

Economic Feasibility Analysis

South Coast Office: 02 4421 7155
Illawarra Office: 02 4229 7867

All Correspondence to:
PO Box 16
Nowra NSW 2541
valuations@wmval.com.au
www.wmval.com.au

On behalf of John Babbington



Mixed Use Development (Shop top housing)
Lots 1 and 2 in Deposited Plan 21597
St Vincent Street
Ulladulla NSW 2539

Our reference: 20190029 AH:BD

Executive summary

Property	Mixed Use Development (Shop top housing) Lots 1 and 2 in Deposited Plan 21597 St Vincent Street Ulladulla NSW 2539
Instructed by	John Babbington PO Box 611 Ulladulla NSW 2539 Email: belindaivy@hotmail.com
Our reference	20190029 AH:BD
Purpose	Economic Feasibility Analysis
Area	2,807 square metres.
Current town planning	The subject property is zoned B5 Business Development in the Shoalhaven Local Environmental Plan 2014, which was gazetted on 8 th April, 2014.
Brief description	<p>An Economic Feasibility Assessment is to be undertaken in relation to Council's planning proposal (PPO30) Building Height Review – Southern Part of Ulladulla CBD, relating to a mixed use development precinct towards the south western fringe of the Ulladulla commercial precinct.</p> <p>The intended outcome of the planning proposal is to:</p> <ol style="list-style-type: none">1. Increase the current maximum building height applying to the land from 7.5 metres to part 11 metres and part 14 metres; and2. Rezone the land known as Lots 1 to 7 and 9 Deposited Plan 21597 and Lot CP SP42583 St Vincent and Deering Street, Ulladulla from B5 Business Development to B4 Mixed Use. <p>The proposed partial rezoning will provide an opportunity for higher density residential development, most likely in the form of residential flat buildings. While the current B5 zoning permits mixed used development as "shop top" housing, it would also essentially require an entire ground floor to be commercial in nature. The B4 Mixed Use zoned would enable an element of flexibility, resulting in better design outcomes and complement the adjoining residential development along the western side of St Vincent Street.</p> <p>This economic feasibility assessment for residential/commercial development across Lots 1 and 2 in Deposited Plan 21597 (116-118 St Vincent Street, Ulladulla) will inform council of the height that would most likely achieve a feasible development outcome.</p>

This executive summary must be read in conjunction with the entire report and the details contained therein.

Prepared by

Walsh and Monaghan Pty Limited



Adam Hopcroft (Director) AAPI
Certified Practising Valuer
API Member 68926



Contents

1.0	Introduction and instructions	4
1.1	<i>Property</i>	4
1.2	<i>Instructing party</i>	4
1.3	<i>Instructions</i>	4
1.4	<i>Date of report</i>	4
2.0	Property details	5
2.1	<i>Legal description</i>	5
2.2	<i>Location and surrounding development</i>	6
2.3	<i>Site and services</i>	6
2.4	<i>Environmental / hazardous materials</i>	9
3.0	Town planning	10
3.1	<i>Local authority</i>	10
3.2	<i>Current zoning</i>	10
3.3	<i>Proposed zoning</i>	10
3.4	<i>Other planning information</i>	12
4.0	Supply conditions	13
4.1	<i>Commercial core and local centre</i>	13
4.2	<i>Mixed use</i>	13
5.0	Demand conditions	14
5.1	<i>Business</i>	14
5.2	<i>Residential (strata units)</i>	14
6.0	Proposed development	15
7.0	Sales analysis	20
8.0	Feasibility analysis	21
8.1	<i>14 metres – four storey</i>	21
8.2	<i>11 metres - three storey</i>	24
8.3	<i>Comparative analysis</i>	27
9.0	Development market parameters	28
10.0	Annexures	30

1.0 Introduction and instructions

1.1 Property

Mixed Use Development (Shop Top Housing) - 116-118 St Vincent Street, Ulladulla, City of Shoalhaven, New South Wales.

1.2 Instructing party

John Babbington
PO Box 611
Ulladulla NSW 2539

Email: belindaivy@hotmail.com

1.3 Instructions

An Economic Feasibility Assessment is to be undertaken in relation to Council's planning proposal (PPO30) Building Height Review – Southern Part of Ulladulla CBD.

The Economic Feasibility Assessment relating to Lots 1 and 2 in Deposited Plan 21597 utilises the development heights as follows:

1. 14 metres – four storey (undercroft parking and ground level commercial with three levels of residential)
2. 11 metres – three storey (undercroft parking and ground level commercial with three levels of residential)

This Feasibility Assessment will inform Council of a height that will most likely achieve a feasible development outcome. The analysis is entirely based upon concept plans designed by Cox Architects and provided by the proponent in this matter.

1.4 Date of report

18th February 2019.



2.0 Property details

2.1 Legal description

2.1.1 Title details

Lots 1 and 2 in Deposited Plan 21597.

2.1.2 Registered owner

The registered proprietor is Tecmah Pty Limited.

```
FOLIO: 1/21597
-----

          SEARCH DATE      TIME          EDITION NO    DATE
          -----          -
          19/2/2019        9:06 AM          5             20/9/2014

LAND
----
LOT 1 IN DEPOSITED PLAN 21597
  AT ULLADULLA
  LOCAL GOVERNMENT AREA SHOALHAVEN
  PARISH OF ULLADULLA  COUNTY OF ST VINCENT
  TITLE DIAGRAM DP21597

FIRST SCHEDULE
-----
TECMAH PTY LIMITED                                (T AI905286)

SECOND SCHEDULE (1 NOTIFICATION)
-----
1  RESERVATIONS AND CONDITIONS IN THE CROWN GRANT(S)
```

Figure 2.12 – Extract of Title Search lot 1

```
FOLIO: 2/21597
-----

          SEARCH DATE      TIME          EDITION NO    DATE
          -----          -
          19/2/2019        9:06 AM          4             20/9/2014

LAND
----
LOT 2 IN DEPOSITED PLAN 21597
  AT ULLADULLA
  LOCAL GOVERNMENT AREA SHOALHAVEN
  PARISH OF ULLADULLA  COUNTY OF ST VINCENT
  TITLE DIAGRAM DP21597

FIRST SCHEDULE
-----
TECMAH PTY LIMITED                                (T AI905286)

SECOND SCHEDULE (1 NOTIFICATION)
-----
1  RESERVATIONS AND CONDITIONS IN THE CROWN GRANT(S)
```

Figure 2.12 – Extract of Title Search Lot 2

2.2 Location and surrounding development

The subject land is situated on the eastern side of St Vincent Street, just north of its intersection with Deering Street, towards the south western fringe of the Ulladulla commercial precinct. Ulladulla is a coastal settlement situated approximately 65 kilometres south from Nowra and 250 kilometres south from the City of Sydney on the New South Wales South Coast.

Surrounding development is quite diverse in its nature with a wide variety of commercial development extending along the Deering Street and Princes Highway alignments. Uses are predominantly of a retail nature, particularly along the Highway where exposure is maximised, with some commercial office space located on the upper level or at the rear of retail tenancies. There are also industrial strata units located along Deering Street, generally west of the Highway alignment. The main bulky goods hub extends southward from the Deering Street intersection towards Parsons Street.

Development opposite and adjoining to the north is predominately residential in its nature comprising various units and detached freestanding premises.

Location map

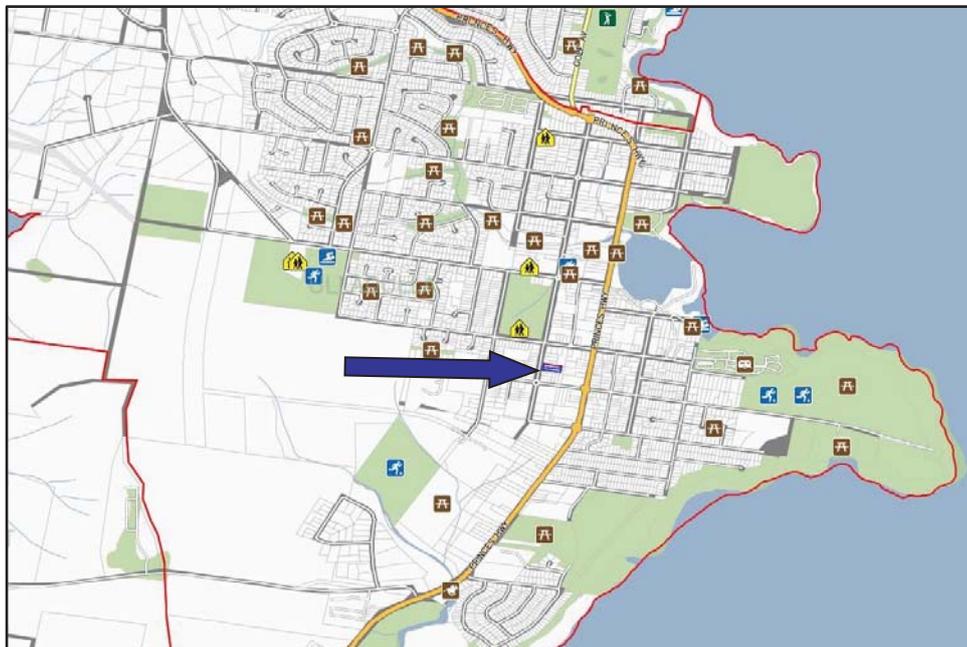


Figure 2.2 - Location map
(source EAC online mapping)

2.3 Site and services

2.3.1 Site description and topography

Lot 1 and 2 comprise a generally regular shaped allotment, composed of sedimentary clay based soils, being slightly above the road frontage and rising very gently towards the rear boundary. The site has a westerly aspect with no significant outlook, however, the elevated nature of the land would enable quite significant coastal and ocean views in a north easterly direction from the upper levels of a development. Views towards the south east, across adjoining development, may also be achieved from upper levels dependent upon the overall design concept adopted for the site.



Figure 2.31 - Aerial photograph
 (Source: EAC online mapping)



Site from rear looking to St Vincent Street



St Vincent Street frontage



Rear of allotment from adjoining site. Views east over existing development would be possible.



Streetscape extending south from subject. Views only achieved at a height in excess of existing development.



Streetscape looking north along St Vincent Street. Two storey development on north side of site will obscure views from lower level of development.



Two storey development adjoining rear corner of site. Views only achieved at a height in excess of existing development.

2.32 Access

Access to the site is available from its frontage to St Vincent Street, which is a bitumen sealed formation with concrete kerb and gutter.

2.33 Services

All the essential services namely electricity, telephone, town water and sewer (and gas) are available for extension to/or connected to the subject site.

2.34 Site area

Lot 1 in Deposited Plan 21597 – 1,404 square metres.

Lot 2 in Deposited Plan 21597 – 1,404 square metres.

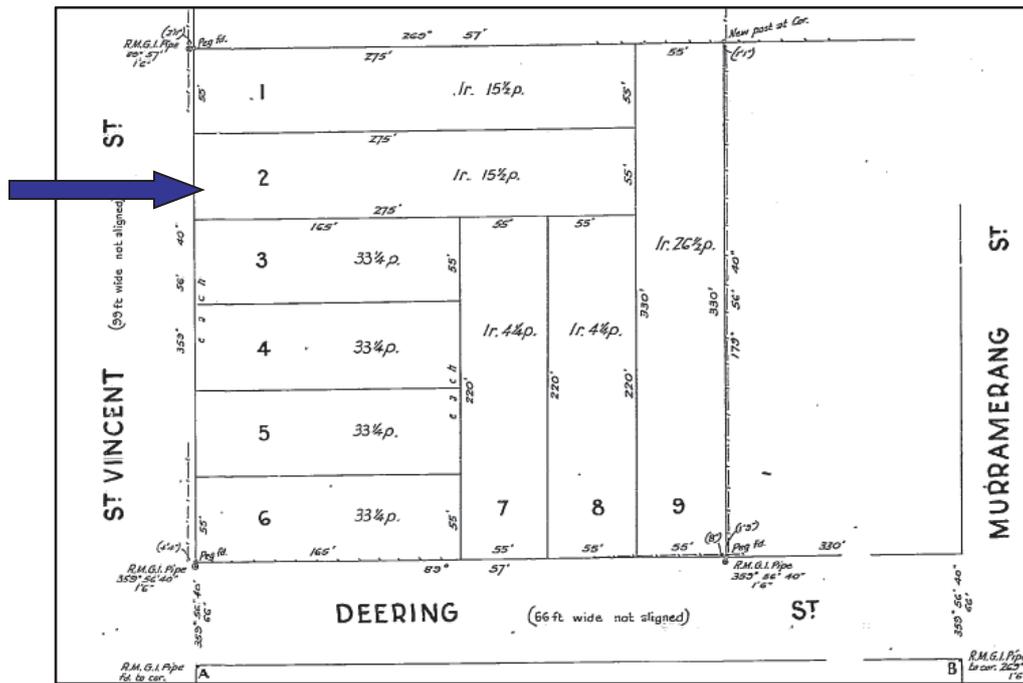


Figure 2.34 – Extract of Deposited Plan

2.4 Environmental / hazardous materials

2.4.1 environmental issues

Our cursory inspection did not reveal any further obvious environmental concerns or known hazards such as flooding, bushfire, landslip, drainage or mine subsidence. Interested parties should obtain a Section 149 Certificate from the relevant council to confirm.

2.4.2 Site contamination

The status of the site has not been confirmed by an Environmental Audit or a search of the contaminated sites register (Shoalhaven City Council does not have an accessible Contaminated Sites register).

Walsh & Monaghan are not experts in Contamination Issues and while there is no obvious hazard or contamination evident, we cannot guarantee there is no contamination present.

2.4.3 Past uses

The valuer is unaware of any past or present uses of the subject property which give rise to significant risk of contamination.

3.0 Town planning

3.1 Local authority

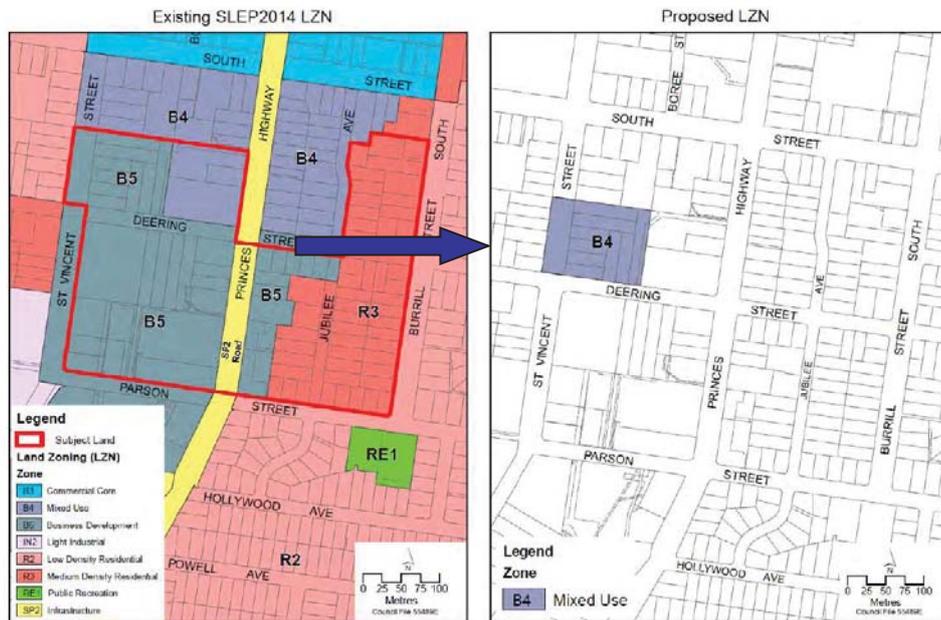
Shoalhaven City Council.

3.2 Current zoning

Lots 1 and 2 in Deposited Plan 21597 is zoned B5 Business Development in the Shoalhaven Local Environmental Plan 2014, which was gazetted on 8th April, 2014.

3.3 Proposed zoning

The proposed zoning for Lots 1 and 2 in Deposited Plan 21597 is B4 Mixed Use with the revised land zoning map as below.



B1 Neighbourhood Centre	B2 Local Centre	B3 Commercial Core
B4 Mixed Use	B5 Business Development	B6 Enterprise Corridor
B7 Business Park	E1 National Parks and Nature Reserves	E2 Environmental Conservation
E3 Environmental Management	E4 Environmental Living	IN1 General Industrial
IN2 Light Industrial	IN3 Heavy Industrial	IN4 Working Waterfront
R1 General Residential	R2 Low Density Residential	R3 Medium Density Residential
R4 High Density Residential	R5 Large Lot Residential	RE1 Public Recreation
RE2 Private Recreation	RU1 Primary Production	RU2 Rural Landscape
RU3 Forestry	RU4 Primary Production Small Lots	RU5 Village
RU6 Transition	SP1 Special Activities	SP2 Infrastructure
SP3 Tourist	W1 Natural Waterways	W2 Recreational Waterways
W3 Working Waterways	DM Deferred Matter	JE Shoalhaven LEP (Jerberra Estate) 2014
MD SEPP (Major Development) 2005	UL Unzoned Land	

Figure 3.2 - Zoning Map Shoalhaven LEP 2014
(Source: Planning Proposal – PP030)



The LEP states in relation to the zone:

Zone B5 Business Development

1. Objectives of zone

- To enable a mix of business and warehouse uses, and bulky goods premises that require a large floor area, in locations that are close to, and that support the viability of, centres.
- To allow a diversity of activities that do not significantly conflict with the operation of existing or proposed development.

2. Permitted without consent

Nil

3. Permitted with consent

Backpackers' accommodation; Boarding houses; Bulky goods premises; Centre-based child care facilities; Garden centres; Hardware and building supplies; Hotel or motel accommodation; Landscaping material supplies; Light industries; Passenger transport facilities; Respite day care centres; Roads; Self-storage units; Serviced apartments; Shop top housing; Warehouse or distribution centres; Any other development not specified in item 2 or 4

4. Prohibited

Agriculture; Air transport facilities; Airstrips; Boat launching ramps; Boat sheds; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Correctional centres; Eco-tourist facilities; Environmental facilities; Exhibition homes; Exhibition villages; Extractive industries; Farm buildings; Forestry; Helipads; Highway service centres; Home occupations (sex services); Industrial training facilities; Industries; Jetties; Marinas; Mooring pens; Moorings; Mortuaries; Open cut mining; Residential accommodation; Resource recovery facilities; Restricted premises; Rural industries; Sex services premises; Storage premises; Tourist and visitor accommodation; Truck depots; Waste disposal facilities; Wharf or boating facilities

Zone B4 Mixed Use

1. Objectives of zone

- To provide a mixture of compatible land uses.
- To integrate suitable business, office, residential, retail and other development in accessible locations so as to maximise public transport patronage and encourage walking and cycling.

2. Permitted without consent

Nil

3. Permitted with consent

Attached dwellings; Boarding houses; Building identification signs; Business identification signs; Centre-based child care facilities; Commercial premises; Community facilities; Educational establishments; Entertainment facilities; Function centres; Group homes; Hotel or motel accommodation; Information and education facilities; Medical centres; Multi dwelling housing; Passenger transport facilities; Recreation facilities (indoor); Registered clubs; Residential flat buildings; Respite day care centres; Restricted premises; Roads; Seniors housing; Shop top housing; Tourist and visitor accommodation; Any other development not specified in item 2 or 4

4. Prohibited

Agriculture; Air transport facilities; Airstrips; Boat building and repair facilities; Boat launching ramps; Boat sheds; Camping grounds; Caravan parks; Cemeteries; Crematoria; Depots; Eco-tourist facilities; Electricity generating works; Environmental facilities; Exhibition homes; Exhibition villages; Extractive industries; Farm buildings; Farm stay accommodation; Forestry; Freight transport facilities; Heavy industrial storage establishments; Helipads; Highway service centres; Home occupations (sex services); Industrial retail outlets; Industrial training facilities; Industries; Jetties; Marinas; Mooring pens; Moorings; Mortuaries; Open cut mining; Recreation facilities (outdoor); Research stations; Residential accommodation; Resource recovery facilities; Rural industries; Sex services premises; Signage; Storage premises; Transport depots; Truck depots; Vehicle body repair workshops; Warehouse or distribution centres; Waste disposal facilities; Wharf or boating facilities

(Source: Shoalhaven City Council online Zoning information)



3.4 Other planning information

3.4.1 Height of buildings

The Planning Proposal PP030 dated March 2018, shows the current height of buildings to be 7.5 metres and the proposed height of buildings to be 14 metres as shown on the maps below.

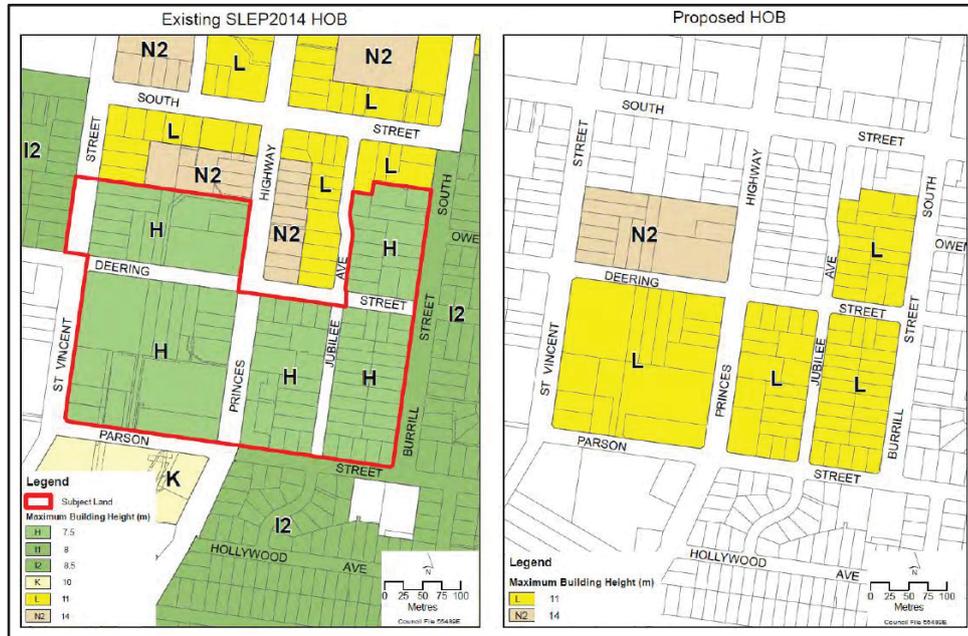


Figure 3.41 – Height of Buildings Map Shoalhaven LEP 2014
(Source: Planning Proposal PP030)

The planning information provided is based on our enquiries and should be confirmed by a Council Planning Certificate to ensure there are no amendments or variations applying to the property. If any amendments are discovered or consents and orders not complied with or expired, we reserve the right to amend our valuation.

4.0 Supply conditions

4.1 Commercial core and local centre

A detailed analysis of the Ulladulla commercial precinct indicates existing supply conditions as follows;

- | | | | |
|----|--------------------------------|----------|-----------------------------|
| 1. | B5 - Business Development zone | 34 sites | Total 10.19 hectares |
| 2. | B3 – Commercial Core zone | 71 sites | Total 10.42 hectares |

The broader objectives of the local centre and commercial core zones are to provide for a range of retail, business and community uses to encourage employment opportunities. There is a relative abundance of business zoned land throughout the coastal settlement of Ulladulla.

Whilst supply is adequate, land available for immediate development is constrained by the improved nature of much of the land (demolition and/or refurbishment of existing structures). The limited alternate uses and tenancy profile in smaller coastal settlements tends to make further development unviable.

4.2 Mixed use

The mixed use zone in Ulladulla and most other coastal settlements has become more of a transitional zone, where uses are a mix of residential and tourism accommodation. The adopted floor space ratios and height limits have made development viable on most of the smaller sites, some in highly sort after waterfront locations.

A detailed analysis of the Ulladulla commercial precinct indicates existing supply conditions as follows;

- | | | | |
|----|---------------------|----------|-----------------------------|
| 1. | B4 – Mixed Use zone | 64 sites | Total 13.44 hectares |
|----|---------------------|----------|-----------------------------|

Existing supply appears adequate, however, land available for immediate development is (as above) mostly constrained by the improved nature of much of the land (demolition and/or refurbishment of existing structures).

4.21 Overall supply (B4 mix use zone only)

The overall supply, throughout Shoalhaven LGA is as follows:

B4 Mixed Use

St Georges Basin	46 sites	278,133 m ²
Huskisson	53 sites	70,499 m ²
Sussex Inlet	15 sites	24,157 m ²
Mollymook	50 sites	105,975 m ²
Bomaderry	71 sites	219,246 m ²
Nowra	357 sites	553,492 m ²
Ulladulla	64 sites	134,456 m ²



5.0 Demand conditions

A review of broader drivers of demand for mixed use land throughout the Shoalhaven Local Government Area is as follows;

5.1 Business

5.1.1 B4 Mixed use

- Broader permissible uses including residential units.
- Generally, strong demand for finished product in coastal locations.
- Adopted floor space ratios (FSR) are generally higher than low density residential (0.35:1.00) making viability of development superior.
- Most locations have underlying single residential uses with redevelopment (demolition) possible.
- Bonus provision (20%) for basement parking.
- Larger centres (Bomaderry/Nowra/Ulladulla) have mixed use precincts at the fringe of core areas, however, many are substantially developed with the cost of demolition rendering development unviable.
- Limited redevelopment of sites for multi storey unit developments within larger centres, however, demand largely untested in this emerging market sector.
- Site consolidation required to facilitate scale of development in some instances.

Having regard to the aforementioned points, it is unlikely demand in this sector is being impacted by the current supply of zoned land with external determinants largely influencing the market. That is, demand is generally a reflection of the existing state of the residential market with the upper end of the cycle increasing the overall feasibility of development.

The broader permissible land uses within the B4 mixed use zoning will underpin demand, however, existing supply will cater for market requirements over the medium to long term in the immediate locality. It is envisaged that most development, taking advantage of greater density and building heights, will only occur in areas with strong underlying tourism potential.

5.1.2 Commercial core and local centre

Local centre and commercial core development in the immediate area will continue to be impacted by the limited alternate uses and tenancy profile within coastal settlements. The level of demand in smaller coastal centres is unlikely to make genuine commercial development or redevelopment viable in most instances.

5.2 Residential (strata units)

Broader demand within the residential unit sector is well illustrated by the clearance rates achieved throughout the coastal settlement of Ulladulla. Obviously, clearance rates over time also reflect the availability of stock within the suburb or settlement and the limited number of developments occurring most recently.

5.2.1 Clearance rates 2017 (units)

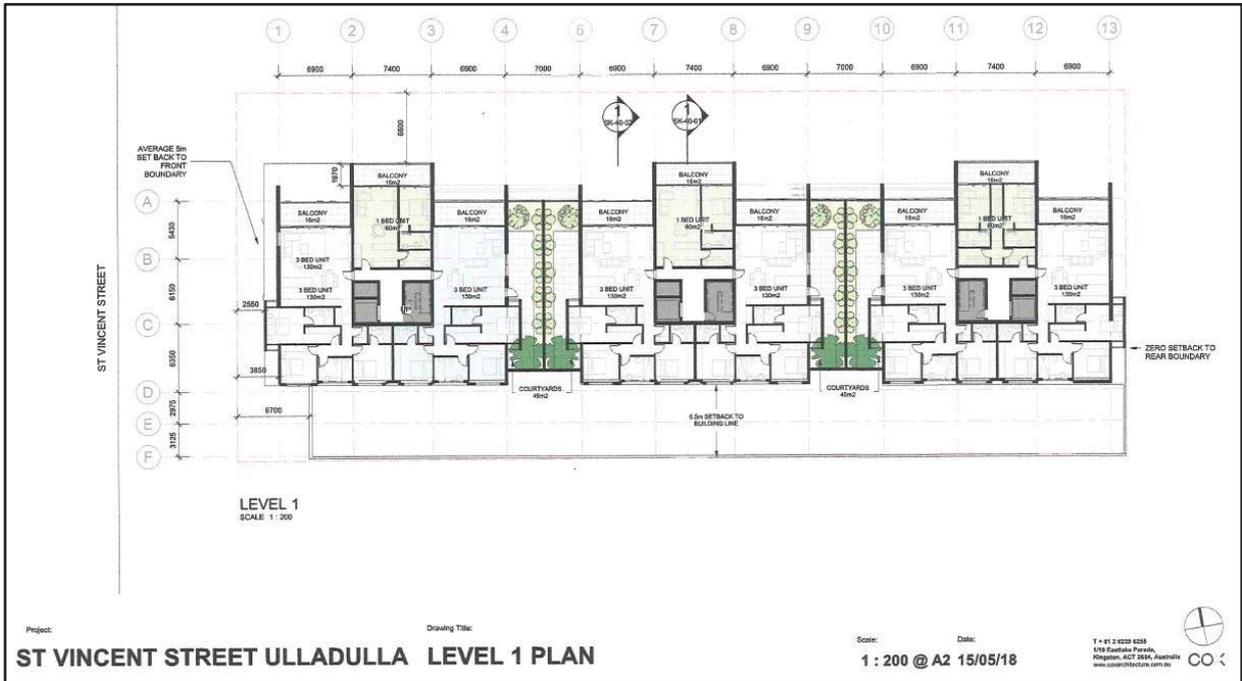
Ulladulla – 34 transaction (median \$430,000)

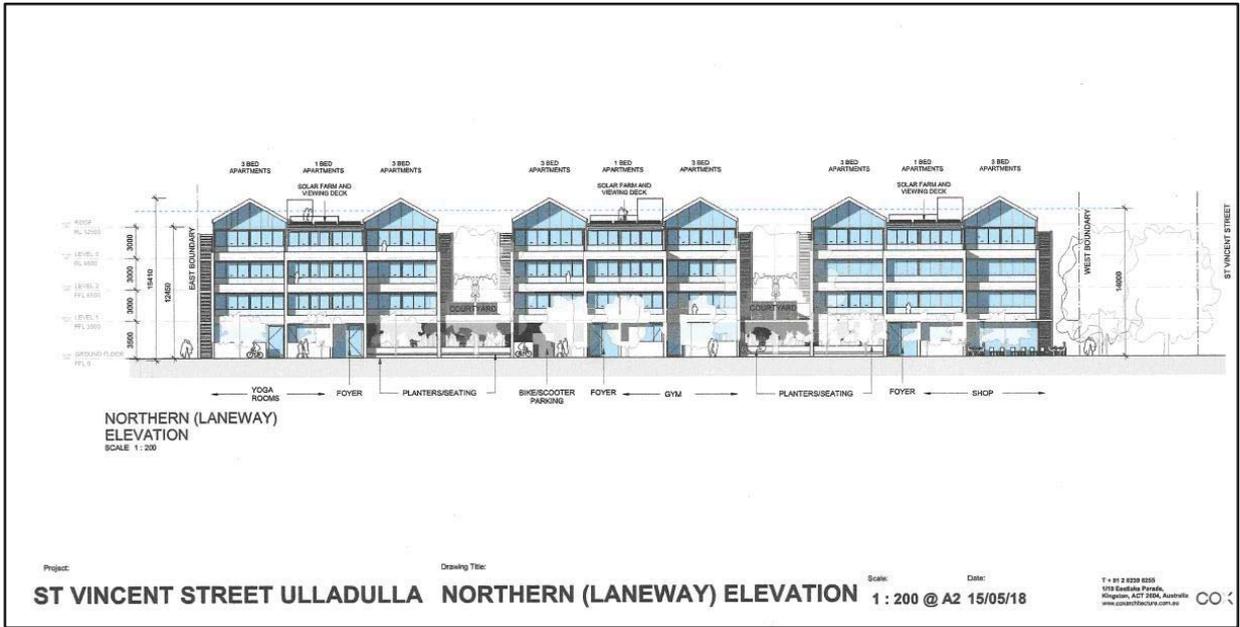
5.2.2 Clearance rates 2018 (vacant)

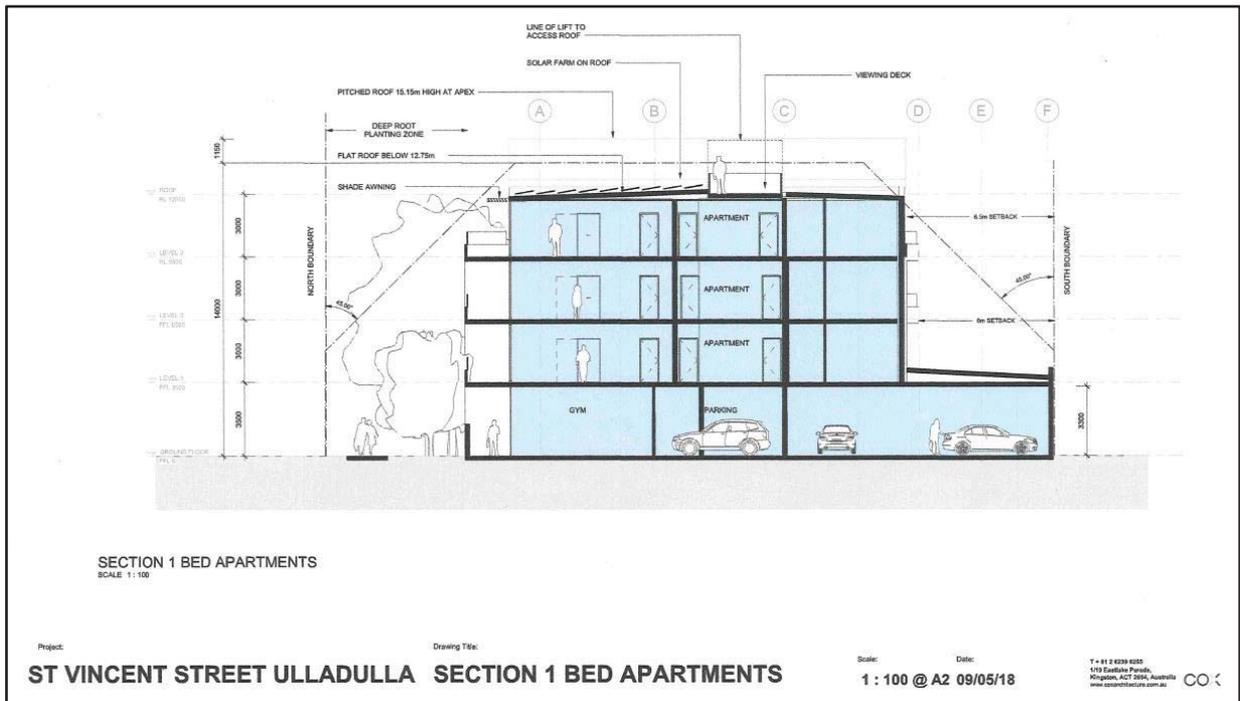
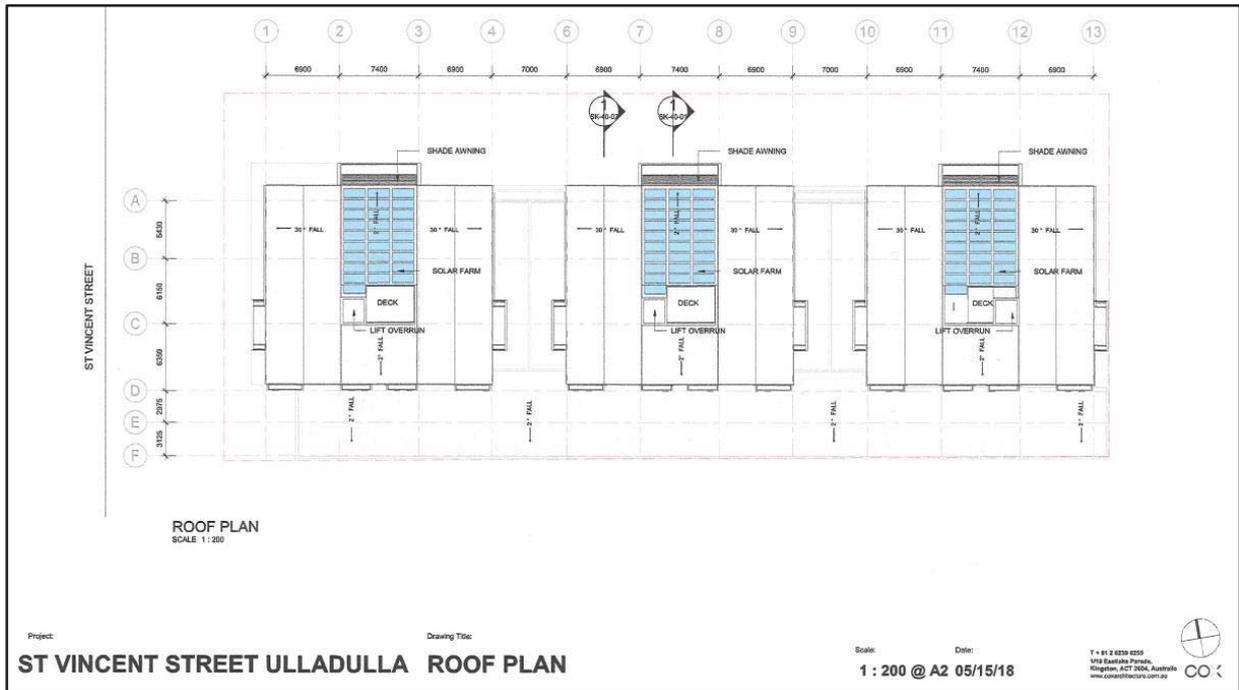
Ulladulla – 20 transactions (median \$475,000)



6.0 Proposed development







7.0 Sales analysis

The most recent sales of medium density development land in Ulladulla include:

Sale 1	
Address	28 St Vincent Street, Ulladulla
Sale date	1 st September 2017
Sale price	\$695,000
Land area	1,897 square metres
A regular shape vacant development site (R3 zone – medium density) with gently sloping topography. DA approval in place for five units. All services available. Sale indicates \$366 per m ² site area.	
Comparison:	Similar position with water views. Inferior zone with significantly lower floor space ratio. Overall inferior.

Sale 2	
Address	30 Nurrawallee Street, Ulladulla
Sale date	24 th March 2017
Sale price	\$680,000
Land area	2,026 square metres
A regular shape vacant development site (R3 zone – medium density) with gentle fall to rear boundary. No development approval but suitable for approximately six units. All services available. Sale indicates \$335 per m ² site area.	
Comparison:	Similar position with no water views. Inferior zone with significantly lower floor space ratio. Overall inferior.

Sale 3	
Address	Lot 1 Church Street, Ulladulla
Sale date	2 nd May 2018
Sale price	\$1,125,000 (Ex GST)
Land area	2,754 square metres
An irregular shaped vacant development site (R3 zone – medium density) with sloping topography, close to town centre with harbour views. All services available. Sale indicates \$408 per m ² site area. Floor Space Ratio 1:1.	
Comparison:	Superior position but similar development potential. Comparable with adjustment for Floor Space Areas (FSA).



8.0 Feasibility analysis

In assessing the market value of the subject land in this scenario, we assume the “highest and best” use to be for a mixed use commercial and residential development, in accordance with the concept plans (above).

The accurate assessment of the residual land value allows a base line comparison when determining the profitability of the development. That is, if all inputs remain consistent across each development scenario then the profit can be altered to achieve the desired residual land value.

The sale at Church Street, Ulladulla would be the best indicator of value for the subject development site. Whilst reasonably comparable in site area adjustment must be made to reflect the varying Floor Space Ratios (FSR) on each site. The adjustment is best made on the basis of total Floor Space Area (FSA) available for development on each site.

The Floor Space Area (FSA) calculation on each is as follows;

Sale 2,754m² FSA (site area multiply by 1.0 FSR) equating to a rate of \$408 per m² of floor space area.

Subject 4,212m² FSA (site area multiply by 1.5 FSR)

As the subject comprises a total floor space area that is significantly greater, a downward adjustment must be applied due to the varying scale of possible development. It is considered a reduction in the order of 30% is reasonable, therefore, resulting in a rate of \$280 per m² FSA to be applied to the subject site.

The value of the land is calculated as follows:

4,212m² FSA @ \$280/m² = \$1,179,360

Adopt \$1,175,000 as residual land value in hypothetical development

In making our hypothetical development calculation (residual land value) we have made the following assumptions in each scenario.

8.1 14 metres – four storey

8.11 Gross realisation

The feasibility is based upon concept plans as per section **6.0 Proposed Development** (above).

The ground floor of the development comprises a corner shop, two other commercial spaces and 49 parking spaces plus a secure bicycle store. There are three (3) separate foyer areas with lift, waste receptacle and various courtyard areas. The gross realisation from this level comprises the various retail spaces only. It is assumed that sufficient covered parking exists to allow commercial occupation of each of the three (3) tenancies.

Level one (1) comprises a combination of six three (3) bedroom apartments and three one (1) bedroom units. Each of the larger units has an attached landscaped courtyard (45m²).

Level two (2) comprises a combination of six three (3) bedroom apartments and three one (1) bedroom units.

Level three (3) comprises a combination of six three (3) bedroom apartments and three one (1) bedroom units.

The gross realisation is calculated as follows;



Ground Level					Comments			
Retail	70	@	\$ 4,150	\$ 290,500	Commercial studio - rear of development (lane)			
Retail	70	@	\$ 4,150	\$ 290,500	Commercial studio - rear of development (lane)			
Retail	100	@	\$ 4,150	\$ 415,000	Corner store or takeaway - front of development			
			Gross Realisation	\$ 996,000	GFA	1812	Rate (\$ per GFA)	\$ 550
Level One (1)					Comments			
Three Bed	1	@	\$ 515,000	\$ 515,000	Street frontage with no views available to north			
Three Bed	4	@	\$ 525,000	\$ 2,100,000	Courtyard apartments (45m ² landscaped area)			
Three Bed	1	@	\$ 550,000	\$ 550,000	Rear of development with ocean view to east			
One Bed	3	@	\$ 350,000	\$ 1,050,000	One bed apartment with no significant outlook			
			Gross Realisation	\$ 4,215,000	GFA	1338	Rate (\$ per GFA)	\$ 3,150
Level Two (2)					Comments			
Three Bed	6	@	\$ 575,000	\$ 3,450,000	All units view north over adjoining development			
One Bed	3	@	\$ 395,000	\$ 1,185,000	All units view north over adjoining development			
			Gross Realisation	\$ 4,635,000	GFA	1163	Rate (\$ per GFA)	\$ 3,985
Level Three (3)					Comments			
Three Bed	6	@	\$ 650,000	\$ 3,900,000	All units view north and south over adjoining			
One Bed	3	@	\$ 450,000	\$ 1,350,000	All units view north and south over adjoining			
			Gross Realisation	\$ 5,250,000	GFA	1163	Rate (\$ per GFA)	\$ 4,514

The total gross realisation from sales equates to **\$15,096,000**.

8.12 Selling costs

We have allowed for agents fees based on 2.75% of gross realisation and Conveyancing/legal fees of 0.55% per lot. These amounts are GST inclusive.

8.13 Clearance rate

We have assumed a number of units will be sold "off the plan" during construction (18 months). As such, we have assumed that by physical completion some of the units will be exchanged for sale and settlements will occur accordingly. The remaining will be transacted across a further 42 months (inclusive of commercial component). The overall sales rate equates to 6 units per annum (27 residential and 3 commercial).

8.14 GST

We are unaware of the tax status of the land, however, we have assumed that GST impost will be calculated under the margin scheme upon the sale of each unit. Some advice may need to be obtained in regard to GST.

8.15 Profit and risk allowance

Based on the current state of the market, we consider a profit and risk allowance of **20% to 25%** should be obtainable. The inability of a development to sustain a profit margin above 15% would mean the project is unlikely to secure funding from any of the major financiers.

To attain the residual site value (\$1,175,000 calculated as above) in this instance, a profit and risk allowance of **20.57%** has to be adopted. The development, therefore, is viable at four (4) levels.



8.16 Development costs

The plans indicate the subject development will have areas as follows;

<u>Ground Floor</u>	1,812m ²
<u>Level One</u>	1,338m ²
<u>Level Two</u>	1,163m ²
<u>Level Three</u>	1,163m ²
<u>TOTAL FLOOR AREA</u>	5,476m² (GFA)

We are aware of a similar development being constructed within the Shoalhaven. The development comprises a GFA of approximately 5,168m² with undercroft basement level parking (secure) and four (4) levels of habitable areas comprising 31 residential units (two and three bedroom). The executed fixed price building contract indicates construction costings of approximately \$1,800 per m² of GFA.

Accordingly, a rate of \$1,750 per square metre has been applied to the subject development. This is slightly less than the costing, however, we would expect some economies to be derived from the larger scale of the subject development and the fact that there are fewer landscaped common areas.

The total development cost adopted equates to **\$9,583,000**.

8.17 Holding and acquisition charges

We have allowed for interest on borrowings at 6.50% per annum (weighted average) with additional allowance for council rates, land tax (if applicable), stamp duty and legal on purchase (based on residual value).

Briefly, calculations can be seen as follows;



Project	Months						
	0	Lead in (consultants survey and design for granting of consent)					
	18	Development					
	42	Sellout/Recapture (estimated time to sell all lots)					
	0.280	Hectares					
GROSS REALISATION							Rate per m² GFA
Level 1		Retail & Parking (49 spaces)	1812	m ² GFA	\$	996,000	\$ 550
Level 2		Residential Units (9 total)	1338	m ² GFA	\$	4,215,000	\$ 3,150
Level 3		Residential Units (9 total)	1163	m ² GFA	\$	4,635,000	\$ 3,985
Level 4		Residential Units (9 total)	1163	m ² GFA	\$	5,250,000	\$ 4,514
			5476	m ² GFA	\$	15,096,000	\$ 2,757
LESS							
Selling Costs:							
		Agents @	2.75%		\$	415,140	
		Legals @	0.55%		\$	83,028	\$ 498,168
NET REALISATION							\$ 14,597,832
Less GST							
						Gross Realisation	\$ 15,096,000
						Less Purchase Price	\$ 1,175,000
							\$ 13,921,000
						GST (1/11th)	\$ 1,265,545
							\$ 12,655,455
LESS							\$ 13,332,287
Profit/Risk	20.69 %						\$ 2,285,566
							\$ 11,046,720
LESS							
Development Costs		5476 sqm @	\$ 1,750 per sqm		\$	9,583,000	
GST Input Credits					\$	609,827	
TOTAL DEVELOPMENT COSTS							\$ 8,973,173
							\$ 2,073,547
LESS							
Holding Costs				Years			
Council Rates		\$ 3,128 pa		5.0	\$	15,640	
Land Tax (calc on OSR website)		\$ 8,836 pa		5.0	\$	44,180	
Total Holding Costs							\$ 59,820
							\$ 2,013,727
LESS							
Interest on Development Costs (excl Land)							
1/2 Development Period		9 months		6.50%			\$ 437,442
							\$ 1,576,285
LESS							
Interest on Land							
Lead in/development Period		18 months		6.50 %		347,972	
Total Recapture Period		42 months					
TOTAL INTEREST PERIOD		60 months					
Acquisition Cost				3.50 %	\$	53,304	\$ 401,277
RESIDUAL LAND VALUE							\$ 1,175,009
						but say	\$ 1,175,000

Figure 8.17 – Hypothetical Development Calculation

8.2 11 metres - three storey

8.2.1 Gross realisation

The feasibility is based upon concept plans as per section **6.0 Proposed Development** (above).

The ground floor of the development comprises a corner shop, two other commercial spaces and 49 parking spaces plus a secure bicycle store. There are three (3) separate foyer areas with lift, waste receptacle and various courtyard areas. The gross realisation from this level comprises the various retail spaces only. It is assumed that sufficient covered parking exists to allow commercial occupation of each of the three (3) tenancies.

Level one (1) comprises a combination of six three (3) bedroom apartments and three one (1) bedroom units. Each of the larger units (4) has an attached landscaped courtyard (45m²).

Level two (2) comprises a combination of six three (3) bedroom apartments and three one (1) bedroom units.

Level three (3) from the previous scenario (14 metres) is now excluded as it is outside of the 11 metre height restriction.

The gross realisation is calculated as follows;

Ground Level					Comments			
Retail	70	@	\$ 4,150	\$ 290,500	Commercial studio - rear of development (lane)			
Retail	70	@	\$ 4,150	\$ 290,500	Commercial studio - rear of development (lane)			
Retail	100	@	\$ 4,150	\$ 415,000	Corner store or takeaway - front of development			
			Gross Realisation	\$ 996,000	GFA	1812	Rate (\$) per GFA	\$ 550
Level One (1)					Comments			
Three Bed	1	@	\$ 515,000	\$ 515,000	Street frontage with no views available to north			
Three Bed	4	@	\$ 525,000	\$ 2,100,000	Courtyard apartments (45m ² landscaped area)			
Three Bed	1	@	\$ 550,000	\$ 550,000	Rear of development with ocean view to east			
One Bed	3	@	\$ 350,000	\$ 1,050,000	One bed apartment with no significant outlook			
			Gross Realisation	\$ 4,215,000	GFA	1338	Rate (\$) per GFA	\$ 3,150
Level Two (2)					Comments			
Three Bed	6	@	\$ 575,000	\$ 3,450,000	All units view north over adjoining development			
One Bed	3	@	\$ 395,000	\$ 1,185,000	All units view north over adjoining development			
			Gross Realisation	\$ 4,635,000	GFA	1163	Rate (\$) per GFA	\$ 3,985

The total gross realisation from sales equates to **\$9,846,000**.

8.22 Selling costs

We have allowed for agents fees based on 2.75% of gross realisation and Conveyancing/legal fees of 0.55% per lot. These amounts are GST inclusive.

8.23 Clearance rate

We have assumed a number of units will be sold "off the plan" during construction (12 months). As such, we have assumed that by physical completion some of the units will be exchanged for sale and settlements will occur accordingly. The remaining will be transacted across a further 30 months (inclusive of commercial component). The overall sales rate equates to 6 units per annum (18 residential and 3 commercial).

8.24 GST

We are unaware of the tax status of the land, however, we have assumed that GST impost will be calculated under the margin scheme upon the sale of each unit. Some advice may need to be obtained in regard to GST.

8.25 Profit and risk allowance

Based on the current state of the market, we consider a profit and risk allowance of **20% to 25%** should be obtainable. The inability of a development to sustain a profit margin above 15% would mean the project is unlikely to secure funding from any of the major financiers.

To attain the residual site value (\$1,175,000 calculated as above) in this instance, a profit and risk allowance of **6.5%** has to be adopted. The development, therefore, is **not** viable at three (3) levels.

8.26 Development costs

The plans indicate the subject development will have areas as previously listed, however, the deletion of the entire level 3 apartments, beyond the assumed 11 metre height limit, would also allow the redesign of the lower level parking to achieve some cost savings. Chapter G21 of the Shoalhaven DCP 2014 stipulates parking requirements for multi dwelling or shop top housing as follows;

- 1.5 spaces per medium dwelling (56m² – 85m²)
- 2 spaces per large dwelling (85m² or larger)

A reduction of approximately 16 car parking spaces may be achieved. Previously, plans indicated a total area of 1,440m² provided approximately 49 car parking spaces (29m² each). This would, possibly, decrease the area of the lower level by approximately 470m² delivering some cost reduction without reducing gross realisation (commercial units remain unaltered).

The overall area of the building would then be as follows;

<u>Ground Floor</u>	1,342m ²
<u>Level One</u>	1,338m ²
<u>Level Two</u>	1,163m ²
<u>TOTAL FLOOR AREA</u>	3,843m² (GFA)

We are aware of a similar development being constructed within the Shoalhaven. The development comprises a GFA of approximately 5,168m² with undercroft basement level parking (secure) and four (4) levels of habitable areas comprising 31 residential units (two and three bedroom). The executed fixed price building contract indicates construction costings of approximately \$1,800 per m² of GFA.

Accordingly, a rate of \$1,750 per square metre has been applied to the subject development in the previous scenario (14 metre height limit). This is slightly less than the costing, however, we would expect some economies to be derived from the larger scale of the subject development and the fact that there are fewer landscaped common areas.

However, when the overall scale of the development is decreased in line with the 11 metre height limit, it would be expected a modest increase in the rate per square metre of construction cost could be incurred. Accordingly construction costs have been escalated (slightly) to \$1,800 per m² GFA.

The total development cost adopted now equates to **\$6,917,400**.

8.27 Holding and acquisition charges

We have allowed for interest on borrowings at 6.5% per annum (weighted average) with additional allowance for council rates, land tax (if applicable), stamp duty and legal on purchase (based on residual value).

Briefly, calculations can be seen as follows;



Project	Months	Lead in (consultants survey and design for granting of consent)					
	0	Development					
	12	Sellout/Recapture (estimated time to sell all lots)					
	30						
	0.280	Hectares					
GROSS REALISATION		Level 1	Retail & Parking (49 spaces)	1342	m ² GFA	\$	996,000
		Level 2	Residential Units (9 total)	1338	m ² GFA	\$	4,215,000
		Level 3	Residential Units (9 total)	1163	m ² GFA	\$	4,635,000
				3843	m ² GFA	\$	9,846,000
LESS							
Selling Costs:		Agents	@	2.75%		\$	270,765
		Legals	@	0.55%		\$	54,153
						\$	324,918
NET REALISATION						\$	9,521,082
Less GST						\$	9,846,000
						\$	1,175,000
						\$	8,671,000
						\$	788,273
						\$	788,273
						\$	8,732,809
LESS							
Profit /Risk	6.5 %					\$	532,988
						\$	8,199,821
LESS							
Development Costs		3843	sqm @	\$ 1,800	per sqm	\$	6,917,400
GST Input Credits						\$	440,198
TOTAL DEVELOPMENT COSTS						\$	6,477,202
						\$	1,722,619
LESS							
Holding Costs					Years		
Council Rates		\$ 3,128	pa		3.5	\$	10,948
Land Tax (calc on OSR website)		\$ 8,836	pa		3.5	\$	30,926
Total Holding Costs						\$	41,874
						\$	1,680,745
LESS							
Interest on Development Costs (excl Land)						\$	210,509
1/2 Development Period		6 months		6.50%		\$	1,470,236
LESS							
Interest on Land						\$	245,239
Lead in/development Period		12 months		6.50 %		\$	245,239
Total Recapture Period		30 months				\$	
TOTAL INTEREST PERIOD		42 months				\$	
Acquisition Cost				3.50 %		\$	49,718
						\$	294,957
RESIDUAL LAND VALUE						\$	1,175,279
						but say	\$ 1,175,000

Figure 8.27 – Hypothetical Development Calculation

8.3 Comparative analysis

Having regard to proposed development scenarios, it is noted as follows:

- Development in accordance with the planning proposal to the height limit of 14 metres (4 levels total) produces a development profit of 20.69%. The return is sufficient to render the development viable.
- Development in accordance with the planning proposal to the height limit of 11 metres (3 levels total) produces a development profit of 6.50%. The return is insufficient to render the development viable. The profit is diminished by the reduced unit yield.

9.0 Development market parameters

Any residential and/or commercial developments viability is contingent upon;

- Lead time for design and approval. Approved sites tend to attract a premium due to the certainty of yield.
- Length of development period.
- Gross realisation from sales and/or rentals.
- Demand for end product, clearance rates and/or pre-commitment to lease.
- Building and/or subdivision costs.
- Interest rate and holding costs across development and sale period.
- Residual value of development site

Developments of the scale of the subject have rarely, if ever, been undertaken in the area. The last sites purchased specifically for multi-level development comprise;

1. Various lots, corner of Ocean Street, Mollymook

\$1,750,000 @ 30th November 2012 (7,074m²)

Approval for a multi-storey mix use development, comprising a 2 - 5 storey building with 79 apartments and basement parking (79 vehicles).

After allowance for contributions paid (\$200,000) sale shows approximately \$220 per m². Previously site was consolidated for a combined purchase of \$7,425,000.

2. "Pier 32" – Wason Street, Ulladulla

\$1,550,000 @ 1st October 2010 (2,333 m²)

Approval for multi storey development comprising a 5 storey mix use building with 3 retail tenancies, restaurant, basement parking (87 vehicles) and 34 apartments.

Sale shows \$665 per m².

To this date, only the "Pier 32" development has been commenced and it is currently at an early stage of construction. Pre-sales have been able to be secured only over a prolonged marketing period.

The Mollymook site, which is arguably in one of the stronger tourism precincts, is unlikely to ever proceed in the approved form with parts of the site now listed for individual sale.

Whilst the increase in height limit appears imperative to ensure the viability of development on the subject site, there are likely to be other market based factors that also acutely impact development in the Ulladulla CBD over the short to medium term.



Walsh and Monaghan Pty Limited



Adam Hopcroft (Director) AAPI
Certified Practising Valuer
API Member 68926



Liability limited by a
scheme approved
under Professional
Standards Legislation



10.0 Annexures

Title searches

Deposited plan



NEW SOUTH WALES LAND REGISTRY SERVICES - TITLE SEARCH

FOLIO: 1/21597

SEARCH DATE	TIME	EDITION NO	DATE
19/2/2019	9:06 AM	5	20/9/2014

LAND

LOT 1 IN DEPOSITED PLAN 21597
AT ULLADULLA
LOCAL GOVERNMENT AREA SHOALHAVEN
PARISH OF ULLADULLA COUNTY OF ST VINCENT
TITLE DIAGRAM DP21597

FIRST SCHEDULE

TECMAH PTY LIMITED

(T AI905286)

SECOND SCHEDULE (1 NOTIFICATION)

1 RESERVATIONS AND CONDITIONS IN THE CROWN GRANT(S)

NOTATIONS

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***



NEW SOUTH WALES LAND REGISTRY SERVICES - TITLE SEARCH

FOLIO: 2/21597

SEARCH DATE	TIME	EDITION NO	DATE
19/2/2019	9:06 AM	4	20/9/2014

LAND

LOT 2 IN DEPOSITED PLAN 21597
AT ULLADULLA
LOCAL GOVERNMENT AREA SHOALHAVEN
PARISH OF ULLADULLA COUNTY OF ST VINCENT
TITLE DIAGRAM DP21597

FIRST SCHEDULE

TECMAH PTY LIMITED

(T AI905286)

SECOND SCHEDULE (1 NOTIFICATION)

1 RESERVATIONS AND CONDITIONS IN THE CROWN GRANT(S)

NOTATIONS

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***



Municipality of
Shire of Shoalhaven
D899446 23.9.48.

PLAN

of subdivision of Allot 4 Sec 24.

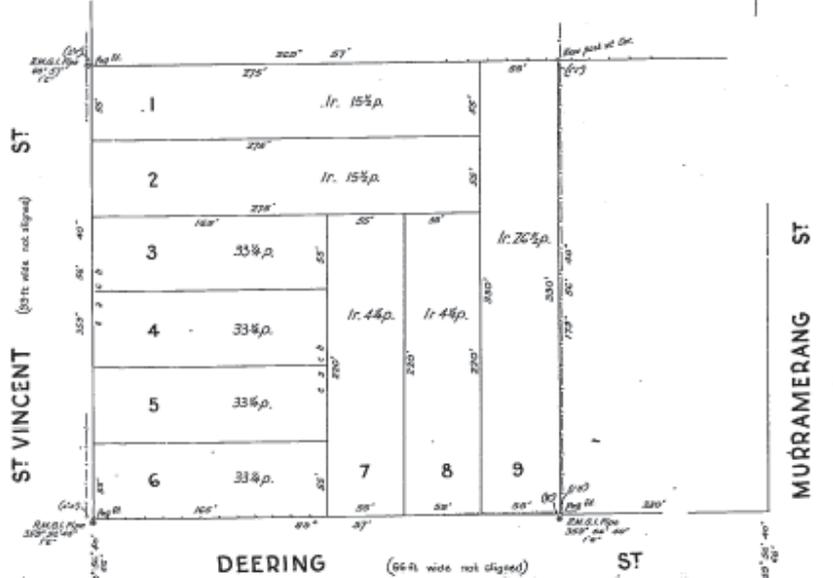
AT EDWIN-DE ULLADULLA

Vol. 10 Folio 115

PARISH OF ULLADULLA COUNTY OF ST. VINCENT

Scale. 50ft. to an inch

This is the plan numbered & recorded as
DEPOSITED PLAN No. 21597
on the 22nd day of April 1949
J. H. Ellis
REGISTER GENERAL



DEERING (66 ft wide not signed) ST

D. P. 13708

SHIRE OF SHOALHAVEN

Has approved by Council, by resolution dated

25th August 1948 covered by Shire Clerk's

Certificate No. 12 of 1/8/48

Plans of 1/8/48 and bearing Council's Seal

[Signature] Shire Clerk

Approved by Council & Covered by Shire Clerk's Certificate

No. 12 of 1/8/48
Shire Clerk

Subscribed and declared before me at Shoalhaven

this 25th day of August A.D. 1948

[Signature]
Registrar General under the Surveyors Act, 1938.

J.P. Date of Survey

Deliver One of Articles 4-B.

(Place not other (1) or (2) elsewhere of Survey

I, James Richard Deakin, Registrar General for New South Wales, certify that this is a true and correct copy of the original deposited plan of 4-B.

CONVERSION TABLE ADDED IN 1978 BY THE SURVEYORS DEPARTMENT

FEET INCHES	METRES
0	0.000
1	0.305
2	0.610
3	0.914
4	1.219
5	1.524
6	1.829
7	2.134
8	2.438
9	2.743
10	3.048
11	3.353
12	3.658
13	3.963
14	4.268
15	4.573
16	4.878
17	5.183
18	5.488
19	5.793
20	6.098
21	6.403
22	6.708
23	7.013
24	7.318
25	7.623
26	7.928
27	8.233
28	8.538
29	8.843
30	9.148
31	9.453
32	9.758
33	10.063
34	10.368
35	10.673
36	10.978
37	11.283
38	11.588
39	11.893
40	12.198
41	12.503
42	12.808
43	13.113
44	13.418
45	13.723
46	14.028
47	14.333
48	14.638
49	14.943
50	15.248
51	15.553
52	15.858
53	16.163
54	16.468
55	16.773
56	17.078
57	17.383
58	17.688
59	17.993
60	18.298
61	18.603
62	18.908
63	19.213
64	19.518
65	19.823
66	20.128
67	20.433
68	20.738
69	21.043
70	21.348
71	21.653
72	21.958
73	22.263
74	22.568
75	22.873
76	23.178
77	23.483
78	23.788
79	24.093
80	24.398
81	24.703
82	25.008
83	25.313
84	25.618
85	25.923
86	26.228
87	26.533
88	26.838
89	27.143
90	27.448
91	27.753
92	28.058
93	28.363
94	28.668
95	28.973
96	29.278
97	29.583
98	29.888
99	30.193
100	30.498

