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Via E-mail Andrei.Costache@aemo.com.au
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FOR THE ATTENTION OF MR ANDREI COSTACHE

Dear Mr Costache

LAND VALUES FOR THE 2021 BENCHMARK RESERVE CAPACITY PRICE

Further to your instructions from Mr Andrei Costache 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 2020**.

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 reports, 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
- Kwinana Region
- Kemerton Industrial Park Region *
- Collie Region
- Geraldton Region – North Country Region
- Eneabba Region – North Country Region
- Kalgoorlie Region

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 rates of \$1,675,000 to \$2,700,000 per hectare for lots ranging from 1 to 2.2 hectares. Wangara, Landsdale and Gnangara are all established industrial areas and are considered superior to Pinjar and all of the available sales are smaller than the required 3 hectares. As such we consider the value range in the subject locality is **\$1,000,000 to \$1,500,000** per hectare.

Based on market information and the available sales evidence, we have readopted the previously advised value range.

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 **\$1,650,000 to \$2,300,000** per hectare.

This value range is slightly narrower than our previous advice but has remained at similar rates reflecting the sales evidence and market information currently available.

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. Based on planning advice we have assessed Kemerton Industrial Park as a 5 hectare site. We have been advised by Development WA that they have and would consider sites smaller than 5 hectares and that a lot of 3 hectares* would be acceptable.

Tenure for land within Kemerton Industrial Park is leasehold only. Information gathered shows ground rental rates of \$20,000 per hectare per annum to \$25,000 per hectare per annum with a typical lease term of up to 25 years. A three hectare site is considered to be a small land holding within the park so we have adopted a rate at the upper end of the range above of \$25,000 per hectare per annum. This equates to \$75,000 per annum for a 3 hectare site, @ a capitalisation rate of 8% it shows an indicative land value of \$937,500 or \$312,500 per hectare.

Evidence of comparable land sales is scarce, information and evidence gathered for the surrounding region, including Bunbury show levels for lots of approximately 3 hectares in the range of **\$275,000 to \$375,000** per hectare which supports the calculations above.

This value range has remained unchanged from our previous advice reflecting the available sales evidence and market information currently available.

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 value has remained unchanged from our advice reflecting the sales evidence and market information currently available.

There is no sales evidence of 3 hectare industrial lots inside the Collie town site, however there is an existing industrial estate at the north-western corner of the town site known as the “Collie Light Industrial Area” with land available for sale with lot areas ranging from 2,000m² to 1.552 hectare at rates ranging from \$725,000/ha down to \$335,000/ha.

As noted in our previous advice, 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 **\$125,000** per hectare.

This value range has remained unchanged from our previous advice reflecting the available sales evidence and market information currently 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 **\$30,000** per hectare. This is a reduction of \$5,000 per hectare from our previous assessment and reflects the current evidence and information 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.

There have been relatively few large land sales over the past 12 months, however these sales indicate the current land value rate in the order of **\$600,000** per hectare should be readopted from our previous advice. This rate 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 also remains unchanged from our previous assessment.

COMMENTARY

Our investigations have shown Western Australian industrial property markets remained relative unchanged over the past 12 months, however fringe locations are still struggling to retain and attract new purchasers and tenants, which continues to impact their capital, rental and land values.

Prior to March 2020 the Western Australian economy and its property markets were showing signs of recovery and growth. The Covid-19 pandemic has had significant impact on a number of sectors, particularly retail and entertainment leading to increased unemployment and a retraction in the State's economy. However, industries such as mining, in particular resources such as iron ore and gold have increased, and the negative influences of the Covid-19 pandemic have not been as evident in the industrial real estate markets that support this sector.

At this point the Western Australian economy appears to have been protected somewhat by increases in the demand and price of iron ore, however market commentators are expecting the effects of the Covid-19 pandemic will linger well after the virus is controlled and its long term impacts are unknown.

Our analysis of sales evidence in the two Perth Metropolitan locations subject of this report, indicated no change from our previous advice.

Analysis of sales evidence in regional Western Australian industrial land markets, the subject of this report has indicated no significant change in land values, as such we have readopted their land value rates as previously advised with the exception of Eneabba that has been reduced by approximately 15%.

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	\$1,250,000	\$3,750,000
Kwinana	3	\$2,000,000	\$6,000,000
Kemerton	3	\$325,000	\$975,000
Collie	3	\$110,000	\$330,000
Geraldton	3	\$125,000	\$375,000
Eneabba	3	\$30,000	\$90,000
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.

Given the unknown impact that the current COVID-19 outbreak will have on the Australian real estate market, the Australian Property institute (API) has provided the following guidance for the user(s) of this report:

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

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

This advice is current at the date of issue only. The ground rents assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of this advice).

We do not accept responsibility or liability for any losses arising from such subsequent changes in value.

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

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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 undersigned on 9273 9026.

Yours sincerely



DARREN CRIDDLE – AAPI
Certified Practising Valuer
Licensed Land Valuer N^o:44231

SPECIALIST VALUES
VALUATION SERVICES