

ORCHARD HILLS NORTH RETAIL MARKET DEMAND AND IMPACT ASSESSMENT

MARCH 2018
RP2
PREPARED FOR LEGACY PROPERTY

URBIS

URBIS STAFF RESPONSIBLE FOR THIS REPORT WERE:

Director	David Wilcox
Consultant	Chinmay Chitale
Project Code	PER0702
Report Number	RP2

TABLE OF CONTENTS

Executive Summary.....	i
Introduction	1
1. Subject Site and Proposed Development	2
2. Trade Area Market.....	10
2.1. Trade Area Definition	10
2.2. Population	12
2.3. Demographic Characteristics.....	13
2.4. Retail Spending.....	14
3. Competitive Framework	16
3.1. Existing Centres	16
3.1.1. Proposed Retail Developments	17
4. Market Demand and Indicative Impacts	19
4.1. Demand and Need.....	20
4.2. Indicative Impact Analysis	24
4.2.1. Description of Indicative Economic Impacts	25
4.2.2. Indicative Impacts	25
4.3. Employment Benefit.....	29
4.4. Consumer Considerations	30
4.5. Northern Road Business / Commercial Zone – Indicative Jobs	30
5. Policy Considerations	31
6. Conclusions	33
Disclaimer	34

EXECUTIVE SUMMARY

This report demonstrates that from an economic perspective it is appropriate to plan for the development of a supermarket-anchored local shopping centre within the Orchard Hills North Structure Plan Area.

The inclusion of a local centre will significantly contribute to the amenity of the Structure Plan area, maximising its appeal to new residents. Our indicative impact assessment demonstrates that the viability of existing and emerging Penrith centres hierarchy would not be threatened because of the proposed development.

PROPOSED DEVELOPMENT

Legacy Property is proposing to rezone a site in Orchard Hills North, located within the Penrith Local Government Area (LGA). The proposed rezoning area is approximately 146.1 hectares (ha) with frontages to Caddens Road to the north, Kingswood Road to the west, the Western Motorway to the south and Claremont Meadows residential lots to the east.

The Planning Proposal (PP) for Orchard Hills North aims to rezone the 146.1ha site from agricultural land to mixed land uses, forming around 1,800-2,000 residential lots, a neighbourhood centre and numerous areas of green space.

Discussions with the Department of Planning and Environment (DP&E) and Council have highlighted the need to consider the logical extension of the rezoning area west (namely the Structure Plan area) to The Northern Road, to ensure that future land uses and connections for the entire Orchard Hills North precinct are planned in a holistic manner.

In order to ensure that the future development is fully integrated, a high level Structure Plan has been prepared for the entire precinct, covering an area of approximately 263.09ha.

MARKET DEMAND

For the purposes of this assessment we have defined a trade area that would be required to support a supermarket-anchored local shopping centre located in the central part of the Orchard Hills precinct.

The trade area will benefit from strong population and spending growth resulting from the proposed residential development within Orchard Hills North and adjoining areas.

The retail spending market is forecast to grow strongly, driven by both population growth and per capita retail spending growth.

- Available expenditure from primary trade area residents is forecast to increase by **\$78 million** between 2017 and 2026, and by a further **\$67 million** between 2026 and 2031
- Expenditure across the main trade area is forecast to increase by **\$139 million** between 2017 and 2026 and by a further **\$116 million** between 2026 and 2031.

Our analysis indicates that the trade area would support the development of a supermarket-anchored local centre in 2026. The centre would achieve an overall market share of 12% within the trade area, and a resultant turnover of **\$38.2 million** (in constant \$2017 including GST). Increased capacity within the trade area's spending market is expected to boost trading levels after an initial establishment period.

The estimated turnover of the proposed development is **73% less** than the quantum of spending growth projected in the main trade area between 2017 to 2026 (+\$139 million). This demonstrates that there is capacity for the market to support additional retail floorspace.

INDICATIVE IMPACT ANALYSIS

The proposed development will provide choice and price competition for trade area residents without compromising the existing and proposed Penrith retail hierarchy.

Growth in the Penrith spending market means that most centres would trade at levels in 2026 that are higher than current levels, even accounting for the cumulative impacts of Orchard Hills North and other developments including the proposed Caddens shopping centre.

Population and spending growth within the main trade area will result in **\$23 million** annual additional expenditure between 2026 and 2031. A significant proportion of this spend will be retained by retailers at the subject site, Caddens and Claremont Meadows and this will support annual turnover growth at each centre.

Across the balance of the Penrith LGA annual retail expenditure growth is estimated at **~\$120 million** annually between 2026-2031. This means that the collective \$38.2 million impact resulting from the proposed Orchard Hills North local centre would be absorbed within one year. Existing centres should therefore benefit from ongoing turnover growth post 2026.

BROADER ECONOMIC EMPLOYMENT BENEFITS

The local centre will generate **274 direct jobs** (full-time, part-time and casual) during the on-going operation. These direct jobs are estimated to induce a further **56 indirect jobs** (full-time, part-time and casual) both within the Penrith LGA and broader New South Wales economy as a result of flow-on effects.

The proposed expansion will also have many benefits for residents. In particular:

- Providing amenity for new residents in Orchard Hills, who will purchase housing with the expectation that high-quality retail facilities will be provided
- A catalyst for residential take-up within the Structure Plan area, and thus contributing to a greater sense of community within the area
- The development can also create opportunities to co-locate complementary non-retail uses such as medical centres and community facilities
- The extension of retail choice will also promote greater competition, with possible benefits in terms of keener prices and better quality.

The proposed development is consistent with relevant elements of Penrith City Council Economic Development Strategy and Ministerial S.117 directions. It should therefore be supported from an economic perspective.

NORTHERN ROAD BUSINESS / COMMERCIAL ZONE – INDICATIVE JOBS

- The Concept Master Plan includes provision for around 11 hectares to be used as a commercial / business zone adjacent to the Northern Road. The precise nature of land uses in this area would be subject to further investigation, but are expected to include a mix of showrooms, pad sites (e.g. service station) and other commercial uses
- Assuming an average 0.5:1 floorspace ratio across the site and an indicative employment density range of 100 sq.m per job (subject to eventual uses), this area notionally has the potential to generate around 1,100 jobs.

INTRODUCTION

This Market Demand and Indicative Impact Assessment (EIA) has been prepared by Urbis Pty Ltd on behalf of Legacy Property. Legacy Property proposes a centrally-located local shopping centre as part of its Concept Master Plan for the Orchard Hills North precinct.

Urbis has assessed the market potential for a supermarket-based shopping centre in this location. We have also considered the indicative trading impacts that a future centre could have on the Penrith retail hierarchy in future.

The remaining sections of this report outline the following analysis:

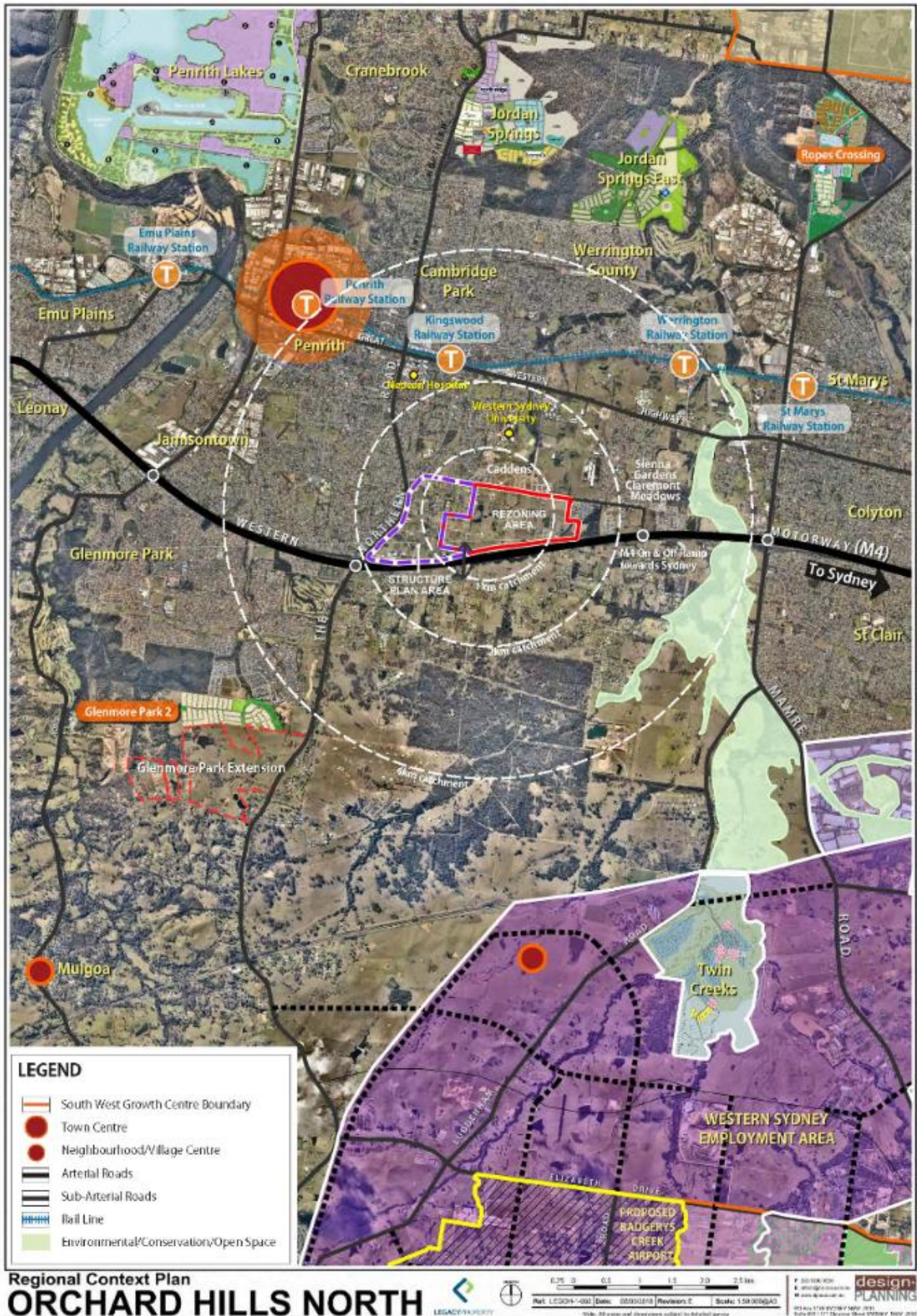
- **Section One** – considers the subject site in its local and regional context
- **Section Two** – identifies a trade area for a local centre and provides an assessment of the current and forecast population and retail spending trends
- **Section Three** – reviews the retail hierarchy in the region of relevance to the proposed development, noting competing centres and proposed developments
- **Section Four** – outlines our assessment of the economic need, demand and impact of the proposed development. Section Four also provides turnover forecast and commentary on the likely market share of the development
- **Section Five** – considers the extent to which the development of a new local centre is consistent with relevant elements of the Penrith Economic Development Strategy and NSW Ministerial (S.117) Directions
- **Section Six** – sets out conclusions.

1. SUBJECT SITE AND PROPOSED DEVELOPMENT

Legacy Property is proposing to rezone a site in Orchard Hills North, located within the Penrith Local Government Area (LGA). The proposed rezoning area is approximately 146.1 hectares (ha) with frontages to Caddens Road to the north, Kingswood Road to the west, the Western Motorway to the south and Claremont Meadows residential lots to the east.

Orchard Hills North, is well located being north of the Western Sydney Motorway, in close proximity to the University of Western Sydney (to the north), Nepean Hospital (to the north) and to the Penrith City Centre. South of the Motorway is currently mostly Orchard Hills rural lands, Defence Lands and to the south west is Glenmore Park. Further south, will be the Badgerys Creek Airport.

Map 1 – Regional Context

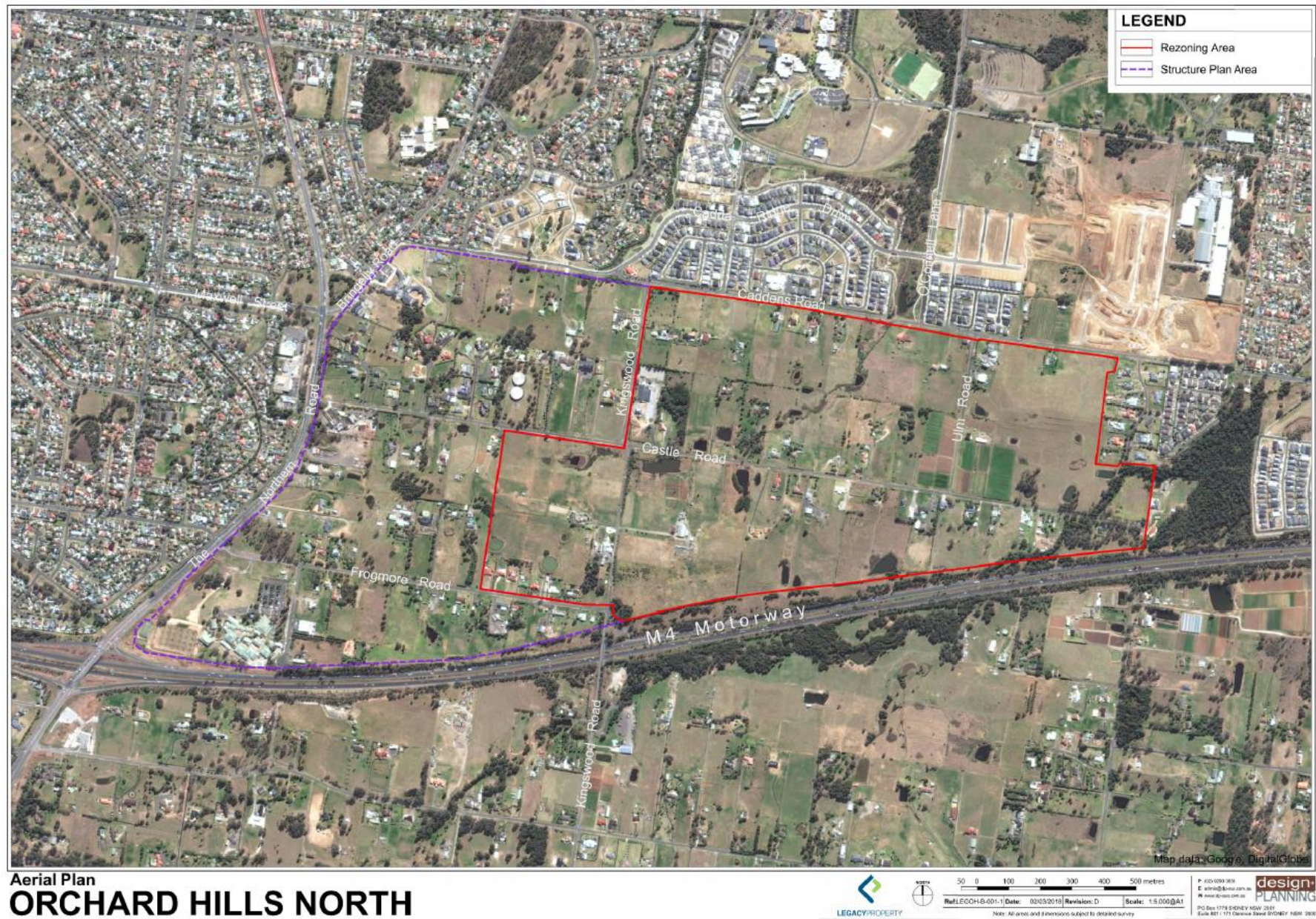


The rezoning site comprises 54 existing lots (including the school and uniting church) within the proposed rezoning area, located at the following addresses:

- 80-154 Caddens Road, Orchard Hills
- 26-48 Kingswood Road, Orchard Hills
- 79-101 Kingswood Road, Orchard Hills (school)
- 117-149 Castle Road, Orchard Hills
- 53-105 Castle Road, Orchard Hills
- 182-226 Caddens Road, Orchard Hills
- 2-164 Castle Road, Orchard Hills
- 1-5 Castle Road, Claremont Meadows
- 7 Castle Road, Claremont Meadows
- 5, 9, 13, 19, 23, 29, 33 and 35 Frogmore Road, Orchard Hills

The proposed rezoning area is identified in Map 2 below:

Map 2 – Proposed Rezoning Area



The existing fragmented ownership of the site has historically been a barrier to coordinated planning or development of the area, however Legacy Property has now secured agreements covering the majority of the rezoning area.

Legacy Property nominated the Orchard Hills North site under Penrith City Council's Accelerated Housing Delivery Program (AHDP) in October 2017. In November 2017 the site was endorsed by Penrith City Council as a short-term rezoning opportunity to provide for housing delivery over the next 3-5 years.

1.1. STRUCTURE PLAN AND REZONING AREA

The Planning Proposal (PP) for Orchard Hills North aims to rezone the 146.1ha site from agricultural land to mixed land uses, forming around 1,800-2,000 residential lots, a neighbourhood centre and numerous areas of green space.

Discussions with the Department of Planning and Environment (DP&E) and Council have highlighted the need to consider the logical extension of the rezoning area west (namely the Structure Plan area) to The Northern Road, to ensure that future land uses and connections for the entire Orchard Hills North precinct are planned in a holistic manner.

In order to ensure that the future development is fully integrated, a high level Structure Plan has been prepared for the entire precinct, covering an area of approximately 263.09ha. The Structure Plan considers how the rezoning area (146.1ha) integrates with the balance of the precinct (116.9 ha) and identifies potential future land uses as well as key road connections. It is expected that the Structure Plan will provide a framework for the future rezoning of the remaining area, either through a Council Local Environmental Plan (LEP) amendment or a developer/owner led Planning Proposal

Council has endorsed proceeding with the rezoning area at present to meet the objectives of its Accelerated Housing Delivery Program. A significant factor in this approach is that Legacy Property has secured agreements covering a majority of the rezoning area and is therefore in a position to progress with the planning proposal and provide greater certainty for coordinated future development. Council is also proposing to undertake a strategic corridor study for The Northern Road and any proposal to rezone that land may pre-empt the outcome of this study.

As a result, the same level of technical investigations undertaken for the rezoning area have not yet been undertaken for the wider Structure Plan area. The balance of the Structure Plan area has been considered as part of investigations for this planning proposal, however not at a detailed level to support rezoning.

1.1.1. Background

The cultural landscape of the Orchard Hills North site has developed as a rural landscape over the past 100 years with constantly evolving pastoral practices and declining Cumberland Plain Woodland. Within the last 50 years Orchard Hills North has typically been associated with orchard food production, grazing farming practices with some specialisation in agricultural farming and rural residential communities.

Although genuine food production practices have steadily declined over recent years, and only two lots within the site are currently used for any form of agricultural production, the site remains zoned as RU4 Primary Production Small lots. Today, the majority of the site is utilised for residential purposes and has been substantially cleared.

1.2. THE VISION

Orchard Hills North will be a residential community set amongst rolling hills in the rich natural landscape of Western Sydney, offering panoramic views to the Blue Mountains and surrounding areas. The development will incorporate a diverse mix of housing types across 1,800 – 2,000 residential lots, focused around a new neighbourhood centre that forms the focal point of the future community and offers a high level of convenience for residents.

The overarching vision of Orchard Hills North is to support a safe and connected community. This will be achieved through the provision of a wide variety of green spaces and links, connecting each of the future neighbourhood precincts with one another as well as the wider regional community, thereby placing a focus on active transport such as walking and cycling.

1.3. DESIGN PRINCIPLES

A site analysis, supported by extensive technical studies, has informed the following design principles for the Structure Plan and rezoning area:

- Retain key creek lines and capitalise on the opportunity to create a central green link
- Retain existing significant vegetation as natural bushland.
- Manage and retain views into and out of the site.
- Provide opportunities for a diverse mix of housing types, with medium density housing located around the neighbourhood centre and major open space
- Create a new neighbourhood centre combined with a relocated primary school to establish a community focal point
- Respect heritage buildings and the character of the area
- Integrate with the community to the north, west and east.
- Link O'Connell Lane, Caddens Road, Frogmore Road and The Northern Road into a meaningful urban road network.
- Improve water quality and water flow.
- Utilise landscaping and topography on the southern boundary to manage noise.
- Promote pedestrian and cycle linkages.
- Generate employment opportunities along the Northern Road.

1.4. MASTER PLAN AND REZONING DESCRIPTION

It is proposed to rezone the site from RU4 Primary Production Small Lots, under Penrith Local Environmental Plan (PLEP) 2010, to part R1 General Residential, B2 Local Centre, RE1 Public Recreation, E2 Environmental conservation and E4 Environmental living in the south eastern corner of the site, as well as provide for appropriate controls relating to minimum lot size, height, heritage items, and visual landscape.

The rezoning of Orchard Hills North will provide between 1,800-2,000 residential lots. It is expected that the site will ultimately provide a broad mix of housing types ranging from larger environmental living lots (2,000m²) to traditional detached residential lots (primarily 300-600m²) and smaller compact and attached housing lots (125-300m²). The proposed neighbourhood centre will provide around 6,000-8,000m² of retail space supported by cycle and pedestrian links with approximately 17.5ha of open space, bushland and riparian corridors.

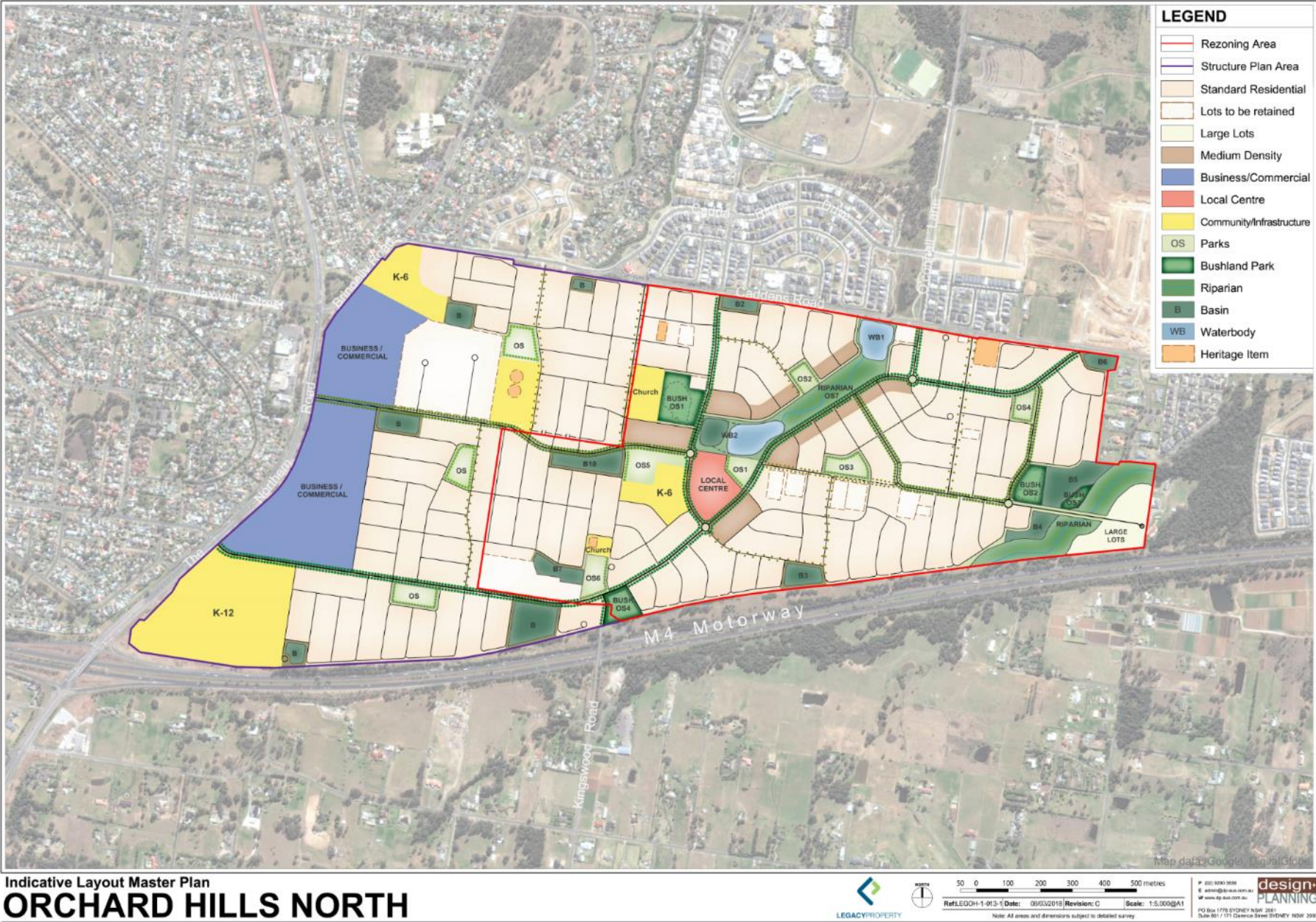
A new/relocated primary school is proposed adjacent to the neighbourhood centre, supported by open space to facilitate share usage. The location of parks and open space areas have been carefully selected to enhance the existing value of the natural landscape, such as hill tops and creek lines, and to retain the significant bushland areas, in order to provide the highest level of amenity for future residents.

The site is physically and strategically suited for urban development, noting that:

- It is a discrete area formed by the boundary of an existing urban area and major road infrastructure.
- It adjoins an existing residential subdivision, and in close proximity to the hospital, Western Sydney University and the Penrith CBD.
- There are limited environmental or physical constraints that would prevent redevelopment
- It is outside the Western Sydney Priority Growth Area and is therefore better placed to be rezoned through a developer led PP
- Upgrades are currently being undertaken to the Northern Road, which the Orchard Hills site is located east thereof, and gains access thereto. Thus, the rezoning of the land will support the Government's cost of infrastructure and will result better utilisation of the land
- It is able to capitalise on the availability of new and existing infrastructure, such as the recently completed Werrington Arterial Road and new M4 on and off-ramps, the signalisation of the Frogmore Road/Northern Road intersection as part of The Northern Road upgrade, and four train stations within 4.5km of the site (Penrith, Kingswood, Werrington, St Marys).

The indicative Concept Master Plan for the site is identified in Figure below.

Map 3 – Concept master plan for Orchard Hills North



2. TRADE AREA MARKET

This section discusses the trade area likely to be served by a new local centre, including population trends and forecasts, socio-economic characteristics, as well as the future retail spending levels of trade area residents.

For the purposes of this assessment we have defined a trade area that would be required to support a supermarket-anchored local shopping centre. This will be located in the central part of the Orchard Hills North precinct, with road access as shown in the Concept Master Plan

2.1. TRADE AREA DEFINITION

The definition of the trade area for any retail development is determined by several factors including:

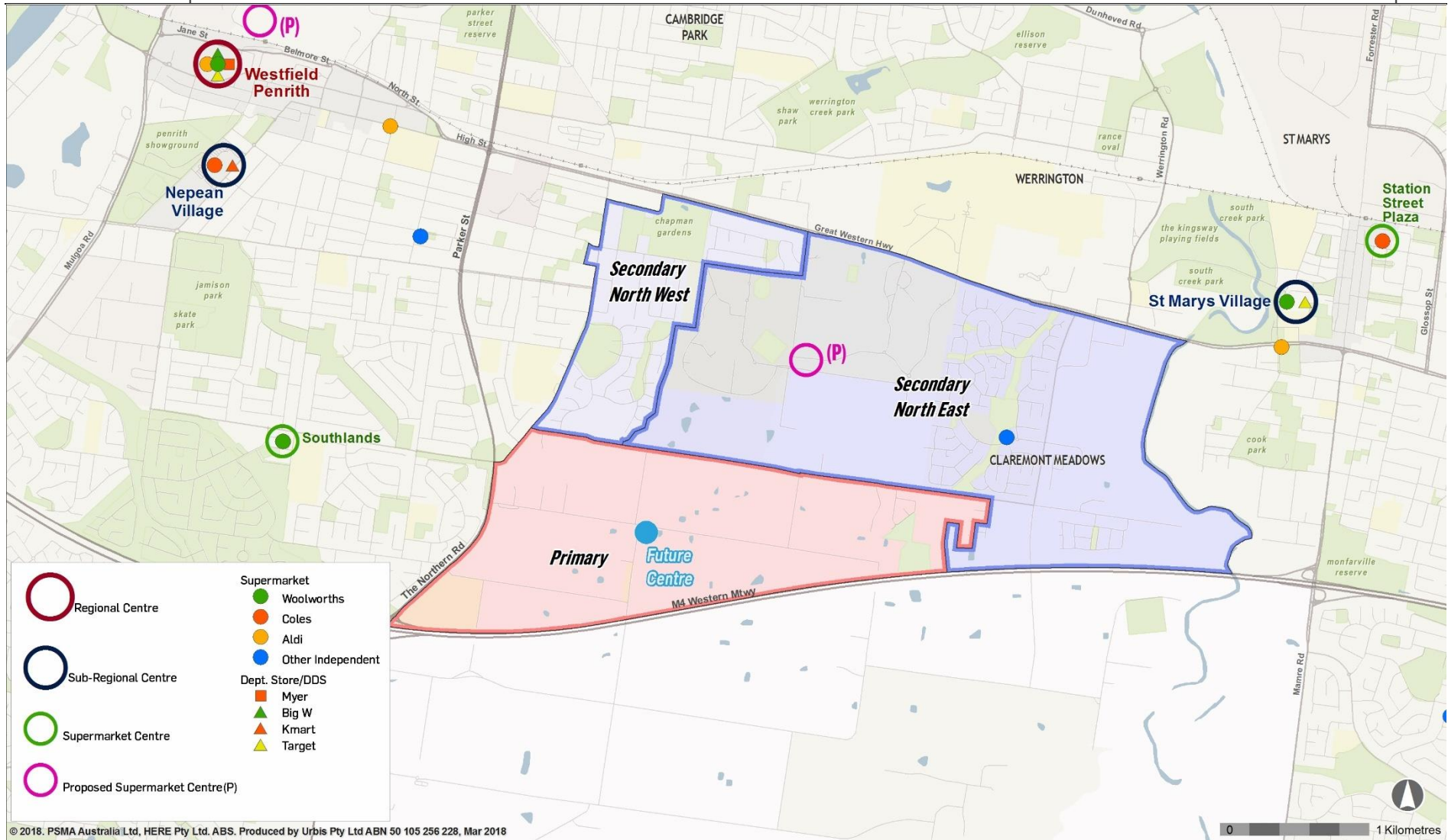
- The appeal and attractiveness of the centre in question, determined by success factors such as composition, layout, car parking and the presence of other local complementary uses
- The proximity, composition, quality, size and diversity of retail, business services and community facilities in competing retail centres
- The accessibility of the subject centre in terms of road and public transport networks
- Topography and other physical barriers such as rivers, railways and freeways
- Proximity and accessibility to potential shoppers.

A future local centre will primarily serve the future residents of Orchard Hills North. The adopted trade area is therefore based on ABS SA1 statistical divisions surrounding the subject as follows:

- A **Primary trade area** which includes the Orchard Hills North Structure Plan area as well as the residual residential area between Kent Road and Claremont Creek to the east
- A **Secondary North East trade area** which extends north of Caddens Road into the Caddens release area. This extends from South Creek in the east to Bargo Boulevard / Manning Street in the west and northwards to the Great Western Highway. This area includes the proposed Caddens shopping centre
- A **secondary North West trade area** that extends as far as Bringelly Road, including the eastern part of the Kingswood suburb.

Map 2.1 on the following page shows the defined trade area for the proposed retail development. There is some overlap with the primary trade area that has been defined for the Caddens Precinct Centre¹. If both centres are developed this will therefore broaden the range of choice and convenience available to residents in the area. By way of comparison, the two sites are a similar distance from each other as the centres at Jordan Springs and Cranebrook.

¹ (Caddens Precinct Centre, Sydney Assessment of Retail Potential, September 2017, Macroplan Dimasi).



2.2. POPULATION

In assessing the population forecast for the trade area, we have had regard to:

- Existing Australian Bureau of Statistics population data from the 2016 Census
- Small Area Forecasts (SAFI) data prepared by .idconsultants
- The residential yields for the primary trade area have been provided by the client. In total 2,800 new dwelling are proposed across the Structure Plan Area. This is multiplied by an average household size of 3 persons per dwelling, consistent with the average household size across Penrith LGA (2.9), and between the current average for the secondary trade areas
- We have assumed that residential development at the subject site can ramp-up to achieve 300 completions annually from 2022. The timing of population growth may be subject to change, but this would not affect the size of the population on completion
- Future development potential within the Caddens precinct has also been incorporated. This includes dwelling targets for key release areas (as well as dwelling completions to date). We have also included residential growth within the Chiway and Western Sydney University owned land around the Caddens B2 zone.

Table 2.1 shows that the trade area resident population is projected to increase from **10,390** persons in 2017 to **18,480** in 2026 and **23,490** in 2031. This equates to an additional **8,070** residents between 2017 and 2026 and **5,010** between 2026 and 2031.

The majority of population growth is expected to occur within the primary trade area which is where development activity associated with Orchard Hills North Structure Plan will occur.

The secondary north east trade area will experience some uplift associated with build-out of the Caddens Precinct. The secondary north west trade area is an established low density urban residential area that is not expected to experience any significant population growth.

Trade Area Population

Forecast Trade Area Population, 2017-2031

Table 2.1

	Population				Annual Population Growth (no.)			Annual Population Growth (%)		
	2017	2021	2026	2031	17-21	21-26	26-31	17-21	21-26	26-31
Primary:										
Primary	840	1,590	6,090	9,240	188	900	630	17.3%	30.8%	8.7%
Secondary:										
North East	6,320	7,170	8,950	10,730	213	356	356	3.2%	4.5%	3.7%
North West	3,230	3,390	3,440	3,520	40	10	16	1.2%	0.3%	0.5%
Total Secondary	9,550	10,560	12,390	14,250	253	366	372	2.5%	3.2%	2.8%
Main Trade Area	10,390	12,150	18,480	23,490	440	1,266	1,002	4.0%	8.7%	4.9%

1. As at June 30.

Source: ABS; .idconsultants; New South Wales State and Local Government Area Population Projections; The Department of Planning & Environment, NSW, 2016; SAFI; Urbis

2.3. DEMOGRAPHIC CHARACTERISTICS

The development of new housing within the Orchard Hills North Structure Plan Area is likely to attract new residents with **an increasingly affluent socio economic profile**. Given the market positioning of the development we assume that it will be well placed to attract a high proportion of young working families consistent with new developments in the North West and South West Priority Growth Areas.

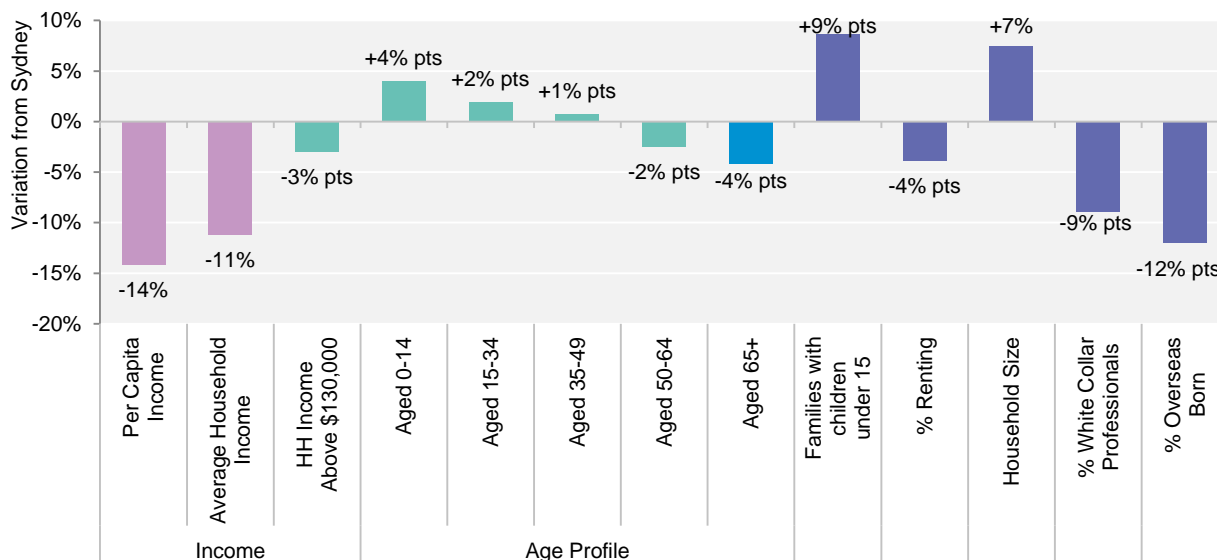
Chart 2.1 and Table 2.2 summarise the key socio-economic characteristics of the **existing** Orchard Hills trade area residents 2016 ABS Census of Population and Housing. The key characteristics of the trade area resident population compared to the Sydney average as of 2016 are as follows:

- Per capita income across the trade area is 14% lower than the Sydney average
- The proportion of households earning more than \$130,000 per annum is 11% lower than the Sydney average
- The trade area population age distribution is skewed higher within younger ages relative to the Sydney average, with the average age of 33.3 significantly lower than the Sydney average of 36.8
- Families with children aged under 15 are 9 percentage points higher than the Sydney average
- The proportion of rental households in the trade area is 4 percentage points below the Sydney average
- Average household size across the trade area (3.0 persons) is higher than the Sydney average of 2.8 persons
- The share of white collar professions within the trade area is 9 percentage points below the Sydney average
- The trade area has a lower proportion of overseas-born residents than the Sydney average.

Main Trade Area Demographics

Orchard Hills Trade Area, 2016

Chart 2.1



Source: ABS; Urbis

The **current** demographic profile is indicative of working family households that are likely to be price conscious and time poor. Providing access to convenient shopping opportunities and encouraging price competition is therefore likely to be highly desirable for current and future residents.

Trade Area Demographics

Orchard Hills Trade Area, 2016

Table 2.2

	Main Trade Area	Sydney
Income		
Per Capita Income (\$)	34,615	40,323
Household Income above \$130,000	28%	31%
Age Distribution		
Aged 0-14	23%	19%
Aged 15-19	7%	6%
Aged 20-34	24%	23%
Aged 35-49	22%	21%
Aged 50-64	15%	17%
Aged 65-79	8%	10%
Aged 80+	2%	4%
Average Age	33.3	36.8
Socio Demographic Indicators		
Family with children <15	38%	29%
Renters (%)	31%	35%
Household Size	3.0	2.8
White Collar Professionals (%)	66%	75%
Overseas Born (%)	27%	39%

Source: ABS; Urbis

2.4. RETAIL SPENDING

Retail spending estimates are derived using MarketInfo, a micro-simulation model developed by Market Data Systems Limited (MDS). This model, which is based on information from the national ABS Household Expenditure Survey (HES) and the Census of Population and Housing, uses micro-simulation techniques to combine a household's propensity to spend on particular commodities with the socio-economic characteristics of individuals. Therefore, results derive spending per capita estimates on a small area basis.

Per Capita Retail Spending

Per capita retail spending across the main trade area overall is **\$13,158** (in \$2017 dollars) which is 11% below the Sydney average.

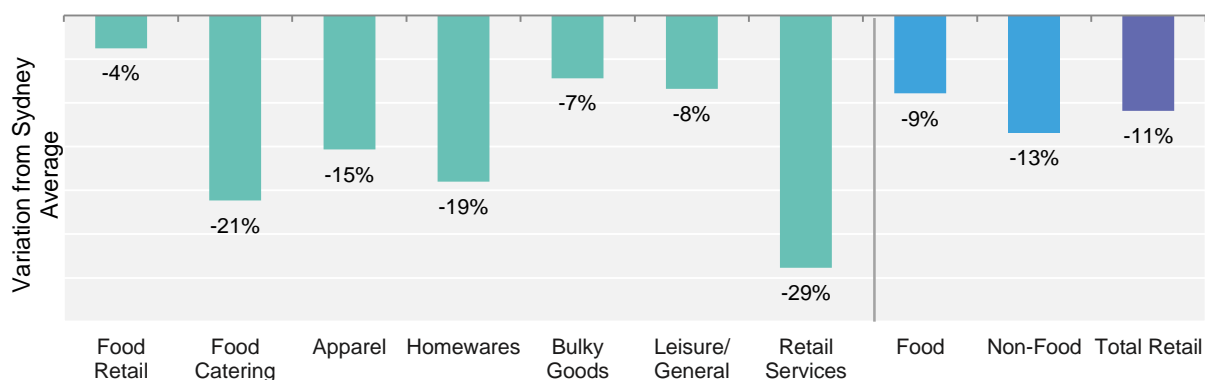
The latest spend per capita data does not accurately reflect the characteristics of the primary sector, as it is derived from a period where there is low residential population within the sector (840 residents).

We have assumed that per future capita spending within the primary trade area will be consistent with the Penrith LGA average, however more affluent population would provide upside in terms of available expenditure.

Per Capita Retail Spend Versus Sydney Average

Main Trade Area Residents

Chart 2.2



Source: ABS; MarketInfo 2012; Urbis

Resident Spending

The current and future size of the resident retail spending market available to the subject site is shown in Table 2.3.

The retail spending market is forecast to grow strongly, driven by both population growth and per capita retail spending per capita growth. The table demonstrates:

- Available expenditure from primary trade area residents is forecast to increase by **\$78 million** between 2017 and 2026, and by a further **\$67 million** between 2026 and 2031
- Expenditure across the main trade area is forecast to increase by **\$139 million** between 2017 and 2026 and by a further **\$116 million** between 2026 and 2031
- The size of the primary trade area retail spending market will reach **\$89 million** in 2026 and **\$156 million** in 2031
- The size of the main trade area retail spending market will reach **\$273 million** in 2026 and **\$389 million** in 2031
- The primary trade area accounts for 57% of Main Trade Area growth between 2017 and 2031.

Total Retail Spending by Category 2017-2031

Orchard Hills Trade Area \$2017 dollars, inc. GST

Table 2.3

	Food Retail	Food Catering	Apparel	Home-ware	Bulky Goods	Leisure/General	Retail Services	Total Retail	Annual Growth	=	Pop Growth	+	Per Cap Spend Growth
Primary Trade Area:													
2017	5	2	1	1	1	1	0	11					
2021	8	3	2	1	2	2	1	20	14.7%		17.3%		1.6%
2026	36	14	9	7	10	10	3	89	35.2%		30.8%		1.8%
2031	62	25	16	12	17	18	6	156	12.0%		8.7%		1.8%
Main Trade Area:													
2017	57	20	14	9	15	15	4	134					
2021	68	25	17	12	18	19	5	164	5.2%		4.0%		1.6%
2026	110	42	29	21	30	32	9	273	10.7%		8.8%		1.9%
2031	153	61	41	31	44	45	14	389	7.3%		4.9%		1.9%

Source: ABS; MarketInfo 2012; Urbis

3. COMPETITIVE FRAMEWORK

This section provides commentary around the current provision of competitive retail floorspace in relevant to the proposed development. The commentary establishes the relative competitive framework and provides background to assist in determining the level of impact that will be attributed to individual competing centres.

This is summarised in Table 3.1 and shown on Map 2.1 (previous).

3.1. EXISTING CENTRES

Town Centre Locations

Penrith CBD has approximately 125,000 sq.m of retail floorspace, comprising Westfield Penrith (73,000 sq.m), Nepean Village (20,000 sq.m) and strip retailing in and around High Street and Henry Street. Outside of the major shopping malls the range of stores tends to be lower-end and there are few national fashion chain retailers.

The CBD features a range of retail, service and related uses including cafes and restaurants, take away and other food, convenience retail outlets, discount goods as well as real estate and other business services, banks and building societies.

Major retailers on High Street include TKMaxx, Terry White and Priceline Pharmacies and Officeworks. Major tenants along Henry Street include ALDI, and Amart Sports.

In addition, the bulky goods retail precinct located along Mulgoa Road is estimated to include around 124,000 sq.m floorspace and is one of the largest bulky goods precincts in Sydney.

St Mary's Town Centre has a total of around 51,000 sq.m of retail floorspace, including 28,500 sq.m of strip retailing along Queen Street, as well an ALDI store on the Great Western Highway, Station Street Plaza shopping centre (which includes a 3,500 sq.m Coles) and St Mary's Village (16,000 sq.m).

Regional Shopping Centres

Westfield Penrith is a large regional shopping centre of 88,000 sq.m, with 73,000 sq.m of retail floorspace. The centre is located 6 km north-west of the subject site, in the eastern sector of the Penrith CBD.

Westfield Penrith is anchored by Myer, two discount department stores (Big W and Target) and two supermarkets (Woolworths and ALDI), supporting 240 specialty shops, including around 3,500 sq.m of food and beverage retailing.

Westfield Penrith is busy and benefits from an attractive character and design with a good level of amenity for shoppers and visitors. The centre itself is well maintained and presents well. Supermarkets, as well as discretionary shops and entertainment are strong drawcards

Sub Regional Shopping Centres

Nepean Village is a 23,000 sq.m sub-regional shopping centre with 18,000 sq.m of retail floorspace. The centre is located 600 metres south of High Street. It is anchored by Kmart DDS and a 4,400 sq.m Coles Supermarket, and contains 50 specialty shops. The centre is understood to trade strongly, benefitting from at-grade car parking, making it accessible and convenient for weekly big cart shops.

St Mary's Village is a 16,000 sq.m single level shopping centre anchored by a Target (8,100 sq.m) and Woolworths supermarket (4,000 sq.m). It also contains 39 specialty stores providing 3,700 sq.m floorspace. Mirvac has been investigating expansion opportunities for the centre.

Supermarket Centres

Southlands Shopping Centre, located in South Penrith within 4.0 km of the subject site, is positioned adjacent to Jamison High School. The centre currently has 6,300 sq.m of retail floorspace including a 3,900 sq.m Woolworths supermarket. In addition, there are 28 specialty shops made up of services and related uses, including cafes, take away and other food, convenience retail outlets, and real estate and other business services.

Claremont Meadows is located at the intersection of Sunflower Drive and Myrtle Road, 5.5 km east of the subject site. It contains approximately 1,400 sq.m gross leasable area including a 500 sq.m IGA supermarket and pharmacy, as well as non-retail uses including a real estate agent and dental surgery. The centre performs a convenience top up role for residents in the immediate vicinity, and currently has several vacant premises.

Coles Cambridge Gardens is located to the north of Penrith CBD and 6.3 km north-west of the subject site. The centre provides around 4,550 sq.m of retail floorspace including a 3,900 sq.m supermarket as well as McDonalds, Subway and Pizza Hut tenancies.

Werrington County Shopping Village is located east of Penrith's CBD, within approximately 5 km of Thornton North. The site is anchored by an IGA Supermarket, occupying 1,500 sq.m of floorspace. Other tenants include 16 specialty stores, occupying a combined retail floorspace of 2,100 sq.m.

3.1.1. Proposed Retail Developments

Caddens: A development application has been lodged for staged development of retail facilities within the Caddens B2 Local Centre zone which is located around 1 km to the north of the proposed Orchard Hills North local centre. The DA documentation indicates that a full line supermarket and specialty retailing will be built by 2021, with potential for additional retail uses as the spending market grows.

Thornton North Supermarket: Located immediacy to the north of the Penrith train station A 1,900 sq.m supermarket will primarily serve new residents within the Thornton North residential estate and commuters associated with Penrith train station. The centre will also provide around 600 sq.m of specialty retail and is expected to open by 2021. This will enhance the overall scale and quality of retail within Penrith CBD.

Competitive Retail Environment

Orchard Hills

Table 3.1

	Estimated Retail GLA	Dist. From Site	Major Tenants	
	(Sq.m)	(km.)	Food	Non Food
CBD Centre				
Penrith ¹	~30,000	5.0	ALDI (1,500 sq.m)	Priceline Pharmacy (900 sq.m)
St Mary's ²	~35,000	6.0	Coles (3,500 sq.m) Aldi (1,500 sq.m)	
Regional Centres				
Westfield Penrith	73,000	5.5	Woolworths (3,800 sq.m) ALDI (1,500 sq.m)	Myer (20,100 sq.m) Big W (8,700 sq.m) Target (7,100 sq.m) Rebel Sport (1,900 sq.m) Best & Less (1,200 sq.m) JB Hi-Fi (1,200 sq.m)
Sub-regional Centres				
Nepean Village	18,000	5.0	Coles (4,400 sq.m)	Kmart (8,400 sq.m)
St Marys Village	16,000	6.0	Woolworths (4,000 sq.m)	Target (8,100 sq.m)
Supermarket Centres				
Claremont Meadows	1,400	3.5	IGA (400 sq.m)	
Southlands Shopping Centre	6,300	4.0	Woolworths (3,900 sq.m)	
Coles Cambirdge Gardens	4,600	6.5	Coles (3,900 sq.m)	
Werrington County Shopping Village	3,600	8.0	IGA (1,500 sq.m)	
Others				
<i>Proposed - Caddens Supermarket</i>	5,200	1.0	3,800 sq.m supermarket	
<i>Proposed - Thornton North</i>	2,600	7.5	1,900 sq.m supermarket	

1. Estimated GLA excludes Westfield Penrith and Nepean Village and only includes strip retailing

2. Estimated GLA excludes St Mary's Village

Source: PCA, Australian Shopping Centre Database 2017; Urbis

4. MARKET DEMAND AND INDICATIVE IMPACTS

This section of the report analyses the level of demand for retail floorspace, particularly supermarket floorspace, as generated by the trade area residents. Analysing demand helps to give an indication of the likely turnover for a new retail development and helps to determine whether a proposed development can be supported.

The approach to assessing market demand and indicative impacts is as follows:

Market Demand

- Assess the market potential for the trade area to support the development of a new full line supermarket at the subject site. A supermarket would be the anchor tenant of a new local shopping centre. This includes an assessment of market growth over time, how this would affect supermarket turnover potential, and the most likely opening date for a supermarket based on sustainable trading levels
- To analyse supermarket demand, factors such as population growth, income growth, amount of available supply and the proportion of expenditure attributed to food and grocery (F&G) retailing are considered
- Consider the scale of specialty retail that could be accommodated at the site, having regard to benchmark provision using the Urbis Shopping Centre benchmarks
- Estimate an indicative retail turnover for the centre overall in its first year of trading, having regard to the performance of the supermarket, and how this relates to specialty performance. The market shares that the centre could achieve are also assessed.

Indicative Impacts

- As the market analysis suggests that a new local centre is unlikely to open before 2026, this has been used as the impact year
- This is eight years away and is therefore at the upper limit of what we consider to be reasonable timescale for the assessment of competitive impacts. We understand that Penrith City Council has requested an impact assessment to be undertaken as part of the rezoning documentation. In practice there are many factors that could affect the retail landscape between now and 2026.
- Accordingly, the competitive impacts presented for **indicative** purposes. The analysis provides an assessment of:
 - Estimated current and future performance of competing centres within the Penrith retail hierarchy
 - The indicative impact that other new retail developments, notably Caddens, will have on the trading performance of these centres prior to a local centre opening at the subject site in 2026
 - **Turnover impact** representing the reduction in turnover as a result development at the subject site, 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 (2026 in this report) compared with the situation before development. 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 indicative impact assessment therefore provides an indication of the redistribution of spending across the hierarchy due to the proposed development. Importantly, the majority of turnover that the local centre will achieve will be derived by new residents moving to Orchard Hills North. These people generate additional retail spending which **is not currently available** in the market.

4.1. DEMAND AND NEED

As part of the assessment criteria it is necessary to establish the need and demand for the proposed retail development. In our view, an appropriate principle to be applied when assessing the market potential for any retail development can be described as follows:

“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.”

Of course, other planning considerations relating to the proposal will also be important including traffic, parking provision, amenity and various community benefit considerations. However, as far as the economic aspects are concerned, the above statement represents a practical principle to apply in a market economy which encourages competition and focuses on consumer needs.

As this analysis has been prepared in support of a rezoning application, precise details around the timing of residential development and the eventual scale and timing of a local centre may be subject to change.

From a planning perspective our analysis demonstrates that it is reasonable and desirable to plan for the development of a supermarket-anchored local shopping centre at the site. This will provide choice and price competition for trade area residents without compromising the existing and proposed Penrith retail hierarchy.

4.1.1. Supermarket Assessment

Across metropolitan Sydney, major supermarket provision is provided at an average rate of one store per 12-13,000 people, with variations on a geographic basis. This suggests that the trade area, with an eventual population of 23,500 should be able to accommodate two full line supermarkets.

Table 4.1 shows the market potential for a supermarket at the subject site. The table demonstrates that the spending market can support a full line supermarket (of at least 3,200 sq.m) at the subject site.

Based on the resultant average trading levels, it is likely that **2026** would be the earliest date by which a supermarket of this size would open. If opened prior to 2026, the limited size of the spending market means that turnover per sq.m would be below \$8,500 sq.m. In our view, \$8,500 sq.m is a productivity level that a major supermarket operator would consider, if growth in the market allows for increasing turnover productivity in subsequent years.

In Table 4.1:

- The ‘total market’ reflects the amount of supermarket food and grocery spending that is *retained* within the trade area. An allowance is made for the proposed development, the opening of a new supermarket at Caddens and the existing IGA at Claremont Meadows, all of which are within the trade area
- As new supermarket floorspace is added within the trade area the proportion of ‘retained’ expenditure will increase, as residents will have less need to leave the area to make supermarket purchases. Trade area residents will direct **\$48 million** to trade area supermarkets in 2026, growing to **\$65 million by 2031** (in constant \$2017 including GST)
- The ‘market shares’ are Urbis’ estimate of the proportion of the retained spend that could be captured by a new supermarket at the subject site, having regard to its competitive positioning. These market shares are highest in the Primary Trade Area, which is where the supermarket would be located. Market shares fall away in the secondary trade areas due to the competitive influence of the future Caddens centre and Claremont Meadows.
- Having regard to the assumed location and accessibility of a future supermarket at the subject site, we estimate that a supermarket at the subject site could achieve the following markets shares:
 - Primary Trade Area: 70%
 - Secondary North West: 40%
 - Secondary North East: 30%

- An additional 10% from beyond the trade area associated with occasional spending, however the location limits exposure to passing trade. An allowance is also made for a supermarket to generate sales from liquor and general merchandise.

Table 4.1 demonstrates that a **3,200 sq.m** supermarket achieving these market shares could achieve a productivity rate of **\$8,458 per sq. m** in 2026, increasing to **\$12,077** by 2031. This compares to national benchmark productivity rates of **\$12,800 sq.m** for a supermarket in a supermarket-based shopping centre. Spending growth within the market (the primary trade area in particular) should support a supermarket of this scale from 2026 onwards, initially trading at low turnover levels but with significant upside potential.

Main Trade Area Supermarket Potential

Subject Site, 2021 to 2031

Table 4.1

	2021	2026	2031
Total Market (\$M)			
Primary	2.0	16.2	26.1
Secondary North West	4.9	7.5	8.1
Secondary North East	11.2	24.1	30.7
Total Secondary	16.0	31.6	38.8
Main Trade Area	18.0	47.7	64.9
F&G Market Shares (%)			
Primary	70%	70%	70%
Secondary North West	40%	40%	40%
Secondary North East	30%	30%	30%
Total Secondary	33%	32%	32%
Main Trade Area	37%	45%	47%
F&G Turnover (\$M)			
Primary	1.4	11.3	18.3
Secondary North West	1.9	3.0	3.3
Secondary North East	3.3	7.2	9.2
Total Secondary	5.3	10.2	12.5
Main Trade Area	6.7	21.5	30.7
F&G Turnover from Beyond TA (%)	10%	10%	10%
F&G Turnover from Beyond TA	0.7	2.4	3.4
Total F&G Turnover	7.4	23.9	34.1
GM & Liquor Turnover	1.0	3.2	4.5
Total Turnover	8.4	27.1	38.6
Store Size (sq.m)	3,200	3,200	3,200
Average Trading Level (\$ per sq.m)	\$2,625	\$8,458	\$12,077

Source: Urbis

Residual retained spend would be directed to the other existing and future supermarkets within the trade area. As the trade areas for these centres extend beyond the Orchard Hills North Trade Area (particularly for Caddens) they would also benefit from access to spending from broader markets.

If the Caddens development were to add a second small supermarket before 2026, trade area spending retention would increase, but a supermarket at the Orchard Hills site may take a lower market share, particularly in the secondary trade area. The resultant lower market share of a larger available market would likely have little effect on the turnover forecast for Orchard Hills North.

4.1.2. Indicative Centre Size and Performance

Table 4.2 shows the indicative centre composition and turnover of proposed retail at the subject site. The indicative floorspace and turnover is based on extensive benchmarking against the Urbis Retail Averages and based on our extensive experience in the assessment and evaluation of shopping centres throughout Australia and internationally.

Based on maintaining a consistent specialty to major floorspace ratio we have assumed the retail development would include approximately **6,350 sq.m** of floorspace. Notionally around 5,150 sq.m will be taken up with retail uses, with the balance being a non-retail uses. These would typically include real estate agency, bank branch, fitness studio / gym, financial services or professional commercial suites.

The final scale and mix would be subject to further refinement prior to the lodgement of a development application.

Indicative Centre Composition

Proposed Development, 2026

Table 4.2

	GLA (Sq.m)			Specialty Shop Composition (%)	
	Orchard Hills	Single Supermarket Based Shopping Centres	Var.	Orchard Hills	Single Supermarket Based Shopping Centres
Majors/Mini Majors:					
Supermarket	3,200	3,487	-8%		
Total Mini-Majors	400	591	-32%		
Product Groups:					
Food Retail	300	310	-3%	11%	13%
Food Catering	400	407	-2%	15%	17%
Total Food Specialties	700	717	-2%	25%	29%
Apparel	120	259	-54%	4%	11%
Homewares	200	141	+42%	7%	6%
Leisure/General	280	303	-7%	10%	12%
Retail Services	250	246	+2%	9%	10%
Total Non-Food Specialties	850	952	-11%	31%	39%
Total Non-Retail Specs	1,200	535	+124%	44%	22%
Total Specs	2,750	2,452	+12%	100%	100%
Total Centre	6,350	7,201	-12%		
Total Retail Specialties	1,550	1,670	-7%		
<i>specs % retail</i>	30%	29%			
Total Retail	5,150	5,757	-11%		

*shows variation from Single Supermarket Based Shopping Centres average
Source: Urbis Shopping Centre Benchmarks 2017; Urbis

The indicative turnover forecast for the centre considers existing retail competition as well as key design factors associated with retail – location, car parking, exposure, accessibility and likely tenant mix.

To determine the subject site's turnover, the following assumptions were made:

- The subject site will be open by 2026
- Trade area population growth is forecast as per Section 2

- Trade area retail spending is forecast to increase by **\$107 million** from 2021 to 2026 and by a further \$116 million from 2026 to 2031
- The Orchard Hills North Structure Plan will proceed as described in this report
- The assessment takes into consideration the size and likely strength of the proposed centre, having regard to the major tenants, location considerations and the extent, composition and quality of existing and proposed competing retail facilities
- We have assumed that the supermarket operator will be a full line national retailer
- The specialty retail would include a mix of food retailing, food catering, discretionary retail and retail services.

Table 4.3 shows that by 2026 the proposed development may achieve sales in the order of **\$38.2 million** (in constant \$2017). Of this, the supermarket component is forecast to turnover **\$27.1 million** which equates to \$8,458 per sq.m.

Although this reflects a productivity which is lower than the trading average of single supermarket-based shopping centres, increased capacity within the trade area's spending market is expected to boost trading levels after an initial establishment period.

The remaining specialty retailing is forecast to turnover approximately \$10 million in 2026, which is around 25% below benchmark productivity rates of \$7,418 per sq.m. The performance of these specialties is tied to the performance of the supermarket which will drive footfall to the centre.

The estimated turnover of the proposed development is **73% less** than the quantum of spending growth projected in the main trade area between 2017 to 2026 (+\$139 million). This demonstrates that there is capacity for the market to support additional retail floorspace.

Indicative Centre Turnover

Proposed Development, 2026

Table 4.3

	Turnover (\$M)			Turnover \$psm		
	Orchard Hills	Single Supermarket Based Shopping Centres	Variation	Orchard Hills	Single Supermarket Based Shopping Centres	Variation
Majors:						
Supermarket	27.1	44.6	-39%	8,458	12,792	-34%
Total Mini Majors	1.2	2.6	-55%	2,920	4,416	-34%
Specialty Shops:						
Food Retail	2.4	3.8	-36%	8,023	12,134	-34%
Food Catering	3.0	3.0	-2%	7,428	7,428	-
Apparel	0.4	1.3	-69%	3,338	5,049	-34%
Homewares	1.0	1.0	-6%	4,869	7,364	-34%
Leisure/General	2.3	3.7	-39%	8,138	12,307	-34%
Retail Services	0.9	1.4	-33%	3,742	5,660	-34%
Total Retail Specialties	10.0	14.3	-30%	6,430	8,536	-25%
Total Retail	38.2	61.5	-38%	7,418	10,681	-31%
Retail Specialties / Total Retail	26.1%	23.2%		0.9	0.8	

*shows variation from Single Supermarket Based Shopping Centres average
Source: Urbis Shopping Centre Benchmarks 2017; Urbis

The proposed development is anticipated to be able to achieve an overall market share of **12.6%** in 2026 that is, it is likely to capture 12.6% of the total retail spend generated by the trade area.

The primary trade area is forecast to direct the highest proportion of its expenditure toward the subject site at **20%** followed by the Secondary North West (9%).

The proposed centre is likely to capture around **10%** of its trade from beyond the trade area. Trade from beyond is likely to be derived from a combination of sources including occasional visitors living outside the trade area.

Food and Non-Food Market Shares

Orchard Hills North Local Centre, 2026 (\$2017 inc GST)

Table 4.4

	Market (\$M)			Market Shares (%)			Turnover (\$M)		
	Food	Non-Food	Total	Food	Non-Food	Total	Food	Non-Food	Total
Primary:									
Primary	50	39	89	29.9%	8.1%	20.4%	14.9	3.1	18.1
Secondary:									
North West	30	23	53	13.1%	3.6%	9.0%	4.0	0.8	4.8
North East	73	59	132	12.7%	3.3%	8.5%	9.5	2.0	11.5
Total Secondary	103	82	185	13.1%	3.5%	8.8%	13.5	2.8	16.3
Main Trade Area	153	121	273	18.6%	4.9%	12.6%	28.4	6.0	34.4
% from beyond trade area				10.0%	10.0%	10.0%	3.2	0.7	3.8
Total Centre							31.6	6.6	38.2

Source: Urbis

4.2. INDICATIVE IMPACT ANALYSIS

It is our view that an impact assessment can reasonably be expected to provide an indication of the trading environment and average trading conditions which retailers are likely to operate within, and implications for likely turnover decline or turnover gain, on average, for the retailers involved. Because an impact assessment seeks to forecast how groups of people are likely to alter their shopping behaviour in response to a given change in the competitive environment, it is not possible to be so precise as to estimate exactly what will happen to each individual retailer, or each group of retailers in each location.

The impact on any one individual retailer, or any small group of retailers in a given location, would depend on many factors, some of which are within their control. For example, the impact of the proposed supermarket on the performance of existing supermarkets in the trade area will depend very much upon their competitive response (e.g. pricing policy, promotions, refurbishment etc.).

The actions which each of these retailers take will determine the eventual impact on each of them, and furthermore the actions which they each take will also determine the eventual impact on the other retailers involved.

All these factors need to be kept in mind when considering the likely impact of any relocation and expansion of a retailer within the existing retail network. Existing retailers are not passive participants, but rather will play a major role in the eventual impact which they will experience.

The redevelopment and expansion of the Cranebrook Shopping centre in response to the opening of the Jordan Springs centre is an example of how the market can react positively to new competition.

4.2.1. Description of Indicative Economic Impacts

For the purposes of this report “economic impact” on specific centres is defined to mean the indicative change in retail turnover at various shopping centres resulting from the introduction of new competition in the form of a new or expanded/refurbished shopping centre.

The reduction in turnover usually relates to a reduced turnover volume from that applicable if the status quo had been maintained (i.e. if the centre’s competitive circumstances remained unchanged).

In our view it is appropriate to express the impact on particular shopping centres or activity centres as a percentage of their potential turnover in the opening year of the proposed centre, as well as comparing impacts with the estimated trading situation at each centre prior to the development occurring.

This latter measure is important because it shows the extent to which conditions prior to development will be sustained even after the impact of competitive developments, recognising that growth in the market, from population growth or real spending growth per capita, can offset in whole or part the effects of new competition.

Because of the timescale involved the impact modelling is provided for indicative purposes only. There are many factors that could affect the retail landscape between now and 2026:

- Macroeconomic changes to the broader NSW economy may have implications on retail trade and consumer spending
- The rate of residential take-up within residential release precincts could change subject to pricing and shifting consumer preferences
- Emerging retail development proposals not yet identified within the retail pipeline have potential to affect shopping patterns
- The changing role of supermarkets could potentially change as online penetration within food and grocery sector in Australia increases online ordering systems and fulfilment is improved
- The impact of new entrants to the Australian retail market (e.g. Kaufland supermarket).

It is important to recognise that the relevance of an economic impact assessment in planning terms relates essentially to the broader issue of net community benefit and this includes consideration of the sustainability of existing and planned centres in the activity centre network.

The effects of new competition on individual businesses are not a relevant planning consideration. The relevant consideration in planning terms relates to the ongoing ability of centres to continue to provide for the needs of the community which they serve, and to ensure that new development does not fundamentally undermine the viability and role of existing and planned centres.

4.2.2. Indicative Impacts

Table 4.5 details the quantum of expenditure the proposed development is expected to capture from other centres.

Urbis continually monitors the performance of retail properties and is adept at identifying the strengths and weaknesses of particular centres using a range of performance indicators. Our expertise is demonstrated in the trust the industry places in us to create the annual Urbis Shopping Centre Benchmarks, the industry benchmark standard for comparing the turnover and rental performance of a range of shopping centres, based on analysis of over 330 shopping centres annually.

Turnover estimates for competing centres are derived from several sources including the Urbis Shopping Centre Benchmarks, the Shopping Centre Council Directory, Shopping Centre News “Big Guns, Little Guns and Mini Guns” reports.

Urbis staff also undertook recent audits of current Penrith CBD and St Mary’s Town Centre retail provision.

For the purposes of the indicative impact assessment:

- Annual turnover growth for competing centres has initially been assumed on the basis of 50% of the background market growth across Penrith LGA. This market growth is estimated at 3.6% per annum. Therefore, we have assumed that most centres can increase their turnover at an annual rate of 1.8% per

annum based on population and per capita spending growth. This allows for market erosion, in the form of competition from other areas, new developments and on-line retailing

- To account for the cumulative impacts of new developments, assumed impacts of new developments at Caddens and Thornton North on existing centres have been modelling prior to the opening of a new local centre at the subject site in 2026.

The indicative impact assessment in Table 4.4 demonstrates that:

- **The exiting Penrith retail centres hierarchy would not be threatened because of the proposed development**
- Background growth in the broader spending market means that most centres would trade at levels in 2026 that are higher than current levels, even accounting for the cumulative impacts of the proposed development plus Caddens and Thornton North
- Southland's turnover would be around \$6 million below current trading levels but would still achieve turnover per sq.m rates that are above the benchmark rate for comparable centres. Its viability will not therefore be affected. Furthermore, most of the impacts on Southlands occur prior to 2026 because of other competing developments
- Claremont Meadows is the other centre where turnover would be impacted to below current trading levels. Again, our modelling assumes that most of the impacts on the centre occur prior to 2026 due to other competing developments
- There is little doubt that the development of two full line supermarkets close to Claremont Meadows will affect its performance. However, there is potential for the centre owners to remix and reposition the centre in the interim period so that it is better aligned to perform a localised top-up retail and service role in the future. For example, this could include incorporating a higher proportion of non-retail uses in the overall mix or positioning the centre as a more destinational location for food and beverage options
- In 2026 we estimate that the proposed development will draw around \$14.6 million from the new Caddens centre, which is expected to open in 2021. Up until that point, residents in the Orchard Hills North trade area likely to be regular users of the proposed Caddens centre. When the new centre opens at the subject site, a significant proportion of these residents (notably within the primary trade area) will have access to more convenient shopping at the subject site and are therefore likely to alter their shopping patterns.

Nevertheless, the strong market growth in the trade area and broader LGA between 2026 and 2031 means that the impacts of the proposed development on Caddens and other centres are expected to be temporary and ameliorated within a short period. Table 4.5 demonstrates that:

- Population and spending growth within the main trade area will result in **\$23 million** annual additional expenditure between 2026 and 2031. As the proposed development will achieve a market share of just 12.6%, a significant proportion of future spend in the trade area will enable annual turnover growth at Caddens and Claremont Meadows as well as the subject site
- Across the balance of the Penrith LGA annual retail expenditure growth is estimated at **~\$120 million** annually between 2026-2031. This means that the collective \$38.2 million impact resulting from the proposed Orchard Hills North local centre would be absorbed within one year. Existing centres should therefore benefit from ongoing turnover growth post 2026.

Around \$13.4 million of the Orchard Hills North turnover impact (equal to around 35% of the total impacts) has been allocated to 'other' centres not listed in the impact table. Given the timescale involved, this is considered reasonable and allows for:

- Lower range impacts dispersed across a range of other centres in the Penrith LGA and beyond. As an example, this would include diversion of spend from trade area residents using other centres close to their place of work
- Other impacts against developments that are yet to be approved but which may come on line before 2026.

Distribution of Potential Impacts on Key Centres

Proposed Development (\$2017, inc GST)

Table 4.5

	Est. Retail Turnover (\$M)			Turnover Inc./Dec. (\$M)		Impact		Est. Retail Turnover (\$psm)		
	Existing	Pre-Dev	Post-Dev.	Existing	Pre-Exp	2017	2026	Existing	Pre-Dev	Post-Dev.
	2017	2026	2026	2017	2026			2017	2026	2026
	(1)	(2)	(3)	(4)=(3)-(1)	(5)=(3)-(2)	(6)=(4)/(1)	(7)=(5)/(2)			
Subject Site	0.0	0.0	38.2	n.a.	+38.2	n.a.	n.a.	n.a.	n.a.	7,418
Regional Centres										
Westfield Penrith	570.0	677.0	674.8	+104.8	-2.2	+18.4%	-0.3%	7,630	9,061	9,032
Sub Regional Centres										
Nepean Village	230.0	256.1	254.1	+24.1	-2.0	+10.5%	-0.8%	14,330	15,957	15,830
St Marys Village	96.0	106.7	105.2	+9.2	-1.5	+9.6%	-1.4%	6,098	6,778	6,685
Other Centres										
Cambridge Gardens	53.5	60.2	59.8	+6.3	-0.4	+11.7%	-0.7%	11,761	13,223	13,137
St Mary's Town Centre	150.0	171.2	170.1	+20.1	-1.1	+13.4%	-0.6%	4,302	4,909	4,878
Werrington County Shopping Village	14.0	16.0	15.9	+2.0	-0.0	+14.2%	-0.2%	4,287	4,907	4,897
Southlands	69.0	64.1	63.0	-6.0	-1.1	-8.7%	-1.7%	10,956	10,176	10,004
Penrith CBD	196.5	228.7	227.1	+30.7	-1.5	+15.6%	-0.7%	5,716	6,652	6,607
Claremont Meadows	8.5	5.3	4.8	-3.7	-0.5	-43.6%	-8.8%	9,440	5,838	5,325
Proposed Developments										
Caddens Supermarket	n.a.	60.8	46.2	n.a.	-14.6	n.a.	-24.0%	n.a.	10,030	7,626
Total Above Centres	1,387	1,646	1,659	187	-24.8	+13.5%	-1.5%			
Other Centres					-13.4					
Total Competing Centres					-38.2					

Source: SCCA Shopping Centre Directory; SCN Big Guns, Little Guns, Mini Guns; Urbis

(2) includes impacts of Caddens retail and Thornton North prior to 2026

Retail Spending Market Growth

Main Trade Area and Balance of Penrith LGA, 2017 to 2031 (\$m, 2017 inc GST)

Table 4.6

Main Trade Area

	Food Retail	Food Catering	Apparel	Home- wares	Bulky Goods	Leisure/ General	Retail Services	Total Retail	<i>Total Retail Annual Growth</i>	<i>Total Retail Annual Growth (%)</i>
2017	57	20	14	9	15	15	4	134		
2021	68	25	17	12	18	19	5	164	8	5.2%
2026	110	42	29	21	30	32	9	273	22	10.7%
2031	153	61	41	31	44	45	14	389	23	7.3%

Balance of Penrith LGA

	Food Retail	Food Catering	Apparel	Home- wares	Bulky Goods	Leisure/ General	Retail Services	Total Retail	<i>Total Retail Annual Growth</i>	<i>Total Retail Annual Growth (%)</i>
2017	1,120	383	263	175	279	292	86	2,599		
2021	1,239	447	304	208	322	335	100	2,955	89	3.3%
2026	1,404	533	356	256	379	392	122	3,442	97	3.1%
2031	1,606	641	420	318	449	462	150	4,046	121	3.3%

Source: ABS; MarketInfo 2012; Urbis

4.3. EMPLOYMENT BENEFIT

Local Centre

The proposed development would have a positive impact on employment, both locally and in the broader economy. Employment benefits will primarily come from the **operational phase** of the development, as retail business will provide on-going employment opportunities for the local Penrith economy.

The direct and indirect employment generated from the operational phase of proposed development is quantified in the following sections.

Operational Phase

The number of direct jobs for the proposed development is estimated by referring to industry benchmarks and Urbis' experience in staffing requirements for different land uses, based on the floorspace of each of these proposed uses. Direct jobs are entered into REMPLAN to produce an estimate for indirect jobs.

- REMPLAN uses either the value of investment or employment generation as the primary input. For this analysis, future employment at the centre is the input to assessing the on-going economic benefits of the operational phase
- Outputs from the model include direct and indirect employment generated through the project
- Employment generated includes all full-time and part-time on-going jobs generated
- Both the direct and indirect benefits are modelled for employment generation
- Direct refers to the effect felt within the industry where the investment is being made. This relates to new jobs created from the retail activities within the development
- Indirect effects are those felt within industries that supply goods to the industries directly affected (supply chain effects).

It is estimated that the proposed development will generate **274 direct jobs** (full-time, part-time and casual) during the on-going operation. These direct jobs are estimated to induce a further **56 indirect jobs** (full-time, part-time and casual) both within the Penrith LGA and broader New South Wales economy as a result of flow-on effects.

Operational Employment Benefits

Proposed Development

Table 4.7

Type of Use	Employment Per '000 Sq.m		Employment (Persons)
	Industry Average	GLA (Sq.m)	
Supermarket	40.8	3,200	131
Mini-Major	23.5	400	9
Specialty Retail	60.7	1,550	94
Non-Retail	32.9	1,200	39
Total Property		6,350	274
Direct Employment			274
Indirect Employment			56
Total Employment			330

**Jobs are on a per annum basis*

Source: REMPLAN Economy; Urbis

4.4. CONSUMER CONSIDERATIONS

The proposed expansion will also have many benefits for residents. In particular:

- The proposed development will provide amenity for new residents in Orchard Hills North, who have purchased housing with the expectation that high quality retail facilities will be provided
- Providing new centres can act as a catalyst for residential take-up within the broader trade area, and thus contribute to a greater sense of community within the area
- The development can also create demand for complementary non-retail uses such as medical centres and community facilities
- The extension of choice will also promote greater competition, with possible benefits in terms of keener prices and better quality.

4.5. NORTHERN ROAD BUSINESS / COMMERCIAL ZONE – INDICATIVE JOBS

- The Concept Master Plan includes provision for around 11 hectares to be used as a commercial / business zone adjacent to the Northern Road. The precise nature of land uses in this area would be subject to further investigation, but are expected to include a mix of showrooms, pad sites (e.g. service station) and other commercial uses
- Assuming an average 0.5:1 floorspace ratio across the site and an indicative employment density range of 100 sq.m per job (subject to eventual uses), this area notionally has the potential to generate around 1,100 jobs.

5. POLICY CONSIDERATIONS

Urbis has been asked to consider the implications of the proposed local centre against relevant objectives and policies within:

- Penrith City Council's Economic Development Strategy "Building the New West"
- Section 117 Directions issued by the NSW Minister for Planning and.

The following summary tables demonstrate that the proposed development is consistent with both documents:

Penrith City Council Economic Development Strategy Objectives

Orchard Hills North Local Centre consistency with Key Objectives

Table 5.1

Objective	Direction
<p>Employment</p> <p><i>"Increase in total local jobs of up to 55,000 by 2031."</i></p>	<p>The proposed development will create generate 274 jobs during the on-going operation and induce a further 56 indirect jobs both within the Penrith LGA and the broader NSW economy.</p> <p>As such, the proposed development will contribute to help achieving job targets for the Penrith LGA.</p>
<p>Amenity, Lifestyle and Opportunity</p> <p><i>"Alongside jobs, Penrith must also provide and foster greater housing and lifestyle choices to attract all forms of professionals and skilled workers."</i></p>	<p>The inclusion of a local centre will increase the desirability of Orchard Hills North as a place that people choose to live.</p>

Section 117 Directions Objectives

Orchard Hills North Local Centre consistency with Key Objectives

Table 5.2

Objective	Guideline	Consistency
<p>Direction 1.2 – Rural Zones</p> <p><i>"A planning proposal must not rezone land from a rural zone to residential, business, industrial, village or tourist zone."</i></p>	<p><i>A planning proposal may be inconsistent with the terms of this direction only if the proposed change is:</i></p> <p><i>Justified by a strategy which is approved by the Director General of the Department of Planning, or</i></p> <p><i>Justified by a study prepared in support of the planning proposal which gives consideration to the objectives of this direction.</i></p>	<p>As part of the broader proposal to rezone the Orchard Hills lands area, this report adequately demonstrates that a new local centre can be developed which will not substantially affect the existing Penrith hierarchy of centres</p>
<p>Direction 7.1 – Implementation of a Plan for Growing Sydney</p>	<p><i>Planning proposals shall be consistent with:</i></p>	<p>The inclusion of a local centre will increase the desirability of Orchard Hills North as a place that people choose to live. The</p>

Objective	Guideline	Consistency
	<p><i>The NSW Government's A Plan for Growing Sydney published in December 2014</i></p>	<p>proposal is therefore consistent with the following objectives:</p> <p>Deliver timely and well planned greenfield precincts and housing.</p> <p>Accelerate housing supply across Sydney</p> <p>Transform the productivity of Western Sydney through growth and investment</p> <p>By increasing the resident population without adversely affecting the viability of the Penrith existing or proposed retail hierarchy, the proposal is also consistent with the following objectives:</p> <p>Grow strategic centres (including Penrith and Penrith Education and Health) – providing more jobs closer to home</p> <p>Retain a commercial core in Penrith as required for long-term employment growth</p> <p>Work with Council to provide capacity for additional mixed-use development in Penrith Education and Health Precinct including offices, retail, services and housing</p>

6. CONCLUSIONS

This report demonstrates that it is both reasonable and desirable to plan for the development of a supermarket-anchored local shopping centre at the site.

This will provide choice and price competition for trade area residents without compromising the existing and proposed Penrith retail hierarchy.

Our analysis demonstrates that population and spending growth within the Orchard Hills North trade area would support the development of a supermarket-anchored local shopping centre. Subject to the timing of residential development across the precinct we anticipate that this could be delivered from 2026.

The inclusion of a local centre will significantly contribute to the amenity of the Structure Plan area, maximising its appeal to new residents. Our indicative impact assessment demonstrates that the exiting Penrith retail centres hierarchy would not be threatened because of the proposed development.

Strong market growth in the trade area and broader LGA between 2026 and 2031 means that the impacts of the proposed development on Caddens and other centres are expected to be temporary and ameliorated within a short period.

The proposed development will result in new local job opportunities for Penrith residents, and can be a catalyst for complementary non-retail uses such as medical centres and community facilities.

The proposed development is consistent with relevant elements of Penrith City Council Economic Development Strategy. It should therefore be supported from an economic perspective.

DISCLAIMER

This report is dated March 2018 and incorporates information and events up to that date only and excludes any information arising, or event occurring, after that date which may affect the validity of Urbis Pty Ltd's (**Urbis**) opinion in this report. Urbis prepared this report on the instructions, and for the benefit only, of Legacy Property (**Instructing Party**) for the purpose of Market Advice (**Purpose**) and not for any other purpose or use. To the extent permitted by applicable law, Urbis expressly disclaims all liability, whether direct or indirect, to the Instructing Party which relies or purports to rely on this report for any purpose other than the Purpose, and to any other person which relies or purports to rely on this report for any purpose whatsoever (including the Purpose).

In preparing this report, Urbis was required to make judgements which may be affected by unforeseen future events, the likelihood and effects of which are not capable of precise assessment.

All surveys, forecasts, projections and recommendations contained in or associated with this report are made in good faith and on the basis of information supplied to Urbis at the date of this report, and upon which Urbis relied. Achievement of the projections and budgets set out in this report will depend, among other things, on the actions of others over which Urbis has no control.

In preparing this report, Urbis may rely on or refer to documents in a language other than English, which Urbis may arrange to be translated. Urbis is not responsible for the accuracy or completeness of such translations and disclaims any liability for any statement or opinion made in this report being inaccurate or incomplete arising from such translations.

Whilst Urbis has made all reasonable inquiries it believes necessary in preparing this report, it is not responsible for determining the completeness or accuracy of information provided to it. Urbis (including its officers and personnel) is not liable for any errors or omissions, including in information provided by the Instructing Party or another person or upon which Urbis relies, provided that such errors or omissions are not made by Urbis recklessly or in bad faith.

This report has been prepared with due care and diligence by Urbis and the statements and opinions given by Urbis in this report are given in good faith and in the reasonable belief that they are correct and not misleading, subject to the limitations above.



BRISBANE

Level 7, 123 Albert Street
Brisbane QLD 4000
Australia
T +61 7 3007 3800

GOLD COAST

45 Nerang Street,
Southport QLD 4215
Australia
T +61 7 5600 4900

MELBOURNE

Level 12, 120 Collins Street
Melbourne VIC 3000
Australia
T +61 3 8663 4888

PERTH

Level 14, The Quadrant
1 William Street
Perth WA 6000
Australia
T +61 8 9346 0500

SYDNEY

Tower 2, Level 23, Darling Park
201 Sussex Street
Sydney NSW 2000
Australia
T +61 2 8233 9900

CISTRI – SINGAPORE

An Urbis Australia company
#12 Marina View
21 Asia Square, Tower 2
Singapore 018961
T +65 6653 3424
W cistri.com