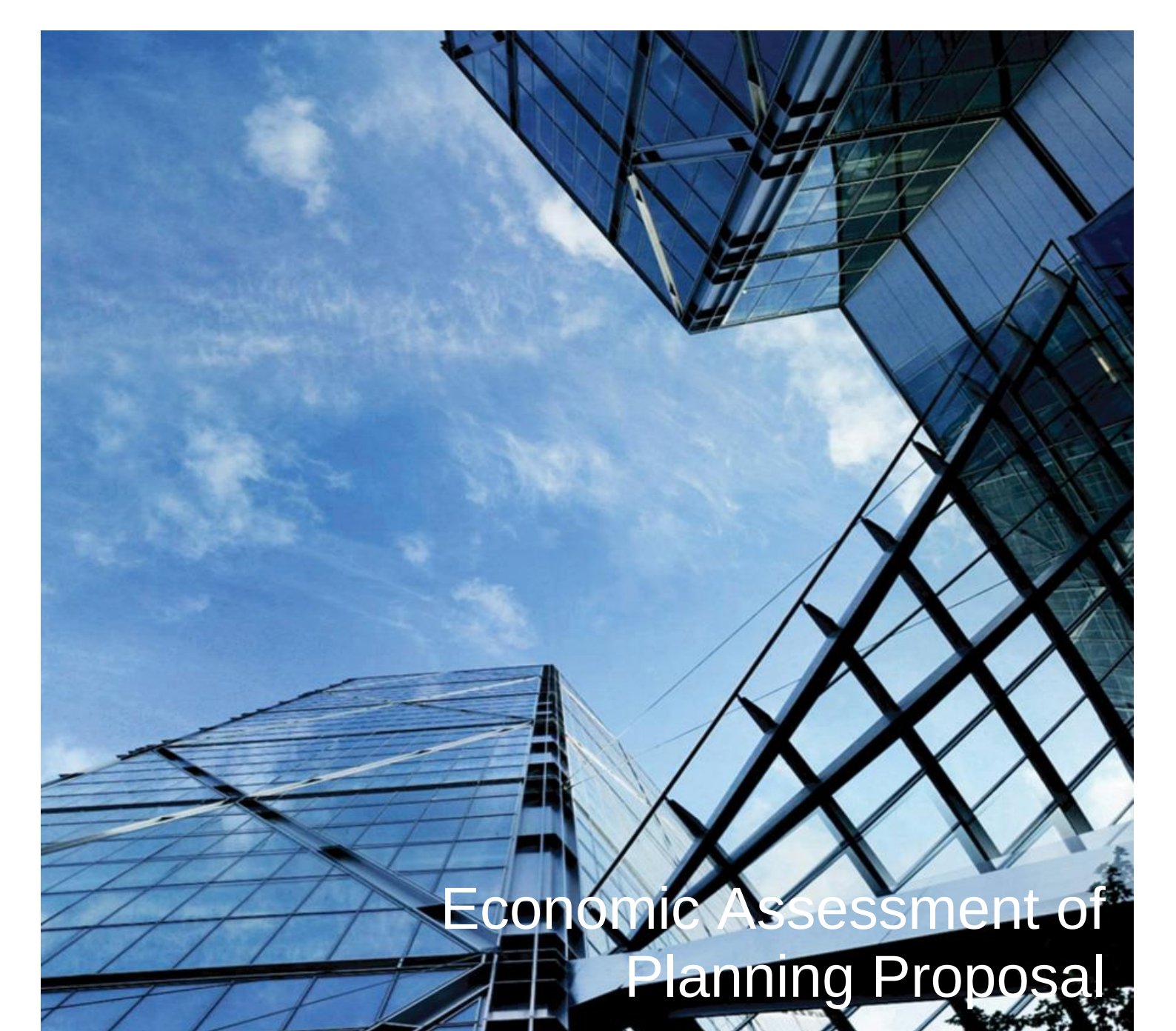




Economic Assessment of Planning Proposal

11-17 Columbia Lane, Homebush

April 2015

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Appendix A Proposed Residential Developments

Executive Summary

Urbis has been commissioned to provide an Economic Assessment (EA) in relation to the Planning Proposal being prepared for 11-17 Columbia Lane, Homebush. We understand that Strathfield Council is looking to restrict the overall development potential on the site by placing height restrictions over the land curtailing the ability to meet Floor Space Ratio allowances whilst also achieving SEPP 65 compliance requirements.

The subject site is located at 11-17 Columbia Lane, Homebush, approximately 11 kilometres west of the Sydney Central Business District (CBD). The site covers an area of 6,568 sq.m and falls within the Strathfield Local Government Area (LGA).

For the purpose of assessing the impacts of these constraints on the development of the subject site, three possible development options have been considered in terms of their feasibility and suitability. The three options have been summarised in the table below:

	OPTION 1: HEIGHT COMPLIANT	OPTION 2: FSR COMPLIANT	OPTION 3: PREFERRED OPTION
GFA	11,205 sq.m	17,887 sq.m	24,038 sq.m
FSR	1.7:1	2.7:1	3.7:1
Levels	10 storey (maximum)	18 storey (maximum)	21 storey (maximum)
Apartments	120	196	295
Carparking	150 spaces over two basement levels	245 spaces over three basement levels	355 spaces over four basement levels

LOCAL AND STATE POLICY OBJECTIVES:

As stated in *The Strathfield Local Environmental Plan (SLEP) 2012*, the subject site is zoned R4 High Density Residential and the majority of the site has a maximum building height of 22 metres. However as the subject site has been identified as a Key Site (key site number 92) within Area 1 of the Parramatta Road Corridor in Clause 4.3A of the SLEP 2012, the majority of the site has a maximum building height of 32 metres. This clause also increases the maximum FSR of the site from 1.7:1 to 2.7:1.

In the *'New Parramatta Road – Draft Parramatta Road Urban Renewal Strategy'* (2014), the Homebush precinct was identified as stretching north from the Homebush Train Station in the south to the Concord West train station in the north, including the subject site at 11-17 Columbia Lane, Homebush.

This site has been identified as playing a significant role in accommodating Sydney's future growth as its proximity to the Homebush and North Strathfield train stations will provide for higher density residential development.

Further, the employment weighted centroid for Sydney (2011) is located within close proximity to the subject site. This employment weighted centroid is the location where there are the same number of jobs to the north, south, east and west and is based on the Sydney Greater Capital City Statistical Area (GCCSA) as at the 2011 Census. This suggests that the subject site is a prime location for residential development, as it provides high accessibility to employment across the entire Sydney region.

POPULATION AND DEMOGRAPHIC ANALYSIS:

A demographic analysis of the Strathfield LGA has revealed the following characteristics of the local population:

- The population of the Strathfield LGA is expected to grow from 37,000 in 2011 to almost 51,000 by 2031, adding an additional 13,700 residents. This will require a significant increase in the supply of residential dwellings in order to house this additional population
- The Strathfield LGA has a higher average household income which is +1.1% above the Sydney average. The pricing of housing should therefore be pitched towards a mid-range quality product, albeit acknowledging the Parramatta Road location
- Couple families with children under 15 (young families) and couple families with no children make up the highest proportion of households in the Strathfield LGA
- The average household size for Strathfield LGA (2.8 persons per dwellings) is slightly above the Sydney average of 2.7. The majority of the dwellings within the LGA are two bedroom dwellings (39%)
- There is a growing trend in the preference towards flats, units or apartments within the Strathfield LGA.

RESIDENTIAL DEVELOPMENT TRENDS:

In order to determine the likely achievable sale prices for residential apartments on the subject site, we have conducted a detailed analysis of the sale prices achieved for Stage One of the Grand Central development. This analysis has considered the number of bedrooms, level and aspect of each of the apartments to ascertain the sales price per square metre that may be expected in Stage Two of the development on the subject site. This information was then used later in the report to inform the development feasibility analysis for the three development options proposed for the subject site.

Further, an analysis of competing (and future) residential developments surrounding the subject site has highlighted the key trends and fundamental elements which will drive demand for residential apartments on the subject site and these have been listed below:

- Located within close proximity to train stations
- Located on a main road that is well serviced by buses connecting easily to the Sydney CBD and Parramatta
- A number of primary and secondary schools within 3 km from the subject site
- Access to a retail precinct nearby and proximity to local and regional shopping centres
- Access to major employment precincts within less than 11 km from the subject site
- WestConnex development is one of the biggest infrastructure projects in Australia which will help revitalise and ease congestion on Parramatta Road
- The site is located 2.5 km from Sydney Olympic Park, which provides access to a range of sporting, event and recreational facilities for residents
- Considerable population growth forecast for the Strathfield LGA to 2031.

EMPLOYMENT TRENDS:

Of those living within the Strathfield LGA as at the 2011 Census, there were just over 16,500 people employed, resulting in an unemployment rate of 6.15%. This is slightly higher than the unemployment rate for Sydney as a whole, which was 5.74% for the period.

Additionally, the Strathfield LGA had a higher proportion of white collar workers (78%) when compared to the Sydney benchmark (74%).

ASSESSMENT OF DEVELOPMENT FEASIBILITY OPTIONS:

A feasibility analysis was conducted on the three possible development options for the subject site outlined previously. Each of the development options consisted of varying scales of residential apartments and car parking requirements. The three options considered included:

- Option 1 – Height Compliant
- Option 2 – FSR Compliant
- Option 3 – Preferred

Of the three development options suggested for the subject site at 11-17 Columbia Lane Homebush, Option 3 provides the only financially viable option.

Options 1 and 2 both result in a development loss and it is evident that the current constraints on the site (both height and FSR) will have a detrimental impact on the financial feasibility of a development on the subject site.

Option 3, despite having the highest construction costs of all options, also attracts the highest gross realisation, resulting in an acceptable development margin based on the fixed land value. The higher gross realisation is the result of the number of apartments and also the increased building heights which attract higher average sale prices for the apartments with their superior outlook and views.

On this basis it is recommended that further investigations be undertaken into Option 3. This will assist in determining the final plans for the most appropriate and financially viable development option. More specific costing estimates can then be ascertained and applied.

Introduction

Urbis has been commissioned to provide an Economic Assessment (EA) in relation to the Planning Proposal being prepared for 11-17 Columbia Lane, Homebush. We understand that Strathfield Council is looking to restrict the overall development potential on the site by placing height restrictions over the land curtailing the ability to meet Floor Space Ratio allowances whilst also achieving SEPP 65 compliance requirements.

This study will be utilised to assist in determining the suitability of the site for residential development and in particular the appropriate scale of development having regard to economic and financial considerations.

In order to address the potential concerns of Strathfield Council it will be important to assess how variations to the existing and proposed planning controls will contribute to achieving Local Council planning objectives for the subject site.

The assessment will outline the changing nature of employment within Strathfield and the surrounding sub-region, changing nature of surrounding land uses, the competitive positioning of the subject site within the broader residential development market and the appropriate mix of development that will be required to ensure the viability of development on the site.

The report has been structured as follows:

- **Chapter 1** assesses the subject site's attributes in a regional and local context, including location and access relative to other employment nodes. Additionally, this chapter identifies the existing uses on the site and the surrounding area
- **Chapter 2** identifies the relevant state and local planning policy instruments that relate to the subject site and provides a review of the objectives of these planning instruments/ controls. This chapter will also identify the housing and employment targets for the Strathfield LGA
- **Chapter 3** reviews the population and demographic profile for the Strathfield LGA and compares this to official population forecasts.
- **Chapter 4** will identify housing requirements for the LGA and consider the key conditions within the residential apartment market to identify opportunities for residential based mixed use development
- **Chapter 5** provides an overview of the current employment profile of the Strathfield LGA and outline the structural changes occurring within employment based activities and its impact on land/ floor space requirements
- **Chapter 6** will test the development feasibility of a range of development options for the site to identify the appropriateness of the various height and FSR options. This, in turn, will help to determine the appropriateness of the Planning Proposal from a development economics perspective.

1 Location Context

This section provides an outline of the location attributes of the proposed development site at Homebush and provides a description of the proposed development itself.

1.1 SITE LOCATION AND CONTEXT

The subject site is located at 11-17 Columbia Lane, Homebush, approximately 11 kilometres west of the Sydney Central Business District (CBD). The site covers an area of 6,568 sq.m and falls within the Strathfield Local Government Area (LGA). The boundaries of the subject site have been outlined in Map 1.1 below.

The site is currently improved with older style industrial buildings to the northern part of the site and a two level car parking structure to the southern part of the site. Parramatta Road (with which Columbia Lane intersects) forms the major transport corridor through the inner western suburbs. Parramatta Road is heavily trafficked and provides connection to the M4 Western Motorway accessing the outer western suburbs. Columbia Lane carries a limited volume of traffic and primarily provides access to the subject site and industrial premises located to the east. 8

Surrounding development comprises a mix of industrial uses such as car yards, self-storage and light industrial uses and established medium to high density dwellings immediately to the west of the subject site. The site is also located within close proximity to the Bakehouse Quarter and is approximately 200 metres north-east of the Homebush train station.

LOCATION MAP

MAP 1.1

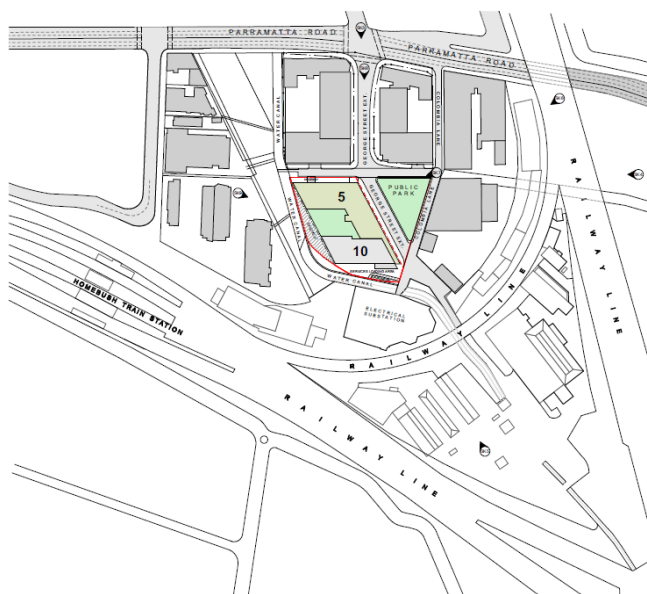


1.2 PROPOSED DEVELOPMENT CONCEPTS

For the purpose of this study, we have considered three alternative development options for the subject site, including a height compliant scheme, an FSR compliant scheme and the preferred development scheme, which have been conceptualised by Mosca Pserras Architects.

Option 1: Height compliant scheme

Option 1 is a proposed development scheme that complies with the building height limits that currently exist on the site. This option has a total floor area of 11,205 sq.m resulting in an FSR of 1.7:1, which is below the allowable FSR for the site. The plan includes 120 units distributed across a four level base building and a separate 10 storey tower to the south.



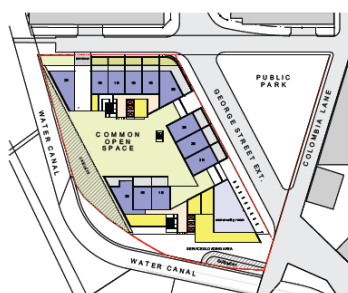
Site Plan

1:2000

SK1

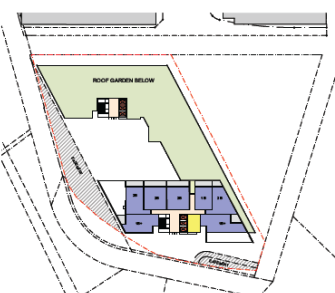
HEIGHT COMPLIANT CONCEPT DESIGN

PLANNING PROPOSAL
RESIDENTIAL DEVELOPMENT
Stage 2, 11-17 COLUMBIA LANE
HOMEBUSH
SCALE AS SHOWN @ A3
APRIL 2015



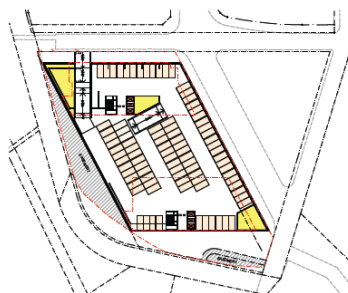
Ground floor

1:1000



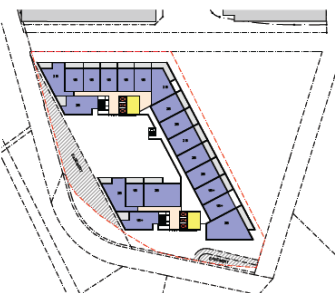
Levels 4-9

1:1000



Basement 1-2

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Levels 1-3

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SK2

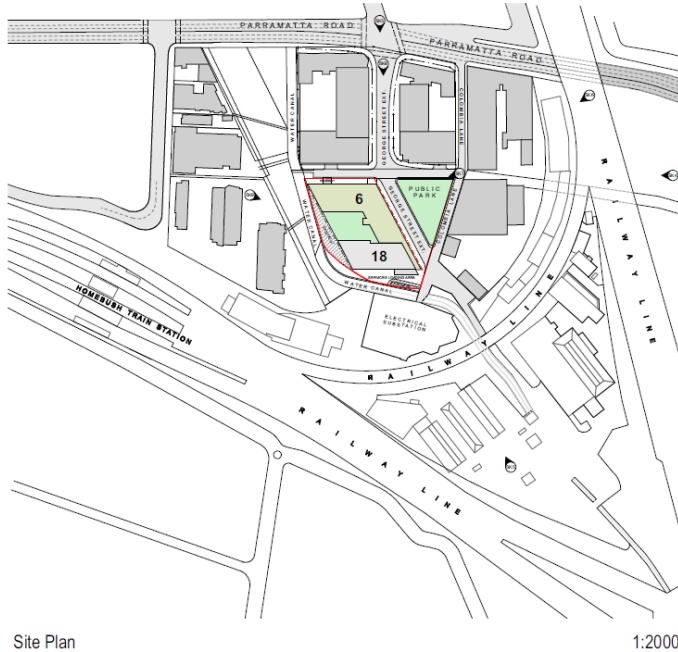
HEIGHT COMPLIANT PLAN LAYOUTS

PLANNING PROPOSAL
RESIDENTIAL DEVELOPMENT
Stage 2, 11-17 COLUMBIA LANE
HOMEBUSH
SCALE AS SHOWN @ A3
APRIL 2015



Option 2: FSR compliant scheme

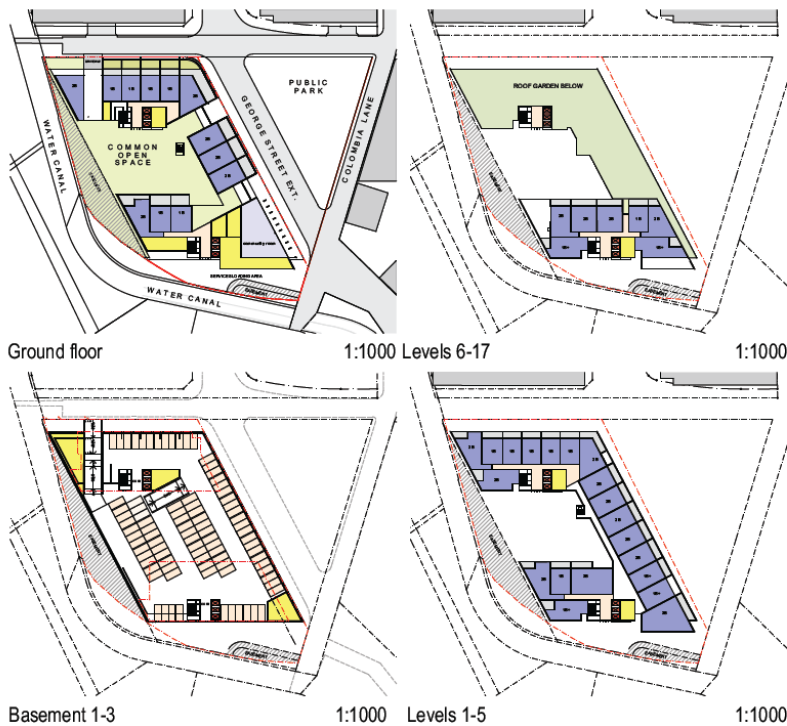
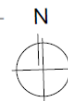
Option 2 is a proposed development scheme that complies with the FSR restrictions that currently exist on the site. This option has a total floor area of 17,887 sq.m resulting in an FSR of 2.7:1 (maximum FSR permitted on the site), however the resultant height of the buildings exceed the allowable limits for the site. The plan includes 196 units distributed across a six level base building with a 12 storey tower sitting on top, resulting in an 18 storey building to the south.



SK1

FSR COMPLIANT CONCEPT DESIGN

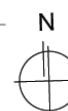
PLANNING PROPOSAL
RESIDENTIAL DEVELOPMENT
Stage 2, 11-17 COLUMBIA LANE
HOMEBUSH
SCALE AS SHOWN @ A3
APRIL 2015



SK2

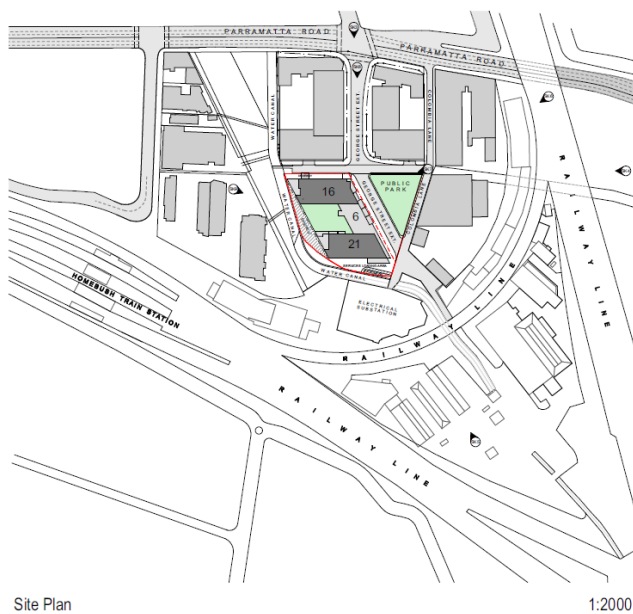
FSR COMPLIANT PLAN LAYOUTS

PLANNING PROPOSAL
RESIDENTIAL DEVELOPMENT
Stage 2, 11-17 COLUMBIA LANE
HOMEBUSH
SCALE AS SHOWN @ A3
APRIL 2015



Option 3: Preferred development scheme

Option 3 is the preferred development scheme that does not comply with the FSR or building height restrictions on the site. This option has a total floor area of 24,038 sq.m resulting in an FSR of 3.7:1. This plan includes 295 units distributed throughout a six storey wrap around base upon which a 10 storey northern tower and 15 storey southern tower sit, resulting in building heights reaching 16 and 21 storeys.



Site Plan

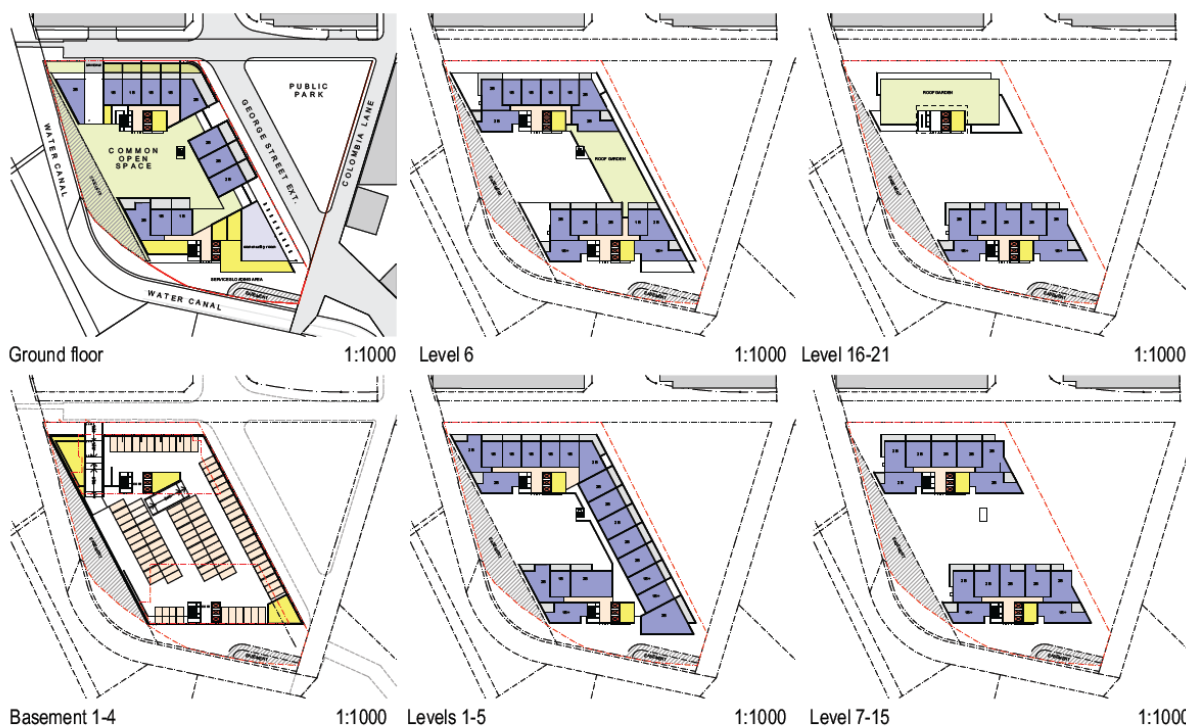
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PLANNING PROPOSAL
RESIDENTIAL DEVELOPMENT
Stage 2, 11-17 COLUMBIA LANE
HOMEBUSH
SCALE AS SHOWN @ A3
APRIL 2015



SK1

CONCEPT DESIGN



Ground floor

1:1000

Level 6

1:1000

Level 16-21

1:1000

Basement 1-4

1:1000

Levels 1-5

1:1000

Level 7-15

1:1000

PLANNING PROPOSAL
RESIDENTIAL DEVELOPMENT
Stage 2, 11-17 COLUMBIA LANE
HOMEBUSH
SCALE AS SHOWN @ A3
APRIL 2015



SK2

PLAN LAYOUTS

The financial feasibility of each of these development options has been analysed in Section 6 of this report.

2 Local and State Policy Objectives

This section identifies the relevant state and local planning policy instruments and documents that relate to the subject site and reviews their objectives. An overview of the housing and employment targets for the local area has also been provided.

2.1 STATE AND LOCAL PLANNING POLICY INSTRUMENTS

Strathfield Local Environmental Plan (LEP) 2012

The Strathfield Local Environmental Plan (SLEP) 2012 is the principal planning instrument for the Strathfield LGA, managing new development through the provision of land use zonings and setting the standard as to how the land within the LGA is to be developed. The SLEP 2012 was gazetted on 15th March 2013 and commenced on the 29th March 2013.

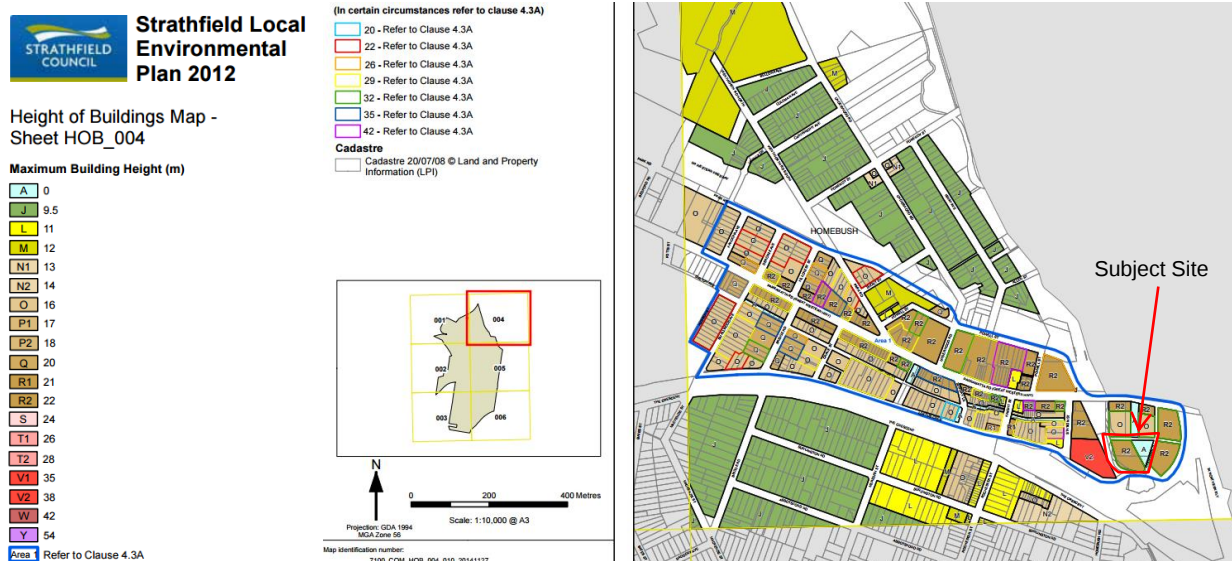
The aims of the SLEP 2012 include:

- To achieve high quality urban form by ensuring that new development exhibits design excellence and reflects the existing or desired future character of particular localities and neighbourhoods in Strathfield
- To promote the efficient and spatially appropriate use of land, the sustainable revitalisation of centres, the improved integration of transport and land use, and an appropriate mix of uses by regulating land use and development
- To promote land uses that provide a wide range of employment, recreation, retail, cultural, service, educational and other facilities for the local community
- To provide opportunities for economic growth that will enhance the local community
- To promote future development that integrates land use and transport planning, encourages public transport use, and reduces the traffic and environmental impacts of private vehicle use
- To identify and protect environmental and cultural heritage
- To promote opportunities for social, cultural and community activities
- To minimise risk to the community by identifying land subject to flooding and restricting incompatible development.

Under the SLEP 2012, the subject site is zoned R4 High Density Residential development, with the specific objectives of this zone including:

- To provide for the housing needs of the community within a high density residential environment
- To provide a variety of housing types within a high density residential environment
- To enable other land uses that provide facilities or services to meet the day to day needs of residents.

The majority of the site has a maximum building height of 22 metres, with the north-eastern portion of the site having a maximum building height of 0 metres as identified in Map 2.1 following. However, the subject site has been identified as a Key Site (key site number 92) within Area 1 (outlined in dark blue in Map 2.1) which has been defined as the Parramatta Road Corridor in Clause 4.3A of the SLEP 2012. Under Clause 4.3A, the site has a maximum building height of 32 metres (excluding the portion of the site with a maximum building height of 0 metres).



The SLEP 2012 also states that the subject site has a Floor Space Ratio (FSR) of 1.65:1. Again however, as the subject site is identified as a Key Site within Area 1, Clause 4.4A of the SLEP 2012 states that the subject site is an exception to this FSR, instead allowing for an FSR of 2.7:1 on the site.

No heritage constraints have been identified on the subject site within the SLEP 2012.

Clause 6.9 of the SLEP states additional provisions for development in the Parramatta Road Corridor, in which the subject site is located. The additional provisions outlined in this clause include:

“(1) The objectives of this clause are as follows:

- (a) To encourage a mix of commercial and residential land uses*
- (b) To encourage the integration of developments that require large floor areas with other land uses.*

(2) This clause applies to land identified as “Key Sites Area” on the Key Sites Map

(3) Development consent must not be granted for development on land to which this clause applies unless the consent authority is satisfied that the development will contribute to:

- (a) The general mix of residential and non-residential land uses in the area, and*
- (b) the vertical and horizontal integration of land uses in the area.”*

Strathfield Consolidated Development Control Plan (DCP) 2005

The Strathfield Consolidated Development Control Plan (DCP) was adopted by Strathfield Council on the 4th April 2006 and came into effect on the 3rd May 2006, with numerous amendments to the document occurring since. This DCP is intended to be a comprehensive guide for both owners/ applicants as to the minimum development standards required by Council; however compliance with the DCP does not necessarily guarantee an application will be approved.

The document provides both numeric and prescriptive standards which must be met to achieve the overarching objectives, allowing for flexibility and innovation in design. Although the controls within the DCP may not normally be varied, the document states the following:

“...where it can be demonstrated that a particular control is unnecessary or unreasonable in the circumstances of the case, of that the variation will result in a better design solution for the site and its surrounds and still satisfy the underlying objectives of each provision Council may consider varying the controls.”

Part C of the DCP specifically considers Multiple-Unit Housing with the aim to achieve residential development within the LGA that is “sympathetic and appropriate for the natural and built environment, acceptable to the community and economically feasible.”

The specific objectives of Part C of the DCP include:

- To maintain and improve the amenity and character of medium density residential areas in the Council area
- To ensure that new residential development is of a type, scale, height, bulk and character that is compatible with the particular streetscape characteristics of the area in which it is proposed
- To promote residential development that is attractive, functional, innovative and is of a high quality
- To maximise solar access and privacy to existing and proposed developments
- To provide an acceptable acoustic environment for residents through appropriate design, layout and construction measures, which mitigate noise and vibration impacts from nearby road and rail transport activities
- To preserve existing mature vegetation and encourage the planting of native vegetation suitable for the area
- To ensure that an adequate number of on-site car parking spaces are provided for residents and visitors
- To ensure that adequate provision is made for landscaped open space for the enjoyment of residents
- To promote high quality landscaped areas which complement the overall development and which assist in maintaining existing streetscape quality
- To ensure that the heritage value of individual buildings and conservation areas is not compromised by new multiple-unit residential development.

The DCP 2005 sets out the specific design principles related to a development, including aspects such as building design and orientation, streetscape, energy efficiency, minimum unit sizes, open space and landscaping, access and parking, and privacy.

Strathfield Development Control Plan 20 (DCP No. 20) – Parramatta Road Corridor Area (2005/2006)

In addition to the Strathfield Consolidated DCP outlined previously, the Strathfield Council has also released site specific DCPs, one of which is the DCP No. 20 – Parramatta Road Corridor which was adopted by Council in September 2005 and came into force in May 2006. This document has been prepared to control and guide the nature, form and scale of multiple-unit housing and mixed use developments within the Parramatta Corridor Area (in which the subject site is located).

The objectives of this DCP No. 20 are broadly similar to the DCP outlined previously, however the objectives apply specifically to the Parramatta Road Corridor in order to leverage the unique characteristics of this precinct. Specifically, the objectives of this DCP No. 20 relate to location, accessibility, public domain, streetscape, landscaped open space and building form.

New Parramatta Road – Draft Parramatta Road Urban Renewal Strategy (2014)

This strategy applies to the Parramatta Road corridor, which extends along Parramatta Road from the Sydney CBD to the City of Parramatta, generally bound by the main western rail line to the south and the Parramatta River to the north. The corridor includes land within the jurisdiction of 10 local councils including Auburn, Ashfield, Burwood, City of Canada Bay, City of Sydney, Holroyd City, Leichhardt, Marrickville, Parramatta City and Strathfield.

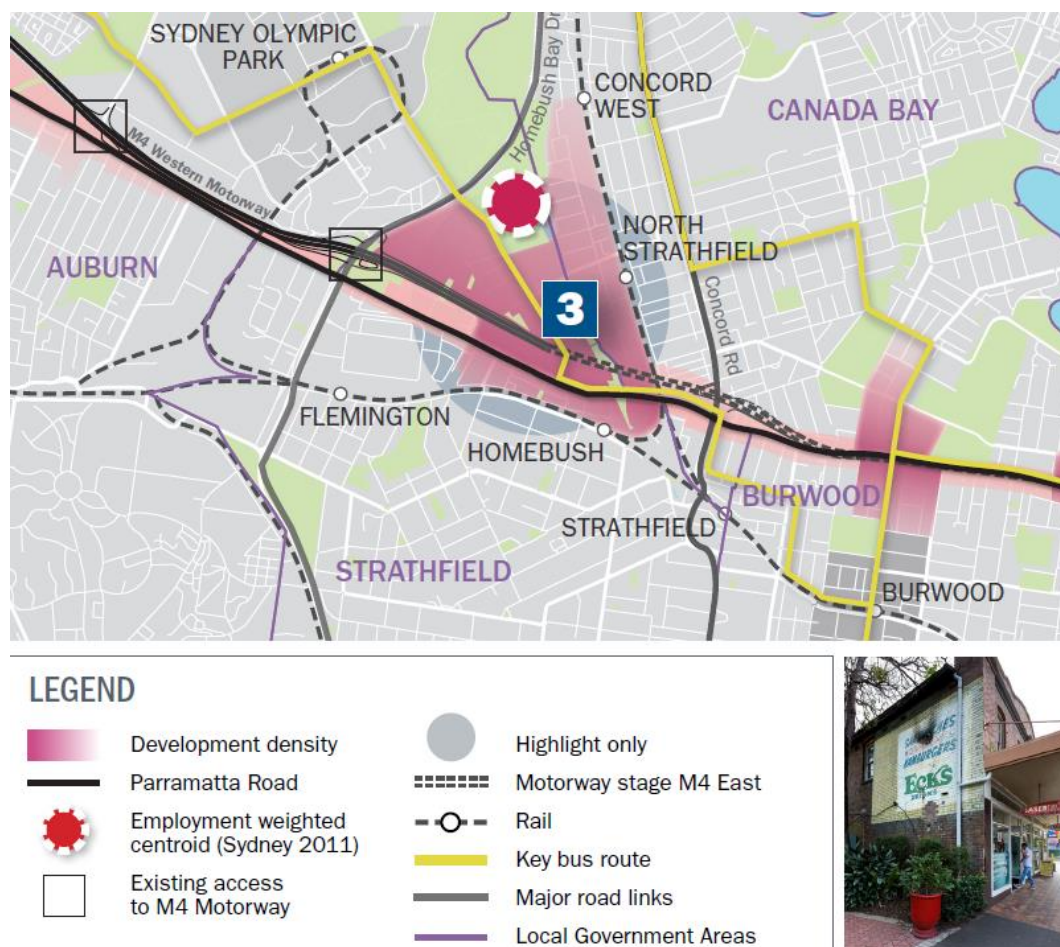
This Strategy is being led by UrbanGrowth NSW, with support of the NSW State Government and was first released in November 2014 for public display and comments and was updated in February 2015.

It is expected that an additional 1.6 million people will be living in Sydney by 2031. The Parramatta Road corridor has been identified as experiencing progressive decline and deterioration due to traffic congestion, poor urban design connections, visual clutter and noise pollution, a lack of landscaping, inefficient public transport operations, lack of planning coordination between councils and limiting planning controls. Hence the purpose of this Strategy is to revitalise this important corridor, with a particular focus on providing housing for Sydney's growing population as well as providing further employment opportunities. The aim of the NSW Government is to provide 50,000 new dwellings and 50,000 jobs in the Parramatta Road corridor by 2031. In addition to this, the strategy also intends on creating stronger links between the neighbourhoods that exist along the corridor.

The Strategy has identified eight urban renewal precincts including Granville, Auburn, Homebush, Burwood, Kings Bay, Taverners Hill, Leichhardt and Camperdown. It is expected that by 2031, these eight precincts will accommodate 3.2% of Sydney's expected population growth.

The Homebush precinct identified in the Strategy stretches north from the Homebush Train Station in the south to the Concord West train station in the north, and includes the subject site at 11-17 Columbia Lane, Homebush as shown in Figure 1 below.

FIGURE 1 – HOMEBUSH AREA PRECINCT – 'DRAFT PARRAMATTA ROAD URBAN RENEWAL STRATEGY' 2014



It is forecast that this Homebush Area Precinct will account for 33% of the total population growth in the Parramatta Road Corridor by 2031, representing a significant growth in the number of dwellings. This Precinct has been identified for substantial growth due to:

“... its central location and very good access to transport and employment opportunities in Sydney Olympic Park, Burwood, Parramatta CBD, Rhodes, Macquarie Park and the Sydney CBD... The Precinct could accommodate areas of high rise residential development particularly because it is within walking distance of three railway stations with connection to the wider public transport network.”

Further, the Strategy states that this precinct could become “a major growth Precinct that accommodates residential high rise close to public transport” and that the Precinct could have similar development intensity to areas such as Meadowbank and St Leonards/ Crows Nest.

It is therefore evident that the subject site, included within the Homebush Area Precinct within this Strategy, will play a significant role in accommodating Sydney’s future growth as its proximity to the Homebush and North Strathfield train stations will provide for higher density residential development.

It is also worth noting in Figure 1 that the employment weighted centroid for Sydney (2011) is located within close proximity to the subject site. This employment weighted centroid is the location where there are the same number of jobs to the north, south, east and west and is based on the Sydney Greater Capital City Statistical Area (GCCSA) as at the 2011 Census.

This suggests that the subject site is a prime location for residential development, as it provides high accessibility to employment across the entire Sydney region which is a primary objective of this Strategy.

2.2 HOUSING AND EMPLOYMENT TARGETS

The Metropolitan Strategy: City of Cities was released by the NSW Government in 2005, stating that the population of Sydney is expected to grow by 1.1 million people between 2004 and 2031. On this basis, the strategy suggested that an additional 640,000 homes would be required in order to cater for this population growth.

Subsequent to this Metropolitan Strategy, draft sub-regional strategies were released in order to apply the Metropolitan Strategy to a subregional and local level. The draft Inner West Subregional Strategy (IWSS), released in 2006, included the council areas of Ashfield, Burwood, Canada Bay, Leichhardt and Strathfield. The IWSS set a dwelling target of 30,000 additional dwellings within the subregion between 2005 and 2031. Across this 25 year period, it was anticipated that 8,300 of these additional dwellings would be located in the Strathfield LGA and the remaining 21,700 dwellings were to be located in the other LGAs. Despite this document being somewhat dated, this is the most recent subregional strategy for the LGA.

As stated in the *Strathfield Residential Land Use Study* (2011) prepared by JBA Planning, the Strathfield Council is required to provide sufficient development capacity across the LGA to reach 70% of the dwelling target in the short term (i.e. by 2021), which represents an additional 5,810 dwellings in Stage 1. The development capacity for the remaining 2,490 dwellings is to be implemented in the long term to 2031 (Stage 2).

The JBA report indicates that the total existing capacity and recently constructed/ approved dwellings within the Strathfield LGA equates to approximately 4,900 (as at the time of the report). This represents just under 60% of the overall target for new residential development in the LGA as stipulated in the IWSS (8,300 dwellings by 2031) and a shortfall of approximately 900 dwellings to reach the Stage 1 housing target.

The IWSS also sets an employment capacity target of an additional 12,500 jobs by 2031, increasing from 91,000 in 2001 to 103,500 jobs in 2031. More specifically, the Strathfield LGA was expected to accommodate an additional 1,500 of these jobs, increasing to an estimated 20,700 jobs by 2031. As at the 2011 Census, it was estimated that there were approximately 19,244 jobs within the Strathfield LGA, suggesting that just 3% of this employment target had been reached by 2011.

New sub-regional plans are being prepared based on the new metropolitan strategy, entitled *A Plan for Growing Sydney (2014)*, however these are not expected to be released until mid-2015. These new subregional strategies will provide an update on specific guidelines on the distribution of growth across the City, however it is expected that all parts of Sydney will have to raise the rate of housing production, particularly along major transport corridors. *A Plan for Growing Sydney* estimates that Sydney will require an additional 664,000 dwellings by 2031 to cater to the rapidly expanding population.

Under the new subregional strategies yet to be released, the Strathfield LGA will be located within what is defined as the Central Subregion. The Central Subregion will also include the Ashfield, Botany Bay, Burwood, Canada Bay, Leichhardt, Marrickville, Randwick, Sydney, Waverley and Woollahra LGAs.

3 Population and Demographic Analysis

The following section reviews the population and demographic characteristics of the Strathfield LGA against the Sydney average.

3.1 POPULATION

The NSW Department of Planning and Environment is responsible for the development and regular review of the official population projections. These forecasts provide the main source of population analysis undertaken by the NSW Government. The Department of Planning released population projections for NSW and each local government area (LGA) for the period 2011 to 2031 in 2014. This forecast uses the estimated resident population from the 2011 Census as a base.

Table 3.1 outlines the population forecast estimated by the Department of Planning and compares the population of the Strathfield LGA to the Sydney Greater Capital City Statistical Area (GCCSA).

Population Forecast

STRATHFIELD LGA AND SYDNEY AVERAGE

TABLE 3.1

	Historic Estimated Residential Population (ERP)			Population Forecasts			
	2001	2006	2011	2016	2021	2026	2031
Strathfield LGA	29,433	33,231	37,239	39,750	45,650	48,600	50,900
		2001-06	2006-11	2012-16	2016-21	2021-26	2026-31
Additional Residents		3,798	4,008	2,511	5,900	2,950	2,300
Average Annual Change (no)		760	802	502	1,180	590	460
Average Annual Change (%)		2.5%	2.3%	1.3%	2.8%	1.3%	0.9%
	2001	2006	2011	2016	2021	2026	2031
Sydney GCCSA	4,125,199	4,280,888	4,605,992	4,657,650	5,064,200	5,467,200	5,861,750
		2001-06	2006-11	2012-16	2016-21	2021-26	2026-31
Additional Residents		155,689	325,104	51,658	406,550	403,000	394,550
Average Annual Change (no)		31,138	65,021	10,332	81,310	80,600	78,910
Average Annual Change (%)		0.7%	1.5%	0.2%	1.7%	1.5%	1.4%

Source : ABS Census, Department of Planning and Environment; Urbis

The key findings from the historical and forecast growth for the LGA include:

- From 2006-2011, the average annual population growth for the Strathfield LGA decreased slightly from the 2001-2006 period, to 2.3%
- The average annual growth in the Strathfield LGA for the 2006-2011 period was still noticeably higher than the Sydney average, of just 1.5%
- The Department of Planning and Environment forecasts the population growth rate in the Strathfield LGA to decline marginally to 1.3% to 2016, before increasing to 2.8% to 2021. From 2021 to 2031, the growth rates then decline to more subdued levels of 1.3% and 0.9%
- The population of the Strathfield LGA is expected to grow from 37,000 in 2011 to almost 51,000 by 2031, adding an additional 13,700 residents. This will require a significant increase in the supply of residential dwellings in order to house this additional population.

3.2 DEMOGRAPHIC ANALYSIS

The key demographic characteristics considered of relevance to the assessment for residential uses on the subject site include household income, family composition, dwelling structure (including number of bedrooms and type of product), household size and new dwelling approvals. This analysis is based on ABS Census Data for the Strathfield LGA.

Household Income: Chart 3.1 shows that the Strathfield LGA had a slightly higher proportion of households with an income of \$0-\$41,600 per annum (29%) compared to Sydney (28%) in 2011. The proportion of households with this income has decreased drastically in the LGA from 2006, where 38% of households were in this income bracket. As at 2011, the Strathfield LGA had 17% of households with an income in excess of \$156,000, which was 1% higher than Sydney.

The average household income for the LGA as at the 2011 Census was \$95,511, which is 1.1% above the Sydney average of \$94,428.

Family Composition: The proportion of couple families with no children has grown in the LGA from 2006 to 2011, making up 31.5% of the families in 2011. Despite this growth, this proportion is still lower than the Sydney average (33.5%). Couple families also made up a significant proportion of families within the LGA, making up 31.6% of families in 2011, down from 33.7% in 2006.

Number of Bedrooms: In 2011, the Strathfield LGA had a significantly higher proportion of 2 bedroom dwellings (39%) compared to the Sydney average (25%). In the same year, the Strathfield LGA had a significantly lower proportion of 3 bedroom dwellings (27%) against the Sydney average (39%). The average household size for the LGA in 2011 was 2.8 persons per dwelling compared to 2.7 across Sydney. These have remained unchanged since the 2006 Census.

Dwelling Structure: As shown in Chart 3.3, historical dwelling structure for the Strathfield LGA shows a shift from separate houses to detached dwellings such as flats, units and apartments. Specifically, the proportion of flats, units and apartments has grown from 41% in 2006 to 42% in 2011, and the proportion of semi-detached dwellings has grown from 6% to 8% over the period. Conversely, the proportion of separate houses has declined from 53% to 49% over the period. Similar trends are evident across the broader Sydney region.

New Dwelling Approvals (NDAs): NDAs are provided by the Australian Bureau of Statistics (ABS) and show the number of dwellings that have been approved historically in order to give an indication of the likely supply of residential dwellings entering the market. Chart 3.4 displays the NDAs for the Strathfield LGA, specifically the number and proportion of houses or townhouses, units and other attached dwellings (collectively referred to as 'other dwellings') that have been approved historically.

It is clear that historically there have been consistently a higher proportion of other dwellings (townhouses, units or other attached dwellings) approvals occurring within the Strathfield LGA compared to houses. Approvals for other dwellings within the Strathfield LGA ranged from 82% in 2001/02 and 2006/07 to 94% more recently in 2011/12.

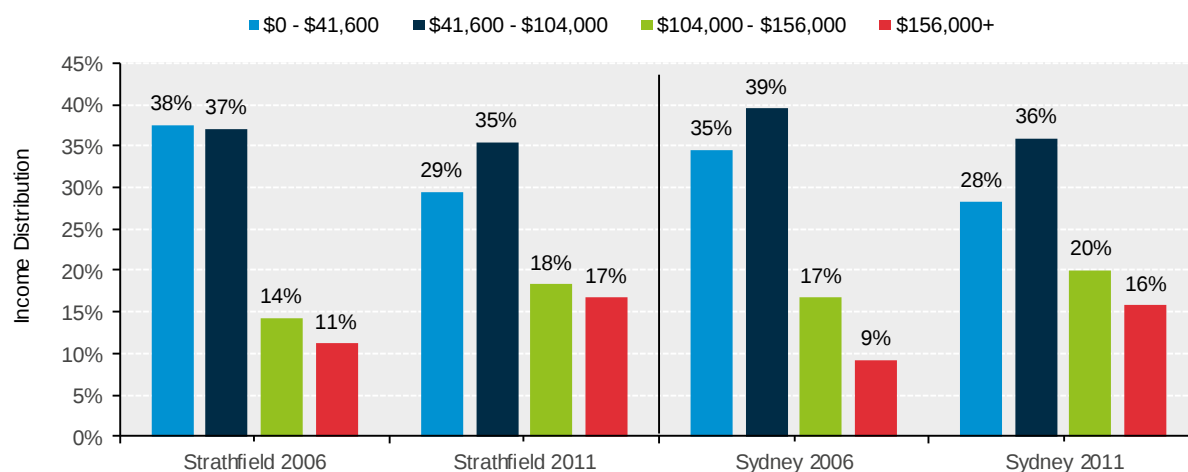
Despite the slight fluctuation in the number of approved detached dwellings between 1996 and 2014, there has been a marginal decline across the period, particularly in recent years.

The number of approved other dwellings have fluctuated significantly across this period, which is likely to be due to large higher density residential projects causing spikes in their respective years. The number of approved other dwellings decreased leading up to and after the Global Financial Crisis (GFC), before increasing again in recent years.

Household Income

STRATHFIELD LGA AND SYDNEY, 2006 AND 2011

CHART 3.1



Source : ABS Census ; Urbis

	Strathfield LGA 2011	Sydney Average 2011
\$Nil- \$20,800	13.3%	11.9%
\$20,800 - \$41,800	16.1%	16.4%
\$41,600 - \$65,000	15.4%	15.7%
\$65,000 - \$78,000	7.9%	7.6%
\$78,000 - \$104,000	12.2%	12.6%
\$104,000 - \$130,000	9.5%	9.4%
\$130,000+	25.6%	26.4%
Average household income	\$95,511	\$94,428
Household income variation	+1.1%	

Source : ABS Census Data 2011; Urbis

Family Composition

STRATHFIELD LGA AND SYDNEY, 2006 AND 2011

TABLE 3.2

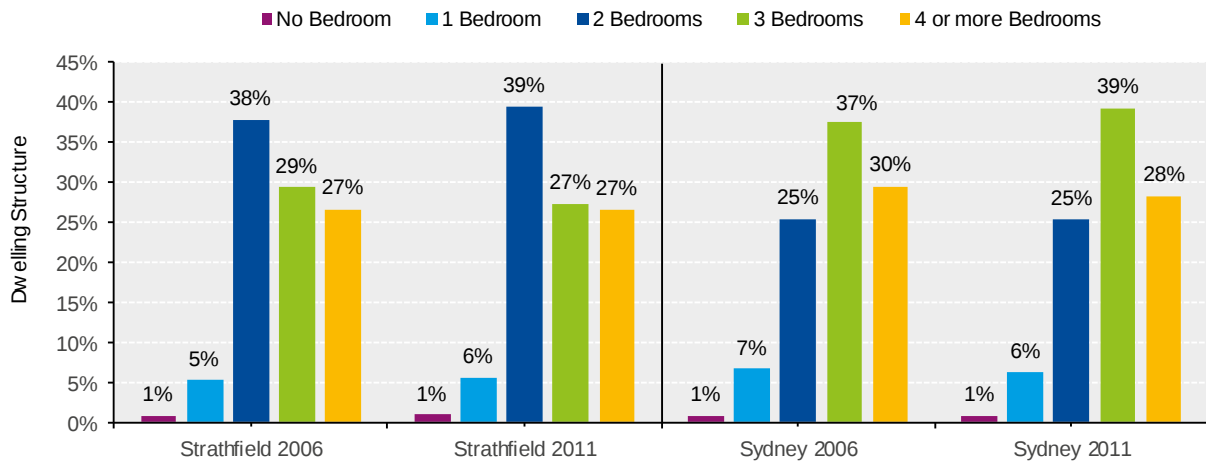
	Strathfield 2006	Strathfield 2011	Sydney 2006	Sydney 2011
Couple family with no children	27.9%	31.5%	33.2%	33.5%
Couple family with children under 15	33.7%	31.6%	32.8%	32.5%
Couple family with no children under 15	20.1%	19.8%	16.4%	16.4%
One parent family with children under 15	6.5%	5.2%	7.8%	7.3%
One parent family with no children under 15	8.6%	9.1%	7.9%	8.4%
Other	3.2%	2.8%	1.9%	1.9%

Source : ABS Census ; Urbis

Number of Bedrooms

STRATHFIELD LGA AND SYDNEY, 2006 AND 2011

CHART 3.2

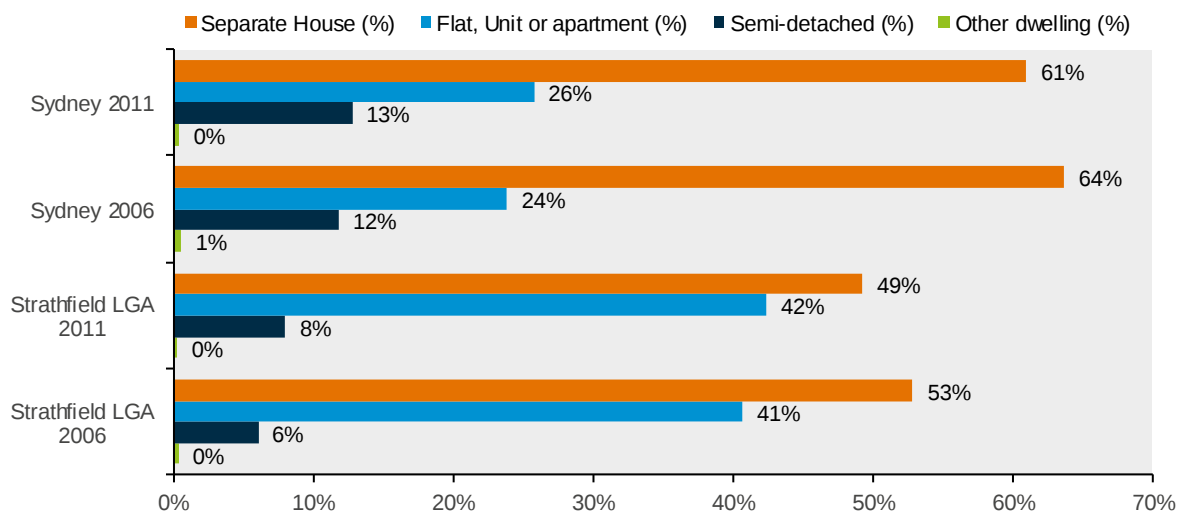


Source : ABS Census ; Urbis

Dwelling Structure

STRATHFIELD LGA AND SYDNEY, 2006 AND 2011

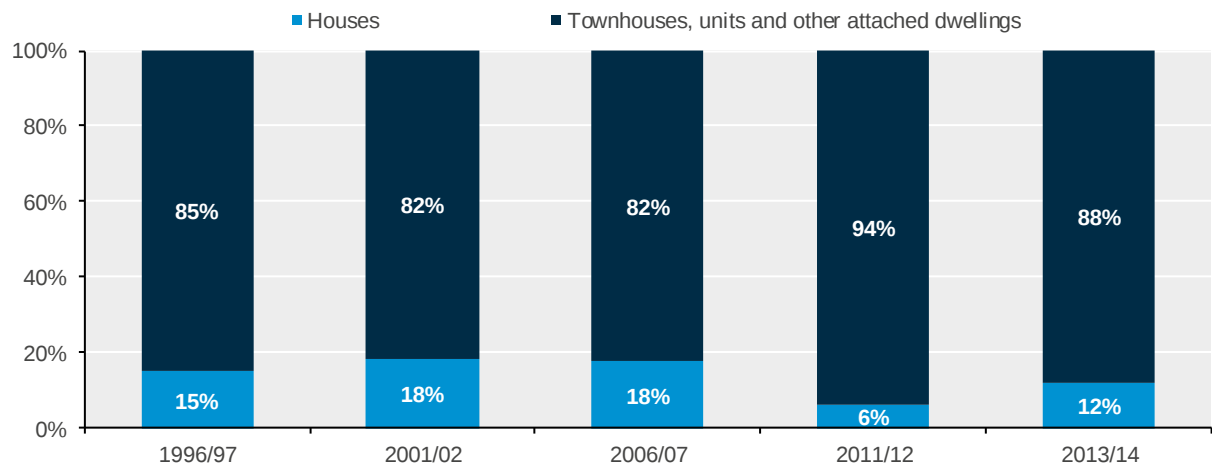
CHART 3.3



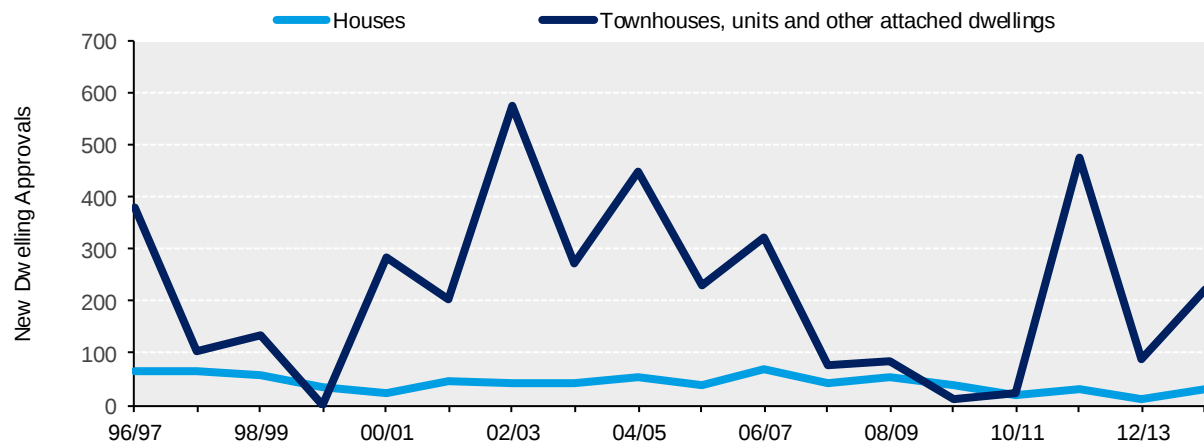
Source : ABS Census ; Urbis

New Dwelling Approvals STRATHFIELD LGA

CHART 3.4



Note: 2011/12 and 2013/14 data based on the new 2011 SA 1 geography
Source : ABS Census ; Urbis



Source : ABS Census ; Urbis

3.3 IMPLICATIONS FOR THE SUBJECT SITE

From the socio demographic data in this section of the report, various implications can be drawn out in relation to the development potential on the subject site. These implications include:

Household income: The household income characteristics can have significant implications when considering the pitch and quality of offer of residential uses on the site. The Strathfield LGA has a higher average household income which is +1.1% above the Sydney average. The pricing of housing should therefore be pitched towards a mid-range quality product, albeit acknowledging the Parramatta Road location. Accordingly the pricing of the subject product needs to reflect the socioeconomic characteristics of the area, however also take into account the subject site's location.

Family composition: Couple families with children under 15 (young families) and couple families with no children make up the highest proportion of households in the Strathfield LGA. This not only has implications for the unit mix of the subject development but also for the size adopted for each unit type. The development will need to cater to couples with smaller units, but also provide some larger units for young families.

Average household size and number of bedrooms: The average household size for Strathfield LGA (2.8 persons per dwellings) is slightly above the Sydney average of 2.7. Despite this, the LGA has a lower proportion of three and four or more bedroom dwellings than the Sydney average. The majority of the dwellings within the LGA are two bedroom dwellings (39%). This suggests the need for a development within the Strathfield LGA to have a higher provision of two bedroom dwellings and to a lesser extent three bedroom dwellings in order to cater for the slightly larger average household size. Given the high number of couple families with no children, a number of one bedroom and one bedroom plus study dwellings should also be provided however these should not make up the predominant for of overall development (say 30%-35%).

Dwelling structure and New Dwelling Approvals (NDAs): Based on NDA data and the dwelling structure of the resident population, this suggests a growing trend in the preference towards flats, units or apartments within the Strathfield LGA. The development of residential apartments accordingly is considered to align with residential dwelling trends. As more people and families look to live closer to the city and employment hubs, the subject site's location is well placed to generate demand for high density apartments.

4 Residential Development Trends

This section of the report provides an analysis of the local residential market surrounding the subject site in order to identify the opportunities and threats that exist for a residential based mixed use development on the subject site.

4.1 UNIT PRICE TRENDS

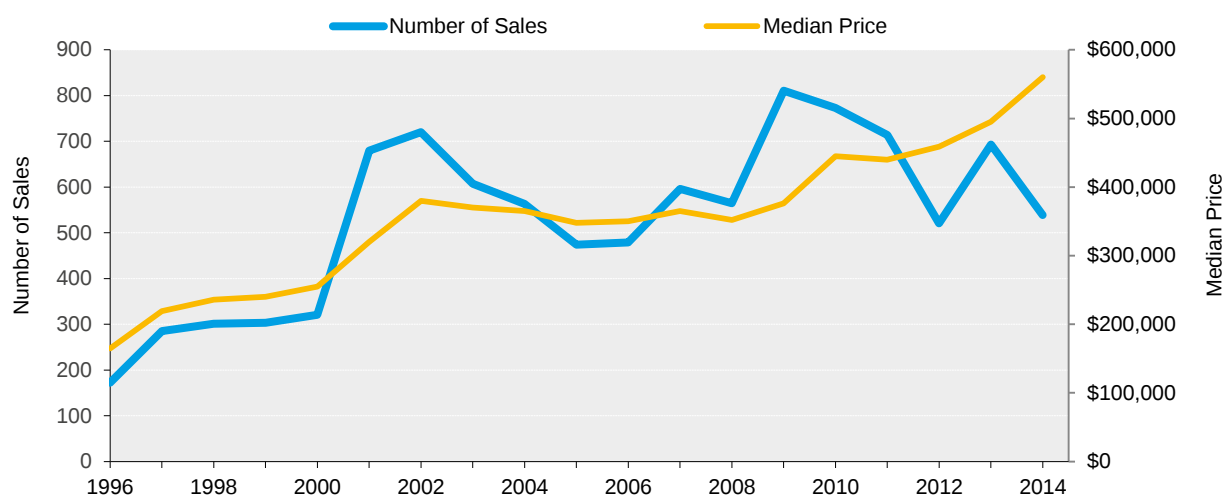
Chart 4.1 shows the volume of unit sales and median sale prices for the Strathfield LGA from 1995 to 2014. Specifically the key findings include:

- The median unit price for the LGA has continued to record strong growth, currently reflecting \$560,000 for calendar year 2014, up a significant 13% from \$495,000 in the previous year
- The median price remained relatively stagnant between 2002 and 2009, before experiencing stronger growth in recent years
- Across the period presented in the chart, the number of residential unit sales has fluctuated significantly. The highest number of sales occurred in the 2009 calendar year (811 sales) and the lowest occurring in the 1995 calendar year (152 sales)
- To date, there have been 52 sales in the 2015 calendar year, with a median sale price of \$562,500.

Sales and Median Prices – Residential Units

STRATHFIELD LGA

CHART 4.1



Note: Includes multiple residential dwellings, dual occupancy dwellings and residential strata units

Source : RP Data ; Urbis

The median unit price for the suburb of Homebush, the Strathfield LGA and the Sydney average are shown in Table 4.1 as at December 2014. According to RP Data, this shows that the current median unit price (over the past 12 months) of \$556,500 for Homebush is 1.2% below the Strathfield LGA median unit sale price of \$563,000 and is 4.2% below the Sydney median of \$580,000.

Interestingly however, the median unit sale price in the Homebush suburb over the past 3 months was in line with the median unit sale price for the Strathfield LGA (\$580,000). This was however 5.2% lower than the Sydney wide median unit sale price for the same period which was \$610,000.

Also an indication of demand in the local Homebush market is the data on average days on the market produced by RP Data. This shows that Homebush has been in lower demand than the wider Strathfield LGA, with the average number of days on the market for units in Homebush at 57 days compared to 37 days for the Strathfield LGA. Across the broader Sydney market, the average number of days on the market for a unit was 42 days.

Price Comparisons

HOME BUSH SUBURB AND STRATHFIELD LGA

TABLE 4.1

	Median Sale Price (3 months)	Median Sale Price (12 months)	Average days on market (12 months)
Homebush Suburb	\$580,000	\$556,500	57
Strathfield LGA	\$580,000	\$563,000	37
Sydney Metro	\$610,000	\$580,000	42

Note: Data is to December 2014

Source: RP Data; Urbis

4.2 HISTORICAL AND FUTURE DEVELOPMENT PIPELINE

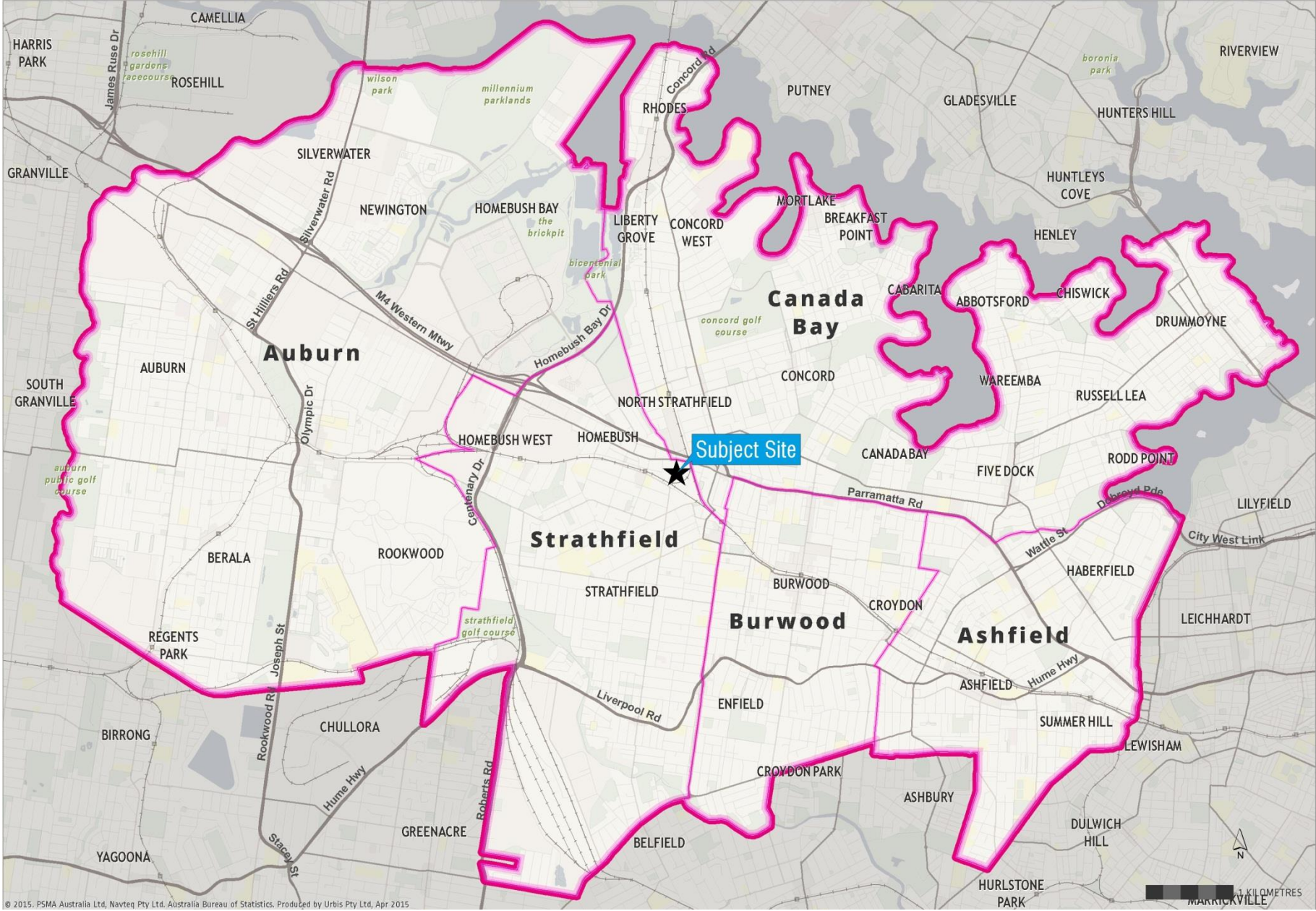
Map 4.1 shows the study area that we have defined for looking at the historic and future development pipeline surrounding the subject site. The study area includes the Auburn, Strathfield, Burwood, Canada Bay and Ashfield LGAs.

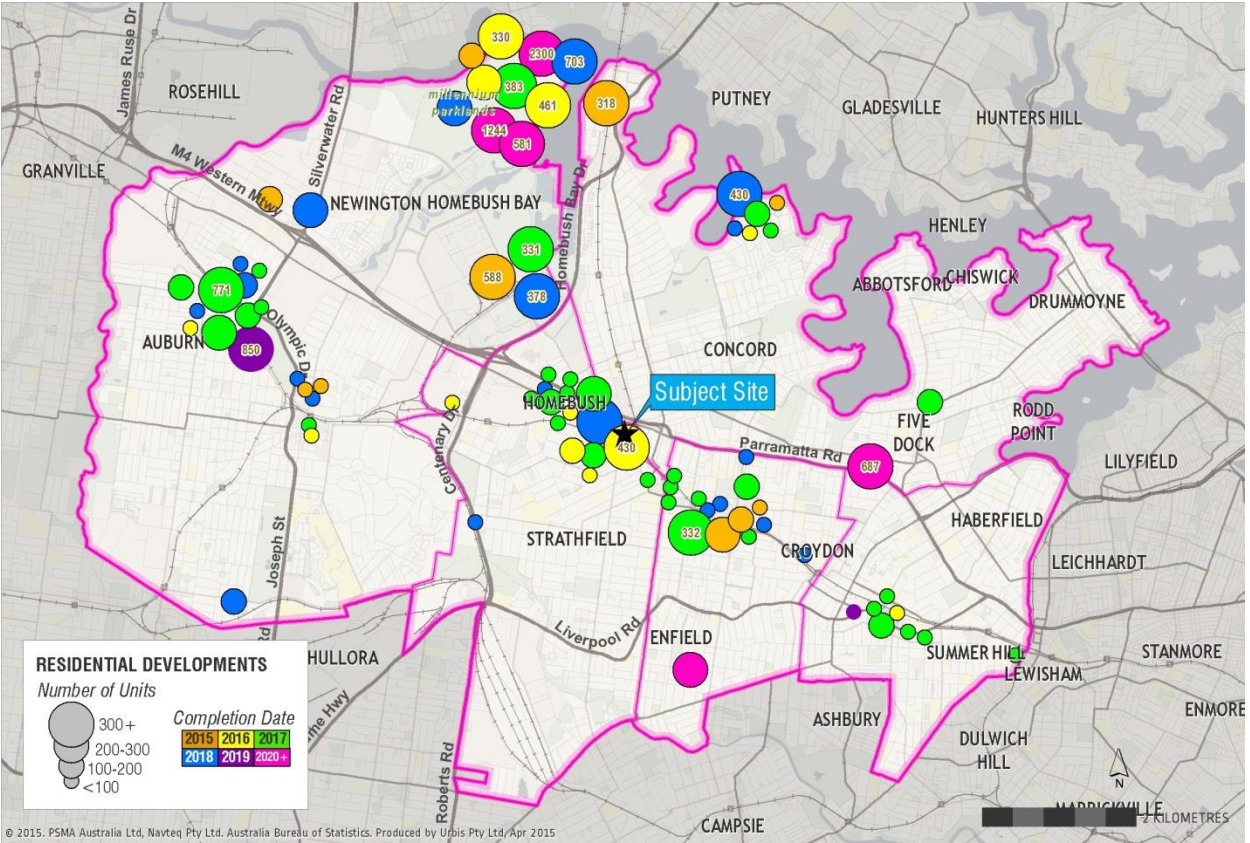
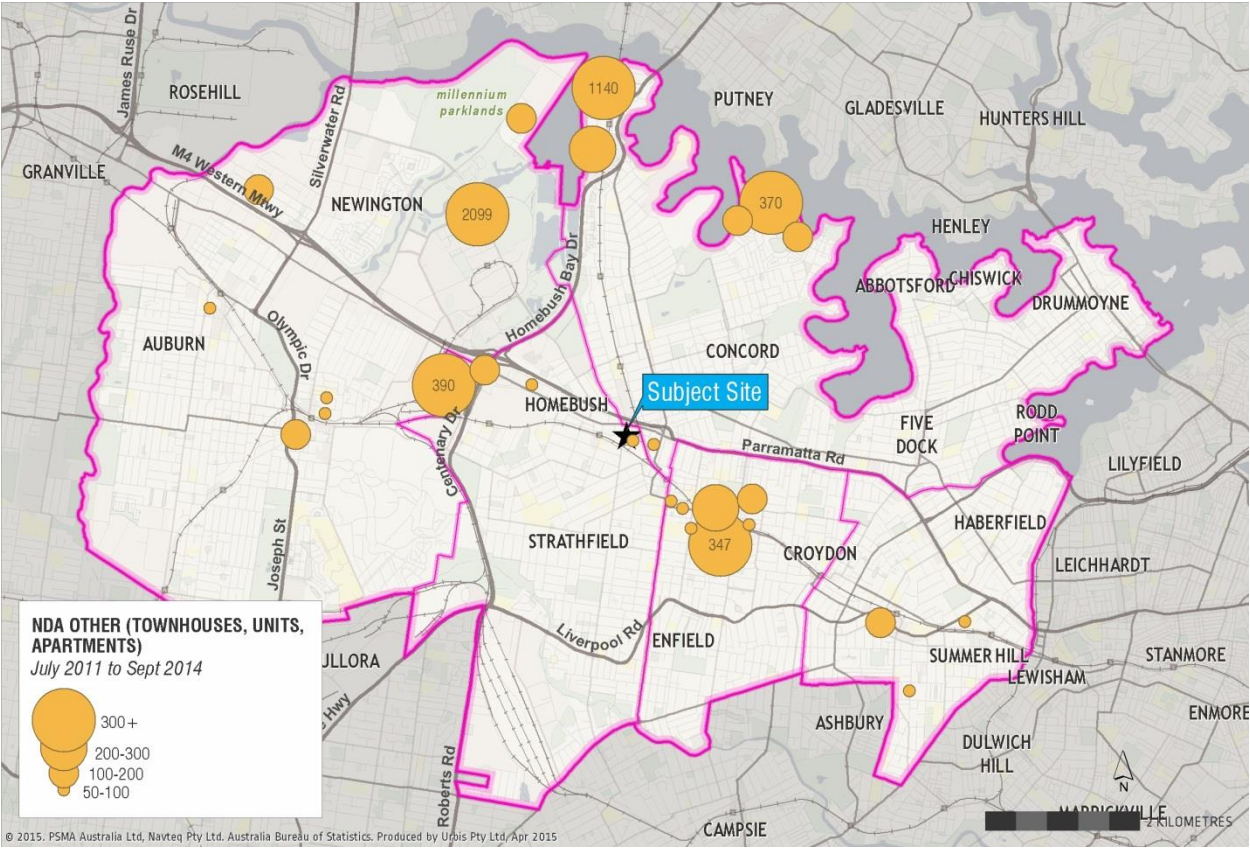
Map 4.2 displays the historical NDAs from July 2011 to September 2014 for the study area for 'other dwellings' (townhouses, units and apartments). From this map it is evident that historically there has been a significant proportion of NDAs occurring within areas such as Sydney Olympic Park, Rhodes, Breakfast Point and Burwood and around train stations and areas with high accessibility.

Subsequently, Map 4.3 looks at the proposed residential developments (with at least 50 units) expected to occur within the study area based on publicly available information. This information was obtained through Cordell Connect which monitors development applications and approvals.

Once more, it is clear that there is a trend towards high density residential development within areas such as Breakfast Point, Sydney Olympic Park and Burwood as well as around train stations (inner west line) and transport nodes. Other areas that are expected to experience significant residential development include Wentworth Point, Homebush, Strathfield and Auburn. This reflects the preferences of residents towards units that have high accessibility to public transport as well as other amenities in close proximity.

Each of the proposed developments displayed in this map have been summarised in Appendix A.





4.3 COMPARABLE RESIDENTIAL DEVELOPMENTS

The following development profiles provide a summary of completed or planned residential developments within close proximity to the subject site. These profiles provide examples of the types of residential developments occurring around the subject site and consider characteristics of each development such as scale, unit mix, location and sales prices. These profiles have been used to inform the residential component of the feasibility analysis conducted within this report.

The table following the profiles then provides a summary of these residential developments. From this table, it is possible to gauge the scale of projects that have recently occurred and assess their success within the market. The proposed developments can also be analysed to determine the scale and type of residential markets that will be entering the market in the future.

COMPLETED DEVELOPMENTS

PROJECT NAME Vantage	
Developer	Meriton
Location	52 Walker Street, Rhodes
Anticipated Completion	Completed
Property Description	Construction of a residential development comprising 2 buildings of 24 storeys providing 263 luxury apartments. Block C will contain 196 units, including 6 one bedrooms, 167 two bedrooms and 22 three bedrooms. Block D will contain 68 units, including 16 one bedrooms, 50 two bedrooms and one three bedroom.
Ancillary Facilities	Basement car parking for 295 vehicles over 3 levels. Landscaped open space, including large areas of public open space.
Indicative Living Area	1 bedroom: 62 sq.m average @ approx. \$7,400/sq.m 2 bedroom: 88 sq.m average @ approx. \$7,600/sq.m 3 bedroom: 105 sq.m average @ approx. \$8,100/sq.m
Agent Advised Average Pricing Level	1 bedroom: \$460,000 2 bedroom: \$670,000 3 bedroom: \$850,000
Take-up Rates	Construction has been completed in 2012 and all units have since sold out.
Buyer Profile	Unavailable.
Location Characteristics	500 metre walk to Rhodes train station, 1km to Rhodes Shopping Centre.
Source	Cordell, Agent

PROJECT NAME Pelican Quays	
Location	162 Burwood Road, Concord
Anticipated Completion	Completed
Property Description	Waterside complex, composing of units, houses, and townhouses.
Ancillary Facilities	Basement car parking, pool, gymnasium, sauna, and tennis court.
Indicative Living Area¹	2 bedroom: 180 sq.m average 3 bedroom: 226 sq.m average 4 bedroom: 226 sq.m average
Achieved Sale Prices²	2 bedroom units: \$690,000-\$840,000 3 bedroom units: \$800,000 -\$1,150,000 3 bedroom townhouse: \$1,150,000 - \$1,300,000 4 bedroom townhouse: \$1,250,000 - \$1,400,000
Take-up Rates	Unavailable
Buyer Profile	Unavailable
Location Characteristics	Water views. Buses service Burwood Rd. 300m walk to Bayview Park. 3 minute drive to Concord retail stores.
Source	RP Data

Note: 1 – Includes outdoor living area. 2 - 2013 and 2014 sales prices.

PROJECT NAME Australia Towers I	
Developer	Ecove and SOPA (Sydney Olympic Park Authority)
Location	Australia Avenue, Sydney Olympic Park
Anticipated Completion	Completed
Property Description	Construction of a mixed use building comprising of 2 separate but adjoining towers A and B. There will be 2 tower elements above a ground level podium that will accommodate a 40 place child care centre and 256sq.m retail floor space comprising 3 retail tenancies and a cafe. The height of the tower elements will be 24 residential storeys for Tower A and 16 residential storeys for Tower B. It will comprise of 208 apartments, including 57 one bedrooms, 123 two bedrooms, 21 three bedrooms and 6 executive apartments.
Ancillary Facilities	Basement car parking over 3 levels for 283 vehicles.
Indicative Living Area	1 bedroom: 52 sq.m average @ say \$9,750/sq.m 2 bedroom: 77 sq.m average @ say \$8,400/sq.m 3 bedroom: 104 sq.m average @ say \$8,700/sq.m
Achieved Sale Prices	1 bedroom: \$395,000 - \$650,000 2 bedroom: \$500,000 - \$1,000,000 3 bedroom: \$675,000 - \$1,250,000
Take-up Rates	80% sold within the first few weeks of launch
Buyer Profile	Mixture of investors, owner-occupiers, workers from local businesses and first-home buyers
Location Characteristics	Developing precinct, adjacent to Commonwealth Bank office buildings, 350 metres to Olympic Park Station, 2 km to DFO Homebush and Rhodes Shopping Centre.
Source	Cordell, Agent, Property Observer

PROPOSED DEVELOPMENTS

PROJECT NAME Breakfast Point – Lighthouse Hill	
Developer	Rose Property Group
Location	19-21 Tennyson Road, Breakfast Point
Anticipated Completion	2016
Property Description	Construction of a 9 storey residential flat building containing 100 apartments including 37 one bedrooms, 47 two bedrooms and 16 three bedrooms.
Ancillary Facilities	Basement car parking for 140 vehicles.
Indicative Internal Living Area	1 bedroom: 60 - 66 sq.m average 2 bedroom: 84 -100 sq.m average 3 bedroom: 120 - 140 sq.m average
Advised Asking Prices	1 bedroom: from \$600,000 - 675,000 2 bedroom: \$830,000 - \$1,060,000 3 bedroom: \$1,100,000 - \$2,000,000
Take-up Rates	Unavailable.
Buyer Profile	Investors estimated to account for 30% of purchases in Breakfast Point, with Lighthouse Hill considered to be up to 40%.
Location Characteristics	130 metres walk to Breakfast Point Village Centre. Buses service Tennyson Road.
Source	Cordell, Domain

PROJECT NAME Regatta, Wentworth Point Marinas	
Developer	Billbergia
Location	Hill Road, Wentworth Point
Anticipated Completion	Late 2016
Property Description	Construction of a 6-17 storey mixed use development comprising 330 residential units, including 21 studios, 138 one bedrooms, 159 two bedrooms and 12 three bedrooms. Four ground floor retail units consisting of 95 sq.m, 72 sq.m, 71 sq.m, 78 sq.m. Two cafes/ restaurants consisting of 105 sq.m and 98 sq.m.
Ancillary Facilities	Basement car parking for 407 vehicles
Indicative Internal Living Area	1 bedroom: 63 sq.m average @ approx. \$8,250/sq.m 2 bedroom: 85 sq.m average @ approx. \$8,000/sq.m 3 bedroom: 110 sq.m average @ approx. \$7,800/sq.m
Agent Advised Average Pricing Level	1 bedroom: \$520,000 2 bedroom: \$680,000 3 bedroom: \$860,000
Take-up Rates	Stage One of the development, called "The Quarterdeck" has already been completed and the units have been sold. The second stage of the development "The Broadwater" is currently under construction, with all apartments sold. The third stage "Regatta" is due for completion in 2016 and is also all sold out.
Buyer Profile	Consists mainly of owner-occupiers and first home buyers. Around 30% have been investors.
Location Characteristics	300 metres walk to Olympic Park Ferry Wharf. 3.5km drive (5 minutes) to Sydney Olympic Park. Future pedestrian bridge will link to Rhodes.
Source	Cordell, Agent, Property Observer, Domain

PROJECT NAME B1 Square Burwood	
Developer	B1 Group
Location	27-31 Belmore Street, Burwood
Anticipated Completion	2015
Property Description	Construction of a mixed use development comprising a 3 storey podium containing 8,616sq m of commercial and retail space. There will be 3 residential towers above shared podium with 12, 13 and 14 storeys containing 210 units, including 8 one bedrooms, 56 one bedroom plus study, 135 two bedrooms and 11 three bedrooms.
Ancillary Facilities	Basement car parking over 6 levels for 580 vehicles, including 186 public car parking spaces.
Indicative Living Area	1 bedroom: 54 sq.m average @ approx. \$9,900/sq.m 1 bedroom plus study: 61 sq.m average @ approx. \$9,000/sq.m 2 bedroom: 82 sq.m average @ approx. \$7,900/sq.m 3 bedroom: 118 sq.m average @ approx. \$8,400/sq.m
Take-up Rates	Unavailable.
Buyer Profile	Unavailable.
Advised Asking Prices (May 2013)	1 bedroom: from \$535,000 1 bedroom plus study: from \$550,000 2 bedroom: from \$650,000 3 bedroom: from \$990,000
Location Characteristics	Within 350 metres of Burwood train station and retail high street, 650 metres to Westfield Burwood.
Source	Cordell, Domain

PROJECT NAME Village Quay – Harbour Views	
Developer	Billbergia
Location	Walker Street, Rhodes
Anticipated Completion	2014
Property Description	Construction of 318 apartments, with a mix of 1, 2, and 3 bedroom, with luxury Platinum apartments on the upper levels. Building A is a 25 storey building containing 253 apartments including retail floor space of 221sq m. Building B, a 6 storey building contains 65 apartments.
Ancillary Facilities	Basement car parking over 2 levels located in the public domain adjacent to public entries and the retail uses.
Indicative Living Area	1 bedroom: 60 sq.m average @ say \$8,800/sq.m 2 bedroom: 85 sq.m average @ say \$8,800/sq.m 3 bedroom: 100 sq. m @ say \$9,000/sq.m
Agent Advised Average Pricing Level	1 bedroom: \$530,000 2 bedroom: \$750,000 3 bedroom: \$900,000
Take-up Rates	All units have been sold, with studio and 1 bedrooms being the most popular.
Buyer Profile	There are a mixture of first-home buyers, local investors and overseas investors.
Location Characteristics	300 metres walk to Rhodes train station, 800 metres walk to Rhodes Shopping Centre.
Source	Cordell, Agent

PROJECT NAME One Victoria	
Developer	DeiCorp
Location	1-7 Victoria Street, Ashfield
Anticipated Completion	2017
Property Description	Construction of a 2-6 storey residential building with proposed basement car parking over 2 levels for 90 vehicles.
Proposed Units	62
Proposed Mix	1 bed: 11 2 bed: 37 3 bed: 14
Indicative Living Area	1 bedroom: From 52-58 sq.m 2 bedroom: From 81-95 sq.m 3 bedroom: From 115-129 sq.m
Advertised / Asking Prices	1 bedroom: From \$595,000 2 bedroom: From \$755,000 3 bedroom: From \$995,000
Location Characteristics	500 metres to Ashfield train station, 420 metres to Ashfield Mall
Source	Cordell Connect, Domain

Project Name Australia Towers II	
Developer	Ecove and SOPA (Sydney Olympic Park Authority)
Location	Australia Avenue between Parkway Drive and Bennelong Road, Sydney Olympic Park
Anticipated Completion	2014
Property Description	Construction of a mixed use development comprising 588 residential in 2 separate buildings, including 215 one bedrooms, 297 two bedrooms, 56 three bedrooms and 20 four bedrooms. Tower 1 is a 24 storey tower containing 267 residential units and Tower 2 is a 30 storey tower containing 321 residential units.
Ancillary Facilities	Consists of a 2 level podium comprising of a retail GFA of 474sq.m and a commercial GFA of 644 sq.m, 807sq.m of gymnasium and communal facilities, and 165sq.m of residential facilities. Basement car parking over 5 levels for 800 car parking spaces.
Indicative Living Area	1 bedroom: 56 sq.m average @ say \$9,300/sq.m 2 bedroom: 75 sq.m average @ say \$8,500/sq.m 3 bedroom: 100 sq.m average @ say \$9,450/sq.m 4 bedroom: 133 sq.m average @ say \$7,700/sq.m
Agent Advised Average Pricing Level	1 bedroom: \$520,000 2 bedroom: \$635,000 3 bedroom: \$945,000 4 bedroom: \$1,030,000
Take-up Rates	Unavailable.
Buyer Profile	Mixture of investors, owner-occupiers, workers from local businesses and first-home buyers
Location Characteristics	Developing precinct, adjacent to Commonwealth Bank office buildings, 350 metres to Olympic Park Station, 2km to DFO Homebush and Rhodes Shopping Centre.
Source	Cordell, Agent, Property Observer

Summary of Completed and Proposed Residential Developments

APARTMENTS, STUDY AREA

Name	Address	Completion Date	Units	Mix	Pricing	Locational Context
Completed:						
Vantage	52 Walker Street, Rhodes	Completed	263	1 bed: 8% 2 bed: 83% 3 bed: 9%	1 bed: \$460,000 2 bed: \$670,000 3 bed: \$850,000	500 metre walk to Rhodes train station, 1km to Rhodes Shopping Centre
Pelican Quays	162 Burwood Road, Concord	Completed	n.a.	n.a.	2 bed: \$690,000-\$840,000 3 bed unit: \$800,000-\$1,150,000 3 bed t/house: \$1,150,000-\$1,300,000	Water views. Buses service Burwood Rd. 300 metres to Bayview Park
Australia Towers I	Australia Ave, Sydney Olympic Park	Completed	208	1 bed: 27% 2 bed: 59% 3 bed: 10%	1 bed: \$395,000-\$650,000 2 bed: \$500,000-\$1,010,000 3 bed: \$675,000-\$1,250,000	Developing precinct, 350 metre to Olympic Park Station, 2km to DFO and Rhodes Shopping Centre
Proposed Developments:				Agent advised average pricing		
Breakfast Point Lighthouse Hill	19-21 Tennyson Road, Breakfast Point	2016	100	1 bed: 37% 2 bed: 47% 3 bed: 16%	1 bed: \$495,000 2 bed: \$705,000 3 bed: \$975,000	130 metres walk to Breakfast Point Village Centre. Buses service Tennyson Road
Wentworth Point Marinas - Regatta	Hill Road, Wentworth Point	2016	330	1 bed: 42% 2 bed: 48% 3 bed: 4%	1 bed: \$520,000 2 bed: \$680,000 3 bed: \$860,000	300 metres to Olympic Park Ferry Wharf. 3.5 km to Sydney Olympic Park. Future pedestrian bridge will link to Rhodes
B1 Square Burwood	27-31 Belmore Street, Burwood	2015	210	1 bed: 4% 2 bed: 64% 3 bed: 5%	1 bed: \$535,000 2 bed: \$650,000 3 bed: \$990,000	Within 350 metres of Burwood train station and retail high street, 650 metres to Westfield Burwood
Village Quay-Harbour Views	Walker Street, Rhodes	2014	318	n.a	1 bed: \$530,000 2 bed: \$750,000 3 bed: \$900,000	300 metres walk to Rhodes train station, 800 metres walk to Rhodes Shopping Centre
One Victoria	1-7 Victoria Street, Ashfield	2017	62	1 bed: 18% 2 bed: 60% 3 bed: 22%	1 bed: \$595,000 2 bed: \$755,000 3 bed: \$995,000	500 metres to Ashfield train station, 420 metres to Ashfield Mall
Australia Towers II	Australia Avenue, Sydney Olympic Park	2014	588	1 bed: 37% 2 bed: 51% 3 bed: 10%	1 bed: \$520,000 2 bed: \$635,000 3 bed: \$945,000	Developing precinct, 350 metres to Olympic Park Station, 2km to DFO Homebush and Rhodes Shopping Centre

Source : Cordell ; Agents ; Property Observer ; Urbis

4.4 ANALYSIS OF SALES FROM STAGE ONE OF SUBJECT DEVELOPMENT

This section provides an overview and analysis of the sales prices achieved for apartments in Stage One of the Grand Central development. This information will be used to inform the development feasibility section later in this report in terms of the possible sales prices that could be achieved in Stage Two of the development on the subject site.

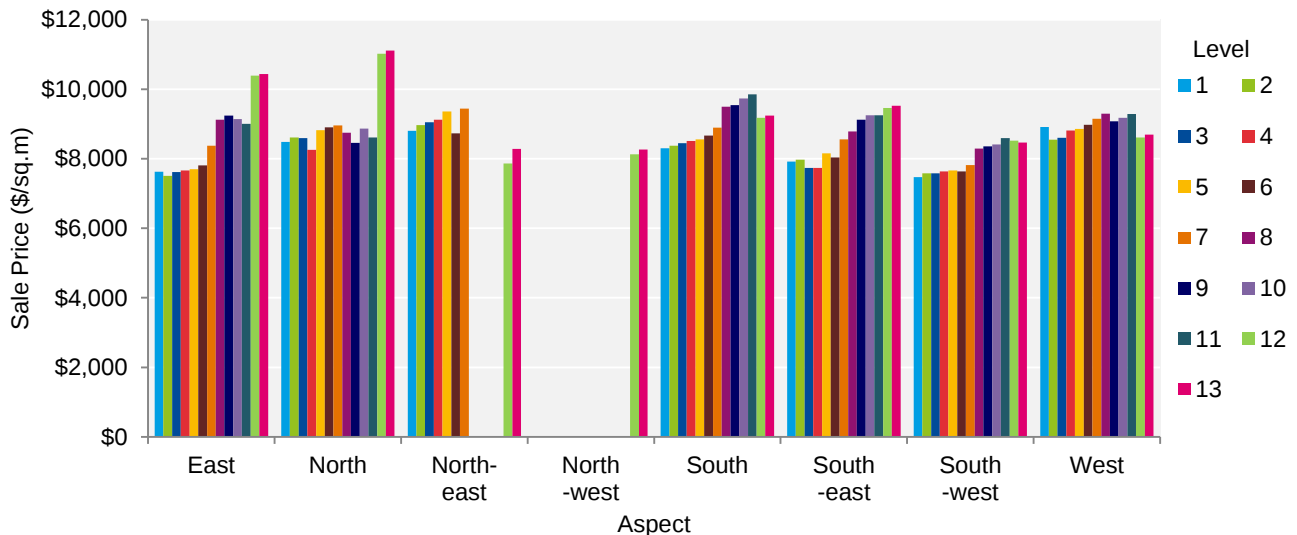
Provided below is a profile of Stage One of the Grand Central development.

PROJECT NAME Grand Central (Stage 1)	
Developer	JQZ
Location	6-20 Parramatta Road, Homebush
Anticipated Completion	2016
Property Description	Construction of Stage 1 of the development comprises two buildings of 7 and 13 storeys with a total of 430 apartments and ground level retail. The development will include a 3,000 sq.m public park adjacent to the development and two levels of basement parking with vehicular access from the existing rear lane.
Indicative Internal Living Area	1 bedroom: 53-63 sq.m 2 bedroom: 73-98 sq.m 3 bedroom: 93-111 sq.m
Sale Prices	1 bedroom: \$490,000 – \$605,000 2 bedroom: \$578,000 - \$750,000 3 bedroom: \$701,000 - \$925,000
Take-up Rates	As at the 10 th November 2014, 9 apartments had not been pre-sold (2%)
Buyer Profile	The majority of sales have been to locals living in the Inner West, with only a small proportion being sold to overseas investors.
Location Characteristics	Approximately 11 kilometres to the west of the Sydney CBD, 150 metres to the Homebush train station and to the Bakehouse Quarter retail precinct in North Strathfield. The site is located on Parramatta Road which forms the major transport corridor through the inner western suburbs.
Source	Developer, ourstrathfield.com.au, JLL Valuation Report (14 July 2014)

Chart 4.2 below shows the average dollar rate per square metre for the apartments that were sold in Stage One of the Grand Central development, with consideration of which level the apartment is on and which aspect it is facing.

Average Sales Prices (\$/sq.m)
GRAND CENTRAL STAGE ONE

CHART 4.2



From the analysis of the sale prices in Stage One of the Grand Central development, we note the following observations:

- There is a general upward trend in sales rates per square metre for apartments on the higher levels
- For most aspects, there is a noticeable increase in sales rates for apartments on levels 7-8 and above, which is likely to be due to the enhanced outlook offered in apartments on these higher levels with views over the adjoining industrial properties
- For the east and north facing apartments particularly, there is a significant price increase for apartments on levels 12 and 13. This is likely due to fewer apartments on these levels resulting in less obstructed views. The elevation of these apartments would also offer superior outlooks and be at greater distances from Parramatta Road, the M4 Motorway and the train line. Furthermore, the apartments offered on these levels have a higher number of bedrooms and are targeted at the higher end of the market
- In most apartment buildings, the north and east facing apartments generally achieve higher sales rates due to the improved natural lighting and limited exposure to the harsh western sunlight. In stage 1 of the Grand Central development however, there is no clear difference in sales rates for the north and east facing apartments compared to the west facing apartments. This is likely to be due to the north apartments facing Parramatta Road and the M4 Motorway and the east facing apartments adjacent to a self-storage facility. Conversely, the western facing apartments offer enhanced outlooks over and above the adjacent properties
- In a typical apartment building, the south facing apartments generally achieve lower sale prices however in this development, the south facing apartments are not exposed to Parramatta Road and the M4 Motorway, which has a positive effect on sale prices and rates
- Although not shown within Chart 4.2, the sales price per square metre is generally higher in the smaller apartments (one bedroom) when compared to the larger apartments (two and three bedroom)

Based on these observations and the characteristics of the subject site, the following implications have been drawn in regards to the possible sale prices for Stage Two of the Grand Central development on the subject site:

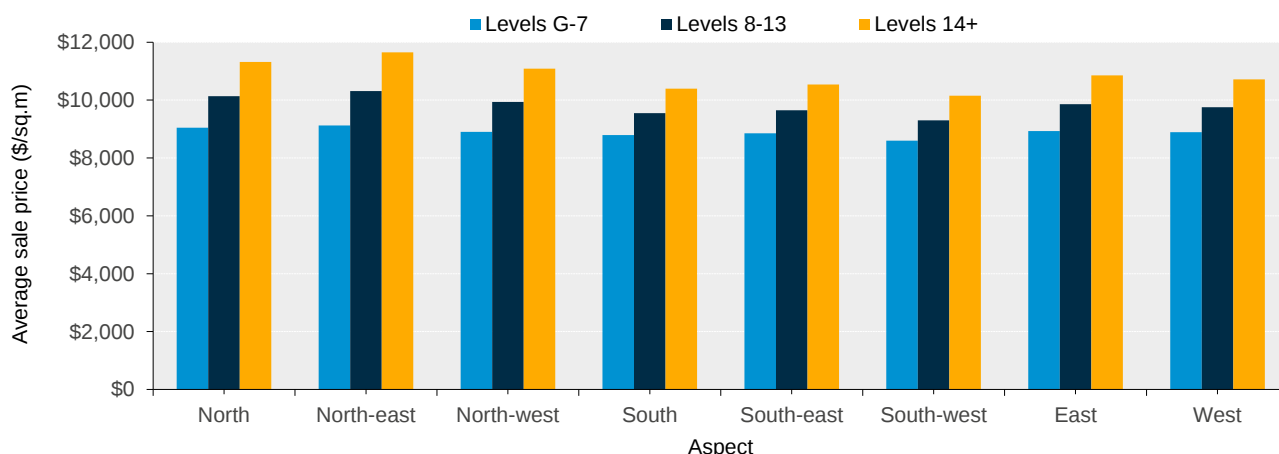
- In line with the apartments in Stage One of the development, the smaller apartments in Stage Two will have a higher dollar rate per square metre of internal living space
- Further, the rates per square metre for apartments in Stage Two will increase for the higher levels, which achieve better outlooks as well as being further away from the roads and train line. The rates will increase incrementally, in line with Stage One, as follows:
 - Apartments on the ground level to level 7 are expected to achieve the lowest sales prices due to the outlooks being obstructed by surrounding buildings and the close proximity to roads, the train line and the substation
 - Apartments on levels 8 to 13 are expected to achieve higher sales prices as they will provide outlooks over the surrounding properties, maximise the use of natural light and also be located further from roads, the train line and the substation
 - Apartments on level 14 or above are expected to achieve the highest sales rates as they will offer significant views, receive strong natural lighting and be located the furthest from roads, the train line and the substation
- The north-east facing apartments in Stage Two of the development will overlook the public park that is to be provided by the developer, which is likely to have a positive impact on the sale prices
- The north-facing apartments will either front the common open space in the centre of the development or the laneway that runs along the northern boundary of the subject site. These apartments have a northern aspect that is highly sought after due to the ability to maximise the natural light and are not directly impacted by Parramatta Road or the M4 Motorway, as is the case for the majority of north facing units in Stage 1
- The apartments that sit on the southern boundary of the site are located in close proximity to the train line and hence are likely to experience some noise and visual impacts from this. This, combined with the proximity to the electrical substation, is likely to impact on the achievable sale prices for these apartments compared to south facing apartments in Stage 1.

Consequently, Chart 4.3 shows the estimated average sales rates that we have adopted for the apartments in Stage Two of the Grand Central development. The prices in the chart have been averaged across the various apartment types (1 bedroom, 1 bedroom plus study, 2 bedroom and 3 bedroom) for presentation purposes. However in the feasibility analysis conducted later in this report, each unit type (by number of bedrooms, level and aspect) has a separate sale price per square metre assigned to it, to most accurately reflect the estimated sale prices for each of the apartments based on the above observations and considerations.

Estimated Average Sale Prices (\$/sq.m)

STAGE TWO – GRAND CENTRAL

CHART 4.3



Source : Urbis

As evident within the chart, the north-east apartments are expected to achieve the highest average sale prices due to their favourable orientation for natural light, their outlook over the public park and the fact that they won't overlook a main road, train line or substation.

The southern facing apartments are expected to achieve the lowest sale prices due to their proximity to the train line and substation and the less favourable orientation for natural light.

Subsequently, we have then used Stage One of the development as a benchmark for the average unit sizes to which the sales rates can be applied in Stage Two of the development. The average unit sizes that we have adopted for units in Stage Two are shown in Table 4.2 below.

Adopted Average Unit Sizes

STAGE TWO – GRAND CENTRAL

TABLE 4.2

Unit type	Average unit size
1 bedroom	50 sq.m
1 bedroom + study	54 sq.m
2 bedroom	74 sq.m
3 bedroom	98 sq.m

Source : JQZ; Urbis

In order to estimate the gross realisation of the residential apartments in each of the development options, the sale price per square metre for the different apartments has been multiplied by the average unit size. This was then multiplied by the number of apartments of each type (number of bedrooms, level and aspect) within each of the development options. The result is a gross realisation which has been applied in the development feasibility model in Section 6 of this report.

4.5 RESIDENTIAL DEMAND DRIVERS

We have identified five key drivers of residential housing demand relevant to the development. These key drivers include access to amenities and employment, transport and infrastructure, population growth and competing supply. Table 3.1 provides a brief description of these drivers and implications for the subject site.

TABLE 3.1 – KEY DEMAND DRIVERS

FACTORS	COMMENTS	IMPLICATIONS FOR THE SUBJECT SITE
1. Access to amenities	Locations that have easy access to shops, public transport, parks, entertainment and dining options, medical facilities and schools will be highly demanded as residential locations. These factors remain high on the priority lists of those looking to rent or buy.	▪ Parramatta Road is serviced by multiple bus services which provide connection to the CBD and towards Parramatta ▪ The site is located approximately 200 metres north of the Homebush train station and approximately 650 metres south of North Strathfield train station ▪ The site is located approximately 200 metres from the Bakehouse Quarter which supports the day-to-day needs of residents. The precinct provides an Aldi supermarket, Harris Farm Market, food retail shops, retail services, gyms, cafes, restaurants, entertainment and office space ▪ Homebush Public School is 250 metres south-west of the subject site and there are a number of other primary and secondary schools within 3 kilometres of the site ▪ The site is located 2 kilometres from Westfield Burwood which is the closest regional shopping centre, providing a large discretionary offer for residents. Westfield Burwood is located on the main retail high street through Burwood which provides a mix of food catering, food retail and services in addition to the presence of Burwood Plaza ▪ The site is located 2.5 kilometres from Sydney Olympic Park, which provides access to a range of sporting, event and recreational facilities ▪ The subject site is well supported by medical centres, health practices and hospitals that are located within a short driving distance from the site. The nearest hospital is the Concord Repatriation General Hospital (2.9 km).

FACTORS	COMMENTS	IMPLICATIONS FOR THE SUBJECT SITE
2. Access to employment	Residents often prefer to live close to work, enabling them to minimise travel times and improve work life balance.	- Located on Parramatta Road, a major transport corridor, this provides linkages to major employment centres including: - Burwood (1.9 km) - Sydney Olympic Park (2.5 km) - Parramatta CBD (9km) - Sydney CBD (11km) - The site is also located in close proximity to the Sydney's employment centroid, meaning it is equidistant to all jobs currently provided in Sydney, making this a desirable location for workers.
3. Transport and Infrastructure	Access to good public transport and road infrastructure are important to potential purchasers and renters. Particularly, linkages to the CBD, airport and major employment centres. Future infrastructure projects can revitalise areas, improve connectivity and linkages, create new jobs and reshape the existing community.	- The site is located approximately 200 metres north of the Homebush train station and approximately 650 metres south of North Strathfield train station - Parramatta Road is serviced by multiple bus services which provide express services to the Sydney CBD and Parramatta - Traffic on Parramatta Road is currently an issue, which results in substantial congestion - The WestConnex project will reduce traffic congestion by taking thousands of trucks and cars off Parramatta Road, helping to relieve congestion and reduce travel times from the subject site.
4. Population growth	Population growth is a key indicator of demand for apartments.	The Estimated Resident Population (ERP) of the Strathfield LGA increased by just over 4,000 residents between 2006 and 2011, increasing from 33,231 to 37,239. Based on Department of Planning and Environment forecasts, the Strathfield LGA population is forecast to increase to almost 51,000 by 2031.
5. Competing supply	Competing residential developments provide an indication of market preferences in terms of price points, size, mix and scale	The trend shows a clear shift towards unit developments based on new dwelling approvals within the LGA.

FACTORS	COMMENTS	IMPLICATIONS FOR THE SUBJECT SITE
	of development. The amount of competing supply, quality and location of other apartment developments in the area can influence demand on the subject site.	▪ Typical apartment sizes in the Strathfield LGA for new developments are 55-60 sq.m for one bedrooms, 85 sq.m for two bedrooms and 110 sq.m for three bedrooms based on proposed and recent developments. ▪ The suburb of Homebush has experienced a general upward trend in median unit prices, with stronger growth occurring in the past three years. However, units are on the market for a higher average number of days (57) when compared to the Strathfield LGA at 37 days and Sydney at 42 days. ▪ The mix provided in competing developments has shown a larger proportion of two bedroom units, followed by one bedroom and three bedroom apartments.

In summary, the subject site has the fundamental elements which drive demand for residential apartment living, particularly inner city. These elements include:

- Located within close proximity to train stations
- Located on a main road that is well serviced by buses connecting easily to the Sydney CBD and Parramatta
- A number of primary and secondary schools within 3 km from the subject site
- Access to a retail precinct nearby and proximity to local and regional shopping centres
- Access to major employment precincts within less than 11 km from the subject site
- WestConnex development is one of the biggest infrastructure projects in Australia which will help revitalise and ease congestion on Parramatta Road
- The site is located 2.5 km from Sydney Olympic Park, which provides access to a range of sporting, event and recreational facilities for residents
- Considerable population growth forecast for the Strathfield LGA to 2031.

5 Employment Trends

This section provides an employment profile of the Strathfield LGA, considering the resident workforce and workers.

5.1 EMPLOYMENT PROFILE – STRATHFIELD LGA

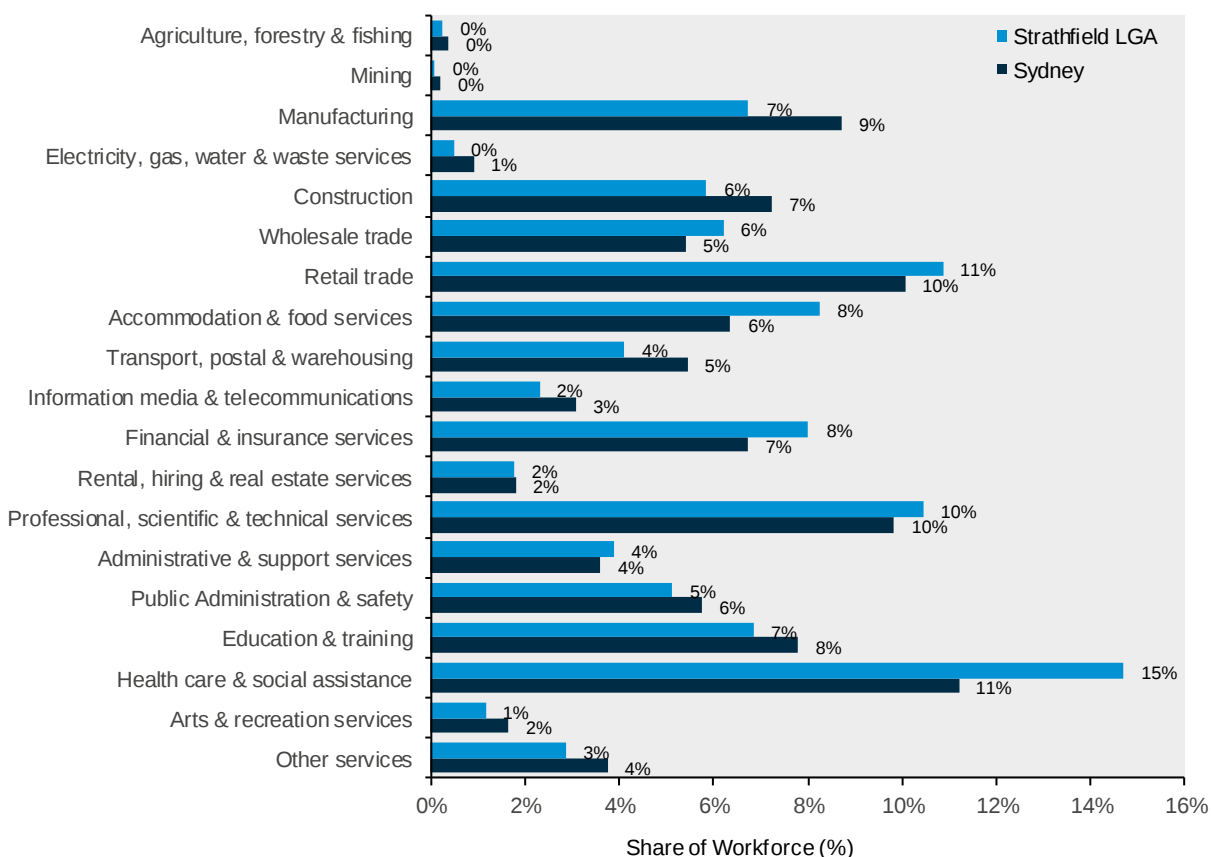
Of those living within the Strathfield LGA as at the 2011 Census, there were just over 16,500 people who were employed, with an unemployment rate of 6.15%. This is slightly higher than the unemployment rate for Sydney as a whole, which was 5.74% for the period.

Chart 5.1 shows the industry of employment of resident workers from the Strathfield LGA. It is clear that the highest proportion of resident workers (15%) is employed in the health care and social assistance industry. This is significantly higher than the proportion for Sydney, whereby this industry accounts for 11% of resident workers. Other significant industries of employment for the LGA include retail trade (11%) and professional, scientific and technical services (10%), both of which are above the Sydney benchmarks.

Industry of Employment

STRATHFIELD LGA AND SYDNEY, 2011

CHART 5.1



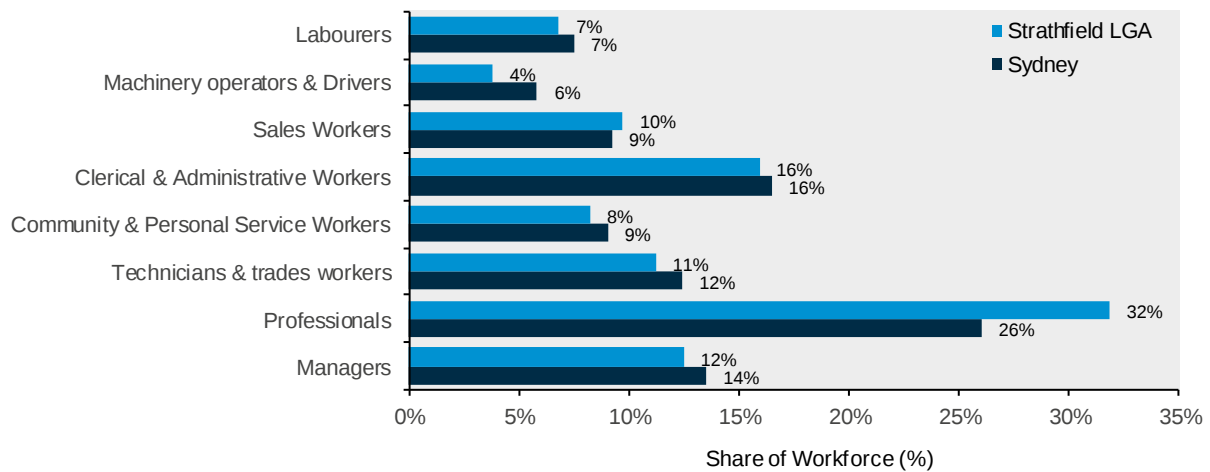
Source : ABS Census 2011; Urbis

In terms of occupation type, Chart 5.2 shows that there is a significantly higher proportion of professionals living within the Strathfield LGA (32%) than the Sydney benchmark (26%). This suggests that there is a highly skilled workforce residing within the LGA. This is further evidenced by the lower proportions of labourers, machinery operators and drivers and technicians and trades workers than the Sydney benchmark.

Occupation Type

STRATHFIELD LGA AND SYDNEY, 2011

CHART 5.2



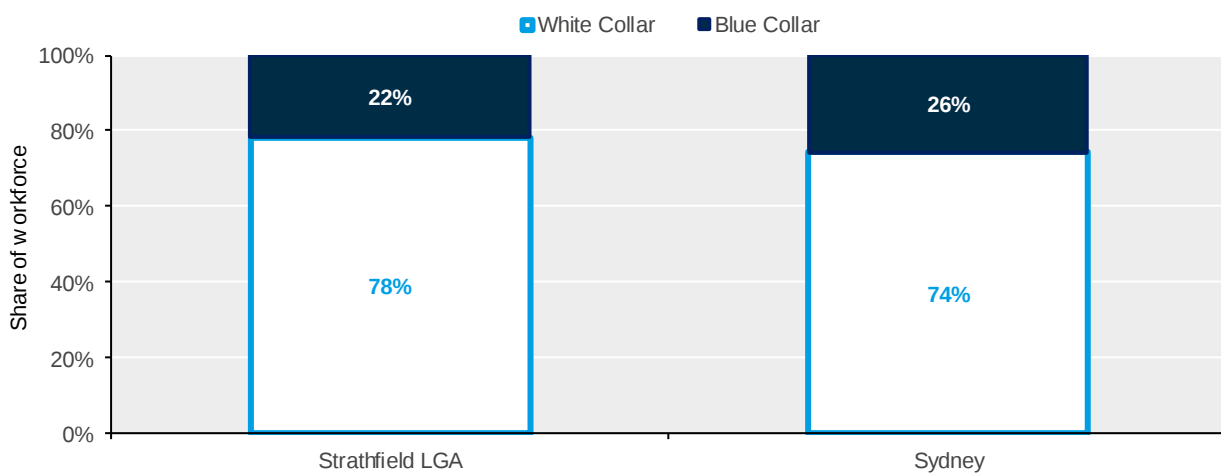
Source : ABS Census 2011; Urbis

In line with this, Chart 5.3 shows that the Strathfield LGA had a higher proportion of white collar workers (78%) when compared to the Sydney benchmark (74%).

White Collar vs. Blue Collar

STRATHFIELD LGA AND SYDNEY, 2011

CHART 5.3



Source : ABS Census 2011; Urbis

6 Assessment of Development Feasibility Options

In order to assess the financial and practical viability of the three development options, we have prepared a feasibility analysis for each option using EstateMaster Development Feasibility software. The possible development options are the height compliant, FSR compliant and preferred development schemes outlined earlier in this report.

6.1 ASSUMPTIONS

In order to conduct the feasibility analysis on each of the three options, the following assumptions were made where applicable:

- An initial land acquisition cost of \$27,850,000 (plus GST and transaction costs) has been allowed within our feasibility assessment. This has been included as an initial starting point, however the actual value result will be determined by looking at the available residual land value. This acquisition cost was provided by the developer.
- We have also assumed the land holding costs based on the unimproved land value of the site. The Valuer General has valued the two lots that form the subject site at \$8,850,000 as at 1 July 2014. On this basis, we have calculated the land tax as approximately \$160,000 per annum on a single land holding basis. The council rates for this property have also been calculated as approximately \$35,000 per annum based on the Business Ordinary Rate, as set out in the *Strathfield Council Delivery Program 2014-2018 and Operational Plan 2014-2015*, of 0.3907286 cents in the dollar on the value of all rateable land and subject to a base rate of \$425. An annual fee of \$20,000 has been included to cover the insurance costs associated with the development (e.g. public liability insurance etc.). These costs will diminish proportionally with settlements.
- Selling costs/ commission for the residential units has been adopted at 1.5% of gross purchase prices, as this is considered to be in line with current market rates for large scale project marketing.
- For a feasibility exercise such as this it is recommended to assess the schemes on the basis that the project is 100% debt funded in order to reflect all the potential costs of the development and the real returns. An interest rate of 7% over the development has been applied, considered in line with market rates for a development of this type.
- The Section 94 contributions have been calculated in line with the Strathfield Council's '*Direct Development Contributions Plan 2010-2030*' (September 2010), based on the subject site being located within Precinct 3C. Consequently, the Section 94 contributions were based on the following rates:
 - \$10,647 per one bedroom (and one bedroom plus study) dwelling in a residential flat building
 - \$14,216 per two bedroom dwelling in a residential flat building
 - \$17,655 per three bedroom dwelling in a residential flat building.
- The total Section 94 contributions for each option were calculated based on the above rates and then adjusted to March 2015 values based on the Consumer Price Index as published by the Australian Bureau of Statistics.
- In our feasibility analysis we have adopted project hurdle rates of 18% for all options, consistent with requirements of developers and banks for a project of this type and scale.
- Marketing fees for the residential apartments have been adopted on a per unit basis. For the purpose of this feasibility analysis, we have adopted a marketing fee of \$5,000 per unit, as this is considered to be in line with similar marketing campaigns for residential developments.
- For all options, the loan application fee is adopted as \$100,000 (one off fee) and the line fee as \$25,000 per annum.

- Professional fees have been assumed to equal 10% of construction costs. This is comprised of pre-construction (8%) and post construction (2%) professional fees.
- A 5% project contingency has been adopted for construction, professional (excluding development management), statutory and miscellaneous fees
- The development management fee adopted is 2% of the project costs.
- A construction contingency of 2% of construction costs has been adopted.
- Costs have been escalated at 2.5% per annum.
- The feasibility analysis begins from May 2015, with construction/ demolition anticipated to begin in June 2016. The construction process is assumed to take approximately 15 months (including 2 months for demolition) for Option 1 and 17 months for Options 2 and 3 due to the increasing scale and number of levels with the latter options.

6.2 COSTINGS

The particular cost components included within the feasibility analyses have been included in Table 6.1.

The construction costs have been adopted from the Rawlinsons '*Australian Construction Handbook*' (2015 – Edition 33). These estimates are to be used as a guide only and provide the average cost range for a wide selection of typical buildings.

Other costs included within the feasibility have been based upon accepted industry benchmarks and assumptions.

Option 1 – Height Compliant:

Option 1 has the lowest development cost of all options of approximately \$88.07 million, which is the result of the smaller scale development under this option, with the development reaching a maximum of 10 storeys.

Option 2 – FSR Compliant:

The development costs for Option 2 are between those of Options 1 and 3, totalling \$119.84 million. This is expected as the scale of the development under this option also sits between Options 1 and 3. This development option reaches a height of 18 storeys, attracting higher construction costs than Option 1.

Option 3 – Preferred Option:

Option 3 has the highest development costs of all options, totalling \$150.19 million. This option includes two towers, compared to just one tower in each of the other options. This means that this development will incur additional costs due to the extra lift shaft that will be required in the second tower. Also, the towers in this option reach greater heights, reaching a maximum of 16 and 21 storeys in total, which also increases the overall construction costs.

Estimated Development Costs

11-17 COLUMBIA LANE, HOMEBUSH REDEVELOPMENT

TABLE 6.1

Component	Cost (millions)		
	Option 1	Option 2	Option 3
Construction Costs			
Demolition	\$0.49	\$0.49	\$0.49
Residential	\$35.05	\$55.95	\$75.18
Car Parking	\$8.68	\$14.18	\$20.54
Construction Contingency (2%)	\$0.88	\$1.41	\$1.92
Total construction costs	\$45.10	\$72.02	\$98.14
Other Costs			
Land Purchase Cost (inc. GST)	\$30.64	\$30.64	\$30.64
Land Acquisition Costs	\$2.39	\$2.39	\$2.39
Professional Fees	\$4.51	\$7.20	\$9.81
Section 94 contributions	\$1.72	\$2.85	\$4.23
Land Holding Costs	\$0.67	\$0.67	\$0.67
Finance Charges	\$0.16	\$0.16	\$0.16
Interest Expense	\$8.05	\$10.48	\$12.11
Project Contingency (5%)	\$2.57	\$4.10	\$5.61
Total Costs (before GST reclaimed)	\$95.80	\$130.52	\$163.77
Less GST reclaimed	-\$7.73	-\$10.68	-\$13.58
Total Costs (after GST reclaimed)	\$88.07	\$119.84	\$150.19

Source : Rawlinsons Australian Construction Handbook; Urbis

6.3 GROSS REALISATION

In order to assess the value of the proposed residential components within each of the development options, we have had regard to the sale prices of the apartments in Stage One of the Grand Central development and given consideration to the particular site characteristics that may increase or decrease the sale prices for residential apartments. This has been described in detail in Section 4 of this report.

By adopting these sales revenue rates consistently across all options, the gross realisations could be calculated and are shown in Table 6.2.

Option 1 – Height Compliant:

Option 1 has an estimated gross realisation of \$66.06 million (after GST) which is the lowest of all options by a significant margin. This is influenced by the relatively low number of apartments in this option (120) and the low-rise nature of the apartments which do not attract a premium on the property sale prices compared to apartments at upper levels.

Option 2 – FSR Compliant:

Option 2 has an estimated gross realisation of \$113.97 million (after GST) which is the second highest of the three options. The increased revenue associated with this option is a result of the higher number of apartments (196) and also the increased building heights attracting a premium on the sale prices due to the enhanced outlooks and separation from the train line, substation and main roads.

Option 3 – Preferred Option:

Option 3 has an estimated gross realisation of \$178.46 (after GST) which is the highest realisation of all options. This option has the highest number of apartments (295) and also attracts premium sale prices in the apartments due to the enhanced outlooks in the towers that reach a maximum of 16 and 21 storeys.

Gross Realisations

11-17 COLUMBIA LANE, HOMEBUSH REDEVELOPMENT

TABLE 6.2

Component	Cost (millions)		
	Option 1	Option 2	Option 3
Gross Sales Revenue			
Residential	\$74.78	\$128.95	\$201.84
Total Gross Sales Revenue	\$74.78	\$128.95	\$201.84
Less Selling Costs	-\$1.92	-\$3.25	-\$5.03
Net Sales Revenue	\$72.86	\$125.69	\$196.81
Total Revenue (before GST paid)	\$72.86	\$125.69	\$196.81
Less GST paid on all Revenue	-\$6.80	-\$11.72	-\$18.35
Total Revenue (after GST paid)	\$66.06	\$113.97	\$178.46

Source : Urbis

6.4 FEASIBILITY OUTCOME SUMMARY

The following section provides an overview of each of the options as to their financial and practical viability, based on the feasibility analysis. Table 6.3 on the following page provides a summary of the feasibility outcomes.

Option 1 – Height Compliant:

Based on our preliminary feasibility analysis, Option 1 achieves a significant development loss in the order of -\$22.01 million, which is the poorest outcome of all development options. This reflects a development margin of -24.46%. Typically a viable development should achieve a development return of at least 15-20% to satisfy both the developer and the banks requirements, highlighting the poor financial outcome of this option.

Option 2 – FSR Compliant:

Based on our preliminary feasibility analysis, Option 2 achieves a development loss in the order of -\$5.87 million. This reflects a development margin of -4.77% which is still significantly below the development return of 15-20% required by both the developer and the bank.

Option 3 – Preferred Option:

Based on our preliminary feasibility analysis, Option 3 achieves a development profit of \$28.27 million, indicating that Option 3 is the only option to return a development profit. This reflects a development margin of 18.22% which satisfies the developer and bank requirements of a development return of 15-20%. Therefore Option 3 is considered to be the only feasible development option for the subject site.

Summary of Feasibility Outcomes

11-17 COLUMBIA LANE, HOMEBUSH REDEVELOPMENT

TABLE 6.3

Component	Cost (millions)		
	Option 1	Option 2	Option 3
<u>COSTS</u>			
Total Construction Costs	\$45.10	\$72.02	\$98.14
Total Other Costs	\$50.70	\$58.49	\$65.63
Total Costs (before GST reclaimed)	\$95.80	\$130.52	\$163.77
Less GST reclaimed	-\$7.73	-\$10.68	-\$13.58
Total Costs (after GST reclaimed)	\$88.07	\$119.84	\$150.19
<u>REVENUE</u>			
Net Sales Revenue	\$72.86	\$125.69	\$196.81
Total Revenue (before GST paid)	\$72.86	\$125.69	\$196.81
Less GST paid on all Revenue	-\$6.80	-\$11.72	-\$18.35
Total Revenue (after GST paid)	\$66.06	\$113.97	\$178.46
<u>PERFORMANCE INDICATORS</u>			
Net Development Profit	-\$22.01	-\$5.87	\$28.27
Development Margin	-24.46%	-4.77%	18.22%
Breakeven Date	n.a.	n.a.	Dec-17

Source : Urbis

6.5 CONCLUSION AND IMPLICATIONS

Of the three development options suggested for the subject site at 11-17 Columbia Lane Homebush, Option 3 provides the only financially viable option.

Options 1 and 2 both result in a development loss and it is evident that the current constraints on the site (both height and FSR) will have a detrimental impact on the financial feasibility of a development on the subject site.

Option 3, despite having the highest construction costs of all options, also attracts the highest gross realisation, resulting in an acceptable development margin. The higher gross realisation is the result of the number of apartments and also the increased building heights which attract higher sale prices for some of the apartments with their increased outlook and views.

On this basis it is recommended that further investigations be undertaken into Option 3. This will assist in determining the final plans for the most appropriate and financially viable development option. More specific costing estimates can then be ascertained and applied.

Disclaimer

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This report has been prepared with due care and diligence by Urbis and the statements and opinions given by Urbis in this report are given in good faith and in the reasonable belief that they are correct and not misleading, subject to the limitations above.

Appendix A

Proposed Residential Developments

Proposed Residential Developments (Over 50 Units)

AUBURN, STRATHFIELD, BURWOOD, CANADA BAY AND ASHFIELD LGAS

TABLE 6.4

Development Name	Address	Suburb	Yield	Estimated Completion
Auburn LGA				
Wentworth Point Apartments - Atlas	41-45 Hill Rd	Wentworth Point	185	2015
John St Mixed Development	11 John St & Mary St	Lidcombe	70	2015
Silver Square	79-87 Beaconsfield St	Silverwater	118	2015
Australia Towers 2	Site 3, Australia Ave	Sydney Olympic Park	588	2015
Skypoint Tower 3	40-44 John St	Lidcombe	58	2015
Park Rd Mixed Development	6-14 Park Rd	Auburn	98	2016
Mark St Units	1-9 Mark St	Lidcombe	85	2016
Wentworth Point Marinas - Regatta	1 Burroway Rd	Wentworth Point	330	2016
Wentworth Point Apartments - Savannah	41-45 Hill Rd	Wentworth Point	281	2016
Wentworth Point Marinas - Zen	1 Burroway Rd	Wentworth Point	461	2016
Aya Eliza	93-105 Auburn Rd & 18 Harrow Rd	Auburn	220	2017
Queen St Mixed Development	61-71 Queen St	Auburn	143	2017
Site 67 Residential Development	100 Bennelong Parkway	Sydney Olympic Park	331	2017
Wentworth Point Apartments - Taiga	41-45 Hill Rd	Wentworth Point	383	2017
Taylor St Units	3-7 Taylor St	Lidcombe	90	2017
Rawson Square	35-37 Rawson St & 4A-6 Dartbrook Rd	Auburn	98	2017
Wentworth Point Marinas - Block E	3 Burroway Rd	Auburn	771	2017
Kerr Parade Apartments	32-40 Kerr Pde	Auburn	157	2017
Station Road Units	22-26 Station Rd	Auburn	79	2017
Mary St Mixed Development	27-29 Mary St	Auburn	74	2018
John St Mixed Development	13-15 & 19-21 John St	Lidcombe	96	2018
Grey St & Silverwater Rd Mixed Development	1-17 Grey St & 32-48 Silverwater Rd	Silverwater	226	2018
Opal Tower	Site 68, Bennelong Pky	Sydney Olympic Park	378	2018
Amy, Smith & Maunder Sts Development Site	116-132 Amy St, 2-4 Smith St, 1-9 Maunder St	Regents Park	153	2018
Wentworth Point - Dock	1 Burroway Rd	Sydney Olympic Park	256	2018
Wentworth Point Marinas - Sirius	1-3 Burroway Rd	Wentworth Point	703	2018
Olympic Dr & Childs St Apartments	5 Olympic Dr & 14, 22-24 Childs St	Lidcombe	77	2018
Northumberland Rd Mixed Development	5-7 Northumberland Rd	Auburn	116	2018
Auburn Soccer Club Mixed Development	12-14 Northumberland Rd	Auburn	81	2018
Queen St Apartments	1A & 1B Queen St	Auburn	850	2019
The Waterfront Precinct Bay Park - McPhee	23 Bennelong Pky	Homebush Bay	581	2020
Hill Rd Residential Development	37-39 Hill Rd	Wentworth Point	1,244	2022
Wentworth Point Urban Activation Precinct	Hill & Burroway Rds	Wentworth Point	2,300	2036
Total			11,681	

Proposed Residential Developments (Over 50 Units)

AUBURN, STRATHFIELD, BURWOOD, CANADA BAY AND ASHFIELD LGAS

TABLE 6.5

Development Name	Address	Suburb	Yield	Estimated Completion
Ashfield LGA				
Hercules St Mixed Development	11-13 Hercules St	Ashfield	52	2016
Victoria St Units	1-7 Victoria St	Ashfield	62	2017
Lumina	270 Liverpool Rd	Ashfield	61	2017
Summer Hill Flour Mill Site	2-32 Smith St	Summer Hill	83	2017
Crown Ashfield	168 Liverpool Rd	Ashfield	100	2017
Markham Av Mixed Development	5 Markham Av & 7-9 Cavill Av	Ashfield	92	2017
Ashfield Mall Redevelopment	244-260A Liverpool Rd	Ashfield	101	2017
Liverpool Rd Units	371-377 Liverpool Rd	Ashfield	50	2019
Total			601	
Burwood LGA				
Deane St Mixed Development	11-15 Deane St & 18-20 George St	Burwood	105	2015
Victoria Tower	36-38 Victoria St	Burwood	77	2015
B1 Square Burwood	27-31 Belmore St	Burwood	210	2015
Burwood Grand	39-47 Belmore St & 6-14 Conder St	Burwood	332	2017
Morwick St Mixed Development	23-31 Morwick St	Strathfield	96	2017
Everton Rd Mixed Development	19-21 Everton Rd	Strathfield	58	2017
Meryla St Units	42-44 Meryla St	Burwood	169	2017
Carilla St Apartments	5 Carilla St	Burwood	58	2017
Burwood Rd & Railway Pde Mixed Development	121-123 Burwood Rd & 38-40 Railway Pde	Burwood	68	2017
Centric	9-13 Parnell St	Strathfield	62	2017
Railway Parade Units	68A & 70 Railway Pde & 2 Oxford St	Burwood	82	2018
Conder St Units	7 Conder St, 2-10 Hornsey St & 2-4 Stanley St	Burwood	90	2018
Railway Pde Mixed Development	6 Railway Pde	Burwood	50	2018
Burwood Rd Mixed Development	2A Burwood Rd	Burwood	50	2018
The Grosvenor	13-17 Grosvenor St & 12-16 Boundary St	Croydon	90	2018
Flower Power Site Residential Development	27 Mitchell St	Croydon Park	239	2021
Total			1,836	

Proposed Residential Developments (Over 50 Units)

AUBURN, STRATHFIELD, BURWOOD, CANADA BAY AND ASHFIELD LGAS

TABLE 6.6

Development Name	Address	Suburb	Yield	Estimated Completion
Canada Bay LGA				
Breakfast Point - Lighthouse Hill	19-21 Tennyson Rd	Breakfast Point	100	2015
Village Quay - Harbour Views	40 Walker St	Rhodes	318	2015
Breakfast Point - 7D4 Seashore Precinct	19-21 Tennyson Rd	Breakfast Point	100	2016
Bosco	186 Great North Rd	Five Dock	152	2017
Breakfast Point - Catalina	19-21 Tennyson Rd	Breakfast Point	70	2017
Breakfast Point - Nantucket	19-21 Tennyson Rd	Breakfast Point	101	2017
Majors Bay Residential Development	14-22 Hilly St & 1 Northcote St	Mortlake	430	2018
Majors Bay - Building 7AB/ 7B	8-12 Hilly St & 5 Northcote St	Mortlake	64	2018
Parramatta Rd & Queens Rd Mixed Development	51-73 Parramatta Rd & 31A-47 Queens Rd	Five Dock	687	2021
Total			2,022	
Strathfield LGA				
Courallie Av Units	69-77 Courallie Av	Homebush West	55	2016
The Lofts	172-176 Parramatta Rd	Homebush	85	2016
Grand Central	6-18 Parramatta Rd	Homebush	430	2016
Parramatta Rd Mixed Development	42-46 Parramatta Rd	Homebush	62	2016
Burlington Rd Mixed Development	29-35 Burlington Rd & 32 The Crescent	Homebush	153	2016
Charlene's Tower	153 Parramatta Rd	Homebush	72	2017
Parramatta Rd Mixed Development	139-145 Parramatta Rd	Homebush	80	2017
Parramatta Rd Mixed Development	208-214 Parramatta Rd & 2 Smallwood Av	Homebush	142	2017
Columbia Ln Mixed Development Site	1 Columbia Ln	Homebush	188	2017
Parramatta Rd Mixed Development	162-170 Parramatta Rd	Homebush	58	2017
Parramatta Rd & Park Rd Mixed Development	135-137 Parramatta Rd & 83-87 Park Rd	Homebush	71	2017
Parramatta Rd & Park Rd Mixed Development	131A-133 Parramatta Rd & 89 Park Rd	Homebush	64	2017
Hajz	23-25 Churchill Av	Strathfield	58	2017
Parramatta Rd & Powell St Mixed Development	17-35 Parramatta Rd & 5 Powell St	Homebush	221	2017
Homebush Apartments	55-67 Parramatta Rd & 14-24 Powell St	Homebush	660	2018
Strathfield Golf Club Residential Development	84 Centenary Dr	Strathfield	100	2018
Kanoona Av Units	1-9 Kanoona Av	Homebush	72	2018
Total			2,571	
TOTAL DEVELOPMENTS IN 5 LGAS			18,711	

Note: Only includes projects over 50 residential units

Source: Cordell Connect; Urbis

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