

# **FINAL REPORT**

**MUNICIPALITY OF MOSMAN**

**NORTH HARBOUR CONTRACT**

**BASE DATE 1 JULY 2015**

**CROWN VALUATION SERVICES**

**27<sup>th</sup> October 2015**

## Executive Summary

### LGA Overview

Mosman is situated at the eastern end of a peninsular which forms part of the northern shore of Sydney Harbour. The area is surrounded on three sides by water, with Middle Harbour to the north and Sydney Harbour to the east and south. Mosman contains Taronga Zoo and a number of harbour beaches, including Balmoral Beach. It was founded in the 1830s as a whaling station and is now a leafy and prestigious suburb of predominantly residential property. Mosman is approximately 10km by road from the city of Sydney.

Mosman adjoins North Sydney LGA to the west.

It has an area of 8.5km<sup>2</sup> with an estimated 2014 population of 30,276 and a density of 31.73 persons/Ha. Dwelling Type: In the Mosman Council area 63% of the dwellings were medium or high density, compared to 40% in Greater Sydney.

### Number of Properties Valued 2015 and Total Land Value.

Mosman LGA comprises residential, commercial, infrastructure, environmental and public recreation zones. 6,920 properties were valued at the base date of 1 July 2015, and the valuations are reflective of the property market at that time. Previous Notices of Valuation issued to owners were for the base date of 1 July 2014. There was strong demand across the whole residential sector with increases in values up to 17% with greater increases for any property with further residential development potential.

Valuation changes in the Mosman district area between the local government valuation years of 1 July 2014 and 1 July 2015 are the same as the changes to land tax valuation years of 1 July 2014 to 1 July 2015:

<b>Properties Valued &amp; Total Land Value</b>					
<b>Zone</b>	<b>Zone Code</b>	<b>Entries</b>	<b>2014 Total Value</b>	<b>2015 Total Value</b>	<b>% Change</b>
Residential	R2, R3	6,414	11,271,944,358	12,599,895,616	11.8%
Commercial	B1, B2, B6,	306	678,338,658	743,067,144	9.5%
Environmental	E2	20	14,345,300	14,345,300	0.0%
Recreation & Open Space	RE1, RE2	123	81,756,501	82,768,914	1.2%
Special Uses & Infrastructure	SP1, SP2	57	174,782,748	179,829,357	2.9%
<b>Total</b>		<b>6,920</b>	<b>12,221,167,565</b>	<b>13,619,906,331</b>	<b>11.4%</b>

## State and Local Government Legislation for the LGA

The 2012 Mosman Local Environmental Plan (LEP) commenced on the 1<sup>st</sup> February 2012. The plan is based on the standardised Local Environmental Plan prescribed by the New South Wales legislation.

It is the principal legal document for controlling development and guiding planning decisions made by Council to facilitate new development that is compatible and appropriate with the preferred role and character of an area.

In addition to land use zones and development standards, LEPs include other planning provisions which set out additional planning controls or matters to consider to further guide development. For example, heritage provisions are included in LEPs to ensure heritage values are specifically considered and addressed in development assessment.

Mosman's LEP was prepared to be consistent with the Standard Instrument Order and relevant State plans. A number of State Environmental Planning Policies (SEPPs) apply to Mosman, in particular Sydney Regional Environmental Plan (Sydney Harbour Catchment) 2005 .

## Market overview and sales of particular interest

CVS have undertaken significant analysis of the Mosman property market to provide an accurate and reliable basis of valuation. 180 sales have been analysed to support the land values and verification as at 1 July 2015. These analysed sales also support the grading across components.

Analysed sales details 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 from improved sales. Contractors undertake this process using the paired sales approach and the replacement cost approach as set out in the LPI Procedure Manual. In analysing sales before or after 1 July it is necessary to adjust the contract price in terms of market movement.

The Mosman residential market experienced a marked improvement in market sentiment in 2015. Overall, the sale prices have strengthened, auction clearance rates have improved demonstrating a more buoyant market. The Mosman Residential Density Sites and in particular the Mixed Use property has been the focus of the 2015 market, as it has across Sydney.

Generally conditions within the Mosman retail market have improved during the 2015 with improving consumer confidence levels and retail spending. Again the focus and strongest value movement has been for mixed used zoned properties with residential development potential.

## Summary of significant issues and developments

There have not been any significant developments or applications for developments outside of those that are permissible under the current zoning and therefore no special consideration is required.

## Summary of significant value changes

The most significant changes have been in values on amalgamated sites. The strongest sector of the local market has been for redevelopment sites. The instances where amalgamated sites obtain greater development possibilities has correspondingly shown the greatest increase in value.

## Summary of valuation changes to residential land

Changes from last year and changes from previous General Valuation are the same as 2014 was a General Valuation.

Sydney has seen a boom in residential property in the year to the 2015 Base Date. Mosman has been experiencing strong to moderate growth in values though less dramatic than other locations coming off a low base value. Much of the boom was in first home and low end investment property where as Mosman is predominantly a prestige residential market.

As indicated above the focus of the growth in values included residential and business zoned property with further residential development potential. There are limited sites available in Mosman and the high existing prices make site amalgamations difficult.

Overall the residential land increased by approximately 12% however there is great variations reflecting each properties development potential.

## Summary of valuation changes to commercial land

Mosman retail market has improved during the 2015 with strengthening consumer confidence levels and retail spending. Again the focus and strongest value movement has been for properties that are mixed used zoned properties with residential development potential.

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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 Mosman. 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 enquiries 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](http://www.lpi.nsw.gov.au/valuation)

## District Overview

### Location and Characteristics of the District

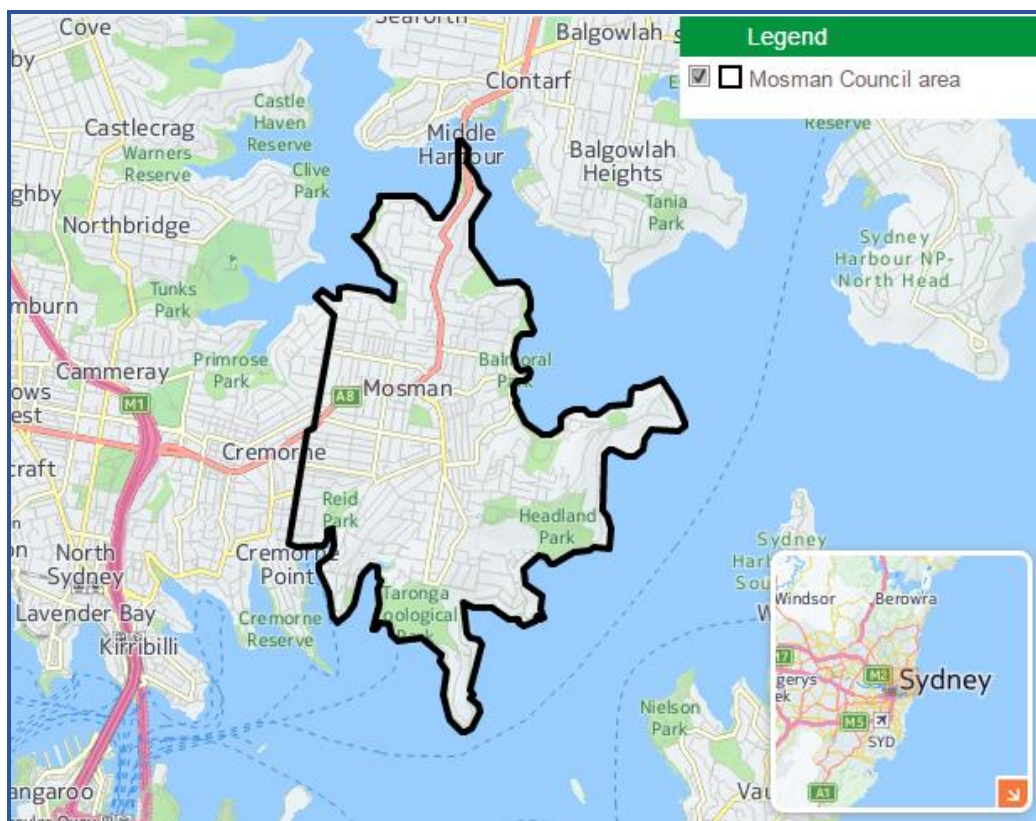
Mosman is situated at the eastern end of a peninsular which forms part of the northern shore of Sydney Harbour. The area is surrounded on three sides by water, with Middle Harbour to the north and Sydney Harbour to the east and south. Mosman contains Taronga Zoo and a number of harbour beaches, including Balmoral Beach. It was founded in the 1830s as a whaling station and is now a leafy and prestigious suburb of predominantly residential property. Mosman is approximately 10km by road from the city of Sydney.

Mosman adjoins North Sydney LGA to the west.

The Mosman retail & commercial district is located mainly along Military Road Mosman. This is predominately strip retail properties, larger regional shopping centres are located outside the LGA.

It has an area of 8.5km<sup>2</sup>, with an estimated 2014 population of 30,276 and a density of 34.99 persons per hectare 31.73 persons/Ha. Dwelling Type: In the Mosman Council area, 63% of the dwellings were medium or high density, compared to 40% in Greater Sydney.

The most recent Economic Profile indicates the Mosman Council area's Gross Regional Product is \$1.85 billion, which is 0.4% of the States Gross State Product. The Largest industry is Professional, Scientific and Technical Services with 4,019 Businesses registered in the area.



## Dwelling Structure

Mosman Council area	2011			2006			Change
Dwelling type	Number	%	Greater Sydney %	Number	%	Greater Sydney %	2006 to 2011
Separate house	4,746	36.8	58.9	4,689	37.2	60.9	+57
<b>a</b> Medium density	3,125	24.2	19.7	2,716	21.5	19.1	+409
<b>a</b> High density	4,954	38.4	20.7	5,076	40.3	19.3	-122
Caravans, cabin, houseboat	3	0.0	0.2	12	0.1	0.3	-9
Other	8	0.1	0.4	112	0.9	0.4	-104
Not stated	55	0.4	0.2	5	0.0	0.1	+50
<b>Total Private Dwellings</b>	<b>12,891</b>	<b>100.0</b>	<b>100.0</b>	<b>12,610</b>	<b>100.0</b>	<b>100.0</b>	<b>+281</b>

Source: Australian Bureau of Statistics, Census of Population and Housing 2006 and 2011. Compiled and presented in profile.id by .id, the population experts.

The municipality consists entirely of the suburb of Mosman, which includes the following localities:

- Balmoral
- Beauty Point
- Clifton Gardens
- Mosman/Cremorne
- Mosman Bay Spit Junction
- The Spit

The major activities undertaken with the Mosman Local Government Area comprise a mixture of tourism activities and retail shopping of various designer goods. Mosman is an affluent area with expensive harbour side properties and large estates, however, it does also comprise a number of high-rise developments constructed in the 1970's and a mixture of low-rise units and townhouses.

Other features of the area include Balmoral Beach, Taronga Zoo, The Spit and the various waterways in and around the harbour.

## State and Local Government Legislation

### General

Mosman's LEP was prepared to be consistent with the Standard Instrument Order and relevant State plans. A number of State Environmental Planning Policies (SEPPs) apply to Mosman, in particular Sydney Regional Environmental Plan (Sydney Harbour Catchment) 2005 .

## **Mosman Local Environmental Plan**

The 2012 Mosman Local Environmental Plan (LEP) commenced on the 1<sup>st</sup> February 2012.

It is the principal legal document for controlling development and guiding planning decisions made by Council to facilitate new development that is compatible and appropriate with the preferred role and character of an area.

The LEP resulted in only a small number of changes with limited impact experienced generally. There is no R4 high density residential zone in the Municipality.

There were some spot re-zonings and/or Gateway approvals. Some properties were rezoned from Special Use to Business under LEP 2012. Realignment of the factored values has also been undertaken in various locations reflecting recent market evidence

LEPs commonly control and guide proposed development using land use zones and development standards.

In addition to land use zones and development standards, LEPs include other planning provisions which set out additional planning controls or matters to consider to further guide development. For example, heritage provisions are included in LEPs to ensure heritage values are specifically considered and addressed in development assessment.

## **Development Control Plans**

Development Control Plans (DCPs) are plans adopted by Council which support the Mosman Local Environmental Plan 2012 and provide more detailed planning and design guidelines. The relevant DCP should be referred to when considering development.

There are three DCPs which came into effect on 29 March 2012:

- Residential DCP
- Business Centres DCP
- Open Space and infrastructure DCP

The Residential DCP applies to all land zoned Residential. It provides detailed planning and urban design guidelines if you are considering making alterations and additions to your house; building a new house; or constructing multiple dwellings e.g. townhouses or residential flats. It provides townscape character guidelines and also guidelines for ancillary residential uses such as bed and breakfasts, swimming pools, boatshed etc.

The Business Centres DCP applies to all land zoned Business as well as land at The Spit used for business purposes and provides planning and urban design guidelines for development. It also identifies the desired character for the business centres.

The Open Space and infrastructure DCP applies to all other zones.



## Development Controls

The following zones apply as identified on the zoning map:

- R2 - Residential - Low density Residential
- R3 - Residential -Median Density Residential
- B1 - Neighbourhood Centre
- B2 -Local Centre
- B6 -Enterprise Corridor
- SPI - Special Activities
- SP2 - Infrastructure
- E1- National Parks
- E2 - Environmental Conservation

Zone	Development Controls
<b>R2</b>	<p><b>Low Density Residential</b>                      Minimum lot sizes:                      For single dwelling: 450 square metres                      For attached Dual occupancy: 700m2                      For detached Dual Occupancy: 930m2                      Floor space ratio: 0.5:1 for land in area1 that is less than or equal to 700m2 &amp; 0.4:1 for remaining area above 700m2 and other areas E,F &amp; H; 0.55, 0.6 &amp; 0.7:1 respectively.                      Maximum building height: 8.5 metres</p>
<b>R3</b>	<p><b>Mosman Median Density</b>                      Minimum site area: 700m2                      Minimum height limits range from 8.5 metres to 15 metres                      The minimum site width at the front building line is to be 17m.                      Floor space ratio: Generally varies from 0.5 to 0.7:1                      Car parking requirements-basement.                      Generally, sites will need to be consolidated to achieve a workable unit development project.                      Area 1 - 300m2 minimum site area required (semi)                      Area 2 – 230m2 minimum site area required (semi)</p>
<b>B1</b>	<p><b>Neighbourhood Centres</b>                      Floor space ratio: 1.3:1                      Maximum building height: 8.5 metres</p>
<b>B2</b>	<p><b>Mosman Village &amp; Spit Junction</b>                      To provide a range of retail, business, entertainment and community uses.                      To allow the amalgamation and redevelopment of land in Spit Junction.                      To encourage residential development as part of the mixed use of sites.                      Floor space ratio: 2.5:1 in FSR Zone U-Area1 (Spit Junction) and 2:1 in FSR zone T, part Mosman Village Centre &amp; Military Road.                      Despite clause 4.4, consent may be granted to development on B2 -Area 2 lands with a FSR of 3:1, if                      The site area is 1000m2 or more and,                      Vehicular access to the development is provided other than from Spit or Military Roads.</p>

<b>B6</b>	Larger sites along fringe Military Road Mosman with good access. Allows range of employment uses and mix use development. FSR is 2:1 and Height Controls range between 12 metres (M1) and 15 metres for (O) sites.
<b>RE2</b>	<p><b>Private Recreational Open Space.</b></p> <p>Objectives of zone;</p> <p>To enable land to be used for private open space or recreational purposes.</p> <p>To provide a range of recreational settings and activities and compatible land uses.</p> <p>To protect and enhance the natural environment for recreational purposes.</p> <p>To maintain The Spit as a prime recreational boating resource and working marine area with associated business activities.</p> <p>To allow development at The Spit which is unlikely to generate additional traffic or demand for additional parking.</p> <p>2 Permitted without consent</p> <p>3 Permitted with consent</p> <p>Boat building and repair facilities; Boat sheds; Charter and tourism boating facilities; Community facilities; Environmental facilities; Environmental protection works; Kiosks; Marinas; Mooring pens; Recreation areas; Recreation facilities (indoor); Recreation facilities (outdoor); Registered clubs; Roads; Water recreation structures</p>

### 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.



### Town Planning Amendments

On 12 December 2014, amendments to Mosman LEP 2012 and Residential DCP came into effect.

These include:

- New and amended objectives for the R2 Low Density Residential zone, clause 4.3 Height of buildings and clause 4.4 Floor space ratio in the LEP to strengthen objectives and for consistency; and
- New local clauses 4.3A and 6.6 in the LEP for maximum wall height, maximum number of storeys and minimum landscaped area, to reinforce fundamental controls which have defined the character of housing in Mosman for over 20 years. These clauses are carried across from the Residential DCP with some change, and omitted from the DCP.

A savings and transitional provision applies, meaning that these amendments will apply only to any development application made on or after this date.

The development application form checklist has been amended to reflect these changes. A Clause 4.6 variation is required to be provided with a development application if the wall height development standard in new clause 4.3A of the LEP is exceeded.

The amendments to the LEP can be viewed on the NSW Legislation Website.

## Significant Local Issues

### **Proposed redevelopment of former Military HQ, Middle Head.**

The Sydney Harbour Federation Trust considered a plan to convert the site to commercial aged care based on a 25-year lease to develop an 89-bed facility. However the proposal has ignited strong debate over the future of public lands around the Harbour.

Mosman Council, the National Trust and activists comprise the Headland Preservation Group who oppose the proposal. The controversial aged care home to be built on prime public land in Sydney will no longer proceed after the Federal government withdrew approval for the development.

### **Mosman Civic Centre Development**

At the Council Meeting held on 5 May 2015, Council considered a report about the community feedback received and preliminary financial, traffic and needs analysis studies for the site which have been undertaken. Council resolved that there is a need to improve civic and community facilities on the Civic Centre site to meet the Mosman community's needs. However, to progress the project there is a requirement to undertake more detailed consideration of development options for the site, including a comprehensive financial analysis of refurbishment versus redevelopment options and a traffic study and site planning and design. This work will be undertaken during the next few months.

### **Foreshore Development**

The potential change in the planning landscape for residential development on Mosman foreshore slopes is proposed under State guidelines. The deadline of 30 November 2015 is approaching and there is still no news from the State government about any future change. The current situation is that the foreshore slopes of Mosman require development consent from Council for residential development that would otherwise be permissible under the General Housing Code (and be approved by a private certifier). This development includes new two storey houses and alterations and additions to existing houses. On 30 November this situation will change so that the slopes will no longer be excluded from the provisions of the General Housing Code and what's known as complying development can be built.

There are a number of options that Council has been pursuing with the State in order to ensure this significant area is protected from inappropriate development:

1. Gaining an extension to the 30 November expiry date.
2. Gaining permanent exclusion from the General Housing Code.
3. Developing an alternative local provision in the Mosman LEP2012 to secure the area from inappropriate development.

While the State is aware of the situation and the significance of the planning problem nothing definite has been communicated to Council.

The impact on neighbours and the community from 30 November will be:

- No neighbour notification inviting submissions prior to determination of an application
- No assessment of overshadowing, public or private view loss, loss of privacy, visual impact of development when viewed from the Harbour, or any submissions from neighbours

## Market Overview

### Development Approvals

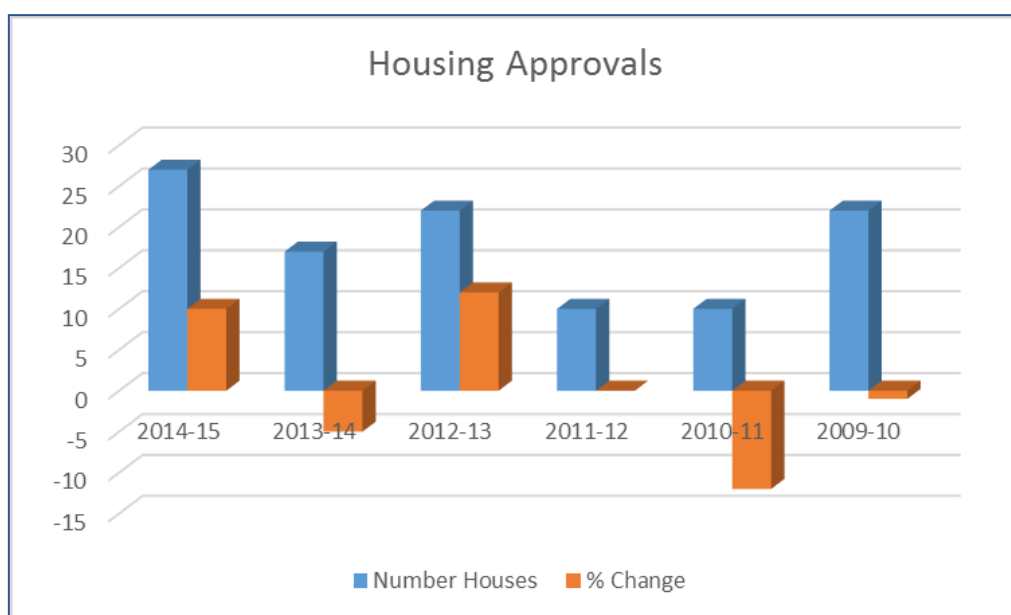
2015 has seen strong increases in Housing approvals. Residential building approval statistics are used in both the public and private sectors as a leading indicator of the general level of economic activity, employment and investment.

Residential building approvals are compiled from permits issued by: local government authorities and other principal certifying authorities; contracts let or day labour work authorised by Commonwealth, state, semi-government and local government authorities, and; major building approvals in areas not subject to normal administrative approval e.g. building on remote mine sites.

### Residential building approvals

Residential building approvals							
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Mosman Council area							
Year (ending June 30)	Number			Annual change			
	Houses	Other	Total	Houses	Other	Total	
FYTD (2 mth)	4	66	70	--	--	--	
2014-15	27	85	112	+10	+21	+31	
2013-14	17	64	81	-5	-26	-31	
2012-13	22	90	112	+12	+90	+102	
2011-12	10	0	10	0	-4	-4	
2010-11	10	4	14	-12	-9	-21	
2009-10	22	13	35	-1	+11	+10	
2008-09	23	2	25	+13	-53	-40	
2007-08	10	55	65	-4	-26	-30	
2006-07	14	81	95	-13	+47	+34	

Source: Australian Bureau of Statistics, Building Approvals, Australia. Compiled and presented by .id



## **Mosman Residential Market 2015**

The Mosman LGA is an established area of 5000 single dwelling homes and some areas of medium density development. The area contains some of Sydney's most prestigious residential properties, many with extensive water views, 60 large inland properties with tennis courts and some 240 waterfront properties. There is very little undeveloped land remaining, therefore, it is in-fill developments and demolitions that provide most of the supply of residential land for new buildings.

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 Mosman 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.

The Mosman residential market experienced a marked improvement in positive market sentiment in 2015. Overall, the volume of property sales has risen over the past year with increased sales activity, auction rate clearances and a more buoyant market as part of a Sydney property boom.

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. 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.

Mosman has been experiencing strong to moderate growth in values, though this has been less dramatic than other locations coming off a low value base. Much of the large price rises in the Sydney boom was in first home and low end investment property where as Mosman is predominantly a prestige residential market.

Our CVS data indicates 378 single dwelling sales 1/7/2013 to 1/7/2014 with an average price of \$2,946,820 and a median value of \$2,500,000.

2015 CVS data indicates 383 single dwelling sales 1/7/2014 to 1/7/2015 with an average price of \$3,384,404 and a median value of \$2,820,000.

The increase in the average is possibly an indication of more activity in the "top end" sales.

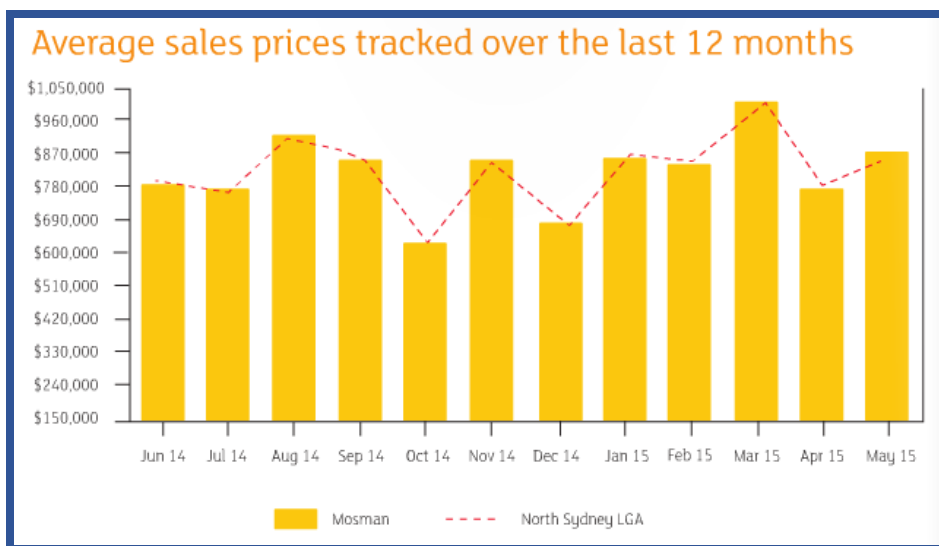
The highest recorded sales were for \$16.30 million for 9 Curraghbeena Road, followed by \$16.0 million for 8 Burran Ave and \$16.0 million for 5 Curraghbeena Road. These were heavily improved waterfront properties though a trend is for stronger prices for non-waterfront land that is suitable for the prestige "trophy home" such as 31 Stanley Ave selling for \$12.3 million and a battle axe at 15 Balmoral Ave selling for \$9.41 million. These are typical of the top end prestige houses with the highest quality fitout.

Vacant land sales are rare with examples being;

- 41 Avenue Rd, 260sqm sold 31/1/2014 for \$1,050,000
- 32 Orlando Ave, 487sqm sold 14/3/2015 for \$1,300,000
- 39B Parriwi Rd, 525sqm sold 10/10/2014 for \$2,400,000 with views

## Mosman Residential Density Sites & Mixed Use Property

Demand for medium density property remained strong for 2015, as indicated by the LJ Hooker details below.



Our CVS data indicates 598 unit sales 1/7/2013 to 1/7/2014 with an average price of \$987,405.

2015 CVS data indicates 593 unit sales 1/7/2014 to 1/7/2015 with an average price of \$1,519,650.

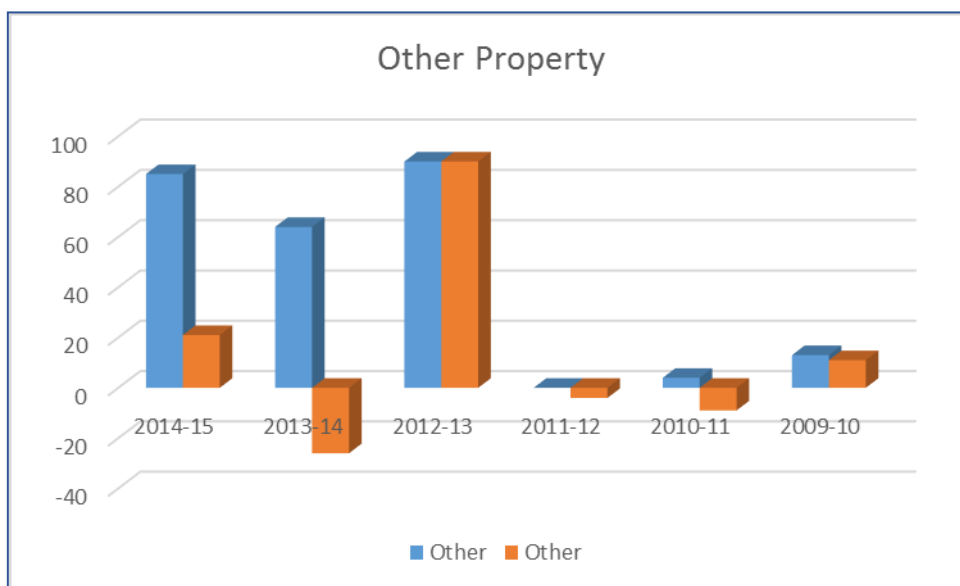
The rise in the average price is likely an indication that the recent developments are built for the 2 & 3 bedroom larger unit market driven by a broader age demographic in the unit market.

LJ Hooker statistics indicate similar unit prices;

### Mosman Statistics

	Average Price	Number Sold	Difference from Q2, 2015
1 bedroom	\$644,678	29	+\$61,512
2 bedroom	\$967,425	52	-\$34,158
3 bedroom	\$1,533,928	21	-\$232,738

There have been many mixed use zoned density sites, particularly in the North Sydney precinct, along the Pacific Highway and within the St Leonards and Crows Nest Mixed Use zones. The Mosman Mixed Use market appears strong with a notable sale being the amalgamated site known as 46-54 Harbour St, a 1,772.9sqm site sold for \$21,000,000. The development is expected to achieve approximately 52 units.



## Commercial/Mix Use Market

The Mosman retail and commercial district is located mainly along Military Road Mosman and is small in number. We have viewed the Mosman and Neutral Bay/ Cremorne Military Road commercial markets as a shared market having similar characteristics and location on the Lower North Shore.

Generally conditions within the Sydney retail market have improved during 2015 with strengthening consumer confidence levels and retail spending. The Mosman Village retail precinct holds its own against competition from larger enclosed centres which has impacted on other strip retail locations.

Over recent years there has been a marked increase in the number of mix use developments with ground floor retail.

### **Strip Retail Sales:**

- 517 Military Road, Mosman, Land Area 152sqm, sold for \$1.4 million 5/11/2014
- 692 Military Road, Mosman, Land Area 177sqm sold for \$2.6 million 4/6/2015
- 591 Military Rod, Mosman, Land Area 151sqm sold for \$2.2 million 23/10/2015
- 47A Spofforth St, Mosman, Land Area 234sqm sold for \$2.0 million 5/11/2014
- 49C Spofforth St, Mosman, Land Area 76sqm sold for \$1.455 million 9/9/2014

## Significant Value Change from Prior Base Dates

Valuation changes in the Mosman district area between the local government valuation years of 1 July 2014 and 1 July 2015 is the same as the changes to land tax valuation years of 1 July 2014 to 1 July 2015.

There are a number of properties that have had significant movements in their Land Values in this current year program. It is considered that some values have moved significantly enough that its variation does not



just represent normal market conditions but is the result of a variation in the development potential of a particular site.

Values were amended to reflect the market response to the recently introduced LEP with the increase evidenced by recent sales of similarly zoned properties.

Particular attention is drawn to the strong interest shown by developers in acquiring sites zoned B2 - Local Centre or B4 - Mixed Use which allows mix use. These sites previously comprised older commercial buildings located either on the fringe of Mosman Village, or within Mosman Village along Military Road.

In recent years the main feature of the market has been the increasing interest in mix use development sites.

Significant change properties are provided in the VAR supplied to LPI. They have a Risk Rating of 1 and as such are individually reviewed.

## CVS Quality Assurance Measures

LPI has been provided with a detailed valuation analysis report, which details the quality assurance process of CVS we are in the position to confirm that all of the Quality Assurance Measures stipulated by LPI have been met, including;

- The land values are consistent with each other.
- The land value basis has been correctly recorded for each land value.
- All statutory concession valuations and allowances have been supplied, Including:
  - Allowances for development on and off the land.
  - Heritage Values.
  - Land Rating Factors.
  - Apportionment of Values.
  - Mixed Development Apportionment Factors.
- Land values for those properties that have considerably higher values in relation to the average for a land use have been reviewed and are correct. For example, regional shopping centres, large scale industrial and unit developments, large rural properties etc. A list of the properties identified and review procedures are to be provided if requested.
- Land values that result in substantial changes in valuation parities or unusually large value variations from the last valuations issued for either land tax or council rating have been checked and are correct.
- A broad range of market evidence has been analysed and provided in the market report as required by the contract.
- Adjustments and assumptions within the market analysis have been based on market evidence and have been fully documented and rationalised.
- Analysed sale properties where the sales ratio does not lie within the range 0.85 to 1.00 have been reviewed and an explanation provided as to why the current land value should be adopted.
- A zone/component code integrity check has been made.
- The current and proposed planning controls that affect the valuations have been taken into account.
- Where the land value of a property has been amended on objection or re-ascertainment, the alignment of values with nearby properties has been checked.
- Statistical checks and Component Data Tables have been prepared, reviewed and anomalies or results outside the specified parameters have been rationalised and reported.

- Land values have been compared to adjusted land values for analysed sales and anomalies have been addressed.
- Land values have been compared to all sale prices and anomalies have been addressed.
- Worksheets have been maintained on all properties where calculations are required, such as properties valued under Sections 26A, 28 and 14I, englobo parcels, Special Use parcels and large value properties such as shopping centres.

### **CVS has developed additional statistical functions to assist the valuation quality**

The Crown.Net system uses main grid filters to select residential sales, representing all unanalysed sales over a representative time, and removes false and atypical sales. This data is used to determine a number of statistical relationships, including Mean Value to Mean Price Ratio, and graphs Land Values against Sales Price. This allows a much larger sample of the sales data to be used and the results are useful for the broad value to sale relationships that is revealed. It is particularly useful for checking base line value levels; the MVP Ratio will indicate the land value levels comparative to sale prices. Different localities should show different MVP's, for example in outer suburbs with new housing development, the land value component of the sale price is typically low - the value attributed to the improvements which are typically large two storey dwellings is higher - in this example the MVP (Land Value to Improved Price Ratio) Ratio will be in the range of 40%-50%, but in areas of high demand with aging housing stocks the MVP will be higher - in the range of 65%-75%. The table in MVP ascending order readily indicates the high and low extremes of this Ratio and is helpful to indicate where further sales analysis and valuation work may be needed. This will be used to focus on which areas need attention.

Upon the value recommendations being exported CVS undertakes all required checking and reporting as set out in the procedures manual.

In summary but not limited to, the CVS team of Valuers have completed the following objectives to meet and exceed the standards required by the LPI. Each of the pertinent milestones that CVS have met is explained below:

1. Component Integrity Checking:

- Component Details checked for accuracy
- Component Data Table produced for checking of correctness of BMs and to review other statistical measures such as the QRP and investigate if the component structure can be improved.
- Valmap checking for foreign entries

2. Sales Analysis has been undertaken with the assistance of various filters and sorts developed by Crown to identify that best assists the determination of Land Values, including:

- Sale DA searching
- Contract Date sorting
- Price / Value ratio

3. Sales Analysis Adjustments:

- Paired sales
- Development costs & rents collected

4. Sales Inspections with LPI:

5. Confirm analysis with LPI

6. Inspect & Value Benchmark:

- Benchmark to be valued by direct comparison to adjusted sales
- Factor determined from the valuation of the BM

7. Apply Quality checks in accordance with the Procedure Manual:

- Land values to adjusted sales
- Check values determined from the valuation of the reference BMs

Crown work practices require additional quality checks to be undertaken to ensure higher valuation accuracy. These include;

8. Identify outliers including high and low values to be checked against relevant market evidence:

- Filters available on Crown.Net to identify outliers or subgroups include:

selection by Property ID number, property address, area, dimensions, value, legislative basis, component code, attribute coding, legal description, allowances, date valuation made, workflow identification number, sale price, sale date, \$/m2 of land value rate, rate per unit and resultant density rate/dwelling for strata properties, owners name and property name.

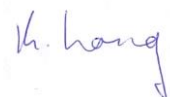
9. Apply Quality checks to all sales in the component:

- Use the CVS to select all sales, cull unrepresentative sales. Our software is then able to further filter the sales to remove out of line sales to improve the representation of the sample selection. The resulting statistics are then useful; the MVP can help to confirm value levels, and should reflect the type and quality of housing the component. Different localities should show different MVP's, for example in outer suburbs with new housing development, the land value component of the sale price is typically low - the value attributed to the improvements which are typically large two storey dwellings is higher - in this example the MVP (Land Value to Improved Price Ratio) Ratio will be in the range of 40%-50%, but in areas of high demand with aging housing stocks the MVP will be higher - in the range of 65%-75%.

CVS then takes this information further. Each sale becomes a de-facto "Reference Benchmark" and by sorting the sales into sale price to land value ratio it becomes apparent where the Land Values are too low and where they may be too high. CVS has found this an efficient way to assist in checking values in components with a large number of properties.

## Author

**Report Prepared and signed by:**



Kelvin Long (AAPI, CPV)

**Crown Valuation Services**

**21<sup>st</sup> October 2015**