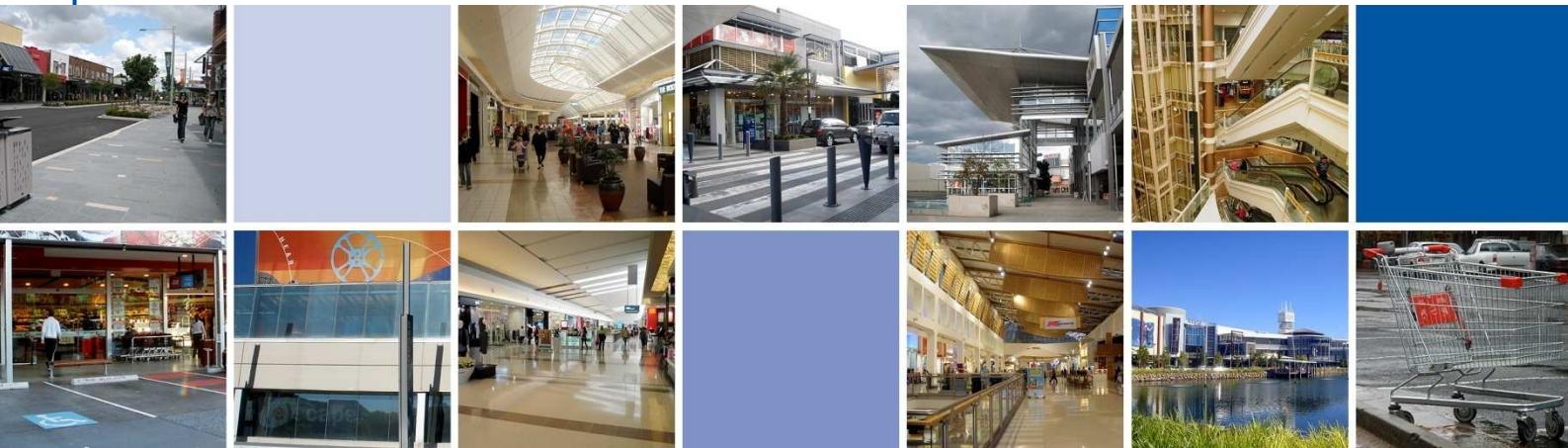


# Shoalhaven Marketplace, Vincentia

Proposed project staging

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## Introduction

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This report details the economic rationale for the proposed staging of Shoalhaven Marketplace at Vincentia.

The report outlines the economic reasoning why the project is now proposed to be staged as follows:

- i. Stage 1 to include two supermarkets and approximately 3,220 sq.m of specialty floorspace, totalling 8,900 sq.m of leasable area, and planned to be completed in 2014.
- ii. Stage 2, proposed to add a discount department store of 8,000 sq.m and a further 2,600 sq.m of specialty floorspace, increasing the total centre retail floorspace to 19,500 sq.m, planned to be added at a later date as market conditions improve.

The report outlines the key reasons why the project is proposed to be staged in this manner.

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## 1. Previous proposal

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The previous Economic Impact Assessment (EIA) prepared for Shoalhaven Marketplace at Vincentia, in September 2009, referred to a Stage 1 for the centre comprising 21,229 sq.m of retail floorspace, and to include the following components:

- A Big W discount department store of 8,044 sq.m
- Two supermarkets
- A total of 7,600 sq.m of mini-majors and retail specialty stores

Stage 1 as now proposed will provide the two supermarkets and approximately half of the previously planned mini-majors and specialty store floorspace.

Once Stage 2 of the project is completed, the combined Stages 1 and 2 would then be equivalent to the previously proposed centre which was planned to be delivered as one stage.

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## 2. Key reasons for planned staging

The key reason for the staging of Shoalhaven Marketplace which is now proposed, with the supermarkets and related convenience shopping elements to be provided first and the more discretionary discount department store and other specialty stores to be provided in the second stage, is the deterioration in discretionary retail trading conditions. In broad terms this deterioration is an Australia wide phenomenon, which has become readily apparent over the past three years, post the global financial crisis (GFC). The consequences have included the following:

- A dramatic increase in the household saving ratio, from pre GFC levels of 2% – 4% to post GFC levels of 9% – 10%.
- A consequent reduction in discretionary retail expenditure, particularly at department stores and discount department stores as well as apparel and footwear specialty stores.

Table 1 below shows the Australian Bureau of Statistics (ABS) Retail Turnover Data for New South Wales for the past three years, highlighting the very substantial difficulties recorded over this period by discretionary retailers, particularly department stores/discount department stores and apparel and footwear specialty stores, as well as household goods stores.

<b>Table 1</b>				
<b>ABS Retail Trade Series, New South Wales, 2009-12</b>				
Category	2009	Year ending August		
		2010	2011	2012
Food retailing (\$ billion)	28.2	29.6	30.4	31.2
% change		4.7%	2.8%	2.6%
Department stores (\$ billion)	6.0	6.1	5.9	5.8
% change		0.4%	-2.9%	-1.5%
Clothing, footwear & personal accessories (\$ billion)	6.5	6.8	6.2	6.2
% change		3.5%	-8.7%	0.0%
Household goods (\$ billion)	12.7	13.0	12.9	12.8
% change		2.8%	-0.7%	-1.2%
Total retail (\$ billion)	71.0	74.8	75.4	77.0
% change		5.3%	0.8%	2.1%

Source: ABS Retail Trade, cat. No. 8501.1 ; MacroPlan Dimasi

## 2. Key reasons for planned staging

The above table highlights the difficulties experienced by department stores and specialty discretionary retailers (clothing, footwear and personal accessories, household goods) throughout New South Wales over the past three years. During this period, total sales have decreased noticeably for these retailers, as compared with growth which is historically recorded averaging in the order of 3% – 5% annually.

As a result of this significant reduction in discretionary retail expenditure, which has in turn lead to the collapse of a large number of discretionary retailers throughout Australia over the past two years, many such retailers are not at present interested in opening new stores. The list of retailers throughout Australia which have entered administration or liquidation over the past two years includes the following:

- Sleep City/ Everyday Living
- WOW Sight and Sound
- Darrell Lea
- Fletcher Jones
- Borders
- Colorado
- Retravisio Southern
- Payless Shoes
- Game
- Satch
- Angus & Robertson
- Brown Sugar

The second key reason for the proposed staging of Shoalhaven Marketplace is the lower achieved rate of population growth within the relevant trade area, as compared with expected growth at 2009. Table 2 shows this situation, highlighting the population levels and future expectations for the trade area at 2009, as compared with current expectations, which also have the benefit of inclusion of the 2011 Census information. The defined trade area is shown on the attached Map 1.

Table 2

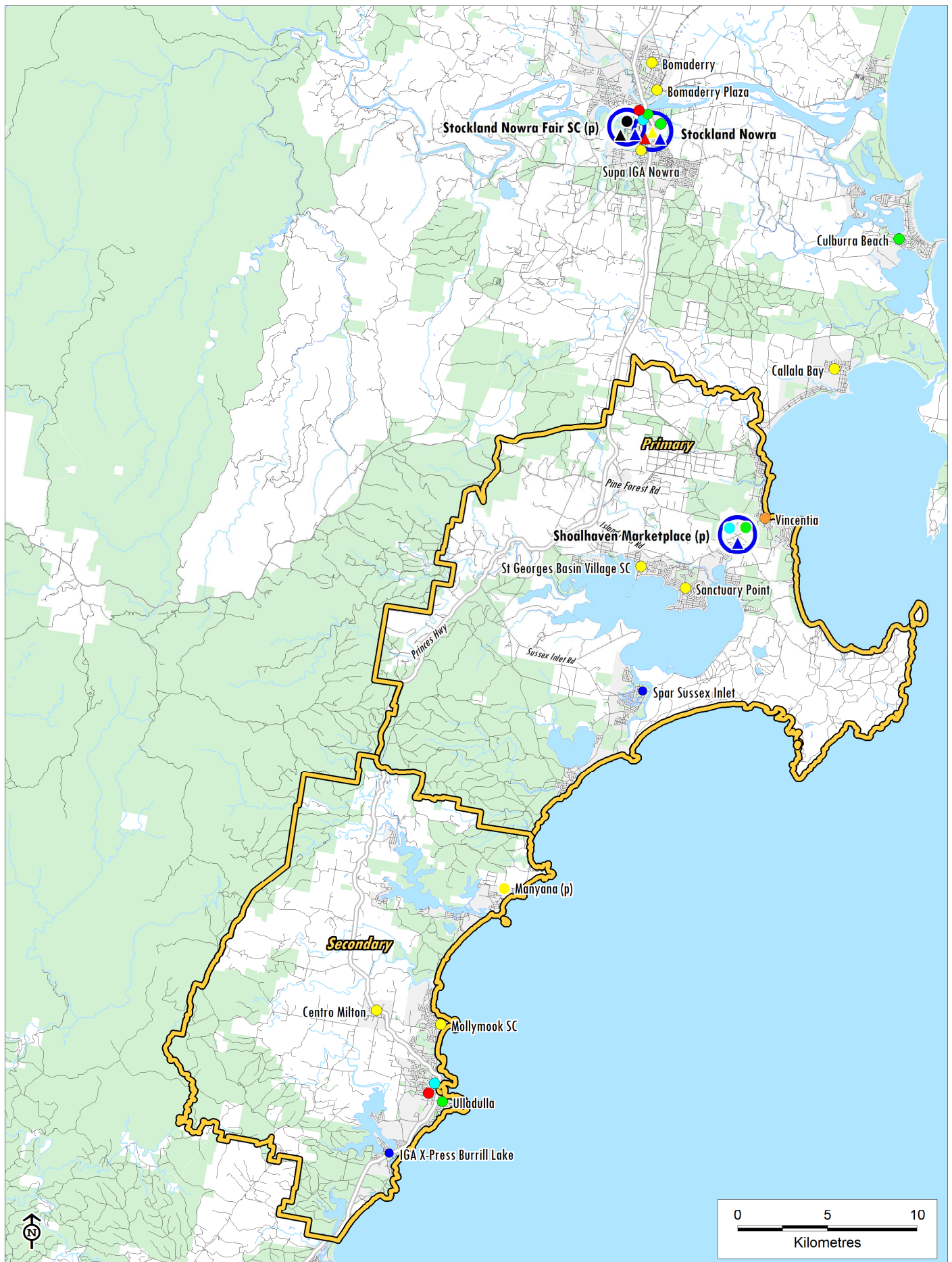
Shoalhaven Marketplace trade area population, 2006-2026\*

<b><u>2012 Assessment</u></b>					
Trade area	Estimated population			Forecast population	
	2006	2011	2012	2016	2021
Primary sector	23,020	24,010	24,280	25,680	27,430
Secondary sector	17,270	17,480	17,610	18,490	19,540
<b>Main trade area</b>	<b>40,290</b>	<b>41,490</b>	<b>41,890</b>	<b>44,170</b>	<b>46,970</b>
<b><u>Average annual growth (%)</u></b>					
Trade area	2006-11	2011-12	2012-16	2016-21	
Primary sector	0.8%	1.1%	1.4%	1.3%	
Secondary sector	0.2%	0.7%	1.2%	1.1%	
<b>Main trade area</b>	<b>0.6%</b>	<b>1.0%</b>	<b>1.3%</b>	<b>1.2%</b>	
<b><u>2009 Economic Impact Assessment</u></b>					
Trade area	Estimated population			Forecast population	
	2006	2011	2012	2016	2021
Primary sector	22,500	24,050	24,530	26,550	29,050
Secondary sector	16,950	17,900	18,150	19,150	20,400
<b>Main trade area</b>	<b>39,450</b>	<b>41,950</b>	<b>42,660</b>	<b>45,700</b>	<b>49,450</b>
<b><u>Average annual growth (%)</u></b>					
Trade area	2006-11	2011-12	2012-16	2016-21	
Primary sector	1.3%	2.0%	2.0%	1.8%	
Secondary sector	1.1%	1.4%	1.3%	1.3%	
<b>Main trade area</b>	<b>1.2%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.6%</b>	

\*As at June

Source: ABS Census 2011; NSW Department of Planning and Infrastructure 2008; MacroPlan Dimasi

As shown in the above table, the main trade area population was expected to be 42,660 at 2012 in the 2009 EIA, but is now projected at 41,890. By 2016, the main trade area population is now projected at 44,170, whereas at the time of 2009 EIA was prepared, the expectation was that the population would reach 45,700 by that date.



## Map 1: Shoalhaven Marketplace

### Trade Area & Competition

- |  |                     |
|--|---------------------|
| ○ Sub-regional SC                      | ● Woolworths        |
| ▲ Big W                                | ● Coles             |
| ▲ Kmart                                | ● Bi-Lo             |
| ▲ Target                               | ● IGA               |
| ▲ Unknown DDS                          | ● Aldi              |
| * Halo object indicates proposed store | ● Other Independent |
|  | ● Unknown Smkt      |

As a combination of the two key factors outlined above, i.e. the collapse in discretionary retail expenditure throughout Australia over the past three years, and the lower than previously anticipated population levels within the Vincentia main trade area, the total available DSTM expenditure generated by the trade area population is now considerably lower than was previously expected. Furthermore, the expected real rate of growth in DSTM expenditure for the foreseeable future is considerably lower than was anticipated in 2009. This information is shown in Table 3 below.

## 2. Key reasons for planned staging

Table 3								
Shoalhaven Marketplace main trade area - retail expenditure by product group (\$M), 2012-2021*								
2012 Assessment								
Year ending June	FLG	Food catering	Apparel	Household goods	Leisure	General retail	Retail services	Total retail
2012	230.0	29.6	40.2	79.1	23.4	26.7	9.9	438.9
2013	234.4	30.2	40.7	80.3	23.7	27.3	10.1	446.7
2014	239.3	30.9	41.4	81.9	24.1	27.9	10.2	455.7
2015	244.3	31.6	42.0	83.4	24.5	28.6	10.4	464.9
2016	249.4	32.4	42.7	84.9	25.0	29.2	10.6	474.3
2017	254.5	33.1	43.4	86.3	25.5	29.9	10.8	483.5
2018	259.6	33.8	44.0	87.7	25.9	30.6	11.0	492.7
2019	264.8	34.6	44.6	89.2	26.4	31.2	11.2	502.0
2020	270.1	35.4	45.3	90.6	26.9	31.9	11.4	511.5
2021	275.5	36.1	45.9	92.1	27.3	32.6	11.6	521.2
<u>Average annual growth (\$M)</u>								
2012-2021	5.0	0.7	0.6	1.5	0.4	0.7	0.2	9.2
<u>Average annual growth (%)</u>								
2012-2021	2.0%	2.2%	1.5%	1.7%	1.8%	2.2%	1.8%	1.9%
2009 Economic Impact Assessment								
Year ending June	FLG	Food catering	Apparel	Household goods	Leisure	General retail	Retail services	Total retail
2012	227.7	30.0	49.8	89.6	25.4	27.5	9.8	459.8
2013	234.0	30.8	51.1	92.0	26.1	28.3	10.0	472.4
2014	240.4	31.7	52.5	94.5	26.8	29.0	10.3	485.3
2015	247.0	32.5	54.0	97.1	27.6	29.8	10.6	498.6
2016	253.8	33.4	55.5	99.8	28.3	30.7	10.9	512.3
2017	260.5	34.3	56.9	102.5	29.1	31.5	11.2	526.0
2018	267.3	35.2	58.4	105.1	29.8	32.3	11.5	539.7
2019	274.3	36.1	59.9	107.9	30.6	33.1	11.8	553.7
2020	281.4	37.1	61.5	110.7	31.4	34.0	12.1	568.1
2021	288.8	38.0	63.1	113.6	32.2	34.9	12.4	582.9
<u>Average annual growth (\$M)</u>								
2012-2021	6.8	0.9	1.5	2.7	0.8	0.8	0.3	13.7
<u>Average annual growth (%)</u>								
2012-2021	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
*Constant 2011/12 dollars & excluding GST								
Source: MarketInfo; MacroPlan Dimasi								

As shown in the above table, the total volume of expenditure directed to apparel and household goods that would be generated by the main trade area population at 2012 is now \$40.2 million, as compared with an expectation at 2009 that it would be \$49.8 million. Furthermore, significant changes in consumer expenditure

behaviours, particularly on discretionary retail expenditure, over the past three years, are expected now to continue into the foreseeable future.

Among the most important of these changes, household expenditure patterns have been dominated in recent years by the increasing demands of non-discretionary services and utilities, the costs of which have been rising at much higher rates than for retail goods. Examples include electricity, insurance, education and health.

As a consequence of these costs pressures, discretionary retail expenditure, and particularly apparel and household goods, has borne the brunt. This pattern is expected to continue, meaning that the available expenditure directed to apparel and household goods within the Shoalhaven Marketplace main trade area will now be considerably lower over the next five or so years than was expected in 2009.

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### 3. Conclusions

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The plan to stage Shoalhaven Marketplace as now proposed is a prudent response to the changed economic and population circumstances within the relevant trade area. In the event that the centre as proposed at 2009 were now to be built, there is a very high likelihood that both the planned discount department store and, more importantly, the additional retail specialty stores, would trade very poorly.

That in turn would generate vacancies and a significant number of distressed small business operators, which would impact negatively on the centre, and stigmatise it for the longer term. Centres which have opened in such problematic circumstances are normally stigmatised for many years, and find it difficult to recover from such an initial setback.

That being the case, a Stage 1 centre which is much more likely to be fully let and to trade vibrantly would result in a greater net community benefit for the Vincentia community. The subsequent Stage 2 could then be added to a thriving, successful centre, as economic conditions improve and the available expenditure market increases commensurately.

