

DEPARTMENTS

PROPERTY—TRAVEL—BOOKS—DINING AND WINING

'Loo, Rocks and Quay schemes reshape Sydney waterfront

Vast development schemes for Woolloomooloo, The Rocks and Circular Quay are reshaping the Sydney waterfront and launching a new fight for the rental dollar. By Jeremy Webb.

WITH the announcement of the massive \$500 million redevelopment scheme of Woolloomooloo in Sydney, quite a battle seems likely with the Rocks scheme and North Sydney to capture the medium-price demand for office space.

This demand, by commercial firms who have been unable to afford the spiralling inner city rents, is generally regarded as a large but unknown quantity which has still only been tapped in a small way by North Sydney office developments. Because of this, pessimistic predictions of an office space glut in 1973/4, even if true (and this is by no means a foregone conclusion), have not dampened the enthusiasm of developers in the Woolloomooloo-Rocks-North Sydney areas.

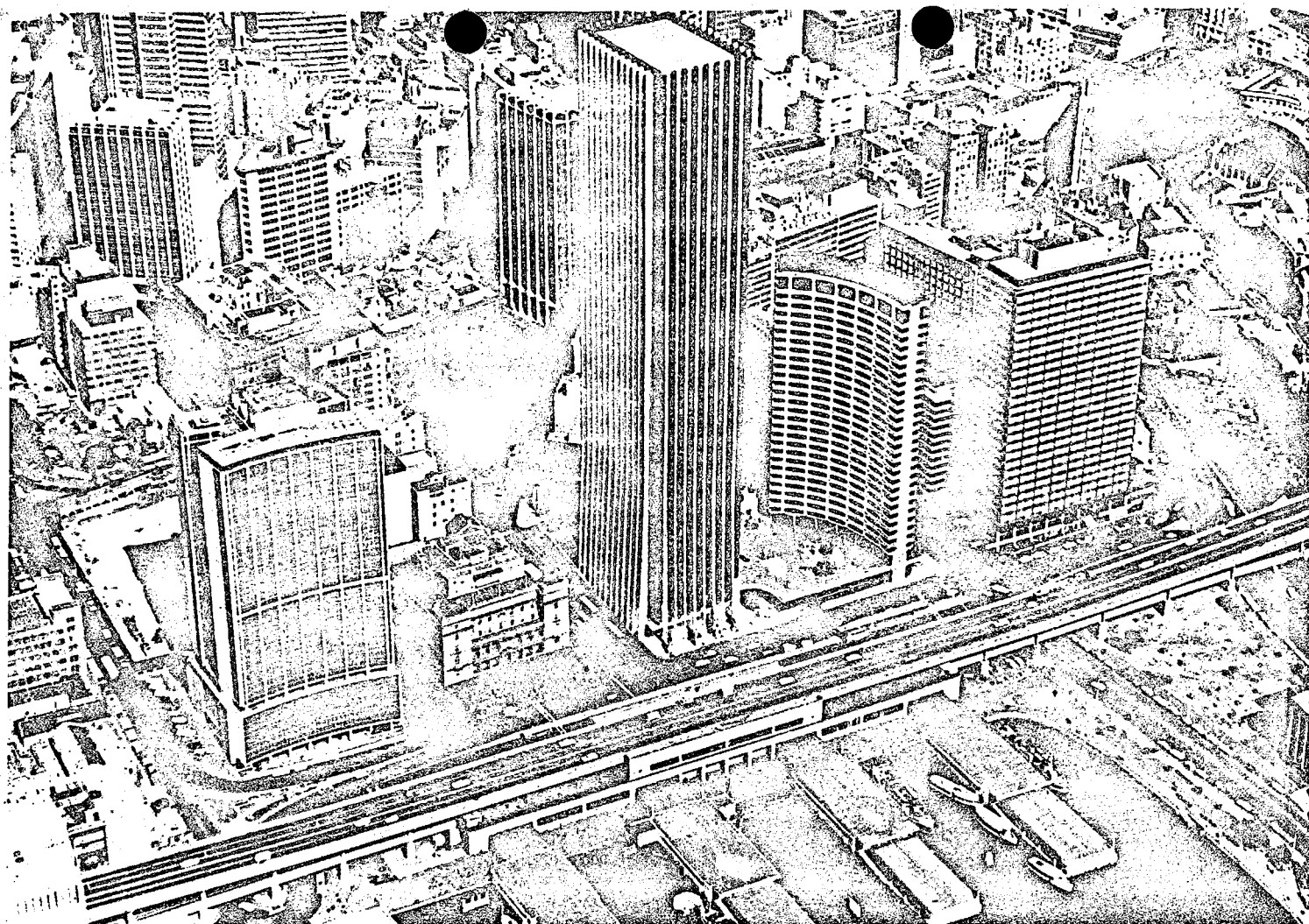
But the real problem is that with the two huge development schemes likely to be offering space at roughly the same time, it may be just too much for the market to take. Both the Rocks scheme and the Woolloomooloo scheme will offer between 4.5 and 5.0 million sq. ft. of office space over 15 years or less according to demand. Both will be providing a complete range of facilities — shops, hotels, large car parking facilities, theatres and restaurants — something which has not previously been offered to those wanting office space in and around the city.

It would be wrong to relate demand for this type of office space to the demand for inner city offices commanding rents of \$10 per sq. ft. Estimates by some property consultants are that the rents for the Rocks-Woolloomooloo office space will be in the region of \$6 to \$8 per square foot, low enough, they say, to attract the commercial firms who have not been able to afford prices paid by the inner city financial institutions.

Assuming that these two developments



Sidney Londish—driving force of the \$500 million Woolloomooloo redevelopment scheme.



The proposed Circular Quay development which will provide high class office space for Sydney's downtown finance area. Due for completion in 1977, the 49 storey office block and international hotel is to be built on a two acre site by a consortium consisting of Hooker Corporation Ltd. (50 per cent interest), Mainline Corporation Ltd., and Dillingham Development Division of Silverton Transport and General Industries.

will be largely creating their own demand for office space, one of the most important questions is how easily can the growth rates be staggered so that the total of 10 million sq. ft. of office space will not be lumped on the market.

For the Rocks development this does not appear to be a great problem — since most of the land is owned by the Government, developers will not be burdened with having to arrange bridging finance for unused land.

On the other hand, no such advantage will be had by the 'Loo developers because most of the 14 acres has already been acquired for the development.

Sidney Londish, a publicity shy property developer, who has been the driving force behind the 'Loo development and who has \$3.5 million of his two companies' money invested in the land acquisition, insists however that the low average cost of the land of \$60 per sq. ft. will allow staged development of the site over fifteen years if necessary.

He says most of the building can be constructed in three stages, and that each stage will be an economically viable proposition in itself. Thus the first stage consisting of car parks and shopping centres

could be built and serviced by the Eastern suburbs railway which will dissect the development site. Whether they would in fact be economically viable seems to be a debatable point — the cost of parking and convenience of shopping the 'Loo area are difficult factors to evaluate, and it may well be that only with the hotel or office towers to be built on the shopping/car parking podiums, will these facilities be fully utilised.

Virtually untouched

However Londish points out that there are other important factors about his development scheme which would ensure its success.

For a start, the 'Loo, as it is affectionately called by a once vociferous band of terrace house conservationists, is undoubtedly the hottest piece of real estate (apart from the Rocks) still practically untouched by the office block mania. For more than 10 years developers have hung around after this large residential basin strategically situated between the inner city area and Kings Cross. But it was not until the New South Wales State Planning Authority announced last year it was opening the area for development that any serious

attempts were made to redevelop the 'Loo.

The project Londish envisages includes:

- Office blocks providing 4.7 million sq. ft. of space
- Hotels and motels providing international standard accommodation for 2000 people
- A chain of shopping centres
- Sporting centres, cinemas and a live theatre.
- Parking for 6,000 cars and a bus and air passenger terminal

The consortium financing the scheme is headed by Gateway Development Pty. Ltd. which is fifty per cent owned by Associated Securities, and 50 per cent owned by Regional Investments—itsself fifty per cent owned by Londish and fifty per cent by overseas interests which Londish declined to name.

Other companies involved in the scheme are International Pacific Corporation Ltd, the Rothschild merchant bank which is to provide most of the holding finance for the property already purchased and Australian Guarantee Corporation Ltd.

Londish revealed that the consortium had already spent \$17 million on land purchases at an average cost of \$60 per

RYDGE'S, JUNE, 1971

PROPERTY

square foot, and that of this amount \$3.5 million had been provided by his own companies. Because of the relatively low cost of the land, Londish says that even if the predictions of a surplus in office space do eventuate (and he made it plain he didn't believe it would be a serious problem) then the consortium could afford to "sit it out".

But Londish spelled out what he considered to be a double insurance against this eventuality; first the type of clients they would be aiming at, and secondly their plan of staged development for the project. "We are aiming at the commercial side of the business community rather than the financial side which are in the market for the higher priced inner city prestige office space," Londish explained.

"In particular we will provide facilities for the company which wants large display areas and want to accommodate their whole operation on one floor.

"We will be able to provide up to 100,000 sq. ft. of space on a single floor.

"The high cost of land in the inner city area, the Rocks, around Circular Quay and even North Sydney just doesn't allow for this type of large low-rise building."

A central part of the 'Loo scheme is a duel trade and conference centre containing two international class hotels to be built on top of a four-storey podium, housing shops, offices and commercial display areas.

This will be constructed next to the planned Government office block in which it is expected the Department of Customs will locate its offices.

Residential link

Londish also expects that the 'Loo development will be an attractive location for companies whose executives live in the managerial residential belt located in the eastern suburbs, just as North Sydney has catered for the North Shore managerial residential belt.

The key to this expectation is the new Eastern Suburbs Railway presently under construction and which sweeps from the inner city through Woolloomooloo and will eventually service most of the eastern suburbs. Londish says he has received a favourable reaction from the N.S.W. Government to a proposal that an extra station be constructed at Woolloomooloo, the cost of which is to be carried by the Gateway consortium and other developers in the 'Loo area.

In addition, Londish pointed out that the Eastern expressway would also intersect the new scheme. Since the hotel and motels would be built around a bus terminal for day-tours and airport buses, it would give guests rapid transport to local

and international airports via the expressway.

He said T.A.A. had already been approached to locate their terminal within this transport-hotel complex.

Londish, who likes to play down his role in the 'Loo project ("It's really the financiers who make something like this possible—I'm only a small cog in the process") nevertheless exudes enthusiasm for the integrated design of the project which he and a small band of architects have produced over the last year. Out of the small terrace house located in the heart of the 'Loo, which serves as the office of Gateway Development, has come a plan for both large low rise offices, the inevitable plazas and the more traditional high rise office monoliths—the highest being 50 storeys. The main development block in the scheme is located on gently rising land sloping up to within one block of William Street, the main arterial road between the Cross and the inner city area of Sydney. Londish says the slope will allow water views for even the low-rise buildings since they will be effectively terraced by the land gradient.

Competitive edge

"Look at it this way, comparable land in North Sydney near the railway station and with access to water views would cost about \$110 per sq. ft., at Circular Quay it would cost you \$350 to \$460 per sq. ft.—for us it cost \$60 per sq. ft."

Because of the rapid rises in land prices in North Sydney, Londish predicts that it will soon lose its competitive edge with the inner city area. In this case the Woolloomooloo project with its rent range of \$5.50 to \$8.00 would be far more attractive to commercial firms not wanting to pay high rents but wishing to be located in or near the inner city—the original reason for the attraction North Sydney now has for so many firms.

Questioned about the competitive threat posed by the Rocks development scheme which would almost certainly have a head start on the 'Loo project, and which would offer similar "total" facilities such as hotels and shopping centres and be even more central to the inner city, Londish said he felt that it would cater for a different type of client.

"I expect that the Rocks area will become a prestige financial centre commanding premium rents, and in this sense we will not be competing."

Not everyone would agree with these predictions—rents in North Sydney now average around the \$6 per sq. ft. level and land prices for the time being at least have levelled out at an average of \$70 per sq. ft. There is general agreement that there will be at least a levelling out of

rents by 1973 which make it unlikely that land prices will go much higher in this area for the time being. If this is the case then North Sydney and the 'Loo development project will indeed be competing for the tenancy of commercial companies with no significant differential in rent to sway them one way or the other.

While Londish agrees up to a point that it will be a buyers' market by 1973 he points out that "There are a lot of other factors which make a successful development." The attractiveness of his scheme he again emphasises is the full variety of facilities.

Londish's other prediction that the Rocks area with its equally full variety of facilities, would become a financial centre, is not regarded by some property consultants as being a good bet. One of the major arguments against this prediction eventuating is that the proposed \$100 million re-development of the Circular Quay area by L. J. Hooker Consortium is likely to siphon off most of the demand for office space by the financial firms in the short run at least.

In addition if construction of the first stages of the Rocks scheme begins within the next year as seems likely, lack of efficient transport into and out of the area will not endear it to buyers of high priced office space. Some estimates are, that prices in the Rocks will be around \$7.50 per sq. ft., again a competitive figure with the Woolloomooloo development.

One of the most futuristic aspects of the Woolloomooloo scheme is a proposal to criss-cross the development with moving footways or mini-rail transport. One is proposed to link up with the moving footway already connecting the domain parking station on the outskirts of the inner city area and St James Station in the city. It would then traverse the 'Loo project and carry pedestrians right through the heart of Kings Cross. The other footway would stretch in a north-south direction linking William Street with a proposed ferry terminal on the shores of Woolloomooloo Bay.

Londish, who also developed "The Village" in Kings Cross—a small but highly attractive shopping centre, as well as several suburban shopping centres above all sees his Woolloomooloo project as a unique opportunity to provide an environmental whole. As he puts it: "Our scheme is of a scale that provides a rare opportunity for master planning of a large consolidated area of the city.

"This opportunity permits planning of a type that has previously been impossible in the central city and areas like North Sydney where the pattern of development has been piecemeal, without proper regard to relationships with future buildings or the environment generally."

RYDGE'S, JUNE, 1971