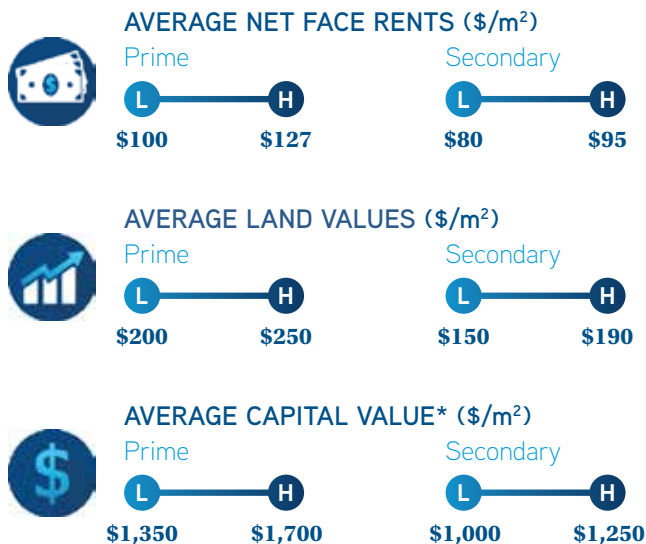


PORT STEPHENS

Market Indicators



SIZE OF THE MARKET

The Port Stephens industrial catchment is predominately centred within the southern portion of the Port Stephens LGA. The main industrial business hubs are Heatherbrae, Tomago and the growing Williamtown and Taylors Beach catchments. There are small isolated pockets of industrial land uses in Anna Bay, Salamander Bay and Raymond Terrace which total approximately 30ha* of Industrial Land. The two main industrial precincts within the Port Stephens LGA, being Tomago and Heatherbrae, comprise a total approximate building area of 695,944sqm. This accounts for 15%* of the Hunter Region industrial market.

The growing market of Williamtown will continue to capitalise on the growth of Newcastle Airport and significant catalyst projects such as the [Williamtown Aerospace Centre](#) and the [Astra Aerolab](#) precinct. The ongoing utilisation of 76ha* of land surrounding the [Newcastle Airport](#) and [RAAF Base](#) will enable supply to support the master-planned [Special Activation Precinct](#), supporting job growth and continuing to attract private investment, building upon a strong corporate profile that has pre-committed to the region and its global gateway propensity.

The Taylors Beach Industrial Estate has been developed in four stages at Trades Court/Kara Crescent, Shearwater Estate, Innovation Close and the recent land release of 10ha* at the southern portion of the precinct bringing the quantum estate size to 40ha*.

The region has seen steady industrial transaction volumes over the past five years averaging 51 sale transactions per year with over 66% of those sales within the Tomago, Heatherbrae and Taylors Beach estates.

Market Drivers

A strategic location with access to major markets through established trade routes and [Newcastle Airport](#).

Attractive lifestyle and livability with a significant house price disparity compared to major metropolitan precincts, providing an attractive proposition for businesses and staff.

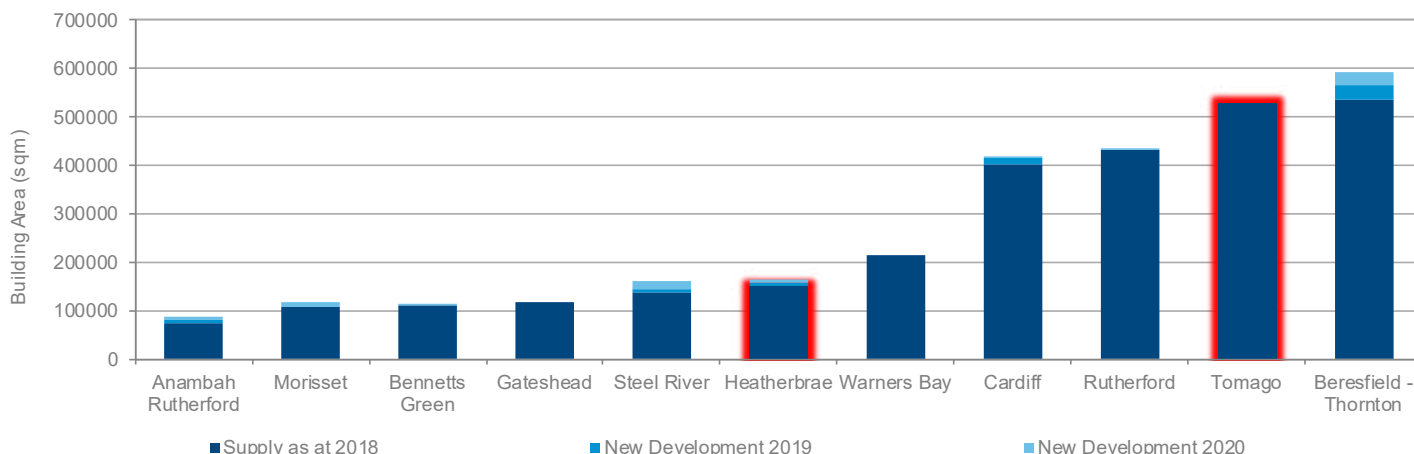
76% discount in prime industrial land and significantly lower average net face rents compared to Western Sydney estates. Offering an opportunity for businesses looking to improve bottom line and still operate in an established market.

Transition to companies having multiple supply chains further increasing demand for local (Australian) product, with Port Stephens an established manufacturing precinct in a position to capitalise on evolving industry fundamentals.

Significant investment in key projects such as the [Astra Aerolab](#) and the [Williamtown Aerospace Centre](#) attracting high profile corporates to the region. Government support through master-planned [Special Activation Precinct](#) creating jobs and a catalyst for further investment in the region.

2020 PORT STEPHENS MARKET SHARE IN COMPARISON TO THE HUNTER REGION

Source: Colliers International



*Approximate

CAPITALISING ON CHANGING DYNAMICS AND A LIFESTYLE DRIVEN DEMAND

The full effects of the current pandemic are yet to be fully determined, however it is clear that the current global pandemic has evolved market forces, and the way business has traditionally conducted is anticipated to shift fundamentally for the foreseeable future.

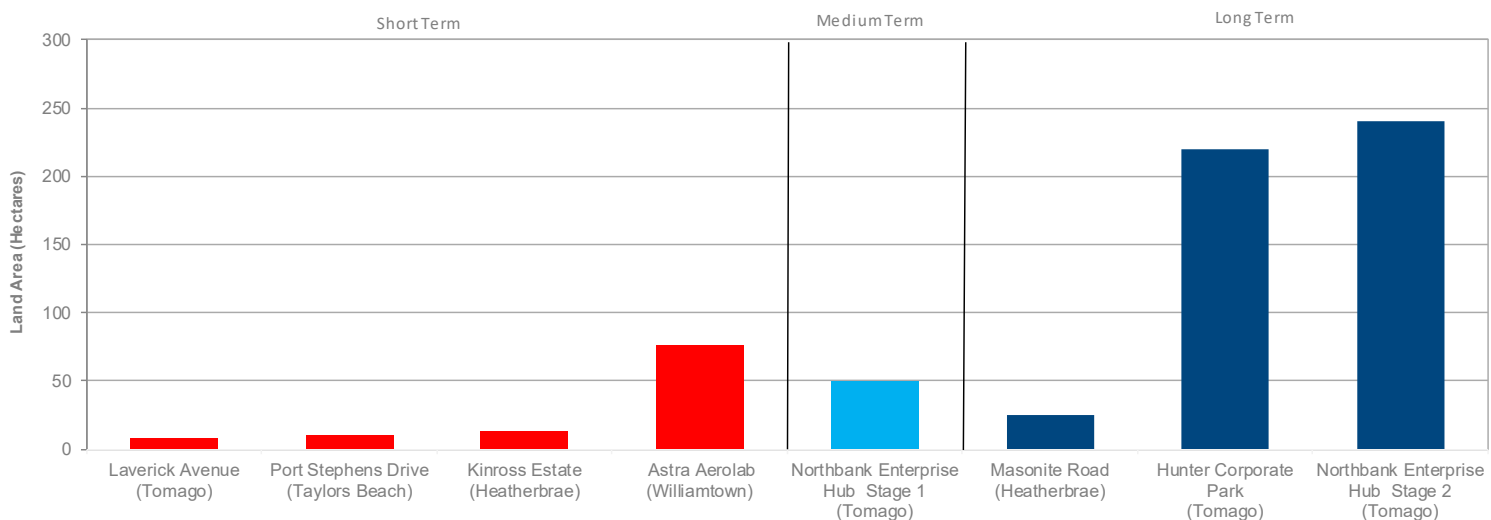
Industrial and logistics property is anticipated to be a strong asset class moving forward and the Port Stephens and Hunter Region's industrial and logistics market is well placed to provide for continuing supply and demand requirements for the evolving market conditions expected.

Additionally, the Tomago and Heatherbrae precincts are set to benefit from the [M1 Pacific Motorway Extension](#). The initiative will enhance connections with surrounding road networks, improving freight efficiencies and providing more reliable travel times for commuters. The road extension will provide new high profile main road development opportunities with land owners being able to capitalise on changing road dynamics. The M1 Pacific Motorway upgrade will support the council's strategic plan to build Heatherbrae into a bulky goods destination. The Heatherbrae area offers strong fundamentals to support this use, with an extensive trade area, central positioning and main road exposure outlined as the key draw-cards for investment in this sector.

Manufacturing is the second largest employer in the Port Stephens LGA, accounting for 11.79%⁽¹⁾ of jobs and the largest contributor to economic output accounting for 29.51%⁽²⁾ of total output. This places the region in a unique position with the capability to capitalise on changing fundamentals in domestic manufacturing with companies looking to utilise skilled labour in regions that have access to major markets and offer lower operational costs. We estimate that manufacturing facilities account for approximately 20% of the total supply of industrial and logistics accommodation in the Hunter Region with Heatherbrae and Tomago robust manufacturing precincts.

Driven by lifestyle and lower costs of living, the Port Stephens region offers a 44% price disparity compared to Sydney median house prices. This, coupled with an anticipated population of 88,920 by 2040⁽³⁾, indicates the region is in an advantageous position to continually grow and attract a diverse labour-force complementing business investment. Furthermore, as the workforce evolves and businesses become more centralised around technology the region will offer an attractive proposition for businesses with a competitive advantage over other sub-markets due to the diverse nature of the economy, world-class educational institutes, health facilities and direct access to major markets.

PORT STEPHENS - FUTURE LAND SUPPLY



*Approximate

STEADY DEMAND FOR STOCK, WITH PRICE ADVANTAGES TO MAJOR MARKETS

Record high enquiry levels were received by Colliers International for industrial and logistics property in the Hunter Region during the first two months of 2020 before easing in March. Overall, 65% of total enquiry within the Port Stephens Region was for assets over 2,000sqm.

The region has been actively sought by a wide range of proponents seeking industrial and logistics accommodation to purchase or lease with our total enquiry yielding over 530,000sqm for assets within Port Stephens since January of this year.

The vacancy rate within the two major Port Stephens industrial precincts, Tomago and Heatherbrae at Q2 2020, sit at 6.1% and 5.8% respectively, which is slightly higher than the Hunter Regional average at 4.6%. This is largely due to warehousing accommodation above 1,000sqm and an additional 8,500sqm* of supply that has come on the market in the Heatherbrae precinct throughout 2020.

Over the past five years, Western Sydney industrial land values have doubled, with an average blended land value across the key Western Sydney Estates for land lots under 1ha equalling \$960/sqm*. This in comparison to the Port Stephens major industrial precincts, equates to a price disparity of 76% on prime land values.

Industrial accommodation in comparison to the Western Sydney Estates is more affordable offering savings on a business's bottom line. With an 11% discount in prime grade assets, and a substantial disparity in prime grade capital values offering a discount of 38% on average, making a relocation to the Port Stephens region a feasible alternative.

FUTURE LAND SUPPLY

The current short-term pipeline of industrial land within Port Stephens amounts to 107ha*, defined as currently on the market or being brought to market within the next 12 months.

Medium term supply totals 50ha* and is 3-5 years from delivery, with the longer term supply pipeline totalling 485ha* with the land releases noted, approximately 5-10 years from delivery.

The current short and medium term pipelines include a number of impressive estates with land lots available from 4,000sqm* to 50ha*.