

28 April, 2008

Matthew Bailey  
The Ashington Group  
GPO Box 4015  
Sydney NSW 2001

Dear Matthew,

**RE: STAMFORD PLAZA HOTEL – ECONOMIC IMPLICATIONS OF PROPOSED DEVELOPMENT**

I write with reference to the proposed redevelopment of the Stamford Plaza Hotel, located on Cross Street, Double Bay. I understand that the proposed development seeks to demolish the existing hotel to replace it with a four storey podium. Rising from the podium will be three slender towers ranging between 10 and 14 storeys.

The redevelopment will provide a 60 – 80 room 5 star hotel, 25 - 35 hotel residences, 1,780sqm of specialty retail floorspace and 325sqm of restaurant space. It is understood that the hotel residence concept will create strata residential units with access to the services and benefits of a 5 star hotel.

The following letter reviews and discusses the potential implications of the redevelopment to the Double Bay Commercial Centre from an economic perspective. This analysis has been based on Hill PDA's industry experience and our work relating to the Double Bay Business Precinct Study undertaken for Woollahra Council during 2006 and 2007.

In particular this letter focuses on the proposed redevelopment and the following matters:

1. retail floorspace;
2. tourism;
3. the Double Bay Commercial Centre;
4. employment generation;
5. economic multipliers; and
6. other economic and social benefits.

**Past Studies**

By way of background, Woollahra Council (Council) commissioned Hill PDA to undertake market research and stakeholder consultation over the course of 2006 and 2007. This research informed Hill PDA's advice to Council with respect to strategies and opportunities to improve and strengthen business development within the Double Bay Commercial Centre. The study was commissioned in light of the perceived downturn in the economic viability of Double Bay as a commercial centre. This perceived downturn in turn had adversely affected developer interest and investment in the Centre to its economic detriment.

In order to rectify this situation, Hill PDA recommended four key strategies for change. In summary the strategies identified the need to:

1. improve the perception of parking convenience in the centre;
2. improve the appearance of the public and private realm;
3. create and implement a centre management model; and
4. create and implement a centre marketing and promotions program .

The four strategies sought to endorse the vision for Double Bay outlined in the Double Bay Development Control Plan. The plan seeks to create *"a vibrant centre that offers a unique living, working and shopping experience within a pedestrian friendly and attractive urban environment."* It is understood that Council has ratified the study and is in the process of putting in place steps to implement the strategies.

### **Retail**

The development proposes 1,347sqm of retail floorspace (17 specialty retail units) at ground floor and 325sqm (1 unit) of restaurant space. At first floor an additional 6 retail units (459sqm) are proposed ranging between 60sqm and 98sqm.

At present the site provides 1,500sqm of retail floorspace. The proposed development will therefore provide a net increase of retail on site of only 630sqm. The Double Bay Commercial Centre presently provides in the order of 23,200sqm of retail floorspace and 7,200sqm of commercial floorspace. As a consequence the increase represents less than 3% of existing retail floorspace in Double Bay Commercial Centre. This is considered an insignificant increase.

It is intended that the proposed retail space will be occupied by high end fashion, jewellery, beauty and hairdresser services to promote and enhance the hotels high quality and luxurious character. This form of retailing accords with the vision for the Commercial Centre highlighted within the Double Bay Business Precinct Study. In fact surveys of existing businesses and landowners in the Centre found that the addition of new, high quality retailers was encouraged. The addition of fresh and exciting new stores, in keeping with Double Bay's established branding, was considered a means by which to enhance the centres economic success to the benefit of all stakeholders.

### **Tourism**

A survey by Tourism NSW found that in December 2007, Luxury Hotels and Luxury Resorts were the second most popular form of tourist accommodation in Sydney after friends/ relatives houses. As of 2007 however the Australian Bureau of Statistics (ABS) only recorded seven motels, hotels and serviced apartments with more than 15 bedrooms<sup>1</sup> (across all hotel ratings) in the LGA of Woollahra. This is considered a modest number in light of the LGA's close proximity and excellent accessibility to Sydney CBD and other attractions such as Sydney Harbour and the Double Bay Commercial Centre.

The modest number of hotels, motels and serviced apartments in Woollahra LGA is an important economic consideration as tourism is a significant economy in NSW contributing over \$7.6 billion directly to the states economy annually. The industry also has significant indirect flow on economic benefits to other industries. The ABS estimates that across Australia the average spend by overnight tourists is \$116 per day. Tourism NSW has refined this figure for the Sydney Region, it was

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<sup>1</sup> 8635055002DO001 Tourist Accommodation, Small Area Data, Australia - Electronic Delivery, Sep 2007

subsequently found that domestic overnight visitors on average spent \$205 per night whilst international visitors spent \$100 per night.

It is important to note that these figures have been averaged across all accommodation types and tourist markets including cheaper forms of travel and accommodation (such as backpacker accommodation and staying with friends/ relatives). It is therefore reasonable to assume that for the higher end accommodation (such as 5 star hotels) and tourists within close proximity to Sydney CBD, this average level of expenditure would be significantly underestimated. It in turn follows that this level of expenditure would be a significant underestimate for guests of the proposed 5 star, luxury hotel in Double Bay.

To exemplify this point, the ABS has also found that the average takings per room occupied per night in Woollahra in 2007 were in the order of \$143.00. Across Australia it has been found that as a proportion of tourist related expenditure, food and drink, shopping and entertainment made up 51% of overnight visitors spend. Therefore, adding this proportion onto the average takings per room and (conservatively assuming one person per room) it may be estimated that tourism expenditure in the LGA is more in the order of \$291 per night for overnight visitors staying in higher end accommodation.

Should the Double Bay Commercial Centre conservatively retain only 50% of food, shopping and entertainment related expenditure, an estimated \$74.00 per day would be generated by the average overnight visitor. Therefore an 80 room 5 star hotel, with an average annual occupancy rate of 75% and an average room occupancy of 1.7 persons, would generate an additional \$3.7million in expenditure for the Double Bay Commercial Centre. Based on a retail turnover rate of \$4,500 per square metre, the hotel and its visitors would generate demand for 816sqm of retail floorspace alone. Therefore demand for 45% of the proposed retail floorspace will be generated by tourism. How this tourist related demand for retail floorspace could translate into employment is discussed further below.

Given that demand will be generated by tourism for retail floorspace, it is logical that this floorspace is closely linked to the hotel and its operations, say within the hotel courtyard and on the first floor. The remaining portion will however be dependant on passing trade for its business viability. The proposed building has therefore been designed to allow for tourist related retail and for direct street frontage for retailers onto Cross Street that are more dependant on its passing trade. This design approach has additional benefits including the creation of a high quality street frontage and street level activity that will enhance the positive character of the centre.

### **Relationship with the Double Commercial Centre**

The quality of retailers and businesses in Double Bay was highlighted as a key issue in Hill PDAs 2007 Double Bay Business Precinct Study. Double Bay shoppers, visitors, landowners and business tenants alike identified the need to enhance the range and quality of retail in Double Bay in order to revitalise its retail offer and enhance business opportunities.

The Study also identified the general stakeholder consensus to retain and promote the exclusive branding of Double Bay whilst reinvigorating its tired streetscape and buildings. Support for redevelopment and new development within the Centre was seen as a key mechanism for Council to support owners and their businesses. Landowners also identified the need for additional hotels within the centre and residential development.

The Stamford Hotel is a prominent building and iconic name within the Double Bay Commercial Centre. It has a long association with the Centre and is located in a highly visible and central location. In light of the consultation comments received during the course of the Double Bay Business Precinct Study, the redevelopment of the hotel to a fresh, high quality, luxury facility would be in keeping with the local community's vision and the predominant socio-economic characteristics of the Centre's trade area.

A development of this nature would not only have flow on benefits to other businesses in Double Bay (cafes, restaurants, fashion stores, travel agents and other retailers) but also act as stimulus for additional development. It would help to signify that Double Bay is worth investing in again and has attracted a fresh approach. It would also help to enhance Double Bay's private and public realm which was a major matter of concern highlighted by local stakeholders and considered a major contributor to its economic downturn.

### **Employment Generation**

Across Australia, tourism directly generates 6% of all jobs. Factoring in indirect employment generation, the industry generates 8.1% of all jobs in Australia. The proposed development will contribute to direct job generation in two ways, one being operational employment the other being employment through construction. With respect to operational employment we estimate that the proposed development will generate:

- 70 jobs from the specialty non food retail and restaurant component<sup>2</sup>; and
- 101 jobs through the operation of the hotel<sup>3</sup>.

Based on the estimated demand for 816sqm of retail floorspace generated by tourism expenditure, 27 of the 70 retail jobs are considered likely to be tourism related. By adding this figure to the tourist related jobs generated by the hotel, approximately 128 jobs on site will be created as a result of tourism.

Based on an estimated construction value of \$80m Hill PDA has calculated that the proposed development will generate over 480 jobs directly through construction<sup>4</sup>.

### **Economic Multipliers**

Hill PDA has also estimated that the \$80m construction value will translate into a further \$72m of activity in production induced effects and \$77m in consumption induced effects. Total economic activity generated by the construction of the proposed development will therefore be approximately \$149m.

For every \$1 million in construction cost, a total of 24.9 job years could be generated in the economy. Based on these calculations, the proposed development as a whole will indirectly generate in the order of 1,992 job years in the construction industry.

Note that the multiplier effects are national, and not necessarily local. 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. 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."*

### **Other Merits of Redevelopment**

The proposed redevelopment has a number of design characteristics that are also considered of economic benefit to businesses within the Double Bay Commercial Centre in addition to its community. By way of example:

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<sup>2</sup> Based on an employment yield of 1 job per 30sqm Source: ABS 91/ 99 Census

<sup>3</sup> Jones Lang LaSalle Hotels Advisory Report May 2008

<sup>4</sup> Australian National Accounts: Input-Output Tables 1996-97 (5209.0), Price Index of the Output of the Building Industry - Producer Price Indexes (6427.0), CPI All Groups - RBA Bulletin (Table G2)

- the proposed development will create an open public space that will enhance the character of Cross Street and its vitality to the benefit of the Centre and its revitalisation as a thriving place to visit, stay longer and spend;
- the proposed development will enhance pedestrian connectivity to Galbraith Walkway (and in turn residential dwellings in William Street) to businesses in Cross Street;
- the high quality development will attract excitement and interest in Double Bay therefore acting as stimulus for further investment and shopping trips to the benefit of the Centre as a whole.

Each of the design factors outlined above are considered in accordance with the four strategies adopted by Council to "support the revitalisation of the Double Bay Commercial Centre".<sup>5</sup>

## Conclusion

Given that the proposal will:

- support Woollahra Council's strategies to attract high quality investment to the Double Bay Commercial Centre in order to enhance its economic success for a range of businesses and stakeholders;
- enhance tourist facilities within the Centre and LGA to the benefit of the local and wider NSW economy;
- generate new employment opportunities suited to a range of ages and skills;
- be in keeping with key aspects of the Stakeholder's vision for the Centre;
- have positive economic flow on effects to the wider economy; and
- improve the vitality and character of the subject site to the benefit of Cross Street and the Centre;

the proposed redevelopment of the Stamford Hotel is supported and considered in accordance with the objectives of the Strategies of the 2007 Double Bay Business Precinct Study. The development is therefore supported on economic grounds.

Should you have any queries concerning the content of this letter, please do not hesitate to contact me via email [sarah.hill@hillpda.com](mailto:sarah.hill@hillpda.com) or by telephone on the above number.

Yours sincerely,

**Sarah Hill**  
**Practice Manager / Principal**  
Hill PDA

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<sup>5</sup> Double Bay Commercial Centre Development Study 2007