



Business Plan

Proposal for the City of Karratha to acquire a housing development at Lot 481 Bajamalu Drive, Baynton from Acero Construction Pty Ltd

Prepared under s3.59 of the Local Government Act (1995)

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1. Introduction

As part of the City's Housing Action Plan the City of Karratha is proposing to enter into a Major Land Transaction involving:

- Acquiring the land at Lot 481 Bajamalu Drive, Baynton from Acero Construction Pty Ltd and WA Invest Group Pty Ltd, including 17 townhouses and 2 x apartment buildings (20 apartments) totalling 37 dwellings to be constructed by Acero Construction Pty Ltd on the land.

The proposed transaction is intended to increase the available residential housing supply within the City to address the current critical shortage. Multiple funding options are available to facilitate the transaction including a State Government capital contribution or Council's cash reserves, while there are also multiple potential uses for the development including affordable housing, private leasing or Staff housing for Council employees.

The proposal and the wider Housing Action Plan align to Council's approved Strategic Community Plan 2020-2030, the Corporate Business Plan 2020-2025 and the Operational Plan 2024-2025, in particular:

- *Strategic Community Plan 2020-2030:*
 - *2a. Diverse industry*
 - *2.a.1 Partner with key industry and business groups to advocate for investment*
 - *2.c. Quality infrastructure to support business investment*
 - *2.c.1 Land and infrastructure is available for a variety of business investment purposes*
 - *2.c.2 Public private partnerships are in place for the development of key infrastructure*
- *Corporate Business Plan 2020-2025 Programs/Services:*
 - *2.a.1.1 Small and medium enterprise support*
 - *2.c.1.2 Land development and management*
 - *2.c.2.3 Treasury and investment management*
- *Operational Plan 2024-2025 Projects/Actions:*
 - *2.a.1.1.20.2 Advocate for partnerships to increase housing and land supply*
 - *2.c.1.2.20.5 Implement Residential Housing Investment program*
 - *2.c.2.3.19.1 Generate returns from property investment*

This Business Plan has been prepared in accordance with the provisions of the *Local Government Act 1995* and the *Local Government (Functions and General Regulations) 1996*. It is intended to seek public comment on the Business Plan for a period of six (6) weeks. Council will consider all public feedback that is received on the Business Plan prior to determining whether to proceed with the proposal.

2. Background

2.1. Housing Development EOI0000001 (Project Dorothy)

Australia is in the midst of a housing crisis. Karratha leads the nation with an annual rise in 2023 of 37.5 per cent in rent prices, reaching a median weekly rent of \$1,100, and less than 0.5% of the total housing stock available to rent.

A recent study conducted by the City found that over the next five years Karratha is likely to experience up to 30% population growth. Given current rates of new housing development, the City projects a shortfall of up to 900 houses. Failure to provide housing in alignment with economic development negatively impacts the community as costs of living soar and Karratha is rendered unaffordable, unliveable.

The community has identified housing as a primary issue, and in recent years the City has acted to address this. These efforts include building properties on lazy lands (underutilised Crown land), providing subsidised housing for service workers, and collaborating with developers, State and Federal governments to enable new housing. Still, many barriers exist that prevent housing investment including cost of construction, cost and availability of finance and insurance, cost of land and availability, and leasing terms and conditions. This has prompted the City to explore new ways it can act to enable housing development.

At its Ordinary Meeting on 25 March 2024, Council resolved to seek expressions of interest (EOI) from developers, builders, and other proponents to partner with the City and address the current shortfall in housing stock through construction of residential dwellings on development-ready, residential, City-owned, undeveloped properties. Additionally, the City invited expressions of interest from landowners of undeveloped, development-ready residential lands where the landowner determined the City can play an enabling role.

Colloquially referred to as 'Project Dorothy', the City aims to drop houses on this wicked problem.

2.2. EOI Progression

March 2024 Ordinary Council Meeting

As reported to Council at its March 2024 Ordinary Meeting, the aspirational deliverables of the Housing Development EOI included:

- Provide the market with details pertaining to undeveloped, development-ready lands within the Karratha town centre.
- Support the development of a mix of affordable housing (e.g., service/essential worker accommodation), government housing (local, state), and private rentals/sales.
- Aggregate demand: The aggregation of city-owned, undeveloped, development-ready lands may support scale economies and improve investment yields.
- Invite proposals, ideas, interest in the development of additional housing on the sites featured in the City's inventory.
- Propose and consider a range of incentives that may boost the feasibility of housing projects in the City of Karratha including consideration of;
 - Discounted lands
 - Rates incentives
 - Facilitation of long-term leases
 - Support of infrastructure and/or affordability federal/state grants

- Subsidy in the form of joint investment, project enablement grant, etc.
- Other areas/actions where the proponent envisions the City can play a key role in ensuring project completion/viability

Evaluation of Expressions of Interest received

Expressions of Interest were advertised on 3 April 2024 and closed 15 May 2024. During this period the City also facilitated a series of briefing sessions to disseminate important information and convey instructions for potential proponents, including two virtual sessions held 10 April and 1 May, in Karratha on 11 April and in Perth on 17 April 2024.

Upon closing, 15 EOIs were received and were then evaluated by a five person panel comprising of:

- Chief Executive Officer
- Director Strategic Projects and Infrastructure
- Director Development Services
- Director Corporate and Commercial
- Manager City Growth

The EOIs were assessed initially for compliance with the EOI documents. They were then assessed against qualitative criteria as follows;

- Rapid delivery of additional housing stock to the local market
- Stimulating the local residential building market
- A feasible structure that enables the delivery of new housing stock and a clear financial and/or community benefit
- Partnership with industry, government and local businesses to achieve quality outcomes

June 2024 Ordinary Council Meeting

At the June Ordinary Meeting, Council endorsed a shortlist of eight proposals that met the selection criteria and in the Evaluation Panel's opinion warranted further investigation and consideration. Each shortlisted proposal provided a range of opportunities to deliver additional housing in the City in the short term, under varying development and partnering approaches including finance only, co investment, joint venture construction and management, and direct ownership. All proposals required a degree of City support to enable development.

Further evaluation and refinement

Following Council's endorsement in June 2024, Officers met with each shortlisted proponent to assess the financial models, legal structures, compliance requirements and refine each proposal into a set of go-forward options. These deliberations presented an opportunity to consider which proposals offer the best social and economic outcomes to the City on the land proposed. Issues considered include:

- Minimal risk to the City - could include providing finance or support
- Optimising yield
- Favouring proposals that provide external capital
- Looking for innovation and quality in design
- Using the City's potential support to seek opportunities to generate affordable housing or key worker accommodation.

The Evaluation Panel worked with proponents to clarify and refine each proposal against the evaluation criteria. As a result of this process, it was considered that five proponents have proposed a development that meets the criteria and in the Evaluation Panel's opinion warrant further consideration. The basis for this decision is each shortlisted proposal provides a range of opportunities to deliver additional housing in the City in the short term, under varying development and partnering approaches including debt finance, land acquisition, and direct ownership.

October 2024 Ordinary Council Meeting

At the October Ordinary Meeting, the evaluation panel recommended that the five shortlisted proposals be prioritised and that the selected options warrant the development of individual business plans.

Council accepted these recommendations and resolved in accordance with Section 3.59 of the Local Government Act 1995 to prepare Local Government Act Business Plans for each proposal and report back to Council prior to advertising.

Acero Construction was one of the shortlisted proposals.

3. Proponent

The Proponent has provided the following detailed information of their business, key personnel and capabilities and experience in their response to the City's Expression of Interest.

3.1. Business

Acero Construction Pty Ltd is an M-form (multi-divisional) construction company founded in 2013 and headquartered in Perth. Acero had its beginnings in manufacturing, acquiring in succession the following branches that have operated as individual business units:

- Action solution – Concrete Division
- Action framing – Cold rolled steel framing division.
- Nuspec Windows – Aluminum windows and associated products.

By 2016 Acero had grown substantially and gained significant practical experience in construction projects and acquired a formidable team of qualified staff. However, as a sub-contractor Acero was not able to directly manage and influence the outcomes of contracts or ensure compliance against the contract requirements and specifications. Stifled, the move was made to branch into a 4th division – Projects. Although a natural progression to in-house construction, Acero maintained the manufacturing divisions giving Acero the edge in delivering projects as we were able to access major components on-demand.

The Acero Construction team has a combined experience spanning over more than 100 years and brings not only building and construction experience to this tender but mining sector, logistics and government sector relationships and catalogue of work. The Acero Construction management team has extensive experience in managing complex supplies. We bring this experience to how we manage our client projects. We are proactive and work hard to prevent any issues arising either for the client or the communities within which our clients operate in.

Acero Construction's approach to managing projects is to ensure that we listen carefully to the client to understand not only the 'what' but the 'why' and achieve outcomes that go beyond supply of product and consider the broader stakeholders of our projects with a long-term vision.

3.2. Key Personnel

Tariq Youssef

Business Owner and Director

Role in Tender: Contract Sponsor

Tariq is a performance driven entrepreneur with proven record of hands-on management skills. Expert talents in Sales and Forecasting. Exceptional talent for customer and account relationship management, retention, and growth.

Tariq has over 20 years' experience within the Construction industry. Tariq has been involved in the arenas of modular housing logistics, manufacture of pre-cast concrete and framing products and commercial/residential construction.

As an involved member of the HIA, Tariq dedicates himself to high quality, safe work and innovation with the primary goal of providing cost-effective, efficient solutions for clients. Tariq also understands the economic and social importance of a strong regional economy with a sustainable living environment. Having lived in Kununurra as a child Tariq has a passion for developing remote areas and that is why Tariq has developed a regional headquarters in

Wedgefield (Port Hedland) to service regional communities. From here, the hope is to further develop local relationships to be able to deliver cost effective solutions for clients whilst simultaneously giving back to regional communities.

Kushal Patel

Business owner

Role in Tender: Project Manager

Kushal Patel is an experienced operations and project manager. With a proven record of delivering multiple projects ranging in value from \$200k up to \$30million. Expert ability in budgets, troubleshooting and design. Kushal also has a passion for technology and innovation that advances construction efficiency.

He has worked in both the Australian and international construction environments within both residential and commercial arenas. Within Australia he has developed considerable experience working on regional projects such as but not limited to:

- The supply and installation of accommodation, offices and the visitor centre for the Department of Biodiversity in Coral Bay,
- Supply and installation of change rooms and ablutions for DFES, Bibbulmun Track Helena Campsite Shelter and Toilet for the Department of Biodiversity, Communities and Attractions.
- Water Corporation projects such as the Stirling Dam Pump Station, Bunbury Water Treatment Plant
- Multiple South Hedland residential housing projects.

Kushal has a bachelor's in civil engineering with over 20 years' experience working with concrete tilt-panel installations, structural steel construction and civil works.

He joined the Acero team during 2017, and his skill base made him the perfect addition to the Acero brand heading the newly formed Projects division. Since then, Kushal has developed the construction arm of the business with a focus on process/policy development, implementation and maintenance and building a competent team facilitating the administration and operational functions of the division.

Cathryn Coverdale

Estimating Manager

Cathryn is a focused, diligent team manager with outstanding performance in leadership.

Cathryn Coverdale has 23 years of experience within the building / construction industry in various estimating and scheduling roles at a senior level.

Coming from Bilton group after an 8yr stretch, Cathryn brings to Acero an outstanding body of knowledge of residential construction and a passion for workflow design. She has been instrumental in process design, implementation, and maintenance within the Estimating team and even extended administration areas.

3.3. Relevant Experience

The proponent has provided the following examples of their previous relevant work:

Client	Supply	Comment
ATCO	Slabs, Frames and Windows	Acero Construction has been working with ATCO for more than 5 years Project values differ but range between \$500k - \$1m per year. An example is the Multiplex Project in Dampier.
Australian Modular Solutions	Slabs and Windows	Since 2013 onwards. An example is the Albemarle 800 person camp – Acero supplied all the windows, slabs and slabs for this project. Noting that it was an ATCO/AMS project.
AUSCO	Slabs, Frames and Windows	Project per project basis. An example of a project is Shenton College extension project.
Fleetwood	Slabs, Frames and Windows	Since 2016 onwards. Project values differ but range between \$500k - \$1m+ per year.
Summit Homes	Slabs	Acero Construction has been working with Summer Homes for approx. 3 years. Project values differ and are approx. \$2 million per year.

Acero has also provided slabs, windows and/or frames for many camps in the Pilbara including:

- | | |
|----------------------------|-------------------------|
| a. South Flank; | e. Wodgina – Rio Tinto; |
| b. Nammuldi; | f. Brockman; and |
| c. Koodaideri – Rio Tinto; | g. De Grey. |
| d. Hope Downs; | |

In addition to the supply of materials such as slabs, frames and windows, Acero has also managed the end-to-end construction of several Pilbara housing projects, particularly in South Hedland, including:

23 Smith Street, South Hedland	31 Langwell Lane, Baynton
25 Smith Street, South Hedland	4 Ahtow Way, South Hedland
26 Longtom Loop, South Hedland	2 Ahtow Way, South Hedland
4 Wrasse Crescent, South Hedland	21 Longtom Loop, South Hedland
37 Trevally Road, South Hedland	2 McKenna Way, South Hedland
25 Threadfin loop, South Hedland	54 Catamore Road, South Hedland
2 Brown Way, South Hedland	21 Smith Street, South Hedland
12 Crake Street, South Hedland	11 Crake Street, South Hedland
7 Acacia Way, South Hedland	Lot 5860 Langley Gardens, Port Hedland
48 Catamore Road, South Hedland	38 Parker Street, South Hedland
34 Parker Street, South Hedland	32 Parker Street, South Hedland
27 Longtom Loop, South Hedland	25 Longtom Loop, South Hedland
LOT 187 Trevally Road, South Hedland	28 Osprey Drive, South Hedland

In addition to its building and manufacturing projects, Acero has also done a range of complex projects or have continued supply arrangements in place, for example;

- a. Mineral Resources – Precast Footings;
- b. Telstra – supply of mobile towers all across Western Australia;
- c. Department of Biodiversity, Conservation and Attractions - Acero Construction completed a number of projects with the Department of Biodiversity, Conservation and Attractions during 2018 for the supply and installation of accommodation, office buildings and information centre in Coral Bay;
- d. Department of Fire and Emergency Services Coral Bay – Transportable Changeroom and Ablution;
- e. Department of Biodiversity, Conservation and Attractions, Parks and Wildlife – Bibbulmun Track Toilet and Shelter;
- f. Tjuntjunjarra Health Clinic -This project was successfully completed by Acero for the Shire of Menzies – both on time and on budget. The project consisted of the refurbishment and relocation of two 12x3m buildings consisting of decking between them;
- g. Department of Water and Environmental Regulation - Supply, Delivery, Construction and Installation of the Manjimump Brook Gauging Station.



4. Proposal

4.1. Land

The parcel of land the subject of this proposal is a freehold titled lot owned by Acero Construction Pty Ltd and WA Invest Group Pty Ltd as joint tenants. The particulars of the lot are summarised in the table below

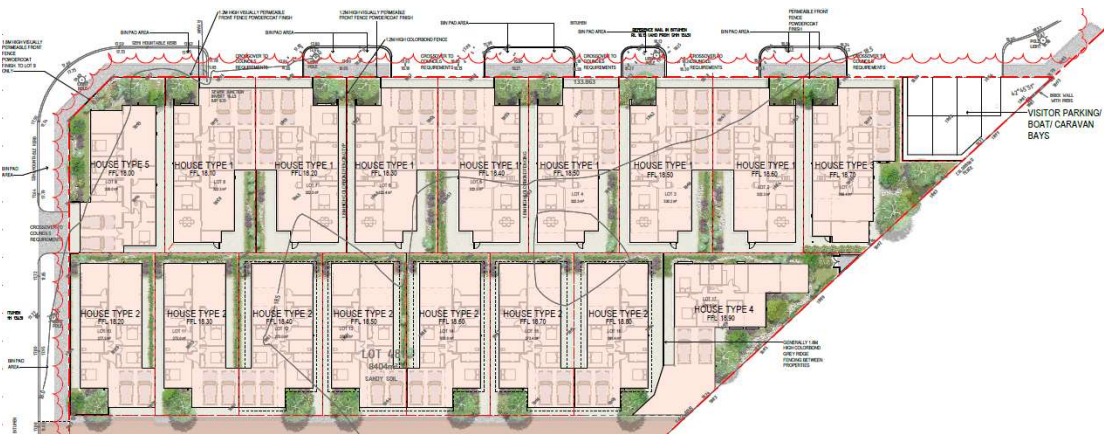
Description	Lot No	Plan/Diagram/DP	Volume	Folio	Area
Lot 481 Bajamalu Drive	481	68020	2795	952	8404 sqm

4.2. Site Plans and Concept Drawings

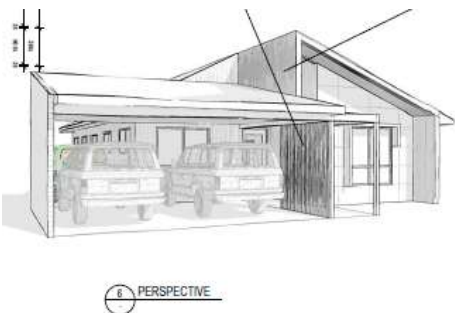
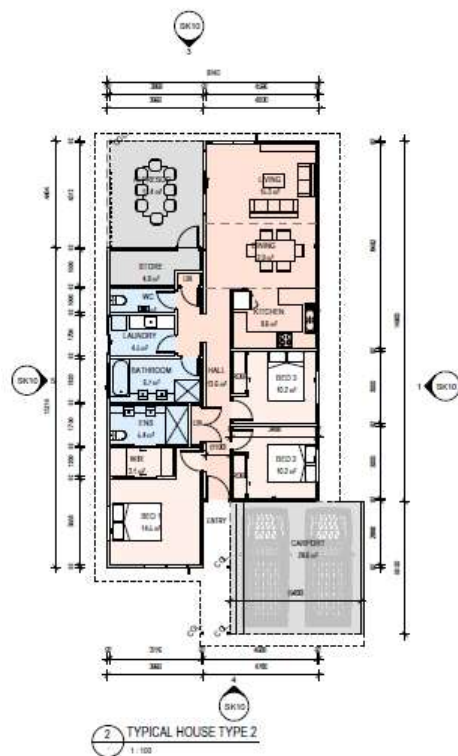
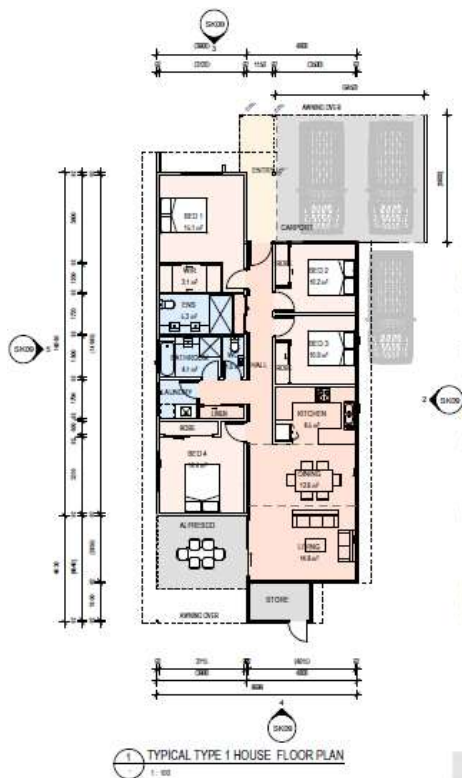
OVERALL SITE PLAN



TOWNHOUSES SITE PLAN



TOWNHOUSES FLOORPLANS AND ASPECTS



APARTMENTS SITE PLAN



APARTMENTS FLOORPLANS AND ASPECTS





4.3. Development Methodology

Acero is proposing a full turn-key development of 17 houses – a combination of 3x2 and 4x2 homes. Additionally, an apartment complex comprising of 20 units, combination of 1x1 and 2x2 units. The construction model is modular, producing multiple units simultaneously in a controlled environment so that the project can be expedited.

These homes are designed with sustainability in mind by prioritizing high energy efficiency ratings and low maintenance whilst still maintaining a pleasing design aesthetic that assimilates well into the city's landscape. There is also consideration in the design for local climatic conditions, particularly cyclonic events.

The project already has DA approval, so whilst the building permit process is conducted, construction can commence in anticipation in Acero's Perth factory. Anticipating a turnaround of project within 12 months.

4.4. Financial Arrangements

The proposal is for the City of Karratha to purchase the development from the Proponent in a single land acquisition transaction.

5. Timeline

Process	Timing
Consider draft Business Plan	February 2025
Community consultation	March-April 2025
Consider public submissions on Business Plan	April 2025
Execute Development Agreement and Contract of Sale for Land	May 2025
Construction commences	June 2025
Practical completion	June 2026

6. Divestment Strategy

As ownership and operation of residential housing is not core local government business, the following options have been considered for the future divestment of the proposed development.

Property Use	Divestment Strategy	Timeframe
<i>Funding Source: State Government Capital Contribution</i>		
Affordable/Key Worker Housing	Sale of full development to community housing provider or strata subdivision and sale of individual dwellings by private treaty	To be dictated by funding agreement with State Government in relation to timeframe that properties need to be provided as affordable/key worker housing
<i>Funding Source: Council Cash Reserves</i>		
Staff Housing	Divestment of older Staff housing stock	At any point in future where there is a surplus of Staff housing stock held
Affordable/Key Worker Housing	Strata subdivision and sale of individual dwellings by private treaty	As soon as market conditions allow for a return above acquisition cost
Private Rental	Strata subdivision and sale of individual dwellings by private treaty	As soon as market conditions allow for a return above acquisition cost

7. Legal Structures

Development Agreement

After Council considers submissions in response to this business plan, in accordance with section 3.59 of the *Local Government Act 1995*, and resolving to proceed with the proposed acquisition a Development Agreement would be entered into with the Proponent outlining the rights and responsibilities of each party including:

- Contract for Sale of Land
- Permits, licenses and approvals where applicable
- Construction
- Project Management
- Conveyancing
- Development timeline and milestones
- Payment schedule
- Risk allocation and liability
- Variations
- Dispute Resolution
- Completion and handover conditions
- Termination clauses
- Force majeure
- Confidentiality and non-disclosure
- Quality Guarantee
- Post-development considerations

Contract for Sale of Land or Strata Title by Offer and Acceptance

Upon execution of the Development Agreement, a typical Contract for Sale of Land will be executed with the current landowners, Acero Construction Pty Ltd and WA Invest Group Pty Ltd at the identified milestone.

Property Management Agreement

Upon completion of the development, a standard Property Management Agreement will be entered into for any dwellings intended to be leased on the private rental market. The supplier will be determined by a separate procurement process at the relevant time.

Residential Tenancy Agreements

A standard Residential Tenancy Agreement will be entered into with each proposed tenant of the apartment dwellings at the relevant time. These will be managed by the appointed Property Manager.

8. Project Financials

8.1. Land Value

In assessing the proposal, the City has engaged AVS Northwest to provide an independent valuation of the land.

The valuation provided is \$1,400,000 and is consistent with the proposed acquisition price from the proponent.

A copy of the land valuation is attached as Appendix A.

8.2. Project Construction Costs

The Proponent has provided the following cost breakdown to acquire the development. As the land is currently vacant, construction would be undertaken by the Proponent prior to handover in accordance with the Development Agreement.

	\$
Land Component	1,400,000
Construction Component	19,887,808
Total Development Cost	21,287,808

8.3. Funding and Usage Options

The City has applied to the WA State Government for a capital contribution to fund the development. Any capital contribution is likely to include the condition that the development be used as affordable or key worker housing.

As any State contribution is still awaiting confirmation, the project financials have been modelled for all the below possible scenarios:

- Option A - WA State Government funded and used for affordable/key worker housing (inclusive of local government employees)
- Option B - Council reserve funded with all dwellings privately leased at market rates
- Option C - Council reserve funded with the townhouses used for Staff housing and the apartments privately leased at market rates

Option A is the City's preferred outcome as it addresses a key group affected by the current housing shortfall and allows for project returns to be reinvested into further affordable housing in the future.

Option B exists to demonstrate that the development is commercially viable at market rental rates. This option would allow Council to divest the asset at some point in the future to private owners/operators and re-purpose reserve capital for other housing developments or other community assets in its Long Term Financial Plan.

Option C provides for the City to address its current staff housing shortfall through acquiring the development for internal use. As the City is currently leasing properties on the private market to house some of its employees, this option would allow for additional stock being retained in the private market reducing supply constraints.

8.4. Option A – State Government Funded Affordable Housing

8.4.1 Cash Flows

The forecast cash flows for the City over a 20-year period with no capital required and the development used as affordable/key worker accommodation are summarised in the table below:

	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Total
Capital Investment	-	-	-	-	-
Rental Income	6,647,201	7,520,698	8,508,979	9,627,129	32,304,007
Operating Costs	-1,551,014	-1,754,829	-1,985,428	-2,246,330	-7,537,602
Total	5,096,187	5,765,868	6,523,551	7,380,799	24,766,405

The above forecast cash flows are underpinned by the following assumptions:

- Starting average rental of \$675pw per dwelling (being 75% of \$900 as market rental)
- Rent escalation of 2.5% per year
- Rental vacancy rate of 5%
- Operating Expenses of 17.5% of market rental

While it is anticipated that the market rental could be higher at commencement, the historic volatility in the local rental market indicates that a consistent 2.5% per year rental escalation would not be realistic. To mitigate this, the project financial model has used a conservative starting market rental.

In this scenario there is no capital investment made on which to determine an Internal Rate of Return (IRR).

8.4.2 Net Present Value

Net Present Value (NPV) is a means of determining the net value of a project considering the organisation's cost of capital. It is determined by discounting future cash flows to ascertain the projects value in today's dollar terms. An organisation's cost of capital is typically the minimum rate that an investment would have to return to be considered desirable for the organisation.

The City's Reserve funds are currently invested in bank term deposits with the average interest rate being 5.22%. This average interest rate represents the opportunity cost of using Reserve funds for alternative investments, and as such represents the City's cost of capital to use as a discount rate in determining the NPV of any alternative investment.

The forecast discounted cash flows for the City over a 20-year period are summarised in the table below. The total of the discounted cash flows over this period represents the NPV of the project for the City.

	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Total
Capital Investment	-	-	-	-	-
Rental Income	5,707,340	5,007,924	4,394,220	3,855,723	18,965,207
Operating Costs	-1,331,713	-1,168,516	-1,025,318	-899,669	-4,425,215
Total	4,375,627	3,839,409	3,368,902	2,956,054	14,539,992

8.4.3 Sensitivity Analysis

A sensitivity analysis demonstrates the potential impact to project returns from changes in the initial assumptions.

For this proposal, the most significant factors that may impact rate of return are increases in construction costs and decreases in rental income.

To determine the sensitivity of the projects value to these factors, the project has been remodelled with the following changes:

- A 5%, 10%, 15% and 20% increase in the forecast construction costs
- A 5%, 10%, 15% and 20% decrease in the forecast weekly rental

The below tables show the impact of these factors on the NPV that the City would derive from the project:

NET PRESENT VALUE (NPV)

		Increase in Construction Costs				
		0%	+5%	+10%	+15%	+20%
Decrease in Rent	0%	14,539,992	13,475,602	12,411,211	11,346,821	10,282,430
	-5%	13,591,732	12,527,341	11,462,951	10,398,560	9,334,170
	-10%	12,643,471	11,579,081	10,514,690	9,450,300	8,385,910
	-15%	11,695,211	10,630,821	9,566,430	8,502,040	7,437,649
	-20%	10,746,951	9,682,560	8,618,170	7,553,779	6,489,389

8.4.4 Conclusion

If the development were to be fully funded by a capital grant from the State Government, incorporating lower returns from using the dwellings as affordable/key worker housing at 75% of market rental rate, the project would return a total of \$24.8m to the City over a 20-year term (\$14.5m in today's dollars).

Factoring the risk of increases in construction costs or decreases in rental returns of up to 20%, the project is forecast to return at least \$6.5m in today's dollars, representing a strongly risk-tolerant investment.

These proceeds would likely be required to be reinvested into further affordable/key worker housing, increasing the overall investment in reducing the City's critical housing shortfall.

This option is Council's preferred outcome.

8.5. Option B – Council Reserve Funded Commercial Development

8.5.1 Cash Flows

To assess the viability of the project at a commercial level, the financial impacts have been modelled if all 37 dwellings were to be leased privately to derive a return for the City's investment.

The forecast cash flows for the City over a 20-year period are summarised in the table below:

	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Total
Capital Investment	-21,287,808	-	-	-	-21,287,808
Rental Income	8,862,935	10,027,597	11,345,306	12,836,172	43,072,009
Operating Costs	-1,551,014	-1,754,829	-1,985,428	-2,246,330	-7,537,602
Total	-13,975,887	8,272,768	9,359,877	10,589,842	14,246,600

The above forecast cash flows are underpinned by the following assumptions:

- Starting average rental of \$900pw per dwelling
- Rent escalation of 2.5% per year
- Rental vacancy rate of 5%
- Operating Expenses of 17.5% of market rental

While it is again anticipated that the property could achieve a higher market rental at commencement, the historic volatility in the local rental market indicates that a consistent 2.5% per year rental escalation would not be realistic. To mitigate this, the project financial model has used a conservative starting rental.

Based on the above, the project is expected to generate an Internal Rate of Return (IRR) for the City of 5.00%.

8.5.2 Net Present Value

Under this option the development is proposed to be funded from the City's Infrastructure Reserve. The City's Reserve funds are currently invested in bank term deposits with the average interest rate being 5.22%. This average interest rate represents the opportunity cost of using Reserve funds for alternative investments, and as such represents the City's cost of capital to use as a discount rate in determining the NPV of any alternative investment.

The forecast discounted cash flows for the City over a 20-year period are summarised in the table below:

	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Total
Capital Investment	-21,287,808	-	-	-	-21,287,808
Rental Income	7,609,786	6,677,232	5,858,960	5,140,964	25,286,943
Operating Costs	-1,331,713	-1,168,516	-1,025,318	-899,669	-4,425,215
Total	-15,009,734	5,508,717	4,833,642	4,241,295	-426,080

While the NPV of the project cash flows are negative over the initial 20-year term, it should be noted that the asset would still retain significant market value for the investor.

It is also Council's position that the social and economic impact of injecting additional housing supply into the property market outweighs the negative NPV of the proposal over the project term, especially when considering the current housing supply shortage.

8.5.3 Sensitivity Analysis

For this option, the most significant factors that may impact rate of return are again increases in construction costs and decreases in rental income.

To determine the sensitivity of the projects value to these factors, the project has been remodelled with the following changes:

- A 5%, 10%, 15% and 20% increase in the forecast construction costs
- A 5%, 10%, 15% and 20% decrease in the forecast weekly rental

The below tables show the impact of these factors on the IRR and NPV that the City would derive from the project:

INTERNAL RATE OFF RETURN (IRR)

		Increase in Construction Costs				
		0%	+5%	+10%	+15%	+20%
Decrease in Rent	0%	5.00%	4.47%	3.99%	3.53%	3.10%
	-5%	4.33%	3.82%	3.35%	2.90%	2.48%
	-10%	3.64%	3.14%	2.68%	2.25%	1.84%
	-15%	2.92%	2.44%	1.99%	1.57%	1.17%
	-20%	2.16%	1.70%	1.26%	0.85%	0.47%

NET PRESENT VALUE (NPV)

		Increase in Construction Costs				
		0%	+5%	+10%	+15%	+20%
Decrease in Rent	0%	-426,080	-1,490,471	-2,554,861	-3,619,252	-4,683,642
	-5%	-1,690,428	-2,754,818	-3,819,208	-4,883,599	-5,947,989
	-10%	-2,954,775	-4,019,165	-5,083,555	-6,147,946	-7,212,336
	-15%	-4,219,122	-5,283,512	-6,347,903	-7,412,293	-8,476,683
	-20%	-5,483,469	-6,547,859	-7,612,250	-8,676,640	-9,741,031

8.5.4 Conclusion

If the development were to be operated by the City as private rentals at market rates, the project would return \$14.2m over the initial 20-year term which represents an Internal Rate of Return (IRR) of 5.00%. While this is slightly lower than the return currently derived from the City's term deposit investments (5.22%), the economic benefits to the community from addressing the current critical housing shortage would far outweigh this opportunity cost.

This option contains resilience to risk, with a positive Internal Rate of Return still forecast while factoring in increases in construction costs or decreases in rental returns of up to 20%, however the opportunity cost of this option (the difference between returns from the project vs returns from term deposit investments – represented by the NPV) increases significantly with increases in construction costs or decreases in rental returns, thus reducing the net community benefit from the additional housing stock.

8.6. Option C – Council Reserve Funded Staff Housing

8.6.1 Cash Flows

This proposal involves the 17 townhouses being utilised for Staff housing while the 20 apartments would be leased privately at market rates. The City charges employees entitled to Staff housing a discounted fortnightly rental, equivalent to the GROH rental rates recovered by the State Government from their employees.

The forecast cash flows for the City over a 20-year period in relation to this option are summarised in the table below:

	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Total
Capital Investment	-21,287,808	-	-	-	-21,287,808
Rental Income	4,185,275	4,735,254	5,357,505	6,061,526	20,339,560
Operating Costs	-1,551,014	-1,754,829	-1,985,428	-2,246,330	-7,537,602
Total	-18,653,547	2,980,425	3,372,077	3,815,196	-8,485,850

The above forecast cash flows are underpinned by the following assumptions:

- Starting average rental of \$425pw per dwelling (being the weighted average of market rental for the apartments and Staff rental for the townhouses).
- Rent escalation of 2.5% per year
- Rental vacancy rate of 5%
- Operating Expenses of 17.5% of market rental for the whole development (\$900pw)

Based on the above, the project is expected to generate an Internal Rate of Return (IRR) for the City of -4.15%.

8.6.2 Net Present Value

Under this option the development is proposed to be funded from the City's Infrastructure Reserve. The City's Reserve funds are currently invested in bank term deposits with the average interest rate being 5.22%. This average interest rate represents the opportunity cost of using Reserve funds for alternative investments, and as such represents the City's cost of capital to use as a discount rate in determining the NPV of any alternative investment.

The forecast discounted cash flows for the City over a 20-year period are summarised in the table below:

	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Total
Capital Investment	-21,287,808	-	-	-	-21,287,808
Rental Income	3,593,510	3,153,138	2,766,731	2,427,677	11,941,056
Operating Costs	-1,331,713	-1,168,516	-1,025,318	-899,669	-4,425,215
Total	-19,026,010	1,984,622	1,741,413	1,528,009	-13,771,967

While the NPV of the project cash flows are negative over the initial 20-year term, it should be noted that these costs would be met by the City's operating budget as part of Staff housing costs, and these costs would be offset by savings from not having to lease housing on the private rental market to accommodate Staff. Additionally, the asset would still retain significant market value for the City.

8.6.3 Sensitivity Analysis

For this option, the most significant factors that may impact rate of return are again increases in construction costs and decreases in rental income. Although under this option the risk of significant decreases in rental income are mitigated as the City controls the rental that it charges Staff for housing.

To determine the sensitivity of the projects value to these factors, the project has been remodelled with the following changes:

- A 5%, 10%, 15% and 20% increase in the forecast construction costs
- A 5%, 10%, 15% and 20% decrease in the forecast weekly rental

The below tables show the impact of these factors on the IRR and NPV that the City would derive from the project:

INTERNAL RATE OFF RETURN (IRR)

		Increase in Construction Costs				
		0%	+5%	+10%	+15%	+20%
Decrease in Rent	0%	-4.15%	-4.52%	-4.86%	-5.19%	-5.50%
	-5%	-4.77%	-5.13%	-5.47%	-5.79%	-6.09%
	-10%	-5.43%	-5.78%	-6.11%	-6.42%	-6.72%
	-15%	-6.14%	-6.48%	-6.80%	-7.11%	-7.40%
	-20%	-6.91%	-7.24%	-7.56%	-7.85%	-8.14%

NET PRESENT VALUE (NPV)

		Increase in Construction Costs				
		0%	+5%	+10%	+15%	+20%
Decrease in Rent	0%	-13,771,967	-14,836,357	-15,900,748	-16,965,138	-18,029,528
	-5%	-14,369,020	-15,433,410	-16,497,800	-17,562,191	-18,626,581
	-10%	-14,966,072	-16,030,463	-17,094,853	-18,159,244	-19,223,634
	-15%	-15,563,125	-16,627,516	-17,691,906	-18,756,296	-19,820,687
	-20%	-16,160,178	-17,224,568	-18,288,959	-19,353,349	-20,417,740

7.6.4 Conclusion

Under this option of utilising the townhouses for Staff housing while privately leasing the apartments at market rates, the project would return negative cash flows of \$8.5m over the initial 20-year term – this equates to a net cost of \$25k per Staff dwelling per year.

It should be noted that this option is not intended to derive a commercial return for the City, however the net cost is forecast to be less than the City would otherwise incur in renting from the private market to accommodate Staff over the 20-year term. The proposal also reduces the City's risk exposure to rental market fluctuations in providing Staff housing.

This option, as with the previous ones, also provides economic and community benefits in creating additional housing supply to address the current critical shortage.

9. Risk Analysis

A risk analysis for the proposal has been undertaken. The analysis has been undertaken using the risk matrix approach. The tables below indicate the rating scales that were used in the risk analysis.

9.1. Risk Assessment Framework

In accordance with Council Policy *CG01 Risk Management* the following Risk Criteria Tables have been used in assessing the proposal.

RISK MATRIX

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Rare	1	1	2	3	4	5

RISK ACCEPTANCE CRITERIA

LEVEL OF RISK	DESCRIPTOR	DESCRIPTION	CRITERIA FOR RISK ACCEPTANCE	RESPONSIBILITY
1 – 4	LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring.	Operational Manager
5 – 9	MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring.	Operational Manager
10 – 16	HIGH	Urgent Attention Required	Management attention is required. Risk treatment plan is required to reduce risk exposure to an acceptable level. Regular reporting is required.	CEO / Director
17 – 25	EXTREME	Unacceptable	Urgent and active management required. Risk treatment plan must be implemented immediately to reduce risk exposure to an acceptable level. Regular reporting required.	CEO

9.2. Proposal Risk Analysis

A total of nine (9) risks have been identified and assessed for the proposal, with risk mitigation strategies developed to minimise these risks where applicable.

#	Item	Initial			Mitigation Strategies	Cost and Time Impacts	Post Mitigation		
		Likeli- hood	Conse- quence	Rating			Likeli- hood	Conse- quence	Rating
Financial Risks									
1	Development costs exceed budget	3	4	12	As the City is purchasing a completed product from the Proponent, a fixed sale price will be agreed at the commencement of the development.	Nil	2	3	6
2	Development does not generate forecast returns	3	4	12	If the development is fully funded by a State Govt capital contribution, there is no risk to the City in diminished returns as there is no initial investment.	Executive time in negotiating with the State Govt	3	1	3
					If the development is utilised for Staff housing, the City would control a large portion of the returns as the rental rate for Staff housing is not market-based	Nil	2	4	8
3	Developer defaults during construction period	3	4	12	Officers will conduct extensive background checks on the developer, its key personnel and their previous businesses prior to entering into any agreement.	Officers' time conducting investigations and minor administrative costs incurred for checks, reports etc.	2	4	8
4	City capacity for future borrowing limited	3	3	9	It is proposed that the development be funded from a State Govt capital contribution or the City's reserves. As there is no borrowing to facilitate the development, it is anticipated to have minimal impact on the City's capacity for future borrowing.	Nil	1	3	3
5	Investment in this project means that other community projects cannot proceed	2	3	6	The City has sufficient Reserves to fund all community projects in its LTFP after committing to this project. The City also has minimal current debt and therefore significant available borrowing capacity to fund future community projects should the need arise.	Nil	2	3	6

#	Item	Initial			Mitigation Strategies	Cost and Time Impacts	Post Mitigation		
		Likeli- hood	Conse- quence	Rating			Likeli- hood	Conse- quence	Rating
Operational Risks									
6	Does the developer have the capacity to execute a project of this scale?	3	4	12	Officers will inspect the developer’s production facilities prior to contract execution to gain assurance as to their capabilities	Travel costs and officers time in conducting site visit and inspection	2	4	8
7	Failure to meet delivery timeline	4	3	12	The Proponent has provided the delivery timeline. They have scheduled their other projects around providing adequate capacity to complete this project. In any event, the City is acquiring a completed development for an agreed price, so costs incurred for construction delays are borne by the proponent.	Nil	4	2	8
Reputational Risks									
8	Council is perceived to be misusing ratepayers’ funds	4	2	8	If the development is funded by a State Govt capital contribution then there are no ratepayers funds being used	Executive time in negotiating with the State Govt	1	2	2
					If the development is leased privately at market rates, it would derive a return that adds to ratepayers funds rather than decreasing them	Officers’ time responding to each individual piece of community feedback	2	2	4
					If the use of the townhouses is for Staff housing – this is a common and necessary use of ratepayer funds.		2	2	4
9	Housing is not a local government function	4	2	8	Council has widely publicised its Housing Action Plan including supporting data demonstrating the shortage of housing and lack of viable commercial activity to address this shortage. Increasing housing supply is vital to achieving Council’s vision.	Officers’ time responding to each individual piece of community feedback	3	2	6

10. Council Financial Implications

This proposal is not included within the City's 2024/25 Annual Budget or Long Term Financial Plan.

Based on the financial structure of the proposal, there will be a decrease in Council's Reserve funds in the year the project is undertaken (expected to be 2025/26). Net revenues from the development would return to the City's Reserve funds over the life of the project.

The projected impact of the proposal on Council's Reserve funds in the period covered by the Long Term Financial Plan is featured in the following table:

	2025/26 (\$m)	2026/27 (\$m)	2027/28 (\$m)	2028/29 (\$m)	2029/30 (\$m)	2030/31 (\$m)	2031/32 (\$m)	2032/33 (\$m)	2033/24 (\$m)
Current LTFP	\$124.7	\$109.7	\$96.7	\$65.8	\$55.6	\$54.2	\$69.0	\$76.0	\$96.6
Project Option A	\$125.4	\$111.1	\$99.0	\$68.9	\$59.5	\$59.1	\$74.9	\$82.9	\$104.5
Project Option B	\$103.4	\$88.9	\$76.5	\$46.2	\$36.6	\$36.0	\$51.6	\$59.4	\$80.8
Project Option C	\$103.4	\$88.0	\$74.5	\$43.4	\$32.7	\$31.0	\$45.4	\$52.0	\$72.2

The projected impact of the proposal on Council's sustainability ratios in 2025/26 are as follows:

	As per LTFP	Project Options A, B & C
Own Source Revenue Coverage Ratio <i>Advanced is above 90%</i>	94.57%	94.39%
Operating Surplus Ratio <i>Target between 0% and 15%</i>	6.32%	6.11%
Rates Coverage <i>Target – Greater than or equal to 40%</i>	41.68%	41.60%
Current Ratio <i>Target – Greater than or equal to 1</i>	1.59	1.53
Debt Service Cover Ratio <i>Target – more than 2 – the higher the better</i>	150.2	149.19
Asset Sustainability Ratio <i>Target – between 90% and 100%</i>	94%	94%
Asset Consumption Ratio <i>Target – between 50% and 75%</i>	67%	68%

As the City would own and operate the completed development, this will result in an increase in the City's depreciation expenses. To maintain the City's Asset Renewal Ratio within legislatively acceptable levels, additional expenditure on asset renewal would be needed. If, after consideration of public submissions, Council resolves to proceed with this proposal, future iterations of the Long Term Financial Plan would reflect this increase in asset renewal expenditure.

11. Council Policy Implications

In accordance with Council Policy *CG-08 Significant Decision Making Policy*, this matter is considered to be of high significance as the cost of a proposal is estimated at more than 5% of the total rates of the Council as shown in the annual corporate plan or Strategic Plan for the financial year.

It is anticipated that the community consultation requirement of the policy will be met through the process of inviting public submissions regarding the business plan in accordance with *Local Government Act 1995* requirements.

Council Policy *CF-04 Investment Policy: Property* provides guidance on if and when Council will invest in Property. The adopted policy includes the following statements that are relevant to this matter:

When making decisions to invest in Property related investments one or more of the following criteria needs to be satisfied:

vi. Council may invest in property to achieve key strategic goals of the Council that will deliver a broad-based benefit to the community without financial return being the key driver.

The proposal is consistent with this policy provision.

12. Legislative Compliance

12.1. Local Government Act 1995

Section 3.59 (2)(b) &(c) of the *Local Government Act 1995* (The Act) states:

Before it —

(b) enters into a major land transaction; or

(c) enters into a land transaction that is preparatory to entry into a major land transaction, a local government is to prepare a business plan.

The Act defines a major land transaction as:

A land transaction other than an exempt land transaction if the total value of —

(a) the consideration under the transaction; and

(b) anything done by the local government for achieving the purpose of the transaction, is more, or is worth more, than the amount prescribed for the purposes of this definition.

In the City of Karratha's circumstances, the amount prescribed for a transaction to be considered a major land transaction is the lesser of \$10,000,000 or 10% of the operating expenditure incurred by the local government from its municipal fund in the last completed financial year. If progressed, the proposed land acquisition and subsequent construction of residential dwellings would constitute a major land transaction.

Specific Requirements

Section 3.59(3) of the Act specifies explicit information that must be included in a Local Government Business Plan (as a minimum). While many items are addressed elsewhere within this Business Plan, for completeness, each legislated item is addressed specifically below:

(a) The expected effect on the provision of facilities and services by the local government

The City has 2 FTE positions funded by a Federal Government grant dedicated to the Housing Action Plan. The implementation of this proposal will be actioned within the capacity of these 2 positions. While project management of construction will be undertaken by the Proponent, as the end user the City will have oversight of the testing and inspection plan for the project.

Upon project completion, if the development is used for affordable/key worker housing it will integrate into the City's existing service worker accommodation portfolio. If the development is used for Staff housing it will be integrated into the City's existing Staff housing portfolio. Both of these are managed by the City's Housing team. As both service worker accommodation and Staff housing are part of the City's ongoing operations, additional capacity can be added to the Housing team as needed as the portfolio expands.

While unlikely, if the completed development is leased on the private rental market this will be outsourced to a property management agent and will therefore have no impact on City resources.

Overall, it is not expected that the execution and ongoing management of this proposal will have any impact on the City's capacity to deliver the planned facilities and services in the LTFP.

(b) The expected effect on other persons providing facilities and services in the district.

Currently the average weekly rental in Karratha is \$1,204pw with a rental vacancy rate of 1% - indicating a critical shortage of available housing for rent. Further, the City's Cumulative Impact Model forecasts a shortage of 900 dwellings over the next 5 years.

Due to this critical ongoing shortage, it is not anticipated that the development of 37 additional dwellings under this proposal will have significant impact on the ability of existing residential property lessors to source tenants.

(c) The expected financial effect on the local government.

The financial projections of the proposal are detailed in Items 8 and 10 of this Business Plan – including the impact of the proposal on the City's cash reserve balances and key ratios.

Under the City's preferred Option A, the project is able to be delivered at no cost to the City and with significant returns.

Under either of options B and C, the project is able to be fully funded from the City's Infrastructure Reserve with returns from the project directed back into the Reserve to continue funding the existing capital works in the City's Long Term Financial Plan.

Either of these options will change the forecast transfers to and from reserves over the term of the LTFP however they will not impact the delivery of planned community infrastructure or services.

(d) The expected effect on matters referred to in the local government's current plan prepared under Section 5.56 of the *Local Government Act 1995* (Plan for the Future)

The proposal and the wider Housing Action Plan align to Council's approved Strategic Community Plan 2020-2030, the Corporate Business Plan 2020-2025 and the Operational Plan 2024-2025, in particular:

- *Strategic Community Plan 2020-2030:*
 - o *2a. Diverse industry*
 - *2.a.1 Partner with key industry and business groups to advocate for investment*
 - o *2.c. Quality infrastructure to support business investment*
 - *2.c.2 Public private partnerships are in place for the development of key infrastructure*
- *Corporate Business Plan 2020-2025 Programs/Services:*
 - o *2.a.1.1 Small and medium enterprise support*
 - o *2.c.2.3 Treasury and investment management*
- *Operational Plan 2024-2025 Projects/Actions:*
 - o *2.a.1.1.20.2 Advocate for partnerships to increase housing and land supply*
 - o *2.c.2.3.19.1 Generate returns from property investment*

(e) The ability of the local government to manage the undertaking or the performance of the transaction;

As the transaction is a property acquisition and development agreement, the City has sufficient experience and skills in-house to manage the transaction.

12.2. *Local Government (Functions and General) Regulations 1996*

Regulation 10 of the *Local Government (Functions and General) Regulations 1996* states that:

- (1) *If a local government is required to prepare a business plan because of a major trading undertaking or major land transaction that it is to carry on or enter into jointly with another person —*
- (a) *the business plan is to include details of the whole undertaking or transaction, even though the local government is not the only joint venturer; and*
 - (b) *the business plan is to include details of —*
 - (i) *the identity of each joint venturer other than the local government; and*
 - (ii) *the ownership of, and any other interests in, property that is involved in, or acquired in the course of, the joint venture; and*
 - (iii) *any benefit to which a joint venturer other than the local government may become entitled under or as a result of the joint venture; and*
 - (iv) *anything to which the local government may become liable under or as a result of the joint venture.*

The proposed transaction is not being carried on or entered into jointly with another party, rather the City is proposing to enter into a standard land acquisition and development agreement. As such, Regulation 10 does not apply to this proposal.

13. Summary

The development of medium-density residential property on undeveloped lands within the City is consistent with Council's approved Strategic Community Plan. The increase in available housing supply can provide significant public benefit in addressing the current critical housing shortage. This proposal provides a strong dwelling yield across the subject site with 37 townhouses and apartments that have a variety of possible uses including Staff housing, affordable housing and key worker accommodation.

Given the current critical housing shortage, there is value in the City seeking community feedback regarding the Business Plan for this development.

APPENDIX A



Valuation Report

**Lot 481 Bajamalu Drive
Baynton WA 6714**



Prepared by

Kevin Kelly, FAPI
Certified Practicing Valuer
Licensed Valuer No 44088

Prepared for

The City of Karratha

EXECUTIVE SUMMARY

PROPERTY ADDRESS	Lot 481 Bajamalu Drive, Baynton, WA 6714
INSTRUCTED BY	Mr Adrian D'Cunha
PREPARED FOR	The City of Karratha.
CERTIFICATE OF TITLE	Lot: 481 Deposited Plan: 68020 Volume: 2795 Folio: 952.
REGISTERED PROPRIETOR	Acero Constructions Pty Ltd & WA Invest Group Pty Ltd.
ENCUMBRANCES	Caveat by Western Australian Land Authority Lodged 30/3/2022.
INTEREST VALUED	Current Market Value "As Is"
TOWN PLANNING	"Residential R40 under the Karratha Local Planning Scheme No 8.
DESCRIPTION OF PROPERTY	Vacant Land.
LAST SALE	\$1,000,000 +GST at 11 November 2021
TENANCY	N/A
PURPOSE OF VALUATION	Negotiation purposes.
DATE OF INSPECTION	21 January 2025
DATE OF VALUATION	21 January 2025
MARKET VALUE "AS IS"	\$1,400,000 (GST Exclusive) (One Million Four Hundred Thousand Dollars)
VALUER	 Kevin Kelly B. Bus (Val) Fellow Australian Property Institute Director Certified Practising Valuer Licensed Valuer 44088

IMPORTANT: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.

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1. VALUATION INSTRUCTIONS

We have been requested by Adrian D’Cunha of the City of Karratha to undertake a valuation of the property situated at Lot 481 Bajamalu Drive, Baynton, WA 6714. A copy of the letter of instructions is appended.

This report and valuation is based on an “As Is” basis being defined as a valuation providing the current market value of the property with its improvements as inspected on the date of valuation.

2. VALUERS INTEREST

I confirm that I do not have a pecuniary interest that would conflict with the proper valuation of the above property and furthermore I will ensure that this position is maintained over the duration of my appointment.

3. VALUATION PURPOSE

The report and valuation has been prepared for possible negotiation purposes to acquire the vacant englobo lot.

This report and valuation is hereby addressed to the City of Karratha and is for their sole use and cannot be relied upon by any other party.

4. ASSUMPTIONS & LIMITATIONS

This valuation assumes an unencumbered title with value excluding any effect those registered encumbrances may have.

5. BASIS OF VALUATION

The valuation determined reflects Market Value as defined by the Australian Property Institute and the International Assets Valuation Standards Committee as:

“... the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arms’ length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

Real estate values vary from time to time in response to changing market circumstances and it should, therefore, be noted that this valuation is based on information available at the date of valuation. No warranty can be given as to the maintenance of this value for more than 3 months into the future. It is, therefore, recommended that the valuation be reviewed periodically.

This valuation is conducted on the basis this practice is not engaged to carry out all possible investigations in relation to the subject property. Where our investigations have identified potential issues impacting on value we have recommended further research be undertaken by a professional in the relevant field. AVS (Northwest) is not liable for any loss occasioned by a decision not to instruct further investigations.

6. DATE OF INSPECTION

21 January 2025.

7. DATE OF VALUATION

21 January 2025.

8. LEGAL DESCRIPTION

8.1 Title Details

The subject property is legally described as Lot 481 on Deposited Plan 68020 contained within Certificate of Title Volume 2795 Folio 952.

The Certificate of Title was searched on 24 January 2025 and is appended to the rear of this report. Should any negative encumbrance not noted within this report be discovered, the valuer should be consulted to reassess any effect on the value stated in this report.

A Local Authority search has not been carried out and it is assumed the property is free of requisitions.

8.2 Registered Proprietor

Acero Construction Pty Ltd in ½ Share WA Invest Group Pty Ltd in ½ share both of 39 Somerset Crescent, South Hedland WA 6722 As Tenants in Common (T P201363) Registered 30/6/2022.

8.3 Encumbrances

P201364 Caveat By Western Australian Land Authority Lodged 30/6/2022.

Unless stated otherwise in this report, this valuation assumes any encumbrances registered on the Certificate of Title do not have a negative impact on the market value of the subject property. We recommend the instructing party undertake relevant searches and the valuer should be consulted and reserves the right to reassess any effect on the market value stated in this report. Should any encumbrance not noted within this report be discovered, the valuer should be consulted to reassess any effect on the market value stated in this report. At a prescribed fee, we can undertake searches of the Certificate of Title and any required encumbrances at your request.

8.4 Identification

The subject property has been identified by reference to the lot number and cadastral map.

8.5 Leases on Title

There are no leases registered on the Certificate of Title.

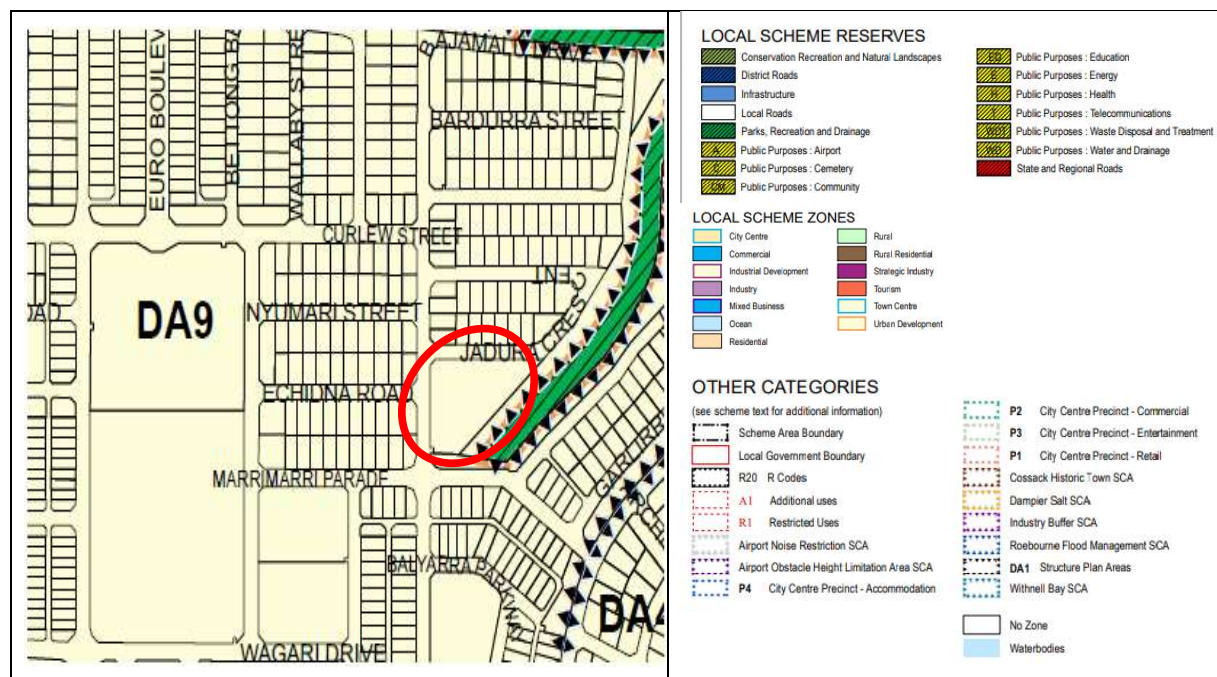
9. PLANNING

9.1 Zoning

The property is zoned 'DA9' Structure plan Area (SPA) which allows an applicable density code minimum of R40 under the City of Karratha Local Planning Scheme No.8.

Town planning information was obtained from the City of Karratha Town Planning Scheme text and maps, however, we recommend this zoning be verified by application to Council for the issue of a zoning certificate.

9.2 Zoning Map





9.3 **Detrimental or Beneficial Planning Proposals**

We are not aware of any proposed planning amendments which would have a material effect on the subject’s market value.

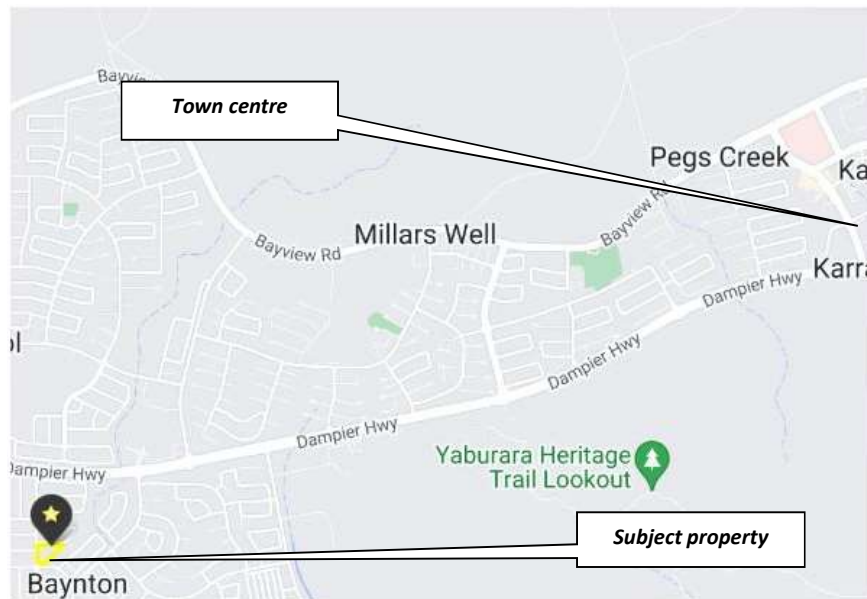
10 LOCATION

10.1 Description

The subject property is located within the residential locality of Baynton situated approximately 5km's west of the Karratha Town Centre. Karratha is a regional mining town situated approximately 1,540 kilometres north of Perth.

Surrounding development is residential in nature and comprises a mix of dwellings and units with varying degrees of presentation and upkeep to yards and improvements.

10.2 Location Maps



11 SITE DESCRIPTION

Land Area	8,404m ²
Contour and Elevation	An irregular shaped site situated level with the road grade.
Soils	Soils are red pindan clay, which is not noted for adequate drainage capacity in heavy rainfall.
Flooding	Baynton is located within a Category 'D' Cyclone region and is therefore subject to strong winds and storm surge.
Access	Access is off Bajamalu Drive and Jadura Crescent.



12 SERVICES

Bajamalu Drive and Jadura Crescent are bitumen sealed roads with concrete kerb and gutter. All normal services are available to the subject property including: electricity, water, deep sewerage and telephone.

13 NATIVE TITLE

We are not aware of any anthropological or ethnographic reports made on the subject land which might assist in determining Native Title claims being made in the future. This valuation has been completed on the assumption no such claims will be made.

14 HERITAGE LISTING

The subject property is not listed or considered to have historical significance by the National Trust or the Western Australian Heritage Commission. For the purposes of this valuation, it is assumed the property is unaffected.

15 IMPROVEMENTS

15.1 Description

Nil improvements. The subject property is flat and level vacant land with trimdeck fencing to the eastern boundary.



Lot 481



Bajamalu Drive



Bajamalu Drive



Bajamalu/Jadura



Jadura Crescent



Jadura Crescent Bounday Fencing

16 ENVIRONMENTAL ISSUES

Cyclone Region: The subject property is located in an area designated Region 'D' Severe Tropical Cyclones. Buildings are required to be constructed to the appropriate building code. We consider that the improvements will comply with these standards.

Termite Activity: The subject property is located in an area considered susceptible to termite infestation. Inspection of the subject improvements did not reveal any apparent termite infestation. This valuation is subject to termite free activity and damage.

Bushfire Prone Area: The subject property is located in an area identified as bush fire prone as designated by the Fire & Emergency Services (FES) Commissioner. Bush fire prone areas are subject to, or likely to be subject to bushfire attack. A bush fire prone area is identified by the presence of and proximity to bush fire prone vegetation, and includes both the area containing the bush fire prone vegetation and a 100 metre buffer zone immediately surrounding it. Where a bush fire prone area cuts across a portion of a parcel of land, the entire parcel is considered bush fire prone

17 GST

The commercial market is generally discussed in net terms due to the varying methods of applying the tax such as using the margin scheme or treating the property as a going concern. For this reason, all figures stated in this valuation, unless otherwise stated, are excluding GST.

This valuation is based on recent market transactions, some of which have not included the GST but for which GST was most likely to have been in contemplation. If any of the valuer's assumptions are found to be incorrect, or if the party on whose instructions this valuation is provided wishes our valuation to be based on different assumptions, this valuation should be referred back to the Certified Practising Valuer for comment and in appropriate cases, amendment.

18 MARKET COMMENTARY & REVIEW

18.1 Market Conditions

The economy supporting the Pilbara is dominated by the presence of major development projects in the North West region by the large multinational gas, oil and mining companies. These major industries create cyclical demands for labour and residential housing resulting in a volatile market which can change quickly.

The residential, commercial and industrial property markets have significantly firmed in the last 1 - 5 year period as a result of an uptake in resource projects and associated contracts. There has been a decrease in the supply of both land and sheds which are for sale and lease. There is now a shortage of available residential, commercial and industrial properties on the market.

Of the several possible extensive resource development projects planned for the region, the following are expected to have a direct impact on the City of Karratha include:

18.1.1 Significant Resource Projects Planned, Underway or Under Construction in 2025

COMMENCED/COMPLETED OPERATIONS

Pilbara – Cape Preston – Sino Iron CITIC PACIFIC

The Sino Iron project is located at Cape Preston, 100km southwest of Karratha. The project is the largest magnetite mining and processing development in Australia, with a mine life of more than 25 years. Six processing lines are now operational. The first shipment of magnetite concentrate to China occurred in late 2013. The project comprises in-pit crushers, a 29km slurry pipeline, with an annual capacity to produce up to 24Mt of magnetite concentrate. The downstream processing facility has required significant investment in dedicated supporting infrastructure including a new port facility, a 51GL desalination plant and a 450MW combined cycle gas fired power station. Expenditure: \$16b. Employment: Construction: 4,000. Operation: 1,500

Pilbara – Wheatstone LNG Development

Chevron Australia Pty Ltd as Operator of the Wheatstone Project has completed construction of two LNG trains and a domestic gas plant at the Ashburton North Strategic Industrial Area near Onslow. The Project, which includes a deep water port, will initially produce 8.9Mtpa of LNG and have a 200TJ per day domestic gas plant connected to the Dampier-to-Bunbury Natural Gas Pipeline. First LNG production commenced on 9 October 2017, and the first export shipment left on 31 October 2017. Expenditure: \$40b. Employment: Construction: 7,200. Operation: 400

Carnarvon Offshore Basin – Barrow Island – Gorgon Project GORGON JOINT VENTURE

The Gorgon Foundation Project on Barrow Island is a three train LNG development with a nameplate capacity of 15.6Mtpa and includes a domestic gas plant capable of delivering at least 300TJ/d of gas to the mainland. Cost estimates for the project construction are expected to total more than A\$55b. The project involves the processing of gas from both the Gorgon and Jansz/lo gas fields and includes potentially the largest commercial CO₂ geosequestration project in the world. Train one start up and first shipment of LNG commenced in March 2016. Train 2 produced first LNG in October 2016 and train three was commissioned in March 2017. Commissioning of the CO₂ injection project was completed in Q4 2018. The CO₂ injection project was completed in Q4 2018. Expenditure: \$55b. Employment: Construction: 8,000. Operation: 300

COMMITTED PROJECTS

Shire of East Pilbara – Koodaideri Iron Ore Mine and Infrastructure Project MOUNT BRUCE MINING PL

Rio Tinto announced on 29 November 2018 the approval for the development of the Koodaideri iron ore deposit located about 110km north-west of Newman & lies 35km north-west of Rio's Yandicoogina project. Construction on the project started in 2019, with first production in late 2021. The Koodaideri Project would have a capacity of about 43Mtpa of iron ore requiring the development of a new mining area at Koodaideri, crushing, screening, stockpiling and rail load out infrastructure plus a 166km railway. Rio said the highly automated mine will be Rio's lowest-cost contributor to the Pilbara blend, and increase the higher-value lump component from a current average of 35 per cent to about 38 per cent. Expenditure: \$3.5b. Employment: Construction: 2,000+. Operational: 600

Carnarvon Basin – Greater Western Flank Phase 2 WOODSIDE ENERGY

The Greater Western Flank 2 Project was approved in December 2015 and will develop gas and condensate from the Keast, Dockrell, Sculptor, Rankin, Lady Nora and Pemberton fields via a subsea tieback to the existing Goodwyn platform. Drilling and completion activities have been successfully completed. Subsea construction commenced in Q2 2018. The project commenced start-up from the initial tranche of five wells in 1H 2019, with the remaining three wells expected in 1H 2020. Expenditure: \$2.8b

PROJECTS UNDER CONSIDERATION

Perdaman Urea Plant

A \$4.3 BILLION fertiliser plant is set to be built on the Burrup Peninsula after Woodside Petroleum announced in November 2018 that it wanted to supply the gas needed to create a large urea factory on the Burrup. More than 2,000 jobs would be created during the three-year construction of the two-million-tonne-a-year plant near Karratha. About 200 full-time workers would be sourced from the Pilbara once the factory was operating. The project will lock in at least 20 years of gas to feed the plant, which yesterday's memorandum of understanding with Woodside makes possible, was an important hurdle to clear. Expenditure: \$4.3b. Employment: Construction: 2,000. Operation: 200

Pilbara – Balla Balla Infrastructure Project BALLA BALLA JOINT VENTURE BBI Group (BBIG)

Infrastructure project (BBIP), a rail and port development, which when constructed will comprise an integrated port and rail infrastructure system that will provide a new gateway to the iron ore rich Pilbara region in Western Australia. Initial planned annual capacity of the rail and port is 50Mtpa. The Balla Balla port is located halfway between Dampier and Port Hedland. The proposed infrastructure for the BBIP includes a train loading facility at the central Pilbara iron ore source, a 165km single-track standard gauge railway and a multi-user port facility. The Railway (BBI Rail Aus Pty Ltd) Agreement 2017 was ratified in December 2017. Expenditure: \$5.6b. Employment: Construction: 3,300. Operation: 900

Pilbara – West Pilbara Iron Ore Project – API Port/Rail API MANAGEMENT PL

The Australian Premium Iron Joint Venture is proposing to develop the West Pilbara Iron Ore Project. Stage 1 of the project is based on the production of 40Mtpa of direct shipping iron ore from deposits, including Red Hill and Mt Stuart deposits, located 35-80km south west of Pannawonica. The ore is proposed to be transported by a 282km heavy haul railway for export via the proposed multi-user port at Anketell. State and Federal environmental approvals for the mine, rail and port elements of the project are in place. Subject to the successful completion of feasibility studies, and receipt of final regulatory approvals, the company anticipates construction to commence following a decision to proceed by the joint venturers and completion of funding arrangements. Expenditure: \$6.8b. Employment: Construction: 1,500. Operational: 900

Browse to North West Shelf (NWS) - WOODSIDE ENERGY

The BURRUP HUB vision is to realise a number of activities are being advanced simultaneously: Scarborough; Pluto Train 2; Browse to NWS Project; NWS Project Extension and Pluto-NWS Interconnector. The Browse to NWS Project development concept to process third party gas through the NWS Project's Karratha Gas Plant (KGP) will extend the life of the facility for decades. In September 2018, the Browse Joint Venture (BJV) selected the Browse to North West Shelf concept to develop its gas resources at the Brecknock, Calliance and Torosa fields. These fields are estimated to contain a contingent resource of 13.9 trillion cubic feet of gas. The concept involves two floating production, storage and offtake vessels at the fields delivering gas to the North West Shelf Joint Venture's (NWSJV) gas facilities via a 900km pipeline. Through a tolling agreement with the NWSJV the project will produce 10Mtpa of LNG and the equivalent of 1.5Mtpa of domestic gas. The BJV is aiming for commencement in mid 2020s and is expected to be operational for up to 50 years. Expenditure: \$30b

Scarborough LNG Project - WOODSIDE ENERGY

Woodside Energy and BHP are working together to identify an economically viable development option for the Scarborough gas field located offshore, 280km northwest of Onslow, in about 950m of water. The project is at an early stage of consideration with FID targeted for 2020 and ready for start up in 2023. Expenditure: \$14b.

Scarborough to Pluto – WOODSIDE ENERGY

The BURRUP HUB vision is to realise a number of activities are being advanced simultaneously: Scarborough; Pluto Train 2; Browse to NWS Project; NWS Project Extension and Pluto-NWS Interconnector. The Scarborough gas resource is located approximately 375 km west-north-west off the Burrup Peninsula. Woodside are proposing to develop the 7.3 Tcf (2C, 100%) Scarborough gas field through new offshore facilities connecting to a brownfield expansion of the existing Pluto LNG onshore facilities (Pluto Train 2). The offshore development initially includes up to seven subsea, high-rate gas wells tied back to a semi-submersible floating production unit. Reservoir performance will determine the development of future wells. The dry gas would be transported to shore through an export pipeline, approximately 430 km long. Woodside is proposing to expand Pluto LNG through the construction of a second gas processing train with a capacity of about 5 million tonnes per annum (Mtpa) (100% Project) and installation of domestic gas infrastructure of ~200 TJ/d. Woodside entered front-end engineering and design (FEED) for Pluto Train 2 in 2018 and is on track to meet its financial investment decision (FID) target.

Pluto – NWS Interconnector

The BURRUP HUB vision is to realise a number of activities are being advanced simultaneously: Scarborough; Pluto Train 2; Browse to NWS Project; NWS Project Extension and Pluto-NWS Interconnector. Woodside is proposing a pipeline to transport gas from Pluto LNG to the KGP. This Interconnector is intended to provide further flexibility to fill short-term spare capacity at the KGP, through potential accelerated processing of Pluto area gas reserves and other third party gas. The Interconnector completed FEED in 2018. Woodside is proposing the pipeline between the two facilities would be owned and operated by a third party.

Pluto 2

In 2019, Woodside completed front-end engineering and design (FEED) for the construction of a second gas processing train at the Pluto LNG facilities for processing gas from the Scarborough field. Expanding Pluto LNG provides potential to accelerate future developments of other offshore Pluto gas reserves, as well as third-party resources. Expansion activities would also include modifications required to Pluto Train 1 for processing approximately 1.5 Mtpa of Scarborough gas and installation of domestic gas infrastructure to increase capacity to approximately 225 Terajoules per day. Woodside is targeting a final investment decision on Pluto Train 2 in 2021

Local news as at 12 May 2021 reports that “plans for the second train have received backing of Karratha City Council. Karratha councillors have approved a motion to advise the Regional Joint Development Assessment Panel to support the Pluto Train 2 development application. The local government received a development assessment panel application by Rowe Group on behalf of Bechtel and Woodside Energy. The project, located at Pluto LNG Park on the Burrup Peninsula, is expected to have a production capability of 5.3 million tonnes per annum “

Mobile Concrete Batching Plants – Burrup

The Joint Development Assessment Panel approved the development of two (2) mobile concrete batching plants in January 2021 located at Burrup Road.

Scarborough and Pluto Train 2

The Scarborough gas resource is located in the Carnarvon Basin, approximately 375 km west-north-west of Karratha in Western Australia. The Scarborough gas resource will be developed through new offshore facilities connected by an approximately 430 km pipeline to a proposed second LNG train (Pluto Train 2) at the existing Pluto LNG onshore facility.

The proposal was to initially develop the estimated 11.1 trillion cubic feet (100%) of dry gas with eight subsea, high-rate gas wells, and thirteen wells drilled over the life of the Scarborough field, with all wells tied back to a semi-submersible floating production unit (FPU) moored in 950m of water close to the Scarborough field. Approximately five million tonnes per annum (Mtpa) of Scarborough gas will be processed through Pluto Train 2, with up to 3 Mtpa processed through the existing Pluto Train 1.

Woodside has entered into a sale and purchase agreement with Global Infrastructure Partners (GIP) for the sale of a 49% non-operating participating interest in the Pluto Train 2 Joint Venture (Transaction). Completion of the Transaction is subject to conditions precedent including Final Investment Decisions (FID) for the Pluto Train 2 and Scarborough developments; Foreign Investment Review Board approval; execution of the Scarborough PSA and relevant government and regulatory approvals. Following completion Woodside will hold a 51% participating interest in the Pluto Train 2 Joint Venture and remain as operator. The effective date of the transaction was 1 October 2021 and completion is expected to occur in January 2022.

FID has been approved as at 24 November 2021 and the project will now proceed at a total cost of \$16.5Billion.

Pilbara Minerals - Pilgangoora

Australia-based lithium producer Pilbara Minerals has announced its decision to invest around A\$297.5m (\$205.51m) to boost production at its Pilgangoora operation in Western Australia. The firm's Pilgangoora operation comprises two processing plants, including the Pilgan Plant to produce spodumene concentrate and a tantalite concentrate, as well as the Ngungaju Plant to produce a spodumene concentrate.

The board of Pilbara Minerals has now approved as at 2022; the capital investment for the P680 project, which aims to increase the production capacity of the Pilgan plant to 680,000tpa of spodumene concentrate from the previous 580,000tpa. Pilbara Minerals will also build a primary rejection heavy media separation circuit (Primary Rejection) to enable the rejection of low-grade waste material.

It is expected to provide an additional spodumene concentrate production capacity of 100,000tpa at an estimated cost of A\$103m. Pilbara Minerals anticipates the P680 Project, through the new primary rejection circuit, to achieve higher production volumes at lower unit operating costs. The project also includes the installation of an additional heavy media separation (HMS) circuit, adjacent to the existing HMS circuit.

18.2 Comments

Values and rentals had previously fallen dramatically between 2015 and 2017 which followed years of unprecedented 'boom' conditions. The slowing had been caused by the completion of major construction projects in the region and an increase in property stock including new land estates and several high density developments. The fall in prices had seen a number of vendors under duress and mortgagee sales occurring which has placed further downward pressure on prices.

Current market conditions have seen significant increases through 2020 to 2024 with plateauing house price levels over the past 12 -18 months through to January 2025.

Local real estate agents report there are good levels of residential buyer enquiry which is predominantly from owner occupiers and for stock at the lower end of the market. Agents report investors are still entering the market however the majority of purchasers are still owner occupiers. Investors are chasing modern properties with strong lease tenure, preferably government or company tenants at a gross ROI of between 9% - 10%. Owner occupiers predominantly desire traditional style houses on large allotments with room for a shed, pool etc.

With regard to the current market conditions and the average selling period for properties in the locality, a selling period of between 3 to 12 months could be expected for residential englobo properties. This selling period assumes adequate advertising and exposure over the marketing period.

AVS (Northwest) notes that it is important to differentiate between an englobo development site that is 'zoned' capable of multiple dwellings, yet may not be financially viable given the costs of developing the vacant land with services and associated infra-structure.

19 MARKET EVIDENCE

19.1 Sale History

The subject property previously sold for \$1,000,000 +GST as vacant land on 30 June 2022.

19.2 Sales Evidence

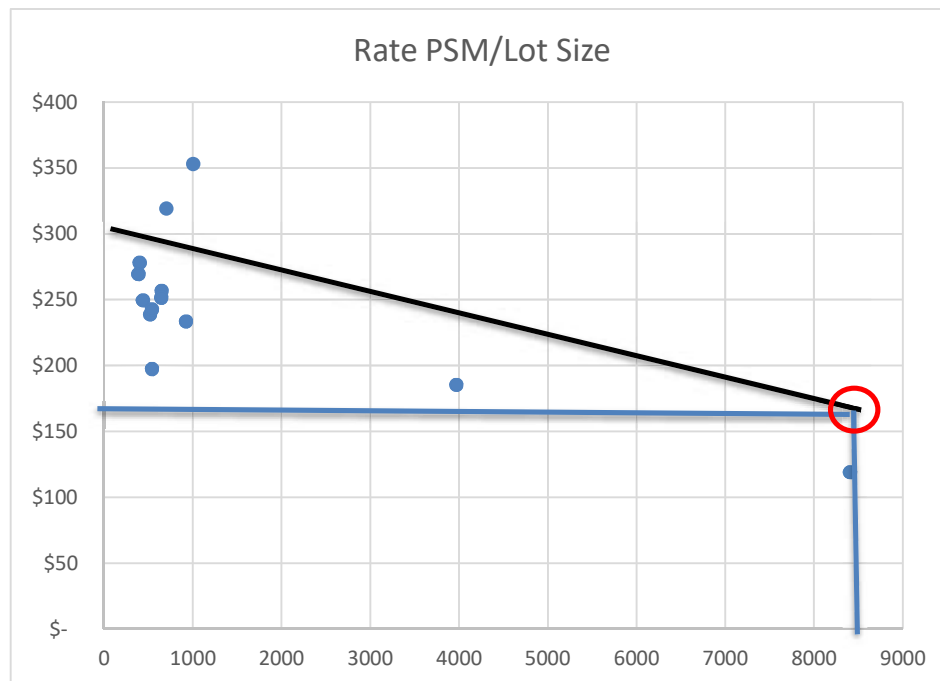
We have had regard to the following sales of single residential vacant sites over the past 12 months in Karratha:

Date	Address	Suburb	Size m2	Sale Price	Rate PSM	Aerial
9/10/2024	26 Karinha Way	Baynton	441	\$ 110,000	\$ 249	
1/07/2024	25 Langwell Lane	Baynton	390	\$ 105,000	\$ 269	
1/07/2024	27 Langwell Lane	Baynton	390	\$ 105,000	\$ 269	
13/06/2024	99 Mujira Ramble	Baynton	1006	\$ 355,000	\$ 353	
2/05/2024	40 Coolajacka Crescent	Baynton	923	\$ 215,340	\$ 233	
2/05/2024	16 Coolerin Road	Baynton	520	\$ 124,160	\$ 239	
2/05/2024	3 Loudon Street	Baynton	541	\$ 106,700	\$ 197	
2/05/2024	70 Prancing Avenue	Baynton	540	\$ 130,950	\$ 243	
1/05/2024	33 Coolerin Road	Baynton	650	\$ 166,840	\$ 257	
30/04/2024	26 Coorbeelie Street	Baynton	648	\$ 162,960	\$ 251	
14/03/2024	1 Ivy Street	Baynton	705	\$ 225,000	\$ 319	
21/02/2024	10 Coolajacka Crescent	Baynton	403	\$ 112,000	\$ 278	

We have only observed 2 englobo sales in Karratha in the past 4 years which is analysed below:

Liability limited by a scheme approved under Professional Standards Legislation

Address	Date/Price	Description	Comparison
481 Bajamalu Drive Baynton	11/11/2021 \$1,000,000+ GST	This is a vacant 8,404m ² lot in Baynton. Zoned Residential R40. Indicates \$119/m ² . Sold to the State Housing Authority.	Good indicator of rate per square metre for englobo land with services running past the front of the property - subject subject. Market has since firmed.
750 Millstream Road Bulgarra	11/6/2021 \$735,000+ GST	This is a vacant 3,971m ² lot in Bulgarra. Zoned 'DA51' Urban Development/DA1 Structure Plan Areas Community Purpose. Indicates \$185/m ² . Sold to the State Housing Authority.	Good indicator of rate per square metre for englobo land with services running past the front of the property such as the subject.



20 VALUATION APPROACH

20.1 Direct Comparison – 'As Is'

The direct comparison method of valuation determines value by using sales evidence and comparing it directly to the subject property. Allowances are made for difference in the properties including land size, aspect, location etc.

20.2 Static Analysis – ‘Hypothetical Subdivision’

We have been provided a concept site plan and have adopted 37 units that could possibly fit the site based on the underlying land area for small sized dwellings to apartments.

We have sourced recent residential subdivision costs at Lot 9001 Winyama Road, Baynton im March 2020 with existing infrastructure in place and road frontage which indicated \$123,000 +GST per site (rounded to \$120,000) in civil costs including internal road circa 2019.

The subdivision at Lot 651 Hancock Way, Bulgarra involved 20 freehold lots at a total subdivision cost of \$2,260,494 +GST for 20 lots equating to \$113,024+GST per lot circa May 2021 which is detailed directly below.

20.3 Lot 651 Hancock Way, Bulgarra (May 2021) Sub-Division Costs

ELEMENT	CREDITOR	DETAIL	PURCHASE ORDER	INV DATE	AUTHORITY	PROJECT BUDGET	PO AMOUNT (EXCL. GST)	CLAIMED (EXCL. GST)	BALANCE OF PO REMAINING	BALANCE OF BUDGET REMAINING
BUDGET	BUDGET - Lot 651 Hancock Way	Council Res 154692 / 154773 / 154786 / NCR XXXXXX				\$ 2,270,000.00				
	Budget Breakdown (inc contingency)									
	Total budget									
EXPENDITURE										
DESIGN WORK										
Consultant Briefs	APP Corporation Pty Ltd		116485	4/11/2020	CEO	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 250.00	\$ 250.00
Review of Background Information, Preparation of Engineering Scope, Surveying Scope of Works and RFP, General Liaison with the City		Claim 01 sent to creditors 05/01/2021	INV169733	23/12/2020	Manager			\$ 2,250.00		
Product & Services Charge	Horizon Power		118377	12/02/2021	Coordinator	\$ 1,214.99	\$ 1,214.99	\$ 1,214.99	\$ -	\$ -
Design Information Package (DIP)		Claim 01	RPO000043135	23/06/2021	Coordinator			\$ 1,214.99		
Feature Survey	Land Surveys NPSS Pty Ltd		117957	2/12/2020	Director	\$ 51,360.00	\$ 51,360.00	\$ 51,360.00	\$ 6.00	\$ 6.00
Contour & Detailed Feature Survey, Utility Locating, Subdivision Plan & Traffic Management		Claim 01 sent to creditors 17/09/2021	INV48414	28/01/2021	Director			\$ 51,360.00		
Lead Consultant	Porter Consulting Engineers		117912	17/12/2020	Director	\$ 103,700.00	\$ 103,700.00	\$ 94,873.60	\$ 8,826.40	\$ 8,826.40
Project Administration, Design and Documentation, Procurement, Construction, Clearances and Titles		Claim 01 sent to creditors 12/09/2021	INV21032	29/01/2021	Manager			\$ 9,900.00		
		Claim 02 sent to creditors 12/09/2021	INV21080	26/01/2021	Manager			\$ 14,200.00		
		Claim 03 sent to creditors 26/09/2021	INV21157	26/09/2021	Coordinator			\$ 5,950.00		
		Claim 05 sent to creditors 19/09/2021	INV21232	30/04/2021	Coordinator			\$ 3,750.00		
		Claim 06 sent to creditors 12/07/2021	INV21286	28/05/2021	Coordinator			\$ 3,495.60		
		Claim 07 sent to creditors 12/07/2021	INV21394	2/07/2021	Coordinator			\$ 2,200.00		
		Claim 08 sent to creditors 30/08/2021	INV21468	30/07/2021	Coordinator			\$ 18,948.00		
		Claim 09 sent to creditors 09/09/2021	INV21526	27/08/2021	Coordinator			\$ 30,710.00		
		Claim 10 sent to creditors 15/10/2021	INV21565	30/08/2021	Coordinator			\$ 11,428.00		
		Claim 13 sent to creditors 12/11/2021	INV21664	29/10/2021	Coordinator			\$ 6,440.00		
		Claim 14 sent to creditors 28/01/2022	INV21767	26/11/2021	Manager			\$ 5,150.00		
		Claim 15 sent to creditors 28/01/2022	INV21816	17/12/2021	Manager			\$ 3,000.00		
		Contingency (linked to variation register)				\$ 1,890.00	\$ 1,890.00	\$ 1,890.00	\$ -	\$ 12,000.00
		DESIGN WORK sub-total				\$ 160,670.99	\$ 172,670.99	\$ 163,588.59	\$ 9,082.40	\$ 2,917.60
CONSTRUCTION WORK										
Subdivision Construction	Norwest Sand & Gravel Pty Ltd		121627	27/06/2021	CEO	\$ 1,677,535.00	\$ 1,808,527.33	\$ 1,909,990.36	\$ 101,063.13	\$ 232,035.36
		Claim 01 sent to creditors 14/07/2021 by Josie	INV 00019885	30/06/2021	Director			\$ 75,045.90		
		Claim 02 sent to creditors 17/08/2021 - revised invoice sent to creditors on 26/08/2021	INV 00020087	13/08/2021	Director			\$ 76,751.33		
		Claim 3 sent to creditors 12/10/2021	INV 00020299	31/08/2021	CEO			\$ 547,894.50		
		Claim 4 with management for signing	INV 00020408	30/09/2021	CEO			\$ 514,307.59		
		Claim 5	INV 00020579	30/10/2021	CEO			\$ 550,553.62		
		Claim 6	INV 00020686	30/11/2021	CEO			\$ 68,314.89		
		Claim 6 RETENTION	INV 00020686	30/11/2021	CEO			\$ 47,642.86		
		Claim 7 RETENTION	INV00022319	25/11/2022	Director			\$ 47,799.76		
		Contingency (linked to variation register)				\$ 101,063.13	\$ -	\$ 101,063.13	\$ -	\$ -
		CONSTRUCTION WORK sub-total				\$ 1,677,535.00	\$ 1,909,990.36	\$ 1,909,990.36	\$ -	\$ 232,035.36
DEVELOPMENT FEES AND CHARGES										
Water / Sewer fees	Water Corporation		122248	19/06/2021	Director	\$ 129,980.00	\$ 115,000.50	\$ 115,000.50	\$ -	\$ 14,979.50
Standard Sewer Infrastructure Contribution		Claim 01 sent to creditors 20/04/2021			Director	\$ 62,200.00		\$ 62,200.00		
Standard Water Infrastructure Contribution						\$ 49,380.00		\$ 49,380.00		
Water Corp Fees						\$ 18,400.00		\$ 533.00		
Water Isolation Fee								\$ 1,356.00		
Waste water Isolation Fee								\$ 1,530.00		
Horizon Power fees	Horizon Power		123130	17/06/2021	Director	\$ 30,000.00	\$ 46,060.88	\$ 46,060.88	\$ -	\$ 16,060.88
Quality Assurance and Commissioning		Claim sent to creditors 24/07/2021	RPO00044400		Manager			\$ 36,850.33		
Cost of Funding (Gilted asset tax)								\$ 9,210.53		
NIN fees	NIN		125834			\$ 12,000.00	\$ 10,909.09	\$ 10,909.09	\$ -	\$ 1,090.91
		Claim sent to creditors 15/09/2021	125834	8/09/2021	Director		\$ 10,909.09	\$ 10,909.09		
Local Authority fee						\$ 5,000.00	\$ -	\$ 890.00	\$ 890.00	\$ 5,010.00
Clearance Fees	City of Karatha							\$ 890.00		
WAPC & Landgate fee	WAPC					\$ 7,700.00	\$ 4,855.00	\$ 4,855.00	\$ -	\$ 2,845.00
Subdivision Freehold Fee		Claim sent to creditors						\$ 4,855.00		
Street Fees	NDCC		127497				\$ 1,033.00	\$ 1,033.00	\$ -	\$ 1,033.00
Vouchers for Hancock way residents		Claim sent to creditors 21/01/2021						\$ 1,033.00		
Postage	Australia Post		128042					\$ 97.35	\$ 97.35	\$ 97.35
		INV 00010654	1/11/2021					\$ 97.35		
Signage Fee	NBS Signmakers		128042				\$ 170.00	\$ 170.00	\$ -	\$ 170.00
Down Lane Street Blades		INV 00010654	1/11/2021			\$ 50,000.00	\$ -	\$ 8,300.00	\$ 8,300.00	\$ 41,700.00
		Contingency (linked to variation register)				\$ 235,580.00	\$ 196,995.47	\$ 187,315.82	\$ 10,320.35	\$ 48,264.18
		DEVELOPMENT FEES AND CHARGES sub-total				\$ 2,073,785.99	\$ 2,259,256.82	\$ 2,260,494.77	\$ 1,237.35	\$ 986,708.76
TOTAL PROJECT COSTS						\$ 2,073,785.99	\$ 2,259,256.82	\$ 2,260,494.77	\$ 1,237.35	\$ 986,708.76

20.4 Lot 9001 Winyama Road, Baynton (March 2020) Sub-Division Costs

ESTIMATE OF ENGINEERING COSTS	\$/Lot
Preliminaries and Establishment	\$ 9,263
Siteworks and Dust Control	\$ 1,701
Earthworks	\$ 12,127
Sewer Reticulation	\$ 13,221
Stormwater drainage	\$ 3,318
Water reticulation	\$ 7,023
Roadworks	\$ 16,842
Footpaths	\$ -
Underground Power	\$ 5,541
National Broadband Network Co	\$ 2,661
Provisional Sums	\$ 2,560
Contract Contingency (10%)	\$ 7,781
Sub Total Contract Works (Value)	\$ 82,039
	\$ -
GST	\$ 8,204
	\$ -
Total Contract Works (Price)	\$ 90,243
	\$ -
Headworks	\$ -
Sewer Reticulation	\$ 3,991
Water Reticulation	\$ 3,167
National Broadband Network Fees	\$ 774
Landscaping Allowance	\$ -
Local Authority Charges	\$ -
Supervision Fees at 1.5%	\$ 370
Maintenance Bond at 5%	\$ 1,196
Water Corporation Fee	\$ 370
Western Power Fees	\$ 3,369
Professional fees	\$ -
Planning	\$ 2,190
Engineering	\$ 7,360
Surveying	\$ 2,560
Geotechnical	\$ 842
Hydrological	\$ 1,348
Traffic Engineering	\$ 169
Project Contingency (10%)	\$ 2,779
Sub total (Value)	\$112,524
GST (excluding headworks)	\$ 10,537
Total Price	\$123,060

As such, the calculations based on 37 units @ an average of \$140,000 for each vacant lot are as follows:

Residual Workback Analysis		
Total Gross Realisation		\$5,180,000
Less: GST on Residential Lot Sales		\$0
Total Selling Costs @ 5.50% of Gross Realisation		<u>\$284,900</u>
Net Realisation		\$4,895,100
Less: Profit & Risk Margin (on Capital Outlay) @ 10.00%		\$489,510.00
Total Capital Outlay		\$4,405,590.00
Less: Interest Costs @ 6.00% per annum for half selling period (6.0 months)		\$129,614
Rates & Holding Costs @ \$3470 per calendar month for half selling period		\$20,820
Development, Titling and Miscellaneous Costs		\$4,440,000
Acquisition Costs @ 4.00%		<u>-\$5,398</u>
Residual In One Line Value (GST Exclusive)	-	-\$179,446
For Practical Real Estate Purposes Adopt	-	-\$180,000

Under this configuration a negative market vale is derived.

As such, the 37 unit plan is not considered financially viable. We have paired the hypothetical subdivision back to 8 large format green title lots at circa 950m² each at an on-sell value of \$220,000 each.

Residual Workback Analysis		
Total Gross Realisation		\$1,760,000
Less: GST on Residential Lot Sales		\$0
Total Selling Costs @ 5.50% of Gross Realisation		<u>\$96,800</u>
Net Realisation		\$1,663,200
Less: Profit & Risk Margin (on Capital Outlay) @ 10.00%		\$166,320.00
Total Capital Outlay		\$1,496,880.00
Less: Interest Costs @ 6.00% per annum for half selling period (6.0 months)		\$44,039
Rates & Holding Costs @ \$3470 per calendar month for half selling period		\$20,820
Development, Titling and Miscellaneous Costs		\$960,000
Acquisition Costs @ 4.00%		<u>\$18,736</u>
Residual In One Line Value (GST Exclusive)		\$453,285
For Practical Real Estate Purposes Adopt		\$450,000

Under this configuration a value of \$450,000 is derived.

Creating 4 super lots at \$450,000 each still does not derive an end value above \$500,000.

No large englobo sales within the last 1-2 years could be identified.

As such, we have had to rely on the more desirable Direct Comparison Approach of comparable englobo parcels. The aforementioned sales ranged between \$110,000 and \$1,000,000 excluding GST. The sale at the lower end of the range is a smaller 390m² lot in Baynton. The sale at the upper end of the range is the subject property.

Sale rates per square metre for smaller singular lots indicated circa \$200/m² to \$350/m².

The englobo sale at 750 Millstream Road, Bulgarra comprising a 3,971m² vacant lot in June 2021 for \$735,000 +GST indicates a rate per square metre of \$185/m². Applying a lower rate per square metre given the larger size of the subject derives a rate of \$170/m² (refer graph above).

20.5 Summary – ‘As Is’

It is obvious that subdivision costs currently make this site financially unviable for the creation of green title lots. As such, we have relied upon englobo lot sales and individual smaller lot sales to derive a rate per square metre of \$170/m².

The rate per square metre of \$170/m² derives an englobo value of \$1,400,000 (rounded) excluding GST.

21 SWOT ANALYSIS

Strengths:	<ul style="list-style-type: none">• Large residential land holding.• Ability to subdivide.• Development already has road frontage and passing services.• Close to town centre
Weaknesses:	<ul style="list-style-type: none">• High development costs.• Average demand.• Capital expenditure required.
Opportunities:	<ul style="list-style-type: none">• Improve the site with off the plan apartments.• Further develop site (STCA).
Threats:	<ul style="list-style-type: none">• Mortgagee sales in the market placing downward pressure on values.• The Pilbara Region is driven by the resources sector with property prices heavily reliant on continued growth and demand by major trading partners such as China. This makes the property market very vulnerable to economic cycles.• The property is located in a cyclonic region.

22 VALUATION CERTIFICATE

We certify that it is our considered opinion that the market value "As Is" (excluding GST) of Lot 481 Bajamalu Drive, Baynton, WA 6714 as at 21 January 2025:

\$1,400,000
(One Million Four Hundred Thousand Dollars)
The given value is exclusive of GST

Certification and Disclaimer

We hereby certify we have inspected and identified the above property on 21 January 2025 and assess the Market Value of the property as above.

The valuation is for the use only of the party to which it is addressed and is not to be used for any other purpose. No responsibility is accepted or undertaken to any third parties in relation to this valuation and report.

The valuer's inspection and report does not constitute a structural survey and is not intended as such.

Furthermore, we hereby certify neither the valuer and nor this firm have any direct or indirect financial or other interest in the property described herein.

This valuation is current as at the date of valuation only. The market value assessed herein may change significantly and unexpectedly over a short period. We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.



Kevin Kelly B.Bus (Val) FAPI

Director

Certified Practising Valuer

Licensed Valuer 44088



23 ASSUMPTIONS AND LIMITATIONS

Valuation Subject to Change Premise 1: Real estate values vary from time to time in response to changing market circumstance and it should, therefore, be noted this valuation is based on information available at the date of valuation. No warranty can be given as to the maintenance of this value for greater than 3 months from the date of valuation. It is, therefore, recommended this valuation be reviewed periodically.

Our Investigation Premise 2: This valuation is conducted on the basis this practice is not engaged to carry out all possible investigation in relation to the property. Certain limitations to investigations have been identified to enable you to instruct further investigations if you consider this appropriate. AVS (Northwest) are not liable for any loss occasioned by a decision not to instruct further investigations.

Assumptions Premise 3: Assumptions are a necessary part of this valuation. AVS (Northwest) has adopted assumptions because some matters are not capable of accurate calculation, or fall outside the scope of our expertise, or our instructions. Assumptions adopted by AVS (Northwest) are formulated on the basis they could reasonably be expected from a professional and experienced valuer undertaking a similar valuation. However, the risk of any of the assumptions adopted in this document being incorrect should be taken into account, and AVS (Northwest) does not warrant or represent these assumptions are entirely accurate or correct.

Information Supplied by Others Premise 4: This document contains a significant volume of information which is directly derived from other sources without verification by AVS (Northwest), including but not limited to tenancy schedules, planning documents and environmental or other expert reports. We confirm we are not instructed to verify this information. Further, the information is not adopted by AVS (Northwest) as our own, even where it is used in our calculations. Where the content of this document has been derived, in whole or part, from sources other than AVS (Northwest), AVS (Northwest) does not warrant or represent such information is accurate or correct.

Future Matters and GST Premise 5: To the extent this document includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on information known to AVS (Northwest) at the date of this document. AVS (Northwest) does not warrant such statements are accurate or correct. The general nature of the operation of GST is now known, however specific issues continue to arise which impact on market values. This valuation is based on assumptions relating to GST as noted in the body of this report. If any of the assumptions are found to be incorrect, or if the party on whose instructions this valuation is provided wishes our valuation to be based on different assumptions, this valuation should be referred back to AVS (Northwest) for comment and, in appropriate cases, amendment.

Site Details Premise 6: A current survey has not been sighted. The valuation is made on the basis there are no encroachments by or upon the property and this should be confirmed by a current survey report and/or advice from a Registered Surveyor. If any encroachments are noted in a survey report, we should be consulted to reassess any effect on the value stated herein.

Property Title Premise 7: We have conducted a brief title search only. We have assumed there are no further easements or encumbrances not disclosed by this brief title search which may affect market value. However, in the event a comprehensive title search is undertaken which reveals further easements or encumbrances; We should be consulted to reassess any effect on the value stated herein.

Environmental Conditions Premise 8: In the absence of an environmental site assessment relating to the subject property, we have assumed the site is free of elevated levels of contaminants. Other than where specifically noted in our report, our visual inspection of the subject property and immediately surrounding properties revealed no obvious signs of site contamination. Furthermore, we have made no allowance in our valuation for site remediation works. However, it is important to point out that our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the subject property. If a test is undertaken at some time in the future to assess the degree, if any, of contamination of the site and this is found to be positive, we reserve the right to review our valuation herein, should we deem it to be necessary.

Town Planning Premise 9: It is assumed that information provided to AVS (Northwest) by the relevant Local Authority Town Planning Department is accurate. In the event a Town Planning Certificate is obtained and the information therein is found to be materially different to the town planning information detailed within this report, we reserve the right to amend the advice provided herein. Unless detailed in the body of this report we were not advised of any road widening or other adverse planning proposals affecting the property.

Valuation Methodology Premise 10: The primary valuation methodology adopted by AVS (Northwest) is the direct comparison approach. This methodology uses market derived assumptions, yields and discount rates obtained from analysed transactions. The adopted methodology is considered to provide the best estimate of value AVS (Northwest) can produce, but it is an estimate only and not a prediction of sale/rental or guarantee of value. Our valuation is fully dependent upon the accuracy of information provided to AVS (Northwest) and to market derived assumptions obtained from analysed transactions. The most relevant transactions are detailed in this report. We do not represent AVS (Northwest) as an expert for data, such as economic, demographic or construction costs which has been obtained from external sources.




No Liability to Third Parties Premise 11: This report is not to be relied upon by any other person or for any other purpose. We accept no liability to any other third parties nor do we contemplate this report will be relied upon by other third parties. We invite other parties who may come into possession of this report to seek Underwriters written consent to them relying on this report. We reserve the right to withhold our consent or to review the contents of this report in the event our consent is sought.

Privacy Premise 12: In accordance with the Federal Privacy Act, information supplied is now regarded as private information. Under the Act, information collected for one purpose may only be used for a secondary purpose if that purpose is related and could be reasonably expected. In this context, AVS (Northwest) is not able to give permission for the information to be published by a third party. All data and analyses produced by AVS (Northwest) are provided on the condition it is the responsibility of the receiver of such information to conform with privacy legislation. If you are a business and use personal information or aggregate such and any other information with that obtained from Australian Valuation Services (North West), it is your responsibility to conform with privacy legislation.

Statement of Professional Indemnity Insurance Premise 13: AVS (Northwest) currently carries Professional Indemnity Insurance cover. This valuation is not precluded under the terms of this insurance.

AVS (Northwest) participates in a Limited Liability Scheme which is approved by the API under Professional Standards Legislation.

24.2 Certificate of Title

 WESTERN AUSTRALIA		TITLE NUMBER Volume Folio 2795 952
RECORD OF CERTIFICATE OF TITLE UNDER THE TRANSFER OF LAND ACT 1893		
<small>The person described in the first schedule is the registered proprietor of an estate in fee simple in the land described below subject to the reservations, conditions and depth limit contained in the original grant (if a grant issued) and to the limitations, interests, encumbrances and notifications shown in the second schedule.</small>		
 REGISTRAR OF TITLES		
LAND DESCRIPTION:		
LOT 481 ON DEPOSITED PLAN 68020		
REGISTERED PROPRIETOR: (FIRST SCHEDULE)		
ACERO CONSTRUCTION PTY LTD IN 1/2 SHARE WA INVEST GROUP PTY LTD IN 1/2 SHARE BOTH OF 39 SOMERSET CRESCENT SOUTH HEDLAND WA 6722 AS TENANTS IN COMMON		
(T P201363) REGISTERED 30/6/2022		
LIMITATIONS, INTERESTS, ENCUMBRANCES AND NOTIFICATIONS: (SECOND SCHEDULE)		
1. P201364 CAVEAT BY WESTERN AUSTRALIAN LAND AUTHORITY LODGED 30/6/2022		
Warning:	A current search of the sketch of the land should be obtained where detail of position, dimensions or area of the lot is required. Lot as described in the land description may be a lot or location.	
-----END OF CERTIFICATE OF TITLE-----		
STATEMENTS:		
<small>The statements set out below are not intended to be nor should they be relied on as substitutes for inspection of the land and the relevant documents or for local government, legal, surveying or other professional advice.</small>		
SKETCH OF LAND:	DP68020	
PREVIOUS TITLE:	2772-952, 2785-812	
PROPERTY STREET ADDRESS:	LOT 481 BAJAMALU DR, BAYNTON	
LOCAL GOVERNMENT AUTHORITY:	CITY OF KARRATHA	

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