Attachment A17

Economic Impact Assessment

West

Sydney Metro Hunter Street Economic Impact Assessment

28 April 2022

A study into the economic impacts generated by the development, and the strength of the commercial office market in the Sydney CBD.

1203

BENEFITS AT A GLANCE

Economic Benefits

1204

1. **Key Finding:** The construction phase will create 1,047 jobs over three years.
2. **Key Finding:** The three year construction period will generate $502.3 million in Gross Value Added.
3. **Key Finding:** The ongoing operation will create 15,767 direct and indirect jobs.
4. **Key Finding:** The ongoing operations will deliver $3.8 billion in Gross Value Added annually.

616
Construction jobs over three years

$502.3 MILLION
Gross Value Added over the construction period

15,767
Additional jobs as a result of ongoing operations

$3.8 BILLION
Gross Value Added each year on an ongoing basis

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EXECUTIVE SUMMARY

The context for the Economic Impact Assessment

The development of commercial floorspace in Sydney's CBD will support increased economic activity for the city and the New South Wales economy. The addition of high quality premium floorspace is critical to Sydney's desired positioning as a global city. The key strategic planning document for the CBD's growth, the Central Sydney Planning Strategy 2016-2036 (CSPS), is focussed on delivering additional commercial floorspace to enable employment growth.

Integrated transport with other land uses is a planning priority of the Eastern City District Plan that will result in a stronger and more competitive CBD. Frequent metro rail services will further support the competitive dimension as a result of strengthening access to the Sydney CBD which in turn brings productivity benefits. The commercial towers proposed in the Planning Proposal request for Hunter Street Station is consistent with both mentioned strategies and will be make an significant contribution to realising those plan objectives.

1206 An Economic Impact Assessment has been prepared in support of the Hunter Street Station Planning Proposal request. The key objectives of this assessment are to:

- Quantify the additional employment that can be delivered on the subject site through the construction and ongoing operation of the proposed over station development (OSD) and thus importantly the contribution to employment growth in Sydney's CBD
- Quantify the economic impacts associated with the OSD through the construction stage both direct and indirect impacts
- Quantify the economic contribution on an ongoing basis post construction
- Identify benefits that are not employment and economic related such as public benefits
- Assess the outlook for commercial floorspace demand in the Sydney CBD giving consideration to the impacts of the Covid-19 Pandemic and the suitability of the OSD from a market demand context.

The Planning Proposal request aligns with key strategic objectives

The Planning Proposal request is intended to amend the Sydney Local Environmental Plan 2012 (SLEP 2012) to accommodate two commercial towers to the potential height of up to 56-storeys. The commercial towers are located within the core of Sydney CBD along Hunter Street and are proposed to be positioned above the two main entrances to the Hunter Street Metro Station.

The proposed OSD will comprise a 56-storey and a 49-storey tower above the metro station's east and west exits respectively. The OSD will deliver a total of 148,000 sq.m commercial office gross floor area (GFA) and 2,400 sq.m retail GFA. The eastern site is located in one of the CSPS designated 'tower cluster' areas and part of the western site also falls within this area.

The OSD consists of two commercial towers. The construction is expected over an estimated three years between 2027 and 2029.

The sites each have the capacity to accommodate additional density than what is currently permitted under the planning controls. To realise additional employment floor space on the sites, as well as deliver integrated public benefits, amendments to the existing planning controls are proposed within a Planning Proposal request. The density proposed is commensurate with the ability to deliver a prime high quality commercial office development across two large sites and the provision of large contiguous and flexible office floorplates.

Development of the towers will make a significant contribution to the economy and employment growth

The economic analysis used **REMPLAN to** model the potential economic benefits associated with the proposed OSD. **REMPLAN** is an Input Output model that captures inter-industry relationships within an economy.

The analysis shows the future OSD will generate significant employment and economic benefits for the Sydney CBD and wider NSW economy. These benefits include:

- **1,047 direct and indirect construction related jobs** per annum over the three-year construction period. This activity will provide much needed support for the economic recovery in New South Wales in the short term
- Some **$502.3 million in Gross Value Added** (GVA) to the NSW economy from construction
- **15,767 direct and indirect jobs supported in the office tower and in the surrounding region** on an ongoing basis during operation of the new office development at capacity
- **$3.8 billion of annual direct and indirect GVA contribution** to the State economy on an ongoing basis.

EXECUTIVE SUMMARY CONT.

Sydney's CBD commercial office market shows strong recovery signs

The analysis of demand for commercial office space in the Sydney CBD illustrates the resilient nature of the central Sydney economy as it shows strong signs of recovery after the initial uncertainty of 2020. This analysis counters the rhetoric and concerns about long term structural shifts in office demand.

The impact of the Covid-19 induced downturn in demand for office space is evident in the negative net absorption recorded for prime space (includes premium and A grade) in the CBD over the year to January 2021. **Positively, the Sydney CBD prime office market has already started recovering from this downturn.** Overall, analysis shows the prime high quality commercial market in the Sydney CBD has remained healthy

Sublease vacancy is a key indicator of the health of a market and is generally an early indicator of a turning point for an office market. **Over the year from January 2021 to January 2022, prime sublease space reduced from 1.6% to 0.9%,** most of the reduction occurred over the second half of 2021.

Looking specifically at the premium market, the current vacancy rate for premium space is 4.9%, which is below the long-term average premium vacancy rate of 6.8% (since records commenced in July 1993), indicating an undersupply. Projects like the proposed OSD are important for increasing the supply of high quality space.

The prime market is particularly tight across the major CBDs reflecting the 'flight to quality' trend where occupants took advantage of favourable commercial conditions allowing upgrades from lower quality offices to some of the best real estate. This low vacancy is mainly due to the low level of stock in this component of the market but also reflects the strong demand for high-quality space with large floor plates. The correlation between high quality offices and larger floorplates is important to note as the occupiers tend to associate large floorplates with high quality office space, and as such an important attribute of modern prime office space.

There are additional important benefits

It is important in this assessment to also acknowledge the other benefits which are more difficult to quantify that the over-station development will add.

The addition of premium office space into the Sydney CBD market supports strengthening Sydney's positioning as Australia's global city. Quality office space located in high amenity precincts close to transport is highly desired by large national and international companies. If the towers proceed to development the access to lifestyle options and everyday needs is a compelling proposition for potential tenants.

The OSD supports a more activated and vibrant Sydney CBD. The development will make the most of the high visibility frontages on key CBD streets with retail thereby enhancing the streetscape and making significant improvements to the current experience in that area of the Sydney CBD. The planned adaptive reuse of the former Skinners Family Hotel building as part of the integrated station development provides much needed investment to support Sydney CBD's entertainment and night-time economy.

The OSD will improve active transport. Commercial and transport uses are integrated via underground pedestrian linkages. Safe and traffic free pedestrian corridors making it easier and more efficient for pedestrians to navigate around the CBD.

As noted, **the OSD strategically aligns with objectives of relevant plans specifically related to making the Sydney CBD more competitive.** The development integrates transport with other land uses, it is consistent with the intent of the 'tower cluster' areas and recognises the City of Sydney's own position in looking beyond the traditional height and floorspace controls to unlock opportunities.

SYDNEY METRO OVERVIEW

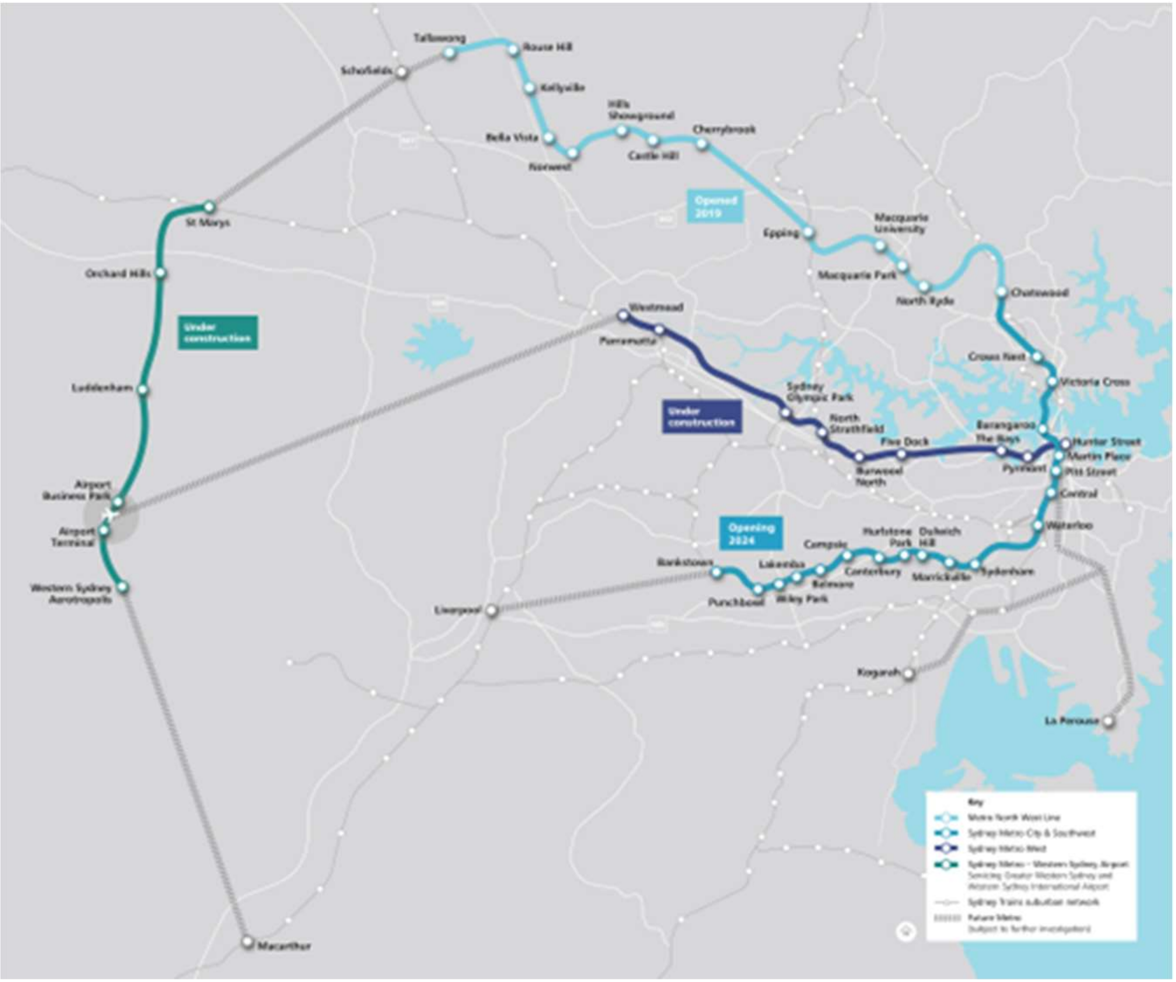
Sydney is expanding and the NSW Government is working hard to deliver an integrated transport system that meets the needs of customers now and in the future.

Sydney Metro is Australia's biggest public transport program. Services on the Metro North West Line between Rouse Hill and Chatswood started in May 2019 on this new stand-alone metro railway system, which is revolutionising the way Sydney travels. Sydney Metro's program of work is shown right and includes:

The Sydney Metro West project forms part of the broader Sydney Metro network which includes:

- The Metro North West Line - Opened in May 2019 with driverless trains running every four minutes in the peak in each direction between Tallawong Station in Rouse Hill and Chatswood
- 1208 Sydney Metro City & Southwest - A new 30-kilometre metro line extending the new metro network from the end of the Metro North West Line at Chatswood, under Sydney Harbour, through the Sydney CBD and southwest to Bankstown. It is due to open in 2024 with capacity to run a metro train every two minutes each way under the centre of Sydney
- Sydney Metro West - A new 24-kilometre metro line that will connect Greater Parramatta with the Sydney CBD. Confirmed stations include Westmead, Parramatta, Sydney Olympic Park, North Strathfield, Burwood North, Five Dock, The Bays, Pyrmont and Hunter Street (Sydney CBD). This infrastructure investment will double the rail capacity of the Greater Parramatta to Sydney CBD corridor with a travel time target between the two centres of about 20 minutes
- Sydney Metro – Western Sydney Airport - A new metro line that will service Greater Western Sydney and the new Western Sydney International (Nancy-Bird Walton) Airport forming the transport spine of the Western Parkland City.

Sydney Metro Network



INTRODUCTION

Project background and purpose

This Economic Impact Assessment (EIA) has been prepared to identify the economic benefits associated with two proposed office towers at Hunter Street, Sydney and to support a proposed amendment to the Sydney Local Environmental Plan 2012 (SLEP 2012).

The future Hunter Street Station OSD would comprise two commercial office buildings positioned above the two main entrances to the Hunter Street Station (eastern site and western site).

Based on market conditions and indicators there is capacity to accommodate additional density than
1209 what is currently permitted under the planning controls. To realise additional employment floor space on the sites, as well as the delivery of integrated public benefits, amendments to the existing planning controls are proposed within a Planning Proposal request. This EIA has been prepared to support the Planning Proposal request.

Scope of work

The purpose of this report is to summarise the potential impact of the development on the State economy and job creation considering:

Assessment of the development phase employment benefits– quantifying the number of jobs likely to be directly and indirectly generated through its development/construction phase based on the estimated capital investment value for the proposed OSD.

Assessment of the development phase economic benefits– quantifying economic growth (Gross Value Added) likely to be directly and indirectly generated through its development/construction phase.

Assessment of the operational phase employment benefits– quantifying the number of jobs likely to be directly and indirectly generated by the development once it is completed and operational.

Assessment of the operational phase economic benefits– quantifying the economic growth (Gross Value Added) likely to be directly and indirectly generated by the development once it is completed and operational.

Recovery of market demand for office floorspace – analysis of recovery of market demand for high quality floorspace in the Sydney CBD post Covid-19 onset.

Identification of qualitative benefits–commentary on other positioning benefits that will be generated by the development are provided.

Report structure

The rest of our report is structured to provide detailed evidence on the following:

Chapter One – Commercial Office Demand

Provides analysis of the Sydney CBD office market to demonstrate the strong demand for prime and high quality office space in line with the OSD. The analysis illustrates the recovery and return of the prime office market to pre-Covid-19 levels.

Chapter Two –Employment and Economic Benefits

Highlights the important contribution the development will make through quantifying the economic and employment benefits resulting from the construction stage and the ongoing operation.

Chapter Three – Other Benefits

This final chapter acknowledges the non-quantifiable benefits that will result from development of the OSD.

THE HUNTER STREET OVER STATION DEVELOPMENT

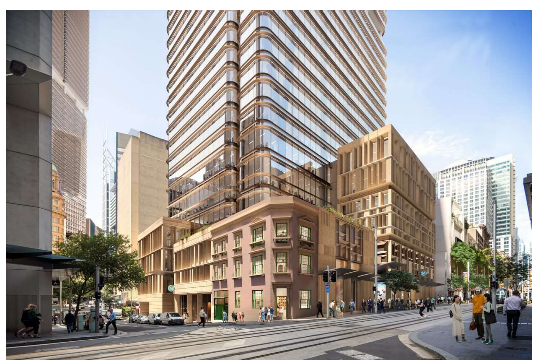
The Planning Proposal Request will facilitate the potential for two commercial office buildings located within the core of Sydney CBD along Hunter Street and are proposed to be positioned above the two main entrances to the proposed Hunter Street Metro Station.

The 56-storey commercial tower located above the east exit will comprise of around 82,000 sq.m commercial GFA and 1,500 sq.m retail GFA. The 49-storey commercial tower located above the west exit will comprise of around 66,000 sq.m commercial GFA and 900 sq.m retail GFA.

The density proposed is commensurate with the ability to deliver a high-quality commercial office development across two large sites, accommodating contiguous and flexible office floor plates, and optimising significant infrastructure delivery and the future public transport accessibility of the site.

The development consist of two commercial towers. The construction is expected over an estimated three years between 2027 and 2029.

The East development will also include end of trip facilities and an east-west through site link between O'Connell Street and Richard Johnson Square. The building will have activated frontages to Hunter Street, O'Connell Street and Bligh Street. The West development will have a series of through-site links connecting both Hunter and George Street.



Source: Sydney Metro

147,700 SQ.M

COMMERCIAL OFFICE FLOORSPACE GFA

2,400 SQ.M

RETAIL FLOORSPACE GFA

ESTIMATED PROJECT TIMEFRAME:

2027 - 2029

Source: Sydney Metro Urbis

01 Commercial office market demand

The purpose of this chapter is to provide analysis of the recent performance of the office market to demonstrate the need for additional high quality office space in the Sydney CBD as the market had returned to Pre-Covid-19 levels. The Planning Proposal Request will facilitate the potential for two commercial offices.

PRIME GRADE TENANT DEMAND DRIVING RECOVERY IN SYDNEY CBD OFFICE MARKET

Key findings

The Sydney CBD prime (premium and A grade) market is characterised by high value, more prominent and generally newer buildings with large floorplates and NABERS ratings of at least five stars for premium grade towers and at least four stars for A grade buildings. According to the Property Council of Australia's Office Market Report, **prime buildings have generally outperformed other markets in terms of demand** over 14 of the past 20 years.

Covid-19 downturn over 2020

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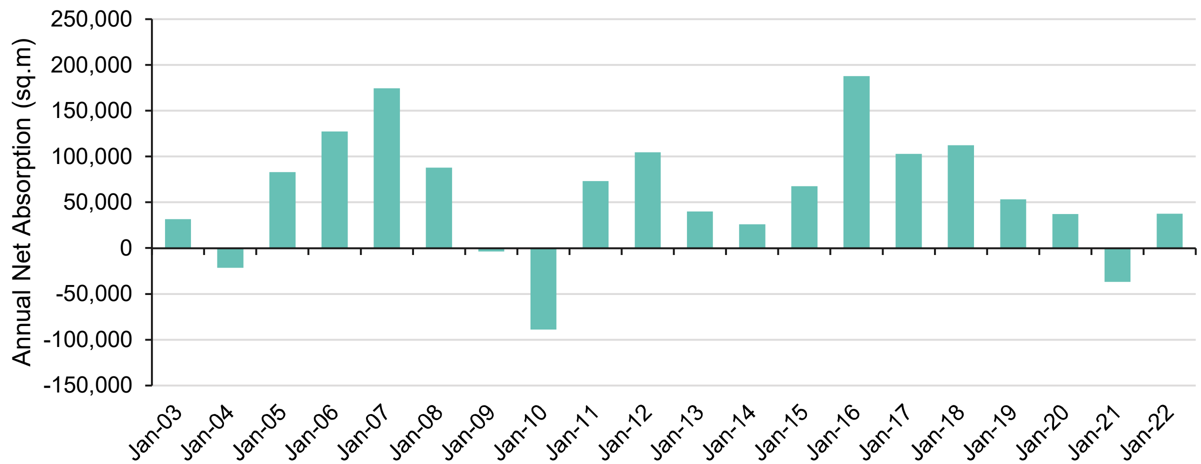
The green bars on the chart represent net absorption or net demand for prime office space in the Sydney CBD. The impact of the Covid-19 recession and downturn in demand for office space is evident in the negative net absorption recorded for prime space in the CBD over the year to January 2021.

The Sydney CBD prime office market has already started recovering from this downturn, with positive net absorption of 37,628 sq.m recorded over the year to January 2022. This positive net demand was in premium grade office space, which is of a similar quality to that being proposed for the subject site. This result is unsurprising given CBD-based businesses are looking to provide a high quality of office space to:

1. Attract workers back to the CBD after the end of NSW Covid-19 public health orders in October 2021.
2. Attract new employees - particularly given the increased competition for workers, as the unemployment rate fell back to pre-Covid-19 levels following the end of public health orders in NSW.

Prime net absorption



Source: Property Council of Australia and Urbis

Implications for the proposed OSD:

The return of demand to pre-Covid-19 levels evident by take-up rates highlights the strength and resilience of the Sydney CBD office market. This demonstrates the importance and attractiveness of high quality office space. The demand is likely to continue and indicates the suitability of the development to meet the needs of occupiers seeking high quality properties.

PRIME DIRECT AND SUB-LEASE VACANCY REDUCING IN SYDNEY CBD

Key findings

The chart (right) shows the tendency for a rise in sublease vacancy in the Sydney CBD as general vacancy increases due to a reduction in tenant demand for office space.

Sublease vacancy is a key indicator of the health of a market and is generally an early indicator of a turning point for an office market. Sublease vacancy's significance is due to tenants in a downturn being more readily able to offer sublease space than to negotiate an end to a head-lease. This reality is particularly the case for large CBD markets and prime space, where head leases are generally for terms of five or more years. When markets start to recover, firms with available
1213 sublease space usually withdraw this floorspace from lease and re-occupy it before taking additional space in the market.

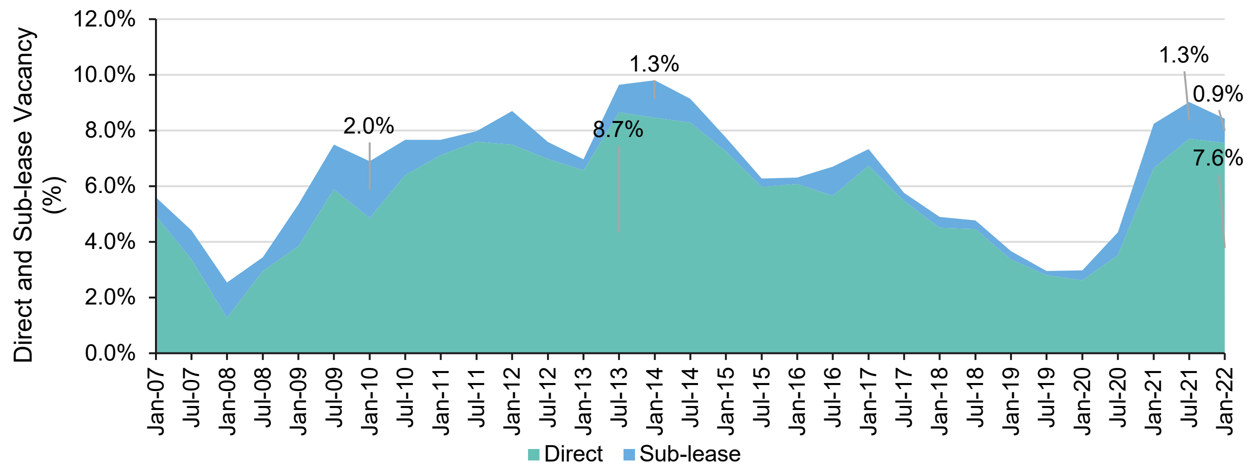
Prime sublease space reducing

Over the year to January 2022, prime sublease space reduced from 1.6% to 0.9%, most of the reduction occurred over the second half of 2021.

Major sublease withdrawals in prime space over 2021 include:

- Macquarie Bank taking back 4,200 sq.m at 1 Shelley Street
- Deloitte re-absorbing 3,800 sq.m at Grosvenor Place, 225 George Street.

Prime sub-lease vacancy recovering as large firms return to the office



Source: Property Council of Australia and Urbis

Implication for the proposed OSD:

Large occupiers have widely adopted a hybrid approach between working from the office and home. The physical office will continue to be important. Further growth in the finance and professional services sectors will continue to drive demand for high quality office space near transport in the CBD. Therefore, the subject site is well placed to fulfil some of the future demand.

SYDNEY CBD MARKET IS MORE RESILIENT RELATIVE TO OTHER CAPITALS

Key findings

Net absorption comparison

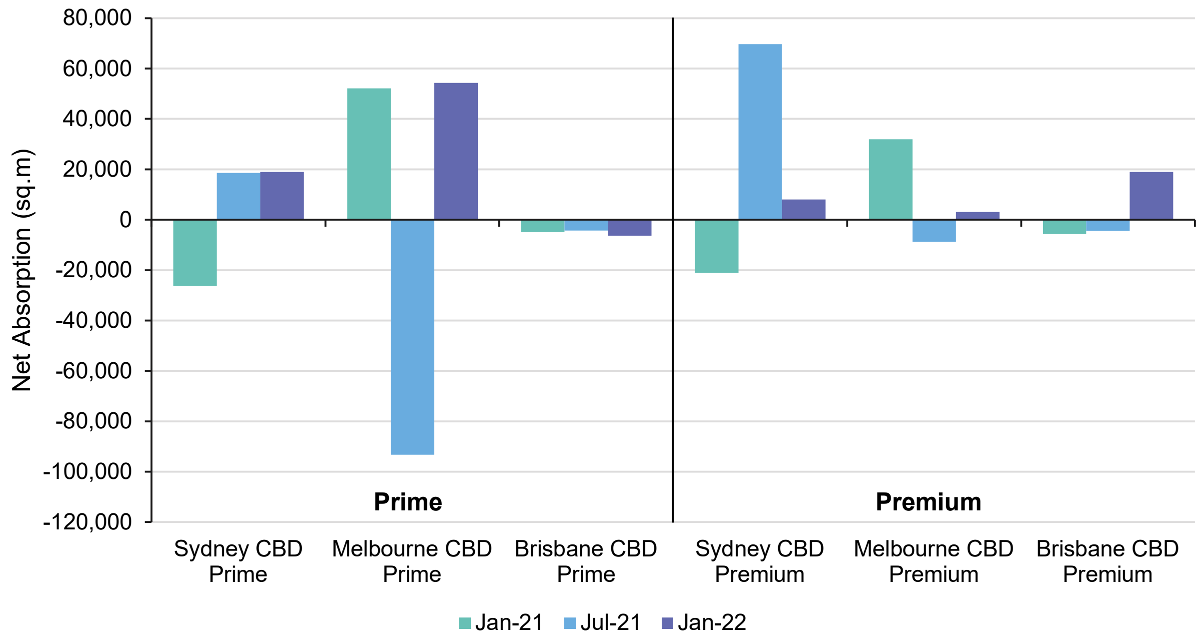
The demand recovery has not been uniform across the major CBDs or office grades. In the premium grade office market, Sydney, Melbourne and Brisbane CBDs have witnessed positive net absorption growth in the six months to January 2022, while Sydney is further through the recovery cycle, having already seen a year of positive net absorption.

The prime net demand results confirm Sydney CBD is well on its way in the recovery from Covid-19 with 12-months of positive net absorption recorded. Melbourne is also showing recovery
1214 with its six-month net absorption to January 2022 back to levels reached a year ago. Brisbane's prime CBD office market is slightly behind the other CBDs due to continued negative net absorption in A grade space. The drivers of this market are somewhat different to Sydney and Melbourne, with the mining sector having a more significant influence on the results.

Implication for the OSD:

Net absorption of prime and particularly premium office space in the Sydney CBD relative to other capital CBD's highlights the strength and resilience of the Sydney market. It demonstrates confidence in the Sydney market and the importance of space such as what is proposed being delivered to the market.

Net absorption comparison - Sydney v major Australian CBDs, selected grades



EVIDENT 'FLIGHT TO QUALITY' IN THE SYDNEY CBD

Key findings

Total vacancy stabilising, prime decreasing

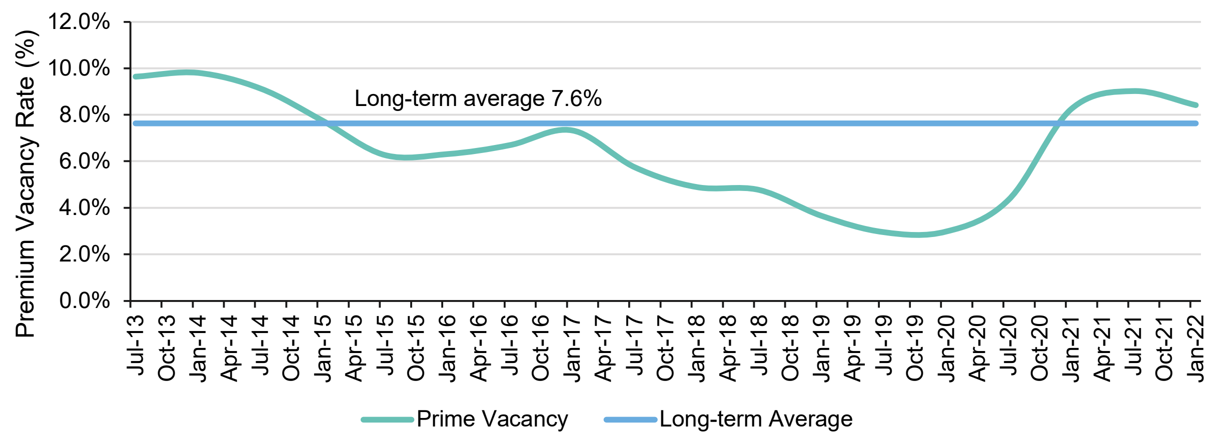
The chart shows that the total vacancy in the Sydney CBD is already starting to stabilise. This rebalance is due to the reduction in prime vacancy driven by the demand recovery, particularly for premium office space.

Looking specifically at the premium market which is most relevant to the proposed OSD, **the current vacancy rate for premium space is 4.9%. The long-term average premium vacancy rate is 6.8%** (since records commenced in July 1993), **indicating the market is undersupplied.** During the Covid-19 downturn, the premium
1215 market remained healthy. Most premium tenants are locked into long-term leases, and tenants who placed their space on the sublease market quickly retracted the space when borders opened, and market recovery commenced. Premium sublease space is currently 1.2% as of January 2022, down from 2.2% in January 2021 at the peak of the downturn.

Implication for the OSD:

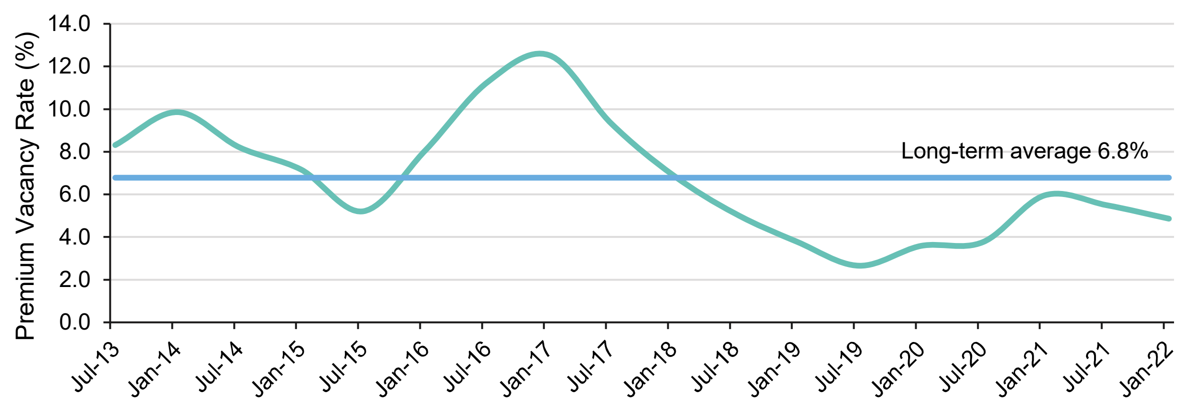
Low vacancy rates for premium office space highlight the importance of increasing the supply of this class of office space in the Sydney CBD. This trend is likely to continue making projects such as the tower OSD important for meeting future demand.

Prime Sydney CBD vacancy rate



Source: Property Council of Australia and Urbis

Premium Sydney CBD vacancy rate



Source: Property Council of Australia and Urbis

‘FLIGHT TO QUALITY’ MORE EVIDENT IN SYDNEY COMPARED TO OTHER CAPITALS

Key findings

The chart shows the 'flight to quality' developing across the major CBDs. Vacancy levels have reduced over the second half of 2021 for premium stock in the three CBDs and the year to January 2022 for Sydney CBD. Premium grade office space is diminishing more quickly than other office grades over the near term, partly because occupiers rely on having great workplaces as part of the overall strategy to attract talent.

Prime grade space in Sydney CBD is also tightening while the other major CBDs have seen a greater availability in this office grade. The three major markets have witnessed moderate increases in supply over the past 12 months, with a
1216 combined 321,612 sq.m of stock across the cities. Sydney CBD accounted for 77,848 sq.m of this supply, but still witnessed a fall in vacancy over the period.

The premium market is particularly tight across the major CBDs. This low vacancy is mainly due to the low level of stock in this component of the market but also reflects the strong demand for high-quality space with large floor plates. The table (bottom right) shows the quantum of space available across the major CBD markets. The premium grade vacancy in Sydney has reduced significantly since January 2021. While supply is expected to increase over the next few years, the majority of this space is already pre-committed (74% over 2022-2023), leaving limited expansion or upgrade space for existing tenants in the market or potential new tenants.

Prime vacancy comparison - Sydney v major Australian CBDs by grade

Vacancy Sq.m (%)	Sydney CBD	Melbourne CBD	Brisbane CBD
Jan-21	258,397 (8.2%)	268169 (7.8%)	147271 (11.5%)
Jul-21	287,310 (9.0%)	356711 (10.4%)	151576 (11.8%)
Jan-22	268,298 (8.4%)	431114 (12.1%)	218786 (16.3%)

Premium vacancy comparison - Sydney v major Australian CBDs by grade

Vacancy Sq.m (%)	Sydney CBD	Melbourne CBD	Brisbane CBD
Jan-21	71,637 (6.0%)	76,313 (7.2%)	22,662 (6.8%)
Jul-21	69,800 (5.5%)	79,531 (7.5%)	27,098 (8.1%)
Jan-22	61,730 (4.9%)	76,480 (7.2%)	23,629 (6.7%)

02 Employment and Economic Benefits

The purpose of this chapter is to quantify the economic contribution the towers' OSD will make in the short term during the construction phase, and the ongoing benefits once operational. The analysis highlights the significance of the development to the economy.

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THE CONSTRUCTION WILL SUPPORT 1,047JOBS OVER THREE YEARS

Key findings

The construction of the proposed OSD would require substantial capital investment, which would sustain significant employment in the local economy.

Based on economic modelling using REMPLAN, the construction of the OSD would generate **a total of 1,047 jobs over the three-year construction period**, including:

- Direct jobs = 616 jobs over three years
- Indirect jobs = 431 jobs over three years

Most new direct jobs will be in the construction sector, an important focus in the economic recovery.

1218 Indirect jobs associated with the construction are expected to be mostly in professional scientific and technical services, making up 23% of indirect jobs generated.

Construction phase

Source: REMPLAN Economy; Urbis

THE CONSTRUCTION WILL SUPPORT THE ECONOMIC RECOVERY IN NSW

Key findings

The significant capital investment required for the construction will create economic value that will help to support the economic recovery in NSW.

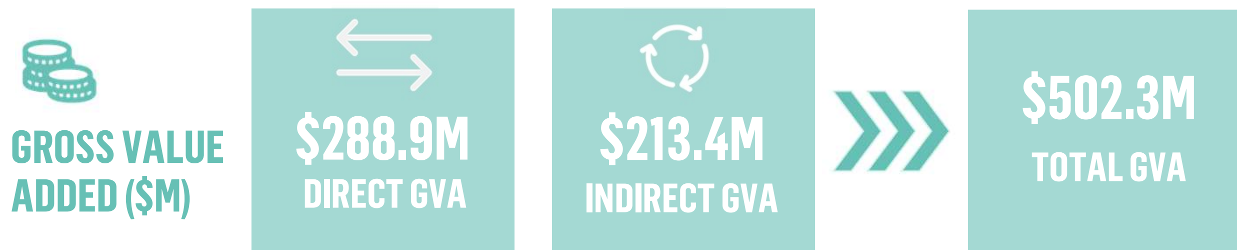
We have used the REMPLAN model to assess the potential economic contributions of the construction of the proposed OSD in terms of Gross Value Added (GVA).

The construction phase will generate **a total Gross Value Added (GVA) of $502.3 million to the NSW economy during the three-year construction period**.

- Direct GVA = $288.9 million
- Indirect GVA = $213.4 million.

1219

Construction phase



Source: Dexus; REMPLAN Economy; Urbis

THE DEVELOPMENT WILL SUPPORT 15,767 JOBS DURING OPERATIONS

Key findings

Upon completion of the development, the ongoing operations will support new jobs and generate value added to the economy.

The ongoing phase will generate **a total net increase of 15,767 jobs**.

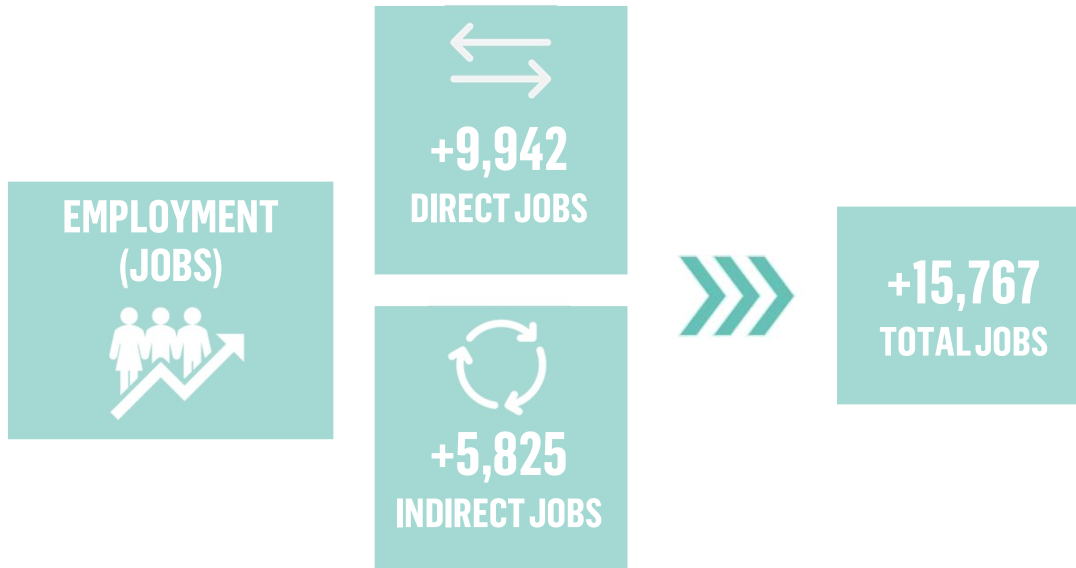
- Direct jobs = 9,942 jobs
- Indirect jobs = 5,825 jobs

Direct jobs are associated with the future
intended uses on the subject site. Using job density
of 25 and 15 GFA sq.m per job for retail and office
respectively, the 150,100 sq.m development will
indirectly support 6,400 jobs in professional,
scientific and technical services, 3,446 jobs in
1220 financial and insurance services and 96 jobs in
retail.

Indirect jobs will be generated in most industry sectors, though mostly relevant to:

- Professional, Scientific and Technical Services
- Administrative and Support Services
- Financial and Insurance Services.

Operational phase



Source: REMPLAN Economy; Urbis

THE DEVELOPMENT WILL PROVIDE AN ONGOING ECONOMIC CONTRIBUTION

Key findings

Upon completion of the development, the ongoing operations will support new jobs and generate value added to the economy.

The operation of the proposed OSD also has the potential to deliver **$3.8 billion in direct and indirect annual gross value added** to the economy comprising:

- Direct annual GVA = $2.6 billion
- Indirect annual GVA = $1.2 billion.

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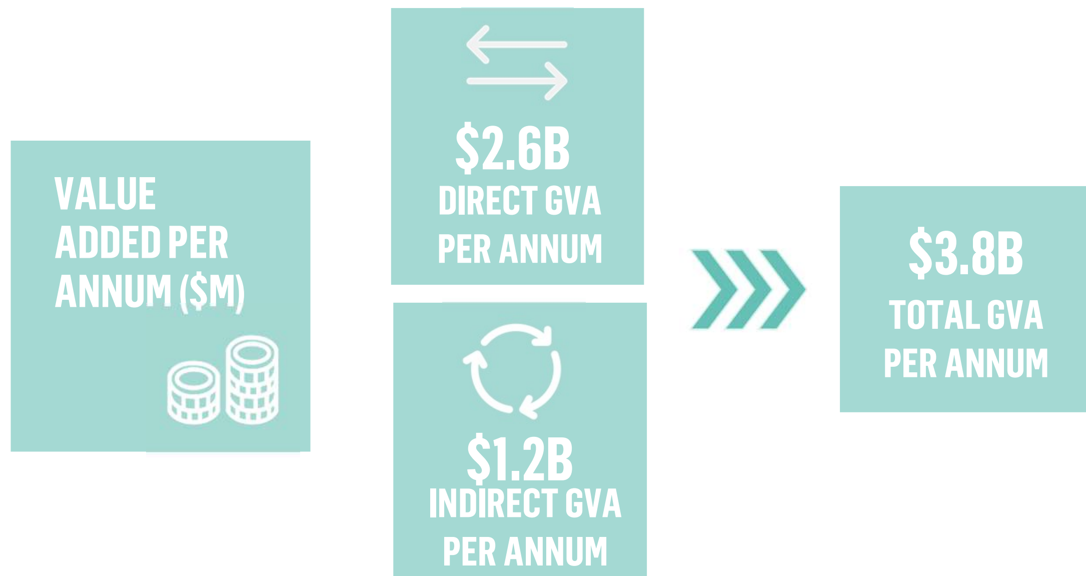
Operational phase



Source: REMPLAN Economy; Urbis

03 Other benefits

The purpose of this chapter is to highlight the place based benefits and how these strengthen Sydney's positioning as an attractive place to invest in, work at and visit.

NON QUANTIFIABLE BENEFITS OF THE DEVELOPMENT

The economic benefits are the key focus of this report. Additionally the development delivers other benefits that are not quantified here as outlined below.

The commercial tower OSD positively aligned with Strategic Plans

The tower sites are located within the **Harbour CBD which is identified as an employment hub in the Greater Sydney Region Plan: A Metropolis of Three Cities,** supporting more than 500,000 jobs.

The Eastern City District Plan highlights the tension between residential and commercial office uses within the Sydney CBD and advocates for retaining a strong commercial core to underpin the success of the CBD. This is important to the Sydney economy and more broadly the New South Wales economy.

Growing a stronger and more competitive Harbour CBD and integrated land use
1223 and transport planning are planning priorities of the District Plan, a priority the OSD responds to.

The **Central Sydney Planning Strategy 2016-2036 (CSPS) is focussed on delivering additional commercial floorspace to enable employment growth.** Further it identifies the need to look beyond the traditional height and floorspace controls of the Sydney CBD Core and explore potential of under developed areas within Central Sydney. The Eastern site is located in a ‘tower cluster areas identified in the structure plan and part of the Western site also falls within this area. The realisation of the tower cluster strategy requires site amalgamation. The Western site in particular would have been very unlikely to have been amalgamated but for the Sydney Metro.

Occupants can be **more flexible and agile with larger floorplates**

The delivery of generous office floorplates ensure that the building is flexible and available to accommodate a range of future tenants to support the Sydney CBD office market in the future.

The design of floorplate size and layout is a response to what tenants specify to fulfil their business requirements. This is an important aspect in attracting anchor tenants, with large scale tenants typically requiring 20,000+ sq.m of floorspace distributed over as few floors as possible to enhance staff connectivity and collaboration.

Tenants are also driven by a need to balance operating costs with adequately sized floors to spread the cost of design features such as inter-floor stairs and voids.

The OSD will deliver integrated public benefits

At the completion of these projects, the site will be located on a direct pedestrian link between the Martin Place to Barangaroo Metro. The station entrances will be highly accessible and visible by pedestrians. Retail and other active uses at the public domain interfaces of the integrated station developments will also benefit residents and workers in Sydney’s CBD.

The tower OSD integrates commercial with transport uses through underground pedestrian linkages. Safe and traffic free pedestrian corridors will make it easier and more efficient for pedestrians to navigate around the CBD.

Further the planned adaptive reuse of the former Skinners Family Hotel building as part of the integrated station development provides much needed investment in the Sydney CBD’s entertainment and night time economy.

New premium buildings will support a global city positioning

To strengthen Sydney’s status as a global city premium buildings are needed. Large international firms look for premium real estate to occupy in areas close to transport that provide a high level of amenity to employees. The development could satisfy all key requirements.

THE FUTURE OFFICE AND WORKPLACE TRENDS

There has been a high level of speculation with regards to the impacts of Covid-19 on demand for office space in the immediate term and importantly what that means long term. Many occupiers have been reviewing their commercial property needs over the last two years, which has resulted in some reducing the floorspace they occupy. Analysis of sub-lease withdrawals supports this move. However, it also shows a reduction in prime sublease space as some major occupiers have moved floorspace from the sublease market only to re-occupy.

So while there was a swift response from some tenants in 2020, it occurred in a climate of major uncertainty. The analysis shows prime sublease space has been reducing in the 12 month period to January 2022 thereby a strong indication of greater stabilisation of demand. There is still uncertainty, as there always is, driven by global politic and economic tensions, however the grave uncertainty fuelled by Covid-19 is less of a threat as the world returns to some new semblance of normal.

Demand has held for high quality commercial space in Sydney's CBD and
1224 indicates the importance of physical offices to support the positioning, brand, culture and employee value proposition of companies. The commitment of Atlassian to develop its iconic headquarters in the Central Station Precinct despite supporting the individual preferences of employees to choose where they work. This underscores the significance of physical offices.

The changes in the future of work are shaping up to be more about how the office is used than the importance of an office. A shift away from individual working spaces to a greater proportion of shared and collaborative spaces was already underway prior to the pandemic. Forced work from home has prompted organisations to examine how they use their office space. It is very likely the shift from rows of desks occupying the majority of floorspace will change to reflect the new realised value of the office, which is collaboration and building culture, however this will not automatically result in less need for space.

Some companies will reduce their commercial floorspace requirements which will be absorbed by increased demand for offices in Australia's only global capital city.

04 Appendix

REMPLAN METHODOLOGY

This Economic Analysis uses **REMPLAN** to model the potential economic benefits associated with the proposed OSD. 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 (Gross State Product).

The potential economic benefits have been quantified in terms of value added expenditure generation and employment generation:

- Expenditure Generation – Estimation of the direct and indirect expenditure impacts resulting from the OSD. This estimates value added expenditure impacts to the regional and state economies during both the development and operating phases
- Employment Creation – Estimation of the direct and indirect employment impacts resulting from the proposed OSD. This estimates employment impacts using standard industry jobs per sq.m benchmarks and regional employment multipliers for New South Wales.

1226 Key points regarding the workings and 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, whereas future employment at the centre is the input to assessing the ongoing economic benefits of the operational phase
- Outputs from the model include direct and indirect employment and value added (i.e. economic growth) generated through the project
- Employment generated includes all full-time and part-time jobs created 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 benefits are modelled for employment and value added
- Direct refers to the effect felt within the industry where the investment is being made. For example, during the construction phase, new direct jobs are created within the construction industry
- Indirect effects are:
  - Those felt within industries that supply goods to the industries directly affected (industry effects)
  - Those felt by industries that benefit from the wages that are earned and spent by those employed within the industries directly affected (consumption-induced effects).

For the purposes of this analysis, consumption-induced effects have been excluded. Consumption-induced effects are prone to overstate the benefits of a particular investment as they overestimate the impact of wage and salary increases in the local economy. This is accepted industry practice.

This report is dated **28 April 2022** 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 **Sydney Metro** (Instructing Party) for the purpose of a **Economic Impact 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).

In preparing this report, Urbis was required to make judgements which may be affected by unforeseen future events including wars, civil unrest, economic disruption, financial market disruption, business cycles, industrial disputes, labour difficulties, political action and changes of government or law, the likelihood and effects of which are not capable of precise assessment.

All surveys, forecasts, projections and recommendations contained in or made in relation to or associated with this report are made in good faith and on the basis of information supplied to Urbis at the date of this report. Achievement of the projections and budgets set out in this report will depend, among other things, on the actions of others over which Urbis has no control.

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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.

In preparing this report, Urbis may rely on or refer to documents in a language other than English which Urbis will procure the translation of into English. Urbis is not responsible for the accuracy or completeness of such translations and to the extent that the inaccurate or incomplete translation of any document results in any statement or opinion made in this report being inaccurate or incomplete, Urbis expressly disclaims any liability for that inaccuracy or incompleteness.

This report has been prepared with due care and diligence by Urbis and the statements and opinions given by Urbis in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading bearing in mind the necessary limitations noted in the previous paragraphs. Further, no responsibility is accepted by Urbis or any of its officers or employees for any errors, including errors in data which is either supplied by the Instructing Party, supplied by a third party to Urbis, or which Urbis is required to estimate, or omissions howsoever arising in the preparation of this report, provided that this will not absolve Urbis from liability arising from an opinion expressed recklessly or in bad faith.

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Report number	1

COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

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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 pandemic 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 pandemic 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 pandemic within a short space of time and that it will have a longer lasting impact than we have assumed. Clearly, the Covid-19 pandemic 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 pandemic 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 pandemic 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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