HAWKS NEST RESIDENTIAL REZONING PROPOSAL

Prepared for Core Property

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Prepared by: Lands Advisory Services and Wraight Consulting

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3 SUBJECT SITE

The subject site is located at eastern end of Sanderling Avenue adjacent and to the east of the Hawks Nest Golf Club. The site was formerly Crown land that was granted to the Karuah Local Aboriginal Land Council via land claim. The site is now owned Core Property Development and Leric.

The site was formerly part of a larger lot 7318 DP 1162737, a plan of subdivision has been registered Land and Property Information, the site is now identified as Lot 1 DP 1162737, see figure 1, with the remainder of the former lot as lot 2 DP 1162737.

The subject site sits adjacent to land owned by the Hawks Nest Golf Club and is approximately 700 meters from the Hawks Nest shopping centre

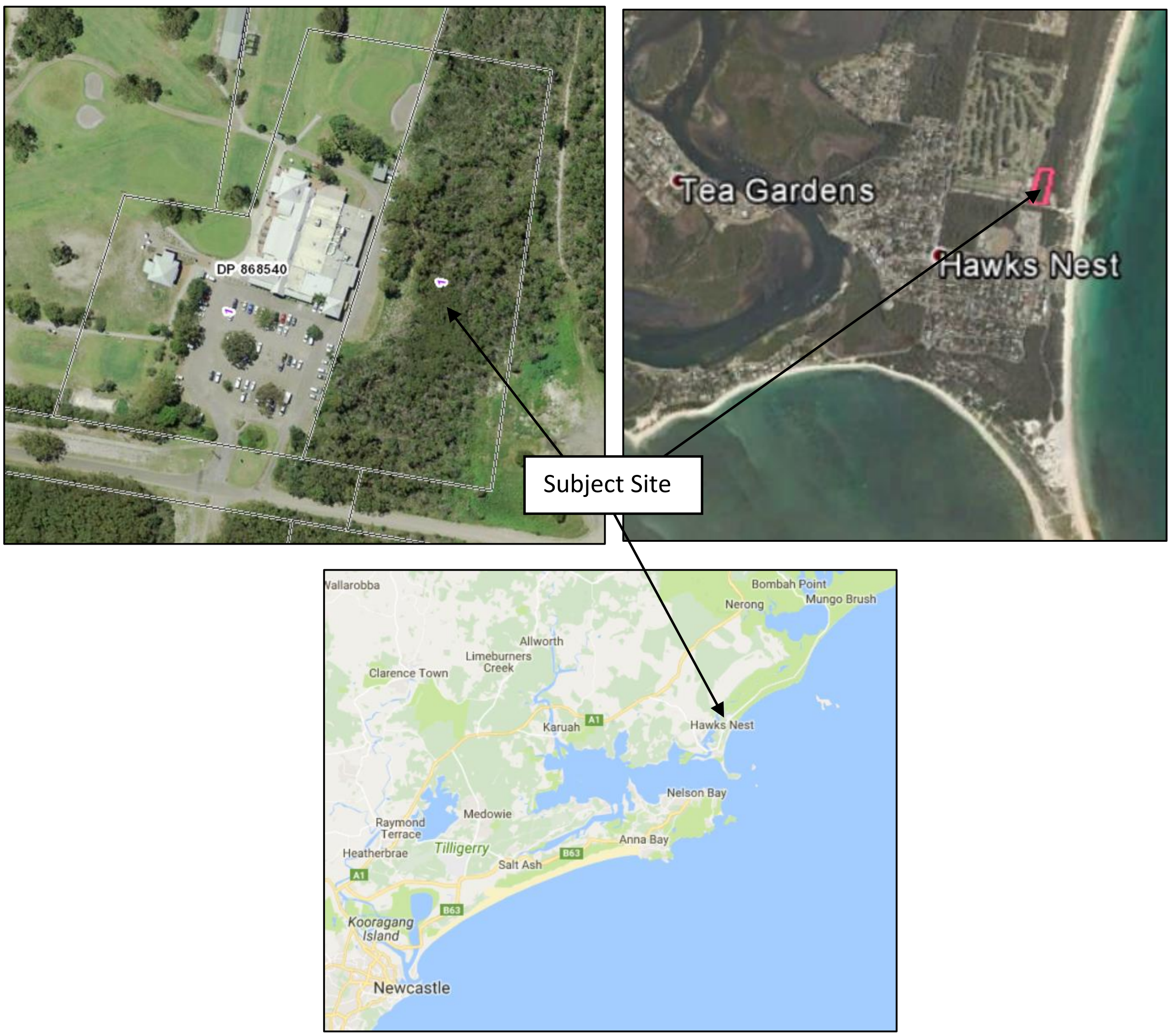

Figure 1: Lot 1 DP 1162737 Hawks Nest Locality Images

4 PLANNING PROPOSAL

The Planning Proposal seeks to rezone the subject site from RE1 Public Recreation to R3 Medium Density Residential to permits a major residential tourism accommodation project over the subject site.

The proposed developed allows for the following:

- 124 new apartments one, two and three bedrooms including penthouse accommodation
- Infrastructure Upgrades

The project has an estimated construction value of $59.8M based on current projections.

It is acknowledged from the outset that the size of the project is significant for a locality such as Hawks Nest. However, based on current apartment sales for the Hawks Nest Tea Gardens area and the over 55 retirees demand for premium well located retirement accommodation options we believe the scope and size of the project is realistic and deliverable within a 5 to 10 year time frame.

5 HAWKS NEST TEA GARDENS SUPPLY AND DEMAND ANALYSIS

The development project behind this planning proposal is focused on delivering a residential over 55 retirement living community based on a strata title ownership. Depending on overall demand it is probable that apartments will be made available to those wishing to purchase holiday accommodation and/or serviced apartments.

To understand the scope and size of the development an analysis has been undertaken of the current supply and demand of residential property in both Hawks Nest and Tea Gardens. Based on the information provided in table 1 and figures 2 and 3 below it is evident that Hawks Nest experiences much higher unit sales than Tea Gardens. This is considered to be primarily a function of supply. The critical piece of supporting information for this project is that overall for the period May 2016 to May 2017 there was a combined total of 72 unit sales with these sales being based on turnover of existing stock as there have been no new unit developments in the area for some time.

HAWKS NEST AND TEA GARDENS PROPERTY SALES MAY 2016 to MAY 2017

HAWKS NEST		
Number or residential properties	1755	
Number of all sales	105	
Total Houses	1030	
Number of House Sales	52	
Total Units	578	
Number of Unit Sales	49	
Total Vacant Land	51	
Number of Land Sales	4	
TEA GARDENS		
Number or residential properties	1705	
Number of all sales	117	
Total Houses	1030	
Number of House Sales	74	

Total Units	211	
Number of Unit Sales	23	
Total Vacant Land	242	
Number of Land Sales	20	

Table 1: Hawks and Tea Gardens Property Statistics

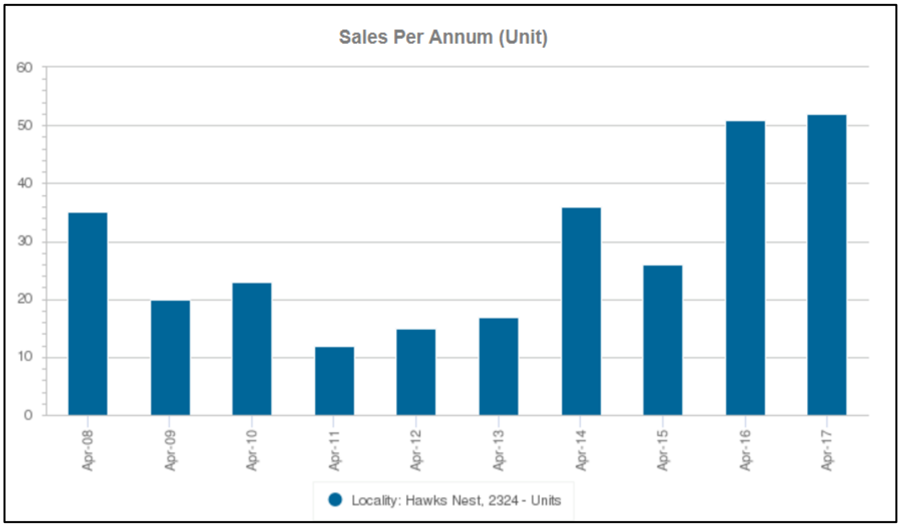

Figure 2: Hawks Nest Unit Sales 2008-2017 (Source: RP Data)

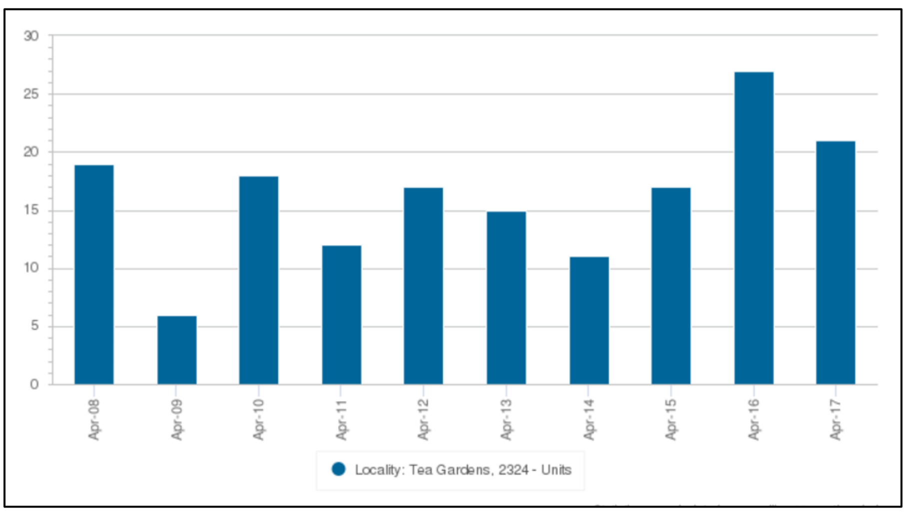

Figure 3: Tea Gardens Unit Sales 2008-2017 (Source: RP Data)

5.1 TEA GARDENS

The numbers of sales of new retirement village home and vacant land (on which homes are immediately constructed) is approximately 225 over the period May 16 to May 17. Research suggests that in line with the ABS 2016 Tea Gardens population demographics figures that 90% of these sales are to potential retirees for permanent occupation in lieu of the minimal sales to holiday and short-term occupiers

Again, research suggests these Tea Gardens permanent residence buyers are taking full advantage their existing home values in Sydney's North Western and Hills District suburbs.

Values that in many cases have exceeded their expectations to the point they have sold these existing homes and have moved North choosing Tea Gardens as their 'later in life' residential location.

The principle venue within Tea Gardens over the past 4 years has been a recently developed retirement village known as Tea Gardens Palm Lake Retirement Resort and vacant residential land within the Myall Quays residential development. With 200 plus homes now completed and a with further 80 under construction will bring this project to completion.

Further to these developments an additional 27 homes are now under construction within an existing Tea Gardens Retirement Village known as The Grange.

Vacant land availability in Tea Gardens is very low with 95% of all existing vacant lots committed to current home building approvals and it is anticipated that further residential land releases within Tea Gardens will not be forthcoming before 2019/20.

5.2 Hawks Nest

Hawks Nest has a differing buyer demographic and occupation usage to that of the neighbouring village of Tea Gardens. Whilst approximately 350 property sales occurred over the 4 year census period the Hawks Nest population has only increased by 100 persons.

To support the population increase it is important to note a number of older holiday rental properties have been converted to permanent rental properties, this would account for much of the 100 people increase. The majority of 384 property sales in Hawks Nest over the past 4 years have been made to holiday and short-term owner occupiers.

Prices achieved for the traditional Hawks Nest 1980's weekender (be it a home or typical 2 bedroom flat) have shown modest price increases due to holiday and short term occupiers higher expectations for a quality property.

There are very few quality properties are available in Hawk Nest as a consequence of nil housing developments (single dwelling of medium density) having been commenced post 2006

Typical weekend Hawk Nest buyer types of higher quality properties are from Sydney's North Shore. These weekender North Shore buyer types encourage all tiers of their family to use their property throughout the year thus taking advantage of following key attributes that Hawks Nest has to offer:

- Two hour drive from Sydney's North Shore
- Hawks Nest's natural attributes
- Unspoiled safe swimming beaches
- All weather high quality golf coarse
- Fishing and other outdoor activities
- Caring and safe permanent community

It is our view that very few Hawk Nest properties are selling to potential retiree's due to the nil to very limited availability of quality homes and/or apartments.

It is this resource of potential retirees and cashed up professional who we believe would be buyers of the quality properties that will offered up by this development. Hence, we are of the view that there is a readymade market willing to buy into Hawks Nest they just need the right quality properties to be made available for purchase.

5.3 PROJECTED DEMAND

Based on previous sales of units for both Hawks Nest and Tea Garden we have ran three different scenarios to determine the length of the project. The three scenarios are modelled as presented in figure 3 below are sales rates based on 36, 55 and 70 unit's sales per annum.

This modelling is based on the new stock that will be supplied from this project consuming the existing demand that is currently present in the market. This indicates that the project will a life of between 1 to 3 years. This project life cycle is considered to be reasonable from a feasibility perspective. The concept of the overall project has also been designed so that each unit block of around 30 to 40 units can be individually constructed as demand permits. The timing and staging of this development overall enables a great deal of flexibility to meet sales demand.

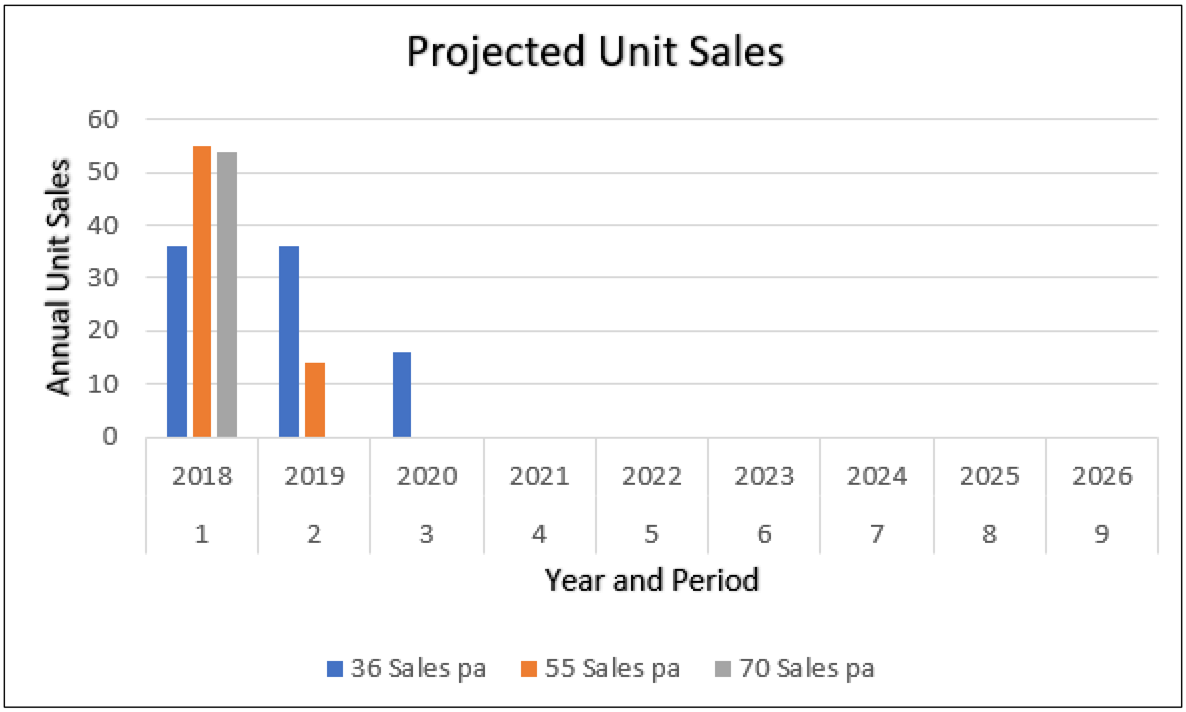

Figure 4: Project Units Sales based on sales rate of 36, 55 and 70 Sales per annum

It is not without reason however that the annual demand and sales of unit stock offered by this project will outstrip the projections based around the analysis as presented in figure 3. With the very strong demand coming from the baby boomer generation for high quality well located retirement accommodation and the location of the project only two hours from the northern suburbs of Sydney demand is predicted to be relatively strong.

Sales of similar type products located adjacent to established Golf Courses in the Newcastle area are showing very strong sales with high demand. This project offers not only being located adjacent to a championship golf course but also being located within fifty metres of the Hawks Nest Beach.

5.4 Market Focus

The Hawks Nest Tea Gardens area has long established itself as a retirement area for former residents of Northern Sydney. Our analysis indicates that sales to retirees is strong, particular in Tea Gardens, the limited sales to retirees in Hawks Nest we believe to be entirely a function of supply.

We believe that the primary buyer of unit in this development will come from the Northern Sydney and greater Newcastle areas, these buyers will be cashed up due to the significant increases in property prices from which they have benefited. Hawks Nest as a location will also enable these buyers to still be one to two hours from family.

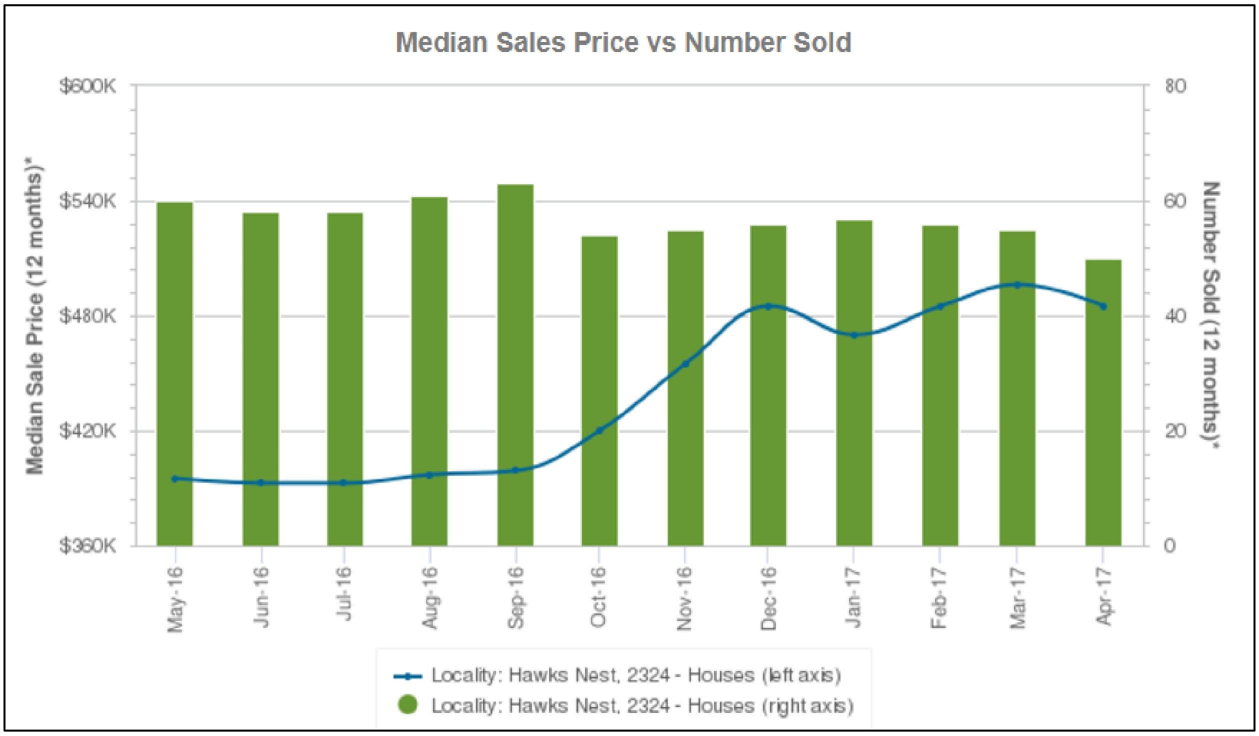

Figure 5: Sales and number of properties sold for Hawks Nest (source: RP Data)

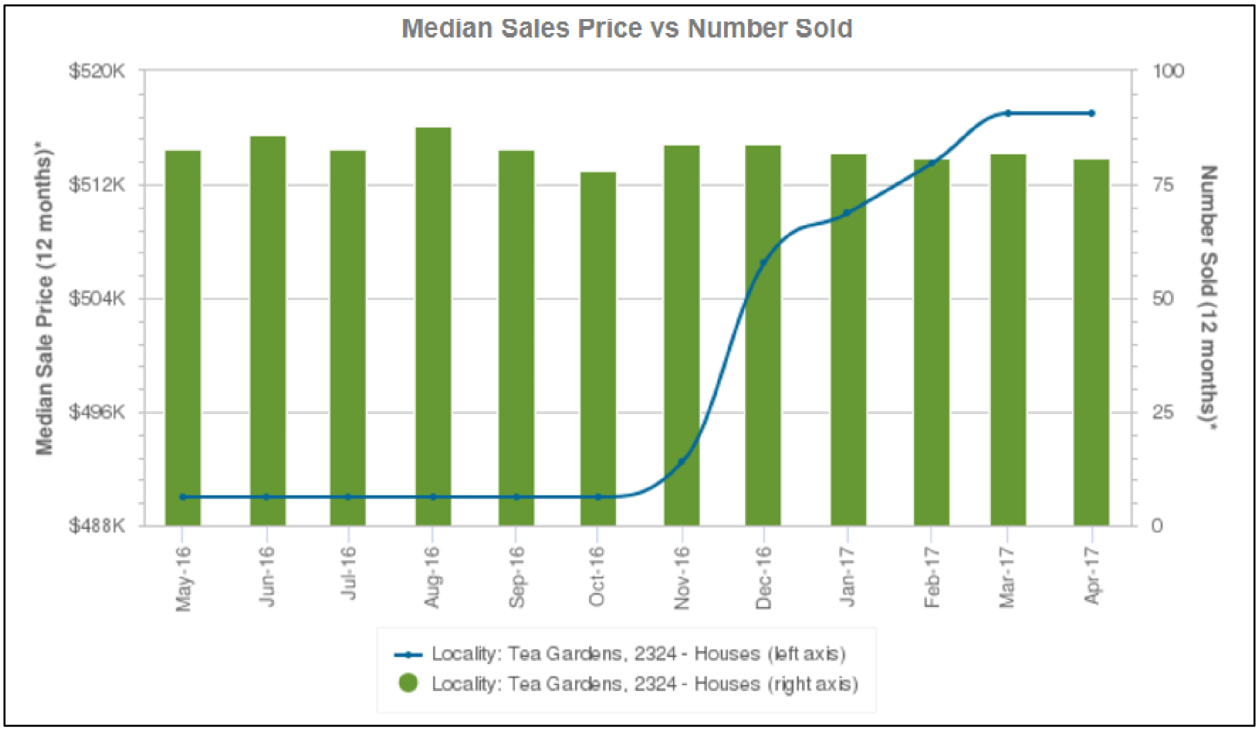

Figure 6: Sales and number of properties sold for Tea Gardens (source: RP Data)

6 Demographics

We have undertaken an analysis of the population, dwellings and age profiles for the Mid Coast Council area based on 2016 Local Government Area Population and Household Projections and Implied Dwelling Requirements as published by the NSW Department of Planning and Environment.

The population of the Mid Coast Local Government Area (LGA) is expected to see it strongest growth across the age cohorts from 60 years old to 85 plus. This growth profile is presented as per figure 5 below.

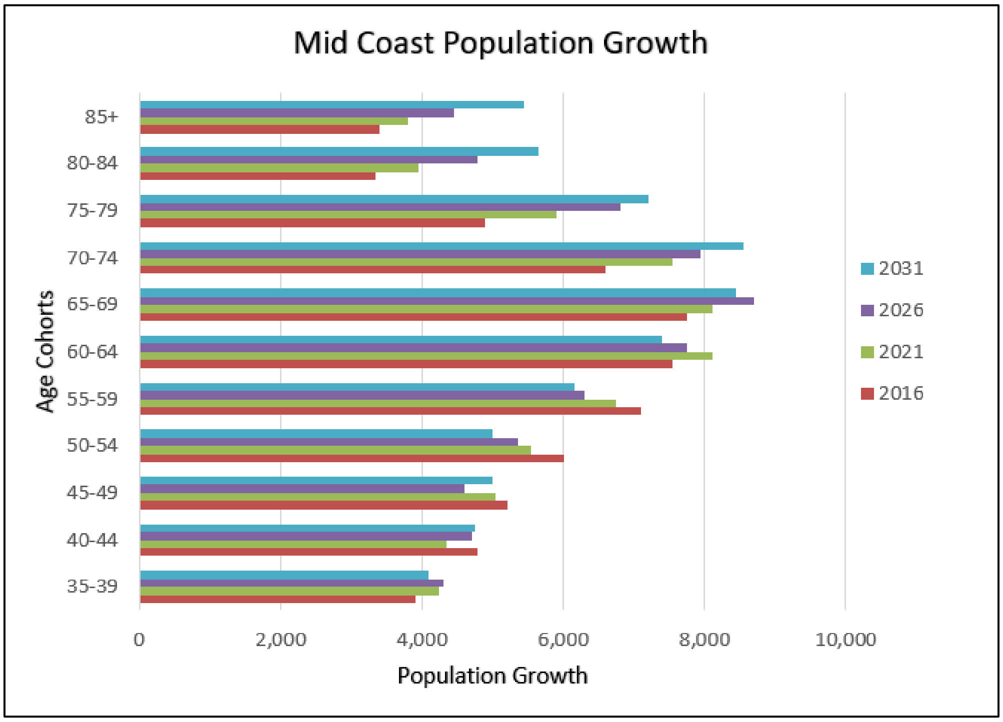

Figure 7: Mid Coast Population Growth across Age Cohorts

The growth profile in the older age cohorts is not unexpected as these coastal regions are very popular retirement locations for the ageing population. This anticipated growth profile in population fits very well the development project which is subject of this planning proposal and the buyers it is targeting.

The population growth rate per five year period from 2011-16 to 2031-36 shows a worrying declining trend as per figure 6 below. This declining trend is similar to adjoining local government areas and we understand is more reflective of overall projected population growth rates rather than being specific to the Mid Coast Council LGA.

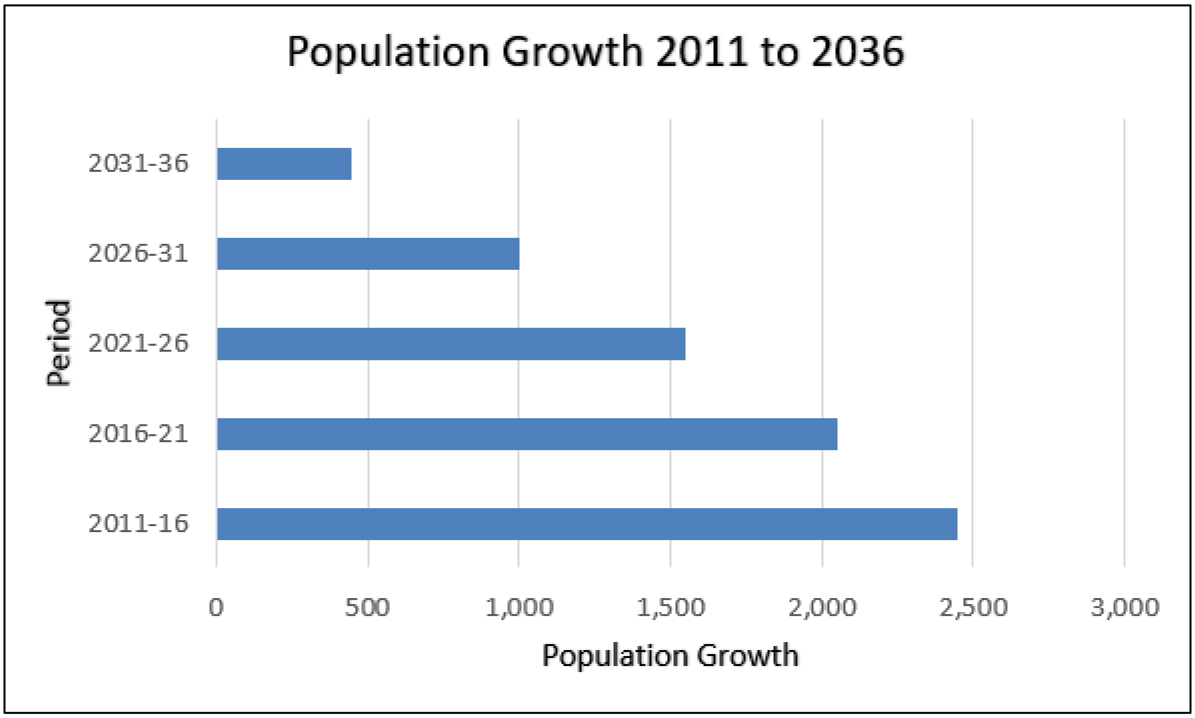

Figure 8: Mid Coast LGA Population Growth 2011-2036

As the population growth for the Mid Coast LGA is predicated to decline for the period 2016 to 2036 as expected so is the predicted demand for new dwellings (figures 7 and 8 below). Albeit the demand for new dwellings for the periods 2016 – 2021 is estimated to be 3,900, this project will consume only seven percent of this predicted demand, a very small number.

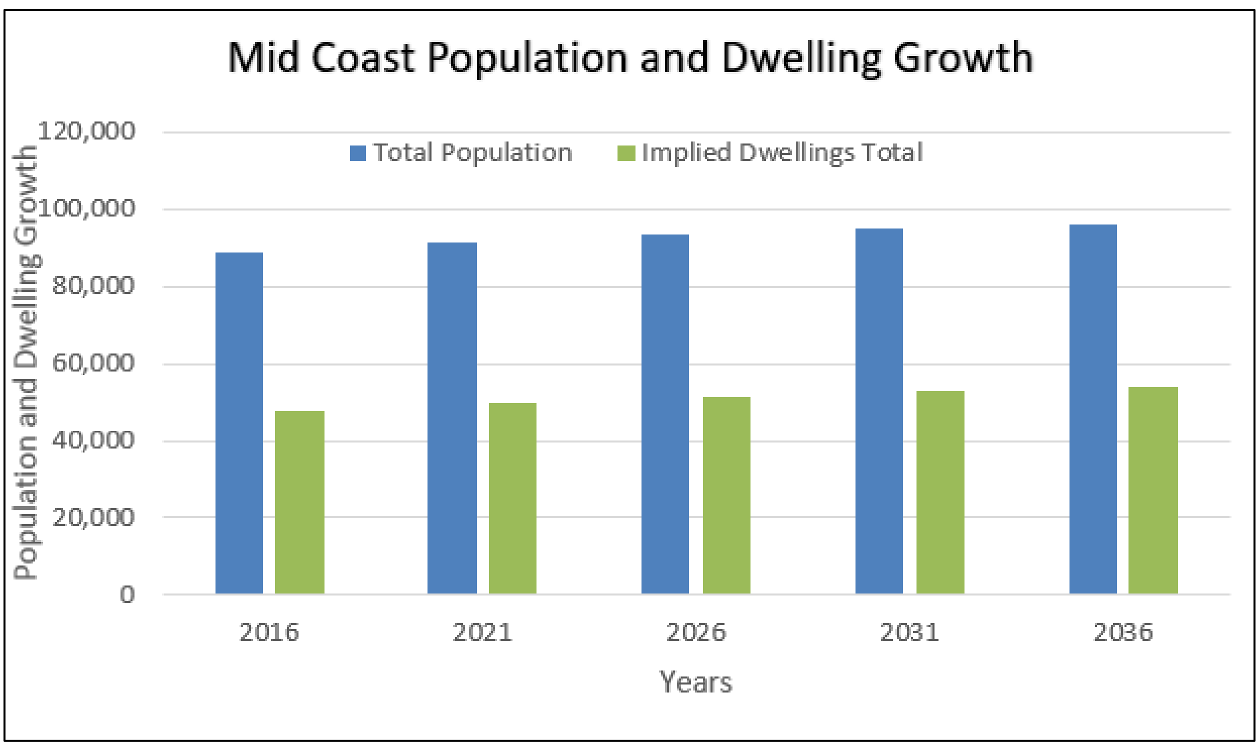

Figure 9:Mid Coast LGA Populated and Implied Dwellings Total

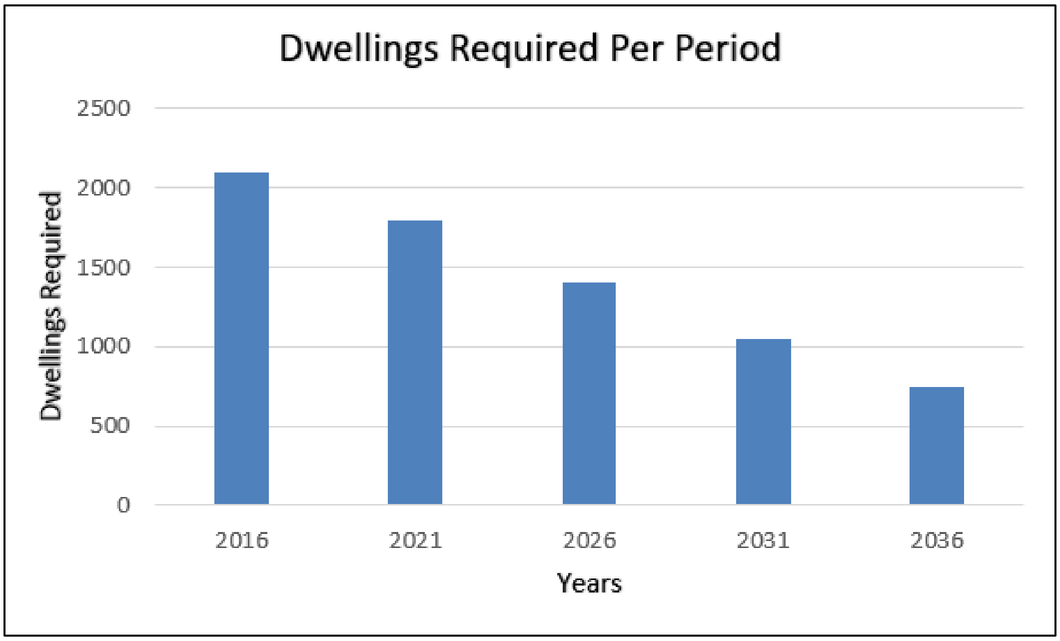

Figure 10: Mid Coast LGA Predicted dwellings required

It is also reasonable to assume desirable coastal destinations such as Hawks Nest will we be where new residents to the area want to live, so it makes sense that the provision of new accommodation is focused on these areas.

6.1 Local Demographics

The population and employment demographics for Hawks and Tea Gardens is replicated in figure 9 below. This proposal at say two residents per dwelling would see an increase in the overall population of both suburbs by approximately 6%, for Hawks Nest alone the proposal would see an overall increase in population of 20% over the full life of the project. This projected increase is considerable however it would be slow and gradual over a period of least 3 to five years.

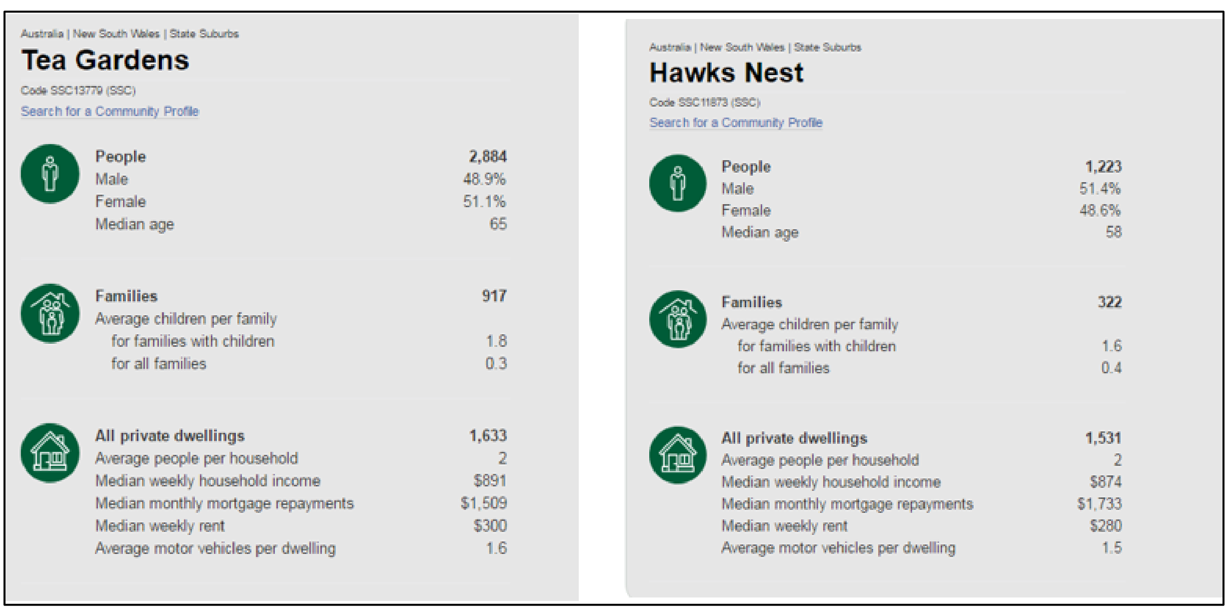

Figure 11: Hawks Nest and Tea Gardens Demographics

Such an increase in local population will bring with it many economic benefits which are fully explored in the section 7 of this report. This increase in population will also support recent rezoning proposals by the former Great Lakes Council to provide more commercial space in Hawks Nest. These new residents whether permanent or semi-permanent will be financially well off and have high level capacity of discretionary spend which will support local businesses.

7 ECONOMIC BENEFITS

The development concept that sits behind this planning proposal consists of the construction of new residential accommodation and associated infrastructure, the full list of development items with estimated costs is a per table 2 below. The total construction cost of the whole development is approximately $59,800,000.

CONSTRUCTION COSTS

ITEMS	NUMBER	RATE	TOTAL COST
Apartments	124	$450,000	$55,800,000
Infrastructure			$4,000,000
			$59,800,000

Table 2: Hawks Nest Development Construction Costs

7.1 CONSTRUCTION BENEFITS

Housing and building construction is estimated to generate 9 jobs across the construction industry per $1M worth of construction spending[1], an estimated 2 direct construction jobs are created per $1M worth of construction spending. Based on a construction spend of $59.8M as per table 2 we estimate that the direct construction jobs that could be generated over the life of this project is in the vicinity of 141 and total construction jobs potentially created across the construction industry in the vicinity of 555. Note not all of these jobs will necessarily be located in Hawks Nest or the local region. The purpose of undertaking these calculations is to not so much as rely on the exact figures but to demonstrate the multiplier effects and benefits that a project such as this can generate.

The total multiplier for output and employment for the construction industry is estimated to be 2.866[2] for every $1M in construction output. Based on this estimate it is projected the total economic output of this project to be in the range of $171.4M.

We also project that construction workers employed locally on the project throughout its construction will spend around $422,000 in local retail expenditure. This expenditure will provide a direct benefit to local retailers throughout the construction life of the project.

7.2 NEW RESIDENTS – RESIDENTIAL ONLY

To understand the retail spend of new residents that this project will bring to Hawks Nest we have modelled two different scenarios. The first being a total take up of all units by permanent residents and the second being a fifty/fifty split between permanent and tourism accommodation. It has been

[1] HIA Economics Group
[2] Housing Industry Association

assumed in the second scenario for the tourism accommodation component that these units would be made available to the tourism sector as serviced apartments.

For scenario 1 we have assumed that the majority of residents would be retirees and have therefore adopted the average weekly income of $502 per person based on the Australian Bureau of Statistics 2013-14-year data. We have also assumed the majority of buyers of the residential apartments would be buying without the need to rely on debt, therefore we have assumed most of their disposal income would go to supporting lifestyle choices and that there would be two occupants per residential unit

So as to determine the local retail spend that could accrue from this development we have assumed that fifty percent of each individual's weekly income would be spent on retail expenditure such as meals, groceries, events, day trips etc., Based on these assumptions the retail spending benefit that could accrue from new residents would be in the vicinity of $3.2M. Note that not all of this income would be spent directly in Hawks Nest and/or Tea Gardens, larger regional centres such as Newcastle would also directly benefit from these new residents.

7.3 Combined Residential and Tourism

Under this scenario we have assumed fifty percent of units will be taken up by permanent residents and the remaining to be taken up and used for tourism purposes. For the residential component of the calculation we used the same assumptions as per section 7.2. For the tourism component we have adopted a daily spend of $134[3], 145 rooms available for letting at an occupancy rate of forty percent[4]and an occupancy of two people per room. This generates an annual tourism retail spend of $2.4M. Therefore, the combined retail spend under this model is in the vicinity of $4M per annum.

7.4 Serviced Accommodation

Assuming that half of the available units were taken up as tourism accommodation and offered back to the market as serviced accommodation we estimate that the revenue that could be generated would be approximately $1.17M annually. This is based on an average room rate of $130[5] per night and an occupancy of 40%[6].

7.5 Employment Generation

The future projected local employment demand of the proposed development suggested a demand for both permanent full time and part time casual positions consisting of the following:

Holiday and Short-Term Rental Properties

- Property administration/bookings – 4 positions
- Property (strata amenities) maintenance/gardening - 4 positions
- Apartment housekeepers/cleaners - 9 positions
- Increase staffing within existing Hawks Nest commercial operations - 8 positions

We suggest a total of 24 full and part-time employment positions will be created with holiday and short-term rental apartments that are created as part of this development proposal.

[3] Destination NSW – Great Lakes LGA
[4] Destination NSW – Great Lakes LGA
[5] Destination NSW – Great Lake LGA – Average room rate
[6] Destination NSW – Great Lakes LGA – Average occupancy rate

Permanently Occupied Apartments

- Housekeepers/cleaners – 8 positions
- Full and part time careers – 6 positions
- Internal maintenance – 2 positions
- Increase staffing within existing Hawks Nest commercial and medical operations – 4 positions

We suggest a total of 20 full and part-time employment positions will be created with permanently occupied apartments that are provided as part of this development proposal.

Overall it is our view that this development proposal could provide for 44 full and part time jobs within Hawks Nest. This boost alone in employment will provide a major boost to the local Hawks Nest economy.