APPENDIX I   INDEPENDENT RETAIL IMPACT ASSESSMENT

Peer review of Rozelle Village Retail and Economic Assessment

Final report

Department of Planning and Infrastructure

February 2013

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Independent insight.

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KEY FINDINGS AND SUMMARY

Key findings

SGS Economics and Planning was commissioned by the Department of Planning and Infrastructure (DP&I) to undertake a peer review of the EIA for a Part 3A mixed use development in Rozelle to redevelop the Balmain Leagues Club site and adjoining lands, with a particular focus on the adequacy of the retail and economic assessment prepared by Urbis.

Overall, SGS suggests that the proposal provides a supportable supermarket alternative to Balmain in the trading area. The proposed retail development is broadly consistent with centres policy in that it is located immediately adjacent to an existing shopping strip at Darling Street (and is consistent with the zone). It has the potential to boost the performance of the existing centre by the addition of an anchor use such as a supermarket. The challenge is to ensure it effectively integrate it with Darling Street so that the centre works as a whole.

An independent analysis by SGS suggests the proposed supermarket development and the proposed 'mini-major' if occupied by a large grocer (for example, Harris Farm, Norton Street Grocer) which replicates many supermarket offerings, appears supportable. This finding is in line with Leyshon's report for Council and the Leichhardt Retail Needs Study.

SGS agree with Urbis' conclusion that the impacts from the development on Darling Street, Balmain are manageable. Balmain is robust, with a relatively self contained catchment and a supermarket anchor to 'lock in' linked expenditure in nearby specialties together with an enduring 'boutique' appeal which extends to north east Darling Street, Rozelle.

However, the impact of the development at opening on the existing shops in that part of Darling Street, Rozelle south west of Victoria Road, even though numerically modest (estimated to be in the order of -6 percent of turnover), may heighten an already difficult trading performance. Such an impact could lead to further vacancies and declines in amenity (even with modest growth in the trading catchment thereafter), unless the development is effectively integrated into and leverages benefits for the existing centre and strip shops along Darling Street, south west of Victoria Road.

To enhance prospects for integration and moderate what might be a potentially negative impact on south west Darling Street it is suggested that:

— The amount of specialty shops be reduced to around 2000 sqm, rather than the proposed 2700 sqm, given the supportable floorspace from expenditure within what is a relatively self contained and 'local' catchment (currently underprovided with an effective retail centre) around south west Darling Street. With this amount of floorspace in the centre, and assuming design modifications which better integrate the development, the turnover for the existing specialties might increase by around $5m or about 25 percent, rather than decline by 5 to 6 percent as identified earlier. It should be noted that these suggestions are made from a community benefits and physical development perspective, and are not about limiting competition. In our view reducing the proposed specialty floorspace in the development would enable the south west Darling Street centre to function more successfully overall, with greater cohesion and better utilisation of existing assets and services.

— The development be reconfigured to ensure it is fully integrated with the adjacent centre in south west Darling Street. The aim should be to make connections to the street, including from basement car parking, as direct (and short) as possible, and have a critical mass of the retail floorspace on the ground level accessible by pedestrians from Darling Street and other adjacent streets.

Summary of the retail assessment peer review

Site Context and Development Details

The plans for the development indicate a food court area of 500 sqm on the ground level. It is not clear whether these are included in the total retail floorspace of 7860 sqm.

Market Assessment

The PTA and STA defined by Urbis have a reasonable logic but are ultimately guesses, with no real meaning in any case given that no 'shares' of expenditure capture are attributed to the PTA or the STA and no distinction in shares is made between them. However, these shares of expenditure can be derived from later figures. The lack of clarity around the logic for the PTA and STA is not a material consideration.

Trade area household expenditure

The higher per capita assumed spending within the MTA is logical given the higher than average socio-economic status of the residents in the MTA, but this information is not ultimately used in the analysis of turnover rates assumed in the analysis later in the report. It would also be good to know how much higher the F & G spend per capita is, as this would affect the potential turnover rates for the proposed supermarket.

Existing retail provision

The list of competing centres is extensive. It is unlikely to extend to Burwood Westfield but probably should extend to Gladesville which is 6 kilometres and only 5 to 10 minutes away on Victoria Road and includes a Coles supermarket.

Quantification of the type of tenancies is incomplete (the shares of different tenant types do not equal 100 percent) and this limits the analysis and the characterisation of the centres.

In reality the strip centre to the south west of Victoria Road is separated by traffic and function from north west Darling Street and Balmain. From SGS's own analysis from a land use and limited rent survey this south west Darling Street centre has a high number of vacancies and lower rents than elsewhere on Darling Street (north west of Victoria Road). In SGS's opinion south west Darling Street is a peripheral centre without a key retail anchor or focus, and is cut off from the livelier north east section of Darling Street, and 'underperforms' as a result.

Need and demand

Urbis suggest the following principle to assess the need for a development

"The residents of an area should be provided with the broadest range of conveniently located retail facilities and services which the market can support, at the earliest possible time without jeopardising the sustainability of other centres in the network which are adequately fulfilling consumer needs."

In general this principle is difficult to argue with, though it says nothing about how a development such as this should integrate with the surrounding area, to provide wider community benefits (beyond the retail need question), when it comes to assessing net new proposals for floorspace.

In relation to Urbis' indicators of 'need and demand' SGS agrees that the proposal provides a supermarket alternative to Balmain and is appropriately located adjacent to Darling Street given centres policy and desirable approaches to centres design in general by embedding an anchor use such as a supermarket in the centre. The challenge will be to ensure it effectively integrates with Darling Street so that the centre works as a whole, and this is principally a design issue.

The use of a 2.2 sqm of retail per capita benchmark is not relevant as the MTA does not contain all the retail floorspace that is typically included in such a benchmark (e.g. department stores). It would therefore be expected that per capita retail floorspace provision would be less than 2.2 sqm in the MTA.

Using a Sydney average benchmark for supermarket floorspace provision is somewhat tenuous given the variety and diversity of food and grocery formats on offer in inner Sydney. Nevertheless the provision of supermarket floorspace in the MTA is less than the average in the eastern suburbs (as calculated by SGS), with a broadly similar income and

socio-economic profile as the MTA, indicating that using this broad indicator there probably is scope for additional supermarket or similar type floorspace in the MTA as argued in the Urbis report.

An independent analysis by SGS suggests the proposed supermarket development and the proposed 'mini-major' if occupied by a large grocer (for example, Harris Farm, Norton Street Grocer) which replicates many supermarket offerings, appears supportable. Even after the proposed supermarket and 'mini-major' floorspace is included with the existing supermarket floorspace in the MTA, there is an excess of supportable floorspace given the available expenditure. These findings are in line with the Leichhardt Retail Needs Study.

Given the apparent 'undersupply' of retail in the MTA, and the above average available expenditure, the 8.1 percent of MTA expenditure to be captured by the development calculated by Urbis would appear to be particularly modest and a likely under-estimate.

Urbis' rationale for lower turnover rates for the supermarket and speciality stores is somewhat thin. Elsewhere Urbis suggested that even with the proposed supermarket, available turnover rates for supermarkets could be above $12,000 per sqm. If these figures are correct it seems difficult to believe that the proposed supermarket would trade at around the average of $10,330 per sqm. It is also unlikely that in a new supermarket anchored centre the speciality shops would also trade so poorly, and well below average turnover rates (though we do agree that the design of the centre does not optimise the potential for these stores). At the very least it would seem appropriate from the developer's perspective that the design be reconfigured to improve this performance.

SGS has undertaken two sensitivity tests using higher and more realistic turnover rates for both the supermarket and the specialty shops. At these higher turnover rates the centre turns over up to $71.6 m compared to the Urbis estimate of $65.7m (8.9 percent more). In our view this higher figure is more realistic.

Retail impact assessment

Though there is a lack of clarity as to the origins of the turnover figures for different centres in the Urbis report, they are plausible and have not been fundamentally challenged by the other retail assessments.

Given the figures utilised, the spread of impacts across competing centres also appear appropriate with around 40 percent leakage to areas beyond centres in the Main Trade Area or very nearby.

Using a more realistic and higher total turnover result (of $71.6m) for the development the estimated impact on Darling Street, Balmain stretches to -12.3 percent (from -11.3 percent assumed by Urbis) while the impact on Darling Street, Rozelle expands to -6.2 percent (from -5.7 percent). While these are modest increases they need to be seen in the context of the current trading performance of the centres.

SGS agree with Urbis' conclusion that the impacts from the development on Darling Street, Balmain are manageable. Balmain is robust, with a relatively self contained catchment and a supermarket anchor to 'lock in' linked expenditure in nearby specialties together with an enduring 'boutique' appeal which extends to north east Darling Street, Rozelle. Given its strong trading performance impacts of up to -12 percent are not likely to reduce its long term viability nor lead to excessive vacancies, declines in amenity and local investment, altered and excessive trip making patterns and additional servicing costs..

However, impacts on Darling Street, Rozelle, particularly south west of Victoria Road, though numerically modest (up to say -6 percent) have the potential to impact on an already difficult trading performance, as identified by SGS earlier in this report (and reported by Leyshon in discussions with local real estate agents) and, potentially, lead to further vacancies and declines in amenity, unless the development is effectively integrated into and leverages benefits for the existing centre and strip shops along Darling Street.

Urbis note that the *'proposed development will also significantly enhance the overall retail offer and critical mass of activity within the Rozelle Darling Street Precinct'.* The numbers as presented do not show this, but the prospect is available with an appropriately sized and designed centre.

SGS's own independent analysis is broadly consistent with the findings in Leyshon's report for Council and the Leichhardt Retail Needs Study 2006, particularly in relation to supermarket floorspace, and in general terms the proposal is consistent with the Retail Study. However, there is still a need to ensure that the development effectively integrates with and supports the existing centre at Rozelle.

It should be noted the impact from the expenditure of households in the proposed residential component of the development (311 units) is modest and could be argued to have been accommodated in the growth projections in

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any case. As a minor point it would nevertheless be useful to encourage new residents in the development to use the local shops. The design of the development and reducing rates of car parking provision (to encourage local shopping activity) might be considered to facilitate this.

SGS agree with Urbis that any negative impacts on existing centres from the proposed development at the time of opening will be somewhat offset over time by growth in resident expenditure in the catchment. However, the projected growth in the population in the catchment is relatively modest and should not be relied upon to 'save' a centre (such as south west Darling Street, already trading poorly) whose turnover and general prospects might be negatively affected by the proposed development.

Employment generation

With so many technological improvements over time, it is unlikely that 1337 FTE construction jobs – calculated using 1996-97 Input Output Tables - will be required. An estimate using the most recent ABS IO tables (custom built by SGS Economics and Planning for metropolitan Sydney) suggests that a development of this scale might require only about 860 FTE construction employees.

The Urbis report argues that the direct and indirect jobs supported by the development could be up to 4,050. As acknowledged in the Urbis report we believe this is optimistic.

Furthermore, while there may be a spike in jobs associated with the development within the local economy, from a state or city-wide perspective, there is perhaps not going to be any net addition to employment, at least as far as the operations phase of the development is concerned, because the new employment at the Village in effect just shifts jobs from elsewhere (those centres identified as having a reduced turnover after this centre commences trading).

Summary of suggestions for enhancing the south west Darling Street centre

A key finding from the review of Urbis' retail and economic impact analysis is that the impacts from the proposed development on south west Darling Street need to be managed effectively, to moderate what might be a potentially negative impact. The aim here is to:

1. Ensure the size of the development is appropriate given the supportable floorspace from expenditure within what is a relatively self contained and 'local' catchment (currently underprovided with an effective retail centre).

2. Reconfigure the development to ensure it is fully integrated with the adjacent centre in south west Darling Street so, in effect, the specialties in both the new development and in Darling Street are able to trade successfully.

Each of these is considered in turn below.

Supportable floorspace for an integrated local centre

In practice, given local traffic constraints, sentiments and congestion the south west Darling Street centre anchored with a supermarket will be the focus for a relatively contained local catchment. Victoria Road acts as quite a significant barrier. The Balmain peninsula north and east of Victoria Road is likely to be more oriented toward the centre at Balmain.

According to a broad estimate of the equivalent specialty floorspace required in the integrated Rozelle Centre to sustain the average level of retail turnover for specialty shops in a single supermarket centre around 2000 sqm of specialty floorspace in the development, rather than the proposed 2700 sqm, is likely to be supported.

With this amount of floorspace in the centre and the existing Darling Street strip, and assuming design modifications which better integrate the development, the turnover for the existing specialties might increase by around $5m or about 25 percent, rather than decline by 5 to 6 percent as outlined in the earlier analysis.

It should be noted that these suggestions are made from a community benefits and physical development perspective, and are not about limiting competition. In our view there is too much specialty floorspace proposed in

the development and reducing it would enable the centre to function more successfully overall, with greater cohesion and better utilisation of existing assets and services.

Enhancing integration

Two principles that, in our view, should be adopted to ensure the development effectively integrates with Darling Street include:

- **Make connections to the street, including from basement car parking, as direct (and short) as possible,** in the current case for example minimising the walking trip distance between the car parks and Darling Street and ensuring the travelators or walkways from lower levels discharge patrons toward Darling Street (as is the case at Norton Street Plaza in Leichardt). Also, only one connection to Darling Street is proposed. An overall urban and public domain design study design for the Rozelle centre might identify additional ways to connect to adjacent streets, for example with pedestrian connections to Waterloo Street and Victoria Road via a lane to the rear of the Darling Street shops.

- **Have a critical mass on the ground level accessible by pedestrians, for example** in the current development the proposed mini-major grocer should be easily accessible by pedestrians from Darling Street and thereby 'read' like a continuation of the Darling Street frontage. The number of specialty shops below ground level should be minimised.

Irrespective of whether it is a new centre or an existing one, additional principles relevant to retail development design can be identified. These include scale (for example, compact street blocks to facilitate walking and active frontages), diversity (for example, activating rear and side lanes and streets), access to light and air (recognising the natural attraction of lit spaces) balanced with weather protection and the continuity, legibility and coherence of the public domain. All of these approaches should be reflected in the proposed development at Rozelle where possible.

1 INTRODUCTION

1.1 Background

Urbis was commissioned by Rozelle Village Pty Ltd to provide a retail and economic assessment as part of an Environmental Assessment (EA) for a Part 3A mixed use development in Rozelle to redevelop the Balmain Leagues Club site and adjoining lands. The original EA was included in the Part 3A application for the development, which proposed a retail centre of around 10,000 sqm including a supermarket of 3,315 sqm. The NSW Department of Planning and Infrastructure (DP&I) responded to the application, citing a number of concerns covering traffic and design issues as well as the impact of the proposed retail component.

Questions were also raised, in two peer review documents, about the assumptions used in Urbis' report. One peer review was commissioned by a developer who owns an affected shopping centre in the trade catchment[1] and the other review was commissioned by the Leichhardt Municipal Council[2]. Changes were made to the design of the proposal, with the resultant configuration including a retail centre of around 7860 sqm containing a supermarket of 3100 sqm. An amended retail and economic assessment report was completed by Urbis in support of the amended retail numbers and reconfigured design.

1.2 Scope of the study

SGS Economics & Planning has been commissioned by Department of Planning and Infrastructure (DP&I) to undertake a peer review of the Urbis retail and economic assessment. The scope of the peer review is to:

- *Attend an inception meeting with the Department.*
- *Become familiar with subject site, proposal and issues through:*
    - *site visit;*
    - *review of Proponent's Environmental Assessment (EA);*
    - *review of Council and Agency submissions to the EA; and*
    - *review of Department's Issues Letter (8 August 2012) responding to the EA and public exhibition*
- *Review of Proponent's Preferred Project Report (PPR) in light of retail and economic impact issues raised within the Department's Issues Letter, ensuring all issues are addressed in the response.*
- *Review the adequacy of the retail assessments prepared by Urbis and Inspire on behalf of the Proponent, including:*
    - *a critical review of the estimated annual returns;*
    - *review the appropriateness of the identified Trade Area;*
    - *review the apportionment of sales within and outside the trade area and the likely resultant impact on existing local businesses.*
- *This assessment should be undertaken having regard to agency and public submissions, including those of Leyshon Consulting, Ingham Planning and Duane Location on the retail component of the proposal.*
- *Independently assess and determine the potential impact on the viability of the proposal and the existing local businesses.*
- *Assess the appropriateness of the employment multiplier adopted in the economic analysis and its effect on final employment projections and potential jobs yield.*
- *Recommend any deliverable solutions which would minimise adverse economic impacts on local businesses.*

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[1] Duane Location IQ (June 2012) Rozelle Village, Sydney Review of Economic Impact Assessment, prepared for Abacus Property Group

[2] Leyshon Consulting Pty Ltd (June 2012) Advice to Leichhardt Municipal Council – Proposed Redevelopment of Balmain Leagues Club Site, Prepared for Leichhardt Municipal Council

- *Consider comments from Council and agencies in relation to economic impacts.*
- *Attend meetings, briefings and hearings with the Department and the Planning Assessment Commission as required.*
- *If required, review and evaluate any future submissions and technical reports relating to economic impact assessments that may be submitted as part of the application process.*

We have reviewed the material referred to above, with particular attention to the Urbis retail assessments study and also the Leyshon and Duane Location IQ reports which focus on economic impact.

The report contents include:

- SGS's review of the proponent's economic assessment (the Urbis study), in section 2
- Ideas on how the proposed development could be modified to mitigate the potential impact on the south west Darling Street in section 3
- A conclusion including key findings in section 4.

2 PEER REVIEW OF RETAIL MODELLING

The Urbis report comprises a number of key sections as detailed below. This peer review focuses on the assessment of the retail modelling assumptions and SGS Economics and Planning's comments are included at the end of each sub-section.

2.1 Site Context and Development Details

In this section of the Urbis report the retail component of the mixed retail, residential, commercial and leisure proposal is described as follows.

The retail component of the scheme will provide around 7860 square metre of retail floorspace, notionally configured over two podium layers as follows:

- *a 3100 square metre supermarket*
- *a mini-major retailer (assumed to be a large green grocer), providing around 1980 square metres of floorspace*
- *specialty retail including a mix of shops, cafes, restaurants and services provision totalling approximately 2780 square metres, and*
- *a limited amount of shop floorspace (assumed to include an additional 155 square metres 'non-retail' floorspace) that would most likely be used by non-retail businesses such as real estate agents.*

Other commercial and leisure uses including a gym, child care centre and medical centre are proposed. The Urbis report assumes that the retail development will open in 2015 and complete its first full year of trading by 2016.

> **SGS Economics and Planning comment:**
>
> There is no distinction within the plans or description between GLA and GFA in the description of floor areas. It is assumed the references are to GFA.
>
> The plans for the development indicate a food court area of 500 sqm on the ground level. It is not clear whether these are included in the total retail floorspace of 7860 sqm.

2.2 Market Assessment

Trade Area Identification

Urbis defines the Trade Area as the area in which an existing or proposed centre or retailer is most likely to draw customers. A number of factors that Urbis considered in defining the trade catchment for the proposed Rozelle Village include:

- *the strength, range and appeal of the subject centre;*
- *the proximity, composition and quality of competing retail facilities;*
- *the presence of similar retail centres as well as the general provision of retail space within the area;*
- *the accessibility of the centre including the road and transport network, as well as access to ample parking; and*
- *physical barriers such as freeways, rivers/lakes, bushland and drive times.*

It is suggested that the Main Trade Area (MTA) for the proposed Rozelle Village retail development is delineated by the geography of Sydney Harbour and the arterial road network. The defined PTA and STA of the proposed Rozelle Village development is shown in Figure 1 or Figure 4 in the Urbis report).

FIGURE 1 *(FIGURE 4)* TRADE AREA AND COMPETITION MAP

ROZELLE VILLAGE
COMPETITION
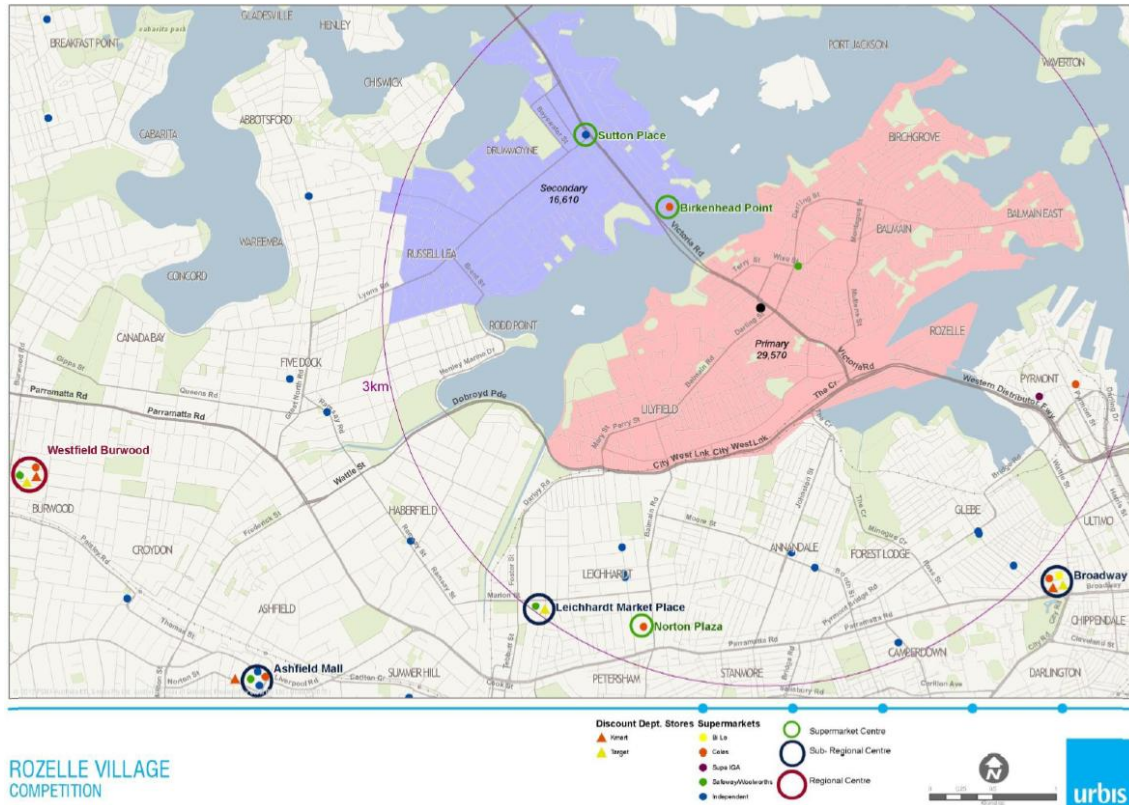
Source: Urbis, 2012.

The Main Trade Area's population as of 2011 is estimated to be 46,180. The Primary Trade Area (PTA) area accounts for almost 65 percent of this with 30,090 residents. By 2016 the MTA is forecast to comprise of 47,820 residents. The MTA population growth rate is forecast to be 49,670 by 2026.

The PTA includes suburbs within the Balmain peninsula including Balmain, Birchgrove, Rozelle and parts of Lilyfield. The Secondary Trade Area (STA) comprises the suburb of Drummoyne and parts of Russell Lea.

SGS Economics and Planning comment:

The PTA and STA defined by Urbis have a reasonable logic but are ultimately guesses, with no real meaning in any case given later unexplained assumptions about the share of expenditure that 'leaks' from the MTA (combination of PTA and STA). No 'shares' of expenditure capture are attributed to the PTA or the STA and no distinction in shares is made between them. From here on the MTA is the key reference, which raises the question of why both a PTA and STA were defined.

There is no reference to traffic movements and congestion in the area surrounding the site. These will also impact on the trade area potential. Crossing Victoria Road from Balmain and entering the car park is constrained due to right turn restrictions and local congestion. Areas beyond Drummoyne along Victoria Road – Gladesville in particular – might also figure in the wider trade area given the extensive afternoon westward traffic which the development could attract. In reality, assuming a well functioning development, an area predominately to the south-west of Victoria Road between the City West Link Road and the water will be the core catchment for the development, with some leakage north of Victoria Road and west towards Drummoyne and Gladesville.

Trade Area Population

Urbis has prepared population forecasts for the defined trade area using the following nominated sources:

- *Information from the 1991, 1996, 2001, 2006 and 2011 Census of Population and Housing*
- *New Dwelling Approvals (NDAs) in the region over the ten years to September 2011*
- *Official population projections published in April 2010 by the New South Wales Department of Planning as well as the NSW Draft Subregional Strategy*

- *Travel zone population forecasts provided by the NSW Bureau of Transport Statistic, and*
- *Forecast ID suburb-based projections prepared for the City of Canada Bay.*

Table 1 shows the assumed forecast population for the defined trade areas of Rozelle Village.

TABLE 1 *(TABLE 1)* MAIN TRADE AREA POPULATION, 2001-2026

ROZELLE VILLAGE, 2001-2026

Trade Area Sector	Estimated Residential Population[1]					
	2001	2006	2011	2016	2021	2026
Primary Trade Area						
• Primary	26,250	27,440	29,570	30,860	31,510	32,010
Secondary Trade Area						
• Secondary North	15,220	15,170	16,610	16,960	17,360	17,660
Main Trade Area	**41,470**	**42,610**	**46,180**	**47,820**	**48,870**	**49,670**

Average Annual Change (No.)

	2001-06	2006-11	2011-16	2016-21	2021-26
Primary Trade Area					
• Primary	238	426	258	130	100
Secondary Trade Area					
• Secondary North	-10	288	70	80	60
Main Trade Area	**228**	**714**	**330**	**210**	**160**

Average Annual Change (%)

	2001-06	2006-11	2011-16	2016-21	2021-26
Primary Trade Area	**0.9%**	**1.5%**	**0.9%**	**0.4%**	**0.3%**
Secondary Trade Area					
• Secondary North	-0.1%	1.8%	0.4%	0.5%	0.3%
Main Trade Area	**0.5%**	**1.6%**	**0.7%**	**0.4%**	**0.3%**

Source: Urbis, 2012.

> **SGS Economics and Planning comment:**
>
> Urbis needs to clarify how the population forecasts above were prepared using the combination of the sources noted in the EIA. SGS would adopt the August 2012 release of the Bureau of Transport Statistics (BTS) population forecast for the trade area. According to this latest official population forecast, the defined MTA is expected to accommodate around 46,008 residents by 2016. This is 1,812 lower than the figure reported by Urbis, which ultimately will mean Urbis' retail expenditure estimates will be a little optimistic, with the resultant impacts from the development therefore slightly lower, though the variation is not significant.

2.3 Trade area household expenditure

Per-capita retail expenditure

The per-capita retail expenditure for the PTA and MTA were derived using MarketInfo, a micro-simulation model developed by MDS Market Data Systems Pty Ltd. This model is based on information from the ABS Household Expenditure Survey (HES) as well as other information sources that provide up-to-date information about changes in spending behaviour and/or income levels (i.e. ABS National Accounts, Australian Taxation Statistics, etc). Urbis has also used the 2011 Census and population forecasts to determine retail spend per person in the MTA. The MTA and PTA have per capita retail spend levels that are **27 percent** and **31 percent** higher than the Sydney average, respectively (Figure 2).

FIGURE 2 *(FIGURE 5)* TRADE AREA RETAIL SPEND PER CAPITA ($2012)

ROZELLE VILLAGE TRADE AREA ($2012, EX. GST)
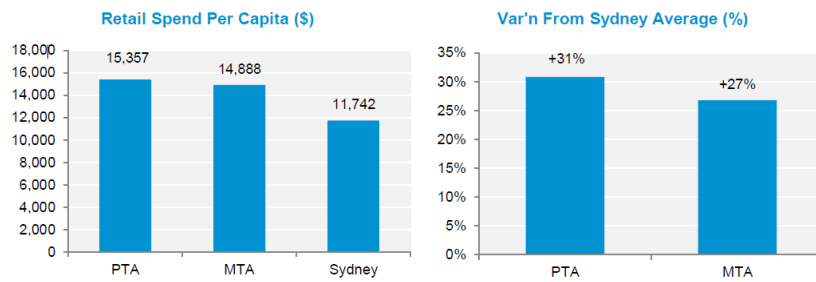
Source: Urbis, 2012.

The EIA assessed various sub-categories of retail expenditure relevant to the development (Table 2 and Table 3). The total retail expenditure for these categories was derived by multiplying the per capita spend by the population within the catchment. Highlighted figures include:

Food and Grocery (the category most relevant to supermarkets): $219.7 million (2012) rising to $229m in 2016, and if Liquor is included the total Food, Liquor and Grocery spend is $265m in 2012 rising to $277.4m by 2016. Department Store Type Merchandise: $274.8 million (2012) rising to $304.4m in 2016.

The Urbis report notes that *"the average annual growth in F&G spending for the trade area between 2012 and 2016 is estimated at 1.1% with 0.8% growth thereafter until 2021 and 0.6% annual growth between 2021 and 2016."*

TABLE 2 *(TABLE 3)* TOTAL RETAIL SPENDING BY CATEGORY, 2012-2026

ROZELLE VILLAGE TRADE AREA ($2012 MILLION, EX. GST)

Year	F&G $M	Total Food $M	DSTM $M	Total Non-Food $M	Total Retail $M
2012	219.7	379.9	274.8	310.0	689.8
2013	221.8	384.0	279.3	315.0	699.0
2014	224.5	389.4	286.0	322.3	711.7
2015	227.6	395.8	294.5	331.7	727.5
2016	229.9	401.0	304.4	342.8	743.8
2017	231.9	405.7	314.1	353.9	759.6
2018	233.6	409.9	323.8	364.8	774.7
2019	235.4	414.2	333.8	376.1	790.3
2020	237.1	418.6	344.1	β387.7	806.3
2021	238.8	422.9	354.7	399.7	822.7
2022	240.4	427.2	365.5	411.9	839.1
2023	242.0	431.2	376.4	424.3	855.5
2024	243.5	435.3	387.7	437.1	872.3
2025	245.0	439.4	399.4	450.2	889.6
2026	246.5	443.6	411.4	463.8	907.4
Average Annual Growth[1]					
2012-16	1.1%	1.4%	2.6%	2.6%	1.9%
2016-21	0.8%	1.1%	3.1%	3.1%	2.0%
2021-26	0.6%	1.0%	3.0%	3.0%	2.0%

Source: Urbis, 2012.

TABLE 3   *(TABLE 4)* TOTAL FOOD, LIQUOR AND GROCERY SPENDING, 2012-2026

TABLE 4 – FOOD LIQUOR & GROCERY SPENDING 2011-2026

Total Food, Liquor & Grocery Spending, 2012-26

ROZELLE VILLAGE TRADE AREA ($2012 MILLION, EX. GST)

Year	Primary TA	Secondary North TA	Main TA
2012	173.0	92.0	265.0
2013	175.0	92.6	267.6
2014	177.4	93.5	270.9
2015	180.1	94.5	274.6
2016	182.2	95.2	277.4
2017	183.9	95.9	279.8
2018	185.2	96.6	281.9
2019	186.6	97.4	284.0
2020	187.9	98.1	286.0
2021	189.3	98.9	288.1
2022	190.5	99.6	290.1
2023	191.7	100.2	291.9
2024	192.9	100.9	293.7
2025	194.1	101.5	295.6
2026	195.3	102.2	297.4
Average Annual Growth[1]			
2012-16	1.3%	0.9%	1.1%
2016-21	0.8%	0.8%	0.8%
2021-26	0.6%	0.7%	0.6%

Source: MDS, MarketInfo 2010; ABS, Australian National Accounts:
National Income, Expenditure and Product Accounts (5206.0); Urbis

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SGS Economics and Planning comment:

The higher per capita spending within the MTA is logical given the higher than average socio-economic status of the residents in the MTA, but this information is not ultimately used in the analysis of turnover rates assumed in the analysis later in the report. It would also be good to know how much higher the F & G spend per capita is, as this would affect the potential turnover rates for the proposed supermarket.

Estimated spending on Total Food is greater than Food and Grocery but it is not clear what food is excluded from Food and Grocery (presumably restaurant food, food bought at markets and boutique stores).

It is assumed that the figures in Table 3 (on Food, Liquor and Grocery spending) are significant, particularly as an indicator of supermarket related spending in the MTA but this is not clear as they are not repeated or recalled anywhere else in the report.

It is not clear how the Total Food or DSTM figures are utilised elsewhere in the report. For example, the DSTM is not relevant here unless there were plans for something like a Target Urban, in which case the development would have an impact on Birkenhead Point, and perhaps less of an impact on the Darling Street Balmain and Rozelle

2.4 Existing retail provision

This section of the EIA describes the existing retail centres considered to be of most relevance to the proposed Rozelle Village including retail strips, supermarket centres, sub-regional centres and regional centres. Table 4 (Table 5 in the Urbis report) lists the key centres, with their floorspace, distance from the proposed centre and major tenants, assumed to be in competition with the proposed development for retail expenditure.

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TABLE 4 *(TABLE 5)* MAIN TRADE AREA AND ENVIRONS: RETAIL HIERARCHY

Centre	Retail GLA[1] (Sq.m)	Dist.[2] From Centre (km.)	Major Tenants	
			Food	Non Food
Regional Centres				
Sydney CBD	750,000	4.5	Coles, Woolworths	David Jones, Myer
Westfield Burwood	56,500	9.0	Coles, Woolworths	David Jones, Kmart, Target
Sub-Regional Centres				
Leichhardt Marketplace	15,300	4.4	Woolworths, ALDI	Target
Broadway	39,000	4.0	Coles	Target, Kmart
Supermarket Centres				
Sutton Place	1,700	2.3		
Norton Plaza	6,900	3.2	Coles	
Other Centres				
Birkenhead Point	27,000	1.6	Coles	
Retail Strips[3]				
Rozelle - Darling Street	8,700	0.0		
Balmain - Darling Street	15,000	0.0	Woolworths	

Source: Urbis, 2012.

The nature and apparent performance of each of these centres is described in the Urbis report.

The main competing centres are described as:

- *a modern purpose-built shopping centre in Birkenhead Point, which is dominated by outlet retailers and contains a Coles supermarket*
- *the Balmain and Rozelle retail strips situated along Darling Street, which include an extensive and 'eclectic mix' of specialty retailing, dining and other services and a small 1800 square metre Woolworths supermarket in Balmain.*

The Urbis report argues that Darling Street is not currently the main shopping destination for residents in the MTA and that a substantial amount of supermarket shopping activity is directed to other centres beyond the MTA. On the other hand, Urbis suggest that specialty retailing within the proposed development is likely to play a 'convenience role', rather than the 'destinational role' that Darling Street plays.

The Rozelle section of the Darling Street retail strip extends to the south west and to the north east of Victoria Road. The collection of shops are characterised as 'extensive and eclectic' with a range in the quality of the built environment and amenity.

The Urbis report considers this section of the Darling Street strip as viable and healthy, with:

- *few vacancies (other than the cluster around the subject site)*
- *a good standard of presentation in the shop fronts and the public spaces*
- *car parking is clearly the most problematic aspect of the Darling Street retail strip, with a very limited supply of on-street and off-street parking spaces and most of these subject to time restrictions and charges*

Darling Street, Balmain extends from Shultz Street in the west to Ann Street in the east, and contains is described by Urbis*"as a strong and vibrant retail precinct"* though limited by the availability of car parking, which Urbis claim causes *"severe problems at peak shopping times".*

The Balmain strip is anchored by the 1800 square metre Woolworths supermarket located at the junction of Beattie Street and Darling Street. It is the only national supermarket located within the Primary Trade Area and, as such, is understood to be trading well above the Australian supermarket average.

Table 5 collates the number and mix of tenants from the Urbis report for each of the three local strips mentioned above.

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Though apparently incomplete (Urbis' share of tenancies in each category does not add up to 100 percent). It shows the more 'peripheral' character of the existing strip of south west Darling Street (which contains the subject site) including a higher vacancy rate, more fringe retail activities such as furniture and antiques, and fewer core strip centre activities such as cafes, restaurants compared to either north east Darling Street in Rozelle or Darling Street, Balmain.

TABLE 5   NUMBER AND MIX OF TENANTS AS DESCRIBED BY URBIS, SHARE OF 'NOT DESCRIBED' TENANCIES AND FLOORSPACE ASSUMPTIONS DERIVED BY SGS FROM URBIS FIGURES

	South west Darling Street, Rozelle	North east Darling Street, Rozelle	Darling Street, Balmain
Floor space	3900 sqm (SGS calc[3])	4800 sqm (SGS calc[4])	15,000 sqm
Number of tenancies	70	86	Around 220
Retail service (hairdressers, beauty salons, massage, and drycleaners	17%	17%	11%
Homewares uses (furniture, antiques, upholstery, etc.)	14%		8%
Food catering (cafes, restaurants and take-aways)	14%	23%	24%
Food retail (including fresh fruit and vegetable stores, bakeries and patisseries)	7%	14%	7% including Coles supermarket
Apparel	5%		17%
Vacant	16%		7%
Other retail and commercial (real estate, banks, professional services and medical)		13%	
Not described (SGS calc[5])	**27%**	**33%**	**26%**

Source: Urbis except where shown

SGS undertook its own assessment of the retail 'health' of south west Darling Street, via a land use survey and a review of the rents for vacant shops advertised on-line.

Table 6 and Figure 3 use the same categories as Urbis to group the land uses. The figure and table show a higher number of vacancies on the south west side of Victoria Road (in addition to those within the Balmain Leagues club landholding) than on the north east side of Victoria Road. The bias toward typically lower value homewares and away from typically higher value food catering and food retail uses in south west Darling Street is in evidence as well.

TABLE 6   NUMBER AND SHARE OF TENANTS, FEBRUARY 2013

	South west Darling Street, Rozelle	North east Darling Street, Rozelle
Number of tenancies	64	88
Retail service (hairdressers, beauty salons, massage, and drycleaners)	30%	30%
Homewares uses (furniture, antiques, upholstery, etc.)	13%	9%
Food catering (cafes, restaurants and take-aways)	19%	23%
Food retail (including fresh fruit and vegetable stores, bakeries and patisseries)	6%	11%
Apparel	9%	11%
Vacant	13%	1%
Other retail and commercial (real estate, banks, professional services and medical)	9%	14%
Accommodation	2%	0%
Under construction	0%	1%
Total	**100%**	**100%**

Source: SGS Economics and Planning

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[3] Assumes around 45% of total Darling St, Rozelle strip of 8,700 sqm identified by Urbis
[4] assumes around 55% of total Darling St, Rozelle strip 8,700 sqm identified by Urbis.
[5] This is the balance of tenancies to equal 100%, not described by Urbis

FIGURE 3   LAND USES IN DARLING STREET, ROZELLE, 2013

Source: SGS Economics and Planning

This evidence supports the assertion that south west Darling Street is not trading strongly.

This is further confirmed by considering the advertised rents in the area. Table 7 shows published or available information on rents sought for properties for lease in Darling Street, Rozelle - south west of Victoria Road – and in Darling Street, Balmain (there was only one vacant property in north east Darling Street and no information readily available on the suggested rent).

Though a modest sample, the picture is clear. On a square metre basis rents sought for retail properties for lease in south west Darling Street are typically much lower than those on offer in Darling Street, Balmain. Clearly the trading performance of south west Darling Street is currently poor.

Finally, it is possible to estimate the possible trading performance of Darling Street, Rozelle versus Darling Street Balmain using figures from two tables in Urbis' report. Table 8 shows the possible average turnover for the former (at about $5300 per sqm by 2017) as being much lower than that for the latter (at around $10,700 per sqm by 2017). While the figures for Darling Street, Rozelle don't distinguish between the centres on either side of Victoria Road, in SGS's opinion the strip to the south west is trading much less well than the strip to the north east, such that the average turnover for the south west strip could be lower than the approximately $5300 per sqm identified here.

TABLE 7   NUMBER AND SHARE OF TENANTS, FEBRUARY 2013

Address	Suburb	Size (sqm)	Rent	Term	Rent per sqm/week
586 Darling Street	Rozelle (S-W of Vic. Rd)	70	$750	per week	$10.71
748 Darling Street	Rozelle (S-W of Vic. Rd)	65	$600	per week	$9.23
679 Darling Street	Rozelle (S-W of Vic. Rd)	195	$80,000	per annum	$7.89
355 Darling Street	Balmain	100	$9,200	per month	$21.23
277 Darling Street	Balmain	145	$100,000	per annum	$13.26
353 Darling Street	Balmain	150	$10,700	per month	$16.46
245 Darling Street	Balmain	120	$120,000	per month	$19.23
1/308 Darling Street	Balmain	40	$65,178	per annum	$31.34
215 Darling Street	Balmain	60	$52,142	per annum	$16.71

Source: SGS Economics and Planning adapted from web-sites of real estate agents Ray White Commercial, Gerald Cole Realty, Garry White First National

TABLE 8   TRADING PERFORMANCE OF ROZELLE AND BALMAIN, ADAPTED FROM URBIS FIGURES

	sqm[6]	$m (2017)[7]	$/sqm (2017)
Rozelle and surrounds	8700	46.0	$5,287
Balmain and surrounds	15000	160.0	$10,667

Source: Urbis, adapted by SGS Economics and Planning

SGS Economics and Planning comment:

The list of competing centres is extensive. It is unlikely to extend to Burwood Westfield but probably should extend to Gladesville which is 6 kilometres and only 5 to 10 minutes away on Victoria Road and includes a Coles supermarket.

Urbis' quantification of the type of tenancies is incomplete (the shares do not equal 100 percent) and this limits the analysis and the characterisation of the centres.

In reality the strip centre to the south west of Victoria Road is separated by traffic and function from north west Darling Street and Balmain. From SGS's own analysis from a land use and limited rent survey this south west Darling Street centre has a high number of vacancies and lower rents than elsewhere on Darling Street (north west of Victoria Road). In SGS's opinion south west Darling Street is a peripheral centre without a key retail anchor or focus, and is cut off from the livelier north east section of Darling Street, and 'underperforms' as a result.

2.5   Need and demand

This section of the EIA examines the level of demand for retail floorspace, particularly a supermarket, generated by the catchment. The level of demand can provide an indication as to whether new retail floorspace can be supported. The need for the development is measured by comparing demand factors such as population growth, per capita food and grocery retail spend, income growth against the available supply of retail floorspace.

Need

Urbis suggest the following principle to assess the need for a development

"The residents of an area should be provided with the broadest range of conveniently located retail facilities and services which the market can support, at the earliest possible time without jeopardising the sustainability of other centres in the network which are adequately fulfilling consumer needs."

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[6] From Table 5 in Urbis report
[7] From column 2 Table 7 in Urbis report

The report then goes on to outline why it supports the Rozelle Village proposal, utilising a number of indicators of need and demand (as shown in Table 9, with SGS's comment on each included).

TABLE 9   URBIS SUMMARY OF INDICATORS OF NEED AND DEMAND FOR RETAIL IN THE TRADE AREA, SGS COMMENT

Urbis summary of indicators of need and demand	SGS comment
There is ample expenditure in the MTA	This would appear to be the case though later sections of the report deal with this issue.
The centre is adjacent to Darling Street	On the face of it this is a strategic reason to support the development: it is not out of centre, and would appear to offer the potential to underpin a brighter future for south east Darling Street. However, the extent of integration of the development with the existing Darling Street shops is a critical design issue that needs attention.
It provides an alternate option to Woolworths at Balmain, providing additional choice	The supermarket component of the development does offer this prospect. Importantly it may also reduce unnecessary travel across the MTA, by offering the immediate catchment a closer convenience and weekly shopping option (in this way it could provide a 'net community benefit' by reducing travel costs and time).
There is an under provision of retail space per capita in the MTA, with 1.3 square metres per person, compared to the Australian average of 2.2 square metres per capita.	This is not a useful indicator to apply in a catchment or trade area which does not contain the full complement of retail offerings. The 2.2 sqm per person figure includes retail floorspace such as Department Stores and other higher order retailers typically found in regional centres. For example, a self contained centre such as Bathurst, with a population of around 40,000 (lower but similar to that in the MTA), does not have a Myer department store. Residents of Bathurst have to travel an hour to Orange to Myer. Similarly in the MTA, significant retail floorspace which makes up the 2.2 per capita average, is outside of the MTA.
There is an underprovision of supermarket floorspace. There is 104 square metres of supermarket floorspace per 1000 people, compared to the Sydney and Australian averages of 247 and 297 square metres per 1000 people.	Again this is not a particularly useful indicator given the diversity and variety of formats of food and grocery offerings available in inner Sydney. By SGS calculations the eastern suburbs has a ratio of 192 sqm of supermarket floorspace (including small format stores) per 1000 residents[8]. This is a large and heavily populated area with a performance on this indicator still below the 'Sydney average' of 240 sqm. Though it could be argued the eastern suburbs could sustain more supermarkets there is no *a priori* need from an efficiency or market perspective. Nevertheless, these figures for the east do indicate that there probably is scope for additional supermarket or similar type floorspace in the MTA identified in the Urbis report.

SGS Economics and Planning comment:

Urbis suggest the following principle to assess the need for a development

"The residents of an area should be provided with the broadest range of conveniently located retail facilities and services which the market can support, at the earliest possible time without jeopardising the sustainability of other centres in the network which are adequately fulfilling consumer needs."

In general this principle is difficult to argue with, though it says nothing about how a development such as this should integrate with the surrounding area, to provide wider community benefits (beyond the retail need question), when it comes to assessing net new proposals for floorspace.

In relation to Urbis' indicators of 'need and demand' SGS agrees that the proposal provides a supermarket alternative to Balmain and is appropriately located adjacent to Darling Street given centres policy and desirable approaches to centres design in general by embedding an anchor use such as a supermarket in the centre. The challenge will be to ensure it effectively integrates with Darling Street so that the centre works as a whole, and this is principally a design issue.

LGA	Total Supermarket floorspace in LGA	LGA Population	Ratio of floorspace to 1000 residents (sqm)
Botany Bay	22,180	41,674	532.226
Randwick	14,144	137,757	102.674
Waverley	12,298	68,567	179.357
Woollahra	9,852	56,324	174.917
Total Eastern Suburbs	58,474	304,322	192

[8]

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The use of a 2.2 sqm of retail per capita benchmark is not relevant as the MTA does not contain all the retail floorspace that is typically included in such a benchmark (e.g. department stores). It would therefore be expected that per capita retail floorspace provision would be less than 2.2 sqm in the MTA.

Using a Sydney average benchmark for supermarket floorspace provision is somewhat tenuous given the variety and diversity of food and grocery formats on offer in inner Sydney. Nevertheless the provision of supermarket floorspace in the MTA is significantly less than the average in the eastern suburbs (as calculated by SGS), with a broadly similar income and socio-economic profile as the MTA, indicating that using this broad indicator there probably is scope for additional supermarket or similar type floorspace in the MTA as argued in the Urbis report.

Demand

The Urbis report notes that the introduction of the new supermarket in 2015 together with the proposed mini-major and specialty retailing *"will increase the propensity of local residents to redirect their spending within the MTA."*

Table 10 (Table 6 in the Urbis report) is included to establish that there will be sufficient expenditure to support the existing and proposed supermarkets. The Urbis report notes that this assessment is consistent with the Retail Needs Study for Leichhardt Council prepared by Leyshon Consulting in 2006. Unfortunately the logic from the figures elsewhere in the report and how they are utilised through this table is not clear.

TABLE 10   *(TABLE 6)* MAIN TRADE AREA SUPERMARKET POTENTIAL, 2012-2026

Rozelle Village - Main Trade Area Supermarket Potential Assessment, 2012 - 2026

Factor	Unit	2012	2016	2017	2021	2026
Total Available Spending to TA Smkts	$M.	81.7	100.7	101.6	104.6	108.0
Existing & Proposed Supermarket Space [1]	Sq.m	4,768	7,868	7,868	7,868	7,868
Resulting Average Trading Levels [2]	$/Sq.m	17,134	12,798	12,910	13,294	13,722
Average Supermarket Turnover	$/sq.m	10,170	10,375	10,427	10,637	10,906
Supportable Supermarket Floorspace	Sq.m	8,033	9,706	9,742	9,833	9,900
Resulting Average Trading Levels	Sq.m	17,134	12,798	12,910	13,294	13,722
Surplus/Deficiency (+/-)	Sq.m	-3,265	-1,838	-1,874	-1,965	-2,032

Source: Urbis, 2012.

The main problem is with the very first row identifying the total available supermarket expenditure in the MTA (circled in red). There is no indication where these figures are derived from as this is the first time they appear in the report. Logically it would be expected they would be some function of the potential MTA spend on Food, Liquor and Grocery identified in Table 3 but the figures for different years in Table 10 are not a regular share of the 'Main TA' amounts identified in Table 3. Furthermore, the escalation (compounding annual growth rate) shown through the years in Table 3 is not consistent with the escalation shown in the first row in Table 10 (it is much higher in the latter table). This escalation factor is critical in Table 10 in ensuring there is sufficient supermarket expenditure in 2016 and beyond to justify both the existing and the proposed supermarket.

There are two other points to note about the figures in Table 10. The third row (circled in blue) suggests above average trading levels for the existing supermarkets (remembering they are derived from the unexplained figures in the first row). It is worth noting that from here on in, only average turnover rates are assumed for the proposed supermarket whereas from these figures it could be assumed there is additional supermarket expenditure to be captured by a new facility. The sixth row identifying resulting average trading levels is the same as the third row and appears superfluous.

Considering the issues noted above, and to clarify the 'story' in relation to supportable supermarket type floorspace, an alternative estimate is shown in Table 11. The SGS calculation of the available supermarket type spending within the MTA, as shown in the first row of the table is detailed in the Appendix 1. The estimate of **retained** supermarket type spending assumes 'leakage' of around 36 percent from the MTA, and this is based on an analysis of existing shopping related trip making patterns from the LGA (see Appendix 2).

TABLE 11 SGS VERSION OF MAIN TRADE AREA SUPERMARKET POTENTIAL, 2012-2026

	Formulas	2012	2016	2017	2021	2026
Total supermarket type spending within the MTA (2012$m)	A	$200 M	$216 M	$220 M	$236 M	$249 M
Retained supermarket type spending within the MTA (2012$m) assuming 36% leakage	B	$128 M	$139 M	$141 M	$151 M	$159 M
Average supermarket $/sqm for a single supermarket based centre (2012$)	C	$10,170	$10,375	$10,427	$10,637	$10,906
Supportable supermarket type floorspace (sqm)	E=B/C	12,608	13,353	13,518	14,199	14,612
Existing & proposed supermarket space	F	4,768	7,868	7,868	7,868	7,868
Existing & proposed supermarket and mini major grocer space	G	4,768	9,848	9,848	9,848	9,848
Supermarket floorspace deficiency	F-E	-7,840	-5,485	-5,650	-6,331	-6,744
Floorspace deficiency (if large grocer occupies the mini-major space)	G-E	-7,840	-3,505	-3,670	-4,351	-4,764

Source: SGS, 2013.

SGS Economics and Planning comment:

Table 10 or Table 6 in the Urbis report purports to show that there is sufficient supermarket expenditure available in the MTA to support the existing and proposed supermarkets but the origin of the figures for total available supermarket spend is not made clear. The conclusion – which suggests there is sufficient available and retained expenditure to support the existing and proposed floorspace - depends on these figures and the embedded escalation over the years being correct and without further justification it is not possible to confirm the conclusion.

An independent analysis by SGS suggests the proposed supermarket development and the proposed 'mini-major' if occupied by a large grocer (for example, Harris Farm, Norton Street Grocer) which replicates many supermarket offerings, appears supportable. Even after the proposed supermarket and 'mini-major' floorspace is included with the existing supermarket floorspace in the MTA, there is an excess of supportable floorspace given the available expenditure. These findings are in line with the Leichhardt Retail Needs Study.

Turnover potential

Urbis make a number of reasonable qualifications about the impact assessment. They mainly relate to the difficulty in identifying how particular traders will respond to a new market entrant and therefore accurately identifying potential impact.

Notwithstanding what has been identified by Urbis as robust expenditure potential in the MTA, apparently underprovided with retail floorspace, the report identifies that:

> *Turnover levels per sq.m for specialty retail tenancies may initially be below Urbis Retail Averages benchmarks due to the following design reasons:*
>
> — *Vertical separation from car parking and the supermarket anchor tenancy, noting that in multi-level shopping centres retail levels that are further from accessible car parking tend to perform less strongly, and that most supermarket based shopping centres tend to be single level, and*
>
> — *The inclusion of a large floorplate yum-cha restaurant, compared to the equivalent turnover per sq.m that could be achieved from additional specialty retailers*

We have however assumed that there is potential to divide some of the larger tenancies on the ground level into smaller shops which would provide scope to increase average turnover per sq.m rates. We also consider that the food specialty retailing adjacent to the supermarket should perform close to average turnover levels (similar to the supermarket itself) as the level can provide a strong food offer.

Table 12 summarises Urbis' findings in relation to turnover by tenant type and compares the assumed turnover figures to Australian averages for comparable centres.

TABLE 12 *(TABLE 7)* SALES POTENTIAL BY TENANT 2017 AND VARIATION IN TURNOVER FROM AUSTRALIAN AVERAGES FOR SINGLE SUPERMARKET CENTRES

Rozelle Village - Forecast Turnover vs Australian Single Supermarket Average ($2012, ex GST)						
Tenant		Rozelle Village		Single Supermarket Average		Rozelle Village
	GLA (Sq.m)	Turnover ($M)[1]	$/Sq.m	Turnover ($M)	$/Sq.m	Var'n from Aust. Avge
Majors						
Discount Department Stores	0	0.0	n.a.	0.1	2,688	n.a.
Supermarkets	3,100	32.0	10,338	36.2	10,769	-4.0%
Total Majors	**3,100**	**32.0**	**10,338**	**36.3**	**10,693**	**-3.3%**
Mini-Majors	1,980	15.8	8,000	1.8	3,312	141.6%
Specialty Stores						
• Food	1,651	12.4	7,498	4.6	8,058	-7.0%
• Non-Food	1,027	5.1	4,975	4.2	6,207	-19.8%
• Services	100	0.3	3,243	0.9	4,483	-27.7%
Total Specialty	**2,778**	**17.8**	**6,412**	**9.7**	**6,693**	**-4.2%**
Total Retail Space	**7,858**	**65.7**	**8,361**	**47.8**	**8,611**	**-2.9%**

Source: Urbis, 2012.

The table suggests that the proposed development is likely to capture $ 65.7m, which is **8.1%** of the total retail spend generated by the Main Trade Area (around $759.6m in 2017 from Table 2 - note the actual percentage is 8.6 percent of this figure not 8.1 percent). Given the apparent 'undersupply' of retail in the MTA, and the above average available expenditure, this would appear to be a relatively modest share. Urbis suggest the proposed centre is likely to capture a modest percentage (8%) of trade from 'beyond' meaning from outside the trade area.

The 'mini-major' or possible large green grocer (Harris Farm type operation) is assumed to trade at well above average rates (comparable to a supermarket) which is a reasonable assumption. However the assumed turnover rates for the supermarket and the speciality shops are well below the Australian averages. These are the assumptions which keep the captured share of expenditure to a modest level.

Urbis make a number of other points in relation to the Trade Area potential and design characteristics that have apparently affected their conclusions. They argue that while the MTA is underprovided with retail, and per capita retail expenditure in the MTA is 27 percent above the Sydney average, the limit on speciality retailing and the multi-level nature of the centre mean that shopper footfall could be limited.

Given that the assumed specialty turnover rates are critical to the findings, SGS has replicated the sales potential table in the Urbis report, using an above average supermarket RTD of $11,500 per square metre (recognising the likelihood that the supermarket will overtrade within this catchment) and two sets of turnover rates for the specialty shops. The first scenario uses the average turnover rates for specialty shops in a single supermarket based centre for the specialties proposed in the development, while the second uses the average between those used by Urbis and the average turnover rates for a typical supermarket centre.

Table 13 shows the retail turnover is likely to increase to $70.4m or $71.6m under each alternative scenario, or an increase of 7.1 percent or 8.9 percent above the Urbis estimate. Leyshon's submission (on the previous proposal) suggests the proposed village centre could reach an annual turnover of $100 million if it can achieve the same performance as the Norton Plaza. This is around 53 percent higher than the turnover estimated by Urbis.

TABLE 13   S G S   C A L C U L A T I O N S   O F   S A L E S   P O T E N T I A L S   O F   T H E   R E T A I L   P R O P O S A L

Tenant	Urbis estimates			SGS Scenario 1 Average between ones used by Urbis and average turnover rates (except for Mini-Major)-		SGS Scenario 2 - Average turnover rates for single supermarket centre (except for Mini-Major)	
	GLA	Turnover		Turnover		Turnover	
	(Sq.m)	($M)	$/Sq.m	($M)	$/Sq.m	($M)	$/Sq.m
Majors							
Discount Department Stores	0	0.0	n.a.	0.0	2,688	0.0	2,688
Supermarkets	3,100	32.0	10,338	35.7	11,500	35.7	11,500
Total Majors	3,100	32.0		35.7		35.7	
Mini-Majors	1,980	15.8	8,000	15.8	8,000	15.8	8,000
Specialty Stores							
• Food	1,651	12.4	7,498	12.9	7,778	13.3	8,058
• Non-Food	1,027	5.1	4,975	5.7	5,591	6.4	6,207
• Services	100	0.3	3,243	0.4	3,863	0.4	4,483
Total Specialty	2,778	17.8		19.0		20.1	
Total Retail Space	7,858	**65.7**		**70.4**		**71.6**	

Source: SGS calculations based on Urbis RTDs, 2013

SGS Economics and Planning comment:

Given the apparent 'undersupply' of retail in the MTA, and the above average available expenditure, 8.1 percent of MTA expenditure to be captured by the development would appear to be particularly modest and a likely under-estimate.

Urbis' rationale for lower turnover rates for the supermarket and speciality stores is thin. Earlier (in Table 10) it was suggested that, even with the proposed supermarket, available turnover rates for supermarkets could be above $12,000 per sqm. If these figures are correct it seems difficult to believe that the proposed supermarket would trade at around the average of $10,330 per sqm. It is also unlikely that in a new supermarket anchored centre the speciality shops would also trade so poorly, and well below average turnover rates (though we do agree that the design of the centre does not optimise the potential for these stores). At the very least it would seem appropriate from the developer's perspective that the design be reconfigured to improve this performance.

SGS has undertaken two sensitivity tests using higher and more realistic turnover rates for both the supermarket and the specialty shops. At these higher turnover rates the centre turns over up to $71.6 m compared to the Urbis estimate of $65.7m (8.9 percent more). In our view this higher figure is more realistic.

2.6   Retail impact assessment

Urbis' identified impacts on surrounding centres are shown in Table 14. A key note for this table is the following passage from the Urbis report.

....the relevant measures are considered to be two-fold:

- **Turnover impact** *representing the reduction in turnover as a result of new competition, compared with turnover which would otherwise have been achieved by a particular centre.*
- **Turnover change** *represents the anticipated overall increase or decrease in turnover for a centre in the forecast year (2016 in this report) compared with the current situation (2011). This measure reflects the combination of the impact of new competitive developments, counteracted by any underlying growth in turnover which would be achieved by the centre anyway.*

The retail component of the development is assumed to be completed and open for trading by the beginning of 2015. The impacts outlined in this report are based on the calendar year 2016, which is taken as the first full year of trading for the proposed development.

TABLE 14 *(TABLE 8)* DISTRIBUTION OF PROPOSED IMPACTS, 2017

Rozelle Village - Distribution of Impact on Key Centres, 2017 ($2012, ex GST)							
				Turnover Incr./Decr. ($M)		IMPACT	
	Est. Retail Turnover ($M)[1]			Relative to:		Relative to:	
Shopping Area	Existing 2012 (1)	Pre-Exp[1] 2017 (2)	Post Exp. 2017 (3)	Existing 2012 (4)=(3)-(1)	Pre-Exp 2017 (5)=(3)-(2)	2012 (6)=(4)/(1)	2017 (7)=(5)/(2)
Rozelle Village	0.0	0.0	65.7	+65.7	+65.7	n.a.	n.a.
Competing Centres							
Within MTA:							
Balmain Darling Street & surrounds	134.0	160.0	142.0	+8.0	-18.0	+6.0%	-11.3%
Rozelle Darling Street & surrounds	43.0	46.0	43.4	+0.4	-2.6	+0.9%	-5.7%
Birkenhead Point SC	120.0	133.0	126.5	+6.5	-6.5	+5.4%	-4.9%
Victoria Road, Drummoyne	40.0	44.0	41.8	+1.8	-2.2	+4.6%	-4.9%
Sub Total	*337.0*	*383.0*	*353.7*	*+16.7*	*-29.3*	*+5.0%*	*-7.6%*
Beyond MTA:							
Broadway SC	350.0	400.0	390.5	+40.5	-9.5	+11.6%	-2.4%
Leichhardt Marketplace	120.0	139.0	133.5	+13.5	-5.5	+11.2%	-4.0%
Norton Plaza	95.0	109.0	105.0	+10.0	-4.0	+10.6%	-3.6%
Westfield Burwood	350.0	466.0	465.1	+115.1	-0.9	+32.9%	-0.2%
Coles Pyrmont	22.0	28.0	27.5	+5.5	-0.5	+25.2%	-1.6%
Supa IGA Pyrmont	14.0	18.2	18.1	+4.1	-0.1	+29.3%	-0.3%
Sub Total	*951.0*	*1,160*	*1,140*	*+188.8*	*-20.4*	*+19.8%*	*-1.8%*
Total Above Centres	**1,288**	**1,543**	**1,493**	**+205.5**	**-49.7**	**+16.0%**	**-3.2%**
New Additions							
Carrier Site	included in total above						
Total All Above Centres	**1,288**	**1,543**	**1,493**	**205.5**	**-49.7**	**+16.0%**	**-3.2%**
Other centres					-16.0		
Total Competing Centres					**-65.7**		

1. Year ending June
2. Turnover CHANGE is a comparison to current 2012 turnover
   Turnover IMPACT is a comparison to expected turnover would otherwise be in the forecast year if the subject development did not occur.
3. All turnover figures are rounded estimates
Source : Property Council 'NSW Shopping Centre Directory', 2012; Shopping Centre News 'Big Guns & Little Guns 2012'; Urbis

Source: Urbis, 2012.

One of the more opaque aspects of this table is the assumed change in turnover between 2012 and 2017. This varies for the different centres - from +7 percent for Rozelle Darling Street to +37 percent for Super IGA Pyrmont, and +20 percent for all centres (1543/1288). The figures are presumably based on expenditure related to population growth in the catchments for these centres and the relative performance of retail floorspace depending on its character. It is not clear where these figures come from though they are all plausible and have not been fundamentally challenged by the other retail assessments.

Assuming the figures are correct the share of impact across the centres appears reasonable. Looking in aggregate at the share of impacts is instructive. The aggregate impact on the centres within the MTA is -$29.3m, or 44 percent of the total impact. Initially this looks a little 'light on' given what is likely to be a relatively constrained catchment (due to traffic movement patterns and congestion). However, if the impacts on Leichhardt Marketplace and Norton Plaza (which total -$9.5m) are included in this figure then around 60 percent of the impacts are within or just beyond the assumed MTA. Around 25 percent is assumed to occur in centres beyond those listed (again, probably reasonable given passing trade on Victoria Road) while 15 percent of the impact affects the centres not already mentioned.

Other key figures to note are the estimates of impact on the nearest centres, including:

- a **-11.3 percent** impact on the Balmain section of Darling Street in 2017 turnover levels. The level of impact is expected to mostly affect the Woolworths supermarket in Balmain, with a less pronounced impact on specialty stores in Darling Street, Balmain.
- a -5.7 percent impact on the Rozelle section of Darling Street. The Urbis proposal argues that the proposed Rozelle Village retail floorspace will strengthen the retail offer in the Rozelle section of Darling Street due to proposed development being connected to Darling Street via an arcade.

SGS Economics and Planning comment:

Though there is a lack of clarity as to the origins of the turnover figures for different centres in the Urbis report, they are plausible

Viability of existing retail centres

Urbis note that the key urban planning consideration is whether the proposal will threaten the viability of competing centres. Given that competition alone is not a relevant consideration the impact from the development on the 'viability' of competing centres, must also take into account associated negative impacts with reduced viability – for example, declines in amenity and under-investment that creates costs for the wider community, altered and excessive trip making patterns and additional servicing costs. In addition, whether or not viability is threatened it is important that developments are designed to maximise beneficial outcomes for the community and the public interest – that is, considering the net economic performance of both the proposed and the existing development, as well as minimising the negative impacts.

Urbis indicate that *'Darling Street is a reasonably strong, healthy and thriving retail strip'.* They suggest that while the subject development will reduce trade for existing stores in the area and, in particular the Woolworths in Balmain (as a 'one off' impact after the development commences trading), the impact is considered acceptable within a normal competitive environment and will not threaten the viability and vitality of Darling Street as a whole.

The Urbis report goes on to suggest that the *'proposed development will also significantly enhance the overall retail offer and critical mass of activity within the Rozelle Darling Street Precinct.'*

Using the sensitivity analysis undertaken earlier (in Table 13), Table 15 shows how the impact on centres might vary, given a stronger underlying performance for the centre.

TABLE 15   DISTRIBUTION OF PROPOSED IMPACTS, 2017, URBIS AND SGS SENSITIVITY TESTS

	Urbis 2017 impact		SGS Sensitivity 1		SGS Sensitivity 2	
	column 5	*column 7*				
	$	%	$	%	$	%
Rozelle Village	+65.7	n.a.	70.4	n.a.	71.6	n.a.
Competing Centres						
Within MTA:						
Balmain Darling Street & surrounds	-18	-11.30%	-19.3	-12.06%	-19.6	-12.26%
Rozelle Darling Street & surrounds	-2.6	-5.70%	-2.8	-6.06%	-2.8	-6.16%
Birkenhead Point SC	-6.5	-4.90%	-7.0	-5.24%	-7.1	-5.32%
Victoria Road, Drummoyne	-2.2	-4.90%	-2.4	-5.36%	-2.4	-5.45%
Sub Total	*-29.3*	*-7.60%*	*-31.4*	*-8.20%*	*-31.9*	*-8.33%*
Beyond MTA:						
Broadway SC	-9.5	-2.40%	-10.2	-2.55%	-10.3	-2.59%
Leichhardt Marketplace	-5.5	-4%	-5.9	-4.24%	-6.0	-4.31%
Norton Plaza	-4	-3.60%	-4.3	-3.93%	-4.4	-4.00%
Westfield Burwood	-0.9	-0.20%	-1.0	-0.21%	-1.0	-0.21%
Coles Pyrmont	-0.5	-1.60%	-0.5	-1.91%	-0.5	-1.95%
Supa IGA Pyrmont	-0.1	-0.30%	-0.1	-0.59%	-0.1	-0.60%
Sub Total	*-20.4*	*-1.80%*	*-21.9*	*-1.88%*	*-22.2*	*-1.92%*
Total Above Centres	**-49.7**	**-3.20%**	**-53.3**	**-3.45%**	**-54.1**	**-3.51%**
Other centres	-16		-17.0		-17.3	
Total Competing Centres	**-65.7**		**-70.4**		**-71.6**	

Source: Urbis 2012 and SGS Economics and Planning 2013

The sensitivity tests, using more realistic and higher total turnover results for the development, show relatively minor increases in the percentage impacts on competing centres. With the highest turnover (of $71.6m) the impact on Darling Street, Balmain stretches to -12.3 percent (from -11.3 percent) while the impact on Darling Street, Rozelle expands to -6.2 percent (from -5.7 percent).

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SGS Economics and Planning comment:

Using a more realistic and higher total turnover result (of $71.6m) for the development (drawn from Table 13) the estimated impact on Darling Street, Balmain stretches to -12.3 percent (from -11.3 percent assumed by Urbis) while the impact on Darling Street, Rozelle expands to -6.2 percent (from -5.7 percent). While these are modest increases they need to be seen in the context of the current trading performance of the centres.

SGS agree with the conclusion that the impacts from the development on Darling Street, Balmain are manageable, particularly given a wider view of 'impacts' as discussed above. Balmain is robust, with a relatively self contained catchment and a supermarket anchor to lock in linked expenditure in nearby specialties together with an enduring 'boutique' appeal which extends to north east Darling Street, Rozelle. Given its strong trading performance impacts of up to -12 percent are not likely to reduce its long term viability nor lead to excessive vacancies, declines in amenity and local investment, altered and excessive trip making patterns and additional servicing costs.

However, impacts on Darling Street, Rozelle, particularly south west of Victoria Road, though numerically modest (up to say -6 percent) have the potential to impact on an already difficult trading performance, as identified by SGS earlier in this report (and reported by Leyshon in discussions with local real estate agents) and, potentially, lead to further vacancies and declines in amenity, unless the development is effectively integrated into and leverages benefits for the existing centre and strip shops along Darling Street.

Urbis note that the *'proposed development will also significantly enhance the overall retail offer and critical mass of activity within the Rozelle Darling Street Precinct'.* The numbers as presented do not show this, but the prospect is available with an appropriate design. The next chapter addresses this issue.

It should be noted the impact from the expenditure of households in the proposed residential component of the development (311 units) is modest and could be argued to have been accommodated in the growth projections in any case. As a minor point it would nevertheless be useful to encourage new residents in the development to use the local shops. The design of the development and reducing rates of car parking provision (to encourage local shopping activity) might be considered to facilitate this.

SGS agree with Urbis that any negative impacts on existing centres from the proposed development at the time of opening will be somewhat offset over time by growth in resident expenditure in the catchment. However, the projected growth in the population in the catchment is relatively modest and should not be relied upon to 'save' a centre (such as south west Darling Street, already trading poorly) whose turnover and general prospects might be negatively affected by the proposed development.

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Comparison with 2006 Leichhardt Council Retail Needs Study

Leichhardt council commissioned Leyshon Consulting to provide a Retail Needs Study in December 2006 to assess the level of retail need in the LGA. As reported in the EIA, key conclusions include:

Leichhardt LGA had an estimated supermarket floorspace deficiency of -13,100 sq.m which was projected to increase to a further shortfall -16,200 sq.m in 2011 if no new supermarkets were constructed;

Leichhardt LGA had an overall retail floorspace deficiency of 37,500 sq.m in 2006 with the largest deficiencies including:
- *Rozelle: 5,800 sq.m;*
- *Balmain: 5,500 sq.m;*

Rozelle / Lilyfield was identified as having a supermarket floorspace deficiency of 6,500 sq.m;
Balmain / Balmain East / Birchgrove was identified as having a supermarket floorspace deficiency of 5,200 sq.m.

Urbis argue that, given no new supermarket floorspace has been added since 2006, the demand assessment is consistent with Leichhardt Council's Retail Needs Study.

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SGS Economics and Planning comment:

SGS's own independent analysis is broadly consistent with the findings in the Leichhardt Retail Needs Study 2006, particularly in relation to supermarket floorspace, and in general terms the proposal is consistent with the Retail Study. However, there is still a need to ensure that the development effectively integrates with and supports the existing centre at Rozelle.

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2.7 Employment generation

The EIA describes that the proposal would create direct and indirect jobs in both the construction and operational phases. The construction jobs would be created during the construction phase of the project, while the operational jobs will be associated with the retail and commercial businesses. The indirect jobs are those generated by so called 'multiplier' effects. These are a result of the sourcing of goods and services to supply construction and operation of Rozelle Village and from the consumption of employees of Rozelle Village.

The first major point to note is that multipliers in this report are based on 1996-97 Australian IO tables. Table 16 (Table 9 in the Urbis report) says that a construction cost of $243 m might generate direct construction employment of 1,337 FTEs. It is understood that productivity and inflation have been accounted for but much has changed since that time, especially, the underlying technology, manufacturing processes, sourcing patterns, prices etc. which means that these IO tables even after accounting for inflation and productivity changes may be giving less than optimal results compared to what one would anticipate when using more up to date IO tables (which are available).

TABLE 16 *(TABLE 9)* ROZELLE VILLAGE CONSTRUCTION PHASE EMPLOYMENT

Rozelle Village - Construction Phase Employment

Development Option/ Type of Employment	Construction Cost ($2012m)	Direct Employment (No. of jobs)	Indirect Employment (No. of jobs)
Full development	243	1,337	2,104

1. Total Employment - full-time, part-time and casual
2. Indicates the estimated number of jobs over the life of the construction project plus ongoing multiplier effects. Jobs are for the equivalent of one year of employment.
Source : Urbis

Were the direct employment numbers in the report appropriate, the indirect jobs supported by the initial stimulus (of 2,104 jobs) appear reasonable. That is, the employment multiplier used to estimate the indirect effects appears reasonable. What is not mentioned here though is that these indirect jobs may not be created in Rozelle or its immediate surrounds, or in Sydney for that matter, but could be elsewhere in NSW.

The employment densities from the Urbis report, repeated in Table 17, appear reasonable. These will not be net new jobs however. They will be 'shifted' from those centres that suffer reduced turnover as a result of the development.

TABLE 17 *(TABLE 10)* ROZELLE VILLAGE DIRECT EMPLOYMENT IMPACT OF RETAIL DEVELOPMENT

TABLE 10 – ROZELLE VILLAGE DIRECT EMPLOYMENT IMPACT OF RETAIL DEVELOPMENT

Rozelle Village - Direct Employment Impact: Retail & Commercial Uses

Type of Use	Employment Per '000 Sq.m Industry Average	Rozelle Village Additional GLA (Sq.m)	Rozelle Village Additional Employment (Persons)
Supermarket(s)	40.8	3,100	126
Mini-Majors	23.5	1,980	47
Specialty Shops	60.7	2,933	178
Gym	25.0	600	15
Childcare	43.3	410	18
Medical Centre	37.0	454	17
Total Centre		**9,477**	**401**

1. Total employment - full time part time and casual
2. Includes non-retail and external components. Excludes additional management, cleaning & security staff. Excludes Club
Source : Urbis, Virgin Active

Urbis estimate that the additional development will create an additional $65.7 million in turnover and require an additional 341 retail employees within the Rozelle centre however, as the impact analysis shows, it will draw this turnover and the associated jobs from other centres in metropolitan Sydney.

TABLE 18 *(TABLE 10)* ROZELLE VILLAGE TOTAL EMPLOYMENT OF RETAIL DEVELOPMENT AND CONSTRUCTION

TABLE 11 – ROZELLE VILLAGE TOTAL EMPLOYMENT OF RETAIL DEVELOPMENT AND CONSTRUCTION

Rozelle Village -Total Employment Impact of Retail, Commercial & Leisure Development and Construction			
Development Option/ Type of Employment	Direct Employment	Supplier Employment *Multiplier Effects*	Total Jobs[2]
Construction Phase	1,337	2,104	3,440
Ongoing Employment Increase[3]	341	271	612
Total	1,677	2,375	4,052

1. Total Employment - full-time, part-time and casual
2. Indicates the estimated number of jobs over the life of the construction project plus ongoing multiplier effects. Jobs are for the equivalent of one year of employment.
3. Indicates the estimated number of ongoing jobs as a result of the proposed expansion (ie the floorspace increase)
Source : Urbis

SGS Economics and Planning comment:

With so many technological improvements over time, it is unlikely that 1337 FTE construction jobs – calculated using 1996-97 Input Output Tables - will be required. An estimate using the most recent ABS IO tables (custom built by SGS Economics and Planning for metropolitan Sydney) suggests that a development of this scale might require only about 860 FTE construction employees.

The Urbis report argues that the direct and indirect jobs supported by the development could be up to 4,050. As acknowledged in the Urbis report we believe this is optimistic.

Furthermore, while there may be a spike in jobs associated with the development within the local economy, from a state or city-wide perspective, there is perhaps not going to be any new addition to employment, at least as far as the operations phase of the development is concerned, because the new employment at the Village in effect just shifts jobs from elsewhere (those centres identified as having a reduced turnover after this centre commences trading).

3 MITIGATING THE IMPACTS ON SOUTH WEST DARLING STREET, ROZELLE

3.1 Introduction

A key finding from the review of Urbis' retail and economic impact analysis is that the impacts from the proposed development on south west Darling Street need to be managed effectively, to moderate what might be a potentially significant impact. The aim here is to:

3. Ensure the size of the development is appropriate given the supportable floorspace from expenditure within what is a relatively self contained and 'local' catchment (currently underprovided with an effective retail centre).

4. Reconfigure the development to ensure it is fully integrated with the adjacent centre in south west Darling Street so, in effect, the specialties in both the new development and in Darling Street are able to trade successfully.

Each of these is considered in turn below.

3.2 Supportable floorspace for an integrated local centre

In practice, given local traffic constraints, sentiments and congestion the south west Darling Street centre anchored with a supermarket will be the focus for a relatively contained local catchment. Victoria Road acts as quite a significant barrier. The Balmain peninsula north and east of Victoria Road is likely to be more oriented toward the centre at Balmain. Figure 4 shows these notional localised catchments (red and orange respectively).

Table 19 is a broad estimate of the equivalent specialty floorspace required in the integrated Rozelle Centre to sustain the average level of retail turnover for specialty shops in a single supermarket centre. It assumes that the overall Rozelle Centre **as a whole** would perform at the average level of a single supermarket based centre.

The table shows that around 2000 sqm of specialty floorspace in the development, rather than the proposed 2700 sqm, is likely to be supported if the whole centre is seen as a supermarket anchored centre with specialties. The table shows that with this amount of floorspace in the centre and the existing Darling Street strip, and assuming design modifications which better integrate the development (see next subsection), the turnover for the existing specialties might increase by around $5m or about 25 percent, rather than decline by 5 to 6 percent as outlined in the earlier analysis.

It should be noted that these suggestions are made from a community benefits and physical development perspective, and are not about limiting competition. In our view there is too much specialty floorspace proposed in the development and reducing it would enable the centre to function more successfully overall, with greater cohesion and better utilisation of existing assets and services.

SGS Economics & Planning

FIGURE 4   LOCALITY PLAN SHOWING NOTIONAL LOCALISED ROZELLE AND BALMAIN CATCHMENTS

Rozelle Village Economic Impact Assessment
LOCAL CONTEXT

TABLE 19   SUPPORTABLE SPECIALTY FLOORSPACE IN LOCALISED CATCHMENT AND PROPOSED DEVELOPMENT

Total turnover of Darling Street, Rozelle in 2017 (from Urbis)	A	$46.0	million
Estimated turnover in south west Darling Street, Rozelle, based on assumed floorspace split between north eastern (4800sqm) and south western (3900sqm) side of Victoria Road	B=A*3900/(3900+4800)	$20.6	million
Turnover of the proposed retail specialties within the Balmain League development (adopting the figure in SGS sensivity testing 2)	C	$20.1	million
Total turnover of existing and proposed specialties in the south west side of Victoria Road	D=B+C	$40.7	million
Average specialty RTD for single supermarket centre (from Urbis)	E	$6,693	per sqm
Implied specialty floorspace	F=D/E	6084	sqm
Estimated existing floorspace in the south west Darling Street retail strip in Rozelle	G	3900	sqm
Required specialty floorspace in the proposed development	H=F-G	2184	sqm
Increase in turnover of existing specialties	G*E-B	$5.48	million

Source: SGS Economics and Planning

3.3 Reconfiguring the development for more effective integration

Though retail assessments often focus simply on the amount of retail floorspace being proposed, ultimately the mix and the spatial relationships are also important. This is recognised and well understood by retail designers and is applied to the design of shopping malls with a high level of sophistication based on empirical evidence and observation of shopper behaviour, with analysis of these patterns then used to optimise the layout and maximise patronage.

Critical factors include the layout and spatial configuration of different businesses, visual connections, linkages, continuity of retail frontages and articulation of the public and private domains. For the current proposal the question becomes not simply whether there will be an acceptable negative impact, as for the design of a single mall, but whether the proposed layout and design will be optimal for the whole centre including south west Darling Street. A key consideration in the current case is how to ensure that the opportunity provided by the proposal for a supermarket and mini major (grocer), which will attract additional patronage and expenditure to the centre, be appropriately exploited.

Two principles that, in our view, should be adopted to ensure the development effectively integrates with Darling Street include:

- **Make connections to the street, including from basement car parking, as direct (and short) as possible,** in the current case for example minimising the walking trip distance between the car parks and Darling Street and ensuring the travelators or walkways from lower levels discharge patrons toward Darling Street (as is the case at Norton Street Plaza in Leichardt). Also, only one connection to Darling Street is proposed. An overall urban and public domain design study design for the Rozelle centre might identify additional ways to connect to adjacent streets, for example with pedestrian connections to Waterloo Street and Victoria Road via a lane to the rear of the Darling Street shops.

- **Have a critical mass on the ground level accessible by pedestrians, for example** in the current development the proposed mini-major grocer should be easily accessible by pedestrians from Darling Street and thereby 'read' like a continuation of the Darling Street frontage. The number of specialty shops below ground level should be minimised.

A recent retail development at Lane Cove delivers on both of these principles by effectively creating an additional at-grade link between two streets, and the escalators 'deliver' patrons into a public domain that is close to the shopping frontages on both.

Irrespective of whether it is a new centre or an existing one, additional principles relevant to retail development design can be identified. These include scale (for example, compact street blocks to facilitate walking and active frontages), diversity (for example, activating rear and side lanes and streets), access to light and air (recognising the natural attraction of lit spaces) balanced with weather protection and the continuity, legibility and coherence of the public domain. All of these approaches should be reflected in the proposed development at Rozelle where possible.

4   CONCLUSION

SGS Economics and Planning was commissioned by the Department of Planning and Infrastructure (DP&I) to undertake a peer review of the EIA for a Part 3A mixed use development in Rozelle to redevelop the Balmain Leagues Club site and adjoining lands, with a particular focus on the adequacy of the retail and economic assessment prepared by Urbis.

Overall, SGS suggests that the proposal provides a supportable supermarket alternative to Balmain in the trading area. Given centres policy the proposed retail development is appropriately located adjacent to an existing shopping strip at Darling Street. It has the potential to boost the performance of the existing centre by the addition of an anchor use such as a supermarket. The challenge is to ensure it effectively integrate it with Darling Street so that the centre works as a whole.

An independent analysis by SGS suggests the proposed supermarket development and the proposed 'mini-major' if occupied by a large grocer (for example, Harris Farm, Norton Street Grocer) which replicates many supermarket offerings, appears supportable. This finding is in line with the Leichhardt Retail Needs Study.

SGS agree with Urbis' conclusion that the impacts from the development on Darling Street, Balmain are manageable. Balmain is robust, with a relatively self contained catchment and a supermarket anchor to 'lock in' linked expenditure in nearby specialties together with an enduring 'boutique' appeal which extends to north east Darling Street, Rozelle.

However, the impact of the development at opening on the existing shops in that part of Darling Street, Rozelle south west of Victoria Road, even though numerically modest (estimated to be in the order of -6 percent of turnover), may heighten an already difficult trading performance. Such an impact could lead to further vacancies and declines in amenity, unless the development is effectively integrated into and leverages benefits for the existing centre and strip shops along Darling Street, south west of Victoria Road.

To enhance prospects for integration and moderate what might be a potentially negative impact on south west Darling Street it is suggested that:

— The amount of specialty shops be reduced to around 2000 sqm, rather than the proposed 2700 sqm, given the supportable floorspace from expenditure within what is a relatively self contained and 'local' catchment (currently underprovided with an effective retail centre) around south west Darling Street. With this amount of floorspace in the centre, and assuming design modifications which better integrate the development, the turnover for the existing specialties might increase by around $5m or about 25 percent, rather than decline by 5 to 6 percent as identified in the earlier analysis. It should be noted that these suggestions are made from a community benefits and physical development perspective, and are not about limiting competition. In our view reducing the proposed specialty floorspace in the development would enable the south west Darling Street centre to function more successfully overall, with greater cohesion and better utilisation of existing assets and services.

— The development be reconfigured to ensure it is fully integrated with the adjacent centre in south west Darling Street. The aim should be to make connections to the street, including from basement car parking, as direct (and short) as possible, and have a critical mass of the retail floorspace on the ground level accessible by pedestrians from Darling Street and other adjacent streets.

APPENDIX 1 - RETAIL EXPENDITURE FORECAST FOR THE MTA

We have then calculated the resident retail expenditure available within the MTA (identified in Urbis EIA) using the Auguest 2012 release of the BTS population forecast and the SGS per-capita retail expenditure forecast. These inputs are discussed in detail below.

Resident population forecast

The following table shows the population forecast prepared by BTS for all the TZs within the MTA.

TABLE 20. POPULATION FORECASTS FOR THE RETAIL SYSTEM, ESTIMATED RESIDENT POPULATION (ERP)

	2012	2016	2017	2021	2026
Resident population forecasts within the retail system	45,622	46,008	46,221	47,071	47,848

Source: BTS Population Forecasts, Aug 2012

Given that BTS only prepares population forecasts for every five year intervals from 2006 onwards, we have linearly extrapolated the population estimates for 2012 and 2017, based on trend in the five year intervals. According to BTS, the MTA is expected to home 47,800 residents by 2026.

Per capita retail expenditure

SGS also projects the average national per-capita retail expenditure using the retail turnover estimates from ABS Retail Trade time series and ABS ERP estimates. Table 21 depicts the forecast per-capita retail expenditure by retail type. According to this, an average resident in Australia spends around $4,060 per annum on supermarket goods in 2017, which is about one third of the total retail spending.

TABLE 21. PER CAPITA RETAIL EXPENDITURE IN AUSTRALIA, BY RETAIL TYPE, IN 2012 DOLLARS

Year	Supermarkets	Other Food	Department Stores	Clothing	Household goods	Other retail	Hospitality and services	Total
2012	$3,731	$1,016	$939	$883	$2,141	$1,760	$1,453	$11,922
2016	$3,998	$1,033	$906	$835	$2,225	$1,943	$1,491	$12,430
2017	$4,068	$1,037	$897	$824	$2,246	$1,992	$1,501	$12,565
2021	$4,359	$1,054	$866	$779	$2,334	$2,199	$1,540	$13,131
2026	$4,599	$1,104	$855	$815	$2,449	$2,363	$1,603	$13,787

Source: SGS estimates based on the ABS Retail Trade estimates and population estimates for NSW, Aug 2012

Consistent with the impact numbers reported in the Urbis EIA, the figures in the table above are in 2012 dollars.

Since levels of household income are a major driver of how much people spend on retailing, we have examined the distribution of weekly family income for both Australia and the MTA as a whole. Table 22 shows that the households within the MTA have a higher income profile, compared to NSW.

TABLE 22.   PER CAPITA RETAIL EXPENDITURE IN NSW, BY RETAIL TYPE, IN 2009 DOLLARS

	Gross Family Income (Weekly)					
Year	Lowest income range (<$599)	Second income range ($600-$999)	Third income range ($1,000-$1,499)	Fourth income range ($1,500-$2,499)	Highest income range (>$2,500)	**Total**
NSW	24%	18%	17%	22%	20%	**100%**
MTA in the Urbis study	21%	12%	13%	15%	39%	**100%**

Source: ABS Census, 2011

This implies that the average per capita retail expenditure in the MTA is greater than the average per capita expenditure across Australia. Adjustments to available per capita expenditure with respect to family income profile have then been made at the individual zone level.

Total retail expenditures available

The table below indicates the total retail expenditures available within the MTA. It is estimated that residents within the MTA will spend $729 million on retail goods and services in 2017, of which $220 million is expected to be spent at supermarkets.

TABLE 23.   TOTAL RETAIL EXPENDITURE WITHIN THE MTA, IN 2012 DOLLARS

Year	Supermarkets	Other Food	Department Stores	Clothing	Household goods	Other retail	Hospitality and services	Total
2012	$200M	$61M	$50M	$55M	$124M	$107M	$89M	**$686M**
2016	$216M	$62M	$49M	$53M	$130M	$119M	$92M	**$721M**
2017	$220M	$63M	$49M	$52M	$131M	$122M	$93M	**$729M**
2021	$236M	$64M	$47M	$49M	$136M	$134M	$95M	**$761M**
2026	$249M	$67M	$46M	$51M	$143M	$144M	$99M	**$799M**

Source: ABS Census, 2012

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APPENDIX 2 – DESTINATIONS OF SHOPPING TRIPS FROM LEICHHARDT LGA

Destination SLAs	No. of shopping trips originated from Leichardt SLA	% of the total shopping trips
Ashfield	3702	4%
Baulkham Hills - Central	538	1%
Baulkham Hills - North	394	0%
Burwood	1240	1%
Canada Bay - Concord	151	0%
Canada Bay - Drummoyne	5451	6%
Canterbury	238	0%
Fairfield - West	312	0%
Leichhardt	61447	64%
Marrickville	7232	8%
North Sydney	251	0%
Ryde	757	1%
Strathfield	565	1%
Sydney - East	598	1%
Sydney - Inner	3029	3%
Sydney - South	1335	1%
Sydney - West	5456	6%
Waverley	2345	2%
Willoughby	274	0%
Woollahra	169	0%
Grand Total	**95485**	**100%**

Source: BTS Household Travel Survey, 2010/11

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