

122-130 Pyrmont Bridge Rd and 206 Parramatta Rd, Camperdown Planning Proposal for B5 Zoning (Health Use)

Economic Impact Assessment



Prepared for The Trustee for MHA PBR Annandale Unit Trust

June 2021

Contents

1.0	Introduction	4
2.0	Economic impacts of construction	6
2.1	Output multipliers	6
2.2	Employment generation	7
3.0	The Base Case.....	8
4.0	Economic impacts from the private hospital	9
4.1	Job creation	9
4.2	Staff remuneration.....	9
4.3	Gross output (revenue).....	10
4.4	Gross value added.....	10
4.5	Other impacts.....	10

Tables

Table 1: Estimated National Economic Multipliers.....	6
Table 2: Estimated Local Economic Multipliers	6
Table 3: Estimated LGA Job Multipliers	7
Table 4: Economic performance indicators of base case (current uses)	8
Table 5: Estimated Jobs on site	9
Table 6: Staff remuneration	9
Table 7: Gross Revenue	10
Table 8: Gross Value Added.....	10

Quality Assurance

Report Contacts

Adrian Hack

Principal, Urban and Retail Economics

M. Land Econ. B.Town Planning (Hons). MPIA

Adrian.Hack@hillpda.com

Quality Control

This document is for discussion purposes only unless signed and dated by a Principal of HillPDA.

Reviewer

Signature		Dated	03/06/21
-----------	---	-------	----------

Report Details

Job Number	C21100
Version	Final
File Name	Annandale Private Hospital 210603F
Date Printed	3 June 2021

1.0 INTRODUCTION

This report has been prepared as part of a Planning Proposal for an ear-marked key site located at 122-130 Pyrmont Bridge Rd and 206 Parramatta Rd in Camperdown. This Planning Proposal for the site is consistent with the strategic objectives set out in the Greater Sydney Commission District Plans, the Camperdown-Ultimo Collaboration Area and Place Study, as well as the Camperdown Precinct within the Parramatta Road Corridor Urban Transformation Strategy.

The site is unique in that it is a relatively large land holding that will allow relatively large, flexible floorplates suited to servicing world class health, education and innovation user groups. The concept design in particular has been informed by a large health user group, who (subject to the approval of the rezoning and subsequent development application) will occupy the building, thus acting as a catalyst to realise genuine activation of the precinct. The Project intends to ultimately offer World class health, education and innovation users a place to collaborate, work, innovate and service the community.

The proposed use as a physical and mental rehabilitation hospital will be complementary to the existing and expanding RPA hospital.

HillPDA was commissioned by the applicant to prepare an Economic Impact Assessment (the 'study') to analyse the likely economic impacts of the development in the locality.

The conclusions and recommendations of this Assessment have been developed using the following methodology:

- **Chapter 2** analyses the economic impacts of the proposed development during construction
- **Chapter 3** assesses the base case – the economic contribution from current land uses on site
- **Chapter 4** assesses the economic impacts of the proposed hospital (economic uplift from the base case) measured in jobs, gross revenue and gross value added (contribution to gross regional product)

ECONOMIC IMPACT ASSESSMENT

2.0 ECONOMIC IMPACTS OF CONSTRUCTION

The economic impacts from construction was assessed using national input-output tables sourced from ABS. These multipliers illustrate the level of additional economic activity generated by a source industry, at both the national level and at the local government area level.

HillPDA has been advised that construction of the hospital would cost around \$55m and the Fitout would cost around \$24m, therefore a combined construction value of \$79m.

2.1 Output multipliers

The construction industry is a significant component of the economy accounting for 6.8% of Gross Domestic Product (GDP) and employing just over one million workers across Australia¹. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

- Production induced: which is made up of first round effects (all outputs and employment required to produce the inputs for construction) and industrial support effects (induced extra output and employment from all industries to support the production of the first round effect) and
- Consumption induced: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

Table 1: Estimated National Economic Multipliers

	Direct Effects	Production Induced Effects	Consumption Induced Effects	Total
Output multipliers	1	1.281	0.905	3.186
Output (\$million)	79.0	101.2	71.5	251.7

Source: ABS Australian National Accounts: Input-Output Tables 2017-18 (ABS Pub: 5209.0), Economy.ID.

At a national level \$79m of construction generates further output of \$173m in production and consumption induced impacts. Total output value is almost \$252m. These are national multipliers. At an LGA level the multipliers are less significant as most of the inputs to production are sourced outside the LGA.

At an LGA level the specific economic multipliers is estimated from a combination of the national input-output tables and LGA location quotients. These multipliers illustrate the level of additional economic activity generated by a source industry, at the local government area level.

Table 2: Estimated Local Economic Multipliers

	Direct Effects	Production Induced Effects	Consumption Induced Effects	Total
Output multipliers	1	0.248	0.341	1.589
Output (\$million)	79.0	19.6	26.9	125.5

Source: ABS Australian National Accounts: Input-Output Tables 2017-18 (ABS Pub: 5209.0), Economy.ID.

¹ IBIS World 2020 and ABS Input Output tables 2018

Seventy nine (79) million dollars of construction would generate a further \$20m of activity in production induced effects and \$27m in consumption induced effects in the Inner West economy. Total economic activity in the LGA generated by the construction of the proposed development would be approximately \$126m.

2.2 Employment generation

HillPDA calculates that every million dollars of design and construction directly generates 2.5 full time equivalent positions over 12 months² at a national level. Based on the estimated construction cost of \$50m, approximately 125 job years³ would be directly generated. 95% of these jobs (119) will be on site directly in construction.

Through production and consumption induced (multiplier) impacts additional job years would be generated. At a national level a total of 500 job years would be generated, both directly and indirectly, as a result of the planning and development of the site. HillPDA has estimated total job years generated in the LGA will be 182 as shown in the table immediately below.

Table 3: Estimated LGA Job Multipliers

	Direct Effects	Production Induced Effects	Consumption Induced Effects	Total
National multipliers				
Jobs per \$million	2.497	3.951	3.581	10.029
Total Job Years Generated	125	198	179	501
LGA Multipliers				
Jobs per \$million	2.371	0.512	0.767	3.649
Total Job Years Generated	119	26	38	182

Source: ABS Australian National Accounts: Input-Output Tables 2017-18 (ABS Pub: 5209.0), Economy.ID

The Quantity Surveyor Napier & Blakely assessment of construction jobs created by the project is as follows:
Site Labour Estimate:

Construction Cost:	\$79,000,000
Labour Component, say 50% at \$72/hr	548,611 man hours
Construction duration 30 months, avg 22 days / mth	831 man hrs / day
Workers per day (peak)	166 workers / day
Average including on site and off site labour @ 60%	99 workers / day
Estimate total number of worker days over construction	65,833 work days

Approximate number of jobs created over the construction period (for varying durations):

Average number of 99 time phase work multiplier factor of 4, therefore 398 site based jobs created by the Proposal.

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." In particular it may leave the impression that resources used for production would not have been utilised elsewhere in the local economy. Nevertheless, the estimates illustrate the high flow-on effects of construction activity.

² Source: Hill PDA and ABS Australian National Accounts: Input-Output Tables 2017-18 (ABS Pub: 5209.0)

³ Note: One job year equals one full-time job for one full year

3.0 THE BASE CASE

The following Chapter assesses the base case which is often referred to as the 'do nothing' option. This is important because the economic impacts (or economic uplift) of the proposal is measured against the 'do nothing' option.

There are currently two businesses operating on site being:

- an "Energy" shop of approximately 700sqm on the corner of Parramatta Road and Mathieson Street providing products and services for air-conditioning, heating, BBQ and hot water needs and
- a two level shop/showroom on 130 Pyrmont Bridge Road selling kitchen and bathroom tiles

In addition there is a 240sqm vacant single storey shop front premise currently for lease on 122-128 Pyrmont Bridge Road⁴.

We estimate around 20 workers currently on site based on a floor area of 75sqm per worker. If the vacant shop front building was let for bulky goods or similar business it would provide a further (say) 5 workers

If fully occupied total staff remuneration would be around \$1.12m per annum based on an average remuneration of \$44,840 per worker⁵.

Gross value added (GVA) of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the country's wealth or gross regional product (GRP). The main components that make up GVA is staff remuneration, profits and taxes to governments. If fully occupied total GVA is expected to reach \$1.86m per annum based on an average GVA per worker of \$74,280⁶.

The table immediately below shows a summary of the economic performance indicators.

Table 4: Economic performance indicators of base case (current uses)

Land use	No. of Jobs	Average Annual Remuneration*	Total Wages (\$m)	GVA / Worker*	Gross Value Added (\$m)
Energy shop	10	\$ 42,200	\$ 0.42	\$ 81,400	\$ 0.81
Tiling Shop	10	\$ 45,300	\$ 0.45	\$ 66,400	\$ 0.66
Vacant shop**	5	\$ 49,200	\$ 0.25	\$ 75,800	\$ 0.38
Total	25	\$ 44,840	\$ 1.12	\$ 74,280	\$ 1.86

* Source: IBIS World 2020

** Assuming the vacant shop was let out for bulky goods retailing

Total output (total retail sales) is likely to be around \$9m every year assuming occupation of the current vacant store by a bulky goods retailer.

⁴ www.realcommercial.com.au (2 June 2021)

⁵ City of Sydney Floor Space Survey 2017 and IBIS World 2020

⁶ IBIS World 2020

4.0 ECONOMIC IMPACTS FROM THE PRIVATE HOSPITAL

The following Chapter assesses and where possible quantifies the potential economic impacts of the proposed development measured against the “do nothing” option.

4.1 Job creation

The table immediately below provides an estimate of the number of jobs that would be generated on the subject site as a result of the proposed development.

Table 5: Estimated Jobs on site

Land Use	GLA	Units	Employment Density*	Jobs
Hospital, Surgery & Radiology	7,958	sqm	1 / 75 sqm	106
Pathology	243	sqm	1 / 30 sqm	8
Dental	319	sqm	1 / 30 sqm	11
Pharmacy	212	sqm	1 / 28 sqm	8
Consulting Suites	862	sqm	1 / 30 sqm	29
Café	211	sqm	1 / 28 sqm	8
Total	9,805	sqm	1 / 58 sqm	170

Sources include City of Sydney Floor Space Survey 2017.

Based on the table above, the proposed development will provide around 170 jobs on the subject site when fully occupied. This is an increase in 145 jobs above the base case – almost a seven (7) fold increase.

4.2 Staff remuneration

The total remuneration of workers on site would amount to approximately \$17.1 million as shown in the table immediately below.

Table 6: Staff remuneration

Land Use	Jobs	Avg Annual Wage*	Total (\$m)
Hospital, Surgery & Radiology	106	\$118,200	\$12.5
Pathology	8	\$67,600	\$0.5
Dental	11	\$62,800	\$0.7
Pharmacy	8	\$49,000	\$0.4
Consulting Suites	29	\$94,100	\$2.7
Café	8	\$29,000	\$0.2
Total	170	\$100,669	\$17.1

* IBIS World Industry Reports in retail, private hospitals and selected medical services

This is \$16m (15 times) more than the base case.

4.3 Gross output (revenue)

We estimate the gross output from the proposed development to be around \$37m every year as shown in the table immediately below.

Table 7: Gross Revenue

Land Use	Jobs	Gross Revenue / Worker	Gross Revenue (\$m)
Hospital, Surgery & Radiology	106	\$238,000	\$25.23
Pathology	8	\$141,000	\$1.13
Dental	11	\$200,000	\$2.20
Pharmacy	8	\$276,000	\$2.21
Consulting Suites	29	\$185,000	\$5.37
Café	8	\$100,000	\$0.80
Total	170	\$217,229	\$36.93

* IBIS World Industry Reports.

Gross revenue is estimated to be an increase of around \$28m every year above the base case – a four (4) fold increase.

4.4 Gross value added

Gross value added of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the country's wealth or gross domestic product (GDP).

We estimate the gross value added from the proposed development to be in the order of \$20.1m every year as shown in the table immediately below.

Table 8: Gross Value Added

Land Use	Jobs	GVA / Worker	Gross Value Added (\$m)
Hospital, Surgery & Radiology	106	\$152,100	\$16.1
Pathology	8	\$90,700	\$0.7
Dental	11	\$89,800	\$1.0
Pharmacy	8	\$68,700	\$0.5
Consulting Suites	29	\$114,000	\$3.3
Café	8	\$35,700	\$0.3
Total	170	\$129,278	\$22.0

* IBIS World Industry Reports.

GVA is estimated to be an increase of \$20m every year above the base case – almost a twelve (12) fold increase.

4.5 Other impacts

We believe the Planning Proposal for the site is consistent with the strategic objectives set out in the Greater Sydney Commission District Plans, the Camperdown-Ultimo Collaboration Area and Place Study, as well as the Camperdown Precinct within the Parramatta Road Corridor Urban Transformation Strategy.

Where a significant property investment decision has been made, it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further investment. The direct investment in the subject site would raise the profile of the Camperdown and support a wide range of economic multipliers which would in turn support investment in associated industries.

The site is unique in that it is a relatively large land holding that will allow relatively large, flexible floorplates suited to servicing world class health, education and innovation user groups. We have been informed that the building will be occupied by a large health user group thus catalysing the genuine activation of the precinct. We understand that the Project intends to ultimately offer World class health, education and innovation users a place to collaborate, work, innovate and service the community.

The proposed use as a physical and mental rehabilitation hospital will be complementary to the existing and expanding RPA hospital.

Disclaimer

1. This report is for the confidential use only of the party to whom it is addressed ("Client") for the specific purposes to which it refers and has been based on, and takes into account, the Client's specific instructions. It is not intended to be relied on by any third party who, subject to paragraph 3, must make their own enquiries in relation to the issues with which this report deals.
2. HillPDA makes no representations as to the appropriateness, accuracy or completeness of this report for the purpose of any party other than the Client ("Recipient"). HillPDA disclaims all liability to any Recipient for any loss, error or other consequence which may arise as a result of the Recipient acting, relying upon or using the whole or part of this report's contents.
3. This report must not be disclosed to any Recipient or reproduced in whole or in part, for any purpose not directly connected to the project for which HillPDA was engaged to prepare the report, without the prior written approval of HillPDA. In the event that a Recipient wishes to rely upon this report, the Recipient must inform HillPDA who may, in its sole discretion and on specified terms, provide its consent.
4. This report and its attached appendices are based on estimates, assumptions and information provided by the Client or sourced and referenced from external sources by HillPDA. While we endeavour to check these estimates, assumptions and information, no warranty is given in relation to their reliability, feasibility, accuracy or reasonableness. HillPDA presents these estimates and assumptions as a basis for the Client's interpretation and analysis. With respect to forecasts, HillPDA does not present them as results that will actually be achieved. HillPDA relies upon the interpretation of the Client to judge for itself the likelihood of whether these projections can be achieved or not.
5. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.
6. This report does not constitute a valuation of any property or interest in property. In preparing this report HillPDA has relied upon information concerning the subject property and/or proposed development provided by the Client and HillPDA has not independently verified this information except where noted in this report.
7. In relation to any valuation which is undertaken for a Managed Investment Scheme (as defined by the Managed Investments Act 1998) or for any lender that is subject to the provisions of the Managed Investments Act, the following clause applies:

This valuation is prepared on the assumption that the lender or addressee as referred to in this valuation report (and no other) may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio.

8. HillPDA makes no representations or warranties of any kind, about the accuracy, reliability, completeness, suitability or fitness in relation to maps generated by HillPDA or contained within this report.

Liability limited by a scheme approved under the Professional Standards Legislation



SYDNEY

Level 3, 234 George Street
Sydney NSW 2000
GPO Box 2748 Sydney NSW 2001
t: +61 2 9252 8777
f: +61 2 9252 6077
e: sydney@hillpda.com

MELBOURNE

Suite 114, 838 Collins Street
Docklands VIC 3008
t: +61 3 9629 1842
f: +61 3 9629 6315
e: melbourne@hillpda.com

WWW.HILLPDA.COM