

31 May 2018

Dear Nicky,

Subject: Eastern Creek Business Hub – SSD 5175 MOD 3 and SSD 8588

Background

In August 2012 HillPDA prepared an Economic Impact Assessment of the proposed Eastern Creek Business Hub for Western Sydney Parklands Trust (refer to the Addendum to this letter). At that time the Business Hub was envisaged to have two stages. The first stage was a retail centre comprising 9,500sqm of conventional retail and 24,000sqm of bulky goods and large format stores. The second stage was to include 19,300sqm of bulky goods. Stage 1 was to open in 2016 and Stage 2 in 2022.

The conventional retail space in Stage 1 was approved with a GFA of 9,500sqm. In the earlier economic impact assessment (EIA) report prepared by HillPDA in 2012 it was assumed that 7,750sqm of this space would be occupied retail space (gross leasable space retail or GLAR as defined by Property Council of Australia) half of which would be taken up by a large format supermarket and half by specialties. The balance of the 9,500sqm would comprise amenities, common area, manager's office and non-retail occupiers.

Since then the concept design has been amended and development has been delayed by several years. There has been population growth in the Blacktown LGA and some changes in the retail landscape.

The Current Proposal

The current proposal for the conventional retail component includes 9,633sqm of leasable floor area, including a PAD site for a 400sqm restaurant or other retailer and two non-retail tenancies – gymnasium and medical centre. Retailers include a 3,794sqm supermarket, 15 food retailers (1,655sqm), liquor store (201sqm) a mini-major store (577sqm), pharmacy (348sqm), 16 non-food specialty shops (1,692sqm), three kiosks (53sqm) and a PAD site assumed to house a 400sqm family restaurant or similar. If we assume all of these shops are occupied by retailers and restaurants then total leasable retail floor space (GLAR) would be circa 8,700sqm. This equates to around 950sqm (640sqm on Lot 2 and 310sqm on Lot 1) more retail space than assumed in the earlier EIA - an increase of 12%.

Purpose of this Letter

The NSW Department of Planning and Environment has requested an updated retail impact assessment to be submitted with the application.

This letter summarises the likely retail impacts of the proposed modification to Concept Plan SSD 5175 in relation to SSD application (SSD 8588) for the detailed design of Lot 2 (Stage 1) of the Eastern Creek Business

Hub. This assessment references plans (“Proposed Site Plan – Stage 1 DA05-A” prepared by i2C) submitted as part of the detailed design DA.

The below assesses the impact of the retail components pertaining to the current scheme on the existing retail centres in the locality. The EPA & Act (1979) is not clear on what is meant by locality, however for the purpose of this assessment we have assumed it to be the trade areas or the geographical influence of the proposal.

Further for the purposes of this assessment we have assumed that Stage 1 would be developed and operational by late 2019.

Estimated Turnover of the Proposal

The following table applies industry benchmark target turnover rates to the proposed retail mix to quantify turnover in 2020 (6 to 12 months after its opening).

Table 1: Retail Centre Floorspace Mix and Turnover in 2016

Retail Type	Floorspace (sqm) GLA	Target Turnover (\$/sqm)	Turnover (\$m)
Supermarkets	3,794	10,000	38.7
Take-away Liquor Stores	201	11,000	2.3
Specialty Food Stores	1,655	7,500	12.7
Mini Major	577	4,900	2.9
Specialty Retail	2,093	5,000	10.7
SUB TOTAL	8,320	-	
Restaurants, Hotels and Clubs (pad site)	380	6,000	2.3
TOTAL	8,700	7,985	69.5

Note: Benchmark turnover rates derived from various sources including Urbis Retail Averages, ABS Retail Survey 1998-99 escalated at CPI to \$2016, Shopping Centre News, Hill PDA and various consultancy studies. The trading level of the proposed supermarket reflects the demographic constitution of the trade area.

The above table indicates the proposed retail centre is estimated to achieve a turnover of \$69.5m in 2020 – averaging almost \$8,000/sqm. This turnover will be redirected from competing centres.

Redirection of Turnover

In order to quantify the redirection of trade from competing centres HillPDA prepared a bespoke gravity impact model. For the purpose of the assessment we have measured the impact during the second year of full trading, likely to be in Year 2021. This is to give time for the centre to build up its customer base and be fully leased (or at least it's assumed that it will be fully leased for the purpose of this assessment).

The gravity model was designed on the premise that the level of redirected expenditure from a competing centre selling like for like products is directly proportional to the turnover of that centre and indirectly proportional to the distance from the Subject Site.

For the purpose of the assessment we have included all centres (other than hardware and bulky goods centres) within a distance of 9km from the site. The results are presented in the following table.

Table 2: Stage 1 (Lot 2) - Redirection of Expenditure from Existing Centres in 2020

1	2	3	4	5	6	7	8	9	10
Retail Centre	Distance from Subject Site (km)	Approx. Retail Floor Space	Turnover in 2017	Turnover in 2020 without Proposal	Turnover in 2020 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2020	Shift in turnover from 2017 to 2020	% Shift in turnover from 2017 to 2020
Proposed Centre					69.5	69.5			
Blacktown	7.2	141,500	736.0	797.2	784.5	-12.7	-1.6%	48.5	6.6%
Mount Druitt	4.4	70,300	508.0	550.3	532.7	-17.6	-3.2%	24.7	4.9%
St Marys	8.2	42,500	254.1	272.1	265.9	-6.1	-2.3%	11.8	4.6%
Plumpton Mrktplace	5.8	15,600	158.1	169.7	164.3	-5.4	-3.2%	6.3	4.0%
Rooty Hill	1.5	7,700	56.1	60.8	56.1	-4.7	-7.8%	-0.1	-0.1%
Doonside Station	3.9	1,950	14.5	15.3	14.7	-0.6	-4.2%	0.2	1.4%
Rainbow S.C.	4.1	4,500	41.5	43.9	40.8	-3.1	-7.0%	-0.7	-1.6%
Mytle St	5.6	4,000	35.0	37.0	34.9	-2.1	-5.6%	-0.1	-0.1%
Evans Road	0.6	1,500	9.3	9.9	9.1	-0.8	-8.1%	-0.2	-1.9%
Minchin Drive	2.6	1,900	15.0	15.9	14.9	-1.0	-6.4%	-0.1	-0.7%
Holbeche Rd	4.3	3,000	24.5	26.0	24.6	-1.4	-5.3%	0.1	0.5%
Other Localities						13.9			
TOTAL		294,450	1852.1	1998.2	2012.1	0.0	0.7%	160.0	8.6%

Columns:

1. Retail Centre Name (includes strip shops)
2. Distance in kilometres from subject site (source: Googlemaps).
3. Various including Shopping Centre News, PCA Shopping Centres Directory, Hill PDA Floorspace Surveys.
4. Various including Shopping Centre News, PCA Shopping Centres Directory, Shopping Centre Annual Reports, Urbis Retail Averages, Other Consultancy Reports and Hill PDA Estimate.
5. Allows for population growth (variable for each centre) and real growth in retail spend per capita of 0.9% per annum in line with the historic trend since 1986 (Hill PDA Calculation from ABS Retail Sales, population estimates and CPI indexes).
6. The turnover of centres following the proposed development. The forecast turnover of the proposed development is redirected from the existing centres based on distance and size.
7. Immediate shift in turnover. This is difference between the development and the do nothing options (i.e. Column 4 minus Column 5).
8. Immediate percentage shift in turnover divided by the turnover in 2020 without the development (ie Column 6 - Column 5)
9. This is the shift in turnover from 2017 to 2020 after the opening of the new development (Column 6 minus Column 4)
10. This is shift in turnover from 2017 to 2020 divided by the base turnover in 2017

The earlier Secretary's Environmental Assessment Report of SSD 5175 (Pages 38 to 42) included an additional 24,000sqm of bulky goods and large format retailing. Without the food and beverage component in the large format retail stores the immediate impacts on all centres were below 10% loss in trade which was deemed acceptable by the Department of Planning and Environment. The Department is now asking if the additional conventional retail space in Stage 1 combined with four years delay in the opening of the centre is likely to show stronger impacts than

If we combine Stage 1 with a further 24,000sqm of predominantly bulky goods and large format retailing (part of this mix is to include two fast food stores and a child care) then the impacts will be a little stronger on existing centres as shown in the table below.

Table 3: Stages 1 and 2 - Redirection of Expenditure from Existing Centres in 2020

1	2	3	4	5	6	7	8	9	10
Retail Centre	Distance from Subject Site (km)	Approx. Retail Floor Space	Turnover in 2017	Turnover in 2020 without Proposal	Turnover in 2020 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2020	Shift in turnover from 2017 to 2020	% Shift in turnover from 2017 to 2020
Proposed Centre					148.3	148.3			
Blacktown	7.2	141,500	734.0	795.1	767.8	-27.3	-3.4%	33.8	4.6%
Mount Druitt	4.4	70,300	508.0	550.3	527.9	-22.4	-4.1%	19.9	3.9%
St Marys	8.2	42,500	254.1	272.1	265.5	-6.6	-2.4%	11.3	4.5%
Plumpton Mrktplace	5.8	15,600	158.1	169.7	163.9	-5.9	-3.4%	5.8	3.7%
Rooty Hill	1.5	7,700	56.1	60.8	55.9	-4.9	-8.1%	-0.2	-0.4%
Doonside Station	3.9	1,950	14.5	15.3	14.5	-0.9	-5.5%	0.0	-0.1%
Rainbow S.C.	4.1	4,500	41.5	43.9	40.8	-3.1	-7.1%	-0.7	-1.7%
Mytle St	5.6	4,000	35.0	37.0	34.9	-2.1	-5.6%	-0.1	-0.2%
Evans Road	0.6	1,500	9.3	9.9	9.0	-0.9	-8.9%	-0.3	-2.7%
Minchin Drive	2.6	1,900	15.0	15.9	14.9	-1.0	-6.6%	-0.1	-0.9%
Holbeche Rd	4.3	3,000	24.5	26.0	24.6	-1.4	-5.4%	0.1	0.4%
Other Localities						71.9			
TOTAL		294,450	1850.1	1996.1	2067.9	0.0	3.6%	217.8	11.8%

The above table shows that in absolute dollar terms the largest impacts will be on Blacktown (\$27m) followed by Mount Druitt (\$22m). However these are large centres and the impacts are considered insignificant in terms of percentage loss.

Significance of the Impacts in 2020

There are no universal measures of significance of economic impact. There are references in various consultancy reports and statements in the Land & Environment Court which suggest that a loss of trade below 5% is considered insignificant, 5% to 10% is low to moderate, 10% to 15% is moderate to high, and above 15% is a strong or significant impact.

The greatest relative or percentage impacts of the proposal will be on the smaller surrounding centres in closer proximity to the subject site. These impacts result predominately from the impacts of supermarket, groceries and specialty foods. As a proportion of turnover, the greatest impacts are forecast to be on Evans Road, Rooty Hill (-8.9%), Rooty Hill (-8.1%), Rainbow Shopping Centre Doonside (-7.1%) and Minchin Drive, Minchinbury (-6.6%). Although the amount of expenditure redirected from these centres is more modest, such turnover represents a greater proportion of their total trading level given their comparatively low turnovers. The impacts are in the low to moderate range rather than insignificant.

Impacts over Time

Whilst these centres are forecast to experience moderate impacts, these are immediate or point in time impacts. Due to population growth and growing affluence, all centres will enjoy some growth in trade. As a result the impact on these centres will lessen over time (see Column 10). Five centres will experience reduced trading levels over the period from 2017 to 2020. These centres include Minchin Drive Minchinbury, Evans Road, Rooty Hills, Mytle Street Arndell Park and Rainbow Shopping Centre in Doonside. However the shift in trade will be well below 5% which is insignificant. All other centres will enjoy some growth in trade from 2017 to 2020.

These impacts are slightly lower than the impacts shown in the Secretary's Environmental Assessment Report (refer to Addendum) notwithstanding the marginal increase in retail floor space. This is because the growth in expenditure generated in the trade area from 2016 to 2020 has diminished the likely impact over that time.

Yours sincerely,

Signed by



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Addendum

Original Retail Impact Assessment (Secretary's Environmental Assessment Report SSD 5175)

Table 6: Economic Impact Comparison (LFR with and without a food & beverage component)

Local Centres	% shift in turnover 2016	
	<i>LFR with a food & beverage component</i>	<i>LFR without a food & beverage component</i>
Rainbow Shopping Centre Doonside	-17.0	-9.5
Myrtle Street Prospect	-14.7	-8.3
Holbeche Road Arndell Park	-11.9	-6.6
Rooty Hill Village Centre	-11.5	-7.3
Evans Road Rooty Hill	-10.7	-8.0