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# 159-167 Darley Street West, Mona Vale

## Affordable housing feasibility analysis

Northern Beaches Council

March 2023



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### Quality Control

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This document is for discussion purposes only unless signed and dated by a Principal of HillPDA.

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Signature



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## Glossary

- Development Margin (DM): is the net profit expressed as a percentage of the development costs.
- Market Value: The definition adopted by the professional property bodies (API & RICS) is: 'Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'
- Project Internal Rate of Return (IRR): is the actual return on the investment on an annualised basis and expressed as a percentage. This approach takes into account the cost of time in its calculation within a cash flow and indicating average returns over a period of time.
- Residential Land Value: is the maximum price that a hypothetical developer would pay for the land to achieve acceptable hurdle rates (such as an IRR) based on the highest and best use or optimal development option for the land.
- Tipping Point: is the point at which a development becomes viable.

## Abbreviations

■ AFH	Affordable Housing
■ DCP	Development Control Plan
■ FSR	Floor Space Ratio
■ GFA	Gross Floor Area
■ LEP	Local Environmental Plan
■ LGA	Local Government Area
■ NLA	Net Lettable Area
■ NSA	Net Saleable Area
■ PLEP	Pittwater Local Environmental Plan 2014
■ RLV	Residual Land Value
■ Sqm	Square metre

## Critical assumptions

1. It should be noted that in the case of advice provided in this report, which is of a projected nature, we must emphasise those specific assumptions have been made which appear reasonable based on current market sentiment and forecasts. It follows that any one of the associated assumptions may change over time and no responsibility can be accepted in this event. The value performance indicated above is an assessment of the potential value trend and the indicated figures should not be reviewed as absolute certainty
2. This assessment has been prepared on specific instructions from the instructing party detailed within this report for the specific purpose detailed within this report. The report is not to be relied upon by any other party or for any other purpose. We accept no liability to third parties nor do we contemplate that this report will be relied upon by third parties. Neither the whole of the report or any part of reference thereto, may be published in any document, statement or circular nor in any communication with third parties without prior written approval of the form and context in which it will appear. We reserve the right to withhold consent or to review the contents of this report in the event that our consent is sought. HillPDA and the individual valuers involved in the preparation of this valuation do not have pecuniary interests in the subject property that would conflict with the valuation of the property.



## 1.0 INTRODUCTION

### 1.1 Our brief, purpose and objective

HillPDA has been engaged by Northern Beaches Council (Council) to undertake an independent review of the feasibility analysis of 159-167 Darley Street West, Mona Vale (subject site).

The purpose of this study is to assess the financial viability of the planning proposal that will in turn inform the viability of providing an affordable housing contribution to Council in return for the uplift in planning controls.

Council's vision is to increase the range and supply of affordable housing in the Northern Beaches region to meet the growing and changing needs of its community, particularly key workers. Council has an affordable housing policy (approved June 2017) that outlines Council's position and approach to the provision of affordable housing in the Northern Beaches LGA which notes "Council is committed to a 10% affordable rental housing target for all strategic plans and planning proposals for urban renewal or greenfield development. Higher rates of the provision will be sought where feasible."

We understand that The Northern Beaches Affordable Housing Contributions Scheme (an extension of the above policy) was finalised and adopted by Council in September 2021, post the lodgement of this planning proposal.

Therefore, we have also referred to the 2018 North District Plan which recommends an Affordable Rental Housing Target (as stated in A Metropolis of Three Cities) that is generally in the range of 5–10 % of new residential floor space and is subject to viability. When placed on exhibition in 2018 the Region Plan applied to the following conditions for the Target:

- apply to land that is the subject of upzoning — a change of land use to residential or an increase in permissible residential development density
- vary by precinct according to the local development viability
- apply only to new areas nominated by the relevant planning authority; conversely not apply retrospectively to rezoned land
- be announced prior to rezoning to give the market certainty about the amount of affordable housing to be provided, and so that it can be factored into underlying land prices
- apply to land within new urban renewal or land release areas (both government and private) identified via a local or district housing strategy or another form of appropriate research that illustrates a current or future need for affordable rental housing
- be calculated as a proportion of all residential floor space above the base floor space ratio — that is, the residential floor space ratio that was permissible before the upzoning within the nominated area.<sup>1</sup>

It is critical to assess the impact of affordable housing delivery on development feasibility and this is the objective of our analysis.

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<sup>1</sup> Greater Sydney Commission (2017). *Information Note 4: Affordable Rental Housing Targets*



## 1.2 Proposed scenario testing

HillPDA has assessed the proposed development scheme as per the provided planning proposal and concept plans to gain an understanding of the viability of an affordable housing contribution payment. HillPDA would assess the following scenarios:

- **Scenario 1 - Base case:** This scenario tests the viability of the planning proposal/concept plan that proposes 2 x two storey residential flat buildings (38 apartments) and three townhouses.
- **Scenario 2 - Affordable housing:** This scenario would also be based on the above base case however, to align with Council's affordable housing policy, a monetary contribution equivalent of 5% and 10% of additional residential floor space (deduction of building footprint of existing dwellings) as a public benefit would be applied in our financial modelling. This scenario would determine the viability and overall financial impact of an affordable housing contribution.
- **Scenario 3 - Tipping Point:** If Scenario 2 are proven to be unfeasible, a tipping point analysis would be undertaken and we would provide a recommendation on an affordable housing contribution rate (%) that the developer could afford to pay.

## 1.3 Our approach

To assess the above scenarios, HillPDA has undertaken the following tasks:

- Peer review of the proponent's affordable housing feasibility modelling methodology and supporting evidence. The primary focus will be the proponent's proposed affordable housing contribution rate (%)
- Market research of 'off the plan' and established apartment sales to establish an appropriate \$ rate per sqm of the end sale revenue for the feasibility analysis and an affordable housing contribution
- Market research of development site sales to reality check our residual land value (RLV) results.
- Feasibility modelling utilising the proprietary software Argus EstateMaster (an industry benchmark used by developers, financiers, and property valuers) to assess the viability of 5% and 10% affordable housing contribution and its impact on development viability. If these options are proven to be unfeasible, we will undertake a tipping point analysis and provide a recommendation on an affordable housing contribution rate (%) that the developer could pay. HillPDA has benchmarked the Project Internal Rate of Return, which incorporates, profit, risk and tax at 16% p.a. and a Development Margin at 20% p.a.



## 1.4 Location

The subject site is located on Darley Street West, a cul-de-sac located opposite the Bayview Golf Club shown below in Figure 1. The site is located close to the Mona Vale's shops.

Figure 1: Subject site located in the red outline below



Source: Northern Beaches Council maps



## 1.5 The planning proposal

It is understood that the applicant has lodged a planning proposal which seeks to amend the planning controls to rezone the subject site from 'R2 Low Density Residential' to 'R3 Medium Density Residential' zone under the Pittwater Local Environmental Plan 2014 (PLEP). The approval of this planning proposal would be able to deliver a part apartment and part townhouse development. In addition, the planning proposal is seeking approval to remove the applicability of Clause 4.5A under PLEP, which specifies a maximum of one dwelling per 200 sqm of site area.

Under the current planning controls the subject site would only be able to deliver a maximum number of 31 dwellings permitted. The planning proposal seeks an additional 10 dwellings.

As mentioned above the planning proposal seeks a rezoning to R3 and a FSR to 0.6:1 to allow a total of 38 apartments contained within 2 x two storey residential apartment buildings and three townhouses. The development proposes a single basement level that would accommodate 80 car spaces. More specifically the development will comprise:

- 12 x 1 Bedroom apartments
- 20 x 2 Bedroom apartments
- 6 x 3 Bedroom apartments
- 3 x Townhouses

This unit mix differs from the concept plans provided by Giles Tribe and provided the following development scheme:

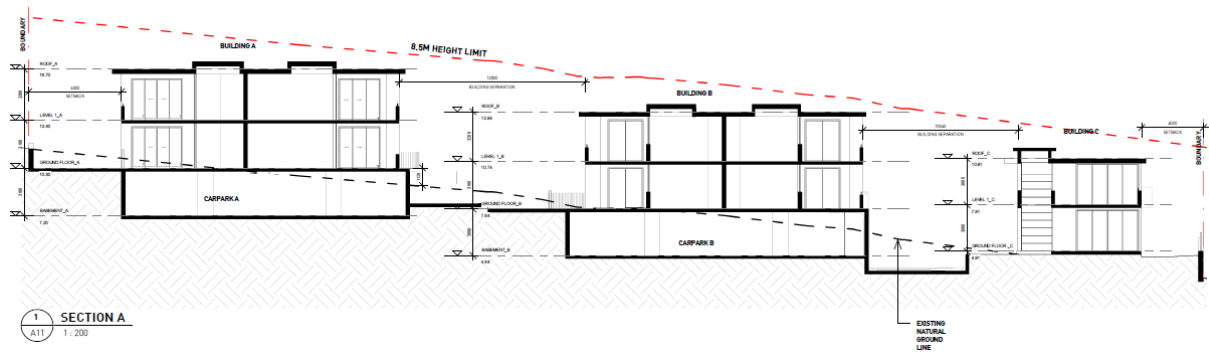
- 12 x 1 Bedroom apartments
- 22 x 2 Bedroom apartments
- 4 x 3 Bedroom apartments
- 3 x Townhouses

For the purpose of our analysis, we have relied upon Giles Tribe's concept plans as it provided a breakdown of NSA by unit and GFA.

**Figure 2: Artist's impression of the planning proposal**







Source: Concept plans by Giles Tribe



## 2.0 AFFORDABLE HOUSING FINANCIAL ASSESSMENT

Our primary method of assessment is the residual land value analysis via development cash flow modelling with hypothetical end sale revenue derived via market research of 'off the plan' residential apartment sales to validate Macroplan and HillPDA's inputs.

To support our residual land value analysis, we have also analysed development site sales which we consider set the market parameters by which the land value of the subject site may be determined and as a check method against our residual land value results.

This chapter also outlines our financial viability analysis and our assumptions for the financial modelling.

### 2.1 Market research overview

To arrive at end sale values for residential apartments for the residual land value assessment we have undertaken the direct comparison method to establish end sales values for 'off the plan' and established residential apartments and townhouses.

In addition, to arrive at a market value for the site we have also undertaken an analysis of recently sold development sites.

#### 2.1.1 'Off the plan' and established residential sales

Our research has revealed that there is moderate development activity occurring in Mona Vale and the surrounding areas. We have had regard to the following projects in our analysis.

**Table 1: Summary of 'off the plan' apartment asking and sale prices**

Project	Type	Sale price	Int. area (sqm)	\$/sqm NSA
<b>Townhouses</b>				
'Bayside' 23 Mona Street, Mona Vale	3 BR	\$2,650,000-\$3,350,000	127-181	\$18,508-\$20,866
155-157 Darley Street West, Mona Vale	2/3 BR	\$1,910,000-\$2,410,000	130	\$14,692-\$18,538
4-10 Gold Avenue, Mona Vale	2 BR	\$1,850,000-\$2,000,000	100-106	\$17,619-\$20,000
<b>Apartments</b>				
'Maya', 19 Bungan Street, Mona Vale	1 BR	\$1,200,000-\$1,350,000	51-59	\$22,881-\$23,529
	2 BR	\$1,900,000	70-82	\$23,171-\$27,143
	3 BR	\$2,950,000	89-91	\$32,418-\$33,146
79-91 Macpherson Street, Warriewood	1 BR	\$840,000-\$885,000	51-59	\$14,274-\$15,909
	2 BR	\$935,000-\$1,580,000	75-122	\$12,049-\$16,471
	3 BR	\$1,452,000-\$1,460,000	115	\$12,626-\$12,696
3 Seaview Avenue, Newport	1 BR	\$800,000	60	\$13,333
	2 BR	\$1,460,000-\$1,850,000	86-110	\$16,818-\$18,837
	3 BR	\$1,535,000	102	\$15,049
1283-1287 Pittwater Road, Narrabeen	2 BR	\$990,000-\$1,310,000	75-81	\$13,200-\$16,173

Source: Domain.com.au, Realestate.com.au, selling agents



Conversations with local agents and current market conditions indicate a lower take up rate due to weakened demand based on recent and anticipated interest rate rises. Based on the above sales evidence, this aligns with Macroplan's assumption that the end sale revenue would range between \$19,855 to \$22,519/sqm of NSA. Details on the 'off the plan' and established apartment sales are contained within Appendix A.

### 2.1.2 Development site sales

As a cross-reference we have reviewed development sites from 2019 to 2021, which we consider set the market parameters by which the value of the subject site may be determined.

**Table 2: Summary of development site sales**

Address	Sale price (Sale date)	Site area (Unit yield)	FSR GFA (sqm)	Analysis
<b>27 Nullaburra Road, Newport</b>	\$4.05m (03/21)	1,221sqm (8)	Not specified 880sqm	\$506,250/unit \$4,602/sqm GFA
<b>53A Warriewood Road, Warriewood</b>	\$16.25m (10/21)	9,251sqm (22))	Not specified Unknown	\$738,636/potential dwelling Unknown/sqm GFA
<b>71 &amp; 71A Queenscliff Road, Queenscliff</b>	\$13.425m (07/20)	1,263sqm (14)	1.47:1 1,860sqm	\$958,929/unit \$7,218/sqm GFA
<b>27A-29 Pine Avenue, Brookvale</b>	\$6.25m (07/21)	2,206sqm (20)	0.8:1 1,750sqm	\$312,500/unit \$3,571/sqm GFA
<b>1622 Pittwater Road, Mona Vale</b>	\$4.3m (02/20)	1,385sqm (7)	0.7:1 918sqm	\$614,286/unit \$4,684/sqm of GFA
<b>38 Park Street &amp; 1795-1797 Pittwater Road, Mona Vale</b>	\$5.855m (12/19)	2,732sqm (16)	0.8:1 2,136sqm	\$365,937/unit \$2,741/sqm GFA

Source: Cordell Connect, Realcommercial.com.au, selling agents

Further details on the development sites are contained within Appendix B.

*This market research is based on HillPDA's understanding of the transaction, and while we understand the facts to be generally reliable, we are unable to guarantee the accuracy. As such, the results of our analysis may change should new information come to light.*



## 2.2 Review of Macroplan's financial inputs

We have been provided with the following feasibility assumptions and we have critiqued the feasibility modelling inputs by Macroplan and have made the following comments.

**Table 3: Proponent's inputs and HillPDA's comments**

Input	Comments
	Macroplan's provided assumption: \$2,700/sqm of site area. After allowing for additional costs such as legal, administration and transactional costs shows a total land cost rate of \$2,886/sqm of site area.
	<b>HillPDA comments:</b>
	We have examined recent market activity and have had particular regard to recent sales evidence which has occurred in close proximity to the subject site. Tabulated below are recent residential transactions that occurred in 2021 and to date. The larger properties show a rate of \$2,419 to \$2,813/sqm of site area and these properties have limited development potential in isolation (do not meet planning control requirements for redevelopment).

**Table 4: Sales evidence**

	Min Sale Price	Average Sale Price	Max Sale Price	Min \$/sqm	Average \$/sqm	Max \$/sqm
Land cost	750-799	\$2,075,000	\$2,448,750	\$2,700,000	\$2,604	\$3,155
	800-849	\$1,700,000	\$2,000,000	\$2,450,000	\$2,021	\$2,419
	850-899	\$2,120,000	\$2,120,000	\$2,120,000	\$2,494	\$2,494
	850-900	\$2,100,000	\$2,488,100	\$2,950,000	\$2,341	\$2,831
	900-949	\$2,100,000	\$2,265,000	\$2,430,000	\$2,236	\$2,462
	1000+	\$4,600,000	\$4,830,000	\$5,060,000	\$4,042	\$4,327

The tabulated sales rate shows that Macroplan's land purchase rate is reasonable as it is assumed that in addition to the market value, a premium would be paid to incentivise owners to facilitate the site consolidation.

For the purpose of this analysis, we have adopted Macroplan's land purchase price of \$2,700/sqm of site area and additional land acquisition costs such as stamp duty and due diligence are calculated separately in Argus Estatemaster.

Unit mix	<p>There is a unit mix discrepancy between the planning proposal provided by Macroplan, dated July 2020 and the concept plan provided by Giles Tribe, dated May 2021.</p> <p>Macroplan adopted the following development scheme:</p> <ul style="list-style-type: none"> <li>• 12 x 1 Bedroom apartments</li> <li>• 20 x 2 Bedroom apartments</li> <li>• 6 x 3 Bedroom apartments</li> <li>• 3 x Townhouses</li> </ul> <p>Giles Tribe provided the following development scheme:</p> <ul style="list-style-type: none"> <li>• 12 x 1 Bedroom apartments</li> <li>• 22 x 2 Bedroom apartments</li> <li>• 4 x 3 Bedroom apartments</li> <li>• 3 x Townhouses</li> </ul> <p>For the purpose of our analysis, we have relied upon Giles Tribes development scheme as additional information such as the breakdown of GFA and NSA has been provided.</p>
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Input	Comments
Cost estimate	<p><b>Proponent's provided assumptions:</b></p> <p><b>Hard costs</b></p> <p>Basement (incl. earthworks): \$50,000/car space</p> <p>Residential unit construction: \$4,800/sqm of GFA</p> <p><b>Other costs</b></p> <p>Professional fees (excl. Section 7.11): 10% of construction costs</p> <p>Contingency 10% of construction costs</p> <p>Selling cost (Agent commission): 2.0% of gross realisation</p> <p>Holding cost: \$330,000, exclusive of GST</p> <p>Interest and bank fees: \$5,116,000, exclusive of GST</p> <p><b>HillPDA comments:</b></p> <p><b>Hard costs</b></p> <p>Car parking: The proponent's cost estimate of \$50,000 per car space appears to be reasonable as the site benefits from a sloping topography.</p> <p>Residential: The residential construction cost of \$4,800/sqm of GFA or \$4,364/sqm of GBA is significantly above the cost reported in Rawlinson's Cost Handbook 2023 but lies slightly above the range shown by Rider Levett Bucknall's (RLB) construction cost indicator. In consideration of its expected prestige standard and current influences such as reported labour shortages and increases in construction costs resulting from supply chain disruptions and inflation have contributed to today's high construction costs. For this reason, we have adopted Macroplan's construction cost estimates.</p> <p>However, we are not experts in this field, and we strongly recommend that the above cost estimate is confirmed by an appropriately qualified quantity surveyor. On receipt of professional advice should there be any variation in the above costs, this report should be referred back to HillPDA for comment.</p> <p><b>Professional fees</b></p> <p>Macroplan adopted 10% of construction costs for professional fees is on the upper end of industry standards. We would typically adopt a range of 8% to 10% of construction costs. For the purpose of this analysis, we have adopted the proponent's professional fees %.</p> <p><b>Interest and bank fees</b></p> <p>We have adopted an interest rate of 8.5% based on recent interest rate increases which amount to a cost of approx. \$3.58m (base case). This is lower than Macroplan's estimate who adopted an interest rate of 10%.</p> <p><b>Contingency</b></p> <p>Macroplan adopted 10% of construction costs as a contingency which we are of an opinion is above industry standards. We would typically allow for 5% of construction costs as a contingency and have been adopted herein.</p> <p><b>Holding fees</b></p> <p>We have estimated a holding cost of approximately \$600,000, exclusive of GST which is higher than Macroplan's estimate.</p>



Input	Comments
Sales revenue	<b>Proponent's provided assumptions:</b> 1 bedroom: \$1,028,500, inclusive of GST (\$19,855/sqm of NSA) 2 bedroom: \$1,815,000, inclusive of GST (\$22,519/sqm of NSA) 3 bedroom: \$2,530,000, inclusive of GST (\$22,000/sqm of NSA) Townhouse (3 bedroom): \$2,860,000, inclusive of GST (\$20,576/sqm of NSA) Total revenue of \$72.402m which equates to an average sale revenue of \$22,128/sqm of NSA, inclusive of GST based on the NSA noted in the concept plans of 3,272sqm.
	<b>HillPDA comments:</b> Based on our market research, HillPDA agrees with Macroplan's assumptions regarding the sales revenue for each unit typology. However, our assessment adopted the unit mix noted in the concept plans which resulted in a slightly different total revenue of \$70.342m. This equates to an average sales revenue of \$21,496/sqm of NSA. This rate has been adopted in our affordable housing contribution calculation, noted below.
Affordable housing calculation	We are in agreement that the affordable housing contribution should be based on the average sale revenue rate.  HillPDA identified two issues with Macroplan's calculations, as follows: <ul style="list-style-type: none"> <li>The calculation appears to be incorrect as the adopted average sales revenue of \$17,871/sqm, exclusive of GST and is on a dollar rate per sqm of GFA. This rate is applied to a net saleable area rather than a gross floor area. Essentially this calculation underestimates the affordable housing contribution amount.</li> <li>We disagree that the average sales revenue should be exclusive of GST as Council would be expected to pay market value, which would include GST if Council chooses to approach a private developer to acquire new residential apartments for the provision of Council-owned affordable housing pool.</li> </ul>
	Macroplan assumed a 2 year construction period.
Project timing	We have adopted the following project timing assumptions: <ul style="list-style-type: none"> <li>Residential presales: 60% presales prior to commencement of construction with a lead-in period of 6 months (represents 3.8 units per month)</li> <li>Construction period: 16 months</li> <li>Sell-down period (post completion): 4 months for the remaining residential units/dwellings</li> </ul>

## 2.3 Subject site transaction history

Our online enquiry of RPData reveals that the developer has not purchased all the allotments in order to consolidate the site. We note that no. 161 & 163 were purchased by Magnolia Views Property at an earlier date. Recorded transactions are tabulated below.

**Table 5: Transfer transactions of subject site**

Address	Date	Purchase price	Site area (sqm)	\$/sqm of site area
159 Darley Street West			Unknown	
161 Darley Street West	June 2020	\$2,200,000	1,227	\$1,793
163 Darley Street West	April 2019	\$3,350,000	2,454	\$1,365
167 Darley Street West	May 2019	\$1,550,000	1,214	\$1,277

The land purchase price assumption adopted by Macroplan in their feasibility analysis of \$2,700/sqm of site area is higher than the land purchase rates tabulated above. No. 161 & 163 were purchased at an earlier date and No. 159 & 167 likely have an option to purchase agreement that was negotiated at an earlier date. We have adopted the rate of \$2,700/sqm of site area in our analysis as the residential dwelling market has strengthened since its purchase or date of an option and we have assumed this would include a premium to incentivise owners to sell.



## 2.4 Development scheme

As mentioned above, the areas and unit mix are based on the concept plans prepared by Giles Tribe. A breakdown of the development scheme is as follows:

Table 6: Development scheme

Development specifications			
Site Area	6,123.5sqm		
FSR	0.6:1		
Proposed project	2 x two storey residential flat buildings and three townhouses		
Building areas	<b>Gross floor area</b> Total area of 3,683qm of GFA, comprising of land use breakdown: Residential apartment building: 3,266sqm Townhouses: 417sqm		
	<b>Net saleable area</b> Total area of 3,272qm of NSA, comprising of land use breakdown: Residential apartments: 2,855.4sqm (87.4% efficiency) Residential townhouses: 417sqm (100% efficiency)		
Unit/dwelling typology breakdown	1 bedroom	2 bedroom	3 bedroom
<b>Residential apartment</b>			
Average NSA (sqm)	51.8sqm	80.6sqm	115sqm
No. of units	12 (32%)	22 (58%)	4 (10%)
<b>Residential townhouses</b>			
Average NSA (sqm)	-	-	139sqm
No. of units	-	-	3 (100%)
<b>Car accommodation</b>	83 car spaces (includes 3 garaging and 80 basement car spaces, averaging 2 car spaces per unit/dwelling)		

Source: Giles Tribe – Concept Plan

## 2.5 Scenarios testing

Our instructions are to assess the proposed residential development in Section 2.4. Our assessment will inform the viability of the proposed development if a monetary contribution equivalent payment of 5% or 10% for affordable housing was financially viable. The scenarios for consideration included:

- **Scenario 1 - Base case:** This scenario tests the viability of the planning proposal/concept plan that proposes two residential flat buildings (38 apartments) and three townhouses.
- **Scenario 2 - Affordable housing:** This scenario would also be based on the above base case however, to align with Council's affordable housing policy, a monetary contribution equivalent of 5% and 10% of additional residential floor space (deduction of building footprint of existing dwellings) as a public benefit would be applied in our financial modelling. This scenario would determine the viability and overall financial impact of providing affordable housing.
- **Scenario 3 - Tipping Point:** If Scenario 2 are proven to be unfeasible, a tipping point analysis would be undertaken and we would provide a recommendation on an affordable housing contribution rate (%) that the developer could pay.



## 2.6 Financial viability analysis

Subsequent to our market research and review of Marcoplan's feasibility analysis, HillPDA has prepared a financial viability analysis, using the proprietary software Argus EstateMaster which is an industry benchmark used by developers, financiers and property valuers. This method calculates the residual land value by subtracting from the anticipated net sales revenue, the anticipated costs of development plus a margin for its profit and risk.

Any unpredicted change, such as an increase in developer contributions or development costs in the short term could have a notable effect on development feasibility unless it could be absorbed by either making allowances in the project contingency or increases in market sale values for the developed product.

A feasibility assessment is based on profit and risk factors. These two factors are subjective elements that determine the minimum level a developer is willing to purchase a site for, factoring in the risk associated with a proposed development. For our hypothetical modelling, regard has been given to the following:

- **Project Internal Rate of Return (IRR):** is the actual return on the investment on an annualised basis and expressed as a percentage. This approach takes into account the cost of time in its calculation within cash flow and indicates average returns over a period of time. Typically, an IRR of 14% (for townhouses) to 18% (for high rise units) p.a. is required for development to be feasible.
- **Development Margin (DM):** it is the net profit expressed as a percentage of the development costs. Typically, a DM of 16% to 22% for townhouses, mixed-use and residential apartment buildings is required for development to be deemed feasible.

**Residential Land Value:** this is the maximum price that a hypothetical developer would pay for the land to achieve acceptable hurdle rates.

In light of the criteria established above, the sites were assessed against a target of **Project IRR of 16%** and a **Development Margin of 20%**.

Table 7: Industry standard performance indicators

Performance	Project IRR	Development Margin
Feasible	> 16%	> 20%
Marginally feasible	13%-16%	17%-20%
Not feasible	< 13%	< 17%

Source: HillPDA 2023

To test the viability of the proposed development, HillPDA views the DM at 20% as the most appropriate performance measure.



## 2.7 HillPDA feasibility assumptions

We have completed our feasibility modelling based partly on HillPDA's inputs and those provided by Macroplan. Further estimates used in the feasibility assessments include project timing, professional fees and development contributions.

**Table 8: Feasibility inputs**

Category	Input
Description	FSR 0.6:1 2 x two storey residential flat buildings comprising 38 residential apartments and three townhouses 80 basement car spaces and 3 x single garaging
Revenue	
Sales Revenue	Residential apartment averages: 1 bedroom: \$1,028,500, inclusive of GST (\$19,855/sqm of NSA) 2 bedroom: \$1,815,000, inclusive of GST (\$22,519/sqm of NSA) 3 bedroom: \$2,530,000, inclusive of GST (\$22,000/sqm of NSA) Townhouse (3 bedroom): \$2,860,000, inclusive of GST (\$20,576/sqm of NSA)
Costs	
Land purchase price	\$16,535,000, exclusive of GST (\$2,700/sqm of site area)
Professional Fees	Design & DA: 2% of construction costs Consultants fees (includes development management) equates to 8% of construction costs
Construction Costs	Residential apartment and townhouses: \$4,800/sqm of GFA Basement car space: \$50,000/car
Construction Period	16 month construction period. We have allowed a 12 month lead-in period for development approval and an additional 6 months to achieve the required level of pre-sales.
Contingency	5% of construction costs
Statutory Fees	LSL of 0.35% of construction costs Local Infrastructure Contributions Plan (\$7.12): 1% of construction costs
State Infrastructure Contributions (SIC)	Not applicable
Affordable Housing	Monetary equivalent contribution of 5% and 10% of additional residential GFA (proposed sqm of GFA minus existing building footprint). Adopted average sale end value rate of \$21,496/sqm of NSA, inclusive of GST. We have assumed this would be payable prior to the issue of a construction certificate.
Selling Costs	Sales Commissions 2.0% of gross revenue of residential <b>Other Costs</b> Marketing 0.75% of Gross Sales Legal \$1,500 per unit/dwelling
Land Holding Costs	Statutory costs (Council rates, water rates and land tax) are to be paid diminishing with settlements based on a Statutory Land Value. Land tax is paid annually with Council and water rates are paid quarterly in the cash flow.
Financing	
Interest rate	8.5% p.a.
Equity	Assuming 25% of Net Cash Flow to be Funded by the developer.
Project Hurdle Rates	16% IRR and 20% DM are used for projections.



## 2.8 HillPDA results

We have completed our feasibility modelling based on the inputs and variables described above and the results are tabulated below.

Table 9: Results of feasibility analysis

Development scheme as per the concept plan				
Built-form	FSR 0.6:1			
	2 x two storey residential flat buildings and three townhouses			
	80 basement car spaces and 3 x single garaging			
Site area	6,123.5sqm			
Total GFA (sqm)	3,683			
No. of residential apartments	38			
No. of townhouses	3			
Total no. units/dwelling	41			
Results	Base case - 0% AFH	10% AFH	5% AFH	Tipping point – 6.4%
Land purchase price	\$16.535m	\$16.535m	\$16.535m	\$16.535m
Residual land value (DM of 20%)	\$19.5m	\$15.2m	\$17.35m	\$16.75m
Development Margin	29.59%	16.21%	22.51%	20.67%
\$/unit/dwelling	\$475,610	\$370,732	\$423,171	\$408,537
\$/GFA	\$5,295	\$4,127	\$4,711	\$4,548
AFH monetary equivalent		\$5.25m	\$2.65m	\$3.38m
Difference between land purchase price & RLV				
		(\$1.3m)	\$0.8m	\$0.2m



## 2.9 What do the results show?

Based on HillPDA's adopted assumptions and a developer margin of 20%, this resulted in a RLV of \$19.5m. This RLV is about \$3m higher than the adopted land purchase price of \$16.535m, exclusive of GST and shows that the project can afford to pay an affordable housing contribution.

We have undertaken an additional feasibility modelling which showed that the project is not viable at 10% but was viable if a 5% affordable housing contribution was payable showing a DM of 22.51% which lies above our target hurdle of 20%. Therefore, the project could afford a higher contribution rate. Our tipping point analysis showed that the proponent is in a position to afford to contribute a monetary equivalent of 6.4% of the additional floorspace for the purpose of affordable housing. This amount equates to an area of 157sqm of NSA or a monetary equivalent of \$3,374,872, inclusive of GST. This is based on an average sale value of \$21,496/sqm of NSA.

The peer review of Macroplan's feasibility revealed the following matters:

1. **Land purchase price:** Macroplan's land purchase rate of \$2,700/sqm of site area is considered to be reasonable as it is assumed that in addition to the market value, a premium would be paid to incentivise owners to facilitate the site consolidation.
2. **Affordable Housing Contribution calculation:** Macroplan calculated the affordable housing monetary equivalent based on an average sales revenue that was exclusive of GST and incorrectly applied a \$/sqm of GFA x net saleable area (sqm)
3. **Construction Costs:** We are not quantity surveyors but our research indicates that the proposed construction costs are higher than the benchmark rates indicated by two major quantity surveyors. However, based on the adopted sales revenue, we anticipate a prestige standard. In addition, factors affecting the construction industry have led to significant increases in pricing over the last 12 months. As stated above, we are not experts in this field, and we recommend that the above cost estimate is confirmed by an appropriately qualified quantity surveyor. On receipt of professional advice should there be any variation in the above costs, this report should be referred back to HillPDA for comment.
4. **Construction period:** Macroplan adopted a two year construction period whereas we are of the opinion that 16 months would be more appropriate due to the scale of the development and significant site works.
5. **Contingency:** The proposed 10% contingency used in Macroplan's financial model is well above the industry benchmark. We adopted a contingency of 5% of construction costs.
6. **Interest:** Macroplan adopted an interest rate of 10% p.a. whereas we have adopted an interest rate of 8.5% p.a.
7. **Unit mix:** There is a unit mix discrepancy between the planning proposal provided by Macroplan, dated July 2020 and the concept plan provided by Giles Tribe, dated May 2021. For the purpose of our analysis, we have relied upon Giles Tribes development scheme as additional information such as the breakdown of GFA and NSA has been provided. This has resulted in a slightly reduced average sales revenue rate.

### Affordable housing contribution scheme

The above calculation is based on the additional GFA and on a NSA (sqm) basis. For the purposes of presenting in the amended affordable housing contribution scheme, the equivalent contribution rates are:

- 5% of the total gross floor area to be provided as affordable housing. This is based on the assumption of 85% efficiency and calculation of  $(157\text{sqm} \div 0.85) \div 3,683\text{qm}$  of gross floor area, or
- Based on the assumption of 85% efficiency, the calculation is  $\$21,496/\text{sqm}$  of NSA  $\times 0.85 = \$18,272/\text{sqm}$  of affordable housing of gross floor area to be provided as the equivalent monetary contribution.





# APPENDICES



## APPENDIX A : 'OFF THE PLAN' AND ESTABLISHED SALES

This section provides an analysis of 'off-the-plan' sales and resales of established residential apartments within Mona Vale and the surrounding locality. The information was obtained through various property data sources and confirmed through discussions with local agents.

The following residential projects were analysed:

1. 'Maya', 19 Bungan Street, Mona Vale
2. 'Bayside', 23 Mona Street, Mona Vale
3. 'Oceanvale', 79-91 Macpherson Street, Warriewood
4. 1283-1287 Pittwater Road, Narrabeen
5. 3 Seaview Avenue, Newport
6. 155-157 Darley Street West, Mona Vale
7. 4-10 Golf Avenue, Mona Vale


### A.1 'Maya,' 19 Bungan Street, Mona Vale

Proposed 4 storey shop top housing to comprise 9 retail tenancies (921sqm) on the ground floor & 33 residential apartments consisting of 4 x 1 bedroom, 20 x 2 bedroom & 9 x 3 bedroom apartments. Built over 2 levels of basement car parking for 100 vehicles to include 69 residential, 12 visitor, 31 retail, 2 motorcycle & 16 bicycle spaces.

Discussions with the selling agent confirmed that the marketing campaign commenced in May 2022 and approximately 30% of units have been sold at date. This reflects a selldown period of 1.4 units per month. The lower than expected sell down rate is a result of the COVID pandemic, increase in interest rates and weakened demand throughout 2022.

Construction is anticipated to commence this year and the expected completion date is mid-2024.

**Table 10: 'Off the plan' sales of 'Maya', 19 Bungan Street, Mona Vale**

'Maya', 19 Bungan Street, Mona Vale			
			
Type	Price range	Internal (sqm)	\$/sqm of NSA
One bedroom	\$1,200,000-\$1,350,000	51-59	\$22,881-\$23,529
Two bedroom	\$1,900,000 (average)	70-82	\$23,171-\$27,143
Three bedroom	\$2,950,000 (average)	89-91	\$32,418-\$33,146

Source: Selling agent, Domain and Cordell Connect



## A.2 'Oceanvale', 79-91 Macpherson Street, Warriewood

Meriton's Oceanvale Warriewood development provides recreational and aquatic facilities within a purpose built leisure centre which includes lap pool, plunge pool, spa, sauna, gymnasium, children's playground and childcare facilities.

Tabulated below are sale transactions which occurred from January 2021 to date.

**Table 11: Sales transactions – 79-91 Macpherson Street, Warriewood**

79-91 Macpherson Street, Warriewood			
			
Type	Price range	Internal (sqm)	\$/sqm of NSA
One bedroom	\$840,000-\$885,000	51-59	\$14,274-\$15,909
Two bedroom	\$935,000-\$1,580,000	75-122	\$12,049-\$16,471
Three bedroom	\$1,452,000-\$1,460,000	115	\$12,626-\$12,696

Source: Selling agent, Domain and Cordell Connect

## A.3 1283-1287 Pittwater Road, Narrabeen

Circa 2010 built 3 storey residential flat building consisting of 21 residential units. Built over 2 levels of basement to accommodate 49 vehicles.

Tabulated below are sale transactions which occurred from January 2021 to date.

**Table 12: Sales transactions – 1283-1287 Pittwater Road, Narrabeen**

1283-1287 Pittwater Road, Narrabeen			
Type	Price range	Internal (sqm)	\$/sqm of NSA
Two bedroom	\$990,000-\$1,310,000	75-81	\$13,200-\$16,173

Source: Selling agent, Domain and Cordell Connect





#### A.4 3 Seaview Avenue, Newport

Circa 2018 built 3 storey residential flat building consisting of 21 residential units. Built over 2 levels of basement to accommodate 49 vehicles.

Tabulated below are sale transactions which occurred from January 2021 to date.

**Table 13: Sales transactions – 3 Seaview Avenue, Newport**

3 Seaview Avenue, Newport			
 			
Type	Price range	Internal (sqm)	\$/sqm of NSA
One bedroom	\$800,000	60	\$13,333
Two bedroom	\$1,460,000-\$1,850,000	86-110	\$16,818-\$18,837
Three bedroom	\$1,535,000	102	\$15,049

Source: Selling agent, Domain and Cordell Connect



#### A.5 'Bayside' 23 Mona Street, Mona Vale

Proposed 2 storey residential building to comprise 12 x 3 bedroom seniors living units pursuant to State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004. Built over a single level basement car parking for 26 vehicles.

Discussions with the selling agent confirmed that the marketing campaign commenced in October 2022 and 33% of units have been sold at date. This reflects a selldown period of 1.3 units per month. The lower than expected sell down rate is a result of the COVID pandemic, increase in interest rates and weakened demand throughout 2022.

The expected completion date is mid-2024.

**Table 14: 'Off the plan' sales of 'Bayside' 23 Mona Street, Mona Vale**

'Bayside' 23 Mona Street, Mona Vale	
 	



Type	Price range	Internal (sqm)	\$/sqm of NSA
Three bedroom	\$2,650,000-\$3,350,000	127-181	\$18,508-\$20,866

Source: Selling agent, Domain and Cordell Connect

## A.6 155-157 Darley Street West, Mona Vale

Circa 2000s built multi-dwelling complex comprising 11 dwellings with under car parking. The tabulated properties provide 2/3 bedrooms, ensuite, main bathroom/laundry, courtyard area and double under garaging with exclusive access. Features high ceilings and renovated to varying degrees.

Located opposite the Bayview Golf Course.

**Table 15: Sales transactions – 155-157 Darley Street West, Mona Vale**

Unit	Sale price Date	Int. area (est) Accommodation	Analysis
No. 5	\$1,910,000	130sqm	\$14,692/sqm of int area
	Dec 2022	2/3 bed, 2 bath & 2 car garage	
No. 6	\$2,410,000	130sqm	\$18,538/sqm of int area
	Sept. 2021	2/3 bed, 2 bath & 2 car garage	

## A.7 4-10 Golf Avenue, Mona Vale

Circa 2000 built townhouse complex comprising 17 dwellings with single or double garaging. The tabulated properties provide 2 bedrooms, ensuite, main bathroom, laundry, courtyard area and either a single or double garaging. Renovated to varying degrees.

Located opposite the Mona Vale Golf Course.

**Table 16: Sales transactions – 4-10 Gold Avenue, Mona Vale**

Unit	Sale price Date	Int. area (est) Accommodation	Analysis
No. 10	\$1,850,000	105sqm	\$17,619/sqm of int area
	Dec 2022	2 bed, 2 bath & 2 car garage	
No. 13	\$2,000,000	100sqm	\$20,000/sqm of int area
	Sept. 2021	2 bed, 2 bath & 1 car garage	
No. 15	\$2,000,000	106sqm	\$18,868/sqm of int area
	Sept. 2021	2 bed, 2 bath & 1 car garage	



## APPENDIX B : DEVELOPMENT SITE SALES

The sales evidence detailed below shows a rate of \$3,571 to \$7,218/sqm of GFA or a rate per unit of \$312,500 to \$958,929.

**Table 17: Development site sales**

Address	Sale price Date	Land size Planning controls	Analysis
<b>27 Nullaburra Road, Newport</b>	<b>\$4,050,000 March 2021</b>	<b>1,221sqm R2 Low Density Residential FSR not specified</b>	<b>\$3,317/sqm of land \$4,602/sqm of GFA \$506,250/unit (8)</b>
<p>A regular shaped parcel of land located on a residential suburban street with a moderate downward slope in the southerly direction. Sold with the benefit with a 3 storey walk-up residential apartment building. The land is zoned 'R2 Low Density Residential' with a non-specified FSR and building height limit of 8.5 metres.</p> <p>The purchaser lodged a development application for existing use right for the construction of a two-storey apartment building comprising 8 apartments (1 x 2 bedroom and 7 x 3 bedroom) and two basement levels providing car spaces for 18 vehicles. The DA application sought approximately 880sqm of GFA which reflects a FSR of 0.72:1. The application has since been refused by Council.</p>			
<b>53A Warriewood Road, Warriewood</b>	<b>\$16,250,000 October 2021</b>	<b>9,251sqm R3 Medium Density Residential FSR not specified</b>	<b>\$1,757/sqm of land \$738,636/dwelling (22)</b>
<p>A near regular shaped parcel of land, largely cleared and sold improved with a single fibro home. The site borders Narrabeen Creek and is burdened by 5m wide easement that traverses in an east to west direction and is located to the rear of the existing dwelling. The site is situated within the Warriewood Valley Release Area.</p> <p>The purchaser has submitted a development application for a community subdivision for 22 residential lots and the construction of 17 x 3 bedroom (detached) &amp; 4 x 3 bedroom (abutting one side) dwellings. The application has since been withdrawn.</p>			
<b>71 &amp; 71A Queenscliff Road, Queenscliff</b>	<b>\$13,425,000 July 2020</b>	<b>1,263sqm R3 Medium Density Residential FSR not specified</b>	<b>\$10,629/sqm of land \$7,218/sqm of GFA \$958,929/unit (14)</b>
<p>A near regular consolidated site, sold improved with 2 x two storey residential dwellings. Sold with development approval for the construction of a 3 storey residential flat building containing 14 units (1 x one-bedroom unit and 13 x three bedroom units) with basement carparking to provide 32 car spaces. Estimated GFA approval of 1,860sqm.</p>			
<b>27A-29 Pine Avenue, Brookvale</b>	<b>\$6,250,000 July 2021</b>	<b>2,206sqm R3 Medium Density Residential FSR not specified</b>	<b>\$2,833/sqm of land \$3,571/sqm of GFA \$312,500/unit (20)</b>
<p>A near regular consolidated site, sold improved with 2 x residential dwellings. The purchaser has subsequently gained development approval for the construction of 3 x 3 storey residential buildings to comprise 20 residential apartments (containing 8 x 1 bedroom, 8 x 2 bedroom &amp; 4 x 3 bedroom apartments). Built over basement car parking for 44 vehicles to include 38 residential &amp; 4 visitor spaces. Estimated GFA approval of 1,750sqm.</p>			
<b>1622 Pittwater Road, Mona Vale</b>	<b>\$4,300,000 February 2020</b>	<b>1,385sqm R3 Medium Density Residential FSR not specified</b>	<b>\$3,105/sqm of land \$4,684/sqm of GFA \$614,286/unit (7)</b>
<p>A slightly irregular shaped allotment with a street frontage to Pittwater Road. Located on the northern peripheral of the Mona Vale retail precinct. The land is zoned 'R3 Medium Density Residential' under the Pittwater Local Environmental Plan 2014 with a non-specified FSR.</p> <p>The site was sold without approval. The purchaser subsequently gained approval for the construction of 2 storey residential building to comprise 7 x 3 bedroom units. Built over a single level of basement for 17 vehicles to include 14 residential &amp; 3 visitor spaces. Approved GFA of 918sqm.</p>			



Address	Sale price Date	Land size Planning controls	Analysis
38 Park Street & 1795-1797 Pittwater Road, Mona Vale	\$5,855,000 December 2019	2,732sqm R2 Low Density Residential FSR not specified	\$2,143/sqm of land \$2,741/sqm of GFA \$365,937/unit (16)

**A near regular shaped allotment with a dual street frontages to Pittwater Road and Park Street. Located on the northern peripheral of the Mona Vale retail precinct. The land is zoned 'R2 Low Density Residential' under the Pittwater Local Environmental Plan 2014 with a non-specified FSR.**

The site was sold without approval. The purchaser subsequently gained approval for the construction of a seniors housing development incorporating 16 units and 34 car parking spaces pursuant to the provisions of State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004. DA approval for a FSR of 0.782:1. The purchaser has since acquired no. 1793 but the sale details are unknown.



## APPENDIX C : SUMMARY OF RESULTS



## COMPARISON OF OPTIONS

Mona Vale

Licensed to: HILPDA

### Revenues

	1	2	3	4	5	8
	Base case	AFH 10%	AFH 5%	AFH Tipping point analysis		
Macroplan & HILPDA inputs		Macroplan & HILPDA inputs 10% AFH	Macroplan & HILPDA inputs 5% AFH	Macroplan & HILPDA inputs 6.4% AFH		
41 Units 3,683 GFA 6,123.50 SqM		41 Units 3,683 GFA 6,123.50 SqM	41 Units 3,683 GFA 6,123.50 SqM	41 Units 3,683 GFA 6,123.50 SqM		
Miscellaneous Under Review		Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review		
Gross Sales Revenue	70,342,000	70,342,000	70,342,000	70,342,000		
Less Selling Costs	(2,195,496)	(2,195,496)	(2,195,496)	(2,195,496)		
Less Purchasers Costs	-	-	-	-		
NET SALES REVENUE	68,146,505	68,146,505	68,146,505	68,146,505		
Gross Rental Income	-	-	-	-		
Less Outgoings & Vacancies	-	-	-	-		
Less Letting Fees	-	-	-	-		
Less Incentives (Rent Free & Fitout Costs)	-	-	-	-		
Less Turnover Costs	-	-	-	-		
Less Other Leasing Costs	-	-	-	-		
NET RENTAL INCOME	-	-	-	-		
Interest Received	-	-	-	-		
Other Income	-	-	-	-		
TOTAL REVENUE (before GST paid)	68,146,505	68,146,505	68,146,505	68,146,505		
Less GST paid on all Revenue	(6,394,727)	(6,394,727)	(6,394,727)	(6,394,727)		
TOTAL REVENUE (after GST paid)	61,751,777	61,751,777	61,751,777	61,751,777		

### Costs

	1	2	3	4	5	8
Land Purchase Cost	16,535,000	16,535,000	16,535,000	16,535,000		
Land Acquisition Costs	1,143,411	1,143,411	1,143,411	1,143,411		
Construction (inc. Construct. Contingency)	25,038,552	25,038,552	25,038,552	25,038,552		
Professional Fees	2,536,693	2,594,799	2,565,746	2,573,817		
Statutory Fees	303,498	303,498	303,498	303,498		
Strata bond	-	-	-	-		
Land costs	-	-	-	-		
AFH	-	5,282,320	2,641,160	3,374,872		
Project Contingency (Reserve)	-	-	-	-		
Land Holding Costs	633,169	633,169	633,169	633,169		
Pre-Sale Commissions	-	-	-	-		
Finance Charges (inc. Fees)	90,000	90,000	100,000	100,000		
Interest Expense	3,581,987	3,927,141	3,756,666	3,804,607		
TOTAL COSTS (before GST reclaimed)	49,862,310	55,547,889	52,717,201	53,506,926		
Less GST reclaimed	(2,710,565)	(2,715,847)	(2,713,206)	(2,713,940)		
Plus Corporate Tax	-	-	-	-		
TOTAL COSTS (after GST reclaimed)	47,151,746	52,832,042	50,003,996	50,792,987		

### Performance Indicators

	1	2	3	4	5	8
<sup>1</sup> Gross Development Profit	14,600,031	8,919,735	11,747,782	10,958,791		
<sup>2</sup> Net Developer's Profit after Profit Share	14,600,031	8,919,735	11,747,782	10,958,791		
<sup>3</sup> Development Margin (Profit/Risk Margin)	29.59%	16.21%	22.51%	20.68%		
Target Development Margin	20.00%	20.00%	20.00%	20.00%		
<sup>4</sup> Residual Land Value (Target Margin)	19,571,636	15,196,258	17,373,707	16,765,801		
<sup>5</sup> Breakeven Date for Cumulative Cash Flow	Mar-2026	Apr-2026	Mar-2026	Mar-2026		
Discount Rate (Target IRR)	16.00%	16.00%	16.00%	16.00%		
<sup>6</sup> Net Present Value	3,316,642	(844,820)	1,226,155	648,130		
<sup>8</sup> Benefit Cost Ratio	1.094	0.979	1.033	1.017		
<sup>9</sup> Project Internal Rate of Return (IRR)	21.70%	14.61%	18.06%	17.08%		
<sup>10</sup> Residual Land Value (NPV)	19,732,873	15,720,433	17,717,246	17,159,920		
Peak Debt Exposure	36,726,872	41,012,741	38,879,274	39,474,580		
Date of Peak Debt Exposure	Jan-2026	Jan-2026	Jan-2026	Jan-2026		
<sup>11</sup> Breakeven Date for Project Overdraft	Mar-2026	Mar-2026	Mar-2026	Mar-2026		
Total Equity Contribution	10,892,440	12,226,225	11,561,832	11,747,095		
Peak Equity Exposure	10,892,440	12,226,225	11,561,832	11,747,095		
Date of Peak Equity Exposure	Apr-2023	Apr-2023	Apr-2023	Apr-2023		
<sup>12</sup> IRR on Equity	29.49%	18.15%	23.77%	22.20%		
Weighted Average Cost of Capital (WACC)	11.32%	11.33%	11.33%	11.33%		

### Yield Analysis

	1	2	3	4	5	8
<b>Sales</b>	Qty	SqM	Qty	SqM	Qty	SqM
Residential - 1 Bedroom Units	12	-	12	-	12	-
Residential - 2 Bedroom Units	22	-	22	-	22	-
Residential - 3 Bedroom Units	4	-	4	-	4	-
Townhouse	3	-	3	-	3	-
TOTAL	41	-	41	-	41	-
<b>Tenancies</b>	SqM	SqM	SqM	SqM		
TOTAL	-	-	-	-		

#### Footnotes (based on current Preferences):

- Development Profit: is total revenue less total cost including interest paid and received
- Developer's Net Profit after distribution of profit share.
- Development Margin: is profit divided by total costs (inc selling costs)
- Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
- Breakeven date for Cumulative Cash Flow: is the last date when total debt and equity is repaid (ie when profit is realised).
- Net Present Value: is the project's cash flow stream discounted to present value.  
It includes financing costs but excludes interest and corp tax.
- Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
- Internal Rate of Return: is the discount rate where the NPV above equals Zero.
- Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.
- Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
- IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.



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11. 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
12. 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
13. 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
14. 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.
15. 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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