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URBIS

ECONOMIC IMPACT ASSESSMENT

Huntingwood Processing
Expansion

Prepared for

CHARTER HALL HOLDINGS PTY LTD

30 August 2021

URBIS STAFF RESPONSIBLE FOR THIS REPORT WERE:

Director	Princess Ventura
Associate Director	Sean Brosnan
Research Analyst	Declan Foley
Project Code	P0026451
Report Number	4

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EXECUTIVE SUMMARY

This Economic Impact Assessment (EIA) has been prepared by Urbis Pty Ltd on behalf of Charter Hall Holdings Pty Ltd ("The Proponent").

PROPOSED DEVELOPMENT

The Proponent is proposing to develop the existing food processing (bakery) facility at 65 Huntingwood Drive, Huntingwood ("Subject Site"). The site is currently occupied by Arnott's Biscuits Limited. This will require demolition and site preparation works of the existing at-grade carpark and privately used open space currently located in the north-western portion of the site.

Following these site preparation works, a new facility will be built, which will contain new processing and packaging areas. Associated mezzanine amenities, plant facilities and basement carparking will also be constructed as part of this building. Additionally, new ingredient silos and storage buildings will also be constructed on the site.

ECONOMIC IMPACTS

There are a range of economic benefits associated with the proposed development:

- Delivering 91 direct and 138 indirect construction jobs, and contributing \$95.4 million in direct and indirect value added, to New South Wales over the two-year development phase
- Delivering 273 direct jobs through the ongoing operation of the additional facilities on-site and a further 431 indirect jobs from flow-on effects
- Directly contributing an average of \$34.4 million in value added, and indirectly contributing a further \$69.8 million in value added, to the New South Wales economy on an annual ongoing basis.

In addition to supporting additional employment and economic growth, the proposed development will provide a range of other economic benefits for Sydney and New South Wales more broadly, including:

- Assist in the recovery of the manufacturing industry in Australia, which has declined rapidly over the last 50 years. The proposed development is a key opportunity to increase on-shore manufacturing capabilities and help to boost Australia's food product exports.
- Supporting farmers across Australia by purchasing additional domestically produced agricultural products. The proposed development of the existing facility at Huntingwood will increase Arnott's Biscuits' food production capacity, and therefore increase their need for Australian agricultural products.

The proposed development should therefore be supported from an economic perspective.

INTRODUCTION

This Economic Impact Assessment ("EIA") has been prepared by Urbis Pty Ltd on behalf of Charter Hall Holdings Pty Ltd ("The Proponent"). The Proponent is proposing to develop the existing food processing (bakery) facility at 65 Huntingwood Drive, Huntingwood ("Subject Site").

This will involve the construction of a new processing facility with two levels of basement parking, a storage building, ingredient silos, and associated amenities. These works will take place on the north-western boundary of the subject site which is currently an at-grade carpark and privately used open space.

This EIA addresses the requirements of the SEARs which includes assessment of the economic impacts of the development, including any benefits to the community.

The report is structured as follows:

- **Section One – Site Overview and Proposed Development:** considers the site in its local context and details the proposed development
- **Section Two – Employment and Economic Growth Impacts:** assesses the employment and economic growth impacts likely to flow from the proposed development during both its construction and ongoing operation
- **Section Three – Other Economic Benefits:** outlines the other economic benefits likely to flow from the proposed development
- **Section Four – Conclusion.**

1. SITE OVERVIEW AND LOCAL CONTEXT

1.1. SUBJECT SITE

The subject site comprises a single 16.4 hectare allotment located at 65 Huntingwood Drive, Huntingwood, in the Blacktown Local Government Area ("LGA"). The entire site is currently zoned IN2 Light Industrial under the *Blacktown Local Environmental Plan 2015* and is occupied by an existing food processing facility that operates 24 hours a day, seven days a week. The site currently contains three large industrial buildings, including the main processing building to the north and two warehouses to the south. The balance of the site includes small ancillary buildings, car parking, loading areas and privately used open space.

Situated on a corner site within the Huntingwood industrial precinct, the site enjoys frontages to both Huntingwood Drive and Brabham Drive which provide quick and easy access to the Great Western Highway, Westlink M7 Motorway, and the Western M4 Motorway. These motorways and major roads provide access to west, north-west and south-west Sydney, the M5 South Western Motorway, the Western Sydney Employment Area ("WSEA"), the Sydney CBD via the City West Link, the future Western Sydney Airport and Aerotropolis, and other major centres such as Penrith.

A mix of small, medium and large scale industrial uses are situated immediately north and east of the site, within the Huntingwood industrial precinct, while Western Sydney Parklands are located to the south and west. Low density residential uses and the Blacktown CBD are situated further north-east of the subject site, with additional industrial uses located further west in Eastern Creek and Erskine Park, and south in Wetherill Park.

These locational characteristics make the subject site highly suited for transport, warehousing and manufacturing facilities.

Map 1.1 – Subject Site



Source: Urbis

1.2. HUNTINGWOOD INDUSTRIAL PRECINCT

The subject site is situated within the Huntingwood industrial precinct ("the precinct"), approximately 32 km west of the Sydney CBD and 4 km south-west of the Blacktown CBD. Given the precinct's proximity and ease of access to the Westlink M7 and Western M4 motorway, storage and distribution warehouses account for a significant proportion of the existing uses. The precinct also contains a broad mix of other industrial and urban services uses including manufacturing facilities, wholesalers, trade supplies centres, automotive parts, and repair workshops, in addition to large format retail uses. Approximately 84% of the 406-hectare precinct is currently developed, accommodating around 1.4 million sq.m of gross floor area and ~14,200 jobs.

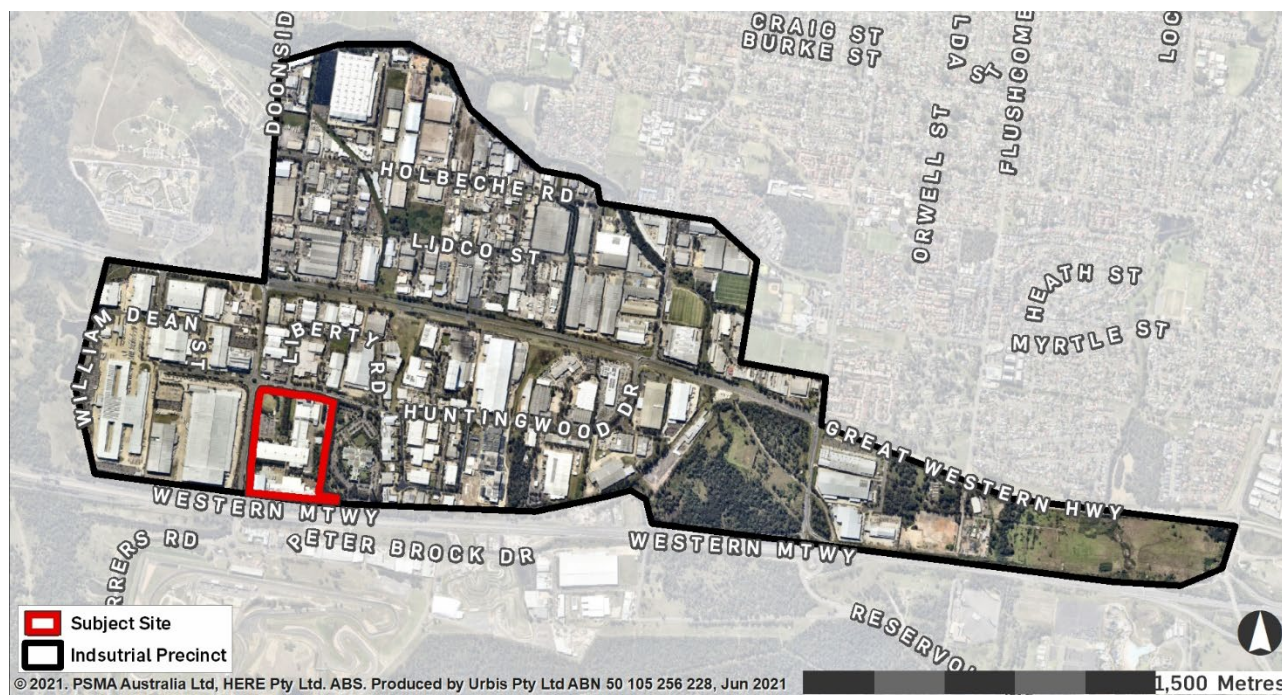
The larger western portion of the Huntingwood industrial precinct is bordered by Bungarribee Creek to the north, Western Sydney Parklands to the west and the Western M4 Motorway to the south, and is bisected by the Great Western Highway. The smaller eastern portion of the precinct is bounded by the Great Western Highway to the north and the Western M4 Motorway to the south. These roads provide excellent connectivity to the rest of Sydney, including the future Western Sydney Airport and Aerotropolis. As such, the precinct is highly suited for logistics, warehousing and manufacturing uses.

Table 1.1 – Key Characteristics of Huntingwood Industrial Precinct, 2021

Metric	Huntingwood Industrial Precinct
Area (Ha)	406 ha
Area Developed (%)	84%
Gross Floor Area (sq.m)	~1,420,000 sq.m
No. of Jobs (as at ABS 2016 Census)	~14,200 jobs
Top 3 Sectors (as at ABS 2016 Census)	Manufacturing (3,420 jobs) Transport, Postal and Warehousing (2,800 jobs) Wholesale Trade (2,240 jobs)

Source: Greater Sydney Commission Employment Land Database; ABS; Urbis

Map 1.2 – Huntingwood Industrial Precinct



Source: Urbis

As a major industrial hub, employment within the Huntingwood industrial precinct is primarily concentrated in five industry sectors (as per the ABS 2016 Census):

- Manufacturing: 3,420 jobs (24.1% of total jobs in the precinct)
- Transport, Postal and Warehousing: 2,800 jobs (19.7% of total jobs in the precinct)
- Wholesale Trade: 2,240 jobs (15.8% of total jobs in the precinct)
- Electricity, Gas, Water and Waste Services: 1,260 jobs (8.9% of total jobs in the precinct)
- Construction: 1,130 jobs (8.0% of total jobs in the precinct).

Together, these five sectors account for 10,850 jobs, or 76.4% of all jobs in the precinct. The proposed development is expected to contribute to and leverage these key sectors during both its construction (e.g. supporting local construction businesses directly or indirectly) and ongoing operations (e.g. building on the existing manufacturing, storage and distribution offer of the precinct).

Table 1.2 – Employment by Industry, Huntingwood Industrial Precinct, 2016

Industry	No.	%
Manufacturing	3,420	24.1%
Transport, Postal and Warehousing	2,800	19.7%
Wholesale Trade	2,240	15.8%
Electricity, Gas, Water and Waste Services	1,260	8.9%
Construction	1,130	8.0%
Retail Trade	910	6.4%
Administrative and Support Services	650	4.6%
Public Administration and Safety	320	2.3%
Accommodation and Food Services	280	2.0%
Professional, Scientific and Technical Services	190	1.3%
Rental, Hiring and Real Estate Services	100	0.7%
Information Media and Telecommunications	100	0.7%
Education and Training	70	0.5%
Health Care and Social Assistance	60	0.4%
Financial and Insurance Services	50	0.4%
Arts and Recreation Services	50	0.4%
Mining	40	0.3%
Agriculture, Forestry and Fishing	30	0.2%
Other Services	500	3.5%
Total	14,200	100.0%

Source: NSW DPIE; TfNSW; ABS; Urbis

1.3. PROPOSED DEVELOPMENT

The Proponent is proposing to develop the existing food processing (bakery) facility at the subject site. This will require demolition and site preparation works of the existing at-grade carpark and privately used open space currently located in the north-western portion of the site.

Following these site preparation works, a new processing facility will be built, which will contain new processing and packaging areas. Associated mezzanine amenities, plant facilities and basement carparking will also be constructed as part of this building. Additionally, new ingredient silos and storage buildings will also be constructed on the site.

The development is proposed to be delivered in a single stage. Construction is expected to commence in 2022 and conclude in late-2023.

Table 1.3 – Existing and Proposed Floorspace at Subject Site

Use	Existing GFA (sq.m)	Proposed GFA (sq.m)
High Bay Storage and Packaging Warehouse	19,089	-
Manufacturing Building	39,943	-
Processing Facility (Ground Floor)	-	23,695
Internal Walkways and Platform		800
Mezzanine Amenities (1 st floor level)	-	1,080
Mezzanine Plant Room (2 nd floor level)	-	2,435
Basement Car Parking (2 levels)	-	14,710
Silo (4 Levels)	-	1,000
Processing Building	-	1,200
Storage Shed	-	270
Ingredient Silo	-	120
Total Additional Floorspace	-	45,310
TOTAL FLOORSPACE	59,032	104,342

Source: HLA Architects

Subject Site

Proposed Building Footprints

400 metres

FX INDUSTRIAL FACILITIES

FX INDUSTRIAL FACILITIES

FX INDUSTRIAL FACILITIES

FX MIXING / FORMING ex TTL 6543

FX OVEN HALL

FX OFFICE

FX PACKAGING WAREHOUSE ex TTL 6568

FX PACKAGING HALL ex TTL 6540

FX HIGH BAY WAREHOUSE ex TTL 6566

PROPOSED SILO 1
Approved 1000 sq ft

PROPOSED STORAGE SHED

PROPOSED PROCESSING CLDS

PROPOSED SILO 2

PROPOSED MAIN FACILITY ex F-6543

PROPOSED LOADING AREA

PROPOSED BASEMENT PARKING BELOW SHOWN DETAIL

PROPOSED VEHICLE SCREENING AROUND NORTH-WESTERN CORNER OF THE SITE

HUNTINGWOOD DRIVE

BRABHAM DRIVE

SITE OVERVIEW AND LOCAL CONTEXT

2. EMPLOYMENT AND ECONOMIC GROWTH IMPACTS

Property development projects provide economic benefits to a local economy and wider region during both the construction and development phase, and during the ongoing operation or working life of the project. Direct economic benefits during the development phase are identified in the form of expenditure, economic growth and employment benefits. These direct benefits in turn generate flow on (multiplier or indirect) benefits which also benefit the regional and state economies.

In this assessment, we have used REMPLAN software to model and quantify the potential economic benefits associated with the proposed development. REMPLAN is an Input Output model that captures inter-industry relationships within an economy. It can assess the area specific direct and flow on implications across industry sectors in terms of employment, wages and salaries, output and value added (Gross State Product).

The potential economic benefits of the proposed development have been quantified in terms of value added expenditure generation and employment generation:

- Expenditure Generation – Estimation of the direct and indirect expenditure impacts resulting from the proposed development. This estimates value added expenditure impacts to the regional and state economies during both the development and operational phases
- Employment Creation – Estimation of the direct and indirect employment impacts resulting from the proposed developments. This estimates employment impacts using standard industry jobs per sq.m benchmarks and regional employment multipliers for New South Wales.

Key points regarding the workings and terminology of the model are as follows:

- REMPLAN uses either the value of investment or employment generation as the primary input. For this analysis, the value of total upfront investment has been used as the key input to assess the benefits of the construction phase, whereas future employment at the centre is the input to assessing the ongoing economic benefits of the operational phase
- Outputs from the model include direct and indirect employment and value added (i.e. economic growth) generated through the project
- Employment generated includes all full-time and part-time jobs created over the life of the construction phase; or in terms of the ongoing operations, total ongoing jobs generated
- Both the direct and indirect benefits are modelled for employment and value added
- Direct refers to the effect felt within the industry where the investment is being made. For example, during the construction phase, new direct jobs are created within the construction industry
- Indirect effects are 1) those felt within industries that supply goods to the industries directly affected (industry effects) and 2) to industries that benefit from the wages that are earned and spent by those employed within the industries directly affected (consumption-induced effects). For the purposes of this analysis, consumption-induced effects have been excluded. Consumption-induced effects are prone to overstate the benefits of a particular investment as they overestimate the impact of wage and salary increases in the local economy. This is accepted industry practice.

The following sub-sections present a summary of benefits for these two phases.

2.1. DEVELOPMENT PHASE

Direct economic benefits during the development phase are identified in the form of employment and value added benefits. These direct benefits, in turn, generate flow on (multiplier or indirect) benefits which also benefit the regional and state economies.

2.1.1. Project Expenditure

Total expenditure estimates for the proposed development have been provided by the Proponent. The total estimated capital investment value of the development is ~\$115.9 million (excluding GST). However, for the purposes of assessing economic impacts, GST must be included. As such, the development is estimated to generate approximately \$127.5 million of direct expenditure (Economic Output) including GST for the local region and state over a two-year development period (starting in 2022).

2.1.2. Employment Benefits

New jobs will be supported during the two-year development phase by the direct expenditure on the proposed development. The direct and indirect employment benefits according to our REMPLAN analysis are shown below:

- Direct Jobs = 91 jobs over two years
- Indirect Jobs = 138 over two years
- Total Jobs = 229 over two years.

However, it should be noted that the construction contractors engaged for this development (FDC) expect that the maximum number of daily jobs supported during construction would be approximately 150 jobs per day.

2.1.3. Value Added Benefits (Constant \$2021)

Value added benefits (Gross State Product) will be generated from the direct expenditure incurred on the proposed development. Value added essentially represents economic growth for the region and state (i.e. Net Economic Output: this is total economic output minus output which is an input for other sectors). The direct and indirect value added benefits are shown below:

- Direct Value Added = \$37.0 million
- Indirect Value Added = \$58.3 million
- Total Value Added = \$95.4 million.

Table 2.1 – Economic Benefits, Development Phase (\$2021)

	Direct	Indirect	Total
Project Expenditure (\$M)	\$127.5	-	\$127.5
Avg Employment Per Annum (Total Jobs)	91 jobs over 2 years	138 jobs over 2 years	229 jobs over 2 years
Value Added (\$M)	\$37.0	\$58.3	\$95.4

Source: REMPLAN Economy; Rider Levett Bucknall; Urbis

2.2. OPERATIONAL PHASE

In addition to economic benefits that are generated during the development phase of the project, there will be ongoing economic benefits created through the operation of the new facilities on the site (2024+). These benefits include growth in employment and value added (Gross State Product).

2.2.1. Employment Benefits

The ongoing operation of the proposed facilities will directly and indirectly support new jobs in the local region and state. The direct (based on information provided by the Proponent) and indirect employment benefits are shown below:

- Direct Jobs = 273 (in addition to the 360 jobs currently supported on-site)
- Indirect Jobs = 431
- Total Jobs = 704.

2.2.2. Value Added Benefits (Constant \$2021)

Once complete, the proposed facilities will generate ongoing additional value added via annual contributions to Gross State Product (GSP). This represents economic activity which would otherwise not have occurred.

- Direct Value Added = \$34.4 million per annum
- Indirect Value Added = \$69.8 million per annum
- Total Value Added = \$104.2 million per annum.

Table 2.2 – Economic Benefits, Operational Phase Per Annum (\$2021)

	Direct	Indirect	Total
Avg Employment Per Annum (Total Jobs)	273	431	704
Avg Value Added Per Annum (\$M)	\$34.4	\$69.8	\$104.2

Source: REMPLAN Economy; Rider Levett Bucknall; Urbis

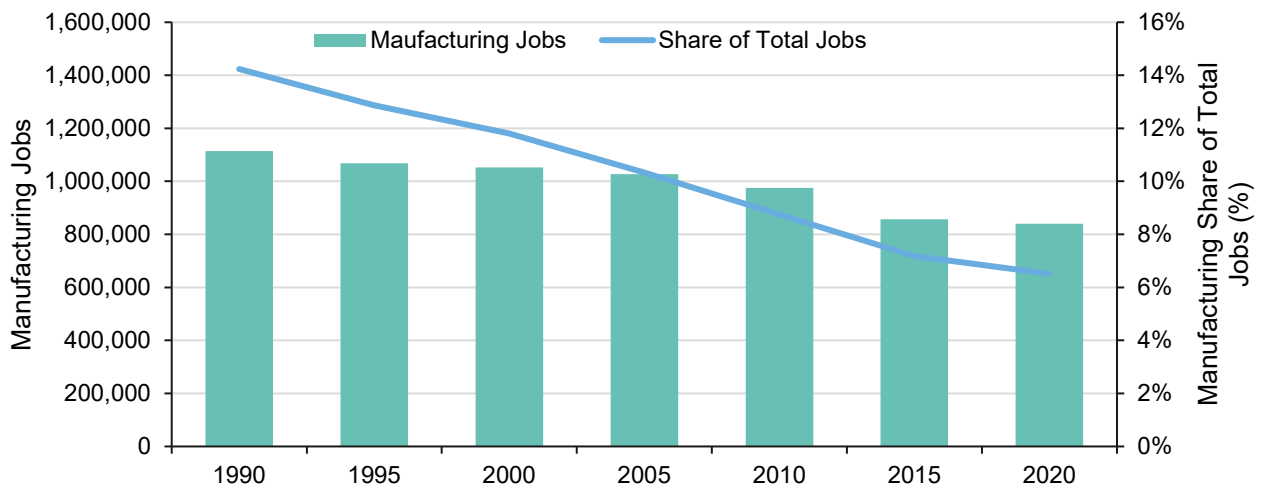
3. OTHER ECONOMIC BENEFITS

In addition to the economic impacts quantified in Section 2, there are a number of other economic benefits likely to result from the proposed development. These are outlined below.

3.1. SUPPORTING THE DOMESTIC MANUFACTURING SECTOR

Australia's manufacturing sector has experienced a steady decline since the 1970s as cheaper labour and material costs allowed other countries to outcompete Australian manufacturers. As shown below in Chart 3.1, manufacturing employment in Australia decreased from 1.1 million jobs in 1990 to 840,000 jobs in 2020, with the manufacturing sector's share of total employment in Australia dropping from 14% to only 7% over the same period.

Chart 3.1 – Manufacturing Jobs in Australia, 1990-2020

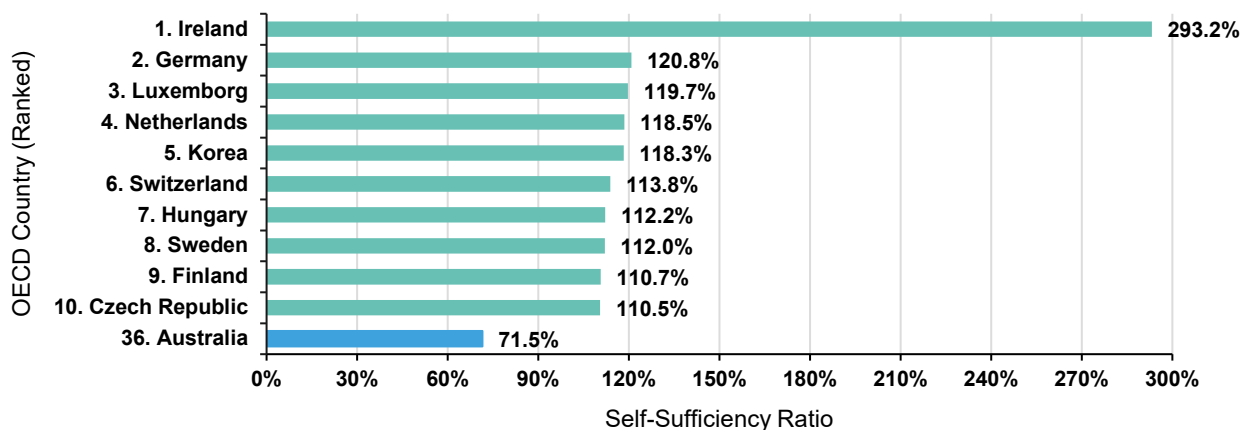


Source: ABS

Furthermore, despite increasing consumption of manufactured goods, Australia continues to produce a smaller share of these goods. According to the Australia Institute for Future Work, Australia ranks last in manufacturing self-sufficiency (amount of manufactured goods consumed vs manufactured goods produced) compared to other OECD countries (refer Chart 3.2).

This research illustrates that manufacturing industries in other well-developed countries have continued to grow, despite high wage costs and competition from export markets. The success of these countries can be attributed to a higher reliance on locally manufactured goods and more advanced manufacturing methods than Australia.

Chart 3.2 – Manufacturing Self-Sufficiency of OECD Countries, 2015



Source: OECD; Australia Institute for Future Work

In response to these challenges, the Australian Government has developed the *Modern Manufacturing Strategy (2020)*. This strategy lists Food Product Manufacturing as a key focus in helping Australian

manufacturing scale-up, and become more competitive and resilient. Australia has a key competitive advantage compared to other countries due to a reputation for premium, safe, and high-quality food products, which has resulted in a rising demand from international markets, particularly Asia. This strategy outlines the importance of allowing existing food product manufacturers to scale-up to meet this demand.

Therefore, the proposed development will not only support local manufacturing in Australia but also help to meet growing domestic and international demand through a scale-up in production and access to international markets via the planned Western Sydney Airport.

3.2. SUPPORTING FARMERS ACROSS AUSTRALIA AND NEW ZEALAND

As a food product manufacturing facility, the proposed expansion will provide further support to the Australian and New Zealand agricultural sectors.

Food product manufacturing has strong supply chain linkages to the agricultural sector. In the 2021 financial year alone, Arnott's Biscuits, as a major food product manufacturer, purchased over \$110 million worth of fresh ingredients from Australia and New Zealand farmers. This included:

- 72,000 tonnes of flour
- 23,000 tonnes of sugar
- 4,400 tonnes of dairy products
- Over 10 million eggs.

The proposed expansion of the existing facility at Huntingwood will increase Arnott's Biscuits' food production capacity, and therefore increase their need for Australian agricultural products. As a point of comparison, the Arnott's Biscuits' \$8 million upgrade of their Shepparton production facility (announced in December 2020) is expected to result in a \$10 million annual increase in demand for Australian agricultural products.

4. CONCLUSION

There are a range of economic benefits associated with the proposed development:

- Delivering 91 direct and 138 indirect construction jobs, and contributing \$95.4 million in direct and indirect value added, to New South Wales over the two-year development phase
- Delivering 273 direct jobs through the ongoing operation of the additional facilities on-site and a further 431 indirect jobs from flow-on effects
- Directly contributing an average of \$34.4 million in value added, and indirectly contributing a further \$69.8 million in value added, to the New South Wales economy on an annual ongoing basis.

In addition to supporting additional employment and economic growth, the proposed development will provide a range of other economic benefits for Sydney and New South Wales more broadly, including:

- Assist in the recovery of the manufacturing industry in Australia, which has declined rapidly over the last 50 years. The proposed development is a key opportunity to increase on-shore manufacturing capabilities and help to boost Australia's food product exports.
- Supporting farmers across Australia by purchasing additional domestically produced agricultural products. The proposed expansion of the existing facility at Huntingwood will increase Arnott's Biscuits' food production capacity, and therefore increase their need for Australian agricultural products.

The proposed development should therefore be supported from an economic perspective.

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The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods, and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

The recent international outbreak of the Novel Coronavirus (COVID-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, is causing a material impact on the Australian and world economies and increased uncertainty in both local and global market conditions.

The effects (both directly and indirectly) of the COVID-19 Outbreak on the Australian real estate market and business operations is currently unknown and it is difficult to predict the quantum of the impact it will have more broadly on the Australian economy and how long that impact will last. As at March 2020, the COVID-19 Outbreak is materially impacting global travel, trade and near-term economic growth expectations. Some business sectors, such as the retail, hotel and tourism sectors, are already reporting material impacts on trading performance now and potentially into the future. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The Report Content and the data and information that informs and supports it is current as at the date of this report and (unless otherwise specifically stated in the Report) necessarily assumes that, as at the date of this report, the COVID-19 Outbreak has not materially impacted the Australian economy, the asset(s) and any associated business operations to which the report relates and the Report Content. However, it is not possible to ascertain with certainty at this time how the market and the Australian economy more broadly will respond to this unprecedented event. It is possible that the market conditions applying to the asset(s) and any associated business operations to which the report relates and the business sector to which they belong could be (or has been) materially impacted by the COVID-19 Outbreak within a short space of time and that it will have a lasting impact. Clearly, the COVID-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

Any Report Content addressing the impact of the COVID-19 Outbreak on the asset(s) and any associated business operations to which the report relates or the Australian economy more broadly is (unless otherwise specifically stated in the Report) unsupported by specific and reliable data and information and must not be relied on.

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