



# **REPORT and VALUATION**

**PORT HEDLAND INTERNATIONAL AIRPORT**

**PRECINCT 3**

**39 LOT SUBDIVISION**

**PREPARED BY  
DAVID LIGGINS F.A.P.I  
CERTIFIED PRACTISING VALUER  
LICENSED VALUER NO. 48  
WESTERN AUSTRALIA**

**SEPTEMBER 2011**

**LEVEL 9, 220 ST. GEORGE'S TERRACE PERTH WA 6000  
TELEPHONE: 08 9481 3233 – FACSIMILE 08 9481 3499 – MOBILE: 0438 416 263  
EMAIL: david@liggins.com.au**

**VALUATION SUMMARY**

- PROPERTY:** Port Hedland International Airport  
Precinct 3 Proposed 39 Lot Sub division  
Port Hedland WA
- ADDRESSEE:** Town of Port Hedland  
McGregor Street  
Port Hedland WA 6721
- INSTRUCTED BY:** Chief Executive Officer  
Town of Port Hedland  
McGregor Street  
Port Hedland WA 6721
- DATE OF VALUATION:** 29<sup>th</sup> September 2011
- DATE OF INSPECTION:** 7<sup>th</sup> September 2011
- PROPERTY DESCRIPTION:** Proposed 39 lot sub division in Precinct 3 comprising vacant land of approximately 112.9458 hectares being portion of the Port Hedland International Airport currently the subject of a detailed Land Use Master Plan development proposal.
- INTERESTS VALUED:** Freehold and Ground rental values of all Lots 1 to 39 "AS IF COMPLETE" (I.e. Services connected and individual Titles) and Ground rentals for Lots 34 and 35 "AS IS" (I.e. formal Lease on the site area with the occupant connecting essential services at their cost).
- TITLE DETAILS:** Portions of:  
Lot 31 - Certificate of Title Volume 1259 Folio 730,  
Lots 2443 and 2444 in Certificate of Title Volume 2212 Folio 731,  
Lot 11 - Certificate of Title Volume 1657 Folio 119.
- REGISTERED PROPRIETOR:** Shire of Port Hedland is the registered proprietor of all titles.
- ENCUMBRANCES:** Refer to Section 7.
- ZONING:** "Airport" in accordance with Port Hedland TPS Number 5.
- ASSESSMENT OF VALUES:**

The "AS IF COMPLETE" and "AS IS" values excluding GST for each lot in the proposed Subdivision subject to the conditions and limitations confirmed in this report, are in accordance with the following Schedule:

**PORT HEDLAND AIRPORT - PRECINCT 3 SUBDIVISION LOT VALUES**

Lot No.	Area M2	Lot Value (m2)	Lot Value (Serviced)	Lot Value (Unserviced)	Ground Rent 7.50%	M2pa	Ground Rent 10.00%	M2pa
1	5,257	\$225	\$1,182,825		\$88,712	\$16.88		
2	3,000	\$250	\$750,000		\$56,250	\$18.75		
3	3,000	\$250	\$750,000		\$56,250	\$18.75		
4	3,000	\$250	\$750,000		\$56,250	\$18.75		
5	3,000	\$250	\$750,000		\$56,250	\$18.75		
6	3,000	\$250	\$750,000		\$56,250	\$18.75		
7	3,000	\$250	\$750,000		\$56,250	\$18.75		

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8	4,326	\$250	\$1,081,500		\$81,113	\$18.75		
9	4,207	\$250	\$1,051,750		\$78,881	\$18.75		
10	3,000	\$250	\$750,000		\$56,250	\$18.75		
11	3,000	\$250	\$750,000		\$56,250	\$18.75		
12	29,918	\$150	\$4,487,700				\$448,770	\$15.00
13	2,950	\$250	\$737,500		\$55,313	\$18.75		
14	2,000	\$275	\$550,000		\$41,250	\$20.63		
15	2,000	\$275	\$550,000		\$41,250	\$20.63		
16	1,838	\$275	\$505,450		\$37,909	\$20.63		
17	5,128	\$225	\$1,153,800		\$86,535	\$16.88		
18	4,200	\$250	\$1,050,000		\$78,750	\$18.75		
19	4,200	\$250	\$1,050,000		\$78,750	\$18.75		
20	6,250	\$225	\$1,406,250		\$105,469	\$16.88		
21	10,100	\$200	\$2,020,000				\$202,000	\$20.00
22	5,054	\$225	\$1,137,150		\$85,286	\$16.88		
23	6,204	\$225	\$1,395,900		\$104,693	\$16.88		
24	7,985	\$225	\$1,796,625		\$134,747	\$16.88		
25	10,031	\$200	\$2,006,200				\$200,620	\$20.00
26	10,016	\$200	\$2,003,200				\$200,320	\$20.00
27	10,734	\$200	\$2,146,800				\$214,680	\$20.00
28	11,167	\$200	\$2,233,400				\$223,340	\$20.00
29	9,673	\$200	\$1,934,600				\$193,460	\$20.00
30	10,399	\$200	\$2,079,800				\$207,980	\$20.00
31	10,601	\$200	\$2,120,200				\$212,020	\$20.00
32	8,350	\$200	\$1,670,000		\$125,250	\$15.00		
33	22,249	\$175	\$3,893,575				\$389,358	\$17.50
34	100,000	\$75		\$7,500,000			\$750,000	\$7.50
<b>34</b>	<b>100,000</b>	<b>\$100</b>	<b>\$10,000,000</b>				<b>\$1,000,000</b>	<b>\$10.00</b>
35	600,000	\$50		\$30,000,000			\$3,000,000	\$5.00
<b>35</b>	<b>600,000</b>	<b>\$70</b>	<b>\$42,000,000</b>				<b>\$4,200,000</b>	<b>\$7.00</b>
36	100,000	\$100	\$10,000,000				\$1,000,000	\$10.00
37	33,477	\$150	\$5,021,550				\$502,155	\$15.00
38	33,540	\$150	\$5,031,000				\$503,100	\$15.00
39	33,604	\$150	\$5,040,600				\$504,060	\$15.00
	<b>1,829,458</b>	<b>\$67.96</b>	<b>\$124,337,375</b>	<b>\$37,500,000</b>	<b>\$1,673,906</b>			
	Total Lot Areas	Av. M2						

Please note Lots 34 and 35 above indicate "Serviced" and "Unserviced Values"

Other values assessed in accordance with specific requests are;

- 1 "AS IS" ENGLOBO VALUE FOR THE TOTAL SITE** subject to approval for 39 lots as per plan - **\$49,350,000**
- 2 "AS IF COMPLETE" VALUE FOR LOT 34** of 100,000 square metres - **\$10,000,000**
- 3 "AS IF COMPLETE" VALUE FOR LOT 35** of 600,000 square metres - **\$42,000,000**

**4 "AS IF COMPLETE" LEASEHOLD (Ground Rental)** for Lot 34 of 100,000 square metres - **\$10.00 per square metre per annum net**

**5 "AS IF COMPLETE" LEASEHOLD (Ground Rental)** for Lot 35 of 600,000 square metres - **\$7.00 per square metre per annum net.**

**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. The above commentary is a synopsis only designed to provide a brief overview and must not be acted on in isolation.

Only the original of the Valuation Report can be relied upon and under no circumstances can copies of the Valuation Report be relied upon unless the authenticity of the Report is verified in writing by the signatory of the original Valuation Report.

**ASSUMPTIONS**

The assessment of the respective values of individual lots proposed in Precinct 3 Subdivision is tendered on the basis of certain assumptions, conditions and limitations which include;

- The proposed Subdivision is approved, proceeds and is completed in accordance with the Port Hedland International Airport Land Use Master Plan.
- Information provided by the Shire of Port Hedland, Landgate, and RP Data.
- Engineers confirming estimated costs to connect services to all lots.
- Connection of services and issue of individual Titles.
- Standard terms and conditions in Formal Lease documentation for Lots to be leased.

**VALUER:**

David Liggins F.A.P.I.  
Certified Practicing Valuer  
Licensed Valuer No.48 W.A.

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## 1. INSTRUCTIONS

This Report and Valuation has been prepared by the undersigned at the request of the Chief Executive Officer Town of Port Hedland to assess the respective freehold and leasehold values of the proposed 39 lot Precinct 3 Subdivision at Port Hedland International Airport including the;

- 1 "As Is" Englobo Value for the total site assuming Approval for the proposed 39 lots as per plan.
- 2 "As If Complete" freehold values of Lot 34 of 100,000 square metres and Lot 35 of 600,000 square metres.
- 3 "As If Complete" Leasehold (Ground Rental) of Lot 34 of 100,000 square metres and Lot 35 of 600,000 square metres.

I confirm having inspected the property and completed the necessary enquiries to assess the respective values of each lot in accordance with the definitions of "Market Value" adopted by the Australian Property Institute i.e.,

a) *Sale Value*

*"Market value is the estimated amount for which an asset should exchange as at the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion."*

b) *Ground Rental*

*"The estimated amount for which a property, or space within a property, should lease on the date of valuation between a willing lessor and a willing lessee on appropriate terms in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"*.

Proper Valuation Practice and sections under the Land Valuers Licensing Act 1978 require all valuations reports to clearly specify on what basis the subject property is being valued.

In that respect the alternatives are,

*"AS IS VALUE", which provides the current market value of the property as it currently exists rather than the value of the proposed development,*

*"AS IF COMPLETE VALUE" which provides a value that assumes the proposed development to be in a completed state as at the date of valuation and reflects current market conditions at the date of valuation.*

*"PROPOSED DEVELOPMENT VALUE", which is a valuation of a proposed development that must include in the report definitions of "AS IS" and "AS IF COMPLETE" values together with values for each.*

It should also be noted the assessment of values are based on the facts and evidence as they existed as at the date of valuation and no warranty can be given to the maintenance of the value into the future.

## 2. DESCRIPTION OF PROPERTY

The proposed Precinct 3 subdivision, one of four Precincts planned at the Port Hedland Airport, comprises 39 lots and the required portion of land extends from the western boundary of the Airport runway to the southern boundary (BHP railway line) with the western boundary adjoining the Unallocated Crown Land corner of Great Northern Highway and the railway line with the eastern boundary adjoining the Department of Defence site.

**ANNEXURE 1** is an **Overhead Plan** indicating the location of the 4 Precincts.

**ANNEXURE 2** is the **Proposed Sub-Division Plan** which takes up a major portion of Precinct 3 providing a total of 39 lots ranging from 1,838 square metres to the largest lot of 600,000 square metres over a total land area of 102.8455 hectares.

The subdivision development is clearly described in the **Port Hedland International Land Use Master Plan Revision 3.3** released June 2011 prepared by Whelans Town Planning and Parsons Brinckerhoff Environmental and Engineering.

The report is detailed and appears to have addressed the pertinent issues in the overall development involving some 900 hectares in four Precincts surrounding the airport terminal and runways and I have relied on the contents to form an opinion of the land values.

### 3. LOCATION DETAILS

The Port Hedland International Airport is located on the Great Northern Highway approximately 13 kilometres south of the Port Hedland town site with main entry via Waldren Drive with an alternative point of access to the south.

Great Northern Highway virtually borders the Airport to the northern boundaries with Wilson Street to Port Hedland to the north with a south turn of the Highway connecting to Marble Bar and Broome.

The Port Hedland International airport is a single level terminal building with leasehold tenancies to the north and south east of the terminal occupied by Aviation companies, Air BP, Mobil, hire car companies, Royal Flying Doctor Service and others.

**ANNEXURE 3A and 3B** identify the existing Leased Areas including the two Transient Workers Accommodation buildings, (Port Haven and Mia Mia) occupying leased areas 2 and 4.

Wedgfield, the designated suburb in Port Hedland, is to the west of Precinct 3 and north west of South Hedland.

### 4. LEGAL DESCRIPTION

Precinct 3 land occupies portion of the following Titles,

1. Lot 31 - Certificate of Title Volume 1259 Folio 730
2. Lot 11 - Certificate of Title Volume 1657 Folio 119 and
3. Lots 2443 and 2444 - Certificate of Title Volume 2212 Folio 731

**ANNEXURE 4** is a **photocopy of Title for Lot 31.**

Copies of Titles 2 and 3 could not be searched as they are "Subject to Dealing".

The Registered Proprietor of the above titles is Shire of Port Hedland or Town of Port Hedland and Encumbrances on Lot 31 is Easement to Minister for Works document A451572.

Easements on the other Certificate of Title cannot be confirmed.

### 5. PROPOSED DEVELOPMENT

**ANNEXURE 1- SITE PLAN** prepared by TPG Town Planning and Urban Design confirms a total of 39 lots comprising;

24 lots (1,838 m2 to 9,673 m2)	103,622 square metres
7 lots (10,016 m2 to 10,601 m2)	73,048 square metres
2 lots (22,249 m2 to 29,918 m2)	52,167 square metres
3 lots (33,477 m2 to 33,604 m2)	100,621 square metres
2 lots each 100,000 m2	200,000 square metres
1 lot of 600,000 m2	600,000 square metres

The contours of the vacant portions of the airport land are basically flat with extensive remnant vegetation void of any structural improvements with AHD rising from approximately 4 metres at the north west corner of the property to approximately 11 metres on the southern side of the site.

## **6. SERVICES**

The Master Plan confirms the situation with the required extension of services to Precinct 3. Power services Precincts 1 and 2 however to extend power of sufficient capacity to Precincts 3 and 4 major upgrade works are required.

Currently there are four water mains in Precinct 3 which will involve easements to develop the land however water catchment in Port Hedland is under considerable pressure and shortages are likely to limit development potential in the short term.

Waste water is not currently provided by Water Corporation in the area and there are no plans to provide gravity vacuum or pump waste water systems for the proposed development area.

Wedgfield industrial area is serviced by septic tanks which would suggest a similar system may be possible to parts of the proposed development.

Roads providing access to all lots are to be constructed.

Estimated costs to connect the above services into Precinct 3 are addressed in this report under **Section 17 SUBDIVISION COSTS**.

## **8. TOWN PLANNING**

Precinct 3 is designated "Airport" under the Town of Port Hedland Local Planning Scheme No 5 refer **ANNEXURE 6 – ZONING TABLE**.

Permitted uses include;

"AA" uses - Hotel, Transient Workforce Accommodation and Infrastructure,

"SA" uses – Motel and Intensive Agriculture,

"IP" uses - General industry, Light industry, Service industry and Storage facility/depot/lay down areas.

## **9. ENVIRONMENTAL CONSIDERATIONS**

In 2006 the Department of Environment and Conservation established a Contaminated Site Database on their website and a search of the Register indicated the subject property is not listed as a Contaminated Site having asbestos and other hazardous products.

The Master Plan indicates the site is not known to be contaminated although refuelling of aircraft and motor vehicles has the potential for minor fuel spills.

Historical records of the site were searched including health records with a possibility there maybe numerous effluent lines associated with the airport plus buried refuse and enquires as to dangerous goods included unexploded ordnances suggest some possibility of risk following hostile bombardment of the airport during World War II.

In the event contamination of the soil (on or beneath the surface) is detected during development and deemed to represent a hazard under the Occupational Health and Safety and Welfare Act, I reserve the right to re assess and confirm the values of all lots to whom the report is addressed.

## **10. NATIVE TITLE**

Almost all of the town of Port Hedland is under Native Title claims however the Airport land is predominantly free hold land and therefore not subject to Native Title.



An Indigenous Heritage search in 2010 confirmed there are 11 sites all of which are classified as “open access with no site access restrictions”.

I have assumed development of Precinct 3 will not be hindered and is unaffected, however, in the event any claim is registered against the property, I reserve the right to re assess values.

#### **11. STRUCTURAL IMPROVEMENTS**

Nil

#### **12. GOODS AND SERVICES TAX (GST)**

A Goods and Services Tax (GST) became effective on 1 July 2000 and in relation to the property market in a majority of cases GST is not payable on the sale of established residential properties but is payable on the sale and rental income on vacant and improved commercial, retail and industrial properties.

In my opinion sales of all lots in Precinct 3 will attract GST and recommend you seek the advice of an appropriately qualified accountant/lawyer on lot sales sold and others that are leased and likely to be sold at a future date.

Unless otherwise stated herein, the opinion of values expressed in this Report is exclusive of any GST, which may be applicable.

#### **13. ECONOMIC CONDITIONS**

Australia’s economy continued to strengthen during 2010 and into 2011 with CPI increases in all States and Territories from 2.6% to 3.6% to year end March 2011.

In Western Australia retail turnover grew by a seasonally adjusted 3.5% to year end March 2011 higher than the national average of 0.8%.

Building approvals have tapered away notwithstanding an increase in the State’s population by approximately 2.1% and a low seasonally adjusted unemployment rate of 4.1%.

Western Australia maintains its position as the dominate exporter in the Australian economy with iron ore the leading export commodity with petroleum and gold counting for 87% of all mineral and petroleum sales in 2010.

Exports to China, Japan and the Republic of Korea increased 40%, 55% and 73% respectively.

The State Department of Mines and Petroleum detailed in “Prospects Magazine April to May 2011” projects that have commenced or committed to commence around Western Australia in the North West, Midwest and South West will be in excess of \$120 billion.

In September 2011 the Reserve Bank decided to keep the cash rate at 4.5% and recommended borrowers take the opportunity to increase savings.

However notwithstanding Australia’s strong economic health compared to other nations many economists are of the opinion the global financial crisis that emerged in 2007 is not over with “Sovereign” debt in five European nations, Japan and USA in serious shape and likely to be so at least until 2012, 2013.

#### **14. PORT HEDLAND PROPERTY MARKET**

There are in excess of 150 homes for sale in Port Hedland and South Hedland with the median price currently at at \$877,000.

The population is approximately 16,000 and together with fly-in fly-out employees in the various industries there are currently approximately 20,000 passenger movements in the airport each month which is expected to increase by 80% over the next 2 years requiring extensions and improvements to the existing airport terminal.

Commercial properties are limited and tightly held whereas there is a selection of vacant sites and improved industrial properties for sale and lease in Wedgefield.

## 15. SALES AND LEASING ACTIVITY

### 1. SALES

The most recent Wedgefield industrial land release “Hedland Junction” offered 21 light industrial lots and 19 transport/development lots.

The light industrial lots ranged 2,280 square metres to 3,302 square metres at rates of \$271 per square metre to \$285 per square metre with the two largest sites of 5,176 square metres available at \$252 and \$260 per square metre excluding GST.

The transport/development lots of 5,000 to 9,000 square metres were offered at \$249 to \$262 per square metre excluding GST with the six larger sites ranging 13,400 to 25,695 square metres offered at \$240 per square metre and \$173 per square metre respectively.

Eight of the light industrial area lots were sold and 5 of the transport development lots with Titles yet to be issued.

Sales of other established industrial lots in the Wedgefield location include:

**Address: Lot 500 Iron Ore Street Wedgefield**

Sold: \$6,457,000

Date: November 2010

Comments: Vacant site of 80,000 square metres rectangular shape, frontage of 244 metres to Iron Ore Street and 228 metres to Pinnacles Street.

Purchased by Landcorp to subdivide and provide serviced industrial lots to cater for projected demand.

Reflects \$80 per square metre.

**Address: 10 Peawah Street Wedgefield**

Sold: \$2.8 million

Date: August 2010

Comments: Vacant industrial zoned lot 11,455 square metres with services connected, rectangular shape, frontage of 106 metres.

Reflects \$244 per square metre.

**Address: 8 Murrena Street Wedgefield**

Sold: \$5,750,000

Date: December 2010

Comments: 21,306 square metre industrial site with secondary access to side street.

Improvements include transportable office buildings with ancillary structures with above standard of electrical and plumbing services connected.

Sale price basically reflects land value at \$270 per square metre.

**Address: 7 Trig & 16 Murrena Street Wedgefield**

Sold: \$3.3 million

Date: December 2010

Comments: Two adjoining lots of 4,836 and 4,176 square metres allowing through access to both streets with substantial improvements erected in 1968 reflecting an improved rate of \$365 per square metre.

Property now for sale for \$4 million plus GST.

**Address: 4 Trig Street Wedgefield**

Sold: \$1.5 million

Date: June 2010

Comments: Basic yard lot of 5,553 square metres reflecting unimproved land value of \$270 square metre.

**Address: 30 Pinnacles Street Wedgefield**

Sold: \$3 million

Date: December 2010

Comments: Industrial lot of 7,283 square metres. Improvements comprise a steel framed work shop with conveniences and office to the front with transportable with open hard stand area.

Improved rate of \$412 per square metre.

## 2. PROPERTIES FOR SALE

**Address: 34 Pinnacles Street Wedgefield**

Asking Price: \$1.8 million

Comments: 3,643 square metre lot with 40 metre frontage, 91 metre depth. Improvements include well designed shed of 200 square metres with a caretaker's residence balance of land area for storage of plant and equipment.

Allowing improvements at a value of \$400,000 \$1.4 million for land value at \$384 per square metre appears to be in excess of market.

**Address: 10 Sandhill Street Wedgefield**

Asking Price: \$3.3 million

Comments: 12,000 square metre industrial lot with services connected.

Three street frontages providing excellent access.

Improvements include 250 square metre warehouse, 225 square metre office with loading ramp plus ablution blocks. Leased to Toll West on a 5 year lease with two 5 year options, current rental \$285,000 per annum, rent review is end of each 5 year term, showing a return of 8.64%

Allowing improvements of say \$300,000 land value reflects \$250 per square metre.

**Address: 17 Manganese Street Wedgefield**

Asking Price: \$780,000

Comments: Vacant 19,057 square metre site with services connected.

Asking price at \$398 per square metre in excess of market value.

## 3. INDUSTRIAL PROPERTIES FOR LEASE

110 Pinnacles Street of 2,515 square metres, 111 Pinnacles of 2,700 square metres and 103 Oxide Way of 2,508 square metres are all void of any improvements and on the market for lease at rentals of \$15,000 per month (\$66 to \$71.80 per square metre plus outgoings and GST) for all 3.

103 Oxide Way was purchased by the current owner in December 2010 for \$625,000 (\$250 per square metre) and would achieve a return of 28% per annum in event \$15,000 per month is committed.

## 4. GROUND LEASES

Proposed Lots 34, 35 and 36 in the Precinct 3 subdivision are significantly large lots and under Town Planning Scheme No. 5 "Airport" zoning table the approved uses under "Transient Workforce Accommodation" and "Motel".

Comparable ground rentals include:

**Address: Port Haven Transient Workers Accommodation  
Great Northern Highway Port Hedland**

Comments: Port Haven TWA is Tenancy Number 2 in the Airport located at the south eastern corner of the airport in Precinct 2 comprising a 12 hectare site subject to a formal Ground Lease at a net rental of \$756,000 per annum (\$6.30 per square metre per annum plus outgoings) for a lease period of 10 years from 12/3 2009 with no option, annual CPI rent increases except market review 12/3/2014. Terms include extension of tenancy by mutual agreement 6 months prior to end of lease.

Extension of services and construction of 1200 TWA rooms (1 room per 100 square metres) completed by the Lessee reflecting a "room" ground leasing rental of \$630 per annum.

**Address: Mia Mia Great Northern Highway Port Hedland**

Comments: A TWA development of 192 rooms also located in Precinct 2 on a site area is 27,465 square metres paying a ground rental of \$173,030 per annum (\$6.30 per square metre per annum plus outgoings) commencing 11 December 2009 for 5 years, no option, annual reviews and extension of tenancy by mutual agreement 6 months prior to end of lease.

## 5. RESIDENTIAL SALES

**Address: Port Tourist Park Great Northern Highway Port Hedland**

Comments: A 4.42 hectare tourism zone site located opposite the entry to the Port Hedland airport providing some 100 caravan sites and 150 donga units with reception, ablutions with a BP service station.

Property sold in May 2009 for \$9.5 million.

Dated sale but a fully serviced site.

Deducting improvements of say \$1.5 million vacant land value with services connected reflects a rate of \$180 per square metre.

**Address: Lot 126 Great Northern Highway Pippingarra (Port Hedland)**

Comments: A rural zoned freehold site of 202 hectares with frontage to the Highway and rear boundary to Madigan Road 8 kilometres approximately south east of the airport.

Sold for \$2.5 million in January 2011 with proposals to sub-divide the land into 10,000 and 50,000 square metre lots however planning, services, environmental issues and the cost of development is yet to be resolved. Site price reflects a value of \$1.24 per square metre.

**Address: Lot 44 Great Northern Highway Newman**

Sold: Subject to contract and settlement \$8.5 million

Comments: Irregular shaped freehold lot of 11.77 hectares approximately 5 kilometres south east of Newman town site and approximately 2 kilometres from the airport.

Conditional approval is in place for a 500 person TWA village and 100 tourism sites.

Water main extends along Great Northern Highway and electricity and telephone able to be connected to the subject site.

Sale price reflects a value of \$72 per square metre.

**Address: 30 Clarke Street, Corner McGregor Street, Port Hedland**

Sold: \$13.5 million

Date: May 2011

Comments: Site comprises a 26,200 hectare freehold site designated “local reserve” adjoining the sewage waste water treatment ponds (to be relocated) on northern side of Wilson Street into Port Hedland.

The property sold for \$4.325 million one month previous in April 2011 on the basis re-zoning approval to “urban” and development approval to construct residential units had not been granted.

I understand the sale in May 2011 was on the basis re-zoning to “urban” had been approved and guidelines to develop had been identified.

Sale at \$13,500,000 reflects \$515.20 per square metre.

## 16. COMMENTS

1. The WA Government “Pilbara Cities Initiative” over the next two decades is Port Hedland and Karratha are to be developed into cities with populations of 50,000 supported by Newman as a subregional centre with a population of 15,000.
2. Port Hedland is an established port handling some of the largest ore carriers in the world and its facilities to extend offshore and with BHP, Woodside Pluto, Gorgon, and Wheatstone projects in train the future of the location is more than positive.
3. However a critical factor is controlling the high costs to provide essential services, subdivide land which is restricted by Native Title claims and then construct buildings.
4. Water in Port Hedland is restricted and to extend/ provide essential services into Precincts 3 and 4 will be expensive exercise as indicated in the Master Plan.
5. Landcorp received 60 expressions of interest on the 21 “light industrial” and 19 “transport development” fully serviced lots at Hedland Junction with 15 lots remaining with plans for more than several staged subdivisions to follow.
6. Releases to the market in previous years sold quickly and it appears the current demand was restricted due to the sale prices above market value, finance not easily accessed or the business activity has levelled out.
7. Precincts 3 and 4 comprise large freehold land holdings and it appears the majority of demand has been for “industrial” lots up to 15,000 square metres but limited demand for larger parcels.
8. The evidence indicates a broad range of values for various uses but the potential demand over the next 2 to 3 years is a subjective judgement with the competition being Wedgefield as the heavy industrial location with Airport Precincts 3 and 4 having light industry in the western perimeter and TWA’s, motel, hotel, bulky goods and other commercial uses closer to the terminal and entry.
9. In respect to ground rents I have adopted 7.5% per annum on the freehold value of lot less than 10,000 square metres on the basis private owner occupiers prefer to purchase property for security and obtain finance to construct/purchase their own improvements.
10. I consider lots in excess of 10,000 square metres warrant ground rents at 10% per annum of freehold value offering public companies or high value purchasers the alternative of leasing rather than committing capital into land purchases.

## 17. SUBDIVISION COSTS

Precinct 3 comprises of a total area of 102.8455 hectares and to extend/provide sewer and water reticulation, power, earth works, roads, crossovers etc allowing for statutory fees and consultants fees, contingencies of 30% and GST estimated costs are \$45 million which reflects \$45 per square metre.

The "Regional Cost Factor" adopted by Quantity Surveyors and Engineers involved in large scale construction for Port Hedland is 2.5 (Perth metro area is 1.0) which with Karratha and Fitzroy crossing is the highest allowance in WA.

Engineer's estimates of costs to connect essential services to all 39 lots are subject to review but have not been finalised or proportioned according to the lot areas that range from the smallest lot of 1,838 square metres to the largest lot of 600,000 square metres in a total development of 1,129,458 square metres

For valuation purposes I have adopted costs of \$25 per square metre for Lot 34 and \$20 per square metre for Lot 35 to arrive at "As If Complete" values which may require adjustment when the Engineers confirm total cost estimates.

The "As If Complete" values for Lots 34 and 35 is the "As Is" value plus the estimated Costs to connect all services to allocation of individual title title stage.

## 18. VALUATION RATIONALE

The standard methods of Valuation are:

**Comparable Sales and Rentals**– comparing sales and ground rentals of similar properties to the subject properties.

**Summation** – value of land component plus Depreciated Replacement value of improvements.

**Capitalization of Rental Returns** – net rental income capitalized at an appropriate yield a prudent purchaser/owner-occupier would expect in the current market.

**Hypothetical Development Analysis** – projected gross sales of all lots "on completion" then deducting all development costs, including connection of all services, construction of roads, finance, marketing/sales expenses, profit and risk factors and GST etc to reflect the viability of the development over the required period to assess the residual value of the land component on an "as is" basis prior to commencement with various assessments of costs and income to reflect sensitivity scenarios.

The appropriate method to assess the values of the lots in the proposed subdivision is the analysis of **Comparable Sales and Ground Rentals** assuming prudent purchasers and lessee's were in the market as at the date of valuation (September 2011) prepared to;

- A) Purchase or lease Lots 1 to 33 and 36 to 39 inclusive on a "AS IF COMPLETE" value basis i.e. the lots were developed with services connected and Titles issued.
- B) Lease Lots 34 and 35 on an "AS IS" value basis i.e. a Ground Lease over the sites as they now exist and connect essential services to the site at the occupant's expense.

To finance building improvements on leased land has limitations and I consider a ground rent at 10% of the values may not be accepted compared to 7.5%.

The ground rentals on Lots 34 and 35 Port Haven and Mia Mia were set in 2009 at \$6.30 per square metre per annum plus outgoings on sites areas of 120,000 square metres and 27,465 square metres and I consider demand has increased since then indicating higher rates are achievable in 2011 .

Both are located close to the Airport terminal and I assume costs of connecting services would have been less than \$45 per per square metre for Precinct 3.

The freehold sale of lot 44 Great Northern Highway at \$72 per square metre for 117,700 square metres has conditional approval with existing services along the Highway which should be of sufficient capacity to connect at reasonable cost. Adopting 10% of the sale price reflects a ground rent of \$7.20 per square metre per annum.

Costs to connect services to Lot 34 of 100,000 square metres and Lot 35 of 600,000 square metres is subjective but would be proportionately less than the overall estimate of \$45 per square metre for the total subdivision.

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Potential Lessee's may require options to purchase during the initial lease term or options otherwise I assume terms and conditions would be similar to the Leases on Port Haven and Mia Mia.

## 19. CONCLUSIONS

a. I have assumed the instructions and information provided to me contained full and frank disclosures of all information relevant to the proposed development and to arrive at assessments of value I have taken into consideration,

- The physical characteristics of the property.
- Existing Encumbrances do not detrimentally effect development.
- Economic Issues and availability of finance
- The highest and best use to which the property could be utilised.
- Estimated Development costs to connect services
- Building Construction costs in Port Hedland.
- Sales activity and Ground Rental evidence.
- Market trends and supply demand factors

b. Individual values are listed in Schedule form.

The 24 lots comprising 1,838 to 9,673 square metres are superior to similar sized Wedgefield industrial lots but with some 30 to 35 vacant and improved "serviced" lots for sale and lease in Wedgefield I have adopted comparable values for Precinct 3 in the \$200 to \$275 square metre range with lesser rates for larger lots.

- c. For the 9 lots 10,016 to 29,918 square metres I have adopted lesser values ranging \$150 to \$200 per square metre.
- d. Lot 12 of 29,918 square metres is a prominent corner location and a logical site for one or several "bulk warehouses" and as a serviced lot I assess a value of \$150 per square metre.
- e. The three largest lots in the subdivision are Lots 34 and 36 each at 100,000 square metres and Lot 35 at 600,000 square metres and in my opinion the "Unserviced" value of Lot 34 of 100,000 square metres is \$75 per square metre increasing by \$25 per square metre (subject to confirmation) to \$100 per square metre, same value as Lot 36 having the same area of 100,000 square metres, with services connected.
- f. Lot 35 comprising 600,000 square metres as an "Unserviced" lot available for lease subject to the occupants meeting the costs of connecting services has an underlying "As Is" value of \$50 per square metre and assuming costs to connect services amount to \$20 per square metre (subject to confirmation) the "Serviced" or "As If Complete" value is \$70 per square metre on a freehold title basis.
- g. The values of Lots 34, 35 and 36 reflect the principle of "discount for bulk" at a lower value rates per square metre comparable to Landcorp's purchase of Lot 500 Iron Ore Street Wedgefield for \$80.71 per square metre (\$6,457,000) in November 2010 comprising a vacant "As Is" site of 80,000 square metres.
- h. Lots 34 and 35 of 100,000 and 600,000 square metres offer the alternative of leasing at ground rentals of 10% net per annum on an "As Is" value basis at comparable rates with Port Haven, Mia Mia and Lot 44 Great Northern

Highway at rates of \$6.30 to \$7.20 per square metre per annum with sale /purchase when titles are issued.

- i. The "As Is" value of Precinct 3 as an englobo "Unserviced" parcel of land, with approvals in place to proceed with the 39 lot subdivision as proposed, comprises a net area of 1,129,458 square metres which is the combined total of each lot.

Allowing for the roads reserves and lot setbacks I assessed the Gross Area of the site at 1,185,931 square metres which is 105% of the net area above and then estimated the Gross Sales of all lots on a freehold "As If Complete" basis of \$124,337,345 would increase by 10% over the expected development period of 36 months which amounted to approximately \$143,600,000.

A detailed "Hypothetical Development Analysis" of Precinct 3 was not possible given the time factor to complete the report and not having all consultants estimated costs.

For the purposes of arriving at an indicative value my calculations are set out in ANNEXURE 6 indicating a value of \$49,350,000.

## 20. VALUATION

**TAKING ALL FACTORS INTO CONSIDERATION THE "AS IS" AND "AS IF COMPLETE" VALUES FOR THE PROPOSED "PRECINCT 3" SUBDIVISION AS AT THE DATE OF VALUATION, SUBJECT TO THE CONTENTS OF THIS REPORT, ARE CONFIRMED IN VALUATION SUMMARY**

## 21. QUALIFICATIONS:

*This valuation is current at the date of valuation only and is prepared solely for the use for its own purposes of the party to whom it is addressed. I do not contemplate or accept any responsibility for the whole or any part of the contents of this valuation to any other party using the same or to whom the same is communicated without written consent from the undersigned*

*This Report is NOT APPROPRIATE for finance security purposes as the format does not include requirements of the Finance Brokers Control Act 1975 which obligates valuers and lenders to specific guidelines for prudent credit risks and lending practices such as, loan to value ratio, qualification of proved borrower(s) having the ability to service and repay a mortgage loan.*

*The values assessed herein may change significantly and unexpectedly over relatively short period as a result of general market movements or factors specific to the particular property and I do not accept liability for losses arising from subsequent changes in value after the expiration of three months from the date of the valuation, or such earlier date if I become aware of any factors that may have any effect on the value.*

*The undersigned has no direct, indirect or financial interest in the property described herein.*

*Without limiting the generality of the above comment, I do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of two months from the date of the valuation, or such earlier date if you become aware of any factors that may have any effect on the valuation.*

Signed 5/10/2011

**DAVID LIGGINS  
FELLOW OF AUSTRALIAN PROPERTY INSTITUTE  
CERTIFIED PRACTISING VALUER & PROPERTY PRACTITIONER  
LICENSED VALUER NO 48 WESTERN AUSTRALIA**