

Dear Paula,

Subject: 5 Skyline Place, Economic Multiplier update

It is understood that in 2019 approval was granted for the construction of a mixed-use development containing 49 seniors housing units, and commercial space at 5 Skyline Place, Frenches Forest. A subsequent amended scheme has been prepared to better reflect the operational requirements of the likely future owner/operator of the facility.

The proposed changes are outlined in the following table.

Table 1: Proposed development yield amendments

Criteria	Approved	Proposed
Height	6 storeys	6 storeys
Site area	4,886	4,759
Total GFA	8,991sqm	8,269sqm
FSR	1.84:1	1.73:1
Total seniors' units	49 units	56 units
	GFA 6,211sqm	6,841sqm GFA
Commercial / cafe floorspace	2,219sqm	1,652sqm
Car parking spaces	127	124

The following assesses the economic impact of the proposed changes in terms of construction multipliers, employment, remuneration, Industry Value Added (IVA), and retail expenditure from workers on site.

1.1 Economic Impacts during construction

The proposed development would generate employment and economic activity during construction period. Construction cost is estimated at \$32 million. The estimate was made based on the following¹:

- Demolition of existing structure at \$150/sqm for an estimated 6,380sqm
- Seniors living (inclusive of common areas at \$3,000/sqm for a total GFA of around 6,900sqm
- Commercial at \$2,000/sqm for total GFA of around 1,652sqm
- Car parking at \$50,000/space for total of 124 spaces
- A further 4% for contingency and other miscellaneous items.

¹ Source: Various sources including Rawlinsons 2017

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 Australia². 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 2017-18 (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 \$0.91 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 \$32 million would generate further economic activity described as:

- Production induced effect effects of \$41.5 million
- Consumption induced effects of \$29.3 million
- Total economic activity of \$103.3 million.

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

Table 2: Investment multipliers

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.6200	0.6610	0.9050	3.1860
Output (\$million)	\$32	\$20.1	\$21.4	\$29.3	\$103.3

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2017-18

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:

² Source: IBIS World Construction Industry Report 2018

“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”³.

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

Construction related employment

Every one million dollars of construction work undertaken generates 2.497 job years directly in construction⁴. Based on the estimated construction cost 81 job years⁵ would be directly generated by the proposed development as shown in the table below.

Table 3: 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 No. per \$million	2.497	1.826	2.125	3.581	10.029
Total job years created	81	59	69	116	325

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2017-18

The ABS Australian National Accounts: Input-Output Tables 2015-16 identified employment multipliers for first round, industrial support and consumption induced effects of 0.731, 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 325 job years directly and indirectly in construction.

1.2 Post-construction economic contribution

The following undertakes an assessment of the potential economic benefits post construction.

Employment generation

The proposed development would support permanent employment opportunities once fully operational. Assuming the below high-level employment densities for the proposed uses on site, it is estimated that upon full settlement and occupation around 69 jobs could be supported on site.

The breakdown of these jobs by land use type is provided below.

Table 4: Estimated employment generation

Land use	Floorspace (GFA)	Sqm/Employee	No. of Workers
Senior units	56 keys	2.5 keys per worker*	22
Commercial space (allied health/retail)	1,652	35sqm/worker	47
Total Employment	1,652		69

Source: HillPDA, *City of Sydney Developer Contributions Plan 2015 (0.4 workers per key)

Remuneration generation

³ 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 NSE Government (TPP 09-7) NSW Treasury

⁴ Source: ABS Australian National Accounts: Input – Output Tables 2017-18 (ABS Pub: 5209.0)

⁵ Note: One job year equals one full-time job for one year

The combined total workers' salaries generated onsite is estimated at approximately \$2.9 million.

The table below shows the breakup of this total salary generation by land use.

Table 5: Estimated remuneration generation

Land use	No. of Workers	Average Wage	Total Wage Generation (\$m)
Senior units	22	\$51,555	\$1.2
Commercial space	47	\$36,707	\$1.7
Total	69		\$2.9

Source: IBIS World Reports 2018, HillPDA

Industry Value Added

Value added 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 domestic product (GDP).

It is estimated the value added from the proposal to be in the order \$3.8 million per year. The table below shows the breakup of this total salary generation by land use.

Table 6: Estimated Industry Value Added

Land use	No. of Workers	IVA / Worker	Industry Value Add (\$m)
Senior units	22	\$60,494	\$1.3
Commercial space	47	\$52,970	\$2.5
Total	69		\$3.8

Source: IBIS world reports 2018, HillPDA

Retail expenditure from workers

A survey conducted by URBIS found that CBD workers in Australia spend an average of \$230 a week or \$11,000 per annum on retail goods and services in Sydney CBD. For the purpose of the assessment HillPDA has assumed a more conservative weekly expenditure of \$75/employee/week⁶ for workers on the site (annual spend of \$3,150).

Applying this annual expenditure, workers on the site could generate a combined annual retail spend of around \$217,350, a reduction of around \$44,100 per annum when compared to the approved scheme. Given the proximity of the proposed new town centre on the current Forest High School Site, these future worker's expenditure would be directed towards this proposed centre helping its viability and vibrancy in the near future.

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 to the immediate area.

The proposed development would create additional business opportunities in this locality associated with future residents. It would increase the profile of this area and in doing so increase the financial feasibility of future development, potentially acting as a catalyst on surrounding sites.

⁶ Assumed 42 working weeks

1.4 Conclusion

While the proposed amendment to the development would result in a minor reduction in commercial space when compared to the approved scheme, the amended proposal, post construction, would still generate valuable economic benefits. It would result in generation of 69 jobs, \$2.9 in remuneration, contribute \$3.8 million to the local economy and potentially direct \$217,350 in retail expenditure from workers to the proposed local centre and surrounding retailers.

In context of the approved scheme, this highlights that the amended proposal would still provide an overall net economic benefit to both the local area and wider Northern Beaches economy.

Yours sincerely,

Signed by



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Nicholas Hill

Associate

B. Science, M Human Geography, Macquarie
University (2012) M.A Property Development,
University of Technology Sydney (2015)

Nick.Hill@hillpda.com