

THE MELBOURNE – BRISBANE INLAND RAIL

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Summary

When complete, the Melbourne – Brisbane Inland Rail is anticipated to stimulate the State and regional economies of Victoria, New South Wales and Queensland, transform the movement of freight around the country as well as result in the following:

- ✓ Improve supply efficiencies of inter-capital freight, in turn, driving national productivity
- ✓ Reduce congestion on major national highway routes across South Eastern Australia
- ✓ Potential creation of new intermodal facilities and transport and logistic hubs in key strategic locations
- ✓ The relocation and/or emergence of inter-capital freight users to key strategic locations
- ✓ Potential uplift in industrial land values for precincts in close proximity to the rail route (occupier-led demand)
- ✓ Place higher importance around the existing Ports of Brisbane and Melbourne.

Project Overview

A committed national project encompassing a 1,700 km inland railway between Melbourne and Brisbane (a standard-gauge rail connection), traveling via regional Victoria, Central West New South Wales, then to Toowoomba, Bromelton and Acacia Ridge all located in Queensland.

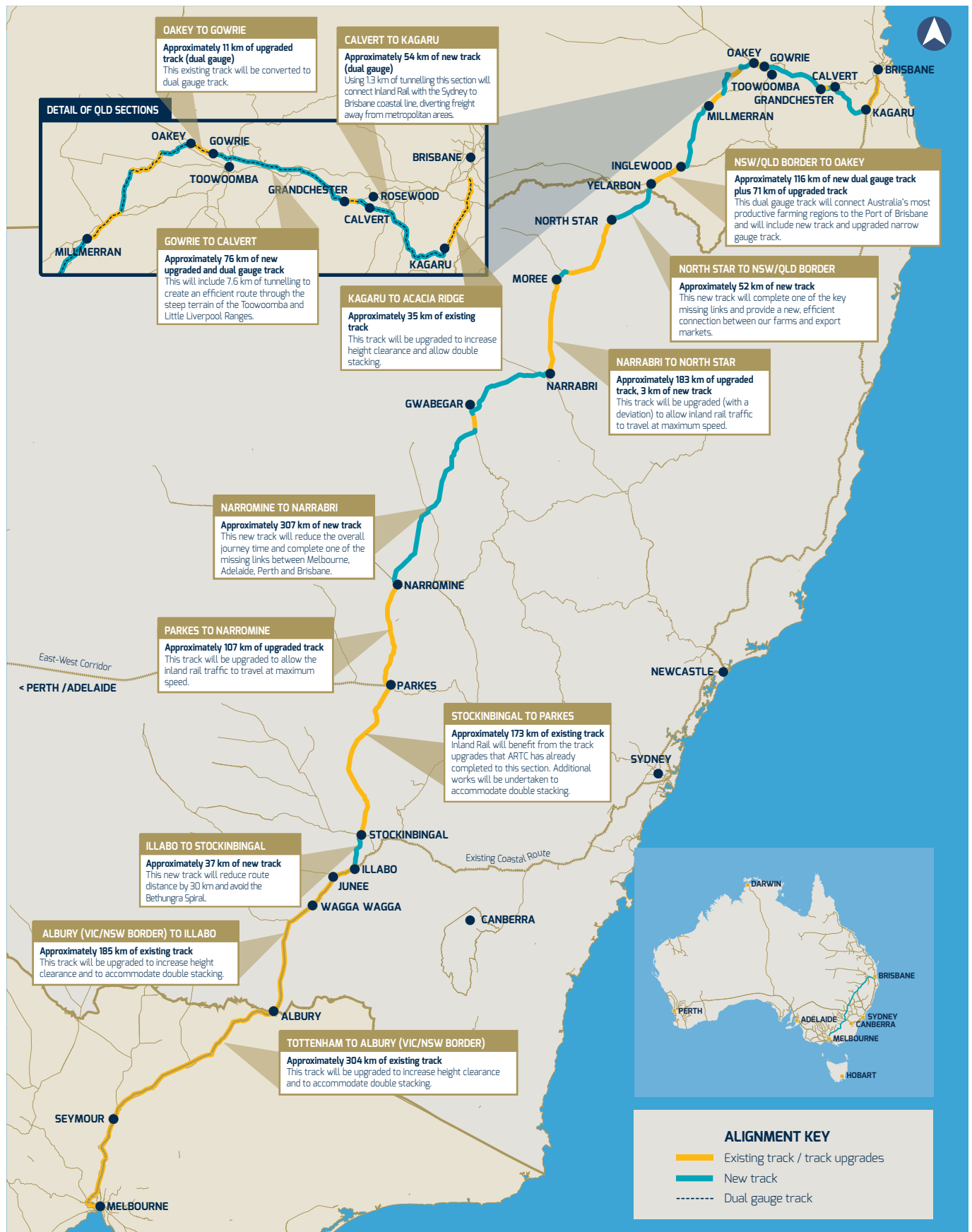
The Australian Rail Track Corporation (ARTC) will deliver the project, with activities to support construction planned to begin immediately for the first train in 2024-25.

Key Benefits

Freight volumes across Australia are forecast to more than double by 2050, and the current transport network is not expected to cope with this increase in freight without further infrastructure investment. The Inland Rail is anticipated to create the following benefits to the economy:

- Indicates the Australian Government has become serious in considering a **more equitable transport user pricing system** - East Coast freight road usage charges (i.e. truck registration and fuel excise) are around five times less than the current cost of rail as a share of operating costs
- Enhanced capacity and demand for transport and logistic distribution hubs in regional cities across the Eastern Seaboard states
- Job creation – up to 16,000 direct and indirect jobs during the construction phase, and an additional 700 jobs over operation
- Reduce the number of B-double trucks on major highways and major arterial roads and reduce congestion on south eastern major highways and arterial roads including, Hume Highway between Sydney and Melbourne and Newell Corridor highways between Melbourne and Brisbane
- Improve sustainability 750,000 less tonnes of carbon emissions 1/3 the fuel of road
- Expected to boost Australia's GDP by \$16 billion over the next 50 years and reduce emissions by 750,000 tonnes
- Boosting productivity and economic growth for regional communities due to improved access to domestic and international supply chain networks for regional producers and industries
- Saving time – less than 24-hour rail transit time
- Reduce supply chain costs by \$10/tonne

Proposed Inland Rail Alignment



Key Players

Key Players Likely to be Involved in the Inland Rail Project

Manager	The key players involved with the project include the Australian Government, through the Australian Rail Track Corporation (ARTC) who will be delivering the multi-billion-dollar infrastructure in partnership with the private sector
Operator	<p>Freight providers enabling users an interconnected port and haulage service which may run off the main ARTC inland rail route such as:</p> <ul style="list-style-type: none"> • Pacific National • Aurizon • Qube Logistics • Asciano • Star Track • SCT Logistics
Users	<p>Inter-capital freight users set to benefit from operating cost savings, time savings, improved reliability, improved availability and resilience to incidents. Examples of those set to benefit include:</p> <ul style="list-style-type: none"> • Linfox • CEVA Logistics • Toll Holdings • DB Schenker • DHL • Woolworths • Coles • Graincorp • Bluescope • Visy
Providers	<p>Intermodal transport and logistic hubs and/or industrial estates may emerge and take advantage of increased inter-capital freight users.</p> <p>Industrial and logistic estates are likely to service in the industry sectors of:</p> <ul style="list-style-type: none"> • Cold-store, warehousing • Grain and commodities storage • Rail maintenance • Container park • Food processing facilities • Freight handling facilities • Distribution centres • Inland container storage

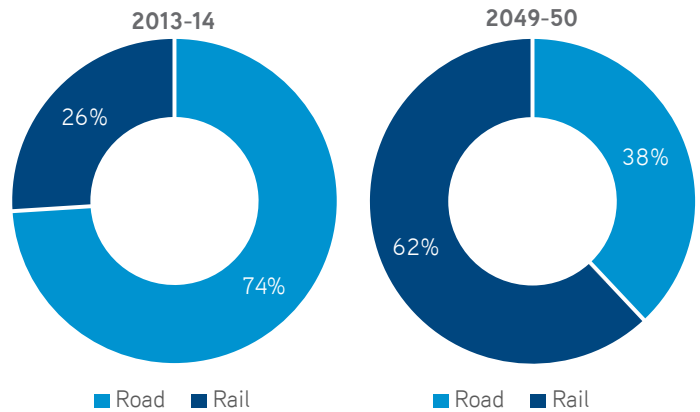
Movement of Freight

It is projected that current operators (both long haul and shorter haul) will look to utilise the route to move goods both intercity and regionally.

The freight transported along and within the current corridor include bulk and non-bulk manufacturing and construction inputs (e.g. steel, paper, coal, grain, groceries, fruit and vegetables, household furniture and appliances).

Inter-capital freight - where the majority is local manufactured product and/or agriculture (i.e. hardware, steel, groceries) that travel between our major ports and capital cities before being distributed to retailers.

Market Share of Melbourne to Brisbane Inter-capital Freight



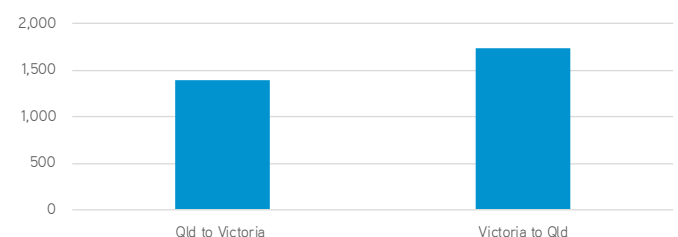
Source: ARTC. The Case for Inland Rail, 2017

Since the Inland Rail will travel through Australia's four richest farming regions and mining regions, it can be expected to draw significant volumes of grain, cotton, chilled beef, coal and other commodities onto rail.

According to the Australian Bureau of Statistics road freight movements by total tonne (including solid bulk, liquid, and containerised road freight) between Queensland and Victoria for the 12 month to October 2014 was the highest for the Victoria to Queensland route - with 1,741 million tonnes compared to the Queensland to Victoria route recorded at 1,397 million tonnes.

Given that upon completion the inland rail is anticipated to capture a large share of current road freight movement, the following chart suggests that the impact is anticipated to be strongest via the Victoria to Queensland route. It must also be noted however that there is also opportunity for freight movement to occur along the inland rail and then offshoot onto other regional track lines to other destinations other than in Queensland and Victoria.

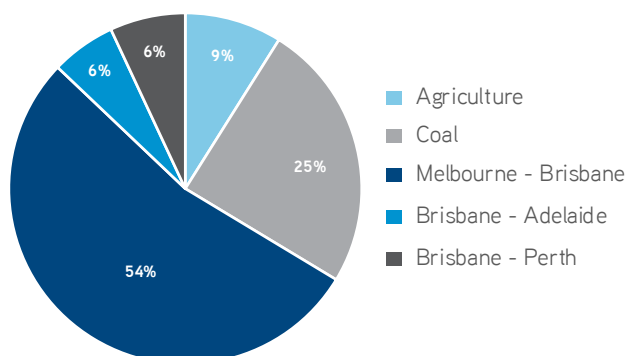
Total Freight Movements ('000) Qld and Vic by Total Tonnes Carried 12 months to October 2014



Source: ABS (August, 2017) Road Freight Movements Australia 12 Months to 31st of October 2014.

Similarly, according to the findings from the ARTC Brisbane - Melbourne Inland Rail Business Case (2015) the majority of traffic on the inland rail is expected to be Melbourne to Brisbane based with smaller percentages being Brisbane, Perth and Adelaide bound. Coal is noted as a significant commodity, although is only expected to run on the West Moreton section of the Inland Rail through Queensland.

Inland Rail – Net Tonne Kilometres by Market - 2050



Note: Assumes completion of Inland Rail in 2024-25
Source: ARTC. The Case for Inland Rail, 2017.

The following tables provide further detail of road freight movements by total tonnes by origin and destination for various suburbs across New South Wales, Victoria and Queensland for the 12 months to the 31st of October 2014. Interestingly, the top regions by tonne carried for each state are some of the key regions anticipated to benefit upon completion of the inland rail. For example, in New South Wales the Central West region which includes the suburb of Parkes recorded the highest tonne carried of road freight, across the State. Equivalently in Victoria, Melbourne's West which includes the suburb of Tottenham recorded the highest freight volume and in Queensland the Darling Downs/Maranoa took top spot.

Road Freight Movements – Total Tonnes ('000) by Origin and Destination (SA4 level) 12 months to 31st of October 2014

QLD	Origin	Destination
Darling Downs - Maranoa	61,340.8	63,569.5
Townsville	47,440.1	47,862.5
Mackay	42,213.7	41,970.4
Fitzroy	37,281.3	36,809.9
Wide Bay	34,731.8	32,796.4
Brisbane - East	33,365.4	26,997.9
Ipswich	29,795.4	35,813.7
Moreton Bay - South	26,635.2	17,991.5
Brisbane - South	26,125.8	29,235.8
Gold Coast	22,122.9	21,807.3
Moreton Bay - North	21,950.7	24,609.6
Queensland - Outback	21,685.2	21,276.0
Brisbane - North	20,192.3	16,714.7
Logan - Beaudesert	19,684.8	19,645.5
Cairns	18,558.6	18,541.8
Brisbane Inner City	16,047.6	18,202.2
Sunshine Coast	9,843.0	15,594.1
Toowoomba	8,409.4	10,435.0
Brisbane - West	2,234.9	2,462.9

VIC	Origin	Destination
Melbourne - West	105,307.7	98,126.3
Melbourne - Inner	79,917.6	71,642.3
Melbourne - South East	42,974.1	52,512.7
Latrobe - Gippsland	38,293.2	33,802.2
Melbourne - Outer East	31,164.5	26,319.7
Warrnambool and South West	25,676.3	26,360.7
Melbourne - North West	24,172.5	29,555.9
North West	23,356.4	18,889.6
Shepparton	22,042.1	20,479.4
Mornington Peninsula	21,685.8	17,219.1
Geelong	18,634.4	17,202.2
Hume	13,192.1	12,461.1
Bendigo	11,221.5	11,122.5
Melbourne - North East	8,077.7	20,907.3
Melbourne - Inner South	5,941.6	7,939.6
Melbourne - Inner East	4,725.8	5,353.1
Ballarat	4,034.3	6,578.2

NSW	Origin	Destination
Central West	56,843.2	54,882.3
Newcastle and Lake Macquarie	53,925.8	50,334.8
Sydney - City and Inner South	44,642.4	35,668.9
Illawarra	44,379.8	41,042.0
New England and North West	35,679.1	30,126.9
Sydney - South West	32,227.5	32,197.4
Sydney - Parramatta	29,708.9	25,044.7
Riverina	23,874.9	24,676.4
Sydney - Blacktown	21,300.1	32,763.8
Hunter Valley exc Newcastle	19,029.8	23,051.9
Sydney - Baulkham Hills and Hawkesbury	17,326.3	8,938.4
Sydney - Inner South West	15,516.0	15,445.5
Central Coast	15,218.2	14,985.6
Far West and Orana	14,353.6	17,139.2
Sydney - Outer West and Blue Mountains	13,547.4	19,118.3
Murray	13,536.3	14,519.0
Sydney - Outer South West	13,272.8	13,309.1
Capital Region	12,591.8	13,090.5
Richmond - Tweed	12,272.9	12,455.8
Mid North Coast	12,111.0	14,033.9
Coffs Harbour - Grafton	9,251.7	8,688.3
Sydney - Inner West	7,679.6	10,466.3
Sydney - North Sydney and Hornsby	4,957.2	6,550.3
Sydney - Sutherland	4,730.0	5,618.4
Southern Highlands and Shoalhaven	3,871.1	4,006.8
Sydney - Northern Beaches	3,850.0	3,446.9
Sydney - Ryde	1,563.9	4,563.9
Sydney - Eastern Suburbs	1,241.7	1,842.2

Source: ABS (August 2017), Road Freight Movements Australia 12 Months to 31st of October 2014

What does this mean for property strategies going forward?

Business Relocations

- Strategic FMCG companies (Fastmoving Consumer Goods) which move significant daily volumes of pallets of product to supermarkets (such as Kimberley Clark, Unilever, Johnson and Johnson) could consider potential relocation options.
- Supermarket chains and those needing to shift large volumes of goods could also fit into this category.
- Small businesses and sole traders servicing the growing needs of relocating and/or new residents.

Infrastructure and Industrial Property Market Correlation

There is strong evidence pointing towards the positive correlation between new infrastructure projects (i.e. when committed and under construction) and associated uplift in industrial land value in a region. The importance of these projects to improve accessibility of freight to the area is likely to positively impact the potential rental value also for industrial property in the region.

- Within Melbourne this was seen with the widening of the Tullamarine Freeway, Monash Freeway and the beginning of the West Gate Tunnel project with the direct impact upon positively assisting transport and logistic operators in the region and hence an uplift in values. Upon commencement of the West Gate Tunnel project in 2016, land values in the West sub market increased by 25 per cent within the year – well above the long term annual average growth rate of 2.8 per cent. In Brisbane, this was evident with the completion of the Gateway Upgrade completed in 2010 which saw land values in the Australia Trade Coast rise upon announcement of the project.
- Equivalently in Sydney, the Westlink M7 Motorway construction (between 2003 and 2005, opened to traffic in 2005) saw average annual land value growth in the M7 catchment area (i.e. suburbs of Blacktown, Moorebank, Smithfield, and Wetherill Park) of around 22 per cent over the three-year period. Also, to note is the opening of the M5 which co contributed to this uplift in values.

As a result, we would anticipate that as firms begin to look to these middle suburban ring and outer regional areas supported by the completion of the Inland Rail, stronger demand should lead to

increasing land values and overall industrial property performance over the long-term. Investors who are prepared to take on some additional risk could gain an early-mover advantage and experience the full growth journey. Property that is close to the infrastructure is likely to benefit from the rise in demand sooner.

Commercial Property Investment in Key Regions

Commercial Property impacts as a result of the completion of the Inland Rail is likely to positively contribute to economic growth across all three states with the majority of this directed to regional areas across Victoria, Queensland and New South Wales.

The Inland Rail scope, as defined, will link metropolitan intermodal terminals in Melbourne and Brisbane as well as regional terminals along the corridor. The Inland Rail will also facilitate connectivity beyond intermodal terminals to ports, regional networks, other capital cities, and other locations on the standard gauge track in South Australia, Victoria, Western Australia, New South Wales and Queensland. A range of possible metropolitan and regional locations for terminals in the corridor are shown in the following map.

Possible Metropolitan and Regional Locations for Terminals within the Inland Rail Corridor



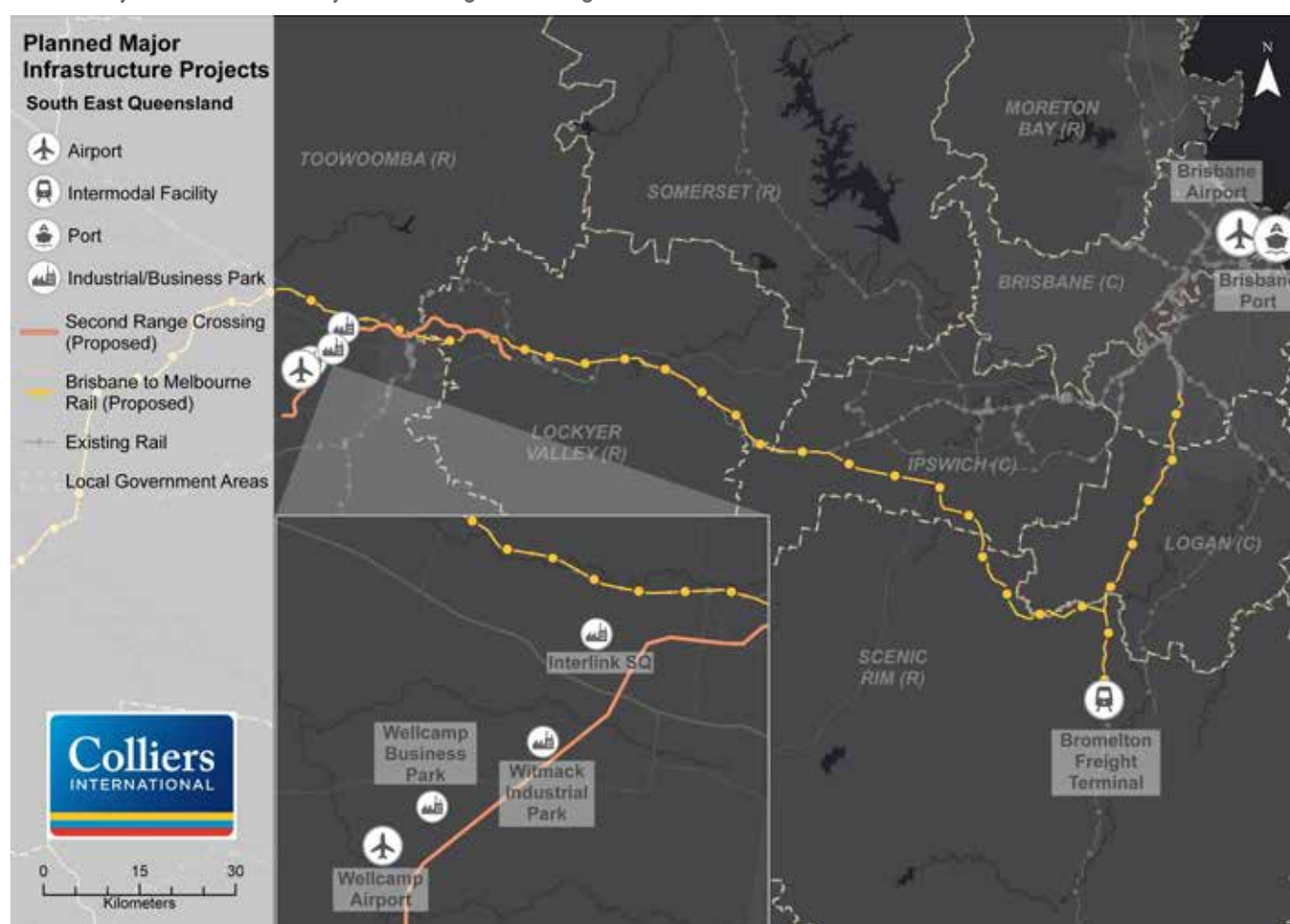
Source: ARTC (2015). Melbourne to Brisbane Inland Rail – Business Case.

Based upon data already presented, the following are several chosen regions which are expected (from a commercial property perspective) most likely to benefit from the completion of the Inland Rail.

Darling Downs, Queensland (Toowoomba, Queensland)

- As a result of the Federal Government's commitment to the Inland Rail there has since been an influx of new industrial estates emerge within the Darling Downs region located along the proposed route
- There has already been commitment by major corporates for warehousing space in these industrial estates operating within the mining, logistics and agriculture sector to headquarter their operations within the business park
- The below map identifies these business parks along with current and proposed infrastructure in the greater region including InterlinkSQ, Wellcamp Business Park and Wiltmack Industrial Park
- InterLinkSQ is a 200 hectare master planned transport and logistics park located 13 km west of Toowoomba. The intermodal transport and logistics centre location has been strategically chosen to maximise transportation and supply chain efficiencies being located directly adjacent to the Melbourne Inland Rail Corridor

Planned Major Infrastructure Projects - Darling Downs Region



Source: Colliers International 2017

Acacia Ridge, Queensland

- The final leg of the Queensland route of the Inland Rail travels to Acacia Ridge via Bromelton.
- Acacia Ridge is an established industrial precinct located in Brisbane's southern suburbs.
- Acacia Ridge is home to an intermodal terminal – one of the largest Brisbane rail/road intermodal terminals.
- The intermodal facility is located 14km south from Brisbane's CBD. The facility is in two separate terminals including:
 - A standard gauge terminal – currently handles the majority of interstate container traffic moved by rail between Brisbane – Sydney and Brisbane Melbourne via Sydney
 - A narrow gauge terminal servicing the intrastate network – handles a large volume of container freight moving northbound to a wide variety of Queensland destinations.
- Given the intermodal facility in place and strong road infrastructure which connects the region with Brisbane's Port, South West, West and further south to Logan and onto the Gold Coast the region has been popular with transport and logistics operators.
- Freight is transported to Brisbane's port either by road and or shuttle rail on a link currently shared with passenger trains. Given estimates for strong population growth in the greater South East of Queensland passenger requirements on this line will increase to the detriment of freight movement.
- Although the Federal Government has opted against funding a \$2.5 billion link with Acacia Ridge to the Port of Brisbane a public / private arrangement may be still considered a viable option.
- If a dedicated route connecting Acacia ridge with the Port is approved it could cement the regions reputation as a premium freight hub over the medium to long term.



Bromelton, Queensland (Outer Beaudesert Queensland)

- Bromelton is located near Beaudesert, 65 km south west of Brisbane and 60 km west of Gold Coast.
- The Inland Rail route will intersect with the existing coastal interstate rail at the northern end of the Bromelton State Development Area.
- SCT Logistics earlier this year decided to enter the North-South corridor and construct a new strategically-located rail terminal and warehousing hubs adjacent to the ARTC network (on the inland rail route).
- SCT now runs several weekly services into and out of Brisbane, connecting businesses from Western Australia, South Australia and Victoria directly into the Queensland market.
- The 134 hectare site features a 10,500 sqm cross dock terminal, a 5,000 sqm container handling area and more than 7.3 km of internal rail track.

SCT's new terminal and logistic hub at Bromelton became operational in late January this year



Tottenham, Victoria (Inner West Melbourne)

- Tottenham is strategically positioned in Melbourne's West approximately 9 km from the CBD and 5 km from the Port of Melbourne. Given its strategic location there has been talk that Tottenham may be an ideal location for an intermodal facility
- The Victorian section of the inland rail is planned to run along 304 km of existing rail corridor from Tottenham in Melbourne's West to the Victoria-New South Wales border at Albury-Wodonga. When complete the Inland Rail will enable the operation of double-stacked 1,800 m trains.
- Travelling from North to South, the existing rail corridor runs largely parallel to the Hume Highway from the Murray River at Wodonga to the outskirts of Melbourne and the inland rail will provide a strategic location for the efficient transportation of inter-capital freight by rail. Demand for industrial property in Melbourne's Inner West has already experienced significant growth as quoted on page 5 with land values for serviced retail lots surging 42.9 per cent between June 2016 to June 2017. Increasing interest for warehouses from transport logistics are prominent in the precinct with limited land supply pushing up prices in the area. Prime locations within the West precinct are fetching rates up to \$275 per sqm due to the preference for access to major networks.
- The introduction of the Inland Rail and announcement of the Commonwealth funding of \$300 million in 2013 saw double-digit growth in land values in the North and West corridor of Melbourne increasing by 13 and 10 per cent respectively where in the previous year, land values fell by 3 per cent.
- Increased infrastructure spending has impacted property values positively as evidenced with the West Gate Tunnel project. The Inland Rail will enhance national productivity by lowering the door-to-door cost of freight for interstate movements and create opportunities for urban renewal in the West, North and Outer East areas and would see the creation of new business clusters such as packaging and freight container companies developing.
- Future implications will also see changes in the supply chain network with agricultural freight switching from road to rail with a large consumption of this amount being diverted to the Inland railway.



Parkes, NSW

- The Parkes-Narromine section of the Inland Rail will make use of 106 km of existing track and require 6 km of new rail connection at Parkes.
- Parkes currently acts as a national transport node, as it is strategically located at the intersection of the Newell Highway and major railways linking Melbourne, Brisbane, Sydney and Perth as well as Adelaide and Darwin.
- Upon completion of the Inland Rail, Parkes is expected to become a central consolidation point on Perth to Melbourne services. Double stacking options on Inland Rail could see East-West bound trains divert from the current Melbourne-Adelaide Perth Line to the alternative Melbourne-Parkes-Perth.
- Further opportunities as a result of the Inland Rail route travelling through Parkes include:
 - Freight consolidation and distribution centres
 - Rail Maintenance and provision facilities
 - Intermodal Hubs and Terminals
- Parkes National Logistics Hub Growth -
The establishment of a National Logistics Hub in Parkes in correlation with the completion of the Inland Rail will offer cheaper, faster and more efficient modal choices, and offer a centralised storage and distribution point for bulk grains, fertiliser, fuel, along with other commodities and products.
- Large Grain Terminals
- Distribution Centres
- The National Logistics hub involves three main investors (Linfox, SCT Logistics and Asciano).
- A report by Regional Development Central West entitled – “Economic Analysis on the Potential Impact of the Proposed Inland Rail” has found that the economic impact of the Inland Rail project to NSW’s Central West region is estimated at \$216 million over 60 years and that the region is well positioned to benefit from economic and supply chain development. The study found that around 490 new jobs could be created in the region during the construction phase. Post-construction, it is estimated that around 150 new jobs in the agriculture, manufacturing and mining sectors could be created in Parkes.

