



CROWN VALUATION SERVICES

FINAL REPORT

BASE DATE 1st July 2015

MUNICIPALITY OF WOLLONGONG

WOLLONGONG CONTRACT

19th November 2015

EXECUTIVE SUMMARY

LGA Overview:

Wollongong City is located in the Illawarra Region of New South Wales, about 80 kilometres south of the Sydney CBD. The City of Wollongong covers 714 square kilometres and occupies a narrow coastal strip bordered by the Royal National Park to the north, Lake Illawarra to the south, the Tasman Sea to the east and the Illawarra escarpment to the west.

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

Valuations:	A total of 67,952 properties have been valued at the base date 1 st July 2015 @ \$24,671,196,736
Prior Base Date:	1 st July 2014 @ \$21,567,149,376
Prior LGA Base Date:	1 st July 2013 @ \$20,615,073,904 (Last Local Government Base Date)

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

PROPERTIES VALUED AND TOTAL LAND VALUE

ZONE	ZONE CODE	ENTRIES	2015 TOTAL LAND VALUE	PRIOR ANNUAL VALUATION (2014)	% CHANGE	PRIOR LGA VALUATION 2013	% CHANGE
RESIDENTIAL	R1, R2, R3, R5	60,222	\$19,782,505,466	\$17,203,076,742	14.99%	\$16,443,918,210	20.30%
COMMERCIAL	B1, B2, B3, B4, B6, B7	2,307	\$1,756,695,141	\$1,536,201,309	14.35%	\$1,447,820,139	21.33%
INDUSTRIAL	IN1, IN2	1195	\$1,049,092,890	\$937,030,570	11.96%	\$888,664,140	18.05%
RURAL	R, RU1, RU2, RU4	191	\$176,095,697	\$161,043,178	9.35%	\$160,509,906	9.71%
ENVIRONMENTAL	E1, E2, E3, E4,	2629	\$1,130,073,021	\$1,032,195,351	9.48%	\$1,005,108,764	12.43%
SPECIAL USES	SP1, SP2, SP3, W1	80	\$478,969,344	\$428,608,512	11.75%	\$412,505,088	16.11%
PUBLIC RECREATION	RE1, RE2	512	\$296,331,392	\$269,003,392	10.16%	\$256,530,176	15.51%
TOTAL		67,952	\$24,671,196,736	\$21,567,149,376	11.75%	\$20,615,073,904	19.66%

State and Local Government legislation for Wollongong LGA:

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.

The Wollongong Local Environmental Plan 2009 (WLEP 2009) was notified on 26 February 2010. Wollongong LEP 2009 repeals and replaces Wollongong City Centre Local Environmental Plan 2007, Wollongong Local Environmental Plan 1990 and Illawarra Planning Scheme Ordinance. In addition, Illawarra Regional Environmental Plan No 1 will not apply to the land to which Wollongong LEP 2009 applies. State Environmental Planning Policy No 71 – Coastal Protection does not apply to land within the Wollongong City Centre.

It is noted that WLEP 2009 does not apply to Marshall Mount & parts of Huntley & Yallah which remain covered by earlier LEP's. The Wollongong LEP's do not apply to land at the Port of Port Kembla and the Sandon Point Release Area which have been identified as State Significant Sites and are subject to the NSW Department of Planning Major Development SEPP.

Between 1 July 2014 and 24 July 2015, there were eight amendments to WLEP 2009 (Amendments 18 to 25), all of which have been accounted for in our land values. The most amendments are of a minor nature & relate to individual properties.

Market overview and sales of particular interest:

Since Base Date 1 July 2014, strong capital growth has been sustained through all residential suburbs within Wollongong LGA, with increases across all sectors of the residential property market. At the lower end of the market fierce competition between investors and first home buyers, combined with record low interest rates and limited supply of properties on the market, has driven prices upward. Whilst at the top end, Sydney buyers are entering the market more and more as they are driven out by the booming prices in Sydney.

The amount of vacant land on the market has reduced significantly in the past twelve months throughout the Wollongong LGA. The existing residential estates such as Redgum Ridge at Figtree & Brooks Reach at Horsley are now completed with limited stock available for sale. Additionally, re-sales of vacant lots in these newer estates show substantial increases to the original purchase prices. Construction of a number of new estates around Horsley is currently underway, with most selling off the plan prior to registration of the Deposited Plan while the subdivision is still under construction. For instance, although still undergoing servicing, all three stages of lots in the new Alkira estate at Horsley have sold. Asking prices in the estate have increased from around \$230,000 in stage 1 to \$290,000 in stage 3.

The Wollongong CBD residential medium density market, which for many years saw little construction or price growth has had a strong resurgence over the past 18 months. Strong demand has seen most units in larger complexes selling off the plan, with a marked increase in the number of overseas buyers.

Industrial and commercial sales analysis has demonstrated a strong demand for properties with sound investment fundamentals, however owner occupiers are still active in the market. Following a prolonged period of slow movement, 2014 through to 2015 saw strong growth in both the industrial and commercial markets.

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 substantial increases in values across all sectors of the residential market, in addition to values of business and industrial zoned properties.

Summary of valuation changes to residential land

Wollongong LGA has seen a boom in residential property in the year to the 2015 Base Date, a ripple effect from the Sydney metropolitan area. Wollongong LGA has experienced strong growth in values across all sectors of the residential market, particularly within suburbs coming off a low value base. That said, the traditional 'top end' of Wollongong's residential market, namely the suburbs north of Bulli Pass have also shown substantial value increases.

Overall the residential land increased by approximately 15% since the 2014 Base Date.

Summary of valuation changes to commercial land

Wollongong's commercial market improved during the 2015 year, increasing investor sentiment in the region. Again the focus and strongest value movement has been for properties with good investment fundamentals as well as those properties with mixed use development potential.

Summary of valuation changes to industrial land

The industrial property market has shown signs of steady improvement over the past 12 months with an increase in sales volumes, demonstrating improved confidence after a prolonged period of static conditions. Most sales have been to owner occupiers in the sub \$2 million range, however investment transactions are starting to increase as investors are enticed back to the market.

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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 Wollongong 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:

Wollongong Local Government Area (LGA) at a glance:

Population	206,794 (2014 – ABS)
Avg. Annual Growth 2006 - 2011	0.9%
Growth Rate 2006-11	4.5%
Area	684km sq.
Key Industry Sectors	Health care and social assistance, Education and training, Retail trade
Main Urban Centres	Helensburgh, Thirroul, Corrimal, Wollongong, Figtree, Unanderra, Warrawong, Dapto

Geography

Wollongong is situated 80km south of the centre of Sydney. Its 714 square kilometre area is set on a narrow strip of coastal plain, bounded by the steep rise of the Illawarra escarpment to the west and the Pacific Ocean to the east. Because of its physical limits to the east and west, Wollongong is very much a linear city, stretching in a thin, virtually unbroken urban line from Helensburgh in the north to the shores of Lake Illawarra and Windang to the south. There is still some rural land in the West Dapto area, which is fast being developed for residential use.

Another of the area's most valuable natural assets is Port Kembla harbour. It is the deepest port on the eastern seaboard, providing local and regional industry with excellent export links to the rest of the world.

Demography

Wollongong has a substantial population base. It is the eleventh largest city in Australia and accounts for nearly half (46.6%) of the entire population of the Illawarra Region. According to the Australian Bureau of Statistics, the Wollongong Local Government Area (LGA) had an estimated resident population of 206,794 (2014 ABS).

Projections by the NSW Department of Urban Affairs and Planning indicate that the population of the Wollongong LGA will continue to grow at a modest but steady rate through to the year 2021. Medium level projections suggest that by the year 2021 the region's population will have reached 206,000 persons, approximately 5.5% growth on the current estimated population. Much of the population growth is expected to be centred around new residential developments at West Dapto in Wollongong's south-west.

Economic Activity

Wollongong has an increasingly sophisticated and well-rounded economy. The local economy was built around a strong mining industry and the largest integrated steel works in the Southern Hemisphere at Port Kembla. The continuing reduction in Bluescope's Port Kembla plants' steel production, cuts to its workforce and uncertainty of its' future, coupled with the downturn in coal markets continue to impact on heavy industry within the Illawarra . However, as with the ongoing downsizing of the Steelworks since the 1990's and the more recent restructuring of the area's industrial base, the Illawarra has looked to growth of existing tertiary industries such as education, tourism and other service sectors to add depth to the local economy.

The manufacturing industry accounts for a modest 4.5% of business locations in the Wollongong LGA. Key manufacturing sectors in the region include basic metals, fabricated metals (Bluescope), building products (Pioneer), textiles, and chemical products. Retail trade is another significant contributor to the Wollongong economy and construction now makes up almost 20% of business in the LGA.

Traditionally an Industrial & Commercial Centre

Wollongong is without doubt the industrial and commercial heart of the Illawarra Region. Bluescope Steel Ltd, operates steelworks at Port Kembla with many related heavy industry companies operating in the area. However as outlined above, the uncertainty of long term steel making operations at Port Kembla & the downturn in the coal industry, have also had a flow on effect on to smaller local manufacturing companies.

As a major regional centre, Wollongong offers many services and facilities. Retail trade contributes significantly to the local economy with 6 department stores, over 60 supermarkets and grocery stores and in excess of 1400 retail outlets across the LGA. Wollongong City Mall is the major retail centre with larger shopping centres located at Warrawong, Figtree, Corrimal and Dapto.

The Port of Port Kembla

The port of Port Kembla provides an obvious competitive advantage for industry within the area. It is one of Australia's strategic heavy industry export ports, handling massive amounts of coal, iron ore and steel. The establishment of the Illawarra Ports Authority (now Port Kembla Port Corporation) and the subsequent construction of a \$230M grain handling terminal and casting basin in 1989, heralded the commencement of a new commercially oriented and customer responsive port management.

In October 2005 a \$140 million infrastructure plan to transform Port Kembla into Australia's leading car import centre was announced. The \$140 million development occurred in three stages, with car imports being relocated from Glebe Island to Port Kembla in November 2008.

The port expansion has enabled Port Kembla to handle more than 240,000 motor vehicles and 30,000 more containers coming through Port Kembla via an additional 250 annual ship visits annually. Port Kembla is now Australia's largest vehicle import facility and serves as a key export facility for grain, coal and other bulk products.

The Port Kembla Outer Harbour Master Plan was launched in July 2008. Under the plan, approximately 42ha of land is being reclaimed to build seven berths, almost doubling the port's capacity. Additionally, the area between the northern breakwall and the eastern boundary of the coal terminal had been earmarked for a further four berths as part of long-term planning arrangements. The first of three stages of the expansion, involving land reclamation is currently underway. Part of this stage included the construction of the first new has recently commenced. The project will transform Port Kembla from a port that mainly handled bulk cargoes such as coal, iron ore and grain to the vehicle importing hub for NSW. Recent improvements to facilities in the Inner Harbour have also allowed it to diversify into containers and break-bulk cargoes. However, the long term lease of Port Kembla Ports by the NSW Ports consortium, completed in May 2013 may impact on the future of development of the Outer Harbour Master Plan.

Land Use within the LGA

Of the undeveloped land the most significant use in Wollongong is for Environmental Conservation purposes, specifically Catchment Protection, as the land west of the escarpment is within the Metropolitan Water catchment area. The escarpment & adjacent foothills are generally zoned Environmental Conservation (E2) or National Parks & Nature Reserves (E1). Of the developed areas of the LGA, the greater percentage of land is used for residential purposes.

Sites developed for single dwelling purposes comprise approximately 95% of residential developed sites. The thin coastal strip limits the availability of developable land to accommodate the region's growing population, growth that is largely driven by its proximity to Sydney and lifestyle opportunities. Significant urban consolidation is already occurring within the Wollongong City Centre and this will need to intensify and expand into other commercial and transport centres within the region.

Multi – dwelling sites, generally defined as three or more dwellings on a site, comprise most of the remaining 5%. Of those multi-dwelling sites most sites comprise low rise unit developments. High rise development has traditionally been confined to the higher density zoned sites around Wollongong's Smith's Hill and Cliff Road. However, in recent years there has been an increase in the number of high rise developments either in progress or in the pipeline. Most of these developments being for mixed use purposes i.e, usually a ground/first floor commercial component with residential units above. These sites are located within business zonings which provide developers with more favourable floor space ratios than residential zonings. The Wollongong City Centre LEP gazetted in 2007, followed by Wollongong LEP 2009 has also provided more favourable floor space ratios within the Central & Inner City area.

STATE and LOCAL GOVERNMENT LEGISLATION:

Following the State Government's planning reforms which included the Standard Instrument (LEPs) Order 2006 (Standard Instrument) introduced in 2006 requiring Local Councils to introduce standardised planning instruments, **Wollongong LEP 2009 was notified on 26 February, 2010.**

This new LEP is in accordance with the Standard Instrument & provides:

- new zones and land uses;
- development standards including lot sizes, building heights, floor space ratios and more; and
- a suite of maps that deal with zones, building height, heritage items and heritage conservation areas, floor space ratios and lot sizes.

Wollongong LEP 2009 repeals and replaces Wollongong City Centre Local Environmental Plan 2007, Wollongong Local Environmental Plan 1990 and Illawarra Planning Scheme Ordinance. In addition, Illawarra Regional Environmental Plan No 1 will not apply to the land to which Wollongong LEP 2009 applies. State Environmental Planning Policy No 71 – Coastal Protection does not apply to land within the Wollongong City Centre. The major changes within the new LEP included revision of some building height and floor space ratios, rezoning of land at Tallawarra, the now Woolworths site in Bulli, and the

Enterprise Corridor Precinct at Fairy Meadow for employment growth. The new LEP does not apply to land in West Dapto which is now covered by West Dapto LEP 2010, notified on 5 May 2010 (since repealed as an Amendment to LEP 2009 in June 2014). Additionally, Wollongong Local Environmental Plan 1990 and Wollongong Local Environmental Plan No. 38 continue to apply to certain lands which have been “deferred” at Marshall Mount & parts of Huntley & Yallah.

Wollongong LEP 2009 - controls land use and development in Wollongong It includes a set of land use zones and provides detailed requirements for development. The LEP also establishes what types of development may be permitted on a particular parcel of land with the permission of Council.

The aims of the Plan are:

(1) This Plan aims to make local environmental planning provisions for land in Wollongong in accordance with the relevant standard environmental planning instrument under section 33A of the Act.

(2) The particular aims of this Plan are as follows:

- (a) to provide a framework for land use management,
- (b) to encourage economic and business development to increase employment opportunities,
- (c) to encourage a range of housing choices consistent with the capacity of the land,
- (d) to improve the quality of life and the social well-being and amenity of residents, business operators, workers and visitors,
- (e) to conserve and enhance remnant terrestrial, aquatic and riparian habitats, native vegetation and fauna species,
- (f) to conserve and enhance heritage,
- (g) to ensure that development is consistent with the constraints of the land and can be appropriately serviced by infrastructure,
- (h) to ensure that significant landscapes are conserved, including the Illawarra Escarpment, Lake Illawarra, the drinking water catchment and the coastline.

Wollongong DCP - Wollongong's consolidated Development Control Plan (DCP) outlines planning controls for the city. This DCP sets out specific controls that apply to development proposals & combines 89 separate plans in one document. The DCP applies to all development proposals in Wollongong lodged from Wednesday, 3 March 2010.

The purpose of the Development Control Plan is as follows:

1. Wollongong Development Control Plan (DCP) 2009 has been prepared in accordance with Section 74C of the Environmental Planning and Assessment Act 1979 and clause 16 of the Environmental Planning and Assessment Regulation 2000.
2. Wollongong Local Environmental Plan 2009 (Wollongong LEP 2009) is the principal environmental planning instrument which applies to the majority of lands within City of Wollongong. Wollongong Local Environmental Plan 1990 and Wollongong Local Environmental Plan No. 38 continue to apply to certain lands which have been "deferred" in the Yallah and Marshall Mount locations.
3. This DCP contains detailed provisions that supplement the provisions of the relevant LEP. In the event of any inconsistency between this DCP and the relevant LEP, the LEP will prevail.
4. State Environmental Planning Policies (SEPPs) or State Codes may also apply to certain lands in the City of Wollongong. The statutory provisions of any SEPP or State Code will also prevail over this DCP, in the event of any inconsistency.
5. Under Section 79C of the Environmental Planning and Assessment Act 1979, the consent authority is required to take into consideration the relevant provisions of this DCP in determining a Development Application for development in the City of Wollongong.
6. The DCP also contains administrative provisions including details on how Development Applications will be publicly notified and what meetings may be available, to enable stakeholders to discuss any issues concerning an application.

Aims & Objectives of the Development Control Plan:

1. The aim of this DCP is to establish objectives and planning controls for the development of land within the City of Wollongong.
2. The objectives of the DCP are:
 - (a) To provide detailed development controls within a single document which support the Local Environmental Plan.
 - (b) To encourage urban design excellence.

- (c) To ensure appropriate information is submitted with Development Applications.
- (d) To ensure that development contributes to the quality of the natural and built environments, taking into account any inherent natural topographical or landscape constraints of the subject site.
- (e) To encourage development that contributes to the quality of the public domain.
- (f) To ensure future development responds positively to the qualities of the site and the character of the surrounding locality.
- (g) To encourage a range of dwelling stock to increase housing choice and availability in the Illawarra Region.
- (h) To encourage the provision of housing that is accessible and adaptable to meet the existing and future needs of all residents, including people with a disability.
- (i) To ensure housing is of a high design standard and energy efficient.
- (j) To ensure commercial and industrial development is of a high design standard and energy efficient.
- (k) To ensure new development is consistent with the desired future character for the area as stated within the LEP and this DCP.
- (l) To ensure new development contributes to safe and liveable environments.
- (m) To support the provision of safe and efficient public transport services.
- (n) To protect new development from the threat of bushfire.
- (o) To protect areas of high scenic and aesthetic value.

West Dapto LEP 2010 (since repealed as an Amendment to LEP 2009 in June 2014)- West Dapto is a major greenfield release area and an important component of the Illawarra and Greater Sydney Metropolitan Area housing supply market. It is estimated that the area will supply approximately 17,805 dwellings over a 40+ year period resulting in an additional population of some 51,000 persons. Additionally some 175 hectares of employment land will be provided when fully developed. The West Dapto Release Area represents the culmination of a number of years of planning, technical investigations, studies and consultation.

The Wollongong LEP (West Dapto) 2010 released Stages 1 and 2 facilitating the development of 6,909 dwellings and 175 hectares of employment land over the next 20+ years. Future LEPs will rezone the remaining stages of the release area to enable additional urban development.

The Aims of the Plan are:

(1) This Plan aims to make local environmental planning provisions for land in the Wollongong local government area, known as West Dapto and Dapto Regional Centre, in accordance with the relevant standard environmental planning instrument under section 33A of the Act.

(2) The particular aims of this Plan are as follows:

- (a) to achieve economically, environmentally and socially sustainable urban development on land at West Dapto and Dapto Regional Centre for the current and future residents of Wollongong,
- (b) to provide for the development of land at West Dapto and Dapto Regional Centre for conservation, open space, residential, commercial, and employment-generating purposes, in accordance with the land's capacity to sustain that development,
- (c) to establish development controls for the land to which this Plan applies in order to facilitate the timely provision of physical and social infrastructure, the orderly phasing of the development of land, the protection of riparian vegetation corridors and items of environmental and cultural heritage and the management of stormwater and to provide for appropriate management of land that will contribute to biodiversity conservation,
- (d) to identify, protect and manage environmentally and culturally sensitive areas at West Dapto and Dapto Regional Centre, including waterways, riparian corridors, biological corridors, remnant native vegetation and associated buffers and items of environmental heritage,
- (e) to ensure development at West Dapto is consistent with the principles of integrating land use and transport.

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

Between 1 July 2014 and 24 July 2015, there were eight amendments to WLEP 2009 (Amendments 18 to 25). The most amendments are of a minor nature & relate to individual properties and can be viewed on the NSW Legislation website..

MARKET OVERVIEW AND SALES OF PARTICULAR INTEREST

Residential Market

The Wollongong LGA is an established area of predominantly single dwelling homes with high density development located in medium and small pockets close to the CBD. There is very little undeveloped land remaining in most of the older established suburbs, therefore it is demolitions & infill development that provide most of the supply of residential land for new buildings in these areas. The greatest supply of developed vacant land is within the West Dapto area, with smaller estates scattered mainly across Wollongong's southern suburbs.

The LGA's close proximity to Sydney is historically a market driver impacting specifically on the northern suburbs with its appeal to commuters & location close to the beach. However, the regions ongoing tough labour market conditions, especially the earlier mentioned shedding of jobs from the manufacturing and mining industry & its resultant uncertainty on the local economy, have in the past tempered price growth.

In contrast over the past twelve months Wollongong LGA has experienced significant residential price increases across the entire LGA. Whilst the volume of property sales seen little change during the past

year, auction rate clearances have improved and residential demand has outstripped supply to provide a much more buoyant market as part of a ripple effect from the Sydney property boom. Other potential drivers of the market (despite the ongoing question mark over the local manufacturing & mining industries) appear to have been improved employment prospects due to major infrastructure projects, including \$1 billion on hospital facilities and \$500 million at Wollongong University, GPT Group's new Wollongong CBD shopping centre, West Keira, and the Shellharbour Marina development.

2015 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. In line with this, Core Logic RP Data's May Quarterly Regional Report noted that the Illawarra region recorded the largest increase in home values of any Australian regional area with houses up 9.3% and units up 9.6%.

Whilst much of the large price rises across Wollongong LGA were for properties affordable for first home buyers and low end investment property, the top end or "prestige" sector of the market also showed strong growth. Domain Group senior economist Dr Andrew Wilson commented recently that the wealth effect from Sydney boosted the local market, as well as the lower dollar and higher sharemarket activating prestige buyers and the holiday home market. "There is a rising population attracted by sea-change, green-change lifestyle, the proximity to Sydney and affordability," he said.

Our CVS data indicates 4,142 residential zoned sales (both single dwelling and vacant land) from 1/7/2013 to 1/7/2014 with an average price of \$473,999. 2015 CVS data indicates 3,832 residential zoned sales (both single dwelling and vacant land) from 1/7/2014 to 1/7/2015 with an average price of \$539,447 (showing an overall increase of 13.8% between base dates).

Supporting this data are statistics provided by RP Data CoreLogic for Wollongong LGA showing the median sale price for improved residential properties during the second quarter of 2014 to be \$496,000. Further, it shows the median sale price for improved residential properties during the second quarter of 2015 to be \$575,000 or an increase of 15.9% between base dates.

Additionally, IRIS data shows the median price for houses in the LGA moving from \$477,000 in June 2014 to \$533,500 in June 2015, or an increase of 11.8%.

The highest recorded residential dwelling sale was \$3.69 million for a beachfront property at 49 Lower Coast Rd, Stanwell Park. Additionally, between Base Date 2014 & 2015 some 200 residential zoned properties (or 5.2% of properties) sold for prices in excess of \$1,000,000.

The amount of vacant land on the market has reduced significantly in the past twelve months across the Wollongong LGA. The existing residential estates in Wollongong's southern suburbs such as Redgum Ridge (Figtree), Horsley, Haywards Bay & Kanahooka are now completed with the most stock available for sale being re-sales of vacant lots, with asking prices being a substantial increase to the original purchase prices. IRIS data shows the median price for vacant land in the LGA moving from \$235,000 in June 2014 to \$265,000 in June 2015, or an increase of 12.8%.

Currently, lands within the Tallawarra & West Dapto area offer the only remaining residential greenfield sites in the LGA. The West Dapto area is estimated to supply approximately 17,805 dwellings over a 40+ year period resulting with an additional population of some 51,000 persons. Additionally, some 175 hectares of employment land will be provided when fully developed. Construction of a number of new estates around Horsley is currently underway, with most selling off the plan prior to registration of the Deposited Plan while the subdivision is still under construction. For instance, all three stages of lots in the new Alkira estate at Horsley have sold and it is currently undergoing servicing. Asking prices increased from around \$230,000 in stage 1 to \$290,000 in stage 3.

In the northern suburbs of Wollongong there are almost no englobo lands left for future development. The last of such sites being the Bulli Brickworks site, currently under construction. The site which will house approximately 175 dwellings in a staged development & it is understood that house/land packages recently offered in the first stages were immediately sold out. Once again as in the southern suburbs, limited sales and resales of vacant residential sites in the northern suburbs have shown large price increases.

Medium Density Residential Market

Within the Wollongong LGA larger medium density development has been chiefly close to the CBD, especially within the Smith's Hill & North Wollongong areas. Most suburban locations supported the development of small, low rise strata complexes and villa sites, which are easier to market and develop. This class of property is more akin to the single residential market than unit sites.

Wollongong LEP 2009 increased the areas where medium density is permitted through the introduction of R3 zones. However, unless lot size is sufficient for immediate redevelopment there is been little or no increases in value of smaller sites. The *R3 Medium Density Residential* zone is intended for land where a variety of medium density accommodation is to be established or maintained, particularly close to transport hubs. Other residential uses (including typically higher or lower density uses) could also be permitted in the zone where appropriate. A variety of residential uses have been mandated to encourage housing choice and diversity in this zone.

Statistical information gained from IRIS show that individual median unit prices have shown a steady increase of around 10.4% to \$425,000 in the median price of medium density properties between Base Date 2014 & 2015. Supporting these statistics are the few sales & resales of strata units within Wollongong LGA which indicate a steady upward movement in market levels between Base Dates.

As demand for units strengthened in 2009 and early 2010, this encouraged a number of developers to return to the market and/or bring projects back on-line that they had previously shelved. Sales of development sites, scarce throughout 2007 to 2010 have continued their resurgence. The lack of demand coupled with oversupply of new prestige units over the past few years saw this market sector soften from 2005 to 2010. However, this oversupply has been absorbed and there are an increasing number of new unit developments being offered for sale in the Wollongong CBD. Strong demand has seen most units in larger complexes within the CBD selling off the plan, with a marked increase in the number of overseas buyers.

Consequently, there are now many new sites within Wollongong CBD being offered for sale. The demand or take-up of available supply until present has been driven by local purchasers. But more

recently, the spill over effect from Sydney purchasers seeking out value, as well as from investors and self-managed superannuation funds (SMSF) has put some pressure on prices. However, the combined effect of a recent retreat by several of the main stream lenders to the SMSF market together with any future increases in interest rates could put downward pressure on rental returns and potential stock over-supply.

Recent rezoning to R3 around town centres and train stations will see future high rise developments in the suburbs as sites are amalgamated. In recent years a feature of the density site market has been the increasing added value of a development approval. 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 (these have increased dramatically with changes to DA procedures)
- Legals, Government fees & charges
- Finance Costs

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.

Strong sale prices for townhouses and villas are evident throughout the suburbs and new stock is taken up quickly. This product is an alternative to the standard house on a larger lot and there is a trend to this type of property as lifestyles change.

Retail & Commercial Market

The Wollongong CBD has continued its revitalisation over the past twelve months further projects approved, projects under construction and a number of transactions of large commercial properties. In the Spring edition of the Wollongong Economic News, Wollongong Council notes that the inner city population will swell by as much as 111% over the next three years. The new residential developments has resulted in an evolving small bar and café culture transforming the evening economy into a “foodie and small bar hotspot.” All of this development and close proximity to the beach means that the city centre is becoming an increasingly desirable place to live.

The lower east Crown Street precinct currently appears more like one large building site, with construction underway on the former Oxford Tavern site for a 14 storey mixed use development, and on the former Dwyer’s site, which is a large scale residential development comprising 317 residential units in four residential towers. The ANZ Bank building on the corner of Crown and Kembla Streets is also under refurbishment, which will only improve the eastern end of the Crown Street Mall.

The refurbishment of the Crown Street Mall is now complete and Wollongong Council has assisted in improving the street front through its Inner City Façade program which saw 40 CBD buildings upgrade their façades over the past two years.

At the western end of Crown Street, GPT’s West Keira development and the opening of Humber (a three level licensed premises and bar at 226 Crown St have improved the general streetscape, whilst WIN Properties has purchased during the past twelve months, a number of properties on the southern side

of Crown Street between Keira Street and Atchison Street. Local agents report that WIN Properties has purchased the last two remaining properties, being 2783-279 Crown Street and 281 Crown Street (Spotlight building) so that the company now owns the entire city block bound by Crown, Burelli, Atchison and Keira Streets. To date, WIN Properties has not revealed its intentions with the large site.

Beyond this area on the western side of the railway line on Crown Street, is the growing medical precinct around Wollongong Hospital. The \$134 million expansion of Wollongong Hospital is complete with a new Elective Surgical Services Centre and an additional 700 spaces added to the carpark. The \$120million private hospital to be operated by Ramsay Health Care is nearing completion and due to be opened in early 2016.

Other large scale developments are also proposed for the CBD and fringe including:

- Development approval for a Seniors Living Development comprising 75 independent living units, car parking, cafe, activity spaces and partial demolition of existing building at 27A Stewart St Wollongong, developed by IRT adjoining their Howard Court development. Construction is due to commence in 2016.
- A revised DA has been approved for a residential development at 14-18 Auburn Street. The development comprises a nine storey, 85 unit tower with ground floor commercial units.
- Development approval has been granted for a 23 level mixed use building at 10-18 Regent Street comprising commercial space, hotel, function, recreation and residential uses.

Notable transactions in the CBD and fringe, other than those properties purchased by WIN Properties, include:

- 282 Keira St – a near new commercial building sold fully leased with the major tenant being ING. This property sold for \$23.7m.
- 83-85 & 92 Market Street – a commercial office building, known as the Kells Building sold with a small vacant parcel on the opposite side of Market Street. The sale price for the two properties was \$4,300,000.
- 94-96 Crown Street (corner Kembbla Street) sold fully leased to ANZ for \$3,300,000 and is now being extensively refurbished.
- 373 Crown Street, a vacant site with DA approval for 112 residential units located in the medical precinct, sold for \$5,500,000.
- The former Chifley Hotel (now known as Sage Hotel) at 60 Harbour Street sold as a going concern for \$22,100,000.
- A large development site with frontage to Keira and Thomas Streets was sold by the Parsons Family to Sam Hanna & Co, a local developer, for \$5,500,000.
- A three level commercial building at 50 Crown Street sold for \$3,950,000 to a Chinese investor.

The suburban commercial market has seen a steady turnover of stock in most commercial centres, resulting in good increases in values across the board, and spurred on by activity within the CBD and fringe.

There are three large developments in Corrimal proposed, with the former Council carpark site receiving development approval for a \$9 million medical centre and pharmacy complex. At 20 Underwood Street a private hospital specialising in chemotherapy was recently approved, whilst the derelict former hardware building on the corner of Underwood and Russell Streets is the subject of a development application for a four storey development with a ground floor Aldi supermarket, 122 place childcare centre and 49 residential units.

Notable sales include:

- 67-71 King Street Warrawong, a mixed use property occupied by a furniture showroom and Wollongong Council Library. This property sold for \$7,350,000.
- The former Port Kembla Public School site sold for \$2,550,000.
- 46-50 Underwood Street, a former Council carpark, sold for \$3,495,500.
- A large site comprising three lots with frontage to Northcliffe Drive, Princes Hwy and Canterbury Road sold off market for \$2,850,000 to Bunnings Properties.
- The former Buck Hamblin's shop and residences at 260 Lawrence Hargrave Dr Thirroul sold for \$1,754,000.

In addition to the above transactions, it has been widely reported that Scentre (formerly Westfield) has sold Westfield Figtree and Westfield Warrawong. Sales prices for both properties are not yet available, as they were sold as part of a tranche of 3 properties. As at 30 June 2015, the Warrawong centre was valued at \$191.5 million and Figtree centre was valued at \$163 million.

Industrial Market

The industrial property market has shown signs of improvement over the past 12 months with an increase in sales volumes, demonstrating improved confidence after a prolonged period of static conditions. Most sales have been to owner occupiers in the sub \$2 million range, however investment transactions are starting to increase as investors are enticed back to the market by yield arbitrage and a common view that the market has bottomed. However investors are still driven by good lease covenants and long term rental security.

Rents are currently stable and local agents are reporting an increase in enquiry levels, particularly for smaller to mid-sized efficient warehouse tenancies that are well located. Buyer and tenant demand for large scale industrial properties with vacant possession remains limited.

Local industry is benefiting from port related activity at Port Kembla with Kembla Grange evolving into a significant vehicle transportation hub. Transportation and logistics are filling the void left by the decline of the traditional heavy manufacturing sector, and the confirmation of BlueScope remaining in at Port Kembla will only improve the confidence of the local industrial market.

The evolution of the sector to light industrial uses is likely to continue into the future. Other issues include the scaling back of production at local coal mines and the restructuring that is expected to continue at the major mining companies.

Transport for NSW sought Expressions of Interest for the Maldon-Dombarton rail link in late 2014, and these are currently being assessed. According to RDA Illawarra, completion of the 35km dedicate freight line will give Port Kembla direct access to south-western Sydney. The rail link will also allow export freight from western NSW (principally coal and grain) to access the port without being subject to curfews or the need to use the South Coast rail line. This in turn will significantly reduce the number of freight movements on the South Coast line.

The expansion of the Outer Harbour at Port Kembla is continuing with Reclamation Works currently being undertaken.

Other developments providing confidence in the region include the future use of Port Kembla by cruise ships, with the first ship expected to dock in October 2016, and the submission to the Defence White Paper for the relocation of all or part of the Royal Australian Navy Fleet from Garden Island to Port Kembla.

Confidence in the industrial market is demonstrated by the recent sale of a large site at Foreshore Road, Port Kembla for \$6,750,000, and a large industrial complex on Shellharbour Rd Port Kembla for \$2,650,000. There have also been a number of sales of smaller properties on Five Islands Rd Port Kembla.

Another notable transaction was the purchase of a large site at 9 Watts Lane, Russell Vale by Bunnings Properties for \$4,600,000. A development application for a new Bunnings store was lodged in May 2015 and is currently under assessment.

Rural & Environment Market

Between the 2014 & 2015 Base dates most Environmental & Rural zoned lands, including waterfront & almost waterfront land in the Northern suburbs, showed steady market movement. The ongoing exception to this has been the Environmental zoned market where there were speculative sales of E3 zoned vacant sites with no building rights within Lady Carrington Estate at Helensburgh. These properties are part of the 7D lands under long term review by Wollongong City Council. Most recently, sites are offered on the open market with single lots selling for prices between \$30,000 and almost \$50,000 per lot. Following substantial price growth post 2011, values of properties within this estate with no building right were realigned and substantially increased at Base Date 2012. Values of these sites between Base Dates 2014 & 2015 however remain unchanged.

With regard to Rural zoned land there have again been few sales. Generally, in the case of sites greater than one hectare with a single building right, more restrictive Local & State government environmental policies have seen purchasers paying similar amounts for larger homesites regardless of size. Demand for larger sites (greater than 20 hectares) continues to be strong, however sales prices remain steady. As a result of the ongoing decline in agriculture across the LGA, there are few properties now used for true rural purposes.

SIGNIFICANT ISSUES AND DEVELOPMENTS

Wollongong CBD redevelopment sites

As outlined previously, the lower east Crown Street precinct currently appears more like one large building site, with construction underway on the former Oxford Tavern site for a 14 storey mixed use development, and on the former Dwyer's site, which is a large scale residential development comprising 317 residential units in four residential towers. The ANZ Bank building on the corner of Crown and Kembla Streets is also under refurbishment, which will only improve the eastern end of the Crown Street Mall.

The refurbishment of the Crown Street Mall is now complete and Wollongong Council has assisted in improving the street front through its Inner City Façade program which saw 40 CBD buildings upgrade their façades over the past two years.

At the western end of Crown Street, GPT's West Keira development was opened in late 2014. This six storey shopping mall connects Wollongong Central Shopping Centre with an over street bridge and has injected "new life" into the CBD. Just west of this, WIN Properties has recently purchased a number of properties on the southern side of Crown Street between Keira Street and Atchison Street. Local agents report that WIN Properties has purchased the last two remaining properties, being 2783-279 Crown Street and 281 Crown Street (Spotlight building) so that the company now owns the entire city block bound by Crown, Burelli, Atchison and Keira Streets. To date, WIN Properties has not revealed its intentions with the large site.

Beyond this area on the western side of the railway line on Crown Street, is the growing medical precinct around Wollongong Hospital. The \$134 million expansion of Wollongong Hospital is almost complete with a new Elective Surgical Services Centre and an additional 700 spaces added to the carpark. The \$120million private hospital to be operated by Ramsay Health Care is nearing completion and due to be opened in early 2016.

Other large scale developments are also proposed for the CBD and fringe including:

- Development approval for a Seniors Living Development comprising 75 independent living units, car parking, cafe, activity spaces and partial demolition of existing building at 27A Stewart St Wollongong, developed by IRT adjoining their Howard Court development. Construction is due to commence in 2016.
- A revised DA has been approved for a residential development at 14-18 Auburn Street. The development comprises a nine storey, 85 unit tower with ground floor commercial units.
- Development approval has been granted for Regency Towers, a 23 level mixed use building at 10-18 Regent Street comprising commercial space, hotel, function, recreation and residential uses.

Corrimal Redevelopment sites

Central Corrimal has been pegged for urban renewal for years, with a draft Wollongong City Council strategy released earlier this year proposing an art-filled, leafy, pedestrian safe haven with a higher population and a better variety of retail outlets and services.

In line with this strategy there are three large developments in Corrimal proposed, with the former Council carpark site receiving development approval for a \$9 million medical centre and pharmacy complex. At 20 Underwood Street a private hospital specialising in chemotherapy was recently approved, whilst the derelict former hardware building on the corner of Underwood and Russell Streets is the subject of a development application for a four storey development with a ground floor Aldi supermarket, 122 place childcare centre and 49 residential units.

Ongoing Transition from an Industrial city

Historically, the Wollongong economy was underpinned by coal mining and steel and allied manufacturing. However, there has been a major change in employment and the economy of Wollongong over the last 30 years. Port Kembla steelworks, which employed over 20,000 workers in 1983 today has a permanent workforce of barely 2,000 people. 2011 saw the closure of No. 6 Blast Furnace, followed in 2012 with the closure of One Steel's Kembla Grange oil and gas pipe mill. The recent closures of both MM's Wire and Rod division and Corrimal Cokeworks have had a flow on effect to already struggling smaller local manufacturing companies. Additionally, during 2015 Bluescope announced

In addition to manufacturing, the LGA until recently was home to four operational longwall coal mines, Peabody Metropolitan (Helensburgh), Illawarra Coal Dendrobium (Mt Kembla) & Wollongong Coal's Russel Vale and Wongawilli mines. However, in August 2014, following a long period of financial instability, the Indian owned Wollongong Coal's Wongawilli mine was put into "care and maintenance". This occurred after their longwall shearer was buried in a roof collapse and deemed unrecoverable. In addition, the future of Russell Vale mine remains uncertain as it was too placed into "care and maintenance" as the site awaits government approval to mine a 400m piece of Longwall 6 ahead of schedule. Additionally in another blow to the local coal mining industry, Metropolitan and Dendrobium mines have reduced their permanent workforce. With current global coking coal markets at historical lows all mines are under pressure to increase production and cut costs.

However, Wollongong is working hard to reposition itself and the major players in the local economy are now, education, health care and tourism. So, whilst the local economy struggles through this transitional period, Wollongong's close proximity to Sydney, good transport links and affordable real estate are helping to strengthen the local property market.

Tallawarra Housing Development

The 536 hectare site adjoining Tallawarra Power station was purchased in 2003 by EnergyAustralia (formerly TRUenergy). The site which stretches from Koonawarra to Haywards Bay was rezoned under Wollongong LEP 2009. In May 2013, following a lengthy consultation process the concept plan for a

\$250 million housing development was given approval by the NSW Planning & Assessment Commission. During 2014 Energy Australia announced their plans to sell the Tallawarra Lands for development. The proposal is for more than 1000 housing lots in three new precincts – Lakeside, North Shore and Central. The mixed use development will also include 40 ha of commercial and industrial land, 16 ha of retail development & 360 ha of dedicated conservation land.

During 2014 Energy Australia announced their plans to sell the Tallawarra Lands for development. CBRE were appointed to run a national sale campaign for the site, which at the date of writing remained unsold.

Calderwood

In January 2011, the NSW State Government declared an area of land at Calderwood, northwest of Albion Park, to be a State Significant Site. The Calderwood Urban Development Site was gazetted in the State Environmental Planning Policy 2005, (Major Development), after a proposal was made to develop the land for residential, mixed use and environmental uses. This site has been identified by Planning NSW's Illawarra Urban Development Program as having the potential for up to 8,000 dwellings and could contribute to further urban expansion. The development straddles both the Shellharbour and Wollongong LGAs.

The Concept Plan for the Calderwood Urban Development project includes approximately 50 hectares of mixed use lands, 4,800 residential dwellings, open space and environmental lands, internal roads, service infrastructure and community facilities. It is anticipated approximately 12,000 new residents will live at the site, with a new town and village centre to be established

Stage 1 of the development which includes 221 residential lot and 120 medium density dwellings was approved by the Land and Environment Court in August 2013. Market for Stage One commenced in December 2014. The developer, Lend Lease, manages land releases by Online Land Release Priority Process and it has been reported that all lots in Stage One have sold. Stage One commenced construction in August 2015.

SIGNIFICANT VALUE CHANGES

The 2015 values have been set and were included in the values upload together with an accompanying Valuation Analysis Report.

There are a small number of properties within the LGA that have had significant changes in their Land Values in the current year's program and since the previous General Valuation year in 2013.

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. Significant variations in values are the result of handcrafting through verification or one off value changes that have been brought about by sales analysis.

Significant value changes – from prior local government council rating valuation to current annual valuation

Values showed steady growth between the 2013 General Valuation Base Date and Base Date 2014. However, between Base Dates 2014 and 2015 there has been strong growth in values across the residential, business and industrial property sectors as a result of record low interest rates, renewed investor confidence and the ripple effect of the booming Sydney real estate market.

Significant value changes – from prior to current annual valuation

As outlined above between base dates there has been strong growth in values across the residential, business and industrial property sectors. Overall, the average growth in land values for each of these sectors showed the following increases:

- Residential zoned properties: 14.99%
- Commercial zoned properties : 14.35%
- Industrial zoned properties: 11.96%

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;

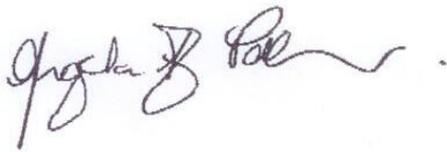
8. Identify outliers including high and low values to be checked against relevant market evidence:

- 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.



Angela Parker A.A.P.I.

Certified Practising Valuer

Registered Valuer No. 3679

For Crown Valuation Service Pty Ltd.

**VALUER AND CONTRACT SERVICES MANAGER
WOLLONGONG CONTRACT
16 November 2015**