

GOSFORD INVESTMENT REPORT

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INTRODUCTION

This report is an assessment of the Gosford region for the new apartment development Scenic at 72-74 Donnison Street, Gosford. It highlights the significant recent, ongoing and planned investment in local infrastructure as a major driving force in fuelling the growth of Gosford's residential property market.

The Government is spending more than \$1b over the next four years to transform Gosford and the Central Coast region, making it more livable, more exciting and better connected. Retail, health, entertainment, recreation, education and roads will all benefit

significantly from this substantial infrastructure commitment to the area. The Gosford City Centre Masterplan will encourage more people to both live and work in Gosford, the major centre of the Central Coast. It will draw people to the area with enhanced regional sporting facilities, improved public amenity and new cultural and leisure attractions.

Substantial population expansion is anticipated, as is the creation of tens of thousands of jobs, including the relocation of major government offices which will drive the need for quality housing and better amenity.

REGIONAL AND LOCATIONAL CONTEXT

The City of Gosford is located on the Central Coast of New South Wales, approximately 73km north of the Sydney CBD. It offers the best of both worlds for a residential address, investment or holiday destination – a coastal lifestyle with a CBD hub. It offers ready access to public transport (bus and rail) and the major motorway M1 Pacific Motorway which takes you to Greater Sydney, particularly northern metropolitan Sydney, and other Central Coast centres. A 40 minute car journey to Sydney's North Shore or a 1 hour 20 minute train ride to Central Station.

There is a significant quantum of retail, health services and general amenity in the Gosford CBD area to service residential needs including:

- Gosford Hospital (750m from Scenic)
- The Entertainment Grounds (1.2km from Scenic)
- The Town Centre including medical specialists, retail, restaurants and cafes
- Parks and reserves (e.g. Gosford City, Waterview, Rumbalara Reserve)
- Gosford Train Station (650m from Scenic)
- Central Coast Stadium (300m from Scenic)



- 1 Gosford High School
- 2 Gosford Public School
- 3 Henry Kendall High School
- 4 Gosford East Public School
- 5 St Joseph's Catholic College
- 6 St Edward's Christian Brothers
- 7 Gosford TAFE
- 8 Gosford train station
- 9 Gosford Hospital

- 10 Gosford Private Hospital
- 11 Kibble Park
- 12 Waterview Park
- 13 Rumbalara Reserve
- 14 Imperial Shopping Centre
- 15 Erina Fair
- 16 Gosford Golf Club
- 17 Central Coast Stadium
- 18 Gosford Racecourse

- 19 Gosford Tennis Centre
- 20 Gosford Leagues Club
- 21 Gosford Olympic Swimming Pool
- 22 Gosford Sailing Club
- 23 Terrigal Beach
- 24 Pearl Beach
- 25 Sydney

OVERVIEW OF THE CENTRAL COAST ECONOMY ^{*MacroPlanDimasi}

Generally, economic conditions on the Central Coast are strong and the region is forecast to grow even further in the years to come. Major contributors to the Central Coast economy include:

- A supportive tourism cycle, increasing expenditure in the area.
- Growth in professional services and the construction industry.
- Investment in public infrastructure including Gosford Hospital.
- Urban renewal in the Gosford Town Centre which appears to be coming to fruition.
- Our reconnaissance has revealed that there are more than 1,000 apartments in the development pipeline which will drive the city centre's immediate-medium term population growth. Major projects include Pinnacle, Waterside and the Mariners Plaza site redevelopment.

- The affordability (or lack thereof) of property in Sydney and the migration of first-home buyers to the area. We note, however, that the effects of this are already being felt - the median house price in Gosford reached \$600,000 in 2015.
- An ageing population will boost demand for retiree product (i.e. retirement villages and subdivisions). At present there is a lack of subdivision activity to support downsizing activity.
- Population growth will encourage jobs growth which will expand further into the Central Coast once housing becomes less affordable in Gosford.
- The completion of the NorthConnex and other local road upgrades will speed up travel times between Sydney and the Central Coast, further reinforcing the economic strength of the region.

ENHANCED CONNECTIVITY

The Government has invested heavily in the region, earmarking Gosford as the next significant growth centre in the Sydney Metropolitan Area. Investments that have (or will) positively benefit the region include:

- NorthConnex Motorway
- Central Coast Highway West Gosford intersection
- Local Government Infrastructure Renewal Scheme
- Gosford Passing Loops
- Business Investment Schemes

NorthConnex

The \$3b NorthConnex is Australia's longest road tunnel project - a 9km tunnel that will link the M1 Pacific Motorway at Wahroonga to the Hills M2 Motorway at West Pennant Hills. With interchanges to the north and south, it will link Sydney's north to the Orbital network. NorthConnex will have a material impact on the Central Coast region. The link will provide a continuous motorway between the Central Coast and Western and South Western Sydney and will allow a quicker alternative journey. Essentially, NorthConnex will make it possible to travel by road from the Central Coast to Canberra without encountering a single traffic light. This efficiency will support commuting activity between the Central Coast and Sydney as well as mobilise businesses and freight movements.

*At present, a weekday trip from Gosford CBD to Macquarie Park is estimated to take 90 minutes, slowing for considerable traffic congestion from Wahroonga.

A minority of 40 minutes is required for the trip from Gosford to Wahroonga. The NorthConnex motorway would enable cars to bypass 21 sets of traffic lights along Pennant Hills Road. It is expected to involve travel time savings of about 6 to 15 minutes in 2019 and 9 to 25 minutes in 2029 compared to current conditions on Pennant Hills Road.

Based on this guidance, the NorthConnex tunnel would make the trip from Gosford to Macquarie Park (and other centres of employment) close to one hour. The reliability of traffic flows would be improved by the absence of traffic lights, allowing commuters to extend their movement along the M2 and the M7. The time savings will also be considerable for people travelling at weekends, improving the experience of holiday home owners in Gosford.

NorthConnex appears to be a major selling point for Gosford CBD apartments. There can be traffic congestion on the coastal suburbs from Erina to Terrigal and north. A Gosford CBD location would obviate the impact of traffic congestion to the east of the CBD. In this sense, the subject site can help to make Gosford CBD become a travel destination for owner-occupiers and as holiday homes.

*MacroPlanDimasi

THE GOSFORD CITY CENTRE MASTERPLAN

The Gosford City Centre Masterplan was formulated by Gosford City Council after extensive community input. The plan responds to Gosford CBD being designated a regional city of the Central Coast. It outlines the vision for new public amenity and uses including business, government, recreational activities, educational, retail and cultural. The Masterplan identifies five key precincts of activity:



The Waterfront

Gosford's waterfront is currently under-utilised, with the Masterplan envisioning more extensive use of this important amenity. Under the plan the waterfront will play host to new apartments, restaurants, retail, entertainment and offices, emerging as a bustling hub of life and activity and a significant drawcard for the area. It will incorporate a new public square where events can be held along with a new cycle link to Point Clare. The design is intended to keep any view loss from the city to a minimum and any development will maintain or enhance the natural environment.

The City Core

The area around Mann Street and Kibble Park forms the recognised centre of Gosford, with retail concentrated around in the area between Erina Street and Donnison Street. The recent upgrade of Kibble Park has seen it utilised more significantly, with enhanced features such as children's play areas, shade structures, water features

and new lawn as well as a café which encourages people into the area. Important initiatives in this city core precinct include the ongoing activation of Kibble Park, improvements to Imperial Shopping Centre, an upgrade of Mann Street and enhanced links between Donnison Street and Rumbalara.

The Hospital Precinct

Gosford has both a major public hospital (Gosford Hospital) and private hospital (North Gosford Private Hospital) along with a broad selection of specialists and support services which service the wider Central Coast region. Under the Masterplan, streets around the busy Hospital Precinct will be upgraded. Initiatives include upgrades to Etna Street Bridge, Holden Street and Racecourse Road pedestrian access, new development along Showground Road, the relocation of Gosford Public School and upgrades to Gosford and Henry Kendall High School ovals.

In addition to the upgrades laid out for the Hospital Precinct under the Masterplan, Gosford Hospital is undergoing a \$368m upgrade which will create about 1,000 new jobs.

The Railway Precinct

The precinct around Gosford's busy railway station is an important element in the centre of Gosford and as further enhancement takes place and more jobs are created, activity in this area will naturally increase. A number of improvements have been planned. Mann Street will receive wider footpaths, better amenity and safety and more shade, while Hills and Watt streets will form a link from the northern residential precincts to Kibble Park. Under-utilised Burns Park will be renewed, enhanced by the removal of the seldom-used Gateway Centre Bridge and the upgrade of the adjoining Bus Interchange.

The Arts & Entertainment District

The creation of a broad variety of entertainment options is one of the key aims of the Masterplan, intended to encourage people back to the area at night and on weekends. The benefits of this, both economic and social, will be substantial, enhanced by upgraded links between existing entertainment elements such as Central Coast Stadium, the Central Coast Leagues Club and Mann Street restaurants. Initiatives in this precinct include upgrades to Baker Street Boulevard and the development of a new Gosford Performing Arts Centre.

MAJOR PROJECTS PLANNED OR UNDERWAY - CENTRAL COAST

Project Title	Value \$m	Completion
NORTHERN SYDNEY FREIGHT CORRIDOR - GOSFORD PASSING LOOPS	\$90	2015
CENTRAL COAST HIGHWAY UPGRADE	\$43	2015
HW30 CENTRAL COAST HIGHWAY	\$37	2015
CENTRAL COAST MARINERS FOOTBALL CLUB CENTRE FOR EXCELLENCE	\$35	2016
CENTRAL COAST REGIONAL SPORTING & RECREATION COMPLEX	\$40	2018
LAKESIDE SHOPPING CENTRE REDEVELOPMENT	\$298	2018
WATERSIDE DEVELOPMENT	\$234	2018
GEORGIANA TCE, BARONGA RD & MANN ST MIXED DEVELOPMENT	\$50	2019
PINNACLE MANN STREET	\$34	2019
WYONG ROAD - HW10 PACIFIC HWY & MR335 WYONG RD	\$45	2017
PACIFIC HIGHWAY - LISAROW TO OURIMBAH - HW10	\$100	2018
WARNERVALE TOWN CENTRE - WOOLWORTHS RETAIL FACILITY	\$116	2018
GOSFORD HOSPITAL	\$350	2020
M1 PACIFIC MOTORWAY	\$400	2020

Source: ABS (2016), CoreLogic (2016), Macroplan (2016)

HIGHLY REGARDED EDUCATIONAL FACILITIES

Gosford and the surrounding area are home to numerous highly regarded primary, secondary and tertiary educational facilities, both public to private. Several of these are within easy walking distance of Scenic.

- Gosford High School (1.1km)
- Henry Kendall High School (1.2km)
- Hunter TAFE, Gosford Campus (1.1km)

- University of Newcastle Central Coast (24km), a state-of-the-art facility which is also home to the Hunter TAFE Ourimbah campus, the Central Coast Community College and local businesses. All of these contribute to a diverse and growing community and make the area an attractive proposition for university students.

FAVORABLE LOCAL EMPLOYMENT CLIMATE

Over the five years to 2015, there were 12,000 job additions on the Central Coast, encompassing the Gosford and Wyong LGAs. Prominent employment growth has occurred in the following industries:

1. Education and training



2. Accommodation and food services



3. Healthcare and social assistance



4. Manufacturing



5. Other services



In terms of proportionate change, the largest change has been registered in other services (62% growth), along with accommodation and food services (43% growth) and education and training (37.6% growth). Agricultural based jobs, followed by financial and insurance services and arts and recreating incurred the largest proportionate losses over the five year period. It appears that retail, services and education and training are dominating the economic environment on the Central Coast. Household facing industries have grown considerably over the period, given the nature of population growth (i.e. growth in the elderly and the young) as well as the weakness of the Australian dollar, enticing more tourists to the region.

The growth in manufacturing employment is unique to the region. Typically, manufacturing based employment has experienced a decline in NSW over the last decade. The Central Coast is strategically located along the M1 Pacific Motorway, with superior freight and rail lines connecting Queensland with NSW. Affordable rent (compared with Greater Sydney), combined with a superior location, has contributed to the industry's successes over the period.

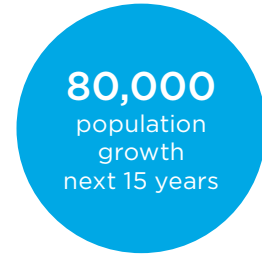
POPULATION GROWTH

According to the Central Coast Regional Plan, the Central Coast's population is expected to increase by 80,000 in the next 15 years, which will significantly impact upon Gosford, being its regional centre.

The Federal Government's relocation of the ATO and the NSW State Finance Department's relocation to

Gosford (scheduled for 2018) will result in a major increase in the local workforce, as will the upgrade to Gosford Hospital. This population growth and expansion of a skilled local workforce will drive the need for quality housing and will have a positive flow-on effect for local businesses.

Central Coast's population



LOCAL GOSFORD MARKET

The City of Gosford enjoys easy connectivity to all reaches of the Central Coast, a renowned lifestyle region home to beautiful beaches and a host of recreational attractions.

Major commercial and recreational hubs such as the Hunter Valley and Newcastle are also easily accessible via major arterial roads.

- Terrigal Beach (12km)
- Avoca Beach (16.3km)
- Macmasters Beach (17km)
- Hunter Valley (80km)
- Newcastle (85km)

RECENT RENTAL TRENDS

The Gosford CBD area has been characterized by low vacancy rates for many years, although this partially reflects a lack of demand and shortage of supply.

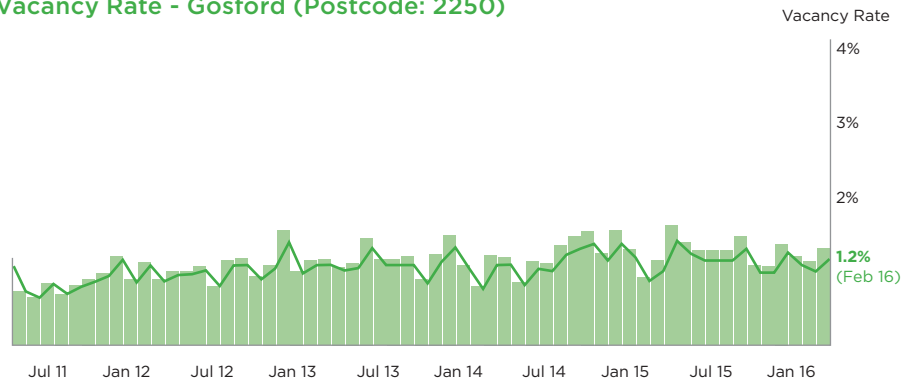
The Vacancy rate has been tight – as at February 2015, the vacancy rate stood at 1.2%, which is well below the 'balanced' rate (3% of total rental stock), indicating an undersupply of private rental dwelling. Moreover, it is highly likely that residential supply will be unable to match population growth (and meet the shortages that have developed over the past decade).

It is evident through the 'Rent and Sales Report' from NSW Housing, between 2006 and 2015, median weekly rent for:

- A 1 bedroom flat increased by approximately by 75%; and
- A 2 bedroom flat increased by approximately by 65%

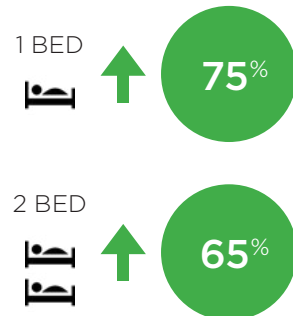
We expect that rental growth will remain solid at 3% to 5% over the

Vacancy Rate - Gosford (Postcode: 2250)



Source: SQM Research (2016)

next five years, due to the enduring effects of the region's undersupply of housing. Furthermore, it also indicates that more renters in the region, particularly young professional couples seeking more room, are keen to buy a home rather than renting a property since it is expensive to rent.



DWELLING PRICES *MacroPlanDimasi

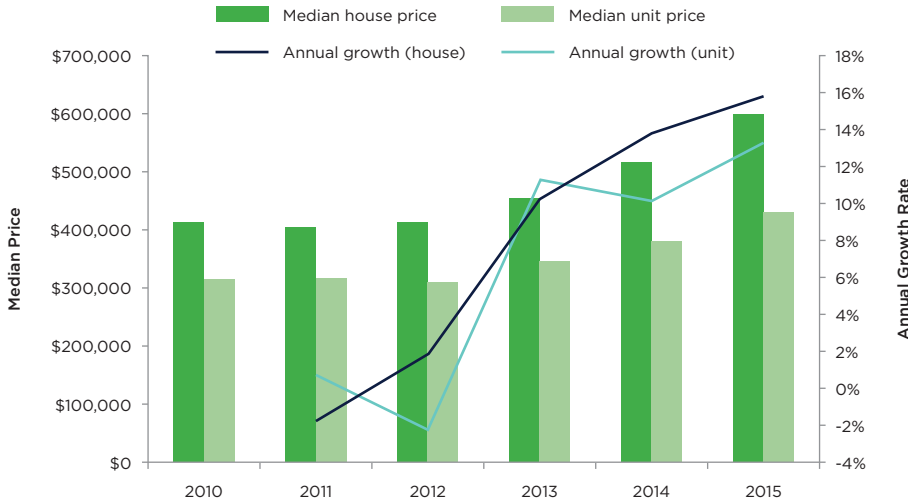
Analysis of residential sales between 2010 and 2015 indicates that the median price of a detached house in the Gosford LGA increased from \$412,250 to \$600,000 at an

average rate of 7.8% per annum. The median value of a residential strata unit increased from \$315,000 to \$430,500 (average annual growth of 6.4%) over the same period.

It is clear that dwelling prices in the catchment area have risen sharply over the past two to three years. This change has occurred very quickly, and is likely to alter the catchment household (particularly retirees) attitudes:

- With substantial housing wealth at their disposal, and an elevated earning capacity, suggests that local retiree residents in the catchment area have the capacity to downsize from an existing property to a newer dwelling and still realise a substantial positive cash-flow; and
- There would be higher demand from young families and households seeking to rent a smaller dwelling (which is affordable) due to the recent house price hikes.

Median Dwelling Prices, Gosford LGA (2010 - 2015)



Source: RP Data (2016)

Dwelling approvals *MacroPlanDimasi

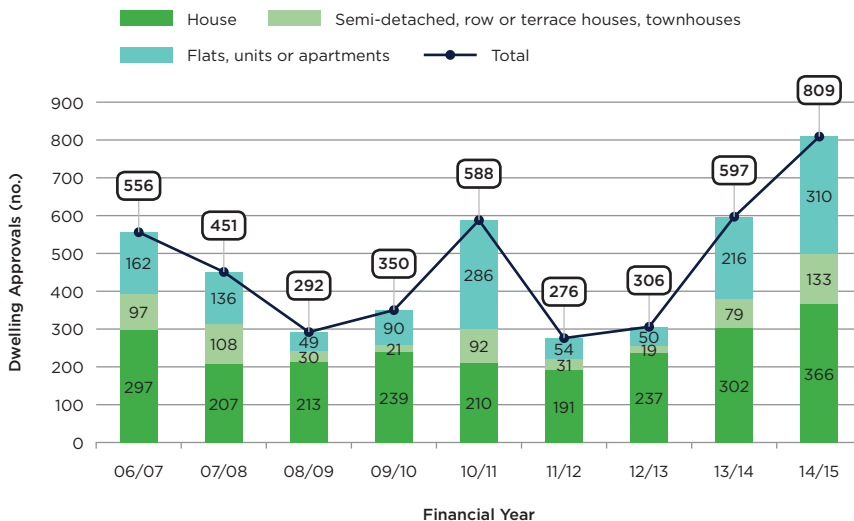
There is already a dwelling shift occurring on the Central Coast associated with a changing demographic, particularly in Gosford. FY2015 saw the approval of 310 apartments in the LGA, accounting for almost 40% of all dwelling approvals. As a point of

comparison, an annual average of 130 apartments was approved over the eight years prior. There were also 133 semi-detached dwellings approved in FY2015, compared with an annual average of 60 over the eight years prior.

Rental yields *MacroPlanDimasi

Anecdotal evidence indicates that Sydney's investor boom has spilled over to Gosford, with some International buyers acquiring new apartments within the CBD. The rental yields on inner Gosford apartments are relatively strong, at close to 5% for older stock (gross yield). Moreover, it is possible to attain highly prized water views from the CBD, and this proposition is likely to be attracting some holiday home purchasers.

Dwelling Approvals - Gosford LGA (FY07 - FY15)



Source: ABS

TOP 10 REASONS TO INVEST IN GOSFORD

1. CENTRAL LOCATION AND EXCELLENT AMENITY

- As the regional centre of the Central Coast, the City of Gosford provides residents with proximity to a diverse array of amenities and lifestyle attractions. These include convenient transport connections (bus and train), extensive retail options, a busy dining scene, a waterfront precinct and sporting facilities such as Central Coast Stadium.

2. UNPRECEDENTED INFRASTRUCTURE INVESTMENT

- The State and Federal Governments are spending \$1b on infrastructure in and around Gosford by 2020, which will significantly enhance its appeal and connectivity. This includes the transformation of five local precincts under the Gosford City Centre Masterplan, including the revitalisation of the waterfront and numerous roadworks projects.

3. RENOWNED LIFESTYLE DESTINATION

- Gosford lies at the heart of the Central Coast, one of NSW's best-loved lifestyle regions. The area continues to grow and thrive as both a desirable place to live and a flourishing tourist destination. It's home to renowned beaches such as Avoca, Terrigal and Macmasters, expanses of national parkland and picturesque waterways such as Brisbane Water.

4. HIGH CALIBRE OF NEW LOCAL RESIDENTIAL DEVELOPMENT

- The calibre of recent residential developments in Gosford has improved substantially, with many well-known architects designing buildings here. This is a powerful drawcard for buyers, especially design-conscious buyers relocating from the city or purchasing investment properties or weekenders.

5. AFFORDABILITY - With soaring Sydney prices driving buyers out of the city, the Central Coast is an attractive, affordable option for cashed-up investors, drawn to the area's value for money, strong rental returns and positive capital growth. Sydneysiders are one of the largest demographics to invest in the region.

6. POPULATION GROWTH OUTPACING RESIDENTIAL DEVELOPMENT

- Gosford and the Central Coast region are poised for substantial population growth over the next 20 years, enhanced by the Government's relocation of the ATO and the NSW State Finance Department.

7. EXCEPTIONAL RENTAL TRACK RECORD - Gosford delivers strong rental returns, making it a particularly attractive investment prospect with a high gross rental yield.

8. MAJOR HEALTHCARE PRECINCT - As a major medical hub for the Central Coast region, Gosford is home to Gosford Hospital and North Gosford Private Hospital, along with a variety of specialist and support services. Gosford Hospital is undergoing a \$368m upgrade which will create about 1,000 new jobs.

9. HIGHLY REGARDED EDUCATIONAL FACILITIES

- As a desirable family oriented area, local educational amenities are abundant, with several institutions located in the centre of Gosford. Primary and high schools, both private and public, are highly regarded and a number of tertiary institutions are within close proximity.

10. ENHANCED CONNECTIVITY - Gosford is well connected to both the Sydney CBD and other reaches of Sydney via the M1 Pacific Motorway and public transport. It is presently a 40 minute car journey to Sydney's North Shore or a 1 hour 20 minute train ride to Central Station. Extensive infrastructure investment in roadworks projects such as NorthConnex will further enhance connectivity and reduce commuting times.



750 metres
to Gosford
Hospital



650 metres to
Gosford Train
Station



40 minute car
journey to Sydney's
North Shore



1 hour 20 minute
train ride to
Sydney