Atlas Economics

20 February 2025

Helen Wilkins
City of Canada Bay Council

Sent via email: helen.wilkins@canadabay.nsw.gov.au

Dear Helen,

Re: 79-81 Queens Rd and 12-12 Spencer St, Five Dock Proposed Amalgamation

The City of Canada Bay Council (Council) has received a planning proposal for 79-81 Queens Road and 12-12 Spencer Street, Five Dock (**the Site**) on behalf of Develotek (**the Proponent**).

Background

The Site is located within Area 17 of the Kings Bay Precinct and is subject to the following planning controls:

- **Zoning**: Part MU1 Mixed Use and part RE1 Public Recreation (along William Street).
- **FSR**: An incentive FSR of up to 3:1 (Note: Clause 8.9 of the CBLEP 2013 provides for an additional 5% FSR if the proposal achieves certain sustainability requirements and the development will not adversely impact adjoining land or the amenity of the neighbourhood, considering visual bulk and overshadowing).
- **Height**: An incentive height of up to 67m over the MU1 part of the site and 2.5m over the RE1 zoned land.

To achieve the incentive height and FSR, a minimum site area of 4,096sqm is required for Area 17 as well as prescribed setbacks.

FIGURE 1: Site Plan

Green: 79-85 Queens Road and 2-8 Spencer Street
Red: 10-12 Spencer Street

Source: Beam Planning

The Planning Proposal seeks to amend the Key Site Map to remove 10-12 Spencer Street from Area 17, remove the base and bonus mechanism from 10-12 Spencer Street, and apply a height of 19m and FSR 2.17:1 to 10-12 Spencer Street.

The Planning Proposal states that the proposed development cannot achieve the minimum site area of 4,096sqm due to an inability to acquire the adjoining land at 10-12 Spencer Street.

Atlas Economics (**Atlas**) is engaged by Council to undertake a desktop review the history of negotiations between the proponent and landowner at 10-12 Spencer Street (**the Isolated Site**) and advise if the offer/s to purchase made were reasonable.

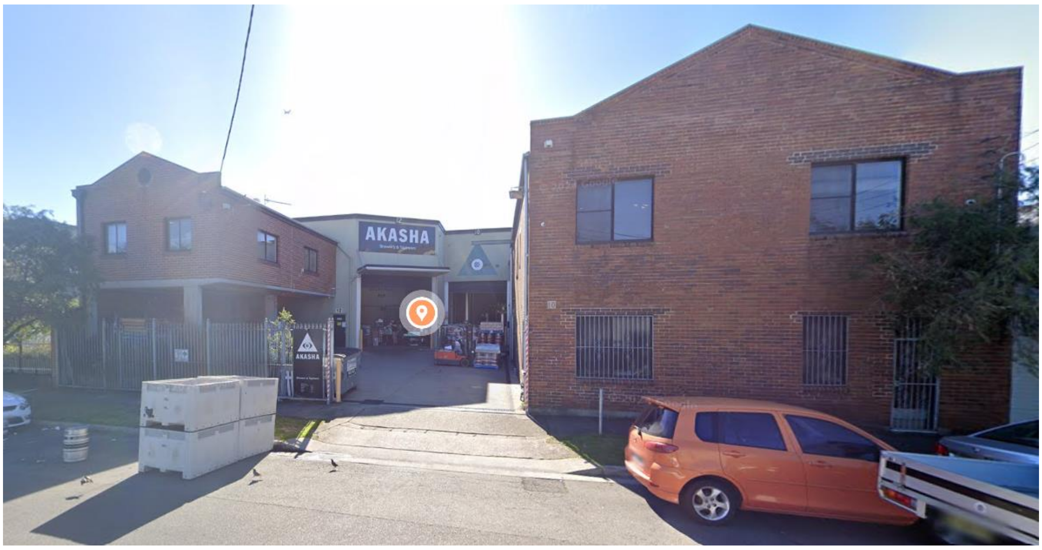
Council additionally seeks to understand if the Isolated Site would be feasible to develop if the proposed planning controls were made.

The Isolated Site and Offers Made

The Isolated Site comprises an area of approx. 963sqm. It is improved with a two-level industrial building with ancillary office accommodation. There are additionally two attached, high clearance industrial units with a mezzanine office space. The property is leased to Akasha Brewing Company until October 2028.

The Isolated Site is zoned MU1 Mixed Use and subject to a base FSR of 1:1 and Incentive FSR 3:1 subject to achieving minimum site area requirements (4,096sqm) and setbacks.

FIGURE 2: Front Elevation



Source: Googlemaps

TABLE 1 summarises the history of negotiations between the Proponent and the landowner of the Isolated Site.

TABLE 1: Summary of History of Negotiations

DATE	DESCRIPTION
10 AUGUST 2023	Offer of $8,125,000 made to landowners. Landowners advised lack of interest in the offer to sell the property.
12 OCTOBER 2023	Revised offer of $10,500,000 made to the landowners. Landowners reiterated their lack of interest in selling the property.
17 MAY 2024	On Proponent's suggestion, landowners expressed openness to consider pursuing joint DA with the Proponent subject to their lawyers reviewing any documentation. Proponent offered to cover associated costs of legal review and preparation of the DA.
6 JUNE 2024	Proponent sent a detailed plan to landowners to produce joint DA.
4 JULY 2024	Proponent spoke to landowners who stated no interest in pursuing a joint DA or sale of the property.

Source: Belle Property

VALUATION STATEMENT

The Proponent engaged Titan Advisory to provide valuation advice on the Isolated Site in its existing industrial use, as well as a potential development site (assuming an FSR of 2.17:1).

TABLE 2: Valuation Assessment

LAND USE	ASSESSED VALUE	ANALYSIS ($/SQM SITE AREA)	ANALYSIS ($/SQM GFA)
EXISTING INDUSTRIAL INVESTMENT	$5,750,000	$5,970/sqm	Not applicable
POTENTIAL DEVELOPMENT SITE (FSR 2.17:1)	$8,360,000	$8.681/sqm	$4,000/sqm GFA

The market value of a property is underpinned by the concept of highest and best use. The use that results in a highest value is the 'highest and best use' of that property. That use must however be lawful, physically possible and financially feasible.

While the Isolated Site could benefit from the Incentive FSR, this requires meeting Council's requirements including minimum site area. The base FSR of 1:1 would otherwise apply, resulting in a value lower than its existing industrial use of $5.75 million.

If the Isolated Site were rezoned to FSR 2.17:1, it could have a value of $8.36 million. This is however not its ‘market value’ as the use (development site to FSR 2.17:1) is not currently lawful.

As a single allotment the highest and best use of the Isolated Site is as an existing industrial property. This underpins a market value of $5.75 million, as assessed by Titan Advisory.

Planning Principle

The planning principle on ‘site isolation’ was established in *Karavellas v Sutherland Shire Council [2004]* wherein the Land and Environment Couty set out the relevant considerations into two limbs:

- Is amalgamation of the sites feasible?
- Can orderly and economic use and development of the separate sites be achieved if amalgamation is not feasible?

IS AMALGAMATION FEASIBLE?

The key issue for consideration is whether an adjacent site can reasonably be purchased, and if a reasonable offer (which may include other reasonable expenses likely to be incurred by the owner) has been made.

Based on information provided by the Proponent, a final offer of $10.5 million was made to purchase the Isolated Site. This amount is equivalent to:

- A premium of $4.75 million (83%) over market value of the Isolated Site ($5.75 million)
- A rate of ~$3,600/sqm GFA, if calculated based on an FSR of 3:1. This rate represents the upper range of site values observed for development sites in the locality (which range from $2,600/sqm to $3,000/sqm GFA). At $3,000/sqm GFA, a site value of $8.7 million would result, indicating a surplus of $1.8 million could be available to cover other expenses.

Despite the Isolated Site not entitled to the Incentive FSR in its own right, it appears that the Proponent’s offer sought to reflect the ‘value’ that the Isolated Site would bring to the broader development site, plus an allowance for other expenses.

A purchase price greater than that offered, would conceivably put pressure on, and undermine the feasibility of development. On this basis, the Proponent’s offer is considered to be reasonable.

Schedule 1 provides a summary of development site sales, showing that prices range from $2,600/sqm to $3,600/sqm GFA.

FEASIBILITY OF STANDALONE DEVELOPMENT

If the Isolated Site were rezoned to comprise an FSR 2.17:1 (and 19m height) it would be required under the LEP to deliver 3m setback along the Spencer Street frontage.

Assuming the maximum FSR 2.17:1 can be achieved on the remainder of the site (after setback), the Isolated Site could have a hypothetical value of $8.36 million (as assessed by Titan Advisory), which is 45% higher than its market value of $5.75 million. The Titan Advisory assessment appears to be slightly optimistic at $4,000/sqm GFA. Given the smaller scale of a standalone development, a rate of $3,500/sqm GFA could be applied, resulting in a site value of $7.3 million. This would be higher than its current value of $5.75 million. On paper this is feasible and could represent an economic use and development of the Isolated Site.

Landowners do not always have development ambitions. Consequently, even though a development proposition (FSR 2.17:1) may result in a higher and better use than the existing/ current use, that development outcome is not always pursued. It is an unfortunate reality that landowner motivations are beyond Council or anyone’s control.

We trust this is helpful for Council. Please contact the undersigned should you require any clarification.

Yours sincerely

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SCHEDULE 1

Analysis of Development Site Sales

An analysis of development site sales indicates the prices the market could be wiling to pay for residential development opportunities in and around Five Dock. This reflects what the Site and the Isolated Site could be worth as respective development opportunities.

TABLE S1-1: Analysis of Development Site Sales

ADDRESS	SITE AREA (SQM)	GFA (SQM)	FSR	SALE PRICE	ANALYSIS ($/SQM GFA)	SALE DATE
1-9 MARQUET ST & 4 MAY ST RHODES	2,917	23,002	7.9:1	$65,500,000	$2,848	May 2024
2-4 POPE ST RYDE	1,447	2,605	1.8:1	$7,500,000	$2,879	Nov 2023
1-20 RAILWAY RD & 50 CONSTITUTION RD MEADOWBANK	7,773	21,950	2.8:1	$65,000,000	$2,961	Oct 2023
129-153 PARRAMATTA RD & 53-75 QUEENS RD FIVE DOCK	31,200	93,618	3.0:1	$260,000,000	$2,777	Aug 2023
363 VICTORA RD GLADESVILLE	1,650	4,231	2.6:1	$11,000,000	$2,600	May 2023
20-24 RAILWAY PDE & 2-4 BURLEIGH ST BURWOOD	1,315	7,890	6.0:1	$28,750,000	$3,644	May 2022
52-56 RAMSAY RD FIVE DOCK	1,670	4,175	2.5:1	$13,800,000	$3,310	Apr 2022

There has been a dearth of development site sales transacted in recent years; though the prices paid fall within a relatively ‘tight’ range of $2,600/sqm to $3,600/sqm GFA for sites with development potential.

The sale at 129-153 Parramatta Road and 53-75 Queens Road is located in a comparable location to the Site. A slightly higher rate would be expected to apply at the Site due to its smaller scale.