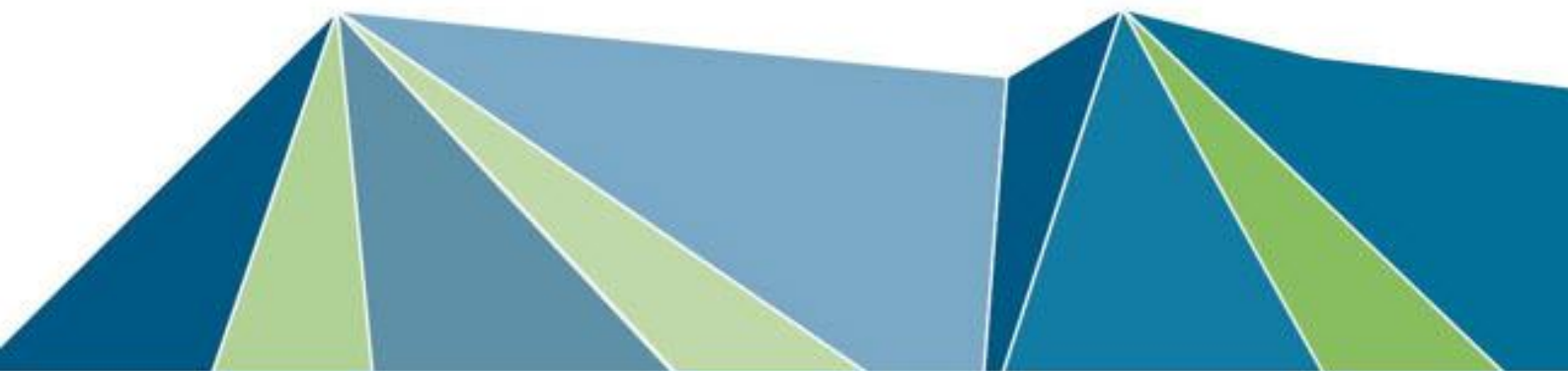


# ATTACHMENTS TO

## *Ordinary Meeting Business Paper* 25 September 2025

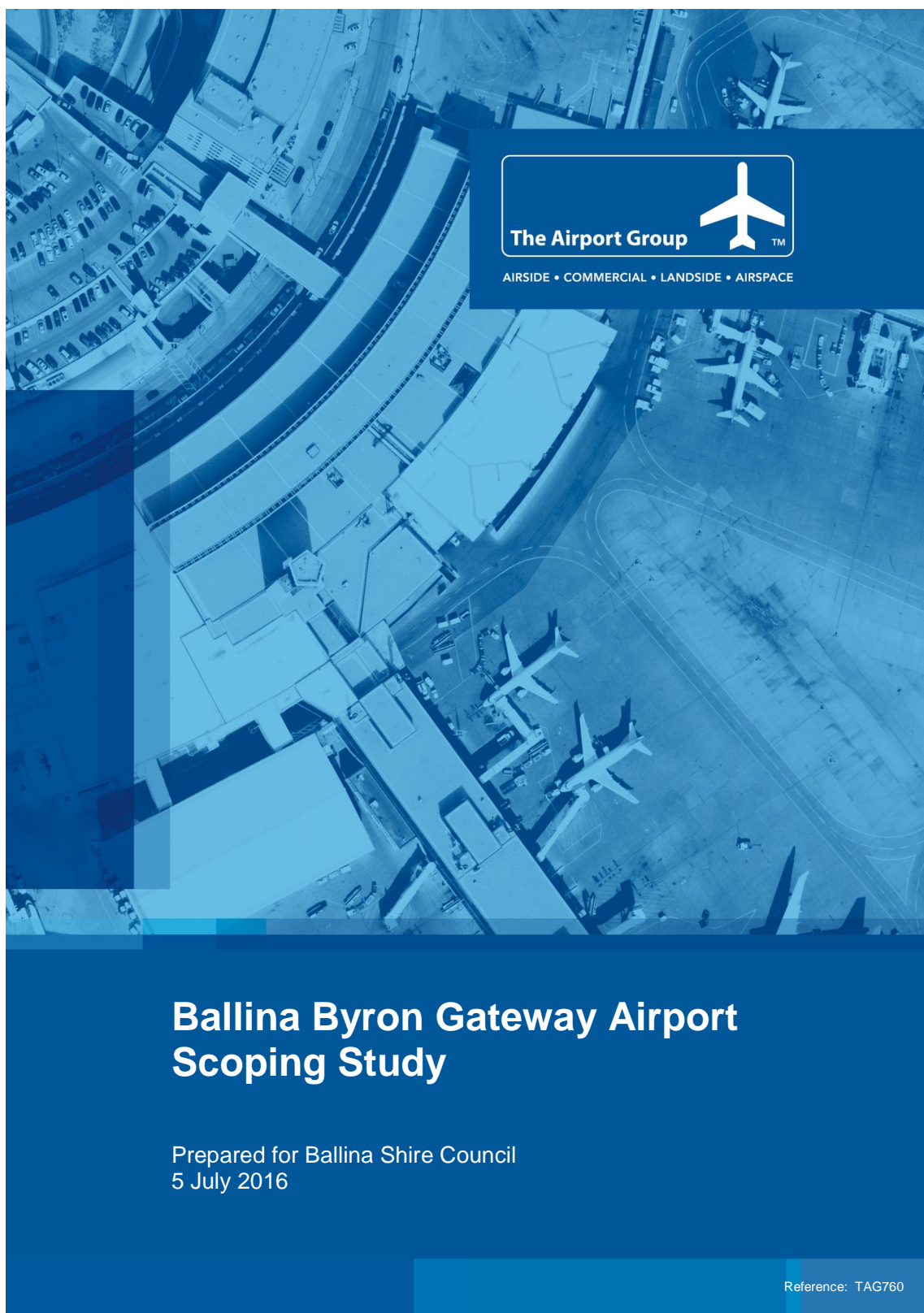
**EXCLUDED FROM AGENDA**



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### **Important Notice**

This Scoping Study has been prepared by TAG Infrastructure Pty Ltd ('TAG') to assist Ballina Shire Council ('Council') in assessing the prospects for a long-term lease of Ballina Byron Gateway Airport ('Airport') and ensuring Council's objectives regarding future infrastructure can be met.

This Scoping Study has been prepared for Council by TAG on the basis set out in the following pages titled "Basis of Preparation".

The Airport is 100% owned and operated by Council. Council has appointed TAG Infrastructure Pty Ltd as its advisers pursuant to Ballina Shire Council RFT 778 for Airport Lease Advisory Services.

This Scoping Study is given solely for the benefit of and reliance on by Council. It contains opinions, advice and recommendations for consideration by Council in its deliberations regarding the suitability of a long-term lease of the Airport.

The Scoping Study and any part of it must not be disclosed to any person other than Council and management without the express consent of Council and its advisers. No part of this Scoping Study may in any form or by any means (electronic, mechanical, micro-copying, photocopying, recording or otherwise) be reproduced, stored in a retrieval system or transmitted without the prior written approval of Council.

The Scoping Study is confidential and contains information that:

- Would disclose matter in nature of an opinion, advice or recommendation that has been obtained, prepared or recorded or a consultation or deliberation that has taken place in the course of, or for the purpose of, the decision making of Council;
- Concerns the private, business, professional, commercial or financial affairs of Council or other third parties, the disclosure of which could reasonably be expected to prejudice those affairs or to prejudice the future supply of such information to Council;
- Has been provided on the basis of a confidentiality undertaking to Council, TAG or other third parties, which prohibits the disclosure beyond the approved recipient of this Scoping Study and its disclosure could found an action for breach of confidence;
- Has a commercial value to Council or another person, that would, or could reasonably be expected to, prejudice the competitive commercial activities of Council or the trade secrets, business affairs or research of Council or another person if disclosed; and
- Is subject to legal professional privilege and the limitations on unauthorised distribution of this Scoping Study seek to preserve that privilege.

Disclosure of this Scoping Study beyond Council may have substantial adverse effect on the financial or property interests of Council.

TAG makes no representation or warranty as to the accuracy, completeness, timeliness or reliability of the contents of this Scoping Study. To the maximum extent permitted by law, no member of the Advisers accepts any liability (including, without limitation, any liability arising from fault or negligence on part of any of them) for any loss whatsoever arising from the use of this presentation or its contents or otherwise arising in connection with it. To the extent that any liability may arise as between Council and TAG, it will be solely controlled by, and be dealt with under, the contract between Council and TAG for this Scoping Study.



TAG has been specifically instructed to adopt the capital expenditure forecasts as contained in Council's Long Term Financial Plan (15 February 2016) without any independent analysis or commentary by TAG. The pax forecasts in the LTFP are materially lower than independent forecasts. Any material increase in actual pax above the LTFP forecasts may have a material impact on the actual capex required to maintain the Airport and to comply with regulations, and this may or may not be able to be funded in whole or in part by external grants. There will be no recourse to TAG should there be a financial impact as a result of these capex or pax forecast or regulatory changes. TAG has also been instructed to exclude all details of airline agreements on the basis that they are commercially sensitive.





## **Basis of Preparation**

### **Date and Use of This Scoping Study**

This Scoping Study has been prepared as at 15 February 2016 unless otherwise stated. TAG is under no obligation to update or keep the information in this Scoping Study current. This Scoping Study has been provided on the understanding that it is solely for the use of and reliance by Council and will be kept confidential.

### **Sources of Information**

The information contained in the Scoping Study has been taken from external and internal sources that are believed to be reliable. Information has been sourced up to and including 15 February 2016. TAG does not represent that the information is accurate, complete or current and it should not be relied on as such. Any opinions expressed reflect TAG's judgement at this date and are subject to change.

In particular, in preparing this Scoping Study, TAG has relied on:

- Publicly available information;
- Information provided by Council, including Council commissioned consultancy reports for airport traffic forecasts, airport land use plans, Terminal redevelopment plans, and land development studies; and
- Information provided by Airport Management including financial data and forecasts, capital expenditure (capex) actuals and forecasts over the short and medium term, and status of airline discussions / negotiations (TAG has not had any discussions with any airlines that service the Airport as consent to do so has not been granted by Airport Management).

In each case, TAG has assumed and relied upon, without independent verification, the accuracy and completeness of that information.

### **Expertise**

TAG is not an expert in relation to any matters other than matters described in the consultancy contract between TAG and Council and in particular disclaims any skills or expertise in any other capacity, legal, financial, statistical, accounting or otherwise.

### **Valuations and Financial Forecasts**

Past performance is not necessarily indicative of future results. Any indicative valuations shown in the Scoping Study are calculated using TAG's standard methodologies for transactions of this kind and rely on models, empirical data and assumptions TAG believe to be accurate and reasonable, however, TAG makes no representation or warranty as to their accuracy. Nor does TAG guarantee or give any undertaking of any kind for any estimate, projection or indicative valuation.

TAG has prepared a financial model based on information provided by Council and Airport management for the purposes of the Scoping Study. All projections in the financial model are assumptions, and therefore cannot be construed in any way as forecasts or estimates. TAG strongly recommends that an independent audit of the model be undertaken at the commencement of the Phase 2 work should that proceed.



### **Reliance on Information and Forward-Looking Statements**

In preparing this Scoping Study, no audit or independent verification has been undertaken of the information, statements, opinions and projections provided by Council and third parties.

Information and statements have been taken to be correct and valid, and, in the case of opinions, projections and forecasts have been taken to be made with a reasonable basis for doing so. This Scoping Study contains quantitative and qualitative statements, including projections, estimates, opinions and forecasts concerning the anticipated future performance of the Airport, the aviation and the tourism industries (forward looking statements). When used in this Scoping Study, the words "anticipate", "assume", "believe", "estimate", "expect", "forecast", "intend", "may" and similar expressions are generally intended to identify forward-looking statements.

These forward-looking statements outline:

- One or a number of possible outcomes for the future performance and operation of the Airport or the aviation and tourism industries; and
- Views based on subjective opinions on some of the possible scenarios and circumstance which could have an impact on the aviation and tourism industries and/or the future performance and operation of the Airport.

The forward-looking statements are based on a large number of assumptions and are subject to significant uncertainties and contingencies many, if not all, of which are outside the control of Council. Actual future events may vary significantly from the forward-looking statements and some or all of the forward-looking statements may not prove to be correct.

### **No Reliance by Third Parties**

The Scoping Study is prepared solely for the benefit of Council. Any other person (including Council's affiliates, related bodies corporate, employees and advisers) (collectively and individually a "Third Party") cannot rely on any part of the Scoping Study. If a Third Party relies in any way on the Scoping Study, it does so solely at its own risk.

Without limiting the following, any topic, risk or issue that has not been expressly addressed by the Scoping Study is beyond the scope of the Scoping Study and TAG has not been instructed by Council to address that topic, risk or issue. In particular:

- The Scoping Study may not cover all topics, risks or issues which are relevant to a Third Party;
- To the extent that the Scoping Study may include topics, risks or issues relevant to the Council, it may not address them at a level of depth or accuracy that is suitable for a Third Party;
- TAG may have separately advised Council in relation to the topics, risks or issues in the Scoping Study, but has no obligation to disclose any such advice to a Third Party; and
- The objectives, interests, rights and other circumstances relating to Council are likely to be different to any Third Party.

All Third Parties acknowledge that TAG does not represent that the information in this Scoping Study is accurate, complete or current and it should not be relied on as such. Any opinions expressed reflect are subject to change.

This Scoping Study is not provided to induce any Third Party in relation to any transaction, including any transaction that is, or may be, described or contemplated in this Scoping Study. Third Parties must undertake such analysis and due diligence as meets their requirements, in consultation with their own legal, financial, taxation and other advisers in respect of all matters.



TAG has no obligation to consider or promote the interests of any Third Party and has not done so. In particular:

- The only risks or liabilities that TAG has brought to the attention of Council are those expressly referred to in the Scoping Study to the extent that they are or may be relevant to Council alone. TAG does not owe any Third Party a duty to bring to its attention any other risks and liabilities; and
- Any Third Party should obtain independent legal, financial, taxation and general advice in connection with this Scoping Study.

Any Third Party:

- Acknowledges the extent and content of any duty of care owed to it by TAG is as set in this 'Important Information' section of this Scoping Study;
- Acknowledges that it is well able to protect its own interests;
- Acknowledges that TAG has no fiduciary or other relationship with any Third Party; and
- Represents and warrants that it:
  - will make its own independent assessment of, and obtain its own independent advice in respect of the matters addressed in the Scoping Study; and
  - is alone responsible for the interpretations, opinion and conclusions that it and its advisers may form as a result of examining the Scoping Study.



## **1. EXECUTIVE SUMMARY**

### **1.1. Scope**

- TAG Infrastructure Pty Limited ('TAG') has prepared this Scoping Study in accordance with the requirements of RFT778 issued by Council.
- The objective of the Scoping Study is to assess the potential of partnering with the private sector through a lease of the Airport. Council wished to examine whether a lease could transfer development, operational and financial risks to a suitable private sector partner, meet the substantial ongoing infrastructure funding needs for the Airport, achieve appropriate consideration for granting a long term lease and ensure that the Airport continues to meet community expectations.

### **1.2. Asset Status and Forecast**

- The Airport has experienced strong passenger ('pax') growth of >12% per annum primarily from low cost carriers in the past 5 years (it is now one of Australia's fastest growing airports) and has also undergone a redevelopment program overseen by a new operational management team. The Airport now plays a significant role in the Northern Rivers / Tweed tourism industry, servicing a catchment across several local government areas. The Airport's key competitor is the much larger Gold Coast Airport located 90 kilometres to the north.
- Independent analysis undertaken by Tourism Futures International ('TFI') for this report has forecast a mid-range 5% per annum pax growth over the next 10 years, based on catchment analysis and wider aviation industry trends. Airport management has indicated that capital expenditure ('capex') projections may need to be brought forward on the basis of such growth, including the main runway overlay (last completed in 2012) but there is no conclusive guidance on this issue.
- The Airport is currently moderately profitable and is anticipated to remain so over the medium term despite a strong operational management team. This is consistent with Council's current Long-Term Financial Plan ('LTFP') for the Airport dated 15 February 2016 (attached at Appendix C)."
- The strong independent forecast for pax growth, combined with the LTFP financial forecasts, may give rise to increased future capex which may result in challenges for Council to fund this spending requirement.
- The Airport includes an adjoining 36 hectare Council-owned englobo land parcel ('Southern Cross Expansion Area'), which offers the opportunity of a new airport entrance / link road ('Airport Boulevard') to simultaneously benefit the Airport operations and open the englobo land for immediate mixed use / enterprise based development (currently being rezoned). This project currently remains unfunded.

### **1.3. Funding Grants**

- Council applied for public grants in August 2015 for the construction of an expanded Terminal building and airside apron expansion (requiring Council co-investment of \$0.5m), and for the construction of the Airport Boulevard through the adjoining englobo land (requiring a Council co-investment of \$3.0m). The apron funding grant of \$2.207m was approved. The Terminal funding grant request is still under consideration with an additional Council contribution of \$0.9m (a total contribution of \$1.4m). The road funding grant request was unsuccessful; it is anticipated Council intends to reapply for a State funding grant for the road as a priority community project in 2016-17.



#### 1.4. Valuation

- TAG has undertaken a valuation of the Airport using a discounted cash flow analysis over 50 years of net cash flows, which takes into account normal operations, future growth in pax and anticipated capex. The valuation outcome is in the range of \$19.0m to \$25.0m based on a range of variable inputs. The major factors influencing this outcome are the low profit growth projected in the next six years, uncertainties around future capex and contract renewals in the next year and into the future.
- Although the Airport has secured strong pax growth over the past five years and there is strong growth forecast by TFI, the ten year airline services agreement entered into in 2011 with the Airport's largest carrier Jetstar (77% of pax movements) contains significant financial incentives for the airline. The impact of these incentives means that Airport revenue will not grow in line with pax growth and the associated escalation in operating expenditure ('opex') and capex. The outcome is the Airport's current moderate profitability and limited profit outlook over the next six years. The ability for the Airport to recover aeronautical related capex from the airline under the agreement may also be difficult.
- The airline services agreement with Virgin (18% of pax) expires on 31 July 2016, which gives rise to uncertainty for both the Airport and any potential bidders.

#### 1.5. Key Recommendations

##### Airport Lease

- TAG recommends that Council does not pursue a lease at this time. TAG believes that Council would not receive fair consideration for its current investment and the future potential of the Airport. In a formal sense, TAG recommends not to proceed to Phase 2, which is to run a process to lease the airport to a private partner.
- Based on the above valuation range a long term lease bid process is unlikely to attract significant institutional interest and would likely attract opportunistic private investors who may not meet other criteria such as being suitable operators of a community asset.

##### Council Asset Strategy

- Council should immediately consider whether to maintain its existing strategy of running the Airport in accordance with Council's current LTFP for the Airport as a breakeven enterprise with a focus on wider community benefit, or to operate the Airport with more of a balance toward improved financial performance thus making the Airport self-sustaining. Council will need to assess its capacity to meet the Airport's ongoing funding requirements in light of the financial projections contained within this report.
- This strategic decision will then form the basis for the more immediate key decisions for Council including the renewal and specific performance of the airline services agreements, and the appropriate amounts to be incurred on future capex, in particular the Terminal.





#### **Airport Investment Readiness Program**

We propose a series of actions to be completed in order for Council to be able to consider an Airport investment transaction. This includes a mix of operational and strategic matters and key value items such as airline agreements.

##### **Step 1 – Governance & Asset Readiness**

###### **Governance**

- Regardless of Council's asset strategy decision, it may be prudent for Council to assess the possibility of some form of corporatisation or entering into a management services agreement to maximise Council's opportunity should it decide to find a suitable private partner in the future.

###### **Airline Agreements**

- Council should immediately commence preparation for the Virgin agreement negotiations and resolve a strategy for a review of the Jetstar agreement at the same time. A legal review of the Jetstar agreement should also be completed to inform Council of its potential negotiation options.

###### **Operational Matters**

- Regardless of Council's asset strategy decision, Council should pursue an operational review over the next 12-24 months which will include negotiating and documenting various property and other agreements (several agreements are expired or undocumented), preparation of an Airport Master Plan, rezoning of Southern Cross Expansion Area, pursuing public funding submissions for the Airport Boulevard and Terminal expansion projects, and a review of capex and opex projections in light of pax forecasts.

##### **Step 2 – Transaction Re-Assessment**

- At the completion of Step 1, which we estimate to be a 12-24 month program in total, Council can re-assess the viability of a lease transaction.



## **2. SCOPE**

### **2.1. Scope of Works**

Council has sought to engage a suitably qualified and experienced organization to complete a Scoping Study (Stage 1) to allow Council to determine the merits of granting a long-term lease ('the Lease') over the Airport to a private / public sector partner ('the Lessee').

Subject to the outcomes of the Scoping Study report, Council may decide to proceed to pursue the lease of the Airport.

### **2.2. Governance Process to Date**

A brief chronology of the process to date is below.

- 15 July 2014 - initial Council Commercial Services Committee workshop on infrastructure market and governance review models & options. At this meeting the Committee decided to adopt the Executive's recommendation to pursue a tender process for the appointment of a long-term lease advisor.
- 22nd September 2014 - RFT for transaction advisor advertised.
- 30 October 2014 – RFT for transaction advisor closed.
- 22 February 2015 - decision at Council Ordinary Meeting to appoint TAG as the transaction advisor approved.
- 5 March 2015 – project commencement workshop with Council.
- 8 project meetings have been held between TAG and Council's Executive team and the Airport Manager during the term of this Scoping Study.

### **2.3. Objectives**

The Scoping Study is an information audit and analysis, which requires a higher-level review of items and issues relevant to determine asset value and feasibility, comprising, as a minimum, the following elements.

- Analyse the ability to Lease the Airport (refer section 7);
- Examine how the Airport is positioned in the aviation and infrastructure market (refer section 5 and 6);
- Develop a base case model for the Lease (refer section 8);
- Conduct workshops with Council as required;
- Identify suitable Lease payment structures to satisfy Council's objectives, both financial and social (refer section 8);
- Analyse aeronautical revenue and forecasting (refer section 5, 6 and 8);
- Assess landside development opportunities within the Airport precinct (refer section 4);
- Assess adjoining land development opportunities, along with associated road and services infrastructure (review of existing work available at Council – any new work will be the subject of a separate engagement) (refer section 4 and Appendix E );
- Assess environmental and planning issues (review of existing work available at Council – any new work will be the subject of a separate engagement) (refer section 3);
- Analyse airside infrastructure and life cycle analysis (review of existing work available at Council – any new work will be the subject of a separate engagement) (refer section 8);
- Analyse Terminal capacity and adequacy and the quantum and timing of capex requirements (refer section 4);
- Review the investor/partner market demand (refer section 6);
- Consider key leasing issues including lease structure, tax, legal, corporate governance arrangements and the timeline in the event Council chooses to implement a Lease (refer section 7);



- Produce a comprehensive list of all costs required to undertake Stage 2 – not applicable;
- Recommend a preferred Council governance structure (refer section 7); and
- Make recommendations to Council in relation to proceeding or not proceeding with Stage 2.

The Scoping Study must take into account:

- Council's existing plans for the Airport, future development requirements and growth opportunities;
- Australian airport ownership and operational strategies;
- Responsibilities and relationships of the Airport and with other government entities at different levels;
- Airport operational matters, including:
  - Non-commercial functions and assets/liabilities that should be separated from the commercial business, including the structure and timing thereof;
  - The commercial activities and functions, assets, rights and liabilities suitable to be leased;
  - All Council employee related issues;
  - Any business restructuring, such as business separation tasks and key contracts that may need to be settled, restructured, terminated or renewed; and
  - Post-transaction arrangements for managing the Airport;
- The Lease execution process;
- The strategy, timing and marketing approach to potential investors;
- Opportunities to add value to the Airport;
- How the underlying value of the Airport may be influenced by:
  - Proposed risk allocation to Council as compared to risk allocation to the Lessee;
  - Lease term options;
  - Stakeholder management, including regulators, users, communities, service providers and customers;
  - Ownership restrictions, if any;
  - The inclusion and justification of other related assets;
  - The current state of the financial markets, including capital markets; and
  - Pax demand.



### 3. ASSET OVERVIEW

#### 3.1. Description

The Airport is a certified aerodrome on the NSW north coast approximately 700 kilometres north of Sydney and 200 kilometres south of Brisbane, and situated 20 kilometres south of the tourism destination Byron Bay. The Airport site is approximately 120 hectares of land held in freehold ownership by the Council as 'operational' land.

The Airport is an integral part of the community and the economy of Ballina, and is a critical component for the tourism industry of the Ballina / Byron Bay region, providing for Regular Public Transport (RPT) and General Aviation (GA) air services to service the community and industry.

Land for the aerodrome was acquired in 1981 with construction of the runway and associated works beginning in February 1986. Stage one works were completed in early 1987 and included a runway (1660m long x 30m wide), car park, roads and Terminal (relocatable structure). The first RPT flight landed at Ballina Aerodrome on 25 October 1986.

The runway was extended to 1900m long in 1989 to cater for F28 jet aircraft operations.

With an increasing number of pax the Council built a new Terminal, which was completed in 1995. Extensions to the Terminal building were carried out in 2008 to provide an expanded check-in area and a secured area for Checked Baggage Screening requirements.

For the year ending June 2015, there were 436,025 pax. This was an increase of 10.26% over the previous year. Pax numbers have grown at an average rate of 12.11% over the past 5 years. The Airport has up to 56 commercial flights per week, with direct flights to and from Sydney, Melbourne and Newcastle. The Airport is serviced by Jetstar, Virgin, Rex Airlines and Fly Pelican.

#### 3.2. Location

The Airport is located centrally for the Northern Rivers Region. Its catchment includes the Local Government Areas (LGA) of Ballina, Byron, Kyogle, Lismore, Richmond Valley, Tweed and the upper part of the Clarence Valley. (*Tourism Futures International, Traffic Prospects for the Ballina Byron Gateway Airport, August 2015*) ("TFI report").

The TFI report estimates the catchment area comprises a population of 293,000.

Other local aerodromes are Lismore Airport located 20 minutes to the west and Grafton Airport 110 minutes to the south, both of which have limited services. The much larger Gold Coast International Airport is located 70 minutes (90 kilometres) to the north. Ballina Byron Airport competes directly with the Gold Coast Airport for pax, particularly on low cost services.

#### 3.3. Property Summary

The Airport comprises approximately 120 hectares.

Adjoining the airport on its southern boundary is a 36-hectare parcel of undeveloped land owned by Council. This englobo parcel maybe included with the Airport to be developed for airport related activity as well as general commercial and industrial use. It is known as the Southern Cross Expansion Area and is currently subject of a rezoning application by Council.

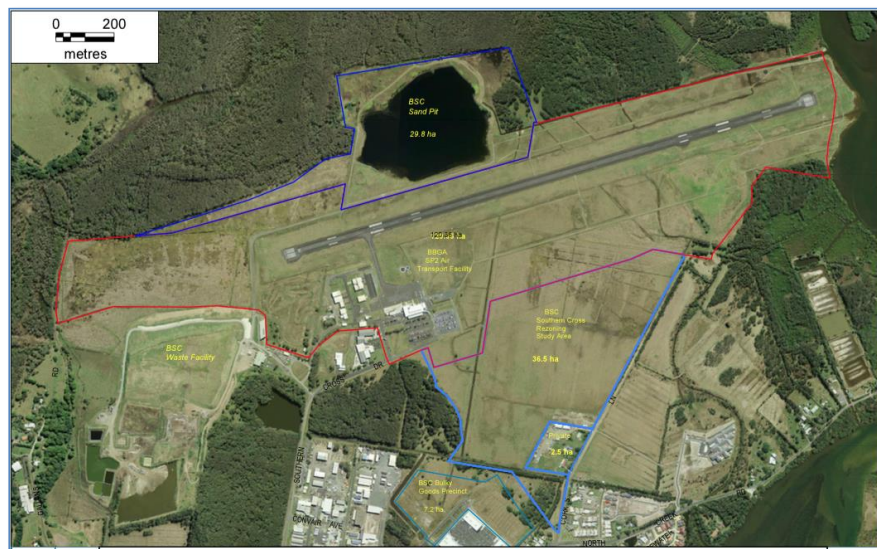


Figure 1 - Aerial photograph of the Airport land with the boundary identified by the red, purple and dark blue lines, and adjoining Southern Cross Expansion Area (identified by the light blue line), and surrounds  
(Source: Ballina Shire Council)

### 3.4. Planning Framework

The Airport is situated on freehold land owned by Council. The land use planning control for the Airport will fall within the control of the New South Wales State Planning Framework.

*Note: The capital city and metro airports that were owned and leased by the Commonwealth of Australia are on land owned by the Commonwealth and as such are immune from State planning law. Activities on these sites are governed by Commonwealth legislation (The Airports Act), a land use planning framework (Airport Master plans) and planning approval process (major development plans).*

Should the Airport be leased, Council will continue to retain land use planning control over the Airport pursuant to the powers vested in it by the NSW State Government planning legislation.

#### 3.4.1.State Planning Hierarchy

Planning in NSW is largely governed by the following two pieces of legislation:

- Environmental Planning and Assessment Act 1979 (or "the EP&A Act"); and the
- Environmental Planning and Assessment Regulation 2000 (or "the EP&A regulation")

While the Act and the Regulation provide the overarching structure for planning in NSW, there are a number of other statutory documents that support that structure.

The two most commonly used are State Environmental Planning Policies (SEPPs) and Local Environmental Plans (LEPs).





#### **State Environmental Planning Policies (SEPPs)**

- There are approximately sixty-six State policies and that outline the NSW Government's approach to dealing with planning issues specific to the State and people of NSW. State policies are made by the Governor on the recommendations of the Minister for Planning and updated as required.

#### **Local Environmental Plans (LEPs)**

- Each local government area has a LEP to guide development and protect natural resources such as waterways and heritage within local government areas. LEPs are prepared by local Councils, in consultation with their community and approved by the Minister for Planning (or their delegate).
- Although the rules and guidelines for land use within local Council areas are dictated to some degree by State Environmental Planning Policies, local Councils can administer more specific rules about land use through their Local Environmental Plans, and can provide additional guidance in their development control plans (DCPs).

Other key planning and strategy documents are the Ballina Cultural Plan 2014-2020, and the Ballina Shire Growth Management Strategy 2012-2031. The Growth Strategy has a planning goal that *"the Ballina Byron Gateway airport remains the region's number one airport with first class facilities and services provided from within the Terminal."*

#### **3.4.2. Ballina Local Environment Plan 2012**

The Ballina Local Environment Plan 2012 (The Plan) was prepared pursuant to the New South Wales Planning and Assessment Act 1979 and commenced on the 4<sup>th</sup> of February 2013.

The Plan is separated into various zones based on the desired uses of land within the scheme area. The Plan further provides specific Land Use Tables for each Zone which details the objectives of the Zone and also which identifies development which may be carried out Without Development Consent, development which may be carried out Only With Development Consent and development which is Prohibited.

Under The Plan, The Airport is zoned SP2 – Infrastructure (Air Transport Facility).

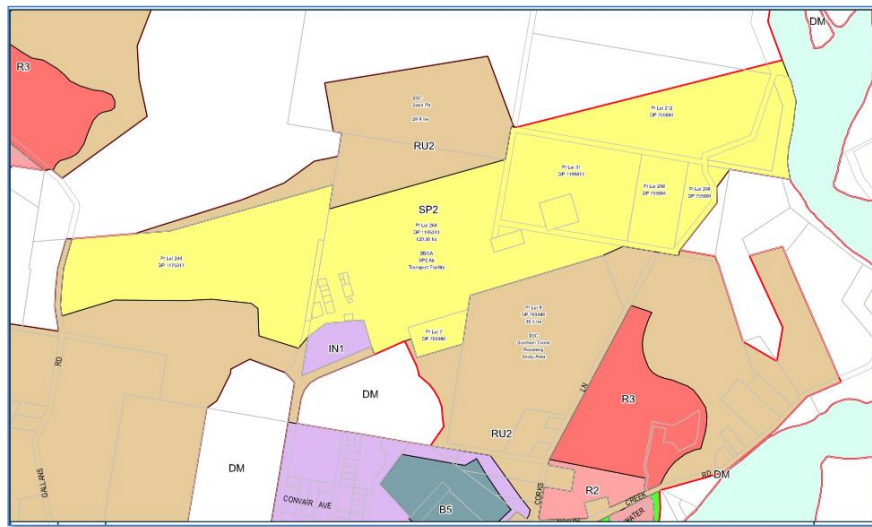


Figure 2 – The SP2 Infrastructure (Air Transport Facility) Zone

The objectives of the Zone are:

- To provide for infrastructure and related uses; and
- To prevent development that is not compatible with or may detract from the provision of infrastructure.

### Permitted Uses Without Consent

- Environment protection works; and
- Roads.

### Permitted With Consent

The LEP states the permitted uses with Consent to be the purpose shown on the Land Zoning Map, including any development that is ordinarily incidental or ancillary to development for that purpose.

As stated above the purpose stated on the land-zoning map for the airport is Air Transport Facility. The Plan states:

- *Air transport facility* means an airport or a heliport that is not part of an airport, and includes associated communication and air traffic control facilities or structures;
- *Airport* means a place that is used for the landing, taking off, parking, maintenance or repair of aeroplanes, and includes associated buildings, installations, facilities and movement areas and any heliport that is part of the airport.



#### **Prohibited Use**

Any development not specified as permitted or permitted with consent.

To gain approval for development of the Airport for activities that are not specifically identified as permitted, or permitted with consent therefore would require them to be deemed incidental or ancillary to the use as an Air Transport Facility or require a formal impact assessment process.

#### **Development Provisions**

The LEP has a number of provisions that manage the various requirements and potential impacts that need to be considered due to development. These include minimum lot sizes, environmental constraints, wildlife corridors, flooding, car parking etc.

#### **Aboriginal Objects and Aboriginal Places of Heritage Significance**

No issues disclosed.

#### **Heritage Conservation**

No issues disclosed.

#### **Lot Sizes**

The zoning description has a minimum lot size of 40 hectares for subdivision. However subdivisions for leasehold interests can vary.

#### **Noise**

It should also be noted that the LEP 1987 DCP Chapter 4.2 identifies noise contour overlays, which has an impact on development across all of the Airport precinct areas.

### **3.5. Contamination**

To date there has been limited investigation to determine if any contamination exists on the site.

There have been investigations of the recently acquired Richmond River Motorcross track by EAL Consulting Service in May 2011. That report identified specific areas of hydrocarbon contamination resulting from oil spills and the intentional application of oils to race track and jump areas and remediation by aeration was recommended.

### **3.6. Vegetation and Bushland Protection Overlays**

There are no vegetation and bushland protection areas on the Airport as shown on the excerpt from the LEP below.

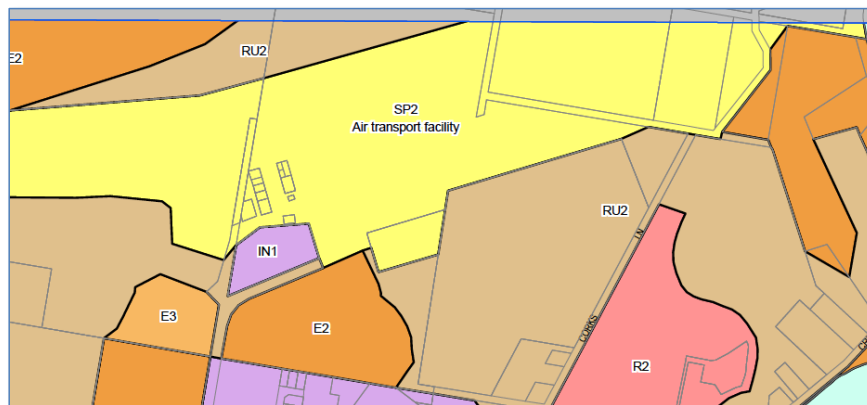


Figure 3–E2 (Environmental Protection) Zone

There is however an area that adjoins part of the southern airport boundary along Southern Cross Drive facing the Terminal area. This bushland is zoned E2 – Environmental Protection Zone under the LEP. The impact of this protection area is only likely to be relevant to the construction of Airport Boulevard and this has been allowed for in the plans, which have been submitted as part of the road development permit.

### 3.7. Airport Land Use Plan (2012)

Council has prepared an Airport Land Use Plan in 2012 to guide management's planning for the future development of the Airport, protecting the key operational areas and maximising the opportunity for integration with Council's adjoining land holdings. The Land Use Plan has been superseded by various development activities and the rezoning application for the Enterprise Park.

### 3.8. Infrastructure & Services

Council provides water and sewerage reticulation services.

Electricity is provided. Some of the Airport tenants have individual tenancy metres and have separate power supply agreements with the power provider. Other tenants are supplied power by the Airport.

Stormwater on the site is managed by a mix of open swale drains and underground pipes that flow into the local estuary system.

### 3.9. Airfield Infrastructure

Refer to Airport Layout Plans at Appendix A.

#### Runway

The airfield comprises the main runway (06/24) which is 1,900 metres long and 30 metres wide. It is a Code 3 instrument, non-precision runway and its pavement strength is capable of accommodating A320 and B737 aircraft.



Airfield improvements over recent years have been significant and have included:

- 2012 – apron extensions - \$6.15m;
- 2013 - runway overlay - \$4.7m; and
- 2014 – construction of the ARFFS facility by Airservices Australia ('AsA') \$17m.

The CASA Exemption dated 6 September 2012 provides an exemption from regulation 139.165 of CASR 1998, which requires operators to ensure that the physical characteristics of the movement areas comply with the CASA Manual of Standards ('MOS'), in this case for the use of the runway by Code 4C aircraft. This exemption does not apply if significant runway or apron works such as overlay or strengthening is undertaken for the purposes of accommodating larger aircraft.

AsA has advised Airport Management that there is no impact on operations from the CASA exemption (according to advice to TAG from Airport Management).

#### **Taxiways**

There are dual perpendicular taxiways joining runway 06/24 and the Terminal apron. Taxiway B is the preferred taxiway to use for A 320 and B737 aircraft due to its wider and stronger pavement surface. Both taxiways lead to the main parking apron. It is proposed by Airport Management that Taxiway Alpha will be widened and strengthened in April 2016 with the project funded by State grant. Refer to Section 4.3 for further detail. Airport management has advised that this will not impact the CASA exemption referred to above.

#### **Aprons**

BBGA has four aircraft parking bays. Bay 1 is offset from the Terminal (Saab 340, Metro), bays 2, 3 and 4 are at the Terminal face and are suitable for A 320 and B737 aircraft parking. The apron is in part under strength, which requires careful apron management by Airport staff, which can limit operations and airport capacity.

A Terminal Precinct Business Case was prepared for Council by Aviation Projects in 2015 as part of the project public funding submission. This identified that the Airport has the capacity to handle up to three A320 and/or B737 aircraft parking at the RPT apron at one time, although bays 2 and 3 are used subject to pavement bearing strength restrictions. The runway and airspace supports up to Code 4 aircraft conducting RPT jet services (B737 / A320) (p34, *Terminal Precinct Business Case – Ballina Byron Gateway Airport, Aviation Projects 2015*).

Airport Management has advised that the apron and taxiway upgrade project will commence in 2016 within budget. Refer to Section 4.3 for further detail.

#### **Fuel**

Aviation fuel is provided by Shell Aviation, which has a land lease for its on-Airport aviation fuel facility. The rental agreement was reviewed to market rates in 2013. The lease expires in July 2018 and has a further 5-year option.

#### **Aviation Rescue and Fire Righting Services**

AsA constructed this facility in 2014.

### 3.10. Terminal

The Terminal has been designed to accommodate up to 500,000 pax in its current format. It has an area of 2,500 m<sup>2</sup> and comprises:

- Check in desks – 8;
- Single food and beverage outlet pre-security with associated seating area;
- Pax security screening area;
- Secure departure area with seating for 210 people;
- Two departures gates;
- Baggage carousel;
- Car rental – 6 kiosks located in the arrivals hall; and
- Covered pax drop off area.

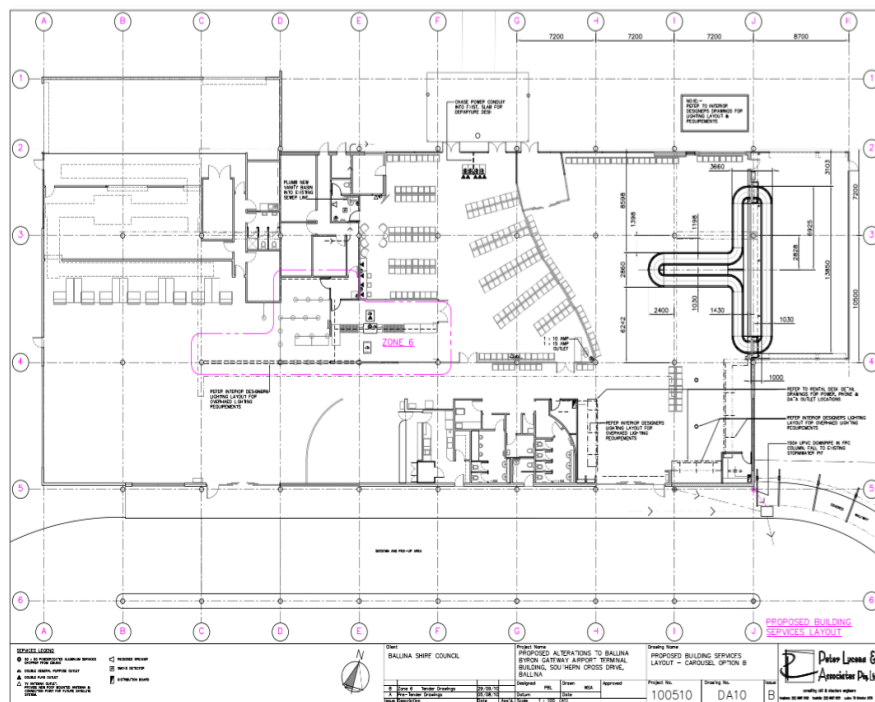


Figure 4 – Current Terminal Plan

The Terminal is approaching capacity at peak busy hour times and Airport management has proposed an expansion project which will grow the capacity to 750,000 pax. See Section 4.4 for further detail.



### 3.11. Ground Transport

The Terminal Plaza includes:

- Pax kerb side drop off;
- Adjoining taxi / limousine and shuttle bus pick up area;
- Rental car ready bays; and
- Short and long-term car parking areas.

### 3.12. Car Parking

The car parking area currently accommodates 633 vehicles as follows:

Type	No. of Spaces
Long-term Parking	144 (34 covered)
Short-term Parking	169
Car Rental	176
Staff Parking	73
Buses	6
Taxis	4
Limousine	1
Disabled	8
Drop-off zone	15
<b>TOTAL</b>	<b>596</b>

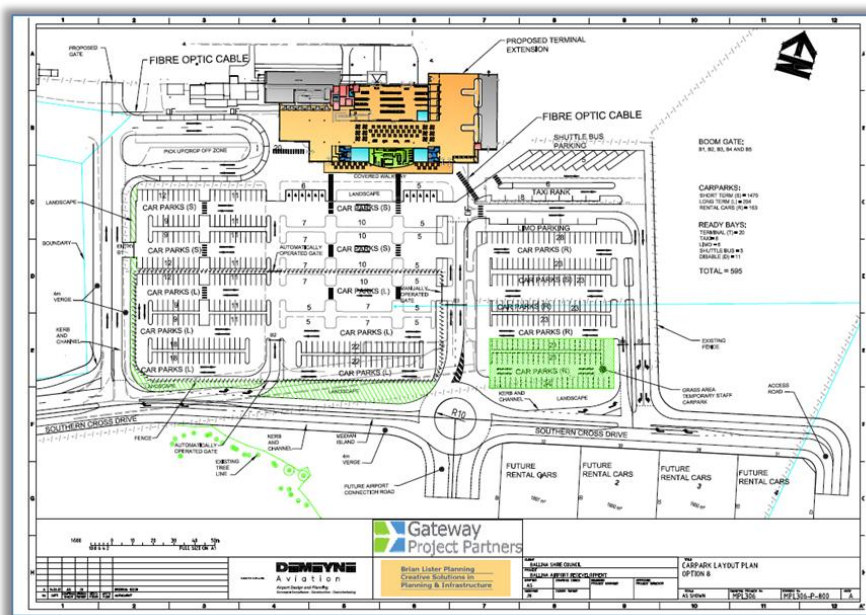


Figure 5 - Car Parking Layout

### 3.13. Airport Management

Current management of the Airport is undertaken by Council employees that are appropriately trained and have the necessary experience for the various specialist roles. The structure is consistent with many regional airports throughout Australia.

Specialist Role	No. Staff
Airport Manager	1
Supervisor Airport Security	1
Airport Operations Manager	1
Reporting Officers	2
Parking Officers	0
Administration	1
<b>TOTAL</b>	<b>6</b>





### 3.14. Pax Volumes

The Airport handled 436,025 pax in the year 2014/15. This ranks the Airport as the 25th busiest Airport in Australia, and the 14<sup>th</sup> busiest regional airport. Total pax in 2013/14 were 395,419 and the annual growth to 2014/15 of 10.26% now ranks BBGA as the 4<sup>th</sup> fastest growing regional airport in Australia.

Further growth has continued through 2015 with an annualised estimate of 455,000 pax reportedly achieved in December 2015. The latest confirmed data shows 44,076 pax in October 2015, which is the Airport's busiest October on record.

It should be noted that Jetstar, which grew 19% in the year, has contributed all of the pax increase. Virgin declined by 10% although has shown some growth in July-September. Rex Airlines declined in the year by 17%. Fly Pelican commenced operations on the BBGA-NTL route on 8 December 2015.

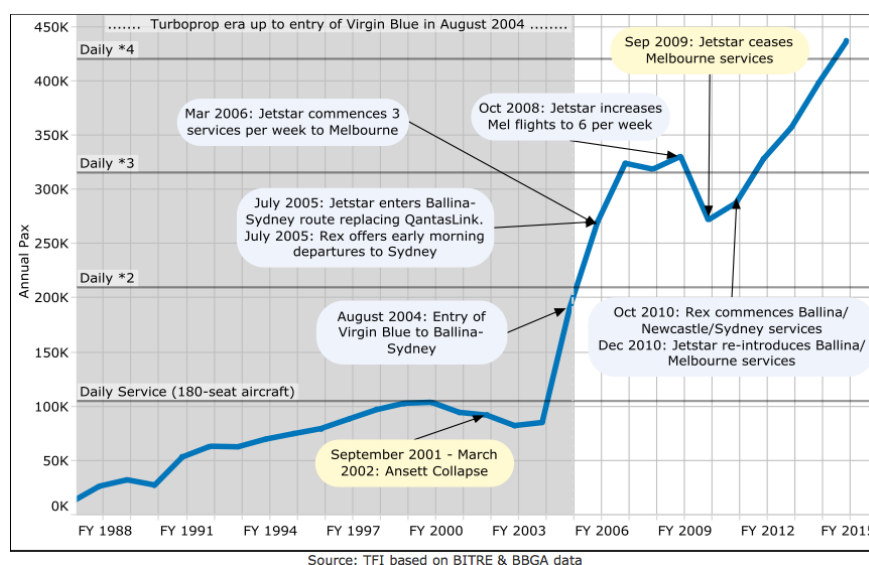


Figure 6 - Pax Historical Chart (Source: TFI Report)



### 3.15. Airline Services

The air traffic is mainly handled over two peak periods between 11.15am and 12.50pm, and 3.30pm and 4.45pm. An earlier Jetstar daily service arrives at 8.40am and departs at 9.15am. Fly Pelican arrives at 8.40am and departs at 9.10am.

Flight services provided by the airlines are as follows:

Carrier	Days	No. Flights
Rex Airlines	Daily	1 flight per day
Jetstar (has commenced a Melbourne daily service between September 2015 and February 2016)	Daily	3 flights per day
		4 flights per day during holiday periods
Virgin	Daily	1 flight per day
Fly Pelican	Monday - Saturday	1 flight per day

*\*As per Airport Management advice 15 February 2016.*

Management has had agreements in place with Virgin and Jetstar for several years. These agreements were designed to underpin short and medium pax growth through the addition of new services over several years and to grow pax for the benefit of the regional economy (not just Ballina Shire). An informal agreement has recently been entered into with Fly Pelican commencing in December 2015.

Airline agreements and pax forecasts are covered in more detail at Sections 5 and 7.4.4 below.

### 3.16. Pax Profiles

The *Airport Pax Study - Ballina/Byron Gateway Airport* (Proof Research, July 2015) indicates the following profiles.

- 46% of departing pax are local residents, mostly from Lismore or Ballina; 54% are visitors to the Ballina/Byron area. 1 in 9 visitors using the airport live overseas.
- Of all flights taken by local residents, 26% are always taken from Ballina Byron Gateway Airport; 74% of departing flights are taken from another airport. Locals choose to depart from another airport to access an increased number of direct flights, a greater choice of departure times and destinations, and for cheaper flights (20% of departing pax cite cheaper flights as a driver of airport choice). The latest survey indicates that 57% would use the Gold Coast Airport if they were not flying out of Ballina/Byron, 28% Brisbane, 24% Sydney and 6% Lismore.
- 44% of departing pax are flying out for the purpose of visiting friends/relatives (VFR); 27% travel for leisure purposes and 24% for business.
- Just 2% of departing pax are employed on a FIFO/DIDO basis. This is down from 8% in 2013.
- Jetstar accounts for 74% of outbound capacity, Virgin Australia for 19% and Regional Express for 7.5%. Cost and convenience of departure times are the two key reasons why pax choose an airline.
- 85% of pax fly direct to their destination out of Ballina/Byron. 23% of pax flying indirectly are connecting to Melbourne.



### 3.17. Aeronautical and Non-Aeronautical Revenues

Aeronautical revenues comprise 63.42% of total Airport revenue (excluding security charges which are passed through).

The Airport's non-aeronautical revenue streams currently generate \$1.564 million of revenue annually. Around \$1.04 million (or 66%) of this non-aeronautical revenue is pax-linked revenue, i.e. car parking charges, shuttle buses and rental car turnover revenue.

The Airport has four key streams of revenue:

- Airline landing fees and charges - set under separate agreements with the RPT airlines that service the Airport. Refer to section 7.4.4;
- Car parking (paid public parking was introduced in 2006) and car rental (agreements were entered into in 2011 and expire in early 2016). Refer to section 7.5;
- Property revenues – land use is restricted due to the current zoning. Refer to section 7.5; and
- Advertising – substantive increases have been achieved throughout the Terminal and arrival areas. Refer to section 7.5.

The table below reports the budgeted non-aeronautical revenues for the Airport for the 2015-16 financial year as provided by Airport Management in the LTFP.

Revenue Sources	(\$m)
Car parking	0.588
Terminal Retail Lease	0.081
Rental Car Leases and Licenses	0.280
Shuttle Buses	0.170
Fixed rental leases	0.102
Advertising and other revenue	0.443
<b>Non-aeronautical Revenue</b>	<b>1.664</b>

Strongest growth has been in car parking, car rental and shuttle buses, which are all tied to pax growth.

Many of the leases and licenses for other airport tenants have expired and are on monthly holding over, or will be expiring within the next 5 years. 50% of the leases will have expired in the next 12 months. This provides an opportunity for the introduction of standardised agreements.

The lease expiry profile is as follows:



	No of Leases	Rental \$/annum
<b>As at 30 June 2015</b>		
Expired (holding over)	7	45,993.02
within 12 months (30 June 2016)	5	89,999.77
within 2 years (30 June 2017)	2	11,641.66
within 3 years (30 June 2018)	2	87,204.70
within 4 years (30 June 2019)	4	31,733.90
within five years (30 June 2020) or greater	8	112,700.28
<b>TOTAL</b>	<b>28</b>	<b>379,273.33</b>

	No of Leases	Rental \$/annum
<b>As at 1 March 2016</b>		
Expired (holding over)	12	135,992.79
within 12 months (1 March 2017)	2	11,641.66
within 2 years (1 March 2018)	1	48,506.94
within 3 years (1 March 2019)	4	70,431.66
within 4 years (1 March 2020)	4	87,822.04
within five years (1 March 2021) or greater	5	24,878.24
<b>TOTAL</b>	<b>28</b>	<b>379,273.33</b>



#### **Rates and Other Operating Expenses**

Most of the leases provide for lessees to pay rates and other expenses to Council. This standard clause is included in most of the leases:

*"All Council rates and service charges including charges for sewerage rates and all water charges including availability charges and consumption charges:*

- (a) The costs of garbage disposal;*
- (b) State or other Land Tax;*
- (c) The cost of providing security services to the demised premises;*
- (d) All other charges or assessments specific to the Lessee's use of the demised premises whatsoever or hereafter to be charges thereon or upon the Lessor on account thereof.*



### **3.18. Recent Capex Program**

Between December 2010 and 2015 the Council has undertaken \$12 million of capital works at the Airport to improve facilities and services. These improvements include:

- A new pax screening area;
- Renovating and enlarging the departure lounge;
- Increasing the size of the arrivals lounge by 40%;
- Alterations to the check-in area;
- Improvements to the Café Horizon including new furniture, equipment and new management;
- Extensions to the RPT Apron;
- Construction of the asphalt overlay to the main runway 06/24;
- Installation of advertising to the Terminal building;
- New building for Air Freight Operations; and
- Construction of a new long-term car park.

In addition to these items, AsA has constructed the new ARRFs station, the new Non-Directional Beacon, and the new pad mounted transformer on the Airport.

### **3.19. Stakeholder Consultation**

In accordance with Council's instructions, TAG has not carried out external stakeholder consultation.

Key stakeholders that TAG has not been permitted to discuss this project with include:

- Airlines – Jetstar, Virgin, Fly Pelican, REX Airlines (TAG has specifically not been permitted to have any discussions whatsoever with the airlines although we are aware that Airport Management has met with the airlines through the preparation of this report);
- Tourism bodies – Tourism Aust, Tourism NSW, Destination NSW, The North Coast Destination Network;
- North Coast destination tourism operators;
- Tourism charter operators; and
- CASA.



## 4. PROPOSED DEVELOPMENTS

### 4.1. 'Southern Cross Expansion Area'

Adjoining the Airport on its southern boundary is a 36-hectare parcel of undeveloped land owned by the Council and known as the Southern Cross Expansion Area. This englobo parcel could be included with an Airport Lease to be developed for airport related activity as well as general commercial and industrial use.

#### Zoning

The land is currently zoned Rural "RU2 Rural Landscape". It is the subject of a rezoning application to part Industrial 1 (IN1) and part Industrial 2 (IN2) (see Figure 7 below). The rezoning application was lodged by the Council as the applicant in May 2012 and is supported by a wide range of independent reports.

#### Development Proposal

Council has proposed that the land would be developed as an industrial / enterprise estate. The proposed plan is for a total of 107 industrial allotments accessed via the proposed Airport Boulevard (see below). The proposed industrial lots are to range in size from 1,250 to 16,000 square metres. The majority of the lots range in size from 1,250 to 5,000 square metres. The balance three larger lots range in size from 6,000 to 16,000 square metres.

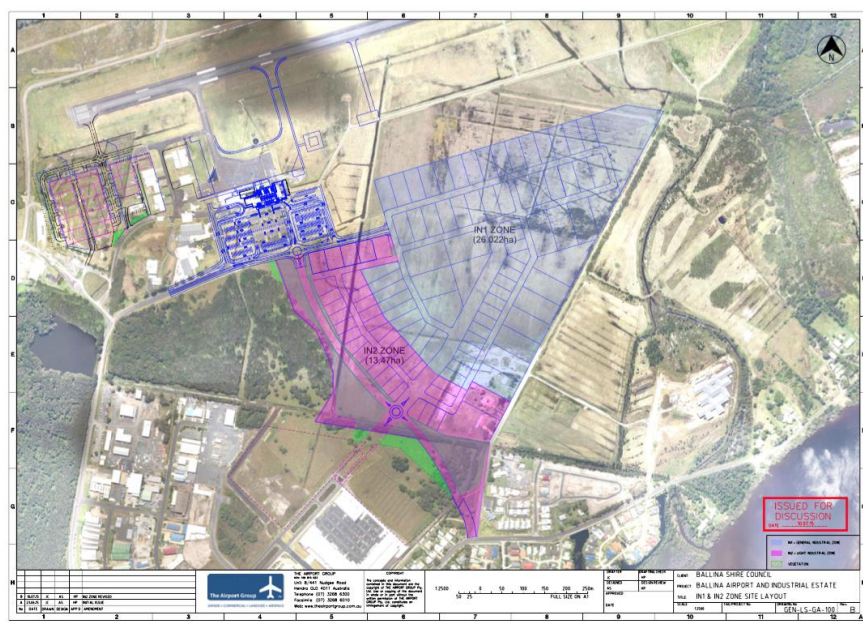


Figure 7 – Proposed Enterprise Park Development Plan



There are 15 allotments that will have direct frontage to Airport Boulevard. These allotments and a further 22 allotments within close proximity to Airport Boulevard are proposed to be zoned IN2 and cater for more light industrial, warehouse and related land uses. 5 of these lots are also proposed for car rental businesses. The balance 63 allotments are to be internally situated within the development and to be zoned IN1.

The majority of allotments are to be of a regular shape and all allotments will have a level building contour.

Refer to Appendix B for Southern Cross Expansion and Airport Boulevard Plans.

An independent market analysis is attached at Appendix C.

A comprehensive project summary is included in Appendix E.

#### **4.2. Airport Boulevard**

Council is also seeking to construct a new access road into the Airport. Its construction will enable Council to open up development of the Enterprise Park and it will become the primary Airport entrance road. The Council's Section 94 Roads Plan also proposes to extend North Creek Road through to Lennox Head making it a primary arterial road between Ballina and Lennox Head, to intersect with Airport Boulevard. It is proposed that Boeing Avenue, which is located to the south of the Airport, will be extended to intersect with Airport Boulevard.

The construction of both Airport Boulevard and the extension of North Creek Road through to Lennox Head form a strategic and integral component for the future development of the Enterprise Park. Without the construction of these two roads, the saleability, value and potential sales rates for the allotments within the subdivision will be impacted.

It is assumed that the internal roads servicing the lots will be a standard 7 metre wide carriageway with concrete kerb and gutter. Council has advised a total cost of \$6.0m for the road construction project and has submitted a formal development application.

Council recently unsuccessfully applied for a NSW State Government grant to fund 50% of the construction cost with the balance contributed by Council. Council has advised that it will reapply for funding in 2016 as one of the preferred Shire priority projects.



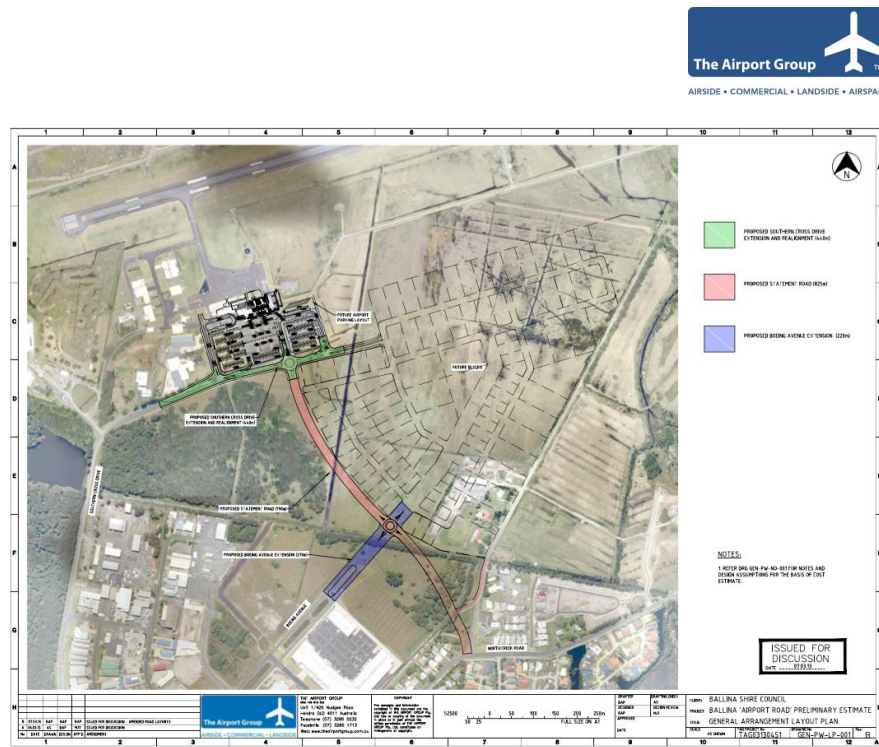


Figure 8 - Indicative Road Design for Airport Boulevard

#### 4.3. Apron & Taxiway Upgrade Project - 2016

Council has been successful in securing State Government funding for a \$2.70m apron and taxiway overlay and widening project as shown in Figure 9.

The project will include:

- An asphalt overlay and pavement strengthening to apron bays 2 and 3;
- Widening of Taxiway Alpha; and
- An asphalt overlay and pavement strengthening to Taxiway Alpha.

The project will commence in 2016 and is intended to improve the reliability and frequency of airline services. Council is required to contribute \$500,000 to this project.

*NOTE: All information in this report regarding the Apron & Taxiway Upgrade Project is as per advice provided by Airport Management.*

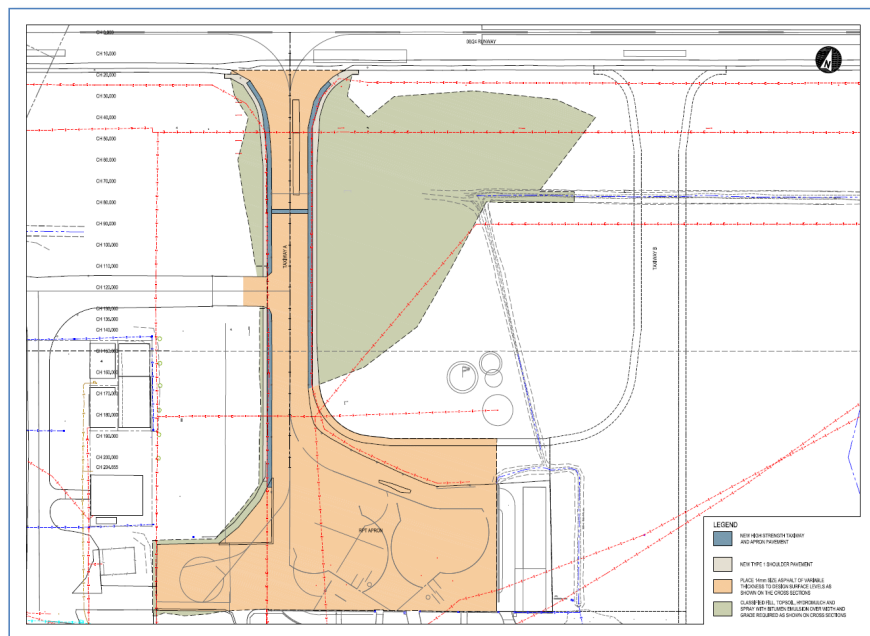


Figure 9 – Plan of Proposed Apron Expansion and Overlay Project 2016

#### 4.4. Terminal Expansion Project

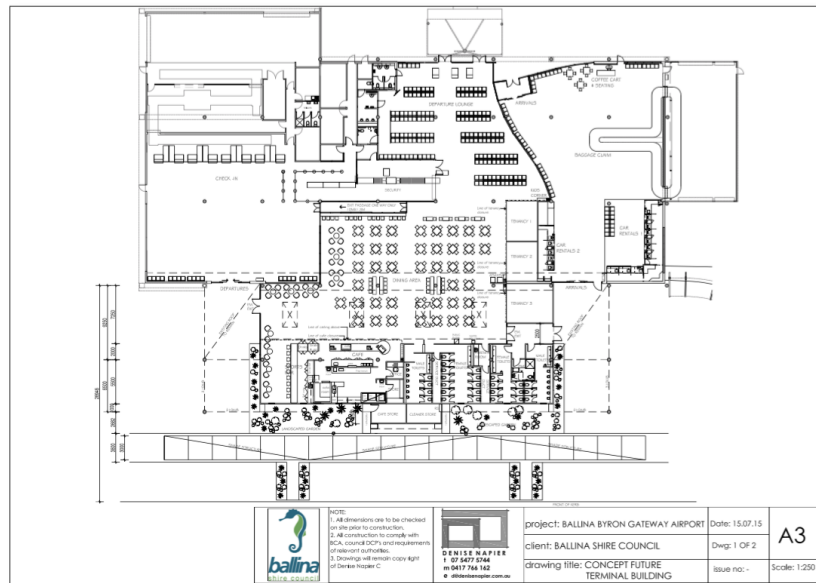
##### Terminal Capacity & Expansion

The current Terminal is operating at or close to capacity in the busy hour. Airport management has prepared plans to extend the Terminal including expanding the secure departure lounge by 340m<sup>2</sup>, providing 3 additional retail outlets, expanded food and beverage, expanded bathroom facilities, building extension to enclose the current covered drop off area, larger baggage claim, and an overall refurbishment.

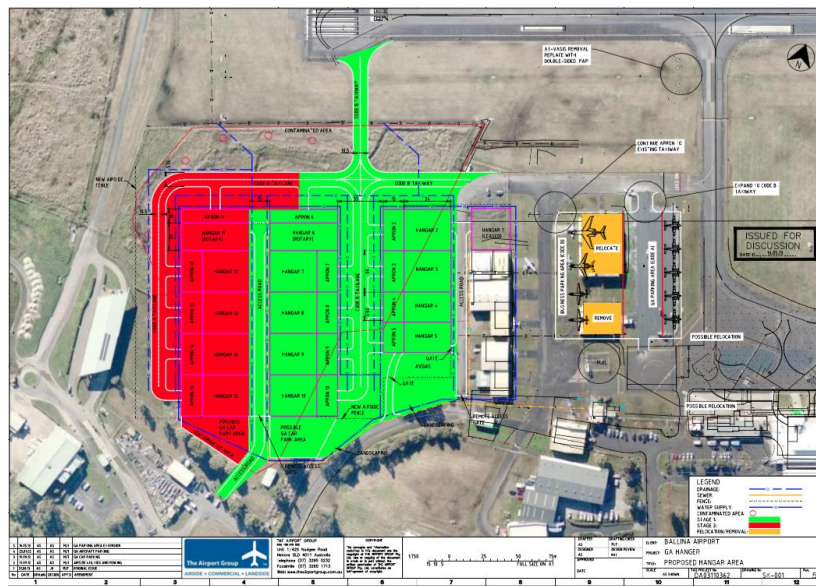
Funding for these works was the subject of a recent application to the State Government as part of the Council's Regional Tourism Infrastructure Fund application. The total project cost is estimated at approximately \$5.4m (inclusive of external arrival and car parking works). The application is still under consideration by the NSW State Government with further information to be provided by Council before 14 March 2016 (the State requires further information on co-investment via commercial or user pays arrangements).

Council is required to contribute \$900,000 to this project. There is no confirmed contribution to the project by the airlines as these negotiations have not commenced.

*NOTE: All information in this report regarding the Terminal Expansion Project is as per advice provided by Airport Management.*



#### 4.5. General Aviation Estate





The General Aviation Estate is only partly developed and there are costed plans in place for significant expansion subject to market demand. Existing income is generated from site leases and landing fees.

The cost of developing all future stages is estimated to be \$4.95m.

The staged GA expansion plan identifies a series of allotments of 1,500m<sup>2</sup> with a target rental of \$10/m<sup>2</sup>/annum.

*NOTE: All information in this report regarding the General Aviation Estate Project is as per advice provided by Airport Management.*



## 5. AVIATION MARKET OVERVIEW

This section reviews the current and future economic drivers of economic development in the Ballina region with particular emphasis on the financial well being of the Airport.

### 5.1. Airport Catchment and Market Segmentation

Council engaged TFI to undertake an economic and strategic analysis of the Airport's position in the marketplace. TFI has made the following comments and conclusions.

#### 5.1.1. Airport Pax Survey

Using the Airport's separately commissioned *Airport Pax Study - Ballina/Byron Gateway Airport* (Proof Research, July 2015), TFI has concluded that:

- 46% of departing pax are local residents, mostly from Lismore or Ballina; 54% are visitors to the Ballina/Byron area. One in nine visitors using the airport live overseas;
- of all flights taken by local residents, 26% are always taken from Ballina Byron Gateway Airport; 74% of departing flights are taken from another airport. Locals choose to depart from another airport to access an increased number of direct flights, a greater choice of departure times and destinations, and for cheaper flights (20% of departing pax cite cheaper flights as a driver of airport choice). The latest survey indicates that 57% would use the Gold Coast Airport if they were not flying out of Ballina/Byron, 28% Brisbane, 24% Sydney and 6% Lismore;
- 44% of departing pax are flying out for the purpose of visiting friends/relatives (VFR); 27% travel for leisure purposes and 24% for business;
- Jetstar accounts for 74% of outbound capacity, Virgin Australia for 19% and Regional Express for 7.5%. Cost and convenience of departure times are the two key reasons why pax choose an airline; and
- 85% of pax fly direct to their destination out of Ballina/Byron. 23% of pax flying indirectly are connecting to Melbourne.

#### 5.1.2. Population

Demographic factors can be an important influence on pax prospects in the longer term. Increases in population generally lead to an increase in demand for air travel.

ABS figures indicate that the resident population of NSW grew by a CAGR of 1.3% during the period from 2009 to 2014. During this period the population in the Ballina LGA and in the wider Ballina catchment area increased by a CAGR of around 0.7%. In comparison, the resident population of the Gold Coast grew by a CAGR of 1.9% during the same period.

NSW Government population projections (2014 edition) suggest:

- The population of NSW is to grow from 7.2 million residents in 2011 to 9.2 million by 2031; a CAGR of 1.2%;
- During this period the population of the Ballina LGA is projected to grow from 40,800 to 44,800; CAGR of 0.5%;
- The combined population of the Ballina catchment area is projected to increase from 287,800 to nearly 331,600 by 2031; CAGR of 0.7%; and
- Over the same period, 2011 to 2031, Queensland Government population projections suggest that the population of the Gold Coast LGA will grow at a CAGR of 2.4%, from 515,200 to 820,400.



The relatively small population, and relatively slow projected growth, for the Ballina area suggests that the main impetus for pax growth at the Ballina Byron Gateway Airport will come from the visitor market.

### 5.1.3. Catchment Population and Pax

TFI has assessed that the Ballina Airport catchment population amounts to around 35% of the total population of the Ballina plus Gold Coast Airport catchments. By comparison, for the 2015 financial year, Ballina to Sydney pax accounted for around 12% of the Ballina/Gold Coast catchment area Sydney pax and Ballina to Melbourne pax accounted for below 5% of Ballina/Gold Coast catchment area Melbourne pax.

This indicates that a large number of people living in the Ballina catchment area are using Gold Coast Airport rather than Ballina Airport for their air travel needs. This suggests there is significant scope for Ballina airport to grow its pax travelling to and from Sydney and Melbourne.

Ballina Airport faces a fairly unique position in Australian aviation in that it faces direct local competition from two other airports, the Gold Coast and Lismore. While Lismore Airport only provides mild competition, Gold Coast Airport has a number of significant advantages over Ballina Airport.

Gold Coast has the key advantages over Ballina Airport of higher pax volume and number of flights. Gold Coast to Sydney is the fourth largest and Gold Coast to Melbourne the ninth largest routes in the Australian domestic system. On average in the 2015 financial year there were available:

- 25 flights per day from the Gold Coast to Sydney (an average 10 for Jetstar, 3 for Qantas, 8 for Virgin Australia and 3 for Tigerair); and
- 15 flights to Melbourne (7 for Jetstar, 6 for Virgin Australia and 2 for Tigerair).

This represents a substantial range of options between airlines and across the day. It also means an increased availability of cheaper fares across the year.

As can be seen from table below the fares offered on services to Ballina and Gold Coast airports from Sydney and Melbourne are not very different. However the availability of the cheaper fares is likely to be greater given the substantially higher seat capacity provided at Gold Coast Airport.

Airline	Fare Type	Ex Sydney		Ex Melbourne	
		1 Month Ahead	3 Months Ahead	1 Month Ahead	3 Months Ahead
		\$	\$	\$	\$
	To Ballina/Byron				
Jetstar	Starter Economy (Max/Flex)	55 (209)	55 (209)	95 (285)	95 (285)
Virgin	Saver-Flexi	89-199	85-199	na	na
Rex	Net Plus-Saver-Flex	146-210-510	146-210-510		
	To Gold Coast				
Jetstar	Starter Economy (Max/Flex)	49-59 (239)	45-69 (239)	89-99 (289)	79-199 (289)
Qantas	Red e / Flex	105-229	119-229	na	99-629
Virgin	Saver/Flexi	95-209	95-209	139-249	139-249
Tigerair	Light/Express	39-49	45-59	85-99	79-99
	To Sunshine Coast				
Jetstar	Starter Economy	79-89	89-99	129-158	119-175
Virgin	Saver/Flexi	109-229	109-229	159-289	179-289

Figure 12 - Fares for Flights from Sydney and Melbourne to Ballina, Gold Coast, Sunshine Coast





#### 5.1.4. Regional Tourism

Tourism is a major driver of visitors to the Ballina catchment area and, given the region's low forecast population growth, is likely to be the major driver of pax growth over the coming decades. The table below provides the numbers of interstate, intrastate and international overnight visitors to the Ballina catchment area, as provided in surveys published by Tourism Research Australia. Figures reported are based on a three-year average to June 2014 (the latest financial year data available at the time of reporting).

	3-Yr Average to Jun-14	3-Yr Average to Jun-13
Interstate Trips	1,043	1,059
Intrastate Trips	852	833
Total Domestic Trips	1,895	1,892
International Visitors	196	200
<b>Total Market<sup>b</sup></b>	<b>2,091</b>	<b>2,092</b>

Figure 13 - Overnight Domestic Trips and International Visitors to the Ballina Area,  
3-Year Average to 30 June

Based on this data, TFI has concluded that:

- Intrastate visitors accounted for 41% of visitors to the Ballina catchment area over the three years ended 30 June 2014 (up from 40% during the comparative period to June 2013);
- Interstate visitors accounted for 50% (down from 51%) with Queensland accounting for 41% of these interstate visitors, Victoria for a further 5% and other States for the remaining 4%; and
- International visitors accounted for 9% of all visitors (down from 10%).

In June 2013, under the leadership of the North Coast Destination Network (NCDN) Board, a North Coast Destination Management Plan was created to provide a roadmap to achieve doubling overnight visitor expenditure by 2020. The Plan recognises that the continued development of the three main airports in the North Coast region (Port Macquarie, Coffs Harbour and Ballina Byron Gateway Airport) is critical to securing ongoing growth in visitor numbers to the region and the ability to tap into key interstate and international markets.

The NCDN report, *North Coast of NSW Destination Management Planning - June 2013*, pointed to tourism as an important part of the North Coast region's economy with:

- The Mid North Coast receiving the highest number of domestic visitors in NSW outside of Sydney and with a total Visitor Economy worth over \$1.58 billion (including Great Lakes excluding Port Stephens) and supporting 12,000 jobs;
- The Northern Rivers receiving the highest number of international visitors in NSW outside of Sydney and with a total Visitor Economy worth over \$1.3 billion and supporting 6,794 jobs; and
- The combined North Coast having 55% of the total International market in Regional NSW.

The NCDN goals and performance measures included an increase in each of total domestic and total international visitor expenditure of 7% each year, working towards the NSW Government's 2020 goal of doubling overnight visitor expenditure. Benchmarked on data for the year-end December 2012 the NCDN goal would raise North Coast annual overnight visitor expenditure from \$3.0 billion in 2012 to \$5.1 billion in 2020. That is an overall 72% increase.



## **6. INVESTMENT MARKET OVERVIEW**

### **6.1. Overview**

The “core” Australian infrastructure market is dominated by two asset classes: transport assets such as sea ports, airports, road and rail; and regulated monopolies such as power, transmission and distribution utilities, water utilities and resources infrastructure like pipelines.

Large core infrastructure transactions recently include the c.\$7bn lease of Queensland Motorways, c.\$5bn lease of Port Botany and c.\$1.7bn lease of the Port of Newcastle. However, there has generally been a scarcity of high quality core infrastructure assets on the market, despite considerable appetite from debt financiers and equity investors.

Pent-up demand for core infrastructure assets is occurring because of growing demand from domestic superannuation and pension fund investors for assets that deliver a predictable long-term rate of return. International pension fund and other types of international investors have also demonstrated a strong appetite for core Australian infrastructure assets reflecting a similar desire for steady long-term returns combined with a perception that Australia is an investment “safe haven”.

Large core infrastructure transactions are being funded by debt financiers like project finance banks at very low interest rates (relative to base rates) for terms of three to twelve years. Equity financiers are simultaneously investing capital at very low internal rates of return (IRRs). Falling bid IRRs are being underpinned by business plans and capital structures that are more aggressive than at any time since the global financial crisis.



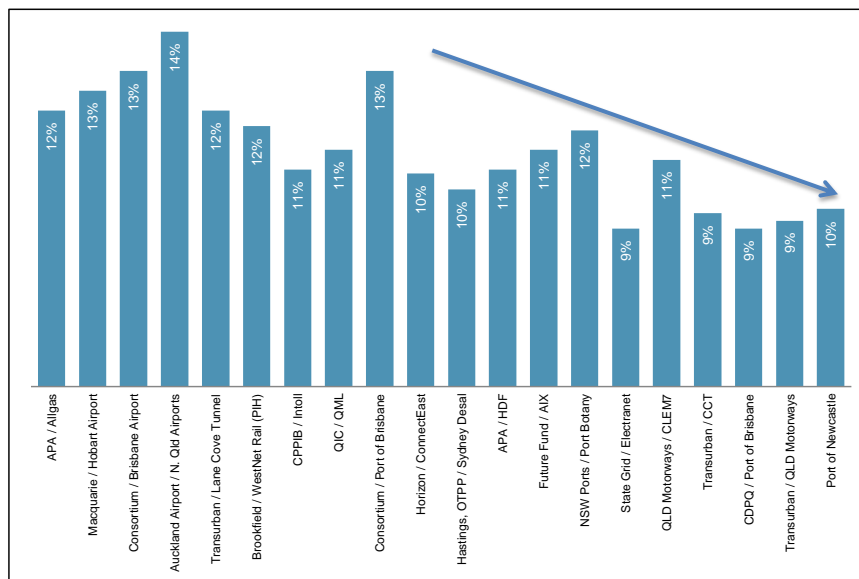


Figure 14 - Equity Investor Infrastructure Transaction Internal Rates of Return

Recent Australian Infrastructure Transactions					
Transaction Year	Infrastructure Asset	Investors	Stake %	Value A\$m	EBITDA Multiple
2014	Port of Newcastle	Hastings, China Merchants	100	1750	27
2014	ANZ Tank Terminals	MQG, Palisades, CFS, Fengate	100	525	14
2014	QLD Motorways	Transurban, Australian Super, ADIA	100	7100	28
2013	Port of Brisbane	CDPQ	27	1400	28
2013	Electranet	State Grid	41	500	n.a.
2013	Port of Botany	IFM, Q Super, ADIA, Australian Super	100	5070	25

The infrastructure market has become segmented in two key respects. First, the demand for infrastructure assets that are not considered “core” is considerably lower. Infrastructure assets that carry heightened operating, regulatory, patronage and/or competitive risks that could jeopardise a predictable reliable cash flow stream are not rated as core assets and are considerably less attractive to investors. Significant exposure to commodity price movements would, for most investors, automatically exclude the asset from being considered a core infrastructure asset.

The Port of Newcastle sold for c.28 times EBITDA in 2013 notwithstanding evident exposure to coal markets but it is generally accepted in the market that a unique set of conditions made this possible and that these conditions are unlikely to be repeated.



Second, the market is being segmented according to asset size. Demand for relatively large “trophy” assets is continually exceeding expectations. A typical core infrastructure trophy asset like a major port or airport would have traded with a valuation of 15 times EBITDA prior to 2013. Today some of these assets are trading at multiples of 25 times or more. In contrast, the valuations of small and medium sized assets remains consistent with historical experience and are trading at multiples in the order of 10 to 15 times EBITDA. There is a range of reasons for the apparent market segmentation. A key factor is the ubiquitous presence of large international investors in bids for trophy assets, including Canadian pension funds, Chinese state owned entities and various Sovereign Wealth Funds from North America, Asia and the Middle East. These international investors have shown little interest in infrastructure assets below an enterprise value of approximately A\$1 billion.

Notwithstanding the changes of government in Queensland and Victoria, which lead to a scaling back in each State’s privatisation programs, in the years ahead, an unprecedented supply of large, core infrastructure assets is slated to come to the market. Most estimates suggest more than \$30bn of assets will turnover in the next two to four years as the NSW, Victorian and WA State Governments look to lease a wide range of core brownfield infrastructure. The largest transactions are likely to be the lease of the NSW transmission and distribution utilities. Also of considerable size are the proposed leases of ports in Victoria and WA.

## **6.2. Equity Investor Universe (Corporate & Institutional)**

There are essentially three types of investors in Australian infrastructure: financial investors (super/pension funds, sovereign wealth funds, unlisted infrastructure funds, listed infrastructure funds); strategic investors (listed and unlisted specialist corporate entities); and unlisted infrastructure holding companies. Of these, financial investors are far and away the largest and most influential. As the market continues to mature, specialisation is occurring among financial investors, underpinning segmentation within the infrastructure market more broadly.

Financial investors are segmenting into three groups, primarily based on the asset size being targeted. The tier one financial investor universe is a relatively small number of very large pensions fund or sovereign wealth funds, as well as some very large intermediaries who aggregate capital from a number of underlying investors (usually pension funds and sovereign wealth funds). Tier one investors are typically looking to invest in excess of \$500m each investment and are almost entirely focussed on large, core infrastructure assets. They may or may not invest on their own, however in most instances they invest as part of a consortium, which they lead. These investors are unlikely to be interested in investing in relatively small regional airports.

Tier two investors are the largest group and consist of a mixture of medium size superannuation/pension funds, their intermediaries and a range of strategic investors. They are typically looking to invest \$100m to \$500m in each asset. They also favour large, core infrastructure investments and usually participate in bids for these assets as minority shareholders behind one of the tier one investors. They are unlikely to be interested in regional airports on a standalone basis, but some of them will be interested if there is potential for a broader regional Australian airport play.

The tier three market is a relatively specialised market. Some of these investors specifically target regional assets and for many regional airports will fall directly into their investment mandate.

Of the equity investors in infrastructure outside the financial investors universe, two particular types of investors appear relevant: strategic investors likely to have a specific interest in airports or airport assets, and airport holding companies.



Selected Tier One Australian Infrastructure Investors		
Investor Name	Investor Type	Airport Investments
Australian Super	Australian Super Fund	Melbourne, Launceston, Brisbane, NT Airports, Brisbane, Perth, Bankstown, IFM
QIC	Australian Super Fund Intermediary	Brisbane
IFM	Australian Super Fund Intermediary	Melbourne, Launceston, Perth, Brisbane, Adelaide, Manchester, Stansted, Bournemouth, East Midlands.
Future Fund	Sovereign Wealth Fund	Melbourne, Launceston, Perth
Hastings	Australian Super Fund Intermediary	Melbourne, Launceston, Perth, QAL (Gold Coast, Townsville, Mt Isa), Mackay, Cairns, Athens, Dusseldorf, Hamburg
GIP	Unlisted Infrastructure Fund Manager	London City, Gatwick, Edinburgh.
CCPIB	Sovereign Wealth Fund	Athens, Dusseldorf, Hamburg, Tirana.
Ontario Teachers	Canadian Pension Fund	Bristol, Brussels, Copenhagen, Birmingham, Auckland.

Selected Tier Two Australian Infrastructure Investors		
Investor Name	Investor Type	Airport Investments
REEF	Australian Super Fund Intermediary	BAA (7 UK Airports), Melbourne, Launceston
AMP	Australian Super Fund Intermediary	Melbourne, Launceston, Newcastle
NSW State Super	Australian Super Fund	Melbourne, Launceston
Q Super	Australian Super Fund	Brisbane, Edinburgh, QIC
REST	Australian Super Fund	IFM portfolio
CBUS	Australian Super Fund	IFM portfolio
Unisuper	Australian Super Fund	Adelaide, Parafield, Brisbane, Sydney
VPMC	Australian Super Fund	Birmingham
Macquarie Infrastructure	Australian Super Fund Intermediary	Sydney, Brussels, Copenhagen, Bristol
JPM Infrastructure	Unlisted Infrastructure Fund Manager	Mackay, Cairns
CDPQ	Canadian Pension Fund	Heathrow, Budapest, BAA (7 UK airports)
GIC/Tamesek	Sovereign Wealth Fund	Aberdeen, Glasgow, Southampton,
Qatar Investment Authority	Sovereign Wealth Fund	Heathrow, Glasgow, Aberdeen, Southampton
ADIA	Sovereign Wealth Fund	Gatwick, London City
USS	British Pension Fund	Heathrow, Aberdeen, Glasgow, Southampton



Selected Tier Three Australian Infrastructure Investors		
Investor Name	Investor Type	Airport Investments
Palisades	Australian Super Fund Intermediary	Darwin, Alice Springs, Tennant Creek
CFS	Australian Super Fund Intermediary	Bankstown, Perth, Brisbane, Adelaide
ICG	Australian Super Fund Intermediary	n.a.
First State	Australian Super Fund	Various indirect holdings
Sunsuper	Australian Super Fund	Perth, various indirect holdings
Fengate	Unlisted Infrastructure Fund Manager	n.a.
The Private Capital Group	Australian Super Fund Intermediary	Cairns, Mackay, Perth, QAL
Dixon	Australian Super Fund Intermediary	n.a.
QAL	Listed airport specialist	Gold Coast, Townsville, Mt Isa, Longreach
Morrison's	Australian & NZ Super Fund Intermediary	Wellington, Glasgow, Kent, Auckland
NZ Super	NZ Pension Fund	Auckland
Auckland Airport	Airport Holding Company	Auckland, Cairns, Mackay
Northern Territory Airports	Airport Holding Company	Darwin, Alice Springs, Tennant Creek
Perth Airport	Airport Holding Company	Perth
Goodman Group	Property Corporate	Moorabbin
Linfox	Strategic	Essendon
Perron	Private Family	QAL, Cairns, Mackay
PSP	Canadian Pension Fund	Athens, Budapest, Dusseldorf, Hamburg, Sydney, Tirana

### 6.3. Debt Financiers

Infrastructure leases are typically financed with a combination of debt and equity. The vast majority of the Australian infrastructure debt finance is bank debt originated by the major project finance banks that usually club together and/or underwrite a loan package, which they subsequently syndicate to the market. Other sources of finance, for the larger infrastructure assets, include the bond market (Australian, European and US markets) and the US private placement market. For the small and medium sized assets some Australian superannuation and funds will invest in debt (as well as equity) through intermediaries.

The major capital city airports generally seek to access capital from a range of bank and bond markets. Lessees of smaller infrastructure assets like regional airports generally have to rely exclusively on the bank market and superfund intermediaries to provide debt finance.



Bank loans for an individual infrastructure asset are typically provided with maturities of 3, 5 and 7 years. The size of each bank's long-term hold varies (as is indicated in the table below). Interest rates offered by the banks fluctuate with market conditions.

For the larger infrastructure assets with an investment grade rating, prices are currently between c.140bps and c.200bps over swap rates for 3 and 7-year debt, respectively. Smaller infrastructure assets, like regional airports, will likely be restricted to shorter maturity debt with an average tenor close to 3 years and pricing greater than 200bps over swap rates (in current market conditions, assuming an investment grade credit rating).

The amount of debt finance in each infrastructure asset varies considerably based on the predictability and reliability of the underlying cash flow. Infrastructure assets with no patronage or regulatory risk and a take or pay arrangement with an Australian government could be geared at more than 10 times EBITDA in the current market. On the other hand, infrastructure assets with extensive patronage, operational and/or competitiveness risks may only be geared at 3 times EBITDA. The typical capital city airport is currently geared at between 5 and 7 times EBITDA. In current market conditions, and assuming an investment grade rating, the typical regional airport can expect to achieve gearing in the order of 3 times EBITDA.



Australian Infrastructure Bank Lenders			
Tier	Bank	Country of Origin	Take & Hold Amount per asset (A\$m)
1	CBA	Australia	250-300
	ANZ	Australia	250-300
	Westpac	Australia	250-300
	NAB	Australia	250-300
	MUFG	Japan	200-250
	SMBC	Japan	200-250
	ICBC	Japan	200-250
	RBC	Canada	200-250
	CIBC	Canada	200-250
	Scotiabank	Canada	150-200
	ING	Europe	200-250
2	Credit Agricole	Europe	200-250
	Mitsui	Japan	100-150
	Mizuho	Japan	100-150
	China Construction Bank	China	50-150
	Bank of China	China	50-150
	China Trust Bank	China	50-150
	BOS International	Australia	50-100
	IFM	Australia	50
	Westbourne Capital	Australia	50
	Challenger	Australia	50
	UOB	Singapore	50
	OCBC Bank	Singapore	50
	Barclays	UK	50-150
	HSBC	UK	50-150
	RBS	UK	50-150
	DBS	Europe	50-150
	Santander	Europe	50-150
	BNP	Europe	50-150
	Investec	South Africa	50-100



Australian Infrastructure Debt Transactions						
Date	Infrastructure Asset	Size (A\$m)	Type of Finance	Rating	Term (years)	Pricing (bps to swap)
Jun-14	Flinders Port	300	Bond	NAIC-2	10-12	179
Jun-14	Port of Brisbane	175	Bond	BBB	15	195
Jun-14	APA Pipeline	1250	Bank	BBB	2-5	100-140
May-14	NT Airports	435	Bank	N.A.	3-5	125-145
May-14	NCIG	1200	Bank	NAIC-2	3-7	155-225
Apr-14	Sydney Airport	1500	Bank	BBB	3-5	110-140
Apr-14	Port of Newcastle	800	Bank	N.A.	3-5	150-180
Apr-14	QML	2500	Bank	BBB+	3-5	125-140
Mar-14	Penlink	745	Bank	N.A.	5	130
Nov-14	Vic Desal	150	Bond	BBB+	7	175
Oct-13	Vic Desal	3700	Bank	BBB+	3-7	135-185
Oct-13	Brisbane Airport	350	Bond	BBB	7	180
Sep-13	Sydney Desal	1400	Bank	N.A.	2-5	120-170
Aug-13	ConnectEast	250	Bank	BBB	7	190
Jul-13	Port of Brisbane	270	Bank	BBB	3	130
Apr-13	Port Botany	2000	Bank	N.A.	3-5	170-200

#### 6.4. Commonwealth Leased Airport Market

The market for major Australian airports has been remarkably stable since the Commonwealth took the decision to lease its portfolio of 22 airports to the private sector 10 to 15 years ago. Inaugural investors in these leases have largely retained their shareholdings and have sought to increase their exposure via pre-emptive rights embedded within shareholder agreements.

Shareholders of the major Commonwealth airport leases are mostly Australian superannuation funds or their nominated intermediary fund managers. They have received very strong returns since inception of the leases. For many Australian superannuation funds, Commonwealth airport leases have provided the backbone for the portfolio performance of their infrastructure allocation.

Shareholders of the smaller regional and city airports leased by the Commonwealth are from a relatively diverse background. Superannuation funds are large equity investors but also influential in the smaller airports are a range of strategic corporate investors like Linfox, Mirvac and the Goodman Group.



Commonwealth Government Airport Leases		
Commonwealth Airport Leases	Year of Lease	Lease Company Shareholders*
Brisbane	1997	Australian super funds, ADIA, Canadian pension fund
Melbourne	1997	Australian super funds
Perth	1997	Australian super funds
Essendon	1997	Linfox, Becton
Adelaide	1998	Australian super funds
Parafield	1998	Australian super funds
Canberra	1998	Private family
Gold Coast, Townville, Mt Isa	1998	Australian super funds, QAL
Darwin, Tennant Creek, Alice Springs	1998	Australian super funds
Cairns, Mackay	1998	Australian super funds, JPM Infra, Auckland Airport
Launceston	1998	Australian super funds
Hobart	1998	Australian super funds
Archerfield	1998	Private family
Moorabbin	1998	Goodman Group
Jandakot	1998	Australian super funds
Sydney	2002	Listed
Bankstown, Camden	2003	Australian super funds, Mirvac
*Australian super funds have invested directly and indirectly via intermediaries.		
*Underlying Australian super fund investors include: MTAA, Australian Super, CBUS, REST, Sunsuper, QSuper, BUSS Super, Statewide, NSW State Super, First State Super, CBA Super, Future Fund, QLD Defined Benefit Fund, Electricity Super, Host Plus, Unisuper, Local Super, Care Super, Telstra Super, Prime Super, Funds SA, Equisuper, ARIA, WorkCover, Catholic Super, Tasplan.		
*Intermediaries representing underlying Australian super funds include: QIC, IFM, Hastings, CFS, AMP, REEF, Access		

## 6.5. Airport Market Transactions

Listed in the tables below are the major airport transactions in recent years.

Compared with the rest of the Australian infrastructure market, there has been very little activity in Australian airports outside the existing shareholder groups. In fact, the only major transaction in the last three years occurred in March 2013 when the Future Fund announced a c.\$2bn takeover bid for the listed Australian Infrastructure Funds (AIX) airport portfolio which consisted of shareholdings in Perth, Melbourne, Launceston, Gold Coast, Townsville, Mt Isa, Darwin, Alice Springs and Tennant Creek airports. Existing shareholders in every one of these airports (mostly Australian superannuation funds) activated their pre-emptive rights and increased their shareholding by matching the price tabled by the Future Fund. Only the Future Fund's bid for Perth Airport may succeed without pre-emption, although this is being challenged in court by Australian Super (an existing shareholder).

A key takeaway from the Future Fund transaction is the strong desire for Australian superannuation investors, among others, to retain and wherever possible increase their exposure to the Australian airport sector. This has been a factor pushing transaction multiples in Australia above comparable international transaction multiples. However, transaction multiples for small and medium sized Australian airports are trading at lower multiples than the larger airports.





The relatively subdued activity in the Australian airport market over recent years is expected to continue, in stark contrast to the very large anticipated pipeline of activity in the rest of the infrastructure market. The one area of the airport market that is likely to see some movement is in the regional airport space as councils, following the leadership of state governments, consider leasing arrangements with the private sector. It appears possible that between five and ten regional airports will consider partnering with the private sector over the next three to five years.

Australian Airport Equity Transactions Since 2007					
Transaction Date	Airport	Investor	Stake %	Value A\$m	EBITDA Multiple
Mar-13	Melbourne & Launceston	Pre-empt existing shareholders	12.4	785	14.5
Mar-13	Darwin, Alice Springs, Tennant Creek	Pre-empt existing shareholders	28.2	163	10.9
Mar-13	Gold Coast, Townsville, Mt Isa, Longreach	Pre-empt existing shareholders	49.1	706	18.7
Mar-13	Perth	Future Fund	29.7	1217	18.1
Oct-11	Sydney	Map Group	11	Na	19.3
Jul-10	Queenstown	Auckland Airport	25	22	13.1
May-10	Melbourne & Launceston	Australian super funds	15	510	14.4
Jan-10	Cairns	Auckland Airport	25	n.a	18.8
Jan-10	Mackay	Auckland Airport	25	n.a	18.8
Nov-09	Auckland	Listed investors	3.9	70	11.9
Jan-09	Cairns	Hastings, JPM Infra, Perron	100	530	12.0
Dec-08	Mackay	Hastings, JPM Infra, Perron	100	209	26.9*
Nov-08	Melbourne & Launceston	Future Fund	7.5	226	13.4
Oct-08	Brisbane	Pre-empt existing shareholders	12.4	289	15.5
Dec-07	Hobart	MQG	100	351	36.8*
Nov-07	Melbourne & Launceston	Hastings	19.8	595	15.4
Nov-07	Darwin, Alice Springs, Tennant Creek	Hastings	10	25	12.2
Nov-07	Perth	Hastings	15	166	14.8
					Average*
					14.9
					Median*
					14.5

\* Excludes sample outliers.



International Airport Equity Transactions Since 2009				
Transaction Date	Airport	Stake %	Value A\$m	EBITDA Multiple
Current	Florence	66.6	185.5	22.4
Current	Tuscany	72.6	172	13.7
Apr-14	Istanbul	40	312.5	15
Dec-13	Beijing	8.8	341.8	8.7
Nov-13	Gemina SpA	100	3879	11.5
Oct-13	Heathrow	8.7	655.2	13.3
Aug-13	Luton	100	735	11.9
Jun-13	Anonyme	9.5	1047.8	10.3
May-13	Hochtief	100	1929.9	10.3
Feb-13	Stansted	100	2267	15.6
Nov-12	Newcastle	49	230.9	25.5
Oct-12	Heathrow	10	699.4	14
Aug-12	Heathrow	20	1380.7	13.8
Jun-12	Edinburgh	100	1282.1	16.7
May-12	TAV Havalimaniari	38	880.9	13.9
Mar-12	Florence	4.9	6	12.9
Dec-11	Florence	2.1	3	13.7
Oct-11	Brussels	39	na	13.3
Oct-11	Copenhagen	30.8	na	15.2
Dec-10	Gatwick	17.2	434	9.4
Nov-10	Malaysia Airports	6	128.6	12.3
Oct-10	GESAC	65	213.3	12.4
Jun-10	Gatwick	12.7	356.9	9.4
Jun-10	Grupo Aeropuertuario	8.6	134.7	8.5
Feb-10	Gatwick	15.9	445.2	9.4
Feb-10	Gatwick	12.1	327	9.4
Jan-10	Brussels	3	15.5	12.5
Oct-09	Gatwick	100	2416	9.3
Sep-09	Bristol	100	1480	21.8
Sep-09	Singapore	81	1768.1	10.7
Sep-09	Japan	20	254.2	5.5*
			Average*	12.8
			Median*	12.5

\* Excludes sample outliers.



### 6.6. Opportunistic Investors

At an appropriate time, Ballina Airport may well attract opportunistic investors, which might include:

- Syndicated investment groups;
- Property development groups with a residential, industrial or commercial focus;
- Strategic investors, including tourism companies, other airports or freight and logistics companies; and
- High net worth investors / families.

Some of these groups have been successful in leasing airport assets (e.g. the Lindsay Fox Family at Essendon and Avalon Airports) however appetite may be lower for a regional asset with less of a freight component.

These private investors are likely to find it difficult to meet Council's objectives, including their:

- *Financial capacity:* ability to make an upfront payment and/or ongoing rental payments that maximises the initial returns to the Council, as well as fund the operations and development of the Airport in accordance with the lease terms and conditions;
- *Investment horizon:* some investors will have an investment horizon of decades and others three to five years or less. It is in the Council's interest that investors have a long term investment horizon and are not looking for a relatively quick return and exit;
- *Community engagement:* investors will need to demonstrate a willingness to play a positive role in the community and engage with the community on an on-going basis;
- *Track record and expertise:* investors should have a strong track record of investing and developing in infrastructure assets, preferably transport assets;
- *Conflicts of interest:* investors should be free from conflicts of interest; and
- *Governance arrangements:* investors should have a strong track record for establishing and maintaining best practice governance arrangements.



## 7. KEY ISSUES RELEVANT TO AN AIRPORT INVESTMENT TRANSACTION

This section covers the key issues, which have been determinative of our base recommendation that the Airport is not 'investment ready'. It also includes a series of specific recommendations for Council to undertake in order to improve the Airport's operational and financial position in the short-term and prepare it for investment over the medium-term.

### 7.1. Investment Readiness

It is our recommendation that Council does not pursue a lease at this time. Due to the existing value limiting factors such as airline agreements, the current and projected EBITDA profile, and Council's explicit community focused asset management strategy, the asset is unlikely to attract significant institutional interest and would likely only be sought by opportunistic private investors who may not meet other criteria such as being suitable operators of a community asset.

TAG has undertaken a valuation of the Airport using a discounted cash flow analysis over 50 years of net cash flows, which takes into account normal operations, future growth in pax and anticipated capex. The valuation outcome is in the range of \$19.0m to \$25.0m, dependent on a series of variables and using our EBITDA assumptions for a third party lessee as outlined in Section 8. Although this may represent a current market value of the asset for a third party lessee, it is somewhat constrained due to the very low profit growth projected in the next six years, uncertainties around capex and contract renewals in the next year, and should be viewed in that context.

#### Issues - Summary

- The Airport has seen strong growth in pax numbers over the last several years to the benefit of the Ballina Shire community as well as surrounding Shires.
- The Jetstar Service Agreement has an incentive structure embedded for its full 10-year term so that pax charges reduce as aircraft movements increase. This incentive arrangement has compressed revenue growth and, through the large increase in pax, has increased operational expenditure ('opex') and brought forward capex. Jetstar has seen pax growth of 169% from 2009-2015 and it now commands a 77% pax share at the Airport (74% of the Sydney route and 100% of the Melbourne route). Virgin pax numbers have fallen by 26% since 2009. This has created an over-reliance on Jetstar's incentivised agreement, and presents a difficult position for Council in any future airline negotiations.
- Although profitability has improved over recent years, the EBITDA forecast in Council's LTFP for 2015/16 of \$1.8m is not anticipated by Council to grow over the term of the LTFP period to 2025/26.
- The EBITDA which we have adopted in our financial modelling differs from the LTFP in respect of higher (non-subsidised) interest costs, additional governance costs, and a higher lift in EBITDA from 2022 onwards after the end of the current Jetstar agreement (see Section 8).
- The combination of the low level of EBITDA and limited EBITDA growth profile mean that:
  - a lessee will not pay a suitable premium to reflect the anticipated strong pax growth at the Airport;
  - it is difficult for a prospective airport lessee to borrow any meaningful amount of debt, which would have a negative impact on the valuation of the Airport; and
  - the Council is at risk to meet unanticipated capex, which will be required at the Airport – eg. capex required under a regulatory change or capex brought forward due to further escalation in pax growth.



- There are a number of contract renewals occurring in 2016, which require renegotiation such as rental car leases and the Virgin Service Agreement, creating short-term risk to any independent valuation of the Airport.
- The Southern Cross Expansion Area is undergoing a rezoning process and the Airport Boulevard is subject to a development application. These should be resolved before commencing an investment transaction and they may take 18-24 months to be completed.
- Based on an estimated current asset value of \$19.0m to \$25.0m and the prospects of low EBITDA growth for the next six years, it is difficult to see typical infrastructure investors participating in a competitive process. Similarly, any forecast of increased revenue which might be put forward based on a renegotiation of higher airport charges post-2021 will be discounted heavily by prospective lessees.
- The non-avoidable costs to Council of pursuing a lease can be considerable. Our estimate is that these costs could range from \$1-\$1.6m.

#### **Recommendations - Summary**

- The Airport is not 'investment ready' at this time and any Airport lease transaction or Southern Cross Expansion Area development transaction would provide Council with sub-optimal returns.
- Council needs to make a fundamental strategic asset management decision as to whether to maintain a primary community benefit focus or to rebalance toward financial performance while maintaining the Airport's community obligations. The asset strategy decision will determine the most appropriate asset governance structure going forward.
- Following a resolution of the fundamental strategic direction, Council should undertake a strategic and operational review so as to prepare the Airport for third party investment. We have defined this as the Airport Investment Readiness ('AIR') Project. This will include establishing a suitable governance structure, completing key agreement negotiations, and a wide-ranging operational review.

#### **AIR Project Recommendations**

- Governance
  - Council should investigate governance alternatives as outlined in Section 7.2.1 below.
- Airline Agreements
  - Careful consideration in relation to dealing with the airline agreements is required.
  - Firstly, a legal review of the airline agreements and a reassessment of the short and medium capex which has not already been approved by Council should be undertaken as soon as possible.
  - Secondly, a plan should be presented in confidence to Council of an approach to the airlines to negotiate a new agreement in the case of Virgin / Tigerair, or amend an agreement in the case of Jetstar, to better align the desired outcomes for both the Council and the Airport in the future.
- Operational Review
  - There are a number operational review items including rental cars and other revenue agreements, capex and opex review, and future grant applications that also need to be actioned in the next 12-24 months so as to prepare the Airport to be 'investment ready'.

### **7.1 Asset Strategy Decision**

Council needs to make a fundamental decision on whether to maintain its existing strategy of running the Airport as an essentially breakeven enterprise, which is more valued for its wider community benefit, or to operate the Airport with more of a balance toward its financial performance. As part of this deliberation, Council will need to assess its capacity to meet the Airport's ongoing funding requirements in light of the financial projections within this report.



This fundamental strategy decision will be determinative of the action path that is ultimately adopted. Should Council wish to pursue a community benefit focus then pursuing a lease transaction is less desirable. If Council does pursue a balanced strategy then a range of partner options including a lease will become available in the medium term and achieve fair consideration and a more desirable outcome for Council.

Council needs to be comfortable that it can achieve a balance between the community benefit and commercialisation of the Airport. This has been achieved elsewhere at capital city and regional airports, and might be regarded as a prudent approach to the management of this complex and risky infrastructure asset.

The operational review should be pursued regardless of the strategic direction that Council adopts.

## **7.2. Airport Investment Readiness ('AIR') Project**

### **7.2.1. Governance Options**

Following the decision on Council's strategic direction, we recommend that Council review the Airport's governance model as a critical step in the AIR Project. The review should cover both strategic and operational levels with a view to enabling a stronger strategic outlook, managing upcoming key negotiations, and facilitating the transition of the airport management team over the near term.

There are a variety of industry models, which include corporatisation, establishment of an independent Board, Management Services Agreements ('MSA') (outsourcing of operational and some strategic management), and intermittent consultancy engagements. Consideration might also be given to a partnership, which could transfer financial risks to a third party under an MSA in return for a share of value upside in the future.

The key outcomes to consider, whichever way Council goes forward, should include:

- Clarity of strategic outlook;
- The possible inclusion of qualified and experienced aviation executives to assist in upcoming key negotiations;
- Improved fiscal management around capex and opex forecasting; and
- Efficient and timely completion of the operational matters within the AIR Project.

### **7.2.2. Airline Agreements**

The airline agreements are the main value-limiting factor for the Airport, and as such require immediate and critical attention by senior Council Executives and the Airport's strategic management team.

The status of the agreements is as follows:

- The Virgin agreement expires on 31 July 2016. Airport management has commenced discussions with Virgin focused on attracting their low cost carrier Tigerair;
- The Jetstar agreement is due for a general review on 30 June 2016;
- Rex Airlines has a letter from Council dated 30 April 2014 which outlines the terms of its operations; and
- Fly Pelican has an agreement in place, which commenced on 8 December 2015. An incentive of nil fees for the initial 12 months has been agreed.

A detailed analysis of the airline agreements has been undertaken in the course of preparing this report however, we have not been permitted to meet with any airlines.



A legal review of the Jetstar agreement should be undertaken as soon as possible. This will better inform Council of its options for capex contributions and any possibility of renegotiation.

A detailed plan should then be presented in confidence to Council of an approach to the airlines to negotiate the new agreement with Virgin / Tigerair, and to negotiate the Jetstar agreement to better align the desired outcomes for both the Council and the Airport in the future.

### **7.2.3.Operational Review**

As part of the AIR Project, Council should undertake an operational review covering the following areas.

#### **Operational Management**

The Airport Manager presents a risk to Council in terms of succession planning. This should be addressed as a priority with a timeline placed on this transition and an assessment of current staffing levels and performance.

#### **Agreements**

A variety of agreements are expired or pending reviews. The main items are car rental agreements and hangar and retail leases.

#### **Southern Cross Expansion Area and Airport Boulevard**

The Southern Cross Expansion Area rezoning has been underway since 2012 and may take a further 18-24 months to complete.

Airport Boulevard is subject of a development application (the use is permissible under the Rural Zone), which may take a further 6-12 months to complete.

#### **Rental Car Agreements**

The rental car agreements expire in early 2016, providing the opportunity to incorporate current market terms. External advisors should be used to ensure the most up to date commercial terms are incorporated into the agreements to maximise value and must contain appropriate terms and conditions that facilitate an orderly assignment in the event the Airport is leased.

#### **Agreements**

A variety of agreements are expired and should be reviewed to include appropriate terms and conditions that facilitate an orderly assignment in the event the Airport is leased.

#### **Airport Operational and Service Agreements**

Document all necessary Airport operational and maintenance service agreements containing appropriate terms and conditions that facilitate an orderly assignment in the event the Airport is leased.

#### **Master Plan**

The Council should prepare and endorse an Airport Master Plan consistent with the Australian Airports Association Regional Airport Master Planning Guideline. This will serve the purpose of giving Council or a future lessee clarity on the future development of the Airport and the required funding.



#### **Land Arrangements**

Undertake the necessary arrangements to create the discrete land-titling instrument that would be offered to the market should Council seek to lease the Airport.

#### **Capex & Opex Planning**

A detailed review of the current capex and opex forecasts that have been prepared by Airport Management for the LTFP. This should be further reviewed most particularly in the context of the independent TFI pax forecasts. This will be a key input to any airline agreement negotiations.

#### **Government Grants**

A review of the current Terminal expansion project grant submission (including commercial assumptions and opex forecasts) and prioritisation of future submissions should be managed carefully.

### **7.3. Outcome of Recent Submissions for Government Grants**

Airport management has recently applied for State and Federal Government grants to fund specific proposed capital works programs.

Council applied to the NSW State Government Regional Tourism Infrastructure Fund on 31 August 2015 for \$8.12m (inclusive of a \$500,000 Council co-investment plus \$100,000 informal airline contribution) for:

- Terminal expansion project – Phase 1 – Approximately \$5.4m; and
- Apron overlay and taxiway alpha widening, including runway grooving – approximately \$2.7 million (according to Airport Management's advice).

The apron project State funding of \$2.207m was approved in December 2015. The Terminal project grant application is still being considered. Council has agreed to provide a further \$0.9m in funding contributions and there is no defined airline contribution.

Council applied to the Federal Government on 31 July 2015 for funding to construct the Airport Boulevard (inclusive of a \$3.0m Council contribution). The application was unsuccessful. Council will however apply again for State funding in 2016 as a Shire priority project.

We are instructed that if State funding is secured, Council has resolved to undertake the Terminal project on the basis of the business case (inclusive of commercial assumptions and opex implications) prepared by Airport Management.

### **7.4. Aeronautical Revenue Outlook**

#### **Issues**

- Pax growth has been strong in recent years and is forecast to continue. This growth has been entirely driven in recent years by the increase in Jetstar services.
- Jetstar carries 77% of the Ballina total pax volumes. It has 74% of the Sydney route and 100% of the Melbourne route. Jetstar's average annual pax growth has been 22.05% since 2010.
- Jetstar is highly incentivised through its aeronautical agreement with decreasing charges to achieve pax growth at the expense of incremental revenue growth. The arrangement places Jetstar at a competitive advantage to the other airlines. Based on the TFI pax forecast, sluggish growth in revenue is likely to continue given that the Jetstar agreement is in place until 31 December 2021. The Virgin agreement, which is far less favourable, has not stimulated growth and indeed Virgin pax numbers have fallen by 26% since 2011. The Virgin agreement expires on 31 July 2016.





- The major airline agreements were initiated in the second half of 2011 at a time when pax numbers were approximately 270,000 per annum, 18% below the previous peak achieved in 2009.
- Growth in pax numbers from current levels will increase the capex required to accommodate this growth as well as the operating costs of running the Airport. This increased expenditure is unable to be funded from aeronautical revenues because of the steep volumes discounts and the unclear drafting of the clauses to recover capex, which are built into the Jetstar agreement.
- Significant aeronautical charge increases may be difficult to achieve in new agreements with Virgin or Tigerair.
- Aeronautical charges and pax numbers at BBGA will continue to be defined by strong competition from Gold Coast Airport which offers much of Ballina Airport's catchment more regular and cheaper airfares.

#### Recommendations

- Review and develop an approach to aeronautical charges and airline agreements going forward.
- Undertake a legal review of Council's rights and opportunities in the Jetstar Service Agreement.
- As part of this review, investigate whether meaningful contributions through increased charges to the airlines to support the increase in capex required as a result of pax growth can be achieved.
- Continue discussions with Virgin / Tigerair regarding the establishment of low cost carrier services and ways to improve market share under a new agreement.
- Review the findings of the Airport customer survey and use this information to look for opportunities to improve Airport operations.
- Review the initial outcomes of these steps to be incorporated into the approach to leasing the Airport.

#### 7.4.1.Sources of Aeronautical Revenues

The mix of price incentives and airline competition has meant that Jetstar has become the major provider of airline services to the Airport. The Airport receives around 68% of its aeronautical revenue from Jetstar (including Jetstar's portion of security screening charges) and around 26% of its aeronautical revenue from Virgin. The share of revenues coming from Rex Airlines has been in decline over the last five years. Fly Pelican commenced operations in December 2015.

Source	Revenue (\$M)	Proportion of Total
Jetstar	1.49	42%
Virgin Australia	0.61	17%
Rex Airlines	0.10	2.8%
Security Screening Charge (Jetstar & Virgin)	1.27	36%
General Aviation	0.05	1.4%
Total Aeronautical Revenues	3.52	100%

Figure 15 - 2015-16 Airport Management's Aeronautical Revenue Budget



#### 7.4.2. Pax Analysis

The historical growth in pax is shown in the following table. Year on year growth has been strong since 2010 and this is entirely owed to Jetstar's growth over this period following their introduction in 2009. Jetstar now holds a 77% share of BBGA's total market.

The growth in the Melbourne route has also been strong during the same period growing from 3% share to almost 20% of total pax today. Jetstar only services Melbourne.

The Sydney pax volumes have grown by an average of 5.6% per annum and this remains by far the dominant route with a 77% share. The Newcastle route which has been serviced by Rex Airlines (supplemented by Fly Pelican in December 2015) has not grown over the long-term although there have been periods of some growth which have not proven to be sustainable.

	FY10	FY11	FY12	FY13	FY14	FY15
<b>TOTAL PAX</b>	<b>271615</b>	<b>287226</b>	<b>327906</b>	<b>356740</b>	<b>395459</b>	<b>436025</b>
<b>JQ PAX</b>	124623	144434	190862	240994	281365	335382
Share	45.88%	50.29%	58.21%	67.55%	71.15%	76.92%
<b>VA PAX</b>	106992	107280	97890	83121	87074	78280
Share	39.39%	37.35%	29.85%	23.30%	22.02%	17.95%
<b>REX PAX</b>	40000	35512	39154	32625	27020	22363
Share	14.73%	12.36%	11.94%	9.15%	6.83%	5.13%
<b>SYD PAX</b>	263646	266949	268015	290491	322157	337442
Share	97.07%	92.94%	81.74%	81.43%	81.46%	77.39%
<b>MEL PAX</b>	7969	20277	46849	45843	57128	86296
Share	2.93%	7.06%	14.29%	12.85%	14.45%	19.79%
<b>NTL PAX</b>	0	0	13042	20406	16174	12287
Share	0.00%	0.00%	3.98%	5.72%	4.09%	2.82%

Figure 16 – Airline and Route Analysis

A large number of factors influence the number of pax and aircraft movements at the Airport. They include the following:

- The price of air transport, the ground travel component and the distance to travel to the work destination. Ballina is in a fairly unique competitive position with the much larger Gold Coast Airport located only 50 kilometres to the north and servicing some of the same catchment and hence airfare pricing and availability of low price airfares is a key threat. The growth in pax driven by Jetstar has been based around the introduction of low priced fares to the Ballina catchment and this has made airfares more affordable.



- The unavailability of flights at early and late times has been a constraint for the Ballina Airport business market. This is controlled by the limited slots, which might be available at Sydney Airport (and to a lesser extent Melbourne Airport). We note that Jetstar trialled an ex-Sydney flight arriving to Ballina at 7.20am (and departing at 7.50am) on Saturday and Sunday in late September 2015 (making a total of 5 Jetstar flights per day for this brief trial period). These weekend flights are not ideal for business travellers but the addition of this flight on a weekday could be attractive for business day trips.
- Gold Coast Airport is the major competitor for Ballina's BBGA - Sydney and BBGA - Melbourne services. Gold Coast - Sydney is the fourth busiest route in Australia with 25 flights per day, and Gold Coast Melbourne is the ninth busiest route in Australia with 15 flights per day. The Airport also has flights to other destinations. The proximity to large parts of Ballina catchment area and flexibility and wider choice provides Gold Coast with a competitive advantage for attracting pax. The ability for Airlines to easily move capacity from BBGA to Gold Coast means that pax numbers can be volatile. Ballina airfares and airport charges are also important factors in where the airlines direct capacity. See below.

#### **7.4.3. TFI Pax Forecasts**

TFI has completed a report on traffic prospects looking out to 10 years and long-term trends to 25 years. TFI has focussed on the competitive analysis with Gold Coast International Airport, which is the key (much larger with 5.8m pax) competitor located 90 kilometres to the north. Key findings are as follows.

#### **Demand Analysis**

- Ballina catchment covers a number of Council areas from the Clarence Valley to the south to Tweed Shire Council to the north, and Kyogle to the west. The total catchment is 293,100 with growth projections of 0.8% per annum to 2021 and 0.6% per annum to 2031.
- The Gold Coast catchment is 546,100 with growth projections of 2.5% per annum to 2021 and 2.2% per annum to 2031.
- Of the combined catchment, Ballina has 35% yet for FY2015 it has only 12% of the combined Sydney route and <5% of the combined Melbourne route. This might be attributable to the higher proportion of Ballina's catchment being situated in the Tweed Shire (35%) and also the extensive highway upgrade works which have been carried between Tweed and Ballina since 2012 (almost completed).

#### **Demand Drivers**

- Ballina is very much a tourism driven airport. TFI's analysis has identified the following data.

Within the North Coast Tourism Region:

- 2.175m domestic overnight visitors to the Region in 2014 (annual increase of 21.4% - as against a 5.5% increase for regional NSW) with an 11.5% NSW market share;
- 48% are tourists / 39% are VFR; and
- half the visitors are interstate (47% from Queensland, 15% from Sydney).

Within the Ballina catchment (Clarence Valley to Tweed):

- 41% of visitors are from within NSW;
- 50% are interstate (Queensland 41%, Victoria 5%); and
- International visitors 9%.



By way of comparison with the Gold Coast Tourism Region:

- International visitors 18%;
- Ballina received half the overnight visitors compared to the Gold Coast;
- Ballina received 58% the interstate visitors compared to the Gold Coast;
- Ballina received 50% the interstate visitors compared to the Gold Coast; and
- Ballina received 25% the interstate visitors compared to the Gold Coast.

Length of stays data:

- Domestic to Ballina stay 4 nights – to Gold Coast 5.2 nights; and
- International to Ballina stay 9.4 nights – to Gold Coast 10.4 nights.

Mode of transport data:

- 13% of the overnight trips to Ballina taken by aircraft (an increase of 12.9% in number of air trips);
- 36% of these trips are interstate (20% Victorian, 5% Queensland);
- 55% of these trips are intrastate; and
- 9% of these trips are international.

#### **Tourism Industry Initiatives**

- The North Coast Destination Network has a goal of doubling the overnight visitor expenditure by 2020 (7% per annum). It recognises the ongoing development of the Ballina, Coffs Harbour and Port Macquarie Airports as being critical. The goal would grow expenditure from \$3.0 billion in 2012 to \$5.1 billion in 2020 (72% increase).

#### **Competitive Analysis with Gold Coast International Airport**

- Gold Coast has a key advantage with the reliability of more frequent services (an influencing factor from the 2015 Ballina Airport pax survey).
- Fare differential is not large however it is the availability of the cheaper fares (due to much higher seat capacity) that attracts regular travellers to the Gold Coast.
- Gold Coast is undertaking airside expansion between now and 2018.

#### **Airline Capacity**

- The airlines are not increasing net capacity across the Australian market but they are redeploying aircraft toward tourism routes away from resource industry based routes.
- Domestic capacity will remain tight into 2017/18.
- Jetstar has added seasonal flights to both the Melbourne and Sydney routes commencing in September 2015 following a successful trial on the Melbourne route in 2014/15.

#### **7.4.4. Airline Agreements**

The details of these agreements have been excluded due to confidentiality.



### Implications of Airline Agreements

Pax growth and the competitive positions of the three airlines have changed dramatically since the new Jetstar Service Level Agreement began in January 2012. Since 2012 the Airport has experienced rapid pax growth with total annual pax numbers increasing from 287,226 in the year ending June 2011 to 395,459 by the year ending June 2014, a 38% increase.

The goal of growing new routes has also been achieved with Jetstar committing to, and growing, a Melbourne route and Rex Airlines introducing a service to Newcastle in the 2012 financial year.

Financial Year	Sydney (No. Pax)	Growth (%)	Melbourne (No. Pax)	Growth (%)	Newcastle (No. Pax)	Growth (%)	Total (No. Pax)	Growth (%)
2014	322,157	10.9	57,128	24.6	40,086	-11.5	395,459	10.9
2013	290,491	8.4	45,843	-2.2	45,322	104.1	356,740	8.8
2012	268,015	0.4	46,849	131.1	22,202	0.0	327,906	14.2
2011	266,949	1.3	20,277	154.5	0	0.0	287,226	5.8

Figure 17 - Historical Pax Numbers

The new service level agreements have had consequences, which have affected the aeronautical revenues of the Airport. Jetstar's new agreement has given it a significant competitive advantage as its implicit pax service charge per pax is between \$1.06 and \$5.57 per pax lower than what the Airport charges Virgin (depending on the number of flights Jetstar makes to Ballina in a week).

This is highlighted by the fact that in 2014-15 Virgin is expected to generate 26% of the total aeronautical revenues for the Airport yet only carries 22% of the pax.

Since the new agreement began in 2012 Jetstar has aggressively competed for pax on the Ballina to Sydney route growing its pax numbers from 144,013 in the year to June 2012 to 224,237 in the year to June 2014. This growth in pax numbers has led to an increase in the total pax numbers flying to and from Sydney but has come partially at the expense of Virgin and Rex Airlines which have both seen their pax numbers on this route fall over the same period.

Financial Year	Jetstar (No. Pax)	Growth (%)	Virgin (No. Pax)	Growth (%)	Rex Airlines (No. Pax)	Growth (%)	Total (No. Pax)	Growth (%)
2014	224,237	14.9	87,074	4.8	10,846	-11.2	322,157	10.9
2013	195,151	35.5	83,121	-15.1	12,219	-53.2	290,491	8.4
2012	144,013	16.0	97,890	-8.8	26,112	-26.5	268,015	0.4
2011	124,157	6.4	107,280	0.3	35,512	-11.2	266,949	1.3

Figure 18 - Historical Pax Numbers on the Ballina - Sydney Route

While the total growth in pax on the Sydney route has been impressive the increase in pax service charge revenue has been negligible because the loss of revenue from Virgin and Rex Airlines pax has almost offset the new income from Jetstar pax. The table below is a rough guide to the revenue impact of the gain in market share on the Sydney route by Jetstar.



Between 1 July 2011 and 30 June 2014, Jetstar has added around 120,000 new seats on the Ballina to Sydney route which equates to an extra 332 new return services a year. The average turnaround fee on those new services was approximately \$1,000 as Jetstar grew its weekly services to Ballina from under 14 a week to around 21 services. So the Airport enjoyed an increase in annual revenue of approximately \$332,433 from the 100,080 new Jetstar pax on the Sydney route for an average pax service charge of \$3.32 per pax.

Unfortunately the increase in Jetstar pax came partially at the expense of Virgin and Rex Airlines. The reduction in Virgin and Rex Airlines pax reduced annual revenues flowing from those airlines to the Airport by \$147,706 and \$157,862 respectively.

Overall, while pax on the Ballina to Sydney route have increased by 55,208 between 1 July 2011 and 30 June 2014 total revenues on that route, using 2014 pax charges, are only \$26,865 higher per year. This means that for each new Sydney pax that the service level agreements have brought to the Airport only \$0.49 per pax has been added to the Airport's pax service charge revenues.

It is quite possible that this increase in revenue has not covered the increased staffing and maintenance costs flowing from the 55,208 increase in pax numbers. Non-aeronautical revenues such as car parking and car rental services would be boosted by the increase in pax but the Airport currently generates around \$2.10 per pax in pax linked non-aeronautical revenues so the increase in Sydney pax may have only increased non-aeronautical revenues by around \$115,000.

Airline	Loss of Pax	Revenue Per Pax	New Services	Revenue Per Service	Total (\$)
Virgin	20,206	7.31			-147,706
Rex Airlines	24,666	6.4			-157,862
Jetstar			332	1000	332,433
Change in Revenues 2011 to 2014				26,865	
Change in Revenues per new pax				0.49	

Figure 19 - Change in Pax Service Charge Revenues on the Ballina-Sydney Route July 2011 to June 2014

The cross-subsidisation of Jetstar by the other airlines is expected to worsen over time as pax numbers grow and is a direct threat to the long-term profitability of the Airport. Jetstar currently average around 21 to 23 services to Ballina a week so any Jetstar growth in services to the Airport will now incur a turnaround fee of \$500 per aircraft which is equivalent to only \$1.74 a pax compared to Virgin's pax service charge of \$7.31.

To put this in perspective, if through competition Virgin reduces its weekly Ballina to Sydney services by one and that service is replaced by a Jetstar service the net reduction in revenue to the Airport would be \$1250 per week or \$65,000 a year (based on the airlines' current load factors and aircraft usage). Replacing all of Virgin's services with Jetstar services would reduce the Airport's total revenues by approximately \$480,000.

#### 7.4.5. Benchmarking of Airport Charges

This section has been excluded on the basis of confidentiality.



### 7.5. Non-Aeronautical Revenue Outlook

#### Issues

- Many leases have expired and are on monthly holdover.
- Rental car agreements have significant upside and expire in February 2016.

#### Recommendations

- The rental car agreements should be renegotiated prior to or at their current contract expiry in February 2016.
- Commercial terms should be consistent with current market conditions.
- Renewal of any agreements should allow for assignment to a third party should the Airport be leased in the future.

Non-aeronautical services earn 37% of total Airport revenue. The services include car rental and parking, hangars, advertising and shuttle buses. Most of these revenue items are linked to pax growth.

	2010/11	2011/12	2012/13	2013/14	2014/15	Average Growth
Car Rental	\$91,000	\$184,400	\$210,300	\$228,800	\$286,000	73%
Car Parking	\$238,600	\$293,600	\$363,000	\$414,900	\$525,000	55%
Hangars & Other Leases	\$119,000	\$125,100	\$150,700	\$170,600	\$177,000	37%
Advertising	Nil	Nil	\$56,000	\$65,400	\$70,000	41%
Shuttle Buses	\$112,800	\$111,300	\$118,000	\$119,000	\$160,000	35%
Other	\$27,200	\$23,800	\$32,200	\$32,900	\$25,500	0.5%
<b>TOTAL</b>	<b>\$588,600</b>	<b>\$738,200</b>	<b>\$930,200</b>	<b>\$1,031,600</b>	<b>\$1,243,500</b>	<b>52.80%</b>

Figure 20 – Non-Aeronautical Revenues

#### Rental Cars

The existing rental car agreements expire in February 2016 and contain below market commercial terms. We also note these agreements are with local franchisees and we recommend, where possible, the new agreements are with the franchisors. There maybe the opportunity to lease land to the rental cars for on airport storage areas to supplement their airport operations.

There are five rental cars operators currently located on Airport. Apart from Europcar, the other leases are all with franchisees of the major brands (AVIS, HERTZ, Budget and Thrifty).

On Airport facilities they use include:

- Terminal kiosk located in the arrival hall;
- Ready bays at the Terminal face; and
- Additional storage bays, which are located in the Terminal car park.

In addition the AVIS franchisee has leased part of the old Ballina airport Terminal for use as an on Airport office.



### **Hangars & Other Leases**

Total hangar rental income is \$36,091 from 11 tenancies based on historic site leases. Passing average rental is \$4.61/m2/annum, which can be regarded as under the market range of \$8-15/m2/annum. 6 of these leases have expired and are on a monthly holding over. There are currently 4 hanger lots available for lease.

Current GA movements are averaging 7,352 movements per annum. Airport Management estimate that the tenants generate 1/3, or 2,450 per annum. Landing Fees and Charges for GA aircraft are currently charged at \$9.80 per landing. Total income is averaging at \$72,053 per annum over the past 3 years.

Many of the agreements are uncertain or expired on holdover provisions. The hangar leases might be considered below market but these are typically difficult to improve without a commensurate improvement in the surrounding amenity. We don't anticipate a large increase in revenues but the introduction of standard agreements will be beneficial.

### **Public Car Parking**

Public car parking comprises a short-term car park of 208 spaces, a long-term car park of 72 spaces and a secure undercover car park.

Parking charges are:

- 2 hours – \$2.00
- Day – \$8.00 (day of issue only)
- Overnight – \$14.00

Council has progressively expanded the parking offer since the introduction of paid parking in 2012 such that car parking income now represents a material contribution to overall income. Further expansion is likely through undercover secure parking to compete with a freehold service which is immediately adjacent to the Airport, and ongoing expansion of the at grade parking over time.

### **Shuttle Buses**

The new source of income from shuttle buses is expected to grow further due to the decline in RPT services at Lismore Airport, as well as the pending completion of the highway and local road upgrades in 2016, which will improve the connectivity of the Airport to the surrounding Northern Rivers Region as well as to the Tweed & Gold Coast.

### **Terminal Retail**

There are ten tenancies within the Terminal covered by twelve agreements comprising:

- A single retail outlet in the Terminal providing food and beverage (that has 3 separate agreements);
- Shuttle and transit buses;
- Flight handling; and
- Rental car kiosks.

The retail tenancy is located in the check in hall before the security screening point. The lease expires in August 2018 and does not have any turn over provisions. Current rental is \$28,000 per annum.





## 7.6. Development Capex Outlook

### Issue

- Council wishes to ensure that the Airport continues to develop as a modern and well-serviced welcoming gateway to the Ballina and Byron Region. To that end, based on the LTFP, the Airport requires over \$16.565m capex over the next ten years to improve customer service and maintain regulatory requirements. This program assumes \$13.7m will be funded by external grants and includes \$5m for future Terminal extensions and upgrade.
- This includes proposals for the apron and taxiway widening and Terminal building expansion amongst other more regular and ongoing airfield capex obligations.
- Council recently received a Government grant for \$2.207m for an apron and taxiway widening and overlay project with a \$0.5m Council contribution. Council also applied for a grant for the Terminal project and is continuing negotiations at this time inclusive of a \$0.9m Council contribution. Council's total contribution to these projects (which is in addition to regular capex), is expected to be \$2.87m (assuming that the LTFP is correct and that external grants are achieved).
- The forecast pax growth is expected to bring forward capex over the next 10 years.

### 7.6.1. Council's Airport Development Vision

The Council's 2012 community strategic long-term plan *"Our Community: Our Future"* has a planning goal that *"the Ballina Byron Gateway Airport remains the region's number one airport with first class facilities and services provided from within the Terminal."*

Airport management also developed a 2020 vision for the Airport which includes, among other things, that the Airport:

- Be recognised as one of the most successful airports in regional Australia;
- Have the capacity to service 700,000 pax per annum;
- Improve and expand the Terminal building;
- Build a new airport entrance road;
- Improve traffic flow and parking facilities;
- Introduce new runway lighting and new PAPI; and
- Create an aviation development precinct.

The Council's and management's vision for the growth and improvement of the Airport needs to be measured against the commercial and logistical requirements of the Airport's major users. Any expansion and improvement of the Airport should be based on a strong business case that meets the needs of the Airport's stakeholders and factors in competitive risks, including:

- The tourism industry. Tourism is a key driver to pax numbers to the Airport particularly tourists bound for the Byron Bay. The Airport's growth and capex need to move in concert with not only the growth in local tourism but also with the capacity of new tourists to pay for new airport facilities.
- Airport catchment region residents. Local residents from Ballina, Byron Bay, Lennox Head and Lismore use the Airport as a transport hub allowing them to travel interstate and overseas for business, tourism and visiting friends and family. Local residents generally seek regular departure times and low fares, while also enjoying improved Terminal facilities. Residents tend to be price sensitive so increased capex which lead to increases in fares via rising pax charges will impact their use of the Airport.



- Developments at Gold Coast and Lismore Airports. The Airport is fairly unique amongst Australian regional airports in that it faces strong direct competition for pax from other nearby airports. Plans for capex at the Airport need to be cognisant to the new developments at, and increased competition from, rival airports, particularly the Gold Coast.

#### 7.6.2. Future Capex Outlook

As part of the Airport redevelopment strategy, Airport Management has proposed the following capital works programs:

- Terminal Precinct Expansion Project. Phase 1 of the project contemplates spending \$4 million in 2017/18 to upgrade the Airport's Terminal building and \$1.4 million to improve the traffic flow for the car park and the bus, taxi, traveller set down areas, subject to funding. Phase 2 contemplates a \$5.0 million expansion and redevelopment of the Terminal in 2023-2025;
- Building additional car parking areas, subject to funding;
- Creating an aviation development precinct, subject to funding;
- Building a new access road in 2017/18 projected to cost \$6.0 million, subject to funding; and
- Completing a RPT apron overlay and a RPT taxiway widening and strengthening which is projected to have a combined total cost of \$2.7 million according to advice from Airport Management on 15 February 2016.

	2016	2017	2018	2019	2020	2021
Terminal Expansion		5.4				
Carpark						
Aviation Development Precinct						
Airport Boulevard						
Apron Overlay	2.7					
Miscellaneous Infrastructure	0.09	0.05	0.075	0.10	0.10	0.10
<b>TOTAL</b>	<b>2.79</b>	<b>5.45</b>	<b>0.075</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>

Figure 21 – LTFP Capex Forecasts (as at 15 February 2016)

The proposed six year capex program is expected to cost the Airport over \$8.518 million (average \$1.42 million per annum).

Based solely on Council's LTFP (prepared in conjunction with the Airport Manager), the Airport's EBITDA can fund required capex (net of external grants). Any variation to pax growth assumptions in the LTFP, changes in regulations, or any different independent assessment of capex may impact these figures.



	2016	2017	2018	2019	2020	2021
Pax as per LTFP*	474,700	475,800	497,800	518,800	539,800	560,800
Airport EBITDA (\$m) as per LTFP	1.81	1.956	1.947	1.960	1.975	1.987
Capex (\$m) (net of expected grants) as per LTFP	0.583	0.950	0.075	0.10	0.103	0.10
<b>Potential Funding Surplus /Shortfall</b>	<b>1.227</b>	<b>1.006</b>	<b>1.872</b>	<b>1.860</b>	<b>1.872</b>	<b>1.887</b>

Figure 22 - Airport Funding Requirements by Financial Year (as per Council prepared LTFP)

Notes:

(i) 15/16 is Council current CAPEX forecast.

(ii) 16/17 to 20/21 is indicative CAPEX forecast using the LTFP and with no independent assessment or comments by TAG.

\*This is the Council's pax forecast as per the LTFP. We anticipate significantly greater pax growth (as does Airport Management) which will likely increase capex requirements.

### 7.7. Operating Expenditure Outlook

The Airport has budgeted operating costs of \$3.331 million for the 2016 financial year, loosely broken up into the following major function areas.

- **Employee Costs.** The Airport pays annual employee wages and benefits of around \$650,000.
- **Security.** The Airport outsources most of its security requirements for an annual cost of around \$1.1 million a year.
- **Airport Maintenance.** Day to day and routine maintenance of the Airport facilities, such as pavement repairs, Terminal repairs and vehicle maintenance are expensed rather than treated as capex. Maintenance costs are budgeted to make up around \$250,000 of the operating costs in 2016.
- **Administration.** The Airport's finance, human resources, strategic planning and governance arrangements are largely outsourced to the Council. The Airport currently pays a \$325,000 administration fee to the Council as a contribution to the overall costs of the provision of these services. Other administration costs including office expenses, servicing the car parking machines, regulatory and operational compliance costs make up around another \$285,000 of operating costs.
- **Utilities and Other Contracted Services.** Operating an airport creates significant electricity, water, consulting, insurance and legal costs.

Compared with revenue, the operating costs are relatively insensitive to changes in pax numbers. Operating costs are more exposed to factors such as weather conditions (especially maintenance costs), facility design and age, and local wage and employment practices. With this in mind, the Airport's operating costs are likely to change in line with factors such as economic growth, inflation and significant changes to the Airport's facilities.

Airports traditionally benchmark their operating cost performance by measuring operating costs on a per pax basis. There can be pitfalls with attempting to benchmark overall performance across different airports, as there is often location, geographic or configuration-specific reasons, unrelated to airport efficiency per se, that could lead to wide variations in operating costs.



Based on its 2016 budgeted operating costs and assumed pax numbers, the Airport has an operating cost of around \$6.80 per pax. The table below highlights that the Airport's operating costs per pax are quite competitive compared to other airports analysed.

Airport	Cost Per Pax (\$)
Ballina	6.8
Queensland Airports Ltd <sup>^</sup>	9.1
Coffs Harbour	8.2*
Whitsundays	10.1
Perth	9.4

Figure 23 - Operating Costs per Pax 2014- 2015

<sup>^</sup>Queensland Airports owns and operates Gold Coast, Townsville, Mount Isa and Longreach Airports.

\*Operating cost per pax in 2013-14.

## 7.8. Southern Cross Expansion Area & Airport Boulevard

### Issues

- Ballina has a lack of supply of business / industrial land in the region.
- The Ballina Shire Council as the major landowner does not have the capital to develop the estate.
- Council has estimated that the total land development costs for the Enterprise Park (36 hectares) is in the order of \$120/m<sup>2</sup>, or a total of \$43.20m. The forecast take-up of the subdivided land at 1 lot per 3-4 months (average of 0.90 hectares per annum) indicates a development timeframe of 25-30 years. Development would therefore be carefully staged.
- The capex required would likely be staged as follows:
  - 2016-17 - Airport Boulevard - \$6.0m – State Government funding \$3.0m (if approved)
  - 2016-17 – Stage 1 – 7.950 hectares at \$120/m<sup>2</sup> = \$9.54m (likely to be sub-staged)
  - 2018 & beyond – subsequent stages.
- Council is currently unwilling to undertake the land development capex due to a depletion of Council's cash reserves.
- If Council does not develop this asset, then the present shortage of industrial land supply within the Shire will become more acute leading to a market imbalance. We note some very recent strong sales in the Southern Cross Estate, which has now left only one industrial lot available for sale.
- The proposed airport connection road "Airport Boulevard" is relevant to the growth of non-aeronautical revenue at the Airport both directly through its own development potential and indirectly through the opening of larger car rental leases, increased accessibility leading to parking growth, and an overall greater connection of the Airport to the town and surrounding region.
- The Airport Boulevard and the Enterprise Park are inextricably linked. If the Council does not construct the road then the land estate will likely not be developed for many years, and the connection of the Airport to the town and region as a key gateway asset will not be realised.



### **Recommendation**

- Council completes the rezoning of the Enterprise Park in 2016.
- Council completes the development approval for the Airport Boulevard in 2016.
- Council applies for Government funding for the Airport Boulevard in 2016/17.
- Council then reconsiders the estate and road development through these (or other) options.
- Joint venture with a partner that will contribute to the construction of the Airport Boulevard in return for favourable terms on the first development stage and 'use it or lose it' provisions on the balance stages to incentivise development and with profit share payments to Council to ensure some value is achievable on what is a long-term project;
- Outright sale – it is difficult to see value in the land as an englobo parcel with high development costs; and
- Incorporation of the estate with the Airport in a future lease transaction.

Council's advice is that as freehold operational land, it is unfettered in its capacity to deal with the Enterprise Park (in the same way that it has historically developed the adjacent Southern Cross Industrial Estate).

There are several steps to be completed before detailed planning for a development transaction is undertaken. This should be reviewed again upon completion of the Estate rezoning and Boulevard development approval, in the context of the prevailing market and Council's funding capacity.

## **7.9. Lease Structure and Payment Considerations**

The following section is included for completeness, noting our recommendation against a lease transaction at this time.

### **7.9.1. Lease Structure**

The Commonwealth has entered into long-term leases with private investors as lessees for 22 capital city and regional airports. The lease term for these airports is 50 years with an option for the lessee to extend for a further 49 years making the total lease term 99 years. These lease documents are fairly uncomplicated with many of the requirements governed by the Airports Act of 1996. They have been in operations for approximately 15 years and are well known to financiers and investors.

The lessee entity ownership in most cases is through a consortium of investors via an unlisted entity. Perth, Darwin, Jandakot are examples of privately held airports while Sydney is the only airport where the lessee entities are held publically through a listing on the ASX.

The Lessee can only be a qualified company or a Trust. The company has a single purpose, which is to use and operate the property and other assets provided under the lease for aviation activities.

In the case of the Commonwealth airports, the consideration for granting the lease was an upfront premium for the value of the lease. The lessee companies raised the consideration by issuing equity to investors and borrowing from lending institutions.

In addition to the lease, the lenders, Lessee and Lessor entered into a separate agreement that mainly dealt with the lenders' rights in the event of default under the debt documents and the lease. There was also a Sale and Purchase agreement between the Lessee and Lessor that mainly dealt with initial transaction matters such as condition precedent, required approvals, legal opinions and paying the consideration.



### **7.9.2. Lease Payment Structure**

In the current market Lessees pay the value of the lease payments in advance and may have provision for additional payments during the lease term to cover contingencies and upside performance of the leased assets. Both Lessees and Lessors prefer the payment upfront as opposed to periodic rental payments. In the case of Lessees the investing institutions have a desire to place capital into investments as they receive contribution. For Lessors it removes the credit risk of the Lessee and strengthens the Lessors position in enforcing adherence to the lease documentation.

### **7.10. Lease Terms and Conditions (applicable for an Airport Lease)**

The lease terms and conditions that would be stipulated if a lease were to be considered. The documents would cover the following key issues. This list is neither exhaustive nor prescriptive but provides Council with a sense of what is likely to be included.

- The Subject of the Lease. The Council will grant a lease over the Airport precinct and the structures affixed to the Airport such as aprons, runways Terminals etc. and transfer the movable assets such as vehicles, plant and equipment, and fixtures and fittings required to operate the Airport. The Lessee will also inherit the employees and assume all the employee entitlement obligations. The Lessee will also take over responsibility for concurrent leases for example, leases to airlines and Terminal concessionaires.
- The Consideration for the Lease. This will take the form of an upfront payment for the Lease and a purchase of plant and equipment.
- The Use of the Airport. The Lessee will be required to provide for the use of the site as an airport and provide access for international, interstate and intrastate air transport. This assumes requirements for terminals, hangars, parking, helipads, freight, and vehicle parking and transportation. The Lessee can undertake activities relating to the operation and/or development of the Airport and activities incidental to the operation and/or development of the Airport, for example food and retail concessions for pax.
- Development and Redevelopment at the Airport. The Lease will have a clause which stipulates that the Lessee must develop the Airport to meet demand, services required and to an acceptable standard throughout the Lease term. More specifically the Council has identified a number of areas that require major spending at the Airport. These include a Terminal expansion, apron strengthening, runway and taxiway overlays, Airport Boulevard, and expanded parking and rental car facilities. The Lessee will be required to meet stipulated development commitments within say the first 5-10 years. The Lessee will be required to put forward to the Council an upgraded Master Plan for the Airport within an agreed timeframe. The Council will be required to approve the development and will appoint a consultant (at the lessee's cost) to work with the Airport during the design and master planning period and report back to Council. Failure to undertake the required spending will lead to an event of default. The grant arrangements will need to be tied into the Lease to ensure the Lessee can undertake the work but allowing Council to still receive the grants.
- Lease Period. The Lease term will be a minimum of 50 years.
- Environmental Obligations. The Lessee will be required to maintain the environment of the site in accordance with obligations imposed by legislation. This includes water, ground water, soils, subsoils, biota or habitat, air, and areas of heritage value or of significant importance to the Aboriginal or Torres Strait Island peoples. There will likely be a requirement for a baseline study to determine existing contamination which remains the responsibility of Council.



- **Maintenance Obligations.** The Lessee will be required to maintain the site and structures in good and substantial repair at all times. The runways, taxiways, pavement and all parts of the Airport must be maintained to a standard that it receives at Lease commencement regarding safe access for air transport. There will also be a dispute mechanism if there is disagreement between the Lessee and the Council about the state or repair of the site and structures.
- **Insurances.** The Lessee will be required to take out policies of insurance on terms and conditions acceptable to the Lessor. These will include cover for loss and damage to site and structures and works during construction, plant and equipment, consequential loss of revenue, and legal liability of claims by third parties. There will strict guidelines as to use of proceeds of insurance and a requirement to provide the Lessor with evidence of valid insurance policies.
- **Council Rates.** Currently the Council recovers rates from commercial tenants on the Site. The terms in the Lease will ensure this continues and where else applicable rates will be levied. Agreement may also need to be reached on services provided by Council e.g. waste collection.
- **Water, Sewerage, Electricity, Gas and Telecommunications and Road.** It is contemplated the Lessee will pay to the appropriate service providers for the supply of metered charges for water, sewerage, electricity and gas. It is contemplated the Lessee will be responsible for the landside road infrastructure on the site up to the entrance to the Airport. The Lessee and the Council will work closely to ensure traffic flows are seamless and that bottlenecks do not occur. The Lessee will contract directly with utilities providers in regard to water, sewer, electricity and Telecommunications services. It will be incumbent on the Lessor to ensure the necessary core utilities services for the airport are in place prior to the commencement of the Lease.
- **Community Consultation and Development.** There will be a positive obligation for the Lessee to undertake proactive and timely consultation on matters that affect the community. For example forums could be held to discuss environmental issues, noise, amenities at the Airport. The Lessee will also be required to promote and support Community Development and meet with the Council periodically to discuss these matters.
- **Force Majeure Events.** Where the Lessee is unable to use the Airport in the manner prescribed in the lease (e.g. earthquake) then the Lessee is excused from performing its obligations. The Lessee must take all reasonable steps in a timely manner to rectify the situation.
- **Events of Default.** There will be certain events whereby the Council may terminate the lease. The main ones are where the Lessee fails to use the Airport as described above or fails to hold necessary licensing requirements (if required) such as the right to operate an Airport. Payment defaults (e.g. annual rent is not paid) if not cured can also lead to termination.
- **Dispute Resolution.** The Council will be required to approve development proposals, master plans and make requests to rectify issues discovered when inspecting the Airport. Where the Council does not provide the approvals and the Lessee disputes the need for rectifications then there will be a mechanism to use third parties to determine an outcome that will be binding on both the Lessee and the Council. This process will be critical for both parties to ensure that neither can thwart material rights and obligations intended in the Lease.
- **Lessee Structural Issues.** The Lessee entity or entities that enter into the Lease will be restricted to a single purpose that being the business of the Lease. The entity or entities may borrow funds to pay the Lease premium and the Council will want to ensure that debt levels are reasonable and be comfortable what the lenders rights are especially in the event of loan default where the lender may wish to step in to ensure the Lease obligations to the Council are still being fulfilled (a tripartite deed may be required to capture the lender's step in rights).



The Lessee will require the ability to dispose partially or fully its ownership of the entities holding the Lease to other investors. In this case the Council will reserve the right to approve such disposal where that results in a change of control of the Lessee entities.

- **End of the Lease.** There will be a number of provisions relating to the handover back to the Council at the end of the Lease. For example the Lessee may not be permitted to demolish or remove any structure without the Council's consent. The Council will also be entitled to buy the non-fixed plant and equipment such as IT systems, vehicles, equipment and machinery to ensure it can operate the Airport post the end of the Lease. It should be noted that the Lessee would be acquiring all the equipment needed to operate the Airport currently at the beginning of the Lease term. The Lessee will be required to maintain all assets and fixtures in good and tenable repair right up until the end of the Lease.
- **Inspection Rights.** The Lessee must permit the Council to have access to the site for the purposes of ascertaining that the Lessee is meeting its obligations under the Lease. This is likely to require the establishment of a monitoring regime.
- **Legislation and Licences.** The Lessee will be required to comply with all relevant legislation for operating the Airport and occupation of the site. The Lessee will also need to obtain and maintain all licences and approvals pertaining to the Airport and the site.
- **Reporting.** The Lessee is obligated to formally meet with the Council on a semi-annual or annual basis and report on the following:
  - CASA audit (proposals to rectify any non-compliance notices);
  - Annual Office of Transport Security audit report;
  - Annual insurance certificates; and
  - General operational and financial update.
- **Warranties.** There is a likely requirement for the Council to provide certain representations and warranties to the Lessee at commencement of the lease. These include ownership of the Airport, disclosure of all information, and whether the Airport is subject to any litigation.





## 8. VALUATION

### Recommendation

Noting the critical importance of the assumptions outlined in this Scoping Study and the impact that changes in these assumptions could have on the value of the Airport Lease, the Council should adopt a base case valuation for the lease transaction today of between \$19.0 million and \$25.0 million. This valuation implies an 2016 EBITDA multiple of between 15.6x and 18.4x EBITDA which is slightly higher than the average for recent Airport transactions as outlined in Section 6.5 of this Scoping Study. The EBITDA used in the modelling differs from Council's LTFP EBITDA forecasts because the valuation assumes the Airport is in the hands of a private third party lessee, and hence additional governance and other costs must be considered.

This section outlines the key modelling assumptions used in the financial model for the Airport. The model is based on a discounted cash flow (DCF) structure, which is a simplification of the revenues and expenditures realised by the Airport. The financial model has not been independently audited (this is a key TAG disclaimer).

A discounted cash flow modelling structure has been developed because it is widely used by infrastructure investors as the basis for determining asset values. In this context, the financial position of the Airport depends upon a number of factors including pax growth rates, pax charges, retail income, and increases in capex and property revenues.

The purpose of the model is to provide guidance on what are the key drivers of profitability and to provide an estimate of the commercial value of the Airport.

**The model, including any assessment of value of the Airport lease, should be interpreted with care and a considerable degree of caution. The model has not been independently audited and changes to any of the underlying assumptions that drive the model can have a significant impact on Lease valuations.**

### Value Sensitivity Table

	Value (\$M)
Base Case – Mid Point	22.0

### Key Assumptions / Model Summary

- We have developed a 50 year Discounted Cashflow Model to assess the value of the Airport asset.
- The purpose of the model is to provide a guide to the commercial value of the Airport lease. Our findings therefore reflect the value of the Airport in the hands of a private lessee company, and not long-term future ownership by Council.
- We have applied discount rates of between 14% and 18% . The discount rate reflects both the risk of future cashflows and the time value of money and is a key determinant of value – the greater the uncertainty of future cashflows the higher the discount rate (see section 8.8).
- We have assumed that a lessee has debt funding equivalent to four times EBITDA over a 3 year rolling term (see section 8.6).
- We have assumed that the current airline charges return to market levels at the end of the Jetstar agreement on 1 January 2022.
- We have assumed capex forecasts as provided by Airport Management.
- We have assumed that a private operator will have a greater focus on increasing the profitability of the Airport and therefore we have used more aggressive assumptions for revenue growth and overall profitability of the Airport.



- We have assumed that initially a private operator would have a lower starting EBITDA than a Council run Airport because a private operator will not have access to NSW State Government loan subsidies, will need to set up its own back office facilities and create and compensate an independent Board of Directors.
- We have therefore not adopted Council's EBITDA as provided in the LTFP but we have formulated an EBITDA for a third party lessee using key assumptions around governance costs and financing costs.

### 8.1. Budget Forecast - 2016

The model uses the Airport Management's 'Ballina Byron Gateway Airport - Operating Result and Cash Flow Analysis - 2002/03 to 2025/26 (February 2016 Revision)' as the basis for financial assumptions the financial position of the Airport in the 2015-16 financial year. Airport Management's forecast 2015-16 financial position forms the basis of the TAG valuation so any inaccuracies in this forecast will adversely impact the veracity of this valuation.

Long-term assumptions are applied through to the end of the modelling period (2066). These assumptions have been adopted in the base case model. TFI has prepared a set of pax forecasts for the Airport using five different scenarios. TFI's Model 1 forecasts form the basis for the valuation's Airport pax assumptions.

The Airport's financial accounts are detailed in nature, providing many individual line items. To reduce complexity and provide a clearer depiction of the key drivers of the Airport's profitability these line items have been aggregated into major revenue and expenditure categories.

The table below highlights that the Airport's revenue is largely derived from the pax service charge and landing fees paid by the major airlines while the Airport's major expenses are employee costs, administration, security screening and maintenance costs. As the purpose of the model is to provide a guide to the commercial value of the Airport lease, assumed standalone costs in the Lessee company (including the costs of maintaining a new Board of Directors and increased senior management in the Lessee company) have been incorporated into the Airport's operating expenses.

After making adjustments to the Council's EBITDA estimate in the LTFP for the loss of access to local government administration services, the loss of state government loan interest subsidies and the inclusion of extra stand-alone costs, it is estimated that the Airport operations would generate an EBITDA of \$1.55 million in 2016 if it were a separate, independent entity.

	(\$Am)
<b>Revenue</b>	
Pax service charges	2.28
Security screening and other miscellaneous landing fees	1.32
Car parking	0.61
Pax linked transport revenue	0.45
Property	0.25
Other revenue	0.07
<b>Operating Revenue</b>	<b>4.93</b>

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Operating Costs	
Employee	0.65
Services and utilities	0.33
Administration and other	0.61
Security screening	1.10
Stand-alone costs*	0.49
Maintenance	0.25
<b>Operating Costs</b>	<b>3.43</b>
<b>EBITDA</b>	<b>1.50</b>

Figure 24 - Ballina Airport Projected Income Statement 2015-16 of Operations for a Third Party Lessee  
*\*Includes additional governance setup and ongoing costs of operations for a third party lessee.*

## 8.2. Global Assumptions

The valuation model uses a number of global assumptions, which provide a platform to develop long-term revenue, and expenditure assumptions. These assumptions reflect general public and market expectations for the direction of the Australian economy over the next 50 years.

Assumption	
Consumer Price Index (CPI)	2.5%
Australian company tax rate	30%
Base 10 year Australian interest swap rate	3.0%

Figure 25 - Global Assumptions

As discussed in Section 5, TFI has developed a preliminary set of pax number assumptions using information provided by Airport Management.

Between 2015 and 2022 it is assumed that Virgin/Tigerair does not significantly grow their pax numbers while, consistent with Airport Management forecasts and the incentives found in the Airport's Jetstar contract, Jetstar grow their pax numbers by over 7% a year. Fly Pelican is assumed to moderately grow their pax numbers as their Newcastle service comes on line.

The model assumes the Airport's post-2025 pax growth rate moderates to 2.3% per annum, which is consistent with the Bureau of Infrastructure, Transport and Regional Economics' long-term pax forecasts for regional airports. Note that this is necessarily an assumption and NOT a forecast.



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Pax (millions)	0.44	0.48	0.52	0.55	0.58	0.61	0.64	0.67	0.70	0.73
Growth Rate		8.4%	3.8%	3.5%	7.3%	7.0%	6.7%	6.3%	6.2%	6.1%

Figure 26 - Assumed Base Case Pax Numbers by Financial Year 2015-2024

### 8.3. Revenue Assumptions

As discussed in detail in Section 7.4.4, the pax service charges and aircraft turnaround fees found in the Virgin and Jetstar airline agreements form the basis for aeronautical revenue assumptions during the years these contracts remain in place. The model assumes that after the Virgin agreement ends in 2016, Fly Pelican, Rex and Virgin are charged a pax service charge of \$7 per pax. After the Jetstar airline agreement concludes in 2022, it is assumed that all four airlines will have a pax service charge of \$9 per pax, which is around 90% of the forecast pax service charge expected to be charged at Gold Coast Airport. These uncontracted pax service charge assumptions are then assumed to grow annually at CPI.

The financial model also develops total revenue estimates for security screening charges, car rental, transport services and car parking revenues by estimating a portion of these revenues on a per pax basis. Therefore total revenues from these sources are affected by both the change in price of the revenue source and also by the change in the number of pax who use the Airport.

Assumed Price Growth Rates	
Pax service charge (for uncontracted projections)	CPI
General aviation fees	CPI
Security screening charge	CPI-1.5%
Car parking revenue	CPI
Property and other revenue	CPI

Figure 27 – Base Case Revenue Assumptions

The Airport's total revenues are assumed to grow strongly between 2015 and 2022 due to assumed increases in pax numbers (largely due to more Jetstar services, particularly the introduction of a new early morning flight to Sydney) leading to higher pax-linked revenues.

Revenues are assumed to increase by 33.2% in 2023 as the end of the current Jetstar contract leads to a large increase in the price of the pax service charge on the basis of our assumptions.

Revenue growth prior to 2023 is largely driven by small increases in pax-linked revenues such as Virgin pax, security service charges, car parking, car rentals and transit bus services. Pax service revenues from Jetstar turnaround fees are assumed to grow by less than 3% per annum even though Jetstar pax numbers themselves are expected to grow by more than 7% per annum over the same period.



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Aeronautical Revenues	3.2	3.5	3.5	3.6	3.8	4.0	4.2	6.1	8.3	9.0	9.7
Non-Aeronautical Revenues	1.0	1.4	1.4	1.5	1.6	1.7	1.8	2.0	2.1	2.3	2.5
<b>TOTAL REVENUES</b>	<b>4.2</b>	<b>4.9</b>	<b>4.9</b>	<b>5.1</b>	<b>5.4</b>	<b>5.7</b>	<b>6.0</b>	<b>8.1</b>	<b>10.4</b>	<b>11.3</b>	<b>12.2</b>

Figure 28 - Assumed Base Case Airport Revenues by Financial Year 2015-2025

#### 8.4. Operating Cost Assumptions

Consistent with the information and issues discussed above, the base case valuation includes the following operating cost assumptions. The model assumes that operating costs are loosely linked to pax numbers so in the first decade of the model it is assumed that operating costs grow more strongly as TFI is forecasting strong pax growth for the Airport in that period.

On a per pax basis, operating costs per Jetstar pax are assumed to grow more rapidly than aeronautical revenues per Jetstar pax, meaning that the Airport will increasingly rely on Virgin pax and non-aeronautical revenues to maintain its break even financial position.

Assumed Growth Rate	Cost Growth 2016 - 2023	Cost Growth 2024 - 2066
Employee	CPI+2.5%	CPI+2.0%
Services & Utilities	CPI+2.5%	CPI+2.0%
Administration & Other	CPI+2.0%	CPI+1.0%
Stand-alone Costs	CPI+2.0%	CPI+1.0%
Maintenance	CPI+2.0%	CPI+1.0%

Figure 29 – Base Case Operating Cost Assumptions

Consistent with the Jetstar agreement, security-screening costs are assumed to remain a fixed percentage of the Airport's security screening revenues so these costs effectively grow at CPI - 1.5% on a per pax basis.

Due to the restrictions found in the Jetstar air services agreement, even if the Airport operated as a stand-alone, for profit, entity there is little likelihood that a private operator could significantly improve the Airport's profitability prior to the conclusion of the Jetstar agreement in 2022.

Therefore, the Airport's EBITDA is assumed to grow moderately until 2022 even assuming it was sold as a stand-alone entity. In 2022 and 2023 the Airport's EBITDA is assumed to more than double as the pax service charges levied on airlines are increased to around 90% of those levied by the Gold Coast.



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Costs	3.2	3.4	3.4	3.5	3.7	3.9	4.2	4.4	4.6	4.9	5.1
EBITDA	1.3	1.5	1.5	1.6	1.7	1.8	1.9	3.7	5.8	6.4	7.1

Figure 30 - Assumed Base Case Operating Costs and EBITDA by Financial Year 2015-2025

### 8.5. Capex Modelling

Consistent with Airport Management's forecasts, the financial model assumes that the Airport Lessee will spend \$3.611 million of unfunded capex over the period 2016 to 2025. All other capex programs are assumed to receive outside funding before proceeding and therefore have no direct financial impact on the Airport's profits.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capex	0.583	0.95	.075	0.10	0.103	0.10	0.10	0.5	1.0	0.10

Figure 31 - Assumed Unfunded Capex by Financial Year 2016-2025 (based on LTFP only)

Consistent with Airport management's advice, in 2026 it is assumed that the Airport undergoes a \$14 million major runway renovation and re-sheet. After 2026 it is assumed that the Airport spends on average \$3.0 per pax on growth capex on an annual basis. This per pax capex spend is in line with the capex spent at similar regional airports.

The extent to which any further unfunded capex is required by the Airport due to its current rapid expansion, the expected sale price of the Airport would expect to be reduced to offset this extra cost.

### 8.6. Financing Costs and Refinancing

Most prospective private sector investors of the Airport are likely to borrow a part of the final purchase price in the debt market. Debt financing helps increase the lease value of the Airport as it enhances equity returns through the tax treatment of debt interest payments.

As outlined in Section 6, there is a sophisticated bank loan market for infrastructure assets. TAG has adopted a number of debt assumptions for the base case valuation:

- The interest rate margin above the 10-year swap rate on each debt tranche is assumed to be 3%. Our survey of current market conditions indicates that smaller infrastructure assets are likely to be priced at interest rate margins greater than 2%;
- The debt facility has a three year term and is non-amortising; and
- The debt facility is assumed to be three times the budgeted June 2016 EBITDA, which equates to \$4.6 million. The debt is assumed to be refinanced every five years at three times the Airport's prevailing EBITDA.

### 8.7. Taxation Assumptions

It is assumed that the final bidder of the Airport lease will be subject to NSW stamp duty of 5.5% of the acquisition price and will face Australian corporate tax rates of 30%. Variations in the bidder's tax circumstances that differ from these assumptions will impact the value of the Airport lease to the bidder. These variations could be positive or negative depending on the bidder's circumstances. It is assumed that in private hands the Airport will face an annual land tax bill of \$120,000.



The Airport's municipal rates would also need to be reviewed as part of any Airport lease. Currently it is assumed that the Airport would not face a change in municipal rates.

### 8.8. Discount Rates and Base Case Valuation

The Airport's future profitability is likely to be affected by a number of events and circumstances, which are very difficult to predict today. These circumstances include:

- The ability of Airport management to successfully increase pax service charges significantly after the end of the Jetstar contract in 2022;
- Virgin's future plans with regards to flying to Ballina given its declining pax numbers and its recent acquisition of Tigerair Airways;
- Continued above average increases in pax numbers to the airport;
- Timing of improvements to the Airport and requirements to upgrade runways as increased flights to the Airport cause more wear and tear; and
- Changes in the competitive environment caused by commercial decisions made by Lismore and Gold Coast airports.

These uncertainties, coupled with the small profit that the Airport currently makes, mean that investors would be expected to consider the Airport to be a riskier investment than a traditional commercial airport such as Melbourne or Sydney airports. In this case they are likely to proscribe a higher than normal discount rate to the Airport's future cashflows to take into account the risk that many of the assumed revenues may never eventuate. The valuation assumes that investors use a range of discount rates between 14% and 18% to value the Airport.

Noting the critical importance of the assumptions outlined above, DCF financial modelling suggests the base case valuation for the lease transaction will be between \$19 million and \$25 million.

### 8.9. Sensitivity Analysis

The table below outlines a number of different scenarios which could impact the long term value of the Airport. The analysis is necessarily based on an assumption that other things are being held equal which, while necessary for analytical purposes, will almost certainly not hold.

- The Airport's valuation is very sensitive to the success of Jetstar contract negotiations post 2022. If the Airport management was able to increase pax service charges to \$10.80 in 2023, the value of the Airport would rise by around \$7 million.
- However, if the Jetstar contract remains in place and Jetstar turnaround fees only grow by inflation post-2022 then the value of the Airport is severely adversely affected. Under this scenario, the capex and operating cost requirements of the Airport grow faster than revenues meaning the Airport could become unprofitable by as early as 2026.
- Another area of risk and reward for the Airport is the strategic planning of its capex program. In short, the more successful Airport management is in finding outside sources to fund the capex (be it government support or increased user charges for the airlines) the greater is the value of the Airport to the Council and prospective purchasers.

**Value Sensitivity Table**

	Value (\$M)
Base Case – Mid Point	22.0



## 9. AIRPORT INVESTMENT READINESS PROJECT IMPLEMENTATION PROCESS & TIMETABLE

### Recommendation

- Council should commence an Airport Investment Readiness process over the next 12-24 months and then re-assess the asset lease opportunity.
- This will include a range of strategic and operational steps across the Airport and the adjoining Enterprise Park and Airport Boulevard.
- Council should agree a budget and timelines and commence this project as a priority.

Issue	Timeframe	Steps	Budget
Asset Strategy Decision	2-3 months	Council Meeting Agenda Item for Council Meeting Review of financial outlook and other Council funding sources Strategic Direction paper prepared for 1 / 3 / 5 / 10 year outlook in context of asset value optimisation and wider Council / community objectives	Nil (internal project)
Governance Options	2-3 months	Report commissioned on Peer Review / alternatives Modelling of costs / benefits Presentation to Council	\$25-35,000
Airport Master Plan	12 months	Prepare Airport Master Plan. Use TFI report as key input Engage airport planner	\$40,000 - \$60,000
Rental Car Agreements	3 months	Rental car agreements re-tendered Legal fees and commercial consultant	\$30,000
	12 – 24 months	Document all existing arrangements of occupiers and service providers that are not covered by current legal agreements. Legal fees	\$2,000 - \$4,000 per agreement
Land Titling	12 – 24 months	Land Titling. Legal review of land tenure, titles, survey plans to confirm the sufficiency for leasing	\$5,000 - \$10,000





Issue	Timeframe	Steps	Budget
Terminal Expansion	12 months	Terminal use plan. Review future terminal busy hour based on TFI forecast and determine terminal area requirements, timing and capex. (could be undertaken as part of the Master Plan project)	\$10,000 - \$20,000
Airline Agreements	6-12 months	Legal review of JQ agreement	\$15-20,000
		Prepare / model approach to airlines (update pax and capex and opex forecasts)	\$35-45,000
		Engage with VA / JQ	
		Consider fresh external consultant	
Operational Review	12-18 months	Airport Manager succession planning  Commercial agreements to be revised and updated so all documentation is in order	
Enterprise Park	12 months	Rezoning application to be completed	
		Airport Boulevard DA to be completed	
Capex & Opex Financial Review	3-4 months	Detailed review required in context of escalating pax growth – key input to airline agreement negotiations and grant applications	
Funding Grants	3-6 months	Liaise with State regarding current Terminal funding application	
		Undertake Airport Boulevard funding application	



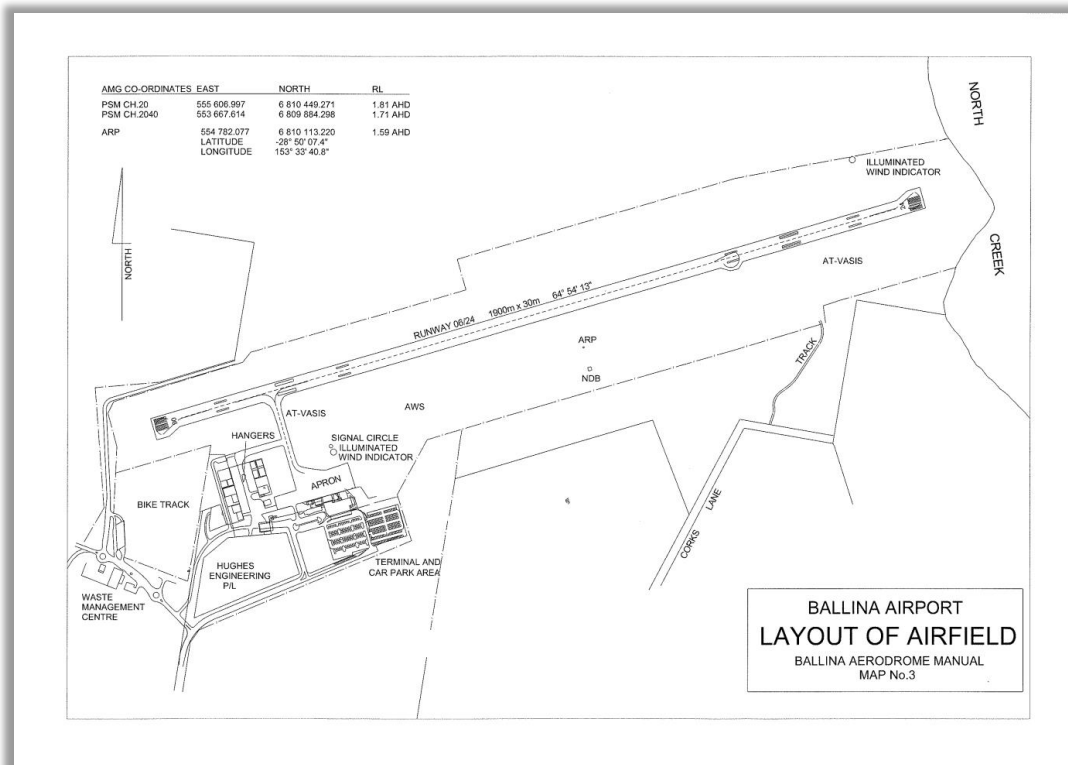
## 10. GLOSSARY

- **Airport** - *Ballina Byron Gateway Airport*
- **Airport Precinct** - *The Airport and surrounding area to be included in the Airport Lease*
- **Council** - *Ballina Shire Council*
- **CPI** - *Consumer Price Index*
- **DCF** - *Discounted Cash Flows*
- **EBITDA** - *Earning Before Interest, Tax, Depreciation & Amortisation*
- **GA** - *General Aviation*
- **Lease** - *The proposed lease for the Ballina Byron Gateway Airport*
- **Lessee** - *The preferred bidder for the Airport Lease*
- **Lessor** - *Ballina Shire Council*
- **MTOW** - *Maximum Take Off Weight*
- **RPT** - *Regular Public Transport*
- **SDM** - *Service Delivery Model*

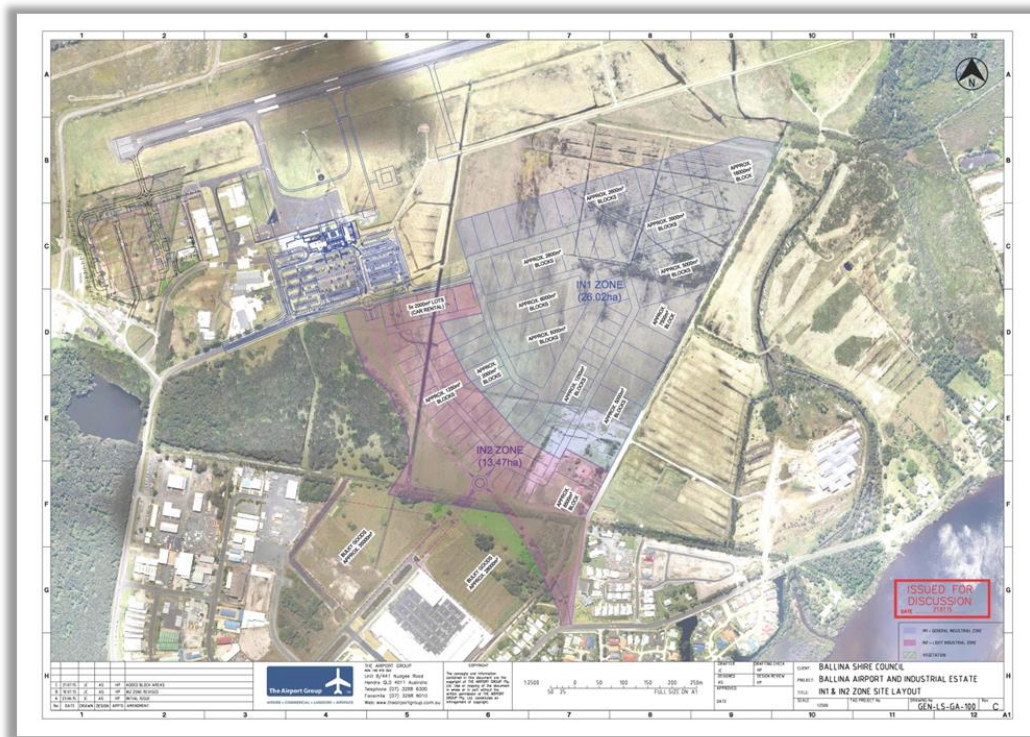


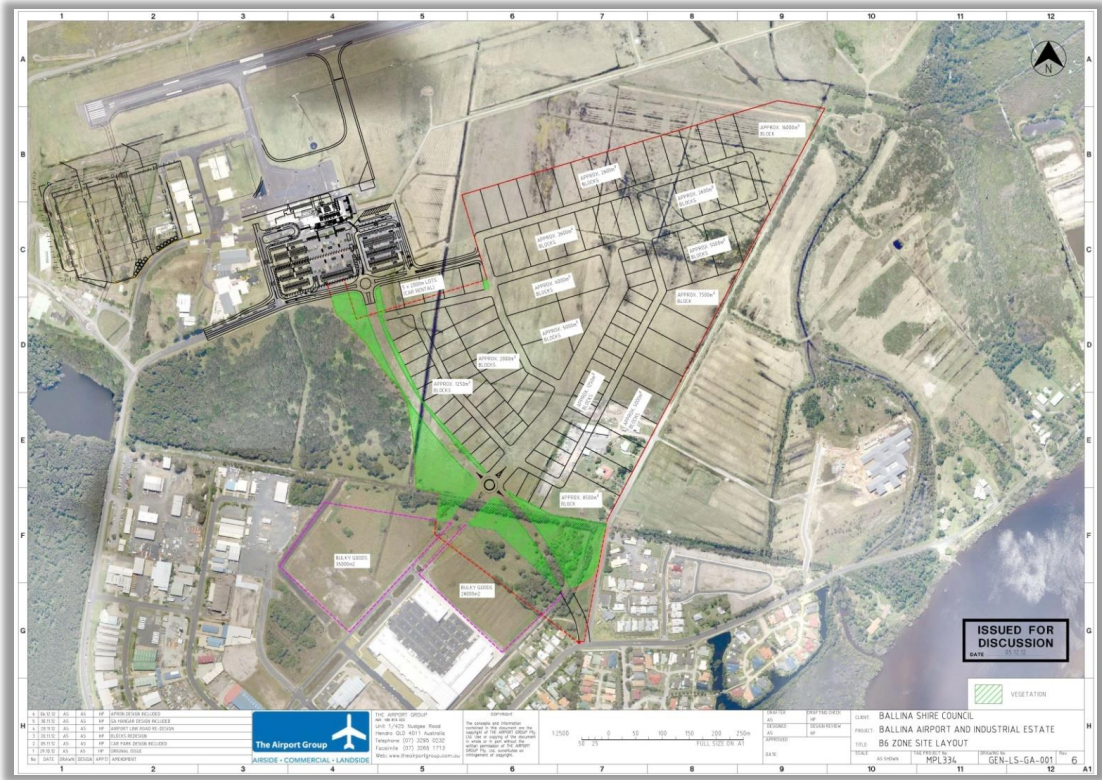
## 11. APPENDICES

## APPENDIX A – Airport Layout Plans



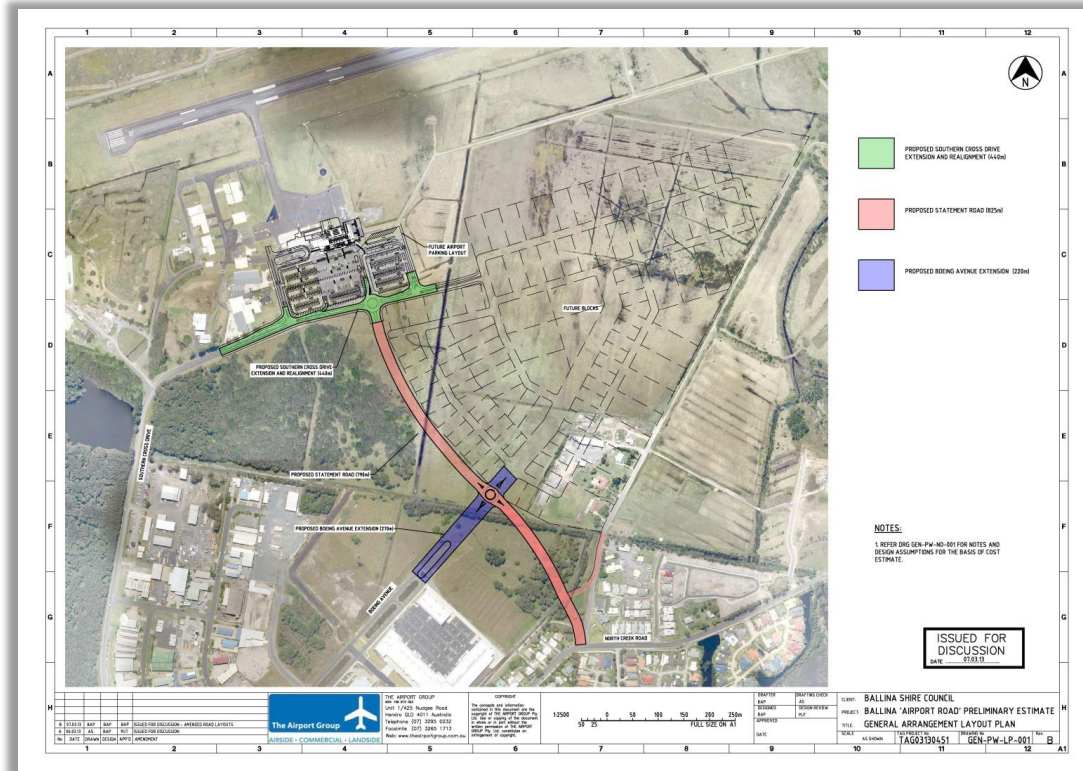
**APPENDIX B – Southern Cross Expansion Area and Airport Boulevard Plans**







## 9.6 Ballina Byron Gateway Airport - Dividend Options



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Ballina Byron Gateway Airport Scoping Study – Final - 5 July 2016

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## APPENDIX C – Council Long-Term Business Plan (15 February 2016)

[illegible]





## **APPENDIX D – HTW Land Use Report**



Proposed Industrial Subdivision of Englobo Site located at Corks Lane and North Creek Road, Ballina NSW 2478

As at 17 July 2015  
Prepared for Ballina Shire Council  
Our Ref NNC095830

Lismore

Herron Todd White (NSW North Coast) Pty Ltd  
ABN 93 402 216 062

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The Ballina Shire Council

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## 1 INTRODUCTION

### 1.1 Instructions

We have been instructed by Mr Paul Tsikleas on behalf of Ballina Shire Council to prepare a market research report pertaining to the proposed industrial subdivision located at Corks Lane and North Creek Rd, Ballina NSW 2478.

### 1.2 Purpose of Market Research Report

The purpose of the report is to provide the Ballina Shire Council with strategic advice in relation to the proposed rezoning of an industrial englobo site situated along Corks Lane and North Creek Road, Ballina. This land is to be referred to within the balance of this report as the Southern Cross Rezoning Study Area (SCRSA).

The Market Research Report is to focus on the North Coast Industrial Land Market and specifically the Ballina Industrial Land Market, providing evidence of current land supply and prices and commentary on likely available future industrial stock on the NSW Far North Coast. The report is to also provide commentary on the current demand for the industrial land supply to be created as a result of the rezoning currently underway for the SCRSA and its potential as an employment zone for the Ballina/Lennox Head/Byron Area.

The research provided herein relates to the proposed Southern Cross Rezoning Study Area on an "as if complete" basis, assuming all necessary approvals are in place and that the land has been filled, levelled and serviced in accordance with the plans provided by the instructing party. The preliminary plan of subdivision is preliminary only and changes to the layout are likely to occur which will result in variations in the size and shape of some land parcels. Any significant variation in the layout and dimensions of the individual lots could impact on the advice provided within the Market Research Report. As such, we reserve the right to alter our report if any significant variations occur.

This report has been prepared for internal due diligence purposes only, and is for use by Ballina Shire Council only. The report is not available for any other purpose, nor is any liability extended to any third party, without Herron Todd White's written authority and consent.

This report is provided subject to the assumptions, disclaimers, limitations and qualifications detailed within this report. Reliance on this report and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements.

This report has not been prepared for mortgage security lending purposes. We will not accept any responsibility or liability for reliance upon this report for such purposes.

This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is extended to any third party who may use or rely on the whole or any part of the content of this valuation. No responsibility will be accepted for photocopied signatures.

### 1.3 Date of Preparation

17 July 2015.

### 1.4 Prepared By

**David Sullivan**  
Director  
AAPI / Certified Practising Valuer



Corks La, Ballina NSW 2478  
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## 2 THE SUBJECT LAND

### 2.1 Title Details

<b>Real Property Description</b>	Lots 3 to 6 on Deposited Plan 123781, Lots 3 & 4 on Deposited Plan 872303, Lot 2 on Deposited Plan 833513, Lot 8 on Deposited Plan 793980 and Lot 7 on Deposited Plan 1043261 in the Parish of Ballina, County of Rous.
<b>Registered Proprietor</b>	<p>Lots 3 to 6 on DP 123781 – The Council of The Shire of Ballina.</p> <p>Lot 3 DP 872303 - Brian Ronald Field.</p> <p>Lot 4 DP 872303 - David Maurice King.</p> <p>Lot 2 DP 833513 - Brian Ronald Field.</p> <p>Lot 8 DP 793980 - The Council of The Shire of Ballina.</p> <p>Part Lot 7 on DP 1043261 – Not available</p>
<b>Encumbrances</b>	No title searches undertaken.



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### 3 TOWN PLANNING AND APPROVALS

#### 3.1 Town Planning Summary

<b>Local Authority</b>	Ballina Shire Council.
<b>Planning Scheme</b>	<p>The subject property is subject to the provisions of both the Ballina Local Environment Plan (BLEP) 2012.</p> <p>The aims of the Ballina LEP 2012 are:</p> <ul style="list-style-type: none"> <li>to provide for a sustainable Ballina that recognises and supports community, environmental and economic values through the establishment and maintenance of the following: <ol style="list-style-type: none"> <li>a built environment that contributes to health and wellbeing,</li> <li>a diverse and prosperous economy,</li> <li>a healthy natural environment,</li> <li>diverse and balanced land uses,</li> <li>healthy, resilient and adaptable communities,</li> <li>responsible and efficient use of resources,</li> </ol> </li> <li>to provide for development that is consistent with Council's established strategic planning framework for Ballina,</li> <li>to achieve the objectives of the land use zones set out in Part 2 of this Plan, to promote the orderly and efficient use of land having regard to the social and environmental characteristics of the land,</li> <li>to provide for the development of public services and infrastructure.</li> </ul> <p>The LEP is separated into various zones based on the desired uses of land within the scheme area. The LEP further provides specific Land Use Tables for each Zone which details the objectives of the Zone and also which identifies development which may be carried out Without Development Consent, development which may be carried out Only With Development Consent and development which is Prohibited.</p>



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The Ballina Shire Council

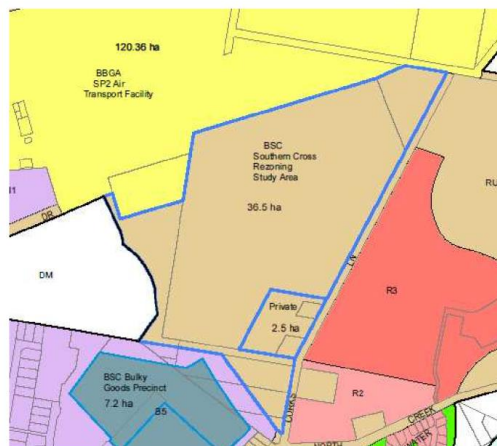
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**Existing Zoning** The englobo site which forms the Southern Cross Rezoning Study Area is currently zoned RU2 Rural Landscape. Refer to map below:



### 3.2 Planning Proposal

We have been provided with a copy of a Planning Proposal summary prepared by Ardill Payne and Partners dated 10 July 2015. This Planning Proposal is the result of a request from Council's Commercial Services Group (being the majority landholder) to rezone the subject land to accommodate demand for employment land in a manner that is consistent with the Ballina Shire Growth Management Strategy and the Southern Cross Precinct Master Plan.

Council initially received a formal request for the rezoning of the land from Ardill Payne and Partners (on behalf of Council's Commercial Services Group) dated 28<sup>th</sup> May 2012.

Council resolved to support the planning proposal at its Ordinary Meeting on the 27<sup>th</sup> June 2013. At this time Council endorsed the application of a B6 Enterprise Corridor zone and B7 Business Park zone as the basis for a planning proposal for Gateway determination. However, on-going communications have been held with Council's Strategic Planners in respect of the above and it is now likely that the originally proposed "B" zones will be replaced with "IN" zones. This will substantially reduce the potential risk for permissible land uses in the rezoning area to compete with office and retail uses in the Ballina CBD.

The Department of Planning & Environment by letter dated 12<sup>th</sup> May 2015 altered the Gateway Determination such that the time within which the planning proposal is to be completed was extended to the 30<sup>th</sup> July 2016. In respect of Item 2 in the DoP's letter dated 23<sup>rd</sup> July 2013, Ardill Payne have advised that all of the required specialist reports have been commissioned and are in the range of 90-100% complete.



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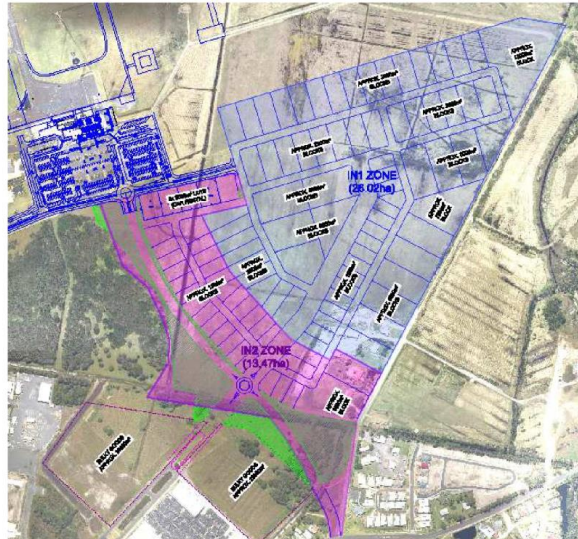




This research report is undertaken on the basis that the Southern Cross Rezoning Study Area is rezoned from RU2 Rural Landscape to 'IN1 Industrial' and 'IN2 Industrial', assuming all necessary approvals are in place and that the land has been filled, levelled and serviced in accordance with the plans provided by the instructing party. Council has advised that it hopes to have the rezoning process completed by the end of this year (2015).

Ballina Shire Council have also advised that they are seeking to construct a new access road into the Ballina Byron Gateway Airport. The new road is generally referred to as 'Airport Boulevard' and is further discussed in Section 5.5 of this report. The construction of "Airport Boulevard" will enable Council to open up development of the subject land for industrial development.

The proposed zoning for the subject land is detailed in the Ballina Airport and Industrial Estate IN1 and IN2 Site Layout prepared by The Airport Group. The extract of the plan is as follows:



The objectives of the proposed IN1 Zone are as follows:

**Objectives of zone**

- To provide a wide range of industrial and warehouse land uses.
- To encourage employment opportunities.
- To minimise any adverse effect of industry on other land uses.
- To support and protect industrial land for industrial uses.



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- To enable non-industrial uses that are compatible with the industrial nature of the locality.
- To provide for the efficient use of industrial land.
- To encourage development that achieves the efficient use of resources such as energy and water.
- To ensure that development does not expose adjoining uses to hazard risks.

**Permitted without consent**

Environmental protection works

**Permitted with consent**

Agricultural produce industries; Depots; Freight transport facilities; Garden centres; General industries; Hardware and building supplies; Hospitals; Industrial training facilities; Landscaping material supplies; Light industries; Liquid fuel depots; Neighbourhood shops; Plant nurseries; Roads; Rural supplies; Take away food and drink premises; Timber yards; Vehicle sales or hire premises; Warehouse or distribution centres; Any other development not specified in item 2 or 4

**Prohibited**

Amusement centres; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Child care centres; Commercial premises; Community facilities; Correctional centres; Eco-tourist facilities; Environmental facilities; Exhibition homes; Exhibition villages; Function centres; Hazardous industries; Health services facilities; Heavy industrial storage establishments; Highway service centres; Home-based child care; Mooring pens; Moorings; Offensive industries; Recreation facilities (major); Registered clubs; Residential accommodation; Respite day care centres; Rural industries; Schools; Tourist and visitor accommodation; Wharf or boating facilities

The objectives of the proposed IN2 Zone are as follows:

**Objectives of zone**

- To provide a wide range of light industrial, warehouse and related land uses.
- To encourage employment opportunities and to support the viability of centres.
- To minimise any adverse effect of industry on other land uses.
- To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.
- To support and protect industrial land for industrial uses.

**Permitted without consent**

Environmental protection works; Home-based child care; Home occupations; Home occupations (sex services)

**Permitted with consent**

Bulky goods premises; Depots; Hardware and building supplies; Industrial training facilities; Kiosks; Landscaping material supplies; Light industries; Liquid fuel depots; Neighbourhood shops; Plant nurseries; Roads; Rural supplies; Take away food and drink premises; Timber yards; Vehicle sales or hire premises; Warehouse or distribution centres; Any other development not specified in item 2 or 4

**Prohibited**

Agriculture; Airports; Airstrips; Amusement centres; Animal boarding or training establishments; Boat launching ramps; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Child care centres; Commercial premises; Community facilities; Correctional centres; Eco-tourist facilities; Educational establishments; Entertainment facilities; Exhibition homes; Exhibition villages; Farm buildings; Forestry; Freight transport facilities; Function centres; Health services facilities; Heavy industrial storage establishments; Highway service centres; Industries; Information and education facilities; Jetties; Marinas; Mooring pens; Moorings; Passenger transport facilities; Public administration buildings; Recreation areas; Recreation facilities (major); Recreation facilities (outdoor); Registered clubs; Residential accommodation; Respite day care centres; Restricted premises; Rural industries; Tourist and visitor accommodation; Water recreation structures



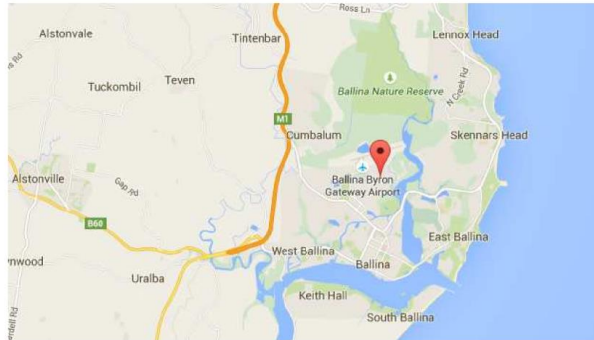
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#### 4 THE LAND

##### 4.1 Location Details

The general location of the subject property is indicated on the maps below.



Source: Google Maps



Source: SIX Maps



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<b>Locality</b>	<p>The general location of the subject property is shown on the cadastral map and aerial photograph above.</p> <p>The subject is situated on the northern fringe of the developed component of the Southern Cross Industrial Estate, being approximately 3 km north west of Ballina Central Business District. This is a relatively modern industrial estate generally comprising small to large sized strata titled industrial units, storage units and larger free standing unstrated industrial premises.</p> <p>Ballina is located approximately 210km south of Brisbane and 770km north of Sydney. More specifically the subject estate is located on the north west fringe of Ballina township, being approximately 4 kilometres from Ballina's Central Business District in River Street.</p> <p>Ballina is situated at the mouth of the Richmond River and is a predominantly residential locality with development comprising a mixture of semi-modern/modern housing, duplexes, townhouses and some lowrise unit developments in the CBD. Primary and Secondary schools are located in the area with local shopping and regional shopping available.</p> <p>Whilst we have physically identified the boundaries upon inspection, and there does not appear to be any encroachments, we are not surveyors and no warranty can be given without the benefit of an identification survey.</p>
<b>Situation</b>	<p>The subject property forms an industrial englobo site situated to the north of the existing Ballina Southern Cross Industrial Estate. The site is situated on the western side of Corks La and at the eastern end of Southern Cross Dr. Boeing Dr is located to the south.</p> <p>The Post Office is approximately 4.1 kilometres by road radially to the south east of the subject property.</p>
<b>Surrounding Development</b>	<p>The surrounding development of the subject property is broadly shown in the above aerial photograph.</p> <p>The completed component of the Southern Cross Industrial Estate is located to the south. Located to the immediate south of the land is an undeveloped industrial englobo site designated as a bulky goods precinct. The Harvey Norman Centre is located further to the south.</p> <p>Adjoining the site to the immediate north and north west is the Ballina Byron Gateway Airport.</p> <p>Undeveloped bushland adjoins part of the western boundary. Undeveloped englobo land zoned R3 is located opposite to the east and forms the balance of the 'Avalon' Retirement and Aged Care Village. The 'Palm Lake Resort' Retirement Village is also located to the east on the corner of North Creek Rd and Corks La. Further to the south east is the Northlakes Residential Estate.</p>



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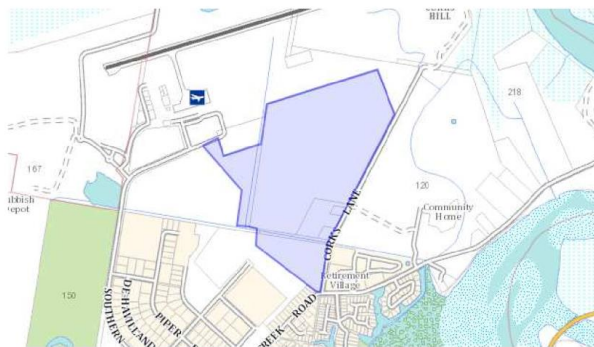
**Infrastructure**

The property is located close to the following infrastructure: arterial roads, major transport routes and public transport.

Urban amenities which are situated within reasonable proximity of the subject property include:


- The developed component of the Southern Cross Industrial Estate located to the south
- Ballina Byron Gateway airport located to the north and north west.
- Ballina Central Business District within 4 kilometres.
- Ballina Fair and Ballina Central sub regional shopping centre within 2 kilometres.
- Aldi supermarket 1 km to south-west.
- Various state and private schools situated within the surrounding locality.

**4.2 Land Description**



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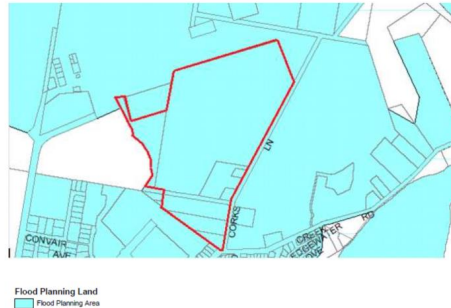
<b>Area</b>	Total of 39 hectares.
Photographic evidence is detailed as follows:	
	
East aspect from airport.	
	
West aspect from Corks La.	
<b>Topography</b>	<p>The englobo land is irregular in shape, low lying and generally cleared. The land is flood prone due to its low lying nature and various narrow drainage channels intersect this land.</p> <p>The topography and condition of the subject englobo land are displayed visually in the above photographs.</p>



**Flooding**

We note that the property is low lying and is susceptible to flooding.

An extract from the Ballina LEP 2012 Flood Planning Map is as follows:



We have physically identified the boundaries upon inspection and there do not appear to be any encroachments. However, we are not surveyors and no warranty can be given without the benefit of an identification survey.

To the best of the valuer's knowledge, the subject property is not affected by landslip, pest infestation or resumption matters, however, no searches have been undertaken in this regard.

**4.3 Road System/Access/Exposure**



North-east aspect from Boeing Avenue



West aspect from North Creek Road



East aspect from Southern Cross Drive



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<b>Road System</b>	<p>The main access road to the subject land from the east is currently via Corks La, which is a single lane, gravel sealed road extending off North Creek Rd. The access to the land from the west is via Southern Cross Dr, which is a two lane, bitumen sealed residential road having part concrete kerb and channel and earthen edges.</p> <p>Tamarind Dr (former Pacific Highway) adjoins both North Creek Rd and Southern Cross Dr to the south. Tamarind provides access to the centre from Ballina, approximately 4 kilometres to the south east. Due to completion of the Ballina Bypass, Tamarind Dr has now become a major arterial road connecting the Pacific Highway upgrade located to the west with the township of Ballina.</p> <p>The Ballina Bypass (a major upgrading of an 11.5 kilometre section of the Pacific Highway between Ross Lane at Tintenbar (to the west of the subject property) and the intersection with the Bruxner Highway, to the south-west of Ballina) was completed in 2012. The bypass resulted in the construction of an interchange at the intersection of Ross Lane and the Pacific Highway.</p> <p>The Pacific Motorway upgrade between Tintenbar (Ross Lane intersection) and Ewingsdale is currently under construction and due for completion at the end of the 2015 calendar year. This upgrade is approximately 17 kilometres long and will link the northern end of the Ballina to the existing dual carriageway at Ewingsdale, resulting in a four lane motorway connecting Ballina to the Queensland border.</p>
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## 5 PROPOSED DEVELOPMENT

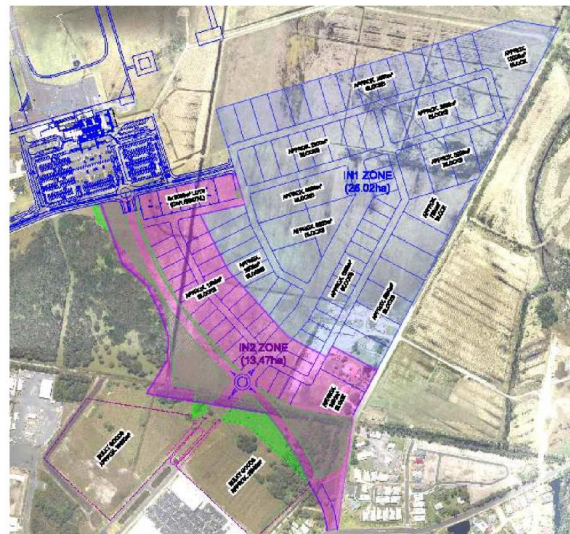
### 5.1 Introduction

The property is to be developed as the Ballina Airport Industrial Estate. The industrial subdivision is to comprise a total of 107 lots. The development layout is only preliminary at this stage and the proposed yield is based on a IN1 and IN2 Zone Site Layout prepared by The Airport Group.

As discussed in Section 3.2, Council is in the process of rezoning the subject land from RU2 Rural Landscape to 'IN1 Industrial' and 'IN2 Industrial'.

### 5.2 Plan of Subdivision

The preliminary plan of subdivision for the subject land is as follows:



As confirmed by The Airport Group, the preliminary plan above shows the 'general arrangement layout' of the subdivision. It is indicative only and changes to the layout are likely to occur which will result in variations in the size and shape of some land parcels. Any significant variation in the layout and dimensions of the individual lots could impact on the advice provided within the Market Research Report. As such, we reserve the right to alter our report if any significant variations occur.



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### 5.3 Development Yield

The proposed development yield and indicative lot sizes are as follows:

Lot Type	Lot Size	No of Lots
	(Square Metres)	
Industrial Lots	1250	46
Industrial Lots	2000	14
Industrial Lots	2600	29
Industrial Lots	5000	13
Industrial Lots	6000	2
Industrial Lots	7500	1
Industrial Lots	8500	1
Industrial Lots	16000	1
<b>Total Lot Yield</b>		<b>107</b>

### 5.4 Design Layout

The subject land is to be developed with a total of 107 industrial allotments accessed via the proposed Airport Boulevard.

The proposed industrial lots are to range in size from 1,250 to 16,000 square metres. The majority of the lots range in size from 1,250 to 5,000 square metres. The balance three larger lots range in size from 6,000 to 16,000 square metres.

There are 15 allotments that will have direct frontage to Airport Boulevard. These allotments and a further 22 allotments within close proximity to Airport Boulevard are proposed to be zoned IN2 and cater for more light industrial, warehouse and related land uses. 5 of these lots are also proposed for car rental businesses. The balance 63 allotments are to be internally situated within the development and to be zoned IN1.

The majority of allotments are to be of a regular shape and all allotments will have a level building contour.

The locations of proposed allotments are detailed in the plan of subdivision detailed in Section 5.2.

### 5.5 Road Network and Access

Ballina Shire Council have advised that they are seeking to construct a new access road into the Ballina Byron Gateway Airport. The new road is generally referred to as 'Airport Boulevard'. Airport Boulevard is proposed to run from North Creek Road to the Ballina Byron Gateway Airport and become the primary entrance road to the airport and also provide a link into the Southern Cross Industrial Estate.

It is proposed that Boeing Ave, which is located to the south, will also be extended north and adjoin the southern boundary of the land. Boeing Ave is proposed to be intersected by 'Airport Boulevard'.

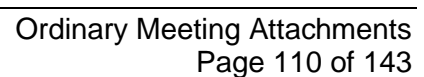
It is assumed that the internal roads servicing the lots will be a standard 7 metre wide carriageway with concrete kerb and gutter.

The Ballina Shire Council's Section 94 Roads Plan also proposes to extend North Creek Road through to Lennox Head making it a primary arterial road between Ballina and Lennox Head.

The construction of both 'Airport Boulevard' and the extension of North Creek Road through to Lennox Head forms a strategic and integral component for the future development of the proposed industrial subdivision. Without the construction of these two roads, the saleability, value and potential sales rates for the proposed industrial allotments within the subdivision will be impacted.



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## 6 MARKET REPORT

### 6.1 National Economic Overview

New national accounts data suggests that Australia's economy may be turning towards a more positive trajectory. Headline GDP growth for Q1 2015 was above expectations, rising by 0.9% in seasonally-adjusted terms. However, despite quarterly GDP growth being relatively strong in Q1 2015, growth over the 12 months to March 2015 (+2.3%) remains below long term average. In Q1 2015, positive growth came out of the mining (+3.5%); finance and insurance (+1.9%); and wholesale trade (+1.8%) industries. The latter category, along with the retail trade industry which grew at a steady 0.9%, suggests that the Reserve Bank of Australia's (RBA) expansionary stance on monetary policy is supporting growth in spending by both retailers and consumers. On the other hand, growth in Australia's manufacturing (+0.3%) and construction (-0.8%) industries, which are characteristically large drivers of our nation's economic growth, showed concerning results in Q1 2015.

The Reserve Bank of Australia has held the target cash rate steady at a historically low 2.00% in July 2015, following two 25 basis point cuts earlier in the year. With the target cash rate now drawing closer to zero, and the nation's cash rate sensitive housing markets continuing to record strong growth, the RBA is likely to employ further cuts in an increasingly sparing fashion. As such, the positive Q1 2015 GDP figure is likely to have presented a case to the RBA to maintain its steady stance on the target cash rate for the short term. However, while GDP growth is showing some early signs of recovery back towards long term trend, the extent of recent falls in private capital expenditure remains highlighted as a key potential drag on future economic growth.

The latest quarterly change in private capital expenditure was a downward move by 4.4% in Q1 2015, the sharpest fall in over five years. Private capital expenditure fell across all three major categories (mining, manufacturing and 'other' selected industries), with expenditure in the manufacturing category falling by the greatest rate (-9.4%). For now, private capital expenditure levels, which carry flow on effects to future employment levels, are not showing signs of potential recovery any time soon.

Business growth, driven by factors such as capital expenditure, is needed to provide support to Australia's labour market which continues to be relatively weak. The national unemployment rate has continued to fluctuate between 6.0% and 6.3% (ABS, seasonally adjusted) from June 2014 to June 2015, remaining roughly 1.0 percentage point above 10 year average levels (ABS, seasonally-adjusted figures). Strengthening labour markets, in turn, are likely to drive more positivity around consumer sentiment and business confidence, which are both considered to drive positive growth in our domestic economy.

### 6.2 Key Economic Indicators

Some key economic indicators which provide a snapshot of the National economy and have the potential to influence property markets are detailed in the table below:

Indicator	Comments	Current Sentiment
Economic Growth	Rose by 0.9% in Q1 2015, equating to 2.3% growth in the year to March 2015.	↑
Unemployment Rate	Remained at 6.0% in June 2015 (seasonally adjusted) in accordance with the prior month. The rate is currently 1.0 percentage point above the trailing decade average (5.2%).	↔
Retail Sales	Rose by 4.4% over the year to May 2015.	↑
Population Growth	Estimated to have increased by 1.4% in the year to December 2014. This is in line with the 10 year average.	↑
Inflation	CPI rose by 0.2% in Q1 2015, equating to 1.3% growth in the year to March 2015.	↑
Interest Rates	The RBA target cash remained at 2.00% in July 2015. The rate is currently 275 basis points lower than the past peak in 2011.	↔
Consumer Sentiment	According to Westpac-MI, consumer sentiment rose from 96.2 in April 2015 to 102.4 in May 2015.	↑
Business Confidence	The NAB Business Survey indicates significantly increased business confidence in May 2015 resulting in the highest level of confidence since August 2014.	↑

Source: ABS, RBA, Westpac-MI and National Australia Bank



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## 7 BALLINA/LENNOX HEAD OVERVIEW

### 7.1 Introduction

Historical evidence indicates that one of the key 'demand drivers' for industrial/employment land is population growth and demographics. This determines both the location of the customer base and the workforce.

The following section of this report provides an overview of the Ballina Shire and specifically the localities of Ballina, Lennox Head and Cumbalum, which is the likely location of the main customer base and workforce for the proposed subdivision.

The Ballina Shire Local Authority area is located on the far north coast of New South Wales.

It is approximately 770 kilometres north of Sydney and 210 kilometres south of Brisbane.

The main towns and villages in the Shire are Ballina, Lennox Head, Alstonville, Wollongbar and Wardell.

The township of Ballina, which is located at the mouth of the Richmond River, is the commercial centre of the Shire, and it has the majority of the urban infrastructure in the area, including an airport, hospital, schools, TAFE college, shopping facilities and light industrial areas.

The majority of the urban development in the Shire is in Ballina and nearby Lennox Head. This combined urban area includes the localities of Ballina, West Ballina, East Ballina, Skennars Head, Lennox Head and Cumbalum.

### 7.2 Local Economy

We refer to the Ballina Shire Economic Profile dated October 2014. The Ballina Shire economy is based on a mixture of commercial and industrial activity.

The major industry sectors include retail, property and business services, health and community services and education, as well as a range of agricultural industries producing beef, sugar, dairy products, tropical fruit, nuts, coffee and medicinal plant crops.

Tourism is also an important part of the local economy, with a range of accommodation facilities, tour and activity operators and rural and nature based tourism enterprises located in the Shire.

The largest contributors to the total turnover of all industry in the Shire are construction (17%), agriculture, forestry and fishing (14.9%), rental hiring and real estate services (10.3%) and professional, scientific and technical services (9.4%).

The workforce participation rate was 61.9% in 2013, which was slightly lower than the rate for the whole of NSW (63.5%).

The unemployment rate in December quarter of 2013 (4.8%), which is 0.7% higher than 2011 census, but below the average rates for the NSW North Coast.

The service sector accounts for 86% of employment in the Shire.



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### 7.3 Demographics

The Ballina Shire is one of the fastest growing local authorities in the North Coast region of NSW.

The resident population of Ballina Shire has increased as follows since 2000-01:

Year	Population	Annual Increase
2000-01	38,159	-
2001-02	38,876	1.80%
2002-03	39,295	1.10%
2003-04	39,567	0.60%
2004-05	39,857	0.70%
2005-06	40,293	1.10%
2006-07	41,060	1.90%
2007-08	41,860	1.90%
2008-09	42,432	1.40%
2009-10	40,693	0.70%
2010-11	40,753	0.10%
2011-12	40,993	0.60%
2012-13	41,335	0.80%
2013-14 (estimated local data)	41,644	0.80%

Approximately 80% of the Shire population lives in an urban area, and almost 60% of the population lives within five kilometres of the coast.

The most recent resident population projections for the Shire prepared by the NSW Department of Planning are as follows:

Year	Average Annual Growth Rate	Population
2014 (actual)	N/A	41,664
2016	1.10%	42,994
2021	1.10%	45,359
2026	1.10%	47,854
2031	1.10%	50,486
2036	1.10%	53,263

The median age of residents in the Shire in 2011 was 45 years, compared to 38 years for the whole of NSW.

The Shire has an aging population, and this is expected to continue, as reflected in the Department of Planning's population projections:

Year	Percentage of Population	
	0-64 Years	65+ Years
2011	78.80%	21.20%
2016	77.70%	22.30%
2021	75.50%	24.50%
2026	73.10%	26.90%
2031	71.20%	28.80%
2036	69.60%	30.40%

The family data in the 2011 census indicates that 44.9% of families in the Ballina Shire were couples without children, which compares to 36.6% for the whole of NSW.



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#### 7.4 Weekly Income

The average weekly income for the Shire in 2011 was \$794 per week.

The median weekly individual income in 2011 was \$434, which compares to \$561 per week for the whole of NSW.

#### 7.5 Dwelling Approvals

The annual number of dwellings approved in the Ballina Shire since 2002-03 was as follows:

Year	Houses	Other Dwellings	Total Dwellings
2002-03	226	65	291
2003-04	176	159	335
2004-05	122	121	243
2005-06	134	407	541
2006-07	97	103	200
2007-08	119	73	192
2008-09	72	94	166
2009-10	142	66	208
2010-11	127	85	212
2011-12	82	24	106
2012-13	86	24	110
2013-14	145	118	263

In the five year period from 2009-10 to June 2014, there was an average of approximately 180 houses approved per year, which represents an average of 15 house approvals per month for the whole of the Shire.

#### 7.6 Urban Land Market

The existing and potential residential land stock in Ballina, Lennox Head and Cumbalum localities consists of the following:

- the balance stock in the existing estates
- stock in the more significant proposed estates
- the more significant englobo parcels
- Precincts A and B in the Cumbalum Structure Plan area

The more significant existing residential estates in Ballina, Lennox Head and Cumbalum are as follows:

- Ferngrove, Ballina (first two stages completed with first part of stage 3 released).
- Riveroaks, Ballina (to be completed in 2015)
- Ballina Heights, Cumbalum
- Elevation, Lennox Head
- North Angels Beach, East Ballina.



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The table below details the proposed number of residential lots, current status and impending stock levels within these estates:

Estate	No of Lots Proposed	Status
Ferngrove Estate	239	102 lots released, 134 remain
Riveroaks Estate	92	40 lots released, 52 remain
Angels Beach Estate	62	62 lots released
Elevation	130	74 lots released, 56 remain
Ballina Heights Estate	753	343 lots released, 410 remain

The more significant englobo parcels in this locality are as follows:

- balance of Pacific Pines estate, Lennox Head (80 hectares)
- Henderson farm, Lennox Head (78 hectares)
- Condon land, Lennox Head (15 hectares)
- Stewart land, Skennars Head (approximately 165 hectares)
- Cumbalum - Precinct A and B.

The proposed yields within these englobo parcels are as follows:

#### **Balance of Pacific Pines**

The balance land has an area of 80.48 hectares. The site has Master Plan approval for the development of 511 residential allotments, a retirement village comprising 312 dwellings and commercial development sites. Approval has been granted for a 51 residential lot subdivision, 7 super lots for future development, two open space lots, earthworks, associated road and civil works and landscaping. The Master Plan includes 14.06 hectares of the more significant sections of the land to be designated Conservation Zone.

#### **Henderson Farm**

The site recently received development approval from the Ballina Shire Council and the estate is to be known as The Outlook. The subdivision will be built in two stages, with the first stage including 159 residential lots, five public reserve lots, tree removal, civil infrastructure works and associated easements. Stage two will consist of nine residential lots and one public reserve.

#### **Condon Land**

The land is zoned RU1 - Primary Production and is designated as part of the Ballina Shire 'Strategic Urban Growth Area'.

The property forms part of Development Application 010.2009.00000620.001 - Major Project MP 08 -145 - 125 Lot Subdivision. The proposed plan of subdivision is for a standard residential subdivision comprising a total of 149 lots. We have been advised that this application was likely unsuccessful and the developers have since submitted an application for a planning proposal to rezone the balance land to R3 medium density. The application is currently in the process of being reviewed and we have been advised by council that it is likely to be approved subject to conditions. The lot yield would be in the order of 125 lots.

#### **Stewart Land**

A proposal to rezone approximately 35 hectares of the rural land for the development of 500 residential lots was on public exhibition in June 2013. A total of 41 submissions were received. Of these, 17 submissions supported the proposal and 20 submissions, including one from Ballina Shire Council, objected to the proposal. Four State agencies, being Roads and Maritime Services, the Rural Fire Service, the Mineral Resources Branch of NSW Trade & Investment and the Office of Environment and Heritage, provided comment on the proposal. The developer has since instructed consultants to respond to the submissions.



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#### **Cumbalum – Precinct A**

Precinct A of the Cumbalum Ridge release area, which is located directly to the north of the Ballina Heights Estate, has a potentially developable area of 127 hectares.

This area excludes the balance of the existing Ballina Heights residential estate.

Precinct A is owned by the following parties:

- Vixon Pty Ltd
- Sheather
- Intrapac
- Barlow

#### **Cumbalum – Precinct B**

Precinct B consists of properties owned by the following parties:

- Byron Bay Land Development Pty Ltd, Newrybar Developments Pty Ltd, Zali Investments Pty Ltd, Dencannon Pty Ltd (and associated Walsh family companies)
- Cromdale Developments Pty Ltd (associated with Owen Lynn)
- Owen Lynn (currently Receivers appointed)
- other owners.

The Ballina Shire Council Cumbalum Ridge – Precinct B Planning Proposal prepared October 2013 states that Precinct B comprises a total area of 473 hectares. The two major land holders (with a larger number of company structures) represents approximately 68% (324 hectares) of the Cumbalum Precinct B Planning Proposal Area with the remaining 31% (149 hectares) represented by at least 36 separate landholder interests.

The future development of this precinct is subject to various studies, rezoning and approval and is not expected to provide any direct competition to the subject estate in the near future. However, the future timing of development within this Precinct is uncertain.

#### **7.7 Future Residential Stock Summary**

Based upon the vacant allotments currently for sale and the allotments which are approved and yet to be developed within the existing estates within the Ballina, Lennox Head and Cumbalum regions, there are approximately 650 allotments that remain to be developed. A rate of sale in the order of 10 allotments per month for these existing estates analyses to a total of 5 to 6 years for all stock to be cleared.

A further 1,296 allotments are proposed to be developed within the engloba parcels. Based on a rate of sale of 10 allotments/ month, this would result with a further approximately 11 years being required for this stock to be cleared.



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## 8 INDUSTRIAL MARKET OVERVIEW

### 8.1 General Market

Conditions within the North Coast commercial property could be considered to be in a state of flux. While there is limited sales activity there are signs of improvement with more recent sales indicating lower yields and stronger demand from investors and owner occupiers alike.

Record low interest rates and a more competitive market within the banking industry are increasing the availability of funding at very competitive rates. Further the low deposit rates are creating interest from private super funds that are looking for better returns than available within the banking deposit market.

Owner occupiers have also been active as they try to secure premises to operate their business at low interest rates, before prices and rents begin to rise in a stronger economic climate.

Some sub-markets have fared better than others, and there is a significant variation in yield and value between primary and secondary properties. Quality investment properties with strong lease covenants (in particular long term national tenants) are indicating reasonable to strong demand and along much of the east coast are continuing to have yields are relatively low levels. In contrast, secondary properties in fringe locations, with inferior tenant profiles have remained at higher levels. Owner occupier properties, particularly at the lower end of the market, have also shown some strength with analysed yields in the order 2% to 3% below similar leased product which have been purchased by investors.

However despite the more positive market there remains some fragility in the market place and if the greater economy weakens or global activity wains we would expect the market to rapidly change this could see a relative significant fall in values in a relatively short time frame.

### 8.2 North Coast Industrial Land Market

There has been limited recent sales activity within the industrial land market on the NSW Far North Coast. This is a combined result of the majority of industrial estates located within the Richmond Valley, Lismore City and Ballina Shire Local Authorities being in the ownership of the respective Authority, completed industrial lots released to the market on an 'as need' basis and also the weak demand for industrial vacant land on the NSW North Coast.

Most industrial estates within the NSW North Coast which have been marketed over the past three years have seen soft sales rates and the need for competitive pricing structures with, in some cases, various buyer incentives.

Demand for industrial vacant lots within Ballina and the greater Byron Bay, Alstonville, Goonellabah, Lismore and Mullumbimby region is considered to be generally weak. The weak demand for vacant industrial land is even more prominent for fringe or secondary locations. However, as noted in Section 7.6 of this report, residential development within the Ballina, Cumbalum and Lennox Head localities is again beginning to expand as a result of increased buyer interest to vacant residential land and the resultant current and impending development of several englobo parcels within this locality. The resultant population increase from the development of these sites will improve the demand for employment land within the Ballina region.

### 8.3 Ballina Industrial Market

The market within the Ballina Industrial Estate and surrounding localities was reasonably strong between 2004 and 2007, being driven by both owner occupiers and investors, who were taking advantage of low interest rates to secure their own freehold premises or entry level investments in a rapidly increasing market. This demand saw increases in values due to a shortage in supply.

After the onset of the Global Financial Crisis in 2008, demand for industrial properties weakened quite significantly. As a result of this, there was a decline in industrial land values and as well as capital values for industrial product.

The improved industrial market in Ballina is currently steady and continues to mainly be driven by owner-occupiers. There is however recent evidence of investors beginning to re enter the market. These purchasers are taking advantage of record low interest rates to secure their own freehold premises or entry level investments before market values start to increase.

Based on the Industrial Land Market Sales and Settlement Rate analysis, there has been an increase in the sale rate and demand for industrial land within Ballina throughout the 2015 year to date. This increase in sale



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rate and demand for industrial vacant lots is evident based on the softer market conditions that were experienced during the period of 2011 to 2014.

The supply of vacant industrial land in Ballina has been limited over the past two years and as at the date of this report, there are only two vacant allotments available for sale. Discussions with agents and the developer representative marketing these available lots is that there has been increased enquiry and demand over the past 12 months for vacant industrial land. However, the lack of range of available stock is restricting the available buyer market.

#### 8.4 Industrial Land Market Sales and Settlement Rate

In assessing the likely sales rate for the proposed subdivision, we have looked at the sales rate of industrial developments within the NSW North Coast regions of Ballina, Byron Bay, Alstonville, Goonellabah, Lismore, Billinudgel, Mullumbimby, Murwillumbah, Evans Head, Yamba and Townsend since 2004.

The number of industrial land sales in each locality since 2004 are detailed as follows:

Suburb	Number of Sales												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Ballina	6	5	8	7	2	1	3	1	2	2	1	3	
Byron Bay	2	1	4	6	4	2	3	1	2	1	1	1	
Alstonville	7	1	1	5	1	1	1	0	2	1	0		
Goonellabah	6	3	3	2	2	5	2				2		
Lismore	8	10	2	4	3	2	2	2	5	1	1		
Billinudgel	1	2	1		2	3	5				1	1	
Mullumbimby	1	1	1	1									
Murwillumbah	3	3	4	1	6	6	4	5	18	4	0	3	
Evans Head	0	2	0	0	0	0	0	0	1	2	0		
Yamba							2	1					
Townsend	2	3	1	3	3		2						
Total	36	31	25	29	23	20	24	10	30	11	6	8	

The analysed rate of sale of industrial lot per number of months in each locality since 2004 is detailed as follows:

Suburb	Rate of Sale - Month(s)/Single Lot												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Ballina	0.50	0.42	0.67	0.58	0.17	0.08	0.25	0.08	0.17	0.17	0.08	0.25	
Byron Bay	0.17	0.08	0.33	0.50	0.33	0.17	0.25	0.08	0.17	0.08	0.08	0.08	
Alstonville	0.58	0.08	0.08	0.42	0.08	0.08	0.08		0.17	0.08			
Goonellabah	0.50	0.25	0.25	0.17	0.17	0.42	0.17				0.17		
Lismore	0.67	0.83	0.17	0.33	0.25	0.17	0.17	0.17	0.42	0.08	0.08		
Billinudgel	0.08	0.17	0.08		0.17	0.25	0.42				0.08	0.08	
Mullumbimby	0.08	0.08	0.08	0.08									
Murwillumbah	0.25	0.25	0.33	0.08	0.50	0.50	0.33	0.42	1.50	0.33		0.25	
Evans Head		0.17							0.08	0.17			
Yamba							0.17	0.08					
Townsend	0.17	0.25	0.08	0.25	0.25		0.17						
Total	3.00	2.58	2.08	2.42	1.92	1.67	2.00	0.83	2.50	0.92	0.50	0.67	

Market data has been obtained from a range of sources, or as reported by real estate agents. As well as using such documented and generally reliable evidence or market transactions, it was also necessary to rely on hearsay evidence. Except as noted herein, a reasonable attempt has been made to verify all such information.



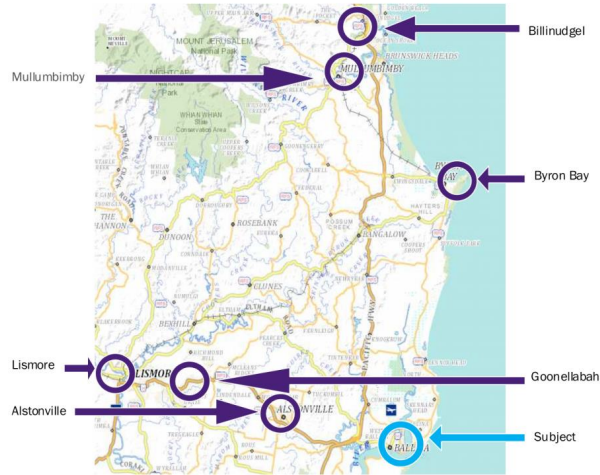
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## 9 COMPETITIVE LAND MARKET

### 9.1 Introduction

Existing industrial precincts within reasonable proximity of the subject estate are indicated on the map below along with the location of the proposed industrial subdivision:



Source: Source: Google Maps

The subject is located directly to the north east of the existing Ballina Southern Cross Industrial Estate. This estate is well established and has limited vacant land available in direct competition with the proposed subject subdivision.

The nearest established industrial estate is located approximately 18 km's to the west of the subject development in Alstonville and there is currently limited vacant sites available within this locality. This industrial market is also considered to be secondary compared to Ballina industrial land.

There is currently no available competitive stock within both the Byron Bay, Billinudgel and Bangalow industrial precincts. There is a recent industrial land release within Mullumbimby that will provide broad competitive product only.



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## 9.2 Ballina Industrial Estate

The main industrial precinct of Ballina is the Southern Cross Industrial Estate. This is a relatively modern industrial estate generally comprising small to large sized strata titled industrial units, storage units and larger free standing unstrated industrial premises.

Recent confirmed and reported vacant industrial land sales within the Ballina industrial locality are as follows:

Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
1. 54 Piper Dr, Ballina Lot 43 DP 851587.	17/06/2014	\$368,500	1,366	\$270
<b>Comments:</b> The property comprises a 1,366 square metre vacant industrial lot. The lot is near level, regular in shape and situated in a corner position on the northern fringe of the Southern Cross Industrial Estate. The property has a single road frontage to Piper Dr, however it is located on a bend which allows for street exposure to the northern and western boundaries.  A review of the Local Authority's flood maps indicate the property may be affected by flooding in the event of a 1 in 100 year flood.				
2. 19 Piper Dr, Ballina Lot 43 DP 851587.	10/10/2013	\$440,000	1,798	\$245
<b>Comments:</b> This is a level, regular shaped, corner site. The site is at road height. The site provides a good building contour without adverse features and is contained within a 4 Industrial town planning precinct. The property has a dual road frontage to Piper Dr and Boeing Av. Piper Dr and Boeing Av are bitumen sealed local roads.  Located within the Southern Cross Industrial Estate.				
3. Part Lot 96, Stinson St, Ballina Lot 96 DP 1184435.	01/10/2013	\$582,095	2,477	\$235
<b>Comments:</b> Sold subject to subdivision. This is a level, regular shaped, inside site. The site is at road height. The site provides a good building contour without adverse features and is contained within a 4 Industrial town planning precinct. The property has a single road frontage to Stinson St. Stinson St is a bitumen sealed local road.  Located within the Southern Cross Industrial Estate.				
4. 8 Cessna Cr, Ballina Lot 95 DP 1184435.	04/10/2012	\$533,215	2,269	\$235
<b>Comments:</b> This is a level, regular shaped, inside site. The site is at road height. The site provides a good building contour without adverse features and is contained within a 4 Industrial town planning precinct. The property has a single road frontage to Cessna Cr. Cessna Cr is a bitumen sealed local road.  Located within the Southern Cross Industrial Estate.				
5. 27 - 29 Piper Dr, Ballina L38 - 39 DP 851587	17/05/2012	\$660,000	3,260	\$202
<b>Comments:</b> This is a level, irregular shaped, inside site that comprises two allotments. The site is at road height. The site provides a good building contour without adverse features and is contained within a 4 Industrial town planning precinct. The property has a single road frontage to Piper Dr. Piper Dr is a bitumen sealed local road.  Located within the Southern Cross Industrial Estate. The site is improved with road base and includes full industrial mesh fencing. Local purchaser.				
6. 30 De Havilland Cr, Ballina	01/11/2011	\$500,000	1,491	\$335
<b>Comments:</b> This is a level, rectangular shaped, corner site that is at road height. The site provides a good building contour without adverse features and is contained within a 4-Industrial town planning precinct. The property has a corner road frontage to De Havilland Cr and Boeing Ave. De Havilland Cr is a bitumen sealed local road. Boeing Ave is a bitumen sealed local road.  The property was purchased on a delayed 9 month settlement so that the purchaser could obtain DA for the Nursery Buildings constructed. The land also comprised an existing use rights at the time of sale which was suitable for the specific requirements of the purchaser. The sale price is considered to be inclusive of a premium component for the existing rights use.				



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Address	Sale Date	Sale Price	Land Area (m²)	\$/m² Land Area
7. 25 Cessna Cres, Ballina Lot 89 DP 1161854.	22/12/2010	\$466,471	1,663	\$281
Comments: This is a level, irregular shaped, inside site that is at road height. The site provides a good building contour without adverse features. The property has a single road frontage to Cessna Cres. Cessna Cres is a bitumen sealed local road.				
8. 21 Cessna Cr, Ballina L87 DP 1161854	01/06/2015	\$500,000	1,995	\$251
ADVISED UNDER CONTRACT - SUBJECT TO CONFIRMATION - This is a near level, irregular shaped, inside site that is at road height. The site provides a good building contour without adverse features and is contained within an IN1 General Industrial town planning precinct within the north eastern fringe of the Ballina Southern Cross Industrial Estate. The property has a single road frontage to Cessna Cr. Cessna Cr is a bitumen sealed cul-de-sac road.				
9. 27 Cessna Cres, Ballina L90 DP 1161854	01/07/2015	\$275,000	1,100	\$250
ADVISED UNDER CONTRACT - SUBJECT TO CONFIRMATION - This is a near level, rectangular shaped, inside site that is at road height. The site provides a good building contour without adverse features and is contained within an IN1 General Industrial town planning precinct within the north eastern fringe of the Ballina Southern Cross Industrial Estate. The property has a single road frontage to Cessna Cr. Cessna Cr is a bitumen sealed cul-de-sac road.				

We are also aware of a vacant 1.395sqm industrial lot currently under contract for \$334,800 excluding GST. The land forms part of Lot 98 Stinson St and is a vacant level site. The sale price analyses to \$240/sqm.

Industrial land currently listed for sale within the Ballina region is as follows:

Address	Asking Price	Land Area (m²)	\$/m² Land Area
L88 Cessna Cr, Ballina	\$488,000	1,841	\$265
L91 Cessna Cr, Ballina	\$297,000	1,100	\$270
176-178 Southern Cross Dr, Ballina	\$1,285,020	5,841	\$220

### 9.3 Byron Arts and Industrial Estate, Byron Bay



The main industrial precinct of Byron Bay is the Byron Bay Industrial Estate, which is approximately 3 km west of the Byron Bay Central Business District and 3 km east of the Pacific Highway (which intersects with Ewingsdale Road, being the main entry road to Byron Bay). The surrounding development is a relatively modern industrial estate generally comprising small to modest sized strata titled industrial units, storage units and a scattering of larger unstrated industrial premises.

The estate is divided by Bayshore Dr which bisects the estate. The older more established area to the east of the road and the newer developing area to the west. The western section has limited vacant lots still available or undeveloped, with a section of the north western part of the estate being recently rezoned B7 Business Park, with a large percentage of the rezoned land being vacant.

Vacant land immediately to the north of the estate is zoned as B4 Mixed Use, B7 Business Park and DM Deferred Matter.



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Recent confirmed and reported vacant industrial land sales within the Byron Bay industrial locality are as follows:

No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
1.	58 Centennial Cct, Byron Bay Lot 102 DP 1034055.	10/02/2012	\$607,000	1,000	\$607
<b>Comments:</b> The site provides a good building contour without adverse features and is contained within a 4(a) Industrial zoning. The property has a single road frontage to Centennial Cct. Centennial Cct is a bitumen sealed local road. The site is level with road and near level in nature. Purchase price of \$667,700 included GST. Sale price indicates \$607 per sqm excl GST					
2.	54 Centennial Cct, Byron Bay Lot 106 DP 1034055.	16/10/2012	\$575,000	1,300	\$442
<b>Comments:</b> This is a level, rectangular shaped, inside site that is at road height. The site provides a good building contour without adverse features and is contained within a 4(a) Industrial town planning precinct. The property has a single road frontage to Centennial Cct. Centennial Cct is a bitumen sealed local road. Development Application No. 10.2009.119.1 Industrial development consisting of 6 units and a manager's residence (one bedroom/two bathroom managers unit). Consent to operate from: 11 May 2009 Consent to lapse on: 11 May 2014. Purchaser was not proceeding with DA and purchased land for construction of a single building for owner occupation. Indicates \$442 per sqm.					
3.	58 Centennial Cct, Byron Bay, NSW, 2481 Lot 102 DP 1034055.	15/11/2013	\$572,000	1,000	\$572
<b>Comments:</b> This is a level, rectangular shaped, inside site that is at road height. The site provides a good building contour without adverse features and is contained within a 4(a) Industrial town planning precinct. The property has a single road frontage to Centennial Cct. Centennial Cct is a bitumen sealed local road. The property has since been approved on 18 March 2014 (DA 55.2014) for an industry development comprising three (3) industry units, and a dwelling-house used in conjunction with the industry and situated on the same site. The property was previously purchased for construction of DOJO martial arts training centre and possible other industrial uses. The previous purchase price of \$607,000 excluding GST (\$607/sqm) was at the higher end of market tolerances.					
4.	57 Centennial Cct, Byron Bay, NSW, 2481 Lot 129 DP 1047396.	15/11/2013	\$626,400	1,012	\$619
<b>Comments:</b> This is a level, rectangular shaped, inside site that is at road height. The site provides a good building contour without adverse features and is contained within a 4(a) Industrial town planning precinct. The property has a single road frontage to Centennial Cct. Centennial Cct is a bitumen sealed local road.					

Located on the northern fringe of the Byron Bay Industrial Estate is an amalgamated, irregular shaped, 3,263 hectare parcel of land. Of the total land area, 0,469 hectares is zoned 'E2 - Environmental Protection'. As a result, 2,794 hectares has been identified as unconstrained land for future development. The site is under the ownership of the Byron Shire Council and there have been discussions of a proposed industrial subdivision which will comprise 16 industrial allotments ranging in size from 1,002 to 1,659 sqm. 14 of the allotments will be internally located and have frontage to the road reserve. Two of the allotments are to be located within the western section of the development and have frontage to the designated E2 land.

Further to the north of this site is a site currently under construction with a mixed use development comprising 82 residential dwellings plus commercial retail and creative industrial units (DA 10.2008.360.1).

Apart from these two sites, there is no further land available for industrial development within Byron Bay.



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#### 9.4 Russellton Industrial Estate, Alstonville



The Russellton Industrial Estate is located approximately 18 kilometres east of Lismore Central Business District. This estate is situated opposite Wollongbar, on the southern side of the Bruxner Highway.

Wollongbar is an established village which is located approximately 2 kilometres west of the village of Alstonville, approximately 21 kilometres east of Lismore and approximately 17 kilometres north-west of Ballina. The Wollongbar village is situated on the northern side of the Bruxner Highway and the urban residential development in this area typically comprises conventional sized residential allotments which are improved with a mixture of semi-modern to modern style, average quality houses, duplex dwellings and small townhouse/villa complexes. The Wollongbar village is surrounded by broad acreage rural residential properties, the majority of which are currently or were formally used for agricultural and farming purposes.

The industrial estate comprises a mix of semi modern to modern industrial buildings generally comprising small to large sized strata titled industrial units, storage units and larger free standing unstrated industrial premises. It is within reasonable proximity of infrastructure such as arterial roads; major transport routes; public transport; local shopping facilities. The Russellton industrial estate provides access to the Bruxner Highway bypass which is located approximately 500 metres to the north. The Bruxner Highway forms the main connection road for this area, linking the major far northern New South Wales town centres of Ballina and Lismore. It bypasses through the townships of Wollongbar and Alstonville. The Bruxner Highway connects with the Pacific Highway approximately 10 kilometres to the south-east of Wollongbar.

Recent confirmed vacant industrial land sales within the Alstonville industrial locality are as follows:

No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
1.	10 Northcott Cr, Alstonville Lot 93 DP 836194.	17/09/2010	\$215,000	1,255	\$171
<b>Comments:</b> This is a near level, irregular shaped, inside site that is above road height. The site provides a good building contour without adverse features and is contained within a 4 Industrial town planning precinct. The property has a single road frontage to Northcott Cr. Northcott Cr is a bitumen sealed local road.					
2.	19 Northcott Cr, Alstonville Lot 61 DP 789127.	28/03/2012	\$420,000	8,475	\$50
<b>Comments:</b> The property comprises an 8,475 square metre vacant industrial lot situated in the northern section of the Russellton Industrial Estate. The land is a sloping, irregular shaped internal allotment that is below street grade; it has a moderately sloping contour with grades of up to 15% that falls from the street to the rear boundary. The site falls from a RL of 158 to RL 146 (12 metres from the southern to northern boundary). Overall, it provides a difficult building contour that will require additional cut and/or fill works (DA advised 3,000m <sup>3</sup> ) to accommodate development. The purchaser has advised that the cost to provide level building sites is circa \$80,000 to \$100,000.  The property has DA approval for the construction of two colorbond sheds for the establishment of a waste/resource management facility and bobcat business. The undertaking of on-site earthworks to create building pads for future development. The property was purchased for \$462,000 inclusive of GST.					



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No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
3.	27 Kays La, Alstonville Lot 2 DP 1073169.	27/06/2012	\$600,000	3,574	\$168
<b>Comments:</b> This is a sloping, irregular shaped, inside site that is above road height with a gentle rise to rear. The site had been tiered and part retained for a DA approved building. The site was fully industrial style security fenced. The site provides a good building contour without adverse features and is contained within a 4 INDUSTRIAL town planning precinct. The property has a single road frontage to Kays La. Kays La is a bitumen sealed local road. The purchaser was to use initially as open storage. Possibly construct a building at a later date.					
4.	18 Northcott Cr, Alstonville Lot 71 DP 800199.	02/05/2013	\$145,000	1,261	\$103
<b>Comments:</b> This is a gently sloping, regular shaped, inside site that is at road height located to the front of the Russellton Industrial Estate. The site provides a reasonable building contour without significant adverse features and is contained within an industrial town planning precinct. The property has a dual road frontage to Northcott Cr and Hugh St. Northcott Cr is a bitumen sealed local road. Hugh St is a bitumen sealed local road. The land has DA approval for the construction of an industrial shed. The land also has footings in place with an estimated cost of \$20,000 - \$30,000. These are considered to have an added value in the order of \$15,000.					

There is an englobo industrial site which adjoins the southern section of the already developed estate which has a total land area of 8.916 hectares. The site is an irregular shaped site located at the southern end of the Russellton Industrial Estate in Alstonville. This site is to be developed with proposed Stages A, B, C and D of a 28 lot industrial subdivision. The proposed development received approval in 2008 and a Section 96 Amendment for the staging of the development was approved on 27 November 2012 (DA 2008.803).

It is unknown if and when the land is to be developed by the Ballina shire Council due to the uncertain viability.

#### 9.5 Centenary Industrial Estate, Goonellabah



The Centenary Industrial Estate is located within Goonellabah, approximately 9 kilometres east of Lismore Central Business District.

The Goonellabah Industrial Estate is largely developed with limited vacant land still available. The estate is bound by the topography and existing surrounding development, restricting growth to the estate. A small strip of vacant land exists to the east of the estate which is accessed by Oliver Av which is part gravel in this section. The land in this area of the estate is moderately undulating in nature and would need considerable works done in order to suit an industrial market.



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Recent confirmed vacant industrial land sales within the Goonellabah industrial locality are as follows:

No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
1.	5 Centenary Dr, Goonellabah Lot 16 DP 262233.	15/10/2014	\$90,000	1,008	\$89
<b>Comments:</b> This is a sloping, regular shaped, inside site that is at road height. It falls moderately from front to rear. The site provides a good building contour without adverse features and is contained within an IN1 General Industrial town planning precinct. The property has a single road frontage to Centenary Dr. Centenary Dr is a bitumen sealed local road.					
2.	11 Centenary Dr, Goonellabah Lot 19 DP 262233.	26/11/2014	\$130,000	1,012	\$128
<b>Comments:</b> This is a sloping, regular shaped, inside site that is at road height. It falls moderately from front to rear. The site provides a good building contour without adverse features and is contained within an IN1 General Industrial town planning precinct. The property has a single road frontage to Centenary Dr. Centenary Dr is a bitumen sealed local road.					

The demolition of older buildings to make way for new structures is likely to be an ongoing trend moving forward and will provide steady, but not significant competition to the proposed subdivision.

#### 9.6 Lismore Industrial Estate



The industrial precincts of Lismore are situated within South Lismore and North Lismore.

South Lismore comprises the commercial precinct on Union Street and Casino Street which provide a range of secondary, neighbourhood retail shops and a scattering of light industrial properties. Further towards the south and south west of the suburb is a large, established industrial estate as well as more modern development fronting Bruxner Highway / Krauss Avenue and near the Lismore Airport. South Lismore is historically recognised as a flood prone locality as characterised by the highset residences. The suburb is situated outside the flood levee wall which is designed to protect Lismore C.B.D. up to a 1:10 year flood event and was completed in circa 2005. Therefore, any major flood events above the 1:10 year flood height level is likely to affect South Lismore to some degree.

North Lismore comprises a commercial precinct on Bridge Street and Terania Street which provide a range of secondary, neighbourhood retail shops and a scattering of light industrial properties. Further towards the west and northeast of the suburb is an older established industrial estate as well as Lismore Cattle Sale yards and Lismore Showgrounds.



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Recent confirmed vacant industrial land sales within the Lismore industrial locality are as follows:

No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
1.	39 Krauss Av, South Lismore Lot 22 DP 1133005.	01/11/2012	\$835,000	10,100	\$83
<b>Comments:</b> This is a near level, regular shaped, inside site that is at road height. The site provides a good building contour without adverse features and is contained within a 4-Industrial town planning predinct. The property has a single road frontage to Krauss Av. Krauss Av is a bitumen sealed local road. The site also benefits from significant exposure to the Brunner Hwy. The exposure is a real benefit to the property.  The site is ready for development, having been reportedly 60% filled including the batters. However, the actual developable and filled land situated above the 1:100 year flood level has approximate dimensions of 43m x 108m (4,644sqm) which analyses to 46% of the total site area. The filled area is battered to drainage reserve along the southern boundary, street on eastern boundary and to a large unfilled area to the rear (approximately 3,600 sqm). Overall sale price indicates \$83 per sqm. However, upon further analysis sale price indicates \$127 per sqm of land ready for development (4,644 sq metre) based on undeveloped and battered land (5,456 square metre) at \$45 per sqm. Sale price excludes GST.					
2.	11 Taylor St, South Lismore Lot 6 DP 4372.	29/11/2012	\$112,000	6,317	\$51
<b>Comments:</b> The site is contained within a 4a - Industrial town planning predinct. The property has a road frontage to Spring St and is an irregular shaped, inside lot situated at road level. The lot is predominantly heavily vegetated/timbered and is undulating.  Three separate titles of a total of 6,317 sqm with a usable area of 2,200 sqm as the balance land is a floodway. The usable land is also flood prone and the land is bounded by a stream to the west. The balance land has no added value with the usable land area representing the entire value. This analyses to \$51 per sqm of usable land. The sale is understood to be an adjoining owner purchase.					
3.	34 Tweed St, North Lismore	21/09/2012	\$22,000	651	\$34
<b>Comments:</b> Vacant Land. A near level, regular shaped, inside lot situated at road level. No significant views. Industrial zoned. The property has fair presentation. Land Area 651.3 sqm.					
4.	1768 Casino St, South Lismore	07/05/2013	\$100,000	3,639	\$27
<b>Comments:</b> Vacant Land. A near level, battleaxe shaped, inside lot situated at road level with a long access handle. No significant views. The property has fair presentation. Land Area 3638.8 sqm.					
5.	31 Snow St, South Lismore	28/05/2014	\$308,000	7,766	\$39
<b>Comments:</b> This is a near level, irregular shaped, inside vacant industrial site that is above road height. The site is affected by the 1:100 year flood event as described on the Lismore LEP 2012 and is contained in the IN1- General Industrial zone. The site has been filled, however the fill is not approved by council. The top 1 metre of fill is faulty and requires remediation. The fill provides a good building contour and raises the site above road level. The property has a single road frontage to Snow St. Snow St is a bitumen sealed industrial road. The sale analyses to \$39 per square metre.					

Industrial land currently listed for sale within the Lismore region is as follows:

Address	Asking Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
22 Cook St, South Lismore	\$550,000	5,380	\$102
Lot 4 Krauss Av, South Lismore	\$755,000	15,100	\$50
Lot 5 Krauss Av, South Lismore	\$755,000	15,100	\$50
Lot 6 Krauss Av, South Lismore	\$906,300	20,140	\$45
Lot 7 Krauss Av, South Lismore	\$1,752,180	20,140	\$87
Lot 8 Krauss Av, South Lismore	\$1,683,450	19,350	\$87
Lot 19 Wilson St, South Lismore	\$360,000	5,100	\$71
Lot 18 Wilson St, South Lismore	\$270,000	2,260	\$119
Lot 17 Wilson St, South Lismore	\$240,000	3,320	\$72
30 Snow Street, South Lismore	\$978,000	5,418	\$180



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In addition, there is an industrial subdivision located on Wyrallah Rd, East Lismore. The asking prices for industrial lots are in the order of \$170 per sqm of land for lots ranging in size from 1,985 sqm to 9,203 sqm.

The South Lismore Industrial Estate has vacant industrial land situated immediately to the south of the estate, adjoining the Lismore Airport to the west and Bruxner Highway to the east. The land has been rezoned B6 Enterprise Corridor, as part of the Lismore LEP 2012, with approximately 7 lots remaining vacant. There is a large amount of vacant land to the north and north east of the estate zoned IN1 General Industrial, however the land is low lying and flood prone and would need to be filled to council regulated flood heights in order to be usable.

#### 9.7 Billinudgel Industrial Estate, Billinudgel



The Billinudgel Industrial Estate comprises two sections, an older more established area immediately east of the main village area and the more recently developed industrial precinct is located immediately to the south of Wilfred St and the older more established area. The newer precinct comprises more modern style industrial buildings.

The industrial precinct is conveniently located next to the Pacific Motorway and the west of the residential suburb of Ocean Shores. The industrial estate is located approximately 20km to the north of Byron Bay. The village of Billinudgel comprises local shops, a general store, post office and pub as well as several detached houses, a mixed commercial/retail development and a child-care centre. To the west of the township are rural and rural residential/ lifestyle farmlet properties.

Recent confirmed vacant industrial land sales within the Billinudgel industrial locality are as follows:

No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
1.	6 Mogo Pl, Billinudgel, NSW, 2483 Lot 6 DP 785412.	12/04/2013	\$255,000	2,199	\$110
<b>Comments:</b> This is a near level, rectangular shaped, inside site that is at road height within close proximity to the Pacific Highway. The site provides a good building contour without adverse features and is contained within an industrial town planning precinct. The property has a single road frontage to Mogo Pl. Mogo Pl is a bitumen sealed local road.  The property is fully fenced and includes double height open sheds and a new 3 bay colorbond shed with bathroom and kitchenette.					
2.	7 Bonanza Dr, Billinudgel, NSW, 2483 Lot 25 DP 850926.	06/03/2014	\$280,000	1,000	\$280
<b>Comments:</b> This is a near level, rectangular shaped, inside site that is slightly above road height. Adverse features include flooding, specific flooding information is unavailable from Byron Shire Council. The site provides a good building contour without adverse features and is contained within a IN1 General Industrial town planning precinct. The property has a single road frontage to Bonanza Dr. Bonanza Dr is a bitumen sealed local road.  The land benefits from DA approval for three industrial units and a managers residence.					



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No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
3.	15 Bonanza Dr, Billinudgel, NSW, 2483 Lot 28 DP 850926.	03/06/2015	\$285,000	1,049	\$272
Comments: This is a near level, irregular shaped, inside site that is at road height with in close proximity to the Pacific Highway. The site provides a good building contour without adverse features and is contained within an N1 General Industrial town planning precinct within the newer southern section of the Billinudgel Industrial Estate. The property has a single road frontage to Bonanza Dr. Bonanza Dr is a bitumen sealed local road.					

#### 9.8 Mullumbimby Industrial Estate, Mullumbimby



The Mullumbimby Industrial Estate is situated some 1.5 km east of Mullumbimby Central Business District and 4.5 km west of the Pacific Highway. Development within the estate generally comprises a mix of semi modern to modern industrial buildings. The building's include small to large sized strata titled industrial units, storage units and larger free standing unstrated industrial premises. Undeveloped vacant allotments are also located within the estate. Mullumbimby is an established predominantly residential area located in northern New South Wales, where development comprises a mixture of character timber heritage homes of a mixed era, as well as a significant proportion being of 1950's to 1970's era which are more modest timber and brick homes of average to neat presentation. Local schools and shops are located in the town centre.

The Industrial Estate has been extended in recent times with stage 2 now selling off the plan. The newly formed stage will be located to the south east of the existing estate, and will consist of 11 sites ranging in size from 1,250 sqm to 3,076 sqm with majority of sites 1,250 sqm in size.

All of the lots are being marketed and sold on a fully filled basis to meet the recommended local council flood height provisions.

Recent reported sales and asking prices for vacant land within the estate are as follows:

Lot	Asking Price	Sold/For Sale	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
Lot 34	\$425,000	Pending	1,772	\$240
Lot 35	\$407,000	For Sale	1,250	\$326
Lot 36	\$408,000	For Sale	1,250	\$326
Lot 37	\$409,000	For Sale	1,250	\$327
Lot 38	\$410,000	Pending	1,250	\$328
Lot 39	\$411,000	Pending	1,250	\$329
Lot 40	\$412,000	Sold	1,250	\$330
Lot 41	\$413,000	Sold	1,250	\$330
Lot 42	\$414,000	Sold	1,250	\$331
Lot 43	\$620,000	Pending	3,076	\$202
Lot 44	\$368,000	Pending	1,631	\$226



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### 9.9 Industry Central Industrial Estate, Murwillumbah



A developing industrial land estate known as "Industry Central" and has been developed at the end of Wardrop Valley Road in South Murwillumbah. It is located some 1.5 km east of Mullumbimby Central Business District and 4.5 km west of the Pacific Highway.

It comprises a total of 62 lots which are designed around three loop roads off a central roadway. Allotment sizes range from 2,000 square metres up to 3.2 hectares and are being marketed as an alternative location to areas such as Yatala for warehousing / distribution facilities. Development within the estate generally comprises a mix of semi modern to modern industrial buildings. The building's include small to large sized strata titled industrial units, storage units and larger free standing unstrated industrial premises. Undeveloped vacant allotments are also located within the estate.

We note that sales within the new Industry Central estate have been extremely slow since the developments inception. As such, the estates developers were forced into receivership in the early to mid 2012. Given the developments lacklustre historical performance and poor performing economic conditions, the appointed receivers subsequently adjusted the price point of the sites to reflect a value that would facilitate the easier disposal of the land parcels.

We have been advised that all vacant land parcels within the estate have now been sold. In this context, we are of the view that the now lack of supply would result in a slight uplift in the achievable prices for new purchasers wishing to enter the market.

We note that pre receiver sales within the estate between 2011 and early 2012 typically reflected \$70 to \$100 per sqm of land area.

Recent confirmed vacant industrial land sales within the Murwillumbah industrial locality are as follows:

No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
1.	14 Honeyeater Cct, South Murwillumbah	28/09/2012	\$140,000	3,843	\$36
<b>Comments:</b> This is a near level 3,873 square metre slightly irregular shaped vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property appears to be burden by easements located at the rear of the allotment. The property has single road frontage to Honeyeater Cct. The property is contained within the 4(a) Industrial Zone under Tweed LEP 2000. The site is burden by a batter of approximately 773 square metres at the rear. The useable land area is therefore 3,100 square metres, reflecting a rate of \$45 per sqm.					
2.	190 Lundberg Dr, South Murwillumbah	03/08/2012	\$95,216	2,164	\$44
<b>Comments:</b> This is a near level 2,164 square metre rectangular shaped vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property has single road frontage to Lundberg Dr. The property is contained within the 4(a) Industrial Zone under Tweed LEP 2000.					
3.	18 Kite Cr, South Murwillumbah	30/08/2012	\$96,800	2,422	\$40
<b>Comments:</b> This is a near level 2,422 square metre rectangular shaped vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property has single road frontage to Kite Cr. The property is contained within the 4(a) Industrial Zone under Tweed LEP 2000.					



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No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
4.	1 Kite Cr, South Murwillumbah	03/08/2012	\$309,672	9,933	\$31
Comments:	A near level 9,933 square metre rectangular shaped vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property has single road frontage to Kite Crescent. The property is contained within the 4(a) Industrial Zone under Tweed LEP 2000.				
5.	141 Lundberg Dr, South Murwillumbah	03/08/2012	\$190,000	16,280	\$12
Comments:	A generally near level 16,280 square metre irregular shaped vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property has single road frontage to Lundberg Drive. The property is contained within the 4(a) Industrial Zone under Tweed LEP 2000.				
6.	187 Lundberg Dr, South Murwillumbah	29/08/2012	\$118,448	2,692	\$44
Comments:	A generally near level 2,692 square metre regular shaped vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property has single road frontage to Lundberg Drive. The property is contained within the 4(a) Industrial Zone under Tweed LEP 2000.				
7.	191 Lundberg Dr, South Murwillumbah	13/09/2012	\$130,768	2,972	\$44
Comments:	A generally near level 2,972 square metre slightly irregular shaped vacant corner allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property has dual road frontage to Lundberg & Thornhill Drive. The property is contained within the 4(a) Industrial Zone under Tweed LEP 2000.				
8.	Unit 516, 34 Honeyeater Cct, South Murwillumbah	01/01/2013	\$385,000	32,400	\$12
Comments:	A 32,400 square metre, irregular shaped, vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property is contained within the 4(a) Industrial Zone under Tweed LEP 2000 and comprises a level, usable land component of 24,700sqm. The property has dual road frontage to Honeyeater Cct and Lundberg Drive. Apportionment of Sale: Usable Land Component: \$15.58 per sqm				
9.	22 Kite Cr, South Murwillumbah Lot 219 DP 1122768.	30/01/2014	\$450,000	7,040	\$64
Comments:	A 7,040 square metre regular shaped corner allotment that is situated at street grade. The site is situated within the 'Industry Central' industrial park and provides a good building contour with dual road frontage to Honeyeater Cct and Kite Cr. Land Classification: 'IN1 General Industrial' Zone under Tweed LEP 2014.				
10.	27 Kite Cr, South Murwillumbah Lot 206 DP 1122768.	22/07/2013	\$320,000	10,360	\$31
Comments:	A 10,360m <sup>2</sup> slightly irregular shaped vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property is contained within the 'IN1 General Industrial' Zone under the Tweed LEP 2014. The site comprises a rear batter area of circa 2,258m <sup>2</sup> that rises to Wardrop Valley Rd. Consequently the usable land component is approximately 8,102m <sup>2</sup> . *Sale price reflects a rate of \$39/m <sup>2</sup> based on the usable land component of 8,102m <sup>2</sup> .				
11.	190 Lundberg Dr, South Murwillumbah Lot 506 DP 1132400.	26/08/2014	\$195,000	2,164	\$90
Comments:	A generally near level 2,164 square metre regular shaped vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property has single road frontage to Lundberg Drive. The property is contained within the 'IN1 General Industrial' Zone under Tweed LEP 2014.				
12.	188 Lundberg Dr, South Murwillumbah Lot 501 DP 1132400.	30/07/2013	\$158,000	2,183	\$72
Comments:	A generally near level 2,183 square metre regular shaped vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property has single road frontage to Lundberg Drive. The property is contained within the 4(a) Industrial Zone under Tweed LEP 2000.				



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No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	\$/m <sup>2</sup> Land Area
13.	21 Honeyeater Cct, South Murwillumbah	29/07/2013	\$154,000	2,161	\$71
	Lot 502 DP 1132400.		Usable Land	1,670	\$92*

Comments: A 2,161 square metre regular shaped vacant allotment located in a developing industrial estate known as "Tweed Central" at South Murwillumbah in Northern New South Wales. The property is zoned '4(a) Industrial' under Tweed LEP 2000 and has single road frontage to Honeyeater Cct. We note that a drainage easement runs through the middle of the site which effectively reduces the usable land component to 1,670m<sup>2</sup>.

\*The sale analyses to \$92/m<sup>2</sup> based on the usable land component of 1,670m<sup>2</sup>.

#### 9.10 Yamba Industrial Estate, Yamba



Yamba is a small coastal village situated at the mouth of Clarence River in Northern NSW. Yamba is a popular holiday destination, providing coastal attractions including patrolled surfing beaches, river and ocean boat/fishing, national parks, various clubs, cafes and restaurants. The town also includes an operating fishing fleet. Development is a predominantly residential, comprising a mixture of semi-modern to modern style housing, duplexes, townhouses and some low-rise unit development in the CBD and on Yamba Hill. A canal estate is located within the western fringe of the town and an industrial precinct is situated within the southern precinct of the town. Primary schools are located in the area with local shopping and regional shopping available. High School facilities are located at Maclean, approximately 20 km to the west. Some properties in Yamba appreciate views over the Clarence River and/or the ocean.

The Yamba Industrial Estate is located approximately 2 kilometres west of the Yamba Central Business District. The industrial estate is bounded by Angourie Rd to the east and is situated within Woolwich St, Uki St, Mooli Pl and Favourite Ave and comprises 49 land parcels covering an area of 18.13 ha situated on level topography. The Yamba Industrial Estate comprises a mix of free standing, older to modern style warehouse buildings as well as more recently completed strata titled industrial developments, some mixed use developments and a storage facility. The majority of occupiers within the estate are locally operated, light industrial and manufacturing businesses.

Situated to the south of the Yamba Industrial Estate is the developing 'Yamba Business Park' industrial estate. The 'Yamba Business Park' is a developing, privately owned Business Park which will comprise 74 industrial units when fully developed. The proposed 74 individual units will range in size from 177sqm to 250sqm and are to be situated within 6 architecturally master planned buildings and supporting infrastructure of a good quality and standard. The units are to offer flexibility in design and allow for variations of floor area requirements to suit a wide spectrum of potential businesses. The 'Yamba Business Park' will be staged to service the industrial growth of Yamba and the Clarence Coast.

The Yamba Park Industrial Estate is approximately 2 kilometres west of the Yamba Central Business District. To date, the estate has received very low interest and as a result only one lot has been developed within the estate, with the balance lots yet to be developed. The most recent sale of a vacant industrial lot within this estate is 26 Fairtrader Dr, which is a level, regular shaped 1,680sqm allotments which sold in April 2014 for \$225,000 (\$134/sqm).

We are also aware of a recent sale in Iluka (2 Henry Searle Dr, Iluka) on 28 February 2014 for \$170,000. Land area of 1020 sqm (analyses to \$167/sqm). Zoned IN1 – General Industrial.



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### 9.11 Maclean / Townsend Industrial Estate, Townsend



The Maclean/Townsend Industrial Estate is located within Townsend which is a satellite suburb situated approximately 2 km north of the township of Maclean on the Far North Coast of NSW. Townsend comprises a mixture of residential and rural residential development with the industrial area is located to the eastern outskirts of the township. The industrial area services Townsend and is the main precinct for the township of Maclean. The industrial area is contained within the streets of Jubilee St, Ironbark Dr, Re Road, Paperbark Dr and Koala Dr and comprises around 28 parcels which are situated on level topography.

The estate consists of mainly large to medium sized older to semi-modern industrial warehouse buildings with the Maclean waste facility located within the north western corner of the estate. Due to the location and remoteness of the estate properties are tightly held with owner occupiers occupying the majority of the buildings.

The most recent confirmed vacant industrial land sale within the Townsend industrial locality is as follows:

No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	Lettable Area (m <sup>2</sup> )	Passing Yield (%)	Analysed Market Yield (%)	\$/m <sup>2</sup> Land Area
1.	2 Re Rd, Townsend, NSW, 2463 Lot 101 DP 877444.	17/08/2012	\$250,000	1,241	48			\$201

**Comments:** This is a level, rectangular shaped, corner site that is at road height. The site provides a good building contour without adverse features and is contained within a IN1 industrial town planning precinct. The property has a dual road frontage to Re Rd and Jubilee St. Re Rd is a bitumen sealed local road. Jubilee St is a bitumen sealed local road.

Erected on the site is small elevated masonry block shed which comprises a loading bay, small office and coolroom. Utilized as milk depot for local milk supplier. The building approximately 48m<sup>2</sup> including loading bay.

The building has a current annual gross income \$10,500 per annum (\$219/m<sup>2</sup>). Property was purchased by sitting tenant who apportioned the purchase price as follows: Land \$170,000 (\$137/m<sup>2</sup>) Improvements \$80,000 (\$1,667/m<sup>2</sup>). Purchase was private sale but had previously been listed in excess of \$300,000. Tenant had undertaken research on nearby vacant land and cost to build and believed to re-establish on another nearby site would cost approximately \$300,000.



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## 10 SUBJECT SITE ANALYSIS

### 10.1 Introduction

The subject property is proposed to be developed with a 107 lot industrial sub division that will provide land sizes from approximately 1,250 square metres to 16,000 square metres.

We have conducted a review of the competitive industrial land market across the NSW Far North Coast. From this research, we have provided comments relevant to the subject property under the following headings:

- Drivers of Demand
- Indicative Land Prices
- Rate of Sale
- Buyer Profile
- Asset and Market Risk.

### 10.2 Drivers of Demand

Based on a 2013 economic report prepared by Urbis regarding economic issues and drivers study prepared for the NSW Department of Planning and Infrastructure, it is generally accepted that the preferred locations for industrial development land are as follows:

- Close to transport links and infrastructure;
- Close to motorways/high capacity arterial roads;
- Proximate to the customer base, and
- Close to other industrial land.

The Urbis report also states that other factors influencing location decisions included:

- Low rent/land price;
- Access to larger sites;
- Proximity to appropriately skilled workforce; and
- Quantum of infrastructure/servicing cost or contributions.

The Urbis analysis of the above factors indicates that location decisions are generally driven by the need for an efficient supply chain as well as by price and quality and point to four key 'demand drivers' for industrial/employment land being:

- Population growth and demographics – this determines both the location of the customer base and the workforce;
- Property prices - relative to the price point at which the business is sufficiently profitable;
- Infrastructure - allows for efficiency of operations and efficiency of connections throughout the supply chain; and
- Availability of land - sites which meet the demands of modern operations and offer opportunities for efficiencies through the adoption of new technologies and economies of scale.



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Our comments in regards to drivers of demand in relation to the proposed industrial subdivision area as follows:

#### Transport and Infrastructure

The construction of the proposed Airport Boulevard, extending from North Creek Road to the Ballina Byron Gateway Airport will provide a link into the Southern Cross Industrial Estate. This road link is to be constructed in conjunction with the Ballina Shire Councils proposal to extend North Creek Road through to Lennox Head, making it a primary arterial road between Ballina and Lennox Head.

The construction of both 'Airport Boulevard' and the extension of North Creek Road through to Lennox Head forms a strategic and integral component for the future development of the proposed industrial subdivision. Without the construction of these two roads, the saleability, value and potential sales rates for the proposed industrial allotments proposed within the subdivision will be impacted.

#### Ballina Byron Gateway Airport

The proposed industrial land is somewhat unique on the NSW Far North Coast in that it adjoins one of the fastest growing airports in regional Australia. Ballina Shire Council have advised that this model or concept is similar to the major metropolitan airports around Australia where it has been demonstrated that airports generate demand for commercial and industrial land and services.

The Ballina Shire Council has instructed The Airport Group to undertake a scoping study to provide advice in regards to the viability of selling off a longterm lease of the Ballina Byron Gateway Airport.

We have been provided with several planning reports prepared by The Airport Group. These reports conclude that *development in an around airports cannot be managed in isolation to the surrounding town and region as they are considered to be interdependent.* The reports recommends: that there is opportunity for the Ballina Byron Gateway Airport precinct to be integrated with the Southern Cross Master Plan Precinct to create an economic zone that will generate mutual benefits for the airport, town and region.

The various reports prepared by The Airport Group indicates that that proposed model/concept for the subject industrial development is similar to that of major metropolitan airports around Australia where The Airport Group advises that these airports generate demand for commercial and industrial land and services. At this point in time, we are unable to comment as to whether demand for industrial developed is generated by the close proximity to airports.

#### Population Growth and Demographics

One of the key 'demand drivers' for industrial/employment land is population growth and demographics. This determines both the location of the customer base and the workforce.

Section 7 of this report indicates that there will be increased growth in the Ballina Shire over the next 10 to 30 years. As detailed in Section 7.6, Ballina to Lennox Head and Ballina to Cumbalum corridors will supply the majority of residential demand due to the expected population growth.

The development of these growth corridors again indicates the strategic importance of the construction of 'Airport Boulevard' and in particular the extension of North Creek Road through to Lennox Head. The road links provided by both North Creek Road and Airport Boulevard will directly benefit the proposed subdivision and increase the potential of the subdivision as an employment zone for the local area.

#### Proximity to Industrial Land

Generally accepted locations for industrial development are for those sites close to transport links and infrastructure. With the proposed development to occur between Ballina and Lennox Head and with the benefit of the North Creek Road extension to Lennox Head, the subject land will effectively become an infill site. The resultant proximity of the land to the existing industrial land, townships of Ballina and Lennox Head and transport links and infrastructure will only benefit the proposed subdivision.



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### 10.3 Indicative Land Prices

Outlined within the body of this report is a range of market evidence from various industrial precincts throughout the NSW Far North Coast.

The evidence within the Southern Cross Industrial Estate and the recently released Mullumbimby Estate are considered to give the best indicative pricing guide for the subject proposed subdivision.

Sale prices within the Southern Cross Industrial Estate have been very consistent in the order of \$250 to \$280 per square metre of usable land area for lots ranging in size from 1,100 to 3,260 square metres. The recent reported sales within the newly released stage of the Mullumbimby Industrial Estate indicate sale prices in the order of \$240 to \$330 per square metre of usable land area for lots ranging in size from 1,250 to 1,772 square metres.

Sale prices for industrial land within Alstonville, Goonellabah and Lismore generally ranges in the order of \$89 to \$171 per square metre of usable land area for lots ranging in a large land size. Traditionally, lots ranging in size from 1,000 to 4,000 square metres which are level and filled generally range in the order of \$90 to \$120 per square metre of usable land area.

This market data would suggest that benchmark sale prices in the order of **\$225 to \$275 per square metre** should be achievable for the smaller regular shaped sites within the subject proposed subdivision.

Improving market sentiment and a diminishing amount of available stock may influence slightly achievable higher rates over the coming years. However, this could not be said with any degree of certainty, particularly given that the majority of industrial land sales analysed achieve less than \$300 per square metre.

We are of the opinion that the larger and irregular shaped sites would have to be offered at a discount to meet the market expectations around economies of scale and to account for reduced functionality.

### 10.4 Rate of Sale

The already developed component of the Southern Cross Industrial Estate is considered to provide the best evidence of the rate of sale that could be achieved within the subject proposed subdivision.

As detailed in Section 8.4 of this report, the Southern Cross Industrial Estate has achieved an average rate of sale since 2004 of only 3.6 lots per annum (approximately 1 lot every 3 to 4 months).

The Southern Cross Industrial Estate has been progressively developed over a 35 year period and the release of developed lots have been controlled by the local authority based on demand requirements. The sales achieved since 2004 have occurred over a period of time in which there have been periods of restricted vacant industrial land available for sale. The current rate of sale being achieved is also affected by the limited available stock.

There are currently only two smaller sized vacant industrial lots available for sale within the existing Southern Cross Industrial Estate. Investigations also reveal that the Ballina Shire Council is proposing to develop a residual parcel of land comprising an area of 1.5 hectares located at 54 North Creek Road.

The proposed development includes predominantly lots which range in size from 1,250 to 5,000 square metres. The balance five larger lots range in size from 6,000 to 16,000 square metres. There are 15 allotments that will have direct frontage to Airport Boulevard. These allotments and a further 22 allotments within close proximity to Airport Boulevard are proposed to be zoned IN2 and cater for more light industrial, warehouse and related land uses. The balance 70 allotments are to be internally situated within the development and to be zoned IN1.

Of the 107 allotments that make up the subject proposed subdivision, 89 are small, regular shaped sites which range in size from 1,250 to 2,600 square metres. These lots would be expected to have reasonable market appeal and will suit a range of users; it is not unreasonable to expect a rate of sale similar to what has been previously achieved within the Southern Cross Industrial Estate could be achieved for these lots. There is also the potential for a slightly increased rate of sale over the life of the development as the drivers of demand for industrial land improve.



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The larger sites will have a shallower pool of prospective buyers and may experience a slower rate of sale.

Based on the current market conditions, statistical data, and proposed quantity of stock in the market place, we consider an appropriate sales rate at 1 lot per every 3 to 4 months to be appropriate for the proposed subdivision. This adopted rate of sale may not be considered to be commercially viable, however, if a greater rate of sale is to be achieved, then substantial discounting of the individual subject lots below current market tolerances would be required. This was evident in the marketing of industrial lots situated within the 'Tweed Central' industrial park at Murwillumbah when individual lots were drastically reduced to a rate of circa \$40per sqm, the rate of sale improved to 1 to 2 lot sale every month.

Based on the adopted rate of sale, a total sale period in the order of 25 to 35 years could be experienced for the proposed subdivision. However, with the expected increase in population growth in the immediate locality of the development and the potential for increased demand from the adjoining Ballina Byron Bay Gateway Airport, a higher rate of sale could be experienced over the life of the development.

Whilst we have indicated the rate of sale may not be considered commercially viable, we do understand Council has broader issues to consider. Many Councils in regional NSW become involved in the supply of industrial land. This may be on the basis of it being unprofitable on a pure cashflow basis.

It is recognised that if council does not become involved in producing land for industry then business can / will be drawn to other localities. This has an overall negative impact on the growth of a locality.

There are, therefore, broader issues other than profit on borrowings and the value of assets employed, for Council to consider. This political / social consideration does not form part of the scope for this research report. We do note, however, when an industry wants to become established they usually cannot wait for land to be developed. They need to have a choice of fully developed, land available.

#### 10.5 Buyer Profile

The North Coast Industrial market (including the Ballina Industrial market) market continues to be driven mainly by owner occupiers. We are of the opinion that owner occupiers will make up the majority of enquiries for the subject proposed subdivision.

Feedback from agents reveals there remains limited market depth at this price point, with the majority of small business operators seeking sites of 1,000 to 2,000 square metres to meet the size of their existing business and their financial capacity.

The larger sites would also be targeted at both owner occupiers and developers. It is expected, however, that a more limited number of potential buyers could utilise these sites.

There has been very little building activity by developers in this market segment, but this may begin to change as small business confidence improves and demand (and value levels) for smaller strata title factories begin to rise. Nevertheless, the development market will most likely form a relatively small proportion of buyer enquiry.

Investors are the only other class of buyer active within the industrial market, albeit a relatively small proportion of land sales have been to these parties.

Due to a lack of quality investment stock, there is evidence now available in the stronger South East Queensland industrial market that some investors have opted to buy land, construct a generic style building and take on the risk of finding a tenant for long-term retention.

The prospect of investors land banking the subject sites would be somewhat unlikely unless there was a perception of the sites being undervalued in comparison with speculative long-term growth forecasts.



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#### 10.6 Asset and Market Risk

Outlined below are the major factors we have identified that could have a bearing on the success or otherwise of the subject proposed subdivision:

- It is located within close proximity to the Ballina township. It is centrally located between Ballina and the growing residential population bases of Lennox Head and Cumbalum. It is also within close proximity to the arterial road networks and the Pacific Motorway.
- The subject property forms an extension of the already developed and modern Southern Cross Industrial Estate. Development within this estate generally comprises good quality buildings with steady occupancy rates.
- The subject property will adjoin the Ballina Byron Bay Gateway Airport which is one of the fastest growing airports in regional Australia.
- The subject will be accessed from the proposed Airport Boulevard and will benefit from the extension of North Creek Road to Lennox Head. The construction of these two roads is an integral component of the future strategic planning and development of the subject site.
- The subdivision includes 15 smaller sized and regular shaped allotments which front Airport Boulevard and a further 21 lots are located within close proximity to Airport Boulevard which are to be zoned IN2. This zoning is more specific for light industrial, warehouse and related land uses and will have reasonable market appeal.
- The balance lots are larger sites with a proposed IN1 zoning. Based on the objectives of the zone, these lots are generally permissible for freight transport facilities and appear consistent with the nearby airport and potential relationship between the likely users for these lots.
- There are several larger and/or irregular shaped sites; these will probably achieve lower sale prices (on a rate per square metre basis) and may require a longer sales period.
- Market sentiment for industrial land within Ballina and the greater NSW Far North locality has traditionally remained steady and restricted by a lack of market depth. The general industrial market within Ballina and the greater NSW North Coast is showing early signs of improvement and there is currently increased enquiry and demand being reported for diversity of industrial land within Ballina.
- The proposed industrial subdivision is a long term project that will extend over a minimum 20 year period and based on historical sale rates for industrial land, a total sale period could be in the order of 25 to 35 years. The industrial market will be subject to expected market fluctuations over this period of time. However, based on continued population growth and increased residential development in the Ballina, Lennox Head and Cumbalum localities combined with the strategic transport and infrastructure links, the accepted drivers of demand for industrial development are generally being met by the proposed industrial subdivision.



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## 11 QUALIFICATIONS AND DISCLAIMERS

Please note that all specific disclaimers are indicated in italics within the relevant sections of the report.

<b>Limited Liability</b>	Liability limited by a scheme approved under professional standards legislation. This scheme does not apply in Tasmania.
<b>Structural Survey</b>	This valuation report does not purport to be a site or structural survey of the land or improvements thereon, and any advice provided is not given in the capacity as an expert.
<b>Excludes Fixtures and Fittings</b>	The valuation assessment does not include lessee fixtures and fittings.
<b>Goods and Services Tax (GST)</b>	All rentals, outgoings and sale prices quoted in this report are net of GST unless otherwise stated.
<b>Conflict of Interest</b>	Neither the valuer, nor to the best of their knowledge, any member of this firm, has any conflict of interest, or direct, indirect or financial interest in relation to this property that is not disclosed herein.
<b>No Pecuniary Interest</b>	The valuer has no pecuniary interest in the subject property either past, present or prospective at the date of preparing this report and the opinion expressed is free of any bias in this regard.
<b>Not to be reproduced without permission</b>	Neither the whole nor any part of this valuation or any reference thereto may be included in any published documents, circular or statement, nor published in part or full in any way, without written approval of the form and context in which it may appear.
<b>Market Movement</b>	This research is current as at the date of preparation only. The indicative values assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 90 days from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation. However, it should be recognised that the 90 day reliance period does not guarantee the value for that period; it always remains a valuation at the date of valuation only.
<b>Accuracy of Information</b>	We advise that any objective information, data or calculations set out in the Valuation will be accurate so far as is reasonably expected from a qualified and experienced valuer, reflecting due skill, care and diligence. However, we have not independently verified third party information, adopted it as our own, or accepted its reliability. If any of the information provided by others and referred to in the valuation report is incorrect, it may have an impact on the valuation. The valuation is provided on the proviso that the reliant party accepts this risk.



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The Ballina Shire Council

Ballina Byron Gateway Airport Scoping Study – Final - 5 July 2016

**Commercial In Confidence**

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## **APPENDIX E – Ballina Enterprise Estate Overview**

### **Property Description**

#### *Title Descriptions*

- Lots 3 to 6 on Deposited Plan 123781, Lots 3 & 4 on Deposited Plan 872303, Lot 2 on Deposited Plan 833513, Lot 8 on Deposited Plan 793980 and Lot 7 on Deposited Plan 1043261 in the Parish of Ballina, County of Rous. Registered Proprietor Lots 3 to 6 on DP 123781 – The Council of The Shire of Ballina.
- Lot 3 DP 872303 - Brian Ronald Field (not included in this transaction).
- Lot 4 DP 872303 - David Maurice King (not included in this transaction).
- Lot 2 DP 833513 - Brian Ronald Field (not included in this transaction).
- Lot 8 DP 793980 - The Council of The Shire of Ballina.
- Part Lot 7 on DP 1043261 – not available.

#### *Planning Provisions*

The subject property is subject to the provisions of both the Ballina Local Environment Plan (BLEP) 2012.

The englobo site which forms the Southern Cross Rezoning Study Area is currently zoned RU2 Rural Landscape.

### **General Description**

The subject is situated on the northern fringe of the developed component of the Southern Cross Industrial Estate, being approximately 3 kilometres northwest of Ballina Central Business District. This is a relatively modern industrial estate generally comprising small to large sized strata titled industrial units, storage units and larger freestanding non-strata industrial premises.

The completed component of the Southern Cross Industrial Estate is located to the south. Located to the immediate south of the land is an undeveloped industrial englobo site designated as a bulky goods precinct. The Harvey Norman Centre is located further to the south.

Adjoining the site to the immediate north and northwest is the Airport. Undeveloped bushland adjoins part of the western boundary. Undeveloped englobo land zoned R3 is located opposite to the east and forms the balance of the 'Avalon' Retirement and Aged Care Village. The 'Palm Lake Resort' Retirement Village is also located to the east on the corner of North Creek Road and Corks Lane. Further to the southeast is the Northlakes Residential Estate.

The englobo land is irregular in shape, low lying and generally cleared. The land is flood prone due to its low-lying nature and various narrow drainage channels intersect this land

The main access road to the subject land from the east is currently via Corks Lane, which is a single lane, gravel sealed road extending off North Creek Road. The access to the land from the west is via Southern Cross Drive, which is a two lane, bitumen sealed residential road having part concrete kerb and channel and earthen edges.

Tamarind Drive (former Pacific Highway) adjoins both North Creek Road and Southern Cross Drive to the south. Tamarind Drive provides access to the centre from Ballina, approximately 4 kilometres to the southeast. Due to completion of the Ballina Bypass, Tamarind Drive has now become a major arterial road connecting the Pacific Highway upgrade located to the west with the township of Ballina.





The Ballina Bypass (a major upgrading of an 11.5 kilometre section of the Pacific Highway between Ross Lane at Tintenbar (to the west of the subject property) and the intersection with the Bruxner Highway, to the south-west of Ballina) was completed in 2012. The Bypass resulted in the construction of an interchange at the intersection of Ross Lane and the Pacific Highway.

The Pacific Motorway upgrade between Tintenbar (Ross Lane intersection) and Ewingsdale is currently under construction and due for completion at the end of the 2015 calendar year. This upgrade is approximately 17 kilometres long and will link the northern end of the Ballina to the existing dual carriageway at Ewingsdale, resulting in a four-lane motorway connecting Ballina to the Queensland border.

#### **Planning (Rezoning) Proposal**

A Planning Proposal dated 10 July 2015 has been prepared for Council as a result of a request from Council's Commercial Services Group (being the majority landholder) to rezone the subject land to accommodate demand for employment land in a manner that is consistent with the Ballina Shire Growth Management Strategy and the Southern Cross Precinct Master Plan.

Council initially received a formal request for the rezoning of the land from Ardill Payne and Partners (on behalf of Council's Commercial Services Group) dated 28<sup>th</sup> May 2012. Council resolved to support the planning proposal at its Ordinary Meeting on the 27<sup>th</sup> June 2013. At this time Council endorsed the application of a B6 Enterprise Corridor zone and B7 Business Park zone as the basis for a planning proposal for Gateway determination. However, ongoing communications have been held with Council's Strategic Planners in respect of the above and it is now likely that the originally proposed "B" zones will be replaced with "IN" zones. This will substantially reduce the potential risk for permissible land uses in the rezoning area to compete with office and retail uses in the Ballina CBD.

The Department of Planning & Environment by letter dated 12<sup>th</sup> May 2015 altered the Gateway Determination such that the time within which the planning proposal is to be completed was extended to the 30<sup>th</sup> July 2016. In respect of Item 2 in the DoP's letter dated 23<sup>rd</sup> July 2013, Ardill Payne have advised that all of the required specialist reports have been commissioned and are in the range of 90-100% complete.

We will therefore assume that the Southern Cross Rezoning Study Area is rezoned from RU2 Rural Landscape to 'IN1 Industrial' and 'IN2 Industrial' in accordance with the proposed zoning map below. Council has advised that it hopes to have the rezoning process completed by the end of 2016.

#### **IN1 Zone Summary**

##### **Objectives of Zone**

- To provide a wide range of industrial and warehouse land uses.
- To encourage employment opportunities.
- To minimise any adverse effect of industry on other land uses.
- To support and protect industrial land for industrial uses.
- To enable non-industrial uses that are compatible with the industrial nature of the locality.
- To provide for the efficient use of industrial land.
- To encourage development that achieves the efficient use of resources such as energy and water.
- To ensure that development does not expose adjoining uses to hazard risks.



**Permitted Without Consent**

- Environmental protection works.

**Permitted With Consent**

- Agricultural produce industries; Depots; Freight transport facilities; Garden centres; General industries; Hardware and building supplies; Hospitals; Industrial training facilities; Landscaping material supplies; Light industries; Liquid fuel depots; Neighbourhood shops; Plant nurseries; Roads; Rural supplies; Take away food and drink premises; Timber yards; Vehicle sales or hire premises; Warehouse or distribution centres; Any other development not specified in item 2 or 4.

**Prohibited**

- Amusement centres; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Child care centres; Commercial premises; Community facilities; Correctional centres; Eco-tourist facilities; Environmental facilities; Exhibition homes; Exhibition villages; Function centres; Hazardous industries; Health services facilities; Heavy industrial storage establishments; Highway service centres; Home-based child care; Mooring pens; Moorings; Offensive industries; Recreation facilities (major); Registered clubs; Residential accommodation; Respite day care centres; Rural industries; Schools; Tourist and visitor accommodation; Wharf or boating facilities.

**IN2 Zone Summary**

**Objectives of Zone**

- To provide a wide range of light industrial, warehouse and related land uses.
- To encourage employment opportunities and to support the viability of centres.
- To minimise any adverse effect of industry on other land uses.
- To enable other land uses that provide facilities or services to meet the day-to-day needs of workers in the area.
- To support and protect industrial land for industrial uses.

**Permitted Without Consent**

- Environmental protection works; Home-based childcare; Home occupations; Home occupations (sex services).

**Permitted With Consent**

- Bulky goods premises; Depots; Hardware and building supplies; Industrial training facilities; Kiosks; Landscaping material supplies; Light industries; Liquid fuel depots; Neighbourhood shops; Plant nurseries; Roads; Rural supplies; Take away food and drink premises; Timber yards; Vehicle sales or hire premises; Warehouse or distribution centres; Any other development not specified in item 2 or 4.



### Prohibited

- Agriculture; Airports; Airstrips; Amusement centres; Animal boarding or training establishments; Boat launching ramps; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Child care centres; Commercial premises; Community facilities; Correctional centres; Eco-tourist facilities; Educational establishments; Entertainment facilities; Exhibition homes; Exhibition villages; Farm buildings; Forestry; Freight transport facilities; Function centres; Health services facilities; Heavy industrial storage establishments; Highway service centres; Industries; Information and education facilities; Jetties; Marinas; Mooring pens; Moorings; Pax transport facilities; Public administration buildings; Recreation areas; Recreation facilities (major); Recreation facilities (outdoor); Registered clubs; Residential accommodation; Respite day care centres; Restricted premises; Rural industries; Tourist and visitor accommodation; Water recreation structures.

### Proposed Development

The property is to be developed as the Ballina Airport Industrial Estate. The industrial subdivision is to comprise a total of 107 lots. The development layout is only preliminary at this stage and the proposed yield is based on an IN1 and IN2 Zone Site Layout.

The proposed development yield and indicative lot sizes are as follows:

Zoning	Stage	No. Lots	Lot Areas	Total Area
IN2 (Car Rental)	1	5	2,000	10,000
IN2	1	29	1,250	36,250
IN2	1	1	8,500	8,500
IN2	1	1	5,000	5,000
IN1	2	9	2,000	18,000
IN1	2	17	1,250	21,250
IN1	2	12	5,000	60,000
IN1	2	2	6,000	12,000
IN1	2	1	7,500	7,500
IN1	2	29	2,600	75,400
IN1	2	1	16,000	16,000
<b>TOTAL</b>		<b>107</b>	<b>2,522m2 (average)</b>	<b>269,900 (26.99ha)</b>

Figure 32 – Southern Cross Expansion Area Indicative Lot Yield



The subject land is to be developed with a total of 107 industrial allotments accessed via the proposed Airport Boulevard. The proposed industrial lots are to range in size from 1,250 to 16,000 square metres. The majority of the lots range in size from 1,250 to 5,000 square metres. The balance three larger lots range in size from 6,000 to 16,000 square metres.

There are 15 allotments that will have direct frontage to Airport Boulevard. These allotments and a further 22 allotments within close proximity to Airport Boulevard are proposed to be zoned IN2 and cater for more light industrial, warehouse and related land uses. 5 of these lots are also proposed for car rental businesses. The balance 63 allotments are to be internally situated within the development and to be zoned IN1.

The majority of allotments are to be of a regular shape and all allotments will have a level building contour.

#### **Land Development Feasibility Assumptions**

The independent HTW report (July 2015) has identified the following key development inputs:

- Sale prices - \$225-\$275 / m2 for filled and serviced vacant allotments. Larger irregular shaped lots (as per the indicative development plan) would need to be discounted to meet market expectations.
- Rates of sale – 1 lot every 3-4 months as an average across the estate. This will vary with the Airport Boulevard frontage sites having likely higher rates than rear allotments in later stages. This is based on historical average sales rates. It is worth noting that there is currently a critical shortage of industrial allotments in the Ballina Regional market – only 2 vacant lots are available - and that this has regularly been the case over time. This has in turn fostered a lower level of demand for new lots as interested parties have taken up older stock or refurbished existing premises.
- Council has long been the market's dominant industrial developer due to historic land holdings, and an established track record, which has generated income for wider Council activities over many years. This dynamic is likely to continue although the depressed rate of sales in recent years has impacted Council's property reserves and hence its ability to fund new developments. It is for this reason that a freehold transaction for the Adjoining Land is of interest to Council.
- Buyer profile – expected to be owner-occupiers seeking 1,000-2,000m2 allotments for their SME businesses.
- Land development costs – we have assumed \$120/m2 englobo land based on discussions with Council. This includes fill and services to individual lot boundaries.

HTW also identified Airport Boulevard to be critical to the Estate's success, in particular acting as the impetus to Stage 1 IN2 land sales.