The document includes information about the project, including the client, project manager, and contact details. It also lists the versions of the document and the dates they were reviewed and approved. A disclaimer states that the information is provided without warranty, and any forecasts or projections are subject to unforeseen variables. The liability of AEC Group Pty Ltd is limited by a scheme approved under Professional Standards Legislation.
EXECUTIVE SUMMARY

BACKGROUND

The NSW State Government has announced application of a Special Infrastructure Contribution (SIC) to assist in funding state and regional infrastructure. The SIC will apply to Priority Growth Areas (PGAs) and Planned Precincts (PPs).

The Special Infrastructure Contribution envisages a contribution rate applied to residential building work and/or residential subdivision, imposed as a condition of development consent.

The SIC which is applicable in each PGA and PP is to be separately determined based on:

- Infrastructure requirements and costs determined in collaboration with various agencies.
- Analysis of the precincts’ growth patterns.
- Timing of infrastructure delivery.
- Development feasibility.

Depending on the cost of required infrastructure and developments’ capacity to pay, developers will be required to contribute to the cost of providing state and regional infrastructure upgrades.

AEC Group (AEC) is engaged by Department of Planning and Environment (DPE) to carry out a development feasibility analysis to understand the capacity of new development to pay a SIC in the Bayside West Planned Precinct (referred to as ‘the Precinct’ or ‘Study Area’).

PURPOSE & APPROACH

DPE recognises that in considering if and how a SIC could be implemented within the Study Area, the assembly of an evidence base is necessary. This is firstly to understand the circumstances under which development could occur, and secondly the extent to which a SIC could be imposed without undermining development feasibility.

The objective of the Study is to address the following with respect to the Study Area:

- Understand the extent of changes to the planning framework and development typologies likely to occur.
- Test how much can feasibly be required on new development following the adoption of new planning controls (as contemplated under the draft Land Use and Infrastructure Strategy and Rezoning Report).
- Aggregate the findings to identify if there is a generic contribution rate/s that could apply in the Study Area and the observations that should influence the rate/s.
- Investigate the tolerance range for a generic contributions rate where development is still feasible.
- Identify matters for consideration when implementing SICs to fund state and regional infrastructure.

The Study Area is fairly expansive, focused along the Princes Highway Corridor from Wolli Creek in the north to Banksia in the south.

Property and development markets are nuanced, subject to different demand drivers and market characteristics. In this context, it is not the objective of the Study to explore every market at a fine grain level. The Study adopts an approach that profiles various markets and sub-markets, making observations that are then aggregated across markets and sub-markets that are comparable.

Not all current planning controls are envisaged to change, with the nature of change also differing across the Study Area. As application of the SIC is on an inclusionary basis (‘included’ or mandated) on the total number of dwellings proposed in the draft Land Use and Infrastructure Strategy, the impact to development feasibility will invariably be different. Sites which benefit from a greater increase to density will have a greater tolerance to a proposed SIC.

The Study is not intended to assess the feasibility of the proposed planning controls as per the draft LUIS in the first instance, rather to test the capacity of development to tolerate a SIC.
The Study additionally identifies key matters for consideration and makes recommendations for implementation of SICs on development in the Study Area.

**TOLERANCE OF DEVELOPMENT TO SIC**

Land values are intrinsically linked to their permitted and existing use, whichever is the higher. A change in land use zone and/or change in permitted density often leads to a financial benefit, also termed “Value Uplift” or “Land Value Uplift”. It is through a capture of some of the value uplift that development can afford to contribute to SICs. The Retained Value Uplift (i.e. the portion that is not captured for contribution) is available for retention by the landowner or developer, whichever the case may be.

A key metric for development feasibility (i.e. developments’ tolerance to imposition of a SIC) is measured by Value Retained. Value Retained comprises of Existing-use Value (i.e. the ‘as is’ improved property values before the rezoning/upzoning including a premium) and Retained Value Uplift (i.e. the portion of value uplift not captured for SIC contribution).

The Value Retained is the amount that a developer can afford to pay for the site, and is ultimately subject to negotiations with a landowner. In some cases the developer may already be the landowner.

Figure ES.1 illustrates the premise of the testing using a hypothetical example. With an existing-use value of $4.5m, change in FSR controls to FSR 3:1 to FSR 6:1 delivers a value uplift of between $3m and $9.9m. The change in FSR controls also results in commensurate increase in profit to a developer, reflective of a larger development.

**Figure ES.1: Conceptual Diagram of Value Uplift v Existing-use Value**

The analysis has been structured to consider a SIC that captures 50% of Value Uplift. This leaves capacity for some of the upside to be retained by a developer/landowner or to cater for changes in development costs. The remainder of the Value Uplift is the Retained Value Uplift and when added to the Existing-use Value forms the Value Retained.

Figure ES.2 illustrates conceptually the uplift that is captured (‘Value Uplift’ or ‘Planning Gain’) for a SIC. This amount can be appropriated entirely to a SIC or to a combination of forms of public benefit, e.g. affordable housing, works-in-kind and other contributions that may be delivered through a planning agreement.
Table ES.1 illustrates the aggregated results of feasibility testing which appropriates the Value Captured to a SIC. The testing has allowed for s7.11 contributions at $20,000 per dwelling.

**Table ES.1: Generic Development Tolerance to a SIC**

<table>
<thead>
<tr>
<th>Land Use Zone</th>
<th>Proposed FSR</th>
<th>SIC on Overall Dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>GFA Unit</td>
</tr>
<tr>
<td>Residential</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R4 High Density</td>
<td>1.2:1</td>
<td>No capacity to pay</td>
</tr>
<tr>
<td></td>
<td>2.0:1</td>
<td>$180-$200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$12,000-$16,000</td>
</tr>
<tr>
<td>Mixed Use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B4 Mixed Use</td>
<td>2.0:1</td>
<td>$80-$120</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$6,000-$9,000</td>
</tr>
<tr>
<td></td>
<td>2.5:1</td>
<td>$140-$160</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$10,000-$12,000</td>
</tr>
</tbody>
</table>

*The testing does not allow for a SIC credit for existing use. It is not possible to predict every situation under which a development could occur. In some cases the SIC credit may be of more significant, in other cases the credit may be more modest. Given the testing does not include receipt of a SIC credit, the tolerance of development to a SIC will be greater than that which is represented.

Broadly, and on an aggregate basis, the tolerance of development to a SIC ranges from nil to $16,000 per dwelling based on a 7.11 contributions rate of $20,000 per unit and 5% affordable housing contribution. DPE could consider implementing differential SIC rates, however the area of change is relatively small and with that comes difficulty of implementing different rates, making it less simple for market understanding and from an administration perspective.

Not all current planning controls are envisaged to change, with the nature of change also differing across the Study Area. As application of the SIC is on an inclusionary basis (‘included’ or mandated) on the total number of dwellings proposed, the impact to development feasibility will invariably be different. Sites which benefit from a greater increase in density will have a greater tolerance to a proposed SIC.

We highlight that this Study does not seek to establish if development under existing planning controls is in the first instance feasible. A base presumption of feasibility under existing planning controls is implicit in this approach.
BAYSIDE WEST PLANNED PRECINCT - SIC FEASIBILITY TESTING

For those sites that are not feasible to develop in the first instance (even before imposition of a SIC), imposition of a SIC will be moot to the issue of development. This is true for those sites that may not be feasible to develop under the proposed controls is not a commercially proposition even without introduction of a SIC.

RECOMMENDATIONS

This Study makes the following key recommendations:

- **Coordination with Other Contributions Regimes**
  The capacity of an upzoned development site to contribute to public benefit is finite. The analysis assumes s7.11 contributions before applying a 50% target capture of Value Uplift to approximate the quantum of additional SIC that could potentially be made if a site was rezoned or upzoned.

  While the testing shows the magnitude of the capacity of development to contribute to a SIC, the form of contribution could equally be for affordable housing, works-in-kind and other items of public benefit.

  The imposition of contributions seeking to leverage value capture opportunities needs to be implemented holistically, cognisant of the different competing infrastructure priorities and different contribution requirements.

- **Clear and Adequate Notice to Market**
  Clear and adequate notice to the market of the contribution rates and their timing for implementation will allow their consideration in due diligence calculations. Exhibition of the draft SIC will allow the market to provide feedback and comment before implementation.

- **Delivery in-kind**
  Delivery of infrastructure (in-kind) by developers has economies of scale when progressed with the main development and also helps overcome resource and delivery limitations of agencies (where appropriate). If a development site has sufficient scale that it has the capacity to deliver some of the infrastructure contemplated, it may be more efficient for that development to either contribute wholly or partially in-kind.

- **Indexation and Regular Review**
  Following full implementation, it will be prudent to review and monitor market response and housing delivery. Given objective of SICs to fund infrastructure, indexation to the Producers Price Index would ensure that contributions are aligned to change in the cost of infrastructure over time. However, to ensure the SICs remain within development tolerance, it would be prudent to regularly review the capacity of development to pay with reference to market and development activity, as well as the overall contributions liability.

This Study acknowledges the benefits of simplicity in applying generic SIC rates, however we highlight the difficulty in adopting a single generic contribution rate across areas. Notwithstanding the nuances of markets and sub-markets, the application of generic contribution rates provides certainty to the market, allowing developers and investors to give due consideration to their contributions liability when negotiating to acquire sites.
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## GLOSSARY OF TERMS

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<thead>
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<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘As Is’ Value</td>
<td>Refer to Existing-use Value</td>
</tr>
<tr>
<td>Capacity to Pay</td>
<td>The capacity of a development site to contribute to a SIC and remain feasible to develop</td>
</tr>
<tr>
<td>Development Profit</td>
<td>Total revenue less total cost including interest paid and received, or the spread between cost to develop and value on completion</td>
</tr>
<tr>
<td>Existing-use Value</td>
<td>The value of a site in its existing use, also referred to as ‘as-is’ value (i.e. before a rezoning/upzoning). This could be higher or lower than its value as a development site.</td>
</tr>
<tr>
<td>FHB</td>
<td>First home buyer</td>
</tr>
<tr>
<td>Inclusionary Zoning</td>
<td>Contributions that are ‘included’ or mandated for specified development.</td>
</tr>
<tr>
<td>Land Value Uplift</td>
<td>This refers to the value ‘created’ as a result of a change to planning controls. It is the difference between the value of a site before and after a rezoning/upzoning.</td>
</tr>
<tr>
<td>Market Value</td>
<td>The value of a site in its existing use or the value of a site as a development opportunity (as permitted by existing planning controls), whichever is the higher.</td>
</tr>
<tr>
<td>Planning Gain</td>
<td>A percentage share/capture of Value Uplift which is appropriated for public benefit (e.g. affordable housing, regional infrastructure, etc.). Planning Gain and “Capture of Value Uplift” are used interchangeably.</td>
</tr>
<tr>
<td>Priority Growth Area</td>
<td>Specific growth areas as defined by Department of Planning and Environment</td>
</tr>
<tr>
<td>Planned Precinct</td>
<td>Specific growth precincts as defined by Department of Planning and Environment</td>
</tr>
<tr>
<td>SIC</td>
<td>Special Infrastructure Contribution</td>
</tr>
<tr>
<td>Study Area</td>
<td>Arncliffe and Banksia sub-precincts and excluding Cooks Cove sub-precinct</td>
</tr>
<tr>
<td>Residual Land Value</td>
<td>The maximum price a developer would be prepared to pay for a site in exchange for the opportunity to develop the site, whilst achieving target hurdle rates for profit and project return. This represents the site value after a rezoning/upzoning of the site.</td>
</tr>
<tr>
<td>Retained Land Value</td>
<td>The Retained Land Value is comprised of the Retained Value Uplift and the Existing-use Value. The Retained Land Value is available for the purposes of negotiations between landowner and developer.</td>
</tr>
<tr>
<td>Retained Value Uplift</td>
<td>This refers to the portion of the Land Value Uplift that remains after a portion is captured for contribution.</td>
</tr>
<tr>
<td>Value Capture</td>
<td>A sharing/capture of land value uplift as a development contribution to be appropriated to public benefit.</td>
</tr>
<tr>
<td>Value Uplift</td>
<td>This can refer to the increased value of an asset due to improved transport services (e.g. new train line or new motorway access) or enhanced development potential. In the context of the Study, Value Uplift refers to Land Value Uplift following a rezoning or upzoning of a site.</td>
</tr>
<tr>
<td>Value Retained</td>
<td>Refer to Retained Land Value</td>
</tr>
</tbody>
</table>
1. INTRODUCTION

1.1 BACKGROUND

The NSW State Government has announced a Special Infrastructure Contribution (SIC) to assist in funding state and regional infrastructure. The SIC will only apply to Priority Growth Areas (PGAs) and Planned Precincts (PPs).

The Special Infrastructure Contribution envisages a contribution rate applied to residential building work and/or residential subdivision, imposed as a condition of development consent. A SIC is not required to be made in a number of circumstances, including, inter alia:

- Where a SIC or contribution under a planning agreement has already been made.
- New residential building work will not result in an increase in the number of dwellings on the land.
- Development for public housing, seniors housing or affordable housing carried out by or on behalf of a social housing provider.

The SIC which is applicable in each PGA and PP is to be separately determined based on:

- Infrastructure requirements and costs determined in collaboration with various agencies.
- Analysis of the precincts’ growth patterns.
- Timing of infrastructure delivery.
- Development feasibility.

Depending on the cost of required infrastructure and developments’ capacity to pay as a result of proposed changes in planning controls, developers will be required to contribute to the cost of providing state and regional infrastructure upgrades, implemented through SIC rates.

AEC Group (AEC) is engaged by Department of Planning and Environment (DPE) to carry out a development feasibility analysis to understand the capacity of new development to pay a SIC in the Bayside West Planned Precinct (referred to as ‘the Precinct’ or ‘Study Area’ interchangeably).

1.2 PURPOSE AND APPROACH

The objectives of the Study with respect the Study Area are to:

- Understand the extent of changes to the planning framework and development typologies likely to occur.
- Test how much can feasibly be required on new development following the adoption of new planning controls.
- Aggregate the findings to identify if there is a generic contribution rate/s that could apply in the Study Area and the observations that should influence the rate/s.
- Investigate the tolerance range for a generic contributions rate/s where development is still feasible.
- Identify matters for consideration when implementing SICs to fund regional infrastructure.

In order to meet the requirements of the brief, AEC carried out the following tasks:

- Review of precinct planning and draft Land Use and Infrastructure Strategy (LUIS) and Rezoning Reports.
- Investigated development tolerance and capacity to contribute a SIC.
  - Property market appraisal and profiling of the property market in the Study Area to understand market and development activity, as well as purchaser preferences and requirements.
  - Generic feasibility testing to examine tolerance bands of development to contribute a SIC.
- Aggregated the modelling results to identify a tolerance range for a SIC where development is still feasible.
- Made recommendations on appropriate SIC ranges and matters to consider for implementation.
We highlight the purpose of the Study is not to assess the feasibility of proposed controls as per the draft LUIS and Rezoning Reports in the first instance, rather to test the capacity of development to tolerate a SIC.

1.3 STRUCTURE OF THE STUDY

The overarching objectives of the Study is a clear understanding of the tolerance of development, or developments’ capacity to pay a SIC in the Study Area. The Study Area collectively include the Arncliffe, Banksia and Cooks Cove Precinct. We highlight that the Study does not include the Cooks Cove Precinct which is a large scale urban renewal precinct.

The Study is structured in the following chapters:

Chapter 2 describes the context of the Study Area, current planning framework, precinct planning and outcomes of the Land Use and Infrastructure Strategy. The chapter also carries out a property market appraisal to understand the nature of market and development activity in the Study Area.

Chapter 3 investigates the capacity of development in the Study Area to contribute a SIC.

Chapter 4 makes recommendations and identifies key matters for consideration for implementing a SIC in the Study Area.

1.4 ASSUMPTIONS AND LIMITATIONS

AEC relied on the following information received in consultation with DPE:

- Precinct planning documents, land use and implementation strategies/plans.

**Aggregated Approach**

The Study Area covers an area that spans a considerable length of Princes Highway. Property and development markets are nuanced, subject to different demand drivers and market characteristics. In this context, it is not the objective of the Study to explore every sub-market at a fine grain level. Accordingly, this Study adopts an approach that profiles respective markets and sub-markets, making observations that are then aggregated across markets and sub-markets that are comparable.

It is not the intention or objective of the Study to establish if development under existing planning controls is in the first instance feasible, or to predict landowner objectives. Rather, it is the intention of the Study to examine the ‘incremental’ value uplift that could potentially result following an upzoning of land (increase in FSR) or rezoning.

For example, if a site currently designated with FSR 0.6:1 is upzoned to FSR 2:1, the value uplift resulting from the rezoning may not necessarily be associated with the FSR 1.4:1 increase if development at FSR 0.6:1 is not feasible to undertake in the first instance.

Notwithstanding, precinct planning in PGAs and PPs is generally subject to feasibility testing by DPE (Urban Feasibility Model, UFM) to ensure proposed changes to planning controls are reflective of commercial realities. Deliverability of a precinct plan and the delivery of infrastructure from a SIC is ultimately a long term proposition, redevelopment and renewal not expected to occur immediately but over a period of time.

**Generic Feasibility Testing**

AEC acknowledges a number of limitations associated with generic feasibility analysis undertaken in Chapter 3.

- Generic development options are formulated for feasibility testing based on permissible and proposed FSRs. This is useful for the purposes of considering the financial feasibility of development options and corresponding impacts when a SIC is included. Development schemes tested however are notional only, and have not been capacity, urban design or engineering tested.
- Desktop appraisal of ‘as is’ property values (or existing-use values) without the benefit of internal inspections.
Generic feasibility testing does not consider nuances of a site (for example where the cost of lead-in infrastructure works may be more expensive) typically considered in detailed feasibility analysis where the outcomes of technical investigations and cost information are available.

As a consequence of application of generic assumptions and modelling, exceptions to the modelling results are inevitable. The intent would be to, approximate the feasibility of the majority of sites for development. There will invariably be sites that are not feasible to develop owing to valuable and functional existing buildings. These sites may not be feasible for redevelopment, with or without the imposition of a SIC. Conversely, some sites may realise a greater uplift to planning controls and therefore have a greater capacity to pay a SIC than what is found.

Despite the limitations of generic feasibility analysis, the analysis is considered to be instructive in understanding the impacts of SIC rates in the Study Area and its sub-markets in aggregate.

**Contributions other than the SIC**

The Study examines the potential for development in the Study Area to contribute a SIC where a rezoning or upzoning occurs. The Study however recognises that there are other infrastructure funding requirements that could equally require development contributions (e.g. affordable housing, VPA items of community infrastructure, etc.).

Local councils will be responsible for preparing development contribution plans and affordable housing strategies that will each quantify the amount of s7.11 or 7.12 contributions and affordable housing contributions required. Existing s7.12 contributions apply (by virtue of Rockdale Section 94A Development Contributions Plan 2008), requiring 1% of development cost.

The Study acknowledges that s7.11 contributions were ‘uncapped’ in 2017 when the Environmental Planning and Assessment (Local Infrastructure Contributions) Direction 2012 was amended. While the amendment removed the cap for s7.11 contributions, there is still the requirement for contributions to be calculated in accordance with IPART (Independent Pricing and Regulatory Tribunal) reviewed contributions plan. Should there be any substantial increase to s7.11 contributions beyond current levels, an IPART review will be necessary, conceivably allowing for any revision to be captured within periodic review of SIC rates. For the purposes of feasibility modelling the Study assumes an average 7.11 contribution of $20,000 per dwelling.

Depending on the cumulative monetary requirement from contributions to SIC rates, affordable housing, VPA items of infrastructure, etc. concurrently required, developments’ tolerance and capacity to pay has the potential to be impacted.

The testing has included the impact of a 5% affordable housing contribution based on additional dwellings that result from a rezoning/upzoning. This approach assumes only 95% of additional residential yield is available for sale; the remaining 5% to be contributed as affordable housing. This is effectively an ‘in-kind’ contribution.
2. BAYSIDE WEST PLANNED PRECINCT

2.1 LOCATION AND OVERVIEW

The Bayside West Planned Precinct is largely located along the Princes Highway Corridor which forms the spine of the Precinct. The T4 Illawarra rail line runs adjacent the Princes Highway. Collectively, the Precinct includes the Arncliffe, Banksia and Cooks Cove sub-precinct which are located in the Bayside local government area and approximately 10-12km south of the Sydney CBD and to the west of the Sydney Airport. The Cooks Cove sub-precinct is not the subject of this Study.

Figure 2.1: Bayside West Planned Precinct (Arncliffe, Banksia and Cooks Cove)

Existing built form in Arncliffe and Banksia is predominantly commercial and light industrial buildings, retail showrooms and warehouses, mostly clustered along Princes Highway. Pockets of high-density residential apartments are observed around the respective train stations while land to the east and west of Princes Highway is dominated by low density housing of various construction styles and age.

Existing Planning Controls

The planning controls for the Arncliffe and Banksia sub-precincts are subject to provisions in the Rockdale Local Environmental Plan (2011). These areas are zoned for a range of employment, residential and recreational uses. Figure 2.2 depicts the existing land use zones in the Bayside West Planned Precinct as envisaged in the draft Bayside West LUIS and Rezoning Reports.
Current land use zones allow for:

- Strip of commercial properties (B6 Enterprise Corridor) along Princes Highway Corridor.
- Pockets of mixed use (B4 Mixed Use) in Arncliffe, on the western side of the Arncliffe train station and along Princes Highway.
- Local shops (B1 Neighbourhood Centre) on the western side of Banksia train station.
- Mix of residential densities including:
  - Residential areas in close proximity to Arncliffe train station (west of Princes Highway) are zoned R4 High Density Residential allowing multi-dwelling housing along with office and business uses, neighbourhood shops, restaurants and cafés.
  - Residential areas in Banksia and the outer areas of Arncliffe (surrounding Arncliffe Park and West Botany Street) are generally zoned R2 Low Density Residential allowing single homes and dual occupancies.
- Local parks including Gardiner Park, Arncliffe Park and Wooroona Reserve (RE1 Public Recreation).

Building heights are limited to 8.5m (approximately 2 storeys) within the low density residential areas, between 14.5m and 16m (approximately 4-5 storeys) adjacent to the station and 28m (approximately 8 storeys) with select locations along the Princes Highway.

Figure 2.2: Bayside West Planned Precinct, Existing Planning Controls

Source: DPE (2016a)

2.2 LAND USE AND INFRASTRUCTURE STRATEGY

A draft Land Use and Infrastructure Strategy (draft LUIS) was developed and released by DPE in November 2016. The objectives of the draft Strategy are to:

- Develop a vision for the Arncliffe, Banksia and Cooks Cove precincts.
- Identify areas for growth based on a detailed analysis of constraints and opportunities.
• Undertake a high-level infrastructure capacity analysis for the area.
• Develop a framework to guide future planning for the area.

The draft LUIS identifies opportunities for development and renewal throughout the Study Area, including locations for high density residential development or mixed uses in the short term and areas that offer future opportunities for medium, low-rise residential development.

**Vision and Objectives**

The draft LUIS espouses the following objectives for the Bayside West Planned Precinct:

- Create vibrant and connected town centres.
- Provide more homes and housing choice.
- Improve and provide new areas of open space.
- Improve accessibility.
- Revitalise the Princes Highway Corridor.

Potential locations identified for increased residential densities include:

- Residential development within the Princes Highway Corridor and at Arncliffe and Banksia town centres in the form of shop top housing.
- Higher density residential development adjoining areas already developed for high density development, including the northern parts of Arncliffe precinct adjoining the Wolli Creek and Bonar Street precincts.
- Areas to the south of the Princes Highway which are relatively free of airport height and noise restrictions.
- Existing low density areas in Arncliffe and Banksia which are within walking distance to train stations and town centres.
- Medium density in areas of low density to ensure approximate transition in height and built form.

**Land Use Strategy**

The draft LUIS envisages the following strategies for the Precinct:

- **Expanding the Arncliffe town centre**
  Expansion of the town centre to include areas either side of the rail line and up to Forest Road will allow for a greater area of commercial activity around the train station including retail, cafés, accommodation and offices. Residential is to be accommodated in the town centre in the form of shop top housing.
  Purpose of the change is to enable Arncliffe to be a vibrant and active place by increasing the number of dwellings in close proximity to the train station.

- **Expanding the Banksia neighbourhood centre**
  Expanding the neighbourhood centre will allow mixed use development in the area with retail at ground level and residential apartments above. Purpose of the change is to provide a focal point with a greater range of local services for residents.

- **Urban development at Cooks Cove**
  The draft LUIS identifies the north portion of Cooks Cove (north of the M5 Motorway) as suitable for mixed use, residential development. Various technical studies have been completed as part of an unsolicited proposal wherein a range of uses were proposed. For the purposes of this Study the Cooks Cove precinct is excluded.

- **Prince Highway Corridor mixed uses**
  Change of land uses adjoining the Princes Highway to allow for a range of commercial uses with residential apartments on the upper levels. Purpose of the change is to encourage revitalisation of the Princes Highway Corridor, facilitating additional business opportunities and providing for additional housing.

- **Princes Highway Corridor enterprise corridor**
Light industrial and showroom land uses along the Princes Highway Corridor at Banksia will be retained to support employment uses. Increase in heights and floorspace controls is considered to encourage revitalisation and renewal of this part of the corridor.

- **Expanding the Arncliffe Park neighbourhood centre**
  Enhancement and expansion of the centre to provide a local centre envisages retail on lower levels with residential apartments above. The change is expected to activate Arncliffe and allow more people to locate in the vicinity of the park.

- **Areas of medium density, low rise residential development**
  The Arncliffe Park neighbourhood (north of Wollongong Road and the Gardiner Park neighbourhood, located between the park and Banksia train station) has been identified for future development of medium, low-rise dwellings. These areas are considered suitable for a change from low density residential as they fall within the 800m walking catchment of the train stations and are located close to community amenities.
  
  These areas have a defined local character with a number of houses listed as local heritage items. Medium density development is considered more suitable in these locations to ensure local character is retained.

- **Princes Highway expansion area**
  An existing residential area which backs onto commercial properties located along Princes Highway (close to Banksia train station) has been identified as a future opportunity area for development, subject to further investigation.

Other areas which are not identified for change will continue to be subject to the existing planning framework.

### 2.3 REZONING REPORTS (ARNCLiffe AND BANKSIA)

The draft LUIS identifies areas in the Study Area that are suitable for rezoning in the short term. A Rezoning Report (DPE, 2016b) is prepared to provide an overview of the rezoning proposal for the Arncliffe and Banksia precincts.

#### Proposed Planning Controls

A suite of changes to the existing planning framework is proposed in the draft LUIS, importantly relating to built form and density controls (height and FSR).

- **Built Form**
  - High density areas in the Arncliffe Precinct (either side of the town centre and Princes Highway Corridor) are identified, with development between 6 and 8 storeys with towers of up to 22 storeys in appropriate locations.
  - Medium density, low-rise in areas south of Wickham Street (Arncliffe and Banksia), with development up to 3 storeys.

- **Heights**
  - Heights in the Arncliffe and Banksia town centres will range from 8-12 storeys with towers up to 22 storeys in appropriate locations in Arncliffe.
  - An increase in heights ranging from 8-12 storeys along Princes Highway.
  - Taller buildings up to 12 storeys located close to areas of existing high density residential including the Bonar Street Precinct and Wolli Creek development area.
  - Low rise (3-4 storeys) in adjoining low density residential areas.

Figure 2.3 depicts the land use plan envisaged by the Rezoning Report.

Many of the suggested rezonings are accompanied by an increase in density. Not all zones are envisaged to change. Though in many instances an upzoning (increase in density) is also proposed where a land use zone is retained.
A number of change in land use zones are envisaged, summarised as follows:

- Low density residential (R2) zone to a medium density (R3) or high density (R4) residential zone.
- Low density residential (R2) to a neighbourhood centre (B1) zone.
- Residential (R2, R3, R4) zone to Mixed use (B4) zone.
- Light industrial (IN2) zone to Mixed use (B4) zone.
- Enterprise corridor (B6) zone to Mixed use (B4) zone.
The extent of increased density varies across the Study Area. In areas around Arncliffe and Banksia centres, increases in density are greater, with areas on the fringes proposed with more moderate increases to FSRs and heights.
2.4 MARKET OVERVIEW

This section provides an overview of current market dynamics within the Study Area, including sales and leasing activity of existing property, off-the-plan residential sales, the current development pipeline and site sales activity.

2.4.1 Sales Activity

A dearth of commercial and industrial sales activity within Arncliffe and Banksia has been observed in recent months beyond those being secured as development sites. Rather than a result of a lack of demand, the dearth in sales activity is more a result of delayed divestment by landowners until the rezoning of the Precinct has been completed.

Over the 2017 period, the only sale recorded which is not being progressed as a development site is observed to be 316-316A Princes Highway, Banksia. The 512sqm site is currently zoned B6 Enterprise Corridor being improved with a single storey church building and is located between a service station and commercial building. The site sold to a local church for $975,000, equating to $1,900/sqm of overall site area.

Older sales (circa 2015-2016) of properties along Princes Highway zoned B6 Enterprise Corridor (subject to FSR 1.5:1) typically achieved sales rates in the order of $2,500/sqm to $3,000/sqm of overall site area. Small retail shops within the Arncliffe and Banksia train station are observed to have secured higher sales rates in the order of $6,000/sqm of site area. For instance, 9 Belmore Street comprising a small single storey retail shop adjacent Arncliffe train station sold for $870,000 in mid-2016, equating to $6,259/sqm of overall site area.

Beyond the Princes Highway Corridor, housing within the Study Area exhibit strong sale values given strong demand and fine grain lot patterns (generating high dollar per square metre). Review of recent dwelling sales in these areas indicates existing housing stock is typically achieving between $3,500/sqm to $5,500/sqm of site area depending on age, size and location.

Off-the-Plan Sales

108 Princes Highway is the premier development currently being marketed in Arncliffe and the wider Study Area. The 9 storey development which includes 234 apartments is understood to be approximately 95% sold, averaging 6-8 sales per month since initial release in mid-2014. The majority of buyers to date are understood to be owner occupiers from the local area, with a sizable component of investor purchasers (circa 30%).

Depending on aspect and vistas achieved, price increments circa $10,000 per floor are understood to have been secured. Additional car spaces were not provided with any 1 or 2 bedroom apartments however informal discussions with the marketing agent indicate such spaces could have likely fetched $25,000 per space.

Table 2.1: Off-the-Plan Sales, Bayside West

<table>
<thead>
<tr>
<th>Address</th>
<th>Type</th>
<th>Internal Area (sqm)</th>
<th>Low</th>
<th>Sale Price High</th>
<th>Analysis ($/sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>108 Princes Hwy Arncliffe</td>
<td>1BR</td>
<td>52-55</td>
<td>$600,000</td>
<td>$650,000</td>
<td>$11,300-$11,500</td>
</tr>
<tr>
<td></td>
<td>2BR</td>
<td>70-85</td>
<td>$750,000</td>
<td>$800,000</td>
<td>$9,400-$10,700</td>
</tr>
<tr>
<td></td>
<td>3BR</td>
<td>95-105</td>
<td>$1,050,000</td>
<td>$1,200,000</td>
<td>$11,000-$11,500</td>
</tr>
<tr>
<td>7 Wollongong Rd Arncliffe</td>
<td>1BR</td>
<td>50-60</td>
<td>$560,000</td>
<td>$605,000</td>
<td>$10,000-$11,200</td>
</tr>
<tr>
<td></td>
<td>2BR</td>
<td>81-85</td>
<td>$665,000</td>
<td>$750,000</td>
<td>$8,200-$8,800</td>
</tr>
<tr>
<td>63-69 Bonar St Arncliffe</td>
<td>1BR</td>
<td>50-63</td>
<td>$520,000</td>
<td>$635,000</td>
<td>$10,000-$10,400</td>
</tr>
<tr>
<td></td>
<td>2BR</td>
<td>80-95</td>
<td>$675,000</td>
<td>$750,000</td>
<td>$7,900-$8,400</td>
</tr>
</tbody>
</table>

Source: AEC

2.4.2 Leasing Activity

Despite strong rental conditions spurred by businesses moving from South Sydney, ageing showroom and warehouse space along Princes Highway within the Precinct is typically unable to accommodate many of these businesses owing to poor accessibility, limited carparking and low clearance buildings.
Informal discussions with local agents note that ageing showroom/warehouse spaces are currently achieving rents circa $200/sqm to $230/sqm of building area. Industrial occupiers typically prefer to locate within more traditional industrial precincts (West Botany Street, Rockdale) whereas Rocky Point Road in Kogarah is more favoured by typical showroom users. Rents being achieved in both these markets are superior to those along Princes Highway within the Study Area, reflective of relative market appeal.

### 2.5 DEVELOPMENT ACTIVITY

Development activity within the Study Area is primarily clustered within Arncliffe along or proximate to the Princes Highway Corridor. Local agents note development activity is undoubtedly being influenced by the proposed rezoning of the Precinct which is driving both developer interest and sharpening price expectations of existing landowners.

High-density residential flat buildings ranging from 3 to 8 storeys are currently being progressed around the Arncliffe town centre where R4 and B4 zonings exist. Larger mixed use developments (9 storeys) are observed along Princes Highway. A number of medium-density townhouse developments are also being progressed whereas no low-density housing is currently observed in the pipeline. Medium density development is observed where dilapidated cottages on larger sites have been acquired for under $2,500/sqm of overall site area.

No development activity is currently identified within the Banksia and Cooks Cove development pipeline with no development site sales observed in recent times.

**Development Pipeline**

The Arncliffe development pipeline has the potential to deliver approximately 1,150 dwellings over the next 3-5 years, assuming all projects eventuate into delivery. Residential and mixed-use development dominates the development pipeline; little to no new commercial development is currently being proposed.

Table 2.2 identifies development proposals observed with the pipeline at varying stages of planning and delivery.

**Table 2.2: Development Pipeline, Bayside West**

<table>
<thead>
<tr>
<th>Address</th>
<th>Type</th>
<th>Status</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>213 Princes Hwy &amp; 4 Wardell St</td>
<td>Mixed Use</td>
<td>Contract Let</td>
<td>318</td>
</tr>
<tr>
<td>108 Princes Hwy</td>
<td>Mixed Use</td>
<td>Contract Let</td>
<td>234</td>
</tr>
<tr>
<td>17-37 Wollongong Rd</td>
<td>Residential</td>
<td>Development Approval</td>
<td>166</td>
</tr>
<tr>
<td>10 Martin Av, 47-49 Bonar St &amp; 9 Bidjigal Rd</td>
<td>Residential</td>
<td>Development Approval</td>
<td>149</td>
</tr>
<tr>
<td>7 Wollongong Rd</td>
<td>Residential</td>
<td>Contract Let</td>
<td>81</td>
</tr>
<tr>
<td>63-69 Bonar St &amp; 27 Booth St</td>
<td>Residential</td>
<td>Contract Let</td>
<td>51</td>
</tr>
<tr>
<td>167-171 Wollongong Rd</td>
<td>Aged Care</td>
<td>Construction</td>
<td>42</td>
</tr>
<tr>
<td>17-19 Belmore St</td>
<td>Mixed Use</td>
<td>Development Approval</td>
<td>23</td>
</tr>
<tr>
<td>10-12 Belmore St</td>
<td>Mixed Use</td>
<td>Contract Let</td>
<td>23</td>
</tr>
<tr>
<td>11-13 Queen St</td>
<td>Residential</td>
<td>Development Application</td>
<td>14</td>
</tr>
<tr>
<td>16-18 Queen St</td>
<td>Residential</td>
<td>Contract Let</td>
<td>9</td>
</tr>
<tr>
<td>204-206 Wollongong Rd</td>
<td>Residential</td>
<td>Development Approval</td>
<td>9</td>
</tr>
<tr>
<td>15 Waratah St</td>
<td>Residential</td>
<td>Development Approval</td>
<td>6</td>
</tr>
<tr>
<td>56 Terry St</td>
<td>Residential</td>
<td>Development Approval</td>
<td>5</td>
</tr>
<tr>
<td>23 Terry St</td>
<td>Residential</td>
<td>Construction</td>
<td>4</td>
</tr>
<tr>
<td>21 Terry St</td>
<td>Residential</td>
<td>Construction</td>
<td>4</td>
</tr>
<tr>
<td>19 Dowling St</td>
<td>Education</td>
<td>Development Approval</td>
<td>-</td>
</tr>
<tr>
<td>130 Princes Hwy</td>
<td>Mixed Use</td>
<td>Early Planning</td>
<td>Unknown</td>
</tr>
<tr>
<td>295-297 Princes Hwy</td>
<td>Hotel</td>
<td>Development Application</td>
<td>-</td>
</tr>
</tbody>
</table>

*as at October 2017
Source: Cordell Connect

The above table does not include prior development applications for the Cooks Cove Precinct.
**Unit Mix**

Development within the Study Area is strongly geared towards the provision of one and two bedroom apartment product. A small component of three bedroom apartments are observed in the development pipeline however they typically do not comprise more than 5% of total unit mix. Studio apartments are rarely included in new high-density developments within the Precinct.

Table 2.3 identifies the proposed unit mix for the major developments underway in the Precinct.

**Table 2.3: Unit Mix, Bayside West**

<table>
<thead>
<tr>
<th>Address</th>
<th>Units</th>
<th>Studio No.</th>
<th>Studio %</th>
<th>1 Bed No.</th>
<th>1 Bed %</th>
<th>2 Bed No.</th>
<th>2 Bed %</th>
<th>3 Bed No.</th>
<th>3 Bed %</th>
</tr>
</thead>
<tbody>
<tr>
<td>213 Princes Hwy, 4 Wardell St, Arncliffe</td>
<td>339</td>
<td>16</td>
<td>5%</td>
<td>126</td>
<td>37%</td>
<td>178</td>
<td>53%</td>
<td>18</td>
<td>5%</td>
</tr>
<tr>
<td>108 Princes Hwy, Arncliffe</td>
<td>234</td>
<td>0</td>
<td>0%</td>
<td>56</td>
<td>24%</td>
<td>166</td>
<td>71%</td>
<td>12</td>
<td>5%</td>
</tr>
<tr>
<td>17-37 Wollongong Rd, Arncliffe</td>
<td>166</td>
<td>0</td>
<td>0%</td>
<td>64</td>
<td>39%</td>
<td>96</td>
<td>58%</td>
<td>6</td>
<td>4%</td>
</tr>
<tr>
<td>10 Martin Av, 47-49 Bonar St, 9 Bidjigal Rd, Arncliffe</td>
<td>149</td>
<td>0</td>
<td>0%</td>
<td>76</td>
<td>51%</td>
<td>56</td>
<td>38%</td>
<td>17</td>
<td>11%</td>
</tr>
<tr>
<td>7 Wollongong Rd, Arncliffe</td>
<td>81</td>
<td>0</td>
<td>0%</td>
<td>27</td>
<td>33%</td>
<td>48</td>
<td>59%</td>
<td>6</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: Cordell Connect

**Development Site Sales**

A limited number of development site sales in the Study Area have been observed over the 2017 year with limited sites being brought to market. Many local agents note landowners keenly await the final rezoning of the Study Area prior to commencing divestment. As a result, many ageing and/or vacant buildings along Princes Highway are beginning to fall into disrepair.

That said, many existing commercial and warehouse buildings observed along Princes Highway still provide a good level of functional utility to some users despite their age and condition. Given the strong current industrial market conditions as a result of many businesses being displaced from South Sydney, commercial and warehouse buildings along Princes Highway attract high existing use values.

The ability to acquire and consolidate sites is proving difficult for developers on several fronts. High landowner expectations, limited supply and fragmented lot and ownership patterns throughout much of the Precinct presents a challenging development environment.

Site sales activity over 2017 has been relatively limited with Arncliffe attracting the only transactions; no site sales have been observed within Banksia in recent months.

Table 2.4 analyses recent development site sale activity within Bayside West to ascertain current market pricing for development opportunities. The Bayside West market does not operate within a vacuum with end sale values achieved within Arncliffe and Banksia similar to those observed in neighbouring markets. Accordingly, recent development site sales in Wolli Creek, Rockdale, Kogarah and Bexley have been analysed to facilitate a greater understanding of market pricing within the broader region.
### BAYSIDE WEST PLANNED PRECINCT - SIC FEASIBILITY TESTING

#### Table 2.4: Development Site Sales, Bayside West and surrounds

<table>
<thead>
<tr>
<th>Address</th>
<th>Site Area (FSR)</th>
<th>Sale Price (Sale Date)</th>
<th>Analysis</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Arncliffe</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>130 Princes Hwy</td>
<td>1,154sqm (1.5:1)</td>
<td>$4,500,000 (Aug 2017)</td>
<td>• $2,600/sqm GFA</td>
<td>Small site currently improved with two freestanding warehouse buildings within the existing B6 Enterprise Corridor zone. Sold to a local developer in August 2017 following a short EOI campaign. No development application has been lodged to date. The site is proposed B4 Mixed Use with FSR 2.5:1 as per the Bayside West Planned Precinct. Analysed at an FSR 2.5:1, the site sold at $1,560/sqm GFA potential.</td>
</tr>
<tr>
<td>10 Martin Ave</td>
<td>3,643sqm (3.1:1)</td>
<td>$21,500,000 (March 2017)</td>
<td>• $144,295/unit</td>
<td>An R4 site with two aged single storey industrial buildings and single storey house purchased off-market for construction of a 7-9 storey residential flat building containing 149 units. Development was approved by the JRPP in mid-2016 following a Planning Proposal and VPA for an additional FSR 0.3:1 over the existing FSR 3:1.</td>
</tr>
<tr>
<td>96-102 Princes Hwy</td>
<td>2,690sqm (1.5:1)</td>
<td>$9,300,000 (Feb 2017)</td>
<td>• $2,300/sqm GFA</td>
<td>Aged single storey warehouse zoned B6 with FSR 1.5:1. Sold off-market to a local developer. No development application has been lodged to date. Located within the Bayside West Planned Precinct &quot;high-density, mixed use zone&quot; with proposed FSR 2.5:1. Analysed on the proposed FSR 2.5:1, the site sold at $1,400/sqm GFA.</td>
</tr>
<tr>
<td>17-37 Wollongong Rd</td>
<td>5,790sqm (2:1)</td>
<td>$25,883,488 (April 2016)</td>
<td>• $157,826/unit</td>
<td>Large R4 site with FSR 2:1 sold with existing development approval for construction of an eight (8) storey residential flat building comprising 164 apartments. Sold following an EOI campaign in early 2016 to a local developer-builder.</td>
</tr>
<tr>
<td><strong>Wolli Creek</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7-9 Gertrude St</td>
<td>999sqm (2:1)</td>
<td>$7,200,000 (Dec 2016)</td>
<td>• $184,615/unit</td>
<td>Former car yard zoned R4 High Density sold off-market to a local developer for construction of a 9 storey residential flat building comprising 39 apartments. Additional FSR of 0.5:1 was approved under a Clause 4.6 variation.</td>
</tr>
<tr>
<td><strong>Rockdale</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 &amp; 24A Keats Ave</td>
<td>613sqm (No FSR)</td>
<td>$6,200,000 (May 2017)</td>
<td>• $5,057/sqm site area</td>
<td>Three freestanding single storey houses sold in one-line zoned B4 Mixed Use with 22m maximum height control (no FSR control). Sold via public auction to a small local developer; no DA has been submitted to date.</td>
</tr>
<tr>
<td>397 Princes Hwy</td>
<td>1,695sqm (No FSR)</td>
<td>$7,000,000 (July 2016)</td>
<td>• $71,629/unit equiv.</td>
<td>Former car yard zoned B4 Mixed Use with 22m maximum height control (no FSR control). Sold off-market to a local developer for construction of an eleven (11) storey mixed use development comprising 91 units and ground level commercial/retail tenancies totaling 559sqm.</td>
</tr>
<tr>
<td><strong>Kogarah</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14-24 Stanley St</td>
<td>2,250sqm (4:1)</td>
<td>$22,470,000 (Oct 2017)</td>
<td>• $224,700/unit</td>
<td>Large residential development site zoned R4 High Density located approximately 450m from Kogarah train station. Sold via an EOI campaign to Chinese developer Poly Group following strong interest from local developers. Sold with an indicative scheme for 100 apartments.</td>
</tr>
<tr>
<td>2-10 Palmerston St</td>
<td>1,346sqm (4:1)</td>
<td>$8,790,000 (July 2017)</td>
<td>• $131,194/unit</td>
<td>Five single storey brick houses zoned R4 High Density purchased in one-line via private treaty by domestic residential developer AVJennings for construction of an eleven (11) residential flat building storey comprising 67 apartments. Development application currently under review by Bayside Council.</td>
</tr>
<tr>
<td>70-78 Regent St</td>
<td>2,550sqm (4:1)</td>
<td>$19,645,250 (Dec 2016)</td>
<td>• $154,687/unit</td>
<td>Five single storey brick houses purchased in one line by an overseas developer for construction of a 11 storey RFB comprising 127 apartments. Development application currently under review by the Joint Regional Planning Panel.</td>
</tr>
</tbody>
</table>
BAYSIDE WEST PLANNED PRECINCT - SIC FEASIBILITY TESTING

<table>
<thead>
<tr>
<th>Address</th>
<th>Site Area (FSR)</th>
<th>Sale Price (Sale Date)</th>
<th>Analysis</th>
<th>Comments</th>
</tr>
</thead>
</table>
| 152-206 Rocky Point Rd   | 33,500sqm (1.3:1)| $76,757,519 (Nov 2016)| • $142,417/unit equiv.   
                          |                  |                        | • $1,715/sqm GFA                                        | Former industrial site improved with the Darrel Lea factory acquired by Chinese developer JQZ. A Planning Proposal to rezone the site to B4 Mixed Use for construction of four (4) residential flat buildings ranging from 6-13 storeys with 513 apartments and 20 townhouses is currently under assessment. |
| Bexley                   |                  |                        | • $2,291/sqm site area                      |                                                                          |
| 410 Forrest Rd           | 926sqm (FSR 2.5:1)| $4,800,000 (June 2016) | • $189,271/unit equiv.   
                          |                  |                        | • $2,146/sqm GFA                                        | Aged commercial building zoned B4 Mixed Use sold off-market to local developer-builder for construction of a 5-6 mixed use building incorporating 24 residential units and 2 ground floor commercial suites totaling 120sqm (approx.). |
|                          |                  |                        | • $5,184/sqm site area                      |                                                                          |

Source: Cordell Connect

We understand a number of development sites are currently available for sale within Arncliffe.

- **37-39 Duncan Street, Arncliffe** is a 1,040sqm improved site consisting of two freestanding single storey houses proposed as R4 High Density with an FSR 2.2:1 under the Bayside West Planned Precinct. Informal discussions with the marketing agent indicate strong demand has been observed during the marketing campaign; numerous ‘buy now’ offers were received ranging from $4m to $5m with a number of call options subject to gazettal of the Bayside West Planned Precinct zoning also provided (ranging from $5.5m to $6m). It is understood the vendor has agreed to terms for $6m subject to a one year call option following gazettal. This equates to just over $2,600/sqm of potential GFA.

- **54 Eden Street, Arncliffe** is located approximately 290m from Arncliffe train station and falls within the proposed B4 Mixed Use zone with FSR 2.2:1 under the Bayside West Planned Precinct. Approximately 575sqm in site area, the development has received moderate levels of interest over the course of marketing, predominantly from local developer-builders. Anecdotal evidence from the marketing agent indicates that the element of risk regarding the rezoning timeframe has impacted marketability of the site and is the primary reason it has not transacted to date. Offers thus far have been circa $3 million, equating to circa $2,400/sqm of potential GFA.

The above analysis indicates development sites within Bayside West and surrounding suburbs are currently transacting for circa $1,400/sqm to $2,600/sqm of gross floor area, or $130,000 to $225,000 per unit/site. A distinct premium is observed for sites zoned R4 High Density compared to B4 Mixed Use (reflective of the comparatively higher end values of residential over non-residential floorspace). For example, 10 Martin Avenue/47-49 Bonar Street (zoned R4) transacted for just over $1,700/sqm GFA compared to 96-102 Princes Highway and 130 Princes Highway (both B4 Mixed Use) which traded for $1,383/sqm GFA and $1,560/sqm GFA, respectively.

Sites with existing development approval are also trading at distinct premiums compared to ‘raw’ development sites given reduced planning risk. For instance, 17-37 Wollongong Road, Arncliffe sold for just over $2,200/sqm GFA (with existing DA approval) compared to 10 Martin Avenue/47-49 Bonar Street which sold for $1,700/sqm GFA (without planning approval) despite transacting almost 12 months prior. Both sites are zoned R4 High Density.
3. TOLERANCE OF DEVELOPMENT TO SIC

3.1 OBJECTIVES AND APPROACH

Land values are intrinsically linked to their permitted and existing use, whichever is the higher. A change in land use zone and/or change in permitted density often leads to a financial benefit, also termed “Value Uplift”. It is through a capture of some of the value uplift that development can afford to contribute to SIC rates. The Retained Value Uplift (i.e. the portion of value uplift that is not captured for contribution) is available for retention by the landowner or developer, whichever the case may be.

The objectives of this chapter are to:

- Examine likely value uplift from enhanced development potential as a consequence of additional permitted residential density (upzoning of land).
- Assess the capacity of development to contribute a SIC.

Having carried out Property Market Appraisal in the Study Area (summarised in Chapter 2), this chapter:

- Examines likely opportunities for residential intensification in the Study Area.
- Identifies likely development typologies that will accommodate a densification of residential floorspace.
- Formulates hypothetical development scenarios (including notional development yield, land use split, number of storeys, etc.) for feasibility testing.
- Carries out generic feasibility modelling to test the tolerance of hypothetical development scenarios to a SIC by iteratively including SIC rates to test their impact on development feasibility.

The objective of the generic feasibility modelling is to test the tolerance of development to a SIC, specifically its implications on project hurdle rates and Value Retained.

3.2 DEVELOPMENT FEASIBILITY TESTING

Generic feasibility testing is carried out to ascertain the tolerance of development (under new planning controls) to the imposition of a SIC. This section outlines financial modelling of notional development schemes that investigate the impact of additional floorspace (through proposed changes to planning controls) and a new SIC.

In the absence of concepts or schemes, the notional development schemes are considered in generic terms only, with the adoption of generic cost and revenue assumptions provided in Appendix A.

The Residual Land Value approach is adopted as the most appropriate method of feasibility testing. The Residual Land Value (RLV) is defined to be the maximum price a developer would be prepared to pay in exchange for the opportunity to develop the site, while achieving target hurdle rates for profit and project return.

This approach involves assessing the value of the completed product, making a deduction for development costs and a further deduction for profit and risk whilst ensuring the development achieves the target project margin and return.

A key metric for development feasibility (i.e. developments’ tolerance to imposition of a SIC) is measured by Value Retained which is comprised of Existing-use Value (i.e. the ‘as is’ improved property values before the rezoning/upzoning including a premium) and Retained Value Uplift (i.e. the portion of value uplift not captured for SIC contribution).

The Value Retained is the amount that a developer can afford to pay for the site, and is ultimately subject to negotiations with a landowner. In some cases the developer may already be the landowner.

1 On the premise that SIC contributions are proposed to be implemented only on residential floorspace of a development
Figure 3.1 illustrates the premise of the testing using a hypothetical example. With an existing-use value of $4.5m, change in FSR controls to FSR 3:1 to FSR 6:1 delivers a value uplift of between $3m and $9.9m. The change in FSR controls also results in commensurate increase in profit to a developer, reflective of a larger development.

Figure 3.1: Conceptual Diagram of Value Uplift v Existing-use Value

The impact of a SIC that captures 50% of the Value Uplift is examined. The remainder of the value uplift that remains is the Retained Value Uplift and when added to the Existing-use Value forms the Value Retained. Figure 3.2 illustrates this.

Figure 3.2: Conceptual Diagram of Value Uplift, Value Captured and Value Retained
Purpose and Approach

The feasibility testing is iterative in nature and is intended to test the feasibility/performance of development (as envisaged by new planning controls) to tolerate a new SIC. The analysis is structured to consider a SIC that would capture 50% of Value Uplift. This leaves capacity for some of the upside to be retained by a developer/landowner or to cater for changes in development costs.

In order to calculate the land value uplift, residual land values are modelled assuming new planning controls (some which facilitate residential-only development and some mixed-use development), and the RLVs are then compared against assumed ‘as is’ values (aggregated across different character areas). The difference between the two is referred to as the ‘Value Uplift’. Iterative testing of a potential new SIC rate based on 50% capture of the Value Uplift is then undertaken, ensuring project hurdle rates are met.

Figure 3.2 provides a conceptual illustration of the value uplift that is captured (also referred to as ‘Value Captured’ or ‘Planning Gain’) for contribution to a SIC. This amount can be appropriated entirely to a SIC or to a combination of forms of public benefit, for example, affordable housing, works-in-kind and other contributions that may be delivered through a planning agreement. The testing investigates the capacity of development to make a contribution over and above the existing s7.12 contributions (assumed at $20,000 per dwelling).

Assumptions in Aggregate

The feasibility testing exercise includes an assessment of aggregate ‘as is’ property values in each precinct (based on existing planning controls).

Different environmental conditions will influence the developability of land, ultimately influencing the value of the site to a developer. It is not the intention of the analysis to assess the development capacity of sites at a fine grain, rather to profile various precincts/markets and make observations that are aggregated across comparable markets.

Notional Development Scenarios and Land Cost Assumptions

In order to understand the feasibility implications of the various residential densities, various sample sites (or development blocks) are identified for the purposes of estimating a likely acquisition cost. The cost of land is a critical variable that underpins the feasibility of development in urban areas.

Sales transactions in sample locations are examined to estimate a likely acquisition cost to a developer to consolidate a development block. An overarching assumption is that road and utility infrastructure is available, a developer not having to fund trunk infrastructure or significant lead-in works and there are no extraordinary costs.

Table 3.1 summarises the sample locations that were selected for testing, which are reflective of where change to planning controls is envisaged.

Table 3.1: Notional Development Scenarios for Testing

<table>
<thead>
<tr>
<th>Proposed Planning Typology</th>
<th>Proposed</th>
<th>Location</th>
<th>Sample Test Blocks</th>
<th>Assumed Cost of Land*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential flat building</td>
<td>FSR 1.2:1</td>
<td>Arncliffe, south of Wickham St</td>
<td>R3, FSR 0.6:1</td>
<td>$3,250/sqm-$3,750/sqm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Banksia, east of Princes Hwy</td>
<td>R3, FSR 0.6:1</td>
<td>$3,000/sqm-$3,500/sqm</td>
</tr>
<tr>
<td></td>
<td>FSR 2.0:1</td>
<td>Arncliffe, west of rail line</td>
<td>R2, FSR 0.5:1</td>
<td>$3,250/sqm-$3,750/sqm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Arncliffe, east of rail line</td>
<td>R2, FSR 0.5:1</td>
<td>$3,000/sqm-$3,500/sqm</td>
</tr>
<tr>
<td>Mixed Use</td>
<td>FSR 2.0:1</td>
<td>Arncliffe, west of rail line</td>
<td>R2, FSR 0.5:1</td>
<td>$3,000/sqm-$3,500/sqm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Arncliffe, east of rail line</td>
<td>R4, FSR 1.0:1</td>
<td>$3,250/sqm-$3,750/sqm</td>
</tr>
<tr>
<td></td>
<td>FSR 2.5:1</td>
<td>Arncliffe, west of Princes Hwy</td>
<td>R2, FSR 0.5:1</td>
<td>$3,250/sqm-$3,750/sqm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Arncliffe, east of Princes Hwy</td>
<td>B6, FSR 1.5:1</td>
<td>$4,000/sqm-$4,500/sqm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Banksia, west of Princes Hwy</td>
<td>B6, FSR 1.5:1</td>
<td>$4,500/sqm-$5,000/sqm</td>
</tr>
</tbody>
</table>

Source: AEC

*Existing-use values are adopted as the assumed cost of land. Depending on the existing planning controls and existing uses and buildings, ‘as is’ values or existing-use values can be divergent within the same locality. There will invariably be ‘outliers’, properties whose values fall outside of the assumed ranges.
The adopted ranges are intended to be representative of properties in the sample locations. The assumed cost of land rates include a premium to incentivise landowners and assist with site consolidation. This is before considering any Value Uplift that may be conveyed to landowners after a rezoning/upzoning.

**Other Contributions Assumptions**

New s.7.11 development contributions plans for the Study Area are expected to be prepared in due course. For the purposes of the Study, the modelling assumes a base average s.7.11 contribution of $20,000 per dwelling. Testing has been included to assess to impact of a 5% affordable housing contribution based on additional dwellings that result from a rezoning/upzoning. This approach assumes only 95% of additional residential yield is available for sale; the remaining 5% to be contributed as affordable housing. This is effectively an ‘in-kind’ contribution.

### 3.3 CAPACITY TO PAY AND TOLERANCE TO SIC

The key performance indicators are project IRR and development margin. The objective is to assess if after incorporating assumed land cost in each character area, other assumed development costs and payment of a SIC, development feasibility still meets the minimum hurdle rates (project IRR and development margin). The minimum hurdle rates assumed are 20% project IRR and 20% development margin.

A number of development scenarios at various densities are tested to ascertain if development under the proposed planning controls can tolerate imposition of a SIC, and if so, the quantum of contributions tolerated. The densities (FSR) tested are not an exhaustive list of all densities proposed within the Study Area but are considered representative of where development will likely occur in the short to medium term.

The assumed cost of land outlined in Table 3.1 incorporated in the feasibility testing to calculate the land value uplift associated with changes to the planning controls. SIC rates are then iteratively applied to capture 50% of the Value Uplift. If the project return indicators exceed the minimum hurdle rates, development is considered to be feasible even after imposition of the SIC contribution.

Land Value Uplift is attributed to the additional floorspace generated from the proposed controls. A proportion of the Land Value Uplift (Value Captured) is then divided by the overall residential yield permitted under the proposed controls to calculate SIC rate per dwelling. Table 3.2 outlines the generic tolerance to a SIC. Metrics presented use a hypothetical 2,000sqm site for the purposes of modelling.

**Table 3.2: Generic Development Tolerance to SIC**

<table>
<thead>
<tr>
<th>Land Use Zone</th>
<th>Proposed FSR</th>
<th>SIC on Overall Dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
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<td></td>
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<tr>
<td>R4 High Density</td>
<td>1.2:1</td>
<td>No capacity to pay</td>
</tr>
<tr>
<td></td>
<td>2.0:1</td>
<td>$180-$200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$12,000-$16,000</td>
</tr>
<tr>
<td>Mixed Use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B4 Mixed Use</td>
<td>2.0:1</td>
<td>$80-$120</td>
</tr>
<tr>
<td></td>
<td>2.5:1</td>
<td>$140-$160</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$10,000-$12,000</td>
</tr>
</tbody>
</table>

Source: AEC

*The testing does not allow for a SIC credit for existing use. It is not possible to predict every situation under which a development could occur. In some cases the SIC credit may be more significant, in other cases the credit may be more modest. Given the testing does not include receipt of a SIC credit, the tolerance of development to a SIC will be greater than that which is represented in this section.*

On an overall basis, generic development tolerance is found to vary, ranging from nil to $16,000 per dwelling. Tolerance to pay the SIC is greater where higher densities are proposed in areas where existing densities are relatively low or where existing-use values are lower. Sites that are proposed to be rezoned and large sites proposed for upzoning can better tolerate a SIC. Where multiple lots are required for consolidation in high value areas, capacity to pay a SIC under proposed controls is more constrained.
Site consolidation generally proves a major impediment to progress development below FSR 1.2:1. In limited circumstances where a property may be beyond its economic useful life and if single dwellings can be consolidated for $2,500/sqm or less, development to medium density product can be feasible to pursue. Accordingly, medium density development is not likely to occur on a large scale, rather on a more incremental basis.

Not all current planning controls are envisaged to change, with the nature of change also differing across the Study Area. As application of the SIC is on an inclusionary basis (‘included’ or mandated) on the total number of dwellings proposed, the impact to development feasibility will invariably be different. Sites which benefit from a greater increase to density will have a greater tolerance to a proposed SIC.

We highlight that this Study does not seek to establish if development under existing planning controls is in the first instance feasible. A base presumption of feasibility under existing planning controls is implicit in this approach.

For those sites that are not feasible to develop in the first instance (even before imposition of a SIC), imposition of a SIC will be moot to the issue of development. This is true for those sites that may not be feasible to develop under the proposed controls is not a commercially proposition even without introduction of a SIC. This is observed for those sites with a proposed FSR 1.4:1; the limited quantum of density proposed in conjunction with high existing use values and finer grain lot patterns results in high consolidation costs and poor redevelopment prospects.

The next chapter considers the implications of the chapter’s findings for implementation of the SIC.
4. CONCLUSION AND RECOMMENDATIONS

4.1 CAPACITY TO PAY AND TOLERANCE TO SIC

The Study finds that value capture opportunities have the potential to contribute to public benefit, whether to a SIC, affordable housing or some other infrastructure item. Notwithstanding, the Study recognises there are competing infrastructure priorities (e.g. those to be funded from a SIC or a Voluntary Planning Agreement) which may also require funding from value capture opportunities.

Tolerance of development to SIC varies by proposed density and cost of land, influenced by the following:

- **Existing-use Values (or ‘As Is’ Values)**
  
  Existing-use values in the Study Area are high, reflective of their market desirability and appeal. In cases where the cost to consolidate development sites is high, only where there are substantial increases to residential density do these lands have capacity to contribute a SIC before development becomes unfeasible.

  Where proposed densities are more modest, redevelopment will occur at a more incremental pace with only those buildings that are dilapidated likely candidates for redevelopment.

- **Extent or Scale of Rezoning/Upzoning**
  
  Properties that benefit from modest or no change to planning controls have little to no ability to tolerate a SIC contribution without adverse impact to project return. In contrast, those properties that undergo a rezoning or upzoning that results in a significant value uplift have better ability to contribute a SIC.

- **Development Typology and Intensity of Development**
  
  The cost of construction increases as density increases. Notwithstanding the higher construction costs (owing to taller buildings), end sale values within taller buildings are on average typically higher than those in low rise buildings. On balance, residual land values for sites developed into taller buildings are higher. As a consequence, these sites have better capacity to contribute a SIC.

- **Effective Demand for Higher Density Product**
  
  Residential markets are diverse. Market acceptance for higher density product is good within most inner suburbs of Sydney, hence end sale prices of the completed product justify the higher cost of construction. In strong apartment markets such as the Study Area, developers are increasingly seeking to progress taller developments given the strong end sale values attributed to units on higher levels.

The analysis suggests the capacity of development to pay for a SIC is generally sensitive to the scale/extent of rezoning/upzoning and the price paid for a development site.

4.2 MATTERS FOR CONSIDERATION

**Competing Infrastructure Priorities**

The capacity of development to pay additional contributions (over and above current scheduled statutory contributions such as s7.11, s7.12) is finite. Planning Gain (which is a proportion of the land value uplift) represents the total amount that is available for contribution to public benefit, which could comprise infrastructure and public domain work, affordable housing, etc.

Careful coordination of all various contributions will be required at the early stages to ensure they do not exceed the overall Planning Gain, which is the tolerance of upzoned development to contribute to public benefit before becoming unfeasible to deliver.

**Market Cycles and Structural Factors**

The last 24-30 months witnessed unprecedented development and market activity in metropolitan Sydney, particularly in locations in and around transport nodes and established centres. Fierce and frenzied competition between players resulted in compressed development margin as a result of high prices paid for development sites. Many purchasers are observed to have paid high speculative prices and assume high planning risk for rezoning of sites, etc.
While the market has moderated in recent months, the appeal and demand for well-located and well-priced product nevertheless endures. Established urban areas such as those in the Study Area enjoy good market acceptance, and while this bodes well for the capacity of development to pay a SIC, a higher cost of land also applies, potentially diluting any additional capacity to pay a SIC in some instances.

**Impact on Development Feasibility**

It is not the intention or objective of this Study to establish if development under existing planning controls is in the first instance feasible, or to predict landowner objectives. Rather, it is the intention of the Study to examine the ‘incremental’ value uplift that could potentially result following an upzoning of land (increase in FSR). A base presumption of feasibility under existing planning controls is implicit in this approach.

For example, if a site currently designated with FSR 0.6:1 is upzoned to FSR 2:1, the value uplift resulting from the upzoning may not necessarily be associated with the FSR 1.4:1 increase if development at FSR 0.6:1 is not feasible in the first instance. Notwithstanding, precinct planning in priority growth areas and planned precincts is generally subject to feasibility testing undertaken by DPE (by Urban Feasibility Model, UFM) to ensure proposed changes to planning controls are reflective of commercial realities.

The Study does however, make observations and comment on the overall capacity of a market to contribute to a SIC, noting current market attitudes and preferences to higher density living and the existing-use values compared to potential development site values and that which is retained after a SIC contribution (the Retained Land Value).

In a buoyant and active market, competition for development opportunities is fierce. In a rising market developers are more willing to pay premiums for sites in anticipation that rising end sale values will help offset the cost of land.

An upshot of a competitive development market is limited tolerance to costs not previously allowed for in due diligence and pre-feasibility analysis. Clear and definitive notice to the market of DPE’s intentions to implement a SIC would provide certainty for investment and development planning. In time, market dynamics will adjust as the market factors-in the cost of the SIC rates.

Owing to entrepreneurial effort, a developer may have secured a site for below market value and that being the case, should be allowed to benefit from the discount secured. Equally, a developer may have overpaid for a site and paid a premium for the development opportunity. This is a risk assumed by the developer.

SIC rates (and any other contributions) are only viable where the prices paid for development sites reflect the planning controls and contributions liability that are applicable, i.e. that a developer does not overpay for a site.

Those sites that are not feasible to develop in the first instance (even before imposition of a SIC), imposition of a SIC will be moot to the issue of development.

**Notice to the Market**

It is important for clear and adequate notice to be provided prior to the imposition of any contribution requirement (whether for affordable housing, SIC, etc.). This notice is critical, not just of DPE’s intentions but of the contribution rates and their timing for implementation. Exhibition of the draft SIC will allow the market to provide feedback and comment before implementation.

**4.3 RECOMMENDATIONS**

This Study makes the following key recommendations:

- **Coordination with Other Contributions Regimes**
  
  The capacity of an upzoned development site to contribute to public benefit is finite. This Study assumes a contribution for s7.11 before applying a 50% capture of Value Uplift to approximate the capacity of development to pay if a site was hypothetically rezoned or upzoned.

  The imposition of contributions seeking to leverage value capture opportunities needs to be implemented holistically, reflective of competing infrastructure priorities and various contribution requirements.
• Clear and Adequate Notice to Market
  Clear and adequate notice to the market of the contribution rates and their timing for implementation will allow their consideration in due diligence calculations. Exhibition of the draft SIC will allow the market to provide feedback and comment before implementation.

• Delivery in-kind
  Delivery of infrastructure (in-kind) by developers has economies of scale when progressed with the main development and also helps overcome resource and delivery limitations of agencies (where appropriate). If a development site has sufficient scale that it has the capacity to deliver some of the state and regional infrastructure contemplated, it may be more efficient for that development to either contribute wholly or partially in-kind.

• Indexation and Regular Review
  Following full implementation, it will be prudent to review and monitor market response and housing delivery.

  Given the objective of SICs to fund state and regional infrastructure, indexation to the Producers Price Index would ensure that the contributes are aligned to change in the cost of infrastructure over time. However, to ensure the SICs remain within development tolerance, it would be prudent to regularly review the overall capacity of development to pay with reference to market and development activity as well as the overall contributions liability.

The limitations of the Study and aggregate nature of the analysis are acknowledged. Aggregate analyses provide high-level and indicative results and do not necessarily reflect the nuances and specific characteristics of a site.

Notwithstanding, this Study acknowledges the benefits of simplicity in applying generic SIC rates, however we accept the difficulty in adopting a single generic contribution rate across areas. Despite the nuances of markets and sub-markets, the application of generic contribution rates provides certainty to the market, allowing developers and investors to give due consideration to their contributions liability when negotiating to acquire sites. This Study recommends the application of generic contribution rates over case-by-case negotiations and site-by-site viability assessments.
REFERENCES


Generic feasibility testing adopts the Residual Land Value approach. This involves assessing the value of the end product of a hypothetical development, then deducting all of the development costs (including developer’s infrastructure costs, construction costs, consultant fees for design and project management, statutory fees) and making a further deduction for the profit and risk that a developer would require to take on the project.

The land value is the ‘residual’ that remains, i.e. the amount a developer could afford to pay in exchange for the opportunity to develop the site.

Development Timing and Staging

Development application is assumed to be progressed immediately upon settlement with pre-sales occurring shortly thereafter.

Construction is assumed to begin in Month 9 and span for 12-24 months depending on the scale of the development, sale of remaining lots to be completed immediately following.

Development Yield

Based on current development activity within the Study Area, development yield assumed average unit sizes and mixes of:

- 1 bedroom units (50sqm): 40%
- 2 bedroom units (70sqm): 50%
- 3 bedroom units (100sqm): 10%

Parking requirements as per the Rockdale LEP (2011):

- One and two bedroom (1 car space);
- Three bedroom (2 car space);
- Visitor spaces (0.5 spaces per unit);
- Retail spaces (1 space per 40sqm GFA).

Revenue Assumptions

Market analysis indicates the demand for new residential product within the Precinct is stable as evidenced by steady sales and take-up rates.

- The following average sale prices and sale rates are assumed:
  - Average 1 bedroom units at $625,000 ($12,500/sqm).
  - Average 2 bedroom units at $770,000 ($11,000/sqm).
  - Average 3 bedroom units at $1,050,000 ($10,500/sqm).
  - Retail/commercial: $6,000/sqm GFA.

- Residential revenue was assumed to escalate at 3.0% per annum; commercial/retail revenue was assumed to escalate at 3% per annum.

- It was assumed that 75% of apartments would be pre-sold prior to construction and the balance would be settled after construction at the rate of between 6 and 15 units per month.
Other revenue assumptions:
- Revenue only included on 95% of residential yield, allowing for 5% contribution to affordable housing (based on additional yield).
- GST is included on the residential sales but excluded on non-residential sales.
- Marketing costs at 1% of gross sales revenue.
- Sales commission on sales was included at 2.5% of gross residential sales and 1.5% of non-residential sales.
- Legal cost on sales was included at 0.25% of gross sales.

Cost Assumptions
- Land cost based on a desktop analysis of ‘existing-use’ values within the Precinct. A 25% premium was also included to assist with site consolidation.
- Legal costs, valuation and due diligence was assumed at 0.5% of land price and stamp duty was included. These costs to be paid at settlement assumed in Month 3.
- Cost escalation of 3% per annum was assumed to commencement of construction.
- Construction of residential units at $2,500/sqm-$2,750/sqm of building area with balconies at $800/sqm.
- Basement car parking was included at $45,000 per space.
- Construction of ground floor retail/commercial space was assumed at $2,500/sqm of building area.
- Site works and excavation at 1% of construction cost.
- Services infrastructure at 1% of construction cost.
- Landscaping allowed at $200/sqm of site area.
- Professional fees at 9% of construction costs.
- 5% construction contingency allowance was included.
- Development management fee at 1% of project cost (excluding land and finance).
- Section 7.11 contributions assumed at average $20,000 per unit.
- Land holding costs including land tax, Council and water rates based on assumed unimproved land values.
- Other cost assumptions include:
  - Developers equity is assumed at land cost. Equity is progressively injected when required.
  - The balance of project cost is assumed to be debt funded with interest capitalised monthly (nominal 7.0% per annum).
  - Finance establishment costs at 0.35% of project debt.

Hurdle Rates and Performance Indicators
Target hurdle rates are dependent on the perceived risk associated with a project (planning, market, financial and construction risk). The more risk associated with a project, the higher the hurdle rate. A number of performance indicators are relied upon when ascertaining the feasibility or otherwise of a development.
- Development margin is the profit divided by total development costs (including selling costs). The industry benchmark of 20% is assumed as the target hurdle rate.
- Discount Rate - this refers to the project internal rate of return (IRR) at which the net present values of an investment becomes zero.
• Residual Land Value - this has been determined by establishing the maximum land value a developer is willing to pay based on a 20% internal rate of return (IRR) taking into account all other costs and project revenue.

• Development Profit - this represents the total revenue less total cost including interest paid and received.
<table>
<thead>
<tr>
<th>CITY</th>
<th>ADDRESS</th>
<th>POSTAL CODE</th>
<th>COUNTRY</th>
<th>PHONE</th>
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</thead>
<tbody>
<tr>
<td>BRISBANE</td>
<td>Level 5, 131 Leichhardt Street</td>
<td>4000</td>
<td>Australia</td>
<td>+61 (0) 7 3831 0577</td>
</tr>
<tr>
<td>MELBOURNE</td>
<td>Level 13, 200 Queen Street</td>
<td>3000</td>
<td>Australia</td>
<td>+61 (0) 3 8648 6586</td>
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<tr>
<td>SYDNEY</td>
<td>Level 14, 25 Bligh Street</td>
<td>2000</td>
<td>Australia</td>
<td>+61 (0) 2 9283 8400</td>
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<tr>
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<td>Australia</td>
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<td>PERTH</td>
<td>Level 2, 580 Hay Street</td>
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<td>Australia</td>
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<td>TOWNSVILLE</td>
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<td>4810</td>
<td>Australia</td>
<td>+61 (0) 7 4771 5550</td>
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<td>2024/129-130 Sukhumvit 50</td>
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<tr>
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