

DOUBLE BAY TOWN CENTRE

Feasibility Assessment



Prepared for Woollahra Council

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1.0 STUDY PURPOSE AND APPROACH

HillPDA was commissioned by Woollahra Municipal Council (Council) to undertake an Economic Feasibility Study (the Study) in accordance with the proposed commercial floor space Strategy, with a specific focus on the financial viability of first and second floor commercial office space within the Double Bay Commercial Centre (the Centre).

By way of background, in 2015, HillPDA prepared the Double Bay Economic Feasibility Study, which was commissioned by Council to investigate opportunities for increased residential development within Double Bay Commercial Centre. Council highlighted the underlying intent of the Study was to attract a younger demographic of ‘city makers’ into the Centre to enhance its vitality and viability and explore why substantial new development is presently not occurring in the Centre. To achieve this, smaller apartments was suggested to support additional residential population outcomes.

The purpose of the 2015 Study was to inform and make recommendations to Council on the demand, supply and the financial viability of smaller apartments in the Centre. To test this, Council identified six sites located in different locations within the Centre. To inform Council on the viability, HillPDA undertook a feasibility assessment on each site at an FSR of 2.5:1 comprising a mixed use development with ground floor retail and residential apartments (including studio, 1, 2 and 3 bedrooms) on the upper floors with basement parking. The findings on development feasibility alone revealed that four of the six sites were not viable at an FSR of 2.5:1. This meant that the Site existing improvement value was higher than the redevelopment value. For the four Sites not viable at an FSR of 2.5:1, further testing was undertaken to determine the “tipping point” at which a development becomes viable.

To achieve Council’s objective, HillPDA recommended that the existing planning control densities would be required to increase from 2.5:1 to 3:1 and 3.5:1 to facilitate a mixed use development comprising ground level retail and residential apartments on the upper levels.

1.1 Purpose of the Study

Following the 2015 Double Bay Commercial Centre Study, Council has noticed that new developments proposed in the Centre have not considered additional commercial floor space above the ground floor.

To future proof the Centre’s commercial floor space Council is preparing a Strategy. This Strategy seeks to retain commercial floor space by requiring all new development to provide a minimum commercial FSR of 1.3:1 (this is 0.6:1 for retail and 0.7:1 for first floor office space).

Council is mindful that the minimum commercial space (FSR of 1.3:1) is likely impact the viability of new development in the Centre, resulting in higher residential FSRs to offset the commercial value. In saying this, the additional FSR required is considered minor compared to the long term benefits gained from the provision of commercial floor space within the Centre. The long term benefits would accommodate the growing Double Bay population by providing local employment opportunities, local business spend; and provide a variety of retail offering and day time viability and vibrancy in the Centre. Having regard to the benefits, the Strategy’s minimum commercial FSR of 1.3:1 we consider a reasonable and necessary quantity to provide the local residents access to their future day- to - day goods and services.

Further to the above, it was shown in the 2015 Study that a mixed use development (ground floor retail and residential on upper floors) was not viable at the existing planning FSR 2.5:1. Owing to commercial space achieving a lower sale value in comparison to residential, it is likely that an additional floor of commercial space at an FSR 2.5:1 would not be viable. It was agreed by Council that this Study will examine and determine if the Centre’s proposed planning FSRs (3:1 and 3.5:1) should be amended to maintain a mix of commercial (at least two floors) and residential floor space in new development.

The recommendations would inform Council if the FSR controls should be increased to achieve a feasible outcome. To address this, HillPDA has provided:

- Advice concerning the financial viability of providing one or two floors of commercial office space with respect to the Centre's existing planning controls;
- An understanding of the six identified test site's floor space ratio (FSRs) at a Project Internal Rate of Return (IRR) at 18% per annum by testing the following development scenarios:
 - **Option 1: Bay and Cross Street Precinct:** A mixed use development at an FSR of 3:1 to 3.5:1 with a minimum commercial FSR of 1.3:1;
 - **Option 2: Bay and Cross Street Precinct:** A mixed use development at an FSR of 3.5:1 with a minimum commercial FSR of 2:1; and
 - **Option 3: New South Head Road:** A mixed use development at an FSR of 3.5:1 with a minimum commercial FSR of 2:1.
- Recommendations to support the development of commercial space into the Centre to support Council's objectives.

1.2 Study Approach

To inform the Study we have reviewed property databases and interviewed industry experts (including real-estate agents) that informed our market analysis (Appendix A).

Collectively this data has informed the feasibility testing of six nominated sites in the Centre in accordance with the proposed planning controls and then under a range of different development options to test the sensitivity of outcomes (Chapter 2). The test results have informed our recommendations to Council regarding the viability of additional commercial floor space in new developments.

1.3 The Study Area

For the purposes of the Study Area we have defined the Study Area as the Double Bay Commercial Centre as shown in Figure 1. We note this Study Area is consistent with the 2015 Study Area.

Figure 1 – Plan of the Double Bay Commercial Centre



The Centre is situated within the suburb of Double Bay, one of Sydney's Eastern Suburbs. Double Bay is located approximately 5 kilometres from the Sydney Central Business District (CBD) and approximately 1 kilometre from Edgecliff Railway Station.

Double Bay is well serviced by bus and ferry public transport services. The major arterial road, New South Head Road, runs directly through the Centre. The Centre is well regarded as a premium retail precinct with numerous, restaurants, cafés, health and beauty services, commercial office space, specialty stores and designer label shops. A mix of business services are also offered together with new large format Woolworths.

Over the last decade the area has transformed from a culture of street-side cafes and restaurants to include a number of licensed bars enhancing its appeal and draw to a younger demographic. The transformation gained momentum with the development of Public Library and Kiaora Lane development on the southern side of New South Head Road.

2.0 FEASIBILITY ASSESSMENT

HillPDA has adopted the Residual Land Value (RLV) approach as the method of assessment. This involves assessing the value of the end product of the development, allowing for development costs, and making a further deduction for the profit and risk that a developer would require to take on the project.

In assessing the value of the Subject Site as a development site, the proprietary software product Estate Master Development Feasibility model is used.

2.1 Financial Feasibility Criteria

For our hypothetical modelling, we have set a target project Internal Rate of Return (IRR) of 18% p.a. as the primary indicator; however regard has been given to the following performance criteria:

The Residual Land Value: is the land purchase price a developer can afford to achieve for a viable development;

Development Margin: which is profit divided by total development costs (including selling costs).

2.2 Test Sites Location

As each site in the Centre has different development parameters, the test sites have been selected on the basis that they vary in land size, location, existing improvements and number of lots required for amalgamation. The mix of test site was chosen to provide a range of development options in the Centre. For commercial in confidence reasons, we have not provided detailed addresses for the test sites. A description of the sites is as follows:

Site 1: Cross Street 1 - southern side of Cross Street.

Site 2: Cross Street 2 - northern side of Cross Street.

Site 3: New South Head Road 1 - Northern side of New South Head Road.

Site 4: New South Head Road 2 - southern side of New South Head Road.

Site 5: New South Head Road 3 - southern side of New South Head Road.

Site 6: Bay Street – western side of Bay Street.

2.3 Development Options

As stated above, Council agreed to adopt the proposed planning FSR's 3:1 and 3.5:1 as the base case for the Bay Street and Cross Street Precinct test sites 1, 2 and 6. For the New South Head Road test sites 3, 4 and 5 we have adopted the proposed planning control FSR 3.5:1.

The additional three scenarios tested are in accordance with the Council Strategy that seeks to retain commercial floor space in new developments. The purpose of the modelling is to test the viability of providing 1.3:1 and 2:1 of commercial space in a new development in the Study Area.

Two development scenarios were agreed by Council for the Bay Street and Cross Street Precinct. The first scenario would test a mixed use development at an FSR that would include one level of commercial space at an FSR of 0.7:1 above retail ground floor space at an FSR 0.6:1. The second scenario would test a mixed use development at 3.5:1 that would include two floors of commercial space at an FSR of 1.4:1 that is above retail ground floor space at an FSR 0.6:1.

The New South Head Road Precinct would test one scenario at an FSR 3.5:1 comprising a mixed use development with two floors of commercial floor space at an FSR 1.4:1 above retail ground floor at an FSR 0.6:1 at an FSR of 3.5:1.

In the case that our modelling revealed that mixed use development with additional commercial floor space is not viable; an additional option referred to as the “Tipping Point” was assessed in each option to calculate the redevelopment viability. A breakdown of the options in each Precinct is outlined in 2.3.1 and 2.3.2.

2.3.1 Bay Street and Cross Street Precinct Development Options

The Bay and Cross Street Precinct (**Sites 1, 2 and 6**) options are as follows:

- **The Base Case Mixed Use Development at and FSR of 3:1 or 3.5:1: (Residential FSR at 2.4:1 or 2.9:1 and Retail at 0.6:1).** This option uses an FSR of 3:1 or 3.5:1 which was in accordance with the proposed planning controls established by HillPDA in 2015. The proposed mixed use development comprises ground floor retail with a mix of residential apartments includes studios, one and two bedrooms located on the upper floors. Basement car parking was provided for both the retail units and the apartments in the development.
- **Scenario 1a: Mixed Use Development at an FSR 3:1 (One Floor of Office Space (Residential FSR at 1.7:1, Retail 0.6:1 and office at 0.7:1)).** This option was similar to the base case with an FSR at 3.1:1; however the first floor residential was converted to office space.
- **Scenario 1b: Mixed Use Development – FSR Tipping Point:** This development option is similar to Option 1a, however the proposed development is to test the maximum FSR required for a development to become viable.
- **Scenario 2a: Mixed Use Development at an FSR of 3.5:1: (Two floors of Office Space (Residential FSR at 1.5:1, Retail 0.6:1 and office at 1.4:1)).** This option was similar to the base case with an FSR at 3.5:1, however first and second floor residential was converted to office space.
- **Scenario 2b: Mixed Use Development – FSR Tipping Point:** This development option is similar to Option 2a, however the proposed development is to test the maximum FSR required for a development to become viable.

New South Head Road Precinct Development Options

The New South Head Road Precinct (**Sites 3, 4 and 5**) options are as follows.

- **The Base Case: Mixed Use Development at an FSR of 3.5:1 (Residential at 2.9:1 and Retail at 0.6:1):** This option uses an FSR 3.5:1 which was in accordance with the proposed planning controls established by HillPDA in 2015. The proposed mixed use development comprises ground floor retail with a mix of residential apartments includes studios, one and two bedrooms located on the upper floors. Basement car parking was provided for both the retail units and the apartments in the development.
- **Scenario 3a: Mixed Use Development at an FSR of 3.5:1: (Two floors of Office Space (Residential FSR at 1.5:1, Retail at 0.6:1 and office at 1.4:1)).** This option was similar to the base case with an FSR at 3.5:1, however first and second floor residential was converted to office space.
- **Scenario 3b: Mixed Use Development – FSR Tipping Point:** This development option is similar to Option 3a, however the proposed development is to test the maximum FSR required for a development to become viable.

2.4 Financial Modelling Results

2.4.1 Test Site 1: Cross Street 1

Table 1 provides a summary of the results of the modelling.

Table 1 - Site 1, Results

Site / Option Specifics	The Base Case FSR 3.5:1	Option 1A: One Floor	Option 1B : Tipping Point	Option 2A: Two floors	Option 2B: Tipping Point
Site Area (sqm)	1,036	1,036	1,036	1,036	1,036
No. of Residential Units	21	20	20	11	
Gross Building Area (sqm)	3,626	3,643	4,164	3,643	4,684
Total FSR	3.48:1	3.5:1	4:1	3.5	4.5
Total Residential FSR	2.9	2.2	2.7	1.5	2.5
Total Commercial FSR	0.58	1.3	1.3	2	2
Residual Land Value	\$46.7m	\$39.9m	\$47.1m	\$33.8	\$47.2m
Project IRR at 18%p.a	18%	11%	18%	4%	18%
Viability	Viable	Not Viable	Viable	Not Viable	Viable

Source: HillPDA 2018

What does it all mean?

The results revealed that to accommodate one to two floors of commercial office space the proposed planning FSR of 3.5:1 would be required to be increased to 4:1 to 4.5:1, resulting in the residential FSR to increase by 0.5 and 1:1 respectively.

2.4.2 Test Site 2: Cross Street 2

Table 2 provides a summary of the results of the modelling.

Table 2 - Site 2 Results

Site / Option Specifics	The Base Case FSR 3.1	Option 1A: One Floor	Option 1B : Tipping Point	The Base Case at 3.5:1	Option 2A: Two Floors	Option 2B : Tipping Point
Site Area (sqm)	1,329	1,329	1,329	1,329	1,329	1,329
No. of Residential Units	34	24	37	41	22	29
Gross Building Area (sqm)	3,988	3,988	5,185	4,651	4,651	5,316
Total FSR	3	3	3.9	3.5	3.5	4.3
Total Residential FSR	2.4	1.7	2.6	2.9	1.5	2.3
Total Commercial FSR	0.6	1.3	1.3	0.6	2	2
Residual Land Value	\$39.4m	\$24.2m	\$33.2m	\$39.4m	\$26.8m	\$39.7m
Project IRR at 18%p.a	18%	6%	18%	18%	8%	18%
Viability	Viable	Not Viable	Viable	Viable	Not Viable	Viable

What does it all mean?

The results revealed that to accommodate one to two floors of commercial office space the proposed planning FSR of 3:1 would be required to be increased to 3.9 to 4.3:1, resulting in the residential FSR to increase by 0.8 and 0.9:1.

Test Site 3: New South Head Road 1

Table 3 provides a summary of the results of the modelling.

Table 3 - Site 3 Results

Site / Option Specifics	The Base Case at FSR 3.5	Option 1A Two Floors of commercial	Option 1B Tipping Point of two floors
Site Area (sqm)	547	547	547
No. of Residential Units	16	9	12
Gross Building Area (sqm)	1,916	1,916	2,300
Total FSR	3.5	3.5	3.9
Total Residential FSR	2.9	1.5	1.9
Total Commercial FSR	0.6	2	2
Residual Land Value	\$14.6m	\$10.3m	\$11.9m
Project IRR at 18%p.a	18%	13%	18%
Viability	Viable	Not Viable	Viable

What does it all mean?

The results revealed that to accommodate one to two floors of commercial office space the proposed planning FSR of 3.5:1 would be required to be increased to 3.9:1, resulting in the residential FSR to increase by 0.4:1.

2.4.2.1 Test Site 4: New South Head Road 2

Table 4 provides a summary of the results of the modelling.

Table 4 - Site 4 Results

Site / Option Specifics	The Base Case FSR 3.5:1	Option 1A: Two Levels	Option 1B: Tipping Point
Site Area (sqm)	1,252	1,252	1,252
No. of Residential Units	35	17	24
Gross Building Area (sqm)	4,381	81	5,508
Total FSR	3.5	3.5	4.45
Total Residential FSR	2.9	1.5	2.4
Total Commercial FSR	0.6	2	2
Residual Land Value	\$34.7 m	\$23.7m	\$25.4m
Project IRR at 18%p.a	18%	15%	18%
Viability	Viable	Not Viable	Viable

What does it all mean?

The results that revealed to accommodate one to two floors of commercial office space the proposed planning FSR of 3.5:1 would be required to be increased to 4.45:1, resulting in the residential FSR to increase by 0.95:1.

2.4.3 Test Site 5: New South Head Road 3

Table 5 provides a summary of the results of the modelling.

Table 5 - Site 5 Results

Site / Option Specifics	The Base Case FSR 3.5:1	Option 1: Two Levels	Option 1: Tipping Point
Site Area (sqm)	1,795	1,795	1,795
No. of Residential Units	54	28	48
Gross Building Area (sqm)	6,285	6,285	7,901
Total FSR	3.5	3.5	4.4
Total Residential FSR	2.9	1.5	2.4
Total Commercial FSR	0.6	2	2
Residual Land Value	\$44.1m	\$28.1m	\$38.8m
Project IRR at 18%p.a	18%	8%	18%
Viability	Viable	Not Viable	Viable

Source: HillPDA 2018

What does it all mean?

The results that revealed to accommodate one to two floors of commercial office space the proposed planning FSR of 3.5:1 would be required to be increased to 4.4:1, resulting in the residential FSR to increase by 0.9:1.

2.4.4 Test Site 6: Bay Street

Table 6 provides a summary of the results of the modelling.

Table 6 - Site 6 Results

Site / Option Specifics	The Base Case FSR 3:1	Option 1A: One Level	Option 1B: Tipping Point	The Base Case FSR 3.5:1	Option 2A: Two Levels	Option 2B: Tipping Point
Site Area (sqm)	1,112	1,112	1,112	1,112	1,112	1,112
No. of Residential Units	30	12	36	41	12	26
Gross Building Area (sqm)	3,336	3,336	5,004	3,819	3,819	5,004
Total FSR	3.5	3.5	3.85	3.5	3.5	4.1
Total Residential FSR	2.4	1.7	2.55	1.5	1.5	2.5
Total Commercial FSR	0.6	1.3	1.3	2	2	2
Residual Land Value	\$35.3m	\$27.2m	\$37.7m	\$41.0m	\$24.5m	\$37.8m
Project IRR at 18%p.a	16%	7%	18%	21%	3%	18%
Viability	Marginally Viable	Not Viable	Viable	Viable	Not Viable	Viable

What does it all mean?

The results revealed that to accommodate one to two floors of commercial office space the proposed planning FSR of 3.5:1 would be required to be increased to 3.85:1 and 4.1:1, resulting in the residential FSR to increase by 0.35:1 and 1.1 respectively.

3.0 KEY FINDINGS AND RECOMMENDATIONS

The financial modelling above revealed that all six test sites were not viable at the proposed planning FSRs of 3:1 and 3.5:1; with ground floor retail (FSR 0.6:1), commercial office space (first floor at an FSR 0.7:1/second floor at an FSR 0.7:1) with residential on the upper floors.

Our financial modelling suggests that a mixed use development comprising one floor of commercial floor space in the Bay and Cross Street Precinct (Test Site 1, Site 2 and Site 6) would require an increase from the proposed planning FSR of 3:1 and 3.5:1 to FSRs of 3.85:1 to 4:1, resulting in a residential FSR uplift of 0.35:1 to 0.9:1 respectively.

The results suggests that two floors of commercial space in the Bay and Cross Street Precinct (Test Site 1, Site 2 and Site 6) and New South Head Road Precinct (test Sites 3, Site 4 and 5) at the proposed planning FSR of 3.5:1 would require the FSR to be increase to 3.9:1 to 4.5:1, resulting in a residential increase of 0.4 and 1:1 respectively.

A summary of the Precincts and increase FSR required is as follows:

Table 7 - Financial Modelling Results

Centre Precincts	Option	Breakdown of Land Use FSR				Viability
		Residential FSR	Retail FSR	Commercial FSR	Total FSR	
Bay & Cross Street FSR at 3:1	Base Case at 3:1	2.4	0.6		3.0:1	Yes
	Option 1: One Level of Commercial	1.7	0.6	0.7	3.0:1	No
	Option 1B: One Level of Commercial Tipping Point	2.6	0.6	0.7	3.9:1	Yes
Bay & Cross Street FSR at 3.5:1	Base Case at 3.5:1	2.9	0.6		3.5:1	Yes
	Option 1A: One Level of Commercial	2.2	0.6	0.7	3.5:1	No
	Option 1B: One Level of Commercial - Tipping Point	2.7	0.6	0.7	4.0:1	Yes
	Option 2A: Two Levels of Commercial	1.5	0.6	1.3	3.5:1	No
	Option 2B: Two Levels of Commercial Tipping Point	2.5	0.6	1.3	4.5:1	Yes
New South Head Road at 3.5:1	Base Case at 3.5:1	2.9	0.6		3.5:1	Yes
	Option 3A: Two Levels of Commercial	1.5	0.6	1.3	3.5:1	No
	Option 3B: Two Levels of Commercial Tipping Point	1.9-2.4	0.6	1.3	3.9-4.4	Yes

Source: HillPDA 2018

In light of the above, we would support Council's Strategy to seek a minimum commercial FSR of 1.3:1 on the basis that it would support the provision of additional employment and a greater level of day time activity. However to encourage the redevelopment of additional commercial floor space in the Centre our modelling results above identify the need to increase the proposed planning FSRs .

To this effect we would recommend Council consider a review of their proposed planning FSRs to permit an FSR of 4:1 for one floor of commercial floor space and an FSR of 4.5:1 for two floors of commercial floor space. The most appropriate FSR or FSRs within this range (or otherwise) would be dependent on urban design testing and other environmental considerations. Each site and its 'tipping point' must however be considered on its merits.

Table 8 displays a comparison of the existing FSR, the proposed planning FSRs recommended by HillPDA in 2015 and 2018:

Table 8: Existing and Proposed Planning Controls

	Existing Controls	Proposed Planning FSRs as at 2015	Proposed Planning FSRs as at 2018
Total FSR	2.5:1	3:1 to 3.5:1	4:1 to 4.5:1
Non- Residential FSR	0.6:1	0.6:1	1.3:1 to 2:1
Residential FSR	1.9:1	2.5 to 2.9	2.7:1 to 2.5:1

Source: WLEP 2014 and HillPDA 2015 &2018

APPENDIX A: MARKET RESEARCH

3.1 Residential Apartment Sales Evidence

HillPDA have researched four new residential development's current asking prices or sold prices 'off the plan' in the suburbs of Double bay and Rose Bay. These developments have informed our research on sale values being achieved, the apartment mix, and supply and demand in the study area and its surrounds.

The four developments that have been analysed are as follows:

1. '1788 Residences', 20-26 Cross Street, Double Bay
2. Essence – 321 New South Head Road
3. 33-39 Hamilton Street, Rose Bay
4. 'Aristocrat', 62A Dover Road, Rose Bay

3.1.1 '1788 Residences', 20-26 Cross Street, Double Bay

This development is a six storey mixed use development comprising 6 commercial/retail units over 554sqm & a cafe/restaurant area of 185sqm on the ground floor level & 31 residential units above. The unit mix comprises 6 x one bedroom, 12 x two bedroom & 12 x three bedrooms & 1 x four bedroom units. Basement car parking over two levels with car parking.

The selling agent has advised that the marketing campaign commenced in August 2017 and 13 units (42%) have sold 'off the plan' showing a sale rate of 1.3 units/month.

Table 9 - '1788 Residences', 20-26 Cross Street, Double Bay

'1788 Residences', 20-26 Cross Street, Double Bay				
Type	Sale Price range	Internal Area (sqm)	\$/sqm of NSA	No. Car Spaces
One bedroom	\$1,690,000	52	\$32,500	-
Two bedroom	\$3,500,000 – \$3,750,000	95 – 109	\$36,842 – \$34,404	1
Two bed + study	\$4,100,000 – \$4,300,000	101 – 115	\$40,594 – \$37,391	1
Three bed	\$5,200,000	295	\$43,333	2

Source: Selling agent 2018

Figure 2 -20-26 Cross Street, Double Bay



3.1.2 'Essence', 321 New South Head Road, Double Bay

This development is a four storey residential apartment building comprising 38 residential apartments (13 x 1 bedrooms, 20 x 2 bedrooms and 5 x 3 bedrooms) over basement car parking. We have been advised on the following re-sales:

- 1 bedroom apartment with a 55sqm internal area was resold for \$1,350,000 reflecting a sale rate of **\$24,545/sqm of NSA** prior to the completion of the project
- 2 bedroom apartments with a 75sqm internal area were resold for \$2,195,000 reflecting a sale rate of **\$29,267/sqm of NSA** prior to the completion of the project.

Figure 3 - Essence – 321 New South Head Road, Double Bay



Source: realestate.com

3.1.3 33-39 Hamilton Street, Rose Bay

This development is a mixed use development comprising 19 apartments (comprising 1 x 1, 1 x 2 and 17 x 3 bedrooms) and ground floor retail of 1,475 sqm. A basement car park comprising 90 car spaces was also granted. The selling agent was unable to disclose the sale particulars but advised that a three bedroom unit of 150sqm (NSA) sold for \$2,950,000 reflecting a dollar sale rate of **\$19,667/sqm**. The dominant buyer profile is a local owner-occupier.

Figure 4 - 33-39 Hamilton Street, Rose Bay



Source: realestate.com

3.1.4 'Aristocrat', 62A Dover Road, Rose Bay

Proposed development for a four storey mixed use development comprising 3 retail tenancies of 98 sqm, 187 sqm & 197 sqm (483 sqm in total) and 27 residential apartments (comprising 3 x 1 bedroom, 21 x 2 bedroom & 3 x 3 bedroom apartments including 3 adaptable units).

The selling agent was unable to disclose the asking price or sale particulars but advised that they have just commenced the marketing campaign and received a deposit for a 1 bedroom apartment (51 sqm) for \$1,375,000 which reflects a sale rate of **\$26,961/sqm of NSA**.

Table 10 - Aristocrat Rose Bay

	Parking	Asking Price	Size (Internal)	\$/sqm (Internal)
1 bed + study	1	\$1,375,000	51 – 54	\$26,961 – \$25,463
2 bed	1	\$1,975,000	81	\$24,383
3 bed	2	\$3,500,000	115	\$30,435

Source: Luxcon Group



Source: Realestate.com

3.2 Residential Findings

- The likely buyer profile of the end-value is an owner-occupier, dominated by local down-sizers already established in the area with three bedroom unit type being the most popular
- A car space is estimated to have an indicative value of \$100,000 to \$150,000 and not providing a car space is considered to be hindrance to the marketability of the unit.

3.3 Overview of non-residential market

The Double Bay commercial and retail property market took a hit after the completion of Bondi Junction Westfield and the relocation of the old cinema; however agents have indicated that retail and commercial office space has experienced strong growth in both investment sales and tenants seeking retail and commercial space over recent years. This strong activity has been demonstrated in sale values and rents being achieved over the past six months compared to those achieved over the last three years. An example for this growth is a commercial cottage on Transvaal Avenue which was renting for \$900/sqm three years prior and more recently is being rented for \$1,400/sqm.

3.4 Commercial Market Evidence Findings

- The Centre has traditionally been a retail centre with ancillary residential and commercial units. Commercial office space generally consists of ground floor retail or commercial and first floor commercial office space;
- Research revealed that professional services and medical clinics dominate the commercial market with a typical floor plate of 50sqm to 150sqm. There is currently a limited amount of new stock on the market;
- Older office premises and laneway office space tends to be vacant for longer periods oppose to space located in the retail core areas (Knox, Cross and Bay Street). Discussions with local leasing agents indicated that landowners are willing to negotiate slightly lower market rents in order to secure a tenant. Agents revealed that tenants are requesting space that has good road exposure, pedestrian footfall and accessibility to car parking;
- There is a moderate level of demand for commercial space now and in the immediate future, however sale prices and rents need to be realistic for the buyer or tenant, otherwise the space may remain vacant for some time;
- There has been increased demand for serviced offices such as Edge Offices, 377 Old New South Head Road. Agents have also reported an increased level of enquiries for larger floor plates of 200-300sqm by fashion, medical and professional service providers; and
- Commercial office space will typically sell within the range of \$10,000/sqm to \$15,000/sqm in a prime location (i.e. street exposure) and \$7,000/sqm to \$10,000/sqm in a secondary location (i.e. low pedestrian traffic or first floor).

3.5 Retail Market Evidence Findings

- Double Bay has traditionally been considered an established retail Centre owing to the wider catchment of shoppers it has attracted to its specialty in high fashion, café, restaurant and lounge bar scene;
- Agents indicated that retail premises located in Bay Street, Cross Street and Knox Street are the better performing streets for retail due to high footfall and good exposure. Retail premises located along New South Head Road have a slightly lower demand which can make it difficult to lease or sell;
- Conversations with the selling agent for 'Aristocrat', 62A Dover Road, Rose Bay have indicated a sale rate for the retail component of the project of approximately \$16,000/sqm of NSA; and
- Retail space in a prime location will typically sell within the range of \$25,000- \$30,000/sqm (Knox, Cross and Bay Streets) and secondary retail along New Head South Road could achieve approximately \$20,000/sqm.

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