

**ANGEL PLACE
LEVEL 8, 123 PITT STREET
SYDNEY NSW 2000**

URBIS.COM.AU
Urbis Pty Ltd
ABN 50 105 256 228

Mr Frank Katsanevas
Group Design Manager
SH Gosford Residential Pty Ltd

14 April 2022

Dear Frank,

CENTRAL COAST QUARTER – SOCIAL AND ECONOMIC IMPACT ASSESSMENT UPDATE

This letter comprises an update to the Social and Economic Impact Assessment Report Urbis prepared in September 2019 as part of the Concept State Significant Development Application for Central Coast Quarter.

The impetus for this update is the proposed change of the approved hotel use to a commercial office use.

1. SUBJECT SITE AND PROPOSED DEVELOPMENT

Subject Site

The subject site comprises eight contiguous lots situated at 26-30 Mann Street, Gosford. It is located approximately 76 km north of the Sydney CBD, in the Central Coast Local Government Area (LGA).

The site is situated 650 metres south of Gosford Railway Station, which provides access south to Sydney CBD via Strathfield and north to Newcastle Interchange. The Imperial Shopping Centre is the closest supermarket centre, located 550 metres north-east of the subject site, while Erina Fair is the closest regional shopping centre, situated 5.9 km east of the site. Key health facilities of Gosford Hospital and Gosford Private Hospital are located 1.6km northwest and 2.4 km northeast, respectively.

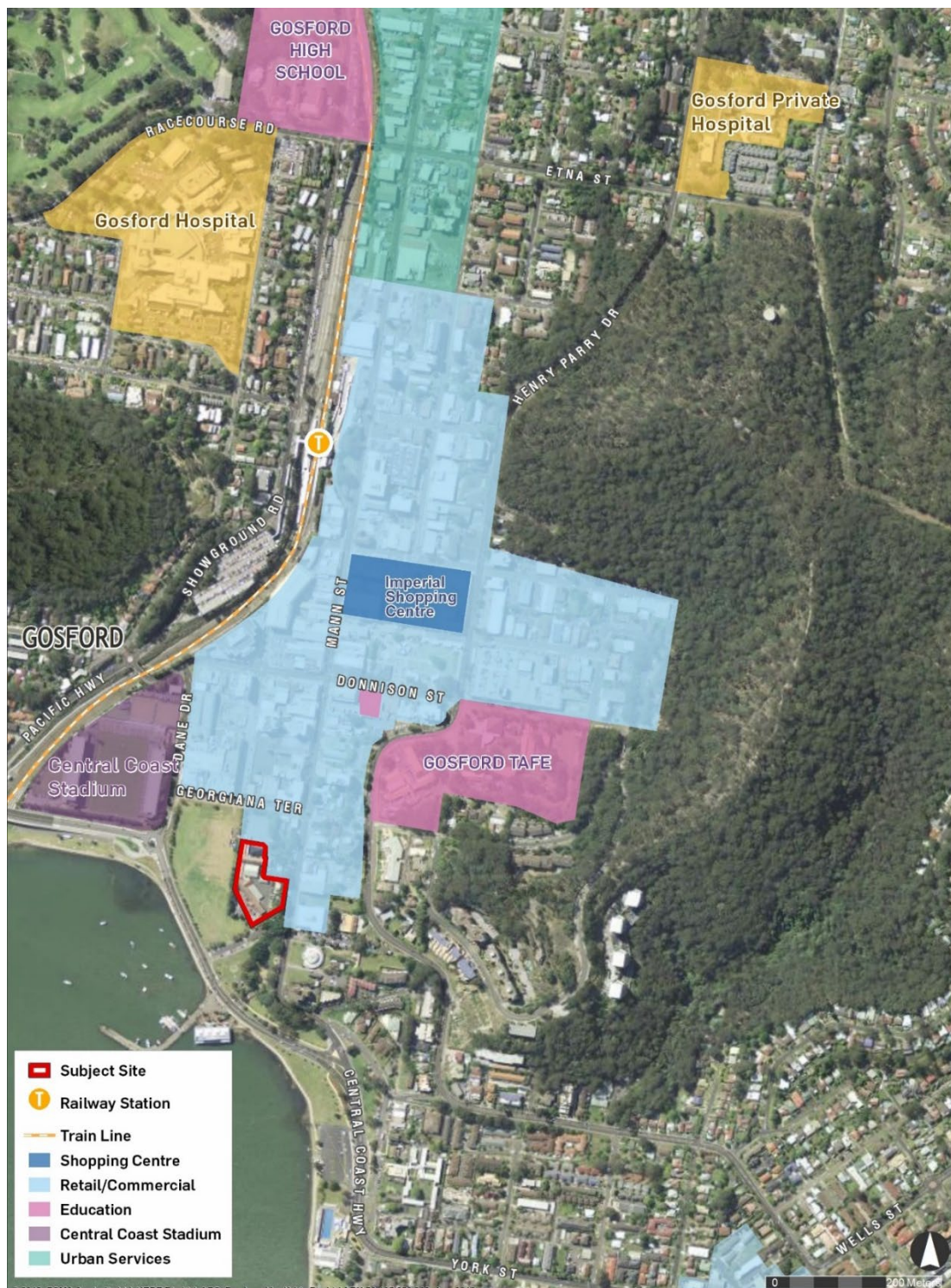
The existing development surrounding the subject site comprises a six storey mixed use building made up of 7,340 sq.m of commercial floorspace at 32 Mann Street, a new commercial building situated north of the subject site at 99 Georgiana Terrace, Gosford City Park to the west, and Gosford Police Station to the east on Mann Street.

Map 1.1 shows the location of the subject site, and the broader local context is shown in Map 1.2.

Map 1.1 – Subject Site



Map 1.2 – Local Context



Proposed Development

The Proponent recently received approval for a Concept State Significant Development Application which seeks to deliver a mixed use development over three stages. The approved concept for Central Coast Quarter included the following broad mix and scale of uses:

- Residential – maximum of 22,414 sq.m of Gross Floor Area (GFA)
- Hotel – maximum of 9,660 sq.m of GFA
- Commercial / Retail – minimum of 2,787 sq.m of GFA.

The Proponent has advised that the entire development could be developed by 2025.

Proposed Change of Approved Use

The Proponent is now seeking a change to the development approval that will allow the envelope and associated 9,660 sq.m of GFA approved for the hotel use to instead accommodate a boutique-style A-Grade equivalent commercial office use.

Urbis have therefore been engaged by the Proponent to provide an update of the Social and Economic Impact Assessment prepared in September 2019 that reflects the proposed change of approved use.

The following sections of this letter outline:

- The economic rationale for the proposed change of approved use
- Updated economic benefits assessment reflecting the proposed change of approved use
- Updated social impact assessment reflecting the proposed change of approved use.

2. ECONOMIC RATIONALE FOR CHANGE OF APPROVED USE

There are two key points of economic rationale that underpin the Proponent's proposed change of the approved hotel use to commercial office use:

1. The COVID-19 pandemic has heavily impacted the tourism sector, rendering the approved hotel use no longer commercially feasible
2. There is currently a lack of high quality commercial office space within the Gosford city centre, and the proposed development presents an opportunity to deliver this higher quality space.

These two key points are detailed below.

COVID-19 has Heavily Impacted the Tourism Sector

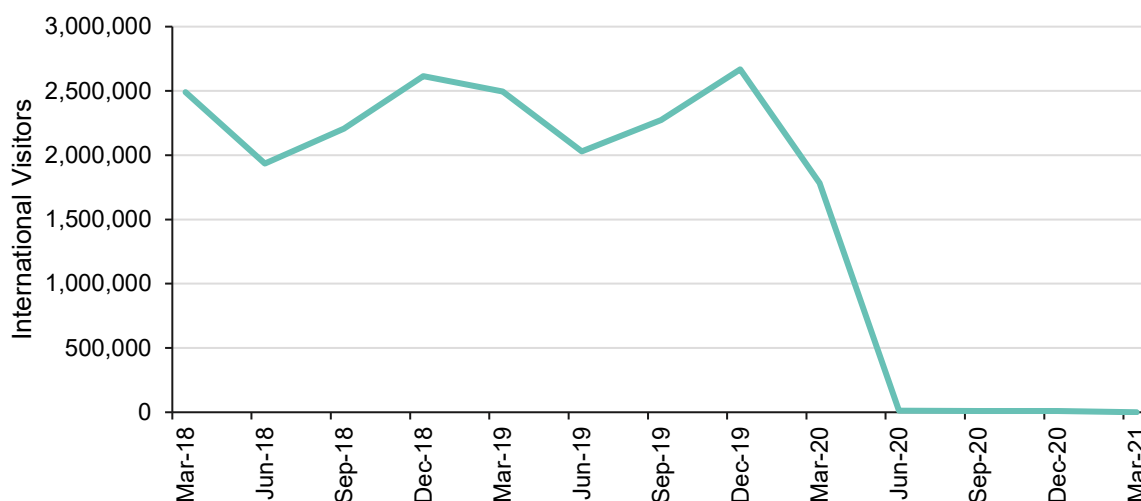
While the unprecedented COVID-19 pandemic has had substantial impacts on many sectors, tourism has been one of the hardest hit sectors. The sector was already under pressure in the wake of the devastating bushfire season in late-2019 / early-2020, particularly the Central Coast region.

Chart 2.1 outlines the historic international visitor numbers to Australia between March 2018 and March 2021, as reported by Tourism Research Australia (TRA). Prior to COVID-19, Australia received around 2 million to 2.5 million visitors per quarter. However, in response to the pandemic, the Australian Government imposed strict international border closures in March 2020. This resulted in a

drastic fall in international visitors, which flatlined to historically low levels from April 2020 onwards. This had severe repercussions for Australian hotel and resort operators.

According to hotel industry data published by STR, average occupancy rates in Australia fell from 72.8% in December 2019 to just 23.7% by June quarter of 2021. Occupancy rates have since steadily risen, spurred by domestic travel as interstate borders have reopened. However, the hotel industry is still expected to experience a prolonged recovery to reach pre-COVID occupancies, which will be heavily reliant on the recovery of the international tourism market.

Chart 2.1 – Historical International Visitation to Australia, March 2018 – March 2021



Source: Tourism Research Australia

Table 2.1 outlines TRA's forecast recovery timeframes for international tourism to return to 2019 (pre-pandemic) levels in Australia. The table shows that international visitation is anticipated to return to pre-COVID levels as early as October 2022, under an Optimistic Scenario, and as late as February 2025, under a Pessimistic Scenario.

However, these estimates were prepared in November 2020 and do not take into consideration any unforeseen developments in the pandemic since, including the emergence of the Delta-variant wave in early-2021, and subsequent Omicron-variant wave in late-2021, and their repercussions on the tourism sector.

Therefore, the Optimistic and Most Likely Scenarios present a relatively bullish view on recovery, particularly given the issues around containment of the Delta-variant domestically and across key visitor markets. Furthermore, economic conditions have weakened globally, due to political conflicts in Europe, exacerbating the tourism sector's slow recovery. These factors will likely delay the return of international travel and consumer confidence.

Table 2.1 – International Visitor Recovery Scenarios and Timeframes

Scenario	Recovery Timeframe
Optimistic	October 2022
Most likely	October 2023
Pessimistic	February 2025

Note: Recovery timeframes indicate when international visitor numbers to Australia are forecast to reach 2019 levels.

Source: Tourism Research Australia

Overall, the COVID-19 pandemic has dampened demand for short term accommodation across Australia, including within the Central Coast. The reduced occupancy rates and prices mean that it is longer commercially feasible for the Proponent to develop a hotel at the subject site.

There is a Lack of High Quality Commercial Office Space within the Gosford City Centre

As part of the Social and Economic Impact Assessment prepared by Urbis in 2019, Urbis conducted a field audit of the Gosford city centre in August 2019. During this audit, Urbis staff inspected the existing commercial space to estimate the quality and level of vacancy within the city centre. Quality was assessed on a three-point scale, as follows:

- **Low Quality:** Older buildings and fit-out which present poorly (roughly equivalent to C or D Grade commercial stock)
- **Medium Quality:** Mix of older and relatively new buildings and fit-outs that present fairly well (roughly equivalent to B Grade commercial stock)
- **High Quality:** All relatively new buildings and fit-outs that present very well and generally have large floorplates (roughly equivalent to A-Grade commercial stock).

As at August 2019, there was estimated to be 114,750 sq.m of commercial floorspace (excluding retail) within the Gosford city centre. While the overall commercial vacancy rate was estimated to be ~25%, vacant floorspace was an continues to be heavily concentrated within the low-quality commercial buildings (~69% vacant) and strip tenancies (~27% vacant). Medium- and high-quality commercial buildings exhibited substantially lower vacancies of less than 6%, indicating clear demand and reference for higher quality office spaces within the city centre.

Table 2.2 – Existing Commercial Floorspace, Gosford City centre (August 2019)

	Total GFA (sq.m)	Vacancy Rate (%)	Quality (1 = Low, 3 = High)
Commercial Building Quality			
Low	20,646	69.1%	1
Medium	35,199	4.1%	2
High	15,351	5.4%	3
Strip Tenancies			
Gosford City centre	43,555	27.3%	1
Total Commercial			
Total	114,751	24.8%	

Source: Urbis

Furthermore, no substantial commercial office floorspace has been delivered in the city centre since the Proponent's delivery of the A-Grade commercial building at 32 Mann Street, Gosford in January 2019.

The lack of any substantial new commercial supply being delivered in the city centre since 2019, combined with low vacancy rates in medium-to-high quality office stock, indicates a clear need and opportunity to deliver additional high quality commercial office space.

The proposed change of the approved hotel use at the subject site to an A-Grade equivalent commercial office use will therefore provide a number of key benefits to the Gosford city centre and commercial market. These include:

- Complementing the Gosford city centre by improving the overall commercial office offer in the local area and by contributing a critical mass of A-Grade commercial space. It is noted that St Hilliers have successfully delivered an A-Grade commercial building at the 32 Mann Street. This development demonstrates the level of quality and offer that will be delivered as part of the proposed scheme
- Providing higher quality commercial space that will attract new businesses into the city centre who are currently put off by the poor quality of the existing vacant space
- Delivering highly accessible commercial space that is well serviced by major bus routes, with a bus stop located at the north-eastern corner of the site at the corner of Mann Street and Georgiana Terrace. Gosford Railway Station is also located 800 metres north of the site, offering convenient access by commuters, local residents and visitors to the site.

3. UPDATED ECONOMIC BENEFIT ASSESSMENT

We have undertaken an update of the economic benefits likely to result from the proposed development at the subject site once completed and operational, reflecting the proposed change of the approved hotel use to a commercial office use.

Operational Phase – Employment Benefits

The ongoing operation of the proposed facilities will directly and indirectly support new jobs in the local region and state. Table 3.1 outlines the direct and indirect operational jobs estimated to be generated by the proposed commercial uses compared to the approved hotel uses.

Table 3.1 – Comparison of Operational Employment Outcomes

	Hotel Uses (Approved)	Commercial Uses (Proposed)	<i>Difference</i>
Direct Operational Jobs	110	483	+373
Indirect Operational Jobs	40	310	+270
Total Operational Jobs	150	793	+643

Source: REMPLAN, Urbis

Under the existing approval, the hotel is estimated to generate 110 direct jobs (based on the industry standard benchmark of 1.66 jobs per room) and 40 indirect jobs, equating to a total of 150 jobs. Under the proposed change to commercial uses, the 9,660 sq.m of commercial floorspace is estimated to generate 483 ongoing direct jobs (based on the industry standard benchmark of 20 sq.m per worker for non-CBD commercial space) and 310 indirect jobs, equating to a total of 793 total jobs.

Therefore, the change of use to commercial is expected to generate an additional 643 jobs (373 direct and 270 indirect), compared to the existing approval.

The updated direct (based on industry standard jobs per sq.m benchmarks) and indirect employment benefits for the overall development are shown below and in Table 3.3:

- Direct Jobs = 623
- Indirect Jobs = 356
- Total Jobs = 979.

Operational Phase – Value Added Benefits

Once complete, the proposed facilities will generate ongoing additional Gross Value Added (GVA) via annual contributions to Gross State Product. GVA essentially represents economic growth for the region and state (i.e. Net Economic Output: this is total economic output minus output which is an input for other sectors). This represents economic activity which would otherwise not have occurred.

Table 3.2 outlines that, in addition to supporting greater direct and indirect employment, the proposed commercial uses will also generate higher GVA than the approved hotel use.

Table 3.2 – Comparison of Gross Value-Added Generation Per Annum (\$2022)

	Hotel Uses (Approved)	Commercial Uses (Proposed)	<i>Difference</i>
Direct GVA (\$M)	\$10.4	\$76.0	+\$65.6
Indirect GVA (\$M)	\$6.8	\$54.9	+\$48.1
Total GVA (\$M)	\$17.2	\$131.0	+\$113.7

Source: REMPLAN, Urbis

Under the existing approval, the ongoing employment at the hotel would generate only \$17.2 million in GVA per annum for the NSW economy. However, under the proposed change, the employment generated by the commercial uses would contribute \$131.0 million in GVA per annum, an increase of \$113.7 million per year. The significant difference in GVA generated under the two scenarios reflects the higher number of jobs created by the commercial uses and the higher productivity (i.e. GVA per worker) of commercial office workers, relative to hotel workers.

The updated GVA benefits for the overall development are shown below and in Table 3.3:

- Direct Value-Added = \$87.8 million per annum
- Indirect Value-Added = \$62.8 million per annum
- Total Value-Added = \$150.6 million per annum.

Table 3.3 – Economic Benefits of Overall Development – Operational Phase (\$2022)

	Direct	Indirect	Total
Employment (Jobs)	623	356	979
Value-Added (\$M)	\$87.8	\$62.8	\$150.6

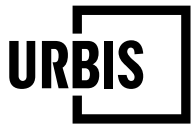
Source: REMPLAN, Urbis

4. UPDATED SOCIAL IMPACT ASSESSMENT

As noted in Section 3, the change of use from hotel to commercial will create 373 more jobs than what was anticipated under the existing approval. The higher worker population will likely generate some small additional demand for child care.

Under the existing approval, it was estimated in the Social and Economic Impact Assessment prepared by Urbis in 2019 that the incoming residential and worker population would generate around 10 childcare places. Demand for childcare based on the existing residential population and the additional jobs will increase to around 15-16 places.

This will not trigger the need for a childcare facility. The demand for childcare places is likely to be absorbed by existing facilities or future facilities that the private market may provide given the broader population growth anticipated for Gosford city centre.



The higher worker population will not generate demand for any other community facilities.

5. CONCLUSION

Our analysis finds strong economic rationale for changing the development approval to allow the envelope and associated 9,660 sq.m of GFA approved for the hotel use to instead accommodate a boutique-style A-Grade equivalent commercial office use.

Yours sincerely,

A handwritten signature in blue ink that reads "Princess T. Ventura". The signature is written in a cursive, flowing style.

Princess Ventura
Regional Director
+61 2 8233 9904
pventura@urbis.com.au