



757- 673 George St Haymarket

Economic Impact Assessment

Prepared for Samprian Pty Ltd

September 2020

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Executive Summary

Samprian Pty Ltd engaged HillPDA to prepare an Economic Impact Assessment (EIA) to accompany a Planning Proposal for a proposed mixed-use development at the 757 – 763 George Street Haymarket, hereafter known as subject site.

The site has two buildings. 761-763 George Street ground floor level is currently occupied by a restaurant, whilst the upstairs in subject to a fire order and cannot be occupied. 757-759 George Street is also subject to a fire order and consequently cannot be occupied either.

The Planning Proposal








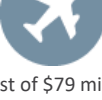
The proposal seeks to increase the permissible height to 105.87m and floor space ratio to 12:1.

The current proposed development would provide 12,318 sqm gross floor area (GFA) comprising:

- 1,643sqm GFA of ground floor retail and hotel lobby
- 10,675sqm GFA of 3.5-star hotel with around 280 rooms and hotel amenities.

Economic Impacts

The economic impacts of the proposed development from the Base Case (do nothing) is summarised in the table immediately below:

		Base Case (i.e. do nothing)	Proposal*	Above Base Case
During Construction*				
Economic Activity		Nil	\$250 mil	+ \$250 mil
Jobs years in construction		Nil	196	+ 196
Total direct and indirect job years		Nil	787	+ 787
Post-construction				
Employment floorspace		616 sqm	11,748 sqm	+ 11,132 sqm
Jobs on Site		9	127	+ 118
Staff Remuneration		\$0.3 mil	\$5.2 mil	+ \$4.9 mil
Gross Value Added to local economy		\$0.4 mil	\$8.1 mil	+ \$7.6 mil
Tourist spend on retail and food services		\$1.0 mil	\$8.5 mil	+ 7 mil

* Based on an estimated construction cost of \$79 million (\$2020)

Additional economic benefits include:

- Providing a catalyst for further investment in the locality
- Providing jobs in the Hotel Industry
- Supporting the Innovation Corridor which is noted as being integral to supporting the growth of Sydney's knowledge-intensive industries and being attractive for start-ups, educational institutions and creative industries
- Providing additional hotel floorspace that will support the local knowledge sector, office market and visitor economy
- Contributing to Transit Orientated Development (TOD) objectives by concentrating more people near the train station and commercial services, thereby reducing the reliance on private motor vehicle travel and increasing the use of public transport and
- Contributing to Sydney achieving the goal of a '30-minute city' in accordance with the Greater Sydney Region Plan, A Metropolis of Three Cities.

INTRODUCTION

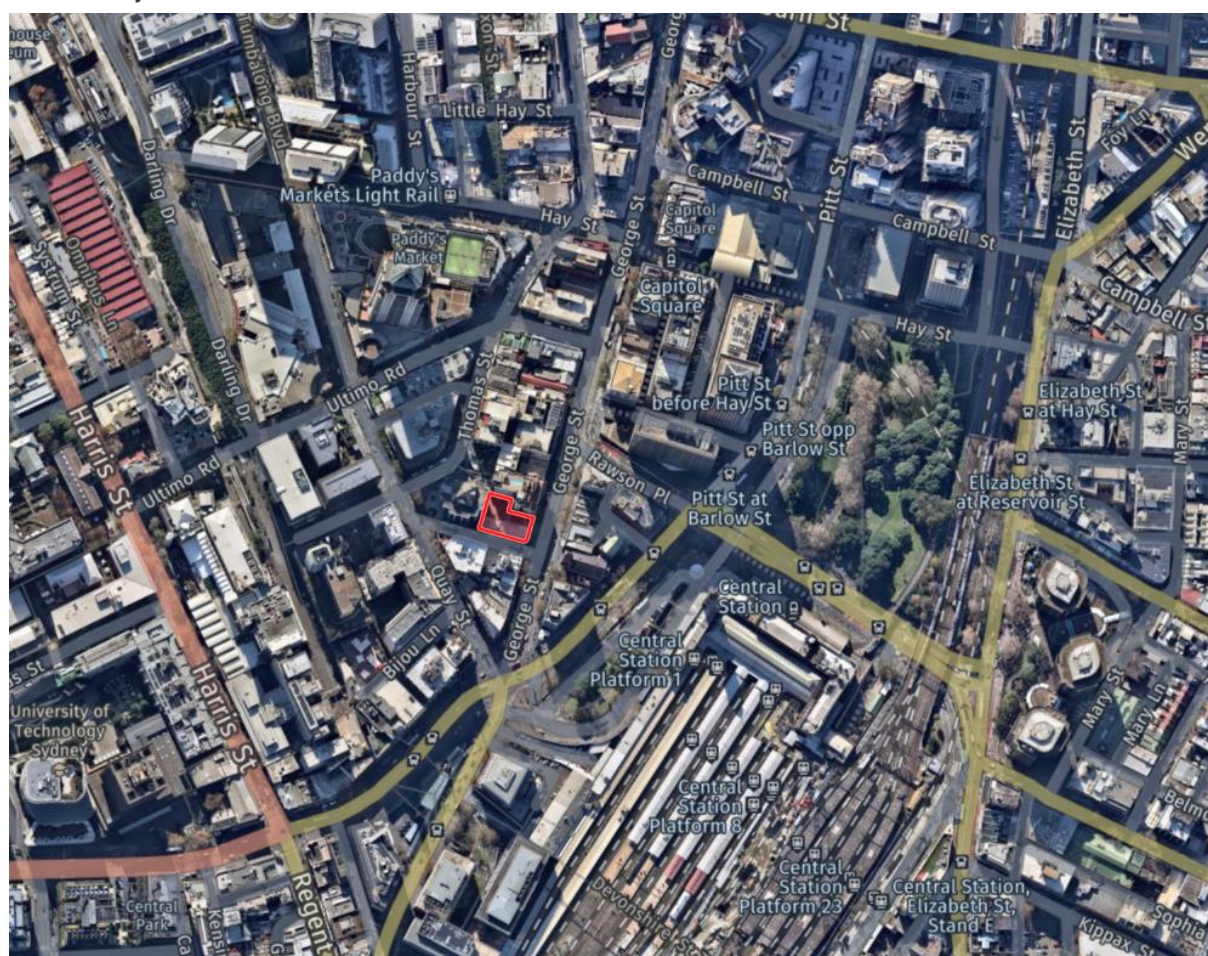
1.0 INTRODUCTION

HillPDA was commissioned by Samprian Pty Ltd to undertake this Economic Impact Assessment ('the Study') of the redevelopment of 757 – 763 George Street Haymarket.

1.1 The subject site

The subject site occupies over 1,030sqm of land in Haymarket, and is 200m west of Central Station a major transport interchange. The subject site is in close proximity to educational establishments including University of Technology, Endeavour College, and TAFE Ultimo.

Table 1: Subject site



Source: Nearmaps 2020

The subject site currently accommodates:

- 757-759 George Street, Haymarket
 - Four Storey Building with 616sqm NLA
 - The whole building is subject to a fire order and consequently cannot be tenanted
- 761-763 George Street, Haymarket
 - Two storey building
 - › Ground Floor: 353sqm NLA occupied as a restaurant
 - › Level 1: 319sqm
 - Level 1 is subject to a fire order and consequently cannot be tenanted

1.2 The study purpose

The purpose of this Study is to provide the economic impacts of the subject site's redevelopment.

1.3 Planning proposal

The redevelopment of the subject site would facilitate a short term accommodation development comprising a new hotel and retail uses with an overall total maximum floor space ratio (FSR) of 12:1 and height of 105.87m (including plant). The concept plans in the Urban Design report submitted with the proposal have a total gross floor area 12,318/sqm of which 10,675/sqm GFA is proposed for a 3.5 star hotel.

Figure 1: Concept design



Source: Grimshaw 2020

1.4 Study structure

To meet the requirements of the project brief and fully consider the economic impact associated with the development proposal, the Study is set out in the following manner:

- **Chapter 2** undertakes a review of the planning and legislative background and assesses the economic principles for the shift in the composition of the floor space offering in the context of the planning policies reviewed earlier
- **Chapter 3** considers and quantifies the economic impacts associated with the construction of the proposed development
- **Chapter 4** assesses, and where possible quantifies, the potential social and economic benefits of developing the subject site in accordance with the development proposal against the base case or “do nothing” option.

2.0 CONTEXTUAL REVIEW

2.1 Sydney Region Plan – A Metropolis of Three Cities



By 2031, Sydney's economic output will almost double to \$565 billion a year, with this economic growth being fuelled partly by an additional 817,000 new jobs over the period¹. Sydney will also experience population growth of about 1.7 million persons.. An additional 725,000 new dwellings will need to be constructed to accommodate this anticipated growth.

To meet the needs of a growing and changing population the Sydney Region Plan – A *Metropolis of Three Cities* (Region Plan) was finalised in March 2018 by the Greater Sydney Commission (GSC). The vision of the Region Plan is to create a metropolis of three cities, known as the Western Parkland City, Central River City and the Eastern Harbour City. The Subject Site is located within the Eastern Harbour City. The Eastern Harbour City aims to “*global gateway and financial capital, the Harbour CBD, as its metropolitan centre*”.

A core intent of the Region Plan is to give people more housing choice and establish more jobs closer to where people live, to develop a more accessible and walkable city and create conditions for a stronger economy. These jobs and essential services will be concentrated within the following centre hierarchy identified in the Region Plan:

- **Metropolitan Centre** – the economic focus of Greater Sydney, fundamental to growing its global competitiveness and where government actions and investment, including transport, will be focussed
- **Strategic Centre** – enable access to a wide range of goods, services and jobs. Strategic centres are expected to accommodate high levels of private sector investment, enabling them to grow and evolve
- **Local Centre** - collections of shops and health, civic or commercial services.

Any redevelopment of Subject Site would assist in meeting the directions from the Region Plan by providing employment generating floor space in a Metropolitan Centre. There is also the added opportunity to support the economic strength of the Harbour CBD.

2.2 Future Transport Strategy 2056

The *Future Transport Strategy 2056* (the Strategy) sets out NSW's 40 year transport system vision, directions and outcomes. It is supported by two *Services and Infrastructure Plans* for Greater Sydney and for Regional NSW. The Strategy provides the framework for innovation and technology in transport that will create liveable communities, sustainable society and a productive economy.



In relation to Haymarket, there are numerous committed strategic objectives around central station to improve rail connectivity with other transport mediums and regional areas.

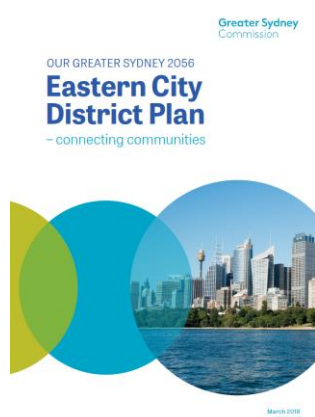


As the Harbour CBD, particularly central station has been identified as a metropolitan cluster centre on the Eastern Economic Corridor, it is subject to long-term priority infrastructure. This planned level of road, rail, bus and bicycle infrastructure will support the living and working community of the Harbour CBD. As such, the Proposal's short term accommodation development, situated nearby Central train station responds to the regional vision for Greater Sydney and Harbour CBD.

¹ World Trade Centre Sydney – Concept Business Case

2.3 Eastern City District Plan

The East District Plan (Plan) maps out the 20-year vision for the East District of Greater Sydney. The Plan sets out a vision, priorities and actions for the development of the Eastern District of Greater Sydney. The Eastern City



vision is to build upon the well-established global gateway to Australia and financial capital.

By 2036 it is projected that the District will have a population of 1.338million, representing an additional 325,050 persons over the 20 year period from 2016. The city is already well serviced with multiple transport modes, but with the growing population the additional transport infrastructure such as the Sydney Metro and Light rail was added to the pipeline to meet the growing demand. This additional transport infrastructure will further enhance the cities connectivity and meet the 30min city direction².

The Plan emphasises the need to capitalise on opportunities to increase the total local jobs in the district. Central Station/ Haymarket falls under the Innovation Corridor centre which alone targets 662,000 jobs by 2036, an additional 169,000 jobs from 2016 estimates. This economic corridor will be the focal point for health, education, innovation, tourism and transport jobs.

Of particular relevance to this report is the Plan's recommendation to encourage economic development down the Eastern Economic Corridor. The corridor and surrounding neighbourhoods are attractive places to work and live, further encouraging substantial investment around major university campuses, principal hospitals and six of the top 10 office precincts in Greater Sydney. A key priority of the plan is to grow a strong and competitive Harbour CBD.

Finally, the Eastern City District is one of the world's premier tourism and major events destinations. Whilst the tourism economics is mature, the Plan actively discusses the importance of leveraging off the District's successful tourism sector by tapping into the breadth of assets in the District, understanding and better connecting interdependencies and building diverse experiences (Actions 53-57 apply).

As such the redevelopment of the subject site is well aligned to the Eastern City District Plan by:

- providing new additional employment lands that is unencumbered for jobs growth
- support the tourism market by providing short stay accommodation
- continuing to bring together cultural, creative educational and recreational endeavours
- leveraging off the State Governments investment in the new South East Light rail to assist in meeting the 30 minute city vision, and
- promote economic development in the Eastern Economic Corridor.

2.4 Sustainable Sydney 2030

Sustainable Sydney 2030 is the City's overarching community strategic plan that sets a vision for a Green, Global and Connected city. The purpose of this plan focuses on ensuring the environment is protected while continuing to provide a strong economy that can also support the arts.

Sustainable Sydney 2030 is the City's highest level strategic plan and is updated every four years. The plan provides ten strategic directions to guide the development of the city. These include:

1. Globally competitive and innovative city

² The 30 minutes cities direction is where residents live within 30 minutes of their jobs, education and health facilities, services and great places

2. A leading environmental performer
3. Integrated transport for a connected city
4. A city for walking and cycling
5. A lively and engaging city centre
6. Resilient and inclusive local communities
7. A cultural and creative city
8. Housing for a diverse population
9. Sustainable development, renewal and design
10. Implementation through effective governance and partnerships.

2.5 City of Sydney Local Strategic Planning Statement (LSPS)



The City Plan 2036 – Draft Local Strategic Planning Statement (draft LSPS) reinforces the links between the NSW Government’s strategic plans and the City’s community strategic plan, Sustainable Sydney 2030, and the planning controls that guide development in our city. The Planning Statement sets out:

- the 20-year vision for land use planning in the city
- the basis or context for planning
- the planning priorities and actions needed to achieve the vision
- the governance and monitoring of the priorities and actions.

Chinatown and CBD South village covers Central Sydney south of Bathurst Street as far as Central Station. It includes the southern Central Sydney blocks of Liverpool Street, Goulburn Street and Railway Square, as well as Chinatown, Haymarket and Darling Harbour. The village includes major tourism destinations, bustling retail and entertainment uses and a cluster of hotels and backpacker hostels, making this a diverse and vibrant village.

The City Plan 2036 – Draft Local Strategic Planning Statement (draft LSPS) establishes that the demand for hotels in Sydney is projected to grow by 4.7% annually to 2020, with a greater demand for mid-range accommodation, including 3-star hotels. A key priority nominated by the draft LSPS is the need to support the tourism sector by increasing the supply of a diversity of accommodation types that respond to differing market segments. The proposal will deliver on this objective by providing 3.5-star hotel accommodation.

2.6 Central Station SSP

In October 2019 Department of Planning Industry and Environment released the Central Station Precinct draft strategic vision. The vision of the precinct is to create *“a vibrant and exciting place that unites a world-class transport interchange with innovative businesses and public spaces. It will connect the city at its boundaries, celebrate its heritage and become a centre for the jobs of the future and economic growth.”*

The subject site is located approximately 200m to the west of the planned Central Precinct, which is a nominated State Significant Precinct. Under the structure plan for the Central Precinct, the site falls just outside the bounds of the precinct and forms part of an ‘area of integration’. An area of integration is important for providing a transition from and the Precinct and supporting complementary uses. . As a hotel, the proposal will support the activation of precinct and provide short stay accommodation for future innovation and technology jobs with new dining, shopping and entertainment experiences.

The sub precinct known as the Western Sydney Gateway will be a key public place, providing a new western front entrance to Central Station, a focus for the precinct that connects people to the city and invites them to stay and linger. Within this precinct the intention is to deliver a critical mass of employment floorspace, the first of which is likely to proceed is the Atlassian office at 8-10 Lee Street, Haymarket.

The development of a hotel in close proximity will support the economic viability and attractiveness of the area.



3.0 ECONOMIC IMPACTS DURING CONSTRUCTION

This Chapter considers and where possible quantifies economic impacts associated with the construction of the proposed development.

3.1 Economic Impacts during construction

Total construction cost has been estimated at \$79m based on the following assumed rates:

Table 2: Estimated construction costs

	GFA (sqm)	\$/sqm	\$m
Demolition and Clearing	971	300	0.3
General Retail	1,632	2,600	4
Hotel 3.5 star	10,675	5,500	59
Fitout	10,470	1,100	12
Basement / BOH	2,060	1,800	4
TOTAL	12,318		79

Sources: Rawlinsons Construction Handbook 2020, RLB Digest 2020

The construction industry is a significant component of the economy accounting for 5.96% of Gross Domestic Product (GDP) and employing just over one million workers across Australia³. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

Production induced: which is made up of:

- first round effect: which is all outputs and employment required to produce the inputs for construction, and
- an industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect.

Consumption induced: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

The source of the multipliers adopted in this report is ABS Australian National Accounts: Input-Output Tables 2016-17 (ABS Pub: 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.62, \$0.66 and \$0.90 respectively to every dollar of construction.

The table below quantifies the associated economic multipliers resulting from the construction process. The estimated construction cost for the proposed scheme of \$79m will generate further economic activity described as:

- First round effects of \$49m
- Industrial supported effects of \$52m; and
- Consumption induced effects of \$71m.

³ Source: IBIS World Construction Industry Report 2020

The table below quantifies associated economic multipliers resulting from the construction process.

Table 3: Investment multipliers

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.620	0.661	0.905	3.186
Output (\$million)	79	49	52	71	250

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2016-17 (ABS Pub: 5209.0)

Note that the multiplier effects are national, and not necessarily local. The ABS states that:

“Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”

In particular the multiplier impacts can leave the impression that resources would not have been used elsewhere in the economy had the development not proceeded. In reality many of these resources would have been employed elsewhere. Note that the NSW Treasury guidelines state:

“Direct or flow on jobs will not necessarily occur in the immediate vicinity of the project – they may be located in head office of the supplier or in a factory in another region or State that supplies the project”⁴.

Nevertheless, economic multiplier impacts represent considerable added value to the Australian economy.

3.2 Construction related employment

Every one million dollars of construction work undertaken generates 2.497 job years directly in construction⁵. Based on the estimated construction cost 196 job years⁶ would be directly generated by the proposed development as shown in the table below.

Table 4: Construction employment

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.731	0.851	1.434	4.016
Employment per \$million	2.497	1.826	2.125	3.581	10.029
Total Job Years	196	143	167	281	787

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2016-17 (ABS Pub: 5209.0)

The ABS Australian National Accounts: Input-Output Tables 2016-17 identified employment multipliers for first round, industrial support and consumption induced effects of 0.781, 0.851 and 1.434 respectively for every job year in direct construction. Including the multiplier impacts the DA is forecast to generate a total of 787 job years directly and indirectly in construction.

⁴ Source: Office of Financial Management Policy and Guidelines Paper: Policy and Guidelines: Guidelines for estimating employment supported by the actions, programs and policies of the NSW Government (TPP 09-7) NSW Treasury

⁵ Source: ABS Australian National Accounts: Input – Output Tables 2016-17 (ABS Pub: 5209.0) adjusted to 2020 dollars

⁶ Note: One job year equals one full-time job for one year

4.0 IMPACTS POST CONSTRUCTION

This Chapter examines the economic impacts of the proposal such as employment generation, tourism expenditure, increased workers' expenditure, other economic multipliers as well providing a high level review of the non-monetary attributes and social benefits associated with the development.

4.1 Employment generation

The proposed development would support permanent employment post-construction through the operation of hoteland commercial/retail uses. The table below provides an estimate of the number of jobs that would be supported on site.

Table 5: Additional employment from development

Land Use	Employment Density*	GLA	Units	Jobs
General Retail	1 / 26 sqm	1,469	sqm	57
Hotel 3.5 star	1 / 4 rooms	280	rooms	70
Total				127

Sources: Various including ABS Retail Survey, Howarth HTL, and HillPDA research

Based on the table above, the proposed development is estimated to accommodate 127 jobs on site. These are jobs in full, part-time and casual positions.

Current jobs on site is 9 staff operating the restaurant on the ground floor of 761-763 George Street. Level 1 above the restaurant and the other building on the subject site are untenable due to a fire order. Hence the proposed development would provide 118 more jobs over and above the base case.

4.2 Total salaries

Based on IBIS World Industry Reports, HillPDA has estimated total remuneration of workers at approximately \$6.5m per annum. A breakdown by land use is shown in the table below.

Table 6: Additional staff remuneration

Land Use	Additional Jobs	Avg Annual Remuneration	Additional Remuneration (\$m)
General Retail	57	\$32,700	\$1.9
Hotel 3.5 star	70	\$47,797	\$3.3
Total	127	\$42,267	\$5.2

Sources: IBIS World Reports; HillPDA

Total salaries currently on the site are estimated at around \$0.3m⁷ per year. The proposed development would increase total staff remuneration by around \$4.9m to \$5.2m every year (measured in 2020 dollars).

4.3 Gross value added

Gross value added (GVA) of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the country's wealth or gross regional product (GRP).

We forecast the marginal GVA to be around \$10.1m every year (measured in 2020 dollars) based on the following table.

Table 7: Gross value added from development

Land Use	Additional Jobs	GVA / Worker	Additional Gross Value Added (\$m)
General Retail	57	\$54,818	\$3.1
Hotel 3.5 star	70	\$70,629	\$4.9
Total	127	\$63,542	\$8.1

Source: IBIS World Reports; HillPDA

The GVA of the current use on site is estimated to be \$0.4m. Development will increase GVA by \$7.6m to \$8.1m every year (measured in current 2020 dollars).

4.4 Investment stimulus

Where a significant property investment decision has been made it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further investment. The direct investment in the subject site would support a wide range of economic multipliers as outlined above which would in turn support investment in associated industries. It would also raise the profile of Haymarket and Central Station tech and innovation hub to potential investors.

With the emergence of an innovation technology precinct within the Central Precinct would increase the prevalence of business travellers who generate a demand for short stay accommodation. Other benefits of tourist accommodation near a future tech employment hub and existing educational hub would create further demand for retail, commercial and transport services increasing the viability of these services.

The proposed development would create additional business opportunities in this locality associated with short term residents within the hotel and the commercial and retail uses on site. It would increase the profile of this area and in so doing increase the financial feasibility of mixed use development, potentially acting as a catalyst for additional tourism related infrastructure on surrounding sites.

4.5 Tourism economic benefits

Tourism is an important component of the NSW economy, between the period ending September 2019 42.6 million international and domestic tourists visited NSW spending \$22.6b. Sydney received 94% of international visitors, 32% of domestic overnight visitors and 37% of domestic daytrip visitors to NSW.

The average domestic length of stay in the region was 2.7 nights and average spend per night was \$276.

The average international length of stay in Sydney was 20.2 nights and average spend per night was \$125.

RevPAR is the superior measure of the hotel's performance (average rate multiplied by occupancy), SMA Tourism has suggested the RevPar for the development:

- *an opening (2023) RevPAR of \$124, a little softer than the 2019 average of \$131, due to slightly lower opening occupancy levels; and*
- *an achieved RevPAR of \$151 in the fifth year of operations, significantly higher than the 2019 Sydney average and slightly better than the past five year Sydney trend that projected forward might reach around \$145 by the same year.*

By 2025 the hotel is expected to achieve an occupancy of 82% thereby accommodating 108,850 overnight visitors. Hotel revenue from room takings would total \$14.6 million and a further \$8.5m would be spent by guests

on food and retail goods and services (based on \$75 per guest per day) translating to additional revenue for local businesses in the the Haymarket CBD area.

4.6 COVID-19

At the time of this report, COVID-19 is significantly impacting the hotel industry with travel restrictions. Reports from IBIS World suggested:

If the outbreak of COVID-19 does not become a long-term factor, then it is likely that the Hotels and Resorts industry will rebound and expand over the next five years. A lift on the travel ban on travellers from mainland China and other markets would lift inbound tourist arrival numbers, boosting demand for domestic hotels and resorts. In addition, the Australian dollar is expected to remain relatively weak over the next five years, encouraging inbound travel and constraining outbound travel, further boosting the potential pool of guests for industry operators. Overall, industry revenue is forecast to grow at an annualised 3.5% over the five years through 2024-25, to \$13.8 billion.⁸

SMA Tourism have suggested two recovery scenarios.

Scenario 1 – a faster / stronger road to recovery	Scenario 2 – a slower / weaker road to economic recovery
45% fall in 2020/21 compared to 2019 estimates for regional visitor spending, gross regional product and jobs due to visitor spending; and	56% fall in 2020/21 compared to 2019 estimates for regional visitor spending, gross regional product and jobs due to visitor spending; and
3% lift in 2022/23 compared to 2019 estimates for regional visitor spending, gross regional product and jobs due to visitor spending.	6% fall in 2022/23 compared to 2019 estimates for regional visitor spending, gross regional product and jobs due to visitor spending.
This scenario is estimated to have around a 65% probability of occurring with the more pessimistic scenario 2 an estimated 35 per cent probability.	This scenario is estimated to have around a 35% probability of occurring with the more optimistic scenario 1 an estimated 65% probability.
Two factors influence the extent of economic significance of the visitor economy – the number of tourists and the mix by type of tourists.	Those regions with the deepest visitor economy recession and slowest recovery.

HillPDA would add that a scenario could be for a drawn-out downturn if the virus and business control measures (and impact on GDP, immigration, employment/unemployment and share market) persist.

In relation to this study, it is probable that with the travel restrictions in place, the short term viability of the hotel industry is poor. However as restrictions are eased we would expect the hotel industry to return to normal within five years from now.

The development of the subject site would be delivered in the mid to long term, accordingly COVID-19 is unlikely to impact on the viability of the project post construction phase and would not impact he appropriateness of the proposed uses.

⁸ IBIS World Reports - Industry Report H4401 Hotels and Resorts in Australia, March 2020

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