



ROOFING 2000 DEVELOPMENT, EAST FREMANTLE

Economic Benefit Study

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KEY FINDINGS

The proposed Roofing 2000 development at 91-95 Canning Highway, East Fremantle will provide **1,253 sq.m** of employment floorspace, and service the community by providing office space and a café in addition to 95 residential apartments.

Construction of the entire development will support a total of **311 FTE direct & indirect job years** during construction of the development, with many accruing locally. These job estimates will add approximately **\$28.1 million in gross value added (GVA)** to the WA economy on an annual basis. This equates to **\$56.2 million in total value added** in the WA economy.

The development will support **85 FTE ongoing jobs (directly and indirectly)**. There will be an estimated **\$14.6 million per annum direct and indirect value-added** contribution generated from the daily operation and management of the development to the Western Australian economy.

Furthermore, the residential component is expected to house **~174 new residents**. These residents will spend an estimated \$3.7 million retail expenditure which will further assist the local economy.

CONSTRUCTION PHASE BENEFITS



\$85.9 M

Total development cost for all components



311

Total FTE construction job years supported (directly and indirectly)



\$56.2 M

Total value added in the WA economy over the construction phase

ONGOING EMPLOYMENT & ECONOMIC BENEFITS



85

Ongoing jobs supported per annum (directly and indirectly)



\$14.6 M

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



\$3.7 M

Total Estimated Resident Expenditure



~174

New Residents



Report Purpose

Urbis has been engaged by Saracen Developments to conduct an independent Economic Benefit Report for their project 'The Crossing' located in East Fremantle.

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 operation 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 proposed development will be made up of various land uses including commercial office space, café and residential apartments.

The components of this development is made up of the following:

- **Office:** 1,158 sq.m.
- **Café:** 95 sq.m.
- **Apartments:** 95 apartments ranging from 1 bed, 2 bed and 3 bed product.

**Areas of components are in GLA.*

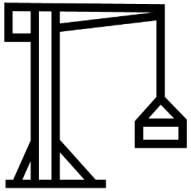
These components are expected to be developed over a **construction timeframe of 19 months.**

Assumptions

Urbis has been provided with construction costs and timing by Saracen Developments:

- The construction cost is estimated to be **\$73.8 million (inc GST)**. There is an additional cost of **\$9.5 million (inc GST)** in documentation and other related site costs, **\$2.3 million (inc GST)** in finance and interest and **\$275,083 (inc GST)** in rates and taxes and other holding costs.

CONSTRUCTION PHASE BENEFITS



The proposed development is estimated to have a total construction cost of around **\$73.8 million with an additional \$9.5 million of documentation and other related costs, a further \$2.3 million in financial and insurance costs and \$275,000 in holding costs** (inclusive of GST) over an assumed construction timeframe of 19 months. This results in an annualised construction cost of approximately **\$42.97 million** inclusive of GST.

On average, **156 FTE direct & indirect** construction job years are likely to be created for the State on an annualised basis during construction of the development, (totalling to **311 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 **\$28.1 million per annum** on average over the construction period of the development in constant 2021 dollars.

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



67
DIRECT FTE* JOBS

Avg. direct FTE jobs per year during construction



156
INDIRECT FTE* JOBS

Avg. indirect FTE jobs per year during construction

Annual Gross value added to the state economy



\$13.0 M
DIRECT GVA*

Avg. annual direct GVA to the State economy



\$15.1 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; Saracen Developments; Urbis

ONGOING EMPLOYMENT & ECONOMIC BENEFITS



Upon completion, the total development will support around **58 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.

The direct jobs are estimated to induce a further **27 additional jobs** within Western Australia as a result of flow-on effects.

There will be an estimated **\$14.6 million** per annum in direct and indirect GVA contribution generated from the daily operation and management of the development to the WA economy.

Total on-going jobs supported by on-site operations



58
DIRECT JOBS

Total direct jobs on an ongoing basis at capacity



27
INDIRECT JOBS

Total indirect jobs supported by on-site employment

Gross value added to the state economy



\$9.4 M
DIRECT GVA*

Annual direct GVA to the State economy



\$5.2 M
INDIRECT GVA*

Annual indirect GVA to the State economy

* 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; Saracen Developments; 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

The proposed development mix of the 95 apartments and is estimated to support a resident population of ~174 people. This is based on 21 one bedroom apartments, 41 two bedroom apartments and 33 three bedroom apartments. A diverse population is expected to be supported by the delivery if developments with varying facilities / amenities, dwelling characteristics and price points. These additional residents are anticipated to add an additional \$3.7 million of retail expenditure to the area after completion of the development, which is expected to continue on an annual basis going forward.



Source: MarketInfo spending profile for Town of East Fremantle, REMPLAN; Saracen Developments; Urbis

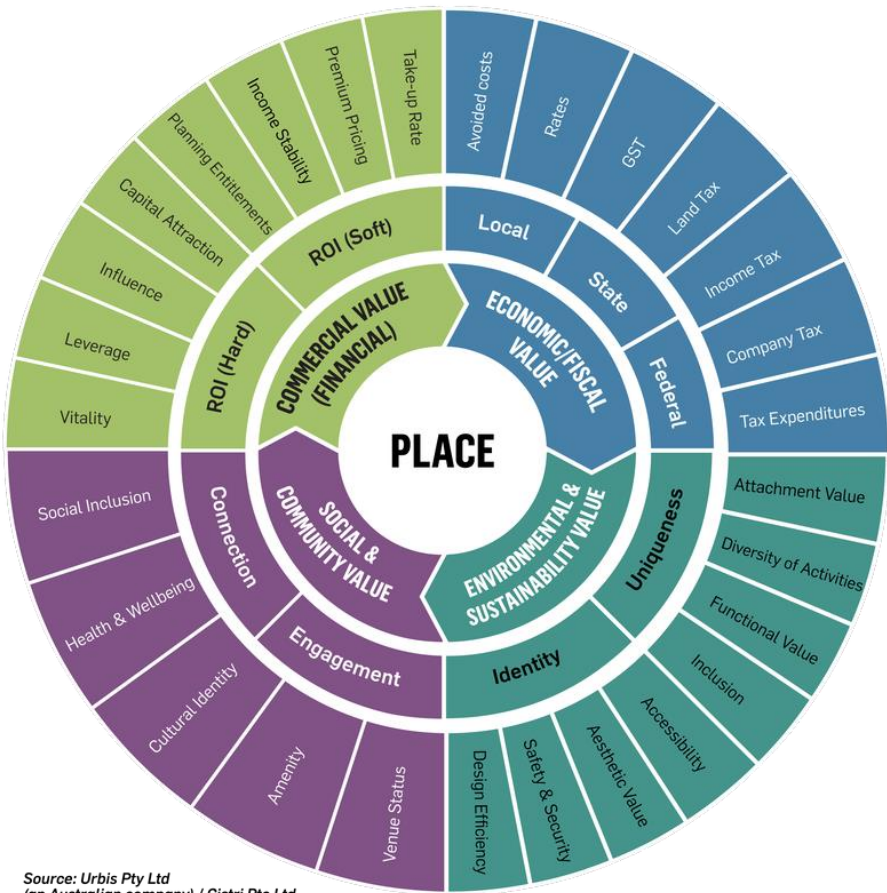
ADDITIONAL PROJECT VALUE

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 proposed investment also presents broader benefits to the local area, including, but not limited to:



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

- Bringing additional residents to the area to support the existing retailers and activate the area;
- Providing more diverse employment opportunities to residents in East Fremantle and surrounding areas;
- Supporting additional visitation to East Fremantle and supporting the existing businesses in the area;
- Provide additional housing diversity to East Fremantle;
- Provide new accommodation for people;
- Providing businesses with the opportunity to occupy new, modern, well-served and fit-for-purpose dining establishments. This will benefit local businesses who may want to upgrade or expand their operations and could attract more visitation from around the state;
- Attract further investment to the precinct as other developers see the potential;
- Provide additional rates and taxes to federal, state and local government from new residents and workers in the development and;
- Bring a new café space to East Fremantle.

METHODOLOGY, DEFINITIONS & ASSUMPTIONS



DEFINITIONS & ASSUMPTIONS

Definitions

Construction cost is the estimated investment value for the project over the anticipated delivery period, measured in constant 2021 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 2021 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.

Data Sources

Plans – Saracen Developments 06/12/2021

Costs and Timeframes – Saracen Developments 06/12/2021

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
Offices	21.9	Office / Business (PLUC)
Cafe	18.9	Restaurants, Café's and Function Centres

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 Greater Perth region. We have assumed a ratio of **1.4** people per dwelling for a 1 bedroom apartment, **1.8** for a 2 bedroom apartment and **2.2** people per dwelling for a 3 bedroom apartment.

METHODOLOGY

The REMPLAN Methodology

Analysis presented here uses REMPLAN economic modelling to assess current and potential economic impacts. REMPLAN provides a modelling tool that is accepted and used by various government bodies in Australia. It uses an Input-Output model that captures inter-industry relationships within an economy, based on the ABS 2016/17 National Input Output Tables (I/O Tables). 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. The approach Urbis adopts in accounting for this is presented adjacent. 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*.

Reporting of Impact Modelling Results

Urbis have adopted a conservative approach to estimating and reporting economic and employment benefits using the REMPLAN modelling tool so as to not overstate the likely effects. Key areas where Urbis' approach is designed to not overstate the effects include:

- While REMPLAN defines the supply chain linkages between local industries and allows the assessment of multiplier effects as a result of a direct input into an industry, the nature of the ABS I/O Tables and indeed the set-up of the model suggests there is likely some double-counting therefore overstatement of the flow-on effects.
- More specifically, REMPLAN defines 'Indirect Effect' as consisting of both the 'Supply-chain Effect' and 'Consumption Effect'. However, Urbis believe that the consumption effect (i.e. workers with more income spend elsewhere in the economy) has already been counted to an extent as part of the supply-chain effect in the modelling process and is a more tenuous link to the direct effects. As such, Urbis have only excluded consumption effect from benefit reporting and consider supply-chain effect as the only indirect effect generated from the direct input.
- Construction-related jobs are reported as FTE jobs for the period of one year, rather than the number of workers who might work on a site over the construction period which building contractors might report. For example, a project might have 200 workers on-site over the course of a two-year construction, but that may only equate to say 50 FTE jobs per year. Each trade is not onsite for the whole time (e.g. plumbers, joiners, painters etc. all come on site at different stages). Therefore, FTE for one year accounts for the total hours required by workers over the year and avoids the potential to overstate or misinterpret job figures that relate to part time workers. It also allows for direct comparison of jobs with different construction timeframes, as the jobs accrue each year over the length of construction.
- Wherever applicable, Urbis have chosen to report *Gross Value Added (GVA)* rather than '*Output*' as the economic benefit of a certain development project or activity, as it is considered a more accurate, albeit conservative, estimate of benefit which excludes items such as tax and subsidies which are included in '*Output*'.

DATA TABLES

Construction Phase - Total

Impact Summary	Direct Effect	Supply-Chain Effect	Total Effect
Output (\$M)	\$85.93	\$81.49	\$167.42
Employment (FTE Jobs)	135	177	311
Wages and Salaries (\$M)	\$12.52	\$16.82	\$29.34
Value-added (\$M)	\$26.02	\$30.21	\$56.24

Ongoing Employment Impacts - Total

Impact Summary	Direct Effect	Supply-Chain Effect	Total Effect
Output (\$M)	\$19.17	\$11.14	\$30.31
Employment (FTE Jobs)	58	27	85
Wages and Salaries (\$M)	\$6.72	\$3.13	\$9.85
Value-added (\$M)	\$9.35	\$5.21	\$14.56

* 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; Saracen Developments; Urbis

This report is dated December 2021 and incorporates information and events up to that date only and excludes any information arising, or event occurring, after that date which may affect the validity of Urbis Pty Ltd's (Urbis) opinion in this report. Urbis prepared this report on the instructions, and for the benefit only, of Saracen Developments (Instructing Party) for the purpose of a Economic Benefit Assessment (Purpose) and not for any other purpose or use. Urbis expressly disclaims any liability to the Instructing Party who relies or purports to rely on this report for any purpose other than the Purpose and to any party other than the Instructing Party who relies or purports to rely on this report for any purpose whatsoever (including the Purpose).

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Urbis has made all reasonable inquiries that it believes is necessary in preparing this report but it cannot be certain that all information material to the preparation of this report has been provided to it as there may be information that is not publicly available at the time of its inquiry.

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COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods, and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

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, has and continues to cause considerable business uncertainty which in turn materially impacts market conditions and the Australian and world economies more broadly.

The uncertainty has and is continuing to impact the Australian real estate market and business operations. The full extent of the impact on the real estate market and more broadly on the Australian economy and how long that impact will last is not known and it is not possible to accurately and definitively predict. Some business sectors, such as the retail, hotel and tourism sectors, have reported material impacts on trading performance. 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 data and information that informs and supports the Report Content is current as at the date of this report and (unless otherwise specifically stated in the Report) does not necessarily reflect the full impact of the COVID-19 Outbreak on the Australian economy,

the asset(s) and any associated business operations to which the report relates. 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 and the various programs and initiatives governments have adopted in attempting to address its impact. 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 has been, and may be further, materially impacted by the COVID-19 Outbreak within a short space of time and that it will have a longer lasting impact than we have assumed. Clearly, the COVID-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

Where we have sought to address the impact of the COVID-19 Outbreak in the Report, we have had to make estimates, assumptions, conclusions and judgements that (unless otherwise specifically stated in the Report) are not directly supported by available and reliable data and information. Any Report Content addressing the impact of the COVID-19 Outbreak on the asset(s) and any associated business operations to which the report relates or the Australian economy more broadly is (unless otherwise specifically stated in the Report) unsupported by specific and reliable data and information and must not be relied on.

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