

15 June 2021

Ms Meredith Shipway  
Blacktown City Council  
E-mail: meredith.shipway@blacktown.nsw.gov.au

Dear Ms Shipway

**RE SSD 10457 – Eastern Creek Retail Outlet – Stage 3**

1. This letter presents further clarification of Macroplan's Economic Impact Assessment for the Stage 3 development of Eastern Creek Quarter (ECQ), which was prepared for Frasers Property Australia (the applicant) to support a State Significant Development Application (SSDA) which seeks Concept Plan approval for the staged construction of a factory outlet centre. It follows an initial letter response prepared by Macroplan dated 4 May 2021 to Council's submission dated 3 March 2021.

Blacktown City Council Planning Comment 1

2. "Macroplan comments are noted and are satisfactory. The issue was they should have been included in the Stage 3 EIA".

Blacktown City Council Planning Comment 2

3. "Table 3.2 clearly states in the header "schedule of major traditional retail facilities" and then proceeds in the table to list for example under 'Regional Centres', Westpoint Blacktown, Westfield Parramatta and Westfield Penrith. Westpoint Blacktown, Westfield Parramatta and Westfield Penrith are not themselves Regional Centres nor is the term 'Regional Centre' still relevant, for example Parramatta is a 'Metropolitan Centre' and Blacktown a 'Strategic Centre' as identified in The Metropolis of Three Cities. If the purpose of the table was to identify total retail floorspace in those centres and then list the major traders then references to Westpoint and Westfield should be deleted.

Similarly, the response states "higher order retail facilities (which is used interchangeably with 'centres' throughout the report)". This interchange of terms is incorrect and inappropriate in planning terms. In planning terms a 'centre' and 'higher order retail facilities' are two quite different things. Higher order retail facilities are found within 'centres'."

#### Macroplan clarification to Planning Comment 2

4. In Table 3.2 Macroplan has used definitions for shopping centres widely used and accepted in the retail industry, they are not planning terms. 'Regional centres' refers to shopping centres typically anchored by a major department store (i.e. Myer and David Jones), while 'Sub-regional centres' refers to shopping centres typically anchored by at least one discount department store (i.e. Kmart, Big W and Target). In the EIA the term 'higher-order centres' simply refers to shopping centres that are anchored by a department store or discount department store. As the EIA is a study of the economic implications of the planned development, it is considered appropriate to use definitions of shopping centres that are consistent with the definitions used by most other economic consultants as well as the Property Council of Australia.

#### Blacktown City Council Planning Comment 3

5. BCC's comment regarding Mount Druitt remains. The State government did not approve a 'revamp' of the MDTC, rather it was the gazettal of a PP which provides the framework for future growth. It is understood that at this stage the future development mix is unpredictable however in Macroplan's letter of 4 May 2021 it is stated the assumptions provided in the EIA are based on Macroplan's experience in assessing retail provisions which typically accompanies high-density residential developments. That assumption is understood however it should not be assumed that the future of the MDTC is only high-density residential development. The EIA should address potential impact/effect related to any of expansion of the existing retail in the centre.

#### Macroplan clarification to Planning Comment 3

6. It is general practise in EIAs to assess the potential impacts arising from the subject development on all existing shopping centres as well as new shopping centres with development approval. The EIA estimated the potential impacts on Westfield Mt Druitt and discussed that the implications from any new retail facilities in Mt Druitt would be minimal. The analysis in the EIA is not dependent on high-density residential development occurring in the Mt Druitt Town Centre, and if there were no apartments developed in the Town Centre the conclusions of the EIA would not be affected. The planned expansion Westfield Mt Druitt would have minimal implications on the Stage 3 development at ECQ, and vice versa, an outlet centre at ECQ would have minimal implications for the planned expansion of Westfield Mt Druitt. This view reflects the different scale and types of retail planned at each site and, therefore, the different roles the retail developments would serve.

#### Blacktown City Council Planning Comment 4

7. It is acknowledged that the Stage 1 development at the ECBH is outside the scope of the current application. Point b. on page 2 of Council's letter of 3 March 2021 notes that the development may have little direct impact on existing centres and bulky goods/homemakers precincts but it would be an attractor that might encourage people to do their day to day shopping while they are there which could have a run-on effect on existing centres. It is about the influence of Stage 3 as attractor in drawing general trade to the ECBH not about apparel and homewares retailers in other centres.

Macroplan clarification to Planning Comment 4

8. Stage 3 of ECQ is planned to provide an outlet centre, which would complement the uses in Stages 1 and 2 and is likely to have some positive implications for the earlier stages. However, any potential uplift in sales would be minimal and would in no way have implications for existing shopping centres in the area. Stage 3 will attract patrons from a wide area of Sydney, many from outside of the Blacktown municipality. These additional visitors then may visit and shop at the various uses provided in Stages 1 and 2. However, Stage 3 will not significantly alter the customer base or sales performance of the retail uses in the initial stages, and any uplift in sales would come from a broad region of outer north-west Sydney. In conclusion, the Stage 3 development is expected to extend the catchment served by the overall development at ECQ, and while some retail uses in Stages 1 and 2 may experience some uplift in sales, the potential uplift would be minor and would have negligible implications for existing shopping centres in the local area.

Yours sincerely



**Ellis Davies**  
**General Manager – Retail**

16 June 2021

Emily Dickson  
Senior Environmental Assessment Officer  
Department of Planning, Industry and Environment

Dear Ms Dickson

**RE SSD 10457 Eastern Creek Retail Outlet Centre – Response to Scentre Group submission**

1. This letter provides a response to a submission prepared on behalf of Scentre Group by Adam Coburn (NSW State Director Mecone) dated 9 March 2021. It follows an Economic Impact Assessment for the Stage 3 development of Eastern Creek Quarter (ECQ), which was prepared by Macroplan for Frasers Property Australia (the applicant) to support a State Significant Development Application (SSDA) which seeks Concept Plan approval for the staged construction of a Factory Outlet Centre.
2. Scentre Group commissioned Urbis to undertake an economic assessment of the potential impacts of the planned Stage 3 of the ECQ development on Westfield Mount Druitt shopping centre. While it is difficult to ascertain the soundness and reasonableness of the economic arguments without access to the full report, the following provides responses to Scentre Group's concerns based on the summary of the Urbis report provided in the submission prepared on Scentre Group's behalf for the Department of Planning, Industry and Environment (DPIE).

Potential trading impacts

3. Urbis' *Eastern Creek Retail Impact Assessment (2020)* models two development scenarios. The first, Scenario 1, assumes the development of dedicated outlet-type tenancies of approximately 25,000 sq.m. The second, Scenario 2, assumes the development of a traditional retail centre of 25,000 sq.m (or approximately 33,000 sq.m including the Woolworths anchored Stage 1 of the Eastern Creek Quarter development). Scenario 2 was modelled, as the submission notes, to '*understand the potential impact of an outcome that could possibly eventuate should the outlet centre concept not be fully realised or maintained*'.
4. In calculating the potential impacts on Westfield Mount Druitt, Urbis uses sales for the shopping centre of \$384 million in 2023. In the Macroplan EIA, the FY2020 sales for Westfield Mount Druitt (\$412 million) were sourced from the Shopping Centre Online portal operated by the Property Council of Australia. The sales are then grown out at the overall market rate to 2024.
5. The Urbis analysis projects the development of a Factory Outlet Centre at Eastern Creek Quarter on Westfield Mount Druitt under Scenario 1 to be \$30.9 million at 2023, equivalent to an 8.0% impact. This level of impact is greater than that determined by Macroplan in the EIA, which estimated an impact of 2.3%. It is not detailed in the submission the specific methodology used by Urbis to derive the projected impacts from the ECQ Factory Outlet Centre development.

6. The implications of the impact analysis undertaken by Urbis means that over 30% of the potential sales achieved by the subject Factory Outlet Centre development would be drawn from Westfield Mount Druitt, based on projected sales of \$100 million at 2024 (Macroplan Economic Impact Assessment page 34). This potential impact is considered to be an overestimate and unlikely given that Factory Outlet Centres typically draw small shares across a wide catchment, with impacts dispersed across numerous sub-regional and regional shopping centres. While Westfield Mount Druitt, together with Westpoint Blacktown, are the closest major shopping centres to the subject site, there are numerous other major shopping centres located throughout the total catchment. Without a full review of the Urbis report, it is considered that an impact allocation of 30% of the potential sales of the ECQ Stage 3 development on just one shopping centre appears to be especially high.
7. Despite the discrepancies in trading impacts between Macroplan's and Urbis' assessment, an impact on Westfield Mount Druitt SC of 8% is still considered within the reasonable bounds of competition and would not threaten the viability and ongoing concern of the shopping centre.
8. Analysis undertaken by Urbis in Scenario 2 showed an 11.9% impact on Westfield Mount Druitt, however, the State Significant Development Application submitted is clear that Stage 3 will not provide a traditional retail centre nor provide additional major traditional retail anchors such as a supermarket, discount department store or department store.
9. To clarify the statement on page 44 of the Macroplan EIA, that the Stage 3 outlet centre could potentially synergise with Stage 1 and 2 of the ECQ development, the following is noted. Stage 3 of ECQ is planned to provide an outlet centre, which would likely complement the uses in Stages 1 and 2 and is likely to have some positive implications for the earlier stages. However, any potential uplift in sales for the uses in Stages 1 and 2 would be minimal and would in no way have implications for existing shopping centres in the area. Stage 3 will attract patrons from a wide area of Sydney, many from outside of the local area. These additional visitors may visit and shop at the various uses provided in Stages 1 and 2. However, Stage 3 will not significantly alter the customer base or sales performance of the retail uses in the initial stages, and any uplift in sales would come from a broad region of outer north-west Sydney. Therefore, the Stage 3 development is expected to extend the catchment served by the overall development at ECQ, and while some retail uses in Stages 1 and 2 may experience some uplift in sales, the potential uplift would be minor and would have negligible implications for existing shopping centres in the local area.

Implication of population growth

10. It is acknowledged that Net Overseas Migration (NOM) is the overriding component underpinning population growth in Sydney (and Australia). However, it is not necessarily the case that NOM is distributed proportionally throughout Sydney and that NOM is projected to account for 70% of the population growth within the Eastern Creek Quarter main trade area. Taking the suburb of Mount Druitt as an example, median house prices reached \$680,000 in February 2021, (up around 8%-9% over the timeframe of the pandemic since March 2020), which is approaching the suburbs record high of \$694,000, recorded in February 2018. There were 84 house sales and 136 units sales in the suburb for the year ending February 2021, which is in line with the 3-year average for Mount Druitt.
11. Development activity in the Blacktown LGA has also kept pace with periods prior to the beginning of the COVID-19 pandemic. Based on data released by the ABS, there were 4,430 building approvals in the LGA

in Financial Year 2020, which includes 3 - 4 months of the COVID-19 pandemic. In the current Financial Year to March, there were 4,531 building approvals in the municipality. This highlights the strong development activity and demand for housing in the area. Therefore, population growth is still occurring in the trade area and is expected to continue over the forecast period. It is possible that intra-state migration is likely a significant driver of growth in the Eastern Creek Quarter catchment. The Blacktown LGA and surrounds provide more affordable housing options for those which may be priced out of the overheated Sydney market, particularly for first-home buyers, which are one of the segments driving the current housing demand.

12. It is also noted that the planned Factory Outlet Centre at ECQ is not reliant on the planned population growth to be supportable, it simply states that some potential trading impacts may be mitigated by the population growth. Even if the population growth in the trade area were to slow in the short-term, the overriding analysis and conclusions in the Macroplan EIA remain valid. Specifically, that there is the clear demand for an outlet centre at the subject site; its development would result in a range of benefits for the community; and that the potential impacts on existing shopping centres would be well within the reasonable bounds of normal competition.

Yours sincerely



**Ellis Davies**  
**General Manager – Retail**

16 June 2021

Emily Dickson  
Senior Environmental Assessment Officer  
Department of Planning, Industry and Environment

Dear Ms Dickson

## **RE SSD 10457 Eastern Creek Retail Outlet Centre – Response to Vicinity submission**

1. This letter provides a response to a submission prepared by Warren Taylor (General Manager - Investment Management, Vicinity Centres) dated 10 March 2021. It follows an Economic Impact Assessment (EIA) for the Stage 3 development of Eastern Creek Quarter (ECQ) prepared by Macroplan for Frasers Property Australia (the applicant), to support a State Significant Development Application (SSDA) which seeks Concept Plan approval for the staged construction of a Factory Outlet Centre.

### Scale of planned outlet centre

2. The outlet centre at ECQ is planned to provide 18,500 sq.m of retail floorspace in the first stage, with a possible expansion later which would potentially increase the retail floorspace to approximately 28,000 sq.m. Vicinity Centres claims that this would make it one of the largest outlet centres in Australia when fully developed. This assertion is challenged. For example, based on data published by Vicinity Centres, DFO South Wharf (including Homemaker Hub) has a gross lettable area (GLA) of 55,744 sq.m; DFO Homebush has a GLA of 28,229 sq.m; and DFO Essendon (including Homemaker Hub) has a GLA of 52,489 sq.m. (Sources [www.vicinity.com.au/centres/our-centres/dfo-south-wharf](http://www.vicinity.com.au/centres/our-centres/dfo-south-wharf); [www.vicinity.com.au/centres/our-centres/dfo-homebush](http://www.vicinity.com.au/centres/our-centres/dfo-homebush); [www.vicinity.com.au/centres/our-centres/dfo-essendon](http://www.vicinity.com.au/centres/our-centres/dfo-essendon)).

### Extent of trade area

3. Vicinity Centres claims that the trade area defined for the planned ECQ outlet centre is too broad. As evidence it submitted a map supposing to show the customer draw for DFO Homebush and Fashion Spree Liverpool based on mobile phone ping data. In the view of Macroplan, this map clearly shows the gap in the market for a new outlet centre at the subject site to serve residents of outer north-west Sydney. The Area A and Area B shown on the map are within the secondary sectors defined for ECQ, and well outside the defined core primary sector.
4. The trade area defined for the planned outlet centre at ECQ primarily reflects the strategic location of the subject site at the intersection of a number of major traffic routes; the planned scale of the development; and the surrounding competitive context. The defined trade area contains a resident population of 1.156 million at 2021. This is a substantial trade area population to serve, though is lower than other major outlet centres. Based on data published by Vicinity Centres, DFO South Wharf serves a trade area with a population of 2.6 million residents; DFO Homebush serves a trade area with a population of 2.9 million residents; and DFO Essendon serves a trade area with a population of 1.6 million residents. (Sources as above.) Macroplan

reaffirms that the defined trade area is considered appropriate and reasonable for the planned development of an outlet centre at the subject site.

#### Outlet centre – a niche retail market

5. Macroplan agrees with Vicinity Centres that outlet retaining is a niche segment of the retail market. It is, however, also noted that Vicinity Centres currently serves a large part of this segment of the retail market through the DFO brand. Macroplan also agrees that outlet centres require a large catchment population to serve to be viable. The EIA demonstrates that the planned outlet centre at ECQ has the potential to serve a large catchment, with limited overlap with other existing outlet centres in Sydney.

#### Market need, demand and viability

6. Vicinity Centres states that because the outlet centre is assessed to achieve sales of \$5,403 per sq.m, rather than a rate closer to their quoted "Outlet Centre Average", that it indicates insufficient market demand to support the outlet centre. This conclusion is challenged. Firstly, no data is provided to support the quoted average. Secondly, the average could be elevated as the existing outlet centres in Sydney trade strongly given the limited number of outlet centres in the city, compared with other capital cities of Australia, particularly Melbourne. It is noted that, as detailed in Section 5 of the Macroplan EIA, Sydney currently has only three major outlet centres, compared with six major outlet centres in Melbourne. This is despite Sydney's significantly larger population base. It is also noted that not all outlet centres can achieve sales at or above a nominal average productivity rate.
7. Vicinity Centres further claims that the planned outlet centre would not be viable, and states that it "...*would unlikely achieve a minimum sustainable trading threshold of \$7,000 per sq.m until after 2039.*" It is noted that Vicinity Centres does not provide any evidence to support this statement other than to state that the assessed turnover productivity would be below average. The stated minimum sustainable trading threshold of \$7,000 per sq.m for outlet centres is also questioned. As detailed in Tale 4.1 of the Macroplan EIA, in broad terms the average productivity rate for the total retail market across the trade area is some \$6,700 per sq.m in 2020. Furthermore, it is generally accepted that neighbourhood centres anchored by supermarkets achieve above average sales productivity levels, while outlet centres generally achieve a sales productivity level lower than traditional retail centres. This is due to the fact that outlet centres typical provide a higher provision of apparel and homewares retailers, which generally achieve a lower sales productivity rate than other retail uses.
8. The statement by Vicinity Centres that "*The analysis has indicated that there is unlikely to be sufficient market demand to support an 18,500 sq.m outlet centre within the next 15-20 years.*" is also contested, and there does not appear to be any evidence in the submission to support such a conclusion.
9. Vicinity Centres claims that a 5% market share would be high when compared with the typical market shares achieved by outlet centres in similar market conditions, though does not provide any data to support this view. Based on all the analysis outlined in the EIA, Macroplan reaffirms that a 5% market share of apparel expenditure from the defined trade area is considered appropriate and achievable for the planned outlet centre at ECQ.
10. Macroplan reaffirms that an outlet centre at ECQ is deemed supportable at 2024, with annual sales projected of \$100 million. It is, therefore, disputed that the planned outlet centre would not be viable. Furthermore, it is emphasised that the viability of a proposed development is not a valid reason to reject a development application.



### Trading impacts

11. Vicinity Centres asserts that the trading impacts detailed in the Macroplan EIA are understated. The EIA finds that, in percentage terms, the largest impacts are assessed to fall on the two outlet centres of DFO Homebush and Fashion Spree Liverpool, estimated at 3.7% in 2024. The unpublished analysis undertaken by Urbis finds that the impact on DFO Homebush could be as high as 7%. Macroplan reaffirms the impact analysis detailed in the EIA, though notes that even if the impact on DFO Homebush is 7%, this level of impact is still not at a level which would threaten the ongoing viability of the outlet centre.
12. It is further noted that in the various submissions it is claimed that the estimated impacts by Macroplan are understated. Vicinity Centres claim the impacts on DFO Homebush and Fashion Spree Liverpool are understated; the submission undertaken on behalf of Scentre Group claim the impact on Westfield Mount Druitt are significantly understated; while Council is concerned about the level of impacts on local centres. The unpublished analysis undertaken by Urbis estimates that the impact on Westfield Mount Druitt could be three times higher than the Macroplan estimate and the impact on DFO Homebush could be twice the Macroplan estimate. It is noted that it is not plausible that the impacts on all centres could be larger than the impacts estimated by Macroplan.
13. In conclusion, Macroplan reaffirms that all the key analysis and conclusions in the EIA remain valid. Specifically, that there is the clear demand for an outlet centre at the subject site; its development would result in a range of benefits for the community; and that the potential impacts on existing shopping centres would be well within the reasonable bounds of normal competition.

Yours sincerely



**Ellis Davies**  
**General Manager – Retail**