

Rhodes East

Property Market Appraisal and Development Feasibility

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QUALITY ASSURANCE

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EXECUTIVE SUMMARY

Market Appraisal

The residential market in Sydney has been very strong over the past three years fuelled by population growth, overseas investments and sustained long term low interest rates.

Rhodes in particular is attractive due to a combination of factors being in the middle of the metropolitan area, on a rail line with regular trains to the city and surrounded by the Parramatta River to the north, west and east. The suburb west of the railway line has been transformed from heavy waterfront industry to new high density urban living which has attracted buyers, investors and renters – particularly from East Asia.

The strong market in recent times has seen apartment prices rise from \$8,000 to \$9,000/sqm three years ago to \$10,000 to \$13,000/sqm today making residential the most viable land use option.

The rise in end sale prices has translated to a more significant rise in development site sales from around \$100,000/unit three years ago to above \$250,000 today further improving the feasibility of redevelopment. Much of this has also come from an improvement in the availability of capital and stronger interest from Chinese developers and investors.

Ground floor retail space in prime locations will achieve similar, if not higher, value than residential with net rents of specialty shops above \$1,000/sqm and yields as low as 6%. Demand for retail space however is limited to population and workforce growth.

Net facing rents for new A-grade office space in the locality is no more than \$400/sqm. With around 7% yield this translates to end value of no more than half residential value yet the costs to deliver are similar.

Industrial rents and values are too low to be viable in prime locations in the Sydney metropolitan, near the CBD, at major centres and along Parramatta River. Where sales of industrial sites have shown exceptionally low yields this has been a reflection of redevelopment potential.

Feasibility of the Structure Plan

The feasibility of developing the waterfront sites is very marginal. The high land costs are the main contributing factor to its difficulty. It's considered that all dwellings must have at least one car space as the market risks are too high with apartments or terraces without onsite parking.

Concord Road and Blaxland Road sites are more viable to redevelop largely due to the high apartment yields that can be achieved in built forms up to 15 storeys high.

Residual land value (RLV) is around \$190,000 to \$200,000 per apartment. A house on a small lot (500sqm) without the ability to subdivide into two lots has an opportunity cost of say \$1.5m. Allowing for some incentive to further amalgamate (say \$1.9m to \$2.0m) this means 10 apartments is required to replace the cottage. This does not allow for any affordable housing or infrastructure spending over and above Section 94.

A house on a big lot (1,000sqm) could be subdivided into 2 small lots each with an end sale value of around \$1.5m. Hence \$2.5m to \$2.8m represents a fair opportunity cost. This means around 15 apartments per cottage.

This is the "threshold level" that will make redevelopment viable.

To deliver affordable housing at no cost to Council and/or to meet additional costs of internal roads, open spaces and the like, densities need to be increased. For every four apartments allowed over and above the threshold level one equivalent sized apartment could be dedicated for affordable housing.

The waterfront sites are likely to be viable to redevelop to the densities proposed with the inclusion of 5% affordable housing in say 8 to 10 years from now during the next upturn in the market. Number 23 Leeds Street however needs to amalgamate with the lots in front (immediately facing Leeds Street) to be viable.

1 INTRODUCTION

Hill PDA was engaged by NSW Department of Planning and Environment under project management by Roberts Day to provide property economics intelligence into the planning of Rhodes East Priority Investigation Area (hereafter related to as the Study Area).

Rhodes East presents a unique opportunity for revitalisation, growth and economic development. Inherent in the proposed study is a need for an effective integration of expertise in planning, urban design and economics to ensure the outcome of the project is both practical and achievable.

Methodology

In order to independently assess the current Study Area market and undertake a feasibility assessment. HillPDA undertook:

- A site appraisal and information review;
- Market appraisal on retail, commercial and industrial property, residential apartments and residential and mixed use development sites;
- Preliminary feasibility testing to determine the likely yield required to achieve redevelopment;
- Feasibility testing of typologies prepared by the urban design team;
- Feasibility testing of inclusionary zoning for affordable housing.

Location

The Study Area is located in the Rhodes East. The current land uses comprises of light industrial with low density housing.

Rhodes East Precinct currently comprises of a mix of land uses such as residential, office, retail, community and educational uses.

2 THE RESIDENTIAL MARKET

This Chapter undertakes an assessment of the residential apartment market including demand, prices and market absorption rates. In order to understand the current residential market supply and demand in the local area information was obtained by various property data sources and discussions with local agents.

Residential Apartment Market Overview

The Inner West has become increasingly a destination for young adult professionals owing to its proximity to the Sydney CBD and lifestyle opportunities on offer. The residential property market has performed well in recent years, recording growth in median values and outperforming many other regions in Sydney. The presence of educational institutions like University of Sydney and Macquarie University has contributed to a large number of students living amongst a vibrant mix of young families, professionals and migrants.

The Inner West has been the subject of much commentary and analysis with its relatively steady demand for dwellings as purchasers take advantage of close proximity to the Sydney CBD and good access to rail and transport networks. The ongoing gentrification of many of the suburbs within the Inner West has also contributed to its overall attractiveness.

The Suburb of Rhodes is located 15km west of the Sydney CBD, in the local government area of Canada Bay. The suburb of Rhodes is a well-established area that was predominately zoned industrial and low residential. Over the past decade the area has been transforming from heavy industrial to high density residential, retail and business park precinct around the recently upgraded train station.

Households within the Suburb of Rhodes are predominately couples with no children. 56% of the residents rent their dwelling, 29% are purchasing with mortgages and 13% fully own their homes.

Discussions with agents identified that there is limited supply of new residential apartment developments in Rhodes. However there are many resales of apartments within the area.

The median price for apartments in Rhodes was \$680,000 in January 2016, compared to \$892,500 in the Canada Bay Local Government Area¹.

¹ Residex State Market Report dated September 2016

Residential Apartment Sales

There is a limited supply of off-the-plan residential apartment sales in Rhodes. For that reason we broadened our search to surrounding suburbs such as Wentworth Point, Meadowbank, Breakfast Point and Sydney Olympic Park to gain an understanding of sale values.

A number of residential apartment developments with off the plan sales during the months of January and February 2016 were analysed. The developments are as follows:

Table 1: Shepherds Bay, Bowden, Belmore, Church & Waterview Streets;

Shepherds Bay, Bowden, Belmore, Church & Waterview Streets			
		Multi-staged development in Meadowbank comprising 5 to 10 storey buildings. Stage 1 of development is complete. Stage 2 is now selling 162 apartments of which 5 by 1-bed and 20 by 2-bed units are left. The Kingston Quarter building is currently pre-selling.	
Sales Rate:		Since November 2015 CBRE have sold 137 units. This equates to a sales rate of 34 units/ month	
Completion:		Project is scheduled to compete in December 2018	
Sold Prices			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	\$610,000-\$745,000	45-63	\$11,800-\$13,500
2 Bedroom	\$830,000-\$1,225,000	80-114	\$10,125-\$10,745
3 Bedroom	\$1,150,000,-\$1,520,000	95-103	\$12,105-\$14,758
3 bedroom Penthouse	\$1,750,000		
Comments from the selling Agent			
<ul style="list-style-type: none">1-bedroom apartments' internal areas range from 45-63sqm, some with study. All one bedroom apartments have a single car space. Current sale price is between \$11,800 and \$13,500/sqm.			

- 2-bedroom apartments internal areas range from 80sqm (single bathroom) to 114sqm (dual level having a 6m high ceiling in the living area with the master bedroom and ensuite on a mezzanine level).
- There are 5 one bedrooms left, 20 two bedrooms left and no 3-bedrooms remaining.
- 85% of the buyers are owner occupiers.
- Prices for the 3-bedrooms ranged from \$1.15m for a 95sqm first floor apartment to \$1.52m for 103sqm on Level 8 with water views. A couple of dual level penthouse apartments on the top sold for \$1.75m. All three bedroom apartments include 2 car spaces. Prices ranged from \$12,000/sqm to \$14,000/sqm

Table 2: Marina Square, 4 Waterways, Wentworth Point

Marina Square, 4 Waterways, Wentworth Point			
		The Marina Square project comprises of 407 apartments, with 1, 2 and 3 bedroom units. It is advised by the marketing agent the project will be completed in mid-2018. This is the multi-staged development currently under construction by Billbergia which will include a 2 level shopping centre with a full line Coles supermarket.	
Sales Rate:		The selling agent released the first stage in May 2015 and to date sold 95% of the apartments off the plan. This reflects a sale of approximately 135 apartments per month.	
Completion:		Mid 2018	
Sold Prices			
Product Type	Internals with enclosed balcony	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	68	\$685,000-\$792,000	\$10,000 - \$11,500
2 Bedroom	74-83	\$830,000-\$1,000,000	\$11,500 - \$12,400
3 Bedroom with views	88-96	\$1,125,000-\$1,300,000	\$12,784 - \$14,772
Comments from the selling Agent			
The selling agent identified that 70% of buyers were owner occupiers and 30%			


were investors.

- Total of 20% investor market was foreign buyers.
- A portion of the owner occupiers consists of first home buyers. This is because the threshold for a \$15,000 grant is offered with a purchase of a brand new apartment that is less than \$750,000.

Source: Marketing Agent, realestate.com.au, 2016

Table 3: Tagia, Wentworth Point NSW 2127

41-45 Hill Rd Wentworth Point Stage 4 release


	<p>25 storey building containing 383 apartments. Within the building 84 x 1br, 180 x 2br and 12 x 3br.</p> <p>Only east facing apartments have water views which explains the selling price disparity of \$630,000 - \$1,670,000. Carparking over 2 sub-surface basement levels for 433 vehicles & 9 on street spaces. All apartments have one car space.</p>		
Sales Rate:	The first release was in September 2014. Sales rate unable to attain.		
Completion:	September 2017		
Sold Prices			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	54	\$630,000 - \$665,000	\$11,666 - \$12,314
2 Bedroom	74-88	\$905,000 - \$965,000 (with views)	\$10,965 - \$12,229
3 Bedroom	127	\$1,550,000 - \$1,675,000	\$12,204 - \$13,188
Comments from the selling Agent			
<ul style="list-style-type: none">Most of the two bedrooms sold off the plan in 2 days. The remaining few were sold in the following two weeks.70% of buyers intend to live in the property either at completion or after the first tenant. The majority of 2 bedrooms were sold to young families and young professionals.The local amenities and future connecting bridge with additional transport are			

attracting first home buyers.

- There are only 2 3 bedroom units available. Both are located in the 21st floor with easy access to the rooftop terrace. The agents suggested the last units will be sold in the next two weeks.

Source: Marketing Agent, realestate.com.au, 2016

Table 4: Jewel 1 Burroway Road Wentworth Point

Jewel 1 Burroway Road Wentworth Point NSW 2127			
		The building consists of 249 apartments. 71x 1br, 164x 2br and 14x 3 br.	
Sales Rate:		The first release was in August 2015. 75% of the sales occurred in the first two weeks to Chinese investors. The rest of the units were sold over 6 months. This equates to a sales rate of 42 units/month	
Completion:		July 2017	
Sold Prices			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	56	\$630,000 - \$665,000	\$11,250 - \$11,875
2 Bedroom	81	\$710,000 - \$830,000 (\$1,100,000 with views & larger sqm)	\$8,765 - \$10,246
3 Bedroom	105-121	\$1,100,000 - \$1,350,000	~ \$11,000
Comments from the selling Agent			
<ul style="list-style-type: none">Sales prices varied due to waterfront and parkland view. It's worth noting those apartments located at the rear of the property sold quickly due to price but the agent suggest it will be hard to sell after completion due to the availability of other similar priced units in nearby buildingsOver 75% was sold to Chinese investors. On the day of sale 2 buses of investors were present.In the agents opinion the properties were overpriced compared to completed.			


- It's likely the new public school and Coles will increase market prices after 2018. The area is becoming more desirable due to the bridge to Rhodes and planned 200 space marina.

Source: Marketing Agent, realestate.com.au, 2016

Pre-sales in 2015

The tables below provide several developments pre-selling apartments in early 2015. Most of these developments are currently under construction and expect to be completed this year.

Table 5: The Address Hill Road, Wentworth Point

The Address – Hill Road, Wentworth Point			
		The Address Project is a multi-stage development comprising of nine residential towers. The latest release of this project is Savannah which was released in January 2015.	
Sales Rate:		It was advised by the selling agent the project release approximately 149 apartments and sold all within 6.5 weeks, reflecting a sales rate of approximately 96 units per month.	
Completion:		2016	
Sold prices for Savannah Stage 2 Levels 9-21 (Released Jan 2015)			
Product Type	Internals	Price Range	\$/sqm Range (Internal)
1 Bedroom	50 - 67	\$635,000 - \$720,000	\$10,746 - \$12,700
2 Bedroom	74 - 93	\$710,000 - \$980,000	\$9,595 - \$10,538
3 Bedroom	103 - 111	\$1,250,000 - \$1,675,000	\$12,136 - \$15,090
4 Bedroom	145	\$1,950,000	\$13,448
Asking Prices for Taiga Stage (final stage)			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	56 - 57	\$640,000 - \$685,000	\$11,429 - \$12,232
3 Bedroom	112 - 113	\$1,150,000 - \$1,675,000	\$10,268 - \$14,823
Comments from the selling Agent			

- The selling agent revealed the latest release (Taiga Stage) is generating sale values of up to \$16,000/sqm for some of the apartments with water views. Apartments with views in the Savannah Stage 2 (remaining units for sale achieved sales rates of up to \$14,000/sqm).
- The selling agent indicated that buyers comprised of both owner occupiers and investors. There was a wide mix of locals from the area, elsewhere in Sydney and foreign buyers. Further, there was a wide mix of empty nesters, young couples and small families.
- The selling agent indicated an apartment with water views or north aspect could expect to sell for an extra \$80,000 to \$100,000 per unit.

Source: Marketing Agent, realestate.com.au, 2015

Table 6: Wentworth Point Marina, 11 Wentworth Place, Wentworth Point

Wentworth Point Marina, 11 Wentworth Place, Wentworth Point



The Wentworth Point Marina project comprises 300 units across four buildings. The project is located at Wentworth Point and is expected to be completed at the end of 2019.

Sales Rate:

The Wentworth Point Marina project will be released in August 2015. It was advised by the marketing agent all units would be sold within 1 month.

Completion:

End of 2019

Expected asking prices for August 2015 release.


Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	60-70	\$600,000-\$700,000	\$10,000
2 Bedroom	70-90	\$750,000-\$950,000	\$10,555 - \$10,714
3 Bedroom	90-110	\$950,000-\$1,270,000	\$10,555 - \$11,545

Comments from the selling Agent

- The selling agent revealed that a two bedroom unit with an internal area of 80sqm with water views or north aspect would expect to sell from \$780,000 to \$800,000 (\$9,750/sqm-\$10,000/sqm). The apartments located on higher levels with water views may sell from \$950,000.


Source: Marketing Agent, realestate.com.au, 2015

Table 7: Spring Homebush: 22-24 Smallwood Avenue, Homebush

Spring Homebush:22-24 Smallwood Avenue, Homebush			
		Spring Homebush comprises of 47 apartments, consisting of 8x1br, 32x2br, 7x3br units.	
Sales Rate:		It was advised by the marketing agent all 50 units were released in July 2015 and were sold within 2 weeks.	
Completion:		Mid 2017	
Sold Prices			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	55	\$550,000	\$10,000
2 Bedroom	70-80	\$700,000	\$8,750 - \$10,000
3 Bedroom	90	\$1,000,000	\$11,111
Comments from the selling Agent			
<ul style="list-style-type: none">It was advised by the marketing agent, buyer profiles mostly comprised owner occupiers being locals from the region. The agent indicated there was a wide mix of couples, young families and empty nesters.			

Source: Marketing Agent, realestate.com.au, 2015

Table 8: Breakfast Point - 19-21 Tennyson Road, Breakfast Point

Nantucket Release: Breakfast Point - 19-21 Tennyson Road, Breakfast Point	
	The Nantucket release comprises 101 units, consisting of 61x1br, 31x2br and 9x3br units. Construction has commenced and completion is expected in late 2017.

Sales Rate:		The first release was in November 2014, with approximately 91 units sold over this period, reflecting a sales rate of approximately 10 per month.	
Completion:		Late 2017	
Sold Prices			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	52-80	\$680,000 - \$1,000,000	\$12,500 - \$13,077 (with views)
2 Bedroom	80 - 110	\$950,000 - \$1,500,000	\$11,875 - \$13,636
3 Bedroom	134 - 195	\$1,725,000 - \$3,900,000	\$12,873 - \$20,000 (penthouse)
Comments from the selling Agent			
<ul style="list-style-type: none">It was advised by the marketing agent, buyer profiles comprised mostly owner occupiers from the local area and in particular the inner west region. There was a strong portion of empty nesters.The two bedroom units priced at \$1,500,000 comprises two storey apartments with views.Based on this evidence, it is expected apartments offering water views could expect to achieve around \$13,000/sqm.			

Source: Marketing Agent, realestate.com.au, 2015

Market Take-up

Rhodes has been one of the fastest growing suburbs in Sydney in terms of dwelling completions. ABS dwelling completion statistics show an average of 452 new dwellings every year from 2008 to 2013. This made it the fastest growing suburb in new strata dwellings over that five year period.

As Rhodes west of the railway nears completion demand will shift to Rhodes East.

Given the need to amalgamate sites and assuming a rate of dwelling completion peaking at around 400-450 per annum it could take 15 years from rezoning for Rhodes East to reach close to full development.

3 DEVELOPMENT SITE SALES

Our research has revealed that there have been limited development site transactions over the last 12 months. Sale transactions over the previous 12 months include 28 Cavell Avenue, Rhodes in November 2014, which sold for \$1,905,000 (804sqm). The development comprised of a two storey boarding house with 15 studio rooms.

We note that a large number of sales occurred in 2012 with one large parcel (12.1 hectares) being rezoned. There are few developments in the pipeline with the exception of the Billbergia site in the Station Precinct.

Sydney Development Site Sales

HillPDA have analysed development site sales in the wider area to demonstrate more recent achievable prices. These development site sales vary in prices (\$/unit) due to various conditions relating the each sale (e.g. development approval, existing tenancy, extended settlement etc). Proposed unit yields were determined from existing approvals, proposed units or estimated unit yield that is applicable under the current planning controls.

Table 9 - Development Site Sales

Address	Suburb	Date	Sale Price (million)	Site Area (sqm)	\$/sqm	Zoning	Planning Approval	Proposed Unit Yield	Unit Site Value
4-8 Smallwood Avenue	Homebush	Dec-15	\$14.75	2,056	\$7,174	R4	Yes	66	\$223,485
23 Bennelong Parkway	Wentworth Pt	Dec-15	\$97.65	26,670	\$3,661		Submitted	273	\$357,692
2-4 Culworth Avenue	Killara	Dec-14	\$12.5m	2,986	\$4,186	R4	Yes	44	\$284,091
54 Burwood Road	Burwood	Aug-14	\$4.0m	409	\$9,780	X	X	14	\$285,714
34 Belmore Road	Burwood	Sep-13	\$4.3m	787	\$5,464	X	X	18	\$238,333
12-16 Boundary Street & 13-17 Grosvenor Street	Croydon	Nov-14	\$17.5m	2,259	\$7,747	X	X	76	\$230,263
23-27 Lindfield Ave	Lindfield	Oct-14	\$27.0m	3,399	\$7,944	B2	Yes	112	\$241,071
659-661 Victoria Road & 4-6 Wharf Road	Melrose Park	Aug-14	\$135.0m	45,552	\$2,964	B4	No	1150	\$117,391
115 Bowden Street	Meadowbank	May-14	\$3.6m	1,075	\$3,349	B4	No	25	\$144,000
1-17 Delhi Road	North Ryde	May-14	\$46.5m	13,000	\$3,577	B4	No	337	\$137,982
120-124A Victoria Road	Gladesville	Mar-14	\$7.1m	1,391	\$5,104	B4	No	46	\$154,457
5 Whiteside Street	Macquarie Park	Feb-14	\$25.2m	13,973	\$1,802	Mixed use	Yes	135	\$186,496

Source: HillPDA Research, RP Data, commercialrealestate.com and Retail Market Overview

As shown in the above table sales of development sites ranged from \$118,000/unit to \$357,000/unit and the average was \$216,500/unit. The site at 1-17 Delhi Road, North Ryde is considered a little inferior to Rhodes being near the intersection of the M2 and Delhi Road and facing the cemetery. Melrose Park is a little inferior and the low price per dwelling reflects the large scale of development which is likely to take many years to complete. Gladesville and Bowden Street, Meadowbank are close comparisons but the sales are getting quite dated.

Given the location of Rhodes, in the middle of the metropolitan area on the Parramatta River with a regular train service into the city, we expect good prices for development sites – in the order of \$220,000 to \$300,000 per apartment.

Rhodes Development Pipeline

According to Cordell Connect database only four developments are proposed to be completed over a four year period (2016-2020). The developments include two boarding houses and two mixed use developments. A total of 682 residential apartments are proposed in Rhodes.

Table 10: Rhodes Development Pipeline 2016-2019

Address	Completion Date	Site Area (sqm)	Planning Approval	Proposed Unit Yield	Comments
28 Cavell Avenue	Nov- 16	804	Site sold with DA	15	This development comprises of 15 studio one bedrooms.
424 Concord Road	May-17	494	Yes	27	This development comprises of a mixed use development over four storeys with a ground floor retail and
16 Walker Street	Sept-19	679	Submitted	14	This development comprises of a mixed development over seven storeys. Ground floor commercial space and apartment on the upper floors.
6-14 Walker St & 11-25 Marquet St	Jan-20	11,121	Submitted	668	This development comprises of four level podium providing three levels of retail tenancies (lower ground level – level 2); serviced apartments (level 3). Also proposed is two residential towers containing 668 units over 28 – 39 storeys. .
Total Residential Apartments				682	

Source: Cordell Connect 2016

4 THE RETAIL MARKET

The retail market in the Rhodes is dominated by small to medium retail shops. These spaces are well suited for restaurants, cafes, and takeaway, personal services, cultural and medical centres.

The mix of pedestrian traffic is predominately Asian 60% (approx). One agent mentioned an increase in American residents around the Walker Street development.

Retail Sales and Leases

The table below provides the net rents achieved in the area. Two of these at \$1,000/sqm and \$1,630/sqm are less than \$1,500/sqm - \$5,000/sqm generally achieved for Sydney CBD locations.

Table 11: Retail Lease Market

Address	Rental pa	Building Area (sqm)	Analysis \$/sqm	Comments
5/2 Walker Street, Rhodes	\$148,000	91	\$1,626	Prime retail location with high pedestrian traffic. Currently used for a takeaway shop. Tennant was going to move out however the local market didn't have any larger retail spaces. This resulted in the tenant renewing their lease at market price for five years. Agent in charge of lease is has little stock available.
42- 46 Walker Street	\$55,000	50	\$1,100	Located in a mixed-use building there were eight (8) retail spaces available ranging from 50sqm to 163sqm. Due to high demand the Agent has applications for all spaces (total 25). The commercial space above the retail shops is being offered as storage space for the retail tenants.

Source: Real Commercial

Vacancy rate estimates in Rhodes range from 0.1 to 1.5%², this suggests a lack of retail stock and is consistent with our market research. Retail premises in Rhodes located in close proximity to residential are on the market for 7 Days (approx.). A number of agents confirmed with each lease they are receiving at least three (3) application and up to ten (10) in some instances. Due to scarcity one agent has a number of clients seeking to lease ground floor commercial for retail purposes.

With the smaller retail shops there has been a high turnover of tenants. These shops are small takeaway shops and gift stores. It's important to note while there has been a high turnover of smaller retail spaces, one agent advocated it was the tenant's lack of area knowledge and business suitability that resulted in premature vacancies.

Raywhite Commercial, AZ Invest and LJ Hooker Commercial all suggested the retail will remain strong due to the residential proximity and local population declining to drive to the bigger outlets.

A review of Cordells Connect revealed no retail developments in the pipeline. In the last 5 years the majority of the available retail is part of mixed use development (part commercial/retail and residential uses).

We are aware of the current development proposal by Billbergia on the Station Precinct site which is likely to accommodate around 15,000sqm of retail space including a full line supermarket and an Asian grocery.

Demand for Shop Front Space

Demand for shop front space in Rhodes East will be primarily driven by the expected population. When fully developed the precinct is expected to house 8,500 residents.

These residents are expected to be a little more affluent than average Sydney residents spending around \$14,700 each on retail goods and services every year.

Assuming retailers capture 22% of total retail expenditure from Rhodes East and an additional 15% of trade from visitors outside Rhodes East then around 6,000sqm of shop front space could be supported in Rhodes East. The suggested mix is as follows:

- Supermarket ~1,500 to 2,000sqm
- Specialty Food including liquor & Asian Grocery ~600sqm
- Fast foods and restaurants ~1,000 to 1,500sqm
- Other specialties and personal services ~1,500sqm
- Non-retail services ~500-1,000sqm

Further commercial space could also be provided in the form of professional suites, medical centre, etc.

5 OTHER MARKETS

The Commercial Office Market

The Inner West commercial market has traditionally offered smaller scale commercial accommodation, often in conjunction with warehouse / industrial space. The market has varying complexities, suburbs like Silverwater and Auburn experience higher vacancy rates, however suburbs like Rhodes and Wentworth Point are desirable due to water views and transport options.

Notwithstanding the demand for office space in some markets, the development supply pipeline remains constrained. This is due to poor development viability and justified by limited transactions of commercial development sites in the Inner West and indeed in wider Sydney in recent years. As a consequence, new supply of commercial floor space observed to have entered the market in recent times has comprised primarily of refurbishments and adaptive reuse projects.

Rhodes and its Surrounds

The Rhodes office market is approximately 150,000sqm and is a mature market with little development capacity. Commercial occupiers are diverse, from logistics and transport operators to local businesses. Warehouse conversions have facilitated tenant flexibility at competitive rates.

Current tenant drivers are the local amenities that cater to work-life balance businesses such as gyms, childcare and retail. Since June 2015, there has been little to no capital investment which has placed downward pressure on yields. An agent indicated Rhodes current tenancy have been exercising options, one key deal in 2015 was the expansion of Link Marketing Services.

Table 12: Rhodes Commercial Market (2015)

Grade	Average Net Face Rents (pa)	Incentives	Vacancy	Average Market Yield
A Grade	\$380	28%	5%	6.5%-8%

Source: Colliers International

Discussions with local Rhodes agents confirmed that there is demand for new high quality commercial office space in Rhodes, particularly small to medium office space between 50- 250sqm with car parking located in walking distance of retail shops.

Discussions with agents identified that there has been limited sale transactions within the suburb of Rhodes for commercial space due to the limited supply.

Table 13 outlines the asked and achieved rents for commercial properties over the last 12 months (2015) in Rhodes. The evidence suggests that net rents for A grade stock being achieved range from \$390-\$410/sqm depending on size, location and age of stock. Floor spaces above 6 storeys are very desirable. Our market research suggests that recent rents achieved in Silverwater and its surrounds range between \$230-\$400/sqm depending on quality and proximity to amenities.

Table 13: Rhodes Rent Transactions (2015)

Address	Building Area (sqm)	Analysis \$/sqm	Comments
5 Rider Boulevard, Rhodes	723-3189	\$390-\$410/sqm	Located 200meters from the train station and available for short and long term lease. Current tenants are pharmaceuticals, consulting, finance and developers. The agent noted he did not have any legal tenants.
Building F , Rhodes Corporate Park, 1 Homebush Drive	607-5,700	\$370-\$390	Blue chip occupiers Australand, Nestle, NAB, Citigroup, Hewlett Packard, Link Market Services, DHL and Macquarie Bank. Building was completed in 2012. Internal areas range from 607-5,700sqm. Building has direct access to Waterside shopping centre.
Building C , Rhodes Corporate Park, 1 Homebush Drive	450-2278	\$360-\$390	As above

Source: PIMS & Hill PDA Research, 2016

The Industrial Market

Industrial Trends

Industrial floorspace used primarily for transport and storage, particularly those with low inventory turnover, are gravitating to inexpensive land and low cost buildings – most recently to the Western Sydney Employment Area.

Large-scale transport, storage and warehousing sector (or logistics) have locational needs that are determined by efficient supply chains, access to customers and suppliers, land availability and main road access. This describes firms that have specific land and infrastructure needs and potentially buffer distance requirements from residential or other sensitive land uses.

These activities, which were traditionally focused in now established parts of Sydney, near the port and airport and along Parramatta River, are increasingly concentrating in outer metropolitan areas where they can access large tracts of competitively priced land with good access to transport infrastructure such as the M4 and M7. Only industries with high value inventory are willing to meet the high cost of proximity to markets and major activity nodes like the airport.

Industrial locations next to city and major centres and along Parramatta River are being replaced over time by higher valued land uses, including residential and other employment uses. Low employment generating transport and storage uses are increasingly unnecessary in these locations reflecting an increasingly underutilisation of resources with low economic performance. Improving the economic performance of a city or metropolitan like Sydney requires the evolution of industry enabling higher and better uses to occupy the higher valued locations.

Industrial Values

The demand for industrial space is influenced by domestic and international markets. There are a number of changes occurring with the industrial markets due to a change from passive property type to growth in eCommerce based businesses that require high quality fitouts with a heavy reliance on technology. However this trend is fundamentally based on the intricacies of each business. Across the market business are becoming more efficient which equates to savings in labour costs and the demand for floor space.

The Sydney market has seen strengthening economic conditions due to limited land supply, but the market has seen a downward pressure on yields with some agents suggesting similar levels to the GFC. Prime levels are 7.08% and secondary yields at 8.25%.

Inner West and Rhodes

The Inner West industrial market generally comprises the suburbs of Homebush, Parramatta, Silverwater, Ryde, Strathfield, Granville and Auburn. In this market, land values are generally found to increase and rents have remained static generally between \$150/sqm and \$370/sqm. The following key indicators provide a snapshot of this sub-market of Sydney's broader industrial property market.

Table 14: Key Indicators of Sydney's Inner West Industrial Market (2015)

Grade	Average Net Face Rents (pa)	Average Market Yield
Prime	\$123/sqm	7.08% - 8.25%

Source: Colliers International, Sydney Industrial Research and Forecast Report, Second half 2015.

Our discussions with local industry agents and market research found that:

- There is a demand for small to medium size spaces due to main arterial road way and proximity to Sydney's satellite cities;
- Within Rhodes there is a limited supply of available stock this has resulted in agents achieving higher yields. A number of agents indicated stock around Rhodes, Lidcombe and Silverwater is tightly held;
- Current uses have been for car manufactures (Kia Motors), postal services (DHL), high tech medical, small technology companies and cold storage facilities;
- Business that require larger spaces are moving further west due to letting rates. The current leasing marketing is achieving \$140-\$150sqm net;
- Sales prices in the area have been increasing around Lidcombe. A 600sqm site achieved \$2552/sqm.
- There has been little to no industrial development since the GCF, due to an oversupply in the area with a large majority of builds occurring around 2001. Consequently now there is little stock for sale in the area. In the last 6 months industrial properties for sale are only on the market for 7-14 days with investors achieving 6-7% net yields;
- There would be a demand for mix-used property in the area however given current market conditions new build might struggle to obtain off the plan investors;
- 1-3 month rent free incentives being offered on small units with only 1 option period.

There was limited industrial sale evidence in the area due to properties being tightly held. Of the available data we were able to establish an average of \$3200/sqm yielding 9.6%. This is inconsistent with the Colliers market report and its likely scarcity and future (potential) rezoning has increased the yield.

Table 15: Industrial Sale Transactions for Rhodes (Jan 2015 – Jan 2016)

Address	Sold Date	Second hand Price	Building Area (sqm)	Analysis \$/sqm	Lease Price	Comments
41/11-21 Underwood Road, Homebush	12/12/2015	\$900,000	308	\$3,214	\$182,310 p.a. Gross ex GST	Sold to investors in 7 Days Built in 2001 and has struggle to be leased Currently Advertised for lease with in Unit 42 (below)
42/11-21 Underwood Road, Homebush	12/12/2015	\$1,000,000	310	\$3,225	As above	As above

Source: Source: PIMS & Hill PDA Research, 2016

Recent discussions with local agents indicated that older industrial stock remain on the market on average for 9 months while modern small stock remain on the market between 3- 6 months.

The table below outlines the rents that industrial properties have achieved over the last 12 months (2015) in Rhodes. The research suggests that net rents in the Rhodes range between \$157-370/sqm. Further discussions with local agents suggested that recent net rents achieved in in surrounding suburbs would range between \$125-\$130/sqm.

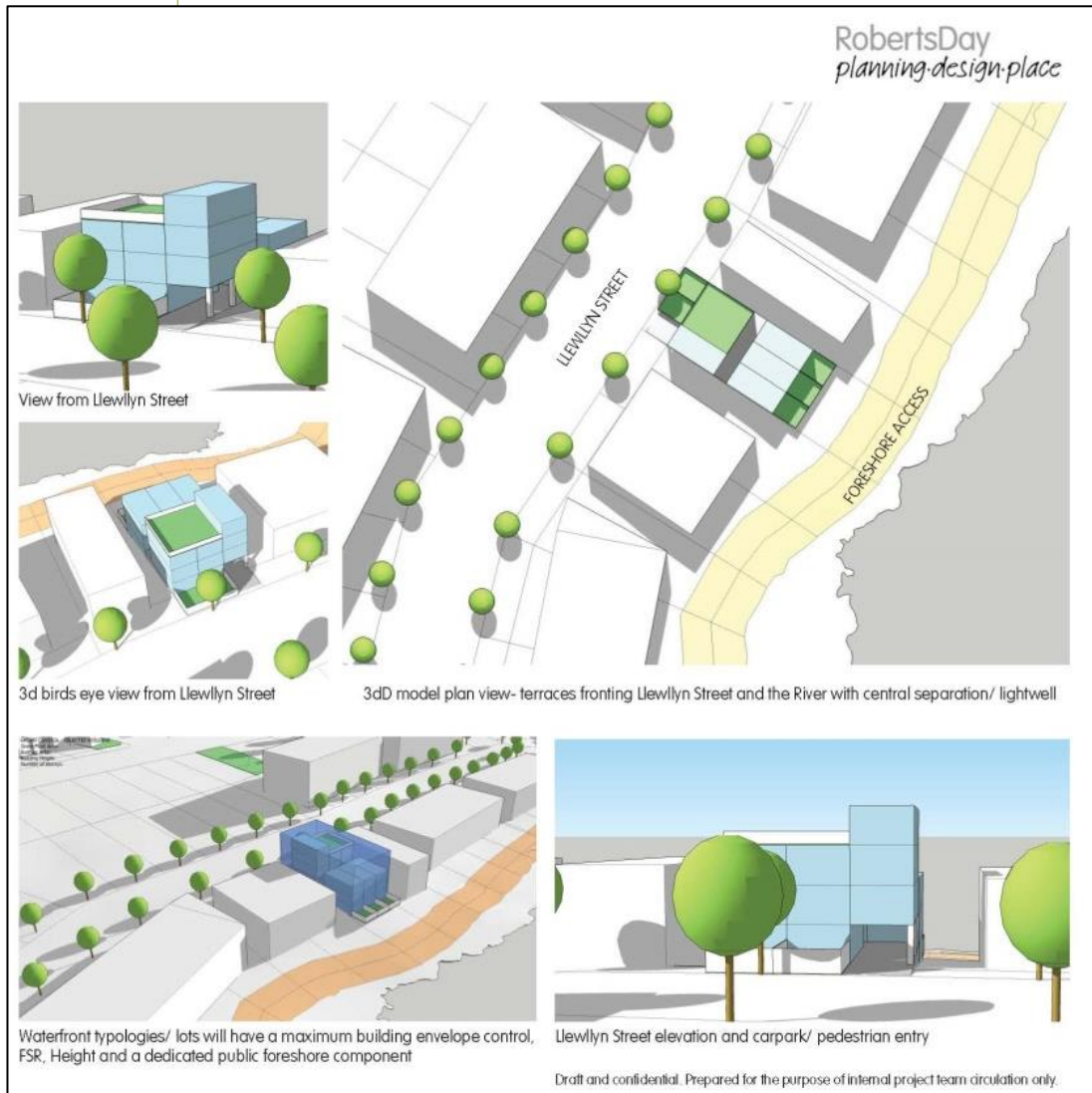
Table 16: Industrial Rent Transactions Rhodes based on Building Area (2015)

Address	Date	Rental pa	Building Area sqm	Analysis \$/sqm	Comments
6a Leeds Street Rhodes	-	\$130,000	\$830	\$157	
6-10 Walker Street, Rhodes	30 Jan 2015	\$1,200	1607	0.75	Property is old / Second hand
42 Shoreline Drive, Rhodes	17 Jan 2015	\$45,000	255	\$176	Modern office space
5 Rider Boulevard, Rhodes	12 Apr 2014	\$620,860	1678	\$370	Modern office space

Source: PIMS & Hill PDA Research, 2016

6 FEASIBILITY TESTING OF WATERFRONT SITES

This chapter provides the methodology, assumptions and results of the feasibility testing of replacing 1 existing cottage with 6 new terraces.



To undertake this analysis, HillPDA used the Estate Master Development Feasibility model using discounted cash flow method. Assumptions in the modelling are as follows:

Project Timing

- The DCF model adopts monthly rest periods;
- Construction begins in Month 12 following development approvals and a pre-selling period;
- Construction timing is 12 months.

Project Costs

- All dwellings are settled within 3 months following building completion.

All costs are expressed net of GST;

All costs escalate at 3% per annum. Construction costs escalate to construction start date

Land

- Land is assumed at \$5m per cottage site;
- The land is exchanged in Month Zero with a 10% deposit and settled in Month 3;

Construction

- Building construction costs were based on rates from Rawlinsons Construction Handbook 2015, RLB Digest 2015, Napier and Blakely Datacard 2015 and from recent comparable Q.S. reports and feasibility studies.
- Demolition and site clearing = \$30,000 per cottage;
- Average size apartment = 67-74sqm for 2-bedroom and 140sqm for the 3-bedroom terraces on the waterfront (GSA);
- Construction = \$2,200/sqm for terraces and \$2,500/sqm to \$2,800/sqm (GBA) for the apartments depending upon building height;
- Balconies (averaging 10sqm per apartment) = \$1,100/sqm;
- Basement car parking = \$45,000 per space;
- Parking is provided at 1 space per apartment for waterfront sites;
- Site costs and external works = 4% to 7% of above construction costs;
- Contingency = 5% of above costs;
- Construction follows a S curve drawdown as per Rawlinsons.

Soft Costs

- Pre-construction design costs 5% of above construction costs;
- Professional fees during construction = 4% of construction costs pro-rata with construction;

- Application fees (DA, CC and long service levy) = 1% of above construction costs;
- Section 94 = \$14,000 per apartment and \$20,000 per terrace (Council website);
- \$20,000 SIC levy per terrace was assumed;
- Application fees (DA, CC and LSL) = 1% of construction costs;
- Marketing and advertising = 1% of gross end sale value;
- Land Holding costs is based on the statutory unimproved land value;

Finance Costs

- Equity = half the land costs plus pre-construction design and application fees. Thereafter project costs are paid by debt with a capitalised interest at 6% per annum charged monthly in arrears.
- Upfront establishment fees = 1.1% of construction costs

Hurdle Rates

- Target project IRR = 20% annualised (effective or monthly compounded)
- Target profit risk margin = 18% of total project cost.

Revenue Assumptions

- Gross revenue = \$14,000/sqm for waterfront terraces and \$16,500/sqm for waterfront apartments;
- Commercial space = \$5,000/sqm net of GST on the ground floor and \$4,000/sqm for above ground floor;
- Costs on sales were deducted at a rate of 2.5% for sales commission and legal costs;
- GST on residential sales was calculated using the “consideration method” which is one eleventh of the added value (that is gross sales less the land acquisition price);
- All revenues escalate to exchanged dates at 3% per annum;
- Around two thirds of apartments are assumed to be pre-sold prior to construction.

Feasibility Results

Two options were tested being development with and without a financial contribution towards affordable housing at a rate of \$325/sqm paid at construction certificate³. The feasibility results are shown in the table below.

Table 17 Feasibility Results of the Waterfront Options

EstateMaster Development Feasibility		1	2
COMPARISON OF OPTIONS		Waterfront Option 1	Waterfront Option 1 + AH Levy
6 Units 842 GFA 775 SqM Miscellaneous Under Review		6 Units 842 GFA 775 SqM Miscellaneous Under Review	6 Units 842 GFA 775 SqM Miscellaneous Under Review
Estate Master Licensed to: HillPDA			
Revenues			
Gross Sales Revenue		12,257,542	12,257,542
Less Selling Costs		(306,439)	(306,439)
TOTAL REVENUE (before GST paid)		11,951,104	11,951,104
Less GST paid on all Revenue		(659,777)	(659,777)
TOTAL REVENUE (after GST paid)		11,291,327	11,291,327
Costs			
Land Purchase Cost		5,000,000	5,000,000
Land Acquisition Costs		325,000	325,000
Construction (inc. Construct. Contingency)		2,867,315	2,867,315
Professional Fees		258,058	258,058
Application Fees		28,416	28,416
Developer Contributions		220,000	525,663
Miscellaneous Costs		-	-
Marketing and Advertising		122,575	122,575
Project Contingency (Reserve)		87,409	95,051
Land Holding Costs		124,625	124,625
Finance Charges (inc. Line Fees)		30,624	30,624
Interest Expense		430,712	455,326
TOTAL COSTS (after GST reclaimed)		9,494,735	9,832,653
Performance Indicators		1	2
¹ Gross Development Profit		1,796,592	1,458,674
³ Development Margin (Profit/Risk Margin)		18.92%	14.83%
Target Development Margin		18.00%	18.00%
⁴ Residual Land Value (Target Margin)		5,068,045	4,757,180
⁵ Breakeven Date for Cumulative Cash Flow		Apr-2019	Apr-2019
Discount Rate (Target IRR)		20.00%	20.00%
⁶ Net Present Value		(317,903)	(582,987)
⁸ Project Internal Rate of Return (IRR)		16.71%	14.08%
¹⁰ Residual Land Value (NPV)		4,678,499	4,410,415

As shown above development for 6 terraces on a single lot is just feasible or marginally feasible showing a development margin of almost 19% without the affordable housing contribution. Adding in the cost of the affordable housing levy at \$325/sqm results in lower margin of 15% and a project IRR of 14%. This is considered too low to make redevelopment viable. The difficulty with the waterfront lots is the high land value. The apartments are marginally viable on lots

³ The rate of \$325/sqm is considered to be, from the developer's point of view, an equivalent cost to directly dedicating 5% of apartments to affordable housing. It was calculated in the Estate Master model using a "back solving" or "goal seeking" approach such that either method of delivery (direct dedication of 5% of apartments or monetary payment at construction certificate) yields a similar residual land value and development margin (profit divided by total project cost).

with an average acquisition cost of around \$4m each. The feasibility of redevelopment is likely to improve in the future as land becomes increasingly scarce. At the next upturn in the market – say 8 to 10 years it may be viable to redevelop these sites with an affordable housing levy.

7 FEASIBILITY TESTING OF CONCORD ROAD EAST

This chapter provides the methodology, assumptions and results of the feasibility testing of typologies drawn by Roberts Day representing redevelopment three cottage sites on Concord Road for four terraces and 26 apartments in a six storey building.



To undertake this analysis, HillPDA used the Estate Master Development Feasibility model using discounted cash flow method. Assumptions in the modelling are as follows:

Project Timing

- The DCF model adopts monthly rest periods;
- Construction begins in Month 12 following development approvals and a pre-selling period;

Project Costs

- Construction 15 months.
- All apartments are settled within 3 months following building completion.

All costs are expressed net of GST;

All costs escalate at 3% per annum. Construction costs escalate to construction start date

Land

- Land is assumed at \$1.6m per cottage on Concord Road.
- The land is exchanged in Month Zero with a 10% deposit and settled in Month 3;

Construction

- Building construction costs were based on rates from Rawlinsons Construction Handbook 2015, RLB Digest 2015, Napier and Blakely Datacard 2015 and from recent comparable Q.S. reports and feasibility studies.
- Demolition and site clearing = \$30,000 per cottage;
- Average size apartment = 67-74sqm for 2-bedroom and 115sqm for 3-bedroom terraces (GSA);
- Construction = \$2,200/sqm for terraces and \$2,700/sqm (GBA);
- Balconies (averaging 10sqm per apartment) = \$1,100/sqm;
- Basement car parking = \$45,000 per space;
- Parking is provided at 1 space per 2 apartments and no on-site visitor spaces;
- Site costs and external works = 5% of above construction costs;
- Contingency = 5% of above costs;
- Construction follows a S curve drawdown as per Rawlinsons.

Soft Costs

- Pre-construction design costs 5% of above construction costs;
- Professional fees during construction = 4% of construction costs pro-rata with construction;
- Application fees (DA, CC and long service levy) = 1% of above construction costs;

- Section 94 = \$14,000 per apartment and \$20,000 per terrace (Council website) paid at CC;
- \$20,000 SIC levy per apartment was assumed paid at CC;
- Application fees (DA, CC and LSL) = 1% of construction costs;
- Marketing and advertising = 1% of gross end sale value;
- Land Holding costs is based on the statutory unimproved land value;

Finance Costs

- Equity = land costs plus pre-construction design and application fees. Thereafter project costs are paid by debt with a capitalised interest at 6% per annum charged monthly in arrears.
- Upfront establishment fees = 1.1% of construction costs

Hurdle Rates

- Target project IRR = 20% annualised (effective or monthly compounded)
- Target profit risk margin = 18% of total project cost.

Revenue Assumptions

- Gross revenue = \$10,500 to \$11,000/sqm;
- Costs on sales were deducted at a rate of 2.5% for sales commission and legal costs;
- GST on residential sales was calculated using the “consideration method” which is one eleventh of the added value (that is gross sales less the land acquisition price);
- All revenues escalate to exchanged dates at 3% per annum;
- Around two thirds of apartments are assumed to be pre-sold prior to construction.

Feasibility Results

The feasibility was tested with varying rates of affordable housing from 0% to 10%. The Results are shown in the tables below

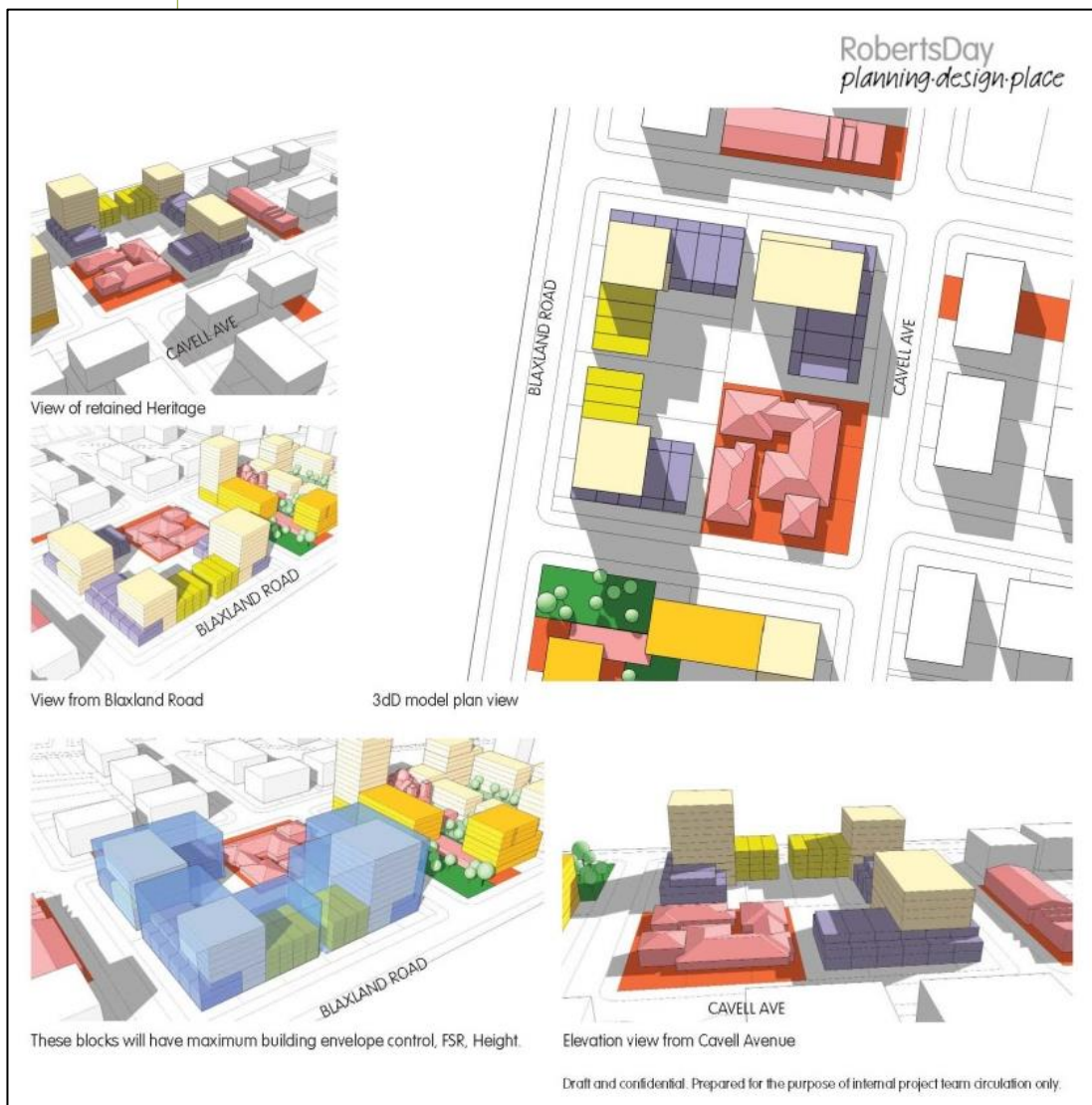
Table 18 Feasibility Results of the Concord Road Option

EstateMaster Development Feasibility		1	2	3	4
COMPARISON OF OPTIONS		No Affordable Housing	2.5% Affordable Housing	5% Affordable Housing	AH Monetary Payment
Concord Road East Option 2a		26 Apartments + 4 Terraces + No Affordable Housing	26 Apartments + 4 Terraces + 2.5% Affordable Housing	26 Apartments + 4 Terraces + 5% Affordable Housing	26 Apartments + 4 Terraces + AH Monetary Payment
		30 Units 2,444 GFA 2,078 SqM	30 Units 2,444 GFA 2,078 SqM	30 Units 2,444 GFA 2,078 SqM	30 Units 2,444 GFA 2,078 SqM
Miscellaneous Under Review		Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review
Estate Master Licensed to: HILPDA					
Revenues					
Gross Sales Revenue		27,683,725	26,999,880	26,316,035	27,683,725
Less Selling Costs		(692,093)	(674,997)	(657,901)	(692,093)
NET SALES REVENUE		26,991,632	26,324,883	25,658,134	26,991,632
TOTAL REVENUE (before GST paid)		26,991,632	26,324,883	25,658,134	26,991,632
Less GST paid on all Revenue		(2,080,339)	(2,018,171)	(1,956,003)	(2,080,339)
TOTAL REVENUE (after GST paid)		24,911,293	24,306,712	23,702,131	24,911,293
Costs					
Land Purchase Cost		4,800,000	4,800,000	4,800,000	4,800,000
Land Acquisition Costs		312,000	312,000	312,000	312,000
Construction (inc. Construct. Contingency)		10,732,401	10,732,401	10,732,401	10,732,401
Professional Fees		965,916	965,916	965,916	965,916
Application Fees		106,360	106,360	106,360	106,360
Developer Contributions		984,000	984,000	984,000	1,935,807
Marketing and Advertising		276,837	269,999	263,160	276,837
Project Contingency (Reserve)		326,638	326,467	326,296	350,433
Land Holding Costs		94,736	94,795	94,857	94,736
Finance Charges (inc. Line Fees)		114,626	114,626	114,626	114,626
Interest Expense		883,684	889,048	894,985	982,743
TOTAL COSTS (after GST reclaimed)		19,597,198	19,595,611	19,594,601	20,671,859
Performance Indicators		1	2	3	4
¹ Gross Development Profit		5,314,095	4,711,101	4,107,530	4,239,434
³ Development Margin (Profit/Risk Margin)		27.12%	24.04%	20.96%	20.51%
Target Development Margin		18.00%	18.00%	18.00%	18.00%
⁴ Residual Land Value (Target Margin)		6,184,542	5,717,223	5,250,407	5,202,198
⁵ Breakeven Date for Cumulative Cash Flow		Jun-2019	Jun-2019	Jul-2019	Jul-2019
Discount Rate (Target IRR)		20.00%	20.00%	20.00%	20.00%
⁶ Net Present Value		991,016	595,596	200,167	165,568
⁹ Project Internal Rate of Return (IRR)		26.06%	23.66%	21.24%	20.97%
¹⁰ Residual Land Value (NPV)		5,804,329	5,403,898	5,003,489	4,968,469

Development is just viable with a 5% contribution towards affordable housing. Alternatively a monetary payment of \$325/sqm GFA could be made which is shown in Option 4 above. This provides a similar residual land value to Option 3 (direct dedication of 5% of apartments to affordable housing).

8 FINANCIAL TESTING OF BLAXLAND ROAD AND CAVELL AVENUE SITES

This chapter provides the methodology, assumptions and results of the feasibility testing of typologies drawn by Roberts Day representing the redevelopment at Blaxland Road and Cavell Avenue for residential uses including high rise apartments, walk-up apartments and terraces.



Methodology

To undertake this analysis, HillPDA used the Estate Master Development Feasibility model using discounted cash flow method. Assumptions in the modelling are as follows:

Project Timing

- The DCF model adopts monthly rest periods;
- Construction begins in Month 12 following development approvals and a pre-selling period;
- The site is developed over 2 stages.
- Construction timing range is 19 months per stage.
- All apartments are settled within 4 months following building completion.

Project Costs

All costs are expressed net of GST;

All costs escalate at 3% per annum. Construction costs escalate to construction start date.

Land

- Land is assumed at \$2.5m per cottage site. This reflects the opportunity cost of the cottages (around \$1.5m for an old house) plus a premium to provide an incentive for amalgamation. Note that a couple of recent sales have been over \$3m per cottage but this reflects a sunk cost resulting from speculation.
- The land is exchanged in Month Zero with a 10% deposit and settled in Month 3;

Construction

- Building construction costs were based on rates from Rawlinsons Construction Handbook 2015, RLB Digest 2015, Napier and Blakely Datacard 2015 and from recent comparable Q.S. reports and feasibility studies. This includes:
 - Demolition and site clearing = \$30,000 per cottage;
 - \$45,000 per car space in a single basement level at a rate of 1 car space per terrace dwelling and one space per two apartments;
 - \$3,000/sqm GBA for the apartments;
 - \$2,150/sqm for the walk up apartments;
 - \$2,600/sqm for the terraces;
 - Balconies (averaging 10sqm per apartment) at \$1,100/sqm;
 - Site costs and external works = 4.5% of above construction costs;
 - Contingency = 5% of above costs;

- Construction follows a S curve drawdown as per Rawlinsons.

Soft Costs

- Pre-construction design costs 5% of above construction costs;
- Professional fees during construction = 4% of construction costs pro-rata with construction;
- Application fees (DA, CC and long service levy) = 1% of above construction costs;
- Section 94 = \$14,000 per apartment and \$20,000 per terrace (Council website);
- SIC levy was assumed at \$20,000/dwelling;
- Marketing and advertising = 1.1% of gross end sale value;
- Land Holding costs is based on the statutory unimproved land value;
- Project contingency = 2.5% of total project cost (net of land and finance costs)

Finance Costs

- Equity = land costs plus pre-construction design and application fees. Thereafter project costs are paid by debt with a capitalised interest at 6% per annum charged monthly in arrears.
- Upfront establishment fees = 1.1% of construction costs

Hurdle Rates

- Target project IRR = 20% annualised (effective or monthly compounded)
- Target profit risk margin = 22% of total project cost.

Revenue

- Average price dwelling is \$1.05m;
- Costs on sales were deducted at a rate of 2.5% for sales commission and legal costs;
- GST on residential sales was calculated using the “consideration method” which is one eleventh of the added value (that is gross sales less the land acquisition price);
- All revenues escalate to exchanged dates at 3% per annum;
- Around two thirds of apartments are assumed to be pre-sold prior to construction.

- Affordable housing is provided at 5% of the saleable floor area.

Results

Results are shown in the table below

Table 19 Feasibility Results of the Blaxland Road Option

EstateMaster Development Feasibility		4	5
COMPARISON OF OPTIONS		Diversity Option 2 (5% AH)	Diversity Option 2 (AH Levy)
Blaxland Road / Cavell Avenue Site		Blaxland Road Cavell Ave Diversity Option	Blaxland Road Cavell Ave Diversity Option
		170 Units 25,674 GBA Internal 9,252 SqM	170 Units 25,674 GBA Internal 9,252 SqM
		Miscellaneous Under Review	Miscellaneous Under Review
Estate Master Licensed to: HillPDA			
Revenues			
Gross Sales Revenue		187,122,896	197,915,183
Less Selling Costs		(2,205,539)	(2,237,916)
NET SALES REVENUE		184,917,357	195,677,267
TOTAL REVENUE (before GST paid)		184,917,357	195,677,267
Less GST paid on all Revenue		(14,602,081)	(15,583,198)
TOTAL REVENUE (after GST paid)		170,315,276	180,094,069
Costs			
Land Purchase Cost		26,500,000	26,500,000
Land Acquisition Costs		1,722,500	1,722,500
Construction (inc. Construct. Contingency)		81,848,608	81,848,608
Professional Fees		7,366,375	7,366,375
Application Fees		811,100	811,100
Developer Contributions		6,486,000	13,423,808
Marketing and Advertising		2,058,352	2,177,067
Project Contingency (Reserve)		2,464,261	2,640,674
Land Holding Costs		1,049,531	1,048,964
Finance Charges (inc. Line Fees)		874,137	874,137
Interest Expense		5,641,358	6,526,252
TOTAL COSTS (after GST reclaimed)		136,822,221	144,939,484
Performance Indicators		4	5
¹ Gross Development Profit		33,493,055	35,154,585
³ Development Margin (Profit/Risk Margin)		24.48%	24.25%
Target Development Margin		22.00%	22.00%
⁴ Residual Land Value (Target Margin)		28,872,788	28,789,341
Discount Rate (Target IRR)		20.00%	20.00%
⁶ Net Present Value		236,942	87,341
⁹ Project Internal Rate of Return (IRR)		20.19%	20.06%
¹⁰ Residual Land Value (NPV)		26,736,964	26,587,353

As shown in the above table the returns are just sufficient with either 5% direct dedication of apartments for affordable housing or with a levy at \$325/sqm.

9 FINANCIAL TESTING OF LEEDS STREET SITE

This chapter provides the methodology, assumptions and results of the feasibility testing of typologies drawn by Roberts Day representing the redevelopment 15-25 Leeds Street for mixed uses including 225 apartments and 10,400sqm of retail and commercial space.



Methodology

To undertake this analysis, HillPDA used the Estate Master Development Feasibility model using discounted cash flow method. Assumptions in the modelling are as follows:

Project Timing

- The DCF model adopts monthly rest periods;
- Construction begins in Month 12 following development approvals and a pre-selling period;
- Construction timing is 20 months in a single stage.
- All apartments are settled within 4 months following building completion.
- Commercial and retail spaces are assumed to be sold within 6 months of building completion.

Project Costs

All costs are expressed net of GST;

All costs escalate at 3% per annum. Construction costs escalate to construction start date

Land

- Land is assumed at \$200,000 per apartment. Note that 23 Leeds Street sold last year for \$23m which is in line with that assumption.
- The land is exchanged in Month Zero with a 10% deposit and settled in Month 3;

Construction

- Building construction costs were based on rates from Rawlinsons Construction Handbook 2015, RLB Digest 2015, Napier and Blakely Datacard 2015 and from recent comparable Q.S. reports and feasibility studies. This includes:
- Demolition and site clearing = \$100/sqm of existing building space;
- \$45,000 per car space in a single basement level at a rate of 1 car space per two apartments + 96 spaces for the commercial uses;
- \$3,000/sqm GBA for the residential space;
- \$2,400/sqm GBA for retail and commercial space (excluding fitout);
- Balconies (averaging 10sqm per apartment) at \$1,100/sqm;
- Site costs, embellishment of the foreshore area and external works = 6.0% of above construction costs;

- Contingency = 5% of above costs;
- Construction follows a S curve drawdown as per Rawlinsons.

Soft Costs

- Pre-construction design costs 5% of above construction costs;
- Professional fees during construction = 4% of construction costs pro-rata with construction;
- Application fees (DA, CC and long service levy) = 1% of above construction costs;
- Section 94 = \$14,000 per apartment and \$20,000 per terrace (Council website) paid at CC;
- \$20,000 SIC levy per apartment was assumed paid at CC;
- Application fees (DA, CC and LSL) = 1% of construction costs;
- Marketing and advertising = 1.2% of gross end sale value;
- Land Holding costs is based on the statutory unimproved land value;
- Project contingency = 2.5% of total project cost (net of land and finance costs)

Finance Costs

- Equity = land costs plus pre-construction design and application fees. Thereafter project costs are paid by debt with a capitalised interest at 6% per annum charged monthly in arrears.
- Upfront establishment fees = 1.1% of construction costs

Hurdle Rates

- Target project IRR = 20% annualised (effective or monthly compounded)
- Target profit risk margin = 22% of total project cost.

Revenue Assumptions

- Gross revenue = \$11,500/sqm NSA for residential apartments with no water views and no car space to \$15,500/sqm NSA for residential apartments with water views and a car space. Average assumed at \$13,500/sqm.
- Revenue on retail space = \$7,500/sqm net of GST.
- Revenue on above ground commercial space = \$5,000/sqm net of GST;

- Incentives are included at a rate of \$350 per square metre;
- Costs on sales were deducted at a rate of 2.5% for sales commission and legal costs;
- GST on residential sales was calculated using the “consideration method” which is one eleventh of the added value (that is gross sales less the land acquisition price);
- All revenues escalate to exchanged dates at 3% per annum;
- Around two thirds of apartments are assumed to be pre-sold prior to construction.

Feasibility Results

Results are shown in the table below

Table 20 Feasibility Results of the Leeds Street Site

EstateMaster [®] Development Feasibility		1	2	3	4	5
COMPARISON OF OPTIONS		No Affordable Housing	2.5% Affordable Housing	5% Affordable Housing	5% AH + 25 more units	25 more units + \$4AH
Leeds Street Wharf Site 01		Mixed Use development with 225 Apartments	Mixed Use development with 225 Apartments	Mixed Use development with 225 Apartments	Mixed Use development with 250 Apartments	Mixed Use development with 250 Apartments
		225 Units 26,809 GFA 11,383 SqM	225 Units 26,809 GFA 11,383 SqM	225 Units 26,809 GFA 11,383 SqM	250 Units 26,809 GFA 11,383 SqM	250 Units 26,809 GFA 11,383 SqM
Estate Master Licensed to: HILPDA		Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review
Revenues						
Gross Sales Revenue		278,683,046	273,722,728	268,762,410	293,409,851	304,496,682
Less Selling Costs		(6,848,895)	(6,724,888)	(6,600,880)	(7,217,066)	(7,494,236)
TOTAL REVENUE (before GST paid)		268,602,111	263,765,800	258,929,490	282,960,746	293,770,406
Less GST paid on all Revenue		(16,739,477)	(16,304,258)	(15,869,619)	(18,034,740)	(19,012,637)
TOTAL REVENUE (after GST paid)		251,862,634	247,461,542	243,059,871	264,926,005	274,757,769
Costs						
Land Purchase Cost		45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
Land Acquisition Costs		2,925,000	2,925,000	2,925,000	2,925,000	2,925,000
Construction (inc. Construct. Contingency)		115,485,667	115,485,667	115,485,667	124,298,655	124,298,655
Professional Fees		10,393,710	10,393,710	10,393,710	11,186,879	11,186,879
Application Fees		1,144,526	1,144,526	1,144,526	1,231,858	1,231,858
Developer Contributions		7,550,000	7,550,000	7,550,000	8,050,000	14,512,025
Marketing and Advertising		2,786,830	2,737,227	2,687,624	2,934,099	3,044,967
Project Contingency (Reserve)		3,434,018	3,432,778	3,431,538	3,692,537	3,856,860
Land Holding Costs		628,344	628,488	628,637	628,463	628,170
Finance Charges (inc. Line Fees)		1,233,476	1,233,476	1,233,476	1,327,596	1,327,596
Interest Expense		11,459,983	11,501,542	11,547,898	12,063,154	12,846,624
TOTAL COSTS (after GST reclaimed)		202,041,556	202,032,415	202,028,077	213,338,240	220,858,635
Performance Indicators						
¹ Gross Development Profit		49,821,078	45,429,127	41,031,794	51,587,765	53,899,134
³ Development Margin (Profit/Risk Margin)		24.66%	22.49%	20.31%	24.18%	24.40%
Target Development Margin		22.00%	22.00%	22.00%	22.00%	22.00%
⁴ Residual Land Value (Target Margin)		49,007,053	45,735,000	42,450,000	48,480,275	48,968,851
Discount Rate (Target IRR)		20.00%	20.00%	20.00%	20.00%	20.00%
⁶ Net Present Value		235,129	(2,429,475)	(5,094,467)	179,293	527,560
⁸ Benefit Cost Ratio		1.002	0.984	0.966	1.001	1.003
⁹ Project Internal Rate of Return (IRR)		20.12%	18.77%	17.41%	20.09%	20.25%
¹⁰ Residual Land Value (NPV)		45,240,131	42,519,432	39,799,668	45,183,207	45,539,325

As shown in the above table the returns are satisfactory with a very modest level of affordable housing – no more than say 2.5%. At 5% or more feasibility is undermined.

In Option 4 an additional 25 apartments is provided and a total of 12-13 units (5%) are directly dedicated for affordable housing. This achieves an adequate margin of 24% and a project IRR of 20%. A similar return can be achieved in Option 5 with a monetary payment of \$325/sqm GFA instead of direct dedication of apartments.

10 FINANCIAL TESTING OF INTERNAL STREETS

The Structure Plan proposes 5 new streets – three between Blaxland Road and Cavell Avenue and two east of Concord Road. In order to lessen the cost to the public purse, NSW DP&E are keen to have these proposed streets delivered by the adjoining developers through a bonus system.

The approach to the provision of the proposed streets through developer bonuses has been two fold.

We applied the gross FSR of the designated land parcel (that includes the proposed street) to the developable site (that then excludes the street) thereby increasing the development potential of the balance of the land.

We considered a further incentive to the delivery of the proposed streets by providing additional yield to the adjoining development.

Methodology

To undertake this analysis, HillPDA used the Estate Master Development Feasibility model using discounted cash flow method. Estate Master DF calculates key investment performance indicators (Profit Margin, Residual Land Value, NPV and IRR), performing detailed risk assessments and allowing users to compare multiple options.

Development Options

We have assumed that to deliver a street would require the amalgamation of at least 5 if not 6 residential lots. A 15m wide street will remove two residential lots positioned back to back. The floor space will need to be transferred from the street lots to the balance of the site.

The feasibility of two options were tested:

- Option 1 (or base case) assumes the amalgamation of six residential lots and the construction of apartments across the entire site. The purpose of this option is to test the required density that will make development feasible. Building height is generally up to 5 or 6 storeys and the FSR around 1.6:1.
- Option 2 assumes the dedication of two lots and construction of the street, the transfer of floor space to the balance of the site plus additional density to meet the costs of the street and to

further incentivise the amalgamation of the lots and street dedication.

Feasibility of Base Case

The model is provided as Appendix 1. Assumptions in the modelling include the following:

Project Timing

- The DCF model adopts monthly rest periods;
- Construction begins in Month 12 following development approvals and a pre-selling period;
- Construction is 15 months for buildings up to 6 storeys to 18 months for buildings up to 9-10 storeys.
- All apartments are settled within 3 months following building completion.

Project Costs

- All costs are expressed net of GST;
- All costs escalate at 3% per annum. Construction costs escalate to construction start date

Land

- Land is assumed at the following: - \$1.6m per 700sqm cottage site on Concord Road; - \$2.7m per 700sqm dry cottage lot on Llewellyn Street; - \$2.75m per 1,000sqm cottage lot on Blaxland Road and
- The land is exchanged in Month Zero with a 10% deposit and settled in Month 3;

Construction

- Average size apartment = 75 to 80sqm internal saleable area, 90sqm GFA and 100sqm GBA (gross building area which includes the vertical transport areas);
- Building construction costs were based on rates from Rawlinsons Construction Handbook 2015, RLB Digest 2015, Napier and Blakely Datacard 2015 and from recent comparable Q.S. reports and feasibility studies.
- GBA = \$2,800/sqm up to 6 storeys to \$2,900/sqm up to 9-10 storeys which includes builders preliminaries and margin;
- Demolition and site clearing = \$25,000 per cottage;
- Balconies (averaging 12sqm per apartment) = \$1,100/sqm;

- Basement car parking = \$45,000 per space;
- Parking is provided at 1 space per 2 apartments and no on-site visitor spaces;
- Site costs and external works = 4% of above construction costs;
- Contingency = 5% of above costs;
- Construction follows a S curve drawdown as per Rawlinsons Construction Handbook.

New Road

- Cost of the new road – around 100m long by 15m wide was costed by MBM at \$604,000.

Soft Costs

- Pre-construction design costs 5% of above construction costs;
- Professional fees during construction = 4% of construction costs pro-rata with construction;
- Application fees (DA, CC and long service levy) = 1% of above construction costs;
- Section 94 = \$14,000 per apartment (Council website) paid at CC;
- \$20,000 SIC levy per apartment was assumed paid at CC;
- An affordable housing levy at \$325/sqm of GFA is paid at CC;
- Marketing and advertising = 1% of gross end sale value;
- Land Holding costs is based on the statutory unimproved land value;

Finance Costs

- Equity = land costs plus pre-construction design and application fees. Thereafter project costs are paid by debt with a capitalised interest at 6% per annum charged monthly in arrears.
- Upfront establishment fees = 1.1% of construction costs

Hurdle Rates

- Target project IRR = 19% annualised (effective or monthly compounded)
- Target profit risk margin = 20% of total project cost.

Revenue Assumptions

- The price of 2-bedroom apartments vary from around \$800,000 on the lower levels facing Concord Road without a car space to around \$1.1m on the upper levels facing Llewellyn Street with a

car space. Blaxland Road apartments are priced from \$830,000 to \$1.02m;

- Costs on sales were deducted at a rate of 2.2% for sales commission and 0.3% for legal costs;
- GST on residential sales was calculated using general tax rule which is one eleventh of the end sale prices of the apartments;
- All revenues escalate to exchanged dates at 3% per annum;
- 60% of the apartments are assumed to be pre-sold prior to construction.

Hypothetical Development Sites

The hypothetical scenario includes the amalgamation of six cottage sites. The Concord Road site includes three cottage sites fronting Concord Road and three fronting Llewellyn Street creating a development site of around 45m wide and around 93m deep (4,200sqm).

The Blaxland Road site includes three cottages fronting Blaxland Road and three fronting Cavell Avenue creating a development site approximately 60m wide and 100 deep (6,000sqm). Development Options

Concord Road Site

For the Concord Road development site four development options were tested being:

Option 1: 72 apartments with no road

Redevelopment of the site at an FSR of 1.55:1 with buildings up to 6 storeys spread across the site. Yield is 72 apartments and no road is provided;

Option 2: 72 apartments with a new road

Option 2 includes redevelopment of the same number of apartments as Option 1 but on two thirds of the site. The balance of the site is used for the construction of the road (paid by the developer) and dedicated to Council at project completion. The FSR on the built proportion of the site is 2.3. Building height is assumed at 7 storeys.

Option 3: 88 apartments with a new road

Option 3 is the same as Option 2 except an additional 15% premium is added to the land value and the yield is increased to 88 apartments. FSR is increased to 1.9 across the entire site or 2.8 on

the balance of the site after dedication of the road. Building height is assumed at 8 storeys.

Option 4: 96 apartments with a new road

Option 4 is the same as Option 2 except an additional 25% premium is added to the land value and the yield is increased to 96 apartments. FSR is increased to 2.1 across the gross site and 3.1 on the net site. Building height is assumed at 9-10 storeys.

Blaxland Road Site

For the Blaxland Road Site four development options were tested being:

Option 1: 100 apartments with no road

Redevelopment of the site at an FSR of 1.5:1 with buildings up to 5-6 storeys spread across the site. Yield is 100 apartments and no road is provided;

Option 2: 100 apartments with a new road

Option 2 includes redevelopment of the same number of apartments as Option 1 but on two thirds of the site. The balance of the site is used for the construction of the road (paid by the developer) and dedicated to Council at project completion. The FSR on the built proportion of the site is 2.2. Building height is assumed at 6 storeys.

Option 3: 120 apartments with a new road

Option 3 is the same as Option 2 except an additional 15% premium is added to the land value and the yield is increased to 120 apartments. FSR is increased to 1.8 across the entire site or 2.6 on the balance of the site after dedication of the road. Building height is assumed at 8 storeys.

Option 4: 140 apartments with a new road

Option 4 is the same as Option 2 except an additional 30% premium is added to the land value and the yield is increased to 140 apartments. FSR is increased to 2.1 across the gross site and 3.0 on the net site. Building height is assumed at 9-10 storeys.

Financial Feasibility Results

The feasibility results are summarised in the tables below.

Table 21 Feasibility of Concord Road Site

EstateMaster Development Feasibility		1	2	3	4
COMPARISON OF OPTIONS		72 Apartments & no road.	72 Apartments & new road	88 Apartments & new road	96 Apartments & new road
Concord Road East Option 2a		72 Apartments up to 6 storeys	72 Apartments up to 9 storeys + new road	88 Apartments up to 10 storeys + new road + 15% premium on land	96 Apartments up to 10 storeys + new road + 25% premium on land
		72 Units 6,480 GFA 4,188	72 Units 6,480 GFA 4,188	88 Units 7,920 GFA 4,188	96 Units 8,640 GFA 4,188
		Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review
Estate Master Licensed to: Hill PDA Pty Ltd					
Revenues					
Gross Sales Revenue		69,450,178	70,381,238	86,446,024	94,304,754
Less Selling Costs		(1,736,254)	(1,759,531)	(2,161,151)	(2,357,619)
NET SALES REVENUE		67,713,924	68,621,707	84,284,874	91,947,135
TOTAL REVENUE (before GST paid)		67,713,924	68,621,707	84,284,874	91,947,135
Less GST paid on all Revenue		(6,313,653)	(6,398,294)	(7,858,729)	(8,573,159)
TOTAL REVENUE (after GST paid)		61,400,271	62,223,412	76,426,144	83,373,976
Costs					
Land Purchase Cost		12,900,000	12,900,000	14,835,000	16,125,000
Land Acquisition Costs		838,500	838,500	964,275	1,048,125
Construction (inc. Construct. Contingency)		25,695,006	26,300,762	32,108,139	35,011,827
Professional Fees		2,312,551	2,367,069	2,889,732	3,151,064
Application Fees		254,213	260,206	317,656	346,380
Developer Contributions		4,470,000	4,470,000	5,482,000	5,988,000
Infrastructure		-	636,066	636,066	636,066
Marketing and Advertising		694,502	703,812	864,460	943,048
Project Contingency (Reserve)		835,657	868,448	1,057,451	1,151,910
Land Holding Costs		389,621	426,939	426,939	426,939
Finance Charges (inc. Line Fees)		272,418	278,839	340,403	371,185
Interest Expense		2,385,094	2,671,292	3,121,536	3,392,693
TOTAL COSTS (after GST reclaimed)		51,047,560	52,721,934	63,043,657	68,592,237
Performance Indicators		1	2	3	4
¹ Gross Development Profit		10,352,711	9,501,479	13,382,487	14,781,738
³ Development Margin (Profit/Risk Margin)		20.28%	18.02%	21.23%	21.55%
⁴ Residual Land Value (Target Margin)		13,000,333	12,180,126	15,369,283	16,858,988
⁵ Breakeven Date for Cumulative Cash Flow		Oct-2019	Dec-2019	Dec-2019	Dec-2019
⁶ Net Present Value		(536,073)	(1,823,352)	(873,610)	(814,339)
⁹ Project Internal Rate of Return (IRR)		18.81%	16.26%	18.49%	18.71%
¹⁰ Residual Land Value (NPV)		12,367,671	11,089,385	13,967,492	15,316,350

Table 22 Feasibility of Blaxland Road Site

EstateMaster Development Feasibility COMPARISON OF OPTIONS	1	2	3	4
	100 Apartments & no road.	100 Apartments + road.	120 Apartments + road.	140 Apartments + road.
Concord Road East Option 2a	100 Apartments up to 6 storeys	100 Apartments up to 6 storeys + road	120 Apartments up to 8 storeys + road + 15% premium on land price	140 Apartments up to 9 storeys + road + 30% premium on land price
	100 Units 9,000 GFA 6,000	100 Units 9,000 GFA 6,000	120 Units 10,800 GFA 6,000	140 Units 12,600 GFA 6,000
	Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review
Estate Master Licensed to: Hill PDA Pty Ltd				
Revenues				
Gross Sales Revenue	95,505,412	95,778,266	116,039,053	136,193,259
Less Selling Costs	(2,387,635)	(2,394,457)	(2,900,976)	(3,404,831)
TOTAL REVENUE (before GST paid)	93,117,776	93,383,809	113,138,076	132,788,428
Less GST paid on all Revenue	(8,682,310)	(8,707,115)	(10,549,005)	(12,381,205)
TOTAL REVENUE (after GST paid)	84,435,466	84,676,694	102,589,071	120,407,222
Costs				
Land Purchase Cost	16,500,000	16,500,000	18,975,000	21,450,000
Land Acquisition Costs	1,072,500	1,072,500	1,233,375	1,394,250
Construction (inc. Construct. Contingency)	35,622,343	36,183,228	43,386,360	51,374,733
Professional Fees	3,206,011	3,256,491	3,904,772	4,623,726
Application Fees	352,420	357,969	429,226	508,252
Developer Contributions	6,241,000	6,241,000	7,506,000	8,771,000
Road Infrastructure	-	636,066	636,066	636,066
Marketing and Advertising	955,054	957,783	1,160,391	1,361,933
Project Contingency (Reserve)	1,159,421	1,190,813	1,425,570	1,681,893
Land Holding Costs	464,106	466,048	466,048	472,132
Finance Charges (inc. Line Fees)	377,657	383,603	459,964	544,648
Interest Expense	3,293,229	3,493,431	4,062,056	4,897,814
TOTAL COSTS (after GST reclaimed)	69,243,740	70,738,932	83,644,828	97,716,445
Performance Indicators	1	2	3	4
¹ Gross Development Profit	15,191,726	13,937,762	18,944,244	22,690,777
³ Development Margin (Profit/Risk Margin)	21.94%	19.70%	22.65%	23.22%
⁴ Residual Land Value (Target Margin)	17,430,000	16,354,412	20,507,250	23,618,401
⁵ Breakeven Date for Cumulative Cash Flow	Nov-2019	Dec-2019	Dec-2019	Jan-2020
⁶ Net Present Value	(289,449)	(1,602,067)	(332,433)	(531,398)
⁹ Project Internal Rate of Return (IRR)	19.53%	17.52%	19.56%	19.42%
¹⁰ Residual Land Value (NPV)	16,212,573	14,909,124	18,644,889	20,922,314

The conclusions from the above analysis are as follows:

- Existing cottages are viable to be redeveloped generally for 5-6 storey apartments at an FSR of 1.6:1. This is equivalent to 12 apartments replacing a cottage on a 700sqm lot and 17 apartments replacing a cottage on a 1,000sqm lot;
- The practicality of constructing and dedicating a road means that at least 5, if not 6, adjoining properties require to be amalgamated;
- The allowable floor space needs to be transferred to the balance of the site. This means that the FSR would increase to 2.3:1 on the balance of the site;
- The cost of road construction undermines the viability of development without additional floor space bonuses to compensate. The developer needs to be granted a bonus floor

space equivalent to around 3 additional apartments to meet the cost of constructing the road at \$604,000;

- Without further floor space bonuses there is no incentive for a developer to amalgamate the lots (unless it was made mandatory say under a planning instrument);
- A further incentive of say 20% bonus floor space would increase the residual land value by a further 15%. A 33% to 40% bonus would increase the residual land value by a further 25% to 30% respectively.

To improve the probability of lot amalgamations and delivery of the road a bonus incentive of around 30% to 40% is suggested. This means allowing an FSR of around 3.1:1 on the developable area of the site. The built form would be at 9 to 10 storey buildings.

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This valuation is prepared on the assumption that the lender or addressee as referred to in this valuation report (and no other) may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio.



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APPENDIX A: TESTED BUILDING TYPOLOGIES

Waterfront Lots_Option 1

Terraces front Llewlyn Street and the River, sharing an underground carpark. This typology explores a higher value proposition to that of an apartment unit at a much lower scale.

Total of 6 terraces over 1 lot.

FLOOR AREA	GBA	Efficiency	NSA	GFA
Residential	990	85	842	842
Dwelling mix (generally consistent with planning proposal)				
1B	30	50	8	0
2B	60	70	10	0
3B	10	90	12	0
Total			0	0

Height and carparking	
Height, max	12.4 m
Storeys (habitable), max	3 to 4 storeys
Carparking	1 level basement carpark *

FSR - FLOOR SPACE RATIO	
Site Area (m²)	672 m
Boardwalk Area (m2)	184 m
FSR allowed n:1	
FSR achieved n:1	1.25

*Excluding Boardwalk area.

PARKING	spaces	m²	m²
Residential	0	0	
Retail/Commercial	0	0	
Total (m²)	0	0	285

FSR - FLOOR SPACE RATIO	
Site Area (m²)	672
FSR allowed n:1	
FSR achieved n:1	1.25

WALL-TO-FLOOR RATIO	
Wall Area (m²)	0
Wall-to-floor ratio	0.00

BUILDING STATS	
Height, max	12.4
Storeys (habitable), max	3 to 4
Balcony depth, max	2.4

GBA (Gross Building Area) is the built external mass, compliant with SEPP65, LEP and DCP controls. It includes all volumes whether internal or external, habitable or non-habitable, but excludes parking (same as Building Envelope)

Efficiency is the percentage factor of the GBA to determine NSA, effectively subtracting everything that does not count towards saleable space

NSA (Net Saleable Area) includes indoor and outdoor private space and excludes communal open space. It is effectively GFA including private open space (eg. balconies, terraces, private court yards, etc)

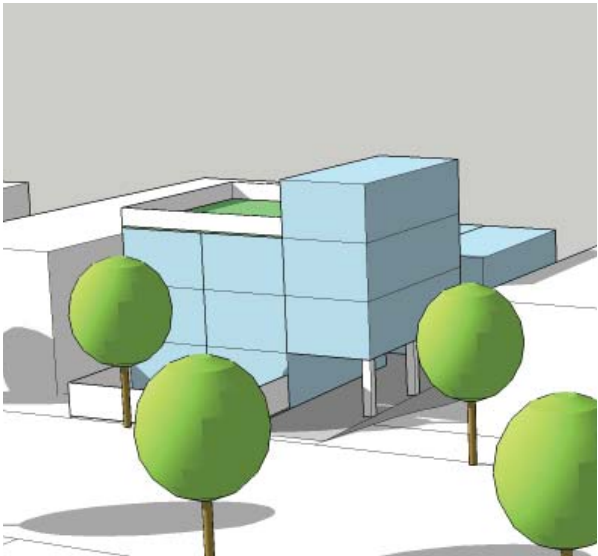
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Communal Open Space includes all shared amenities like roof top gardens, gyms, swimming pools, BBQ areas, etc

The Floor Space Ratio is the ratio of floor area of new development to the land area. State Planning instruments and Councils set out permissible FSRs for each development zone under their control and the definition of 'floor space' to use in the calculation.

Building height includes plant rooms and lift overruns (assumed to be equivalent to one storey)

Note: For mixed use projects or premium product, increase ground floor to 4.5m (at a minimum). Also, consider other levels, eg. penthouse



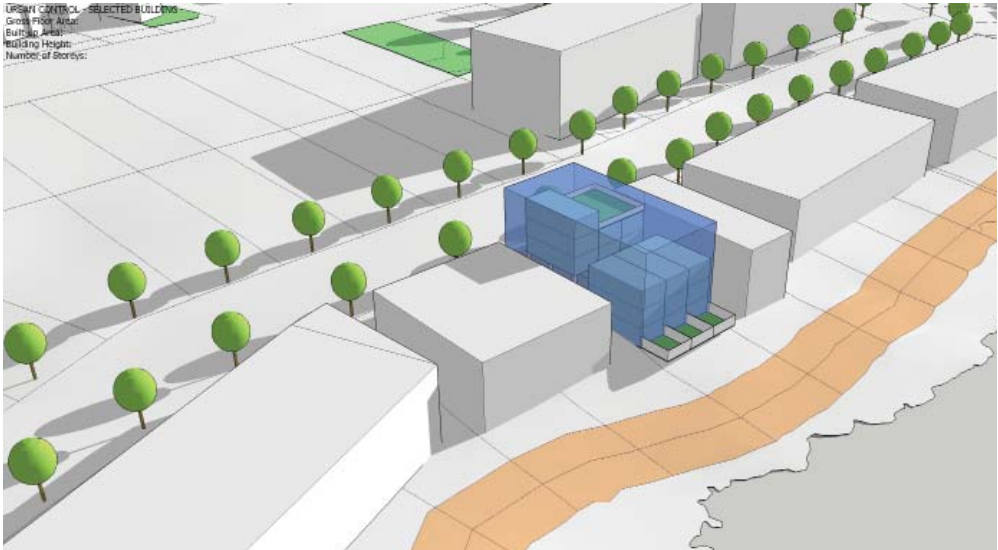
View from Llewlyn Street



3d birds eye view from Llewlyn Street



3dD model plan view- terraces fronting Llewlyn Street and the River with central separation/ lightwell



Waterfront typologies/ lots will have a maximum building envelope control, FSR, Height and a dedicated public foreshore component



Llewlyn Street elevation and carpark/ pedestrian entry

Blaxland Road Cavell Ave

Diversity Option

FLOOR AREA	GBA	Efficiency	NSA	GFA
Residential	16,389	85	13,931	12,312
Walk Up	3,360	82	2,755	2,755
Terrace	7,544	82	6,186	6,186
Total (m²)	27,293		22,872	21,253

Dwelling mix (generally consistent with planning proposal)				
1B	30	50	8	51
2B	60	80	10	101
3B	10	100	12	17
Total				169
# of WalkUp				7
# of Terraces				17
Total				193

Height and carparking	
Height, max	47.1 m
Storeys (habitable), max	3 to 15 storeys
Carparking	1 level basement carpark
Heritage	2,837 sqm

FSR - FLOOR SPACE RATIO	
Site Area (m²)	9,252 m
Boardwalk Area (m2)	
FSR allowed n:1	
FSR achieved n:1	2.30
Deep Soil Min. Required	648 sqm

PARKING	Required		Provided
	spaces	m²	
Residential	84	2,530	
# of Terraces/ WalkUp Ap.	24	720	
Total (m²)	108	3,250	0

FSR - FLOOR SPACE RATIO	
Site Area (m²)	9,252
FSR allowed n:1	
FSR achieved n:1	2.30
Deep Soil Min. Required (7%)	647.64

WALL-TO-FLOOR RATIO	
Wall Area (m²)	0
Wall-to-floor ratio	0.00

BUILDING STATS	
Height, max	47.1
Storeys (habitable), max	3 to 15
Balcony depth, max	2.4

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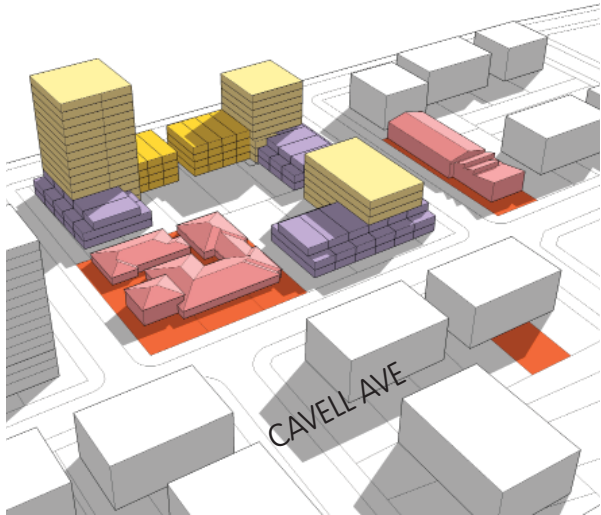
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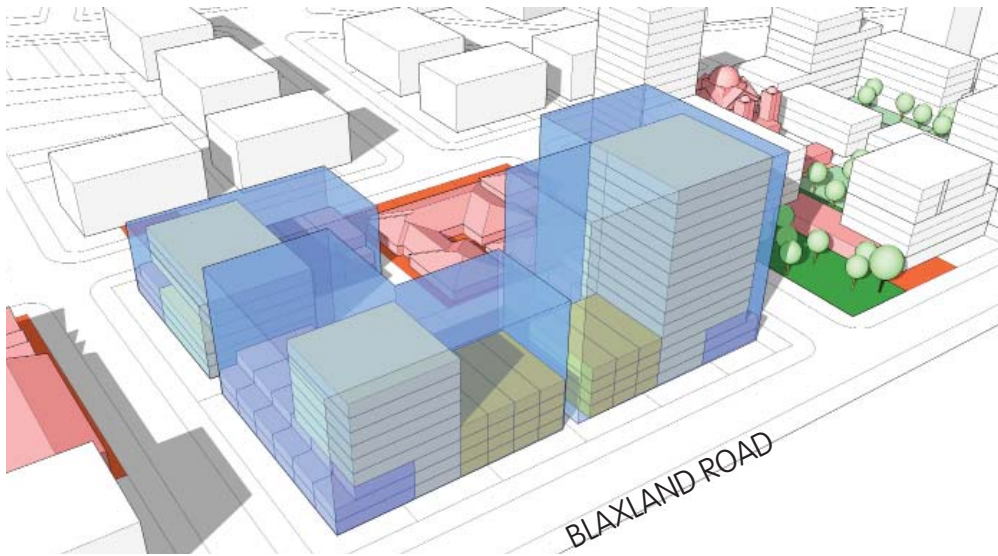
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View of retained Heritage



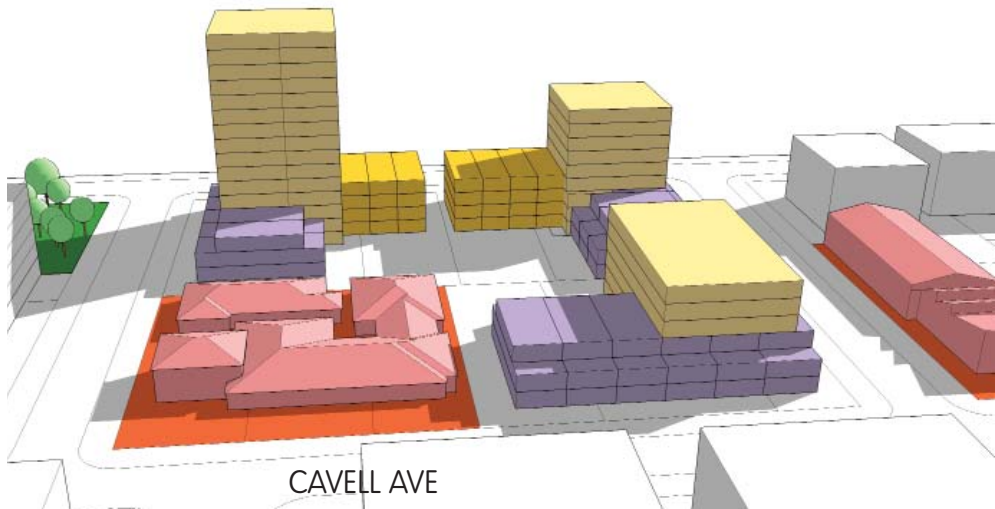
View from Blaxland Road



These blocks will have maximum building envelope control, FSR, Height.



3dD model plan view

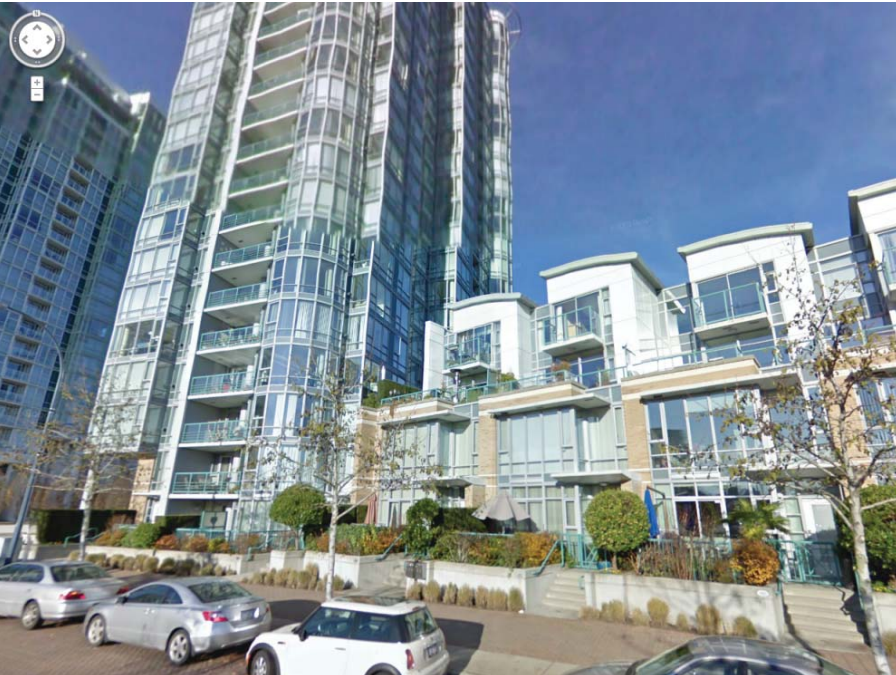


Elevation view from Cavell Avenue

Blaxland Road Cavell Ave

Diversity Option

Integrated apartments and terraces



Mid- rise apartments



Terraces



Walk- Up Apartment/ Terraces (3 storey)



Walk- Up Apartment/ Terraces as podium of apartment development

Concord Road East _Option

2C This typology provides a 2 storey 'terrace' podium with a half basement onto Concord Road and units behind. This creates an active, fine grain frontage to Concord Road whilst providing residents with elevation and separation from Concord Road.

Total of 30 units over 3 lots (10 units/ lot).

FLOOR AREA	GBA	Efficiency	NSA	GFA
Residential	2,510	85	2,134	1,886
Terraces	744	75	558	558
Total (m ²)	3,254		2,692	2,444

Dwelling mix (generally consistent with planning proposal)				
1B	30	50	8	8
2B	60	80	10	15
3B	10	100	12	3
Total				26
Terraces				4
Total				30

Height and carparking	
Height, max	19.6 m
Storeys (habitable), max	2 to 6 storeys
Carparking	1 level half basement carpark

FSR - FLOOR SPACE RATIO	
Site Area (m ²)	2,078 m
FSR allowed n:1	
FSR achieved n:1	1.18

PARKING		Required	Provided
	spaces	m ²	m ²
Residential	13		316
Retail/Commercial	0		0
Total (m ²)	13	316	910

FSR - FLOOR SPACE RATIO	
Site Area (m ²)	2,078
FSR allowed n:1	
FSR achieved n:1	1.18

WALL-TO-FLOOR RATIO	
Wall Area (m ²)	0
Wall-to-floor ratio	0.00

BUILDING STATS	
Height, max	19.6
Storeys (habitable), max	2 to 6
Balcony depth, max	2.4

GBA (Gross Building Area) is the built external mass, compliant with SEPP65, LEP and DCP controls. It includes all volumes whether internal or external, habitable or non-habitable, but excludes parking (same as Building Envelope)

Efficiency is the percentage factor of the GBA to determine NSA, effectively subtracting everything that does not count towards saleable space

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Building height includes plant rooms and lift overruns (assumed to be equivalent to one storey)

Note: For mixed use projects or premium product, increase ground floor to 4.5m (at a minimum). Also, consider other levels, eg. penthouse



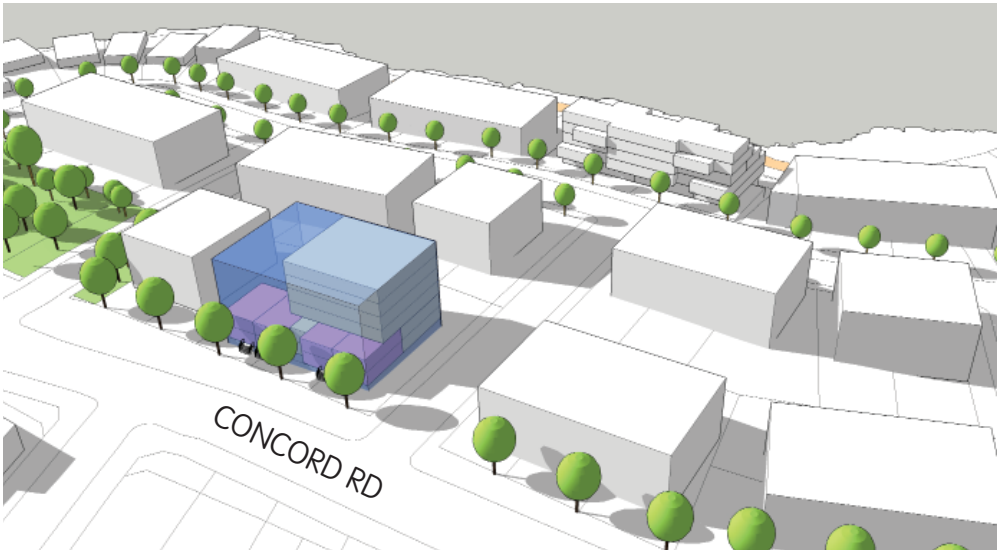
View from Concord Road



3d birds eye view from Concord Road



3dD model plan view



Concord Road typologies/ lots will have a maximum building envelope control, FSR, Height and a dedicated public foreshore component.



Elevation view from Concord Road

Leed Street Wharf Site 01

This option demonstrates redevelopment of an already amalgamated parcel and requires a large public benefit contribution in the form of a foreshore promenade and public open space.

FLOOR AREA	GBA	Efficiency	NSA	GFA
Residential	21,858	85	18,579	16,420
Retail	4,572	90	4,115	4,115
Commercial	6,971	90	6,274	6,274
Total (m ²)	33,401		28,968	26,809

Dwelling mix (generally consistent with planning proposal)				
1B	30	50	8	67
2B	60	80	10	135
3B	10	100	12	22
Total				225

Height and carparking	
Height, max	47.4 m
Storeys (habitable), max	4 to 15 storeys
Carparking	2 level basement carpark
Public Open Space	5,316 sqm

FSR - FLOOR SPACE RATIO	
Site Area (m ²)	11,383 m
Boardwalk Area (m2)	
FSR allowed n:1	
FSR achieved n:1	2.36
Deep Soil Min. Required	797 sqm

PARKING	Required spaces	Required m ²	Provided m ²
Residential	225	6,748	
Retail/Commercial	192	4,794	
Total (m ²)	417	11,542	0

FSR - FLOOR SPACE RATIO	
Site Area (m ²)	11,383
FSR allowed n:1	
FSR achieved n:1	2.36
Deep Soil Min. Required (7%)	796.81

WALL-TO-FLOOR RATIO	
Wall Area (m ²)	0
Wall-to-floor ratio	0.00

BUILDING STATS	
Height, max	47.4
Storeys (habitable), max	4 to 15
Balcony depth, max	2.4

GBA (Gross Building Area) is the built external mass, compliant with SEPP65, LEP and DCP controls. It includes all volumes whether internal or external, habitable or non-habitable, but excludes parking (same as Building Envelope)

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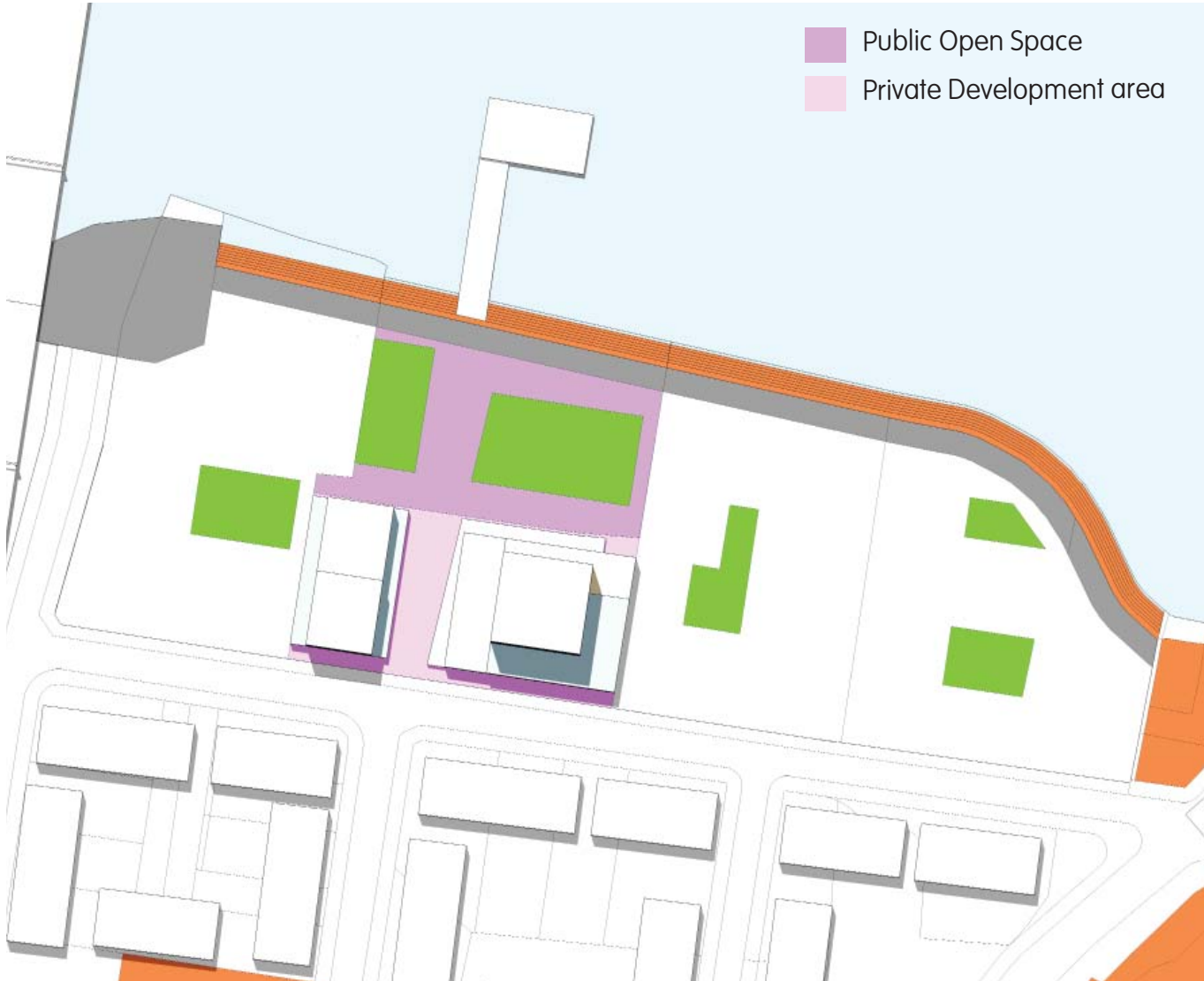
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View 01



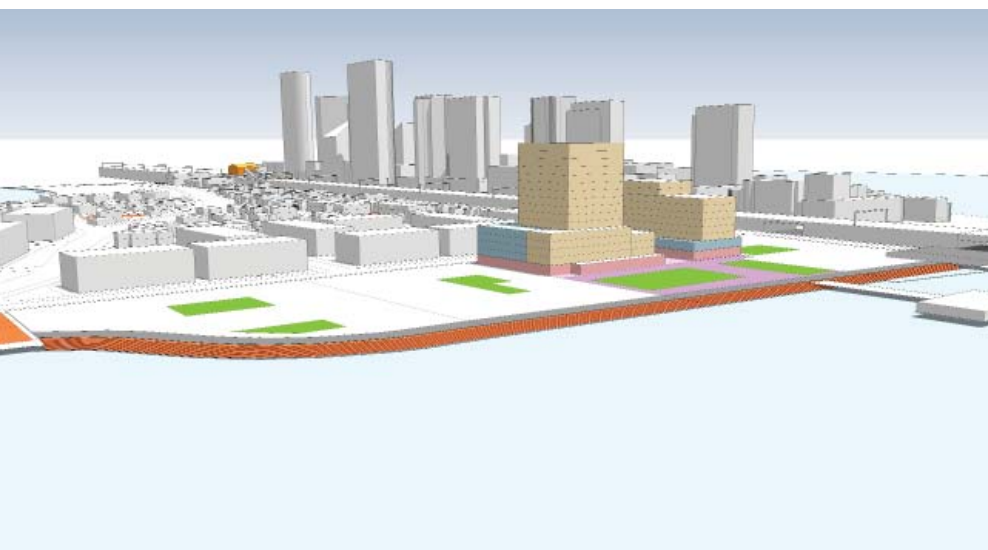
View 02



3dD model plan view



These blocks will have maximum building envelope control, FSR, Height.



Elevation view from the water