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## Retail Demand Study

26 March, 2008

**Peter Fagan**  
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Dear Peter,

## **Re: FERN BAY SEASIDE VILLAGE – RETAIL AND COMMERCIAL DEMAND**

I write with reference to the proposed mixed use development known as the Fern Bay Seaside Village. The development proposes the phased development of 250ha of land located adjacent to Nelson Bay Road between Stockton Beach and Fullerton Cove, Fern Bay within the Local Government Area of Port Stephens (hereafter referred to as the Subject Site).

Hill PDA has been asked to undertake a preliminary desk top review of the quantum of commercial / retail floorspace sought as part of the Subject Site's development. In providing this advice, it was necessary to review, and have specific regard to, the retail and commercial requirements established by the *"Residential, Retail, Commercial, Community and Recreational Facility Needs Study"* prepared for Fern Bay in 1992<sup>1</sup> (hereafter referred to as the 1992 Study).

In particular Hill PDA has been asked to provide their expert retail advice as to the need to provide 0.2ha of land for convenience outlets; 1.6ha for service stations; 3.9ha for commercial uses and 1.0ha for health related uses on the Subject Site as identified by the 1992 Study.

Based on Hill PDA's understanding of the proposed development, the 1992 Study and relevant planning strategies the following letter provides:

1. a brief outline of the development proposal and its relevant history;
2. background to the preparation of the 1992 Study;

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<sup>1</sup> Urbec Consultants Pty Ltd June 1992

3. a review of local changes that have occurred since the preparation of the 1992 Study;
4. a review of changes that have occurred to relevant planning strategies, markets and retail trends since the preparation of the 1992 Study;
5. a discussion as to a potential appropriate degree of provision; and
6. a summary of key findings.

## **1. THE FERN BAY SEASIDE VILLAGE DEVELOPMENT PROPOSAL**

The Subject Site was zoned residential from rural lands in 1995. At that time the Fern Bay site extended to include the adjacent Crown Land. Combined the 483ha area was anticipated to provide in the order of 2,600 - 3,500 dwellings. Since the mid 1990's however the Crown Lands have been rezoned for environmental protection. Consequently the Subject Site now relates to a significantly reduced area of 250ha of which 136ha of land is designated for residential development.

The Fern Bay Seaside Village is a mixed use development proposed for the Subject Site. It includes a mix of residential dwelling types, retail and commercial floorspace with associated landscaping and environmental enhancements. The proposed development is phased into 15 construction stages to facilitate supply in accordance with market demand. To date Stage 1 (comprising 109 residential lots) has been completed and Stage 2 (45 lots) is presently under construction.

The remaining portion of the Subject Site was the subject of a Master Plan approved by Port Stephens Council for the development of 715 additional lots and five Residential Integrated Housing lots. The latter were estimated to yield 94 dwellings in total. The approved Master Plan has subsequently been refined so that it now seeks to provide 713 additional lots (2 less than approved).

Based on anticipated occupancy rates, it is believed that upon completion of the last phase of the Fern Bay Seaside Village development, the Subject Site will be occupied by approximately 2,500 residents.

## **2. BACKGROUND TO THE 1992 COUNCIL STUDY**

Port Stephens Council commissioned consultants to prepare a *'Residential, Retail, Commercial, Community and Recreational Facility Needs Study for Fern Bay'* in 1992. The 1992 Study was commissioned in order to plan for the significant local development and associated population growth forecasted for the Fern Bay locality between 1991 and 2026.

Demand for the additional retail and commercial facilities identified by the 1992 Study were based on the anticipated growth of the Retail Trade Area defined by the study. The Retail Trade Area extended from Stockton in the South, Grahamstown in the North West, Lemon Tree Passage in the North East to the Newcastle Bight.

Growth within the Retail Trade Area was forecasted at a rate of 1,000 persons per annum to achieve a population increase from 17,900 persons in 1991 to 34,332 by 2011 and 46,523 persons by 2026. It was expected that 60% of this population growth would be a direct result of the development of the Fern Bay site. This translated into an additional 9,859 people on the Fern Bay site by 2011 and 17,173 people by 2026.

The definition of the Fern Bay site is a critical consideration for the purposes of this letter as the 1992 Study refers to a different Fern Bay Site to the Subject Site. The 1992 Study identified the Fern Bay site as a 438ha site that was in the ownership of the Crown, the Department of Housing and a private entity at that time.

The site was estimated by the 1992 Study to have a potential development yield of 2,600 – 3,000 households. The 1992 Study also referred to an additional 350ha of land known as the Fern Bay Extension Site which comprised the Stockton Rifle Range and land owned by Boral. This land was identified to have a potential development yield of an additional 2,200 households by 2026.

Having considered the significant scale and development potential of these sites, in addition to the natural population growth forecasted to occur, the 1992 Study identified an 'indicative' land budget for the Fern Bay locality to be provided by 2026. It stated that:

*"the total requirement for commercially zoned land within Fern Bay in the Period to 2026 is expected to be 8.5ha"*

This figure was broken down to include:

- a 2.3ha District Centre;
- a 0.5ha Neighbourhood Centre;
- 0.2ha of Convenience Outlets;
- 1.6ha of Service Stations; and
- 3.9ha of other Commercial Uses.

It is important to note that the schedule provided above was based on demand generated by the complete development and occupation of the 483ha Fern Bay site (as it was known in 1992) and the 350ha Fern Bay Extension Site. In 1992 it was estimated that the combined 833ha of site area would yield between 4,800 and 5,700 dwellings. The 8.5ha area was also based on significant local population growth up to 2026.

It is also important to note that whilst the indicative schedule provided land areas for a range of retail and commercial uses, it did not identify appropriate sites for the realisation of these uses other than stating that they were required within the Fern Bay locality. It did however identify that sites should be located:

- *"close to the residential communities they service"; and*
- *"are provided with exposure to the Newcastle – Nelson Bay Road"*

### **3. LOCAL CHANGES: IS THE 1992 STUDY STILL REASONABLE TO USE?**

Whilst the general principles of providing retail and commercial services as part of the Subject Site's development are supported by Hill PDA, it is reasonable to assert that significant changes have occurred since the preparation of the 1992 Study. Accordingly the quantum of retail and commercial floorspace required in Fern Bay has also changed.

In particular changes to how we live, shop, work and travel have occurred and in turn necessitated a change in the type of retail required and its location. For example since the 1990's a greater proportion of expenditure has

been directed to out of centre locations (i.e. owing to the growth in popularity of bulky goods retailing) to major regional centres and neighbourhoods and away from district centres.

The hierarchy of centres and the need to protect their economic viability has also become a prominent planning consideration since the preparation of the 1992 Study. Contributing to the changes has been the reduction in development potential of sites within Fern Bay and the wider locality referred to in the 1992.

As a result of these fundamental changes it is not considered reasonable to apply the indicative figures nominated by the 1992 Study Land Use Budget. These changes and their implications are discussed in further detail below.

As clarified above, the Subject Site differs significantly from the Fern Bay site referred to by the 1992 Study. Rather than the 483ha site (which included the adjacent Crown Lands) a sizeable portion of the Fern Bay site has been removed from the equation and zoned for environmental protection. As a result the site now relates to 250ha of land of which 136ha are developable for residential purposes.

Consequently contrary to the 2,600 – 3,500 households and an additional population of 9,859 persons on the Fern Bay Site it is now anticipated that there will be in the order of 1,000 dwellings and a population of 2,500 persons. This translates into only 25% of the anticipated population for that site alone. The 1992 Study also based its demand assessment on the anticipated development yield of the additional 350ha site (known as the Fern Bay Site Extension) that had an estimated development yield of a further 2,200 dwellings. Similarly these sites do not form part of the Fern Bay Seaside Village development proposal.

Contributing to these points are the demographic changes that occurred since the 1992 Study's preparation in comparison to what the study forecasted. The 1992 Study estimated a local population growth (excluding the Fern Bay development sites) of approximately 6,500 people. A demographic analysis undertaken for the Fern Bay / Fullerton Cove Council District found however that between 1996 and 2001 the population had actually declined. It is now reasoned that the decline in existing population (without additional development) will continue in part as a result of the steady decrease in the occupancy rates of dwellings.

The Lower Hunter Regional Strategy (the Strategy) also identifies the trend for declining household sizes. The Strategy estimates that new houses in the Lower Hunter Region will achieve average occupancy rates of 2.1 persons by 2031 down from 2.5 persons in 2001. This trend differs significantly from the assumptions made by the 1992 report that on average housing occupancy in Fern Bay would equate to 3.5 persons per dwelling. In simple terms a lower occupancy rate per dwelling translates into less demand for retail and commercial services and therefore floorspace.

Another important consideration is the timing of commercial floorspace provision. The 1992 Study identified that the provision of 0.2ha of convenience outlets; 1.6ha for service stations; 3.9ha for commercial uses and 1.0ha for health related uses was appropriate in 2026 should development of both the 483ha Fern Bay Site and 350 Fern Bay Site Extension occur and be completed. These values were not meant to be applied at the outset of the site's development.

Consequently given that:

- the sheer quantum of development has been significantly reduced i.e. the combined site has been reduced from 788ha to 250ha (of which 136ha is developable for residential purposes);
- the proposed development of the Fern Bay Site alone will now result in 2,500 residents and not 9,800 (75% less than expected);
- the wider population forecasts have shown trends that contradict those that were forecasted to occur;
- lifestyles have changed resulting in significantly lower household occupancy rates; and
- the quantum of commercial floorspace requested was calculated on the basis of the completed and occupied development of 833ha of land and the significant growth of the local population, none of which has occurred:

the requested provision of the full extent of floorspace as set out in the 1992 Study's Land Budget is considered unreasonable. Furthermore the provision of 8.5ha of commercial and retail floorspace on the Fern Bay Seaside Village Site may be considered contrary to regional policy and have an adverse impact to the locality. This matter is considered further below.

## 5. CHANGES TO RETAIL POLICY AND TRENDS: THE NEED TO ASSESS THE CENTRE HIERARCHY

Since the preparation of the 1992 Study, the NSW Department of Planning (DoP) has prepared and published the Lower Hunter Regional Strategy (the Strategy). The Strategy seeks to coordinate planning matters across the Lower Hunter Region. In doing this the strategy has identified a centre hierarchy and the importance of protecting it. Specifically one of the Strategy's actions advises Councils:

*"not to permit retail and commercial offices outside commercial centres other than where consistent with adopted state policies such as the Right Place for Business."*

The *Right Place for Business* is a planning policy that seeks to ensure good design principles which support and enhance the viability of existing centres. The policy also seeks to concentrate traffic generating development (such as retail and commercial centres) in close proximity to public transport.

Whilst it can not be argued that the proposed development of 1,000 dwellings will generate demand for additional retail and commercial uses within the Fern Bay area, it is highly questionable whether 6.7ha of additional site area is required to meet the additional demand generated. For example, conservatively translating 6.7ha of land for retail and commercial uses into floorspace<sup>2</sup> results in approximately 27,000sqm of built floorspace. This floorspace equates to the scale of a new town centre.

A town centre is defined by the DoP as a centre that has one or two supermarkets, community facilities, a medical centre and schools. Town centres contain between 4,500 and 9,500 dwellings. Within the Lower Hunter Region existing town centres include: Nelson Bay; Medowie; Thornton; East Maitland; Jesmond; Belmont; Swansea and Mayfield.

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<sup>2</sup> Based on an FSR of 0.4:1 to allow for on site parking and other planning requirements



In light of the definitions and comparables provided above, the addition of only 1,000 dwellings to Fern Bay would be at odds with the request for a new town centre to support demand generated. To reiterate the DoP considers that a town centre should support between 4,500 and 9,500 dwellings. The provision of a new 27,000sqm town centre on the Subject Site is therefore considered excessive and unlikely to be viable upon development completion and complete occupation. The development of 27,000sqm of floorspace (or a town centre) that cannot be supported by the local market (and would therefore predominantly remain vacant) is not considered in the interests of the Fern Bay Community.

This concern is likely to be compounded by the fact that the site is located off a main road and does not have a high level of road visibility or passing trade. Furthermore the site is not located in close proximity to public transport and the existing Fern Bay community, contrary to the principles established by the *Right Place for Business*.

Since the preparation of the 1992 Study, the impact of a proposed new town centre to the viability of existing centres has become an important planning consideration. Accordingly the 1992 Study did not assess the economic impact additional retail of this scale would have to existing surrounding centres or retail/ commercial uses in centres such as Stockton, Mayfield, Jesmond, Medowie, Williamtown, Raymond Terrace or Newcastle CBD.

As this is a preliminary desk top analysis, it has not been possible for Hill PDA to assess the impact of a new town centre to existing surrounding centres. Based on Hill PDA's industry experience it is likely to presume however that there could be a noticeable economic impact to these centres as a result of such a significant addition of floorspace in Fern Bay.

Another important consideration relates to the designation of Newcastle Airport and the RAAF Base in Williamtown by the Lower Hunter Regional Strategy as a specialised centre for employment. The strategy requires commercial development to support the growth and viability of this centre. Accordingly any significant additional commercial floorspace in the locality should be carefully planned and assessed to ensure that it does not adversely affect this centre. Again the 1992 Study was prepared well before the identification of this location as a specialised centre and therefore the impact of any proposed new centre and its commercial floorspace to the Specialised Centre's economic viability has not been assessed.

Notwithstanding the position outlined above, it is recognised that new residential developments should provide an appropriate degree of retail and commercial facilities on site in accordance with the level of demand generated. Retail and commercial services should be provided locally not the least to provide convenient, accessible services that minimise the need to drive. The following section provides a preliminary estimate of a reasonable proportion of retail floorspace to be provided on the site, in light of the revised scale of proposed development and its development timeframe.

## **5. PHASED PROVISION IN ACCORDANCE WITH DEMAND**

The 1992 Study<sup>3</sup> provided an indicative Land Use Budget that was phased in accordance with forecasted population growth and distributed across a range of neighbourhood and district centres. This is particularly

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<sup>3</sup> Residential, Retail, Commercial, Community and Recreational Facility Needs Study Urbec Consultants Pty Ltd June 1992 pg. 38

important as it shows that the 1992 Study identified the need to phase the provision of these facilities and services commensurate with demand rather than provide the full 6.7ha – 8.5ha from the outset.

Furthermore the 1992 Study's Land Use Budget indicated that a net growth in population of between 1,000 and 3,500 people could possibly support in the order of 2000sqm of retail and commercial floorspace including 1,900sqm (0.5ha) of neighbourhood/ local retail space and 100sqm (0.05ha) of convenience floorspace. The 1992 Study anticipated that this level of population growth would have occurred in the Fern Bay locality between 1996 and 2001. Since the 1992 Study was undertaken however, the locality has in fact experienced a net decline in population and as the Fern Bay sites have not been developed to the extent considered, this level of population growth or retail demand has not been achieved.

The Fern Bay Seaside Village has a minimum construction period of 10 years. Accordingly it will not be until 2019 (assuming development commenced next year) that an additional 2,500 people will be residing within the area. Apportioning the range of floorspace identified by the 1992 Study to the additional population by 2008 (as a result of the Subject Sites completion and occupation) translates into demand for 1,430sqm of retail and commercial floorspace.

Approaching the matter from another angle, it is generally considered that approximately 2.0 square metres of retail floorspace demand is generated per capita. Applying this number to the estimated number of future residents to occupy the Subject Site results in a growth in demand of 5,000sqm of floorspace.

It is important to note that the 5,000sqm figure represents net demand and it should therefore be apportioned to the range of centres within the Lower Hunter Region's centre hierarchy. For example it is generally estimated that 35% of retail floorspace will be directed towards major centres; 20% to out of centre retail locations; 20% to town centres; 20% to villages and small villages and 5% to neighbourhood shops.

Relating this to retail provision in Fern Bay, it may therefore be expected that approximately 25% of the additional floorspace demand generated could possibly be supported within Fern Bay. This results in approximately 1,250sqm of floorspace.

Based on this level of demand (that is within the same range as that identified by the 1992 Study) it is considered that a development of the nature proposed upon completion and full occupation, might be able to support a small village centre. The centre could include a small supermarket (500 – 800sqm) and 400 - 700sqm of convenience retail or health related services including a newsagent, bakery and doctors surgery.<sup>4</sup> These uses may be complimented by a service station for convenience retail for passing trade on Nelson Bay Road.

The provision of 1,200 – 1,400sqm of convenience retail and commercial floorspace on the Subject Site (upon development completion) would provide accessible retail and commercial facilities within walking distance of future occupiers of the site. This would also create an environmentally sustainable form of development in accordance with the objectives of the Lower Hunter Regional Strategy.

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<sup>4</sup> Please note that these estimates have been based on industry benchmarks. The level of retail that may be supported by a development of this scale in relation to expenditure generated and competing centres should be assessed as part of a Retail Impact Assessment / Retail Strategy for the site and Fern Bay Locality.



## 6. CONCLUSION

In summary a number of significant changes have been realised in relation to the assumptions upon which the 1992 Study was based including:

- a revised development site that is significantly reduced in scale and therefore development potential;
- a significant change in forecasted population growth (in fact to date population growth has not occurred but rather a population decline);
- reduced local housing occupancy rates; and
- a new approach to planning assessment policies and the definition of a centres hierarchy.

As a result of these considerable changes, Hill PDA concludes that it would not be reasonable to apply the 1992 Study and its indicative Land Use Budget for 2026 to the proposed next stages of the Fern Bay Seaside Village Development. The Indicative Land Use Budget applies outdated demographic, retail and development characteristics that are no longer applicable.

In order to address this issue it is recommended that a new retail strategy is prepared for the Fern Bay locality. The new strategy would need to update and address:

- forecasted population trends and demographic characteristics;
- anticipated levels of household expenditure based on ABS Census data;
- the affect of additional expenditure generated by local tourism;
- changes to retail trends (such as the growth of out of centre retailing and the decline of district retail centres) that have occurred since 1992 and their effect to household expenditure;
- review travel patterns and the ease of accessibility (or otherwise) to existing centres;
- relationships with, and mechanisms to support, the centre hierarchy in accordance with the Lower Hunter Regional Strategy;
- appropriate sites for the location of retail and commercial floorspace in accordance with *"The Right Place for Business and Services"* and revised development proposals.

I trust the above information is of assistance. Should you wish to discuss any of the above comments or conclusions further, please do not hesitate to contact me.

Yours sincerely,

**Sarah Hill**

Practice Manager / Planning Principal

**Hill PDA**

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