



LILYDALE QUARRY

Economic Benefit Snapshot

Prepared for Intrapac Property
June 2020

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KEY FINDINGS

The development of the former Lilydale Quarry is a seminal project for Melbourne – at 163 hectares it is one of the largest and most ambitious urban renewal projects to be advanced on a single landholding in recent history.

The development, dubbed Kinley, will deliver approximately 3,200 new homes as well as community facilities, open space, and a local town centre.

The project will deliver significant economic stimulus for the Eastern Region of Melbourne and Victoria as a whole. With a total construction cost of \$1.4 billion, the project will generate large numbers of construction-related jobs over its 20 year delivery timeframe. Construction of the proposed development will generate \$590 million (Net Present Value, NPV) value added to the State economy and support an average of 402 full-time equivalent (FTE) direct and indirect jobs per annum over the construction period.

Ongoing employment on-site will primarily be retail and commercial/office floorspace that provides local convenience. It is estimated that Kinley will support over 1,000 jobs. These direct jobs are estimated to induce a further 500 indirect jobs within Victoria as a result of flow-on effects. There will be an estimated \$718 million (NPV) added to the Victorian economy from the daily operation and management of facilities in the development over the next 40 years.

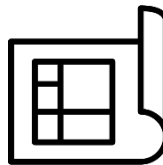
In addition, the development will provide a range of dwelling typologies to meet the needs of Melbourne's growing population, deliver affordable housing, reinforce the neighbouring Lilydale Major Activity Centre, contribute to the delivery of local and regional infrastructure outcomes and generate additional State and Local government revenue.



3,200
new homes



\$1.4 B
total construction
cost over 20 years



163 HA
total land area



6.2 HA
employment
land uses



402
FTE jobs created
per annum on
average during
construction



\$590 M
value added in the
VIC economy
during construction



1,532
ongoing jobs
supported



\$718 M
value added in the
VIC economy
per annum during
operation



Report Purpose

Urbis has been engaged by Intrapac Property to conduct an independent Economic Impact Assessment for its development of the former Lilydale Quarry, known as Kinley.

This analysis supplements Urbis' in-house knowledge with data from the REMPLAN modelling tool to quantify the potential employment and economic benefits likely to be generated by the development. These benefits will accrue during both the construction phase and on an ongoing operation basis. The methodology is explained further later in this report.

Potential employment and economic benefits are presented for each individual development as well as aggregated contributions generated from the entire investment package. Gross value add (GVA) calculations are presented in terms of their net present value (NPV) to allow for the time value of money.

PROPOSED DEVELOPMENT

Development Overview

The former Lilydale Quarry is poised to become a true transit oriented urban community, with a new train station at its core and a residential precinct that supports some 3,200 dwellings (including dedicated affordable housing), as well as local cultural and community facilities and rejuvenated heritage assets. Designed to support the concept of a 20-minute city, the development aims to set new benchmarks in community placemaking and sustainable neighbourhood design.



Residential
68.5 HA



**Education/
Civic**
1.9 HA



**Mixed-Use/
Commercial**
10,000 sq.m*



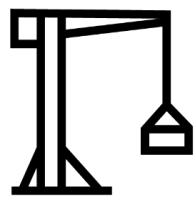
Retail
6,000 sq.m*

Assumptions

- Urbis has been provided with construction costs and timing by Intrapac Property:
 - The construction cost is estimated to be \$1.4 billion including GST, including civil works and costs associated with development of homes and commercial facilities on site.
 - The construction timeframe is 20 years.
 - Construction is set to commence in 2020.
- The number of direct jobs was estimated by referring to industry benchmarks and Urbis' experience in staffing requirements for different land uses. Based on the floorspace of each of the proposed uses, the development is estimated to generate 1,030 ongoing jobs on site.
- These jobs are entered into REMPLAN to produce an estimate for indirect jobs and direct and indirect gross value added (GVA) contributions.

** Estimated provision*

CONSTRUCTION PHASE BENEFITS



The proposed development is estimated to have a total construction cost of around **\$1.4 billion** inclusive of GST over an assumed construction timeframe of 20 years.

On average, **402 FTE direct & indirect jobs** are likely to be created for the State on an annualised basis during construction, with many accruing locally.

The value added benefits are presented as net present values (NPV) calculated using a 7% discount rate. Total direct and indirect Gross Value-Added (GVA) to the State economy is estimated at **\$590 million (NPV)** over the life of the development.

Average annual full-time equivalent jobs created



164
DIRECT FTE* JOBS

Avg. direct FTE jobs per year during construction over 20 years



238
INDIRECT FTE* JOBS

Avg. indirect FTE jobs per year during construction over 20 years

Gross value added to the state economy



\$226 M
DIRECT GVA (NPV)*

Direct GVA to the State economy



\$364 M
INDIRECT GVA (NPV)*

Indirect GVA to the State economy

* FTE = Full-Time Equivalent, GVA = Gross Value Added, Indirect benefits refer to Supply Chain effects but not Consumption Effects, NPV calculated using a 7% discount rate. See page 10 for more information.
Source: REMPLAN; Intrapac Property; Urbis

ONGOING EMPLOYMENT & ECONOMIC BENEFITS



Upon completion, Kinley will support around **1,030 jobs** (full-time, part-time and casual) on site. These jobs will be spread across the retail, commercial, education and other community facilities proposed. On-site jobs will be ongoing with that activity in turn creating permanent jobs elsewhere through the economy.

The direct jobs are estimated to induce a further **502 additional jobs** within Victoria as a result of flow-on effects.

There will be an estimated **\$718 million (NPV)** in direct and indirect GVA contribution generated from the daily operation and management of facilities within the development to the Victorian economy. This is assumed over the 40-year period from 2020 to 2060 allowing for the staged delivery of facilities over the next 20 years.

Total ongoing jobs created



1,030
DIRECT JOBS

Total direct jobs on an ongoing basis at capacity



502
INDIRECT JOBS

Total indirect jobs on an ongoing basis at capacity

Gross value added to the state economy



\$425 M
DIRECT GVA* (NPV)

Direct GVA to the State economy from 2020-2060



\$293 M
INDIRECT GVA* (NPV)

Indirect GVA to the State economy from 2020-2060

* GVA = Gross Value Added, Indirect benefits refer to Supply Chain effects but not Consumption Effects, NPV calculated using a 7% discount rate. See page 10 for more information.
Source: REMPLAN; Intrapac Property; Urbis

OTHER BENEFITS OF DEVELOPMENT

Retail spending of residents

Kinley will provide a new catchment population for nearby employment areas and the new community will support and reinforce Lilydale Major Activity Centre's economic development.

Kinley residents will spend an estimated \$16,800 on retail goods and services on a per capita basis (constant \$2020). The total retail spending by Kinley residents is estimated to reach \$134.4 million by 2040. This is available to all existing and future retailers in the local area.



\$16,800
PER ANNUM

Avg. yearly spend per capita
of Kinley residents (\$2020)



\$134 M
IN 2040

Total annual spending of
Kinley residents that could
be directed to local
businesses

Other economic benefits

Beyond the quantification of economic contributions already identified, the proposed investment also presents broader benefits to the local region, including, but not limited to:

- Releasing underutilised land for a higher use and activating the area for better economic outcomes.
- The filling of the former quarry pit area and redevelopment of the site will improve connectivity between regional assets including Lilydale town centre, Lillydale Lake, Box Hill Institute, cycling trails and surrounding neighbourhoods.
- Improved housing diversity and therefore community diversity by delivering a mix of housing, townhouses, apartments and detached dwellings, improving affordability and housing choice. Provision has been made for 5% affordable housing throughout the site.
- The development will support and reinforce Lilydale Major Activity Centre's economic development by providing a new population catchment in close proximity to the centre (see comments to the left).
- Ongoing economic uplift via development of the new railway station, improving connectivity between residents and nearby jobs and services.
- Delivery of essential infrastructure to support the future community and ensure that impacts on surrounding residents are minimised. This includes:
 - Road and transport infrastructure, including external road improvements, internal boulevards, avenues and connecting roads, provision for a new train station and bus routes, and a generous rail trail.
 - Community infrastructure, including arts and culture, maternal health and childcare facilities, and provision for an education facility.
 - Open space, including the provision of sport and recreation space and facilities.
 - The State-significant heritage assets on the site will be celebrated and rejuvenated to provide unique community identity.
- Development will generate increased taxation revenue for both state and local government. For the local Council, benefits include the increased rateable value of the land which not only increases rates paid, but enhances Council's borrowing capacity against increased valuation. The potential infrastructure upgrades are also notable.

*Retail spending estimates for residents are inclusive of GST and in \$2020.

Source: Intrapac Property; MarketInfo; Urbis

APPENDICES



METHODOLOGY & DEFINITIONS

The REMPLAN Methodology

Analysis presented here uses REMPLAN economic modelling to assess current and potential economic impacts. REMPLAN is an Input-Output model that captures inter-industry relationships within an economy. It can assess the area-specific direct and flow-on implications across industry sectors in terms of employment, wages and salaries, output and value-added, allowing for analysis of impacts at the State of Victoria level.

Key points regarding the workings or terminology of the model are as follows:

- REMPLAN uses either the value of investment or employment generation as the primary input. For this analysis, the value of total upfront investment has been used as the key input to assess the benefits of the construction phase.
- Outputs from the model include employment generated through the project and economic Gross Value Added (GVA) at the State level
- Outputs from the model include employment generated through the project at both the local and the state level.
- Employment generated is calculated over the life of the construction phase; or in terms of the ongoing operations, total ongoing jobs generated.
- Both the direct and indirect employment are modelled:
 - *Direct* refers to the effect felt within the industry as a result of the investment. For example, the construction phase will directly result in the creation of construction jobs.
 - *Indirect* effects are those felt within industries that supply goods to the industries directly affected.
- The results presented in this report are estimates only based on the existing state of economic activity in the area. Due to the static nature of input-output modelling, they have the potential to overstate the actual effects. Hence our use of conservative estimates of employment generation. Nonetheless, the analysis still reflects the fact that employment growth will be positive for the State and the local area.
- Urbis consider that in the absence of the investment package it is unlikely that similar projects would be undertaken within the same period, and therefore the investments can be considered *additional*.

Definitions

Construction cost is the estimated investment value for each development over the anticipated delivery period, measured in constant 2020 dollar (i.e. excluding inflation) including GST.

Gross Value Added or **GVA** is a measure of the value of goods and services produced in an area, industry or sector of an economy during a certain period of time. In this case, GVA represents the total economic contribution of the investment in each of the resorts. GVA is measured in constant 2020 dollar (i.e. excluding inflation) including GST.

Net Present Value or **NPV** is the value of projected cash flows, discounted to the present to account for the time value of money (i.e. \$10 received now is worth more than \$10 received in future). The value added benefits are presented as net present values calculated using a 7% discount rate to ensure a conservative representation of the value created by this development over an extended period.

ASSUMPTIONS

Estimating On-site Employment

To calculate on-site employment, we have estimated the amount of space associated with each land use based on the land area allocations and expectations of what the market can be expected to support. We have then estimated employment by applying standard industry jobs per area benchmarks. For community uses (education and civic) we have used typical relationships of land area to employment, while for other mixed use, commercial or retail uses, floor area estimates have been used.

We have assumed the proposed mixed-use/commercial centre on the corner of Maroondah Highway and Mooroolbark Road will comprise office space and showroom retail. We have allowed for a full-line supermarket in the freestanding retail precinct.

Land Use	Land Area (ha)	Floor Area (sq.m)	Estimated Employment
Education	1.4	-	73
Civic	0.5	-	54
Mixed Use/Commercial	-	10,000	666
Retail	-	6,000	237
Total			1,030

DATA TABLES

Construction Phase (2020-2040)

Impact Summary	Direct	Indirect	Total
Project Expenditure (\$M)	\$1,411.0	-	\$1,411.0
Employment (FTE Jobs)	164 per annum over 20 years	238 per annum over 20 years	402 per annum over 20 years
Value-added (\$M, NPV)	\$225.5	\$364.3	\$589.8

Operation Phase (2020-2060)

Impact Summary	Direct Effect	Supply-Chain Effect	Total Effect
Employment (Total Jobs)	1,030 ongoing	502 ongoing	1,532 ongoing
Value-added (\$M, NPV)	\$424.9	\$292.7	\$717.6

* FTE = Full-Time Equivalent, Indirect benefits refer to Supply Chain effects but not Consumption Effects, NPV calculated using a 7% discount rate. See page 10 for more information.
Source: REMPLAN; Intrapac Property; Urbis

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Urbis has made all reasonable inquiries that it believes is necessary in preparing this report but it cannot be certain that all information material to the preparation of this report has been provided to it as there may be information that is not publicly available at the time of its inquiry.

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The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (**Report Content**) are predominantly generated over long periods, and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

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The effects (both directly and indirectly) of the COVID-19 Outbreak on the Australian real estate market and business operations is currently unknown and it is difficult to predict the quantum of the impact it will have more broadly on the Australian economy and how long that impact will last. As at March 2020, the COVID-19 Outbreak is materially impacting global travel, trade and near-term economic growth expectations. Some business sectors, such as the retail, hotel and tourism sectors, are already reporting material impacts on trading performance now and potentially into the future. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The Report Content and the data and information that informs and supports it is current as at the date of this report and (unless otherwise specifically stated in the Report) necessarily assumes that, as at the date of this report, the COVID-19 Outbreak has not materially impacted the Australian economy, the asset(s) and any associated business operations to which the report relates and the Report Content. However, it is not possible to ascertain with certainty at this time how the market and the Australian economy more broadly will respond to this unprecedented event. It is possible that the market conditions applying to the asset(s) and any associated business operations to which the report relates and the business sector to which they belong could be (or has been) materially impacted by the COVID-19 Outbreak within a short space of time and that it will have a lasting impact. Clearly, the COVID-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

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