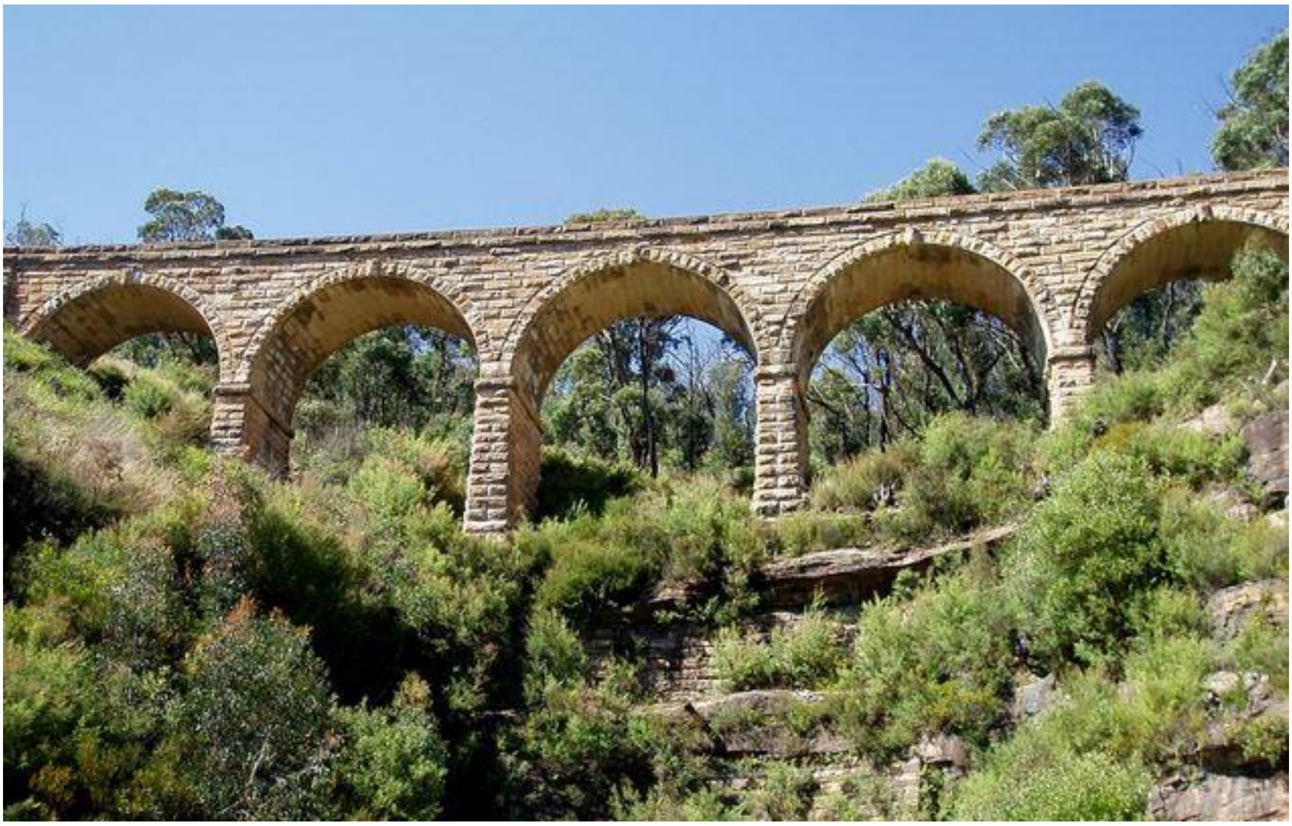
FINAL REPORT



Zig Zag Railway Bridge, Lithgow LGA

2017 Base Date

Lithgow LGA

Contract No. 1516010-05

Final Report 2017

Version 2 – 7 November 2017

Under Rating & Taxing Procedure Manual 7.1.1

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1.0 Executive Summary

1.1 General Overview

There has been a moderate increase in land values in the Lithgow local government area (LGA) between 2016 and 2017. All four zones across the Lithgow LGA have experienced an upward trend in land values ranging from a slight increase in the commercial zone, driven by good sales activity within Main Street and fringe commercial properties; to a very strong increase in the industrial zoned areas, predominately driven by vacant land sales having a broad market appeal. The residential land values increased moderately, predominately driven by increased investor activity in the continuing low interest rate environment. The rural zoned areas showed a strong increase, being driven predominately by the Sydney market, with many rural residential allotments within commuting distance, within an affordable price range and offering recreational style accommodation.

1.2 Residential Overview

Overall there has been a moderate increase in residential land values in the Lithgow local government area. South Bowenfels and south Lithgow showed a very strong increase in values driven by demand for vacant residential land, whilst the remainder of the residential zone showed value levels to be steady. The residential land values in the villages remained steady with the exception of Cullen Bullen. Value levels decreased slightly as a result of LEP changes removing some dwelling entitlements from village zoned lots under 4000m².

1.3 Commercial Overview

The commercial land values have increased slightly for the 2017 base date due to a slight increase in sales activity over the past twelve months.

1.4 Industrial Overview

Industrial land values have experienced a very strong increase. Sales in the light industrial areas have shown strengthening in the market whilst the heavy industrial zoned land have remained steady for 2017 land values.

1.5 Rural Overview

The rural land values have experienced a strong increase across the LGA.

2.0 Disclaimer – Purpose of this Report

This report has been prepared on behalf of the Valuer General. The purpose of this report is to provide an overview of the valuation program for the 1 July 2017 valuation in the Local Government Area of Lithgow.

To make a land valuation, regard must be had to the requirements and assumptions set out in rating and taxing legislation, such as the Valuation of Land Act 1916 (NSW). Land values are also determined by the rules set out in the "Rating and Taxing Valuation Procedures Manual". The manual permits large numbers of properties to be assessed using mass valuation methodologies.

Although mass valuation methodologies may be less accurate than individually assessed land valuations, they are routinely used across the globe to deliver land valuations for rating and taxing purposes that are within an acceptable range of variation. Consequently, land valuations from the Valuer General may vary from an individually assessed market valuation for a parcel of land. All land valuations are, however, subject to a risk based verification process which ensures each parcel of land is individually reviewed periodically.

Whilst the content of this report has been prepared with all due care and skill, the Valuer General does not warrant that it is complete or free from error.

During the valuation process, information is compiled from third party sources, such as information relating to town planning, land use, zoning and other market related information. The Valuer General is not responsible for, and makes no warranty in relation to, the accuracy, currency, reliability or completeness of that information. Readers are directed to contact the source of the information.

The land values made in accordance with the valuation program have been made for rating and taxing purposes only, therefore, the land values should not be used for any other purpose. No reliance should be made on the contents of this report. To the extent permitted by law, the Valuer General disclaims all liability to any person(s) who relies on, or uses, any information contained in this report.

More information on the valuation process is available from the Valuer General's website at:
www.valuergeneral.nsw.gov.au/land_values

3.0 LGA Overview

3.1 Location of the District

The Lithgow Local Government Area (LGA) is located within the Central West region of New South Wales. The Lithgow LGA is located approximately 140 kilometres west of the Sydney CBD and covers a geographical area of approximately 4,551 square kilometres.

3.2 Principal Towns and Villages

Lithgow

Lithgow City sits in the foothills of the Blue Mountains, on the western side of the Great Dividing Range. Lithgow City is located at the junction of the Great Western Highway and Bells Line of Road. The main residential areas are within the City of Lithgow and the smaller satellite suburbs of Bowenfels, Portland and Wallerawang. The Lithgow CBD in located on the southern side of the Main Western Railway line and predominately runs west to east along Main Street and Mort Street. Some commercial properties are located on the northern side of the railway line on Railway Parade. The city features one main retail shopping centre with major anchor tenants and smaller specialty stores. The industrial market is spread throughout the Lithgow LGA. The first industrial section in located on Chifley Road on the eastern fringe of Lithgow City, the second is situated in the satellite suburb of Marangaroo, and the third industrial area is located on the fringe of the village of Wallerawang. Surrounding Lithgow City are hobby farms and some larger rural holdings towards the western section of the LGA.

According to statistical data obtained in 2016, the population of the Lithgow LGA is 21,524, with the majority of the population living within Lithgow City urban area.

Villages

The balance of the population is spread throughout the Shire within a number of villages including:

- Rydal
- Tarana
- Capertee
- Cullen Bullen

3.3 Main Industries

The largest industries within the Lithgow LGA, according to the 2011 census data are mining (12.4%), health care and social assistance (11%), retail trade (10%) and public administration and safety (8.4%).

The major employers within the City of Lithgow include but are not limited to:

- NSW Government (Teaching, health etc);
- Ferrero confectionary factory;
- Centennial Coal;
- Energy Australia; and
- Emirates ‘One & Only’ Resort, Wolgan Valley.

3.4 Significant Retail Centres

Lithgow City Central Business District provides the main retail centre for the Lithgow LGA. It features specialty stores fronting Main Street, together with a shopping centre (Lithgow Valley Plaza) situated on the corner of Lithgow Street and Bent Street. The Plaza features two major tenants (Target and Coles), together with national tenants (The Reject Shop, Just Jeans, Rockmans, Sanity) and small specialty stores.

3.5 Type of Residential Development

Within Lithgow City the principle type of dwelling comprises a 'separate house'. The 2016 Census shows 85% of the population live in a single dwelling, and approximately 9.2% live in medium density accommodation (townhouse, unit).

The residential growth areas are predominately located in south western suburb of South Bowenfels and South Lithgow and Strathlone Hillcrest and Bowenvista Estates.

4.0 State and Local Government Legislation for LGA

The Lithgow Local Environmental Plan 2014 was gazetted on 19 December 2014. The plan is based on the standardised Local Environmental Plan prescribed by the New South Wales Legislation.

Zone	Minimum allotment size
Residential / Village	R1 General Residential - 400 m² to 600 m² R2 Low Density Residential - 800 m² R5 Large Lot Residential – 4000 m² to 10 ha RU5 Village – 4000 m²
Non-Residential Retail, Commercial and Industrial	Various minimum lot sizes depending upon location and zoning. Lot sizes specified in the lot size maps in the LEP 2014.
Rural / Environmental	Various minimum lot sizes depending upon location and zoning. Lot sizes specified in the lot size maps in the LEP 2014.

5.0 Market Overview and Sales of Particular Interest

5.1 Residential

Residential markets within Lithgow LGA are predominately located in and around the City Of Lithgow, with a small amount of residential development located within the surrounding villages. The predominant type of residential development is single dwellings, followed by semi-detached dwellings and units/flats. Established, older style residential development surrounds the city centre, with newer residential areas to the south and south west of Lithgow City.

Residential land values are divided into 25 components within the Lithgow LGA, each comprising properties of similar characteristics which are subject to affectation by similar market variations. The residential market has seen a rise in land values from the previous valuation year with a 7.25% increase in total value of the residential zoned properties. Of these components the largest value increases occurred in the Pottery Estate locality as a result of a small residential subdivision selling vacant allotments from $92,500 to $125,000. Furthermore, residential values increased by approximately 50% in south Lithgow & south Bowenfels. This increase in values has predominately been driven by strong interest from Sydney buyers. As a flow on effect, the englobo lands within Lithgow have also seen firming values, reflecting the strong demand for vacant residential land and Lithgow providing a more affordable option than near the metropolitan area. There were 90 market transactions of vacant residential land with an average purchase price of $177,000.

5.2 Villages

The Lithgow LGA comprises approximately 195 Village zoned properties located throughout the Shire. There were 14 market transactions within the village components throughout the 2017 valuation year, spread across Cullen Bullen, Tarana, Rydal, and Capertee.

Analysis of sales of vacant allotments generally supported current value levels, with the exception of Tarana, where value levels have softened. Vacant land sales included:

- Crawford Street, Cullen Bullen - 771 m² sold 11/2016 $25,000
- Castlereagh Highway, Cullen Bullen - 954m² sold 04/2017 $30,000.
- Cartwright Street, Rydal – 1720m² sold 06/2017 $100,000
- Mutton Falls Road, Tarana – 4204m² sold 04/2017 $130,000

Furthermore, handcrafting was undertaken within Cullen Bullen to reflect the amendments to the Lithgow Local Environmental Plan (LEP) 2014 stating that all undeveloped allotments under 4000m² no longer had dwelling entitlements. This change affected 8 properties resulting in a significant reduction in value.

5.3 Commercial

The Lithgow LGA comprises 446 commercial zoned properties, with the majority centred within the Lithgow CBD, some on the northern section of the City within a small business park development at Marangaroo, and a small amount of properties within Portland and Wallerawang villages.

There were 23 market transactions within the commercial zone over the 2017 valuation year with the average sale price being $554,000. The highest commercial sale price was $2,000,000 for the Commercial Hotel/Motel in Main Street, Lithgow. Furthermore, there was strong sales activity within the Main Street of Lithgow with 10 market transactions, all reflecting a slight increase in values.

5.4 Industrial

The Lithgow LGA comprises 89 industrial zoned properties, and is spread throughout the Lithgow LGA. The first industrial section is located on Chifley Road on the eastern fringe of Lithgow City, the second is situated in the satellite suburb of Marangaroo, and the third industrial area is located on the fringe of the village of Wallerawang. Sales activity within the industrial precincts was generally strong with an increase in sales volumes and value levels experienced within the various industrial components by between 10% to 40%.

During the previous (2016) valuation year there were 2 transactions, with the average price being $210,000. In the current valuation year (2017), there were 8 market transactions with an average purchase price of $458,000. Sales of note include:

- 139 Bells Road, Lithgow – 6067m² sold 04/2017 $144,000 (vacant land)
- 124 Main Street, Wallerawang – 4600m² sold 03/2017 $297,000 (vacant land)
- 157 Bells Road, Lithgow – 7372m² sold 12/2016 $510,000 (improved)
- 159 Bells Road, Lithgow – 1.86ha sold 05/2017 $700,000 (improved)
- 10 Donald Street, Lithgow – 4047m² sold 09/2016 $820,000 (improved)

5.5 Hobby Farms / Rural locations within the LGA

There are approximately 2,343 rural zoned properties within the Lithgow LGA. The majority of these properties (1,959) are considered hobby farms (less than 100 hectares). The hobby farm market largely attracts buyers from Lithgow, the Blue Mountains and Sydney looking for a rural style accommodation and weekend recreation accommodation due to the picturesque nature of the area and access to National Parks.

During the 2017 valuation year, there were 50 market transactions below 100 hectares, with an average purchase price of $442,000. Analysis of sales evidence indicated value levels have increased between 10%-20%, with the southern portion of the LGA continuing to show strong sales activity.

The volume of sales for large rural properties, larger than 100 hectares, has decreased slightly. There were 10 market transactions over 100 hectares with an average price of $1,139,000. Comparatively, the previous valuation year (2016) saw 15 sales occur over 100 hectares with an average price of $704,000. Notable sales include:

- Nile Road, Glen Alice – 345.1 ha sold 10/2016 $1,750,000
- Dark Corner Road, Dark Corner – 529.1ha sold 05/2017 $1,710,000
- Home Hills Road, Mt Marsden – 1708.3ha sold 03/2017 $1,625,000
- Nile Road, Glen Alice – 775.3ha sold 10/2016 $1,600,000
- Huntingdale Road, Glen Alice – 1282.7ha sold 01/2017 $1,500,000

Broadly, the larger rural properties have increased by 10% across the LGA in line with analysed sales.

6.0 Significant Developments

6.1 Significant developments – from prior to current annual valuation

Below is a summary of significant Development Applications either in discussion or approved:

- 6 lot residential subdivision – 12 Ivatt Street, Lithgow
- 26 lot rural residential subdivision – 602 Upper Nile Road, Glen Alice
- 14 lot rural residential subdivision – 253 Jerrys Meadow Road, Sodwalls
- Stage 7A - Treeview Estates Retirement Village- 9 Col Drewe Drive, South Bowenfels

Furthermore, the extension to the Lithgow Mine Subsidence area was noted in our June monthly Report. A large portion of Lithgow City is already included in the existing Mine Subsidence Area and enquiries with local agents, vendors, purchasers and our knowledge of the Lithgow market indicate it to be an accepted part of real estate transactions within the City.

The market only makes allowances for mine subsidence if there are significant restrictions on development. However, this generally does not apply, and thus we consider that mine subsidence does not have a material effect on land values.

7.0 Significant Value Changes

7.1 Significant value changes – from prior to current annual valuation

Since the Prior Annual Valuation (July 2016), values within the LGA as a whole have shown a moderate increase. Specific areas that have shown a strong to very strong increase include:

- South Bowenfels large lot residential properties have increased by 50%;
- Properties within the light industrial component have increased by 30%
- Properties with the Wallerawang general industrial area have increased by 40%
- Hobby farms have increased between 10%-20% overall
- Large rural properties have increased by 10%

8.0 Overview of the Quality Assurance Process

PNSW has been provided with a detailed valuation analysis report, which details the quality assurance process of Opteon (Central West NSW) Pty Ltd Contractor and outlines that the verification process and certifies that land values meet all statistical measures and component data analysis. In addition, a quality statement and lists of high value and high risk properties is also provided in the valuation analysis report. Checks have been undertaken to ensure that all properties have been valued, land values are consistent with each other, land value bases have been correctly determined and all concessions and allowances have been supplied. Additionally, properties that had land values amended through the objection or re ascertainment process were individually examined to reconcile surrounding land values and ensure accuracy of the grading of surrounding land values. Benchmarks and reference benchmarks are core elements of the quality assurance processes and are identified and individually valued in accordance with the Rating and Taxing Procedures Manual Version 7.1.1. Worksheets have been maintained on all properties where calculations are required. We have also ensured that adjustments and assumptions within the market analysis have been based on market evidence and have been fully documented and rationalised.

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