

APPENDIX 6

Economics and Employment Assessment Report

North Baldvis Economic and Employment Assessment

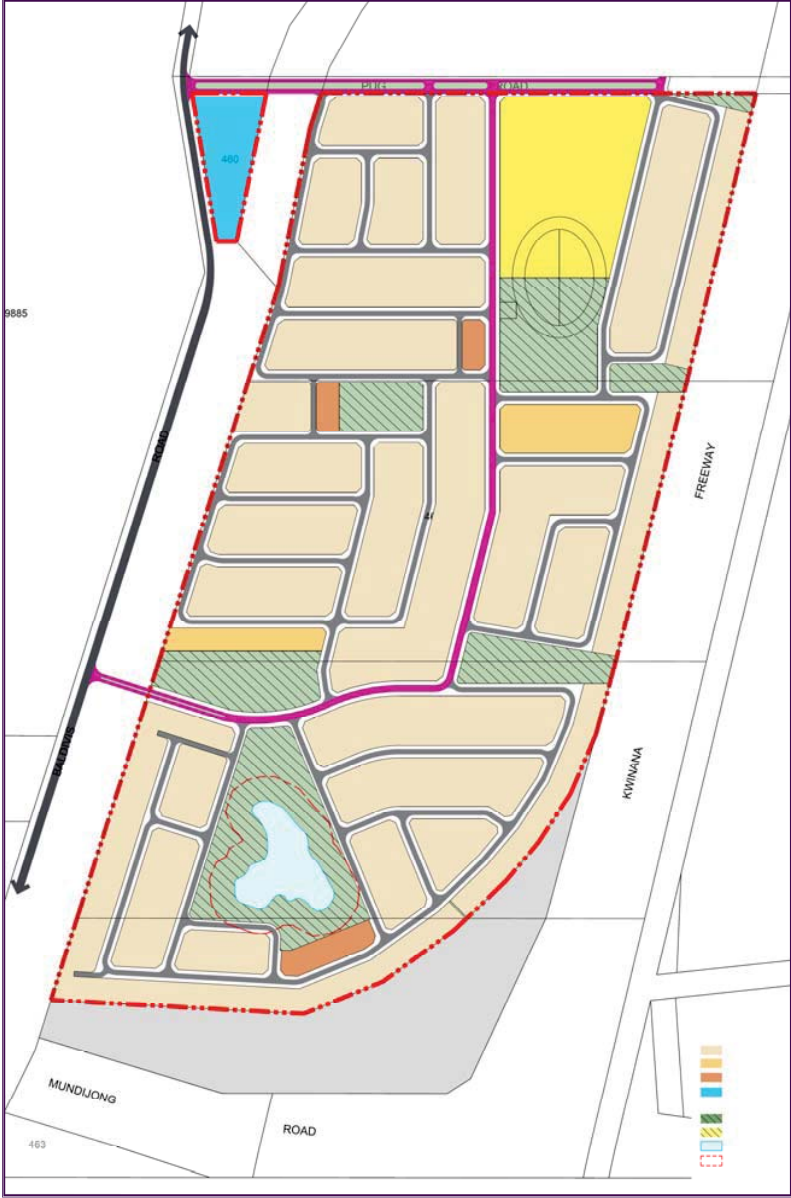


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Martinus Consulting was engaged to undertake an economic development analysis relating to employment opportunities in the North Baldivis local area.

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Author: Ian Martinus
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1 Statement of Intent and Scope of Work

This purpose of this assessment is to estimate employment potential and job creation with respect to the North Baldivis Local Structure Plan (LSP) for Lots 460-463 Baldivis Road, Baldivis, on behalf of the proponent, Upside Property Pty Ltd and Woodbrooke Property Pty Ltd who are both wholly owned subsidiaries of Cedar Woods Properties Ltd.

The scope of work included the following:

1. Investigate the possible job creation opportunities associated with the anticipated lot production of up to 900 lots with a local population of 2350 people.
2. Consideration of an appropriate location for a Local Centre with good accessibility for passing trade which is relatively central to the residential catchment (including the area of Urban Zoned land north of Pug Road).

Develop an initial 'economic picture' of the possible employment related activities based on the current mixed use planning with attention paid to local competitive forces, realistic demand forecasts and local supply chains.

Provide realistic input into the value proposition surrounding the delivery of stages of development and the economic impact vis-a-vis commercial and industrial opportunities in the region.

Location and Geography

The LSP is located within the City of Rockingham adjacent to the Kwinana Freeway and approximately 45km from the Perth CBD. Transportation links and access are good with Pug Rd, Mundijong Rd and Baldivis Road set to play an important economic development role creating patronage opportunities.

2 Executive Summary

During preparation of the LSP, the economic opportunities that can be created as part of the south east regional planning of Perth metropolitan were considered. Given the relatively moderate population expectations of approximately 4000 dwellings in East Baldivis and 4400 dwellings in North Baldivis to deliver a final combined population of 12,800 persons, this economic and employment assessment development considered the above.

One of the key drivers for the local area in question is the provision of essential services infrastructure such as gas, water, sewage, electricity and telecommunications. While this appears to be basic provisioning infrastructure, their availability will allow greater opportunities for local enterprise to occur. The cultivation of, and assistance to, micro and home-based business is one of the positive opportunities that North Baldivis can develop.

Given the proximity to more developed district and regional commercial areas, North Baldivis will need to consider where its potential points of difference lie, given the predominance of residential dwellings within the plan. Urban densification initiatives in the south western corridor of Perth in recent times have created demand within the retail and non-retail sectors.

As per the Taktics4 East Baldivis DSP Commercial Activity Plan of March 2010, the successful performance of centres and the commercial activity contained therein will depend on the strategic distribution and placement of centres to 'maximise their accessibility and relevance to their intended catchments'.

One of the most common concerns for outer metropolitan economic development and local employment generation is the lack of population to support micro and start up business. One of the key advantages of the LSP Area is the existing local populations and catchment areas that new and start up businesses in Baldivis will be able to take advantage of.

Some of the key economic development advantages for the local structure plan area include:

- Business Incubator opportunities and links to the Rockingham Small Business Centre South West Metro and business development assistance
- Small Business Centre – small business vouchers program and local support services for small business start ups and maturing businesses
- Local Business Association and linkages/connections between small business
- Proximity to education facilities and medical services
- Home-based business (HBB) assistance and growth strategies
- Local government HBB fast track approvals and incentivisation programs (economic development start up funding assistance)
- Distance to Murdoch and Notre Dame Universities

The generic goal of local economic development is to create lasting and diverse employment and investment opportunities within a defined area. With greater globalisation and electronic connections, physical and proximity limitations can be minimised.

This assessment has taken into account the following:

- Business support services available in the local and regional vicinity of East Baldivis
- Convenience-based local shopping opportunities once the residential stages create a 'community' of residents
- Opportunities for business growth and constraints – based on available NLA
- Networking opportunities and 'promotable' business linkages for North Baldivis businesses within the wider City of Rockingham context.

Despite limited floorspace of approximately 1500sqm being available for economic activity, there are possibilities to create and maintain exogenous employment across a number of diverse areas. The local road network will be of significant benefit and strategic importance as access to other key economic centres located nearby could make this LSP area a desirable location for a local centre.

For the purposes of this report, an economic impact model was created which demonstrates:

1. The three phases of delivery of pre-construction infrastructure servicing, construction and operations are not independent events and rely on each other to inform value.
2. The actual timing and delivery of each stage may be affected by the economic conditions of the day and will be dependent on adequate deployment of capital.
3. Given the time period of the actual construction period contained within this report, there will be a visible direct employment impact on the local Rockingham economy through the provision of employment and sub-contract work in the building industry. Given that most builders sub contract labour in the local region where they are employed, they avoid incurring 'out of area loading costs'. It is expected that most construction labour will come from the local Rockingham region.

3 Market Opportunity

According to background information included in the 2010 Tactics4 East Baldivis Commercial Activity Plan, economic opportunities will be created through a few segments including:

- A possible commercial/mixed-use site being proposed as part of this LSP
- Home-based business development and assistance
- Possible industrial land development (though this is less likely since release of the WAPC's Frameworks, 2015).
-

According to the Commercial Activity Plan, the Mundijong-Baldivis Road Centre could support between 1,500 – 2,000sqm of retail floorspace with a small supermarket of up to 1000sqm to benefit from solid passing trade.

The East Baldivis District Structure Plan (DSP) Report concluded that it was questionable whether a convenience retail centre north of Mundijong Road would be required; and if required, it would be very small (approx. 500m²). This report however, did not consider the merits of the current site which has been identified with the benefit of more detailed planning that was not available at the DSP level.

The location of the proposed local centre is considered ideal as it will not only be serviced by the ultimate catchment of the resident population (ie; 4400 people) but will also potentially capture significant passing trade using Baldivis Road. On this basis, there is little doubt that the total catchment of this centre will capture sufficient patronage to sustain a local/mixed used centre with floorspace of up to 1500sqm NLA.

If some of the floorspace could be used to support small businesses that have been in business for less than five years with an employee head count of less than 3 employees, then a small 'incubator/business services' operation could be considered. Given the

'new' and innovative ways of attracting and retaining micro and small business start up companies, floorspace (e.g. as little as 400sqm) could be used within an accessible environment to accommodate certain businesses.

A comparable flexible use space in Perth offers daily use rates for floorspace and services and attracts a 6 day/week clientele of sole trader and micro businesses. The serviced office concept of the 1980's and 1990's has grown into a more flexible model of space utilisation and should be further examined for its effective use of space.

The list below is an indicative Perth (metropolitan) list of small businesses that look for, and inhabit small, flexible space within commercial developments:

- Accountancy
- Barristers and Solicitors/Contract Management
- Mobile and Social Media Application Developers
- Asset & Maintenance Management Consultants – Oil & Gas/Utilities
- Project Management/Training Specialists
- Access and Security/Control System Specialists
- People Services/Business Coach
- Personal training and/or health and wellness coaches
- Independent Book Publishing – eBooks and Website Development
- Resource Industry Recruitment
- Educational Home-based Tutoring Programmers
- Consulting Structural Engineer
- Marketing Company – Specialising in Brand Development and Digital Marketing
- Financial Advisor – Wealth Protection Strategy and Estate Planning
- Family Law Services
- Event Security and Crowd Control
- IT Consulting – Infrastructure Installations, IT Strategic Planning, Computer Security Solutions
- Occupational Therapy Services – Psychological Services, Independent Living and Recovery Planning
- Bookkeeping Services – Data Entry, Reconciliation, BAS Lodgement Service and Tax Returns

- Commercial and Residential – Designers and Architects
- Internet-based Support for Small Business – Offering Training, Automated Billing and Automated Collection Services.

These businesses are a typical cross section who tend to be single operators or those who may either use sub contractors, part time employees or casual workers to fulfil their contracts. Due to the gap in the market between the demands for small office space (e.g. 20sqm) and typical basic small business tenancies of 100sqm and above, a flexible use model could appeal strongly in the Baldivis market in the short term. The flexible space offering should be considered as a possibility to generate early local economic development.

According to the National Institute of Economic and Industry Research (NIEIR), the City of Rockingham contributes \$3.177B to the West Australian economy. This gross regional product (GRP) is the amount of state/national wealth generated within the region. In comparison, an increased change of \$960M was recorded from 2006 when the GRP was only \$2.217B.

There is a clear maturity in the supply chain abilities of the Rockingham region as the consolidation of economic centres within the region are beginning to mature. Micro and home-based businesses within North Baldivis will likely come from a diverse industrial classification background, and will benefit from the support from the mature small business network in the region.

As always, there is an opportunity to take active steps to ensure worker skills and opportunities are matched to local jobs, and supply opportunities are matched to local businesses. The City of Rockingham's economic development unit, as a proactive support service to the local business community can assist with this.

3.1 Local Job Creation

As a result of the infrastructure provisioning and construction work on the development, and works to commence in 2016 and continue through stages until 2023, the economic

impact and resultant local job creation is significant. The whole of life impact of the project build out to 2023 will contribute about 735 direct and indirect jobs to the regional economy of Rockingham.

This critical mass will help sustain a local/mixed use centre with approximately 1500sqm of NLA, and the trip-linking opportunities provided by adequate road infrastructure will play a role in the economic development of the area. The employment modelling has taken this into consideration.

Table 1 Total Whole-of-Life Impact of Baldvis
(2013 dollars)

<i>Impact</i>	<i>Phase</i>	<i>\$m</i>	<i>%</i>
Direct	Infrastructure	\$52.4	
	Construction	\$128.3	
	Operation	\$124.4	
	Total	\$305.0	
Indirect	Infrastructure	\$117.8	
	Construction	\$128.3	
	Operation	\$149.3	
	Total	\$395.4	
Total	Infrastructure	\$170.2	24%
	Construction	\$256.6	37%
	Operation	\$273.6	39%
	Total	\$700.42	100%

Over the period of nearly 10 years of residential and commercial development, Baldvis is expected to contribute about 306 direct (infrastructure 48; construction 133; operating 125) jobs and 429 indirect (infrastructure 55; construction 257; operating 118) jobs.

The impact of the infrastructure provisioning and construction jobs are not enduring, as once the work is done, the workers (local and out of area) need to move to the next project and contract of employment. However, given the 2016-2023 time period, it is fair to assume that the local Baldvis economy will greatly benefit from the indirect job creation as a result of this development.

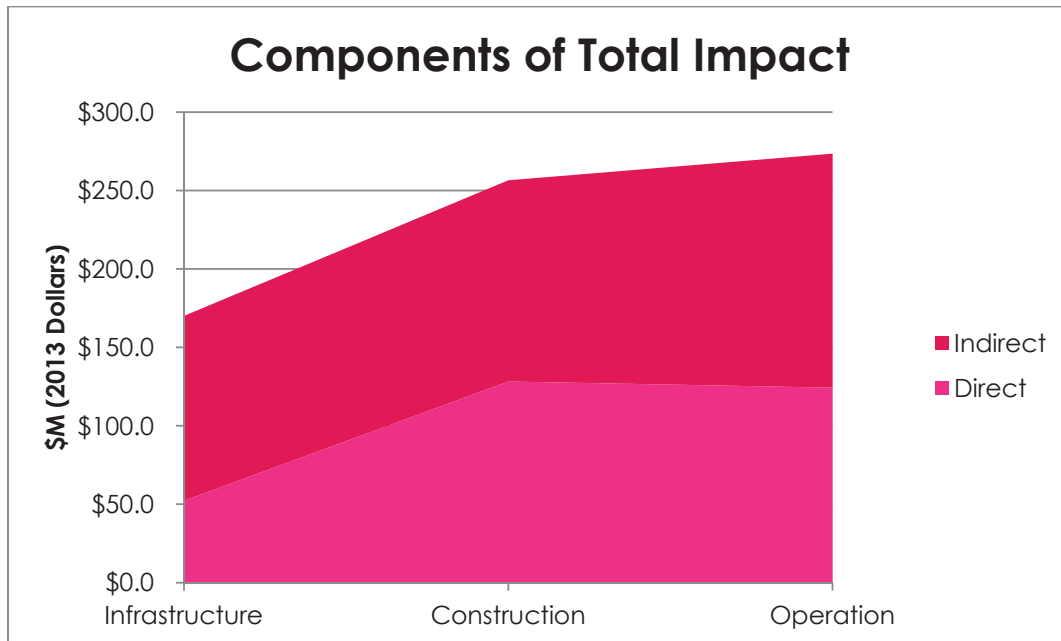


Figure 1: Components of Total Impact – North Baldvis

It is important to note that the increase in 'Gross Value Added' (GVA) in the Baldvis region will be seen through jobs such as suppliers of materials, equipment and services (example procurement, food and beverage, entertainment, transport and equipment, accounting and banking) in infrastructure provisioning and construction. The City of Rockingham and the local chamber of commerce as well as the Rockingham Small Business Centre (SBC) are a number of avenues available to promote the 'buy local' opportunities for suppliers.

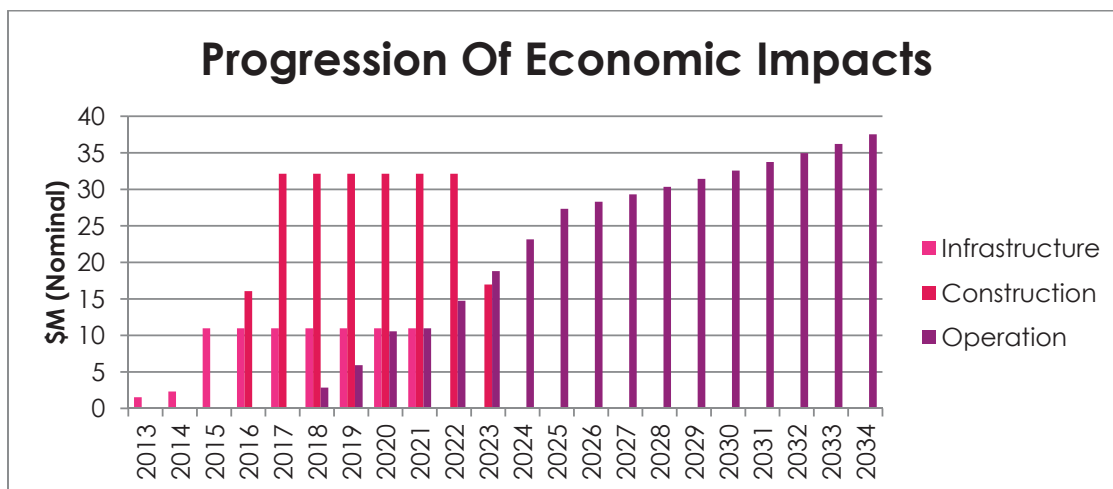


Figure 2: Progression of Economic Impacts East Baldvis Development

Figure 2 demonstrates the value of each phase of development in Baldvis and the spikes in construction activity from 2017-2022 with regard to residential and commercial development will help achieve a strong economic impact for the greater Baldvis region. The Baldvis Mundijong Rd. extension project will create conducive conditions for a greater 'economic passage' of goods and services from Baldvis to the Rockingham Town Centre.

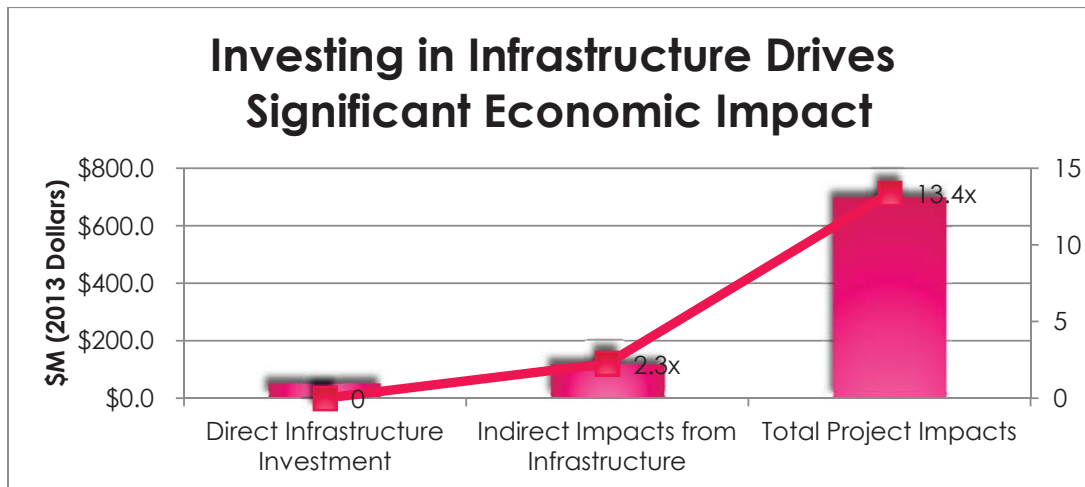


Figure 3: Investment in Infrastructure East Baldvis

North Baldvis is strategically located for residents and businesses to take advantage of a number of regional infrastructure opportunities including:

- Baldvis Library and Community Centre
- Baldvis District Sporting Complex (expected completion 2017-2018)
- Baldvis Town Centre – differentiated precinct uses within activity centre (see TPS2).

These significant regional infrastructure features will attract households of the mindset that they can contribute to, and make a living from, the economic activity of the area. Investment in provisioning infrastructure as residential and commercial lots are readied for market will promote the viability of the neighbourhood centre and the 'liveability' of North Baldvis.

The Rockingham region is sufficiently diversified across the major industry categories, and as such, will afford strong employment opportunities to the new residents of Baldvis. Home-based business opportunities within the development of 900 lots could yield approximately 110 jobs within the services, other retail, office/business, health/welfare,

entertainment/recreation categories. The Rockingham Small Business Centre confirmed that a 10%-12% range of HBB is acceptable when calculating local business numbers in a residential area. The City of Rockingham confirmed that, while individual home-based category numbers are low at present, the encouragement of greater services to home-based businesses is a priority strategy as part of their economic development strategy and small business assistance.

Industry Categories Rockingham (PLUC)	Floorspace (m2)	Jobs	Floor/Emp.	Floor as % of retail
Manufacturing/Processing/Fabrication	385	6	64	1%
Storage/Distribution	1438	6	240	2%
Service Industry	3955	57	69	7%
Shop Retail & Other Retail	57,857	1709	34	100%
Office/Business	23,446	805	29	41%
Health/Welfare/Community Services	4933	235	21	9%
Entertainment/Recreation/Culture	8610	176	49	15%
Residential	500	29	0	1%
Utilities/Communications	906	33	27	2%
Total	102,030	3056	33	176%

Table 2: Industry Categories in Rockingham and floorspace requirements.

As Table 2 suggests, the shop retail/other retail, office/business and services (health, community, communications) industry categories perform well in Rockingham. This correlates well with micro business categories listed earlier such as accountants, IT and web services, business coaching, people services, legal, educational services.



Figure 4: Percent Change in Labour Force 2001-2011

Figure 4 shows the strong positive change in labour force growth in Rockingham over a 10 year period, particularly in the 2006-2011 period.

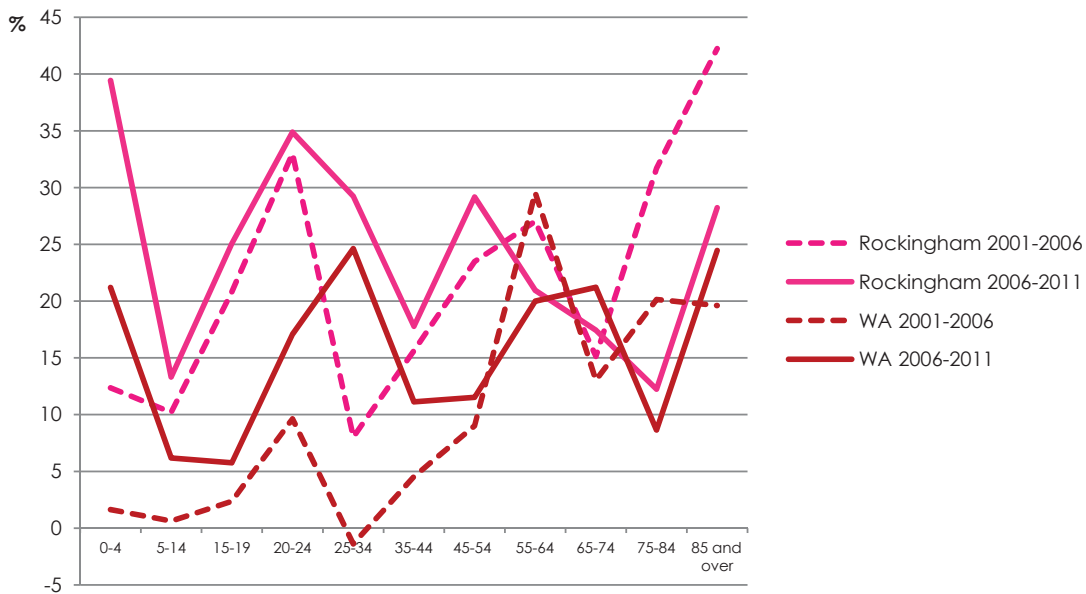


Figure 5: Population Change by Age Cohort 2001-2011

The sustained growth across all age cohorts in the Rockingham region and the consolidation of the 25-64 year old groups within the 2001-2006 periods is shown in Figure

5. The local workforce participation rate and the new business opportunities associated with finding suitably skilled workers within a region is a strong benefit when businesses decide to locate and invest in a certain area. The maturation of a regional centre is often found in a greater need, awareness of, and investment into civic infrastructure which helps build confidence for other forms of private investment.

Figure 6: Age-Sex Structure (%) 2011

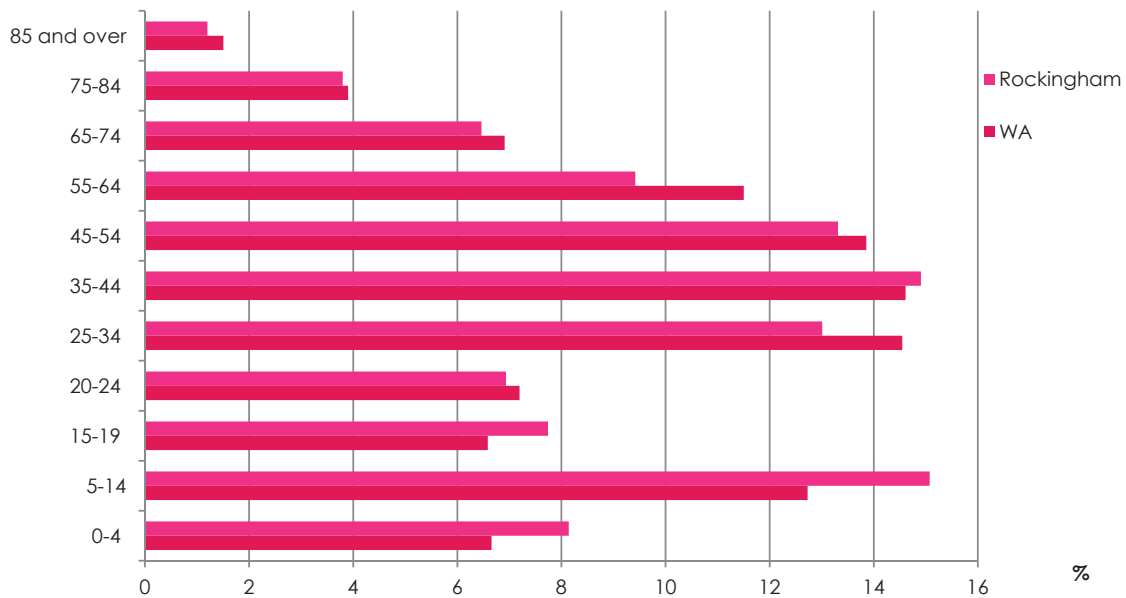


Figure 6: Age-Sex Structure (%) 2011

The consistency of Rockingham age-sex cohorts present within its boundaries vis-a-vis WA as a whole is highlighted in Figure 6. It is interesting to note the 35-54 year old cohorts in Rockingham that usually suggests a supply of skilled and semi-skilled workers, as well as owner/managers able to consider the advantages of doing business locally. Again the service categories mentioned in section 3 are worthy of consideration and targeting, and a strategy surrounding their attraction and retention may produce strong results for local job creation interventions.

3.2 City of Rockingham Economic Development Strategy 2014-2017: Impacts for Baldivis

A significant amount of work has been detailed in the most recent City of Rockingham Economic Development Strategy that makes mention of recent major development approvals that impact the Baldivis Activity Centre and the secondary economic consequences.

The major additions and alterations to the Baldivis Shopping Centre will mean that proximity to this centre will enhance the viability of micro and small business activity in North Baldivis outlined in section 3 of this report. Kwinana Freeway service upgrade and enhancements and the confirmation of the Baldivis Secondary College also give positive proximity effects.

The City of Rockingham document accurately identifies the strong link between sound planning and development inputs and land use considerations that allow unique economic competitive advantage to drive sustainable local job creation. If this is the case, the endogenous growth of retail, trades and service professional occupations in North Baldivis including home-based businesses will achieve the desired local job outcome expectations.

3.3 Location quotients: interpreting results

As demonstrated in Figure 7 below, mining employment for the Rockingham resident workforce clearly outperform the Australian average for that occupation grouping. The

strong performance of manufacturing, construction and utility job strength in the Rockingham region bodes well for North Baldivis for the fact that the services to these sectors can come from a more residentially-focussed community.

The 'services' categories, while being less represented in the Rockingham region, offer an opportunity to attract and retain these typically home-based businesses to shared or 'incubator' space with flexible working and leasing arrangements.

The Location Quotient interpretation is listed in this section to demonstrate the unique opportunity for North Baldivis local employment given its location qualities, staging and micro and small business focus.

- LQ = 1.0 When the location quotient equals 1, this indicates the proportion of employment in that category was the same in both the region (in this case Rockingham) and the rest of Australia as a whole.
- LQ < 1.0 When the location quotient is less than 1, this indicates there is a smaller proportion of total employment in a given industry in the region (Rockingham) compared to Australia as a whole. Output from this industry is not sufficient to meet local demand, requiring the product or service to be imported from outside the region.
- LQ > 1.0 When the location quotient is greater than 1, this indicates that Rockingham has a higher proportion of its total employment concentrated within that industry than does Australia as a whole. It is assumed to be able to meet local needs for associated products or services and to export out of the region.

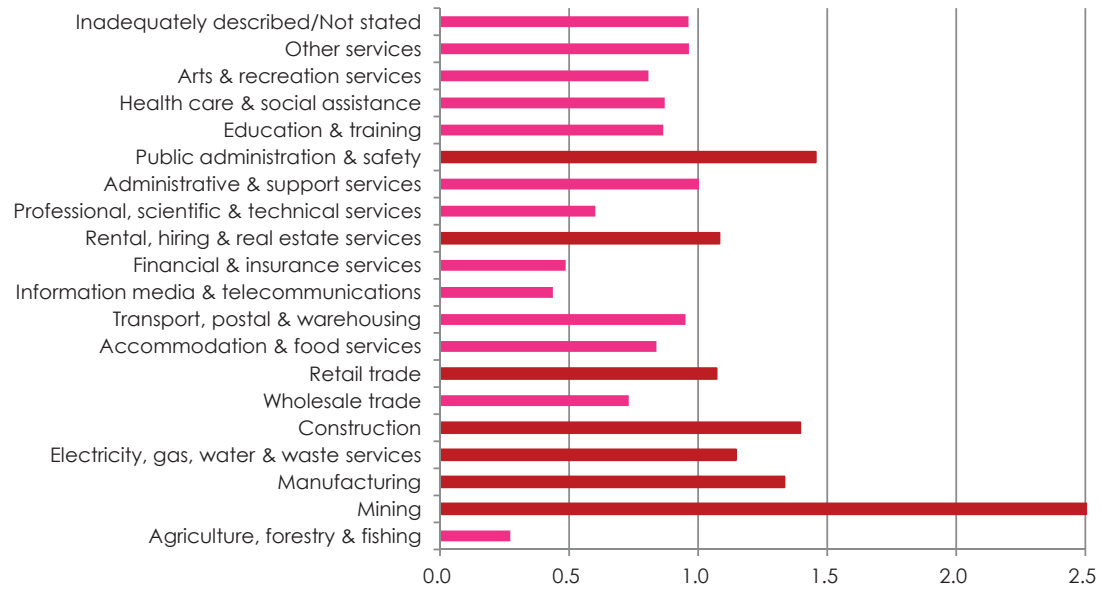


Figure 7: Rockingham industry sector concentration of jobs

3.4 Shift Share Analysis & Location Quotient Analysis

The input-output model was used to show the growing strength of the Rockingham region and the growing interdependencies between services and demand for final goods.

Shift share analysis: interpreting results

- National Share (NS) Component
 - Share of regional job growth attributable to growth of the national economy
- Industry Mix (IM) Component
 - How much growth can be attributed to the region's mix of industries?
 - Estimates how many jobs were created/not created in each industry due to differences in industry and total national growth rates
- Regional Shift (RS) Component
 - How many jobs are created/not created as a result of the region's competitiveness?
 - Perhaps the most important component
 - Identifies the region's leading and lagging industries

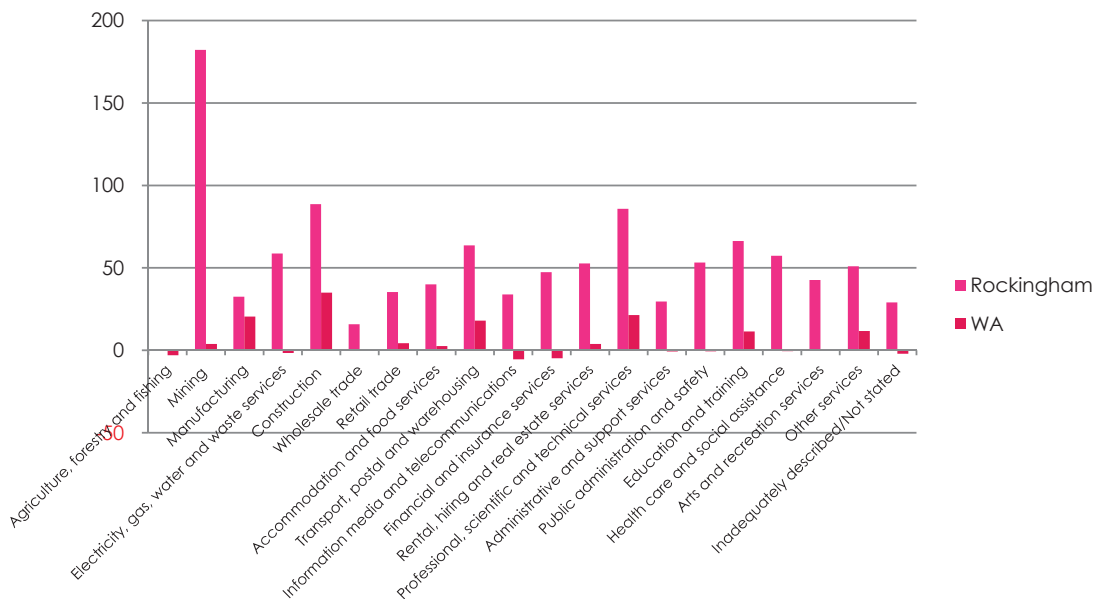


Figure 8: Regional Employment Shifts (%): Rockingham and Western Australia

Figure 8 demonstrates that Rockingham is over-represented in the mining industry sector. Big winners in the sectors of mining; utilities; construction; professional, scientific and technical services; and healthcare and social assistance place the Rockingham region well with respect to current and future earning ability and local investment decisions. With strong transport connections to the airport, FIFO workers can consider North Baldivis as a viable live/commute and lifestyle option.

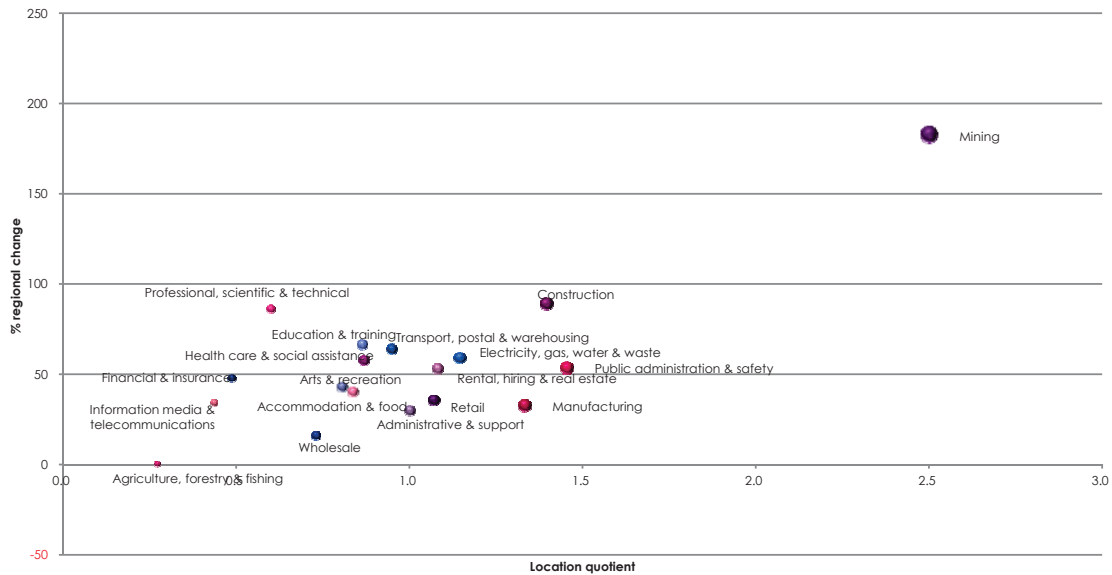


Figure 9: Industry Significance (bubble size): LQ Against % Regional Change

4. Conclusion

Notwithstanding that development of the LSP area will predominantly be for residential purposes, it will contribute to regional Rockingham in a number of ways:

- Creation of over 700 direct and indirect jobs within the infrastructure provisioning, construction and operational stages.
- Use of strategic location and road network to provide trip-linking possibilities which will greatly enhance commercial and business opportunities.
- Integrate directly into the aspirational statement of local job creation and self sufficiency in the City of Rockingham Economic Development Strategy 2014-2017.

- A high level of servicing infrastructure that will facilitate micro and home-based business opportunities in the following industry sectors: services, other retail, office/business, health/welfare, entertainment/recreation and lifestyle categories.