Davis &
Langdon

Date	3rd September 2015
Project	High Street Penrith Feasibility
Client	Urban Link via JBA Urban Development Services
Attention	Michael Oliver
Subject	Results of Feasibility Comparison

Michael

Further to your request for a comparative analysis of the financial feasibility of the respective schemes I attach the summary output of the model and provide the following comments.

Approach and Rationale

The Residual Land Value method has been used to determine feasibility. This is an approach that determines the value of a given site to a developer by deducting the total cost of development, including the developer's desired profit and risk margin, from the estimated sales income. The remaining value being the price the developer can afford to pay for the site.

If the resulting value demonstrates a premium above the current-use value of the land then redevelopment can be considered feasible because the developer is able to offer existing land owners a higher price for their property than they would otherwise achieve. In this instance the current use value is the sum of $25m we are advised was the acquisition cost of the site by the developer.

Assumptions

We have been instructed by yourself and the client to adopt the following assumptions:

- Sales revenue of $5,000 per m² of net saleable area for the residential component.
- Sales revenue of $5,000 per m² of net lettable area for the residential component.
- Construction costs of $5m to provide proposed open space area.
- Construction costs of $15m to provide internal roads.

Additionally we have made the following assumptions:

- Construction costs of $2,500 per m² of gross floor area.

- A target development margin of 15%.
- Sales and marketing costs at 3.5% of sales.
- Consultant and professional fees at 2.5% of construction costs.
- Statutory fees of $10,000 per residential apartment.
- All costs are entered GST exclusive on basis GST is reclaimed and developer pays GST at 1/11th of net sales income.

Whilst we believe the figures adopted to be reasonable for the purpose required we have not conducted a market study and provide no comment on the accuracy of these assumptions relevant to current market conditions.

Conclusion

Based on the above assumptions the existing controls do not produce a commercially viable outcome. The total cost of delivering the project is $208m against net sales income of $207m.

The proposed controls show a delivery cost of $343m against income of $365m. This produces a residual land value of $22m which is slightly below the stated acquisition cost of $25m. Therefore this option can be considered to be close to commercially viable.

Whilst this is a high level feasibility study and more detailed analysis and modelling would be required to clarify feasibility accurately we believe it is clear the existing controls do not provide a commercially viable outcome.

Thank you for your instructions and please don't hesitate to request further clarification of any aspect. I look forward to providing further input if required.

Sincerely,

Warwick Davis

Davis & Langdon Pty Ltd

High Street Penrith

Financial Feasibility - Summary Output

Project Assumptions		
Development Option	**Existing Controls**	**Proposed Controls**
Site Area	17,253	17,253
FSR	3.00	5.32
GFA - Total	51,759	91,731
GFA - Residential	38,225	78,197
GFA - Commercial	13,534	13,534
NSA - Residential	34,403	70,377
NLA - Commercial	12,827	12,827
No. of Dwellings	496	879
Car Spaces	782	1,387

Revenue Assumptions		
Residential Average $ per m² NSA	$ 5,000	$ 5,000
Total Residential	$ 172,012,500	$ 351,885,000
Commercial Average $ per m² NLA	$ 5,000	$ 5,000
Total Commercial	$ 64,135,000	$ 64,135,000
Gross Revenue	**$ 236,147,500**	**$ 416,020,000**

Selling Expenses and GST		
Sales and Marketing - 3.5%	$ 8,265,163	$ 14,560,700
GST	$ 20,716,576	$ 36,496,300
Net Revenue	**$ 207,165,761**	**$ 364,963,000**

Profit and Risk		
Hurdle Rate - 15%	115	115
Max Permissible Development Cost	$ 180,144,140	$ 317,359,130
Developers Profit and Risk	**$ 27,021,621**	**$ 47,603,870**

Construction		
Open Space	$ 5,000,000	$ 5,000,000
Internal Roads	$ 15,000,000	$ 15,000,000
General Construction - $2,500 per m² GFA	$ 129,397,500	$ 229,327,500
Total Construction	**$ 149,397,500**	**$ 249,327,500**

Soft Costs		
Professional Fees	$ 3,734,938	$ 6,233,188
Statutory Fees	$ 4,960,000	$ 8,790,000
Total Soft Costs	**$ 8,694,938**	**$ 15,023,188**

Finance & Acquisition		
Interest & Financing Costs	$ 21,861,820	$ 29,665,343
Stamp Duty	$ 1,229,900	$ 1,229,900
Total Finance & Acquisition	**$ 23,091,720**	**$ 30,895,243**
Development Costs **(excl Land, Selling & GST)**	**$ 208,205,779**	**$ 342,849,800**
Feasibility		
Residual Land Value to Developer	$ (1,040,017)	$ 22,113,200
Acquisition Price	$ 25,000,000	$ 25,000,000
Uplift in RLV	**$ (26,040,017)**	**$ (2,886,800)**
Uplift in RLV %	**-104.2%**	**-11.5%**

2015.09.01 - Davis & Langdon Pty Ltd