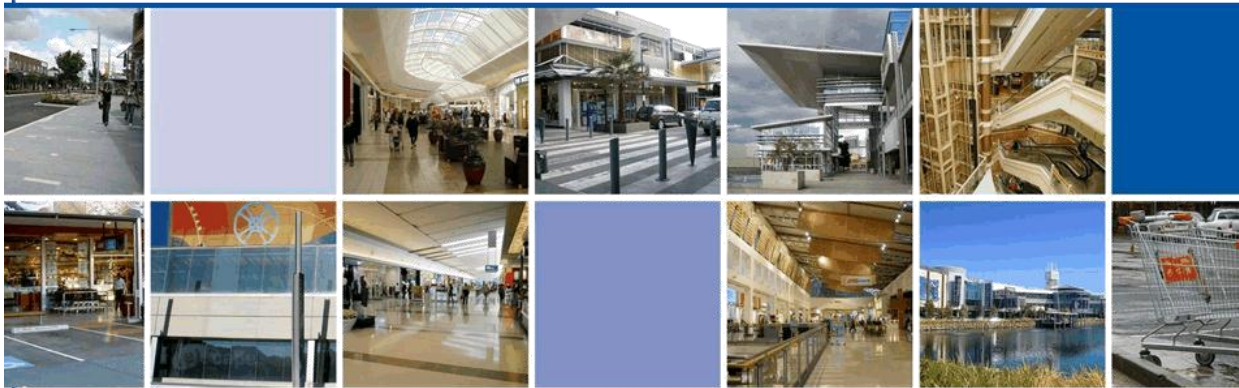


THE COOLUM RESIDENCES

Peer Review – RPS Economic Impact Summary

October 2014



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Section 1: Previous Advice

Initial Economic Response: Coolum Residences (23/9/14)

1. Is the project as contemplated only likely to proceed in the proposed development format (i.e. height/size/concept)?

The project proponent has provided insufficient information in relation to hotel operators and target markets. Examples of low scale/high quality beach resorts include:

- Mirvac/Bunker Bay (WA)
- Mornington Peninsula (Vic) several golf resorts

From an economic perspective, post GFC the Sunshine Coast confronts a highly competitive tourism market with medium to low quality tourism product. Early timing of major new (premium) quality tourism investment could be a catalyst in the short term for tourism with sufficient scale. From an economic perspective however, we note that the RPS economic impact matrix does not indicate how the project might align with local product. For example, does the project grow the market with (say) international tourists (e.g. Chinese) or does it cannibalize local markets by diverting domestic tourists?

From an economic perspective investor appetite needs to be balanced against tourism and urban planning objectives. We note that much of regional Australian tourism (Cairns, Townsville, Gold Coast, and Broome) is performing poorly and requires significant investment. Cairns and Gold Coast have been offered casino licences as part of the Integrated Resort offer. The requirement for additional height for example could be considered an economic measure to compensate for political economic subsidies provided by casinos.

2. Does the proposed development format provide significant wider community economic benefits in the short and long run?

From an economic perspective the proposed project will provide short term economic benefits. MacroPlan will review the PRS impact assessment. The key questions to consider are these:

- In the long term will the project affect existing tourism potential branding or stimulate more high rise developments?
- Does high rise really have any negative economic impacts?
- What is the long term tourism objective for the area in terms of branding amenity, activity and capacity for the development?

3. Are the economic benefits identified by the proponents in 2012 and 2014 consistent and reasonable given the significant headline differences?

MacroPlan will review the scale of economic benefits and potential economic costs of the project having regard for Quarter 1 and Quarter 2. We note that the proposed total size of the tourism component (250 hotel rooms and 150 serviced apartments) needs to be confirmed given the significant reduction in size from 2012.

4. Is the proposed project viable only in the current development format? What is the relative significance of the hotel and the high rise residential components?

Subject to hotel operators indicating a propensity to proceed in the short term, we do not believe that overall viability is a key project issue. We note that the economic impact analysis assumes the hotel is not built until year six of the project. Certainty of the hotel proceeding is critical to economic assessment because the hotel component (with the 12 storey requirement) is critical in achieving the economic benefits described by RPS.

5. Are there short term economic imperatives (e.g. unemployment) that could be addressed with significant long term impact on investors in the area?

From an economic perspective, there are short term economic issues in relation to unemployment on the Sunshine Coast which need to be addressed. The subject proposal assumes levels of investment and local jobs generated with no timing. If the answer to this question is to be a critical determining factor, the proponents should more carefully specify how local issues will be addressed and how the project will be staged.

I have tracked the changes in development concept from the original approval through 2013 and 2014 from an economic perspective and note two key aspects affecting the project viability.

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This dwelling increase will significantly improve development feasibility. The second significant change appears to be from 2013 to 2014 where hotel rooms appear to reduce to 250 plus 150 serviced apartments.

The economic analysis provided by the proponents suggest that this creates a significant reduction in economic benefit.

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The overall intensity of the project as it relates to the greater tourism sub region is important to consider as is the focus of the tourism offer, (i.e. how much it adds to the target market segments). The information provided by the proponents is insufficient to gauge the relative benefits to the tourism sector.

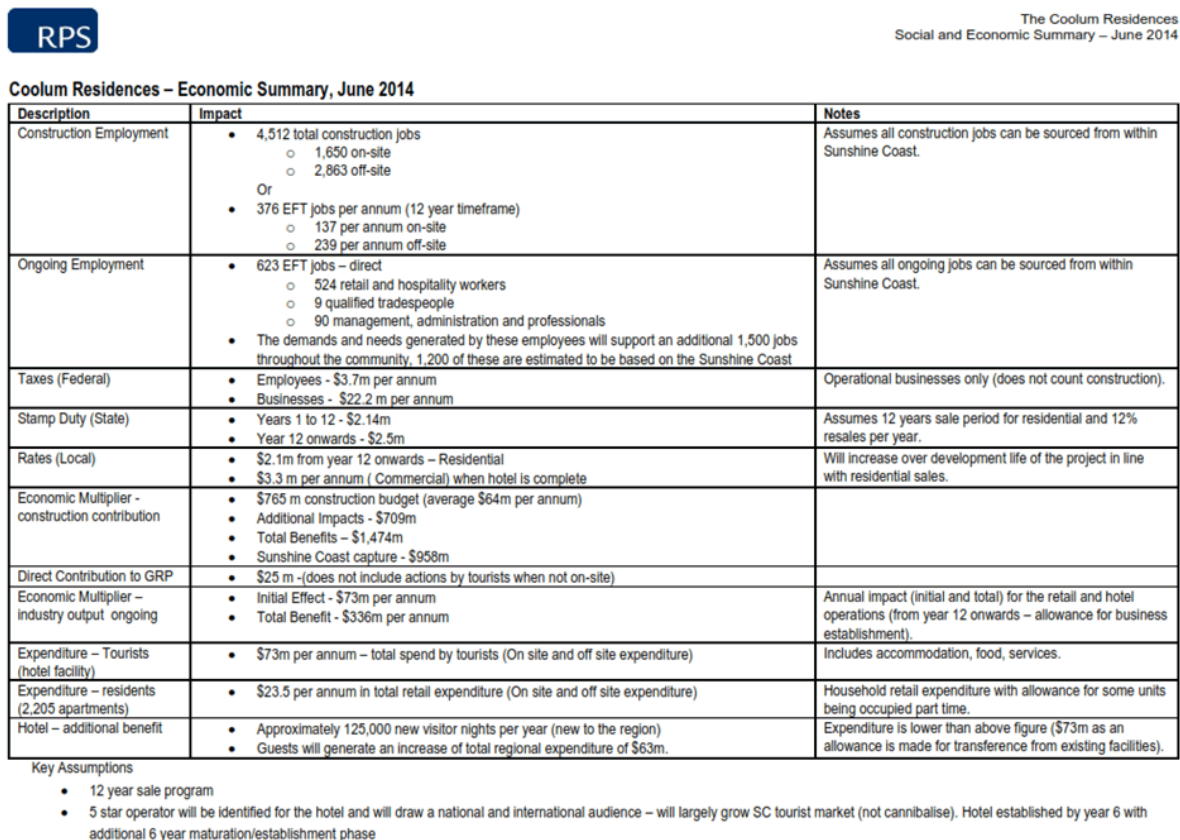
From an economic perspective if the project provides only 250 hotel rooms / 150 serviced apartments in a 12 storey configuration, this offer could be relatively insignificant economically.

MacroPlan are peer reviewing the relative impact of the hotel component as part of the overall project to test this hypothesis. Given the relatively modest tourism offer and the site development intensity it is possible that a lower scale resort type hotel facility would not render the overall project unviable.

In this respect, both further proponent information and sensitivity analysis would be necessary to confirm this proposition.

While the scale of tourism economic benefits could be relatively modest, it should be noted that it is extremely difficult to attract investment in five star hotels in Australia.

Figure 1: RPS Social and Economic Summary - June 2014



Initial Review – RPS Economic Summary (29/9/14)

Please find below our review of the RPS Economic Summary, June 2014 (Figure 1). Key points of note:

1. The RPS summary report appears to relate to the development of 2,205 dwellings, 250 hotel rooms plus 150 apartments.
2. The summary report contains no assumptions, sources, and contains no explanation of the derivation of key data.
3. The summary report does not provide any information regarding the need for 2,205 dwellings to make the project viable.
4. The summary report does not assess the size of the economic impact on the region i.e. in terms of tourism, for example. Is the identified economic impact large, small or moderate?

Our review of the RPS economic summary is as follows based on unsubstantiated information from the 2013 Coolum Beachside Residences Presentation, that the construction cost of the project is \$1bn.

- Construction employment total estimates (4,512 jobs) or 376 EFT (effective full time equivalent) per annum over a 12 year timeframe appears reasonable. We note the 12 year project time frame has not been validated.
- Ongoing annual employment estimates of 623 EFT jobs direct and 1,500 jobs indirect with 1,200 based on the Sunshine Coast appear reasonable.
- Taxes (Federal). Inadequate information to assess.
- Stamp Duty (State). Inadequate information to assess.
- Rates (Local). Inadequate information to assess.

- Economic Multiplier (construction contribution) total benefits of \$1,474m appears reasonable.
- Direct contribution to GRP. Inadequate information to assess.
- Economic Multiplier (industry output ongoing). Inadequate information to assess.
- Expenditure – Tourists (hotel facility). We note that \$73m per annum appears high but this is based on MacroPlan assumptions in relation to:
 - Occupancy rates
 - The actual performance of the serviced apartments and potential contract conditions for owners to occupy.
- Expenditure – Residents (2,205 apartments) we note that \$23.5m per annum appears low.
- Hotel (additional benefit) based on 250 hotel rooms and 150 serviced apartments. The forecast 125,000 new visitor nights is high. This would require occupancy rates around 85% across the hotel and serviced apartments and assumes that no visitors are diverted from the existing tourist establishments.

In conclusion, MacroPlan make the following observations:

1. Our analysis is based on a \$1bn construction budget. While we note this is not verified, it is a very significant project by Australian standards and the project will provide significant economic benefits.
2. Overall the RPS estimates reviewed are credible.

3. The hotel/serviced apartments (400) to residential (2,205 apartments), means that the hotel/serviced apartments comprise 15% of the total (2,605 rooms and apartments). This is a low ratio.

Section 2: Further Advice Regarding Economic Significance

Further to the initial advice outlined above, and given the unavailability of the full RPS economic report outlining their key input assumptions, MacroPlan Dimasi has undertaken further detailed economic modelling in order to:

- review the RPS assumptions and outputs
- review the approach to quantification of the economic contribution of the project and more specifically the economic benefit of the hotel component to the Sunshine Coast economy.

Assessment Approach

For this assessment, MacroPlan Dimasi have adopted an approach which isolates the key catalysts of economic impact and provides an overview of the assumptions, method of measurement and impact assessment for each.

Our analysis has considered the forecast levels of activity resulting from the project, while both local and regional drivers have been reviewed in terms of scale, timing and property markets.

Background information on this project, including relevant data to assist in the consideration of the scenarios, has been collected from a range of sources, in particular the key costings and project specification for the projects components have been provided by the proponent.

The economic impacts include:

- The annual ongoing outputs that are enabled by new property assets (on-site) and by additional output to service tourists off-site.

- The employment outcomes from this output as well as initial multiplier impacts.
- An estimate of the proportion of the employment that is likely to be retained within the local region and beyond.

The proposed development will generate significant employment opportunities, and are generally classified into two categories:

- Direct employment: the initial amount of on-going jobs directly created by the proposed development; and
- Indirect employment: additional on-going jobs indirectly created by the proposed development.

MacroPlan Dimasi note that the RPS assessment methodology focuses on the economic impacts associated with the construction and operation of the project as proposed and does not address the comparable benefit or opportunity costs of alternative uses of the subject site.

For the purpose of assessing the employment impacts of the project, an Input-Output (I-O) or Multiplier Analysis has been applied to assess the regional impacts of the project. In the simplest form of input-output analysis, input-output multipliers are applied to measures of direct impact to determine estimates of flow-on impacts in terms of employment.

These multipliers express a ratio of average employment supported per \$1 million of output, and are based on detailed information on the structure of industries and the inter-relationships between industries, commodities, final users and suppliers of factor inputs (labour, capital and land) in the economy

In order to evaluate these project specific impacts, and in the absence of Sunshine Coast level I-O tables, Australia level I-O data have been utilised. This data has been sourced from Australian Bureau of Statistics¹.

In MacroPlan Dimasi's opinion, caution should be exercised when evaluating the outputs generated by using Australian level I-O data, given varying productions methods and the risk when using National data to potentially overstate the employment impact locally.

Review of Project Components and Staging

As previously mentioned, the project component specifications have been provided by the proponent. Specifically the development summary provided outlined the following proposed development staging:

- Stage 1 to include development of a 250 room 5 star hotel and conference facilities and 150 serviced apartments and boutique retail.

Note that no information around the quantum and mix of the retailing has been provided.

- Stage 2 - 9 includes the development of the apartment precincts (Inc. retirement, aged care and retail uses), which as outlined in in Figure 1 provided by the RPS equate to a total stock of 2,205 apartments².

Again we note that no information around the quantum and mix of the retailing has been provided, nor for the health and retirement living concepts.

- From a timing perspective, the assessment undertaken by RPS indicates that the hotel will be established by year 6 with an additional 6 year establishment phase.

¹ ABS - Australian National Accounts: Input-Output Tables, 2008-09

² We note that subsequent to the RPS analysis, the total quantum of apartments proposed by the proponent during consultation period has been reduced to 1,320.

- In terms of the residential, a 12 year sale program has been utilised.

In regards to the staging of the hotel, both from a construction and operational timing perspective the assumption utilised by RPS are reasonable and as such have been adopted in our analysis.

In regards to the assumption relating to apartment take up however, we would note that the Sunshine Coast's unit market has struggled over the recent years, characterised by low sales volume and flat to negative price growth and relatively few new high density residential developments occurring within the wider region.

While we note that the number of apartment and town house sales have increased over the year, the long-term per annum average number of lot registrations³ (townhouse and apartments) across the wider Sunshine Coast Regional Council (SCRC) area has only been 673 per annum⁴.

Based on the suggested 12 year sales period, this equates to an annual rate of sales of 185 (approx. 15 per month) and a market share based on the long-term average of approximately 27%.

In our view, this is an unrealistic assumption based on rates of sales achieved at other apartment projects across SEQ, where successful projects typically average 6 – 8 sales per calendar month in a competitive market.

Based on the above and given the total quantum of residential stock, we have implemented a 24 year analysis period. From an impact perspective, while this will not affect the overall headline construction/investment quantum, it does impact significantly the timing of benefits and specifically the rate of effective full time equivalent (EFT) jobs achieved on a per annum basis.

³ Lots on a building format plan or standard format plan that represent attached dwellings within a community title scheme

⁴ Residential land development activity profile, Sunshine Coast Regional Council, March quarter 2006 – March quarter 2014.

Review of Construction Investment

As mentioned previously, the key costings for the main project components have been provided by the proponent and specifically outline the following in relation to the project:

- Investment of \$100m for the development of the 250 room 5 star hotel and conference facilities; and
- \$665M for the development of the proposed 2,205 residential apartments and the 150 serviced apartment components.
- A total construction budget of \$765M.

In regards to the hotel component, we have tested the proposed budget against current industry construction costs⁵, assuming a 1,625sqm floor plate across 12 levels at a rate of \$3,850sqm, the cost equates to approximately \$75M. Including project contingency and associated costs, an allocated budget of \$100M appears reasonable and has been adopted in our analysis.

In regards to the residential component, the allocated budget of \$665M utilised in the RPS modelling, equates to a rate of \$282,378 per unit. This is within current market parameters, and has also been adopted in our modelling.⁶

Note though that from an annual construction benefit perspective, adopting the longer sales period for the residential apartment, at 24 years, equates to an annual average construction output of \$31.9M as opposed to the \$64M presented in the RPS analysis.

⁵ Rawlinson's Australian Construction Handbook, 2014

⁶ MacroPlan Dimasi note that we are not quantity surveyors and that any commentary on the appropriateness or otherwise of costs is preliminary and subject to further survey.

Whilst this is still significant in scale in nominal terms, from a net present value (NPV) perspective, this is a significant reduction in the benefits compared to the RPS analysis presented.

For example the total headline budget of \$765M equates to an NPV of \$534M across the 12 year period outlined by RPS, however reduces to an NPV of \$400M when assessed across a more realistic 24 year timeframe.⁷

Review of Taxes, Duties and Rates

The RPS analysis outlines a range of outputs in relation to taxes, specifically:

- \$3.7M generated by operational business employees (assumedly income tax) to be collected by the Federal Government on an annual basis;
- \$22.2M per annum generated by the operation of the businesses on-site (assumedly company tax) to be collected by the Federal Government on an annual basis;
- \$2.14M per annum to be generated by stamp duty payable on the sale of dwellings to be collected by the State;
- \$2.1M in residential rates on development completion and \$3.3M in commercial rates attributable to completion of the hotel in Year 6.

In regards to the Federal Government taxes, we are unable to test the quantum outlined by the proponent as there are no supporting operation data regarding the number of employees associated with the hotel and retail, their wages and business turnover.

Similarly with the State Government stamp duty revenue, there is no information regarding price points / sales prices to test the RPS outputs. That said, working back from the current Queensland tax schedule and applying a 12% per annum

⁷ Utilising a 6% discount rate

resale rate the average sales price equates to approximately \$470,000. This appears reasonable when compared to median house and unit prices in the area.

In any case from the perspective of regional significance, these benefits are not collected regionally and hence are not directly significant for the Sunshine Coast.

Further, while from a council rates perspective the benefit is collected regionally, MacroPlan Dimasi do not consider the residential rates in particular to be an economic benefit attributable to the project itself, as it simply relates to a transferral of regional residential demand for product that would otherwise be likely absorbed elsewhere.

Review of Residential Expenditure

The magnitude of residential retail expenditure provided by RPS appears to be conservative at \$23.5 million per annum, however it is not clear if this figure represents annual expenditure at year 12 or an annualised expenditure figure over the 12-year period. The latter case would appear to be consistent with our estimate of annual resident retail expenditure at \$46.9 million (at project completion).

Our calculation below has assumed 85% occupancy rate with an annual retail spend per capita of \$12,500 and a household size of 2.0 persons per household. These assumptions reflect average household behaviour and are based on ABS census and survey data.

In line with our commentary above, this expenditure reflects a transfer of within the region only.

Comparison of Residential Retail Expenditure

Residential Retail Expenditure, \$m (RPS)	\$23.5
Residential Retail Expenditure (MPD)	
Apartments	2,205
Occupancy rate	85%
Household Size	2.0
Retail Spend Per Capita	\$12,500
Resident Retail Spend, \$m	\$46.9

Source: ABS Household Expenditure Survey, Census 2011, Market Data Systems, RPS, MacroPlan Dimasi

Review of Tourism Visitation

The magnitude of tourism visitation projected by RPS appears initially to be high at 125,000 visitor nights per annum (once the hotel and serviced apartment are at full operation). We note that the RPS visitation figure is termed as 'new' visitor nights, however total visitor nights has not been fully stated.

Using RPS tourism expenditure figures of \$73 million, with the 'new' visitation component representing \$63 million of this expenditure (86%), implies a total visitation of around 145,000 visitor nights (i.e. 125,000 new visitor nights representing 86% of tourism).

Our assessment of RPS total visitation at approximately 145,000 visitor nights above appears reasonable and is consistent with to our estimate of 146,000 visitor nights.

Our calculation has assumed 50% room occupancy rate with a room size of 2.0 persons per room. These assumptions reflect average tourism behaviour and are based on ABS tourist survey data and regional Tourism Research Australia survey data.

Estimate of Visitor Nights

Rooms Available			
Hotel	250 rooms		
Serviced Apartments	150 rooms		
	<u>400 rooms</u>		
Rooms Nights Available			
Hotel	91,250 per annum	365	Days p.a.
Serviced Apartments	54,750 per annum		
	<u>146,000 per annum</u>		
Rooms Nights Occupied			
Hotel	45,625 per annum	50%	Avg Occ. Rate
Serviced Apartments	27,375 per annum		
	<u>73,000 per annum</u>		
Visitor Nights			
Hotel	91,250 per annum	2.0	Persons Per Room
Serviced Apartments	54,750 per annum		
	<u>146,000 per annum</u>		

Source: MacroPlan Dimasi

What is not clear within the RPS analysis, is the method utilised to apportion 'new' visitation (RPS: 86%) from the total visitation figure.

To provide context, we have reviewed visitor night forecast for regional Queensland. Current state projections include annual growth rates of 0.7% and 3.3% for domestic and international visitor nights, respectively. We have applied these growth rates to the current visitor night estimate of 13.3 million nights for the Sunshine Coast (TR).

This is a hypothetical/applied forecast, however under this scenario an additional 812,000 visitor nights would be available to the Sunshine Coast (TR) by year 6 of the project (2019-20), with approximately half of these originating from overseas. Comparing this to our estimate of 146,000 visitor nights on-site implies an 18% capture of growth in the Sunshine Coast market, or 1.0% of the overall tourism market in 2019-20.

While the proportion of 'new' visitation at 86% seems high, given the relatively small additional critical mass added by the project, the scale of capture from a regional perspective could be argued to be a reasonable outcome facilitated by

delivery of the hotel and serviced apartments, and could be considered entirely 'new' as it is facilitating growth in the market.

Visitor Nights, Sunshine Coast (TR), Applied Growth, ('000s)

	Period Year	0 2013-14	1 2014-15	2 2015-16	3 2016-17	4 2017-18	5 2018-19	6 2019-20
Domestic Visitor Nights		10,919	10,995	11,072	11,150	11,228	11,307	11,386
International Visitor Nights		2,408	2,487	2,570	2,654	2,742	2,832	2,926
		13,327	13,483	13,642	13,804	13,970	14,139	14,312
	Growth to 2019-20		AAG% Reg. QLD	Share %				
Domestic Visitor Nights		388	0.7%	48%				
International Visitor Nights		424	3.3%	52%				
		812		100%				

Source: TEQ, MacroPlan Dimasi

Review of Tourism Expenditure

The magnitude of tourism expenditure (once the hotel is fully operational) appears to be optimistic at \$73 million per annum. We compare this to our calculation of \$29.2 million, as set out below.

We have assumed a tourist expenditure profile of \$200 per visitor per night based on regional tourism survey data from Tourism Research Australia (2012-13).

Estimate of Visitor Expenditure

Tourist Expenditure, \$m (RPS)	\$73
Tourist Expenditure (MPD)	
Nights	146,000
Spend / Night	\$200
Output (\$m)	\$29.2

Source: RPS, MacroPlan Dimasi

Review of Employment Impacts

It is not clear what multiplier tables RPS has used in their analysis of employment. Our analysis as outlined previously, has utilised Input-Output data sourced from the Australian Bureau of Statistics 2008-09 tables.

We note that the composition and magnitude of our findings is generally consistent with RPS, with the following exceptions:

- Annual employment for construction is projected to be significantly less, in light of a more realistic timeframe (i.e. 24 years).
- On review, on-going employment has been calculated only for tourists on-site, as residential expenditure in our opinion represents a transfer of regional demand rather than an economic contribution to GRP. For this expenditure we have calculated employments based on accommodation and food service industry only. We note that RPS has calculated jobs in the trade and management/professional service industries, however their methodology is not outlined.
- On-going indirect jobs provided by RPS appear to include consumption-based multiplier impacts, which may be appropriate if calculated from a Sunshine Coast-specific multiplier table. In the absence of a regional multiplier table we have calculated the simple employment multiplier for tourists only. The outcome is a more conservative estimate of regional employment impacts resulting from the project than that provided by RPS.

Employment Outcomes

<u>Construction Employment (RPS)</u>	<i>Jobs</i>	<i>12 Year EFT</i>
On-Site	1,650	138
Off-Site	2,863	239
	<u>4,513</u>	<u>376</u>

<u>Construction Employment (MPD)</u>	<i>Job Years</i>	<i>24 Year EFT</i>
Direct	2,238	93
Indirect	3,570	149
	<u>5,808</u>	<u>242</u>

<u>On-Going Employment, FTE (RPS)</u>	<i>Direct</i>	<i>Indirect</i>	<i>Total</i>
Retail and Hospitality Workers	524		
Qualified Tradespeople	9		
Management, Administration and Professionals	90		
	<u>623</u>	1,500	2,123

<u>On-Going Employment, FTE (MPD)</u>	<i>Direct</i>	<i>Indirect</i>	<i>Total</i>
Accommodation and Food Service workers	145	264	409
	<u>145</u>	<u>264</u>	<u>409</u>

Source: RPS, MacroPlan Dimasi

Figure 2: Economic Impact Comparison

Description	RPS Impact	MacroPlan Dimasi Impact
Construction Employment	<ul style="list-style-type: none"> 4,512 total construction jobs. <ul style="list-style-type: none"> 1,650 on-site. 2,863 off-site. Or 376 EFT jobs per annum (12 year timeframe). <ul style="list-style-type: none"> 137 per annum on-site. 239 per annum off-site. 	<ul style="list-style-type: none"> 5,808 total construction jobs. <ul style="list-style-type: none"> 2,238 direct. 2,863 indirect. Or 242 EFT jobs per annum (24 year timeframe). <ul style="list-style-type: none"> 93 per annum direct. 149 per annum indirect.
Ongoing Employment	<ul style="list-style-type: none"> 623 EFT jobs – direct. <ul style="list-style-type: none"> 524 retail and hospitality workers. 9 qualified tradespeople. 90 management, administration and professionals. The demands and needs generated by these employees will support an additional 1,500 jobs throughout the community, 1,200 of these are estimated to be based on the Sunshine Coast. 	<ul style="list-style-type: none"> 145 EFT jobs – direct. <ul style="list-style-type: none"> 145 accommodation and food service workers. 264 EFT jobs – indirect.
Taxes (Federal)	<ul style="list-style-type: none"> Employees - \$3.7m per annum. Businesses - \$22.2m per annum. 	<ul style="list-style-type: none"> Inadequate information to assess
Stamp Duty (State)	<ul style="list-style-type: none"> Years 1 to 12 - \$2.14m. Year 12 onwards - \$2.5m. 	<ul style="list-style-type: none"> Inadequate information to assess
Rates (Local)	<ul style="list-style-type: none"> \$2.1m from year 12 onwards – Residential. \$3.3m per annum (Commercial) when hotel is complete. 	<ul style="list-style-type: none"> Inadequate information to assess
Economic Multiplier – Construction Contribution	<ul style="list-style-type: none"> \$765m construction budget (average \$64m per annum). Additional Impacts - \$709m. Total Benefits - \$1,474m. Sunshine Coast capture - \$958m. 	<ul style="list-style-type: none"> \$765m construction budget (average \$32m per annum). Additional Impacts - \$1,283m. Total Benefits - \$2,048m. Sunshine Coast capture – 65%
Direct Contribution to GRP	<ul style="list-style-type: none"> \$25m (does not include actions by tourists when not on-site). 	<ul style="list-style-type: none"> \$23.4m (80% local capture of tourist expenditure)
Economic Multiplier – Industry Output On-going	<ul style="list-style-type: none"> Initial Effect - \$73m per annum. Total Benefit - \$336m per annum. 	<ul style="list-style-type: none"> Direct Impact - \$29.2m per annum. Indirect Impact - \$37.9m per annum. Total Impact - \$67.1m per annum.
Expenditure – Tourists (Hotel Facility)	<ul style="list-style-type: none"> \$73m per annum – total spend by tourists (on-site and off-site expenditure). 	<ul style="list-style-type: none"> \$29.2m per annum – total spend by tourists (on-site and off-site expenditure).
Expenditure – Residents (2,205 Apartments)	<ul style="list-style-type: none"> \$23.5 per annum in total retail expenditure (on-site and off-site expenditure). 	<ul style="list-style-type: none"> \$46.9m per annum in total retail expenditure (on-site and off-site expenditure).
Hotel – Additional Benefit	<ul style="list-style-type: none"> Approximately 125,000 new visitor nights per year (new to the region). Guests will generate an increase of total regional expenditure of \$63m. 	<ul style="list-style-type: none"> Approximately 146,000 new visitor nights per year (new to the region). Guests will generate an increase of total regional expenditure of \$29.2m.

Key Assumptions

- 12 year sale program (RPS); 24 year sale program (MacroPlan Dimasi).
- 5 star operator will be identified for the hotel and will draw a national and international audience – will largely grow SC tourist market (not cannibalise). Hotel established by year 6 with additional 6 year maturation/establishment phase.

Economic Significance Conclusions

As outlined in Figure 2, MacroPlan Dimasi have undertaken a detailed review of the RPS Economic Summary and an independent assessment of economic impacts to be derived from the project.

In regards to the question of economic significance, we make the following observations:

- From an overall project perspective, the direct construction budget of \$765M in nominal terms is large by national standards and significant regionally, driving direct local economic benefits to the Sunshine Coast in the form of 242 EFT jobs per annum and \$1.28bn dollars of additional impacts.

We note that our analysis and the associated development budget is based on 2,205 apartments. It is our understanding that the quantum proposed has been subsequently reduced (1,320) after completion of the RPS analysis. From an overall benefit perspective this would result in a decrease in both the number of jobs and economic benefits to the Sunshine Coast, when compared to those outlined by both RPS and MacroPlan Dimasi.

- We note that from a take-up perspective, the RPS analysis significantly overestimates take-up. As a result, from an NPV perspective the overall construction benefit is softened considerably as the impacts are distributed over a longer period.
- It could also be argued from an impact perspective that the residential product in particular simply relates to a transferral of regional residential demand, given a suitable existing supply of comparable sites, for product that would otherwise be absorbed elsewhere and hence is not a net benefit to the region.

- This is acknowledged by RPS who outline the direct contribution to GRP of \$25M per annum, which excludes both construction benefits and residential retail expenditure.
- Based on our economic impact analysis, we have calculated the direct contribution to GRP, based on the hotel component and new tourism related expenditure captured locally, to be \$23.4M pa.
- Based on an estimated GRP of \$13.8bn⁸, the hotel induced contribution represents 0.17% of GRP.
- In terms of employment growth the additional 145 EFT direct ongoing jobs from the hotel component represents 0.13% of the total workforce.

On its own, the economic impact of the hotel component is relatively modest from a purely economic benefit perspective.

In addition to our purely quantitative conclusions outlined above, we also make the following qualitative comments:

- Analysis of future tourism growth, indicates underlying demand for new tourism products in the region;
- Historically, it has been extremely difficult to attract investment in five star hotels in Australia; and
- The Sunshine Coast Economy is characterised by both a large construction and tourism industry, of which the overall project would cater to.
- Projects of a similar nature have taken extended timeframes to realise economic benefit.

⁸ RDA, Sunshine Coast State of the Region 2012-31 Report - June 2011.

In conclusion, whilst the overall project from a construction perspective is significant, the inducement of new demand and new economic growth to the region is limited to the hotel component, which due to a lack of real critical mass of a 'new' product offering, is in our opinion forecast to deliver modest economic benefits to the region.

