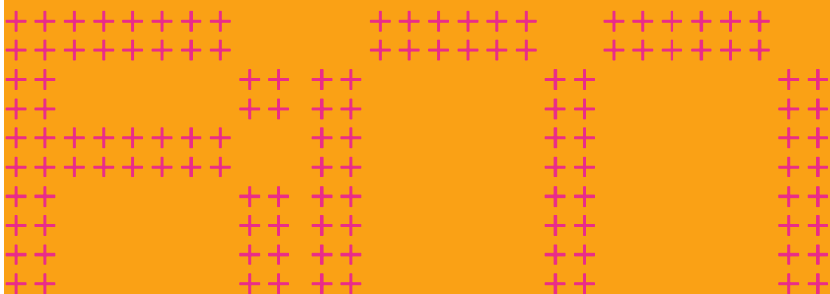
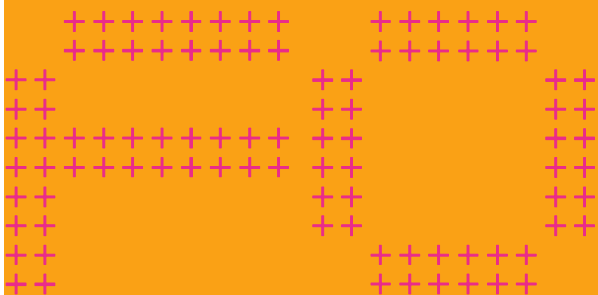
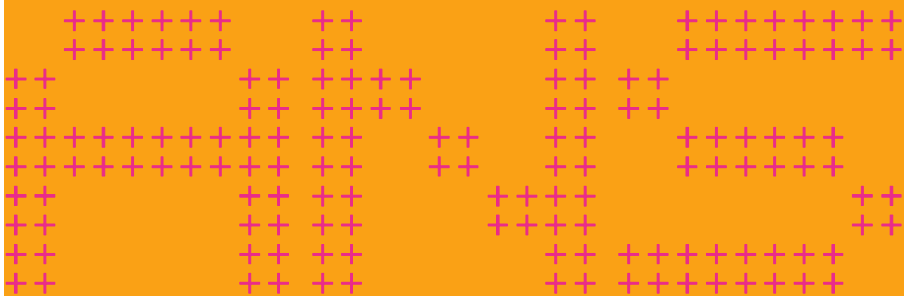
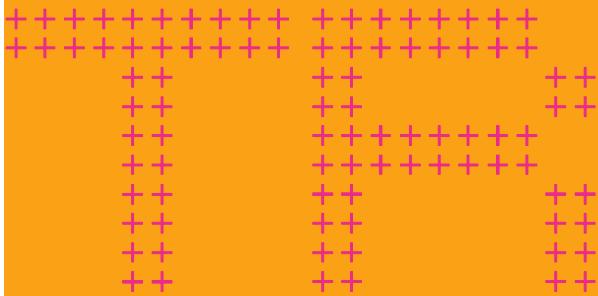


Project Star Economic Impact Assessment

30 June 2008





Project Star Economic Impact Assessment

Prepared for Sydney Harbour Casino
Properties Pty Limited

80 Pyrmont Street
Pyrmont NSW 2009
30 June 2008

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Executive Summary	i
1 Introduction	1
1.1 Format of Report	1
2 Location and Development Overview	2
2.1 Location and Local Context	2
2.1.1 North	4
2.1.2 East	4
2.1.3 South	4
2.1.4 West	4
2.2 Existing Offer	4
2.3 Proposed Development	5
3 Consumer/Patron Profile.....	7
3.1 Pymont Residents	7
3.1.1 Historic and Forecast Population	7
3.1.2 Demographic Characteristics	9
3.2 Broader Local Catchment	9
3.2.1 Historic and Forecast Population	9
3.2.2 Demographic Characteristics	10
3.2.3 Local Pymont Workers	12
3.3 Casino Patrons	12
3.4 Tourists	13
4 Retail Assessment.....	14
4.1 Introduction	14
4.2 Retail Competition	14
4.2.1 Pymont Retail	14
4.2.2 Darling Harbour	15
4.3 Crown Casino Case Study	16
4.4 Retail Impact Assessment Methodology	17
4.4.1 Turnover Potential	17
4.4.2 Impact Assessment	18
4.4.3 Results	21
4.5 Other Economic and Consumer Benefits	22
5 Hotel Assessment	23
5.1 Introduction	23
5.2 Existing Supply	23
5.2.1 Current Performance	25
5.3 Demand	26
5.4 Impact Assessment	27
5.4.1 Methodology	27
5.5 Results	27
5.5.1 No Growth Scenario	28
5.6 Economic Benefits	29
5.7 Conference Upgrade Impact	29
6 Social and Economic Benefit Assessment	30

6.1	State and Local Benefits	30
6.2	Operational Phase.....	30
6.3	Construction Phase	30
APPENDICES:		ERROR! BOOKMARK NOT DEFINED.
Appendix A	Socio-Economic Profile	
Appendix B	Tourist Profile	
Appendix C	Input – Output Analysis – General Comments	

Executive Summary

Sydney Harbour Casino Properties Pty Limited is proposing a major redevelopment of the Star City Complex that is expected to provide a boost to economic activity locally and within the broader Sydney region. This report considers the impacts and proposed development of retail and hotel uses on the site and considers the broader economic benefits that will be delivered to the community through improved access to facilities and a growth in employment opportunities.

The Star City redevelopment will include:

- A 309 room, 5 Star Hotel
- An expansion of the conference facilities to a capacity of 1,200 delegates (up from 900)
- An additional 4,736 sq.m of retail floorspace (split between food and beverage floorspace (F&B) of approximately 2,161 sq.m and non-F&B retail space of approximately 2,575 sq.m).
- An increase in the gaming floor area (by some 6,500 sq.m).

There will be also be significant benefits to the local and state economies. This development will have a small and manageable impact the existing hotels (in the local area) and the local and competing retail offer. The key impacts and benefits are summarised below.

Retail Impacts

1. It is estimated that the new retail offer will turnover some \$27 million; \$12 million of F&B and \$15 million of non-F&B.
2. This turnover will come from a range of sources; local Pyrmont residents; a broader local area; incorporating inner South West Sydney; Pyrmont workers; Star City Hotel visitors and Casino Visitors (which includes gaming patrons, theatre goers, conference delegates, tourists and those not included in the other categories).
3. Local Pyrmont retailers currently turnover and estimated \$94 million. In 2012, if the development did not proceed, these retailers are forecasts to turnover \$105 million. If the development did proceed as planned, then these retailers are forecast to turnover \$102 million. Therefore, the development would have a one-off impact of 3%. It is important to note that the impacted turnover is still +\$8 million above current levels, and the un-impacted (no development) level (i.e. \$105 million) would be reached by the early part of 2013 (i.e. the development impact is the equivalent of about one year of market growth) which is largely being generated by new population growth and business growth. Therefore the identified impact is coming out of market growth and not out of the current level of trade enjoyed by retailers.
4. Darling Harbour retailers are expected to be impacted by about 2%. This reduces anticipated turnover in 2012 from \$207 million to \$204 million (relative to 2008).
5. The anticipated level of impact would not be sufficient to cause any individual business to become unviable as a result of the Star City Development. The additional turnover being generated by Star City makes up only a proportion of the natural retail expenditure growth expected for the area and will actually lead to an overall increase in retail expenditure over the no development scenario of \$35 million. This will lead to a number of economic benefits to the community including increased employment.
6. The remaining turnover (\$20 million) will be diverted from the Sydney CBD as well as other competing tourist destinations and beyond. If this impact were to be solely directed to the CBD, then the impact on these retailers would only be less than 1%. We note however that due to the

wide draw of Star City the actual impact to a broad cross section of the market and will be negligible.

Hotel Impacts

1. In the Inner Sydney area, there are some 73 hotels of 4 to 5 star rating. They currently experience exceptionally strong occupancy rates, around 80%. In total they generate some 4.8 million guest nights.
2. It is estimated that the new hotel will generate about 90,228 hotel guest nights that will be diverted from the existing offer, however we expect that visitor numbers will grow by 1% per annum over the next four years, providing an additional 195,000 hotel room nights that will outweigh the overall impact of the proposed Star City Hotel.
3. We have segmented the hotel market into three groups that will be impacted by the new development:
 - a. Competitive hotels; those that are nearby, large and similarly market positioned
 - b. Other 5 star hotels
 - c. 4 and 4.5 star hotels
4. Forecast market growth (195,000 guest nights), outweighs the visitor nights created by the new hotel (90,228), therefore occupancy rates across the board are expected to increase should no further supply occur.
5. Competitive hotels are expected to increase their occupancy by 0.2%, but this will result in an average occupancy rate of nearly 84%, nearing global highs. Therefore the addition of the new Star City Hotel will not leave these competitive hotels in a position below that of their current position;
6. Other 5 Star Hotels are expected to have occupancy rates of nearly 80%, nearly 2% above current levels as a result of ongoing market growth;
7. 4 and 4.5 Star Hotels are likely to have occupancy rates in excess of 83%, some 2.4% above current levels; and
8. This analysis suggests that the Sydney hotel market could comfortably sustain further increased supply in the short term, with peak periods still likely to preclude some visitors to the City due to 100% occupancy levels being achieved in most hotels at these peak times.

Overall Impacts/ Benefits

Overall, these impacts can be considered only minor and based on conservative market growth scenarios. Overall, retailers will be better off after the development than they are now, while hotel occupancy rates are expected to rise overall by 1.7% to 81.5% within the CBD area despite the addition of the new Star City Hotel.

Further, a range of general economic and social benefits occur as a result of this increased competition including:

- Strengthening entertainment and tourism role of Pyrmont and Darling Harbour;
- Provision of an additional range of products, including food and beverage, non-food items and services as well as adding retailers that may not be currently available within the Pyrmont area;
- Additional consumer choice, leading to less escape spending from the local area;
- Strengthening the activity along Union Street, which will provide better connections to the main local retail strip on Harris Street;

- Greater consumer choice in the hotel sector, potentially forcing prices down and thus stimulating visitation;
- It will encourage rejuvenation of the local hotel offer;
- Increased efficiencies generally in the hotel sector; and
- Increased Gaming Taxes

Employment Benefits

The development will have a range of local and state economic benefits. The key benefit is the employment generated as a result of the significant development investment. It is estimated that:

- Over 4,300 jobs will be created in the construction phase of the development (over a three year period);
- About 900 additional jobs will created (annually) once the development is completely operational;
- Further employment will be generated through the increased gaming floorspace including gaming, support and administration staff. It is estimated that this additional direct employment will equate in excess of 300 full time equivalent jobs.

1 Introduction

The key objective of our research is to provide economic analysis to support the development of retail, hotel and conference facilities that form part of the expansion and refurbishment of Star City. Specifically, we will be required to assess the effects of the development and determine any economic impacts or benefits.

1.1 Format of Report

The report includes five sections as follows:

- **Section 1** this introduction.
- **Section 2** provides an overview of the site location and the proposed development.
- **Section 3** presents a consumer/patron trade area analysis, which details population trends and growth for defined trade areas. The socio-economic characteristics of trade area residents and retail spending forecasts are also provided. This section also considered the hotel and gaming patronage numbers.
- **Section 4** includes our assessment of the retail offer and the potential impacts and benefits of the proposed retail development. This section also examines the competitive retail structure within the region of relevance, including details of existing retail and planned developments.
- **Section 5** provides an assessment of need, demand and market potential, with reference to the current provision of accommodation hotel facilities within inner Sydney. The likely performance of the proposed new hotel and conference facilities on the subject site is then assessed, including an assessment of impacts and benefits of the hotel and conference development.
- **Section 6** then examines the social and economic benefits that are likely to occur as a result of the proposed development.

2 Location and Development Overview

2.1 Location and Local Context

The Casino is located in a major tourism precinct within the greater Sydney CBD area, and of itself is a major tourist facility contributing to the image of Sydney as an international tourist and business destination. The quality of the Star City complex and its associated accommodation is significant to the perception of Sydney by both interstate and international visitors.

The subject site is located on the eastern side of Pyrmont Street and western side of Pirrama Road, with secondary frontages to the southern side of Jones Bay Road and northern side of Union Street. Primary vehicle access to the site is provided via Pyrmont Bridge Road or Harris Street, with direct access to the Western Distributor, which is a major arterial route linking with the northern parts of Sydney via the Harbour Bridge, western suburbs via the Anzac Bridge and the south and eastern suburbs via the Cross City Tunnel.

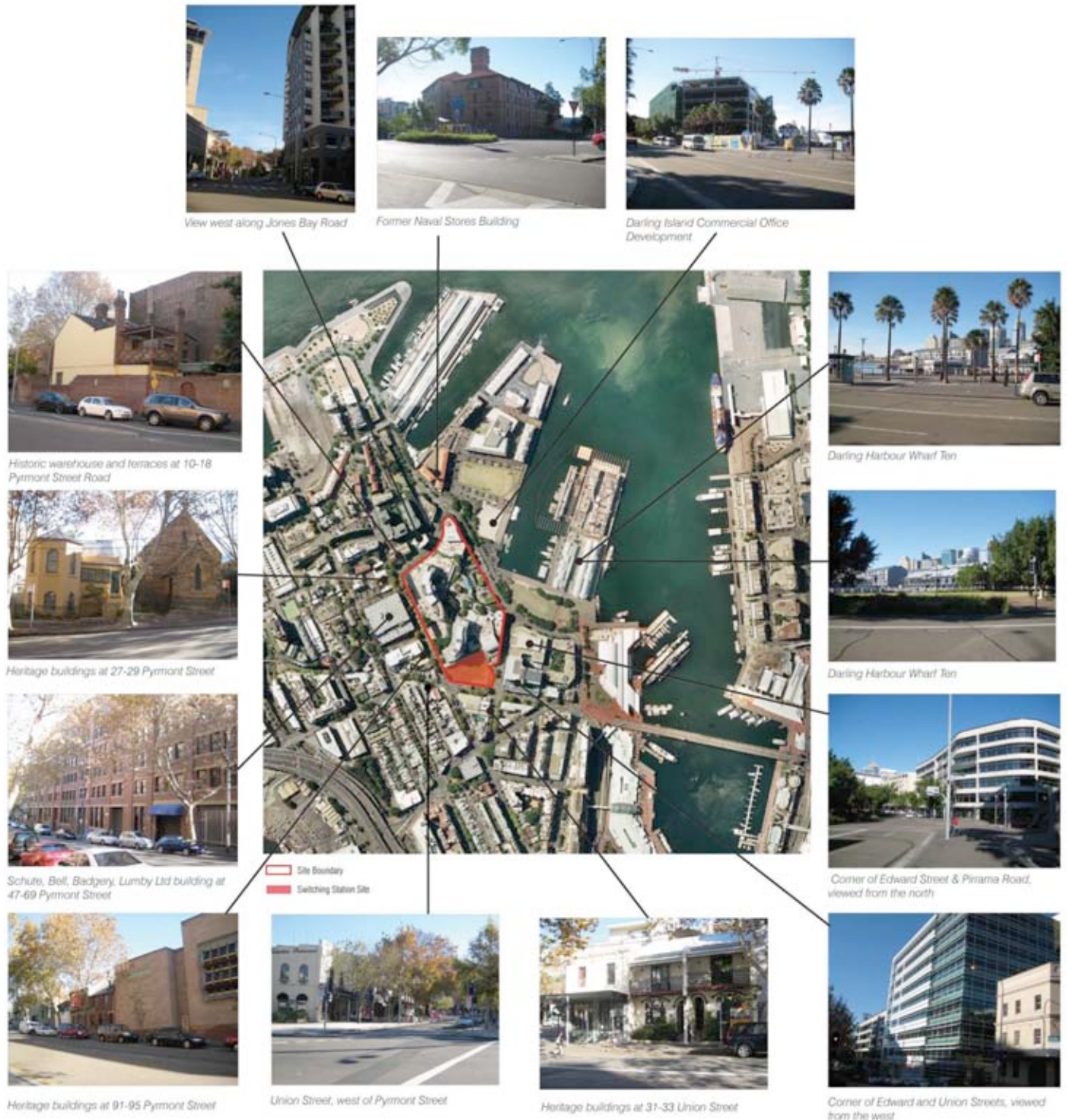
Access to the site from the surrounding suburbs is good, whilst also being within walking distance of Darling Harbour and the Sydney Central Business District.

Figure 1 – Locality Map



The immediate context of the site is highly varied in terms of its land use mix, built form and character. The following diagram presents the character of the local area surrounding Star City.

Figure 2 – The Locality



2.1.1 North

To the north of the site across Jones Bay Road is a precinct of high density, predominantly residential development of typically eight storeys in height.

2.1.2 East

To the north-east of the site are Jones Bay Wharf, Darling Island and Darling Harbour Wharf 10, which comprise a number of new buildings and refurbished former maritime/storage buildings. These buildings are now used for a mix of commercial office and residential uses, and are set amongst a number of landscaped foreshore parks.

To the south-east is a street block of mixed retail and commercial uses characterised by the modern 5 and 8 storey office buildings on the opposite side of Edward Street, and a lower 3 storey office building, remnant heritage listed pubs and terrace house buildings on Union Street.

Further east is Darling Harbour and the Sydney CBD, which has a direct visual connection to the Casino.

2.1.3 South

Union Street forms the southern boundary of the site. Its alignment extends from Union Square on Harris Street to Pyrmont Bridge, which provides direct pedestrian and monorail access to the Sydney CBD.

A low scale, predominantly residential precinct of two to three storey buildings with numerous active ground level uses exists on the southern side of Union Street. The terrace buildings on the southwest corner of Edward Street are heritage items.

2.1.4 West

A diverse range of building styles, heights and land uses exist to the west of the site across Pyrmont Street. A high proportion of these buildings are heritage listed, including the row of terrace houses occupying the entire length of the northern side of Union Street, west of Pyrmont Street.

2.2 Existing Offer

The site comprises the irregularly proportioned street block bounded by Edward Street, Pyrmont Street, Union Street, Pirrama Road and Jones Bay Road. It accommodates the existing Star City Casino, which was opened in 1997 and comprises:

- A 10,500 sq.m main
- .gaming floor
- 3,820 sq.m of retail space (comprising approximately 680 sq.m of non-food & beverage floorspace and 3,140 sq.m of food and beverage floor space)
- 11 restaurants and 10 bars
- 2 theatres
- 480 hotel rooms / serviced apartments
- A 900 person ballroom / conference facility.
- basement parking for 2,500 cars

The site also accommodates the Light Rail (LR) line and the Casino LR station, which are both housed within the Casino building, close to the Pirrama Road frontage.



Picture 1 – The 'Switching Station' site (vacant foreground)



Picture 2 – Star City Casino, viewed from Sydney CBD

The former Switching Station site is part of the Casino site, but was not developed as part of the Casino and remains vacant. This part of the site is located on the corner of Union, Pyrmont and Edward Streets, immediately to the south of the existing Casino complex. The site was formerly used as Substation no. 7160, owned by Sydney Electricity. This function has since been transferred to another site, and the property decontaminated to enable its redevelopment.

2.3 Proposed Development

The Project Application will seek approval for:

- A new 309 room hotel with ancillary lower level retail, gaming and conference facilities on the currently vacant 'Switching Station' site.
- 500 additional basement car parking spaces to be accessed via the existing car park.
- Re-development of the retail arcade through the ground floor level of the building, linking Pyrmont Bay Park to the intersection of Union and Pyrmont Streets.
- The redevelopment of the eastern (Pirrama Road) portion of the casino building currently occupied by large external stairs to contain additional restaurants, retail outlets, gaming space, other entertainment and tourist related facilities and a driveway providing a new vehicle drop-off to the Casino.
- Works on the exterior of the existing buildings to enhance their external appearance and function.

This assessment addresses the impacts and benefits associated with the proposed retail and hotel operations.

While not all aspects of the projects have been finalised at this stage, the following approximate figures are provided to summarise key numeric aspects of the existing development and the envisaged project:

Table 2.1 – Table of Existing and Proposed Retail Floorspace

Star City - Retail Areas			
Retail Area	Existing Retail Area (sq.m)	Proposed Retail Area (sq.m)	Increase in Retail Area (sq.m)
B2	249	362	114
Night club area	807	807	0
Retail Arcade	2,765	5,697	2,932
Mezzanine Level	0	1,690	1,690
Total	3,820	8,556	4,736

Source : Star City, Hard & Forester, Urbis