

11 April 2024

Tenancy Customer Charter

2023 Annual Performance Reporting

Port of Melbourne



CEO message

I am pleased to present the Port of Melbourne's Tenancy Customer Charter Annual Performance Report for 2023.

As Australia's largest container and general cargo port, the Port of Melbourne plays an integral role in the lives of our community and the economy of south-eastern Australia.

Lease agreements with tenants vary in term, with long term leases typically having a term of around 20 years or more, which provides our tenants certainty to plan and execute their business strategies.

We remain committed to continual improvement and working collaboratively to achieve commercially acceptable, market-based outcomes for our tenants and for the benefit of Victorian consumers.

Saul Cannon
Chief Executive Officer
Port of Melbourne



Tenancy Customer Charter Overview

On 4 November 2021, the Port of Melbourne (**PoM**) released the Tenancy Customer Charter (**the Charter**).

The Charter was designed to assist tenants in negotiating leases with PoM that meet their bespoke operating needs, are commercially acceptable to both parties, and are struck in accordance with our obligations to the Victorian Government.

Section 7 of the Charter outlines monitoring and compliance requirements, including publishing an annual performance report on PoM's Charter webpage (**Annual Performance Report**).

This Annual Performance Report details how we have performed against the key performance indicators (**KPIs**) that demonstrate PoM's compliance with, and performance against the Charter.



The Annual Performance Report has been prepared for the period 1 January 2023 to 31 December 2023 (**Reporting Period**).

Unless the contrary intention appears, capitalised terms that are not defined in this Annual Performance Report have the meaning given to those terms in the Charter.

Annual Reporting

Key Performance Indicators

Table 1 outlines how PoM has performed against the KPIs outlined in Section 7.6 of the Charter for the Reporting Period. For clarification, we have provided further comments below on the basis on which performance has been assessed. This Annual Performance Report does not include an assessment of KPIs relating to existing tenants or prospective New Lease tenants who have elected to opt out of the Charter.

Table 1: KPIs

| <u>Market Rent Reviews</u> | <u>New Leases</u> | <u>Other</u> |
|---|--|---|
| <p>100% compliance with the notification timeframes in the Charter for Market Rent Reviews being no earlier than three months before Rent Review date in the lease [1 of 1]</p> <p>0 Market Rent Reviews agreed</p> <p>0 Market Rent Reviews determined</p> <p>0 Market Rent Reviews going to an Independent Valuer for determination</p> <p>0% of Market Rent Reviews finalised by the Market Rent Review date in the leases [0 of 1] *Note 1*</p> | <p>100% compliance with the notification timeframes in the Charter for lease expiries being no less than 18 months before existing lease expires [30 months for Coode Island Tenants] [2 of 2]</p> <p>0 New Leases executed with new tenants</p> <p>5 New Leases executed with existing tenants</p> <p>100% of New Leases with existing tenants executed by the expiry date of the existing lease [2 of 2] *Note 2*</p> <p>0 New Leases going to an Independent Valuer for determination of the Reasonable Market Rent</p> | <p>0 compliance enquiries and complaints received by PoM</p> <p>0 compliance enquiries and complaints referred to the dispute resolution process</p> <p>1 Bona Fide Competitive Tender Process undertaken by PoM *Note 3*</p> <p>Additional KPIs *Note 4*</p> <p>100% of Market Rent Reviews issued by the Market Rent Review date in the leases [1 of 1]</p> <p>0 Market Rent Reviews initiated at tenants request</p> |

Market Rent Reviews

Table 1, Note 1: A Valuer would need to have regard to all relevant comparatives at the Market Rent Review date to provide a valuation assessment of the Reasonable Market Rent.

Accordingly, it is not possible in all circumstances for:

- a Market Rent Review assessment to be issued prior to the relevant Market Rent Review date; and/or
- a Reasonable Market Rent to be agreed or determined prior to the relevant Market Rent Review date.

In this case, the Rent Review Notice was issued by PoM to the tenant prior to the Market Rent Review date under the lease.

New Leases

Table 1, Note 2: The Charter outlines indicative timeframes for the key process for agreeing New Leases. Meeting these timeframes is a shared responsibility between tenants and PoM, and relies on both parties acting and engaging with each other in a timely and constructive manner.

Reported performance is recognised at the earlier of the existing lease expiry date and the execution date of the New Lease. Additionally, it does not include leases where existing tenants elected to opt out of the Charter and were offered but elected not to enter into a New Lease or an extension of the existing lease with PoM. For this Reporting Period, three of the five New Leases with existing tenants met these criteria and have been excluded from the KPI.

Other

Table 1, Note 3: Closed invitee request for proposal (RFP) commenced for Part 50 Koorringa Way, Port Melbourne with a site area of approximately 5.2 hectares. New lease outcome of the RFP is intended to result in a term of less than 8 years.

Additional KPIs

Table 1, Note 4: From time to time PoM may add or remove KPIs to better reflect available information or better align with the purpose of the Charter. Two additional KPIs in relation to Market Rent Review timeframes have been added for the purposes of this Reporting Period.

Rental Bands

For confidentiality reasons, current rental band information has been published to the extent that such information will not identify any particular lease or breach PoM's confidentiality obligations under a lease.

Accordingly, rental band information has only been published where there are at least three comparable leases with three unrelated tenants on port land (having regard to the use of the premises and the relative commercial value of different precincts within the port).

Key attributes that differentiate land use categories include but are not limited to:

- the nature of the permitted/commercial use of the land;
- landlord improvements and/or equipment;
- physical location,
- marine linkages; and
- adjacency and access to relevant facilities.

Key attributes that differentiate rents include but are not limited to:

- condition of the land and any existing improvements;
- condition and level of land improvement and/or equipment;
- size;
- road and rail linkages;

- market demand;
- alternative commercial use of the land; and
- lease terms including key commercial terms.

Comparative information that PoM considers relevant to setting rents includes information that can reasonably be obtained about rents applicable for tenants of the port at that time, and tenants of comparable land or premises and the value of the port and that comparable land or premises.

PoM has prepared the rental bands in Table 2 (**Annual Rental Band**) using the below methodology:

- rental rates are passing rents as at 31 December 2023;
- minimum of each rental band has been rounded down to the nearest \$0.50 per square metre (or \$1,000 per annum where applicable); and
- maximum of each Annual Rental Band has been rounded up to the nearest \$0.50 per square metre (or \$1,000 per annum where applicable).

Reasonable Market Rent offered by PoM in relation to a New Lease may differ from the Annual Rental Band. Unlike Reasonable Market Rent, the Annual Rental Band is not adjusted to account for differences in key attributes of each lease.

In addition to the Annual Rental Band, if requested by a tenant during negotiations regarding the Reasonable Market Rent at a Market Rent Review under a New Lease, PoM will provide the tenant with the Relevant Rental Band as defined in the Charter (if available) for comparable leases at the port.

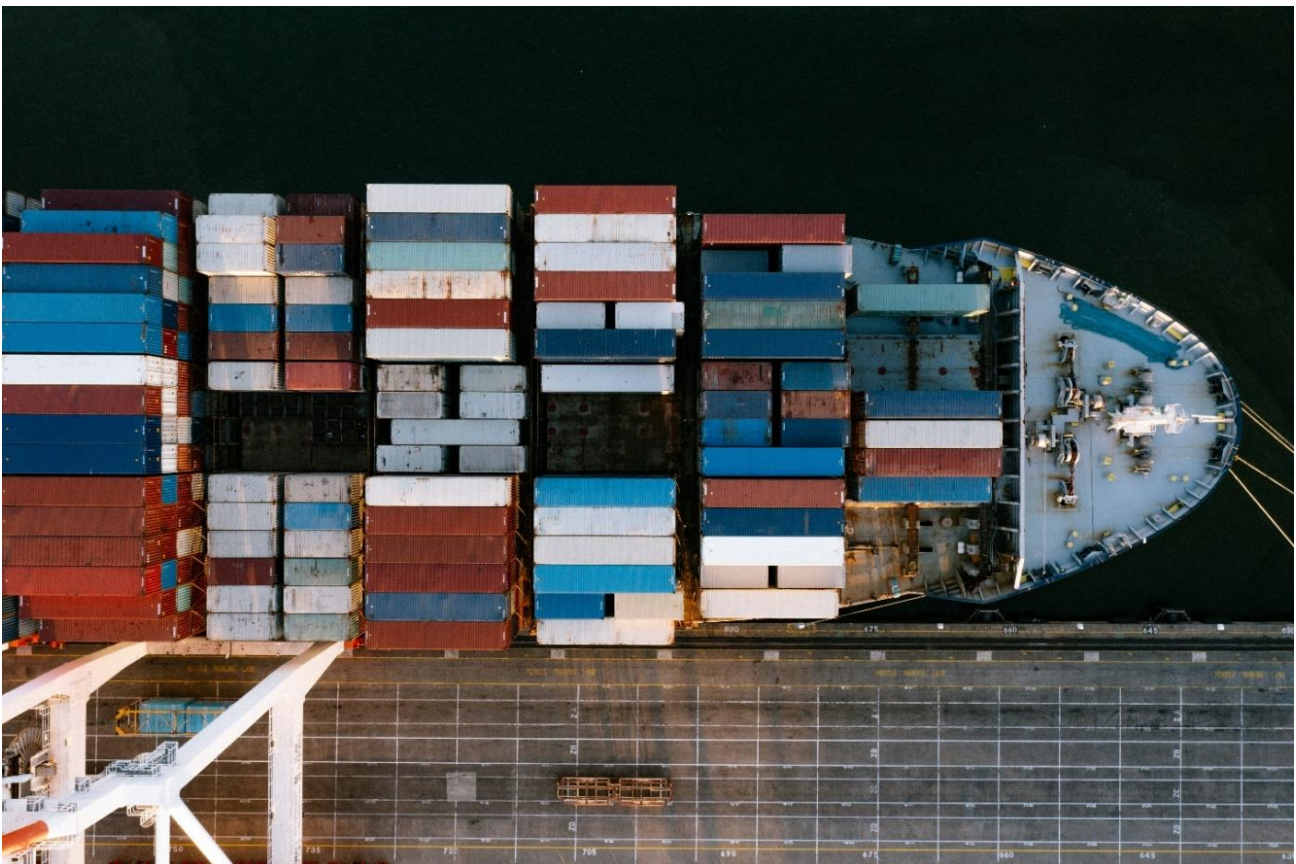


TABLE 2: ANNUAL RENTAL BAND

| LAND TYPE | | RENTAL BAND | | | | | | | | |
|--|---|--------------------------------|------|------|------|------|------|-------|-------|-------|
| LAND USE CATEGORY | PRECINCT | | | | | | | | | |
| Land Only | | \$30 | \$32 | \$34 | \$36 | \$38 | \$40 | \$42 | \$44 | \$46 |
| | | PER SQUARE METRE | | | | | | | | |
| On Wharf - Land Only International Container Terminal | Swanson Dock Webb Dock | Redacted for confidentiality | | | | | | | | |
| On Wharf - Land Only Other | Swanson Dock Webb Dock | | | | | | | | | |
| | Appleton Dock South Wharf Victoria Dock Yarraville Liquid Terminals | | | | | | | | | |
| Off Wharf Land Only | South Wharf Yarraville | Redacted < 3 leases | | | | | | | | |
| | Swanson Dock Webb Dock Appleton Dock Victoria Dock | | | | | | | | | |
| Land with Improvements | | \$40 | \$50 | \$60 | \$70 | \$80 | \$90 | \$100 | \$110 | \$120 |
| | | PER SQUARE METRE | | | | | | | | |
| Off Wharf Improved with Warehousing | South Wharf Yarraville | | | | | | | | | |
| | Swanson Dock Webb Dock Appleton Dock Victoria Dock | | | | | | | | | |
| Off Wharf Low value and utility improvements | South Wharf Yarraville | Redacted < 3 leases | | | | | | | | |
| | Swanson Dock Webb Dock Appleton Dock Victoria Dock | Redacted < 3 leases | | | | | | | | |
| | Provision of Port Services and or single use | Redacted no direct comparables | | | | | | | | |
| Other | | \$0 | \$10 | \$20 | \$30 | \$40 | \$50 | \$60 | \$70 | \$80 |
| | | \$,000 PER ANNUM | | | | | | | | |
| Other | Pipeline | | | | | | | | | |
| | Telecommunication | Redacted < 3 tenants | | | | | | | | |
| | Utilities | | | | | | | | | |
| | Conveyors | Redacted < 3 leases | | | | | | | | |

KEY: Prior Reporting Period Reporting Period

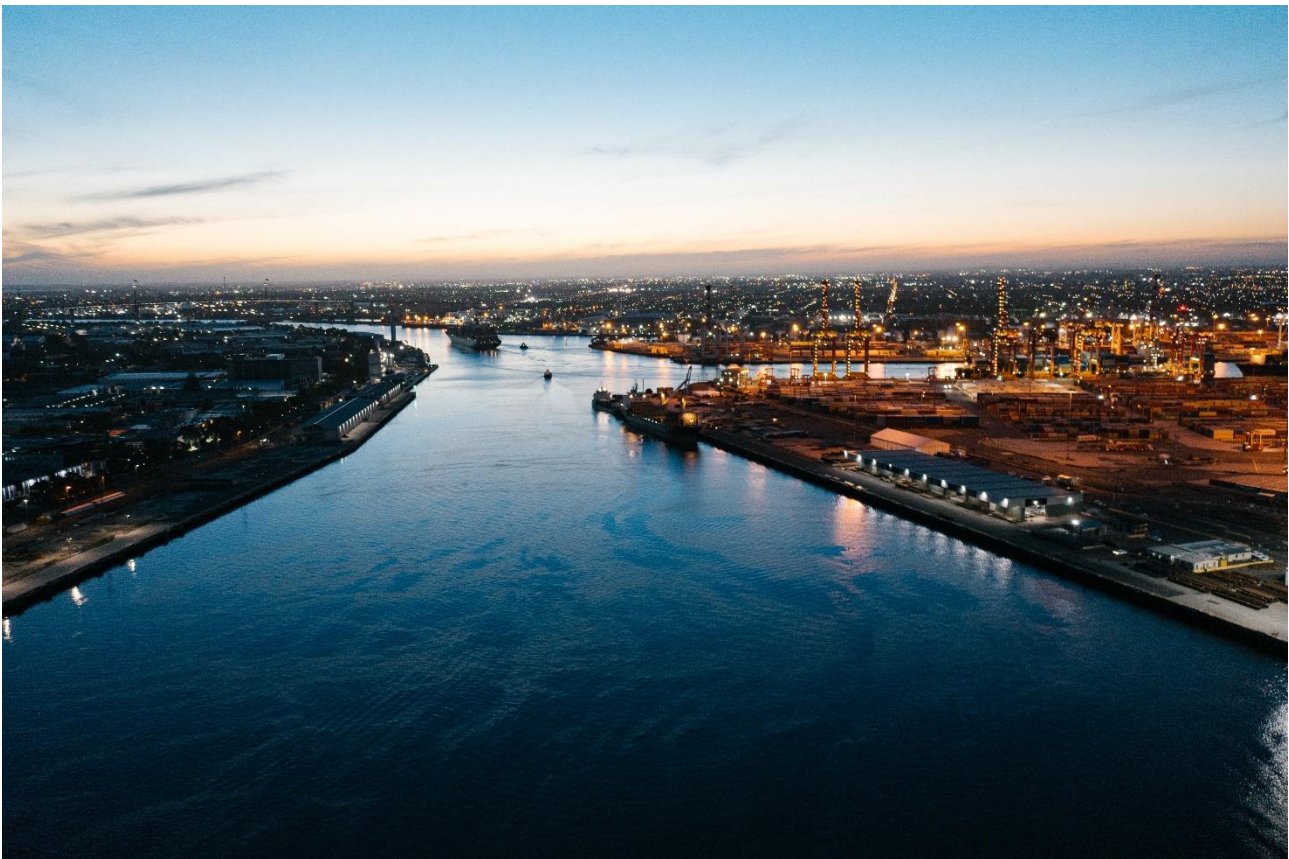
More information on rental bands and valuation principles can be found in the Charter

Reporting to the Port Lessor

Section 7.2 of the Charter outlines how we will report on our compliance to the Port Lessor.

During the Reporting Period, PoM has:

- provided the Port Lessor with copies of:
 - New Leases entered into by PoM with tenants as soon as practical; and
 - material amendments to leases agreed by PoM with tenants as soon as practicable after amendments were made; and
- responded to other requests from the Port Lessor for information in relation to the Charter.



For more information

More information on the Charter can be found on our website or by clicking [here](#).

We welcome your feedback or questions. Please reach out to a Port of Melbourne contact below:

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