Fraser Drive Retail Analysis

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Prepared for Greenview Developments Pty Ltd

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DEFINITIONS

Local Store Retail Analysis

This report provides an assessment of the market demand for convenience based retail facilities at Fraser Drive, attached to the proposed Fraser Drive subdivision on the western side of Fraser Drive, Tweed Heads South (Lot 9 DP 1039569 and Part Lot 2 DP 100385).

This report assesses the market potential for two retail development options, namely :

1. A small convenience store of 200 sq.m located along Fraser Dr
2. A larger convenience based store of 500 sq.m with 2 petrol pumps.

The report includes the following sections :

- Section 1 reviews the methodology adopted
- Section 2 provides a description of the subject site and proposed development
- Section 3 defines a trade area for the proposed development
- Section 4 estimates the trade area's capacity population and spending
- Section 5 reviews the local competitive environment of relevance
- Section 6 assesses the commercial viability of the proposed retail facility
- Section 7 provides a summary of key findings and recommendations about the viability of the proposed development of convenience based retail facilities on the subject site.

1 Methodology

The methodology used in this analysis assesses the commercial viability of a 200 sq.m store and a 500 sq.m store located on the corner of Fraser Drive and the proposed Road No.1 (refer to Appendix A1). The following steps were taken in assessing the supportability of the retail component :

- A trade area has been defined for a 200 sq.m local shop primarily taking into account existing and future residential estates, proposed and existing competition, and physical barriers (including roads, residential estates and water)
- A second trade area was defined assuming a larger 500 sq.m local shop was developed on the subject site and was co-located with two petrol bowsers
- The capacity population for each trade area was determined by assessing the current population, current residential approvals and future development plans as per the Tweed Shire Development Control Plan (DCP): Section B3 – Banora Point West – Tweed Heads South
- Food and Grocery (F&G) per capita spending for trade area residents was determined using the Marketinfo 2007 micro simulation model (refer to the Definitions section)
- The total F&G spending market for the trade area was determined by combining per capita spending with the trade area's capacity population and shown in $2008
- Minimum supportable turnover for each store has been determined based on turnover averages for local stores and likely achieved rental levels and associated occupancy cost ratios
- Estimated trade achieved from beyond the trade area and trade achieved from non-food sales were then deducted from the total required store trade to obtain the total F&G trade needed to be achieved from trade area residents
- The required trade area F&G spending has then been shown as a market share of the total trade area convenience F&G spending
- The supportability of the proposed local store has been assessed by determining if the required market share is achievable.

2 Subject Site and Proposed Development

The subject site is located at Lot 9 DP 1039569 and part of Lot 2 DP 100385, Fraser Dr, Banora Point. Approval was granted in November 2008 for 151 lots (164 dwellings) to be developed on the subject site. Condition B1 of this approval required the proposed subdivision layout to be amended to provide for development of a convenience store in Stage 1A, 2A or 3A of the development. This report focuses on the retail component of the proposed development.

For the purposes of assessing the viability of retail on the subject site we have assumed the development to include either :

1. A small convenience shop of no more than 200 sq.m
2. A convenience shop of 500 sq.m attached to a small service station that includes 2 petrol bowsers.

We have assumed the site for the proposed retail development will be located on the western side of Fraser Dr approximately 250 metres south of the Fraser Dr and Harrier St intersection. The store will be located at the northern corner of Road No.1 and Fraser Dr (as shown in Appendix A.1). For the purposes of this assessment the following assumptions regarding the proposed development have been made :

- The site will have right in/right out access to Fraser Dr
- There will be adequate and convenient at grade car parking
- Road networks and pedestrian access will be as per the proposed master plan (refer to Appendix A.1).

Access to the site is via Fraser Dr, the main road linking southern residents to Terranora Creek. The Fraser Dr location will provide the proposed retail with a high level of exposure to passing traffic.

3 Trade Area

The trade area defined for the proposed local centre was primarily based on a 500 metre walkable catchment. Other factors that were considered included :

- The strength and attraction of the proposed shop, determined by factors such as composition, layout and car parking
- The proximity and attraction of competing centres
- The accessibility of the shop in terms of pedestrian access and the available road network
- The presence or absence of physical barriers such as rivers, residential areas, railways and freeways.

Separate trade areas have been defined for the 200 sq.m store (refer Appendix A.3) and the 500 sq.m store (refer to Appendix A.4). The areas are as follows :

- The trade area for the **200 sq.m store** extends west over Fraser Drive and includes the existing residential areas of Oasis Views and Firetail Street Estate and the future Residential A and Residential B precincts fronting onto Fraser Drive. The trade area extends north to Acacia Street and includes residents living on the northern and southern sides of Acacia Street. The trade area includes all of Stage 1A, 2A, 3A and the future stage (as shown in Appendix A.1) as well as part of 1B and 2B.
- The **500 sq.m store's** trade area follows the same boundaries as the 200 sq.m store with the addition of a larger northern section. The trade area extends up Fraser Drive to Kirkwood Road West and includes residents located in the Tweed Broadwater Village.

Whilst these trade areas seem relatively small, convenience stores typically rely on a higher than average proportion of trade from beyond the trade area.

4 Trade Area Population and Retail Spending

To assess the commercial viability of the proposed retail stores we have calculated the capacity population for each trade area. The following section calculates the maximum population the trade area will contain assuming all current proposed residential developments proceed and council's planned residential densities are achieved. Table 4.1 and Appendix A.2 show existing, proposed and planned residential estates within the surrounding area.

Trade Area Population Capacity **Table 4.1**

Development	No. of Dwellings	200 m² Store Trade Area Dwellings	200 m² Store Trade Area People	500 m² Store Trade Area Dwellings	500 m² Store Trade Area People
Current Population					
Tweed Broadwater Village[1]	201	0	0	201	302
James Rd, Acacia St, Kirkwood Rd West	110	85	203	110	263
Bridgewater Crescent	12	12	29	12	29
Oasis Views[1]	127	127	191	127	191
Harrier St, Wren Ct, Firetail Ct	32	32	76	32	76
Sub Total	**482**	**256**	**499**	**482**	**860**
Approved Future Development					
Subject Site					
Stg 1A	21	21	50	21	50
Stg 2A	35	35	84	35	84
Stg 3A	60	60	143	60	143
Stg 1B	24	4	10	4	10
Stg 2B	26	7	17	7	17
Stg 3B	27	0	0	0	0
Future Stage	14	14	33	14	33
Sub Total	**207**	**141**	**337**	**141**	**337**
Future Residential Under DCP					
Future Residential A	22	22	53	22	53
Future Residential B[1]	152	152	243	152	243
Sub Total	**174**	**174**	**296**	**174**	**296**
Total Capacity	**863**	**571**	**1,131**	**797**	**1,492**

1. Semi-detached and attached living have a lower average household size than the remaining dwellings
Source : Tweed Shire Council; ABS Census of Population and Housing; Urbis

The population figures have been derived by applying average household sizes to the number of dwellings. Average household sizes for separate houses and attached and semi-detached dwellings have been adopted to estimate the current, proposed and capacity population of the trade area.

The key points to note from Table 4.1 are:

- Currently the 200 sq.m store trade area has a population of approximately 500 residents of which all are located to the north of the subject site
- Similarly the 500 sq.m store trade area's current residents are located to the north of the subject site, however with 860 people the larger trade area captures additional population within Tweed Broadwater Village and along Kirkwood Rd West.
- Assuming the local store is located on the corner of Fraser Drive and the proposed Road No. 1, the trade area will capture residents located within Stages 1A, 2A, 3A, "Future Stage" and part of Stage 1B and 2B of the proposed subdivision. At capacity the population captured by both the 200 sq.m

and 500 sq.m store trade areas within the subject site will be 340 people. The remaining residents located within the subject site will find it difficult to access the local store due to proposed road networks and lack of pedestrian access.

- According to the DCP future residential estates will be developed on the eastern side of Fraser Drive, directly opposite the subject site (refer to Appendix A.2). For the purposes of this assessment we have adopted a yield of 12 dwellings per hectare for “Residential A” zoned land and 24 dwellings per hectare for “Residential B” zoned land as outlined in the DCP. Without undertaking a constraints analysis we believe the dwelling yields shown in Table 4.1 represent the maximum developable yield for the development sites. It follows that the capacity population within the trade areas located within future Residential A and Residential B precincts amounts to 296 residents.

Total capacity population for the 200 sq.m store trade area will be 1,131 residents. By adding additional floor space and a petrol offer, the proposed store will capture an additional 361 residents, taking the capacity population for the 500 sq.m store trade area to 1,492 residents.

Food and grocery per capita spending for trade area residents has been derived through Marketinfo 2007 (refer to Definitions section) and is shown in Table 4.2. Total per capita retail spending for trade area residents at $10,293 is 8% below the national average and 3% below the NSW non-metropolitan benchmark of $10,578.

Fraser Drive Avg Retail Spending Per Capita, 2008 ($2008, ex GST) **Table 4.2**

Product Group	Fraser Drive	Aust.	Non-Metro NSW	**Var'n From Benchmarks (%)** Aust.	Non-Metro NSW
Food and Grocery	$4,544	$4,276	$4,303	+6%	+6%
Total Food	$6,019	$6,241	$5,899	-4%	+2%
Non-Food	$4,274	$4,937	$4,679	-13%	-9%
Total Retail Spending	**$10,293**	**$11,178**	**$10,578**	**-8%**	**-3%**

Source : MDS, MarketInfo; ABS, Australian National Accounts: National Income, Expenditure and Product Accounts (5206.0); Urbis

Trade area per capita food and grocery spending is significantly (6%) higher than the averages for both Australia and non-metropolitan NSW.

5 Competition

Convenience based facilities in competition with the proposed development on Fraser Drive are as follows:

- **The Palms Village General Store**, located approximately 1 km north of the subject site. This centre includes a small general store of around 200sq.m, a hairdresser, bottle shop and food take away store with outdoor seating.

  This centre is situated on Dry Dock Road, between the Pacific Highway and Fraser Drive. The centre has at grade carparking off the main road and is directly opposite the Dry Dock Road jetties, boat ramp at Terranora Park, which provide access to Terranora Creek. This small centre is at the entrance to the Palms Village, a resort style village home to 400 residents. On the opposite side of Fraser Drive is the Colonial Tweed Caravan Park and River Retreat Caravan Park. This group of shops are the closest to these caravan parks, which are some 350 metres west along Dry Dock Road.

- **Banora Central Shopping Centre** is a modern supermarket based centre, which opened in 2007. The centre is around 1.5 kms south from the subject site and includes approximately 3,500 sq.m of retail floorspace, anchored by a Coles supermarket (2,800 sq.m). North-south access to the centre is provided via Fraser Drive and east-west access from Leisure Drive. A signalised intersection at the corner of Fraser Drive and Leisure Drive provides easy access to the centre and excellent exposure is provided from these local roads. At grade and highly visible car parking and shade sails are provided and the centre includes a small choice of convenience based specialty shops including a newagent, chemist, Zarraffa's coffee and medical centre. This centre predominantly services the convenience shopping needs of the Banora Point community and surrounding suburbs and in turn restricts the trade area of Fraser Drive.

6 Store Performance

The table below analyses the required turnover and resulting market share for a proposed 500 sq.m store (with petrol) and a smaller 200 sq.m store.

Our analysis is described and detailed in the following steps:

- The capacity population of the trade area for each store size was determined previously in Section 4 and detailed in Row 1
- The average food and grocery spend per capita in 2008 of $4,544 is applied to the capacity population to determine the total trade area food and grocery spending market of $6.8 million for the 500 sq.m store (Row 3)
- Based on applying a minimum sustainable trading level of $5,500 per sq.m to the 200 sq.m store and a minimum trading level of $5,000 per sq.m to the 500 sq.m store, the minimum turnover required for each store size is estimated to be $1.1 million for a 200 sq.m store and $2.5 million for a 500 sq.m store (Row 6). These benchmark turnover numbers have been adopted based on highest achievable occupancy cost ratios. The required turnover per square metre is higher for the smaller store as they will have higher costs per square metre
- Based on sustainable total turnover as determined above (Row 6), non food sales and turnover from beyond the trade area are taken out to determine the total food and grocery turnover required from the trade area (Row 11). For a 200 sq.m store, this equates to $0.9 million and for a 500 sq.m store is $1.6 million. Business from beyond the trade area is estimated at 15% for a 200 sq.m store and 30% for a larger 500 sq.m store (with provision of petrol). These estimates are at the high end and are considered to be the maximum achievable, based on the site location
- Based on the food and grocery turnover required to be generated from the trade area, we can then calculate the market share that the store requires of the total trade area food and grocery spending market (Row 12). A proposed 200 sq.m store would require a market share of 17% and a 500 sq.m store a much higher 24% share of the trade area food and grocery spending market
- Typically around 75% of food and grocery spending is directed to supermarkets, with the remaining 25% being spent at fresh food specialty shops including butchers, deli's, fresh food markets and convenience stores
- The analysis undertaken indicates that a 200 sq.m store would need to achieve a market share of 17% of the total trade area food and grocery spending market, with a maximum 25% of total spending being directed to food and grocery sales outside supermarkets. This represents an obtainable proportion of the overall 'non supermarket' spending market (68% of all spending directed to convenience spending)
- As noted above a 500 sq.m store on the subject site would be required to achieve a significant 24% market share of the trade area food and grocery spending market. This is just below the 25% average for spending that is directed to stores selling food and groceries, other than supermarkets. This option is therefore considered to be marginally supportable.

The analysis above indicates that a 200 sq.m store could be supported at the subject site, whilst a larger 500 sq.m store would be a marginal proposition. This assumes that the capacity population of the defined trade area for the larger store is achieved and significant population growth within the 200 sq.m store trade area occurs.

Local Store Capacity Analysis			Table 6.1
		200m² Store	500m² Store (incl Petrol)
F&G Spending Market			
TA Capacity Population	(1)	1,131	1,492
F&G Spending Per Capita ($2008)	(2)	$4,544	$4,544
Total TA F&G Spending Market ($M)	(3)=(1)*(2)	$5.1	$6.8
Required Turnover			
Store Size	(4)	200	500
Required Turnover per m²	(5)	$5,500	$5,000
Required Total Turnover ($M)	(6)=(4)*(5)	$1.1	$2.5
F&G TA Spending Required			
Required Total Turnover ($M)	(6)	$1.1	$2.5
LESS Non Food Sales %	(7)	6.0%	6.0%
Total Food Sales ($M)	(8)=(6)*(1-(7))	$1.0	$2.4
LESS F&G Turnover Achieved Beyond TA %	(9)	15%	30%
Total F&G Turnover Required From TA ($M)	(10)=(8)*(1-(9))	$0.9	$1.6
Required Market Share			
F&G TA Market Share Required	(11)=(10)/(3)	17%	24%
F&G Spending to Convenience Market[1]	(12)	25%	25%
% of Convenience F&G Market Required	(13)=(11)/(12)	68%	97%

1. Typically 75% of food and grocery spending goes to supermarkets above 600 sq.m, therefore leaving 25% to convenience and Fresh Food Specialties
Source : Urbis

7 Summary

The proposed site on Fraser Drive has the future population to support a small convenience store of around 200 sq.m. At trade area capacity the 200 sq.m store is estimated to trade sufficiently well to be commercially viable. This analysis assumes that the store would be located on the main road (Fraser Drive) and therefore would benefit from a high level of passing traffic and trade. It is likely the store will become commercially viable before capacity population is reached and would therefore be able to be developed prior to this time period.

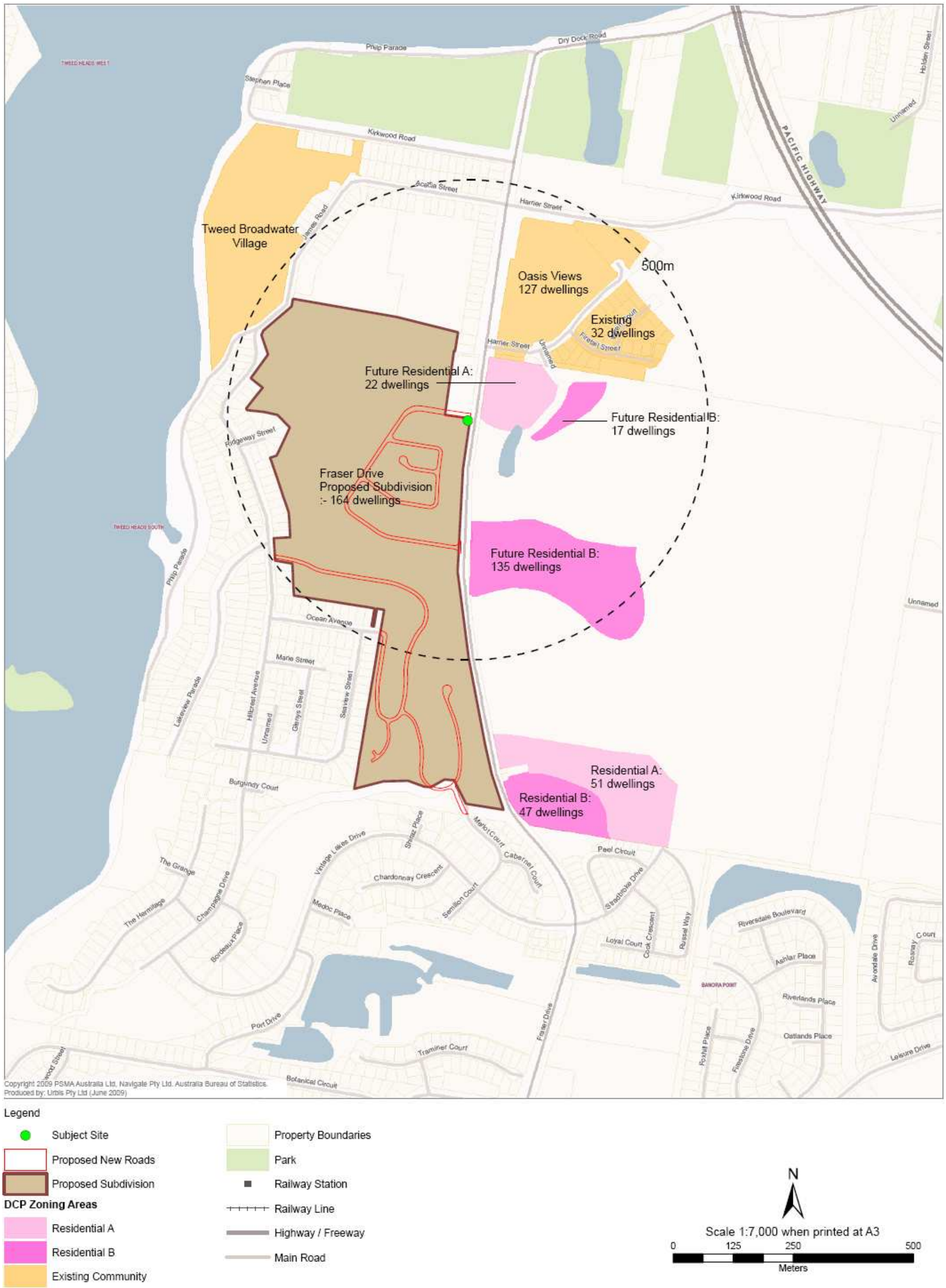
A 500 sq.m store is considered to be marginally supportable on the subject site once capacity trade area population is reached. The store will need to rely heavily on obtaining trade from beyond the trade area. However its main road location, adjacency to tourist accommodation and a school and co-location with a petrol offer give it the potential to generate the necessary trade from beyond.

In summary, a 200 sq.m local store has a strong possibility of trading at a supportable level prior to trade area capacity population being achieved. Development of a 500 sq.m store on the other hand would rely on achieving a high proportion of trade from beyond, forecast capacity population being achieved and a high market share of residents’ food and grocery spending, representing a higher risk scenario.

Appendix A Trade Area Maps

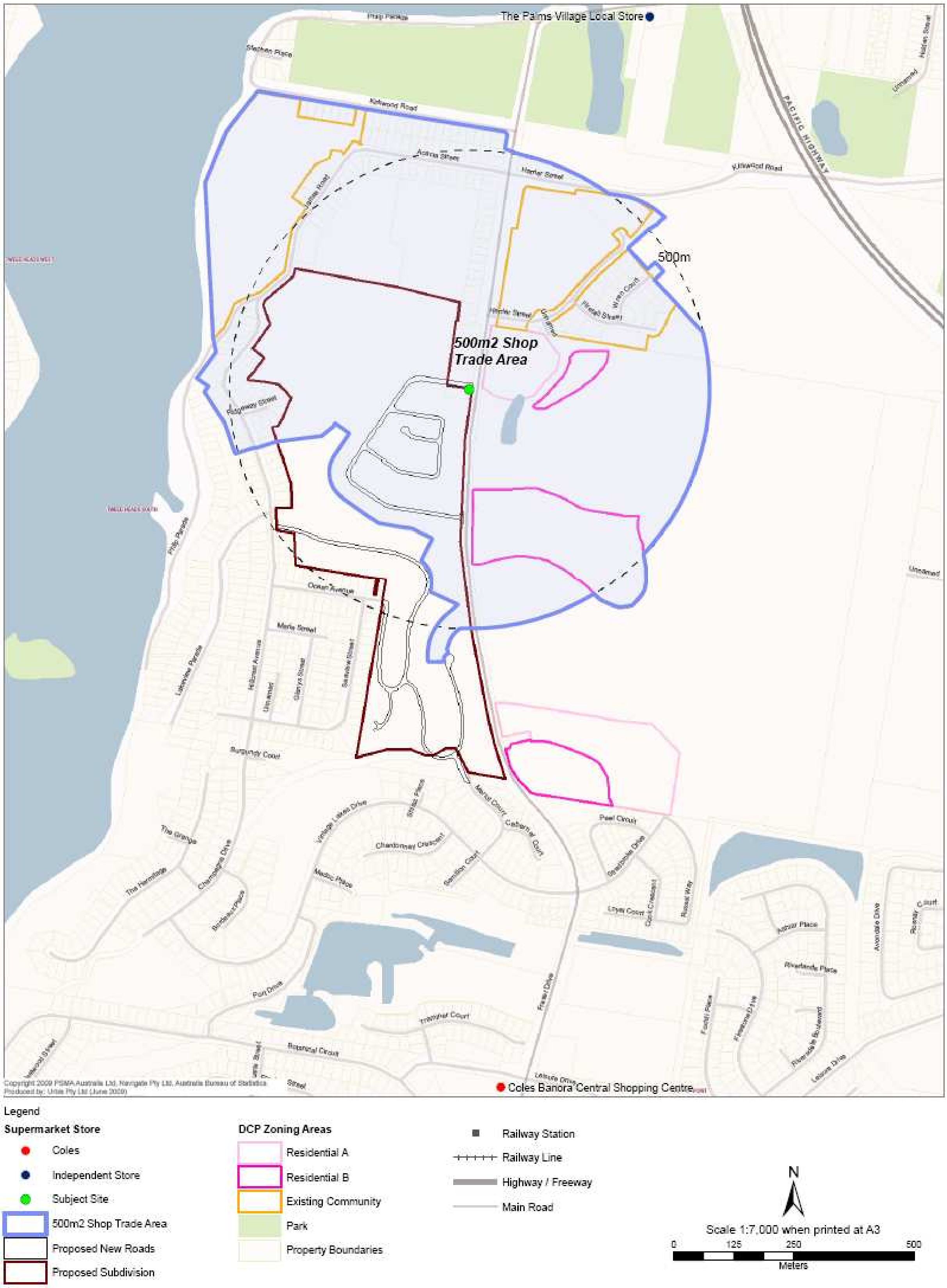
A.1 Proposed Subdivision Layout

A.2 Population Capacity



A.3 200 sq.m Store Trade Area and Competition

A.4 500 sq.m Store Trade Area and Competition



Definitions

The following definitions have been adopted for the purposes of this report :

1. **Retail** refers to the Australian Bureau of Statistics (ABS) definition adopted for the purposes of the 1991/92 Retail and Services Census, with some minor exclusions. This definition includes Total Shopfront Retailing less garden supplies and marine equipment. Motor vehicle and related retailers are also excluded. This definition has been adopted for the purposes of detailing the retail market using the ABS Household Expenditure Survey (HES), and also for categorising shopping centre turnover and tenancy details.

2. **Non-Retail** therefore refers to various store types, services and expenditure categories, not included in the appropriate Australian & New Zealand Standard Industrial Classification (ANZSIC) included within the scope of the latest Retail and Services Census. The non-retail component includes the following tenancy types:

▪ Amusements	▪ Garden Supplies
▪ Appliance Rental	▪ Lottery & Gaming
▪ Auto Accessories	▪ Marine Equipment
▪ Banks and Building Societies	▪ Medical and Dental Services
▪ Cinemas	▪ Offices
▪ Equipment Hire	▪ Post Office
▪ Financial and Property Services	▪ Travel Agency

In addition to the above tenant types which are quite often found in shopping centres, facilities such as garden supplies, builders supplies, and similar businesses which are predominantly wholesale, are usually treated entirely as non-retail stores, despite the fact that a proportion of the business may be retail orientated.

3. The **Food & Groceries (F&G)** market refers to the market relevant to supermarkets, and comprises spending on take home food and groceries. Some non supermarket traders, including fresh food specialties, milk bars and convenience stores and to a limited extent non-food stores such as Discount Department Stores (DDSs), also compete for F&G spending. The F&G category includes food items only and therefore does not include the general merchandise items sold in supermarkets. The F&G category also excludes spending on liquor. Where a specific supermarket competes for bottled liquor spending, the analysis takes this component into account separately.

4. **The Department Store Type Merchandise (DSTM)** market specifically refers to the market relevant to department stores and DDSs. It comprises expenditure on department store and DDS type merchandise, all of which is included in the defined retail market. More specifically it comprises expenditure on :

   - Clothing and Accessories including all clothing, footwear, clothing accessories, jewellery and cosmetics.
   - Furniture, Floor Coverings and Major Electrical including all furniture, floor coverings, televisions, refrigerators, and other large electrical appliances.
   - General Merchandise including books, printed material, toys, hardware items, small electrical appliances, bikes, photographic equipment, etc.

   This category excludes spending on food items which these stores also stock, such as confectionery, soft drinks, tobacco, tea and coffee and other consumable items.

5. **Financial Years**. Analysis throughout this report relates to financial years (ending June) unless otherwise specified.

Abbreviations

The following abbreviations are used in this report :

ABS	Australian Bureau of Statistics
ANZSIC	Australian & New Zealand Standard Industrial Classification
DDS	Discount Department Store
DSTM	Department Store Type Merchandise
F&G	Food & Groceries
GLA	Gross Leasable Area
GST	Goods and Services Tax
HES	Household Expenditure Survey

Goods and Services Tax (GST)

The tax package has had differential effects on turnover by various categories of retailers as a result of changes in prices and consumer demand.

These effects have been estimated by Urbis and from 2001 the spending market and turnover forecasts presented in this report are exclusive of GST.

MarketInfo

Spending estimates provided in this report are based on the MarketInfo 2007 micro simulation model developed by MDS Market Data Systems. MarketInfo 2007 is based on the Household Expenditure Survey and Australian National Accounts. Given that the estimates are based on survey data they will be subject to sampling variability.