Highest and Best Use Options

77-83 Moore and 165-193 Macquarie Streets, Liverpool

Prepared for Abacus Funds Management Ltd

April 2015

urbis

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PROJECT BACKGROUND

Urbis has been instructed by Abacus Funds Management Ltd (Abacus) to undertake investigations into potential redevelopment options for 77-83 Moore and 165-193 Macquarie Streets, Liverpool. This is to assess the economic case for the proposed development potential on the site as proposed by Abacus including a rezoning to B4 Mixed Use, a building height of not more than 100 metres and an FSR of 2.3:1. Based on Abacus' proposal, these planning controls would support a development incorporating mixed retail, commercial, serviced apartment and residential land uses. This is to be known as the Preferred Option.

An alternative option is to develop a mixed use development on the subject site that incorporates retail, commercial and residential land uses but does not include the serviced apartment element. This is a smaller scheme with an FSR of 2.1:1 and height of 70 metres. This option is to be known as Alternate Option 1.

This assessment includes the outcomes for both the current Preferred Option and the Alternate Option 1.

This assessment is a combination of economic assessment to identify the benefits of the proposal and a feasibility assessment of design options to identify the financial case required to assess the greater level of development on the site.

The development site is located centrally within the Liverpool CBD having a direct frontage to the southern end of the Macquarie Street Mall. Being a corner site, it provides good exposure for retail accommodation, albeit the current improvements fail to capitalise on this as it has historically accommodated an open car park on the intersection of Moore and Macquarie Streets. The site is generally rectangular in configuration with a small semi-circular recess on its western alignment due to a cul-de-sac known as Davis Serviceway that provides rear access to the site.

This assessment also includes what is known as the Liverpool Plaza site, which is located at 165 Macquarie Street, Liverpool. This site is located to the north of the development site and covers an area of approximately 8,850 sq.m. The current improvements on this site include a single storey supermarket based shopping centre.

TESTED CONCEPT OPTIONS

This proposal will create a diverse mixed use development incorporating retail, commercial, serviced apartment and residential uses and will provide a significant uplift in the use of the site and would generate both employment opportunities and an increase in the residential population living within the Liverpool CBD. These uses are likely to provide benefits in terms of enhanced retail provision, improved commercial office accommodation, increased accommodation options for visitors and increased retail expenditure retained within the Liverpool CBD based on an increase of worker, visitor and resident populations.

These schemes (identified on the following page) have been considered to understand the viability of the site. We note that the retail is relatively consistent between all options as this does not vary significantly due to the nature of the ground floor plane.

TABLE E1 – DEVELOPMENT OPTIONS

	PREFERRED OPTION	ALTERNATE OPTION 1	ALTERNATE OPTION 2	ALTERNATE OPTION 3
Floor Space Ratio (FSR)	2.3:1	2.1:1	1.5:1	1.8:1
Height	100 metres	70 metres	35 metres	53 metres
Levels	29	20	10	15
Retail (sq.m)	894	599	624	612
Commercial (sq.m)	2,182	1,235	711	973
Residential(Units)	134	128	54	92
1 Bed	62	38	15	27
2 Bed	68	84	36	60
3 Bed	4	6	3	5
Serviced Apartments	72	-	-	-
Parking	207	128	96	112

RESIDENTIAL MARKET CONSIDERATIONS

An assessment of the residential market has been conducted to help consider the overall market for apartment development in Liverpool. There has been a growth in the markets perception of Liverpool as a viable apartment market location given the relative affordability of the area, access to amenities such as retail, hospital and rail transport.

The assessment of the residential market, and underlying supply of demand for housing compared to what is being delivered by the market, concludes that:

- Liverpool is becoming a more attractive residential location for both local residents and overseas migrants
- There is strong underlying demand for infill residential development, compatible with the demographic profile of market catchment residents, and evidenced by strong capital and rental growth, strong sales rates for competing developments and ongoing population growth
- Based on an analysis of income, housing prices and mortgage rates, the median unit price in the market catchment is close to the affordability threshold for First Home Buyers on average incomes, indicating the need to maintain additional housing supply to maintain relative affordability levels
- There is market demand to support the absorption of the 134 residential units proposed on the subject site. The proposal will also contribute to moderating house prices in Liverpool LGA by increasing supply and assisting to meet the housing needs of the growing population
- The inclusion of a central residential building will also maximise the amenity available to residents and therefore will also improve the overall quality of apartment stock within the CBD helping to contribute to the redevelopment and evolution of Liverpool as an attractive mixed use centre.
- The introduction of the serviced apartments will significantly improve access to Liverpool by visitors that will help to promote local tourism, support local business by providing accommodation associated

with business travel and will also provide additional accommodation options for families of patients within Liverpool Hospital.

COMMERCIAL OFFICE MARKET CONSIDERATIONS

Evidence within the Liverpool CBD commercial office leasing market supports the development of modest office accommodation for local business tenancies. The majority of high quality larger space is taken up by government tenants. In particular:

- There is limited supply in A grade office space, where typically a high proportion is occupied by government tenants such as the Department of Housing and Centrelink.
- The market provides one of the most affordable commercial opportunities in Sydney in terms of rent and capital values.
- Net face rents for A-grade standard accommodation range from $260 to $320 per sq.m. Premises are typically leased in 5 year terms in conjunction with 3 or 5 year options. Rental incentives suggests an average for A grade space of 27.5%, with lessors showing flexibility in providing either rent free periods or fitout contributions
- The majority of premises recently leased are typically tenanted by local businesses and offer less than 500sq.m in size and limited parking provisions. This reflects the modest content of larger stock available.
- Developers have neglected the commercial office space to instead focus on industrial development in the Liverpool LGA. The growth of local industrial markets is a particular focus of the South West Sub Regional Strategy
- The recently completed building located at 269-273 Bigge Street Liverpool reflects a one-off development of high grade office space within the region. The building comprises an office space of approximately 4,000sq.m
- Liverpool LGA has recorded significant population growth over the past 10 years, yet supports a very low proportion of professional and managerial workers. Only modest new additions in localised office accommodation have been noted over the past 10 years.
- Liverpool is generally seen as a lesser desirable commercial location due to the quality of stock and location. This is reflected by minimal capital growth, which is expected to continue.

Taking into consideration the above, there is limited scope to support additional large scale office accommodation in the short term in the absence of a major tenant relocating into Liverpool (e.g. a large government department). However, there is evidence to support the provision of secondary office space for smaller local businesses, which is consistent with the proposed office component within the Abacus proposal.

FEASIBILITY ANALYSIS

The financial and practical viability of the four design options have been assessed using EstateMaster Development Feasibility software. Typically a viable development should achieve a development return of at least 18% - 20% to satisfy both the developer and the banks requirements.

- **Preferred Option:** Based on our preliminary feasibility analysis this option achieves the highest net development profit in the order of $15.1 million. This reflects a development margin of 18.75% and a residual land value of $7.6 million. The feasibility of this option is driven by the increased floorspace for residential, commercial and retail uses and the addition of a serviced apartment component.
- **Alternate Option 1**: Based on our preliminary feasibility analysis this option achieves a considerable net development profit in the order of $9.1 million. This reflects a development margin of 17.2% and a residual land value of $6.3 million. The main value driver of this option is the residential gross sales revenue of $27.7 million. This option also has a significant commercial component.

- **Alternate Option 2**: Based on our preliminary feasibility analysis this option achieves a development loss in the order of $1.2million, and reflects a development margin of -4.05%. At a lower scale than the other three options it has a higher cost per square metre due to the fixed costs associated with development. Option 2 has less than half of Option 1's residential yield, which impacts its gross realisation and ultimately its financial viability.

- **Alternate Option 3**: Based on our preliminary feasibility analysis this option achieves a net development profit in the order of $3.3 million, and a development margin of 7.82%. While this option achieves a positive development profit, the development margin is unlikely to be sufficient to attract investment / debt financing to be a viable option.

ECONOMIC IMPACT ANALYSIS

The economic impact of different development options is outlined in Table E2. It illustrates that the Preferred Option has the highest economic benefit to the community, delivering the highest number of ongoing employment, construction jobs and retail spend.

It illustrates that in addition to the Preferred Option being most financially feasible option; it is expected to result in the strongest economic outcome for the Liverpool Centre. In addition as outlined in the Environment Impact Statement (EIS) for the Preferred Option this development option is unlikely to result in any negative impacts on the Centre (e.g. traffic or overshadowing), is well located at the end of Liverpool Mall and is in close proximity to the train station. As such Urbis considers the Preferred Option as the optimal use of the subject site.

TABLE E2 – ECONOMIC IMPACT SCORECARD SUMMARY

FACTOR	PREFERRED OPTION	ALTERNATE OPTION 1	ALTERNATE OPTION 2	ALTERNATE OPTION 3
Construction Phase Employment	324	168	76	123
Operational Phase Employment	381	150	117	134
Retail Spend ($ Million)	$4.70	$2.82	$1.21	$2.04
Economic Impact – Rank	**1**	**2**	**4**	**3**

Source: Urbis

Introduction

Urbis has been instructed by Abacus Funds Management Ltd (Abacus) to undertake investigations into potential redevelopment options for 77-83 Moore and 165-193 Macquarie Streets, Liverpool. This is to assess the economic case for the proposed development potential on the site as proposed by Abacus including a rezoning to B4 Mixed Use and a building height of no more than 100 metres. Based on Abacus' proposal, these planning controls would support a development incorporating mixed retail, commercial, serviced apartments and residential land uses.

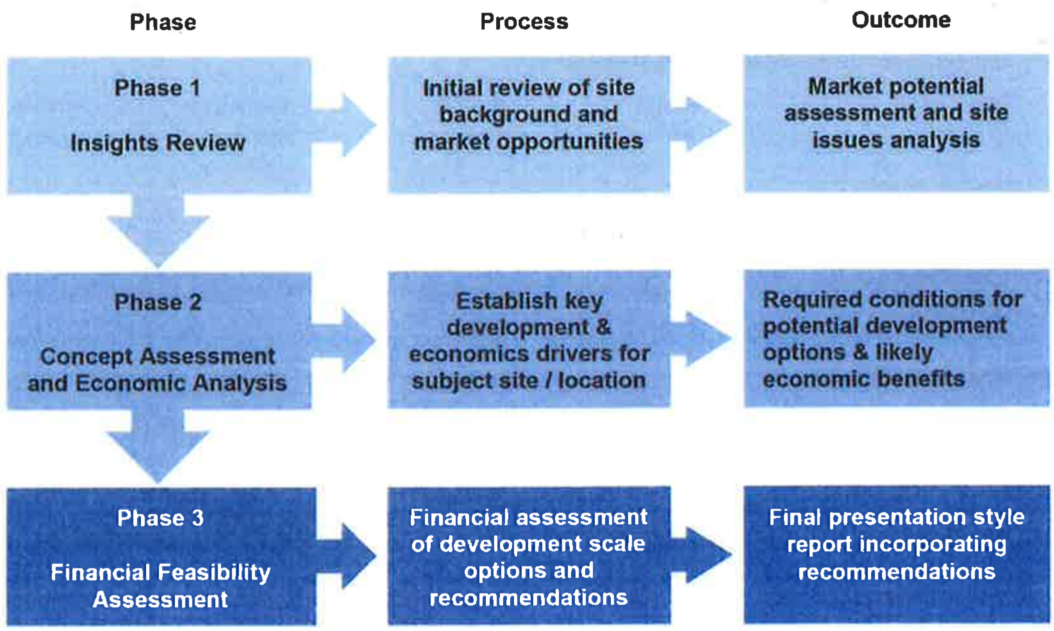
To undertake this assessment our methodology will be best served by a three phase process. The scope of work included in the study is now outlined below and has been established to take account of the project requirements.

Phase 1 – Insights Review

Phase 2 – Concept Assessment and Economic Analysis

Phase 3 – Financial Assessment

We have outlined our proposal to align with these key stages and summarised the key phases in the chart below.



The key deliverables will include the following:

- Phase 1 – an assessment of the key market and site conditions to inform discussion on the options that will be assessed further in Phase 2 and 3.
- Phase 2 – a more detailed review of the key development drivers specific to the subject site including a review of the current design work prepared for the planning proposal, key development metrics and likely economic benefits for a range of development scales for the site.
- Phase 3 – a final report outlining our methodology, key research, findings and recommendations on the viability of development on the site.

1 Study Background

The site is currently developed for commercial purposes with associated at-grade bitumen parking at the corner of Moore and Macquarie Streets. Vehicle access is via the Moore Street boundary and rear laneway access. There is currently no landscaping on site.

1.1 SUBJECT SITE

The development site is located centrally within the Liverpool CBD having a direct frontage to the southern end of the Macquarie Street Mall. Being a corner site, it provides good exposure for retail accommodation, albeit the current improvements fail to capitalise on this as it has historically accommodated an open car park on the intersection of Moore and Macquarie Streets. The site is generally rectangular in configuration with a small semi-circular recess on its western alignment due to a cul-de-sac known as Davis Serviceway that provides rear access to the site.

This assessment also includes what is known as the Liverpool Plaza site, which is located at 165 Macquarie Street, Liverpool. This site is located to the north of the development site and covers an area of approximately 8,850 sq.m. The current improvements on this site include a single storey supermarket based shopping centre.

These two sites are highlighted in Figure 1 below.

FIGURE 1 – SUBJECT SITE

The three lots which make up the total site are both owned by the applicant. Legal description and details of the lots are provided in Figure 2 and described in Table 1.1.

FIGURE 2 – SITE CADASTRAL AND LOTS

TABLE 1.1 – DESCRIPTION OF LOTS FORMING THE SUBJECT SITE

ADDRESS	LEGAL DESCRIPTION	AREA	EXISTING DEVELOPMENT
THE DEVELOPMENT SITE			
193 Macquarie Street, Liverpool	Lot 1, DP 547162	1,354m²	2 storey building containing discount store. Bitumen car park.
77-83 Moore Street, Liverpool	Lot 1, DP628824	577m² (approx.)	2 storey attached brick commercial building
	Subtotal	**1,931 sq.m**	
LIVERPOOL PLAZA SITE			
165 Macquarie Street, Liverpool	Lot 1 DP1189772	8,850 sq.m	Single storey supermarket based shopping centre
	TOTAL	**10,781 sq.m**	

Being centrally located within the CBD It is in close proximity a number of key facilities and amenities including:

- Macquarie Mall
- Westfield Liverpool
- Bigge Park

- All Saints College (Primary and High School)
- Liverpool Council Libraries
- Liverpool Hospital
- TAFE NSW (on Moore Street)
- Liverpool Public School
- Liverpool Plaza
- Liverpool Station.

The land use surrounding the site is fairly fragmented however, including older style low density commercial buildings and strip retail buildings.

As shown below in Map 1.1, the building on the site, while structurally sound, is a detracting element of the Macquarie Street mall as a whole, and represents a lost opportunity for corner site activation. In contrast to Council's vision for the Macquarie Street Mall and Liverpool Town Centre more broadly, this site has suffered from underinvestment in quality new development.

The sites position at the southern end of the Macquarie Street Mall and the nature of surrounding development means that the site is well placed to accommodate high rise style development. This position means that the building will have limited overshadowing impacts on the Macquarie Street Mall (only late afternoon) and would have minimal impact on surrounding residential development. We have reviewed the Environmental Impact Assessment prepared for the subject site that has confirmed the appropriateness of the site through an assessment of environmental factors.

SUBJECT SITE AND LIVERPOOL CENTRE

MAP 1 1

FIGURE 9 – IMAGES OF THE SITE

PICTURE 1 – VIEW OF BUILDING ON SITE FROM MACQUARIE STREET MALL

PICTURE 2 – VIEW OF CARPARK ON SITE FROM MOORE STREET

PICTURE 3 – MACQUARIE STREET FRONTAGE LOOKING SOUTH

PICTURE 4 – VIEW OF SITE FROM MACQUARIE STREET MALL AT MOORE STREET JUNCTION

PICTURE 5 – BUILDING ON SITE ADJOINING LIVERPOOL PLAZA

PICTURE 6 – VIEW OF SITE FROM 'THE CORNER PUB' DIAGONALLY OPPOSITE THE SITE

Development along the Macquarie Street mall and on the blocks east and west on Moore Street is consistently 2 storeys in height. Being a lively town centre, the land uses are a mix of retail, commercial, and hospitality (see Figure 3).

FIGURE 3 - SURROUNDING LAND USES

PICTURE 7 – HOSPITALITY USE ALONG MACQUARIE STREET

PICTURE 8 – MIXED USES ON MACQUARIE STREET

PICTURE 9 – RETAIL PREMISES ON MOORE STREET

PICTURE 10 – RETAIL PREMISES ON MOORE STREET

PICTURE 11 – JOHN EDMONDSON V C MEMORIAL CLUB (CLUB LIVERPOOL)

PICTURE 12 – FOOTWAY DINING CAFÉ ON MACQUARIE STREET MALL

No vacant premises in the vicinity of the site were seen during visits to the area.

1.2 PROPOSED DEVELOPMENT OPTIONS

This planning proposal supports a development of the site incorporating mixed retail, commercial, serviced apartments and residential land uses. This proposal will provide a significant uplift in the use of the site and would generate both employment opportunities and an increase in the residential population living within the Liverpool CBD. These uses are likely to provide benefits in terms of enhanced retail provision, improved commercial office accommodation, improved accessed to accommodation for visitors and increased retail expenditure retained within the Liverpool CBD based on an increase of worker and resident populations.

An alternate scheme is to develop a mixed use development on the subject site that also incorporates retail, commercial and residential land uses however does not include the serviced apartment element. This is a smaller scheme with an FSR of 2.1:1 and height of 70 metres. This is option is to be known as Alternate Option 1.

This assessment includes the outcomes for both the current Preferred Option and the Alternate Option 1.

The development schemes outlined below are comprised of the current Preferred Option as proposed by Abacus, Option 1 and Option 2. The fourth option is a scheme that constitutes a mid-point between the Options 1 and 2 to help assess the relative level of difference between the schemes and to provide guidance as to the potential for a smaller scale scheme to prove viable for the site. We note that the retail is relatively consistent between all options as this does not vary significantly due to the nature of the ground floor plane. The Preferred Option does increase the amount of commercial and retail floorspace as it places more car parking within the basements.

This study will consider the market conditions for the different land uses considered – Residential, Retail and Commercial, and the scale that is supported by the market within Liverpool LGA. This analysis will feed into the Feasibility Assessment in Section 5 and Economic Impact Analysis in Section 6 to identify the most feasible option that delivers the highest economic outcome to the Liverpool LGA.

TABLE 1.2 – DEVELOPMENT OPTIONS

	PREFERRED OPTION	ALTERNATE OPTION 1	ALTERNATE OPTION 2	ALTERNATE OPTION 3
Floor Space Ratio (FSR)	2.3:1	2.1:1	1.5:1	1.8:1
Height	100 metres	70 metres	35 metres	53 metres
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Serviced Apartments	72	-	-	-
Parking	207	128	96	112

Source: Urbis

2 Residential Analysis

An assessment of the residential market has been conducted to help consider the overall market for apartment development in Liverpool. There has been a growth in the markets perception of Liverpool as a viable apartment market location given the relative affordability of the area, access to amenities such as retail, hospital and rail transport.

This analysis will consider:

- The geographic market that the redevelopment will draw on
- The profile and demographics of this geographical market and implications for housing demand
- Future population growth which will impact on underlying demand for housing
- The market catchment's housing market compared to the broader Sydney GMR
- Historic development patterns and where the majority of infill development occurs
- The affordability of existing developments and the average unit price to different market segments
- Future supply and demand of housing in the market catchment.

The assessment of the residential market, and underlying supply of demand for housing compared to what is being delivered by the market, concludes that:

- Liverpool is becoming a more attractive residential location for both local residents and overseas migrants
- There is strong underlying demand for infill residential development, compatible with the demographic profile of market catchment residents, and evidenced by strong capital and rental growth, strong sales rates for competing developments and ongoing population growth
- Based on an analysis of income, housing prices and mortgage rates, the median unit price in the market catchment is close to the affordability threshold for First Home Buyers on average incomes, indicating the need to maintain additional housing supply to maintain relative affordability levels
- There is market demand to support the absorption of the 134 residential units proposed on the subject site. The proposal will also contribute to moderating house prices in Liverpool LGA by increasing supply and assisting to meet the housing needs of the growing population
- The inclusion of a central residential building will also maximise the amenity available to residents and therefore will also improve the overall quality of apartment stock within the CBD helping to contribute to the redevelopment and evolution of Liverpool as an attractive mixed use centre.

2.1 RESIDENTIAL 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.	▪ The subject site is located in the Liverpool CBD, providing excellent access to a diverse range of amenities. Amenities located within 300m of the site include Westfield Liverpool, with the property having direct frontage to the Macquarie Mall. ▪ The Liverpool Hospital is located 600m from the subject site. Liverpool All Saints Catholic College School is located opposite the site, while Liverpool Public School and a TAFE is a 400m walk from the site.
2. Access to employment	Residents can often prefer to live close to work, enabling them to minimise travel times and improve work life balance.	▪ The Liverpool Hospital, Macquarie Mall, Westfield Liverpool and TAFE and schools provide a diverse range of employment opportunities in the health, retail and education sectors.
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.	▪ Liverpool Train Station is within a 550m walk from the subject site. The train station has access to six rail lines, providing convenience for people travelling in and out of Liverpool. ▪ Buses also service the Liverpool CBD, including the Metrolink, Transitfirst and Westbus. The T-way also connects Liverpool to Parramatta.
4. Population growth	Population growth is a key indicator of demand for apartments.	▪ Population growth is forecasted to grow steadily beyond 2013, with an average annual growth of 1.7% between 2013 and 2016 and 1.8% from 2016-2021. ▪ This will continue to drive demand for dwellings in the market catchment, particularly in locations situated close to amenities, transport, and infrastructure and employment hubs.

FACTORS	COMMENTS	IMPLICATIONS FOR THE SUBJECT SITE
5. Competing supply	Competing residential developments provide an indication of market preferences in terms of price points, size, mix and scale of development. The amount of competing supply, quality and location of other apartment developments in the area can influence demand on the subject site.	▪ There are a number of other developments, particularly near the Liverpool CBD ▪ However, the forecasted population growth in the Market Catchment will likely see the demand for new housing exceeding the housing supply.

2.2 MARKET CATCHMENT ANALYSIS

The market catchment for a new residential development is essentially the main geographical area from which new residents/potential purchasers are likely to come from.

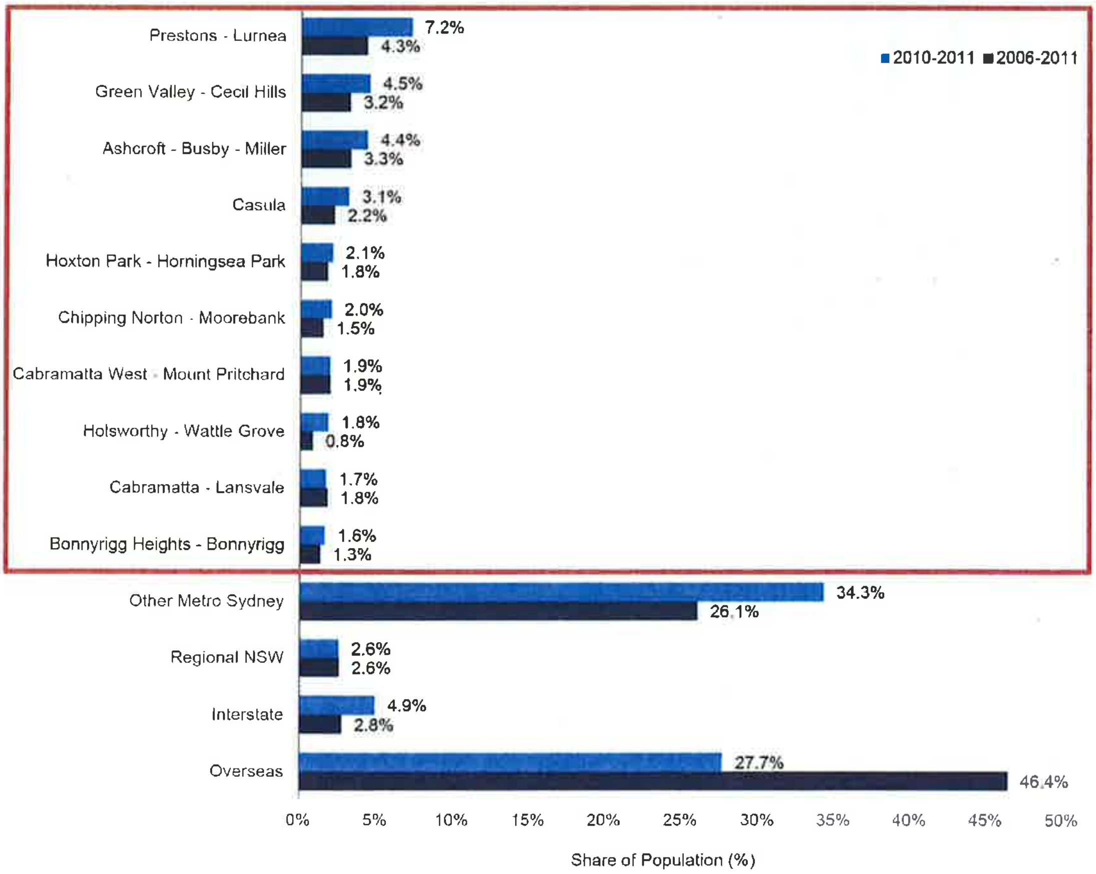
As the subject site is located in the Liverpool – Warwick Farm Statistical Area Level 2 (SA2), historic patterns of migration into the LGA have been used to determine the proposed development's market catchment.

Chart 2.1 below illustrates the change in migration patterns into the Liverpool – Warwick Farm SA2, illustrating that:

- Recent migration patterns (2010-11) are skewed towards a local catchment, rather than an overseas market, which comprised a higher proportion of migration between 2006-11
- While overseas migration is likely to continue to comprise a proportion of the market for residential developments, the growing local market is evidenced in historic migration patterns
- The identified local catchment area is focused on the surrounding SA2s highlighted by the yellow box on Chart 2.1

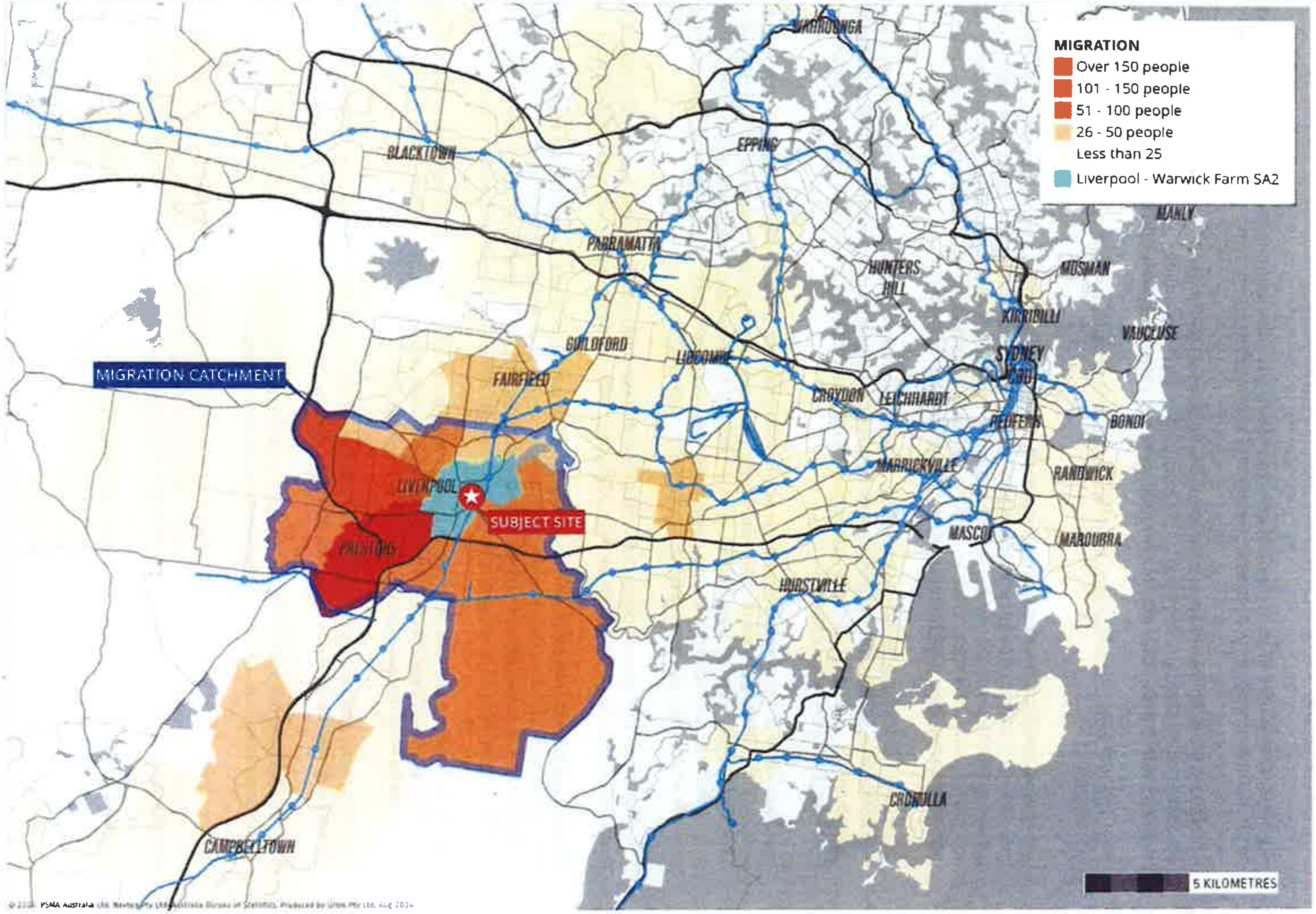
Migration into catchment area

1 YEAR AND 5 YEARS AGO CHART 2.1



Source ABS Census 2011 ; Urbis

MAP 2 1


MIGRATION
Over 150 people
101 - 150 people
51 - 100 people
26 - 50 people
Less than 25
Liverpool - Warwick Farm SA2
MIGRATION CATCHMENT
SUBJECT SITE
BLACKTOWN
EPPING
PARRAMATTA
HUNTERS HILL
MOSMAN
MANLY
KIRRIBILLI
VAUCLUSE
SYDNEY CBD
GUILDFORD
LIDCOMBE
FAIRFIELD
CROYDON
LEICHHARDT
REDFERN
BONDI
MARRICKVILLE
RANDWICK
LIVERPOOL
PRESTONS
MASCOT
MAROUBRA
HURSTVILLE
CRONULLA
CAMPBELLTOWN
5 KILOMETRES

2.3 DEMOGRAPHIC ANALYSIS

The demographics of an area can indicate the market profile of potential purchasers.

A comparative profile of demographic characteristics has been undertaken to identify specific residential property buyers segments and needs within the market catchment.

Comparing the identified market catchment (consisting of the ten SA2s mentioned earlier) and the broader Sydney Greater Metropolitan Region (GMR) provides an indication of the type of market that is available within the market catchment relative to the broader Sydney GMR.

Age: Chart 2.2 shows that overall the market catchment has a younger population than the Sydney GMR benchmark.

The market catchment has a higher proportion of residents aged 0-13 years and 14-24 years, making up 21% and 16% of the population respectively. The market catchment also has a significantly lower proportion of residents aged 60+ years, representing just 14% of the population compared to 18% in this age group across the wider Sydney region. This suggests a lower proportion of retirees within the market catchment area, with a higher proportion of families and children.

Chart 2.3 reflects the age distribution of the market catchment, which has consistently had a lower average age than the Sydney Benchmark, despite trending upwards across the 2001, 2006 and 2011 Census years. The average age for the market catchment in 2011 was 34.2 years, compared to 37.1 years for the Sydney benchmark.

Income: Table 2.1 illustrates that the market catchment has a lower average household income than the Sydney GMR, with the market catchment having an average household income of $78,024 which is 17.4% below the Sydney benchmark. This highlights the need for a relatively affordable dwelling product such as apartments within the catchment area, and the importance of developing residential supply to accommodate the market catchment's growing population.

The lower average income observed in the market catchment area is driven by its lower proportion of households (16.2%) earning above $130,000, than across the broader Sydney GMR (26.4%).

Household Composition: The household structure profile in Chart 2.4 illustrates that the market catchment has a significantly higher proportion of family households (82%) than the broader Sydney GMR (72%). Furthermore, the market catchment has a lower proportion of lone person households, making up just 16% of households compared to 23% for the Sydney benchmark.

Family Composition: The majority of family households within the market catchment are couple families with dependent children (aged less than 15 years) making up 36% of families. This is followed by couples with no children, making up 23% of families.

This composition is generally in line with the broader Sydney GMR, highlighting the need for a dwelling product catering to both couples and younger families.

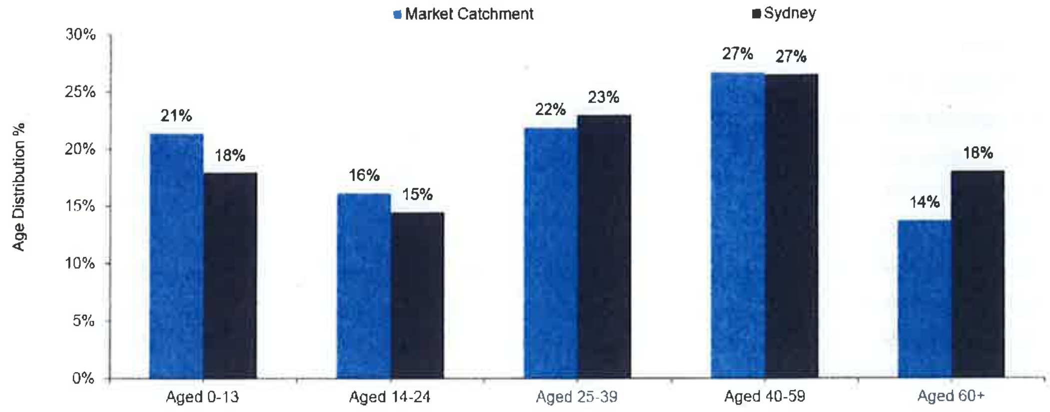
Housing Structure: Reflecting the underlying need for larger dwellings by family households, separate houses make up 73% of all dwellings in the market catchment.

Furthermore, the market catchment has a significantly lower proportion of apartments than the broader Sydney GMR, making up 14% of households compared to 26% across Sydney. Of the existing apartments within the market catchment, the majority are located around train stations and town centres.

Employment: Employment participation amongst residents in the market catchment is lower than the broader Sydney GMR, along with a higher unemployment rate (8%) than the Sydney GMR (6%). Of those working within the catchment area, 40% are in blue collar industries compared to just 26% across Sydney. The mix of blue and white collar residents means that journey to work patterns are spread across both CBD (Liverpool, Sydney and Parramatta) and industrial precincts (such as Wetherill Park).

Age Distribution

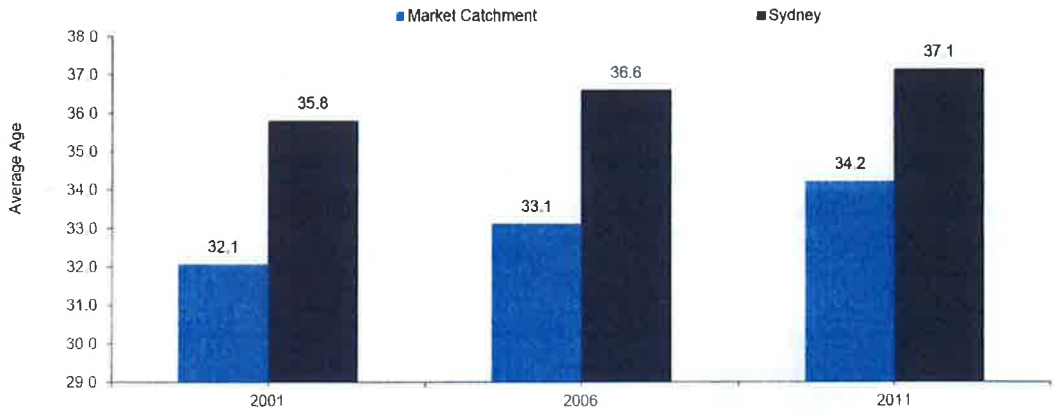
CATCHMENT AREA AND SYDNEY AVERAGE CHART2.2



Source : Urbis; ABS Census 2011

Average Age

CATCHMENT AREA AND SYDNEY AVERAGE CHART 2.3



Source : Urbis; ABS Census 2011

Income Distribution

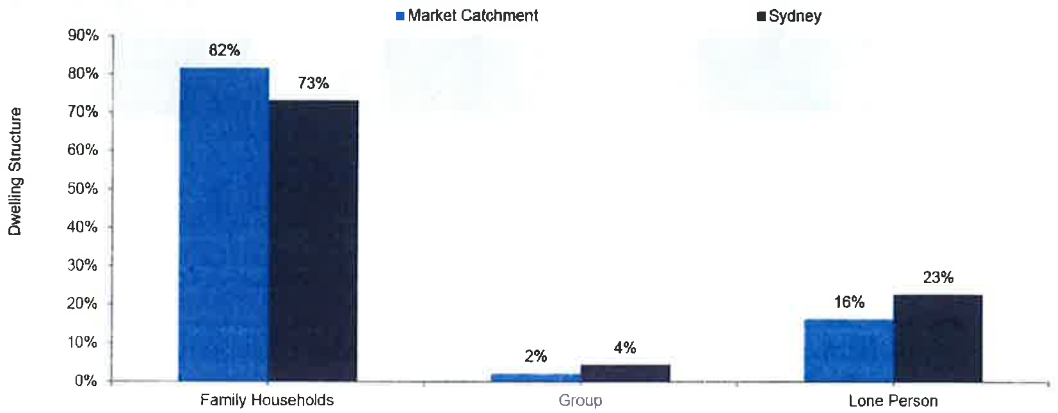
CATCHMENT AREA AND SYDNEY AVERAGE — TABLE 2.1

	Market Catchment	Sydney
$Neg/Nil	1%	2%
$1-$10,400	2%	2%
$10,400-$15,600	4%	3%
$15,600-$20,800	6%	6%
$20,800-$31,200	10%	8%
$31,200-$41,600	10%	8%
$41,600-$52,000	8%	8%
$52,000-$65,000	10%	8%
$65,000-$78,000	9%	8%
$78,000-$104,000	13%	13%
$104,000-$130,000	10%	9%
$130,000-$156,000	7%	11%
$156,000-$182,000	4%	6%
$182,000-$208,000	2%	3%
$208,000 plus	3%	6%
Average Household Income	**$78,024**	**$94,428**
Household Income Variation	**-17.4%**	

Source : Urbis; ABS Census 2011

Household Structure

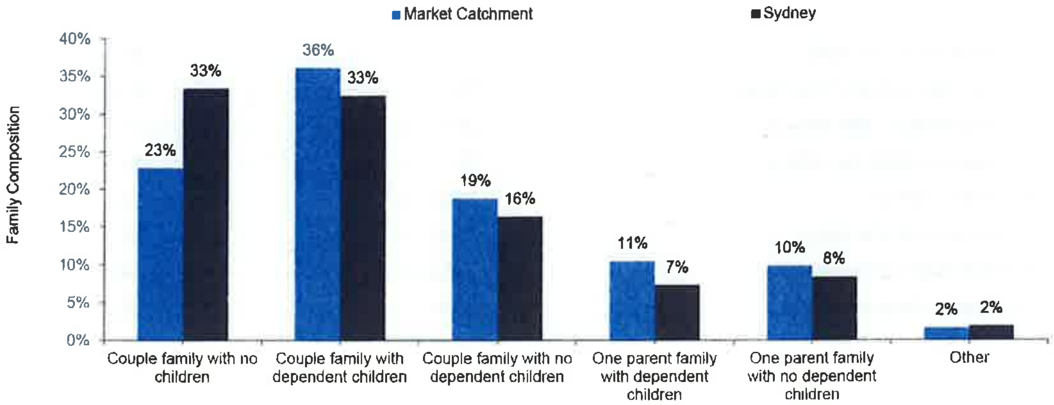
CATCHMENT AREA AND SYDNEY AVERAGE — CHART 2.4



Source Urbis; ABS Census 2011

Family Composition

CATCHMENT AREA AND SYDNEY AVERAGE CHART 2.5



Source : Urbis; ABS Census 2011

Dwelling Structure

CATCHMENT AREA AND SYDNEY AVERAGE TABLE 2.2

	Market Catchment	Sydney
Separate House (%)	73%	61%
Semi-detached (%)	13%	13%
Flat, Unit or apartment (%)	14%	26%
Other dwelling (%)	0.1%	0.5%

Source : Urbis; ABS Census 2011

Employment

CATCHMENT AREA AND SYDNEY AVERAGE TABLE 2.3

	Market Catchment	Sydney
Employment Rate (%)	37%	43%
Labour Force Participation (%)	60%	66%
Unemployment Rate (%)	8%	6%
White Collar	60%	74%
Blue Collar	40%	26%

Source : Urbis; ABS Census 2011

Journey to Work

MARKET CATCHMENT RESIDENTS — TABLE 2.4

Statistical Area 2 (SA2)	Market Catchment	%
Liverpool - Warwick Farm	7929	9%
Sydney - Haymarket - The Rocks	5383	6%
Chipping Norton - Moorebank	3898	4%
No fixed work address (GMA)	3817	4%
Prestons - Lurnea	3253	4%
Holsworthy - Wattle Grove	2943	3%
Wetherill Park Industrial	2903	3%
Parramatta - Rosehill	2506	3%
Cabramatta - Lansvale	2491	3%
Bankstown	1785	2%
Balance	51,138	58%
Total	**88,046**	**100%**

Source : BTS JTW 2011 ; Urbis

2.4 POPULATION GROWTH

Population growth provides an indication of the underlying demand for housing in a particular area.

The NSW Department of Planning and Environment (DP&E) 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.

Population Growth

CATCHMENT AREA AND SYDNEY AVERAGE — TABLE 2.5

	Historic Estimated Residential Population (ERP)			Population Forecasts			
	2006	**2011**	**2013**	**2016**	**2021**	**2026**	**2031**
Market Catchment	213,342	232,789	240,812	253,951	278,564	305,383	327,901
	2001-06	**2006-11**	**2011-13**	**2013-16**	**2016-21**	**2021-26**	**2026-31**
Additional Residents	10,901	19,447	8,023	13,139	24,613	26,819	22,518
Average Annual Change (no)	2,180	3,889	4,012	4,380	4,923	5,364	4,504
Average Annual Change (%)	1.1%	1.8%	1.7%	1.8%	1.9%	1.9%	1.4%
	2006	**2011**	**2013**	**2016**	**2021**	**2026**	**2031**
Sydney Average	4,256,161	4,608,949	4,757,083	4,995,750	5,418,950	5,838,750	6,248,750
	2001-06	**2006-11**	**2011-13**	**2013-16**	**2016-21**	**2021-26**	**2026-31**
Additional Residents	153,581	352,788	148,134	238,667	423,200	419,800	410,000
Average Annual Change (no)	30,716	70,558	74,067	79,556	84,640	83,960	82,000
Average Annual Change (%)	0.7%	1.6%	1.6%	1.6%	1.6%	1.5%	1.4%

Source : ABS Census 2011 ; DP&I 2014 NSW Population Projections , Urbis

The key findings from the historical and forecast population growth include:

- In the period between 2001 and 2011, the population within the catchment area grew by approximately 30,348, or 15% over the ten years

- This exceeded the growth rate seen across the broader Sydney GMR population, which grew by 12.3% over this period at an average annual population growth of 1.2%
- The population of the catchment area is forecast to exceed 320,000 residents by 2031, which would see the 2011 population grow by over 95,000 residents or 41% over 20 years
- Annual population growth that is expected to fluctuate between 1.4% and 1.9% between 2011 and 2031, exceeding what was achieved between 2001 and 2011.

2.5 DWELLING SUPPLY

The following section considers the existing supply of residential dwellings within the market catchment area, including the performance of the housing market, its affordability relative to catchment incomes and competing residential projects.

The future supply of residential dwellings has also been considered compared with the forecast demand for residential housing.

2.5.1 HOUSING MARKET TRENDS

This section will provide an indication of the performance of housing market within the market catchment, reviewing median unit prices, capital growth, transaction volumes and demand for rental accommodation. From this analysis, the following points were observed:

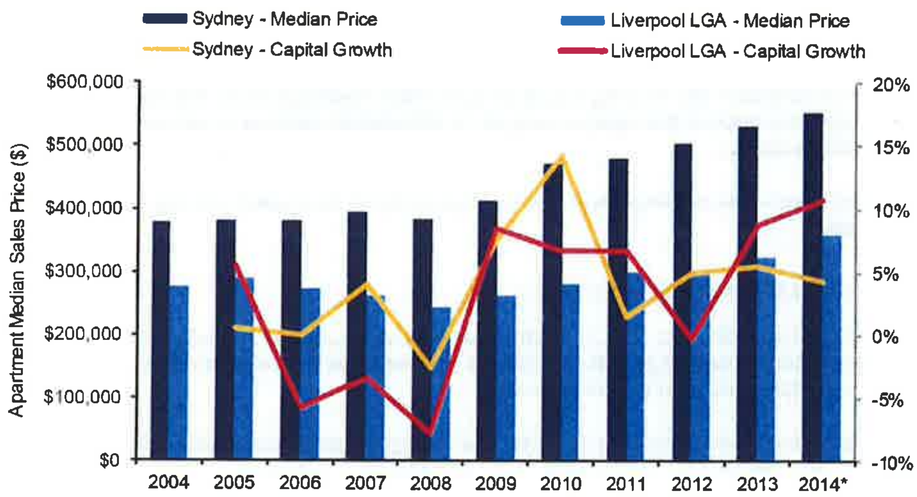
- Since 2004 the Sydney unit market has experienced stronger capital growth than the Liverpool LGA, which grew by 3.9% per annum compared to 2.7% per annum in Liverpool.
- More recently however the Liverpool LGA has seen capital growth above the broader Sydney GMR. Since 2010 the Liverpool LGA has seen capital growth of 5.7% per annum compared to 3.6% across the Sydney GMR, pointing to growing demand for apartments within Liverpool whilst also coming from a lower base.
- The number of unit transactions in the market catchment has fluctuated significantly between 2004 and 2014, with annual unit transactions ranging from 601 transactions in 2006 to 1,008 transactions in 2009.
- The sales transaction observed in 2009 illustrate a strong recovery after the GFC, transacting 32% above the average for 2004 to 2014.
- Sales transactions in 2013 were also strong relative to the 10 year average with 876 units sold, 14% above average.
- The market catchment is located in the outer ring market measured by the REINSW for rental vacancy, with vacancy rates of 1.4% in September 2014:
  - The outer ring vacancy is slightly above its long-run rate of 1.5% (since January 2007)
  - However vacancy under 2.5% has traditionally been taken to indicate a 'supply constrained' market, usually leading to increasing rental rates over time
  - A vacancy of 1.4% suggests that the Liverpool rental market does not currently have a lot of capacity to accommodate a dramatic increase in residential tenant demand
  - The risk associated with a tight rental market is ongoing rental rate appreciation, negatively impacting the affordability of rental stock over time as the rental rate is bid up by strong competition for rental housing
  - The impact of a tight rental market disproportionately impacts lower income groups, who do not have the income to enter the housing market as purchasers. In addition to this, higher rental rates impact their ability to enter the market in the future, and their capacity to save a deposit.

- The low rental vacancy rates witnessed in Sydney's outer ring have influenced the steady rental growth in Liverpool LGA. The Liverpool rental rate for units has grown faster over the last 10 years than the Sydney average.

Apartment Price and Transactions

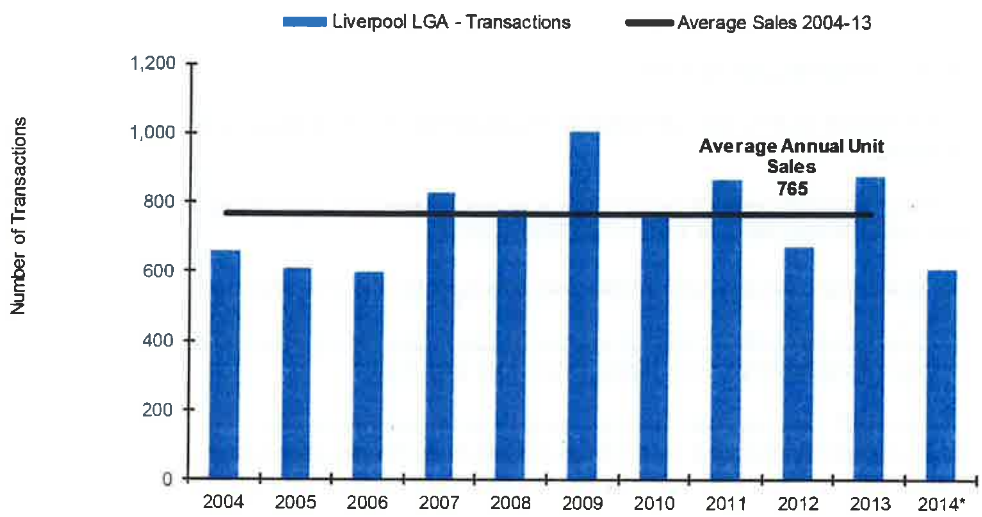
LIVERPOOL LGA AND SYDNEY

CHART 2.6



LIVERPOOL LGA AND SYDNEY

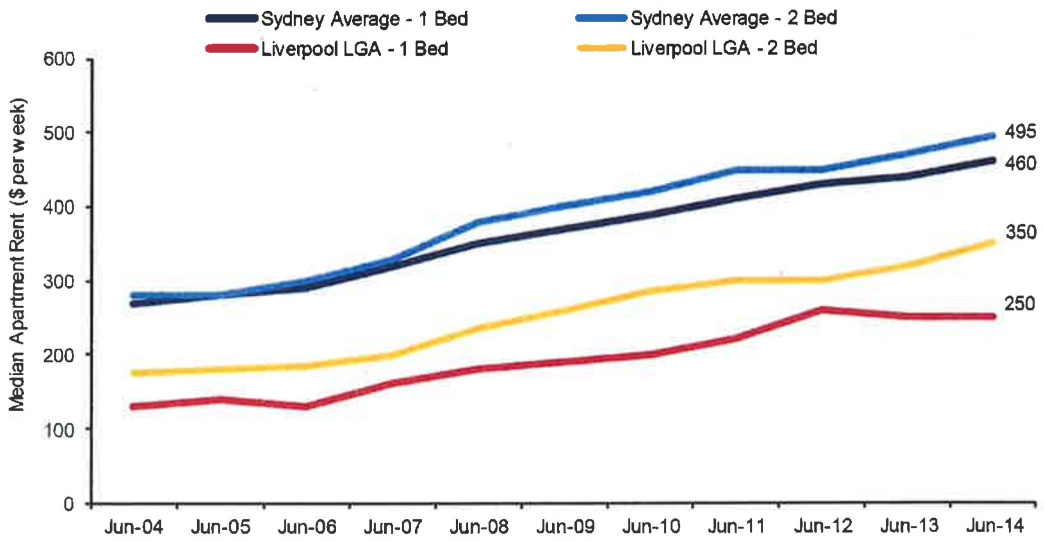
CHART 2.7



Median Rents

1 BED AND 2 BEDS

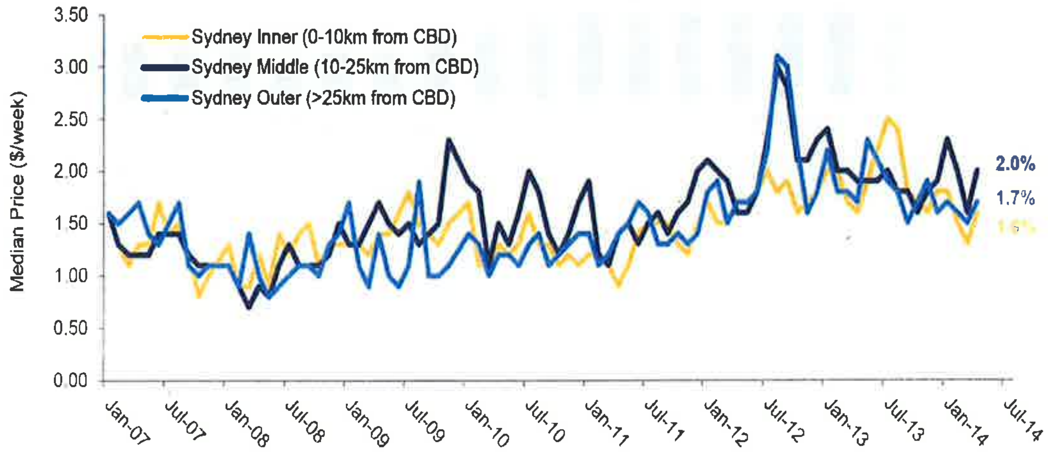
CHART 2.8



Rental Vacancy

INNER, MIDDLE AND OUTER SYDNEY

CHART 2.9



Source : Urbis; REINSW 2014

2.5.2 HISTORIC DWELLING APPROVALS

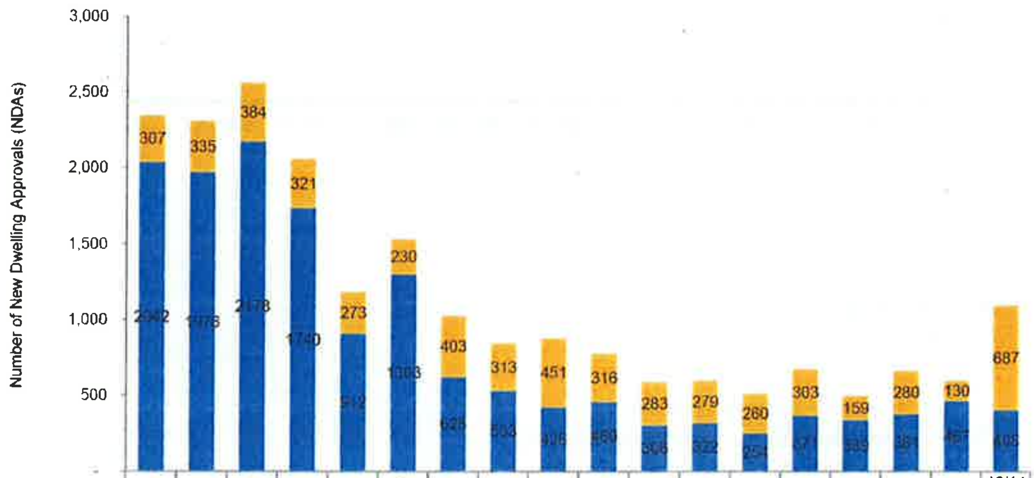
The historic new dwelling approvals (NDAs) data for both the market catchment and the Liverpool LGA reflect the urban character and locational attributes of the two areas.

The type of NDAs within the Liverpool LGA is reflective of the NDAs within the catchment area. Other dwelling (including semi-detached, row or terrace houses, townhouses and flats units or apartments) approvals within the catchment area and the Liverpool LGA between 1996/96 and 2013/14 comprised of 28% and 26% respectively, reflecting that the catchment area comprises the more urban areas of the Liverpool LGA.

This reflects the trend towards higher density dwelling within close proximity to the CBD and with high accessibility to transport infrastructure. Future development is clustered around the Liverpool centre, reflecting this trend.

New Dwelling Approvals

MARKET CATCHMENT 96/97 TO 13/14 CHART 2.10

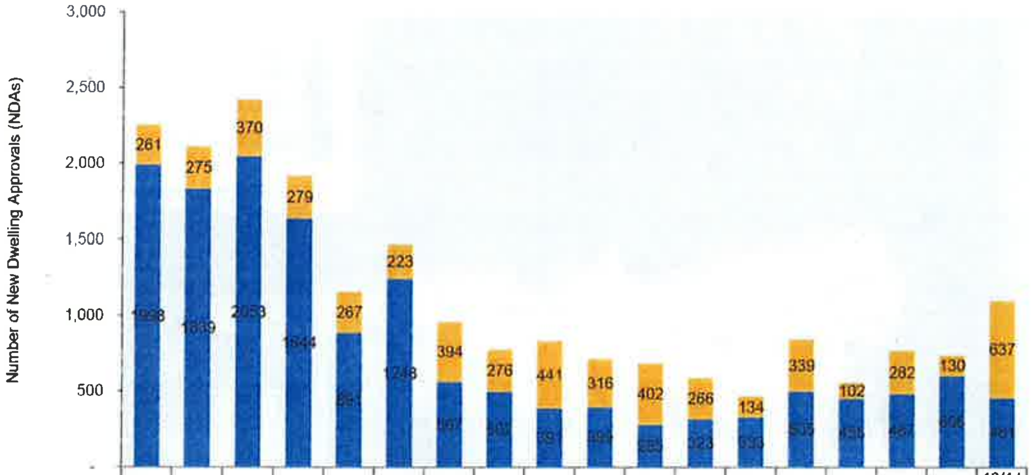


	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14 (2 qtrs)
Other	307	335	384	321	273	230	403	313	451	316	283	279	260	303	159	280	130	687
Houses	2042	1976	2178	1740	912	1303	625	533	426	460	306	322	254	371	339	381	467	408

Source: Urbis; ABS Census 2011

New Dwelling Approvals

LIVERPOOL LGA 96/97 TO 13/14 — CHART 2.11

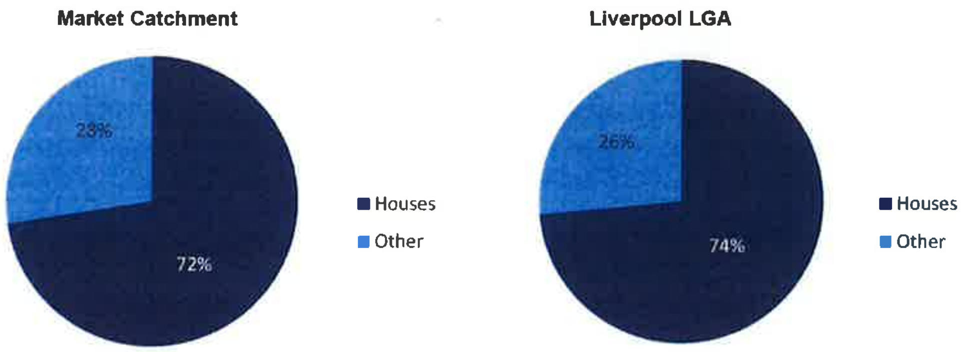


	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14 (2 qtrs)
Other	261	275	370	279	267	223	394	276	441	316	402	266	134	339	102	282	130	637
Houses	1998	1839	2053	1644	891	1248	567	502	391	399	285	323	333	505	455	487	606	461

Source : Urbis; ABS Census 2011

NDA Dwelling Approvals Comparison

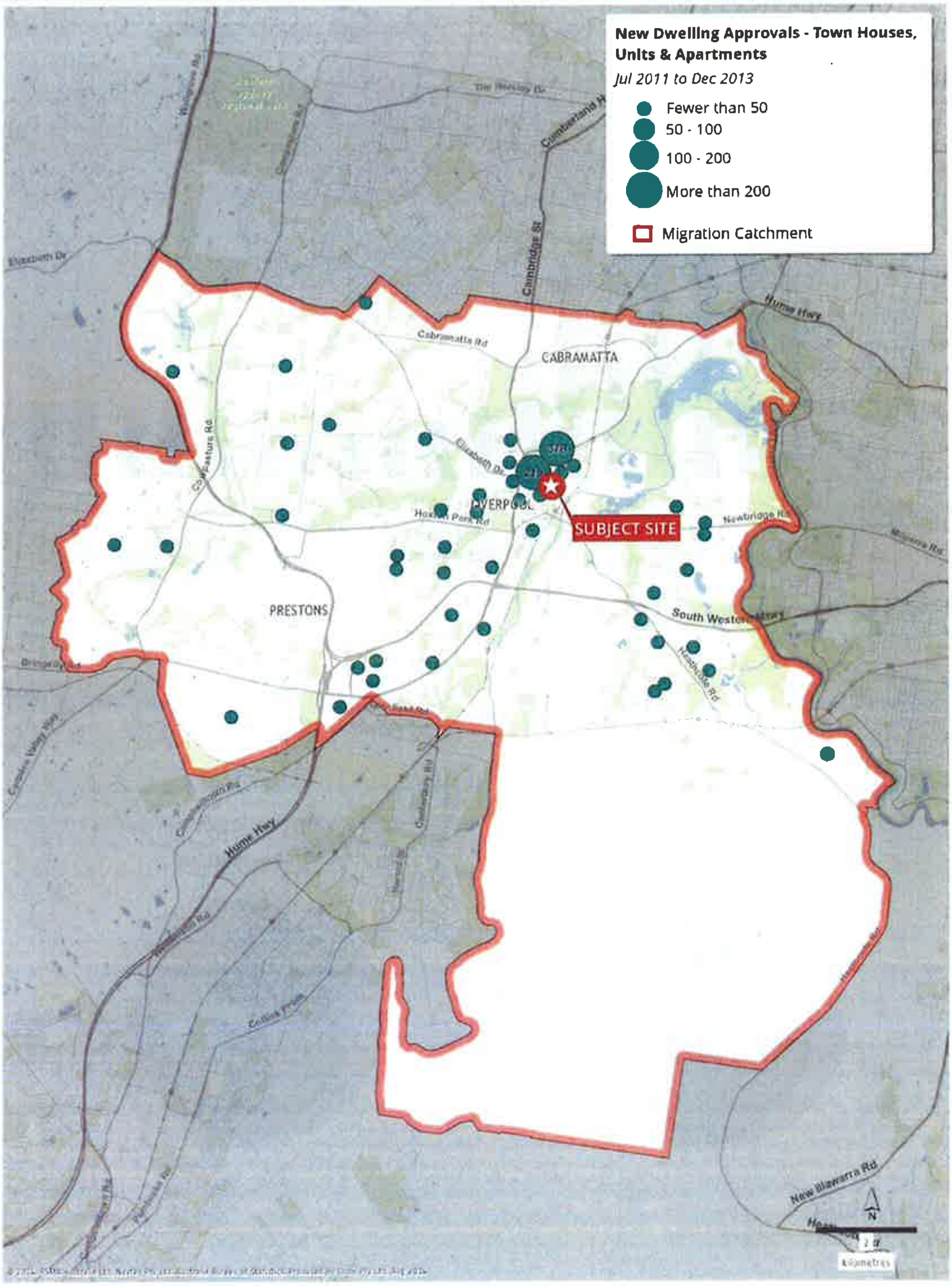
MARKET CATCHMENT AND LIVERPOOL LGA 96/97 TO 13/14 — CHART 2.12



Source : Urbis; ABS Census 2011

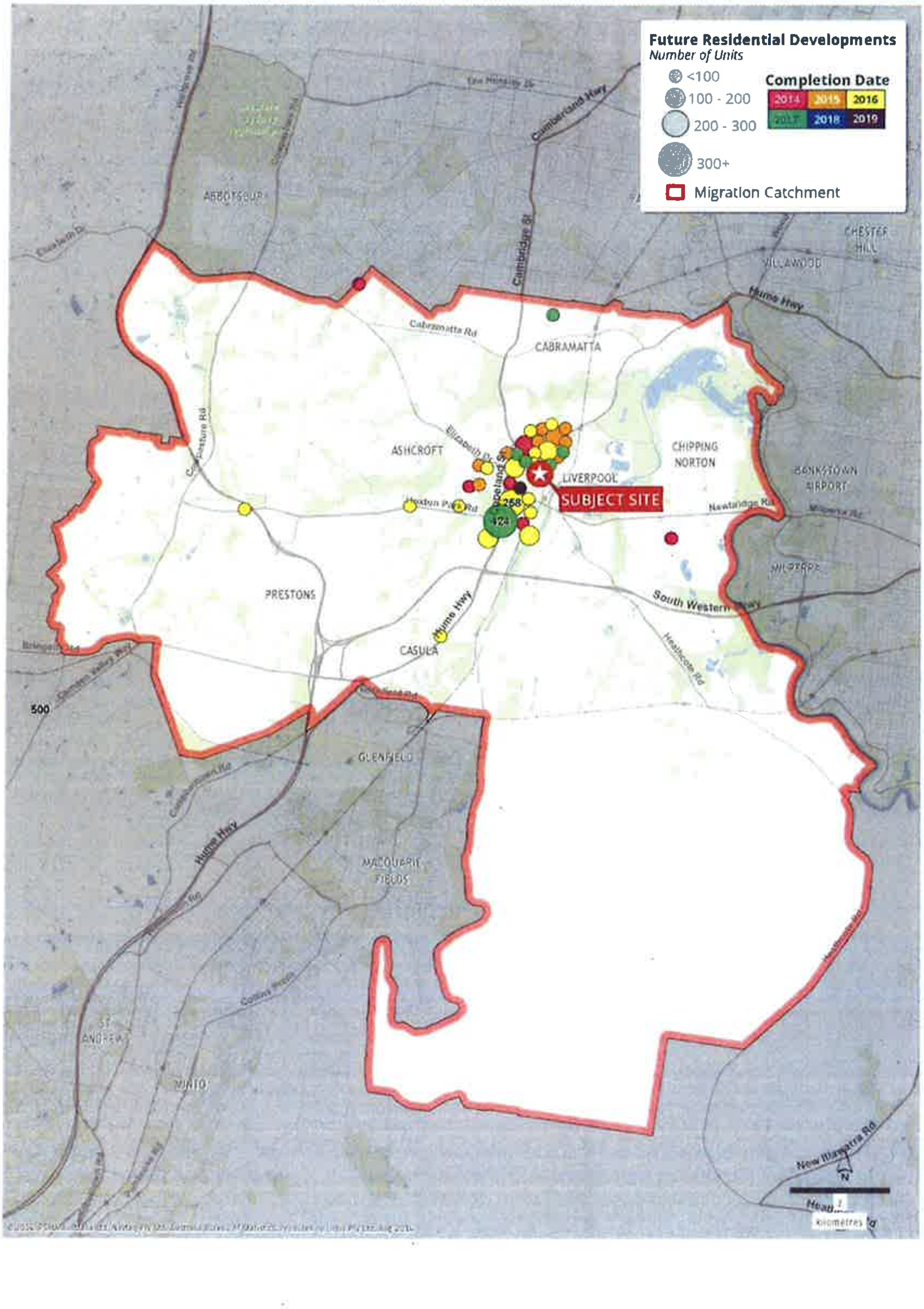
HISTORIC DWELLINGS APPROVALS 2011-13

MAP 2.2



PROPOSED APARTMENT DEVELOPMENTS

MAP 2.3



Proposed Apartment Developments

MARKET CATCHMENT, YIELD OVER 100

TABLE 2.6

Project Name	Address	Suburb	Proposed Yield	Estimated Completion Date	Status
Skyhaus	420-446 Macquarie Street	Liverpool	424	2017	Development Application
Eagle Towers	10 Corner 10 Norfolk Street and 100 Castlereagh Street	Liverpool	258	2016	Development Approval
Solis	1-3 Bigge Street, 2 Browne Place and 26-32 Hume Highway	Warwick Farm	188	2015	Construction
The Point	311 Hume Highway	Liverpool	175	2016	Development Approval
Elizabeth Drive Mixed Development	69A, 71 & 73 Elizabeth Drive	Liverpool	121	2016	Development Approval
Hume Highway and Browne Parade Units	34-40 Hume Highway and 1 Browne Parade	Warwick Farm	113	2016	Development Approval
The Mill	20 Shepherd Street	Liverpool	102	2016	Development Approval
Total			**1,381**		

A sample of some of the significant residential apartment developments with Liverpool are outlined further in the subsequent pages.

2.5.3 RESIDENTIAL CASE STUDIES

Project Name	
Solis	
Developer	Coronation Group
Location	1-3 Bigge Street, 2 Browne Place and 26-32 Hume Highway
Anticipated Completion	Mid 2015
Units	188
Mix	1 bed: 64 2 bed: 98 3 bed: 26
Property Description	Construction of a mixed use development comprising 2 residential towers. One tower will be 15 storeys and will consist of 72 units. The other tower will be 16 storeys and will consist of 116 units. It will feature 7 retail tenancies ranging from 52 to 74 sq.m. There will also be basement car parking containing 216 car spaces over 3 levels.
Indicative Living Area	1 bed: 50-53 sq.m 2 bed: 82-94 sq.m 3 bed: 98 sq.m
Advertised / Agent advised Pricing	1 bed: $325,000 - $365,000 2 bed: $380,000 - $445,000 3 bed: $565,000-$599,000
Take-up Rates	The initial release date was the 26th of September 2013 and since then stage 1 and stage 2 have all sold out. The final stage is currently selling, with only 2 three bedrooms remaining as of August 2014.
Buyer Profile	Buyers mainly consisted of first home buyers of Indian and Asian ethnicity. There have been very little overseas investors.
Source	Cordell connect, Project sales agent

Project Name	
Eagle Towers	
Developer	Sayde Developments
Location	10 Corner 10 Norfolk Street and 100 Castlereagh Street
Anticipated Completion	Mid 2015
Units	258
Mix	Not available
Property Description	Construction of a mixed use residential and commercial development comprising of two buildings, with 23 and 18 levels. There will be a retail and commercial area on the ground and first floors. There will also be basement car parking containing 438 car spaces over 5 levels.
Indicative Living Area	1 bed: 46-55 sq.m 2 bed: 77-92 sq.m 3 bed: 103 sq.m
Advertised / Agent advised Pricing	1 bed: From $320,000 2 bed: From $450,000 3 bed: From $515,000
Take-up Rates	Since the initial release in mid-2013, 90% of all units have sold out. The final stage release is currently selling.
Buyer Profile	The buyer profile is predominately of Asian/Chinese ethnicity. There is a balanced mix of first home buyers and investors. Local investors are from suburbs such as Hurstville, Ashfield and City Central. Very little overseas investors.
Source	Cordell connect, Project sales agent

Project Name

The Point

Developer	TQM Design & Construct
Location	311 Hume Highway, Liverpool
Anticipated Completion	Mid 2015
Units	175
Mix	1 bed: 129 2 bed: 44 3 bed: 2
Property Description	Construction of a 16 storey development. There will also be basement car parking containing 441 car spaces over 3 levels. Previous ground floor retail and specialty shops have been replaced and converted to ground floor units instead.
Indicative Living Area	1 bed: 54-62 sq.m 2 bed: 69-75 sq.m 3 bed: 94 sq.m
Advertised / Agent advised Pricing	1 bed: $310,000 - $340,000 2 bed: $379,000 - $475,000 3 bed: $560,000
Take-up Rates	The first stage release of sales sold out on the opening day. There are 5 apartments currently left for sale as of August 2014.
Buyer Profile	Buyers have consisted of a mix of investors, owner-occupiers and first time buyers. A lot of the buyers have been of Indian, Middle-Eastern and Asian ethnicity.
Source	Cordell connect, Project sales agent

Project Name Elizabeth Drive Mixed Development	
Developer	Modern Construction Group
Location	69-73 Elizabeth Drive, Liverpool
Anticipated Completion	Late 2015
Units	121
Mix	1 bed: 22 2 bed: 84 3 bed: 15
Property Description	Construction of 2 nine storey mixed use development containing 121 residential units The northern building contains 66 units and the southern building contains 55 units. The ground levels will consist of retail and commercial floor space. There will also be basement car parking for 143 vehicles.
Advertised / Agent advised Pricing	1 bed: From $450,000 2 bed: From $530,000 3 bed: From $530,000
Take-up Rates	Since the initial release in early 2014, all units have sold out.
Buyer Profile	Buyers consist of a mix of investors, owner-occupiers and first time buyers. There is an even mix between international and domestic buyers.
Source	Cordell connect, Project sales agent

Project Name Hume Highway and Browne Parade Units	
Developer	New Mangrove Pty Ltd
Location	34-40 Hume Highway and 1 Browne Parade, Liverpool
Anticipated Completion	Mid 2016
Units	113
Mix	1 bed: 23 2 bed: 74 3 bed: 16
Property Description	Construction of two residential flat buildings, 12 and 14 storeys respectively. Ancillary facilities consist of communal open space and a ground floor community room. There will be basement car parking for 133 car spaces over 3 levels.
Indicative Living Area	1 bed: 52-57 sq.m 2 bed: 79-88 sq.m 3 bed: 95-100 sq.m
Advertised / Agent advised Pricing	1 bed: $350,0000-$390,000 2 bed: From $425,000-$450,000 3 bed: From $550,000-$595,000
Take-up Rates	All units have sold out as of November 2014.
Buyer Profile	Buyers consist of a mix of local and international buyers, with a fair portion of first-home buyers.
Source	Cordell connect, Project sales agent

Project Name Skyhaus	
Developer	Autus Properties and Lucror Developments
Location	420-446 Macquarie Street, Liverpool
Anticipated Completion	Mid 2017
Units	424
Mix	2 bed: 384 3 bed: 40
Property Description	Construction of two 29 storey tower mixed use development containing 424 units. The ground floor levels consist of retail and communal facilities. There will be basement and above ground car parking for 487 vehicles.
Indicative Living Area	2 bed: 70-72 sq.m 3 bed: 94-98 sq.m
Advertised / Agent advised Pricing	2 bed: From $450,000-$490,000 3 bed: From $590,000
Take-up Rates	Stage 1 is currently selling, with most apartments sold from level 4 to level 23. Stage 2 will commence soon.
Buyer Profile	Buyers consist of predominantly local and first-home buyers. There have been very little overseas buyers.
Source	Cordell connect, Project sales agent

2.5.4 HOUSING AFFORDABILITY ANALYSIS

Housing affordability refers to a household's capacity to purchase housing, commonly measured by the proportion of a household's income spent on dwelling costs. The standard benchmark for whether housing is unaffordable is when repayments constitute 30% or more of a household's income.

If a household spends 30% or more of their household income on mortgage repayments or rental payments they are considered at risk of housing stress.

This section conducts an assessment of the price points at which First Home Buyers (FHB) and established home buyers can afford to purchase housing, on both average and upper quartile incomes in the market catchment area.

Average household income for the catchment area is currently estimated to be $78,024 with 25% of households estimated to have incomes above $104,000 per annum.

Applying the 30% benchmark shows that average income households can afford housing costs of $1,767 per month, while the top 25% of households can afford a monthly housing cost of $2,430.

To identify the affordable housing price for the market catchment, the repayments required for a range of price points were calculated and shown overleaf in Table 2.8 and 2.9.

The following assumptions underpin our affordability calculations:

- Average 20% deposit for FHBs and 50% for established home owners
- Two mortgage rates, the current rate 5.25% and 10 year average of 7.25% (Reserve Bank of Australia: F5 Indicator Lending Rates)
- 30 year mortgage term.

Table 2.7 and 2.8 show that a FHB household with an average income can afford units priced at up to $400,000 at the current mortgage rate of 5.25%, falling to $350,000 if the mortgage rate corrects to its 10 year average of 7.25%.

While the top 25% of FHB households can afford a higher price point of $550,000 at a mortgage rate of 5.25% and $450,000 at a mortgage rate of 7.25%.

The affordable unit price changes considerably for established home owners, due to the assumed 50% deposit given estimated equity in existing dwellings (reducing the loan size). Households on average income can afford between $550,000 and $700,000, while higher income households can typically afford housing priced between $750,000 and $900,000. These results are summarised below in Table 2.7.

TABLE 2.7 – HOUSING AFFORDABILITY - SUMMARY

MARKET	AVERAGE HH INCOME	UPPER QUARTILE HH INCOME
First Home Buyers	$350,000 – $400,000	$450,000 - $550,000
Established Home Owners	$550,000 – $700,000	$750,000 – $900,000

The current median price for apartments within the market catchment is $360,000 (as outlined previously), which places FHBs on the edge of affordability for units priced at the LGA's median rate.

A number of projects currently on the market (outlined in Section 2.5.3) show the sale and/or asking prices. This analysis illustrates that FHBs are predominantly only able to afford studios and 1 bed apartments and in some cases 2 bedroom apartments within these projects with asking prices often at the upper end of their affordable range. As such it is important to maintain a supply of available housing to ensure sufficient product is available to assist in maintaining price growth which also maintains affordability.

Established home owners on the other hand appear to be able to afford most product types illustrating the impact of reducing the size of mortgages on repayments and overall affordability.

First Home Buyer - Affordability

MARKET CATCHMENT

TABLE 2 8

	$300,000	$350,000	$400,000	$450,000	$500,000	$550,000	$600,000	$650,000	$700,000	$750,000	$800,000	$850,000	$900,000
5.00%	-$1,288	-$1,503	-$1,718	-$1,933	-$2,147	-$2,362	-$2,577	-$2,791	-$3,006	-$3,221	-$3,436	-$3,650	-$3,865
5.25%	**-$1,325**	**-$1,546**	**-$1,767**	**-$1,988**	**-$2,209**	**-$2,430**	**-$2,651**	**-$2,871**	**-$3,092**	**-$3,313**	**-$3,534**	**-$3,755**	**-$3,976**
5.50%	-$1,363	-$1,590	-$1,817	-$2,044	-$2,271	-$2,498	-$2,725	-$2,953	-$3,180	-$3,407	-$3,634	-$3,861	-$4,088
5.75%	-$1,401	-$1,634	-$1,867	-$2,101	-$2,334	-$2,568	-$2,801	-$3,035	-$3,268	-$3,501	-$3,735	-$3,968	-$4,202
6.00%	-$1,439	-$1,679	-$1,919	-$2,158	-$2,398	-$2,638	-$2,878	-$3,118	-$3,357	-$3,597	-$3,837	-$4,077	-$4,317
6.25%	-$1,478	-$1,724	-$1,970	-$2,217	-$2,463	-$2,709	-$2,955	-$3,202	-$3,448	-$3,694	-$3,941	-$4,187	-$4,433
6.50%	-$1,517	-$1,770	-$2,023	-$2,275	-$2,528	-$2,781	-$3,034	-$3,287	-$3,540	-$3,792	-$4,045	-$4,298	-$4,551
6.75%	-$1,557	-$1,816	-$2,076	-$2,335	-$2,594	-$2,854	-$3,113	-$3,373	-$3,632	-$3,892	-$4,151	-$4,410	-$4,670
7.00%	-$1,597	-$1,863	-$2,129	-$2,395	-$2,661	-$2,927	-$3,193	-$3,460	-$3,726	-$3,992	-$4,258	-$4,524	-$4,790
7.25%[2]	**-$1,637**	**-$1,910**	**-$2,183**	**-$2,456**	**-$2,729**	**-$3,002**	**-$3,274**	**-$3,547**	**-$3,820**	**-$4,093**	**-$4,366**	**-$4,639**	**-$4,912**
7.50%	-$1,678	-$1,958	-$2,237	-$2,517	-$2,797	-$3,077	-$3,356	-$3,636	-$3,916	-$4,195	-$4,475	-$4,755	-$5,034
7.75%	-$1,719	-$2,006	-$2,293	-$2,579	-$2,866	-$3,152	-$3,439	-$3,725	-$4,012	-$4,298	-$4,585	-$4,872	-$5,158
8.00%	-$1,761	-$2,055	-$2,348	-$2,642	-$2,935	-$3,229	-$3,522	-$3,816	-$4,109	-$4,403	-$4,696	-$4,990	-$5,283
8.25%	-$1,803	-$2,104	-$2,404	-$2,705	-$3,005	-$3,306	-$3,606	-$3,907	-$4,207	-$4,508	-$4,808	-$5,109	-$5,409
8.50%	-$1,845	-$2,153	-$2,461	-$2,768	-$3,076	-$3,383	-$3,691	-$3,998	-$4,306	-$4,613	-$4,921	-$5,229	-$5,536
8.75%	-$1,888	-$2,203	-$2,517	-$2,832	-$3,147	-$3,461	-$3,776	-$4,091	-$4,406	-$4,720	-$5,035	-$5,350	-$5,664
9.00%	-$1,931	-$2,253	-$2,575	-$2,897	-$3,218	-$3,540	-$3,862	-$4,184	-$4,506	-$4,828	-$5,150	-$5,471	-$5,793
9.25%	-$1,974	-$2,303	-$2,633	-$2,962	-$3,291	-$3,620	-$3,949	-$4,278	-$4,607	-$4,936	-$5,265	-$5,594	-$5,923
9.50%	-$2,018	-$2,354	-$2,691	-$3,027	-$3,363	-$3,700	-$4,036	-$4,372	-$4,709	-$5,045	-$5,381	-$5,718	-$6,054
9.75%	-$2,062	-$2,406	-$2,749	-$3,093	-$3,437	-$3,780	-$4,124	-$4,468	-$4,811	-$5,155	-$5,499	-$5,842	-$6,186
10.00%	-$2,106	-$2,457	-$2,808	-$3,159	-$3,510	-$3,861	-$4,212	-$4,563	-$4,914	-$5,265	-$5,616	-$5,967	-$6,319

Catchment Av HH Income	$78,024	Catchment Upper Quartile Income	$104,000
Total Catchment Households	75,254	Catchment Households in Upper Quartile	19,993

Established Buyers - Affordability

MARKET CATCHMENT

TABLE 2 9

	$400,000	$450,000	$500,000	$550,000	$600,000	$650,000	$700,000	$750,000	$800,000	$850,000	$900,000	$950,000	$1,000,000
5.00%	-$1,074	-$1,208	-$1,342	-$1,476	-$1,610	-$1,745	-$1,879	-$2,013	-$2,147	-$2,281	-$2,416	-$2,550	-$2,684
5.25%[1]	**-$1,104**	**-$1,242**	**-$1,381**	**-$1,519**	**-$1,657**	**-$1,795**	**-$1,933**	**-$2,071**	**-$2,209**	**-$2,347**	**-$2,485**	**-$2,623**	**-$2,761**
5.50%	-$1,136	-$1,278	-$1,419	-$1,561	-$1,703	-$1,845	-$1,987	-$2,129	-$2,271	-$2,413	-$2,555	-$2,697	-$2,839
5.75%	-$1,167	-$1,313	-$1,459	-$1,605	-$1,751	-$1,897	-$2,043	-$2,188	-$2,334	-$2,480	-$2,626	-$2,772	-$2,918
6.00%	-$1,199	-$1,349	-$1,499	-$1,649	-$1,799	-$1,949	-$2,098	-$2,248	-$2,398	-$2,548	-$2,698	-$2,848	-$2,998
6.25%	-$1,231	-$1,385	-$1,539	-$1,693	-$1,847	-$2,001	-$2,155	-$2,309	-$2,463	-$2,617	-$2,771	-$2,925	-$3,079
6.50%	-$1,264	-$1,422	-$1,580	-$1,738	-$1,896	-$2,054	-$2,212	-$2,370	-$2,528	-$2,686	-$2,844	-$3,002	-$3,160
6.75%	-$1,297	-$1,459	-$1,621	-$1,784	-$1,946	-$2,108	-$2,270	-$2,432	-$2,594	-$2,757	-$2,919	-$3,081	-$3,243
7.00%	-$1,331	-$1,497	-$1,663	-$1,830	-$1,996	-$2,162	-$2,329	-$2,495	-$2,661	-$2,828	-$2,994	-$3,160	-$3,327
7.25%[2]	**-$1,364**	**-$1,535**	**-$1,706**	**-$1,876**	**-$2,047**	**-$2,217**	**-$2,388**	**-$2,558**	**-$2,729**	**-$2,899**	**-$3,070**	**-$3,240**	**-$3,411**
7.50%	-$1,398	-$1,573	-$1,748	-$1,923	-$2,098	-$2,272	-$2,447	-$2,622	-$2,797	-$2,972	-$3,146	-$3,321	-$3,496
7.75%	-$1,433	-$1,612	-$1,791	-$1,970	-$2,149	-$2,328	-$2,507	-$2,687	-$2,866	-$3,045	-$3,224	-$3,403	-$3,582
8.00%	-$1,468	-$1,651	-$1,834	-$2,018	-$2,201	-$2,385	-$2,568	-$2,752	-$2,935	-$3,118	-$3,302	-$3,485	-$3,669
8.25%	-$1,503	-$1,690	-$1,878	-$2,066	-$2,254	-$2,442	-$2,629	-$2,817	-$3,005	-$3,193	-$3,381	-$3,569	-$3,756
8.50%	-$1,538	-$1,730	-$1,922	-$2,115	-$2,307	-$2,499	-$2,691	-$2,883	-$3,076	-$3,268	-$3,460	-$3,652	-$3,845
8.75%	-$1,573	-$1,770	-$1,967	-$2,163	-$2,360	-$2,557	-$2,753	-$2,950	-$3,147	-$3,345	-$3,540	-$3,737	-$3,934
9.00%	-$1,609	-$1,810	-$2,012	-$2,213	-$2,414	-$2,615	-$2,816	-$3,017	-$3,218	-$3,420	-$3,621	-$3,822	-$4,024
9.25%	-$1,645	-$1,851	-$2,057	-$2,262	-$2,468	-$2,674	-$2,879	-$3,085	-$3,291	-$3,496	-$3,702	-$3,908	-$4,113
9.50%	-$1,682	-$1,892	-$2,102	-$2,312	-$2,523	-$2,733	-$2,943	-$3,153	-$3,363	-$3,574	-$3,784	-$3,994	-$4,204
9.75%	-$1,718	-$1,933	-$2,148	-$2,363	-$2,577	-$2,792	-$3,007	-$3,222	-$3,437	-$3,651	-$3,866	-$4,081	-$4,296
10.00%	-$1,755	-$1,975	-$2,194	-$2,413	-$2,633	-$2,852	-$3,072	-$3,291	-$3,510	-$3,730	-$3,949	-$4,168	-$4,388

Catchment Av HH Income	$78,024	Catchment Upper Quartile Income	$104,000
Total Catchment Households	75,254	Catchment Households in Upper Quartile	19,993

2.6 SUPPLY AND DEMAND FORECASTS

The following section looks at the proposed future supply of residential dwellings within the market catchment and analyses this alongside the future expected dwelling demand based on population forecasts. The following supply pipeline, in terms of stage of development is as follows:

- 22% of the development pipeline are currently under construction/or site works have commenced
- 19% of the developments have approval, however have not yet commenced construction or site works
- 59% of the development pipeline is currently being assessed/undergoing development approval.

Housing Supply by Project Stage & Estimated Completion Date

MARKET CATCHMENT, 2014 ONWARDS — TABLE 2.10

	2014	2015	2016	2017	2018	2019	2020
Works Commenced / Contract Let	540	552	76	76	0	0	0
Development Approval	7	82	850	91	0	46	0
Pre-Development Approval / Early Planning	0	21	158	677	912	0	1,531
Total	547	655	1,084	844	912	46	1,531

The 22% of the pipeline under construction / undergoing site works has a relatively high degree of certainty of being delivered, due to their advanced stage in the development process. This indicates that over the short-term there is a relatively high degree of certainty that the potential housing identified from 2014 to 2015 will be delivered.

There is a degree of risk associated however with the proportion of the development pipeline that is still going through the development approval/building approval process, which may affect the eventual project approval or yield. As such many of the projects scheduled for completion between 2016 and 2020 have a higher degree of risk of being abandoned or not gaining development approval.

Table 2.11 overleaf compares the residential project pipeline with forecast housing demand. Underlying demand has been forecast on the basis of DP&E population growth rates. Household formation has been used as a proxy for underlying housing demand, which has been derived for the market catchment by comparing forecasts population and housing supply. We have also assumed that 50% of new dwelling supply/demand will be for medium to high density development. Furthermore, this has been estimated as 2.5 people per household between 2014 and 2021.

The table illustrates that over both the short and long-term, there appears to be insufficient housing stock to meet the growing housing needs of the market catchment.

Between 2013 and 2016 the housing deficit is estimated at approximately 342 units, which is expected to increase further in 2016-2021 to a housing deficit of over 899 dwellings.

These significant short-falls could potentially lead to a net out migration from the market catchment area, as the market seeks housing elsewhere. Furthermore, the lack of supply relative to demand could result in price appreciation, further restricting the access to housing, particularly for First Home Buyers.

Housing Demand and Supply Forecasts

MARKET CATCHMENT — TABLE 2.11

Market Catchment	2014	2015	2016	2017	2018	2019	2020	Total
				Forecasted Population Growth				
Population	245,100	249,500	253,951	258,700	263,500	268,400	273,400	
New Residents	4,288	4,400	4,451	4,749	4,800	4,900	5,000	32,588
				New Dwelling Demand and Supply				
Demand for new units [1]	858	880	890	950	960	980	1,000	6,518
Household Size [2]	2.5	2.5	2.5	2.5	2.5	2.5	2.5	
Apartment Supply	547	655	1,084	844	912	46	1,531	5,619
Surplus / - Deficit	-311	-536	-342	-448	-496	-1,430	-899	-899

1 Assumes that 50% of demand will be directed to medium to high density

2 Average househld sized based on occupants in smaller dwellings

Source: ABS Census 2011, DP&I 2013 Population Forecasts, CoreLogic Cordell Connect, Urbis

3 Commercial Analysis

Section 3 will conduct an analysis of existing and future employment within the Liverpool Regional City and the Liverpool LGA, assessing the population employment drivers and outcomes that could foreseeably impact future demand for office floor area within the Liverpool LGA.

This will consist of both an analysis of residents and local workers, and will include:

- The size and profile of the study area's resident workforce, in terms of industry sector and occupation
- The size and profile of the study areas employment base, including industry sector and occupation
- Journey to work / place of residence of the local resident workforce and workers employed within the study area
- The gap between study area jobs and resident workers.

This will consider the links between workforce, resident workforce and growth in employment and subsequent future demand for office floorspace.

Evidence within the Liverpool CBD commercial office leasing market supports the development of modest office accommodation for local business tenancies. The majority of high quality larger space is taken up by government tenants. In particular:

- There is limited supply in A grade office space, where typically a high proportion is occupied by government tenants such as the Department of Housing and Centrelink.
- The market provides one of the most affordable commercial opportunities in Sydney in terms of rent and capital values.
- Net face rents for A-grade standard accommodation range from $260 to $320 per sq.m. Premises are typically leased in 5 year terms in conjunction with 3 or 5 year options. Rental incentives suggests an average for A grade space of 27.5%, with lessors showing flexibility in providing either rent free periods or fitout contributions
- The majority of premises recently leased are typically tenanted by local businesses and offer less than 500sq.m in size and limited parking provisions. This reflects the modest content of larger stock available.
- Developers have neglected the commercial office space to instead focus on industrial development in the Liverpool LGA. The growth of local industrial markets is a particular focus of the South West Sub Regional Strategy
- The recently completed building located at 269-273 Bigge Street Liverpool reflects a one-off development of high grade office space within the region. The building comprises an office space of approximately 4,000sq.m
- Liverpool LGA has recorded significant population growth over the past 10 years, yet supports a very low proportion of professional and managerial workers. Only modest new additions in localised office accommodation have been noted over the past 10 years.
- Liverpool is generally seen as a lesser desirable commercial location due to the quality of stock and location. This is reflected by minimal capital growth, which is expected to continue.

Taking into consideration the above, there is limited scope to support additional large scale office accommodation in the short term in the absence of a major tenant relocating into Liverpool (e.g. a large government department). However, there is evidence to support the provision of secondary office space for smaller local businesses, which is consistent with the proposed office component within the Abacus proposal.

3.1 LOCAL EMPLOYMENT ANALYSIS

The Liverpool Regional City currently accommodates 15,110 jobs.

Employment sectors represented in the Liverpool Regional City are displayed in Chart 3.1 overleaf, which shows Healthcare and Social Services (37%), Retail Trade (13%), Public Administration (9%) and Administrative Support Services (6%) make up the majority provided locally.

The higher proportion of Health Services jobs in Liverpool Regional City is aligned to the presence of the Liverpool Hospital, South Western Sydney Local Health District and medical services businesses located in the Liverpool Centre. There is a lower representation of other industry sectors that are typically well represented in business park / CBD locations such as Information Media and Telecommunications (1%), Financial and Industrial Services (3%), Professional and Scientific Services (5%).

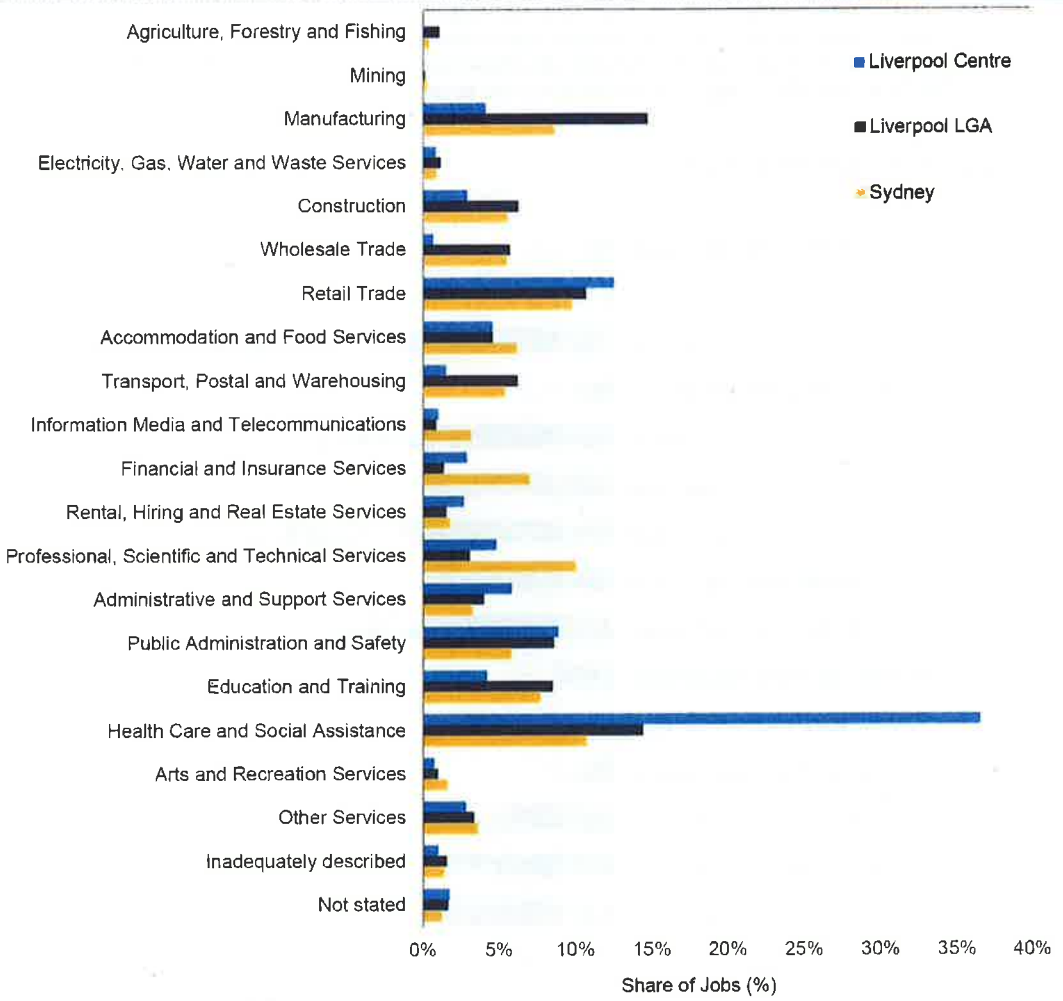
By comparison Parramatta, which is an established suburban CBD, contains a higher proportion of these jobs, with 2% of jobs in Information, Media and Telecommunications, 19% in Financial and Insurance Services and 8% Professional, Scientific and Technical Services.

The smaller representation of these services illustrates that while Liverpool Regional City is a commercial hub, is not currently a major CBD in Sydney's west with a diversified business tenant base.

Jobs by Industry

LIVERPOOL CENTRE, LIVERPOOL LGA AND SYDNEY

CHART 3.1



Source : ABS Census 2011 ; Urbis

3.2 RESIDENT WORKFORCE ANALYSIS

According to the Bureau of Transport Statistics Journey to Work data the Liverpool Regional City accommodates 3,562 employed residents, with their industry of employment outlined in Chart 3.2 overleaf.

Chart 3.2 shows that the Liverpool Regional City has a higher proportion of manufacturing (16%), health care and social assistance (16%) and construction (11%), than the Liverpool LGA and broader Sydney GMA.

This effectively represents the 'job demand' by the local workforce, across different industry sectors.

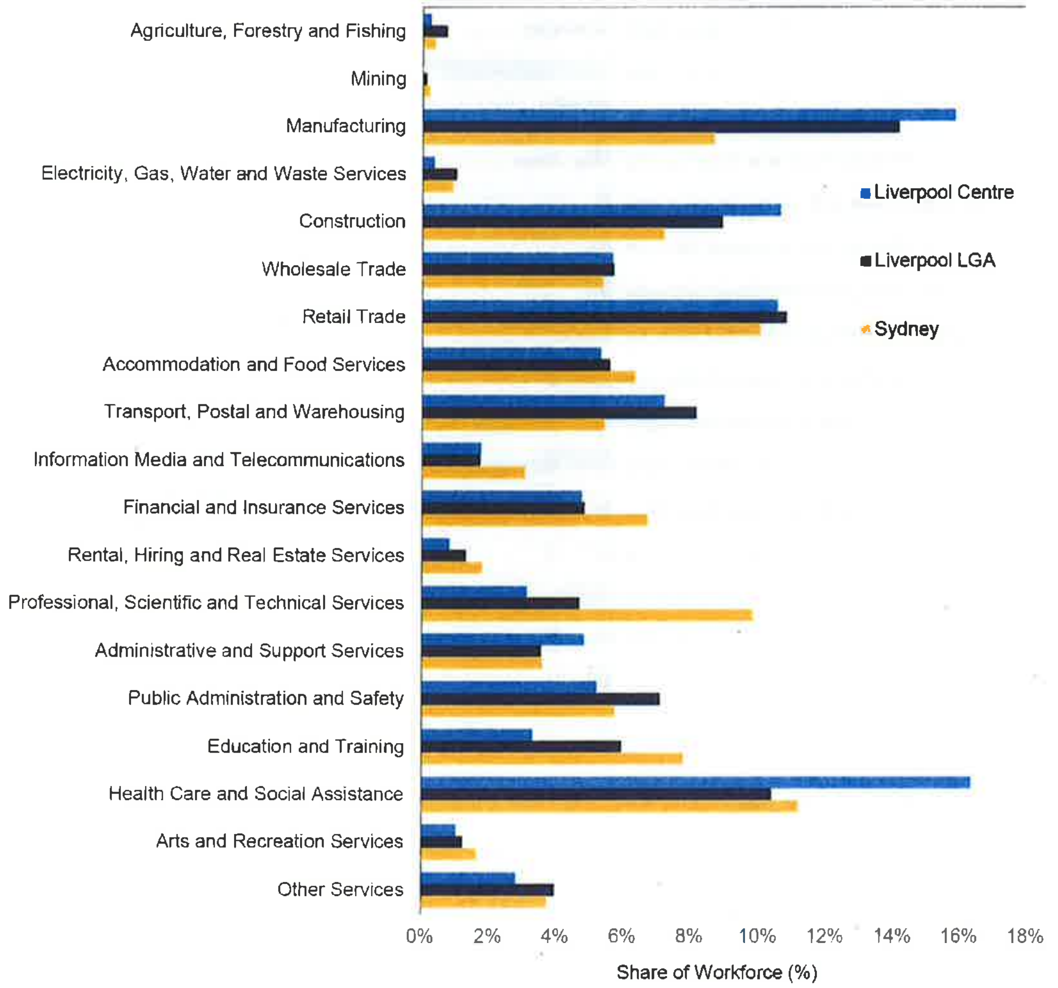
The industry distribution illustrates the contrasting industry profile of the Liverpool Regional City residents compared to the broader Liverpool LGA distribution:

- A lower proportion of residents working in education and training (-3%), public and administration (-2%), professional, scientific and technical services (-2%)

- Liverpool Regional City resident workers have a higher representation in manufacturing (+2%), construction (+2%), health care and social assistance (+6%)
- The resident worker industry profile indicates that residents in the Liverpool Regional Centre are employed across a range of industry sectors both in the Regional Centre (e.g. Health Services, likely associated with the Liverpool Hospital and associated support services) and located in the balance of the LGA (e.g. manufacturing, in industrial precincts such as the Moorebank Business Park).

Resident Workers by Industry

LIVERPOOL REGIONAL CITY, LIVERPOOL LGA AND SYDNEY — CHART 3.2



Source : ABS Census 2011 : Urbis

3.3 JOURNEY TO WORK ANALYSIS

Table 3.1 overleaf shows both place of resident and place of work for the Liverpool Regional City. Place of residence, represents where people who work in Liverpool Regional City live. It shows that jobs in the Liverpool Regional Centre attracts workers from a relatively local catchment, with surrounding Statistical Areas (SA2) comprising the majority of workers.

Place of work shows where local residents work, and illustrates that the majority of local workers are employed in key business park / CBD locations.

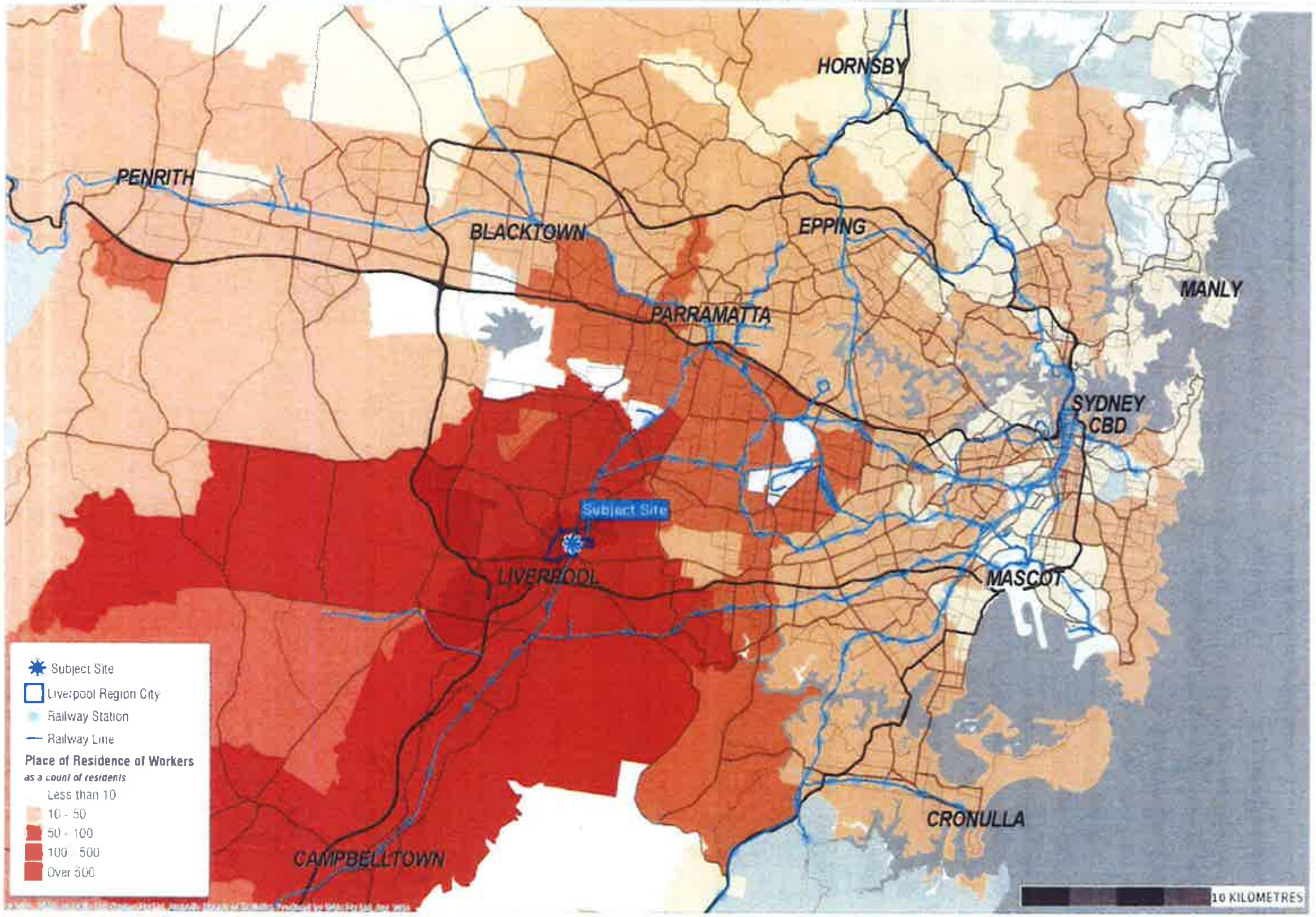
Journey to Work

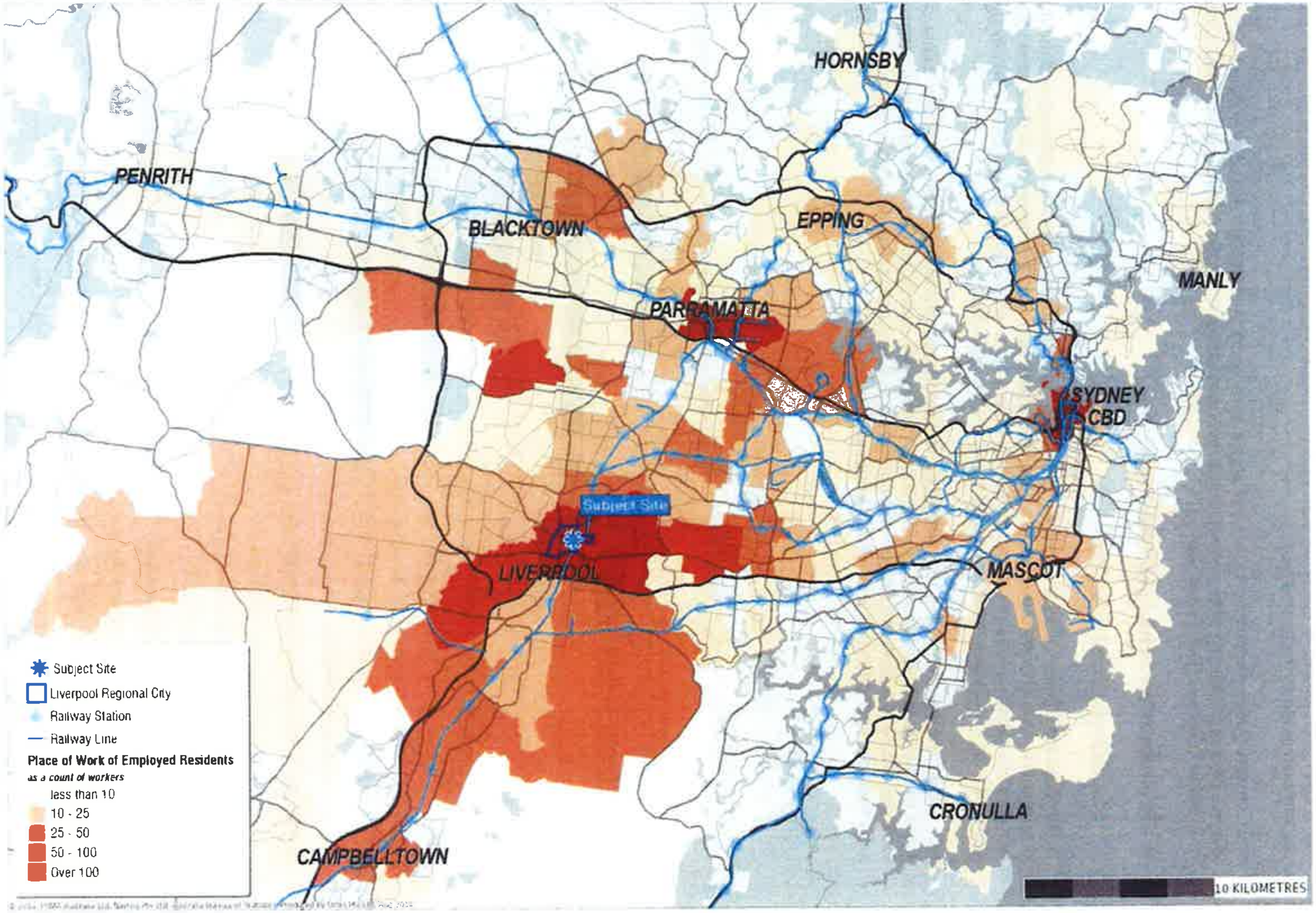
LIVERPOOL REGIONAL CITY

TABLE 3.1

Destination - Place of Work			Origin - Place of Residence		
Location (SA2)	**Number**	**%**	**Location (SA2)**	**Number**	**%**
Liverpool - Warwick Farm	625	1%	Liverpool - Warwick Farm	1,153	8%
Sydney - Haymarket - The Rocks	172	6%	Green Valley - Cecil Hills	740	5%
Parramatta - Rosehill	124	4%	Prestons - Lurnea	699	5%
No fixed work address (GMA)	123	4%	Hoxton Park - Horningsea Park	490	3%
Chipping Norton - Moorebank	122	4%	Holsworthy - Wattle Grove	487	3%
Condell Park	53	2%	Casula	474	3%
Prestons - Lurnea	53	2%	Chipping Norton - Moorebank	441	3%
Wetherill Park Industrial	51	2%	Mount Annan - Currans Hill	374	2%
Bankstown	47	2%	Macquarie Fields - Glenfield	368	2%
Prospect Reservoir	46	2%	Ashcroft - Busby - Miller	323	2%
Balance	1,496	51%	Balance	9,534	63%
Total	**2,912**	**100%**	**Total**	**15,083**	**100%**

Source : BTS JTW 2011 ; Urbis


PENRITH
BLACKTOWN
HORNSBY
EPPING
PARRAMATTA
MANLY
SYDNEY CBD
Subject Site
LIVERPOOL
MASCOT
CRONULLA
CAMPBELLTOWN
Subject Site
Liverpool Region City
Railway Station
Railway Line
Place of Residence of Workers
as a count of residents
Less than 10
10 - 50
50 - 100
100 - 500
Over 500
10 KILOMETRES


HORNSBY
PENRITH
BLACKTOWN
EPPING
MANLY
PARRAMATTA
SYDNEY
CBD
Subject Site
LIVERPOOL
MASCOT
CRONULLA
CAMPBELLTOWN
10 KILOMETRES
Subject Site
Liverpool Regional City
Railway Station
Railway Line
Place of Work of Employed Residents
as a count of workers
less than 10
10 - 25
25 - 50
50 - 100
Over 100

3.4 JOBS GAP ANALYSIS

As at 2011, the number of Liverpool LGA resident workers exceeded the number of jobs by approximately 36,849 outlined in Chart 3.3 below.

The industry sectors that have a deficit of jobs in a range of sectors, however there appear to be a surplus of jobs in industry sectors that deliver services to the local population requiring a net importation of workers to deliver these services:

- Health Care and Social Assistance (+864)

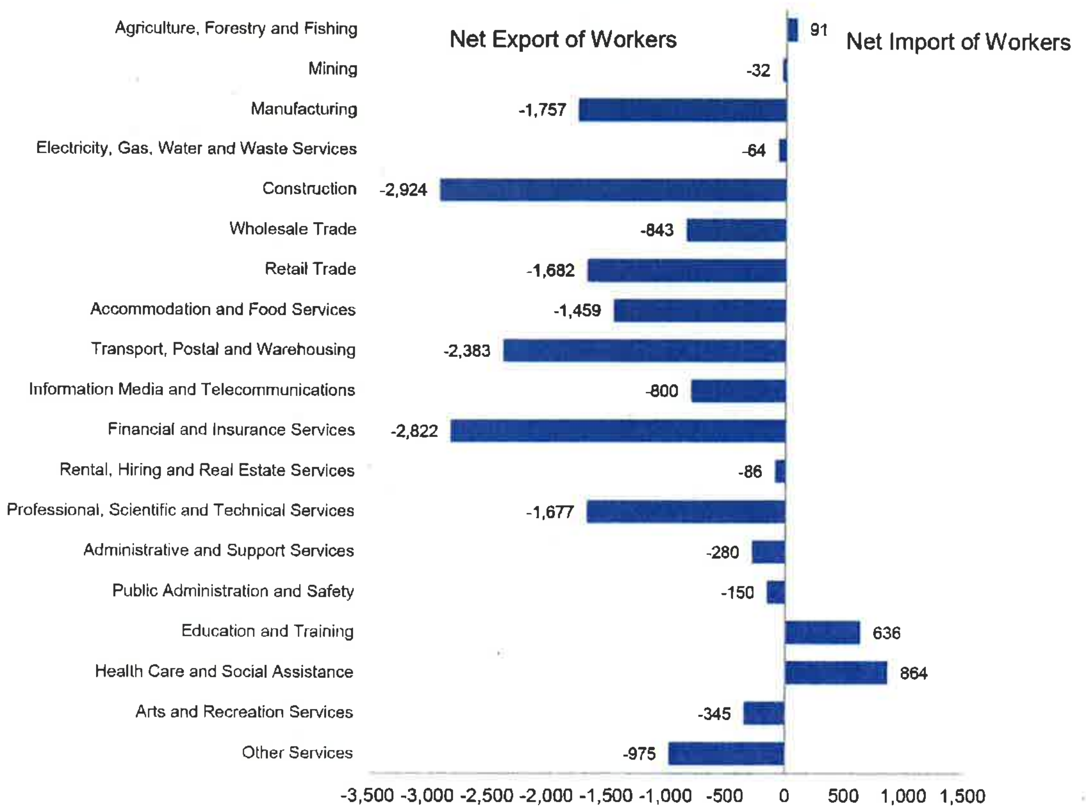
- Education and Training (+636).

It illustrates that there is a jobs deficit in many of the industry sectors accommodated in office based employment. Job growth in the sectors that have a jobs gap are more likely to utilise a local labour force allowing businesses in these sectors to employ labour from within the Liverpool LGA. Achieving this outcome would increase the job opportunities for local residents.

It is noted however that it also requires business and/or government to decide to locate within Liverpool in order to provide the opportunity for new jobs to be created, which is influenced by a wide range of location factors including location of customer groups, transport access, access to appropriate staff, agglomeration opportunities with like businesses, etc.

Jobs Gap
LIVERPOOL LGA

CHART 3.3



Source : ABS Census 2011 : Urbis

4 Development Feasibility

In order to assess the financial and practical viability of the four development options, we have prepared a feasibility analysis for each option using EstateMaster Development Feasibility software. The four possible development options are based on varying areas of retail and commercial space and residential and serviced apartments, with consideration of the suitability on the subject site.

4.1 ASSUMPTIONS

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

- An initial land acquisition cost of $5,475,000 (plus GST and transactions) costs has been allowed within our feasibility assessment. This has been based on the current book value of the site and is consistent with the market value of the site
- In terms of land holding costs, it has been assumed that owner of the subject site pays $77,500 per annum in land tax and $22,000 per quarter in council rates. An annual fee of $10,000 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. These have been based on actual land holding cost
- Selling costs/ commission for the retail component has been adopted at 1.5% of sales, 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 7.50% 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 Liverpool City Council's 'Liverpool Contributions Plan 2007 (Liverpool City Centre). The contributions are based on 3% of the development costs for land zoned B3 Commercial Core (where development costs exceed $1 million)
- In our feasibility analysis we have adopted project hurdle rates of 15% for all options, consistent with requirements of developers and banks for 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 $3,500 per unit, as this is considered to be in line with similar marketing campaigns for residential developments
- The loan application fee adopted is $100,000 and the line fee as $200,000
- Professional fees have been assumed to equal 10% of construction costs. This is comprised of pre-construction (8%) and post construction (2%) professional fees
- The development management fee adopted is 2% of the project costs
- Costs and revenues have been escalated at 2.5% per annum

4.2 COSTINGS

The particular cost components included within the feasibility analyses have been included in Table 4.1 on the following page.

The construction costs have been adopted from the Rawlinson's '*Australian Construction Handbook*' (2014 – Edition 32). 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.

Preferred Option:

The Preferred Option has the highest development costs of all options at approximately $78.3 million. This is a product of the increased scale of the development under this option in terms of the increase in commercial and retail floorspace, the increase in the number of residential apartments and basement car parks and the addition of the serviced apartment component.

Alternate Option 1:

Option 1 has the second highest development cost of all options at approximately $51.2 million. This is the product of its higher residential yield, office and retail gross floor areas (GFA) than Options 2 and 3, however the smaller overall scale than the current preferred option.

Alternate Option 2:

The development costs for Option 2 are the lowest cost of all options, totalling $30.1 million. The proposed development under this option has the lowest residential yield of 54 units and commercial floorspace. The relatively high development cost per sq.m for Option 2 is driven by its smaller scale and fixed costs associated with all development options.

Alternate Option 3:

Option 3 has the third highest total development costs of all options, totalling approximately $40.9 million. The proposed development under this option has the second highest residential yield of 92 units, and has the third highest Development Cost per sq.m ($3,784 per sq.m).

Estimated Development Costs

77-83 MOORE AND 165-193 MACQUARIE STREETS LIVERPOOL DEVELOPMENT — TABLE 4.1

	Cost			
Component	**Preferred Option**	**Alternate Option 1**	**Alternate Option 2**	**Alternate Option 3**
Construction Costs				
Demolition	$154,786	$154,786	$154,786	$154,786
Retail	$8,143,877	$2,378,441	$2,477,708	$2,430,060
Commercial	$2,538,403	$3,502,712	$2,016,541	$2,759,627
Residential Apartments	$29,010,899	$27,707,176	$11,770,067	$19,982,308
Serviced Apartments	$12,048,877	$0	$0	$0
Residential & Serviced Apartment Balconies	$1,350,033	$1,016,496	$428,834	$730,606
Car Parking	$9,334,800	$3,696,414	$2,772,310	$3,234,362
Total construction costs	**$62,581,675**	**$38,456,025**	**$19,620,246**	**$29,291,749**
Other Costs				
Land Acquisition Costs	$6,022,500	$6,022,500	$6,022,500	$6,022,500
Professional Fees	$6,258,168	$3,845,602	$1,962,025	$2,929,175
Section 94 Contributions	$1,654,914	$1,016,940	$518,851	$774,602
Land Holding Costs	$528,397	$480,763	$477,106	$479,656
Finance Charges	$700,001	$683,335	$683,335	$683,335
Interest Expense	$6,271,621	$4,423,368	$2,981,842	$3,726,984
Project Contingency (2%)	$1,409,895	$866,371	$442,022	$659,911
Total Costs (before GST reclaimed)	**$85,427,171**	**$55,794,904**	**$32,707,927**	**$44,567,912**
Less GST reclaimed	-$7,134,787	-$4,620,814	-$2,619,379	-$3,647,066
Total Costs (after GST reclaimed)	**$78,292,384**	**$51,174,090**	**$30,088,548**	**$40,920,846**
Total Development Costs (per sq.m)	**$4,925**	**$3,681**	**$3,895**	**$3,784**

Source: Rawlinsons Australian Construction Handbook (2014), Urbis

4.3 GROSS REALISATION

For the purpose of this assessment we have had regard to the direct comparison approach to assess value of the proposed residential, retail and commercial components. The value of the serviced apartments has been adopted from the figures provided by Leedon Projects.

In assessing gross realisations for the residential component, we have reviewed new/modern unit sales comparable in quality and location. On this basis the unit sales sourced have been assessed to determine an appropriate price range to apply to the subject units. Sales have been compared on the basis of location, size, quality, aspect and views.

The sales revenues adopted for each of the land uses are as follows:

TABLE 4.2 – SALES REVENUE RATES

LAND USE	SALE PRICE
Retail	$6,000/ sq.m
Commercial	$4,500/ sq.m
Serviced Apartment	$317,507/ apartment
Residential Apartment	The average sales price varied between options based on their respective unit mix. This feasibility adopted the following average sales prices based on comparable sales prices and each options mix of units (1, 2 and 3 bed units): ▪ **Preferred Option:** $427,463 ▪ **Alternate Option 1**: $426,171 ▪ **Alternate Option 2**: $429,166 ▪ **Alternate Option 3**: $427,445 Comparable sales prices for different unit types used to estimate the averages in Options 1-3 are as follows: ▪ **1 Bed**: $350,000 ▪ **2 Bed**: $450,000 ▪ **3 Bed**: $575,000 The adopted averages for the Preferred Option are marginally higher due to the premium prices that the apartments will attract due to the higher building heights and increased outlooks. The averages adopted in the preferred option are as follows: ▪ **1 Bed**: $370,000 ▪ **2 Bed**: $470,000 ▪ **3 Bed:** $595,000

By adopting these sales revenue rates, the gross realisations could be calculated and are shown in Table 4.3 following.

Preferred Option:

The Preferred Option has the highest estimated gross realisation of $93.4 million (after GST). This is influenced by the highest number of residential apartments, the largest commercial and retail floorspace of all options and the inclusion of serviced apartments.

Alternate Option 1:

Option 1 has an estimated gross realisation of $60.2 million (after GST) which is the second highest of all options. This is influenced by the relatively high number of residential apartments compared to Options 2 and 3, which is the key driver of its gross realisation relative to other options.

Alternate Option 2:

Option 2 has a substantially lower estimated gross realisation of $28.8 million, due to its lower residential yield. While it does have slightly higher retail gross sales revenue than Options 1 and 3, this does not have a significant impact on the project's overall gross realisation.

Alternate Option 3:

Option 3 has an estimated gross realisation of $44.2 million, which is the third highest gross realisation of all options. This is reflective of its residential yield, which is higher than Option 2 and lower than Option 1 and the preferred option.

Gross Realisations

77-83 MOORE AND 165-193 MACQUARIE STREETS LIVERPOOL DEVELOPMENT TABLE 4.3

	Cost			
Component	**Preferred Option**	**Alternate Option 1**	**Alternate Option 2**	**Alternate Option 3**
Gross Sales Revenue				
Retail	$5,761,988	$3,854,449	$4,015,320	$3,938,102
Commercial	$10,550,802	$5,960,240	$3,431,361	$4,695,801
Residential Apartments	$60,182,858	$57,314,506	$24,349,472	$41,317,927
Serviced Apartments	$24,567,657	$0	$0	$0
Total Gross Sales Revenue	**$101,063,305**	**$67,129,195**	**$31,796,153**	**$49,951,830**
Less Selling Costs	-$2,209,612	-$1,624,891	-$742,855	-$1,195,986
Net Sales Revenue	**$98,853,693**	**$65,504,304**	**$31,053,298**	**$48,755,844**
Total Revenue (before GST paid)	**$98,853,693**	**$65,504,304**	**$31,053,298**	**$48,755,844**
Less GST paid on all Revenue	-$5,471,169	-$5,210,410	-$2,213,588	-$4,541,075
Total Revenue (after GST paid)	**$93,382,524**	**$60,293,894**	**$28,839,710**	**$44,214,769**

4.4 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 4.4 provides a summary of the feasibility outcomes.

Preferred Option:

The Preferred Option has the highest net development profit of all options at approximately $15.1 million, representing a development margin of 18.75%. This is marginally higher than the development margin in Alternate Option 1. Typically a viable development should achieve a development return of at least 18-20% to satisfy both the developer and the banks requirements, and hence this option is the most feasible of all options.

Alternate Option 1:

Option 1 has the second highest net development profit out of all options at approximately $9.1 million. The development margin (17.27%) is slightly below that of the current preferred option; however is notably above the development margins of both Options 2 and 3.

Alternate Option 2:

Option 2 has the lowest net development profit out of all options of approximately -$1.2 million and development margin of -4.05%, representing the only negative profit and development margin across all options. This is driven by its low residential yield, relative to the cost of developing this option. With a net development loss it is unlikely that this option would be developed.

Alternate Option 3:

Option 3 represents a mid-point between Option 1 and 2 in terms of yield and scale. It has a residential yield of 112, which is higher than Option 2, but lower than Option 1 and the preferred option. Option 3 results in a net development profit of $3.3 million and a development margin 7.82%.

Typically a viable development should achieve a development return of at least 18% - 20% to satisfy both the developer and the banks requirements. While Option 3 results in a positive net development profit, it may not attract the investment / debt financing to develop the subject site with a development margin of just 7.82%.

Summary of Feasibility Outcomes

77-83 MOORE AND 165-193 MACQUARIE STREETS LIVERPOOL DEVELOPMENT TABLE 4.4

	Cost			
Component	**Preferred Option**	**Alternate Option 1**	**Alternate Option 2**	**Alternate Option 3**
COSTS				
Total Construction Costs	$62,581,675	$38,456,025	$19,620,246	$29,291,749
Total Other Costs	$22,845,496	$17,338,879	$13,087,681	$15,276,163
Total Costs (before GST reclaimed	**$85,427,171**	**$55,794,904**	**$32,707,927**	**$44,567,912**
Less GST reclaimed	-$7,134,787	-$4,620,814	-$2,619,379	-$3,647,066
Total Costs (after GST reclaimed)	**$78,292,384**	**$51,174,090**	**$30,088,548**	**$40,920,846**
REVENUE				
Net Sales Revenue	$98,853,693	$65,504,304	$31,053,298	$48,755,844
Total Revenue (before GST paid)	**$98,853,693**	**$65,504,304**	**$31,053,298**	**$48,755,844**
Less GST paid on all Revenue	-$5,471,169	-$5,210,410	-$2,213,588	-$4,541,075
Total Revenue (after GST paid)	**$93,382,524**	**$60,293,894**	**$28,839,710**	**$44,214,769**
PERFORMANCE INDICATORS				
Net Development Profit	$15,090,140	$9,119,804	-$1,248,838	$3,293,923
Development Margin	18.75%	17.27%	-4.05%	7.82%
Residual Land Value	$7,570,673	$6,315,377	$1,368,801	$3,361,801
Breakeven Date	Jan-18	Dec-17	(negative profit)	Dec-17

4.5 CONCLUSION AND IMPLICATIONS

Of the four options, the Preferred Option is the most financially viable option.

While Option 3 is expected to result in a positive net development profit, only the current Preferred Option and Option 1 will deliver a development margin that would likely justify capital investment, with most lenders/investors requiring between 18-20%. The key difference is the sales revenue from residential units, which is significantly higher in the Preferred Option and Option 1 compared to Options 2 and 3. The Preferred Option also achieves higher revenue due to larger commercial and retail floorspace and the addition of a serviced apartment component.

The significantly lower residential yield seen in Option 2 results in this option having a negative development margin and as such is not a viable development option. If the development controls applicable to the subject site restrict development to the scale outlined in Option 3, it is unlikely that the site will undergo redevelopment.

On this basis it is considered that the Preferred Option is the best use of the subject, while Option 1 also presents a feasible option, albeit to a lesser extent. Option 2 and 3 are unlikely to achieve the gross realisation to attract investment / debt financing for redevelopment.

5 Economic Impact Analysis

In addition to the feasibility of the different development options, the Economic Impact on the Liverpool Centre is an important consideration when assessing the highest and best development option for the subject site.

The Economic Impacts of the proposed development options include:

- Increased construction employment
- Increased retail, hospitality and office employment
- Indirect (supplier employment) employment benefits, throughout both the construction and operational phases of development
- Increased retail spending from new residents and visitors

5.1 CONSTRUCTION EMPLOYMENT

Table 5.1 provides estimates of the total employment to be generated during the construction of the different development options.

Direct and indirect construction employment has been derived from the estimated capital expenditure of each development option. It illustrates that the Preferred Option is expected to generate the most construction employment due to its increased scale and subsequent capital expenditure.

Construction Employment Impacts and Capital Expenditure

DEVELOPMENT OPTIONS — TABLE 5.1

	Preferred Option	Alternate Option 1	Alternate Option 2	Alternate Option 3
Total Gross Floor Area (GFA sq.m)	15,896	10,930	5,199	8,145
Capital Expenditure ($ Millions)	$55.2	$33.9	$17.3	$25.8
Direct Construction Jobs	238	146	75	111
Indirect Supplier Jobs	87	53	27	41
Total Construction Jobs[1]	**324**	**199**	**102**	**152**

1. Total Employment - full-time, part-time and casual, and indicates the estimated number of jobs over the life of the construction project plus ongoing multiplier effects. Jobs are for the equivalent of one year of employment

Source : Urbis

5.2 OPERATIONAL EMPLOYMENT IMPACTS

The development options include a mix of commercial, retail and service apartment floorspace that will generate ongoing employment within the Liverpool Centre. As such the varying mix of commercial, retail and serviced apartment floorspace will result in different employment outcomes. Table 5.2 looks at the ongoing employment expected to be generated by the retail and commercial components of the different development options.

The figures are based on a gross floor area to employment ratio, for different types of employment uses.

It illustrates that the larger scale of commercial, retail and serviced apartment employment in the Preferred Option will generate higher ongoing operational employment than the alternative Options 1, 2 and 3.

In addition to the direct employment generated from ongoing operations of the proposed development options, there are multiplier effects felt throughout the local economy.

These multiplier effects are a result of increased demand for materials, services and products from a range of suppliers, as a result of increased consumption generated by the wages of new employees. In economic terms, it represents the absorption of excess supply in other parts of the economy driven by an increase in aggregate demand in the retail industry.

Indirect employment impacts are measured using employment multipliers derived from the Australian National Accounts Input-Output tables, 1996-97. When using these multipliers, a number of issues need to be kept in mind:

- The multipliers reflect how the economy was structured in 1996-97. Since then, the structure of the economy has changed, and the actual impacts are likely to have changed
- The multipliers are based on a static view of the economy, and do not consider price changes driven by changes in demand. This means that results from Input-Output multiplier analysis are likely to represent the upper bound of employment impacts
- The multipliers are national multipliers, not regional. Therefore, while many of the directly created jobs will be filled by locals, many of the indirect jobs are likely to be filled elsewhere
- While more difficult to measure precisely, there will also be significant positive indirect employment impacts for the region as a whole.

Clearly, the employment impacts and the positive benefit to the community from the proposed development are maximised under the Preferred Option. Many of the jobs to be generated from ongoing positions are likely to be taken by local residents.

Operational Employment Impacts
DEVELOPMENT OPTIONS

TABLE 5.2

	Preferred Option	Alternate Option 1	Alternate Option 2	Alternate Option 3
Office (Sq.m)	2,182	1,235	711	973
Sq.m per Job	15	15	15	15
Direct Office Employment	**145**	**82**	**47**	**65**
Retail (Sq.m)	894	599	624	612
Sq.m per Job	16	16	16	16
Direct Retail Employment	**56**	**37**	**39**	**38**
Serviced Apartments (Rooms)	72			
Jobs per 10 rooms	1.5			
Direct Serviced Apartment Jobs	**11**			
Total - Direct Employment[1]	**212**	**120**	**86**	**103**
Total - Indirect Supplier Employment	**169**	**95**	**69**	**82**
Total - Operational Employment	**381**	**215**	**155**	**185**

Total Employment full-time part-time and casual within the proposed development option

Total Employment full-time part-time and casual supplier employment

Source Urbis

5.3 RETAIL SPEND IMPACT

The development of residential apartments and serviced apartments within the Liverpool Centre will attract additional residents and visitors, and subsequently increases the retail spend available to local businesses.

Table 5.3 outlines the differing yield and mix of apartments for the four development options. It shows that the Preferred Option has the highest yield with 134 residential apartments and 72 serviced apartments proposed, followed by Option 1 (128 residential apartments), Option 3 (92 residential apartments) and Option 2 (54 residential apartments).

The increase in resident population is also outlined, and is based on the average resident occupancy of 1, 2 and 3 bed apartments within the Liverpool LGA. Spend per capita is applied to the number of new residents, which for the residential market catchment (identified in Section 2) is $10,821 per capita per annum.

In addition, visitors have been based on an average occupancy of 70% with an average number of guests per room of 1.2 guests per night. The average retail expenditure of domestic overnight visitors to the Sydney SD is $91.68 per night (Based on Tourism Australia data, 2014). Domestic overnight visitors will be the predominant visitor type to Liverpool.

Subsequently the Preferred Option is expected to result in the highest increase in retail spend, due to its higher residential yield (albeit with a smaller average apartment size mix and its serviced apartment visitors.

It is expected that a large proportion of this would be directed to Liverpool retail businesses, given the proposed development proximity to the Liverpool Mall and Westfield.

Retail Spend Impact
DEVELOPMENT OPTIONS

TABLE 5.3

	Preferred Option	Alternate Option 1	Alternate Option 2	Alternate Option 3
Residential (Units)	**134**	**128**	**54**	**92**
1 Bed	62	38	15	27
2 Bed	68	84	36	60
3 Bed	4	6	3	5
New Residents[2]	**247**	**261**	**111**	**188**
Spend per Capita[1]	**$10,821**	**$10,821**	**$10,821**	**$10,821**
Total Retail Spend ($ M) Residents	**$2.68**	**$2.82**	**$1.21**	**$2.04**
Serviced Apartments	**72**			
Occupancy Rate	70%			
Annual Room Nights Sold	18,396			
Guests (Ave 1.2 per room)	22,075			
Average Spend per night	$92			
Total Retail Spend ($ M) Visitors	**$2.02**			
Total Retail Spend ($ M)	**$4.70**	**$2.82**	**$1.21**	**$2.04**

[1] Per Capita Spend for residential market catchment residents

[2] Based on average occupancy of 1, 2 and 3 bed apartments in the Liverpool LGA

[3] Based on Tourism Australia Sydney Domestic Overnight Visitors Retail Only Spend 2014

Source: Urbis, Marketinfo 2012

5.4 CONCLUSIONS AND IMPLICATIONS

The economic impact of different development options is outlined in Table 5.4. It illustrates that the Preferred Option has the highest economic benefit to the community, delivering the highest number of ongoing employment, construction jobs and retail spend.

It illustrates that in addition the Preferred Option being most financially feasible option; it is expected to result in the strongest economic outcome for the Liverpool Centre. In addition as outlined in the Environment Impact Statement (EIS) for the Preferred Option this development option is unlikely to result in any negative impacts on the Centre (e.g. traffic or overshadowing), is well located at the end of Liverpool Mall and is in close proximity to the train station. As such Urbis considers the Preferred Option as the optimal use of the subject site.

TABLE 5.4 – ECONOMIC IMPACT SCORECARD SUMMARY

FACTOR	PREFERRED OPTION	ALTERNATE OPTION 1	ALTERNATE OPTION 2	ALTERNATE OPTION 3
Construction Phase Employment	324	199	102	152
Operational Phase Employment	381	215	155	185
Retail Spend ($ Million)	$4.70	$2.82	$1.21	$2.04
Economic Impact – Rank	**1**	**2**	**4**	**3**

Source: Urbis

Disclaimer

This report is dated April 2015 and incorporates information and events up to that date only and excludes any information arising, or event occurring, after that date which may affect the validity of Urbis Pty Ltd's (**Urbis**) opinion in this report. .Urbis prepared this report on the instructions, and for the benefit only, of Abacus Funds Management Ltd (**Instructing Party**) for the purpose of Highest and Best Use Assessment (**Purpose**) and not for any other purpose or use. To the extent permitted by applicable law, Urbis expressly disclaims all liability, whether direct or indirect, to the Instructing Party which relies or purports to rely on this report for any purpose other than the Purpose, and to any other person which relies or purports to rely on this report for any purpose whatsoever (including the Purpose).

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Form of example restrictive covenant

1 Terms of Restriction on Use of Land numbered [##] in the Plan

1.1 Terms of restriction

The Grantor must not undertake any development works on the Lot Burdened resulting in a floor space ratio for all lots in the plan taken together is greater than 36,727.46 square metres (as calculated in accordance with the Liverpool LEP) without the consent of Council.

This is a restriction under sect 88E of the Conveyancing Act, 1919.

In this restriction, Liverpool LEP means the Liverpool Local Environmental Plan 2008 time to time or any variation or replacement of it.

Authority empowered to release, vary or modify this easement

Council is the party authorised to release, vary or modify this easement under section 88 of the Conveyancing Act, 1919.

77-83 Moore and 165-193
Macquarie Streets, Liverpool

Planning Proposal

transportation planning, design and delivery

GTAconsultants