

POTTS HILL

Economic Impacts of the Proposed 4.6 Variation



Prepared for Mecone Pty Ltd

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Dated

14/03/18

Report Details

Job Number C18134

Version Final

File Name Potts Hill, 4.6 Variation Economic Report

Date Printed 7/03/2018

INTRODUCTION

1.0 INTRODUCTION

HillPDA was commissioned by Mecone Pty Ltd to undertake an economic appraisal of a proposed development located at 10 Nelson Short Street, Potts Hill (the subject site).

It is understood that Mushan Group Pty Ltd is seeking a Clause 4.6 Variation, specifically, a variation to increase the Floor Space Ratio (FSR) on the subject site to allow for the development of 157 independent living units (ILUs), 108 residential aged care facilities (RACF) and ancillary medical centre, café, retail shop and restaurant/lounge.

The economic appraisal will assess the economic benefits of the proposed development over that which would be realised without attaining additional FSR.

1.1 Clause 4.6 Variation

Clause 4.6 of the Bankstown Local Environmental Plan 2015 (LEP) is the statutory mechanism that allows the consent authority to grant consent to development that departs from a development standard imposed by the LEP. The purpose of the clause is to provide a reasonable degree of flexibility in applying certain development standards, to achieve better outcomes that are in the public interest.

The proposed development seeks an FSR of 1.2:1 (or 23,090sqm) across the site, which is 20% (or 4,179sqm) higher than LEP standard.

1.2 The subject site

The subject site is around 18,920sqm in size and is currently vacant. Current zoning of the site is B7 - Business Park with it being located just to the south of Potts Hill Business Park.

Figure 1: Subject site



Source: HillPDA

2.0 CONTEXTUAL REVIEW

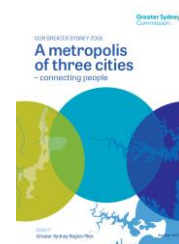
The following Chapter undertakes a review of relevant State and local planning strategies with a particular focus on matter relevant to economic and employment land matters.

2.1 State Government

2.1.1 Draft Greater Sydney Regional Plan 2017

The draft *Greater Sydney Region Plan* (the draft Plan) was developed by the Greater Sydney Commission and released in October of 2017. The draft Plan sets out a vision, objectives, strategies and actions for a metropolis of three cities across Greater Sydney over the next 40 years.

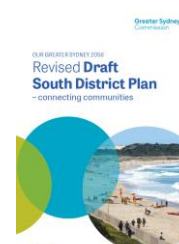
Of relevance to this study are the following objectives within the draft Plan that are in accordance with a rezoning of the subject to allow residential, employment and social services:



- **Objective 6|Services and infrastructure meet communities' changing needs:** identifies the need to provide social infrastructure that reflects the needs of the community now and in the future, with a particular focus on the provision of education and health facilities that are accessible. The development would be providing aged care, seniors living and related health services that will support the changing needs of the surrounding community
- **Objective 10|Greater housing supply:** emphasises the need to provide ongoing housing supply and a range of housing types in the right locations to support Sydney's growing population. The development would increase the amount of seniors living housing supply and diversity within the local area and Greater Sydney
- **Objective 12|Great places that bring people together:** identifies three mechanisms for developing great places, of which, the provision of social infrastructure that creates authentic local experiences and opportunities for social interaction and connection is one. Rezoning of the subject site to accommodate a number of various land uses, such as, aged care; seniors living; retail; medical and other employment uses would increase the opportunity for social interaction and a sense of place, increasing local experiences and social cohesion
- **Objective 23|Industrial and urban services land is planned, protected and managed:** aims to properly plan for additional industrial and urban services zoned land within Greater Sydney while protecting and managing existing land. The Objective identifies that there is a need to consider the likely long-term population of the area, and therefore the need for land locally to be allocated for industrial and urban services. The subject site allows for the development of light industries however, is not specifically zoned as industrial.

2.1.2 Revised draft South District Plan 2017

In October 2017, the Greater Sydney Commission (GSC) revised its draft District Plans for Sydney. The draft District Plans support the actions and outcomes of the draft Greater Sydney Region Plan with additional 'Planning Priorities' that are focussed on each district. The subject site is located within the South District which consists of the local government areas of Canterbury-Bankstown, Georges River and Sutherland Shire.



By 2036, the population of the South District is forecast to reach 945,350 residents, an increase of 204,100 residents from 2016. Over this period, persons aged 65 years and over will increase by 61%, highlighting the need for increased aged care and seniors living communities. Furthermore, to house this total population growth at least an additional 83,500 dwellings would be required.

The Planning Priorities of the South District Draft Plan relevant to this study include:

- Providing services and social infrastructure to meet people's changing needs
- Fostering healthy, creative, culturally rich and socially connected communities
- Providing housing supply, choice and affordability, with access to jobs and services.
- At this stage the proposed development is in accordance with the above planning priorities for the South District.

Over the next 20 years an additional 12,900 jobs will be required within Bankstown commercial centre, which is located just to the south of the subject site. Upon completion the development would be contributing to Bankstown in reaching its employment targets.

The proposed development is in accordance with the above planning priorities for the South District.

2.1.3 Bankstown Economic Development Strategy 2014-17

The Bankstown Economic Development Strategy 2014-17 seeks to identify the issues and opportunities facing Bankstown and its business community across ten key areas, these are:

- | | |
|--|--|
| 1. Enhancing the Bankstown 'brand' | 6. Attracting and facilitating investment |
| 2. Building management capabilities | 7. Strengthening our workforce |
| 3. Boosting competitiveness through innovation | 8. Improving eco-efficiency |
| 4. Creating local market opportunities | 9. Planning for growth |
| 5. Encouraging international business linkages | 10. Leveraging business tourism opportunities. |

The proposed development would be addressing some of these key areas, such as, attracting investment, creating employment opportunities and planning for growth within the locality.

2.2 Implications for subject site

From the strategies and policies reviewed, there are five reoccurring themes for development within the South District and LGA, these are:

- Increased provision of community infrastructure to support the current and future population
- Increased residential supply and diversity
- Increased employment opportunities and self-containment.

The proposed development is in accordance with these themes and directives, specifically through:

- The opportunity to provide social infrastructure (aged care and senior living) that supports the growing population of the LGA. While the co-location of various social services on the site, such as, retail, health
- The inclusion of seniors living accommodation on the site would increase housing supply and diversity in the locality

- The development of retail, medical, aged care and seniors living on the site would generate employment opportunities for local residents. These would likely help increase self-containment rates, contribute to employment targets and strengthen the local economy.

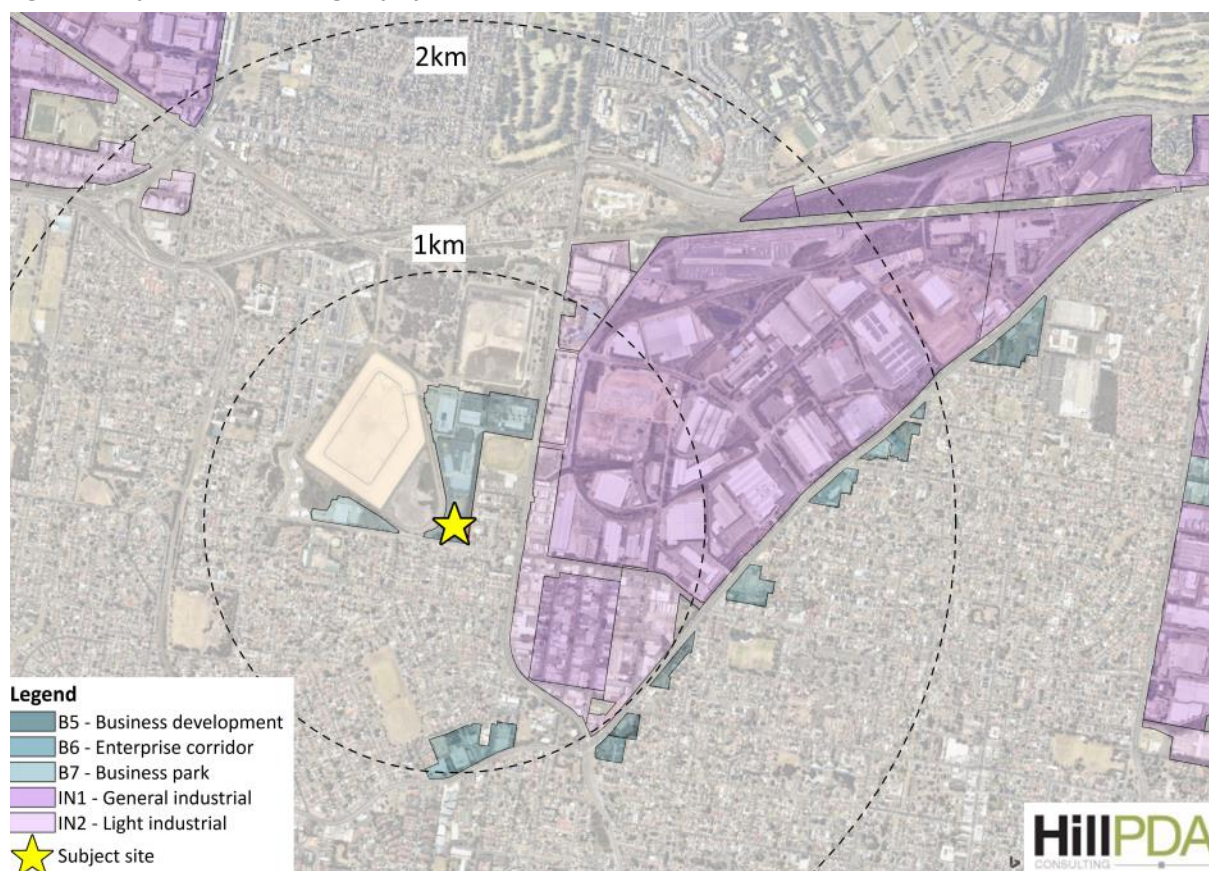
3.0 EMPLOYMENT LAND IMPLICATIONS

The following assesses the implications of the proposed development on the supply and demand for employment lands within the Bankstown locality.

3.1 Employment lands

As seen in the figure below, the subject site is surrounded by a significant amount of employment zoned land.

Figure 2: Subject site surrounding employment land context



Source: HillPDA

3.1.1 Industrial land

As of January 2017, the Canterbury-Bankstown Local Government Area (LGA) contained 968 hectares of industrial zoned land of which 26.5 hectares or 2.7% was vacant.

This undeveloped land is sufficient to accommodate upwards of 958 additional jobs¹. However, an assessment of employment projections for the LGA indicates that industrial related employment (or “blue collar” jobs) will decrease by an estimated 1,045 between 2011 and 2041². This would indicate that potentially an additional 29 hectares of land which is currently developed and occupied would become available and unoccupied over the period.

¹ Calculated at 36.2 jobs per hectares as identified by the ELDP – employment density for developed industrial land within South District

² NSW Transport Performance and Analytics projections 2017

This projected decline in employment, which would usually be directed towards Canterbury-Bankstown's industrial precincts, emphasises that greater flexibility is required to allow for new compatible and non-competing uses to locate within these precincts ensuring their continued competitiveness and viability.

The concept that the traditional industrial zones should be re-examined to allow greater flexibility is further emphasised in the 2011 ELDP Employment Lands Task Force Report, which stated:

Many contemporary industrial uses, particularly in an Australian context, are now non-polluting and low impact, and often combine office functions with warehousing and distribution. There is also an ever increasing amount of 'clean' high technology industries, including research and development, information and communications and advanced manufacturing. These low-impact industrial uses are compatible with many other employment generating uses, such as large-format retailing and stand-alone offices. Given that the nature of industry has changed significantly in recent times, the concept of a "traditional" industrial zone may need to be reconsidered. For example, increasing the flexibility of industrial zones by increasing the range of mandatory permissible uses, allowing additional local uses in specialised locations and assessing trends in industrial zones and uses in other cities, both nationally and internationally, will help to ensure Sydney continues to remain competitive as a global city.

Table 1: Bankstown-Canterbury LGA employment forecasts

Industry	2011	2016	2021	2031	2041	Change 2011-46
Agriculture, Forestry and Fishing	52	46	45	43	42	-10
Mining	18	34	36	40	44	27
Food Product Manufacturing	2133	1998	2140	2211	2300	167
Beverage and Tobacco Product Manufacturing	216	254	212	221	223	8
Textile, Leather, Clothing and Footwear Manufacturing	753	680	597	491	439	-314
Wood Product Manufacturing	399	378	353	331	341	-57
Pulp, Paper & Converted Paper Product Manufacturing	282	288	265	238	232	-50
Printing (including the Reproduction of Recorded Media)	559	529	502	461	451	-108
Petroleum and Coal Product Manufacturing	3	3	2	1	1	-3
Basic Chemical and Chemical Product Manufacturing	492	424	440	426	424	-68
Polymer Product and Rubber Product Manufacturing	1269	1253	1144	1027	1027	-242
Non-Metallic Mineral Product Manufacturing	296	266	260	299	309	13
Primary Metal and Metal Product Manufacturing	742	751	752	750	772	30
Fabricated Metal Product Manufacturing	688	626	630	610	604	-84
Transport Equipment Manufacturing	550	485	552	553	559	9
Machinery and Equipment Manufacturing	1214	1114	1007	1093	1066	-148
Furniture and Other Manufacturing	2249	2103	2255	2259	2328	79
Electricity, Gas, Water and Waste Services	900	929	1171	1412	1585	685
Construction*	760	812	872	998	1132	372
Wholesale Trade	4081	4223	4270	4164	4151	70
Retail Trade*	217	229	249	277	305	88
Transport, Postal and Warehousing	5715	5638	5461	4184	4046	-1669
Other Services*	620	689	716	738	782	161
Total	24207	23752	23930	22828	23163	-1045

Source: TPA 2016 employment projections,

* assumes 10% of construction jobs, 5% of retail and 20% of other service jobs are directed toward industrial precincts.

3.1.2 Business Park land

The subject site is currently zoned as B7 – Business Park which forms part of larger 15.6 hectare business park precinct. Currently the subject site is the only vacant parcel of land, comprising 1.9 hectares or 12.2% of the wider precinct.

A total of 55.9 hectares of such business park zoned land is provided across the South District, of which, the subject site is the only identified undeveloped parcel. We understand that development as proposed would not result in any net loss of business park zoned land within the District and that it is a complying form of development.

The subject site has been vacant over the past six years and hence is making no contribution towards the local or regional economy (gross domestic product). The proposed development would contribute to economic output. It would promote the social and economic welfare of the community and would promote the orderly and economic use and development of land within Canterbury-Bankstown LGA. These are key objects of the NSW Environmental Planning and Assessment Act (Section 1.3).

3.2 Summary of findings

The proposed development would not result in a net loss of employment zoned land within the LGA or wider South District region. The proposed development is permitted under the current zone and compatible with the objectives of the zone and the EPA Act. With the subject site remaining vacant over the last six years, the proposed development would contribute to social and economic welfare and would promote the orderly and economic use and development of land.

4.0 ECONOMIC ASSESSMENT

This Chapter examines the economic impacts of the proposed development during and post construction. Economic impacts include employment generation, wages and industry value added (IVA) (contribution to gross regional product), increased retail spend from local residents and workers, increased demand for retail floorspace and impacts on government revenue.

To quantify the economic benefits of the floor space variation we quantified the economic contribution of the proposed development (\$ output, jobs, salaries and IVA) and subtracted these estimates from a hypothetical development that complies with the FSR control (that is 20% less floor space) known as the “base case”.

4.1 Assessed Scenarios

The proposed development or “development application case” proposes the development of a Senior Living Development comprising 157 independent living units (ILU), 108 RACFs, an ancillary medical centre (assumed at 200sqm), a retail shop (assumed at 80sqm) and restaurant/café /lounge (assumed at 520sqm)³.

Employment numbers for the various land uses were sourced from *the Statement of Environmental Effects for a Seniors Living Development, Mecone 2017*.

The “base case” assumes a 20% reduction in floorspace to comply with the 1:1 FSR control. This results in a development comprising of 131 ILUs and 90 RACFs. This reduction would also have implications as to the amount of employment generated on site. Employment in the medical centre and café/restaurant would be reduced with fewer residents on site.

4.2 Construction economic benefits

4.2.1 Construction multiplier effects

The construction industry is a significant component of the economy accounting for 6.7% of Gross Domestic Product (GDP) and employing almost one million workers across Australia⁴. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

- **Production induced:** which is made up of:
 - first round effect: which is all outputs and employment required to produce the inputs for construction; and
 - an industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect; and
- **Consumption induced:** which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

The source of the multipliers adopted in this report is ABS Australian National Accounts: Input-Output Tables 2014-15 (ABS Pub: 5209.0). From these tables HillPDA identified first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.62, \$0.65 and \$0.95 respectively to every dollar of

³ Gross floor areas have been derived through applying employment densities to employment generated by land use (employment sourced from the Statement of Environmental Effects for a Seniors Living Development, Mecone 2017)

⁴ Source: IBIS World Construction Industry Report 2015

construction. The table below quantifies associated economic multipliers resulting from the construction process.

Table 2: Construction multipliers (\$m)

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.6200	0.6470	0.9450	3.2120
Output – Base case (\$m)	\$93	\$57	\$60	\$86	\$297
Output – Proposed case (\$m)	\$111	\$68	\$72	\$103	\$354
Difference (\$m)	\$18	\$11	\$12	\$17	\$57

Source: HillPDA Estimate from ABS Australian National Accounts: Input-Output Tables 2014-15 (ABS Pub: 5209.0)

Under the base case the estimated direct construction cost of \$93m would generate a further \$117 million of activity in production induced effects and \$86 million in consumption induced effects.

The proposal would cost an additional \$18m in construction. This would generate a further \$23m in production induced impacts and \$17m in consumption induced impacts over and above the base case.

Note that the multiplier effects are national, and not necessarily local. The ABS states that:

“Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”

In particular the multiplier impacts can leave the impression that resources would not have been used elsewhere in the economy had the development not proceeded. In reality many of these resources would have been employed elsewhere. Note that the NSW Treasury guidelines state:

“Direct or flow on jobs will not necessarily occur in the immediate vicinity of the project – they may be located in head office of the supplier or in a factory in another region or State that supplies the project”⁵.

Despite these riders the construction industry provides considerable added value to the Australian economy.

4.2.2 Construction related employment

Every one million dollars of construction work undertaken generates 2.17 job years directly in construction⁶. Based on an estimated construction cost of \$111 million the proposal would directly generate 240 job years⁷ in construction. This is an additional 39 jobs years more than the base case, as shown in the table below.

⁵ Source: Office of Financial Management Policy & Guidelines Paper: Policy & Guidelines: Guidelines for estimating employment supported by the actions, programs and policies of the NSW Government (TPP 09-7) NSW Treasury

⁶ Source: ABS Australian National Accounts: Input – Output Tables 2014-15 (ABS Pub: 5209.0) adjusted to 2018 dollars

⁷ Note: One job year equals one full-time job for one year

Table 3: Construction employment

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.737	0.818	1.422	3.978
Employment No. per \$million*	2.165	1.596	1.772	3.079	8.612
Total job years created – Base Case	202	149	165	287	802
Total job years created – DA Case	240	177	197	342	956
Difference (\$million)	39	29	32	55	154

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2012-13 (ABS Pub: 5209.0)

From the ABS Australian National Accounts: Input-Output Tables 2014-15 HillPDA identified employment multipliers for first round, industrial support and consumption induced effects of 0.74, 0.82 and 1.42 respectively for every job year in direct construction.

Including the multiplier impacts, the proposal would generate a total of 956 job years directly and indirectly. This is an additional 154 jobs years more than the base case.

4.2.3 Other construction impacts

The construction process may lead to short-term negative impacts in the locality such as increased traffic, noise, dust and so on. We have assumed that the development would take necessary steps to mitigate the extent of these impacts.

4.3 Post-construction economic benefits

4.3.1 Employment generation

Following construction, the development would support employment on site through the various land uses proposed. The proposal would provide 45 jobs on site – 5.7 more jobs than the base case.

Table 4: Estimated employment generation

Land use	Base case	Proposal*	Difference
Aged care/senior housing	20.8	25.0	4.2
Restaurant/café	12.0	13.0	1.0
Retail general	2.0	2.0	0.0
Medical centre	4.5	5.0	0.5
Total	39.3	45.0	5.7

Source: * Statement of Environmental Effects for a Seniors Living Development, Mecone 2017, HillPDA

4.3.2 Salaries generation

Based on IBIS World Industry Reports, HillPDA has estimated a combined annual remuneration of the DA case at approximately \$2.2 million for workers on site. This is an additional \$277,115 per annum over the base case.

The details by land use are provided in the table below.

Table 5: Estimated salaries (\$2018)

Land use	Average Wage	Base case - total wage generation (\$m)	DA case - total wage generation (\$m)	Difference
Aged care/senior housing	\$48,240	1.0	1.2	0.20
Restaurant/café	\$45,518	0.5	0.6	0.05
Retail general	\$33,721	0.1	0.1	0.00
Medical centre	\$57,976	0.3	0.3	0.03
Total		1.9	2.2	0.28

Source: IBIS World Industry Reports 2015

4.3.3 Industry value added

Industry value added (IVA) of an industry refers to the value of outputs less the costs of inputs. It measures the contribution that the industry makes to the country's wealth or gross regional product (GRP).

Based on IBIS World Industry Reports, HillPDA has estimated a combined annual remuneration of the DA case at approximately \$3.2 million for workers on site. This is an additional \$384,609 over the base case.

The details by land use are provided in the table below.

Table 6: Estimated Industry Value Add

Land use	Industry Value Added / Worker	Base case - IVA (\$m)	Proposal - IVA (\$m)	Difference
Aged care/senior housing	\$58,650	1.2	1.5	0.25
Restaurant/café	\$67,763	0.8	0.9	0.07
Retail general	\$49,124	0.1	0.1	0.00
Medical centre	\$141,032	0.6	0.7	0.07
Total		2.8	3.2	0.38

Source: IBIS World Industry Reports 2015

4.4 Other economic benefits

4.4.1 Street activation

The construction of a mixed use development comprising uses such as aged care, retail, medical and residential located on the subject site would create increased pedestrian traffic having the effect of further activating the local area. This street activation would have the benefits of increasing security, increasing the potential for increased investment within the local area.

4.4.2 Additional expenditure in Bankstown

The development will provide around 157 ILUs apartments on site. Assuming 95% of the apartments are occupied and an average occupancy rate of 1.5 persons per apartment, we estimate approximately 224 residents living on the site post development.

These residents would generate demand for local retail and commercial goods and services. With an assumed average retail spend of \$8,055 per capita the residents could spend around \$1.8 million every year on retail goods and services. The majority of this would likely be captured locally in centres such as Bankstown.

4.4.3 Investment stimulus

Where a significant property investment decision has been made it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further investment to the immediate area.

The proposed development would create additional business opportunities in this locality associated with future residents and employees. It would increase the profile of this area and in doing so increase the financial feasibility of future development, potentially acting as a catalyst on surrounding sites.

4.4.4 Jobs closer to home

There are many benefits associated with providing jobs closer to home as discussed, most notably a reduced need to travel and the knock on benefits associated with this in terms of reduced pressure on infrastructure.

A reduction in the number and length of journeys made, in particular those made in private vehicles, has environmental benefits. There are also lifestyle benefits related to increased free time, reduced travel related stress and a reduced likelihood of road related accidents.

4.4.5 Housing choice

Providing a diverse range of housing options suiting a wide variety of household types, including senior apartment living and aged care will also promote a more diverse community which is arguably more sustainable in the long term, as they are able to maintain a range of services and facilities useful to the ageing population. These dwellings would allow for persons to downsize while aging in place. This downsizing would also allow other residents to “up size” as dwellings become available while also helping housing affordability within the locality.

4.4.6 Improving the visual appeal of the locality

The proposed development will facilitate in rejuvenating and activating this part of Norwest with a contemporary and yet functional urban site and would improve the visual appeal of the area. As such the proposal aligns with planning policy, delivering visual, environment environmental and economic benefit to the locality.

4.5 Conclusion

The proposed development would provide additional economic benefits to the Canterbury-Bankstown LGA and wider South District region over that which would be generated under a complying base case.

These additional economic benefits would be generated both during construction and after construction and relate to increased employment generation, remuneration, industry value added, production and consumption multiplier impacts in the locality and improved urban and environmental outcomes.

The proposed development accords with State, regional and local planning strategies and instruments in relation to these economic and social impacts.

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