



# THE WESTIN MARGARET RIVER RESORT & SPA AND GNARABUP BEACH VILLAGE

Economic Benefit Study

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# KEY FINDINGS

The The WESTIN Margaret River Resort & Spa together with the Gnarabup Beach Village development will provide a substantial volume of employment floorspace, and service the community by providing **121 5\* hotel rooms, function space, food and beverage space, 80 dwellings that comprise of 51 villas, 25 apartments and 4 townhouses** across 5 lots. A further **216 sq.m** will be dedicated to **ground floor shop retail** servicing the local community and **2 commercial spaces of 95 sq.m each**.

Construction of the entire development will support a total of **401 FTE direct & indirect job years** during construction of the development, with many accruing locally. These job estimates will add approximately **\$20.1 million in gross value added (GVA)** to the WA economy on an annual basis. This equates to **\$77.1 million in total value added** in the WA economy.

The development will support **161 ongoing jobs (directly and indirectly)**. There will be an estimated **\$27.5 million per annum direct and indirect value-added** contribution generated from the daily operation and management of the development to the Western Australian economy. Furthermore, the hotel is likely to have **44,092 visitor nights** in a year and an estimated total expenditure of well over **\$9.3 million per annum**.

## CONSTRUCTION PHASE BENEFITS



**\$118 M**

Total development cost for all components



**401**

Total FTE construction job years supported (directly and indirectly)



**\$77.1 M**

Total value added in the WA economy over the construction phase

**\$20.1 M**

Value added in the WA economy per annum over the construction phase

## ONGOING EMPLOYMENT & ECONOMIC BENEFITS



**161**

Ongoing jobs supported per annum (directly and indirectly)



**\$27.5 M**

Value added in the WA economy per annum attributable to operations on-site



**\$9.3 M**

Total Estimated Visitor Expenditure



**44,092**

Visitor Nights p.a



## Report Purpose

Urbis has been engaged by Saracen Properties to conduct an independent Economic Impact Report for the proposed development in Margaret River.

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 component of development, as well as aggregated contributions generated from the entire project at the completion of the construction phase for the entire development.

## Proposed Development

The proposed development is located over 5 lots and will be made up of Hotel, Food and Beverage, Function Venue, Commercial and Villas and Apartments.

The components of this development is made up of the following:

- **Lot 738 (Westin Margaret River Resort & Spa):** 121 rooms, function space, food and beverage, bar, gym and spa
- **Lot 501:** 13 villas
- **Lot 502:** 23 villas
- **Lot 503:** 15 villas
- **Lot 504:** 25 apartments, 4 townhouses, general store / café on ground floor, 2 commercial spaces.

These components are expected to be developed simultaneously, with the anticipated **construction timeframe of 46 months and in 3 stages.**

## Assumptions

Urbis has been provided with construction costs and timing by Saracen Properties:

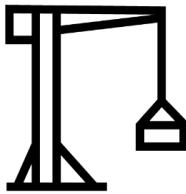
- The construction cost is estimated to be **\$107.36 million (inc GST)**. There is an additional cost of **\$10.615 million (inc GST)** in documentation and other related site costs .
- The construction timeframe is **46 months over 3 stages**.

## Staging

Urbis has been provided with staging and construction timeframes by Saracen Properties:

- **Stage 1:**
  - Lot 738 (Westin Margaret River Resort & Spa) will take 24 months to construct
  - Lot 501 will take 14 months to construct
  - Lot 504 will take 18 months to construct
  - *Lot 501 and 504 will commence together with Lot 738.*
- **Stage 2:**
  - Lot 502 will take 14 months to construct and will commence with the practical completion of Lot 504.
- **Stage 3:**
  - Lot 503 will take 14 months to construct and will commence with the practical completion of Lot 502.

# CONSTRUCTION PHASE BENEFITS



The proposed development is estimated to have a total construction cost of around **\$107.4 million with an additional \$10.6 million of documentation and other related costs** (inclusive of GST) over an assumed construction timeframe of 46 months over three stages. This results in an annualised construction cost of **\$58.99 million** inclusive of GST.

On average, **105 FTE direct & indirect** construction jobs are likely to be created for the State on an annualised basis during construction of the development, (totalling to **401 FTE construction job years, directly & indirectly** over the development timeframe) with many accruing locally.

Total direct and indirect Gross Value-Added to the State economy is estimated at **\$20.1 million per annum** on average over the construction period of the development in constant 2020 dollars.

## Average full-time equivalent jobs created (p.a)



**36**

DIRECT FTE\* JOBS



**69**

INDIRECT FTE\* JOBS

Avg. direct FTE jobs per year during construction

Avg. indirect FTE jobs per year during construction

## Gross value added to the state economy (p.a)



**\$7.5 M**

DIRECT GVA\*



**\$12.6 M**

INDIRECT GVA\*

Avg. annual direct GVA to the State economy

Avg. annual 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. See Definitions in the Appendix for more information.

Source: REMPLAN; Saracen Properties; Urbis

# ONGOING EMPLOYMENT & ECONOMIC BENEFITS



Upon completion, the total development will support around **122 jobs** (full-time and part-time) on site. These jobs will be ongoing over the life of the asset with that activity in turn creating permanent jobs elsewhere through the economy.

*NB: benchmark ratios by industry from the Land Use Employment Survey (LUES) 2015-17 are in line with the number of jobs provided by the hotel operator.*

The direct jobs are estimated to induce a further **39 additional jobs** within Western Australia as a result of flow-on effects.

There will be an estimated **\$27.5 million** per annum in direct and indirect GVA contribution generated from the daily operation and management of the development to the WA economy.

\* GVA = Gross Value Added, Indirect benefits refer to Supply Chain effects, but not Consumption Effects. See Definitions in the Appendix for more information.

Source: REMPLAN; Saracen Properties; Urbis

Note: Ongoing jobs may not be new to the state economy as there may be some transfer from other locations. However in the absence of the proposed investment, they would unlikely be provided elsewhere in the short-term, and in that respect are considered additional.

## Total on-going jobs supported by on-site operations



**122**

DIRECT JOBS



**39**

INDIRECT JOBS

Total direct jobs on an ongoing basis at capacity

Total indirect jobs supported by on-site employment

## Gross value added to the state economy



**\$18.1 M**

DIRECT GVA\*



**\$9.3 M**

INDIRECT GVA\*

Annual direct GVA to the State economy

Annual indirect GVA to the State economy

# OTHER BENEFITS OF DEVELOPMENT

## Revenue Generated by Development

Margaret River is a popular tourist destination with visitors' primary motivation being wineries, scenery, beaches and the outdoor experience. In the Shire of Augusta – Margaret River, more than 75% of visitors to the area are tourists, with 10% being international visitors. In the Shire, an average of 21% of visitor nights were spent by international travelers and 79% were domestic in the four years to 2019 according to the Shire of Augusta-Margaret River Area Profile by Tourism Research Australia.

With an expected stabilized occupancy rate of 80% provided by Marriot, the hotel is likely to have 44,092 visitor nights in a year and an estimated total expenditure of \$9.3 million per annum. It is important to note that is based on \$212 spend per night in commercial accommodation of total visitors to the Shire of Augusta-Margaret River (four-year average from 2016 to 2019, TRA). This is a very conservative approach and visitors to area that will visit this high-end hotel will spend far more than the average visitor. This is particularly true given that a high proportion of the visitors are expected to come from interstate and international locations.

Another key market for the hotel will be the conference market. Although it is hard to estimate exactly how many visitors will be conference delegates, it is well recognised that conference delegates are high yielding visitors that can spend well above other visitors. Additionally, in regional areas conference delegates will often extend their stay in the area after the conference. This is another factor that has not been allowed with the visitor expenditure estimate and will mean that actual expenditure will be much higher than this.



New Residents



Estimated Total Retail Expenditure Generated by New Residents



Visitor Nights p.a.\*



PER YEAR  
Total Estimated Visitor Expenditure\*\*

\* 80% occupancy rate assumed by Marriot

\*\* Based on \$212 spend per night commercial accommodation in Shire of Augusta-Margaret River (Tourism Research Australia)

Source: MarketInfo spending profile for Margaret River, REMPLAN; Saracen Properties; Urbis

# EMPLOYMENT AND TOURISM BENEFITS OF DEVELOPMENT

## Employment Benefits



The new direct ongoing jobs created by this development will support improved employment outcomes in Margaret River SA2:



- The 161 additional jobs will support increased workforce participation in the area, particularly for women, who see lower levels of workforce participation in Margaret River SA2 (73% of males compared to 64% of women).
- A large proportion of people in Margaret River work within the accommodation and food services industry (13% of employees). These employees are relatively younger, aged between 15 and 24 years. Of these younger employees, 25% work within the accommodation and food industry, followed by retail (22%). A key issue for people in this industry is that there is a lack of growth opportunities in the local market.
- This development will support employment opportunities for this age group, who see higher levels of unemployment in the Margaret River SA2 than the Augusta-Margaret River LGA (7% vs. 6%), relative to the total workforce.
- Apprenticeship, cadetships and trainee programs will be offered by Marriott on an annual basis. A big focus will be on growing local talent to sustainably support the business. With the two existing Perth hotels, Marriott can offer local a career path within Western Australia, as well as providing additional national and international hospitality training opportunities and experience.
- The traineeship opportunities would vary and grow over time, but initially there would be approximately 12 positions offered annually. These positions will provide younger people to gain more exposure and experience in the workforce.



Source: ABS Community Profile 2016, Tourism Western Australia, Urbis

## Tourism Benefits

Tourism benefits from this development includes:



- Historically, the total overnight visitors to the Margaret River Region create an average annual spend of \$910 million, in the four year average between 2016 and 2019 (Tourism Western Australia, April 2020). With a relatively substantial amount of expenditure in the region, new development will increase more expenditure.
- Pre-Covid, WA's 2<sup>nd</sup> and 3<sup>rd</sup> largest international market by leisure visitors is Malaysia and Singapore. Of the Malaysian and Singaporean visitors, Margaret River ranked 3<sup>rd</sup> as most appealing destination, behind Perth and Ningaloo Reef (Tourism Western Australia 2018-19). With the high levels of south east Asian interest as well as being a critical growth market for the region, the proposed development will increase further visitation from this market;
- Trends show visitation to Australia's South West region peaked not only in December but also the winter months between May – July and September (BCEC Research Report October 2018). This will encourage mid-week visitation as currently there are visitor peaks during weekends and troughs during the week. Similarly, it will also smooth seasonality through the year, benefitting, the local community and sustaining businesses;
- The development will bring in high yielding international guests with the several facilities available in the hotel such as conference rooms as well as the hotel operator having the industry's largest loyalty program;
- Marriot's loyalty program entails over 2.5 million in Australia and 142 million worldwide, meaning through electronic marketing the development has enormous outreach and can spread awareness of WA's South West Region. The Marriot will also be able to refer people coming to the Perth Ritz Carlton and Westin to the Westin Margaret River;
- Furthermore the development adopts Marriot's 'wellness brand' which will ensure guests have the ultimate luxury experience through meals, bedding, concierge facilities, spas, meeting rooms and more.

## ADDITIONAL PROJECT VALUE

## Value of Place Framework

Using the Urbis Value of Place Wheel Framework, we have considered other benefits that have been highlighted on the right.



## Other Benefits

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

- Providing more diverse employment opportunities to residents in the Margaret River area;
- Bringing additional residents to the area to support the existing retailers and activate the precinct;
- Supporting additional visitation to Margaret River and supporting the existing businesses in the area;
- New landscaped space and innovative accommodation will bring visitors to WA;
- The introduction of the Cadet Program initiated by Marriot will bring people into the tourism industry;
- Provide a landmark new building to the Margaret River area that has not been seen before;
- Attract further investment to the precinct as other developers see the potential;
- Provide additional rates and taxes to federal, state and local government from new residents and workers in the development and;
- Bring new community spaces to Margaret River.

# METHODOLOGY, DEFINITIONS & ASSUMPTIONS



# METHODOLOGY, DEFINITIONS & ASSUMPTIONS

## 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 Western Australia 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 on-going operations, total on-going 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.
- It should be noted that 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. 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*.

## Data Sources

**Plans** – Saracen Properties 23/02/2021

**Employment Figures** - Verum Group Pty Ltd 04/03/2021

**Costs and Timeframes** – Saracen Properties 23/02/2021, 12/03/2021

## 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) excluding 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) excluding GST.

**Construction job years** is a measurement of the volume of output required to support a construction job for a 12 month period.

## Assumptions

**Average workspace ratios** for this analysis have been taken from the results of the Perth Land Use and Employment Survey, published in 2017 which are also broadly in line with the hotel operator's employment figures. The relevant ratios used for this analysis by each component are the WASLUC and PLUC Codes as per the following, in addition to the hotel employment figures provided by the operator:

Component	Ratio	PLUC Code	WASLUC Code
Retail	27.6	Total	Shop Retail
Commercial	21.9	Total	Finance, Insurance & Real Estate Services

The number of apartment residents has been determined by number of people per apartment by bedroom type, based on the ABS Census across Greater Perth. We have assumed a ratio of **1.4** people per dwelling for a 1 bedroom apartment, **1.8** for a 2 bedroom apartment and **2.2** for a 3 bedroom 2 bathroom apartment.

# DATA TABLES

Construction Phase - Total			
Impact Summary	Direct Effect	Supply-Chain Effect	Total Effect
Output (\$M)	\$117.98	\$129.45	\$247.43
Employment (FTE Jobs)	\$137.00	\$264.00	401
Wages and Salaries (\$M)	\$15.68	\$26.54	\$42.22
Value-added (\$M)	\$28.92	\$48.20	\$77.11

Ongoing Employment Impacts - Total			
Impact Summary	Direct Effect	Supply-Chain Effect	Total Effect
Output (\$M)	\$37.55	\$20.59	\$58.15
Employment (FTE Jobs)	122.07	39.28	161.35
Wages and Salaries (\$M)	\$10.06	\$4.75	\$14.81
Value-added (\$M)	\$18.12	\$9.35	\$27.47

\* *FTE* = Full-Time Equivalent, *GVA* = Gross Value Added, *Indirect benefits* refer to Supply Chain effects, but not Consumption Effects. See Definitions in the Appendix for more information.

Source: REMPLAN; Saracen Properties; Urbis

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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 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.

The recent international outbreak of the Novel Coronavirus (COVID-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, is causing a material impact on the Australian and world economies and increased uncertainty in both local and global market conditions.

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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