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Moorabbin Activity Centre, VIC

Economic Impact Assessment: Commercial office

PREPARED FOR **Melbourne Development Acquisitions Pty Ltd**

February 2024

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Table of contents

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Executive summary	1
Section 1: Introduction	2
1.1 About this report	2
Section 2: Economic Impact Assessment	4
2.1 Construction output	4
2.2 Construction employment.....	5
2.3 Operational phase employment.....	6
2.4 Ongoing output.....	6
2.5 Wider economic benefits	7
Annexure.....	8
A1 References	8
A2 Glossary	8
A3 Limitations	9

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Executive summary

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- This report was prepared by Macroplan for Melbourne Development Acquisitions Pty Ltd and presents an Economic Impact Assessment in relation to a potential commercial office development at 360 – 372 South Road Moorabbin, VIC. Key construction inputs to the analysis include a cost of \$63 million, 22 months of build-out and provision of 15 office floors across the land area of approximately 2,000 sq.m.
- Based on output multipliers, the initial construction investment of \$63.0 million is likely to generate an additional \$71.0 million of indirect construction output elsewhere in the wider economy, totalling \$134.0 million of total output (including direct and indirect) to the economy during the construction phase.
- Based on employment multipliers, the proposed development is expected generate approximately 141 direct construction Full-Time Equivalent jobs on site and an additional 176 indirect jobs elsewhere in the economy, totalling 317 construction related jobs over the 22 month construction period.
- The operation of the proposed facility will also support an increased level of employment both directly onsite and indirectly in the wide economy. The average employment density assumed for a commercial office at the subject site is 1 Full-Time Equivalent job per 15 sq.m of internal floor area, generating an estimated direct on-site operational employment potential of 1,400 jobs.
- The total direct and indirect employment generated during the operational phase is estimated at approximately 2,055 Full-Time Equivalent jobs.
- An ongoing total direct output of \$387 million, with a total ongoing estimated output of \$611 million is estimated.
- In addition to the quantified economic benefits outlined above, the proposed development is expected to deliver a number of economic and community benefits, including significant improvements to land utilisation and values, increased local employment opportunities and economic activity.

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Section 1: Introduction

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1.1 About this report

This report was prepared by Macroplan (the author) for Melbourne Development Acquisitions Pty Ltd (the client) and presents an economic impact assessment (EIA) in relation to a potential commercial office development at 360 – 372 South Road Moorabbin, VIC (the subject site, refer Map 1.1).

An EIA involves both quantitative and qualitative impacts and interprets both positive and negative impacts (where they can be addressed) on the local, regional and Victorian economy.

In order to quantify potential economic impacts from the construction of the project, ABS Input-Output (I-O) tables are used as a basis for calculating the impacts of initial capital expenditure on the local and wider economy in the construction sector both directly and indirectly.

To quantify post-construction / operational phase economic impacts upon project completion, a number of assumptions regarding expenditure and revenue are applied.

There are also a range impacts which cannot be quantified. In this case, a qualitative approach is conducted to assess the impacts potentially generated by the project on the wider economy.

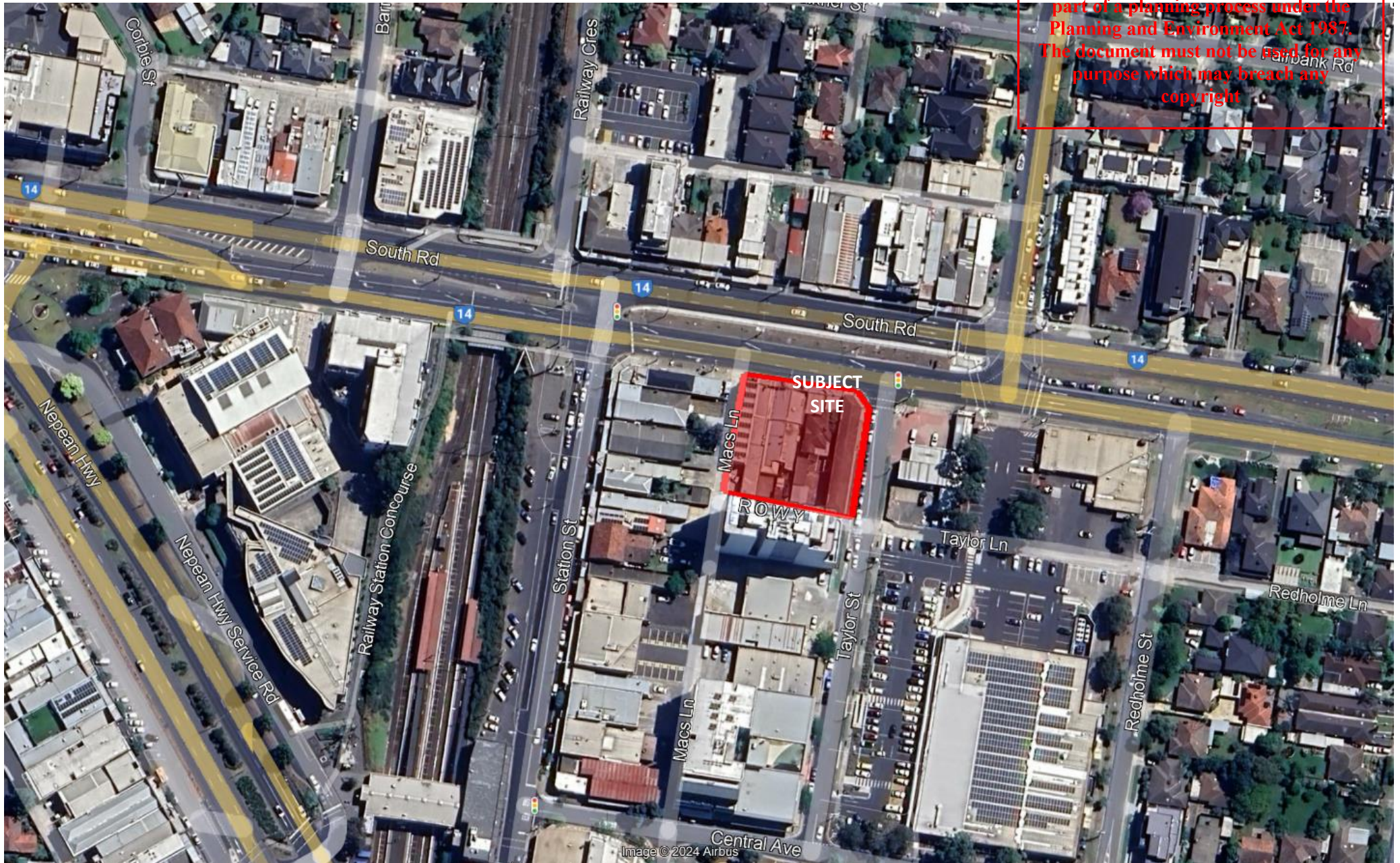
Key inputs to the analysis include:

- Total development cost \$103,000,000
- Construction cost \$63,000,000
- Construction timeline February 2025 - November 2026 (22 months)
- Office floors 15
- Land size (approx.) 2,000 sq.m

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Map 1.1: Moorabbin Activity Centre – Commercial office
Site location

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Section 2: Economic Impact Assessment

This section provides an Economic Impact Assessment in relation to the proposed development, with the following key economic indicators assessed:

- Construction output.
- Construction employment.
- Operational employment.
- Operational Output.
- Wider economic benefits.

2.1 Construction output

The initial construction investment of approximately \$63.0 million will translate into a first round of benefits, realised as increased construction output and employment during the construction phase.

Output multipliers derived from the ABS Input-Output tables are used for estimating potential economic output of the proposed development within the construction sector. Output multipliers indicate that every \$1 of construction investment is likely to generate approximately an additional \$1.1 production induced indirect economic output during the construction phase.

The production induced impacts include the amount of output required within other industries throughout the economy to support the initial construction investment. This may include the following:

- Manufacturing (e.g. building material manufacturing).
- Professional, scientific and technical services (e.g. professional / technical services in planning, design and other services).
- Financial and insurance services (e.g. project financing services).
- Transport, postal and warehousing (e.g. storing and transporting building materials).
- Wholesale trade (e.g. building materials trade).
- Rental, hiring and real estate services.
- Administrative and support services (e.g. government / Council's support services, development assessment and approvals).
- Other industries.

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Based on output multipliers, the initial construction investment of \$63.0 million at the subject site is likely to generate an additional \$71.0 million of indirect construction output elsewhere in the wider economy, totalling \$134.0 million of total output (including direct and indirect) to the economy during the construction phase (refer Table 2.1).

It is noted that the I-O multipliers have been adjusted based on location quotients by industry for Victoria. If building materials and services are sourced locally, it is expected that a large share of this construction output can be captured locally in metropolitan Melbourne and Victoria.

Table 2.1 Moorabbin Activity Centre - commercial office est. construction output		
Direct output (\$M)	Indirect output* (\$M)	Total output (\$M)
63.0	71.0	134.0
*Production induced Source: ABS, Macroplan		

2.2 Construction employment

The construction of the proposed facility will also create a significant number of onsite and supporting employment during the construction phase.

Employment multipliers from the ABS Input-Output tables are used for estimating potential employment effects of the proposed facility during construction phase. Employment multipliers for the construction sector indicate an initial impact at approximately 2.3 construction jobs created per \$1 million of investment; plus another 2.7 production induced indirect jobs elsewhere in the economy during the construction phase. All jobs reported in the ABS I-O tables are measured as Full-Time Equivalent (FTE).

The production induced indirect employment involves the additional jobs generated in other industries throughout the economy in order to support the initial construction investment and all the subsequent induced economic growth. This may include manufacturing, professional, scientific and technical services, transport, postal and warehousing, administrative and support services, wholesale trade, retail trade, financial and insurance services, and others.

Based on employment multipliers, the proposed development is expected generate approximately 141 direct construction FTE jobs on site and an additional 176 indirect FTE jobs elsewhere in the economy, totalling 317 construction related FTE jobs over the 22 month construction period (refer Table 2.2).

It is noted that the ABS I-O multipliers have been adjusted based on location quotients by industry for Victoria. If building materials and services are sourced locally, it is expected that a large share of this construction related employment growth can be captured locally in metropolitan Melbourne and Victoria.

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Table 2.2 Moorabbin Activity Centre - commercial office est. construction employment		
Direct FTE	Indirect FTE*	Total FTE
141	176	317
*Production induced Source: ABS, Macroplan		

2.3 Operational phase employment

The operation of the proposed facility will also support an increased level of employment both directly onsite and indirectly in the wide economy. The average employment density assumed for a commercial office at the subject site is 1 FTE job per 15 sq.m of internal floor area, generating an estimated direct on-site operational employment potential of 1,615 FTE jobs.

The direct operational employment will also flow through the economy, realised as indirect employment growth elsewhere in the economy supporting onsite employment. The ABS I-O simple employment multipliers indicate that every 1 direct FTE commercial office job (categorised as professional services) will generate another 0.47 indirect supporting FTE jobs elsewhere in the economy, including professional, scientific and technical services, transport, postal and warehousing, rental, hiring and real estate services, administrative and support services, manufacturing, and other industries.

Based on these multipliers, the total direct and indirect employment generated during the operational phase is estimated at approximately 2,055 FTE jobs (refer Table 2.3).

Table 2.3 Moorabbin Activity Centre - commercial office operational phase employment		
Direct FTE	Indirect FTE*	Total FTE
1,400	655	2,055
*Production induced Source: ABS, Macroplan		

2.4 Ongoing output

The operation of the proposed development represents an ongoing generator of economic output. Output multipliers from the ABS Input-Output tables have been used to estimate the potential ongoing economic output of the subject site during its' operational phase. Output multipliers sourced from the ABS estimate an initial direct output of \$1 million per 3.6 direct FTE employees, and an indirect output multiplier of 0.6 per \$1 million of direct output.

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For the proposed development these multipliers indicate an ongoing total direct output of \$387 million, with a total ongoing estimated output of \$611 million (refer Table 2.4).

Table 2.4 Moorabbin Activity Centre - commercial office operational phase output		
Direct (\$M)	Indirect* (\$M)	Total (\$M)
387	224	611

**Production induced*
Source: ABS, Macroplan

2.5 Wider economic benefits

In addition to the quantified economic benefits outlined above, the proposed development is expected to deliver a number of economic and community benefits to local area and wider regions. Some key benefits are summarised as follows.

- Significant improvements to land utilisation, progressive value uplift to the site and the wider area through increased visitation, utilisation of assets and underlying land values.
- Increased local employment opportunities and economic activity, including strengthening the City of Kingston/Bayside economic profiles.
- As a consequence of a stronger economy with more employment opportunities, a reduction in anti-social.
- Improved training and education outcomes, knowledge acquisition and skill development.
- A more visually appealing streetscape.

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Annexure

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A1 References

The following data has been referred to in preparing this report.

- Australian Bureau of Statistics (ABS), Cat. 5209 Australian National Accounts: Input-Output Tables, 2020-21
- ABS, Cat. 5220 Australian National Accounts: State Accounts, 2021-22
- ABS, Cat. 5246 Information Paper: Australian National Accounts: Introduction to Input-Output Multipliers
- ABS Cat. 8165
- ABS Census 2021
- Employment Density Guide, 2015
- Land and Survey Spatial Information, 2023
- MetroMaps, 2023
- Plan Melbourne, 2017
- Remplan, 2023

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A2 Glossary

The following lists a number of glossary of terms relating to an economic impact assessment as indicated by ABS.

- **Input-output tables** provide a detailed dissection of intermediate transactions in an economy, and are thereby a means of describing the supply and use of the products of an entire economic system.
- **Input-output multipliers** are summary measures used for predicting the total impact on all industries in an economy of changes in the demand for the output of any one industry.
- **Output multiplier** for an industry (e.g. Construction) is defined as the total value of production by all industries of the economy required to satisfy one extra dollar's worth of final demand for that industry's output.
- **Initial output effect / direct output** is initial requirement for an extra dollar's worth of output of a given industry.
- **First round effects** is the amount of output required from all industries of the economy to produce the initial one dollar of extra output from an industry.
- **Production induced effects / indirect output** is the amount of output required from all industries of the economy to produce the initial one dollar of extra output and all the subsequent induced output.
- **Employment multiplier** corresponds to the additional employment (number of persons employed) generated by producing the extra output induced by each of the output effects.
- **Initial employment effect / direct employment** is the additional employment (number of persons employed) generated by producing one extra dollar initial output.
- **Production induced employment effects / indirect employment** is the additional employment (number of persons employed) generated in all industries of the economy to produce the initial one dollar of extra output and all the subsequent induced output.

A3 Limitations

The following provides a summary of the limitations of I-O multipliers approach for an economic impact assessment as indicated by ABS.

I-O multipliers are most commonly used to quantify the economic impacts (both direct and indirect) relating to policies and projects. While their ease of use makes I-O multipliers a popular tool for economic impact analysis, they are based on limiting assumptions that results in multipliers being a biased estimator of the benefits or costs of a project.

Inherent shortcomings and limitations of multipliers for economic impact analysis include:

- **Lack of supply-side constraints:** The most significant limitation of economic impact analysis using multipliers is the implicit assumption that the economy has no supply-side constraints. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or near capacity.
- **Fixed prices:** Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. Prices are assumed to be unaffected by policy and any crowding out effects are not captured.
- **Fixed ratios for intermediate inputs and production:** Economic impact analysis using multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. As such, impact analysis using multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. In reality, however, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount;
- **Absence of budget constraints:** Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.
- **No allowance for purchasers' marginal responses to change:** Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- **Not applicable for small regions:** Multipliers that have been calculated from the national I-O table are not appropriate for use in economic impact analysis of projects in small regions. For small regions multipliers tend to be smaller than national multipliers since their inter-industry linkages are normally relatively shallow. Inter-industry linkages tend to be shallow in small regions since they usually don't have the capacity to produce the wide range of goods used for inputs and consumption, instead importing a large proportion of these goods from other regions.

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