Fishermans Bend – Commercial Viability of Development under the Proposed Planning Controls

Report Prepared for Hardwood and Andrews on behalf of the Department of Environment, Land, Water and Planning

March 2018

Reliance Restricted

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Ernst & Young was engaged on the instructions of Harwood Andrews ("HA") as legal advisor to the Minister for Planning (the "Minister") to prepare an expert witness report ("Services") in respect of the Fishermans Bend Draft Planning Scheme Amendment GC81 (the Amendment), in accordance with the engagement brief dated 17 January 2018.

The results of Ernst & Young's work, including the assumptions and qualifications made in preparing the report, are set out in Ernst & Young's report dated 5 March 2018 ("Report"). The Report should be read in its entirety including the transmittal letter, the applicable scope of the work and any limitations. A reference to the Report includes any part of the Report. No further work has been undertaken by Ernst & Young since the date of the Report to update it.

Ernst & Young has prepared the Report for the benefit of HA as legal advisor to the the Minister and has considered only the interests of the Minister. Ernst & Young has not been engaged to act, and has not acted, as advisor to any other party. Accordingly, Ernst & Young makes no representations as to the appropriateness, accuracy or completeness of the Report for any other party's purposes.

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5 March 2018

Mr Greg Tobin
Principal
Harwood and Andrews
Level 5, 707 Collins Street
Melbourne, Victoria, 3008
Attention:
Ms Kate Morris, Special Counsel

Dear Greg,

Expert Witness Report: Fishermans Bend Planning Review Panel

Draft Planning Scheme Amendment GC81 (the Amendment)

In accordance with our letter of instruction from Harwood Andrews ("HA") as legal advisor to the Minister for Planning (the "Minister") dated 14 November 2017 and our engagement agreement dated 23 January 2018 ("Agreement"), Ernst & Young ("we" or "EY") has been engaged by Harwood Andrews on behalf of the Minister (or the "Client") to provide an expert witness report ("Services") in respect of the above mentioned matter. The enclosed report (the "Report") sets out the outcomes of our work. You should read the Report in its entirety. A reference to the report includes any part of the Report.

We understand the Minister is conducting a review of the Draft Planning Scheme Amendment GC81 ("GC81"). The preparation of GC81 has been led by the Fishermans Bend Taskforce (the "Taskforce"). The Taskforce comprises members of the Department of Environment, Land, Water and Planning ("DELWP") in partnership with Development Victoria ("DV"), the City of Port Phillip ("CoPP") and the City of Melbourne ("CoM").

We understand you are considering the commercial feasibility of development in Fishermans Bend in light of the proposed GC81 planning controls. The Report will be used solely for the purpose of submission to the Panel directed the hearing as expert evidence on behalf of the Minister for Planning (the "Purpose").

This Report and its contents may not be quoted, referred to or shown to any other parties except as provided in the Agreement. We accept no responsibility or liability to any person other than to the Minister or to such party to whom we have agreed in writing to accept a duty of care in respect of this Report, and accordingly if such other persons choose to rely upon any of the contents of this Report they do so at their own risk.

Our work commenced on 23 January 2018 and was completed on 5 March 2018. Therefore, our Report does not take account of events or circumstances arising after 5 March 2018 and we have no responsibility to update the Report for such events or circumstances.

In preparing this Report we have considered and relied upon information from a range of sources believed after due enquiry to be reliable and accurate. We have no reason to believe that any information supplied to us, or obtained from public sources, was false or that any material information has been withheld from us.

We do not imply and it should not be construed that we have verified any of the information provided to us, or that our enquiries could have identified any matter that a more extensive examination might disclose. However, we have evaluated the information provided to us by the Taskforce as well as other parties through enquiry, analysis and review and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our Report.

The work performed as part of our scope considers information provided to us and of input assumptions relating to future conditions, which may not necessarily represent actual or most likely future conditions. Additionally, modelling work performed as part of our scope inherently requires assumptions about future behaviours and market interactions, which may result in forecasts that deviate from future conditions. There will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We take no responsibility that the projected outcomes will be achieved, if any.

We highlight that our analysis and Report do not constitute valuation advice or a recommendation to you on a future course of action. We provide no assurance that the scenarios we have modelled will be accepted by any relevant authority or third party.

Our conclusions are based, in part, on the assumptions stated and on information provided by the Taskforce and other information sources used during the course of the engagement. The modelled outcomes are contingent on the collection of assumptions as agreed with the Taskforce and no consideration of other market events, announcements or other changing circumstances are reflected in this Report. Neither Ernst & Young nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect of errors in this Report arising from incorrect information provided by the Taskforce or other information sources used.

The Report describes our methodology, summarises the facts and data underlying our opinion, and presents our conclusions. The values and opinions stated herein are subject to our Statement of General Assumptions and Limiting Conditions. This letter should be read in conjunction with our Report, which is attached.

Thank you for your instructions and entrusting this work with our Firm. We trust that we have provided you with the information you require, however, should you have any queries regarding this matter please contact us.

Yours sincerely,

Luke Mackintosh,

Partner, Real Estate Advisory Services

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Abbreviations and Definitions

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Term	Definition	Source
DELWP	Department of Environment Land Water and Planning	Victorian State Government
DFBF	Draft Fishermans Bend Framework is the long term strategic plan for the development of Fishermans Bend out to 2050.	DELWP
Hypothetical Development Cashflow Approach / Feasibility Study	The process of undertaking an assessment to identify the opportunities and risks of a property development project and or property investment and to estimate the costs, revenues and profit potential of the project. We have undertaken an analysis of cash flow to determine the residual value of the Subject Properties based upon projected cash flows under the hypothetical development schemes provided to us by DELWP.	Australian Property Institute
FAR	Floor Area Ratio - The ratio of total gross building floor area allowable on a site to the site area. For example, if a FAR of 3:1 applies to a developable site area of 600m2, the developer can build a total floor area of 1800m2 (3 x 600m2).	DFBF
CCZ	Capital City Zone	City of Port Phillip and City of Melbourne Planning Schemes
CBD	Central Business District	
GFA	The total floor area of a building, measured from the outside of external walls or the centre of party walls, and includes all roofed areas.	Planning Scheme General Terms
GRV	Gross Realisable Value – The projected gross value expected to be received from a completed development (excluding GST).	
Internal Rate of Return (IRR)	The discount rate that equates the present value of the net cash flows of a project with the present value of the capital investment. It is the rate at which the Net Present Value (NPV) equals zero. The IRR reflects both the return on the invested capital and the return of the original investment, which are basic considerations of potential investors	Australian Property Institute
Net Saleable Area (NSA)	Net Saleable Area is the aggregate of the Gross Internal Area (GIA) of the dwellings within a residential development, excluding garages and conservatories. GIA is the area of a building measured to the internal face of the perimeter walls at each floor level. NSA is used in assessing the gross development value of a scheme and includes all floor area including internal walls, mezzanines, hallways, bathrooms but excludes common spaces, patios, balconies.	Code of Measuring Practice: A guide for Surveyor and Valuers, Royal Institute of Charters Surveyors
Residual Land Value (RLV)	The current value of the development property after deducting all known or anticipated costs required to complete the development from the anticipated value following completion.	Australian Property Institute
Target Development Margin / Profit and Risk	The Development Margin reflects the profit margin as a percentage of the total development cost. When using the residual method to establish the development site value, it is usual to assume that the developer will seek a capital profit expressed as a percentage of the total development cost (including interest) or of gross development value.	Australian Property Institute
Net Present Value (NPV)	The value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.	Glossary of Terms for International Valuation Standards
Scenario 1	A development outcome commensurate with proposed mandatory planning controls (GC81) and land use requirements.	DELWP
Scenario 2	A development outcome commensurate with proposed planning scheme amendment (GC81) and land use requirements.	DELWP
Subject Properties	Site 1- 48 Normanby Road, Port Melbourne (Sandridge) Site 2 - 365 Plummer Street, Port Melbourne (Wirraway) Site 3 - 277 Ingles Street, Port Melbourne (Sandridge) Site 4 - 162 Turner Street, Port Melbourne (Lorimer)	DELWP
APRA	The Australian Prudential Regulation Authority is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, private health insurance, friendly societies, and most of the superannuation industry.	http://www.apra.gov.au
FIRB	The Foreign Investment Review Board is a non-statutory body advises the Government on foreign investment policies and assesses applications from foreign investors looking to purchase or develop property in the Australian real estate market.	http://firb.gov.au/about/
FAU	A Floor Area Uplift allows a developer to build more floor area on a site (above that allowed by the FAR) in exchange for making a contribution of an agreed public benefit. It is calculated by dividing the additional floor area built on a site by the total site area.	DELWP
FAR	Floor Area Ratios are defined as the ratio of a new building's total floor area in relation to the size of the piece of land it is being built on. A FAR is calculated by dividing the total floor area built on a site by the total site area	DELWP

Executive Summary

Instructions and Purpose

Figure One: Map of Fishermans Bend

Source: Draft Fishermans Bend Framework, 2018

Instructions and Purpose

The planning for Fishermans bend is being led by the Fishermans Bend Taskforce (the "Taskforce") which comprises members of the Department of Environment, Land, Water and Planning ("DELWP") in partnership with Development Victoria ("DV"), the City of Port Phillip ("CoPP") and the City of Melbourne ("CoM"), on behalf of the Planning Minister (the "Minister"). The Taskforce is an administrative office within DELWP.

The Taskforce has prepared the draft amendment to implement the *Fishermans Bend Vision – The next chapter in Melbourne's growth story (September 2016)* by introducing new controls and policies into and amending existing policies in the Port Phillip and Melbourne Planning Schemes, as well as introducing a new *Fishermans Bend Framework,* as a reference document. The review affects land generally within the Fishermans Bend area, namely the Montague, Lorimer, Sandridge and Wirraway precincts of Fishermans Bend as shown on the map in Figure One.

The Minister has appointed an advisory committee known as the Fisherman's Bend Planning Review Panel (the "Panel") to consider the draft. We have been briefed by Harwood Andrews who act on behalf of the Minister, who is the planning authority for the Amendment, should it proceed.

To support the review of Draft Planning Scheme Amendment GC81, Ernst & Young ("EY") have been engaged to prepare an expert witness report for circulation. The results of our work will be used solely for the purpose of submission to the Panel directed the hearing as expert evidence on behalf of the Minister ("the Purpose").

Specifically we have been requested to provide:

- Feasibility modelling of various hypothetical development scenarios for sites located within the study area for Draft Planning Scheme Amendment GC81.
  - Harwood Andrews have provided us with nine (9) hypothetical development schemes across the following four (4) Subject Properties (refer to Appendix C for a copy of the schemes).
    1. Site 1 - 248 Normanby Road, Port Melbourne (Montague);
    2. Site 2 - 365 Plummer Street, Port Melbourne (Wirraway);
    3. Site 3 - 277 Ingles Street, Port Melbourne (Sandridge);
    4. Site 4 - 162 Turner Street, Port Melbourne (Lorimer).
  - For each of the above sites, we have been requested to consider up to three (3) scenarios (as provided to us by the Taskforce), to address the commercial feasibility (Residual Land Value):
    1. "Scenario 1" - A development outcome commensurate with proposed mandatory planning controls (GC81) and land use requirements.

Instructions and Purpose

2 "Scenario 2" - A development outcome commensurate with proposed mandatory and discretionary planning controls (GC81) and land use requirements.

3 "Scenario 3" - A development outcome commensurate with the current planning controls (GC50) and land use requirements[1].

– No Floor Area Uplift (FAU) has been considered with respect to the above scenarios.

A copy of your Letter of Instruction is contained within Appendix A.

In providing our advice, we have undertaken the following:

- Reviewed the relevant documentation relating to the Subject Properties as provided by the Taskforce, including development schemes, and key assumptions.
- Externally inspected the Subject Properties.
- Met with Mr Geoff Ward, General Manager of the Taskforce with respect to the engagement, discuss project progress and our findings.
- Market research and analysis (retained on file) across the Port Melbourne, South Melbourne, Southbank and Docklands areas relating to:
  - Development site sales;
  - Sales of recently completed apartment projects;
  - Sales and leases of ground floor retail premises;
  - Sales and leases of office premises.
- Completed feasibility modelling of schemes as provided by the Taskforce using Estate Master DF software.
- Provided an overview of the key market interventions implemented to address housing affordability since 2015.

This report outlines our research, feasibility modelling and findings.

Witness Statement

Luke Mackintosh, assisted by Ryan Costin of EY, has prepared this report.

A witness Statement and a Curriculum Vitae form Appendices D and E.

[1] Note: Analysis on a "Scenario 3" basis has been undertaken for "Site 1: 248 Normanby Road, Port Melbourne" only, as provided by the Taskforce. This site was selected as it reflects the largest GFA differential as a result of the proposed planning controls.

Research Findings

Recent Market Interventions – 2016 to 2017

In response to continued pressure placed on both State and Federal Governments to address housing affordability issues in Australia, the housing industry has experienced a number of policy changes aimed at taking the “heat” out of the property market. These measures, which commenced in 2016 and are further detailed below, have had a significant impact on both the demand for product and the supply of product to the point where many projects, with planning permits in place, are now no longer viable in their current form.

The following factors, which are external to the draft planning controls, should be considered in the context of assessing the commercial viability of the development scheme scenarios provided by the taskforce as part of this exercise. We believe these recent market interventions, and not the proposed amendment, are the primary cause as to why many of the feasibilities we have undertaken are resulting in lower residual land values and or marginal projects.

We provide the following summary of key institutional, policy and regulatory events which have taken place throughout the period from 2016 to 2017.

Increased Stamp-Duty Liability for Foreign Purchasers[2] - Effective: July 15 and July 2016

- Introduction of additional stamp duty payable by foreign purchasers of residential property increased from 3% in July 2015 to 7% in July 2016.

Big Four Banks Cease to Facilitate Foreign Lending - Effective: April-June 2016

- The ’Big Four Banks’ reviewed internal policies resulting in restriction of lending to foreign property buyers without domestic income.

Bank’s Internal Policy Changes - Effective: May-September 2016

- Whilst there was no specific new lending restrictions explicitly enforced upon the banks, more rigorous internal lending policies were adopted.

Amendment VC136[3]: Better Apartment Design Standards - Effective: March 2017

- Introduction of planning requirements for apartment developments to improve the overall liveability of apartments, having regard to area, light, air quality and the like. Major requirements included:
  - Minimum ceiling height 2.7 metres.

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[2] Source: https://www.sro.vic.gov.au/foreignpurchaser, Foreign purchasers of property, searched March 2018.
[3] Source: http://planning-schemes.delwp.vic.gov.au/updates-and-amendments/amendment?id=0AA624849E1B3895CA2580DB00167BD5, Searched march 2018.

Research Findings

- – Minimum master room dimensions 3.4 x 3.0.
- – Minimum living area 12 square metres.
- – Minimum storage requirements (proportionate to size).
- – Minimum private open space (proportionate to size).

Limitations on Interest-only Lending Loan-to-Value Ratios[4] - Effective: March 2017

- APRA instructed authorised deposit-taking institutions to put strict internal limits on interest-only lending on loan-to-value ratios above 80% in addition to strong scrutiny and justification on interest-only lending in instances where the loan-to-value ratios are above 90%.

Tightening of Interest-only Lending Restrictions - Effective[5]: March 2017

- APRA instructed authorised deposit-taking institutions to limit their exposure to interest only loans to 30% of new residential mortgage loans.

Introduction of the Annual Vacancy Fee for Foreign Investors[6] - Effective: May 2017

- Aimed at tackling housing affordability - an annual vacancy fee (case-by-case) was introduced for foreign investors who have an unoccupied property for at least six months.

Limitations to Foreign Investor Purchases in New Developments[7] - Effective: May 2017

- A 50% cap on the sale of new apartments to foreign investors was introduced in the 2017 Federal Budget, where developers are selling under a New Dwelling Exemption Certificate. Small banks tier one capital requirement increased by 50 basis points.
- Prior to the introduction of this cap, the number of new apartments that could be sold to foreign investors was uncapped.

[4] Source: http://www.apra.gov.au/MediaReleases/Pages/17_11.aspx, APRA announces further measures to reinforce sound residential mortgage lending practices, 31 March 2017, searched March 2018.
[5] Source: http://www.apra.gov.au/MediaReleases/Pages/17_11.aspx, APRA announces further measures to reinforce sound residential mortgage lending practices, 31 March 2017, searched March 2018.
[6] Source: https://www.ato.gov.au/Business/Large-business/In-detail/Business-bulletins/Articles/Annual-vacancy-fee-for-foreign-investors/, Annual vacancy fee for foreign owners, searched March 2018.
[7] Source: http://www.budget.gov.au/2017-18/content/glossies/factsheets/html/HA_16.htm, Fact Sheet 1.6 - Stronger rules for foreign investors owning Australian housing, searched March 2018.

Research Findings

Tightening of Allowable Depreciation Deductions for Investors[8] - Effective: July 2017

- Plant and equipment depreciation deductions are being limited to plant and equipment that was purchased by the investor only.
- Travel expenses incurred in relation to upkeep and maintenance of the property are no longer claimable.

Circumstantial Removal of Stamp Duty for First Home Buyers[9] - Effective: July 2017

- First Home Buyers are exempt from land transfer duty where they purchase a home with a dutiable value of $600,000 or less.
- First Home Buyers of a home with a dutiable value of more than $600,000; up to and including $750,000 are entitled to a concessional duty, based on a 'sliding scale'.
- First Home Buyers of a home with a dutiable value in excess of $750,000 are not entitled to benefit from this Stamp Duty concession.

Removal of Stamp Duty Concessions for 'Off-the-Plan' Investments[10] - Effective: July 2017

- Existing 'Off-the-Plan' concessions available to off-the-plan purchasers are now only available to purchasers of a principal place of residence who are within the dutiable value threshold pertinent to their circumstances.

Increase in Basel Tier 1 Capital Requirements[11] - Effective: July 2017

- APRA increase the tier one capital requirement of the big four banks and smaller banks:
  - Big four banks tier one capital requirement increased by 150 basis points.
  - Small banks tier one capital requirement increased by 50 basis points.
  - Banks have until 1 January 2020 to comply.

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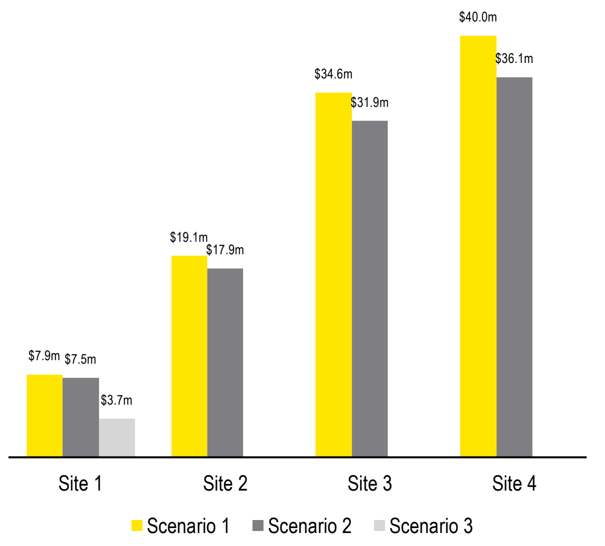
[8] Source: Australian taxation Office, Guide for rental property owners – Rental properties 2017, June 2017.
[9] Source: https://www.sro.vic.gov.au/news/changes-first-home-owner-grant-and-stamp-duty, Changes to the First Home Owner Grant and stamp duty, searched March 2018.
[10] Source: https://www.sro.vic.gov.au/2017-plan-duty-concession-changes-faqs, 2017 off-the-plan duty concession changes, searched March 2018.
[11] Source: http://www.apra.gov.au/MediaReleases/Pages/17_23.aspx, APRA announces 'unquestionably strong' capital benchmarks, dated 19 July 2017, searched March 2018.

Feasibility Findings

Graph One: Residual Land Value Comparison

Source: EY Research



Feasibility Analysis Findings

For each of the sites investigated, we have considered up to three (3) scenarios (as provided to us by the Taskforce), in order to address the commercial feasibility (Residual Land Value):

1. "Scenario 1" - A development outcome commensurate with proposed mandatory planning controls (GC81) and land use requirements.
2. "Scenario 2" - A development outcome commensurate with proposed mandatory and discretionary planning controls (GC81) and land use requirements.
3. "Scenario 3" - A development outcome commensurate with the current planning controls (GC50) and land use requirements[12].

No Floor Area Uplift (FAU) has been considered with respect to the above scenarios.

The outcome of the feasibility analysis is as follows:

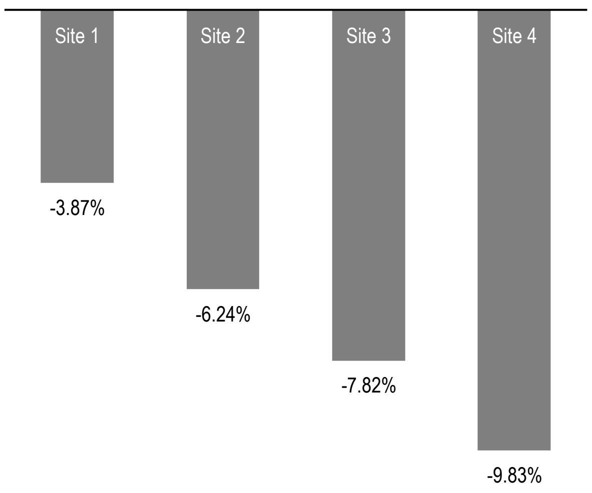
1. The development scenarios provided by DELWP result in positive Residual Land Values. However the Residual Land Values have been modelled having regard to the proposed schemes for each Scenario as provided by the Taskforce. We have not tested the resultant Residual Land Values in the context of the current market to test the reasonableness of the schemes provided, nor have we undertaken a Highest and Best Use analysis of the Subject Properties as this is not part of our scope. Notwithstanding, it is considered unlikely that the Residual Land Values achieved herein would be supported by current market land sales evidence in all instances.
2. Relative to Scenario 1, Scenario 2 which incorporates both proposed mandatory and discretionary planning controls generally has the effect of reducing the resultant Residual Land Values, at a maintained target IRR of 20%. The percentage reduction of land value observed amongst the four Sites ranged between 2.7% and 9.7%. This can be attributed to the increase in the proportion of commercial end product within Scenario 2 when compared with Scenario 1.
3. Scenario 3 (current GC50 planning controls) results in a Residual Land Value below that of Scenarios 1 and 2 (proposed GC81 planning controls), at a maintained target IRR of 20%. The comparatively low Residual Land Value observed highlights the marginal nature of the development scheme provided. Furthermore, that the proposed planning controls are not the only determining factor when considering the commercial viability of the development scheme scenarios as provided by the taskforce.

[12] Note: Analysis on a "Scenario 3" basis has been undertaken for "Site 1: 248 Normanby Road, Port Melbourne" only, as provided by the Taskforce. This site was selected as it reflects the largest GFA differential as a result of the proposed planning controls.

Feasibility Findings

Graph Two: Change in Residual Value Comparison

Source: EY Research



The difference in land value (i.e. impact) between Scenario 1 and Scenario 2 across the four Sites, is set out in Table One below.

Table One – Comparison of Residual Land Value

Source: EY, 2018.

Address	Scenario 1 – Land Value reflected under Hypothetical Development	Scenario 2 – Land Value reflected under Hypothetical Development	Change (%)
284 Normanby Road, Port Melbourne	$7,850,734	$7,547,198	-3.87%
365 Plummer Street, Port Melbourne	$19,104,207	$17,912,581	-6.24%
277 Ingles Street, Port Melbourne	$34,592,377	$31,885,949	-7.82%
162 Turner Street, Port Melbourne	$39,988,604	$36,057,510	-9.83%

Notes to table:

1. It is prudent to note that the land values reflected in Table One (under column heading "Scenario 1 - Land Value reflected under Hypothetical Development" and "Scenario 2 - Land Value reflected under Hypothetical Development"), are directly reflective of the schemes proposed in the hypothetical development scenarios provided by the Taskforce.
2. We have also tested the resultant Residual Land Value of "Scenario 3" under the current planning controls (GC50) for Site 1: 248 Normanby Road. The Residual Land Value of $3,675,000 highlights the marginal nature of the development scheme provided.

Other issues worth considering include:

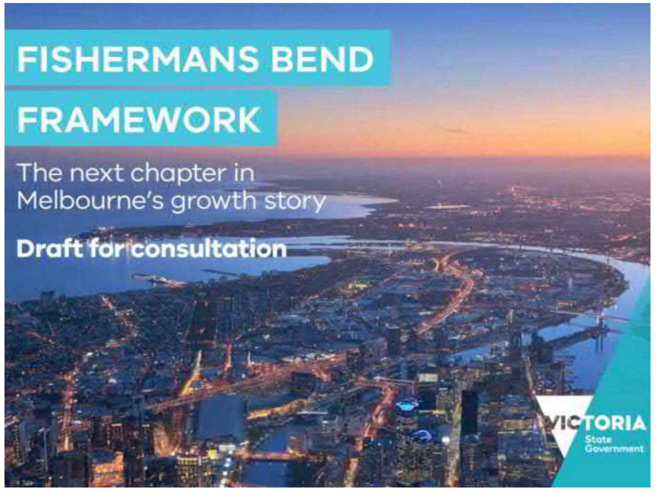
- There are market factors (beyond the proposed planning controls) which should be considered in the context of assessing the commercial viability of the development scheme scenarios as provided by the taskforce.

Project Background

Project Background

Figure Two: Draft Fishermans Bend Framework

Source: DEWLP, 2018



Project Background

We have had regard to the Fishermans Bend Framework Draft[13] in providing our understanding of the context.

Fishermans Bend has been identified as providing an opportunity for urban renewal in close proximity to the CBD. Currently comprising primarily low density industrial and warehousing use land, the transition of Fishermans Bend into a, mixed use, medium and high density precinct is considered a long term prospect.

The four capital city zoned precincts of Montague, Lorimer, Sandridge and Wirraway were rezoned to Capital City Zone in 2012. The majority of land is privately owned, and realising the opportunities presented will be reliant on partnerships between government, developers and the community.

The Fishermans Bend Framework Draft provides direction on how the transition of the area will be managed.

Historic

- Fishermans Bend, bound by Williamsons Road (south) and the Yarra River (north), comprises an area of approximately 480 hectares, made up of five precincts; National Employment and Innovation Cluster, Wirraway, Sandridge, Lorimer and Montague (refer to Figure One).
- Much of Fishermans Bend's housing was demolished in the early 1900s to make space for commercial and industrial uses on the back of industry expansion. By the 1930s General Motors had established itself in Fishermans Bend, with other car manufacturers to follow suit soon after.
- During the 1940s, wartime industries and ancillary uses including aircraft manufacturing and runways were introduced to the area as it becomes increasingly industrious.
- Fishermans Bend was transformed into a light industrial precinct by the 1990s.
- More recently, the manufacturing industry has performed poorly due to globalisation and the ease of conducting business offshore where labour costs are significantly lower, consequently, land use is shifting towards innovative and creative business use, and new residential use
- The Fishermans Bend Urban Renewal Area was gazetted in an attempt to transform the space into a medium and high density, mixed use well-connected place of living and working.

Current

- Fishermans Bend Urban Renewal was first actioned in 2012 where the boundaries of the 'Capital City Zone' were extended to include Fishermans Bend.

[13] Source: http://www.fishermansbend.vic.gov.au/framework, Draft Fishermans Bend Framework, Department of Environment, Land, Water and Planning, October 2017, searched March 2018.

Project Background

- In September of 2013, a draft vision and interim design guidelines were released to provide suggested density, use and height specifications of developments in the Fishermans Bend Urban Renewal area while the Fishermans Bend Framework was devised.
- A review of the existing strategic framework plan was gazetted in April 2015 which imposed more stringent interim planning controls including mandatory height controls (as oppose to 'preferred' heights). This announcement also saw the addition of the employment precinct to the Fishermans Bend Urban Renewal Area.
- In October 2017 the draft Fishermans Bend Framework was released and is currently in review.

Future

- The draft Fishermans Bend Framework will be implemented into the planning scheme and new planning controls are expected to become effective.
- The current draft Framework provides an indication of what can be expected for each of the four precincts, as described below:
  - *Montague*, a mixed use precinct which benefits from strong connectivity.
  - *Lorimer*, a mixed use precinct, within proximity of the Yarra River, Docklands and Melbourne CBD.
  - *Sandridge*, a commercial hub that will become home to premium office and commercial space, amongst supporting housing and retail uses.
  - *Wirraway*, an area designed for family inner city living, complemented by significant open areas and planned community infrastructure.

The key elements of the draft Framework[14] controls include:

- The introduction of a Floor Area Ratio and Floor Area Uplift scheme
- Height controls
- Overshadowing controls to protect public open space
- Amended building setback controls
- Minimum employment floor space in designated core areas
- Revised car parking controls and rates

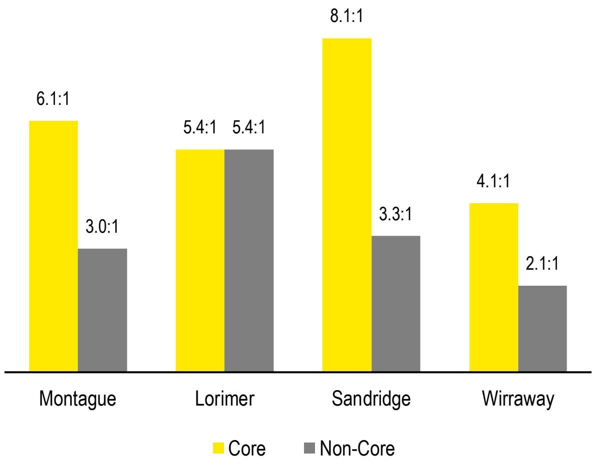
[14] Source: http://www.fishermansbend.vic.gov.au/framework, Draft Fishermans Bend Framework, Department of Environment, Land, Water and Planning, October 2017, searched March 2018.

Project Background

Project Background

Graph Three: Proposed FAR Comparison by Precinct

Source: Fishermans Bend Framework – Draft for Consultation



- Encouraging dwelling diversity and a range of building types
- Water storage and reuse across buildings
- Requiring new buildings to meeting a minimum 4 Star Green Star rating

Once finalised these controls and the draft Framework will replace the Strategic Framework Plan and interim guidelines introduced in November 2016. The draft Framework was developed by the Fishermans Bend Taskforce, a cross-government body with input from the Fishermans Bend Ministerial Advisory Committee and the Cities of Melbourne and Port Phillip officers.

Proposed floor to area ratios for each precinct are summarised within Tables Two and Three below and provided graphically to the left within Graph Three.

Table Two – Comparison of proposed floor to area ratios (per precinct)

Source: Fishermans Bend Framework – Draft for Consultation

	Montague	Lorimer	Sandridge	Wirraway
Core	6.1:1	5.4:1	8.1:1	4.1:1
Non-Core	3.0:1	N/A	3.3:1	2.1:1

Proposed height limits for each precinct are summarised as follows:

Table Three – Comparison of proposed height limits (per precinct)

Source: Fishermans Bend Framework – Draft for Consultation

	Montague	Lorimer	Sandridge	Wirraway
Min	4 storeys	8 storeys*	4 storeys	4 storeys
Max	24 storeys**	Unlimited*	Unlimited*	24 storeys*

*Except where noted

**Excluding land immediately south of the intersection of Whiteman Street and Cecil Street, Southbank which is unlimited.

Feasibility Analysis

1. Scope and Methodology

Scope and Methodology

Figure Three: Fishermans Bend - Subject Sites

Source: DEWLP, 2018

Notes to graphic

1. 162 Turner Street (Lorimer) – Marked Red
2. 365 Plummer Street (Wirraway) – Marked Yellow
3. 277 Ingles Street (Sandridge) – Marked Green
4. 248 Normanby Road (Montague) – Marked Purple

Hypothetical Development Analysis

We have been provided with nine (9) development scenarios for four (4) sites located in Fishermans Bend[15] (provided in Figure Three below). We have undertaken development modelling of these proposals to determine their financial viability.

In conducting our analysis we have adopted the Hypothetical Development Cashflow Approach. This approach provides the return on investment that can be expected should a developer undertake the hypothetical development, based on all costs expected to be incurred and revenues expected to be received.

Feasibility Assumptions

Table Four (provided below and overleaf) provides a summary of the key assumptions underpinning our Hypothetical Development Cashflow Approach. These assumptions have been adopted consistently across each hypothetical development scenario.

Table Four Feasibility Assumptions

Item	Assumption (GST Exclusive)	Source
Land Settlement Terms	10% deposit balance in 6 months.	Market based assumption (refer note 1)
Land Acquisition Costs	1.0% of purchase price, plus Stamp Duty	Market based assumption (refer note 1)
Professional Fees	8.0% of construction costs (design consultation)	Market based assumption (refer note 1)
	Development Management Fee 3.0% of total project costs	Market based assumption (refer note 1)
	Project Management Fee 1.0% of total construction costs	Market based assumption (refer note 1)
Planning Costs	$250,000 to achieve planning permit (per stage / building)	Market based assumption (refer note 1)
Planning Approval Timeframe	12 to18 months on average	Market based assumption (refer note 1)
Construction Contingency	5.0% of construction costs (excl. GST)	Market based assumption (refer note 1)
Construction Timing	24 to 36 months per stage (dependent on scale of project)	Market based assumption (refer note 1)
GST	Auto Tax Rule	Market based assumption (refer note 1)
Construction Costs	Podium car parking - $1,500/m^2	Rawlinsons Construction Handbook 2018[16]
	Multi-storey retail and commercial development - $2,200/m^2	Rawlinsons Construction Handbook 2018
	Multi-storey residential development - $2,900/m^2 to $3,000/m^2	Rawlinsons Construction Handbook 2018
	Balconies - $900/m^2	Rawlinsons Construction Handbook 2018

[15] S provided by the Fishermans Bend Taskforce.
[16] 2018 Rawlinsons Construction Handbook

Scope and Methodology

Item	Assumption (GST Exclusive)	Source
	Internal Roads and Laneways - $277/m2	The Taskforce
Storm Water / Plumber Initiatives	Retention Tank $40,000 per site excl. GST	The Taskforce
	Extra over plumbing $10,000 per unit excl. GST	The Taskforce
Marketing Costs	1.25% of Gross Sales	Market based assumption (refer note 1)
Selling Costs	4.0% commission on residential	Market based assumption (refer note 1)
	2.0% commission on commercial	Market based assumption (refer note 1)
Conveyancing	Residential Master & Construction Contract $25,000 excl. GST	Market based assumption (refer note 1)
	Commercial/Retail $7,500 excl. GST	Market based assumption (refer note 1)
	Residential $1,000 excl. GST	Market based assumption (refer note 1)
Financing	100% debt financing at 6.0% (including line fee)	Market based assumption (refer note 1)
	1% of application and financing sourcing fee	Market based assumption (refer note 1)
	Bank Valuations - $25,000 per site	Market based assumption (refer note 1)
Pre-sales rate of apartments	Assume 75% pre-sales prior to financial close. We also assume 100% of the stock is sold on completion of the construction. We have adopted an average sales rate of 20 sales per month.	Market based assumption (refer note 1)
Public Open Space Contribution	8.0% of RLV	Market based assumption (refer note 1)
Development Contributions	Residential - $15,900/dwelling	The Taskforce
	Commercial - $180/m^2	The Taskforce
	Retail - $150/m^2	The Taskforce
Service Authority Fees	$3,500 per unit plus GST	Market based assumption (refer note 1)
Other Holding Costs	Quantity Surveyor - $5,000 per month plus GST (during core construction)	Market based assumption (refer note 1)
Target Development Margin	20%	Market based assumption (refer note 1)
Target Project IRR	20%	Market based assumption (refer note 1)

Notes to table:

1. The assumptions above that are denoted “market based assumption” are based on EY’s experience in the metropolitan Melbourne property development market. Our experience has involved working with developers on feasibility, valuation and transaction engagements. In addition we have been provided with an assumptions log prepared by the Taskforce, and we have adopted a number of these assumptions where appropriate. The cost assumptions adopted within our analysis is an estimate only, we recommend all costs and assumptions be verified by a quantity surveyor.

Profit and Risk and Internal Rate of Return

The Profit and Risk margin is intended to reflect a return on an investment and an allowance for the risk associated with the venture. In order to assess the Profit and Risk margin and/or Project Internal Rate of Return for use within our analysis we have analysed comparable sales of development sites within and around Fishermans Bend that have been purchased for residential apartment projects. We have analysed these sales

Scope and Methodology

based on the revenues and costs which were anticipated as at the date of sale rather than the actual return experienced by the developer.

The Development Margin has been the traditional method of development feasibility analysis in the past and is beneficial for short term projects. However it does have its shortcomings – it does not account for the time value of money and its results can be misleading for projects that extend beyond two or more years.

Unlike the Development Margin, the IRR takes into account the dimension of time in its calculation and is used to differentiate projects of different cash flow exposures. It is more effective for longer term projects of 3 years or more. By adopting a suitable discount rate (Target IRR), the cash inflows and outflows are discounted to determine their present value and then added together to form a Net Present Value for ease of comparison between other projects of dissimilar timings.

In consideration of the size of the projects we are analysing, construction program, current market conditions and the location of the properties, we have applied a Project IRR of 20%.

Gross Realisation

In undertaking our estimate of the revenues that could be achieved for the proposed development we have had regard to the market evidence currently or recently undergoing pre-sales campaigns. We have elected to undertake our assessment based on a rate per square metre of Net Saleable Area (“NSA”).

We have considered market supply and demand factors such as the strength of competing developments and the location of the proposed development when assessing these values. We have undertaken the same process for the small commercial and retail tenancies within each development.

Market Evidence

Having regard to market evidence, we have adopted an average rate per square metre of between $9,500 and $10,000 per square metre of NSA to the apartments within our feasibility analysis; and $6,000 per square metre of NSA to the commercial space. The variance in rate reflects the desirability of the project locations including those with greater street frontage and presence together with anticipated natural light in the finished product etc.

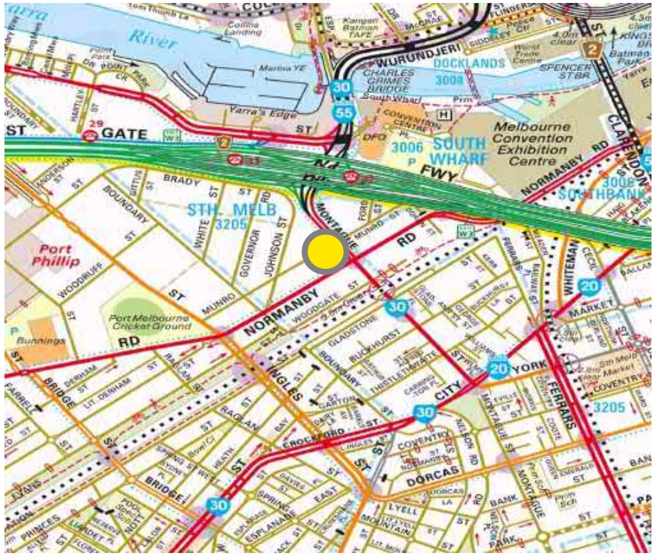
Scenario Analysis

1. Site 1: 248 Normanby Road, Port Melbourne
2. Site 2: 365 Plummer Street, Port Melbourne
3. Site 3: 277 Ingles Street, Port Melbourne
4. Site 4: 162 Turner Street, Port Melbourne

Site 1: 248 Normanby Road, Port Melbourne

Figure Four: Site 1 Location Map

Source: http://www.street-directory.com.au



Notes to graphic

1. Location shown yellow

General Description

Site 1 is located at 248 Normanby Road, Port Melbourne, situated approximately 2.3 kilometres south west of the Melbourne CBD within the Sandridge precinct of Fishermans Bend. Site 1 has a total site are of 2,026 square metres and contains frontages to both Normanby Road (southern boundary) and Munro Street (northern boundary), extending a combined 40 metres (approximately). Site 1 is currently improved with a three-storey bulky goods / showroom dwelling.

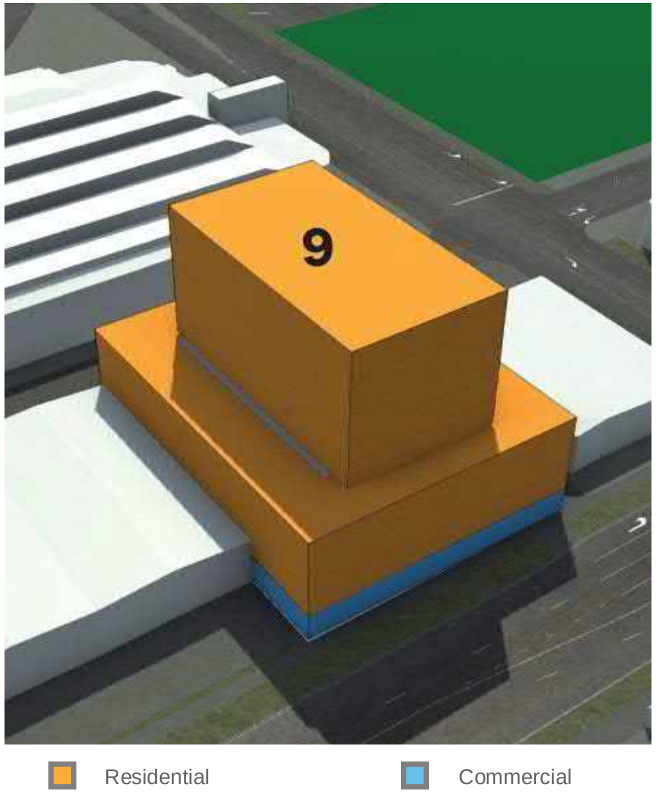
A location map of Site 1 is provided in Figure Four at left

We have been provided with three separate development scenarios to consider for Site 1 (“Scenario 1”, “Scenario 2” and “Scenario 3”). Scenarios 1 and 2 comprise an alternate allocation of residential and commercial space. Scenario 3 is reflective of the current planning controls (GC50), and is of significant scale when compared with Scenarios 1 and 2. An outline of each scenario in addition to our revenue and cost estimates and findings are detailed in the three subsequent sections of this report labelled “Scenario 1”, “Scenario 2” and “Scenario 3”.

Scenario 1

Figure Five: 248 Normanby Road – Scenario 1 Scheme

Source: DELWP



Scenario 1

This scenario provides a nine level mixed use building with 102 dwellings across 9,785 square metres of residential space, 401 square metres of office accommodation and 401 square metres of retail space, equating to a total GFA of 12,359 square metres (including parking). 51 and 8 car spaces are allocated to residential and commercial uses respectively. The FAR of this development is 6.1:1.

Revenues

Table Five below provides a summary of our estimated revenues which we have adopted within our Hypothetical Development Cashflow Approach.

Table Five – Summary of Revenue Assumptions – 248 Normanby Street, Scenario 1

Source Fishermans Bend Taskforce

Detail	Measurement	m²	Sales Rate per m²
Car spaces	GFA	1,770	Incl. In Rates
Retail / Commercial	GFA	802	$6,000
Residential (102 apartments)	NSA	7,854	$9,750
Total Gross Realisation			**$81,382,500**

Construction Costs

Table Six provides a summary of our estimated construction costs which we have adopted within our Hypothetical Development Cashflow Approach.

Table Six- Summary of Construction Cost adopted - 248 Normanby Street, Scenario 1

Source EY, 2018

Detail	Measurement	m²	Construction Rate per m²
Podium car parking	GFA	1,770	$1,500
Multi-storey retail and commercial development	GFA	802	$2,200
Multi-storey residential development	GFA	9,785	$2,900
Balconies	GFA	1,020	$900
Construction Contingency 5%			$1,707,340
Total (incl. Construction Contingency)			**$35,854,140**

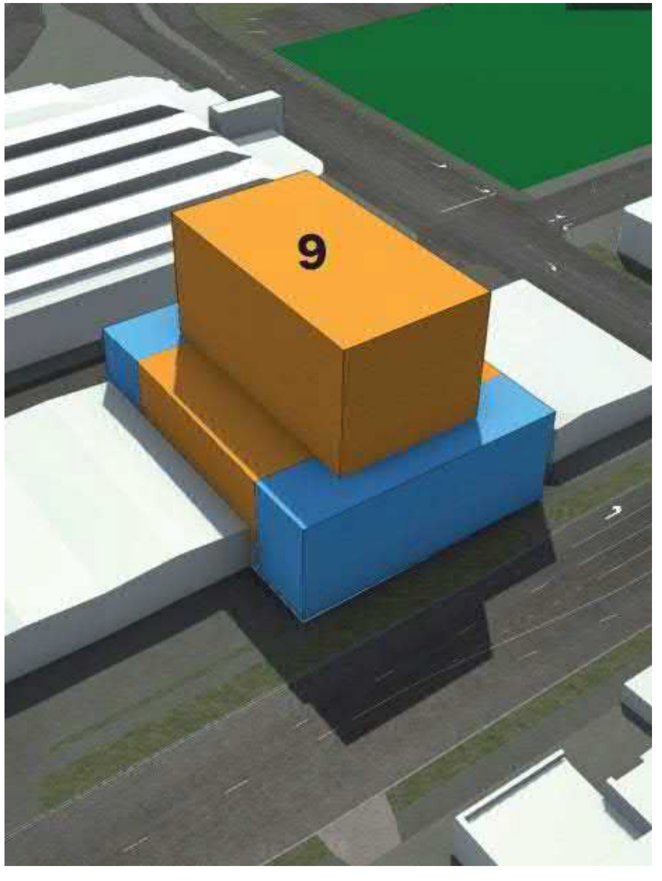
Notes to table:

1. The summary table above excludes other construction costs considered in our feasibility modelling such as cap and cover, storm water retention, extra over plumbing allowance, internal roads and laneways and demolition. The cost assumptions are included within Table Four "Feasibility Assumptions" of our report.

Scenario 2

Figure Six: 248 Normanby Road – Scenario 2

Source: DELWP



Scenario 2

This scenario provides a nine level mixed use building with 71 dwellings across 6,831 square metres of residential space, 2,594 square metres of office accommodation and 648 square metres of retail space, equating to a total GFA of 12,359 square metres (including parking). 36 and 32 car spaces are allocated to residential and commercial uses respectively. The FAR of this development is 6.1:1.

Revenues

Table Seven provides a summary of our estimated revenues which we have adopted within our Hypothetical Development Cashflow Approach.

Table Seven – Summary of Revenue Assumptions – 248 Normanby Street, Scenario 2

Source Fishermans Bend Taskforce

Detail	Measurement	m²	Sales Rate per m²
Car spaces	GFA	2,040	Incl. In Rates
Retail / Commercial	GFA	3,242	$6,000
Residential (71 apartments)	NSA	5,467	$9,750
Total Gross Realisation			**$72,755,250**

Construction Costs

Table Eight provides a summary of our estimated construction costs which we have adopted within our Hypothetical Development Cashflow Approach.

Table Eight- Summary of Construction Cost adopted - 248 Normanby Street, Scenario 2

Source EY, 2018

Detail	Measurement	m²	Construction Rate per m²
Podium car parking	GFA	2,040	$1,500
Multi-storey retail and commercial development	GFA	3,242	$2,200
Multi-storey residential development	GFA	6,831	$2,900
Balconies	GFA	710	$900
Construction Contingency 5%			$1,550,875
Total (incl. Construction Contingency)			**$32,568,375**

Notes to table:

1. The summary table above excludes other construction costs considered in our feasibility modelling such as cap and cover, storm water retention, extra over plumbing allowance, internal roads and laneways and demolition. The cost assumptions are included within Table Four "Feasibility Assumptions" of our report.

Scenario 3

Figure Seven: 248 Normanby Road – Scenario 3

Source: DELWP

Residential Commercial

Scenario 3

This scenario provides a forty level mixed use building with 281 dwellings across 31,416 square metres of residential space, and 802 square metres of commercial accommodation, equating to a total GFA of 32,219 square metres (including parking). 141 and 8 car spaces are allocated to residential and commercial uses respectively. The FAR of this development is 15.9:1.

Revenues

Table Nine provides a summary of our estimated revenues which we have adopted within our Hypothetical Development Cashflow Approach.

Table Nine – Summary of Revenue Assumptions – 248 Normanby Street, Scenario 2

Source Fishermans Bend Taskforce

Detail	Measurement	m²	Sales Rate per m²
Car spaces	GFA	5,032	Incl. In Rates
Retail / Commercial	GFA	802	$6,000
Residential (281 apartments)	NSA	21,637	$9,750
Total Gross Realisation			**$215,772,750**

Construction Costs

Table Ten provides a summary of our estimated construction costs which we have adopted within our Hypothetical Development Cashflow Approach.

Table Ten- Summary of Construction Cost adopted - 248 Normanby Street, Scenario 2

Source EY, 2018

Detail	Measurement	m²	Construction Rate per m²
Podium car parking	GFA	5,032	$1,500
Multi-storey retail and commercial development	GFA	802	$2,200
Multi-storey residential development	GFA	31,416	$2,900
Balconies	GFA	2,810	$900
Construction Contingency 5%			$5,144,000
Total (incl. Construction Contingency)			**$108,024,000**

Notes to table:

1. The summary table above excludes other construction costs considered in our feasibility modelling such as cap and cover, storm water retention, extra over plumbing allowance, internal roads and laneways and demolition. The cost assumptions are included within Table Four "Feasibility Assumptions" of our report.

Scenario Comparison

Hypothetical Development Cashflow Calculations

Based on the provided information and our assumptions as detailed on the preceding pages, we have undertaken our Hypothetical Development Cashflow calculations within Estate Master, and provided the output below in Table Eleven.

Table Eleven- - Summary of Hypothetical Development Cashflow

	Scenario 1	Scenario 2	Scenario 3
Revenues			
Gross Sales Revenue	$81,382,500	$72,755,250	$215,772,750
Less Selling Costs	(-$1,785,210)	(-$1,728,125)	(-$4,652,075)
Total Revenue (before GST paid)	$79,597,290	$71,027,125	$211,120,675
Less GST paid on all Residential Revenue	(-$6,961,500)	(-$4,845,750)	(-$19,178,250)
Total Revenue	**$72,635,790**	**$66,181,375**	**$191,942,425**
Costs			
Land Purchase Cost	$7,850,000	$7,540,000	$3,675,000
Land Acquisition Costs	$510,250	$490,100	$238,875
Construction (incl. Construct. Contingency)	$35,854,140	$32,568,375	$108,024,000
Professional Fees	$2,868,331	$2,605,470	$8,641,920
Planning Costs	$250,000	$250,000	$250,000
Statutory Fees (Incl. POS & Development Contributions)	$2,750,980	$2,564,160	$5,889,760
DM & PM Fees	$1,884,637	$1,727,068	$5,728,405
Marketing Costs	$1,017,281	$909,441	$2,697,159
Land Holding Costs	$1,070,528	$1,043,354	$1,069,981
Pre-Sale Commissions	$1,531,530	$1,066,065	$4,219,215
Interest Expense	$4,929,834	$4,439,830	$14,879,607
Total Costs	**$61,181,680**	**$55,821,066**	**$156,858,981**
Project Metrics			
Net Developer's Profit after Profit Share	$11,454,110	$10,360,309	$35,083,444
Development Margin (Profit/Risk Margin)	18.19%	18.00%	21.72%
Project Internal Rate of Return	20.00%	20.00%	20.00%
Residual Land Value (NPV)	**$7,850,734**	**$7,547,198**	**$3,675,658**
Residual Land Value per square metre	**$3,875**	**$3,725**	**$1,814**

A complete summary of the calculations and project returns is provided in Appendix B of this report.

Scenario 1

The Hypothetical Development Cashflow reflects an IRR of 20.00% (target 20%) and a Profit and Risk of 18.19% (target 20%) based on a land purchase price of $7,850,000. The resultant RLV of $7,850,000 has been analysed having regard to the existing planning controls proposed under this hypothetical development scheme as provided by DELWP. The RLV analyses to the following rates:

- Rate sqm land: $3,875
- Rate sqm of NSA: $1,000
- Rate sqm of GFA: $635
- Rate per apartment: $76,968

Scenario 2

The Hypothetical Development Cashflow reflects an IRR of 20.00% (target 20%) and a Profit and Risk of 18.00% (target 20%) based on a land purchase price of $7,540,000. The RLV analyses to the following rates:

- Rate sqm land: $3,725
- Rate sqm of NSA: $1,381
- Rate sqm of GFA: $611
- Rate per apartment: $106,299

These returns indicate that the proposed development scheme, results in a 3.87%[17] reduction in the RLV. Note: we have adjusted the land purchase price in order to reflect the financial impact upon the land value of the proposed planning controls. This is shown in Table One within the Executive Summary section of this report, where we have compared the two scenarios side by side.

Scenario 3

The Hypothetical Development Cashflow reflects an IRR of 20.00% (target 20%) and a Profit and Risk of 21.72% (target 20%) based on a land purchase price of $3,675,000. The RLV analyses to the following rates:

[17] Calculated as follows: (($7,547,198 - $7,850,734) / $7,850,734)*100 = -3.87%

Scenario Comparison

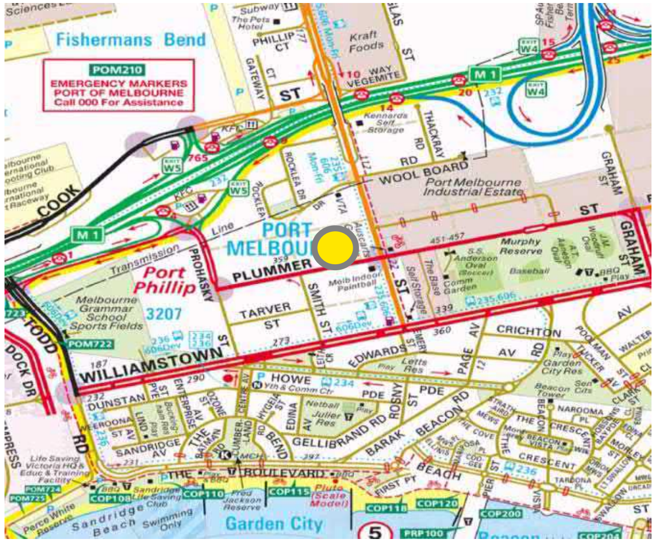
- Rate sqm land: $1,814
- Rate sqm of NSA: $170
- Rate sqm of GFA: $114
- Rate per apartment: $13,081

These returns indicate that the proposed development scheme, results in a RLV below that of Scenarios 1 and 2 (proposed GC81 planning controls). The comparatively low Residual Land Value observed highlights the marginal nature of the development scheme provided. Note: we have adjusted the land purchase price in order to reflect the financial impact upon the land value of the proposed planning controls.

Site 2: 365 Plummer Street, Port Melbourne

Figure Eight: Site 2 Location Map

Source: http://www.street-directory.com.au



Notes to graphic

1. Location shown yellow

General Description

Site 2 is located at 365 Plummer Street, Port Melbourne, situated approximately 4.1 kilometres south west of the Melbourne CBD within the Wirraway precinct of Fishermans Bend. Site 2 has a total site are of 19,314 square metres and contains frontages to both Plummer Street (southern boundary) and Salmon Street (Eastern boundary), extending a combined 40 metres (approximately). Site 1 is currently improved with a bulky goods / showroom.

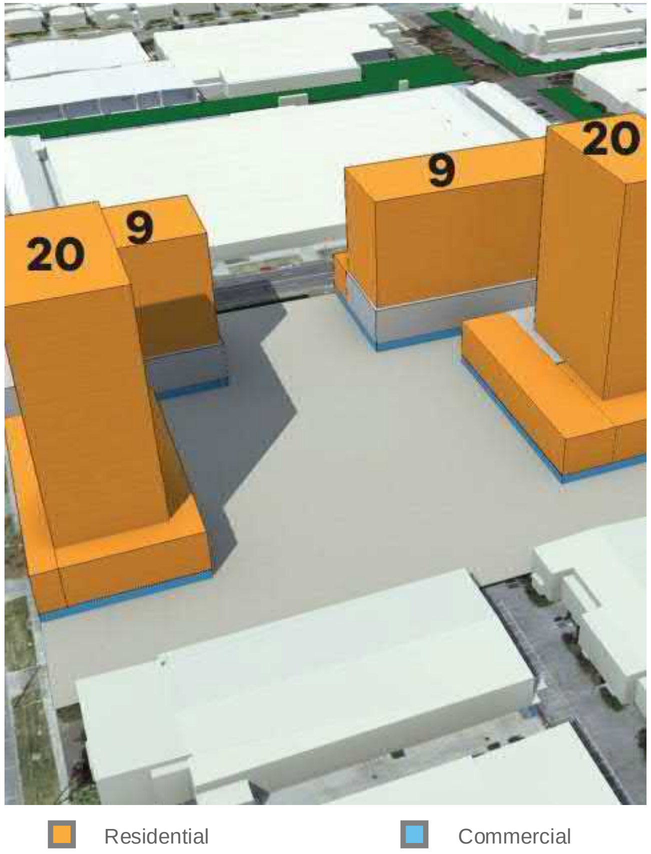
A location map of Site 1 is provided in Figure Eight at left.

We have been provided with two separate development scenarios to consider for Site 2 (“Scenario 1” and “Scenario 2”). Each scenario comprises an alternate allocation of residential and commercial space. An outline of each scenario in addition to our revenue and cost estimates and findings are detailed in the two subsequent sections of this report labelled “Scenario 1” and “Scenario 2”.

Scenario 1

Figure Nine: 365 Plummer Street – Scenario 1

Source: DELWP



Scenario 1

This scenario provides two nine level and two 20 level mix mixed use buildings totalling 647 dwellings across 62,154 square metres of residential space, 2,768 square metres of office accommodation and 2,768 square metres of retail space, equating to a total GFA of 79,187 square metres (including parking). 324 and 55 car spaces are allocated to residential and commercial uses respectively. The FAR of this development is 4.1:1.

Revenues

Table Twelve provides a summary of our estimated revenues which we have adopted within our Hypothetical Development Cashflow Approach.

Table Twelve – Summary of Revenue Assumptions – 365 Plummer Street, Scenario 1

Source Fishermans Bend Taskforce

Detail	Measurement	m²	Sales Rate per m²
Car spaces	GFA	11,361	Incl. In Rates
Retail / Commercial	GFA	5,536	$6,000
Residential (647 apartments)	NSA	49,837	$9,750
Total Gross Realisation			**$519,120,750**

Construction Costs

Table Thirteen provides a summary of our estimated construction costs which we have adopted within our Hypothetical Development Cashflow Approach.

Table Thirteen- Summary of Construction Cost adopted – 365 Plummer Street, Scenario 1

Source EY, 2018

Detail	Measurement	m²	Construction Rate per m²
Podium car parking	GFA	11,361	$1,500
Multi-storey retail and commercial development	GFA	5,535	$2,200
Multi-storey residential development	GFA	62,154	$2,900
Balconies	GFA	6,470	$900
Construction Contingency 5%			$11,283,899
Total			**$236,961,878**

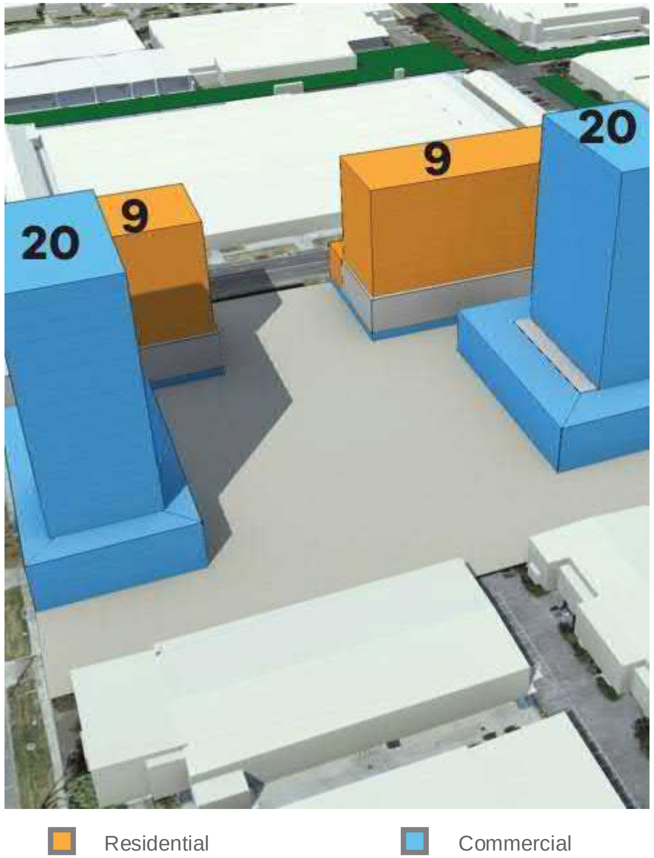
Notes to table:

1. The summary table above excludes other construction costs considered in our feasibility modelling such as cap and cover, storm water retention, extra over plumbing allowance, internal roads and laneways and demolition. The cost assumptions are included within Table Four "Feasibility Assumptions" of our report.

Scenario 2

Figure Ten: 365 Plummer Street – Scenario 2

Source: Provided



Scenario 2

This scenario provides two nine level and two 20 level mix mixed use buildings totalling 273 dwellings across 26,171 square metres of residential space, 30,020 square metres of office accommodation and 7,505 square metres of retail space, equating to a total GFA of 79,187 square metres (including parking). 137 and 375 car spaces are allocated to residential and commercial uses respectively. The FAR of this development is 4.1:1

Revenues

Table Fourteen provides a summary of our estimated revenues which we have adopted within our Hypothetical Development Cashflow Approach.

Table Fourteen – Summary of Revenue Assumptions – 365 Plummer Street, Scenario 2

Source Fishermans Bend Taskforce

Detail	Measurement	m²	Sales Rate per m²
Car spaces	GFA	15,345	Incl. In Rates
Retail / Commercial	GFA	37,525	$6,000
Residential (273 apartments)	NSA	20,252	$9,750
Total Gross Realisation			**$422,607,000**

Construction Costs

Table Fifteen provides a summary of our estimated construction costs which we have adopted within our Hypothetical Development Cashflow Approach.

Table Fifteen- Summary of Construction Cost adopted – 365 Plummer Street, Scenario 2

Source EY, 2018

Detail	Measurement	m²	Construction Rate per m²
Podium car parking	GFA	15,345	$1,500
Multi-storey retail and commercial development	GFA	30,020	$2,200
Multi-storey residential development	GFA	26,171	$2,900
Balconies	GFA	2,730	$900
Construction Contingency 5%			$9,205,869
Total			**$193,323,248**

Notes to table:

1. The summary table above excludes other construction costs considered in our feasibility modelling such as cap and cover, storm water retention, extra over plumbing allowance, internal roads and laneways and demolition. The cost assumptions are included within Table Four "Feasibility Assumptions" of our report.

Scenario Comparison

Hypothetical Development Cashflow Calculations

Based on the provided information and our assumptions as detailed on the preceding pages, we have undertaken our Hypothetical Development Cashflow calculations within Estate Master, and provided the output below in Table Sixteen.

Table Sixteen - Summary of Hypothetical Development Cashflow

	Scenario 1	Scenario 2
Revenues		
Gross Sales Revenue	$519,120,750	$422,607,000
Less Selling Costs	(-$11,391,515)	(-$11,006,640)
Total Revenue (before GST paid)	$507,729,235	$411,600,360
Less GST paid on all Residential Revenue	(-$44,173,705)	(-$17,950,636)
Total Revenue	**$463,555,530**	**$393,649,724**
Costs		
Land Purchase Cost	$19,100,000	$17,900,000
Land Acquisition Costs	$1,241,500	$1,163,500
Construction (incl. Construct. Contingency)	$236,961,878	$193,323,248
Professional Fees	$18,956,950	$15,465,860
Planning Costs	$1,000,000	$1,000,000
Statutory Fees (incl. POS & Development Contributions)	$15,076,100	$13,482,700
DM & PM Fees	$12,463,247	$10,168,030
Marketing Costs	$6,489,009	$5,282,588
Land Holding Costs	$4,290,725	$4,113,419
Pre-Sale Commissions	$9,718,215	$3,949,140
Interest Expense	$20,322,268	$19,481,004
Total Costs	**$348,079,892**	**$287,489,487**
Project Metrics		
Net Developer's Profit after Profit Share	$115,475,638	$106,160,237
Development Margin (Profit/Risk Margin)	32.12%	35.57%
Project Internal Rate of Return	20.00%	20.00%
Residual Land Value (NPV)	**$19,104,207**	**$17,912,581**
Residual Land Value per square metre	**$989**	**$927**

A complete summary of the calculations and project returns is provided in Appendix B of this report.

Scenario 1

The Hypothetical Development Cashflow reflects an IRR of 20.00% (target 20.0% and a Profit and Risk of 32.12% (target 20%) based on a land purchase price of $19,100,000. The resultant RLV of $19,100,000 has been analysed having regard to the existing planning controls proposed under this hypothetical development scheme as provided by DELWP. The RLV analyses to the following rates:

- Rate sqm land: $989
- Rate sqm of NSA: $383
- Rate sqm of GFA: $241
- Rate per apartment: $29,527

Scenario 2

The Hypothetical Development Cashflow reflects an IRR of 20.00% (target 20%) and a Profit and Risk of 32.12% (target 20%) based on a land purchase price of $17,900,000. The RLV analyses to the following rates:

- Rate sqm land: $927
- Rate sqm of NSA: $884
- Rate sqm of GFA: $226
- Rate per apartment: $65,614

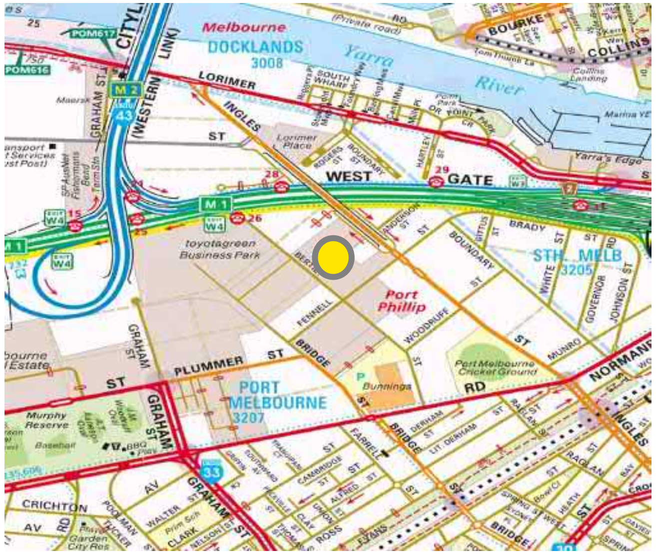
These returns indicate that the proposed development scheme, results in a 6.24%[18] reduction in the RLV. Note: we have adjusted the land purchase price in order to reflect the financial impact upon the land value of the proposed planning controls. This is shown in Table One within the Executive Summary section of this report, where we have compared the two scenarios side by side.

[18] Calculated as follows: (($17,912,581 - $17,912,581) / $17,912,581)*100 = -6.24%

Site 3: 277 Ingles Street, Port Melbourne

Figure Eleven: Site 3 Location Map

Source: http://www.street-directory.com.au



Notes to graphic

1. Location shown yellow

General Description

Site 3 is located at 277 Ingles Street, Port Melbourne, and situated approximately 2.6 kilometres south-west of the Melbourne CBD within the Sandridge precinct of Fishermans Bend. Site 3 has a total site are of 24,148 square metres and with three street frontages to Ingles Street (northern boundary), Fennel Street (southern boundary) and Bertie Street (western boundary), extending a combined 550 metres (approximately). Site 3 is currently improved with several industrial and commercial buildings in addition to ancillary improvements.

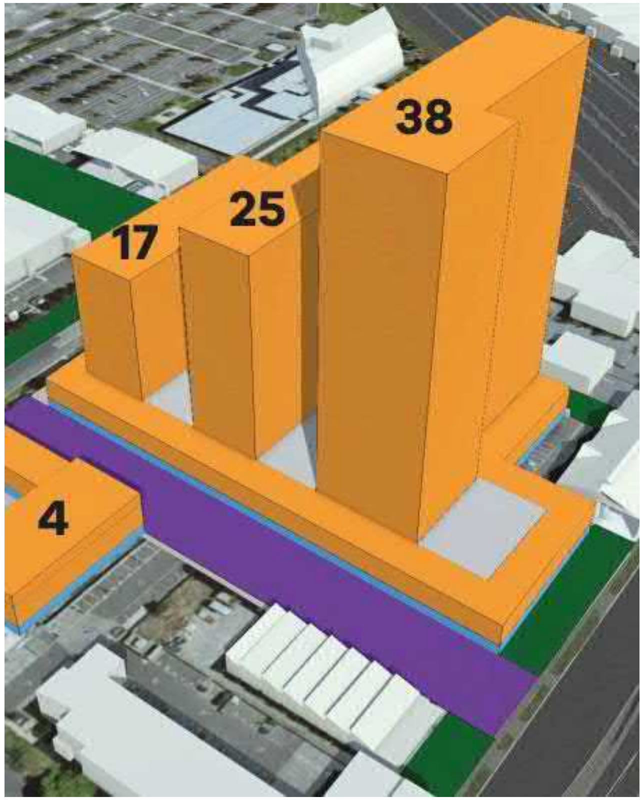
A location map of Site 3 is provided in Figure Eleven at left.

We have been provided with two separate development scenarios to consider for Site 2 ("Scenario 1" and "Scenario 2"). Each scenario comprises an alternate allocation of residential and commercial space. An outline of each scenario in addition to our revenue and cost estimates and findings are detailed in the two subsequent sections of this report labelled "Scenario 1" and "Scenario 2".

Scenario 1

Figure Twelve: 277 Ingles Street – Scenario 1

Source: Provided



Residential Commercial

Scenario 1

This scenario consists of four mixed use buildings measuring four, 17, 25 and 38 levels. The scheme includes 1,697 dwellings across 162,884 square metres of residential space, 3,225 square metres of office accommodation and 3,225 square metres of retail space, equating to a total GFA of 196,659 square metres (including parking). 848 and 65 car spaces are allocated to residential and commercial uses respectively. The FAR of this development is 8.1:1.

Revenues

Table Seventeen provides a summary of our estimated revenues which we have adopted within our Hypothetical Development Cashflow Approach.

Table Seventeen – Summary of Revenue Assumptions – 277 Ingles Street, Scenario 1

Source Fishermans Bend Taskforce

Detail	Measurement	m²	Sales Rate per m²
Car spaces	GFA	27,390	Incl. In Rates
Retail / Commercial	GFA	6,450	$6,000
Residential (1,697 apartments)	NSA	130,284	$9,750
Total Gross Realisation			**$1,308,969,000**

Construction Costs

Table Eighteen provides a summary of our estimated construction costs which we have adopted within our Hypothetical Development Cashflow Approach.

Table Eighteen- Summary of Construction Cost adopted – 277 Ingles Street, Scenario 1

Source EY, 2018

Detail	Measurement	m²	Construction Rate per m²
Podium car parking	GFA	27,390	$1,500
Multi-storey retail and commercial development	GFA	6,450	$2,200
Multi-storey residential development	GFA	162,884	$2,900
Balconies	GFA	16,970	$900
Construction Contingency 5%			$28,239,342
Total			**$593,026,176**

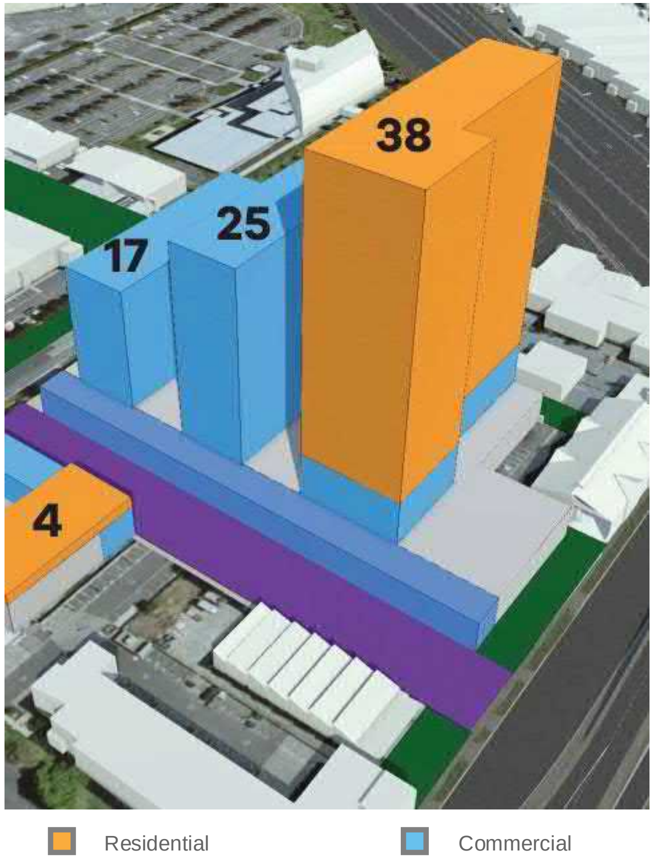
Notes to table:

1. The summary table above excludes other construction costs considered in our feasibility modelling such as cap and cover, storm water retention, extra over plumbing allowance, internal roads and laneways and demolition. The cost assumptions are included within Table Four "Feasibility Assumptions" of our report.

Scenario 2

Figure Thirteen: 277 Ingles Street – Scenario 2

Source: Provided



Scenario 2

This scenario consists of two mixed use buildings measuring four and 38 levels in addition to two commercial use buildings measuring 17 and 25 levels. The scheme includes 724 dwellings across 69,517 square metres of residential space, 71,720 square metres of office accommodation and 17,930 square metres of retail space, equating to a total GFA of 196,659 square metres (including parking). 362 and 899 car spaces are allocated to residential and commercial uses respectively. The FAR of this development is 8.1:1.

Revenues

Table Nineteen provides a summary of our estimated revenues which we have adopted within our Hypothetical Development Cashflow Approach.

Table Nineteen – Summary of Revenue Assumptions – 277 Ingles Street, Scenario 2

Source Fishermans Bend Taskforce

Detail	Measurement	m^2	Sales Rate per m^2
Car spaces	GFA	37,830	Incl. In Rates
Retail / Commercial	GFA	89,650	$6,000
Residential (273 apartments)	NSA	55,902	$9,750
Total Gross Realisation			**$1,082,944,500**

Construction Costs

Table Twenty provides a summary of our estimated construction costs which we have adopted within our Hypothetical Development Cashflow Approach.

Table Twenty- Summary of Construction Cost adopted – 277 Ingles Street, Scenario 2

Source EY, 2018

Detail	Measurement	m^2	Construction Rate per m^2
Podium car parking	GFA	27,390	$1,500
Multi-storey retail and commercial development	GFA	89,650	$2,200
Multi-storey residential development	GFA	69,517	$2,900
Balconies	GFA	7,240	$900
Construction Contingency 5%			$23,602,250
Total			**$690,321,573**

Notes to table:

1. The summary table above excludes other construction costs considered in our feasibility modelling such as cap and cover, storm water retention, extra over plumbing allowance, internal roads and laneways and demolition. The cost assumptions are included within Table Four "Feasibility Assumptions" of our report.

Scenario Comparison

Hypothetical Development Cashflow Calculations

Based on the provided information and our assumptions as detailed on the preceding pages, we have undertaken our Hypothetical Development Cashflow calculations within Estate Master, and provided the output below in Table Twenty-one.

Table Twenty-one- Summary of Hypothetical Development Cashflow

	Scenario 1	Scenario 2
Revenues		
Gross Sales Revenue	$1,308,969,000	$1,082,944,500
Less Selling Costs	(-$28,311,755)	(-$28,434,265)
Total Revenue (before GST paid)	$1,280,657,245	$1,054,510,235
Less GST paid on all Residential Revenue	(-$115,479,000)	(-$49,549,500)
Total Revenue	**$1,165,178,245**	**$1,004,960,735**
Costs		
Land Purchase Cost	$34,590,000	$31,880,000
Land Acquisition Costs	$2,248,350	$2,072,200
Construction (incl. Construct. Contingency)	$593,026,176	$496,419,141
Professional Fees	$47,442,094	$39,713,531
Planning Costs	$1,000,000	$1,000,000
Statutory Fees (incl. POS & Development Contributions)	$36,822,328	$32,707,496
DM & PM Fees	$30,372,429	$25,424,603
Marketing Costs	$16,362,113	$13,536,806
Land Holding Costs	$7,483,043	$6,527,985
Pre-Sale Commissions	$25,405,380	$10,900,890
Interest Expense	$62,840,434	$65,085,098
Total Costs	**$862,987,347**	**$730,662,750**
Project Metrics		
Net Developer's Profit after Profit Share	$302,190,898	$274,297,985
Development Margin (Profit/Risk Margin)	33.90%	36.13%
Project Internal Rate of Return	20.00%	20.00%
Residual Land Value (NPV)	**$34,592,377**	**$31,885,949**
Residual Land Value per square metre	**$1,433**	**$1,320**

A complete summary of the calculations and project returns is provided in Appendix B of this report.

Scenario 1

The Hypothetical Development Cashflow reflects an IRR of 20.00% (target 20.0% and a Profit and Risk of 33.90% (target 20%) based on a land purchase price of $34,590,000. The resultant RLV of $34,590,000 has been analysed having regard to the existing planning controls proposed under this hypothetical development scheme as provided by DELWP. The RLV analyses to the following rates:

- Rate sqm land: $1,433
- Rate sqm of NSA: $266
- Rate sqm of GFA: $176
- Rate per apartment: $20,384

Scenario 2

The Hypothetical Development Cashflow reflects an IRR of 20.00% (target 20%) and a Profit and Risk of 36.13% (target 20%) based on a land purchase price of $31,880,000. The RLV analyses to the following rates:

- Rate sqm land: $1,320
- Rate sqm of NSA: $570
- Rate sqm of GFA: $162
- Rate per apartment: $44,041

These returns indicate that the proposed development scheme, results in a 7.82%[19] reduction in the RLV. Note: we have adjusted the land purchase price in order to reflect the financial impact upon the land value of the proposed planning controls. This is shown in Table One within the Executive Summary section of this report, where we have compared the two scenarios side by side.

[19] Calculated as follows: (($31,885,949 - $34,592,377) / $34,592,377)*100 = -7.82%

Site 4: 162 Turner Street, Port Melbourne

Figure Fourteen: Site 4 Location Map

Source: http://www.street-directory.com.au

Notes to graphic

1. Location shown yellow

General Description

Site 4 is located at 162 Turner Street, Port Melbourne, situated approximately 2.9 kilometres south west of the Melbourne CBD within the Lorimer precinct of Fishermans Bend. Site 4 has a total site are of 20,941 square metres and contains a frontage to Turner Street extending 108 metres (approximately). Site 4 is currently improved with a two-storey building / warehouse.

A location map of Site 4 is provided in Figure Fourteen at left.

We have been provided with two separate development scenarios to consider for Site 2 (“Scenario 1” and “Scenario 2”). Each scenario comprises an alternate allocation of residential and commercial space. An outline of each scenario in addition to our revenue and cost estimates and findings are detailed in the two subsequent sections of this report labelled “Scenario 1” and “Scenario 2”.

Scenario 1

Figure Fifteen: 162 Turner Street – Scenario 1

Source: Provided

Residential   Commercial

Scenario 1

This scenario provides three mix mixed use buildings measuring 18, 26 and 31 levels. The scheme includes 948 dwellings across 91,096 square metres of residential space, 2,954 square metres of office accommodation and 2,954 square metres of retail space, equating to a total GFA of 113,081 square metres (including parking). 473 and 59 car spaces are allocated to residential and commercial uses respectively. The FAR of this development is 5.4:1.

Revenues

Table Twenty-two provides a summary of our estimated revenues which we have adopted within our Hypothetical Development Cashflow Approach.

Table Twenty-two – Summary of Revenue Assumptions – 162 Turner Street, Scenario 1

Source Fishermans Bend Taskforce

Detail	Measurement	m²	Sales Rate per m²
Car spaces	GFA	15,970	Incl. In Rates
Retail / Commercial	GFA	5,908	$6,000
Residential (647 apartments)	NSA	73,073	$9,750
Total Gross Realisation			**$747,915,750**

Construction Costs

Table Twenty-three provides a summary of our estimated construction costs which we have adopted within our Hypothetical Development Cashflow Approach.

Table Twenty-three – Summary of Construction Cost adopted – 162 Turner Street, Scenario 1

Source EY, 2018

Detail	Measurement	m²	Construction Rate per m²
Podium car parking	GFA	15,970	$1,500
Multi-storey retail and commercial development	GFA	5,907	$2,200
Multi-storey residential development	GFA	91,096	$2,900
Balconies	GFA	9,480	$900
Construction Contingency 5%			$15,745,342
Total			**$330,652,179**

Notes to table:

1. The summary table above excludes other construction costs considered in our feasibility modelling such as cap and cover, storm water retention, extra over plumbing allowance, internal roads and laneways and demolition. The cost assumptions are included within Table Four "Feasibility Assumptions" of our report.

Scenario 2

Figure Sixteen: 162 Turner Street – Scenario 2

Source: Provided

Scenario 2

This scenario provides two mix mixed use buildings measuring 26 and 31 levels and an 18 level commercial building. The scheme includes 578 dwellings across 55,598 square metres of residential space, 30,026 square metres of office accommodation and 7,506 square metres of retail space, equating to a total GFA of 113,081 square metres. 289 and 373 car spaces are allocated to residential and commercial uses respectively. The FAR of this development is 5.4:1.

Revenues

Table Twenty-four provides a summary of our estimated revenues which we have adopted within our Hypothetical Development Cashflow Approach.

Table Twenty-four – Summary of Revenue Assumptions – 162 Turner Street, Scenario 2

Source Fishermans Bend Taskforce

Detail	Measurement	m²	Sales Rate per m²
Car spaces	GFA	19,860	Incl. In Rates
Retail / Commercial	GFA	37,532	$6,000
Residential (578 apartments)	NSA	44,660	$9,750
Total Gross Realisation			**$660,627,000**

Construction Costs

Table Twenty-five provides a summary of our estimated construction costs which we have adopted within our Hypothetical Development Cashflow Approach.

Table Twenty-five- Summary of Construction Cost adopted – 162 Turner Street, Scenario 2

Source EY, 2018

Detail	Measurement	m²	Construction Rate per m²
Podium car parking	GFA	19,860	$1,500
Multi-storey retail and commercial development	GFA	37,532	$2,200
Multi-storey residential development	GFA	55,598	$2,900
Balconies	GFA	5,780	$900
Construction Contingency 5%			$14,166,907
Total			**$297,505,044**

Notes to table:

1. The summary table above excludes other construction costs considered in our feasibility modelling such as cap and cover, storm water retention, extra over plumbing allowance, internal roads and laneways and demolition. The cost assumptions are included within Table Four “Feasibility Assumptions” of our report.

Scenario Comparison

Hypothetical Development Cashflow Calculations

Based on the provided information and our assumptions as detailed on the preceding pages, we have undertaken our Hypothetical Development Cashflow calculations within Estate Master, and provided the output below in Table Twenty-seven.

Table Twenty-seven- Summary of Hypothetical Development Cashflow

	Scenario 1	Scenario 2
Revenues		
Gross Sales Revenue	$747,915,750	$660,627,000
Less Selling Costs	(-$16,305,173)	(-$16,064,960)
Total Revenue (before GST paid)	$731,610,578	$644,562,040
Less GST paid on all Residential Revenue	(-$64,769,250)	(-$39,585,000)
Total Revenue	**$666,841,328**	**$604,977,040**
Costs		
Land Purchase Cost	$39,985,000	$36,055,000
Land Acquisition Costs	$2,599,025	$2,343,575
Construction (incl. Construct. Contingency)	$330,652,179	$297,505,044
Professional Fees	$26,452,174	$23,800,403
Planning Costs	$1,000,000	$1,000,000
Statutory Fees (incl. POS & Development Contributions)	$13,157,492	$20,824,516
DM & PM Fees	$16,934,682	$15,237,018
Marketing Costs	$9,348,947	$8,257,838
Land Holding Costs	$6,372,951	$5,747,862
Pre-Sale Commissions	$14,249,235	$8,708,700
Interest Expense	$37,381,644	$34,912,754
Total Costs	**$501,828,329**	**$457,687,710**
Project Metrics		
Net Developer's Profit after Profit Share	$165,012,998	$147,289,330
Development Margin (Profit/Risk Margin)	31.85%	31.09%
Project Internal Rate of Return	20.00%	20.00%
Residual Land Value (NPV)	**$39,988,604**	**$36,057,510**
Residual Land Value per square metre	**$1,910**	**$1,722**

A complete summary of the calculations and project returns is provided in Appendix B of this report.

Scenario 1

The Hypothetical Development Cashflow reflects an IRR of 20.00% (target 20.0% and a Profit and Risk of 31.85% (target 20%) based on a land purchase price of $39,985,000. The resultant RLV of $39,990,000 has been analysed having regard to the existing planning controls proposed under this hypothetical development scheme as provided by DELWP. The RLV analyses to the following rates:

- Rate sqm land: $1,910
- Rate sqm of NSA: $547
- Rate sqm of GFA: $354
- Rate per apartment: $42,182

Scenario 2

The Hypothetical Development Cashflow reflects an IRR of 20.00% (target 20%) and a Profit and Risk of 31.09% (target 20%) based on a land purchase price of $36,055,000. The RLV analyses to the following rates:

- Rate sqm land: $1,722
- Rate sqm of NSA: $807
- Rate sqm of GFA: $319
- Rate per apartment: $62,383

These returns indicate that the proposed development scheme, results in a 9.83%[20] reduction in the RLV. Note: we have adjusted the land purchase price in order to reflect the financial impact upon the land value of the proposed planning controls. This is shown in Table One within the Executive Summary section of this report, where we have compared the two scenarios side by side.

[20] Calculated as follows: (($36,057,510 - $39,988,604) / $39,988,604)*100 = -9.83%

Statement of General Assumptions and Limiting Conditions

1. Statement of General Assumptions and Limiting Conditions

 Statement of General Assumptions and Limiting Conditions

Statement of General Assumptions and Limiting Conditions

Statement of General Assumptions and Limiting Conditions

This advice has been made with the following general assumptions and limiting conditions:

1. This report has been prepared in order to support the review of Draft Planning Scheme Amendment GC81, Ernst & Young ("EY") have been engaged by you to prepare an expert witness report for circulation. The results of our work will be used solely for the purpose of submission to the Panel directed the hearing as expert evidence on behalf of the Minister for Planning ("the Purpose").
2. This report has been made only for the purpose stated, and must not be used for any other purpose. This report or any part of this report (including without limitation any conclusions as to value, the identity of Ernst & Young or any individuals signing or associated with this report, or the professional associations or organisations with which they are affiliated) must not be disseminated to any third party by any means without the prior written consent and approval of Ernst & Young. No third party may rely on this report without the prior written consent and approval of Ernst & Young. Ernst & Young disclaims all liability to any third party for all costs, loss or damage and liability that the third party may suffer or incur arising from related to or in any connected with the provision of this report to the third party without Ernst & Young's prior written consent and approval.
3. EY has no past, present or prospective interest in any property.
4. We have taken a kerbside inspection of the development scheme sites only.
5. No Floor Area Uplift (FAU) has been considered with respect to the above scenarios.
6. The assumptions denoted "market based assumptions" are based on EY's experience in the Melbourne apartment market. This experience has involved working with developers on feasibility, valuation and transaction engagements. In addition we have been provided with an assumptions log prepared by the Taskforce, we have adopted a number of these assumptions where appropriate. We recommend all construction costs and assumptions be verified by a quantity surveyor.
7. Our advice does not constitute a formal valuation of the Subject Properties.
8. Our advice is based on dimensions and areas derived from information provided by the Taskforce. We recommend the Taskforce obtain a location survey to identify the boundaries of the development scheme sites, encroachments (if any) and accurate land areas. We have relied upon the provided area measurements of the development scheme sites and we reserve the right to amend our assessments once formal surveys become available.
9. Should there be any variance between our assumptions and actual costs and inputs obtained from technical experts, this will have a material effect on the feasibility analysis provided herein.

 Statement of General Assumptions and Limiting Conditions

Statement of General Assumptions and Limiting Conditions

10 We advise that we have not sought any further encumbrance advice in relation to the development scheme sites and have for the purposes of this advice assumed the sites are unaffected by any other easements, encumbrances, covenants or caveats which have not been disclosed on the schemes provided by the Taskforce.

11 We note that we have not been provided with any title documentation for the development scheme sites, nor have we undertaken our own searches. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matter, including title or encumbrances. Title to the properties are assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of any or all liens, easements or encumbrances unless otherwise stated.

12 Information furnished by others, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given to the accuracy of such information.

13 Maps and sketches, if included in this report, are only to assist the reader in visualising the property and no responsibility is assumed for their accuracy. No independent surveys were conducted.

14 No soil analysis or geological studies were ordered or made in conjunction with this report. EY cannot determine the full extent of site contamination, due to our lack of expertise in this field. Consequently, we cannot accept responsibility for the effect that such conditions may have. EY recommends an Environmental Audit be carried out prior to the commencement of any development.

15 Our scope did not include performance of a Highest and Best Use analysis or a detailed feasibility analysis based on a formal development/master plan and costs accordingly it is subject to these inherent limitations. A detailed analysis based on a formal development/master plan and costs may result in a different outcome. Further, development mix assumed in our analysis has not been tested based on market demand and supply dynamics.

Should any of the above assumptions prove incorrect; we reserve the right to review and amend the Report.

Appendices

1. Appendix A: Letter of Instruction
2. Appendix B: Feasibility Analysis Summary Pages
3. Appendix C: Development Schemes as Provided by the Taskforce
4. Appendix D: Expert Witness Statement
5. Appendix E: Curriculum Vitae

Appendix A: Letter of Instruction

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17 January 2018

Luke Mackintosh
Director
Ernst and Young

Email: luke.mackintosh@au.ey.com

Subject to Legal Professional Privilege

Dear Luke,

Fishermans Bend Planning Review Panel
Draft Planning Scheme Amendment GC81 (the Amendment)

We act for the Minister for Planning in this matter.

As you may know, the planning for Fishermans Bend has been led by the Fishermans Bend Taskforce (**the Taskforce**). The Taskforce comprises members from the Department of Environment Land Water and Planning (**DELWP**), Port Phillip and Melbourne City Councils and Development Victoria. The Taskforce is an administrative office within DELWP.

The draft Amendment has been prepared by the Taskforce to implement the *Fishermans Bend Vision – The next chapter in Melbourne's growth story, September 2016* by introducing new controls and policies into and amending existing policies in the Port Phillip and Melbourne Planning Schemes and introducing a new *Fishermans Bend Framework, draft for consultation, 2017*. The draft Amendment and Framework together with various background reports to the draft Framework may be viewed at: http://www.fishermansbend.vic.gov.au/.

Submissions on the draft Amendment closed on 15 December 2017. Submissions can be viewed at: https://engage.vic.gov.au/fishermans-bend-draft-framework/fishermans-bend-submissions.

The Minister has appointed an advisory committee known as the Fisherman's Bend Planning Review Panel (**Panel**) to consider the draft Amendment and all public submissions referred to it and to carry out a public hearing to provide an opportunity for anyone who requests to be heard to present their submission to the Panel. The Minister will be the planning authority for the Amendment, should it proceed.

An overview of the Panel hearing process and Panel Terms of Reference may be found here: https://engage.vic.gov.au/fishermans-bend-draft-framework.

The directions hearing was held on Wednesday 20 December 2017. The Panel directed the hearing be held in two stages:

- Stage 1 commences on **19 February 2018.** In that first week, we are required to make submissions and call our evidence in full on behalf of the Minister for Planning. We will be followed by Melbourne City Council and Port Phillip City Council in week 2 commencing on 26 February.
- Stage 2 is expected to commence on **9 April 2018** and conclude on **2 May 2018**. It will involve the affected property owners and other

submitters presenting their cases. The Minister and municipal councils will have a right of reply and the opportunity to recall experts where appropriate.

See Panel's Directions letter. (PDF, 220.7 KB).

Instructions

We are instructed to brief you to:

1. Review this email letter and the documents to which it refers;

2. Advise whether you are willing and available to:

   a. Prepare an expert witness report for circulation on **12 February 2018.** Your statement would need to:

      i. address the commercial feasibility (a residual land value) of development in Fishermans Bend in light of the proposed planning controls in the draft Amendment. In doing so, we would ask you to undertake feasibility modelling of 16 hypothetical development schemes to be provided to you by us across 8 sites in Fishermans Bend:

         1. two in the Wirraway Precinct;
         2. one in the Lorimer Precinct;
         3. four in the Montague Precinct; and
         4. one in the Sandridge precincts;

         to determine their financial viability.

         The two development scenarios per site would be based on the Amendment controls with:
         (a) only the mandatory controls applying; and
         (b) both the mandatory controls and the discretionary controls.
         The Taskforce can supply the hypothetical development data for EY's use.

         We request your modelling adopt several Fishermans Bend specific development cost assumptions:

         - Development contributions will be required at:
           - $15,900 per dwelling;
           - $180 per square metre of gross commercial floor area;
           - $150 per square metre of gross retail floor area;
         - An 8% public open space cash contribution will be required;
         - Onsite stormwater retention infrastructure will be required at a cost @$40,000 per building (1 tank) + $1000 per dwelling;
         - Enhanced building foundations will be required (assume Docklands type soils and contamination);

         You should also assume no basements will be constructed due to Docklands type soils;

      ii. address the merit of the relevant submissions referred to you to the extent they address (i) above;

      iii. identify all facts, matters and assumptions upon which your evidence report proceeds on;

      iv. identify any documents and other materials you have been instructed to consider or take into account in preparing your evidence report, and the literature or other material used in preparing your evidence report;

      v. contain a summary of your opinion or opinions;

      vi. include a statement identifying any opinions which are provisional and why they are provisional (i.e. why such opinions have not been or cannot be fully researched); and

      vii. include a statement setting out:
         1. any matters falling outside your expertise, and
         2. why your report is incomplete or inaccurate in any respect.

      viii. identify any changes you recommend to the draft Framework or Amendment in response to the submissions referred to you;

      ix. be prepared in accordance with the *Guide to Expert Evidence* by Planning Panels Victoria which may be found here: Guide to Expert Evidence (DOCX, 99.0 KB); and

   b. Present a summary of your evidence and response to submissions at the upcoming Planning Panel Review Hearing, noting we anticipate you will need to make yourself available on **19, 20, 21, 22 or 23 February 2018**; and

3. provide a fee proposal to undertake the work outlined in (2) above.

Your fee proposal should allow for up to three meetings at our offices (approximately 3 hours in total) and set out the details of any persons nominated to assist you in relation to the Project.

Your fees

We request you prepare a fee proposal for our client and send it by email c/- kmorris@ha.legal.

The fee proposal should include an overall fee, with inclusions and exclusions clearly stated, as well as an itemised breakdown. Hourly rates and any disbursements should be included.

You should not commence any substantive work on this matter until you have received our confirmation that your fee proposal has been approved.

The Taskforce will be responsible for your fees. We require that any tax invoices be addressed to the Taskforce and a copy emailed to us.

Legal Professional Privilege

We confirm that your professional opinion is sought in the context of us providing legal advice to the Minister. Consequently, your advice attracts legal professional privilege. The Minister is therefore not required to disclose any advice provided by you to any other party unless legal professional privilege is waived (by the Minister).

To ensure legal professional privilege is maintained, please keep your opinion/advice confidential.

We will notify you if legal professional privilege is waived in respect of your advice.

If you have any queries, please contact Kate Morris on 0414870447 or Allison Tansley on (03) 9611 0197.

Yours faithfully,

Kate Morris

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Appendix B: Feasibility Analysis Summary Pages

ARGUS EstateMaster | Development Feasibility

SUMMARY OF PROJECT RETURNS

Fishermens Bend Planning Panel Review

248 Normanby Road: Scenario 1: GC81

248 Normanby Road: Scenario 1: mandatory planning controls

Estate Master Licensed to: Ernst & Young Services Pty Ltd Melbourne

Time Span:	Jan-18 to Jul-21 (42 Months)		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	2,026 SqM		
#N/A	6.1:1	Equated GFA:	12,358.60 SqM
Project Size:	102 Units	1 per 19.86 SqM of Site Area	
	12,359 GFA	1 per 0.16 SqM of Site Area	

	Quantity	SqM	AUD/Quantity	Total AUD	AUD Per Unit	AUD Per SqM of Site Area	AUD Per Total Net Revenue
Revenues							
Gross Sales Revenue	103	8,655.00	790,121.36	81,382,500	797,868	40,169	112.0%
Residential	102	7,854.00	750,750.00	76,576,500			
Commerical Office	1	801.00	4,806,000.00	4,806,000			
Less Selling Costs				(1,785,210)	(17,502)	(881)	-2.5%
NET SALES REVENUE				79,597,290	780,366	39,288	109.6%
TOTAL REVENUE (before GST paid)				79,597,290	780,366	39,288	109.6%
Less GST paid on all Revenue				(6,961,500)	(68,250)	(3,436)	-9.6%
TOTAL REVENUE (after GST paid)				**72,635,790**	**712,116**	**35,852**	**100.0%**
Costs							
Land Purchase Cost				7,850,000	76,961	3,875	10.8%
Land Acquisition Costs				510,250	5,002	252	0.7%
Construction Costs (inc. Contingency)				35,854,140	351,511	17,697	49.4%
Other Construction Costs				34,146,800	334,773	16,854	47.0%
Contingency				1,707,340	16,739	843	2.4%
Professional Fees				2,868,331	28,121	1,416	3.9%
Planning Costs				250,000	2,451	123	0.3%
Statutory Fees (Incl. POS & Development Contributions)				2,750,980	26,970	1,358	3.8%
DM & PM Fees				1,884,637	18,477	930	2.6%
Marketing Costs				1,017,281	9,973	502	1.4%
Land Holding Costs				1,070,528	10,495	528	1.5%
Pre-Sale Commissions				1,531,530	15,015	756	2.1%
Finance Charges (inc. Fees)				664,168	6,511	328	0.9%
Interest Expense				4,929,834	48,332	2,433	6.8%
TOTAL COSTS (before GST reclaimed)				61,181,680	599,820	30,198	84.2%
Plus Corporate Tax				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				**61,181,680**	**599,820**	**30,198**	**84.2%**

Performance Indicators

			Per Unit	Per SqM of Site Area
[1] **Net Development Profit**		**11,454,110**	112,295	5,654
[3] **Development Margin (Profit/Risk Margin)**	Based on total costs (inc selling costs)	**18.19%**		
[6] Benefit Cost Ratio		1.0000		
[7] **Project Internal Rate of Return (IRR)**	Per annum Nominal	**20.00%**		
[8] Residual Land Value	Based on NPV (Exclusive of GST)	7,850,734	76,968	3,875

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
6. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

ARGUS EstateMaster | Development Feasibility

SUMMARY OF PROJECT RETURNS

Fishermens Bend Planning Panel Review

248 Normanby Road: Scenario 2: GC81

248 Normanby Road: Scenario 2: mandatory and discretionary planning controls

Estate Master Licensed to: Ernst & Young Services Pty Ltd Melbourne

Time Span:	Jan-18 to Jul-21 (42 Months)		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	2,026 SqM		
#N/A	6.1:1	Equated GFA:	12,358.60 SqM
Project Size:	71 Units	1 per 28.53 SqM of Site Area	
	12,359 GFA	1 per 0.16 SqM of Site Area	

	Quantity	SqM	AUD/Quantity	Total AUD	AUD Per Unit	AUD Per SqM of Site Area	AUD Per Total Net Revenue
Revenues							
Gross Sales Revenue	72	8,709.00	1,010,489.58	72,755,250	1,024,722	35,911	109.9%
Residential	71	5,467.00	750,750.00	53,303,250			
Commerical Office	1	3,242.00	19,452,000.00	19,452,000			
Less Selling Costs				(1,728,125)	(24,340)	(853)	-2.6%
NET SALES REVENUE				71,027,125	1,000,382	35,058	107.3%
TOTAL REVENUE (before GST paid)				71,027,125	1,000,382	35,058	107.3%
Less GST paid on all Revenue				(4,845,750)	(68,250)	(2,392)	-7.3%
TOTAL REVENUE (after GST paid)				**66,181,375**	**932,132**	**32,666**	**100.0%**
Costs							
Land Purchase Cost				7,540,000	106,197	3,722	11.4%
Land Acquisition Costs				490,100	6,903	242	0.7%
Construction Costs (inc. Contingency)				32,568,375	458,710	16,075	49.2%
Other Construction Costs				31,017,500	436,866	15,310	46.9%
Contingency				1,550,875	21,843	765	2.3%
Professional Fees				2,605,470	36,697	1,286	3.9%
Planning Costs				250,000	3,521	123	0.4%
Statutory Fees (Incl. POS & Development Contributions)				2,564,160	36,115	1,266	3.9%
DM & PM Fees				1,727,068	24,325	852	2.6%
Marketing Costs				909,441	12,809	449	1.4%
Land Holding Costs				1,043,354	14,695	515	1.6%
Pre-Sale Commissions				1,066,065	15,015	526	1.6%
Finance Charges (inc. Fees)				617,203	8,693	305	0.9%
Interest Expense				4,439,830	62,533	2,191	6.7%
TOTAL COSTS (before GST reclaimed)				55,821,066	786,212	27,552	84.3%
Plus Corporate Tax				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				**55,821,066**	**786,212**	**27,552**	**84.3%**

Performance Indicators

		Total	Per Unit	Per SqM of Site Area
[1] **Net Development Profit**		**10,360,309**	145,920	5,114
[3] **Development Margin (Profit/Risk Margin)**	Based on total costs (inc selling costs)	**18.00%**		
[6] Benefit Cost Ratio		1.0002		
[7] **Project Internal Rate of Return (IRR)**	Per annum Nominal	**20.02%**		
[8] Residual Land Value	Based on NPV (Exclusive of GST)	7,547,198	106,299	3,725

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
6. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

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SUMMARY OF PROJECT RETURNS

Fishermens Bend Planning Panel Review

248 Normanby Road: Scenario 3: GC50

248 Normanby Road: Scenario 3: current planning controls

Estate Master Licensed to: Ernst & Young Services Pty Ltd Melbourne

Time Span:	Jan-18 to Jul-22 (54 Months)		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	2,026 SqM		
#N/A	6.1:1	Equated GFA:	12,358.60 SqM
Project Size:	281 Units	1 per 7.2 SqM of Site Area	
	32,219 GFA	1 per 0.06 SqM of Site Area	

	Quantity	SqM	AUD/Quantity	Total AUD	AUD Per Unit	AUD Per SqM of Site Area	AUD Per Total Net Revenue
Revenues							
Gross Sales Revenue	282	22,439.00	765,151.60	215,772,750	767,875	106,502	112.4%
Residential	281	21,637.00	750,750.00	210,960,750			
Commerical Office	1	802.00	4,812,000.00	4,812,000			
Less Selling Costs				(4,652,075)	(16,555)	(2,296)	-2.4%
NET SALES REVENUE				211,120,675	751,319	104,206	110.0%
TOTAL REVENUE (before GST paid)				211,120,675	751,319	104,206	110.0%
Less GST paid on all Revenue				(19,178,250)	(68,250)	(9,466)	-10.0%
TOTAL REVENUE (after GST paid)				**191,942,425**	**683,069**	**94,740**	**100.0%**
Costs							
Land Purchase Cost				3,675,000	13,078	1,814	1.9%
Land Acquisition Costs				238,875	850	118	0.1%
Construction Costs (inc. Contingency)				108,024,000	384,427	53,319	56.3%
Other Construction Costs				102,880,000	366,121	50,780	53.6%
Contingency				5,144,000	18,306	2,539	2.7%
Professional Fees				8,641,920	30,754	4,266	4.5%
Planning Costs				250,000	890	123	0.1%
Statutory Fees (Incl. POS & Development Contributions)				5,889,760	20,960	2,907	3.1%
DM & PM Fees				5,728,405	20,386	2,827	3.0%
Marketing Costs				2,697,159	9,598	1,331	1.4%
Land Holding Costs				1,069,981	3,808	528	0.6%
Pre-Sale Commissions				4,219,215	15,015	2,083	2.2%
Finance Charges (inc. Fees)				1,545,058	5,498	763	0.8%
Interest Expense				14,879,607	52,952	7,344	7.8%
TOTAL COSTS (before GST reclaimed)				156,858,981	558,217	77,423	81.7%
Plus Corporate Tax				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				**156,858,981**	**558,217**	**77,423**	**81.7%**

Performance Indicators

		Total	Per Unit	Per SqM of Site Area
[1] **Net Development Profit**		**35,083,444**	124,852	17,317
[3] **Development Margin (Profit/Risk Margin)**	Based on total costs (inc selling costs)	**21.72%**		
[6] Benefit Cost Ratio		1.0000		
[7] **Project Internal Rate of Return (IRR)**	Per annum Nominal	**20.00%**		
[8] Residual Land Value	Based on NPV (Exclusive of GST)	3,675,658	13,081	1,814

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
6. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

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SUMMARY OF PROJECT RETURNS

Fishermens Bend Planning Panel Review

365 Plummer Street: Scenario 1: GC81

365 Plummer Street: Scenario 1: mandatory planning controls

Estate Master Licensed to: Ernst & Young Services Pty Ltd Melbourne

Time Span:	Jan-18 to Jul-28 (126 Months)		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	19,314 SqM		
#N/A	4.1:1	Equated GFA:	79,187.40 SqM
Project Size:	647 Units	1 per 29.85 SqM of Site Area	
	79,187 GFA	1 per 0.24 SqM of Site Area	

	Quantity	SqM	AUD/Quantity	Total AUD	AUD Per Unit	AUD Per SqM of Site Area	AUD Per Total Net Revenue
Revenues							
Gross Sales Revenue	651	55,372.00	797,420.51	519,120,750	802,350	26,878	112.0%
Residential	647	49,837.00	751,021.25	485,910,750			
Commerical Office	4	5,535.00	8,302,500.00	33,210,000			
Less Selling Costs				(11,391,515)	(17,607)	(590)	-2.5%
NET SALES REVENUE				507,729,235	784,744	26,288	109.5%
TOTAL REVENUE (before GST paid)				507,729,235	784,744	26,288	109.5%
Less GST paid on all Revenue				(44,173,705)	(68,275)	(2,287)	-9.5%
TOTAL REVENUE (after GST paid)				**463,555,530**	**716,469**	**24,001**	**100.0%**
Costs							
Land Purchase Cost				19,100,000	29,521	989	4.1%
Land Acquisition Costs				1,241,500	1,919	64	0.3%
Construction Costs (inc. Contingency)				236,961,878	366,247	12,269	51.1%
Other Construction Costs				225,677,979	348,807	11,685	48.7%
Contingency				11,283,899	17,440	584	2.4%
Professional Fees				18,956,950	29,300	982	4.1%
Planning Costs				1,000,000	1,546	52	0.2%
Statutory Fees (Incl. POS & Development Contributions)				15,076,100	23,302	781	3.3%
DM & PM Fees				12,463,247	19,263	645	2.7%
Marketing Costs				6,489,009	10,029	336	1.4%
Land Holding Costs				4,290,725	6,632	222	0.9%
Pre-Sale Commissions				9,718,215	15,020	503	2.1%
Finance Charges (inc. Fees)				2,460,000	3,802	127	0.5%
Interest Expense				20,322,268	31,410	1,052	4.4%
TOTAL COSTS (before GST reclaimed)				348,079,892	537,991	18,022	75.1%
Plus Corporate Tax				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				**348,079,892**	**537,991**	**18,022**	**75.1%**

Performance Indicators			Per Unit	Per SqM of Site Area
[1] **Net Development Profit**		**115,475,638**	178,479	5,979
[3] **Development Margin (Profit/Risk Margin)**	Based on total costs (inc selling costs)	**32.12%**		
[6] Benefit Cost Ratio		1.0000		
[7] **Project Internal Rate of Return (IRR)**	Per annum Nominal	**20.00%**		
[8] Residual Land Value	Based on NPV (Exclusive of GST)	19,104,207	29,527	989

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
6. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

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SUMMARY OF PROJECT RETURNS

Fishermens Bend Planning Panel Review

365 Plummer Street: Scenario 2: GC81

365 Plummer Street: Scenario 2: mandatory and discretionary planning controls

Estate Master Licensed to: Ernst & Young Services Pty Ltd Melbourne

Time Span:	Jan-18 to Apr-28 (123 Months)		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	19,314 SqM		
#N/A	4.1:1	Equated GFA:	79,187.40 SqM
Project Size:	273 Units	1 per 70.74 SqM of Site Area	
	79,187 GFA	1 per 0.24 SqM of Site Area	

	Quantity	SqM	AUD/Quantity	Total AUD	AUD Per Unit	AUD Per SqM of Site Area	AUD Per Total Net Revenue
Revenues							
Gross Sales Revenue	277	57,777.00	1,525,657.04	422,607,000	1,548,011	21,881	107.4%
Residential	273	20,252.00	723,285.71	197,457,000			
Commerical Office	4	37,525.00	56,287,500.00	225,150,000			
Less Selling Costs				(11,006,640)	(40,317)	(570)	-2.8%
NET SALES REVENUE				411,600,360	1,507,694	21,311	104.6%
TOTAL REVENUE (before GST paid)				411,600,360	1,507,694	21,311	104.6%
Less GST paid on all Revenue				(17,950,636)	(65,753)	(929)	-4.6%
TOTAL REVENUE (after GST paid)				**393,649,724**	**1,441,940**	**20,382**	**100.0%**
Costs							
Land Purchase Cost				17,900,000	65,568	927	4.5%
Land Acquisition Costs				1,163,500	4,262	60	0.3%
Construction Costs (inc. Contingency)				193,323,248	708,144	10,009	49.1%
Other Construction Costs				184,117,379	674,423	9,533	46.8%
Contingency				9,205,869	33,721	477	2.3%
Professional Fees				15,465,860	56,652	801	3.9%
Planning Costs				1,000,000	3,663	52	0.3%
Statutory Fees (Incl. POS & Development Contributions)				13,482,700	49,387	698	3.4%
DM & PM Fees				10,168,030	37,246	526	2.6%
Marketing Costs				5,282,587	19,350	274	1.3%
Land Holding Costs				4,113,419	15,067	213	1.0%
Pre-Sale Commissions				3,949,140	14,466	204	1.0%
Finance Charges (inc. Fees)				2,160,000	7,912	112	0.5%
Interest Expense				19,481,004	71,359	1,009	4.9%
TOTAL COSTS (before GST reclaimed)				287,489,487	1,053,075	14,885	73.0%
Plus Corporate Tax				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				**287,489,487**	**1,053,075**	**14,885**	**73.0%**

Performance Indicators

			Per Unit	Per SqM of Site Area
[1] **Net Development Profit**		**106,160,237**	388,865	5,497
[3] **Development Margin (Profit/Risk Margin)**	Based on total costs (inc selling costs)	**35.57%**		
[6] Benefit Cost Ratio		1.0001		
[7] **Project Internal Rate of Return (IRR)**	Per annum Nominal	**20.01%**		
[8] Residual Land Value	Based on NPV (Exclusive of GST)	17,912,581	65,614	927

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
6. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

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SUMMARY OF PROJECT RETURNS

Fishermens Bend Planning Panel Review

162 Turner Street: Scenario 1: GC81

162 Turner Street: Scenario 1: mandatory planning controls

Estate Master Licensed to: Ernst & Young Services Pty Ltd Melbourne

Time Span:	Jan-18 to Aug-26 (103 Months)		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	20,941 SqM		
#N/A	5.4:1	Equated GFA:	113,081.40 SqM
Project Size:	948 Units	1 per 22.08 SqM of Site Area	
	113,081 GFA	1 per 0.18 SqM of Site Area	

	Quantity	SqM	AUD/Quantity	Total AUD	AUD Per Unit	AUD Per SqM of Site Area	AUD Per Total Net Revenue
Revenues							
Gross Sales Revenue	951	78,982.00	786,451.89	747,915,750	788,941	35,715	112.2%
Residential	948	73,073.00	751,541.93	712,461,750			
Commerical Office	3	5,909.00	11,818,000.00	35,454,000			
Less Selling Costs				(16,305,173)	(17,200)	(779)	-2.4%
NET SALES REVENUE				731,610,578	771,741	34,937	109.7%
TOTAL REVENUE (before GST paid)				731,610,578	771,741	34,937	109.7%
Less GST paid on all Revenue				(64,769,250)	(68,322)	(3,093)	-9.7%
TOTAL REVENUE (after GST paid)				**666,841,328**	**703,419**	**31,844**	**100.0%**
Costs							
Land Purchase Cost				39,985,000	42,178	1,909	6.0%
Land Acquisition Costs				2,599,025	2,742	124	0.4%
Construction Costs (inc. Contingency)				330,652,179	348,789	15,790	49.6%
Other Construction Costs				314,906,837	332,180	15,038	47.2%
Contingency				15,745,342	16,609	752	2.4%
Professional Fees				26,452,174	27,903	1,263	4.0%
Planning Costs				1,000,000	1,055	48	0.1%
Statutory Fees (Incl. POS & Development Contributions)				13,157,492	13,879	628	2.0%
DM & PM Fees				16,934,682	17,864	809	2.5%
Marketing Costs				9,348,947	9,862	446	1.4%
Land Holding Costs				6,372,951	6,723	304	1.0%
Pre-Sale Commissions				14,249,235	15,031	680	2.1%
Finance Charges (inc. Fees)				3,695,000	3,898	176	0.6%
Interest Expense				37,381,644	39,432	1,785	5.6%
TOTAL COSTS (before GST reclaimed)				501,828,329	529,355	23,964	75.3%
Plus Corporate Tax				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				**501,828,329**	**529,355**	**23,964**	**75.3%**

Performance Indicators			Per Unit	Per SqM of Site Area
[1] **Net Development Profit**		**165,012,998**	174,064	7,880
[3] **Development Margin (Profit/Risk Margin)**	Based on total costs (inc selling costs)	**31.85%**		
[6] Benefit Cost Ratio		1.0000		
[7] **Project Internal Rate of Return (IRR)**	Per annum Nominal	**20.00%**		
[8] Residual Land Value	Based on NPV (Exclusive of GST)	39,988,604	42,182	1,910

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
6. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

SUMMARY OF PROJECT RETURNS

ARGUS EstateMaster | Development Feasibility

Fishermens Bend Planning Panel Review

162 Turner Street: Scenario 2:GC81

162 Turner Street: Scenario 2: mandatory and discretionary planning controls

Estate Master Licensed to: Ernst & Young Services Pty Ltd Melbourne

Time Span:	Jan-18 to Jun-26 (101 Months)		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	20,941 SqM		
#N/A	5.4:1	Equated GFA:	113,081.40 SqM
Project Size:	578 Units	1 per 36.23 SqM of Site Area	
	113,081 GFA	1 per 0.18 SqM of Site Area	

	Quantity	SqM	AUD/Quantity	Total AUD	AUD Per Unit	AUD Per SqM of Site Area	AUD Per Total Net Revenue
Revenues							
Gross Sales Revenue	581	82,192.00	1,137,051.64	660,627,000	1,142,953	31,547	109.2%
Residential	578	44,660.00	753,347.75	435,435,000			
Commerical Office	3	37,532.00	75,064,000.00	225,192,000			
Less Selling Costs				(16,064,960)	(27,794)	(767)	-2.7%
NET SALES REVENUE				644,562,040	1,115,159	30,780	106.5%
TOTAL REVENUE (before GST paid)				644,562,040	1,115,159	30,780	106.5%
Less GST paid on all Revenue				(39,585,000)	(68,486)	(1,890)	-6.5%
TOTAL REVENUE (after GST paid)				**604,977,040**	**1,046,673**	**28,890**	**100.0%**
Costs							
Land Purchase Cost				36,055,000	62,379	1,722	6.0%
Land Acquisition Costs				2,343,575	4,055	112	0.4%
Construction Costs (inc. Contingency)				297,505,044	514,715	14,207	49.2%
Other Construction Costs				283,338,137	490,204	13,530	46.8%
Contingency				14,166,907	24,510	677	2.3%
Professional Fees				23,800,403	41,177	1,137	3.9%
Planning Costs				1,000,000	1,730	48	0.2%
Statutory Fees (Incl. POS & Development Contributions)				20,824,516	36,029	994	3.4%
DM & PM Fees				15,237,018	26,362	728	2.5%
Marketing Costs				8,257,837	14,287	394	1.4%
Land Holding Costs				5,747,862	9,944	274	1.0%
Pre-Sale Commissions				8,708,700	15,067	416	1.4%
Finance Charges (inc. Fees)				3,295,000	5,701	157	0.5%
Interest Expense				34,912,754	60,403	1,667	5.8%
TOTAL COSTS (before GST reclaimed)				457,687,710	791,847	21,856	75.7%
Plus Corporate Tax				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				**457,687,710**	**791,847**	**21,856**	**75.7%**

Performance Indicators

		Total	Per Unit	Per SqM of Site Area
[1] **Net Development Profit**		**147,289,330**	254,826	7,034
[3] **Development Margin (Profit/Risk Margin)**	Based on total costs (inc selling costs)	**31.09%**		
[6] Benefit Cost Ratio		1.0000		
[7] **Project Internal Rate of Return (IRR)**	Per annum Nominal	**20.00%**		
[8] Residual Land Value	Based on NPV (Exclusive of GST)	36,057,510	62,383	1,722

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
6. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

ARGUS EstateMaster | Development Feasibility

SUMMARY OF PROJECT RETURNS

Fishermens Bend Planning Panel Review

277 Ingles Street: Scenario 1: GC81

277 Ingles Street: Scenario 1: mandatory planning controls

Estate Master Licensed to: Ernst & Young Services Pty Ltd Melbourne

Time Span:	Jan-18 to Dec-28 (131 Months)		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	24,148 SqM		
#N/A	8.1:1	Equated GFA:	195,598.80 SqM
Project Size:	1,697 Units	1 per 14.22 SqM of Site Area	
	196,659 GFA	1 per 0.12 SqM of Site Area	

	Quantity	SqM	AUD/Quantity	Total AUD	AUD Per Unit	AUD Per SqM of Site Area	AUD Per Total Net Revenue
Revenues							
Gross Sales Revenue	1700	136,734.00	769,981.76	1,308,969,000	771,343	54,206	112.3%
Residential	1697	130,284.00	748,538.01	1,270,269,000			
Commerical Office	3	6,450.00	12,900,000.00	38,700,000			
Less Selling Costs				(28,311,755)	(16,683)	(1,172)	-2.4%
NET SALES REVENUE				1,280,657,245	754,660	53,034	109.9%
TOTAL REVENUE (before GST paid)				1,280,657,245	754,660	53,034	109.9%
Less GST paid on all Revenue				(115,479,000)	(68,049)	(4,782)	-9.9%
TOTAL REVENUE (after GST paid)				**1,165,178,245**	**686,611**	**48,252**	**100.0%**
Costs							
Land Purchase Cost				34,590,000	20,383	1,432	3.0%
Land Acquisition Costs				2,248,350	1,325	93	0.2%
Construction Costs (inc. Contingency)				593,026,176	349,456	24,558	50.9%
Other Construction Costs				564,786,834	332,815	23,389	48.5%
Contingency				28,239,342	16,641	1,169	2.4%
Professional Fees				47,442,094	27,956	1,965	4.1%
Planning Costs				1,000,000	589	41	0.1%
Statutory Fees (Incl. POS & Development Contributions)				36,822,328	21,698	1,525	3.2%
DM & PM Fees				30,372,429	17,898	1,258	2.6%
Marketing Costs				16,362,112	9,642	678	1.4%
Land Holding Costs				7,483,043	4,410	310	0.6%
Pre-Sale Commissions				25,405,380	14,971	1,052	2.2%
Finance Charges (inc. Fees)				5,395,000	3,179	223	0.5%
Interest Expense				62,840,434	37,030	2,602	5.4%
TOTAL COSTS (before GST reclaimed)				862,987,347	508,537	35,737	74.1%
Plus Corporate Tax				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				**862,987,347**	**508,537**	**35,737**	**74.1%**

Performance Indicators			Per Unit	Per SqM of Site Area
[1] **Net Development Profit**		**302,190,898**	178,074	12,514
[3] **Development Margin (Profit/Risk Margin)**	Based on total costs (inc selling costs)	**33.90%**		
[6] Benefit Cost Ratio		1.0000		
[7] **Project Internal Rate of Return (IRR)**	Per annum Nominal	**20.00%**		
[8] Residual Land Value	Based on NPV (Exclusive of GST)	34,592,377	20,384	1,433

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
6. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

ARGUS EstateMaster | Development Feasibility

SUMMARY OF PROJECT RETURNS

Fishermens Bend Planning Panel Review

277 Ingles Street: Scenario 2: GC81

277 Ingles Street: Scenario 2: mandatory and discretionary planning controls

Estate Master Licensed to: Ernst & Young Services Pty Ltd Melbourne

Time Span:	Jan-18 to Aug-28 (127 Months)		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	24,148 SqM		
#N/A	8.1:1	Equated GFA:	195,598.80 SqM
Project Size:	724 Units	1 per 33.35 SqM of Site Area	
	196,659 GFA	1 per 0.12 SqM of Site Area	

	Quantity	SqM	AUD/Quantity	Total AUD	AUD Per Unit	AUD Per SqM of Site Area	AUD Per Total Net Revenue
Revenues							
Gross Sales Revenue	727	145,552.00	1,489,607.29	1,082,944,500	1,495,780	44,846	107.8%
Residential	724	55,902.00	752,823.90	545,044,500			
Commerical Office	3	89,650.00	179,300,000.00	537,900,000			
Less Selling Costs				(28,434,265)	(39,274)	(1,177)	-2.8%
NET SALES REVENUE				1,054,510,235	1,456,506	43,669	104.9%
TOTAL REVENUE (before GST paid)				1,054,510,235	1,456,506	43,669	104.9%
Less GST paid on all Revenue				(49,549,500)	(68,439)	(2,052)	-4.9%
TOTAL REVENUE (after GST paid)				**1,004,960,735**	**1,388,067**	**41,617**	**100.0%**
Costs							
Land Purchase Cost				31,880,000	44,033	1,320	3.2%
Land Acquisition Costs				2,072,200	2,862	86	0.2%
Construction Costs (inc. Contingency)				496,419,141	685,662	20,557	49.4%
Other Construction Costs				472,780,134	653,011	19,578	47.0%
Contingency				23,639,007	32,651	979	2.4%
Professional Fees				39,713,531	54,853	1,645	4.0%
Planning Costs				1,000,000	1,381	41	0.1%
Statutory Fees (Incl. POS & Development Contributions)				32,707,496	45,176	1,354	3.3%
DM & PM Fees				25,424,603	35,117	1,053	2.5%
Marketing Costs				13,536,806	18,697	561	1.3%
Land Holding Costs				6,527,985	9,017	270	0.6%
Pre-Sale Commissions				10,900,890	15,056	451	1.1%
Finance Charges (inc. Fees)				5,395,000	7,452	223	0.5%
Interest Expense				65,085,098	89,897	2,695	6.5%
TOTAL COSTS (before GST reclaimed)				730,662,750	1,009,203	30,258	72.7%
Plus Corporate Tax				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				**730,662,750**	**1,009,203**	**30,258**	**72.7%**

Performance Indicators

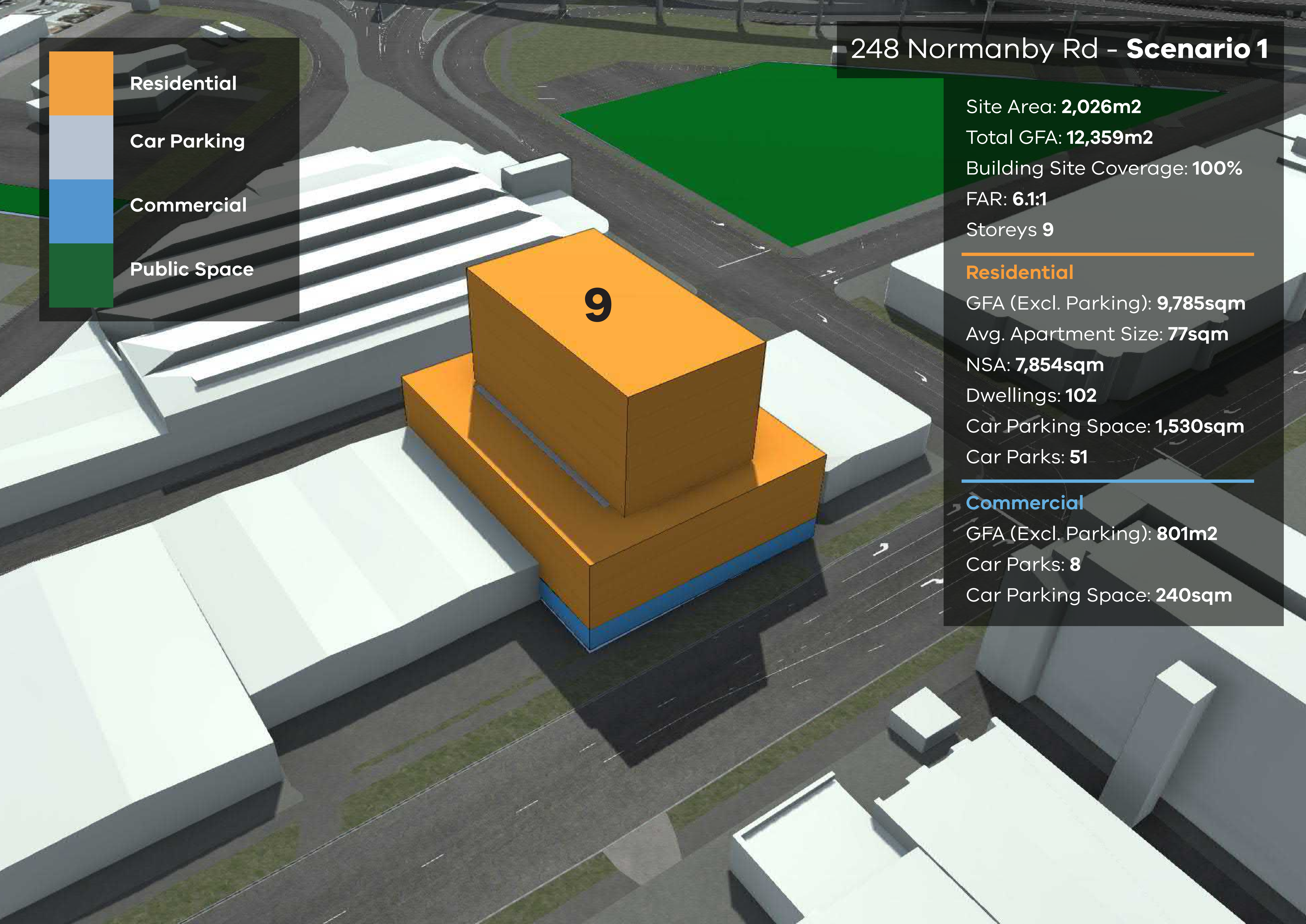
		Total	Per Unit	Per SqM of Site Area
[1] **Net Development Profit**		**274,297,985**	378,865	11,359
[3] **Development Margin (Profit/Risk Margin)**	Based on total costs (inc selling costs)	**36.13%**		
[6] Benefit Cost Ratio		1.0000		
[7] **Project Internal Rate of Return (IRR)**	Per annum Nominal	**20.00%**		
[8] Residual Land Value	Based on NPV (Exclusive of GST)	31,885,949	44,041	1,320

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
6. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

Appendix C: Development Schemes as Provided by the Taskforce

248 Normanby Rd - **Scenario 1**



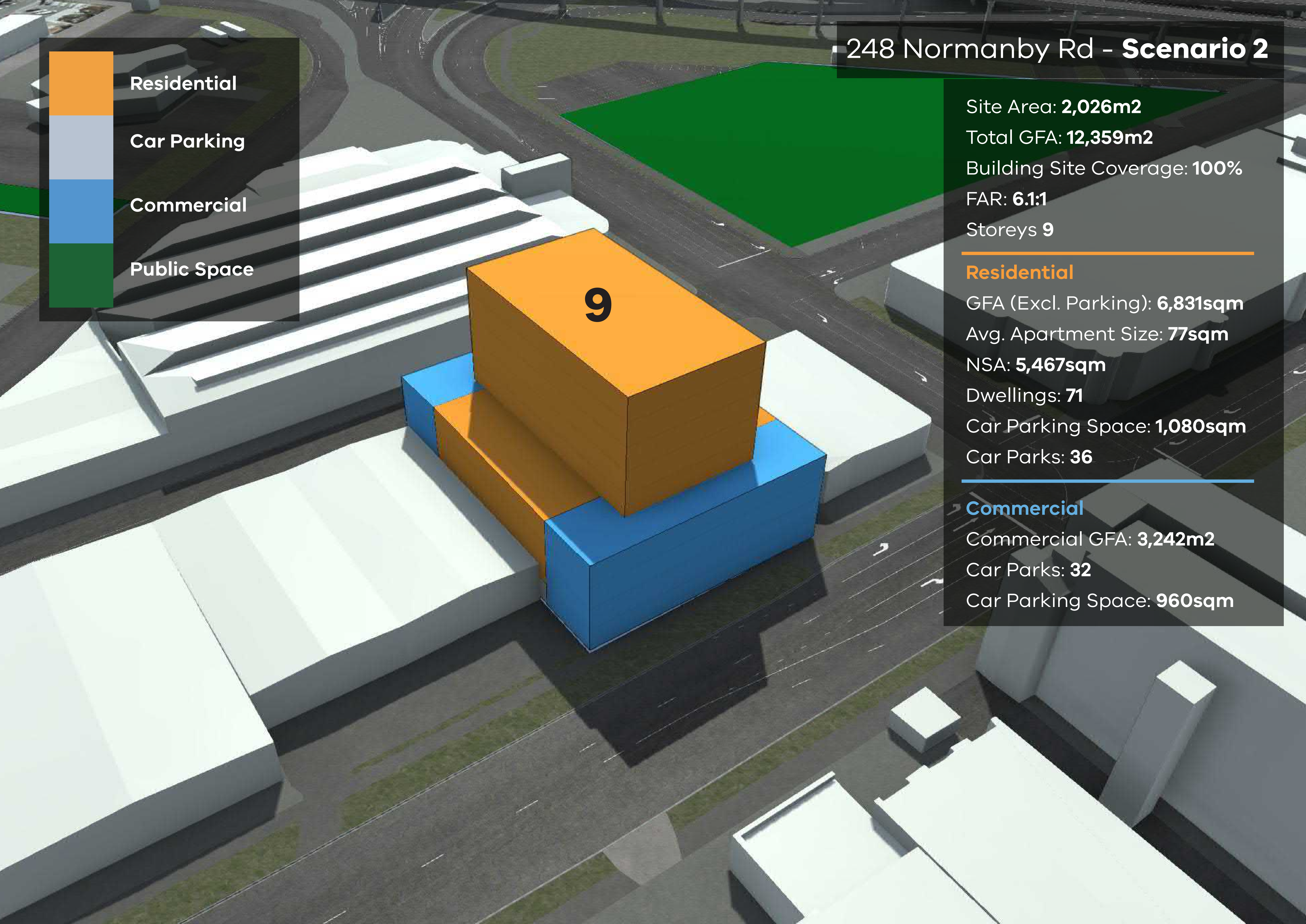
Site Area: **2,026m2**
Total GFA: **12,359m2**
Building Site Coverage: **100%**
FAR: **6.1:1**
Storeys **9**

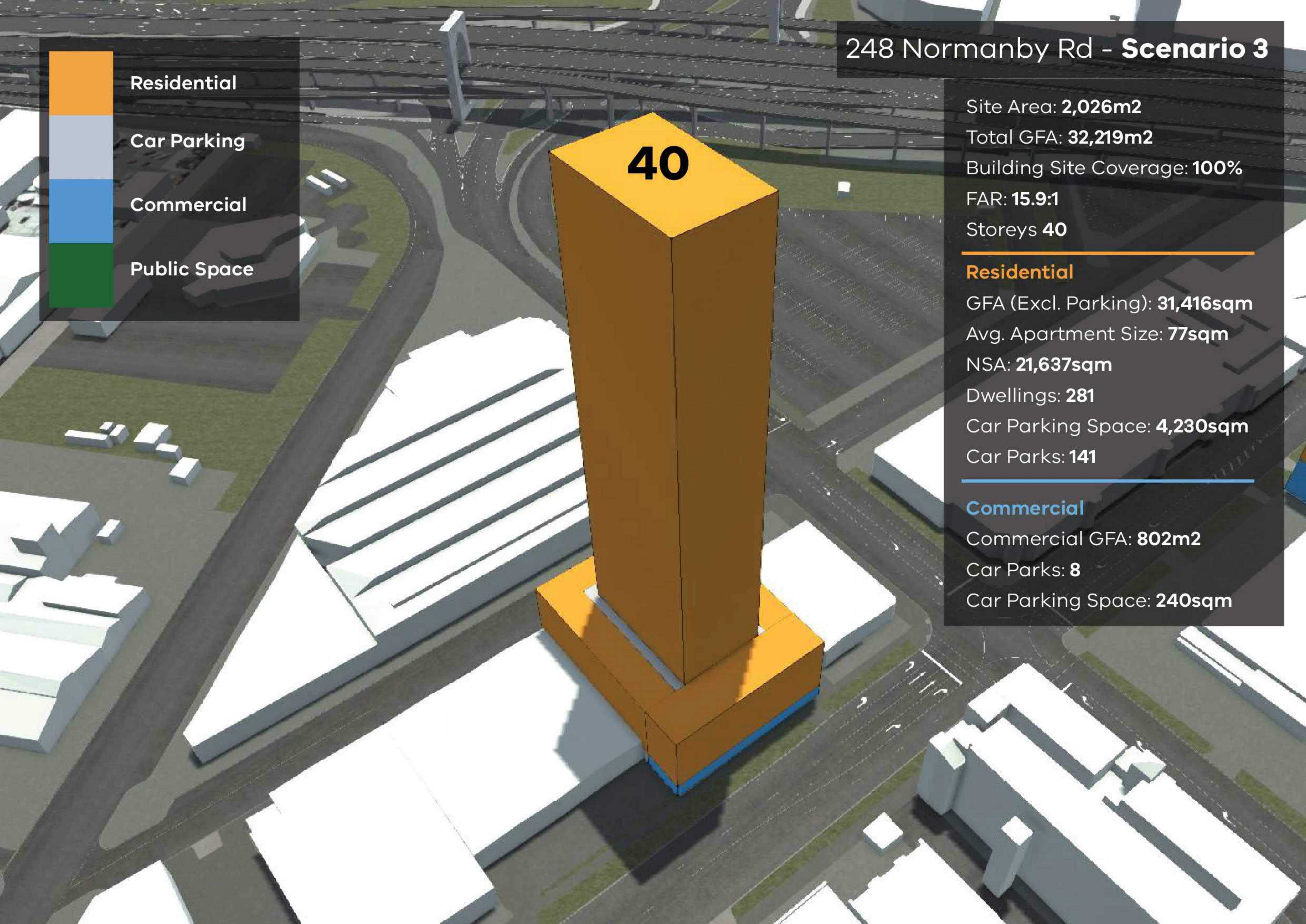
Residential

GFA (Excl. Parking): **9,785sqm**
Avg. Apartment Size: **77sqm**
NSA: **7,854sqm**
Dwellings: **102**
Car Parking Space: **1,530sqm**
Car Parks: **51**

Commercial

GFA (Excl. Parking): **801m2**
Car Parks: **8**
Car Parking Space: **240sqm**


Residential
Car Parking
Commercial
Public Space
9
248 Normanby Rd - **Scenario 2**
Site Area: **2,026m2**
Total GFA: **12,359m2**
Building Site Coverage: **100%**
FAR: **6.1:1**
Storeys **9**
Residential
GFA (Excl. Parking): **6,831sqm**
Avg. Apartment Size: **77sqm**
NSA: **5,467sqm**
Dwellings: **71**
Car Parking Space: **1,080sqm**
Car Parks: **36**
Commercial
Commercial GFA: **3,242m2**
Car Parks: **32**
Car Parking Space: **960sqm**


248 Normanby Rd - **Scenario 3**
Residential
Car Parking
Commercial
Public Space
40
Site Area: **2,026m2**
Total GFA: **32,219m2**
Building Site Coverage: **100%**
FAR: **15.9:1**
Storeys **40**
Residential
GFA (Excl. Parking): **31,416sqm**
Avg. Apartment Size: **77sqm**
NSA: **21,637sqm**
Dwellings: **281**
Car Parking Space: **4,230sqm**
Car Parks: **141**
Commercial
Commercial GFA: **802m2**
Car Parks: **8**
Car Parking Space: **240sqm**

365 Plummer St - **Scenario 2**

Site Area: **19,314m2**
Total GFA: **79,187m2**
Building Site Coverage: **56%**
FAR: **4.1:1**
Storeys **20**

Residential

GFA (Excl. Parking): **26,171sqm**
Avg. Apartment Size: **77sqm**
NSA: **21,021sqm**
Dwellings: **273**
Car Parking Space: **4,095sqm**
Car Parks: **137**

Commercial

GFA (Excl. Parking): **37,525m2**
Car Parks: **375**
Car Parking Space: **11,250sqm**

365 Plummer St - **Scenario 1**

Site Area: **19,314m2**
Total GFA: **79,187m2**
Building Site Coverage: **56%**
FAR: **4.1:1**
Storeys **20**

Residential

GFA (Excl. Parking): **62,154sqm**
Avg. Apartment Size: **77sqm**
NSA: **49,819sqm**
Dwellings: **647**
Car Parking Space: **9,711sqm**
Car Parks: **323**

Commercial

GFA (Excl. Parking): **5,535m2**
Car Parks: **55**
Car Parking Space: **1,650sqm**

277 Ingles St - **Scenario 1**

Site Area: **24,148m2**
Total GFA: **196,659m2**
Building Site Coverage: **65%**
FAR: **8.1:1**
Storeys **38**

Residential

GFA (Excl. Parking): **162,884sqm**
Avg. Apartment Size: **77sqm**
NSA: **130,669sqm**
Dwellings: **1,697**
Car Parking Space: **25,440sqm**
Car Parks: **848**

Commercial

GFA (Excl. Parking): **6,450m2**
Car Parks: **65**
Car Parking Space: **1,950sqm**


Residential
Car Parking
Commercial
Proposed Roads
Public Space
17
25
38
4
277 Ingles St - **Scenario 2**
Site Area: **24,148m2**
Total GFA: **196,659m2**
Building Site Coverage: **65%**
FAR: **8.1:1**
Storeys **38**
Residential
GFA (Excl. Parking): **69,517sqm**
Avg. Apartment Size: **77sqm**
NSA: **55,748sqm**
Dwellings: **724**
Car Parking Space: **10,860sqm**
Car Parks: **362**
Commercial
GFA (Excl. Parking): **89,650m2**
Car Parks: **899**
Car Parking Space: **26,970sqm**


Residential
Car Parking
Commercial
Proposed Roads
Public Space
31
26
18
162 Turner St - **Scenario 2**
Site Area: **20,941m2**
Total GFA: **113,081m2**
Building Site Coverage: **50%**
FAR: **5.4:1**
Storeys **31**
Residential
GFA (Excl. Parking): **55,598sqm**
Avg. Apartment Size: **77sqm**
NSA: **44,506sqm**
Dwellings: **578**
Car Parking Space: **8,670sqm**
Car Parks: **289**
Commercial
GFA (Excl. Parking): **37,532m2**
Car Parks: **375**
Car Parking Space: **11,190sqm**

162 Turner St - **Scenario 1**

Site Area: **20,941m2**
Total GFA: **113,081m2**
Building Site Coverage: **50%**
FAR: **5.4:1**
Storeys **31**

Residential

GFA (Excl. Parking): **91,096sqm**
Avg. Apartment Size: **77sqm**
NSA: **72,996sqm**
Dwellings: **948**
Car Parking Space: **14,200sqm**
Car Parks: **474**

Commercial

GFA (Excl. Parking): **5,907m2**
Car Parks: **59**
Car Parking Space: **1,770sqm**

Appendix D: Expert Witness Statement

The following outlines the information requirements of Form 44A Expert Witness Code of Conduct.

1 My name is Luke Mackintosh, Partner of Ernst & Young located at 8 Exhibition Street, Melbourne, 3000, Victoria.

2 I have read the code and agree to be bound by it.

3 I have a Masters of Project Management (Property Development) from the Queensland University of Technology and a Graduate Diploma in Applied Finance and Investment. I am an Associate Member of the Australian Property Institute, a Fellow of the Financial Services Institute of Australia, and a Professional Member of the Royal Institute of Chartered Surveyors. I have a broad range of experience in property valuation and development matters. My curriculum vitae is attached in full as Appendix E of this report.

4 There are no assumptions upon which this report relies other than those explicitly stated in the report.

5 The facts and matters on which my opinions are based are contained within the briefing material that I was provided and review of additional documents as reference in the body of this report.

6 The reasons for; any literature or other materials utilised in support of, and a summary of each such opinion are detailed in the body of the evidence.

7 I have not been briefed to provide evidence on any matters outside of my expertise;

8 Ryan Costin, an Associate Director at EY, assisted in the preparation this evidence;

9 I have made all of the enquiries which I believe are desirable and appropriate, and no matters of significance have, to my knowledge, been withheld from the panel.

10 I do not require to qualify any opinion expressed in the report.

Luke Mackintosh

March 2018

Appendix E: Curriculum Vitae

Luke Mackintosh
Partner, Real Estate Advisory Services
Melbourne

Professional background and Qualifications

Luke is a Partner in EY's Real Estate Advisory Services team based in Melbourne where he specialises across a number of disciplines including corporate real estate advisory, infrastructure advisory and property development. With over twenty years of industry experience including fifteen years working for EY in Asia and Australia, Luke is exposed to a wide selection of clients and asset categories. In the real estate development space Luke works closely with developers assisting with their capital requirements including sourcing debt and equity funding, joint venture partners and equity investors. Luke also works closely with institutional clients providing advice on related party fees including benchmarking fees such as fund management, fund performance, development management, project management, acquisition fees etc.

Core Skills

- Management risk reporting and advisory
- Capital and debt advisory to the property development sector
- Real estate governance reviews
- Financial feasibility and capital partner / JV modelling
- Real estate transaction management – Divestment & acquisition
- Lead transaction advisor for development projects
- Corporate real estate advisory – Portfolio reviews
- Related party fee benchmarking

Professional Experience

- Luke was engaged by an overseas equity investor to source potential investments into property development projects across Australia. To date Luke has successfully sourced six (6) investments in Melbourne, Sydney and Canberra for a total outlay of over AUD$25.0m. Investments primarily included mezzanine loans however also included direct equity investment. Luke's role required negotiating on Term Sheets including potential profit skews, coupon rates, developer fees (DM and PM) and appropriate incentives to be paid to developers.
- Luke is currently working with a number of developers sourcing equity investors for a five (5) property development projects in Melbourne ranging in size from 31 apartments in Ivanhoe to a 900 apartment project in Melbourne CBD. Luke is the primary financial advisor for these developers and is responsible for the development of the Investor Pack which includes all the required information on the development. Luke is required to undertake the financial feasibility modelling, assistance with negotiations the Terms Sheet,

Appendix E: Curriculum Vitae

marketing the opportunity to potential funding parties, negotiating coupon rates and appropriate fees and closing out the opportunity.

- Luke was recently engaged by an Australian Company to source a 50% equity investor into one of its residential land development projects in Melbourne. This role required the establishment of an Information Pack on the investment which included a detailed overview of the fees to be charged by the Developer to the Project. Luke successfully sourced an overseas sophisticated investor to provide the 50% equity.
- Luke was engaged by Challenger Funds Management to undertake a fee benchmarking exercise to ensure that related party fees were considered appropriate. Fees that were benchmarked included Development Management, Project Management, Acquisition Fees, Funding Arrangement fees, Property Management fees and Lead Agency fees.
- Luke was engaged by Goodman Group to benchmark related party Development Management and Project Management fees on a large industrial logistics development in Hong Kong.
- Luke was engaged by Lend Lease Australia to benchmark related party fees including Development Management and Project Management fees for the development of residential age care projects across Australia.
- Luke ran an engagement for the Victorian State Government development authority to conduct an independent review of the existing project feasibility methodologies and reporting and risk management processes for their large scale englobo property development projects.
- Ernst & Young was engaged by the Independent Chairman's of both Charter Hall Office REIT and Charter Hall Retail REIT to perform an independent corporate governance assessment and fund management and fund performance fee benchmarking exercise for the two listed REIT's. Luke led the team responsible for the fund management and fund performance fee benchmarking component of the engagement. We were required to interview management to gain a better understanding of the strategy and direction of the two REITs, benchmark circa 30 Australian and Asian REITs, interview key REIT investors, analysts and commentators to understand the impact on changing fee structures and recommend alternative fund management and fund performance fee structures which were then benchmarked against the current structure
- EY was engaged by a state government development authority to conduct an independent review of the existing project feasibility methodologies, reporting and risk management processes for their portfolio of large scale englobo property development projects. Luke successfully led the delivery of this important engagement.
- EY were engaged by Defence Housing Authority to perform a review of their transaction management process and risk reporting framework, including a review of all associated documentation and investment approvals, for the acquisition of englobo development sites across Australia.

Appendix E: Curriculum Vitae

Education & Qualifications

- Graduate Diploma in Applied Finance and Investment - FINSIA)
- Master of Project Management (Property Development) - QUT
- Associate Member of the Australian Property Institute (AAPI)
- Fellow, Financial Services Institute of Australia (F FIN)
- Professional Member of the Royal Institute of Chartered Surveyors (MRICS)
- Member of the Urban Land Institute (ULI)
- Asian Public Real Estate Association (APREA) – Member of the education, best practice and valuations committees. Recently held workshops in Asia on Risk
- Reporting procedures for large scale development projects.
- International Property Measurements Standards (IPMS) – Luke is a founding committee member of the IPMS committee which has the responsibility of developing a global standard on the methods of measurement for investment grade assets. (www.ipmsc.org)