



ECONOMIC BENEFITS REPORT

845 Pacific Highway, Chatswood

Prepared for HYG
September 2021

COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

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Project code	P0022693
Report number	2

BENEFITS AT A GLANCE

Economic Benefits

1. **Key Finding:** The construction phase of the proposed development will create up to 332 jobs over three years almost immediately.
2. **Key Finding:** The three-year construction period will generate \$123 million in Gross Value Add (in net present value terms) for the NSW economy.
3. **Key Finding:** The ongoing operation will generate a net uplift of 4,765 direct and indirect jobs on an ongoing basis.
4. **Key Finding:** The additional office jobs that will be created by the proposed development will contribute to increasing the low 27% share of Willoughby LGA resident workers able to work within the LGA.
5. **Key Finding:** The ongoing operations will deliver a net uplift of \$455 million in Gross Value Add each year.



332

Construction jobs over three years



Gross Value Added over the construction period
\$123 MILLION



4,765

Additional jobs as a result of ongoing operations



\$455 MILLION
Gross Value Added each year on an ongoing basis

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EXECUTIVE SUMMARY

Executive Summary

Urbis has been engaged by HYG to conduct an independent Economic Benefits Assessment for the proposed commercial office tower at 845 Pacific Highway, Chatswood.

The purpose of this report is to summarise the potential impact of the development on the State economy and job creation considering:

- The level of employment that can be delivered on the subject site through the construction and ongoing operation of the proposed development
- The broader economic impact associated with the proposed development
- The improvement to job containment within the Willoughby LGA.

Proposed Development

The subject site is the northern gateway to the Chatswood commercial core, around 350 metres from Chatswood train station.

The proposed office tower development for the subject site is planned to include **39,937 sq.m commercial office GFA** across 36 levels, and around **477 sq.m retail GFA**. The total development is proposed to include 41,330 sq.m GFA, which includes lobby and end of trip facilities for the commercial tower.

According to information provided by HYG, it plans to invest a total of **\$200 million** (in constant 2020 dollar excluding GST) in the construction of the proposed development. The construction is anticipated to occur over an estimated three years between 2022 and 2024.

Executive Summary cont.

The development will provide valuable economic benefits and jobs

The proposed development will generate significant employment and economic benefits for the Willoughby LGA and wider NSW. These benefits include:

- **332 direct and indirect construction related jobs** per annum on average over the 3-year construction period. This activity will provide much needed support for the economic recovery in New South Wales in the short term.
- Some **\$123 million Gross Value Added** (GVA) to the NSW economy from construction, in net present value terms.
- A net uplift of **4,765 direct and indirect jobs supported on site and in the surrounding region** on an ongoing basis during operation of the new office development at capacity
- A net uplift of **\$455 million of annual direct and indirect GVA contribution** to the State economy on an ongoing basis, in net present value terms.

The development will help support job containment in Willoughby LGA

Based on ABS 2016 Census data, we have conducted an analysis of the employment profiles of Willoughby LGA workers and resident workers who live in the LGA, finding that:

- 84% of jobs in the LGA are held by residents from outside the LGA
- 73% of resident workers in the LGA travel outside the LGA for work.

While there is a significant job surplus in the LGA, this is reliant on large job surpluses in some industries, such as health care and social assistance, retail trade, and information media and telecommunications. The analysis finds that there are relatively minor job surpluses in most office-related industries in the LGA, and a significant job deficit (-1,409 jobs) in the financial and insurance services industry.

The proposed office development will generate local jobs for Willoughby LGA resident workers who currently have to leave the LGA for work, making a significant positive contribution to employment retention in the LGA.

INTRODUCTION

Project Background and Purpose

Urbis has been engaged by HYG to conduct an independent Economic Benefits Assessment for the proposed commercial office tower at 845 Pacific Highway, Chatswood.

The purpose of this report is to summarise the potential impact of the development on the State economy and job creation considering:

- The level of employment that can be delivered on the subject site through the construction and ongoing operation of the proposed development
- The broader economic impact associated with the proposed development
- The improvement to job containment within the Willoughby LGA.

The analysis adopts industry standard benchmarks for employment density, and uses the REMPLAN modelling tool in quantifying the potential employment and economic benefits likely to be generated from the construction and ongoing operation of the proposed development. An explanation of the REMPLAN methodology is provided in the Appendix.

A summary of the proposed development and its key economic benefits are presented adjacent.

Site and Proposed Development

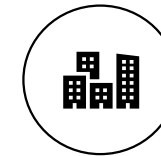
The subject site at 845 Pacific Highway, Chatswood occupies an area of approximately 2,074 square metres at the intersection of the Pacific Highway and Railway Street. The site is the northern gateway to the Chatswood commercial core, around 350 metres from Chatswood train station.

The site is currently occupied by a seven-storey commercial office building and an adjoining car wash facility (total net lettable area of 4,109 sq.m).

The proposed office tower development for the subject site is planned to include **39,937 sq.m commercial office GFA** across 36 levels, and around **477 sq.m retail GFA**. The total development is proposed to include 41,330 sq.m GFA, which includes lobby and end of trip facilities for the commercial tower.

According to information provided by HYG, it plans to invest a total of **\$200 million** (in constant 2020 dollar excluding GST) in the construction of the proposed development. The construction is anticipated to occur over an estimated three years between 2022 and 2024.

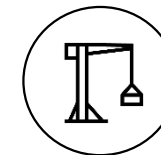
Proposed Development



39,937 SQ.M
COMMERCIAL OFFICE FLOORSPACE GFA



477 SQ.M
RETAIL FLOORSPACE GFA



41,330 SQ.M
TOTAL FLOORSPACE GFA (INCLUDING LOBBY AND END OF TRIP FACILITIES)



\$200 MILLION
TOTAL CONSTRUCTION COST*



ESTIMATED PROJECT TIMEFRAME:
2022 - 2024

* Constant 2021 dollar excluding GST
Source: HYG; Urbis

01

EMPLOYMENT AND ECONOMIC BENEFITS



THE CONSTRUCTION WILL DELIVER 332 JOBS ALMOST IMMEDIATELY OVER 3 YEARS

Key Findings

The construction of the proposed development would require substantial capital investment, which would sustain significant employment in the local economy.

The proposed development is estimated to require project expenditure of **\$200 million** over a three-year period starting in 2022.

Based on economic modelling using REMPLAN, the construction of the proposed development would generate **a total of 332 jobs over the two-year construction period**, including:

- Direct jobs = 133 jobs over 3 years
- Indirect jobs = 199 jobs over 3 years.

Most new direct jobs will be in the construction sector, an important focus in the Covid-19 economic recovery.

Indirect jobs associated with the construction are expected to be mostly in manufacturing, accounting for one third of total indirect jobs.

Construction Phase

PROJECT
EXPENDITURE
(\$M)

↔
\$200M



\$200M



EMPLOYMENT
(JOBS)



133

direct jobs over
3 years



199

indirect jobs over
3 years



332

total jobs
over 3 years

*Note: NPV calculated using a 7% discount rate
Source: HYG; REMPLAN Economy; Urbis*

THE CONSTRUCTION WILL SUPPORT THE ECONOMIC RECOVERY IN NSW

Key Findings

The significant capital investment required for the construction of the proposed development will create economic value that will help to support the economic recovery in NSW.

We have used the REMPLAN model to assess the potential economic contributions of the construction of the proposed development in terms of Gross Value Added (GVA).

The construction phase will generate a **total Gross Value Added (GVA) of \$123.1 million to the NSW economy during the three-year construction period** (in net present value terms).

- Direct GVA = \$48.5 million
- Indirect GVA = \$74.6 million.

Construction Phase

**PROJECT
EXPENDITURE
(\$M)**

↔
\$200M



\$200M



**VALUE ADDED
(\$M, NPV)**

↔
\$48.5M

direct GVA over
3 years



\$74.6M

indirect GVA over
3 years



\$123.1M
total GVA
over 3 years

*Note: NPV calculated using a 7% discount rate
Source: REMPLAN Economy; Urbis*

THE DEVELOPMENT WILL PROVIDE A SIGNIFICANT UPLIFT IN ONGOING EMPLOYMENT

Key Findings

Upon completion, the ongoing operations will support new jobs and generate value added to the economy.

The ongoing phase will generate a **total net increase of 4,765 jobs**.

- Direct jobs = 2,713 jobs
- Indirect jobs = 2,052 jobs

Direct jobs are associated with the future intended uses on the subject site. The proposed office space is expected to accommodate 1 job per 13.5 sq.m office GFA, aligned to average work space ratio of open plan office in non-CBD office markets in the City of Sydney, as reported in the City of Sydney 2017 Floor Space and Employment Survey.

To note, this job uplift estimate takes into account the existing employment floorspace on site, which is estimated to currently accommodate around 260 jobs. The proposed development will result in more than a twelve fold increase in direct jobs than currently provided in the site.

The industries that are anticipated to occupy the largest portion of proposed office space are:

- Professional, scientific and technical services (1,385 jobs)
- Financial and insurance services (510 jobs)
- Public administration and safety (465 jobs)
- Rental, hiring and real estate services (131 jobs).

Indirect jobs will be generated in most industry sectors, though mostly relevant to:

- Professional, scientific and technical services
- Administrative and support services
- Financial and insurance services
- Construction.

Operational Phase



Source: REMPLAN Economy; Urbis

THE DEVELOPMENT WILL PROVIDE A MAJOR ONGOING ECONOMIC CONTRIBUTION

Key Findings

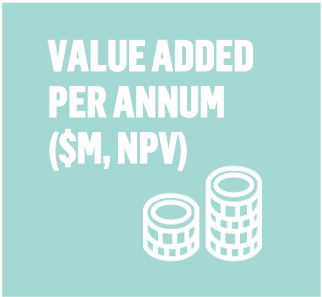
Upon completion of the development, the ongoing operations will support new jobs and generate value added to the economy.

The operation of the proposed development also has the potential to deliver **\$454.8 million in direct and indirect annual gross value add** to the economy comprising:

- Direct annual GVA = \$295.5 million
- Indirect annual GVA = \$159.3 million.

This value is expressed as net present value of future GVA over a 20-year operational period based on the first full year of operation being 2025 following construction completion in late 2024.

Operational Phase



Note: NPV calculated using a 7% discount rate over a 20-year operational period (from completion of the overall development)
Source: REMPLAN Economy; Urbis

02

JOB CONTAINMENT



WILLOUGHBY LGA HAS HISTORICALLY EXPERIENCED A JOB SURPLUS

Key Findings

This chapter of the report assesses the current alignment of Willoughby LGA jobs with resident workers in the LGA, identifying the potential need for more jobs in certain industries to meet the needs of resident workers.

Table 2.1 shows the employment profile of Willoughby LGA resident workers and the jobs available in the LGA by industry sector. It shows there is a total of 56,880 jobs in the LGA and 34,733 Willoughby LGA resident workers, and thus **a surplus of 21,974 jobs for LGA residents** as recorded in the 2016 Census.

This represents an increase in job surplus from the 2011 Census, when the LGA recorded a 15,350 job surplus.

The remainder of this chapter analyses the relative number of jobs and resident workers in the LGA in different industries.

Jobs and Resident Workers Gap by Industry Sector

Table 2.1

Industry	2011			2016		
	Jobs	Resident Workers	Gap	Jobs	Resident Workers	Gap
Agriculture, Forestry and Fishing	45	62	-17	58	82	-24
Mining	115	103	+12	168	107	+61
Manufacturing	2,785	1,445	+1,340	1,959	1,154	+805
Electricity, Gas, Water and Waste Services	367	160	+207	362	174	+188
Construction	3,354	1,299	+2,055	3,602	1,473	+2,129
Wholesale Trade	3,029	1,889	+1,140	2,814	1,410	+1,404
Retail Trade	5,498	2,488	+3,010	6,441	2,746	+3,695
Accommodation and Food Services	1,937	2,026	-89	2,991	2,338	+653
Transport, Postal and Warehousing	1,032	878	+154	1,360	916	+444
Information Media and Telecommunications	4,316	1,763	+2,553	5,254	1,754	+3,500
Financial and Insurance Services	2,224	3,925	-1,701	2,721	4,130	-1,409
Rental, Hiring and Real Estate Services	1,164	790	+374	1,295	1,045	+250
Professional, Scientific and Technical Services	6,619	6,299	+320	7,184	6,563	+621
Administrative and Support Services	1,484	1,216	+268	1,625	1,281	+344
Public Administration and Safety	1,515	1,226	+289	2,235	1,335	+900
Education and Training	2,233	2,368	-135	3,004	2,805	+199
Health Care and Social Assistance	8,137	3,471	+4,666	10,761	3,852	+6,909
Arts and Recreation Services	500	497	+3	588	561	+27
Other Services	1,829	928	+901	2,258	1,007	+1,251
Total	48,183	32,833	+15,350	56,680	34,733	+21,947

Source: ABS 2016 Census, Urbis

84% OF WILLOUGHBY LGA WORKERS LIVE OUTSIDE THE LGA

Employment Containment

Chart 2.1 shows the proportion of Willoughby LGA workers that live within the Willoughby LGA, as at the 2016 Census. Key findings include:

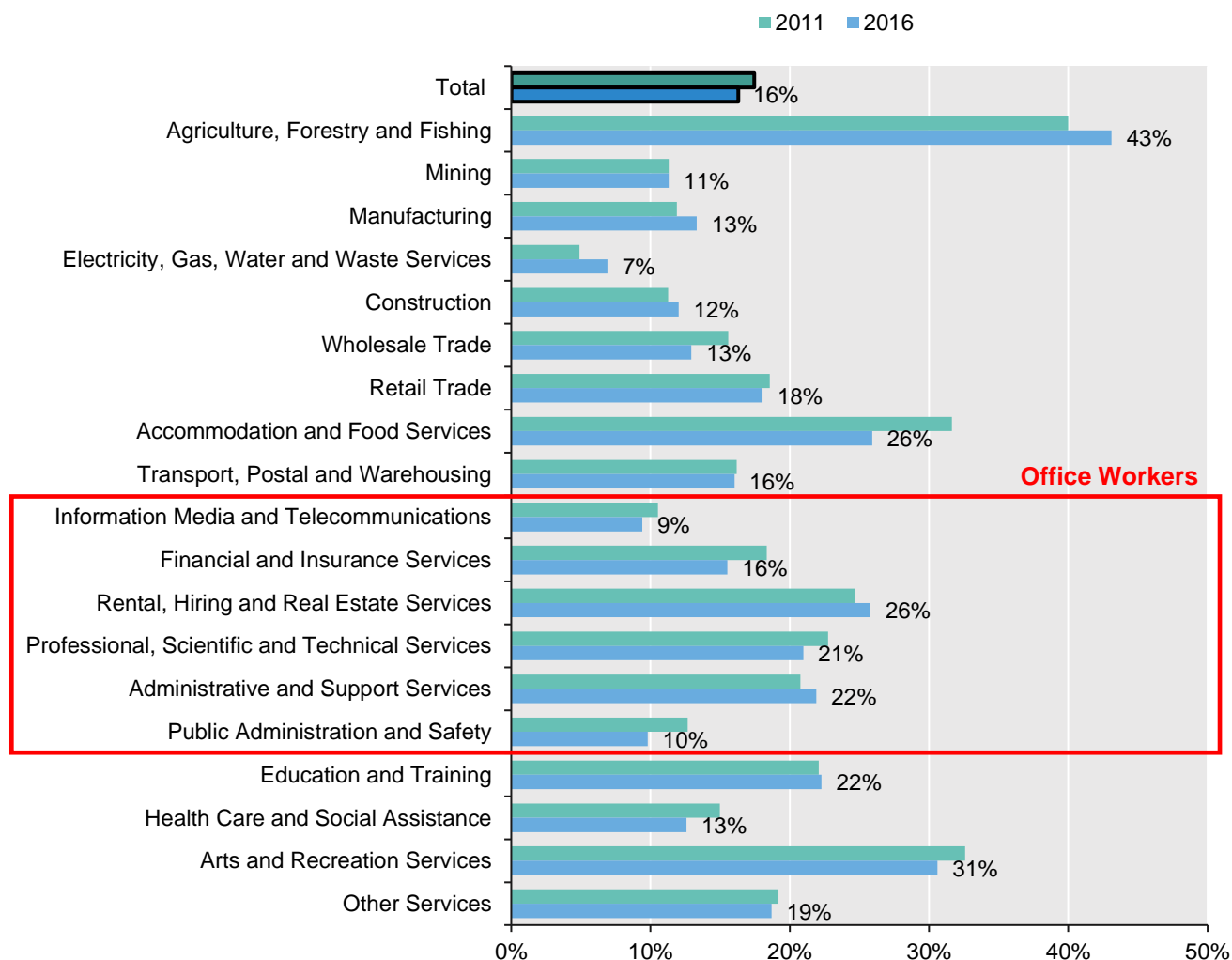
- Willoughby LGA residents held 16% of jobs within the LGA, with the remaining 84% held by residents from elsewhere
- The three industries with the lowest proportion of jobs held by LGA residents are Electricity, Gas, Water and Waste Services (7%), Information Media and Telecommunications (9%), and Public Administration and Safety (10%).

The chart also shows the change in employment containment in the LGA between 2011 and 2016. Employment containment has declined by -1.2% across the LGA in this period, as a higher proportion of jobs are held by residents elsewhere in Sydney and beyond. Office based industries with significant declines in self containment include:

- Public Administration and Safety (-2.9%)
- Financial and Insurance Services (-2.8%)
- Professional, Scientific and Technical Services (-1.8%)
- Information Media and Telecommunications (-1.1%)

Willoughby LGA Workers that Live in the LGA

Chart 2.1



73% OF WILLOUGHBY LGA RESIDENT WORKERS WORK OUTSIDE THE LGA

Resident Worker Containment

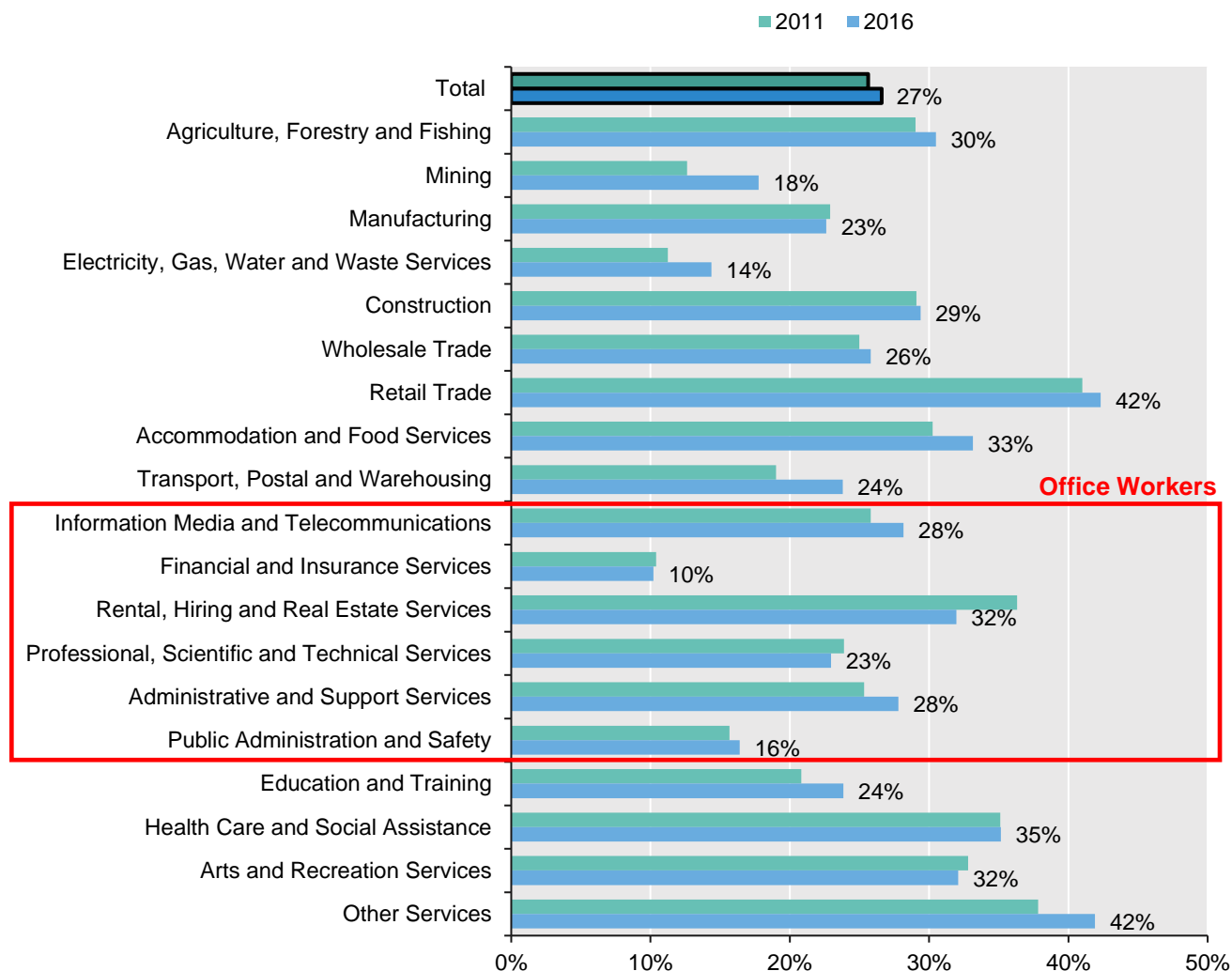
Chart 2.2 shows the proportion of Willoughby LGA resident workers that work within the Willoughby LGA, as at the 2016 Census. Key findings include:

- 27% of Willoughby LGA resident workers had jobs within the LGA, with the remaining 73% travelling outside the LGA for work
- Across key office-based industries, only between 10% and 32% of LGA resident workers had jobs within the LGA
- Office based financial and insurance services and public administration and safety jobs are the industries with some of the lowest resident worker containment, at 10% and 16% of resident workers, respectively.

The chart also shows the change in employment self-containment in the LGA between 2011 and 2016. While resident worker containment remained fairly consistent in this period, the office based rental, hiring and real estate services industry experienced a -4.4% decline in resident worker containment.

Willoughby LGA Resident Workers that Work in the LGA

Chart 2.2



Source: ABS 2016 Census, Urbis

THERE IS A GAP IN THE AVAILABLE JOBS FOR RESIDENTS ACROSS MULTIPLE SECTORS

Key Findings

Despite a significant job surplus existing in Willoughby LGA, this is not reflected across all industries, as shown in Chart 3.3.

Key findings include:

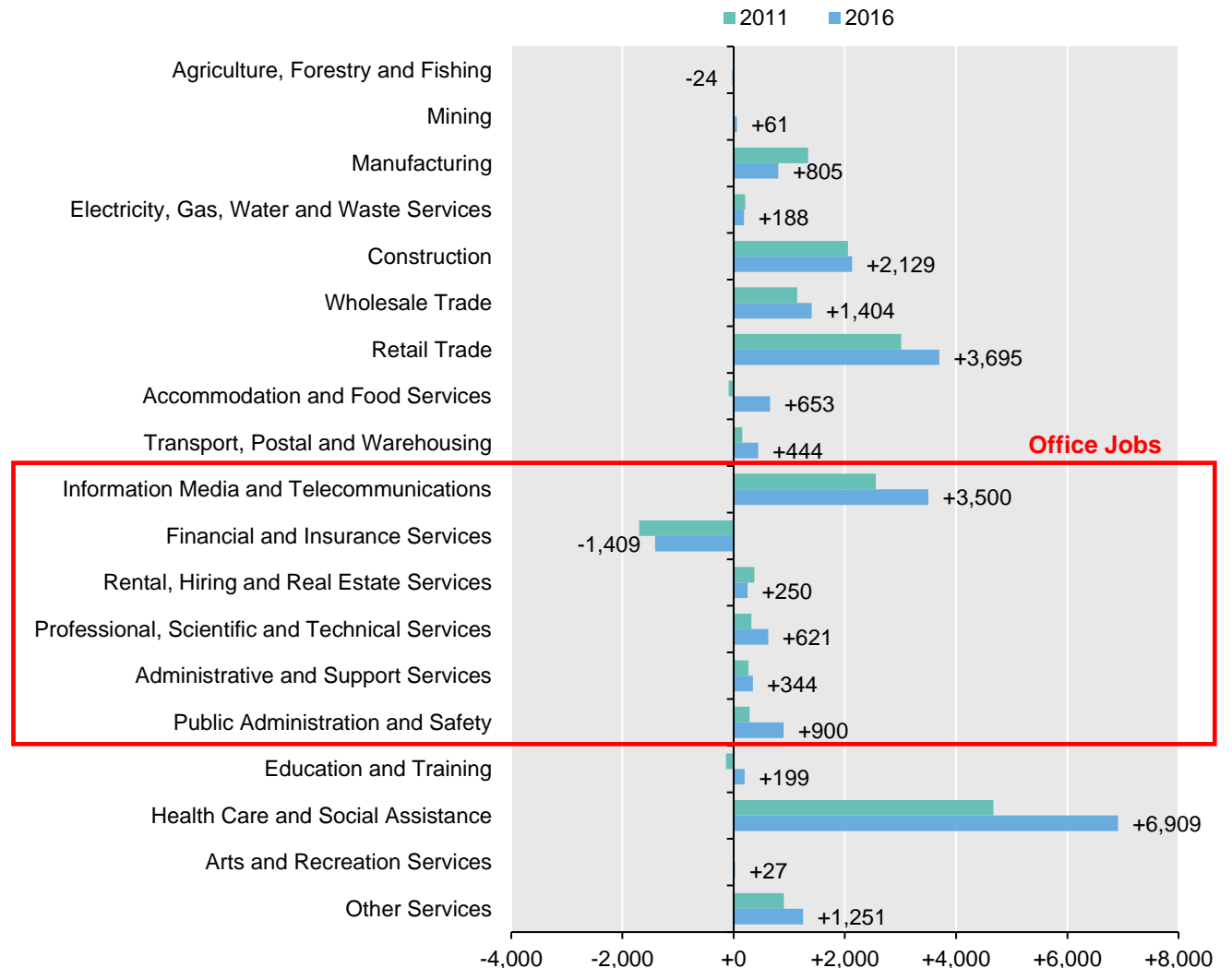
- The large job surplus in 2016 and growth between 2011 and 2016 is being supported by three key industries, namely:
 - Health care and social assistance
 - Retail trade
 - Information Media and telecommunications
- Office based finance and insurance services was the only industry to have a significant deficit of jobs in 2016. This reflects a large number of resident workers in this industry that travel to work in other major office markets such as North Sydney and the Sydney CBD.
- Other office based industries are outlined in the chart, with relatively minor job surpluses in the following industries:
 - Rental, Hiring and Real Estate Services
 - Professional, Scientific and Technical Services
 - Administration and Support Services
 - Public Administration and Safety

Implication for the subject site

The proposed office development will deliver jobs to Willoughby LGA resident workers who currently have to leave the LGA for work, making a significant positive contribution to employment retention in the LGA.

2016-2011 Jobs Surplus in Willoughby LGA

Chart 3.3



A white drone with a camera is flying in the foreground of a warehouse aisle. In the background, a worker wearing a yellow hard hat and a high-visibility vest is holding a tablet. The warehouse has high ceilings and yellow overhead cranes.

APPENDIX

REMPPLAN METHODOLOGY

This Economic Analysis uses **REMPPLAN** to model the potential economic benefits associated with the proposed development. REMPLAN is an Input Output model that captures inter-industry relationships within an economy. It can assess the area specific direct and flow on implications across industry sectors in terms of employment, wages and salaries, output and value added (Gross State Product).

The potential economic benefits of the proposed development have been quantified in terms of value added expenditure generation and employment generation:

- Expenditure Generation – Estimation of the direct and indirect expenditure impacts resulting from the proposed development. This estimates value added expenditure impacts to the regional and state economies during both the development and operating phases
- Employment Creation – Estimation of the direct and indirect employment impacts resulting from the proposed developments. This estimates employment impacts using standard industry jobs per sq.m benchmarks and regional employment multipliers for New South Wales.

Key points regarding the workings and terminology of the model are as follows:

- REMPLAN uses either the value of investment or employment generation as the primary input. For this analysis, the value of total upfront investment has been used as the key input to assess the benefits of the construction phase, whereas future employment at the centre is the input to assessing the ongoing economic benefits of the operational phase
- Outputs from the model include direct and indirect employment and value added (i.e. economic growth) generated through the project
- Employment generated includes all full-time and part-time jobs created over the life of the construction phase; or in terms of the on-going operations, total on-going jobs generated
- Both the direct and indirect benefits are modelled for employment and value added
- Direct refers to the effect felt within the industry where the investment is being made. For example, during the construction phase, new direct jobs are created within the construction industry
- Indirect effects are:
 - Those felt within industries that supply goods to the industries directly affected (industry effects)
 - Those felt by industries that benefit from the wages that are earned and spent by those employed within the industries directly affected (consumption-induced effects).

For the purposes of this analysis, consumption-induced effects have been excluded. Consumption-induced effects are prone to overstate the benefits of a particular investment as they overestimate the impact of wage and salary increases in the local economy. This is accepted industry practice.

