FOI 23-278

Valuation Advisory

Report prepared for Department of Infrastructure, Transport, Regional Development and Communications

Comprehensive Valuation of Land Assets for Financial Reporting Purposes 2021-2022

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Executive Summary

Valuation Details

Instructing Party	s47F [redacted] Director Financial Accounting Finance, Legal and IT Department of Infrastructure, Transport, Regional Development and Communications GPO Box 594 Canberra ACT 2601
Reliant Party(s)	Department of Infrastructure, Transport, Regional Development and Communications
Assets Valued	s22(1)(a)(ii) [redacted] Lot 105 (165) The Northern Road, Bringelly NSW 2556
Purpose of Report	Financial Reporting
Report Type	Comprehensive Valuation
Significant Valuation Uncertainty	The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. Our valuation is therefore reported on the basis of 'significant valuation uncertainty'. Additionally, the current Ukraine conflict with Russia has impacted the global economic outlook for commodity pricing. This has had an immediate inflationary impact on Australia and other developed nations through higher energy prices (particularly fuel oil). For the period 28 February 2022 to 31 August 2022 (or up until the Departments' financial statements are signed), we (JLL) are obligated to notify the Department should any relevant evidence come to our attention that will materially affect this valuation. This evidence must be relevant to the valuation prior to 1 July 2022 and materially impact on the Fair Value Measurement outcomes detailed within our report(s).
Date of Inspection(s)	Roadside inspections were undertaken on 23 March 2022
Date of Valuation	30 June 2022

Valuation Overview

The Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) has instructed JLL to perform a valuation of seven (7) properties for financial reporting purposes.

The valuation has been conducted in accordance with Australian Accounting Standards, including AASB 13 Fair Value Measurement and AASB 116 Property, Plant and Equipment, as well as with the Public Governance, Performance and Accountability (Financial Reporting) Rule for the period ending on or after 1 July 2021.

The market approach has been utilised to determine the fair value of the land assets. In addition to the fair value measurement for each asset, we have also reported on the other aspects of the fair value framework including the valuation premise, the highest and best use, the valuation technique, the market (principal or most advantageous), the fair value hierarchy level for the measurement including whether this has changed since the 2020/21 financial year and a description of the significant unobservable input(s).

Summary of Fair Values

Financial Reporting Class	Legal Particulars	Fair Value ($) 30 June 2022
s22(1)(a)(ii) [redacted]		
Lot 105 (165) The Northern Road, Bringelly NSW 2556	Lot 105/DP1236319	4,291,000

Key Assumptions and Comments

In the preparation of this report, we have made a variety of key assumptions and important comments. In this regard, we advise that this entire report, including appendices, must be read and understood by the nominated parties to whom reliance is extended in order that the various assumptions and comments are understood in the context of the adopted valuation. Should the parties to this report have any concerns or queries regarding the contents or key assumptions made in the preparation of this valuation, those issues should be promptly directed to the nominated Valuer for comment and review. A selection of the Key Assumptions and Important Comments are as follows:

i. That the instructions and subsequent information contain a full and frank disclosure of all information that is relevant and that the information provided by the client and market participants, pertaining to the subject assets is true, accurate and complete.

ii. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value is excluded as is liability where the valuation is relied upon after the date of valuation.

iii. This report has been made only for the purposes stated and shall not be used for any other purpose. Neither this report or any portions thereof (including without limitations any conclusions as to value, the identity of the client or any individuals signing or associated with this report, or the professional associations or organisations with which they are affiliated) shall be disseminated to third parties by any means without the prior written consent and approval of Jones Lang LaSalle Public Sector Valuations Pty Ltd (JLL).

iv. All assets are fully owned and free of encumbrances.

v. We have completed the valuation of the nominated financial reporting classes and sub-classes, as provided by the client. We have assumed that this classification is correct.

vi. This valuation report is provided by JLL. The report has been prepared for the client for financial reporting purposes only. JLL accepts no responsibility for any statements in this report other than for the stated purposes.

vii. We have assumed that the subject property and its associated identified parcels by DITRDC representatives are in 100% fee simple ownership of the Commonwealth of Australia. This assumption has not been qualified by Certificate of Title searches.

viii. The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. We have seen global financial markets impacted and travel restrictions and recommendations being implemented by many countries, including Australia.

The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation, we consider that there is significant market uncertainty.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value.

Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

For the avoidance of doubt, the inclusion of the 'market uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

ix. For the period 30 June 2022 to 31 August 2022 (or up until the client's financial statements are signed), we (JLL) are obligated to notify the client should any relevant evidence come to our attention that will materially affect our valuation(s) conducted as at 30 June 2022. This evidence must be relevant to the valuation prior to 1 July 2022 and materially impact on the Fair Value Measurement outcomes detailed within our report(s).

Report Preparation

JLL Public Sector Valuations Pty Ltd	
s47F [redacted]	
(Primary Valuer)	(Quality Assurance)
Senior Valuer	Senior Director
Valuation Advisory – Public Sector Valuations	Valuation Advisory – Public Sector Valuations
Certified Practising Valuer	Certified Practising Valuer
s47F [redacted]	s47F [redacted]
Date of Issuance:	15 June 2022

The opinion of value expressed in this report is that of the Primary Valuer who undertook the valuation and who is the primary signatory on the report. That Valuer is s47F [redacted]

s47F [redacted] the countersignatory, acting in the capacity as a Supervising Member, has reviewed the Valuation Report and working papers, and based upon that review and questioning of the Primary Valuer (as appropriate), is satisfied there is a reasonable basis for the valuation process undertaken and the methodology adopted by the Primary Valuer.

This executive summary is an abstract of the contents of the following valuation report. The valuation assessment and report are contingent upon a number of conditions, qualifications and critical assumptions which are fully described and set out in the body of the report.

It is essential that before the addressee relies on this valuation, they read the report in its entirety, including any Annexures. Should the addressee be or become aware of any issue or issues that cast doubt on or are in conflict with the conditions, qualifications or assumptions contained within this report, they must notify JLL in writing so that any conflicts may be considered and if appropriate, an amended report issued.

Liability limited by a scheme approved under Professional Standards Legislation

Introduction

Instructions

JLL Public Sector Valuations Pty Ltd (JLL) has been engaged by the Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) to undertake a comprehensive valuation of all non-financial assets in accordance with our Request for Quote (RFQ).

This valuation has been prepared in accordance with Australian and New Zealand Valuation and Property Standards (7th Edition) as published by the Australian Property Institute (API) and the International Valuation Standards (IVS) as issued by the International Valuation Standards Council (IVSC) and endorsed by the API. We have had particularly regard to IVS 300 *Valuations for Financial Reporting Purposes*.

We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant. Furthermore, we have prepared our valuation in accordance with our standard Terms and Conditions.

This report has been prepared for DITRDC. With the exception of DITRDC's external auditor, this report cannot be relied upon by third parties without the express approval of JLL.

Purpose of Valuation Advice

Financial Reporting

Following initial recognition, Australian Accounting Standards and Interpretations (AASs) require an entity to choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to each property, plant and equipment asset class on a consistent basis (AASB 116.29). An item of property, plant and equipment whose fair value can be measured reliably can be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses (AASB 116.31).

DIRDC is a government agency and is required to prepare annual reports and financial statements in a form approved by the Finance Minister (subsection 47(1)). The Public Governance, Performance and Accountability Act 2013 (PGPA Act) and the Public Governance, Performance and Accountability (Financial Reporting) Rule for the period ending on or after 1 July 2017 (FRR) sets out the requirements for the preparation of financial statements as required by the Finance Minister (subsection 3(2)(b)) and DIRDC prepares its financial statements accordingly. Guidance on the financial reporting requirements for Australian Government controlled entities is further set out in a number of documents issued by the Department of Finance (DoF) including; Resources Management Guides (RMGS), specifically RMG 125 Commonwealth Entities Financial Statements Guide; PRIMA Forms for Financial Statements; and PRIMA Illustrative.

The FRR states that subsequent to initial recognition an entity must measure land, buildings, heritage and cultural assets (where not intangible), investment properties and material other property, plant and equipment at fair value in accordance with AASB 116 or AASB 140 as applicable (Division 17 (2) Part 3).

It is understood that DIRDC applies the revaluation model to the property, plant and equipment asset classes.

AASB 13 *Fair Value Measurement* applies to all fair value measurements as required under the FRR made under the PGPA Act. AASB 13 sets out a framework for measuring fair value and requires disclosure about fair value measurements. The definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk (AASB 13.22). As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

JLL has been appointed by DITRDC to determine fair value measurements for the land assets specified in Scope of Valuation Advice below and provide an associated illustrative fair value measurement disclosure note for use in the financial statements for the year ending 30 June 2022.

The report should not be used for any other purpose, and we do not accept any responsibility for use outside this purpose. Except in accordance with meeting the stated accounting disclosures requirements, no extract, quote or copy of our report, in whole or in part, should be reproduced without the written consent of JLL, as to the form and context in which it may appear.

Scope of Valuation Advice

In accordance with the agreed instructions, the scope of this valuation engagement will involve a valuation of DIRDC land assets located at:

s22(1)(a)(ii)

- Lot 105 (165) The Northern Road, Bringelly NSW 2556

Information Sources

Our valuation conclusions have been reached after reviewing financial and property information provided by the DIRDC. The information reviewed and supplied includes, although is not limited to, the following:

- The DITRDC's Financial Statements for the year ending 30 June 2021;
- Signed Acquisition Declarations in accordance with the Lands Acquisition Act 1989;
- Access to DITRDC staff with knowledge of the properties; and
- Other relevant information and general correspondence.

Definition of Value

Fair value is defined at paragraph 9 of AASB 13 as follows:

"*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*"

Date of Valuation

30 June 2022

Due to possible changes in market forces and circumstances in relation to the assets subject to this valuation, the report can only be regarded as representing our opinion of values as at the date of valuation.

Date of Inspection

Roadside inspections were undertaken on 23 March 2022.

Pecuniary Interest

We advise that all Valuers involved in the valuation project are authorised under the relevant laws to practice as a Valuer and have had in excess of five (5) years continuous experience in the valuation of similar property to the subject.

Further, we confirm that the nominated Valuers do not have a pecuniary interest that could conflict with the proper valuation of the property, plant and equipment assets specified in Section Scope of Valuation Advice, and we advise that this position will be maintained until the purpose for which this valuation is being obtained is completed.

Assumptions

The following assumptions are important to this valuation advice:

- We have relied upon DITRDC's asset information. In instances where there may not be fully disclosed information due to security restrictions or where there is limited detail it has been assumed that the item is as describe unless stated otherwise in this report or in the associated asset registers.
- We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. JLL accepts no liability for any inaccuracies contained in the information disclosed by the Client or other parties, or for conclusions which are drawn either wholly or partially from that information. Should inaccuracies be subsequently discovered, we reserve the right to amend our valuation assessment.
- We have assumed that the subject property and its associated identified parcels by DITRDC representatives is in 100% fee simple ownership of the Commonwealth of Australia. This assumption has not been qualified by Certificate of Title searches.

Extent Of Investigations

Where possible inspections have been undertaken and as such a stocktake has not been undertaken by JLL. JLL considers that all reasonable enquires with DITRDC representatives have been made regarding the information supplied and nature of the assets subject to this valuation. In consideration of the inquiries, we believe that the information supplied is within a level of accuracy tolerance and that material facts have not been intentionally withheld. For the purpose of our valuation assessment, we have assumed that this information is correct.

Application of the Fair Value Framework

Background

The International Accounting Standards Board and US Financial Accounting Standards Board commenced a review of fair value in 2005 in light of inconsistencies in the use of fair value measurement techniques worldwide.

This project culminated in the release of International Financial Reporting Standard 13 Fair Value Measurement in May 2011, which was followed by the release of AASB Standard 13 of the same name in September 2011. AASB 13 applies to all financial reporting periods commencing after 1 January 2012.

The fair value definition is a market based measurement and AASB 13 sets out a framework for applying the definition in a consistent manner. In order to determine a fair value measurement, an entity must have regard to the following interlinking components of the framework.

The Asset

AASB 13 states that a fair value measurement is specific to a particular asset (AASB13.11). Therefore, the measurement should incorporate the asset or liability's specific characteristics, such as condition, location, and restrictions, if any, on sale or use, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Unit of Account

The unit of account for an asset is determined at the time the asset is recognised in accordance with the Standard that prescribes how to account for that asset. The unit of account drives the level of aggregation (or disaggregation) for the purposes of applying AASB 13, AASB 116 and other applicable AAS (e.g. the unit of account will determine whether information is presented in the financial statements for an individual asset or group of assets).

The unit of account for DITRDC's tangible assets is determined at the asset level, in accordance with the accounting treatment prescribed in AASB 116.

Highest and Best Use and Valuation Premise

When determining the highest and best use of a non-financial asset, an entity must take into account what is physically possible, legally permissible and financially feasible. Consideration must also be given to the way a market participant would maximise economic benefits either by:

- Using the asset at its highest and best use; or
- Selling it to another market participant who would use the asset in its highest and best use.

An entity's current use of an asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

DITRDC is a government agency. DITRDC land assets subject to this valuation are being utilised to meet DITRDC's role.

The highest and best use of an asset establishes the valuation premise used to measure the fair value of the asset. The valuation premise is determined by whether market participants would maximise the value of the asset by; using the asset in combination with other assets as a group; or on a stand-alone basis.

As the land and building would transfer in one line in a hypothetical transaction, it is considered that the asset provides maximum value to market participants on an in-combination basis. The highest and best use is discussed with each property summary report.

Principal (or Most Advantageous) Market and Market Participant

AASB 13 discusses the concepts of principal market and most advantageous market. In accordance with these concepts, a market transaction takes place either in:

- The principal market, the market with the greatest volume and level of activity for the asset or liability; or
- In the absence of a principal market, the most advantageous market. The most advantageous market is the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transportation costs. However, although transaction costs are taken into account when determining which market is the most advantageous, the price used to measure the asset's fair value is not adjusted for those costs (although it is adjusted for transport cost).

A market must be accessible to the entity at the measurement date to be considered under AASB 13. The entity is not required to have the ability to sell the asset at that date but rather it should be able to access the market.

When measuring fair value, the entity must identify characteristics of market participants in the principal (or most advantageous) market. Market participants are buyers and sellers who are independent of each other, have knowledge or an understanding of the asset, have the ability to transact within the market and are willing to enter into a transaction without being compelled to do so. The underlying assumptions of a fair value measurement are determined by the position of market participants and so it is important for an entity to understand the forces driving their decisions to transact.

There are identifiable markets for DITRDC land assets as such asset do normally transact with enough frequency or transparency to draw meaningful comparisons. JLL has researched potential markets, the characteristics of market participant and given consideration to DITRDC's access to such markets in determining the most appropriate market to utilise to determine fair value.

Valuation Techniques

AASB 13 recognises three (3) valuation approaches to measuring fair value including the market comparison approach, the cost approach (or Depreciated Replacement Cost) and the income capitalisation approach. These approaches are consistent with generally accepted valuation methodologies utilised by the valuation profession. Not all three (3) approaches are applicable to all types of assets and the fair value hierarchy does not prioritise the valuation techniques to be used but rather the inputs used in the application of these techniques. An entity is required to adopt the valuation technique that is appropriate to the characteristics of the asset and the adequacy of available market data.

The **cost approach** reflects the amount that would be required to replace the service capacity of an asset at the reporting date. That is, the cost a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, whether by purchase or reproduction (modern equivalent asset). Often the asset being valued will be less attractive than the alternative that could be purchased or reproduced because of age or obsolescence. As opposed to depreciation for financial reporting or taxation purposes, obsolescence incorporates physical deterioration, functional (or technical) obsolescence and economic (external) obsolescence specific to the asset. This approach is referred to as the Current Replacement Cost ("CRC") under AASB 13. However, it is commonly referred to as the Depreciated Replacement Cost ("DRC") approach in the valuation industry.

The **market approach** provides an indication of value by comparing the subject asset with similar assets for which price information is available. Under this approach, the first step is to consider the prices for transactions of similar assets that have occurred recently in the market. If few recent transactions have occurred, it may also be appropriate to consider the prices of identical or similar assets that are listed or offered for sale provided the relevance of this information is clearly established and critically analysed. It may be necessary to adjust the price information from other transactions to reflect any differences in the terms of the actual transaction as well as for differences in the legal, economic or physical characteristics of the assets in other transactions and the asset being valued.

The **income approach** converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. This approach considers the income that an asset will generate over its useful life and indicates value through a capitalisation process. Capitalisation involves the conversion of income into a capital sum through the application of an appropriate discount rate. The income stream may be derived under a contract or contracts or be non-contractual (e.g. the anticipated profit generated from either the use of or holding of the asset). When the income approach is utilised, the fair value measurement reflects current market expectations about those future amounts.

Not all three (3) approaches are applicable to all types of assets and the fair value hierarchy does not prioritise the valuation techniques to be used; instead, it prioritises the inputs used in the application of these techniques. An entity is required to adopt the valuation technique that is appropriate to the characteristics of the asset and principal (or most advantageous) market and for which adequate data is available. The market approach has been determined to be the most appropriate valuation technique for the subject property with available market evidence of sales transactions.

Fair Value Hierarchy Inputs

To increase consistency and comparability in fair value measurements and related disclosures, AASB 13 establishes a fair value hierarchy that categorises into three (3) levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Fair value measurements developed utilising the market approach are generally classified at either level 2 or 3 in the fair value hierarchy depending on; the volume of market transactions; the level of judgement required to adjust for differences in characteristics between the subject item and transactional evidence; and the sensitivity of those adjustments to the fair value measurement.

The table on the following page describes each fair value hierarchy level input and illustrates examples where they would apply.

Fair Value Hierarchy Input	Description	Examples
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Shares that are actively traded on a stock exchange.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.	An analysed price per square metre rate for a property derived from comparable market transactions.
Level 3	Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.	A financial forecast (such as a cash flow) developed using the entity's own data if there is no reasonably available information that indicates that market participants would use different assumptions.

Fair value measurements are determined from level 2 or level 3 inputs. The decision to classify a fair value measurement at a particular level will depend upon the individual facts and circumstances of the asset under consideration. For example, sale prices of similar asset in active markets would be considered level 2 inputs. Where significant professional judgements are made to market evidence or where other significant assumptions are unobservable, the fair value measurement would be categorised as a level 3 measurement.

Assets classified at a particular level input in the current financial reporting period may be reclassified into a different level in subsequent periods if there are changes to the market evidence. For example, an asset that is valued on the basis of recent comparable sales evidence would be classified at level 2. If that market ceased to exist in subsequent periods and the fair value measurement involved more significant adjustments and professional judgement it may then be classified into a level 3 measurement.

Pages 13- 36 deleted

Outside scope of request

Section 22(1)(a)(ii)

s22(1)(a)(ii)

Lot 105 (165) The Northern Road, Bringelly NSW 2556

Legal Description			
Identifier:	**Lot 105 in DP1236319**	**Reg. Proprietor:**	Commonwealth of Australia
Site Area:	**122,600 sqm (12.26 ha)**	**Zoning:**	**SP2 - Infrastructure**

Improvement Details

A roadside inspection was undertaken of the subject property on 23 March 2022. From this inspection structural improvements were visible however do to the portions of the subject allotment it was difficult for us to accurately determine the age, construction materials, overall condition etc. hence for the purpose of this assessment a land valuation has been undertaken only.

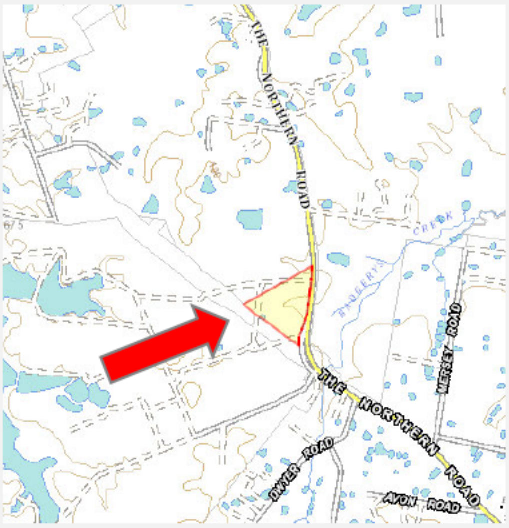
Site / Location Description

The subject property is located in the Greater Western Sydney Region of Bringelly located approximately 60 kilometres south west of Sydney's Central Business District.

Allotment 105 is approximately 12.26 hectares and located along The Northern Road with a 554m frontage to the main road. The allotment is irregular in shape.

The surrounding land uses are predominantly rural lifestyle properties with the surrounding areas being within the Special Activities and Primary Production Zone.

The following maps identifies the approximate location of the property The following maps identifies the approximate location of the property:



Source: https://maps.six.nsw.gov.au/

Site Description

The subject allotment is triangular in shape with a generally level contour and approximately 554m frontage to Northern Road The site has been cleared and improved to include gravel/earthen roads.

Market / General Commentary

Global Economy

Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022—half a percentage point lower for 2022 than in the October World Economic Outlook (WEO), largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage-points revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade. The Global growth is expected to slow to 3.8 percent in 2023.

Various downside risks cloud the outlook, including simultaneous Omicron-driven economic disruptions, further supply bottlenecks, a de-anchoring of inflation expectations, financial stress, climate-related disasters, a weakening of long-term growth drivers and the ongoing military invasion of Ukraine.

Local Economy

Australia's GDP rebounded by 3.4% in 4Q21, which follows a 1.9% decline last quarter amid extensive lockdowns across the country. Despite a lot of see-sawing from quarter to quarter, the economic recovery has been strong overall and annual GDP growth was a strong 4.2% over 2021.

Momentum in the Australian economy continues to swing backward and forward, and Omicron will likely see another slowing in 1Q22. This will be further added to by recent severe weather conditions and a slowing housing market, particularly in Sydney. As such, slightly slower momentum could continue into 2Q22.

Nevertheless, countering this headwind, the opening of borders is already seeing migration and tourism resume, as well as foreign students return. This should increase as a tailwind over the second half of 2022, while a tight labour market and imported inflation pressures should translate into wages growth and boost overall economic growth. Flood rebuilding will also turn into a boost to growth.

The South West metropolitan region of Sydney has seen large increases in market value for both dwellings and land, this was enhanced with the continual work from home initiatives throughout the majority of 2021, where professionals chose larger lot sizes with bigger back yards over proximity to work. With the region being home to Sydney's second airport development, large government infrastructure expenditure with not just the immediate suburbs surrounding the airport benefiting from large property price increases but surrounding suburbs within the region are also experiencing significant growth.

There have been large jumps in property prices in the semi-rural areas of Wallacia, Campbelltown, Ingleburn and Liverpool. The impact of the airport is also expected to be felt further afield – the Southern Highlands also predicted to increase in price. And the big neighbouring cities, such as Liverpool, Campbelltown and even Penrith will become highly sought after as thousands of workers move into the area to build the airport. Indeed, a Deloitte Access Economics report found that a western Sydney airport would create between 12,645 and 19,982 jobs for the region and up to 31,736 jobs for greater Sydney between 2020 and 2050. It also found that there would be an impact on the Western Sydney economy of between $9.2 billion and $15.6 billion in that same period.

In early 2022 there have been signs of a slowing property market within the region with Syndey experiencing a 0.1% decline in property values for the month of February. The market is unlikely to collapse, being supported by low interest rates, a strong labour market and a boost to underlying demand as borders open. Investor demand also continues to rise, replacing some of the slowing in owner occupier (particularly first homebuyer) demand as fiscal incentives fade.

The return of migrants and students is particularly likely to tighten rental market conditions further and see rental growth accelerate. This is likely to be significantly exacerbated in some areas by the current flooding situation in much of QLD and NSW.

The other impact of floods could be to put even further strain on currently stretched construction resources and further fuel already rapidly rising construction costs. Rising construction costs are already pushing up prices of new dwellings, and this is only likely to worsen in the short-term.

Sales transactions we have considered in forming our opinion of market and value are as follows: -

Sales Evidence 1			
Address:	364-372 Clifton Avenue	**Sale Price:**	$6,000,000
Suburb:	Kemps Creek	**Sale Date:**	Jul-21
Approx. Building Area:	N/A	**Approx. Site Area:**	6.11Ha
Circa of Construction:	N/A	**Comparison:**	Overall Superior
General Comments:	Vacant allotment of approximately 6.11 ha, zoned ENZ – Environmental Conservation and RU4 – Primary Production Small Lots. The property will be impacted by the future airport noise from the Western Sydney Airport as it is located under the flight path. Analysed site value $98.19 which equates to $981,996pHa.		

Sales Evidence 2			
Address:	94 Jersey Road	**Sale Price:**	$3,850,000
Suburb:	Bringelly	**Sale Date:**	Jul-21
Approx. Building Area:	N/A	**Approx. Site Area:**	2.02Ha
Circa of Construction:	N/A	**Comparison:**	Overall Superior
General Comments:	A regular shaped allotment of approximately 2.02 ha. Located within close proximity to proposed Badgerys Creek Airport site. The property is predominantly uncleared and relatively flat. Zoned – RU4 – Primary Production Small Lots. Analysed site value $190.59 which equates to $1,905,940pHa.		

Sales Evidence 3			
Address:	53 Kelvin Park Drive	**Sale Price:**	$4,000,000
Suburb:	Bringelly	**Sale Date:**	Sep-21
Approx. Building Area:	2000	**Approx. Site Area:**	2.0Ha
Circa of Construction:	1990's	**Comparison:**	Overall Superior
General Comments:	Allotment of approximately 2.0ha. Located within the Aerotropolis Core precinct with zoning altered to MU – Mixed Use, allowing for potential commercial and medium to high density residential (STCA). The sale is improved with a four (4) bedroom residence built in the 1990's however, we have considered this sale as a vacant land sale due to the location and zoning importance. Analysed site value $200 which equates to $2,000,000pHa.		

Sales Evidence 4			
Address:	33 Derwent Road	**Sale Price:**	$4,400,000
Suburb:	Bringelly	**Sale Date:**	Mar-22
Approx. Building Area:	114 square metres	**Approx. Site Area:**	2.02Ha
Circa of Construction:	1990's	**Comparison:**	Overall Superior
General Comments:	Allotment of approximately 2.02ha. Located within the Aerotropolis Core precinct with zoning altered to ENZ – Enterprise – zoning that will supplement or complement the functions of the city and the Airport as a 24-hour transport hub. The sale is improved with a four (4) bedroom residence built in the 1990's however, we have considered this sale as a vacant land sale due to the location and zoning importance. Located in a prime location, 200m away from the Badgery's Creek link road and 1 kilometre from the proposed Train Station. Analysed site value $217.82 which equates to $2,178,217 pHa.		

Valuation Rational

In determining the current market value of the subject property, we have examined the available market evidence and applied this analysis to a traditional direct comparison approach to value.

The direct comparison approach involves the process of deriving an opinion of value for the subject property by comparing similar properties that have recently sold, identifying appropriate units of comparison and making adjustments to the sale prices of the comparable properties based on relevant, price sensitive elements or comparison. These elements can include but are not limited to; the timing of sale; location; level, quality, size and condition of improvements; and land characteristics and area.

The subject property is a triangular shaped, approximately 12 hectare rural living allotment which has been cleared and improved, zoned 'Special Activities'. For the purpose of this assessment a land valuation has been undertaken and roadside inspection only. There was a paucity of 'Special Activities' zoned allotment sales hence we have drawn on evidence from a similar location albeit superior zoning and land use alternatives.

The above tabled sales evidence shows sale prices ranging from $3,850,000 to $6,000,000 for properties ranging from 2.0 to 6.11 hectares. We have analysed the evidence on a comparison rate per hectare which shows rates of $981,996 to $2,178,217 per hectare improved.

For the land value of subject property we have adopted a rate of $350,000 per hectare equating to a rounded valuation of $4,291,000. In consideration of the 'Special Activities' zoning and the parcel being landlocked we have adopted $125 per square metre for the subject property equating to a rounded valuation of $184,000.

Valuation – Lot 99 The Northern Road, Bringelly NSW 2556			
Valuation Methodology:	Direct Comparison	Inspection Date:	23 March 2022
Land Value:	$4,291,000	Fair Value Hierarchy:	Level 3
Improvements Value:	$0	Highest and Best Use:	Rural lifestyle
Fair Value:	$4,291,000 (Four Million Two Hundred Ninety-One Thousand Dollars)		
Valuer:	s47F		

Fair Value Summary

The following table summarises the results of the fair value valuation for the land assets controlled by DITRDC at 30 June 2022:

s22(1)(a)(ii)

Financial Reporting Class	Legal Particulars	Fair Value ($) 30 June 2022
[redacted]		
Lot 105 (165) The Northern Road, Bringelly NSW 2556	Lot 105/DP1236319	4,291,000

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Pages 42- 43 deleted

Outside scope of request

Section 22(1)(a)(ii)

General Definitions

The following definitions apply to words / concepts used through this report and sources from Australian Accounting Standards, International Valuation Standards and as generally understood by the valuation profession.

Capitalisation Rate	The return represented by the income produced by an investment, expressed as a percentage.
Cash Flow	Cash that is generated over a period of time by an asset, group of assets, or business enterprise.
Consumed Economic Benefit / Obsolescence	A loss of utility of an asset caused by either consumption, physical deterioration, changes in technology, patterns of demand or environmental changes that results in a loss of value.
Cost approach	A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
Depreciated Replacement Cost Method	A method under the cost approach that indicates value by calculating the current replacement cost of an asset less deductions for physical deterioration and all relevant forms of obsolescence.
Discount Rate	A rate of return used to convert a future monetary sum or cash flow into present value.
Discounted Cash Flow Method	A method within the income approach in which a discount rate is applied to all future projected cash flows to estimate the present value.
Economic Obsolescence	A loss of utility caused by factors external to the asset, especially factors related to changes in supply or demand for products produced by the asset that results in a loss of value.
External Obsolescence	A loss of utility caused by economic or locational factors external to the asset that results in a loss of value.
Entry Price	The price paid to acquire an asset or received to assume a liability in an exchange transaction.
Exit Price	The price that would be received to sell an asset.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Functional Obsolescence	A loss of utility resulting from inefficiencies in the subject asset compared to its replacement that results in a loss of value.
Highest and Best Use	The use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities (e.g. a business) within which the asset would be used.
In-Combination	The valuation premises assumes that the fair value of an asset is the price that would be received in a current transaction to sell the asset on the condition that: (a) Market participants would use the asset together with other assets. (b) Those assets (i.e. its complementary assets) would be available to market participants. That is, the fair value of the asset would be measured from the perspective of market participants who are presumed to hold the complementary assets.
Income Approach	Valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
Inputs	The assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, such as the following: (a) the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model); and (b) the risk inherent in the inputs to the valuation technique. (c) Inputs may be observable or unobservable.
Market Approach	A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.

Market Participants	Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics: (a) They are independent of each other, i.e. they are not related parties as defined in AASB 124, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms. (b) They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary. (c) They are able to enter into a transaction for the asset. (d) They are willing to enter into a transaction for the asset, i.e. they are motivated but not forced or otherwise compelled to do so.
Modern Equivalent Asset	An asset which provides similar function and equivalent utility to the asset being valued, but which is of a current design and constructed or made using current materials and techniques.
Most Advantageous Market	The market that maximises the amount that would be received to sell the asset, after taking into account transaction costs and transport costs.
Net Present Value	The value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.
Observable Inputs	inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.
Orderly Transaction	A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets; it is not a forced transaction (e.g. a forced liquidation or distress sale).
Non-Recurring Fair Value Measurement	A fair value measurement that is to be recognised in the statement of financial position in particular circumstances (i.e. AASB 5 requires an entity to measure an asset held for sale at the lower of its carrying amount and fair value less costs to sell. Since the asset's fair value less costs to sell is only recognised in the statement of financial position when it is lower than its carrying amount, that fair value measurement is non-recurring.
Physical Obsolescence	A loss of utility due to the physical deterioration of the asset or its components resulting from its age and normal usage that results in a loss of value.
Principal Market	The market with the greatest volume and level of activity for the asset.
Recurring Fair Value Measurement	A fair value measurement that is to be recognised in the statement of financial position at the end of each reporting period.
Replacement Cost	The current cost of a similar asset offering equivalent utility.
Reproduction Cost	The current cost of recreating a replica of the asset.
Significant Unobservable Inputs	Unobservable inputs that are determined to have a significant effect on a fair value measurement.
Stand-Alone Basis	The valuation premises assumes an asset is to be sold to market participants for use on its own.
Total Useful Life	The total period of time over which an asset is expected to generate economic benefits.
Transport Costs	The costs that would be incurred to transport an asset from its current location to its principal (or most advantageous) market.
Unit of Account	The level at which an asset is aggregated or disaggregated in a Standard for recognition purposes.
Unobservable Inputs	Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset.
Valuation Premise	Depending on its highest and best use, the fair value of the non-financial asset will either be measured based on the value it would derive on a standalone basis or in combination.

JLL

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Public Sector Valuations

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