

3.2.3 Local Pymont Workers

Research conducted by Knight Frank Research estimates that there was approximately 385,000 sq.m of commercial space in Pymont and Ultimo as at the beginning of 2008. Based on available agency research, Urbis estimates that approximately 50%, or 192,500 sq.m, was located in Pymont. Significant additional capacity was also cited, with in excess of 80,000 sq.m of commercial space proposed.

Buildings currently under construction include Citta / GPT's 17,800 sq m Workplace 6 at Pymont which has been pre-committed by Google and Accenture and the new Jacksons Landing 7 story building under construction at 21 Harris Street, Pymont that will have a lettable area of approximately 14,000 sq.m. These two developments will add approximately 31,800 sq.m to the Pymont office market, an increase of approximately 16.5%.

In our experience the typical amount of commercial floorspace per person ranges from 15 to 20 sq.m per person. On this basis we have estimated the current workforce population for the Pymont area in the order of 10,000 to 13,000 persons. On completion of the current developed detail the workforce could grow to between 11,200 and 15,000.

An estimate of 10,000 to 13,000 workers in Pymont is supported by the Sydney Harbour Foreshore Authority, which estimated a workforce population of 22,000 in the Pymont and Ultimo region. (Taking available research estimates of 50% of commercial space in Pymont we can deduce a workforce population for Pymont of 11,000 workers).

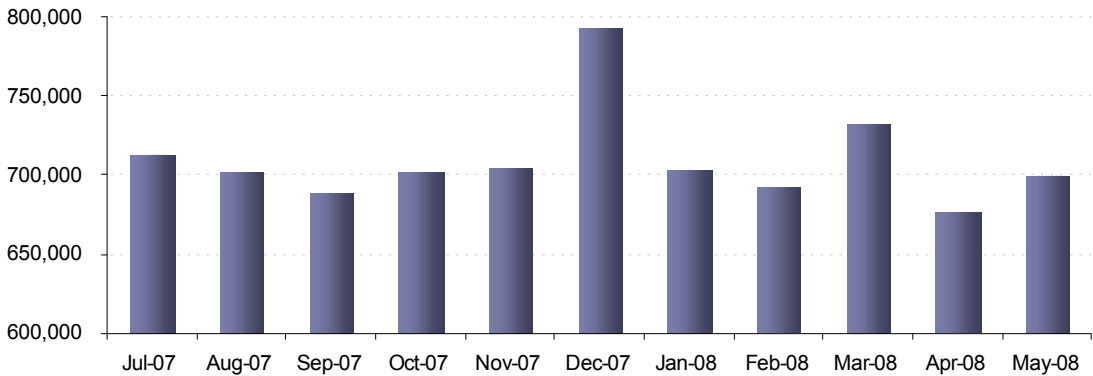
Commercial tenants in Pymont are typically in the media and telecommunications industries. Companies such as Channel 10, the 7 Network, ABC, Radio Stations Nova 96.9, Vega 95.3 and 2SM, Foxtel and Vodafone occupy premises in the Pymont area.

3.3 Casino Patrons

Char 3.1 below shows Star City visitation over the period July 2007 to May 2008. During this period a total of 7.811 million people visited Star City. This equates to an average of 710,000 visitors per month or 23,000 visitors per day.

There was a spike in visitation in the month of December which coincides with the Christmas holiday period. Similarly, there was an increase in patronage during March which coincides with the Easter holiday break. In addition to underlying demand, this suggests that Star City is being utilised as a source of holiday entertainment.

Star City Visitors July 2007 - May 2008 **Chart 3.1**



Source : Star City; Urbis

3.4 Tourists

Sydney is Australia's largest city, is renowned globally, and is the most visited City in Australia. It attracts over 6.2 million overnight visitors, who stay for over 38 million nights. A further 17 million day trippers visit the City each year (in 2007).

Of the overnight visitors, two-thirds come from within Australia while the other third are overseas visitors. In terms of visitor nights however, overseas visitors contribute two-thirds, while domestic visitors only one-third, due to the far longer average length of stay of overseas visitors (12.5 days) versus the domestic visitors (2.7 days).

It is important to note however that international visitors who come to visit friends and relatives or come to study typically stay for extended lengths of time, some for 6 months or longer. As such, the average length of stay for hotel guests (more likely to be visiting for holiday or business), stay for a far shorter period of time. This is discussed in the hotel demand section later.

Sydney Tourism Market Overview							Table 3.3
Year_	Domestic Visitors ('000)			International Visitors ('000)			Day Trips ('000)
	Visitors	Visitor Nights	Average Length of Stay	Visitors	Visitor Nights	Average Length of Stay	Visitors
2003	4,858	13,000	2.7	1,688	15,176	9.0	15,270
2004	4,724	12,061	2.6	1,781	17,056	9.6	14,269
2005	4,713	12,509	2.7	2,041	22,684	11.1	13,641
2006	4,743	13,489	2.8	2,070	27,425	13.3	15,537
2007	4,237	12,318	2.9	2,076	25,890	12.5	17,125
Total	23,275	63,377	2.7	9,655	108,231	11.2	75,841

1. Year ended December

Source : Tourism Research Australia; Urbis

An in-depth profile of tourists to Sydney is outlined in Appendix 2. This profile outlines:

- Visitor origin;
- Visitor Demographic Profile;
- Purpose of Visit;
- Activities Undertaken;
- Accommodation Used; and
- Expenditure Profile.

4 Retail Assessment

4.1 Introduction

The likely economic impact resulting from the proposed development of Star City retail is now considered. The issues discussed that are generally considered to be relevant to an assessment of economic impacts for the purpose of the planning approval are as follows:

- An assessment of the increased turnover levels anticipated from the development.
- An analysis of the likely impacts on the retail turnover volumes of retail centres used by residents and visitors of the region.
- Forecast of consumer and other benefits arising from the development.

This section also considers the relevant local competition and a case study of retail within Crown Casino in Melbourne.

4.2 Retail Competition

The following section details the existing retail facilities in the vicinity of Star City. Precincts of relevance analysed were the suburbs of Pymont and Darling Harbour.

4.2.1 Pymont Retail

Star City is located in the suburb of Pymont which has some 14,695 sq.m of retail space. As demonstrated by Table 4.1 Pymont has a large variety of retail, heavily geared towards servicing local residents. Urbis have undertaken a retail floorspace survey to prepare an estimate of the volume and nature of retail activity within Pymont.

Existing Pymont Retail Offer

Table 4.1

Retail Category	Size (sq.m)
Cafes & Restaurants	4,045
Florsit/Pets/Toys/Misc	80
Food & Grocery	1,450
Furniture/Hardware	420
Giftware	200
Hairdressing/Beauty	790
Homewares	500
Jewellery	80
Liquor	480
Newsagency & Stationery	120
Other Retail Service	360
Other Retail Services	320
Pharmacy & Cosmetics	60
Supermarket	5,000
Takeaway Food	640
Womens Apparel	150
Total	14,695

Source : Urbis

The most popular retail type in the area is cafes and restaurants, with almost 50 outlets and covering some 4,000 sq.m. The vast majority of these outlets are small scale and affordably priced.

Much of the existing retail is positioned along Harris St, which has a variety of cafes restaurants, convenience retail and services. There is a new large scale (2,500 sq.m) Coles Supermarket located at 60 Union St, which services surrounding residents with a Supa IGA supermarket (2,500 sq.m) located on Miller Street.

4.2.2 Darling Harbour

For the purpose of our analysis Darling Harbour was divided into six distinct precincts, spanning a number of suburbs. Precincts examined were: King St Wharf, Cockle Bay Wharf, Aquarium Pier, Darling Walk, Imax/Convention Centre and the Harbourside Shopping Centre. With the exception of Harbourside Shopping Centre, the vast majority of outlets are food and beverage related.

Along the waterfront retail in Darling Harbour retail is very much focused towards the high end tourist and corporate markets. Restaurants and bars tend to be larger in scale and have a unique product offering. Given the high level of competition and expensive rents, these precincts tend to attract top quality operators, which offer some of Sydney's best dining.

A retail floorspace study was undertaken in these six precincts, the results of which are contained in the following table.

Darling Harbour Retail Floorspace Survey (sq.m)		Table 4.2	
	Food and Bev	Non Food & Bev	% Food & Bev
King St Wharf	8,098	140	98.3%
Imax/Convention Centre	1,949	0	100.0%
Harbourside	9,495	8,505	52.8%
Aquarium Pier	474	310	60.5%
Darling Walk	330	710	31.7%
Cockle Bay	8,151	0	100.0%
Total¹	28,497	9,665	74.7%

1. Darling Walk includes approximately 240 sq.m of vacancies.
Source: Urbis

Specific descriptions of each of the identified precincts are included below.

Harbourside Shopping Centre

The Harbourside Shopping Centre is located only 500 hundred metres from Star City and offers 18,000 sq.m of retail space. While the centre has a larger variety of stores than the other Darling Harbour precincts, it is distinct from regular shopping centres. Shops are predominately focused towards the tourist market, the majority of which are clothing and accessories. There are no large scale convenience outlets or discount department stores. The centre's larger scale tenants are those with outdoor facilities, facing the water and tend to be high end bars and restaurants. These tenants share similar characteristics to those in surrounding precincts, including larger floor plates, high end menus and distinctive product offerings.

King St Wharf

King St Wharf is approximately 600 metres (1.2 kms by foot) from Star City directly across the water from Star City. Of the Wharf's 8,238 sq.m of retail, 98% is food and beverage. The precinct comprises 6 buildings each with ground and 1st floor retail. The majority of the tenancies on the ground floor are bars/restaurants while the upper levels (entered from Lime St) are predominately restaurants. All tenants are high end operators, with large floor plates.

Aquarium Pier

Aquarium Pier is located 600 metres east of Star City (or 1 km by foot). It sits in between King St Wharf and Cockle Bay and comprises some 784 sq.m of retail space. The Pier is very much focused around the Aquarium and Wild Life Park. The only large scale retail tenant is 'Lizard Lounge' which is a bar and restaurant affiliated with the Wildlife Park. There are also a few food and beverage outlets within the Aquarium and Wild Life Park, such as ice cream stands and takeaways. Other tenancies in the precinct include harbour cruise outlets, a confectionary store and a photo shop.

Cockle Bay

The Cockle Bay Precinct is located 800 metres (1 km by foot) east of Star City and has 8,150 sq.m of retail space. It is basically two adjoining buildings, spanning 3 levels and is solely food and beverage operators. The ground floor tenants are predominately bars/restaurants while the upper levels are high end restaurants. All tenancies are high end operators similar to those on King St Wharf.

Imax/Convention Centre

The Imax/Convention centre precinct is located 900 metres south east of Star City, occupying the southern peninsula of Darling Harbour. There is approximately 2,000 sq.m of retail space, all of which is food and beverage. The majority of the retail space is divided between 2 high end bars/restaurants – Ice Cube and Food and Wine Co. Other tenancies include cafes and takeaways.

Darling Walk

Darling Walk begins just south of the Imax/Convention Centre Precinct (900 metres south east of Star City) and has some 1,280 sq.m of retail space. The precinct is much less popular than others within Darling Harbour, mainly attracting high levels of foot traffic over the weekend. Tenants include takeaways, such as McDonalds and other smaller retailers catering towards tourists such as souvenir shops and art dealers. Of the 11 tenancies in the precinct three are vacant.

4.3 Crown Casino Case Study

Crown Casino in Melbourne attracts around 15 million visitors a year, but is viewed by the market as more than a Casino but an entertainment precinct, with a significant retail offer, predominantly food and beverage. There is over 11,000 sq.m of retail floorspace at Crown, with the following floorspace mix:

- 5,000 sq.m of food and beverage (F&B);
- 4,500 sq.m of apparel; and
- 1,700 sq.m of other retailing.

The performance of each retail sector at Crown is summarised below :

- The food court is one of the strongest performing food courts in Australia.
- The other F&B retailers, including the waterfront precinct perform very well, appealing to both gaming and non-gaming clientele. The combined offer is of high quality, has a range of price points, appeals to most culinary tastes and is run by reputable operators. The other key appeal is that access to the F&B precinct is not linked to the gaming area, so the dining experience does not need to have any relationship with the core Casino (gaming) offer.
- The fashion precincts are patchy, with some of the well positioned retailers trading well while others, especially in the basement level, performing relatively poorly.
- The non-F&B retailing is complementary to the overall entertainment offer, but is not a destination in its own right, merely a supporting use to the gaming and F&B offer.

What can we learn from the Crown experience?

F&B retailing at Crown has been extremely successful. In fact, it has been able to draw people to the precinct in its own right i.e. aside from being connected with the Casino. The quality offer and breadth of choice, coupled with its desirable location have driven this result. On the other hand, non-F&B retailing has been highly dependent on specific retailer locations, and as such, many retailers have performed poorly. This non-food offer is supplementary to the core offer and doesn't have the critical mass required to draw people to the precinct in its own right.

We note that the majority of the focus in the Star City development will be geared towards food and beverage, with a high quality positioning, whilst still providing a cross section of food choices and price points. The retail areas in the vicinity of Union Street will focus on supporting local residents, which is a market that Crown has not been able to meet. This will mean that a significantly smaller proportion of the Star City retail offer will have to rely on items such as fashion outlets, similar to those that have not performed well within Crown. We expect that the retail accommodation will also provide a number of services to residents and tourists alike, such as day spas, hair and beauty salons.

As such Star City will receive a wide draw to its food and beverage uses from across Sydney and from visitors and tourists. The retail areas around Union Street will have a higher focus on servicing the local resident and workforce populations and will compliment activity generation along Union Street leading up to the main Harris Street retailing strip.

4.4 Retail Impact Assessment Methodology

The Star City development will generate considerable additional visitation to the complex, in part due to its significantly increased retail offer. The new development proposes a total of 8,556 sq.m of retail floor space, with approximately 5,300 sq.m of food and beverage (F&B) floorspace with the remaining non-food floorspace. This represents an additional 4,736 sq.m of retail floor space, comprising an additional 2,161 sq.m of food and beverage (F&B) floorspace and an additional 2,575 non-food floorspace.

Specific tenants are yet to be confirmed, and as such, we have had to make assumptions regarding the tenant mix. Based on typical retail mixes in entertainment precincts and other Casinos, we believe that the mix will be roughly as follows:

- 50% Food and Beverage (F&B)
- 20% Fashion
- 5% Jewellery/Fashion accessories
- 10% Personal services
- 15% Other retail

Based on this mix, and turnover levels of existing Star City tenants and other Sydney F&B and non-F&B retailers, we have estimated the likely turnover of the new retail development. The existing retail offer at Star City is not assessed as it is included in the existing retail offer that will be impacted by the new development.

4.4.1 Turnover Potential

Based on likely rents and current turnover levels for similar retail tenancies, turnover estimates for each of the retail uses proposed have been made. The new development is likely to turnover \$27 million in its first full year of operation (2012). The table below separates this into F&B and non-F&B uses. The turnover is split evenly between the additional F&B and non-F&B (\$12 million and \$15 million respectively).

Star City New Retail Composition & Estimated Performance

Table 4.3

	Additional Floorspace		Estimated Turnover	
	(sq.m)	(% of New)	(\$ psm)	(\$m)
Food & Beverage	2,161	46%	5,500	12
Non F&B	<u>2,575</u>	<u>54%</u>	<u>6,000</u>	<u>15</u>
Total	4,736	100%	5,800	27

Source : Star City; Urbis

4.4.2 Impact Assessment

For the purpose of this assessment, we have estimated the likely source of the \$27 million turnover to the new retail offer. As mentioned previously, this will be split between:

- Pyrmont residents, using the F&B and local convenience offer;
- Broader local residents, using primarily the F&B offer;
- Pyrmont workers, using both the convenience and the F&B offer;
- Hotel guests, using primarily the F&B offer; and
- Casino visitors, which include gaming patrons, theatre visitors, conference delegates, tourists and those beyond the broader local area (effectively all visitors to the Casino beyond the categories defined above), using primarily the F&B offer;

The following steps have been taken to estimate the impact the proposed retail offer will have on the existing retail offer in Pyrmont, Darling Harbour and then the rest of Sydney.

- Step 1 Assess the size of each segment's contribution to the development's turnover.
- Step 2 Estimate the likely contribution from each segment for each of the various spending categories (i.e. F&B versus non-F&B).
- Step 3 Assess the size of the competing locations (Pyrmont and Darling Harbour specifically).
- Step 4 Assess the impact of the redirected spending on the competing locations.

Each of these steps are discussed in depth below.

Step 1

The size of the five key market segments was estimated based on the size of the segment and their spending profile. For instance, about 12,500 residents are forecast to live in Pyrmont in 2012, and on average, spend \$2,700 per annum on F&B retailing and \$7,000 on Non F&B retailing (based on estimates from MarketInfo). This equates to a spending market of \$34 million in F&B retailing and \$155 million in Non F&B retail. The same analysis was undertaken for the other 4 segments as outlined below:

- Broader local resident population and spending estimated as above.
- Size of the local Pyrmont worker market and their average daily spend based on typical CBD worker expenditure profiles.
- Hotel visitors and their daily expenditure profile based on Tourism Australia's National and International Visitor Survey.

- Casino visitor estimates are based on Star City's Gaming Room head counts and expenditure profile based on a mix of typical gaming patron expenditure, resident expenditure profiles and tourist visitor profiles. The gaming room headcounts have been scaled back to remove double counting the other categories.

Step 2

Once the size of each of the spending markets is estimated, an assessment of the likely turnover distribution to the new development needs to be made (i.e. where is the \$27 million spending coming from). These estimates are split into F&B and Non F&B however the estimates below are the summary of the more detailed Table 4.4 (note rounding errors may result in percentages not totalling to 100%) :

- Pymont residents to contribute 25%
- Broader Local residents to contribute 30%
- Pymont workers to contribute 11%
- Hotel visitors to contribute 9%
- Casino Visitors to contribute 25%

	Turnover (\$m)			Size of Market (\$m)			Market Share (%)			Turnover Dist'n (%)		
	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total
Pymont Residents	3	4	7	34	155	188	9%	2%	4%	25%	25%	25%
Broader Local Residents	4	4	8	425	1,962	2,387	1%	0%	0%	35%	26%	30%
Pymont Workers	1	2	3	24	47	71	3%	5%	4%	7%	15%	12%
Hotel visitors	2	1	2	24	12	35	7%	8%	7%	13%	6%	9%
Other Casino Visitors	2	4	7	238	162	400	1%	3%	2%	20%	28%	25%
Total	12	15	27	745	2,337	3,082	2%	1%	1%	100%	100%	100%

Note: Other casino visitors exclude other categories to avoid double counting and include gaming visitors, tourists and other Sydney residents beyond the identified areas previously
Source : Urbis

Step 3

The next step involved assessing the current and forecast turnover of the existing Pymont retailers and the Darling Harbour retailers, the two competing locations expected to be impacted most by the Star City development.

The tables below show the estimated turnover of local retailers in 2012 if the Star City development were not to occur. It is estimated that:

- Pymont retailers are forecast to turnover \$105 million, \$39 million in F&B retailing and \$66 in Non-F&B retailing. It is estimated that their current (2008) turnover level is \$94 million.
- Darling Harbour retailers are forecast to turnover \$207 million, \$151 million in F&B retailing and \$57 million in Non F&B retailing.

Pymont Retailers Source of Business 2012 - No Star City Development **Table 4.5**

	Turnover (\$m)			Size of Market (\$m)			Market Share (%)			Turnover Dist'n (%)		
	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total
Pymont Residents	8	40	47	34	155	188	24%	26%	25%	20%	60%	45%
Broader Local Residents	4	5	9	425	1,962	2,387	1%	0%	0%	10%	8%	9%
Pymont Workers	14	18	32	24	47	71	57%	40%	45%	35%	28%	31%
Hotel visitors	1	1	1	24	12	35	3%	6%	4%	2%	1%	1%
Other Casino Visitors	13	2	15	238	162	400	5%	1%	4%	33%	3%	14%
Total	39	66	105	745	2,337	3,082	5%	3%	3%	100%	100%	100%

Note: Other casino visitors exclude other categories to avoid double counting and include gaming visitors, tourists and other Sydney residents beyond the identified areas previously
Source: Urbis

Darling Harbour Retailers Source of Business 2012 - No Star City Development **Table 4.6**

	Turnover (\$m)			Size of Market (\$m)			Market Share (%)			Turnover Dist'n (%)		
	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total
Pymont Residents	5	3	7	34	155	188	13%	2%	4%	3%	5%	4%
Broader Local Residents	15	6	21	425	1,962	2,387	4%	0%	1%	10%	10%	10%
Pymont Workers	2	1	2	24	47	71	6%	1%	3%	1%	1%	1%
Hotel visitors	2	1	2	24	12	35	6%	5%	6%	1%	1%	1%
Other Casino Visitors	128	47	175	238	162	400	54%	29%	44%	85%	83%	84%
Total	151	57	207	745	2,337	3,082	20%	2%	7%	100%	100%	100%

Note: Other casino visitors exclude other categories to avoid double counting and include gaming visitors, tourists and other Sydney residents beyond the identified areas previously
Source: Urbis

Step 4

The market shares estimated in Step 2 can be applied to impact the retail turnover estimated in Step 3. For instance, 3% of Pymont residents' total retail turnover is expected to be directed towards the new Star City retail offer. Therefore, the contribution to Pymont retailers from Pymont residents is likely to be impacted by 3%. This same assessment is used for the other market segments. Tables 4.7 and 4.8 below outline the turnover of Pymont and Darling Harbour retailers within the inclusion of the Star City Development.

Pymont Retailers Source of Business 2012 - With Star City Development **Table 4.7**

	Turnover (\$m)			Size of Market (\$m)			Market Share (%)			Turnover Dist'n (%)		
	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total
Pymont Residents	7	39	46	34	155	188	21%	25%	24%	19%	60%	45%
Broader Local Residents	4	5	9	425	1,962	2,387	1%	0%	0%	10%	8%	9%
Pymont Workers	13	18	31	24	47	71	55%	38%	44%	35%	27%	30%
Hotel visitors	1	1	1	24	12	35	3%	5%	4%	2%	1%	1%
Other Casino Visitors	13	2	15	238	162	400	5%	1%	4%	34%	3%	15%
Total	38	64	102	745	2,337	3,082	5%	3%	3%	100%	100%	100%

Note: Other casino visitors exclude other categories to avoid double counting and include gaming visitors, tourists and other Sydney residents beyond the identified areas previously
Source: Urbis

Darling Harbour Retailers Source of Business 2012 - With Star City Development Table 4.8

	Turnover (\$m)			Size of Market (\$m)			Market Share (%)			Turnover Dist'n (%)		
	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total
Pymont Residents	4	3	7	34	155	188	12%	2%	4%	3%	5%	3%
Broader Local Residents	15	6	21	425	1,962	2,387	4%	0%	1%	10%	10%	10%
Pymont Workers	1	1	2	24	47	71	6%	1%	3%	1%	1%	1%
Hotel visitors	1	1	2	24	12	35	6%	4%	5%	1%	1%	1%
Other Casino Visitors	127	46	172	238	162	400	53%	28%	43%	85%	83%	85%
Total	149	55	204	745	2,337	3,082	20%	2%	7%	100%	100%	100%

Note: Other casino visitors exclude other categories to avoid double counting and include gaming visitors, tourists and other Sydney residents beyond the identified areas previously
Source : Urbis

4.4.3 Results

Based on the analysis above, the following tables summarise the impact of the Star City development on the existing retail offer.

- Local Pymont retailers currently turnover an 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 above current levels, and the un-impacted (no development) level (i.e. \$105 million) would be reached in the early part of 2013 (i.e. the development impact is the equivalent just over one year of growth).
- Darling Harbour retailers are expected to be impacted by about 2%. This reduces anticipated turnover in 2012 from \$207 million to \$204 million.
- The rest of the impact will be spread across the rest of Sydney. If this was to impact the Sydney CBD alone, the impact would be less than 1% of estimated turnover and therefore is negligible in the context of the broader Sydney market.

Star City Impact Assessment, 2012 Table 4.9

	Turnover - No dev			Turnover with development (\$m)			% Impact			NET IMPACT
	F&B	Non FB	Total	F&B	Non FB	Total	F&B	Non FB	Total	\$m
Pymont Retailers	39	66	105	38	64	102	4%	3%	3%	-3
Darling Harbour Retailers	151	57	207	149	55	204	1%	2%	2%	-3
TOTAL	190	122	312	187	119	306	2%	3%	2%	-7

*\$7 million of the \$27 million of turnover is likely to be redirected from local Pymont retailers and Darling Harbour retailers

The remaining \$20 million will be diverted from all around Sydney. If it was to be diverted away from the CBD only, then the impact

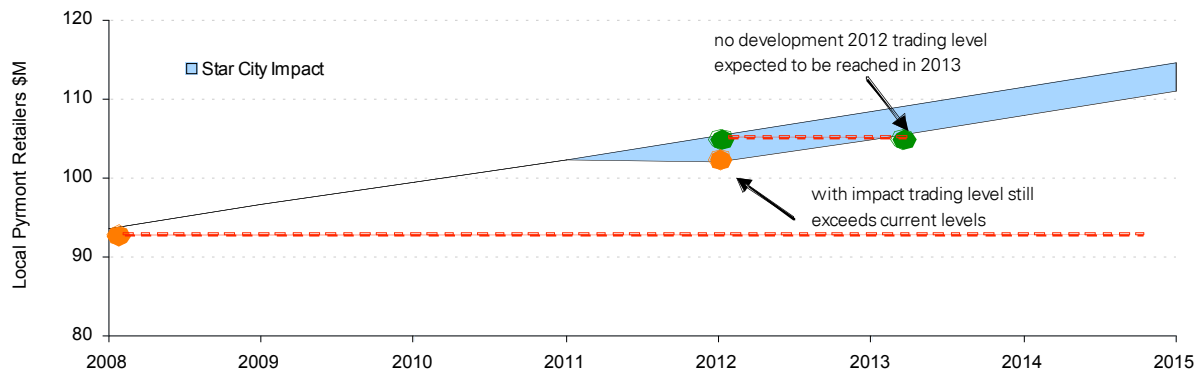
CBD	672	2,018	2,690		2,670				0.8%	
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Source : Urbis

- 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.
- We do not consider that the anticipated impact will be onerous and will be quickly pickup by market growth.

Star City Development, Impact on Local Pymont Retailers

Chart 4.1



Source: Urbis

4.5 Other Economic and Consumer Benefits

Following on from the preceding discussion the proposed Star City development would also have a number of specific benefits for consumers including:

- The proposed development will strengthen the entertainment and tourism role of Pymont and Darling Harbour by improving the food and beverage offer.
- The proposed development will provide 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 Pymont area.
- The proposed development will provide additional choices for consumers, promoting greater competition with possible benefits in terms of price, competition and quality. The proposed development, including a stronger food offer, will reduce the need for local Pymont trade area residents to travel as far to undertake shopping trips outside of the trade area, reducing travel demand for shopping purposes.
- The proposed development addresses a number of objectives identified by the City of Sydney, including strengthening the activity along Union Street, which will provide better connections to the main local retail strip on Harris Street.

Employment benefits of the proposed development are detailed in Section 6.

5 Hotel Assessment

5.1 Introduction

Like any other sector, supply and demand are the fundamentals that drive the economic outcome of the hotel market. This assessment is separated into the supply side position and the current and forecast demand situation. Once these two sides are understood, an assessment of the impact this development will have on other hotels can be made.

The proposed development will be targeted towards the high-end user. The 309 room, 5 star hotel is expected to compete with Sydney's most exclusive hotels.

5.2 Existing Supply

For the purposes of this assessment we have confined our hotel supply to the inner Sydney area, as defined in Map 5.1. Within this area, there are over 70 hotels that have a 4 star rating or above. Those with less than that rating have been deemed not to compete with the proposed development, and as such have been removed from the analysis. Of the 11,500 rooms in the hotels, nearly half the rooms (43%) have a 5 star rating.

Sydney CBD Hotel Supply by Star Rating, 2008

Table 5.1

Star Rating	Number of Hotels	Number of Rooms	Average Rate
★★★★★	32	5,021	479
★★★★☆	18	3,171	371
★★★★	23	3,305	304
Total¹	73	11,497	383

¹ Based on those hotels depicted on Map 5.1

Source : Urbis

In terms of future supply, there is limited potential for the inner Sydney area to significantly increase its supply in the short term. This is because:

- There are a limited number of sites in the Sydney CBD and immediate surrounding areas available for hotel construction. As such, there is unlikely to be a flood of supply into the hotel market.
- The hotel sector from a developer/owner perspective has a number of intricacies that makes a hotel development less appealing than other forms of property development. These include:
 - Uncertainty of the tourism market and factors beyond the operator/owners control;
 - Difficulty in risk sharing – in other property sectors the risks are often shared between two or more parties;
 - Long establishment period;
 - Supply is lumpy, and therefore the impact of new supply can be significant;
 - Hotel users are fickle and trends change. Therefore, capital expenditure can be substantial for hotels to stay relevant. Further, hotels are relatively inflexible from an upgrade/redevelopment perspective (e.g. hotel room sizes can become obsolete).