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The Principal  
Jannali No.1 Pty Ltd

**Submitted electronically**

Re: Development Feasibility Study for 544-550 Box Road, Jannali NSW 2225

**Executive Summary:**

The purpose of this development feasibility study is to assess the viability of the development proposed for 544-550 Box Road, Jannali under the current planning controls with the maximum floor space ratio (FSR) of 2:1, maximum height of 20 metres whilst maintaining active street frontages in accordance with current Jannali Town Centre DCP. The study evaluates the technical, financial, and market aspects of the project to determine its feasibility and potential for successful redevelopment under the current planning controls.

The findings of this study will serve as a basis for decision-making regarding the project's implementation.

**Introduction:**

The development proposed is the demolition of existing retail premises and replacement with additional retail and residential apartments as shop-top housing. The architectural plans provided allow for a more extensive development with a proposed FSR of 3.8:1 and an overall height of 30m, however, our instructions are to provide a feasibility based upon the same retail and active street frontage, similar floor plate for the residential apartments, however, limit the floor space and height to the current planning controls (FSR 2:1 and Building height 20m)

On this basis the development will yield a maximum floor space of 2368m<sup>2</sup>, maintaining the retail and active street frontages, the retail portion of the FSR is 934m<sup>2</sup> (570m<sup>2</sup> GLA), which leaves an available 1434m<sup>2</sup> from the residential apartments. Whilst maintaining the current architectural floor plate the building height would be approximately a maximum of 18.4m when measured from the lowest point on Box Road frontage. The retail and apartment breakdown per floor would be as follows:

Lower Ground Floor – Retail - 237 m<sup>2</sup>

Ground Floor – Retail - 697m<sup>2</sup>

Level 1 – GFA 545m<sup>2</sup>, 7 apartments (3 x 1 bedroom, 3 x 2 bedroom, 1 x 3 bedroom)

Level 2 – GFA 545m<sup>2</sup>, 7 apartments (3 x 1 bedroom, 3 x 2 bedroom, 1 x 3 bedroom)

Level 3 – GFA 344m<sup>2</sup>, 4 apartments (4 x 2 bedroom)

Total GFA for Level 1-3 = 1434m<sup>2</sup>; Total Apartments = 18 ( 6 x 1 bedroom, 10 x 2 bedroom 2 x 3 bedroom)



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Car parking has been allowed for a total of residential and visitor parking of 23 parking spaces, with 19 car parking spaces to service to retail portion of the development. This will require the lower ground, plus two levels of basement car parking.

### **Market Analysis of Yield:**

Detailed discussions have taken place with local Real Estate agent Saunders Real Estate of Jannali; recent comparable sales of recently developed apartment buildings in the area indicate the likely sale value for apartments to be as follows:

#### **Residential:**

- 1 bedroom apartment: \$620,000 - \$630,000
- 2 bedroom apartment: \$760,000 - \$800,000
- 3 bedroom apartment: \$940,000 - \$980,000

#### **Retail:**

Rental yield in Jannali varies, however, \$300 per m<sup>2</sup> is generally accepted as a realistic rental value. Based upon 4.5% ROI and GLA of 570m<sup>2</sup>, the expected realisable value for the retail spaces is \$3,800,000.00

$$\begin{aligned} \$300 \times 570\text{m}^2 &= \$171,000.00 \text{ p/a} \\ \$171,000 / 4.5\% \times 100 &= \$3,800,000.00 \end{aligned}$$

For this feasibility study, we have adopted the lower end of expected sales figures to determine possible total revenue. Refer to the table included in Appendix B

### **Technical:**

Neither a geotechnical report nor an environmental report was provided to us for this feasibility. However, our knowledge of the local area would lead us to believe the basement excavation is likely to be in sandstone bedrock and allowance for this has been made in our feasibility. No allowance has been made to remove or remediate the site if contamination or hazardous materials are found. Consideration must be given to possible council constraints, Class B hoardings, traffic control and other items that may become apparent if a development consent is issued.

### **Development Cost Analysis:**

A development cost analysis to evaluate the project's financial feasibility is included in Appendix A. Our analysis includes the estimate for the total project cost (design and construction) and includes land holding costs and taxes, financing, consultants, council and other fees, demolition and construction costs (including the excavation in sandstone), GST based on the margin scheme, contingency for potential cost overruns, insurances, project management, real estate commissions on sales and risk. The effects of statutory changes for



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example COVID lockdowns and the impact of CPI above the normal range of 2-3% on the price rise in material costs and labour have not been included.

**Conclusion:**

Under the current Sutherland Shire LEP controls in particular the yield and revenue based upon a floor space ratio (FSR) of 2:1 and height limit of 20m, the feasibility demonstrates the return on investment will be a **capital loss**.

Expected Nett Revenue	\$16,181,818.00
Development Costs	\$26,242,554.00

Banks and other lenders will require a return on investment (ROI) ranging from 20-25% demonstrated in the feasibility before considering the provision of project finance. Currently, more conservative investment strategies such as bank fixed-term deposits will provide a return on investment ranging from 4.8% to 5.1%.

We recommend that the project does not proceed further until more favourable controls for the floor space ratio and height are achievable. More favourable LEP controls will increase the overall yield and feasibility of the project.

**Appendix:**

Appendix A - Development Cost Analysis.

Appendix B – Revenue Analysis

Yours Faithfully,

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## APPENDIX A – DEVELOPMENT COST

LAND ACQUISITION AND ASSOCIATED COSTS				\$8,436,000.00
CONSULTANTS				\$1,785,500.00
INSURANCES				\$65,000.00
COUNCIL/SUBDIVISION/LSL/CERTIFIER				\$231,400.00
AUTHORITIES (WATER/ELECTRICITY/GAS)				\$445,000.00
FINANCE & INTEREST				\$1,017,625.00
LEGALS & LAND TITLES/STRATA				\$146,800.00
MARKETING & ADVERTISING				\$75,000.00
ONGOING RATES & LAND TAX ETC				\$212,000.00
CONSTRUCTION COSTS				\$13,828,229.00
Demolition & Building support	1	Item	\$250,000	
Residential Areas	1434m2	\$3500/m2	\$5,019,000	
Retail /BOH / Stores etc	1570m2	\$2900/m2	\$4,553,000	
Balconies	360m2	\$1200/m2	\$432,000	
E.O for Bedrock Excavation	1	Item	\$660,660	
Basement / Car parking	1996m2	\$950/m2	\$1,896,200	
CPI	1	Item	\$376,826	
Design Contingency/Variation	1	Item	\$640,543	
ESTIMATED TOTAL DEVELOPMENT COSTS				\$26,242,554



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## APPENDIX B – REVENUE (JANNALI, NSW 2226)

<b>Retail</b>			\$3,800,000.00
<b>Residential</b>			\$13,200,000.00
Level 1			
1 - Bedroom	3 No.	\$620,000.00	
2 - Bedroom	3 No.	\$760,000.00	
3 – Bedroom	1 No.	\$940,000.00	
Level 2			
1 - Bedroom	3 No.	\$620,000.00	
2 - Bedroom	3 No.	\$760,000.00	
3 – Bedroom	1 No.	\$940,000.00	
Level 3			
2 - Bedroom	4 No.	\$760,000.00	
<b>Total Gross Revenue</b>			\$17,000,000.00
Less GST (margin scheme)		\$818,182.00	
<b>Total Nett Revenue</b>			\$16,181,818.00