

URB INVESTMENTS LIMITED

ABN: 89 615 320 262

QUARTERLY REPORT

SHIFTING FOCUS

This Quarterly Report focuses on Western Sydney's population growth, the \$20 billion Western Sydney City Deal and one of NSW's largest councils, Liverpool; some of the infrastructure developments in the region including the Western Sydney Airport, The Moorebank Intermodal and Prestons Logistics Park, the location of our PURT 5: Prestons development.

MARCH 2018



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Welcome to the third issue of the URB Investments Limited (URB) Quarterly Report, prepared by Contact Asset Management. These reports provide us with an opportunity to communicate with URB shareholders on high-level topics of interest. The reports are available on the website at www.urbinvest.com.au. We also encourage you to subscribe to the URB mailing list.

My name is Jovana Gagic and I have been an Investment Analyst at Contact Asset Management since September 2017. I am from Western Sydney and have, in this report, focused on the Liverpool area and explored the issues and developments that I have seen and consider important from the perspective of someone who is affected by the changes first hand.

Despite Western Sydney being the third largest economy in Australia, accounting for 8% of GDP¹, infrastructure and investment has lagged well behind the burgeoning population, until now. Intervention and investment into the region is needed to meet the demands of a growing population, better connect Greater Sydney and alleviate the growing job deficit, which currently sits around 200,000 and is expected to grow to over 340,000 by 2041. Deloitte Access Economics analysis has revealed that adding 140,000 commuters to the already congested transport network would require 19 new freeways, six new train lines or 1,700 more buses – all linking the west to the east¹.

The \$20 billion Western Sydney City Deal was signed early in March 2018 with the Western Sydney Airport (WSA) being the major catalyst for investment in infrastructure, creating jobs in the region and enhancing connection to other cities across Australia and around the world.

This Quarterly Report will focus on one of the largest councils in NSW, Liverpool and some of the infrastructure developments in the region including the WSA, The Moorebank Intermodal and Prestons Logistics Park, the location of our PURT5: Prestons development.

“The city deal is a historic change for the better for Western Sydney”

- Prime Minister Malcolm Turnbull

THE BACKGROUND

As an individual who has grown up and lived in the Liverpool area my whole life, these investments into the region are much needed and overdue. The population has grown and the current infrastructure is not sufficient for current, let alone future populations. The changes that have been occurring and are expected to occur are astonishing and it's difficult to drive 15 minutes in any direction without being met with construction sites or a new suburb that, just 5 years ago, were paddocks and farms. For example, within 20 minutes of my home are the Leppington and Edmondson Park train stations completed in 2015, Western Sydney Airport (which has preparatory works currently underway), Stockland's Willowdale master planned community, Bringelly Road (which is currently undergoing a \$509m upgrade) and Prestons Logistic Estate where URB's PURT5:Prestons development is located.

The map below shows the Liverpool Local Government Area (LGA). It consists of 42 suburbs and is one of the fastest growing regions in Sydney with population growth at 2.3%, almost twice the NSW average². Every week 100 new residents arrive to the region³. Experiencing substantial growth from urban release development and from redevelopment in established areas, Liverpool's population is expected to grow approximately 54% over the next 20 years, from 214,000 in 2016 to 331,000 in 2036⁴.



PURT5:Prestons

PURT3: Kingsgrove

The lack of investment and action surrounding population growth in Western Sydney has led to increasing congestion, longer commutes and inefficiencies. I am among the 304,643 Western Sydney residents who travel outside Western Sydney to work¹, with my commute totalling close to three hours each day. The recently completed Edmondson Park and Leppington train stations were constructed to service the growing population as surrounding areas are zoned for residential development, some currently under construction and others yet to begin. Over the next 10-15 years Edmondson Park will become home to approximately 25,000 new residents, who will live in about 8,200 homes⁵.

¹ Designing Western Sydney, December 2015, Deloitte

² Committee for Liverpool Investment Prospectus, 2016

³ Western Sydney City Deal, March 2018

⁴ 2016 New South Wales State and Local Government Area Population Projects, NSW Government Planning & Environment

⁵ Edmondson Park Planning and Development, Liverpool City Council.



A Transport for NSW spokeswoman stated that the number of spaces allocated at Leppington and Edmondson Park stations were “based on projected demand”⁶. However, already the car parks and streets around the car parks are at capacity before 8am each and every day. Only three years after being constructed residents are petitioning for a multi-storey carpark at both stations due to lack of parking space. The problem is set to escalate as residential developments are completed and the population growth continues over the coming years.

In my opinion, this just highlights that the problem is twofold:

1. Investments in Western Sydney are needed to address the problem created by the lack of investment in the past which is impacting the existing population; and
2. Planning is required to satisfy the needs of the future population which is expected to see the Western City District grow from 1.07 million people in 2016 to 1.534 million people in 2036⁷.

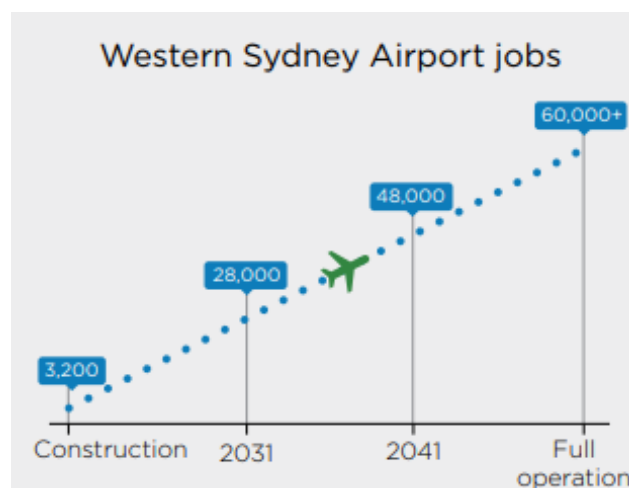


Traffic at Edmondson Park train station and the empty surrounding suburbs⁸

WESTERN SYDNEY AIRPORT — A CATALYST FOR INVESTMENT AND CREATING JOBS

Set to open in 2026, the Government is investing up to \$5.3b to deliver the WSA. WSA will act as a regional inter-modal transport hub for both passengers and freight; appropriate connections with key commuter and freight routes will be critical to link business, trade and employment centres. When the airport opens, it is expected to service around 5 million passengers a year – approximately the number of passengers that use Gold Coast Airport today. Around 2050, the number may approach 37 million⁹, roughly 3 million more than the number of Melbourne passenger movements in 2016¹⁰.

To make this happen WSA will deliver 3,200 jobs during construction and around 9,000 airport jobs during operation over the next 20 years. At full operation the airport will create at least 60,000 jobs in logistics, trade, aerospace, defence, advanced manufacturing and tourism¹¹.



As part of the long dated infrastructure investment into Western Sydney the Australian and NSW Government are partnering to deliver a 10-year \$3.6b road investment program for the region to capitalise on the economic benefits of the WSA.

The following chart shows the allocation of the \$3.6b spend with the peak of the spending forecast for financial year 2020 when simultaneous construction will be underway on the majority of projects in the area.

⁶ Residents call for more parking at Edmondson Park and Leppington train stations, Liverpool Leader, July 2016

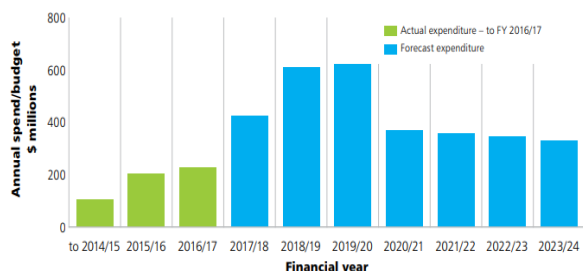
⁷ Western Sydney corridors summary document, Transport for NSW, March 2018

⁸ Residents fed up with parking crisis call for multi-storey carparks, The Daily Telegraph

⁹ An airport for Western Sydney, Australian Government Department of Infrastructure and Regional Development, September 2016.

¹⁰ Airport traffic data Australian Government Department of Infrastructure, Regional Development and Cities

¹¹ Western Sydney corridors summary document, Transport for NSW, March 2018



One major road investment is the 2 Stage Development of Bringelly Road which will become one of the principal roads link within the South West Growth Centre. Traffic volumes along Bringelly Road (near Leppington town centre) are predicted to increase from 9,550 vehicles/day in 2013 to 50,000 vehicles/day by 2036. This is largely driven by the WSA and the expanding South West Growth Centre which when developed will contain about 110,000 new dwellings and 300,000 residents¹². The development of WSA alone is expected to generate an additional 1,254 vehicle movements per day during the construction period¹³. Stage 1 was completed in December 2017 and Stage 2 is currently under construction and projected to be completed in 2020 at a cost of \$509m.

MOOREBANK INTERMODAL TERMINAL

Congestion is a major problem in Greater Sydney, costing the city \$6.1 billion a year and forecast to rise to \$12.6 billion by 2030¹⁴. Freight movements through Port Botany are forecast to increase at a rate of 3-4% per annum over the next 25 years, adding to congestion and reducing the efficiency and productivity of Sydney's freight network.

The *Australian Infrastructure Audit* (2015) found that the national land freight task is expected to grow by 80% in 20 years, with the Port Botany lessee forecasting that annual throughput will grow from 2.3 million containers to 7.5-8.4 million by 2045. They are targeting 40% of container movements to and from Port Botany to be moved by rail.

The Moorebank Intermodal Terminal is part of a long term strategy to increase the carriage of freight by rail. It is estimated to cost \$1.675b; however, the benefits expected to be derived from the project are estimated at \$2.887b, including operating cost saving for freight of \$1.435 billion and travel time reductions (trucks and general) of \$812m¹⁵.



LOGISTICS – LOCATION, LOCATION, LOCATION

The supply and demand profile for logistics in Australia is changing as zoning from industrial to residential is expected to relocate approximately 100,00sqm p.a. over the next 5 years with the demand joined by an estimated 150-250ha of land per annum required to meet the needs of a growing population¹⁶.

In Sydney, land value uplift has been mostly realised within the South West and outer West sub-markets where annual growth rates have averaged 45% and 40% year-on-year respectively¹⁷. This has been driven by transport infrastructure boosting residential amenity (e.g. CBD and South East Light Rail Network), in turn increasing the potential for rezoning industrial sites for better use and infrastructure boosting industrial precincts access to connectivity (e.g. Moorebank Intermodal Terminal and Northern Road upgrade).

All levels of government have identified logistics as a crucial growth sector for Western Sydney, with several estates in Liverpool boasting affordable industrial land with direct access to major motor ways.

¹² Bringelly Road upgrade – Stage 1 2014-15 Assessment Brief, 7 May 2015.

¹³ Western Sydney Airport – Environment Impact Statement 2016, Volume 2a – Stage 1 Development Chapter 15: Traffic, transport and access.

¹⁴ Greater Sydney Draft Services and Infrastructure Plan, Future Transport 2056.

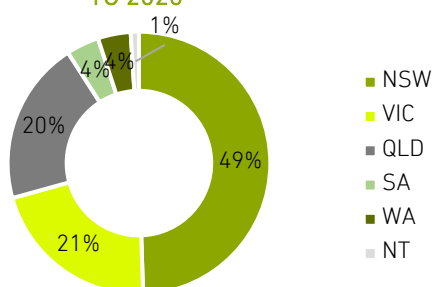
¹⁵ Moorebank Intermodal Terminal, Infrastructure Australia Project Business Case Evaluation, September 2017

¹⁶ Industrial land supply in the spotlight, Colliers International, 2017

¹⁷ Industrial Second Half 2017, Colliers International Research and Forecast Report



**INDUSTRIAL LAND:
SHARE OF SUPPLY TO BE DELIVERED 2017
TO 2020¹⁵**



Behold Prestons, the home of PURT5:Prestons in the URB Portfolio. The area is strategically situated, right next to the M7 Motorway and 3km to the M5 Motorway and within proximity to major infrastructure including ~30 minutes to Port Botany, Sydney Airport, approximately 7 minutes to Moorebank Intermodal Terminal and roughly 20 minutes from the WSA.

In late December 2015 upgrades to Kurrajong Road were completed to link important residential areas to the M7. For me, personally, I now get home for the gym 10 minutes quicker, have direct access to Black Elk Espresso (good coffee, great smashed avocado) and have an alternative route home once I get off the M5.

For the companies residing in the Prestons Logistics Park, which currently include Toll, Aldi, Ingham, Salmat and Mainfreight, it has given them better connectivity to ports and rail, important arterial roads and significantly improved traffic conditions, which in turn improves efficiency. As demand for goods continues to grow and consumers demand faster deliveries, the location of these sites for companies like Mainfreight is a crucial element to achieving their goals.

Pitt Street Real Estate has this month received the third and final DA (Signage and Use) from Liverpool Council for PURT5:Prestons. As the site is visible from Kurrajong Road on my trip home from the gym I can confirm that good progress continues to be made on the civil works program. Construction works are expected to commence in April/May 2018.



PURT5:Prestons Site - August 2017



PURT5:Prestons Site - March 2018

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