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WARNERVALE TOWN CENTRE – PROPOSED CENTRE SIZE

This letter provides an independent assessment of the economic benefits that would be generated by the development of the planned Warnervale Town Centre in the Wyong Shire on the Central Coast of New South Wales. In addition, the proposed size of the centre is now slightly larger than previously envisaged and this letter presents key reasons justifying the expanded centre size.

Background

The Warnervale Town Centre is bounded by Hakone Road to the North, Hiawatha Road to the east, Sparks Road to the south and extends west of the Great Northern Railway Line. Wyong Shire Council commissioned a Retail Centre Strategy review prepared by Leyshon Consulting in September 2007. That report outlined a future retail strategy for Wyong Shire including notional floorspace for various centres within the retail hierarchy.

In relation to Warnervale Town Centre, the Retail Strategy Review indicated a centre of 25,000 sq.m of retail floorspace as being supportable. In addition, non-retail floorspace is identified as contributing at least a further 10% of floorspace to each of the centres. At Warnervale, therefore, a centre of around 27,500 sq.m was envisaged. The Wyong Retail

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Strategy, however, did not consider other uses that would typically locate in a Town Centre as compared with an enclosed shopping centre such as cinemas, commercial offices, gymnasiums and taverns.

Proposed Development

The key land owner in the Warnervale Town Centre, Fabcot Pty Ltd, is now proposing a development comprising around 45,000 sq.m of floorspace. A diverse mix of uses is proposed comprising retail and non-retail uses such as commercial offices, gymnasium, tavern and cinemas. The wide mix of uses reflects the typical mix in a Town Centre development.

In summary, the Town Centre is likely to comprise:

- A Big W discount department store.
- Woolworths and Aldi supermarkets.
- Mini-major tenants such as electrical traders such as JB Hi-Fi, small apparel traders such as Best & Less and possibly a large food operator.
- Retail and non-retail specialty shop floorspace.
- Commercial offices.
- Bulky goods stores.
- Gymnasium.
- Tavern.
- Cinemas.

The development will be a Town Centre development, based on street retailing. There are a number of examples of street based retail centres developed throughout Australia, all of which typically include a larger provision and mix of floorspace including specialty shops than enclosed centres due to the street based design of the centre.

In relation to the traditional retail centre component comprising the discount department store, supermarkets, mini-major stores and retail specialty shops, the proposed provision is around 30,000 sq.m (including some non-retail shops such as travel agents, etc who would also form part of the traditional retail component). The remaining 15,000 sq.m comprises the commercial offices and leisure/entertainment facilities such as cinemas, tavern and gymnasium.

Table 1 details the composition and size of other Town Centres anchored by a single discount department store provided throughout Australia in the past few years. These include Orion Springfield in Brisbane, Gungahlin Town Centre in Canberra and Point Cook Town Centre in Melbourne. The provision of floorspace relates to the traditional retail component at street level and excludes taverns, gymnasiums, cinemas, etc.

As indicated, each of the centres comprises more than 30,000 sq.m of traditional retail space reflecting the Town Centre style design based on streets resulting in a larger amount of specialty floorspace. A typical single discount department store centre in Australia, in an enclosed format, comprises around 20,000 sq.m of floorspace. The total specialty shop provision in Town Centres is over 100 stores as compared with 60 stores in an enclosed centre format.

The additional 5,000 sq.m of traditional retail floorspace as now proposed at Warnervale Town Centre as compared with the Retail Strategy Review prepared in September 2007 (30,000 sq.m as compared with 25,000 sq.m), therefore, is minimal, taking into account recent trends in Town Centre developments.

Lake Haven

As a further guide to demand for retail floorspace at Warnervale, which is designated as a District Centre in the Wyong Retail Strategy, a review of the performance of Lake Haven Shopping Centre is provided. Lake Haven Shopping Centre is currently the major District Centre in the Northern Wyong area.

This centre is approximately 32,500 sq.m in size, achieving sales of $265.4 million. The average trading level as detailed in the Shopping Centre News publication (Little Guns 2010) was just over $8,000 per sq.m. This compares with the estimates in the Wyong Retail Strategy of around $5,000-$5,500 per sq.m for District Centres. The very strong trading performance of the Lake Haven centre (more than 60% above benchmarks) indicates a substantial demand for further retail floorspace in this Warnervale/Lake Haven area.

Population Growth

The Wyong Shire Retail Strategy is based on population growth projections prepared in 2005. More recent projections of population growth prepared in 2010 for Wyong Council indicate a slightly lower population in the Shire over the next 25 years as compared with previous projections. In relation to the retail provision at Warnervale Town Centre, however, the demand for retail floorspace exists today and, therefore, the slightly lower longer term population projections do not influence the floorspace which is required as part of its development.

The Wyong Retail Strategy also identified 15,000 sq.m of floorspace being supportable at Warnervale in a first stage between 2006 to 2011. This time has now passed with no development having started at the Warnervale site. The Stage Two expansion of Warnervale was envisaged sometime after 2016, increasing the total centre to 25,000 sq.m. It is now likely that the opening of the centre would be around 2016, meaning the total traditional retail component of 30,000 sq.m is now supportable in one stage.

Summary

In summary, there is clear demand for the slight expansion of the traditional retail component of the Warnervale Town Centre from 25,000 sq.m to 30,000 sq.m taking into account the following factors:

- The passage of time since the original Stage One development was meant to occur and no development has proceeded at the site.
- The continued strong trading performance of Lake Haven Shopping Centre.
- The continued rapid population growth in the Northern Wyong area.
- The evolution of retail centres including Town Centres comprising a larger provision of street based retailing.

Economic Benefits

The development of the planned Warnervale Town Centre will result in a range of important economic benefits. These key positive employment and consumer impacts will include the following:

- The provision of a wider range of shopping and leisure/entertainment facilities for local residents, including a discount department store, a major full-line supermarket, a discount supermarket and a provision of mini-major and retail specialty floorspace together with entertainment/leisure facilities such as a gymnasium, cinemas and tavern in a convenient location.
- The reduction in travel time and petrol cost savings for the population to frequent larger retail facilities and particularly a discount department store, a major full-line supermarket and a range of retail specialty shops.
- Price competition with more options available for consumers.

- The retail component of the development at 30,000 sq.m is projected to employ around 1,399 persons as summarised in Table 2. Taking a conservative view and allowing for an estimated 10% of the total increase to be as a result of the reduced employment at existing retail facilities, the net additional jobs are estimated at 1,259.

- The additional 1,259 permanent retail employees would earn an average annual wage of around $28,800 as sourced from the ABS. This represents an additional $36.3 million in salary and wages for the local economy, directly as a result of the retail component of the development.

- Further jobs would be created from the supplier induced multiplier effects as a result of the retail jobs for the on-going running of the retail component of the Warnervale Town Centre as well as from the construction of the development. Jobs created include both full-time and part-time positions. In total, some 1,195 jobs are projected to be created in the broader community, based on ABS Input/Output Multipliers (refer Table 3).

- The Warnervale Town Centre will create a substantial number of additional jobs, both for the construction and related industries during the construction phase of the development and for the economy generally once the development is completed.

- The estimated total capital costs for the construction of the development are $154.0 million. By using the appropriate ABS Input/Output Multipliers that were last produced in 1996/97 and a deflated estimated total capital cost of construction of $120.9 million (i.e. in 1996/97 dollars), it is estimated that the construction period of the Warnervale Town Centre would create some 817 jobs (refer Table 4).

- The additional construction jobs (817), will result in a further 1,356 jobs in the broader community based on ABS Input/Output Multipliers (refer Table 3).
- The creation of jobs is particularly important within the Wyong Shire which includes Warnervale, Wyong, Tuggerah, Bateau Bay, Toukley and Summerland Point. The unemployment rate for the Wyong Shire is 8.3% (September 2010). The level of unemployment is significantly higher than the balance of New South Wales and the national averages of 5.5% and 5.3%, respectively.
- Retail trade accounts for some 14.6% of all jobs in the Wyong Shire as compared with 12.3% for the balance of New South Wales and 11.3% for Australia. Retail is an important employer in non-metropolitan locations and will continue to be in the future.
- Retail jobs are also the largest provider of youth employment. As such, the Warnervale Town Centre would not only increase the number of employment opportunities in the region but would also specifically generate youth employment opportunities which are currently limited in the surrounding area. This will be important for the region, and particularly the immediate population, which is a young, family based population.
- Additional jobs would also be created in the tavern, offices, gymnasium and cinemas.

Yours Sincerely

Gavin Duane
Director
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TABLE 1 – TOWN CENTRE DEVELOPMENTS COMPOSITION AND SIZE

Categories	Town Centres Orion Springfield	Point Cook	Gungahlin TC	Typical Single DDS Centres*
Centre Size (sq.m)	32,651	36,597	33,100	20,802
Estimated MAT ($M)	153	160	180	127
Major Tenants				
• Non-Food	Big W	Target	Big W	
• Food	WOW, Aldi	Coles, Aldi	WOW, Coles	
Size of Major Tenants (sq.m)	13,582	15,787	16,273	11,927
No. of Mini-major and specialty Tenants	114	147	130	60
Size of Mini-major and Specialty Tenants (sq.m)	19,069	20,810	16,827	8,875

** Urbis Averages 2009/10*
Source: Big Guns; PCA

TABLE 2 – ESTIMATED EMPLOYMENT IMPACT

Type of Use	Estimated Employment Per '000 sq.m	Warnervale TC Change in GLA (sq.m)	Warnervale TC Employment (persons)
DDS	27	8,044	217
Supermarket	50	5,550	278
Mini-majors	20	2,000	40
Retail Specialty Shops	60	14,406	864
Total Centre[1]		**30,000**	**1,399**
Net Increase[2]			**1,259**

1. Excludes non-retail components.
2. Net increase includes an allowance for reduced employment levels at impacted centres estimated at 10% of the total increase

TABLE 3 – ESTIMATED EMPLOYMENT IMPACT

Original Stimulus	Direct Employment	Supplier Employment *Multiplier Effects*	Total
Centre Employment[1]	1,259	1,195	2,454

** Employment totals include both full-time and part-time work*
1. Indicates the estimated number of net additional ongoing jobs as a result of the proposed development
Source : Australian National Accounts: Input-Output Tables 1996-97

TABLE 4 – ESTIMATED CONSTRUCTION EMPLOYMENT IMPACT

Original Stimulus	Estimated Capital Costs ($M)[1]	Direct Employment	Supplier Employment *Multiplier Effects*	**Total**	
Construction of Project	120.9	847	1,356	2,203	Job Years[2]

** Employment totals include both full-time and part-time work*

1. Adjusted by inflation and productivity to 1996/97 Dollars

2. Indicates the estimated number of jobs over the life of the construction project plus ongoing multiplier effects, for the equivalent of one year

Source : Australian National Accounts: Input-Output Tables 1996-97