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4 September 2014

Independent Market Operator
Manager System Capacity
PO Box 7096 Cloisters Square
PERTH WA 6850

FOR THE ATTENTION OF MR TIM MIDDLEHURST

Dear Mr Middlehurst

LAND VALUES FOR THE MAXIMUM RESERVE CAPACITY PRICE FOR 2017/2018

Further to your instructions from Ms Kate Ryan and Ms Rebecca Petchey of the Independent Market Operator, I have prepared the following assessments on the notionally proposed sites listed below as at the **30 June 2014**.

ASSESSMENT INSTRUCTIONS

Instructions have been received from the "Independent Market Operator", 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 11 September 2013, we have been requested to provide value estimates for hypothetical sites in the Kwinana and Pinjar areas (metropolitan region) and Collie, Kemerton Industrial Park, Geraldton, Eneabba and Kalgoorlie regions.

With regard to all regions; the assessments are based on a hypothetical 3 hectare site or the minimum land area required should that be greater than 3 hectares.

- 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)



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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 their inherent value as a power station site.
- The hypothetical land sites are within or 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 a 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.

Analysis of industrial land sales in Neerabup, Wangara, Landsdale and Gnangara show levels for lots of approximately 3 hectares in the range of **\$1,500,000 to \$2,000,000** per hectare. This is the same range as advised in our 2013 assessment and based on the available sales evidence I recommend readopting the existing 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 overlooking Cockburn Sound.

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

Analysis of industrial land sales in Kwinana and surrounding areas show levels for lots of approximately 3 hectares in the range of **\$2,200,000 to \$2,800,000** per hectare. This range has been reduced at the upper limit from our 2013 advice to reflect available sales evidence, but our assessment has remained unchanged.

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.

Information and evidence gathered in the Kemerton Industrial Park and the surrounding region show levels for lots of approximately 3 hectares to 5 hectares in the range of **\$225,000 to \$275,000** per hectare. This has remained unchanged from our 2013 assessment.

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 show levels for lots of approximately 3 hectares in the order of **\$100,000** per hectare. This shows an 11% increase from our 2013 assessment and reflects the current evidence available.

There is no sales evidence of 3 hectare industrial lots inside of the Collie townsite, however if such a hypothetical site were available we would expect it to show a rate in the order of \$150,000 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 trade.

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 in the order of **\$150,000** per hectare. This represents an 11% increase from our 2013 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 industry and the nearby mineral sands facility.

Information and evidence gathered from Eneabba and surrounding districts such as Carnamah, Coorow and Dandaragan show levels for lots of approximately 3 hectares suitable for the development of a power station in the region surrounding Eneabba in the order of **\$40,000** per hectare. This represents a 14% increase from our 2013 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 pastoral.

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 \$700,000 to \$850,000 per hectare with Boulder and South Boulder at the low end of this range and West Kalgoorlie and Broadwood at the upper end.

I have readopted the existing level of **\$750,000** per hectare from our 2013 assessment, which reflects the current evidence available within Kalgoorlie, Boulder and South Boulder.

Suitable 3 hectare sites outside of the Kalgoorlie townsite show levels in the range of \$300,000 per hectare. This has remained unchanged from our 2013 assessment.

COMMENTARY

The Perth metropolitan industrial land market has remained relatively steady over the past twelve months with the more established/traditional estates showing slight growth in land values whereas secondary and fringe estates have remained steady. While it appears investment in the mining sector has slowed it continues to fuel economic growth in Western Australia with sustained demand for industrial facilities for companies directly involved in mining and those servicing the industry from Perth.

Analysis of sales evidence indicates the regional Western Australian industrial land markets subject of this report have also remained relatively steady over the past twelve months with some slight adjustments in Geraldton, Collie and Eneabba.

In relation to the current land value assessments for the hypothetical sites within the metropolitan and country areas we have made some changes. It should be noted that there has been limited volumes of relevant vacant industrial land sales across the state and these amendments are not necessarily an indication of market trends, rather they reflect our analysis of the current market evidence available.

Overall land values are generally forecast to remain stable, particularly in the outer metropolitan and regional industrial precincts, however it is possible there may be some growth in land values for the inner industrial areas (including Kwinana) due to increases in demand for limited stock.

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 they 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.

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	\$1,750,000	\$5,250,000
Kwinana	3	\$2,500,000	\$7,500,000
Kemerton	5	\$250,000	\$1,250,000
Collie	3	\$100,000	\$300,000
Geraldton	3	\$150,000	\$450,000
Eneabba	3	\$40,000	\$120,000
Kalgoorlie	3	\$750,000	\$2,250,000

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 with 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.

This assessment has been prepared by Darren Criddle under delegation of the Valuer General as defined in Part II of the *Valuation of Land Act 1978*.

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 me on 9273 9026.

Yours sincerely



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

MARKET VALUES
PROPERTY AND VALUATIONS



***VIN LUMBUS - AAPI**
Certified Practicing Valuer
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Manager Market Values

*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.