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Dear Adam,

Subject: Eastern Creek Business Hub - Variation to Stage 2

Background

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

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

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

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

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

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

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

The Standard Instrument defines 'specialised retail premises' as:

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

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

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

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

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

The Current Proposal for Stage 2

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

- One major store of 1,810sqm (plus 200sqm outdoor display);
- 19 specialised retail premises totalling around 8,300sqm;
- A tyre sales and fitting service of around 400sqm;
- A café of 100sqm; and
- A pad site for a restaurant of 498sqm (subject to a separate DA)

The change in the scheme is a decrease in specialised retail premises by almost 1,800sqm from the earlier scheme (the five bulky goods plus indoor recreation centre).

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

Purpose of this Letter

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

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

Estimated Turnover of the Proposal

We estimate that the turnover in the first full year of trading for both Stages 1 and 2 will be $118.1m based on the following benchmark turnover levels:[1]

- 3,794sqm supermarket at $10,750/sqm;
- 10,124sqm of specialised retail premises at $3,700/sqm;
- $1.6m for the tyre sales and service centre; and
- 5,504sqm other retail at $7,000/sqm.

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

Redirection of Turnover

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

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

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

Table 1: Stages 1 and 2 - Redirection of Expenditure from Existing Centres in 2020

1	2	3	4	5	6	7	8	9	10
Retail Centre	Distance from Subject Site (km)	Approx. Retail Floor Space	Turnover in 2018	Turnover in 2021 without Proposal	Turnover in 2021 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2021	Shift in turnover from 2018 to 2021	% Shift in turnover from 2018 to 2021
Proposed Centre					118.1	118.1			
Blacktown	7.2	141,500	752.1	814.7	792.4	-22.3	-2.7%	40.3	5.4%
Mount Druitt	4.4	70,300	513.5	556.2	533.3	-22.9	-4.1%	19.8	3.9%
St Marys	8.2	42,500	258.2	276.4	269.4	-7.1	-2.6%	11.2	4.3%
Plumpton Mrktplace	5.8	15,600	160.0	171.8	165.6	-6.2	-3.6%	5.6	3.5%
Rooty Hill	1.5	7,700	57.0	61.8	56.4	-5.4	-8.7%	-0.7	-1.1%
Doonside Station	3.9	1,950	14.7	15.5	14.7	-0.8	-5.2%	0.0	0.3%
Rainbow S.C.	4.1	4,500	42.0	44.4	41.3	-3.2	-7.2%	-0.7	-1.8%
Mytle St	5.6	4,000	35.4	37.5	35.3	-2.1	-5.7%	-0.1	-0.2%
Evans Road	0.6	1,500	9.4	10.1	9.1	-1.0	-9.9%	-0.4	-3.9%
Minchin Drive	2.6	1,900	15.2	16.1	15.0	-1.1	-7.0%	-0.2	-1.3%
Holbeche Rd	4.3	3,000	24.8	26.3	24.8	-1.5	-5.6%	0.0	0.2%
Homemaker Prospect	6.0	25,000	97.0	102.9	97.2	-5.8	-5.6%	0.2	0.2%
Minchinbury BG Precinct	5.0	46,000	144.0	152.8	142.6	-10.2	-6.7%	-1.4	-0.9%
Seven Hills (Bulky Goods)	11.0	15,000	58.2	61.8	59.6	-2.1	-3.4%	1.4	2.5%
Wetherill Park	10.0	20,000	74.0	78.3	75.5	-2.8	-3.6%	1.5	2.0%
Other Localities						-23.6			
TOTAL		400,450	2255.5	2426.6	2450.2	0.0	1.0%	193.0	8.6%

Columns:

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

The above table shows that in absolute dollar terms the largest impacts will be on Blacktown ($22m) and Mount Druitt ($23m). However these are large centres and the impacts are considered insignificant in terms of percentage loss being less than 5%.

Significance of the Impacts in 2021

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

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

The impacts from Stage 2 would fall more on the existing specialised retail premises. The two most impacted centres would be Minchinbury ($10m or 7% loss in trade) and Homemaker Prospect ($6m or 6% loss in trade). The other bulky goods centres would experience less than 5% loss in trade. These impacts are considered to be lower than moderate.

Impacts over Time

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

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

Yours sincerely,

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