

28 February 2023

The Chief Planner
Environment, Planning & Sustainable Development Directorate
GPO Box 158
Canberra ACT 2601

Dear Sir/Madam

Submission on Eastern Broadacre Planning Project

We provide this submission to EPSDD with respect to its Eastern Broadacre Planning Project.

The Territory Plan and its schedule of permitted uses were set over 20 years ago and much has changed in the commercial and industrial markets since.

The emergence of internet shopping, drone technology, logistic warehousing and storage for the Commonwealth Government, are all impacting on the shortage of available clean industrial land.

This submission requests that the permitted uses in the Broadacre Zone development table be expanded to include additional uses to accommodate current and future demand for the Canberra marketplace.

The existing uses listed in the table are set out below:

MINIMUM ASSESSMENT TRACK MERIT	
Development listed below requires a development application and is assessed in the merit track, unless specified in schedule 4 of the Planning and Development Act 2007 (as impact track) or specified as prohibited development in a precinct map.	
Development	
agriculture	minor road
ancillary use	minor use
animal care facility	municipal depot
animal husbandry	nature conservation area
caravan park/camping ground	outdoor recreation facility
cemetery	parkland
communications facility	place of worship
community activity centre	residential care accommodation
consolidation	scientific research establishment
defence installation	service station
Demolition	Sign
Development in a location and of a type identified in a precinct map as additional merit track development	Subdivision
Educational establishment	Temporary use
Emergency services facility	Tourist facility
Farm tourism	Transport depot
Health facility	Varying a lease (where a prohibited, code track or impact track assessable)
Land management facility	Veterinary hospital
Major road	Woodlot
MAJOR UTILITY INSTALLATION	

The market commentary that follows sets out the change in the market and shortage of land.

There is significant demand for multiple commercial, Government and industrial users that could fit in an amended Broadacre land policy.

The Commonwealth Government has a number of storage needs and as an organisation that Acts for these departments under the whole of Australian Government contract (WoAG), Colliers is aware of at least 7 – 8 storage requirements and they are not able to source land for logistic and storage. The SLA have advised that they do not have any significant land release for years due to land being tied up with environmental issues which means a further shortage for 3 – 5 years.

Opportunity does exist in the Broadacre zoned land at Symonston and other areas which could be used by such organisations and the Commonwealth, except the existing Broadacres zoning table of land uses is a bit out of date with todays market. A change to the list of uses to allow storage/warehousing of goods for Commonwealth agencies and internet shopping (not dirty industrial uses) would allow some of this land to be used in high tech storage facilities. A good example of the issue with Broadacre, it is allows "Communication facility" which lists Australia Post (AP) in the definitions. Broadacre also allows "Defence Installation". Therefore AP and Defence can operate out of Broadacre land use, but not Amazon or Kogan and other Commonwealth agencies. I see a simple technical amendment to the table of uses could assist in solving some of the demand issues for the changing environment.

Suggested changes/inclusions to the Broadacre Zone Development table

- | | |
|--------------------------------|--|
| - Communication Facility | Definition to include Data Centre |
| - Internet shopping storage | Distribution and storage of goods from internet shopping |
| - Government storage/warehouse | |
| - Freight transport facility | |

Market Overview – Industrial

The ACT industrial market continue to grow from strength to strength as a chronic shortage of land supply drives land values up and in turn continues to drive rental growth. The first early example of this increase in rental outcomes is finally starting to through with existing assets rents sitting between ~\$180 - \$190/m and newbuild assets leasing between ~\$220 - \$240/m.

Customer demand has been evolving rapidly throughout the COVID-19 period and the Canberra market finally (after a lag of 2-3 years) got caught up in the frenetic pace of activity that the other major eastern seaboard markets have been experiencing for some time. With Fyshwick continuing to see a major shift and gentrification away from its heavy industrial origins towards a larger proportion of bulky goods retail and light industrial uses, the heavy industrial occupiers have been squeezed out to further afield locations such as Hume, ACT and also out to the neighboring industrial precincts of Queanbeyan, NSW. This squeeze will continue over the coming year as the industrial precinct of Fyshwick west is earmarked by ACT government for re-zoning to residential land which will take 359,636m of industrial land out of the ACT industrial market which represents a 5.6% reduction in land.

ACT Government had a current land release program which will introduce 80,000m over the next 2 years in smaller blocks ranging between 2,500-3,500m and will have specific zoning focused on communications facilities, office, research, scientific facilities, and technology. See the below land release program from the ACT Government:

Year	Party	Total NLA	Suburb
2023	ACT Government	40,000m	Symonston
2024	ACT Government	40,000m	Symonston

Recent sales at Endeavour Business Park in Hume are the most contemporary case studies, with original land values sitting at ~\$200-\$250/m (vacant sites ranging from 5,000m to 12,000m) and now are re-trading upwards of ~\$500m within 12 months. Some of these blocks have on sold a second time since settling in early 2022 and are now trading upwards of ~\$650/m. Interstate capital and growing interest in the Canberra industrial market are some of the factors instigating the capital growth, we think macroeconomic conditions have eased the current capital growth of these sites but as population growth continues, and development land supply restricts, we forecast that land values will grow to upwards of ~\$800 within coming years compounded by the removal of land from the Fyshwick West precinct. See the below sales in Hume of land that are only going to continue to grow as land supply restricts further:



















Block Sales

Property	Sale Price	Settle Date	Land Area (m ²)	Capital Value (\$/m ²)	State
49 Val Reid Crescent	\$4,842,376	22/08/2022	10,003	\$484	ACT
37 Val Reid Crescent	\$11,000,000	09/09/2022	20,467	\$545	ACT
25 Val Reid Crescent	\$5,251,785	29/07/2022	13,641	\$385	ACT
5 Val Reid Crescent	\$4,800,800	12/07/2022	10,008	\$479	ACT
2 Val Reid Crescent	\$8,760,730	22/06/2022	11,763	\$744	ACT

Rental Evidence

Property	Area m ²	Lease Term	Start	Rental Rate	Incentive	Comments
Unit 4, 100 Lysaght St, Mitchell	548	2 yrs	1 Nov 2022	\$177/m ² gross	6%	Older established industrial unit with 100m ² of office Rent reviews 4%
53 Collie St, Fyshwick	1,520	5 yrs	1 Jun 2019	\$180/m ² net	Nil	Well located older style shed with small office/shop at front
5 Leeton St, Fyshwick	1,934.80	5 years	1 Jul 2022	\$233/m ² gross	14%	HD Logistics in an older style warehouse
54 Sawmill Cct, Hume	8,688.50	5.33	1 Mar 2021	\$135/m ² net	2.56%	Modern 10 yr old warehouse in Hume. Agreed in 2021 so under market.
24 Sawmill Cct, Hume	7,350	15 yrs	1 Oct 2021	\$125/m ² net	24%	Modern 10 yr old warehouse in Hume. Agreed in 2020 now below market (now \$145psm net)
44 Sawmill Cct, Hume	4,638.70	5 yrs	3 Oct 2022	\$245/m ² net	15%	Purpose built modern logistics building on 1,600m ² site (rental includes yard area)
45 Dacre St, Mitchell	2,970	5 yrs	1 Oct 2020	\$191/m ² .net	2.50%	2007 built warehouse and renewed by sitting tenant. Today's rental is \$204psm net
1 Johns Pl, Hume	5,805	5 yrs	1 June 2021	\$155/m ² gross	Nil	Older style shed with tenant currently paying \$166 psm gross
18 Val Reid Cr, Hume	3,430	10 yrs	3 Mar 2023	\$180/m ² net	Nil	New office/warehouse for Bluescope Steel. If they amortize office fitout will increase rental to \$191/m ² net.
53 Val Reid Cr, Hume	5,000	10 yrs	Nov 2023	\$220/m ² net	10%	New purpose built storage for ACT Government on a 10,000m ² site. Balance of site is hardstand.
33 Couranga St, Hume	1,982	7 yrs	Early 2022	\$170/m ² net	7.14%	Part of new building that is block & metal construction. Now slightly below market.
	1,808	10 yrs	Early 2022	\$145/m ² net	Nil	
	5,000 (hardstand)	5 yrs	Early 2022	\$33/m ²	Nil	

Australian Economic Indicators

 Cash Rate  0.10% Dec-21 3.10% Dec-22	 Inflation Rate  3.00% Sep-21 7.30% Sep-22	 AUD to USD Exchange Rate  \$0.71 Dec-21 \$0.67 Dec-22
 GDP Growth  4.13% Sep-21 5.87% Sep-22	 Unemployment Rate  4.59% Nov-21 3.45% Nov-22	 Population Growth  0.13% Jun-21 1.13% Jun-22
 Retail MAT Growth  5.11% Oct-21 12.48% Oct-22	 Consumer Sentiment Index  104.30 Dec-21 80.30 Dec-22	 Business Condition Index  8.40 Nov-21 17.50 Nov-22

Source: ABS / RBA / NAB / Westpac / Colliers Research

- In the February meeting, the RBA raised the cash rate 25bps increasing up to 3.35%
- The latest Consumer Price Index (CPI) showed that inflation had increased a further 1.8% over the quarter and 7.3% over the 12 months to September 2022. This is the highest annual CPI growth recorded since June 1990 (+7.7%). The November RBA meeting also lifted the 2022 inflation forecast from 7.8% to 8.0%.
- As at the beginning of December 2022, the Australian dollar recovered from the last month's low point of US64c to increase to US67c as US inflation started to turn and China moved away from its Covid-zero policy.
- Off the back of strong household consumption, especially for discretionary spending, Australia's annual GDP growth to September 2022 hit 5.9% over the year and 0.6% over the quarter.
- Australia's November 2022 unemployment rate increased to 3.45% from 3.41% in October as a result of higher-than-expected labour force growth of 71.3k. The participation rate reached a record high of 66.8%.
- Population recovery gained momentum in the year to June 2022 with 1.13% YoY growth, led by QLD (2.0% YoY). The total national population increased by 290,856 people, of which almost 60% were driven by net overseas migration. The recovery of net overseas migration is higher than expected, reaching nearly 80% of the pre-Covid decade average (217,000 people).
- Despite the marginal decrease in the November National Business Condition (17.5) compared to the previous month (19.2), business confidence became negative due to rising inflation, interest rate and the fear of upcoming economic hard times. Due to similar concerns, December consumer sentiment recovered slightly (3%) to 80.3 but is still near the GFC level low points.
- The monthly national retail sales growth rate was -0.22% in October 2022, the first negative growth in 2022. The decrease in retail sales was lower than expected and implied the rising living and borrowing costs have started to affect purchasing decisions.
- Quarterly national non-residential construction costs slowed to 1.84% in September from the last quarter's high of 2.71%. The growth in structural timber and steel products prices was also moderate at 1.82% and 1.68% in the September quarter, as the supply chain started to recover. However, concrete, cement and sand costs increased by 5.76%, the highest increase since 2011.

Recommendation

At current the rate of growth, the demand for sites that permit clean Industrial use will significantly outstrip supply. This is being driven by post COVID industry, Government storage, restricted land supply, and forecasted displacement of existing users from the gentrification of key industrial precincts such as the Eastlake Urban Renewal.

Our key recommendations to EPSDD are set out below:

- Broaden the permitted uses in the Broadacre Zone Development table in the areas around Fyshwick, Symonston, Hume, etc
- Allow storage for logistics and internet shopping business
- Add Government store to table of uses in Broadacre Zones.

Should you wish to discuss this submission, please do not hesitate to call the writer.

Yours faithfully

