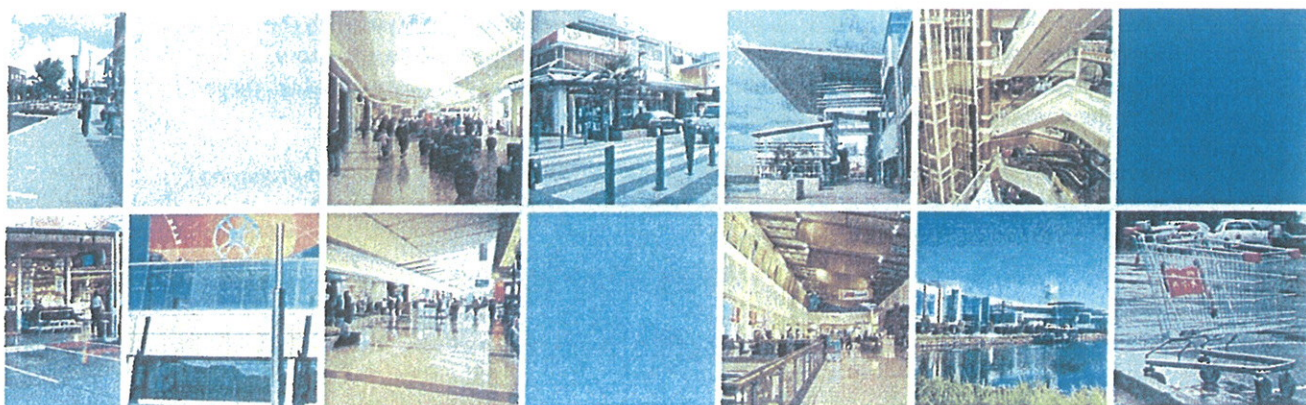# Attachment 1 -Economic Impact Assessment

Woolworths Casula, NSW

Economic Impact Assessment

June 2012

MacroPlanDimasi

MacroPlan Dimasi

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MacroPlan Australia

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Executive Summary

This report assesses the market potential for a proposed new supermarket at 607-611 Hume Highway, Casula, NSW, as well as analysing the economic impacts associated with the provision of such a facility.

The subject site comprises 1.098 hectares (ha) of urban land (being Lots 5, 6 and 7 in DP 1566) within Liverpool City Local Government Area (LGA). The site is highly accessible and the proposed supermarket would service both the surrounding main trade area population, as well as nearby worker markets and passing traffic. The proposed development will comprise of a stand-alone 4,300m^2 supermarket.

Retail Trends

In recent years some retail store formats (for example, department stores) have been in sales decline. However sub-regional and convenience food-based centres are maintaining strong sales, as the old adage - 'people need to eat' – continues to hold.

Furthermore, food based and convenience oriented centres will face much less competition from internet penetration than fashion and apparel based centres. The market penetration of internet retailing into the supermarket sector within Australia has been minimal to date, and in any case most of the fulfilment of internet orders is actually undertaken from supermarket outlets, i.e. the 'bricks and mortar' store, and not via distribution centres, for reasons of viability.

The typical drivers of supermarket floorspace demand, therefore, remain very strong, and will continue to do so in the future. The key drivers include *population growth* and *growth in real incomes* which leads to real expenditure growth.

Trade Area Analysis

The resident population within the main trade area that would be serviced by a potential full-line supermarket at the subject site is estimated at 27,550 currently, including 14,400 residents in the key primary sector.

The subject site is located just north of the South-West Growth Centre, a region of significant population growth. The main trade area also contains areas of new residential housing growth, including Panorama Estate and Glenfield Chase.

The main trade area population is expected to grow by 1.5 percent per annum over the next 15 years, and is expected to reach 34,350 residents by 2026, reflecting an increase of about 6,800 residents. This growth alone would almost support another full-line supermarket.

Market Gap

Main trade area residents create demand for an estimated 11,800m² of supermarket floorspace as at 2012, and such demand will increase to some 16,600m² by 2026.

The main trade area accommodates two supermarkets (Coles and Franklins), both at Casula Mall, totalling 7,212m².

Therefore, an existing gap of around 4,600m² of supermarket floorspace can be identified for the main trade area at 2012. This gap is expected to increase by a further 4,800m² by 2026.

Economic Impacts

The proposed supermarket will create about 225 net additional jobs on site, as well as a further 88 jobs through the broader economy, while the construction of the project will see some 47 direct jobs and 76 indirect jobs created through the construction phase of the project.

The majority of trading impacts a the surrounding retail network are expected to range between 0.5 percent and 4.5 percent of annual turnover, and these will dissipate very quickly given the rapid growth in population expected in the main trade area, and surrounds. Somewhat higher impacts are projected for Carnes Hill Marketplace (6 percent) and Casula Mall (9 percent), although these impacts will similarly dissipate quickly, and are moderate in any case.

Because of the generally minimal or minor trading impacts, and the surrounding growth environment, the estimated sales for all existing centres at 2014/15 (i.e. the assumed first full year of trade for the proposed new supermarket) are expected to be **higher** than current trading levels. The exception is Casula Mall which is estimated to trade at just 0.2 percent below current trading levels at 2014/15.

The estimated trading impacts on the surrounding centres network will therefore be normal competitive impacts that are to be expected in any growth environment.

Future, planned centres such as those with the SWGC are not expected to be impacted to any noticeable extent, certainly not to the extent that their timing might be delayed, nor will the potential for supermarket anchors at these centres be jeopardised.

The proposed development will result in additional consumer choice, convenience and amenity for food and grocery shopping; increased employment within the Casula region; and minimal or minor impacts on the viability of the hierarchy of centres. It will thus result in a net community benefit.

Recommendation

From an economic perspective, we consider that a full-line supermarket should be accommodated at the subject site because it will result in:

- Increased convenience and amenity for the population of the main trade area, in particular those within the primary sector.

- Sufficient retail floorspace being made available to meet demand and competition is encouraged, for the betterment of the consumer.

- The right type of retail being provided in the right location at the right time to meet the needs of the consumer.

- A reduction in vehicle kilometres travelled as people are able to access an increased range of retail options within one location.

- A significant contribution to local employment and consequent economic multiplier impacts.

Introduction

This report assesses the market potential for a new supermarket proposed at 607-611 Hume Highway, Casula, NSW, as well as analysing the economic impacts associated with such a facility.

The subject site comprises 1.091 hectares (ha) of urban land (being Lots 5, 6 and 7 in DP 1566) within Liverpool City Local Government Area (LGA).

The report has been prepared as part of a concurrent planning proposal (for rezoning) and development application (for development approval) for a full-line (4,300m^2) supermarket at the subject site.

The report is structured as follows:

- **Section 1 – Background:** provides an overview of the subject site, details the composition of the proposed development and provides an overview of relevant retail trends.

- **Section 2 – Trade area analysis:** examines the relevant trade area for the proposed development, provides estimates of anticipated population levels within the trade area, analyses the socio-demographic profile of the trade population, and assesses retail expenditure volumes that will be generated by the trade area population.

- **Section 3 – Competition:** examines the surrounding competitive centres network and centres hierarchy with a focus on the existing and planned retail centres of greatest relevance to the proposed development.

- **Section 4 – Need and demand:** assesses the overall demand for supermarket floorspace generated by residents within the defined trade area, compares demand with existing supply of supermarket floorspace, and estimates the present and future market gap for supermarket floorspace within the main trade area.

- **Section 5 – Impacts and benefits:** examines the likely sales potential of the proposed development, presents our estimates of likely trading impacts on the surrounding retail network, considers potential impacts on the retail hierarchy as well as likely

consequences of such impacts and possible mitigation initiatives, and also examines the net community benefits of the development, including employment generation.

- **Section 6 – Conclusions:** summarises the key findings from the analysis and our recommendation in regards to the suitability of the proposed development.

Section 1: Background

This section of the report details the regional and local context of the proposed site, as well as the surrounding planning environment and recent retail trends of relevance to supermarket facilties.

1.1   Regional and local context

The suburb of Casula is located approximately 32 kilometres south-west of the Sydney CBD (refer to Map 1.1).

The subject site is located at 607-611 Hume Highway, Casula, NSW (being Lots 5, 6 and 7 in DP 1566) within Liverpool City Local Government Area (LGA). The subject site is situated in a prominent location within an area of mixed use commercial activity.

Map 1.2 illustrates the local context of the subject site. The Hume Highway is the key thoroughfare through south-western Sydney and supports very large traffic volumes daily of commuters, visitors and freight transport.

Section 1: Background

Map 1: Casula, Regional Context

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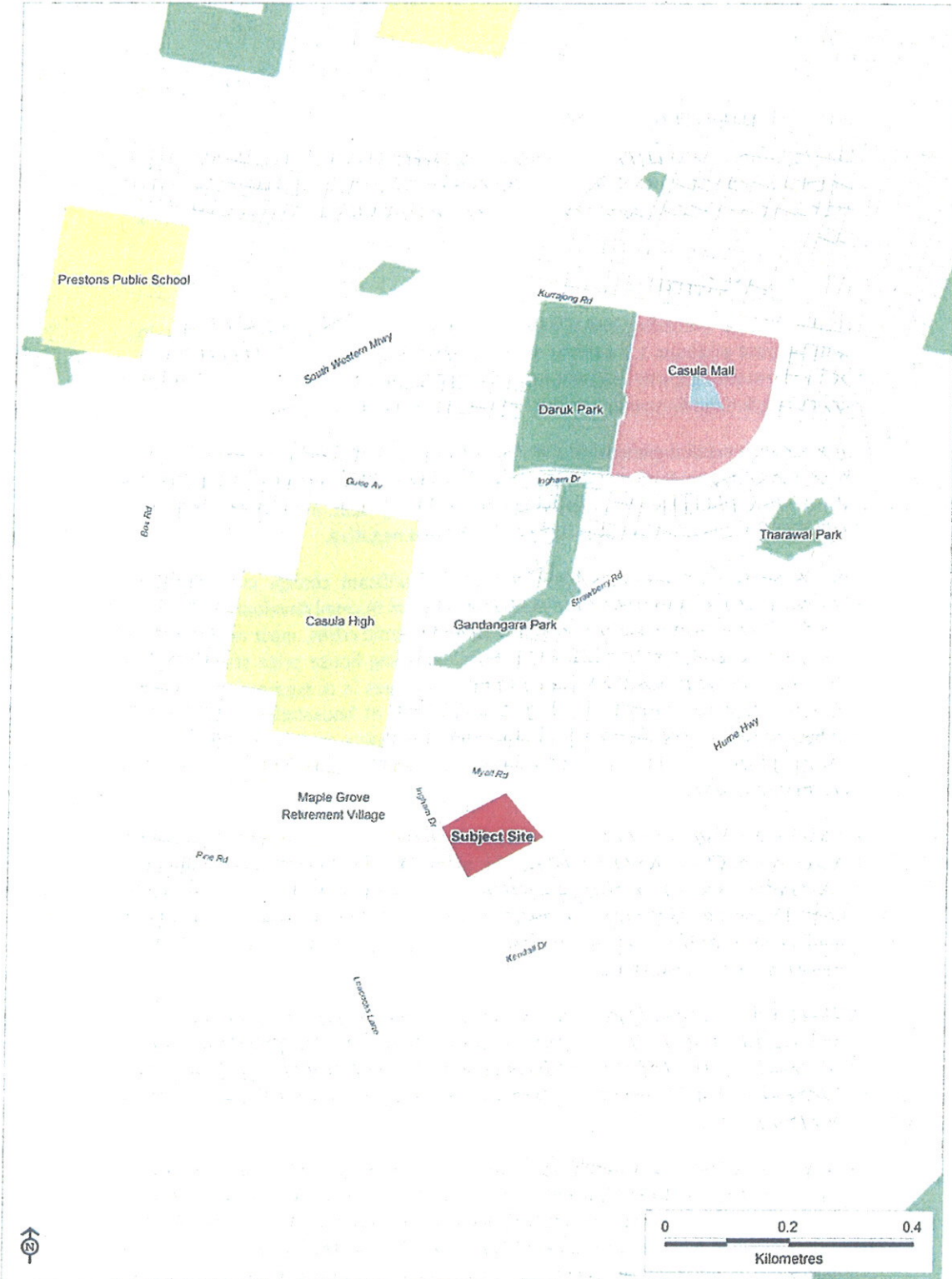
Map 1.2: Casula

Site Location

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Woolworths Casula, NSW

Legend:
- Subject Site
- Shopping Centre
- School
- Retirement Village
- Park/Reserve

Map labels:
- Prestons Public School
- South Western Mtwy
- Kurrajong Rd
- Casula Mall
- Daruk Park
- Ingham Dr
- Tharawal Park
- Gunia Av
- Box Rd
- Casula High
- Gandangara Park
- Strawberry Rd
- Hume Hwy
- Myott Rd
- Maple Grove Retirement Village
- Ingham Dr
- Subject Site
- Pine Rd
- Kendall Dr
- Lindosas Lane
- Kilometres: 0 0.2 0.4

1.2   Planning environment

This report has been prepared as part of a planning proposal (for rezoning) of the subject site and concurrent development application. The detailed planning context of the site is provided under separate cover, and thus is not discussed within this report.

1.3   Retail trends

In the 20 years preceding the Global Financial Crisis (GFC) the retail sector in Australia grew at about 1.3 percent to 1.5 percent per annum in real terms, with particularly strong growth in new formats through the 1990s and 2000s, e.g. bulky goods retail, fuelled by strong population growth and new housing development.

The growth in retail expenditure and consequent retail floorspace over this time occurred during an extended boom cycle of 15 years, fuelled in the latter years by a consumer credit binge and a global economy driven by debt. Immediately prior to the GFC, the household savings ratio in Australia was negative.

In the years since the GFC, there has been a significant change in household consumption behaviour, as well as a marked slowdown in retail development. Since the GFC there have been further major global economic crises, most recently the European sovereign debt crisis. Other factors, including house price stabilisation, the rise of internet retailing in some categories, changes in consumer preferences to more experience-based retailing, a redistribution of household consumption expenditure and historically high household savings ratios, which have been the results of increased consumer caution, have all impacted generally negatively on Australia's retail sector.

The GFC has also resulted in structural shifts in the retail sector with much tighter financing conditions for major retail developments. This has meant developments are typically subject to much greater market testing and require demonstrated demand and turnover threshold levels to be met in order to proceed. Essentially, lenders are highly unlikely to finance major development unless there is demonstrated demand growth.

While there has been a large increase in household savings ratios, consumers have not closed their wallets. Increased price pressures for household utilities, education, transport and the like have eroded household budgets, while the strong Australian dollar has meant Australians are taking record numbers of overseas holidays per year.

Convenience retailing has held up strongly as the old adage 'people need to eat' continues to hold true. While total retail trade as measured by the Australian Bureau of Statistics (ABS) was up 2.9 percent over the year to March 2012, food retailing recorded a much greater 4.3 percent growth for the year. This growth compared with declines recorded in department stores (-1.7 percent) and clothing/apparel stores (-2.3 percent) sales. It is expected that food (and non-discretionary) retailing will continue to growth strongly within Australia, due to the strong employment market and continuing population growth.

MacroPlan Dimasi benchmark data show that sales for neighbourhood supermarket anchored centres grew by 3.3 percent in the year to March 2012, while sales for DDS anchored centres grew by 2.7 percent and regional centre sales by just 0.1 percent, the latter impacted by tenancy mixes weighted towards fashion and department stores.

Furthermore, food based and convenience oriented centres will face much less competition from internet penetration than fashion and apparel based centres.

The rise of internet retailing has eroded the market share of some retail categories, however in general this trend is not expected to impact noticeably on land use planning for physical retail space. This is because the majority of on-line sales (70 to 80 percent) are, or are expected to be, channelled through domestic retailers with bricks and mortar presence.

The market penetration of internet retailing into the supermarket sector within Australia has been minimal to date, and in any case most of the fulfilment of internet orders is actually undertaken from supermarket outlets, i.e. the 'bricks and mortar' store, and not via distribution centres, for reasons of viability.

The typical drivers of supermarket floorspace demand, therefore, remain very strong, and will continue to do so in the future. The key drivers include *population growth* and *growth in real incomes* which leads to real expenditure growth.

Section 2: Trade area analysis

This section of the report details the potential trade area that could be served by a full-line supermarket at the subject site at Casula, including current and forecast population levels, the socio-demographic profile of trade area residents and estimates of their retail expenditure levels.

2.1   Trade area definition

The extent of the trade area or catchment that is served by any shopping centre is shaped by the interplay of a number of critical factors. These factors include:

- The relative attraction of the centre, in comparison with alternative competitive retail facilities. The factors that determine the strength and attraction of any particular centre are primarily its scale and composition (in particular the major trader or traders that anchor the centre); its layout and ambience; and carparking, including access and ease of use.

- The proximity and attractiveness of competitive retail centres. The locations, compositions, quality and scale of competitive retail facilities all serve to define the extent of the trade area which a shopping centre is effectively able to serve.

- The available road network and public transport infrastructure, which determine the ease (or difficulty) with which customers are able to access a shopping centre.

- Significant physical barriers which are difficult to negotiate, and can act as delineating boundaries to the trade area served by an individual shopping centre.

On this basis, the potential trade area served by a full-line supermarket at Casula has been defined to include a primary and a secondary sector, illustrated on Map 2.1 and described below:

- The **primary sector** is generally bound by Kurrajong Road to the north, the railway line to the east, the M7 to the west and the new residential area south of Glenfield Road to the south.

- The **secondary sector** extends northwards from the primary sector to Reilly Street to the north, the railway line to the east and Ash Street/M7 to the west.

The combination of these two sectors is referred to as the **main trade area** throughout the remainder of this report.

Section 2: Trade area analysis

Map 2.1: Casula
Competitive Context

* Halved symbols indicate proposed stores

Legend:

- LGA Boundary
- Regional Centre
- Sub-Regional Centre
- ★ Myer

▲ Big W	● Woolworths	● IGA
▲ Target	● Coles	● Other Smkt
▲ Kmart	● Aldi	● Franklins

- ● Unknown Smkt
- ● Unknown DDS
- ■ Costco

Kilometres: 0 2 4

Places labelled on map:
Bass Hill Plaza, Georges Hall, Bankstown, Bankstown (C), Chipping Norton Market Plaza, Chipping Norton, Moorebank Shopping Village, Hammondville, Holsworthy Plaza (p), Wattlegrove SC, Cabramatta Plaza, Canley Heights, Fairfield (C), Westfield Liverpool, Liverpool Plaza, Collingwood Hotel (p), South Western Mwy, Casula Mall, 607-611 Hume Hwy Casula, Bonnyrigg Plaza, Bonnyrigg SC, Flowerdale SC, Secondary, Primary, Glenquarie SC, Macquarie Fields, Bonnyrigg Shopping Centre (p), Miller Centre, Valley Plaza, Liverpool (C), Hoxton Park, Campbelltown (C), Cecil Hills Marketplace, Westlink M7, Middleton Grange Village (p), Horningsea Park, Carnes Hill Marketplace, Prestons, Camden Valley Way, Costco Auburn (p), Campbelltown Rd, Edmondson Park TC (p), Austral, North Rossmore (p), South West Growth Centre, Austral Precinct (p), Leppington TC (p), Camden (A), Catherine Fields North (p)

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2.2 Trade area population

As shown in Table 2.1, the current main trade area population (i.e. June 2011) is estimated at 27,550 persons, including 14,400 residents in the key primary sector.

In determining the future population of the trade area we have relied upon a range of sources, including the following:

- Australian Bureau of Statistics Census Data (2001 and 2006)

- Australian Bureau of Statistics Estimated Resident Population (2007-2011)

- Australian Bureau of Statistics Dwelling Approvals (2006-2010)

- NSW Department of Planning and Infrastructure (DPI) Household and Population projections (2006-2036)

- Information regarding surrounding residential developments and planning strategy information.

Map 2.2 illustrates the new dwelling approval activity throughout the region over the period 2006-2011. As shown, consistent new dwelling approval activity has occurred throughout the main trade area.

The subject site is located just north of the South-West Growth Centre, a region of significant population growth expected to accommodate in excess of 250,000 additional residents over the next 15 to 20 years. The defined main trade area includes areas of new residential housing development, namely Panorama Estate and Glenfield Chase.

Having regard to the abovementioned reference sources, we estimate the main trade area population to grow on average by 1.5 percent per annum over the next 15 years, and reach 34,350 residents by 2026, reflecting an increase of about 6,800 residents. This growth alone would almost support another full-line supermarket.

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Table 2.1

Casula trade area population, 2001-2026*

Trade area	Estimated population			Forecast population		
	2001	2006	2011	2016	2021	2026
Primary sector	8,010	11,400	14,400	17,000	18,500	19,750
Secondary sector	12,370	12,390	13,150	13,550	14,050	14,600
Main trade area	**20,380**	**23,790**	**27,550**	**30,550**	**32,550**	**34,350**
		Average annual growth (no.)				
Trade area		2001-06	2006-11	2011-16	2016-21	2021-26
Primary sector		678	600	520	300	250
Secondary sector		4	152	80	100	110
Main trade area		**682**	**752**	**600**	**400**	**360**
		Average annual growth (%)				
Trade area		2001-06	2006-11	2011-16	2016-21	2021-26
Primary sector		7.3%	4.8%	3.4%	1.7%	1.3%
Secondary sector		0.0%	1.2%	0.6%	0.7%	0.8%
Main trade area		**3.1%**	**3.0%**	**2.1%**	**1.3%**	**1.1%**

*As at June
Source: ABS; MacroPlan Dimasi

Section 2: Trade area analysis
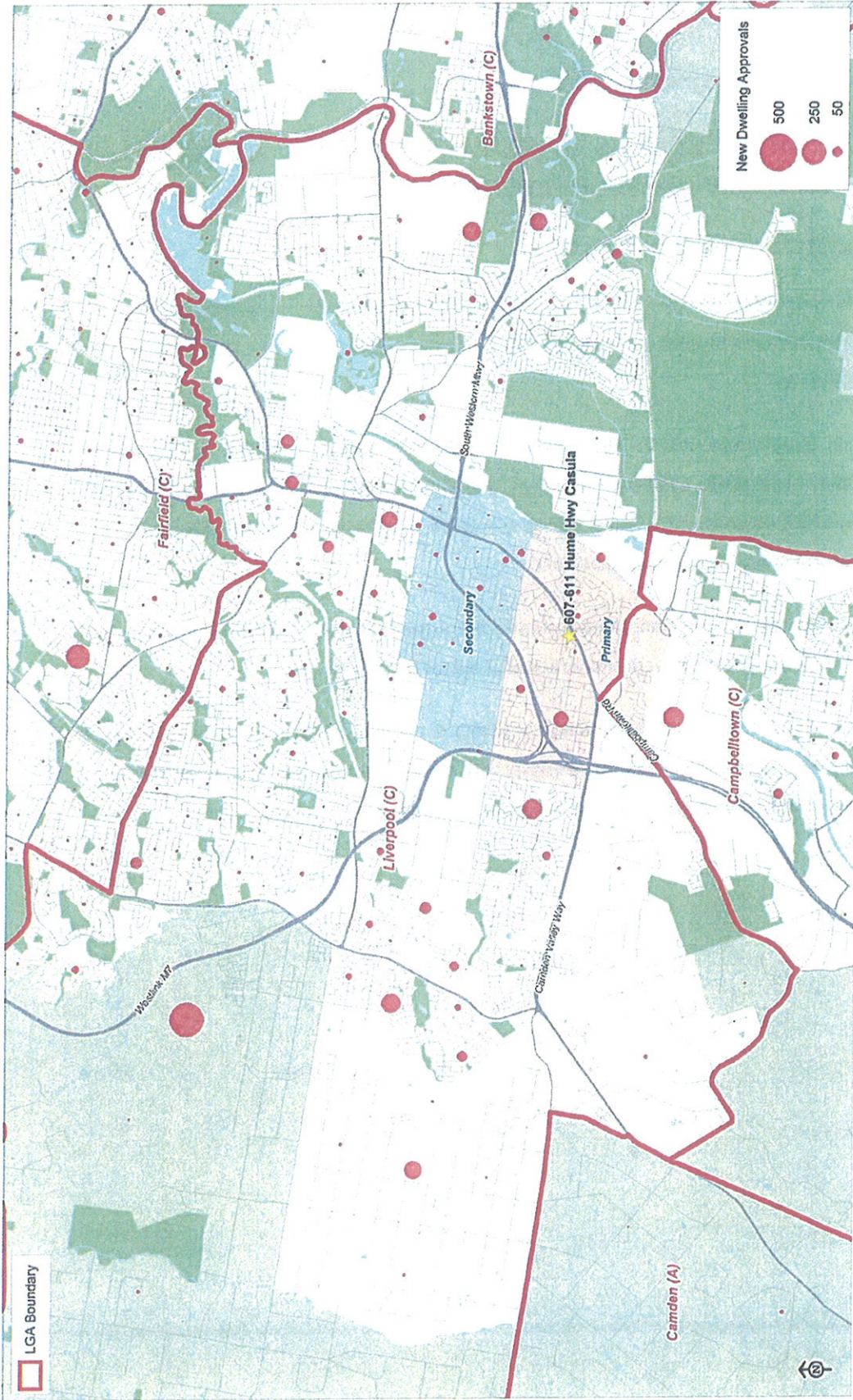
Map 2.2: Casula
New Dwelling Approvals, 2006 - 2011

Legend:
- LGA Boundary

New Dwelling Approvals
- 500
- 250
- 50

Labels on map:
- Bankstown (C)
- Fairfield (C)
- Liverpool (C)
- Campbelltown (C)
- Camden (A)
- South Western Hwy
- Westlink M7
- Secondary
- Primary
- 607-611 Hume Hwy Casula
- Camden Valley Way
- Campbelltown Rd

Kilometres
0   2   4

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2.3 Socio-demographic profile

Table 2.2 and Chart 2.1 illustrate the socio-demographic profile of the main trade area population, compared with the respective metropolitan Sydney benchmarks.

Key points to note include the following:

- The trade area population reflects a younger demographic profile. The average age of the main trade area residents, at 33.6 years, is below the metropolitan Sydney benchmark of 36.6 years

- Main trade area residents earn per capita incomes that are below the metropolitan Sydney benchmarks by about 30 percent, although the higher than average household size of 3.1 persons per dwelling means average household incomes are only about 20 percent lower than Sydney benchmarks.

- The majority of main trade area residents are Australian born (59.0 percent), though there is a larger than average proportion of overseas born residents.

- A review of the household structure within the main trade area indicates a higher proportion of traditional families (couples with dependent children) and couples and a lower than average proportion of lone person households.

Table 2.2
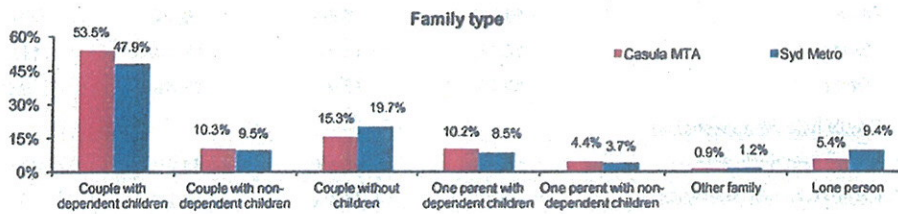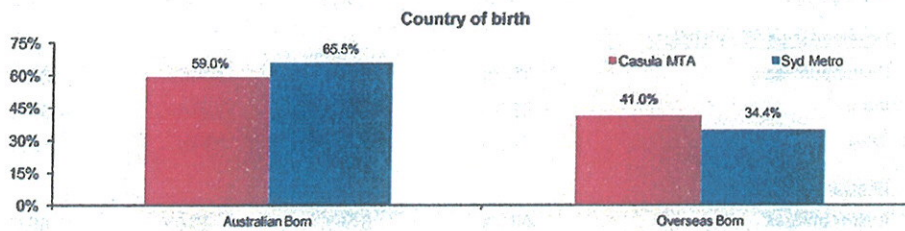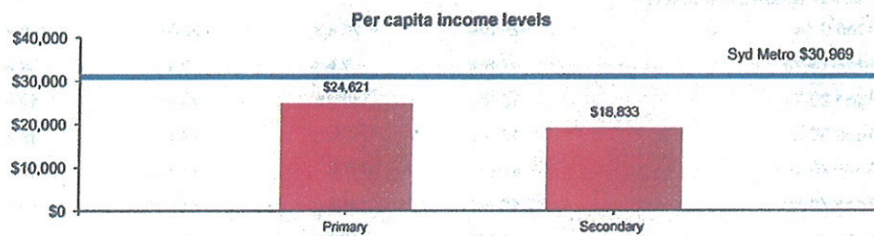
Casula main trade area - socio-demographic profile, 2006

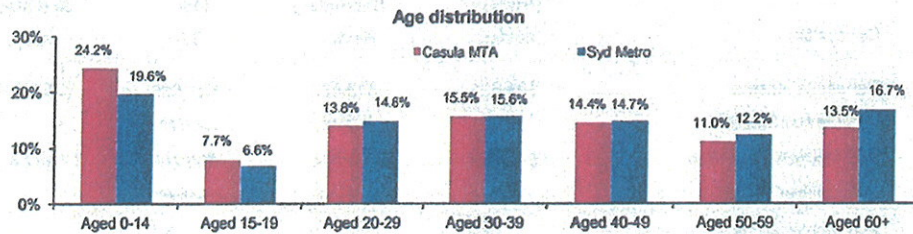| Census item	Primary sector	Secondary sector	Main TA	Syd Metro avg.
Per capita income	$24,621	$18,833	$21,605	$30,969
Variation from benchmark	*-20.5%*	*-39.2%*	*-30.2%*	
Avg. household income	$79,623	$55,144	$66,266	$82,406
Variation from benchmark	*-3.4%*	*-33.1%*	*-19.6%*	
Avg. household size	3.2	2.9	3.1	2.7
Age distribution (% of pop'n)				
Aged 0-14	25.0%	23.4%	24.2%	19.6%
Aged 15-19	7.8%	7.6%	7.7%	6.6%
Aged 20-29	13.9%	13.7%	13.8%	14.6%
Aged 30-39	17.9%	13.3%	15.5%	15.6%
Aged 40-49	15.2%	13.6%	14.4%	14.7%
Aged 50-59	10.5%	11.4%	11.0%	12.2%
Aged 60+	9.7%	17.0%	13.5%	16.7%
Average age	31.9	35.3	33.6	36.6
Housing status (% of h'holds)				
Owner/purchaser	75.9%	64.6%	70.0%	67.0%
Renter	22.8%	35.2%	29.3%	32.3%
Other	1.2%	0.2%	0.7%	0.8%
Birthplace (% of pop'n)				
Australian born	56.2%	61.6%	59.0%	65.5%
Overseas born	43.8%	38.4%	41.0%	34.4%
• Asia	13.5%	6.3%	9.8%	13.0%
• Europe	13.0%	14.3%	13.7%	11.6%
• Other	17.2%	17.9%	17.6%	9.9%
Family type (% households)				
Couple with dep't children	60.9%	47.4%	53.9%	47.9%
Couple with non-dep't children	9.3%	11.1%	10.2%	9.5%
Couple without children	14.7%	15.7%	15.2%	19.7%
One parent with dep't children	7.4%	12.6%	10.1%	8.5%
One parent with non-dep't child.	3.1%	5.4%	4.3%	3.7%
Other family	0.8%	1.0%	0.9%	1.2%
Lone person	3.7%	6.8%	5.4%	9.4%

Source: ABS Census of Population & Housing, 2006; MacroPlan Dimasi

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Chart 2.1

Casula main trade area - socio-demographic profile, 2006

Age distribution

	Casula MTA	Syd Metro
Aged 0-14	24.2%	19.6%
Aged 15-19	7.7%	6.6%
Aged 20-29	13.8%	14.6%
Aged 30-39	15.5%	15.6%
Aged 40-49	14.4%	14.7%
Aged 50-59	11.0%	12.2%
Aged 60+	13.5%	16.7%

Per capita income levels

Syd Metro $30,969

Primary	Secondary
$24,621	$18,833

Country of birth

	Casula MTA	Syd Metro
Australian Born	59.0%	65.5%
Overseas Born	41.0%	34.4%

Family type

	Casula MTA	Syd Metro
Couple with dependent children	53.5%	47.9%
Couple with non-dependent children	10.3%	9.5%
Couple without children	15.3%	19.7%
One parent with dependent children	10.2%	8.5%
One parent with non-dependent children	4.4%	3.7%
Other family	0.9%	1.2%
Lone person	5.4%	9.4%

Source: ABS Census of Population & Housing, 2006; MacroPlan Dimasi

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2.4   Retail expenditure

MacroPlan Dimasi estimates retail expenditure capacity generated by the main trade area residents based on information sourced from Market Data Systems (MDS), which utilises a detailed micro simulation model of household expenditure behaviour for all residents of Australia. The model takes into account information from a wide variety of sources including the regular ABS Household Expenditure Surveys, national accounts data, Census data and other information.

The MarketInfo dataset from MDS starts with the household expenditure survey, a comprehensive exercise conducted by the ABS every five years. In the latest survey, just under 7,000 households across Australia were asked to provide complete details of their spending over a specific period.

In addition to a thorough interview, each member of the household in question over the age of 15 is required to keep a diary of every expenditure made over a two week period. The respondents itemise all outings by attaching grocery receipts as well as accurately recording all of the transactions which may range from taxi fares to insurance and alimony payments, to the amount of pocket money given to children in the household. Complete financial and social information about the entire household are also provided.

All these data are then matched with Census, Centrelink, National Accounts and other data collected by State and National Governments to create a model of spending that is at the heart of MarketInfo. Micro simulation techniques are the method by which these detailed calculations are performed.

MarketInfo calculates spending levels down to the Census Collection District (CCD), the smallest defined area used by the ABS. Each CCD covers an area of approximately 180 households. MarketInfo is able to draw down to this level because it starts with the unit records from the Household Expenditure Survey and uses the spending and other information from all of the nearly 7,000 surveyed households as the basis for modelling these actual results to the broader community.

Although it is not 'perfect', we consider MarketInfo data to be quite an accurate measure of available retail expenditure and it is widely relied on in the retail industry. This office has undertaken thousands of retail assessments using actual retail sales turnover data from retailers and shopping centres and numerous customer surveys to understand the expenditure behaviour of shoppers.

Appendix 1 further details the suitability and usage of MarketInfo data, particularly in regards to economic impact assessments analysing turnover impacts. In particular, Appendix 1 provides a reconciliation of the household retail expenditure data based on MarketInfo estimates with the ABS reported retail turnover data.

Total retail expenditure is detailed in a number of categories, as follows:

- Take-home food and groceries – expenditure on goods typically sold in supermarkets and specialty fresh food stores.

- Packaged liquor –expenditure on packaged beer, wine and spirits such as those purchased at bottle-shops and liquor outlets (does not include liquor consumed on premises, such as at bars/clubs/pubs).

- Food catering – expenditure on cafes, take-away outlets and restaurants, including liquor consumed on such premises.

- Apparel – expenditure on clothing, footwear, fashion and accessories.

- Household Goods – expenditure on giftware, electrical, computers, furniture, homewares, and hardware goods.

- Leisure – expenditure on sporting goods, music, DVDs, games, books, newsagents and film processing/photography and the like.

- General Retail – expenditure on, pharmaceutical goods, cosmetics, toys, florists, mobile phones and the like.

- Retail Services – expenditure on retail services such as key cutting, shoe repairs, hair and beauty and the like.

Chart 2.2 highlights the per capita retail expenditure of the main trade area population, compared with the metropolitan Sydney benchmark averages.

Total per capita retail spending in the trade area is lower than the Sydney benchmarks, however, spend per capita in fresh food and other food and groceries – key components of supermarkets – are almost on par with Sydney Metropolitan benchmarks.

Table 2.3 details the estimated retail expenditure of the Casula main trade area population in 2012, as well as projected increases in retail spending to 2026.

The current retail expenditure of the main trade area population is estimated at $311 million, including $177 million in the primary sector, and is projected to increase to $441 million by 2026. All spending forecasts presented throughout this report are expressed in constant 2011/12 dollars (i.e. not including an average inflation rate) and including GST.

The estimated retail expenditure growth rate of 2.5 percent per annum reflects the following components:

- Average annual trade area population growth of 1.5%.

- Real growth in per capita retail spending, which is expected to average 1.0% per annum over the forecast period.

Table 2.4 details estimated retail expenditure of the main trade area population by key commodity group, highlighting FLG as by far the largest single category.