

495 Collins Street Redevelopment Proposal

Updated Report to Heritage Victoria on Reasonable or Economic Use

Commercial in Confidence



'Dagura Buumarri'
Liz Belanjee Cameron

'Dagura Buumarri' – translates to Cold Brown Country. Representing Victoria.

The river system illustrated in this visual image is bound in greens and golds to acknowledge the warmth often felt in a colder climate. The rich earth hues of green, reds and browns reflect the local landscapes of this state while the extensive use of rhythmic patterning captures the unique landscapes of flat and mountainous areas. The use of earth colours imparts a sense of strength and serenity while contrasting greens throughout the image reminds us of the lushness of the natural world, where animals and humans once lived in harmony – it reminds us of the importance to protect the lands, waterways and skies and care for our localised environment. Scattered throughout the image are bold colours of oranges – a source of energy that continues to be felt as a life-giving source. The orange hues also portray the varying sunsets in which many Victorians enjoy seeing.

Ethos Urban acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection to land, waters and culture.

We acknowledge the Wurundjeri Woi Wurrung people, of the Kulin Nation, the Traditional Custodians of the land where this document was prepared, and all peoples and nations from lands affected.

We pay our respects to their Elders past, present and emerging.

Contact	Chris McNeil Director		
This document has been prepared by:		This document has been reviewed by: Chris McNeill	
Version No.	Date of issue	Prepared By	Approved by
Draft	05/09/2023	CMcN, RM & ZH	CMcN

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Executive Summary

1. Salter Brothers has engaged Ethos Urban to prepare an assessment of reasonable or economic use regarding the proposed redevelopment of the Winfield and Rialto buildings, at 495 Collins Street, Melbourne.

Winfield and Rialto – Background Context

2. Beginning in the 1970s, the Winfield and Rialto buildings underwent major refurbishment and their subsequent use was as a hotel, along with the construction of the Rialto Towers commercial office towers directly west of the subject site.
3. Currently operating as the InterContinental Melbourne The Rialto, the hotel remains a five-star accommodation offering in Melbourne's hotel market. Despite appearances however, the property is beginning to show its age and faces increasing competition in the luxury hotel segment of the market [REDACTED]

Proposed Redevelopment of Winfield and Rialto Site

4. The development will deliver an adaptive reuse of all the heritage registered land including necessary substantial refurbishment of the Heritage buildings along with 273 luxury hotel rooms, approximately 22,000m² of premium grade office space and associated retail.

Heritage Victoria Requirements

5. Section 101(2)(b) of the Heritage Act 2017 states that the Executive Director, in forming an opinion as to whether the proposed development would have a detrimental effect on the heritage significance of a registered place or object, must consider the extent to which refusal would affect the reasonable use or economic use of the registered place or registered object. The relevant Heritage Victoria Policy (June 2021) requires that reasonable use and economic use be treated as distinct considerations.
6. Correspondence from Heritage Victoria (9 December 2022) has directed that only the extent of new floorspace within the Victorian Heritage Register should be analysed as part of the reasonable or economic use assessment.

Reasonable Use

7. The proposed development is considered to be a reasonable use of the subject site and registered buildings, having regard for the following points:
 - Although the Winfield and Rialto buildings have been used as a hotel since the 1980's, the buildings require significant ongoing maintenance and restoration.
 - [REDACTED]
 - [REDACTED]
 - The surrounding context is a major business area, also near to many of Melbourne's premier tourist and visitor attractions.
 - The subject site is highly accessible from a public transport perspective and, as such, is considered highly suitable for commercial office and hotel uses.
 - [REDACTED]

Approach to Economic Use

8. A number of concept feasibility assessments have been undertaken to provide an objective and balanced evaluation of the future economic use of the registered place.

- The development options are evaluated against a project viability IRR return of 15% to 20%, which is considered reasonable for a development of the subject site having regard for the heritage buildings, specific costs and needs associated with the building's ongoing preservation, and the risks associated with the project.

Economic Use Outcomes

- [REDACTED]

[REDACTED]

[REDACTED]
- As directed by Heritage Victoria, development scenarios have been investigated and tested that relate only to the Victorian Heritage Register places. These include Scenario 1A (Heritage Area Only – Hotel Use) and Scenario 1B (Heritage Area Only – Office Use). Both scenarios produce poor financial outcomes and do not represent an economically sustainable future for the Rialto and Winfield buildings.
- The balance of the subject site, which currently accommodates the 1980's extension to the Winfield building, represents an opportunity for redevelopment and a chance to generate an economic outcome that can effectively cross-subsidise the heritage buildings.
- Accordingly, additional scenarios have been explored that include the redevelopment of that part of the subject site that is not included on the Victorian Heritage Register. Each scenario includes refurbishment of the Rialto and Winfield buildings.
- Scenario 2 includes a three-level addition to the 1980's extension to the Winfield building. Although the scenario provides additional hotel capacity, it also does not address key operational challenges and is estimated to result in an IRR of -30.9%. Accordingly, it is not considered to be an economically sustainable outcome.
- Scenario 3 includes a six-level addition to the 1980's extension to the Winfield building. Scenario 3 produces an IRR of -35.3% which is also not considered to be an economically sustainable outcome. It is also noted that technical investigations indicate that Scenario 3 is not structural feasible.
- Scenarios 4a and 4b include the demolition of the 1980's extension to the Winfield building, and in its place, construction of a mixed-use hotel tower (4a) or hotel tower (4b). The scenarios deliver an IRR of -30.2% and -33.9% respectively and are not considered to be an economically sustainable outcome.
- Scenario 5 includes the demolition of the 1980's extension to the Winfield building and, in its place, construction of a mixed-use tower with more expansive floorplates due to a projection over part of the Rialto and Winfield buildings. Scenario 5 results in an IRR of +18.9% and is considered to be economically viable. This scenario represents a highest and best use option. Although Scenario 5 is understood to be compliant from a planning permit perspective, Scenario 5 is not advanced as the proposed development following pre-application feedback from Heritage Victoria.
- Scenario 6 (the proposed development) represents a reduced scenario from that of Scenario 5 and is based on pre-application feedback from Heritage Victoria. The principal difference between Scenario 5 and Scenario 6 is a significant reduction in the projection of upper floors over the Rialto and Winfield buildings and, as a result, a reduction in the amount of office space. Scenario 6 results in an IRR of +15.1% which, having regard for the heritage buildings on the subject site and overall project risk, is considered acceptable.

Response to Heritage Victoria

- This Reasonable or Economic Use Report has been updated subsequent to a letter dated 29 June 2023 from Heritage Victoria to Mr Nicholas Touzeau of Planning and Property Partners (HV Letter).
- Specific comments made in the HV Letter that relate to the Reasonable or Economic Use Report are set out below, along with a response which address the comments and/or point to a section in the updated report that provides a response.
- The following two comments and responses relate to matters raised in paragraph 2 of page 2 of the HV Letter.
- HV Comment:** The Ethos Urban report is based on a one-off development sale scenario and is assessed based on an 'Internal Rate of Return' (IRR) for the development of the place. This calculation is not consistent with Heritage Victoria's policy on reasonable and economic use as this is a subjective calculation based on the owner/developer's financial circumstances.
- Response:** The economic assessment is not based on the owner/developers financial circumstances. The economic assessment specifically seeks to examine the prospects of retention of the existing building footprints

and whether this is considered to be economically sustainable. Having determined that it is not, a range of alternative schemes are considered.

The application of a neutral land value (State Revenue Office) in the economic assessment underlines that the approach is based on that of a landowner, rather than the current landowner.

The use of an internal rate of return to consider a range of options is considered reasonable given that any landowner will only contemplate investment in the place if the economic returns provide for a reasonable return on that investment.

24. HV Comment: The economic functioning of the place needs to be understood not the economic functioning of development opportunities. The minimum level of new development necessary to fund the conservation and maintenance of each place and the renovations required to continue ongoing use as a hotel needs to be understood in the application. The Ethos Urban report does not provide sufficient evidence to demonstrate the need for the substantial scale of the proposed development.
25. Response: Additional information concerning the current economic functioning of the place has been provided at section 5.2 of this updated report, including advice provided by hotel, tourism and leisure consultants, Horwath HTL, which is included at Appendix N

Economic assessments were also carried out to establish the extent to which refurbishment and alterations to the heritage places only could be undertaken with the 1980's extension to the Winfield building excluded in its entirety. These scenarios would see the Rialto and Winfield buildings effectively operating as a boutique hotel or office offering. Both scenarios were found to be economically unsustainable.

Accordingly, an economic assessment was undertaken for a range of options that preserved the Winfield and Rialto buildings, and employed the land that presently accommodates the 1980's extension to the Winfield building to effectively cross-subsidise the Rialto and Winfield buildings.

The proposed development was found to represent a sustainable economic outcome and one that also had regard for earlier design and heritage feedback from Heritage Victoria.

The following HV comments and responses relate to the eight dot points set out on pages 2 and 3 of the HV Letter relating to the Reasonable or Economic Use Report.

26. HV Comment: An understanding of the current economic functioning of the Rialto Building and the Winfield Building (including the non-registered 1980s building) for current and/or future owner(s) and why this does not support an economically sustainable ongoing use of the registered places.
27. Response: This comment has been addressed in the previous response (paragraph 25).
28. HV Comment: An understanding of why the Rialto and Winfield buildings cannot continue to operate as a hotel with sufficient economic return in a scenario where the section of proposed development that cantilevers into the heritage places is removed, noting that this might be accompanied by an overall refurbishment of the existing hotel. There is a level of comfort with works associated with the refurbishment of the hotel.
29. Response: This scenario has been considered in Scenarios 4a and 4b (Noting that Scenario 4b is a new scenario that has been added to respond directly to this query.

Scenario 4A provides for a mixed use tower (office and hotel) on land currently occupied by the 1980's extension to the Winfield building, without any building projection outside the area accommodation the 1980's extension to the Winfield building.

Scenario 4B provides for a hotel tower on land currently occupied by the 1980's extension to the Winfield building, without any building projection outside the area accommodation the 1980's extension to the Winfield building.

Both scenarios provide for a full refurbishment of the Rialto and Winfield buildings.

The concept feasibility modelling indicates that both scenarios are likely to result in a loss for a landowner with, in both cases, an IRR of more than -30%.

The underlying reasons why these scenarios do not result in a reasonable economic outcome include:"

- Scenario 4A: The extent to which the mixed use tower offsets the costs associated with the heritage places is compromised by a lower end value associated with relatively small floorplates for the office component.
- Scenario 4B: A hotel outcome does not produce as profitable an outcome as a premium office component. Additionally, the size of the hotel (at 371 rooms) represents a riskier development proposition, the absence of a mixed use (office component) reduces overall end value of the hotel and retail components, and construction cost efficiencies associated with larger floorplates are not achieved.

30. HV Comment: Information regarding the requirement for the current and/or future owner(s) of the place to retain a 'luxury' and 5 star hotel offering. This should address why a five-star offering is the only viable option for retaining the hotel use for the heritage places. This should also address the viability of a 4 star hotel. This must be an objective assessment not focused on the current owner's aspirations for a particular hotel status.

31. Response: This issue is discussed at section 5.2 of this updated Reasonable or Economic Use report (Economic Functioning of the Place) and is included in the advice received from Horwath HTL. It is noted that should the hotel convert to a lower positioning level (e.g. 4-star) a reduction in average room rates of \$60-\$80 would likely apply. Under this outcome, and based on the need for a refurbishment of the hotel, a landowner would be investing money (by way of any refurbishment costs) to generate lower revenues, an outcome that is not logical or economically viable.

32. HV Comment: The Ethos Urban report frequently references operational challenges and inefficiencies related to the hotel use in the Rialto Building and the Winfield Building in both current operation and in scenarios presented. No evidence on the nature of these challenges and inefficiencies is provided to support these as significant issues to be resolved in any development scenario. For instance, it is unclear why the new configuration of hotel rooms in the Rialto Building presented in the proposed development couldn't be achieved in the no tower scenarios presented.

33. Response: [REDACTED]

34. HV Comment: Evidence to support why significant expansion of the existing use of the place as a hotel with the addition of commercial offices is necessary to economically support the place.

35. Response: The key reason the inclusion of premium grade office space is important is that it achieves a greater value contribution on a per square metre basis than a hotel.

At a broader level it is important to also note that a key reason for office space in the proposed development is the location (in a highly regarded corporate area of Collins Street). Just as importantly, the provision of significant floorplates (of up to 1,700m²) achieved in the mixed use in the proposed development represent a critical success factor.

36. HV Comment: [REDACTED]

38. HV Comment: The report notes the lack of stable tenants for the Collins Street retail level. It would be useful to understand what analysis has been undertaken to investigate why the retail has been largely unoccupied and what works or activities would be required to achieve greater occupancy rates.

39. Response: Additional information relating to the challenges faced by the existing retail tenancies is provided at section 5.2 of this updated Reasonable or Economic Use report.

40. HV Comment: Appendix B provides details and costings on the Heritage Facade Works for both Rialto Buildings and Winfield Buildings. This appendix prepared by Rider Levett Bucknall references two conservation scoping documents. No date or consultant that has prepared these is provided. This costing should be based on a scope of conservation drawings prepared by a heritage consultant, as requested above.

41. Response: Conservation drawings and schedule scope of works have been prepared by the Heritage Consultant (Bryce Raworth). These drawings form part of the scoping documents RLB have used to determine the detailed cost plan for these works with an estimated cost of \$7.1 million (dated 23 August, 2023).

Introduction

Background

Salter Brothers owns the property known as 495 Collins Street, Melbourne (the subject site) and proposes a redevelopment which would include:

- (a) Refurbishment of the heritage listed Rialto building and Winfield building; and
- (b) Demolition of the 1980's extension to the Winfield building and, in its place, construction of a mixed-use tower.

The proposed redevelopment would see the continuation of the heritage Winfield and Rialto buildings as a hotel (with retail and club tenancies) while the mixed-use tower would incorporate a hotel component, along with commercial office space, retail and hospitality facilities.

The Winfield and Rialto buildings are identified on the Victorian Heritage Register and are subject to requirements of the Heritage Act 2017 (the Act).

A particular matter of relevance of s.101(2) of the Act is "the extent to which the application, if refused, would affect the reasonable and economic use of the registered place or object" (i.e. the Winfield and Rialto buildings).

Accordingly, this report provides a reasonable and economic assessment which considers the proposed development and the manner in which the proposal, if refused, would affect the reasonable or economic use of the place, based on Guideline s101(2)(b).

Objective

To provide an assessment of the proposed upgrade of the Rialto and Winfield buildings and redevelopment of the site known as 495 Collins Street, Melbourne having regard for Heritage Victoria guidelines concerning reasonable or economic use.

This Report

This report contains the following chapters:

- Chapter 1:** Background Context
- Chapter 2:** Heritage Considerations
- Chapter 3:** Response to Heritage Victoria Matters
- Chapter 4:** Reasonable Use Assessment
- Chapter 5:** Approach to Economic Use Assessment
- Chapter 6:** Economic Use Assessment – Sales and Cost Assumptions
- Chapter 7:** Outcome of Economic Use Assessment

1.0 Background Context

This chapter provides a high-level overview of those factors which frame the subject site's background context: namely its location; heritage significance, recent history and the proposed development.

1.1 Location and Description

The subject site occupies an area of approximately 3,930m² and is located at 495 Collins Street in the heart of Melbourne's commercial office district.

The subject site is situated on the southern side of Collins Street, approximately 250 metres north of the Yarra River. Key surrounding uses include:

- Directly north, office buildings and Oaks on Collins Hotel.
- Directly east, the Olderfleet building at 477 Collins Street, which incorporates a heritage façade and 38 storey premium grade office building.
- Directly south, Flinders Lane and office buildings.
- Directly west, the Rialto Towers, a twin tower office complex of 55 levels and 43 levels respectively, and a retail forecourt. At its completion in 1985, the taller of the two buildings was the tallest building in Melbourne.

The subject site is well serviced by public transport with tram routes situated on Collins Street and William Street, and a Collins Street tram stop located approximately 150 metres east of the subject site.

The subject site is situated approximately 350 metres east of Southern Cross train station, from where almost all metropolitan and regional lines can be easily accessed.

King Street/Kings Way provides north-south road access, while City Link and the Westgate Freeway are relatively convenient depending on traffic congestion.

More broadly, the subject site's address, Collins Street, is regarded as Melbourne's premium commercial office address with several major companies and professional services firms, including the Melbourne office of the Australian Stock Exchange, situated nearby.

The subject site's location can be considered to be advantageous to a number of potential uses and redevelopment options. As well as its location in the CBD and proximity to public transport infrastructure and major businesses, the subject site is proximate to a number of Melbourne's key attractions and tourist destinations.

1.2 Heritage Significance

The Victorian Heritage Register registrations for the Winfield Building (HO040) and Rialto Building (HO041) provide a Statement of Significance which outlines the historic significance of each building.

The Statement of Significance for the Winfield Building notes that the building was erected in 1891 and was formerly the Wool Exchange building. It became known as the Winfield Building from the mid-1920s and is considered architecturally significant as one of the best examples of the Queen Anne style in Victoria.

The Winfield Building is also considered to be architecturally significant for its spatial relationship with the adjacent Rialto building. The two buildings are regarded as an integral part of a block of late Victorian 'boom' period buildings in Collins Street.

The Rialto Building (497-503 Collins Street) is considered architecturally significant as one of the finest 'boom style' buildings in Melbourne. The design is considered particularly unique in the way it demonstrates a then new approach to office accommodation, being specifically planned for a range of commercial tenants and with shops on the ground floor of the street facade.

1.3 Recent History

The buildings' modern history began in the 1970's when The Grollo Group acquired the properties and began to conceive a major redevelopment of the subject site along with adjacent properties to the west.

The result was a major refurbishment of the Winfield and Rialto buildings and their subsequent use as a hotel, along with the construction of the Rialto Towers commercial office towers directly west of the subject site.

The project involved the retention of the Rialto building, along with the retention of the front part of the Winfield building. Behind the preserved component of the Winfield Building a new building was constructed specifically for use as a hotel. A timeline of significant events in relation to the existing place and its present functioning as a hotel is outlined as follows:

- 1986- Hotel redevelopment by Grollo Group (opened as "Menzies at Rialto" hotel) with works including demolition and addition of the new 13 level extension to the Winfield building. The outcome was an integrated development with the hotel operating at the premium end of the market and several retail tenancies.
- 2008 – Hotel refurbishment by previous owners. (works included – updated lobby, staircase, new, bar and restaurant in the atrium sitting on a raised floor fully covering the bluestone paving). It is understood these works saw a capital investment of approximately \$50million.
- 2015- Salter Brothers acquired the InterContinental Hotel

[REDACTED]

1.4 Proposed Development

The proposed development is referred to in this report as Scenario 6 and is based on two specific components: demolition of the 1980's extension to the Winfield building and, in its place, creation of a new 32 level mixed-use tower, together with a major refurbishment of the existing hotel uses in the listed Winfield and Rialto buildings. Upon completion the proposed development would include:

- 273 luxury hotel rooms
- 2,287m² (approx.) members club (to be known as the Winfield Club)
- 1,554m² retail floorspace
- 21,799m² premium grade office (net lettable area) space with floorspace over 15 levels.

The mixed-use tower is positioned towards the Flinders Lane end (southern end) of the subject site. The upper levels of the tower accommodate 15 levels of office space. Office floorplates vary in size from 687m² to 1,699m² of net lettable area with 6 levels at the maximum 1,699m², and a further 6 levels greater than 1,298m² in area.

The 9 levels below the office component of the mixed-use tower incorporate hotel suites while the lower levels incorporate a mix of plant, office lobby and a range of hotel services.

An image of the proposed development is included at Figure 1.1.

Hotel rooms in the Rialto building will be upsized, re-planned and refurbished including internal wall reconfiguration. Some of the rooms facing Collins Street would be used for the proposed Winfield Club, and, overall, (as a result of the new building) the majority of rooms would be afforded much improved exposure to natural daylight. The current layout, which sees a central hallway with rooms located on each side will be replaced with an access hallway relocated to the atrium side of the building, providing for larger (but fewer) hotel rooms. The Rialto building will continue to accommodate hotel rooms on levels 2, 3 and 4, while the Winfield building will be turned over to Winfield Club facilities. The vast majority of hotel rooms will be situated in the new tower that will replace the 1980's extension to the Winfield building.

Figure 1.1 Proposed Development



Source: Cox Architects

Across the mixed-use tower and refurbished heritage buildings, the range and quality of hotel services will be significantly expanded. The Winfield Club, which will be mainly accommodated in the old Winfield building, will include:

- Day spa (Flinders Lane ground floor)
- Lobby (Lower ground floor)
- Entry (Collins Street ground floor)
- Library and sitting room (Level 1)
- Bar and billiards room (Level 2)
- Private dining and kitchen (Level 3)
- Restaurant and bar (Level 3).

Hotel facilities available to all guests will include:

- Reception and retail facilities and café (Flinders Lane ground floor)
- All day dining, library, piano bar and retail (Lower ground floor)
- Ball room, restaurant, pre-function spaces and meeting rooms (Level 1)
- Pool deck (Level 3)
- Wellness and spa (Level 4)
- Executive lounge (Level 5)

It is not the intention of this report to provide a detailed overview of the proposed development as that is dealt with in other technical reports. For the purposes of considering reasonable or economic use however, it is relevant however to note that:

- The proposed development is expected to deliver substantial heritage benefits.
- The development is conceived as a very high-quality development, from both an exterior and interior perspective. Accordingly, the overall development outcome, and particularly the hotel component, represents an outcome that would be expected to command prices at the high end of the market.

1.5 Summary

The following findings flow from this chapter:

- The subject site, located at 495 Collins Street, Melbourne, can be described as occupying a strategic and privileged location in Melbourne's CBD. The subject site is well served by fixed rail public transport (tram and train), and is located adjacent, or near to, many of Melbourne's key attractors.
- The subject site is situated in the Capital City Zone (Schedule 3) and Victorian Heritage Register. The Winfield and Rialto citations notes the "two buildings are regarded as an integral part of a block of late Victorian 'boom' period buildings in Collins Street".
- The proposed development will result in:
 - Significant heritage-related benefits to the Winfield and Rialto buildings (outlined in Heritage Impact Statement).
 - Demolition of the 1980's extension to the Winfield building and construction of a 32-level mixed-use tower.
 - An integrated mixed-use development comprising a 273-room luxury hotel, 21,799m² of premium grade office space and 1,554m² of retail floorspace.

2.0 Heritage Considerations

This chapter provides a summary of the Heritage Council of Victoria (HCV) policy guidelines to be considered when assessing the reasonable or economic use of a registered heritage place or object. This chapter therefore provides the policy context for consideration in subsequent chapters.

2.1 Summary of Policy Guidelines

Section 101(2)(b) of the *Heritage Act 2017* states that the Executive Director, in determining whether to approve an application for a permit, must consider the extent to which refusal would affect the reasonable or economic use of the registered place or registered object.

Factors to be considered in determining reasonable or economic use are outlined in the Heritage Victoria guideline titled *Heritage Victoria Policy, Reasonable or economic use, Relevant matters for the consideration of section 101(2)(b) of the Heritage Act 2017* (June 2021).

The Policy guideline includes the following points regarding the consideration of reasonable or economic use:

Reasonable Use

- 12. When determining a permit application, the Executive Director must consider the extent to which the reasonable use of the registered place or object would be affected by a refusal, as an alternative to the 'economic use' consideration or in addition if relevant.
- 13. The 'reasonable use' consideration is an objective assessment and is concerned with the reasonable use of the registered place or object, not what is subjectively reasonable. For example, refusal to issue a permit for an addition to a residence may affect the reasonable use of the registered place to a lesser extent if the place could generally be used as a residence by others without the proposed changes.
- 14. When taking into account the circumstances of the permit application and the registered place or object, the Executive Director may consider: (1) the historic, recent and current uses of the registered place or object, (2) other compatible uses¹ of the registered place or object, (3) the context and setting within which the place or object is located, and (4) other relevant matters.
- 15. Refusal to issue a permit for works to enable a change in use may affect the reasonable use of a place to a greater extent if the historic or recent use is now obsolete, than if the historic or recent use is not obsolete. For example, an adaptive re-use proposal for a now redundant industrial complex.
- 16. Refusal to issue a permit for upgrading facilities to bring them to contemporary or safe standards may affect the reasonable use of a place. For example, updating kitchens, bathrooms, access provisions or other necessary infrastructure or services required to meet current regulations or legislation.

Economic Use

- 17. When determining a permit application, the Executive Director must consider the extent to which the economic use of the registered place or object would be affected by a refusal, as an alternative to the 'reasonable use' consideration or in addition if relevant.
- 18. The 'economic use' consideration is concerned with the economic functioning of the registered place or object and is not focussed on the financial circumstances of the applicant or owner. The feasibility of a proposed development may be relevant insofar as it relates to the viability of an ongoing use or an adaptive re-use of the registered place or object.
- 19. The Executive Director may consider whether the proposed works would facilitate an economically sustainable use of the registered place or object. An economically sustainable use could be one that can continue for the medium to long term, mitigating the possibility of continual proposed changes to the registered place or object.
- 20. If the permit applicant contends that the future economic use of the registered place or object would be affected by refusal, they may be required to provide relevant information to support this contention for the Executive Director's consideration, pursuant to s98. This may include evidence of the forecasted impact,

showing the degree of impact over a relevant timeframe with an explanation of assumptions used in the modelling.

- 21. Refusal to issue a permit for works which would enable the use of the registered place or object to generate income critical to fund ongoing and future conservation and maintenance, may affect the economic use of the registered place or object, particularly if the historic, recent or current use is a commercial use. A permit refusal may affect the economic use of a registered place or object if it would limit the capacity of an existing or compatible commercial use to generate income necessary to cover the cost of:
 - conservation and maintenance of the registered place or object; and/or
 - rates and land tax directly associated with the registered place; and/or
 - capital improvements to ensure the continued use of the registered place or object, where that use contributes to its significance (including reasonable debt repayment and interest costs). For example, improving infrastructure or services to ensure that an existing compatible commercial use continues to attract tenants and/or customers.

In summary, Heritage Victoria must endeavour to find the right balance between conservation objectives and matters that relate to reasonable and economic use.

2.2 Approach taken in this report

In this report:

- Specific matters raised by Heritage Victoria in respect of reasonable or economic use, are addressed in Chapter 3.
- Reasonable Use is considered in Chapter 4, particularly in the context of:
 - The historic, recent and current uses of the registered place or object
 - Other compatible uses of the registered place or object
 - The context and setting within which the place or object is located, and
 - The extent to which refusal would affect the reasonable use of the registered place or registered object
- Economic Use is considered in Chapters 5, 6 and 7 and has a focus on:
 - The current economic functioning of the registered place.
 - The extent to which the proposed works will facilitate an economically sustainable use of the registered place, noting that an economically sustainable use may be one that could continue for the medium to long term and mitigate the possibility of continual proposed changes to the registered place or object.
 - The extent to which a permit refusal is likely to affect the economic use of the registered place; specifically, whether a permit refusal would limit the capacity of an existing or compatible commercial use to generate income necessary to cover the cost of; conservation and maintenance of the registered place or object; and/or rates and land tax directly associated with the registered place; and/or capital improvements to ensure the continued use of the registered place or object, where that use contributes to its significance (including reasonable debt repayment and interest costs). For example, improving infrastructure or services to ensure that an existing compatible commercial use continues to attract tenants and/or customers.

3.0 Response to Heritage Victoria Matters

3.1 Matters raised by Heritage Victoria

Feedback from Heritage Victoria to Salter Brothers has been provided based on the proposed development and, specifically, in relation to the Rialto building and Winfield building. Two pieces of correspondence are particularly relevant to the consideration of reasonable or economic use.

The first is a letter from Janet Sullivan of Heritage Victoria on 9 September 2021 to Mr Touzeau of Planning and Property Partners (representing Salter Brothers) which includes (at page 2):

Economic use generally relates to the economic functioning of a registered place, which can include income generation from a commercial use in order to fund conservation and maintenance works. Changes to the interiors of the Winfield Building and the Rialto Building may be justified if the ongoing use of these places would be adversely affected if those changes were not carried out. In terms of the tower projections into the airspace of these places, there is little connection between these changes and the reasonable use and economic use of each place. The majority of the proposed tower would be on unregistered land and would therefore be outside the scope of the 'reasonable or economic use' consideration.

The second relates to a letter from Janet Sullivan of Heritage Victoria on 9 December 2022 to Mr Touzeau of Planning and Property Partners, which notes that (page 2):

A report to demonstrate the extent to which the application, if refused, would affect the reasonable or economic use of the registered place or registered object. This should have reference to Heritage Victoria Policy Reasonable and Economic Use (published June 2021 and attached with this letter).

Heritage Victoria's reasonable and economic use considerations are focused on an economically sustainable use of the heritage place rather than highest and best use. Only the extent of new floorplates within the Victorian Heritage Register places should be quantified and analysed, noting that elements of the tower not on registered land would be outside the scope of the reasonable and economic use consideration.

The report should demonstrate why the places (limited to the places included in the Victorian Heritage Register) cannot continue to be used, protected and conserved without this significant new development. It must be demonstrated that the level of development proposed (only within the Victorian Heritage Register places) is the minimum necessary to fund the conservation and maintenance of each place.

3.2 Response

It is noted that "only the extent of new floorplates within the Victorian Heritage Register places should be quantified and analysed, noting that elements of the tower not on registered land would be outside the scope of the reasonable and economic use consideration".

It is further noted that "the report should demonstrate why the places (limited to the places included in the Victorian Heritage Register) cannot be used, protected and conserved without this significant new development".

It is appropriate to consider the existing hotel and the manner in which the various components of the hotel are spread between the three buildings: the Rialto building, the Winfield building and the 1980's extension to the Winfield building.

Rialto building: existing uses

- Flinders Lane level: Main kitchen/retail/dining/bar
- Lower Ground: Meeting rooms/conference facilities
- Collins St level: Restaurant/retail
- Levels 1-5: Guestrooms
- Level 6: Plantroom/roof

Winfield building existing uses

- Flinders Lane level: Not currently being used
- Lower Ground: Boardrooms
- Collins St level: Retail
- Levels 1-5: Guestrooms
- Level 6: Roof

1980's extension to the Winfield building existing uses

- Basement: Substation/chillers/plantroom/main switchroom/water supply tanks/fire pump room
- Flinders Lane level: Loading bay/Hotel back-of-house/Housekeeping/amenities/goods store/security
- Lower Ground: Meeting rooms/function pantry/lifts
- Collins St level: Reception/lobby/concierge/bar/lifts/guestrooms
- Levels 1-9: Guestrooms
- Level 10: Cooling towners/boiler plant room/swimming pool/gym

It is evident from an examination of the various functions of the existing hotel that the present use is not limited to the Rialto and Winfield buildings. Rather, key elements of the hotel's operation are located in the 1980's extension to the Winfield building, including the substation and plant room, back of house facilities and perhaps, most importantly, loading bay facilities. Accordingly, it is difficult, and perhaps impossible, to quantify and analyse the existing hotel operation without having regard for those elements of the hotel's operation that are located outside the footprint of the Rialto building and Winfield building. For example, if the hotel (or any other use) was limited to the footprint of the Rialto building and Winfield building, a loading dock would need to be accommodated at the Flinders Lane end of the Rialto building resulting in impacts to the building's heritage fabric.

As a summary:

- The loading dock, basement plantroom, housekeeping and wellness facilities all in the 1980's extension to the Winfield building
- Winfield building and Rialto building rely on the facilities in the 1980's extension to the Winfield building
- Lifts in the 1980's extension to the Winfield building provide access to guests in the Winfield building.

Notwithstanding the practical challenges in terms of the existing hotel operation, the economic use assessment in this report considers two scenarios (1A and 1B) in which only the extent of new floorplates within the Victorian Heritage Register places are quantified and analysed, as are a number of scenarios in which that part of the subject accommodating the 1980's extension to the Winfield building is included in development outcomes.

4.0 Reasonable Use Assessment

This chapter considers the question of Reasonable Use.

4.1 Approach to Assessment of Reasonable Use

In considering Reasonable Use, the following factors are considered:

- The historic, recent and current uses applying to the subject site
- Other compatible uses relevant to the subject site
- The context and setting of the subject site
- The impact of a refusal on Reasonable Use
- Reasonable Use Conclusion

4.2 Historic, recent and current uses of the registered place or object

The Winfield Building was erected in 1891 and was formerly the Wool Exchange building. It became known as the Winfield Building from the mid-1920s and is considered architecturally significant as one of the best examples of the Queen Anne style in Victoria.

The Winfield Building is also considered to be architecturally significant for its unique spatial relationship with the adjacent Rialto building. The two buildings are regarded as an integral part of a block of late Victorian 'boom' period buildings in Collins Street.

The Rialto Building (497-503 Collins Street) is considered architecturally significant as one of the finest 'boom style' buildings in Melbourne. The design is considered particularly unique in the way it demonstrates a then new approach to office accommodation, being specifically planned for a range of commercial tenants and with shops on the ground floor facing Collins Street.

The buildings' modern history began in the 1970's when The Grollo Group acquired the properties and began to conceive a major redevelopment of the subject site along with adjacent properties to the west.

The result was a major refurbishment of the Winfield and Rialto buildings and their subsequent use as a hotel, along with the construction of the Rialto Towers commercial office towers directly west of the subject site.

The project involved the retention and refurbishment of the Rialto building along with the retention of the front part of the Winfield building. Behind the preserved component of the Winfield Building a new building was constructed specifically for use as a hotel. The overall outcome provided for an integrated development comprising a hotel (the primary use) as well as several retail premises fronting Collins Street.

The hotel component opened in 1984 as the Menzies at Rialto hotel and operated as a premium level hotel in the Melbourne accommodation market.

The hotel's management was taken over in 2006 by InterContinental Hotels Group and a \$50 million capital investment was undertaken to refresh and rebrand the hotel. In 2008, the InterContinental Melbourne The Rialto (InterContinental Rialto) opened.

The InterContinental Rialto remains a five-star accommodation offering in Melbourne's hotel market, and is understood to have a loyal following amongst business travellers, particularly those seeking a central Melbourne location. At present, the hotel includes 253 guest rooms, including 29 luxury suites, along with dining venues and health and well-being facilities. Hotel rooms are located in the Rialto building (85 rooms), Winfield heritage building (8 rooms) and Winfield 1980's extension (160 rooms).

Despite appearances however, the InterContinental Rialto is beginning to age and, increasingly, faces significant new competition in the luxury hotel market.

In both the heritage buildings and the 1980's extension to the Winfield building, room configuration no longer provides a contemporary style or space expected of luxury hotel accommodation.

[REDACTED]

From a competitive standpoint, the InterContinental Rialto continues to face new competition, such as the recently opened W Melbourne (opened February 2021), Le Meridien in the west end of Bourke Street and the six-star Ritz Carlton, both of which opened in March 2023. Melbourne's luxury hotel market will continue to grow with the under-construction Shangri La Melbourne, as part of the Sapphire by the Gardens development, expected to open in 2024, the Meriton Suites King Street, which will feature 298 luxury apartment-style hotel suites, and a 210 room Four Seasons hotel in the STH BNK by Beulah, which is estimated to be completed by 2027.

The economic impacts of the InterContinental Rialto's relative position in the market are explored further in the economic use sections of this report.

4.3 Other compatible uses of the registered place or object

Other compatible uses for the Winfield and Rialto buildings are considering following.

Industrial

The Winfield and Rialto buildings are no longer suitable for an industrial form of use. The configuration of the buildings along with their location would not represent an operationally viable proposition for industrial use.

Retail

A retail use may be appropriate at ground level but would not be suitable in the upper levels. With the exception of the traditional department store model (a model that is itself increasingly struggling for survival), multi-level retail developments generally struggle as a sustainable financial model.

Also, as the Winfield and Rialto buildings are removed from what might be considered the Melbourne CBD retail core the location would not be conducive to an extensive and intensive retail offering over multiple levels. It is also noted that use of the Rialto and/or Winfield buildings alone for retail purposes would be impractical without loading docks. For example, the Rialto building would require partial demolition and/or alternations to provide for a loading bay from Flinders Lane.

Residential

A residential use, in the form of apartments (build to sell or build to rent), by way of conversion of the Rialto and Winfield heritage buildings and a new residential apartment building in place of the 1980's extension to the Winfield building is unlikely to represent a realistic outcome. Although Melbourne's CBD contains many residential apartment towers, the cost to build residential apartments and associated carparking on the subject site will limit the potential for residential to compete with commercial office space.

It is also noted that:

- The subject site is situated in a prime corporate business location with the potential for high quality large floorplates.
- A residential development would most likely see the landowner lose ownership and control of the subject site, and, potentially, control of the heritage buildings, with transition to a body corporate strata arrangement. Further, strata levies are unlikely to be sufficient to fund ongoing conversation and maintenance costs.

- A residential development would effectively sterilise the subject site, meaning the potential for a change of land use in the future would be challenging or impossible.
- In terms of the use of the heritage buildings for residential purposes, the lower floors of the Rialto and Winfield buildings are sunken with little daylight available. It is further understood that in those areas where more daylight is available, heritage constraints will not provide the opportunity to increase the size of windows. In summary, these issues along with floor plate sizes, mean it is unlikely that the heritage buildings would comply with apartment design guidelines.

Hotel

Retention of the Rialto and Winfield buildings for the purposes of a hotel is considered reasonable, particularly given the buildings' current use as a hotel.

Use of the balance of the subject site for the purposes of commercial accommodation is also considered a realistic prospect.

The subject site is situated in an active business and mixed-use precinct and proximate to major attractors such as Crown Entertainment Complex, Melbourne Exhibition Centre and other major cultural and tourist-based institutions and facilities.

The subject site is in an established hotel precinct with a number of high-quality hotels including:

- Oaks Melbourne on Collins Street (4 Star Hotel)
- W Hotel (5 Star Hotel)
- Oaks Melbourne on Market (4 Star Hotel)
- Quincy Hotel (4 Star Hotel)
- The Savoy Hotel on Little Collins (4 Star Hotel)
- Grand Hotel Melbourne (4 Star Hotel)
- Hilton Melbourne Little Queen Street (5 Star Hotel)

On the southern bank of the Yarra River, additional high-quality hotels include:

- Crown Promenade (4 Star Hotel)
- Crown Towers (5 Star Hotel)
- Pan Pacific Melbourne (5 Star Hotel)
- Novotel, South Wharf (4.5 Star Hotel)

Soon to be complete additions to Melbourne luxury hotel market and also located in Melbourne's CBD include the Ritz Carlton, Shangri La Hotel and Meriton Suites King Street.

A concentration of hotels in Melbourne's CBD and city fringe areas is to be expected in a major city of more than 5 million inhabitants.

Office

Office use represents a potential use for the Winfield and Rialto buildings, and the 1980's extension to the Winfield building. It is considered however, that due to the configuration of rooms and spaces (and the building footprints overall), it would be difficult to attract corporate tenants. The buildings are narrow and deep in nature with the Rialto building estimated to be approximately 90m deep (i.e. north to south) and approximately 14m wide (i.e. east to west). The 1980s extension to the Winfield building is marginally narrower again.

Redeveloping the Rialto and Winfield buildings for the purposes of office space would therefore represent a challenge, having regard for the need for modern lift facilities and access space in a relatively central location and the narrow (13-14m) nature of the existing buildings. It is considered unlikely that modern corporate businesses would be attracted to office configurations of this nature.

Conversion of the Rialto and Winfield buildings to provide for an office outcome would likely therefore appeal to smaller tenancies at significantly lower rentals.

It is also relevant that use of the Rialto and/or Winfield buildings for office use on their own would, like retail, require loading/unloading facilities off Flinders Lane and demolition or alterations to the Rialto building on Flinders Lane.

In a development on land facilitated by the demolition of the 1980's extension to the Winfield building, office use is considered to be a reasonable use having regard for the location of the subject site in the midst of a major area of corporate business activity within Melbourne's CBD, and the ability to provide for more conventional floorplates with a width (i.e. east-west span) of at least 25-26m.

In this context, it is noted that:

- In the post-pandemic environment, employee satisfaction and operational efficiency are playing a greater role in the provision of office space.
- Corporate tenants are increasingly seeking premium or A-Grade office space as a minimum requirement, with a greater focus on employee satisfaction. This in itself is creating a demand for amenities such as retail, childcare, health and wellness facilities and access to public transport in and around new office buildings.
- Office layouts have and continue to evolve from traditional individual offices to open-plan environments. It is understood that since 2005, more than 80% of office buildings constructed (or under construction) in Melbourne's CBD have floorplates of more than 1,000m².

4.4 Context and setting within which the place or object is located

The Winfield and Rialto buildings are situated in Collins Street, in the heart of one of Melbourne's most established commercial office areas, and near to major attractors such as the Immigration Museum, Melbourne Aquarium, Crown Entertainment Complex, the Melbourne Convention and Exhibition Centre, and Melbourne Arts and Cultural Precinct.

The subject site is well serviced by both tram and trains.

Convenient road access is also available to the Westgate Freeway and City Link, as well as key arterial roads such as Kings Way.

The subject site's location is considered to be advantageous to a number of potential uses and redevelopment options that include retention of a luxury hotel offering, along with commercial office space and supporting retail floorspace at ground level. Although the commercial and operational viability of the present hotel is increasingly challenged, its location is considered to be advantageous and, if supported by complementary uses, could be sustainable.

4.5 Impact of a Refusal on Reasonable use

Ongoing use of the Rialto and Winfield buildings for the purpose of a hotel represents a reasonable use though it is noted that the InterContinental Rialto is facing increasing competition from a range of established and new entrants to the luxury hotel market (this issue is explored further in the economic use sections of this report).

[REDACTED]

Office use, along with retail uses at ground level, are also considered to represent a reasonable use of the Rialto and Heritage buildings, and would be appropriate in any redevelopment of that part of the site that accommodates the 1980's extension of the Winfield building.

[REDACTED]

4.6 Reasonable Use Conclusion

This report concludes that the proposed development represents a reasonable use of the subject site. This conclusion has regard for:

[REDACTED]

[REDACTED]

- In relation to the consideration of alternative potential uses, the Rialto and Winfield heritage buildings do not support a contemporary industrial use.
- Consideration of the Rialto and Winfield buildings as a stand-alone development (hotel or office) is unlikely to produce a reasonable outcome. The ongoing use of the Rialto and Winfield buildings as a stand-alone hotel would see the hotel downgraded from a five-star offering to a boutique hotel of smaller scale, and at a lower rating. A conversion of the two heritage buildings to office space is possible, but in practical terms, the narrowness of the Rialto building would limit potential tenants to smaller businesses and consulting suites. Under either scenario, the Rialto and Winfield buildings' futures would be diminished in terms of their reputation and standing, as well as their sustainable future.
- Viewing the subject site through a wider lens with the demolition of the 1980's extension to the Winfield building and replacement with a new mixed-use building incorporating both hotel and office uses is considered to be reasonable having regard for the recent and current uses, and the subject site's location. In short, the proposed development will result in a continuation and expansion of the current use.
- The proposed development will see a significant increase in foot traffic within the subject site, a broad range of visitation and enjoyment of the heritage elements.
- The surrounding context is relevant in regard to the proposed uses in that the subject site is situated in the heart of Melbourne's CBD, on Collins Street, which has and continues to be regarded as Melbourne's premier business address, and is proximate to many of Melbourne's premier cultural, tourist and visitor attractions. The surrounding area is a well-established location for high-end commercial accommodation and office uses.
- From the perspective of commercial office space and as a hotel, the subject site is highly accessible to public transport.
- The proposed development will provide for a redevelopment of the 1980's extension to the Winfield building and retention of the heritage buildings which, having regard for the surrounding economic context, is considered reasonable.

[REDACTED]

5.0 Approach to Economic Assessment

This chapter outlines various development scenarios considered in the economic assessment and sets out some of the key assumptions applied in the consideration and testing of seven development scenarios.

5.1 Approach

This report considers and evaluates key issues relating to economic use. In doing so, the following approach is taken:

- Overview of the current economic functioning of the place.
- Conceptual feasibility assessment of a redevelopment of new floorplates within the Victorian Heritage Register places (as per the direction provided by Heritage Victoria in the letter of 9 December 2022). Two concept feasibility assessments have been prepared; Scenario 1A provides for an ongoing hotel while Scenario 1B converts the majority of the heritage buildings to office use.
- Additional concept feasibility assessments which consider a number of scenarios whereby the heritage buildings are maintained and refurbished, and a new development is undertaken where the 1980's extension to the Winfield building presently stands. These constitute scenarios 2, 3, 4A, 4B, 5 and 6, the last of which (Scenario 6) represents the proposed development.

5.2 Economic Functioning of the Place

The economic functioning of the place is considered in two ways. This section (section 5.2) considers the current economic functioning of the place, in terms of the existing hotel operation. That is, it considers the integrated place as it is presently configured, across the Rialto and Winfield buildings, and the 1980's extension to the Winfield buildings.

Scenarios 1A and 1B consider the potential economic functioning of the place if the heritage elements only (effectively the rialto building and the Winfield buildings) were redeveloped as a hotel or an office development respectively. These scenarios do not consider the land area containing 1980's extension to the Winfield building as part of a potential redevelopment.

In terms of the current economic functioning of the place, the existing hotel comprises 253 rooms, with 85 in the Rialto building, 8 in the Winfield building (heritage part) and 160 in the 1980's extension to the Winfield building.

The hotel was closed for a period over the 2021 period as a number of cosmetic changes were undertaken and leaks in the heritage buildings were addressed.

The hotel is now fully operating and a new Club Lounge has been moved to the Collins Street end.

It is noted that in-house facilities are considered important as many guests choose to stay at the InterContinental Rialto because of the heritage aspects associated with the hotel. Many guests choose to remain within the complex, provided the full suite of services is available.

From an operational perspective [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

The recent financial performance of the InterContinental Rialto is considered in Tables 5.1, 5.2 and 5.3.

The hotel was used during the COVID-19 period for hotel quarantine purposes. Accordingly, the 2020 and 2021 operating period does not represent normal trading conditions. Key performance metrics around Occupancy and Average Room Rate are therefore provided over the 2014 to 2019 period, which is considered representative of normal trading conditions.

The average room rate increased at a modest rate of [redacted] over the period.

Table 5.1 InterContinental Rialto – Performance Metrics

Calendar Year	2014	2015	2016	2017	2018	2019
Rooms Available	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rooms Occupied	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Occupancy	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Average Daily Rate	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
RevPAR	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Source: Salter Brothers
 Note: RevPAR = Revenue per Available Room

A more relevant measure is to compare the same key metrics (Average Room Rate and Occupancy Rate) for the InterContinental Rialto against its key competitors in the luxury hotel segment. The relevant data comparing the hotel against its 'Compset' is set out in Tables 5.2 and 5.3.

The existing Compset comprises The Westin, Park Hyatt, Sofitel and Langham. An additional comparative measure, a luxury Compset, includes the same four hotels plus Crown Towers. The comparative data is summarised as follows:

[Redacted Table Content]

Table 5.2 InterContinental Rialto – Performance Comparison (Average Daily Rate)

Calendar Year	Average Daily Rate		
	ICM	Existing Compset	ICM v Compset
2015	[REDACTED]	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]
2019	[REDACTED]	[REDACTED]	[REDACTED]
2022 (YTD June 2022)	[REDACTED]	[REDACTED]	[REDACTED]
2022 Melb. Luxury (YTD June 2022)	[REDACTED]	[REDACTED]	[REDACTED]

Source: Salter Brothers

Table 5.3 InterContinental Rialto – Performance Comparison (Occupancy Rate)

Calendar Year	Occupancy Rate		
	ICM	Existing Compset	ICM v Compset
2015	[REDACTED]	[REDACTED]	-1%
2016	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]
2019	[REDACTED]	[REDACTED]	[REDACTED]
2022 (YTD June 2022)	[REDACTED]	[REDACTED]	[REDACTED]
2022 Melb. Luxury (YTD June 2022)	[REDACTED]	[REDACTED]	[REDACTED]

Source: Salter Brothers



From a competitive standpoint, the InterContinental Rialto continues to face new competition, such as the recently opened W Melbourne (opened February 2021), Le Meridien in the east end of Bourke Street and the six-star Ritz Carlton, both of which opened in March 2023.

Melbourne's luxury hotel market will continue to grow with the under-construction Shangri La Melbourne, as part of the Sapphire by the Gardens development, expected to open in 2024, the Meriton Suites King Street, which will feature 298 luxury apartment-style hotel suites, and a 210 room Four Seasons hotel in the STH BNK by Beulah, which is estimated to be completed by 2027.

[REDACTED]
[REDACTED] chers by hotel, tourism and leisure consultants, Horwath HTL on 21
[REDACTED]

- [REDACTED]
[REDACTED]
 - [REDACTED]
[REDACTED]
 - [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

As an order of magnitude guide, an economic evaluation of refurbishment of the existing hotel can be considered as follows:

- Costs: Existing Hotel Refurbishment, comprising:
 - Full refurbishment of the existing guestrooms and corridors
 - Full refurbishment of conference and events areas, and meeting spaces
 - Full refurbishment of the public spaces, including restaurants, bar, pool and gym
 - Upgrade of services, including upgrade of lifts and security system in lifts
 - Full refurbishment to hotel lobby/concierge area
 - Heritage face conservation works
 - The estimates total cost for (September 2023 estimate) of these works is [REDACTED] m (ex GST) based on an order of cost estimate by Rider Levett Bucknall (4 September 2023 and included at Appendix A of this report)
- The addition of a 15% development costs allowance to cover additional development costs, including financing, increases this figure to [REDACTED]
- The addition of a 20% margin on the total development cost means that a value uplift in the order of [REDACTED] needs to be created to justify the investment. Spread across 253 rooms, the uplift required is in the order of [REDACTED] per room.

It is important to note that the required uplift value would be in addition to the value attributed to the existing hotel on a value per room basis (Hotel values at a per room level are explored further in section 6.1 of this report). The combined current value and required uplift value would place the value of the refurbished hotel higher than any other recently completed fully serviced five-star hotel in the Melbourne market; an unlikely scenario given the refurbishment would not address key issues such as the Winfield building providing only internally facing rooms.

This exercise further emphasises the difficulties in undertaking a major refurbishment of the existing place (including a scenario in which the 1980's extension to the Winfield building is retained).

The loss-making nature of such an exercise requires the consideration of options that provide for a cross subsidisation of the Rialto and Winfield buildings from a more substantial development of the area currently occupied by the 1980's extension to the Winfield building.

If the current economic functioning of the place does not represent a sustainable position, it is necessary to consider a range of development scenarios that may provide for a sustainable economic outcome. These are set out following.

5.3 Overview of Economic Assessment Scenarios

An overview of the alternative scenarios that are the subject of the economic assessment is provided following. Area schedules prepared by Cox Architects for all scenarios (except Scenarios 2 and 3) have been provided and attached at Appendix B.

5.3.1 Scenario 1A: Heritage Only - Hotel

Scenario 1A is based on a development of that part of the subject site that is within the Victorian Heritage Register places. The land area that applies to Scenario 1A is 1,920m².

The scenario involves refurbishment of the heritage listed Winfield and Rialto buildings resulting in:

- 105 hotel rooms
- 1,117m² heritage retail

Scenario 1A would result in a reduced hotel operation more at the boutique end of hotel offerings. It would provide for a relatively small club lounge but not for the extensive dining facilities or many of the facilities (e.g. pool) provided in the higher end of the luxury hotel segment. It is also noted that Scenario 1A includes partial demolition and modifications to the Flinders Lane section of the heritage Rialto building to provide for loading facilities.

5.3.2 Scenario 1B: Heritage Only – Office

Scenario 1B is based on a development of that part of the subject site that is within the Victorian Heritage Register places. The land area that applies to Scenario 1B is 1,920m².

The scenario involves refurbishment of the heritage listed Winfield and Rialto buildings resulting in:

- 5,357m² office space
- 1,640m² heritage retail

Scenario 1B would result in development with retail offerings at ground and lower ground levels, and office space in both the Winfield and Rialto buildings.

As noted in the Reasonable Use discussion, the buildings are narrow and deep in nature with the Rialto building, where the majority of office would be located, estimated to be approximately 90m deep (i.e. north to south) and approximately 14m wide (i.e. east to west). With the incorporation of modern lift facilities and access space, the narrow (13-14m) nature of the existing buildings would see office suites of (generally) between 100m² and 200m². This would almost certainly preclude any major corporate users. Instead, the configuration would most likely be taken up by small businesses or perhaps as medical suites or similar.

It is also considered unlikely that modern corporate businesses would be attracted to office configurations of this nature and that office suites, particularly those on lower floors, would be relatively dark with little natural light. As a result, it is likely to attract lower rentals and the attractiveness of the asset to institutional capital investors as an ownership model decreases.

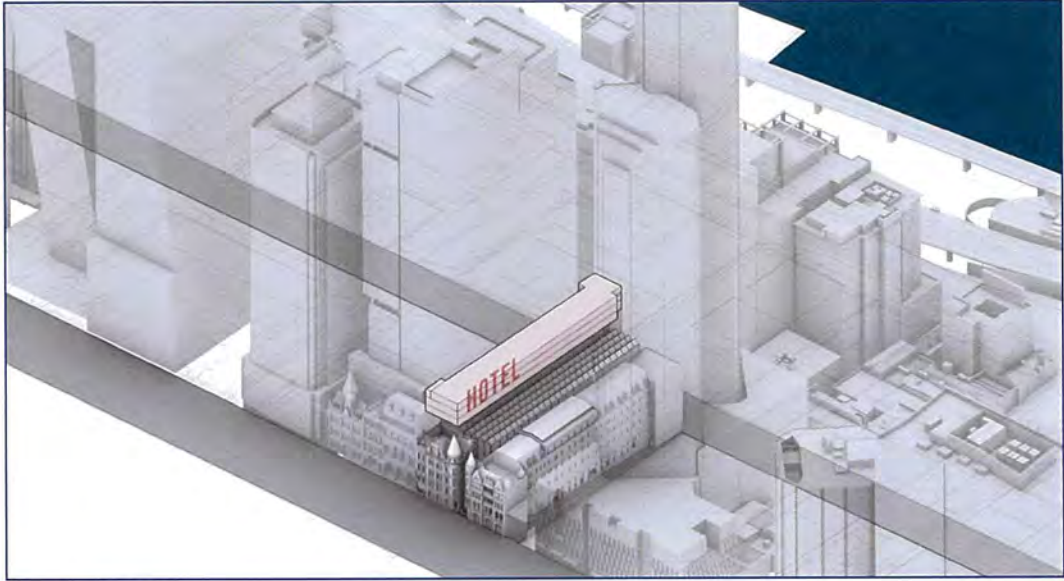
As with Scenario 1A, Scenario 1B includes partial demolition and modifications to the Flinders Lane section of the heritage Rialto building to provide for loading facilities.

5.3.3 Scenario 2: Refurbishment + Additional 3 Levels

Scenario 2 represents a redevelopment of the full area of the subject site and provides for a significant refurbishment of the existing hotel and construction of an additional three hotel levels supported by the 1980's extension to the Winfield building (see Figure 5.1). This scenario would result in:

- 299 hotel rooms
- 1,933m² heritage retail
- Relocation of roof top pool to Flinders Lane level
- Relocation of roof top plant room and new plant and equipment
- Relocation of Hotel Club Lounge to level 8

Figure 5.1 Scenario 2 - Refurbishment + Additional 3 Levels



Source: COX Architects

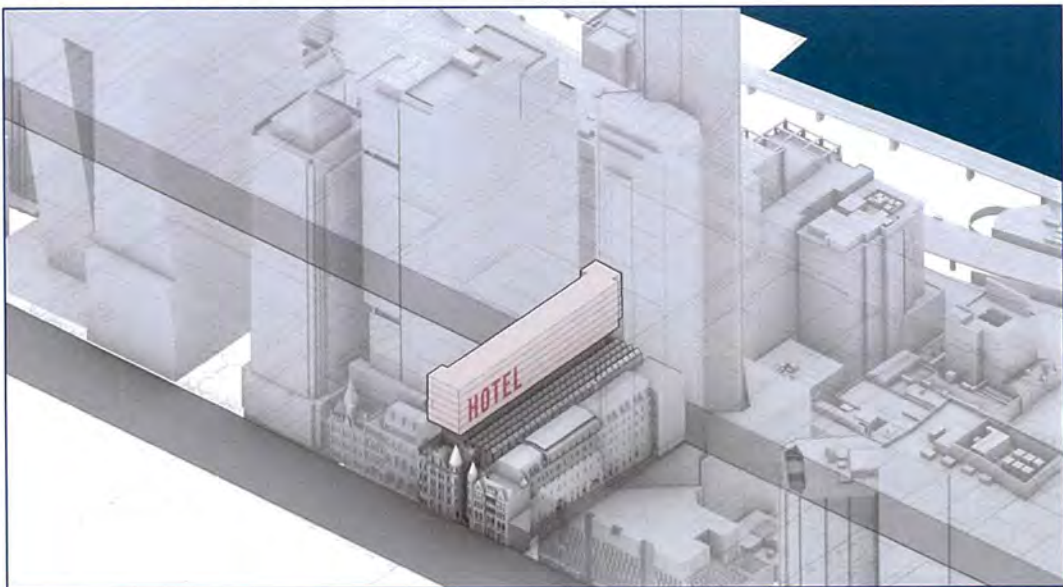
5.3.4 Scenario 3: Refurbishment + Additional 6 Levels

Scenario 3 represents a redevelopment of the full area of the subject site and provides for a significant refurbishment of the existing hotel and construction of an additional six levels supported by the 1980's extension to the Winfield building (see Figure 5.2). This scenario would result in:

- 357 hotel rooms
- 1,933m² heritage retail
- New all-day dining
- Relocation of roof top pool to Flinders Lane level
- Relocation of roof top plant room and new plant and equipment
- Relocation of Hotel Club Lounge to level 8

Note: It is understood that this scenario has been investigated and found not to be structurally feasible. Even so, this report has still included concept feasibility modelling for this scenario.

Figure 5.2 Scenario 3 - Refurbishment + Additional 6 Levels



Source: COX Architects

5.3.5 Scenario 4A: Maximum Tower Bounded by the Heritage Registration (Mixed-Use)

Scenario 4A represents a redevelopment of the full area of the subject site and provides for a significant refurbishment of the existing hotel and construction of a mixed-use tower in place of the 1980's extension to the Winfield building (see Figure 5.3). The mixed-use tower in this scenario is contained within the area of the 1980's extension to the Winfield building and does not project over the Rialto or Winfield buildings. Scenario 4A would result in:

- 198 luxury hotel rooms
- 1,554m² heritage retail
- 8,205m² premium grade office space with approximately 700m² floorplates
- New hotel pool and wellness facilities
- Functions space
- New hotel club lounge
- New all-day dining

In Scenario 4A, the new mixed-use tower is limited to the area of the 1980's extension to the Winfield building. This outcome limits the scale of office floorplates to a maximum of 715m², which is significantly smaller than preferred office floorplates by corporate tenants.

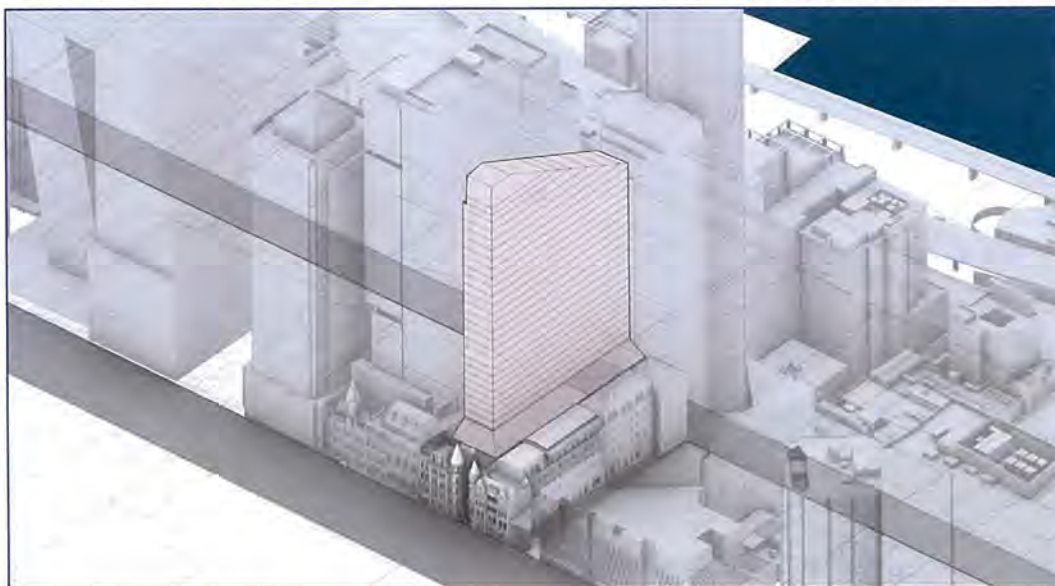
5.3.6 Scenario 4B: Maximum Tower Bounded by the Heritage Registration (Hotel Only)

Scenario 4B represents a redevelopment of the full area of the subject site and provides for a significant refurbishment of the existing hotel and construction of a new hotel tower in place of the 1980's extension to the Winfield building (see Figure 5.3). The hotel tower in this scenario is contained within the area of the 1980's extension to the Winfield building and does not project over the Rialto or Winfield buildings. Scenario 4B would result in:

- 371 luxury hotel rooms
- 1,917m² heritage retail
- New hotel pool and wellness facilities
- Functions space
- New hotel club lounge
- New all-day dining

In Scenario 4B, the new hotel tower is limited to the area of the 1980's extension to the Winfield building.

Figure 5.3 Scenarios 4A and 4B – Maximum Tower Bounded by the Heritage Registration



Source: COX Architects

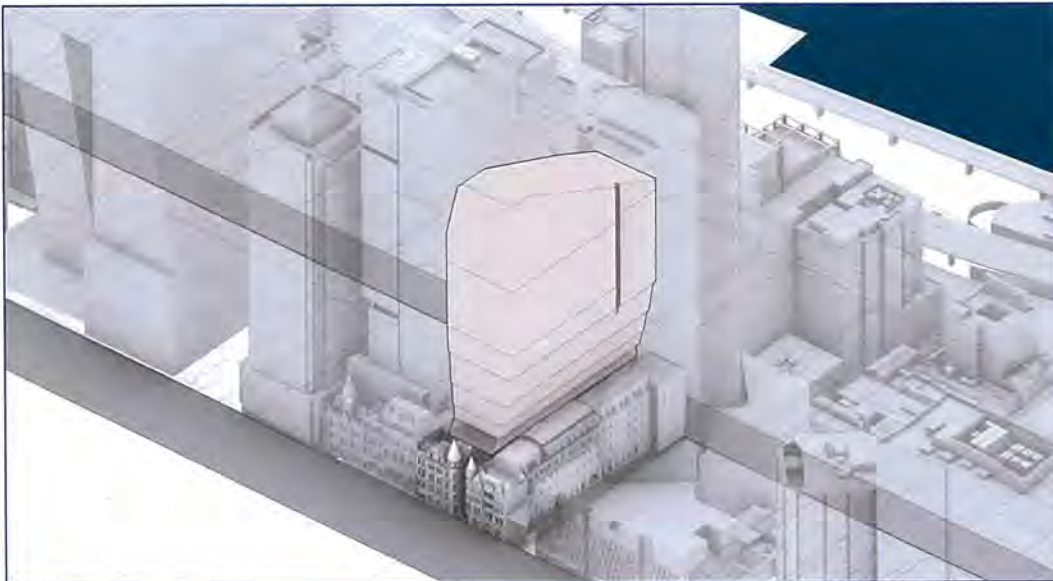
5.3.7 Scenario 5: Demolition of 1980's build + Mixed-Use Tower + Refurbishment

Scenario 5 represents a redevelopment of the full area of the subject site and provides for a significant refurbishment of the existing hotel areas in the Rialto and Winfield buildings and construction of a mixed-use tower in place of the 1980's extension to the Winfield building (see Figure 5.4). This mixed-use tower would project over parts of the Rialto and Winfield buildings and, in doing so, provide for office floorplates of up to 2,000m², which represents a preferred office footprint for modern corporate offices. Scenario 5 would result in:

- 278 luxury hotel rooms
- 3,000m² private members club
- 2,045m² heritage retail
- 27,495m² premium grade office space with approximately 2,000m² floorplates
- End of trip with parking for 250-300 bikes

Scenario 5 represents a scenario in which a maximum level of development is achieved on the site, while remaining broadly compliant with planning controls. This scenario is not advanced as the proposed development following pre-application feedback from Heritage Victoria.

Figure 5.4 Scenario 5 – Demolition of 1980's build + Mixed-Use Tower + Refurbishment



Source: COX Architects

5.3.8 Scenario 6: Demolition of 1980's build + Mixed-Use Tower + Refurbishment (Proposed Development)

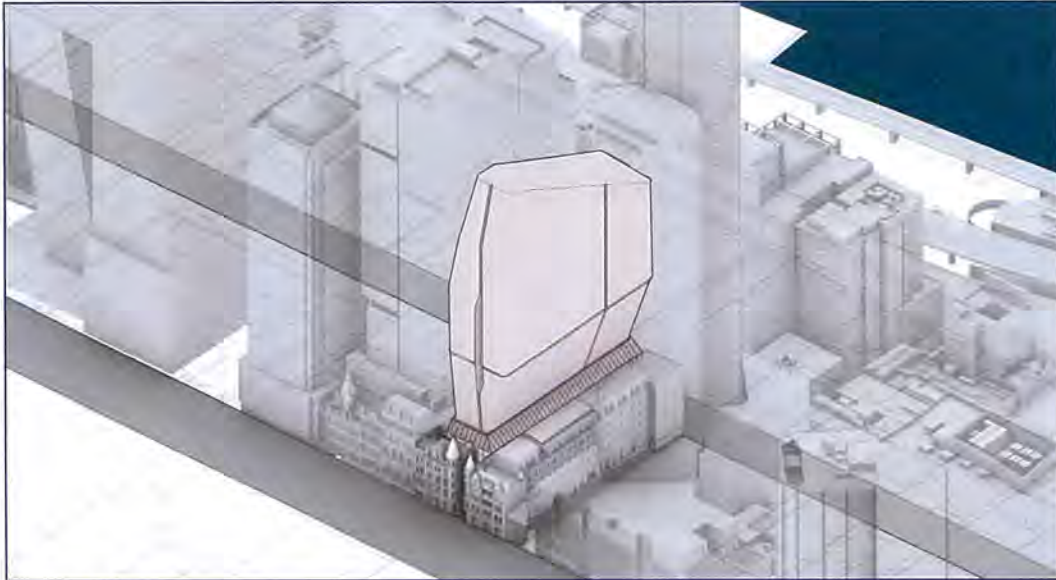
Scenario 6 represents a redevelopment of the full area of the subject site and provides for a significant refurbishment of the existing hotel areas in the Rialto and Winfield buildings and construction of a mixed-use tower in place of the 1980's extension to the Winfield building (see Figure 5.5). This mixed-use tower would project over parts of the Rialto and Winfield buildings (though less significantly than Scenario 5) and, in doing so, provide for office floorplates of up to 1,700m², which represents an acceptable office footprint for modern corporate offices. Scenario 6 would result in:

- 273 luxury hotel rooms
- 3,000m² private members club
- 1,554m² heritage retail
- 21,799m² premium grade office space with up to 1,700m² floorplates
- End of trip with parking for 200-250 bikes

Scenario 6 represents the proposed development and provides for a revised design to respect the heritage buildings, and setbacks and space above the heritage buildings. Scenario 6 sees a reduction in saleable yield from Scenario 5, mainly in the amount of commercial office space.

It is important to note that the proposed development sees most (80% or 219 out of 273) hotel rooms accommodated within the new building, where an efficient layout is possible for room servicing, and natural light is afforded to all rooms. Only 54 hotel rooms are retained in the Rialto building while the Winfield building is converted to accommodate club facilities.

Figure 5.5 Scenario 6 - Demolition of 1980's build + Mixed-Use Tower + Refurbishment (Proposed Development)



Source: COX Architects

5.4 Internal Rate of Return

An assessment of 'reasonable or economic use' requires an objective and balanced evaluation of the conservation outcome, the goals and aspirations of the planning scheme and the commercial feasibility of the project.

The evaluation of commercial feasibility is based on well-established techniques based on the level of profit derived from different investment scenarios.

Internal rate of return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments. The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero. In other words, it is the expected compound annual rate of return that will be earned on a project or investment.

In project evaluation, projects are evaluated either by discounting future cash flows to the present by the 'hurdle rate', so as to ascertain the net present value (NPV) of the project, or by calculating the IRR on the project and comparing this to the hurdle rate. If the IRR exceeds the hurdle rate, the project is considered to be 'feasible'. Feasibility is determined as having a sufficient profit margin to provide a return on the investment and to cover the associated risks with the development.

For example, a company with a hurdle rate of 20% for acceptable projects, would most likely accept a project if it has an internal rate of return of 24% and does not have a significantly higher degree of risk.

Hurdle rates have two components – the profit margin and the risk margin. The higher the risk, the higher the expected hurdle rate to cover the risk. Property development is subject to a range of risks from cost overruns to sales and price shortfalls. These risks must be carefully assessed, and risk management strategies put in place. A judgment must then be made as to what margin is appropriate to cover a downside scenario.

In recent development assessments and in the current economic environment, it is understood that a 20% hurdle rate continues to represent an industry expectation for property development. In this instance, consideration of two particular factors are important:

- The particular nature of the Winfield and Rialto heritage buildings and the specific costs and needs associated with the building's ongoing preservation; and

- The proposed development's two main components (hotel and corporate office space) provide a lower risk profile than many other developments across Melbourne's CBD and city fringe. The hotel represents a continuation of an established use with an established reputation and the provision of corporate office space at the scale proposed in an established business precinct on Collins Street is considered a sound investment prospect.

Having regard for these factors, a hurdle rate of 15% to 20% is considered satisfactory.

5.5 Cost of Capital

The Weighted Average Cost of Capital (WACC) is the percentage rate of return a business needs to generate in order to compensate, on average, both the debt and equity capital providers to the business.

An important factor in determining the WACC is the debt to equity ratio, which describes the proportion of the total investment required that is contributed by the developer. WACC represents the opportunity costs of interest paid on debt and the return that could be gained from an alternative investment with the developer's equity.

Risks associated with large property developments and significant variance in the financial, management and organisational structure of applicants, necessitates the need for financiers to make loans that are specifically tailored to the applicant. As well as detailed feasibility studies submitted by applicants, financiers often undertake their own feasibility analyses to assess the level of risk associated with a project.

The WACC for the project will be a function of the rate for each (equity and debt) category and the proportion of each category. Based on a variety of factors the WACC can vary significantly for applicants based on their financial circumstances and their relationship with any given financier. For feasibility assessments such as this, projects are typically assumed to be 100% debt financed recognising the WACC for a particular project is applicant specific.

In the current economic climate, an interest rate of 7.0% pa is considered to represent a reasonable assumption for a pre-feasibility study of this nature.

5.6 Land Value

Ascribing a land value represents a major assumption in concept feasibility modelling.

For the purposes of this assessment, the land value incorporated into the feasibility analysis is the latest taxable value in the 2023 Land Tax Assessment Notice (10 February 2023) provided by the State Revenue Office (Victoria). This approach is considered reasonable and appropriate given this valuation is used by the State Government when applying other development control instruments and for taxation.

[REDACTED]
[REDACTED] based on the proportion of land area that the Winfield and Rialto heritage buildings occupy in the total land parcel.

Market valuations associated with major city properties are based, in part, on the potential redevelopment opportunities that might be available. In this regard, the market value can vary significantly based on assumptions concerning the potential future yield from redevelopment. In this regard, the adopted site value represents a neutral value.

5.7 Economic Assessment Structure

Development of the subject site could be undertaken in many different ways, including a landowner retaining ownership of the entire site and leasing the various components, or selling the overall development as a complete package or on a subdivided basis.

The approach taken in this report however is to assess the market value created through the different development scenarios. In this regard, the key variables around which assumptions need to be made relate to:

1. The potential sales price for the various uses, including the:
 - hotel component (expressed as a sales figure per hotel room or suite)
 - office component (expressed as a sales figure per net saleable/leasable area)

- retail component (expressed as a sales figure per gross lettable area).
- 2. The cost of construction (ultimately expressed as a cost per gross square metre) and associated development costs.
- 3. The timing of planning approval and construction.

The results for relevant development scenarios are expressed in terms of the Internal Rate of Return (IRR). The assumptions around these variables are set out in Chapter 6.

5.8 Summary

The following findings are highlighted:

- This assessment considers and, where relevant, tests the conceptual feasibility of seven development scenarios:
- An assessment of economic use requires an objective and balanced evaluation of the conservation outcome, the goals and aspirations of the planning scheme and the commercial feasibility of the project. Given the heritage status of the Winfield and Rialto buildings, the costs associated with refurbishment and ongoing maintenance, and the primary land uses proposed, a hurdle rate of 15% to 20% is considered appropriate.
- A financing cost (interest) of 7.0% p.a. is considered reasonable in a pre-feasibility study of this nature.
- For the purposes of this assessment, the land value incorporated into the feasibility analysis is the land valuation provided by City of Melbourne (Rates Notice 2021) of [REDACTED] applied to scenarios 1A and 1B.
- Assessment of the relevant scenarios is based on capitalising development outcomes at the conclusion of construction by applying a sales value for each of the different uses, estimating construction, development and finance cost, and calculating the internal rate of return.

6.0 Economic Use Assessment: Sales and Cost Assumptions

This chapter sets out the key assumptions adopted to establish the end value of the relevant development scenarios, along with the respective construction and development costs.

6.1 Sales Price Assumptions

A key input into the concept feasibility models is the attribution of sale prices to the various components of the development scenarios. Collectively, these represent the revenue side of the model.

Hotel Sales Prices

Attributing an end value to the hotel component across the development scenarios is based on several key drivers:

- The star rating of the hotel (a reflection of product positioning in the market)
- Current and future outlook of the performance of the relevant accommodation market, including the supply of existing and future room within a specific market.
- Operating costs associated with running the hotel, energy costs, financing costs and net operating income.
- Recent sales of hotels based on similar quality and location.

Based on the hotel's location, features and fittings, the hotel component under the proposed development scenario is expected to occupy a position at the high end of the luxury accommodation market with a 5.0 star rating (based on the *Australian Star Rating Scheme – Hotel Criteria Standards & Guidelines*).

Globally, accommodation markets have been significantly impacted by the COVID-19 pandemic and associated border restrictions. IBISWorld reports revenue in the luxury accommodation industry across Australia declined by -27.8% in 2020/21.

After the lifting of international travel restrictions in early 2022, Australia's tourism industry recovered at a faster pace than what was originally anticipated, driving an industry-wide recovery in the hotel sector. While international visitor arrivals are not expected to return to pre-pandemic levels before 2025, domestic overnight trip spend exceeded 2019 levels in 2022.

IBISWorld forecast luxury accommodation industry revenues in Australia to grow at +6.0% per annum increasing from \$5.3 billion in 2022-23 to \$7.1 billion over the five years to 2027-28.

Colliers research anticipate that well-located premium assets will fare better than secondary assets against the existing macroeconomic uncertainty. Investors are seeking newer and higher quality builds, or those that have been recently refurbished, while trending away from aged or underperforming assets.

In the Sydney market, recent hotel sales of comparable quality, scale and location to the proposed development have achieved sales prices up to \$1.3 million per room. The sales rate achieved per room is a function of a variety of factors including established occupancy rates, uplift potential, branding, revenue rate against competition and operating costs.

Notably, the sale of the W Hotel in Melbourne in the Collins Arch project at \$748,000 per room in July 2020, indicates an underlying strength for well-located, luxury accommodation in Melbourne at a similar sales value to recent Sydney values. It should also be noted that the W Hotel in Melbourne had no established record of occupancy or performance.

Another indicator of potentially achievable sales rates in Melbourne are reports of the soon to be completed Shangri-La Hotel on the north-eastern edge of Melbourne's CBD, where the vendor is seeking a price in the order of \$1.0 million per room (Australian Financial Review, 15 March 2022). It is also noted that the under-construction Waldorf Astoria Hotel in Sydney recently sold for approximately \$520 million, equating to approximately \$2.35 million per room.

Having regard for the hotel's location and anticipated positioning in Melbourne's luxury accommodation market, and recent sales data, this assessment has adopted the following sales rates for the various scenarios:

- Scenario 1A: ██████████ reflecting the boutique scale of the hotel offer and limited facilities
- Scenario 1B: Not applicable

- Scenario 2: [REDACTED] reflecting the increased scale, but ongoing operational constraints
- Scenario 3: [REDACTED] reflecting the increased scale, but ongoing operational constraints
- Scenario 4A: [REDACTED] reflecting the mixed-use nature of the overall development
- Scenario 4B: [REDACTED] reflecting the strength of location in a premium business precinct
- Scenario 5: [REDACTED] reflecting the mixed-use nature of the overall development
- Scenario 6: [REDACTED] reflecting the mixed-use nature of the overall development

The higher value attributed to Scenarios 4A, 4B, 5 and 6 relate to the substantial proportion of the hotel being situated in a new building where contemporary standards, including room configuration, will be reflected. The more significant office components in Scenarios 5 and 6, along with larger office floorplates capable of attracting major corporate tenants provides for a greater end value than in Scenarios 4A and 4B.

Table 6.1 Recent Hotel Transactions (> \$500,000 per hotel room), 2019 to 2022

Property	Location	Year	Rooms	Price	Price per room
InterContinental Double Bay	Sydney	2021	140	\$178,000,000	\$1,271,430
Hilton Sydney	Sydney	2022	587	\$530,000,000	\$902,896
Hotel Lindrum*	Melbourne	2022	59	\$49,840,000	\$844,746
Citadines Walker	North Sydney	2019	252	\$202,000,000	\$801,590
Primus Hotel Sydney	Sydney	2021	172	\$132,000,000	\$767,442
W Melbourne	Melbourne	2020	294	\$220,000,000	\$748,000
Vibe Darling Harbour	Sydney	2019	145	\$108,000,000	\$744,830
Sofitel Wentworth Sydney	Sydney	2021	436	\$315,000,000	\$722,477
Seasons Harbour Plaza	Sydney	2019	119	\$81,180,000	\$682,190
Harbour Rocks Hotel	Sydney	2022	59	\$40,000,000	\$677,966
Dive Hotel Randwick	Sydney	2019	16	\$10,500,000	\$656,250
The Lyall Hotel & Spa	Melbourne	2022	49	\$30,500,000	\$622,449
Rydges Sydney Harbour	Sydney	2022	176	\$100,750,000	\$572,443
Vibe Melbourne	Melbourne	2020	206	\$108,000,000	\$524,270
The Laneway Hotel	Sydney	2021	49	\$25,600,000	\$522,449
Four Points by Sheraton Sydney Central Park	Sydney	2021	297	\$150,000,000	\$505,051

Source: Colliers, Hotel Capital Markets Report 2020, 2021, 2022; 2022 AFR (for W Hotel)

*Is likely to take into account the redevelopment potential of the site

Commercial Office Space

The COVID-19 pandemic caused a major shift in where, when, and how individual's work, with significant implications for workers, employers, and office buildings. It has driven a re-imagining of the workplace, where flexibility, superior on-floor experiences and ESG outcomes are becoming prioritised in the market.

Demand side indicators stabilised over 2022, with the National CBD vacancy rate proving resilient. In 2022, the National CBD vacancy rate increased by +1.0 percentage point, despite approximately 450,000m² of new and refurbished supply coming online. Prime grade CBD vacancy remains significantly lower than secondary grade vacancies, with interest in office space less than 10 years old attracting the highest levels of enquiries (Colliers).

Over the six-months to January 2023, the Melbourne CBD market recorded a net absorption of -15,650m², led by significant decreases in B Grade (-43,730m²) and C Grade (-10,470m²) stock. Contrastingly, Premium grade offices recorded a net absorption of +15,240m² lowering the vacancy rate to 9.5% from 10.9% over the six-months to January 2023, while A Grade stock had a net absorption of +24,810m².

This trend is anticipated to continue into the future, with Colliers forecasting rents for Prime and A Grade office space to outgrow secondary assets.

It is evident that CBD locations are experiencing a flight to quality, particularly in locations that provide a high sense of amenity and strong ESG credentials. The initial risks associated with uncertainty around WFH mandates/preferences heading into 2023 are diminishing and there is now a broad expectation that a hybrid model will take shape where the office continues to play a key and essential role for long-term productivity growth.

Applying a sales price or end value to the office component of the development applies to Scenarios 1B, 4, 5 and 6, as only these scenarios incorporate an office component.

In Scenario 1B, a figure of [REDACTED] has been adopted. This reflects the nature of the offering provided in the Rialto and Winfield buildings with office suites limited to (generally) between 100m² and 200m², a configuration that will not attract major corporate tenants (this has been discussed further in the reasonable use section of this report).

In Scenario 4A, a figure of [REDACTED] has been adopted which reflects the fact that, although the mixed-use tower will be a new build with a contemporary and well-presented office offering, the floorplates are limited to a maximum of 715m², a scale that is well short of the preferred floorplate required by many corporate tenants.

In Scenarios 5 and 6, an end value of [REDACTED] has been attributed to the office space in the new building.

This figure is based on construction of premium-grade office space in the mixed-use tower, the location of the subject site in one of Melbourne's premier corporate office precincts, and proximity to public transport. The adopted figure positions the office space at the upper range of Melbourne's office market (refer Table 6.2) but is considered reflective of new and substantial Collins Street-based offices in an integrated mixed-use development, that is co-located with a luxury hotel with access to flexible meeting facilities, catering and other facilities. Recent office property transactions in Sydney are summarised in Table 6.3.

Table 6.2 Melbourne Office Property Transactions, 2021 to 2022 (>\$10,000 per \$/m²)

Address	Suburb	Sale Date	Sale Price	Price/m ²
226-232 Flinders Lane	Melbourne	Mar-21	\$37,000,000	\$21,203
121 Exhibition Street	Melbourne	Jul-22	\$727,500,000	\$18,249
175 Flinders Lane	Melbourne	Jul-21	\$25,100,000	\$17,431
695 Collins Street	Docklands	Jul-21	\$1,200,000,000	\$16,062
555 Collins Street	Melbourne	Aug-22	\$400,000,000	\$16,000
235 Queen Street	Melbourne	Sep-21	\$45,635,000	\$14,497
510 Church Street	Cremorne	Apr-22	\$135,000,000	\$13,638
446 Collins Street	Melbourne	Sep-21	\$72,625,000	\$13,575
510 Church Street	Cremorne	Dec-21	\$130,000,000	\$13,130
330 Collins Street	Melbourne	Jun-22	\$236,000,000	\$13,099
411 Collins Street	Melbourne	Jan-21	\$40,500,000	\$12,927
101 Moray Street	South Melbourne	Oct-21	\$204,639,000	\$12,864
111 Bourke Street	Melbourne	Jul-22	\$297,500,000	\$12,832
100 Franklin Street	Melbourne	Jan-21	\$30,000,000	\$12,810
141 Camberwell Road	Hawthorn East	Feb-22	\$120,200,000	\$11,728
710 Collins Street	Docklands	Feb-21	\$56,000,000	\$11,546
913 Whitehorse Road	Box Hill	May-21	\$230,000,000	\$11,533
165-169 Thomas Street	Dandehong	Jun-22	\$165,000,000	\$10,948
469 La Trobe Street	Melbourne	May-21	\$203,000,000	\$10,456
399 Royal Parade	Parkville	May-21	\$138,700,000	\$10,429
277-279 Flinders Lane	Melbourne	Apr-21	\$40,000,000	\$10,230
170 Queen Street	Melbourne	Jun-21	\$29,580,000	\$10,144
120 Spencer Street	Melbourne	Jun-22	\$321,250,000	\$10,016

Source: Colliers Office Capital Markets Australia & New Zealand 2022, 2023

Table 6.3 Top 10 Sydney Office Property Transactions, 2022

Address	Suburb	Sale Date	Sale Price	Price/m ²
74 Castlereagh Street	Sydney	\$160,100,000	Oct-22	\$29,243
285A Crown Street	Surry Hills	\$116,200,000	Jul-22	\$24,579
Investa Gateway Offices Portfolio	Sydney/Melbourne	\$1,131,000,000	Feb-22	\$22,148
9 Hunter Street	Sydney	\$344,000,000	May-22	\$21,990
4-6 Bligh Street	Sydney	\$210,000,000	Apr-22	\$20,944
73 Miller Street	North Sydney	\$400,000,000	Sep-22	\$20,928
83-95 Clarence Street	Sydney	\$362,000,000	Dec-22	\$19,053
1 Harbour Street	Sydney	\$625,000,000	Jan-22	\$18,653
8-10 Lee Street	Sydney	\$840,000,000	Mar-22	\$18,645
Corner of High Street & Botany Street	Randwick	\$600,000,000	Oct-22	\$16,854

Source: Colliers Office Capital Markets Australia & New Zealand 2022, 2023

Retail

The Australian retail sector showed resilience over 2022, exceeding expectations and posing as an attractive long-term defensive investment proposition for investors (Colliers).

Investors remained cautious in retail CBD markets with limited CBD transactions due to uncertainty associated with global macroeconomic instability. Although, the sale of R8-R9 Waterfront Dining and Retail at [REDACTED] in Sydney highlighted that interest remains strong for high quality and well-located retail assets in CBD's.

Foot-traffic in Melbourne's CBD increased significantly over 2022, as government restrictions were removed, and employees returned to offices. Data from Melbourne City Council highlights that while foot traffic is down on pre-pandemic levels, retail spending levels are above 2019 levels.

ABS retail sales data reveals that turnover in cafes, restaurants and takeaway food services have increased to a record high in January 2023.

Retail floorspace in the seven scenarios are likely to be largely food and beverage related and complementary to the hotel and office space. In this regard, broader retail trends such as the expansion of online retailing, shopping locally, the resurgence of traditional street-based centres, and ongoing challenges in department and discount department stores are likely to be of limited relevance.

In Scenarios 1A, 2 and 3 an end value of [REDACTED] has been adopted for retail floorspace, reflecting the still limited improvement in the hotel offering and the absence of an office component in the development. The same figure has been adopted for Scenario 1B which reflects the complete absence of a hotel offering and a limited office component.

A figure of [REDACTED] has been adopted in Scenario 4A (reflecting the relatively limited nature of the office-based component) and [REDACTED] for Scenario 4B (reflecting the absence of an office-based component). In Scenarios 5 and 6 (which represent more significant and complementary development outcomes) the retail space has been valued at [REDACTED].

The adopted end value figures place the retail space below the CBD Indicative Capital Value provided by Colliers (refer Table 6.4).

Table 6.4 Retail Market Indicators, Melbourne, Q4 2022

Market	Low	High
CBD		
Indicative Capital Value	\$73,520	\$156,720
Regional shopping Centre		
Indicative Capital Value	\$28,890	\$26,920
Sub Regional shopping Centre		
Indicative Capital Value	\$14,550	\$14,000
Neighbourhood		
Indicative Capital Value	\$13,330	\$14,420

Source: Colliers, Australia Retail Snapshot – Q4 2022; Ethos Urban

Note: The CBD indicative capital values typically relate to the CBD core retail area.

6.2 Construction and Development Costs

Construction Costs

Original construction cost estimates have been prepared by Rider Levett Bucknall. The dates of the cost estimates vary as do some of the cost inclusions.

To ensure all scenarios are consistent, construction costs have been adjusted to a May 2023 date. This means that in some instances escalation has been applied, while in other cases de-escalation has been applied. The adjustments can be described as follows:

- Construction cost estimates for all scenarios have been escalated or de-escalated to May 2023 using the Rider Levett Bucknall Tender Price Index (Melbourne).
- An additional cost estimate of [REDACTED] has been added which relates to heritage façade works (Rider Levett Bucknall, August 2023). It is assumed these works would be undertaken for each scenario and have been de-escalated to May 2023, which results in a figure of [REDACTED]. The Rider Levett Bucknall report is attached at Appendix C.
- Where excluded in the original construction cost estimate, design and consultant fees have been applied at [REDACTED] the escalated original construction cost.
- GST has been added to Construction Costs.

Table 6.5 details the breakdown in how final construction costs figures have been reconciled from the original construction costs. The breakdown is as follows:

- Construction cost estimates for scenarios 1A, 1B, 4A and 4B are dated August 2023 (Appendix D, E, H and I to this report, respectively). These costs have been de-escalated to May 2023.
- Construction cost estimates for Scenarios 2 and 3 are dated August 2017 (Appendix F and G to this report, respectively) and are escalated to May 2023.
- The construction cost estimate for Scenario 5 is dated January 2022 (Appendix J to this report) and escalated to May 2023.
- The construction cost estimate for Scenario 6 is dated November 2022 (Appendix K to this report) and escalated to May 2023.

Table 6.5 Construction Cost Estimates

Category	Scenario 1A	Scenario 1B	Scenario 2	Scenario 3	Scenario 4A	Scenario 4B	Scenario 5	Scenario 6
Date of Construction Cost Estimate	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Ethos Urban; Rider Levett Bucknall; Salter Brothers

Taxes and Charges

Authority Fees and Charges

An allowance of 1.0% of construction costs has been applied.

Land tax

Land tax is estimated [REDACTED] based on the most recent land valuation provided by the Victorian State Government, in the Land Tax Assessment Notice issued in February 2023.

Land tax is estimated [REDACTED] for scenarios 1A and 1B, based on the adjusted land valuation.

Council Rates

City of Melbourne council rates for FY2021 [REDACTED] have been applied, sourced from the Valuation and rate notice for FY2022, issued by the City of Melbourne in September 2021.

Council rates are estimated [REDACTED] for scenarios 1A and 1B, based on the adjusted land valuation.

Stamp Duty

Estimated at [REDACTED] using the most State Revenue Office Taxable Value (Land Tax Assessment Notice, 2023) and the State Revenue Office's online stamp duty calculator tool.

Stamp duty is estimated [REDACTED] for scenarios 1A and 1B, based on the adjusted land valuation.

Development Related Costs

Other development costs are applied as a percentage of construction costs and include:

Sales Commission, Marketing and Legal Fees

Based on agent fees of 3.75% for commercial transactions (hotel, office and retail) with an additional allowance of 1.25% of gross revenue for marketing and legal fees attached to sales.

GST Collection (and Credits)

GST is collected from income and credited against relevant development costs.

Development Manager and Superintendent Costs

Allowance of [REDACTED] per year of construction has been applied.

Table 6.6 Summary of Key Assumptions

Category	Scenario 1A	Scenario 1B	Scenario 2	Scenario 3	Scenario 4A	Scenario 4A	Scenario 5	Scenario 6
Construction lag for planning approval and preparation (months)	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

Source: Ethos Urban; Various
 Note: Figures have been rounded

7.0 Outcome of Economic Use Assessment

This chapter provides an overview of the findings from the concept feasibility assessments of the seven development options.

7.1 Concept Feasibility Assessments

7.1.1 Scenarios 1A and 1B: Heritage Only Assessments

Concept feasibility assessments relevant to Scenarios 1A and 1B have been undertaken based on the request from Heritage Victoria to consider only the extent of new floorplates within the Victorian Heritage Register places.

Based on the concept feasibility assessments, both scenarios fail to achieve a profitable outcome.

Based on the adopted assumptions, Scenario 1A, which is based on a limited hotel offering within the Rialto and Winfield buildings, provides a negative IRR value of -68.1% (-\$35.1m) and is not considered to represent a viable development option.

Although Scenario 1B provides for a better economic outcome, it still records an IRR value of only +3.8% (+\$2.5m) and is also not considered to represent a viable development option.

Economic use of the Rialto and Winfield buildings on their own (as a stand-alone proposition) is unsustainable as the returns on investment fall well short of industry standard.

Fortunately, the balance of the subject site (currently occupied by the 1980's extension to the Winfield building) provides an opportunity for the development of the adjoining land which effectively enables a cross subsidy that will provide an economically sustainable outcome for the Rialto and Winfield heritage buildings.

7.1.2 Development Scenarios that provide a Cross Subsidy of Heritage Buildings

In order to explore the potential for a viable outcome that provides a market acceptable outcome across the full subject site, and one that will effectively cross subsidise the heritage places, Scenarios 2, 3, 4, 5 and 6 have been assessed.

The results are discussed following:

Scenario 2: Refurbishment + 3 Additional Levels

Scenario 2 incurs significant costs associated with the provision of an additional 3 levels to the 1980's extension to the Winfield building. In doing so, it provides an additional 46 rooms to existing stock in the Rialto and Winfield buildings and 1980's extension to the Winfield building. Importantly however, Scenario 2 does little to address many of the operational challenges facing the InterContinental Rialto and, from an operational perspective, is of little benefit.

Based on the adopted assumptions, Scenario 2 also results in a loss with a negative IRR value of -30.9% and is not considered to represent a viable development option.

Scenario 3: Refurbishment + 6 Additional Levels

Scenario 3 also incurs significant costs associated with the provision of an additional 6 levels to the 1980's extension to the Winfield building. In doing so, it provides an additional 104 rooms to existing stock in the Rialto and Winfield buildings and 1980's extension to the Winfield building.

Based on the adopted assumptions, Scenario 3 results in a loss with the negative IRR of -35.3%.

Further, it is understood that technical analysis of Scenario 3 determined the scenario to be structurally unfeasible.

Scenario 4A: Maximum Tower Bounded by the Heritage Registration - Mixed Use

Based on the adopted assumptions, Scenario 4A produces a negative IRR value of -30.2% and is not considered to represent an economically sustainable outcome.

It is noted that construction costs associated with Scenario 4A are relatively inefficient compared to the yield outcome. It is understood that this is related to the relatively small floorplates where, as the floor plate becomes smaller, the wall to floor ratio increases which means the cost of the façade and core is much higher on a \$/m² basis compared to, say, Scenarios 5 and 6.

Scenario 4B: Maximum Tower Bounded by the Heritage Registration – Hotel Only

Scenario 4B produces a negative IRR value of -33.9% and is not considered to represent an economically sustainable outcome.

Scenario 5: Demolition of 1980's Building + Mixed-Use Tower + Refurbishment

In Scenario 5, the addition of premium grade office space to the development mix improves the profitability of the development outcome and provides a complementary use to the luxury hotel element.

Based on the adopted assumptions, Scenario 5 would generate an IRR of approximately +18.9% resulting in an economically sustainable project.

Scenario 5 can be thought of as representing a highest and best use option. Although Scenario 5 is understood to be compliant from a planning permit perspective, Scenario 5 is not advanced as the proposed development following pre-application feedback from Heritage Victoria.

Scenario 6: Demolition of 1980's Building + Mixed-Use Tower + Refurbishment (Proposed Development)

The revised design in Scenario 6 (the proposed development) is based on pre-application feedback from Heritage Victoria and results in a decrease in the development yield, primarily in the provision of corporate office space. This results in an IRR of +15.1%, which, although lower than that of Scenario 5 is still regarded as acceptable, having regard for the heritage elements associated with the subject site.

A summary of the economic assessment is provided at Table 7.1, while detailed feasibility calculations are provided as attachments to this report at Appendix L.

Table 7.1 Concept Feasibility Assessment Findings Summary

Category	Scenario 1A	Scenario 1B	Scenario 2	Scenario 3	Scenario 4A	Scenario 4B	Scenario 5	Scenario 6
Costs	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
IRR	-68.1%	+3.8%	-30.9%	-35.3%	-30.2%	-33.9%	+18.9%	+15.1%

Source: Ethos Urban

7.2 Sensitivity Testing

Key assumptions relied on in the assessment are sensitive to a range of factors. Accordingly, it is considered appropriate to undertake sensitivity testing to determine the extent to which changes in construction costs and end value impact the indicative financial outcomes.

For each scenario, a 10% and 20% increase or reduction has been applied to the total construction costs or the sales price of the three uses.

The modelling highlights that all scenarios are highly sensitive to construction costs and the end value attributed to the different land uses.

For the proposed development (Scenario 6), the IRR sensitivity results include:

- A 10% increase in construction costs results in an IRR of +10.0%, while a 10% reduction in construction costs result in an IRR of +20.2%.
- A 10% reduction in the sales price of the hotel components leads to the IRR falling to +13.2%, while a 10% increase results in the IRR increasing to +16.8%.
- Changes in the commercial office sales price are more sensitive than changes in the hotel sales price. A 10% reduction in the commercial office sales price leads to the IRR falling to +11.7%, while a 10% increase, results in an IRR of 18.1%.
- As the smallest component of the proposed development, movements in the retail end value are less sensitive. A 10% reduction in retail sales prices decreases the IRR to 14.6%, while a 10% increase, results in an IRR of 15.5%.

Table 7.2 Sensitivity Analysis

Category	Scenario 1A	Scenario 1B	Scenario 2	Scenario 3	Scenario 4A	Scenario 4B	Scenario 5	Scenario 6
Construction Costs								
80%	-28.4%	28.6%	-4.6%	-9.9%	-11.5%	-14.6%	28.9%	25.5%
90%	-48.1%	16.4%	-17.9%	-22.7%	-21.0%	-24.4%	23.9%	20.2%
100%	-68.1%	3.8%	-30.9%	-35.3%	-30.2%	-33.9%	18.9%	15.1%
110%	-88.3%	-9.1%	-43.6%	-47.5%	-39.1%	-43.2%	14.1%	10.0%
120%	-108.4%	-22.4%	-56.2%	-59.4%	-47.9%	-52.1%	9.3%	5.1%
Hotel Room Sales								
80%	-99.8%	3.8%	-55.3%	-59.5%	-39.7%	-52.3%	15.7%	11.2%
90%	-83.0%	3.8%	-42.3%	-46.5%	-34.7%	-42.4%	17.4%	13.2%
100%	-68.1%	3.8%	-30.9%	-35.3%	-30.2%	-33.9%	18.9%	15.1%
110%	-54.9%	3.8%	-20.9%	-25.4%	-25.9%	-26.5%	20.4%	16.8%
120%	-43.1%	3.8%	-12.0%	-16.7%	-22.0%	-19.8%	21.8%	18.5%
Commercial Office Sales								
80%	-68.1%	-16.7%	-30.9%	-35.3%	-37.5%	-33.9%	11.7%	8.1%
90%	-68.1%	-5.8%	-30.9%	-35.3%	-33.7%	-33.9%	15.5%	11.7%
100%	-68.1%	3.8%	-30.9%	-35.3%	-30.2%	-33.9%	18.9%	15.1%
110%	-68.1%	12.5%	-30.9%	-35.3%	-26.8%	-33.9%	22.0%	18.1%
120%	-68.1%	20.2%	-30.9%	-35.3%	-23.7%	-33.9%	24.8%	20.9%
Retail Sales								
80%	-82.5%	-7.9%	-36.8%	-40.2%	-33.1%	-37.1%	17.9%	14.1%
90%	-75.1%	-1.8%	-33.8%	-37.7%	-31.6%	-35.5%	18.4%	14.6%
100%	-68.1%	3.8%	-30.9%	-35.3%	-30.2%	-33.9%	18.9%	15.1%
110%	-61.6%	9.1%	-28.1%	-32.9%	-28.8%	-32.4%	19.4%	15.5%
120%	-55.3%	14.1%	-25.3%	-30.7%	-27.4%	-30.9%	19.9%	15.9%

Source: Ethos Urban

7.3 Assessment of Minimum Scale

The scale of a development can be expressed in a variety of ways including height, extent of building footprint, setbacks and other planning controls or development decisions. In this regard and having regard for the development constraints that apply to the subject site, Scenario 6 (Proposed Development) is considered to represent an outcome that approximates a minimum scale required to generate an acceptable and sustainable economic outcome to fund the conservation and maintenance of the Heritage Registered Places (i.e. the Rialto and Winfield buildings).

7.4 Ongoing costs Associated with Heritage Buildings

If the proposed development is not approved, the future of the subject site and the Rialto and Winfield buildings is likely to be difficult as the hotel falls further behind existing and emerging competition and, ultimately, fails to maintain a reasonable operating income.

In addition to significant refurbishment works required to contemporise the hotel, ongoing costs associated with maintaining the Rialto and Winfield buildings need to be considered.

These have been estimated by Knight Frank (High Level CapEx Report (6 April 2023) which provides a high-level asset review inspection and an updated 10-year capital expenditure and an executive summary. The Capex Report is attached to this report as Appendix M.

The CapEx Report provides an order of cost estimate of the costs associated with maintaining the Rialto and Winfield buildings in good order, both in appearance and function, over a ten-year period.

Estimated costs, summarised at Table 7.3, can be regarded as a provision, and provides forecasts for Immediate Expenditure, Short Term Expenditure, Medium Term Expenditure and Long Term Expenditure.

Table 7.3 High level CapEx Report

Category	Immediate	Short Term	Medium Term	Long Term	Total (excl. GST)
Capital Expenditure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Knight Frank (6 April 2023)
Note: Costs are net of fees and management costs

[REDACTED]

In contrast, the proposed development, with a far greater income generating capacity, has the ability provide for full refurbishment of the Rialto and Winfield buildings as well as the costs associated with ongoing capital expenditure relating to preservation and maintenance, and, importantly, provides for the long-term future of the Rialto and Winfield buildings.

7.5 Impact of a Refusal on Economic Use

[REDACTED]

As directed by Heritage Victoria, an economic assessment of the Heritage Registered Places as a stand alone development has been undertaken. Two scenarios (ongoing use as a hotel and conversation to offices) were considered with both resulting in financial outcomes that are not economically sustainable. Both scenarios also required loading facilities to be incorporated into the Rialto building in Flinders Lane.

A number of alternative scenarios were considered in which the balance of the subject site was included with the Registered Heritage Places to provide for an integrated development in which the land that presently accommodates the 1980's extension to the Rialto building is employed to assist in offsetting losses associated with the with Registered Heritage Places.

Of the alternative scenarios considered, only scenarios 5 and 6 provided acceptable economic outcomes, with scenario 6 advanced as the proposed development.

[REDACTED]

7.6 Economic Use Conclusion

The Heritage Victoria Policy concerning Reasonable or Economic use (June 2021) notes in regard to Economic Use that the Executive Director must consider the extent to which the economic use of a place or object would be affected by a refusal.

In response to direction from Heritage Victoria (9 December 2022), the assessment undertaken in this report models two potential scenarios (1A and 1B) that consider a development within the Victorian Heritage Register places. The two scenarios – one based on a boutique hotel offering and one based on a limited office development – indicate that neither scenario results in an economically sustainable outcome.

The balance of the subject of subject site (where the 1980's extension to the Winfield building) provides the opportunity for additional development scenarios which, in effect, subsidise the heritage components of the subject site.

Accordingly, additional development scenarios have been considered that provide for an integrated development of the subject site; refurbishing the heritage places and providing for a development of the non-heritage component of the site.

The report concludes that the proposed development (Scenario 6), in which an extensive refurbishment of the Rialto and Winfield buildings is undertaken along with the replacement of the 1980's extension of the Winfield building with a mixed-use tower, will deliver an outcome that is likely to represent an acceptable development outcome for a landowner.

Importantly, an economically sustainable development outcome can be expected to provide for the future of the registered places, including:

- Future conservation and maintenance of the Rialto and Winfield buildings; and
- Property associated costs such as rates and taxes associated with the future conservation and maintenance of the Rialto and Winfield buildings.

Appendix A Existing Hotel Refurbishment – Feasibility Estimate

4 September 2023

N:\23\230295\3\SRXX_495 Collins Street - Existing Hotel Refurbishment.docx
 SR/kb

Salter Brothers
 Level 9, 477 Collins Street
 Melbourne VIC 3000

Attention: Veronica Serratore

Dear Veronica

**495 COLLINS STREET, MELBOURNE
 EXISTING HOTEL REFUBISHMENT – FEASIBILITY ESTIMATE**

Rider Levett Bucknall is pleased to provide an order of cost for the above project.

SCOPE OF ESTIMATE

- Full refurbishment of the existing guestrooms and corridors
- Full refurbishment of the conference and event and meeting spaces
- Full refurbishment of the public spaces, including restaurant, bar, pool and gym
- Upgrade of services, including upgrade of lifts and security system in lifts
- Full refurbishment to hotel lobby / concierge area
- Heritage facade conservation works.

COST SUMMARY

The Estimated Total Cost as at September 2023 is [REDACTED] excluding GST, which comprises the following:

	Total Cost (excl. GST)
Guest Room Refurbishment	[REDACTED]
Public Areas	[REDACTED]
Flinders Lane Retail	[REDACTED]
Facade	[REDACTED]
Estimated Total Cost	[REDACTED]

BASIS OF ESTIMATE

This estimate represents an order of cost and is based on estimates originally prepared in 2019. The 2019 estimates were based on an early concept for refurbishment of the hotel.

Please do not hesitate to contact the undersigned, should you require any further information.

Yours faithfully



Shelley Rogers

Director
Rider Levett Bucknall Victoria Pty Ltd
email: shelley.rogers@au.rlb.com

Appendix B Area Schedules for Scenarios 1A, 1B, 4A, 4B, 5 and 6

Area Schedule - Scenario 1A

495 Collins St
Heritage Only - Hotel Scheme
SCENARIO A
15.05.23

NOTE: ALL AREAS AND EFFICIENCIES ARE SUBJECT TO FURTHER DEVELOPMENT AND THE INPUT OF SPECIALIST CONSULTANTS

Level	no	RL (FFL)	m	m	Area Schedule															
					Plant	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Lobby	Meat	Plant	Plant (TBC)	
4.400	32,780				Plant	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Lobby	Meat	Plant	Plant (TBC)				
4.080	28,700				Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel			
3.900	24,800				Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel			
4.520	20,280				Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel			
4.500	15,780				Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel	Hotel			
4.820	10,960				Lobby	Retail	Retail	Plant	Plant	Retail	Retail	Retail	Plant	Plant	Plant	Plant	Plant			
3.835	7,125	LG			Plant	BOH	BOH	Pl	Pl	Lobby	Meat	Plant	Plant	Plant	Plant	Plant	Plant			
3.935	3,190	FL			Plant	BOH	BOH	EGOT	EGOT	Retail	Retail	Retail	Retail	Retail	Retail	Retail	Retail			
				TOTAL																
				151																
				2207																
				11																
				966																
				94																
				11283																

GENERAL NOTE:

This Development Summary is a reflection of the current measured building areas and levels, reflecting the current understanding of the site constraints and specialist area inputs. The measurements generally follow the PCA method of measurement. Appropriate contingencies should be applied to the area totals to allow for movement in the design as it progresses.

AREA CALCULATION METHODOLOGY & ASSUMPTIONS:

Retail GLAR and Office NLA are measured based on property council of australia (PCA) 'method of measurement for lettable area' (2008)
Hotel NSA are measured based on property council of australia (PCA) 'method of measurement for residential property' (2008)

Retail GLAR - Retail areas have been calculated using chapter 3, section 1. Gross lettable area -retail (glar)

Office Areas - NLA areas have been calculated using chapter 3, section 3. Net lettable area (NLA) - office buildings

Area Schedule - Scenario 1B

495 Collins St
Heritage Only - Commercial Scheme
SCENARIO A
11.05.23

NOTE: ALL AREAS AND EFFICIENCIES ARE SUBJECT TO FURTHER DEVELOPMENT AND THE INPUT OF SPECIALIST CONSULTANTS

Height	RL (FFL)	Level	Winfield		Rialto		TOTAL		
m	m	no	Plant	Plant	Plant	Plant	Plant	Plant	
4.400	32,760	4	Office	Office	Office	Office	Office	Office	
4.080	28,700	3	Office	Office	Office	Office	Office	Office	
3.900	24,800	2	Office	Office	Office	Office	Office	Office	
4.520	20,280	2	Office	Office	Office	Office	Office	Office	
4.500	15,790	1	Office	Office	Office	Office	Office	Office	
4.820	10,960	G	Lobby	Retail	Lobby	Retail	Lobby	Retail	
3.835	7,125	LG	Retail	Plant	Retail	Plant	Retail	Plant	
3.935	3,190	FL	Plant	EOT	Plant	Retail	Plant	EOT	
			172	187	186	185	105	205	730
			115	288	303	303	303	303	310
			816	1005	984	982	626	150	4627
			230	1360	1598	1598	150	1648	1330
			189	1598	1598	1598	150	1648	11293
			189	1598	1598	1598	150	1648	169
			280	1553	1553	1553	280	280	280

GENERAL NOTE:

This Development Summary is a reflection of the current measured building areas and levels, reflecting the current understanding of the site constraints and specialist area inputs. The measurements generally follow the PCA method of measurement. Appropriate contingencies should be applied to the area totals to allow for movement in the design as it progresses.

AREA CALCULATION METHODOLOGY & ASSUMPTIONS:

Retail GLAR and Office NLA are measured based on property council of australia (PCA) 'method of measurement for lettable area' (2008)
Hotel NSA are measured based on property council of australia (PCA) 'method of measurement for residential property' (2008)
Retail GLAR - Retail areas have been calculated using chapter 3, section 1, Gross lettable area - retail (glar)
Office Areas - NLA areas have been calculated using chapter 3, section 3, Net lettable area (NLA) - office buildings

Area Summary **DRAFT** Scenario 4A

495 Collins St
 Hotel/Commercial Scheme
 REVISION B -
 21.03.23

Level	no	Office NLA (COX)						Hotel Key Count		Retail GLAR		GFA summary		GFA (Heritage - Rialto)		GFA (Heritage - Winfield)		GFA (new built)	
		sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	
29																			430
28																			550
27																			670
26																			800
25																			865
24																			910
23																			975
22																			975
21																			975
20																			975
19																			975
18																			975
17																			975
16																			975
15																			975
14																			975
13																			975
12																			975
11																			975
10																			975
9																			975
8																			975
7																			975
6																			975
5																			1423
4																			996
3																			1323
2																			742
1																			1228
G (Collins St)																			1044
LG																			1364
Flinders Lane																			1386
B1																			1793
B2																			1793
B3																			1793
PTT																			1793
SIBR TOTAL																			11775
TOTAL																			1740
																			80335
																			8205
																			198
																			1554
																			5379
																			23966
																			1468
																			250
																			1612
																			250
																			742
																			1611
																			250
																			1044
																			1364
																			1386



REPORT ITEMS INDICATED IN YELLOW

Height	RL (FFL)	Level	Count	Office Levels	Scenario 1 10m Setback
6.00	125.520	31			
4.20	125.500	32			
3.30	123.200	31A			
4.20	122.200	31			
4.20	121.200	30			
4.00	120.200	29			
4.00	119.200	28			
4.00	118.200	27			
4.00	117.200	26			
3.80	116.200	25			
3.80	115.200	24			
3.80	114.200	23			
3.80	113.200	22			
3.80	112.200	21			
3.80	111.200	20			
3.80	110.200	19			
3.80	109.200	18			
3.80	108.200	17			
3.80	107.200	16			
3.20	106.200	15			
3.20	105.200	14			
3.20	104.200	13			
3.20	103.200	12			
3.20	102.200	11			
3.20	101.200	10			
3.20	100.200	9			
3.20	99.200	8			
3.20	98.200	7			
3.20	97.200	6			
3.20	96.200	5			
3.20	95.200	4			
3.20	94.200	3			
3.20	93.200	2			
3.20	92.200	1			
2.70	91.600	0			
4.00	91.000	BL			
1.70	90.300	BS			
0.50	89.800	BS			

Category	Area (sqm)	Volume (m³)
Petal GLAR	838	229
Office NLA	1222	107
Office Terraces	1673	101
Office Core Area	109	305
Office Amankies	305	40
Office BDH	40	40
WinField Club	40	40
Hotel NLA (heritage)	1587	187
Hotel NLA (new built)	1448	149
HOTEL BOH	149	27
Total Hotel NLA	1419	27
Hotel Terraces	1687	27
Hotel Key Count	1817	17
Foyer	171	17
Void	17	17
EOT	17	17
EOT Bicycle	17	17
EOT Lockers	17	17
EOT Showers	17	17
Car Parking	17	17
Car Parking	17	17
Hotel Plant	17	17
Office Plant (overhead)	17	17
Shared Plant	17	17
Car/Carc Area	17	17
GFA summary	1817	229
GFA (includes terraces)	1817	229
GFA (heritage)	1817	229
GFA (new built)	1817	229
Efficiency	1817	229

Category	Area (sqm)	Volume (m³)
Office NLA	1222	107
Office Terraces	1673	101
Office Core Area	109	305
Office Amankies	305	40
Office BDH	40	40
WinField Club	40	40
Hotel NLA (heritage)	1587	187
Hotel NLA (new built)	1448	149
HOTEL BOH	149	27
Total Hotel NLA	1419	27
Hotel Terraces	1687	27
Hotel Key Count	1817	17
Foyer	171	17
Void	17	17
EOT	17	17
EOT Bicycle	17	17
EOT Lockers	17	17
EOT Showers	17	17
Car Parking	17	17
Car Parking	17	17
Hotel Plant	17	17
Office Plant (overhead)	17	17
Shared Plant	17	17
Car/Carc Area	17	17
GFA summary	1817	229
GFA (includes terraces)	1817	229
GFA (heritage)	1817	229
GFA (new built)	1817	229
Efficiency	1817	229

Total Floor Area (Preliminary) = 102,200

Note:
Highliged cells - Areas to be confirmed
Office NLA excludes kitchen
Hotel NLA includes circulation
Hotel NLA includes circulation

Total Plant = 430.0
Total GFA Above Ground Floor = 1817
Total GFA = 1817

Appendix C Intercontinental Rialto Hotel Heritage Façade Works Estimates – August 2023

INTERCONTINENTAL RIALTO HOTEL

HERITAGE FACADE WORKS ESTIMATE REV C (24TH AUGUST 2023)



GFA: Gross Floor Area
Rates Current At August 2023

LOCATION SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
W1	Revised Winfield Building (August 2023)			
W1A	1. Roof			
W1B	2. Rainwater Goods			
W1C	3. Walls			
W1D	4. Floors			
W1E	5. Render			
W1F	6. Glazing			
W1G	7. Joinery			
W1H	8. Painting			
W1I	9. Balconies / Pedestrian Bridges (Not Applicable To Winfield Building)			N/A
W1J	10. Hoists, Old Mechanisms & Timber Platforms (Not Applicable To Winfield Building)			N/A
W1K	11. Stonework (Not Applicable To Winfield Building)			N/A
W1L	12. Ceilings (Level 4 External Balcony Area)			
W1M	13. Urinals (Not Applicable To Winfield Building)			N/A
W1N	General (Scaffold Etc.)			
	W1 - Revised Winfield Building (August 2023)			
R1	Revised Rialto Building (August 2023)			
R1A	1. Roof			
R1B	2. Rainwater Goods			
R1C	3. Walls			
R1D	4. Floors			
R1E	5. Render			
R1F	6. Glazing			
R1G	7. Joinery			
R1H	8. Painting			
R1I	9. Balconies / Pedestrian Bridges			N/A
R1J	10. Hoists, Old Mechanisms & Timber Platforms			
R1K	11. Stonework (Not Applicable To Rialto Building)			N/A
R1L	12. Ceilings (Level 4 External Balcony Area)			
R1M	13. Urinals			
R1N	General (Scaffold Etc.)			
R1O	Make Good Existing Balconies			N/A
	R1 - Revised Rialto Building (August 2023)			
ESTIMATED NET COST				
MARGINS & ADJUSTMENTS				

INTERCONTINENTAL RIALTO HOTEL

HERITAGE FACADE WORKS ESTIMATE REV C (24TH AUGUST 2023)



LOCATION SUMMARY

GFA: Gross Floor Area
Rates Current At August 2023

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
MARGINS & ADJUSTMENTS (continued)				
	Builder's Preliminaries (Nominal 12 Months Construction Period)	██████		████████████████████
	Builder's Overheads and Margin	██████		████████████████████
Estimated Construction Cost as at August 2023				
	Escalation Post August 2023			Excluded
	Headworks and Authority Charges			Excluded
	Building Permit - CSV Cladding Levy			Excluded
	Design Fees			Excluded
	Project Management Fees			Excluded
	Development Management Fees			Excluded
	Project Contingency	██████		████████████████████
	GST			Excluded
	Structural Works / Upgrades			Excluded
	Staging or out of sequence works			Excluded
	Hazardous Material Removal			Excluded
ESTIMATED TOTAL COST				████████████████████

INTERCONTINENTAL RIALTO HOTEL

HERITAGE FACADE WORKS ESTIMATE REV C (24TH AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1A 1. Roof

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
396	1a - Remove, repair and reinstate cast iron ridge crestings (assume 75% of total length)	m	18		
400	1a - Replace missing cast iron ridge crestings (assume 25% of total length)	m	6		
397	1b - Reinstate missing finials to parapet	No	3		
398	1c - Refer to Rialto Building	Note			
399	1d - Refer to Rialto Building	Note			
404	1e - Inspect zinc and slate tiled roofs. Refix loose tiles and replace any missing tiles (measured flat on plan)	m ²	69		
418	1e - Inspect zinc and / or slate tiled turret. Refix loose tiles and replace any missing tiles, replace capping & flashing as required (major turret circular on plan at north west corner of the Winfield Building) . Includes allowance for steeplejack type or other similar forms of access to carry out the works	No	1		
405	1f - Make good damage to existing roof where modern atrium structure has been removed, make watertight, deemed to be part of separate Development cost.	Item			Development Cost
406	1g - Inspect gutters, downpipes, roof flashings etc. to Collins Street facade/s - included in Item 2 Rainwater Goods	Note			Included
AR - Alterations and Renovations					
1. ROOF					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1B 2. Rainwater Goods

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
407	Inspect downpipes to ensure they are working properly. Remove blockages. Replace damaged downpipes where required to match existing.	Item			
408	Inspect gutters, ensure correct falls, secure any loose fixings. Replace damaged eaves gutters where required to match existing	Item			
409	Sand back gutters and downpipes, treat corroded areas with rust convertor and primer and 2 No. top coats, to match existing (heritage) colour	Item			
AR - Alterations and Renovations					
2. RAINWATER GOODS					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1C 3. Walls

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR Alterations and Renovations					
414	3e - Curved brick wall with some damage - leave as is, no works	Item			N/A
415	3f - Non-original parapet (rear elevation), inspect for damage / cracks, remove & replace drummy render, repair as required	Item			
416	3g - Rear internal wall, remove non-original render and make good brick under. Assume this is South Elevation Drawing 05 - make good brickwork where 1980's fabric has been demolished - advised as not applicable, deemed to be part of separate Development cost.	m ²	498		Development Cost
417	General - Clean brick & tiles surfaces to remove surface deposits, grime, stains etc. (measured flat across all doors, windows, openings etc.)	m ²	710		
420	General - Rake out and repoint brickwork joints with lime based mortar to match existing in colour & contour / joint strike (hatched areas on Elevation Drawings). Various height levels / locations above Ground Level - high level North Facade. Scaffold measured separately.	m ²	19		
AR - Alterations and Renovations					
3. WALLS					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1D 4. Floors

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
432	4a - Take up bluestone kerbing & paving to Winfield Square - extent / location not indicated on drawing. Store in secure location and relay to existing location after completion of new basement, including any extra stonework to replace missing elements - advised as not applicable, <u>deemed to be part of separate Development cost.</u>	Item		Development Cost	
	AR - Alterations and Renovations				N/A
4. FLOORS					N/A

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1E 5. Render

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
429	General - Strip paint off existing render - surface area (allowance as per previous cost plan)	m ²	543		
423	General - Crack repairs and drummy render removal and repair, traditional 3 - coat lime based render system - allowed as a nominal 25% of render area.	m ²	136		
424	5a - Reinstate Winfield 'The Wool Exchange' sign in raised rendered lettering	No	1		
430	General - Prepare and paint all new or existing rendered surfaces, colour to match original (allowance as per previous cost plan)	m ²	543		
427	General - Reinstate missing and / or damaged rendered elements. Mouldings to be precisely reproduced, no prefabricated mouldings are to be used - allowance based on 10% of total quantity	Item			
428	General - Make good render where openings are to be altered - advised as not applicable, deemed to be part of separate Development cost.	Item			Development Cost
AR - Alterations and Renovations					
5. RENDER					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1F 6. Glazing

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
434	Provisional Sum Allowance to replace any existing damaged glazing with new clear glazing to Architect's specification. It is assumed that replacement of all existing glazing in all existing windows is not required to comply with current code requirements or higher acoustic requirements	P. Sum			
438	Provisional Sum Allowance for repairs to existing leadlight windows. If repairs are required they are to be carried out by a specialist stained glass conservator	P. Sum			
AR - Alterations and Renovations					
6. GLAZING					



INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1G 7. Joinery

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
437	7b - Inspect existing door & window furniture and repair as required. Decayed timber elements should be carefully cut out and new timber spliced in, repaint affected windows - based on 2 No. doors and 25 No. windows (50% of a total of 49 No. windows on North, South and West Elevations of the Winfield Building)	Item			
440	7b - Repair where necessary existing timber framing to windows (allowed to a nominal 30% of windows)	No	12		
AR - Alterations and Renovations					
7. JOINERY					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1H 8. Painting

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
375	General - Lightly sand and repaint existing timber frames to windows	No	38		
431	General - Test for lead paint to buildings	Item			
441	Extra over for removal of lead paint - Provisional Sum Allowance	P. Sum			
	AR - Alterations and Renovations				
8. PAINTING					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1I 9. Balconies / Pedestrian Bridges (Not Applicable To Winfield Building)

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
NA	Not Allocated to Element				
453	No specific indication on the documents that this applies to the Winfield building - advised as not applicable	Note			N/A
	NA - Not Allocated to Element				N/A
9. BALCONIES / PEDESTRIAN BRIDGES (NOT APPLICABLE TO WINFIELD BUILDING)					N/A

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1J 10. Hoists, Old Mechanisms & Timber Platforms (Not Applicable To Winfield Building)

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
454	General - No specific indication on the documents that these items are applicable to the Winfield Building - advised as not applicable	Note			N/A
	AR - Alterations and Renovations				N/A
10. HOISTS, OLD MECHANISMS & TIMBER PLATFORMS (NOT APPLICABLE TO WINFIELD BUILDING)					N/A

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1K 11. Stonework (Not Applicable To Winfield Building)

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
446	Existing damage to bluestone wall, west laneway - no work required	Note			N/A
	AR - Alterations and Renovations				N/A
11. STONEMWORK (NOT APPLICABLE TO WINFIELD BUILDING)					N/A

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1L 12. Ceilings (Level 4 External Balcony Area)

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
449	12b - Investigate internal ceilings for water damage (allowed for Level 4 balcony / roof areas). Repair of ceilings deemed to be part of separate development cost. Allow for locating & rectification source of water leak..	Item			
	AR - Alterations and Renovations				
12. CEILINGS (LEVEL 4 EXTERNAL BALCONY AREA)					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1M 13. Urinals (Not Applicable To Winfield Building)

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
455	Advised as not applicable to the Winfield Building	Note			N/A
	AR - Alterations and Renovations				N/A
13. URINALS (NOT APPLICABLE TO WINFIELD BUILDING)					N/A

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

W1 Revised Winfield Building (August 2023)

W1N General (Scaffold Etc.)

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
425	Scaffold to perimeter of building	m ²	1,229		
426	Patch & repair scaffold fixing points	m ²	1,229		
	AR - Alterations and Renovations				
GENERAL (SCAFFOLD ETC.)					

INTERCONTINENTAL RIALTO HOTEL

HERITAGE FACADE WORKS ESTIMATE REV C (24TH AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1A 1. Roof

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
396	1a - Remove, repair and reinstate cast iron ridge crestings (assume 75% of total length)	m	25		
400	1a - Replace missing cast iron ridge crestings (assume 25% of total length)	m	9		
401	1b - Refer to Winfield Building	Note			
402	1c - Repair or replace concrete finials, pinned to engineer's details	No	10		
403	1d - Remove and replace all corrugated metal roof cladding with new Z600 corrugated galvanised steel cladding. All cappings and flashings to be galvanised	m ²	1,005		
404	1e - Inspect zinc and slate tiled roofs. Refix loose tiles and replace any missing tiles (measured flat on plan)	m ²	368		
419	1e - Inspect zinc and / or slate tiled turret. Refix loose tiles and replace any missing tiles, replace capping & flashing as required (major turret segmented on plan at north east corner of the Rialto Building). Includes allowance for steeplejack type or other similar forms of access to carry out the works	No	1		
405	1f - Make good damage to existing roof where modern atrium structure has been removed, make watertight, deemed to be part of separate Development cost.	Item			Development Cost
406	1g - Inspect gutters, downpipes, roof flashings etc. to Collins Street facade/s - included in Item 2 Rainwater Goods	Note			Included
AR - Alterations and Renovations					
1. ROOF					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1B 2. Rainwater Goods

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
407	Inspect downpipes to ensure they are working properly. Remove blockages. Replace damaged downpipes where required to match existing.	Item			
408	Inspect gutters, ensure correct falls, secure any loose fixings. Replace damaged eaves gutters where required to match existing	Item			
409	Sand back gutters and downpipes, treat corroded areas with rust convertor and primer and 2 No. top coats, to match existing (heritage) colour	Item			
AR - Alterations and Renovations					
2. RAINWATER GOODS					



INTERCONTINENTAL RIALTO HOTEL

HERITAGE FACADE WORKS ESTIMATE REV C (24TH AUGUST 2023)



LOCATION ELEMENT ITEM
R1 Revised Rialto Building (August 2023)
 R1C 3. Walls

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR Alterations and Renovations					
410	3a - Remove bench to Ground Floor west elevation and make good brickwork	Item			
411	3b - Make good where non-original entrance gate is to be replaced at boundary (specific location)	Item			
412	3c - Rebuild brick at corner (specific location), replace missing bricks and re-bed loose bricks (specific location). Assumes reuse of existing spare bricks for repair works.	Item			
413	3d - Remove mortar that has been smeared on brickwall (specific location)	Item			
414	3e - Curved brick wall with some damage - leave as is, no works	Item			
417	General - Clean brick & tiles surfaces to remove surface deposits, grime, stains etc. (measured flat across all doors, windows, openings etc.)	m ²	5,463		
421	General - Rake out and repoint brickwork joints with lime based mortar to match existing in colour & contour / joint strike (hatched areas on Elevation Drawings). Various height levels / locations above Ground Level - high & mid levels South Facade. Scaffold measured separately.	m ²	96		
422	General - Rake out and repoint brickwork joints with lime based mortar to match existing in colour & contour / joint strike (hatched areas on Elevation Drawings). Various height levels / locations above Ground Level - low & mid levels West Facade. Scaffold measured separately.	m ²	88		
AR - Alterations and Renovations					
3. WALLS					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1D 4. Floors

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
433	4b - Allow to fill gaps in west laneway paving with lime based mortar	m ²	292		
AR - Alterations and Renovations					
4. FLOORS					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1E 5. Render

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
429	General - Strip paint off existing render - surface area (allowance as per previous cost plan)	m ²	1,492		
423	General - Crack repairs and drummy render removal and repair, traditional 3 - coat lime based render system - allowed as a nominal 25% of render area.	m ²	373		
430	General - Prepare and paint all new or existing rendered surfaces, colour to match original (allowance as per previous cost plan)	m ²	1,492		
427	General - Reinstate missing and / or damaged rendered elements. Mouldings to be precisely reproduced, no prefabricated mouldings are to be used - allowance based on 10% of total quantity	Item			
428	General - Make good render where openings are to be altered - advised as not applicable, deemed to be part of separate Development cost.	Item			Development Cost
	AR - Alterations and Renovations				
5. RENDER					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1F 6. Glazing

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
434	Provisional Sum Allowance to replace any existing damaged glazing with new clear glazing to Architect's specification. It is assumed that replacement of all existing glazing in all existing windows is not required to comply with current code requirements or higher acoustic requirements	P. Sum			
438	Provisional Sum Allowance for repairs to existing leadlight windows. If repairs are required they are to be carried out by a specialist stained glass conservator	P. Sum			
AR - Alterations and Renovations					
6. GLAZING					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1G 7. Joinery

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
435	7a - Remove non-original door hardware to GF corner entrance door and replace with historically appropriate door hardware (refer North Elevation)	No	1		
436	7b - Remove infill of rear (South) elevation arched section, infill with brick and apply render to match existing	No	3		
458	7b - Inspect existing door & window furniture and repair as required. Decayed timber elements should be carefully cut out and new timber spliced in, repaint affected windows - based on 3 No. single doors, 32 No. double doors (50% of a total of 63 No. double doors) and 63 No. windows (20% of a total of 312 No. windows on North, South, East and West Elevations of the Rialto Building)	Item			
440	7b - Repair where necessary existing timber framing to windows (allowed to a nominal 30% of windows)	No	11		
AR - Alterations and Renovations					
7. JOINERY					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1H 8. Painting

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
375	General - Lightly sand and repaint existing timber frames to windows	No	391		
431	General - Test for lead paint to buildings	Item			
441	Extra over for removal of lead paint - Provisional Sum Allowance	P. Sum			
	AR - Alterations and Renovations				
8. PAINTING					



INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R11 9. Balconies / Pedestrian Bridges

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
442	9a - Carefully remove section of existing cast iron balustrade approximately 2200 long and store for later reuse (where access to new pedestrian bridges is required) - refer to East Elevation, <u>deemed to be part of separate Development cost.</u>	Item			Development Cost
443	9a - Carefully remove section of existing cast iron balustrade approximately 4200 long and store for later reuse (where access to new pedestrian bridges is required) - refer to East Elevation, <u>deemed to be part of separate Development cost.</u>	Item			Development Cost
448	9a - Replace missing cast iron balustrades to match original detail where pedestrian bridges have been removed, <u>deemed to be part of separate Development cost.</u>	Item			Development Cost
	AR - Alterations and Renovations				N/A
9. BALCONIES / PEDESTRIAN BRIDGES					N/A

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1J 10. Hoists, Old Mechanisms & Timber Platforms

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
444	General - Retain original goods hoists in-situ. Inspect for corrosion, treat as required with rust converter and repaint with primer & 2 top coats. 2 No. goods lifts @ \$10K each	Item			
445	General - Inspect timber platforms, repair or replace damaged fabric to match existing. Repaint to match existing. Refer West Elevation of Rialto	Item			
AR - Alterations and Renovations					
10. HOISTS, OLD MECHANISMS & TIMBER PLATFORMS					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1K 11. Stonework (Not Applicable To Rialto Building)

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
446	Existing damage to bluestone wall, west laneway - no work required	Note			N/A
	AR - Alterations and Renovations				N/A
11. STONEWORK (NOT APPLICABLE TO RIALTO BUILDING)					N/A

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1L 12. Ceilings (Level 4 External Balcony Area)

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
447	12a - Strip vermiculite coating from the Flinders Lane level laneway Traegerwallblech vaulted corrugated iron ceilings and coat with intumescent paint (RB12)	m ²	102		
449	12b - Investigate internal ceilings for water damage (allowed for Level 4 balcony / roof areas). Repair of ceilings deemed to be part of separate development cost. Allow for locating & rectification source of water leak..	Item			
AR - Alterations and Renovations					
12. CEILINGS (LEVEL 4 EXTERNAL BALCONY AREA)					

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1M 13. Urinals

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
450	General - Repair corrugated iron urinal enclosures to Flinders Lane Elevation including : · Wire brush corrosion · Prime and paint (double coat) · Fill gaps between sheets with matching sheets	m ²	190		
451	General - New internal lining to urinal enclosures to Flinders Lane Elevation including (assumed required build-up): · Stud framing · Waterproof membrane · Insulation · Plasterboard	m ²	190		
452	General - Reinstate glazing to urinal enclosures	No	12		
AR - Alterations and Renovations					

13. URINALS

INTERCONTINENTAL RIALTO HOTEL
HERITAGE FACADE WORKS ESTIMATE REV C (24TH
AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R1N General (Scaffold Etc.)

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
425	Scaffold to perimeter of building	m ²	6,157		
426	Patch & repair scaffold fixing points	m ²	6,157		
	AR - Alterations and Renovations				
GENERAL (SCAFFOLD ETC.)					

INTERCONTINENTAL RIALTO HOTEL

HERITAGE FACADE WORKS ESTIMATE REV C (24TH AUGUST 2023)



LOCATION ELEMENT ITEM

R1 Revised Rialto Building (August 2023)

R10 Make Good Existing Balconies

Rates Current At August 2023

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
AR	Alterations and Renovations				
456	Make good to Rialto balconies to West Facade, <u>deemed to be part of separate Development cost.</u>	Item		Development Cost	
	AR - Alterations and Renovations				N/A
MAKE GOOD EXISTING BALCONIES					N/A

Appendix D Scenario 1A Cost Estimates: Heritage Only – Hotel

SCENARIO A | HERITAGE ONLY, HOTEL SCHEME - ORDER OF
COST (REV D)

25 August 2023

495 COLLINS STREET, MELBOURNE

495 COLLINS STREET, MELBOURNE

ORDER OF COST



SUMMARY

GFA: Gross Floor Area
Rates Current At August 2023

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
A	Scenario A (GLAR - 1,116m²; 105 Keys)			
A1	Demolition			
A2	Flinders Lane - EOT / BOH / Plant	1,431		
A3	Flinders Lane - Retail (GLAR - 554m ²)	554		
A4	Lower Ground Level - Meeting / F&B / Plant / BOH	1,958		
A5	Ground Level - Lobby / Amenity	1,349		
A6	Ground Level - Retail (GLAR - 562m ²)	562		
A7	Level 1 - Hotel Rooms / Lounge (25 Keys)	1,901		
A8	Level 2 - Hotel Rooms (29 Keys)	1,901		
A9	Level 3 - Hotel Rooms (29 Keys)	1,901		
A10	Level 4 - Hotel Rooms / Plant (22 Keys)	1,648		
A11	Level 5 - Plant	345		
A12	Roof			
A13	Upgrade Heritage Lifts			
A14	Facade Restoration Works (Part of Separate Cost Estimate)			Excl.
	A - Scenario A (GLAR - 1,116m²; 105 Keys)	13,550		
ESTIMATED NET COST		13,550		
MARGINS & ADJUSTMENTS				
	Design Development Contingency		10.0%	
	Builder's Preliminaries		13.0%	
	Builder's Overheads and Margin		5.0%	
	Estimated Construction Cost	13,550		
	Escalation Beyond August 2023			Excl.
	Headworks and Authority Charges		1.0%	
	Building Permit - CSV Cladding Levy		0.9%	
	Design Consultants Fees		11.0%	
	Project Management Fees			Excl.
	Development Management Fees			Excl.
	FF&E to Hotel (\$52,000 per room)		6.7%	
	OS&E to Hotel Rooms (\$15,000 per room)		1.8%	
	Project Contingency			Excl.
	GST			Excl.
	Contaminated Soil Removal			Excl.
	Hazardous Material Removal			Excl.
	ESTIMATED TOTAL COST			

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Appendix E Scenario 1B Cost Estimates: Heritage Only - Commercial

SCENARIO B | HERITAGE ONLY, COMMERCIAL SCHEME - ORDER
OF COST (REV B)

25 August 2023

495 COLLINS STREET, MELBOURNE

495 COLLINS STREET, MELBOURNE

ORDER OF COST



GFA: Gross Floor Area
Rates Current At August 2023

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
B	Scenario B (GLAR - 1,640m²; NLA - 5,357m²)			
B1	Demolition			
B2	Flinders Lane - EOT / BOH / Plant	1,431		
B3	Flinders Lane - Retail (GLAR - 554m ²)	554		
B4	Lower Ground Level - Plant	913		
B5	Lower Ground Level - Office (NLA - 690m ²)	690		
B6	Lower Ground Level - Retail (GLAR - 355m ²)	355		
B7	Ground Level - Lobby	1,030		
B8	Ground Level - Office (NLA - 150m ²)	150		
B9	Ground Level - Retail (GLAR - 731m ²)	731		
B10	Level 1 - Office (NLA - 1,167m ²)	1,901		
B11	Level 2 - Office (NLA - 1,170m ²)	1,901		
B12	Level 3 - Office (NLA - 1,192m ²)	1,901		
B13	Level 4 - Office (NLA - 988m ²)	1,648		
B14	Level 5 - Plant	345		
B15	Roof			
B16	Upgrade Heritage Lifts			
B17	Facade Restoration Works (Part of Separate Cost Estimate)			Excl.
	B - Scenario B (GLAR - 1,640m²; NLA - 5,357m²)	13,550		
ESTIMATED NET COST		13,550		
MARGINS & ADJUSTMENTS				
	Design Development Contingency	10.0%		
	Builder's Preliminaries	13.0%		
	Builder's Overheads and Margin	5.0%		
	Estimated Construction Cost	13,550		
	Escalation Beyond August 2023			Excl.
	Headworks and Authority Charges	1.0%		
	Building Permit - CSV Cladding Levy	0.9%		
	Design Consultants Fees	11.0%		
	Project Management Fees			Excl.
	Development Management Fees			Excl.
	Project Contingency			Excl.
	GST			Excl.
	Contaminated Soil Removal			Excl.
	Hazardous Material Removal			Excl.
	ESTIMATED TOTAL COST	13,550		

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Appendix F Scenario 2 Cost Estimates: Refurbishment + Additional 3 Levels

Note: Original Rates August 2017

Intercontinental Hotel
Addition of 3 Levels Excluding Cantilever

Location Summary

GFA: Gross Floor Area
 Rates Current At August 2017

Location	GFA m ²	Cost/m ²	Total Cost AUD
A DEMOLITION			
B WINFIELD BUILDING (196 KEYS)			
B1 HOTEL			
B1A Refurbish Existing Hotel			
B1A1 Basement Plant Room	1,797		
B1A2 Level G01 - Flinders Lane Level Refurbishment			
B1A2A Flinders Lane Entrance	17		
B1A2B FOH / Corridor Lobby	879		
B1A2C Amenities	57		
B1A2D BOH / Store / Corridor	140		
B1A2E BOH (Existing)	668		
<i>B1A2 - Level G01 - Flinders Lane Level Refurbishment</i>	<i>1,761</i>		
B1A3 Level G02 - Mezzanine Level Refurbishment			
B1A3A Circulation	296		
B1A3B BOH / Staff Room / Office / Change Room	506		
B1A3C Kitchen	227		
B1A3D Plant (Existing)	58		
<i>B1A3 - Level G02 - Mezzanine Level Refurbishment</i>	<i>1,087</i>		
B1A4 Level G03 - Collins Street Level Refurbishment			
B1A4A Collins Street Entrance	34		
B1A4B Hotel Foyer & Lounge	731		
B1A4C All Day Dining	331		
B1A4D Amenities	61		
B1A4E BOH	243		
B1A4F Bridge Link	33		
<i>B1A4 - Level G03 - Collins Street Level Refurbishment</i>	<i>1,433</i>		
B1A5 Level 1	991		
B1A6 Level 1 - Bridge Link	75		
B1A7 Level 2	992		
B1A8 Level 3	997		
B1A9 Level 3 - Bridge Link	75		
B1A10 Level 4	997		
B1A11 Level 4 - Bridge Link	75		
B1A12 Level 5	1,148		
B1A13 Level 6	992		
B1A14 Level 7	992		
B1A15 Level 8	851		
B1A16 Level 8 - ICH Club	141		
B1A17 Level 9	992		

Intercontinental Hotel
Addition of 3 Levels Excluding Cantilever

Location Summary

GFA: Gross Floor Area
 Rates Current At August 2017

Location	GFA m ²	Cost/m ²	Total Cost AUD
B1A18 New Atrium Facade			
<i>B1A - Refurbish Existing Hotel</i>		15,396	
B1B New Hotel Extension			
B1B1 Level 10	1,201		
B1B2 Level 11	873		
B1B3 Level 11 - Existing lift overrun	61		
B1B4 Level 12	873		
B1B5 Level 13 - Roof Plant	193		
B1B6 Level 13 - Roof			
<i>B1B - New Hotel Extension</i>		3,201	
<i>B1 - HOTEL</i>		18,597	
B3 STRUCTURAL UPGRADE			
B3A Structural Upgrade			
<i>B3 - STRUCTURAL UPGRADE</i>			
B4 VERTICAL TRANSPORTATION			
<i>B - WINFIELD BUILDING (196 KEYS)</i>		18,597	
C HERITAGE BUILDING (103 KEYS)			
C1 HOTEL			
C1A Basement - BOH / Plant Room	153		
C1B Level G01 - Flinders Lane Level			
C1B1 Pool	178		
C1B2 Pool BOH	50		
<i>C1B - Level G01 - Flinders Lane Level</i>		228	
C1C Level G02 - Mezzanine Level			
C1C1 Hotel Room	1,107		
C1C2 Circulation	110		
C1C3 Spa & Wellness	237		
C1C4 AV Store & Plant	48		
<i>C1C - Level G02 - Mezzanine Level</i>		1,502	
C1D Level G03 - Collins Street Level			
C1D1 Hotel Foyer & Lounge	107		
C1D2 Food & Beverage	506		
<i>C1D - Level G03 - Collins Street Level</i>		613	
C1E Level 1	1,731		
C1F Level 3	1,744		
C1G Level 4	1,723		
C1H Level 4 Amenities	21		

Intercontinental Hotel
Addition of 3 Levels Excluding Cantilever

GFA: Gross Floor Area
 Rates Current At August 2017

Location Summary

Location	GFA m ²	Cost/m ²	Total Cost AUD
C1I Level 5	1,228		
C1J Level 5 Courtyard			
C1K Level 5 - External Plant			
C1L Roof			
C1 - HOTEL	8,943		
C2 RETAIL (GLAR 1,933 M2)			
C2A Level G01 - Flinders Lane Level			
C2A1 Flinders Lane Entrance	14		
C2A2 Food & Beverage	1,153		
C2A3 Food & Beverage Foyer	586		
C2A4 BOH	49		
C2A - Level G01 - Flinders Lane Level	1,802		
C2B Level G02 - Mezzanine Level			
C2B1 Food & Beverage	242		
C2B - Level G02 - Mezzanine Level	242		
C2C Level G03 - Collins Street Level			
C2C1 Food & Beverage	916		
C2C2 Food & Beverage Foyer	177		
C2C3 Laneway			
C2C - Level G03 - Collins Street Level	1,093		
C2 - RETAIL (GLAR 1,933 M2)	3,137		
C3 VERTICAL TRANSPORTATION			
C4 ATRIUM GLAZING REPLACEMENT			
C5 HERITAGE FACADE UPGRADE			
C - HERITAGE BUILDING (103 KEYS)	12,080		
D 471-485 COLLINS ST BUILDING WORKS			
D1 LEVEL G02 BUSINESS CENTRE	2,067		
D2 LEVEL G02 AMENITIES	53		
D3 LEVEL 1 BUSINESS CENTRE	123		
D4 LEVEL 1 KITCHEN	21		
D5 LEVEL 1 AMENITIES	48		
D6 LEVEL 2 BUSINESS CENTRE	311		
D7 LEVEL 3 BUSINESS CENTRE	255		
D8 LEVEL 7 WELLNESS CENTRE	1,222		

Intercontinental Hotel
Addition of 3 Levels Excluding Cantilever

GFA: Gross Floor Area
 Rates Current At August 2017

Location Summary

Location	GFA m ²	Cost/m ²	Total Cost AUD
D9 LEVEL 7 GLAZED BRIDGE LINK	57		
D - 471-485 COLLINS ST BUILDING WORKS	4,157		
E EXTERNAL WORKS			
E1 LANDSCAPING			
E2 EXTERNAL SERVICES			Excl.
E - EXTERNAL WORKS			
ESTIMATED NET COST	34,834		
MARGINS & ADJUSTMENTS			
Design Development Contingency	5.0%		
Builder's Preliminaries	13.0%		
Builder's Overheads and Margin	4.0%		
FF&E Allowance (\$45,000 per key)	9.9%		
OS&E Allowance			
ESTIMATED CONSTRUCTION COST	34,834		
Escalation to Commencement Post August 2017			Excl.
Headworks and Authority Charges			Excl.
Furniture, Fittings and Equipment			Excl.
Design Consultants Fees			Excl.
Project Contingency			Excl.
GST			Excl.
ESTIMATED TOTAL COST	34,834		

Appendix G Scenario 3 Cost Estimates: Refurbishment + Additional 6 Levels

Intercontinental Hotel
Addition of 6 Levels Including Cantilever

Location Summary

GFA: Gross Floor Area
 Rates Current At August 2017

Location	GFA m ²	Cost/m ²	Total Cost AUD
A DEMOLITION			
B WINFIELD BUILDING (251 KEYS)			
B1 HOTEL			
B1A Refurbish Existing Hotel			
B1A1 Basement Plant Room	1,797		
B1A2 Level G01 - Flinders Lane Level Refurbishment			
B1A2A Flinders Lane Entrance	17		
B1A2B FOH / Corridor Lobby	879		
B1A2C Amenities	57		
B1A2D BOH / Store / Corridor	140		
B1A2E BOH (Existing)	668		
<i>B1A2 - Level G01 - Flinders Lane Level Refurbishment</i>		1,761	
B1A3 Level G02 - Mezzanine Level Refurbishment			
B1A3A Circulation	296		
B1A3B BOH / Staff Room / Office / Change Room	506		
B1A3C Kitchen	227		
B1A3D Plant (Existing)	58		
<i>B1A3 - Level G02 - Mezzanine Level Refurbishment</i>		1,087	
B1A4 Level G03 - Collins Street Level Refurbishment			
B1A4A Collins Street Entrance	34		
B1A4B Hotel Foyer & Lounge	731		
B1A4C All Day Dining	331		
B1A4D Amenities	61		
B1A4E BOH	243		
B1A4F Bridge Link	33		
<i>B1A4 - Level G03 - Collins Street Level Refurbishment</i>		1,433	
B1A5 Level 1	991		
B1A6 Level 1 - Bridge Link	75		
B1A7 Level 2	992		
B1A8 Level 3	997		
B1A9 Level 3 - Bridge Link	75		
B1A10 Level 4	997		
B1A11 Level 4 - Bridge Link	75		
B1A12 Level 5	1,148		
B1A13 Level 6	992		
B1A14 Level 7	992		
B1A15 Level 8	851		
B1A16 Level 8 - ICH Club	141		
B1A17 Level 9	992		

Intercontinental Hotel
Addition of 6 Levels Including Cantilever

Location Summary

GFA: Gross Floor Area
 Rates Current At August 2017

Location	GFA m ²	Cost/m ²	Total Cost AUD
B1A18 New Atrium Facade			
<i>B1A - Refurbish Existing Hotel</i>		15,396	
B1B New Hotel Extension			
B1B1 Level 10	1,201		
B1B2 Level 11	873		
B1B3 Level 11 - Existing lift overrun	61		
B1B4 Level 15 (In 4 No.)	3,491		
B1B7 Level 16 Restaurant	465		
B1B8 Level 16 Hotel	428		
B1B5 Level 17 - Roof Plant	193		
B1B6 Level 17 - Roof			
<i>B1B - New Hotel Extension</i>		6,712	
<i>B1 - HOTEL</i>		22,108	
B2 NEW GLAZED CIRCULAR LIFT INCLUDING SHAFT AND STRUCTURE			
B3 STRUCTURAL UPGRADE			
B3A Structural Upgrade			
<i>B3 - STRUCTURAL UPGRADE</i>			
B4 VERTICAL TRANSPORTATION			
B5 HOTEL - OPTIONAL CANTILEVER (6 NO.)			
B5A Level 10	39		
B5B Level 11	39		
B5C Level 11 Existing Lift Overrun			
B5G Structural Steel Cantilever Trusses			
B5D Level 12-15 (In 4 No.)	156		
B5H Level 16 Restaurant	39		
B5E Level 17 - Roof Plant	39		
B5F Level 17 - Roof			
<i>B5 - HOTEL - OPTIONAL CANTILEVER (6 NO.)</i>		312	
<i>B - WINFIELD BUILDING (251 KEYS)</i>		22,420	
C HERITAGE BUILDING (106 KEYS)			
C1 HOTEL			
C1A Basement - BOH / Plant Room	153		
C1B Level G01 - Flinders Lane Level			
C1B1 Pool	178		
C1B2 Pool BOH	50		
<i>C1B - Level G01 - Flinders Lane Level</i>		228	

Intercontinental Hotel
Addition of 6 Levels Including Cantilever

GFA: Gross Floor Area
 Rates Current At August 2017

Location Summary

Location	GFA m ²	Cost/m ²	Total Cost AUD
C1C Level G02 - Mezzanine Level			
C1C1 Hotel Room	1,107		
C1C2 Circulation	110		
C1C3 Spa & Wellness	237		
C1C4 AV Store & Plant	48		
<i>C1C - Level G02 - Mezzanine Level</i>	<i>1,502</i>		
C1D Level G03 - Collins Street Level			
C1D1 Hotel Foyer & Lounge	107		
C1D2 Food & Beverage	506		
<i>C1D - Level G03 - Collins Street Level</i>	<i>613</i>		
C1E Level 1	1,731		
C1F Level 3	1,744		
C1G Level 4	1,723		
C1H Level 4 Amenities	21		
C1I Level 5	1,228		
C1J Level 5 Courtyard			
C1K Level 5 - External Plant			
C1L Roof			
<i>C1 - HOTEL</i>	<i>8,943</i>		
C2 RETAIL (GLAR 1,933 M2)			
C2A Level G01 - Flinders Lane Level			
C2A1 Flinders Lane Entrance	14		
C2A2 Food & Beverage	1,153		
C2A3 Food & Beverage Foyer	586		
C2A4 BOH	49		
<i>C2A - Level G01 - Flinders Lane Level</i>	<i>1,802</i>		
C2B Level G02 - Mezzanine Level			
C2B1 Food & Beverage	242		
<i>C2B - Level G02 - Mezzanine Level</i>	<i>242</i>		
C2C Level G03 - Collins Street Level			
C2C1 Food & Beverage	916		
C2C2 Food & Beverage Foyer	177		
C2C3 Laneway			
<i>C2C - Level G03 - Collins Street Level</i>	<i>1,093</i>		
<i>C2 - RETAIL (GLAR 1,933 M2)</i>	<i>3,137</i>		
C3 VERTICAL TRANSPORTATION			
C4 ATRIUM GLAZING REPLACEMENT			

Intercontinental Hotel
Addition of 6 Levels Including Cantilever

Location Summary

GFA: Gross Floor Area
 Rates Current At August 2017

Location	GFA m ²	Cost/m ²	Total Cost AUD
C5 HERITAGE FACADE UPGRADE			
C - HERITAGE BUILDING (106 KEYS)	12,080		
D 471-485 COLLINS ST BUILDING WORKS			
D1 LEVEL G02 BUSINESS CENTRE	2,067		
D2 LEVEL G02 AMENITIES	53		
D3 LEVEL 1 BUSINESS CENTRE	123		
D4 LEVEL 1 KITCHEN	21		
D5 LEVEL 1 AMENITIES	48		
D6 LEVEL 2 BUSINESS CENTRE	311		
D7 LEVEL 3 BUSINESS CENTRE	255		
D8 LEVEL 7 WELLNESS CENTRE	1,222		
D9 LEVEL 7 GLAZED BRIDGE LINK	57		
D - 471-485 COLLINS ST BUILDING WORKS	4,157		
E EXTERNAL WORKS			
E1 LANDSCAPING			
E2 EXTERNAL SERVICES			
E - EXTERNAL WORKS			
ESTIMATED NET COST	38,657		
MARGINS & ADJUSTMENTS			
Design Development Contingency	5.0%		
Builder's Preliminaries	13.0%		
Builder's Overheads and Margin	4.0%		
FF&E Allowance (\$45,000 per key)	9.5%		
OS&E Allowance			
ESTIMATED CONSTRUCTION COST	38,657		
Escalation to Commencement Post August 2017			Excl.
Headworks and Authority Charges			Excl.
Furniture, Fittings and Equipment			Excl.
Design Consultants Fees			Excl.
Project Contingency			Excl.

Intercontinental Hotel
Addition of 6 Levels Including Cantilever

Location Summary

GFA: Gross Floor Area
 Rates Current At August 2017

Location	GFA m ²	Cost/m ²	Total Cost AUD
MARGINS & ADJUSTMENTS (continued)			
GST			Excl.
	ESTIMATED TOTAL COST	38,657	

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Appendix H Scenario 4A Cost Estimates: Maximum Tower Bounded by the Heritage Registration (Mixed-Use)

SCENARIO 4 | MAXIMUM TOWER BOUNDED BY HERITAGE
REGISTRATION - ORDER OF COST (REV B)

25 August 2023

495 COLLINS STREET, MELBOURNE

495 COLLINS STREET, MELBOURNE

ORDER OF COST

GFA: Gross Floor Area
Rates Current At August 2023

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
C	SCENARIO 4 (GLAR - 1,554M2; NLA - 8,205M2; 198 KEYS)			
C1	Demolition			
C2	Commercial Office (NLA - 8,205m2)			
C2A	Substructure			
C2B	Basement 03 - Plant / BOH	1,793		
C2C	Basement 02 - Plant / BOH	1,793		
C2D	Basement 01 - Plant / BOH / EOT	1,793		
C2E	Flinders Lane Level			
C2F	Lower Ground Level			
C2G	Ground Level - Lobby	1,044		
C2H	Level 1 - 15 - Core (In 16 No.)			
C2I	Level 16	975		
C2J	Level 17 - 23 (In 7 No.)	6,825		
C2K	Level 24	910		
C2L	Level 25	855		
C2M	Level 26	800		
C2N	Level 27	670		
C2O	Level 28	550		
C2P	Level 29 - Plant	430		
C2Q	Level 30 - Plant	200		
C2R	Roof			
C2S	Roof Parapet & Raked Louvered Roof			
C2T	Vertical Transportation			
C2U	BMU			
	C2 - Commercial Office (NLA - 8,205m2)	18,638		
C3	Retail (GLAR - 1,554m2)			
C3A	Flinders Lane	727		
C3B	Lower Ground Level	86		
C3C	Ground Level	741		
C3D	Extra over for Glazed Lift and Stairway Upgrade			
C3E	Laneway Facade Restoration Allowance			
	C3 - Retail (GLAR - 1,554m2)	1,554		
C4	Club			
C4A	Flinders Lane - Day Spa	245		
C4B	Lower Ground - Screening Room	249		
C4C	Ground Level - Club Entry	246		
C4D	Level 1 - Library & Sitting	250		
C4E	Level 2 - Bar & Pool Room	250		

495 COLLINS STREET, MELBOURNE

ORDER OF COST

GFA: Gross Floor Area
Rates Current At August 2023

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
C4F	Level 3 - Private Dining	250		
C4G	Level 4 - Restaurant	250		
	C4 - Club	1,740		
C5	Hotel (Tower) (144 Keys)			
C5A	Substructure			
C5B	Basement 03			
C5C	Basement 02			
C5D	Basement 01			
C5E	Flinders Lane - Hotel Lobby / BOH	1,366		
C5F	Lower Ground Level - Kitchen / Piano Bar	1,354		
C5G	Ground Level			
C5H	Level 1 - Function	1,228		
C5I	Level 2 - Unspecified	742		
C5J	Level 3 - Pool	1,323		
C5K	Level 4 - Gym / Spa	996		
C5L	Level 5 - Plant / Executive Lounge	1,423		
C5M	Level 6 - Plant	975		
C5N	Level 7 - 15 - Hotel Rooms (In 9 No.)	8,775		
C5O	Vertical Transportation			
	C5 - Hotel (Tower) (144 Keys)	18,182		
C6	Hotel (Heritage) (54 Keys)			
C6A	Structural Works Associated with Basement Extension Under Collins St Building			
C6B	Flinders Lane - Function Entry	1,495		
C6C	Lower Ground Level - Dining / Kitchen / Library	1,562		
C6D	Ground Level - Exec Office / Pre-Function	861		
C6E	Level 1 - Meeting Rooms & Pre-Function	1,611		
C6F	Level 2 - Hotel Rooms	1,612		
C6G	Level 3 - Hotel Rooms	1,612		
C6H	Level 4 - Hotel Rooms	1,468		
C6I	Level 5 Plant (Existing)			
C6J	Upgrade Heritage Lifts			
C6K	Construction of New Lift Shaft and Lifts, including Associated Feature Stair			
C6L	Facade Restoration Works (Part of Separate Cost Estimate)			
	C6 - Hotel (Heritage) (54 Keys)	10,221		
	C - SCENARIO 4 (GLAR - 1,554M2; NLA - 8,205M2; 198 KEYS)	50,335		
	ESTIMATED NET COST	50,335		

495 COLLINS STREET, MELBOURNE

ORDER OF COST



GFA: Gross Floor Area
Rates Current At August 2023

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
MARGINS & ADJUSTMENTS				
	Design Development Contingency		5.0%	
	Builder's Preliminaries		20.0%	
	Builder's Overheads and Margin		4.5%	
	Estimated Construction Cost	50,335		
	Escalation Beyond August 2023			
	Headworks and Authority Charges		1.0%	
	Building Permit - CSV Cladding Levy		0.9%	
	Design Consultants Fees		11.0%	
	Project Management Fees			
	Development Management Fees			
	FF&E to Hotel (\$52,000 per room)		2.7%	
	OS&E to Hotel Rooms (\$15,000 per room)		0.8%	
	Project Contingency			
	GST			
	Contaminated Soil Removal			
	Hazardous Material Removal			
	ESTIMATED TOTAL COST	50,335		

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Appendix I Scenario 4B Cost Estimates: Maximum Tower Bounded by the Heritage Registration (Hotel Only)

**HOTEL ONLY TOWER | MAXIMUM TOWER BOUNDED BY
HERITAGE REGISTRATION - ORDER OF COST (REV B)**

25 August 2023

495 COLLINS STREET, MELBOURNE

495 COLLINS STREET, MELBOURNE

ORDER OF COST



GFA: Gross Floor Area
Rates Current At August 2023

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
D	HOTEL ONLY TOWER (GLAR 1,917M2; NLA 2,287M2; 371 KEYS)			
D1	Demolition			
D2	Basement			
D2A	Basement 03 - Plant / BOH	1,793		
D2B	Basement 02 - Plant / BOH / Loading Dock	1,793		
D2C	Basement 01 - Plant / BOH / EOT	850		
D2D	Flinders Lane - Plant / BOH	820		
	D2 - Basement	5,256		
D3	Retail (GLAR 1,917m2)			
D3A	Flinders Lane	1,090		
D3B	Lower Ground Level	86		
D3C	Ground Level	741		
D3D	Extra over for Glazed Lift and Stairway Upgrade			
D3E	Laneway Facade Restoration Allowance			
	D3 - Retail (GLAR 1,917m2)	1,917		
D4	Club			
D4A	Flinders Lane - Day Spa	407		
D4B	Lower Ground - Screening Room & Bar	190		
D4C	Ground Level - Club Entry	84		
D4D	Level 1 - Library & Sitting	203		
D4E	Level 2 - Bar & Pool Room	235		
D4F	Level 3 - Private Dining	203		
D4G	Level 4 - Restaurant	195		
	D4 - Club	1,517		
D5	Hotel (Tower) (317 Keys)			
D5A	Substructure			
D5B	Basement 03			
D5C	Basement 02			
D5D	Basement 01			
D5E	Lower Ground Level - Kitchen / Piano Bar	1,355		
D5F	Ground Level	1,045		
D5G	Level 1 - Function	1,245		
D5H	Level 2 - Unspecified	740		
D5I	Level 3 - Pool	1,215		
D5J	Level 4 - Gym / Spa	995		
D5K	Level 5 - Plant / Executive Lounge	1,340		
D5L	Level 6 - Plant	1,170		
D5M	Level 7 - Plant	970		

495 COLLINS STREET, MELBOURNE

ORDER OF COST



SUMMARY

GFA: Gross Floor Area
Rates Current At August 2023

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
D5N	Levels 8 - 26 - Hotel Rooms (In 19 No.)	18,430		
D5O	Levels 27 - 29 - Hotel Rooms (In 3 No.)	2,267		
D5P	Levels 30 - 32 - Hotel Rooms (In 3 No.)	1,750		
D5Q	Level 33 - Plant	375		
D5R	Level 34 - Plant	275		
D5S	Roof			
D5T	Roof Parapet & Raked Louvered Roof			
D5U	Vertical Transportation			
D5V	BMU			
	D5 - Hotel (Tower) (317 Keys)	33,172		
D6	Hotel (Heritage) (54 Keys)			
D6A	Structural Works Associated with Basement Extension Under Collins St Building			
D6B	Flinders Lane - Function Entry	1,515		
D6C	Lower Ground Level - Dining / Kitchen / Library / Staff Support	1,621		
D6D	Ground Level - Exec Office / Pre-Function	1,023		
D6E	Level 1 - Meeting Rooms / Pre-Function	1,658		
D6F	Level 2 - Hotel Rooms	1,627		
D6G	Level 3 - Hotel Rooms	1,659		
D6H	Level 4 - Hotel Rooms	1,523		
D6I	Level 5 Plant (Existing)	250		
D6J	Upgrade Heritage Lifts			
D6K	Construction of New Lift Shaft and Lifts, including Associated Feature Stair			
D6L	Facade Restoration Works (Part of Separate Cost Estimate)			
	D6 - Hotel (Heritage) (54 Keys)	10,876		
	D - HOTEL ONLY TOWER (GLAR 1,917M2; NLA 2,287M2; 371 KEYS)	52,738		
ESTIMATED NET COST		52,738		
MARGINS & ADJUSTMENTS				
	Design Development Contingency	5.0%		
	Builder's Preliminaries	20.0%		
	Builder's Overheads and Margin	4.5%		
Estimated Construction Cost		52,738		
	Escalation Beyond August 2023			
	Headworks and Authority Charges	1.0%		
	Building Permit - CSV Cladding Levy	0.9%		
	Design Consultants Fees	11.0%		

495 COLLINS STREET, MELBOURNE

ORDER OF COST



GFA: Gross Floor Area
Rates Current At August 2023

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
MARGINS & ADJUSTMENTS (continued)				
	Project Management Fees			
	Development Management Fees			
	FF&E to Hotel (\$52,000 per room)		4.7%	
	OS&E to Hotel Rooms (\$15,000 per room)		1.3%	
	Project Contingency			
	GST			
	Contaminated Soil Removal			
	Hazardous Material Removal			
	ESTIMATED TOTAL COST	52,738		



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Appendix J Scenario 5 Cost Estimates: Demolition of 1980's Build + Mixed-Use Tower + Refurbishment (Larger Office Floorplates)

INTERCONTINENTAL RIALTO HOTEL

COST EXERCISE - REASIBILITY ESTIMATE NO. 2 - REV A - COX SCHEME - UPDATED PRICING JANUARY 2022



Scenario 5: Demolition 1980's Build + Mixed-Use Tower + Refurb

LOCATION SUMMARY

GFA: Gross Floor Area
Rates Current At January 2022

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
A	Demolition			
B	Commercial Office (NLA - 27,495 m2)			
B1	Substructure			
B2	Basement 03	631		
B3	Basement 02	665		
B4	Basement 01	1,006		
B5	Flinders Lane Level	484		
B6	Lower Ground Level Core	112		
B7	Collins St Ground Level Lobby	677		
B8	Level 1 Core	144		
B9	Level 2 Core	147		
B10	Level 3 Core	147		
B11	Level 4 Core	147		
B12	Level 5 and 5M Core (In 2 No.)	301		
B13	Level 6 -15 Core (In 10 No.)	1,469		
B14	Level 16	2,419		
B15	Level 17	2,221		
B16	Level 18-22 (In 5 No.)	12,091		
B17	Level 23	2,419		
B18	Level 24	2,418		
B19	Level 25	2,417		
B20	Level 26	2,417		
B21	Level 27	2,159		
B22	Level 27 Terrace	106		
B23	Level 27 Roof			
B24	Level 28	1,914		
B25	Level 28 Terrace	101		
B26	Level 28 Roof			
B27	Level 29	1,562		
B28	Level 29 Terrace	111		
B29	Level 29 Roof			
B30	Level 30	1,177		
B31	Level 30 Terrace	230		
B32	Level 30 Roof			
B33	Level 31 Plant	922		
B34	Level 31 Mezzanine Plant	115		

INTERCONTINENTAL RIALTO HOTEL

COST EXERCISE - REASIBILITY ESTIMATE NO. 2 - REV A - COX SCHEME - UPDATED PRICING JANUARY 2022



LOCATION SUMMARY

GFA: Gross Floor Area
Rates Current At January 2022

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
B35	Level 31 Roof			
B36	Level 32 Plant	616		
B37	Level 32 Roof			
B38	Level 33 Plant	493		
B39	Level 33 Roof			
B40	Vertical Transportation			
B41	BMU			
B42	Allowance for Transfer Structures From Level 5-16			
	Commercial Office (NLA - 27,495 m2)	41,838		
C	Retail			
C1	Flinders Lane Level - New	1,018		
C2	Flinders Western Laneway	399		
C3	Flinders Central Atrium	699		
C4	Lower Ground Level	181		
C5	Collins St Heritage - Lobby / Circulation	249		
C6	Collins St Heritage - Circulation / Atrium Balcony	173		
C7	Collins St Ground Level (Cold Shell)	1,195		
C8	Extra over for Glazed Lift and Stairway Upgrade			
C9	Laneway Facade Restoration Allowance			
	Retail	3,914		
D	Club			
D1	Flinders Lane Level	450		
D2	Lower Ground Level	473		
D3	Collins St Ground Level	103		
D4	Level 1	217		
D5	Level 2	211		
D6	Level 3	216		
D7	Level 4	215		
	Club	1,885		
E	Hotel (Tower) (225 Keys)			
E1	Substructure			
E2	Basement 03	937		
E3	Basement 02	897		
E4	Basement 01	36		
E5	Flinders Lane Level	614		
E6	Lower Ground Level	707		

INTERCONTINENTAL RIALTO HOTEL

COST EXERCISE - REASIBILITY ESTIMATE NO. 2 - REV A - COX SCHEME - UPDATED PRICING JANUARY 2022

LOCATION SUMMARY

		GFA: Gross Floor Area Rates Current At January 2022		
Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
E7	Collins St Ground Level	420		
E8	Level 1	1,068		
E9	Level 2	525		
E10	Level 3	1,009		
E11	Level 4	739		
E12	Level 5	1,173		
E13	Level 5 Mezzanine Plant	574		
E14	Level 6	1,272		
E15	Level 7	1,329		
E16	Level 8	1,378		
E17	Level 9	1,432		
E18	Level 10	1,485		
E19	Level 11-13 (In 3 No.)	4,762		
E20	Level 14	1,587		
E21	Level 15	1,731		
E22	Vertical Transportation			
E23	Secondary Facade - Comprising structural steel frame with glazed Louvers			
	Hotel (Tower) (225 Keys)	23,675		
F	Hotel (Heritage) (53 Keys)			
F1	Structural Works Associated with Basement Extension Under Collins St Building			
F2	Flinders Lane Level	249		
F3	Lower Ground Level	1,561		
F4	Collins St Ground Level	250		
F5	Level 1	1,528		
F6	Level 2	1,537		
F7	Level 3	1,535		
F8	Level 4	1,366		
F9	Level 5 Plant (Existing)	426		
F10	Upgrade Heritage Lifts			
F11	Construction of New Lift Shaft and Lifts, including Associated Feature Stair			
F12	Collins St Facade Restoration Works			
	Hotel (Heritage) (53 Keys)	8,452		
	ESTIMATED NET COST	79,764		

MARGINS & ADJUSTMENTS

Design Development Contingency 5.0%

INTERCONTINENTAL RIALTO HOTEL

COST EXERCISE - REASIBILITY ESTIMATE NO. 2 - REV A - COX SCHEME - UPDATED PRICING JANUARY 2022



LOCATION SUMMARY

GFA: Gross Floor Area
Rates Current At January 2022

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
MARGINS & ADJUSTMENTS (continued)				
	Builder's Preliminaries		17.0%	
	Builder's Overheads and Margin		4.0%	
	Estimated Construction Cost as at January 2022	79,764		
	Escalation Post January 2022			
	Headworks and Authority Charges		1.0%	
	Building Permit - CSV Cladding Levy		0.8%	
	Design Consultants Fees		12.0%	
	Project Management Fees			
	Development Management Fees			
	FF&E to Hotel (\$52,000 per room)		3.5%	
	OS&E to Hotel Rooms (\$15,000 per room)		1.0%	
	Project Contingency			
	GST			
	Estimate is based on the demolition of the existing retention system to create a new loading dock entry			
	Compactor to loading dock			
	Contaminated Soil Removal - Current Advice is that there is none			
	Hazardous Material Removal			
	ESTIMATED TOTAL COST	79,764		

Appendix K Scenario 6 Cost Estimates: Demolition of 1980's Built + Mixed-Use Tower + Refurbishment (Proposed Development)

495 COLLINS STREET, MELBOURNE

FEASIBILITY ESTIMATE NO. 3

GFA: Gross Floor Area
Rates Current At November 2022

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
A	DEMOLITION			
B	COMMERCIAL OFFICE (NLA - 21,781M2)			
B1	Substructure			
B2	Basement 03			
B2A	Office BOH/Waste Management	192		
B2B	Service Room	550		
B2C	Circulation Area (Shared 50:50 with Hotel)	182		
	B2 - Basement 03	924		
B3	Basement 02			
B3A	Back of House	41		
B3B	Loading Dock (shared 50:50 with Hotel)	308		
B3C	Services (Shared 50:50 with Hotel)	355		
	B3 - Basement 02	704		
B4	Basement 01			
B4A	End of Trip	374		
B4B	Bike Park Store	389		
B4C	Back of house / Core	567		
B4D	Loading Dock Entry (50:50)	35		
	B4 - Basement 01	1,365		
B5	Flinders Lane Level			
B5A	End of Trip Entry	57		
B5B	Back of house / Core	290		
B5C	Loading Dock Entry (50:50)	61		
B5D	Columns from Flinders Lane to Underside of Level 8			
	B5 - Flinders Lane Level	408		
B6	Lower Ground Level Core	189		
B7	Collins St Ground Level Lobby			
B7A	Lobby	366		
B7B	Back of House	412		
	B7 - Collins St Ground Level Lobby	778		
B8	Level 1 Core	306		
B9	Level 2 Core	249		
B10	Level 3 Core	176		
B11	Level 4 Core	169		
B12	Level 5 Core	153		
B13	Level 6 Core	151		
B14	Level 7-15 Core (In 9 No.)	1,638		

495 COLLINS STREET, MELBOURNE

FEASIBILITY ESTIMATE NO. 3



GFA: Gross Floor Area
Rates Current At November 2022

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
B15	Level 16 (Thrust Floor)			
B15A	Office	2,095		
B15B	Terrace	9		
	B15 - Level 16 (Thrust Floor)	2,104		
B16	Level 17	2,095		
B17	Level 17 Terrace	9		
B18	Level 18-22 (In 5 No.)	10,477		
B19	Level 18-22 Terrace (In 5 No.)	46		
B20	Level 23	2,095		
B21	Level 24	2,045		
B22	Level 24 Roof			
B23	Level 25	1,985		
B24	Level 25 Roof			
B25	Level 26	1,875		
B26	Level 26 Terrace			
B27	Level 26 Roof			
B28	Level 27	1,683		
B29	Level 27 Terrace			
B30	Level 27 Roof			
B31	Level 28	1,014		
B32	Level 28 Plant	425		
B33	Level 28 Services Terrace			
B34	Level 28 Roof			
B35	Level 29	1,228		
B36	Level 29 Terrace			
B37	Level 29 Roof			
B38	Level 30	1,017		
B39	Level 30 Terrace			
B40	Level 30 Roof			
B41	Level 31 Plant	821		
B42	Level 31 Roof			
B43	Level 31 Mezzanine Plant	148		
B44	Level 32 Plant	16		
B45	Level 32 Roof			
B46	Roof Parapet & Raked Louvered Roof (Level 31 - Roof Parapet)			
B47	Vertical Transportation			
B48	BMU			
	B - COMMERCIAL OFFICE (NLA - 21,781M2)	36,293		

495 COLLINS STREET, MELBOURNE

FEASIBILITY ESTIMATE NO. 3



GFA: Gross Floor Area
Rates Current At November 2022

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
C	RETAIL			
C1	Flinders Lane Level - Existing	533		
C2	Flinders Lane Level - New	101		
C3	Flinders Western Laneway	301		
C4	Flinders Central Atrium	698		
C5	Flinders Lane Amenities	48		
C6	Lower Ground Level	90		
C7	Collins St Heritage - Lobby / Circulation	185		
C8	Collins St Heritage - Circulation / Atrium Balcony	236		
C9	Collins St Ground Level (Cold Shell)	813		
C10	Extra over for Glazed Lift and Stairway Upgrade			
C11	Laneway Facade Restoration Allowance			
	C - RETAIL	3,005		
D	CLUB			
D1	Flinders Lane Level			
D1A	Hotel Bath/Barber/Salon	439		
	D1 - Flinders Lane Level	439		
D2	Lower Ground Level			
D2A	Hotel Piano Bar/Offering/Bar	223		
D2B	Screening Room	203		
D2C	Terrace	53		
	D2 - Lower Ground Level	479		
D3	Collins St Ground Level			
D3A	Winfield Club Entry	94		
	D3 - Collins St Ground Level	94		
D4	Level 1			
D4A	Club - Library and Sitting Room	217		
	D4 - Level 1	217		
D5	Level 2			
D5A	Club Saloon, Cigar Bar and Pool Room	220		
D5B	Amenities	38		
	D5 - Level 2	258		
D6	Level 3			
D6A	Private Dining and Kitchen	214		
	D6 - Level 3	214		

495 COLLINS STREET, MELBOURNE

FEASIBILITY ESTIMATE NO. 3



GFA: Gross Floor Area
Rates Current At November 2022

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
D7	Level 4			
D7A	Restaurant and Champagne Bar	183		
	D7 - Level 4	183		
	D - CLUB	1,884		
E	HOTEL (TOWER) (219 KEYS)			
E1	Substructure			
E2	Basement 03			
E2A	Staff Amenities Room	115		
E2B	Back of House	367		
E2C	Circulation Area (Shared 50:50 with Commercial)	182		
	E2 - Basement 03	664		
E3	Basement 02			
E3A	Back of House	220		
E3B	Loading Dock (shared 50:50 with Commercial)	308		
E3C	Services (Shared 50:50 with Commercial)	355		
	E3 - Basement 02	883		
E4	Basement 01			
E4A	Loading Dock Entry (50:50)	35		
	E4 - Basement 01	35		
E5	Flinders Lane Level			
E5A	Hotel Lobby	193		
E5B	Lifts and Fire Stairs	298		
E5C	Back of House	300		
E5D	Loading Dock Entry (50:50)	61		
E5E	Undercroft Entry	86		
	E5 - Flinders Lane Level	938		
E6	Lower Ground Level			
E6A	Hotel Lobby	77		
E6B	Back of House	273		
	E6 - Lower Ground Level	350		
E7	Collins St Ground Level			
E7A	Back of House & Core	355		
	E7 - Collins St Ground Level	355		
E8	Level 1			
E8A	Function	471		
E8B	Back of House	389		
E8C	Bridges	22		
	E8 - Level 1	882		

495 COLLINS STREET, MELBOURNE

FEASIBILITY ESTIMATE NO. 3



GFA: Gross Floor Area
Rates Current At November 2022

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
E9	Level 2			
E9A	Plant	336		
E9B	Bridges	9		
	E9 - Level 2	345		
E10	Level 3			
E10A	Back of House	406		
E10B	Bridge	8		
E10C	Hotel Pool and Lift Lobby	555		
	E10 - Level 3	969		
E11	Level 4			
E11A	Plant	528		
E11B	Bridge	25		
E11C	Gym / Spa	260		
	E11 - Level 4	813		
E12	Level 5 (Thrust Floor)			
E12A	Level 5 Plant	717		
E12B	Executive Lounge/Club	271		
E12C	Terrace	79		
E12D	Green Roof			
	E12 - Level 5 (Thrust Floor)	1,067		
E13	Level 6			
E13A	Level 6 Plant	1,130		
	E13 - Level 6	1,130		
E14	Level 7			
E14A	Hotel Rooms	1,096		
E14B	Balconies			
E14C	Green Roof			
	E14 - Level 7	1,096		
E15	Level 8			
E15A	Hotel Rooms	1,185		
E15B	Balconies			
	E15 - Level 8	1,185		
E16	Level 9			
E16A	Hotel Rooms	1,277		
E16B	Balconies			
	E16 - Level 9	1,277		
E17	Level 10			
E17A	Hotel Rooms	1,369		

495 COLLINS STREET, MELBOURNE

FEASIBILITY ESTIMATE NO. 3



GFA: Gross Floor Area
Rates Current At November 2022

SUMMARY

Ref	Location		GFA m ²	GFA AUD/m ²	Total Cost AUD
E17B	Balconies				Excl.
		E17 - Level 10	1,369		
E18	Level 11				
E18A	Hotel Rooms		1,462		
E18B	Balconies				
		E18 - Level 11	1,462		
E19	Level 12				
E19A	Hotel Rooms		1,555		
E19B	Balconies				
		E19 - Level 12	1,555		
E20	Level 13				
E20A	Hotel Rooms		1,646		
E20B	Balconies				
		E20 - Level 13	1,646		
E21	Level 14				
E21A	Hotel Rooms		1,738		
E21B	Balconies				
E21C	Terrace		4		
		E21 - Level 14	1,742		
E22	Level 15				
E22A	Hotel Rooms		1,833		
E22B	Terrace - NEW		4		
		E22 - Level 15	1,837		
E23	Vertical Transportation				
E24	Secondary Facade - Comprising structural steel frame with glazed Louvers				
		E - HOTEL (TOWER) (219 KEYS)	21,600		
F	HOTEL (HERITAGE) (54 KEYS)				
F1	Structural Works Associated with Basement Extension Under Collins St Building				
F2	Flinders Lane Level				
F2A	Hotel Entry and Function Entry		241		
		F2 - Flinders Lane Level	241		
F3	Lower Ground Level				
F3A	All Day Dining		272		
F3B	Kitchen / F&B Support		519		
F3C	Circulation		981		
F3D	Library - NEW		174		
		F3 - Lower Ground Level	1,946		

495 COLLINS STREET, MELBOURNE

FEASIBILITY ESTIMATE NO. 3



GFA: Gross Floor Area
Rates Current At November 2022

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
F4	Collins St Ground Level			
F4A	Hotel Front Office/Luggage Store	171		
F4B	Lift Lobby	171		
	F4 - Collins St Ground Level	342		
F5	Level 1			
F5A	Meeting Rooms	610		
F5B	Amenities	82		
F5C	Circulation	504		
F5D	Pre-Function and Pre-Function Circulation Area	328		
	F5 - Level 1	1,524		
F6	Level 2			
F6A	Hotel Rooms	1,598		
	F6 - Level 2	1,598		
F7	Level 3			
F7A	Hotel Rooms	1,551		
	F7 - Level 3	1,551		
F8	Level 4			
F8A	Hotel Rooms	1,275		
F8B	Terrace			
	F8 - Level 4	1,275		
F9	Level 5 Plant (Existing)	614		
F10	Upgrade Heritage Lifts			
F11	Construction of New Lift Shaft and Lifts, including Associated Feature Stair			
F12	Collins St Facade Restoration Works			
	F - HOTEL (HERITAGE) (54 KEYS)	9,091		
ESTIMATED NET COST		71,873		
MARGINS & ADJUSTMENTS				
	Design Development Contingency		5.0%	
	Builder's Preliminaries		17.0%	
	Builder's Overheads and Margin		4.0%	
Estimated Construction Cost as at December 2022		71,873		
	Escalation Post December 2022			
	Headworks and Authority Charges		1.0%	
	Building Permit - CSV Cladding Levy		0.8%	
	Design Consultants Fees		11.0%	
	Project Management Fees			

495 COLLINS STREET, MELBOURNE

FEASIBILITY ESTIMATE NO. 3



GFA: Gross Floor Area
Rates Current At November 2022

SUMMARY

Ref	Location	GFA m ²	GFA AUD/m ²	Total Cost AUD
MARGINS & ADJUSTMENTS (continued)				
	Development Management Fees			
	FF&E to Hotel (\$52,000 per room)		3.6%	
	OS&E to Hotel Rooms (\$15,000 per room)		1.0%	
	Project Contingency			
	GST			
	Estimate is based on the demolition of the existing retention system to create a new loading dock entry			
	Compactor to loading dock			
	Contaminated Soil Removal - Current Advice is that there is none			
	Hazardous Material Removal			
ESTIMATED TOTAL COST		71,873		

495 COLLINS STREET, MELBOURNE

FEASIBILITY ESTIMATE NO. 3



DETAIL A DEMOLITION

Rates Current At November 2022

Ref	Description	Unit	Qty	Rate AUD	Total Cost AUD
PR	Preliminaries				
3	Scaffolding for demolition	m ²	8,371		
	PR - Preliminaries				
AR	Alterations and Renovations				
2	Internal Strip out of Rialto Building and Heritage Buildings and remove material from site	m ²	12,585		
4	Demolition of existing roof / atrium and remove material from site	m ²	1,378		
5	Demolition of existing facade and remove material from site	m ²	7,965		
6	Demolition of existing basement and substructure and remove material from site	m ²	1,824		
7	Demolition of existing 1980s Winfield Addition and remove material from site	m ²	13,929		
196	Carefully remove, clean and restore existing bluestone cobblestones and store on site ready for re-use	m ²	524		
8	Remove exiting sidewalk and remove material from site	Item			
11	Allowance for protection of existing Heritage building where demolition occurs	Item			
	AR - Alterations and Renovations				
DEMOLITION					



Appendix L Detailed Feasibility Results

L.1 Scenario 1A

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 0											
Month 1											
Month 2											
Month 3											
Month 4											
Month 5											
Month 6											
Month 7											
Month 8											
Month 9											
Month 10											
Month 11											
Month 12											
Month 13											
Month 14											
Month 15											
Month 16											
Month 17											
Month 18											
Month 19											
Month 20											
Month 21											
Month 22											
Month 23											

Source: Ethos Urban

L.2 Scenario 1B

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 0											
Month 1											
Month 2											
Month 3											
Month 4											
Month 5											
Month 6											
Month 7											
Month 8											
Month 9											
Month 10											
Month 11											
Month 12											
Month 13											
Month 14											
Month 15											
Month 16											
Month 17											
Month 18											
Month 19											
Month 20											
Month 21											
Month 22											
Month 23											

L.3 Scenario 2

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 0											
Month 1											
Month 2											
Month 3											
Month 4											
Month 5											
Month 6											
Month 7											
Month 8											
Month 9											
Month 10											
Month 11											
Month 12											
Month 13											
Month 14											
Month 15											
Month 16											
Month 17											
Month 18											
Month 19											
Month 20											
Month 21											
Month 22											
Month 23											
Month 24											
Month 25											
Month 26											
Month 27											
Month 28											
Month 29											

Source: Ethos Urban

L.4 Scenario 3

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 0											
Month 1											
Month 2											
Month 3											
Month 4											
Month 5											
Month 6											
Month 7											
Month 8											
Month 9											
Month 10											
Month 11											
Month 12											
Month 13											
Month 14											
Month 15											
Month 16											
Month 17											
Month 18											
Month 19											
Month 20											
Month 21											
Month 22											
Month 23											
Month 24											
Month 25											
Month 26											
Month 27											
Month 28											
Month 29											
Month 30											
Month 31											

Source: Ethos Urban