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17 September 2020

Ms Rachel Tassone
City of Adelaide
3rd Floor, 25 Pirie Street
ADELAIDE SA 5000

Dear Rachel

88 O'CONNELL STREET, NORTH ADELAIDE, SA

1.0 Introduction

Instructions

We refer to your instructions dated 17 September 2020 requesting that we assess a market value of the 100% freehold interest in 88 O'Connell Street, North Adelaide, SA (the *Subject/Property*) to be relied upon by City of Adelaide (*Client/Instructing Party*) for internal decision making purposes only.

Our valuation has been prepared in accordance with the current International Valuation Standards, Australian Property Institute (API) and the Property Institute of New Zealand (PINZ) Australia and New Zealand Valuation and Property Standards as applicable at the date of valuation. We confirm that the prime signatory:

- is authorised, under the requirements of the API in the State where the valuation takes place, to practise as a Valuer;
- is suitably qualified to carry out valuations of such property; and
- has no pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the Property's value or that could conflict with a proper valuation of the Property.

The following parties may rely on this valuation report for the purpose stated above:

- City of Adelaide (Adelaide City Council)

Reliance on this valuation report is permitted only:

1. By a party expressly identified by the report as being permitted to rely on it;
2. When the given party has received the report directly from JLL; and
3. For a purpose expressly identified by the report as being a permitted use of the report.

Our report is confidential to the party to which it is addressed, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Neither the whole of the report, or any part of it, or any reference to it, may be published in any document, statement or circular nor in any communication with third parties (including the current owner of the site) without our prior written approval (which we reserve the right to withhold) of the form and context in which it will appear.

This valuation advice is provided as at 20 September 2020 with the Property having been inspected from the road boundaries (vacant land only) on the same day.

The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. We have seen global financial markets impacted and travel restrictions and recommendations being implemented by many countries, including Australia. The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation we consider that there is a significant market uncertainty. This valuation is current at the date of valuation only.

The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

For the avoidance of doubt, the inclusion of the 'market uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

In providing this advice we have assumed the following, in addition to the assumptions detailed in Annexure A:

- In the absence of soil tests, environmental studies or reports assume that there are no environmental issues associated with surface or subsurface conditions, toxic or hazardous wastes exist.

Basis of Valuation

The market value provided herein has been determined in line with that of the market value of the Property as defined by the International Valuation Standards Committee (IVSC), and endorsed by the API and PINZ, which is as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion."

Information Sources

Our valuation is based on information which is sourced from the instructing party and other third parties, including but not limited to:

- Town planning and flooding information obtained from the Adelaide City Council;
- Current Title Searches, Title Plans and Sales Data Searches from the Land Services Group, Adelaide;
- Proposed Land Facilitation Agreement between City of Adelaide and its preferred developer, Commercial & General;
- Sales data from various industry sources, including sales real estate agents; and
- Research and forecasts from Jones Lang LaSalle Research.

2.0 Site Particulars

We summarise the pertinent details of the Subject site as follows:

Title References

The site is contained within 27 Certificates of Title, historical copies of which are appended to this letter. The site extends over 27 contiguous allotments.

Site Area

Based on calculations from the Title Plans sighted, the site has a total area of approximately 7,546 square metres.

The holding forms a rectangular shape with four street frontages. The site has a frontage to O'Connell Street of approximately 129.34 metres, a frontage to Tynte Street of approximately 58.24 metres, a frontage to Centenary Street of approximately 129.50 metres and a frontage to Archer Street of approximately 58.38 metres.

Topography

The land is of even topography and contour.

Zoning

The Subject is situated within the Main Street (O'Connell) Zone, as defined by the City of Adelaide.

The site is situated in an area identified as one where development up to six storeys is allowed.

The Subject is however afforded greater height limits as, due to its size (over 1,500 square metres), it would be regarded as a catalyst site. Catalyst sites should be comprised of medium to high scale residential development that is carefully integrated with non-residential development. The status of the site as a catalyst site has supported the density of development achieved under a former Planning Consent and the current development proposal by Commercial & General, as summarised in the next section.

Planning Consent

The Subject has achieved planning consent in the past for a proposed mixed use development which provided for the following:

- *A number of separate buildings fronting O'Connell Street, Tynte Street, Archer Street and Centenary Street in North Adelaide.*
- *The buildings vary in height from 11.6 metres to 58.17 metres with the tallest building element of circa 17 storeys located on the corner of Tynte Street and O'Connell Street.*
- *The buildings will contain a mix of land uses, including commercial, residential apartments, hotel and retail uses surrounding a central public realm.*
- *Car parking is located within three basement levels.*
- *The central public realm is designed to connect ground floor retail tenancies, residential tower, hotel and office towers.*

Based on information contained within a Planning Report prepared by Intro which was submitted for the development application, the proposed development was based on a total Gross Floor Area (GFA) of approximately 32,514 square metres across the residential, hotel, retail/restaurant, office and back of house areas (excluding landscaped roofs, carparks and outdoor piazzas/laneways). In total the proposed development was to incorporate 131 apartments, 140 hotel suites and 441 carparking spaces.

The Subject has since been acquired by the City of Adelaide who has subsequently requested Expressions of Interest from developers to develop the site in accordance with a set of Guiding Principles as outlined below:

Strategy

Development must be smart, green, liveable and creative, exemplifying and helping to achieve the City of Adelaide 2016-2020 Strategic Plan

Attractor

Create a destination to attract people to support the vitality of the O'Connell Street precinct. Provide sufficient intensity of activity and various reasons for people to visit, stay and spend time during the day and night.

Community Needs

Provide a mix of complementary uses to meet the needs of an evolving residential and business community. Innovation approaches to providing community services and facilities, as well as emerging technologies are encouraged.

Place

Create a great place for people, defined by exceptional architecture, urban design, landscape, public art, and engaging place-making.

Amenity

Provide excellent amenity for new residents and maintain and improve the amenity of neighbouring properties. Potential impacts such as traffic, noise, overshadowing, must be addressed through site configuration and appropriate built form.

Built Form & Context

Respond sensitively to the urban context, respecting and matching the scale and qualities of adjacent heritage places and the predominantly 2-storey O'Connell Street streetscape. A mid rise development with a variety of buildings of up to nominally eight storeys is preferred, with any high rise elements set back at least 12 metres from the street frontages.

Activation

Create activity and interest in the public realm, with high quality street frontages and active ground level uses. Multiple small format retail tenancies and other public uses should enliven primary street frontages and new public spaces, while predominantly residential frontages should address Centenary Street.

Housing Diversity

Provide a significant amount of well designed housing for a diverse range of people. Innovative housing models and a variety of housing types and tenures are encouraged.

Identity

Create an interesting and distinctive place with multiple owners, partners and/or operators providing a variety of high-quality, cultural, artisanal and boutique offerings.

While the Guiding Principles suggest that an eight storey height was preferred, the proposals received from developers indicated that greater height would be required to maximise the opportunity of the site, particularly noting that the previous planning consent allowed for a greater height (up to 16 storeys approximately).

The preferred developer pursuant to the EOI process, Commercial & General, has put forward a proposal which includes three residential towers ranging in height from 13 to 16 levels (with the tallest tower in the centre of the site). The development proposal provides a gross floor area of approximately 36,844 square

metres which excludes all outdoor areas (other than balconies to the apartments) and is therefore slightly larger than the development which previously achieved planning consent.

Environmental

We have assumed that the Subject is devoid of any environmental issues.

Flooding Issues

We have been advised by the local council that current flood modelling/plans indicate that properties within the Adelaide CBD are at low risk of flooding.

Please note, low risk does not mean no risk; all properties can flood in extreme weather conditions. We are of the opinion that flooding issues do not significantly impact the use of the centre. Should further information suggest otherwise, we reserve the right to review our valuation.

Services

We have assumed that all mains services including electricity, gas, water, sewerage and telephone are available to the Property.

3.0 Market Commentary

In assessing the value of the Subject as a development site we have had regard to the trends occurring within the development site market in the Adelaide CBD, as summarised below:

Development Site Market Overview

Heading into 2020, South Australia's residential development market had been improving steadily over the last few years. Whilst risk management and funding issues remain at the forefront of developers strategic acquisitions, it appears the challenging conditions in years' prior had somewhat eased with larger developers in particular having worked hard to both restructure and re-capitalise balance sheets.

It is apparent that developers and builders who 'meet the market' with pricing were maintaining good sales rates and subsequently remained acquisitive for new development opportunities. It is also evident that the buyer market has a preference for development sites already zoned for purpose and importantly having the provision of infrastructure nearby to enable development in the short term, thereby significantly reducing risk for project funders.

In recent times, suburbs which have a large population of older, trust residential stocks have experienced a change in zoning to allow for increased heights and density of development. Councils have also been inclined to change residential zoning in areas within close proximity to main road corridors. These changes are to permit medium to high density developments to encourage high density living surrounding public infrastructure and transport routes.

The market has seen secondary stock on large proportioned sites being sold for redevelopment purposes, including older education facilities, given that there is a shortage of large vacant sites, particularly in the inner areas.

Compared to other sectors of the broader market (such as retail, office and industrial investments with underlying cash flow guaranteed by lease agreements) development sites are a property type more affected by cyclical movements in the property market. For this reason, noting the rapid impact of the Novel Coronavirus (COVID-19) in March 2020, as outlined in the next section, there is now a higher level of cautiousness in respect to development sites, with the market much more selective in respect to the opportunities presented.

Coronavirus (COVID-19) Impact

On 11 March 2020, the World Health Organization officially categorised Novel Coronavirus (COVID-19) as a pandemic with Governments, business and communities across Australia and New Zealand feeling the significant impact of the virus. The impact on global and local economic growth is undeniable with the latest economic data releases confirming the initial fears of a significant downturn.

The property sector has not been immune to the effects of the COVID-19 crisis. Aside from the physical implications of social distancing and how this has impacted occupancy and inspection of buildings and the ability for tenants to trade and in turn generate revenue to support rental payments, the overall downturn has had an impact on the sentiment for property investment and development.

Market activity has been adversely impacted in many sectors since the global outbreak of the COVID-19 virus. Therefore, we consider previous market fundamentals no longer reflect the current market and for the foreseeable future, due to, but not limited to, increases in unemployment, funding restrictions, weakened buyer and seller sentiment. We are now faced with an unprecedented set of circumstances on which to base judgement.

Transactional sale activity has declined with a number of mooted acquisitions falling over/deferred as purchasers withdraw from previous negotiations/offers to purchase. While some purchasers have indicated that they prefer to wait and seek further clarity on pricing as we move through the crisis, restrictions on inspecting properties for due diligence, given border lockdowns, has also been a deterrent to acquisitions continuing. Vendors have also elected to postpone marketing campaigns rather than test a very uncertain market. We have started to see signs of this alleviating however, more so within the office and industrial sectors.

As banks focus on servicing existing clients, there has been a reduced appetite to service new clients and deals, particularly in the more sensitive sectors such as retail, development and hospitality. We have seen LVRs reduce requiring owners/purchasers to contribute more equity, effectively increasing the cost to acquire property for investors and to develop property for developers. Reduction in cost of finance has however helped to cushion this increased equity requirement.

The residential market has shown some surprising resilience in the wake of the COVID-19 crisis. Land developers are reporting record sales numbers across a number of greenfield developments while apartment projects, such as the Subject, have shown good interest in light of the affordability provided.

We further comment on impact to the residential property sector as follows:

- Residential markets more broadly have been tested after strong price growth over recent years in Australia and New Zealand, but over-supply risks are low.
- Certain areas of the living sector are defensive in nature and demand can be reliant and even counter-cyclical through the cycle. What we expect to be a resilient performance through this crisis for the build-to-rent sector globally is likely to add further momentum to the sector's emergence in Australia in the longer term.
- Marketing of some new apartment projects that are targeting offshore buyers is suffering from a reduction in interest.
- Some consolation for the housing market is that the level of supply in Australia peaked some time ago and continues to fall sharply, which should help avoid medium-term over-supply issues.
- Government stimulus packages in the form of the HomeBuilder Grant, in response to the economic downturn in the wake of COVID-19, has had a positive impact on the rate of sale for many developments.

While the introduction of the HomeBuilder Grant has been a welcome injection for the residential development industry, there is concern as to how the market will perform once Government stimulus packages like this are wound back. There is potential for buyer sentiment to reduce, resulting in slower sale rates and potential softening of revenues. There is potential for commencement of projects to be brought forward as a result of the Government stimulus which could then prompt an increase in construction costs as builders face increased workloads. With cost and revenue under pressure, softening in land prices is likely to occur.

Settlement risk is also of significant concern given the uncertain economic conditions and what this means for employment numbers going forward. Businesses are currently being supported by the Commonwealth Government Jobkeeper program. It remains to be seen what the job market, and the ability for purchasers to secure funding, looks like once this program is wound back.

We recommend caution by reliant parties as the downside risk is quite high at present as the ultimate financial and market impacts are still largely unknown.

4.0 Sales Evidence

In considering comparable sales, we have focussed on sales of large development sites (generally those which would support a master-planned, staged development like that which would be undertaken on the Subject) within the Adelaide CBD and North Adelaide. While there are sales of comparable large land parcels in some inner suburban areas of Adelaide (including Kent Town and Thebarton) we consider these locations to be inferior to that of North Adelaide, which would be reflected by lower rates per square metre for sites in these localities.

The Subject is considered to present a unique development proposition – being a large site, providing the opportunity to undertake a significant, landmark development in a premier location of Adelaide. As such, comparison with more inferior inner suburban locations is considered to ignore the value premium that may be placed on the Subject in light of its location. That being said, we have given careful consideration as to the strength of the location when compared with some of the CBD sales, given the appeal and strength of the CBD market.

Comparable sales considered include the following:

Address	Sale Date	Sale Price	Site Area (sqm)	Zoning	\$ psm
215 Grote Street, Adelaide SA	Oct-19	\$9,100,000	2,787	Capital City	\$3,265
<p>The property is situated along Grote Street within the Adelaide CBD, approximately 1.0 kilometre west of the Adelaide GPO, further being situated on the south-western corner of the intersection of Grote Street and Marlborough Street, with additional rear street frontage to Churchill Street.</p> <p>The property comprises a regular shaped allotment of approximately 2,787 square metres developed over two Certificates of Title. Zoned 'Capital City' by the City of Adelaide.</p> <p>The site has the potential for mixed use development up to 53 metres under the current zoning provisions.</p> <p>The improvements comprise a circa mid 1900's built showroom development, that is currently leased until 31/10/24 to ESR Group Holdings Pty Ltd (trading as 'Early Settler' furniture store). However, the lease includes a redevelopment clause whereby the Lessor may terminate the lease by giving at least 18 months' notice in the event the property is to be redeveloped.</p> <p>The property sold via an 'Expression of Interest' campaign through CBRE and appears to have attracted a high level of interest remaining on the market for 8 days.</p> <p>The negotiated sale price of \$9,100,000 equates to a rate of \$3,265 per square metre of site area. No further provision has been made for demolition costs as interim rental income from the existing tenancies pending future redevelopment is considered to negate the potential cost thereof.</p> <p><i>Much smaller site albeit considered to be in an inferior position to the Subject. A lower rate is considered appropriate for the Subject given its larger size.</i></p>					

Address	Sale Date	Sale Price	Site Area (sqm)	Zoning	\$ psm
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231 Grenfell Street, 252
– 260 Pirie Street , 247-
259 Pirie Street and 31
– 35 Worsnop Avenue,
Adelaide, SA

Jan-19

\$35,600,000
(reported)

9,477

Capital City

\$3,756

The property comprises four primary superlots / land parcels ranging in site area between 890 and 4,340 square metres, further containing a total site area of approximately 9,477 square metres. Comprised within 20 Certificates of Title, components of the site have frontages to Grenfell Street, Pirie Street, Tam O'Shanter Place, Devonshire Place, Worsnop Avenue and Dawkins Place.

The property is located in an eastern segment of the Adelaide CBD, further being positioned slightly west of Hutt Street / East Terrace and the East Adelaide Parklands. Zoned 'Capital City' by City of Adelaide which provides for varied development potential, further with a maximum building height of 17 levels /53 metres.

Superlot 1 comprises the northern most land parcel contained with 7 Certificates of Title, being of regular configuration containing an approximate site area of 2,360 square metres with a northerly frontage to Grenfell Street of 59 metres, and a rear southern alignment fronting Tam O'Shanter Place of 58.73 metres. At the date of sale it was disposed as City Holden's main showroom display, sales and administration offices and amenities. The balance of the site is disposed as open display and on-site car parking.

Superlot 2 is located on the northern side of Pirie Street, and comprises the largest of the parcels containing a site area of approximately 4,340 square metres. It is separated from superlot 1 by Tam O'Shanter Place, further being comprised within 9 Certificates of Title, and features a southern frontage to Pirie Street of 32.58 metres, a rear northern frontage to Tam O'Shanter Place of 64.99 metres, and an eastern alignment abutting Devonshire Place of 53.91 metres. At the date of sale it was disposed as City Holden's main service centre, featuring extensive low clearance workshop accommodation inclusive of a customer service reception / waiting area. The balance of the site is disposed as on-site car parking.

Superlot 3 is located on the southern side of Pirie Street directly opposite superlot 2, and comprises a site area of approximately 1,887 square metres. It is comprised within 3 Certificates of Title and features a northern frontage to Pirie Street of 49.73 metres, as well as an internal / middle frontage to Worsnop Avenue of 56.91 metres. At the date of sale it was disposed as City Holden's main customer and staff car park, noting a small segment is encroached by a portion of the warehouse established on superlot 4.

Superlot 4 comprises the southernmost land parcel which is located at the end of Worsnop Avenue, containing a site area of approximately 890 square metres. It is comprised within a single Certificates of Title, and features a northern frontage to Worsnop Avenue of 24.04 metres, and a southern frontage to Dawkins Place of 27.69 metres. It is disposed as a concrete block workshop building.

The property was offered for sale by expressions of interest marketing campaign conducted by Colliers International. It is understood the property entailed a short term lease back, however terms and conditions thereof are undisclosed.

Based on the advised sale price of \$35,600,000 (GST Exclusive), discloses a rate of \$3,756 per square metre of site area. No adjustment for a demolition allowance has been provisioned as the advised short term leaseback is considered to negate potential demolition costs.

This site offers comparability to the Subject in respect to the overall size however offers greater opportunity for holding income and in an eastern locality of the CBD with portions of the site likely to have appealing views over the parklands to the north east. A lower rate is considered appropriate for the Subject noting that the configuration of the site and potential for holding income has influenced the price paid for the sale property.

Address	Sale Date	Sale Price	Site Area (sqm)	Zoning	\$ psm
43-69 Sturt Street, Adelaide	Oct-17	\$15,000,000	7,418	Main Street (Adelaide)	\$2,022
<p>The property comprises an irregular "L" shaped land holding of approximately 7,418 square metres, contained within three Certificates of Title, located within Adelaide's southern frame precinct. More particularly, the site is afforded primary frontage to Sturt Street of approximately 86 metres, together with side and rear frontages to Gilbert Street, Norman Street and Myers Street, positioned some 850 metres from the Adelaide GPO. Zoned 'Main Street (Adelaide)' by the City of Adelaide.</p> <p>The property has previously received Development Approval from the Development Assessment Commission for the demolition of the existing improvements and construction of staged mixed use development across the site including apartments, hotel, retail and commercial uses.</p> <p>The property is improved with a display centre together with a substantial site working including the excavation of basement car parking and lift shafts.</p> <p>The property sold via expression of interest under instructions from the Receivers and Managers.</p> <p>After allowing for demolition and remediation expenses (rounded) of \$1,500,000 the sale price reflects an adjusted rate of \$2,224 per square metre of site area.</p> <p><i>While a dated transaction, the site offers comparability in respect to overall size however considered to be in an inferior position. A higher rate is supported for the Subject given its location in North Adelaide and position along O'Connell Street.</i></p>					
171-203 Gouger Street, Adelaide, SA	Mar-16	\$15,090,000	7,160	Capital City	\$2,108
<p>The property comprises a vacant parcel providing a total of 7,160 square metres of site area located on the southern side of Gouger Street, positioned just west of Morphett Street.</p> <p>The large site is contained within seven Certificates of Title which together form an irregular shape with street frontages of approximately 118 metres to Gouger Street, 72 metres to Selby Street (east boundary) and 30 metres to Claxton Street (west boundary).</p> <p>The property was marketed for original asking price of \$18 million and was purchased by an interstate developer for the total consideration of \$15,090,000 exclusive of GST.</p> <p><i>While a dated transaction, the site offers comparability in respect to overall size however considered to be in an inferior position. A higher rate is supported for the Subject given its location in North Adelaide and position along O'Connell Street.</i></p>					

In addition to the sales above we also refer to the recent sale of the **Adelaide Mail Centre** which is situated on **Gouger Street (252 Gouger Street, Adelaide)**. The 17,924 square metre site lies between Gouger and Grote Streets with eastern frontage to Blenheim Street. While a portion of the holding provides development potential, noting that there is a large handstand area, the purchaser has acquired the site to convert the existing improvements (some 23,128 square metres) into a self storage facility and as such the price paid includes consideration for the existing improvements. The price of \$40,600,000 GST exclusive reflects an improved rate of \$2,265 per square metre of site area. We understand the property was sold with a short-term leaseback while Australia Post secure alternative accommodation.

We are also aware that the former **Channel 9 site** at the western end of Tynte Street sold to a developer in February 2018 for a consideration of \$9,500,000 GST Exclusive. The site has a total area of approximately 6,775 square metres with the sale price equating to \$1,402 per square metre. While situated in North Adelaide in an appealing residential setting, the zoning does not afford the site with the same height limit as the Subject, which impacts the density of development. The site also incorporates some heritage elements and has a maximum plot ratio of 1.7. A higher rate per square metre is considered to be supportable for the Subject given its position on O'Connell Street and the higher height and greater density of development permissible under the zoning.

Another recent sale in North Adelaide is that of **49 Brougham Place** which forms the first stage of a larger masterplanned development. We understand that the transaction relates to a joint venture arrangement rather than an open market transaction. We have therefore considered this transaction with caution but confirm that the reported price of \$9 million GST Exclusive reflects a rate of \$8,241 per square metre of site area (1,092 square metres). The site offers exceptional views towards the CBD and is considered to be in a superior position to the Subject. Being much larger than the sale property, a lower rate per square metre is appropriate for the Subject.

Based on a review of the sales above and their comparability with the Subject, an appropriate rate for the Subject is considered to lie between \$2,108 and \$3,265. A rate towards the middle end of the range is considered reasonable, acknowledging the large size of the site but having regard to the North Adelaide location, position on O'Connell Street and island site configuration.

In referring to the above sales evidence we have relied on a range of external sources including publicly available information (newspapers, statements by public companies), subscription to information databases and information generally provided by others such as estate agents, property managers, property valuers and consultants.

In many instances, we have not had the access to the original source of material such as contracts of sale. Although we have no reason to doubt the validity of the information provided to us, and we have relied on this information in good faith, we are unable to state with certainty that the information upon which we have relied is consistent with the contractual arrangements between the relevant parties.

5.0 Valuation Rationale

The most appropriate methodology to adopt when assessing the value of the Subject is the direct comparison method where the Subject is compared with sales transactions on a rate per square metre of site area basis. Adjustments are made to the rates derived by the sales evidence to reflect the particular details of the Subject, whether it be location, position, outlook, size, density of development proposed and use allowed.

In adopting the direct comparison approach for the Subject, we have paid particular attention to the following:

- The prime location of the site, along the popular retail strip of O'Connell Street in the prestige residential suburb of North Adelaide. The site is also in close proximity to the Adelaide CBD and to the Adelaide Oval, supporting mixed uses on the site;
- Significantly large footprint for an inner suburban land holding which demands that a staged masterplan development be undertaken. The size of the site in this location would be very difficult to replicate therefore the Subject offers a unique development proposition to undertake a landmark development;
- The catalyst site status of the site under the City of Adelaide Development Plan supports higher height and density than that indicated within the zone;
- Planning consent previously achieved for a mixed use development providing a total gross floor area of just over 32,500 square metres. We also refer to the current proposal which provides for a total gross floor area of nearly 37,000 square metres. While the proposal supports a large development, the plot ratio equates to 1:4.9 which is well below CBD sites where plot ratios are more likely to be in the range of 1:10 to 1:20.

Acknowledging the size of the site, a clear trend in pricing development land is that the larger the site, the lower the rate per square metre. While this reflects the principle of diminishing returns, it is acknowledged that when developing a large site which may need to accommodate a number of buildings, there will be a portion of land that cannot derive any direct revenue – that is the circulation space at the ground level of the site around the buildings. As a result, the overall rate per square metre for the land parcel reduces, given the lower value attributed to this circulation space.

For that reason, assessing a rate per square metre by comparing with more similar sized sites to that of the Subject, rather than much smaller sites which are more than likely to accommodate only one building, carries considerable weight in the assessment. The site at Gouger Street provides the most comparable sized site, achieving \$2,108 per square metre of site area. It is likely that this site will be developed into mixed uses, across a number of buildings.

While the Gouger Street location would appeal to Asian based developers/investors, the location is comparably inferior to the Subject which may impact the feasibility of end uses of the site and the overall density of development.

The rate per square metre for the Subject would therefore be higher than that achieved by the Gouger Street site, given its superior location. We however do not consider that the rate for the Subject would be as high as that achieved by the Grote Street site, given its smaller size.

Given the parameters of these sales, we consider it reasonable to adopt a range of \$2,500 to \$2,750 per square metre for the Subject which equates to \$18,865,000 to \$20,751,500.

While the site sales considered provide larger land holdings of similar scale to the Subject, analysing the sites on a rate per square metre of site area only is however highly subjective, noting that each site has different heights and setback provisions, impacting on its potential density of development.

We therefore can also analyse the price paid as a function of the development potential (Gross Floor Area (GFA)) rather than site area. By assessing the sites on the basis of their potential GFA, we exclude any portions of land which cannot be developed. This approach also more clearly analyses the price a developer is willing to pay for land, based on the maximum floor area it considers feasible for development.

This approach also enables us to have regard to smaller sites where higher densities/height are supported, as the total GFA may be on a more comparable basis in respect to overall size. This enables the Subject to then be compared with sites which offer more comparable locational characteristics, to account for any value premium associated with the position of the site.

Some of the prime CBD sites which have sold in recent times include the following:

Property	Sale Date	Sale Price	Site Area (sqm)	Zone	\$ psm of site area (improved)
Peel, Currie and Gilbert Street portfolio	December 2019	\$24,000,000	2,934	Capital City	\$8,180
<p>The property forms an irregular shaped parcel of land which extends between Gilbert Place, Peel Street and Currie Street and includes six adjoining properties which are improved with low rise commercial/retail and residential buildings, some having some heritage significance. Pursuant to a number of existing lease agreements in place, the properties provide holding income to any developer while development proposals are finalised and tenant precommitments secured.</p> <p><i>There have been a number of proposals for the site, typically providing office and/or hotel accommodation, however we are not across the exact details of estimated gross floor area for each proposal. Based on historical information we understand that one proposal allowed for a GFA in the order of 45,000 square metre. The adjusted sale price equates to \$533 per square metre based on this estimated GFA (on an improved development area basis).</i></p>					
203-205 North Terrace, Adelaide	Oct-19	\$5,600,000	476	Capital City	\$11,765
<p>The property comprises a regular shaped allotment of approximately 460 square metres with frontage of 16.45 metres to North Terrace. More particularly the property is located on the southern side of North Terrace within the Adelaide Central Business District. Zoned 'Capital City – Policy Area 13 (Central Business)' by the City of Adelaide.</p> <p>The improvements comprise a State Heritage listed stone building built circa 1860's with a total lettable area of approximately 1,300 square metres, disposed over basement, ground and upper level. The improvements encompass the entirety of the site.</p> <p>The property was advertised with approved plans for a 16 level mixed use development retaining the original façade. As at the time of sale, planning consent had been granted for alterations and additions to the original improvements and the construction of a 33 storey student accommodation tower.</p> <p>The sale price equates to a rate of \$11,765 per square metre of site area (improved). Adopting a demolition allowance of \$130,000, the adjusted sale price equates to \$12,038 per square metre.</p> <p>The property sold via an 'Expression of Interest' campaign through Savills commencing late January 2019.</p> <p><i>We have estimated a GFA of approximately 12,100 square metres based on the proposed building height of 33 storeys. The adjusted sale price equates to \$474 per square metre of estimated GFA.</i></p>					
73-85 Pirie Street, Adelaide	May-18	\$18,500,000	2,912	Capital City	\$6,353
<p>The property comprises a slightly irregular shaped site which occupies a prominent position within the Adelaide Central Business District, more particularly being positioned to the southern side of Pirie Street slightly east of the Gawler Place intersection, further having an easterly alignment abutting Freemasons Lane which serves as a pedestrian link through to Flinders Street as well as providing for vehicle access to the property. Freemans Lane to the immediate west operates as a service lane.</p> <p>The property overall is contained within three Certificates of Title, featuring a northern frontage to Pirie Street of approximately 44.27 metres, an eastern frontage of approximately 64.76 metres to Freemasons Lane, comprising a total site area of 2,912 square metres. Zoned 'Capital City (Central Business Policy Area 13)' by the City of Adelaide.</p> <p>The existing improvements comprise an older two level office, ground floor café, and informal car parking. Previously the property had been utilised as a licensed hotel / entertainment venue and restaurant.</p> <p>The property was sold 'off market', albeit at arms length, further with Development Plan Consent having been granted as at March 2018 for 'demolition of existing building structures and construction of a 21 storey building comprising of commercial / retail tenancies, ancillary car parking, landscaping and associated building works'.</p> <p>The sale price reflects a rate of \$6,353 per square metre of site area, however provisioning a notional allowance for demolition cost of \$300,000 the sale reflects an adjusted rate on a 'cleared site' basis of \$6,456 per square metre of site area.</p> <p><i>The planning documents indicate a proposed GFA of 46,704 square metres. The adjusted sale price equates to \$403 per square metre of GFA.</i></p>					

Property	Sale Date	Sale Price	Site Area (sqm)	Zone	\$ psm of site area (improved)
75-79 King William Street, Adelaide	Jun-17	\$8,388,000	651	Capital City	\$12,884
<p>The property comprises a commercial office building prominently located to the corner of King William street and Currie Street in the core of the Adelaide CBD. The land provides three street frontages of a regular shape with a site area of 651 square metres within the Capital City Zone. The building currently provides ground floor retail, basement and five upper levels of office accommodation. The building was constructed circa 1970 originally for the ANZ Bank.</p> <p>The building presents to a dated overall standard and at the time of sale had significant vacancy comprising the entire of the upper level office accommodation. The office space will require a substantial amount of capital expenditure in order to reposition the building and attract tenants.</p> <p>Purchaser plans to redevelop for a high rise hotel/residential building of approximately 38 storeys together with three levels of basement.</p> <p><i>We have estimated a GFA of approximately 20,000 square metres based on the proposed building height. The adjusted sale price equates to \$424 per square metre of estimated GFA.</i></p>					
266-269 North Terrace, Adelaide	Mar-18	\$8,662,000	709	Capital City	\$12,217
<p>Located on the prominent corner of North Terrace and Frome Street, the property comprises a regular shaped land holding contained with two allotments providing approximately 709 square metres of site area with some 25 metre frontage to North Terrace. The property is improved with a two storey brick building owner-occupied by the Christian Science Church. The building was constructed circa 1950s and provides near full site coverage.</p> <p>Zoned 'Capital City – Central Business Policy Area 13' by the City of Adelaide. The zoning has no prescribed height limit (Airport building restrictions apply).</p> <p>The property sold with vacant possession via private treaty to student accommodation developer/operator GSA Australia. The purchaser received development consent prior to settlement for the demolition of the existing improvements and construction of a proposed 34-storey student accommodation development to accommodate 687 students (application lodged November 2017).</p> <p>Adjusting the price to allow for demolition of \$100,000, the sale price equates to \$12,358 per square metre of site area.</p> <p><i>We have estimated a GFA of approximately 18,600 square metres based on the proposed building height. The adjusted sale price equates to \$471 per square metre of estimated GFA.</i></p>					

The sales above indicate a range of \$403 to \$533 per square metre of gross floor area.

We consider that the Subject Property can support a rate towards the upper end of the range given the amenity of its location in North Adelaide, the views that will be afforded to the site at upper levels and the ability to masterplan the site, potentially in stages. We have adopted a rate of \$525 per square metre of development area which equates to \$19,343,100 GST Exclusive.

Having regard to the strengths and weaknesses of the site in comparison with the sales evidence, and having regard to our analysis detailed above on both a site area and GFA basis, we have adopted a market value of \$20,000,000 GST Exclusive for the Subject. This value equates to \$2,650 per square metre of site area and \$543 per square metre of development area which appears supportable by the evidence.

It is acknowledged that a higher price may be supportable if structured terms could be agreed which offer deferred and/or staged settlement. The City of Adelaide is finalising a Land Facilitation Agreement with its preferred developer, Commercial & General, which provides for a structured payment. Based on our review of the draft agreement together with subsequent advice from the City of Adelaide, the payment terms are as follows:

FY 21/22 - \$1,000,000

FY 22/23 - \$6,000,000

FY 25/26 - \$18,500,000

Assuming the relevant payment is received at the beginning of each respective financial year, the net present value of these payments based on the City of Adelaide nominated discount rate (2.50% per annum) equates to \$23,180,456.

If we adopt a market discount rate of 5.0% per annum, the net present value equates to \$21,146,156.

Noting that the net present value exceeds the adopted market value of \$20,000,000 GST Exclusive, the proposed financial payment terms appear reasonable, assuming that City of Adelaide is not exposed to any risk/cost associated with the proposed development.

Our opinion of values stated herein excludes any GST which the vendor may have to charge in addition to the sale price.

Finally, and in accordance with our normal practice, we confirm that this report is confidential to **City of Adelaide (Adelaide City Council) for internal decision making purposes**. No responsibility is accepted to any third parties. Neither the whole of the report, or any part of it, or any reference to it, may be published in any document, statement or circular nor in any communication with third parties (including the current owner of the site) without our prior written approval (which we reserve the right to withhold) of the form and context in which it will appear.

Yours sincerely

Jones Lang LaSalle Advisory Services Pty Ltd

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Tracy Gornall
(Primary Valuer)
Director
Valuation Advisory – SA & NT
Certified Practising Valuer
(API Member: 64034)

Rebecca McCrea
(Supervising Member)
Director
Valuation Advisory – SA & NT

The opinion of value expressed in this report is that of the Primary Valuer who undertook the valuation and who is the primary signatory on the report. That Valuer is Tracy Gornall.

Whilst not having inspected the subject property, Rebecca McCrea the countersignatory, acting in the capacity as a Supervising Member, has reviewed the draft Valuation Report and working papers, and based upon that review and questioning of the Primary Valuer (as appropriate), is satisfied there is a reasonable basis for the valuation process undertaken and the methodology adopted by the Primary Valuer.

It is essential that before the addressee relies on this valuation, they read the report in its entirety, including any Annexures. Should the addressee be or become aware of any issue or issues that cast doubt on or are in conflict with the conditions, qualifications or assumptions contained within this report, they must notify JLL in writing so that any conflicts may be considered and if appropriate, an amended report issued.

Liability limited by a scheme approved under Professional Standards Legislation.

Annexure 1 - Critical Assumptions, Conditions & Limitations

In addition to any other assumptions, conditions and limitations contained within this report, our valuation is based on the following:

Definitions

- The value given herein is that of the market value of the Property as defined by the International Valuation Standards Committee (IVSC), and endorsed by the API and PINZ being *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”*.
- This valuation has been undertaken adopting the Property’s Highest and Best Use, as defined by the IVSC and endorsed by the Australian Property Institute, as *“the use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible”*.

Market Movement

- This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). We do not accept liability for the losses arising from such subsequent changes in value.
- Without limiting the generality of the above and the following statement, we do not assume any responsibility or accept any liability for losses arising from such subsequent changes in value in circumstances where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation. However, it should be recognised that the 90 day reliance period does not guarantee the value for that period; it always remains a valuation at the date of valuation only.
- This report is relevant at date of valuation and to the circumstances prevailing at that time. However, within a changing economic environment experiencing fluctuations in interest rates, inflation levels, rents and global economic circumstances, acceptable returns on investment may, as a consequence, be susceptible to future variation. We therefore strongly recommend that before any action is taken involving an acquisition, disposal, shareholding restructure or other transaction more than 90 days after the date of this report, you consult the Valuer.

Information

- We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. JLL accepts no liability for any inaccuracies contained in the information provided by the Property Owner or other parties, or for conclusions which are drawn either wholly or partially from that information. Should inaccuracies be subsequently discovered, we reserve the right to amend our valuation assessment.
- We have relied on financial details in relation to the payments under the proposed Land Facilitation Agreement as provided by the City of Adelaide and made specified adjustments where necessary.

Certificate of Title

- We have considered any dealings on the Certificates of Title in arriving at our opinion of value and assume good and marketable title. For a detailed summary of the dealings noted on the Titles and in this report, we refer you to the Title Searches annexed.
- We have not fully searched the notifications on title and our valuation assumes good and marketable title and that the Property is free of encumbrances, restrictions, mortgages, charges, and other financial liens or other impediments of an onerous nature, which would affect value.
- We have also assumed that there are no other easements, rights of way or notations other than those referred to in this valuation or on the Title Search or Certificate of Title.

Site	<ul style="list-style-type: none"> ▪ We have relied on the land dimensions and areas as provided on the Registered/Survey Plan or Certificates of Title, as searched and annexed. In certain cases physical checking of land dimensions and areas is difficult or not practical due to proximity of adjoining buildings, steep terrain or inaccessible title boundaries. JLL accepts no responsibility if any of the land dimensions or the area shown on title is found to be incorrect. ▪ Our valuation assumes that there are no archaeological entitlements with the land holding. ▪ Our valuation also assumes that the Property is not affected by any road alteration or resumption proposals. ▪ The quality, completeness and accuracy of flood mapping varies widely between localities and Councils, and we make no representation as to the actual flood status of the subject property. The reliant party may wish to investigate flood mapping information by obtaining an expert hydrologist's report. If flooding data is obtained, we reserve the right to review and if necessary amend the valuation.
Town Planning	<ul style="list-style-type: none"> ▪ We have not obtained a formal Town Planning Certificate or Development Notification Form, however, for the purpose of this valuation we assume that all necessary town planning approvals and consents for the existing development have been obtained and complied with.
Native Title	<ul style="list-style-type: none"> ▪ We have not undertaken any formal native title searches, and our valuation is made on the assumption that there are no Native Title Claim issues relating to the centre. If any Native Title Claim issues are found to relate to the centre, we reserve the right to review our valuation.
Asbestos	<ul style="list-style-type: none"> ▪ We have assumed the site is free of any subsoil asbestos and have made no allowance in our valuation for site remediation works.
Environmental Contamination	<ul style="list-style-type: none"> / ▪ Our valuation has been made assuming an audit would be available which would satisfy all relevant environmental and occupational health & safety legislation. If the Property's current status needs to be clarified, an Environmental Audit should be undertaken and should any subsequent investigation show that the site is contaminated, this valuation may require revision. Our valuation excludes the cost to rectify and make good the Property, which may have become contaminated as a result of past and present uses. Our valuation therefore assumes that there are no environmental issues with the land holding.
GST	<ul style="list-style-type: none"> ▪ In relation to our GST calculations, we are not taxation or legal experts and we recommend competent and qualified advice be obtained. Should this advice vary from our interpretation of the legislation and Australian Taxation Office rulings current as at the date of this valuation, we reserve the right to review and amend our valuation accordingly.
Currency	<ul style="list-style-type: none"> ▪ All amounts stated in this report are in Australian Dollars unless otherwise indicated.
Limited Liability Scheme	<ul style="list-style-type: none"> ▪ JLL are participants in the Australian Property Institute (API) limited liability scheme. This scheme has been approved under Professional Standards legislation and is compulsory for all API members.
Pecuniary Interest	<ul style="list-style-type: none"> ▪ The Valuer/Firm (in addition to the principal valuer) has no Potential Conflict of Interest or Pecuniary Interest (real or perceived) relating to the Subject Property.

Annexure 2 – Letter of Instruction

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Annexure 3 – Certificates of Title

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Annexure 4 – Town Planning Extract

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