McLaren Street & Ward Street, Nth Sydney

Development Feasibility

Prepared for Erolcene P/L & Claijade Pty Ltd

Final – April 2017

QUALITY ASSURANCE

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EXECUTIVE SUMMARY

The draft North Sydney Council Ward Street Precinct Masterplan (the Masterplan) provides a vision for the urban renewal of the Ward Street Precinct.

The new vision proposes a mix of commercial, mixed use and residential development. However, the proposed vision and design for the site may not develop the potential for the Precinct in a manner that is commercially feasible – specifically the Berry Street, Ward Street and McLaren Street components. As a result, HillPDA was commissioned to:

- Analyse NSC's Ward Street Master Plan; and
- Assess alternate options and articulate the merits of each option.

The scope of this report does not include an economic impact analysis the Council Master Plan or the alternative proposals.

Overall, our analysis suggests that the assessed components of the Council Masterplan would not attain the target development margins or project IRR of 22% and 18% respectively. In practice, under the Council Masterplan, to provide for public plaza space as proposed means commercial and hotel floor plates that do not meet market expectations.

In effect, the Ward Street development would achieve its target development performance targets *at the expense* of the Berry Street and McLaren Street sites. Overall, the net impact to the Precinct would likely be negative.

Table 1: Summary of Council Master Plan Performance

Performance Metric	56-66 Berry St	20 Ward St	41 McLaren St	Total
Development Profit	-$119.4 million	$64.5 million	-$4.6 million	-$59.2 million
Margin (Profit / total project cost)	-45.8%	28.5%	-3.4%	(9.5%)
Project Internal Rate of Return (IRR)	-24.1%	19.1%	3.4%	-0.6%

Also, with respect to 41 McLaren Street specifically, it is important to note (as discussed in Section 2) that the redevelopment under the current LEP is likely not feasible. Further, given the scale of the potential infrastructure and public amenity contribution resulting from a larger scaled residential development, the redevelopment of the McLaren Street site is closely related to the terms of a VPA. As a result, 41 McLaren Street has been excluded.

Given this result, we have assessed three options. The primary aim of each option was to explore ways to make more effective use of the available space, deliver floor plates that better meet market expectations, and provide community space and amenity. We have assessed the following options:

- **Option 1:** Large Commercial & Hotel Tower;
- **Option 2:** Consolidated Commercial, Hotel & Residential Tower; and
- **Option 3:** Consolidated Commercial & Hotel Tower, excluding 56 Berry Street.[1]

Overall, the results suggest that the proposed Option 1 is likely feasible, and that further detailed specification and analysis is warranted. Additionally, Option 1 implements Council's vision for Precinct as a whole.

Table 2: Summary of Alternate Proposals (Precinct, excluding McLaren St)

Performance Metric	Base Case (Council)	Option 1	Option 2	Option 3
Development Profit ($)	-$28.5 million	$116.2 million	$94.4 million	$110.9 million
Dev. Margin	-5.9%	18.7%	16.3%	21.1%
Project Internal Rate of Return	0.5%	13.2%	11.4%	13.8%

Project performance can often be improved as cost and revenue parameters are further specified, designs and costs validated, and risks identified and mitigated. For example, if Option 1 were to reduce the construction period by 10% (2 months) and identify

[1] This scenario was tested as a sensitivity to understand the hypothetical impacts of land acquisition challenges. Exclusion of one of the Berry Street sites could potentially impact the realisation of the overall vision for the Precinct as a whole. As such, this result should be treated as indicative.

construction and contingency savings of 6.25%, it would be sufficient to achieve the target IRR of 18%, translating into a development margin of 25.4%.

Option 3 could marginally improve Option 1's performance in terms of IRR and developer margin (without 56 Berry Street), but at the expense of Council's vision for the Precinct as a whole. As noted in footnote 1, this scenario was developed to test the boundaries of Option 1.

1 INTRODUCTION

Background

The draft North Sydney Council Ward Street Precinct Masterplan (the Masterplan) provides a vision for the urban renewal of the Ward Street Precinct. The new vision proposes a mix of commercial, mixed use and residential developments.

HillPDA was commissioned by Erolcene Pty Ltd & Claijade Pty Ltd (our Client) to:

- Analyse NSC's Ward Street Master Plan;
- Assess alternate options and articulate the merits of each option.

Methodology

To assess the relative merits between the Master Plan and the Alternate Proposal, HillPDA has developed a bottom-up feasibility model. The feasibility model was developed using Estate Master DF development feasibility software.

The model includes acquisition land value and the costs associated with the nominated hypothetical development including:

- site acquisition (plus stamp duty and other costs);
- professional fees (design and management);
- demolition and construction;
- property holding costs and statutory fees;
- finance charges and interest on debt;
- marketing and selling costs; and
- sales revenue.

The hypothetical development cash flow is calculated and discounted to a present value at a rate that reflects the level of project risk. EM also calculates the internal rate of return on an annual effective basis.

This DCF method tests whether financial hurdle rate or target IRR is likely to be achieved given the land price. It further calculates the residual land value (or RLV) which is the maximum price that a developer could pay for the land whilst achieving the required IRR.

Based on the development options and Client inputs (costs, revenues, timing, funding assumptions, etc.), the EM model will calculate interest costs and key investment performance indicators (e.g. residual land value, profit margin, NPV and IRR). A complete list of assumptions and inputs is included in Appendix A.

Lastly, the scope of this report does not include an integrated economic impact analysis the Council Master Plan or the alternative proposals. As a result, the reader should use caution when comparing these results with other analysis of the Council Masterplan. Such an analysis would need to be prepared using an integrated framework (e.g. NSW Treasury Guidelines for Capital Business cases and NSW Treasury guidelines for economic appraisal or equivalent) so ensure that analyses are prepared on a 'like for like' basis.

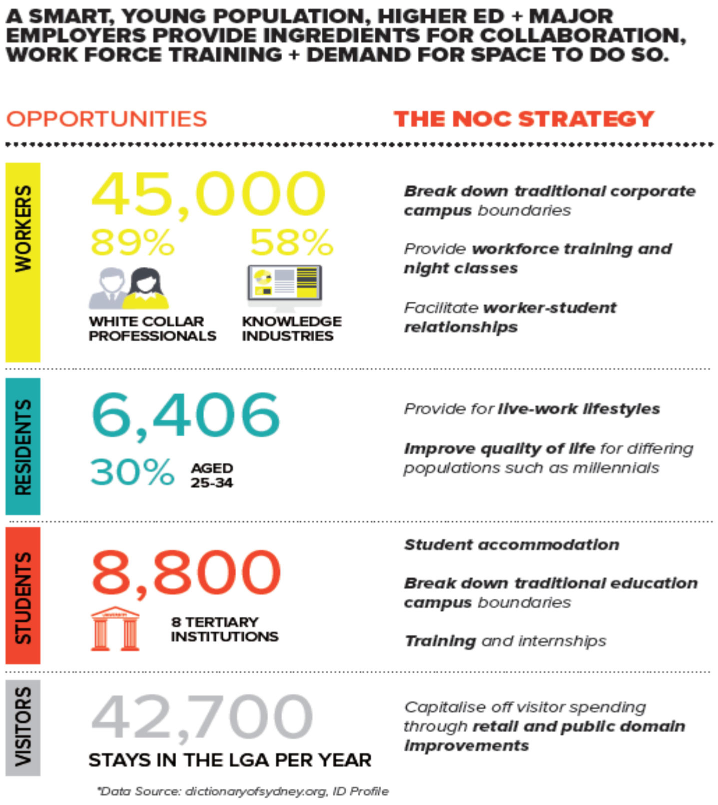
2 CONTEXTUAL OVERVIEW

Strategic Drivers

The North Sydney Council Community Uses on Council Land project aims to develop strategies and action plans for the effective long term management of Council assets, including the Berry Street car park site.

Following community feedback and consultation, the Council resolved that future development of Council assets would need to balance demonstrated needs of the community with built form outcomes that minimise impacts upon surrounds.[2] The Council adopted concepts that envisage a variety of community uses for the Council assets as a means of best practice asset planning.[3]

Figure 1: Summary Master Plan Vision and Drivers



Source: Ward Street Master Plan

[2] North Sydney Council. “Community Uses on Council Land Study”. Retrieved from https://www.northsydney.nsw.gov.au/Projects_Infrastructure/Planning_frameworks/Community_Uses_on_Council_Land_Study.
[3] Ibid.

However, balancing the competing demands of commercial, residential and community land use needs is a challenging task. In August 2016, North Sydney Council developed the 'North Sydney Economic Development Strategy' (EDS). A key finding from the study was the need for North Sydney to deliver additional A grade commercial office space.

The commercial office market in North Sydney has experienced slow but steady growth over the last 10 years.[4] A recent consultancy report suggests that there is currently 320,000 sqm of unmet prime floorspace within North Sydney, and this unmet demand is forecast to increase to 335,000 sqm by 2036.[5]

Indeed, real estate agents have noted with respect to the North Sydney market that larger firms (over 100 employees) were seeking A grade buildings of over 40,000 sqm, which North Sydney current does not provide.[6]

Taken together it suggests that a key consideration for future development is how to deliver *viable* commercial space, but also to deliver community amenity.

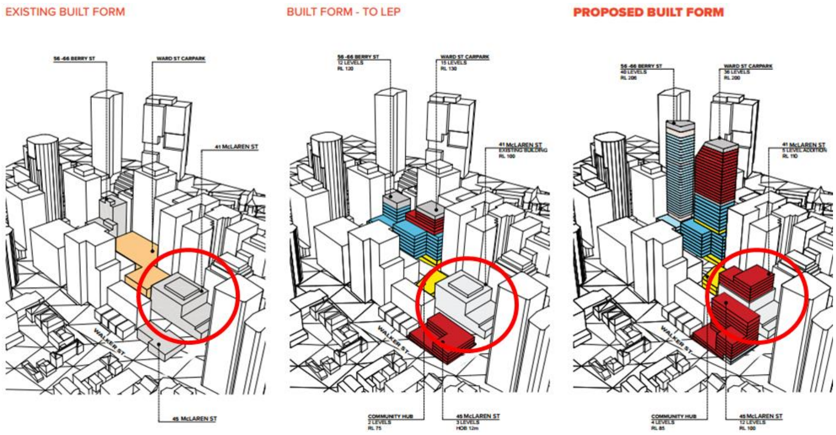
Draft Ward Street Precinct Masterplan 2016

The draft Ward Street Precinct Masterplan provides a vision for the urban renewal of the Ward Street Precinct. The Masterplan provides recommended changes to the local planning on five sites: 20 Ward Street (Ward Street car park), 56-56 Berry Street, 41 McLaren Street, 45 McLaren Street and 70-74 Berry Street.

Under the proposed amendments the sites would have the capacity to provide an estimated 34,000 sqm of commercial floor space, 1,100 sqm of retail, 11,000 sqm of hotel, 21,000 sqm of residential and 5,000 sqm of community floor space. Figure 2 summarises the current and proposed uses.

[4] SGS Economics & Planning. "North Sydney Economic Development Strategy: Strategy Report". Prepared for North Sydney Council. August 2016. Page 20.
[5] Ibid. Page 31
[6] Ibid. Page 40.

Figure 2: Ward Street Precinct Masterplan Overview

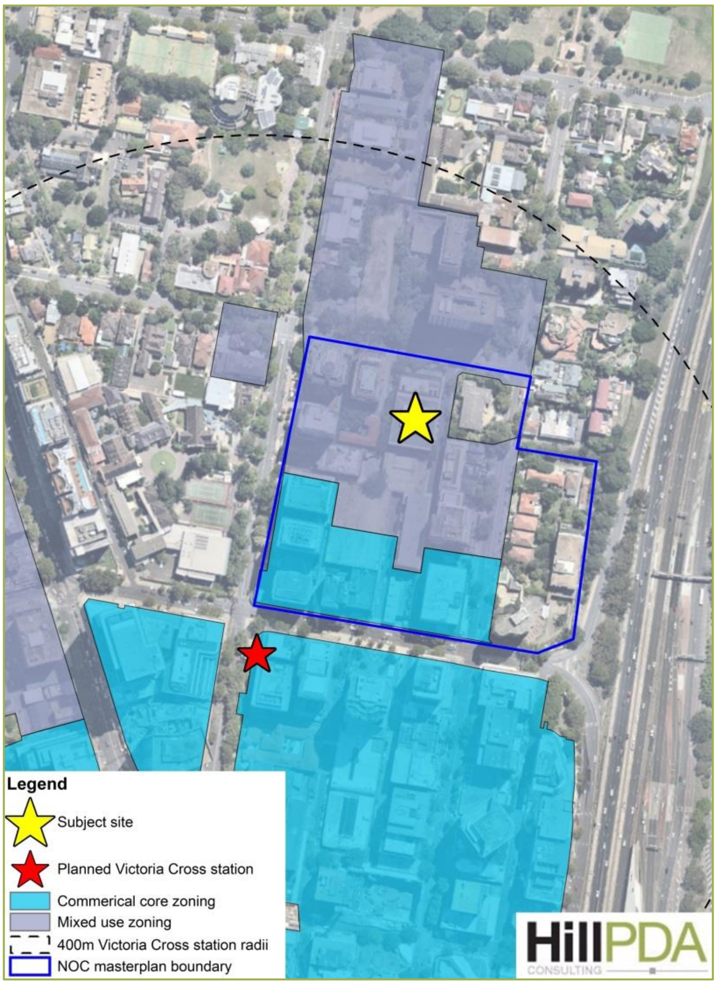


Source: Ward Street Precinct Masterplan

The close proximity of the planned Victoria Cross railway station (Figure 3) along Sydney's Metro line would provide a catalyst for urban renewal interest within the locality. As such, there was a need to assess the development potential of North Sydney.

In light of this, North Sydney Council has drafted a masterplan for a precinct referred to as North of Centre Precinct (NOC Precinct). Contained within this NOC Precinct is the subject site as seen in Figure 3.

Figure 3: Subject Site Context



Source: HillPDA

The site at 41 McLaren Street is located just to the north of the North Sydney CBD commercial core, within a mixed use zoning (Figure 3). Specific planning controls under the North Sydney LEP 2013 on the subject site include:

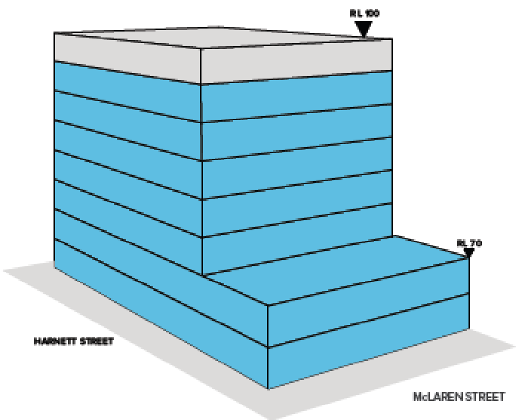
- The current mixed use zoning permits residential use;
- There is no maximum FSR however, the planning controls require a minimum of 0.5:1 FSR for non-residential uses;
- A height control of RL100 equivalent to 7-8 storeys; and
- The subject site is a local heritage item.

Regarding the subject site the masterplan proposes that an additional 3,400 sqm of residential floor space be developed above the existing commercial building. This is equivalent to 25-30 residential apartments, depending on bedroom mix.

Figure 4: Subject Site NOC Precinct masterplan recommendation

Under current LEP controls

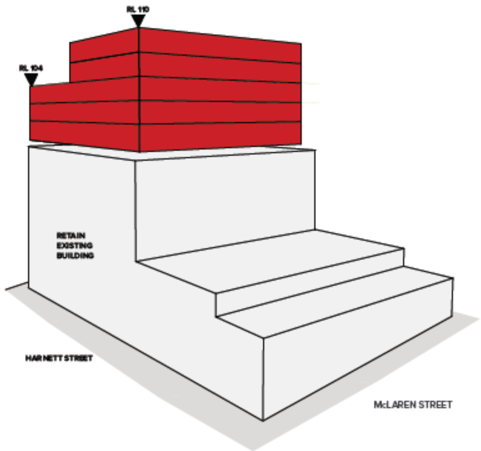
Commercial GFA 10,720 (blue)



Proposed controls

Residential GA 3,363sqm (red)

Retain existing commercial building (grey)



Source: North Sydney - North of Centre Precinct Plan

The additional residential floor space is proposed to be developed over the existing commercial building. As such, it is questionable that this type of development would be viable with the additional of only 25-30 residential apartments.

3 FEASIBILITY ANALYSIS

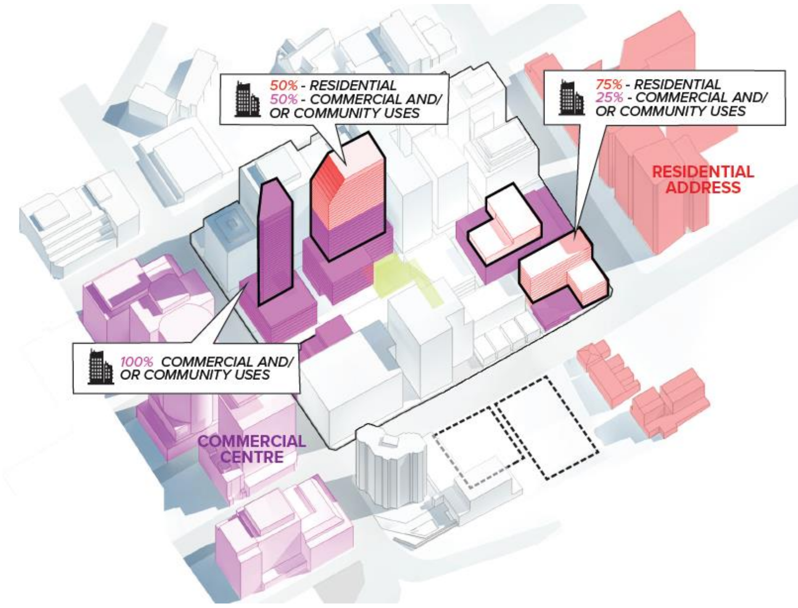
HillPDA tested five different development scenarios: a Base Case, three alternative options and a standalone analysis of 41 McLaren Street, which are summarised below.

Council Master Plan Analysis

Council Master Plan Overview

The Council proposal would develop three separate sites at 56-66 Berry Street, 20 Ward Street and 41 McLaren Street.

Figure 5: Council Master Plan Massing



Source: Ward Street Master Plan

Specifically, the parameters of this option include:

- **56-66 Berry Street:** acquire and demolish the existing commercial buildings and construct a commercial/hotel building including:
  - Retail space (900 sqm GFA);
  - Commercial space (4,400 sqm GFA);
  - Hotel space (up to 255-280 rooms depending on the configuration);
- **20 Ward Street:** demolish the existing car park and construct a mixed use commercial/residential/retail building including:
  - Retail space (800 sqm GFA);
  - Commercial space (12,700 sqm, GFA);

  - Residential space (9,900 or up to 84 units depending on configuration);
  - Community space (4,500 sqm, GFA);
- **41 McLaren Street:** develop commercial space on the existing podium levels (10,200 sqm GFA), and remediate the structure of the building to accommodate residential space (3,400 sqm GFA).

Feasibility Results, Discussion and Analysis

At the Precinct level, the estimated developer margin is -9.5% and an estimated project IRR of -0.6%, which is below the assumed target IRR and developer margin of 18% and 22% respectively. Table 3 provides a summary of key performance measures. As a standalone development the Ward Street site would likely achieve the target development margin and IRR.

Table 3: Summary Council Master Plan

Performance Metric	56-66 Berry St	20 Ward St	41 McLaren St	Precinct Total
Development Profit	-$119.4 million	$64.5 million	-$4.6 million	-$59.2 million
Dev. Margin (Profit / cost)	-45.8%	28.5%	-3.4%	(9.5%)
Project Internal Rate of Return	-24.1%	19.1%	3.4%	-0.6%

In practice, under the Masterplan, to provide for public plaza space as proposed, would likely deliver commercial and hotel floor plates that do not meet market expectations for this as a focal point for the hotel and community plaza space.

In effect, the Ward Street development would achieve its target development performance targets *at the expense* of the Berry Street and McLaren Street sites. This result is driven by four key factors:

1. Marginal contribution of the Berry St sites relative to acquisition costs (i.e. existing tenanted commercial buildings);
2. Inefficient use of the public/open space relative to other potential concepts;

3. Limited residential development potential within the current planning controls; and
4. Relatively lower cost of the 20 Ward Street car park site (given its current use).

Also, with respect to 41 McLaren Street, it is important to note (as highlighted in Section 2) that the redevelopment under the current LEP is likely not feasible. Further, given the scale of the potential infrastructure and public amenity contribution resulting from a larger scaled residential development, the redevelopment of the McLaren Street site is closely related to the terms of a VPA. As a result, 41 McLaren Street has been treated separately.

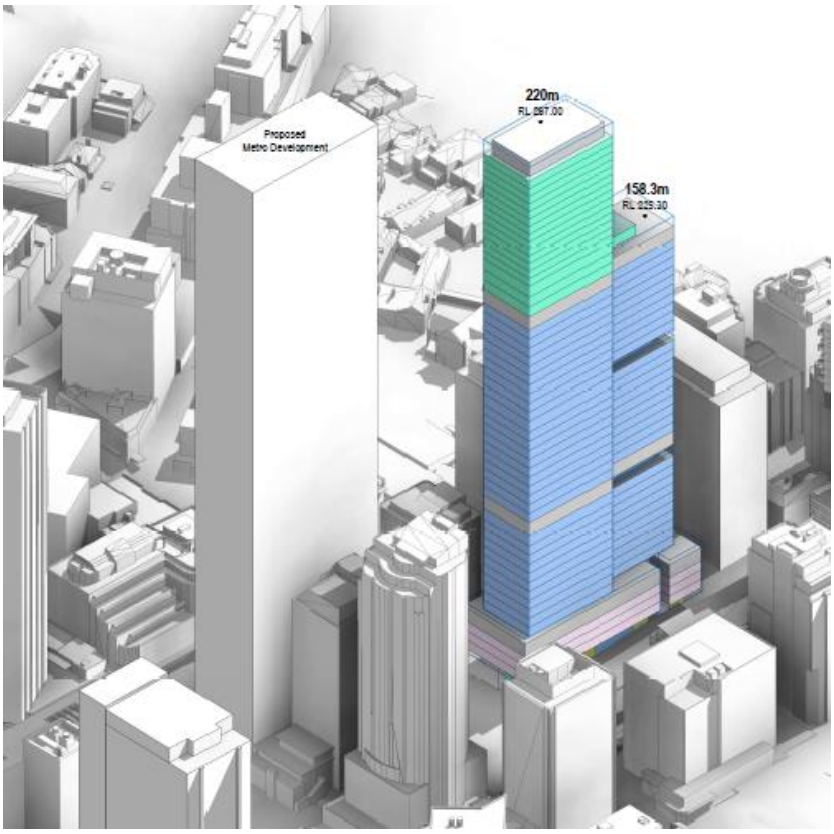
Alterative Proposal Overview

Given this result, we have assessed three options. The primary aim of each option was to explore ways to make more effective use of the available space, deliver floor plates that better meet market expectations, and provide community space and amenity.

Option 1: Commercial & Hotel

An alternative to the Council proposal would be to consolidate both the 56-66 Berry Street and the 20 Ward Street into a single consolidated tower.

Figure 6: Option 1 Massing



Specifically, the parameters of this option include:

- **Consolidated 56-66 Berry Street & 20 Ward Street:** develop a single tower that spans both sites and includes:
  - Retail space (1,400 sqm GFA);
  - Commercial space (48,000 sqm, GFA);
  - Hotel space (up to 224 rooms depending on configuration);
  - Community space (6,200 sqm GFA)

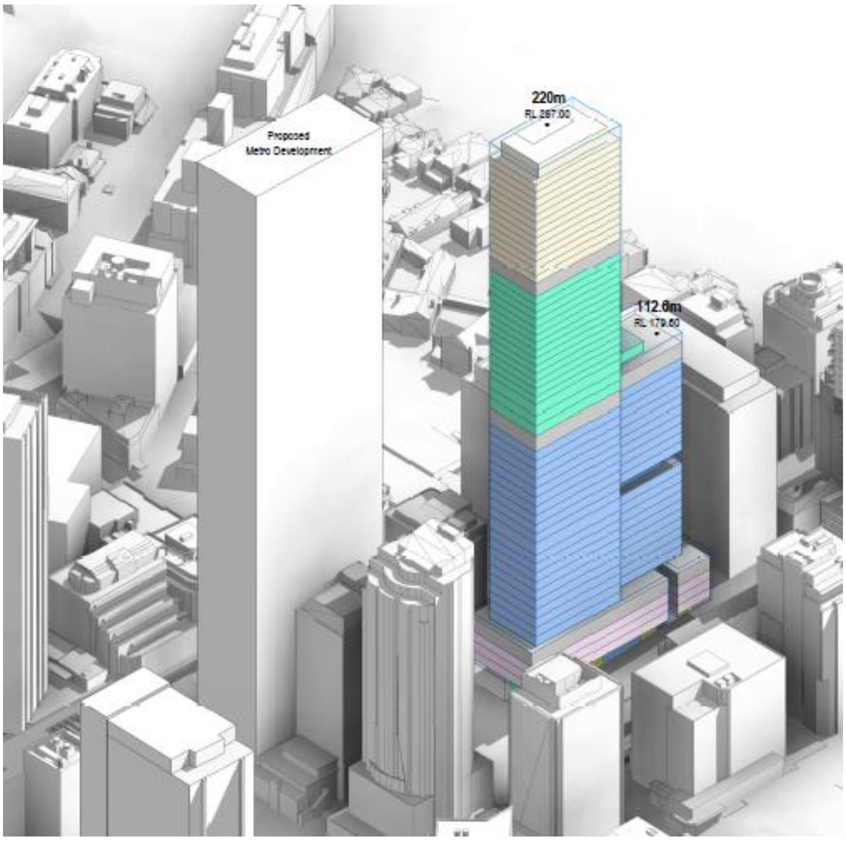
Unlike the Base Case, a single building across both the Berry Street and Ward Street sites would permit a larger floorplate, and would result in a substantially larger building. Further, the larger floor plate would be in better alignment with market expectations for commercial space and 4+ star hotel rooms.

Further, expanding the proposed tower on top of 41 McLaren St would allow for the development of units with exposure to higher floors, in turn, better views of the Sydney Harbour and surrounding City. As a result, this option would be able to extract a premium from potential buyers.

Option 2: Commercial, Hotel & Residential

Option 2 would develop a smaller mixed use tower similar to Option 1, integrating a mixture of uses including residential, commercial and hotel uses.

Figure 7: Option 2 Massing



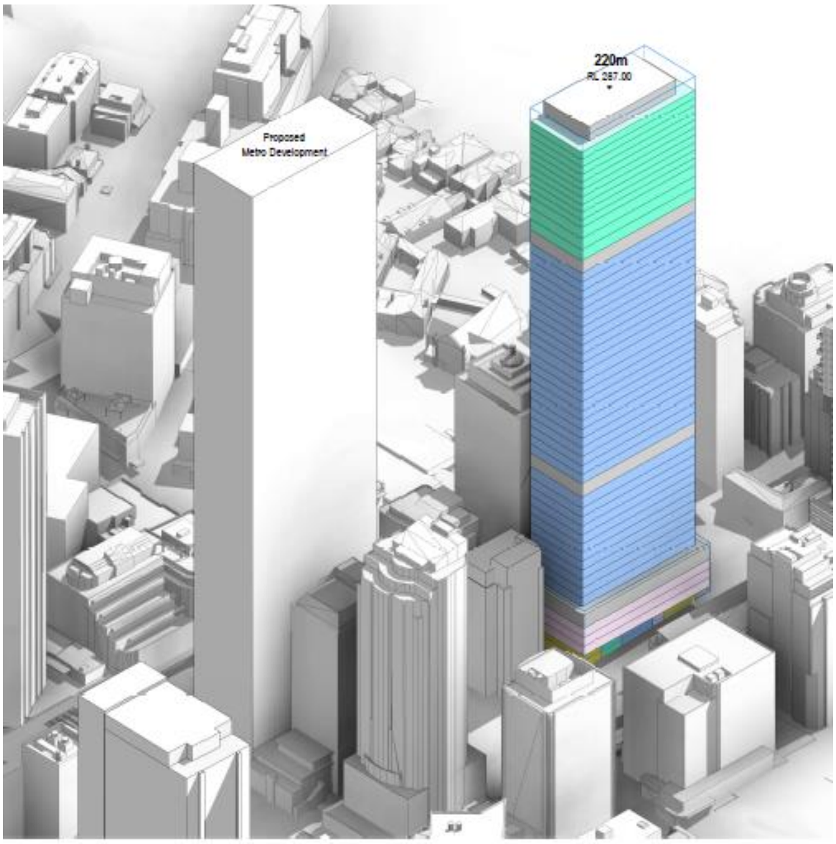
Specifically, the parameters of this option include:

- **Consolidated 56-66 Berry Street & 20 Ward Street:** develop a single tower that spans both sites and includes:
    - Integrating a mixture of uses including residential, commercial and hotel;
    - 210 hotel room; 28,500 sqm GFA commercial; 1,400 sqm GFA retail; 10,400 sqm GFA residential; 7,200 sqm GFA community space

Option 3: Consolidated Commercial & Hotel

Through discussions with project stakeholders, there is the potential that it may prove difficult to acquire all of the proposed sites. Indeed, the sites (e.g. Berry Street sites) are currently tenanted.

Figure 8: Option 3 Massing



To account for this, we have assumed only one of two Berry Street sites are acquired so as to test whether the alternative concept might be feasible (indeed it is impossible to predict how negotiations might play out).

Under Option 3, the tower covering 66 Berry Street and 20 Ward Street could be made smaller, and integrate hotel and commercial uses. Under this scenario, the parameters of this option include:

- 260 hotel room;
- 37,200 sqm GFA commercial;
- 1,120 sqm GFA retail ;
- 4,820 sqm GFA community space

Feasibility Results, Discussion and Analysis

At a precinct level, our analysis suggests that Option 1 is the highest and best use for the Precinct. Based on our analysis, in our view, Option 1 outperforms the Council proposal in all three scenarios in terms of absolute developer profits and, we believe, is more likely to achieve a feasible financial result while also achieving Council's vision for the Precinct.

From this analysis, a key observation is the degree to which supporting sites like 56-66 Berry St and 20 Ward Street are important enablers that unlock the potential of the Precinct as a whole.

Option 3[7] could outperform Option 1 in terms of relative profit margin and IRR (without 56 Berry Street) but at the expense of Council's vision for the Precinct as a whole.

The result suggests that Option 1 is potentially feasible, and that further analysis is warranted. Table 4 contains a summary of key modelling results.

Table 4: Summary of Key Modelling Results (Excluding McLaren Street)

Performance Metric	Base Case (Council)	Option 1	Option 2	Option 3
Development Profit ($)	-$28.5 million	$116.2 million	$94.4 million	$110.9 million
Dev. Margin	-5.9%	18.7%	16.3%	21.1%
Project Internal Rate of Return	0.5%	13.2%	11.4%	13.8%

This result is not uncommon in the early analysis for redeveloping large precincts. Project performance can often be improved as cost and revenue parameters are further specified, designs and costs validated, and risks identified and mitigated.

For example, if Option 1 were to reduce the construction period by 10% (2 months) and identify construction and contingency savings of

[7] This scenario was tested as a sensitivity to understand the hypothetical impacts of land acquisition challenges. Exclusion of one of the Berry Street sites could potentially impact the realisation of the overall vision for the Precinct as a whole. As such, this result should be treated as indicative.

6.25%, it would be sufficient to achieve the target IRR of 18%, translating into a development margin of 25.4%. To illustrate this point, Table 5 includes a summary of the estimated IRR relative to increases and reductions in both construction cost and construction period duration. Of note, under a worst case scenario, an 8.41% IRR would outperform the estimated IRR of the Council Master plan (as currently specified).

Table 5: Summary Sensitivity Analysis Option 1

		Construction Cost				
	Project IRR	▼10%	▼5%	no change	▲5%	▲10%
Construction Period	▼10%	19.58%	17.48%	15.40%	13.35%	11.32%
	▼5%	18.07%	16.12%	14.19%	12.29%	10.41%
	no change	16.79%	14.96%	13.16%	11.39%	9.64%
	▲5%	15.64%	13.93%	12.24%	10.58%	8.95%
	▲10%	14.71%	13.10%	11.51%	9.95%	8.41%

This result appears reasonable, particularly in the context of research undertaken by Knight Frank. An important constraint of the Council's proposal is the proposed size of the floor plates, which in our view are somewhat smaller than is consistent with current market trends. As a result, on average, they would struggle to command market rents for commercial or hotel floor space.

For example, Knight Frank note in their assessment of the Council proposal:

"This average floor plate size is 41% below what is currently being prepared to be delivered to the market, and 39% below what has been constructed during the most recent development phase (2010-2016)."[8]

[8] Knight Frank. "Independent Report Re: 41 McLaren Street - Draft". 9 March 2017. Page 7.

Finally, with respect to the proposed hotel, we are sceptical that the hotel development under the Council plan is likely to generate the estimated number of 4+ star hotel rooms.

Knight Frank makes similar observations with respect to the hotel development stating of the average hotel room size:

"The remaining available space would assume an average hotel room size of 20.7m² (based on 10 rooms per floor), significantly below the requirements of a 4 star hotel."[9]

[9] Knight Frank. "Independent Report Re: 41 McLaren Street - Draft". 9 March 2017. Page 8.

APPENDIX A: FEASIBILITY ASSUMPTIONS

With respect to the Base Case and Option 1, HillPDA has used quantity surveyor (QS) estimates prepared by RLB.

HillPDA was not provided QS estimates for Option 2. As a result, for analytical consistency between options, HillPDA developed modelling parameters using architect drawings prepared by Architectus. To develop cost assumptions, HillPDA benchmarked construction prices against the QS estimates prepared by RLB and those found Rawlinsons Australian Construction Handbook 2016.

Further, in its analysis of the proposed Council plans, Architectus notes “Council figures have not been used due to discrepancy in some areas (e.g. GFA figures which are greater than the floor plate area described’ upper levels described as having greater floor plate area than lower level despite not appearing that way in the model)”.[10] As a result, we have relied on Architectus reassessment analysis and modelling for our inputs.

Revenue estimates and assumptions have been benchmarked against data provided by Knight Frank and Colliers. Where estimates are found to be incomplete (or not to market trends) for these figures, HillPDA has supplemented the modelling and analysis with our experience to for the development feasibility.

The following tables summarise key modelling parameters, estimates and assumptions.

Purchase Cost

The following project costs were provided to HillPDA by RLB quantity surveyors.

Item	56 Berry	66 Berry	Car Park	41 McLaren
Land Purchase Costs	\$32,662,000	\$51,975,000	\$29,453,575	\$71,036,000

[10] Architectus. “Master Plan schedules”. 17 March 2017. Page 119.

Project Timing

HillPDA has made the following assumptions with respect to project timing and duration.

Parameter	Description
Acquisition, design and planning	Acquisition in month 0 and settlement in month 3 DA in month 6 Construction certificates and LSL paid month 15 spanning 3 months Design and planning begin month 3 and span 15 months
Construction	Demolition begin in month 12 and span 6 months Construction begins in month 18 and spans for 24 months Project management throughout the project until month 42
Sales	Residential pre-sales begin month 12 for 18 months Residential settlements in month 42 over 2 months; residential balance sold in month 44 and settled over 4 months Commercial sales in month 42 and settled over 9 months Retail sales in month 42 and settled over 5 months

Fees & Contingencies

The following project costs were provided to HillPDA by RLB quantity surveyors.

Item	% of Construction Cost	Stage of Development cost applied to
Design	7.5%	Pre-construction
Project Management	2.5%	During construction
Development Management	2%	During construction
Marketing and Advertising	1%	Pre-construction
Finance Establishment	1%	Pre-construction
Design Contingency	5%	During construction
Construction Contingency	5%	During construction

Statutory Fees

HillPDA has applied the following assumptions and parameters to estimate statutory fees. The 1.8% fee was provided to HillPDA by RLB quantity surveyors.

Item	% of cost
Application Fees	Application fees 1.8% of construction costs. Assumed 30% allocated to DA approval. Assumed 70% allocated to construction certificates and LSL.
Section 94	$16,495 per units based on North Sydney contribution plan. Assumed average 77 sqm per unit for calculation purposes. $134/sqm for new commercial space.

Revenue

HillPDA has made the following assumptions with respect to estimated revenues.

Parameter	Assumption	Source
Residential Upper floors	New units; upper floors; some harbour & city views –$18,400 (assumed 50th percentile) New units; lower floors; no harbour & city views – $16,250 (assumed 25th percentile)	Colliers, "41 McLaren Street", page 23; Hill PDA analysis;
Commercial	Large floor plate (>1,300 sqm NLA); new Grade A - $13,100 (assumed 99th percentile) Medium/small floor plate (1,100-1,300 sqm NLA); existing Grade A range - $11,750 (assumed ~75th percentile) Small floor plate (<1,100 sqm NLA); assumed low end existing Grade C range - $9,000 (assumed ~25th percentile) Assumed blended rate of $for Ward St Base Case for integrated community and commercial space.	Colliers, "41 McLaren Street", page 21; Hill PDA analysis; Knight Frank, "Independent Market Report RE: 41 McLaren St", page 14, 18, 19 & 23;
Hotel	North Sydney high-end - $440,000 end sale value (assumed ~90th percentile) North Sydney low-end- $340,000 end sale value (assumed 50th percentile)	Colliers, "Hotels 2016", page 6; HillPDA analysis; Knight Frank, "Independent Market Report RE: 41 McLaren St", page 14, 18, 19 & 23;
Community	Assumed commercial space as a shadow price; - $10,300 (assumed 50th percentile)	Colliers, "41 McLaren Street", page 23; Hill PDA analysis;
Retail	CBD retail - $21,400	Knight Frank, "Independent Market Report RE: 41 McLaren St", page 29;
Car parking	Car park space - $120,000	Colliers, "41 McLaren Street", page 24;
Cap rate	Commercial 6%; Retail 7%	Hill PDA analysis;

Financing

Item	Amount
Equity	20% of project total.
Loan	6.0% per annum compounded monthly in arrears and capitalised

Project Hurdle Rates

Item	Amount
IRR	18%
Developer Target Margin	22%

Alternative Proposal Revenue/Cost Break Down

EstateMaster Development Feasibility CONSOLIDATION OF STAGES	1	2	3	4
	Base Case (Berry St. & Ward St.)	Option 1 (Berry & Ward St.)	Option 2 (Berry & Ward St.)	Option 3 (66 Berry & 20 Ward St.)
Revenues				
Gross Sales Revenue	471,757,047	738,823,213	689,733,236	639,831,000
Less Selling Costs	(6,273,056)	(8,981,236)	(8,649,885)	(7,987,820)
NET SALES REVENUE	465,483,991	729,841,976	681,083,351	631,843,180
Other Income	-	-	-	-
TOTAL REVENUE (before GST paid)	465,483,991	729,841,976	681,083,351	631,843,180
Less GST paid on all Revenue	(14,855,000)	(1,941,818)	(16,108,388)	(1,527,273)
TOTAL REVENUE (after GST paid)	450,628,991	727,900,158	664,974,963	630,315,907
Costs				
Land Purchase Cost	114,137,000	114,137,000	114,137,000	81,475,000
Land Acquisition Costs	7,930,080	7,930,080	7,930,080	5,643,740
Construction (inc. Construct. Contingency)	278,867,683	388,442,099	355,501,065	348,345,091
Professional Fees	24,929,225	34,731,709	31,788,190	31,148,317
Application Fees	4,950,467	6,897,053	6,312,526	6,185,460
Developer Contributions	4,430,461	10,210,831	7,552,998	6,347,725
Marketing and Advertising	4,717,570	3,884,421	3,555,011	3,483,451
Land Holding Costs	4,117,826	4,229,733	4,180,978	4,212,125
Pre-Sale Commissions	832,830	-	934,994	-
Finance Charges (inc. Line Fees)	2,788,677	3,884,421	3,555,011	3,483,451
Interest Expense	32,647,477	37,361,827	35,112,466	29,046,807
TOTAL COSTS (before GST reclaimed)	480,349,297	611,709,174	570,560,318	519,371,167
Less GST reclaimed	-	-	-	-
Plus Corporate Tax	-	-	-	-
TOTAL COSTS (after GST reclaimed)	480,349,297	611,709,174	570,560,318	519,371,167

EstateMaster Development Feasibility

CONSOLIDATION OF STAGES

Performance Indicators		1	2	3	4
		Base Case (Berry St. & Ward St.)	Option 1 (Berry & Ward St.)	Option 2 (Berry & Ward St.)	Option 3 (66 Berry & 20 Ward St.)
		1	2	3	4
1 Gross Development Profit		(29,720,306)	116,190,984	94,414,645	110,944,740
2 Net Developer's Profit after Profit Share		(29,720,306)	116,190,984	94,414,645	110,944,740
3 Development Margin (Profit/Risk Margin)		(6.19%)	18.72%	16.30%	21.04%
Target Development Margin		22.00%	22.00%	22.00%	22.00%
4 Residual Land Value (Target Margin)		24,940,907	101,058,297	92,875,132	78,111,989
5 Breakeven Date for Cumulative Cash Flow		.A. (Negative Profit)	Feb-2022	Jan-2022	Jan-2022
Discount Rate (Target IRR)		18.00%	18.00%	18.00%	18.00%
6 Net Present Value	@ Start of Stage	(93,272,107)	(34,261,477)	(47,670,000)	(26,701,236)
Date of Commencement		Jan-18	Jan-18	Jan-18	Jan-18
Holding Discount Rate	10.00%				
7 NPV at Start of Consolidated Cash Flow		(93,272,107)	(34,261,477)	(47,670,000)	(26,701,236)
8 Benefit Cost Ratio		0.724	0.919	0.877	0.923
9 Project Internal Rate of Return (IRR)		0.35%	13.16%	11.42%	13.81%
10 Residual Land Value (NPV)	@ Start of Stage	23,641,461	80,895,435	67,748,596	55,491,619
Peak Debt Exposure		385,197,309	488,948,238	457,077,818	415,030,103
Date of Peak Debt Exposure		Jun-2021	Jun-2021	Jun-2021	Jun-2021
11 Breakeven Date for Project Overdraft		Dec-2021	Dec-2021	Nov-2021	Dec-2021
Total Equity Contribution		89,540,364	114,869,469	107,089,570	98,064,872
Peak Equity Exposure		89,540,364	114,869,469	107,089,570	98,064,872
Date of Peak Equity Exposure		Apr-2018	Jan-2018	Jan-2018	Jan-2018
12 IRR on Equity		(9.86%)	18.26%	15.27%	18.30%
Weighted Average Cost of Capital (WACC)		4.80%	4.80%	4.80%	4.80%