

Attachment 2 – VPA benchmark rate modelling

The modelling of the VPA benchmark rates initially considered two different approaches. Firstly, calculating the profit from hypothetical developments across the selected suburbs of the Waverley LGA. This would be calculated by subtracting development costs from valuations. The second approach was to simply derive a value sharing rate based on a proportion of development valuations (i.e. sales prices), similar to the approach adopted by the City of Melbourne. Given the significant variance that can exist for development costs and considering that the cost side of the equation is where developers have been gaming the existing VPA policy approach, the second approach was adopted. This approach is simpler, more transparent, can be more readily updated and verified and effectively eliminates the potential for developers to undermine Council's VPA rates.

To determine a suitable ratio between the VPA rate payable and valuations, recently negotiated VPAs were examined (Table 1). The average VPA rate as a percentage of valuation for each development was found to be 19%. For simplicity purposes this was rounded to 20% to determine future VPA payable rates as a proportion of valuations.

Table 1: VPA rates as a proportion of valuation amounts

Address	VPA amount % of valuation
157 Military Rd	18%
91-93 Glenayr	16%
41 O'Donnell	20%
637-639 OSH Rd	22%
6 Edward St (s96)	19%
110 Bronte Road	17%
304-308 Oxford St	20%
344-354 Oxford St	20%
701-707 OSH Rd	18%
695 OSH Rd	20%
2 Warners Ave	19%
59-69 Oxford Street	27%
109 Oxford Street	15%
362-374 Oxford St	16%

Recent sales data was collected for individual apartment sales in each suburb, focussing on those suburbs where VPAs have been negotiated. The sales analysis reviewed individual sales of relatively new products and refurbishments in each suburb (to ascertain like-for-like products with subject VPA developments) as well as the average sale prices of all 1 and 2 bedroom apartments across each relevant suburb for the past year. A new development 'premium' of 20% was added to the average sale price to derive a higher average which is comparable to the higher sales prices of new product.

The analysis focussed on sales from 2017 and collected data from realestate.com.au and RP Data. For some suburbs including Dover Heights, Rose Bay, Vaucluse and North Bondi there was an insufficient volume of modern development sales from which to draw averages.

Table 2: VPA rates calculations

	Select sales		Total sales		Approximate average valuation	VPA amount (20% of valuation)
	Average w. view	Average no view	Avg. 1BR	Avg. 2BR		
<i>Bondi Junction</i>	\$20,566	\$18,187	\$20,640	\$19,360	\$19,500	\$3,900
<i>Bondi</i>	\$19,075	\$18,920	\$19,560	\$17,280	\$18,500	\$3,700
<i>Bondi Beach</i>	\$29,821	\$21,767	\$20,880	\$21,640	\$21,500	\$4,300
<i>North Bondi</i>	n.a.	n.a.	\$20,232	\$21,880	\$21,000	\$4,200
<i>Dover Heights</i>	n.a.	n.a.	n.a.	\$14,400	\$15,000	\$3,000
<i>Rose Bay</i>	n.a.	n.a.	\$15,960	\$16,800	\$15,000	\$3,000
<i>Vaucluse</i>	n.a.	n.a.	n.a.	n.a.	\$15,000	\$3,000

Note: 'Approximate average valuation' is the gross sales price. 'VPA amount' equals 20% of the 'Approximate average valuation'. 'Average w. views' was excluded from 'Approximate average' as few VPAs being negotiated contain views.

An approximate average valuation rate was taken by rounding the averages of the total sales and select sales without views. The approximate average rates were multiplied by the 20% figure to determine VPA payable rates. The summary rates are outlined in the below table.

Table 3: Summary VPA rates

VPA payable benchmarks (\$/sqm - 2017)		
<i>Bondi Junction</i>	\$3,900	
<i>Bondi</i>	\$3,700	
<i>Bondi Beach</i>	\$4,300	
<i>North Bondi</i>	\$4,200	
<i>Dover Heights, Rose Bay & Vaucluse</i>	\$3,000	

n.b. these rates will be updated on an annual basis based on sales prices.

The select sales data and averages are provided below.