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31 March 2020

Dear Katrina

Subject: 242-244 BEECROFT RD, EPPING

On 22 October 2019 HillPDA prepared a letter providing a response to comments made in several submissions with respect of the State Significant Development Application submitted by Landcom on the above site. The submissions in relation to economic issues were made by DPIE, Council, Epping Civic Trust and several public members.

Subsequent to the earlier HillPDA letter the DPIE has raised a point regarding the quantum of employment uses proposed on the site (being 750 to 1,000sqm) and the market analysis which supports that amount of space. We have prepared this subsequent letter to address that main point raised by DPIE.

The Epping Town Centre

The Epping Town Centre is generally defined by the B2 zone with Carlingford Road and Victoria Street / Boronia Park being the boundary. The service station just on the north side of Carlingford Road is zoned B2 Local Centre but, as with other service stations, it is a fringe land use. Carlingford Road provides the 'natural' boundary to the town centre due to its heavy traffic, poor amenity along Carlingford Road and reduced accessibility with delays across the road to the north. East of the railway line the boundary of the B2 zone extends to Chester Street to the north and the Library / Epping Road to the east and South.

Within that defined town centre Epping has 160 ground floor shop front spaces. Of these 67 businesses are retailers selling food and other goods, 20 provide retail (personal) services (for example hair and beauty) and 67 provide non-retail commercial services (28 medical, 16 real estate, 5 financial and 18 other). 7 premises were vacant at the time of survey in October 2019.

Epping has around 24,000sqm of shop front space of which just over half (around 14,000sqm) is used for retail purposes and retail services. The vacancy rate is just below 4% which suggests that the centre, in terms of retail, is reasonably healthy.

As a commercial office centre however Epping performs less well. It has around 30,000sqm of non-shop front office space (mostly above ground) and the vacancy level is high as shown in the table immediately below.

Table 1: Office space in Epping

Building	GFA Sqm	Vacant Suites	Vacant (sqm)*
61 Rawson St	5,500	7	3,050
51 Rawson	3,700	5	468
41 Rawson	1,500		
16-18 Bridge St	2,600	1	630
2 Pembroke	1,600	2	320
37-41 Oxford St	5,200		
44-46 Oxford St	1,700	1	1,700
6 Cambridge St	2,300		
16 Cambridge St	1,800	3	900
Other	4,000	2	83
TOTAL	29,900	21	7,151

* Total of all office suites available for lease on *realcommercial.com.au* as at 4 October 2019

Please note that office space is quite broad and includes a range of urban services such as medical, financial, educational and real estate services, clerical, administrative and business services. A significant proportion of office space in Epping is occupied by medical and educational services.

Vacant space was sourced from on-site survey and a search through realcommercial.com.au. Current vacancy is around 24% which is high for a suburban centre like Epping. Given that the subject site is an inferior location to the other buildings shown in the above table there is a considerable risk and probability of long term vacancies for any office space on the subject site.

Potential employment uses in Epping

Our previous letter addressed the risks and problems with office space. In this letter we address other potential employment uses on the site. We have narrowed the assessment down to retail or shop front space and community uses. We have excluded or culled industrial and urban services (manufacturing, auto servicing and repairs, engineering services, etc) as these uses are generally prohibited in the B2, B3 and B4 zones under the Hornsby LEP. These uses are generally considered to be unsuitable and unviable (environmentally as well as financially) in high density residential, commercial core and commercial fringe or mixed use areas.

In the following sections we describe the demand for retail and community uses on the subject site. We make no comment about the suitability of the site to accommodate the uses nor the environmental impacts that may result other than comment about the likelihood of marketability.

Potential retail or shopfront uses

Quantifying potential retail uses on the site was undertaken using the following methodology:

- Competitive centres were identified, and their respective retail offerings assessed
- Likely trade areas were defined based on the likely retail offer, the location and positioning of the subject site and desirable attributes for retail uses such as accessibility and convenience;

- Expenditure generated by trade area residents was forecast and likely capture rates applied to derive likely potential retail sales;
- Total retail sales figures were divided industry standard retail turnover density (RTD) benchmarks to derive forecast demand in floor space measured in leasable square metres by retail store type.

Competing centres

Reiterating above, Epping town centre has around 160 ground floor shop front spaces. Of these 67 businesses are retailers selling food and other goods, 20 provide retail (personal) services (for example hair and beauty) and 67 provide non-retail commercial services (28 medical, 16 real estate, 5 financial and 18 other). 7 premises were vacant at the time of survey in October 2019. Epping has around 24,000sqm of shop front space of which just over half (around 14,000sqm) is used for retail purposes and retail services. The vacancy rate is just below 4% which suggests that the centre, in terms of retail, is reasonably healthy. Its largest anchor retailer is the Coles supermarket at around 3,500sqm.

The nearest centre to the north of the site is Beecroft. This centre has around 10,000sqm of shop front space and is anchored by a modern Woolworths Metro supermarket.

Carlingford Court 3km to the west is a two level indoor centre with 33,400sqm of leasable retail space. Anchor tenants include Woolworths and Coles supermarkets and a Target department store.

Trade area analysis

In defining a trade area(s) served by the proposed retail offering we have considered the below:

- The strength and attraction of a possible centre on the site that could be provided, as determined by factors such as possible composition, layout, ambience/atmosphere, car parking and synergy with other land uses
- Competitive retail centres, particularly their proximity to the subject site, respective sizes, retail offer and attraction
- The location and accessibility of the surrounding residential area, including the available road and public transport network and travel times – respective levels of convenience between competing centres
- The presence or absence of physical barriers, such as rivers, railways, major parks and freeways.

Based on the above we have derived the following trade areas:

- Primary trade area (PTA) or walkable trade area being the residential area north of Carlingford Road and west of Beecroft Road within 800m walking distance of the subject site. Carlingford Road forms a barrier to the south given the large retail offer to the south and the Coles supermarket. The subject site would be particularly attractive for residents that commute to the north along Ray Road. Less so for residents that commute along Carlingford Road given that they are just as likely to shop, if not more, at the Coles supermarket on Rawson Street.
- Secondary trade area (STA) West – is the residential area of Epping around Ray Road further to the west of the subject site. Residents living here are likely to shop by car which gives them several different options but the subject site offers a convenient choice given left-in access to the site directly from Ray Road and right-out access from the site back on to Ray Road.
- Tertiary trade area (TTA) Northwest – being the suburbs of Cheltenham, Beecroft and Pennant Hills. With left-in / left-out access from Beecroft Road directly into the site residents commuting home by car

from Macquarie Park, Chatswood and other places of work would find this an attractive and more convenient option than say shopping at Coles where congestion and delays occur around Rawson Street and Carlingford Road. Beecroft has a Metro Woolworths supermarket, but it is on the right hand side of Beecroft Road making it less convenient for PM peak commuters continuing north up Beecroft Road.

The trade areas are depicted in the figure below.

Figure: Trade areas of the hypothetical centre on the subject site

Forecast expenditure

Forecast population was sourced from ABS Census 2016, Forecast.ID. Expenditure per capita on retail goods and services was sourced from Marketinfo 2017 which utilises data from a range of sources including ABS Household and Expenditure Surveys and national accounts retail sales figures. The results are shown in the table immediately below.

Table 2: Forecast population and expenditure by likely trade area

	PTA	PTA West*	STA	TTA
Population	2,930	2,880	3,500	19,400
Supermarkets & Grocery Stores	11.9	11.7	15.7	95.6
Specialty Food Stores	2.4	2.3	3.2	20.0
Fast-Food Stores	2.8	2.8	3.3	19.8
Cafes and restaurants	4.9	4.8	5.1	33.0
Department Stores	2.3	2.3	3.1	19.6
Apparel Stores	3.5	3.5	4.6	30.6
Bulky Goods Stores	5.9	5.8	8.6	52.7
Other Personal & Household Goods Retailing	4.7	4.6	6.2	38.9
Selected Personal Services**	1.2	1.1	1.5	10.4
Total Retailing	**39.7**	**39.0**	**51.3**	**320.6**

* Refers to the residential area north of Carlingford Road between Ray Road and Kent Street and includes Cliff Road, Hazelwood Place and Rosebank Avenue. This area has undergone recent redevelopment with new 5 storey apartments. While it is within an 800m walking distance it is separated from the balance of the PTA (Ray Road, Edensor Street and Canberra Street area) because its capture of expenditure from the subject site is expected to be lower given the proximity and convenience of the existing Coles supermarket. The estimated resident population assumes the R4 zoned area is fully development with 5 storey apartment buildings.
** Selected personal services includes hair and beauty, clothing hire and alterations, video hire, film processing and optometry.

Forecast potential retail sales

Forecast potential retail sales is derived by applying assumed capture rates to the above expenditure data. Capture rates will vary between the respective trade areas. Understandably higher capture rates are applied to the PTA given that consumers seek convenience and prefer to shop locally. Given the competitive context in the area the following capture rates were assumed.

Table 3: Capture rates and total potential retail sales

Store Type	PTA	PTA West	STA	TTA	Total Potential Sales ($m)*
Supermarkets & Grocery Stores	30.0%	20.0%	12.0%	10.0%	19.1
Specialty Food Stores	24.0%	16.0%	9.6%	8.0%	3.1
Fast-Food Stores	15.0%	10.0%	6.0%	5.0%	2.1
Cafes and restaurants	10.5%	7.0%	4.2%	3.5%	2.4
Apparel, bulky goods & Department Stores	0.0%	0.0%	0.0%	0.0%	0.0
Other Personal & Household Goods Retailing	7.5%	5.0%	3.0%	2.5%	1.9
Selected Personal Services	15.0%	10.0%	6.0%	5.0%	1.0
Total Retailing	**14.1%**	**9.4%**	**5.6%**	**4.6%**	**29.7**

* Assumes 10% of total sales will be derived from other sources – workers, visitors and residents beyond the main trade area

Demand for retail floor space

Demand for retail floor space is derived from dividing estimated total retail sales by industry benchmark retail turnover density numbers (as measured by dollars per square metre). The results are shown in the table below.

Table 4: Potential size and mix of shopping centre

Store Type	Total Potential Retail Sales	Target RTD*	Required Floor Space (sqm)
Supermarkets & Grocery Stores	19.1	12,500	1,527
Specialty Food Stores	3.1	10,500	299
Fast-Food Stores	2.1	8,500	245
Cafes and restaurants	2.4	6,500	375
Apparel, bulky goods & Department Stores	0.0	4,500	0
Other Personal & Household Goods Retailing	1.9	6,000	320
Selected Personal Services	1.0	4,500	220
Non-retail services (say)**			250
Total Retailing	29.7		3,237

* Various sources including PCA Directory, Shopping Centre News, ABS Retail Survey (1998-99 indexed to 2019 dollars), Urbis Retail Averages and various consultancy studies.
** Non-retail services include banks, travel agents, real estate agents, medical services and the like that often occupy shop front space.

The above table suggests that a shopping centre of around 3,200sqm is supportable of which around half of its floor space would include a supermarket. Note however that a shopping centre of this size would require at least 100 on-site car parking spaces and preferably 120 to 130 to trade successfully.

Risks or threats

The strongest threat or risk in any of this retail option is the possibility of a similar size, or larger, shopping centre being delivered on a more suitable site in the Epping Town Centre. The Epping Town Centre site (at No. 58-77 Beecroft Road) and the Council car park and Coles site on Rawson Street are better options for primary retail space than the subject site (which is a more secondary / inferior retail location). A second full line supermarket on either of these alternative sites would significantly undermine the viability of a retail centre on the subject site.

We note on the drawings that a retail centre of this scale with 100-130 car parking spaces has not been planned for. The option of a shopping centre of this scale may have traffic, land use conflicts or other environmental impacts which may fail a merit test. However we are not in a position to test this ourselves or comment on this.

Option of a small format (neighbourhood) shopping centre

To remove or reduce the risks of a 3,000+ square metres shopping centre the subject application has provided an alternative solution being a smaller scale retail and commercial offer as part of a mixed use development. The proposal includes 750 to 1,000sqm of non-residential space on the ground floor with frontage to Beecroft Road and a pedestrian through site link between Beecroft Road and Ray Road.

Prospective tenants could include a convenience store or small format grocer as well as a several personal services (such as hairdresser, dry cleaners etc). These uses would largely serve local residents within an 800m walkable catchment – particularly Epping residents north of Carlingford Road and west of Beecroft Road.

Small format supermarket or food/grocery store

As shown in Table 2 above the population of the primary trade area (800m walkable catchment north of Carlingford Road) will soon reach 5,800. These people will spend around 23.6 million dollars every year on supermarket goods. A food and grocery store of approximately 350sqm to 400sqm on the subject site is likely to capture only 12.5% of this expenditure ($2.95m). A further 25% of its trade is expected to come from outside the PTA. Hence likely total retail sales achieved (turnover) would be around $3.5m to $4m. Its retail turnover density would be around $10,000 per square metre, if not higher, which is more than sufficient to ensure a viable and sustainable operation for a store of this size. It would likely employ around 10-15 staff.

The store could be an independent operator or a national operator such as an IGA Xpress. Even Woolworths have been providing some smaller supermarket formats around this size lately in the metropolitan. The Woolworths supermarket in Eveleigh is 950sqm and the Bronte store will be around 350sqm, both of which have no onsite parking spaces. Woolworths currently has no supermarket or other type of store in Epping.

Option of a Chinese Store

In 2001 Epping suburb had a population of just over 18,000 and 14.5% of its population were Chinese. By 2016 the population had increased to around 24,000 and the number of Chinese had increased to 38% of the population. The other ethnic group that has shown significant growth has been the Koreans which comprise a further 10% of the population. Today in 2020 Epping has a population of around 29,900 and in all likelihood more than 40% are Chinese.

By 2026 the population will be 33,000 and assuming 45% are Chinese this would number 15,000. There would be around 20,000 Chinese people living in a wider trade area extending into North Epping, Cheltenham, Beecroft and Pennant Hills spending around $90m per annum on supermarket shopping.

Today Epping has a small Korean foodstore (around 200sqm) but no Chinese food/grocery store. Most of this type of shopping by trade area residents is done in Eastwood and Carlingford. Hence a Chinese foodstore occupying one of the spaces shown on the plans is a viable option.

It is also viable to have two food and grocery stores operating – one national store (such as IGA Xpress or Metro Woolworths) and one Chinese – as they would have more complementary rather than competing roles and their respective markets and product lines would be quite different.

Other possible users

Other possible commercial users that could occupy the spaces include:

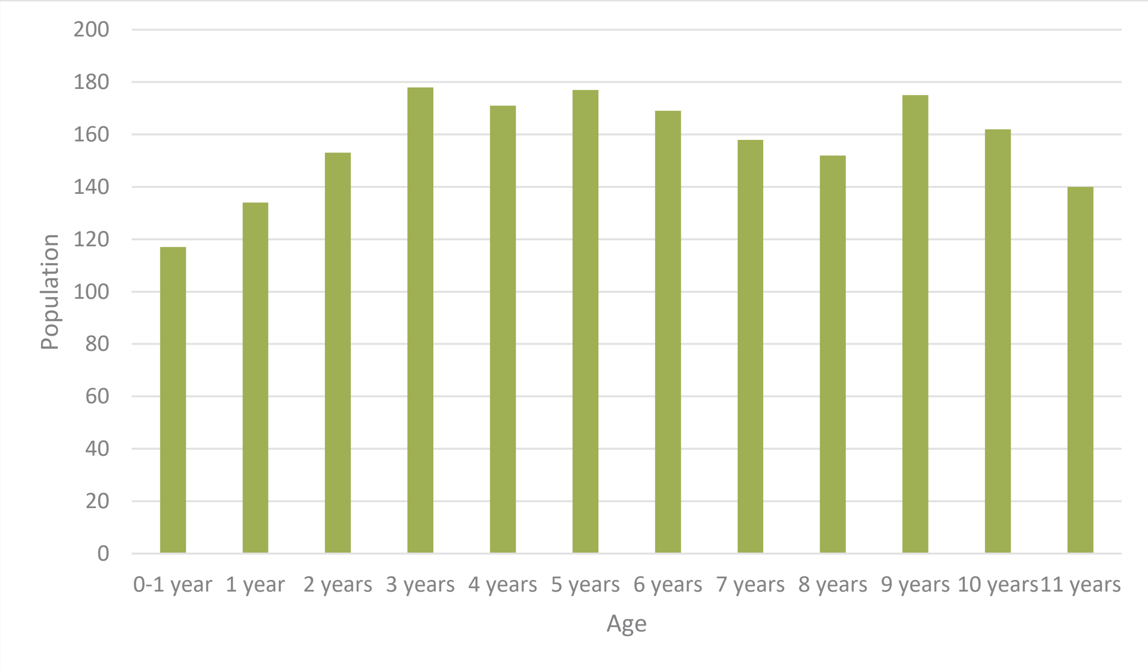
- Medical services: Epping currently has a good number of medical centres but with a growing population it will need more centres in future. Medical services is one of the fastest growing industries in the nation due to an ageing of the population and increasing levels of service.
- Restaurant: A café / restaurant is another possible use. However the location is inferior to the B2 zone south of Carlingford Road.
- Personal services: such as a hairdresser and dry cleaners is possible but are likely to require smaller floor areas – no more than 100sqm per tenant.
- Fitness centre or gymnasium could occupy one of the spaces. There are two existing facilities in Epping being Level 1 Fitness in the Epping Club and Plus Fitness 24/7 at 47 Beecroft Road. These are popular venues and given the growth in activity over the past decade and the additional population expected in move into Epping we believe that a third gymnasium is possible.

Potential Social Infrastructure

In this section we examine the potential to accommodate social infrastructure based on demand in the locality. Demand is mostly driven by population within a walkable catchment.

Within 1 kilometre of the subject site, there were approximately 14,177 residents at the 2016 census living in approximately 5,211 dwellings, with an average of 2.72 persons per dwelling. Within that population, there were 744 children aged under 5 living within the area, with ages distributed as shown below in Figure below. Of the 4,730 households recorded, there were approximately 3,480 single family households, 150 multi-family households and 1,100 non-family households.

Figure: Age breakdown of children resident in meshblocks within 1km of the subject site at the 2016 census



Source: ABS (2016), Census of Population and Housing

At the 2016 Australian Census of Population and Housing, it was recorded that approximately 4,240 workers worked within one kilometre of the subject site.

Child Care

There is a current shortfall of childcare places within 1km of the subject site. However the site does not lend itself so easily to accommodate a child care facility in a high density residential development due to its frontage on a major arterial road and the requirements for drop-off spaces and outdoor playing area. In addition, the Hornsby DCP 2013 (which applies to the subject site) includes other design requirements, most notably 1 car parking space be provided per 4 places and drop off and pick up zones, which is proving difficult on this site.

Community facilities

There are three community facilities located within one kilometre of the subject site, predominantly in the Epping town centre, with the West Epping Community centre lying just beyond that radius. The City of Parramatta Draft Social Infrastructure Study 2017 identified that the need for community facilities would increase with planned population growth for the wider region, producing indicative increases to rate of provision in line with benchmarks adopted by council. The projected increases for facilities within one kilometre of the facility are shown below in the table below. It should be noted that the following projections only list facilities within a one kilometre catchment of the subject site, but are based on the growth requirements of the wider Epping catchment (delineated in the Draft Parramatta Social Infrastructure Study 2017) that these facilities serve.

Table 5: Current community centre provision and forecast demand (sqm)

<table>
<tr><th></th><th>2016 (existing)</th><th>2016 (benchmark)</th><th>2036 (benchmark)</th></tr>
<tr><td>Epping Branch Library</td><td>550sqm</td><td>1,468sqm (+918)</td><td>1,894sqm (+1,344)</td></tr>
<tr><td>Epping Leisure and Learning Centre (attached to library)</td><td>752sqm</td><td rowspan="2">1,346sqm (already meets benchmark)</td><td rowspan="2">1,736sqm (already meets benchmark)</td></tr>
<tr><td>Epping Community Centre at 9 Oxford Street</td><td>1,200sqm</td></tr>
</table>

Library space benchmark: 39sqm per 1,000 residents plus 20 per cent circulation space
Community space benchmark: 80sqm per 1,000 residents

In addition to the above there is a development application with Council for the change of use of the existing masonic hall at 49 Rawson Street to accommodate community facilities, multi-purpose function centre, and offices.

There is an existing shortfall in the provision of library space locally, but not community space. It is noted that the required renewal of existing community facilities and expansion of the library could be incorporated into a future multipurpose town centre facility.

Other community uses

The City of Parramatta Draft Social Infrastructure Strategy 2017 also identifies a need for subsidised office space (e.g. for community service providers). Within a one kilometre catchment of the subject site one subsidised office space is identified, 26 Stanley Street Epping, which is leased by the Epping Creative Centre. The study identifies that this 650 square metres space provides approximately 116 square metres per thousand residents in the catchment it serves, which is above the study's provisioning rate of about 80 square metres per thousand residents.

The study also notes that despite being in high use, the space is limited by the poor condition of the building, lack of public transport access and poor accessibility, indicating future need for a newer large flexible space.

Conclusion

There is some undersupply of child care places and library space in the Epping area. Additionally, the draft 2017 Parramatta Social infrastructure Study identified that many of the existing community facilities locally (particularly subsidised office spaces) are in need of upgrade or replacement, indicating that there may be additional demand for community space renewal.

Notwithstanding this, the subject site is not necessarily the ideal location to accommodate these spaces. Epping Town Centre at 58-77 Beecroft Road and the Coles and Council car park sites are superior sites being inside the town centre south of Carlingford Road closer to the train station.

With retail uses there is sufficient people (5,800) within an 800m walkable catchment of the subject site and north of Carlingford Road to support a food and grocery store of around 350 to 400sqm. This could be either a national operator (such as IGA Xpress or Woolworths Metro) or a Chinese small supermarket or food/grocery store. A Chinese store is likely to have a wider trade area but given that there is around 15,000 people of Chinese ancestry in the suburb of Epping and no Chinese store this is clearly a viable option. Also both small format supermarkets or food/grocery stores are a viable option given that they serve different markets and sell different product lines.

A further option to fill one of the spaces proposed is a gymnasium, a medical centre or three or four specialty retail stores / retail services (restaurant, hair, dry cleaners, etc).

Given the above we consider the proposed level of non-residential GFA of 750 to 1,000sqm on the ground floor can feasibly accommodate a range of retail and other uses and is therefore appropriate on the subject site.

Yours sincerely,

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