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Feasibility Review

Affordable Housing Analysis

Prepared for: C&M Antoniou Pty Limited
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Project Address: 75-85 Crown Street and 116 Princes Highway, St Peters
Date: May 2025

Redevelopment of the subject site is not considered viable with an affordable housing contribution above 2%.

Executive Summary

We have been instructed to test the viability of redeveloping the subject site by way of development feasibility analysis based upon an affordable housing contribution of 2.00%, 5.00%, 10.00% and 15.00%.

Our analysis indicates that project viability is materially constrained, reflecting broader market conditions for development sites, particularly those situated in mid-tier value locations. While redevelopment incorporating a 2.00% affordable housing component is considered marginally viable, overall viability on this basis is assessed as low to moderate given current conditions. Scenarios involving 5.00%, 10.00%, and 15.00% affordable housing contributions introduce additional cost burdens that render those options unviable.

Feasibility Outputs are summarised below.

Affordable Housing Option	2.00% Affordable	5.00% Affordable	10.00% Affordable	15.00% Affordable
Performance Indicators				
Adopted Land Purchase	$8,600,000	$8,600,000	$8,600,000	$8,600,000
Development Profit	$11,960,004	$9,818,336	$6,244,979	$2,673,144
Development Margin	17.48%	14.37%	9.16%	3.93%
Internal Rate of Return (IRR)	17.67%	15.42%	11.46%	7.26%
Project Related Site Value @ 17.50% Development Margin (Rounded)				
	$8,600,000	$6,900,000	$4,200,000	$1,400,000
Viability Conclusion				
Viability	Low to Moderate Viability	Not Viable	Not Viable	Not viable

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1. Overview

The subject property is a mixed-use development site in St Peters.

1.1 Instruction

We have been instructed to test the viability of redeveloping the subject site utilising development feasibility anlaysis based upon an affordable housing contribution of 2.00%, 5.00%, 10.00% and 15.00%.

1.2 Background

The subject site is currently subject to a planning proposal process that contemplates an uplift in the current FSR (predominantly 1.75:1) to 5:1. We note Council's officer's have recommended a reduced FSR of 4:1 and it is on this basis which wehave tested feasibility. Further, we understand that Inner West Council is considering various affordable housing requirements for the site subject to review of the feasibility of delivering the project.

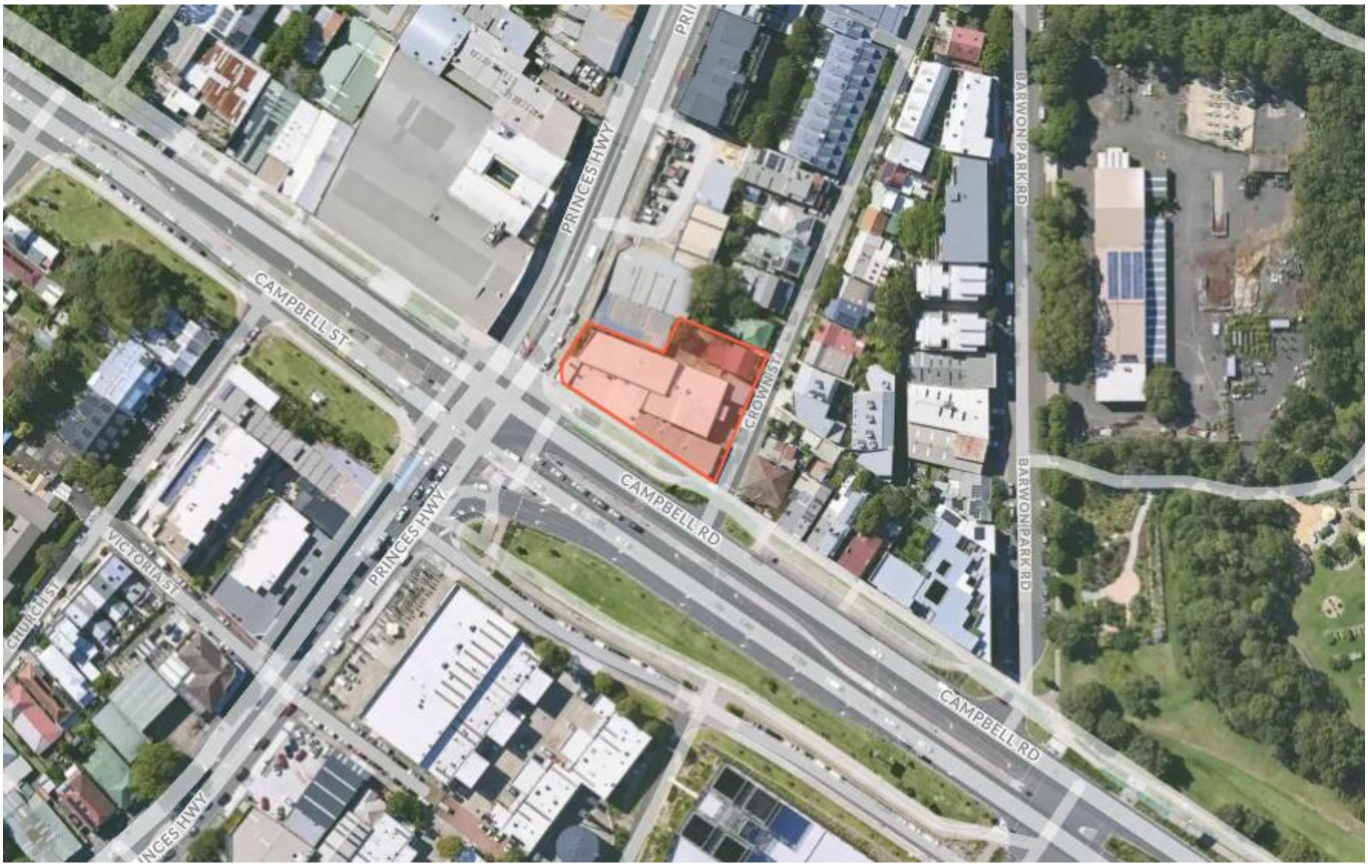
1.3 Subject Site Overview

The key details relating to the subject site are summarised below.

Item	Description
Address	75-85 Crown Street and 116 Princes Highway, St Peters
Land Title	75 Crown Street: Lot. 24 DP1249592 85 Crown Street: Lot. 10 DP1227918 116 Princes Highway: Lot. 21 DP1249588
Encumbrances	We have not completed a detailed review of land encumbrances. We have assumed that development in accordance with the concept contained herein can be achieved on the land.
Land Area	75 Crown Street: 172 sq.m. 85 Crown Street: 282 sq.m. 116 Princes Highway: 1,482 sq.m. Total: 1,936 sq.m.
Zoning (Current)	75 Crown Street: R1 General Residential 85 Crown Street: MU1 Mixed Use 116 Princes Highway: MU1 Mixed Use
FSR (Current)	75 Crown Street: 0.85:1 85 Crown Street: 1.75:1 116 Princes Highway: 1.75:1 Development Potential: 4,088 sq.m. of Gross Floor Area
FSR (Proposed)	Entire site: 4:1

We note that the full address for 116 Princes Highway is 116 Princes Highway, 77 Crown Street & 81-83 Crown Street, St Peters.

1.4 Site Aerial Image



SOURCE – Landchecker.com.au

1.5 Market Context

In the development sector, well-located sites near transport, schools, and retail precincts remain highly sought after, particularly those with planning approvals that help mitigate delays. However, rising construction costs and labour shortages have significantly tightened developer margins, prompting a sharper focus on higher-value areas and premium projects. Mid to low tier markets are experiencing significant headwinds at present with project viability significantly impacted by the current construction cost climate. Development site values have deteriorated over the past 12 to 24 months due to rising construction costs. Without growth in the value of the end product, further declines in site values could occur in 2025.

1.6 Site Value Parameters

We have not undertaken detailed analysis relating to the value of the subject site under the existing planning controls, noting the current FSR control of predominantly 1.75:1. Notwithstanding our enquires, including high level review of a selection of recent development site transactions, suggests value levels for the subject site would be in the order of $2,000 to $2,500 p.s.m. of potential GFA. Importantly, we note the sites lack of development approval as a consideration that would negatively impact value.

On this basis, we are of the preliminary view that the subject land would have a value in the order of $9,000,000 based on current controls.

This is a high level and indicative guide only.

2. Feasibility Assumptions

2.1 Development Concept (4:1 FSR)

Following review of the proposed planning controls and with input from project Town Planner, Ethos Urban, we have assumed the following concept is a reasonable representation of development potential.

Area Schedule	GFA (sq.m.)	Net Area (sq.m.)	Parking
Retail	79	67	
Commercial	1,016	864	
Residential	6,632	5,637 (71 Apartments)	
Total	7,727	6,568	64

SOURCE – Ethos Urban & Coolamon Consulting

The above concept will deliver a residential yield of 71 apartments with an average internal area of 80 sq.m. We note that a number of the smaller configurations would not include a parking space.

2.2 Revenue Assumptions

In order to arrive at the revenue assumptions for the feasibility we have undertaken a preliminary review of the site attributes and the prevailing market context. We understand the majority of the commercial space is proposed to present as double height quasi warehouse space which is sought-after throughout this market, whilst the residential space will include a mix of traditional 1, 2 and 3 bedroom configurations.

Our revenue assumptions are summarised below.

Land Use	Revenue Assumption
Retail / Commercial	$8,000 p.s.m. of internal area
Residential	$14,000 p.s.m. of internal area (equating to circa $1,050,000 for a typical 2 bedroom apartment)

2.3 Affordable Housing

Our analysis is modelled on the basis that the developer constructs the affordable housing as part of the proposed development and dedicates it to Council upon completion of the project. The percentage of affordable housing is the percentage of residential GFA that will be delivered as affordable housing.

2.4 Feasibility Assumptions Summary

Key Assumptions for our development feasibilities are summarised in the following table. Figures are shown exclusive of GST unless otherwise stated.

Item	Description
Land Purchase	$8,600,000 (excluding GST) Based on Target Development Margin of 17.50% for the 2.00% Affordable Housing Option.
Project Timing	Land Purchase and Settlement: 6 months Development Approval: 9 months Construction Timeframe: 20 months Selling Period: 6 months pre-construction commencement, fully sold prior to completion of construction.
Acquisition Costs	NSW SRO Stamp Duty 0.05% of Land Purchase Price
Professional Fees	8.00% of Construction Costs (including development management)
Construction Costs	Residential - $5,500 p.s.m. of GFA Car Parking - $60,000 per space Commercial - $4,000 p.s.m. GFA
Affordable Housing	Assumed to be Dedicated to Council
Contingency	5.00% of Construction Cost
Contributions	7.11's as per Council requirements and advised by Ethos Urban at $1,499,262. Housing Productivity Contribution at $10,711 per unit and $32 p.s.m. of commercial/retail floor space Long service levy at 0.25%
Land Holding Costs	Allowance for Land Tax and Council Rates
Marketing	0.75% of Sales Revenue
Sales Commissions	2.00% of Sales Revenue
Interest Rates	8.50% including establishment fees
Gross Realisation	Residential: $14,000 p.s.m. Commercial: $8,000 p.s.m.
GST	Assumed Margin Scheme, subject to tax advice.

3. Feasibility Outputs

3.1 Feasibility Outputs

The feasibility outputs are summarised below.

Affordable Housing Option	2.00% Affordable	5.00% Affordable	10.00% Affordable	15.00% Affordable
Revenue (Inclusive of GST)				
Gross Revenue	$87,550,612	$85,098,430	$81,011,460	$76,924,490
Less Selling Costs	($2,744,700)	($2,670,522)	($2,546,891)	($2,423,260)
Total Revenue before GST	$84,805,912	$82,427,908	$78,464,569	$74,501,230
Less GST	($7,177,328)	($6,954,403)	($6,582,860)	($6,211,317)
Total Revenue after GST	$77,628,584	$75,473,506	$71,881,709	$68,289,913
Development Costs (Inclusive of GST)				
Land Purchase Cost	$8,600,000	$8,600,000	$8,600,000	$8,600,000
Acquisition Costs	$584,480	$584,480	$584,480	$584,480
Construction (inc. Contingency)	$51,869,708	$51,869,708	$51,869,708	$51,869,708
Professional Fees	$4,149,577	$4,149,577	$4,149,577	$4,149,577
Statutory Fees	$2,393,438	$2,372,016	$2,339,883	$2,297,039
Land Holding Costs	$483,333	$483,333	$483,333	$483,333
Interest Expense	$2,934,524	$2,935,793	$2,938,247	$2,949,891
Total Costs (before GST Reclaimed)	$71,015,060	$70,994,907	$70,965,228	$70,934,028
Less GST Reclaimed	($5,346,480)	($5,339,737)	($5,328,498)	($5,317,259)
Total Costs (after GST Reclaimed)	$65,668,579	$65,655,170	$65,636,730	$65,616,769
Performance Indicators				
Adopted Land Purchase	$8,600,000	$8,600,000	$8,600,000	$8,600,000
Development Profit	$11,960,004	$9,818,336	$6,244,979	$2,673,144
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Viability Conclusion				
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4. Conclusions

Redevelopment is significantly challenged at 2.00% affordable housing and is not considered viable for the tested 5.00%, 10.00% and 15.00% options.

4.1 Overview

Our analysis indicates that project viability is materially constrained, reflecting broader market conditions for development sites, particularly those situated in mid-tier value locations. While redevelopment incorporating a 2.00% affordable housing component is considered marginally viable, overall viability on this basis is assessed as low to moderate given current conditions. Scenarios involving 5.00%, 10.00%, and 15.00% affordable housing contributions introduce additional cost burdens that render those options unviable.

4.2 2.00% Affordable Housing Feasibility Conclusions

We summarise the key conclusions from our analysis.

- Project viability is significantly challenged due in large part to current construction costs levels.
- At the base case level of 2.00% affordable housing the project related site value is $8,600,000, which is slightly lower but broadly in line with the estimated value of the site under the current controls.
- At the $8,600,000 project related site value, the project delivers a circa 17.50% profit margin and substantially more project profit than would be the case if the land was developed under the current controls.
- Whilst delivering more project profit it is a higher risk project due to the increased scale and development complexity (e.g. additional height and scale).
- We anticipate that a developer would prefer to undertake the 4:1 FSR project with 2.00% Affordable Housing, rather than pursue redevelopment under the existing controls, however it is not definitive based on our analysis.
- Our preliminary analysis indicates that redevelopment at 2.00% is considered viable however various factors have led us to conclude viability as low to moderate.

4.3 5.00%, 10.00% and 15.00% Affordable Housing Feasibility Conclusions

We summarise the key conclusions from our analysis.

- In order to test these options we have reviewed the development margin based on the base case project related site value at 2.00% affordable housing.
- The resultant development margins for each of the 5.00%, 10.00% and 15.00% are well below market expected returns and as such **these projects are not considered viable.**
- We have also reviewed the impact to land value adopting the target hurdle rate of 17.50% development margin. The 5.00%, 10.00% and 15.00% affordable housing options delivered $6.9m, $4.2m and $1.4m project related site values which show a significant deterioration from the anticipated value of the site under the current controls. This further confirms these options are not viable.

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