



**Revised Proposal
Attachment 5.20.8
Napier & Blakeley -
review of
construction costs
PUBLIC**

January 2019

21 December 2018
File Ref: 2000075454/J39644/R1/BG

Kayn Miller
Ausgrid
Major Capital Projects & Workplace Strategy
Level 4, 570 George Street
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NSW 2000

Dear Sir,

**Ausgrid Property Capital Expenditure (Capex) Program Year 2020-2024 Period
Independent High Level Overview of Proposed Construction & Development Feasibilities**

Napier & Blakeley

Established in 1985, Napier & Blakeley is an independent national property, development and sustainability consultancy firm. We provide technical and advisory services to the property industry taking into account the commercial imperatives that are required in today's environment.

Background

Napier & Blakeley have been requested by Ausgrid to undertake a very high level overview of the proposed construction and development costs forming part of the Investment Governance Committee Paper submission for the revised Property Capital Expenditure Programme over the Financial Year 2020 – 2024 period.

The major properties under consideration for capital improvement or replacement in this programme generally were identified as:

- Homebush Depot
- Oatley Depot
- Hornsby Depot
- Wallsend Depot
- Wallsend Administration
- General Depot & Workplace Improvements (various locations)



Sydney
Melbourne
Brisbane
Ade slide



Napier & Blakeley Construction Costs Data Cards

It must be stressed that these publications are issued for each Australian state location as a general guide only to a range of indicative construction costs applied to gross building areas.

While this guide is useful for assistance in setting of initial broad project feasibilities, the average building types and contents are generically based and cannot take account of specific site or design related information and for which more detailed appraisal is always strongly recommended.

We highlight that the last publication of these data cards was in 2017 and the rates contained in that issue will require BPI indexation update for tender cost escalation up to current day rates, which would be in the order of +3-4% on the stated rate allowance ranges.

Also, the range of costs indicated are for pure construction and are exclusive of loose furniture and fitout or any specialist operating equipment such as gantry cranes and the like, and any abnormal or onerous site and foundation conditions, etc.

The rates are similarly stated GST exclusive and net of design & authority fees and contingency allowances.

Reference Documents

The following source information was referenced in this overview process:

- Ausgrid Investment Governance Committee Paper dated 28 November 2018
- JLL Project Feasibility Analysis: Homebush Depot dated November 2018
- JLL Project Feasibility Analysis: Oatley Depot dated November 2018
- JLL Project Feasibility Analysis: Hornsby Depot dated November 2018
- JLL Project Feasibility Analysis: Wallsend Depot dated August 2018
- JLL Project Feasibility Analysis: Wallsend Office Depot dated August 2018
- JLL Project Feasibility Analysis: General Depot Refurbishment & Future Workspace dated August 2018

In all cases, Scenario 2 Demolish & Rebuild – Existing Site was the recommended option.

Commentary – Generally

Due to limitations on time and deadline requirements for approvals, this Napier & Blakeley review is high level and intended to provide very broad verification only.

It must be noted that these feasibilities and the development program/ cash flow as prepared by Ausgrid/ JLL are not based on any actual concept design development or a thorough site investigation of conditions and efficiencies and consequently a broad number of costing assumptions have had to be made and which would require much more detailed input in due course to validate and prove up.



As a general feasibility planning principle, Napier & Blakeley would therefore expect the initial feasibility to represent a reasonably conservative position in the first instance and with appropriate contingency provisions.

The rates assumed are from what we can see reflective of turn-key delivery procurement inclusive of both construction and specialist fitout with the buildings purposed for Ausgrid use, as owner and operator of the various facilities.

We have focused our review and commentary on the Homebush Depot, being the largest facility upgrade proposed and noting that the overall indicative construction rates adopted for Homebush are generally the same as those used for the other depots and facilities.

Commentary – Building Gross Floor Areas

These areas have been provided by Ausgrid, based on forecast population, demand and staffing. We are unable to comment on these criteria.

Commentary – Demolition & Site Preparation

Without the benefit of inspecting the sites and viewing any hazmat surveys, environmental or geotechnical reports that may be available, we generally found the generic demolition and site preparation rates applied to be consistent with our expectations and noting there are acknowledged significant issues with asbestos and contamination on the selected sites.

Commentary – Construction Rates

Office Buildings – Rate of [REDACTED] GFA adopted is in our view conservative but reasonable on basis that it is all-inclusive of base build construction, toilet amenities, lifts, office subdivision, boardroom and meeting rooms and internal fitout comprising of workstations, storage and loose furnishings complete and is therefore broadly consistent with market expectation.

Workshop Buildings – Rate of [REDACTED] GFA adopted is in our view reasonable on basis that it is all-inclusive of high bay base build, lunchroom and amenity facilities and allowing heavy slab loading requirements for electrical transformers and equipment, etc. In addition, it is understood the rates allow for fitout including specialist overhead travelling cranes and workshop operational equipment, in-ground truck service pits, etc and is therefore broadly consistent with an expected industry range.

Office & Training Buildings – Rate of [REDACTED] GFA adopted is in our view conservative but reasonable on basis that it is all-inclusive of base build construction, toilet amenities, lifts, meeting and training room subdivision, operable walls, A/V equipment and internal fitout comprising of workstations, storage and loose furnishings and is therefore broadly consistent with market expectation.



Warehouse Buildings – Rate of [REDACTED] GFA adopted is in our view conservative but reasonable on basis that it is all-inclusive of high bay base build, lunchroom and amenity facilities and allowing heavy slab loading requirements for electrical transformers and equipment, etc. In addition, it is understood the rates allow for fitout including specialist overhead travelling cranes and operational equipment, racking storage, dock levellers, etc and is therefore broadly consistent with an expected industry range.

For all the new building types identified in the feasibilities, we in particular note that the generic building rates are applied to the functional uses denoted.

However, we highlight that there are no specific separate cost allowances for the following ancillary built requirements to provide for a complete depot facility:

- Unenclosed Covered Areas – for example, awnings and breezeways
- Car Parking – either basement, decked or on-grade car space needs for staff and visitors
- Outbuildings – Fire pump rooms, wash-down bays, gatehouses, ancillary stores, sunken loading docks, etc

As such, these additional ancillary built requirements will need to be absorbed out of the overall generic building cost rate allowances allowed in the feasibilities.

Site Security & Fencing – Nominal costs allowances seem appropriate, without further information and definition.

Site Infrastructure & Services Diversions – Nominal allowance of [REDACTED] of building area seems reasonable enough, but we would normally allocate this cost based on the residual site area (excluding building footprint).

External Works (Landscaping) – Nominal allowance of [REDACTED] of building area seems reasonable enough, but we would normally allocate this cost based on the residual site area (excluding building footprint).

IT & Change Management – Nominal costs allowances seem appropriate, without further information and definition.

Commentary – Development Overrider Allowances

Main Contractor Preliminaries & Margin – Allowance of [REDACTED] on total construction costs is consistent with the industry ranges for this type of industrial redevelopment works.

Construction Management Fee – Allowance of [REDACTED] on total construction costs is consistent with and within an acceptable market range for this scale of work.



Professional/ Consultant Fees – Allowance of [REDACTED] on total development costs appears realistic at this early stage.

Contingency – Allowance of [REDACTED] on total development costs appears reasonable given the proposals are at early feasibility stage and within the expected industry range.

Cost Escalation – Allowance is made in the cash flow forecast at 2.3% per annum. We would see this allowance as possibly optimistic and our current office forecast is 3% for 2019 and 2.5 to 3% thereafter.

Conclusion

Based on this high level overview, we are of the preliminary opinion that the overall demolition, site preparation and construction rates (fully inclusive of turn-key fitout and operating equipment) for owner occupation as adopted by Ausgrid in their feasibilities, albeit conservative, are in the right sort of ballpark and range that might be anticipated on a commercial arms-length basis.

Report Qualifications

We have not carried out any of the following tasks in the preparation of this overview:

- Site inspection of the nature and conditions of the site locations identified for redevelopment
- Arithmetic checks
- Verification of proposed building areas supplied by Ausgrid
- Programme or cash flow review
- Commentary on Scenario 1 or 2 financial and non-financial recommendations

We reserve the right to amend this report and the opinions expressed in it, in the light of any additional information that might be received after the date of this report.

We confirm that this report has been prepared for Ausgrid, only and is not for reference by any third party without prior consent of Napier & Blakeley Pty Ltd.

We trust the foregoing is self-explanatory, but should you require any further information, please do not hesitate to contact Brian Gavahan or Alastair Walker of this office.

Yours faithfully

Napier & Blakeley Pty Ltd



Report Parameters

This report/certificate is provided for the purposes of the named party only and must not be used by any third party for any other purpose whatsoever without the prior written consent of the Company.

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