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Deicorp Projects (Crows Nest) Pty Ltd
Senior management

30 August 2024

Dear Sir/madam,

Subject: Additional feasibility analysis – Fiveways, Crows Nest

HillPDA was engaged by Deicorp to undertake further feasibility analysis to demonstrate the financial impact of restricting the car parking rates for the retail and commercial floorspace. This is in response to comments by Transport of NSW's suggesting a review of parking rates for the non-residential floorspace and recommending rates similar to those applied to the Sydney Metro Crows Nest OSD. We refer to Site C, 14 Clarke Street, Crows Nest, a nine storey commercial building with a GFA of 3,100sqm which does not provide any car parking.

This analysis will be based on the latest development scheme provided to us that relates to land referred to as the Fiveways Triangle site located in the suburb of Crows Nest. More specifically, the Five Ways Triangle site relates to land bounded by Falcon Street, Alexander Street and Pacific Highway and is indicated below in Figure 1.

Figure 1: Fiveways subject site boundary

Source: HillPDA

Summary of results

The "Crows Nest State-Led Rezoning – Economic Impact Assessment" prepared by Atlas Economics for the NSW Department of Planning, Housing and Infrastructure, July 2024 notes a decline in office floor space demand brought about by the COVID-19 pandemic. In addition, the Crows Nest/St Leonards office market is encumbered by high vacancy rates. Vacancy rates across Crows Nest have been escalating since January 2019 with the impacts associated with Covid 19 accelerating a restructuring of commercial office needs resulting in a decline in aggregate demand for commercial floor space. This trend is not expected to reverse for the foreseeable future. These are pertinent issues that relate to the subject's competitiveness in an already weakened market and would affect the viability of a project that offers critical social benefits such as the 15% of affordable housing, contemporary retail setting and active street fronts.

Our analysis of the impact of restricting non-residential car parking found the following qualitative and quantitative outcomes:

- Colliers have reported that the office market is experiencing a 'flight to quality' and new stock in Crows Nest/ St Leonards is being primarily taken up by smaller tenants. This is unsurprising given the subject's location away from major commercial hubs, it is expected the likely occupancy profile would consist of smaller tenancies. Conversations with selling and leasing agents have indicated that smaller strata-titled office space would require a higher ratio of car parking – 1 car per 50sqm.
- The Property Council of Australia (PCA) provides a guideline for assessing the quality of office buildings and one of the criteria is the level of amenities provided on site. This includes car parking. Therefore, removing car parking would result in a reduction in perceived value from new stock to secondary stock and presents a selling risk for the proposed scheme.
- Although construction costs would be lowered by the reduction in the number of car spaces, this would consequently result in the lowering of sales revenue by 20% to 30% or a reduction in rental by 10% to 20%
- The above influences would further exacerbate its marketability in an already weakened office market and in an area considered to be a secondary location with the highest vacancy rate in the North Shore Office market. In order to compete with stronger office markets such as St Leonards and North Sydney, higher incentives would need to be negotiated to attract tenants
- A longer marketing campaign results in elevated holding costs such as statutory land holding costs and interest costs. This would further impact the feasibility as the time factor is taken into consideration
- There is an argument or risk that reducing the number of onsite car parking spaces would unlikely result in fewer cars in the locality. Instead, it would add to more on-street parking. Shoppers and visitors may spend more time looking for on-street parking, adding to congestion.
- An object of the Environmental Planning and Assessment Act is *to promote the orderly and economic use and development of land* (s.1.3(c)), consideration to the reasonable development of this site consistent with its planning intent is central to ensuring a feasible outcome is realised.

Our feasibility analysis is based on the latest development scheme, in which Deicorp has had to continue to amend its proposal and associated design to reflect changing policy settings applying to the site whilst seeking to deliver a positive, and feasible development outcome in line with market and community expectations.

A summary of the impact on feasibility taking into account the influences above and is shown in the table immediately below.

Table 1: Summary of feasibility results

Results	As per updated development scheme	Reduced commercial car parking	Reduced retail and commercial car parking
Scenarios	Car parking for 320 vehicles, comprising: – 190 residential car parking spaces. – 130 non-residential parking spaces (28 commercial and 102 retail)	Car parking for 292 vehicles, comprising: – 190 residential car parking spaces. – 102 non-residential parking spaces (0 commercial and 102 retail)	Car parking for 190 vehicles, comprising: – 190 residential car parking spaces. – 0 non-residential parking spaces (0 commercial and 0 retail)
Land cost	$109,150,000	$109,150,000	$109,150,000
Residual land value (IRR of 15.5%)	$93,886,406	$90,819,425	$87,731,200
Difference from land cost	-$15,263,594	-$18,330,575	-$21,418,800

The results indicate that, based on the latest development scheme, the residual land value is below the land cost. This does not include additional sunk costs such as option fees, professional fees, interest and landholding costs that have been paid to date. If these costs are included, the results would be even more unfavourable.

Our analysis further reveals that the project's viability deteriorates if the car parking ratio for non-residential use is reduced. Although construction costs would be lowered by the reduction in the number of car spaces, this would consequently result in the decrease of sales revenue and slow down of the take up rate which would lead to a longer holding period and increased associated costs.

Background of planning proposal

Deicorp has submitted numerous planning and development proposals which have preceded and post-dated the finalisation of the St Leonards and Crows Nest 2036 Plan ('2036 Plan') and the pertinent details are summarised below.

In June 2020, Deicorp submitted a planning proposal which predates the finalisation of the 2036 Plan. The draft 2036 Plan indicated a 36 storey tower was capable of being accommodated on the site. This planning proposal sought to amend the planning controls to permit the construction of a 36 storey mixed use development comprising 310 residential units (27,300sqm of residential floorspace) and 10,000sqm of non-residential floorspace (2000sqm of community and 8,000sqm of commercial/retail). The proposed GFA equates to a FSR of 11.6:1. In return for the uplift in planning controls, Deicorp offered a public benefit of affordable housing or community building (equivalent monetary contribution of $20m) and public footpath linkages and embellishments.

A revised planning proposal was submitted in December 2020 following the finalisation of the 2036 Plan and sought to amend the planning controls to permit the construction of a 19/20 storey mixed use development comprising 233 residential units (21,818sqm) and 8,000sqm of commercial/retail floorspace. The proposed GFA equates to a reduced FSR of 9.3:1. In return, Deicorp offered a public benefit with a monetary equivalent of $10m. We understand the Rezoning Review decision was refused to proceed to Gateway determination in October 2021.

The second revised planning proposal was further reduced in December 2021 which seeks to amend the planning controls to permit the following:

- The construction of 16/17 storey mixed use development comprising 10,564sqm of residential floorspace and 8,002sqm of commercial/retail floorspace. The proposed GFA equates to a further reduced FSR of 5.8:1 which aligns with the FSR specified in the 2036 Plan
- The mixed use development would provide the following:
  - 1 bedroom units: 45 units
  - 2 bedroom units: 71 units
  - 3 bedroom units: 13 units
  - Ground floor retail of 2,170sqm of NSA and 2nd and 3rd floor commercial of 5,000sqm of NSA
  - Basement levels over 5 levels to provide 258 car spaces (113 resident car spaces, 133 non-residential car spaces and 12 car share spaces), 11 motorcycle spaces and 303 bicycle spaces.

Planning proposal to date

We understand Planning Proposal (PP-2021-7451) was gazetted on 6 December 2023. The Proposal sought to align the height and FSR controls to be consistent with the St Leonards and Crows Nest Plan 2036 (as amended).

Deicorp has subsequently lodged a State Significant Development Application (SSDA) (ref: SSD-66826207) for a mixed-use development including in-fill affordable housing pursuant to State Environmental Planning Policy (Housing) 2021 (Housing SEPP). Under the Housing SEPP provisions, the proposal before the Department of Planning, Housing and Infrastructure includes the 30% Floor Space Ratio (FSR) and height incentive by providing 15% of the total GFA as affordable housing. The affordable housing must be used for affordable housing for at least 15 years and must be managed by a registered community housing provider.

We understand the proponent is still refining the development scheme and we have been provided with the following description:

A 22-level mixed-use development with a total floorspace of 25,335sqm of GFA which reflects a FSR of 7.9:1 to provide:

- 188 apartments, comprising 33 x one-bedroom, 118 x two-bedroom, and 37 x three-bedroom units inclusive of 48 units (15%) allocated for affordable housing. A total residential gross floor area of 17,333sqm
- Ground floor and first level provides retail space (5,502sqm of GFA) with a commercial mezzanine above (2,500sqm of GFA)
- Car parking for 320 vehicles, comprising:
  - 190 residential car parking spaces
  - 130 non-residential parking spaces (28 commercial and 102 retail).

The scheme shows a car parking rate as follows:

- Residential: 1 car space per dwelling
- Retail: 1 car space per 54 sqm of GFA
- Commercial: 1 car space per 89 sqm of GFA or 2.24 car spaces per 200sqm of commercial GFA.

These car parking rates are consistent with the former North Sydney DCP guidelines and Planning Proposal as gazetted.

Our approach

To provide this additional advice, we have undertaken the following tasks:

- Additional market research of 'off-the-plan' and established apartment sales and retail/commercial sale transactions to determine the potential end sale revenues
- Feasibility modelling utilising the proprietary software EstateMaster (an industry benchmark used by developers, financiers, and property valuers) to assess the financial impact of varying the car parking rates in the following two scenarios:
  - As per the provided development scheme which provides a car parking rate of 2.24 car spaces per 200sqm of GFA of commercial floor space and 3.7 car spaces per 200sqm of GFA of retail floor space
  - Development scheme as per above with no commercial car parking provided on-site
  - Development scheme as per above with no commercial or retail car parking provided on-site.

HillPDA has adopted the target Project Internal Rate of Return (IRR before company tax) at 15.5% and a Development Margin at 20% in line with industry standards.

FEASIBILITY ANALYSIS

1.0 APPROACH

Our primary method of assessment is the residual land value analysis based on development cash flow modelling with hypothetical end sale revenues derived from market research of established retail, commercial and 'off-the-plan' residential apartment sales to validate HillPDA's inputs.

This Chapter outlines our financial viability analysis and our assumptions for the financial modelling.

The below market research is based on HillPDA's understanding of the transaction, and while we understand the facts to be generally reliable, we are unable to guarantee the accuracy. As such, the results of our analysis may change should new information come to light.

1.1 Market research overview

We have examined recent market activity and have had particular regard to the following sales evidence, which we consider to set the market parameters by which the residential apartment and retail/commercial floorspace end sale values may be determined.

1.1.1 'Off-the-plan' residential apartment sales

This section provides an assessment of selected 'off-the-plan' and established residential sales to understand the current and potential residential market supply in the study area. This analysis is to determine the value of the completed residential units.

There is moderate development activity occurring in Crows Nest and the surrounding areas. We have had regard to the following projects in our analysis.

Table 2: Summary of 'Off the plan' apartment asking and sale prices

Project	Type	Sale price	Int. area (sqm)	$/sqm NSA
'Delano', 33 Falcon Street, Crows Nest	1 BR (no car)	$985,000-$1,275,000	50-61sqm	$19,700 - $20,902
	1 BR (1 car)	$1,250,000	50	$25,000
	2 BR	$1,650,000-$1,850,000	73-98sqm	$18,878-$22,603
	3 BR	$2,350,000-$2,875,000	99-128sqm	$22,461-$23,737
	TH	$3,650,000-$3,795,000	105-106sqm	$34,762-$35,802
'Nine', 24 Artarmon Road, Willoughby	1 BR	$820,000-$1,100,000	55-60sqm	$14,909-$18,333
	2 BR	$1,460,000-$1,800,000	75-95sqm	$18,947-$20,933
	3 BR	$2,195,000-$3,995,000	105-138sqm	$20,905-$28,949
'The Landmark', 500 Pacific Highway, St Leonards	Studio	$664,000-$779,000	41sqm	$16,195-$19,000
	1 BR	$935,000-$1,320,000	55-61sqm	$17,000-$21,639
	2 BR	$1,930,000-$3,600,000	82-128sqm	$22,315-$28,125
	3 BR	$2,650,000-$4,180,000	126-165sqm	$18,235-$31,429
'The Albany', 101-111 Willoughby Road, Crows Nest	1 BR	$930,000	50sqm	$18,600
	2 BR	$1,380,000	70sqm	$19,714
	3 BR	$2,185,000-$2,600,000	110sqm	$19,864-$23,636

Source: Domain.com.au, Realestate.com.au, selling agents

Based on our analysis of the sales evidence, we have adopted the following average rates on a $ per unit basis:

- 1 bedroom: $995,000, inclusive of GST ($19,135/sqm of NSA)
- 2 bedroom: $1,905,000, inclusive of GST ($25,400/sqm of NSA)
- 3 bedroom: $2,925,000, inclusive of GST ($26,351/sqm of NSA)

Further details on the 'off-the-plan' and established apartment sales are provided in Appendix A.

1.1.2 Affordable housing

The proponent has lodged an SSDA for a mixed-use development including in-fill affordable housing under the Housing SEPP. Under this SEPP's provisions, affordable housing must be used for affordable housing for at least 15 years and must be managed by a registered community housing provider.

For the purpose of our analysis, we have analysed the maximum eligible rent that may be charged to establish the present value of the potential loss in rental income over a 15 year period. This rental loss will be deducted from the value of the end sale revenue to allow for the opportunity loss.

Income benchmarks

Eligibility for affordable housing is based on gross household income benchmarks that are calculated at the level of the ABS Greater Sydney Statistical Division. Updated figures are provided by the Ministerial Guidelines, the annual income range for each band for 2023-2024 are as follows:

Table 3: Median household income for the Sydney Statistical Division

Income bands	% of median income	Annual income limits (Sydney)
Very low income	50% median	$55,400
Low income	50% to 80% median	$88,600
Moderate income	80% to 120% median	$132,900

Source: NSW Affordable Housing Ministerial Guidelines 2023/24

Provided below is a reference guide to the maximum payable rent for a range of different households in the ABS Greater Sydney Statistical Division.

Table 4: Affordable rent benchmark by household type and income bands

	Per week			Per annum		
Household Type	Very low	Low	Moderate	Very low	Low	Moderate
Single	$186	$298	$448	$9,690	$15,510	$23,280
Single + 1	$242	$388	$582	$12,600	$20,160	$30,270
Single + 2	$298	$477	$717	$15,510	$24,810	$37,260
Single + 3	$354	$567	$851	$18,420	$29,460	$44,250
Single + 4	$410	$656	$985	$21,330	$34,110	$51,240
Couple	$280	$448	$672	$14,550	$23,280	$34,920
Couple + 1	$336	$537	$806	$17,460	$27,930	$41,910
Couple + 2	$392	$627	$940	$20,370	$32,580	$48,900
Couple + 3	$448	$716	$1,075	$23,280	$37,230	$55,890
Couple + 4	$504	$805	$1,209	$26,190	$41,880	$62,880

Source: HillPDA Research

The proposed affordable housing mix comprises 18 x 1 bedroom. 26 x 2 bedroom and 4 x 3 bedroom units and we have adopted the following assumptions:

Table 5: Analysis of the value of affordable housing encumbered by 15 years

Type	Average unit price	Market rent ($/week)	Max. eligible rent ($/week)	Underage rent ($/week)	PV (15 years)	Discounted value ($/unit)	Discount
1 bedroom	$995,000	$675	$380	-$295	-$197,188	$797,812	25%
2 bedroom	$1,905,000	$1,000	$450	-$550	-$367,639	$1,537,361	24%
3 bedroom	$2,340,000	$1,650	$750	-$900	-$601,591	$1,738,409	35%

Based on the above calculation we have applied a 20% discount to the end sale values of the affordable housing apartments.

1.1.3 Retail market overview

The retail market has fared better post-covid than other commercial asset classes but continues to be impacted by high interest rates and weakened consumer spending. The ABS reported consumers are cautious as the monthly household spending indicator fell by 0.5% on a month to month basis in June 2024. However, Colliers has reported retail has traded well in 2023 due to speculative investors capitalising on counter-cyclical market conditions and looking for long-term opportunities.

Our market research of strata-titled retail and commercial properties in Crows Nest and the surrounding locality shows the following value range of $8,332 to $19,853/sqm of NLA.

The most relevant sale evidence is Shop 1/34-40A Falcon Street, Crows Nest which shows a sale value rate of $8,332/sqm of NLA. This sale is dated and is located in an inferior location, therefore sets the lower limit. Secondary sale evidence is 3/506 Miller Street, Cammeray which shows a sale value rate of $19,853/sqm of NLA but has the benefit of a lease covenant. This sale sets the upper limit.

1.1.4 Office market overview

The office market has been one of the hardest hit in recent years largely catalysed by the COVID 19 pandemic. The impacts of COVID have been more than just short term impacts. Combined with significant improvements in information technologies it has resulted in long term structural changes in the way we work and where we work.

Across the country the CBD office vacancy rate climbed to 14.8 per cent – the highest in almost three decades and 50 per cent higher than the average. Worsening the situation is the end of a wave of supply flowing into the market while demand weakens (Australian Financial Review 1 February 2024). As their leases expire, corporate tenants are reassessing their workspace needs, responding to the rise in hybrid work arrangements and an uncertain outlook for growth.

More and more companies are realising that the level of office space required before the pandemic is no longer required. “The Commonwealth Bank, Westpac, AMP, Lend Lease and Telstra are among 19 Australia’s largest companies that have cut their office needs by almost 200,000 square metres in the Sydney CBD since the pandemic, sending vacancy rates sky-high in the country’s biggest market, Sydney” (Australian Financial Review 18 July 2024). Rising vacancies combined with rising interest rates have resulted in market valuations falling more than 20% over the past couple of years.

Record high vacancies and incentives have resulted in a significant decline in effective market rents. Combined with record high construction costs and the recent rises in interest rates these conditions have significantly undermined the feasibility of commercial office buildings in both Sydney CBD and the metropolitan markets. The "Crows Nest State-Led Rezoning – Economic Impact Assessment" prepared by Atlas Economics for the NSW Department of Planning, Housing and Infrastructure predicts that only around up to 31,000 square metres of non-residential floorspace is projected to be taken up over the next 20 years (equivalent to one third of current vacant space).

The St Leonards / Crows Nest Market

St Leonards / Crows Nest is the fifth largest office market in NSW, following the Sydney CBD, Parramatta, North Sydney and Macquarie Park. This area has a strong presence in information technology, pharmaceutical and health services. Historically it has attracted a mix of tenants that generally prefer more affordable accommodation than other major office markets such as North Sydney and Sydney CBD

Colliers reported that as of Q2 2024, the St Leonards/Crows Nest office market had the highest vacancy rate in the North Shore office market (this includes North Sydney, Chatswood and Macquarie Park). The St Leonards/Crows Nest office market experienced a slight rise in vacancy from 24.3% to 26.3% as a result of negative net absorption of 5,854sqm. However, A-grade vacancy decreased marginally by 1.5% to 25.1% during the same period due to its absorption by smaller tenancies. Grade B and lower space are experiencing a 'flight to quality' resulting in a decrease in demand.

Grade A net face rents have remained steady at $690/sqm p.a. driven by smaller tenancies and Grade B have similarly remained stable at $600/sqm per annum due to the availability of secondary grade vacant space. For this reason, A-grade incentives have remained largely unchanged at 41% and B-grade remained at 42%.

The reported yields range between 8.13% (Grade A) to 8.5% (secondary).

Our sales evidence shows a capital value rate $6,757 to $9,715/sqm of NLA excluding the benefit of car parking.

1.1.5 Impacts of no commercial parking on-site

The proposed reduction in car parking rates would have an adverse impact on the financial feasibility of developing in Crows Nest. Based on consultations with local commercial selling and leasing agents, two key themes emerged regarding the financial impact of a restrictive parking provision:

- A price difference of $75,000 to $150,000 per car space in Crows Nest and St Leonards to the end sale revenue
- That non-residential floorspace would take longer to rent and/or have a lower success rate of obtaining pre-commitment for new floorspace. Therefore, it is likely to remain vacant for a longer period of time and unable to compete with other larger commercial hubs such as North Sydney in an already weakened office market condition
- The above effects would have an impact on the holding costs including statutory land holding costs and interest costs. This would further impact the feasibility as the time factor is taken into consideration.

1.1.6 Impacts of no retail parking on-site

Similar financial impacts would apply with the reduction of car parking associated with the retail floorspace. However, if sufficient on-site car parking spaces are provided it would counter the above financial implications by:

- Strengthening the retail trade catchment
- Encourage retail patronage by providing convenience and adding a competitive edge over alternative retail centres. This would improve retail sales and support the viability of local businesses
- Ground floor retail enhances street activation and revitalises an area, in addition to providing services to growing community needs and expectations. However, high vacancy rates may have a counter effect
- There is an argument or risk that reducing the number of onsite car parking spaces is unlikely to result in fewer cars in the locality. Instead, it would encourage more on-street parking. Shoppers and visitors would spend more time looking for on-street parking, adding to congestion.

1.2 Methodology

To undertake the financial viability analysis, we have used the proprietary software EstateMaster which is an industry benchmark used by developers, financiers and property valuers. This method calculates the residual land value by subtracting from the anticipated net sales revenue, the anticipated costs of development plus a margin for its profit and risk.

Any unpredicted change, such as an increase in developer contributions or development costs in the short term could have a notable effect on development feasibility unless it could be absorbed by either making allowances in the project contingency or increases in market sale values for the developed product.

A feasibility assessment is based on profit and risk factors. These two factors are subjective elements that determine the minimum level a developer is willing to purchase a site for, factoring in the risk associated with a proposed development. For the purpose of our hypothetical modelling, regard has been given to the following performance indicators:

- **Project Internal Rate of Return (IRR):** is the actual return on the investment on an annualised basis and expressed as a percentage. This approach takes into account the cost of time in its calculation within cash flow and indicating average returns over a period of time. Typically, an IRR of 14% (for townhouses) to 17% (for high rise apartments) is required for development to be feasible (assuming the land is appropriately zoned but without development consent).
- **Development Margin (DM):** it is the net profit expressed as a percentage of the development costs. Typically, a DM of 14% to 16% for townhouses and 17% to 22% for mixed-use and residential apartment buildings is required for development to be deemed feasible.
- **Residual Land Value:** this is the maximum price that a hypothetical developer would pay for the land to achieve acceptable hurdle rates.

In light of the criteria established above, the sites were assessed against a target of **Project IRR of 15.5%** and **Development Margin of 20%**.

Table 6: Industry standard performance indicators

Performance	Project IRR	Development Margin
Feasible	> 15.5%	> 20%
Marginally feasible	13%-15.5%	17%-20%
Not feasible	< 13%	< 17%

Source: HillPDA

To test the viability of the proposed development, HillPDA views the IRR at 15.5% as the most appropriate performance measure as it takes into account the long lead-in and construction periods.

1.3 Development scheme

Tabulated below is the development scheme as per the latest planning proposal.

Table 7: Development scheme

Development specifications	Current planning proposal		
Site area	3,202sqm		
FSR	7.9:1		
Proposed project	Mixed use - 22 storeys		
Building areas	**Gross floor area** Total area of 25,335sqm of GFA, comprising of land use breakdown: Retail: 5,502sqm Commercial: 2,500sqm Residential: 17,333sqm **Net saleable area*** Retail: 3,851sqm (70% efficiency) Commercial: 2,125sqm (85% efficiency) Residential: 14,673sqm (85% efficiency)		
Residential typology breakdown	**1 bedroom**	**2 bedroom**	**3 bedroom**
Average NSA (sqm)*	52sqm	75sqm	111sqm
No. of units	33 (18%)	118 (63%)	37 (19%)
Three scenarios	**Base case**	**Reduced commercial car parking**	**Reduced retail and commercial car parking**
	Car parking for 320 vehicles, comprising: – 190 residential car parking spaces. – 130 non-residential parking spaces (28 commercial and 102 retail)	Car parking for 292 vehicles, comprising: – 190 residential car parking spaces. – 102 non-residential parking spaces (0 commercial and 102 retail)	Car parking for 190 vehicles, comprising: – 190 residential car parking spaces. – 0 non-residential parking spaces (0 commercial and 0 retail)

Source: Deicorp, HillPDA Research

*HillPDA's estimate

1.4 Land purchase price

We have been provided with a high-level timeline of the draft and finalisation of the 2036 Plan and the indicative FSRs which have since been revised down.

Our online enquiry of RPData reveals that the land purchase price is $109,150,000, exclusive of GST. Based on the updated development scheme the land purchase price represents a rate of $4,308/sqm of GFA.

The land purchase price has been adopted in our feasibility analysis. Please note that we have not included any other additional sunk costs such as option fees, professional fees, interest and landholding costs that have been paid to date.

1.5 Adopted feasibility inputs

We have completed our feasibility modelling based partly on HillPDA's inputs and those provided by Deicorp. Further estimates used in the feasibility assessments include land costs, project timing, professional fees and development contributions.

Table 8: Feasibility inputs

Category	Input		
Scenarios	Car parking for 320 vehicles, comprising: – 190 residential car parking spaces. – 130 non-residential parking spaces (28 commercial and 102 retail)	Car parking for 292 vehicles, comprising: – 190 residential car parking spaces. – 102 non-residential parking spaces (0 commercial and 102 retail)	Car parking for 190 vehicles, comprising: – 190 residential car parking spaces. – 0 non-residential parking spaces (0 commercial and 0 retail)
Revenue			
Sales Revenue	Retail: – $14,000/sqm of NLA (with car parking) – $9,700/sqm of NLA (without car parking) Commercial: – $9,000/sqm of NLA (with car parking) – $6,353/sqm of NLA (without car parking) Build to sell residential averages: – 1 bedroom: $995,000, inclusive of GST ($19,135/sqm of NSA) – 2 bedroom: $1,905,000, inclusive of GST ($25,400/sqm of NSA) – 3 bedroom: $2,925,000, inclusive of GST ($26,351/sqm of NSA)		
Affordable housing (discounted by 20% & 35%)	Affordable housing averages: – 1 bedroom: $796,000, inclusive of GST ($15,308/sqm of NSA) – 2 bedroom: $1,524,000, inclusive of GST ($20,320/sqm of NSA) – 3 bedroom: $1,901,250, inclusive of GST ($17,128/sqm of NSA)		
Costs			
Land purchase price	$109,150,000, exclusive of GST		
Professional Fees	Design: 4% of construction costs Consultants: 4% of construction costs		
Escalation	**Project costs** 3% p.a. escalation was applied to all project costs from 2025 **Gross Realisations** 0% p.a. escalation 2024 3% p.a. escalation onwards		
Construction Costs	Demolition: $200/sqm of GBA Basement car parking: $75,000 per car space Retail and commercial: $3,781 per sqm of GBA Residential: $4,531 per sqm of GBA Balcony: $1,100 per sqm of GBA		
Construction Period	26 month construction period. 24 months for the reduced car parking option with 190 spaces. We have allowed a 12 month lead-in period for development approval and an additional 6 months to achieve the required level of pre-sales.		
Contingency	5% of construction costs		

Category	Input
Statutory Fees	LSL of 0.25% of construction costs Local Infrastructure Contributions Plan (S7.11): – 1 bedroom: $15,741/dwelling – 2 bedroom: $20,000/dwelling – 3 bedroom: $20,000/dwelling Housing Productivity Contribution: $10,493 per dwelling Sydney Water Charges: $2,245 per dwelling Strata bond of 2% of construction cost
Selling Costs	Sales Commissions – 2.0% of gross revenue of residential – 1.75% non-residential **Other Costs** – Marketing 0.5% of Gross Sales Legal $1,500 per unit/suite
Retail & commercial leasing incentives	30% of rental income with parking 40% of rental income without parking
Land Holding Costs	Statutory costs (Council rates, water rates and land tax) to be paid diminishing with settlements based on a Statutory Land Value. Land tax is paid annually with Council and water rates are paid quarterly in the cash flow.
Financing	
Interest rate	7.5% p.a.
Equity	Assuming 20% of total project cost to be Funded by the developer.
Project Hurdle Rates	15.5% Project IRR and 20% DM were adopted.

Source: HillPDA Research

1.6 Results

We have completed our feasibility modelling based on the inputs and variables described above and the results are tabulated below.

Table 9: Results of the updated development scheme

Results	As per updated development scheme	Reduced commercial car parking	Reduced retail and commercial car parking
Scenarios	Car parking for 320 vehicles, comprising: – 190 residential car parking spaces. – 130 non-residential parking spaces (28 commercial and 102 retail)	Car parking for 292 vehicles, comprising: – 190 residential car parking spaces. – 102 non-residential parking spaces (0 commercial and 102 retail)	Car parking for 190 vehicles, comprising: – 190 residential car parking spaces. – 0 non-residential parking spaces (0 commercial and 0 retail)
Development Margin	19.27%	17.81%	16.50%
Internal rate of return	12.52%	11.91%	11.18%
Residual land value (IRR of 15.5%)	$93.886m	$90.819m	$87.731m
$/GFA	$3,706	$3,585	$3,463

The base case shows an unviable project with an IRR of 12.52%. The IRR is further exacerbated by the removal of car parking for commercial and retail uses.

The subject site is situated about 300 metres from the new Crows Nest Metro Station and on the southern periphery of the St Leonards and Crows Nest masterplan. Therefore, it would not attract the same premium as Site C, Sydney Metro Crows Nest OSD given the position of Site C above the metro station and connectivity to St Leonards.

Financial impact on the removal of retail and commercial car parking

Our sales evidence of existing strata office space shows office suites generally provide a car space for every 50 to 100sqm of net leasable area which is more favourable than the proposed number of car parking in the updated scheme.

Although the overall construction costs would be lowered by the reduction in car parking, this is outweighed by the following impacts:

- Decreased marketability of the commercial and retail floorspace to sell or rent. Resulting in a reduction in perceived value from new stock to secondary stock and presents a selling risk for the proposed scheme
- A reduction in the end sale revenue by about 20% to 30%
- A reduction in rental income by about 10% to 20% in an already weakened office market and in an area considered to be a secondary location with the highest vacancy rate in the North Shore Office market. In order to compete with stronger office markets such as St Leonards and North Sydney, higher incentives would need to be negotiated to attract tenants
- A longer marketing campaign resulting in elevated holding costs such as statutory land holding costs and interest cost. This would further impact on the feasibility as the time factor is taken into consideration

- There is an argument or risk that reducing the number of onsite car parking spaces is unlikely to result in fewer cars in the locality. Instead, it may add to more on-street parking. Shoppers and visitors may spend more time looking for on-street parking, adding to congestion.
- The above points are reiterated by the "Crows Nest State-Led Rezoning – Economic Impact Assessment" prepared by Atlas Economics for the NSW Department of Planning, Housing and Infrastructure, July 2024. The report states:
  - The reduction in office floor space demand brought about by COVID-19 pandemic. Work arrangement changes such as work from home resulting in corporate structure changes and downward shift in floor space requirements
  - Crows Nest/St Leonards is currently experiencing high vacancy rates

HillPDA appreciates the objective to encourage public transport by restricting the amount of onsite parking at this location for public transportation. Still, this objective needs to be balanced to attract businesses in this location whilst delivering much needed housing and promoting development that is orderly and economic.

APPENDIX A: MARKET RESEARCH

The below market research is based on HillPDA's understanding of the transaction, and while we understand the facts to be generally reliable, we are unable to guarantee the accuracy. As such, the results of our analysis may change should new information come to light.

A.1 Residential "off the plan"

This section provides an analysis of 'off-the-plan' sales and resales of established residential apartments within Crows Nest and the surrounding locality. The information was obtained through various property data sources and confirmed through discussions with local agents.

A.1.1 'Delano', 33 Falcon Street, Crows Nest

Proposed construction of 3 residential buildings to provide 74 apartments (comprise 2 studio, 25 x 1 bedroom, 34 x 2 bedroom and 13 x 3 bedrooms) & 9 townhouses. Built over 3 levels of basement car parking for 94 vehicles, 9 motorcycle & 95 bicycle bays.

The marketing campaign commenced August 2022 and the selling agent has advised that on the opening weekend 30% were sold and the most popular unit typology was the 3 bedroom apartments.

Date of completion is expected to be June 2025.

Table 10: Sales rate range of 'Delano', 33 Falcon Street, Crows Nest

'Delano', 33 Falcon Street, Crows Nest

Type	Sale price range	Net saleable area (NSA)	$/sqm of NSA
One bedroom (no car space)	$985,000-$1,275,000	50-61sqm	$19,700 - $20,902
One bedroom (1 car space)	$1,250,000	50	$25,000
Two bedroom	$1,650,000-$1,850,000	73-98sqm	$18,878-$22,603
Three bedroom	$2,350,000-$2,875,000	99-128sqm	$22,461-$23,737
Townhouses	$3,650,000-$3,795,000	105-106sqm	$34,762-$35,802

Source: Selling agent, Cordell Connect and Domain website

A.1.2 'Nine', 24 Artarmon Road, Willoughby

Proposed masterplan development by Mirvac on the former Channel 9 studios site which will consist of 10 residential apartment buildings ranging in height from 4 to 12 storeys containing 460 apartments and includes 1,760sqm of affordable housing. Built over 2-3 levels of basement.

Non-residential uses includes neighbourhood shops, food and drink premises, office, indoor recreation facilities, community or child care uses. Includes adaptive reuse of No 6 Artarmon Road.

We have been advised by the selling agent that the most popular unit typology are larger 2 & 3 bedroom units by downsizers. The sales agent also advised 75% of the first stage comprising of 118 units have sold within the first month of the marketing campaign. This is mainly due to pent-up demand for apartments in this locality.

Table 11: Sales rate range of ‘Nine’, 24 Artarmon Road, Willoughby

‘Nine’, 24 Artarmon Road, Willoughby

Type	Sale price range	Net saleable area (NSA)	$/sqm of NSA
One bedroom	$820,000-$1,100,000	55-60sqm	$14,909-$18,333
Two bedroom	$1,460,000-$1,800,000	75-95sqm	$18,947-$20,933
Three bedroom	$2,195,000-$3,995,000	105-138sqm	$20,905-$28,949

Source: Selling agent, Cordell Connect and Domain website

A.1.3 The Albany’, 101-111 Willoughby Road, Crows Nest

Proposed development for a 4/6 storey mixed use development comprising 70 apartments (mix of studio, 1, 2 & 3 bedroom units), supermarket GFA 3,797sq m including fitout & 9 x specialty smaller retail tenancies 696sqm at lower & upper ground levels. We have been advised by the selling agent that the development will provide the highest quality with features such as a wine fridge, heated floor and towel rails, European appliances and floor to ceiling glass.

The agent has also advised that the average sales take-up is 2.2 units per month. The development is nearing completion.

Table 12: Sales rate range of ‘The Albany’, 101-111 Willoughby Road, Crows Nest

‘The Albany’, 101-111 Willoughby Road, Crows Nest

Type	Sale price range	Net saleable area (NSA)	$/sqm of NSA
One bedroom	$930,000	50	$18,600
Two bedroom	$1,380,000	70	$19,714
Three bedroom	$2,185,000-$2,600,000	110	$19,864-$23,636

Source: Boston Marketing, Cordell Connect

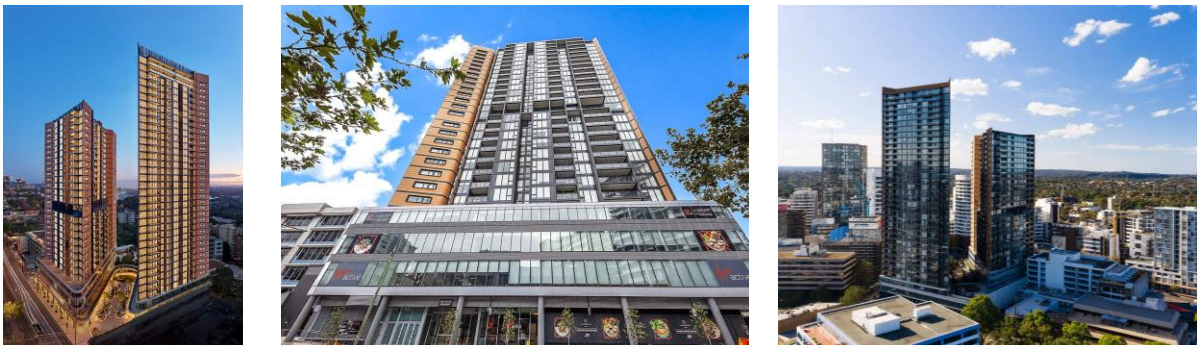
A.2 Residential rents

A.2.1 St Leonards Square 472-486 Pacific Highway, St Leonards

St Leonards Square, located at 472-486 Pacific Highway, St Leonards contains two mixed-use towers completed in late 2019 with residential lots settling between FY20-FY21. The development includes the following:

- Residential tower 1 – 216 apartments across 28 levels
- Residential tower 2 – 310 apartments across 36 levels
- Ground floor retail tenancies
- Office spaces and commercial gym
- Basement level parking – 6 levels.

Figure 2: St Leonards Square photographs



Source: Google images

Residential amenities

There is a number of high-quality amenities for residents to use including:

- Concierge
- Indoor pool
- Gym
- Sauna & spa
- Meeting and business suites
- Private music studio
- Cinema room
- Function & games room
- Dining room
- Kitchen
- Outdoor terrace
- Lounge and entertaining room
- Outdoor landscaped podium.

Table 13: St Leonards Square market rent summary

Type	Count (#)	Average size (sqm)*	Average	Minimum	Maximum
Studio	1	52	$690	$690	$690
1 Bedroom	3	59	$783	$700	$850
2 Bedroom	19	84	$1,003	$700	$1,200
3 Bedroom	2	116	$1,650	$1,450	$1,850

Source: CoreLogic Rp Data, Realestate, Domain. *Data was not available for all units

A.2.2 The Landmark 500 Pacific Highway, St Leonards

The Landmark, located at 500 Pacific Highway, St Leonards is a 44-storey mixed-use tower completed in 2022. The tower contains 417 apartments ranging from studios and one to four-bedroom sky homes. The tower contains a four-level podium comprised of retail outlets and open landscaped spaces. Below this is a six-level basement car park containing 485 residential, accessible, and commercial car parking spots.

Figure 3: The Landmark photographs

Source: Google images

Residential amenities

There is a number of high-quality amenities for residents to use including:

- 24-hour Concierge
- Gym
- Rooftop infinity pool
- Spa
- Sauna
- Yoga room
- Virtual golf room
- Games room
- Two cinema rooms
- Music rehearsal space
- Library
- Kitchen and dining room
- Function room
- Sky lounge area (3-bedroom and level 30 and above residents

Market rent summary

Table 14: The Landmark market rent summary

Type	Count (#)	Average size (sqm)*	Average	Minimum	Maximum
Studio	2	n/a	$720	$650	$790
1 Bedroom	11	69	$835	$780	$900
2 Bedroom	17	104	$1,181	$800	$1,600
3 Bedroom	1	153	$1,850	$1,850	$1,850

Source: CoreLogic RPData, Realestate, Domain. *Data was not available for all units

A.2.3 Eighty-Eight, 88 Christie Street, St Leonards

Eighty-Eight, located at 88 Christie Street, St Leonards is a mixed-use neighbourhood consisting of three towers completed in 2023. The development includes the following:

- Residential tower 1 – 47 storeys
- Residential tower 2 – 26 storeys
- Commercial tower – 16 storeys
- Public open space
- 30,000 sqm commercial building
- Four-level retail centre
- New St Leonards Public Library
- New laneway network and pedestrian connections
- Provision for a future tunnel connection to St Leonards Train Station
- Communal open space on rooftop area of 1,055sqm

Figure 4: Eighty-Eight photographs

Source: Google images

Residential amenities

- Rooftop deck with BBQ and dining facilities
- Rooftop infinity pool
- Gym
- Yoga studio

Market rent summary

Table 15: Eighty Eight market rent summary

Type	Count (#)	Average size (sqm)*	Average	Minimum	Maximum
Studio	0	n/a	n/a	n/a	n/a
1 Bedroom	12	51	$838	$750	$950
2 Bedroom	31	n/a	$1,191	$1,000	$1,380
3 Bedroom	2	132	$1,700	$1,700	$1,700

Source: CoreLogic Rp Data, Realestate, Domain. *Data was not available for all units

A.3 Commercial

Tabulated below are sales recorded in Crows Nest and the surrounding suburbs which shows the following capital value rate range of:

The sales show a capital value rate of $6,757 to $9,715/sqm of NLA.

Table 16: Strata-titled retail commercial sale transactions

Address	Sale price Sale date	Int. area $/sqm NLA	Comments
404/10-12 Clarke Street, Crows Nest	$950,000 Mar. 2024	103sqm $8,010	Open plan office suite located on the second floor of a circa 2008 office building and configured to provide 2 offices and a storeroom. One car space is provided. Located opposite the proposed Crows Nest metro station entrance.
301/500 Pacific Highway, St Leonards	$2,250,000 Mar. 2024	193sqm $9,715	Near new office suite on the third floor of the "Landmark" built circa 2021. Sold with office fit out commensurate with the locality and wrap around terrace. Three car spaces are provided.
204/10-12 Clarke Street, Crows Nest	$2,045,000 Sept. 2023	239sqm $8,033	Open plan suite located in a corner position. Dated internal fitout and configured to provide reception area, boardroom, three office/meeting rooms, kitchen and storage/server rooms. One car space is provided. Located opposite the proposed Crows Nest metro station entrance.
198A Pacific Highway, Crows Nest	$1,550,000 Aug. 2023	186sqm $7,661	Two level strata titled medical suite subject to a current lease with a passing net income of $91,295 p.a. Sale reflects a yield of 5.89%. Sale as advised, not yet confirmed. One secure car space is provided.
103/10-12 Clarke Street Crows Nest	$1,000,000 May 2023	111sqm $6,757	Open plan suite located in a corner position. Configured to provide four offices, boardroom, reception, open plan area and kitchenette. Two car spaces are provided Located opposite the proposed Crows Nest metro station entrance.
204/6-8 Clarke Street, Crows Nest	$1,782,000 Mar. 2023	154sqm $9,948	Open plan suite located in a circa 2000 built mixed use building. Refurbished to provide polished concrete floors and updated kitchen. Two car spaces are provided.
Suite 7, 174 Willoughby Road, Crows Nest	$1,000,000 Aug. 2022	110sqm $7,955	Recently renovated commercial suite with quality office fit out. Ducted a/c individually controlled and secure car space.
Level 3, 69 Christie Street, St Leonards	$7,000,000 Aug. 2022	849sqm $6,773	Sold tenanted on short term leases. Includes 10 secure car spaces. Unit entitlement of 12.88%. Forms part of a key site in the St Leonards Crows Nest 2036 Plan.

A.4 Retail

Table 17: Strata-titled retail sale transactions

Address	Sale price Sale date	Int. area $/sqm int	Comments
3/506 Miller Street, Cammeray	$3,375,000 Oct. 2021	170sqm $19,853	Retail shop with a frontage to Miller Street occupied by a restaurant with a passing income of $165,291 p.a. Sold with two car spaces.
1/210 Pacific Highway, Crows Nest	$561,000 Feb. 2022	49sqm $11,449	Ground floor retail shop with 3.4 metres ceiling height and provision for grease trap and exhaust.
4/599 Pacific Highway, St Leonards	$1,600,000 Oct 2021	166sqm $9,639	Two level retail shop sold with hair salon fitout and 2 car spaces.
Shop 1/ 34-40A Falcon Street Crows Nes	$1,958,000 June 2021 (contract date)	235sqm $8,332	Sold prior to the completion of construction. Wide street glass shop frontage with provision for grease arrestor and exhaust amenities.

APPENDIX B: SUMMARY OF RESULTS

ARGUS EstateMaster | Development Feasibility

COMPARISON OF OPTIONS

Fiveways, Crows Nest

	1	2	3	4	5	6	7	8
	Base case	Variation 1 - commercial only	Variation 2 - retail and commercial					
	As per updated scheme	Reduced car parking to non-residential	Reduced car parking to non-residential					
	230 equivalent unit	230 equivalent unit	230 equivalent unit					
	25,335.25 GFA	25,335.25 GFA	25,335.25 GFA					
	3,202 SqM	3,202 SqM	3,202 SqM					
	Mixed Use	Mixed Use	Mixed Use					
Licensed to: Hill PDA Pty Ltd	Under Review	Under Review	Under Review					
Revenues								
Gross Sales Revenue	460,040,468	453,971,165	435,801,363					
Less Selling Costs	(9,072,351)	(9,003,824)	(8,825,897)					
Less Purchasers Costs	-	-	-					
NET SALES REVENUE	450,968,117	444,967,340	426,975,466					
Gross Rental Income	-	-	-					
Less Outgoings & Vacancies	-	-	-					
Less Letting Fees	-	-	-					
Less Incentives (Rent Free & Fitout Costs)	-	-	-					
Less Turnover Costs	-	-	-					
Less Other Leasing Costs	(5,602,776)	(7,278,799)	(7,243,029)					
NET RENTAL INCOME	(5,602,776)	(7,278,799)	(7,243,029)					
Interest Received	-	-	-					
Other Income	-	-	-					
TOTAL REVENUE (before GST paid)	445,365,341	437,688,541	419,732,437					
Less GST paid on all Revenue	(34,348,585)	(34,348,585)	(34,273,832)					
TOTAL REVENUE (after GST paid)	411,016,757	403,339,957	385,458,605					
Costs								
Land Purchase Cost	109,150,000	109,150,000	109,150,000					
Land Acquisition Costs	7,883,490	7,883,490	7,883,490					
Construction (inc. Construct. Contingency)	174,547,953	172,061,965	163,005,867					
Professional Fees	16,328,481	16,132,735	15,396,117					
Statutory Fees	5,788,353	5,771,816	5,711,572					
Strata bond	3,490,959	3,441,239	3,260,117					
Misc	-	-	-					
Project Contingency (Reserve)	-	-	-					
Land Holding Costs	4,924,559	5,323,076	5,347,896					
Pre-Sale Commissions	2,315,648	2,315,648	2,315,648					
Finance Charges (inc. Fees)	797,500	797,500	797,500					
Interest Expense	38,480,167	38,487,670	36,069,200					
TOTAL COSTS (before GST reclaimed)	363,707,111	361,365,140	348,937,408					
Less GST reclaimed	(19,314,379)	(19,212,201)	(18,286,061)					
Plus Corporate Tax	-	-	-					
TOTAL COSTS (after GST reclaimed)	344,392,732	342,152,939	330,651,346					

Performance Indicators	1	2	3	4	5	6	7	8
[1] Gross Development Profit	66,624,025	61,187,017	54,807,258					
[2] Net Developer's Profit after Profit Share	66,624,025	61,187,017	54,807,258					
[3] Development Margin (Profit/Risk Margin)	19.27%	17.81%	16.50%					
Target Development Margin	20.00%	20.00%	20.00%					
[4] Residual Land Value (Target Margin)	107,632,295	104,622,494	102,109,632					
[5] Breakeven Date for Cumulative Cash Flow	Sep-2028	Sep-2028	Oct-2028					
Discount Rate (Target IRR)	15.50%	15.50%	15.50%					
[6] Net Present Value	(16,306,589)	(19,582,815)	(22,883,177)					
[8] Benefit Cost Ratio	0.933	0.919	0.903					
[9] Project Internal Rate of Return (IRR)	12.52%	11.91%	11.18%					
[10] Residual Land Value (NPV)	93,886,406	90,819,425	87,731,200					
Peak Debt Exposure	284,609,532	282,487,503	271,714,793					
Date of Peak Debt Exposure	Jun-2028	Jun-2028	Apr-2028					
[11] Breakeven Date for Project Overdraft	Aug-2028	Sep-2028	Jul-2028					
Total Equity Contribution	62,081,823	61,599,753	59,681,336					
Peak Equity Exposure	62,081,823	61,599,753	59,681,336					
Date of Peak Equity Exposure	Aug-2024	Aug-2024	Aug-2024					
[12] IRR on Equity	17.34%	14.61%	11.69%					
Weighted Average Cost of Capital (WACC)	10.00%	10.00%	10.00%					

Yield Analysis	1		2		3		4	5	6	7	8
Sales	Qty	SqM	Qty	SqM	Qty	SqM					
Residential - 1 Bedroom Units	15	-	15	-	15	-					
Residential - 2 Bedroom Units	92	-	92	-	92	-					
Residential - 3 Bedroom Units	33	-	33	-	33	-					
Commerical Office	-	2,125	-	2,125	-	2,125					
Retail Shops	-	3,851	-	3,851	-	3,851					
Storage & Warehousing	-	-	28	-	130	-					
Affordable Housing	48	-	48	-	48	-					
TOTAL	188	5,976	216	5,976	318	5,976					
Tenancies		SqM		SqM		SqM					
TOTAL		-		-		-					

Build to Rent Analysis	1	2	3	4	5	6	7	8
Development Phase	Jul-2024 - Jun-2028	Jul-2024 - Jun-2028	Jul-2024 - Apr-2028					
Development Margin	18.61%	18.59%	17.59%					
Net Present Value	(33,065,255)	(32,930,248)	(30,807,241)					
Internal Rate of Return	12.90%	12.89%	12.87%					
Equity IRR	20.00%	20.00%	20.00%					
Adopted Handover Value	410,837,700	407,745,971	389,480,820					
Investment Phase	No Investment Phase	No Investment Phase	No Investment Phase					
Initial Yield	-	-	-					
Net Present Value	N.A.	N.A.	N.A.					
Internal Rate of Return (IRR)	N.A.	N.A.	N.A.					
Breakeven Date	Sep-2028	Sep-2028	Oct-2028					
Investment Hold Period	N.A.	N.A.	N.A.					
Terminal Capitalised Value	-	-	-					

Footnotes (based on current Preferences):

1. Development Profit: is total revenue less total cost including interest paid and received
2. Developer's Net Profit after distribution of profit share.
3. Development Margin: is profit divided by total costs (exc selling & leasing costs)
4. Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
5. Breakeven date for Cumulative Cash Flow: is the last date when total debt and equity is repaid (ie when profit is realised).
6. Net Present Value: is the project's cash flow stream discounted to present value.
   It includes financing costs but excludes interest and corp tax.
8. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
9. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
10. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.
11. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
12. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.

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   This valuation is prepared on the assumption that the lender or addressee as referred to in this valuation report (and no other) may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio.
8. HillPDA makes no representations or warranties of any kind, about the accuracy, reliability, completeness, suitability or fitness in relation to maps generated by HillPDA or contained within this report.
9. The market research is based on HillPDA's understanding of the transaction, and while we understand the facts to be generally reliable, we are unable to guarantee the accuracy. As such, the results of our analysis may change should new information come to light.
10. It should be noted that in the case of advice provided in this report, which is of a projected nature, we must emphasise those specific assumptions have been made which appear reasonable based on current market sentiment and forecasts. It follows that any one of the associated assumptions may change over time and no responsibility can be accepted in this event. The value performance indicated above is an assessment of the potential value trend and the indicated figures should not be reviewed as absolute certainty

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