

Client

Frasers Property

Project

Frasers Broadway Concept Plan:  
Economic Impact  
of Amended Design

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# 1 Background

This update projects the economic impacts of the amended plan for the redevelopment of the CUB site. The amendments essentially add to the commercial and retail areas while reducing the residential areas. The amendments also include space for a small hotel.

We have estimated the economic impact of the amended development plan using the same approach as was taken for the original plan. The estimates comprise:

- Number of employees in commercial and retail areas and hotel, assuming a mix of tenancy types
- Wages of employees
- Turnover of commercial and retail tenants and hotel
- Home-based business activity
- Number of employees in retail areas
- Number and income mix of residents

## 2 Economic impact of Commercial Activities

The design for the redevelopment of the site proposes a mix of commercial (including retail) and residential areas, and a hotel.

Total floor space (GFA) is planned at 257,000 sq m, and it includes a mix of commercial, retail and residential space:

	Amended
Commercial/retail sq m	125,900
Incl hotel of 3,946 sq m	
Residential sq m	131,100
Total (GFA)	257,000

In this section we examine the economic impact of the commercial activity to operate from the site, in terms of employee numbers, wages and projected business turnover.

### 2.1 Commercial and retail

#### 2.1.1 Employee numbers

Estimations of employee numbers have been made using the floorspace ratios currently assessed for the Sydney CBD. Rather than projecting a homogenous commercial occupant mix across the available NLA, our modelling has assumed a mix of high, medium and lower value tenancy types and a mix of employment densities. Overall, we have modelled a scenario where, apart from the hotel, 5% of the commercial area is occupied by higher employment density users like open plan administrative services, another 15% by medium employment density users like partitioned and separated finance services offices, and another 80% by lower density users like business, communications and public sector offices. This scenario yields an overall employment density of 19 square meters per employee – for a total of 5,418 employees in the commercial areas (excluding hotel – see below).

We have modelled some diversity in retail occupants as well, with a combination of retail business types (eg small shops (50%), larger stores (40%) and cafes/restaurants (10%)). Overall, we model a retail employment density of 26 square metres per employee – for a total of 639 employees in the retail areas.

#### 2.1.2 Incomes

With floorspace, occupier and employment density projections, we are able to estimate the total value

of wages paid to workers in industries likely to be located on the site.

We have taken wage levels for employees in each of the business types included in the scenarios outlined above. The modelling suggests that the total amount of wages, in current dollars, paid to the 6,057 commercial and retail employees at full occupancy would be in the order of \$480 million per annum.

#### 2.1.3 Business Turnover

We have estimated equivalent business turnover for commercial and retail occupiers of the site using ABS industry performance benchmarks – ratio of wages to turnover within industry.

With the mix of occupants as set out in the scenario described above, total business turnover in current dollars and at full occupancy, would be in the order of \$2.1 billion.

The flow-on effects from this level of business activity (as measured throughout the Australian economy using ABS Input-Output tables) would be in the order of a further \$0.9 billion.

### 2.2 Hotel

The amended design has provision for a small hotel of some 3,946 sqm. If the hotel has a similar configuration to others in the City it could accommodate some 100 rooms with around 200 beds. A hotel of this scale in the City would employ around 12 staff. At say 60% occupancy, and with a guest spend equivalent to the CBD average of \$206 per person per night, the hotel's turnover would be in the order of \$9 million per annum.

### 2.3 Home-Based Businesses

Another important aspect of business activity generated on the site will be that originating in businesses run from home in residential areas. On current benchmarks we expect a minimum of 12% of apartments (ie 155 of the proposed 1,292 units) to host a home-based business, a figure which is likely to be higher given:

- The area's favourable location close to the CBD and Broadway
- The scale of medium and large business activity
- The number of residents.

Research we have done previously on this sector indicates that average employment levels are around 2.2 full-time equivalent paid staff per business – implying a further 340 jobs through these home-based businesses.

Our other work has found average turnover levels of \$140,000 pa – with very wide variation from part-time businesses turning over under \$20,000 pa to niche providers turning over more than \$2 million pa. Projecting the average across 155 home-based businesses at the site means additional annual turnover in the order of \$22 million from these home-based businesses.

## 3 Economic Impact of Residents

The amended design has provision for 1,292 residential apartments on the site. The projected incomes and spending pattern of these residents are other important aspects of the economic impact of the redevelopment.

Some information on existing residents was provided by the 2006 Census, which noted 4,066 people as 'usual residents' in the suburb. Further information was provided in the Open Space and Community Facilities Needs Study completed in 2004 by Heather Nesbitt Planning and Bligh Voller Nield.

### 3.1 Resident numbers

While the mix of the apartments in terms of size and quality has not yet been specified, the Review of Social Aspects of the original design for the redevelopment noted an "average occupancy rate for City of Sydney apartments of 1.67 persons per dwelling (City of Sydney data)". On this basis, the 1,292 apartment proposed would accommodate some 2,100 residents.

Based on the characteristics of existing Chippendale residents identified in the 2006 Census, we can expect that the site will have a higher percentage of young residents and renters than the CBD average, reflecting the site's proximity to University of Sydney and UTS, and the current mix in the suburb. The 2006 Census showed that residents in the area had higher individual incomes than the Sydney average, were generally younger, more likely to be single, lived in smaller households and were more likely to be renting.

The former South Sydney City Council analysed the characteristics of new residents, and anticipated that new residents in that local government area in coming years would continue to be young (40% 20-35 and 26% 36-64), relatively well paid and with smaller households than in the rest of Sydney.

### 3.2 Residents' Income

If we assume a total of 2,100 residents, on 2006 Census benchmarks 42% would be working – a total of 890 people. It is likely that some of these employed residents will be working on the site, while others will have work elsewhere.

Incomes from residents will most likely vary depending on whether or not they are working, their employment status and the industries they work in. With its attractiveness to students, the mix is likely to be concentrated both at the lower income level (students and non or part-time workers) and at the upper-end (full-time workers in CBD jobs). The 2006 Census noted an average individual income in Chippendale of \$617 per week (averaging those employed and not employed), above the Sydney average of \$518 per week. With most residents (94%) likely to be of income-earning age (over 15), if this income level is projected across the estimated resident population then the income accruing to residents would be in the order of (in 2006 dollars) \$64 million per annum.

This estimate of total income for residents would be a major injection into the area's economy. Further, the Dimasi report estimated that local retail spending of residents is likely to be \$11,300 per person, for a total addition to the area's retail economy of \$24 million.

These are significant sums and are bound to stimulate formation of a wide range of new businesses in the area.



## 4 Summary

### Commercial and retail

Employee numbers	6,057
Wages	\$480 million
Turnover	\$2.1 billion
Hotel	
Employee numbers	12
Turnover	\$9 million
Home-based businesses	155
Turnover	\$22 million
Resident number	2,100
Resident incomes	\$64 million