

Attachment A6

Economic Impact Assessment

150 Day Street, Sydney

Economic Impact Assessment

UOL GROUP LIMITED

MARCH 2025



Beyond the
horizon thinking

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Executive Summary

Background

UOL Group Limited (**UOL Group**) are progressing a Planning Proposal to enable the redevelopment of 150 Day Street, Sydney (**the Site**). The Site is located at a key interface between the Sydney CBD and Darling Harbour precinct places and is currently improved by an 11-storey, 3.5 star hotel branded as the Parkroyal Hotel.

The Planning Proposal seeks to amend the Sydney Local Environmental 2012 (**Sydney LEP**) to increase the building height and maximum floor space ratio (**FSR**) to support adaptive reuse of the existing hotel building and enable the development of a separate 11-storey hotel (including transfer) above the existing building (**the Proposal**). To enable development of the Proposal, the following amendments to the Sydney LEP would be required:

- An increase in the maximum height of building from 45m to ~85m.
- An increase in the maximum FSR from 7.5:1 to 13.5:1.
- Restrict permitted land uses to employment/hotel use and not residential accommodation or serviced apartments.

Atlas Economics (**Atlas**) are engaged to prepare a Needs Assessment and Economic Impact Assessment (referred to interchangeably as 'EIA' and '**the Study**') to assess the need for the Proposal and examine the economic impacts of the Proposal if delivered.

THE PROPOSAL

The Proposal envisages the retention and reconfiguration of the Parkroyal Hotel and utilises the existing hotel structure to support the development of a separate 11-storey hotel. Key features of the Proposal include:

- Retention of the existing Parkroyal Hotel from Level 1-11. The reconfigured Parkroyal Hotel is envisaged to comprise between 280 to 310 rooms with approximately 17,700sqm gross floor area (**GFA**), including ~4,800sqm of hotel amenity, retail and back of house (BOH) and plant room floorspace.

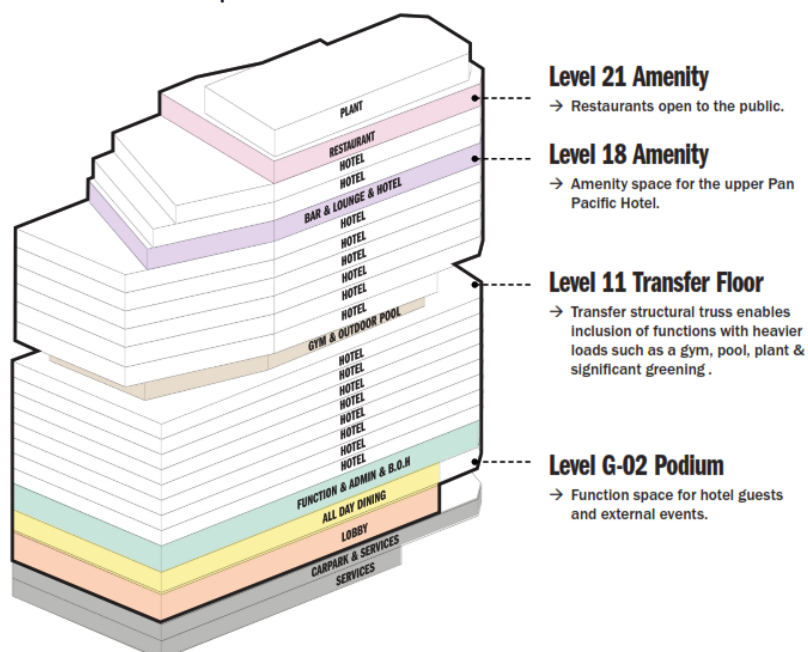
Retention of the 34-year old hotel will not only ensure it can meet the contemporary standards of modern travellers but facilitate the upgrade of many of its existing base building services which have been identified as surpassing their economic useful life (maximum of 20-25 years).

- Development of a new 5-star Pan Pacific Hotel from Level 12-22. The new hotel would comprise 220-240 hotel rooms and circa 12,300sqm GFA, including an 871sqm restaurant on Level 21.

In total, the Proposal would comprise ~30,000sqm GFA and 490-540 hotel rooms (keys) across a 22-storey building (plus plant).

FIGURE ES-1 illustrates the vertical arrangement of the different uses envisaged in the Proposal.

FIGURE ES-1: The Proposal



Source: Hassell

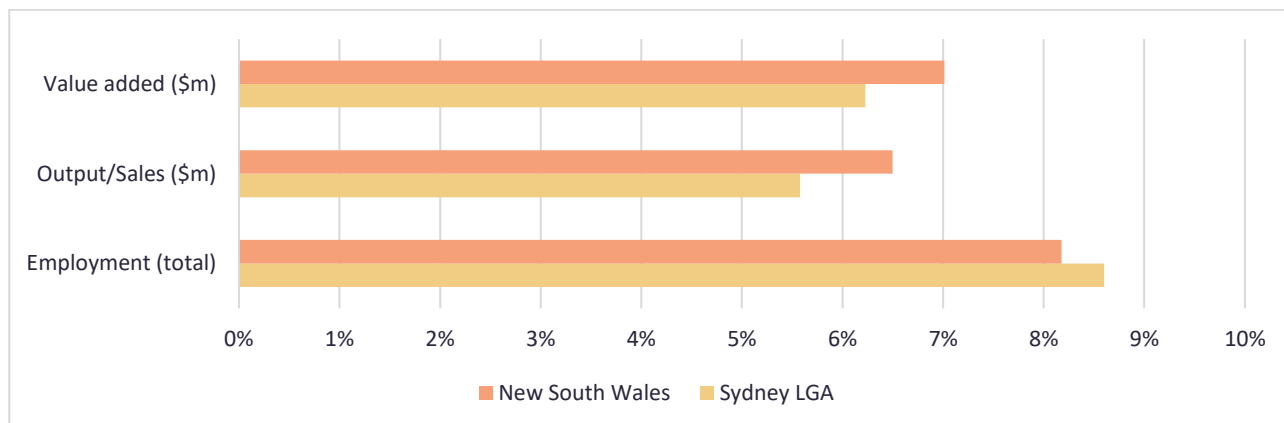


Importance of the Visitor Economy

The visitor economy is one of the Sydney LGA's largest sectors and critical to the vitality of the local economy. As at FY2023, the tourism industry in the Sydney LGA generated a total of ~57,300 jobs, with ~26,700 being 'direct' jobs and ~30,600 'indirect' jobs. This equates to 8.6% of total employment in the Sydney LGA. Comparatively, tourism accounts for 8.2% of employment across NSW.

From an economic contribution perspective, the Sydney LGA's tourism industry generated over \$8.3 billion in value-added in FY2023. This is equivalent to 6.2% of the total economic activity (in value added terms) generated by the City of Sydney economy. Notably, the Sydney LGA tourism industry generates ~20% of the total economic activity generated by NSW's tourism sector.

FIGURE ES-2: Economic Role of Tourism (FY2023), Sydney LGA and NSW



Source: NIEIR (2024)

The importance of the visitor economy is well-outlined in various State and local strategic planning policies. Encouraging the growth and evolution of the tourism sector in the Sydney CBD is a fundamental principle in the:

- *Eastern City District Plan* (NSW Government)
- *Visitor Economy Strategy 2030* (NSW Government)
- *City of Sydney Economic Development Strategy 2025-2035* (City of Sydney)

Darling Harbour and the Sydney CBD Hotel Market

Darling Harbour is critical to the Sydney and NSW visitor economy. It attracts over 15 million visitors each year and is NSW's third-most visited destination, only surpassed by the Sydney Opera House and Sydney Harbour Bridge. It accommodates multiple visitor destinations, large conference and events centres and a range of hotel establishments.

The Sydney hotel market has historically been the most consistently supply-constrained capital city market in Australia, typified by occupancy levels well over 80% and the highest Average Room Rates (ARR) in the country. The downturn in the Sydney CBD hotel market as a result of the COVID-19 pandemic was swift and severe and only surpassed by the Melbourne CBD.

Since the reopening of international borders in Q1 2022, the market has however rebounded. The Sydney CBD was the first capital city to record hotel occupancy levels of above 80%, with room rates now surpassing pre-COVID-19 levels following a surge in international and domestic visitation. Once again, the Sydney CBD hotel market is becoming effectively 'full'.

Visitor growth forecasts, both domestic and international over the coming years are strong. Tourism Research Australia domestic and international visitor growth forecasts for NSW over the 2024-2028 period are in the order of 2.9% and 6.9% per annum, respectively. The Sydney LGA has historically recorded much higher levels of visitation growth than that observed across the broader State.

A detailed room supply analysis (Dransfield, 2024) shows that room growth in the Sydney market is unlikely to exceed 2.7% per annum with even softer growth in the short-term. Without some drastic response in supply, the most likely outcome will be continued growth in occupancy levels, fewer available rooms and even more expensive room rates.

Whilst the 'pull' of the Sydney CBD makes room demand somewhat inelastic, there is a real risk that a lack of new supply will impact some parts of the visitor economy. This could particularly apply to the Meetings, Incentives, Conferences and Events (**MICE**) market. The MICE market generated ~\$4.1 billion to the NSW economy in 2024, with the 'lions share' of this generated in the Sydney CBD.

A lack of available room supply in the Sydney CBD could result in some MICE organisers redirecting some events to other gateway cities (e.g. Melbourne, Brisbane) where room supply is greater, and room rates are more affordable. This presents a risk to the status of Darling Harbour and the broader Sydney CBD as Australia's premier tourism destination and would present challenges to many of the objectives for the Sydney CBD as identified in State and local strategic planning policy.



Economic Impacts of the Proposal

The economic impacts of the Concept Plan are estimated using Atlas' proprietary Input-Output model and assessed at the Sydney LGA level. The assessment distinguishes the economic impacts during construction and those generated upon completion.

The modelling considers the two key drivers of economic activity generated by hotel uses – activity generated by hotel turnover (room rate spend) and visitor spend elsewhere.

The findings of the economic modelling shows that the Proposal could deliver significant and positive economic impacts:

- During construction, it is estimated to result in a significant (but short-term) increase in economic activity through a mix of direct and indirect (flow-on) activity, including:
 - **\$307.3 million in output** (\$204.1 million in direct activity).
 - **\$119.1 million contribution to GRP** (\$65.6 million direct contribution)
 - **\$80.9 million in wages and salaries** paid to local workers (\$50.2 million paid directly)
 - **601 FTE jobs** (313 directly employed in construction activity).
- Critically, the Proposal would generate significant net additional economic impacts upon completion. Compared to the Base Case (i.e. no change to the existing hotel), the Proposal would generate an:
 - **Additional \$85.3 million in output** (additional \$52.8 million in direct activity).
 - **Additional \$43.7 million contribution to GRP** (additional \$26.7 million in direct activity).
 - **Additional \$26.3 million in incomes and salaries** (additional \$17.3 million in direct income).
 - **Additional 368 FTE jobs** (additional 276 FTE directly related to activity on the Site).

In addition to these economic impacts, the Proposal has the potential to support the MICE market and mitigate the risk associated with operators looking to other capital cities (e.g. Melbourne, Brisbane) for major events or trade shows where room supply is greater and more affordable.

Redevelopment of the existing hotel will ensure

Overall, economic modelling shows that development of the Proposal could deliver significant positive economic impacts to the Sydney LGA economy. It would also play a role in addressing the expected supply imbalance in the Sydney CBD market over the coming years through the delivery of an additional 219 hotel rooms and renewal of existing ageing stock.

Accordingly, it is recommended that the Proposal be considered for approval, subject to other technical findings.



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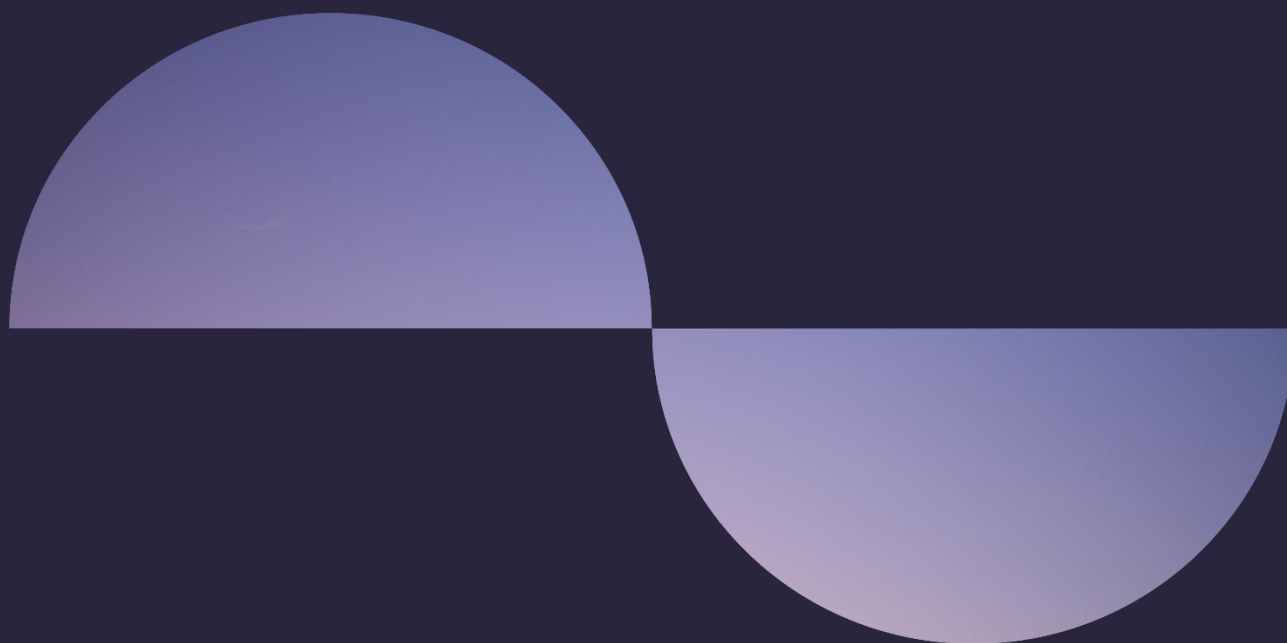
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1

Introduction



Beyond the
horizon thinking.

150 Day Street, Sydney

1.1 Background

UOL Group Limited (**OUL Group**) are progressing a Planning Proposal to enable the redevelopment of 150 Day Street, Sydney (**the Site**). The Site is located within the City of Sydney local government area (**LGA**) and is currently improved by an 11-storey, 3.5 star hotel branded as the Parkroyal Hotel.

The Planning Proposal seeks to amend the Sydney Local Environmental 2012 (**Sydney LEP**) to increase the building height limit and maximum floor space ratio (**FSR**) to support adaptive reuse of the existing hotel building and enable the development of a separate 11-storey hotel above the existing building (**the Proposal**).

Atlas Economics (**Atlas**) are engaged to prepare a Needs Assessment and Economic Impact Assessment (referred to interchangeably as 'EIA' and '**the Study**') to assess the need for the Proposal and examine the economic impacts of the Proposal if delivered.

1.2 The Site and Proposal

THE SITE

The Site is irregularly shaped and measures 2,250sqm in land area and is zoned SP5 Metropolitan Centre/ SP2 Infrastructure Classified Road under Sydney LEP. The existing height control of 45m is subject to clauses 6.17 and 6.19 of the Sydney LEP.

The existing FSR control of 7.5:1 is subject to Special Area 4 - clause 6.4 of the Sydney LEP.

Figure 1-1: The Site and Surrounding Area



Source: Atlas Economics

THE PROPOSAL

The Proposal involves an ambitious upgrade and expansion of the existing hotel. It aims to enhance the existing hotel offering while introducing a new, distinct hotel experience above the current structure, enabling the coexistence of the existing Park Royal and a new Pan Pacific Hotel. Strategically positioned at the edge of the Sydney CBD, the Proposal reinforces the city's entry into Darling Harbour by maintaining and emphasising the city wall characteristic of this prominent location.

The Proposal is defined by 3 key principles – maximising adaptive reuse (setting a benchmark for future developments in Sydney), energising the Sydney visitor economy, and significantly enhancing the greening of both the public realm and the skyline, in alignment with the City of Sydney's sustainability goals. Achieving this vision involves expanding the existing core to support the new hotel above, employing a 'strip to structure' approach from ground to Level 02 to facilitate amenity upgrades, lightly refurbishing existing hotel rooms, and comprehensively upgrading all building services. This initiative aims to establish a contemporary hotel destination while setting a new standard for sustainable urban redevelopment.

To achieve the intended outcomes, the Proposal seeks to amend the Sydney Local Environmental Plan 2012 by inserting a new site-specific clause for the subject site under Part 6 Division 5 Site specific provisions to:

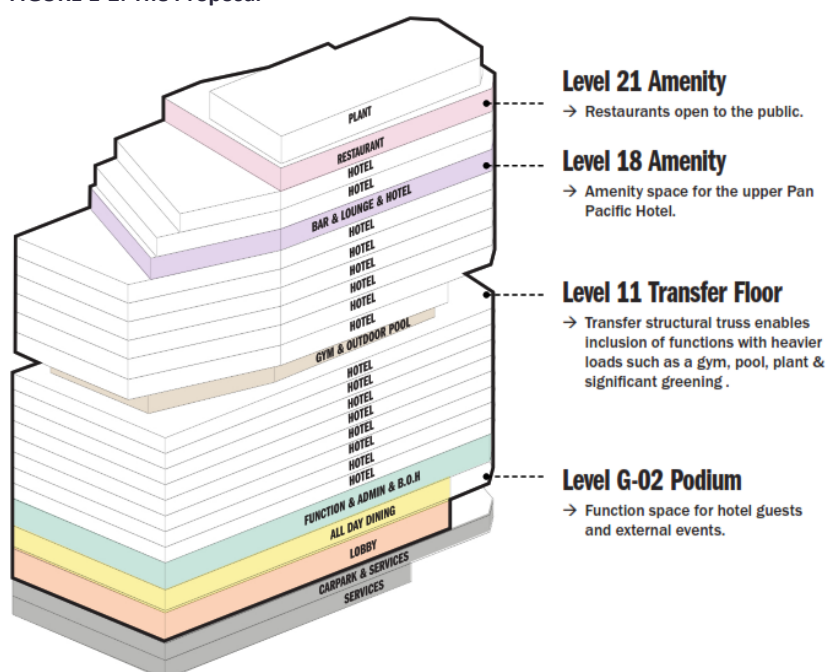
- Allow a maximum building height of RL 85 metres,
- Permit a maximum floor space ratio of 13.5:1 for hotel and associated land uses,
- Restrict use to employment/hotel use and not residential accommodation or serviced apartments.

The Proposal is supported by a site-specific Development Control Plan (DCP) and reference design scheme, prepared by Hassell. Key elements of the site specific DCP and reference design include:

- Renovation of existing 2 level basement and existing 11 storey hotel, with the addition of a new 11 storey hotel above (including a transfer floor between the two structures), and a rooftop plant floor resulting in:
 - Two hotel brand offerings – Park Royal Hotel (3.5 star) and Pan Pacific Hotel (5 star).
 - 490-540 hotel keys with gross floor area of ~30,000m².
 - Upgrade existing infrastructure and services (including new lift core).
 - New and upgraded hotel facilities (including lobby, dining areas, meeting rooms, ball room, gymnasium, bar and restaurants, and pool).
 - Removal existing Porte Cochere and exit ramp for single vehicle entry/exit ramp from Day Street to be used by valet only.
- Ground floor public domain, public art and landscaping design.
- Significant greening and landscaping of western façade.

FIGURE 1-2 illustrates the vertical arrangement of the different uses envisaged in the Proposal.

FIGURE 1-2: The Proposal



Source: Hassell



1.3 Scope and Approach

To assist UOL Group, Atlas have carried out the Study to assess the potential market need for additional hotel accommodation and estimate the economic impact of the Proposal. A Needs Analysis explores the market need for additional hotel accommodation in the Sydney CBD through:

- Analysis of key demand drivers for hotel accommodation;
- Review of existing and planned supply of hotel accommodation; and
- Assessment the role of the Site to address any gap between projected demand and planned supply.

The EIA estimates the economic impacts (direct and indirect) of the Proposal during construction and once completed and operational (i.e., contribution to employment, gross regional product, wages/salaries and output). Also estimated is the net additional visitor expenditure that it expected to be generated by the Proposal.

1.4 Assumptions and Limitations

Atlas acknowledges several assumptions and limitation associated with this Study:

- The macro-economic outlook is subject to significant uncertainty due to, *inter alia*, global and domestic inflation, geopolitical tensions, trade labour shortages and various military conflicts.
- The 2021 Census was administered during the COVID-19 pandemic and at a time of widespread lockdowns across Australia's east coast. Activity recorded at this time may not be accurately representative of employment or visitation levels.
- Tourism data is collected and collated by Tourism Research Australia. COVID-19 had various impacts on Sydney and Australian tourism and visitation and the capacity for data collection.
- Population projections (by the NSW Department of Planning, Housing and Infrastructure) were released in November 2024 and are based on the Australian Bureau of Statistics' Estimated Resident Population in 2021.
- Visitation forecasts relied upon were published in November 2023 by Tourism Research Australia.
- Market research is carried out on a 'desktop' basis without the benefit of site surveys and internal inspections.

Notwithstanding the above, due care, skill and diligence has been applied to this Study as is reasonably expected.



2

Site Context



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150 Day Street, Sydney

2.1 Location

The Site is located on the western edge of the Sydney Central Business District (CBD), just east of Darling Harbour. It is broadly bound by Day Street (west), Bathurst Street (south), Sands Street (east) and the Western Distributor and Druiett Street to the north.

The Site's location at the interface between the Sydney CBD and Darling Harbour precinct places it within walking distance of multiple public transport nodes, retail precincts and major attractions.

Town Hall Train Station, the Darling Quarter Precinct, IMAX Sydney, International Conferences and Conventions Centre (ICC) precinct, Cockle Bay Wharf, Sydney Aquarium, Tumbalong Park, Queen Victoria Building and Chinese Garden of Friendship all fall within 400m of the Site. Other major attractions beyond this 400m radius, such as Star Casino, Barangaroo, Hyde Park, the Sydney Fish Market and rest of the Sydney CBD all remain within easy walking distance.

FIGURE 2-1 illustrates the Site's relative location to key anchor assets in the locality.

FIGURE 2-1: Location Map



Source: Atlas Economics/Metromap

2.2 Economic Role of Darling Harbour

Darling Harbour plays an integral role in the Sydney LGA and broader Greater Sydney economy. It is one of Sydney's primary tourist destinations and accommodates a broad mix of anchors, attracting approximately 15 million domestic and international visitors each year (Placemaking NSW, 2025). It is also a major business and employment hub, accommodating over 27,300 jobs and generating some \$8.04 billion in economic activity in 2021 (NIEIR, 2024). This represents some 6% of the broader Sydney LGA economy with an area of just 5.3sqkm.

More recently, Darling Harbour has undergone substantial urban transformation, becoming one of the CBD's largest residential hubs. The Darling Square precinct was completed in 2019 and delivered a new dining and retail precinct with some 1,500 apartments. It is estimated that over 7,100 residents lived in the Precinct in 2021 (ABS, 2022). The role of the Precinct as a tourism destination has also been further strengthened with the completion of several major hotels, including the Sofitel Sydney Darling Harbour in 2017 and the world's largest W Hotel in 2023.

Looking forward, the economic importance of the Darling Harbour Precinct is set to further expand. A number of new developments are underway across Darling Harbour (and proximate the Site), including:

- The State Significant Development (SSD) of the Harbourside Shopping Centre. Poised to transform the 1980s centre into a new modern mixed use precinct, the \$764.5 million redevelopment proposes to deliver a new shopping centre, dining precinct, public open space and promenade, commercial office and 265 dwellings within a 50-storey tower. Construction has commenced with completion earmarked for mid-2027.
- A \$24 million restoration of the Pyrmont Bridge. Being one of the world's oldest electrically operated swingspan bridges, it is also a tourist attraction and a vital connection point. Construction works are currently underway.
- The new 'sound shell' at Tumbalong Park directly west of the Site, with the \$10 million development by Placemaking NSW will create Sydney's newest concert space and site for sporting events and community festivals.
- The recently completed expansion of the Chinese Garden of Friendship which has delivered a new 2,000sqm playground and direct connection into Tumbalong Park.

TOURISM ROLE

Darling Harbour is identified by Destination NSW as one of Sydney's six primary visitor precincts. On a visitor night basis (including both domestic and international visitors), it is the most popular of these six precincts, which are Circular Quay, The Rocks, Chinatown, Bondi and Manly. Notably, Darling Harbour is NSW's third-most visited destination, only surpassed by the Sydney Opera House and Sydney Harbour Bridge.

Key findings from Destination NSW's most recent (2023) tourism profile for Sydney Harbour show:

- In 2023, Darling Harbour accommodated 2.2 million domestic overnight visitors and 1.8 million international visitors, some 4 million overnight visitors in total.
- Approximately 21% of domestic overnight travellers who visited Sydney visited Darling Harbour during their trip in 2023, whilst 57% of international visitors to Sydney visited Darling Harbour during their trip.
- Unsurprisingly, holiday visitors are the primary reason for travellers visiting Darling Harbour with 46% of domestic overnight and 56% of international visitors being holiday makers. Business trips accounted for a further 28% of domestic overnight travellers whilst just 9% of international overnight visitors.
- Solo travel groups are the most prominent visitor type observed in Darling Harbour. More than half (54%) of international visitors travelled alone, as did 30% of domestic overnight visitors to Darling Harbour. A further 22% of domestic travel parties were adult couples, as too was the case for 20% of international travel parties.
- The majority of international visitors to Darling Harbour in 2023 were observed from China (accounting for 11% of total), followed by the United States of America (USA) (10%) and the United Kingdom (UK) (9%).
- Domestic overnight travellers are broadly observed from Australia's East Coast, with nearly one-third (29%) observed from Regional NSW, a further 25% travel from Victoria and 21% from Queensland.

Like Sydney's other major visitor precincts, visitation to Darling Harbour has rebounded strongly over the past 2-years following a collapse in visitation in the wake of the COVID-19 pandemic.



2.3 Surrounding Development

The Site is immediately surrounded by a variety of land uses, reflective of its CBD location and proximity to Darling Harbour. The following uses immediately surround the Site:

- North of the Site (on the northern side of Druitt Street) is Darling Park – a 3.6ha office precinct comprising three A-grade office buildings ranging from 35 to 40-storeys. Key anchor tenants include Commonwealth Bank, IAG and Rabobank.
- Immediately east of the Site are a mix of older style office buildings, apartment buildings and a heritage-listed warehouse.
- To the south of the Site is a 22-storey apartment building with ground floor retail uses.
- South-west of the Site is the ‘Darling Quarter’ precinct; a retail, dining and commercial office development comprising two 8-storey office buildings centred around Tumbalong Park.
- West of the Site is the Cross City Tunnel and Western Distributor, connecting to the west of Sydney and North Sydney.

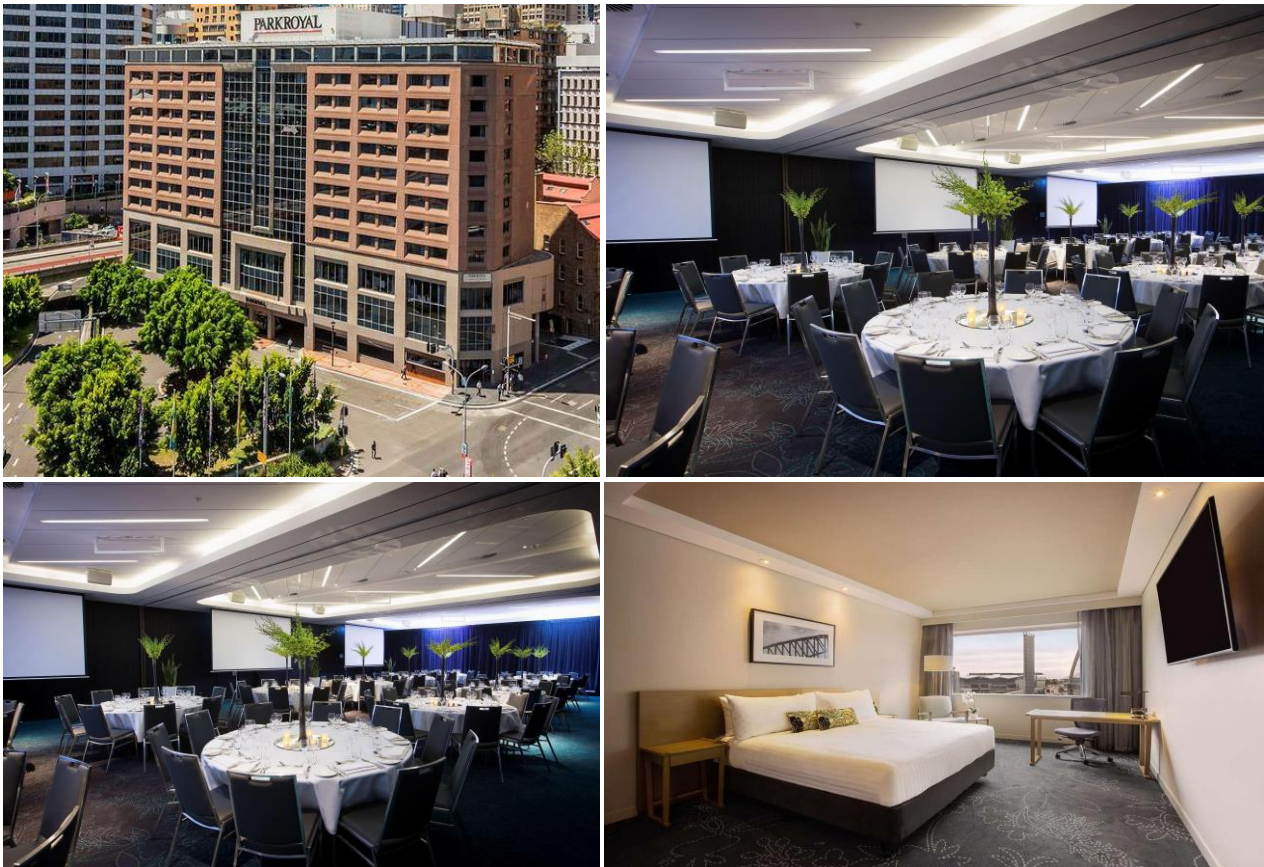
Overall, the west of the Site is characterised by more recent commercial and residential development whereas south and east of the Site is typified by older mixed use buildings.

2.4 Existing Improvements

The Site is currently improved by a 336-key Parkroyal hotel comprising 17,660sqm GFA. Guestrooms and corridors account for around 66% of total floorspace within the building, with 420sqm (2%) used as meeting and function room space. The Parkroyal Hotel also comprises basement parking, a gymnasium, restaurants and bars (including all day dining).

The existing hotel building was constructed in the early 1990s and is approximately 34 years old. An *Existing Building Services Condition Report* (LCI, 2024) has considered the viability of retaining and re-using the building’s existing ‘base’ services. It was found that most of the buildings existing services have surpassed their economic useful life of approximately 20-25 years.

FIGURE 2-2: Existing Building and Interior

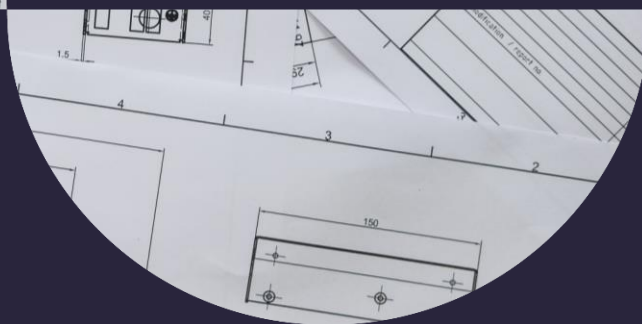


Source: Tripadvisor



3

Planning Context



Beyond the
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150 Day Street, Sydney

3.1 State Planning Policy

3.1.1 Greater Sydney Region Plan

The Greater Sydney Region Plan (**the Region Plan**) envisages Greater Sydney as three interconnected cities - the Eastern Harbour City, anchored by the Sydney CBD; The Central River City, anchored by Parramatta; and the Western Parkland City, which is focused on the emerging Aerotropolis and the future Western Sydney International Airport.

The key objectives of the Region Plan are to:

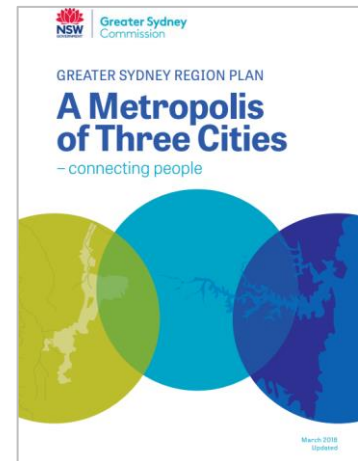
- Align **infrastructure development** to support population growth;
- Enhance **liveability, and connectivity**, especially for access to housing and employment;
- Improve **economic productivity** by investing in health, education and innovation; and
- Promote **environmental sustainability** and ensure resource management.

Darling Harbour is located within the Harbour CBD of the Eastern Harbour City. The Harbour CBD is recognised for the concentration of various industries including finance, health, education and the emerging innovation sector.

Objective 18 of the Region Plan is to ensure the Harbour CBD is “*stronger and more competitive*”. Greater Sydney’s economic strength globally and nationally is due to its role as a regional hub within global financial markets. The strength of the Harbour CBD is recognised and channelled through:

- Various entertainment, cultural, tourist and conference facilities;
- An internationally competitive health and education precinct;
- A robust creative sector providing entrepreneurial and job opportunities; and
- High quality and quantity of amenity.

The Region Plan acknowledges “*facilitating the attraction and development of innovation activities enhances Greater Sydney’s global competitiveness.*”



3.1.2 Eastern City District Plan

The Eastern City District Plan (**the District Plan**) is a strategic framework developed to guide future growth of the Eastern City District over the 2018-2038 period. The District Plan was concurrently prepared with and aligns with the broader vision of the Region Plan.

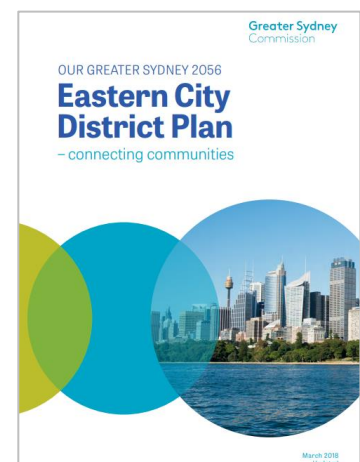
Key objectives of the District Plan are to:

- Align **infrastructure planning and delivery** with forecasted population and employment growth to support communities and the enhance economic activity; and
- **Facilitate development** of a diversity of housing, cultural experiences and necessary infrastructure to maximise liveability.

Darling Harbour is recognised as a key component of the Harbour CBD, the latter described as the “*engine room of Greater Sydney’s economy*” by Chief Commissioner of the Greater City Commission Lucy Hughes Turnbull.

The District echoes the Region Plan, emphasising the importance of the Harbour CBD and Darling Harbour to the maintenance and development of Greater Sydney’s domestic and global competitiveness. Ongoing infrastructure investment is recognised as essential to supporting Greater Sydney’s role as a major economic, cultural and community hub.

Darling Harbour and the Harbour CBD are recognised as significant tourism hubs given the mix and scale of tourism facilities, the presence of many of Australia’s internationally cultural institutions and entertainment and leisure facilities. The District Plan cites “*cultural, entertainment, arts and leisure activities must continue to be provided to build a more diverse and competitive offering in these sectors*”.



3.1.3 Visitor Economy Strategy 2030 and 2030 Review

Prepared in the aftermath of the COVID-19 pandemic, the NSW Government's *Visitor Economy Strategy 2030 (the Visitor Strategy)* outlined a roadmap to support the visitor economy to recover from the impact of drought, bushfires and COVID-19 and to grow in the future. The strategy set a bold vision for NSW to be the premier visitor economy of the Asia-Pacific by 2030, with a target of \$65 billion in total visitor expenditure by 2030.

The Visitor Strategy describes five strategic pillars that underpin the NSW Government's vision to be the premier visitor economy in the Asia Pacific. *Strategic Pillar 5 - Facilitate Growth* focuses on ensuring increased levels of private sector investment into visitor infrastructure, specifically, to "ensure hotel supply meets future market demand".

Following a review of the Visitor Strategy in 2024 (the *Visitor Economy Strategy 2030 Review*), the NSW Government has announced a new target to grow the NSW visitor economy to \$91 billion in visitor expenditure by 2035.

The Review expects tourism-related employment growth to grow significantly over this period, increasing by 50% (150,000 jobs) between 2024-2035, making tourism one of the fastest growing employment sectors in the state and essential to the economic vitality of NSW.

The Review identifies a series of initiatives and plans to enhance attractions, expand on visitor experiences and improve the NSW night time economy. These initiatives aim to increase visitation and expenditure levels (particularly from overseas travellers) and promote NSW as a global holiday destination.

Several key factors identified within the *Visitor Economy Strategy 2030 Review* justify a need for additional visitor accommodation in the coming years to meet the target, including:

- **Projected Visitor Growth**

Additional international airline routes (including Turkish Airlines' *Istanbul-Sydney*, QANTAS' *Sydney-London* and *Sydney-New York*) is expected to increase thousands of additional visitors on a yearly basis.

The completion of the Western Sydney International Airport in 2026, the increased capacity at the existing Sydney Airport and additional international routes from Newcastle Airport will all significantly expand international and domestic travel options.

- **Establishing a 24-hour Economy**

NSW Government envisages a 24-hour economy for Sydney, cementing NSW as a world class nightlife destination. NSW Parliament passed the 24-Hour Economy Legislation Amendment (Vibrancy Reforms) Act 2024. This legislation will facilitate growth and enhancement of Sydney's nighttime economy and increase visitor attraction.

Reforms have been implemented from November 2024 to improve Sydney's nighttime economy. These reforms seek to help music and performance venues thrive, support significant community and cultural events, produce vibrant precincts, facilitate outdoor events/business and modernise licencing.

- **Building NSW's International Student Market**

The *Review* seeks to further build NSW's international student market through advocating the Australian Government for policies that are favourable to international education and driving closer collaboration between the NSW Government and the international education sector.



REQUIRED HOTEL SUPPLY TO MEET TARGETED VISITOR GROWTH

To meet the targeted level of visitor growth by 2035, the *Review* expects NSW will require 40,434 additional hotel rooms. Some of 75% (30,325 rooms) within Greater Sydney. Given the significant role of the Sydney CBD in Sydney's tourism sector, the 'lion's share' of this would be expected to be accommodated within the Sydney CBD.

The *Review* identifies the need for streamlining planning and enhanced government collaboration to encourage private sector investment in visitor economy infrastructure and visitor experiences.



3.1.4 Think Darling Harbour 2050

Think Darling Harbour 2050 (TDH) is a directional report outlining framework for the future development of Darling Harbour. TDH outlines the value on Darling Harbour's role as a vibrant, inclusive and sustainable waterfront precinct.

NSW Government released TDH to provide a 'big picture' for the community, allowing the precinct to evolve over time while maintaining its character. TDH highlights Darling Harbour as:

- **A place of cultural significance**, given the unique place set and landscape;
- A place to showcase **creativity and knowledge**, utilising commercial and cultural assets;
- **A big day out destination**, hosting major events, festivals and celebrations;
- **A natural resource for recreation**, providing local residents and visitors with a place of entertainment and leisure; and
- **A social and spatial connector**, as the precinct is located in a prominent transport corridor integrating the CBD, Haymarket, Pyrmont and Tech Central - Sydney's innovation precinct.

Resources such as Darling Quarter are highlighted, specifically as a "*civic and cultural quarter*" and an international showcase for Sydney that provides platforms for sharing social and cultural differences. Local Planning Policy



3.2 Local Planning Policy

3.2.1 Economic Development Strategy (2025)

The City of Sydney's draft Economic Development Strategy 2025-2035 (**the EDS**) outlines a series of actions to drive innovation-led growth that is sustainable, inclusive and provides great local experiences. A set of 33 actions are grouped into four key themes – Sustainable, Inclusive, Innovative and Experiential.

Evolving the visitor experience is key objective of the EDS, with several of the actions outlined in the EDS relating to supporting and growing the local visitor economy:

- Action 6: Invest in and leverage major events, festivals and business conferences to promote Sydney and its values to global audiences;
- Action 7: Collaborate to create world class visitor services to deepen the visitor experience in Sydney;
- Action 27: Reinforce local character and increase visitation by developing and promoting distinct local places and high street offerings;
- Action 28: Support the development of a diverse and sustainable 24 hour economy that meets the needs of residents, visitors and businesses.



The EDS highlights Darling Harbour as a thriving theatre scene and destination for world class events such as SXSW Sydney, and a 24-hour economy attract people from around the world to come study, work, live and visit. Given the significance as a major commercial and cultural precinct, Darling Harbour is likely to play a crucial role in realising key objectives, particularly attracting visitors, supporting business, and hosting events that contribute to Sydney's economy.

3.2.2 Central Sydney Planning Strategy (2022)

The Central Sydney Planning Strategy (**the Planning Strategy**) is a 20-year growth strategy which outlines a revised set of planning controls for the Sydney CBD in order to a series of objectives around sustainability, connectivity and innovation.

Through 10 key moves, the strategy balances opportunities for development to meet the demands of growing numbers of workers, residents and visitors and their changing needs.

The Planning Strategy aims to accommodate increased development and density whilst maintaining the liveability and attraction of the Sydney LGA through revising planning controls. Consideration is given to commercial precincts, residential areas, cultural and community significant areas and amenity. Enhancing economic competitiveness is emphasised, drawing on investment attraction and business growth as essential to the Sydney LGA's vitality.



4

Need for Short-term Accommodation



Beyond the
horizon thinking.

150 Day Street, Sydney

4.1 Role and Importance of the Visitor Economy

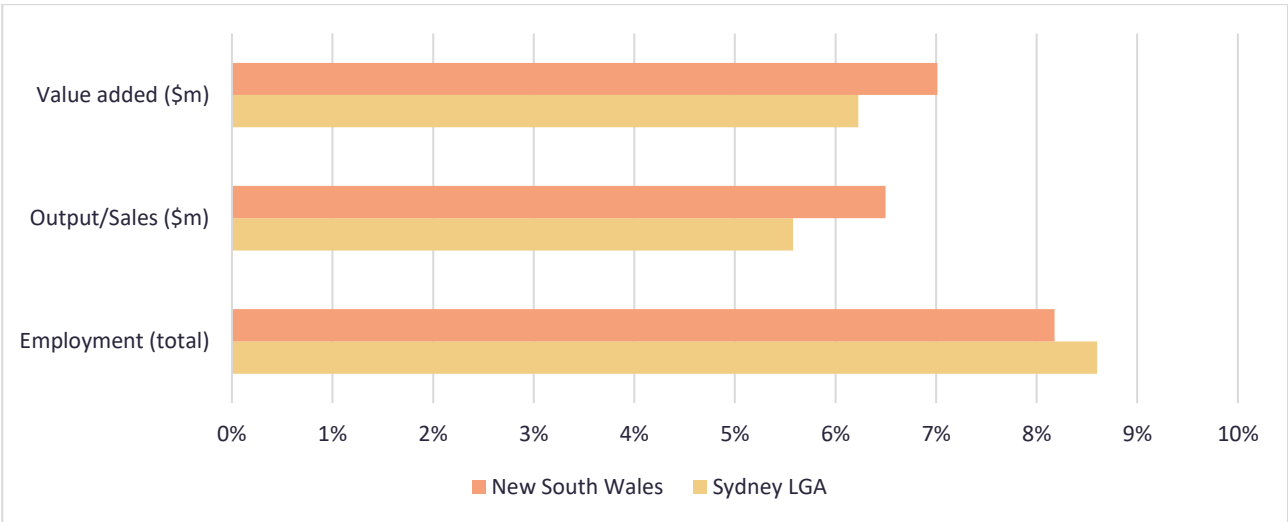
ECONOMIC IMPORTANCE

The visitor economy is one of the Sydney LGA’s largest sectors and critical to the vitality of the local economy. As at FY2023, the tourism industry in the Sydney LGA generated a total of ~57,300 jobs, with ~26,700 being ‘direct’ jobs and ~30,600 ‘indirect’ jobs¹. This equates to 8.6% of total employment in the Sydney LGA. Comparatively, tourism accounts for 8.2% of employment across NSW.

From an economic contribution perspective, the Sydney LGA’s tourism industry generated over \$8.3 billion in value-added in FY2023. This is equivalent to 6.2% of the total economic activity (in value added terms) generated by the City of Sydney economy.

Notably, the Sydney LGA tourism industry generates ~20% of the total economic activity in NSW’s tourism sector.

Figure 4-1: Economic Role of Tourism (FY2023), Sydney LGA and NSW



Source: NIEIR (2024)

TOURISM AND HOSPITALITY WORKFORCE

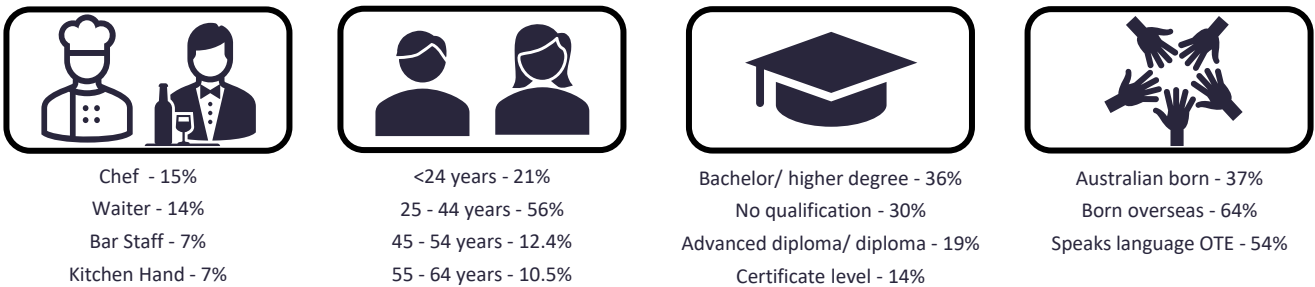
In the Sydney LGA, the most common jobs for tourism and hospitality workers are waiters (15%) and chefs (14%).

The tourism industry is a major employer of young workers. More than half (56%) of these workers are between 25 and 44 years old, a further 21% are below the age of 24 years. Tourism makes up 11% of all jobs for workers under the age of 24 years in Sydney LGA.

Importantly, tourism also employs workers with a variety of qualification levels in the Sydney LGA. More than one-third (36%) are qualified with a bachelor or higher degree, whilst a slightly lower proportion (30%) have no tertiary qualifications. This mix of skill levels is more apparent in the Sydney LGA compared with NSW’s tourism industry more broadly.

Additionally, the tourism industry in Sydney LGA is characterised by a highly multicultural workforce. The vast majority of tourism workers (64%) were born overseas. Comparatively, 40% of NSW tourism workers are born overseas.

Figure 4-2: Tourism and Hospitality Worker Characteristics



Source: NIEIR (2024)

¹ Direct jobs are defined as jobs relating directly to the process of producing goods or providing a service. Indirect jobs are jobs that exist to produce the goods and services needed by the workers with direct job.

4.2 Greater Sydney Visitor Profile

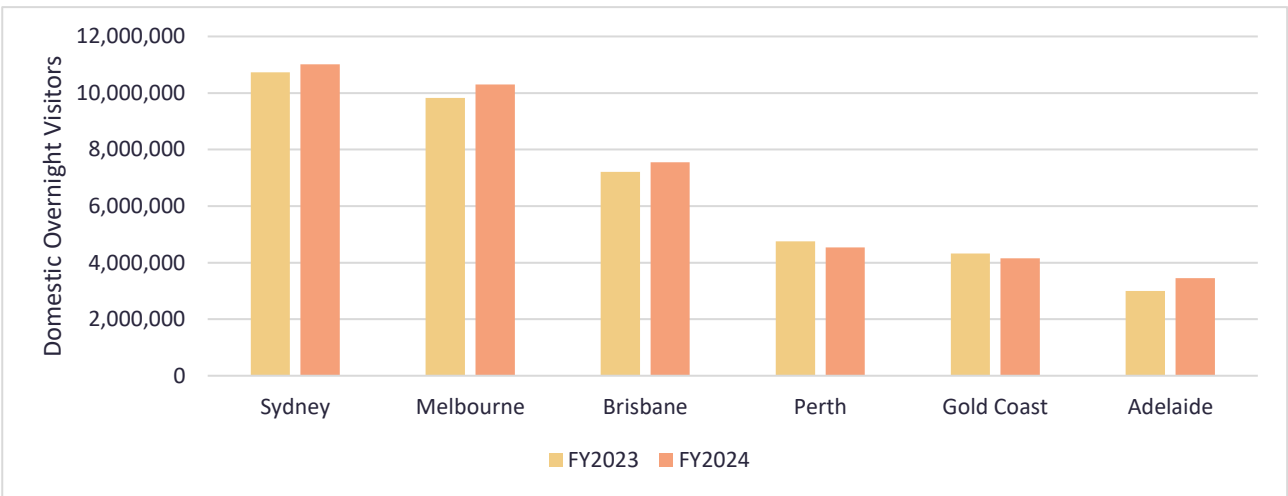
Sydney is Australia’s most popular destination for domestic and international visitors. Following the COVID-19 pandemic and the widespread ramifications it had on the tourism industry, visitation levels, visitor nights and visitor spend have all returned to, and exceeded pre-COVID-19 levels.

4.2.1 Domestic Visitors

VISITOR GROWTH

In FY2024, Greater Sydney accommodated 11.1 million overnight domestic visitors. This is a 2.7% increase from 10.7 million in FY2023. Melbourne (10.3 million) and Brisbane (7.5 million) accommodated fewer domestic overnight visitors in the same period.

Figure 4-3: Number of Domestic Overnight Visitors (FY2023 and FY2024)



Source: TRA (2024)

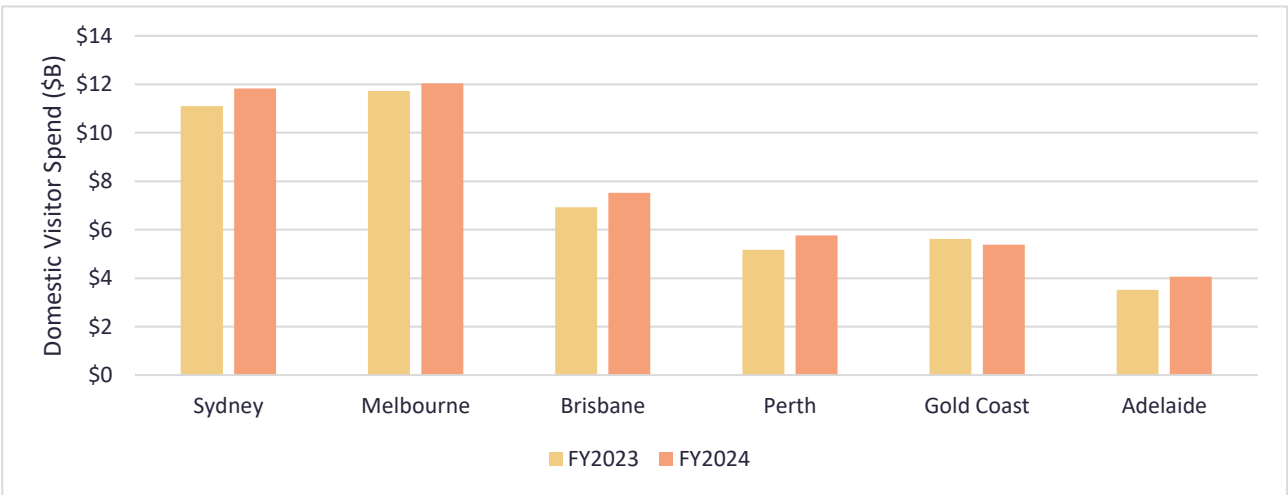
In FY2024, domestic visitors stayed in Greater Sydney for an average 2.9 nights, a nominal increase from 2.8 nights recorded in the previous 12-month period. Approximately 31.5 million domestic visitor nights were recorded in Greater Sydney in FY2024.

VISITOR SPEND

Domestic overnight visitors spent over \$11.8 billion in Greater Sydney in FY2024, equating to \$1,073 per visitor or \$375 per night. This is an increase from \$11.1 billion spent in FY2023, averaging \$1,035 per visitor or \$369 per night.

Domestic overnight visitors who stayed in commercial accommodation (e.g., hotels, motels, serviced apartments, etc.) spent more per day. Domestic overnight visitors who stayed in commercial accommodation spent an average \$507 per night in FY2024. This is 35% higher than the average nightly visitor spend (\$375 per night) recorded across all accommodation types.

Figure 4-4: Visitor Spend (\$ billions) (FY2023 and FY2024)



Source: TRA (2024)



4.2.2 International Visitors

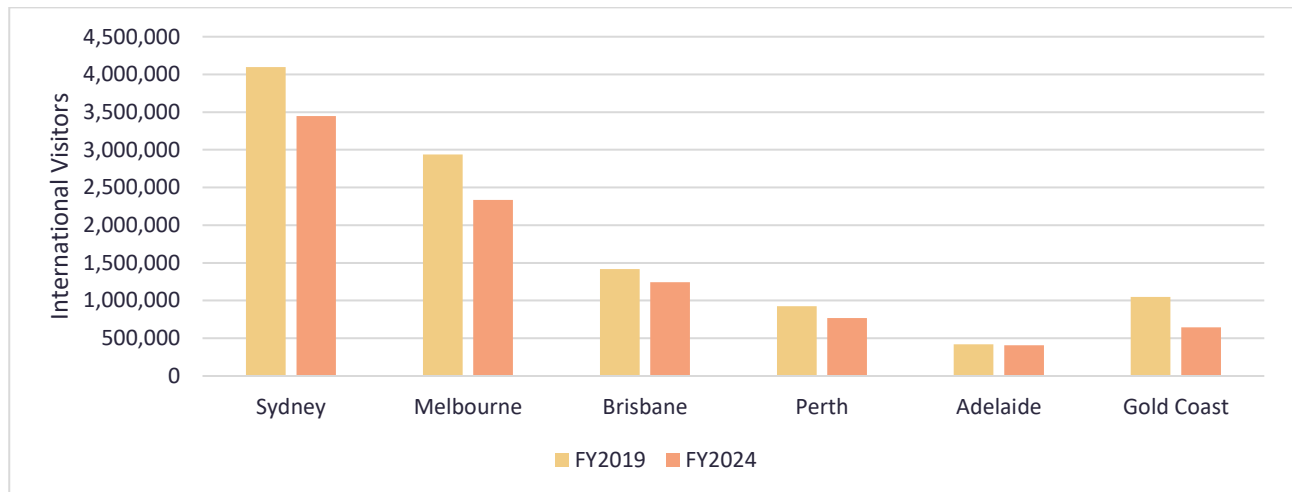
VISITOR GROWTH

Greater Sydney remains Australia's premier tourism destination for international visitors. The COVID-19 period saw a three-year lull in international visitation, however key metrics - international visitation levels, number of nights stayed, and visitor expenditure have all almost reached, if not exceeded, pre-COVID-19 levels.

In FY2024, nearly 3.5 million international visitors stayed in Greater Sydney. This is equivalent to 84% of FY2019 levels, when Greater Sydney accommodated ~4.1 million international visitors - an all-time high.

Comparatively, other capital cities of Melbourne (2.3m) and Brisbane (1.2m) both recorded notably fewer international visitors.

Figure 4-5: Number of International Visitors (FY2019 and FY2024)



Source: TRA (2024)

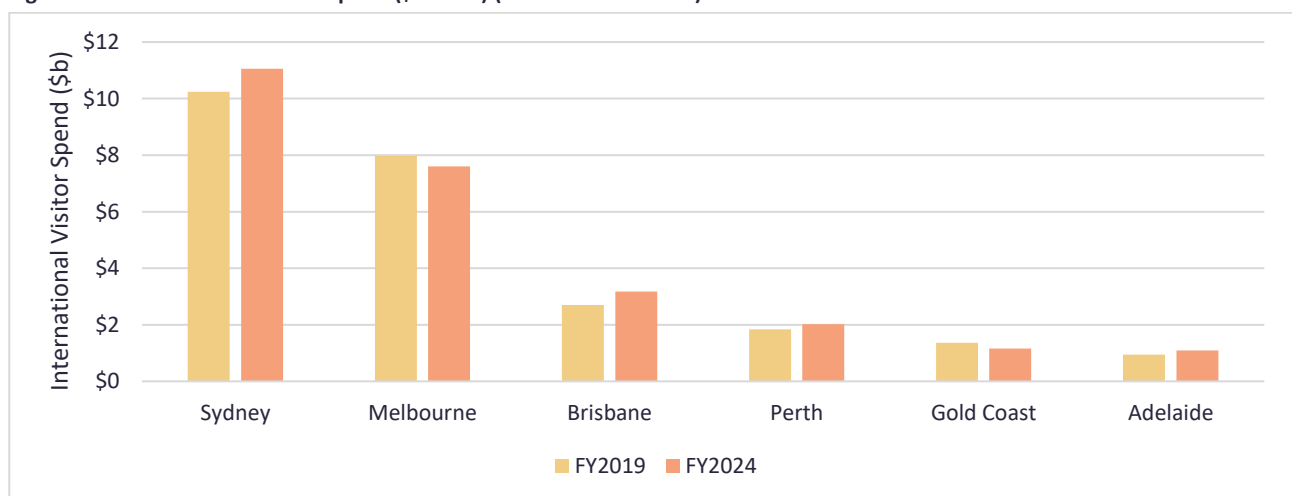
In FY2024, international visitors stayed in Sydney for an average 23.8 nights, a notable increase from 20.3 nights in FY2019. Comparatively, international visitors are staying in Melbourne for an average 24.9 nights and Brisbane for an average 21.7 nights.

VISITOR SPEND

International visitors are also spending more in Greater Sydney than pre-COVID. In FY2024, international visitors spent a total \$11.1 billion in Sydney, a marked increase from \$10.2 billion in FY2019.

In FY2024, international visitors in Sydney spent an average \$3,200 per trip, compared to \$2,500 in FY2019. This equates to \$135 per night in FY2024 - notably higher than \$123 in FY2019. In Melbourne and Brisbane, international visitors spent an average \$3,250 and \$2,250 per trip, equating to \$130 and \$117 per night respectively.

Figure 4-6: International Visitor Spend (\$ billion) (FY2019 and FY2024)



Source: TRA (2024)



4.3 City of Sydney Visitor Profile

4.3.1 Domestic Visitors

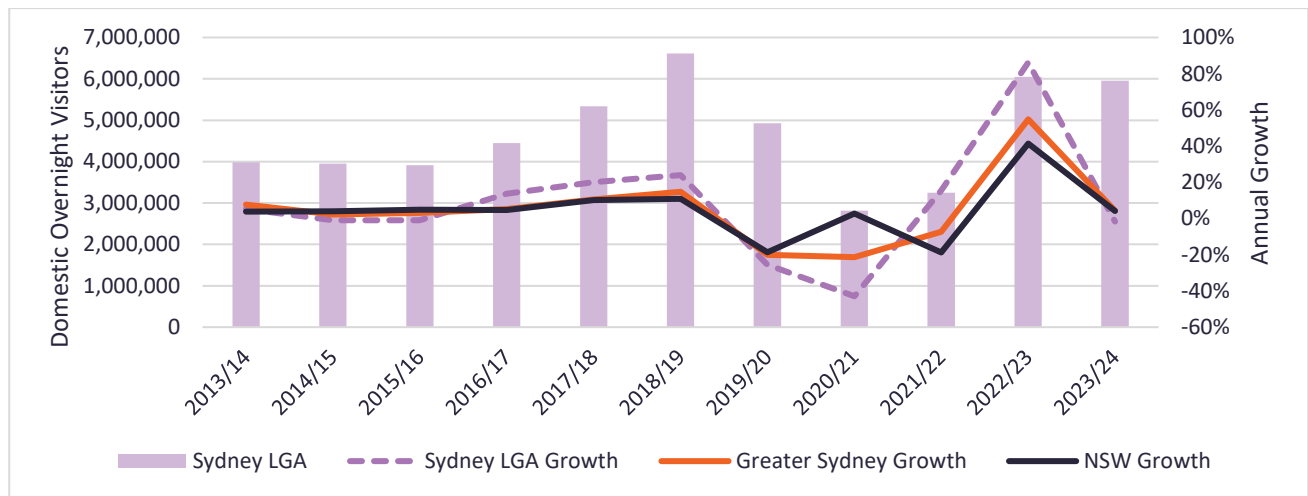
OVERNIGHT VISITOR GROWTH

The number of domestic overnight visitors to the Sydney LGA has rebounded in recent years and is beginning to approach the peak levels observed just prior to the COVID-19 outbreak.

In FY2024, 5.9 million domestic overnight tourists stayed in Sydney LGA, reaching 90% of pre-COVID-19 levels, nominally lower than 6 million recorded in FY2023.

The Sydney LGA has recorded stronger domestic overnight tourism growth over the past decade compared to the rest of NSW, with average annual growth of 4.1% compared to Greater Sydney and NSW which averaged growth of 3.6% and 3.8% per annum.

Figure 4-7: Overnight Visitors (FY2014 to FY2024)



Source: TRA (2024)

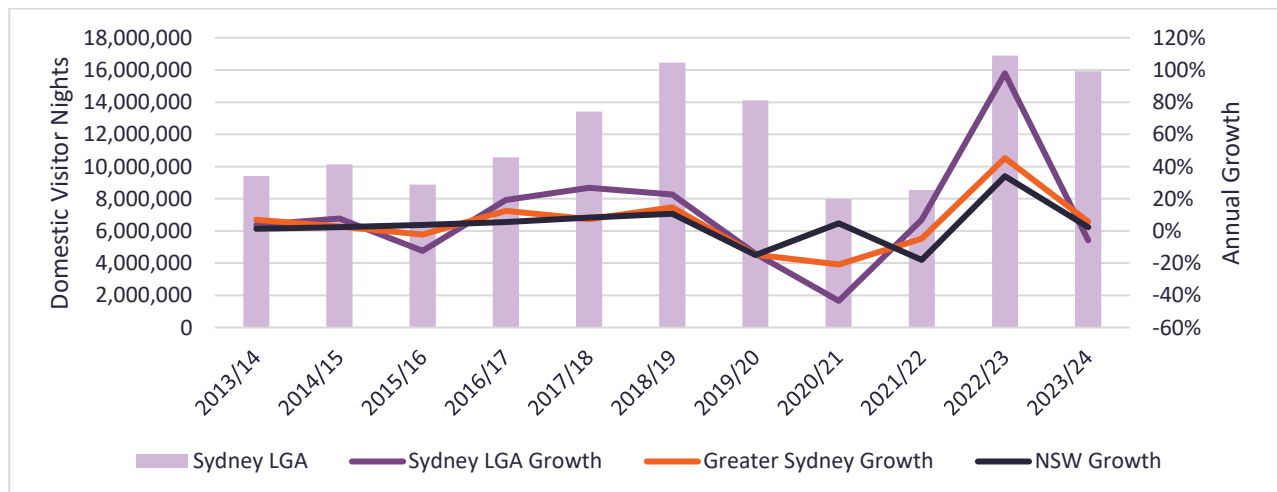
VISITOR NIGHT GROWTH

Domestic visitor nights have generally been trending upwards over the past decade. In FY2014, the Sydney LGA accommodated ~9.4 million domestic visitor nights. In FY2024, Sydney LGA accommodated ~15.9 million domestic visitor nights. This is equivalent to 42% of domestic visitor nights and 14% of NSW domestic visitor nights.

From FY2014-FY2024, domestic visitor nights in Sydney LGA increased by 69%. This is considerably higher than growth observed across Greater Sydney (35%) and the rest of NSW (37%).

Domestic visitor nights account for nearly one-third (32%) of the total Sydney LGA visitor population.

Figure 4-8: Domestic Visitor Nights (FY2014 to FY2024), Sydney LGA



Source: TRA (2024)



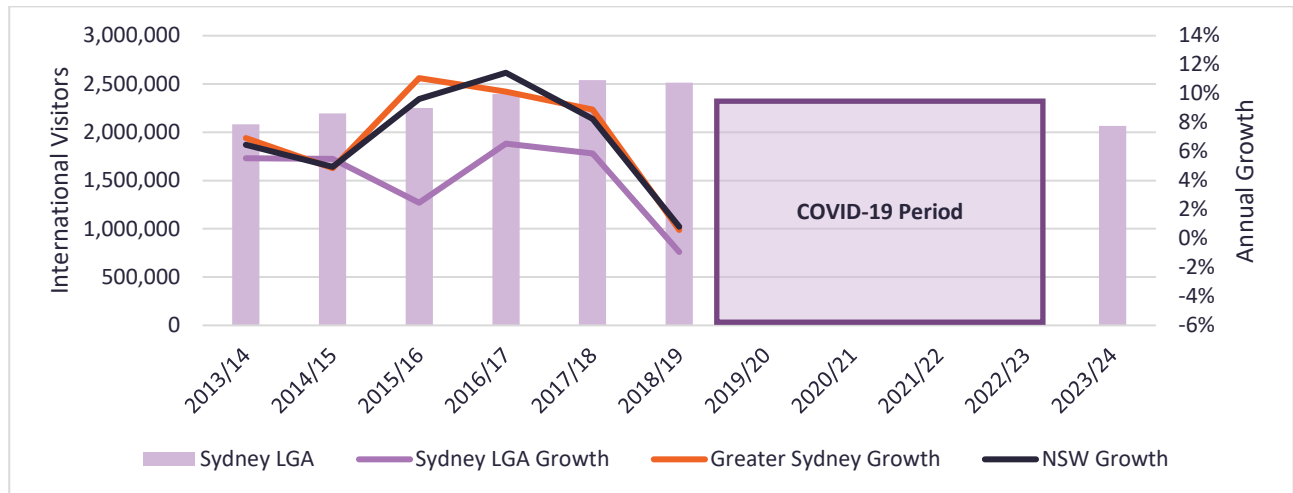
4.3.2 International Visitors

VISITOR GROWTH

Prior to the COVID-19 pandemic, the number of international visitors received by Sydney LGA was increasing yearly. From FY2013 to FY2019, the number of international visitors in Sydney LGA increased by an average 4.1% per annum. More than 2.5 million international visitors came to Sydney LGA in FY2019.

In FY2024, the Sydney LGA received almost 2.1 million international visitors, equivalent to 83% of pre COVID-19 levels.

Figure 4-9: International Visitors (FY2014 to FY2024), Sydney LGA



Source: TRA (2024)

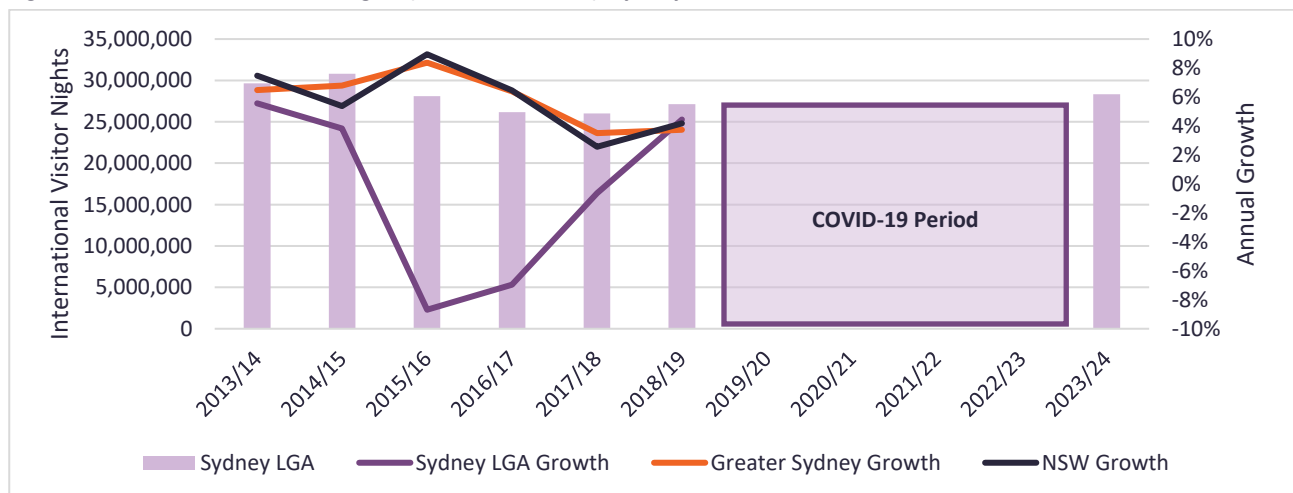
Despite the number of international visitors only recovering to ~83% of pre-COVID-19 levels, international visitors are now staying in the Sydney LGA for longer periods. The average length of stay for international visitors in 2023/24 was recorded at 13.7 nights. This contrasts within 10.8 nights in 2018/19.

VISITOR NIGHTS

Over the FY2015-FY2018 period, international visitor nights decreased in Sydney LGA by an average 5% per annum, despite the number of international visitors increasing. This is largely attributed to visitors spending fewer nights in Sydney LGA and exploring other areas in Greater Sydney, Regional NSW and Australia. This trend has since appeared to reverse.

However, in FY2024, Sydney LGA accommodated more than 28.3 international visitor nights, equivalent to 104% of FY2019 levels. This increase reflects the longer periods international visitors are staying in the Sydney LGA, despite visitor numbers below pre-COVID levels.

Figure 4-10: International Visitor Nights (FY2014 to FY2024), Sydney LGA



Source: TRA (2024)



4.4 Sydney CBD Hotel Market

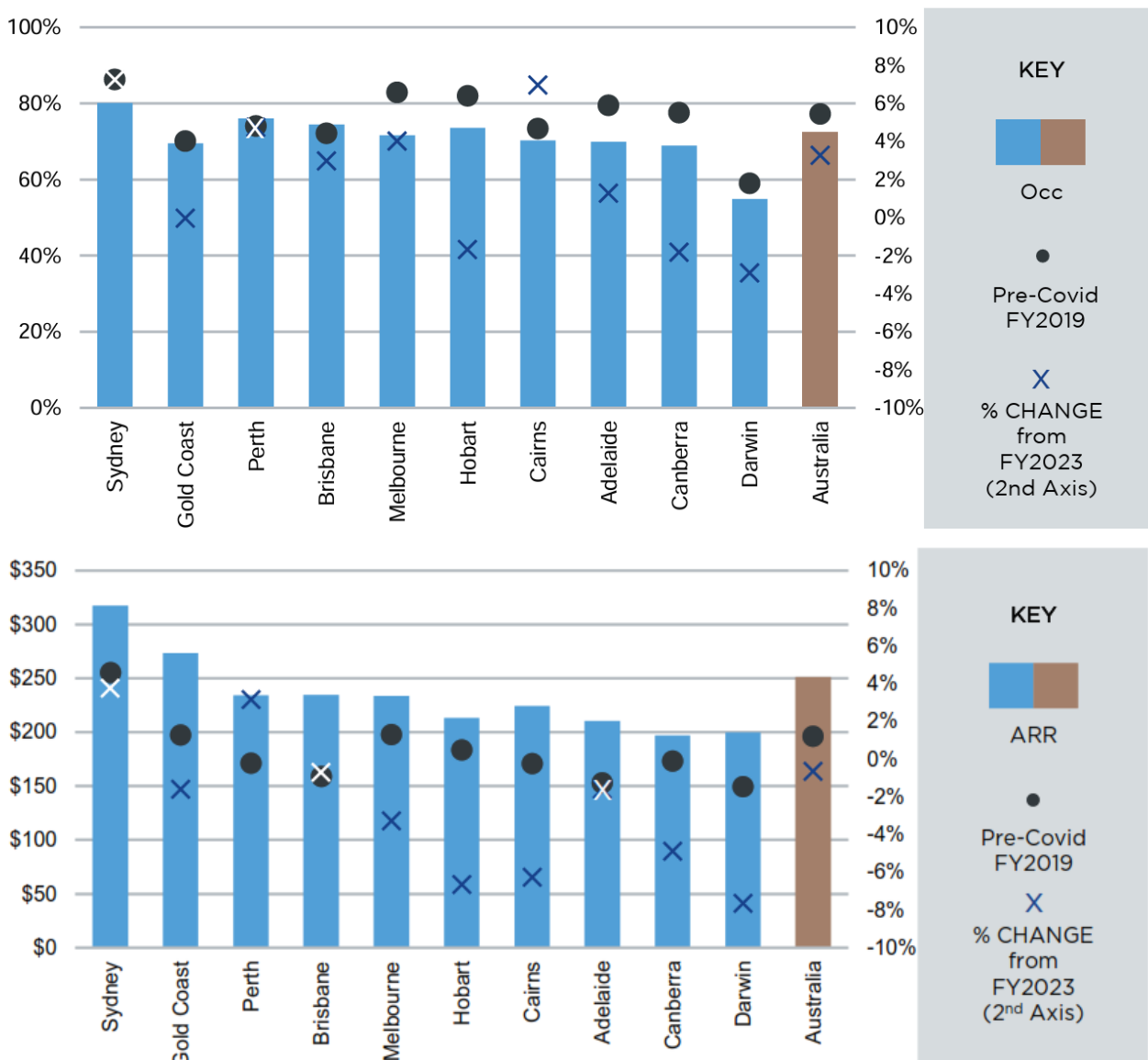
MARKET PERFORMANCE

Prior to the COVID-19 outbreak in Q1 2020, the Sydney CBD hotel market has experienced robust market conditions. Hotel occupancy levels in 2017-2019 were hovering around 83%-86%, well above the 60%-70% occupancy rates which are typically reflective of a healthy demand-supply balance. Many market commentators at the time noted that the Sydney hotel market was effectively “full”.

During the COVID-19 pandemic, occupancy levels unsurprisingly crashed. However, the CBD market has rebounded strongly since the reopening on international borders in February 2022. The Sydney CBD hotel market was the first CBD market in Australia to return to occupancy levels of ~80% in 2024, reflecting the rebound in both domestic and international visitation. Compared to FY2023, occupancy levels in the Sydney CBD grew by 7.2% - significantly higher than the average capital city rate of 3.3% (Dransfield, 2024).

This strong growth in occupancy levels, coupled with limited new hotel supply being brought to market, has resulted in increased pressure on Average Room Rates (ARR) – a core hotel performance indicator. ARR (otherwise known as Average Daily Rates or ADR) for the Sydney CBD rose by 3.8% over FY2024, the highest of any of Australia’s capital city markets. The Sydney ARR is currently circa \$317 per room, which surpasses the rates observed in FY 2019 (circa \$250 room).

Figure 4-11: Hotel Market Indicators (Occupancy, Average Room Rate), Australian Capital City Markets



Source: STR, compiled by Dransfield (2024)



SUPPLY ACTIVITY

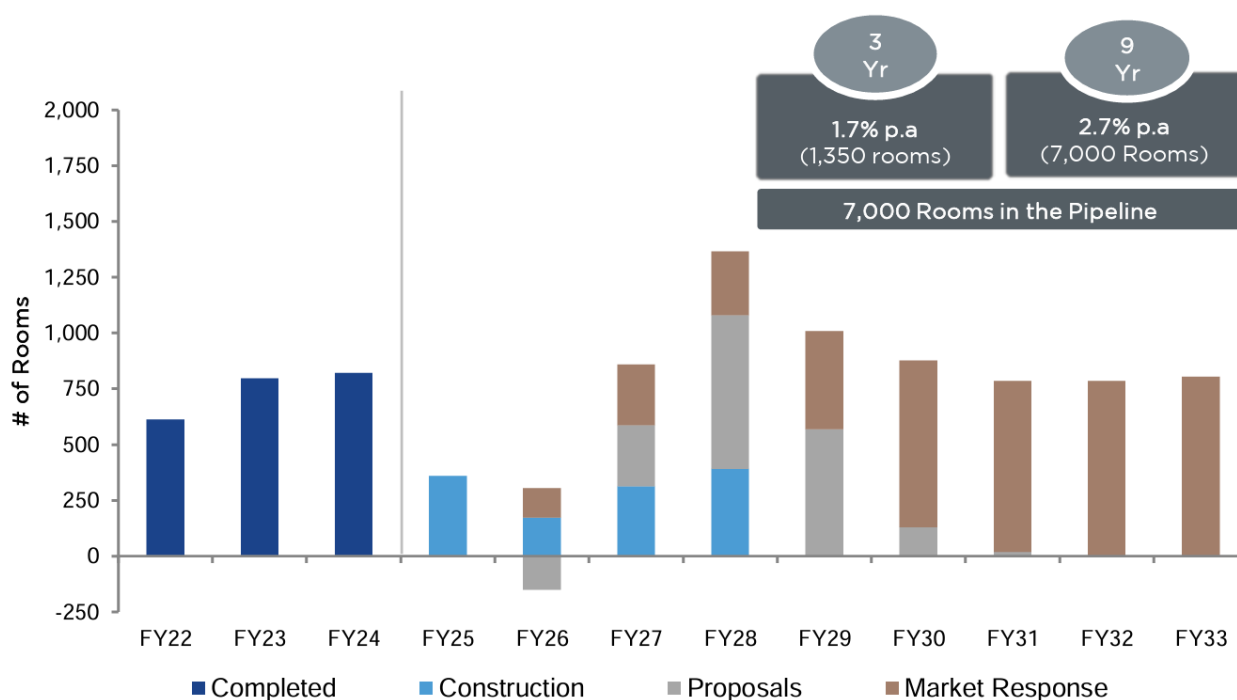
There has been a major decline in new hotel supply in the Sydney (and broader Australian) market in recent years. This follows uncertainty generated by the COVID-19 pandemic, which delayed and reduced projects whilst feasibility and financing became increasingly difficult on the back of rapid construction cost escalation.

Approximately 1,800 hotel rooms are expected to be made available across Sydney in FY2025. The majority of this new supply will be delivered within the Sydney CBD, with key projects such as Moxy Sydney (314 keys) and NH Collection (254 keys).

Given costs of capital and construction cost inflation, it is anticipated that delivery of new hotel accommodation supply will soften in the coming years. The availability of sites and competition from other land uses (i.e. residential) in the Sydney CBD will in particular challenge increasing supply levels.

Tourism experts Dransfield (2024) are expecting the Sydney market to deliver approximately 7,000 new hotel rooms over the coming years to FY2033, reflecting average annual growth of 2.7%. These forecasts expect growth in the shorter term (3-years) to be notably softer at 1.7% per annum, or 1,350 rooms.

FIGURE 4-12: Hotel Room Supply Forecasts (2025-2033), Sydney



Source: Dransfield (2024)

4.5 Visitor Demand Projections

Tourism forecasts are undertaken by Tourism Research Australia (TRA) on an annual basis. These forecasts are published at a state-wide level. To estimate the potential demand for hotel and accommodation in the Sydney LGA in the coming years, NSW tourism forecasts historical data and future catalysts for demand have been analysed.

To estimate the potential demand for hotel accommodation in the Sydney LGA, different tourism growth scenarios have been tested, based on TRA tourism forecasts and historical data.

It is noted that the *Visitor Economy Strategy 2030 Review* was published in October 2024, prior to TRA forecasts. The Strategy Review set objectives to increase the NSW visitor economy to \$91 billion, achieved through a suite of key initiatives including increasing hotel room supply by 40,000 rooms. This target by NSW Government is anticipated to act as a growth catalyst for even more domestic visitor nights to Greater Sydney.



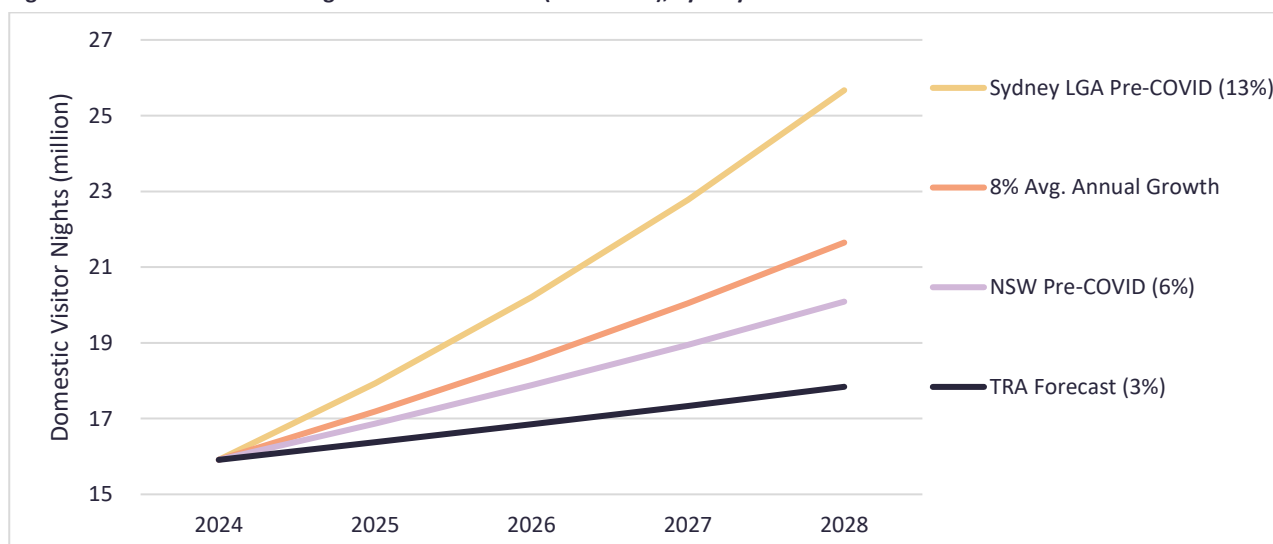
DOMESTIC VISITOR NIGHTS

To estimate the likely domestic visitor nights in Sydney LGA in the coming years, the following has been considered:

- From 2024-2028, TRA forecast NSW domestic visitor night growth of 2.9% (average) per annum. In the five years leading to the COVID-19 pandemic, domestic visitor nights in Sydney LGA grew by an average 12.7% per annum compared to 6.4% across NSW.
- Accordingly, a series of growth rates have been applied to the FY2024 domestic visitor night count of 15.9 million - ranging from 2.9% per annum (per the TRA forecast) and 12.7% per annum (per the Sydney LGA pre-COVID 5-year growth).
- A 'mid-growth scenario' of 8% per annum has also been considered.

Based on this mix of growth scenarios, domestic visitor nights in the Sydney LGA could reach between 17.8m and 25.7m by 2028.

Figure 4-13: Domestic Visitor Night Growth Scenarios (2024-2028), Sydney LGA



Source: TRA (2024)/ Atlas Economics

INTERNATIONAL VISITORS

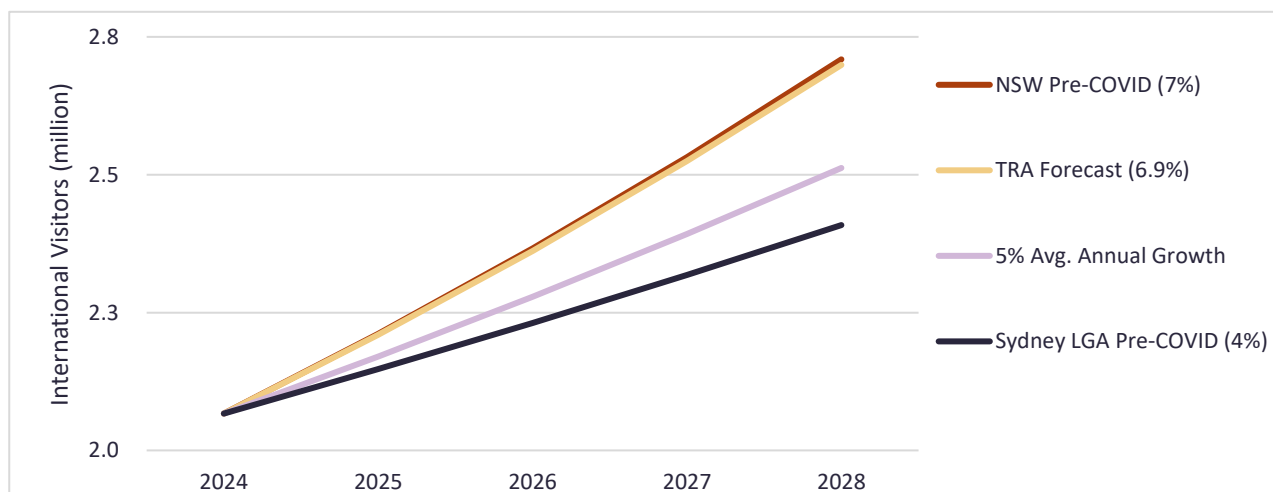
To estimate the likely number of international visitors to Sydney LGA in the coming years, the following has been considered:

- From 2024-2028, TRA has forecast NSW international visitor growth of 6.9% (average) per annum.
- In the five years prior to the COVID-19 pandemic, international visitors in Sydney LGA grew by an average 3.9% per annum compared to 7% across NSW.

As such, a series of growth rates have been applied to the FY2024 international visitor count of 2.1 million - ranging from 3.9% per annum (per the Sydney LGA pre-COVID 5-year growth) to 7% per annum (per the NSW pre-COVID 5-year growth).

These growth rates indicate Sydney LGA international visitor levels could reach between 2.4 million and 2.7 million by 2028.

Figure 4-14: International Visitor Growth Scenarios (2024-2028), Sydney LGA



Source: TRA (2024)/ Atlas Economics



4.6 Implications for the Proposal

The tourism sector is a critical component of the Greater Sydney and indeed the Sydney LGA economy. It makes a valuable contribution to the vibrancy, productivity and consistent renewal of the Sydney CBD. The sector supports some 57,300 local jobs and generates around \$8.3 billion in economic activity (NIEIR, 2024).

SUSTAINED DEMAND FOR SHORT-TERM ACCOMMODATION

Since the reopening of international borders in Q1 2022, the market has rebounded strongly. The Sydney CBD was the first capital city to record hotel occupancy levels of above 80%, with ARR now surpassing pre-COVID-19 levels following a surge in international and domestic visitation. Once again, the Sydney CBD hotel market is becoming effectively 'full', with elevated occupancy levels expected to remain until a significant and sustained supply response can be delivered.

Visitor growth forecasts, both domestic and international over the coming years are strong. TRA domestic and international visitor growth forecasts for NSW over the 2024-2028 period are in the order of 2.9% and 6.9% per annum, respectively. The Sydney LGA has historically recorded much higher levels of visitation growth than that observed across the broader State.

The Sydney hotel market has historically been the most consistently supply-constrained capital city market in Australia, typified by occupancy levels well over 80% and the highest average room rates in the country. The downturn in the Sydney CBD hotel market as a result of the COVID-19 pandemic was swift and severe and only surpassed by the Melbourne CBD.

SHORTFALL IN SUPPLY AND CONSEQUENCES

A detailed room supply analysis (Dransfield, 2024) shows that room growth in the Sydney market is unlikely to exceed 2.7% per annum with even softer growth in the short-term. Without some drastic response in supply following an improvement in development conditions, it is highly unlikely that future supply will satisfy demand growth in the CBD. The most likely outcome will be continued growth in occupancy levels and room rates remaining expensive.

Whilst the 'pull' of the Sydney CBD makes room demand somewhat inelastic, there is a significant risk that a lack of available room supply will impact some parts of the market. This could particularly apply to the Meetings, Incentives, Conferences and Events (**MICE**) market – a key type of business tourism involving large-scale business events, trade shows, conferences and other incentive trips. The MICE market was estimated to generate approximately \$4.1 billion to the NSW economy in 2024 (IBISWorld, 2024), with the 'lions share' of this likely to be generated in the Sydney CBD where the majority of large conference and events centres are located.

A lack of available room supply in the Sydney CBD could result in some MICE organisers redirecting some events to other gateway cities (e.g. Melbourne, Brisbane) where room supply is greater and room rates are more affordable. This presents a risk to the status of the Sydney CBD as Australia's premier tourism destination and would present challenges to many of the objectives for the Sydney CBD as identified in State and local strategic planning policy.

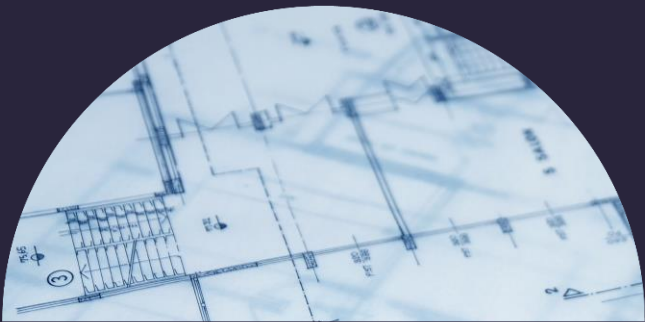
Accordingly, the Proposal could play a role in addressing some of the potential unmet future demand over the coming years. The delivery of an additional room supply and renewal of existing, ageing rooms would assist in mitigating some of the pressure demonstrated to be building in the local hotel market.

The next Chapter considers the potential economic impacts which may result if the Proposal proceeded to delivery.



5

Economic Impact Assessment



Beyond the
horizon thinking.

150 Day Street, Sydney

5.1 Introduction and Approach

This chapter examines the economic activity and impacts that could be facilitated through progression of the Proposal during construction and upon completion. The analysis estimates the economic activity supported in the following scenarios:

- **Base Case:**
 - The Site remains as is, continuing to operate as a 336-key Parkroyal Hotel.
 - The ARR of the hotel remain consistent at \$258 per room.
 - Occupancy of the hotel remains consistent at 87%.
- **Proposal Case**
 - Increases to maximum height of building from 45m to ~85m and maximum density (FSR) from 7.5:1 to 13.5:1 support the adaptive reuse of the existing hotel building and support an additional 11 storeys of hotel accommodation.
 - The Proposal has the potential to deliver 490-540 hotel keys with gross floor area of ~30,000m². For the purposes of economic modelling, the following hypothetical yield assumptions are made:
 - Existing Parkroyal Hotel comprises 304 keys.
 - The new Pan Pacific Hotel comprises 230 keys.
 - Parkroyal Hotel achieves an ARR of \$258 per room whilst the PPHG Hotel achieves an ARR of \$290 per room.
 - Both hotels achieve 87% occupancy.

METHODOLOGY

Economic impact modelling (using models known as Input-Output models) are a method to estimate the overall economic impact within a certain area resulting from a stimulus to the economy, such as a new development or policy.

The economic impacts are assessed at the Sydney LGA level. Output models (including the development of specific regional Input-Output transaction tables) have been developed to reflect the economic structure of the Sydney LGA.

Input-Output modelling considers economic activity through examining four types of impacts as described in **TABLE 5-1**.

TABLE 5-1: Economic Impact Indicators

INDICATOR	DESCRIPTION
OUTPUT	The gross value of goods and services transacted, including the cost of goods and services used in the development and provision of the final product. Care should be taken when using output as an indicator of economic activity as it counts all goods and services used in one stage of production as an input to later stages of production, thus overstating economic activity.
GROSS VALUE ADDED	The value of output after deducting the cost of goods and services inputs in the production process (less the impact of net taxes on final production). Gross Value Added (GVA) defines a net contribution to economic activity.
INCOMES	The wages and salaries paid to employees as a result of the Project either directly or indirectly.
EMPLOYMENT	Employment positions generated by the Project or Proposal (either full time or part time, directly or indirectly). Employment is reported in terms of Full-time Equivalent (FTE) positions or person-years.

Source: Atlas Economics

Input-Output modelling traces the economic impact resulting from a 'shock' to a local economy through measuring a series of impacts - referred to as 'Direct' and 'Flow-on' impacts.

- **Direct impacts**, which are the first round of effects from direct operational expenditure on goods and services.
- **Flow-on impacts**, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales. Flow-on impacts can be disaggregated to:
 - Production-induced impacts (**Type I**) show the effects of additional activities undertaken by supply chain industries increasing their production in response to direct and subsequent rounds of spending.
 - Consumption-induced impacts (**Type II**) estimate the re-circulation of labour income earned as a result of the initial spending, through other industry impacts, or impacts from increased household consumption.

The estimates of economic impacts consider production and consumption-induced flow-on impacts. Type II impacts are commonly considered to overstate economic activity and therefore the types of flow-on impacts are reported separately.



5.2 Drivers of Economic Activity

To understand the economic impacts likely to result from the Proposal, it is necessary to distinguish economic impacts during the construction phase and those economic impacts that will be more permanent in nature following construction completion and operations commencement and stabilisation to long-run averages.

- **Construction Phase**
 - Construction activity will draw resources from and thereby generate economic activity in Greater Sydney. Modelling assumes the construction phase is serviced by labour and businesses within the Greater Sydney area.
- **Operational Phase**
 - Direct turnover generated by the hotel and commercial/retail operational activities on-Site (Proposal and Base Case).
 - Additional visitor expenditure within the Sydney LGA generated through the accommodation (Proposal Case only).

Refer to Schedule 1 for a description of the drivers and assumptions that underpin the assessed economic impacts.

5.3 Economic Activity and Impacts

5.3.1 Construction Phase

The Base Case assumes that the Site is not developed and remains 'as is'. The Site is improved by a 336-key Parkroyal hotel comprising 17,660sqm GFA. Accordingly, no construction phase impacts are measured for the Base Case.

Construction impacts in the Proposal Case are expected to generate the following economic impacts:

- **\$307.3 million in output** (\$204.1 million in direct activity).
- **\$119.1 million contribution to GRP** (\$65.6 million direct contribution)
- **\$80.9 million in wages and salaries** paid to local workers (\$50.2 million paid directly)
- **601 FTE jobs** (313 directly employed in construction activity).

The total economic impacts during construction are summarised in **TABLE 5-2**.

Atlas highlights that construction impacts are reported ***in total*** for the construction phase over the life of the development, and do not represent an average annual estimate.

TABLE 5-2: Construction Phase Impacts (Sydney LGA), The Proposal

IMPACT	OUTPUT (\$M)	GRP (\$M)	INCOMES (\$M)	EMPLOYMENT (FTE)
Direct	\$204.1	\$65.6	\$50.2	313
Production Induced	\$68.6	\$34.9	\$21.1	180
Consumption Induced	\$34.5	\$18.6	\$9.5	108
Total Impact	\$307.3	\$119.1	\$80.9	601

Note: Totals may not sum due to rounding

Source: Atlas Economics



5.3.2 Operational Phase

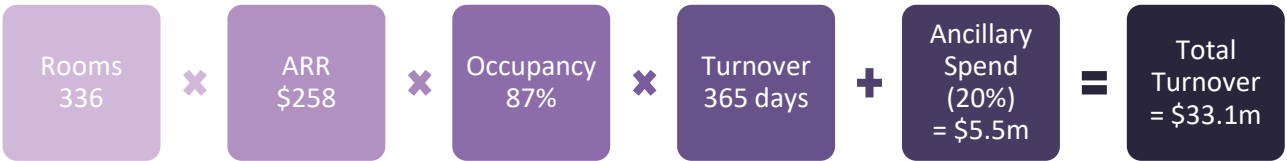
BASE CASE

The Base Case assumes the Site remains as a 336-key Parkroyal Hotel, with the ARR of the hotel remain consistent at \$258 per room and the occupancy of the hotel remains consistent at 87%. The Site is estimated to continue to support the following annual economic activity² across the Sydney LGA:

- **\$162.4 million in output** (\$100.3 million in direct activity).
- **\$84.1 million contribution to GRP** (\$51.4 million in direct activity).
- **\$50.8 million in incomes and salaries** paid to households (\$33.5 million in direct income).
- **742 FTE jobs** (451 FTE directly related to activity on the Site).

FIGURE 5-1 illustrates how direct output for hotel turnover is derived. Assumptions on ADR, occupancy and ancillary spend are derived from most recent TRA data and Parkroyal Hotel financials. This is detailed in Schedule 1.

FIGURE 5-1: Direct Output (Turnover) Methodology (Base Case Example)



Source: Atlas Economics

TABLE 5-3 summarises the two-fold economic impacts associated with the existing Parkroyal Hotel operations, the economic activity - induced by hotel turnover (room rate spend) and visitor spend elsewhere. Visitor spend is derived from average daily spend of domestic and international visitors (TRA, 2024).

TABLE 5-3: Operational Impacts (Sydney LGA), Base Case

IMPACT	OUTPUT (\$M)	GRP (\$M)	INCOMES (\$M)	EMPLOYMENT (FTE)
Hotel Turnover				
Direct	\$33.1	\$15.5	\$10.3	125
Production Induced	\$11.6	\$6.0	\$3.3	29
Consumption Induced	\$7.6	\$4.1	\$2.1	25
Total Hotel Turnover	\$52.3	\$25.6	\$15.7	179
Visitor Spend				
Direct	\$67.2	\$35.9	\$23.2	441
Production Induced	\$25.8	\$13.3	\$7.2	65
Consumption Induced	\$17.1	\$9.3	\$4.7	57
Total Visitor Spend	\$110.1	\$58.5	\$35.2	563
Total Impact				
Direct	\$100.3	\$51.4	\$33.5	566
Production Induced	\$37.4	\$19.3	\$10.4	94
Consumption Induced	\$24.8	\$13.4	\$6.8	82
Total Impact	\$162.4	\$84.1	\$50.8	742

Note: Totals may not sum due to rounding

Source: Atlas Economics

² Impacts measured through hotel turnover and visitor spend

PROPOSAL CASE

The Proposal Case assumes the Site is redeveloped to comprise a 304-key Parkroyal hotel and 230-key Pan Pacific hotel. The ARR of the Parkroyal hotel remains consistent at \$258 per room whilst the Pan Pacific hotel achieves a higher ARR of \$290 per room.

It is estimated the Proposal would support the following annual economic activity³ across the Sydney LGA:

- **\$153.1 million in output** (\$153.1 million in direct activity).
- **\$127.8 million contribution to GRP** (\$78.1 million in direct activity).
- **\$77.1 million in incomes and salaries** paid to households (\$50.8 million in direct income).
- **1,110 FTE jobs** (842 FTE directly related to activity on the Site).

TABLE 5-4: Operational Impacts (Sydney LGA), Proposal Case

IMPACT	OUTPUT (\$M)	GRP (\$M)	INCOMES (\$M)	EMPLOYMENT (FTE)
Hotel Turnover				
Direct	\$55.4	\$26.0	\$17.2	209
Production Induced	\$19.4	\$10.0	\$5.5	48
Consumption Induced	\$12.8	\$6.9	\$3.5	42
Total Hotel Turnover	\$87.6	\$42.9	\$26.2	300
Visitor Spend				
Direct	\$97.7	\$52.1	\$33.6	633
Production Induced	\$37.5	\$19.4	\$10.5	95
Consumption Induced	\$24.8	\$13.4	\$6.9	82
Total Visitor Spend	\$160.1	\$84.9	\$50.9	811
Total Impact				
Direct	\$153.1	\$78.1	\$50.8	842
Production Induced	\$56.9	\$29.4	\$15.9	143
Consumption Induced	\$37.6	\$20.3	\$10.4	125
Total Impact	\$247.7	\$127.8	\$77.1	1,110

Note: Totals may not sum due to rounding

Source: Atlas Economics

NET IMPACTS

Compared with the Base Case, the Proposal Case assumes the Site comprises an additional 198 hotel rooms.

It is estimated the Proposal Case would support the following annual net economic activity across the Sydney LGA:

- **Additional \$85.3 million in output** (additional \$52.8 million in direct activity).
- **Additional \$43.7 million contribution to GRP** (additional \$26.7 million in direct activity).
- **Additional \$26.3 million in incomes and salaries** (additional \$17.3 million in direct income).
- **Additional 368 FTE jobs** (additional 276 FTE directly related to activity on the Site).

TABLE 5-5: Net Operational Impacts (Sydney LGA), Proposal Case

IMPACT	OUTPUT (\$M)	GRP (\$M)	INCOMES (\$M)	EMPLOYMENT (FTE)
Additional Hotel Turnover				
Direct	\$22.3	\$10.5	\$6.9	84
Production Induced	\$7.8	\$4.0	\$2.2	19
Consumption Induced	\$5.2	\$2.8	\$1.4	17
Total Hotel Turnover	\$35.3	\$17.3	\$10.5	121

³ Hotel turnover impacts are shown as a total for both the Parkroyal Hotel and PPHG Hotel

IMPACT	OUTPUT (\$M)	GRP (\$M)	INCOMES (\$M)	EMPLOYMENT (FTE)
Additional Visitor Spend				
Direct	\$30.5	\$16.2	\$10.4	192
Production Induced	\$11.7	\$6.1	\$3.3	30
Consumption Induced	\$7.7	\$4.1	\$2.2	25
Total Visitor Spend	\$50.0	\$26.4	\$15.7	248
Additional Total Impact				
Direct	\$52.8	\$26.7	\$17.3	276
Production Induced	\$19.5	\$10.1	\$5.5	49
Consumption Induced	\$12.8	\$6.9	\$3.6	43
Total Impact	\$85.3	\$43.7	\$26.3	368

Note: Totals may not sum due to rounding

Source: Atlas Economics

5.4 Summary of Economic Impacts

The Proposal is shown to deliver significant and positive economic impacts to the Sydney LGA economy.

During construction, it is estimated to result in a significant (but short-term) increase in economic activity through a mix of direct and indirect (flow-on) activity, including:

- **\$307.3 million in output** (\$204.1 million in direct activity).
- **\$119.1 million contribution to GRP** (\$65.6 million direct contribution)
- **\$80.9 million in wages and salaries** paid to local workers (\$50.2 million paid directly)
- **601 FTE jobs** (313 directly employed in construction activity).

More critical is the permanent economic impacts that Proposal could generate. Modelling has considered the two key drivers of economic activity generated by hotel uses – activity generated by hotel turnover (room rate spend) and visitor spend elsewhere.

When operational, the Proposal is estimated to result in an **annual** net increase in economic activity. Compared to the Base Case (i.e. no change), the Proposal would generate:

- **Additional \$85.3 million in output** (additional \$52.8 million in direct activity).
- **Additional \$43.7 million contribution to GRP** (additional \$26.7 million in direct activity).
- **Additional \$26.3 million in incomes and salaries** (additional \$17.3 million in direct income).
- **Additional 368 FTE jobs** (additional 276 FTE directly related to activity on the Site).

In addition to these economic impacts, the Proposal has the potential to support the MICE market which is a fundamental driver of the local visitor economy. The MICE sector generated approximately \$4.1 billion to the NSW economy in 2024, with the 'lions share' of this activity likely occurring in the Sydney CBD which accommodates the majority large corporate and industry events in the state.

Increasing room supply will enable the Sydney CBD hotel market to better accommodate demand from the MICE market and mitigate the risk associated with MICE operators looking to other capital cities (e.g. Melbourne, Brisbane) for major events or trade shows where room supply is greater and more affordable.

Additionally, retention of the 34-year old Parkroyal hotel will ensure that it can not only meet the contemporary standards of modern travellers but facilitate the upgrade of many of its existing base building services which have been identified as surpassing their economic useful life (maximum of 20-25 years).

Accordingly, the economic impacts estimated in this chapter demonstrates the Proposal has economic merit, having the ability to contribute significantly to the Sydney LGA economy.



5.5 Alignment with Strategic Planning Objectives

Expanding supply of hotel accommodation in Darling Harbour is necessary step in shaping Sydney's future as a global city. Across all levels of strategic planning, there is a consistent view that expansion of Sydney's tourism offering is vital to its competitiveness.

Sydney is well established as a global gateway city. The Harbour CBD, which encompasses Darling Harbour, is positioned as the economic heart of Greater Sydney, a centre of finance, education, innovation, and culture. The Greater Sydney Region Plan sets out objectives to align infrastructure delivery with population and employment growth, enhance liveability, and improve economic productivity.

Sydney's nightlife, events, and cultural offerings are integral to its tourism economy. The *Visitor Economy Strategy 2030* outlines a clear vision for growth. More than 300,000 people are employed in the tourism sector, which is expected to rise to 450,000. The provision of additional accommodation is essential to meet this target.

The NSW Government's 24-hour economy strategy, backed by recent legislative reforms, is transforming Sydney into a more vibrant, 'round-the-clock' destination. The introduction of new airline routes and the opening of Western Sydney International Airport in 2026 will drive an increase visitation, reinforcing the demand for more hotel rooms. Darling Harbour, with its established role as a major events and entertainment precinct, will be at the forefront of this growth. Expanding the Sydney LGA accommodation offering will allow for capitalisation of this growth, ensuring visitors access facilities in a location that maximises their experience.

Accordingly, the provision of increased hotel accommodation as envisaged in the Proposal is considered to align with strategic planning from all levels of government.

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Schedules



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SCHEDULE 1

Input-Output Modelling Methodology

Input-Output models are a method to describe and analyse forward and backward economic linkages between industries based on a matrix of monetary transactions. The model estimates how products sold (outputs) from one industry are purchased (inputs) in the production process by other industries.

The analysis of these industry linkages enables estimation of the overall economic impact within a catchment area due to a change in demand levels within a specific sector or sectors.

Impacts are traced through the economy via:

- Direct impacts, which are the first round of effects from direct operational expenditure on goods and services.
- Flow-on impacts (indirect impacts), which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales. Flow-on impacts can be disaggregated to:
 - Industry Support Effects (Type I) derived from open Input-Output models. Type I impacts represent the production induced support activity as a result of additional expenditure by the industry experiencing the stimulus on goods and services, and subsequent round effects of increased purchases by suppliers in response to increased sales.
 - Household Consumption Effects (Type II) derived from closed Input-Output Models. Type II impacts represent the consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries being paid within the catchment economy.

Economic analysis considers the following four types of impacts.

TABLE S1-1: Economic Impact Indicators

INDICATOR	DESCRIPTION
Output	The gross value of goods and services transacted, including the cost of goods and services used in the development and provision of the final product. Care should be taken when using output as an indicator of economic activity as it counts all goods and services used in one stage of production as an input to later stages of production, thus overstating economic activity.
Gross Value Added	The value of output after deducting the cost of goods and services inputs in the production process (less the impact of net taxes on final production). Gross Value Added (GVA) defines a net contribution to economic activity.
Incomes	The wages and salaries paid to employees as a result of the Project or Proposal either directly or indirectly.
Employment	Employment positions generated by the Project or Proposal (either full time or part time, directly or indirectly). Employment is reported in terms of Full-time Equivalent (FTE) positions or person-years.

Source: Atlas Economics

Regional Model Development

Multipliers used in this assessment have been created using a regionalised Input-Output model derived from the 2020-2021 Australian transaction table (ABS, 2023a).

Estimates of gross industry production in the catchment area were developed based on the share of employment (by place of work) of the catchment area within the Australian economy (ABS, 2022) using the Flegg Location Quotient and Cross Hauling Adjusted Regionalisation Method (CHARM). See Norbert (2015) and Kronenberg (2009) for further details. Where required, values were indexed to current dollar values using CPI (ABS, 2023b).



Modelling Limitations and Assumptions

Input-Output modelling is subject to a number of key assumptions and limitations (ABS, 2023a):

- **Lack of supply-side constraints:** The most significant limitation of economic impact analysis using multipliers is the implicit assumption that the economy has no supply-side constraints. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or near capacity.
- **Fixed prices:** Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. Prices are assumed to be unaffected by policy and any crowding out effects are not captured.
- **Fixed ratios for intermediate inputs and production:** Economic impact analysis using multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. As such, impact analysis using multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. In reality, however, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount.
- **No allowance for purchasers' marginal responses to change:** Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- **Absence of budget constraints:** Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.

Despite these notable limitations, Input-Output techniques provide a solid approach for assessing the direct and flow-on economic impacts of a project or policy that does not result in a significant change in the overall economic structure.

Drivers of Economic Activity

In order to understand the economic impacts likely to result from the Proposal, it is necessary to distinguish economic impacts during the construction phase and those economic impacts that will be more permanent following construction completion.

• Construction Phase

Construction activity will draw resources from and thereby generate economic activity in Sydney.

Modelling assumes the construction phase is serviced by labour and businesses within the Greater Sydney area.

• Operational Phase

Estimated ongoing economic activity from industrial businesses locating on the Site.

CONSTRUCTION PHASE

For modelling purposes, construction costs (including contingency) for the Proposal were broken down into their respective Australia and New Zealand Standard Industrial Classification (ANZSIC) industries.

The breakdowns were developed based on the following assumptions by Atlas regarding the most appropriate ANZSIC industries for each activity and estimated average square metre construction costs for occupying businesses.

Construction costs have been estimated based on industry benchmarks from sources such as RLB and from Atlas industry knowledge.

TABLE S1-2: Construction Cost Allocation (including Contingency), Proposal Case

WORK TYPE	\$M	ANZSIC
Site Works	\$4.60	Construction Services
Hotel Construction/ Expansion	\$115.0	Heavy and Civil Engineering
Hotel Construction/ Expansion	\$115.0	Non-Residential Construction
Professional Fees	\$28.2	Professional, Scientific and Technical Services
Total	\$262.8	

Note: Totals may not sum due to rounding.

Source: Atlas



Of the above capital outlay, not all activity will be undertaken within the Sydney LGA economy. It was assumed:

- Approximately 75% of the direct expenditure on construction-related (i.e. Non-Residential Building Construction and Construction Services) activity would be sourced from local businesses and labour. Of this:
- Approximately 25% of purchases on goods and services (supply chain related activity) made by construction-related businesses sourced from outside the Sydney LGA would be spent within the local economy (i.e., 25% of the Type I flow on activity associated with non-local construction companies is assumed to represent additional local activity in the Sydney LGA).
- Approximately 5% of wages and salaries paid to construction-related workers sourced from outside the region would be spent on local goods and services, such as food and beverages (i.e. 5% of the Type II).

Only flow-on activity of locally sourced professional, scientific and technical services activity (75%) is included, as it is not anticipated professional, scientific and technical services businesses located outside of Sydney LGA would purchase goods/ services locally.

OPERATIONAL PHASE

In order to model the economic impacts, operational employment levels for the economic activity occurring in the two scenarios were categorised into the ANZSIC industries which Atlas considered most appropriate.

Operational employment levels for the economic activity occurring in the Base Case were categorised into the ANZSIC industries. Employment was estimated through benchmarking the Sydney CBD employment profile as at FY2023 to establish the existing economic impact of the Site remaining as is.

TABLE S1-3: Operational FTE Allocation, Base Case and Proposal

USE/ANZSIC	SPACE	JOBS (FTE)	DIRECT OUTPUT (\$M)	ANZSIC
Base Case				
Hotel, Restaurant, Bar, Café, nfd.	336 Rooms	124	\$33.1	Accommodation and Food Services
Proposal Case*				
Parkroyal Hotel	304 Rooms	209	\$55.4	Accommodation and Food Services
PPHG Hotel	230 Rooms			
Restaurant, Bar, Café, nfd.	3,917sqm GFA			

*Hypothetical room yield adopted in the Proposal Case for the purpose of economic modelling

Source: Atlas Economics

The short-term accommodation (hotel and serviced apartments) component is indicatively estimated to have an average room occupancy rate of 87% over the course of the year, with an average room rate per night of approximately \$258.

Estimates of employment were developed based on direct Input-Output multipliers for the accommodation industry and industry turnover as derived in the table below.

TABLE S1-4: Hotel Turnover Assumptions, Base Case and Proposal

ANZSIC	Base Case	Proposal Case (Parkroyal)	Proposal Case (PPHG)	Proposal Case (Total)
Rooms*	336	304	230	534
ARR	\$258	\$258	\$290	\$272
Occupancy	87%	87%	87%	87%
Turnover	\$27.6	\$24.9	\$21.2	\$46.1
Ancillary Spend	\$5.5	\$5.0	\$4.2	\$9.2
Total Turnover	\$33.1	\$29.9	\$25.4	\$55.4

*Hypothetical room yield adopted in the Proposal Case for the purpose of economic modelling

*Numbers may not sum due to rounding

Source: TRA (2024), Atlas Economics



INDUCED VISITATION EXPENDITURE

Estimates for direct visitor spend generated by the hotel development in both Base Case and Proposal Case were developed based on room availability and an occupancy rate of 87%.

An estimated 25%: 75% split has been applied for domestic and international visitor nights for the proposed hotel, based on the visitation split for those coming to the Sydney region and staying in commercial accommodation in 2023 (TRA, 2024).

It was assumed that 10% of hotel guests would be residents of Sydney LGA, using the hotel to meet short term accommodation needs (i.e., only 90% of guests would be visitors to the region). The expenditure of locals has been excluded from the assessment as it is assumed this expenditure would occur regardless. Further, it was assumed approximately 25% of non-local hotel guests would stay in the Sydney LGA if the hotel was not developed (i.e., only 75% of visitors staying in the hotel are assumed to represent net new visitors to the LGA). A further +10% visitation impact for conferences at the Site are assumed under the Base Case, increasing to 15% additional in the Proposal Case.

Based on these assumptions it is estimated there would be an additional 10,407 net new visitor nights in the Sydney LGA economy as a result of the hotel in the Base Case and 27,200 in the Proposal Case.

TABLE S1-5: Visitor Assumptions, Base Case and Proposal Case

ANZSIC	Base Case	Proposal Case
Accommodation	\$0.0	\$0.0
Food and Beverage Services	\$22.9	\$32.3
Gambling	\$0.4	\$0.6
Heritage, Creative and Performing Arts	\$3.7	\$5.6
Other Services	\$2.3	\$3.6
Rental and Hiring Services (Except Real Estate)	\$3.1	\$4.7
Retail Trade	\$28.6	\$40.5
Road Transport	\$1.8	\$2.8
Automotive Repair and Maintenance	\$0.4	\$0.6
Water, Pipeline and Other Transport	\$4.1	\$7.1
Total	\$67.2	\$97.7

Source: TRA (2024), Destination NSW (2024), Atlas Economics





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