

16 February 2009

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Dear Nick

**33 Cross Street Double Bay
Capital Investment Development Valuation Report (Revision 1)**

We have prepared a revised capital investment development valuation report for the proposed project based on architectural drawings of the original hotel construction, architect's sketch plans of the proposed new development, and briefing notes from our most recent discussions for the new project.

We look forward to discussing this matter with you further. If you have any queries please do not hesitate to contact Alan Jenkins of this office.

Yours faithfully



Alan Jenkins
Director

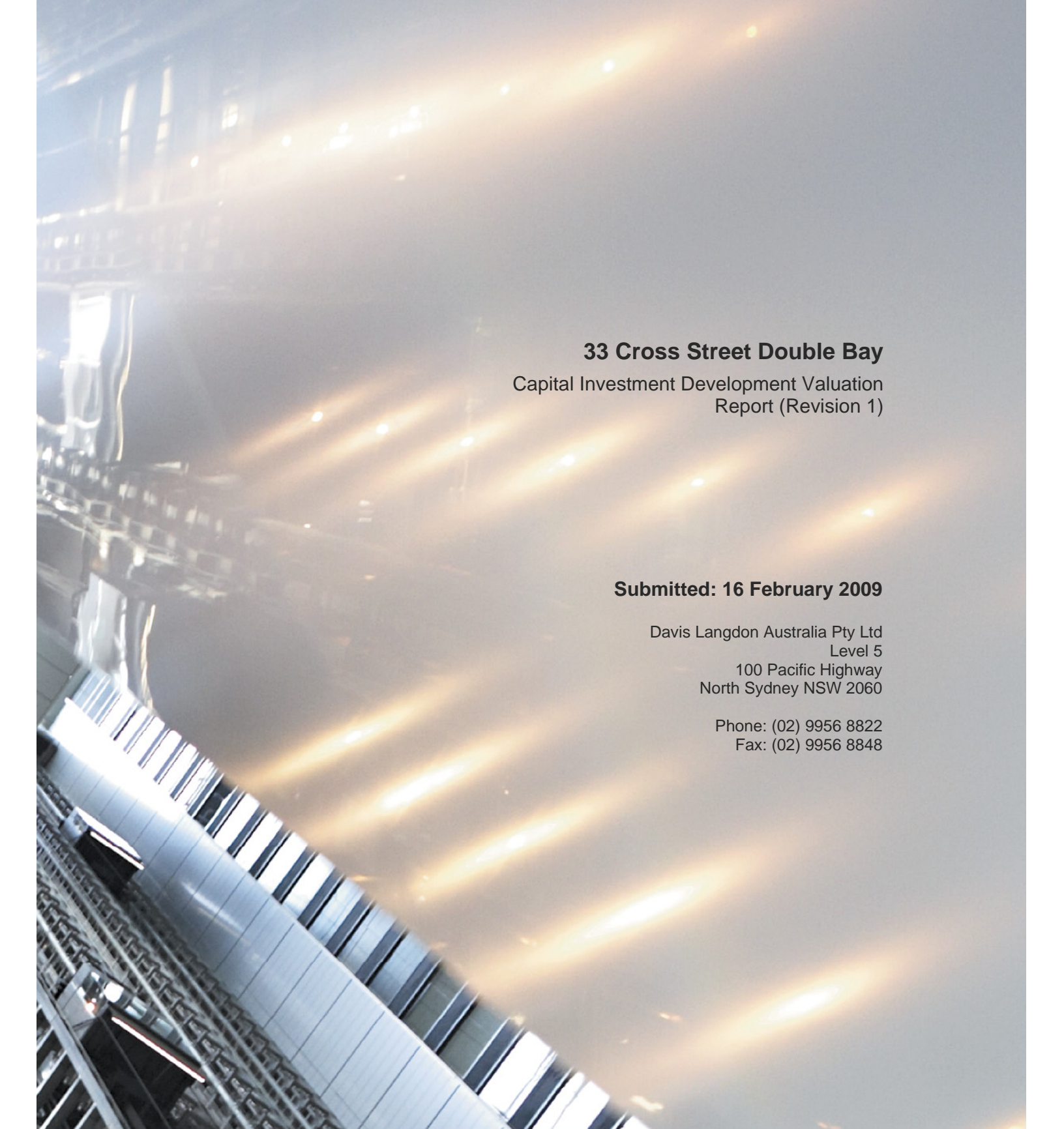
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33 Cross Street Double Bay
Capital Investment Development Valuation
Report (Revision 1)

Submitted: 16 February 2009

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Project Contacts

Client:	Ashington Capital Ltd
Project Manager:	Ashington Group
Architect:	Architectus
Structural Engineer:	TTW
Services Engineer:	Lincolne Scott
Cost Manager:	Davis Langdon

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DL Quality System					
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Distribution:

Revision History

Rev No	Date	Revision Details	Author	Verifier
0	11/02/09	Initial issue	Alan Jenkins	Anabel Clavel

1. INTRODUCTION

This Capital Investment Value report has been prepared in accordance with the definition of Capital Investment Value under Clause 3(2)(a) of the State Environmental Planning Policy (Major Projects (2005) as follows:

3(2)(a) the capital investment value of development includes all costs necessary to establish and operate the development, including the design and construction of buildings, structures, associated infrastructure and fixed or mobile plant and equipment (but excluding GST, as defined by A New Tax System (Goods and Services Tax) Act 1999 of the Commonwealth, and land costs),

We have been engaged to provide quantity surveying services to the proposed redevelopment of 33 Cross Street Double Bay. We have based our estimate on the architectural drawings as prepared by Architectus Sydney with area and TTW structural drawings (DA02-01 – 11 incl, DA13 – 10-11 and Structural mark up SK0900129.01 – 10 incl) and subsequent briefing notes from our most recent discussions for the new project. The project is an existing hotel development which is proposed to be demolished (with the exception of the two (2) basement levels) and redeveloped to provide a mix of residential, retail and hotel accommodation.

2. DA ELEMENTAL COST PLAN

2.1 CONSTRUCTION

The cost plan for the construction cost of the redevelopment is \$76.993m. The cost per square metre for this construction is \$3,947/m² based on a gross floor area of 19,507m². We have included an allowance for unmeasured items as mark up on elemental costings, and preliminaries and margin of equates to 21.4% of elemental costings.

In addition the following additional costs are required:
 FFE to Hotel rooms - 66No x \$100,000 per room = \$6.6m
 Retail fit out – 1,400m² x \$4,000 = \$5.6m

Total including FFE and Retail Fitout = \$89.193m

The scope of works for the construction costing includes strengthening works in the existing carpark, demolition and reconstruction of the ground floor transfer slab to suit the new project layout, construction of retail tenancies and hotel to an operational status. The residential units are prestige standard finishes with ducted zoned air conditioning, and all functional areas are served by high speed lifts with prestige standard finishes.

The elemental analysis spreadsheet is included at Annexure 1 of this report.

3. CAPITAL INVESTMENT DEVELOPMENT VALUATION

3.1 PROGRAMME

We consider a construction duration, with no delay allowance, of 2 years to be adequate for the project.

3.2 COUNCIL FEES

Council Fees are excluded.

3.3 PROFESSIONAL FEES

The professional design fees for the initial development, building application and tender documentation, as well as tender letting and construction supervision is estimated to be 12% of the project construction value being	\$9.24m
The fee for professional training of retail and hotel staff prior to these premises opening for trading (200 staff @ \$4,500) is estimated to be	\$0.90m
The professional development management costs and associated fees for the project are estimated to be 4.25% of total cost excl interest	<u>\$8.75m</u>
Total Professional Fees	\$18.89m

3.4 ESCALATION TO COMMENCEMENT OF CONSTRUCTION

Escalation and Contingency are currently excluded from the above figures.

Given the current market conditions and the effects of the Global Financial Crisis and subsequent large reduction in demand for construction work in Sydney we believe it is very unlikely that effects of price escalation will be a factor for this project – assuming it progresses to tender in accordance with the current programme.

3.5 CONTINGENCY

We have allowed a total of 10% for contingency items to cover unforeseen items such as latent conditions and additional design brief requirements.	\$8.91m
Additionally we have allowed a further 15% contingency to cover the possibility of post contract delays and variation claims by the contractor.	\$13,38m
	\$22.29m

3.6 ESCALATION TO COMPLETION OF CONSTRUCTION

Nil

3.7 SALES AND MARKETING FEES

Sales, marketing & legal fees (see below) for the proposed development are estimated to be 5% of the gross sales value, being \$16.50m (i.e. 5% x \$330m)

Marketing 1.5%
 Sales Commissions 3%
 Legal fees 0.5%

3.8 FINANCE COSTS EXCLUDE

Finance costs are excluded.

3.9 TOTAL VALUATION

The capital investment development valuation is summarised as follows:

(a) Elemental analysis spreadsheet construction cost	\$76.993m
(b) FFE & Retail Fit out	\$12.20m
(c) Professional fees	\$18.89m
(d) Cost escalation to commencement of construction	\$Nil
(e) Cost escalation to completion of construction	\$Nil
(f) Contingency	\$22.29m
(g) Sales, marketing and legal fees	\$16.50m
	<hr/>
Total capital investment development valuation to end of Dec 2012	\$146.873m

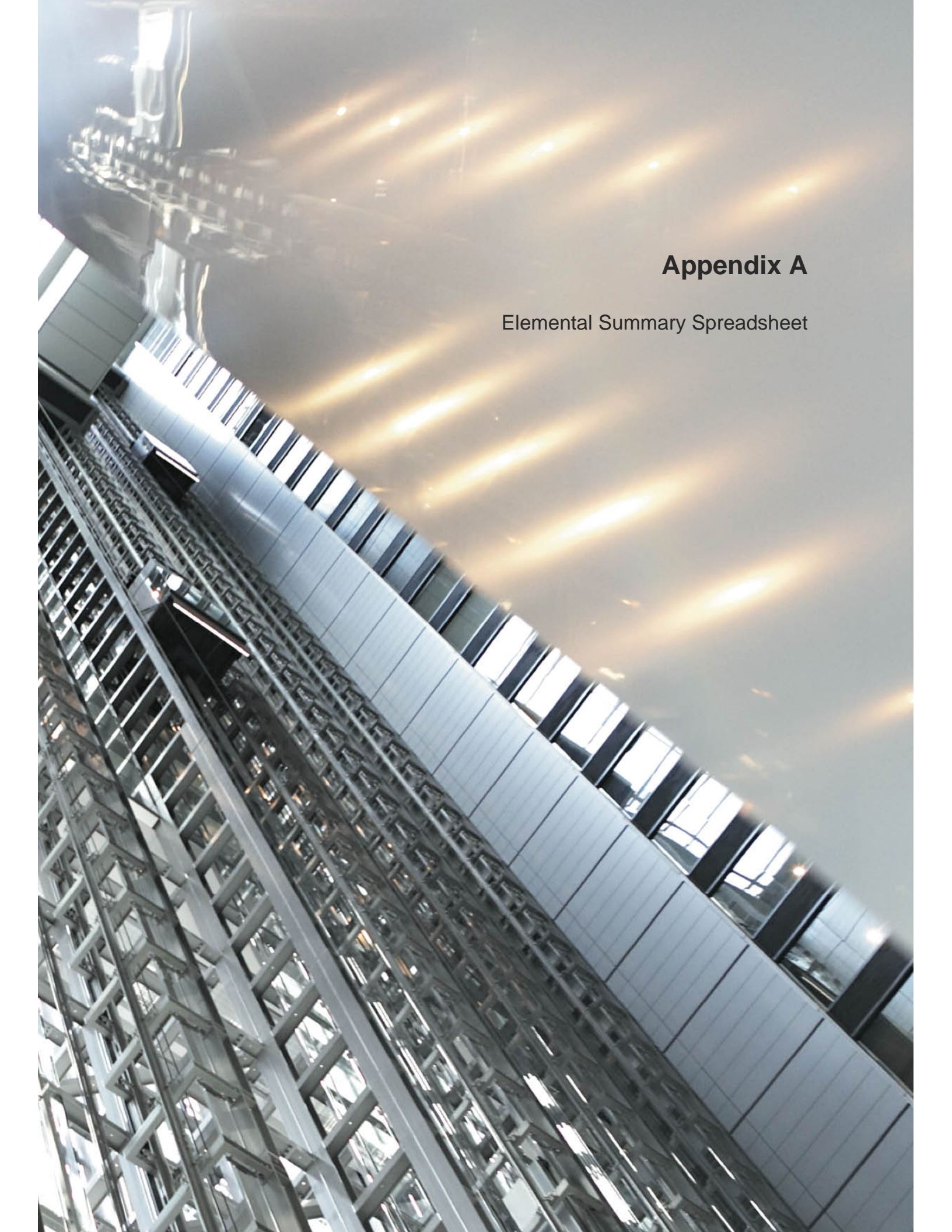
4. EXCLUSIONS

The following items have been excluded from the estimate figures for this report:-

1. Treatment and removal of any form of contaminant found on the site.
2. Land acquisition costs
3. Goods and Services Tax

5. REPORT PARAMETERS

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Appendix A

Elemental Summary Spreadsheet

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