

Project **Feasibility Analysis**

Southern Regional Strategy

Prepared for Ausgrid

January 2023



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1. Executive Summary

1.1. Scope

JLL has been engaged by Ausgrid to undertake feasibility analyses for a selection of major property projects. This project feasibility analysis relates to the Southern Regional Strategy.

1.2. Key Findings & Recommendation

Based on the financial assessment we have undertaken, as well as our non-financial observations, we recommend proceeding with **Scenario 3 – Implement Southern Regional Strategy with new Satellite Depot at Mason Park**. This scenario results in a slightly superior financial outcome compared with Scenario 2, while also resulting in the same non-financial benefits being realised. This scenario also results in significantly superior financial outcome compared with Scenario 1, as well as much more non-financial benefits being realised impacting operations, safety and potential disposals of resulting surplus land.

Delivery of this scenario would result in the following capital expenditure (capex) over the FY25-29 period to deliver the new facilities. The capex shown in the table below includes the cost to acquire land and construct the new facilities only. It does not include minor ongoing and reactive capital works required at the site in the lead up or post construction.

Table 1: FY25-29 Proposed Capex of Recommended Scenario

Nominal \$million	FY25	FY26	FY27	FY28	FY29	Total FY25-29
Capex						

1.3. Report Authors

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2. Introduction

2.1. Instructions

JLL has been engaged by Ausgrid to undertake feasibility analysis related to their Southern Regional Strategy (further details provided below in Section 2.3). The feasibility assessment in this report includes both financial and non-financial analysis. This information is targeted at informing Ausgrid of the least cost solution to addressing the risks associated with non-network property assets that are declining in condition as they reach an advanced age.

2.2. Ausgrid Property & Accommodation Strategy

Ausgrid are continuing a program of consolidating and modernising their non-network property portfolio. The priority is to ensure they provide safe, secure and fit-for-purpose workplaces for staff that allows for the provision of timely and reliable services to meet customer needs. Further, as a consequence of more agile working practices adopted during COVID-19 and a significant downsizing of the workforce over the last 10 years, Ausgrid's property footprint is currently under-utilised. Over the course of FY22 the transformation and strategic property teams have conducted a review of all Ausgrid sites being utilised to accommodate staff with the purpose of the review to:

- Maximise utilisation and improve financial outcomes;
- Maintain and improve operational performance and ensure Ausgrid's sites are set up for the future target operating model;
- Support improvements in Ausgrid's culture by enhancing the spaces their teams work in.

Ausgrid has identified the need for a number of projects involving the replacement, upgrading or refurbishment of property during the five-year forecast period. In particular, Ausgrid has an ageing property portfolio and priority has been given to those assets which are of greater safety and security concern and are in the most urgent need of replacement. A selection of these projects are the subject of the analysis we are now undertaking, as described in the instructions above.

2.3. Overview of the Proposed Projects

Ausgrid have developed a Southern Regional Strategy which includes the delivery of new developments enabling concentration of uses and decommissioning or part decommission of other sites. The following is a summary of the proposed interrelated works:

- Deliver a new regional hub facility (Southern Region Hub) in the broad Kingsgrove / Riverwood area.
- Deliver a new Shire Satellite Depot in the broad Taren Point / Kirrawee industrial areas.
- Deliver a new Satellite Depot facility in either existing Homebush site or Mason Park.
- Full decommissioning of Potts Hill and Oatley Depots and part decommissioning of Homebush and Menai Depots.

The key Ausgrid drivers for the proposed development of Southern Region Hub include:

- Accommodate the workforce and critical operations in suitable facilities that align with Ausgrid Accommodation Guidelines.
- The current regional property footprint exceeds operational requirements, is in varying states of repair and is no longer considered fit for purpose. In addition, the cost to bring facilities up to standard is extensive and not considered commercially viable. Therefore, an opportunity exists to consolidate the property footprint and the bulk of resources and capabilities into a new, fully integrated facility supported by Satellite Depots across the city's outer suburbs. A new site provides vital opportunities for economies of scale and offers positive cultural benefits while delivering value for money for Ausgrid.
- The Southern Region Hub located near Sydney South's main arterial roads will ensure service delivery standards are maintained (average travel time after depot rationalisation is not materially affected – from 7.6 minutes to

8.9 minutes) across the region (approach confirmed after consultations with key stakeholders) as well as reduce operational costs through reduction of property footprint and consolidation of sites.

- This overarching strategy will help to improve the culture through improved facilities, standardisation of practices, and grouping of teams to enhance collaboration, knowledge sharing, communication and problem-solving.
- Appropriately manage lifetime property costs.
- Address current and future growth demands in the inner western and southern suburbs of Sydney.
- Concentrate depot and administrative functions in line with Ausgrid policy.
- Potential for surplus land to be disposed after the completion of works (re-zoning and Council approval would be required)

3. Homebush Depot

3.1. Location

Ausgrid’s Homebush Depot is located at 16-30 Underwood Road and 25-27 Pomeroy Street, Homebush NSW 2140.

Figure 1: Ausgrid’s Homebush Depot



Source: SIX Maps

3.2. Surrounding Developments

The surrounding developments comprise predominantly detached residential dwellings subject to ‘R3 – Medium Density Residential’ zoning. There is a small amount of ‘IN1 – General Industrial’ zoned land adjacent to the site that appears to be occupied by residential dwellings and a small amount of ‘B2 – Local Centre’ zoning located to the south of the subject site which accommodates a residential flat building and some commercial uses. Immediately north of the site is public recreation and environmental conservation land.

3.3. Legal

Title Details	Lots 2, 5/26/DP477 Lots 39, 40, 41, 42, 43, 44/DP834 Lots 1, 2/DP103964 Lot 1/DP380202 Lot 1/DP398650 Lot 1/DP825403 Lots A, B, C/DP974110
Registered Owner/s	Alpha Distribution Ministerial Holdings Corporation
Encumbrances	We have not verified the existence or not of encumbrances on title
Property No. (NSW Valuer General (VG))	██████

VG Assessed Land Value	

3.4. Landholdings

Address	16-30 Underwood Road and 25-27 Pomeroy Street Homebush NSW 2140
Site Details	Irregular shaped allotment, which is highly accessible by Pomeroy Street and Underwood Road
Land Area	64,350 sqm
Services	All standard services (electricity, water, telephone and sewerage) are assumed to be available to the site
PRP Online No.	820645

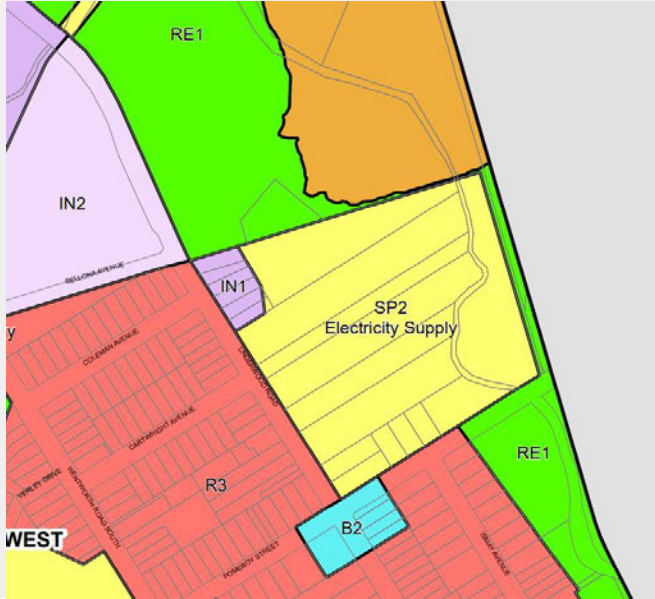
3.5. Improvements

Subject's Present Use	Operating depot that currently provides accommodation to Ausgrid staff servicing the Sydney South area. Currently there are 275 employees operating from this depot (Homebush Depot - Accommodation Report). The site has several buildings used for a range of activities including truck/equipment storage, office tasks, mechanic/vehicle workshops, oil storage and waste storage
Year Constructed	~ 1960
Construction Materials	Multi storey brick and concrete structure
Lettable Area	~17,000 sqm (BCA Report)
Condition	Poor – the improvements on site are in a degraded state
Other Structures	As noted above, there are various structures currently on the site used for a range of activities

3.6. Environmental

Contamination	JLL have been provided with some site specific information on potential contamination risks with this site – we refer the reader to the report by Progressive Risk Management (PRM) titled 'Asbestos and Lead Building Materials Audit' dated August 2018. Within this report 4 items were identified to have 'High Priority Risk Rating', 5 items were identified to have 'Moderate Priority Risk Rating', and a further 73 were identified to 'Low Priority Risk Rating'
Flooding	JLL has had reference to the Strathfield Local Environmental Plan (LEP) 2012. The subject property does not appear to be impacted given it is not within a flood zone, nor a flood planning area

3.7. Planning Controls

Local Authority	Strathfield Council
Planning Instrument	Strathfield Local Environmental Plan (LEP) 2012
Zoning	<p>SP2 – Infrastructure (Electricity Supply)</p> 
Objectives of Zone	<p>1. Objectives of zone</p> <ul style="list-style-type: none"> • To provide for infrastructure and related uses. • To prevent development that is not compatible with or that may detract from the provision of infrastructure. • To ensure that development does not have an adverse effect on adjoining land. <p>2. Permitted without consent</p> <ul style="list-style-type: none"> • Nil <p>3. Permitted with consent</p> <ul style="list-style-type: none"> • Aquaculture; Roads; The purpose shown on the Land Zoning Map, including any development that is ordinarily incidental or ancillary to development for that purpose <p>4. Prohibited</p> <ul style="list-style-type: none"> • Any development not specified in item 2 or 3
Conformity	Upon a review of the applicable planning controls listed above, the subject site appears to conform to the LEP's controls
Heritage	JLL did not find evidence of the subject property being affected by heritage considerations
Surrounding Zones	The site is primarily surrounded by R3 – Medium Density Residential. Other surroundings include C2 – Environmental Conservation, RE1 – Public Recreation, IN1 – General Industrial, IN2 – Light Industrial, and B2 – Local Centre.

4. Menai Depot

4.1. Location

Ausgrid’s Menai Depot is located at 824 Old Illawarra Road, Menai NSW 2234

Figure 2: Ausgrid’s Menai Depot



Source: SIX Maps

4.2. Surrounding Developments

The surrounding developments along Old Illawarra Road appear to be mostly commercial and other non-residential uses. Land adjacent to the site comprises bulky good retail subject to ‘B6 – Enterprise Corridor’ zoning. Directly opposite the site is land zoned ‘B3-Commercial Core’ which comprises the Menai Central Shopping Centre and a religious establishment. The land north of the site north of Menai Road appears to comprise of low density residential subject to ‘R2 – Low Density Residential’ zoning.

4.3. Legal

Title Details	50/DP1063535
Registered Owner/s	Alpha Distribution Ministerial Holdings Corporation
Encumbrances	We have not verified the existence of encumbrances on title
Property No. (NSW Valuer General (VG))	[REDACTED]
VG Assessed Land Value	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

4.4. Landholdings

Address	824 Old Illawarra Road Menai NSW 2234
Site Details	Irregular shaped allotment, which is located on the western side of Old Illawarra Road near its intersection with Menai Road.
Land Area	10,380 sqm
Services	All standard services (electricity, water, telephone and sewerage) are assumed to be available to the site
PRP Online No.	8204641

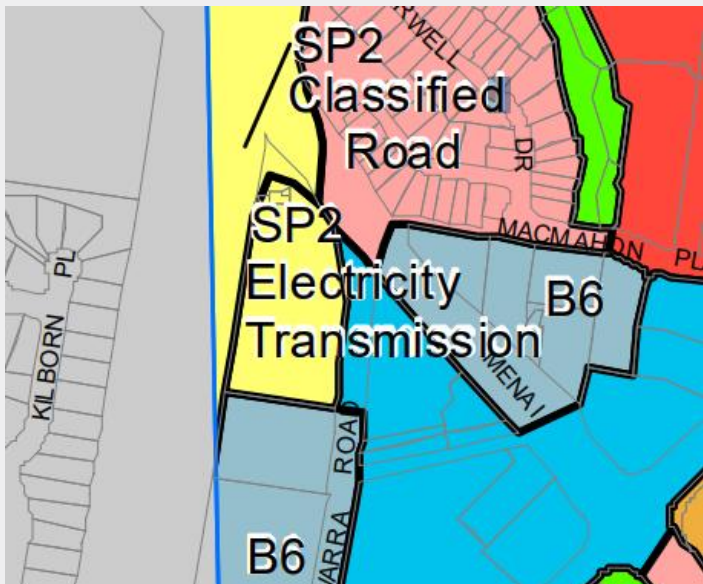
4.5. Improvements

Subject's Present Use	Operating depot and substation that comprises a single storey brick warehouse and office facility.
Year Constructed	~ 1970
Construction Materials	Construction comprises concrete foundations, cavity brick walls, concrete tile roofing and metal joinery
Lettable Area	~400 sqm (PRP Valuation)
Condition	Poor (Accommodation Strategy Stage 2 Working File)
Other Structures	Other improvements include concrete hardstand and boundary and internal fencing.

4.6. Environmental

Contamination	JLL have been provided with some site specific information on potential contamination risks with this site – we refer the reader to the report by Progressive Risk Management (PRM) titled 'Asbestos and Lead Building Materials Audit' dated June 2018. Within this report 1 item was identified to have a 'Moderate Priority Risk Rating', and 3 items were identified to have a 'Low Priority Risk Rating'
Flooding	JLL has had reference to the Sutherland Shire Local Environmental Plan 2015. The subject property does not appear to be impacted given it is not within a flood zone, nor a flood planning area

4.7. Planning Controls

Local Authority	Sutherland Shire Council
Planning Instrument	Sutherland Shire Local Environmental Plan 2015
Zoning	<p>SP2 – Infrastructure (Electricity Transmission)</p> 
Objectives of Zone	<ol style="list-style-type: none"> Objectives of zone <ul style="list-style-type: none"> To provide for infrastructure and related uses. To prevent development that is not compatible with or that may detract from the provision of infrastructure. Permitted without consent <ul style="list-style-type: none"> Nil Permitted with consent <ul style="list-style-type: none"> Aquaculture; Food and drink premises; Roads; The purpose shown on the Land Zoning Map, including any development that is ordinarily incidental or ancillary to development for that purpose Prohibited <ul style="list-style-type: none"> Any development not specified in item 2 or 3
Conformity	Upon a review of the applicable planning controls listed above, the subject site appears to conform to the LEP's controls
Heritage	JLL did not find evidence of the subject property being affected by heritage considerations
Surrounding Zones	The site is surrounded by R2 – Low Density Residential, SP2 – Infrastructure, B6 – Enterprise Corridor and B3: Commercial Core.

5. Potts Hill Depot

5.1. Location

Ausgrid’s Potts Hill Depot is located at 36E Brunner Road, Potts Hill NSW 2143

Figure 3: Ausgrid’s Potts Hill Depot



Source: SIX Maps

5.2. Surrounding Developments

The surrounding developments comprise of a mix of uses. Uses adjoining the northern boundary of the property include the recently developed Potts Hill Business Park incorporating Sydney Water’s operational headquarters and Reservoir. The land adjoining the western boundary is zoned ‘R4 – High Density Residential’ and comprises of a residential estate development comprising multiple residential flat buildings. Land directly south of the site comprises of mostly detached residential dwellings zoned ‘R2 – Low Density Residential’ apart from land zoned for ‘SP2 - Infrastructure Water Supply System’.

5.3. Legal

Title Details	1005/DP1140109
Registered Owner/s	Alpha Distribution Ministerial Holdings Corporation
Encumbrances	We have not verified the existence or not of encumbrances on title
Property No. (NSW Valuer General (VG))	██████████
VG Assessed Land Value	██

5.4. Landholdings

Address	36E Brunker Road, Potts Hill, NSW 2143
Site Details	Irregular shaped allotment located on the northern side of Brunker Road
Land Area	24,110 sqm
Services	All standard services (electricity, water, telephone and sewerage) are assumed to be available to the site
PRP Online No.	820666

5.5. Improvements

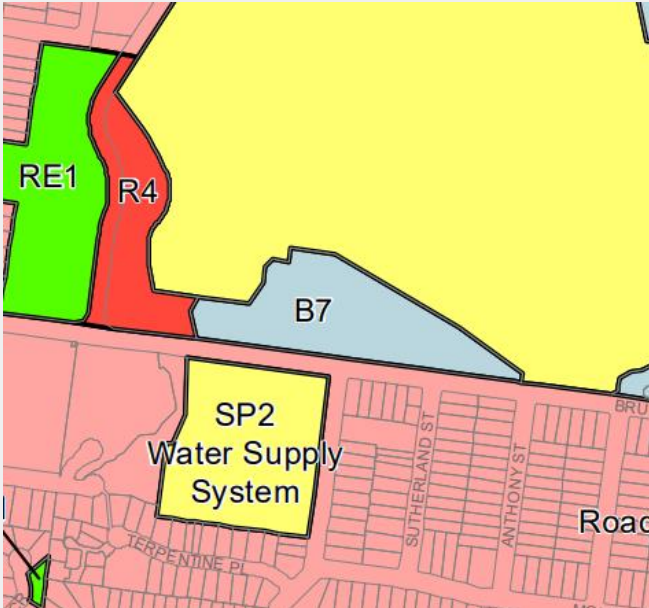
Subject's Present Use	Consists of an operating depot consisting of two buildings - a refurbished industrial building with an attached office and lunchroom annex; and a detached conference room and amenities block
Year Constructed	30/55 years old (PRP Valuation) - ~1960s. Substantially refurbished in 2016.
Construction Materials	Reinforced concrete, brick external walls, painted cladding and an insulated metal deck
Lettable Area	4,521 sqm (PRP Valuation)
Condition	Good (Accommodation Strategy Stage 2 Working File)
Other Structures	Sealed driveway, parking for staff and works vehicles and a hardstand/storage area

5.6. Environmental

Contamination	JLL have been provided with some site specific information on potential contamination risks with this site – we refer the reader to the report by Progressive Risk Management (PRM) titled 'Asbestos and Lead Building Materials Audit' dated November 2017. Within this report 1 item was identified to have a 'High Priority Risk Rating', and 7 items were identified to have a 'Low Priority Risk Rating'
Flooding	JLL has had reference to the Bankstown Local Environmental Plan 2015. The subject property does not appear to be impacted given it is not within a flood zone, nor a flood planning area

5.7. Planning Controls

Local Authority	Canterbury Bankstown Council
Planning Instrument	Bankstown Local Environmental Plan 2015

Zoning	<p>B7 – Business Park</p> 
Objectives of Zone	<ol style="list-style-type: none"> 1. Objectives of zone <ul style="list-style-type: none"> • To provide a range of office and light industrial uses. • To encourage employment opportunities. • To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area. 2. Permitted without consent <ul style="list-style-type: none"> • Nil 3. Permitted with consent <ul style="list-style-type: none"> • A Building identification signs; Business identification signs; Centre-based child care facilities; Garden centres; Hardware and building supplies; Light industries; Neighbourhood shops; Office premises; Oyster aquaculture; Passenger transport facilities; Respite day care centres; Roads; Tank-based aquaculture; Warehouse or distribution centres; Any other development not specified in item 2 or 4 4. Prohibited <ul style="list-style-type: none"> • Agriculture; Air transport facilities; Airstrips; Amusement centres; Animal boarding or training establishments; Biosolids treatment facilities; Boat building and repair facilities; Boat launching ramps; Boat sheds; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Commercial premises; Correctional centres; Crematoria; Depots; Eco-tourist facilities; Electricity generating works; Entertainment facilities; Exhibition homes; Exhibition villages; Extractive industries; Farm buildings; Forestry; Freight transport facilities; Function centres; Heavy industrial storage establishments; Highway service centres; Home occupations (sex services); Industrial retail outlets; Industries; Jetties; Marinas; Mooring pens; Moorings; Mortuaries; Open cut mining; Places of public worship; Pond-based aquaculture; Port facilities; Recreation facilities (indoor); Recreation facilities (major); Recreation facilities (outdoor); Registered clubs; Residential accommodation; Resource recovery facilities; Restricted premises; Rural industries; Service stations; Sewage treatment plants; Sex services premises; Signage; Storage premises; Tourist and visitor accommodation; Transport depots; Truck depots; Vehicle body repair

	workshops; Vehicle repair stations; Veterinary hospitals; Waste disposal facilities; Water recreation structures; Water recycling facilities; Wharf or boating facilities; Wholesale supplies
Conformity	Upon a review of the applicable planning controls listed above, the subject site appears to conform to the LEP's controls
Heritage	JLL did not find evidence of the subject property being affected by heritage considerations
Surrounding Zones	The site is surrounded by SP2 – Water Supply System uses, R4 – High Density Residential, and R2 – Low Density Residential.

6. Oatley Depot

6.1. Location

Ausgrid’s Oatley Depot is located at 33-45 Judd Street, Mortdale NSW 2223.

Figure 4: Ausgrid’s Oatley Depot



Source: SIX Maps,

6.2. Surrounding Developments

The site is predominately surrounded by SP2 zoned land, including ‘SP2 – Infrastructure Educational Establishment’ (Mortdale Public School, Carinya School and Georges River College) and ‘SP2 – Infrastructure Railway Infrastructure Facilities’. Land immediately east of the site mostly comprises detached residential dwellings subject to ‘R2 –Low Density Residential’. There is land zoned ‘R4 – High Density Residential’ and ‘B2 – Local Centre’ located to the north and south of the subject site.

6.3. Legal

Title Details	Lots 2 & 4/DP559487
Registered Owner/s	Alpha Distribution Ministerial Holding Corporation
Encumbrances	We have not verified the existence or not of encumbrances on title
Property No. (NSW Valuer General (VG))	████████████████████
VG Assessed Land Value	████████████████████ ████████████████████ ████████████████████ ████████████████████

6.4. Landholdings

Address	33-45 Judd St, Mortdale NSW 2223
Site Details	Irregular shaped allotment, which is accessible by Judd Street and from unnamed roads connected to Hurstville Road and Railway Parade.
Land Area (from DP)	44,682 sqm
Services	All standard services (electricity, water, telephone and sewerage) are assumed to be available to the site
PRP Online No.	820636

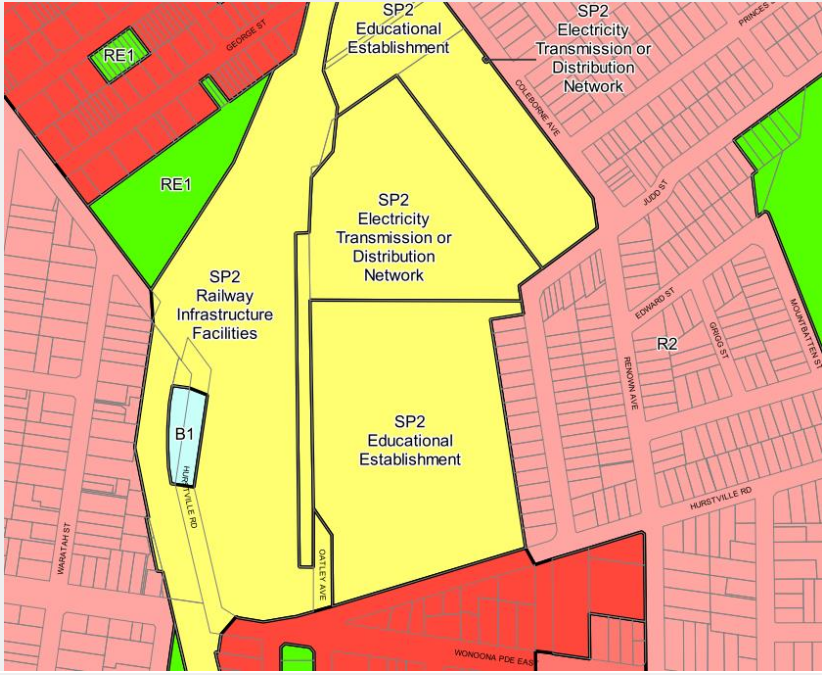
6.5. Improvements

Subject's Present Use	The Oatley Depot services Sydney's southern region with facilities including warehousing, an office component and associated stores. Currently there are 170 employees operating from this depot (Oatley Depot - Accommodation Plan Report).
Year Constructed	~ 1960
Construction Materials	Brick structures
Lettable Area	6,952 sqm (PRP Valuation)
Condition	Poor – The building is facing end-of-life issues and accommodation constraints. Parts of the accommodation do not meet Building Code of Australia requirements.
Other Structures	As noted above, there are various structures currently on the site used for a range of activities

6.6. Environmental

Contamination	<p>JLL have been provided with some site specific information on potential contamination risks with this site – we refer the reader to the report by Progressive Risk Management (PRM) titled 'Asbestos and Lead Building Materials Audit' dated June 2018. Within this report 5 items were identified to have a 'Moderate Priority Risk Rating' and 11 items were identified to have a 'Low Priority Risk Rating'</p> <p>Further given the historic use of the site we consider there to be potential for additional contamination</p>
Flooding	JLL has had reference to the Georges River Local Environmental Plan (LEP) 2021. The subject property does not appear to be impacted given it is not within a flood zone, nor a flood planning area

6.7. Planning Controls

Local Authority	Georges River Council
Planning Instrument	Georges River Local Environmental Plan 2021
Zoning	<p>SP2 - Infrastructure: Electricity Transmission or Distribution Network</p> 
Objectives of Zone	<p>Infrastructure</p> <ol style="list-style-type: none"> Objectives of zone <ul style="list-style-type: none"> To provide for infrastructure and related uses. To prevent development that is not compatible with or that may detract from the provision of infrastructure. To protect and provide for land used for community purposes and public infrastructure. Permitted without consent <ul style="list-style-type: none"> Nil Permitted with consent <ul style="list-style-type: none"> Aquaculture; Car parks; Community facilities; Markets; Public administration buildings; Recreation areas; Respite day care centres; Roads; Signage; The purpose shown on the Land Zoning Map, including any development that is ordinarily incidental or ancillary to development for that purpose Prohibited <ul style="list-style-type: none"> Any development not specified in item 2 or 3
Conformity	Upon a review of the applicable planning controls listed above, the subject site appears to conform to the LEP's controls
Heritage	JLL did not find evidence of the subject property being affected by heritage considerations
Surrounding Zones	The site is surrounded by SP2 – Educational Establishment, SP2 Infrastructure Railway Infrastructure Facilities, R2 – Low Density Residential,

7. Southern Region Hub

7.1. Potential Location

Provided in the figure below is the indicative location of interest for the Southern Region Hub as identified by Ausgrid, being broadly within the Riverwood / Kingsgrove industrial areas.

Figure 5: Potential Location – Southern Region Hub (Required Zonings Highlighted)



Source: JLL MapIT

7.2. Site Requirements

The indicative site requirements for the Southern Region Hub as outlined within the Target Operating Model are summarised below:

- **Zoning:** IN1 General Industrial, IN2 Light Industrial, SP2 Infrastructure
- **Land Parcel Size:** Between 15,000 to 20,000 sqm
- **Greenfield/Brownfield:** Both acceptable
- **Transport Connectivity:** 1km from the main arterial road (avoid access through residentially zoned areas due to 24/7 operation)
- **Site Access:** Access allows for heavy vehicles in both directions, wide curb cut
- **Security:** Must allow for 24/7 operations, including the ability to enclose and secure site perimeter fully

- **Infrastructure:** Electricity, water. Existing built infrastructure is acceptable, and dilapidation reports to be acquired by Ausgrid

8. Shire Satellite Depot

8.1. Potential Location

Provided in the figure below is the indicative location of interest for the Shire Satellite Depot as identified by Ausgrid, being broadly within the Taren Point / Kirrawee industrial areas.

Figure 6: Potential Location – Shire Satellite Depot (Required Zonings Highlighted)



Source: Target Operating Model

8.2. Site Requirements

The indicative site requirements for the Shire Satellite Depot as outlined within the Target Operating Model are summarised below:

- **Zoning:** IN1 General Industrial, IN2 Light Industrial, SP2 Infrastructure
- **Land Parcel Size:** Between 5,000 to 6,000 sqm
- **Greenfield/Brownfield:** Both acceptable
- **Transport Connectivity:** 1km from the main arterial road (avoid access through residentially zoned areas due to 24/7 operation)
- **Site Access:** Access allows for heavy vehicles in both directions, wide curb cut
- **Security:** Must allow for 24/7 operations, including the ability to enclose and secure site perimeter fully

- **Infrastructure:** Electricity, water. Existing built infrastructure is acceptable, and dilapidation reports to be acquired by Ausgrid

9. Financial Analysis and Assessment

9.1. Scenarios

In undertaking our analysis, we have had consideration to the scenarios described below. We believe these scenarios capture the appropriate and realistic options that could be undertaken to resolve the issues / achieve the benefits identified within Section 2.3.

Scenario 1 – Base Case

This scenario assumes the continuation of current operations across the relevant depots. Major refurbishment is assumed across Homebush, Menai, Potts Hill & Oatley depots given their age, BCA and hazard issues.

Scenario 2 – Implement Southern Regional Strategy with new Satellite Depot at Homebush

This scenario assumes the development of the Southern Region Hub and the Shire Satellite Depot, enabling the consolidation of nearby Depots, including decommissioning of Oatley & Potts Hill and reduction in operations at Homebush (with a new satellite depot facility provided) and Menai. This scenario includes divestment of any surplus lands once operations are consolidated.

Scenario 3 – Implement Southern Regional Strategy with new Satellite Depot at Mason Park

This scenario assumes the same development and outcome as Scenario 2; however, the redeveloped satellite depot is instead provided at Mason Park rather than the existing Homebush site, enables slightly larger surplus land area to be divested.

9.2. Key Inputs

Provided below are key inputs related to costs, values, as well as other model assumptions. For further details, refer to the full financial model within the appendices.

- Existing improvements and conditions – based on BCA and Hazard Reports (where available), as well as plans
- Fair value of sites – as assessed by Preston Rowe Paterson (PRP)
- Site acquisitions – indicative figures based on nearby JLL Research tracked land values
- Major capital works – estimated by JLL and based on site conditions and future requirements
- Growth rates for both costs and values – costs adopting CPI forecasts provided by Ausgrid, values assuming a premium to CPI
- Discount rate – based on Ausgrid Regulated Weighted Average Cost of Capital
- Ongoing capital works – based on typical ongoing capital works for new facilities by broad use type and an assumed premium for existing facilities
- Operating Expenses (Opex) excluding land tax and council rates – for existing facilities based on historic charge, for new facilities utilising historic charge from recently completed Beresfield Depot
- Land tax and council rates – for existing sites based on historic charges for new sites based on median of assessed land value (Valuer General) within relevant location and zones, along with assumed percentage costs

9.3. Financial Outcomes

Based on the assumptions outlined, the following rounded Net Present Value (NPV) financial outcomes have been derived by scenario.

- Scenario 1 NPV of **-\$271,900,000**
- Scenario 2 NPV of **-\$163,600,000**

9.4. Non-Financial Outcomes

In addition to the financial analysis undertaken, we have also had consideration to some of the non-financial implications. We have summarised the scenarios into advantages and disadvantages in the following table.

Advantages	Disadvantages
Scenario 1 – Base Case	
<ul style="list-style-type: none"> – This scenario improves the current safety conditions of the sites by looking to address the Building Code of Australia requirements and other hazard issues through refurbishments. – Maintains proximity and capacity to support the Inner West and Sydney South area. – Addresses current and future growth demands of the Inner West and Sydney South area. – Sites are generally located in close proximity to the major arterial road networks and public transport hubs in the area. 	<ul style="list-style-type: none"> – The current regional property footprint (e.g., Homebush, Potts Hill, Menai) exceeds operational requirements, is in varying states of repair and is no longer considered fit for purpose. – This scenario will not resolve ongoing property end of life issues. – This scenario will result in continued operation from not fit for purpose facilities, in some cases in large landholdings surrounded by conflicting uses (e.g., residential). – Disruptions will likely occur with the proposed refurbishment works while continuing to operate from the same location.
Scenario 2 – Implement Southern Regional Strategy with new Satellite Depot at Homebush	
<ul style="list-style-type: none"> – The scenario will enable a consolidation of business operations leading to better economies of scale. – The developments of the Southern Region Hub & Shire Satellite Depot provide the potential to create a more efficient, fit-for-purpose facility which will better meet the needs of Ausgrid in the short to medium term. – This scenario would address some of the property end-of-life issues. – This scenario provides the opportunity for a divestment or partial divestment of existing depot sites in the medium term for their likely highest and best use (subject to re-zoning and council approval). – Maintains proximity and capacity to support the Inner West and Sydney South area. – Addresses current and future growth demands of the Inner West and Sydney South area. – Sites to be kept and potential new sites are expected to be located in close proximity to the major arterial road networks and public transport hubs in the area. 	<ul style="list-style-type: none"> – Disruptions will likely occur as part of the relocation of operations. – A reduction in the number / location of depots may result in reduced response times.
Scenario 3 – Implement Southern Regional Strategy with new Satellite Depot at Mason Park	

Advantages	Disadvantages
<ul style="list-style-type: none"> Advantages as per Scenario 2. This scenario also provides additional land for divestment 	<ul style="list-style-type: none"> Disadvantages as per Scenario 2.

9.5. Recommendation

Based on the financial assessment we have undertaken, as well as our non-financial observations, we recommend proceeding with **Scenario 3 – Implement Southern Regional Strategy with new Satellite Depot at Mason Park**. This scenario results in a slightly superior financial outcome compared with Scenario 2, while also resulting in the same non-financial benefits being realised. This scenario also results in significantly superior financial outcome compared with Scenario 1, as well as much more non-financial benefits being realised impacting operations, safety and potential disposals of resulting surplus land.

Delivery of this scenario would result in the following capital expenditure (capex) over the FY25-29 period to deliver the new facilities. The capex shown in the table below includes the cost to acquire land and construct the new facilities only. It does not include minor ongoing and reactive capital works required at the site in the lead up or post construction.

Table 2: FY25-29 Proposed Capex of Recommended Scenario

Nominal \$million	FY25	FY26	FY27	FY28	FY29	Total FY25-29
Capex						

9.6. Assumptions and Limitations

We have been provided with various assumptions, historic costs and other information from Ausgrid, this includes future building size requirements, historic operational costs, valuation figures, amongst other information. Due to the nature of the sites, facilities and operations - it is challenging to independently verify these figures. As such, should any of these be proven incorrect this would have implications on the financial analysis provided.

10. Appendices

10.1. Southern Regional Strategy Financial Model

Southern Regional Strategy

Indicative Modelling

		FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32
Sites	Address	Lot Details											
Homebush Depot	16-30 Underwood Road & 25-27 Pomeroy Street, Homebush	2 & 5 Section 26/DP477; 39, 40, 41, 42, 43, 44/DP834; 1 & 2/DP103964; 1/DP380202; 1/DP398650; 1/DP825403; A, B & C /DP974110											
Menai Depot	824 Old Illawarra Road, Menai	50/DP1063535											
Potts Hill Depot	36E Brunker Road, Potts Hill	1005/DP1140109											
Oatley Depot	34-45 Judd Street, Oatley	2 & 4/DP559487											
Southern Region Hub	TBD - Broadly Kingsgrove / Riverwood area	N/A											
Shire Satellite Depot	TBD - Broadly Taren Point / Kirrawee area	N/A											

Site Areas

Existing Sites					
		Existing Area			
Homebush Depot		64,350 m2			
Menai Depot		10,380 m2			
Potts Hill Depot		24,110 m2			
Oatley Depot		44,682 m2			
		Area to acquire			
New Sites	From	To	Adopt		
Southern Region Hub	15,000 m2	20,000 m2	15,000 m2	Note: Advised by Ausgrid	
Shire Satellite Depot	5,000 m2	6,000 m2	5,000 m2	Note: Advised by Ausgrid	
Sites to Divest		Divestible Area			
Homebush Depot (Scenario 2)		44,450 m2		Note: Advised by Ausgrid	
Homebush Depot (Scenario 3)		46,050 m2		Note: Advised by Ausgrid	
Menai Depot		2,600 m2		Note: Advised by Ausgrid	
Potts Hill Depot		24,110 m2		Note: Advised by Ausgrid	
Oatley Depot		44,682 m2		Note: Advised by Ausgrid	

Built Form

Existing Sites	Office	Warehouse	Workshop	Total			
Homebush Depot		5,615 m2	332 m2	11,074 m2	17,021 m2	Source: BCA Report	
Menai Depot		305 m2	100 m2		405 m2	Source: PRP 2019 Valuation	
Potts Hill Depot		473 m2	4,048 m2		4,521 m2	Source: PRP 2019 Valuation	
Oatley Depot		3,089 m2	3,863 m2		6,952 m2	Source: PRP 2019 Valuation	
New Sites	Office	Warehouse	Spoil Bay	Total	Parking (on-grade) Circulation		
Southern Region Hub		3,000 m2	6,810 m2	250 m2	10,060 m2	8,207 m2	1,586 m2
Shire Satellite Depot		435 m2	800 m2	210 m2	1,445 m2	3,667 m2	614 m2
Homebush Depot (smaller)		0 m2	800 m2	210 m2	1,010 m2	847 m2	
Source: TOM Report. Assumed same for replacement for Homebush Depot. Ausgrid advised to remove office component							

Existing Sites		Fair Value (FY19)	Fair Value (Escalated to FY21)	
Homebush Depot				
Menai Depot				
Potts Hill Depot				
Oatley Depot				
New Sites		Area	\$/sqm of Land	Indicative Price
Southern Region Hub		15,000 m2		
Shire Satellite Depot		5,000 m2		
All Sites		Area	\$/sqm of Land	Land Value
Homebush Depot				
Menai Depot				
Potts Hill Depot				
Oatley Depot				
Southern Region Hub		15,000 m2		
Shire Satellite Depot		5,000 m2		

Opex (excl. Land Tax, Council Rates)

Sites	Opex \$/sqm	Floor Area (sqm)	Opex \$	
Homebush Depot	N/A	N/A	\$913,081	Source: Ausgrid - TOM Stage 2 File FY21 (total opex less land tax & council rates)
Menai Depot	N/A	N/A	\$27,566	Source: Ausgrid - TOM Stage 2 File FY21 (total opex less land tax & council rates)
Potts Hill Depot	N/A	N/A	\$107,990	Source: Ausgrid - TOM Stage 2 File FY21 (total opex less land tax & council rates)
Oatley Depot	N/A	N/A	\$402,556	Source: Ausgrid - TOM Stage 2 File FY21 (total opex less land tax & council rates)

Southern Region Hub		\$55	10,060 m2	\$550,426
Shire Satellite Depot		\$55	1,445 m2	\$79,062
Homebush Depot (new Depot)		\$55	1,010 m2	\$55,262
Homebush Depot (reduced area)	N/A	N/A		\$282,367
Menai Depot (reduced)	N/A	N/A		\$20,661

Note: Utilised \$/sqm of Beresfield (adjusted to Sydney cost).

Note: Utilised \$/sqm of Beresfield (adjusted to Sydney cost).

Note: Utilised \$/sqm of Beresfield (adjusted to Sydney cost). Assumed same for replacement for Homebush Depot.

Note: Assumed reduction in opex based on reduced land area.

Note: Assumed reduction in opex based on reduced land area.

Land Tax + Council Rates

Sites	Land Tax	Council Rates
Homebush Depot	\$192,990	\$21,556
Menai Depot	\$57,117	\$8,062
Potts Hill Depot	\$255,833	\$73,160
Oatley Depot	\$180,290	\$34,341
Southern Region Hub	\$300,000	\$45,000
Shire Satellite Depot	\$130,000	\$19,500
Homebush Depot (reduced area) (Scenario 2)	\$59,681	\$6,666
Menai Depot (reduced)	\$42,810	\$6,042
Homebush Depot (reduced area) (Scenario 3)	\$54,883	\$6,130

Source: Ausgrid - TOM Stage 2 File FY21 (land tax & council rates)

Source: Ausgrid - TOM Stage 2 File FY21 (land tax & council rates)

Source: Ausgrid - TOM Stage 2 File FY21 (land tax & council rates)

Source: Ausgrid - TOM Stage 2 File FY21 (land tax & council rates)

Note: Have assumed 2% of land value for land tax and 0.3% for Council Rates

Note: Have assumed 2% of land value for land tax and 0.3% for Council Rates

Note: Assumed reduction in land tax and council rates based on reduced land area.

Note: Assumed reduction in land tax and council rates based on reduced land area.

Note: Assumed reduction in land tax and council rates based on reduced land area.

Major Capital Works

Scenario 1	\$ Cost
Refurbish Homebush Depot	
Refurbish Menai Depot	
Refurbish Potts Hill Depot	
Refurbish Oatley Depot	
Scenario 2	\$ Cost
Construct Southern Region Hub	
Construct Shire Satellite Depot	
Homebush Depot (new Depot)	
Scenario 3	\$ Cost
Construct Southern Region Hub	
Construct Shire Satellite Depot	
Homebush Depot (new Depot - Mason Park)	

Note: Qualifications, inclusions and exclusions provided on separate tab.

Note: Qualifications, inclusions and exclusions provided on separate tab.

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Note: Qualifications, inclusions and exclusions provided on separate tab.

Note: Qualifications, inclusions and exclusions provided on separate tab.

Note: Assumed same as Homebush Depot replacement.

Ongoing Capital Works

Type	\$/sqm Cost (per annum)
Office (New)	
Warehouse/Workshop (New)	
Premium for existing	
Office (Existing)	
Warehouse/Workshop (Existing)	
Existing Homebush Depot	\$
Existing Menai Depot	\$
Existing Potts Hill Depot	\$
Existing Oatley Depot	\$
Southern Region Hub	\$
Shire Satellite Depot	\$
Homebush Depot (new Depot)	\$
Homebush Depot (reduced area)	\$

Note: Indicative assumption of how much ongoing capex is required over a 10-year period

Note: Indicative assumption of how much ongoing capex is required over a 10-year period

Note: Assumed premium for existing buildings as these have not been maintained to the required standard

Note: Based on assumed cost outlined above.

Note: Based on assumed cost outlined above. Only relates to Depot component, not substation and this is constant across all scenarios

Note: Based on assumed cost outlined above.

Note: Based on assumed cost outlined above.

Note: Based on assumed cost outlined above.

Note: Based on assumed cost outlined above.

Note: Based on assumed cost outlined above.

Note: Based on assumed cost outlined above. Assumed same as Homebush Depot replacement.

Note: Assumed reduction in ongoing capital works based on reduced land area.

Model Inputs

Growth		
CPI (for opex)		Source: Ausgrid
Cumulative		
CPI (for relocation & capital works)		Source: Ausgrid
Cumulative		
Value Growth (for divestments) - CPI + x%	1.50%	
Cumulative		
Value Growth (for LV & acquisitions) - CPI + x%	1.50%	
Cumulative		
Risk		
Discount rate (WACC)	3.44%	Source: Ausgrid
Terminal cap	1.47%	Source: Calculated (see Cap Rate tab)

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Scenario 2 - Develop Southern Region Hub & Shire Satellite Depot and Consolidate													
Description: This scenario assumes the development of the Southern Region Hub and the Shire Satellite Depot, enabling the consolidation of nearby Depots, including decommissioning of Oatley & Potts Hill and reduction in operations at Homebush (with a new smaller depot facility provided) and Menai. This scenario includes divestment of any surplus lands once operations are consolidated.													
		Excluded	Excluded		acq. / planning	construction	construction	planning	sale				
Site Acquisition													
Southern Region Hub	████████				████████								
Shire Satellite Depot	████████				████████								
Opex (excl. Land Tax, Council Rates)													
Homebush Depot	-\$913,081	-\$913,081	-\$945,024	-\$1,020,626	-\$1,069,105	-\$1,099,838	-\$1,131,455						
Menai Depot	-\$27,566	-\$27,566	-\$28,530	-\$30,812	-\$32,276	-\$33,204	-\$34,158						
Potts Hill Depot	-\$107,990	-\$107,990	-\$111,768	-\$120,709	-\$126,443	-\$130,078	-\$133,817						
Oatley Depot	-\$402,556	-\$402,556	-\$416,639	-\$449,970	-\$471,343	-\$484,893	-\$498,832						
Southern Region Hub	-\$550,426							-\$701,674	-\$721,845	-\$742,596	-\$761,160	-\$780,189	-\$54,248,242
Shire Satellite Depot	-\$79,062							-\$100,787	-\$103,684	-\$106,665	-\$109,332	-\$112,065	-\$7,792,118
Homebush Depot (new Depot + reduced area)	-\$337,629							-\$430,403	-\$442,776	-\$455,504	-\$466,892	-\$478,564	-\$33,275,572
Menai Depot (reduced)	-\$20,661							-\$26,338	-\$27,095	-\$27,874	-\$28,571	-\$29,285	-\$2,036,278
Land Tax + Council Rates													
Homebush Depot	-\$214,546	-\$214,546	-\$214,546	-\$234,928	-\$249,611	-\$260,530	-\$271,928	-\$283,824	-\$296,240				
Menai Depot	-\$65,179	-\$65,179	-\$65,179	-\$71,371	-\$75,831	-\$79,149	-\$82,611	-\$86,225	-\$89,997				
Potts Hill Depot	-\$328,993	-\$328,993	-\$328,993	-\$360,248	-\$382,763	-\$399,508	-\$416,985	-\$435,226	-\$454,266				
Oatley Depot	-\$214,630	-\$214,630	-\$214,630	-\$235,020	-\$249,709	-\$260,633	-\$272,035	-\$283,935	-\$296,357				
Southern Region Hub	-\$345,000					-\$418,945	-\$437,273	-\$456,402	-\$476,368	-\$497,207	-\$517,096	-\$537,779	-\$37,940,168
Shire Satellite Depot	-\$149,500					-\$181,543	-\$189,485	-\$197,774	-\$206,426	-\$215,456	-\$224,075	-\$233,038	-\$16,440,739
Homebush Depot (reduced area) (Scenario 2)	-\$66,348									-\$95,619	-\$99,444	-\$103,421	-\$7,296,336
Menai Depot (reduced)	-\$48,853									-\$70,405	-\$73,222	-\$76,150	-\$5,372,394
Major Capital Works													
Construct Southern Region Hub	████████			Note: 18 month project - 3/4 in first FY		████████	████████						
Construct Shire Satellite Depot	████████			Note: 18 month project - 3/4 in first FY		████████	████████						
Homebush Depot (new Depot)	████████			Note: 12 month project	████████								
Ongoing Capital Works													
Existing Homebush Depot	████████	████████	████████		████████	████████	████████						
Existing Menai Depot	████████	████████	████████		████████	████████	████████						
Existing Potts Hill Depot	████████	████████	████████		████████	████████	████████						
Existing Oatley Depot	████████	████████	████████		████████	████████	████████						
Southern Region Hub	████████							████████	████████	████████	████████	████████	████████
Shire Satellite Depot	████████							████████	████████	████████	████████	████████	████████
Homebush Depot (new Depot + reduced area)	████████							████████	████████	████████	████████	████████	████████
Relocation Costs and Other													
Relocation Costs and Other	████████			Note: Assumed cost			████████						
Divestment Values													
Homebush Depot (Scenario 2)	████████			Note: Proportion (based on site area) of escalated fair value						████████			
Menai Depot	████████			Note: Proportion (based on site area) of escalated fair value						████████			
Potts Hill Depot	████████			Note: Proportion (based on site area) of escalated fair value						████████			

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