



**Revised Proposal**  
**Attachment 5.20.5**  
**JLL Project**  
**feasibility analysis -**  
**Wallsend Depot**  
**PUBLIC**

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# Project *Feasibility* Analysis

Wallsend Depot

Prepared for Ausgrid

August 2018



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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 redevelopment of Ausgrid’s Wallsend Depot.

## 1.2 Key Findings & Recommendation

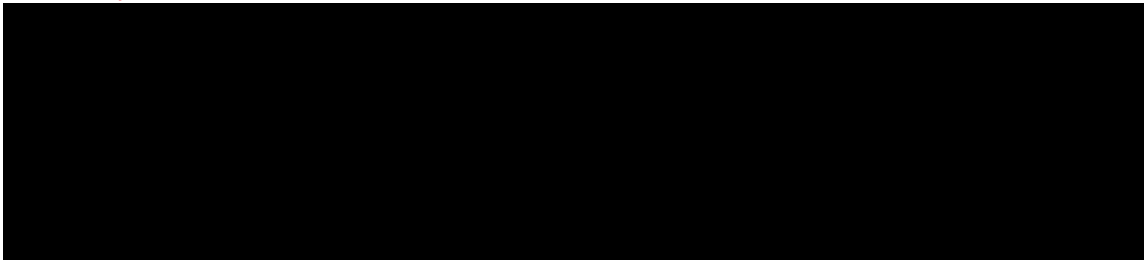
Based on the financial assessment we have undertaken, as well as our non-financial observations, we recommend proceeding with **Scenario 2 – Demolish and Rebuild – Existing Site**. This scenario results in the most superior financial outcome as well as results in the most non-financial benefits as described within this report.

Delivery of this scenario would result in the following capital expenditure (capex) over the FY19-24 period to deliver the new facility. The capex shown in the table below includes the cost to construct the new depot only. It does not include minor ongoing and reactive capital works required at the site in the lead up to construction.

Table 1: FY19-24 Proposed Capex of Recommended Scenario

Real FY19 \$million	FY19	FY20	FY21	FY22	FY23	FY24	Total FY19-24
Capex							

## 1.3 Report Authors



## 2 Introduction

### 2.1 Instructions

JLL has been engaged by Ausgrid to undertake feasibility analyses for a selection of major property projects, as set out below.

- Hornsby (Depot)
- Homebush (Depot)
- Oatley (Depot)
- Wallsend (Depot)
- Wallsend (Office)

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.

Within Ausgrid's Property & Accommodation Strategy, they have set out a five and 10-year view of the needs for non-network property, aligning to the five-year plan. The primary drivers of investment in non-network property over the next five years is the replacement of properties beyond their useful life in order to minimise risk and operational inefficiencies, as well as improve safety, security and employee working conditions.

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 Wallsend Depot

There are currently several issues with the existing facility at Wallsend Depot. This is particularly evident in regards to recent Building Code of Australia and Asbestos Audits which identified a number of non-compliance areas / risks. Additionally the buildings on the site are in some cases up to 55 years old, when the general industry standard for a maximum useful life of a building structure is 40 years i.e. 15 years past their typical useful life. As such, these buildings are dealing with significant end of life issues impacting safety, ongoing operating costs and workforce efficiencies.

The primary operational objectives to address future Ausgrid requirements for a new Wallsend Depot include:

- Maintains proximity and capacity to support the Newcastle area
- Upgrades a depot that is at the end of its life expectancy
- Provides a fit for purpose facility with security of tenure
- Consolidation of business unit activities through the implementation of revised depot typology
- Addresses current and future growth demands of the Newcastle area
- Located in close proximity to the major arterial road in the area
- Location is supported by management and is envisaged that it will improve business efficiency and staff morale
- Provide a least cost lifecycle solution

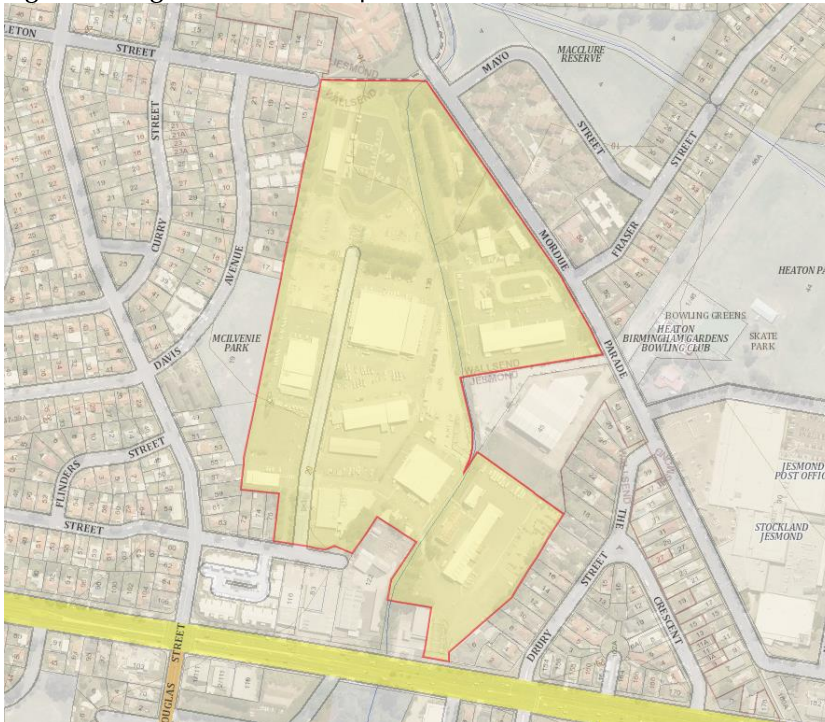


## 3 Site Details

### 3.1 Location

Ausgrid’s Wallsend Depot is located at 78 Abbott Street, Wallsend NSW 2287 and serves the Newcastle region. The depot has street frontages with Abbott Street to the southwest, Newcastle Road to the south and Mordue Parade in the east.

Figure 1: Ausgrid’s Wallsend Depot



Source: SIX Maps, NSW Globe

### 3.2 Surrounding Developments

The surrounding developments comprise predominantly single storey detached residential dwellings subject to an ‘R2 – Low Density Residential’ and ‘R3 – Medium Density Residential’ zoning. There is a significant amount of ‘B2 – Local Centre’ zoning located to the east of the subject site, containing Stockland Jesmond Shopping Centre, as well as some vacant ‘RE1 Public Recreation’ land to the immediate west of the site.

### 3.3 Legal

Title Details	PT 122/629521 PT 450/748350 Lot 3/725532 (small lot zoned SP2 – Infrastructure : Classified Road)
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))	3859528
VG Assessed Land Value	██████████

### 3.4 Landholdings

Address	78 Abbott Street, Wallsend NSW 2287 136 Newcastle Road, Wallsend NSW 2287
Site Details	Irregular shaped allotment, which is accessible by Abbott Street, Newcastle Road and Mordue Parade
Land Area (from DP)	The total site area of the lots is 13.59 ha (calculated from Deposited Plans)
Services	All standard services (electricity, water, telephone and sewerage) are assumed to be available to the site

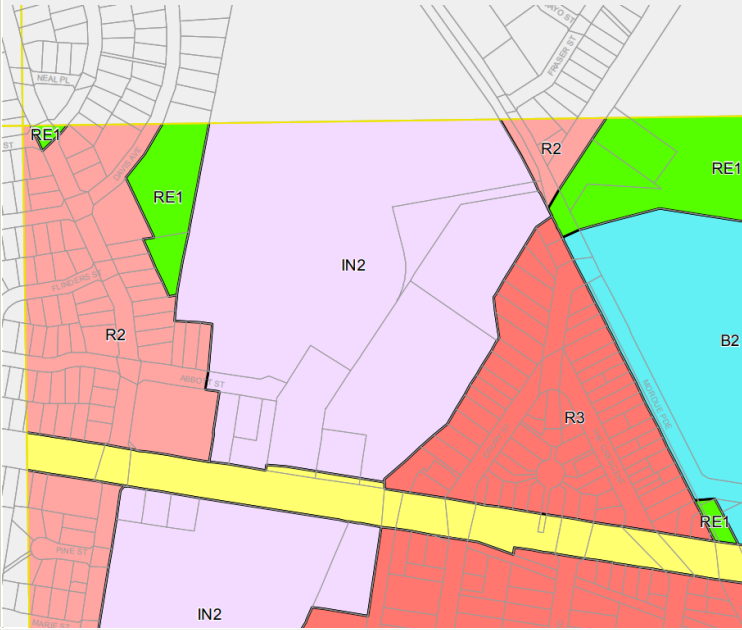
### 3.5 Improvements

Subject's Present Use	The Wallsend Depot supports the broader Newcastle area with the assistance of satellite depots at Cessnock, Rutherford and Salt Ash, with a pole store at Thornton
Year Constructed	~ 1960
Construction Materials	Multi storey brick and concrete structure
Gross Floor Area	17,519 sqm (provided)
Condition	Poor – There are end-of-life issues and limitations in the accommodation and storage constraints and Building Code of Australia requirements
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 June 2018. Within this report 1 item was identified to have 'High Priority Risk Rating', 7 items were identified to have 'Moderate Priority Risk Rating' and a further 57 were identified to 'Low Priority Risk Rating'. Further given the historic use of the site we consider there to be potential for additional contamination
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 Council
Planning Instrument	Newcastle Local Environmental Plan (LEP) 2012
Zoning	<p>IN2 – Light Industrial</p> 
Objectives of Zone	<ol style="list-style-type: none"> <li>1. Objectives of zone <ul style="list-style-type: none"> <li>• To provide a wide range of light industrial, warehouse and related land uses.</li> <li>• To encourage employment opportunities and to support the viability of centres.</li> <li>• To minimise any adverse effect of industry on other land uses.</li> <li>• To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.</li> <li>• To support and protect industrial land for industrial uses.</li> </ul> </li> <li>2. Permitted without consent <ul style="list-style-type: none"> <li>• Environmental protection works</li> </ul> </li> <li>3. Permitted with consent <ul style="list-style-type: none"> <li>• Aquaculture; 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; 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; Timber yards; Transport depots; Truck depots; Vehicle body repair workshops; Vehicle repair stations; Vehicle sales or hire premises; Warehouse or distribution centres; Wholesale supplies</li> </ul> </li> <li>4. Prohibited <ul style="list-style-type: none"> <li>• Any development not specified in item 2 or 3</li> </ul> </li> </ol>



<b>Conformity</b>	Upon a review of the applicable planning controls listed above, the subject site appears to conform to the LEP's controls
<b>Heritage</b>	JLL did not find evidence of the subject property being affected by heritage considerations
<b>Surrounding Zones</b>	The site is primarily surrounded by R2 – Low Density Residential and R3 – Medium Density Residential. B2 – Local Centre uses are located to the east of the subject site.

### Implications

Based on our review of the current planning controls we have made the following observations:

- There is a current lack of compatibility of existing / zoned land uses within the broader community / adjoining uses.
- Based on surrounding controls the sites likely highest and best use would be as a residential subdivision site.

## 4 Financial Analysis and Assessment

### 4.1 Scenarios

In undertaking our analysis we have assessed the subject site under the scenarios described below. We believe these scenarios capture the appropriate and realistic options that could be undertaken to resolve the issues identified within Section 2.1. We have not tested a rebuild on an alternative site scenario given critical network infrastructure is currently located on the subject site.

#### Scenario 1 – Defer Rebuild for 5 years

This scenario reflects doing as little to the subject property as possible in the short term, notwithstanding the requirement to maintain a safe and functional working environment for Ausgrid employees. As such, we have included costs related to ensuring compliance under the Building Code of Australia (informed by the BCA Audit / Upgrade Report), as well as the removal of asbestos contamination as noted in the Asbestos and Lead Building Materials Audit. As noted in Section 2.1, due to the age of the facility a number of end of life issues are arising. As such, we have still accounted for a rebuild of the facilities in this scenario (although after a five year period) as these works will still be required in the short to medium term.

#### Scenario 2 – Demolish and Rebuild - Existing Site

Demolish and rebuild a new facility at the existing site.

### 4.2 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 Asbestos Audit, as well as site plans
- Fair value of site – as assessed by Preston Rowe Paterson (PRP)
- Major capital works – estimated by JLL and based on site conditions and future requirements
- Growth rates for both costs and values – costs adopting DAE CPI forecasts, 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 required for the existing building and building proposed, adjusting for age of building
- Operating Expenses (Opex) – based on historic charge, assumption of a reduction with a new, more efficient and consolidated smaller premises
- Land tax, council rates, electricity and water – based on historic charges

### 4.3 Financial Outcomes

Based on the assumptions outlined, the following rounded financial outcomes have been derived by scenario.

- |   |                             |
|---|-----------------------------|
| • Scenario 1 – Defer Rebuild for 5 years            | NPV of <b>-\$52,600,000</b> |
| • Scenario 2 – Demolish and Rebuild - Existing Site | NPV of <b>-\$50,900,000</b> |

### 4.4 Non-Financial Outcomes

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

Advantages	Disadvantages
<b>Scenario 1 – Defer Rebuild for 5 Years</b>	
<ul style="list-style-type: none"> <li>– This scenario improves the current safety conditions of the site by addressing the Building Code of Australia requirements and asbestos contamination.</li> <li>– Maintains proximity and capacity to support the Newcastle area.</li> <li>– Addresses current and future growth demands of the Newcastle area.</li> <li>– Located in close proximity to the major arterial road networks in the area.</li> </ul>	<ul style="list-style-type: none"> <li>– This scenario will delay addressing the ongoing property end of life issues.</li> <li>– This scenario will delay the provision of a fit-for-purpose facility, resulting in continued inefficiencies in the short to medium term.</li> <li>– Disruptions will occur with the proposed works while continuing to operate from the same location.</li> </ul>
<b>Scenario 2 – Demolish and Rebuild - Existing Site</b>	
<ul style="list-style-type: none"> <li>– Potential for consolidation of business unit activities through the implementation of revised depot typology.</li> <li>– This redevelopment would deal with the property end-of-life issues.</li> <li>– In redeveloping the site, there is the potential to create a more efficient, fit-for-purpose facility. This will better meet the current needs of Ausgrid in the short to medium term.</li> <li>– Maintains proximity and capacity to support the Newcastle area.</li> <li>– Addresses current and future growth demands of the Newcastle area.</li> <li>– Located in close proximity to the major arterial road networks in the area.</li> </ul>	<ul style="list-style-type: none"> <li>– Disruptions will occur with the proposed works while continuing to operate from the same location.</li> </ul>

### 4.5 Recommendation

Based on the above financial and non-financial outcomes, we recommend proceeding with **Scenario 2 – Demolish and Rebuild – Existing Site**. This scenarios results in the most superior financial outcome as well as providing the greatest number of non-financial benefits as described above.

Delivery of this scenario would result in the following capital expenditure over the FY19-24 period to deliver the new facility.

Table 2: FY19-24 Proposed Capex of Recommended Scenario

Real FY19 \$million	FY19	FY20	FY21	FY22	FY23	FY24	Total FY19-24
Capex							

#### 4.6 Assumptions and Limitations

We have been provided with a number of 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.

# 5 Appendices

## 5.1 Wallsend Depot Financial Model



# Walloend Depot

## Indicative Modelling

### Baseline Info

Current Site	78 Abbott Street, Wallsend	
Site area	135,900	sqm (as per DPs)

### Improvements

Building	sqm	type	total by type	sqm (as per BCA report)
Building 1	4,000			
Building 2	2,300			
Building 3	1,825			
Building 4	1,800			
Buildings 6 & 16	2,000			
Building 7	53			
Building 8	68			
Building 12A	2,000			
Building 12C	260	Office	8,103	
Building 12D	481	Warehouse	4,361	
Building 14	332	Workshop	3,789	
Building 15	2,400	Training	1,266	
<b>Total Improvements</b>	<b>17,519</b>		<b>17,519</b>	

Approx. Value \$	██████████	as per PRP valuation
\$/sqm site	████	
Existing non-field staff on site	155	as provided (Accommodation Strategy)

### Land tax, council rates, elec, water (17/18 - provided)

Walloend Depot	Adopt		
Land Tax	\$79,388	100%	\$79,388
Rates	\$67,310	100%	\$67,310
Elec	\$283,411	100%	\$283,411
Water	\$30,589	100%	\$30,589
<b>Total</b>			<b>\$460,699</b>

### Opex (17/18 - provided)

Walloend Depot	
Opex	\$849,294

### Rental Cost During Construction

Industrial Precinct	\$ / sqm pa			
	Industrial	Office	Proportion (Office v Total)	Adjusted
Estimated	████	████	████	████
Outgoings (assumed & provided)	████	████	████	████
<b>Total rental cost</b>	<b>████</b>	<b>████</b>	<b>████</b>	<b>████</b>

**Major Capital Works**

**Scenario 1 - Defer Rebuild for 5 Years - Initial Capital Works**

Description of Works	Quantity	Unit	Rate	Amount
BCA Compliance	1	Item		
Asbestos Removal	1	Item		
Program & Safety Management		Item		
Professional Fees / Consultants		Perc		
Contingency		Perc		
<b>Total Cost (\$/sqm &amp; total)</b>				

**Scenario 1 - Defer Rebuild for 5 Years - New Build Capital Works**

Description of Works	Quantity	Unit	Rate	Amount
Demolition of Existing Buildings	17,519	m <sup>2</sup>		
BCA Compliance	1	Item		
Asbestos Removal	1	Item		

**New Building (Area Requirement by Type)**

Office	500
Warehouse	2,000
Workshop	2,500
Training	500
<b>Total</b>	<b>5,500</b>

**New Building**

Main Contractor Preliminaries & Margin	
Construction Management fee	
Early works incl site preparation	
Office	
Warehouse	
Workshop	
Training	
Security for site and buildings	
Site infrastructure incl services diversions	
External Works - Landscaping	
IT and Change Management	
Professional Fees / Consultants	
Contingency	
<b>Total Cost (\$/sqm &amp; total)</b>	

**Scenario 2 - Demolish and Rebuild - Existing Site - New Build Capital Works**

Description of Works	Quantity	Unit	Rate	Amount
Demolition of Existing Buildings	17,519	m <sup>2</sup>		
BCA Compliance	1	Item		
Asbestos Removal	1	Item		

***New Building (Area Requirement by Type)***

Office	500
Warehouse	2,000
Workshop	2,500
Training	500
<i>Total</i>	<i>5,500</i>

***New Building***

Main Contractor Preliminaries & Margin	
Construction Management fee	
Early works incl site preparation	
Office	
Warehouse	
Workshop	
Training	
Security for site and buildings	
Site infrastructure incl services diversions	
External Works - Landscaping	
IT and Change Management	
Professional Fees / Consultants	
Contingency	
<b>Total Cost (\$/sqm &amp; total)</b>	



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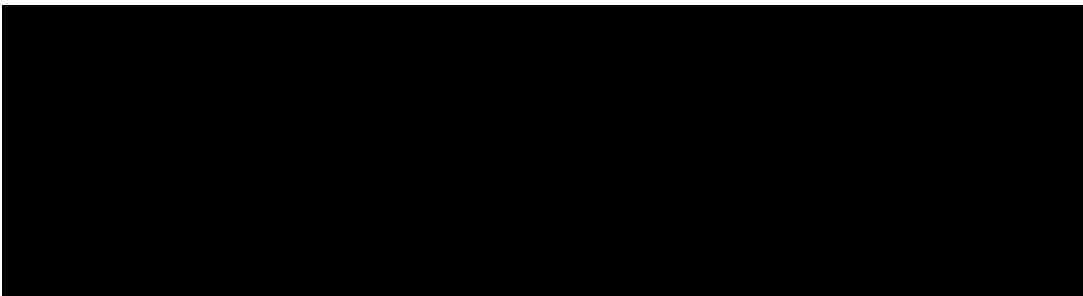
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