

CROWN VALUATION SERVICES

FINAL REPORT

BASE DATE 1st July 2015

DISTRICT OF Lane Cove (085)

NORTH HARBOUR CONTRACT AREA

26th October 2015

EXECUTIVE SUMMARY

LGA Overview:

Lane Cove local government area.

The Lane Cove local Government area is located approximately 9 kilometres north of the Sydney Central Business District. Lane Cove Council area is bounded by Mowbray Road and the Willoughby LGA to the north, the Pacific Highway and the North Sydney Council area to the east and the Lane Cove River to the south and west.

Number of properties valued this year and the total land value in dollars

The local government area comprises residential, commercial, industrial, infrastructure, environmental and public recreation zones. There were 7,855 properties valued at the base date of 1 July 2015, and valuations are reflective of the property market at that time.

In general the property market within the LGA continues to remain strong particularly the residential market in which there has been significant increases in market values.

Residential zoned land comprises approximately 91% of the entries in the LGA. There has been strong increases in value levels throughout the residential components. Density sites continue to show good gains. The levels of value determined are based on analysis of the available market evidence. Sales in close proximity to the base date have been preferred.

Business zoned land comprises approximately 3.2% of the entries in the LGA. Generally value levels have remained constant with any large value increases the result of development sites with a strong residential component. The levels of value determined are based on analysis of the available market evidence.

Industrial zoned land comprises approximately 1.1% of the entries in the LGA. Industrial values remain constant without showing any significant increase in their value. The levels of value determined are based on analysis of the available market evidence.

Valuation changes in the local government area and percentage changes between the council valuation year of 1 July 2013 and the land tax valuation years of 1 July 2014 and 1 July 2015 are as follows:

PROPERTIES VALUED AND TOTAL LAND VALUE

ZONE	ZONE CODE	ENTRIES	2015 TOTAL LV	PRIOR ANNUAL VALUATION (2014)	% CHANGE	PRIOR LGA VALUATION 2013	% CHANGE
RESIDENTIAL	R2,R3,R4,E4,Z	7,239	\$9,875,732,690	\$8,351,081,960	18.26%	\$7,563,458,330	30.57%
COMMERCIAL	B1,B2,B3,B4	255	\$563,766,790	\$449,767,790	25.35%	\$439,467,660	28.28%
INDUSTRIAL	IN2,IN4	86	\$279,586,070	\$257,480,250	8.59%	\$240,975,250	16.02%
INFRASTRUCTURE	SP2	11	\$114,143,800	\$109,576,500	4.17%	\$109,006,500	4.71%
ENVIRONMENTAL	E2	133	\$47,389,940	\$47,389,940	0.00%	\$47,389,940	0.00%
PUBLIC RECREATION	RE1	129	\$68,661,210	\$67,626,110	1.53%	\$66,785,110	2.81%
TOTAL		7,855	\$10,951,305,500	\$9,282,922,550	+17.97%	\$8,467,082,790	+29.34%

State and local government legislation for Lane Cove LGA:

Lane Cove Local Environmental Plan (LEP) 2009 is now the principle planning document for Lane Cove. The LEP was gazetted on 19 February 2010 and aims to preserve and where appropriate improve the existing character and environmental quality of the land to which it applies in accordance with the indicated expectations of the community, and to integrate previous planning controls in one comprehensive document. Council's LEP is a guide for development over the next 25 years in line with the NSW Department of Planning's Metropolitan Strategy for Sydney.

Details of these plans as well as any amendments to them have been sourced from Lane Cove Council and the NSW Legislation websites.

Market overview and sales of particular interest:

Crown Valuation Service has undertaken significant analysis of the Lane Cove LGA property market to provide an accurate and reliable basis of valuation. 177 number of sales have been analysed to enable the establishment and verification of land values as at 1 July 2015. These analysed sales also support the grading across components. Analysed sales reports are provided to Land and Property Information on a consistent basis throughout the year.

The added value of improvements are also analysed to enable the accurate deduction of land values. CVS undertakes this process using the paired sales approach and the replacement cost approach. In analysing sales before or after 1 July it is necessary to adjust the contract price in terms of market movement. In the Lane Cove LGA district this year sales and resales of properties indicated strong increase in values throughout the year.

Residential zoned land comprises approximately 91% of the entries in the LGA. There has been strong increases in value levels throughout the residential localities. Density sites, in the R4 zone in particular, continue to show good gains as well. The increase in residential values is a reflection of the residential market generally and strong market conditions; there have been increases in sale prices, strong clearance rates and buoyant market conditions in general.

The sale of 17 residential sites zoned R4 in Birdwood Avenue and Finlayson Street Lane Cove in April 2015 for redevelopment is of interest; when the last of the sales are settled this site will be redeveloped for up to 245 units and will show an analysed rate per unit in the order of \$160,000.

For business zoned land there were limited sales available for analysis in 2015. Overall the market has demonstrated a good demand for properties with sound fundamentals. Business zoned properties with residential potential, such as those in B4 zones, have shown increases in values in 2015. Of particular interest is the sale of the B4 zoned 472–486 Pacific Highway St. Leonards for redevelopment into retail and commercial space with some 570 residential units. The sale price of the site is reported to be \$121m with construction said to cost \$239,800,000.

Industrial analysis sales of within the municipality have shown a steady market with stock limited that is keeping pace with demand. Changes to land values have been based on sales evidence and general market conditions.

Significant issues and developments

St Leonards South Masterplan:

In July 2012, Lane Cove Council resolved to undertake a master planning process for the St Leonards South precinct, in conjunction with the community, to consider planning parameters for the area. The result was the release in December 2014 of the Draft St Leonards South Masterplan which was then open for public comment. The area that is part of the masterplan is bounded by The Pacific Highway, Greenwich Road, River Road and Canberra Avenue.

The preferred option under the Draft plan is for concentrated high density residential in the area closest to St Leonard's railway station – Berry Road, River Road, Canberra Avenue and Marshall Avenue. The area is presently characterised by single residential dwelling types - under the high density concentrated scenario the draft plan indicates some 1,780 residential units could be approved in this area. At the current date the masterplan awaits approval.

Rosenthal Redevelopment:

The redevelopment of the current council owned Rosenthal Avenue carpark site has been approved. The site has an area of 6,548m² and is zoned B4 – Mixed Use. The proposal will be for underground parking for up to 500 vehicles along with 5,400m² of underground retail m space (for two tenancies) and 6,750m² of public open space above. *The project will provide anchor tenants at the northern end of the village, cementing Lane Cove as a comprehensive weekly shopping destination. By integrating this with the public open space with links to retail areas to the south and east, the site will have something for the whole community.* Construction of the project is planned to commence in January 2017. (Per Lane Cove Council website).

Significant value changes

The most significant changes have been in values on amalgamated sites, with the strongest market for redevelopment sites. The instances where amalgamated sites obtain greater development possibilities has correspondingly shown the greatest increase in value. Recent rezoning to allow higher density development along the Pacific Highway at St Leonards station has resulted in significant value changes for the affected properties.

Summary of valuation changes to residential land:

Changes since previous General Valuation (2013) and since previous valuation year (2014)

Growth has been evident in most residential locations of the market since the last general valuation in 2013. Within the single residential components the values have increased in total by approximately 35% from 2013 up until the current 2015 Base Date. Since 2014 residential value increases have reflected the strength of the market for properties that are serviced by established infrastructure and are well located to the North Sydney and Sydney CBD's with increases typically between 16% and 23%. Sales volumes of single residential dwellings have remained constant in the last twelve months in comparison the preceding 12mths it appears that vendor expectations are currently been met.

Density sites LGA have shown considerable growth. Traditional property fundamentals remain the same in terms of a desirable site, but as social and economic parameters expand so does the need for extra housing within the LGA. The market across Sydney has shown values have risen relative to a sites potential, with the discounting for larger sites no longer a concern with developers. Such is the strength of this market, the risk of larger developments is now not as great as it may have been in previous times particularly when pre sales of a future development are often at 100%. Value movements have been based on market evidence.

Summary of valuation changes to commercial land:

Changes since previous General Valuation (2013) and since previous valuation year (2014)

Limited growth in the market has been evident in most business locations since the last general valuation in 2013 the exception being the land in B4 – Mixed Use locations. Within the B1, B2, B3 and B4 lands the values have increased in total by between 28% from 2013 up until the current 2015 Base Date. Since 2014 the B1, B2, B3 and B4 zoned properties experienced overall increases of 25%.

The B4 zoned sites are where the majority of increases have occurred. This has become particularly evident in the last 12months. The residential component of a mixed use zone continues to be the catalyst for high value growth. The 2015 rezoning to B4 of four sites along the Pacific Highway have resulted in significant value increases with factors of up to 4.29 applied for the 2015 base date.

Summary of valuation changes to industrial land

Changes since previous General Valuation (2013) and since previous valuation year (2014)

There have been a limited number of industrial sales in the Lane Cove West industrial area. The market in this location has been reasonably steady with the sales contracted showing values have increased moderately. Since the last general valuation in 2013 values have increased by 16% to 2015 and 8.5% since the last valuations in 2014. The Lane Cove industrial area is located between the larger industrial markets in Macquarie Park and Artarmon with developments mostly comprising modern office/warehouse developments and some older factory buildings.

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DISCLAIMER: Purpose of this Report

The purpose of this report is to describe the process and considerations for the 1 July 2015 Valuation of Lane Cove LGA. The report has been produced on behalf of the Valuer General.

The land values have been specifically made for rating and taxing purposes. Land values produced as part of this process should not be used for any other purpose without the specific agreement of the Valuer General.

Land values must have regard to specific requirements and assumptions in rating and taxing legislation. Consequently these valuations may vary from market levels.

The land values have been determined using a methodology prescribed by the Rating and Taxing Valuation Procedures Manual. The manual allows mass valuation methodologies that involve assessing large numbers of properties as a group to be utilised where appropriate. Mass valuation methodologies are by their nature likely to be less accurate than individually assessed valuations, however are utilised worldwide for rating and taxing purposes to deliver valuations within an acceptable market range.

Town planning, land use and other market information contained in this report has been compiled based on enquires undertaken during the valuation process. Third parties should make their own inquiries into these details and should not rely on the contents of this report.

The Valuer General disclaims any liability to any person who acts or omits to act on the basis of the information contained in this report.

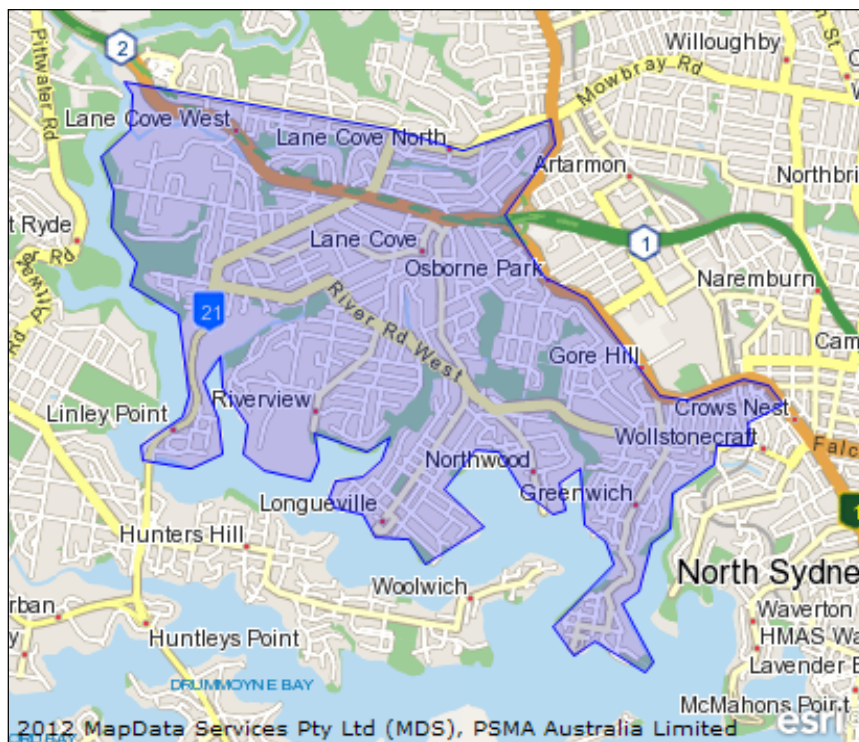
More information on the valuation process is available from the Land and Property Information website at www.lpi.nsw.gov.au/valuation

LGA OVERVIEW:

Location of the district

The Lane Cove local Government area is located approximately 9 kilometres north of the Sydney Central Business District in what is often referred to as the lower north shore. Lane Cove Council is just over 10 square kilometres in area and is bounded by Mowbray Road and the Willoughby LGA to the north, the Pacific Highway and the North Sydney Council area to the east and the Lane Cove River to the south and west. The Lane Cove Council area is served by the Pacific Highway and the Lane Cove Tunnel. Significant parklands, reserves and bushland are located along the waterways and foreshores of the Lane Cove River and its tributaries.

Major features of the Council area include the Lane Cove River, Carisbrook House, Saint Ignatius' College, Greenwich Hospital, Lane Cove Plaza, Lane Cove Market Square, Lane Cove Aquatic Centre, Greenwich Baths, Lane Cove Golf Course, Blackman Park, Gore Creek Reserve and Lane Cove Bushland Park.



Location map showing Lane Cove LGA

Principal Towns

The municipality consists of the following localities: Lane Cove, Linley Point, Lane Cove West, Lane Cove North, Riverview, Longueville, Greenwich, Northwood and St. Leonard's.

Main Industry

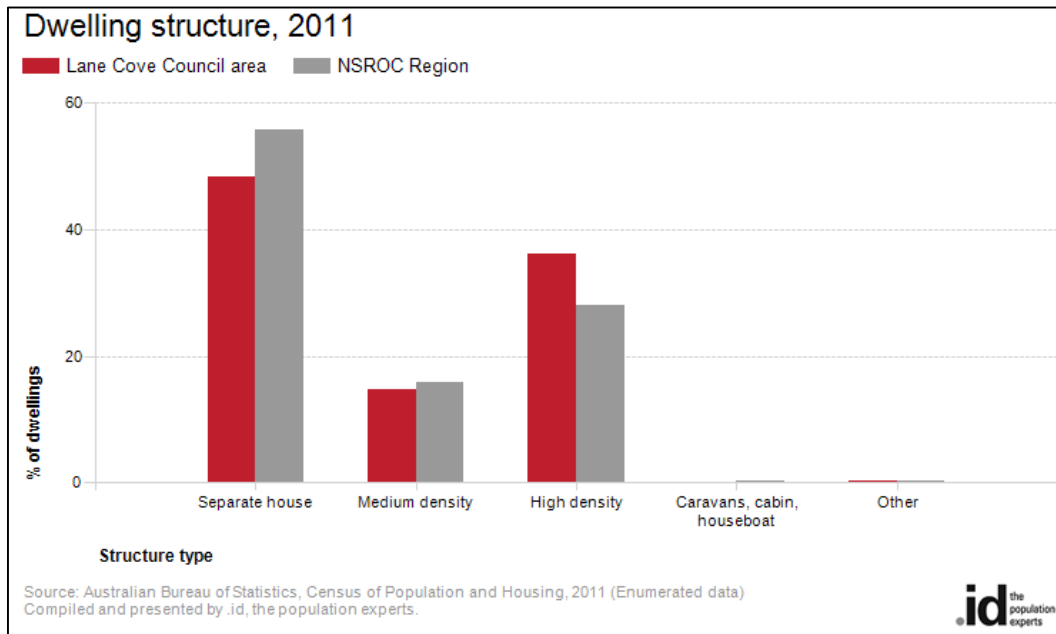
The population of Lane Cove Council area is characterised by a skilled and educated population working in service industries such as education, health and community services, finance, insurance and business services in the commercial office areas of St Leonards, Greenwich and Lane Cove. The Lane Cove West industrial area provides warehousing and office industries with the main retail area around the Plaza at Lane Cove providing employment in retail.

Significant Retail Centres

The Lane Cove Plaza is the LGA’s significant retail area and is located along Burns Bay Road and Longueville Roads at Lane Cove. Smaller retail strips can be found along the Pacific Highway at St Leonards and on Burns Bay Road at Lane Cove West.

Type of Residential Development

Lane Cove LGA is predominantly a residential area comprising single dwelling houses and residential units in the main. As at the 2011 Census, there were 5,917 separate dwellings (50%), 708 semi-detached dwellings and townhouses (6.0%), 5,183 flats and units (43.7%) and 34 other dwellings (0.3%). When compared to the 2006 Census it can be seen that the number of separate dwellings is reducing and medium density housing increasing.



According to the 2011 Census, 36.3% of all dwellings were fully owned, 31.9% were being purchased and 39.3% of all dwellings were being rented. The statistics highlight the steady decline in single dwelling occupation and the trend to medium and higher density dwelling types. It is anticipated that the number of medium and high density dwellings currently under construction, particularly in the emerging unit areas of Lane Cove North and Lane Cove West will further highlight the decline in single residential dwelling occupation. Corresponding with the change in dwelling type, the population, which was relatively stable between 2001 and 2006, has increased rising to about 31,500 in 2011.

STATE and LOCAL GOVERNMENT LEGISLATION:

The State Government’s planning reforms which include the Standard Instrument, Local Environmental Plans (LEPs) Order 2006 (Standard Instrument) introduced in 2006 requires Local Councils to introduce standardised planning instruments. The Standard Instrument is the state wide template for LEPs which all Councils must use to prepare a new LEP.

Lane Cove Local Environmental Plan (LEP) 2009 is now the principle planning document for Lane Cove. The LEP was gazetted on 19 February 2010 and aims to preserve and where appropriate improve the existing character and environmental quality of the land to which it applies in accordance with the indicated expectations of the community, and to integrate previous planning controls in one comprehensive document.

Council's LEP is a guide for development over the next 25 years in line with the NSW Department of Planning's Metropolitan Strategy for Sydney.

(1) – Lane Cove Local Environment Plan 2009:

The Zones specified under LEP 2009 are:

Residential Zones:

- R2 - Low Density Residential
- R3 - Medium Density Residential
- R4 - High Density Residential

Business Zones:

- B1 - Neighbourhood Centre
- B2 - Local Centre
- B3 – Commercial Core
- B4 - Mixed Use

Industrial Zones:

- IN2 -Light Industrial
- IN4 – Working Waterways

Special Purposes Zones

- SP2 - Infrastructure

Public Recreation

- RE1 – Public Recreation

Environment Protection Zones

- E2 – Environmental Conservation
- E4 – Environmental Living

The LEP is supported by a Development Control Plan by providing detailed development controls such as landscaped area, car spaces and building scale. The DCP came into force on 22 February 2010, with the most recent amendments coming into force on 9 December 2011. (Amendment 2). The DCP is in twenty two parts including attachments and each part can be viewed online separately.

Development controls include:

Zone	Requirement
R2	Minimum lot sizes: Ad detailed on Lot size maps 1 – 4, generally for single dwelling: 550 square metres Minimum street frontage to be 15 metres Minimum carriageway for a battleaxe lot is 3.0 metres Floor space ratio: Generally varies from 0.5 to 0.7:1 Maximum building height: 9.5 metres Landscaping: minimum of 35% Setback : minimum of 7.5 metres from street
Zone	Requirement
R3	Minimum site area: 1,000m2 Minimum street frontage: 20 metres Maximum of 1 storey for a villa and 2 storeys for a townhouse (R3 zone). If located west of Girraween Street: The minimum site area for townhouse and villa development is to be 750m2, and The minimum site width at the front building line is to be 17m.

	An average site area of 250m ² per attached dwelling including common area is required. Floor space ratio: Generally varies from 0.5 to 0.7:1 Landscaping: Minimum of 35% Setback : minimum of 6.0 metres from street
Zone	Requirement
R4	Minimum site area: 1,500m ² Setbacks : minimum of 7.5 metres from street, To the boundary within the R4 zone, the minimum side and rear setback shall be: 6m up to 4 storeys 9m for 5-8 storeys 12m for 9 storeys and above. To the boundary shared with R2 and R3 zones the minimum set back will be 9m if habitable rooms/balconies orient this side. Floor space ratios: Vary from 0.8 to 4.1:1 Minimum size of a studio dwelling is 40m ² . Landscaping: Minimum of 25% Block Plan developments are based on locality plans with separate development criteria.
Zone	Requirement
B1	Floor space ratio – as per FSR maps but generally 1:1 Maximum building height: 9.5 metres Setback : 0.0m or 2.0m maximum on ground floor for suitable use maximum of 2 metres from street
Zone	Requirement
B2	Floor space ratio: mostly 2:1, except 1A Epping Rd – 1.5:1 Land in Area 2 – shop top housing 2.5:1 FSR. Maximum building height: 9.5 metres, 48 Longueville Road being 21 metres.
Zone	Requirement
B3	FSR and Height Controls apply – see relevant maps - FSR controls were reviewed for the St Leonards commercial core – FSR controls range from to 2:1 17.0:1 to 12.0:1 FSR
Zone	Requirement
B4	FSR and Height Controls apply – see relevant maps Building separation controls are as defined in SEPP 65:
Zone	Requirement
IN2, IN4	Floor space ratio 1:1 Landscaping – overall not less than 30% of the site, Setback - 8m minimum building setback to front boundary Special Industrial Areas: Locality plans cover the special industrial areas of Chaplin Drive and Sirius Road at Lane Cove. Setbacks from open space, a limit of gross floor area are tabled in the DCP.

Details of these plans as well as any amendments to them are sourced from Lane Cove Council and New South Wales Government NSW legislation site.

Joint Regional Planning Panels:

As a result of the removal of Part 3A of the Environmental Planning and Assessment Act, the newly elected government implemented the Joint Regional Planning Panels.

“The *Environmental Planning and Assessment Amendment (Part 3A Repeal) Act 2011* (the Repeal Act) commenced on 1 October 2011. New classes of regional development are now set out in Schedule 4A of the *Environmental Planning and Assessment Act 1979* (the Act). This schedule replaces the former classes of regional development set out in Part 3 of State Environmental Planning Policy (Major Development) 2005 (MD SEPP).”

Types of development that regional panels determine:

“From 1 October 2011, as part of the government's reform of the NSW planning system, the regional panels will no longer determine:

- development applications (DAs) for some designated development
- DAs for smaller coastal subdivisions and other coastal development
- DAs lodged from 1 October 2011 for residential subdivisions of more than 250 lots
- DAs lodged from 1 October 2011 for 'general development' with a capital investment value (CIV) of between \$10 million and \$20 million.

The regional panels will now determine the following new classes of regional development:

- development with a CIV over \$20 million
- development with a CIV over \$5 million which is
 - council related
 - lodged by or on behalf of the Crown (State of NSW)
 - private infrastructure and community facilities or
 - eco-tourist facilities
- extractive industries, waste facilities and marinas that are designated development
- certain coastal subdivisions
- development with a CIV between \$10 million and \$20 million which are referred to the regional panel by the applicant after 120 days
- Crown development applications (with a CIV under \$5 million) referred to the regional panel by the applicant or local council after 70 days from lodgement as undetermined, including where recommended conditions are in dispute.”

The table below highlights the structural format on how the new JRPP currently operates.



MARKET OVERVIEW and SALES OF PARTICULAR INTEREST:

Residential Market 2015:

Single dwelling residential:

The Lane Cove LGA is predominantly a residential area comprising single dwelling houses and residential units in the main. While the single dwellings are located throughout the LGA, residential unit developments are in general located more closely to the commercial areas and transport routes in Lane Cove. The southern border of the LGA fronts the Lane Cove River and residential lands adjacent often enjoy good water and often CBD skyline views.

Supporting these developments is Lane Coves access to good public transport and close proximity to the established commercial and retail centres of Chatswood, St. Leonards, North Sydney, Macquarie Park and the Sydney Central Business District.

The Maurici matter has emphasised the need to consider a broader range of evidence (including improved sales) in arriving at the land value and has led to the general principle of using a broader range of sales to establish land value. It is relevant to Lane Cove as due to the lack of vacant land, improved sales are sometimes redeveloped but there may be similar sales where the improvements are retained and seen to add considerable value. To determine a defensible Land Value it is necessary to allow for the added value of the improvements.

This has undoubtedly been one of the most spectacular booms in Sydney's real estate history. Further interest rate cuts earlier this year extended the boom, along with strong demand from investors and a shortage of stock that resulted in auction clearance rates peaking at 89% in May (although at the writing of this report this rate has softened). On June 30 2013, Sydney's median house price was \$662,500 and it had risen 6.3% over the year. Over the next 12 months we saw another 16.2% rise and a further 17.8% gain by June 30 2015. By September 2015, Sydney's median house price was \$900,000.

The residential markets in Lane Cove have seen good but moderate growth with vendor expectations appearing to have been continually met. Increases here have been less dramatic than other locations that are coming off a low value base. Much of the large prices rise in this market were of first home and low end investment property whereas the Lane Cove market is predominantly an established prestige residential market.

Examples of vacant land/site sales in the Lane Cove LGA:

Address	Site Area	Sale Date	Sale Price
Birriwa Place, Northwood	1,271m ²	February 2014	\$3,200,000
Innes Road, Greenwich	1,290m ²	April 2014	\$1,923,700
The Avenue, Linley Point	594m ²	December 2014	\$2,300,000
Portview Street, Greenwich	435m ²	September 2014	\$2,088,000
Haughton Street, Linley Point	797m ²	October 2014	\$3,000,000

Medium and High Density Residential:

There have been a number of factors coming together to cause the large rise in demand for residential unit development sites in the Sydney area. With continued low interest rates and an undersupply of residential units the parameters are set to see a continued surge in residential development activity which in more recent times has been facilitated even further by the influx of overseas investors.

With the rezoning of land under LEP 2009 to permit medium and high density development, Lane Cove has seen interest emerge in unit development sites with a noted increase in the sale of development sites over previous years. A change in the composition of housing types can be seen in that the number of separate dwellings are reducing and medium/high density housing numbers increasing with a corresponding increase in population.

Lane Cove is experiencing a surge in unit developments at present particularly in Lane Cove North – in the area bounded by Mowbray Road, Centennial Avenue and Gordon Crescent, in Lane Cove West – along Burns Bay Road, with water views available to the Lane Cove River and in Lane Cove - along Birdwood Avenue and Finlayson Street. As well, as detailed later in this report, significant high rise developments are being considered in the St Leonards South precinct.

Along the Pacific Highway at St Leonard’s several sites previously zoned B3 – Commercial Core have been rezoned to B4 – Mixed Use which will permit residential unit development further adding to development stock. Sites already zoned B4-Mixed Use are also seeing interest from developers. The largest of these sites is in Marshall Avenue at St Leonard’s where 21 former residential properties were acquired progressively since 2010 are now undergoing redevelopment with high rise residential. The former Shell service station site at 150 Epping Road Lane Cove has DA approval to allow a residential high rise development for some 440 units which will have an effect on unit supply in the locality.

It is noted that the initial sales of properties for site amalgamation, when compared to the resale of an amalgamated site with approval can show a large increase. This increase captures the added value of profit & risk, professional fees, legal fees, government fees & charges and the cost of finance. Further, site sales for amalgamated density developments are not applicable to single holdings of residential land as the surrounding properties may not meet all the criteria required for there to be a higher development potential.

Sample of unit site sales in the Lane Cove LGA include:

Address	Site Area	Sale Date	Sale Price
Mowbray Road, Lane Cove North	3,146m2	Mar/Apr 2015	\$9,220,000
Longueville Road, Lane Cove	2,033m2	January 2015	\$4,620,000
Mafeking Ave, Lane Cove	1,997m2	Jun 2014	\$6,600,000
Gordon Crescent, Lane Cove North	1,979m2	November 2014	\$6,100,000
Gordon Crescent, Lane Cove North	3,852m2	September 2014	\$10,105,000
Birdwood Avenue, Lane Cove	1,246m2	September 2014	\$4,200,000

COMMERCIAL/MIXED USE MARKET:

The major commercial/retail centres in Lane Cove LGA are strip retail along Longueville Rd and Burns Bay Rd with the commercial precincts located primarily in St Leonards and in particular the Pacific Highway.

The marketplace is experiencing reduced levels of property transactions for the valuation year, with a noticeable reduction in volume across all commercial markets. Available foreign investment capital has put pressure on yields. Vacancies have declined in most metropolitan commercial markets reflecting demand and reduced supply particularly with many sites being developed for residential or mixed use purposes.

The Lane Cove Shopping Centre is the main retail market in the Lane Cove LGA. The “Market Square” development by Woolworths has seen increased pedestrian flow and a strengthening of the plaza retail area. The development is located between Lane Cove’s Austin Street and the Lane Cove Plaza and comprises a Woolworth’s supermarket, car park, library extension, specialty shops, and residential units.

Value levels have remained steady within the Lane Cove Shopping Centre with very limited numbers of transactions in the preceding 12 months. Regrading of values along parts of Longueville Road has taken place as the retail strength has moved more toward the Plaza area.

ST LEONARDS:

The St Leonards/Crows Nest/Greenwich office market comprises of approximately 355,305 square metres of office space as at July 2014. This office market has in recent years underperformed in comparison to other non-CBD markets but now shows signs of steady improvement. The office market within St Leonards/Crow’s Nest area has a vacancy factor of 11.2% at July 2015 - down from 11.6% in 2014, 13.8% in 2013 and up from 10.7% in January 2012.

The St Leonards/Crows Nest office market remains attractive to budget conscious tenants looking for local amenity and transportation access and is priced accordingly when compared to other metropolitan markets as the table from Colliers Research below indicates:

COLLIERS INTERNATIONAL RESEARCH FORECASTS						
SYDNEY METROPOLITAN A GRADE OFFICE MARKET						
MARKET	AVERAGE NET FACE RENTS (\$/m ² pa)		AVERAGE INCENTIVES		AVERAGE MARKET YIELD	
REGION	H1 2015	H2 2015	H1 2015	H2 2015	H1 2015	H2 2015
North Sydney	\$600	↑	28%	↓	6.63%	↓
St Leonards/ Crows Nest	\$455	↔	28%	↔	7.75%	↓
Chatswood	\$455	↔	25%	↔	8.25%	↓
North Ryde/ Macquarie Park	\$332.5	↔	28%	↔	7.63%	↔
Parramatta	\$445	↔	18%	↔	7.63%	↓
Sydney Olympic Park/Homebush Bay	\$405	↔	20%	↔	7.63%	↔
Rhodes	\$380	↔	28%	↔	7.75%	↔
Norwest	\$355	↔	23%	↔	9.13%	↔
South Sydney	\$375	↑	23%	↓	7.25%	↔
Sydney CBD Fringe	\$545	↑	22%	↓	7%	↓

Note: Figures represent market averages at 1 July 2015
 Figures relate to existing A Grade floorspace, not newly built floorspace
 Source: Colliers Edge

The re-development of five sites at 86-90 Christie Street that sold in 2009 has yet to be commenced. This key site, adjacent to St. Leonard’s railway station, has approval by Planning NSW that will provide 28,500m2 of office space. Re-development has been uncertain - the property being offered to market for sale late 2012 and then subsequently withdrawn. The redevelopment of the site may be the impetus for further redevelopment of this commercial area.

Other development within the 2014/15 period include significant new office space coming on-line on the Gore Hill Technology Park site. The Gore Hill Technology Park is a staged development which will provide a steady volume of office accommodation over the next few years with the first stages of the development being delivered to the market.

Major site sales:

The most activity in the commercial market is for B4 Mixed Use sites where there has been several major transactions in the last 12months. Rezoning’s in 2015 along the Pacific Highway have seen commercial zoned land being rezoned to B4 which will allow mixed use development. The current market is favouring residential unit development and the continuing inflow of capital from China has seen 500-520 Pacific Highway sell for

\$150m with a potential yield of some 500 apartments. The adjoining land at 472-486 Pacific Highway has also been rezoned to B4 and has a reported sale of \$121m. The effect of the rezoning will see a reduction in commercial office space in this locality.

Overall, the general state of the market has resulted in limited numbers of transactions of commercial sites in the preceding 12 months.

INDUSTRIAL MARKET:

The major industrial areas within the North Shore Industrial precinct are located in Lane Cove West, Chatswood, Artarmon, North Ryde and Macquarie Park. These industrial precincts have easy access to core markets as well as being well located close to the major commercial centres from North Sydney to Hornsby as well as being well located close to North Ryde and Macquarie Park. There is a distinct lack of warehousing type facilities with any new development being office orientated. The Lower North Shore Industrial Market has seen an increase of more commercial orientated developments which has led to competition pressures within this class of land use.

The majority of industrial lands in the Lane Cove LGA are located within the Lane Cove West Business Park. Lane Cove West Business Park is located adjacent to Epping Road and the M2 Orbital road network with good access to North Ryde / Macquarie Park, Chatswood and North Sydney. The remaining industrial lands are within the Shell oil terminal at Greenwich.

The Lane Cove Industrial Area predominant use is industrial park type development incorporating large modern industrial premises, smaller industrial unit complexes and hi-tech industrial estates with high proportions of office space. The industrial precinct has easy access to its core markets as well as been well located close to North Ryde and Macquarie Park where there is now a distinct lack of warehousing type facilities with any new development being office orientated.

The surrounding success of nearby industrial areas such as Artarmon has also led inadvertently to the strengthening of Lane Cove. Along with the price of industrial land in Artarmon which has made development with larger industrial floor spaces prohibitive, the general smaller parcels of land has led developers to Lane Cove where in general land sizes are larger and the cost of land is not as great as that of Artarmon. Land in Lane Cove industrial area also has greater variations in topography particularly in the west of the area.

Savills Research in 2015 indicated the relativity of land values across Sydney industrial markets:

Precinct	3,000 – 5,000 sq m	10,000 – 20,000 sq m	10ha +
South Sydney	500-750	450-600	na
South West Sydney	325-375	275-325	275-325
Outer South West Sydney	275-325	200-250	200-250
Central West Sydney	500-600	400-450	400-450
Western Sydney	350-400	275-325	275-325
North West Sydney	325-375	250-325	250-325
North Shore	600-700	400-600	na

Source: Savills Research -note: the above rates reflect benched and serviced land values.

Savills have identified key indicators for rents and yields to be:

North Shore	Prime		Secondary	
	Low	High	Low	High
Rental Net Face (\$/sq m)	135	190	105	130
Yield – (% Net Face Rental)	8.00	9.00	9.00	10.00
IRR (%)	9.25	9.50	9.50	10.00
Outgoings – total (\$/sq m)	40	50	40	50
Capital Values (\$/sq m)	1,500	2,452	1,077	1,486

Source: Savills Research

Overall land values have generally remained stable with low levels of transactions occurring. Recent sales include:

- Vacant land sale at 23A Mars Road Lane Cove West in October 2014 for \$2,420,000 for a site of 5,483 square metres. The site has access from a ROW to Mars Road and is also affected by easements for right of way and service reducing the usable area of the site. The sale indicates \$625/m² of usable land area.
- An improved sale at 2 Sirius Road at Lane Cove West in June 2015 for \$3,850,000 of a four storey office warehouse building on a site of 2,063 square metres. After allowing for the added value of the improvements the sale indicates \$660/m² of land area.

SIGNIFICANT ISSUES AND DEVELOPMENTS:

Significant developments within the LGA:

Below are some of the most significant development applications or proposals within Lane Cove:

St Leonards South Masterplan:

In July 2012, Lane Cove Council resolved to undertake a master planning process for the St Leonards South precinct, in conjunction with the community, to consider planning parameters for the area. The result was the release in December 2014 of the Draft St Leonards South Masterplan which was then open for public comment. The area that is part of the masterplan is bounded by The Pacific Highway, Greenwich Road, River Road and Canberra Avenue.

The preferred option under the Draft plan is for concentrated high density residential in the area closest to St Leonard's railway station – Berry Road, River Road, Canberra Avenue and Marshall Avenue. The area is presently characterised by single residential dwelling types - under the high density concentrated scenario the draft plan indicates some 1,780 residential units could be approved in this area. At the current date the plan awaits approval but already in this location there are reported sales over two sites that comprise an amalgamation of adjoining residential blocks sold for redevelopment.

Rosenthal Redevelopment:

The redevelopment of the current council owned Rosenthal Avenue carpark site has been approved. The site has an area of 6,548m² and is zoned B4 – Mixed Use. The proposal will be for underground parking for up to 500 vehicles along with 5,400m² of underground retail m space (for two tenancies) and 6,750m² of public open space above. *The project will provide anchor tenants at the northern end of the village, cementing Lane Cove as a comprehensive weekly shopping destination. By integrating this with the public open space with links to retail*

areas to the south and east, the site will have something for the whole community. Construction of the project is planned to commence in January 2017. It is noted that the proposal represents an under development of the sites potential – being a B4 Mixed Use site, residential development is permitted with commercial use.

Pacific Highway Re-zonings:

The properties at 472-504 Pacific Highway were rezoned in 2015 from B3 Commercial Core to B4 Mixed Use. A DA was lodged over properties at 472-486 Pacific Highway for retail and commercial space with some 570 residential units with construction said to cost \$239,800,000.

Birdwood Avenue Lane Cove:

Seventeen residential properties at 2-22 Birdwood Avenue and 11-15 Finlayson Street, Lane Cove have been marketed as a major redevelopment site with approval granted for a maximum of 245 residential units to be housed in four residential flat buildings.

150 Epping Road Lane Cove:

Construction has commenced on a tower of up to 25 storeys at 150 Epping Rd, Lane Cove. The mixed use development comprising a total of 35,066m2 GFA has an estimated value of \$150 million. Approval allowed for the demolition of all structures, remediation of land and redevelopment of the existing Shell service station site with approx. 400 apartments, retail, commercial and community space as well as rehabilitation of 1.35Ha of bushland.

27 – 43 Little Street Lane Cove

Demolition of 9 buildings and the erection of 94 dwellings in three residential flat buildings with basement parking for 156 cars was approved by the Joint Regional Planning Panel by letter dated 31/8/2015.

Development Applications – NSROC area:

The NSROC Region's building approvals are used as a leading indicator of the general level of residential development, economic activity, employment and investment. Residential building activity depends on many factors that vary with the state of the economy including interest rates, availability of mortgage funds, government spending, and business investment. Large financial changes or shocks, such as the Global Financial Crisis of 2008/09 can be observed in the data. However, the number of building approvals can fluctuate substantially from year to year simply as a result of the short-term nature of many construction projects, and the cyclical nature of the industry.

The table below demonstrates the major building activity to be in the construction of residential units:

Residential building approvals							export	reset
NSROC Region								
Year (ending June 30)	Number			Annual change				
	Houses	Other	Total	Houses	Other	Total		
2014-15	433	2,943	3,376	-223	-2,508	-2,731		
2014-15	433	2,943	3,376	+12	-1,589	-1,577		
2014-15	778	4,493	5,271	+122	-958	-836		
2014-15	778	4,493	5,271	+357	-39	+318		
2013-14	421	4,532	4,953	-195	+1,928	+1,733		
2013-14	421	4,532	4,953	+14	+2,249	+2,263		
2013-14	656	5,451	6,107	+40	+2,847	+2,887		
2013-14	656	5,451	6,107	+249	+3,168	+3,417		
2012-13	407	2,283	2,690	-238	-217	-455		
2012-13	616	2,604	3,220	-29	+104	+75		
2011-12	645	2,500	3,145	-62	+378	+316		

Source: Australian Bureau of Statistics, Building Approvals, Australia (8731.0). Compiled and presented in profile.id by [id](#), the population experts

SIGNIFICANT VALUE CHANGES:

Significant value changes – from prior to current annual valuation

In broad terms the Sydney wide market has seen unprecedented increases particularly in residential and mixed use markets. Spurred on by current interest rates which sit at their lowest rates since the 1960's, the influx of global money, clearer development pathways with the new and standardised LEP's and the fear of missing out scenario, Sydney's median house price is now hovering close to the \$1mill mark.

On average the Sydney wide median has increase 23% in the 12months prior to this current Base Date with 8.4% of that growth occurring in the last quarter to base date. This type of growth has not been seen since the boom period of the early 1980'S.

Within the Lane Cove LGA there has been strong interest across all levels of single/multi residential dwellings and mixed use development properties. The demand for residential property within the LGA has been widespread and improved markedly over the current valuation year with good levels of supply available. Dwellings and sites with good public and private infrastructure or good development potential and where vendors have realistic expectations were being sold in reasonable time frames at the base date.

Value changes from prior base dates have been consistent with market movement. Within the residential zoned lands the values have increased in total by approximately 30% from 2013 up until the current 2015 Base Date. Since 2014 residential value increases have reflected the strength of the market for properties that are serviced by established infrastructure and are well located to the North Sydney and Sydney CBD's with increases overall of some 18% -and individual areas varying between 16 and 25%. Sales volumes of single residential dwellings have remained reasonably constant over the last twelve months.

Properties within the LGA that have had significant value changes in this current year program reflect recent zoning changes - as is the case with four properties at 472 – 504 Pacific Highway at St Leonards. In this instance values have moved significantly as a result of an increase in development potential; increases for these properties range from 340% – 428%.

Other significant variations in values are the result of handcrafting through verification or value changes that have been brought about by sales analysis. In all cases of significant value movement the property has been flagged as Risk 1 – High Value Change in the annual values upload.

OVERVIEW OF THE QUALITY ASSURANCE PROCESS:

The LPI has been provided with a detailed valuation analysis report, which details the quality assurance process of Crown Valuation Service and outlines that the verification process and certifies that land values meet all statistical measures and component data analysis. In addition, a quality statement and lists of high value and high risk properties is also provided in the valuation analysis report. Checks have been undertaken to ensure that all properties have been valued, land values are consistent with each other, land value bases have been correctly determined and all concessions and allowances have been supplied. Additionally, properties that had land values amended through the objection or re ascertainment process were individually examined to reconcile surrounding land values and ensure accuracy of the grading of surrounding land values. Benchmarks and reference benchmarks are core elements of the quality assurance processes and are identified and individually valued in accordance with the Rating and Taxing Procedures Manual Version 6.5.1. Worksheets have been maintained on all properties where calculations are required. We have also ensured that adjustments and assumptions within the market analysis have been based on market evidence and have been fully documented and rationalised.

Signed:



Mark Everitt

CONTRACT SERVICES MANAGER
NORTH HARBOUR CONTRACT
26th October 2015