



Preston
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International Property Consultants



Final Report 2018



NEWCASTLE LOCAL GOVERNMENT AREA (008)

2018 Base Date

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1. Executive Summary

LGA OVERVIEW

NEWCASTLE LOCAL GOVERNMENT AREA

The Newcastle local government area is situated within the Hunter Region of New South Wales. Having a total area of 186.8 square kilometres, the LGA is located approximately 160 kilometres north of Sydney (just under a two-hour drive north on the M1) and adjoins Port Stephens LGA to the north, Lake Macquarie to the south, Maitland and Cessnock to the west.

Newcastle is the economic hub, at the centre of the Lower Hunter Region, offering both an industrial and service economy. Newcastle has transformed over the past two decades, and diversified from an historical industrial focused "steel city", to now offering a variety of expanding industries in sectors including education, health, defence, research and employment. Newcastle has also become one of the largest coal export by volume ports in Australia, offering a multi-purpose cargo hub at the Port of Newcastle.

NUMBER OF PROPERTIES VALUED THIS YEAR AND THE TOTAL LAND VALUE IN DOLLARS

The Newcastle City Council LGA comprises Residential, Rural, Commercial (Business), Industrial, Special Use, Environmental, Waterways and Public Recreation zones.

58,186 properties were valued for Base Date 1 July 2018, and valuations are reflective of the property market at that time.

Valuation changes in the LGA and percentage changes between the valuation years of 1 July 2017 and 1 July 2018 are as follows:

Zone	2017 Total Land Value	2018 Total Land Value	% change
Residential	\$25,899,088,180	\$27,644,846,690	6.7%
Commercial	\$1,207,395,140	\$1,336,614,570	10.7%
Industrial	\$858,418,936	\$926,043,016	7.8%
Rural	\$0	\$0	
Totals for LGA (including other zones)	\$28,762,946,233	\$30,702,588,142	6.7%

STATE & LOCAL GOVERNMENT LEGISLATION

Newcastle Local Environmental Plan 2012. There have been several LEP amendments throughout the 2018 valuing year, all of which have been reported each month through our Monthly Progress Reports. All zone and value changes have been accounted for in the final values.

The Newcastle City Council is governed by the Newcastle Local Environmental Plan 2012 (LEP). The plan is based on the standardised Local Environmental Plan prescribed by the New South Wales Legislation.

MARKET OVERVIEW

There was a moderate increase in land values in the Newcastle local government area between 2017 and 2018. The increase in land values was broadly consistent across all major market segments with the exception of commercial zoned lands which continued to experience strong increases in land values.

The moderate upward trend of land values follows a sustained period of strong demand in the district over the past several years which have been supported by a number of factors. These include the significant infrastructure projects in the Newcastle CBD combined with other large scale private and public sector investments, including residential developments which are proposed to add a further 2,000 units to the CBD supply. Newcastle University completed a new CBD campus and are proposing CBD student accommodation within the Newcastle Honeysuckle precinct. The CBD Light Rail project is nearing completion and is due to commence towards the beginning of 2019.

The Newcastle CBD in particular has attracted demand from investors and developers as the long term Newcastle Revitalisation Strategy comes to fruition and resulted in continued strong increases in some inner city area land values this year. This follows on from the previous two years of strong to very strong growth.

SIGNIFICANT VALUE CHANGES

SUMMARY OF VALUATION CHANGES TO RESIDENTIAL LAND – OVERALL 6.7% INCREASE

Residential land values experienced a moderate increase overall off the back of a sustained period of strong local confidence and buyer activity in the continuing low interest rate environment and strong local construction activity, particularly in the Newcastle CBD.

SUMMARY OF VALUATION CHANGES TO COMMERCIAL LAND – OVERALL 10.7% INCREASE

Commercial land values increased strongly which was supported by buoyant investor and developer confidence in the Newcastle property market. Properties located in the Newcastle CBD or in more popular commercial locations such as The Junction, Hamilton and Kotara experienced the strongest demand.

SUMMARY OF VALUATION CHANGES TO INDUSTRIAL LAND – OVERALL 7.8% INCREASE

Industrial land values increased moderately in the Newcastle area. While the non-mining economy in Newcastle has been supported by strong construction activity mostly occurring within Newcastle CBD. Marginal industrial land located on the Newcastle fringe areas of Warabrook and Hexham continue to experience limited demand.

SUMMARY OF VALUATION CHANGES TO RURAL LAND

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2. Disclaimer – Purpose of this Report

This report has been prepared on behalf of the Valuer General. The purpose of this report is to provide an overview of the valuation program for the 1 July 2018 valuation in the Local Government Area of Newcastle.

To make a land valuation, regard must be had to the requirements and assumptions set out in rating and taxing legislation, such as the Valuation of Land Act 1916 (NSW). Land values are also determined by the rules set out in the "Rating and Taxing Valuation Procedures Manual". The manual permits large numbers of properties to be assessed using mass valuation methodologies.

Although mass valuation methodologies may be less accurate than individually assessed land valuations, they are routinely used across the globe to deliver land valuations for rating and taxing purposes that are within an acceptable range of variation. Consequently, land valuations from the Valuer General may vary from an individually assessed market valuation for a parcel of land. All land valuations are, however, subject to a risk based verification process which ensures each parcel of land is individually reviewed periodically.

Whilst the content of this report has been prepared with all due care and skill, the Valuer General does not warrant that it is complete or free from error.

During the valuation process, information is compiled from third party sources, such as information relating to town planning, land use, zoning and other market related information. The Valuer General is not responsible for, and makes no warranty in relation to, the accuracy, currency, reliability or completeness of that information. Readers are directed to contact the source of the information.

The land values made in accordance with the valuation program have been made for rating and taxing purposes only, therefore, the land values should not be used for any other purpose. No reliance should be made on the contents of this report. To the extent permitted by law, the Valuer General disclaims all liability to any person(s) who relies on, or uses, any information contained in this report.

More information on the valuation process is available from the Valuer General's website at: www.valuergeneral.nsw.gov.au/land_values

3. LGA Overview

LOCATION OF THE DISTRICT

The Newcastle local government area is located in the Hunter Region of New South Wales, approximately 160 kilometres (just under a two-hour commute on the M1) north of Sydney. The Newcastle LGA has a total land area of about 186.8 sq kms that predominantly includes low lying coastal areas, coastal cliffs and the coastal plains stretching to the Watagan Mountains. It connects with Port Stephens LGA in the north, Lake Macquarie in the South, Maitland and Cessnock in the West.

PRINCIPAL TOWNS

Newcastle City is the principal town in the Newcastle LGA. The area takes in significant natural and architectural features, including the Foreshore Park, Fort Scratchley as well as Newcastle and Nobbys Beach. There is a great deal of diversity in Newcastle's suburbs – from the heritage lined streets of Newcastle East to leafy Kotara homes, and new estates in the west at Fletcher.

MEREWETHER/BAR BEACH is located approximately 3.8 kms east of the Newcastle CBD adjacent to Merewether Ocean Baths and beaches, is renowned for its luxury homes and ocean views.

KOTARA is located 9.3 kms south of the CBD, is known for Blackbutt Reserve recreation area and is home to Westfield Kotara and Homemakers Centre - one of Newcastle's largest shopping complex.

STOCKTON is located across the harbour, opposite Newcastle CBD, is famous for its beach and sand dunes to the north and has a ferry service that operates across Newcastle Harbour.

CALLAGHAN is located approximately 12 kms west of the CBD, is home to the University of Newcastle.

WICKHAM/MARYVILLE is located approximately 3.5 kms west of the CBD, adjacent to the Hunter River, is an inner-city area influenced by the railway which acts as a physical barrier to the CBD.

LAMBTON/NEW LAMBTON/NORTH LAMBTON are residential suburbs located approximately 7.5 kms west of the CBD, featuring popular schooling, recreation facilities and bustling neighbourhood shopping areas.

ADAMSTOWN is located approximately 6 kms south west of the CBD, is a residential suburb featuring recreation facilities, schools, an industrial precinct, and a commercial area around Brunner Road.

MAYFIELD is located approximately 6 kms northwest from the CBD, is one of Newcastle's older suburbs, being close to Newcastle Harbour and industrial areas. It offers a variety of schooling, a commercial precinct along Maitland Road, and is home to Mayfield Wests sporting and entertainment hub.

FLETCHER, located approximately 18 kilometres west of the CBD, features new land releases and facilities in various estates located on either side of Minmi road, some with views across the Hexham Swamp Nature Reserve. These estates include Nikkinba Ridge, The Outlook, The Sanctuary and The Hidden Waters Estate.

MAIN INDUSTRIES

The Port of Newcastle is Australia's oldest and one of the world's largest coal export ports, with coal representing most of its throughput tonnage.

While Newcastle's industrial sector continues to play an important role, Newcastle is no longer a 'steel city'. A substantial and growing portion of Newcastle's economy is now based around the service sectors.

The city has diversified from manufacturing and energy exports to embrace a range of industries, including agriculture, education, health and tourism. This expansion of the city's economic base continues to result in increasing opportunities for workers and proprietors across various sectors.

Newcastle is one of the major cities in NSW and is recognised as a transforming city undergoing a major construction boom.

SIGNIFICANT RETAIL CENTRES

Newcastle has some of the Hunter's busiest centres, along with a variety of shopping strips in each town centre.

MARKETOWN SHOPPING CENTRE, located at the western gateway to the Newcastle CBD, features large retailers and over 60 speciality shops as well as The Spire Apartments residential high-rise development.

WESTFIELD KOTARA, located approximately 6 kms south west of the Newcastle CBD, is a recognised regional shopping centre featuring 256 retailers, a Target and David Jones Department Store, and has a newly constructed "Rooftop" entertainment precinct that houses an Events Cinema.

KOTARA HOME CENTRE, located opposite Westfield Kotara on the corner of Park Avenue and Northcott Drive, is one of the largest bulky goods centre within Australia. Having over 1,000 car spaces and 45 retail shops, its retailers include Freedom, Domayne, Adairs, Aldi, Bunnings, Forty Winks, Barbecues Galore etc

TYPE OF RESIDENTIAL DEVELOPMENT

A large majority of Newcastle's homes are single detached dwellings with medium to higher density housing becoming more prevalent in recent years. Apartment living in the city is becoming attractive to "empty-nesters" with various apartment developments either under construction or proposed with "off the plan" sales being a feature of the market. Newcastle's first vertical retirement village has recently started construction within Newcastle West.

Parts of Newcastle City contain a substantial number of heritage dwellings, particularly around Cooks Hill, The Hill and Newcastle East. These consist of attached and detached terraces, and grand two storey residences. In the Wickham, Carrington and Maryville areas the heritage dwellings are more modest cottages usually of timber and iron construction.

The older suburbs surrounding the city, such as Mayfield, Hamilton, Broadmeadow, and Adamstown tend to comprise detached residential dwellings from the early to mid-1900's.

The western suburbs of Fletcher, Maryland and Warabrook contain newer residential subdivisions with modern detached housing.

Rural residential development (zoned Environmental) is located in the Lenaghan and Black Hill areas which are situated on the western boundary of the Newcastle City LGA, approximately 27km from the CBD.

4. State and Local Government Legislation for LGA

The Newcastle City Council is governed by the Newcastle Local Environmental Plan 2012 (LEP). The plan is based on the standardised Local Environmental Plan prescribed by the New South Wales Legislation. Each year there are a number of amendments to the LEP.

The Newcastle LEP classifies land into certain zones depending on the use of the land. These zones allow properties in same zones to be managed in components and valued by mass valuation methodology.

All zone and planning changes resulting from LEP amendments have been accounted for in the final values for 2018, including re-zoning, heritage listing and changes to allowable uses.

Newcastle Port Precinct is not part of the Newcastle LEP but rather has its own specific planning controls which are identified within The Three Ports SEPP (as amended). The majority of lands are identified as Special Uses 1 (SP1) Port Related.

Newcastle City Council has development controls including the Newcastle Development Control Plan (DCP) 2012 that supplements the LEP and provides additional information that should be considered when preparing a development application. The DCP affects the subdivision and erection of dwellings. These planning controls have a direct impact upon land values throughout the district of Newcastle.

Zone		Minimum Allotment Size
Residential	R2 Low Density Residential	400 m ²
	R3 Medium Density Residential	400 m ²
	R4 High Density Residential	
Commercial	B1 Neighbourhood Centre	No numerical standards apply
	B2 Local Centre	
	B3 Commercial Core	
	B4 Mixed Use	
	B5 Business Development	
Industrial	IN1 General Industrial	4000 m ²
	IN2 Light Industrial	1000 m ²
	IN4 Working Waterfront	1000 m ²
Special Activities	SP1 Special Activities	No numerical standards apply
	SP2 Infrastructure	
Recreation	RE1 Public Recreation	40 ha
	RE2 Private Recreation	
Environmental	E1 National Parks and Nature Reserves	No numerical standards apply
	E2 Environmental Conservation	
	E3 Environmental Management	
	E4 Environmental Living	
Waterways	W1 Natural Waterways	

* These figures overall represent minimum subdivision standards as defined in the Local Environmental Plan 2012. There are however exceptions that apply in regard to battleaxe allotments, strata schemes, community schemes and permissible greater density developments as defined within the LEP.

There is also a number of local and regional planning strategies and policies which Council uses when considering future development. This includes the Newcastle 2030 Community Strategic Plan (2013), the Newcastle Urban Renewal Strategy 2012(updated in 2014), Newcastle Employment Lands Strategy 2013, Newcastle-Lake Macquarie Western Corridor Planning Strategy (NSW DP, 2010), Lower Hunter Regional Strategy (2006- reindorsed in 2010) and the Hunter Regional Plan 2036.

5. Market Overview

Preston Rowe Paterson Newcastle & Central Coast (PRP) have undertaken significant analysis of the Newcastle City Council district property market to provide an accurate and reliable basis of valuation. With approximately 1200 sales that have been analysed to enable the establishment and verification of land values as at 1 July 2018. These analysed sales also support the land value differences across locations. Analysed sales reports are provided to Property NSW on a consistent basis throughout the year. The added value of improvements are also analysed to enable the accurate deduction of land values. PRP undertakes this process using the Paired Sales Approach and the Replacement Cost Approach.

In analysing sales before or after 1 July it is sometimes necessary to adjust the contract price in terms of market movement, depending upon particular market segment activity. In the Newcastle LGA this year, sales and resales of residential zoned properties generally indicated increasing values throughout the year. Residential and commercial rental analysis demonstrated a similar trend, although the latter category is particularly difficult to interpret definitively due to lower levels of evidence amongst highly varied properties and lease conditions.

RESIDENTIAL

Residential land values experienced a moderate increase overall off the back of a sustained period of strong local confidence and buyer activity in the continuing low interest rate environment and strong local construction activity, particularly in the Newcastle CBD.

However, there have been indications of a moderation in demand with sales activity generally decreasing, and evidence becoming less uniform across the district.

Values were steady in areas such as Maryland, New Lambton, North Lambton, Hamilton and Merewether where an easing of demand has become more evident after these suburbs had recorded strong value increases over several previous years.

Land values within the E4 Environmental Living zone were steady this year.

COMMERCIAL

Commercial land values increased strongly which was supported by buoyant investor and developer confidence in the Newcastle property market. Properties located in the Newcastle CBD or in more popular commercial locations such as The Junction, Hamilton and Kotara experienced the strongest demand.

Projects related to the Newcastle Revitalisation Strategy including the circa \$420 million Light Rail Project (mostly complete- yet to commence) have had a transformative effect on the demographic fundamentals of the CBD. There have been a substantial number of high density residential developments recently constructed, with more approved, and market demand has been strong for the product. This in turn has fuelled demand for commercial property by both developers and investors seeking returns and translated to increase land values.

INDUSTRIAL

Industrial land values increased moderately in the Newcastle area. While the non-mining economy in Newcastle has been supported by strong construction activity mostly occurring within Newcastle CBD.

Marginal industrial land located on the Newcastle fringe areas of Warabrook and Hexham continue to experience limited demand.

6. Sales of particular interest:

Property Address	Sale Date	Sale Price
29 GARAWON PL, MARYLAND	13-Dec-2017	\$900,000
<p>Comments: Zoned R2, 8034m², Vacant development site which sold with development consent for a 14 townhouse development and have been marketed off the plan. The sale reflects \$50,000 per unit after adjustment for the value of the DA and although at the lower end of expectations, is still considered to be representative of the market. Note, this property previously sold for \$600,000 in 2015 unapproved on a 2 year settlement.</p> <p>Sale shows \$112/m² and points to the increase that has occurred in this segment of the market since 2015.</p>		
2 HOGUE ST MARYVILLE	16-Nov-2017	\$710,000
<p>Comments: Zoned IN2, A residence on 227m² zoned Industrial sold for \$710,000 with analysed land value of \$417,500. Indicative of continued growth in residential use properties within industrial zones.</p> <p>Sale shows Maryville continues to be gentrified from industrial uses.</p>		
90 HANNELL STREET, WICKHAM	24/11/2017	\$15,000,000
<p>Comments: Zoned B4, 8,984m² allotment. Previous sale \$7,800,000 1/05/2015. 92% increase. Was originally purchased to become a residential unit development site. Latest purchase to become a car sales yard and showroom.</p> <p>Wickham continues to be sought-after with this property representing one of the larger developments sites sold within the suburb. The sale and re-sale show a significant increase.</p>		
EMPIRE HOTEL SITE, 643 HUNTER STREET, NEWCASTLE	02-Feb-2018	\$9,300,000
<p>Comments: Zoned B3, previous sale of \$3,080,000 in 2016, shows 100% increase including the value of the DA. DA includes an approval for 15 storey development plus basement to be a mix of commercial/ 113 serviced apartments.</p> <p>The main feature of this sale is to show the significant increases occurring within Newcastle CBD. Sale shows a 100% increase.</p>		
33 WEAKLEYS DR, BERESFIELD	27-Jun-2018	\$4,100,000
<p>Comments: Zoned IN2, This industrial development site sold off market by a local agent. It is a large corner allotment with good exposure to passing traffic. The site does not currently have sewerage connected.</p> <p>The sale reflects a land value rate of \$122/m² for a large industrial site.</p>		

7. Significant Issues and Developments

Newcastle is unique within the Hunter Region in that the city centre is the main economic driver for the entire district.

Below is a summary of significant Developments either in discussion or underway:

- After several years of planning and construction, the Newcastle Light Rail Project, which replaces the former heavy rail link to the eastern precincts of the CBD is almost completed. Testing has already begun on parts of the line with the service proposed to be introduced early in 2019.
- The former heavy rail corridor has been mostly remediated in sections and rezoned into a combination of different zones for different proposed uses. The former Newcastle Train Station has become a community civic centre with the original buildings that are heritage listed being adapted for a range of community uses.
- Newcastle Port throughput for coal has increased over the previous year but more importantly coal prices have been recovering especially over the last year. This has made a significant difference to the profitability of the local coal industry which utilises the Newcastle Port. Port of Newcastle continues to lobby for a Newcastle container terminal at the Mayfield site, which is part of the former BHP Steelworks development.
- Development sites within Newcastle in Honeysuckle continue to be popular amongst local developers and larger corporates. We are aware of unconfirmed large development site sales within the Honeysuckle precinct by DOMA and The Hill (NBN Television Studio) reportedly purchased by Stonach Property. These sales transactions have delayed settlements up to two years.

SIGNIFICANT DEVELOPMENTS – FROM PRIOR TO CURRENT ANNUAL VALUATION

Many of the above mentioned issues have been ongoing for several years but importantly some developments are completing whilst others are well underway. The development of the former Heavy Railway corridor is also well underway and the Light Rail construction and service is scheduled to begin early in 2019.

8. Significant Value Changes

SIGNIFICANT VALUE CHANGES – FROM PRIOR TO CURRENT ANNUAL VALUATION

There were slight to moderate increases generally across all zones within the district. Significant variations which occurred were as follows:-

- Overall commercial property showed strong increases in value with the Newcastle CBD again leading this growth, however, after several years of strong to very strong growth within the CBD the 2018 growth is slowing, albeit at a level still considered strong.
- Industrial zoned properties centrally located in the heart of Newcastle near major retail precincts covering the suburbs of Broadmeadow, Georgetown, Islington, Lambton, Hamilton North, New Lambton and Waratah have shown strong increases of 16% overall.
- R4 High Density Residential properties within Newcastle CBD are mostly located towards the Beach. Sales evidence indicates a strong increase in values in the 2018 year.
- B5 (Business Development) zoned properties located in Kotara, Merewether and Adamstown, predominantly used for bulky goods retail near established retail markets have shown a strong increase of 15% for 2018.
- B2 Local Centre zoned properties within Wallsend, The Junction and Waratah all showed strong increases for 2018 ranging between 11.5% through to 14.7%.
- Steel River Industrial Estate located adjoining the south arm of the Hunter River is a former BHP Steelworks site that has been capped and remediated. Development within the estate requires consideration of additional requirements for constructed in a contaminated and capped area. For 2018, Steel River showed some strong growth of 15% for

SIGNIFICANT VALUE CHANGES – FROM PRIOR TO CURRENT LOCAL GOVERNMENT COUNCIL RATING VALUATION

The dominant characteristic in terms of value changes for Newcastle LGA has been of strong to very strong growth recorded for the Newcastle CBD each and every year since 2015. The last general valuation year for Newcastle was 2016 and overall the values within the Newcastle CBD will show strong growth. Because this has been sustained over a three year period some of the land value changes for B3 and B4 within Newcastle City will show pronounced increases since 2016.

Since 2016, the overall district factor for all properties has shown strong growth with the exception of this year 2018 showing a pronounced slowing to a moderate level.

9. Overview of Quality Assurance Process

Property NSW has been provided with a detailed Valuation Analysis Report, which details the Quality Assurance Process of PRP and outlines that the Verification process and certifies that Land Values meet all Statistical Measures and Component Data Analysis.

An acknowledgment of the quality for the 2018 land value recommendations and other deliverables has been provided for every deliverable file during the 2018 program. For 2018, an exceptions file has been provided which is generated from the Valuation Analysis Tools with Valnet.

Utilising Property New South Wales risk codes, we have identified high value and high risk properties. Checks have been undertaken to ensure that all properties have been valued and that land values are consistent with each other and that land value basis for each entry has been correctly determined and all concessions and allowances have been supplied.

Additionally, properties that had land values amended through the objection or re-ascertainment process were individually examined to reconcile surrounding land values and ensure accuracy of the grading of surrounding land values.

Benchmarks and Reference Benchmarks are core elements of the quality assurance processes and are identified and individually valued in accordance with the Rating and Taxing Procedures Manual Version 7.2.1.

Worksheets have been maintained on all properties where calculations are required. We have also ensured that adjustments and assumptions within the market analysis have been based on market evidence and have been fully documented and rationalised.

10. Author

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