



Your Ref : Land Values – BRCP for 2022
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FOR THE ATTENTION OF MR RICHARD CHENG

Dear Mr Cheng

LAND VALUES FOR THE 2022 BENCHMARK RESERVE CAPACITY PRICE

Further to instructions from Mr Richard Cheng of the Economic Regulation Authority WA (ERA), we have prepared the following assessments on the notionally proposed sites listed below as at 30 June 2021.

ASSESSMENT INSTRUCTIONS

Instructions have been received from the “ERA”, 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 completed for the Australian Energy Market Operator (AEMO), we have been instructed to provide value estimates for hypothetical sites in the Kwinana and Pinjar areas within the Perth 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 southwest 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 \$2,000,000 to \$2,200,000 per hectare for lots ranging from 1.7 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 \$1,300,000 to \$1,500,000 per hectare.

Based on market information and the available sales evidence, we have increased the lower but readopted the previously upper value range. We have adopted a rate of **\$1,400,000 per hectare** which represents an increase of approximately 12% over last year's assessment.

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 indicate rates of \$1,400,000 to \$2,400,000 per hectare for lots ranging from 1 to 4.7 hectares. The sales at the lower part of this range were in East Rockingham and are considered inferior to Kwinana; whereas sales at the upper part of this range were in Hope Valley and considered more comparable to Kwinana. As such we consider the value range in the subject locality is \$2,000,000 to \$2,500,000 per hectare.

Based on market information and the available sales evidence, we have increased the value range and have adopted a rate of **\$2,250,000 per hectare** which represents an increase of approximately 13% over last year's assessment.

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 information obtained the “estate” has a minimum land area of 5 hectares, however we have been advised by DevelopmentWA 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 3-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, at 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 1.5 hectare at rates ranging from \$725,000/ha down to \$335,000/ha.

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

There have been relatively few large industrial land sales over the past 12 months, however these sales indicate the current land value rate in the order of **\$650,000 per hectare** which represents an increase of approximately 8% over last year's assessment and is reflective of the current evidence available within Kalgoorlie, Boulder and South Boulder.

COMMENTARY

The Western Australian economy has shown great resilience throughout the pandemic to date. This has been closely linked to the continued operation of the local resources sector and strength of the iron ore price.

The flow on effect of production growth in this sector is the demand for transport and logistics warehousing and storage space; in turn driving further recovery in industrial and logistics property demand.

There has been increased interest from developers over 2021 who are actively seeking land banks and redevelopment sites. The market faces a low level of available high-quality product to meet demand and recent increases in enquiry for pre-lease space is providing developers the confidence to pursue opportunities in Perth. Although the majority of this enquiry is coming locally, increased competition on the east coast is seeing some REITs and east coast active developers look to increase their exposure to Perth through acquisition and development. This is starting to put pressure on land values, which have risen across most precincts during the second quarter of 2021. Land rates for small lots has increased 3.3% and large lots is up 1.3% over the same quarter. In areas such as the South and East where there are high barriers to new land supply, small lots have increased between 3.6% and 7.4%. This pressure is expected to remain in the short-term. – (Knight Frank 'Australian Industrial Review August 2021')

Our analysis of sales evidence in the two Perth Metropolitan locations that are the subject of this report, indicated an increase of over 10% from last year's values. This is not necessarily representative of the increase in the market but is a result of analysing a great volume of sales in the 12 month period.

Analysis of sales evidence in regional Western Australian industrial land markets, the subject of this report, had indicated no significant change in land values and as such we have readopted their land value rates as previously advised with the exception of Kalgoorlie that has increased by approximately 8% compared to last year.

In relation to the current land value assessments for the hypothetical sites, it should be noted that state-wide there continues to be a limited number of large vacant industrial lot sales matching the parameters of the hypothetical parcels under consideration in this advice. Consequently, the values advised are indicative values reflecting the limited sales evidence available, our market investigations and 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	\$1,400,000	\$4,200,000
Kwinana	3	\$2,250,000	\$6,750,000
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	\$650,000	\$1,950,000

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.

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



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20 September 2021