



Nelson Bay Town Centre

Feasibility Testing of Residential Development Sites

Prepared for Port Stephens Council

Final – September 2017

Review of Feasibility Testing Completed in 2016 with Varied Options

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EXECUTIVE SUMMARY

This Study has been commissioned by Port Stephens Council (Council) to independently consider the development viability of five (5) nominated development sites (Test Sites) located in proximity to the Nelson Bay Town Centre (Study Area). It forms additional testing to that completed 12 months ago based on different building configurations / densities.

We have been requested to examine the development feasibility for the same test sites (5) in the Nelson Bay Town Centre with three (3) target building heights and two (2) FSR's as follows.

Table 1: Building configurations for each Test Site

Density Table	FSR	Site Cover	FSR	Site Cover
3 storeys	2.5:1.0	83%	3.0:1.0	100%
5 storeys	2.5:1.0	50%	3.0:1.0	60%
8 storeys	2.5:1.0	33%	3.0:1.0	38%

For each test site (5) the above six (6) building configurations have been tested with our feasibility analysis.

Background

Port Stephens Council has been in the process of reviewing the Nelson Bay Town Centre and Foreshore Strategy (the Strategy).

Council engaged HillPDA to gain understanding about the limited high rise residential re-development in Nelson Bay, highlighted by some abandoned sites in September 2016 and September 2017.

We have completed this feasibility testing on the basis of:

Parking

We have reflected parking below ground in each test case to achieve building heights strictly in accord with that stated in the table above. Also, most major projects in Nelson Bay provide below ground parking or in the case of a sloping site a partially exposed podium level. Any further exposed podium parking will impact upon unit pricing.

Retail components

For two sites a retail component on the ground floor has been included as explained for each.

Summary of Findings

Our findings into the feasibility of various density and building height combinations may be summarised by adding broad parameters to the Density Table below along the spectrum of Not viable – Marginal and Viable.

Table 2: Building configurations for each Test Site

Density Table	FSR	Site Cover	FSR	Site Cover
3 storeys	2.5:1.0	83% Not viable	3.0:1.0	100% Not viable
5 storeys	2.5:1.0	50% Not viable	3.0:1.0	60% Not viable
8 storeys	2.5:1.0	33% Viable	3.0:1.0	38% Viable

Three storeys

It is apparent that for an FSR of 3:1 and a building height of three storeys the resulting building set back is nil / negligible.

It follows that for an FSR of 2.5:1 and a building height of three storeys, a high site cover ratio of 83% is shown.

This high site cover ratio incurred for three storeys lowers the living amenity (eg. less natural light) and provides the least on site open areas of the options tested.

It is unlikely a building with this high site cover would comply with the SEPP 65 (ADG – Australian Design Guidelines) requirements for residential building set-backs.

This lesser amenity from a high site cover impacts upon unit pricing and is shown in our feasibility testing **not** to be viable for any sites with three storeys combined with the FSR's of 2.5 and 3.0:1.0.

The impact upon unit pricing is worsened as most unit buildings in Nelson Bay have a site cover around or under 50% to achieve an appealing living amenity and to optimise unit sales.

Five storeys

Development to this height is summarised above as not viable although approaching a “marginal” status for the best sites (Church Street and Donald Street). This contrast between viable results for

eight storeys illustrates the high sensitivity of development feasibility where a small change in key variables can result in a significant change in profit and returns.

Eight storeys

This combination of height (8 storeys) and FSR (2.5 & 3.0:1.0) showed the highest incidence of Viable project returns in our testing for the sites (5).

All sites except those at inferior locations (Stockton Street and Tomaree Street) showed viable returns.

This reflected an optimal building design regarding features inside the building (eg. natural light) and within the enclosed grounds (ie. greater gardens areas and passive recreational areas).

The declining quality of the test sites (5) resulted in this viability being reduced for:

- Distance from the foreshore (less water views);
- Distance from the retail hub (excessive walking distance);
- Inclusion of retail strata units on the ground floor due to lower strata sales rate achieved compared to residential units, particularly those without street frontage;
- Inclusion of underground parking creates a significant additional cost although necessary for unit marketability. Most residential tower buildings in Nelson Bay have underground parking except those on a sloping site where part of a podium is visible in addition to parking beneath; and
- If a large number of houses (improved properties) require simultaneous acquisition for amalgamation of an appropriate site, a significant premium may be required to reflect the improvements (even though later demolished) and a sufficient inducement to encourage all vendors to sell simultaneously.

Therefore, some sites with a high proportion of these detrimental features incurred a label of “Marginal” or in the least appealing case “Not Viable”.

1 INTRODUCTION

This development feasibility review adds to a detailed study completed 12 months ago with different development options (different building configurations) tested.

For this study our research has been limited in regard to:

- An inspection of each site has not occurred and we have relied upon Council to advise of any major changes;
- Our unit sales research has been limited to updating the sales that have occurred over the past 12 months for the buildings examined in our prior study;
- We have not completed a detailed Market Soundings (direct) enquiry programme to investigate the supply and demand drivers by speaking with developers and consultants but instead relied upon our enquiries completed 12 months ago; and
- The Site Description for each of the five (5) test sites is assumed to be unchanged from our last report, also included herein.

Feasibility Site Testing

This Study contains detailed feasibility testing based on this reduced scope of market research and then compared to industry accepted development benchmarks (returns) for residential tower buildings.

As it is not realistic to test the viability of redeveloping every lot or combination of lots within the Study area, Council has identified Test Sites with prescribed densities stated below in the following detailed description of each:

- Test Sites 1, 2 & 4 - Residential flat buildings comprising residential units ; and
- Test Sites 3 & 5 - Mixed use development with ground level retail and residential units above.

2 SITE DESCRIPTION

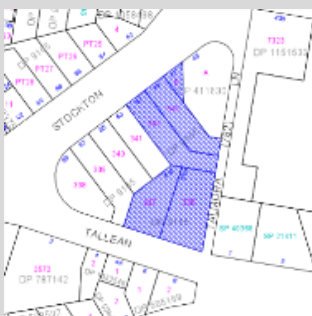

Table 3: Site 1- 49, 51, 51A & 51B Stockton Street, Nelson Bay

49, 51, 51A & 51B Stockton Street, Nelson Bay

This property is formed by five lots located on Stockton Street just outside of the central township area near a major intersection that forms a gateway for the entering traffic to the Town Centre. It is positioned close to the Nelson Bay Bowling & Recreation Club and opposite the Nelson Bay cemetery. There is access off Stockton Street via a separate (slip) lane in addition to access from Tallean Road (off Stockton Street) and a rear lane (Talmora Lane).



The irregular shape allows for two (2) buildings facing each street frontage (Stockton and Tallean Streets).



Site Particulars	Lot Details:	Lot: B,343,342,336 &337 in DP DP411630 & DP 9165
	Site Area:	4,226.9sqm (combined site area)
	Frontage:	45 metre frontage to Stockton Street
Existing improvements	Abandoned building footings are visible on site with overgrown natural vegetation. Historic photos reveal it was operated as a hardware store with a compact Bunnings outlet in previous years.	
Site Photo		
		
Planning Controls	Zoning:	R2 Low Density Residential
	Height limit:	9metres
	FSR:	N/A (not specified in the Port Stephens LEP)
	Minimum Lot size:	500sqm

Source: HillPDA & Google Maps

Table 4: Site 2 - 11, 13 & 15 Church Street, Nelson Bay

11, 13 & 15 Church Street, Nelson Bay		
<p>These three (3) properties are located on Church Street between Donald Street and Tomaree Street being rectangular with front boundary access only from Church Street.</p> <p>This Test Site is located at a high contour over-looking the central retail hub and Nelson Bay with views from lower levels impeded by surrounding medium density residential buildings.</p>		
Site Particulars	Lot Details:	Lot: 17,18 & 156 DP: DP 8611 & DP1094233
	Site Area:	4,621.8sqm (combined site area)
	Frontage:	81.1m total frontages to Church street
Existing improvements	Similar to Test Site 1 (Stockton Street) this site contains abandoned building footings just above ground level in an overgrown state.	
Site Photo		
		
Planning Controls	Zoning:	B2 Local Centre
	Height limit:	15metres
	FSR:	N/A (not in LEP)
	Minimum Lot size:	N/A

Source: HillPDA & Google Maps

Table 5: Site 3 - 36A to 36F Donald Street, Nelson Bay

36A to 36F Donald Street, Nelson Bay

Located on Donald Street in a section forming the major thoroughfare for the hub of the shopping district around Stockton, Magnus and Donald Streets. This Test Site has high exposure to local foot traffic and provides central public parking that would need to be preserved in any development of the site.

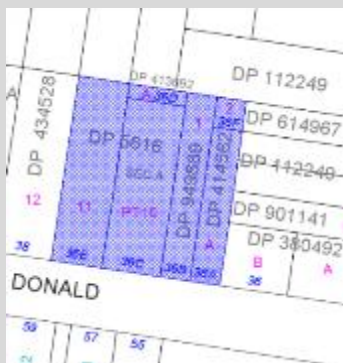
It forms a rectangular shape with a gently sloping contour. It is positioned with proximity to the foreshore so that mid to upper levels on the northern and eastern sides will gain water views.



Site Particulars	Lot Details:	Lot A in DP414562; Lot 2 in DP614967; Lot 1 in DP949889; Lot 10, SecA in DP5616 and Lot A in DP413692
	Site Area:	3,413.1sqm (combined site area)
	Frontages:	90.19m total frontages to Donald St

Existing improvements Bitumen sealed line marked carpark with signage (parking conditions).

Site Photo



Planning Controls	Zoning:	B2 Local Centre
	Height limit:	15metres
	FSR:	N/A
	Minimum Lot size:	N/A

Source: HillPDA & Google Maps

Table 6: Site 4 - 15, 17, 19 & 19A Tomaree Street, Nelson Bay

15, 17, 19 & 19A Tomaree Street, Nelson Bay

This Test Site comprises four (4) lots located just outside of the main shopping precinct, zoned “R3 Medium Density Residential”. The land is improved by detached dwellings (all circa 1985) with the main access from Tomaree St, and rear access available from Dowling Street. The blocks are uniform in shape with a slope downhill from Dowling to Tomaree Street.

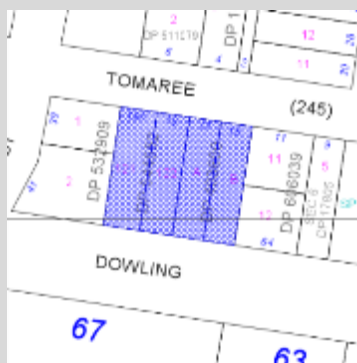
The properties are located opposite the Nelson Bay Bowling & Recreation Club.



Site Particulars	Lot Details:	Lot: 121/122 & A/B DP/SP: DP 544552 & 403600
	Site Area:	2,396.0sqm (combined site area)
	Frontages:	51.83m total frontages to Tomaree St

Existing improvements	Each lot contains a detached residence (circa 1985) that appears to be in a state of reasonable renovation.
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Site Photo



Planning Controls	Zoning:	B2 Local Centre
	Height limit:	15metres (as for B2)
	FSR:	N/A
	Minimum Lot size	500m ²

Source: HillPDA & Google Maps

Table 7: Site 5 - 16, 18 & 20 Donald St and 61, 63 & 65 Magnus St, Nelson Bay

16, 18 & 20 Donald St and 61, 63 & 65 Magnus St, Nelson Bay

This Test Site comprises seven (7) adjacent lots located between Donald and Magnus Streets on the eastern periphery of the central township hub. The eastern half of the property is vacant and the western half contains a multi deck concrete (public) car-park with capacity for around 160 cars on each of three (3) levels including the ground level at grade with each street frontage. The upper levels have been “locked off” to vehicles due to the structural degradation of the concrete.



Site Particulars	Lot Details:	Lot: 121/122 & A/B DP/SP: DP 544552 & 403600
	Site Area:	3,636.2sqm (combined site area)
	Frontages:	76metres to Donald Street and 50metres to Magnus Street.

Existing improvements	See above. A Council carpark occupies around 40% of the site with the remainder unimproved with a cleared gravel surface.
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Site Photo



Planning Controls	Zoning:	R3 Medium Density Residential
	Height limit:	15metres (as for B2)
	FSR:	N/A
	Minimum Lot size:	500m ²

Source: HillPDA & Google Maps

3 REDEVELOPMENT OPTIONS

For each of the Test Sites described above under the heading “Site Appraisal” the purpose for selecting each is indicated below.

Site 1: 49, 51, 51A & 51B Stockton St, Nelson Bay –4,226.9m²



Located around 200 metres south of the Town Centre.

Existing Improvements: Concrete block building foundations rising around a metre above ground for an apparently abandoned project.

History: This property has been observed in historic images to be a dated and compact Bunnings Hardware store.

It has recently sold (April 2017) for \$975,000. It was marketed without any DA consent with advertised potential for sub-division into separate land allotments or townhouses (15) with the usual agent’s caveat – subject to Council approval.

This shows \$65,000/townhouse site which is expected to reveal better returns than a high density residential tower given the significant distance from the retail hub and foreshore (1.5km).

Purpose: This site was selected as one with marginal features to add a range to the feasibility results obtained and investigate whether the abandoned site revealed feasibility at any level or density variation.

Development of the whole site would yield an excessive number of units for the local market and it forms an inefficient shape being two sectors side by side. A logical portion of the site with frontage to one street has been selected for feasibility testing having an area of **2,042.2m²**.

Site 2: 11, 13 & 15 Church St, Nelson Bay – 4,621.8m²



Located on the western fringe of the Town Centre at a high contour with views from the middle to upper levels to the north east over the (lower) Town Centre and Nelson Bay being the superior site in this selection for testing.

Existing Improvements: Reinforced concrete building foundations for an above ground car-park rising around a metre above ground for an apparently abandoned project.

History: Understood to have been sold twice by developers that have not commenced a project. The current owner has recently submitted another DA to Council for an altered scheme now approved with a building envelope above 15 metres (permitted height in the LEP) known as Ascent with 56 units over 8 storeys.

The last sales shows this site has sold in two parts (to two separate developers). The recently approved DA referred to above applies to 11-13 Church Street (**1,258m²**) being the site portion tested. This sold in July 2015 for \$1,650,000.

The balance of the site (2,105m²) sold in December 2014 for \$825,000 with a DA for a residential tower.

Testing of the entire site would involve examination of two projects as the optimal development scale reflects 56 units over 8 storeys as contained in the Ascent project. The second project is expected to show returns slightly less than our testing due to the Ascent building obscuring water views.

Purpose: The location was selected on the basis of its greater altitude to other Test Sites granting district and Bay views in close proximity of the Town Centre to examine the development feasibility of below ground parking and varying building heights.

Site 3: 36A to 36F Donald St, Nelson Bay – 3,413.1m²



Located near the centre of the retail hub of Nelson Bay being a Council car-park surrounded by retail shops and offices suites above. The recently built Woolworths based neighbourhood centre lies around 50 metres to the east at a major central corner of the Town Centre.

Existing Improvements: Bitumen sealed car-park surface.

History: Owned by Council that seeks to explore development opportunities for the site whilst maintaining the important existing public amenity as a car-park within the retail hub.

Purpose: The location was selected on the basis of its central location within the Town Centre within walking distance of all central retail and daily service amenities conducive to a mixed use project with retail suites on the ground floor.

The results will reveal economic returns for a mixed use project with basement parking with mid to upper level water views.

Site 4: 15, 17, 19 & 19A Tomaree St, Nelson Bay – 2,396.0m²



Located at the southern fringe of the Town Centre comprising four (4) residential lots with detached housing that have a two (2) street frontages (to Tomaree and Dowling Streets). The site enjoys an elevated position with potential water views from the mid-rise to upper levels facing north.

Existing Improvements: Four (4) dated detached residences that appear modest although well maintained.

Purpose: The location was selected to test the feasibility of amalgamating existing residences for a higher density project to check whether the highest and best use for detached housing surrounding to the retail hub has yet reached the price level for a unit development site.

Site 5: 16, 18 & 20 Donald St, Nelson Bay – 3,636.2m²



This site is located toward the east of the Town Centre comprising various un-developed lots (unimproved) on the eastern half and a Council car-park being a three (3) storey structure with ground level parking permitted only given some concrete degradation of the upper levels.

Existing Improvements: Multi-level public car-park where the upper levels have been closed. Parking is currently permitted on the ground floor. The remainder of the site is open gravel, mostly level.

Purpose: The property was selected given its unsightly appearance close to the retail hub whereby an enhancement may be achieved by a residential unit development that activates the site with retail on the ground and preserves the public parking capacity in a separate stratum within or beside a unit tower building. Resulting residential units will be close to the foreshore precinct. Water views would be available from the mid-rise and upper levels.

The location for each of the five (5) sites is shown below.

Figure 1: Study Area Boundary and Test Sites



Source: Map Info 12.5 and HillPDA Market Research

4 FEASIBILITY APPRAISAL

This chapter summarises the methodology and criteria used to assess the financial viability of each selected Test Site at varying development densities and the subsequent modelling results.

We provide commentary upon optimal and sub-optimal building configurations regarding the density and FSR variations.

Financial Modelling Methodology

To undertake the feasibility modelling we have used our proprietary software, Estate Master which is an industry benchmark used by developers, financiers and property valuers alike.

The analysis follows the approach of a hypothetical development feasibility adopting an acquisition land value and all the costs associated with the nominated hypothetical development including:

- Site acquisition (stamp duty and legals);
- Professional fees (design and management);
- Demolition and construction (including car parking and balconies);
- Property holding costs and statutory fees;
- Equity, finance charges and interest on debt;
- Marketing and selling costs; and
- Revenue from sales, rentals and other income.

The hypothetical development cash flow is calculated and discounted to determine the internal rate of return before interest costs on an annual effective basis. Such an approach is commonly applied by developers and funders to determine if a project is viable to proceed or whether an alternative land purchase price is required.

Density Variations – Building Height and Site Cover

Our prior modelling reflected an optimal site cover for the building (tower) footprint of around 30% to 40% of the site area to show a typical floor area with reduced common areas of 600m² to 700m² for each case of varying density (ie varying building height).

In this feasibility modelling review we have been asked to vary the FSR for three given heights leading to testing of the following building configurations for each test site.

Table 8: Building configurations tested

Density table	FSR	Site Cover	FSR	Site Cover
3 storeys	2.5:1.0	83%	3.0:1.0	100%
5 storeys	2.5:1.0	50%	3.0:1.0	60%
8 storeys	2.5:1.0	33%	3.0:1.0	38%

Sub-optimal Building Configuration

Inner suburban metropolitan areas (near a CBD) contain residential tower buildings with a high site cover, however, this does **not** occur in less densely populated areas where green surrounds on site and greater internal natural light is required for unit buildings to achieve high design standards and appeal compared to competing units for sale.

In Nelson Bay a site cover above 50% may result in a compromised building design arising from:

- Natural light throughout a residential unit is achieved with an optimal floor area in a unit as wide as possible generally achieved with substantial set-backs from a boundary;
- The unit shape becomes narrow for larger sites with a high site cover that compromises room layout as well as light admitted;
- At ground level it is important to provide open space for gardens, passive recreation areas and comfortably proportioned open air access for residents, all achieved with a lower site cover;
- To provide unit appeal for purchasers considering competing stock a similar set-back and moderate site cover is required; and
- An efficient unit shape results in less common areas and therefore greater building space dedicated to saleable area.

Commercial office buildings typically extend to a higher site cover given different design objectives to a residential building.

The building design criteria listed above usually result in a moderate site cover around 50% or less. The required building design standards are reinforced by SEPP65* in addition to a necessity to compete with the appeal of existing unit stock.

By reference to the density table above and the reasons noted for a moderate site cover (building design and unit saleability) the following trend of feasibility results applies in Nelson Bay:

Table 9: Sub-optimal building designs

Density table	FSR Site Cover		FSR Site Cover	
3 storeys	2.5:1.0	83% Non-compliant*	3.0:1.0	100% Non-compliant*
5 storeys	2.5:1.0	50% marginal	3.0:1.0	60% Sub-optimal

In some densely populated (metropolitan) areas, a residential tower building with a site cover of 50% to 60% can achieve building design merit and unit saleability with twin towers above a single podium or a light well for all floor levels within the central floor area.

These features are not evident in the Nelson Bay residential tower market that has a greater tourism influence and less population density than an inner urban (metropolitan) area.

Optimal Building Configurations

It follows from the observations above and the table provided that the following lower site cover configurations tested should result in feasible projects as an indicative trend:

Table 10: Building configurations tested

Density table	FSR	Site Cover	FSR	Site Cover
8 storeys	2.5:1.0	33% Viable	3.0:1.0	38% Viable

Parking configuration

All densities tested required parking below ground (basement) to achieve the building heights expressed by storeys and unit saleability.

Car-park podiums impact upon unit pricing buildings on sloping sites incorporate podiums more readily than level sites.

Financial Feasibility Criteria

We have regarded the project Internal Rate of Return (IRR) as the primary indicator of performance (feasibility) and also considered the following performance criteria:

- Development Margin: the profit (defined above) divided by total development costs.
- Residual Land Value: The land purchase price a developer can afford to pay to achieve a feasible project;
- Development Profit: the total revenue less total cost including selling costs (agent's commissions) and interest.

A summary of our property development performance ranking is provided in the table below for the potential range for the Project IRR and Development Margin. This is drawn from wide experience in analysing the returns expected by long term property developers and corporate developers in addition to margins as interpreted by the major lending banks.

Table 11: Performance Criteria

Performance Result	Project IRR	Development Margin
Viable	>18%	>20%-25%
Marginally Viable	16%-18%	18%-20%
Not Viable	<16%	<18%

Source: HillPDAResearch

In light of the criteria established above, the various sites were assessed against an 18% Project IRR and 20% Development Margin.

Common Variables Across the Feasibility Models

The following table shows the commonly adopted variables across the nominated sites tested.

Table 12: Common Variables Included in each Feasibility Model

Header Row	3 storeys	4 th & 5 th storey	6 th to 8 th storey
Construction Costs	\$2,200/m ²	\$2,3400/m ²	\$2,500/m ²
Balconies	9% of construction costs for Design and Consultants		
External Works	2% of construction costs for landscaping & driveways.		

Source: HillPDA Research

The gross realisations (unit sale prices) differ for each Test Site, however, they resemble a pricing trend level shown below with rates shown based on internal living areas consistent with our analysis of sales.

Table 13: Core Gross Realisations in each Feasibility Model

Gross Realisations	3 storeys	5 storeys (water views for some sites)	8 storeys (water views more common)
One Bedroom - 60m ²	\$400,000 \$6,667/m ²	\$450,000 \$7,500/m ²	\$500,000 - \$550,000 \$8,333 - \$9,167/m ²
Two Bedrooms - 80m ²	\$450,000 \$5,625/m ²	\$500,000 \$6,250/m ²	\$600,000 - \$650,000 \$7,500 - \$8,125/m ²
Three Bedrooms - 90m ²	\$525,000 \$5,833/m ²	\$575,000 \$6,389/m ²	\$700,000 - \$725,000 \$7,778 - \$8,056/m ²

Source: HillPDA Research

For retail suites on the ground floor of mixed use projects (16-20 Donald Street & 36A-36F Donald Street) we have adopted a strata rate of \$5,500/m² (of strata area) based on our sales research.

Parking costs (construction costs) comprise a major portion of the project costs for below ground (basement) options given the following rates adopted by the standard cost guides in our feasibility testing.

Table 14: Construction Costs for Parking

Parking Costs	Below Ground
(incl. excavation)	\$50,000/ bay

Source: HillPDA Research

The following building mix has been reflected for the Test Sites.

Table 15: Unit Configuration (Bedroom) Mix

No of Units	Mix% Adopted	Mix Example
One Bedroom	15%	9
Two Bedrooms	75%	46
Three Bedrooms	10%	6
Total	100%	61 units

Source: HillPDA Research

Site 1 - 49, 51 51A & 51B Stockton Street, Nelson Bay

This Test Site forms a vacant (abandoned) development site given the visible overgrown footings and a “For Sale” sign indicating it was marketed for sale some years ago as a development site for “multi residential development or land sub-division”.

It comprises 4 major lots divided into two adjacent segments each with a street frontage and a total area of 4,226.9m² as depicted above in our Site Description section. In our modelling we have tested one of these two segments enclosing an area of 2,042.2m² (2 lots) to maximise the possibility of achieving feasible development results based on a land value of at least \$30,000/unit site being a moderate high density residential tower rate for the Nelson Bay district that shows typically \$30,000 to \$45,000/unit site for land where feasible.

The key influences resulting in modest pricing for the units at this site are the lack of water views for all heights tested given the distance of 1.5 km from the foreshore and the distance from the town centre (1 km perceived as beyond a comfortable walking distance for many purchasers).

Table 16: Unit Pricing Estimates

49, 51 51A & B Stockton St	3 storeys	4 th & 5 th storey	6 th to 8 th storey
One Bedroom	\$400,000	\$430,000	\$460,000
Two Bedrooms	\$450,000	\$480,000	\$510,000
Three Bedrooms	\$525,000	\$550,000	\$560,000

Source: HillPDA Research

Feasibility Testing Results for 3, 5 and 8 storeys

Our commentary above for optimal (and sub-optimal) building configurations revealed the likelihood of high site cover buildings showing a low feasibility and only the 8 storey heights for an FSR of 2.5:1.0 and 3.0:1.0 revealing a feasible outcome.

This is expected to be particularly evident for this site of marginal status given the key factors noted above leading to modest unit pricing.

The Residual Land Value below indicates the purchase price required to achieve target threshold returns for each configuration.

Table 17: Feasibility Testing Results – FSR of 2.5:1.0 for 3, 5 & 8 storeys

Land Purch Price :\$1.08m.	3 Storeys – 57 Units	5 Storeys – 57 Units	8 Storeys - 57 Units
Development Profit	\$1,220,214	\$1,179,415	\$1,859,532
Development Margin	5.25%	4.92%	7.58%
IRR	9.08%	8.73%	11.04%
Performance Ranking	Unviable	Unviable	Unviable
Residual Land Value (RLV)	\$151,201	\$65,469	\$301,774

Source: HillPDA Research

The IRR's above reveal none of the heights and densities tested for an FSR of 2.5:1.0 achieve feasibility for a market land acquisition pricing rate. Alternatively, in order to achieve a developer's target threshold rate of return low RLV's of \$151,201 to \$301,774 are shown. This indicates other forms of residential land development comprise the highest and best use of the land by achieving development feasibility based higher land prices.

Feasibility results are shown below for an FSR of 3.0:1.0.

Table 18: Feasibility Testing Results – FSR of 3.0:1.0 for 3, 5 & 8 storeys

Land Purch Price :\$1.08m.	3 Storeys – 70 Units	5 Storeys – 70 Units	8 Storeys - 70 Units
Development Profit	\$1,881,722	\$2,224,615	\$2,328,611
Development Margin	6.67%	7.68%	7.19%
IRR	10.91%	11.52%	10.80%
Performance Ranking	Unviable	Unviable	Unviable
Residual Land Value	\$223,742	\$243,537	\$47,506

Source: HillPDA Research

Historic Sales Pricing

Our enquiry into the last sale of this site shows \$642,000 transacted in August 2012 with an obsolete (warehouse style) building that has since been demolished. It recently sold for \$975,000 without a DA based on potential land sub-division or townhouse development.

Likely Outcome for Development of this Site

Sub-division into detached housing blocks (being 3 on each of two street frontages without internal roads) may show a profitable return or alternatively a townhouse project would provide suitable stock for the immediate area.

Site 2 - 11, 13 & 15 Church Street, Nelson Bay

This Test Site is located in Church Street where a “T” intersection is formed with Dalton Street and also forms a vacant (abandoned) development site given the visible concrete footings.

The entire site comprises three lots with a single street frontage and a total area of 4,621.8m² as depicted above in our Site Description section. In our modelling we have tested a site comprising two (of the three) lots enclosing an area of 1,258m² (2 lots) that reflects the land area of a project that recently received a Development Application (DA) consent from Council for a residential tower.

The key influences result in optimal unit pricing for the site where its elevated position near the town centre will achieve a higher proportion of water views than the other sites tested.

Water views can be obtained above three storeys on two (2) building faces, although most of the direct north aspect is obscured by the existing residential tower building at 9 Church Street for lower to mid-rise levels.

Table 19: Unit Pricing Estimates

11, 13 & 15 Church Street	3 storeys	4 th & 5 th storey	6 th to 8 th storey
One Bedroom	\$450,000	\$500,000	\$550,000
Two Bedrooms	\$500,000	\$550,000	\$650,000
Three Bedrooms	\$575,000	\$625,000	\$725,000

Source: HillPDA Research

Feasibility Testing Results for 3, 5 and 8 storeys

Our commentary above for optimal (and sub-optimal) building configurations revealed the likelihood of high site cover buildings (ie. 3 storeys) showing a low feasibility and only the 5 and 8 storey heights for an FSR of 2.5:1.0 and 3.0:1.0 revealing a feasible outcome.

This is expected to be particularly evident for this site with the most favourable status of those tested given the key factors noted above (ie. high altitude (views) and town centre proximity) leading to optimal unit pricing.

The Residual Land Value below indicates the purchase price required to achieve target threshold returns for each configuration.

Table 20: Feasibility Testing Results – FSR of 2.5:1.0 for 3, 5 & 8 storeys

Land Purch Price :\$1.08m.	3 Storeys – 43 Units	5 Storeys – 43 Units	8 Storeys - 43 Units
Development Profit	\$517,737	\$514,944	\$2,296,195
Development Margin	3.56%	3.44%	15.00%
IRR	7.01%	6.91%	18.37%
Performance Ranking	Unviable	Unviable	Viable
Residual Land Value (RLV)	\$54,718	\$20,988	\$1,087,065

Source: HillPDA Research

The IRR's above reveal eight storeys on the basis of an FSR of 2.5:1.0 achieves feasibility based on a target threshold return of 18% IRR. This also indicates 3 and 5 storeys do not achieve sufficient (unit) market demand given the building configuration at an FSR of 2.5:1.0.

Feasibility results are shown below for an FSR of 3.0:1.0.

Table 21: Feasibility Testing Results – FSR of 3.0:1.0 for 3, 5 & 8 storeys

Land Purch Price :\$1.08m.	3 Storeys – 53 Units	5 Storeys – 53 Units	8 Storeys - 53 Units
Development Profit	\$1,131,648	\$1,646,320	\$3,279,418
Development Margin	6.34%	9.00%	17.46%
IRR	10.14%	12.49%	20.82%
Performance Ranking	Unviable	Unviable	Viable
Residual Land Value	\$428,834	\$644,579	\$1,635,746

Source: HillPDA Research

Only the 8 storey option shows viable returns for a benchmark (market) land purchase price of \$1.3million (\$30,000/unit site) or alternatively, a land purchase price of \$1.635million depicts feasible returns with an IRR of 18.0%.

The five storey option reaches viable returns if the land purchase price is reduced to \$644,000 (or \$12,150/unit site).

Outcome for Development of this Site

As indicated above a DA consent has been recently achieved for the tested site where the project called “Ascent” contains 56 units over eight (8) storeys being consistent with the testing results shown above. The last sale price for this portion of the overall site aligned with the land area of that tested was \$1.65million in July 2015.

Site 3 - 36A-36F Donald Street, Nelson Bay

This Test Site is formed by an open public car-park near the central hub of the retail precinct close to the Rivers store in Donald Street.

The feasibility results below depict a (residential flat building project with parking either below ground) as noted in the tables below for buildings of varying height all with retail on the ground floor.

The feasibility results are expected to reveal lower overall returns for the retail component given the strata rate adopted for the shops of \$5,500/m² of lettable area inclusive of associated parking to be considerably less than the residential equivalent (around \$6,500/m² for most 2 bedroom units). Water views can be obtained from the mid rise and upper level units on the northern and eastern sides.

This feasibility testing is done before considering a public parking preserved element that would render all options unviable given the cost of \$25,000/bay (above ground) and \$50,000/bay (below ground)

The following indicative units prices reflect that adopted for this property including the premium for water views on the northern and eastern sides of the tower.

Table 22: 36A – 36F Donald Street – Unit Pricing Estimates

36A – 36F Donald Street	Low Rise	Mid Rise	High Rise	Water Views
One Bedroom	\$400,000	\$450,000	\$500,000	\$550,000
Two Bedrooms	\$450,000	\$500,000	\$550,000	\$650,000
Three Bedrooms	\$525,000	\$575,000	\$625,000	\$725,000

Source: HillPDA Research

The feasibility results reveal unviable returns as shown below for 5 storeys and varied results for 8 storeys.

Table 23: Feasibility Testing Results – FSR of 2.5:1.0 for 3, 5 & 8 storeys

Land Purch Price :\$2.91m.	3 Storeys – 97 Units	5 Storeys – 97 Units	8 Storeys - 97 Units
Development Profit	\$1,560,343	\$1,535,451	\$6,392,654
Development Margin	3.87%	3.70%	15.06%
IRR	7.45%	7.19%	18.40%
Performance Ranking	Unviable	Unviable	Viable
Residual Land Value (RLV)	\$390,118	\$224,844	\$3,020,314

Source: HillPDA Research

The IRR's above reveal the highest density tested for an FSR of 2.5:1.0 (8 storeys) achieves feasibility based on a target threshold return of 18% IRR. This also indicates 3 and 5 storeys do not achieve sufficient market demand given the building configuration at an FSR of 2.5:1.0 (ie. high site cover).

Feasibility results are shown below for an FSR of 3.0:1.0.

Table 24: Feasibility Testing Results – FSR of 3.0:1.0 for 3, 5 & 8 storeys

Land Purch Price :\$3.51m.	3 Storeys – 53 Units	5 Storeys – 53 Units	8 Storeys - 53 Units
Development Profit	\$2,676,020	\$4,195,296	\$8,834,377
Development Margin	5.50%	8.41%	17.31%
IRR	9.13%	11.82%	20.62%
Performance Ranking	Unviable	Unviable	Viable
Residual Land Value	\$907,653	\$1,563,776	\$4,370,759

Source: HillPDA Research

As expected the maximum height tested of 8 storeys shows a site cover of 35% which allows for an optimal building design regarding natural light and set-backs, landscaped gardens on site and consistency with other higher priced (prestige) unit buildings in Nelson Bay.

The lower heights (3 and 5 storeys) for an FSR of 3.0:1.0 reveal a high site cover that compromises the building design, natural light admitted and amenity resulting in lower unit pricing.

This testing shows a similar trend of returns as for Church Street where the high unit pricing (for water views) is lowered by the retail strata lots on the ground floor with sale rates around \$5,500/m² (retail component) compared to the residential equivalent around \$6,500/m².

Conclusions

The retail component would have a neutral effect (instead of a negative impact) upon potential sales if it was reduced to a series of small shops facing the street (only) with residential units or parking behind at ground level. This highlights developers preferences for residential stock only that leads to highest sales rates.

Site 4 - 15, 17, 19 & 19A Tomaree Street, Nelson Bay

This Test Site is formed by four (4) existing detached dwellings of modest presentation (circa 1975) with an assessed market value of \$350,000 each with two (2) street frontages upon Tomaree and Dowling Streets.

The total development site acquisition price is assessed with an amalgamation premium of 30% to acquire all dwellings as typically encountered. Total site acquisition price adopted = \$350,000 x 4 x 1.3 (\$1.82mill.)

The feasibility results below depict a residential flat building project with parking below ground. The unit pricing below is moderate with small increase for height given the location on the southern fringe of the retail hub.

The key influences resulting in modest pricing for the units at this site are the lack of water views except for the uppermost heights tested given the distance of 750metres from the foreshore on the southern periphery of the retail hub. This distance from the town centre is still within a comfortable walking distance for many purchasers.

Table 25: Unit Pricing Estimates

11, 13 & 15 Church Street	3 storeys	4 th & 5 th storey	6 th to 8 th storey
One Bedroom	\$400,000	\$440,000	\$460,000
Two Bedrooms	\$450,000	\$490,000	\$510,000
Three Bedrooms	\$500,000	\$540,000	\$560,000

Source: HillPDA Research

Feasibility Testing Results for 3, 5 and 8 storeys

Our commentary above for optimal (and sub-optimal) building configurations revealed the likelihood of high site cover buildings (ie. 3 storeys) showing a low feasibility and only the 5 and 8 storey heights for an FSR of 2.5:1.0 and 3.0:1.0 revealing a feasible outcome.

This lower degree of feasibility across the options tested is expected for this site given the key factors noted above (ie. distant water views only from the upper levels).

The Residual Land Value below indicates the purchase price required to achieve target threshold returns for each configuration.

Table 26: Feasibility Testing Results – FSR of 2.5:1.0 for 3, 5 & 8 storeys

Land Purch Price :\$1.40m.	3 Storeys – 69 Units	5 Storeys – 69 Units	8 Storeys – 69 Units
Development Profit	\$1,701,873	\$1,696,401	\$2,519,561
Development Margin	6.10%	5.91%	8.57%
IRR	10.22%	10.02%	12.26%
Performance Ranking	Unviable	Unviable	Unviable
Residual Land Value (RLV)	\$116,292	\$50,498	\$336,714

Source: HillPDA Research

The IRR's above for all results reveal an amalgamated site value (RLV) to be considerably lower than the individual market value of the existing dwellings by comparing the RLV above to \$1.4million (\$350,000 x 4).

Feasibility results are shown below for an FSR of 3.0:1.0.

Table 27: Feasibility Testing Results – FSR of 3.0:1.0 for 3, 5 & 8 storeys

Land Purch Price :\$1.40m.	3 Storeys – 83 Units	5 Storeys – 83 Units	8 Storeys – 83 Units
Development Profit	\$2,462,647	\$2,869,715	\$2,767,991
Development Margin	7.41%	8.42%	7.90%
IRR	11.93%	12.48%	11.70%
Performance Ranking	Unviable	Unviable	Unviable
Residual Land Value	\$233,968	\$257,504	\$24,788

Source: HillPDA Research

Site Amalgamation “Expensive” in this Case

To amalgamate existing houses the site acquisition price is relatively high reflecting the premium to acquire the land simultaneously, effectively paying above the value of the improvements (ie. houses) that are then demolished. The results confirm that only the most favourable sites with extensive water views are likely to be feasible for residential tower development given the modest unit pricing in Nelson Bay.

Conclusion

These results show in the current market it is unlikely a site will be amalgamated with existing housing at this distance from the foreshore given the premium required to pay for the improvements for a simultaneous purchase of multiple lots.

Site 5 - 16, 18 & 20 Donald Street, Nelson Bay

This Test Site comprises the existing Council car-park around 75 metres east of the corner of Donald and Stockton Streets considered to be on the fringe of the established retail hub that intensifies on the opposite side of this intersection where Woolworths lies.

Mixed Use

The feasibility results below depict a mixed use project with retail strata units on the ground floor and parking below with residential units above over various heights.

Given the fringe location removed from the retail hub, the value (GR's) apportioned to ground floor retail suites (\$5,500/m² of strata area) is lower than the residential sales rate as found for 36A – 36F Donald Street resulting in a lower feasibility by the inclusion of shops at this location. As noted for 36A to 36F Donald Street (retail core site) a few shops only facing the street would achieve higher strata rates and the feasibility effect would wither be neutral or positive.

Existing Public Parking Not Preserved in this Feasibility Testing

The existing carpark presently provides parking for around 232 cars over three levels however, this is restricted to 90 cars only on the ground level as the upper levels are closed due to concrete degradation.

Our modelling reflects does not reflect any preserved public parking that would impose a capital outlay of \$3.5million for 140 cars in an above ground (concrete deck) structure over 2 levels beside the residential building.

As demonstrated in our prior analysis this impediment renders the project unviable at all heights and has not been incorporated to this testing.

Unit Pricing Boosted by Water Views

Water views can be obtained above three (3) storeys on two (2) building faces.

This site and the site at Church Street will generate the highest unit pricing being the closest to the foreshore (Donald Street) and the highest altitude allowing water views from the mid-rise and upper levels with a summary of the price profile below.

Table 28: 16, 18 & 20 Donald Street Nelson Bay – Unit Pricing Estimates

16, 18 & 20 Donald Street	Low Rise	Mid Rise	High Rise	Water Views
One Bedroom	\$400,000	\$450,000	\$500,000	\$550,000
Two Bedrooms	\$450,000	\$500,000	\$550,000	\$650,000
Three Bedrooms	\$525,000	\$575,000	\$625,000	\$725,000

Source: HillPDA Research

The feasibility results show a mix of returns for the two FSR's below.

Table 29: Feasibility Testing Results – FSR of 2.5:1.0 for 3, 5 & 8 storeys

Land Purch Price :\$3.12m.	3 Storeys – 104 Units	5 Storeys – 104 Units	8 Storeys – 104 Units
Development Profit	\$1,630,878	\$1,603,051	\$6,813,744
Development Margin	3.77%	3.60%	14.97%
IRR	7.34%	7.08%	18.31%
Performance Ranking	Unviable	Unviable	Viable
Residual Land Value (RLV)	\$392,109	\$214,126	\$3,209,035

Source: HillPDA Research

The IRR's above reveal the highest density tested for an FSR of 2.5:1.0 (8 storeys) achieves a viable feasibility based on a target threshold return of 18% IRR. This also indicates 3 and 5 storeys do not achieve sufficient market demand given the building configuration at an FSR of 2.5:1.0 resulting in a low amenity from the high site cover.

Feasibility results are shown below for an FSR of 3.0:1.0.

Table 30: Feasibility Testing Results – FSR of 3.0:1.0 for 3, 5 & 8 storeys

Land Purch Price :\$3.78m.	3 Storeys – 126 Units	5 Storeys – 126 Units	8 Storeys – 126 Units
Development Profit	\$2,891,103	\$4,528,649	\$9,374,366
Development Margin	5.52%	8.43%	17.00%
IRR	9.14%	11.83%	20.27%
Performance Ranking	Unviable	Unviable	Viable
Residual Land Value	\$978,465	\$1,687,586	\$4,587,223

Source: HillPDA Research

As expected the maximum height tested of 8 storeys shows a site cover of 35% which allows for an optimal building design regarding natural light and set-backs, landscaped gardens on site and consistency with other higher priced (prestige) unit buildings in Nelson Bay.

5 CONCLUSIONS

Our findings into the feasibility of various density and building height combinations may be summarised by the broad parameters in the Density Table below along the spectrum of Not viable – Marginal and Viable.

Table 31: Building configurations for each Test Site

Density Table	FSR	Site Cover	FSR	Site Cover
3 storeys	2.5:1.0	83% Not viable	3.0:1.0	100% Not viable
5 storeys	2.5:1.0	50% Not viable	3.0:1.0	60% Not viable
8 storeys	2.5:1.0	33% Viable	3.0:1.0	38% Viable

The section at the front of this report titled Summary of Findings provides details for the building design constraints around 3, 5 and 8 storeys.

Three storeys

In essence for residential unit buildings, 3 storeys are found to be compatible regarding design merits with an FSR of 1:1 to 1.2:1.

For townhouses designed with two to three storeys a lower FSR of 0.6:1 to 0.8:1 is likely to be feasible after regard to the areas required for garages and landscaping.

Further Heights

In our experience with feasibility modelling over a range of districts, we typically find the following height and FSR combinations to be common:

- 3 to 4 storeys are often compatible with an FSR of 1.6:1 to 1.8:1;
- 5 to 6 storeys are often compatible with an FSR of 1.8:1 to 2:1;
and
- 7 to 8 storeys are often compatible with an FSR of 2.2:1 to 2.5:1.

APPENDIX A: UNIT SALES EVIDENCE

1A Tomaree Street – Mantra	Sold Date	Sold Price	Internals	\$/sqm	Configuration
<p>The Mantra apartments building is known as "Mantra Aqua Resort" located at the eastern end of Tomaree Street with a second street frontage to Dowling Street. It lies around 200 metres from the retail hub of Nelson Bay and 300 metres from the foreshore.</p> <p>The complex comprises three (3) main buildings containing 110 units formed as four (4) storeys above ground and basement parking beneath.</p> <p>Completion of construction occurred in early 2006 with a design suited for holiday units without internal laundries. Our enquiries indicate occupation comprises mostly casual lettings (short stay patrons) and tenants with fixed terms and only a few owner occupiers.</p> <p>The complex provides water views for units on the upper level of Building A with other unit's sight lines upon the internal pool area and landscaped surrounds or the immediate surrounding district.</p> <p>The sample of recent sales below depicts modest rates (\$/m²) reflecting the limited market demand for ownership of holiday letting units that are mostly included in an agent's letting pool.</p>					
Unit 17	August -2016	\$395,000	114m ²	\$3,465	
3 bedrooms, 2 bathrooms and 2 Car spaces. Located at the rear of the building on Level 1.					
Unit 13	July -2016	\$360,000	90m ²	\$4,000	
2 bedrooms, 2 bathrooms and 1 car space. Located at the front of the building on level 2.					
Unit 92	May -2016	\$405,000	116m ²	\$3,491	
3 bedrooms, 2 bathrooms and 2 Car spaces. Located at the front of the building on Level 1.					
Unit 25	April -2016	\$367,000	80m ²	\$4,588	
2 bedrooms, 2 bathrooms and 1 Car space. Located at the front of the building on Level 3.					
Unit 27	April -2016	\$355,000	79m ²	\$4,494	
2 bedrooms, 2 bathrooms and 1 Car space. Located at the front of the building on Level 3.					

1A Tomaree Street - Mantra - continued	Sold Date	Sold Price	Internals	\$/sqm	Configuration
Unit 109	March -2016	\$335,000	80m ²	\$4,188	
2 bedrooms, 2 bathrooms and 1 Car space. Located at the rear of the building on Level 2.					
Unit 102	March -2016	\$427,000	118m ²	\$3,619	
3 bedrooms, 2 bathrooms and 2 Car spaces. Located at the front & side of the building on Level 2.					
Unit 4	January -2016	\$355,000	95m ²	\$3,737	
2 bedrooms, 2 bathrooms and 1 Car space. Located at the rear of the building with a large courtyard attached.					
Unit 88	December -2015	\$322,000	79m ²	\$4,076	
2 bedrooms, 2 bathrooms and 1 Car space. Located at the rear of the building on Level 1.					
Unit 70	December -2015	\$345,000	79m ²	\$4,367	
2 bedrooms, 2 bathrooms and 1 Car space. Located at the rear of the building on Level 2.					
Unit 55	November -2015	\$345,000	79m ²	\$4,367	
2 bedrooms, 2 bathrooms and 1 Car space. Located at the rear of the building on Level 1 with extensive terrace attached.					
Unit 69	November 2015	\$350,000	79m ²	\$4,430	
2 bedrooms, 2 bathrooms and 1 Car space. Located at the rear of the building on Level 2 (1 above ground).					
Unit 77	November -2015	\$285,000	60m ²	\$4,750	
1 bedroom, 1 bathroom and 1 Car space. Located at the rear of the building on Level 2.					

1A Tomaree Street. - Mantra - continued	Sold Date	Sold Price	Internals	\$/sqm	Configuration
Unit 45	October -2015	\$630,000	110m ²	\$5,727	
3 bedrooms, 2 bathrooms and 2 Car spaces. Located at the front of the building on Level 4					
Unit 2	August -2015	\$305,000	79m ²	\$3,861	
2 bedrooms, 2 bathrooms and 1 Car space. Located on the ground floor at the front of the building.					
Unit 58	July 2015	\$323,000	76m ²	\$4,250	
2 bedrooms, 2 bathrooms and 1 Car space. Located on the ground floor at the rear of the building.					

LandMark Resort

Another building with holiday letting units contained is the Landmark Resort at 61B Dowling Street Nelson Bay.


This large complex contains 123 units mostly with a two (2) bedroom configuration constructed for holiday lettings like the Mantra Apartments (above). Recent sales show modest rates of \$3,000/m² to \$4,600/m², the latter applying to compact units of 72m² (living area) achieving a typical sale price of \$335,000 to \$350,000.

Its status as holiday apartments is evident in:

- Extensive common areas on the ground floor both enclosed and open (with extensive landscaped grounds including a pool);
- Extensive visitor parking (at grade) at the rear of the property;
- All units face north with a narrow, elongated shape interconnected by a long corridor at the rear of each floor; and
- Our enquiry confirms investors are the majority owners restricted to a single letting pool operated by a particular local agent letting given reluctance from other agents to undertake “one off” holiday lettings in the building.

“The Shoal Apartments”

See commentary within the report under the heading “3 The Shoal Apartments” for the only known case of current unit pre-sales occurring within proximity to Nelson Bay.

42 Stockton Street. Bayview Apartments	Sold Date	Sold Price	Internals	\$/sqm	Configuration
<p>The Bayview building is located at the corner with Tomaree Street around 150 metres from the retail hub of Nelson Bay that contains a recently opened Woolworths supermarket with parking beneath.</p> <p>The complex contains 12 units with a north facing aspect for each over three (3) storeys above basement parking for 18 vehicles and a passenger lift servicing all levels. Construction completion occurred in mid 2003. Our enquiries indicate occupation by owner occupiers and long term tenants (6-12 months) mostly. The sales rates shown reflect an appealing well maintained block with some age (16 years) effect.</p>					
Unit 3	June -2016	\$415,000	100m ²	\$4,150	
2 bedrooms, 2 bathrooms and 1 car space. Located on the ground floor. Bedroom advertised as divisible into two (2) as confirmed by the published floor plan.					
Unit 2	March -2016	\$420,000	105m ²	\$4,000	
3 bedrooms, 2 bathrooms and 2 car spaces. Located on the ground floor court yard and garden.					
Unit 10	June -2014	\$440,000	105m ²	\$4,190	
3 bedrooms, 2 bathrooms and 2 lock up garages. Located on the front, side and rear of the building.					

2 Government Road. Dolphin Cove	Sold Date	Sold Price	Internals	\$/sqm	Configuration
<p>Known as Dolphin Cove, this building is located at a relatively high altitude close to the retail hub of Nelson Bay and hotel near the foreshore.</p> <p>The complex contains 16 units over five (5) storeys including six (6) south facing only units given the street frontage has a southerly aspect. There is basement parking for 28 vehicles and a passenger lift servicing all levels.</p> <p>Construction completion occurred in late 2005. The strata plan indicates occupation by owner occupiers and long term tenants (6-12 months) given the upper two (2) floors are divided into only four (4) large units all facing north (opposite the street).</p> <p>The moderate sales rates shown below reflect lower level units with modest views in a modern well maintained building.</p>					
Unit 8	Feb -2016	\$385,000	116m ²	\$3,319	
3 bedrooms, 2 bathrooms and 2 car spaces. Located on the first floor in the middle-front of the building with a single aspect to the south.					
Unit 5	Feb -2016	\$415,000	133m ²	\$3,120	
3 bedrooms, 2 bathrooms and 1 car space. Also located on the first floor at the front of the building with views to the west and south.					
Unit 3	June - 2014	\$405,000	117m ²	\$3,462	
3 bedrooms, 2 bathrooms and 1 car space. Located on the ground floor at the rear of the building with views to the north and east.					
Unit 10	Dec -2012	\$386,000	102m ²	\$3,784	
3 bedrooms, 2 bathrooms and 2 car spaces. Located at the rear of the building on level 2 with views toward the water facing north and west.					



5 Laman Street. - Oasis	Sold Date	Sold Price	Internal (Living) Area	\$/sqm	Configuration
<p>The Oasis building has a prominent location at the corner of Laman Street and Government Road around 100 metres from the retail hub of Nelson Bay.</p> <p>It contains 12 units with all except two (2) providing north facing aspects. It is formed over five (5) storeys above basement parking for 20 vehicles and a passenger lift servicing all levels.</p> <p>Construction completion occurred in late 2006. Our enquiries indicate occupation by owner occupiers and long term tenants (6-12 months) mostly. The relatively high sales rate shown for unit 6 reflects a broad frontage facing north and water views given the elevated position and proximity to the foreshore (100 metres).</p>					
Unit 6	February -2016	\$730,000	110m ²	\$6,636	
3 bedrooms, 2 bathrooms and 2 car space. Located on the second floor with water views of the marina and Nelson Bay.					
Unit 1	February -2016	\$605,000	133m ²	\$4,548	
3 bedrooms, 2 bathrooms and 1 car space. Located on the ground floor.					
Unit 2	December - 2013	\$425,000	100m ²	\$4,250	
3 bedrooms, 2 bathrooms and 1 car space. Located on the ground floor with north facing aspect.					

21 Tomaree Street. - Scirocco Apartments	Sold Date	Sold Price	Internal (Living) Area	\$/sqm	Configuration
<p>The Scirocco apartments building is located in Tomaree Street toward the top of the steep rise from Stockton Street with a rear alignment upon Dowling Street around 200 metres from the retail hub of Nelson Bay and 400 metres from the foreshore.</p> <p>The complex contains 18 units all shaped as narrow and elongated to achieve a north facing aspect for all over six (6) storeys above basement parking for 35 vehicles and a passenger lift servicing all levels.</p> <p>Construction completion occurred in late 2004. It is likely that owner occupiers and long term tenants (6-12 months) characterise the occupancy. The sales rates shown reflect an appealing well maintained block at a high altitude although dated stock (12 years).</p>					
Unit 13	June -2016	\$550,000	126m ²	\$4,365	
3 bedrooms, 2 bathrooms and 2 car spaces. Located on the third floor with a north facing aspect. Currently has water views that may be eventually be built out.					
Unit 4	June -2016	\$590,000	150m ²	\$3,933	
3 bedrooms, 2 bathrooms and 2 car spaces. Located on the first floor with north facing aspect and water glimpses.					
Unit 16	Jan -2016	\$600,000	120m ²	\$5,000	
3 bedrooms, 2 bathrooms and 2 car spaces. Located on the fourth floor with views to the north and west.					
Unit 18	Dec-2014	\$377,000	123m ²	\$3,065	
2 bedrooms, 2 bathrooms and 1 car space. Located on the ground floor with a large court yard.					

55 Magnus Street. The Magnus	Sold Date	Sold Price	Internal (Living) Area	\$/sqm	Configuration
<p>This building known as the Magnus Apartments is located on the southern side of a street parallel (and close) to the foreshore. It provides large units with expensive finishes such as floor to ceiling windows and broad sweeping (curved) balconies.</p> <p>It is widely regarded as one of the most notable apartment buildings in Nelson Bay.</p>					
<p>The units enclose a large living area being (arguably) oversized for the price range applicable to Nelson Bay resulting in a lengthy selling time of around three (3) years after completion in 2009 and low sales rates for the relatively high pricing given the large internal (living) areas as shown below.</p> <p>Discussions with a long term residential sales agent confirmed the expected outcome of this project being a significant loss given the sales rates equivalent to the building construction cost, completed by a well-resourced developer with little external funding reliance.</p>					
Unit 1	June -2016	\$800,000	287m ²	\$2,787	
4 bedrooms, 2 bathrooms and 2 car spaces.					
Unit 6	June -2016	\$940,000	300m ²	\$3,133	
5 bedrooms, 3 bathrooms and 2 lock up garages. Located on the first floor with north facing aspect.					
Unit 10	April -2015	\$1,600,000	360m ²	\$4,444	
5 bedrooms, 5 bathrooms and 3 car spaces. Located on the fourth floor with views north/west.					
Unit 2	April - 2015	\$700,000	172m ²	\$4,070	
3 bedrooms, 2 bathrooms and 2 car space. Located on the first level with north aspect.					

25 Tomaree Street.	Sold Date	Sold Price	Internal (Living) Area	\$/sqm	Configuration
<p>This older style building (circa 2005) is located (almost) at one of the highest points of the Nelson Bay urban hub near the top of the steep rise of Tomaree Street around 200 metres from the retail centre of Nelson Bay.</p> <p>The complex contains six (6) units all with north facing aspects over three (3) storeys above parking for 18 vehicles at ground level without a passenger lift.</p> <p>The units on Level 3 have a second level above with the balance of the rooftop dedicated to common area (aspect to the south).</p> <p>The modest sales rate below provides an indication of the price ceiling for three (3) bedroom stock in older buildings without views.</p>					
Unit 1	February -2015	\$580,000	150m ²	\$3,867	
3 bedrooms, 2 bathrooms and 2 car spaces. Located on the ground floor.					



APPENDIX B: DISCLAIMER

Disclaimer

1. This report is for the confidential use only of the party to whom it is addressed ("Client") for the specific purposes to which it refers and has been based on, and takes into account, the Client's specific instructions. It is not intended to be relied on by any third party who, subject to paragraph 3, must make their own enquiries in relation to the issues with which this report deals.
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4. This report and its attached appendices are based on estimates, assumptions and information provided by the Client or sourced and referenced from external sources by HillPDA. While we endeavour to check these estimates, assumptions and information, no warranty is given in relation to their reliability, feasibility, accuracy or reasonableness. HillPDA presents these estimates and assumptions as a basis for the Client's interpretation and analysis. With respect to forecasts, HillPDA does not present them as results that will actually be achieved. HillPDA relies upon the interpretation of the Client to judge for itself the likelihood of whether these projections can be achieved or not.
5. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.
6. This report does not constitute a valuation of any property or interest in property. In preparing this report HillPDA has relied upon information concerning the subject property and/or proposed development provided by the Client and HillPDA has not independently verified this information except where noted in this report.
7. In relation to any valuation which is undertaken for a Managed Investment Scheme (as defined by the Managed Investments Act 1998) or for any lender that is subject to the provisions of the Managed Investments Act, the following clause applies:

This valuation is prepared on the assumption that the lender or addressee as referred to in this valuation report (and no other) may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio.
8. HillPDA makes no representations or warranties of any kind, about the accuracy, reliability, completeness, suitability or fitness in relation to maps generated by HillPDA or contained within this report.



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