

CAMPSIE TOWN CENTRE FEASIBILITY ASSESSMENT

**Site Specific Land Owner Engagement
124-142 Beamish Street, Campsie NSW 2194**

COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods, and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

The recent international outbreak of the Novel Coronavirus (COVID-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, has and continues to cause considerable business uncertainty which in turn materially impacts market conditions and the Australian and world economies more broadly.

The uncertainty has and is continuing to impact the Australian real estate market and business operations. The full extent of the impact on the real estate market and more broadly on the Australian economy and how long that impact will last is not known and it is not possible to accurately and definitively predict. Some business sectors, such as the retail, hotel and tourism sectors, have reported material impacts on trading performance. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The data and information that informs and supports the Report Content is current as at the date of this report and (unless otherwise specifically stated in the Report) does not necessarily reflect the full impact of the COVID-19 Outbreak on the Australian economy,

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This report is dated **November 2021** and incorporates information and events up to that date only and excludes any information arising, or event occurring, after that date which may affect the validity of Urbis Pty Ltd's (Urbis) opinion in this report. Urbis prepared this report on the instructions, and for the benefit only, of **J Group** (Instructing Party) for the purpose of a **Site Specific High Level Feasibility Assessment** (Purpose) and not for any other purpose or use. Urbis expressly disclaims any liability to the Instructing Party who relies or purports to rely on this report for any purpose other than the Purpose and to any party other than the Instructing Party who relies or purports to rely on this report for any purpose whatsoever (including the Purpose).

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All surveys, forecasts, projections and recommendations contained in or made in relation to or associated with this report are made in good faith and on the basis of information supplied to Urbis at the date of this report. Achievement of the projections and budgets set out in this report will depend, among other things, on the actions of others over which Urbis has no control.

Urbis acknowledges the important contribution that Aboriginal and Torres Strait Islander people make in creating a strong and vibrant Australian society.

We acknowledge, in each of our offices, the Traditional Owners on whose land we stand.

Urbis has made all reasonable inquiries that it believes is necessary in preparing this report but it cannot be certain that all information material to the preparation of this report has been provided to it as there may be information that is not publicly available at the time of its inquiry.

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INSTRUCTIONS & OUTCOME

We have been instructed by J Group to prepare an independent feasibility assessment on a site within Campsie Town Centre being 124-142 Beamish Street, Campsie ('subject property') in response to the invitation from Canterbury Bankstown Council for further site-specific landowner engagement in regards to the Draft Campsie Town Centre Master Plan.

The feasibility assessments have been carried out on two (2) basis being:

- Assuming inputs taken from a technical report titled *Bankstown City Centre & Campsie Town Centre Economic and Land Use Study* prepared by SGS Economics dated February 2020
- Assuming market inputs, as evidenced in this report by Urbis.

We have been instructed by J Group to compare two (2) high level schemes which we have utilised for our 'test' feasibility assessments. The schemes are as follows:

- A 20-storey mixed use development at an FSR of 6.20:1
- A 25-storey mixed use development at an FSR of 8.00:1.

We have made some high level assumptions in the adopted schemes, including the following:

- A retail/commercial component of 4,745 sq.m (assumed to be over ~3-storeys for both schemes)
- A residential Gross Floor Area (GFA) to Net Saleable Area (NSA) of ~85%
- An apartment mix of ~20% x 1B, ~60% x 2B and ~20% x 3B
- Average apartment areas of ~50 sq.m per 1B, ~77.5 sq.m per 2B and ~95 sq.m per 3B.
- No consideration within costs and incentives for design excellence, affordable housing contributions or sustainability.

We make the following comments on the key inputs adopted by Urbis within the feasibility assessments:

- Construction costs adopted are on the **lower** end of the range (i.e. conservative given the outcome being tested), with the market for construction costs trending upwards
- We have adopted the **lower** end of the property acquisition price range (based on the evidence below, again being conservative given the outcome being tested. Existing property values are also trending upwards.
- Retail and apartment values adopted are on the **upper** end of the evidence range, also conservative given the outcome being tested.

Ultimately, we have tested four (4) scenarios, with the matrix below reflecting each scenario (FSR vs Inputs), and the developers profit and risk hurdle rate outcome. We note that the SGS Economics report indicates a target developer profit and risk margin of 22.00%, which Urbis broadly considers appropriate and should be within a range of 20.00% to 22.00% to maintain commercial viability for a development.

Developer Profit and Risk Margin Outcomes by FSR

	FSR (X:1)	
	6.2	8.0
SGS Economics Inputs	6.47%	11.26%
Urbis Inputs	17.45%	20.67%

The matrix above indicates that the only commercially viable outcome is based on the Urbis Inputs that would require a **minimum FSR of 8.0:1**.

In assessing both FSRs with the SGS Economic report inputs, which are skewed given they are not site specific, and rely on broader averages within the market, the site would not be commercially viable for redevelopment. This alone is a strong indicator on how critical the minimum FSR of 8.00:1 is for the site, particularly given the difficulties involved in amalgamating such a substantial land holding within Campsie Town Centre.

SGS ECONOMICS INPUTS

Overview

We have had consideration to inputs used in a technical report titled Bankstown City Centre & Campsie Town Centre Economic and Land Use Study prepared by SGS Economics dated February 2020. Extracts of the inputs relied upon follow below and to the right.

The SGS Economics study also makes the following comment: *"we note that these results are contingent on the accuracy of estimates of the existing use-values of the shopping centre and the commercial building, which are difficult assets to value. m3property have provided average square metre rates and it is possible that the value of the Campsie Centre might exceed these estimates."*

Based on transactions within Campsie Town Centre over the past 10 years, the value to acquire and amalgamate a site within this pocket appear to exceed the estimated rate, however for the purpose of this initial study, we have input the acquisition of the site as per the technical report.

SGS Economics Site Acquisition Costs Assumptions

TABLE 13: SITE ACQUISITION COSTS

Input	Source	Value
Site 1: 304 South Terrace & 12 Restwell Street, Bankstown	m3property	\$4750 per sqm of floor space
Site 2: 6 to 20 Fetherstone Street, Bankstown	m3property	\$4250 per sqm of floor space
Site 3: 559 to 573 Canterbury Road, Campsie	m3property	\$4250 per sqm of floor space
Site 4: 14 to 28 Amy Street and 59 to 63 Evaline Street, Campsie	m3property	\$4750 per sqm of floor space

The total site area for Site 4: 14-28 Amy Street and 59-63 Evaline Street, Campsie is 9,761 sq.m (as per RPData), and the SGS Economics report indicates a site acquisition price (existing use value) of \$76,247,000. This reflects a value rate of \$7,811 per sq.m of site area.

SGS Economics Cost Inputs and Assumptions

TABLE 12: COST INPUTS AND ASSUMPTIONS

Input	Source	Value
Construction and demolition costs	m3property	Varies
Property acquisition rate (existing use value)	m3property	\$4000-\$5000 per floor space on site (See table below.)
Construction contingency	m3property	5% of base construction costs
Professional fees	Various sources using industry standards	9.2% of base construction costs and contingency
Development contributions	Canterbury and Bankstown Dev Plan	Varies
DA Fees	As per EP&A regulations	Varies
Finance costs	m3property	5% of construction costs, land costs and fees & charges
Developer profit and risk	m3property	22% of all other development costs
Sales commission, marketing and legal fees	Various sources using industry standards	4% of sales revenues
Revenue assumptions		
Retail sales (\$/sqm)	m3property	Bankstown: \$4,500 Campsie: \$5,500
Commercial sales (\$/sqm)	m3property	Bankstown: \$5,500 Campsie: \$5,000
Average residential sales values	m3property	Bankstown 1BR: \$475,000 +GST 2BR: \$575,000 +GST 3BR: \$675,000 +GST Campsie 1BR: \$525,000 +GST 2BR: \$625,000 +GST 3BR: \$725,000 +GST

URBIS INPUTS

Overview

In assessing the feasibility inputs applicable to the subject property, we have had consideration to the following:

- Sales Evidence for existing properties on Beamish Street, Campsie
- Apartment sales evidence
- Strata retail sales evidence
- Rawlinsons Construction Handbook 2021 and our knowledge of development costs for similar style projects in applying construction cost estimates
- Reference to Canterbury Bankstown Contribution Plan 2019.

A summary of the adopted cost inputs and assumptions is provided to the right, and our sales evidence for existing properties follows below.

Our apartment and retail sales evidence follows overleaf.

We make the following comments on the key inputs:

- Construction costs adopted are on the **lower** end of the range (i.e. conservative given the outcome being tested), with the market for construction costs currently trending upwards
- We have adopted the **lower** end of the property acquisition price range (based on the evidence below, again being conservative given the outcome being tested. Existing property values are also trending upwards.
- Retail and apartment values adopted are on the **upper** end of the evidence range, also conservative given the outcome being tested.

Urbis Acquisition Costs Evidence

Address	Sale Date	Sale Price	Site Area (sq.m)	Value Rate (\$/sq.m)	Building Area (sq.m)	Value Rate (\$/sq.m)
190 Beamish Street, Campsie	Sep-21	\$2,700,000	316	\$8,544	250	\$10,800
273 Beamish Street, Campsie	May-18	\$3,600,000	209	\$17,225	350	\$10,286
277 Beamish Street, Campsie	Nov-19	\$2,170,000	209	\$10,383	180	\$12,056

Urbis Cost Inputs and Assumptions

Input	Value
Cost Assumptions	
Construction Costs	Residential: \$330,000 per apartment. Retail: \$2,500 per sq.m GFA.
Property Acquisition Rate	\$8,500 per sq.m site area (see evidence to the left)
Construction Contingency	5.00% of base construction costs.
Professional Fees	DA Professional Fees: 5.00% of construction costs. Construction Professional Fees: 2.70% of construction costs. Development Management Fee: 1.50% of construction costs.
Development Contributions	1B Apartments: \$8,363 per unit. 2B Apartments: \$14,336 per unit. 3B Apartments: \$20,000 per unit. (as per contributions plan)
DA Fees	Long Service Levy: 0.35% of construction costs. Other Fees: \$75,000.
Finance Costs	5.00% p.a. (incl. line fees). \$50,000 application fee.
Developer Profit and Risk	Target Range: 20.00% - 22.00%
Sales Commission, Marketing and Legal Fees	Sales Commission: 2.00% (retail and residential). Marketing: 1.00% of Gross Realisation Value. Legals: 0.25% of Gross Realisation Value.
Revenue Assumptions	
Retail Sales (\$/sq.m)	\$9,000 per sq.m.
Average Residential Sales Values (Incl. GST)	1B Apartments: \$600,000 per apartment. 2B Apartments: \$700,000 per apartment. 3B Apartments: \$800,000 per apartment.

URBIS INPUTS

Retail/Commercial Sales Evidence

Address	Sale Date	Sale Price	GLA (sq.m)	Capital Value (\$/sq.m)	Net Rental Income (\$/p.a)	Net Initial Yield
Lot 51 / 2-6 Messiter Street, Campsie	May-20	\$335,000	44	\$7,614	VP	VP
Lot 53 / 2-6 Messiter Street, Campsie	Apr-20	\$300,000	43	\$6,977	VP	VP
B102/548-568 Canturbury Road, Campsie	Apr-19	\$1,150,000	123	\$9,350	VP	VP
B103/548-568 Canturbury Road, Campsie	Apr-19	\$592,900	50	\$11,858	VP	VP
C104/548-568 Canturbury Road, Campsie	Nov-18	\$343,000	50	\$6,860	VP	VP
Lot 101, 102 & 103, 364 Canturbury Road, Campsie	Aug-18	\$5,500,000	745	\$7,383	VP	VP
15/15-21 Ninth Avenue, Campsie	Jun-18	\$690,000	92	\$7,500	\$32,240	4.67%
3/209 Canterbury Road, Canterbury	Apr-20	\$492,500	52	\$9,471	\$25,610	5.20%

Residential Apartment Sales Evidence

Address (Campsie)	Sale Date	Sale Price	Beds	Bath	Cars	Internal (m2)	Rate/m
One (1) Bedroom							
89/548-568 Canterbury Road	May-21	\$430,000	1	1	1	54	\$7,963
191/548-568 Canterbury Road	May-21	\$500,000	1	1	1	54	\$9,259
104/548-568 Canterbury Road	Nov-21	\$450,000	1	1	1	50	\$9,000
Two (2) Bedroom							
418 Canterbury Road	Aug-21	\$735,000	2	2	1	75	\$9,800
2/77-87 Fifth Avenue	Jun-21	\$650,000	2	2	1	82	\$7,927
25/77-87 Fifth Avenue	Aug-21	\$645,000	2	2	1	103	\$6,262
81/502-518 Canterbury Road	Oct-21	\$715,000	2	2	1	75	\$9,533
Three (3) Bedroom							
1/337 Beamish Street	Sep-21	\$915,000	3	2	1	95	\$9,632
24/77-87 Fifth Avenue	Aug-21	\$775,000	3	2	1	102	\$7,598
48/77-87 Fifth Avenue	Apr-21	\$750,000	3	2	1	92	\$8,152
228/548-568 Canterbury Road	Nov-20	\$713,000	3	2	2	100	\$7,130

HYPOTHETICAL DEVELOPMENT SCHEMES

FSR @ 6.2:1

We have assessed the subject property based on a potential FSR of 6.2:1 (GFA of 23,827 sq.m) making some high level planning assumptions, ultimately adopting a mixed use scheme with 4,745 sq.m of retail/commercial space (~20% of GFA) and 216 residential apartments.

A summary of our high level yield assessment follows:

Item	Rate
Site Area (sq.m)	3,843
Adopted FSR (X:1)	6.2
Estimated GFA (sq.m)	23,827
Non-Residential GFA (sq.m)	4,745
Residential GFA (sq.m)	19,082
Residential Efficiency	85%
Residential NSA (sq.m)	16,219
Average NSA per Unit (sq.m)	75
Estimated Unit Yield	216

In addition to the above, we provide the following residential mix assumptions, which broadly aligns with the Net Saleable Area (NSA) noted above.

Beds	Mix (%)	Units	Ave. NSA (sq.m)	Total NSA (sq.m)
1B	20%	43	50	2,150
2B	60%	130	77.5	10,075
3B	20%	43	95	4,085
Total	100%	216	76	16,310

FSR @ 8.0:1

We have assessed the subject property based on a potential FSR of 8.0:1 (GFA of 30,744 sq.m) making some high level planning assumptions, ultimately adopting a mixed use scheme with 4,745 sq.m of retail/commercial space (~15% of GFA) and 295 residential apartments.

A summary of our high level yield assessment follows:

Item	Rate
Site Area (sq.m)	3,843
Adopted FSR (X:1)	8.0
Estimated GFA (sq.m)	30,744
Non-Residential GFA (sq.m)	4,745
Residential GFA (sq.m)	25,999
Residential Efficiency	85%
Residential NSA (sq.m)	22,099
Average NSA per Unit (sq.m)	75
Estimated Unit Yield	295

In addition to the above, we provide the following residential mix assumptions, which broadly aligns with the Net Saleable Area (NSA) noted above.

Beds	Mix (%)	Units	Ave. NSA (sq.m)	Total NSA (sq.m)
1B	20%	59	50	2,950
2B	60%	177	77.5	13,718
3B	20%	59	95	5,605
Total	100%	295	76	22,273

SCENARIO 1 – FSR @ 6.2:1 / SGS ECONOMICS INPUTS

Overview

Scenario 1 comprises a feasibility analysis on the hypothetical development scheme at an FSR of 6.2:1, with inputs as per the SGS Economics report.

The results of the feasibility calculations (to the left) indicate that the project **is not commercially viable**, as it does not meet the target developers profit and risk hurdle rate of 22% (as per SGS Economics report).

The feasibility assessment results in a very low profit and risk margin of **6.47% of total costs (incl. selling costs)**.

Feasibility Calculations

				Total AUD
Revenues				
	Quantity	SqM	AUD/Quantity	
➤ Gross Sales Revenue	218	-	800,905.96	174,597,500
Residential Apartments	216	-	687,500.00	148,500,000
Retail Shops	2	-	13,048,750.00	26,097,500
➤ Less Selling Costs				(7,682,290)
NET SALES REVENUE				166,915,210
TOTAL REVENUE (before GST paid)				166,915,210
Less GST paid on all Revenue				(13,500,000)
TOTAL REVENUE (after GST paid)				153,415,210
Costs				
➤ Land Purchase Cost				30,000,000
➤ Land Acquisition Costs				2,067,990
➤ Construction Costs (inc. Contingency)				96,029,588
Other Construction Costs				91,456,750
Contingency				4,572,838
➤ Professional Fees				9,546,636
➤ Statutory Fees				3,449,288
➤ Land Holding Costs				909,425
➤ Finance Charges (inc. Fees)				50,000
➤ Interest Expense				11,867,003
TOTAL COSTS (before GST reclaimed)				153,919,929
Less GST reclaimed				(10,298,729)
TOTAL COSTS (after GST reclaimed)				143,621,200
Performance Indicators				
¹ Net Development Profit				9,794,010
³ Development Margin (Profit/Risk Margin)		Based on total costs (inc selling costs)		6.47%
⁴ Residual Land Value		Based on Target Margin of 22% (Exclusive of GST)		15,284,299

SCENARIO 2 – FSR @ 8.0:1 / SGS ECONOMICS INPUTS

Overview

Scenario 2 comprises a feasibility analysis on the hypothetical development scheme at an FSR of 8.0:1, with inputs as per the SGS Economics report.

The results of the feasibility calculations (to the left) indicate that the project **is not commercially viable**, as it does not meet the target developers profit and risk hurdle rate of 22% (as per SGS Economics report).

The feasibility assessment results in a profit and risk margin of **11.26% of total costs (incl. selling costs)**.

Feasibility Calculations

				Total AUD
Revenues				
	Quantity	SqM	AUD/Quantity	
✓ Gross Sales Revenue	297	-	770,740.74	228,910,000
Residential Apartments	295	-	687,500.00	202,812,500
Retail Shops	2	-	13,048,750.00	26,097,500
✓ Less Selling Costs				(10,072,040)
NET SALES REVENUE				218,837,960
TOTAL REVENUE (before GST paid)				218,837,960
Less GST paid on all Revenue				(18,437,500)
TOTAL REVENUE (after GST paid)				200,400,460
Costs				
✓ Land Purchase Cost				30,000,000
✓ Land Acquisition Costs				2,067,990
✓ Construction Costs (inc. Contingency)				126,140,438
Other Construction Costs				120,133,750
Contingency				6,006,688
✓ Professional Fees				12,374,040
✓ Statutory Fees				4,668,133
✓ Land Holding Costs				1,049,890
✓ Finance Charges (inc. Fees)				50,000
✓ Interest Expense				16,254,432
TOTAL COSTS (before GST reclaimed)				192,604,922
Less GST reclaimed				(13,510,365)
TOTAL COSTS (after GST reclaimed)				179,094,557
Performance Indicators				
¹ Net Development Profit				21,305,903
³ Development Margin (Profit/Risk Margin)		Based on total costs (inc selling costs)		11.26%
⁴ Residual Land Value		Based on Target Margin of 22% (Exclusive of GST)		17,561,075

SCENARIO 3 – FSR @ 6.2:1 / URBIS INPUTS

Overview

Scenario 3 comprises a feasibility analysis on the hypothetical development scheme at an FSR of 6.2:1, with inputs as per Urbis' market research, as identified in this report.

The results of the feasibility calculations (to the left) indicate that the project **is not commercially viable** at an FSR of 6.2:1, as it does not meet the target developers profit and risk hurdle rate range of 20% - 22%.

The feasibility assessment results in a profit and risk margin of **17.45% of total costs (incl. selling costs)**.

Feasibility Calculations

				Total AUD
Revenues				
	Quantity	SqM	AUD/Quantity	
➤ Gross Sales Revenue	218	-	889,472.48	193,905,000
Residential Apartments	216	-	700,000.00	151,200,000
Retail Shops	2	-	21,352,500.00	42,705,000
➤ Less Selling Costs				(6,932,104)
NET SALES REVENUE				186,972,896
TOTAL REVENUE (before GST paid)				186,972,896
Less GST paid on all Revenue				(13,745,455)
TOTAL REVENUE (after GST paid)				173,227,442
Costs				
➤ Land Purchase Cost				32,500,000
➤ Land Acquisition Costs				2,242,990
➤ Construction Costs (inc. Contingency)				96,029,588
Other Construction Costs				91,456,750
Contingency				4,572,838
➤ Professional Fees				9,590,791
➤ Statutory Fees				3,449,288
➤ Land Holding Costs				910,506
➤ Finance Charges (inc. Fees)				50,000
➤ Interest Expense				11,918,608
TOTAL COSTS (before GST reclaimed)				156,691,770
Less GST reclaimed				(10,234,544)
TOTAL COSTS (after GST reclaimed)				146,457,227
Performance Indicators				
¹ Net Development Profit				26,770,215
³ Development Margin (Profit/Risk Margin)		Based on total costs (inc selling costs)		17.45%
⁴ Residual Land Value		Based on Target Margin of 22% (Exclusive of GST)		28,111,314

SCENARIO 4 – FSR @ 8.0:1 / URBIS INPUTS

Overview

Scenario 4 comprises a feasibility analysis on the hypothetical development scheme at an FSR of 8.0:1, with inputs as per Urbis' market research, as identified in this report.

The results of the feasibility calculations (to the left) indicate that the project **is commercially viable** at an FSR of 8.0:1, as it just meets the target developers profit and risk hurdle rate range of 20% - 22%.

The feasibility assessment results in a profit and risk margin of **20.67% of total costs (incl. selling costs)**.

The commercial viability of the site even based on an FSR of 8.0:1 is considered conservative and the very minimum FSR required for the project to remain viable as land and construction costs are trending upwards at a fast rate.

Feasibility Calculations

				Total AUD
Revenues				
	Quantity	SqM	AUD/Quantity	
➤ Gross Sales Revenue	297	-	839,074.07	249,205,000
Residential Apartments	295	-	700,000.00	206,500,000
Retail Shops	2	-	21,352,500.00	42,705,000
➤ Less Selling Costs				(8,909,079)
NET SALES REVENUE				240,295,921
TOTAL REVENUE (before GST paid)				240,295,921
Less GST paid on all Revenue				(18,772,727)
TOTAL REVENUE (after GST paid)				221,523,194
Costs				
➤ Land Purchase Cost				32,500,000
➤ Land Acquisition Costs				2,242,990
➤ Construction Costs (inc. Contingency)				126,140,438
Other Construction Costs				120,133,750
Contingency				6,006,688
➤ Professional Fees				12,418,192
➤ Statutory Fees				4,668,133
➤ Land Holding Costs				1,050,766
➤ Finance Charges (inc. Fees)				50,000
➤ Interest Expense				16,392,609
TOTAL COSTS (before GST reclaimed)				195,463,128
Less GST reclaimed				(13,408,655)
TOTAL COSTS (after GST reclaimed)				182,054,473
Performance Indicators				
¹ Net Development Profit				39,468,721
³ Development Margin (Profit/Risk Margin)		Based on total costs (inc selling costs)		20.67%
⁴ Residual Land Value		Based on Target Margin of 22% (Exclusive of GST)		30,936,486

CONCLUSION / FINDINGS

We make the following comments in regard to the four (4) feasibility assessments conducted within this report:

- **Scenario 1:** The project shows a profit and risk margin of 6.47%, which is substantially below required hurdle rates from both financiers and developers. A development cannot be delivered on the subject site on this basis.
- **Scenario 2:** The project shows a profit and risk margin of 11.26%, which is substantially below required hurdle rates from both financiers and developers. A development cannot be delivered on the subject site on this basis.
- **Scenario 3:** The project shows a profit and risk margin of 17.45%, which is below required hurdle rates from both financiers and developers. A development cannot be delivered on the subject site on this basis.
- **Scenario 4:** The project shows a profit and risk margin of 20.67%, which is within the required hurdle rate range required by both financiers and developers. Given it is on the lower end of the required range, from an economic and financial perspective, the subject property would require a minimum FSR of 8.0:1 to be a viable mixed use development site.

Ultimately, we have tested four (4) scenarios, with the matrix below reflecting each scenario (FSR vs Inputs), and the developers profit and risk hurdle rate outcomes. We note that the SGS Economics report indicates a target developers profit and risk margin of 22.00%, which Urbis broadly considers appropriate with a range of 20.00% to 22.00%.

Developer Profit and Risk Margin Outcomes by FSR

	FSR (X:1)	
	6.2	8.0
SGS Economics Inputs	6.47%	11.26%
Urbis Inputs	17.45%	20.67%

In assessing both FSRs with the SGS Economic report inputs, which are skewed given they are not site specific, and rely on broader averages within the market, the site would not be commercially viable for redevelopment. This alone is a strong indicator on how critical the minimum FSR, particularly given the difficulties in amalgamating such a substantial land holding within Campsie Town Centre.

The matrix above indicates that the only commercially viable outcome is based on the Urbis Inputs, and is reliant on the requirement of a minimum FSR of 8.0:1.

Whilst it Scenario 4 does show a commercially viable development, it is based on a number of variables, the most important being the following:

- **Construction costs:** We have adopted the lower end of the range for construction costs under current market conditions for a 20-25 storey mixed use building. However, construction costs are trending upwards, which has the potential to increase the overall costs of the project, and therefore will negatively impact the overall commercial viability of the project.
- **Land Values:** We have adopted the lower end of the property acquisition price range on Beamish Street, Campsie. Property values are also trending upwards, with existing use values in the local area holding strong. This makes it more and more difficult to amalgamate large sites (such as the subject property). Land acquisition costs increasing will increase overall project costs, and therefore can impact the overall economic viability of projects.
- **Gross Realisation Values:** Retail and apartment values adopted are on the upper end of the evidence range. Whilst unable to predict market movement for retail and apartment values, a number of financiers (including CBA) are indicating that they anticipate a 10% drop in residential property values in Sydney in 2022. Should this occur, there would be a negative impact on the overall commercial viability of the project.

In conclusion, based on the feasibility assessments undertaken within this report, the commercial viability of the subject property requires a **minimum FSR of 8.0:1**.

The commercial viability of the site even based on an FSR of 8.0:1 is considered conservative and the very minimum FSR required for the project to remain viable as land and construction costs are trending upwards at a fast rate.

QUALIFICATIONS

We note the following key comments and qualifications to our report:

- In adopting the hypothetical development schemes for the four (4) scenarios, we have assessed the sites on a high level basis, relying on similar sites in the local area. We have not sought planning or architectural/urban design advice, and have not confirmed whether the adopted yields are achievable. The adopted yields are purely hypothetical for the purpose of this assessment, and should not be relied upon for a site acquisition.
- In determining an appropriate construction cost estimate to apply for construction of the four (4) hypothetical development schemes, we have relied upon the Rawlinsons Construction Handbook 2021 and our knowledge of development costs for similar style projects in applying construction cost estimates in our feasibility calculations. We note however that estimating construction costs for development purposes is outside our area of expertise, and that construction costs are currently increasing at a rapid rate, which has the potential to impact future developments.
- Although we have no reason to doubt the validity of the information provided to us, and we have relied on this information in good faith, we are unable to state with certainty that the information upon which we have relied is consistent with the contractual arrangements between the relevant parties. In referring to sales and/or rental information as detailed within this report, we have relied on a range of external sources including publicly available information (newspapers, statements by public companies), subscription to information databases and information generally provided verbally by others such as estate agents, property managers, property valuers and consultants. In many instances, we have not had access to the original source material such as contracts of sale or signed leases.
- This assessment is current as at the report date only. As at the report date, we consider that there is a market uncertainty resulting in significant valuation uncertainty and the value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements and factors specific to the particular property). Currently market movement in property values may be exacerbated by the COVID-19 pandemic making it extremely difficult to predict or forecast property values in the current environment and it remains far too early in the progress of the COVID-19 pandemic to understand its full impact on property values. We do not accept responsibility or liability for losses arising from such subsequent changes in value.
- This report is for the sole use only of J Group for Site Specific High Level Feasibility Assessment only and is not to be used for any other purpose by any other party(s). Any reliance, use, distribution, publication of the Report and/or any other representations made relating to the contents of this Report is restricted solely to the Client referenced above, and any additional party(s) expressly named in this Report. No responsibility is accepted by Urbis in the event that the Client to which this Report is addressed, or any other agreed additional reliant party(s) noted in this Report, relies, uses, distributes, publishes and /or otherwise represents anything contained in this Report for any other purpose apart from that expressly noted previously.

