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Australian Energy Market Operator
System Capacity (WA)
PO Box 7096 Cloisters Square
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6 September 2017

FOR THE ATTENTION OF MR LUKE DOWLING

Dear Mr Dowling

LAND VALUES FOR THE 2018 BENCHMARK RESERVE CAPACITY PRICE

Further to your instructions from Mr Luke Dowling of the Australian Energy Market Operator (AEMO), we have prepared the following assessments on the notionally proposed sites listed below as at the **30 June 2017**.

ASSESSMENT INSTRUCTIONS

Instructions have been received from the "AEMO", requesting unimproved market assessments for hypothetical land sites suitable for the development of a power station, in the following nominated regions.

As per our previous report dated 16 September 2016, we have been instructed to provide value estimates for hypothetical sites in the Kwinana and Pinjar areas within the metropolitan region and Collie, Kemerton Industrial Park, North Country (including Geraldton and Eneabba) and Kalgoorlie in the country regions.

With regard to all regions; the assessments are based on a hypothetical 3 hectare site or the minimum land area required.

- Pinjar Region (3 hectare site)
- Kwinana Region (3 hectare site)
- Kemerton Industrial Park Region (5 hectare minimum site)
- Collie Region (3 hectare site)
- Geraldton Region (3 hectare site) – North Country Region
- Eneabba Region (3 hectare site) – North Country Region
- Kalgoorlie Region (3 hectare site)

The assessments are based on the following,

- No specific sites have been identified.
- The hypothetical land sites are generic for each region and have no distinct beneficial or detrimental features that would affect the development of a power station or the lands value for use as a power station site.
- The hypothetical land sites are within or are near to existing industrial estates or land that would be suitable for and permit the development of a power station.

REGION SUMMARIES

PINJAR REGION

The suburb of Pinjar is located approximately 30 kilometres north of the Perth CBD. Much of the area is State Forest and water catchment area with some land reserved for public purpose, parks and recreation and rural land. Neighbouring land to the south west of Pinjar has a variety of different land uses from rural to residential and includes the Meridian Park industrial estate in Neerabup.

Evidence of industrial land sales of approximately 3 hectares in this region is scarce. Analysis of industrial land sales in Neerabup, Wangara, Landsdale and Gnangara indicate levels for lots of approximately 3 hectares to be in the range of \$1,150,000 to \$2,600,000 per hectare. Wangara, Landsdale and Gnangara are all established industrial areas and are considered superior to Pinjar. As such we consider the most probable value range in the subject locality is **\$1,250,000 to \$1,750,000** per hectare. This value range remains unchanged from our 2016 advice.

Based on market information and the available sales evidence, we have readopted our previous assessment rate per hectare.

KWINANA REGION

The Kwinana industrial area is located approximately 30 kilometres south of the Perth CBD and adjoins both Naval Base and East Rockingham industrial areas which are adjacent to Cockburn Sound.

Kwinana is an established industrial location with all essential services available and good access to the Perth CBD, port facilities and the South-West region of the state.

Evidence of industrial land sales of approximately 3 hectares in this region is scarce. Analysis of industrial land sales in Kwinana and surrounding areas including Naval Base, Rockingham, Henderson and Hope Valley show value levels for lots of approximately 3 hectares in the range of **\$1,500,000 to \$2,500,000** per hectare. This value range remains unchanged from our 2016 advice.

Based on market information and the available sales evidence, we have readopted our previous assessment rate per hectare.

KEMERTON INDUSTRIAL PARK REGION

Kemerton Industrial Park is located approximately 17 kilometres north east of Bunbury and 160 kilometres south of Perth.

Kemerton Industrial Park was established in 1985 for heavy industry and has good access to the South-West region, Rockingham, Kwinana and Perth. Information gathered from the Kemerton Strategic Plan and the City of Bunbury's Planning Services indicate that the minimum lot size within the Kemerton Industrial Park is 5 hectares.

Evidence of land sales within Kemerton Industrial Park is scarce. Information and evidence gathered for the surrounding region, including Bunbury show levels for lots of approximately 3 hectares to 5 hectares in the range of **\$275,000 to \$375,000** per hectare. This value range has increased from our 2016 advice to reflect the available sales evidence.

Based on market information and the available sales evidence, we have adjusting the previously advised value range up by in the order of 8.33%.

COLLIE REGION

The town of Collie is located approximately 200 kilometres south east of Perth. Major industries that support the town include coal mining, farming and forestry.

Information and evidence gathered for land suitable for the development of a power station in the Collie region, but not in the town site, shows value levels for lots of approximately 3 hectares to be in the order of **\$110,000** per hectare. This is a 10% increase from our 2016 assessment and reflects the current evidence available.

There is no sales evidence of 3 hectare industrial lots inside the Collie town site, however land at the north-western corner of the town site in the "Collie Light Industrial Area" is available for sale with lot areas ranging from 2,000m² to 1.552 hectare at rates ranging from \$725,000/ha down to \$345,000/ha.

Based on our investigations we consider this land would not get planning approval or be suitable for the development of a power station. If such a hypothetical site were available within the town site, we would expect it to show a rate in the order of \$250,000 per hectare.

GERALDTON REGION

Geraldton is located approximately 425 kilometres north of Perth. Geraldton is a key port and administrative centre for the mid-west region. Major industries that support the city include tourism, agriculture, fishing, mining and commerce.

Analysis of land sales suitable for the development of a power station in the Greater Geraldton region, such as the suburbs of Narngulu, Meru and Rudds Gully located to the east of the Geraldton City centre that already cater for various heavy and noxious industry uses, show value levels for lots of approximately 3 hectares to be in the order of **\$130,000** per hectare. This is a 4% increase in value from our 2016 assessment and reflects the current evidence available.

ENEABBA REGION

The town of Eneabba is located approximately 300 kilometres north of Perth. The town services the surrounding agricultural area and the nearby mineral sands facility.

Information and evidence gathered from Eneabba and surrounding districts such as Carnamah, Coorow and Dandaragan shows the value levels for lots of approximately 3 hectares suitable for the development of a power station in the region surrounding Eneabba to be in the order of **\$35,000** per hectare. This is unchanged from our 2016 assessment and reflects the current evidence available.

KALGOORLIE REGION

Kalgoorlie is located approximately 595 kilometres east of Perth. Kalgoorlie is the administrative centre for the eastern Goldfields region. Major industries that support the city include mining, tourism and grazing.

Analysis of information and land sales suitable for the development of a power station in the Kalgoorlie region show levels for lots of approximately 3 hectares in the range of \$550,000 to \$865,000 per hectare with Boulder and South Boulder at the low end of this range and West Kalgoorlie and Broadwood at the upper end.

Kalgoorlie's economy and demand for industrial land is substantially reliant on the gold market. While the gold price is down from 2012 levels, it has increased over 2017 after a sharp fall in the latter half of 2016. There have been relatively few large land sales over the past 12 months, suggesting a more apprehensive market and as such we have readopted a rate of **\$600,000** per hectare, toward the lower end of the above range, which is a 20% reduction from our 2016 assessment and reflects the current evidence available within Kalgoorlie, Boulder and South Boulder.

Three hectare sites outside of the Kalgoorlie town site suitable for the establishment of a power station show value levels in the order of \$300,000 per hectare. This remains unchanged from our 2016 assessment.

COMMENTARY

While Perth is considered the resources capital of Australia, with both the local and State economy directly influenced by this sector, it also hosts a wide variety of industrial uses, ranging from small domestic local service industries, such as mechanics to national and international distribution facilities and manufacturing plants.

The cyclical nature of the resources industry reflects international demand for raw materials and energy from our major trading partners, which in turn is reflected in the states property market which tends to be up when the minerals and energy sector is in a buoyant phase and down when international demand and prices paid for commodities is down. The minerals and energy sector is a major driver in the state's economy which supports extensive service industries including logistics, heavy industry and professional services.

Following the state mining boom, the state experienced an economic slowdown as demand for and prices of commodities contracted. The continued slowdown or softening in the resources sector has resulted in a contraction of the Western Australian economy which has been reflected in real estate sale volumes and prices including that of industrial property.

Recent market commentary provided by real estate research companies and organisations provide slightly divergent market predictions, but it is generally expected the Perth industrial land market will continue to soften, with this softening potentially diminishing over the next twelve months.

The current industrial leasing market shows increased activity, despite falls in rental rates and increased vacancy factors. This continues to influence industrial land demand and value. Land prices moderated over the past 12 months with average land rates for core Perth Metropolitan Area industrial precincts 7.2 per cent lower than a year ago, and circa 40 per cent lower than the pre-GFC high.

Analysis of sales evidence in the two Perth Metropolitan locations subject of this report, indicated no significant change in land values, as such we have readopted their land value rates advised in 2016.

Analysis of sales evidence in regional Western Australian industrial land markets, the subject of this report has again shown mixed indicators. We have increased the land value levels from our 2016 advice in regard to the two south-west regions as well as Geraldton. Of the remaining two regional locations, we have kept land values in Eneabba unchanged from our 2016 advice, but have reduced land value rates by 20% in Kalgoorlie.

In relation to the current land value assessments for the hypothetical sites, it should be noted that state-wide there have been limited sales of large vacant industrial lots, matching the parameters of the hypothetical parcel under consideration in this advice. Consequently, the values advised are indicative values reflecting the limited sales evidence available, our market investigations and our advice from local agents active in industrial land sales in the subject locales.

ASSESSMENT

The approach to these assessments has been by the method of direct comparison. The value is derived by comparison to recent sales of properties with typical characteristics for land suitable for the construction of a power plant in the nominated regions.

The assessments provided for the hypothetical sites are on the basis that they have no distinct beneficial or detrimental features that would affect the value of the sites for power station usage; the development of a power station or inherent value as a power station site.

Having regard to the available information and evidence, an estimate of value for each of the proposed hypothetical sites in the nominated regions is considered to be as follows.

REGION	LAND AREA (Hectares)	RATE PER HECTARE	ASSESSED VALUE
Pinjar	3	\$1,500,000	\$4,500,000
Kwinana	3	\$2,100,000	\$6,300,000
Kemerton	5	\$325,000	\$1,625,000
Collie	3	\$110,000	\$330,000
Geraldton	3	\$130,000	\$390,000
Eneabba	3	\$35,000	\$105,000
Kalgoorlie	3	\$600,000	\$1,800,000

ASSUMPTIONS, CONDITIONS, LIMITATIONS

As instructed, this assessment has been completed on the following basis.

- The proposed locations have not been physically inspected.
- The report has been completed using Landgate records and information gathered from external sources only.
- Landgate records relied upon are correct as at the date of this report.
- The assessment amount is exclusive of GST (Goods and Services Tax).
- The assessment amount assumes an unencumbered fee simple title and that any allowance for possible heritage restrictions, native title claims or contamination has not been considered.
- The hypothetical land sites are generic for each region and have no distinct beneficial or detrimental features that would affect the development of a power station or their inherent value as a power station site.

- The hypothetical site for each region can be developed as a power station.
- Our investigations with the relevant Local Authorities revealed no legislative or local planning requirement for setbacks or buffer zones in excess of the standard setbacks outlined within each Local Authorities town planning scheme for the development of a site within existing industrially zoned estates. However, town planning officers emphasised that no definitive decision or recommendation could be made without a development application containing detailed plans for a specific lot.

Having regard to the above we have completed our assessments on the assumption that a 3 hectare site will be sufficient for the development of a power plant. A five hectare site has been adopted in the Kemerton industrial area as this is the minimum lot area permitted under the Local Authority Town Planning Scheme.

In accordance with the Federal Privacy Act, information supplied is now regarded as private information. Under the Act, information collected for one purpose may only be used for a secondary purpose if that purpose is related and could be reasonably expected. In this context, this Office is not able to give permission for the information to be published by a third party. All data and analysis produced by this Office is provided on the condition that it is the responsibility of the receiver of such information to conform with privacy legislation.

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Thank you for your instructions in this matter and if you have any further queries relating to this advice do not hesitate to contact the under signed on 9273 9026.

Yours sincerely



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Licensed Land Valuer N^o 44178
Manager Market Values

SPECIALIST VALUES
VALUATIONS AND PROPERTY ANALYTICS

*The counter signatory, who has read and signed this report, verifies that the report is genuine and is endorsed by the Valuer General, the opinion of value expressed has been arrived at by the person who conducted the valuation.