Castlecrest Consultants

Preliminary Economic & Employment Assessment

Toukley Iconic Site, Main Road

Rustrum

2015

P O Box 185 The Junction, 2291

Contents

1.0 Overview 2

2.0 Economic Impacts during Construction Phase 3

3.0 Assessment of Construction Impacts 4

4.0 Economic Impacts during Operating Phase 7

5.0 Operating Impact of the Cafe 7

6.0 Operating impact of the Office Space 8

6.0 Operating Impact on Retail services sector 8

7.0 Operating Impact of Serviced Apartments 9

8.0 Summary of Operating Impacts 10

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1.0 Overview

In determining the economic and employment impacts of the Toukley Iconic site development by Rustrum we have based our modelling on the following project characteristics and estimates.

- The project has a total estimated construction cost of $ 39.4 million;
- The project will be substantially constructed over a 12 month time frame;
- The project will include 76 residential units (total bedrooms 140);
- It will also include 48 serviced apartments (total bedrooms 56);
- The ground floor will provide 271 m^2 for a café/restaurant with the capacity for seating 100 indoor and 30 outdoor patrons; and
- There will be in the order of 113 m^2 for office space.

In terms of economic impacts the project has the capacity to generate direct and flow on jobs and economic value during the construction phase. Based on a construction budget of $39.4 million the project will generate economic value to the state and nation in the order of $112.92 million in direct and flow on value. The project will also directly generate 354.6 EFT positions (Equivalent Full Time EFT) during construction, with a further 1,103.2 jobs created from production and consumption induced effects during this phase (1 year).

The project will also generate ongoing value and jobs associated with the operation of the serviced apartments, café and office. Residents in both the serviced apartments and private dwellings will generate business and employment associated with their spending in the retail and service sectors. The project will contribute to the supply and diversity of new housing in the context of strong population growth and less than adequate new housing growth. It will also add to the range and volume of tourist accommodation available, underpinning a strategic growth driver for the region. In summary, the report indicates the following range of employment and economic value generated by the project.

	Direct employment EFT	**Direct economic value Annual**
Café	13	$1,564,754
Office space	7	$1,000,000
Retail impact	15	$4,053,668
Household services	2	$383,510
Serviced apartments	5	$400,000
	42	$7,401,932.00

2.0 Economic Impacts during Construction Phase

The most immediate impact of the project will come from the construction phase. Construction investment includes employment and payment of wages, the purchase of construction materials and products. This results in induced consumption and production impacts in the economy. The multiplier effects have been estimated using ABS and Australian National Accounts: Input-Output Tables 1996-97 (ABS Catalogue 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of $0.466, $0.438 and $0.962 respectively to every dollar of construction.

The ABS also have also developed input output tables to help estimate the construction industry jobs directly created for every $1 of construction output/investment. This equates to 1 employee for every $111,111 of construction or as 9 jobs per million of construction expenditure.

The ABS notes 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."

The estimated capital construction flow-on impacts are based on the current design and budget estimate of $39.4 million.

Table 1: Contribution to the Economy from Construction phase of the Rustrum Project

Rustrum Project	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1.00	0.466	0.438	0.962	2.866
Output ($millions)	$39.4 m construction costs	$18.36	$17.26	$37.9	$112.92

Data Sources: Australian National Accounts: Input-Output Tables 1996-97 (5209.0), Price Index of the Output of the Building Industry - Producer Price Indexes (6427.0), CPI All Groups - RBA Bulletin (Table G2)

The multipliers presented in the table above indicate a construction project costing $1 million could result in a positive wider multiplier effect factor of 2.86. Given the estimate construction capital investment phase budget of $39.4 million the project will generate economic value to the state and nation in the order of $112.92 million in direct and flow on value.

The proposed development will directly generate 354.6 EFT positions (Equivalent Full Time EFT) during construction, with a further 1,103.2 jobs created from production and consumption induced effects. Therefore, based on an initial construction cost estimate of $39.4 million, the proposed development will generate 1,457.8 jobs directly and in the wider economy during construction. These are not ongoing jobs but equivalent jobs for 1 year.

Table 2: Construction Multiplier Effect on Employment - $39.4 m Capital Investment

Rustrum Project	Effects Direct	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	9	3	4	21	37
Total job years created based on $39.4 m	354.6	118.2	157.6	827.4	1,457.8

Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0)

3.0 Assessment of Construction Impacts

The generation of economic value and employment is a positive benefit from most substantial construction projects. The relative value of this benefit is affected by the environment in which this value and these jobs are being delivered. Wyong Shire has a high level of demand for both new investment and jobs.

Table 3 indicates that Wyong has an unemployment level of 8% which is substantially above the state and national averages. Further that median average household incomes are below state and national averages. Wyong's SEIFA index is also relatively low, suggesting a strong need for more employment.

This conclusion is confirmed by the data regarding the location of employment. In 2011, 22,094 (36.8%) of Wyong Shire's working residents travelled outside of the area to work.[1]

The ratio of jobs to employment in Wyong is 0.74. In the construction sector in 2012/13 there were 4,729 local construction jobs but some 7,359 employed residents indicated employment in the construction sector. This indicates a specific ratio, of local (within LGA) jobs to employed residents, of 0.64. This ratio has dropped from .070 in 2007/8. [2]

Table 3: Snap shot of the comparative Socio Demographics of Wyong Shire 2011

2011	Wyong Shire	Greater Sydney	New South Wales	Australia
Median age	40	36	38	37
Median weekly household income	$934	$1,447	$1,237	$1,234
Couples with children	28%	35%	32%	31%
Older couples without children	12%	8%	9%	9%
Medium and high density Housing	17%	40%	31%	25%
Households with a mortgage	33%	33%	32%	33%
Median weekly rent	$260	$351	$300	$285
Households renting	28%	30%	29%	29%
Non-English speaking backgrounds	5%	26%	19%	16%
University attendance	2%	5%	4%	4%
Bachelor or Higher degree	8%	24%	20%	19%
Vocational	24%	15%	18%	18%
Public transport (to work)	5%	20%	14%	10%
Unemployment	8.00%	5.80%	5.90%	5.60%
SEIFA index of disadvantage 2011	952	1011	996	1002

Source: http://profile.id.com.au/wyong/highlights?WebID=280

The ABS data further suggests that a high percentage of the economic value and employment generated by the project during construction will be captured by the local economy and community. 16.7% of the Wyong workforce indicated at the census that they were trade trained as compared to 13.2% at the state level and that 12.1% were employed as laborers as compared to the state average of 8.7%. The census also shows that 10.2% of the workforce were employed in the construction sector as compared to 7.3% in NSW. These figures suggest a strong local capacity to deliver the construction services required and to minimize escape value and employment.

[1] http://profile.id.com.au/wyong/residents?WebID=280

[2] http://economy.id.com.au/wyong/Employment-capacity

In the wider economic context the provision of new housing is critically important for the LGA sustainability. Table 4 indicates the number of new dwellings (houses and other) approved over the last 8 years. In 2013-14 there were 541 new dwellings approved. This was a relatively strong performance based on previous years. However, table 5 indicated the need for approximately 22,000 new dwellings 2011 to 2031. This is on average 1,100 dwellings per year.

Table 4: Wyong Residential Building Approvals

	Number			Annual change		
Year (ending June 30)	Houses	Other	Total	Houses	Other	Total
2013-14	306	235	541	+10	+115	+125
2012-13	296	120	416	-9	+73	+64
2011-12	305	47	352	-88	-29	-117
2010-11	393	76	469	-80	-89	-169
2009-10	473	165	638	+217	+17	+234
2008-09	256	148	404	-135	-48	-183
2007-08	391	196	587	-48	+2	-46
2006-07	439	194	633			

Source: http://www.id.com.au

Table 5: Wyong Shire, forecast population, households and dwellings

Summary	2011	2016	2021	2026	2031
Population	153,991	160,088	172,191	188,084	203,448
Change in population (5yrs)		6,097	12,103	15,893	15,364
Average annual change		0.78	1.47	1.78	1.58
Households	60,449	63,753	68,747	74,932	81,138
Average household size	2.52	2.48	2.48	2.48	2.48
Population in non-private dwellings	1,666	1,787	1,952	2,163	2,374
Dwellings	66,223	69,492	74,970	81,758	88,531
Dwelling occupancy rate	91.28	91.74	91.70	91.65	91.65

Source: Population and household forecasts, 2011 to 2031, prepared by .id the population experts, July 2012. http://www.id.com.au

4.0 Economic Impacts during Operating Phase

The likely economic impacts generated by the project once complete and operating relate to the café, office space and serviced apartments all which will employ staff and purchase goods as part of their service delivery. The occupants of the accommodation will also have an impact on retail and service spending in the community. In some communities the net impact of this spending is not significant as the spending is largely relocated from within the existing community e.g. when a retired couple move from a house in one suburb to a unit in another. However, Wyong has strong and sustained immigration suggesting strong, autonomous new spending. From 2006 to 2011 35% of the 2011 population had moved with 16.6% (25,000 people) or almost half moving from outside the Wyong shire area.

5.0 Operating Impact of the Cafe

Industry benchmarks indicate that the cafe would generate turnover in the order of $5,774 per m^2. This would provide an annual turnover of $1,564,754 pa based on the 271m^2 provided. [3]

Again, using ATO benchmarks[4], it is likely that 30% of this turnover will be spent on wages and salaries. This equates to $469,426 in wages and salaries pa being paid. Using average hospitality rates and 35 hour week, this equates to approximately 13 Equivalent Full Time (EFT) positions per year.

Industry benchmarks indicate cost of sales (goods and services purchased not rent or wages) is 35% of turnover. This equates to $547,664 being spend on supplies, electricity, cleaning etc. within the local community each year.

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Table 16 - Benchmark Turnover Rates in 2011 to 2031 ($/sqm GLA)

Retail Store Type	2011	2016	2021	2026	2031
Supermarkets & Grocery Stores[34]	11,000	11,362	11,736	12,123	12,522
Specialty Food Stores	7,500	7,747	8,002	8,265	8,538
Fast-Food Stores	7,500	7,747	8,002	8,265	8,538
Restaurants, Hotels and Clubs**	4,750	4,906	5,068	5,235	5,407
Department Stores[35]	3,500	3,615	3,734	3,857	3,984
Clothing Stores	5,000	5,165	5,335	5,510	5,692
Bulky Goods Stores	3,500	3,615	3,734	3,857	3,984
Other Personal & Household Goods Retailing	4,500	4,648	4,801	4,959	5,123
Selected Personal Services**	4,000	4,132	4,268	4,408	4,553

Sources: ABS Retail Survey 1998-99 (escalated to 2007 dollars), JHD Retail Averages, Hill PDA and various consultancy studies.
* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)
** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

2007 $ have been adjusted to Dec 2014 $ using ABS CPI calculator

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https://www.ato.gov.au/Business/Small-business-benchmarks/In-detail/Benchmarks-..

6.0 Operating impact of the Office Space

Given the precise use of the office space is as yet to be known it is difficult to quantify the employment and economic impacts.

The Building Code of Australia (BCA) requires 10 m^2 per employment of gross floor space as a minimum standard. Given the GFA of 113 m^2 this would indicate possible staff of up to 11 EFT. This is considered a high figure and it is envisaged that the likely staff within the office space is likely to be in the order of 7 (based on 1:15m^2) The office space is expected to demand a rent of approximately $50,000 pa. If rent is typically 5% of turnover then the likely tenant will be operating a business with an annual turnover of $1,00,000.

6.0 Operating Impact on Retail services sector

The additional new households will spend a considerable amount of their disposable income on retail and recreation in the LGA. By escalating 2010 ABS average household spending data it is possible to estimate the value of this spending in the regional economy. Table 6 shows estimate average weekly retail spending by categories in December 2014 dollars based on ABS data.

Table 6: Average weekly expenditure, by broad expenditure group, goods and services

Average weekly expenditure Broad expenditure group Goods and services	2010 (march) ABS Household expenditure average NSW	2014 (Dec) Based on ABS CPI calculator
Food and non-alcoholic beverages	$212.67	$238.13
Alcoholic beverages	$33.29	$37.27
Tobacco products	$11.48	$12.85
Personal care	$25.53	$28.58
House hold furnishing and equipment	$52.77	$59.08
Clothing and foot ware	$45.90	$51.39
Recreation	$163.45	$183.02
Miscellaneous goods and services	$117.99	$132.11
Total goods and services expenditure	**$663.08**	**$742.43**

Source: Castlecrest based on ABS average weekly spending survey and CPI calculator

Table 7 uses this data and shows the estimated total annual retail spending generated by this project is in the order of $4,053,668 and in turn that this level of spending would sustain an additional 811m² to 1,351m² of retail floor space.

This ABS spending data so indicates that average households spend $70.24 per week on household services. Tis equates to $383,510 spending p.a. from the equivalent 105 dwellings.

Table 7: Estimation of average weekly household expenditure generated by the project and converted to equivalent floor space demand.

Calculation of retail impact of project	
Average weekly spending per household	$742.43
Total households in project (76 dwellings 48 serviced apartments at 60% occupancy)	105
Total average weekly spend total households 2015	$77,955
Total average annual spend total households 2015	**$4,053,668**
Floor space to spending ratio $ to m² per annum	$3,000 to $5,000
Floor space demand max	**1,351m²**
Floor space demand min	**811m²**

Source : Castle Crest Consultants based on data from ATO, ABS

Using the metric that wages and salaries represent on average 20%[5] of turnover, and using an average annual salary of $50,000 the projected increased spending could support employment of approximately 15 staff. These jobs would be a combination of full time and part time, skilled and minimal skills, be seasonal and across the regional network. They may not equate to new whole jobs but additional hours, days and places of work. Other metrics indicate approximately 20 jobs per 1,000 of retail floor space which would indicate a range of between 16 to 26 jobs. [6] For the purposes of this report the lower estimate of 15 has been used.

7.0 Operating Impact of Serviced Apartments

Discussions with industry representative provide some insight into the likely employment impacts of the proposed serviced apartments. It is estimated that the 48 serviced apartments will require the following staffing (EFT):

[5] http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8622.01998-99?OpenDocument

[6] ttp://www.ryde.nsw.gov.au/_Documents/PlansProceduresGuidelines/Planning+Proposal+108+Herring+Road+Appendix+F.pdf

- 2 Cleaning
- 2 Front of house and admin
- 1 Building maintenance and landscaping

This would on average mean direct employment of 5 staff.

In addition to the 5 staff the facility would also incur annual costs associated with the purchase of products, consumables and specialized services. These costs are often set as a percentage of rental income typically 15 to 20%. In addition there is a marketing fee if approximately 5%. At an average rate of $175pn at 50% occupancy the 48 apartments could generate almost $400,000 in management and marketing revenue much of which would be spent locally and it would also return almost $1.2 million to investors.

8.0 Summary of Operating Impacts

Table 8 indicates that the development has the annual capacity to support some 42 jobs and will generate a direct economic impact of almost $7 million annually. This assessment does not take into account the operating multipliers which would significantly increase this impact.

Table 8: Summary of Operating Phase impacts

	Direct employment EFT	Direct economic value Annual
Café	13	$1,564,754
Office space	7	$1,000,000
Retail impact	15	$4,053,668
Household services	2	$383,510
Serviced apartments	5	$400,000
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Source: Castlecrest Consultants. 2015