

Clemtown Park Review of Retail Demand and Economic Impact

PREPARED FOR

NSW Department of Planning

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1. INTRODUCTION

1.1 Hill PDA Brief

Hill PDA was engaged by the Department of Planning to consider the economic impacts of any retail and commercial floorspace proposed as part of the concept plan for 60 Charlotte Street, Clemton Park. In particular, Hill PDA reviewed:

- The Economic Impact Report prepared by MacroPlan Australia¹ (September 2008) annexed to the Environmental Assessment as Appendix 26; and
- The subsequent Consideration of Economic Impacts undertaken by Pitney Bowes² (April 2009) annexed to the Preferred Project Report as Appendix 26.

In order to complete the review, Hill PDA conducted the following key tasks:

- Examined relevant documentation including the drawings, local planning controls, statement of environmental effects and economic impact assessment reports as submitted.
- Verified assumptions made regarding the size and extent of the trade areas, socio-demographic profiles, growth forecasts, household expenditure, retail turnovers, etc.
- Examined the potential competition of the proposed retail components to existing retail in the area.
- Examined demand for proposed retail uses with the aid of tools at Hill PDA's disposal (including Hill PDA's bespoke expenditure and economic impact models).
- Commented on the sustainability and size of retail floorspace as proposed (e.g. supermarket).
- Reviewed and commented on the provisions of the Draft Centres Policy as it relates to the proposed development.
- Assessed the likely impact proposed retail and commercial components will have on other centres in the region (including Campsie Town Centre and Canterbury Road).
- Considered whether or not the impacts are significant and/or detrimental and, if so, whether or not means could be used to mitigate that harm.
- Considered submissions made in respect of the application, that relate to economic impact, and comment on validity or otherwise.

Note that our comments are in relation to economic impact and comments on other aspects of the proposal such as design and traffic have not been made.

¹ Source: Clemton Park Retail and Bulky Goods Economic Impact Assessment, MacroPlan (September 2008)

² Source: Clemton Park Retail and Bulky Goods Development, Consideration of Economic Impacts, Pitney Bowes (April 2009)

In the process of completing these tasks, Hill PDA also examined the following documents:

- Environmental Assessment: Concept Plan and Project Application (Stage 1), Planning Workshop Australia for Parkview Sydney Developments (October 2008).
- Submission by Canterbury City Council to the Department of Planning (February 2009).
- Parkview Consultants Supplementary Report submitted to the City of Canterbury (February 2009).
- Preferred Project Report, Planning Workshop Australia for Parkview Sydney Developments (May 2009).
- South Subregion Draft Subregional Strategy, Sydney's Metropolitan Strategy, NSW Department of Planning (December 2007).
- Draft Centres Policy – Planning for Retail and Commercial Development (April 2009).

1.2 Subject Site

The site is the former Sunbeam Factory at 60 Charlotte Street, Clemton Park. The site, currently vacant, lies between the suburbs of Campsie and Clemton Park in Canterbury Local Government Area. The site is mostly surrounded by detached residential dwellings, with a visual and pedestrian connection to industrial accommodation located along Harp Street. The site is around 1.2km south of the Campsie Town Centre and approximately 250-500m south of Canterbury Road.

1.3 Proposed Development

It is understood the proposal is for 87,332sqm of floorspace across a 5.5ha site, of which 24,854sqm is associated to retail uses inclusive of a supermarket, specialty stores and bulky goods/trade.

Table 1 - Clemton Park Proposed Development

Land Use	Floorspace (sqm)
Supermarket	2,585
Specialty Retail	1,254
Convenience Retail	2,751
Bulky Goods	14,804
Trade	3,191
Commercial Office	5,960
Gym	1,248
Medical Centre	3,719
Child Care Centre	636
Seniors Living (59 ILU)	5,540
Seniors Living (50 high care beds)	1,400
Residential (395 units)	33,700
Mall, Lobby and Facilities	4,635
Total	81,423

Source: Preferred Project Report at 60 Charlotte Street, Clemton Park (Worley Parsons, May 2009)

Neither the Environmental Assessment nor the MacroPlan report defines the uses anticipated for the 'trade' component. As a result, Hill PDA has assumed trade retail relates to wholesale and homemaker trade like: hardware, plumbing, flooring, garden, paint/decorator, lighting, DIY, and ceramics.

A total of 395 residential units, inclusive of 59 seniors living independent living units, are proposed for the site. Based on an assumption of around 2.8 people per household (based on 2006 ABS Census data for Campsie), around 1,106 residents are expected to be accommodated on site post construction.

Both the Environmental Assessment and Preferred Project Report indicate the gym, bulky goods, trade, specialty retail and commercial premises will form the first stage of development (30,117sqm). These uses will be accommodated in a single stand alone building fronting Charlotte Street, identified as Lot 1 in the submitted Architectural Plans (dated November 2008).

The development of the supermarket, medical centre, and convenience retail is to occur later in Stage 3 of redevelopment as part of a mixed use building with shop top residential. This building is identified as Lot 2 in the submitted plans.

The MacroPlan report indicates the first full year of trade has been assumed as 2011. The proposal is estimated to generate in excess of \$293m³ in construction, with considerable employment and local benefits.

1.4 Economic Impact Methodology

The MacroPlan report indicates its purpose is to assess the impacts of the proposed mixed development including convenience, supermarket, specialty retail, bulky goods, commercial and residential uses under Part 3A of the Act. MacroPlan states their methodology includes:

- Analysing the likely trade area for the subject site;
- Forecasting growth in the trade area;
- Defining current and future expenditure in the trade area;
- Identification of competing centres and their performance;
- Identification of proposed development performance and market shares;
- Determining the likely turnover of the proposed development; and
- Forecasting the likely impacts and benefits of the proposed development should it be approved.

The methodology described in MacroPlan's report is reasonable and is accepted practice in the industry. However, subsequent analysis in the report suggests Macroplan haven't followed this methodology correctly.

In most instances Macroplan's conclusions cannot be relied upon due to errors in calculations. The errors within their report are highlighted within each section of this report.

³ Source: Parkview Consultants Supplementary Report submitted to the City of Canterbury (February 2009)

The Pitney Bowes report further considered the outcomes of the MacroPlan report on the likely trading impacts of the proposed development on Campsie Town Centre, as well as the likely impacts of bulky goods retailing on Canterbury Road.

2. PLANNING AND POLICY CONSIDERATIONS

2.1 Draft Centres Policy – Planning for Retail and Commercial Development (2009)

The Department of Planning's Draft Centres Policy released in April 2009 requires councils to provide for sufficiently zoned land to meet the existing and future retail needs of communities across NSW.

The policy establishes a minimum target of retail floorspace provision for residents and identifies the need for councils to be proactive in facilitating the expansion of existing centres and (where necessary) the growth of new centres. Local planning authorities are required to prepare plans that encourage retail competition and new market entrants whilst protecting the function and economic viability of centres.

We believe that the proposal can be considered positively and negatively under the new draft centres policy. One of the policy's principles is to reinforce the role of existing centres, but where there is a need or demand for provision of additional retail space in an area and opportunities are limited in the existing centres then a new centre or "out-of-centre" locations can be considered and should be supported.

If this proposal was to proceed we believe that an assessment of car trips (taking into consideration distances and vehicle operating costs) and a thorough investigation and appraisal of alternative locations generally within the 2km distance from the subject site should be undertaken.

2.2 Draft South Sub-Regional Strategy (2007)

The Department of Planning's Draft South Sub-Regional Strategy is a crucial step in implementing the Sydney Metropolitan Strategy, guiding land use planning until 2031. The South Sub-Region includes Canterbury, Hurstville, Kogarah, Marrickville, Rockdale and Sutherland LGA's.

The Strategy identifies Campsie as a Town Centre in the Centres Hierarchy, whilst Clemton Park is identified as a small village. Canterbury Road is nominated as a potential Enterprise Corridor.

Furthermore, the 30ha Clemton Park industrial precinct along Harp Street has been nominated as Category 1 employment lands, indicating land to be retained for industrial purposes. The subject site is within this precinct. Industrial functions attributed to this precinct include utilities, urban services, freight, logistics, and local industry.

MacroPlan suggests Clemton Park does not currently fit the small village description given strip shopping along Canterbury Road consists mainly of urban services and automotive retailers. There is also limited everyday shopping services within a 400m catchment of the village.

MacroPlan suggests that alternative employment opportunities for the Sunbeam site have been ignored and should be considered. These alternative opportunities include bulky goods and retail. This would result in the site

being moved to Category 2 employment lands which would allow for a broader range of employment based uses on the site.

2.3 Draft Economic Development and Employment Lands Strategy for Canterbury LGA (2008)

Canterbury Council has advised⁴ that the Draft Economic Development and Employment Lands Strategy for Canterbury LGA currently being undertaken for Council by SGS Economics recommends the site be changed to R3 Medium Density Residential. Seniors Living, including supported accommodation would be encouraged. The residential zoning would contribute to both residential dwelling and employment forecasts.

⁴ Source: Submission by Canterbury City Council to the Department of Planning (February 2009)

3. EMPLOYMENT ON SITE

The MacroPlan Economic Impact Assessment identified that the development upon completion will accommodate 1,413 jobs. MacroPlan then updated their original calculations, due to changes in floorspace. Their updated calculations are provided in Table 10 of the Preferred Project Report

However, apart from removing Building 5C, none of the remaining floor areas have been updated. For this reason, Hill PDA has recalculated MacroPlan's jobs using their employee ratio assumptions and the most updated floorspace data for the proposed development as indicated in Table 6 of the Preferred Project Report. This calculation yields 1,370 jobs on site.

Hill PDA also calculated jobs on site using our own employee ratio assumptions. Hill PDA's calculations results in 957 full time equivalent jobs being provided on site.

Table 2 - Jobs on Site Post Construction

Land Use	Floorspace (sqm)	MacroPlan Calculation		Hill PDA Calculation	
		Employee Ratio	Total Employees	Employee Ratio	Total Employees
LOT 1					
Trade Retail	3,191	55	58	75	43
Bulky Goods	14,804	43	344	75	197
Specialty Retail	1,254	24	52	37	34
Commercial	5,960	15	397	20	298
Gym	1,248	EFT	25	EFT	15
Mall	3,528	-	-	-	-
Lobby	131	-	-	-	-
Sub Total	30,116		877		587
LOT 2					
Residential	21,301	1,000	21	1,300	16
Convenience Retail	2,751	24	115	32	86
Supermarket	2,585	24	108	32	81
Medical	3,719	EFT	200	25	149
Sub Total	30,356		444		332
LOT 3					
Residential	5,885	1,000	6	1,300	5
Child Care	636	34	19	133	5
Sub Total	6,521		25		9
LOT 4					
Residential	6,514	1,000	7	1,300	5
Sub Total	6,514		7		5
LOT 5					
Seniors Living - ILU	5,540	800	7	10:140 units	4
Seniors Living - RAC	1,400	125	11	1:2.5beds	20
Facilities	976	-	-	-	-
Sub Total	7,916		18		24
Grand Total	81,423		1,370		957

In analysing MacroPlan's assessment of jobs the following comments are made:

- Most likely the jobs in Macroplan's forecast are a combination of full and part time jobs rather than equivalent full-time (EFT).

- It is unclear whether the jobs relating to residential land are home based business or building and ground maintenance. Hill PDA has assumed they relate to home based business.

Hill PDA's assumptions in calculating jobs on site were:

- All jobs are full time equivalent.
- 2 part time jobs equal 1 full time job.
- Employee ratios are based on data from the ABS Retail Survey (98/99).
- 7% of dwellings have been assumed as being used for home based business, with 1.2 employees per home business dwelling. Data was sourced from ABS Home Based Business Survey (2004).
- Assumptions regarding jobs in seniors living are based on Hill PDA's survey of all seniors living and nursing home sites across Penrith LGA in 2005.

4. RETAIL TRADE AREAS

4.1 Identification of the Trade Areas

MacroPlan identified the following trade areas for the proposed development:

- Primary Trade Area – residents within a 1km radius of the proposed development, which will generate around 75% of supermarket turnover.
- Secondary Trade Area – residents within 2km of the proposed development. MacroPlan recognised these residents could still contribute expenditure in supermarkets albeit to a lesser extent than those residents in the Primary Trade Area.
- Tertiary Trade Area – utilised to examine the trade area for the bulky goods component of the proposed development, being those residents within a 5km radius of the subject site.

MacroPlan also notes a Main Trade Area identified as those persons that reside for the majority of the year in Clemton Park and surrounds. However, Hill PDA cannot reconcile the definition of the Main Trade Area given:

- Table 2 of the report (examining population growth) indicates the Main Trade Area is the addition of the Secondary and Tertiary Trade Areas; and
- Table 4 and 5 of the MacroPlan report (examining retail expenditure) indicates the Main Trade Area is the addition of the Primary and Secondary Trade Areas.

Hill PDA cannot resolve the expenditure and hence demand results within MacroPlan's report. Furthermore, demand for retail floorspace is dependant not only upon the number of households in the trade area but also the socio-demographic characteristics of those households. MacroPlan have not considered the demographics of the trade areas.

Notwithstanding this MacroPlan utilises Marketinfo household expenditure data and this data is based on socio-demographic information.

Hill PDA believes the definition of a trade area is determined by a number of factors including:

- The strength and attraction of the centre in question, determined by factors such as the composition, layout, ambience/atmosphere and car parking in the centre;
- Competitive retail centres (i.e. Campsie, Earlwood, Canterbury), particularly their proximity to the subject centre and respective sizes, retail offer and attraction;
- The location and accessibility of the centre, including the available road and public transport network and travel times; and
- The presence or absence of physical barriers, such as rivers, railways, national parks and freeways.

Having regard to the above, Hill PDA considers that the trade areas defined by MacroPlan are appropriate although there is some ambiguity in the document about definition of trade areas between the store types – particularly about the definition of main trade area. These trade areas have been based on the following characteristics.

- There will be different trade areas for different land uses although it is acknowledged that dual shopping could create overlapping trade areas. For example: the trade area for the proposed supermarket may include those residents living on site and within a 1km radius of the site. However, it is recognised that a patron visiting the bulky goods stores on site may perform a dual shopping trip and pick up some groceries at the supermarket before going home.
- It is acknowledged that retail uses do form a nexus relationship or synergy with entertainment and leisure uses and hence any proposed retail at the subject site has the potential to capture some trade from people spending time for example in the gymnasium.
- Due to the comparative advantages of price and choice for large items, people are prepared to travel longer distances to undertake shopping for comparative goods. As a result, the trade area for bulky goods in Clemton Park will extend beyond the Canterbury LGA and together with provision on Canterbury Road is likely to capture a proportion of trade from Marrickville and Rockdale LGA's as well.

4.2 Population Growth in the Trade Areas

Forecast demand for retail space is dependent upon population growth and/or changes to the socio-demographic characteristics of the population (e.g. household composition, family type, dwelling growth).

MacroPlan's assumed growth rates were based on the Transport Data Centre's 2005 forecasts, which indicated annual population growth of around 0.2% to 0.7%. These assumptions are low, and appear not to have taken account of the forecast population on site brought about by the 395 residential units proposed.

4.3 Expenditure in the Trade Areas

MacroPlan's assumptions are based on Marketinfo data and retail expenditure per capita across residents in the trade areas. MacroPlan's calculations indicate average retail expenditure per capita in the Main Trade Area of around \$10,230 in 2008. Of this, supermarkets account for around \$3,880 per capita (38%) and bulky goods account for \$1,980 per capita (19%). We believe that both these proportions are on the high side. Supermarkets in this area would be around 33% of total retail spend and bulky goods would be around 15%. The higher capture of bulky goods reflects the broader categories included in the Macroplan model.

Applying a real growth in retail expenditure rate of 1.1% per annum, and utilising population growth rates for the trade areas, MacroPlan indicates their Main Trade Area accounts for \$3.3bn of total retail expenditure in 2008, increasing to \$3.5bn in 2011 and so on.

MacroPlan estimates that of total household expenditure, around 10% is captured by supermarkets and 19% is captured by bulky goods retailers.

In examining MacroPlan's expenditure calculations, Hill PDA makes the following observations:

- The tables in the report summarising expenditure in the trade areas for supermarkets and bulky goods (Table 4 and 5) do not reconcile with any text relating to demand for supermarkets (Page 13) and bulky goods (Page 23).
- Page 13 of the report indicates total supermarket expenditure is currently \$1.25b for the Main Trade Area. Table 4 indicates supermarket expenditure in the Main Trade Area is currently \$335m, calculated as the addition of Primary (\$92.9m) and Secondary (\$242m) Trade Area supermarket expenditure.
- MacroPlan's statement therefore (also on Page 13) that: *"only a small share of the \$1.25b of expenditure in the Main Trade Area will contribute to the supermarket trade at the subject site, with the majority of supermarket turnover expected to be derived from the supermarket Main Trade Area of \$335m"* – is ambiguous.
- Page 13 of the report indicates that total bulky goods expenditure is estimated at \$613.8m in 2008 increasing to \$629m by 2011. Table 5 of the report indicates the Main Trade Area has \$641.4m of bulky goods expenditure in 2008, increasing to \$702.1m in 2011.
- MacroPlan has marginally overestimated bulky goods expenditure. Hill PDA estimates around 15% of household expenditure are spent on bulky goods retailing.
- The Tertiary Trade Area has not been included in MacroPlan's total retail expenditure pool analysis. It is understood that MacroPlan's Tertiary Trade Area relates to the capture of bulky goods expenditure. As a result, Hill PDA cannot reconcile any of MacroPlan's bulky goods demand analysis.
- Page 23 of the report states: *"bulky goods expenditure in the Main Trade Area increases from \$1.895b to \$1.912m over the period of 2008 to 2011"*. These figures cannot be found in any tables or analysis within the MacroPlan report and as a result, cannot be reconciled.

Notwithstanding the above, undertaking our own assessment of expenditure, Hill PDA considers the following:

- The total population of MacroPlan's Primary, Secondary and Tertiary Trade Areas was 350,000 persons in 2011.
- Based on a per capita retail spend of around \$10,200 per annum, the trade areas will generate around \$3.6b of total retail expenditure in 2011.
- Supermarket expenditure accounts for around one third of this expenditure – or \$1.2b.
- Of total expenditure around 15% will be attributed to bulky goods, equating to around \$540m of expenditure in 2011.

5. PROPOSED CONVENIENCE RETAIL

5.1 Supermarket Expenditure

Food and grocery shopping, as well as a large component of non-food shopping are considered “chore” shopping. Shoppers have a strong reluctance to travel long distances when undertaking chore shopping. Unlike leisure shopping, shoppers generally undertake the majority of their supermarket and chore shopping (such as newsagency, chemist, butcher, bakery, and liquor) close to home or at the closest supermarket based centre to where they live. Within the metropolitan the majority of chore shopping is undertaken within a distance of around 2km.

The development proposes 2,585sqm of supermarket floorspace. MacroPlan assumed the following capture rates:

- 75% of supermarket expenditure from residents in the Primary Trade Area;
- 25% of supermarket expenditure from residents in the Secondary Trade Area; and
- 10% of supermarket expenditure from beyond the trade area.

Note that the above three figures total 110% which is clearly an error. Notwithstanding the error the capture rates are within bounds of expectation. We believe proportions for the PTA, STA and beyond of say 65%-70%, 20%-25% and 10% respectively are reasonable assumptions.

Apart from the obvious error above it is not clear how the above capture rates have been applied to expenditure modelling, to estimation of turnover levels and/or impact assessment. It would appear that these percentages have not been used in subsequent impact modelling (discussed below).

5.2 Existing Supermarkets

MacroPlan assessed the surrounding retail competition in the vicinity of the subject site. Hill PDA recognises that together with Campsie Town Centres, supermarkets in Earlwood, Canterbury, and Bexley North would also be impacted by the proposed development. These five supermarkets are generally within about 2km radius from the subject site.

However, MacroPlan also considered supermarkets in Rockdale, Hurstville, Kogarah, Burwood and Bankstown as experiencing some competition with the subject site. These supermarkets are located too far away from the subject site to be significantly impacted by the proposed development given that 70% to 75% of expected turnover is generated by the PTA.

MacroPlan indicated in Table 6 of their report that there is around 9,830sqm⁵ of supermarket floorspace within proximity of Clemton Park and which could be impacted by the proposed development. These include Campsie Woolworths, Campsie Food for Less, Flemings Bexley North, Earlwood Coles and Aldi Canterbury.

The following errors were identified:

- Aldi Canterbury is 1,500sqm – some 1,000sqm less than MacroPlan's estimate.
- Coles Earlwood is owned by Macquarie Country Wide Trust who reported in December 2008⁶, the supermarket had a total retail area of 2,476sqm. Significantly, larger than the suggested 1,650sqm of floorspace indicated by MacroPlan.
- Flemings in North Bexley is around 550sqm, considerably smaller than the suggested 2,000sqm estimated by MacroPlan. The Pitney Bowes report further confirms Flemings is a much smaller supermarket at around 516sqm.

As a result, Hill PDA would suggest there is around 8,200sqm of supermarket floorspace within proximity of the subject site (i.e. the eastern portion of Canterbury LGA). MacroPlan have overestimated supply of floorspace by more than 1,600sqm.

5.3 Turnover of Existing Supermarkets

MacroPlan have adopted the same turnover per sqm rate (around \$9,900/sqm) across all supermarkets in the broad trade area in 2011. There is no evidence of this being cross checked against reported turnover figures. There are variations between turnovers of centres and their major retailers. For example Westfield Hurstville and Westfield Burwood turnover figures are around 50% stronger than Centro Bankstown and Centro Roselands.

It's widely known that different supermarket brands have varying performance in terms of turnover per square metre. As evident in Urbis Retail Averages, Woolworths has the highest turnover (\$/sqm) than any other supermarket brand, followed by Coles. The non-full line supermarkets such as Flemings and Food for Less have considerably lower turnover figures. None of that knowledge has been used by MacroPlan to estimate turnover levels.

Finally, there is no evidence that they have cross checked their turnover estimates with their own expenditure modelling.

Therefore, the estimated turnover figures cannot be relied upon. Accordingly the impact assessment results cannot be relied upon.

⁵ Inclusive of: Campsie Woolworths (2,500sqm), Campsie Food for Less (1,177sqm), Flemings Bexley North (2,000sqm), Earlwood Coles (1,650sqm), and Aldi Canterbury (2,500sqm).

⁶ Source: <http://www.macquarie.com.au/au/property/mcw/portfolio/nsw.htm#>

5.4 Estimated Turnover of Proposed Supermarket

Hill PDA agrees with MacroPlan's assumption of turnover at around \$9,500/sqm. This is in line with metropolitan average.

5.5 Economic Impact

MacroPlan assessed the turnover levels of surrounding supermarkets in 2011 both with and without the proposal. MacroPlan's economic impacts are summarised as follows:

Table 3 - Supermarket Economic Impacts

Source:	MacroPlan Table 11	MacroPlan Table 9		MacroPlan Table 11		MacroPlan Table 11	
Supermarket	Area (sqm)	Without 2011		With 2011		Difference (\$m)	Difference (%)
		Turnover (\$m)	\$/sqm	Turnover (\$m)	\$/sqm		
Proposed Development	2,586	-	-	\$24.9	\$9,629	-	-
Campsie Woolworths	2,500	\$24.8	\$9,920	\$23.7	\$9,480	-\$1.10	-4.64%
Campsie Food for Less	1,177	\$11.7	\$9,941	\$11.2	\$9,516	-\$0.50	-4.46%
Flemings Bexley North	2,000	\$19.9	\$9,950	\$19.1	\$9,550	-\$0.80	-4.17%
Earwood Coles	1,650	\$16.4	\$9,939	\$15.8	\$9,576	-\$0.60	-3.77%
Aldi Canterbury	2,500	\$24.8	\$9,920	\$24.0	\$9,600	-\$0.80	-3.32%

Table 11 summarises the impacts on existing supermarkets in the locality. There are clearly quite a number of errors in the table.

- Firstly, the supermarket sales post development in 2011 does not match the numbers in Table 10. For example: Table 11 indicates Campsie Woolworths will turnover \$23.7m in 2011 with the proposal, indicating an impact of 4.6% loss in turnover. However, Table 10 shows Campsie Woolworths will trade at \$24.6m in 2011 with the proposal, resulting in a 0.81% loss in turnover.
- Secondly, in Table 11 the column of numbers under the heading 'Impact' represents the redistribution of turnover from existing supermarkets within the broad trade area. The combined redistribution of turnover from all the supermarkets in the broad trade area equates to \$8.73m. This represents only 35% of the proposed supermarket's turnover. This contradicts MacroPlan's previous statement that only 10% of the proposed supermarket's turnover would come from beyond the Primary and Secondary Trade Areas.
- Thirdly, MacroPlan's calculations indicate only \$3.8m or 15% of turnover is being redirected from the supermarkets in the PTA (Campsie, Earwood, Canterbury and Bexley North). Again this is inconsistent with MacroPlan's previous statement that 75% of turnover will come from the Primary Trade Area.

Assuming the nearest five existing supermarkets in 2011 will trade at \$9,900/sqm without the proposal and assuming that 70% of the proposed supermarket's turnover is redirected from these five supermarkets then the average impact will be around 22% loss in trade. This is significantly stronger than the below 5% figures in MacroPlan's Table 11.

Due to significant errors in the sizes of the existing supermarkets, turnover levels and impact calculations and due to the contradictions between the impact calculations, trade area analysis and expenditure figures the MacroPlan figures cannot be relied upon.

5.6 Supply of Supermarket Space

Whilst the impacts of the proposal on existing supermarkets in the immediate area are likely to be significantly higher than Macroplan's figures, this does not on its own provide reason for refusal. It is important to consider current trading levels and growth in expenditure to form a view as to whether or not social detriment is likely to result from the proposal.

To test this proposition we assessed available supermarket expenditure from residents in the derived suburbs of Canterbury, Campsie, Clemtun Park, and Earlwood and compared demand for supermarket floorspace in these suburbs, with supply.

Total available supermarket expenditure forecast in 2011 is \$154.1m. Further to this residents (around 1,100 persons) and workers (around 960 jobs) on site will generate a further \$4m of supermarket spend. This will increase total supermarket expenditure to \$158m. Assuming 80% of this expenditure (\$126m) is captured by local supermarkets and using a target turnover rate of \$9,500/sqm then 13,300sqm of supermarket floorspace will be demanded by 2011.

Given there is currently around 8,200sqm of supermarket floorspace provided in these suburbs, there is an undersupply of around 5,000sqm of supermarket floorspace forecast in 2011.

The 2,585sqm supermarket proposed will only meet half of this undersupply. This suggests that there is considerable escape supermarket expenditure and/or the existing supermarkets in these suburbs are trading above metropolitan average. It's likely to be a combination of the two scenarios. Either way the proposed supermarket can be supported by current undersupply.

5.7 Proposed Specialty Stores

The development proposes 4,001sqm of specialty store and convenience retail floorspace. It is unclear how the anticipated \$29.18m of turnover in 2011 associated to these uses has been calculated. As a result, Hill PDA cannot reconcile these results. However at \$7,300/sqm we agree that the turnovers are in line with industry averages – although probably on the high side. Specialty turnover of \$7,300/sqm is typical of large department store based centres and specialty food retailers in the smaller centres. A more appropriate rate of specialty turnover for the proposed centre in Clemtun Park would be \$6,500/sqm.

MacroPlan did not comment or assess the impact of the specialties. This is a significant weakness in their report. There are also several small village centres that have been totally ignored in their report including two centres in Clemtun Park – corner of William and Main Streets and corner of William and Bexley Road. This is probably because these centres have no anchor supermarket.

Notwithstanding this omission in the report, if a supermarket was approved for this site, then there should be a component of specialties to complete its role as a convenience centre. Ideally a range of 10-25 specialties including a chemist and newsagent would ensure the viability and economic sustainability of the centre.

Whilst we agree with the method of measuring impacts on supermarkets because these are anchor retailers, it is also essential to consider “whole of centre” impacts. Therefore MacroPlan should have included an additional task in the methodology which includes the following:

- an estimation of current trading performance of existing centres in the locality;
- an estimation of total sales in the new centre;
- redirection of sales from existing centres for each broad retail store type;
- before and after impacts on total centre sales for each centre; and
- consideration of the sustainability of those centres after impact.

6. BULKY GOODS

6.1 Bulky Goods Expenditure

Bulky Goods retailing is not limited to bulky items with the advent of superstores such as Harvey Norman and Dick Smith, which operate as quasi-department stores without food, clothing and cosmetics. As a result, bulky goods stores compete for the majority of non-food household expenditure items with the current exception of clothing, pharmaceuticals, cosmetics and toiletry retailing.

In addition to the traditional bulky goods retailers of furniture, floor coverings, lighting and domestic appliances, bulky goods stores now include “category killers” or large speciality store operators such as Toy-R-U's, Rebel Sport and BBQ Galore, and domestic hardware and DIY (Bunnings, Magnetmart).

Bulky goods have a wider trade area than convenience retailing, in many cases covering more than one local government area. Clemton Park would have a trade area covering much of Canterbury LGA and also parts of Marrickville and Rockdale. Due to the comparative advantages of price and choice for large price items, people are prepared to travel longer distances to undertake this type of shopping.

The development proposes around 14,804sqm of bulky goods floorspace, and a further 3,191sqm of trade related floorspace, totalling some 17,995sqm of floorspace. MacroPlan has assumed the proposed development will capture the following expenditure from the trade areas:

- 50% of bulky goods expenditure from residents in the Primary Trade Area;
- 25% of bulky goods expenditure from residents in the Secondary Trade Area; and
- 25% of bulky goods expenditure from beyond the trade area.

50% of the turnover of the proposed bulky goods facility (\$41.1m) comes from residents in the Primary Trade Area and 25% of turnover (\$20.55m) comes from residents in the Secondary Trade Area and the balance \$20.55m from beyond the STA.

Again it is not clear how the above capture rates have been applied to expenditure modelling, to estimation of turnover levels and/or impact assessment. There is no explanation for how the \$82.21m turnover was estimated other than it was based on an assumed rate of \$4,500/sqm.

It is understood that MacroPlan's Tertiary Trade Area relates to the capture of bulky goods expenditure. The Tertiary Trade Area has not been included in any of MacroPlan's tables or analysis. As a result, Hill PDA cannot reconcile any of MacroPlan's expenditure results.

Table 5 of the report indicates bulky goods expenditure available in the trade area. The table shows the Main Trade Area accounts for \$641.4m of bulky goods expenditure in 2008, increasing to \$702.1m in 2011. This is inconsistent with Page 13 of the report which indicates total bulky goods expenditure is \$613.8m in 2008 increasing to \$629m by 2011.

Hill PDA estimates a total bulky goods expenditure of \$540m in 2011 (2007 dollars). This is based on forecast population of 350,000 persons in MacroPlan's Primary, Secondary and Tertiary Trade Areas. These residents will generate approximately \$3.6b of total retail spend in 2011 based on \$10,200 of retail spend per capita. Of this, around 15% of total expenditure is spent on bulky goods equating to \$540m in 2011.

6.2 Floorspace Supply

MacroPlan identifies Harvey Norman Wiley Park (4,000sqm), Harvey Norman Punchbowl (4,000sqm) and Canterbury Road bulky goods retailers (estimated at 20,000sqm) as all being within around 3km of Clemton Park, and would therefore be impacted on or by any proposed development at the subject site.

MacroPlan also identifies the closest homemaker centres to Clemton Park being in Bankstown, inclusive of Home Central (17,863sqm) and Homemaker City (18,574sqm), over 6km to the west of Campsie.

Whilst Hill PDA agrees with these supply figures, we would also suggest there is some bulky goods retailing in Campsie Town Centre. Around 20% of discount department and department store sales relate to bulky goods items. As a result, around 1,530sqm of floorspace associated with Campsie Big W (total of 7,662sqm) can be assumed to relate to bulky goods items. There may also be some large specialty stores in Campsie Town Centre that sell predominately bulky goods items – hardware, furniture, electrical goods, carpets, etc. No allowance has been for these stores in the Macroplan analysis.

6.3 Turnover of Existing Precincts

MacroPlan have adopted the same turnover per sqm rate (around \$4,500/sqm) across all bulky goods precincts in the broad trade area. No allowances have been made for varying performances.

In addition, there is no evidence that they have cross checked their turnover estimates with their expenditure modelling. Therefore, the estimated turnover figures cannot be relied upon.

The estimated turnover figure of \$4,500/sqm is quite high. Most consultancy reports, reported turnover figures and expenditure modelling suggest that around \$3,300 to \$3,800/sqm is a more appropriate benchmark (average) for the Sydney metropolitan area.

Furthermore the rate has been applied across all bulky goods retailers regardless of the type of store. It is known from Urbis Retail Averages that stores vary considerably in turnover from around \$5,500/sqm for electrical stores to less than \$2,000/sqm for hardware stores. None of this has been taken into consideration by Macroplan in estimating turnover levels.

6.4 Estimated Performance of Proposal

Hill PDA would assume a target turnover rate of around \$3,700/sqm for the bulky goods component of the proposal. As a result, Hill PDA estimates the 17,995sqm of bulky goods/trade space would turnover around \$67m in 2011 – some 18% lower than the \$82m forecast by Macroplan.

6.5 Economic Impact of Bulky Goods

MacroPlan assessed the turnover levels of surrounding bulky goods centres and precincts in 2011 both with and without the proposal. Table 15 summarises the impacts of the proposed bulky goods/trade component on comparable retailers in the locality. There are clearly quite a number of errors in the table.

Firstly, the bulky goods sales post development in 2011 does not match the numbers in Table 14.

Secondly, in Table 15 the column of numbers under the heading 'Impact' totals \$25.16m. This column represents the redistribution of turnover from existing bulky goods retailers within the broad trade area to the subject site and. The \$25.16m represents only 30.6% of the proposed bulky goods/trade retail turnover. There is no indication as to where the remaining turnover at the proposed development is to come from. Furthermore this is inconsistent with Macroplan's assumption that 75% of turnover is generated by household expenditure in the broad trade area.

If as much as say 75% of turnover was redirected from existing retailers as shown in Table 15 then the impacts will be significantly higher. The impacts on Canterbury Road retailers could be as high as 30% loss in trade and the Harvey Norman stores could lose 16% turnover. These impacts are considered significant.

Again significant impacts do not necessarily translate to mandatory refusal. Current supply and demand, growth in expenditure and other factors may need to be considered in the assessment.

Based on an assumed average metropolitan turnover rate of \$3,700/sqm, around 146,000sqm of bulky goods will be demanded by the Primary, Secondary and Tertiary Trade areas in 2011. Table 7 of the MacroPlan report indicates there is around 90,000sqm of bulky goods floorspace within the trade areas.

Pitney Bowes further examined demand for bulky goods floorspace in their supplementary report. Pitney Bowes referenced a previous report by Leyshon Consulting which examined the scope for the inclusion of a significant bulky goods/homemaker retail component on the subject site in 2006. Leyshon indicated that the resident population within a 5km radius of the subject site could support around 250,000sqm of bulky goods floorspace. Given existing supply, there is a significant undersupply of bulky goods floorspace as per the Leyshon report.

Whilst Hill PDA has not viewed the Leyshon report, Hill PDA concurs that there is currently an undersupply of bulky goods floorspace space in the trade areas. As a result it is likely that the supply of bulky goods as proposed can be supported. However the impacts on Canterbury Road will be significant and may well result in several closures along the road.

Canterbury Road is not a centre or even a cluster of retailers, but rather a dispersion of individual retailers interspersed with fast food outlets, commercial and wholesale businesses, car sale yards and industrial service

businesses (such as smash repairers and auto-mechanics). As such any adverse impact on Canterbury Road is not an adverse impact on centres, nor is it necessarily contrary to centres policy.

The difficulty with Canterbury Road is that the dispersion of bulky goods retailers provides no single destination for bulky goods shoppers. Whilst accessibility and exposure offer good qualities for bulky goods retailers, clustering is also an important contemporary characteristic as well as ample parking spaces. This is why Moore Park Supacentra and similar models have been successful. These super centres offer destination multi-store shopping experience enabling customers to compare brands, products, prices and retailers under the one roof. Canterbury Road has very few sites that are large enough to provide this model. Furthermore if the subject proposal was not approved then a similar proposal could locate elsewhere with similar impacts on Canterbury Road.

7. CANTERBURY COUNCIL SUBMISSION

Hill PDA reviewed Canterbury Council's submission to the Department of Planning regarding the Environmental Assessment associated with the proposed concept plan for the site.

In principle, Council endorsed the change in use from industrial to retail and residential. The proposal has the following advantages:

- The applicant sees this as viable and therefore the possibility of it happening would appear far greater.
- The employment numbers, at least on the basis of the information supplied at the time, would appear to be the equivalent of industrial use although of a different nature.
- There are advantages in the provision of residential, particularly seniors accommodation, as well as the provision of a convenience shopping centre to serve not only the residents generated but also residents in the vicinity.

The main issues raised by Canterbury Council in relation to retail demand and economic impact included:

- Council promotes a 'neighbourhood type retail centre'.
- Council seeks a reduction in the supermarket floorspace attributed to the site.
- The major concern remains with the creation of a new free standing town centre, similar in size to the likes of Lakemba Town Centre and Earlwood.
- The supermarket will operate to the detriment of existing centres
- A transfer of employment and retail capacity to a site that is not sufficiently serviced by public transport is not desirable.
- The site is not located on existing public transport routes and therefore is not the optimal location for commercial floorspace, bulky goods retailing, or supermarket retailing.
- The proposed is an 'out of centre' location around 2km from Campsie Town Centre.
- Difficulties and limitations in controlling and managing the type of land uses to ensure local objectives are not undermined.
- The proposal will impact on possible future development along Canterbury Road.
- The establishment of bulky goods retail centres in industrial zones is discouraged in the Metropolitan Strategy.
- In general economic development terms, it is preferable that the site remain as industrial uses.
- A business park model would be preferred, however it is recognised the site is constrained.

It is also noted that SGS Economics has been engaged by Council to undertake an Economic Development and Employment Lands Strategy for Canterbury LGA. It is understood the study is currently in draft form. SGS Economics made the following comments in relation to the proposal to inform Council's submission to the Department of Planning:

- Bulky goods will adversely impact on existing provision along Canterbury Road.
- Canterbury Road provides better attributes for bulky goods retailing (e.g. visibility, access, public transport).
- The site is not recognised as a centre. Given the proximity of the site to Campsie town centre, it is likely proposed retail will impact on existing provision.
- A supermarket on the site could potentially result in an increase in car trips (e.g. someone visiting the supermarket and then driving elsewhere to go to the bank).
- The site is not appropriate for a business park, given it lacks the attributes of a site suitable for such a use (e.g. poor visibility, limited public transport, not high profile).
- The Draft Economic Development and Employment Lands Strategy for Canterbury LGA recommends the site be changed to R3 Medium Density Residential. Seniors Living, included supported accommodation would be encouraged. The residential zoning would contribute to both residential dwelling and employment forecasts.

8. CONCLUSION AND RECOMMENDATION

8.1 Convenience Retail

The Macroplan report contains errors in many areas, particularly in relation to estimates on floor areas of existing supermarkets, turnover levels and impact assessment. There is a complete lack of transparency in the way impacts have been assessed and the results are clearly contrary to reasonable expectations and are contrary to Macroplan's own trade area analysis and expenditure modelling. Impacts on existing supermarkets in the locality (Campsie, Canterbury, Earlwood and Bexley North) are likely to be significantly higher than suggested by Macroplan with an average loss of turnover more than 20%.

Notwithstanding the level of impact there is an undersupply of supermarket space in the suburbs of Campsie, Clemton Park, Canterbury and Earlwood in the order of 5,000sqm. The 2,585sqm supermarket proposed will go some way to satisfying this undersupply.

The development proposes 4,000sqm of specialty store and convenience retail floorspace. MacroPlan did not comment or assess the impact of the specialties nor did MacroPlan consider impacts on whole of centres. Some centres such as the small villages on William Street were ignored. Notwithstanding this, if a supermarket was approved for this site, then there should be a component of specialties to complete its role as a convenience centre. Ideally a range of 10-25 specialties including a chemist and newsagent would ensure viability and sustainability of the centre.

Whilst it is recognised that demand is strong for another supermarket in the locality, the subject site has some deficiencies in terms of location. The subject site is not near a train station and access is via local streets.

Because of these deficiencies with location we draw attention to possible traffic related issues and land use conflicts but we have not commented on these as they are outside our area of specialised expertise.

We believe that the proposal can be considered positively and negatively under the new draft centres policy. One of the policy's principles is to reinforce the role of existing centres, but where there is a need to provide additional retail space in an area and opportunities are limited in the existing centres then a new centre or "out-of-centre" locations can be considered.

If the proposal was to proceed to this step we believe that the terms of reference should include an assessment of net benefits (or cost) from car trips (taking into consideration distances and vehicle operating costs) and a thorough investigation and appraisal of alternative locations generally within the 2.5km distance from the subject site.

8.2 Bulky Goods

As with their analysis on supermarkets Macroplan's calculations regarding impact assessment from the bulky goods component are not transparent. Again the results are wrong and inconsistent with expenditure and demand modelling.

It's likely the impacts are more significant than suggested in their Table 15. The likely impacts on Canterbury Road and the two Harvey Norman stores will be around 30% and 15% loss in trade respectively.

However there is strong evidence suggesting a significant undersupply of bulky goods floor space in the locality. As Hill PDA cannot reconcile the bulky goods expenditure calculations, we cannot deduce demand for bulky goods floorspace from the trade areas based on the MacroPlan report. Notwithstanding this, undertaking our own assessment of expenditure, Hill PDA considers the following:

- In 2011, population is forecast to reach 350,000 in MacroPlan's defined Primary, Secondary and Tertiary Trade Areas. These residents will generate around \$3.6b of total retail spend in 2011 based on \$10,200 of retail spend per capita.
- Of this, around 15% of total expenditure is spent on bulky goods retailers equating to \$540m. Based on an assumed turnover rate of \$3,700/sqm, around 146,000sqm of bulky goods will be demanded by the Primary, Secondary and Tertiary Trade areas. Leyshon Consulting suggests demand for around 250,000sqm.
- Table 7 of the MacroPlan report indicates there is around 90,000sqm of bulky goods floorspace within the trade areas suggesting a considerable current undersupply of bulky goods floorspace space.

Again the issue of whether the site is appropriate for bulky goods relates to a planning and traffic/transport one. We would recommend that traffic assessments, vehicle operating costs and assessment of alternative locations be undertaken to address this issue.

8.3 Commercial Office

The development proposes 5,948sqm of commercial office floorspace. However, there has been no attempt to calculate demand for office floorspace in this location, nor assess the impact of such floorspace on existing town centres in the locality.

Furthermore, it is unclear as to the type of commercial proposed. Ideally local services that require commercial suites (e.g. accountant, lawyer, real estate agent) are either located in a shop front or in shop top accommodations.

In addition, the proposal is unlikely to attract a business park type tenant given the location, adjacent quality of industrial development, lack of surrounding amenity and lack of critical mass with less than 6,000sqm proposed.

If office space is approved on the subject site the following principles should be considered:

- The economics of the suburban office market are quite fragile and incentives like reduced parking may be required to stimulate development.
- Office space primarily should be located in commercial/retail centres. The new Standard LEP Template limits retail and office activity to core commercial and mixed use zones, business development zones and in some circumstances enterprise corridors.
- Business parks should only permit businesses that require large floor plates (more than 1,000sqm), and are linked with research and technology or require storage/warehousing component. Those businesses that are purely office related (i.e. accountants, solicitors, etc) should not be encouraged in commercial/retail centres to help support the viability of those centres and accord with land use / transport integration principles.
- At the rezoning or development application stage, an assessment should be undertaken to justify their location. It also should include an impact statement with regards to the established centre hierarchy, and its use of existing and proposed infrastructure.

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This report and its attached appendices are based on estimates, assumptions and information sourced and referenced by Hill PDA. We present these estimates and assumptions as a basis for the reader's interpretation and analysis. With respect to forecasts we do not present them as results that will actually be achieved. We rely upon the interpretation of the reader to judge for themselves the likelihood of whether these projections can be achieved or not.

As is customary, in a report of this nature, while all possible care has been taken by the authors to prepare the attached financial models from the best information available at the time of writing, no responsibility can be undertaken for errors or inaccuracies that may have occurred both with the programming or the financial projections and their assumptions.

This report does not constitute a valuation of any property or interest in property. In preparing this report we have relied upon information concerning the subject property and/or proposed development provided by the client and we have not independently verified this information excepted where noted in this report.

