

Dexus Funds Management

Economic Contribution Analysis
and Public Value Assessment of
the Pitt and Bridge Street City
Block

March 2024

Notice

Ernst & Young (“EY”) was engaged on the instructions of Dexus Funds Management (“Dexus”) to provide an economic contribution analysis and public value assessment of the Pitt and Bridge Street City Block (“the project”), in accordance with the engagement agreement dated 7 October 2020.

The results of EY’s work, including the assumptions and qualifications made in preparing the report, are set out in EY’s report dated 5 March 2024 (“the Report”). The Report should be read in its entirety including the transmittal letter, the applicable scope of the work and any limitations and this release notice. A reference to the Report includes any part of the Report. No further work has been undertaken by EY since 5 March 2024 to update it.

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Pitt and Bridge Street

7,850 job-years

are estimated to be generated during the construction period

\$4.3 billion

each year estimated in value add to 'Central Sydney' economy from incremental activity enabled at the Pitt and Bridge site

16,000 additional jobs

expected to be enabled in Central Sydney

\$431 million*

of net additional public value expected to be created over the life of the project

Of which

\$207 million*

are expected in direct benefits from higher value land use and urban amenity benefits

And a further

\$224 million*

are expected indirect benefits, including transport network impacts, health benefits and productivity

**FY25 \$, present value discounted at 5% over 30 years*

1. Background and Introduction

1.1 Document purpose

EY was engaged by Dexu to prepare an economic assessment of the revised scheme for redevelopment of the Pitt and Bridge Street City Block ("the Site"), located in Sydney's CBD. This economic assessment captures both a local economic contribution analysis and a public value assessment, and combined these economic tools are intended to be used to support Dexu in articulating the social and wider economic merits of the proposed development.

The local economic contribution analysis quantifies the gross impacts of the project on Sydney's CBD, and the public value assessment quantifies net additional economic benefits to NSW. Both measures are generally considered effective ways of communicating the value of urban development in NSW, but to different stakeholders and for different purposes. Further detail on the nature and interpretation of the two analyses can be found in sections 2 and 3.

1.2 Project Overview

The Site is a city block in Sydney's CBD bound by Pitt Street, Bridge Street, Spring Street and Gresham Street. It has been identified for redevelopment from its current use of 4 individual commercial buildings¹, with approximately 39,000 sqm of GFA (Gross Floor Area), into a new commercial tower with 89,583 sqm of premium commercial GFA, as well as an additional 417 sqm of retail and food and beverage GFA.

The contextual location of the Site, and an aerial view of the current use is shown in Figure 1.

Figure 1: Aerial image of the Site in current use

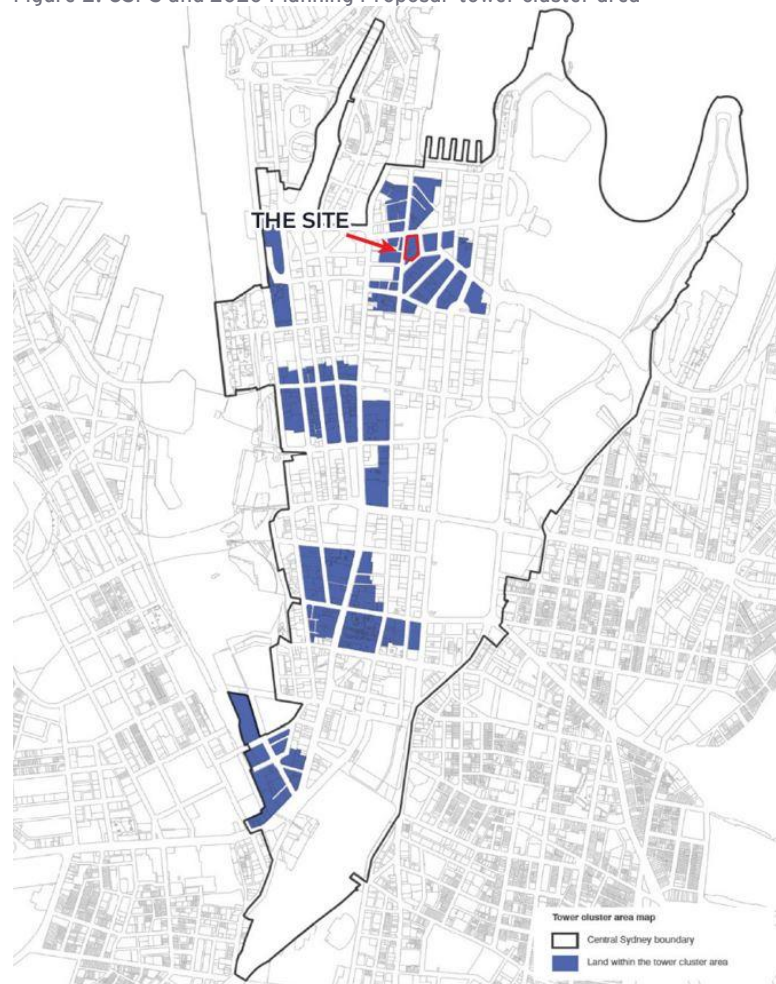


Source: Ethos Urban Planning Proposal Report Pitt and Bridge City Block (Nearmap and Ethos Urban)

The site is located within a designated tower cluster area, which comprises specific sites identified under the Central Sydney Planning Strategy as areas capable of accommodating additional employment generating uplift, without compromising public amenity. Tower cluster sites are deemed less constrained (in terms of sun access and other environmental considerations) than other sites within Central Sydney and are eligible for additional building height and floorspace limits above what is currently permissible under existing planning controls.

¹ 56 Pitt Street, 3 Spring Street, 58 Pitt Street, 60 Pitt Street

Figure 2: CSPS and 2020 Planning Proposal 'tower cluster area'



Source: Ethos Urban Planning Proposal Report Pitt and Bridge City Block

In order to achieve the proposed redevelopment, Dexu is seeking to amend the Site's planning controls. Details on the existing and proposed planning controls, and the development outcomes, are set out in more detail in the Planning Proposal Justification Report, prepared by Ethos Urban.

Key development outcomes for the purpose of this assessment include: ²

- ▶ **Employment generating floorspace** - delivery of premium, employment generating (commercial) GFA in the CBD;
- ▶ **Floor height** - high ceilings (i.e. floor-to-floor height), providing amenity to users and improved solar penetration;
- ▶ **High-quality built form** - delivery of a world-class super tower, of similar quality to the Shard, London and Salesforce Tower, San Francisco, that contributes to the Sydney skyline and overall offering as a city;
- ▶ **Street level podium** - development of a street-level podium is planned to ensure the street frontage is consistent with surrounding built form, including the adjoining heritage. This also allows for high-quality street level outcomes to be achieved;
- ▶ **Urban amenity** - delivering improvements to the public domain, through contributing to the city scape and skyline;
- ▶ **Retail and food & beverage offering** - development of supporting retail and food & beverage offering in Sydney's CBD.

Indicative images for the potential future tower are shown in Figure 3.

² Sourced from Draft Architect Plans for the redevelopment as at May 2021

Figure 3: Indicative images of potential tower



Source: Images provided by Dexu

1.3 Limitations

The economic contribution analysis and public value assessment are considered to be limited analyses. With more detailed analysis the results could be different. Please note the following:

- ▶ EY did not verify economic model inputs provided by Dexu. EY sourced additional historical data and economic statistics from the ABS.
- ▶ These results presented do not provide an indication of the feasibility of this project in relation to other options or relative to other Projects.
- ▶ Importantly, in contrast to the public value assessment, the outputs of economic contribution analysis (gross impacts) should not be taken to reflect the net incremental economic impacts on the economy of the development. A share of the additional economic activity on the site is likely to be displaced from elsewhere in Sydney or Australia.

These results are based on inputs provided to EY that are correct as at 15 March 2023.

Economic Impact Analysis - Gross Impacts

\$1.4 billion

is estimated in value add to the Central Sydney economy over the construction period

\$620 million

in labour income is estimated over the construction period

7,850 job-years

expected to be generated during the construction period

\$4.3 billion

each year is estimated in value add to the 'Central Sydney' economy from incremental economic activity enabled at the Pitt and Bridge site

\$1.7 billion

of which is estimated each year in labour income from incremental activity

16,000 additional jobs

expected to be enabled in Central Sydney, both from additional commercial, retail and community space

2. Local Economic Contribution Analysis

2.1 Methodology

Economic contribution (or gross contribution) is a measure comprising all market-related output, value add and employment supported by a specified industry's activities. A local economic contribution analysis focuses on capturing the direct effects of an industry (i.e. output or employees) and applies an economic multiplier to capture the flow-on effects of the industry's operations within the local economy. These flow-on effects include:

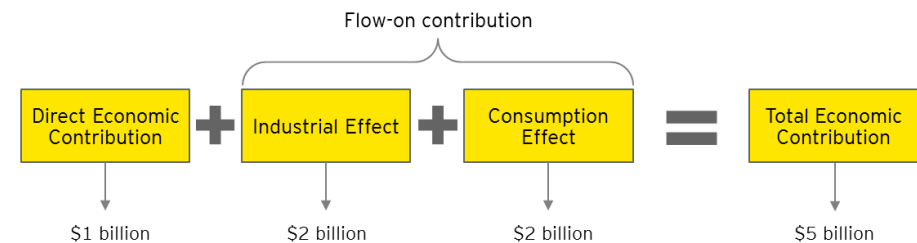
- ▶ **Production (industrial) effect** - the indirect contribution or employment generated by an industry as it purchases input goods and services generating revenue for other businesses;
- ▶ **Consumption effect** - the induced contribution/employment generated by an industry as its employees spend their wages and salaries on household consumption, providing revenue for other businesses.

Note that these direct, production and consumption effects do not represent net economic gains to Central Sydney economy - rather, the effects are best described as the economic 'footprint'.

The economic multipliers are a series of figures which measure the total economic contribution in a region resulting from an increase in the 'direct' economic activity of (or expenditure on) an industry.

Figure 4 shows an example of the relationship between these effects and the total economic contribution.

Figure 4: Economic contribution and the effect of the multiplier



Source: EY analysis

As an example, a \$1 billion direct contribution may result in an industrial effect (production effect) of \$2 billion and a further consumption effect of \$2 billion. So, an extra \$1 billion in direct economic contribution would in this case result in an extra \$4 billion of flow-on (indirect) economic contribution and a total economic contribution of \$5 billion. In this example, the total multiplier is 5.

We use an input-output table (IO) to measure the direct, production and consumption effects resulting from the construction and operation of the Project, and thus the size of the contribution to the local area economy. An IO table accounts for all of the transactions in the area's economy, making up total demand for and supply of goods, labour and capital.

We use several metrics to present the local economic contribution of the Project. These metrics include:

- ▶ **Value add** - market value of goods and services produced, after deducting the cost of goods and services used. This represents the sum of all wages, income and profits generated as a result of an economic activity;
- ▶ **Income** - total value of income earned through gross wages and salaries as a result of an economic activity;
- ▶ **Employment** - the number of individuals employed as a result of an economic activity. In an economic contribution analysis, jobs may be presented as numbers of jobs - jobs sustained in a given year, or as "job-years" - which is the equivalent number of jobs sustained over

a number of years. For instance, 100 jobs sustained over 5 years is 500 job-years.

The multipliers are presented in Appendix B.

2.2 Inputs and Assumptions

2.2.1 Inputs

The local economic contribution analysis quantifies the project impacts for an area defined as 'Central Sydney'. It includes the suburbs of Sydney, Potts Point, Woolloomooloo, Darlinghurst, Surry Hills, Pyrmont, Ultimo, North Sydney, Lavender Bay, Kirribilli and Neutral Bay. This area is shown in Figure 5.

Figure 5: Central Sydney



Source: REMPLAN map builder

³ Australian and New Zealand Standard Industrial Classification, 2006 ([https://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/5718D13F2E345B57CA257B9500176C8F/\\$File/12920_2006.pdf](https://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/5718D13F2E345B57CA257B9500176C8F/$File/12920_2006.pdf))

2.2.2 Assumptions

There are multiple components to the analysis - the economic contribution of the activity taking place during construction and that of the ongoing economic activity taking place at the site once operational (i.e. employment through commercial and retail use). The key underlying assumptions are outlined as follows.

Construction

The economic activity generated by construction is captured using the estimated construction expenditure provided by Dexus. Construction costs have been aligned by EY into the ANZSIC³ industries shown in Table 1.

Table 1: Costs aligned to ANZSIC Industry Groups

| Input | ANZSIC Category | Value (\$m, excl. GST) | Value used in analysis (\$m, excl. GST) |
|--|---|------------------------|---|
| Construction | Non-residential building construction | \$1,500 | \$1,500 |
| Professional Fees | Professional services | \$84 | \$84 |
| Leasing costs (incl. incentives) | Construction services (assuming all used for fit out ⁴) | \$665 | \$665 |
| Authority fees/community contributions | Cost not employment generating | \$42 | - |
| Total | | \$2,291 | \$2,249 |

Source: EY analysis of Dexus inputs

As shown in the table, not all construction expenditure is directly employment generating, for example fees paid to local council and leasing incentives. Whilst this expenditure may indirectly contribute to

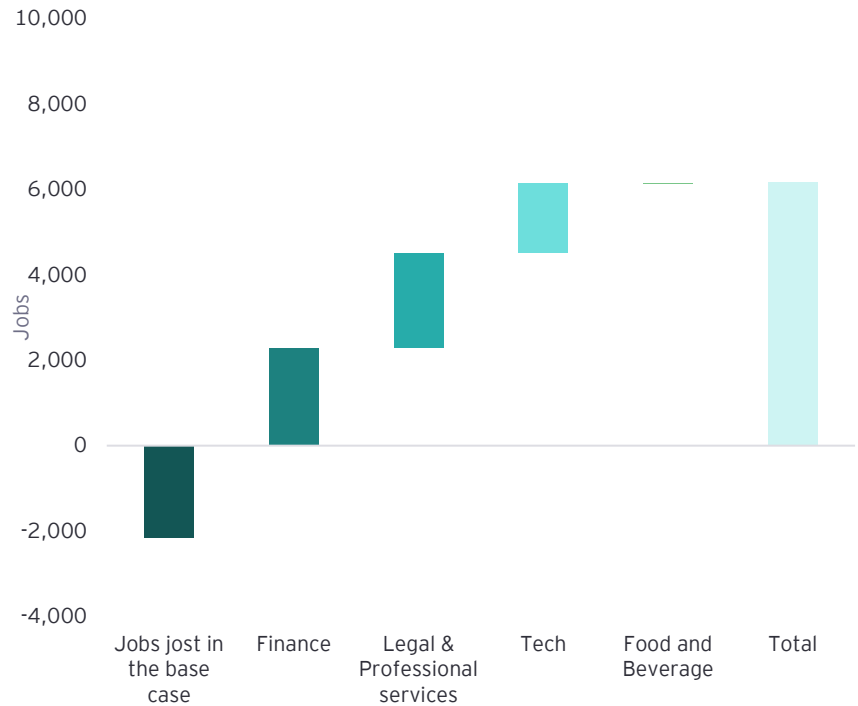
⁴ It should be noted that the analysis assumes the value of any lease incentives (i.e., rent free periods) are re-invested into by the tenant into the fit out. In reality, this cost is a transfer between the landlord and the tenant, and the tenant may elect to spend either more or less on the fit out than they receive in lease incentive.

jobs at a later date, e. g. if the council commissions public art, we do not include it in this analysis.

Ongoing Activity

The economic value of the ongoing activity is estimated through the employment generated by the incremental productive space on the site (i.e. commercial and food & beverage GFA). Figure 6 shows the jobs enabled by the development when completed (based on the assumptions presented in Appendix A).

Figure 6 Incremental jobs enabled on site



Source: EY analysis of Dexus inputs

Ultimately the analysis builds on the difference between 2,160 jobs on the site in the base case and 8,330 jobs in the new development. This enables a net-additional 6,170 jobs on site in the project case.

2.3 Results

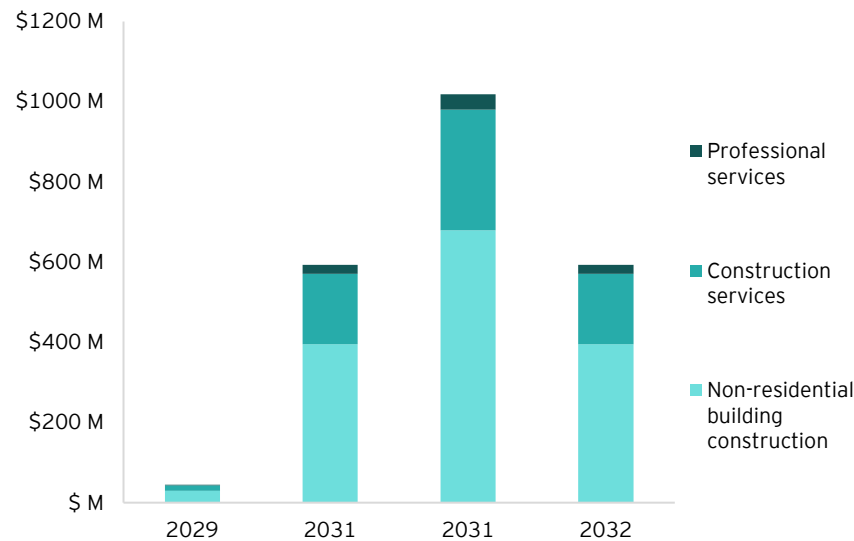
The results for both the construction and operations phases are presented in the following sections. All dollar figures presented are undiscounted in 2025 dollars.

2.3.1 Construction impacts

Construction expenditure

Employment generating construction (excluding GST) of \$2.2 billion is assumed to occur over a 4-year period, starting in FY29 and finishing in FY32. The assumed breakdown of construction expenditure between the industry groups is shown in Figure 7 below, by Financial Years.

Figure 7: Construction expenditure by ANZSIC industry group (\$ million, Financial Years)



Source: EY analysis of Dexu inputs

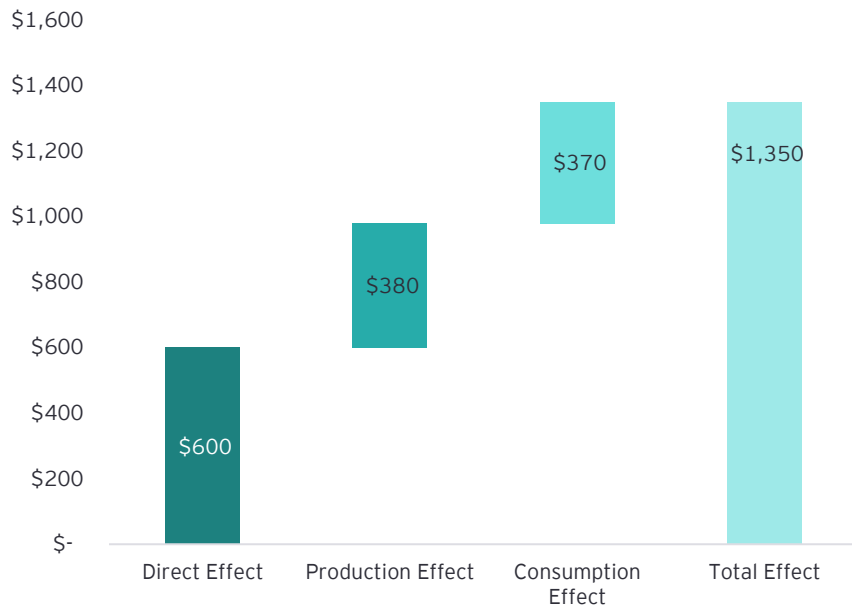
Value add

Value add can be defined as the total value of an activity net of expenditure on intermediate inputs. Value add, when combined across all sectors, form Gross Value Add, which is closely related to Gross Domestic Product.

Over the construction period the Project is expected to deliver \$1.4 billion in value add to the Central Sydney economy, driven largely by the physical construction process. \$600 million is the direct effect, \$380 million results from the indirect production effect and \$370 million results from the induced consumption effect.

Figure 8 summarises the total value add during the 4-year construction period.

Figure 8: Value add during construction phase (\$ million)



Source: EY analysis

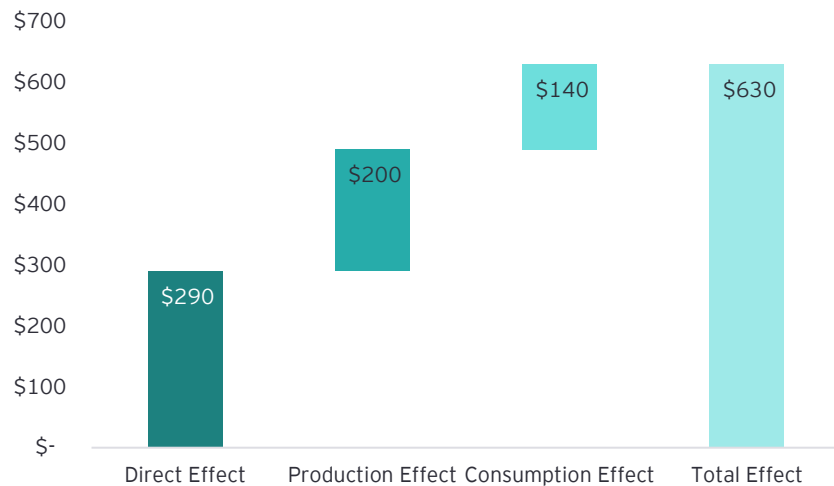
Income

The income effect can be defined as the share of value add that is return to labour, with the remainder being returned to capital.

Construction activities have a direct income effect of \$290 million, the indirect effect (both production and consumption) is a further \$340 million.

Figure 9 summarises the share of value add allocated to income through wages during the construction phase.

Figure 9: Income generated during construction phase (\$ million)



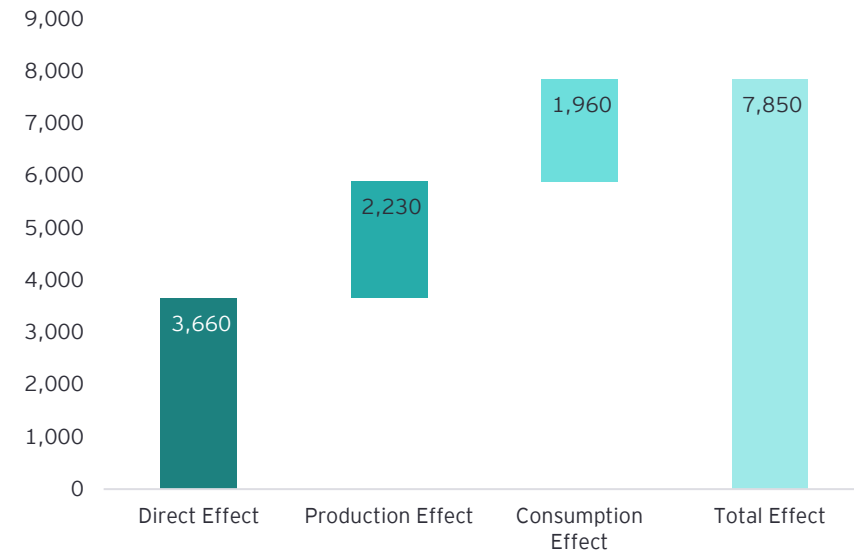
Source: EY analysis

Employment

In total, construction of the development is expected to support 3,660 direct job-years, with a maximum of 1,670 jobs enabled at the peak of construction. In total, a further 4,190 job-years result from the indirect and induced effects, totalling 7,850 jobs-years.

Figure 10 shows the total job-years supported by the full 4-year construction period.

Figure 10: Job-years supported during construction phase



Source: EY analysis

2.3.2 Operations Impact

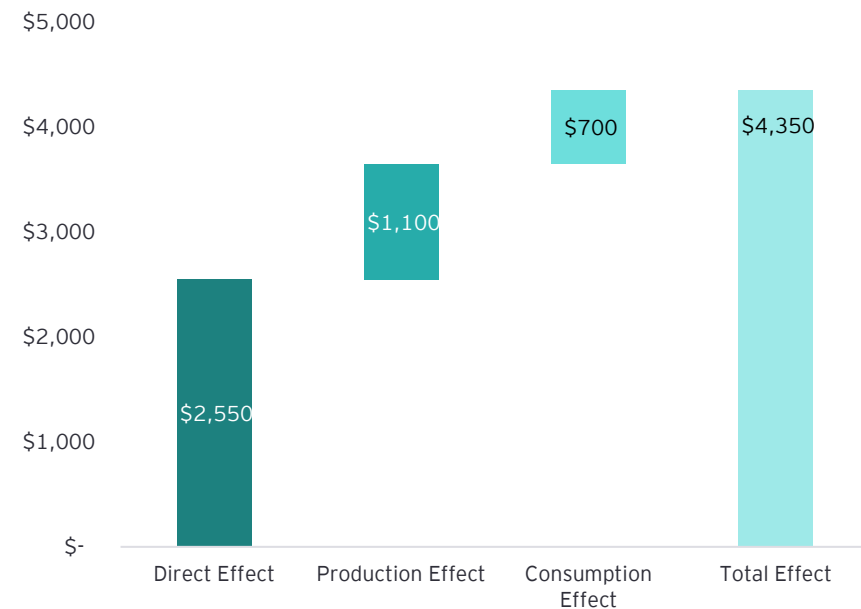
Upon completion the Project is expected to enable a total of 7,850 additional jobs on the site, over and above the 2,160 jobs currently on the site. This section outlines the economic contribution to 'Central Sydney' generated by this ongoing employment.

Value Add

The incremental activity is estimated to deliver \$2.6 billion in direct value add each year. This increases to \$4.3 billion per year when including the indirect and induced effects.

Figure 11 shows the break-down of value add delivered to the local economy each year as a result of the development.

Figure 11: Annual value add during operations (\$ million)



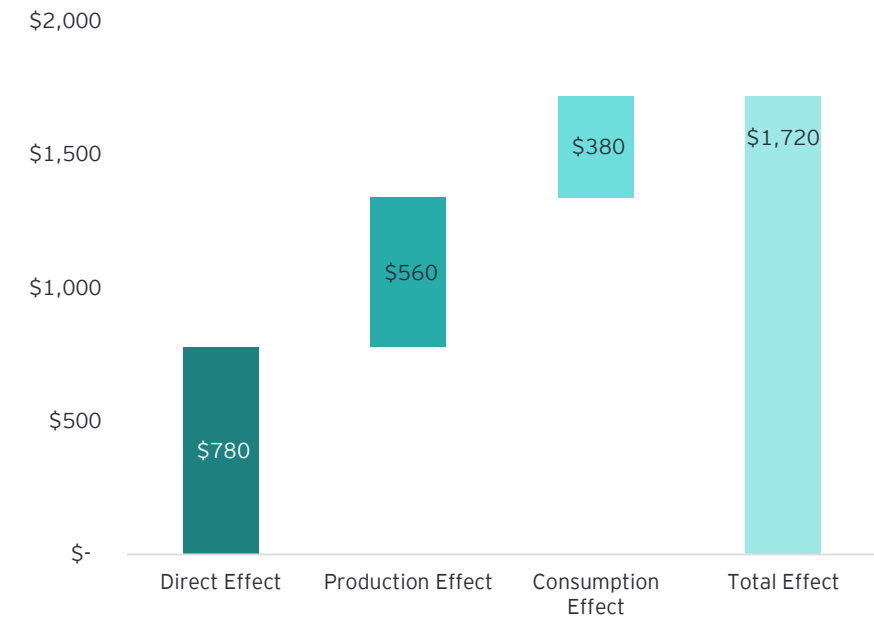
Source: EY analysis

Income

Of the above value add, from 2033 onwards, \$1.7 billion in wages per year is generated as a result of the direct, and indirect and induced income effects.

Figure 12 shows the share of output returned to employees through the income effect.

Figure 12: Annual income during operations (\$ million)



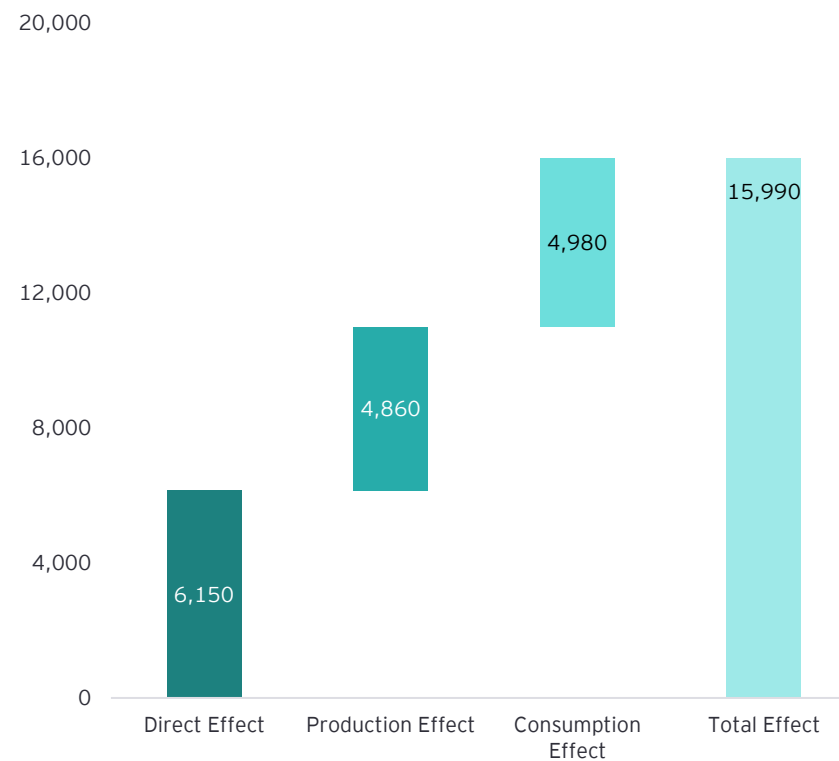
Source: EY analysis

Employment

When capturing all effects, the development supports approximately 15,990 jobs in 'Central Sydney', enabled through the incremental employment-generating floorspace on the site. This includes both the commercial GFA (i.e. tech, legal, professional and finance jobs) as well as the retail and food and beverage jobs on-site.

Figure 13 shows the number of additional jobs supported by the project, with the direct jobs being those located on the site.

Figure 13: Jobs supported during operations (\$ million)



Source: EY analysis

Public Value Assessment - Net additional Impacts

At least

\$431 million

of net additional public value is estimated to be created over the life of the project, of which:

\$207 million

are estimated to be direct benefits from higher value land use, improved urban amenity and community facilities

And a further

\$224 million

are estimated to be indirect benefits, including transport network impacts, health benefits and productivity

Of the estimated indirect benefits

\$104 million

are benefits from reduced transport externalities due to the site

Of the estimated direct benefits

\$100 million

are from improved urban amenity and urban fabric

Of the estimated indirect benefits

\$113 million

are from productivity improvements in NSW

All FY25\$, present value discounted at 5% over 30 years

3. Public Value Assessment

3.1 Market Failure

Economic principles dictate that Government intervention may be required to correct for a market failure (i.e. a problem that cannot be solved by market forces). Without intervention the site will not be redeveloped from its current use to the higher value proposed use, forgoing the opportunity to deliver the improved outcomes for local residents.

Government intervention would allow for a more efficient allocation of resources and enable a more efficient use of the site. In the context of urban renewal, an intervention could be changing leasing arrangements or zoning restrictions.

An intervention, i.e. rezoning approval, would allow Dexu to redevelop the Site in line with improvements outlined in the Planning Proposal and Draft CSPA. This would unlock significant public value and improve outcomes for businesses and the local economy.

In this chapter we are assessing the merits of this intervention by undertaking a public value assessment.

3.2 Methodology

A public value assessment is a net additional analysis that aims to capture the economic value of a project and assess it relative to a base case. The intent is to verify that the project produces a net economic return over and above the base case, in Present Value (PV) terms.

EY's public value assessment methodology follows a principled economic approach that draws upon the NSW Government's Economic Framework for Urban Renewal (the Framework). It is consistent with established principles for cost benefit analysis.

This economic assessment explores both direct and indirect benefits of the Pitt and Bridge Street City Block redevelopment.

3.2.1 Key Assumptions

Fundamental to this analysis are a number of key assumptions.

Critically, this analysis assumes no net new jobs to the economy as a result of the development. This is because the public value assessment assumes that the existing labour market is broadly in equilibrium over the 30-year appraisal horizon; with labour demand equal to labour supply at a market-clearing equilibrium wage. This does not imply no unemployment, rather that the project will not have a material impact on unemployment rates. The implication is that the increase in jobs in Sydney generated by the project is assumed to be displaced from other sectors and/or other locations of NSW. In other words, they are jobs that otherwise would have occurred elsewhere in the economy.

3.2.2 Base case

In the base case, no redevelopment occurs and the Site continues to operate in its current capacity, which comprises the following:

- ▶ **56 Pitt Street** (26-storey commercial building), comprising 19,637 sqm of commercial GFA, 235 sqm of ground floor retail, 64 basement car parking spots
- ▶ **3 Spring Street** (17-storey commercial building), comprising 7,281 sqm of commercial GFA (shared space, co-working, traditional office)
- ▶ **58 Pitt Street** (10-storey commercial building), comprising 1,728 sqm of commercial GFA, 364 sqm of ground floor retail
- ▶ **60 Pitt Street** (12-storey commercial building), comprising 3,485 sqm of commercial GFA, 659 sqm of ground floor retail.

It is expected the site will continue to enable 2,166 jobs in the Sydney CBD for the full 30-year economic appraisal period.⁵

3.2.3 Project case

In the project case, the Site is consolidated and one premium-grade largely commercial super tower is developed. The employment outcomes enabled at the site are consistent with those documented in Section 2. Construction finishes in 2033 and project benefits are assumed to start accruing from here onwards.

In addition to delivery of net additional commercial GFA and the employment outcomes discussed in 2.2.2, the project also proposes to deliver:

- ▶ A podium aligning with the Sandstone buildings on Bridge Street;
- ▶ Improved street level façade;
- ▶ A through site link between Abercrombie Lane through to Gresham Street.

3.3 Project Benefits

The following sections explore the benefits attributable to the redevelopment.

3.3.1 Higher value land use

A change in land use will generate a net economic benefit if the value of the new use is higher than the lost value of current use plus the cost of achieving the change. In the case of the proposed redevelopment, the

⁵ Transport for NSW Land Use Planner – Employment in TZ41 in 2021

⁶ Calculated using the end-value of the new asset (confidential), the estimated development costs, an assumed unimproved land value of \$50,000/sqm and an assumed hurdle rate of 16%

uplift in value results from increasing the amount of employment generating GFA on the site.

We quantify this benefit by estimating the uplift value that results from the redevelopment.⁶

3.3.2 Community Benefits

In place of delivering a number of community facilities, Dexus is contributing \$42 million to the City of Sydney. The City, in turn, is anticipated to use these funds to deliver a range of community facilities - delivering benefits to local residents and workers. While the City's actual use of the funds is not known, it is assumed that it will deliver public value to the community worth at least the \$42 million contribution paid by Dexus (\$33 million, discounted at 5% to FY2025).

3.3.3 Environmental Value

The City of Sydney and Dexus have a joint vision to be 'Net Zero Ready'. With this in mind the Planning Proposal proposes to deliver an environmentally sustainable office tower. This is in terms of both construction and operations, with the building expected to enable lower energy consumption, less waste and less pollution relative to the current use.⁷

Improved environmental performance is likely to deliver a net benefit to NSW. Some of this benefit will be internalised by firms choosing to locate at the site, thus is reflected by the higher value land use component of the analysis.

Some of the potential benefit could be realised by council, enabling the City of Sydney to achieve their 'Net Zero Ready' targets. This potential

⁷ Sourced from Ethos Urban Planning Proposal, Pitt and Bridge Street City Block, 28 May 2020

benefit is valued using the \$10 in million ESD (Environmentally Sustainable Development) infrastructure build by Dexux.

The potential benefits of ESD is likely to exceed the \$10 million allocated to ESD infrastructure (\$7m discounted at 5% to FY2025), for example when considering externalities and reduced emissions. These additional benefits have however not been quantified in this analysis.

3.3.4 Urban Amenity

Urban transformations often result in improved public amenity. Not only is the new building expected to bring visual improvement on the existing assets, but it could also provide travel time savings to local pedestrians who will be able to cross through the site. Combined, the development will provide a safe, well-lit thoroughfare while contributing a high-quality, green structure to the urban surrounds.

The urban amenity benefits component captures the potential benefits accruing to all users of the public space (i.e. employees working in the commercial tower, employees and residents working and living in the local area and visitors to the area) from having access to the high-quality public domain.

The value of the podium and thoroughfare between Abercrombie Lane and Gresham Street has been captured using the Pedestrian Environmental Review System (PERS)⁸ methodology, as well as estimated walk time savings for local pedestrians.⁹

3.3.5 Improved urban fabric

Redeveloping the Pitt and Bridge site not only achieves a better urban outcome on the site but it will also lead to positive spillover effects on

the surrounding area, and on the merits of local complementary developments.

Specifically, the redevelopment at Pitt and Bridge brings more employees into the immediate area. These workers are likely to use open space and improved streetscapes delivered by local projects (including the 'sky garden'), to use CBD transport improvements, and to use retail and other population servicing facilities in the local area such as hotels, restaurants and bars. Specific examples of complementary projects currently underway in the local area include, but are not limited to, the rejuvenation of Farrer Place, Circular Quay wharf upgrade, the development of the Salesforce tower and the proposed new hotel on Phillip Street. These projects may have merit alone, but the delivery of complementary investments can have an enhanced city shaping impact; bringing more jobs, more activity and more amenity to a localised area and ultimately contributing to the overall attractiveness of a city.

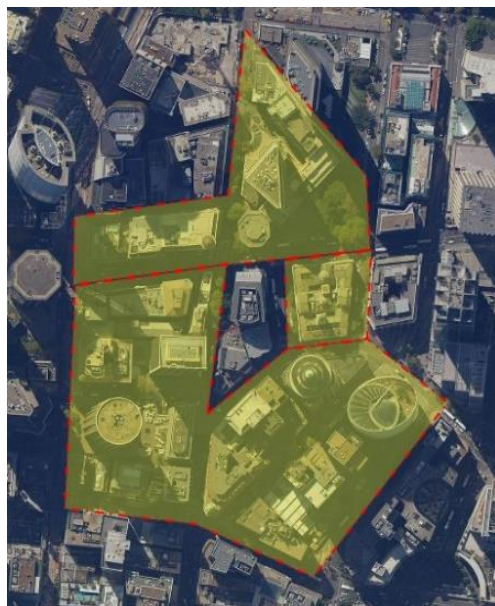
The benefits of these spillover effects are quantified by capturing an uplift in land values in the local area. The impact is likely to be larger in the immediate area, declining as you move further from the development site. We look through this and simply assume a 5% uplift in land value in the area shown in Figure 14,¹⁰ essentially one block in each direction surrounding the project site.

⁸ UK Transport Research Laboratory methodology

⁹ City of Sydney, Site 118 Count-point, Average across 2013-2019 data

¹⁰ Evidence suggests that development of improved public domain can generate a 10-20% increase in land values in the local area, we conservatively assume 5% in the immediate area

Figure 14 Uplift area.



Source: NSW Government SIX maps

3.4 Indirect benefits

Indirect, or external, benefits are benefits accruing as externalities, i.e. to those realised by non-users of the site. They are discussed in the following sections.

3.4.1 Transport network efficiency benefits

Enabling more people and jobs to locate in the Sydney CBD will affect travel patterns across the City. People living and working outside the CBD are more likely to travel by car, as opposed to public transport, walk

and cycle. Car use has impacts on other users of the transport network, as car use causes external impacts through congestion.

These externality impacts are an established feature of transport economic appraisals and can be reliably quantified using standard guidelines. The benefit results from a reduction in the number of car kilometres travelled in the transport network in the project case relative to the base case.

3.4.2 Health benefits

As is the case with transport externality benefits, workers in the CBD use active travel more than workers in alternate employment locations. This benefit captures the health impacts that results from increasing the amount of active travel taking place under the project case relative to the base case.

3.4.3 Wider economic benefits

There is a well-documented relationship between the density of cities and the productivity of the economic activity taking place there, which is identified in several NSW Government economic appraisal guidelines, including the Transport Economic Appraisal Guidelines¹¹.

Wider economic benefits (WEBs) occur when an initiative brings businesses and workers closer together. This may be physical proximity or better general connectivity (e.g. better transport). With urban densification and the 'clustering' of economic activity, individual firms enjoy productivity benefits that they otherwise would not have. There are two types of wider economic benefits that are captured as part of this analysis:

¹¹ Principles and Guidelines for Economic Appraisal of Transport Investment and Initiatives, March 2016

- ▶ **Agglomeration benefits** - where businesses are located closer together, there is value that results from input sharing, output sharing, and knowledge and technological spillovers.
- ▶ **Labour productivity benefits** - where a land use development enables people to access jobs in a higher productive area (i.e. by accessing jobs at the site vs an alternative lower-productive area). The tax-take on any resulting productivity is net additional economic value.

Wider economic benefits capture the fact that other local firms will be more productive as a result of this development. There is a significant amount of development currently underway and in the pipeline in Sydney's CBD, and more development leads to a denser CBD and ultimately more productive city.

3.5 Potential additional project benefits (not quantified)

There are a number of potential project impacts that have not been quantified in the economic appraisal, either because of insufficient or inconclusive evidence or because it can be very challenging to attribute broad city-wide benefits to individual projects and precincts. These benefits are briefly discussed in the following section.

3.5.1 Tourism

In contributing to the quality of the city skyline, the retail offering and commercial opportunity of Sydney's CBD, the super tower has the potential to have a positive impact on interstate and international tourism. In particular:

- ▶ the large quantum of commercial floorspace could be a catalyst for increased business travel;
- ▶ the improvement to the skyline could improve Sydney's brand globally thus attracting more tourists;

- ▶ likewise, the unique 'Sky Garden' could attract more tourists to the CBD and contributes to the fabric of Sydney's tourism offering.

In order for tourism benefits to be considered in a public value assessment, the project needs to evidence the attraction of either additional tourists or additional tourist nights (i.e. longer trips) into NSW relative to the base case. This can be very challenging to attribute to individual projects given the range of factors that can influence an individual's decision whether to travel, either for business or personal reasons: their employers travel policy, whether the individual would travel in the base and project case, the extent to which individual elements of a city contribute to the overall offering, etc.

Whilst difficult to attribute, there could be spillover benefits from more tourism expenditure into NSW. Although not quantified in the economic appraisal, they should be considered in terms of the broader merits of the project and its contribution to Sydney as a whole.

3.6 Results

The proposed Pitt and Bridge redevelopment is estimated to deliver net additional public value of at least **\$431 million** in present value terms (discounted at 5%). Of this, \$207 million (PV) are direct benefits. Indirect benefits account for a further \$224 million (PV).

Table 2 presents the results in undiscounted FY2025 values and in present value terms discounted to FY2025 at 3.5% through to 10%, with 5% as the core discount rate. The 3.5% and 10% discount rates are presented for the purpose of a sensitivity analysis, demonstrating a less and more conservative discount rate respectively. The less conservative discount rate of 3.5% may better reflect the ongoing structural changes

to the opportunity cost of capital and is more aligned to discount rates used in other jurisdictions (i.e. the UK).¹²

Table 2: Public value assessment results (\$2025 million, discounted as shown)

| | Present Value, discounted at: | | | | |
|--|-------------------------------|--------------|--------------|--------------|--------------|
| | 5% (Core) | 3.50% | 7% | 10% | Real |
| Potential Direct Benefits | | | | | |
| Higher Value Land Use | \$65 | \$73 | \$56 | \$45 | \$96 |
| Community Benefits | \$35 | \$37 | \$32 | \$29 | \$42 |
| Environmental Value | \$8 | \$8 | \$7 | \$6 | \$10 |
| Urban Amenity | \$17 | \$23 | \$11 | \$7 | \$50 |
| Improvement in Urban Fabric | \$83 | \$93 | \$71 | \$57 | \$123 |
| Total Potential Direct Benefits | \$207 | \$234 | \$178 | \$144 | \$321 |
| Indirect Benefits | | | | | |
| Transport network efficiency | \$104 | \$141 | \$71 | \$42 | \$309 |
| Health benefits | \$7 | \$10 | \$5 | \$3 | \$21 |
| Wider economic benefits | \$113 | \$154 | \$77 | \$45 | \$337 |
| Total Potential Indirect Benefits | \$224 | \$304 | \$153 | \$90 | \$667 |
| Total Potential Benefits | \$431 | \$538 | \$331 | \$233 | \$987 |

Source: EY analysis

The economic value of the project is composed as follows (in present value terms):

- Higher value land use makes up 16% of total project benefits, with contributions in place of community infrastructure

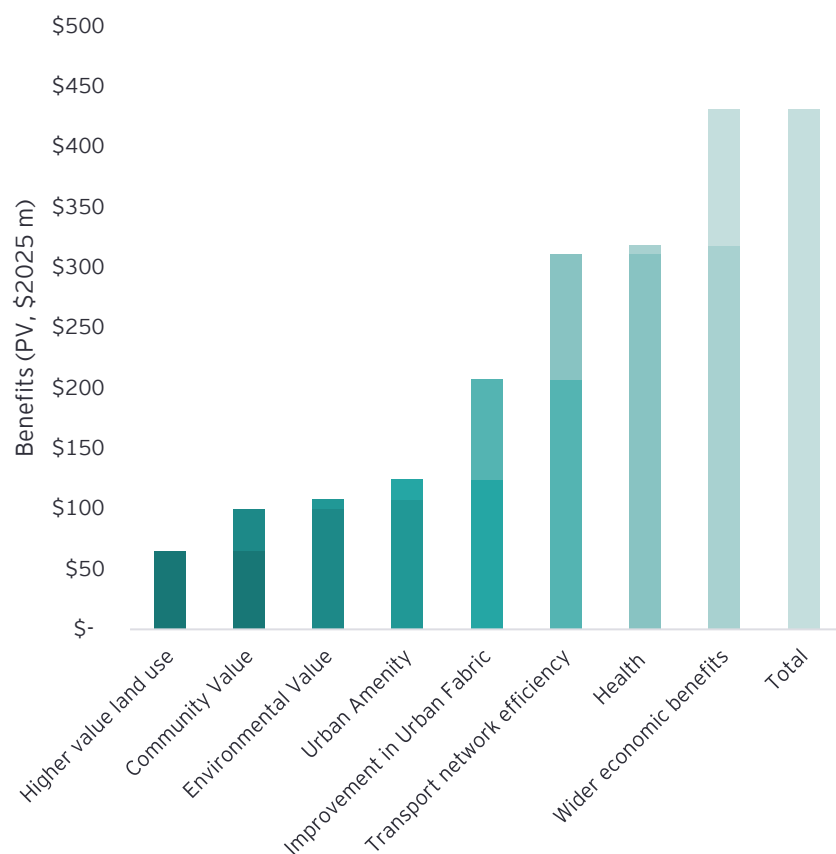
¹² The Green Book, Central Government Guidance on Appraisal and Evaluation, HM Treasury, 2018

contributing a further 8%. This reflects the value to NSW that results from increasing productive GFA on the site and supporting Council infrastructure.

- Improvement in Urban Fabric and Urban Amenity make up a total of 23% of the value. These benefits are driven by the contribution to quality of the surrounding urban environment, as well as reducing travel time and improving the space in which local pedestrians traverse.
- Transport network efficiency benefits makes up 24% and WEBs make up 26% of the total value, reflecting the efficiency and productivity gains that result from increasing the scope of the CBD as an employment centre.
- Reduced costs to public health and environmental benefits from the green development contribute the remaining 2% to the value of the project.

Figure 15 shows the contribution of individual benefit items to the total public value delivered by the project.

Figure 15: Public value assessment benefit contribution (\$ million, PV, discounted at 5%)



Source: EY analysis

3.6.1 Distributional analysis

This public value assessment quantifies a number of net additional benefits accruing to NSW. These benefits accrue to a number of different groups. Welfare economics typically defines these key groups as:

- ▶ **Consumers** - Residents of NSW;
- ▶ **Producers** (owners of land and capital) - Firms located in the new Town Centre;
- ▶ **Labour** - workers in Central Sydney
- ▶ **Government** - Local, State or Federal Government.

Table 3 maps the potential benefits quantified in the public value assessment to each of these groups.

Table 3 Distributional analysis beneficiaries

| Potential Benefit | Recipient | Rationale |
|------------------------------------|--------------------------|---|
| Potential Direct benefits | | |
| Higher Value Land Use | Government and producers | Benefit accrues to a range of producers, including the land-owner |
| Community Benefits | Consumers and labour | Benefits accruing to users of the community facilities |
| Environmental Value | Government | Quantified benefits accrue to government |
| Urban Amenity | Consumers and labour | Benefits accruing to workers and visitors of the site and surrounding area |
| Improvement in Urban Fabric | Consumers and labour | Benefits accruing to workers and visitors to surrounding area |
| Potential Indirect benefits | | |
| Transport network efficiency | Consumers and labour | Benefits accruing to workers employed on the site |
| Health benefits | Consumers | Benefits accruing to workers employed on the site |
| Wider economic benefits | Producers and Government | Agglomeration benefits accrue to local firms. Tax Labour supply benefits accrue to government |

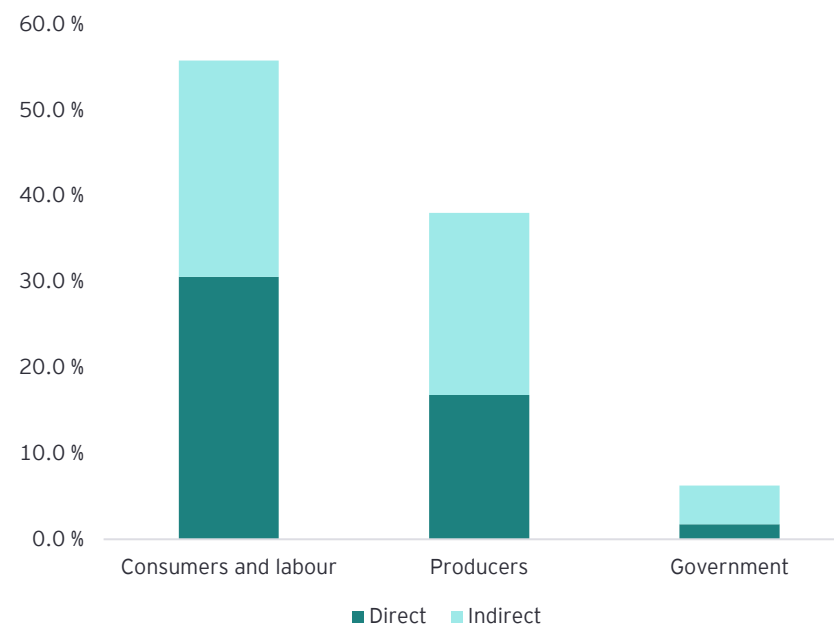
Source: EY analysis

Consumers and labour (i.e. users of the site and surrounding area), and producers (i.e. firms operating at the site and in the surrounding area) are expected to be the biggest beneficiaries, enjoying 55% and 38% of the total potential benefits attributable to the project, respectively. This is largely the result of an improved user experience for all workers and other visitors to the local area, as well as more productive firms.

The remaining 6% of potential benefits accrue to Government in the form of ESD infrastructure and higher tax revenue (from improved labour supply).

Figure 16 shows the results of the distributional analysis, with the benefits split between direct and indirect impacts.

Figure 16: Distributional analysis- results



Source: EY analysis

Appendix A Inputs and Assumptions

The analyses included in this Report have been based on inputs provided by Dexu. EY has not reviewed or validated the inputs provided.

Table 4: Inputs table

| Input | Value | Source |
|---|--|--|
| Existing GFA | Commercial space - 37,684 m ² Retail space - 1,258m ² | Dexu |
| Expected Future GFA | Food and beverage - 209 m ² ; Retail - 209 m ² ; Office Space - 89,583m ² | EY Assumptions based on Dexu inputs |
| Building GFA expected usage | Finance - 50% Legal - 30% Tech - 20% | EY Assumptions based on Dexu inputs |
| Employment to floorspace ratios | 35m ² retail (apparel & other) 18m ² food & beverage 10m ² commercial 12m ² legal 12m ² professional services 10m ² financial services 11m ² tech | UK Homes & Communities Agency - Employment Density Guide 3 rd edition |
| Model year | FY2023 | Assumption |
| Project Opening | FY2033 | Dexu |
| Appraisal period | 30 years | NSW Government TPP18-05 |
| Economic discount rate | 5%, with 3.5%, 7%, and 10% as sensitivities | NSW Government TPP18-05 |
| Inflation | 2.5% (future) | RBA target |
| Exchange rate (GBP/AUD) | \$1.80 | XE Currency Converter March 2022 |
| Study area | Sydney - Haymarket - The Rocks | SA2 |
| Alternative infill area | Chatswood (West) - Lane Cove North Macquarie Park - Marsfield | SA2 |
| Visitors subject to improved urban amenity and urban fabric | 1,425,000 p.a. | ¼ of measured users (pre-Covid) at Site 118 (Bridge St, between Loftus St and Pitt Street - City of Sydney Walking Counts), annualised |

Appendix B Economic Multipliers

The economic multipliers presented are calculated using ABS data for the 'Central Sydney' region. They are presented for relevant industries in the following tables.

Table 5: Construction phase multipliers and effects

| Industry | Direct | Production | Consumption |
|---------------------------------------|--------|------------|-------------|
| Output Multipliers | | | |
| Residential Building Construction | 1.00 | 0.35 | 0.34 |
| Non-Residential Building Construction | 1.00 | 0.40 | 0.26 |
| Construction Services | 1.00 | 0.55 | 0.67 |
| Value Add Effects | | | |
| Residential Building Construction | 0.35 | 0.15 | 0.19 |
| Non-Residential Building Construction | 0.22 | 0.17 | 0.14 |
| Construction Services | 0.50 | 0.28 | 0.37 |
| Income Effects | | | |
| Residential Building Construction | 0.19 | 0.08 | 0.08 |
| Non-Residential Building Construction | 0.11 | 0.09 | 0.06 |
| Construction Services | 0.36 | 0.17 | 0.15 |
| Employment Effects | | | |
| Residential Building Construction | 2.55 | 0.89 | 1.01 |
| Non-Residential Building Construction | 1.12 | 1.01 | 0.75 |
| Construction Services | 3.37 | 1.53 | 1.96 |

Source: EY analysis of REMPLAN

Table 6: Operations phase multipliers and effects

| Industry | Direct | Production | Consumption |
|---|--------|------------|-------------|
| Output Multipliers (\$million per job) | | | |
| Professional, Scientific and Technical Services | 0.30 | 0.16 | 0.20 |
| Retail Trade | 0.12 | 0.05 | 0.08 |
| Food and Beverages Services | 0.13 | 0.05 | 0.07 |
| Financial & Insurance Services | 0.72 | 0.32 | 0.28 |
| Information Media & Telecommunications | 0.74 | 0.42 | 0.27 |
| Arts & Recreation Services | 0.30 | 0.18 | 0.13 |
| Value add Effects (\$million per job) | | | |
| Professional, Scientific and Technical Services | 0.15 | 0.08 | 0.11 |
| Retail Trade | 0.08 | 0.03 | 0.04 |
| Food and Beverages Services | 0.06 | 0.02 | 0.04 |
| Financial & Insurance Services | 0.46 | 0.18 | 0.16 |
| Information Media & Telecommunications | 0.30 | 0.19 | 0.15 |
| Arts & Recreation Services | 0.11 | 0.08 | 0.07 |
| Income Effects (\$million per job) | | | |
| Professional, Scientific and Technical Services | 0.11 | 0.05 | 0.04 |
| Retail Trade | 0.05 | 0.01 | 0.02 |
| Food and Beverages Services | 0.04 | 0.01 | 0.02 |
| Financial & Insurance Services | 0.13 | 0.09 | 0.06 |
| Information Media & Telecommunications | 0.12 | 0.10 | 0.06 |
| Arts & Recreation Services | 0.06 | 0.05 | 0.03 |

Source: EY analysis of REMPLAN

| Employment Effects (jobs per job) | | | |
|---|------|------|------|
| Professional, Scientific and Technical Services | 1.00 | 0.46 | 0.58 |
| Retail Trade | 1.00 | 0.13 | 0.23 |
| Food and Beverages Services | 1.00 | 0.10 | 0.20 |
| Financial & Insurance Services | 1.00 | 0.74 | 0.82 |
| Information Media & Telecommunications | 1.00 | 0.94 | 0.80 |
| Arts & Recreation Services | 1.00 | 0.51 | 0.39 |

Source: EY analysis of REMPLAN

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