

17 May 2022

Dear Dennis,

Subject: 136 - 148 New South Head Road, economic impact

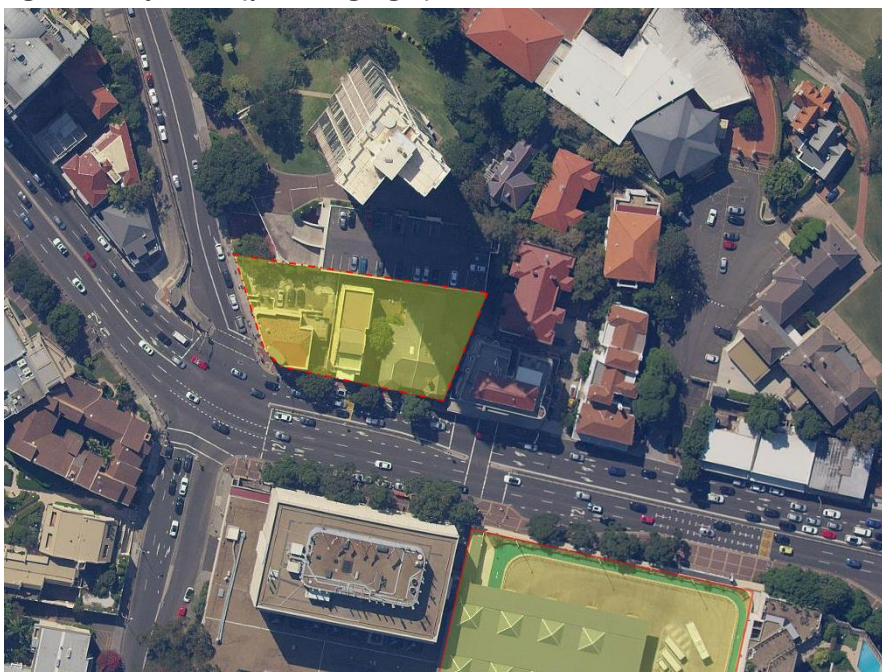
HillPDA was commissioned by ANKA Property Group (the Client) to assess the economic impact of a planning proposal for 136-148 New South Head Road, Edgecliff (subject site).

The subject site encloses 1,746sqm of B4 Mixed Use' zoned land. The site has an FSR of 1.5:1 and 14.5 metre building height limit under the Woollahra Local Environmental Plan 2014. The planning proposal seeks to amend the following planning provisions of the Woollahra Local Environmental Plan 2014:

- Amend the height of buildings controls to allow a 46m (12 storey) building
- Amend the Floor Space Ratio (FSR) controls for the site to 5:1

The above amendments would allow the mixed use re-development of the site. The indicative concept submitted provides an 8,723sqm Gross floor area (GFA) mixed use building, consisting of:

- 5,872sqm GFA of residential space, providing 41 residential apartments
- 2,851sqm of commercial office space.

Figure 1: Subject site (yellow highlight)

Source: SixMaps

1.1 Purpose and assessment structure

The purpose of this assessment is to assess and quantify, where possible, the economic impact that would eventuate from the planning proposal. This is achieved through assessing and comparing the economic contribution of the subject site from its current built form and land uses to that which would eventuate from its redevelopment as proposed under the planning proposal.

To achieve this, the assessment is set out in the following manner

- **Section 1.2 | Base case** - Examines the economic contribution that the subject currently generates. This is referred to as the “base case”.
- **Section 1.3 | Planning proposal post-construction** - Examines the economic contribution that development under the planning proposal concept scheme would have post-construction. The economic implications are compared to the base case (estimated in Section 1.2).
- **Section 1.4 | Planning proposal during-construction** - Examines the economic contribution of the planning proposal concept scheme during the construction phase.
- **Section 1.5 | Other economic benefits** - Provides a summary of the economic benefits
- **Section 1.6 | Economic impact summary** - Provides a summary of the planning proposal concept scheme’s economic impacts.

1.2 Base case economic impact

The following estimates the current economic activity/benefits of the land uses present on the subject site. HillPDA has been provided with a breakdown of floorspace and land uses active on the subject site, these are as follows:

Table 1: Subject site’s current floorspace and land uses

| Address | Floorspace (GFA) | Broad land use | Specific land use | ANZIC 2-digit code |
|---------------------------|------------------|----------------|-----------------------------|---|
| 136 New South Head Rd | 344sqm | Commercial | Photography | Professional, Scientific and Technical Services |
| 138-140 New South Head Rd | 740sqm | Residential | Seven apartments | |
| 142-146 New South Head Rd | 387sqm | Commercial | Hospitality staffing agency | Administrative and Support Services |
| 148 New South Head Rd | 280sqm | Commercial | Dentistry | Health Care Services |

The above land uses and floorspace estimates form the basis of our base case assessment.

The economic activity generated onsite has been estimated using the following methodology/sources:

- Employment onsite – estimated using industry standard employment densities, that is, the average amount of floorspace required to support one job within a particular industry
- Direct output, wage and industry value added – sourced from IBIS World reports 2019 at the ANZISC 4-digit or corresponding 1-digit industry level
- Multiplier effects – sourced from 2018-2019 ABS input-output tables and HillPDA.

From the above methodology, we have estimated the current economic activity/impact of the uses currently onsite at the State and local government level. These are summarised below:

- 15 jobs directly supported on site with a total of 29 jobs directly and indirectly supported across the State. Of these, 25 (86%) are located within Woollahra LGA.

- \$2.2 million in output directly generated by the uses on site, with a total of \$5.9 million directly and indirectly generated across the State. Of this direct and indirect output, \$4.6 million (79%) is captured within Woollahra LGA.
- \$0.9 million in remuneration directly generated by the uses on site, with a total of \$1.7 million directly indirectly generated across the State. Of this direct and indirect remuneration, \$1.5 million (87%) is captured within Woollahra LGA.
- \$1.2 million in Gross Value Added (GVA) directly generated by the uses on site, with a total of \$2.8 million directly indirectly generated across the State. Of this direct and indirect GVA, \$2.3 million (82%) is contributed to Woollahra LGA's Gross Regional Product (GRP).

Table 2: Base case economic impact

| Metric | Woollahra LGA | | | New South Wales impacts | | |
|--------------|---------------|----------|-------|-------------------------|----------|-------|
| | Direct | Indirect | Total | Direct | Indirect | Total |
| Employment | 15 | 10 | 25 | 15 | 14 | 29 |
| Output (\$m) | 2.2 | 2.4 | 4.6 | 2.2 | 3.7 | 5.9 |
| Wages (\$m) | 0.9 | 0.5 | 1.5 | 0.9 | 0.8 | 1.7 |
| GVA (\$) | 1.2 | 1.2 | 2.3 | 1.2 | 1.7 | 2.8 |

1.3 Planning proposal economic impact – post-construction

Upon completion, the planning proposal, if developed in accordance with the concept scheme, would provide 2,851sqm GFA of A-grade commercial office space. Based on an average employment density of 1 job per 17sqm of GFA, it is estimated that the proposal would directly support 168 jobs. This is an increase of around 153 jobs over the base case.

The economic impact of the planning proposal is summarised below:

- 168 jobs directly supported on site, representing an increase of 153 jobs over the base case. Accounting of direct and indirect multipliers, a total of 421 jobs would be generated across the State (a 392 increase over the base case). Of these direct and indirect jobs, around 344 (82%) would be located within Woollahra LGA.
- \$34 million in output directly generated by the uses on site, representing an increase in output of around \$32 million over the base case. Accounting of direct and indirect multipliers, a total of \$94 million in output would be generated across the State (a \$88 million increase over the base case). Of this direct and indirect output generated, around \$74 million (78%) would be located within Woollahra LGA.
- \$13 million in remuneration directly generated by the uses on site, representing an increase in output of around \$12 million over the base case. Accounting of direct and indirect multipliers, a total of \$29 million in output would be generated across the State (a \$27 million increase over the base case). Of this direct and indirect remuneration generated, around \$24 million (84%) would be captured within Woollahra LGA.
- \$20 million in GVA directly generated by the uses on site, representing an increase in output of around \$19 million over the base case. Accounting of direct and indirect multipliers, a total of \$56 million in output would be generated across the State (a \$53 million increase over the base case). Of this direct and indirect GVA, around \$45 million (80%) would be contributed to Woollahra LGA's Gross Regional Product (GRP).

Table 3: Planning proposal economic impact – post-construction

| Metric | Woollahra LGA | | | | New South Wales impacts | | | |
|--------------|---------------|----------|-------|-----------------------------|-------------------------|----------|-------|-----------------------------|
| | Direct | Indirect | Total | Net increase over base case | Direct | Indirect | Total | Net increase over base case |
| Employment | 168 | 176 | 344 | 319 | 168 | 253 | 421 | 392 |
| Output (\$m) | 34 | 40 | 74 | 69 | 34 | 60 | 94 | 88 |
| Wages (\$m) | 13 | 12 | 24 | 23 | 13 | 16 | 29 | 27 |
| GVA (\$) | 20 | 25 | 45 | 43 | 20 | 36 | 56 | 53 |

1.4 Planning proposal economic impact – during-construction

We have been provided a design and construction cost for the planning proposal concept scheme of around \$108 million (excl GST). This has been used to estimate the economic impact that the planning proposal would generate during construction.

1.4.1 Construction multiplier effects

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 Australia¹. The industry has strong linkages with other sectors, so the impacts on the economy go further than the direct contribution of construction. This is known as the multiplier effect. Multipliers refer to the level of additional economic activity generated by a source industry².

There are two types of effects captured by multipliers:

Production Induced Effects: which is made up of:

- *Direct effects:* which constitutes all outputs and employment required to produce the inputs for construction, and
- *Indirect effects:* which is the induced extra output and employment from all industries to support the increased production of the construction sector.

Consumption Induced Effects: 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.

1.4.2 Gross output

The planning proposal will have a direct impact on construction output as well as indirectly stimulating other industries which assist in production or cater to increased consumption.

The table below details the output multipliers and shows the impact of the change in demand generated by the development concept scheme and the impact on both the State and on Woollahra LGA. These multipliers reflect the size of local industries based on 2016 Census data. The forecast increase in total output at a national level is around \$307 million and total output in the Woollahra LGA is approximately \$195 million, as shown in the table below.

¹ Source: IBIS World Construction Industry Report 2018

² The modelling for this report is based on the Australian National Accounts and has adjusted these effects for industry size relative to the Woollahra LGA and calculated the direct, indirect, and induced effects of construction expenditure as well as industry output and employment job creation.

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.” In particular it may leave the impression that resources used for production would not have been utilised elsewhere in the local economy. Nevertheless, the estimates illustrate the high flow-on effects of construction activity.

Table 4: Design and construction - gross output (\$m)

| | Direct effects | Production induced effect | Consumption induced effect | Total |
|---------------------------------|----------------|---------------------------|----------------------------|-------|
| State multipliers | 1 | 1.1 | 0.7 | 2.8 |
| Output in the NSW economy | \$108 | \$121 | \$79 | \$307 |
| Output in the Woollahra economy | \$108 | \$52 | \$37 | \$196 |

1.4.3 Gross value added (GVA)

The 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 regions' wealth or gross regional product (GRP). The main components of GVA are workers' remunerations, profits and government taxes.

Design and construction would directly contribute around \$30 million to the Woollahra economy. Including the multiplier impacts, a total of around \$73 million would be contributed to the local economy (measured in 2020 dollars) based on the Woollahra LGA multipliers in the table below. GVA at the national level (contribution to gross domestic product) is higher at approximately \$125 million.

Table 5: Design and construction - gross value added (\$m)

| | Direct effects | Production induced effect | Consumption induced effect | Total |
|------------------------------|----------------|---------------------------|----------------------------|-------|
| State multipliers | 0.31 | 0.46 | 0.39 | 1.17 |
| GVA in the NSW economy | \$34 | \$50 | \$42 | \$126 |
| GVA in the Woollahra economy | \$30 | \$22 | \$20 | \$73 |

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2018-19 (ABS Pub: 5209.0), ABS Census 2016 Data

1.4.4 Job creation

Every million dollars of design and construction generates 2.52 jobs over one year³ directly in design and construction. Based on the estimated design and construction cost of \$108 million, around 270 jobs⁴ would be directly generated by the proposed development, of which 250 jobs⁴ would be construction jobs on site in the Woollahra LGA.

Through production induced and consumption induced multiplier impacts a total of around 940 jobs⁴ would be supported in the NSW economy. Of these, around 565 would be in the Woollahra LGA.

Table 6: Design and construction employment impact

| | Direct effects | Production induced effect | Consumption induced effect | Total |
|--|----------------|---------------------------|----------------------------|-------|
| NSW employment multipliers (jobs/\$m output) | 2.52 | 0.46 | 0.46 | 1.24 |
| Total Jobs ⁴ generated in the NSW economy | 272 | 385 | 285 | 942 |
| Jobs ⁴ generated in the Woollahra LGA | 250 | 176 | 139 | 565 |

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2018-19 (ABS Pub: 5209.0), ABS Census 2016 Data

³ Source: ABS Australian National Accounts: Input – Output Tables 2018-19

⁴ Note that jobs in design and construction are not full-time jobs given that they jobs are limited in time. Technically this refers to 'job years' where one 'job year' equals one full time job over one year. To calculate average FTE jobs, total job years can be divided by the number of years to construct. For example if the construction period is three years then 1,215 job years can be divided by three to derive an average of 405 construction jobs during the three year period of construction.

1.5 Other economic benefits

1.5.1 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. Development of the planning proposal would support a wide range of economic multipliers which would, in turn, support investment in associated industries. It would also raise the profile of Woollahra to potential investors.

The planning proposal would create additional business opportunities in this locality associated with future residents and employment floorspace on site. It would increase the profile of this area and, in so doing, increase the financial feasibility of mixed-use developments, potentially acting as a catalyst on surrounding sites.

1.5.2 Jobs closer to home

The planning proposal would provide additional employment opportunities for residents living both within the LGA and the wider Eastern City District.

There are many benefits associated with providing jobs closer to home, most notably a reduced need to travel and the knock-on benefits associated with this in terms of reduced pressure on infrastructure.

A reduction in the number and length of journeys made, in particular, those made in private vehicles, has environmental benefits. There are also lifestyle benefits related to increased free time, reduced travel-related stress and a reduced likelihood of road related accidents.

Providing jobs closer to home is echoed in the 30-minute city objectives of the State planning policies. As such the Revised Design would help to achieve this planning objective.

1.5.3 Increased residential accommodation for key workers

Affordable housing is accommodation for key workers who are unable to afford to pay market rents on top of general living expenses, such as travel to work, food, and clothing.

The planning proposal would provide a means for creating affordable apartments for key workers through the implementation of a monetary contribution under a Voluntary Planning Agreement. This would reduce the likelihood that these key workers would need to live in surrounding LGAs and travel to Woollahra for work due to the cost of housing.

1.5.4 Transit Orientated Development

High-density mixed-use development close to major transport nodes meets urban consolidation objectives. It results in improved efficiencies, reduces dependency on private motor vehicle usage and encourages the use of public transport.

1.5.5 Contributing to employment targets

Transport for New South Wales forecasts employment within Woollahra LGA to increase by 5,165 jobs between 2022-41. Of these around 2,405 or 47% are in the knowledge intensive industries (as categorised by the Greater Cities Commission).

The planning proposal would contribute to the LGA meeting this employment target.

1.5.6 Heritage building

The planning proposal allows for the restoration and adaptive re-use of the heritage listed building located on 136 New South Head Road.

1.5.7 Improved public space

The planning proposal concept scheme creates an active street frontage along New South Head Road with a plaza forecourt highlighting the buildings entry and heritage interface.

1.5.8 Voluntary Planning Agreement

The planning proposal will include a monetary contribution to the community in accordance with Council's Voluntary Planning Agreement Policy which can be used for affordable housing, infrastructure upgrades, community facilities or other needs as determined by Council.

Yours sincerely,

Signed by



.....
Martin Hill AM

Director

BSc (Hons), Master of Real Estate (UNSW),
Master of Property Development (UTS),
Certified Practising Valuer (Unrestricted),
Fellow of Australian Property Institute

Martin.Hill@hillpda.com

