



Ms Sue Francis  
Executive Director  
City Plan Services  
120 Sussex Street  
**SYDNEY NSW 2000**

29 November 2017

Dear Sue,

### **SHEPHERDS BAY – STAGE A – PROJECT VIABILITY**

We refer to the report by AEC Group in October 2016 which analysed the viability of developing a 15-storey building on the Stage A site. At that time, they estimated that the development margin from such a scheme would be in the order of 9.6%, somewhat below the rule-of thumb benchmark of 20%.

Since that report was prepared, a number of factors have come into play which affect the viability of this development. These include the following:

- In desirable locations, housing prices have risen at a faster rate than construction costs, leading to a better return on the residential development of land which has been held for a number of years and does not have to be purchased in the current market.
- The increase in population arising from the development of the surrounding area without any associated retail offering has made the location more attractive for retailers which in turn leads to higher rentals
- An internal portfolio re-evaluation has been undertaken to re-balance the company's projects in order to improve viability.

Consequently, after detailed consideration of the financing requirements, we are satisfied that with careful planning and efficient construction techniques, the 15-storey scheme now proposed (reflecting the same design excellence as was included in the Competition-winning design unanimously selected by the judging panel in September 2015) can be made viable.

Yours sincerely,



**GAVIN D M CARRIER**  
Head of Development