

Project **Feasibility Analysis**

Newcastle Region Program

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 Newcastle Region Program.

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 2 – Implement Newcastle Region Program**. This scenario results in a 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 construct new facilities and the rental cost for the Newcastle Corporate Project. 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

2. Introduction

2.1. Instructions

JLL has been engaged by Ausgrid to undertake feasibility analysis related to their Newcastle Region Program (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 Newcastle Region Program 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 Newcastle South Depot at a site in Mayfield West (site owned by Ausgrid).
- Further development of the Beresfield Depot.
- Deliver a new office facility within the Newcastle CBD.
- A decommissioning of the majority of the Wallsend Depot.
- Closure of the Wallsend Admin facility.

The key Ausgrid drivers for the proposed development of Newcastle Region Program include:

- Accommodate the workforce and critical operations in suitable facilities that align with Ausgrid Accommodation Guidelines.
- The current Wallsend Depot is larger than required, in poor condition, and requires significant investment to bring to standard for everyday operations. The cost to refurbish the current Wallsend Depot is not commercial; moving sites and building a new facility on a smaller land parcel provides greater value for money for Ausgrid and better meets the accommodation standards for its employees
- The Wallsend Admin site is heavily underutilised with an inefficient utilisation of the office area with the current fit-out. With a smaller footprint required, the opportunity is to lease out office space in the Newcastle CBD. As it relates to the Newcastle Corporate Project, with the ability to capitalise on the lease, the recommendation is to

lease out office space in the Newcastle CBD that is easily accessible for staff and suitable for the size requirements for Ausgrid Operations. Further, with the shift towards flexible and remote working, leasing office space rather than purchasing a new site allows Ausgrid the flexibility to assess utilisation of the office, along with any developments regarding work-from-home policies, without committing to a site for the long term

- 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 Newcastle region.
- 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. Wallsend Admin

3.1. Location

Ausgrid's Wallsend Admin is located at 145 Newcastle Road, Wallsend, NSW, 2287.

Figure 1: Ausgrid's Wallsend Admin



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 'IN2 – Light Industrial' zoned land adjacent to the site that appears to be occupied by residential dwellings and a small amount of retail stores and factory outlets. There are two recreational spaces zoned as 'RE1 – Public Recreation' including Brickworks Park to the south and James Park to the west of the subject property.

3.3. Legal

Title Details	Lot 10 DP747038
Registered Owner/s	Alpha Distribution Ministerial Holdings Corporation
Encumbrances	The Second Schedule of the Title Search 10/747038 identifies 15 notifications recorded on the title.
Property No. (NSW Valuer General (VG))	██████████
VG Assessed Land Value	████████████████████

3.4. Landholdings

Address	145 Newcastle Road, Wallsend, NSW, 2287.
Site Details	Irregular shaped allotment with a dual frontage which is accessible from Newcastle Road and Douglas Street
Land Area	52,750 sqm
Services	All standard services (electricity, water, telephone and sewerage) are assumed to be available to the site
PRP Online No.	820660

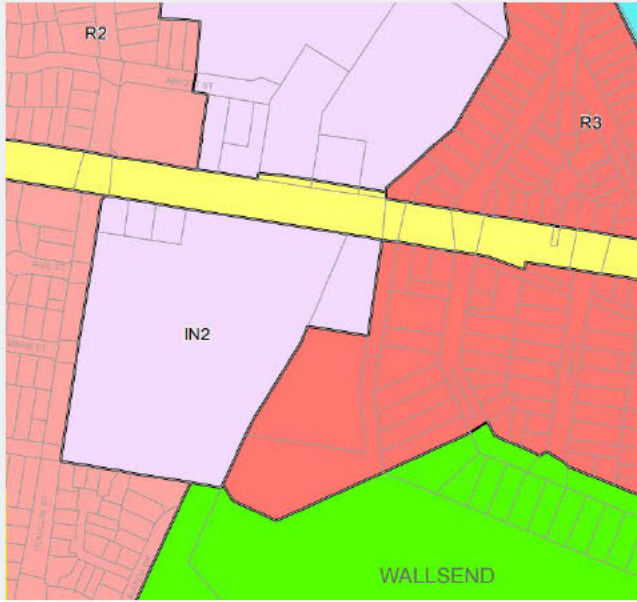
3.5. Improvements

Subject's Present Use	Erected upon the land and set towards the middle of the site is a freestanding part one and two storey office complex of rendered brick and concrete panelled construction with a concrete roof cover built circa 1987. The building is constructed over secure basement level car parking and is currently utilised as the regional corporate headquarters of Ausgrid. The property has been constructed in three distinct interconnected blocks, each built around a central internal atrium and features open plan office space, executive floor space, partitioned offices, amenities, canteen, interconnecting and light wells. (PRP Valuation)
Year Constructed	~ 1987 (PRP Valuation)
Construction Materials	Multi storey rendered brick and concrete structure
Lettable Area	~11,279 sqm (PRP Valuation)
Condition	Suitable – building has been refurbished (Accommodation Strategy Stage 2)
Other Structures	Apart from the office complex, there are no additional structures located on the site.

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 WSP titled 'Asbestos and Lead Materials Audit dated June 2018. Within this report 1 item was identified to have 'Moderate Priority Risk Rating', and a further 6 items were identified to 'Low Priority Risk Rating'
Flooding	JLL has had reference to the Newcastle 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	Newcastle City Council
Planning Instrument	Newcastle Local Environmental Plan (LEP) 2012
Zoning	<p>IN2 – Light Industrial</p> 
Objectives of Zone	<p>1 Objectives of zone</p> <ul style="list-style-type: none"> • To provide a wide range of light industrial, warehouse and related land uses. • To encourage employment opportunities and to support the viability of centres. • To minimise any adverse effect of industry on other land uses. • To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area. • To support and protect industrial land for industrial uses. <p>2 Permitted without consent</p> <p>Environmental protection works</p> <p>3 Permitted with consent</p> <p>Boat building and repair facilities; Boat launching ramps; Car parks; Centre-based child care facilities; Community facilities; Crematoria; Depots; Flood mitigation works; Freight transport facilities; Garden centres; General industries; Hardware and building supplies; Helipads; Heliports; Industrial retail outlets; Industrial training facilities; Jetties; Kiosks; Landscaping material supplies; Light industries; Mortuaries; Neighbourhood shops; Oyster aquaculture; Passenger transport facilities; Places of public worship; Plant nurseries; Recreation areas; Recreation facilities (indoor); Recreation facilities (major); Respite day care centres; Restricted premises; Roads; Service stations; Sex services premises; Signage; Storage premises; Take away food and drink premises; Tank-based aquaculture; Timber yards; Transport depots; Truck depots; Vehicle body repair workshops; Vehicle repair stations; Vehicle sales or hire premises; Warehouse or distribution centres; Wholesale supplies</p> <p>4 Prohibited</p>

	Pond-based aquaculture; Any other 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 'IN2 – Light Industrial' and 'RE1 – Public Recreation'.

4. Wallsend Depot

4.1. Location

Ausgrid’s Wallsend Depot is located at 78 Abbot Road, Wallsend, NSW, 2287

Figure 2: Ausgrid’s Wallsend Depot



Source: SIX Maps

4.2. Surrounding Developments

The surrounding developments of the depot site appear to be mostly ‘R3 – Medium Density Residential’ detached dwellings. Land to the south of the site and on the opposite side of Newcastle Road is subject to ‘IN2 – Light Industrial’ zoning which is Ausgrid’s current admin site. Other developments are classified as ‘RE1 – Public Recreation’ including Whitegates Reserve which is adjacent to the western side of the site and Heaton Park which is directly east of the site. ‘B2 – Local Centre’ zoned land is also located to the east of the site comprising Stockland Mall, Woolworths, and Big W.

4.3. Legal

Title Details	450/DP 748350, 3/DP 725532, 122/DP 629521
Registered Owner/s	Alpha Distribution Ministerial Holdings Corporation
Encumbrances	The Second Schedule of each of the Folio Identifies have several notifications recorded on the title.

Property No. (NSW Valuer General (VG))	
VG Assessed Land Value	

4.4. Landholdings

Address	78 Abbot Road, Wallsend, NSW, 2287
Site Details	Irregular shaped allotment with a dual frontage on Newcastle Road and Abbot Road.
Land Area	136,013 sqm
Services	All standard services (electricity, water, telephone and sewerage) are assumed to be available to the site
PRP Online No.	820659

4.5. Improvements

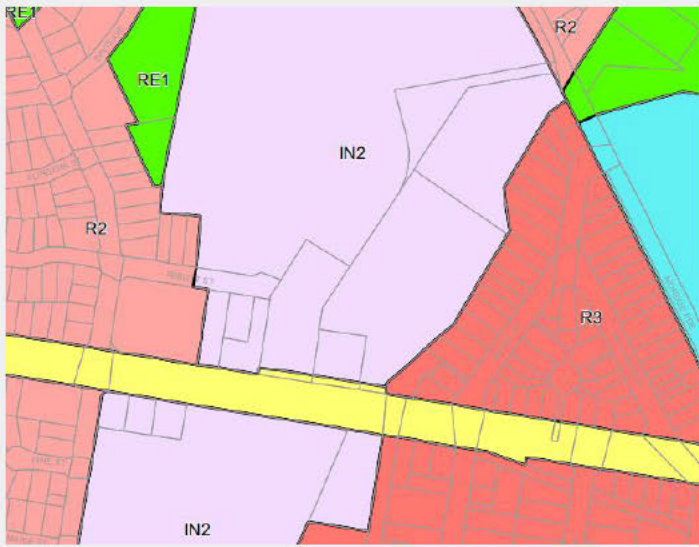
Subject's Present Use	The subjects present use includes various office and administration buildings, warehouses, workshops and training facilities constructed across the site and are all reasonably typical in design.
Year Constructed	~ 1973
Construction Materials	Construction is reasonably typical, generally comprising reinforced concrete floors, steel frame and either metal deck or masonry clad walls, some with glazing together with in most instances steel framed metal clad roofs.
Lettable Area	~18,554 sqm (PRP Valuation)
Condition	Poor (Accommodation Strategy Stage 2)
Other Structures	There are purpose built and specialised structures located on site such as vehicle maintenance facilities and whilst these generally comprise industrial buildings, they include other features such as service pits, overhead cranes and reticulation of compressed air, power and servicing facilities.

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 WSP titled 'Asbestos and Lead Materials Audit dated June 2018. Within this report 1 item was identified to have a 'High Priority Risk Rating', while 7 items were identified to have a 'Moderate Priority Risk Rating', and a further 57 items were identified to 'Low Priority Risk Rating'.

Flooding	JLL has had reference to the Newcastle 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.

4.7. Planning Controls

Local Authority	Newcastle City Council
Planning Instrument	Newcastle Local Environmental Plan (LEP) 2012
Zoning	<p>IN2 Light Industrial</p> 
Objectives of Zone	<p>1 Objectives of zone</p> <ul style="list-style-type: none"> • To provide a wide range of light industrial, warehouse and related land uses. • To encourage employment opportunities and to support the viability of centres. • To minimise any adverse effect of industry on other land uses. • To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area. • To support and protect industrial land for industrial uses. <p>2 Permitted without consent</p> <p>Environmental protection works</p> <p>3 Permitted with consent</p> <p>Boat building and repair facilities; Boat launching ramps; Car parks; Centre-based child care facilities; Community facilities; Crematoria; Depots; Flood mitigation works; Freight transport facilities; Garden centres; General industries; Hardware and building supplies; Helipads; Heliports; Industrial retail outlets; Industrial training facilities; Jetties; Kiosks; Landscaping material supplies; Light industries; Mortuaries; Neighbourhood shops; Oyster aquaculture; Passenger transport facilities; Places of public worship; Plant nurseries; Recreation areas; Recreation facilities (indoor); Recreation facilities (major); Respite day</p>

	care centres; Restricted premises; Roads; Service stations; Sex services premises; Signage; Storage premises; Take away food and drink premises; Tank-based aquaculture; Timber yards; Transport depots; Truck depots; Vehicle body repair workshops; Vehicle repair stations; Vehicle sales or hire premises; Warehouse or distribution centres; Wholesale supplies 4 Prohibited Pond-based aquaculture; Any other 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 'IN2 – Light Industrial', 'RE1 – Public Recreation' and 'B2 – Local Centre'.

5. Beresfield Depot

5.1. Location

Ausgrid’s Beresfield Depot is located at 53-55 Weakleys Drive, Beresfield, NSW, 2322.

Figure 3: Ausgrid’s Beresfield Depot



Source: SIX Maps

5.2. Surrounding Developments

The immediate surrounding developments adjoining the property include ‘IN2 – Light Industrial’ zoned land with ‘B6 – Enterprise Corridor’, ‘E2 – Environmental Conservation’ and ‘E3 – Environmental Management’ zoned land to the north of the site. Beresfield Golf Course is zoned as ‘RE1 – Public Recreation’ and is located to the east of the site while Weakleys Drive borders the western side of the site and is zoned as ‘SP2 – Infrastructure’.

5.3. Legal

Title Details	6/DP1160356, 630/DP1180006
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	53-55 Weakleys Drive, Beresfield, NSW, 2322.
Site Details	Beresfield Depot comprises two regular shaped allotments (Lot 6 in Deposited Plan 1160356 and Lot 630 in Deposited Plan 1180006). The site has a dual frontage accumulating to 537m along the eastern side of Weakleys Drive and northern side of Whites Road as well as two vehicular access points on both the western and southern boundaries of the site. The aspect of the land gradually slopes from the north-west corner to the south-east corner.
Land Area	158,505 m2
Services	All standard services (electricity, water, telephone, and sewerage) are assumed to be available to the site

5.5. Improvements


Subject's Present Use	Beresfield Depot is a purpose-built facility open in 2018 consisting of an administration building, covered outdoor store/truck parking / wash bay, depot warehouse, bunded transformer storage shed and extensive hardstand vehicle parking. Beresfield Depot currently provides network delivery services to the Maitland Local Government Area.
Year Constructed	Depot opened 2018 (Accommodation Plan Report)
Lettable Area	1,290 sqm (Accommodation Strategy Stage 2 Working File)
Condition	Very good (Accommodation Strategy Stage 2 Working File)

5.6. Environmental

Contamination	We have not been provided with site-specific information on potential contamination risks with this site. Relevant due diligence should be undertaken as required
Flooding	JLL has had reference to the Newcastle Local Environmental Plan 2012. 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	Newcastle City Council

Planning Instrument	Newcastle Local Environmental Plan 2012
Zoning	<p>IN2 – Light Industrial, SP2 – Infrastructure</p> 
Objectives of Zone	<p>1 Objectives of zone</p> <ul style="list-style-type: none"> • To provide a wide range of light industrial, warehouse and related land uses. • To encourage employment opportunities and to support the viability of centres. • To minimise any adverse effect of industry on other land uses. • To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area. • To support and protect industrial land for industrial uses. <p>2 Permitted without consent</p> <p>Environmental protection works</p> <p>3 Permitted with consent</p> <p>Boat building and repair facilities; Boat launching ramps; Car parks; Centre-based child care facilities; Community facilities; Crematoria; Depots; Flood mitigation works; Freight transport facilities; Garden centres; General industries; Hardware and building supplies; Helipads; Heliports; Industrial retail outlets; Industrial training facilities; Jetties; Kiosks; Landscaping material supplies; Light industries; Mortuaries; Neighbourhood shops; Oyster aquaculture; Passenger transport facilities; Places of public worship; Plant nurseries; Recreation areas; Recreation facilities (indoor); Recreation facilities (major); Respite day care centres; Restricted premises; Roads; Service stations; Sex services premises; Signage; Storage premises; Take away food and drink premises; Tank-based aquaculture; Timber yards; Transport depots; Truck depots; Vehicle body repair workshops; Vehicle repair stations; Vehicle sales or hire premises; Warehouse or distribution centres; Wholesale supplies</p> <p>4 Prohibited</p> <p>Pond-based aquaculture; Any other development not specified in item 2 or 3</p>
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 immediately surrounded by 'IN2 – Light Industrial' while other land zonings in proximity include 'E2 – Environmental Conservation', 'E3 – Environmental Management', RE1 – Public Recreation' and 'SP2 – Infrastructure'.

6. Mayfield West

6.1. Location / Potential Location

Ausgrid’s Mayfield West asset is located at 1 McIntosh Drive Mayfield West NSW 2304. We have provided a summarised site overview as for the purposes of our analysis we are only concerned on the eastern vacant land portion of the site.

Figure 4: Ausgrid’s Mayfield West



Source: SIX Maps,

6.2. Surrounding Developments

The site is predominately surrounded by ‘IN1 – Light Industrial’ zoned land that borders the northern, southern and western boundaries of the site. Land directly east of the site is zoned as ‘SP1 – Special Activities’ which consists of the SCE Recycling site and Tourle Street which is zoned as ‘SP2 – Classified Road’ runs between these two land zonings. Land to the south-west of the property is zoned as ‘RE1 – Public Recreation’ which includes Stevenson Park and Gregson Avenue Reserve.

6.3. Legal

Title Details	Lot 16 /DP270249
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

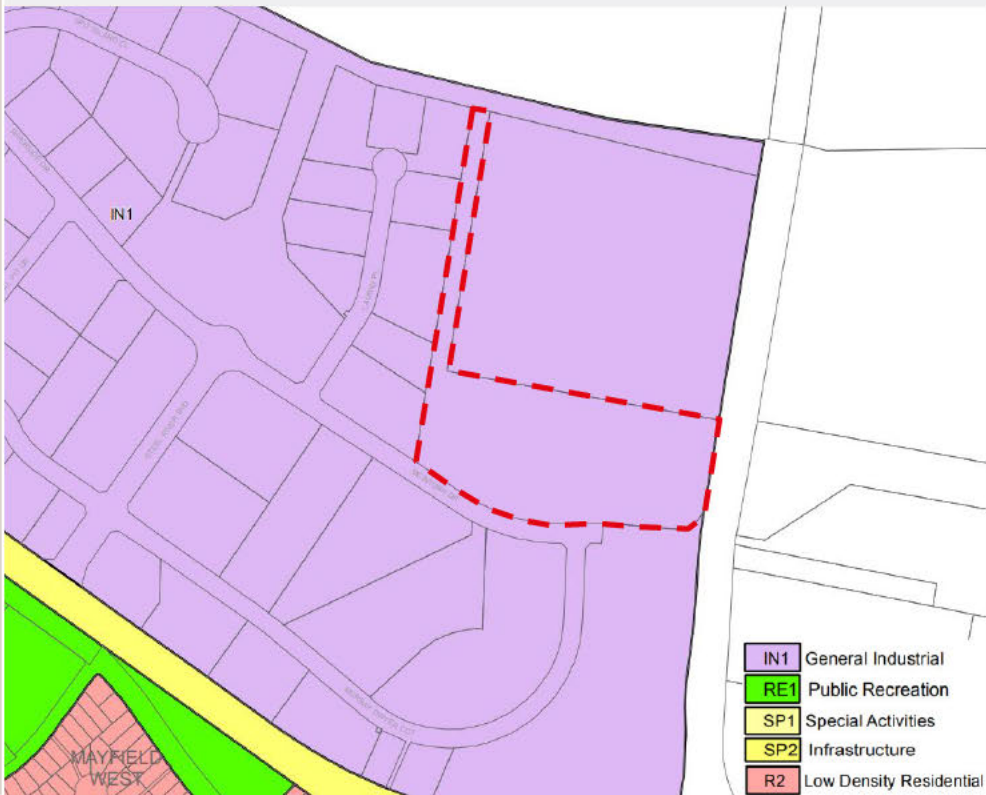
Address	1 McIntosh Drive Mayfield West NSW 2304
Site Details	Irregular shaped allotment with a frontage along McIntosh Drive and an unnamed road connected to McIntosh Drive. The site has two vehicular access points via McIntosh Drive and from an unnamed road connected to McIntosh Drive. The site has a relatively flat topography with minimal slope aspects on the site.
Land Area	5.076 ha
Services	All standard services (electricity, water, telephone and sewerage) are assumed to be available to the site

6.5. Environmental

Contamination	We have not been provided with site-specific information on potential contamination risks with this site. Relevant due diligence should be undertaken as required
Flooding	JLL has had reference to the City of Newcastle interactive flood map. The subject property has residual risk of flooding which is the lowest category of flood risk according to Council. This risk is defined as: 'The full extent of the flood prone area, outside of the 1% Annual Exceedance Probability event, where larger less frequent floods up to the Probable Maximum Flood can occur' (City of Newcastle)

6.6. Planning Controls

Local Authority	Newcastle City Council
Planning Instrument	Newcastle Local Environmental Plan 2012

Zoning	<p>IN1 – General Industrial</p> 
Objectives of Zone	<p>Zone IN1 General Industrial</p> <p>1 Objectives of zone</p> <ul style="list-style-type: none"> • To provide a wide range of industrial and warehouse land uses. • To encourage employment opportunities. • To minimise any adverse effect of industry on other land uses. • To support and protect industrial land for industrial uses. • To allow commercial, retail or other development where it is— <ul style="list-style-type: none"> (i) ancillary to the use of land in this zone for industrial, research, service or storage purposes, or (ii) primarily intended to provide personal services and community facilities to persons occupied or employed in activities otherwise permitted in this zone or for the benefit of the local community. • To ensure that any such commercial, retail or other development is unlikely to be prejudicial— <ul style="list-style-type: none"> (i) to employment-generating activities, or (ii) to the viability of existing commercial centres. <p>2 Permitted without consent</p> <p>Environmental protection works</p> <p>3 Permitted with consent</p> <p>Boat building and repair facilities; Boat launching ramps; Car parks; Centre-based child care facilities; Community facilities; Correctional centres; Crematoria; Depots; Flood mitigation works; Freight transport facilities; Garden centres; General industries; Hardware</p>

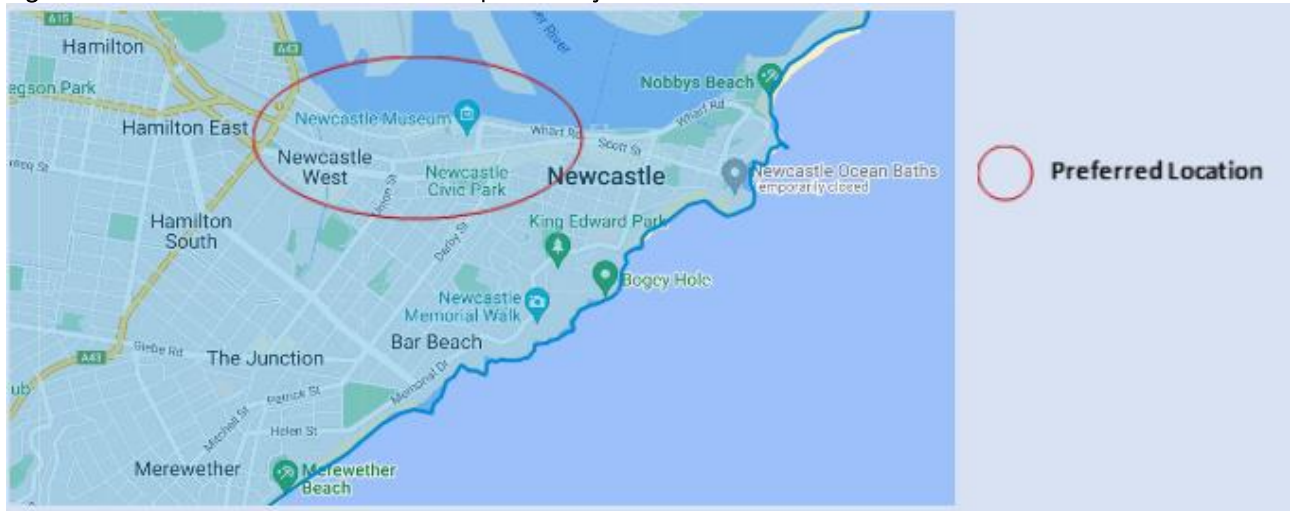
	<p>and building supplies; Helipads; Heliports; Industrial retail outlets; Industrial training facilities; Jetties; Kiosks; Landscaping material supplies; Light industries; Mortuaries; Neighbourhood shops; Oyster aquaculture; Passenger transport facilities; Places of public worship; Plant nurseries; Port facilities; Recreation areas; Recreation facilities (indoor); Recreation facilities (major); Respite day care centres; Restricted premises; Roads; Service stations; Sewerage systems; Sex services premises; Signage; Storage premises; Take away food and drink premises; Tank-based aquaculture; Timber yards; Transport depots; Truck depots; Vehicle body repair workshops; Vehicle repair stations; Warehouse or distribution centres; Water supply systems; Wholesale supplies</p> <p>4 Prohibited</p> <p>Pond-based aquaculture Water recycling facilities; Any other development not specified in item 2 or 3</p>
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. However, Lot 103 and Lot 104 in Deposited Plan 270249 are adjacent to southern side of the site and are listed as general heritage items with 'Remnant Garden Significance: Local'
Surrounding Zones	The site is surrounded by 'IN1 – General Industrial' zoned land while other developments in close proximity to the site are zoned as RE1 – Public Recreation', 'SP1 – Special Activities', 'SP2 – Infrastructure' and 'R2 – Low Density Residential'.

7. Newcastle Corporate Project

7.1. Potential Location

Provided in the figure below is the indicative location of interest for the Newcastle Corporate Project as identified by Ausgrid, being broadly within the Newcastle CBD.

Figure 5: Potential Location – Newcastle Corporate Project



Source: Ausgrid

7.2. Site Requirements

The indicative site requirements for the Newcastle Corporate Project as outlined within the Target Operating Model are summarised below:

- **Site Location (Suburbs):** Search to include Newcastle and Newcastle West.
- **Build New Office Space/Lease Available Office Space:** Lease available office space in the preferred location.
- **Transport Connectivity:** 1km train, light rail and bus stations.
- **Land Parcel Size:** Between 3,500-4,500sqm
- **Site Access:** No special requirements for heavy vehicles
- **Security:** Must allow for 24/7 access by staff
- **Infrastructure:** Electricity, water. Existing built infrastructure is acceptable, and dilapidation reports to be acquired by Ausgrid

8. Financial Analysis and Assessment

8.1. 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 and office spaces. Major refurbishment is assumed across Wallsend Admin & Wallsend Depot given their age, BCA and hazard issues

Scenario 2 – Implement Newcastle Region Program

This scenario assumes the development of the Newcastle South Depot and further development at the Beresfield Depot, enabling the consolidation and decommissioning of Wallsend Depot (with small area to remain), as well as, the lease of a Newcastle CBD office, resulting in the closure of the Wallsend Admin facility. This scenario includes divestment of any surplus lands once operations are consolidated.

8.2. 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 / lease costs – indicative figures based on nearby evidence
- 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 – based on historic charges and proportion adjustments to land area where divestments are assumed

8.3. 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 -\$240,300,000 |
| • Scenario 2 | NPV of -\$139,700,000 |

8.4. 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 Newcastle Region. – Addresses current and future growth demands of the Newcastle Region. – Sites are generally located in close proximity to the major arterial road networks hubs in the area. 	<ul style="list-style-type: none"> – The current property footprint (e.g., Wallsend Admin, Wallsend Depot) 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 Newcastle Region Program	
<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 Beresfield Depot (expansion), Newcastle South Depot (at Mayfield West) and lease in the Newcastle CBD provide the potential to create a more efficient, fit-for-purpose facilities 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 and admin 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 Newcastle region. – Addresses current and future growth demands of the Newcastle region. – 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. – Exposes Ausgrid to potential leasing risk as part of the Newcastle Corporate Project.

8.5. Recommendation

Based on the financial assessment we have undertaken, as well as our non-financial observations, we recommend proceeding with **Scenario 2 – Implement Newcastle Region Program**. This scenario results in a 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 construct new facilities and the rental cost for the Newcastle Corporate Project. 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						

8.6. 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.

9. Appendices

9.1. Newcastle Region Program Financial Model

Newcastle Region Program

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												
Wallsend Admin	145 Newcastle Road, Wallsend	10/DP747038												
Wallsend Depot	78 Abbot Road, Wallsend	450/DP748350, 3/DP725532, 122/DP629521												
Beresfield Depot	53-55 Weakleys Drive, Beresfield	6/DP1160356, 630/DP1180006												
Newcastle Corporate Project	TBD - Lease within Newcastle CBD	N/A												
Newcastle South Depot	1 McIntosh Drive, Mayfield West	16/DP270249												

Site Areas

Existing Sites	Existing Area													
Wallsend Admin	52,750 m2													
Wallsend Depot	136,013 m2													
Beresfield Depot	158,505 m2													
New Sites	Area to acquire / lease	From	To	Adopt										
Newcastle Corporate Project				3,711 m2										Note: Advised by Ausgrid. Office space to be leased and 600sqm of parking.
Sites to Divest	Divestible Area													
Wallsend Admin	52,750 m2													Note: Advised by Ausgrid
Wallsend Depot	119,462 m2													Note: Advised by Ausgrid

Built Form

Existing Sites	Office	Warehouse	Workshop	Total										
Wallsend Admin	11,279 m2			11,279 m2										Source: PRP 2019 Valuation
Wallsend Depot	6,607 m2	6,102 m2	5,845 m2	18,554 m2										Source: PRP 2019 Valuation
New Sites	Office	Warehouse	Spoil Bay	Total	Parking (on-grade) Circulation	Battery Storage	Pole Storage							
Beresfield Depot	1,269 m2	1,500 m2		2,769 m2	3,184 m2	12,840 m2	10,000 m2							Source: TOM Report. Note this only relates to the newly built component.
Newcastle Corporate Project	3,711 m2			3,711 m2	600 m2									Source: TOM Report. Note parking unlikely to be on-grade.
Newcastle South Depot	931 m2	1,850 m2	220 m2	3,001 m2	5,866 m2	983 m2								Source: TOM Report.

Site Value

Existing Sites	Fair Value (FY19)	Fair Value (Escalated to FY21)												
Wallsend Admin														
Wallsend Depot														
New Sites	Area	Space/s	\$/sqm / \$/space	Indicative Rent p.a.										
Newcastle Corporate Project (Office)	3,711 m2													
Newcastle Corporate Project (Parking)	600 m2	40												
Newcastle Corporate Project (Incentive)	Years	Incentive (net)												
	7	25.0%												Note: assumed as a rental abatement
All Sites	Area	\$/sqm of Land	Land Value											
Wallsend Admin														
Wallsend Depot														

Opex (excl. Land Tax, Council Rates)

Sites	Opex \$/sqm	Floor Area (sqm)	Opex \$											
Wallsend Admin	N/A	N/A	\$867,268											Source: Ausgrid - TOM Stage 2 File FY21 (total opex less land tax & council rates)
Wallsend Depot	N/A	N/A	\$614,983											Source: Ausgrid - TOM Stage 2 File FY21 (total opex less land tax & council rates)
Beresfield Depot (new Depot)	\$55	2,769 m2	\$151,504											Note: Utilised \$/sqm of existing Beresfield
Newcastle Corporate Project	\$100	3,711 m2	\$371,100											Note: Reflects indicative outgoings for the Newcastle CBD
Newcastle South Depot	\$55	3,001 m2	\$164,198											Note: Utilised \$/sqm of existing Beresfield

Land Tax + Council Rates

Sites	Land Tax	Council Rates												
Wallsend Admin	\$58,514	\$46,634												Source: Ausgrid - TOM Stage 2 File FY21 (land tax & council rates)
Wallsend Depot	\$82,183	\$65,665												Source: Ausgrid - TOM Stage 2 File FY21 (land tax & council rates)

Major Capital Works

Scenario 1		\$ Cost	
Refurbish Wallsend Admin		\$ [REDACTED]	Note: Qualifications, inclusions and exclusions provided on separate tab.
Refurbish Wallsend Depot		[REDACTED]	Note: Qualifications, inclusions and exclusions provided on separate tab.
Scenario 2		\$ Cost	
Construct Beresfield Depot Addition		\$ [REDACTED]	Note: Qualifications, inclusions and exclusions provided on separate tab.
Construct Fitout Newcastle Corporate Project		\$ [REDACTED]	Note: Qualifications, inclusions and exclusions provided on separate tab.
Construct Newcastle South Depot		\$ [REDACTED]	Note: Qualifications, inclusions and exclusions provided on separate tab.
Relocate Newcastle Control Room		\$ [REDACTED]	Note: Qualifications, inclusions and exclusions provided on separate tab.

Ongoing Capital Works

Type	\$/sqm Cost (per annum)	
Office (New)	\$	Note: Indicative assumption of how much ongoing capex is required over a 10-year period
Warehouse/Workshop (New)	\$	Note: Indicative assumption of how much ongoing capex is required over a 10-year period
Premium for existing	%	Note: Assumed premium for existing buildings as these have not been maintained to the required standard
Office (Existing)	\$	
Warehouse/Workshop (Existing)	\$	
Existing Wallsend Admin	\$	Note: Based on assumed cost outlined above.
Existing Wallsend Depot	\$	Note: Based on assumed cost outlined above.
Additional Beresfield Depot	\$	Note: Based on assumed cost outlined above.
Newcastle Corporate Project	\$	Note: Based on assumed cost outlined above.
Newcastle South Depot	\$	Note: Based on assumed cost outlined above.

Model Inputs

Growth	
CPI (for opex)	Source: Ausgrid
Cumulative	100.0%
CPI (for relocation & capital works)	Source: Ausgrid
Cumulative	100.0%
Value Growth (for divestments) - CPI + x%	1.50%
Cumulative	100.0%
Value Growth (for LV & acquisitions) - CPI + x%	1.50%
Cumulative	100.0%
Risk	
Discount rate (WACC)	3.44% Source: Ausgrid
Terminal cap	1.47% Source: Calculated (see Cap Rate tab)

Scenario 1 - Base Case

Description: This scenario assumes the continuation of current operations across the relevant depots and office spaces. Major refurbishment is assumed across Wallsend Admin & Wallsend Depot given their age, BCA and hazard issues

[illegible]

Scenario 2 - Implement Newcastle Region Program

Description: This scenario assumes the development of the Newcastle South Depot and further development at the Beresfield Depot, enabling the consolidation and decommissioning of Wallsend Depot (with small area to remain), as well as, the lease of a Newcastle CBD office, resulting in the closure of the Wallsend Admin facility. This scenario includes divestment of any surplus lands once op

[illegible]

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