

# Development Site Appraisal

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## Premium Report

*Marine Parade, The Entrance, NSW 2261*



Jan 2008

## A. EXECUTIVE SUMMARY

### INTRODUCTION

The Entrance has established itself as one of NSW Central Coast's premier tourist destinations and due to its close proximity to Sydney's metropolitan area, the demand shown by recent local price hikes, is set to continue.

With its spectacular coastline and magnificent waterways together with trendy cafes and gourmet restaurants, the area provides a lifestyle sought by a variety of people, ranging from owner – occupiers such as professional couples and empty nesters, to astute investors with vision and confidence in this growing market.

Legal Title:	Lot 1, DP 12345
Site Area:	3,863 sqm
Zoning:	3(d) – Managed Resort Facilities
Height:	12m & 24m
FSR:	DCP 60 specific
Density:	DCP 60 specific

## B. SITE DESCRIPTION

The subject site is irregular and consists of an unimproved amalgamation of two lots. The longest frontage is onto Sample St (approx 65m) and has other frontages onto Example Rd and Marine Pde. The site slopes generally in a NE direction towards Marine Pde, offering views across The Promenade, The Entrance Channel and the ocean beyond. 180 degree unobstructed views will be available from all levels.

## C. LOCATION

The site is prominently positioned on the corner of Marine Pde and Sample Rd. It is diagonally opposite The Promenade and the Channel, with the main beach situated across the road. The town centre, shopping and café strip are a short stroll away.

Marine Pde is recognised as The Entrance's blue ribbon address and provides some of the best, never to be built out ocean views. The Entrance is located 1.5 hours from Sydney's GPO and represents one of the most established and popular beachside holiday destinations.

## D. PLANNING AND POTENTIAL YIELD ANALYSIS - CONCEPT 1

Due to its significant location, the council has identified the site as a 'key' site and issued a site specific DCP, which provides design criteria for a complying development.

Preliminary Planning Scheme studies indicate that the following complying mixed-use development yield could be achieved:

- Ground Level shops/restaurants - Approx 1,300sqm retail - average 13 x 100sqm strata shops
- Upper Ground Level - Approx 250sqm commercial office (NLA)
- Levels 1 - 7
  - 6 x 1 bed+s units (ave 75sqm int)
  - 12 x 2 bed dual key (ave 86sqm int)
  - 13 x 2 bed units (ave 100sqm int)
  - 11 x 2 bed+s units (ave 115sqm int)
  - 4 x 3 bed units (135sqm int)
  - 1 x 3 bed+s double storey unit (145sqm int)
  - 2 x 3 bed+s p/hse units (170sqm int)
- Basement carparking for 123 cars

(see attached Schedule of Accommodation)

## E. KEY PROJECT OBJECTIVES & OPPORTUNITIES

- Unique position
- Opportunity to add value through an iconic development
- Prime blue – chip address and exposure
- Limited and/or inferior competitive stock availability
- Flexible marketing strategies for investors/owner – occupiers
- Low risk financial structures due to inherent land value

## F. KEY PROJECT CONSTRAINTS

- Sluggish market due to temporary oversupply
- Rental yield insufficient to compensate for modest capital gains
- Lengthy approval process due to high profile nature of site

## H. ANNEXURES

- I. Locality map
- II. Aerial photo
- III. Site survey plan
- IV. Concept 1 - Development Yield Potential
- V. Concept 1 - scale drawings (CAD)
- VI. Concept 1 - Schedule of Accommodation
- VII. Recent comparable sales evidence & current off-the-plan projects
- VIII. Demographic survey report
- IX. Preliminary feasibility - summary of project returns, sensitivity and cashflow analysis

Sample Only

## CONCEPT 1 – Development Yield Potential

Legal Title

Lot 1, DP 12345

Site Address

Marine Parade, The Entrance

Product type

Apartments  Townhouse  House & Land  Commercial /Mixed Use

Site Area

3,863m<sup>2</sup>

No. of Lots

2

No. of Products

64

Product mix

	Quantity		m <sup>2</sup>
Retail (shops)	13	Ave. size	100
Commercial	2	Ave. size	250
1 Bed + study	6	Ave. size	75
2 Bed (dual key)	12	Ave. size	86
2 Bed	13	Ave. size	100
2 Bed + study	11	Ave. size	115
3 Bed	4	Ave. size	135
3 Bed + s (2 lvl)	1	Ave. size	145
4 Bed p/hse	2	Ave. size	170

Subdivision mix

	Quantity		m <sup>2</sup>
Residential Lots	-	Ave. size	-
Duplex Lots	-	Ave. size	-
Multi – Res units	-	Ave. size	-

Target Market

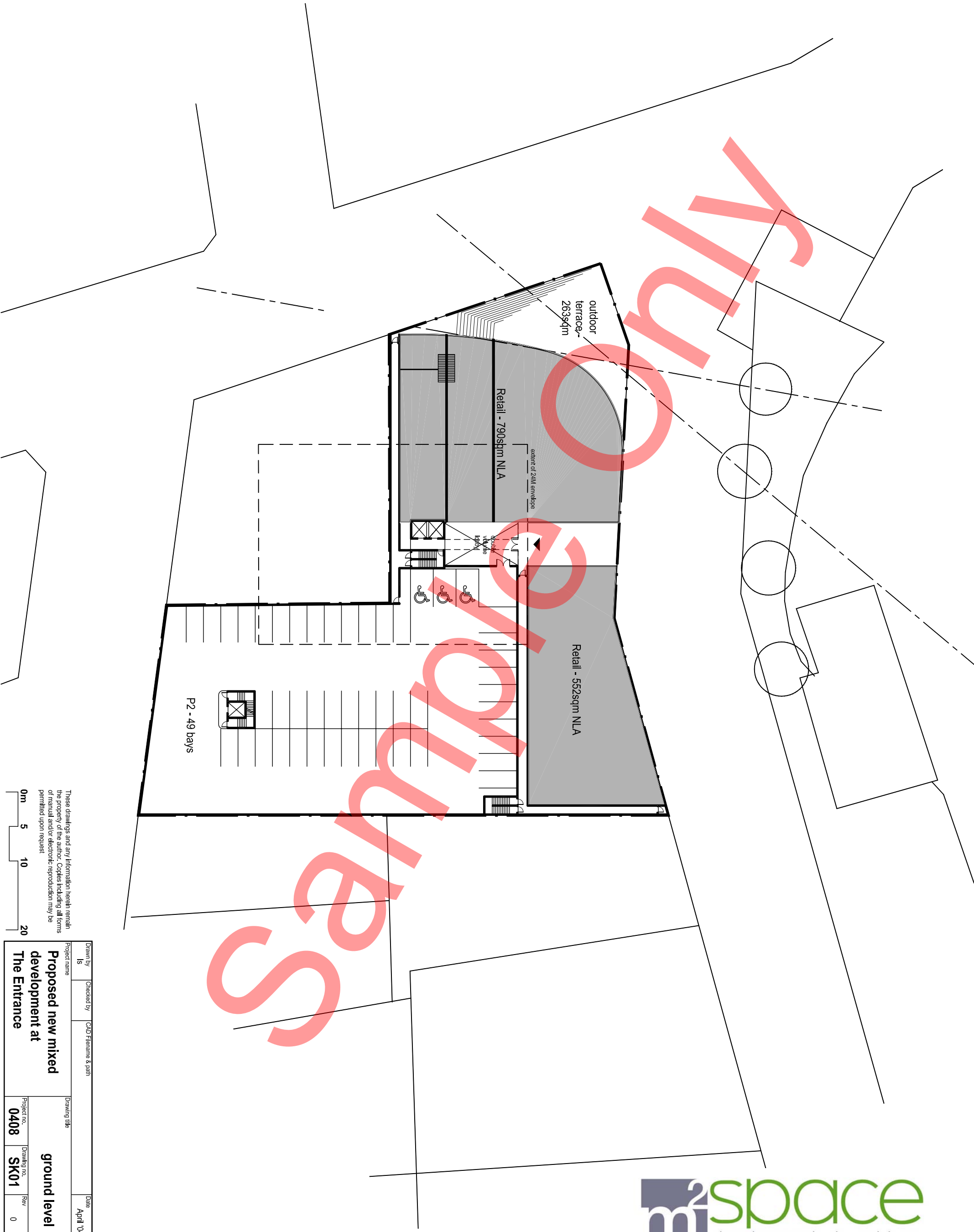
Owner occupier  Investor  Developer/Builder  Other

Comparable sales evidence

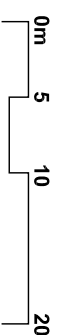
**17 Sample Rd** - 2,400m<sup>2</sup> Development Site (no DA) – \$5.5M (\$2,292/m<sup>2</sup>) March 08  
**12 John St** - 3,875m<sup>2</sup> Development site (DA approval for 74 units) - \$9.2M (\$124,324/unit) June 08

Comments

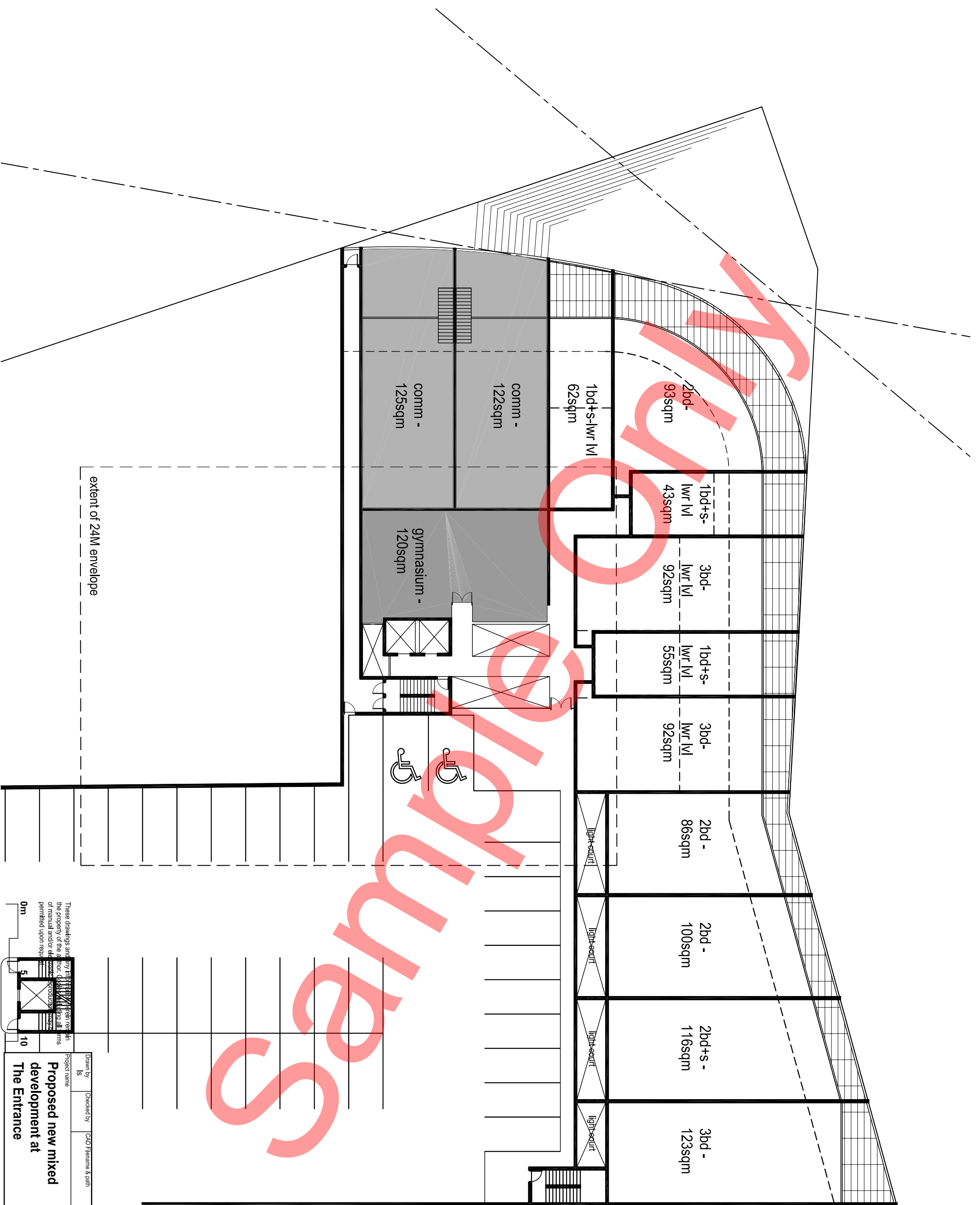
**CONCEPT 1** achieves maximum yield and a balanced mix in product choice, providing ground level retail shops, upper level commercial office space and a mix of apartments over 7 floors above. This outcome responds to the market demand for high quality product to match its premium location. This solution complies with the Design Criteria prescribed by the Specific DCP of this 'key' site.



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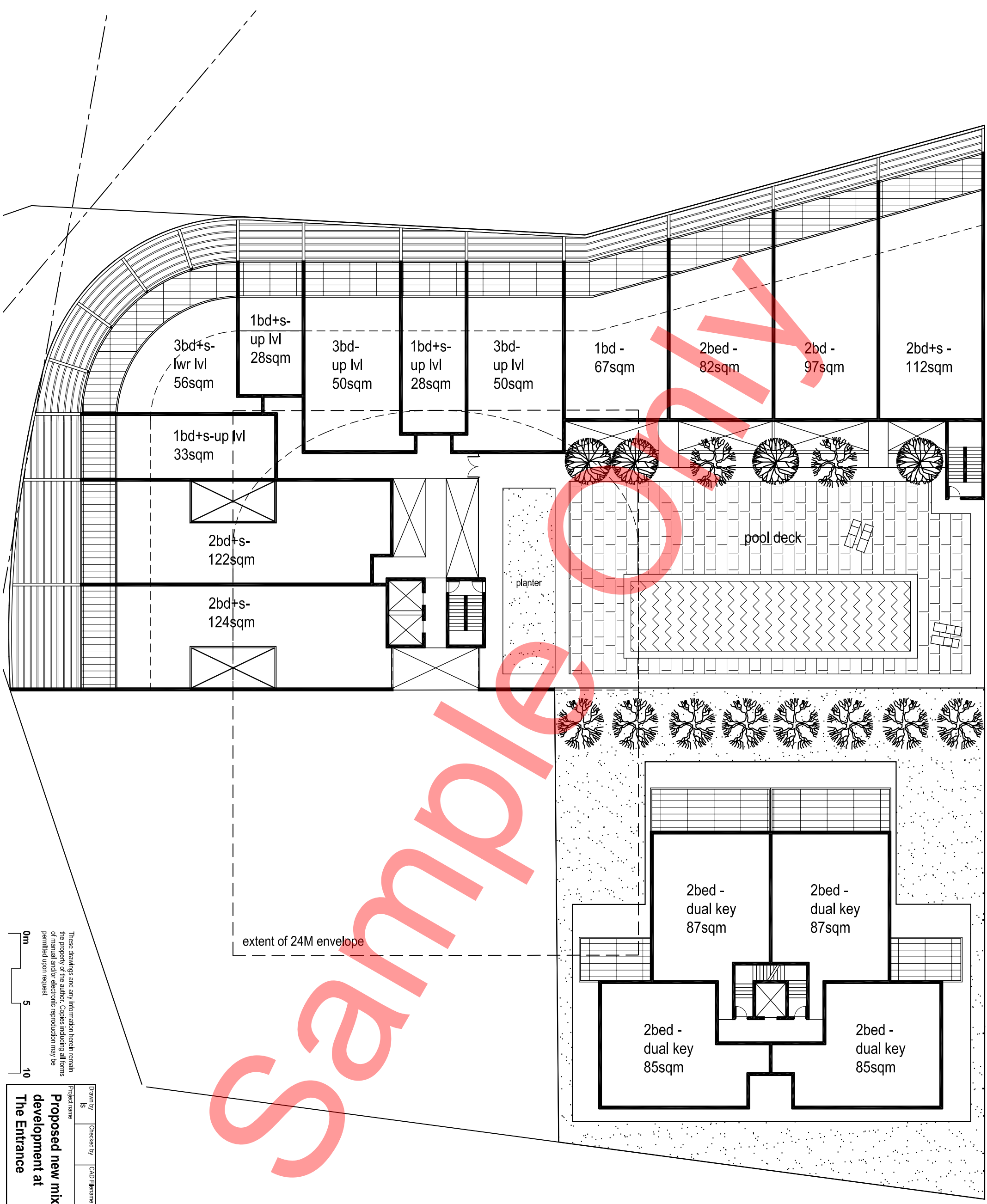


Drawn by IS	Checked by	CAD Filename & path	Date April '04	Scale 1 : 500
Project name <b>Proposed new mixed development at The Entrance</b>			Drawing title <b>ground level</b>	
Project no. 0408	Drawing no. SK01	Rev 0	Sheet 1/4	

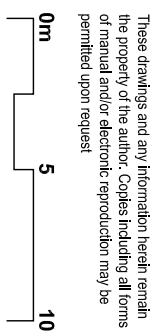


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Drawn by	Checked by	CAD Filename & path	Date	Scale
IS			April '04	1 : 250
Project name			Drawing title	
Proposed new mixed development at The Entrance			first level	
Project no.	Drawing no.	Rev	Sheet	
0408	SK02	0	2/4	

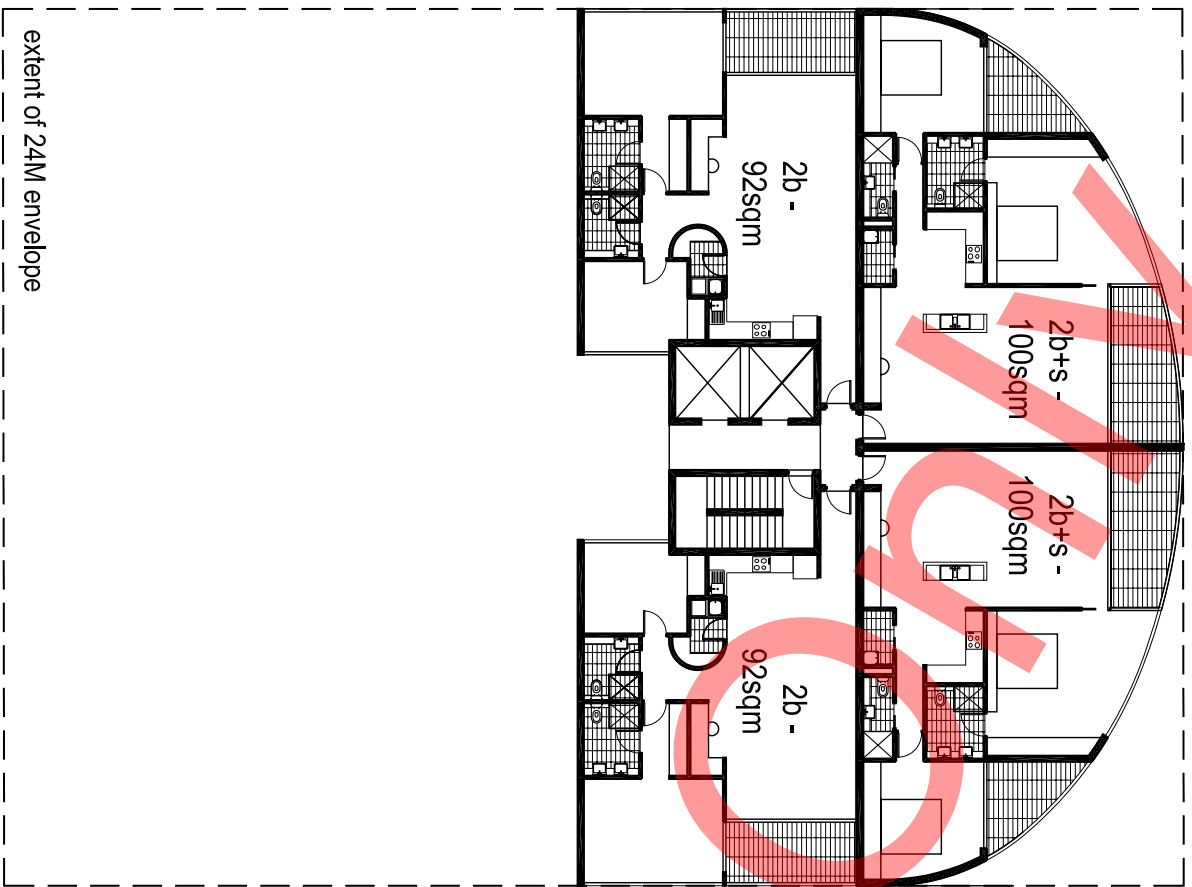


extent of 24M envelope

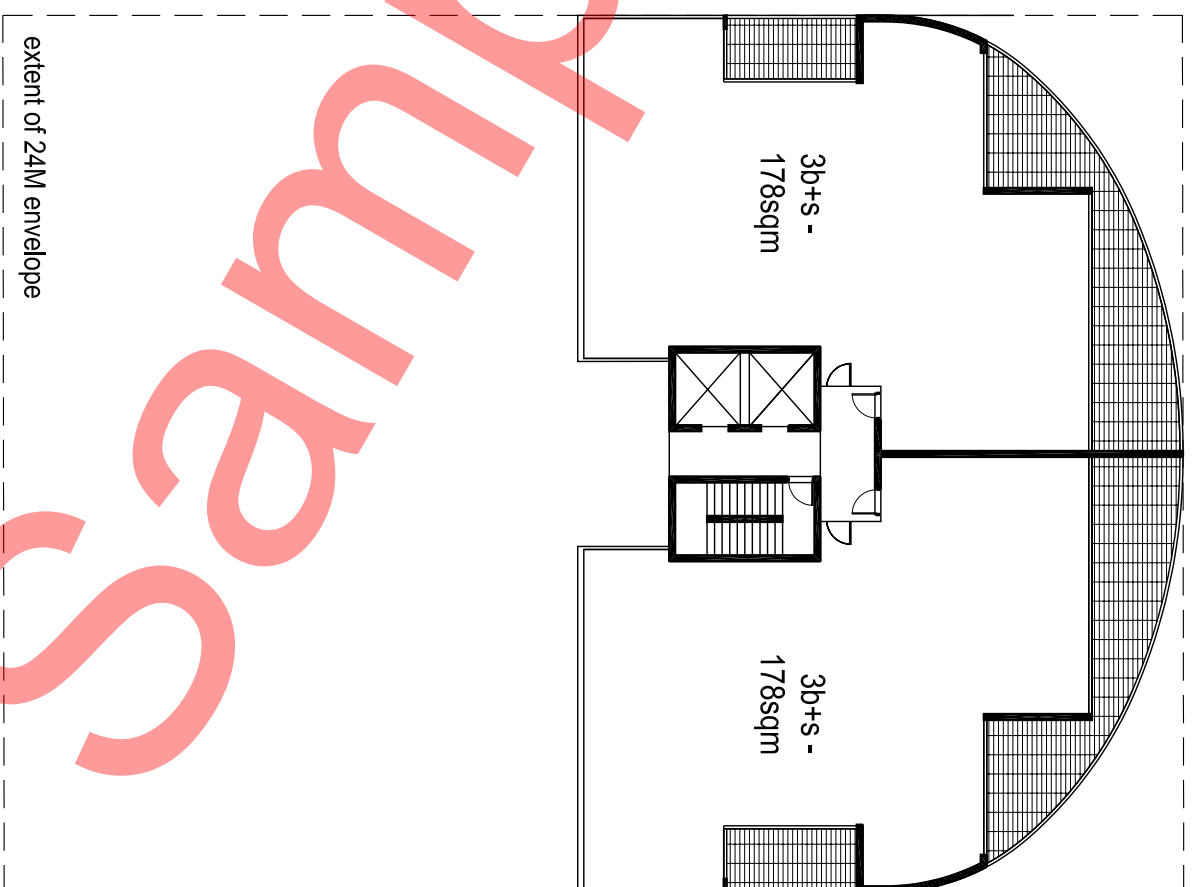


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Drawn by IS	Checked by CAD Filizeme & path	Date April '04	Scale 1 : 250
Project name <b>Proposed new mixed development at The Entrance</b>		Drawing title <b>second level</b>	
Project no. <b>0408</b>	Drawing no. <b>SK03</b>	Rev 0	Sheet 3/4



4-6 level



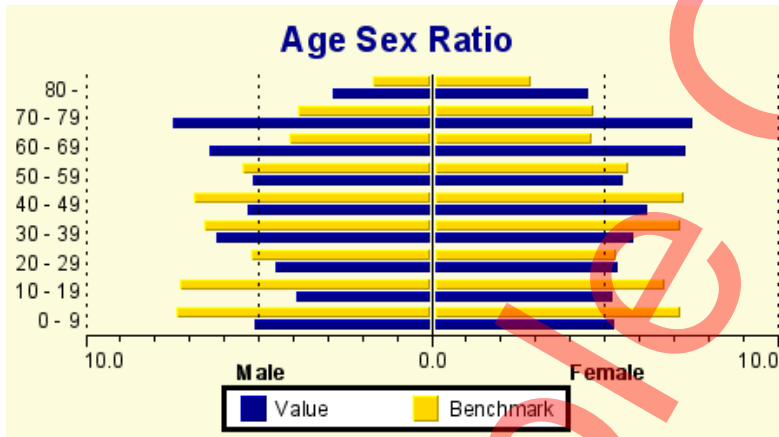
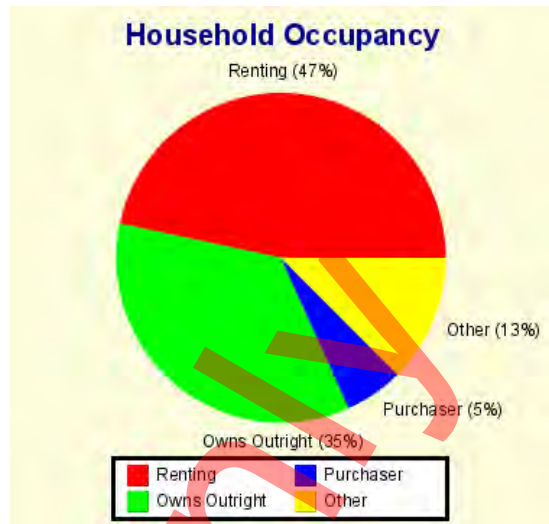
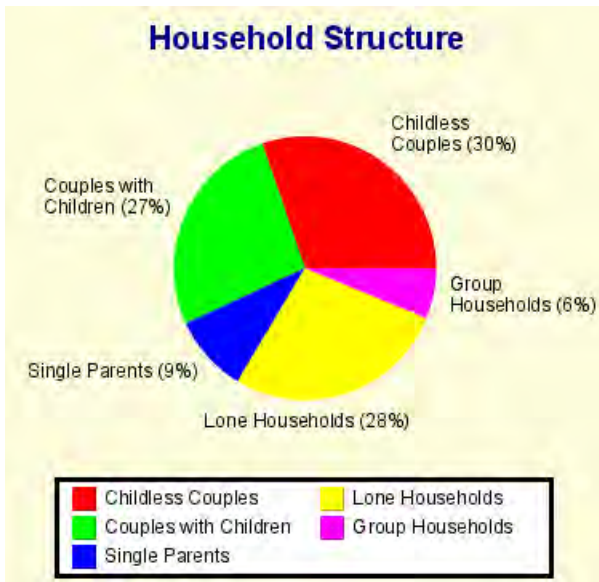
7 level - 2 penthouses

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Drawn by IS	Checked by	CAD filename & path	Date April '04	Scale 1 : 250
Project name <b>Proposed new mixed development at The Entrance</b>			Drawing title <b>4-6 &amp; 7 level</b>	
Project no. 0408	Drawing no. SK04	Rev 0	Sheet 4/4	

Schedule of Proposed Accommodation								
Type	Level	Net int area		No. Cars	Balcony area	Rate per m2		Sale Price
		No.	(m2)					
Retail	Ground	13	1342	15		\$ 7,500	\$	10,065,000
Comm	1st	2	247	10		\$ 7,000	\$	1,729,000
1bd+s	1st+2nd	4	329	4	53	\$ 6,000	\$	1,974,000
2bd	1st	2	193	3	71	\$ 6,500	\$	1,254,500
2bd+s	1st	1	116	2	13	\$ 6,500	\$	754,000
3bd	1st+2nd	3	391	6	100	\$ 6,500	\$	2,541,500
1bd	2nd	1	67	1	19	\$ 7,000	\$	469,000
2bd	2nd	2	179	4	38	\$ 7,000	\$	1,253,000
2bd+s	2nd	3	358	6	56	\$ 7,000	\$	2,506,000
3bd+s	2nd+3rd	1	145	2	32	\$ 7,250	\$	1,051,250
2bd dual key	2nd	4	344	4	81	\$ 6,000	\$	2,064,000
1bd+s	3rd	1	78	1	19	\$ 7,500	\$	585,000
2bd	3rd	3	303	6	57	\$ 7,500	\$	2,272,500
2bd+s	3rd	1	111	2	19	\$ 7,500	\$	832,500
3bd	3rd	1	157	2	46	\$ 7,500	\$	1,177,500
2bd dual key	3rd	4	344	4	81	\$ 6,500	\$	2,236,000
2bd (tower)	4th	2	180	4	22	\$ 8,500	\$	1,530,000
2bd+s (tower)	4th	2	200	4	32	\$ 9,000	\$	1,800,000
2bd dual key	4th	4	344	4	81	\$ 7,000	\$	2,408,000
2bd (tower)	5th	2	180	4	22	\$ 9,000	\$	1,620,000
2bd+s (tower)	5th	2	200	4	32	\$ 11,000	\$	2,200,000
2bd (tower)	6th	2	180	4	22	\$ 9,500	\$	1,710,000
2bd+s (tower)	6th	2	200	4	32	\$ 12,500	\$	2,500,000
3bd+s (tower)	7th	2	340	6	94	\$ 13,500	\$	4,590,000
<b>Totals</b>		<b>64</b>	<b>6528</b>	<b>106</b>	<b>1022</b>	<b>\$ 7,831</b>	<b>\$</b>	<b>51,122,750</b>



## Preliminary Feasibility - Summary of Project Returns

**Project: Mixed dev site - no DA**

**OPTION 1 - 13x shops, 2x offices, 49 residential units,  
basement, gym, pool**

**total: 64 Units 7180 sqm (GFA)**



<b>COSTS &amp; REVENUES</b>	<b>\$ Total</b>	<b>\$ Per Unit</b>	<b>\$ Per sqm (GFA)</b>	<b>% of Cost</b>	<b>% of Revenue</b>
<b>Land Acquisition Costs</b>					
Purchase Price	10,000,000	156,250	1,393	27.5%	22.6%
Transaction Costs	790,490	12,351	110	2.2%	1.8%
Interest Received from Deposit	-	-	-	0.0%	0.0%
<b>TOTAL ACQUISITION COSTS</b>	<b>10,790,490</b>	<b>168,601</b>	<b>1,503</b>	<b>29.7%</b>	<b>24.4%</b>
<b>Development Costs</b>					
Construction (incl. construct. contingency)	18,409,965	287,656	2,564	50.6%	41.6%
Professional Fees	2,012,523	31,446	280	5.5%	4.5%
Contributions & Charges	985,000	15,391	137	2.7%	2.2%
Project Contingency (Project Reserve)	1,070,374	16,725	149	2.9%	2.4%
<b>TOTAL DEVELOPMENT</b>	<b>22,477,863</b>	<b>351,217</b>	<b>3,131</b>	<b>61.8%</b>	<b>50.7%</b>
<b>Other Costs</b>					
Land Holding Costs	256,731	4,011	36	0.7%	0.6%
Finance Charges (inc line fees)	350,000	5,469	49	1.0%	0.8%
Interest (at 8% per ann. weighted avg)	2,512,359	39,256	350	6.9%	5.7%
<b>TOTAL OTHER COSTS</b>	<b>3,119,090</b>	<b>48,736</b>	<b>434</b>	<b>8.6%</b>	<b>7.0%</b>
<b>TOTAL PROJECT COSTS (before GST reclaimed)</b>	<b>36,387,442</b>	<b>568,554</b>	<b>5,068</b>	<b>100.0%</b>	<b>82.1%</b>
GST Input Credits Reclaimed	-	-	-	0.0%	0.0%
<b>TOTAL PROJECT COSTS (after GST reclaimed)</b>	<b>36,387,442</b>	<b>568,554</b>	<b>5,068</b>	<b>100.0%</b>	<b>82.1%</b>
<b>Total Sales Revenue</b>	<b>49,956,750</b>	<b>780,574</b>	<b>6,958</b>	<b>137.3%</b>	<b>112.8%</b>
Interest on Pre-sales Deposits	-	-	-	0.0%	0.0%
Selling Costs	(1,430,135)	(22,346)	(199)	-3.9%	-3.2%
<b>NET SALE PROCEEDS</b>	<b>48,526,615</b>	<b>758,228</b>	<b>6,759</b>	<b>133.4%</b>	<b>109.5%</b>
Net Rental Income	-	-	-	0.0%	0.0%
<b>TOTAL PROJECT REVENUE (before GST paid)</b>	<b>48,526,615</b>	<b>758,228</b>	<b>6,759</b>	<b>133.4%</b>	<b>109.5%</b>
GST Liability	(4,223,341)	(65,990)	(588)	-11.6%	-9.5%
<b>TOTAL PROJECT REVENUE (after GST paid)</b>	<b>44,303,274</b>	<b>692,239</b>	<b>6,170</b>	<b>121.8%</b>	<b>100.0%</b>

### PERFORMANCE INDICATORS

<b>Development Profit *1</b>	<b>7,915,832</b>	
Dev. Margin on costs (net of selling costs)	21.75%	
Residual Land Value (Target Margin) *2	10,424,631	(at 20% target development margin)
Maximum Debt Exposure	23,335,398	
Debt to Value Ratio	46.7%	
Date of Maximum Project Overdraft	Dec-2006	(Month 31)
Breakeven Date for Project Overdraft *3	Apr-2007	(Month 35)
Breakeven Date for Cumulative Cash Flow *4	May-2007	(Month 36)
<b>Net Present Value *5</b>	<b>620,939</b>	(at 20% per ann. discount rate, effective)
Benefit Cost Ratio *6	1.0243	(at 20% per ann. discount rate, effective)
<b>Internal Rate of Return (IRR) *7</b>	<b>22.04%</b>	(per ann. effective)
Residual Land Value (based on NPV) *8	10,689,571	
IRR on After Interest Cash Flow *9	15.75%	
IRR on Equity *10	42.71%	(\$13.1m Equity Contributed)
Equity to Total Project Cost:	36%	
Profit : Equity Ratio	60.43%	

#### Footnotes:

1. Development Profit: is total revenue from the project less total cost of development including interest on finance.
2. Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
3. Breakeven date for project overdraft: is the last date when total debt is repaid.
4. Breakeven date for Cumulative Cash Flow: is the last date when total debt and equity is repaid (ie when profit is realised).
5. Net Present Value: is the value of the project's cash flow stream (excluding interest) discounted to present value.
6. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs.
7. Internal Rate of Return: is the discount rate where NPV = 0.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.
9. Internal Rate of Return after Interest: is same as IRR except that interest is included as a cost in the cash flow.
10. IRR on Equity Invested: is the IRR of the equity cashflow including the return of equity and realisation of project profits.