



SMITHS BEACH PROJECT

Economic Benefit Study

Prepared for Smiths 2014 Pty Ltd
October 2021

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KEY FINDINGS

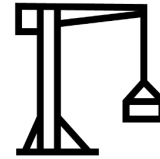
The Smith Beach Project will provide a substantial volume of employment floorspace, and service the community by providing **65 hotel rooms, 36 camping platforms, all day dining, health club gym, spa and pool. In the Community Hub there will be food and beverage space, a hire shop, Surf Life Saving facilities, Cape to Cape Welcome Centre and function space. There are 61 holiday homes that comprise of 29 three-bedroom houses and 32 four-bedroom houses. Based on analysis of similar townships (Eagle Bay & Yallingup Hill) it is expected that an average of 30% of the holiday homes will be available for short stay use across the year(Smiths 2014 Pty Ltd).**

Construction of the entire development will support a total of **1,106 FTE direct & indirect job years** during construction of the development, with many accruing locally. This equates to **\$201 million in total value added** in the WA economy.

Once construction is completed, and during the operational phase, the Project will support **92 FTE ongoing jobs (directly and indirectly)**. There will be an estimated **\$12.5 million per annum direct and indirect value-added** contribution generated from the daily operation and management of the project to the Western Australian economy.

Furthermore, the hotel is likely to have **54,531 visitor nights** in a year and an estimated total operational expenditure of **\$20.5 million per annum (Anneke Brown Consulting)**.

CONSTRUCTION PHASE BENEFITS



\$280 M

Total development cost for all components



1,106

Total FTE construction job years supported (directly and indirectly)



\$201 M

Total value added in the WA economy over the construction phase

ONGOING EMPLOYMENT & ECONOMIC BENEFITS



92

Ongoing jobs supported per annum (directly and indirectly)



\$12.5 M

Value added in the WA economy per annum attributable to operations on-site



\$20.5 M

Total Operational Expenditure



54,531

Visitor Nights p.a



Report Purpose

Urbis has been engaged by Smiths 2014 Pty Ltd to conduct an independent Economic Impact Report for the proposed development in Yallingup.

This analysis supplements Urbis' in-house knowledge with data from the REMPLAN modelling tool to quantify the potential employment and economic benefits likely to be generated by the development. These benefits will accrue during both the construction phase and on an ongoing operational basis. The methodology is explained further later in this report.

Potential employment and economic benefits are presented for each individual component of development, as well as aggregated contributions generated from the entire Project at the completion of the construction phase for the entire development.

Proposed Development

The Project will be made up of a Tourist Development, Community Hub, Camping Ground and Holiday Homes.

Further details of these components are included below:

- **Tourist Development:** 65 room hotel, restaurant, recreation lounge and bar and wellness centre.
- **Community Hub:** reception hall, Surf Life Saving Club, café, hire shop, general store and bakery.
- **Camping Grounds:** 36 camping platforms and central communal facilities.
- **Holiday Homes:** total of 61 three and four bedroom properties.

These components will be developed simultaneously, with a total anticipated **construction timeframe of 42 months**.

Assumptions

Urbis has been provided with construction costs and timing by Smiths 2014 Pty Ltd:

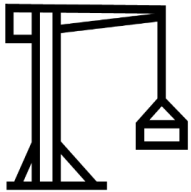
- The construction cost is estimated to be **\$280.5 million (inc GST)**. There is an additional cost of **\$22 million (inc GST)** in documentation and other related site costs (consultancy costs).

Construction Timeframes

Urbis has been provided with the following construction timeframes :

- **Civil Construction:** including offsite and landscape works which will take 12 months to complete.
- **Tourist Development, Community Hub and Camping Grounds:** will take 24 months and will commence 6 months after Civil Construction has started.
- **Holiday Homes:** will take 36 months for completion of all dwellings and will commence at the same time as the Tourist Development, Community Hub and Camping Grounds.

CONSTRUCTION PHASE BENEFITS – CIVIL CONSTRUCTION



The proposed development is estimated to have a total construction cost of around **\$280.5 million with an additional \$22 million of documentation and other related costs** (inclusive of GST) over an assumed construction timeframe of 42 months.

The initial civil construction cost is expected to be \$27.5 million (inclusive of GST). Civil construction will take 12 months to complete.

On average, **106 FTE direct & indirect** construction job years are likely to be created for the State on an annualised basis during construction of the development. Total direct and indirect Gross Value-Added to the State economy is estimated at **\$23.9 million** over the civil construction period of the development in constant 2020 dollars.

Average full-time equivalent jobs created (p.a)



50

DIRECT FTE* JOBS

Avg. direct FTE jobs per year during construction



56

INDIRECT FTE* JOBS

Avg. indirect FTE jobs per year during construction

Gross value added to the State economy (p.a)



\$13.5 M

DIRECT GVA*

Avg. annual direct GVA to the State economy



\$10.4 M

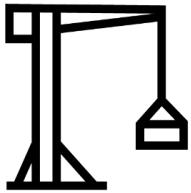
INDIRECT GVA*

Avg. annual indirect GVA to the State economy

* FTE = Full-Time Equivalent, GVA = Gross Value Added, Indirect benefits refer to Supply Chain effects, but not Consumption Effects. See Definitions in the Appendix for more information.

Source: REMPLAN; Smiths 2014 Pty Ltd; Urbis

CONSTRUCTION PHASE BENEFITS – TOURISM DEVELOPMENT AND HOLIDAY HOMES



The tourism development and holiday home component is estimated to have a total construction cost of around **\$253 million** (inclusive of GST) over an assumed construction timeframe of 36 months. The tourism development, community hub and camping grounds will take 24 months and will commence 6 months after civil construction has started. The holiday homes will take 36 months to complete and will commence at the same time as the tourism development, community hub and camping grounds.

On average, **333 FTE direct & indirect** construction jobs are likely to be created for the State on an annualised basis during construction of the development, (totalling to **1,000 FTE construction job years, directly & indirectly** over the development timeframe) with many accruing locally.

Total direct and indirect Gross Value-Added to the State economy is estimated at **\$59.2 million per annum** on average over the construction period of the development in constant 2020 dollars.

Average full-time equivalent jobs created (p.a)



128
DIRECT FTE* JOBS

Avg. direct FTE jobs per year during construction



205
INDIRECT FTE* JOBS

Avg. indirect FTE jobs per year during construction

Gross value added to the State economy (p.a)



\$21.8 M
DIRECT GVA*

Avg. annual direct GVA to the State economy



\$37.4 M
INDIRECT GVA*

Avg. annual indirect GVA to the State economy

* FTE = Full-Time Equivalent, GVA = Gross Value Added, Indirect benefits refer to Supply Chain effects, but not Consumption Effects. See Definitions in the Appendix for more information.

Source: REMPLAN; Smiths 2014 Pty Ltd; Urbis

ONGOING EMPLOYMENT & ECONOMIC BENEFITS



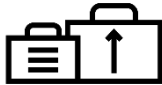
Upon completion, the total Project will support around **72 direct jobs** (full-time and part-time) on site. These jobs will be ongoing over the life of the asset with that activity in turn creating permanent jobs elsewhere through the economy.

Total on-going jobs supported by on-site operations



72
DIRECT JOBS

Total direct jobs on an ongoing basis at capacity



20
INDIRECT JOBS

Total indirect jobs supported by on-site employment

Gross value added to the State economy



\$7.9 M
DIRECT GVA*

Annual direct GVA to the State economy



\$4.7 M
INDIRECT GVA*

Annual indirect GVA to the State economy

The direct jobs are estimated to induce a further **20 additional indirect jobs** within Western Australia as a result of flow-on effects.

There will be an estimated **\$12.5 million** per annum in direct and indirect GVA contribution generated from the daily operation and management of the Project to the WA economy.

It is the developer's intention to focus on Aboriginal employment and supply chain opportunities, as well as procurement to be sourced locally from South West and WA.

* GVA = Gross Value Added, Indirect benefits refer to Supply Chain effects, but not Consumption Effects. See Definitions in the Appendix for more information.

Source: REMPLAN; Smiths 2014 Pty Ltd; Urbis

Note: Ongoing jobs may not be new to the state economy as there may be some transfer from other locations. However in the absence of the proposed investment, they would unlikely be provided elsewhere in the short-term, and in that respect are considered additional.

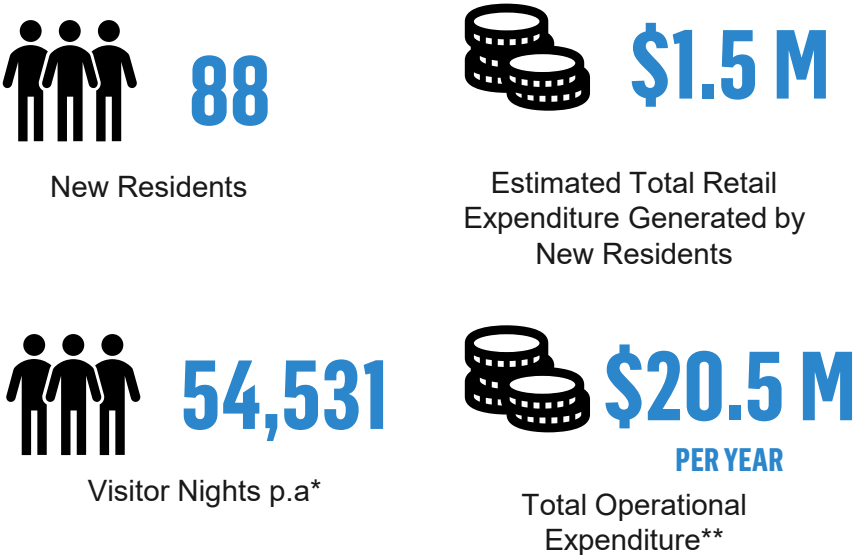
OTHER BENEFITS OF DEVELOPMENT

Revenue Generated by Development

Yallingup (located within the City of Busselton) is a popular tourist destination with visitors' primary motivation being wineries, scenery, beaches and the outdoor experience. In the City of Busselton, an average of 14% of visitor nights were spent by international travelers and 86% were domestic in the four years to 2019 according to the City of Busselton Area Profile by Tourism Research Australia.

An expected stabilised occupancy rate of 60% for the hotel and holiday homes and 50% for the Camping Grounds has been adopted (Anneke Brown Consulting). It is expected that an average of 30% of the holiday homes will be available for short stay across the year (Smiths 2014 Pty Ltd).

This is likely to draw 54,531 visitor nights per year and an estimated total operational expenditure of \$20.5 million per annum. Of this, 59% is expected to be from accommodation expenditure, 34% from food and beverage and approximately 7% from other expenditure from visitors including expenditure on the general store, hire facilities, wellness centre and HQ facility (Anneke Brown Consulting).



* 60% occupancy rate assumed by Smiths 2014 Pty Ltd

** Based on estimates by Anneke Brown Consulting.

Source: MarketInfo spending profile for City of Busselton, REMPLAN; Anneke Brown Consulting; Urbis

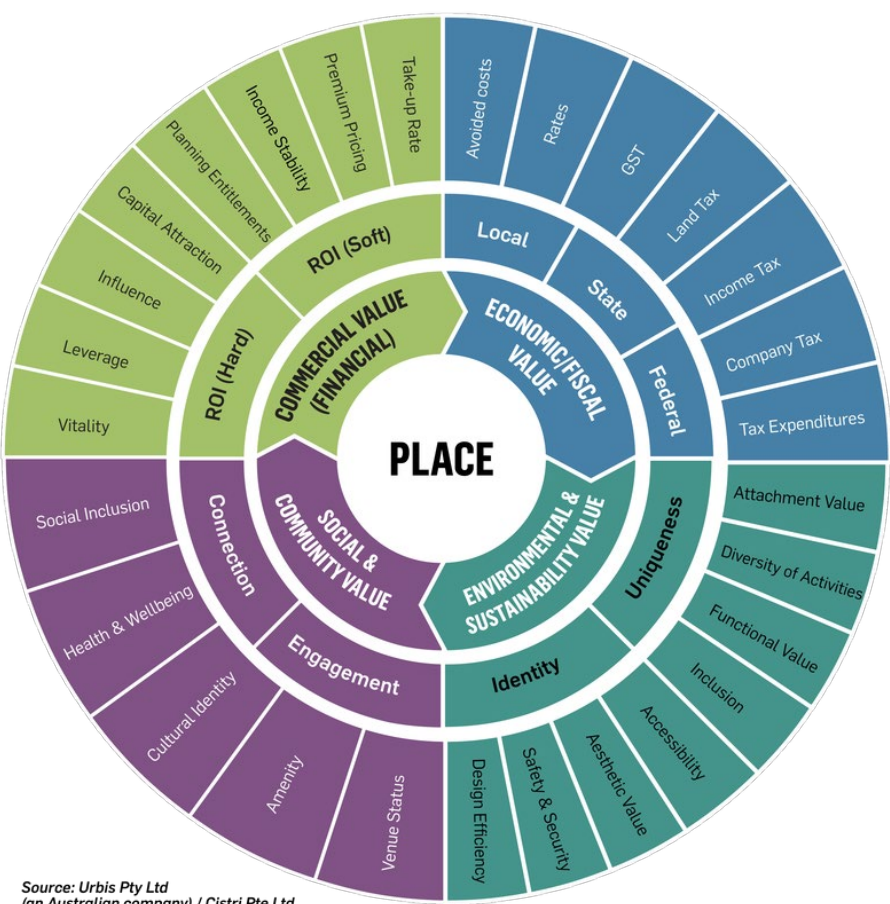
ADDITIONAL PROJECT VALUE

Value of Place Framework

Using the Urbis Value of Place Wheel Framework, we have considered other benefits that have been highlighted on the right.

Other Benefits

Beyond the quantification of economic contributions already identified, the Project also provides broader benefits to the local area, including, but not limited to:



Source: Urbis Pty Ltd (an Australian company) / Cistri Pte Ltd

- Providing more diverse employment opportunities to residents in the South West;
- Bringing additional residents to the area to support the existing retailers and activate the precinct;
- Supporting additional visitation to Yallingup and supporting the existing businesses in the area;
- New landscaped space and innovative accommodation will diversify holiday accommodation styles as well as new retail and service facilities in the area, that will attract visitors to WA;
- Provide a landmark new building to the Yallingup area that has not been seen before;
- Improved protection for Smiths Beach coastline and foreshore for continued community enjoyment;
- Surf Life Saving facility;
- Provide additional rates and taxes to federal, state and local government from new residents and workers in the development and;
- Bring new community spaces to Yallingup.

METHODOLOGY, DEFINITIONS & ASSUMPTIONS



METHODOLOGY, DEFINITIONS & ASSUMPTIONS

The REMPLAN Methodology

Analysis presented here uses REMPLAN economic modelling to assess current and potential economic impacts. 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, allowing for analysis of impacts at the State of Western Australia level.

Key points regarding the workings or 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.
- Outputs from the model include employment generated through the Project and economic Gross Value Added (GVA) at the State level
- Outputs from the model include employment generated through the Project at both the local and the state level.
- Employment generated is calculated 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 employment are modelled:
 - *Direct* refers to the effect felt within the industry as a result of the investment. For example, the construction phase will directly result in the creation of construction jobs.
 - *Indirect* effects are those felt within industries that supply goods to the industries directly affected.
- It should be noted that the results presented in this report are estimates only based on the existing state of economic activity in the area. Due to the static nature of input-output modelling, they have the potential to overstate the actual effects. Nonetheless, the analysis still reflects the fact that employment growth will be positive for the State and the local area.
- Urbis consider that in the absence of the investment package it is unlikely that similar projects would be undertaken within the same period, and therefore the investments can be considered *additional*.

Definitions

Construction cost is the estimated investment value for the Project over the anticipated delivery period, measured in constant 2020 dollar (i.e. excluding inflation) including GST.

Gross Value Added or **GVA** is a measure of the value of goods and services produced in an area, industry or sector of an economy during a certain period of time. In this case, GVA represents the total economic contribution of the investment in the Project. GVA is measured in constant 2020 dollar (i.e. excluding inflation) including GST.

Construction job years is a measurement of the volume of output required to support a construction job for a 12 month period.

Assumptions

Average workspace ratios for this analysis have been taken from the results of the Perth Land Use and Employment Survey published in 2017. The relevant ratios used for this analysis by each component are the WASLUC and PLUC Codes as per the following:

| Component | Ratio | PLUC Code | WASLUC Code |
|--|-------|-------------|--|
| Retail (Hire Shop) | 27.6 | Total | Shop Retail |
| Food and Beverage (Café, General Store / Bakery) | 18.9 | Shop/Retail | Restaurants, Cafes and Function Centre |
| Hotel | 158.9 | Residential | Private Hotel |
| Reception Hall | 32.6 | Total | Function and Reception Centre |

The number of separate house residents has been determined by number of people per separate house by bedroom type, based on the ABS Census across the City of Busselton. We have assumed a ratio of **2.2** people per dwelling for a 3 bedroom house, **2.9** for a 4 bedroom house.

A stabilised occupancy rate of 60% for the hotel and holiday homes and 50% for the camping grounds has been adopted (Anneke Brown Consulting). An average short stay accommodation use of 30% of the holiday homes has been applied (Smiths 2014 Pty Ltd).

Data Sources

Plans – Smiths 2014 Pty Ltd 06/05/2021

Costs and Timeframes – Smiths 2014 Pty Ltd 06/10/2021

Operational Expenditure – Anneke Brown Consulting 17/09/2021

DATA TABLES

Construction Phase – Total Civil Construction

| Impact Summary | Direct Effect | Supply-Chain Effect | Total Effect |
|--------------------------|---------------|---------------------|--------------|
| Output (\$M) | \$32.74 | \$25.68 | \$58.41 |
| Employment (FTE Jobs) | 50 | 56 | 106 |
| Wages and Salaries (\$M) | \$7.77 | \$6.05 | \$13.81 |
| Value-added (\$M) | \$13.47 | \$10.43 | \$23.90 |

Construction Phase – Total Tourist Development, Community Hub, Camping Grounds and Holiday Homes Construction

| Impact Summary | Direct Effect | Supply-Chain Effect | Total Effect |
|--------------------------|---------------|---------------------|--------------|
| Output (\$M) | \$274.57 | \$298.58 | \$573.14 |
| Employment (FTE Jobs) | 384 | 616 | 1,000 |
| Wages and Salaries (\$M) | \$30.54 | \$62.16 | \$92.70 |
| Value-added (\$M) | \$65.24 | \$112.22 | \$177.46 |

Ongoing Employment Impacts - Total

| Impact Summary | Direct Effect | Supply-Chain Effect | Total Effect |
|--------------------------|---------------|---------------------|--------------|
| Output (\$M) | \$18.57 | \$10.77 | \$29.34 |
| Employment (FTE Jobs) | 71.89 | 20.38 | 92.27 |
| Wages and Salaries (\$M) | \$5.18 | \$2.32 | \$7.50 |
| Value-added (\$M) | \$7.86 | \$4.67 | \$12.5 |

* FTE = Full-Time Equivalent, GVA = Gross Value Added, Indirect benefits refer to Supply Chain effects, but not Consumption Effects. See Definitions in the Appendix for more information.

Source: REMPLAN; Smiths 2014 Pty Ltd; Urbis

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The recent international outbreak of the Novel Coronavirus (COVID-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, is causing a material impact on the Australian and world economies and increased uncertainty in both local and global market conditions.

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.

The Report Content and the data and information that informs and supports it is current as at the date of this report and (unless otherwise specifically stated in the Report) necessarily assumes that, as at the date of this report, the COVID-19 Outbreak has not materially impacted the Australian economy, the asset(s) and any associated business operations to which the report relates and the Report Content. However, it is not possible to ascertain with certainty at this time how the market and the Australian economy more broadly will respond to this unprecedented event. It is possible that the market conditions applying to the asset(s) and any associated business operations to which the report relates and the business sector to which they belong could be (or has been) materially impacted by the COVID-19 Outbreak within a short space of time and that it will have a lasting impact. Clearly, the COVID-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

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