

The 2030 Big Picture Series:

Perspectives on the economic opportunities for the Central Coast of New South Wales







EXECUTIVE SUMMARY

The Central Coast region is characterised by natural beauty and access to premium beaches, waterways, hinterland, and farming land. Close to Sydney and Newcastle, the Central Coast has benefited from the flexible working arrangements brought on by the COVID-19 pandemic. Now, the large percentage of its population that used to commute to those cities for work are now working (and spending time) at home on the coast.

This has created a real estate boom which has pushed housing affordability out of reach for most young homebuyers, while creating strong prospects for investment for real estate developers. However, there is a key risk in that essential infrastructure is not yet in place to maximise the value of development opportunities.

The healthcare sector is the largest employer and continued investment in hospitals has attracted allied health providers and educational institutions, along with associated workers and students. Tourism also remains highly viable, especially as coronavirus restrictions continue to ease, and there are emerging opportunities for agritourism to take off.

Transport to and from the Central Coast is adequate; however, there is a key challenge around local transport with public transportation options not always sufficient for the needs of workers in the area.

Economic mismanagement by the previous Central Coast Council has introduced some uncertainty for investors in the area. However, this is being managed and it is expected that the council will be able to return to normal operations in the first half of the decade.

Overall, there are opportunities for savvy investors to make smart choices and, potentially, see strong returns by 2030.

THE REGION

The Central Coast of New South Wales (NSW) covers the area north of NSW's capital city, Sydney, and south of Newcastle. It's one of the largest urban areas in NSW, covering approximately 1,854 square kilometres and encompassing the local government areas of Gosford and Wyong, which were merged to create the amalgamated Central Coast Council. Known for its geographic beauty, the Central Coast boasts extensive lakes and waterways, beaches, and hinterland, creating a natural playground for visitors and locals alike.¹

The Central Coast's largest employment sector is healthcare and social assistance, followed by retail, construction, education and training, and accommodation and food.² The Central Coast has a skilled workforce and access to major markets, making it attractive for investors. The Central Coast is home to three TAFE NSW Hunter Institute campuses in Gosford, Ourimbah, and Wyong, as well as the University of Newcastle's Central Coast Campus.

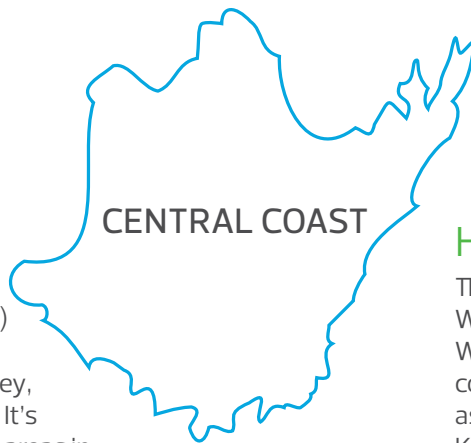
The Central Coast has been the beneficiary of significant government investment into the area with the aims of: increasing employment opportunities; expanding and diversifying economic activity; reducing the cost of living and doing business in the region; and improving public transport. Education has been a key focus, as has protecting the vulnerable members of society.³ The NSW Government also has indicated strong priorities around improving connectivity for the Central Coast, including adding new and upgraded mobile base stations to reduce blackspot locations.

THE POPULATION

The Central Coast's population sits at more than 345,000 people.⁴ By 2036, estimates suggest the population will grow to more than 415,000 people with an ageing population putting pressure on healthcare and aged care services. Prior to the COVID-19 pandemic, just under a quarter of the population commuted for work; however, this has changed forever with many organisations letting employees work from home during the pandemic. This trend is unlikely to reverse even as the immediate threat of the pandemic recedes.⁵

Central Coast residents come from around the world, with migrants from the Philippines, China, and India prevalent.

By 2036, it's estimated that an additional 25,000 jobs and 42,000 dwellings will be required to support the growing population.⁷



HEALTH

The Central Coast has two acute hospitals in Gosford and Wyong. It also has public hospitals in Long Jetty and Woy Woy, along with a range of community health centres and community-based services.⁸ These services are located as far north as Lake Haven, as far south as Woy Woy and Kincumber, and as far west as Mangrove Mountain.⁹

The Central Coast Local Health District has developed a 10-year plan to 2031, which focuses on how to deliver exceptional healthcare to the community. With an ageing population and a large Aboriginal population, the Central Coast also has lower education levels, relatively low household incomes, and areas of high disadvantage compared to the rest of NSW. The plan focuses on how to address these challenges, which include significantly higher levels of health-related issues on the Central Coast compared with the rest of the state.¹⁰

More than 7,500 Central Coast residents were part of the National Disability Insurance Scheme (NDIS) in September 2020.¹¹ Life expectancy is lower on the Central Coast compared with NSW in general, and the Aboriginal population has a lower life expectancy than non-Aboriginal people by 10 years. The Central Coast also has a disproportionate number of people with obesity, who smoke daily or engage in risky alcohol consumption, or report high or very high psychological distress.¹²

TRANSPORT

The Central Coast is serviced by buses that travel to all areas of the region; however, the timetable is not extensive and doesn't align with the train timetables. There are trains from Sydney Central Station and Newcastle Station with a journey time of approximately 90 minutes.¹³ Daily ferries run between Sydney's Palm Beach and Ettalong Beach on the Central Coast. There are also ferries between Woy Woy and Empire Bay via Saratoga and Davistown.

^{1,2,4} rdasydney.org.au/regions/central-coast

^{3,5} www.nsw.gov.au/regional-nsw/our-regions/central-coast

⁶ Australian Bureau of Statistics, Disability, Ageing and Carers, Australia: Summary of Findings, 2018

⁷ rdacc.org.au

⁸ www.health.nsw.gov.au/lhd/Pages/cclhd.aspx

⁹ www.cclhd.health.nsw.gov.au/about-us

¹⁰ Central Coast Local Health District Caring for our Community Plan 2021-2031 (accessed at: www.cclhd.health.nsw.gov.au/publications)

¹¹ data.ndis.gov.au/data-downloads

¹² HealthStats NSW, accessed March 2021

¹³ www.centralcoastaustralia.com.au/transport/#:~:text=Buses%20operate%20from%20all%20railway,mins%20to%20Sydney%20or%20Newcastle



Air travel is from Sydney Airport or Newcastle Airport, each of which is less than 90 minutes' drive from Gosford.¹⁴ Community Transport Central Coast provides subsidised services for over 65s, NDIS participants, and others who are transport-disadvantaged.

The Central Coast is overdue to receive new trains that will speed up the rail line, potentially cutting as much as 30 minutes off the trip from Newcastle or Sydney. Every station on the Central Coast will also receive lifts, easy access, and parking upgrades to make commuting even easier.

NorthConnex is a toll road that links the M1 Pacific Motorway to the M2 Motorway, bypassing Pennant Hills Road. It means motorists can travel from Newcastle to Melbourne without any traffic lights, creating significant efficiencies for Central Coast commuters and businesses.¹⁶

Similarly, the WestConnex road infrastructure project is helping to link Sydney with other communities such as the Central Coast.¹⁷

Within the Central Coast region, the geography that provides the area's natural beauty also creates challenges for daily commutes, with rivers and other small waterways leading to complicated road networks. There is an opportunity to invest in additional infrastructure for people to move across that challenging geographical shape, which would help people access work and leisure opportunities on the Central Coast.

TOURISM

Tourism is a key activity on the Central Coast with more than 3.7 million domestic visitor nights, 3.9 million domestic day trips, and almost 510,000 international visitor nights in 2019/20. This was an expected decrease compared with previous years when COVID-19 was not a factor. In 2018/19, the Central Coast saw 4.3 million domestic visitor nights, 4.1 million domestic day trips, and more than 875,000 international visitor nights.¹⁸

The Central Coast is emerging as an ecotourism destination, working with Ecotourism Australia and WWF-Australia. The Central Coast recently featured as the only NSW finalist in the 2021 Top 100 Destination Sustainability Stories List.¹⁹

A broad range of activities have made the Central Coast particularly attractive – these include beaches and hinterland, food, art and culture, wellness and more. For example, the Meet the Makers Trail is a collection of artisans and other producers providing opportunities for tourists to try locally produced food, wines, and other experiences.²⁰

While COVID-19 restrictions undoubtedly disrupted tourism on the Central Coast, the nation is now opening up and Central Coast tourism operators can expect to see numbers rise again as travel returns to something approaching normal.

OPPORTUNITIES

Government investment

Regional Development Australia (RDA) Central Coast aims to develop the region's economic base and increase the region's attractiveness to investors. It is currently working on four key initiatives: skilled migration; grants funding and advocacy; food innovation; and infrastructure.

The Central Coast covers a broad geographical area and, to date, government investment has not been sufficient to comprehensively solve infrastructure issues. For example, the Wyong employment zone is a large piece of land that could create a large number of employment and business opportunities but developing it has proved problematic because infrastructure, water and sewerage need to be connected and this has not yet been done. The state government could potentially subsidise the infrastructure and assist with planning approvals but this has not yet occurred.

In recent years, the government has set up an Australian Taxation Office location in Gosford and the NSW Department of State Revenue customer service facility is next door. SafeWork NSW employs more than 500 people in the area. These employment opportunities create economic growth for the coast.

The Central Coast Council is open to new investment opportunities and continues to plan for ways to make the coast a desirable place to live, work, and run a business.

Healthcare and aged care

Health and aged care is the Central Coast's largest industry sector. The Gosford and Wyong hospitals were recently redeveloped at a cost of \$568 million, while an ageing

¹⁴ www.lovecentralcoast.com/public-transport

¹⁵ www.ctccl.org.au

¹⁶ www.northconnex.com.au

¹⁷ www.westconnex.com.au/explore-westconnex/about-westconnex

¹⁸ economy.id.com.au/central-coast-nsw/tourism-visitor-summary

¹⁹ www.lovecentralcoast.com/ecotourism

²⁰ www.lovecentralcoast.com/meet-the-makers-trail



The Central Coast is a renewable energy zone with considerable scope for investment

population and general population growth point to significant opportunities for operators in this sector over the next decade.²¹

Given the substantial investment that has been made in the Central Coast's hospitals, and the fact that there is a largescale training hospital affiliated with The University of Newcastle, the medical precinct is strong. It has attracted allied and specialist services to the area. Workers in this industry also live locally, which increases their spending within the community.

Remote working

While the remote working boom has created a challenge for Australia's major cities, it has been a welcome side-effect of the pandemic in regional areas such as the Central Coast. People who got a taste for working from home during lockdowns are now generally unwilling to return to offices in a full-time capacity. This is likely to give rise to more people working from home on the Central Coast at least a day or two per week, if not more.

This is pushing up housing prices on the Central Coast as people from Sydney look for a more relaxed lifestyle while still being able to earn big-city salaries.

The Central Coast generally has good connectivity for those working from home. There is also a agile co-working centre at North Wyong which offers office facilities including shared receptionist services and ultra-fast

broadband at three times the speed of the NBN.

In the wake of the pandemic, many local businesses have seen an uptick in their profits because people who were commuting away from the coast during the week are now staying in the area and spending money. Local cafes have become working and meeting hubs, and parents are more available to volunteer for children's sporting teams and generally be more present. This may improve some of the social issues that the community faces.

Residential property and construction

According to RDA Central Coast, the next 20 years will see a need for, on average, 1,980 new homes per year. This is much higher than the current average annual housing production and represents a strong investment opportunity.²²

House prices are surging on the Central Coast in response to the working-from-home trend and the increasing number of buyers coming from Sydney to seek lifestyle changes, according to Matt Sharp, founder and director of Sharp Property Buyers. The value of some properties increased by more than \$500,000 between May 2020 and May 2021.²³

While this is welcome news for those already in the housing market on the Central Coast, new homebuyers will face increased barriers to entry.

Hence there will be increased demand for more affordable housing across the region. A correction is likely in the next few years, with prices coming down again and interest rates rising. This will slow down the residential real estate market, at least to some extent. However, the lack of available land and the proximity of most residential lots to desirable locations such as beaches and shopping centres will mean that housing prices are unlikely to fall to pre-COVID levels.

Furthermore, an increased focus on the education sector is likely to draw more students to The University of Newcastle's Ourimbah campus. These students will require affordable housing, which is currently not available in sufficient quantity.

The Central Coast Council is one of few to have an affordable housing policy in place, with staff working on locations that could be developed as affordable housing. This is a fundamental need that must be met for the Central Coast to fulfil its potential as an economically powerful region.

²¹ rdacc.org.au/invest-central-coast/health-aged-care/

²² rdacc.org.au/invest-central-coast/construction/

²³ www.savings.com.au/news/central-coast-suburbs-predicted-to-grow-in-2022



It's also important to note that residential land should not be developed without regard for the need to preserve prime agricultural land, especially in the Somersby area and the Yarylong Valley. A number of blocks have been recently rezoned from rural to residential, freeing up land for housing.

Meanwhile, many landholders have held off building on their land over the last 10 years, resulting in empty land that could provide prime residential real estate. Council has begun to address this challenge with an aim to see landholders develop their land in a more timely fashion. Right now, that means undeveloped land could be available for purchase and development.

There is also a strong push towards high-rise living, which overcomes the challenge created by limited residential space. Developers can build up, with a number of vertical living developments seeing strong investment, especially in Gosford.

Renewable energy

The Central Coast is a renewable energy zone with considerable scope for investment in this emerging area. There are some plans to create solar farms on waste disposal areas around existing power stations, for example. The Energy Infrastructure Act is a government guarantee to purchase energy generation from the private sector, creating a catalyst for private investment in this area.

A large solar farm is undergoing final approval stages to be built at Bales Point, while another organisation is investigating the hydrogen fuel industry. Experiments are being undertaken at Berkeley Vale, linked with food production groups. The venture known as the Central Coast Hydrogen Food Cluster will involve Star Scientific Limited working with food companies to remove carbon from industrial processes such as heating, drying and cleaning.

It will be important to ensure that, as power stations are closed at the end of their life, new renewable energy sources are already connected to the grid. The journey for renewable energy on the Central Coast has only just begun and it will remain a focus for the next 10 years.

Industrial centres and community hubs

There are numerous greenfield development areas that, once developed, will create thousands of jobs on the Central Coast. For example, a planned \$2.4 billion development by the Centre Group at Tuggerah will include retail and commercial spaces as well as senior living, and will link to the Tuggerah railway station.

As businesses leave Sydney heading north, the Central Coast is the first major hub for businesses looking to relocate or expand. Its location on the freeway and rail line, with an airport at

Warnevale for smaller planes, makes the Central Coast an ideal target for investment.


The Central Coast Council owns an education sports precinct which, when fully developed, will provide an amalgamation of university and sports science opportunities and a range of industry in that area.

Further investment in infrastructure is required to realise the full potential of all the opportunities scattered across the Central Coast. The NorthConnex and WestConnex road infrastructure will help strengthen the industrial potential of the Central Coast as more industrial organisations move away from Sydney.

There is increasing demand for factory units as a result of the COVID-19 pandemic, which showed people that there were alternative ways to earn a living rather than remaining stuck in capital cities. This has seen more people set up their own businesses on the Central Coast. A factory unit development in west Gosford sold all 41 units in just six weeks, mostly to owner-occupiers who planned to start and operate their own businesses.

Agribusiness

The Central Coast Food Innovation Initiative, run by RDA Central Coast, has identified an opportunity to develop a food innovation precinct on the Central Coast that could leverage the region's logistically efficient location to become a hub for food and related



industries. This is anticipated to increase the exportability of locally produced food, as well as create new opportunities for food-related tourism and hospitality, as well as supply chain partnerships and paddock-to-plate opportunities.

The initiative is supported through a formal partnership between RDA Central Coast, the University of Newcastle (including the Newcastle Institute for Energy and Resources), and Central Coast Industry Connect. It will give rise to significant research and development opportunities, as well as the potential to commercialise innovations.²⁴

As an existing food manufacturing area, the Central Coast has a strong foundation to build on. Sanitarium, Mars, and Sara Lee (Simplot) are already well-established food manufacturers in the area and many of the materials they source come from the western side of the freeway.

Some farms on the Somersby Plateau are doing intensive agriculture under greenhouses, growing green tea and Chinese vegetables to export to Asia. Other Central Coast agribusinesses include flowers, chicken meat, and even beef production. Citrus is likely to maintain a strong presence, especially if farmgate prices become more realistic. The citrus industry is integrated, with a juicing factory nearby.

Agritourism presents a significant opportunity for farmers who can create a desirable experience to attract visitors. This can be for fruit-picking experiences or paddock-to-plate experiences, both of which are becoming more popular.

Harmoniously combining agricultural operations with residential real estate could pose a challenge and will require strong communication between both parties.

Not-for-profit organisations

The Central Coast's current socio-economic demographics mean that many of its residents depend heavily on not-for-profit (NFP) organisations for support. NFPs are delivering government services efficiently and effectively and the opportunities for NFPs are set to increase substantially in the next decade.

Retail

Retail faces a challenging environment. The Central Coast is home to Erina Fair shopping centre, which is the largest shopping centre on the Central Coast. There are also multiple other shopping centres across the region along with small, bespoke retailers in town centres.²⁵

People are generally buying online, which creates an opportunity for retailers who can support online shopping. Retail strips will need to adjust their expectations regarding rent from shopkeepers if they are to survive. Sydney-

based investors have tended to neglect their Central Coast properties, and dysfunction in the property market means that commercial spaces for rent are unfairly priced and managed. With demand for commercial space relatively soft, this should create an incentive for landlords to upgrade their properties and provide a more attractive product.

The fluctuating population also creates issues for retailers. In holiday areas such as The Entrance, as many as 40 per cent of properties are empty most of the year because they're holiday homes. This means the population isn't there to support Monday-to-Friday retail, while demand peaks on weekends and during holiday periods.

There are local success stories in the retail space, with various small businesses finding success in the wake of the pandemic. Niche businesses are setting up in locations such as Wyong, Long Jetty, and Woy Woy, and these are breathing new life into communities that had withered when larger centres were built. These retailers are turning these locations into destinations to visit, rather than utilitarian shopping locations.

FUTURE CONSIDERATIONS

Ongoing effects of COVID-19

Much like the rest of the state, the Central Coast has learnt to live with COVID-19. This means that the virus will not disappear but the ways in which the community deals with it and responds to future outbreaks will change.

Already, high vaccination rates have allowed much of the country to open up to unrestricted travel, and the days of unpredictable lockdowns were thought to be over. While individuals and businesses still need to exercise caution, it's fair to say that businesses are continuing to adapt to the new normal and organisations are operating flexibly to achieve growth in this post-pandemic phase.

Central Coast Council financial management

Gosford City and Wyong Shire councils were merged in 2016, creating an amalgamated Central Coast Council. Since then, financial management and the council's ability to serve the local community have come under close scrutiny. In October 2020, the council was put into administration and a commissioner appointed.

²⁴ rdacc.org.au/central-coast-food-innovation-initiative/

²⁵ rdacc.org.au/invest-central-coast/retail/

A man with dark hair and a beard, wearing a maroon suit jacket over a light blue shirt, is sitting and smiling. He is looking towards the right. To his right, there is a blue-bordered text box containing text. Above the text box, there are three overlapping rounded rectangular shapes in grey, green, and blue.

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As a result of this instability, local government elections will take place in late 2022, while councillors remain suspended. While there is no suggestion of deliberate wrongdoing or corruption, the administrator found evidence of negligence.

As of January 2022, the CEO, David Farmer, and administrator, Rik Hart, were working together to complete the merger and rebuild community confidence.

The administrator takes on the role of mayor and councillors while they remain suspended. The council is now seeing positive results as a result of measures taken to operate financially sustainable manner.

WHERE TO FROM HERE

While some businesses are struggling following the significant disruption caused by COVID-19, others are returning better than ever before, while still more businesses have started up in the shadow of the pandemic and are already finding success. The virus remains highly unpredictable, which means businesses and investors will need to be ready for anything.

Before determining investment priorities in the near future, it's important for investors to consider the long-term sustainability of a business or opportunity. Focusing on local opportunities will lower risk, especially as a new generation of Australian consumers looks to spend their money on locally grown or developed and environmentally sustainable products and services.

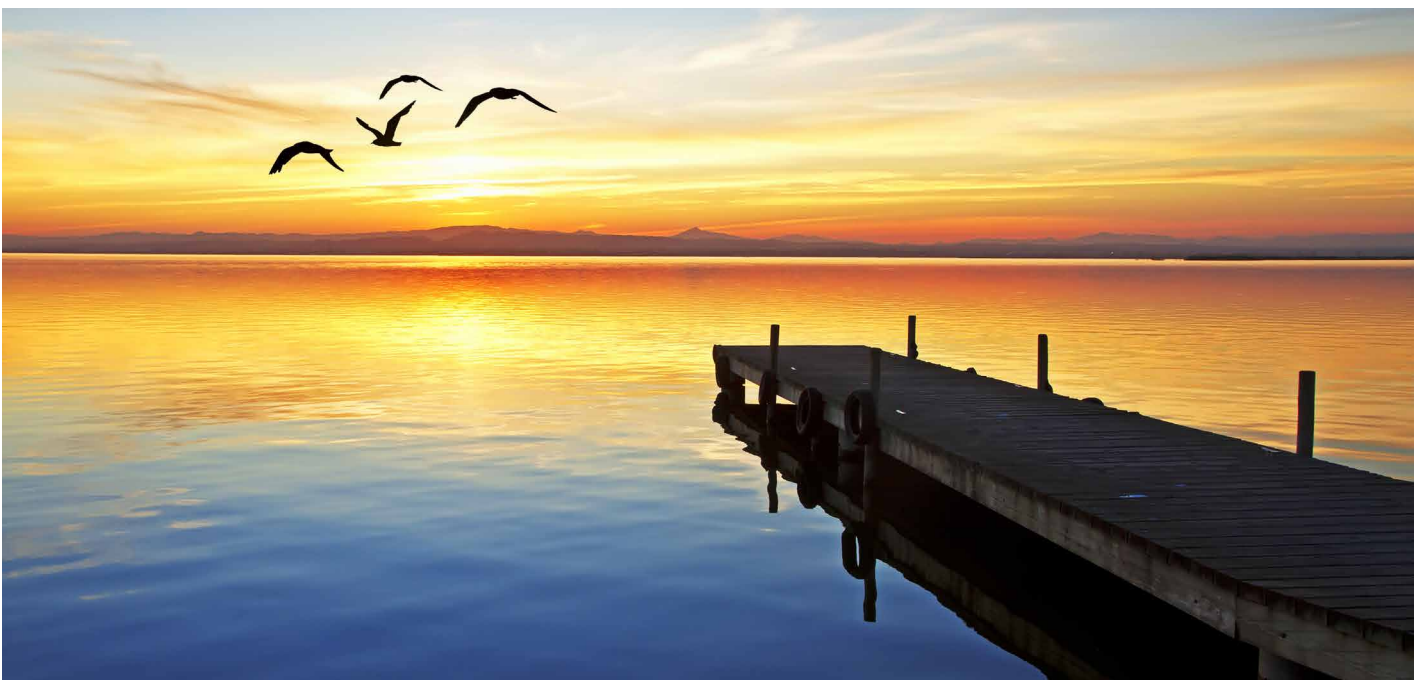
Businesses that have adapted and thrived despite the coronavirus disruptions are potentially strong investment options, as their business model has been validated over the past few years.

CHARTING A COURSE FOR 2030

As investors chart a course for 2030, it seems clear that residential real estate provides a significant investment opportunity for those looking to invest in the Central Coast region of NSW. Tourism also remains singularly important for the region as it trades on its natural beauty and accessibility. Branching into agritourism can create new opportunities, while vertical integration can make agribusiness more successful, especially with the proximity of prime growing land to manufacturing facilities.

The success of the Central Coast region will depend, to some extent, on the development of key infrastructure, as the lack of investment in this area has held back a number of greenfield and even brownfield developments. With the right infrastructure in place, the Central Coast is poised to take off as a business and industry hotspot close to Sydney.

The Central Coast remains committed to encouraging population growth by increasing the region's liveability. All of these factors will combine to make the Central Coast an area to watch between now and 2030.



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