

URB INVESTMENTS LIMITED

ABN: 89 615 320 262

QUARTERLY REPORT

WHEN OLD BECOMES NEW

This Quarterly Report focuses on two major construction projects in Sydney's CBD. The Sydney Light Rail Project and the Barangaroo South Development. We look at how these two projects have become a catalyst for urban renewal and regeneration within the Sydney CBD, as well as discovering that when the old becomes new maybe we're not as forward-thinking as we all think we are – maybe life is nothing but a merry-go-round.

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The logo for CONTACT Asset Management. It features a stylized icon of a building or structure above the word 'CONTACT' in a bold, dark grey, sans-serif font. Below 'CONTACT' is the text 'ASSET MANAGEMENT' in a smaller, dark grey, sans-serif font.

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*URB is managed by Contact Asset Management
AFSL 494045*

Welcome to the second 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 will be available on the website at www.urbinvest.com.au. We also encourage you to subscribe to the URB mailing list.

TWO MAJOR CONSTRUCTION PROJECTS

In the October Quarterly Report, we discussed how Australia was thriving on the unprecedented program of infrastructure spend, driven by two key drivers of successful urban renewal - population growth and urbanisation. In this report we take a deeper dive and focus on two major construction projects in Sydney's CBD that are starting to capture everyone's attention who visits this great city.

1. The Sydney Light Rail Project, and
2. The Barangaroo South Development.

We look at how these two projects have become a catalyst for urban renewal and regeneration within the CBD, and a trigger for further construction and development within the surrounding areas. The public is also discovering that the old can become new, and many of the older generation are realising that in many instances we are not as forward-thinking as we all think we are and that maybe life is nothing but a merry-go-round.

However each time a "new" project commences it is usually larger than the time before and it kick-starts a significant transformation of existing areas into much denser, generally mixed-use environments. New projects enable the use and development of an area to better align with the current and future needs of a growing city and this creates significant opportunities.

The Sydney Light Rail Project is a new 12km, 19-stop light rail network currently under construction from Circular Quay to Randwick/Kingsford in Sydney's south.



An artist's impression of the CBD and South East Light Rail trams moving along George Street.

When construction of the \$2.1bn project is completed in 2019, it is estimated that the service will provide transportation for 80,000 passengers a day. It will provide efficient, turn-up and-go public transport with services running every four minutes.

Sydney Light Rail will also incorporate the existing Inner West Light Rail service connecting at Central Station. This will be a welcome relief as 12-month government statistics posted in June showed the number of passengers using this service jumped by 59% to nearly 8.0 million per annum.

The Barangaroo South Development is arguably Sydney's largest urban renewal project since the 2000 Olympics. Its hype has led some to say that it is the most significant waterfront transformation currently underway anywhere in the world.



Lendlease's Barangaroo South according to Urbis is a "once in a generation development that has changed Sydney forever."

With Towers 1, 2 and 3 now complete (pictured above) Barangaroo South has become a vibrant new waterfront financial district, with tier one office space as well as premium residential, retail and hospitality.

As with any first class urban renewal project built today, the Barangaroo South project also incorporates significant public space. Over 50% of the site will be useable public space including an urban park, squares, streets, laneways, waterfront plaza, public pier, harbour cove and a 2.2km foreshore walk.

Barangaroo South certainly has gone a long way down the path of enhancing Sydney's position as a truly global city.

WHEN OLD BECOMES NEW

These two projects have been in the public eye for a few years now. One has been under construction down the entire length of George Street; one of Sydney's busiest, right in the face of all who walk past. The other has been slowly creeping into the sky from sea level, not once, not twice but now on three occasions... and there are still three more to come!

As the urban renewal and regeneration theme continues to gain momentum and rapidly evolves across Sydney with these two projects in particular, both locals and tourists are intrigued. They can see these projects being developed over a period of time, they can see what they are trying to achieve and they imagine the finished product. However, it is not until many of us actually see the finished product, do we realise what an achievement some of these projects have been and what a transformation has been created.

As we have stated previously, urban renewal and regeneration is the transformation of existing urban areas to accommodate much denser, mixed-use environments. This creates areas that meet contemporary living, working or community needs.

What we also keep discovering is that the old can become new and many of the older generation may be starting to realise that in most instances we're not as forward-thinking as we all think we are.

The lyrics from the song "Old Becomes New" by The Real McKenzies, from their album "Off the Leash" explains this really well...

*As long as I've been around
To my convictions I am bound
Well here's what I've found
In the cities and towns
Life ain't nothing but a merry-go-round*

It's All Been Done Before

*It's always been my belief
That everything is gonna repeat
Hey let there be no debate
Whether early or late
So the laws of history state*

It's All Been Done Before

*And if you hang around long enough
And you experience really cool stuff
You'll see that old becomes new
Then new becomes old
Til old becomes new again*

It's All Been Done Before

Take the Sydney Light Rail Project for example; it is not the first time a tram has gone down George Street! In the 19th and early 20th centuries, Sydney developed an extensive tram network, which grew to be the largest in Australia and one of the largest in the world.



The picture above, taken c1920's on the corner of Market Street and George Street in Sydney.

In the 1920's the Circular Quay to Central Station service (which is almost exactly the route to be taken by the new Sydney Light Rail service) was an extremely busy service for passengers transferring them from suburban trains at Central to the City.

As can be seen from the Light rail service map below, nothing really has changed... the Light Rail Fact Sheet suggests that the "CBD and South East Light Rail will provide sustainable and reliable modern transport from the CBD to Sydney's South East that will meet the needs of the community now and into the future."



Sydney Light Rail Service Map

Almost 100 years ago, trams also operated from Central station to Circular Quay and back up Pitt Street in a large anti-clockwise loop. The line also made use of the sandstone viaduct onto the colonnade at Central station.

Today this exact route and infrastructure is being used again by "trams" of the Inner West Light Rail system, but in the opposite direction... Its all been done before.



The picture above shows the recently completed light rail section on George Street in Sydney (between Market and King Streets).

The introduction of private cars and the reported perception that trams contributed to traffic congestion led to an eventual replacement of trams with buses. The final section of the tram network closed in 1961.

Back to the waterfront transformation and *if you hang around long enough, you'll experience really cool stuff!*

Soon after colonisation, the site of Barangaroo began to flourish as maritime activities grew. In the 1820s, wharves were constructed to facilitate some of Australia's first imports and exports - trade of sandalwood, cedar, turtle shell, whaling and sealing, as well as a thriving wool trade.

In the 1840's the gold rush saw a significant lift in growth on the streets of Barangaroo driven by a flood of immigrants seeking their fortune. Population growth and trade was changing the use of Barangaroo, and by the 1880's manufacturing of ships had to step aside as the land was now regarded as being too valuable. There was better utilisation of existing infrastructure through the growing industries such as the port, industrial, warehousing and trading... Its all been done before.

From 1910 – 1950 there are multiple other stories found on the Barangaroo Delivery Authority website, including further stories on how Sydney handled population growth and logistics exercises throughout World war I and World war II.



A historical photo of Barangaroo South in c1935 (Credit: barangaroosouth.com.au)

By the time the 1950's arrived, substantial progress in technology and manufacturing saw ships become too large for the finger wharves at Barangaroo, while the introduction of the shipping container saw an immediate need to build an expansive concrete pad as part of the construction of the port to accommodate cranes, container storage and container movements.

In 2003, the state government determined that the area would be re-developed, and change the use of this site again, this time from shipping and stevedoring to commercial office space and recreational areas. This change called for a serious re-zoning, and the project moved from a design contest to a concept plan over the next nine years. While this was being carried out the Sydney Harbour Trust relocated the port facilities and begun initial works on site rehabilitation.

... if you hang around long enough, you'll experience really cool stuff...



Barangaroo is a once in a lifetime opportunity to create a vibrant new place to live, work and play. Located on the western edge of Sydney's central business district, Barangaroo spans 22 hectares along Sydney harbour.

HOW DOES URB INTEND TO CAPITALISE ON THESE PROJECTS?

While we have focused on life being a merry-go-round and the fact that many of these projects are revisiting what's been done before, each time a "new" project commences it kick-starts a significant transformation of existing areas into much denser, generally mixed use environments.

The projects enable the use and development of an area to better align with the current and future needs of a growing city. These two city urban renewal projects are generating significant benefits for all of us in Sydney including:

- Better utilisation of existing infrastructure
- Better transport
- Increased city production
- Co-location of more intensive jobs
- Co-location of more intensive housing
- New employment opportunities
- Tourism growth
- Additional or secondary expenditure
- Healthcare and education services

The Sydney Light Rail project has been a catalyst for urban renewal and a benefit to URB. The announcement and build of this project has been followed by an explosion in construction along the route. On the NSW Transport for NSW Light Rail Fact Sheet, it states that *"there are more than 120 government and private sector projects in planning or construction in the CBD alone."*

Lendlease is responsible for the Barangaroo South project and URB holds Lendlease shares in the Equity portfolio.

On the Lendlease Barangaroo South Fact Sheet it states that *"the southern 7.5 hectares of the site which is destined to become the greenest and most advanced financial district in Australia will have a mix of uses, including commercial, residential, retail and dining, along with a new landmark hotel. It will become home to around 1,800 residents and 23,000 office workers and, with more than 50% of the precinct open public space and 100% of the foreshore to be fully accessible to pedestrians and cyclists, it is expected to attract some 18 million visits per year."*

Lendlease reported in their 2017 Annual Report that they have an urbanisation pipeline with an end value of \$34.6bn and includes the following major projects:

- **Barangaroo South**, Sydney
- **Elephant & Castle**, London
- **Paya Lebar Quarter**, Singapore
- **Riverline**, Chicago

Despite many things having been done before, we believe that opportunities for further investment into the urban renewal and regeneration theme will always emerge. Through our direct property projects and through game changing projects such as the Sydney Light Rail Project and the Barangaroo South Development we will always seek to capture value through this ever changing and growing theme.

We continue to have a strong balance sheet with no debt and a strong cash balance to be in a good position to take advantage of these opportunities as and when they arise.



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