

The Sauce Report

Newcastle, NSW

March 2010



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Location: Newcastle

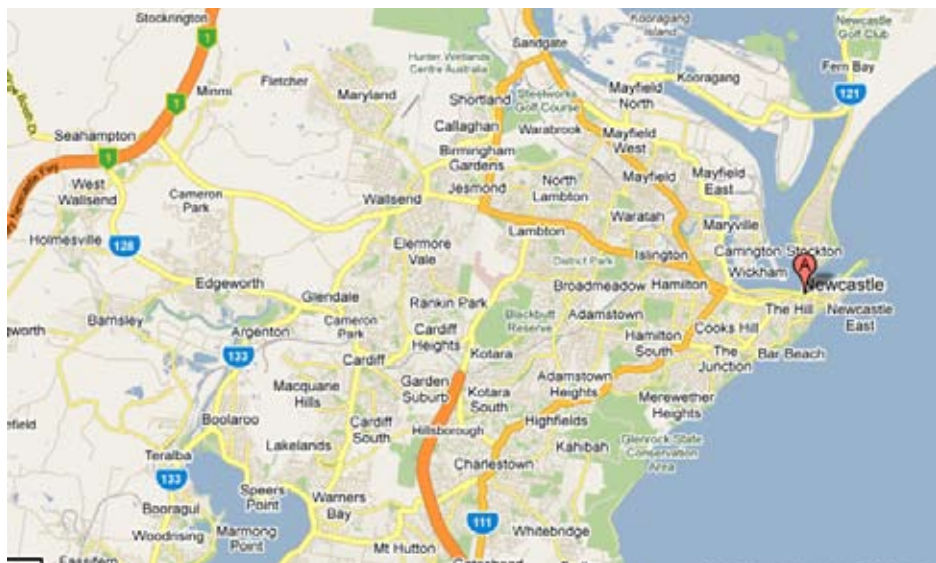
Newcastle is Australia's sixth largest city and the second oldest behind Sydney.

It is a lively port city on a breathtaking stretch of Australia's coastline, Newcastle officially boasts the best beaches in NSW, a low cost of living, a very favourable climate, a casual lifestyle, and is a 2 hour drive to Sydney, the capital of New South Wales. Its population of 350,000 supports a thriving business and commercial sector and an excellent network of leading health care and educational facilities. Newcastle offers all the usual city comforts, such as restaurants, cafes, parks and gardens, theatres, art galleries, shopping centres and nightclubs.

Newcastle is also a popular tourist destination. A few kilometres south of the city is Australia's largest seaboard lake, Lake Macquarie, scene of many national and international sailing events. Less than one hour's drive to the north is the impressive harbour of Port Stephens, a popular centre for big game fishing, sailing, surfing, and sailboarding. To the west are the internationally famous wineries of the Hunter Valley, many of them more than a century old.

Newcastle is also the world's largest coal export port and with billions of dollars worth of upgrades will be increasing volumes from 80 million tpa today to well over 200 million tpa within 4 years.

The Hunter Development Corporation are pushing ahead with their plans to rejuvenate the city making it a world class regional city.



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A report published by economic forecaster BIS shrapnel in June 2009 says Newcastle is expected to be one of the strongest property markets for price growth in regional Australia in the next three years. The report predicted a 22% rise in prices over three years. It said proximity to Sydney and better affordability (compared to the State capital) was a key reason for growth in Newcastle.

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Investment View



The Hunter Region

- With a population of over 620,000, it is the largest regional area in Australia and home to more people than the state of Tasmania, the Australian Capital Territory or the Gold Coast.
- The region is the powerhouse of the NSW economy and one of the powerhouses of the Australian economy.
- Largest coal exporter in the world.
- Equine capital of Australia, having attracted some of the world's richest horse breeders.
- Produces 40% of Australia's aluminium.
- Manufacturing employs over 27,000 people. The hunter generates 90% of the states electricity.
- Vineyards producing 42 million bottles of world class wine per year. Wine sales totalled over \$200 million.
- The Defence Industry plays a significant part boasting two of the biggest military bases in Australia. (Royal Australian Infantry – Singleton + Royal Australian Air Force – Williamtown).
- Newcastle University is highly respected throughout Australia and the world and ranked in Australia's top 10.
- The Hunter also has a diverse portfolio of tourism assets. These extend from the world renowned dolphin and whale watching in Port Stephens to bushwalking in the World Heritage listed Barrington Tops and exploring one of the oldest and most famous wine growing regions in Australia.
- 7 million tourists visit per year.
- Newcastle Airport traffic numbers have soared from 214,000 in 2003 to well over a million in 2009.
- Newcastle is now being seen as an aerospace centre and is expected to attract a range of defence contractors and lift the region onto the international stage in terms of aviation and defence contracts.

Infrastructure Spending & Employment Growth = Capital Growth

There are exceptional prospects for real estate in Newcastle and the hunter valley, based on plans for expansion of mining, new manufacturing facilities, road and rail infrastructure, and port facilities.

The Hunter Expressway

The Hunter Region was a big winner in the 2009 Federal Budget with an announcement that promises nearly \$2 billion for the Hunter Expressway. This has been touted as one of the major nation-building projects in this year's budget.

The Hunter Expressway is included in the Australian Governments Auslink National Land Transport Plan, This new link road will provide about 40km of dual carriageway, with interchanges at the F3 Freeway, Buchanan, Kurri Kurri, Loxford, Allabddale, Branxton.

It is expected to reduce travel times between Newcastle and Branxton by 28 minutes and relieve surrounding roads of between 15,000 and 30,000 vehicles per day in the areas around Rutherford, Maitland, Thornton and Newcastle.

Construction will occur between 2010 and 2013 and will generate around 2,437 full time jobs in the hunter.

The Hunter Economic Zone

HEZ will be Australia's largest contiguous industrial zone allowing the ability to offer a home to large scale industrial occupiers, previously forced to go to other states or overseas. It is fully serviced by road, rail, power, gas, sewerage, water and Powertel cable.

It represents the biggest injection of employment-generating capital into the area in a generation.

As part of the State Government's Lower Hunter Regional Strategy, HEZ will be instrumental in the development of the Lower Hunter Region and is expected to contribute up to 15,000 new jobs and bring more than \$1.1 billion to the local economy.

Resource Sector

- Plans for the \$1.1 billion Mangoola coal mine development near Muswellbrook. This mine will be one of the largest in NSW.
- A \$320 million expansion for BHP Mt Arthur mine which will increase production to \$15 million tonnes per annum.
- Major expansion of the coalfields in the Gunnedah and Narrabri basins. Prime Minister Kevin Rudd announced in late 2008 \$580 million in Federal funding to upgrade the rail system between Gunnedah and Maitland, near Newcastle.
- Major economic benefits from coal seam gas opening up in the Gunnedah basin.
- In 2009 coal seam gas producers Santos and Eastern Star gas revealed they were negotiating with the Newcastle Port Corporation to build a liquefied natural gas plant. Newcastle will be viewed as a second east coast export hub behind Gladstone, QLD.

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Infrastructure & Other

The Queensland Hunter Gas Pipeline project a \$1 billion enterprise to carry CSG gas from Queensland via Moree, Scone and Singleton.

Newcastle Coal Infrastructure Group + Port Waratah Coal Services have upgraded a 3rd coal loader at a cost of \$1 billion with a new 4th coal loader to be built before 2015. This will see export coal numbers from currently 80 million tonnes per annum to a projected 200 million tonnes per annum by 2013.

The Hunter Valley is likely to play a leading role in Prime Minister Kevin Rudd's \$4.2 billion plan to build the world's biggest solar power generator. As well as a coal-fired power station, Liddell is home to a "demonstration scale" solar plan that Mr Rudd described as a "very good" example of what the Government hoped to achieve. A Government spokesperson said that Hunter Valley, with its coal-fired power stations and CSIRO energy research centre at Steel River, Mayfield, was ideally placed to contribute to the solar research scheme. Mr. Rudd said the Government hoped to build "the world's biggest solar power generating plant, three times bigger than that which currently exists in California".

The GPT Group along with the Hunter Development Corp. have pushed ahead plans for the \$billion dollar rejuvenation of the inner city.

A \$120 million expansion plan for Newcastle Airport was approved by the NSW Planning Minister. The expansion plan includes extending the terminal for domestic and international flights, more car parks and internal roads and a business park.

The Johnson Group has gained approval for a \$200 million marina-based development at Lake Macquarie near Newcastle. It proposes 188 marina berths, 150 units, a convention centre and retail outlets.

Agriculture - in 2009 the Hunter GrainCorp terminal experienced the best year of wheat export since 2004-05 with 1.2 million tonnes exported. Construction of the Hunter Expressway and improvements to rail infrastructure will see more efficiencies in the transport of Upper Hunter agricultural products to market.

Equine Industry - the Hunter Valley is the focal point for the \$2 billion industry that employs 40,000 people in NSW and is relatively recession proof. Although horse sale numbers and prices are down, turnover has dropped by 6% when some were forecasting it would be closer to 40%.

Energy Australia will spend more than \$11 billion on capacity upgrades and Hunter Water more than \$2 billion on various projects including the Tillegra Dam.

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