

Intelligent Investment

# Unearthing real estate opportunities from AUKUS

REPORT

Emerging precincts

CBRE RESEARCH  
NOVEMBER 2024



# Overview

## Scale-up

AUKUS is a A\$268bn - \$368bn defence project to construct and operate nuclear powered submarines (SSNs) in Australia over a 30 year period. Construction is slated for Osborne Shipyard in Adelaide and operations from HMAS Stirling, Perth.

In a global context, Australia stands out by manufacturing and operating the submarines close-to major population centres. In turn, this creates unique opportunities for real estate operators. We see benefit from increased demand for Logistics, Living, Retail, Office and Social Infrastructure sectors in these precincts.

## Real Estate beneficiaries

### – Port Adelaide precinct

CBRE estimate that incremental real estate demand and years to get supply in near proximity to Osborne Shipyard/Port Adelaide will be:



**Logistics:** 850,000 sqm demand, equivalent to ~10 years of historical supply



**Office:** 40,000 sqm demand, equivalent to ~3 years of supply



**Residential:** 13,500 residential units, equivalent to ~6 years of supply



**Childcare:** 2,500 childcare places, equivalent to ~2 years of supply



**Hotels:** 400 rooms. Restaurants: 11 quick service restaurants.

## Real Estate beneficiaries

### – South West Perth precinct

CBRE estimate that incremental real estate demand in the South-West of Perth will be:



**Logistics:** 150,000 sqm, equivalent to just over 1 year of historical supply



**Office:** 30,000 sqm, equivalent to ~2 years of supply



**Residential:** 11,000 residential units, equivalent to ~3 years of supply



**Retail:** 20,000 sqm of general retail space.

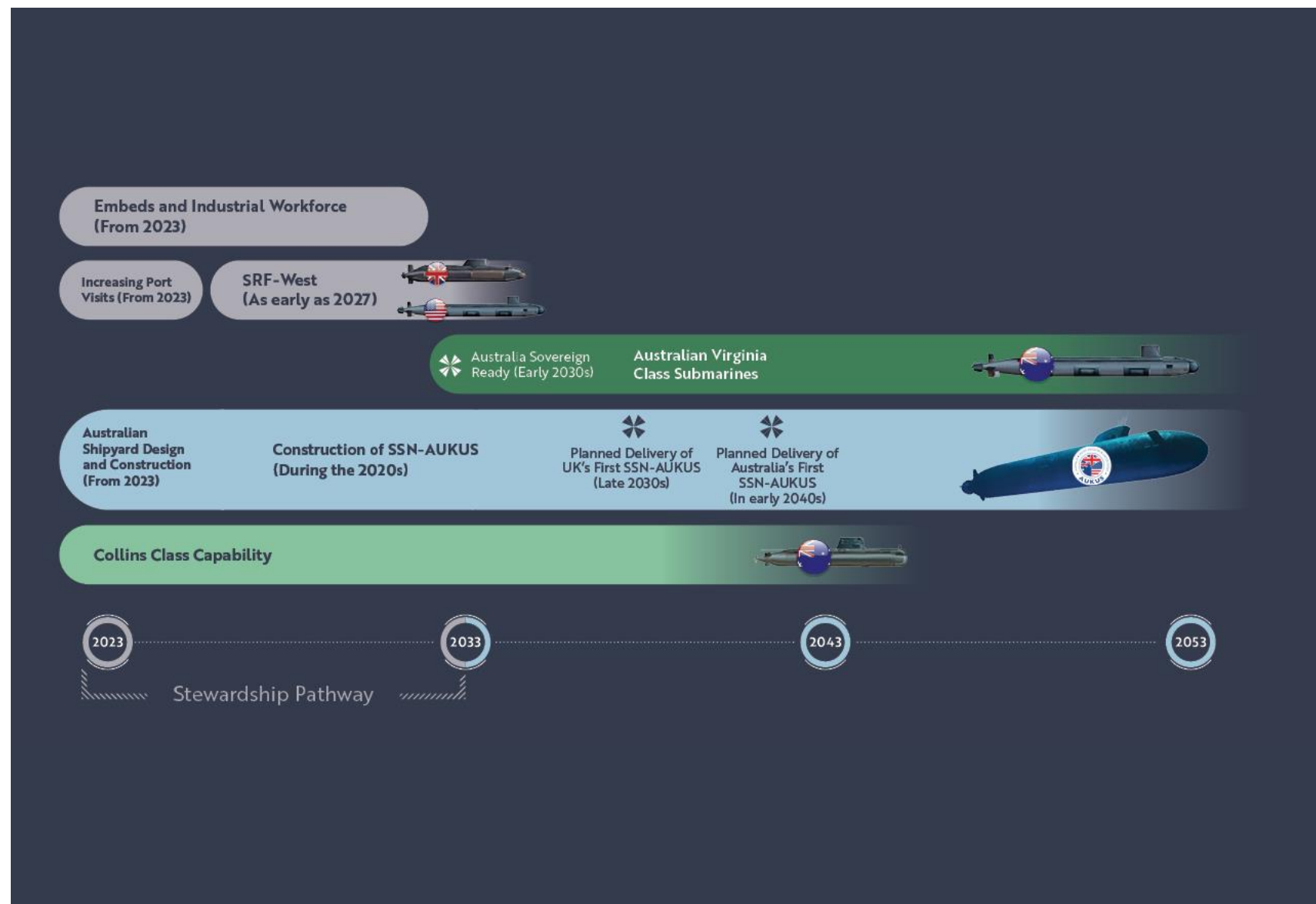


# AUKUS

## Spend and timing

There are four components to the AUKUS submarine programme:

- Osborne, South Australia. 2023-2030 - build the submarine construction yard. 4,000 workforce
- Osborne, South Australia. 2030-2040: build nuclear-powered submarines. 4,000-5,500 workforce
- HMAS Stirling and Henderson, Western Australia. 2024-2030. Infrastructure upgrades to support hosting US and UK SSNs. 3,000 workforce
- HMAS Stirling and Henderson, Western Australia, 2027 onwards, Submarine Rotational Force – West hosting up to 1 UK and 4 USA SSNs. 500 workforce



# Naval precincts

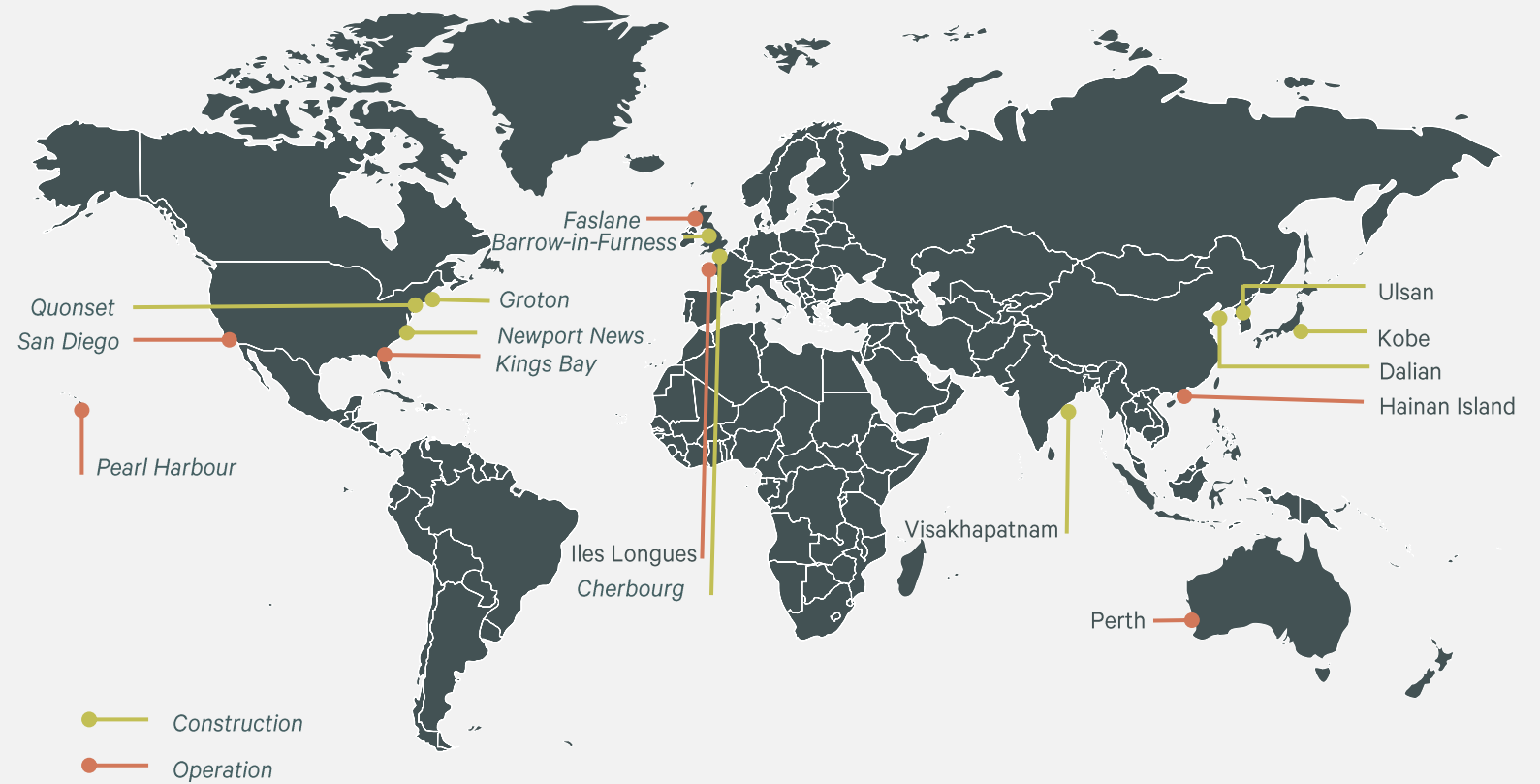
## *Global perspective*

Globally, submarines are primarily manufactured in China, France, India, Japan, Korea, Russia, UK and USA.

In most European countries and USA, submarine construction and operating bases are typically in regional markets. In contrast, Asia Pacific submarine construction is in close proximity to ship-building and automotive manufacturing hubs.

Our analysis suggests that a large-scale submarine construction yard and base typically employs around 20,000 staff.

Figure 1: Selection of submarine construction and operational bases



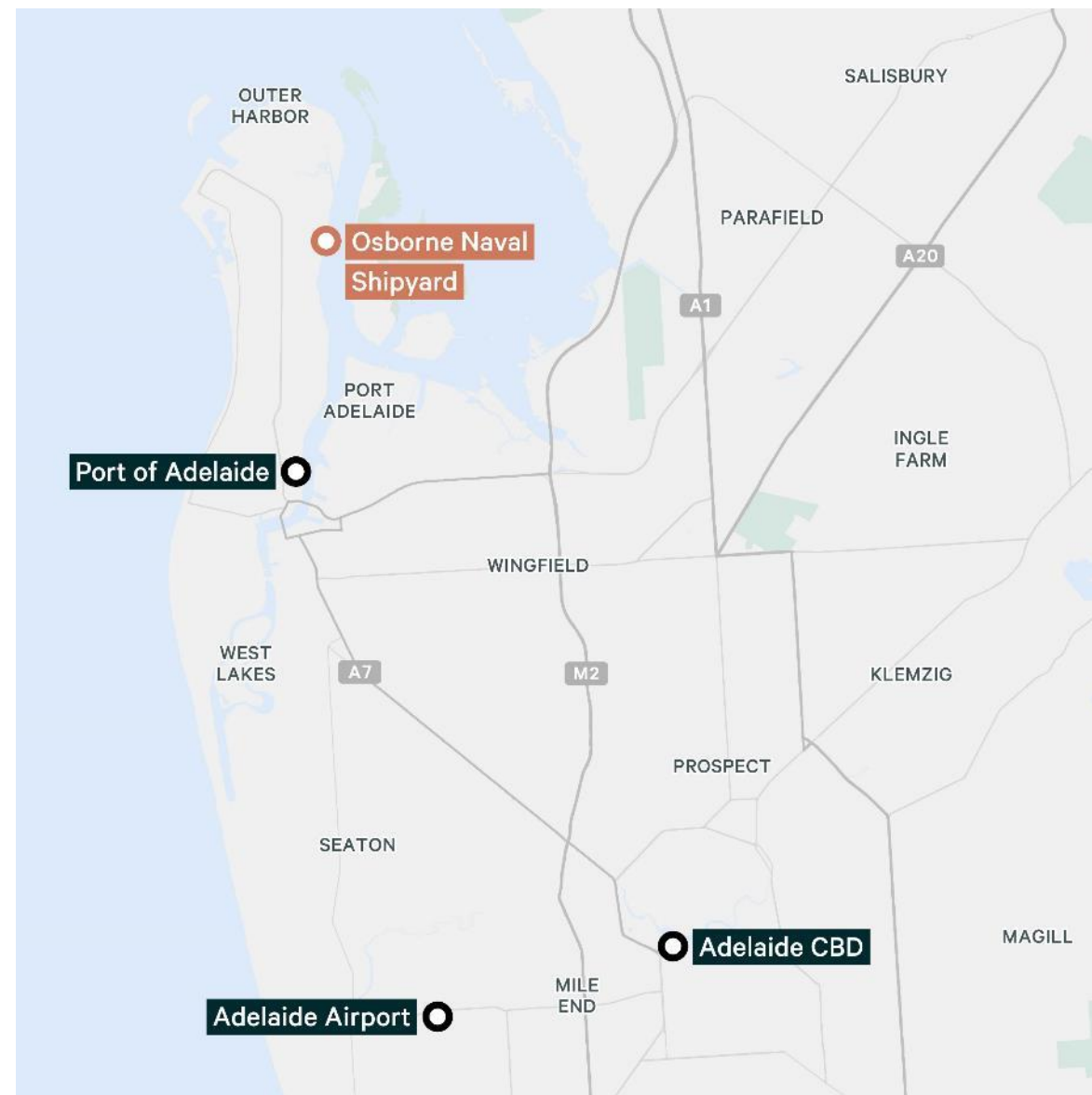
Source: CBRE Research, various Government websites

# Adelaide

## *Osborne shipyard*

Osborne shipyard is close to Port Adelaide. The submarine/ship-building industry typically rely on an eco-system of ~15,000 suppliers (source: National Defense).

For the Virginia class submarines, the current list of main contractors include Australian Submarine Corporation, BAE Systems, General Dynamics Electric Boat and Huntington Ingalls Industries. These firms, and their sub-contractors, are potentially the largest future occupiers of industrial space close to the yards.



# Adelaide

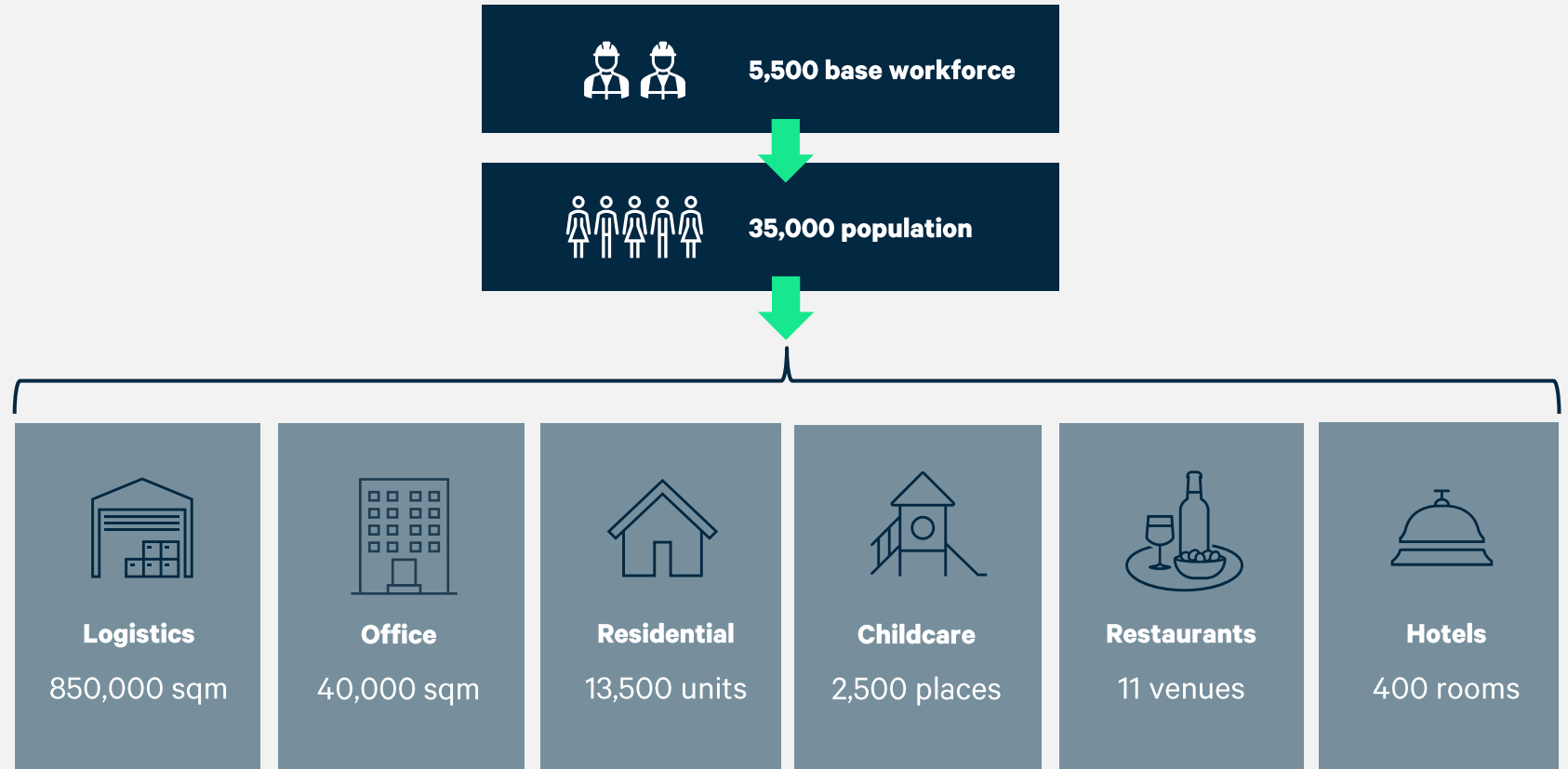
## *Demand & supply*

An incremental 4,000 workers are likely to be employed in constructing the shipyard and 5,500 in manufacturing submarines.

We anticipate a further 13,000 indirect jobs are created (multiplier) based on offshore research. Large scale manufacturing sites, akin to automotive/ships/submarines exhibit a very high logistics space take-up to population ratio of 100-170 sqm per person. This compares to typical benchmarks of 4.5 sqm per person for Australian cities.

CBRE estimate that incremental real estate demand in near proximity to the Osborne Shipyard will be: 850,000 sqm logistics, 40,000 sqm office, 13,500 residential units, 2,500 childcare places, 400 hotel rooms and 11 quick service restaurants.

Figure 2: Naval construction real estate maths



Source: CBRE Research, ABS, Employment Policy Institute, Statista

# Adelaide

## *Demand & supply*

Submarine construction at the Osborne Yard is likely to provide a significant demand shock to real estate in close proximity.

Our initial assessment is that:

### Logistics take-up

= 10 years of historical supply

### Office take-up

= 3 years of historical supply

### Residential apartment requirements

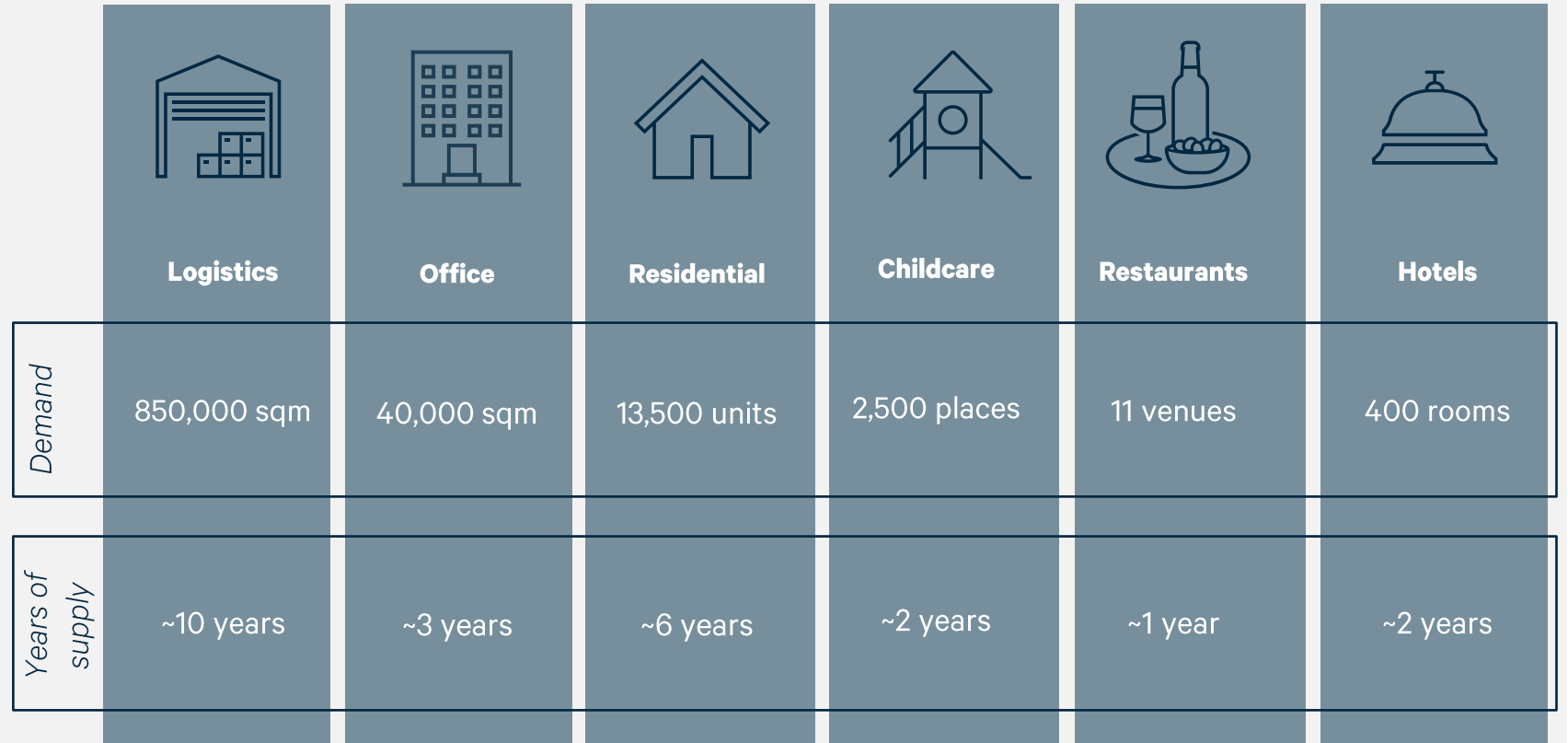
= 6 years of historical supply

### Childcare, Hotels and Restaurants

= 1 – 2 years of historical supply.

This enabling real estate needs to be developed urgently and in close proximity to the shipyard.

Figure 3: Naval precinct real estate maths



Source: CBRE Research

# Perth

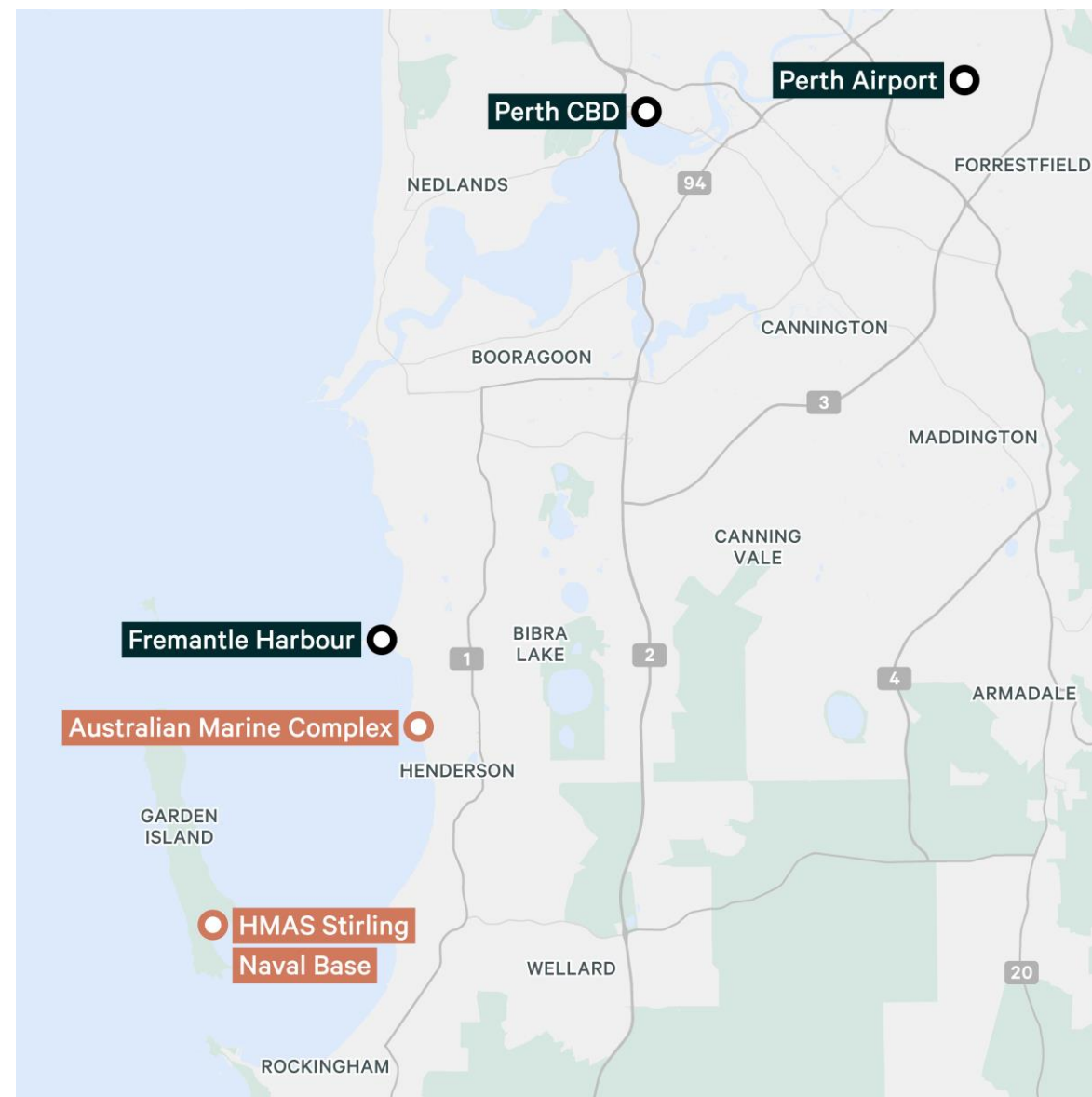
## *HMAS Stirling, Henderson*

HMAS Stirling is located at Garden Island, just off the South West of Perth. Currently, it provides operational and logistics support to the RAN ships, submarines and aircraft based in WA. There are ~3,500 personnel working at HMAS Stirling. The Australian Government has budgeted \$8bn to expand base capability. The initial phase is likely to employ 3,000 workers and longer-term operational phase likely to be 500 workers.

A \$127mn investment will also be made by the Australian Government to progress the feasibility of a naval ship building and maintenance hub for nuclear powered submarines in Henderson which could lead to further job creation.



Source: Department of Defence, Naval Historical Society of Australia, CBRE Research



# Perth

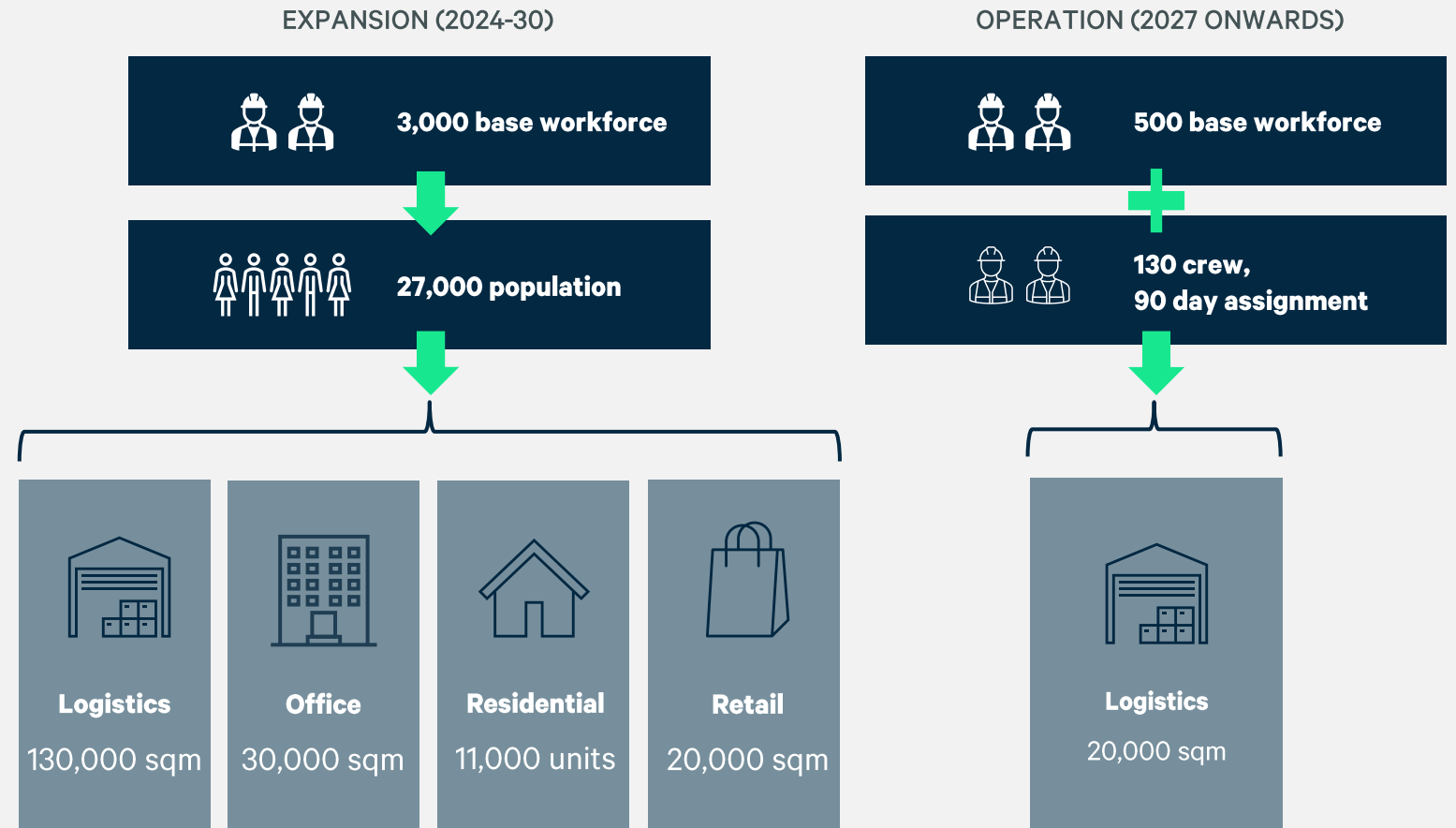
## *Demand & supply*

During the expansion phase, 3,000 direct (10,000 incl indirect) employment is likely to be created. CBRE estimate that Construction segment accounts for ~3 sqm/worker of direct logistics space demand, alongside ~4.5m sqm per person of incidental demand.

CBRE estimate that incremental real estate demand in the South-West of Perth will be: 150,000 sqm logistics, 30,000 sqm office, 11,000 residential units and 20,000 sqm of general retail space.

A ship building and submarine maintenance facility in Henderson, should it proceed, could lead to further upside in real estate demand in Perth.

Figure 4: Naval construction real estate maths



Source: CBRE Research

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