



# ECONOMIC BENEFITS REPORT

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29-57 Christie Street, St Leonards

Prepared for Arrow Capital Partners  
August 2020



# COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

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The effects (both directly and indirectly) of the COVID-19 Outbreak on the Australian real estate market and business operations is currently unknown and it is difficult to predict the quantum of the impact it will have more broadly on the Australian economy and how long that impact will last. As at March 2020, the COVID-19 Outbreak is materially impacting global travel, trade and near-term economic growth expectations. Some business sectors, such as the retail, hotel and tourism sectors, are already reporting material impacts on trading performance now and potentially into the future. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

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Report number	1

# BENEFITS AT A GLANCE

## Economic Benefits

1. **Key Finding:** The construction phase of the proposed development will create 609 jobs over two and a half years.
2. **Key Finding:** The two and a half-year construction period will generate \$95.2 million in Gross Value Add.
3. **Key Finding:** The ongoing operation will create 2,642 direct and indirect jobs.
4. **Key Finding:** The additional jobs that will be created by the proposed development will contribute to addressing the low 15% share of Lane Cove residents able to work in Lane Cove LGA.
5. **Key Finding:** The ongoing operations will deliver \$614.3 million in Gross Value Add over a 20-year period.



244

Construction jobs over two and a half years



\$95.2 million

Gross Value Added over the construction period



2,629

Additional jobs as a result of ongoing operations



\$614.3 million

Gross Value Added each year on an ongoing basis

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# EXECUTIVE SUMMARY

## Executive Summary

Urbis has been engaged by Arrow Capital Partners to conduct an independent Economic Benefits Assessment for the proposed commercial office tower at 29-57 Christie Street, St Leonards.

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 Lane Cove LGA.

### Proposed Development

The subject site is around 400m to the south of St Leonards train station and is located within the Crows Nest/St Leonards commercial core.

The proposed office tower development for the subject site is planned to include two office towers, with the current community centre to be demolished. The towers will be an 8-storey tower A and a 12-storey tower B with around **22,800 sq.m commercial office GFA, 2,100 sq.m gym GFA and 600 sq.m of retail GFA.**

According to information provided by Arrow Capital Partners, a total of **\$210.8 million** (in constant 2020 dollar excluding GST) is planned to be invested in the construction of the proposed development. The construction is anticipated to occur over an estimated two and a half-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 Lane Cove LGA and wider NSW. These benefits include:

- **609 direct and indirect construction related jobs** per annum over the two and a half-year construction period. This activity will provide much needed support for the economic recovery in New South Wales in the short term
- Some **\$95.2 million in Gross Value Added (GVA)** to the NSW economy from construction, in net present value terms
- A net uplift of **2,629 direct and indirect jobs supported in the office tower and in the surrounding region** on an ongoing basis during operation of the new office development at capacity
- A net uplift of **\$614.3 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 improve employment containment in the Lane Cove LGA

An analysis of the employment profiles of Lane Cove LGA workers and resident workers who live in the LGA shows that there are more resident workers than jobs available in office industries that will benefit from the development's construction and ongoing operations. Based on ABS 2016 Census the highest shortage of jobs for local residents who have to travel outside the LGA for work are:

- Deficit of 1,647 in finance and insurance services
- Deficit of 444 in professional, scientific and technical services
- Deficit of 385 in information, media and telecommunications.

The proposed office development will deliver local jobs for Lane Cove 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 appointed by Arrow Capital Partners to identify the economic benefits associated with two proposed office towers at 29-57 Christie Street, St Leonards.

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 Lane Cove 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 29-57 Christie Street, St Leonards occupies an area of approximately 7,636 square metres. The subject site is on the south western side of the **St Crows Nest/St Leonards office market** defined by the Property Council of Australia.

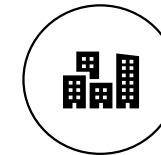
St Leonards train station is 400m to the north of the site and the Pacific Highway is directly accessible via Christie Street and Oxley Street. Crows Nest Metro Station due for 2024 completion will be located 200m to the east of the subject site, bounded by Pacific Highway and Clarke Street.

The site is currently occupied by two separate buildings with a six-storey commercial office building and a community centre (total net lettable area of 17,800 sq.m).

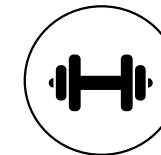
The proposed office tower development for the subject site is planned to include two office towers, with the current community centre to be demolished. The towers will be an 8-storey tower A and a 12-storey tower B with around **22,800 sq.m commercial office GFA, 2,100 sq.m gym GFA and 600 sq.m of retail GFA.**

According to information provided by Arrow Capital Partners, a total of **\$210.8 million** (in constant 2020 dollar excluding GST) is planned to be invested in construction of the proposed development. The construction is anticipated to occur over an estimated two and a half-years between 2022 and 2024.

## Proposed Development



**22,800 sq.m**  
**Commercial Office Floorspace GFA**



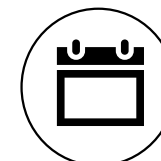
**2,100 sq.m**  
**Gym Floorspace GFA**



**600 sq.m**  
**Retail Floorspace GFA**



**\$210.8 million**  
**Total Construction Cost\***



**Estimated Project Timeframe:**  
**2022 - 2024**

\* Constant 2020 dollar excluding GST  
Source: Arrow Capital Partners; Urbis



# 01

## **EMPLOYMENT AND ECONOMIC BENEFITS**





# THE CONSTRUCTION WILL CREATE 816 JOBS INV LANE COVE LGA OVER 2.5 YEARS

## Key Findings

The proposed development is estimated to require project expenditure of **\$210.8 million** over a two and a half-year period starting in 2022.

Based on the economic modelling using REMPLAN, the construction of the proposed development would generate **a total of 609 jobs over the two and a half-year construction period.**

- Direct jobs = 244 jobs over 2.5 years
- Indirect jobs = 365 jobs over 2.5 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 mostly in manufacturing accounting for one third of total indirect jobs.

## Construction Phase

Project  
Expenditure  
(\$M)



Employment  
(Jobs)



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

# THE CONSTRUCTION WILL SUPPORT THE ECONOMIC RECOVERY IN NSW

## Key Findings

The construction of the proposed development would require substantial capital investment, which would create economic value that will help support the economic recovery in NSW.

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

The construction phase will generate a **total Gross Value Added (GVA) of \$95.2 million during the two and a half-year construction period** (in net present value terms).

- Direct GVA = \$37.5 million
- Indirect GVA = \$57.7 million.

## Construction Phase

  
**Value Added  
(\$M, NPV)**

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

The ongoing phase will generate **a total net increase of 2,629 permanent jobs annually**.

- Direct jobs = 1,505 jobs
- Indirect jobs = 1,124 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 15 sq.m office GFA, in line with Urbis benchmarks.

The current existing employment floorspace of the community centre to be demolished has been taken into account when estimating the jobs uplift. The current use as a gym, childcare centre and café supports an estimated 55 total full time jobs.

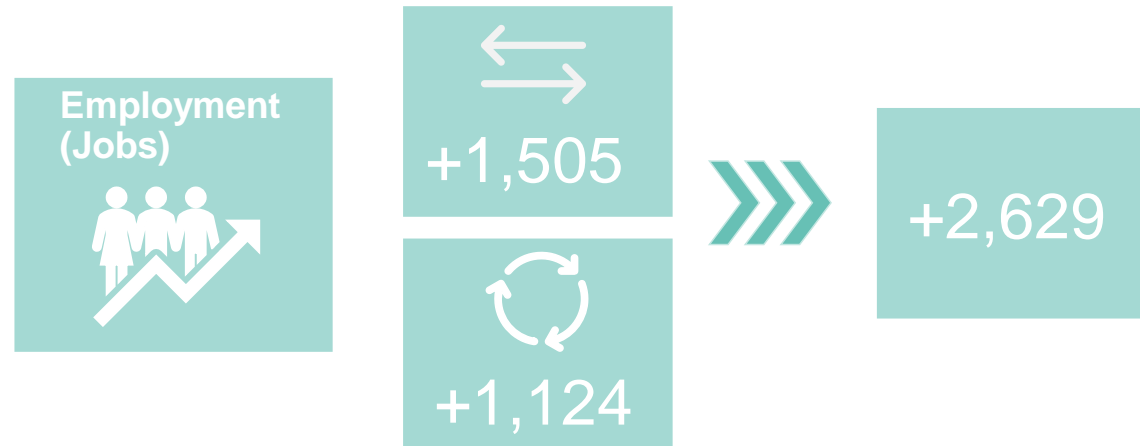
Industries which will experience the most significant jobs growth are:

- Professional, Scientific and Technical Services (+767 jobs)
- Finance and Insurance Services (+283 jobs)
- Public Administration and Safety (+258 jobs).

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

- Professional, Scientific and Technical Services
- Administrative and Support Services
- Finance and Insurance
- Construction.

## 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*

# THE DEVELOPMENT WILL PROVIDE AN 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 **\$614.3 million in direct and indirect annual gross value add** to the economy annually comprising:

- Direct average GVA = \$400.3 million
- Indirect average GVA = \$214.0 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 mid to 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*



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## JOB CONTAINMENT



# THERE IS A JOBS GAP OF 3,468 IN THE LANE COVE LGA

## Key Findings

Table 2.1 shows the employment profile of Lane Cove LGA resident workers and the jobs available in the LGA by industry sector. It shows there is a total of 15,075 jobs in the LGA and 18,525 Lane Cove LGA resident workers, and thus **a deficit of 3,468 jobs for LGA residents** recorded in the last Census in 2016.

This represents an increase in deficit of jobs from the 2011 Census when the LGA recorded a deficit of 1,194 jobs.

The most significant gaps are in financial and insurance services, education and training, and professional scientific and technical services.

Based on the resident employment profile in 2016 there is good alignment with the needs of the proposed development for construction and operational phases.

Lane Cove Council recognises the opportunity to provide a substantial number of jobs in an array of office based 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	12	36	-24	20	42	-22
Mining	7	39	-32	20	42	-22
Manufacturing	1,554	795	+759	1,221	684	+537
Electricity, Gas, Water and Waste Services	37	116	-79	41	106	-65
Construction	810	611	+199	1,191	843	+348
Wholesale Trade	1,236	831	+405	838	681	+157
Retail Trade	1,175	1,219	-44	1,121	1,424	-303
Accommodation and Food Services	757	796	-39	741	968	-227
Transport, Postal and Warehousing	229	405	-176	270	454	-184
Information Media and Telecommunications	553	821	-268	545	930	-385
Financial and Insurance Services	601	1,841	-1,240	352	1,999	-1,647
Rental, Hiring and Real Estate Services	280	404	-124	310	518	-208
Professional, Scientific and Technical Services	3,103	3,054	+49	3,010	3,454	-444
Administrative and Support Services	664	552	+112	458	594	-136
Public Administration and Safety	509	674	-165	434	787	-353
Education and Training	888	1,442	-554	1,139	1,640	-501
Health Care and Social Assistance	2,141	2,110	+31	2,466	2,493	-27
Arts and Recreation Services	274	292	-18	331	325	+6
Other Services	474	460	+14	549	541	+8
<b>Total</b>	<b>15,304</b>	<b>16,498</b>	<b>-1,194</b>	<b>15,057</b>	<b>18,525</b>	<b>-3,468</b>

Source: ABS 2016 Census, Urbis



# THERE IS A GAP IN THE AVAILABLE JOBS FOR RESIDENTS ACROSS OFFICE BASED INDUSTRIES

## Key Findings

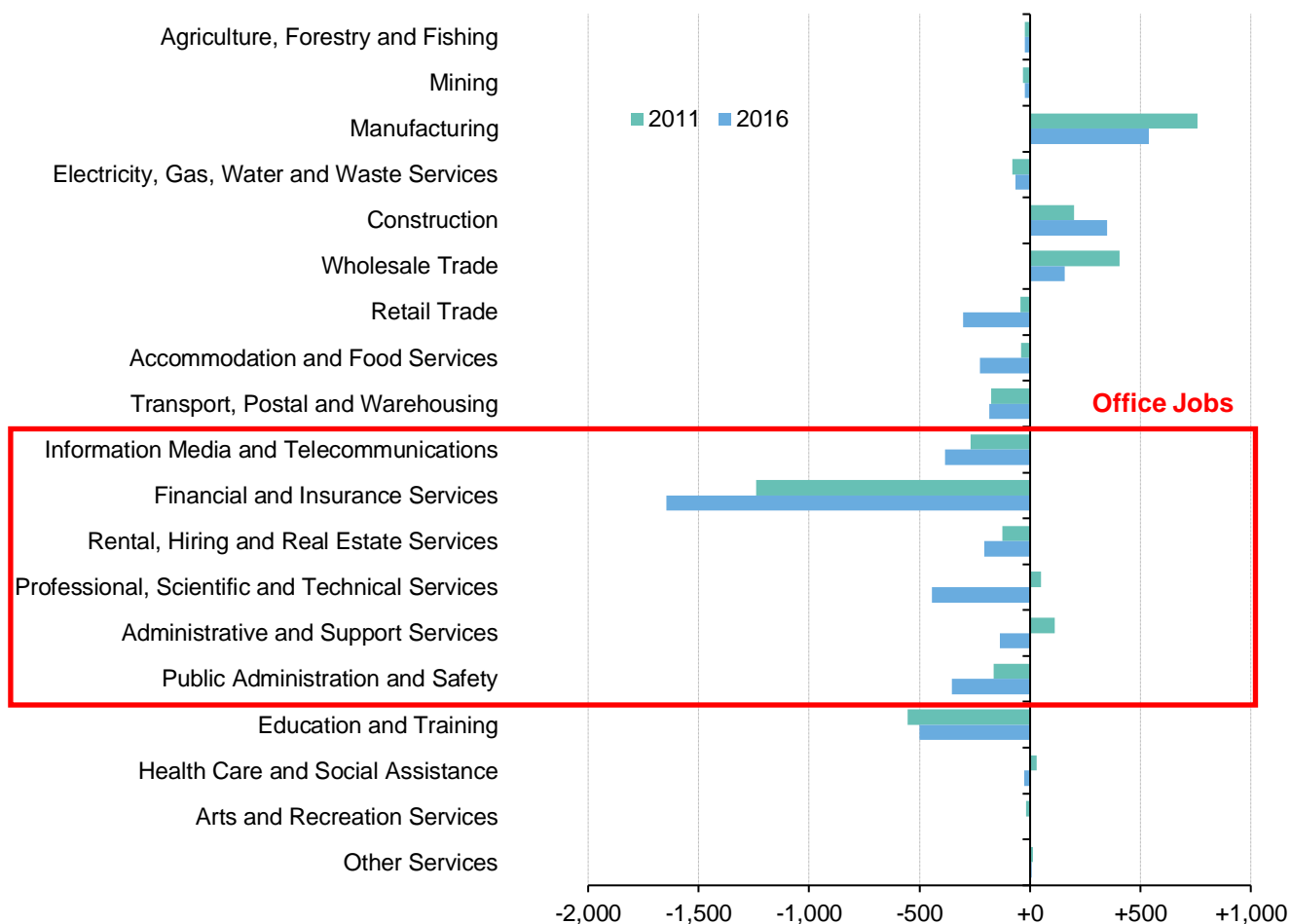
Chart 2.1 shows the total jobs and resident workers gap in the Lane Cove LGA across the industry sectors in 2011 and 2016. There is a significant gap in all office based industries, which all experienced an increase in deficit jobs since the 2011 Census. Office based industries where the number of resident workers outstrips jobs in the Lane Cove LGA based on 2016 Census are in:

- Financial and Insurance Services – deficit of 1,647
- Professional, Scientific and Technical Services – deficit of 444 jobs
- Information Media and Telecommunications – deficit of 385 jobs
- Public Administration and Safety – deficit of 353 jobs
- Rental, Hiring and Real Estate Services – deficit of 208 jobs
- Administrative and Support Services – deficit of 136 jobs

The REMPLAN calculation shows 1,514 direct jobs will be generated by the development's ongoing operations which would contribute to narrowing the jobs deficit significantly. Office based industries including professional scientific and technical services (+767 jobs), finance and insurance services (+283 jobs) and public administration and safety (+258 jobs) are estimated to experience the most significant change in their job gap.

2011 - 2016 Jobs Deficit in Lane Cove LGA

Chart 2.1



Source: ABS 2016 Census, TfNSW, Urbis

# EMPLOYMENT SELF-CONTAINMENT HAS DETERIORATED FOR LANE COVE LGA RESIDENTS

## Key Findings

Chart 2.2 illustrates the proportion of Lane Cove LGA workers that live within the Lane Cove LGA, as at the 2016 Census. The employment containment has declined to 15% in 2016 as a higher proportion of resident workers travel outside of the LGA for work. Containment is shown below as a percentage that reflects the proportion of resident workers in the LGA who work in the LGA in the office sectors.

Containment (2016) is at its lowest for:

- Public Administration and Safety (5% containment)
- Financial and Insurance Services (6% containment)
- Information Media and Telecommunications (9% containment)
- Administration and Support Services (16% containment).

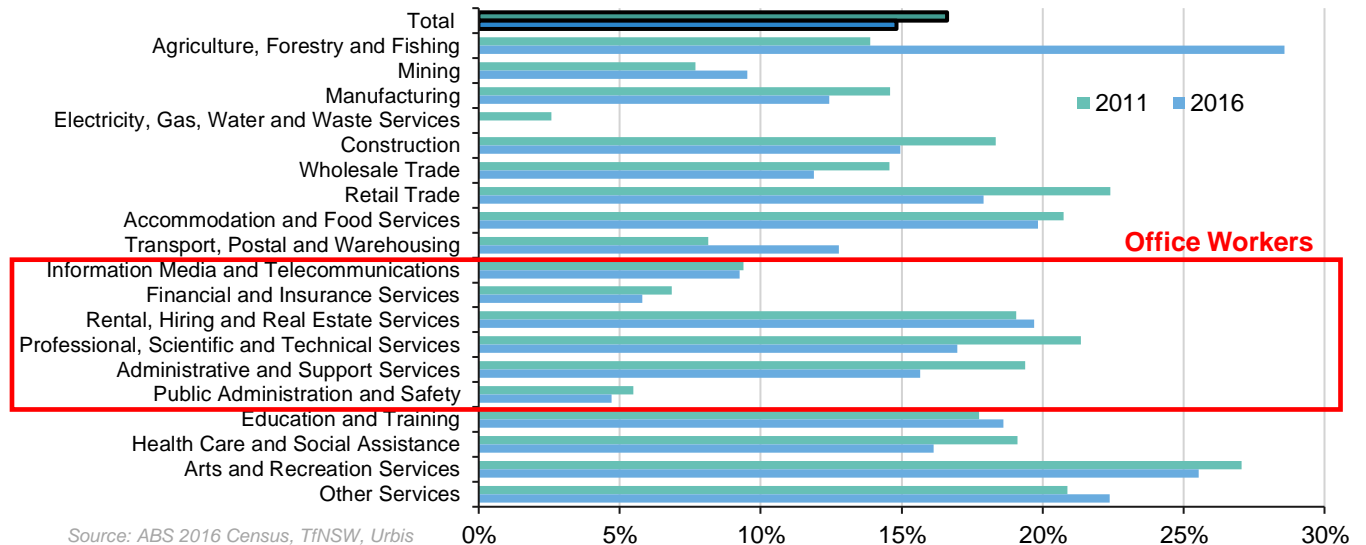
Chart 2.3 shows the decline in containment rates by sector between 2011 and 2016. Office based industries all had a decline in containment with the exception of rental, hiring and real estate services which experienced a 1% increase in containment. The most notable changes to containment across all industries occurred in the agriculture forestry and fishing, and transport postal and warehousing industries.

## Implication for the subject site

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

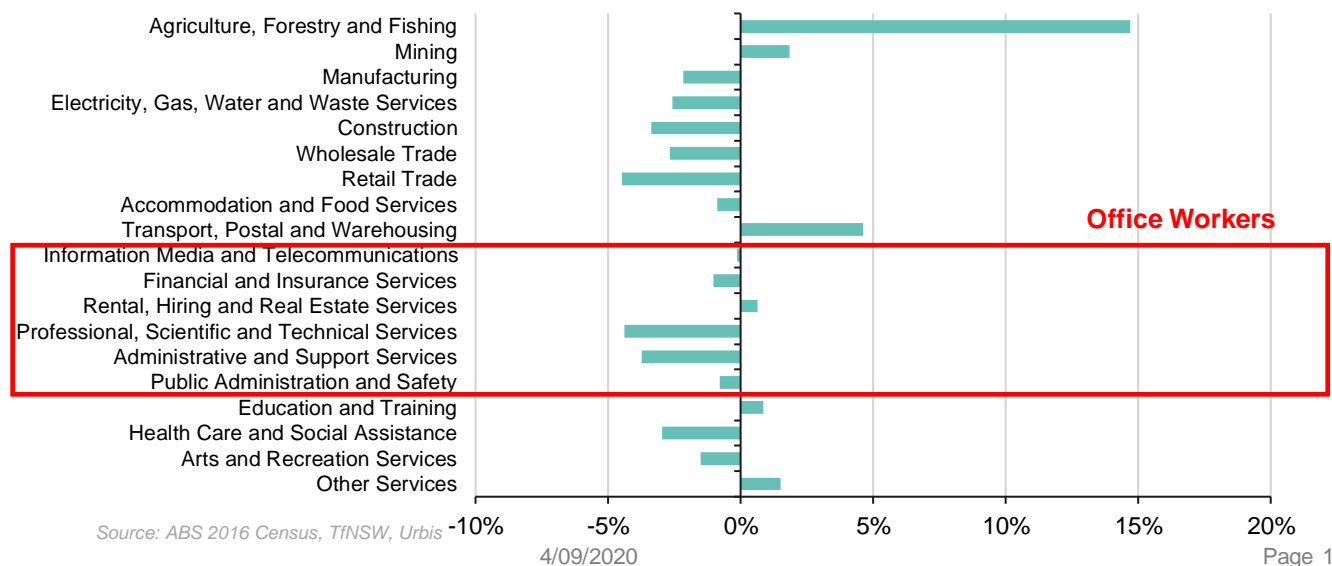
## Proportion of Resident Workers Employed in Lane Cove LGA

Chart 2.2



## Change in Proportion of Resident Workers Employed in Lane Cove LGA 2011-16

Chart 2.3



# 04

## 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.

