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Dear Emelie,

Subject: Eastern Creek Business Hub - Variation to Stage 2

Background

In August 2012 HillPDA prepared an Economic Impact Assessment of the proposed Eastern Creek Business Hub for Western Sydney Parklands Trust. At that time the Business Hub was envisaged to have two broad stages. The first stage was a centre comprising 9,500sqm of conventional retail and 24,000sqm of bulky goods and large format stores. The second stage was to include 19,300sqm of bulky goods. Stage 1 was to open in 2016 and Stage 2 in 2022.

Recent modifications to Stage 1 have now been approved allowing 9,633sqm of leasable floor space of which around 8,700sqm is conventional retail space.

Since then the concept design has been amended and development has been delayed by several years. There has been population growth in the Blacktown LGA and some changes in the retail landscape.

What is now referred to as Stage 2 (being Lot 1) was to have the following mix

- Five bulky goods tenancies totalling 9,094sqm;
- An indoor recreation centre of 2,826sqm;
- A café of 100sqm; and
- A pad site for a restaurant of 498sqm

We understand that the large tenancies have been difficult to lease due to the large size of the tenancies, depths and a lack of differentiation to accommodate a broader range of uses. The market is for smaller tenancies to give a wider range of differentiation.

We understand that to accord with the Department of Planning Industry and Environment in their RFI letter the land use terminology of the Concept Plan will be updated to reflect changes to the Standard Instrument land use definitions. In this regard, all references to 'bulky goods' and 'large format retail' will be replaced with the new definition of 'specialised retail premises'.

The Standard Instrument defines 'specialised retail premises' as:

> *a building or place the principal purpose of which is the sale, hire or display of goods that are of a size, weight or quantity, that requires:*

(a) a large area for handling, display or storage, or

(b) direct vehicular access to the site of the building or place by members of the public for the purpose of loading or unloading such goods into or from their vehicles after purchase or hire,

but does not include a building or place used for the sale of foodstuffs or clothing unless their sale is ancillary to the sale, hire or display of other goods referred to in this definition.

Examples of goods that may be sold at specialised retail premises include automotive parts and accessories, household appliances and fittings, furniture, homewares, office equipment, outdoor and recreation equipment, pet supplies and party supplies.

The Current Proposal for Stage 2

The proposed mix for Stage 2 on Lot 1 is as follows:

- Around 8,390sqm specialised retail premises, including a major 1 store of 1,900sqm (plus outdoor display)
- Around 2,010sqm indoor recreation premises
- 100sqm café
- 400sqm tyre sales and fitting service
- A pad site for a restaurant of 498sqm (subject to a separate DA)

The change in the scheme is a decrease in specialised retail premises by around 700sqm from the earlier scheme.

Furthermore we understand that both Stages 1 and 2 would be developed with a target opening date in December 2020. The first full financial year of trading will be 2021-22.

Purpose of this Letter

This letter summarises the likely retail impacts of both Stages 1 and 2 of the Eastern Creek Business Hub. This assessment references plans ("Proposed Site Plan – Stage 2 DA04-A Issue G" prepared by i2C) submitted as part of the amended DA.

The below assesses the impact of the retail components pertaining to the revised scheme on existing retail centres in the locality. The EPA & Act (1979) is not clear on what is meant by locality, however for the purpose of this assessment we have assumed it to be the trade areas or the geographical influence of the proposal.

Estimated Turnover of the Proposal

We estimate that the turnover in the first full year of trading for both Stages 1 and 2 will be $112m based on the following benchmark turnover levels:[1]

- 3,794sqm supermarket (Stage 1) at $10,750/sqm;
- 8,390sqm of specialised retail premises (Stage 2) at $3,700/sqm;
- $1.6m for the tyre sales and service centre (Stage 2); and
- 5,504sqm other retail (Stages 1 and 2) at $7,000/sqm.

[1] Various sources including IBIS World, ABS Retail Survey 1998-99, Shopping Centre News, Property Council of Australia, Urbis Retail Averages, various websites and consultancy reports

Redirection of Turnover

In order to quantify the redirection of trade from competing centres HillPDA prepared a bespoke gravity impact model. For the purpose of the assessment we have measured the impact during the first full year of trading, likely to be Year 2021-22. This is to give time for the centre to build up its customer base and be fully leased (or at least it's assumed that it will be fully leased for the purpose of this assessment).

The gravity model was designed on the premise that the level of redirected expenditure from a competing centre selling like for like products is directly proportional to the turnover of that centre and indirectly proportional to the distance from the Subject Site.

For the purpose of the assessment we have included all centres within a distance of 9km from the site. The impacts from both Stages 1 and 2 are presented in the following table.

Table 1: Stages 1 and 2 - Redirection of Expenditure from Existing Centres in 2021

1	2	3	4	5	6	7	8	9	10
Retail Centre	Distance from Subject Site (km)	Approx. Retail Floor Space	Turnover in 2018	Turnover in 2021 without Proposal	Turnover in 2021 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2021	Shift in turnover from 2018 to 2021	% Shift in turnover from 2018 to 2021
Proposed Centre					111.7	111.7			
Blacktown	7.2	141,500	752.1	814.7	793.3	-21.4	-2.6%	41.2	5.5%
Mount Druitt	4.4	70,300	513.5	556.2	533.2	-23.0	-4.1%	19.7	3.8%
St Marys	8.2	42,500	258.2	276.4	269.3	-7.1	-2.6%	11.1	4.3%
Plumpton Mrktplace	5.8	15,600	160.0	171.8	165.5	-6.3	-3.7%	5.5	3.4%
Rooty Hill	1.5	7,700	57.0	61.8	56.3	-5.5	-8.8%	-0.7	-1.3%
Doonside Station	3.9	1,950	14.7	15.5	14.7	-0.8	-5.1%	0.1	0.4%
Rainbow S.C.	4.1	4,500	42.0	44.4	41.3	-3.2	-7.2%	-0.7	-1.8%
Mytle St	5.6	4,000	35.4	37.5	35.3	-2.1	-5.7%	-0.1	-0.2%
Evans Road	0.6	1,500	9.4	10.1	9.0	-1.0	-10.2%	-0.4	-4.1%
Minchin Drive	2.6	1,900	15.2	16.1	15.0	-1.1	-7.1%	-0.2	-1.4%
Holbeche Rd	4.3	3,000	24.8	26.3	24.8	-1.5	-5.6%	0.0	0.2%
Homemaker Prospect	6.0	25,000	97.0	102.9	98.4	-4.5	-4.4%	1.4	1.5%
Minchinbury BG Precinct	5.0	46,000	144.0	152.8	144.9	-8.0	-5.2%	0.9	0.6%
Seven Hills (Bulky Goods)	11.0	15,000	58.2	61.8	60.1	-1.7	-2.7%	1.9	3.2%
Wetherill Park	10.0	20,000	74.0	78.3	76.1	-2.2	-2.8%	2.1	2.9%
Other Localities						-22.3			
TOTAL		400,450	2255.5	2426.6	2448.9	0.0	0.9%	187.2	8.6%

Columns:

1. Retail Centre Name (includes strip shops)
2. Distance in kilometres from subject site (source: Googlemaps).
3. Various including Shopping Centre News, PCA Shopping Centres Directory, Hill PDA Floorspace Surveys.
4. Various including Shopping Centre News, PCA Shopping Centres Directory, Shopping Centre Annual Reports, Urbis Retail Averages, Other Consultancy Reports and Hill PDA Estimate. Includes in-centre tyre retailing and servicing.
5. Allows for population growth (variable for each centre) and real growth in retail spend per capita of 0.9% per annum in line with the historic trend since 1986 (Hill PDA Calculation from ABS Retail Sales, population estimates and CPI indexes).
6. The turnover of centres following the proposed development. The forecast turnover of the proposed development is redirected from the existing centres based on distance and size.
7. Immediate shift in turnover. This is difference between the development and the do nothing options (i.e. Column 4 minus Column 5).
8. Immediate percentage shift in turnover divided by the turnover in 2021 without the development (ie Column 6 - Column 5)
9. This is the shift in turnover from 2018 to 2021 after the opening of the new development (Column 6 minus Column 4)
10. This is shift in turnover from 2018 to 2021 divided by the base turnover in 2018

The sizes of the retail centres in Column 3 in the above table were sourced from Property Council of Australia Shopping Centre News and HillPDA surveys both physical surveys on site and by measurement from aerial photography using Nearmap software. The areas are presented in round figures as information is generally not available to provide exact areas in the strip shopping centres and bulky goods areas so this method is industry standard practice. The areas in the above table refer to occupied leasable floor space. Allowances and adjustments are made from aerial photography and on-site surveys to account for non-leasable space such as internal arcades, amenities, fire egress, etc.

The above table shows that in absolute dollar terms the largest impacts will be on Blacktown ($21m) and Mount Druitt ($23m). However these are large centres and the impacts are considered insignificant in terms of percentage loss being less than 5%.

Significance of the Impacts in 2021

There are no universal measures of significance of economic impact. There are references in various consultancy reports and statements in the Land & Environment Court which suggest that a loss of trade below 5% is considered insignificant, 5% to 10% is low to moderate, 10% to 15% is moderate to high, and above 15% is a strong or significant impact.

The greatest relative or percentage impacts of the proposal will be on the smaller surrounding centres in closer proximity to the subject site such as Evans Road shops and Rooty Hill. These impacts result predominately from the impacts of Stage 1 which comprises the supermarket, groceries and specialty food stores.

The impacts from Stage 2 would fall more on the existing specialised retail premises. The two most impacted centres would be Minchinbury ($8m or 5% loss in trade) and Homemaker Prospect ($4.5m or 4% loss in trade). The other bulky goods centres would experience less than 4% loss in trade. These impacts are considered to be low to insignificant.

Please note that Minchinbury is an existing centre currently trading that includes a 465sqm IGA supermarket and 10 specialty shops. Council commented that the land was rezoned to R2 under Blacktown LEP 2015 but according to ePlanning Spatial Viewer the land is zoned B1.

Impacts over Time

The above impacts refer to immediate or point in time impacts. Due to population growth and growing affluence, all centres will enjoy some growth in trade. As a result the impact on these centres will lessen over time (see Column 10 in the above table). Five centres will experience reduced trading levels over the period from 2018 to 2021. These centres include Minchin Drive Minchinbury, Evans Road, Rooty Hills, Mytle Street Arndell Park and Rainbow Shopping Centre in Doonside. However the loss in trade will be well below 5% which is insignificant. All other centres will enjoy some growth in trade from 2018 to 2021. Over time the impacts will diminish with further growth in the wider trade area. By 2023 every centre will enjoy some level of trade above their current 2018 levels.

Growth in Centres over Time

In response to Council's concerns about the impacts on the future potential of Rooty Hill and Doonside Station shops we provide the following assessment.

<u>Doonside Station Shops</u>

Doonside Station shopping centre has around 3,500sqm of vacant sites in the B2 Local Centre zone. There is a further 4,000sqm of at grade parking adjacent to the vacant land in the B2 zone allowing for potential expansion of the shopping centre. Subject to design there is sufficient room to accommodate a large supermarket, a supermarket with some specialties or a metro style supermarket as part of a mixed use development (subject to permissibility). Whilst there is land available to accommodate such development the centre faces competition from Rainbow Shopping Centre to the south (which has a large 3,300sqm Supa-IGA supermarket) and from Woodcroft Shopping Centre to the north which has a 2,000sqm Coles supermarket.

Based on the modelling above Doonside Station is expected to experience a 5.1% loss in trade from the Eastern Creek Business Hub but is expected to enjoy some modest growth over time and would return to its current trading levels over 3 years.

The centre lacks a strong anchor retailer and the addition of say a 1,500sqm to 3,000sqm supermarket would improve its trading performance considerably. Currently there are 5,000 to 6,000 residents in Doonside, north of the railway line that would immediately fall in the primary trade area which is a sufficient number to support a 1,500 to 2,000sqm supermarket. Also most of the zoning around the train station is R2 Low Density Residential. Longer term, rezoning to higher density within the 800 walking distance from the train station would result in further increases in population which would further support the viability of the Doonside centre.

Rooty Hill

Rooty Hill has currently around 7,000sqm of vacant land in the B2 zoned area. Most of this land is at the northern end of the centre near the public school and fronting Rooty Hill North and Premier Lane behind existing shops. It is very secondary retail location rather than prime location. There is an open car park with an area of around 4,700sqm in a better location immediately to the north of the train station fronting Station Street.

Based on the modelling above Rooty Hill is expected to experience an 8.8% loss in trade as a result of the Eastern Creek Business Hub. Without any changes in the retail landscape it will take around 4 years for the centre to return to its current trading level.

However, similar to Doonside Station, Rooty Hill lacks a strong anchor tenant. The existing IGA is around 800sqm but a larger Supa-IGA, Woolworths or Coles supermarket would strengthen the centre and improve its performance and there are a couple of opportunities with the above mentioned sites. Hence there are opportunities for Rooty Hill to respond to added competition.

Rooty Hill has a population of around 15,000 which would more than support a full-line supermarket. Both State Government and Council expect a further 2,000 residents over the next decade. There is some 19 hectares of R3 and R4 zoned land to the south of the station with considerable potential for redevelopment to higher residential densities. There is also considerable areas of low-density housing within 800m walking distance to the train station that remain R2 Low Density Residential zoning. Longer term there is potential for much of this area to be rezoned providing further opportunities for population growth which would support the vitality of the Rooty Hill centre.

I trust this letter addresses the relevant matters in relation to the economic impact of the proposal. If we can be of further assistance please don't hesitate to contact me.

Yours sincerely,

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