CONCEPT ECONOMIC IMPACT REPORT

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PROPOSED BELMORGAN PROJECT, WOLLONGONG

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EXECUTIVE SUMMARY

Introduction Section 1

This Concept Report has been prepared for Belmorgan Property Development Pty Ltd (Belmorgan) by Leyshon Consulting Pty Ltd.

The Report assesses the potential economic effects of Belmorgan's proposal to develop a major shopping centre of 20,318 sq.m., an eight-screen cinema complex, office space, an hotel, a tavern and residential apartments in the Wollongong City Centre (WCC).

The project involves Stages 1 and 2 on the so-called Dwyer's site and Stage 3 on the adjacent Oxford Hotel site.

Retail Context Section 2

Historically, the WCC has been the major retail centre servicing the Wollongong Region. Apart from the WCC there are three other major suburban centres in the Region—Westfield Figtree, Westfield Warrawong and the Shellharbour Town Centre.

Although the WCC remains the most dominant retail location in the Region, its primacy has been steadily eroded over the past four decades by the development of the large suburban centres noted above.

A telephone survey of 600 households in the Wollongong Region confirmed that while the WCC is widely shopped, it faces stiff significant competition from the Shellharbour, Corrimal, Warrawong and Figtree centres.

Trade Area Analysis Section 3

In 2006 the Wollongong trade area had an estimated resident population of 268,426 people. This is projected to grow by around +19,918 to a total population of 288,344 in 2016.

Total available annual retail spending in the trade area is close to \$2.2 billion (\$2006) at present. It is estimated to increase by +\$539.9 million to \$2.7 billion (\$2006) in 2016.

The projected growth in available spending is expected to generate demand in the trade area by 2016 for a net increase in retail floorspace of +78,500 to 80,500 sq.m..

EXECUTIVE SUMMARY

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Impact Analysis Section 4

Assuming its first full year of trading is 2009, the proposed Stage 1 centre is estimated to have a potential impact of -9.8% on the WCC overall. The impact on Wollongong Central specifically is estimated at -13.6% and that on the balance of the WCC is put at -6.3%.

The estimated impacts on other major centres in the Region (Shellharbour, Figtree and Warrawong) range between -4.5% and -7.8%.

The impact of the proposed development on the WCC essentially will involve a redistribution of retail sales within the CBD. Overall the WCC will experience a net increase in its annual retail sales—estimated at +\$81.8 million in 2009 (\$2006).

A small component of retail space (1,810 sq.m.) is proposed in Stage 3 of the project. This is expected to only very marginally increase the impact levels on centres noted above.

The majority of the impacts of the proposed development on existing centres is in the low/medium range except for the impact on Wollongong Central which is at the bottom end of the medium/high range.

The proposed development will not give rise to an adverse economic impact whereby facilities currently enjoyed by the public are put at risk and would not be made good by the proposal.

The net increase in employment in Wollongong arising from the proposal's Stage 1 retail and cinema activities is estimated to be in the order of +670 jobs of which 301 would be full-time and 369 part-time jobs.

Cinema Industry Section 5

The current demand for cinemas in the Wollongong trade area is estimated at 25.2 screens. This compares to a supply of 19 screens. The Wollongong Region therefore appears to have a shortfall of approximately six cinema screens at present. By 2016 the demand for screens in the trade area will be 27.1–that is, eight less than the current supply.

The opening of an eight-screen complex in the proposed development is likely to have impacts of between -5% and -10% on suburban complexes at Warrawong and Shellharbour. The closure of the small and outdated Greater Union complex in the WCC cannot be ruled out.

EXECUTIVE SUMMARY

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Other Impacts Section 6

The proposed Stage 1 development incorporates 2,584 sq.m. of office space. This represents a small increment (+2.2%) in the total stock of office space in the WCC.

Stage 3 includes provision for 13,130 sq.m. of office space which will boost Wollongong's supply of competitive A grade commercial office space.

The project will have a positive influence on the commercial office market in the WCC and provide new opportunities to attract office-based employment to the WCC.

Other Uses Section 7

The proposed four star quality hotel in Stage 2 will address Wollongong's longstanding under-supply of such tourist accommodation. It will mean the City is able to compete more effectively for both conferences/conventions and overseas tourism.

Conclusion Section 8

The Belmorgan project will bring major benefits to the Wollongong Region. Particularly, it will rectify a number of previously identified deficiencies in the WCC retail mix including:

- ★ lack of a DDS
- ★ inadequate representation of supermarkets
- ★ no contemporary large-scale cinema complex.

The overall project will reinforce the role of the WCC as the dominant retail and commercial centre in the Wollongong Region.

Analysis indicates the project's potential economic impacts on other relevant centres will be acceptable. For the WCC they will advantageous in terms of securing its longer-term economic health and vitality.

In summary, the project will produce a net community benefit generating a large number of new jobs and underpinning the economic performance of the WCC over the medium and longer term in both the retail and commercial sectors.





INTRODUCTION

1.1 Background

This Concept Economic Impact Report has been prepared for the Belmorgan Property Development Pty Ltd (Belmorgan). The Report presents the findings of an assessment of the likely economic effects of a major shopping centre and mixed use development within the Wollongong City Centre (WCC). The bulk of the project will be developed on the so-called "Dwyer's site" which is located on the corner of Crown and Corrimal Streets at the eastern end of the WCC.

The project will be developed in stages with Stages 1 and 2 on the Dwyer's site. Stages 1 and 2 of the project will incorporate a significant retail component together with an hotel and conference facility. The development site is located within 200 metres of Wollongong's Indoor Entertainment Centre and the Steelers Football Stadium. A third stage of the development involves the redevelopment of an adjacent site known as the "Oxford Hotel" site. This site is located on the western side of Corrimal street.

The economic effects of the development of Stages 1 and 2 were extensively detailed in an Economic Impact Assessment (EIA) report prepared by Leyshon Consulting in August 2007 (Economic Impact Assessment–Proposed Belmorgan Retail Project, Dwyer's Site, Wollongong). This Report provides an abbreviation of the material presented in the comprehensive EIA report.

The project will result in the most significant change to retailing in the WCC since the Crown Gateway shopping centre opened in 1986. The project will also have regional significance. As detailed later in this

Report, the new centre has the capacity to alter the competitive relationship that exists between the WCC and the major suburban centres of Figtree, Warrawong and Shellharbour.

1.2 Project Details

We are advised by the proponent that the development will involve 20,318 sq.m. gross floor area (GFA) of retail and related uses. In addition, an eight-screen cinema complex of some 3,750 sq.m. GFA is also proposed. The cinema will be located on the centre's fourth level adjacent to a food court. The planned distribution of retail floorspace in Stage 1 of the development is detailed in TABLE 1.1 below.

TABLE 1.1
PROPOSED RETAIL FLOORSPACE – DWYER'S SITE
PROJECT, STAGE 1

		GFA
Level	Use	(Sq.M.)
Basement	Mini Major (Liquor)	1,232
	Food	424
	Sub-Total	1,656
Level 1	Supermarket	3,760
	Other Retail	2,461
	Food	554
	Sub-Total	6,775
Level 2	Major Discount Store	5,390
	Food	254
	Other Retail	2,242
	Sub-Total	7,886
Level 3	Mini Major	802
	Food Court	566
	Other Retail	2,633
	Sub-Total	4,001
Total Project		20,318
Source: Belmorgan A	August 2007.	

In summary, the proposed Stage 1 retail development will contain a full-line supermarket of 3,760 sq.m., a discount department store (DDS) of 5,390 sq.m., a substantial component of food and dining functions, mini-majors of 2,034 sq.m. and specialty retail floorspace of 9,134 sq.m.. The retail floorspace will be distributed over four levels of the centre, including the basement.

It is fair to assume that a component of the specialty floorspace will be devoted to non-retail functions such as financial institutions and the like. Typically such uses might occupy about 1,000 sq.m. in such a centre.

Stage 1 of the project will also include provision for 2,584 sq.m. of office space. Stage 2 will incorporate an hotel and conference facility developed above the retail levels. Stage 3 (on the Oxford Hotel site) includes the following elements:

ground floor retail floorspace ... 1,810 sq.m.

► tavern ... 1,045 sq.m.

► office space ... 13,310 sq.m.

► apartments ... 40 units.



RETAIL CONTEXT

2.1 Overview of Centres

Historically, the WCC has been the major retail centre servicing the Wollongong Region. The Wollongong Region includes the Local Government Areas (LGAs) of Wollongong, Shellharbour and Kiama. Today the Region has four major centres, namely:

- Wollongong City Centre (WCC)
- Westfield Figtree
- Westfield Warrawong
- Shellharbour Town Centre.

Although the WCC has the distinction of containing two major department stores (David Jones and Myer), its most obvious weakness is that—unlike Warrawong, Stockland Shellharbour and Westfield Figtree—the centre does not have a DDS (Kmart, Big W or Target). In previous research undertaken for Council, we expressed the opinion that the absence of a DDS in the WCC was a critical deficiency in a market like Wollongong which tends to be price sensitive in terms of clothing and household goods.

TABLE 2.1 summaries the characteristics of the four major centres as well as those of three smaller but nonetheless significant centres—Corrimal, Warilla and Dapto.

TABLE 2.1SUMMARY of KEY CHARACTERISTICS of MAJOR CENTRES in WOLLONGONG REGION, 2006

Centre	Major Tenants	No. Specialties	Annual Visitation (Mil. per annum)	Annual Sales, 2006 (\$Mil. per annum)	GLA (Sq.m.)
Wollongong Central	Myer Franklins David Jones Rebel Sport Fitness First	137	11.4	\$178.0	32,900
Crown Street Mall — Balance	David Jones Woolworths	125	-	\$138.9	35,802
Stockland Shellharbour	Kmart Target Coles Bi Lo	120	5.9	\$201.9	39,523
Westfield Warrawong	Big W Kmart Coles Woolworths Hoyts 6-Screen	124	5.2	\$190.4	38,320
Westfield Figtree	Kmart Coles Woolworths	75	4.3	\$148.9	19,846
Stockland Corrimal	Woolworths	39	3.1	\$83.0	9,972
Warilla Grove	Woolworths Franklins	26	2.7	\$85.2	11,834
Dapto Mall	Woolworths	21	2.2	\$58.9	5,995

Source: PCA NSW & ACT Shopping Centre Directory, 2006; Shopping Centre News, 2006.

As noted in TABLE 2.1, the WCC is the predominant centre in the Region in floorspace terms with its current retail floorspace estimated at 68,702 sq.m. GLA. In calendar 2006 the WCC's total sales were estimated to be \$316.9 million (\$2006).

The Wollongong Central centre is the largest single retail entity within the WCC. Located at the intersection of Crown and Keira Streets, Wollongong Central contains a reported 32,900 sq.m. of retail floorspace GLA. The centre is anchored by a Myer department store (12,150 sq.m.), part of the David Jones department store (1,844 sq.m.)

and a Franklins supermarket (1,882 sq.m.). It also has 137 specialty shops. The reported annual sales of Wollongong Central in 2006 were \$178.0 million (\$2006).

To the south of the WCC, Stockland Shellharbour is a major sub-regional centre of some 39,523 sq.m. of floorspace (GLA). Stockland Shellharbour is anchored by Kmart and Target DDSs, and Coles and Bi-Lo supermarkets. The reported annual sales of the centre in 2006 were \$201.9 million (\$2006). To the immediate west of Shellharbour Square is a development known as Shellharbour Super Centre. This contains a Bunnings (7,762 sq.m.), a Woolworths supermarket (4,370 sq.m.) together with a range of bulky goods retail tenants.

Westfield Warrawong, located some 10km to the south of the WCC, contains 38,320 sq.m. of retail floorspace GLA and is anchored by Big W and Kmart DDSs, and Coles and Woolworths supermarkets. The centre also has a Hoyts six-screen cinema complex. Westfield Warrawong's reported sales in 2006 were \$190.4 million (\$2006). In addition to the Westfield centre, Warrawong also has strip retailing near the intersection of King and Cowper Streets.

To the south of Westfield Warrawong is a major bulky goods precinct fronting King Street. This precinct is anchored by Harvey Norman and Domayne stores.

About five kilometres to the south-west of the WCC is Westfield Figtree— a smaller DDS-based centre of some 19,846 sq.m. GLA. The Figtree centre is anchored by a Kmart DDS and Coles and Woolworths supermarkets. It has approximately 75 specialty shops. Westfield Figtree's reported sales in 2006 were in the order of \$148.9 million

(\$2006). Figtree also contains some strip retailing adjacent to the Westfield centre.

Stockland Corrimal Court (9,972 sq.m.), Warilla Grove (11,834 sq.m.), and Dapto Mall (5,995 sq.m.), are all supermarket-anchored centres which provide district level services to residents of the north, south-west and south respectively of the Wollongong Region. As noted in TABLE 2.1, these centres had annual sales in the range of \$58.9 to \$85.2 million in 2006 (\$2006).

Corrimal Court is complemented by a significant component of strip retailing fronting the Princes Highway. The overall Corrimal centre is estimated to have had total sales of \$123.5 million per annum (\$2006) in 2006.

The only recent additions to retail floorspace in the trade area are:

- a small convenience centre anchored by a Bi-Lo supermarket at Berkeley; and
- a new supermarket-anchored centre at Fairy Meadow to the north of the WCC.

We do not consider that either of these projects will materially alter existing retail patterns in the trade area as they each primarily will cater for the local convenience retail needs of the community in which they are located.

2.2 Wollongong City Centre

Today the WCC remains the most dominant retail location in the Wollongong Region. Since the 1960s, however, development of a number of suburban centres in the surrounding region has slowly eroded the primacy of the WCC. Relevant developments in this regard have been:

Westfield Warrawong ... 1960
 Westfield Figtree ... 1965
 Corrimal Court ... 1975
 Shellharbour Square ... 1982.

Each of the above four centres has also undergone significant expansion and refurbishment since being first developed. The most recent such upgrade was that of Shellharbour Square (now Stockland Shellharbour) in 1999 which saw a Target DDS added to the centre together with additional specialties.

Since 2000 there has also been additional development within the overall Shellharbour Town Centre (including an Aldi supermarket) which has added to Shellharbour's strength as a retail location.

Within the WCC itself, Crown Street has always been the focus of retail activity. The importance of Crown Street was further underwritten in 1974 with the construction of the enclosed Crown Central complex at the intersection of Crown and Keira Streets. In 1986 the Crown Street Mall opened together with the new Crown Gateway centre which contained a Grace Bros (now Myer) department store. Crown Central and Crown Gateway have since been amalgamated into a single centre by GPT which is known as Wollongong Central.

Elsewhere in the WCC there have been few other changes of any significance to the centre's retail fabric since the mid-1980s. Perhaps only the establishment of an Aldi supermarket near the intersection of Corrimal and Burelli Streets and the development of a restaurant precinct on Keira Street between Victoria and Smith Streets could be so classified.

Over time major deterioration in the quality of retailing on Crown Street between Railway Parade and Keira Street has been evident. The locus of retail activity has now shifted to the intersection of Church and Crown Streets with few quality retail tenants now found in that part of Crown Street lying to the west of Keira Street.

2.3 Shopper Survey

To provide insights into the nature of shopping patterns in the Wollongong Region—especially in terms of residents' views on and patronage of the WCC and the other major centres in Wollongong—a large-scale telephone survey was undertaken in the Wollongong Region in 2004. In total, 600 residents were interviewed. The results of the survey are discussed in extensive detail in the EIA report prepared in relation to the economic impact of Stages 1 and 2 of the proposed project.

Data obtained from the survey also provided an essential input to the impact assessment of the project, especially in terms of the proposed development's potential to alter shopping patterns in the Region.

In summary, the survey found that although the WCC has a broad-based catchment drawing patronage generally from across the Wollongong/Shellharbour/Kiama region, it nonetheless faces stiff competition from other major centres particularly Warrawong, Shellharbour and, to a lesser extent, Figtree.

The survey findings highlight how a significant component of shoppers, some of whom reside relatively nearby to the Wollongong CBD, in fact never shop there. Concerns about the availability and quality of car parking in the WCC appear an important influence on WCC shopping patterns.

The survey findings also point to the (not unexpected given its demography) strength of DDSs in the Wollongong Region: the two DDSs at Warrawong are in fact shopped more frequently than either the Myer or David Jones department stores in the WCC. This underlines the importance of attracting a DDS to the WCC to provide it with a more competitive (and balanced) retail offer.



TRADE AREA ANALYSIS

3.1 Trade Area Definition

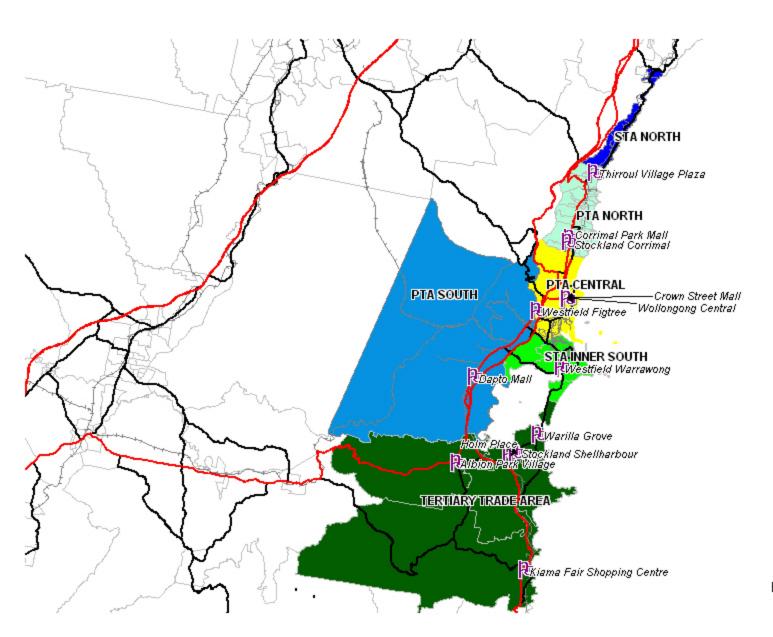
Data from the survey discussed in Section 2 above have been utilised to define a trade area for the WCC. The trade area also has been defined taking into account the location of other centres directly competitive with the WCC as well as the regional road system. Finally, the findings of previous surveys conducted in the Crown Street Mall and particularly with respect to shopper origins, have also been taken into account.

FIGURE 3.1 depicts the extent of the overall trade area and its segmentation into a series of sub-sectors. This segmentation facilitates more comprehensive (and, we believe, more insightful) demographic analysis and, consequently, preparation of more accurate retail spending estimates.

The components of the trade area are as follows:

- Primary Trade Area (PTA) ... includes Wollongong, Mangerton,
 Central Coniston, Balgownie, Fern Hill and
 Towradgi
- PTA North ... includes Corrimal, Woonona,
 Bellambi, Bulli and Thirroul
- PTA South ... includes Figtree, Unanderra, Dapto and Kanahooka
- Secondary Trade Area ... includes Austinmer, Coledale,

and surrounding areas



Based on 2001 Collection District Boundaries
Source: 2001 Census
Produced by: Leyshon Consulting
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(STA) North Wombarra, Scarborough

► STA South ... includes Berkeley, Warrawong and

Port Kembla

► Tertiary Trade Area (TTA) ... includes Warilla, Shellharbour,

Albion Park and Kiama.

3.2 Trade Area Demography

The demography of the Wollongong trade area is quite variable. Data from the 2001 Census for the trade area by sub-sector are provided in TABLE 3.1. For comparative purposes relevant data are also provided for the Greater Metropolitan Area (GMA) which is an amalgam of the Sydney, Wollongong and Newcastle Statistical Divisions.

TABLE 3.1:
SUMMARY of SELECTED DEMOGRAPHIC ATTRIBUTES — WOLLONGONG TRADE AREA and GMA, 2001 (% Population)

	PTA Central	PTA North	PTA South	STA North	STA South	TTA	Total	GMA
2001 Census Population Count	49,402	40,258	52,036	5,288	24,397	73,427	244,808	4,672,971
Age Structure								
0-9 years	10.7	14.1	15.5	14.9	12.5	15.5	14.0	13.6
10-19	12.2	13.6	15.5	14.5	13.8	15.5	14.3	13.7
20-29	18.9	12.4	12.6	10.7	12.4	11.7	13.5	14.7
30-39	13.8	14.6	14.7	15.5	13.4	14.6	14.4	15.8
40-49	12.8	14.7	14.7	17.9	13.3	14.8	14.3	14.6
50-59	10.6	10.9	12.2	12.5	11.4	11.3	11.3	11.5
60+	21.0	19.7	14.8	14.0	23.2	16.6	18.2	16.1
Household Structure								
Couples & Children	25.1	32.3	44.1	39.7	32.5	39.7	35.3	36.5
Couples Only	25.1	25.4	26.6	28.2	25.1	26.9	26.0	24.3
Single Parents	9.8	12.8	11.1	9.8	14.8	12.1	11.7	11.3
Other	1.5	1.4	0.7	0.6	1.0	0.8	1.1	1.5
Total Family	61.5	71.9	82.5	78.3	73.4	79.5	74.1	73.6
Non-Family Households	S							
Lone Person	31.4	25.3	16.1	18.1	24.5	18.7	22.7	22.3
Group	7.1	2.9	1.5	3.6	2.1	1.8	3.2	4.1
Total Non-Family	38.5	28.1	17.5	21.7	26.6	20.5	25.9	26.4
Average Household size(persons/dwelling)	2.27	2.54	2.86	2.73	2.62	2.77	2.62	2.66
Occupational Structure								
Managers & Administrators	6.5	5.5	5.5	9.4	2.4	5.1	5.5	8.5
Professionals	24.6	20.2	16.9	33.4	8.4	13.5	17.8	20.6
Associate Professionals	12.2	12.1	10.9	12.2	7.7	10.9	11.2	11.7
Tradespersons & Related	11.3	15.0	15.3	13.0	15.5	16.0	14.6	11.6
Advanced Clerical/Sales/Service	3.1	3.5	3.5	3.6	2.4	3.2	3.2	4.4
Intermediate Clerical/Sales/Service	16.8	17.1	17.0	12.3	14.1	16.5	16.5	17.1
Intermediate Production & Transport	6.9	8.6	10.1	4.1	16.5	11.8	10.1	7.7

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TABLE 3.1:
SUMMARY of SELECTED DEMOGRAPHIC ATTRIBUTES — WOLLONGONG TRADE AREA and GMA, 2001 (% Population)

	PTA Central	PTA North	PTA South	STA North	STA South	TTA	Total	GMA
Elementary								
Clerical/Sales/Service	9.9	9.3	10.7	6.0	13.3	11.7	10.7	9.3
Labourers and Related	6.9	7.0	7.9	4.6	16.5	9.2	8.5	6.9
Inadequately Described	0.8	0.8	1.0	1.1	1.2	1.0	0.9	0.9
Not Stated	1.0	0.9	1.2	0.3	2.0	1.1	1.0	1.3
Unemployment								
Rate	10.3	8.3	7.2	5.7	15.8	8.7	9.2	6.6
Annual Household Inco	me							
Nil/Negative	1.5	0.5	0.4	0.2	0.6	0.4	0.7	0.9
\$0-\$10,384	7.4	5.5	3.7	3.6	9.0	4.2	5.5	4.1
\$10,385-\$15,584	11.1	10.9	7.2	4.8	12.0	8.5	9.5	7.4
\$15,585-\$20,784	11.3	11.5	9.9	7.7	16.7	11.6	11.6	8.3
\$20,785-\$25,948	9.2	8.8	7.7	7.2	10.0	9.3	8.9	7.0
\$25,950-\$31,148	5.4	5.0	4.9	3.8	5.9	5.2	5.2	5.1
\$31,149-\$36,348	6.5	6.3	6.1	6.3	6.7	6.9	6.5	5.9
\$36,349-\$41,548	4.6	4.7	4.7	4.1	4.5	4.9	4.7	4.8
\$41,549-\$51,948	8.9	8.9	10.1	9.2	9.0	10.4	9.6	9.6
\$51,949-\$62,348	8.4	8.7	10.0	8.2	7.8	10.1	9.2	9.4
\$62,349-\$77,948	7.6	9.2	12.0	10.2	7.0	10.6	9.6	9.3
\$77,949-\$103,948	10.0	11.8	13.6	17.2	6.9	10.8	11.1	14.1
Above \$103,948	8.1	8.2	9.7	17.5	3.9	7.1	7.9	14.1
Average Annual Household Income	¢45 652	¢40 242	ČE2 704	\$62.224	\$28.460	\$49.26A	\$49.40E	¢57 262
(\$2001) Source: ABS Census	\$45,652 , 2001.	\$48,212	\$53,784	\$63,234	\$38,160	\$48,364	\$48,105	\$57,263

As noted in TABLE 3.1, the demography of the STA South differs significantly from the rest of the trade area. For instance, in 2001 the population of the STA South was considerably older. Its unemployment rate was also very high (15.8%) compared with 9.2% for the trade area as a whole. Unsurprisingly, therefore, this area's average annual household income was only \$38,160 in 2001. This was 21% less than the average annual household income for the trade area as a whole (\$48,105; \$2001).

The PTA South and the TTA generally have a much younger population typified by an above-average proportion of 0-9 years and a higher proportion of traditional families (couples and dependent children) than found elsewhere in the trade area.

Comparing the Wollongong trade area with the GMA indicates that in 2001 some distinctive features of the trade area were:

- slightly smaller households (2.62 persons per household compared with 2.66 in the GMA);
- ► a much higher unemployment rate (9.2% compared with 6.6% in the GMA);
- a lower proportion of residents employed in so-called upper-white-collar occupations (23.3% compared with 29.1% in the GMA); and
- an average household income that was -16% below the GMA average in 2001 (\$41,805 compared with \$57,263; \$2001).

3.3 Population Growth

The defined trade area encompasses the LGAs of Wollongong and Shellharbour and part of Kiama. Since 1991 these three LGAs have been experiencing fairly consistent population growth. In this regard, we note that the estimated resident population of the three LGAs combined increased from 244,935 persons in 1991 to an estimated 276,155 persons in 2006 (TABLE 3.2 refers).

TABLE 3.2 ESTIMATED RESIDENT POPULATION — WOLLONGONG STATISTICAL SUB-DIVISION, 1991-2006^p

LGA	1991	1996	2001	2006 ^p
Wollongong	180,109	183,497	189,776	192,131
Shellharbour	48,201	53,873	59,862	63,642
Kiama	16,625	18,374	19,959	20,382
Total	244,935	255,744	269,597	276,155

Note: P=Preliminary.

Source: Australian Bureau of Statistics (ABS) 1991-2006.

Average annual population growth (AAG) rates during the most recent five year period (2001-06) for the three LGAs have been:

► Wollongong ... 0.2% per annum

► Shellharbour ... 1.2%

► Kiama ... 0.4%

• Overall ... 0.5%.

Significant potential for long-term population growth remains in parts of the trade area particularly Shellharbour and in West Dapto. The future residential settlement of West Dapto will be dependent on resolving significant servicing constraints, however. The Draft Infrastructure Implementation Plan published on Wollongong City Council's website states that Stage 1 of the West Dapto release area is

expected to take 11-12 years to be developed, while the whole of the West Dapto release area could take up to 40 years to develop.

We have prepared a forecast of population growth in the trade area to 2016 (TABLE 3.3 refers). As indicated in TABLE 3.3, the trade area had a population of 257,679 in 2001. The population in 2006 is estimated at 268,426 persons. By 2011, the population is forecast to increase to 278,978 persons and in 2016 to reach 288,344, a growth of \pm 19,918 over its current level. The majority of this expected growth will occur in the TTA (\pm 6,700 persons). Growth in the PTA is forecast to be in the order of \pm 3,810 persons between 2006-16.

TABLE 3.3
FORECAST POPULATION — WOLLONGONG TRADE AREA, 2001-16 (No. Persons)

Year	PTA Central	PTA North	PTA South	STA North	STA South	TTA	Total Wollongong Trade Area
Count 2001	49,401	40,258	52,036	5,288	24,397	73,427	244,808
2001	51,982	42,360	54,753	5,564	25,671	77,349	257,679
2006	53,210	43,361	56,047	5,696	26,278	83,835	268,426
2011	54,722	44,593	57,640	5,857	27,024	89,141	278,978
2016	57,020	46,466	60,060	6,103	28,159	90,535	288,344
Increase 2006-16	3,810	3,105	4,013	407	1,881	6,700	19,918
Source: Leysh	on Consulting	Estimates,	March 200	7.			

The trade area's overall projected population growth between 2006-16 assumes an AAG of +0.7%. We consider this to be consistent with the population growth rates recorded in Wollongong, Shellharbour and Kiama LGAs during the period 1991-2001. It is also consistent with the fact that population growth over the next seven years can be expected to slow as new "greenfields" land development opportunities dwindle. Our projections do not incorporate any assumptions regarding commencement

of residential development in West Dapto. If this was to occur within the forecast time-frame, then population growth in the PTA South would be substantially greater than that shown in TABLE 3.3

3.4 Available Retail Spending

Estimates have been prepared of available retail spending in the trade area for the period 2006-16. These estimates have been prepared having regard to the following data sources:

- data on household incomes in the trade area drawn from the 2001
 Census
- data from the 2003-04 ABS Household Expenditure Survey (HES) as it relates to the expenditure characteristics of households with various locational and demographic characteristics
- data from the ABS on retail sales in New South Wales for the period 2001-06
- data from the ABS on movements in the Consumer Price Index
 (CPI) between 2001-06
- data from the ABS on changes in average weekly earnings and household income levels during the period 2001-06.

In summary, we estimate that average annual per capita retail expenditure levels in the trade area in 2006 (\$2006) by sub-sector are as follows:

PTA Central ... \$9,050 per capita per annum

► PTA North ... \$8,566

▶ PTA South ... \$8,189
 ▶ STA North ... \$9,430
 ▶ STA South ... \$7,176
 ▶ TTA ... \$7,866.

Certain assumptions have been made about the extent of real growth in average per capita retail spending which might occur during the period 2006-16. In this regard we note that over the past decade (1996-2006), retail sales in New South Wales expanded in real terms (that is, over and above inflation) in the range of +2.0% to +2.5% per annum. In this case, we have assumed that the various trade area sectors could achieve real per capita retail spending growth during the forecast period as follows:

► PTA Central ... +1.0% per annum

► PTA North ... +1.5%

► PTA South ... +1.5%

► STA North ... +2.0%

► STA South ... +0.5%

► TTA ... +2.0%.

The resulting estimates of growth in available retail spending for the period 2006-16 are summarised in TABLE 3.4 below. As indicated in TABLE 3.4, total available retail spending in the trade area in 2006 is estimated at \$2.214 billion per annum (\$2006). By 2016 we estimate that, in real terms, this will have increased by some +\$539.9 million to \$2.753 billion per annum (\$2006). The estimated growth in various parts of the trade area will be as follows:

► PTA Central ... +\$88.5 million per annum

► PTA North ... +\$90.5

► PTA South ... +\$111.9

► STA North ... +\$16.5

► STA South ... +\$23.8

► TTA ... +\$208.7.

TABLE 3.4
ESTIMATED AVAILABLE RETAIL SPENDING — WOLLONGONG TRADE AREA, 2006-16 (\$2006; \$Mil. pa)

Year	PTA Central	PTA North	PTA South	STA North	STA South	TTA	Total Wollongong Trade Area
2006	\$481.5	\$371.4	\$458.9	\$53.7	\$188.6	\$659.4	\$2,213.5
2011	\$520.5	\$411.5	\$508.5	\$61.0	\$198.8	\$774.2	\$2,474.5
2016	\$570.0	\$461.9	\$570.8	\$70.2	\$212.4	\$868.1	\$2,753.4
Increase 2006-11	\$39.0	\$40.1	\$49.6	\$7.3	\$10.2	\$114.8	\$261.0
Increase 2011-16	\$49.5	\$50.4	\$62.3	\$9.2	\$13.6	\$93.9	\$278.9
Increase 2006-16	\$88.5	\$90.5	\$111.9	\$16.5	\$23.8	\$208.7	\$539.9
Source: Leysh	on Consulting	Estimates,	March 2007	•			

Real annual available retail spending growth in the order of \$539.9 million by 2016 will generate demand for a substantial increase in retail floorspace within the trade area. For the purposes of estimating what volume of additional floorspace such spending growth might support, we have adopted an average floorspace sales rate of \$5,500 per sq.m. per annum (\$2006). We are aware that average sales rates vary considerably between different retail sectors. Applying a rate of \$5,500 per sq.m. per annum in this instance is consistent, however, with the findings of the ABS's 1998-99 Retail Survey. That survey concluded the retail sector in Australia per se was achieving average annual sales of about \$4,356 per sq.m. in 1999 (\$1998-99; excluding motor vehicle-related sales). For the purposes of this Report, this figure has been inflated from 1998-99 values to \$2006.

Assuming average sales of \$5,500 per sq.m. per annum, the Wollongong trade area theoretically would require the addition +98,132 sq.m. of retail floorspace during the period 2006-16 to meet the demand flowing from projected spending growth. In reality, however, the actual volume of extra floorspace required will be less

than this figure. Some degree of so-called "escape expenditure" almost always flows out of any trade area to centres elsewhere. In the case of Wollongong/Shellharbour/Kiama, for example, approximately 15,600 residents worked in the Sydney Statistical Division (SSD) in 2001. This pattern of commuting to work in Sydney alone doubtless leads to a significant level of escape spending. The actual demand for additional retail floorspace within the Wollongong trade area up to 2016 therefore will be less than the theoretical estimate of 98,132 sq.m. noted above.

Taking into account escape spending from the trade area, we consider that the "net" demand for additional retail floorspace in the Wollongong trade area between 2006-16 will still be significant—in the order of 78,500 to 80,500 sq.m..



IMPACT ANALYSIS

4.1 Introduction

The purpose of this section of the Report is to assess the potential impact of the proposed Belmorgan development in the WCC on relevant existing centres. The principal focus of most impact assessments is on the possible extent of the change in retail sales of the centres affected by a proposed development. In this case, however, we consider it is also relevant to examine the **positive benefits** which will flow from the project proceeding, especially in terms of employment creation and a strengthening of the overall competitive position of the WCC.

In preparing this impact assessment we have had regard to the potential impact of the proposed development on existing centres. We also understand that an application has been lodged under Part 3A of the Environmental Planning and Assessment Act 1979 by the GPT Group for the development of a mixed use retail, residential and commercial office project in the Wollongong CBD. The project involves the construction of a six level retail centre on land to the west of Keira Street and to the north of Crown Lane. It is proposed the mixed use complex will be interconnected by a tunnel and bridge under and over Keira Street to the existing Wollongong Central shopping centre.

Plans lodged with a preliminary assessment report prepared by BBC Consulting Planners indicate the proposed development will incorporate a supermarket, a DDS and, on the existing Crown Central site, a new eight-screen cinema. While the preliminary assessment report provides data on the total GFA of the project as a basis for calculating the floorspace ratio (FSR) of the development, it does not

contain detailed information on the project's retail components. In particular, no information is provided on its likely economic impact. The BBC report indicates that economic impacts will be examined in detail in an environmental assessment report which is yet to be prepared and submitted.

Given the indeterminate status of this project, therefore, in preparing this Report we have not assumed that the project will be approved. Accordingly we have not incorporated the potential expansion of this centre into the impact analysis set out in Section 4.3 of this Report.

4.2 Sales Potential

At the outset it is important to determine the likely trading potential of a centre of the scale being proposed by Belmorgan. In essence, the proposed centre will contain the two retail elements found in so-called sub-regional centres across Australia. These are a DDS and a full-line supermarket. But in this instance the centre will also have a significantly above-average component of floorspace devoted to food and dining activities. Only a comparatively small proportion of the floorspace in most sub-regional centres is usually is devoted to food courts, restaurants and the like (commonly <250 sq.m.). Belmorgan's project by contrast will have 1,378 sq.m. of "food" space.

We have prepared an assessment of the potential annual sales which the proposed centre could achieve assuming 2009 is its first full trading year (TABLE 4.1 refers). This assessment takes into account competition from the balance of the WCC and from major suburban centres which contain DDSs, cinemas and the like. In summary, we project that the proposed centre could achieve annual sales of about \$120.8 million per annum (\$2006) in 2009 which equates to an average sales rate of \$6,253 per sq.m. per annum.

TABLE 4.1
ESTIMATE of POTENTIAL ANNUAL SALES – DWYER'S SITE PROJECT, 2009 (\$2006)

Factor	PTA Central	PTA North	PTA South	STA North	STA South	TTA	Total Wollongong Trade Area	Non Trade Area	Total Centre
Available Food Sales (\$.Mil.pa)	\$222.5	\$174.2	\$212.7	\$24.7	\$87.4	\$320.2	\$1,041.7		
Centre Market Share (%)	12.2	4.5	2.0	5.1	1.0	1.5			
Sub-Total — Centre Food Sales (\$.Mil. pa)	\$27.1	\$7.8	\$4.3	\$1.3	\$0.9	\$4.8	\$46.2	\$5.1	\$51.3
Available Non Food Sales (\$.Mil. pa)	\$282.0	\$220.8	\$275.3	\$33.3	\$107.3	\$405.8	\$1,324.5		
Centre Market Share (%)	6.5	5.5	4.0	6.7	2.2	3.2			
Sub-Total — Centre Non-Food Sales (\$.Mil. pa)	\$18.3	\$12.1	\$11.0	\$2.2	\$2.4	\$13.0	\$59.0	\$10.5	\$69.5
Total Available Sales (\$.Mil. pa)	\$504.5	\$395.0	\$488.0	\$58.0	\$194.7	\$726.0	\$2,366.2		
Centre Market Share (%)	9.0	5.1	3.1	6.0	1.7	2.5	4.4		
Total Centre Sales (\$.Mil. pa)	\$45.5	\$20.0	\$15.3	\$3.5	\$3.2	\$17.8	\$105.3	\$15.5	\$120.8
Note: Frrors due to rounding									

Note: Errors due to rounding.

Source: Leyshon Consulting Estimates, August 2007.

The centre's market share within its overall trade area would be 4.4% although this would range as low as 1.7% in the STA South and up to 9.0% in the PTA Central.

As noted in TABLE 4.1, approximately \$15.5 million of sales (or 12.8% of its total estimated turnover of \$120.8 million) would be derived from outside the trade area. That is, from spending at the centre by tourists and visitors to the Wollongong Region including shoppers attracted from areas to the south and west of the trade area such as Shoalhaven LGA and residents of the Southern Highlands.

4.3 Impact Assessment

Our estimates of the impact of the proposed Stage 1 development on existing major shopping centres in the trade area is detailed in TABLE 4.2.

TABLE 4.2
ESTIMATED IMPACT of PROPOSED DWYER'S SITE PROJECT — Pre- and Post-DEVELOPMENT STAGE 1, 2009 (\$2006)

		- Sales in —	-	Impact 2	2009	Sales	
Centres	2006	2009 Pre	2009 Post	(\$.Mil.pa)	(%)	2011	
Wollongong Central	\$178.0	\$191.7	\$165.7	(\$26.0)	(13.6)	\$172.4	
WCC Balance	\$202.0	\$205.0	\$192.0	(\$13.0)	(6.3)	\$203.8	
Dwyer's Site	\$0.0	\$0.0	\$120.8	n.a.	n.a.	\$125.7	
Westfield Warrawong	\$190.4	\$205.0	\$189.0	(\$16.0)	(7.8)	\$198.6	
Warrawong Balance	\$210.0	\$229.5	\$225.5	(\$4.0)	(1.7)	\$239.2	
Westfield Figtree	\$145.0	\$158.4	\$148.4	(\$10.0)	(6.3)	\$157.5	
Dapto	\$99.5	\$108.7	\$106.2	(\$2.5)	(2.3)	\$112.7	
Stockland Shellharbour	\$162.6	\$177.7	\$169.7	(\$8.0)	(4.5)	\$180.0	
Shellharbour Balance	\$95.0	\$103.8	\$100.3	(\$3.5)	(3.4)	\$106.4	
Warilla Grove	\$78.0	\$82.8	\$80.8	(\$2.0)	(2.4)	\$84.0	
Thirroul	\$25.0	\$26.5	\$26.3	(\$0.2)	(0.8)	\$27.4	
Corrimal	\$128.0	\$139.9	\$132.9	(\$7.0)	(5.0)	\$141.0	
Other Trade Area Centres	\$0.0	\$0.0	\$0.0	(\$6.0)	n.a.	\$0.0	
Non Trade Area Centres	\$0.0	\$0.0	\$0.0	(\$22.6)	n.a.	\$0.0	
Source: Leyshon Cons	sulting Estir	nates, Augu	ıst 2007.				

In our opinion the attributes of the proposed centre—which will include a discount department store (DDS), supermarkets and particularly cinemas together with a wide range of national specialties—will lead to some reduction in the level of escape spending currently flowing out of the trade area to centres elsewhere particularly those in the Sydney Region. It is unlikely, however, that more than \$10.0 million of the projected annual sales will be captured as a consequence of reduction in escape spending.

In assessing the impact of the proposed development, we have had regard to the results of the resident retail survey discussed earlier in this Report. We have also assumed that the main impact of the proposed development will fall on relevant centres which have a comparable retail offer and those centres most proximate to the WCC in these categories are:

- WCC Central
- Westfield Warrawong
- Westfield Figtree
- Stockland Shellharbour.

The estimated 2006 sales being achieved by selected major centres in the trade area and their likely turnover in 2009 prior to the proposed development commencing trading are detailed in TABLE 4.2. Estimates of the likely reduction in sales attributable to the proposed development both in actual dollar and percentage terms are also shown in TABLE 4.2.

As indicated in TABLE 4.2, we estimate the project will have widespread impacts on the sales of major centres in the Wollongong Region in 2009 immediately following its assumed opening, namely:

•	Wollongong Central	 -13.6%
•	Balance of WCC	 -6.3%
•	Shellharbour	 -4.5%
•	Figtree	 -6.3%
•	Warrawong	 -7.8%.

The overall impact on the existing retail sector in the WCC in total in 2009 is estimated at -9.8%. Despite this impact, the retail sector in the WCC (that is, existing plus Dwyer's site) will experience a **net increase** in retail sales as a consequence of the proposed development

proceeding. As can be noted from TABLE 4.3, estimated annual sales in the WCC in 2009 prior to the proposed development are put at \$396.7 million but following the proposed development they are estimated at \$478.5 million. Thus, even allowing for the estimated impact of the proposal, the WCC is projected to experience a net gain of +\$81.8 million in total annual turnover as a result of the development—or an increase of +20.6% in total sales.

TABLE 4.3
SUMMARY of CHANGE in ANNUAL WCC RETAIL SALES — PRIOR and POST DWYER'S SITE DEVELOPMENT (\$2006)

Centre	Sales 2006	Sales 2009 Pre	Sales 2009 Post	Impact 2009 (\$.Mil.pa)
Wollongong Central	\$178.0	\$191.7	\$165.7	(\$26.0)
WCC Balance	\$202.0	\$205.0	\$192.0	(\$13.0)
Dwyer's Site	\$0.0	\$0.0	\$120.8	\$120.8
Total	\$380.0	\$396.7	\$478.5	\$81.8
Source: Leyshon Consulting Estimates, August 2007.				

The impact in 2009 on smaller centres such as Corrimal, Dapto, Warilla, Thirroul and the like is estimated to range between -0.8% (Thirroul) and -5.0% (Corrimal).

Continuing population growth in the period 2009-16 (assuming no further major retail developments are undertaken in the trade area during this time-frame) will substantially modify these impacts, however. By 2011, for instance, many of the centres in the trade area will have well and truly recovered their 2009 pre-development sales levels in real terms (that is, \$2006; TABLE 4.2 refers). The exceptions are Wollongong Central, Westfield Warrawong and Westfield Figtree. We anticipate that all centres will have recovered their 2009 pre-development trading levels by 2013, however.

4.4 Stage 3 Impacts

As noted previously, Stage 3 of the proposed development is to contain a very minor component of retail floorspace (1,810 sq.m.). This space is located at ground level and will provide an improved link between Stages 1 and 2 of the project (on the Dwyer's site) and existing retail activity to the west of the subject sites on Crown Street.

In our opinion, the addition of 1,810 sq.m. of retail floorspace in Stage 3 will make only a very marginal change to the overall impact of the proposal on the existing centres identified above in relation to Stage 1: for instance the impact on any particular individual centre is likely to be less than -0.4%.

4.5 Implications of Impact

To the best of our knowledge there is no acknowledged definition of what constitutes either an acceptable or unacceptable impact of a new retail development on existing shopping centres. This derives from the fact that no research has been able to codify what a particular percentage reduction in sales means to various types of centres. Much depends, for instance, on the competitive response of affected centres and the individual merchants within those centres, their existing profitability levels and the financial structures underpinning tenants. For example, established retailers who may own their own premises or have very low debt levels and are reasonably profitable should have the capacity to absorb a greater impact than those who may be paying high rents and/or operating on low profit margins.

Based on our experience, we classify retail impacts as follows:

▶ 0-6% ... very low

► 6-10% ... low/medium

► 10-15% ... medium/high

► 15%+ ... high/very high.

Measured in terms of the above scale, the sales impact in 2009 of the proposed Stage 1 centre on the existing retail sector in the WCC in total (-10.4%) could be classified as being at the bottom-end of the medium/high range. For the Wollongong Central centre alone, the impact would be classified as being in the middle of the medium/high range.

In our opinion Wollongong Central, which will bear the major impact of the proposed development, is well-placed to accommodate this impact. In 2006 a survey of the performance of shopping centres in New South Wales published by *Shopping Centre News* in its 2006 "Little Guns Survey" reported Wollongong Central had an average sales level of \$5,723 per sq.m. per annum. This ranked the centre 63 out of the 101 centres surveyed.

Compared with other centres, the average sales level of Wollongong Central is somewhat skewed because the centre contains such a significant component of department store space (Myer and part of David Jones). Very few of the other centres detailed in the "Little Guns Survey" contained department store space.

The survey also provides the average turnover of so-called retail specialties. This is considered a very important indicator of shopping centre viability. The main reason for this is that it is generally the performance of specialty retail tenants, and the high rents they command, which determine the overall viability of a centre.

The "Little Guns Survey" also found in 2006 that Wollongong Central achieved an average specialty turnover of \$9,077 per sq.m. per annum which ranked the centre 16th out of the 101 centres in the survey.

Interestingly, the only centre with a higher specialty turnover than Wollongong Central in the Illawarra area was Westfield Figtree which was ranked 11th out of 101 in terms of total turnover per sq.m. and 8th out of 101 in terms of specialty turnover.

Given the above, we consider it is eminently reasonable to conclude that Wollongong Central could absorb an impact of -\$26 million in 2009 without threatening the overall viability of the centre.

The estimated impacts on Westfield Warrawong (-7.8%) and Westfield Figtree (-6.3%) would be classified as being in the low/medium range. The impact on Stockland Shellharbour (-4.5%) meanwhile would be classified as being at the upper-end of the very low range.

Given the impacts noted above, we conclude that the economic effects of the Belmorgan proposal will be acceptable in their scale. In short, if the proposed development proceeds it should not significantly disrupt the trading patterns of any of the relevant centres. In any event, it must be recognised that retail sales and the retail sector as a whole are dynamic in nature and the volume of sales can fluctuate due to changes in general economic conditions when there has been no significant alteration in the nature of retail services provided in a particular area.

In relation to the assessed impact of the proposal on the balance of the WCC, there are several important factors which should be taken into account.

First, the majority of the impact on the WCC will, in fact, fall on Wollongong Central; as noted above it could experience an impact over the short-term of up -13.6%. The balance of the impact on the WCC (-6.3% in 2009) in all likelihood will be spread across major traders in the CBD including Woolworths, Aldi, and that part of David Jones not in Wollongong Central, as well as specialty retailers in Crown Street generally.

Second (as noted above), the impact on the WCC essentially will involve a **redistribution of retail sales within the WCC**. Taking into account the sales generated by the project, we estimate that there will be a net increase in WCC sales in the order of +\$81.8 million per annum (\$2006) in 2009.

Third, any closure of existing retail shops in the WCC which might occur as a result of the Belmorgan proposal proceeding should not significantly disadvantage the shopping public: that is, any shop which closes as a result of competition from proposed development effectively will be replaced by a new shop in the WCC.

Fourth, it is likely that the development will strengthen parts of the WCC—for instance, that part of Crown Street to the east of Church Street in general and particularly Crown Street to the east of Kembla Street. Currently the block of Crown Street between Kembla and Corrimal Streets is relatively 'marginal' as far as retailing activity is concerned.

Finally, although other major centres in the trade area could experience impacts ranging up to -7.8% in 2009, some mitigating factors exist such as:

each of the major centres concerned, but particularly Westfield
 Figtree, Westfield Warrawong and Stockland Shellharbour, have

high level management and marketing resources applied to them and are well placed to resist competition over time

- each of the major centres is anchored by national chain retailers on long leases
- many of the national chain retailers represented in the major centres will also be represented in the new centre; and
- there is unlikely to be any substantial downgrading of retail services provided by these major centres arising from the impact of the project.

In our opinion, the proposed development will pass the tests of economic impact established in a number of landmark legal cases in Australia but particularly Fabcot-v-Hawkesbury Shire Council. The Fabcot case established that an adverse economic impact exists where facilities currently enjoyed by the public in a particular location are put at risk by a proposed development and where that development does not 'make good' any such loss of facilities.

Based on the primary research and analysis detailed in this Report, we are of the view that the impact of the retail component of the project will pass the tests established by Fabcot.

4.6 Employment Benefits

A major retail project of the scale of being proposed by Belmorgan will generate significant long-term employment in the Wollongong Region. Broadly, retail projects of this scale generate about one job for every 28 sq.m. of floorspace (GLA). Approximately 54% of these jobs are likely to be part- and 46% full-time. On this basis, total retail-related employment on the Belmorgan development site could be as follows:

▶ full-time ... 335 positions

part-time ... 391total ... 726.

Some short-term contraction of jobs in other competitive centres can be expected to occur. In effect, this will reduce the "gross" retail jobs benefit identified above to an estimated +646 "net" jobs.

In addition to retail-related jobs created by the project there will be new jobs associated with operation of the cinema complex. Modern multiplex cinemas employ approximately 4.9 persons per screen with about 81% of these being part-time/casual jobs (Source: Australian Film Commission, 2003). On this basis, the proposed eight screen cinema would employ 39 persons of which seven would be full- and 32 part-time/casual. We estimate that the "net" increase in cinema jobs taking into account possible losses elsewhere would be in the order of +24 jobs.

In summary, the total "net" increase in retail and cinema-related employment resulting from the project could be in the order of +670 jobs of which approximately 301 would be full- and 369 part-time or casual in nature.



CINEMA INDUSTRY

5.1 Existing Supply

As noted in Section 1.2 of this Report, the Belmorgan proposal also involves provision of an eight-screen cinema complex in Stage 1. The cinema will provide a stronger focus for the overall development on leisure activity and should "leverage off" other entertainment-related facilities in the precinct surrounding the site including the Indoor Entertainment Centre and the Steelers Stadium.

At present, the WCC is poorly supplied with cinemas. Following the closure of the Regent Cinema in Keira Street, for instance, only a small three-screen facility operated by Greater Union near the intersection of Burrelli and Church Streets exists. We would expect that this cinema has difficulty competing against the larger, more modern Hoyts cinemas at Westfield Warrawong and Greater Union at Shellharbour.

The Wollongong trade area contains 19 cinema screens at present with the majority of cinema capacity located at Warrawong (eight screens) and Shellharbour (eight screens; TABLE 5.1 refers).

TABLE 5.1
EXISTING CINEMAS — WOLLONGONG REGION

Location	Chain	No. Screens				
Wollongong City Centre	Greater Union	3				
Warrawong	Hoyts	6				
Warrawong	Gala (Hoyts)	2				
Shellharbour	Greater Union	8				
Source: Leyshon Consulting Research, August						

2007.

5.2 Cinema Demand

Cinema attendances have been rising substantially over the last decade in Australia. As noted in FIGURE 5.1, cinema admissions in Australia have risen from some 2.93 per capita in 1991 to 4.0 per capita in 2005. Cinema admissions actually reached 4.95 per capita in 2002. They have since declined as a consequence of the widespread ownership of DVD players and subscriptions to cable television.

Some commentators consider this increase is actually "supply induced". By this they mean the construction of new cinema complexes, particularly those in suburban centres, has stimulated attendances over and above what might have existed if Australia had continued to rely on older-style cinema centres often with only one or two screens. These were a significant force in the market prior to 1991.

While the Australian average annual cinema attendance rate still remains less than that achieved in the United States (4.7 admissions per capita per annum in 2005), whether supply induced or not, it has nonetheless risen strongly particularly during the 14 year period 1991-2005.

Based on an average visitation rate of 4.0 per capita per annum, the Wollongong trade area theoretically generates 1.073 million cinema visits per annum (TABLE 5.2 refers). By 2016 this is forecast to rise to 1.153 million admissions per annum.

FIG 5.1: Cinema Admission Rates 1991-2005 (Source: Screen Digest, 2000-03; AFC, 2007)

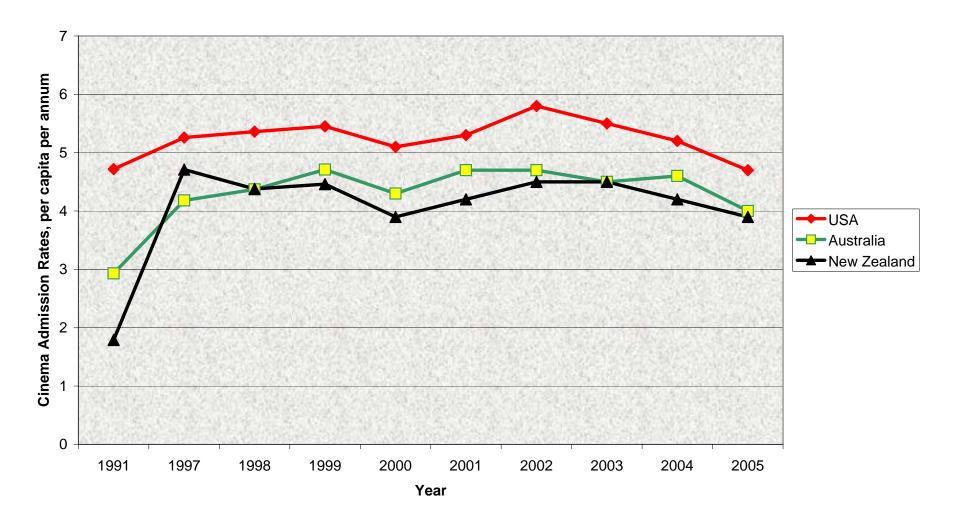


TABLE 5.2 ESTIMATED ANNUAL CINEMA ADMISSIONS — WOLLONGONG TRADE AREA, 2006-16

Year	PTA Central	PTA North	PTA South	STA North	STA South	TTA	Total Trade Area
2006 Population	53,210	43,361	56,047	5,696	26,278	83,835	268,427
Admissions	212,840	173,444	224,188	22,782	105,110	335,341	1,073,705
2009 Population	54,112	44,096	56,997	5,792	26,723	86,980	274,700
Admissions	216,448	176,385	227,989	23,169	106,892	347,919	1,098,802
2011 Population	54,722	44,593	57,640	5,857	27,024	89,141	278,977
Admissions	218,888	178,373	230,558	23,430	108,097	356,565	1,115,911
2016 Population	57,020	46,466	60,060	6,103	28,159	90,535	288,343
Admissions	228,080	185,864	240,241	24,414	112,637	362,140	1,153,376
Increase in Admissions 2006-16	15,240	12,420	16,053	1,632	7,527	26,799	79,671
Source: Leyshon Consulting Estimates, March 2007.							

According to data published by the Australian Film Commission, Australia had 1,964 cinema screens in 2006 while total annual admissions nationally were put at 83.6 million. This equates to a supply ratio of one screen for every 42,566 cinema admissions (1:42,566).

Based on this ratio, the notional demand for cinema screens in the Wollongong trade area is 25.2 screens in 2006 (TABLE 5.3 refers) but the current supply, as documented in TABLE 5.1, is only 19 screens. Hence, the Region appears to have a shortfall of approximately six screens at present. By 2016 the demand for cinema screens in the Wollongong Region will rise to approximately 27.1 screens or a shortfall of 8.1 screens will exist assuming no new screens are developed in the interim.

Prima facie, therefore, the above demand assessment suggests that an additional eight-screen complex developed in the Wollongong CBD as is being proposed by Belmorgan, will be required by 2011 and certainly by 2016 to the meet the anticipated lift in demand.

TABLE 5.3
ESTIMATED DEMAND for CINEMA SCREENS — WOLLONGONG TRADE AREA, 2006-16

Year	PTA Central	PTA North	PTA South	STA North	STA South	TTA	Total Trade Area
2006	5.0	4.1	5.3	0.5	2.5	7.9	25.3
2009	5.1	4.1	5.4	0.5	2.5	8.2	25.8
2011	5.1	4.2	5.4	0.6	2.5	8.4	26.2
2016	5.4	4.4	5.6	0.6	2.6	8.5	27.1
Change 2006-16	0.4	0.3	0.3	0.1	0.1	0.6	1.8

Source: Leyshon Consulting Estimates, March 2007.

5.3 Cinema Impact

It is difficult to assess the potential impact of a new cinema complex on existing cinemas because of the significant number of variables potentially affecting attendance patterns. This is particularly so in a relatively small or isolated market such as Wollongong where there is effectively only two operators (Greater Union and Hoyts) and where one of these is almost certain to be the operator of a new cinema complex if the project proceeds.

The variables which affect cinema attendances include:

- pricing policy adopted by operators with respect to sub-markets-for example, pensioners;
- whether individual films are released at a number of locations simultaneously within the trade area;
- the quality of associated services with a cinema, particularly food dining and other entertainment facilities; and
- who the ultimate operator of the cinema is and what other cinema centres they operate in the same trade area.

In our opinion, it is likely that the suburban complexes at Warrawong and Shellharbour will be affected only moderately by any cinema developed as part of the project. By this we mean their existing admission levels could experience an impact in the order of -5% to -10%. This conclusion is based on the observation that both complexes are run by the two big operators (Hoyts and Greater Union) and they currently show—and are likely to continue to show—mostly first release movies including so-called "blockbusters". Further, both complexes appear to cater substantially to the family market (particularly Shellharbour). This is a market less likely to travel to an inner city movie complex to view movies already showing in their local area.

The potential impact on the existing WCC Greater Union complex is a different matter entirely. We anticipate this cinema will be heavily impacted and could suffer a reduction of at least 50% in its current admissions level. This could well lead to its closure within one to two years of the new cinema complex opening. This observation is based on the experience in Penrith where a Hayden four-screen complex was very heavily impacted by a new 10-screen cinema centre (Hoyts) developed at Penrith Plaza. Within a period of two years of the opening of the new Hoyts, the Hayden Group had sold the business to Hoyts and the cinema was subsequently closed by Hoyts. It remains closed today and no other cinemas have been developed in the Penrith CBD although additional cinemas have been touted for development at nearby Penrith Panthers.

In this instance, the key reasons we consider will influence the WCC Greater Union complex to close are:

• its probable inability to compete with a new cinema centre in terms of the frequency of screening of highly popular and blockbuster movies

- the lack of high quality food and dining services in close proximity to the cinema
- considerable advances in seating and sound systems which will make the proposed new cinema complex a vastly more attractive venue compared with Greater Union.

That the economic outlook for the Greater Union cinemas appears bleak is, in our opinion, not a sufficient reason for development of a new cinema complex, as is being proposed by Belmorgan, not to proceed.

The so-called Fabcot principles discussed earlier in relation to retail impact apply equally as far as cinemas are concerned. That is, in this case, the closure of a three-screen complex in the WCC would be more than compensated for by the provision of a new eight-screen complex. In terms of the impact on the operator, if Greater Union was to operate the new cinema complex, then there would be little or no economic loss to the operator in such circumstances. A new use would need to be found for the redundant Greater Union cinema complex, however.



OTHER IMPACTS

6.1 Office Market

The proposed development on the Dwyer's site will contain some 2,584 sq.m. GFA of office space to be located on levels three and four. It is intended the offices would be of premium or A grade quality. Some of this space is likely to be used for centre administrative purposes.

According to a report prepared by Hill PDA in September 2003 for Council (*Wollongong City Structure Plan: Economic Analysis*) the "City Core" contained 125,000 sq.m. of commercial office space of which some 12,000 sq.m. or around 10% was vacant in 2002. The source of this information was a survey by the Illawarra Region Information Service (IRIS) in 2002.

Hill PDA went on to estimate annual demand for new office space in the WCC of around 2,000 sq.m. per annum. They also identified there had been a lack of development of new office space in the WCC in recent years and there was limited availability of sites which could provide for developments with a floor plate of >1,000 sq.m..

In the context of the above we conclude that:

the proposed addition of office space (2,584 sq.m.) as part of the Dwyer's site development is not sufficiently large to disrupt the overall office market in the WCC as it will constitute an addition of only 2.2% to total stock if the Hill PDA estimates of annual demand are correct, the proposal represents approximately only 1.3 years of underlying demand for commercial office space in the WCC; and

the development will provide space for large users who wish to occupy more than 1,000 sq.m..

As noted earlier in this Report, Stage 3 of the project involves the provision of 13,130 sq.m. of office space above the tavern and ground floor retailing. This represents a major increase in the existing office space supply in the WCC–about+10.9%.

We understand there has been limited construction of new high rise A grade office space in the WCC over the past decade. The availability of such space is essential to attracting government and corporate office space users to the WCC, however.

The addition of the proposed office space at the eastern end of Crown Street in association with an hotel, conference facilities and retail services is likely to prove highly attractive to potential commercial/government tenants. This may result in some increase in vacancies in relation to existing lower quality office space in the WCC. Nevertheless, we consider the project's Stage 3 office component will improve the overall competitive position of the WCC vis-a-vis other office markets in the Illawarra.

On the basis of the above, we conclude the office space component of the proposed development will have a positive influence on the commercial office market in the WCC and provide new opportunities to attract office-based employment to WCC.



OTHER USES

7.1 Hotel

Stage 2 of the project (on the Dwyer's site) incorporates an hotel with conference facilities on Levels 5 to 13. The hotel will have a lobby at ground level on the Burelli Street frontage. Level 5 will contain a gymnasium, bar and conference facilities.

The hotel will be of four star quality and provide some 200 rooms between Levels 6 and 12. Level 13 is to contain a restaurant of 500 sq.m..

Wollongong has suffered from a lack of contemporary hotel accommodation for a considerable period of time. At present the WCC has only two small/medium-scale, four star quality hotels namely:

- Novotel North Beach ... 204 rooms
- ► Rydges ... 70 rooms.

The WCC also has a 150 room three star Ibis hotel located at the corner of Market and Church Streets.

The absence of suitable hotel accommodation has limited the City's ability to host conferences/conventions and attract international tourists. The proposed hotel will address this deficiency.

7.2 Tavern Facilities

A tavern of 1,045 sq.m. is proposed as part of the project's Stage 3. The proposed tavern essentially replicates—albeit in a modern context—the facilities currently provided by the Oxford Hotel. As such the tavern will not have any additional impact on existing hotels and tavern facilities provided in the WCC.

In our opinion, the proposed tavern has the potential to operate in a synergistic fashion with the hotel and conference facilities proposed in Stage 2 on the adjacent Dwyer's site.

7.3 Residential

Stage 3 (Oxford Hotel site) will incorporate residential development on levels 5 to 12. In total some 40 apartments are proposed.

Over the past two decades there has been considerable high-rise residential development in and adjacent to the WCC. In particular, residential development has been focussed in the eastern portion of the WCC in areas proximate to beaches and Wollongong harbour.

At the 2006 Census postcode 2500 (which incorporates the WCC) contained some 7,057 apartments. Thus the proposed development will only result in a minor increase (+0.6%) in overall residential supply levels in and around the WCC.



CONCLUSION

8.1 Overview

If brought to fruition, Belmorgan's project will result in some profound changes for the WCC. These will not only involve the overall retail mix of the WCC but also the spatial distribution of retail activity within the centre.

A major benefit of the project is that it will rectify a number of clearly identified long-term deficiencies in the retail mix of the CBD including:

- lack of a DDS
- inadequate representation of supermarkets
- no contemporary, large-scale cinema complex.

The project will also provide much needed A grade quality office space, hotel and conference facilities and associated residential apartments.

The overall project will reinforce the role of the WCC as the dominant retail/commercial centre in the Wollongong Region. Importantly, the development site is within the WCC boundaries albeit at its eastern end. Given this, the new centre will be a foil to Wollongong Central and should improve pedestrian activity levels along that part of Church Street lying between both centres.

8.2 Assessed Impact

Major projects like that being proposed by Belmorgan cannot be implemented without some impacts being registered by the surrounding

retail environment. This is especially the case in relatively mature markets like that of the Wollongong Region.

As discussed in Section 4 of this Report, however, the potential impacts of the proposal on established centres (including the WCC) should be of an acceptable level. For the larger suburban centres of Warrawong, Figtree and Shellharbour, as well as for other smaller centres like Corrimal, we do not consider the project will result in any significant reduction in retail services provided by these centres. Furthermore, we would anticipate that the impact flowing from introduction of the proposed centre largely will have dissipated within a five year period due to ongoing population growth in the trade area.

This Report has also outlined how legal precedent in the area of retail impacts means that any impact on the WCC arising from the project should, in fact, be discounted. This follows from the fact that the development will almost certainly make good any loss of retail services from elsewhere in the centre. In effect there will be no net loss of sales as far as the WCC is concerned. Rather a net gain in sales put at around +\$81.8 million (\$2006) during the project's first full year of trading (2009 is expected.

The above notwithstanding, it is nevertheless relevant for Council to consider the implications of the project for the efficient functioning of the WCC as a whole. Viewed from this perspective, we maintain our assessment that the project's impacts will be acceptable and, indeed, even advantageous for the longer-term economic health and vitality of the WCC. The project's successful implementation will, for example, substantially negate many of the competitive disadvantages which have surely restrained the performance of the WCC in recent years vis-a-vis its suburban competitors.

In summary, we consider that from an economic perspective the proposed project will produce a definite net community benefit and be particularly beneficial in underpinning the economic performance of the WCC over the medium and longer term.

