



65 SOUTH TERRACE, FREMANTLE

Economic Benefit Study

Prepared for Yolk Property Group
February 2020

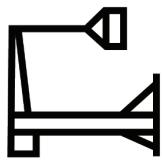
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KEY FINDINGS

CONSTRUCTION PHASE BENEFITS



\$25.7 M
Total development cost

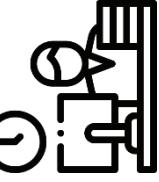


The development at 65 South Terrace will provide a substantial volume of employment floorspace, and service the community by providing **82 sq.m of food and beverage space, 82 sq.m of conference space, 210 of office space, 27 sq.m commercial floorspace and 2,172 sq.m of hotel (100 rooms)**.

Construction of the entire development will support a total of **81 FTE direct & indirect job years** during construction of the development, with many accruing locally. These job estimates will add approximately **\$10.5 million in gross value added (GVA)** to the WA economy on an annual basis.



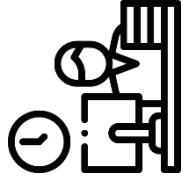
81
Total FTE job years supported during construction phase (directly and indirectly)



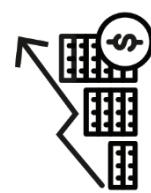
2,712 SQ.M
Employment Floorspace*

(including hotel floorspace)

46
Ongoing jobs supported per annum (directly and indirectly)



\$10.5 M
Value added in the WA economy per annum over the construction phase



\$7.7 M
Value added in the WA economy per annum attributable to operations on-site



\$3.4 M
Total Estimated Visitor Expenditure

In addition, this development will bring an additional **25,550 visitors nights** in the area based on an estimated occupancy rate of 70%. The total visitor expenditure is anticipated to be **\$3.4 million per annum**.

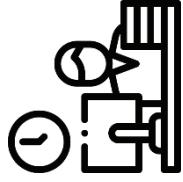
ONGOING EMPLOYMENT & ECONOMIC BENEFITS



2,712 SQ.M
Employment Floorspace*

(including hotel floorspace)

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



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Report Purpose

Urbit has been engaged by Yolk Property Group to conduct an independent Economic Impact Report for the proposed development in Fremantle.

This analysis supplements Urbit's 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 Hotel, Bar/ Café, Conference, Office and Commercial components.

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

- Bar / Café (82 sq.m);
- Conference (82 sq.m);
- Office (210 sq.m);
- Commercial/ Retail (27 sq.m);
- Hotel (2,712 sq.m) with 100 bedrooms;

These components are expected to be developed simultaneously, with the anticipated completion year being 2023.

Assumptions

Urbit has been provided with construction costs and timing by Yolk Property Group:

- The construction cost is estimated to be **\$22.2 million**. There is an additional cost of **\$3.5 million** in consultant fees.
- The construction timeframe is **16 months**.

CONSTRUCTION PHASE BENEFITS



The proposed development is estimated to have a total construction cost of around **\$22.2 million with an additional \$3.5 million of consultancy cost** and inclusive of GST over an assumed construction timeframe of 16 months. This results in an annualised construction cost of \$16.7 million inclusive of GST.

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



Avg. direct FTE jobs per year during construction

On average, **61 FTE direct & indirect** construction jobs are likely to be created for the State on an annualised basis during construction of the development, (totalling to **81 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 **\$10.5 million per annum** on average over the construction period of the development in constant 2020 dollars.

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



Avg. annual direct GVA to the State economy

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; York Property Group; Urbis

ONGOING EMPLOYMENT & ECONOMIC BENEFITS

Upon completion, the total development will support around **33 jobs** (full-time and part-time) on site. This includes 4 food and beverage jobs in the bar and cafe use, 3 jobs from the conference, 15 jobs from the hotel and the commercial and office use will support 11 jobs. 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



Total direct jobs on an ongoing basis at capacity
Total indirect jobs supported by on-site employment

The direct jobs are estimated to induce a further **13 additional jobs** within Western Australia as a result of flow-on effects.

There will be an estimated **\$7.7 million** per annum in direct and indirect GVA contribution generated from the daily operation and management of the development to the WA economy.



Annual direct GVA to the State economy
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; York Property Group; 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

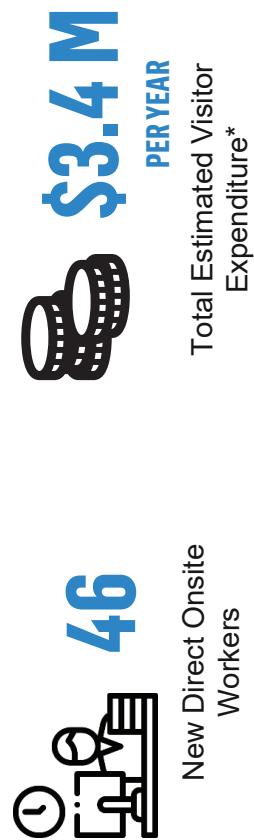
Revenue Generated by Development

Fremantle is a popular tourist destination with Tourism WA reporting that more than 90% of international visitors to the area are tourists and only 8% of international visitors are in the area for business purposes. In the City of Fremantle, an average of 50% of visitor nights were spent by international travelers and 50% were domestic in the three years to 2017 according to the City of Fremantle Visitor Factsheet by Tourism WA.

As such, the hotel market is considerably seasonal, with occupancy rates generally varying between an average of 75-80% in the summer months to 65% in the winter months as of 2016 (the latest available data). With conservative occupancy rate of 70% due to current market conditions, the hotel is likely to attract 25,550 visitor nights in a year and an estimated total expenditure of \$3.4 million per annum.

Other Benefits

- | Other Benefits |
|---|
| <p>Beyond the quantification of economic contributions already identified, the proposed investment also presents broader benefits to the local area, including, but not limited to:</p> <ul style="list-style-type: none">• Provide a landmark new building in close proximity to the proposed Fremantle Oval Redevelopment, Fremantle Hospital and Arundel Court;• Provide new accommodation for visitors and family who are attending Fremantle hospital and are not close to their place of residence;• There are limited short stay accommodation options close to the Fremantle Hospital, which attracts a significant amount of out of town visitation. The hotel will provide accommodation in a very convenient location for visitors and family to be able to stay;• Attract further investment to the precinct as other developers see the potential;• Supporting additional visitation to Fremantle and supporting the existing businesses in the area;• Providing businesses with the opportunity to occupy new, modern, well-serviced 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.• Provide employment diversity to the Fremantle area;• 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 Fremantle. |



* Estimated Expenditure per Visitor per Day data sourced from TRA March 2020 National and International Visitor Surveys – Western Australia & REMPLAN
Source: ABS, REMPLAN; TRA, York Property Group; Urbis

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 each development over the anticipated delivery period, measured in constant 2020 dollar (i.e. excluding inflation) excluding 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 each of the resorts. GVA is measured in constant 2020 dollar (i.e. excluding inflation) excluding 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 for the Perth metropolitan area as per the following:

Component	Ratio	PLUC Code	WASLUC Code
Food & Beverage	18.9	Shop/Retail	Restaurants, Cafes & Function Centres
Conference Room	32.6	Entertainment/ Recreation/ Culture	Public Assembly, Miscellaneous Services
Hotel	176.5	Other Lodgings	Private Hotel
Office	21.9	Total	Finance, Insurance & Real Estate Services
Retail	27.6	Shop / Retail	Total

Data Sources

Plans – Yolk Property Group 16/12/2020
Costs – Yolk Property Group construction cost estimates 16/12/2020 (construction and consultant costs including contingencies and excluding land sale costs, statutory fees and finances cost)

DATA TABLES

Construction Phase - Total			
Impact Summary	Direct Effect	Supply-Chain Effect	Total Effect
Output (\$M)	\$19.35	\$17.16	\$36.51
Employment (FTE Jobs)	44	37	81
Wages and Salaries (\$M)	\$4.09	\$3.72	\$7.81
Value-added (\$M)	\$7.20	\$6.74	\$13.94

Ongoing Employment Impacts - Total			
Impact Summary	Direct Effect	Supply-Chain Effect	Total Effect
Output (\$M)	\$12.19	\$6.17	\$18.36
Employment (FTE Jobs)	33	12.6	45.59
Wages and Salaries (\$M)	\$3.03	\$1.55	\$4.58
Value-added (\$M)	\$4.8	\$2.8	\$7.67

* 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; York Property Group; Urbitis

Report prepared for York Property Group

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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 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, 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 certain 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.

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 (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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