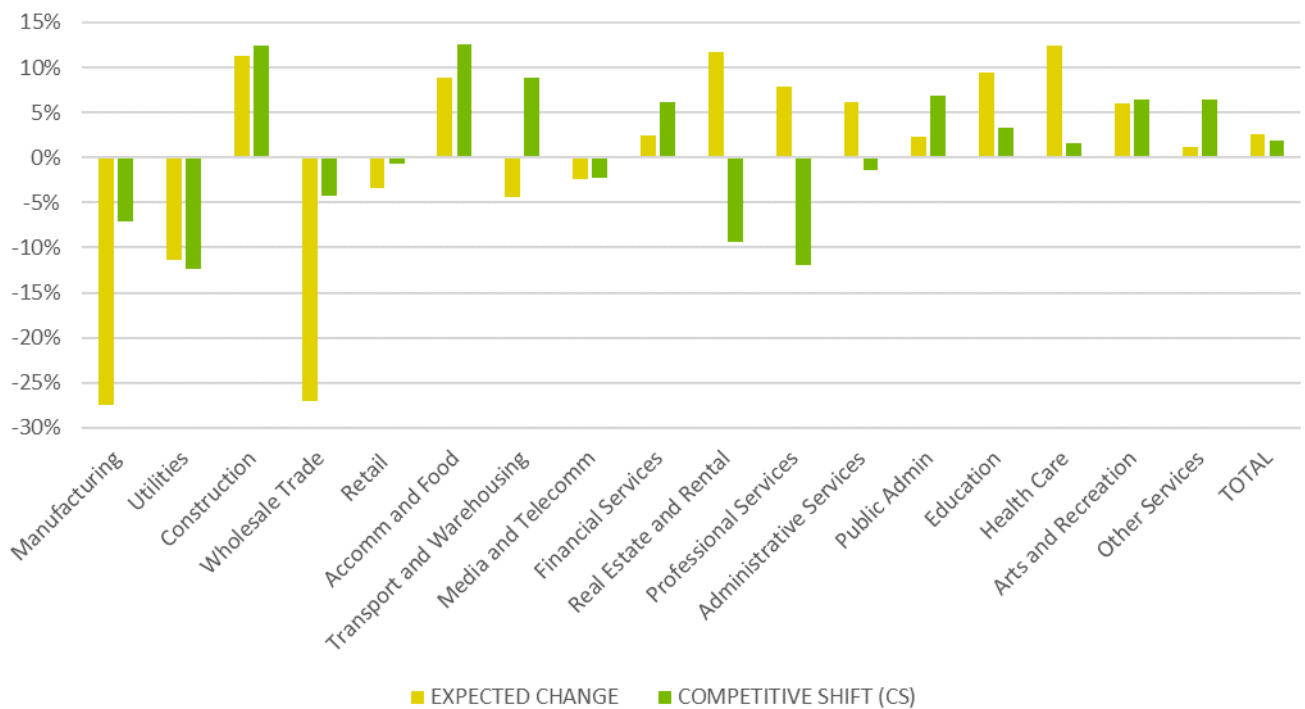
### Local competitiveness

Shift-share analysis paints a picture of how well the region's current industries are performing by systematically examining the regional, local, and industrial components of employment change. It provides a dynamic account of total regional employment growth that is attributable to growth of the national economy, a mix of faster or slower than average growing industries, and the competitive nature of the local industries. This analysis identifies those industries that benefit from local competitive advantages and those that suffer from local growth impediments.

A shift-share analysis comparing Newcastle against NSW determines the extent to which job growth can be attributed to unique local factors and how much is due to regional trends (see Figure 22).

The shift-share analysis compares the expected change of growth in an industry at the NSW level with industry change in Newcastle. This is referred to as a 'Competitive Shift' and explains how much of the change in each industry is due to some unique competitive advantage that the study area possesses, because the growth cannot be explained by broader trends in that industry or the economy as whole. It is the total employment growth in Newcastle minus the expected change in that industry using Greater Sydney's benchmark rates.

FIGURE 24: SHIFT SHARE ANALYSIS OF NEWCASTLE LGA COMPARED TO NSW



Source: SGS Economics and Planning, ABS Census 2011, 2016

Overall, the competitive shift analysis presents a mixed picture of the success of the Newcastle economy.

Some traditionally industrial sectors, namely manufacturing, utilities and wholesale trade, declined across NSW and had a further negative competitive shift in Newcastle. Transport and warehousing, which is also a traditional industrial sector, had a strong competitive shift for the Newcastle LGA, bucking the NSW-wide decline. This may be associated with the operation of the Port of Newcastle.

The knowledge intensive real estate and professional services industries had mediocre growth in the Newcastle LGA compared to NSW. The sectors grew in NSW between 2011-2016 but much of the growth is occurring in Greater Sydney, showing Newcastle’s lack of competitiveness with Greater Sydney in these sectors. By contrast, financial services (which is also a knowledge intensive industry) had a positive competitive shift in the Newcastle LGA, despite its relatively small size in the area.

Industries which are generally knowledge serving or associated with health and education, including education, health care, public administration, arts and recreation and retail, grew strongly and performed well in the Newcastle LGA compared to NSW as a whole.

Accommodation and food had the largest positive competitive shift in the Newcastle LGA, while construction also grew strongly and also had a strong positive competitive shift. Strong growth in accommodation and food will require additional floorspace in high-amenity centres like Newcastle City Centre and indicates potential opportunities to grow the local tourism industry.

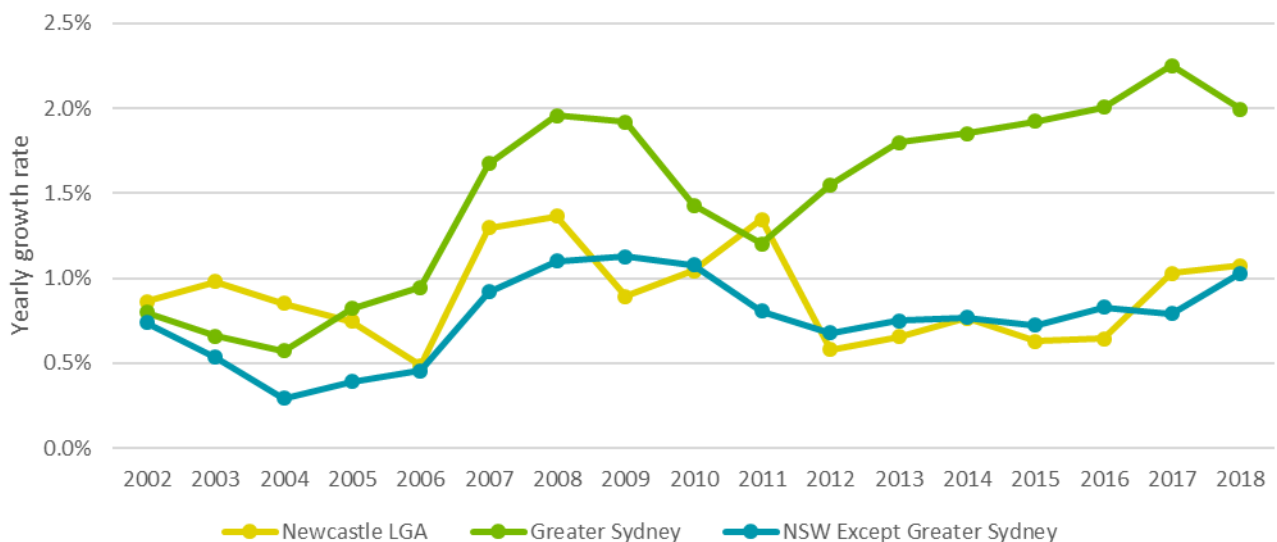
## 5.2 Population

While not strictly an economic indicator, population is an important consideration in the development of an economic strategy as population growth is closely tied to the need for future population serving jobs such as retail, health and education.

Recent population growth rates in the Newcastle LGA and benchmark areas is shown in Figure 25. Population growth in Newcastle has been positive every year since 2001 and has generally been similar to or slightly above growth rates in NSW outside of Greater Sydney. Since 2011, population growth in Newcastle has been around 0.6%, significantly below the levels of growth in Greater Sydney, where growth rates increased from 1.2% in 2011 to 2.3% in 2017.

If levels of population growth recently seen in the Newcastle LGA continue in the future, this will cause modest but continued growth in employment in population serving industries. As population growth rates are higher in Greater Sydney, growth levels in these industries will likely fall below those in Greater Sydney.

FIGURE 25: POPULATION GROWTH RATES IN NEWCASTLE LGA AND COMPARISON AREAS



Source: SGS Economics and Planning, ABS 2019, 3218.0 – *Regional Population Growth Australia*

## Educational attainment

The educational attainment of the Newcastle population is an indicator of how highly skilled the population is, which will determine the ability of local businesses to access a talented labour force. The change in educational attainment of the population over time provides a picture of how local demographics are changing. If the overall attainment of the population increases, this can create economic opportunities to grow high-value industries. It may also indicate that the availability of jobs suitable for a skilled population is increasing.

The overall level of educational attainment of people residing in the Newcastle LGA increased between 2011-2016, as shown in Table 11. The number of people with a postgraduate degree increased dramatically, while growth in the proportion of people with a university degree increased 5.2% from 14.3% to 19.5% between 2011-2016. This outpaced the increase in Greater Sydney, in which the proportion of people with a university degree increased 4.2% from 24.1% to 28.3%. Note that the census has a slight undercount of the total population, and so these statistics are approximate.

Some of the increase in the proportion of people with a university education may be due to the growth in the number of people attending university in Newcastle, which mirrored growth across major centres in Australia between 2011-2016. However, it also provides a positive picture for the future economic prospects of the Newcastle LGA, particularly if these levels of growth can be sustained in the future.

TABLE 11: EDUCATIONAL ATTAINMENT OF THE NEWCASTLE LGA POPULATION IN 2011 AND 2016

Educational Attainment	2011		2016		Change	
	Number	Proportion	Number	Proportion	Number	Proportion
Postgraduate Degree Level	4,495	2.64%	6,562	4.22%	2,067	45.98%
Bachelor's degree Level	17,828	10.47%	21,223	13.66%	3,395	19.04%
Graduate Diploma/Certificate Level	1,934	1.14%	2,489	1.60%	555	28.70%
Advanced Diploma and Diploma Level	9,458	5.56%	11,265	7.25%	1,807	19.11%
Certificate Level	24,124	14.17%	22,367	14.39%	-1,757	-7.28%
Secondary Education – Years 10 and Above	95,232	55.95%	38,494	24.77%	-56,738	-59.58%
Secondary Education – Years 9 and below	17,136	10.07%	11,131	7.16%	-6,005	-35.04%
Total	170,208	100%	155,412	100%		

Source: ABS Census 2016

## Employment self-containment and self sufficiency

Employment self-containment and self-sufficiency are illustrations of the economic role that an LGA plays in its broader region and how well aligned the jobs it offers are with the skills of the resident population.

Self-containment is the percentage of people who live in an LGA who also work in the LGA. A low level of self-containment means people must travel outside of the LGA boundaries for work. Some level of outward commuting for work should be expected, unless an LGA covers a large area and forms a relatively contained economic region. In a large LGA, low self-containment in a particular industry may indicate a lack of business competitiveness in that industry.

Self-sufficiency is the proportion of jobs in an LGA which are held by residents of the LGA. As with self-containment, some level of inward commuting for work should be expected in an LGA which forms part of a broader economic region.

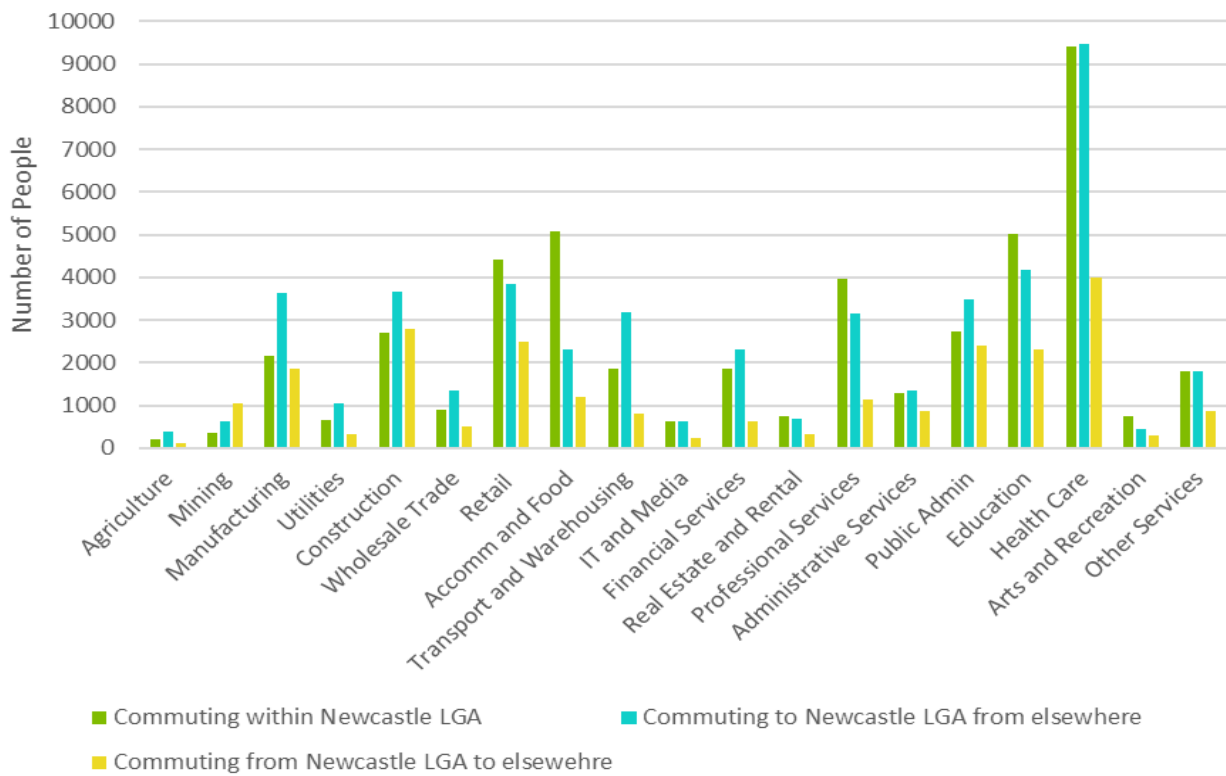
In a large industry, low levels of self sufficiency generally indicate that an LGA has an important regional economic role, attracting workers from elsewhere. In smaller industries, low levels of self-sufficiency may indicate that the resident workforce is not highly skilled enough to support local industries, which may constrain the growth of businesses.

The self-sufficiency and self-containment for different industries in the Newcastle LGA is illustrated through the number of inward, outward and local commutes, shown in Figure 26. This analysis presents a positive picture of the alignment between local skills and jobs, with construction the only industry in which more people commuted out of the LGA than commuted within it.

Industry specific findings of this analysis include that:

- Overall, there are many more workers commuting into Newcastle for work (49,337 as recorded in the 2016 census) than there are resident workers commuting out from Newcastle to jobs elsewhere (22, 132 as recorded in the 2016 census). This reflects the role of Newcastle LGA as a regional employment centre.
- Newcastle has a strong regional economic role in health care and education, which are large local sectors with many local employees as well as attracting workers from elsewhere.
- The transport and warehousing, financial services, wholesale trade and utilities industries are relatively small, but attract workers from a broader area with few outward commutes. As noted in the industry specialisation section above, financial services is strongly concentrated in Newcastle compared to the surrounding area, so the attraction of workers from elsewhere is unlikely to be a problem.
- Manufacturing and construction had more workers commuting into than within or from the LGA, but also had relatively high numbers of outwards commutes compared to local commutes. The presence of outwards commutes demonstrates that there are also large numbers of these jobs nearby outside the Newcastle LGA, and there is unlikely to be a broad-based shortage of local labour. As there are more inwards than outwards commutes, the Newcastle LGA is a net attractor for workers in these industries.

FIGURE 26: THE NUMBER OF COMMUTES WITHIN, TO AND FROM THE NEWCASTLE LGA, 2016



Source: ABS Census 2016

### Migration

While not an economic indicator, the levels of domestic as well as international migration to and from an area can provide an indication of how the economy may change in the future. High levels of migration can lead to a change in local demographics over time, which could change the local skill profile.

The most common locations for migration to and from the Newcastle LGA as recorded in the ABS census are shown in Table 12 and Table 13 respectively. These statistics do not capture all movements to and from the LGA but provide a snapshot of the migration profile based on where people lived in 2011 and 2016.

There were high levels of migration to and from adjacent or nearby LGAs, such as Lake Macquarie, Port Stephens, Cessnock and Maitland. More notably for economic development, there were high levels of migration from Greater Sydney (although only a relatively modest net migration) and from overseas.

As Greater Sydney becomes more congested in the future and if housing continues to be unaffordable, there is an opportunity for regional cities like Newcastle with high levels of amenity to attract more migrants from Greater Sydney. This could increase the local skill mix, as well as creating opportunities for targeted planning intervention and infrastructure investment as local demand for well-located housing and business locations increases.

TABLE 12: LOCATIONS WITH THE HIGHEST IN-MIGRATION TO NEWCASTLE LGA BETWEEN 2011-2016

Location	In-migration	Proportion of population	Net migration
Lake Macquarie	7428	4.78%	-1187
Overseas	6725	4.33%	
Greater Sydney	4234	2.72%	+823
Port Stephens	1917	1.23%	+63
Maitland	1881	1.21%	-933
Queensland	1654	1.06%	-294
Central Coast	1219	0.78%	+560
Mid Coast	1078	0.69%	+467

Source: SGS Economics and Planning, ABS Census 2011, 2016

TABLE 13: LOCATIONS WITH THE HIGHEST OUT-MIGRATION FROM NEWCASTLE LGA BETWEEN 2011-2016

Location	In-migration	Proportion of population	Net migration
Lake Macquarie	8615	8.49%	-1187
Greater Sydney	3411	3.36%	+823
Maitland	2814	2.77%	-933
Queensland	1948	1.92%	-294
Port Stephens	1854	1.83%	+63
Victoria	1292	1.27%	-416
Cessnock	951	0.94%	-271
Central Coast	659	0.65%	+560

Source: SGS Economics and Planning, ABS Census 2011, 2016

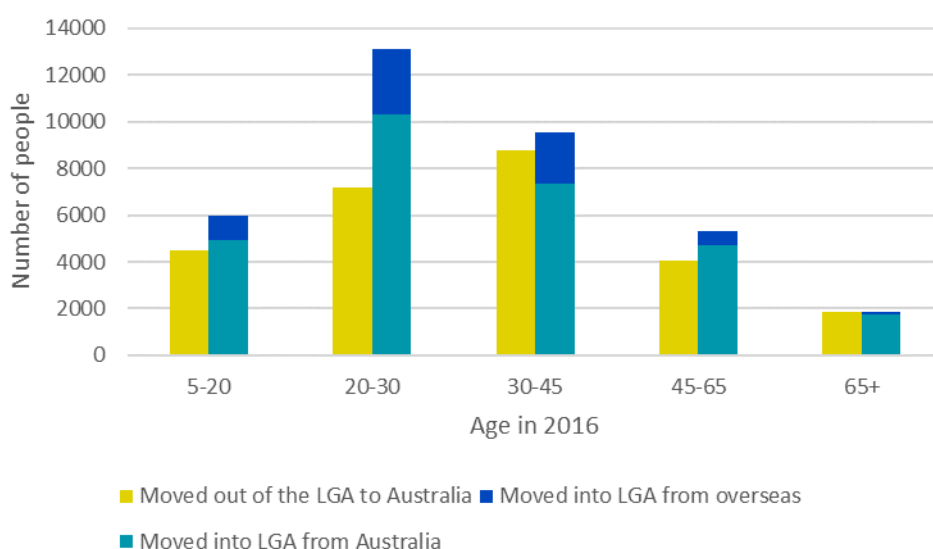
## Age

Figure 27 shows how the migration profile of the Newcastle LGA as recorded by the Census varies by age. As the census only contains statistics about people residing in Australia on census night, it is not possible to assess the number of people who moved from the Newcastle LGA to overseas. For this reason, only migrations from overseas into the LGA are shown and Figure 27 does not present a complete picture of the movement of people.

There was a large amount of net inward domestic migration of people aged 5-20 and 20-30 and a net outward migration of adults aged 30-45. There were also large numbers of people aged 20-30 and 30-45 who moved from overseas to Newcastle.



FIGURE 27: IN-MIGRATION AND OUT-MIGRATION FROM THE NEWCASTLE LGA BETWEEN 2011-2016



Source: ABS Census 2016

One of the reasons that people migrate to the Newcastle LGA is to attend an educational institution like the University of Newcastle. The age and educational institution being attended by people who lived in Newcastle in 2016 but not 2011 is shown in Table 14.

Almost 7,000 people in the Newcastle LGA (4.5 % of the population of 155,411) were studying at university in the LGA in 2016 and had not been living in the LGA in 2011. This was complemented by a further 1,119 people studying at TAFE who had moved to the LGA. Altogether this represents a strong flow of students to the Newcastle LGA to study at a tertiary institution.

These statistics are supported by enrolment statistics, which show that in 2018 the University of Newcastle had 5,841 international students and 20,174 domestic students studying on-campus. While the University has multiple campuses, the bulk of students would be expected to study within the Newcastle LGA.

TABLE 14: AGE AND EDUCATIONAL INSTITUTION ATTENDED IN 2016 FOR PEOPLE WHO MOVED TO NEWCASTLE BETWEEN 2011-2016

Educational institution attending	5 - 20	20-30	30-45	45-65	65+	Total
Preschool	127	0	0	0	0	127
School age	3,625	5	0	0	0	3,630
TAFE	134	592	315	78	0	1,119
University	854	5,180	876	75	0	6,985
Other	16	80	74	21	0	191
Not studying	529	6,689	7,760	4,722	1,583	21,283
Total	5,839	13,005	9,316	5,018	1,607	34,785

Source: SGS Economics and Planning, ABS Census 2016

It is notable that while a substantial number of people move to the Newcastle LGA to study, most people aged 20-30 (51.4%) and 30-45 (83.2%) who moved to the Newcastle LGA and were living there in 2016 were not studying. This suggests that educational institutions are not the only reason that young people move to the Newcastle LGA. Some level of internal immigration would be expected in all age groups would be expected, and the number of people aged 20-30 and 30-45 who moved to Newcastle LGA but were not study in 2016 was less than the number of people who moved from Newcastle LGA to other parts of Australia.

Without people moving to Newcastle to study, it is therefore likely that there would be a net out-migration of people aged 20-30 and 30-45.

Altogether, the age and educational institution profiles of migrants paints a picture of generally when and why people move to and from the LGA. Many people, including from overseas, come to the LGA to study, particularly at the University of Newcastle and from overseas. Without considering these people, there would not a net outward migration of young people from the LGA, with many people moving to Greater Sydney. Older people and families move back to Newcastle, with less moving from Newcastle to nearby LGAs like Port Macquarie.

This migration picture presents economic opportunities to the Newcastle LGA with land use planning implications. Many people will likely leave Newcastle after completing their studies. However, if even a fraction could be enticed to stay in the LGA or to move back later in life, this would provide a source of skilled migration encouraging growth in knowledge industries. In order to maximise the chances of this occurring, the Newcastle LGA must provide the high level of amenity in its centres which university students and graduates would seek. This includes vibrant centres with boutique retail environments and a strong nightlife. The presence of many students in the LGA are also likely to support the viability of this kind of centre.

# 6. FLOORSPACE SUPPLY

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## 6.1 Retail supply

### Methodology

This study does not involve an on-foot land audit. Rather, existing commercial and retail floorspace has been estimated using a combination of google analytics and building footprints provided by PSMA Australia through the Geoscape Dataset.

Data downloaded through the google maps API, supplemented by local business registry data, provides the location and types of businesses in the LGA as well as the general patterns of centres. These locations are matched against the Geoscape dataset, which is satellite-derived data showing the footprint and height of every building. After allocating businesses to buildings, the amount of floorspace per business within each building has been estimated. Floorspace estimates have been adjusted based on the number of levels in each building, the ratio of retail to commercial use and the expected sizes of different retail uses (for example, supermarkets occupy much more floorspace than clothing stores).

Much of the retail floorspace within the Newcastle LGA is located within stand-alone shopping centres. The sizes and kinds of premises within these centres has been determined based upon a manual review of available centre directories and the review of third-party shopping centre floorspace databases.

Floorspace estimates have been checked and refined using a number of other data sources, including:

- The Property Council of Australia (PCA) retail and floorspace database
- ABS Census data (deriving floorspace from employment estimates)
- Google Maps and Street View imagery
- Shopping centre websites

Retail floorspace is grouped into the following categories which have been adapted from the ABS's retail categories:

- Supermarkets, which sell a wide range of food and are not specialised in any particular product (for example Woolworths or Aldi)
- Other food, which includes liquor retailing, fruit and vegetables stores, butchers, delicatessens and other specialised food retailers
- Hospitality and services, which includes cafes, restaurants, bars and takeaway food services
- Clothing and soft goods, which includes retailers of clothing, footwear and other personal accessories
- Household goods, which includes retailers of furniture, floor coverings, houseware, Manchester, electrical goods and hardware supplies
- Other retail, which includes retailers of newspapers, books, pharmaceuticals, cosmetics, recreational goods, stationary, used goods, flowers and other miscellaneous goods that do not fit within other categories
- Department stores, including discount department stores, which sell a wide variety of goods other than food or groceries with no predominant focus (for example Myer or Big W)

## Retail precincts and commodity groups

The retail floorspace for each retail commodity in each of Newcastle's centres with more than 5,000sqm of floorspace is shown in Table 15, with the largest centre in each category coloured green. The floorspace in the largest centres outside but near Newcastle, which constitute the second to fifth biggest centres in the broader area, are shown in

Table 16.

These floorspace results are also illustrated in Figure 28, which maps the distribution of retail floorspace in the Newcastle LGA and nearby by travel zone. Multiple travel zones have been combined to provide a consolidated floorspace estimate for the Newcastle City Centre.

Based on absolute amount of floorspace, Kotara is the largest retail centre in the Newcastle LGA. It has the most floorspace in all retail commodity groups except hospitality, supermarkets and other food. Its dominance in several retail categories is shown in Table 17, which lists the percentage of all retail space in the Newcastle LGA contained in the two largest centres. Kotara alone contains half of all household goods floorspace (most of which is contained in the large format shopping area) and over half of all clothing and soft goods floorspace.

Newcastle City Centre is the next largest retail centre in the LGA. Unlike Kotara, which has a large amount of household goods floorspace but a broad distribution of floorspace in other categories, the Newcastle City Centre has 42% of the hospitality floorspace in the Newcastle LGA and large amounts of supermarket, other food and household goods floorspace, but much more limited amounts of floorspace selling clothing and soft goods and in department stores.

TABLE 15: RETAIL FLOORSPACE (SQM) IN NEWCASTLE'S CENTRES

Centre	Supermarket	Other Food	Hospitality and Services	Clothing and Soft Goods	Household Goods	Other Retail	Department Stores	Total
Kotara	7,662	2,605	6,749	21,652	46,806	15,464	27,039	127,976
Newcastle City Centre	10,601	8,455	42,650	6,323	19,260	8,287	7,578	103,153
Jesmond	5,067	925	2,469	1,427	982	1,882	8,193	20,945
Wallsend	6,190	1,111	6,286	672	2,473	1,490		18,223
Hamilton	1,405	1,141	6,946	1,492	4,726	1,050		16,759
Waratah	3,967	226	1,139			310	8,439	14,081
Mayfield	3,674	1,826	5,359	525	1,435	1,242		14,063
Hamilton North		1,217	1,561	539	7,309	336	425	11,387
The Junction	4,197	530	2,292	1,137	1,113	1,203		10,471
New Lambton		757	5,961	212	809	887		8,627
Broadmeadow		498	399	972	1,639	761	2,414	6,683
Islington-Maryville		140	2,147	691	2,725			5,703
Fletcher	5,111	267	287					5,666
Other	6,844	6,812	18,856	827	5,115	5,836	299	44,587
<b>Total</b>	<b>50,486</b>	<b>25,510</b>	<b>102,427</b>	<b>36,567</b>	<b>94,412</b>	<b>36,511</b>	<b>61,870</b>	<b>407,782</b>

TABLE 16: RETAIL FLOORSPACE (SQM) IN THE THREE LARGEST RETAIL CENTRES NEAR THE NEWCASTLE LGA

Centre	Supermarket	Other Food	Hospitality and Services	Clothing and Soft Goods	Household Goods	Other Retail	Department Stores	Total
Charlestown	7,942	1,063	6,419	24,263	2,117	11,017	30,455	83,276
Glendale	9,677	224	5,142	7,824	2,546	6,125	17,192	48,729
The Hunter Shopping Centre	7,306	1,222	4,876	8,484	2,661	378	14,045	38,973

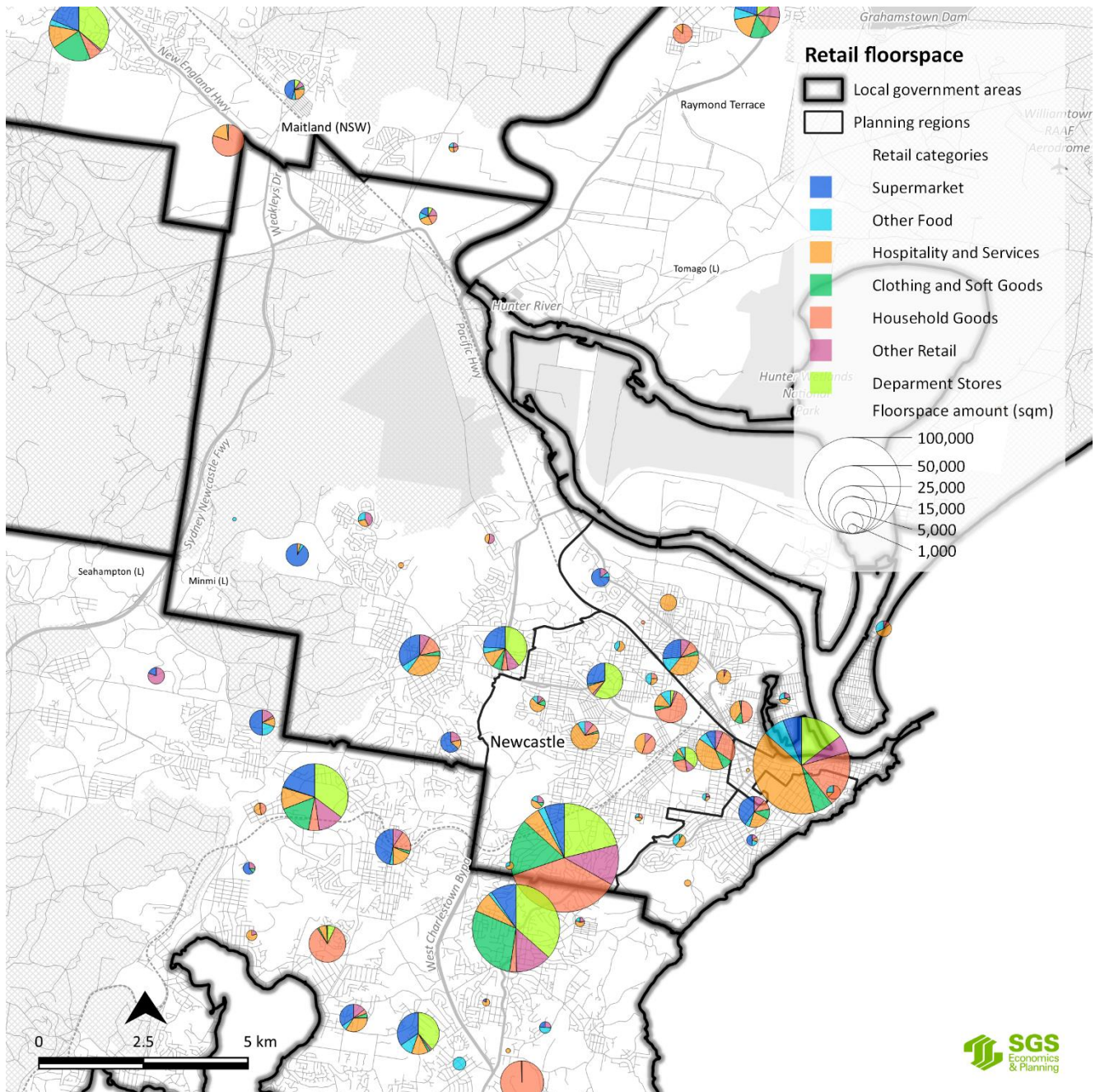
TABLE 17: PERCENTAGE OF NEWCASTLE LGA RETAIL FLOORSPACE IN NEWCASTLE CITY CENTRE AND KOTARA

Centre	Supermarket	Other Food	Hospitality and Services	Clothing and Soft Goods	Household Goods	Other Retail	Department Stores	Total
Kotara	15%	10%	7%	59%	50%	42%	44%	31%
Newcastle CBD	21%	33%	42%	17%	20%	23%	12%	25%
Other centres	64%	57%	52%	23%	30%	35%	44%	43%

The relative amounts of floorspace of different types in each centre clearly shows their differing retail functions. Newcastle City Centre is the major dining, entertainment and hospitality destination in the LGA.

Kotara has significantly less hospitality floorspace, but thanks to a recent renovation of Westfield Kotara does contain more than any other nearby centre besides Newcastle. It also contains a much broader distribution of other retail floorspace than Newcastle City Centre, including several department stores and much more clothing and soft goods and other retail floorspace, as well as a large homemaker centre. Kotara therefore functions as the major shopping destination in the Newcastle LGA.

FIGURE 28: RETAIL SYSTEM IN NEWCASTLE LGA AND SURROUNDS



Source: SGS Economics and Planning 2019

## 6.2 Employment floorspace capacity

Using the current planning framework, SGS assessed the theoretical yield for retail, commercial and industrial development in the Newcastle LGA. This notional floorspace capacity identifies the total floorspace capacity that would be realised if all available sites were developed under various assumptions. This can be compared with future floorspace demand to identify any gaps in the current planning controls which could impede commercial and retail floorspace supply. This analysis will be conducted in the next stage of the retail studies.

Potential development yield has been assessed on a site by site basis using high level assumptions. Site-specific constraints in combination with design standards and building height controls may mean that the possible yield of some sites is less than the maximum

permissible floor space, but in most cases appropriate design responses should ensure that this does not occur. Site amalgamation would be required to allow many properties to be redeveloped.

This analysis took place in the following stages:

1. **Available land** was first determined. Available land represents all land where development is possible and on which commercial development is permissible. Heritage items, community uses, social infrastructure, public domain elements and strata-subdivided mixed-use buildings are excluded.
2. The **potential yield** calculation was conducted, in which the yield of all available sites if they were to be developed is calculated. Development assumptions are listed below.
3. The **net yield** calculation was conducted, in which the existing commercial floorspace on each site is subtracted from the potential yield to generate the amount of additional floorspace, known as the 'net yield'.

Three capacity scenarios were considered, with different land availability and development yield assumptions used in each case.

#### Conservative scenario

This is a lower capacity limit where no redevelopment is expected to occur. If demand exceeds this capacity, some redevelopment of existing premises may be required.

Only vacant sites are included, with a notional commercial FSR of 0.5:1 is used in commercial zones which permit shop top housing. This represents the delivery of ground floor retail or other employment uses as well as some employment uses above the ground floor.

#### Medium scenario

This scenario permits some redevelopment to occur with a reasonable amount of employment generating floorspace provided following redevelopment. As such, it presents a more likely picture of capacity if some redevelopment is expected to occur than the conservative scenario. If demand exceeds this capacity, changes in planning controls may be required.

In this scenario, redevelopment of non-industrial sites with existing buildings is allowed, but only if less than 50% of allowable building area currently developed. This constraint reflects the likely lack of development feasibility if only a small uplift is available. No decrease in commercial floorspace is permitted through redevelopment.

A notional commercial FSR of 0.5:1 is used in commercial zones which permit shop top housing. This represents the delivery of ground floor retail or other employment uses as well as some employment uses above the ground floor. In the commercial core zone, it is assumed that development will yield only commercial floorspace, as shop-top housing has a lower allowable FSR. Significant delivery of shop top housing in this area could compromise future employment capacity.

#### Maximum theoretical capacity

This scenario gives the maximum possible capacity if all sites were able to be redeveloped to their maximum allowable employment generating floorspace amount. This is a theoretical upper limit.

All B-zoned sites can develop to the maximum FSR, with all floorspace delivered as commercial.

#### Industrial yield

In all cases an FSR of 0.8:1 has been used to calculate the yield of industrial development. This represents generally single storey industrial developments with some mezzanines and with high site coverage. Redevelopment of industrial premises is unlikely to occur, and so capacity is only calculated for vacant sites.

### Capacity scenario 1: Conservative (vacant) capacity

Capacity scenario 3 is the most conservative scenario, and as outlined above sets out a lower limit for the employment floorspace capacity in which no sites with existing uses are expected to be redeveloped. Capacity results under this scenario are shown in the table below.

TABLE 18: EMPLOYMENT FLOORSPACE CAPACITY (SQM) UNDER THE CONSERVATIVE CAPACITY SCENARIO

Region	B1	B2	B3	B4	B5	IN1	IN2	IN3	Total
Inner West	302	3,139		339	1,351		2,126		7,257
Inner North	995	5,667	5,577	1,207		221,830	53,361		288,637
Inner South	69	47		84					200
Newcastle City Centre			22,130	9,292					31,422
Outer	4,455	7,583					1,860,044	214,744	2,086,826
<b>Total</b>	<b>5,821</b>	<b>16,436</b>	<b>27,708</b>	<b>10,922</b>	<b>1,351</b>	<b>221,830</b>	<b>1,915,531</b>	<b>214,744</b>	<b>2,414,342</b>

### Capacity scenario 2: Medium capacity

Capacity Scenario 2 assumes that developments and redevelopments are built with a commercial notional FSR of 0.5:1 or an industrial FSR of 0.8:1. In some cases redevelopment of an existing commercial or retail building for mixed-use with a residential component would result in a decrease in the overall amount of employment generating floorspace. It has been assumed in this scenario that this cannot occur.

This scenario only considers those properties with potential for development uplift under current controls. This implemented through only including sites with less than 50% of allowable floorspace already developed. Comprehensive redevelopment of industrial sites for other industrial uses is generally uncommon, and so only vacant industrial sites have been considered.

Capacity under this scenario is shown in the table below.

TABLE 19: EMPLOYMENT FLOORSPACE CAPACITY (SQM) UNDER THE MEDIUM CAPACITY SCENARIO

Region	B1	B2	B3	B4	B5	IN1	IN2	IN3	Total
Inner West	1,232	19,931		10,583	41,997		2,126		75,869
Inner North	1,842	12,131	37,959	27,955		221,830	53,361		355,078
Inner South	3,379	1,123		1,308	2,504				8,314
Newcastle City Centre			384,962	21,995					406,957
Outer	6,767	22,008					1,860,044	214,744	2,103,563
<b>Total</b>	<b>13,221</b>	<b>55,192</b>	<b>422,921</b>	<b>61,842</b>	<b>44,501</b>	<b>221,830</b>	<b>1,915,531</b>	<b>214,744</b>	<b>2,949,781</b>

### Capacity scenario 3: Maximum theoretical capacity

Capacity scenario 3 assumes that any lot that is not currently at its maximum capacity based on building heights and floorspace ratio controls could be redeveloped to maximum capacity. It assumes that all allowable floorspace would be employment generating in mixed-use developments.



This is a theoretical capacity scenario because it is highly unlikely that this type of redevelopment would occur, particularly with developments close to that maximum, due to feasibility constraints. It is also unlikely that there would not be a substantial residential component in developments in mixed-use zones.

TABLE 20: EMPLOYMENT FLOORSACE CACPAITY (SQM) UNDER THE MAXIMUM THEORETICAL CAPACITY SCENARIO

Region	B1	B2	B3	B4	B5	IN1	IN2	IN3	Total
Inner West	14,804	326,892		173,941	94,249		267,769		877,655
Inner North	20,896	156,666	37,959	614,087		459,045	280,764	40,985	1,610,402
Inner South	31,379	38,647		69,304	2,567				141,897
Newcastle City Centre	269		663,664	944,991					1,608,924
Outer	37,607	250,364					3,243,947	1,921,388	5,453,306
<b>Total</b>	<b>104,954</b>	<b>772,569</b>	<b>701,623</b>	<b>1,802,322</b>	<b>96,815</b>	<b>459,045</b>	<b>3,792,481</b>	<b>1,962,374</b>	<b>9,692,183</b>

### Capacity summary

A summary of capacity results under each of the scenarios is shown in Table 21 below.

There is a substantial amount of capacity for industrial floorspace under every scenario, with most of the likely development (shown in the conservative and moderate scenarios) in the Outer region of Newcastle, primarily in Beresfield. There is also some capacity in vacant sites in the IN1 zone, mostly in Mayfield. The maximum permissible capacity in industrial zones is much higher, but as noted above redevelopment of existing industrial sites for other industrial uses is unlikely in most cases.

Commercial capacity displays more variation between the different scenarios. There is a limited amount of commercial capacity under the conservative scenario in the established parts of Newcastle, which would be expected in established areas where there are few vacant sites. There is more capacity in the B1 and B2 zoned in the moderate scenario. However, redevelopment would be more likely in the B3 and B4 zones, which are most notably applied in the Newcastle City Centre where allowable development densities are relatively high. This results in a substantial increase in capacity in the B3 zone between the conservative and moderate scenario, as residential development is not permitted in this zone.

TABLE 21: TOTAL EMPLOYMENT FLOORSACE CACPAITY (SQM) UNDER EACH OF THE CAPACITY SCENARIOS

Region	B1	B2	B3	B4	B5	IN1	IN2	IN3	Total
Conservative scenario	5,821	16,436	27,708	10,922	1,351	221,830	1,915,531	214,744	2,414,342
Moderate scenario	13,221	55,192	422,921	61,842	44,501	221,830	1,915,531	214,744	2,949,781
Maximum permissible scenario	104,954	772,569	701,623	1,802,322	96,815	459,045	3,792,481	1,962,374	9,692,183

# 7. FLOORSPACE DEMAND

## 7.1 Retail demand

SGS has used a retail gravity model to project future retail spending and floorspace demand in the Newcastle LGA. Gravity modelling simulates where people will spend their money when given the choice of different retail destinations. It considers additional variables such as spending by retail commodity type (i.e. groceries, clothing), the distance they have to travel and the attractiveness of that centre. A large Westfield for instance, tends to have greater ‘pull’ or ‘gravity’ compared to a local retail high street.

The SGS Retail Model is built on previous research as well as the extensive experience SGS has gained conducting many retail studies. The SGS retail model takes the following approach:

$$\text{Propensity to shop at a centre} = \frac{\text{“Attractiveness” of centre} \times \text{Floorspace of shopping centre}}{\text{Travel time to the shopping centre}^2}$$

This formula recognises that an individual is more likely to go to more ‘attractive’ and larger centres and less likely to go to small, lower-quality centres that are further away.

The ‘attractiveness’ of a shopping centre refers to a range of visual and functional attributes, including ease of access and car parking as well as the quality of the shopping experience. Unlike other gravity models, the SGS model does not explicitly measure the effects of design layout or product mix. Instead, it uses the shopping centre’s current turnover and the distribution of current demand as a basis to establish a ‘current attractiveness value’ for the centre. This current attractiveness value is then used to forecast how the shopping centre will perform in the future given changes in population expenditure.

### Why use a gravity model?

Other demand approaches (such as survey-based assessments) are expensive and data intensive and only consider current population and behaviour. Simplified ‘shift-share’ approaches typically focus on one/a few centres and heavily rely on judgement-based catchments with exaggerated market share thresholds.

Gravity models, on the other hand, present the following benefits:

- All spending across the retail system is accounted for once and only once;
- Catchments are generated through data analysis rather than through the judgement of consultants; and
- A gravity model captures the continuous and dynamic nature of catchments, based on changing demand, supply, and transport infrastructure.

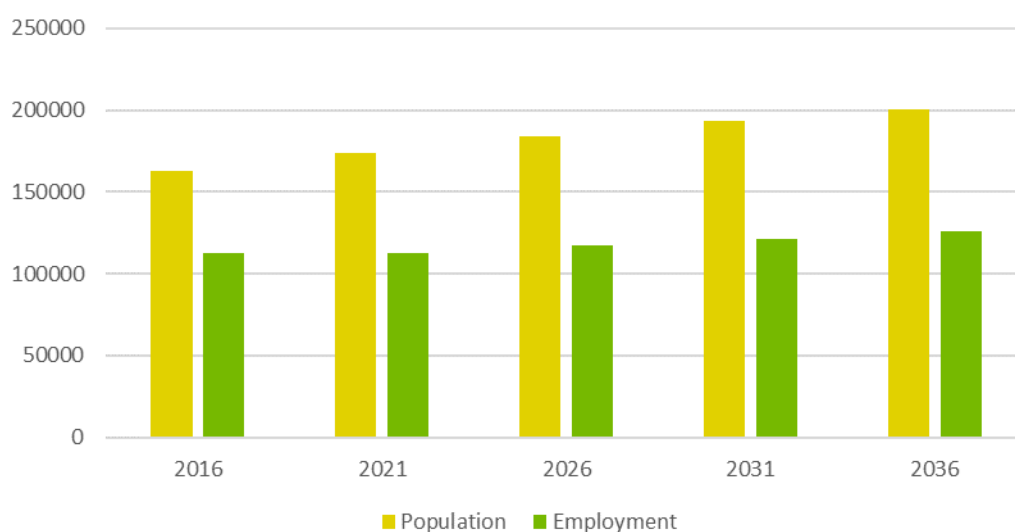
### Drivers of retail demand

Increases in retail spending are predominately driven by population growth. An increase in the number of workers in an area does increase retail turnover, but this is usually less important than population projections as on average people spend the most money in retail premises near where they live rather than near where they work

Forecasts of the future resident population and employment in the Newcastle LGA were estimated at a small-area level using projections from the Transport Performance and Analytics (TPA) division within TfNSW, which are used to develop common planning assumptions across the NSW Government. Projections were calculated in five-year categories out to 2056 at the travel zone level.

Based on these forecasts, population within the Newcastle LGA is expected to grow by 23% from approximately 162,900 to 200,600 between 2016-2036. Employment is expected to grow at a slightly slower rate, increasing by 12% from approximately 112,450 to 126,000 between 2016-2036.

FIGURE 29 POPULATION AND EMPLOYMENT PROJECTIONS, NEWCASTLE LGA



Source: SGS Economics and Planning 2019; Transport for NSW 2019

### Current retail supply and demand balance

SGS's gravity model is calibrated based on the assumption that the retail system is currently in equilibrium, with retail floorspace supply roughly equal to retail floorspace demand and no large under-provision or over-provision of floorspace for particular retail commodity types. This is a standard assumption in many retail models and reflects the difficulty in obtaining accurate measures of current turnover in retail centres outside of large shopping centres.

As SGS's model assumes that retail supply and demand is balanced in the base year, it is generally assumed that relative increases in the retail performance of centres will translate into increases in floorspace demand. However, if some centres are currently performing poorly or there is more retail floorspace in an area than could be supported by the demand generated by the local population, this assumption cannot be made. In this case, increases in the performance of certain centres should rather be interpreted as improving their viability but not generating additional floorspace demand.

Current retail provision rates (amount of floorspace per person) provide an indication of the retail supply demand balance in an area. These are shown in Table 22 for the Newcastle LGA and benchmark areas in Greater Sydney.

When compared to Greater Sydney, the Newcastle LGA has a relatively low amount of department store floorspace and large amounts of discount department store, supermarket and other floorspace, with a slightly larger amount of retail floorspace per capita overall. In the smaller areas in the LGA, there are generally high levels of supermarket, discount department store and other floorspace. There is a limited amount of retail floorspace in the

outer area, particularly for specialty retail needs, with people needing to travel to a centre like Kotara or the Newcastle City Centre.

There are large shopping centres in Charlestown and Glendale near the southern boundary of the Newcastle LGA. As their catchment is likely to extend into the Newcastle LGA, retail provision rates for the combined area of the Lake Macquarie and Newcastle LGAs should also be considered. This is shown in Table 22. Similarly to provision rates for the Newcastle LGA, there are large amounts of supermarket and discount department store floorspace as well as low levels of department store floorspace, with overall retail provision rates higher than in Greater Sydney or most of its districts.

Beresfield and Tarro are part of the Newcastle LGA and are likely to form part of the retail catchments of larger centres in the Maitland area. However, these areas form only 3 per cent of the total population of the Newcastle LGA, and are sufficiently distant from the rest of the LGA that retailing in the Maitland area is unlikely to significantly affect the Newcastle LGA's retail provision rates.

Newcastle and Lake Macquarie's retail provision rates suggest that there may be an oversupply of retail floorspace in the Newcastle LGA. Supermarket and other retail floorspace provision is particularly high compared to the benchmark areas. This is consistent with reports that retailing is performing poorly in the Newcastle City Centre, where there is a large amount of retail floorspace.

The relatively large amount of discount department store floorspace in Newcastle and surrounds is counteracted to some degree by the low level of department store floorspace. However, department stores are vulnerable to the rise of online retailing. If their performance continues to decline, some of Newcastle's centres with large discount department stores may suffer and may need to be reconfigured.

TABLE 22: RETAIL FLOORSPACE PROVISION RATES (SQM/PERSON)

FOR EACH COMMODITY TYPE, BLUE CELLS SHOW RELATIVELY LOW VALUES WHILE RED CELLS SHOW RELATIVELY HIGH VALUES

Area		Department Store	Discount Department Stores	Supermarkets (>1000 sqm)	Other	Total
Newcastle LGA	Inner North & Inner West	0.11	0.33	0.23	2.51	3.07
	Newcastle City Centre & Inner South	0.00	0.28	0.55	3.68	4.51
	Outer	0.00	0.17	0.39	0.70	1.26
Newcastle LGA Total		0.06	0.27	0.33	2.14	2.75
Newcastle and Lake Macquarie LGAs		0.07	0.26	0.46	1.95	2.74
Benchmark areas in Greater Sydney	Greater Sydney	0.11	0.12	0.23	1.88	2.35
	Eastern City District	0.18	0.09	0.20	3.00	3.47
	South District	0.10	0.11	0.19	1.53	1.93
	Central City District	0.08	0.16	0.23	1.55	2.01

Source: SGS Economics and Planning 2019, Deep End Services 2016, Sydney Retail Demand and Supply Consultancy prepared for Greater Sydney Commission

### Retail expenditure

Retail expenditure data has been developed out of resident-based expenditure accounts across 24 commodity groups at an SA1 level (e.g. fresh food, groceries, pharmaceuticals, restaurants, etc). These expenditure accounts are sourced from MarketInfo's Market Data

Systems (MDS). MDS are the industry benchmark in estimating small area expenditure that draws on the latest Household Expenditure Survey (HES), ABS Census and other datasets.

These expenditure per capita forecasts are then combined with the small area land use projections discussed above to generate forecasts for how population expenditure will change between 2016-2036. As the population grows, expenditure in every category is expected to grow, but spending in supermarkets is expected to experience the most growth.

The retail expenditure data also considers changing consumer spending patterns, such as the growing role of online shopping, in addition to factoring in the degree to which expenditure is influenced by work-based, education-based and tourism-based spending. These considerations help to capture overall leakage/capture for the whole system.

TABLE 23: RETAIL EXPENDITURE BY RESIDENTS OF THE NEWCASTLE LGA (\$ MILLION), 2016-2036

Commodity Type	2016	2026	2036	Change	Average annual growth rate
Supermarket	\$681	\$870	\$1,055	\$374	2.2%
Other Food	\$317	\$381	\$444	\$128	1.7%
Hospitality and Services	\$139	\$162	\$203	\$64	1.9%
Clothing and Soft Goods	\$257	\$319	\$398	\$140	2.2%
Household Goods	\$325	\$367	\$416	\$91	1.2%
Other Retail	\$383	\$423	\$505	\$122	1.4%
Department Stores	\$201	\$243	\$279	\$78	1.7%
<b>Total</b>	<b>\$2,302</b>	<b>\$2,764</b>	<b>\$3,300</b>	<b>\$997</b>	<b>1.8%</b>

Source: MarketInfo, SGS 2019

### Retail turnover

In order to understand the impact of retail activity on Newcastle's centre network, it is necessary to understand the quantity of retail activity that is taking place *within* Newcastle's centres. Note that this figure will necessarily be different to the level of retail expenditure generated by the local population. In the case of the Newcastle LGA, the level of retail expenditure estimated to be generated by the local population in 2016 is projected to be around \$2.3 billion – representing 72 per cent of the turnover generated by Newcastle LGA's centres. This makes the LGA a net importer of retail expenditure.

This situation can be explained by the relative attractiveness of Newcastle LGA's centres to those in neighbouring regions, and the relative proximity/ accessibility of Newcastle's major centres for certain commodity groups to residents of surrounding LGAs. For example, household goods and hospitality turnover in Newcastle's centres is estimated to be much higher than the expenditure generated by the population's spending in these categories. This reflects the concentration and size of household goods floorspace (predominately at Kotara) and hospitality floorspace (at Newcastle City Centre as well as elsewhere) in the Newcastle LGA compared to the surrounding area.

TABLE 24: RETAIL TURNOVER OCCURRING IN THE NEWCASTLE LGA'S CENTRES (\$ MILLION), 2016-2036

Commodity Type	2016	2026	2036	Change	Average annual growth rate
Supermarket	\$611	\$782	\$961	\$350	2.3%
Other Food	\$232	\$277	\$325	\$93	1.7%
Hospitality and Services	\$345	\$402	\$521	\$176	2.1%

Clothing and Soft Goods	\$531	\$658	\$845	\$314	2.3%
Household Goods	\$893	\$999	\$1,161	\$268	1.3%
Other Retail	\$285	\$313	\$375	\$90	1.4%
Department Stores	\$311	\$376	\$446	\$135	1.8%
<b>Total</b>	<b>\$3,209</b>	<b>\$3,806</b>	<b>\$4,635</b>	<b>\$1,426</b>	<b>1.9%</b>

Source: MarketInfo, SGS 2019

Future turnover and floorspace demand forecasts are one possible view of the future retail market assuming that the current retail system is in equilibrium and that if the relative attractiveness of different centres stays the same. A different distribution of future development will generate a different pattern of future turnover, with impacts on the expected turnover of existing centres. Increases in attractiveness of particular centres, for example through reduced traffic congestion, a broader retail mix or a more attractive environment, are not anticipated in the model and could also shift the propensities of consumers to spend their money in different centres.

### Retail floorspace demand

Using benchmark retail turnover densities (RTDs) for each of the retail categories and centre sizes, it is possible to estimate the quantity of retail floorspace likely to be demanded within each centre as a result of changes in retail expenditure within their respective catchments. This provides a better estimate of how the performance of centres will change in the future than changes in turnover, as RTDs are adjusted over time to account for improvement in floorspace productivity (i.e. real increases in RTD).

Expected increases in retail floorspace demand are calculated on the assumption that the retail system is currently close to equilibrium, and so increases in the performances of centres above that which could be attributed to inflation can be interpreted as demand for additional retail floorspace. If certain centres are currently underperforming, this will not be reflected in the model results. In this case, improvements in retail performance should be viewed as increasing the viability of existing retail floorspace rather than creating demand for additional floorspace.

The expected retail floorspace demand by commodity type across the Newcastle LGA is shown in Table 25. The greatest increase in floorspace is expected to be in hospitality and services, while the greatest percentage increase in current floorspace is expected for supermarkets. If around 21,000sqm of supermarket floorspace were delivered, this would be equivalent to around 5-7 additional full line supermarkets. However, the actual demand may be lower to that given the large level of supermarket floorspace provision in Newcastle and surrounds compared to Greater Sydney.

TABLE 25: RETAIL FLOORSPACE DEMAND BY COMMODITY TYPE, 2016-2036

Commodity Type	2016	2026	2036	Increase	% Increase
Supermarket	50,486	61,200	71,473	20,987	41.6%
Other Food	25,510	28,916	32,349	6,839	26.8%
Hospitality and Services	102,427	110,678	133,246	30,820	30.1%
Clothing and Soft Goods	36,567	42,169	50,253	13,686	37.4%
Household Goods	94,412	99,000	106,745	12,333	30.1%
Other Retail	36,511	37,503	41,855	5,344	14.6%
Department Stores	61,870	69,494	76,505	14,635	23.7%
<b>Total</b>	<b>407,782</b>	<b>448,960</b>	<b>512,426</b>	<b>104,645</b>	<b>25.7%</b>

Source: MarketInfo, SGS Economics & Planning

Expected increases in retail demand are broken down spatially in Table 26. This shows that the greatest numerical increase in demand is expected to be in the Inner West Region. As this area currently contains the Kotara centre, the gravity model predicts that the existing gravity of this centre is estimated to capture a large amount of additional spending. The percentage increases in all other regions is larger than that in the Inner West region, due to the relatively low levels of population growth expected in the Inner West region compared with other regions.

TABLE 26: RETAIL FLOORSPACE DEMAND BY DISTRICT, 2016-2036

Area	2016	2026	2036	Increase	% Increase
Newcastle City Centre	102,759	118,249	137,763	35,004	34.1%
Inner North	32,838	35,800	41,386	8,548	26.0%
Inner South	16,320	17,804	20,146	3,826	23.4%
Inner West	199,259	213,405	240,202	40,943	20.5%
Outer	56,605	63,702	72,928	16,323	28.8%
<b>Total</b>	<b>407,782</b>	<b>448,960</b>	<b>512,426</b>	<b>104,645</b>	<b>25.7%</b>

Source: MarketInfo, SGS Economics & Planning

After Kotara, the largest increases in demand are expected to be in the Newcastle City Centre, which has relatively high projected population growth as well as a large amount of current retail floorspace.

## 7.2 Commercial and industrial demand

### Method

Future non-retail employment floorspace has been estimated based upon small-area employment projections for the Newcastle LGA. The same projections have been used for this purpose and in the retail model, and these projections are discussed in more detail in Section 7.1 above.

Employment projections have been converted into floorspace projections using the following method.

#### Step one: Broad land use categories

Employment forecasts by industry by small area are converted into forecasts by broad land use categories (BLCs), using SGS BLC matrices which have been developed across multiple prior land audits and which have been adjusted to reflect Newcastle's land use profiles. BLCs are types of built form such as office, light manufacturing and retail main street. Retail employment is excluded as it is addressed in the retail model.

#### Step two: Floorspace demand in small areas

Standard SGS floorspace per job ratios for each BLC are used to convert employment forecasts into forecasts for floorspace demand.

#### Step three: LGA-wide floorspace demand

Floorspace requirements are aggregated up to the LGA level, maintaining the split into land use zones and BLCs. They are then redistributed into likely areas as discussed below.

#### Step four: Demand redistribution

It is important to aggregate floorspace demand to an LGA level because businesses, regardless of their type, are rarely constrained to operating in a single precinct. Additionally,

the employment forecasts used are less accurate at a small area level, but are more accurate when multiple adjacent precincts are considered together.

This approach therefore aggregates this supply-demand gap up to the LGA to enable strategic planning directions to best assign where growth should occur. This is one of the biggest distinctions between this method and the retail modelling, as the retail gravity model assumes that existing major retail centres will continue to pull future retail spending toward them.

To provide the required granularity in floorspace requirements to inform strategic planning, the total commercial floorspace for the LGA is split into population-serving and strategic designations. This is done by identifying a proportion of employment and floorspace which is likely to be population driven, based on a ratio between the size of the population and the number of local jobs identified by SGS through regression analysis of Metropolitan Sydney's employment and population change. The remaining floorspace demand is assumed to be more business-serving and so the associated businesses will be more footloose in selection their location.

The population-driven floorspace demand is finally distributed throughout the LGA proportionally to population forecasts. Strategic floorspace demand remains at an LGA level and is distributed separately based on strategic planning aspirations and an understanding of the commercial landscape.

Industrial land does not have a distinction applied between population serving and business serving. Instead, BLCs have been classified as light industrial, heavy industrial or office-based. Demand for these categories is reported LGA-wide. In general, light industrial demand will be best met in precincts which are relatively close to the population and other businesses and which contain smaller lots. Heavy industrial uses, which include large-scale freight and logistics, is best suited to precincts which are free from land use constraints, which have good access to the major road network, and which have larger lots. These attributes are discussed in more detail in Section 8.3.

### Employment projections

Employment projections for the Newcastle LGA are based on likely growth rates for each industry which are based on macroeconomic factors and recent changes in performance by industry across Greater Sydney, Newcastle and Wollongong. The anticipated average annual growth rates per industry between 2016-2036 in the Newcastle LGA are shown in Figure 30.

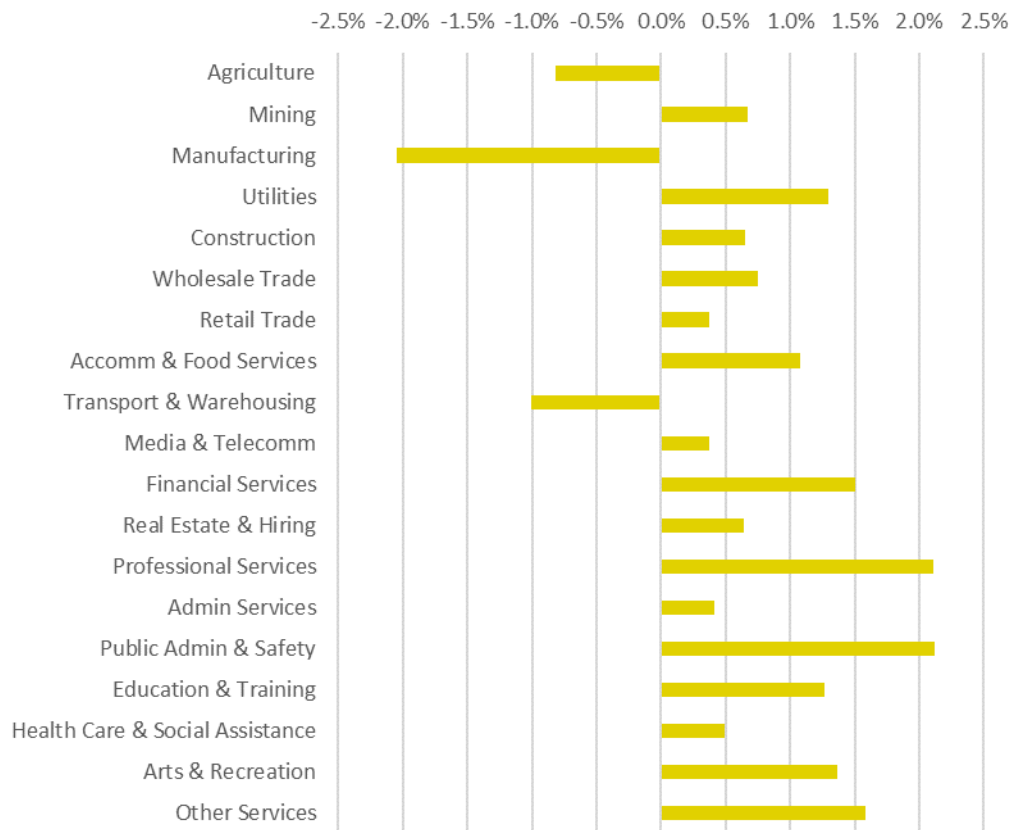
These industry-specific growth rates reflect the economic context of Greater Sydney and surrounding regions, but may not reflect the specific economic context of the Newcastle LGA. High growth rates are predicted for knowledge intensive industries like professional services, and while this is likely to be accurate in Greater Sydney, Section 5 identified that professional services employment contracted in the Newcastle LGA between 2016-2036. Similarly, transport and warehousing employment is expected to contract, but grew in the Newcastle LGA between 2011-2016. While the Port of Newcastle would be expected to bolster employment in this sector, it is also associated with a range of other transport, postal and warehousing businesses in which automation may decrease employment levels.

As a result of the differences between industry specific growth projections and local economic context, these employment projections may overstate the likely employment growth in the Newcastle LGA. Floorspace demand projections which are based on them may also overstate likely floorspace demand.

Despite their failings, these projections provide a common set of planning assumptions across multiple levels of government and so are the best available information source for local planning. The City of Newcastle should plan aspirationally and ensure that there is enough zoned land to accommodate predicted employment levels, while anticipating that slightly less demand may eventuate.



FIGURE 30: FORECAST AVERAGE ANNUAL GROWTH RATES OF EMPLOYMENT IN THE NEWCASTLE LGA, 2016-2036



Source: SGS Economics and Planning 2019, Transport for NSW 2019 TVP v1.51 Projections

### Floorspace demand

Floorspace demand results for the Newcastle LGA are shown below in Table 27.

While employment in the traditionally industrial industries of manufacturing and transport are expected to contract between 2016-2036 as recorded in the ABS industry categorisation, there is not expected to be an overall decline in demand for floorspace in industrial areas. This reflects the industry profile in industrial areas, which as noted in Section 5.1 is much more broad than the traditionally industrial ANZSIC categories (the industry categorisation the ABS uses) of agriculture and primary industries, mining, manufacturing, utilities and wholesale trade. As a result, overall employment is expected to grow in many industrial areas. Corresponding floorspace demand is expected to grow in many cases, varying between different precincts depending on the kind of industrial floorspace considered.

Demand for heavy industrial floorspace is expected to contract as a result of the expected declines in employment in certain industries which is discussed above. As a result of forecast increases in employment in a variety of other industries, demand for light industrial floorspace is expected to increase. This accords with the current high levels of demand for industrial premises discussed in section 4.2. Office floorspace in industrial precincts is also expected to increase, although industrial precincts would likely be competing with Newcastle City Centre for the kinds of businesses which would want to locate in these premises.

There is a relatively modest expected demand in population-serving commercial floorspace demand. This demand is highest in the Newcastle City Centre, Inner West and Outer regions where population forecasts are highest.

Demand for other employment generating floorspace in commercial premises is more substantial than for population-serving commercial. This includes a wide variety of industries and broad land use categories including offices, and so some of this floorspace would be

expected to be distributed throughout the LGA. However, the location of most of it would be driven by the amenity of different precincts for commercial development. The Newcastle City Centre would be the most appropriate location for this floorspace from a strategic-planning point of view.

TABLE 27: NON-RETAIL EMPLOYMENT FLOORSPACE DEMAND BETWEEN 2016-2036

Type of floorspace and area		Floorspace demand (sqm)
Population serving commercial	Newcastle City Centre	6,762
	Inner South	2,841
	Inner North	4,387
	Inner West	7,658
	Outer	11,733
Other commercial (including business serving)		249,882
Industrial	Light	122,983
	Heavy	-17,465
	Office	15,443
	Subtotal	120,961
Total		404,224

## 8. DISCUSSION

### 8.1 Future floorspace supply and demand balance

Summaries of the floorspace capacity and demand identified by SGS's modelling are shown in Table 28 and Table 29 below.

By comparing the two, it can be seen that the future retail and population serving floorspace demand in centres is higher than the conservative capacity in centres in every area. This means that additional demand cannot be accommodated without any redevelopment of existing buildings, which is to be expected in a developed LGA like Newcastle.

In every case except the Inner West and Inner North regions future retail and population serving floorspace demand in centres is less than the medium capacity. This means that demand could be accommodated within existing planning controls if site redevelopment occurs and if there is only a notional commercial FSR of 0.5:1 in any redevelopment. A larger commercial component in development would increase the capacity.

In the Inner West district, most of the future demand is retail demand, and the appropriateness of this development occurring is discussed in more detail in Section 8.5 below. The Inner South District is relatively small. Any demand in this area that could not be accommodated in this district could be accommodated in the adjacent Newcastle City Centre.

TABLE 28: SUMMARY OF FLOORSPACE CAPACITY (SQM) FOR THE NEWCASTLE LGA

Area	Centres			Industrial		
	Conservative	Medium	Maximum theoretical	Conservative	Medium	Maximum theoretical
Inner West	3,780	31,746	515,637	3,477	44,123	362,018
Inner North	13,446	79,887	829,608	275,191	275,191	780,794
Inner South	200	5,810	139,330	0	2,504	2,567
Newcastle City Centre	31,422	406,957	1,608,924	0	0	0
Outer	12,038	28,775	287,971	2,074,788	2,074,788	5,165,335
<b>Total</b>	<b>60,886</b>	<b>553,175</b>	<b>3,381,470</b>	<b>2,353,456</b>	<b>2,396,606</b>	<b>6,310,714</b>

TABLE 29: SUMMARY OF FLOORSPACE DEMAND (SQM) FOR THE NEWCASTLE LGA

Area	Population serving commercial	Retail	Subtotal	Other commercial	Industrial - light	Industrial - heavy	Industrial - office	Industrial total
Inner West	7,658	40,943	48,601					
Inner North	4,387	8,548	12,935					
Inner South	2,841	3,826	6,667					
Newcastle City Centre	6,762	35,004	41,766					
Outer	11,733	16,323	28,056					
<b>Total</b>	<b>33,381</b>	<b>104,644</b>	<b>138,025</b>	<b>249,882</b>	<b>122,983</b>	<b>-17,465</b>	<b>15,443</b>	<b>120,961</b>

The other commercial and industrial demands are likely to be more footloose and could be accommodated anywhere in the LGA depending on which locations are the most suitable.

It would be expected that some of the other commercial demand would be distributed across the LGA, with much of it going to the Newcastle City Centre as the primary commercial centre. There is enough capacity in the Newcastle City Centre to absorb all of the other commercial demand, so there is no need to zone for additional capacity before 2036.

There is much more capacity in industrial zones than anticipated demand for industrial floorspace. Almost all of this industrial capacity is located in the Mayfield West, Beresfield, Hexham and Sandgate precincts, with the result that most of the identified capacity in Table 28 is located in the Outer region. As there is enough capacity to accommodate demand, it is important to consider the appropriateness of identified precincts for industrial businesses. This question is addressed in Section 8.3 below.

As noted in Section 7.2, non-retail floorspace demand figures are based on employment projections that apply high-level trends to derive growth rates for each industry, which may not reflect the local economic context of Newcastle. These projections are the best available source for likely future land use considering macro-economic factors, and so it is appropriate to plan for future floorspace accordingly. However, Council should also consider that actual commercial demand may be lower than anticipated. Council should also plan to consider additional potential demand that may arise from economic transitions and economic development created by economic catalysts.

## 8.2 Economic transition

Newcastle has historically been viewed as an industrial city anchored by the steel industry, although this status began to decline in the 1980s as the number of workers in the steel industry decreased. There are some signs which were documented in Section 5 that the local economy is currently undergoing a broader transition towards other sectors, many of which are more knowledge intensive. While employment in manufacturing and several other traditionally industrial industries fell sharply between 2011-2016, employment across all industries grew in Newcastle between 2011-2016.

However, there is not clear evidence of a broad transition towards jobs in professional services, financial services and similar industries that are very high value and concentrated in places like Sydney. Professional services and financial services are specialised in Newcastle compared to NSW outside of Greater Sydney. However, the competitive shift of Newcastle between 2011-2016 for most of these industries when compared to NSW as a whole (including Greater Sydney) was negative, and employment in professional services in the LGA shrank between 2011-2016. This is contrary to projections, which estimate that professional services employment will experience significant growth in the future.

Instead of a shift towards knowledge intensive employment, employment growth in Newcastle between 2011-2016 was dominated by health care, education, accommodation and food and construction, all of which had a positive competitive shift compared to NSW. Each of these sectors are specialised in the Newcastle LGA compared to Greater Sydney, and health care is also specialised compared to NSW. Health care and education are strengths of the Newcastle LGA given its regional role and are expected to continue to grow in the future.

### Economic catalysts

Economic growth in the Newcastle LGA is likely to continue as a result of population growth, However, higher levels of growth and transitions in the composition of the local economy may be driven by economic catalysts. These are large developments or uses which create a competitive advantage for Newcastle or change the way it is perceived.

Potential economic catalysts include:

- The opening of the Newcastle Light Rail Line, which creates threats to the continued function of the eastern part of the Newcastle City Centre, but also opens access between the City Centre and the Hunter River. This creates opportunities to improve the public

domain in Newcastle, which would increase its viability as a hospitality and boutique retail destination.

- Potential growth of universities and proposed university expansion in the Newcastle City Centre. Development in the City Centre creates employment and additional demand for services and retail. Expansion of the University of Newcastle or the opening of other university facilities, such as the proposed campus of Nihon University in the Newcastle City Centre, would also heighten the opportunity to change the skills mix of the local population, noting that many people move from outside Newcastle to the LGA for study.
- The Port of Newcastle is a competitive advantage for the Newcastle LGA, and an expansion of the Port with a new container terminal is proposed. While this has not been approved by the NSW government, any expansion of the port has the potential to encourage significant growth in the transport and logistics industry and others in its supply chain.
- Port Stephens and the Hunter Valley are significant tourism destinations near Newcastle. Encouraging people to spend time in Newcastle on the way to these destinations has the potential to encourage additional growth in the hospitality industry, particularly in the Newcastle City Centre where this industry is strongest. Large developments like the proposed cruise ship terminal in Newcastle would increase this potential.
- Continued housing affordability issues in Sydney and increasing congestion as densities increase have the potential to encourage people to move to the Newcastle LGA. While net migration from Greater Sydney was not a significant proportion of the local population in the Newcastle LGA between 2011-2016, if this changes in the future it will encourage an increase in local educational attainment.
- Faster rail from Sydney to Newcastle has been proposed by the NSW Government. While there has been no commitment to the delivery of this and details are unconfirmed, a reduction in travel time from Newcastle to Sydney and other areas could encourage additional commercial development, particularly around Newcastle Interchange.
- The proposed expansion of the John Hunter Hospital to create a health and innovation precinct, which will ensure continued growth in employment in the health sector and create opportunities for businesses within related supply chains.

These economic catalysts and other external forces which will impact Newcastle's economy in the future introduce an element of uncertainty into future economic performance and land use requirements. As a result, Council should continue to periodically review their employment lands strategy.

### 8.3 The future of industrial land in Newcastle

As noted above, employment in traditionally industrial industries such as manufacturing fell sharply between 2011-2016 and is likely to decrease further in the future. However, this does not mean that there is not a continuing need and demand for industrial land in the Newcastle LGA.

Industrial precincts in the Newcastle LGA are home to businesses of a wide variety of types and from a wide variety of industry sector classifications. While employment in the manufacturing and transport and warehousing sectors is expected to decline, employment is expected to grow in other sectors which also have a strong presence in industrial areas. At the same time, increasing automation will mean that fewer workers are required in many businesses even if their floorspace requirement remain the same (although this has not been explicitly modelled in this report). As a result, continued growth in Newcastle's population and economy in the future is likely to increase overall demand for floorspace in industrial precincts. As noted above, there is enough capacity to accommodate this growth within current planning controls.

In this context, it is important to consider whether the available industrial precincts are well suited to their future roles and the kinds of land and floorspace which are likely to be in demand. This is particularly important given the difference in expected demand for different

kinds of industrial floorspace, with demand expected to increase for light industrial premises but to shrink for heavy industrial premises.

### Factors driving industrial business location

As noted in Section 4.3, industrial precincts and uses in Newcastle can be broadly categorised into light industrial, strategic industrial, subregional activities, remnant industrial sites and sites associated with the Port of Newcastle. The two most common of these are light industrial and strategic industrial, which could be considered to comprise freight and logistics and other uses. Offices are also located in some industrial precincts (for example Mayfield West).

Different factors make a precinct suitable for different kinds of industrial uses. These will drive businesses to locate in particular precincts, increasing demand for land and premises. A selection of such attributes is shown in Table 30. The employment precincts with substantial development capacity are rated qualitatively on these attributes in Table 31 against all industrial land in the Newcastle LGA.

TABLE 30: FACTORS WHICH INFLUENCE THE SUITABILITY OF INDUSTRIAL PRECINCTS

Industrial type	Access to major roads	Proximity to Port	Proximity to other industrial businesses	Proximity to population	Proximity to Newcastle City Centre	Public transport accessibility	Lot sizes
Strategic industrial – freight and logistics	Very important	Very important	Slightly important	Not very important	Not very important	Not very important	Large
Strategic industrial – other	Very important	*	Moderately important	Not very important	Not very important	Not very important	Large
Light industrial	Slightly important	Not very important	Very important	Moderately important	Slightly important	Not very important	Small-medium
Office	Slightly important	Not very important	Not very important	Slightly important	Moderately important	Moderately important	Medium

\* - note that some other strategic industrial uses may also need to be located near the Port

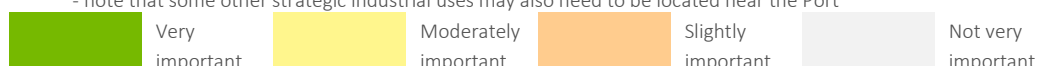


TABLE 31: ATTRIBUTES OF INDUSTRIAL PRECINCTS WITH FUTURE DEVELOPMENT POTENTIAL

Employment precinct	Access to major roads	Proximity to Port	Proximity to other industrial businesses	Proximity to population	Proximity to Newcastle City Centre	Public transport accessibility	Lot sizes
Port of Newcastle land	Good	Very good	Moderate	Poor	Moderate	Poor	Large
Beresfield	Very good	Moderate	Good	Moderate	Poor	Poor	Medium-Large
Hexham	Good	Good	Moderate	Poor	Poor	Poor	Large
Mayfield West	Good	Very good	Moderate	Moderate	Moderate	Poor	Medium

All of the precincts with development capacity have good accessibility to major roads and ports, and Beresfield has good accessibility to other industrial businesses. This makes these precincts relatively appropriate for strategic industrial uses, which will include the heavy industrial demand and some of the light industrial demand identified in Table 29. However,

they are less appropriate for light industrial uses than the smaller employment precincts which are distributed across the established parts of the Newcastle LGA.

### Directions for local planning

Following from the above discussion, it is evident that:

- There is enough capacity in existing zoned areas which are suitable for strategic industrial uses to accommodate demand for heavy industry and freight and logistics uses.
- Some of the expected increase in demand for light industrial uses can be accommodated in Mayfield West and Beresfield, but these precincts will not provide the small lots distributed throughout the Newcastle LGA near the existing population and other businesses which allows light industrial precincts to service the local population and support the local economy.
- The identified precincts are not particularly suitable for office development, but the presence of offices in the Mayfield West and Warrabrook Precinct suggests that office development will continue to occur in this area in competition with the Newcastle City Centre.

As a result of the differences of these results for different kinds of industrial demand, Council should have different plans for the future uses of industrial precincts depending upon their current status:

- Existing light industrial precincts distributed through the LGA should be protected and retained to continue to provide services to the local population and businesses and to secure their continued importance to the local economy as demand increases.
- There is enough capacity for strategic industrial land under existing planning controls, and these will likely continue to develop to meet any additional demand.
- Large remnant industrial sites housing large manufacturers may become vacant in the future if manufacturing employment continues to decline. Redevelopment of these sites to may be appropriate accommodate light industrial uses, other employment uses, or non-employment uses if required for development feasibility. The land in these sites may be contaminated and require costly remediation, and so the appropriateness of each use will be influenced by development feasibility.
- The land around the Port of Newcastle covered by the Three Ports SEPP should continue to be managed in consultation with the Port of Newcastle, the Department of Planning, Industry and Environment and Transport for NSW given its strategic importance. Current projections do not indicate sufficient industrial floorspace demand for large parts of this land to be developed for general industrial purposes, but an expansion of the Port of Newcastle could change the local industrial landscape and would have substantial land requirements.

## 8.4 The future of Newcastle City Centre

Newcastle City Centre is the primary regional centre for the lower hunter region. It contains a range of services, a retail centre and the largest concentration of employment in the area. It has a relatively high proportion of knowledge intensive jobs, a traditional City Centre environment and high levels of public transport connectivity. This makes it the most suitable location in the LGA and region for commercial development.

Commercial and other developments have been occurring recently around Newcastle Interchange and in the Honeysuckle area, indicating some development momentum. Newcastle has been attempting to attract significant commercial development for some time, and as noted in Section 8.2 there are mixed indicators for the success of the Newcastle Economy in transitioning towards a knowledge based economy. On this basis, Council should seek to build on existing development momentum in Newcastle City Centre, both for high density residential and mixed-use development and for purely commercial development. There is likely to be only a market of a limited size for most of these kinds of developments

and distributing throughout the LGA's centres could limit the prospects of Newcastle City Centre and consequently the economic transition of the LGA.

### Retail performance

There is some evidence that retail in the Newcastle City Centre is not performing well. While the eastern end of the Centre used to be the major retail centre for Newcastle and the surrounding region, it has declined in importance with the advent of car-based shopping centres like those in Kotara, Charlestown and Glendale. While these other centres have broad retail mixes, retail provision in the Newcastle City Centre is dominated by hospitality.

There are now almost no retail anchors in the eastern end of the City Centre and there are high levels of vacancies in some areas. This is the problem that Renew Newcastle responded to.

SGS's retail modelling has shown an increase in retail floorspace demand of approximately 35,000 sqm of retail floorspace in the Newcastle City Centre. As noted in Section 7.1, this depends upon the retail system currently being close to supply-demand balance. Given the issues faced by retailers in the Newcastle City Centre, there is likely to be a current oversupply of floorspace. For this reason, the modelled increase in demand should be interpreted as an improvement in retail turnover which will improve the viability of retailing in Newcastle City Centre rather than as new floorspace which must be delivered.

The success of centres like Kotara at the expense of Newcastle City Centre demonstrates their increased competitiveness at attracting consumers for regular shopping. This follows from their easy accessibility by car, available parking and retail concentration. Newcastle City Centre is likely to remain uncompetitive in these attributes in the future, and so should not seek to replicate the retail offering in large car-based shopping centres. Instead, Council should plan for it to exploit its retail competitive advantages.

### Competitive offer

The main point of difference between the Newcastle City Centre and other large retail centres nearby is Newcastle City Centre's urban amenity and character, which contrasts with the more suburban and car-based designs and characters of many other competing centres like Kotara. More specifically, Newcastle's advantages include:

- A historic centre with a strong built form character
- Vibrancy as a result of its hospitality focus,
- A broad mix of uses including a large scale of business activity, providing activation at multiple times of the day,
- Its position next to beaches, Fort Scratchley and significant open space, and
- Its proximity to a wide range of social infrastructure and services
- Its cultural precinct, including the civic theatre, art gallery and museum

These features should be retained and leveraged in Newcastle, while significant developments with a hospitality focus elsewhere have the potential to erode Newcastle City Centre's point of difference.

Newcastle City Centre's unique attributes lend themselves to a future as a lifestyle destination with a retail focus on hospitality, leisure, provision for local workers and boutique retail experiences which are not likely to be offered in large stand-alone shopping centres. This focus offers better prospects for the City than trying to compete with Kotara, Charlestown and Glendale as a broad-based retail centre.

A future role as a historic centre with a hospitality and boutique retail focus would be supported by increased mixed-use development, which would increase the vibrancy of the centre. It would also position the Newcastle City Centre to become more of a destination for tourists, increasing the ability of the Centre to leverage its position near tourist destinations such as the Hunter Valley. If the proposed cruise ship terminal development occurs, this



would support an expanded tourism role, although this development may not occur for some time.

Newcastle City Centre evolving an identity as a vibrant and high amenity centre would also create economic opportunities in the LGA more broadly. As noted in Section 5.2, attracting students and retaining them in the area after their study, or enticing them to move back later, has the potential to develop the local economy and assist with its transition towards a knowledge basis. Creating high amenity centres which appeal to young people is critical to this aim.

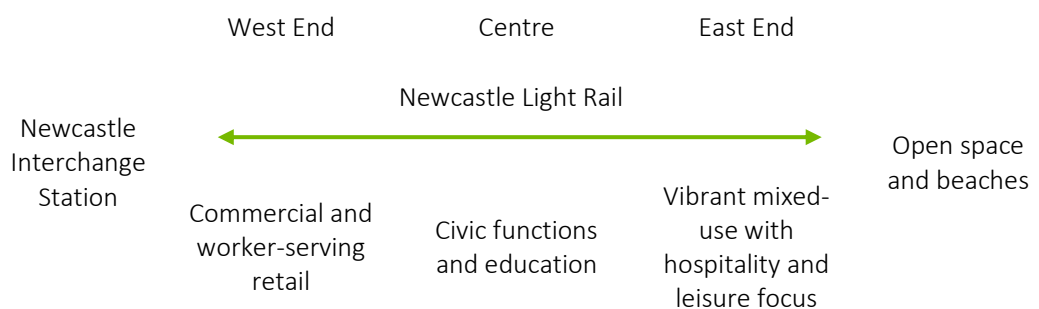
### Prospects for different parts of the City

The conversion of the Newcastle Railway Line to light rail, and current trends in the development of the Newcastle Centre have potential ramifications for the development of different parts of the City Centre and how they develop.

Newcastle City Centre has an irregular shape, with a distance of around 2.5km from Newcastle Interchange to the former Newcastle Train Station, and the centre only several hundred metres wide in places. This has the potential to create stratification in the success of different parts of the City.

Commercial development appears to be currently moving broadly west in the Newcastle City Centre towards Newcastle Interchange. At the same time, the former retail centre in the eastern end of the City is declining in retail significance but developing a hospitality role. There is a concentration of civic functions in the middle of the City, but the Council offices are moving to the western end. When put together, these factors create the threat that Newcastle could turn into two cities: the successful western end near the Train Station, with a business focus, and the no longer vibrant eastern end with poorly performing retail and few activities to attract people.

Combating the threat of Newcastle’s western end developing at the expense of other areas will require an understanding of the potential identities of different parts of the City, and how they could complement each other. This is depicted below, with precinct identities intended to be reinforced by the Newcastle Urban Renewal Strategy.



Newcastle’s West End is developing as a commercial centre and this should continue to be encouraged. As more businesses move in, there will be scope for retail and services with a focus on serving the local workers. Developments in the West End should not seek to replicate this role as the dining and entertainment centre of Newcastle.

The East End is adjacent to the beach and open space and has the highest amenity in terms of built form, urban design and access to hospitality. High density mixed-use development is planned around the Hunter Street Mall. Along with tourism developments, sympathetic mixed-use would cement the East End’s evolving role as a lifestyle destination, replacing its former status as the primary retail and business centre. The East End is also the nightlife centre of the region, with particular opportunities in the area between the East End and the Centre where there are educational uses and less residences.

The current university building in the centre of the City, along with the Civic Centre, Museum, Art Gallery and City Library, create a strong identity for this area. People from educational institutions could access the hospitality offerings of the eastern end of the city and in Cooks Hill, while people from businesses to the west could access this areas civic institutions. A new five star hotel is planned in the former City of Newcastle offices.

Rapid public transport connections between the different parts of the City will cause them to benefit from each other. In the longer term, divisions between them could become less noticeable, with the Centre sharing a mixed-use, hospitality and leisure role with the East End and commercial and worker-serving retail in both the West End and Centre.

## 8.5 The future of other retail centres

### Kotara

As noted in Section 6.1, Kotara is currently the largest retail centre in the Newcastle LGA and provides a broad mix of retail floorspace types. It contains a large homemaker centre located north of Westfield Kotara. The Greater Newcastle Metropolitan Plan identifies Kotara as a catalyst precinct with a direction to “facilitate transformation of the Precinct from large format retail to a mixed-use town centre with diverse uses, including office and shop top housing”.

Kotara is a major retail centre in the Newcastle LGA with good accessibility by road. However, it does not provide a broad range of services and is co-located with a relatively limited amount of social infrastructure. As such, it should retain its current stand-alone centre role and should not seek to develop a broader centre role.

### Large format retail

The Kotara Homemaker Centre currently serves an important retailing role in the Newcastle LGA and the surrounding region. It contains by far the largest concentration of household goods floorspace in the area, as shown in Table 32. It is also the only consolidated homemaker centre which facilitates a broad range of comparison shopping in a single destination. This is evident from the design of the other nearby large concentrations of household goods floorspace, which are shown in

Figure 31. In the face of competition from online retailing, consolidated homemaker centres which are co-located with a limited range of other uses are likely to remain more competitive than distributed large-format retail intermixed with light industrial premises.

TABLE 32: FLOORSPACE IN PRECINCTS WITH THE LARGEST AMOUNTS OF HOUSEHOLD GOODS RETAILING FLOORSPACE IN AND NEAR THE NEWCASTLE LGA

Centre	Supermarket	Other Food	Hospitality and Services	Clothing and Soft Goods	Household Goods	Other Retail	Department Stores	Total
Kotara	7,662	2,605	6,749	21,652	46,806	15,464	27,039	127,976
Bennetts Green	-	-	110	-	20,157	-	-	20,266
Newcastle City Centre	6,369	7,453	41,976	6,422	19,280	6,050	15,062	102,612
Warners Bay	-	124	1,064	200	12,569	-	1,064	15,021

SGS's retail modelling predicts that the demand for household goods retailing space will increase by 30% between 2016-2036. While the actual amount may be lower due to an increased market share from online retailing, it would not make sense to plan for the loss of a large amount of household goods floorspace in this context.

Mixed-use town-centre style developments are generally incompatible with large format retail centres. Large format centres require large amounts of carparking and easy access from major roads, both of which are evident at Kotara. As a result, their design is generally focused around the car and is not appropriate for mixed-use. While it would be possible to redevelop existing surface level car parks with residential apartments above them, these apartments would have low levels of amenity from the surrounding environment and large format retail buildings. Such development would also be likely to generate increased traffic conflicts which could harm the viability of the large format centres. It would also be highly difficult and expensive to build apartments on top of the large-format retail buildings themselves, as their open plan showroom-style design is incompatible with the frequent structural supports needed for residential spaces above.

Kotara does not have the characteristics which would support a good mixed-use centre. The Westfield and home-market centre are separated from the Train Station and so have relatively limited public transport access. There are few existing services, social infrastructure or high amenity public domain elements which could be built on as the centre develops. The road network does not have a fine grain, and walkability to the surrounding area is relatively limited. Other centres like the Newcastle City Centre, Hamilton and Broadmeadow, have many more of the elements required to make a centre successful.

Given the important retail role of Kotara, including of the home-maker centre, the likely difficulty and conflict created by mixed-use redevelopment and the lack of attributes which would indicate opportunities to create a successful and high-amenity centre, Kotara should retain its current retail role in the future and should not be redeveloped as indicated in the Greater Newcastle Metropolitan Plan. Any loss of the current retail function could limit the ability of the population to access large-format retail facilities and increase demand elsewhere in locations which are currently providing important light industrial premises. In addition, higher density development momentum should be concentrated in the Newcastle City Centre as discussed in Section 8.4.

FIGURE 31: PRECINCTS WITH THE LARGEST AMOUNTS OF HOUSEHOLD GOODS FLOORSPACE IN AND NEAR THE NEWCASTLE LGA

(A) – KOTARA, (B) – BENNETTS GREEN, (C) – WARNERS BAY



(a)



(b)



(c)

Source: Nearmap 2019

### Other retail development

SGS's modelling indicated a demand for around 41,000sqm of additional retail floorspace in the Inner West Region between 2016-2036. This may be an overestimation of likely increases in demand as high levels of retail provision currently may indicate an oversupply of retail floorspace. In addition, redevelopment is intended to occur in the catalyst precinct of Broadmeadow and in B4 zones in Adamstown and Hamilton.

After development elsewhere in the Inner West Region, there may some be additional demand for additional retail development at Kotara. Kotara is in direct competition with Newcastle City Centre as a retail destination, and while the Newcastle City Centre is likely to undergo a transition in its retail role in the future towards a more specialised offering. However, its overall retail viability may be impacted by expansion at Kotara, particularly if it focuses on the dining and hospitality sector which is a strength of the Newcastle City Centre. Any such negative impacts would need to be carefully managed.

## Town Centres

There are six town centres identified in Newcastle’s previous retail hierarchy: The Junction, Adamstown, Hamilton, Waratah, Mayfield, Jesmond and Wallsend. Their retail floorspace and anchor retailers are shown in Table 33. That are all large centres with significant amounts of retail floorspace and anchor supermarkets except for Adamstown, which is a small centre.

Given the increasing retail floorspace turnover expected across the Newcastle LGA in the future, the large town centres of The Junction, Hamilton, Waratah, Mayfield, Jesmond and Wallsend are likely to continue to perform well. The presence of large supermarkets will ensure foot traffic remains high in the face of potential increases in retail market share from online retail.

Adamstown contains areas zoned B4 which would allow more substantial development. However, no mixed-use developments have yet occurred, indicating a potential lack of demand or feasibility. The Centre is located around halfway between Kotara and Broadmeadow, which are both catalyst precincts under the Greater Newcastle Regional Plan. Kotara is a very large retail centre, and an additional centre is intended to be developed at Broadmeadow. There is unlikely to be sufficient demand for a new large retail centre at Adamstown, and so it should not be considered as a current or potential future town centre.

TABLE 33: RETAIL CHARACTERISTICS OF TOWN CENTRES

Centre Name	Region	Retail floorspace	Supermarkets	Department stores
The Junction	Inner South	10,471	Coles	
Adamstown	Inner West	629	Foodworks	
Hamilton	Inner West	16,759	ALDI	
Waratah	Inner West	14,081	Coles	Kmart
Mayfield	Inner North	14,063	Woolworths, ALDI	
Jesmond	Outer	20,945	Woolworths, ALDI	Big W
Wallsend	Outer	18,223	Coles, ALDI	

## Broadmeadow

Broadmeadow is identified as a catalyst precinct in the Greater Newcastle Metropolitan Plan. The Plan contains actions to expand the economic role of the area west of the Train Line, including the B5 zone. It also aims to provide a mix of uses facilitating growth and change in surrounding centres and residential areas, with office, retail and medium density housing around the Nineways. The zoning framework is already set up to facilitate this outcome, but no redevelopment has yet occurred, indicating a likely lack of feasibility.

As noted above, in the short term high density mixed-use development should be prioritised in Newcastle City Centre and should not be spread throughout the LGA. Council should prioritise any interventions to improve local amenity and development feasibility in the Newcastle City Centre. In the medium-longer term, a centre development in Broadmeadow may be appropriate. As Broadmeadow is near other centres including Hamilton and Newcastle City Centre, any centre developed here should serve the local population rather than having a broader focus.

## Other centres

SGS’s modelling has calculated likely future demand for 69,641 sqm of additional retail floorspace in Newcastle’s Centres outside of the Newcastle City Centre between 2016-2036. As noted in Section 7.1, this may overestimate actual demand if there is an oversupply of retail floorspace currently. In addition, if online retailing captures an increasing market share at the expense of local retailers, this could impact on the performance of bricks and mortar stores and decrease likely future demand.

Local supermarkets are likely to ensure local centres remain competitive and that foot traffic is maintained in the face of online retailing and competition from larger centres which are convenient to access by car. An anchor retailer like a supermarket can support other retailers and increase the viability of the centre overall.

Those centres without a supermarket but with a large amount of other floorspace are more vulnerable to possible future changes in consumer behaviour or competition from online retailing. The performance of these local and neighbourhood centres may decline in the future, in which case investment in the public domain or increased integration of social infrastructure may improve the retail experience and increase food traffic.

Table 34 provides an outline of how the 69,641 sqm of potential additional retail demand in Newcastle's centres could be distributed to centres throughout the LGA. This provides a guide to local planning and how centres may develop in the future, but as modelling reflects current assumptions and projections should not be treated as an accurate picture of how centres must develop. A more important consideration in assessing any unexpected large retail applications is their impact on the intended roles and functions of each nearby centre.

The current hierarchy and pattern of retail provision is likely to persist into the future given the established nature of the Newcastle LGA, aside from potential declines in performance of small centres without a supermarket and some reconfiguration of larger centres in response to competition from online retail. There are small and large centres distributed throughout the LGA aside from the Outer Region where there are few smaller centres, providing good access to local retail for the population. As such, the anticipated future distribution of retail demand should roughly correspond with the current sizes of retail centres.

In some cases, there will be opportunities to improve the function and viability of local centres through retail developments which exceed a proportional distribution of increased floorspace demand from the associated planning region. Some of these have already been identified in existing policies, such as the mixed-use renewal corridors around Hamilton, Adamstown, Broadmeadow and Mayfield. These are reflected in the distribution below.

TABLE 34: POTENTIAL FUTURE RETAIL FLOORSPACE DISTRIBUTION IN THE INNER NORTH REGION

Centre	2016 Floorspace	Increase to 2036	Current centre classification	Proposed centre classification
<b>Inner North Region</b>				
Mayfield	14,063	4,000	Town Centre	Town Centre
Islington	5,703	1,000	Local Centre	Local Centre
Warabrook	3,522	500	Local Centre	Local Centre
Stockton	2,744	1,000	Local Centre	Local Centre
Carrington	1,353	1,000	Local Centre	Local Centre
Other	5,453	1,000		
<i>Total</i>	<i>32,838</i>	<i>8,500</i>		
<b>Inner South Region</b>				
The Junction	10,471	2,500	Town Centre	Town Centre
Glebe Rd Merewether	1,831	200	Neighbourhood Centre	Neighbourhood Centre
Merewether	1,379	400	Neighbourhood Centre	Neighbourhood Centre
Cooks Hill (Darby St South)	2,170	500	Neighbourhood Centre	Neighbourhood Centre
Merewether Beach	469	250	Neighbourhood Centre	Neighbourhood Centre
<i>Total</i>	<i>16,320</i>	<i>3,850</i>		
<b>Inner West Region</b>				
Kotara	127,976	15,000	Stand-alone shopping centre	Stand-alone shopping centre
Waratah	14,081	4,000	Town Centre	Town Centre
Hamilton	16,759	5,000	Town Centre	Town Centre
New Lambton	8,627	3,000	Local Centre	Local Centre
Broadmeadow	6,683	5,000	Local Centre	Developing Local Centre
Broadmeadow (Ailsa Road)	4,805	750		Local Centre
Lambton	2,664	750	Local Centre	Local Centre
Georgetown	1,476	500	Local Centre	Local Centre
Waratah (Station Street)	1,135	500	Neighbourhood Centre	Neighbourhood Centre
Adamstown	629	2,000	Town Centre	Developing Local Centre
Other	14,425	4,400		
<i>Total</i>	<i>199,259</i>	<i>40,900</i>		
<b>Outer Region</b>				
Jesmond	20,945	6,000	Town Centre	Town Centre
Wallsend	18,223	5,000	Town Centre	Town Centre
Fletcher	5,666	2,000	Neighbourhood Centre	Local Centre
Elmore Vale	4,459	1,000	Local Centre	Local Centre
Beresfield	3,469	1,000	Local Centre	Local Centre
Maryland	2,248	1,000	Local Centre	Local Centre
Shortland	1,078	500	Neighbourhood Centre	Neighbourhood Centre
Other	518	0		
<i>Total</i>	<i>56,605</i>	<i>16,500</i>		

# 9. EMPLOYMENT STRATEGY

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## 9.1 Centres

### Centres Hierarchy

#### Planning principles

- **Maintain centres planning framework**

The centres planning framework provides a valuable indication of what Council considers the future roles and functions of each centre in the Newcastle LGA to be. This guides future land use planning.

SGS's modelling predicts an increase in retail demand in the Newcastle LGA as a result of population growth. Small increases in floorspace may be permitted in most centres, with larger increases in centres targeted for renewal through local planning.

- **Provide flexibility in permitted uses and principal planning controls**

As online retailing continues to grow in market share, retail centres are diversifying their uses to maintain foot traffic and to take on a broader experience-based role as centres of the local community. Department stores and stores which sell easily compared goods available from many sources online are particularly vulnerable and may require reconfiguration in the future.

Transitions in the uses and functions of retail centres should be encouraged through flexibility in planning controls, with periodic reviews of principal planning control and permissible uses required.

	Action	Timeframe
Action 1	Plan for small increases in retail floorspace across Newcastle's centres	S-M-L
Action 2	Maintain flexibility in planning controls for local centres to allow uses to transition in response to the changing retail landscape	S-M-L
Action 3	Continue to improve the amenity of local centres through infrastructure investment, increasing their ability to compete with larger centres and online retail	S-M-L

### Newcastle City Centre

Newcastle City Centre should continue to be the major regional centre for the Newcastle LGA. It should be the primary business and entertainment centre of the LGA, with a vibrant mix of uses and high amenity built form, next to the Hunter River, beaches and substantial open space.

#### Planning principles

- **The western end should build on its current commercial role** through additional commercial development with supporting retail and services. This area should be the primary destination for commercial development in the Newcastle LGA in the foreseeable future. Some retail development is appropriate, this would improve amenity and the competitive offer of the CBD for commercial office development. Retail activity should focus on providing services to local workers and visitors rather than replicating the retail



offer in other parts of the City.

- **The eastern end should become a mixed-use precinct** providing boutique retail experiences, with a concentration levels of hospitality and leisure facilities. This should be the primary destination for mixed-use development and high density residential development in the Newcastle LGA in the short-medium term. Some loss of the overall quantum of retail floorspace may be reasonable given the shift in retail focus of the Newcastle City Centre
- **The centre of the City should consolidate its civic and educational role**, benefiting from its accessibility from the east and the west. This is the ideal location for new educational developments, which will activate surrounding areas.
- **Encourage commercial development**  
There is a lack of A-grade office space in the Newcastle City Centre. As these developments require pre-commitments from tenants, this hampers the commercial development market. Where possible, Council should seek to facilitate commercial development and remove any obstacles to it.
- **Additional convenience-based retailing** should be provided throughout Newcastle City Centre, increasing its retail amenity for local workers and residents. This requires larger floorplates to be delivered in ground floor retail developments to allow small supermarkets and similar uses to be delivered while enhancing the fine grain character of the existing centre.
- **Provide flexible ground floor spaces in mixed-use developments**  
Many mixed-use developments across Australia have small shops at ground level which are not suited to a wide variety of uses. Their rents are high to maintain loan to value ratios and they remain vacant for long periods of time, damaging the reputation of centres.

To prevent this occurring, mixed-use development in the Newcastle City Centre should provide flexible ground floor spaces. These should be a variety of sizes, with some larger floorplates suitable to accommodate gyms or other services which require large spaces. In some cases car parking may be required. If the uses of these spaces can be evolved over time, there will be more scope to change uses in response to the evolving retail status of the Newcastle City Centre.

- **Consolidate retail energy along the current retail spine**  
Newcastle City Centre has a strong retail spine along Hunter Street spanning the length of the City, with some additional fine-grain retail uses on King Street and Watt Street in the East End.

Developments should cement the status of Hunter Street as a retail, hospitality and entertainment destination and artery by focusing ground floor retail provision on it. Retail spaces may be appropriate elsewhere if they activate open space or provide a kind of shop which is lacking in the area, but in general significant retail development should not be encouraged off the retail spine unless it is replacing existing premises.

- **Connections to other centres**  
The Newcastle City Centre should be well connected to other parts of the LGA by public transport, allowing people to easily access it despite its limited car parking. Connections are important between the centre and eastern end of the City to other local and population centres rather than only to Newcastle Interchange in order to make it

convenient to access the retail facilities in the eastern end.

- **Improved connections between different parts of the City Centre**

The removal of the Newcastle Rail Line creates opportunities to improve connections between the Honeysuckle Precinct, the Hunter River, and the parts of the City Centre south of the former railway line. This should take the form of both pedestrian connections and urban design which creates the perception of a continuous urban fabric.

Improving connections between the different parts of the City Centre would encourage people working in or visiting the Honeysuckle Precinct to visit the greater number of hospitality and retail uses south of the former railway line. It will also reconnect areas south of the former railway to the natural environment of the river, improving urban amenity.

**Encourage the night-time economy**

Maintaining a strong night-time economy will be a key part of building Newcastle City Centre’s (and particularly the East End’s) reputation as a vibrant entertainment area which people travel to at multiple times of the day.

Nurturing the night-time economy requires flexibility in the planning system to ensure that businesses are able to open for extended hours and that new restaurants and bars can open. Minimising impacts from new mixed-use and residential developments on existing uses will also be important.

	Action	Timeframe
Action 4	Consult with commercial landlords and developers and where possible remove impediments to commercial development	S-M-L
Action 5	Limit new retail provision in the Western end of the City Centre to facilities catering to local workers	S-M
Action 6	Continue to invest in the amenity of the Eastern End of the Newcastle City Centre to facilitate its transition to a lifestyle precinct	S-M
Action 7	Review development controls for ground floor retail in mixed-used developments to provide flexible spaces and focus retail energy along the existing retail spine	S
Action 8	Advocate to Transport for NSW for improved public transport connections from Newcastle City Centre to other parts of the Newcastle LGA	S-M-L
Action 9	Continue to improve urban connections across the former railway line from the Honeysuckle Precinct and Hunter River to the rest of the Newcastle City Centre	S-M
Action 10	Review planning controls to ensure that new residential and mixed-use developments are designed to minimise potential impacts on night-time economy uses	S
Action 11	Review planning controls and approval processes to allow longer opening hours for businesses in the Newcastle City Centre	S

**Kotara**

Kotara should retain its current retail role as a large stand-alone shopping centre which provides retail access to people from throughout the LGA. Kotara competes with Newcastle City Centre as a retail destination. If it takes on a more significant and broader centre role in the future it will also compete to be the primary centre in the LGA, which could jeopardise plans for continued development of the role of the City Centre.

The home-maker centre is the only large and consolidated large-format household goods retailing centre in the Newcastle region. This is an important retail role providing a

comparison-shopping experience that can compete with online retailing.

### Planning principles

- **Retain the current retail role for both Kotara Westfield and the Homemaker Centre, but do not allow a transition to a higher order centre**

Kotara does not have the features required to develop a great and sustainable town centre. It should continue to operate as large-format retail centre rather than transitioning to a mixed-use town centre.

Changes to the planning framework may be required to prohibit residential and office uses in Kotara in order to maintain its current role.

	Action	Timeframe
Action 12	Retain the current role of Kotara as an important shopping centre which is predominately car-based, providing convenient retail access to the local population	S-M-L
Action 13	Permit expansion of retail provision in Kotara only if it does not harm to role or function of other centres, particularly Newcastle City Centre	M-L
Action 14	Advocate to the Department of Planning, Industry and Environment to retain the current role of the Kotara Homemaker Centre in long term strategic plans given its lack of suitability for a mixed-use town centre	S
Action 15	Investigate prohibiting residential and large office developments at Kotara	S

### Renewal corridors and new centres

The City of Newcastle is planning for a new centre to be delivered in Broadmeadow around the Nineways, and for renewal corridors with mixed-use development along major roads in Adamstown, Hamilton, Islington and Mayfield.

In the short term, mixed-use development in centres with high density residential components should be relatively limited outside of the Newcastle City Centre, concentrating the market for this kind of housing product on the City Centre (particularly the eastern end) where it forms an important part of the City's evolving identity.

### Planning principles

- **Provide a local population-focused centre in Broadmeadow**  
Broadmeadow is near several other large centres including Hamilton, Adamstown, Kotara and the Newcastle City Centre, and so there is unlikely to be enough retail demand for a large new centre. Rather, a local centre servicing the needs of the local population should be delivered in concert with additional housing development. This would include a small-medium sized supermarket, specialty retail and hospitality premises but should not include a department store or discount department store or a quantum of floorspace which would compete with town centres like Hamilton.
- **Mixed-use development in renewal corridors reinforcing the existing structure of centres**  
Mixed-use development around existing centres in renewal corridors should provide limited amounts of new retail space focused around the retail corridors extending from the existing centres. This has the potential to build on the strengths of centres and to fill any gaps within them, while not diluting their current retail focus

At Adamstown, mixed-use development north of Glebe Road along Bruncker Road could extend the existing centre, allowing it to take an expanded retail role to serve the local

population. However, this should only occur in mixed-use developments which also contain residential components, increasing retail demand.

	Action	Timeframe
Action 16	Work with developers and landowners to facilitate development of a new local centre in Broadmeadow with a local population-serving focus	M – L
Action 17	Ensure that new retail development at Broadmeadow does not harm to role or function of other centres, particularly Hamilton and Newcastle City Centre	M – L
Action 18	Review land use controls in renewal corridors to facilitate a modest amount of mixed-use development which extends and strengthens local centres	M

## 9.2 Industrial Precincts

### Planning principles

- **Consider industrial land operational need, not just its employment generation.** Employment projections are just one indicator that define future need for industrial space. Functions such as warehousing, storage units and distribution centres may have low levels of employment and therefore employment growth, yet their function is a critical one in serving business and consumer networks. This should be a consideration in future uses proposed in industrial precincts of the future.

### Light Industrial Precincts

Light industrial precincts have a vital role servicing the local population and local businesses, as well as supporting higher-order businesses through their role in the local supply chain. These precincts host a wide variety of businesses from multiple industries. Demand for floorspace in these areas is already high and is likely to increase the future.

### Planning principles

- **Retain and protect light industrial precincts.** All industrially-zoned land in light industrial precincts should be retained and managed to ensure it continues to support a diverse range of industrial and other urban service functions.
- **Manage land use conflicts between light industrial uses and surrounding residences.** While light industrial uses are those with a relatively limited impact on the amenity of other uses, there are likely to be continuing land use conflicts between industrial uses and surrounding residences, for example related to truck movements and noise.

To ensure industrial precincts remain as good neighbours to residential (and even commercial) land uses, consider how any future development faces the adjacent use. Minimising truck movement through residential streets by prioritising movement into internal road networks close to arterial roads can reduce truck traffic. For residentially facing lots, development should consider ‘public facing’ uses such as front of house functions like offices or show rooms, with heavier industrial uses to the rear.

	Action	Timeframe
Action 19	Retain and protect light industrial precincts, by not supporting any rezoning in these areas away from industrial uses	S-M-L
Action 20	Investigate the rezoning of the Kotara Homemaker Centre or of other B5 zones to differentiate their uses: Kotara as a large-format retail area and other B5 zones as predominately light industrial precincts with some retail and wholesale	S
Action 21	Manage land use conflicts in order to preserve the continued viability of light industrial precincts.	S-M-L

## Strategic Industrial Precincts

Strategic industrial precincts provide capacity for new industrial and related uses near major transport infrastructure and the Port of Newcastle. There is enough capacity in these precincts to provide for employment needs until 2036.

### Planning principles

- **Continue to support the development and operation of strategic industrial precincts**  
Recent sales prices and development trends indicate that there is demand for additional floorspace in the Strategic Industrial Precincts of Beresfield and Mayfield West, and that development is occurring.
- **Plan for a variety of lot sizes in greenfield industrial precincts**  
Different industrial uses require different lot sizes and kinds of premises. As demand for light industrial premises increases it will be important that both smaller and larger lots are delivered in greenfield precincts. This appears to be happening currently, with moderate and larger lot sizes in Mayfield West and a mix of small to large lots in Beresfield.
- **Consider uncertainty in projections when planning for industrial land supply**  
Current projections show industrial land supply to be sufficient until after 2036. Nonetheless, projections reflect current assumptions and changes in the local economy could cause future land demand to be greater than less than currently anticipated. As a result, land supply and delivery should be reviewed periodically, reflecting the inherent uncertainty in future land demand.

	Action	Timeframe
Action 22	Review take-up rates and supply of greenfield industrial land, considering the needs of different kinds of industrial uses of a variety of sizes	M

## Remnant Industrial Sites

Remnant industrial sites may become vacant in the future if traditional manufacturing businesses employment continues to decline. In this case redevelopment to facilitate other uses may be necessary. When considering which kinds of uses are allowed, one should consider local feasibility and the remediation expenses of the sites in question as well as the appropriateness of their location for other industrial uses.

### Planning principles

- **Encourage redevelopment of remnant industrial uses in urban areas with high levels of amenity to creative employment space.**  
High amenity urban areas near transport infrastructure are attractive for higher value uses. Redevelopment of these sites for creative and artisanal uses could provide relatively affordable floor space to support small creative businesses. This would encourage former industrial areas to transition to vibrant neighbourhoods.

FIGURE 32: A REMNANT INDUSTRIAL SITE IN WICKHAM



Source: Google street view

- **Prioritise the provision of employment-generating floorspace in any redevelopment which occurs.**

Space for light industrial services near the population and businesses of the Newcastle LGA are in high demand and should be prioritised when redevelopment of remnant industrial sites is proposed. This would help to meet the forecast increase in demand for light industrial spaces.

In some cases other uses may need to be accommodated on a portion of a site to ensure development is viable. This should be subject to a detailed feasibility assessment.

- **Minimise displacement of industrial uses**

Redevelopment of remnant industrial sites should only be contemplated when it will not cause substantial displacement of industrial uses from the surrounding area and from the Newcastle LGA. To ensure this occurs, any proposed redevelopment should be justified on the basis that:

- The existing building is no longer viable for its current use
- Existing users of the buildings proposed to be redeveloped can relocate elsewhere in the Newcastle LGA
- The development will not cause adverse impacts on surrounding industrial uses.

	Action	Timeframe
Action 23	Facilitate redevelopment of remnant industrial sites if they are deemed to be no longer viable for heavy industrial uses and this will not result in the displacement of industrial businesses out of the LGA	M-L

### 9.3 Ports land

The land on which the Three Ports SEPP applies should be managed in consultation with the Port of Newcastle, Department of Planning, Industry and Environment and Transport for

NSW. The land covered by the Three Ports SEPP which is not part of the port provides strategic industrial land whose uses support the operation of the port.

### Planning principles

- **Ensure that development does not curtail the current or future potential operation of the Port of Newcastle**

A variety of land use conflicts could occur as a result of development which could impact on the Port's operation. These include increased traffic limiting the ability of traffic to and from the Port and constraints on light and noise from Port operations. Development both in the Three Ports SEPP land and nearby should be managed to ensure this does not occur

- **Preserve land for potential long-term employment opportunities**

Expansions of the Port of Newcastle are proposed but have not been approved by the NSW Government. If these were to occur, they could create opportunities in the freight and logistics industries which would be associated with employment demand in excess of those implied by current projections. The land covered by the Three Ports SEPP would be highly strategic for this purpose.

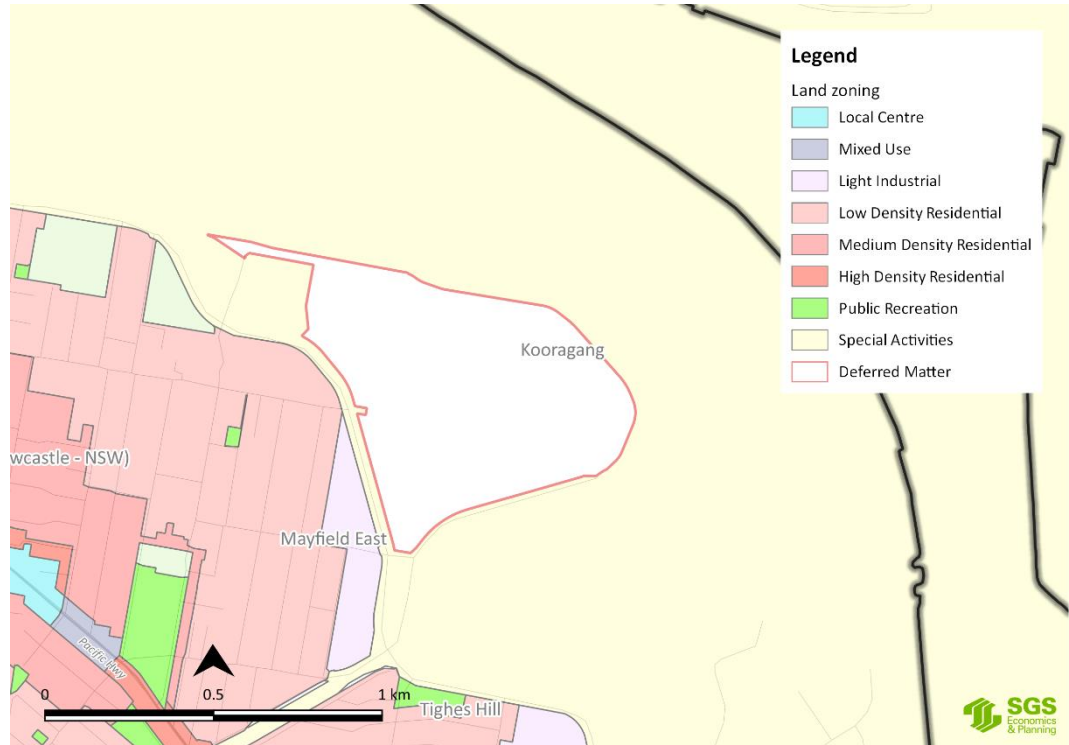
There is a very large amount of land covered by the Three Ports SEPP, not all of which is likely to be required in the short-medium term. Some development and use of this land may be possible currently if this would not restrict the potential long term use of the land.

- **Potential uses of the BHP Intertrade site**

The following considerations are relevant to the long-term use of the Intertrade Site in BHP's former location, shown below:

- There is enough supply overall of industrial land in the LGA to meet future projections, with land remaining nearby at Mayfield West and the Port of Newcastle proposing to release some of its land for industrial development
- There is a high level of demand currently for industrial premises, and SGS's modelling shows increasing demand for light industrial premises. This demand is best suited to being located near populated areas and other industrial businesses, criteria which the Intertrade Site fulfils.
- Additional freight and logistics opportunities may follow from any expansions of the Port of Newcastle, which would increase land use demand. The Intertrade Site has a highly strategic location for freight and logistics development.
- Any land uses proposed around the Port of Newcastle should not increase land use conflict with the Port, or other uses associated with it.

FIGURE 33: DEFERRED ZONING ON THE INTERTRADE SITE



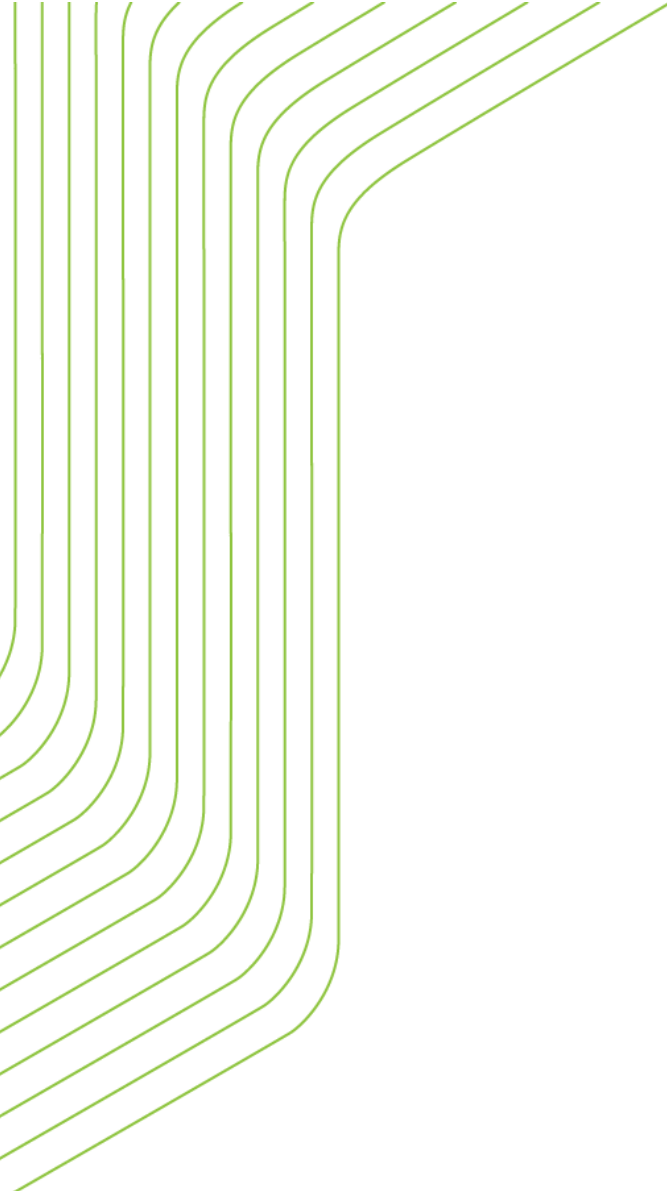
	Action	Timeframe
Action 24	Consult with the Port of Newcastle regarding any proposed developments in land covered by or immediately adjacent to the Three Ports SEPP	S-M-L
Action 25	Collaborate with the Port of Newcastle, Department of Industry, Planning and Environment and Transport for NSW with regards to any proposed changes to planning controls in land covered by or immediately adjacent to the Three Ports SEPP	S-M-L
Action 26	Retain land around the Port of Newcastle to preserve future freight and logistics opportunities, in collaboration with relevant stakeholders	S-M-L



## 9.4 Actions table

	Action	Short-term	Medium-term	Long-term
Action 1	Plan for small increases in retail floorspace across Newcastle's centres			
Action 2	Maintain flexibility in planning controls for local centres to allow uses to transition in response to the changing retail landscape			
Action 3	Continue to improve the amenity of local centres through infrastructure investment, increasing their ability to compete with larger centres and online retail			
Action 4	Consult with commercial landlords and developers and where possible remove impediments to commercial development			
Action 5	Limit new retail provision in the Western end of the City Centre to facilities catering to local workers			
Action 6	Continue to invest in the amenity of the Eastern End of the Newcastle City Centre to facilitate its transition to a lifestyle precinct			
Action 7	Review development controls for ground floor retail in mixed-used developments to provide flexible spaces and focus retail energy along the existing retail spine			
Action 8	Advocate to Transport for NSW for improved public transport connections from Newcastle City Centre to other parts of the Newcastle LGA			
Action 9	Continue to improve urban connections across the former railway line from the Honeysuckle Precinct and Hunter River to the rest of the Newcastle City Centre			
Action 10	Review planning controls to ensure that new residential and mixed-use developments are designed to minimise potential impacts on night-time economy uses			
Action 11	Review planning controls and approval processes to allow longer opening hours for businesses in the Newcastle City Centre			
Action 12	Retain the current role of Kotara as an important shopping centre which is predominately car-based, providing convenient retail access to the local population			
Action 13	Permit expansion of retail provision in Kotara only if it does not harm to role or function of other centres, particularly Newcastle City Centre			
Action 14	Advocate to the Department of Planning, Industry and Environment to retain the current role of the Kotara Homemaker Centre given its lack of suitability for a mixed-use town centre			
Action 15	Investigate prohibiting residential and large office developments at Kotara			
Action 16	Work with developers and landowners to facilitate development of a new local centre in Broadmeadow with a local population-serving focus			
Action 17	Ensure that new retail development at Broadmeadow does not harm to role or function of other centres, particularly Hamilton and Newcastle City Centre			
Action 18	Review land use controls in renewal corridors to facilitate a modest amount of mixed-use development which extends and strengthens local centres			
Action 19	Retain and protect light industrial precincts, by not supporting any rezoning in these areas away from industrial uses			
Action 20	Investigate the rezoning of the Kotara Homemaker Centre or of other B5 zones to differentiate their uses: Kotara as a large-format retail area and other B5 zones as predominately light industrial precincts with some retail and wholesale			
Action 21	Manage land use conflicts in order to preserve the continued viability of light industrial precincts.			
Action 22	Review take-up rates and supply of greenfield industrial land, considering the needs of different kinds of industrial uses of a variety of sizes			

Action 23	Facilitate redevelopment of remnant industrial sites if they are deemed to be no longer viable for heavy industrial uses and this will not result in the displacement of industrial businesses out of the LGA			
Action 24	Consult with the Port of Newcastle regarding any proposed developments in land covered by or immediately adjacent to the Three Ports SEPP			
Action 25	Collaborate with the Port of Newcastle, Department of Industry, Planning and Environment and Transport for NSW with regards to any proposed changes to planning controls in land covered by or immediately adjacent to the Three Ports SEPP			
Action 26	Retain land around the Port of Newcastle to preserve future freight and logistics opportunities, in collaboration with relevant stakeholders			



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