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Via E-mail: joseph@landmarkgr.com

Dear Recipient,

Feasibility Assessment of Various Development Concept Schemes for 8-10 New McLean Street, Edgecliff

Following your request dated 22 August 2024 and 20 January 2025, we have been instructed to provide advice on the financial feasibility of a number of different concept schemes prepared by Woollahra Council and SJB Architects for the subject site located at 8-10 New McLean Street, Edgecliff.

Importantly this letter is not a valuation report, it is merely an advisory piece to provide preliminary advice as to the potential feasibility outcomes based on a number of different scenarios.

We have been provided with independent Quantity Surveyors advice around the likely construction costs, consultant fees, development management fees and construction timeframe which have been adopted within the feasibility. It calculates investment returns including residual land value, development profit, internal rate of return and net present value based on a comprehensive set of inputs.

The feasibility assessment has been undertaken using the 'Argus Estate Master Financial Feasibility' which is a cashflow model designed for property development feasibility analysis adopted by most valuers and developers across the industry. It calculates investment returns including residual land value, development profit, internal rate of return and net present value based on a comprehensive set of inputs.

We detail each scheme to be assessed as below:

Feasibility Options

Option 1 – 2.4:1 Scheme

Plans	Details
Plan status	Concept Plan
Architect	Prepared on behalf of Woollahra Council
Total site area	7,227m ²
Gross floor area	17,340m ²
Net saleable area	14,743m ²
Resultant floor space ratio	2.4:1
Storeys	12 storeys
Residential units/dwellings	184 apartments
Comments	This feasibility model has been based upon advice provided by the Department of Planning, Housing and infrastructure (DPHI) dated 11th September 2024 in which the floor space ratio (FSR) and heights of buildings were provided based on 2 Woollahra Council led design schemes for the subject development;

Affordable Housing – Please note that the feasibility model assumes that **no affordable housing** is provided within the subject development under this particular scheme; Programme, Consultancy Costs and Construction Costs are adopted based upon the detailed Quantity Surveyor assessment prepared by Newton Fisher.

Option 2 – 2.85:1 Scheme

Plans	Details
Plan status	Concept Plan
Architect	Prepared on behalf of Woollahra Council
Total site area	7,227m ²
Gross floor area	20,595m ²
Net saleable area	17,507m ²
Resultant floor space ratio	2.85:1
Storeys	18 storeys
Residential units/dwellings	221 apartments
Comments	<p>This feasibility model has been based upon advice provided by the Department of Planning, Housing and infrastructure (DPHI) dated 11th September 2024 in which the floor space ratio (FSR) and heights of buildings were provided based on 2 Woollahra Council led design schemes for the subject development;</p> <p>Affordable Housing – Please note that the feasibility model assumes that <u>no affordable housing</u> is provided within the subject development under this particular scheme; Programme, Consultancy Costs and Construction Costs are adopted based upon the detailed Quantity Surveyor assessment prepared by Newton Fisher.</p>

Option 3 – 3.7:1 Scheme

Plans	Details
Plan status	Concept Plan
Architect	SJB
Total site area	7,227m ²
Gross floor area	26,740m ²
Net saleable area	21,823m ²
Resultant floor space ratio	3.7:1
Storeys	18 storeys
Residential units/dwellings	285 apartments (274 BTS apartments and 11 Afford. Housing Units)
Comments	<p>This feasibility model has been based upon the Urban Design Study and Proponent Response Proposal prepared by SJB dated July 12th 2024;</p> <p>Affordable Housing – Please note that the feasibility model assumes 5% of the GFA upside from the current FSR of 0.75:1 to 3.7:1 will be affordable housing for a period of 15 years with the developer retaining ownership of these affordable housing dwellings;</p> <p>Programme, Consultancy Costs and Construction Costs are adopted based upon the detailed Quantity Surveyor assessment prepared by Newton Fisher.</p>

Option 3A – 3.7:1 Scheme (5% upside to be AH in Perpetuity)

Plans	Details
Plan status	Concept Plan
Architect	SJB
Total site area	7,227m ²
Gross floor area	26,740m ²
Net saleable area	21,823m ²
Resultant floor space ratio	3.7:1
Storeys	18 storeys
Residential units/dwellings	285 apartments (274 BTS apartments and 11 Afford. Housing Units (In Perpetuity))
Comments	<p>This feasibility model has been based upon the Urban Design Study and Proponent Response Proposal prepared by SJB dated July 12th 2024;</p> <p>Affordable Housing – Please note that the feasibility model assumes 5% of the GFA upside from the current FSR of 0.75:1 to 3.7:1 will be affordable housing in perpetuity with the developer retaining ownership of these affordable housing dwellings;</p> <p>Programme, Consultancy Costs and Construction Costs are adopted based upon the detailed Quantity Surveyor assessment prepared by Newton Fisher.</p>

Option 3B – 3.7:1 Scheme (2.76% upside GFA to be AH in Perpetuity)

Plans	Details
Plan status	Concept Plan
Architect	SJB
Total site area	7,227m ²
Gross floor area	26,740m ²
Net saleable area	21,823m ²
Resultant floor space ratio	3.7:1
Storeys	18 storeys
Residential units/dwellings	285 apartments (274 BTS apartments and 6 Afford. Housing Units (In Perpetuity))
Comments	<p>This feasibility model has been based upon the Urban Design Study and Proponent Response Proposal prepared by SJB dated July 12th 2024;</p> <p>Affordable Housing – Please note that the feasibility model assumes 2.76% of the GFA upside from the current FSR of 0.75:1 to 3.7:1 will be affordable housing in perpetuity with the developer retaining ownership of these affordable housing dwellings;</p> <p><u>The feasibility model was run on the basis to back solve the amount of perpetual affordable housing that could be provided to match the return profile within Option 3.</u></p> <p>Programme, Consultancy Costs and Construction Costs are adopted based upon the detailed Quantity Surveyor assessment prepared by Newton Fisher.</p>

Option 4 – 4.2:1 Scheme

Plans	Details
Plan status	Concept Plan
Architect	SJB
Total site area	7,227m ²
Gross floor area	30,353m ²
Net saleable area	24,741m ²
Resultant floor space ratio	4.2:1
Storeys	18 storeys
Residential units/dwellings	325 Apartments (313 BTS apartments and 12 Afford. Housing Units)
Comments	<p>This feasibility model has been based upon the Urban Design Study and Proponent Response Proposal prepared by SJB dated July 12th 2024 and Landmark Group instruction to proceed with a feasibility of the same scheme assuming a higher efficiency ratio within the same envelope put forward by SJB;</p> <p>Affordable Housing – note specifically that the feasibility model assumes 5% of the GFA upside from the current FSR of 0.75:1 to 4.2:1 will be affordable housing for a period of 15 years with the developer retaining ownership of these affordable housing dwellings;</p> <p>Programme, Consultancy Costs and Construction Costs are adopted based upon the detailed Quantity Surveyor assessment prepared by Newton Fisher.</p>

Revenue Assessment

In our assessment of the Gross Realisation for the proposed apartments, we have had regard to the following:

Key considerations

1. The proposed apartments are considered saleable at the assessed prices detailed below, in the current market, provided that they are appropriately marketed by an agent suitably experienced in the local area for property of this type.
2. The mix and different orientations will appeal to a wide range of buyers.
3. Upper level apartments with western and north west aspect will achieve good district and Sydney CBD views and potentially Sydney Harbour. Such apartments will achieve as premium.
4. The level of finishes, landscaping within the project including green spine and separation of the buildings, will provide for an appealing development.

Having regard to the above comments, the proposed development, the type of apartments and the current and potential future competition, it is considered that the following assessment of the Gross Realisation inclusive, 'As If Complete' on an 'Individual Sale' basis as follows:

Unit Type	No. Units	Total NSA	Storeys		
Option 1 – 2.4:1 – 12 Storeys	184	14,743	12		
Option 2 – 2.85:1 – 18 Storeys	221	17,507	18		
Option 3 – 3.7:1 – 18 Storeys	285	21,823	18		
Option 3A – 3.7:1 – 18 Storeys	285	21,823	18		
Option 3B – 3.7:1 – 18 Storeys	285	21,823	18		
Option 4 – 4.2:1 – 18 Storeys	325	24,741	18		

* - Built To Sell Apartments

** - Affordable Housing Units with 15 yr Rental Restriction

*** - Affordable Housing Units with Rental Restriction in Perpetuity

Development Cost Assessment

We have been provided with development costs from each option prepared by Steven Bregovic, Director of Newton Fisher Quantity Surveyors as below:

Unit Type	No. Units	Total NSA	Construction Period in Months	Construction Contingency %
Option 1 – 2.4:1 – 12 Storeys	184	14,743	26*	5*
Option 2 – 2.85:1 – 18 Storeys	221	17,507	30*	5*
Option 3 – 3.7:1 – 18 Storeys	285	21,823	36*	5*
Option 4 – 4.2:1 – 18 Storeys	325	24,741	36*	5*

* - Provided by Newton Fisher Quantity Surveyors

Residual Land Value Assessment

Further to the above inputs we provide a summary of the resultant residual land value (RLV) as follows:

Unit Type	No. Units	Total NSA	P+R %	IRR %
Option 1 – 2.4:1 – 12 Storeys	184	14,743	-6.32%	0.71%
Option 2 – 2.85:1 – 18 Storeys	221	17,507	4.62%	5.80%
Option 3 – 3.7:1 – 18 Storeys	285	21,823	14.43%	10.12%
Option 3A – 3.7:1 – 18 Storeys	285	21,823	13.12%	9.56%
Option 3B – 3.7:1 – 18 Storeys	285	21,823	14.56%	10.19%
Option 4 – 4.2:1 – 18 Storeys	325	24,741	23.96%	14.18%

* - Purchase price

Note - Feasibility assumes 30% developers equity contribution which is reflective of market parameters.

We provide comments to the above resultant return as below:

Unit Type	P+R %	IRR %	Comment
Option 1 – 2.4:1 – 12 Storeys	-6.3%	0.71%	Substantially not feasible due to the insufficient density to warrant the construction costs and land acquisition costs.
Option 2 – 2.85:1 – 18 Storeys	4.62%	5.80%	Whilst reflecting some profitability, this scheme is not feasible due to the insufficient density to warrant the construction costs.
Option 3 – 3.7:1 – 18 Storeys	14.43%	10.12%	Return Metrics based on this scheme show that the site is getting closer to becoming feasible, however a developer would be taking a large amount of risk in undertaking the project at a low return profile of 14%-15% Development Margin.
Option 3A & B – 3.7:1 – 18 Storeys	13.12% 14.56%	9.56% 10.19%	Return Metrics based on this scheme show that the site is marginally below becoming feasible, however a developer would be taking a large amount of risk in undertaking the project at a low return profile of 14%-15% Development Margin.
Option 4 – 4.2:1 – 18 Storeys	23.96%	14.18%	Return Metrics based on this scheme show that the site is now very close to feasible and achieves appropriate return hurdle rates in line with the level of risk required for the subject development.

Core assumptions

Unit Type	No. Units
Schemes	<p>Our assessments have been made in accordance with the standard requirements to undertake feasibility assessments. It is important to note 4 separate feasibility assessments have been undertaken on the subject development site taking into account 4 separate design schemes based on different FSR's derived for each scheme.</p> <p>Each scheme has been analysed individually to ensure no bias towards any particular scheme with the Land value component remaining constant for the assessments as we believe this to be the actual purchase price for the subject development site;</p>
Residual Land Value	<p>Land value in isolation, despite any of the 4 options, is considered to be under market value for a site of this magnitude and location, which therefore only assists the feasibility in terms of providing economic assistance for the schemes to be feasible;</p>
Development inputs	<p>All construction costs, construction programme duration and consultancy costs have been adopted based upon the detailed Quantity Surveyor analysis prepared for each scheme by Newton Fisher. These costs have been simply adopted into the feasibility model;</p>
Valuer inputs	<p>As a valuer with over 25 years experience in the valuation and feasibility assessments of residential development sites, an appropriate Development Margin for such a development would be in the order of circa 25%. This is attributed to the level of risk in undertaking the project, acquiring unzoned land at a premium and then taking the risk to have this land rezoned to suit a residential development, plus the subsequent time and risk associated with development approvals, pre-sales requirements and the general pressures placed on developers with regards to construction and consultancy costs for all residential developments;</p>

In conclusion, based on the four separate feasibilities reviewed, we are of the opinion only option 4 with the 4.2:1 FSR is feasible based on the construction costs provided and the revenues adopted reflecting a development margin of 23.96% and an IRR of 14.18%.

It is recommended that a slightly higher FSR of say 4.5:1 is considered in order to ensure a development margin in excess of 25% is achieved.

Sincerely,
Jones Lang LaSalle Advisory Services Pty Ltd



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