

**Planning Proposal
Round Corner**
Prepared for Australian United Securities Pty Ltd

BROWN
Smart Consulting

APPENDIX F

RETAIL STUDY



488 Old Northern Road,
Round Corner

Retail Study

PREPARED FOR

Australian United
Securities Pty Ltd

June 2012

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11 DECEMBER, 2012



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ORDINARY MEETING OF COUNCIL

11 DECEMBER, 2012

Round Corner Dural Economic Impact Assessment

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REPORT DETAILS:

Job Ref No: C12370
Version: Final
Date Printed: 2/07/2012 8:34:00 AM
File Name: C12370 - Round Corner Economic Impact Assessment Final

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LIST OF ABBREVIATIONS

Australian Bureau of Statistics	ABS
Bureau of Transport Statistics	BTS
Development Application	DA
NSW Department of Planning and Infrastructure	DoPI
Gross Lettable Area	GLA
Local Environmental Plan	LEP
Local Government Area	LGA
Property Council of Australia	PCA
State Environmental Planning Policy	SEPP
Shopping Centre News	SCN
Square metre	sqm

1. EXECUTIVE SUMMARY

Hill PDA was commissioned by Australian United Securities Pty Ltd to undertake a Retail Study examining the implications of a proposed rezoning adjacent to the existing Round Corner centre in Dural. The rezoning seeks to facilitate the development of 22 three bedroom townhouses and 9,000sqm gross floor area (GFA) of retail floorspace. The proposed retail component is envisaged to include 3,000sqm of supermarket floorspace, a 3,000sqm restaurant and 3,000sqm of specialty shops.

Planning & Policy Review (Chapter 3)

Based on an examination of relevant planning policies, the Study finds that provided the retail floorspace being proposed cannot be accommodated within Round Corner, as the site is adjacent to the existing centre, the site is the next best location for retail expansion in planning terms. Furthermore the proposed development would contribute towards the aims and objectives of relevant policies by supporting the role of centres, supporting the creation of new jobs in The Hills Shire and the North West Subregion, and promoting economic development.

Retail Hierarchy Review (Chapter 4)

Round Corner is defined as a Town Centre in The Hills Shire Centres Direction (2009). The proposed rezoning, if permitted, would form an extension to the centre. Currently Round Corner is anchored by two supermarkets (Woolworths and ALDI) and was noted as trading strongly at the time of Hill PDA's 2008 retail study for The Hills Shire¹.

The analysis of competitive centres within proximity of Round Corner indicates that there are a number of larger higher order centres located to the south, east and west (e.g. Castle Hill, Rouse Hill, Baulkham Hills, Hornsby) offering a greater range of retail goods and services, but no comparably sized retail centres in the immediate locality or in the rural area to the north.

Demand for Retail Floorspace (Chapter 5)

A Primary and a Secondary Trade Area are defined for the Round Corner retail centre (post-development of the subject site). The Primary Trade Area (PTA) comprises the suburbs of Dural, Middle Dural and Kenthurst. Within the PTA Round Corner will be the primary destination for weekly food and grocery shopping trips. The Secondary Trade Area (STA) comprises the rural area to the north of the PTA up to the Hawkesbury River. Round Corner will capture some expenditure from households in this area but a lower proportion than in the PTA. Together, the PTA and STA constitute the Main Trade Area (MTA).

Analysis of the demographic characteristics of households in the MTA indicates that they were more likely to be older and more affluent than average households in the Sydney Metropolitan Area. Population trends in the MTA indicate a declining population over the 2012 to 2022 period based on Council population forecasts, and accounting for additional residents associated with future development on the subject site (assumed to be equivalent to 76 persons).

¹ The Hills Shire Retail Floorspace Demand Analysis (2008)

Analysis of available expenditure in the MTA indicates that residents generate an estimated \$514.5m of retail expenditure in 2012. This is forecast to increase to \$528.2m by 2022. Despite the forecast decline in population, available retail expenditure is expected to increase over time as a result of real retail growth.

Target turnover rates and capture rates are applied to the quantum of expenditure generated by residents in order to determine total demand for retail floorspace within the MTA.

On this basis, there is demand for an additional 16,300sqm GLA of additional retail floorspace within the MTA in 2012. Notwithstanding this, supermarket floorspace is oversupplied by nearly 2,000sqm in 2012 given the presence of five large supermarkets (13,700sqm) in the MTA plus a number of small (300sqm or less) supermarkets. The undersupply of retail floorspace lessens over time to 15,000sqm by 2022.

To some extent the oversupply of supermarket floorspace reflects the rural nature of the MTA, with a lower quantum of expenditure available to be captured and a greater distance between centres compared to Metropolitan locations. Retail floorspace in rural centres typically trades sustainably at below average target turnover rates.

Notwithstanding the above, two residential rezoning proposals are mooted for land at South Dural and North Glenhaven, within close proximity to Round Corner and within the identified PTA. Cumulatively these rezonings would yield an estimated 5,000 homes accommodating 15,000 new residents. As these proposals are not yet lodged with Council or the NSW Department of Planning and Infrastructure, no allowance for their attributable new population has been made in the modeling within this report. However we note that this magnitude of additional residents would generate retail expenditure in the order of \$254m in 2022. These new residents alone would demand approximately 7,500sqm of supermarket floorspace and 52,000sqm of retail floorspace overall. If these rezonings are approved and new residents eventuate, new pressure would be placed on retail demand by the MTA, with supermarket floor space likely to be under supplied by 2022.

It should be noted that demonstrating sufficient need is not a requisite to retail development. From an economic perspective, rather it is the impact of the proposed development upon existing and planned future retail facilities which is the pertinent consideration in determining the permissibility or otherwise of the proposed rezoning.

Sequential Test (Chapter 6)

We note that Round Corner is the only designed Town Centre in the MTA (based on The Hills Shire Centres Direction). It should therefore be the preferred location for new retail investment in the trade area. This is consistent with the principle of centres, accessibility and promoting ecologically sustainable development. The nature of the development being proposed is therefore appropriate for Round Corner.

A sequential site assessment is a required consideration in a rezoning for edge or out-of-centre sites. Our desk-top analysis noted that the centre has low vacancies and is subject to fragmented land ownerships. There are no obvious sites within the existing centre which could accommodate the quantum of floorspace proposed. The subject site, being located immediately adjacent to and abutting Round Corner, is the next sequentially preferable location to accommodate the proposed development.

Retail Impact Assessment (Chapter 7)

The retail component of the proposal is assumed to operate in 2015 (its first full year of trade). Its assumed turnover at this time is \$52m based on target turnover rates and an assumed floorspace mix.

The retail impact of the proposed development on other centres is subsequently quantified using the Hill PDA gravity model. This indicates that the strongest impacts would fall upon existing retailers in Round Corner, and in particular existing supermarkets. However, the proposed development would form part of an expanded town centre and therefore Round Corner as a whole will experience a net increase in turnover of some 39.5% in 2015 compared to the case if the development were not to proceed.

Impacts on Dural, Middle Dural and Glenhaven are deemed to be low to moderate (i.e. between 5% and 10%) in 2015 whilst impacts on all other centres are deemed to be insignificant (below 5%). These levels of impact could be absorbed without jeopardising the vitality or viability of any existing centre and are within the normal competitive range. In our view there are no grounds to refuse the rezoning on the basis of adverse economic impact.

Other Economic Benefits (Chapter 8)

Other economic benefits of the proposed development were noted as follows:

- Construction multiplier impacts (directly and indirectly) of approximately \$83m;
- Construction related employment (directly and indirectly) of an estimated 477 job years²;
- An estimated 326 full and part time jobs on site post-development;
- Supporting the role of centres and reducing the need for residents to travel for the purposes of shopping;
- Encouraging shopper convenience; and
- Promoting price competition to the benefit for local residents without threatening the viability of any other existing centre beyond the normal competitive range.

² Note: A job year is one full time job for one full year

2. INTRODUCTION

2.1 Study Background

Round Corner is located within The Hills Shire, approximately 6km north of Castle Hill and 12km of Rouse Hill Town Centre.

Round Corner is identified as a Town Centre in The Hills Shire Centres Direction (2009). The role of Town Centres as defined in The Centres Direction is a centre which provides a range of retail, business and commercial uses to serve residents, workers and visitors, including providing for the weekly shopping needs of residents.

The existing offer of Round Corner comprises 72 shopfronts providing some 11,300sqm floorspace³, together with further 28 other commercial shoptop units and 2 auto-related businesses. The centre is anchored by two supermarkets (Woolworths and ALDI). The centre was noted as trading strongly at the time of Hill PDA's Baulkham Hills Retail Floorspace and Demand Analysis (December 2008). It was also noted as having low vacancies (4 shopfronts or 320sqm of floorspace). The centre services the retail and commercial needs of residents in the surrounding area, particularly those in the rural area to the north.

The subject site lies just south of the existing Round Corner centre. Given its proximity and location, any retail development on the site should be viewed as an extension of the existing centre. Shoppers would not differentiate between the retail facilities which would be provided on the subject site and those provided in the existing centre. The attraction of the centre as a shopping destination would be considered in the context of both the existing and the new retail facilities. The subject site is depicted in Figure 1 below (orange outline).

Figure 1 - The Subject Site



Source: Drawing No: X11039-S1, Rezoning Submission 488- 498 Old Northern Road Round Corner, Brown Consulting (19/09/2011). Note: the subject site is etched in orange in Figure 1.

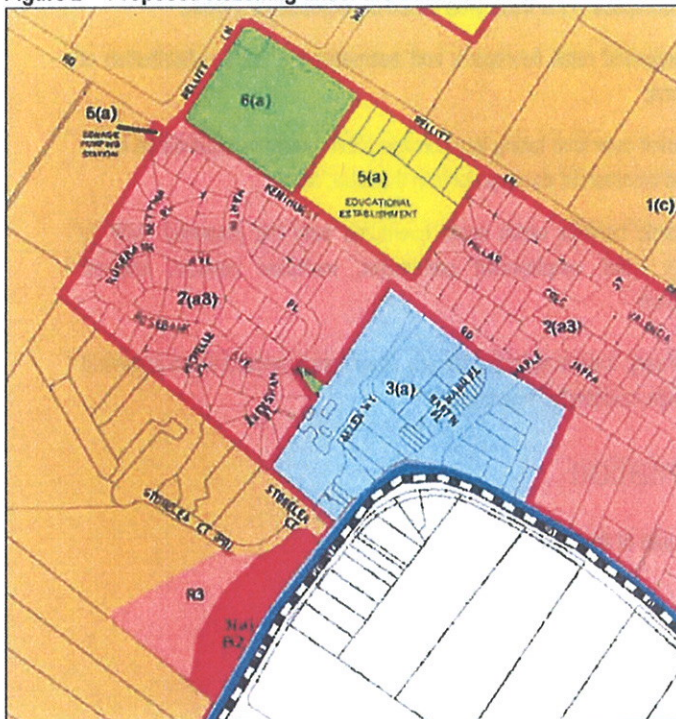
³ Source: The Hills Shire Retail Floorspace and Demand Analysis, Hill PDA (December 2008)

The site is currently zoned 1(c) Rural under the Baulkham Hills Local Environment Plan (LEP) 2005 and RU6 Transition under the Draft The Hills LEP 2010. Rezoning of the site is sought for:

- Part 3(a) Business and 2(a) Residential zoning under the Baulkham Hills LEP 2005; and
- Part B2 Business and R3 Residential zoning under the Draft The Hills LEP 2010.

The extent of the proposed rezoning under the Baulkham Hills LEP 2005 is shown in Figure 2 below.

Figure 2 - Proposed Rezoning under the Baulkham Hills LEP 2005



Source: Drawing No: X11039-S1, Rezoning Submission 488- 498 Old Northern Road Round Corner, Brown Consulting (19/09/2011)

The rezoning would facilitate the development of 22 three bedroom townhouses and 9,000sqm gross floor area (GFA) of retail floorspace. It is understood that the proposed retail floorspace is likely to include 3,000sqm of supermarket floorspace, a 3,000sqm restaurant and 3,000sqm of specialty shops.

As part of the rezoning process the Hills Shire Council ('Council') has requested that a Retail Study be undertaken to consider the economic impact of the proposed commercial zoning. This Retail Study ('the Study') responds to this request.

2.2 Study Methodology

This Study:

- Considers the retail hierarchy to understand the competitive context for retail floorspace and centres surrounding the subject site;

Round Corner Dural Retail Study

- Includes consideration of mooted development proposals and those in the planning pipeline which are of relevance;
- Identifies the relevant trade areas for Round Corner based on existing and proposed retail floorspace, distances, accessibility and the location and level of offering in other centres;
- Based on population forecasts determines existing and future retail expenditure generated by residents in the trade area;
- Analyses the need for additional retail floorspace in the trade area based on expenditure growth;
- Estimates the likely turnover of the proposed retail floorspace and estimates the likely redistribution of marginal turnover from other retail centres;
- Measures the impacts as shifts in turnover over time taking into consideration growth in expenditure in the trade area(s), as well as future retail and commercial developments in the area; and
- Considers and quantifies other economic benefits which could eventuate from the proposed such as contribution towards planning policy aims, employment generation, multiplier impacts, shopper convenience, travel time savings and so on.

Note that this Study considers economic issues only. It does not consider any other issues related to the proposed development such as transportation, urban design, residential amenity etc.

2.3 Background Documentation

The background documentation considered as part of this Study includes:

- The Hills Shire Local Strategy (2008);
- The Hills Shire Centre Direction (2009);
- The Hills Shire Retail Floorspace Demand Analysis (2008).

3. PLANNING & POLICY REVIEW

This Chapter considers the planning policy context for the site and its surroundings based on State and Subregional planning guidelines. The purpose of the Study is to consider the economic impacts of the proposed development only, and therefore this Chapter does not consider issues to do with land use zoning.

3.1 State Planning Policy and Strategies

Metropolitan Plan for Sydney 2036

The Department of Planning and Infrastructure's (DoPI's) Metropolitan Plan for Sydney 2036 was released in December 2010. The Plan aims to shape the future growth of Sydney to 2036 ensuring a more resilient, compact, connected, multi-centred and sustainable city. The Metropolitan Plan integrates land use and transport planning by integrating the Metropolitan Transport Plan, which was published for consultation earlier in 2010.



The Plan aims to address key challenges facing Sydney amongst which includes managing a growing and changing population, providing more jobs closer to home, more efficient transport delivery, climate change and maintaining our global competitiveness. These challenges are addressed through strategic directions.

The Plan anticipates Sydney's population will reach close to 6 million by 2036. To accommodate this population growth, land use service provision and infrastructure capacity must be planned to provide for 769,000 additional homes and 760,000 additional jobs.

Of relevance to this Study the Metropolitan Plan nominates an additional 169,000 dwellings for the North West Subregion (of which The Hills Shire is part) between 2006 and 2036. This includes 87,000 new dwellings in release areas.

The Plan forecasts that an additional 10 million sqm of additional commercial floorspace and 5 million sqm of additional retail floorspace will be required across Sydney by 2036 in order to cater for employment growth and increasing demand. The focus for accommodating employment growth will be in centres, particularly those on the public transport network. Concentrating jobs as well as housing within the walking catchment of Strategic Centres is recognised as a means of encouraging greater public transport use.

NSW Draft Centres Policy (2009)

Over the past few years there has been a growing awareness and investigation of barriers to competition in Australia, particularly in the retail industry. As a result of these investigations the Australian Government directed state governments and planning authorities to review the flexibility of planning regulations and policies regarding retail development. In response the DoPI released the draft Centres Policy in April 2009.

The Draft Centres Policy focuses around six key principles. The principles relate to:

1. The need to reinforce the importance of centres and clustering business activities;
2. The need to ensure the planning system is flexible, allows centres to grow and new centres to form;
3. The market is best placed to determine need. The planning system should accommodate this need whilst regulating its location and scale.

4. Councils should zone sufficient land to accommodate demand including larger retail formats;
5. Centres should have a mix of retail types that encourage competition; and
6. Centres should be well designed to encourage people to visit and stay longer.

Whilst the Draft Centres Policy indicates that the preferred location for new retail and commercial development is in centres, it recognises that there may be exceptions to this approach. The Draft Policy has been publicly exhibited and the DoPI is currently reviewing submissions.

The Draft Centres Policy requires that rezoning applications undertake a sequential approach to site selection whereby the availability of in-centre sites is first assessed. Only when it can be demonstrated that no alternative in-centre sites exist for new retail development should edge-of-centre sites be considered. This is in view of in-centre sites being the preferred location for new retail development.

The Draft Centres Policy states that if rezoning is permitted, subsequent DAs will be considered on their merits.

The Draft Centres Policy requires that a Net Community Benefit Test be undertaken for all rezoning applications. The Draft Centres Policy states that:

"The [net community benefit test] assessment should be prepared by the proponent in conjunction with the relevant planning authority to be submitted to council for endorsement prior to submitting to the Department of Planning as part of the Gateway test."

The requirements of a net community benefit test are that it evaluates the external costs and benefits of the proposal to the community, and should be assessed against a base case or cases (i.e. retaining the existing zoning or locating the development on appropriately zoned land in a centre).

Note that this Study does not comprise a net community benefit test, although the issues considered as part of it such as economic impact, job creation etc. it will contribute towards determining the net community benefit of the proposed development.

Draft SEPP (Competition) (2010)

Following a review undertaken by the Department and the Better Regulation Office into how economic growth and competition were impacted by the planning system, a new Draft State Environmental Planning Policy (SEPP) has been prepared and was placed on public exhibition in July 2010. The proposed state-wide planning policy removes artificial barriers on competition between retail businesses. The new Draft SEPP proposes:

- The commercial viability of a proposed development may not be taken into consideration by a consent authority, usually the local council, when determining development applications;
- The likely impact of a proposed development on the commercial viability of other individual businesses may also not be considered unless the proposed development is likely to have an overall adverse impact on the extent and adequacy of local community services and facilities, taking into account those to be provided by the proposed development itself; and
- Any restrictions in local planning instruments on the number of a particular type of retail store in an area, or the distance between stores of the same type, will have no effect.

Draft North West Subregional Strategy (2007)

The draft North West Subregional Strategy (December 2007) plans to accommodate some 130,000 jobs and 140,000 dwellings within the North West Subregion by 2031. Of these, 47,000 jobs (36%) and 21,500 dwellings⁴ (15%) are to be accommodated within The Hills Shire. The overarching theme of is for dwelling and employment growth to be concentrated within centres and near to public transport hubs.

Round Corner is identified as a Village Centre in the draft Subregional Strategy.

3.2 Local Planning Policy and Strategies

The Hills Shire Local Strategy (2008) and Centre Direction (2009)

The Hills Shire Local Strategy was adopted by Council in June 2008. It comprises a number of Strategic Directions focusing upon seven key areas, one of which is focussed on centres.

The Hills Shire Centres Direction ('The Centres Direction') provides strategic guidance concerning the planning, management and growth of centres within The Hills Shire to 2031. It identifies a Round Corner as a Town Centre. The typology of a town centre is one that meets the weekly shopping needs of residents.

The Centres Direction calculates demand for retail stores in the North Sector, which encompasses the rural areas of the Hills Shire including Round Corner, over the 2006-2031 period. No capacity for additional large or small supermarkets is identified in this Sector, although an additional 70 specialty shops (equivalent 7,000sqm of retail floorspace) will be required by 2031⁵. Hill PDA demand modelling informed the recommendations in the Centres Direction through The Hills Shire Retail Floorspace Demand Analysis 2008 (see below).

Furthermore, of particular relevance to this Economic Impact Assessment:

- Key Direction C1: Create vibrant centres that meet the needs of the community. This states that the rezoning of sites which have a logical connection to an existing centre for commercial or retail purposes may be appropriate. It also states that: *"in order to protect the Centres Hierarchy and the economic viability of centres, all new development proposals should support the Centres Hierarchy, with major development applications subject to detailed Economic Impact Assessments"*.
- Key Direction C1.1.2: Reinforce the centres hierarchy in decision making.
- Key Direction C1.1.2 (b) Retail development outside of centres is to be considered in light of the Centres Hierarchy and identified retail floorspace demand.
- Key Direction C1.1.3 Ensure the development of centres reflects the centres typology.
- Key Direction C1.2.2 Ensure centres meet the retailing demands of the community in the future.

The Hills Shire Retail Floorspace Demand Analysis (2008)

Hill PDA prepared a Retail Floorspace and Demand Analysis in 2008 to support the preparation of the Hills Shire Local Strategy and Centres Direction. Based on detailed supply and demand analysis the Hill PDA study identified the need for significant growth in retail provision in the LGA and the importance of facilitating retail supply to meet the

⁴ Outside of the North West Growth Centre

⁵ The Hills Shire Centres Direction 2009, Page 33

demands of the LGA's population. Overall, demand for an additional 345,700sqm of retail floorspace was identified to be required in The Hills Shire over the 2006 to 2031 period.

The Hill PDA study quantified the growth in demand for retail floorspace across four sectors within the LGA being the North Sector, Release Area Sector, Central Sector and South Sector. The sectors were defined by geographic characteristics as well as the nature of existing and forecast development. This informed the Centres Strategy.

3.3 Implications for the Subject Site

This Chapter has considered the policy approach advocated by Metropolitan, Subregional and local planning policies of relevance to the rezoning of the subject site.

The Metropolitan Plan for Sydney 2036 promotes a centres first approach towards accommodating employment growth such as additional retail floorspace. It recognises the need for a significant quantum of additional retail floorspace in Sydney over the 2006 to 2036 period. The proposed development would contribute towards fulfilling this need and would support employment growth. Notwithstanding this, this Study should consider whether the proposed rezoning can be considered to form part of the existing centre.

The NSW Draft Centres Policy reinforces the importance of centres as locations for accommodating employment opportunities such as retail. It also recognises that the planning system should be flexible to allow new retail floorspace to be accommodated where it is needed based on market demand. On this basis, it is the role of the planning system to determine the location and scale of new retail development, rather than the premise of it. The sequential approach advocated by the NSW Draft Centres Policy is therefore required in this Study to determine whether the subject site is the most appropriate location in which to accommodate the proposed floorspace increase.

The Draft Competition SEPP seeks to encourage competition and the impact upon the commercial viability of individual retailers of a new development is not a relevant consideration. The proposed development would be in accordance the principle of supporting competition in the retail sector.

By supporting the creation of jobs and providing services for residents of The Hills Shire, the proposed development supports the objectives of the draft North West Subregional Strategy.

In terms of the need for additional retail floorspace in Round Corner and surrounds, local planning policy and studies indicate a lower overall need for additional retail floorspace than that proposed on the subject site. Notwithstanding this, it is the economic impact of the proposed development rather than the need for retail floorspace which should determine the permissibility or otherwise of the rezoning application.

4. RETAIL HIERARCHY REVIEW

This Chapter examines the retail hierarchy of impact to the subject site to determine the extent of existing and planned future retail provision including the size and characteristics of centres of influence. Understanding the extent of existing provision is also crucial in quantifying the economic impacts which may eventuate from the proposed development.

The information within this Chapter has been sourced from previous Hill PDA reports including the Baulkham Hills Retail Floorspace and Demand Analysis (December 2008), the Property Council of Australia's Shopping Centres Directory (2011/2012), Shopping Centre News and other consultant studies where indicated.

4.1 Retail Trends

Over the past three decades significant changes have occurred in the retail industry such as the introduction of new technologies, the ageing of the population, increased female participation in the workplace and changing consumer preferences. These changes have placed increased pressure on many existing retail centres to either adapt or lose market share.

In the 1980s, Australian retail floorspace totalled approximately 1.8sqm per person (excluding commercial space and automotive retailing), which was roughly divided into equal components of regional, district and neighbourhood/local centres. Today we have around 2.1sqm per capita due to increasing affluence and consumerism.

In particular economic rationalism from 1991 to 2006 resulted in considerable growth in living standards and an increase in household income disparity. During this period retail spend per person grew at almost 2% per annum in real terms. Families became typically cash-rich/time-poor or time-rich/cash-poor. Very few families were both time-rich/cash-rich, providing interesting challenges for the retail industry.

Population growth, rising real disposable incomes and innovation and change within the retail industry have underpinned a rapid increase in the supply of retail floorspace throughout Australia. Population growth and increasing levels of disposable income have provided the means to support new retail development, but it is the innovative nature of the industry itself that has generated major increases in more and larger centres.

Without a doubt the 'Global Financial Crisis' has had an impact on the Australian retail property markets in the past couple of years. The period from late 2007 to the present has been characterised by weaker consumer sentiment and poor leasing and investment markets (i.e. weak income and capital returns). This trend was common to most commercial markets nationwide.

Retail spend per capita has stagnated since 2006 due to a combination of factors including the credit squeeze, a propensity for households to save more and reduce debt, a strong Australian dollar, relatively high interest rates compared to our trading partners and reduced job certainties.

Also the rise of internet shopping is providing some interesting challenges for the retail industry. Whilst this market is relatively small at around 5% of total retail sales it is expected to increase to as high as 10% to 15% over the next decade or so.

The long term trends of rising affluence, consumerism and technological change are likely to ensure that retail expenditure will continue to increase over the long term owing to real growth in retail spend per capita. The current economic climate of low consumer sentiment is viewed as a short term condition rather than a long term one. In the future it is inevitable that there will be periods of economic growth and adjustment.

4.2 Retail Hierarchy

The table below identifies the role and characteristics of centres surrounding Round Corner in order to provide an understanding of the competitive context within which it is located. This is based on the Draft North West and North Subregional Strategies and The Hills Shire Centres Direction (2008). Note that the definition of some centres, such as Round Corner, differs between Subregional Strategies and Council's Centres Direction.

Table 1 - Competitive Retail Context

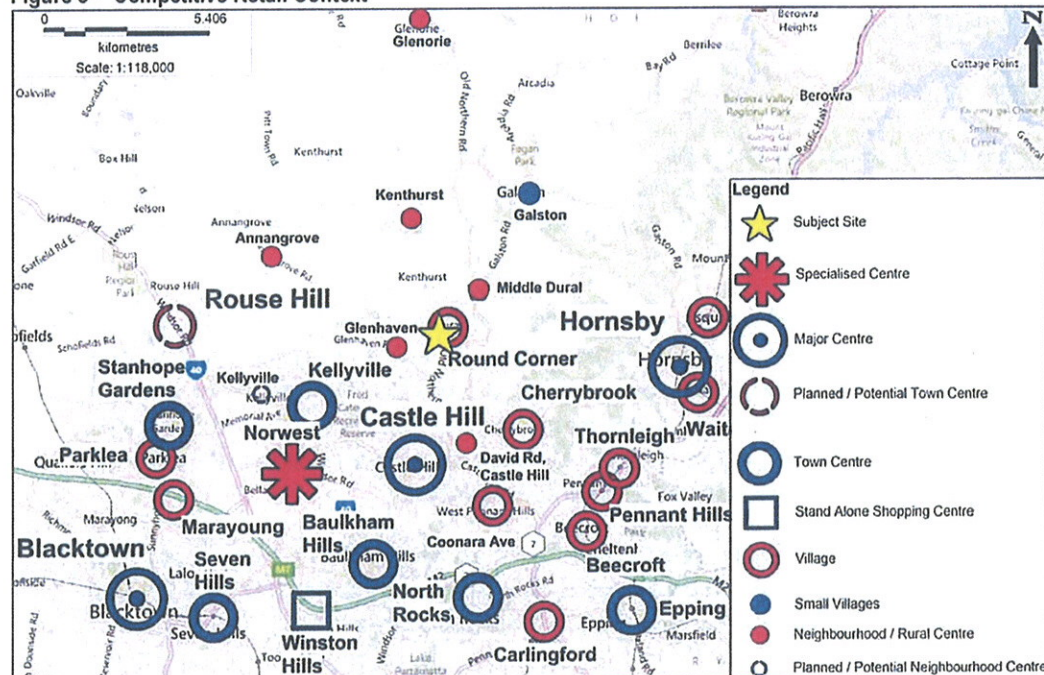
Typology		Centres
Draft Subregional Strategies	The Hills Shire Centres Direction	
Specialised Centre	Specialised Centre	Norwest
Major Centre	Major Centre	Castle Hill
Planned Major Centre	Planned/ Potential Town Centre	Rouse Hill
Town Centre	Town Centre	Baulkham Hills
Standalone Shopping Centre	Standalone Shopping Centre	Winston Hills
Village	Town Centre	Round Corner, Wrights Road Kellyville
	N/A	Cherrybrook
Small Villages	Village Centre	Coonara Ave West Pennant Hills
N/A		Knightsbridge
Small Villages	N/A	Galston
Neighbourhood Centres	Planned/ Potential Neighbourhood Centre	Kellyville/ Windsor Road
	Neighbourhood/ Rural Centre	Annangrove, Dural/ Middle Dural, Glenorie, Glenhaven, Kenthurst, Wisemans Ferry
	N/A	David Road Castle Hill

Source: Draft North West and North Subregional Strategies, NSW Department of Planning and Infrastructure (2007), The Hills Shire Centres Direction (2009)

The location of these centres in relation to the subject site is shown in the following map. A brief outline of the above centres is provided in the following sections of this Chapter.

Round Corner Dural Retail Study

Figure 3 - Competitive Retail Context



Source: Map produced by Hill PDA using MapInfo 11.0 software and Microsoft Bing (c) 2011 Microsoft Corporation

4.3 Norwest Specialised Centre

Norwest

Norwest is defined as a specialised centre in The Hills Shire Centres Direction and the Draft North West Subregional Strategy. Norwest is a large business park which currently caters for over 400 firms⁶. The business park is located approximately 9km southwest of the subject site. Norwest Business Park contains a diverse range of retail, this includes: Norwest Marketown Shopping Centre, Circa Retail Shopping Centre, Norwest Homemaker Centre (a specialised bulky goods centre) in the north west of the site and a number of scattered retail premises.

The Norwest Marketown Shopping Centre is located approximately is located in the middle of the business park around 10km from the subject site. The shopping centre has 9,200sqm (gross lettable area or GLA) of retail floorspace including a Coles supermarket of 4,300sqm and 37 specialty stores. The centre serves the local workers of the business park, the local residential population of Bella Vista and other users of the park such as the congregation of the Hillsong Church.

The Circa Retail Shopping Centre which opened its doors in 2009 is at the southern end of the Norwest Business Park next door to the private hospital. It is situated around 16km from the subject site. It has a retail floorspace area of 5,400sqm⁷ and is anchored by a 3,045sqm Woolworths supermarket.

⁶ Draft Adopted Local Strategy, 2008

⁷ Source: PCA Shopping Centres Directory (2011)

4.4 Major Centres

Castle Hill

Castle Hill is located approximately 6km to the south of the subject site and directly accessible from it via Old Northern Road. It is described as a Major Centre under The Hills Shire Centres Direction and the Draft North West Subregional Strategy. Castle Hill is a popular destination for food, clothing, small personal and household goods shopping and entertainment.

The QIC owned Castle Towers Shopping Centre is the major retail anchor of Castle Hill, with more than 100,000sqm GLA floorspace⁸ making it one of the largest shopping centres in the North-West sector. It has an extended primary trade area for comparative goods shopping that covers The Hills Shire and the suburbs of Cherrybrook and West Pennant Hills. Castle Towers consists of seven majors including David Jones, Myer, Kmart, Target, Coles, BiLo and Dan Murphy's. In 2011 Castle Towers had a reported annual turnover of \$669.4m (\$6,694/sqm), ranking it 13 out of 90 similar sized centres in Australia that year⁹.

The QIC owned Castle Mall Shopping Centre is located on Terminus Street and is a much smaller centre than Castle Towers. Castle Mall has 9,758sqm GLA floorspace and is anchored by Franklins (1,821sqm) and Trade Secret (2,265sqm). The centre had an annual turnover of \$33.2m (or \$3,402/sqm) in 2011¹⁰.

4.5 Planned Major Centres

Rouse Hill (Rouse Hill Town Centre)

The Rouse Hill Town Centre has an area of some 69,000sqm GLA and is located approximately 12km west of the subject site. It is anchored by Big W (9,670 sqm), Target (8,560 sqm), Woolworths (4,610 sqm) and Coles (4,120 sqm). In addition Rouse Hill includes 198 speciality shops. In 2011 the centre had a reported annual turnover of \$362.5m (\$5,253/sqm), ranking it 57 out of 80 similar sized centres in Australia that year (centres of more than 45,000sqm)¹¹.

Rouse Hill Town Centre has been described as the benchmark for new shopping centres and is an "outstanding success which provides a model centre for the future"¹². The centre's design is based on "new urbanism" principles and return of main street theme. There is a great amount of population growth expected in the North-West sector and as a result the centre is likely to improve its performance into the future.

⁸ Source: Shopping Centre News Mini Guns (2011)

⁹ Source: Shopping Centre News Big Guns (2012)

¹⁰ Source: PCA Shopping Centres Directory (2011)

¹¹ Source: Shopping Centre News Big Guns (2012)

¹² Source: Shopping Centre News (2008)

4.6 Town Centres

Baulkham Hills

Baulkham Hills is around 9.5km south of the subject site and contains a range of enclosed shopping centres including Stockland Shopping Centre, a small shopping centre on Old Northern Road, and two small shopping centres on Windsor Road.

Baulkham Hills is dominated by the Stockland Shopping Centre. In 2007/2008 Stockland expanded from 11,173sqm to 17,831sqm GLA. The centre is currently anchored by Woolworths (3,855sqm), Coles (3,034sqm) and ALDI (1,429sqm), and supported by 75 speciality stores (8,976sqm). Stockland Shopping Centre had a reported turnover of \$132.2m in 2011, ranking it 58 out of 166 similar sized centres in Australia¹³. The centre traded at 16% higher than the median that year.

Outside of Stockland, retail predominantly fronts Old Northern Road in the form of strip shops and arcades. The west side of Old Northern Road between Stockland and Windsor Road appears to be performing poorly with 6 of the 27 shops vacant at the time of Hill PDA's 2008 survey, with a further 11 shopfronts being used by non-retail commercial premises such as home lenders, solicitors and real estate agents¹⁴.

On the east side of Old Northern Road near the intersection of Windsor Road is a group of 10 shops including a mini-grocery store. There were no vacancies at the time of Hill PDA's 2008 survey.

The west side of Windsor Road has 17 shops, of which a number of the them are bulky goods including a 450sqm lighting store, two large computer stores and a 300sqm bedding store. There were also several commercial premises (including three real estate agents and a funeral director) and two vacancies at the time of Hill PDA's 2008 survey.

Finally there are several shops fronting Olive Street and Windsor Road south of Stockland. This includes a drive-in liquor store and KFC restaurant.

Wrights Road, Kellyville

The 10,200sqm Wrights Road centre is located approximately 8km southwest of the subject site. It is identified as a Town Centre in The Hills Shire Centres Direction and as a Village Centre in the Draft North West Regional Strategy. The centre is anchored by two supermarkets, Coles (3,850sqm) and Woolworths (4,450sqm) and includes a further 20 speciality stores.

The centre serves the surrounding community of the Kellyville/Rouse Hill Release Area providing for their weekly shopping and service needs. The centre appears to be trading well with most expenditure captured from the suburb of Kellyville. It is estimated that the centre has an annual turnover of \$105.0m¹⁵ for 2010/2011.

There is development consent to expand the centre with a 1,500sqm ALDI foodstore and a further 3,000sqm of specialty retail¹⁶.

¹³ Source: Shopping Centre News Mini Guns (2011)

¹⁴ Source: The Hills Shire Retail Floorspace Demand Analysis, Hill PDA (2008)

¹⁵ Source: MacroPlan Dimasi, 2012, 71-75 Windsor Road, Baulkham Hills Economic Impact Assessment

¹⁶ Source: MacroPlan Dimasi, 2012, 71-75 Windsor Road, Baulkham Hills Economic Impact Assessment

Winston Hills

The Winston Hills Mall is defined as a standalone centre under The Hills Shire Centres Direction and the Draft North-West Subregional Strategy. Winston Hills Shopping Mall is located on Caroline Chisholm Drive approximately 13km from the subject site.

The 21,501sqm Mall is anchored by Big W (8,032sqm), Woolworths (4,013sqm) and Coles (3,695sqm) and supported by 70 speciality stores (5,761sqm). The Mall had a reported turnover of \$180.8m (9,902/sqm) in 2011¹⁷, indicating that it was trading 30% above the median for similar sized centres that year (centres of between 20,000sqm and 45,000sqm).

4.7 Village Centres

Knightsbridge

Knightsbridge is defined as a Village Centre in The Hills Shire Centres Direction but is not identified in the Draft North West Subregional Strategy. This centre is located around 6km southwest or a 10 minute drivetime from the subject site¹⁸. It is a convenience shopping focused centre serving the surrounding residential area. It provides a total of 1,750sqm of retail shopfront floorspace in 9 retail units (including one vacant unit)¹⁹. At the time of the Hill PDA survey in 2008 the centre appeared to be trading soundly.

Cherrybrook

Cherrybrook is located around a 6km or 11 minute drive²⁰ from the subject site to the southeast in Hornsby LGA. It is identified as a Village Centre in the Draft North Subregional Strategy.

Cherrybrook Village Shopping Centre is owned by Mirvac and provides approximately 9,500sqm of shopfront floorspace including a Woolworths supermarket of 3,832sqm and 48 other tenancies²¹. The shopping centre had a recorded turnover of \$115.47m in 2010/2011 which equates to \$13,638/sqm. This ranks the centre 9th nationally out of the 166 similar sized centres in Australia (of between 6,000sqm and 20,000sqm floorspace) recorded by Shopping Centre News with a floorspace turnover some 83% greater than the median (\$7,467/sqm). This is indicative of a well performing centre.

Coonara Ave, West Pennant Hills

This centre is defined as a Village Centre in The Hills Shire Centres Direction. It is situated 8km south of the subject site. The centre contains 15 retail units providing 2,430sqm of floorspace, with a little over half of this (52%) accounted for by a Woolworths Metro supermarket²². The centre functions predominately as a provider of convenience shopping for a localised catchment. It had no vacancies at the time of the Hill PDA floorspace survey in 2008 indicating a strong trading performance.

¹⁷ Source: Shopping Centre News Little Guns (2011)

¹⁸ Source: Googlemaps

¹⁹ Source: The Hills Shire Retail Floorspace and Demand Analysis, Hill PDA (December 2008)

²⁰ Source: Googlemaps

²¹ Source: PCA Shopping Centres Directory (2011)

²² Source: The Hills Shire Retail Floorspace and Demand Analysis, Hill PDA (December 2008)

Galston

Galston comprises a Small Village Centre (as defined in the Draft North Subregional Strategy) fronting Galston Road approximately 7km northeast of the subject site, or an 11 minute drive²³. It is situated in Hornsby LGA. Retail provision comprises a strip shopping parade anchored by IGA and the recently developed (2009) Galston Village Shopping Centre anchored by Franklins (2,000sqm)²⁴. The centre serves residents in the surrounding rural area particularly those to the north.

4.8 Neighbourhood/ Rural Centres

Dural/ Middle Dural

This neighbourhood centre provided 10 commercial units accounting for 1,160sqm of total floorspace at the time of Hill PDA's 2008 survey²⁵. Note that this centre cross the boundary of The Hills Shire and Hornsby LGAs and the floorspace survey refers only to the commercial units in The Hills Shire (east of Old Northern Road).

Other uses located in Hornsby LGA (west of Old Northern Road) include Dural Medical Centre. This centre serves the convenience shopping needs of the local rural residential community. It was deemed to be trading strongly at the time of the survey. Dural is situated 3km northeast of the subject site or a 5 minute drive²⁶.

Kenthurst

Kenthurst provides 1,220sqm of floorspace in 12 shopfront retail and non-retail units²⁷. At the time of the Hill PDA survey (2008) the centre had full occupancy which implies that it is performing well. Retail provision in the centre serves the convenience needs of a localised rural catchment. It is located 5km or 8 minutes drive²⁸ north of the subject site.

Glenhaven

This centre serves the convenience shopping needs of the surrounding residential population and the rural community located to its north. It provides 990sqm of retail floorspace in 7 units²⁹ and is located approximately 2km or a 3 minute drive³⁰ southwest of the subject site. It was deemed to be performing its neighbourhood centre role well at the time of the Hill PDA survey (2008).

Annangrove

Annangrove provides for retail convenience needs for a localised rural catchment. It is located 8km northwest of the subject site or a 9 minute drive³¹. It comprises 9 retail units of 940sqm floorspace³². The centre was found to have a high proportion of vacancies (2 shopfronts) at the time of the Hill PDA survey in 2008, although this was attributed to the recent expansion of the centre at the time.

²³ Source: Googlemaps

²⁴ Source: Cordells

²⁵ Source: The Hills Shire Retail Floorspace and Demand Analysis, Hill PDA (December 2008)

²⁶ Source: Googlemaps

²⁷ Source: The Hills Shire Retail Floorspace and Demand Analysis, Hill PDA (December 2008)

²⁸ Source: Googlemaps

²⁹ Source: The Hills Shire Retail Floorspace and Demand Analysis, Hill PDA (December 2008)

³⁰ Source: Googlemaps

³¹ Source: Googlemaps

³² Source: The Hills Shire Retail Floorspace and Demand Analysis, Hill PDA (December 2008)

Glenorie

Glenorie is located 13km north or 14 minute drive from the subject site via Old Northern Road³³. At the time of the 2008 Hill PDA survey it contained 25 retail and commercial units providing 2,020sqm of floorspace. Since the survey a Woolworths supermarket has opened in the south of the centre which provides a further 3,647sqm of retail floorspace³⁴. The centre serves the convenience shopping needs of the surrounding resident population particularly those located to the north of it.

Windsor Road, Kellyville

The 4,890sqm Windsor Road centre³⁵ provides convenience retail (food, grocery and services) to the local community and to passing trade on Windsor Road. It is identified as a Planned/ Potential Neighbourhood Centre in The Hills Shire Centres Direction. The low vacancy rate and high degree of passing trade indicates the centre is performing well. It is situated approximately 8km southwest of the subject site.

Wisemans Ferry

Wisemans Ferry crosses The Hills Shire and Hornsby LGA boundaries. Retail provision in the centre is dominated by the Wisemans Ferry Village Shopping Centre which provides 4,250sqm GLA shopfront floorspace anchored by an IGA supermarket (3,100sqm)³⁶. The centre serves the needs of the surrounding rural population as well as tourists visiting the area. It is located some 44km north of the subject site.

Whilst it is unlikely to compete directly with Round Corner given its significant distance from it, Wisemans Ferry contributes towards retail provision for residents in the rural north of Baulkham Hills and has therefore been considered in this Section.

David Road, Castle Hill

Retail provision in this centre, which is situated around 5km south of the subject site, is provided by the Oakhill Village Shopping Centre which provides around 1,660sqm GLA floorspace, including a small IGA supermarket³⁷. It caters for the day to day shopping needs of a localised catchment comprising residents in the immediate residential area within which it is located.

³³ Source: Googlemaps

³⁴ Source: Shopping Centre Investment Review, Urbis (December 2010)

³⁵ Source: The Hills Shire Retail Floorspace Demand Analysis, Hill PDA (2008)

³⁶ Source: PCA Shopping Centres Directory (2011)

³⁷ Source: PCA Shopping Centres Directory (2011)

5. DEMAND FOR RETAIL FLOORSPEACE

This Chapter identifies the level of retail floorspace demand in the trade area which would be served by Round Corner post-development. As discussed in Chapter 3 insufficient need for a proposed retail development in itself is not a reason for refusal of a rezoning application, although if a development leads to an oversupply of floorspace it may contribute towards detrimental economic impacts eventuating on other centres and localities.

5.1 Methodology to Determine Demand

The purpose of this Chapter is to quantify and compare demand to supply of retail floorspace within the trade areas.

The methodology used in forecasting demand is based on household expenditure modelling. This involves defining trade areas for retail provision in Round Corner, analysing population growth, forecasting expenditure levels from current and future populations, estimating capture of expenditure, and determining subsequent demand for retail floorspace.

The trade area analysis assumes that the subject site (and the retail floorspace proposed on it) forms part of the existing Round Corner retail centre. As discussed in Chapter 4 the site is located immediately adjacent to the existing centre and shoppers would not differentiate between the retail offer on the subject site and that provided in the existing centre.

Furthermore the modelling considers the future population that will reside on the subject site as a result of the proposed residential development (22 three bedroom townhouses assumed to accommodate 76 people).

5.2 Trade Area Identification

The trade area served by any retail centre is determined by the consideration of:

- The strength and attraction of the centre and/or store as determined by factors such as the composition, layout, ambience/atmosphere and car parking in the centre;
- Competitive retail centres, particularly their proximity to the subject centre/facility and respective sizes, retail offer and attraction;
- The location and accessibility of the centre, including the available road and public transport network and travel times; and
- The presence or absence of physical barriers, such as rivers, railways, national parks and freeways.

For the purposes of this Study two trade areas have been assumed being: a Primary Trade Area (PTA) and a Secondary Trade Area (STA) which together constitute the Main Trade Area (MTA).

The PTA can be understood as the area within which Round Corner would be the primary destination for weekly food and grocery shopping trips. Given that the centre would have three supermarkets post-development (being Woolworths, ALDI and that proposed on the subject site), food and grocery shopping would be the main attraction of the centre as a shopping destination.

For the purposes of this Study, the PTA has been defined as comprising the suburbs of Dural, Middle Dural and Kenthurst (based on 2011 ABS Census boundaries). Round Corner is the largest centre within this area and has the strongest retail offer (providing three supermarkets). Existing centres in this area are all small and contain only limited supermarket floorspace. Round Corner is also well positioned from residents commuting from Baulkham Hills and surrounds to the rural north of The Hills Shire.

The STA is the area from within which Round Corner would capture some trade but at a significantly lower rate than from the PTA and on a more infrequent basis. Given Round Corner has the only ALDI store in the north of The Hills Shire (others being in Baulkham Hills, Winston Hills, Seven Hills and North Rocks) it is likely to attract some expenditure from households in suburbs to the north of Round Corner such as Glenorie, Maroota, Leets Vale, Berowra Creek etc. We note that there is extant development consent for an ALDI store at Wrights Road, Kellyville³⁸.

As a result the STA is defined as comprising the rural area to the north of the PTA as far as the Hawkesbury River. This area contains a number of centres with some supermarket offering (e.g. Glenorie, Galston) however Round Corner would have the largest food and grocery offer and includes the only ALDI supermarket. It would also capitalise on its position on one of the main vehicular routes into Baulkham Hills and the surrounding area for residents in the rural north.

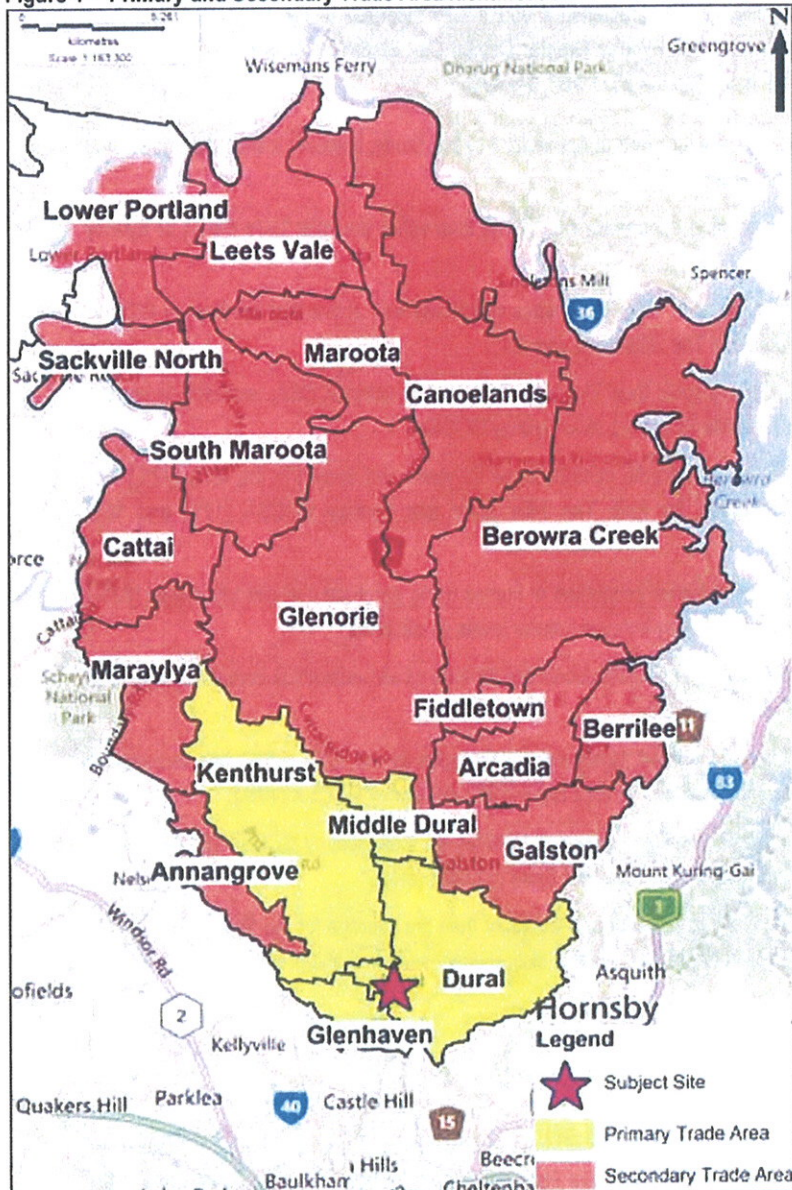
The extent of the main trade area³⁹ is restricted in the north by the presence of the Hawkesbury River, to the east by the Berowra Valley Regional Park, to the south by competitive retail centres in Baulkham Hills and Hornsby LGAs, and to the west by the Hawkesbury River and competitive retail centres (particularly Rouse Hill).

The extent of the trade areas are depicted in the following map.

³⁸ Note that ALDI stores sell a limited range of food and grocery products (around 1,000 product lines) at discounted prices compared to full-line supermarkets (typically 20,000 to 25,000 product lines). As such ALDI stores require larger trade areas of around 20,000 people compared to 10,000-15,000 people for a full-line supermarkets. As such there are comparably less ALDI stores than full-line supermarkets in any given area and shoppers within the trade area are prepared to travel greater distances in order to shop at ALDI than they would for full-line supermarkets. The presence of an ALDI store as part of Round Corner will therefore ensure that it draws from a wide trade area.

³⁹ Main Trade Area (MTA) is the combined area of the PTA and STA

Figure 4 - Primary and Secondary Trade Area Identification



5.3 Demographics of the Main Trade Area

Demand for retail floorspace is dependant not only upon the number of households in the MTA but also the socio-demographic characteristics of those households.

This Section examines the key demographic characteristics and trends recorded in the PTA, STA and MTA benchmarked against The Hills Shire and the Sydney Greater Capital City Statistical Area (GCCSA)⁴⁰. All the information provided in this Section is based on the 2011 ABS Census.

The results of this demographic analysis are included at Appendix 1 of this Study, however it should be noted that the key characteristics of the trade areas are:

- The MTA had a lower private dwelling occupancy rate (92%) than either the Hills Shire (95%) or Sydney GCCSA (93%);
- The average household size in the MTA was 3.0 persons which was well above that for Sydney GCCSA (2.7). The average household size in The Hills Shire was 3.1;
- The MTA exhibited an older demographic than The Hills Shire and Sydney GCCSA, recording a median age of 41 compared to 38 in The Hills Shire and 36 in Sydney GCCSA;
- The proportion of residents in the oldest birth cohorts (aged 60 years and above) in the MTA (22%) was well above the proportion recorded for both The Hills Shire and Sydney GCCSA (17% and 18% respectively);
- The MTA and The Hills Shire had a higher proportion of homes being purchased or already owned (82%) than the Sydney GCCSA (65%) which may indicate greater levels of affluence;
- Families dominated household types in the MTA accounted for 84% of all households compared to 86% in The Hills Shire and 73% in Sydney GCCSA;
- Couple families without children dominated family household types in the MTA (65%) and occurred in significantly greater proportions than either The Hills Shire (59%) or Sydney GCCSA (49%);
- Households in the MTA had greater weekly incomes (\$1,869/week) than Sydney GCCSA (\$1,447/week), although these were below that recorded for The Hills Shire (\$2,044/week).

In summary residents in the MTA are likely to be older and wealthier than the average for the Sydney GCCSA. In retail terms higher levels of affluence lead to greater levels of discretionary spending and greater demand for retail floorspace as a result.

5.4 Population Forecasts for the Trade Areas

Population estimates for the suburbs that constitute the MTA have been sourced from 2011 ABS Census data. Population forecasts for the MTA have been derived from Forecast.id data for both The Hills Shire (May 2009) and Hornsby LGA (February 2010). These do not align exactly with the 2011 ABS Census suburb boundaries but have been apportioned as closely as possible.

The proposed rezoning on the subject site seeks to facilitate the development of 22 three bedroom townhouses which we have been advised would accommodate an estimated 76 persons. Examining Forecast.id data for Dural and Middle Dural, it is clear that there has been no allowance for population growth based on additional dwellings on the subject site. As such the addition of these residents, and their associated retail expenditure, should be included in the assessment of demand in 2015 and beyond.

⁴⁰ Greater Capital City Statistical Areas (GCCSAs) are geographical areas that are designed to represent the functional extent of each of the eight state and territory capital cities.

The results of this analysis are shown in the table below. Note that population estimates have been provided for 2011 (base data), 2012 (the base year), 2015 (the assumed first year of trading of the proposed development) and 2022 (10-years from the base year).

Table 2 - Population Projections in the Main Trade Area

Trade Area	2011	2012	2015	2022	Change 2011-22	Growth/ ann (%)
Primary Trade Area	19,269	19,070	18,945	19,007	-262	-0.3%
Secondary Trade Area	13,504	13,362	13,320	13,273	-231	-0.3%
Main Trade Area	32,773	32,432	32,265	32,280	-493	-0.3%

Source: ABS 2011 Census and Forecast.id for Hornsby LGA (February 2010) and The Hills Shire (May 2009)

Based on the above table, the MTA contained an estimated 32,773 persons in 2011 based on ABS 2011 Census data. The majority of these (19,269 persons or 59%) resided in the PTA. Over the period to 2022 the population in the MTA is forecast to decline by 493 persons overall (including an allowance for new residents on the subject site), which equates to an annual decline of 0.3% for the MTA over the period.

From examination of the Forecast.id data it appears that a declining population will occur as a result of low net in-migration of new residents attributable to limited greenfield development opportunities. Residential development such as has been allowed for is a result of infill development in centres. Coupled with this new births to households in the MTA will be exceeded by deaths over the 2012 to 2022 period. To some extent this is a facet of the older demographic of the MTA noted in the demographic analysis in Section 5.3.

Notwithstanding the above we note that two significant residential rezonings are currently being sought for sites adjacent to Round Corner and within the PTA. These are:

- South Dural. Bounded by New Line Road, Old Northern Road and Hastings Road. This site could yield an estimated 3,000 dwellings⁴¹.
- Glenhaven North. Situated west of Old Northern Road and generally comprising land adjoining Glenhaven Road, Old Glenhaven Road, Mills Road, Logie Road, Robson Road, Kylie Avenue and Edgecliff Road, Glenhaven. The estimated residential yield on this site is 2,000 dwellings⁴².

By applying the average household occupancy rate for the MTA derived from the 2011 ABS Census of 3.0 persons, we estimate that these rezonings could lead to an additional 15,000 residents being located within the PTA once fully developed, should they proceed. As these are mooted rezonings only at this stage no additional allowance has been made for these potential new residents at this time.

5.5 Forecast Household Expenditure in the Main Trade Area

Methodology

Expenditure modelling is based on population projections and real expenditure growth forecasts, to determine the level of demand for additional retail floorspace in the MTA over the 2012 to 2022 period. The forecast expenditure has been calculated separately for the PTA and STA.

⁴¹ Source: The Hills Shire Council report regarding NSW Government Review of Housing Opportunities on Landowner Nominated Sites, 14 February 2012

⁴² Source: The Hills Shire Council report regarding NSW Government Review of Housing Opportunities on Landowner Nominated Sites, 14 February 2012

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Household expenditure was sourced from:

- ABS Household Expenditure Survey 2003-04 which provides household expenditure by broad commodity type by household income quintile; and
- Marketinfo 2009 database which is generated by combining and updating data from the Population Census and the ABS Household Expenditure Survey (HES) using "microsimulation modelling techniques".

Marketinfo combines the data from the Census, HES and other sources to derive total HES by commodity type. This data, which was validated using taxation and national accounts figures, quantifies around 14% more expenditure than the ABS HES Survey.

The ABS Retail Survey 1998-99 (Cat No. 8624.0) provides a cross tabulation of store type (defined by ANZIC), by commodity type. Multiplying the percentages in the cross tabulation by total dollars spent generates household expenditure by retail store type.

Primary Trade Area

Hill PDA has estimated the retail expenditure generated by residents in the PTA over the 2012 to 2022 period as shown in the table below. Note that new residents in the residential development proposed on the subject site are assumed to have a comparable expenditure profile to existing residents of the Dural suburb within which it is located.

Table 3 - Primary Trade Area Forecast Expenditure by Retail Store Type 2012- 2022 (\$m2011)

Retail Store Type	2012	2015	2022
Supermarkets & Grocery Stores	85.9	85.3	88.7
Specialty Food Stores	29.0	28.8	29.9
Fast-Food Stores	23.8	23.6	24.6
Restaurants, Hotels and Clubs*	29.1	28.9	30.0
Department Stores	27.2	27.0	28.1
Clothing Stores	18.5	18.4	19.1
Hardware and Bulky Goods Stores	42.7	42.4	44.1
Other Personal & Household Goods Retailing	43.4	43.1	44.8
Selected Personal Services**	10.2	10.1	10.5
Total Primary Trade Area	309.8	307.6	319.8

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

Source: Hill PDA Estimate using various data sources including Marketinfo 2009, ABS Retail Survey 1998-99 and ABS CPI Indices. Forecast assumes 1.2% real growth in retail spend per capita per annum in line with historic trend since 1986.

Residents in the PTA are estimated to generate an estimated \$309.8m of retail expenditure in 2012, increasing to \$319.8m by 2022.

Secondary Trade Area

Forecast retail expenditure generated by residents in the STA is shown in the table below. Over the 2012 to 2022 period retail expenditure is expected to grow from \$203.3m to 209.3m, which equates to an increase of \$6m (or 3%) over the period.

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Table 4 - Secondary Trade Area Forecast Expenditure by Retail Store Type 2012 to 2022 (\$m2011)

Year	2012	2015	2022
Supermarkets & Grocery Stores	58.2	58.0	59.9
Specialty Food Stores	19.6	19.6	20.2
Fast-Food Stores	15.4	15.4	15.9
Restaurants, Hotels and Clubs*	17.1	17.1	17.7
Department Stores	17.6	17.5	18.1
Clothing Stores	11.4	11.3	11.7
Hardware and Bulky Goods Stores	28.3	28.2	29.1
Other Personal & Household Goods Retailing	29.4	29.3	30.2
Selected Personal Services**	6.3	6.3	6.5
Total Secondary Trade Area	203.3	202.6	209.3

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

Source: Hill PDA Estimate using various data sources including Marketinfo 2009, ABS Retail Survey 1998-99 and ABS CPI Indices. Forecast assumes 1.2% real growth in retail spend per capita per annum in line with historic trend since 1986.

Main Trade Area

The combined retail expenditure generated by residents in the Primary and Secondary Trade areas is shown in the table below. Combined, residents in the MTA will generate over \$528m of retail expenditure by 2022.

Table 5 - Main Trade Area Forecast Expenditure by Retail Store Type 2012 to 2022 (\$m2011)

Year	2012	2015	2022
Supermarkets & Grocery Stores	144.5	143.4	148.3
Specialty Food Stores	48.7	48.4	50.0
Fast-Food Stores	39.4	39.1	40.4
Restaurants, Hotels and Clubs*	46.4	46.0	47.6
Department Stores	44.9	44.6	46.1
Clothing Stores	29.9	29.7	30.7
Hardware and Bulky Goods Stores	71.2	70.6	73.1
Other Personal & Household Goods Retailing	73.0	72.4	74.9
Selected Personal Services**	16.6	16.4	17.0
Total Main Trade Area	514.5	510.5	528.2

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos. Source: Hill PDA Estimate using various data sources including Marketinfo 2009, ABS Retail Survey 1998-99 and ABS CPI Indices. Forecast assumes 1.2% real growth in retail spend per capita per annum in line with historic trend since 1986.

5.6 Forecast Demand for Retail Floorspace

Only a proportion of the retail expenditure generated by residents of the trade areas would be captured by centres within the MTA. The role of the centres within the MTA is predominately in the provision of convenience and top up shopping.

Hill PDA has assumed a range of capture rates to understand the amount of retail spend that would be retained by retail provision within the MTA (not just retail provision in Round Corner). The assumed capture rates are based on the following assumptions:

- The MTA contains no higher order centres above that of the Round Corner Town Centre;
- Due to limited provision, centres in the MTA would not capture department store or clothing store expenditure;
- The MTA will capture limited bulky goods spend due to a few existing retailers.

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Table 6 - Main Trade Area Forecast Expenditure by Retail Store Type 2012 to 2022 (\$m2011)

Year	Capture Rate	2012	2015	2022
Supermarkets & Grocery Stores	75%	119.2	118.3	122.4
Specialty Food Stores	60%	32.2	31.9	33.0
Fast-Food Stores	50%	21.7	21.5	22.2
Restaurants, Hotels and Clubs*	50%	25.5	25.3	26.2
Department Stores	0%	-	-	-
Clothing Stores	5%	1.6	1.6	1.7
Hardware and Bulky Goods Stores	25%	19.6	19.4	20.1
Other Personal & Household Goods Retailing	20%	16.1	15.9	16.5
Selected Personal Services**	50%	9.1	9.0	9.4
Total Main Trade Area	43%	244.9	243.0	251.4

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos. Source: Hill PDA Estimate using various data sources including Marketinfo 2009, ABS Retail Survey 1998-99 and ABS CPI Indices. Forecast assumes 1.2% real growth in retail spend per capita per annum in line with historic trend since 1986.

The results indicate it has been assumed the MTA can retain 43% of all resident expenditure equivalent to \$244.9m in 2012, increasing to \$251.4m by 2022.

It is been assumed that retail facilities in the MTA could capture an additional 10% of expenditure from outside the MTA, which would comprise tourist related expenditure, expenditure from workers in the area who live outside of it and passing trade.

Target turnover rates are applied captured spend to determine the demand for floorspace. This is shown in the table below. Note that our target turnover rates have been reduced by 10% to reflect the rural nature of the MTA. Metropolitan supermarkets are currently trading at between \$9,000/sqm and \$11,000/sqm⁴³ and we have assumed \$9,000/sqm reflecting the non-Metropolitan location of the MTA.

Also note that an additional 7.5% non-retail space allowance has been included accounting for the likes of accountants, real estate agents, travel agents, medical uses and vacant stores which would be expected to form part of the formation of centres.

The following table shows the amount of expenditure which could be expected to be retained within the MTA would support over 44,000sqm of shopfront (retail and non-retail) floorspace. It is notable that demand for retail floorspace actually declines over the 2012 to 2022 period to 42,900sqm. This is attributable to growth in expenditure being below the level of population decline and target turnover increases.

⁴³ The ABS Retail Survey in 1998-99 recorded supermarkets trading at an average of \$7,666/sqm across Australia. To June 2011 CPI growth has been 45.8%, and hence based on 2011 dollars, average sales were \$11,176/sqm. Generally it is known in the industry that Woolworths supermarkets trade the highest, followed by Coles and that Franklins and IGAs are lower. Target turnover is assumed to increase by 0.6% per annum.

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Table 7 - Floorspace Demand by Store Type 2012 to 2022*

Store Type	Target \$/sqm**	Floorspace Supported (sqm)		
	2012	2012	2017	2022
Supermarkets & Grocery Stores	9,000	13,206	12,901	12,827
Specialty Food Stores	6,750	4,753	4,643	4,616
Fast-Food Stores	6,750	3,199	3,125	3,107
Restaurants, Hotels and Clubs	4,050	6,279	6,134	6,099
Department Stores	3,150	0	0	0
Clothing Stores	4,500	365	356	354
Bulky Goods Stores	3,150	6,196	6,052	6,018
Other Personal & Household Goods	4,050	3,952	3,861	3,839
Selected Personal Services	2,880	3,153	3,080	3,063
Non Retail Shop Front Space***	NA	3,083	3,011	2,994
Total	5,231	44,187	43,164	42,918

* Includes an allowance of 10% of turnover to be derived from outside the main trade area.

** Source: Various including ABS Retail Survey 1998-99 indexed to 2011 dollars, Shopping Centre News, Urbis Retail Averages, various consultancy studies and Hill PDA research.

Target turnover levels are expected to increase at a rate of 0.6% per annum above the CPI rate in line with the historic trend.

*** Allowing 7.5% of specialty stores to be occupied by non-retail businesses such as medical, travel, real estate and financial services.

The following table compares floorspace demand to existing floorspace supply.

Table 8 - Floorspace Demand Verses Supply (sqm GLA)

Store Type	Existing Supply	Need (Supply minus demand)		
		2012	2017	2022
Supermarkets & Grocery Stores	15,167	1,961	2,266	2,340
Specialty Food Stores	2,280	-2,473	-2,363	-2,336
Catered Food	2,290	-7,189	-6,968	-6,916
Other Retail (including Vacancies)	8,133	-8,616	-8,228	-8,135
Total	27,870	-16,317	-15,294	-15,048

* Source: Hill PDA Floorspace Surveys (2008) Hill PDA desktop analysis (2012). Note existing supply based on the inclusion of the following centres:

Round Corner, Galston, Annangrove, Dural/ Middle Dural, Glenhaven, Glenorie, Kenthurst and Wisemans Ferry

Note: Red denotes over-supply, Blue denotes undersupply

Based on the needs analysis there is sufficient capacity, for an additional 16,400sqm of shopfront floorspace to be provided in the MTA (across all centres) in 2012. Residual need falls to 15,000sqm in 2022 as a result of population decline and increase in the real turnover of stores.

Note that supermarket floorspace in the MTA is oversupplied by 1,961sqm in 2012, increasing to 2,340sqm in 2022. All other categories of retail stores are undersupplied in the MTA.

The proposed development comprises 9,000sqm of shopfront floorspace which includes a supermarket of 3,000sqm. On this basis whilst there is sufficient need for the overall quantum of shopfront floorspace provision, the proposed development would contribute to an increase in the oversupply of such floorspace.

We should note that demonstrating sufficient need is not a requisite to retail development: from an economic perspective, rather it is the impact of the proposed development upon existing and planned future retail facilities which is the pertinent consideration in determining the permissibility or otherwise of the proposed development. As explored in Chapter 3 planning policy indicates that the market is best placed to determine need, and the role of the planning system is to regulate its location and scale (Draft NSW Centres Policy).

Notwithstanding the above as discussed in Section 5.4 two significant rezonings are being pursued on land close to Round Corner. These rezonings could accommodate a potential 15,000 additional residents in the PTA once

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developed. Assuming new residents have comparable levels of retail spend to existing residents in the Dural and Glenhaven suburbs within which they are located, this could equate to \$254m of additional retail expenditure being available in the PTA in 2022. This level of expenditure in itself would be sufficient to justify approximately 7,500sqm of supermarket floorspace in 2022 (i.e. two additional full line supermarkets) and could support over 52,000sqm of retail floorspace in total within the MTA and beyond it.

Clearly, if the rezonings do eventuate there would be an undersupply of supermarket floorspace in the MTA even with the proposed development at Round Corner.

6. SEQUENTIAL TEST

In accordance with the NSW Draft Centres Policy (2009), all rezoning applications for edge- or out-of-centre sites should be accompanied by a sequential approach test. The purpose of this approach is as follows:

- *"It must first be demonstrated that there are no suitably zoned sites within the existing centre. Where the zoning is flexible – such as a mixed use zone – there will be more options available to proponents. It is recognised that acquiring appropriately zoned sites within existing centres may not always be practical or feasible particularly if large format sites are required.*
- *if there are no suitably zones sites in the existing centre, it must then be demonstrated that there are no suitable sites in an edge-of-centre location. Where available, edge-of-centre sites will generally be supported particularly if good connections can be established with the existing centre.*
- *out-of-centre stand-alone sites will generally not be supported unless it has been demonstrated that there are no suitable within-centre or edge-of-centre sites and there is a demonstrated net community benefit.*

*If the rezoning proposal is permitted through the Gateway, the process to amend the LEP will be commenced to make the proposed use permissible on the site. Once permitted any development application will be assessed on its merits."*⁴⁴

6.1 Principle of the Proposed Development

Round Corner is designated as a Town Centre in The Hills Shire Local Planning Strategy and is the highest ranked centre in the MTA.

Given the location of Round Corner and the rural catchment which it serves, the role of the centre is likely to differ from that of a similarly ranked centre within the Metropolitan Area and it will serve a considerably larger (in terms of geographical sized) trade area. Round Corner is the largest centre within the MTA providing some 11,300sqm of floorspace which is nearly twice as large as the next largest centre Glenorie (5,670sqm). As a Town Centre it is also the highest ranked centre in the MTA.

On this basis Round Corner should be the preferred location for new retail development such as a supermarket. This is consistent with the principle of centres, accessibility and promoting ESD. The nature of the development being proposed is therefore appropriate for Round Corner.

6.2 Sequential Sites Analysis

The preferred location of the retail component of the proposed rezoning would be on an existing site within Round Corner. However, the Hill PDA floorspace survey undertaken in 2008 noted that the centre had a very low vacancy rate of 4 units and 320sqm of floorspace. This equated to 2% and 3% of total units and floorspace respectively. This indicates that there is insufficient scope to accommodate the proposed retail floorspace within the existing centre.

⁴⁴ Source: page 24 NSW Draft Centres Policy, Department of Planning and Infrastructure (2009)

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The redevelopment and revitalisation of Round Corner is recommended by The Hills Shire Centres Direction, however there are no obvious sites of sufficient size currently suitable or available to accommodate the proposed development. Indeed we note that the existing centre in Round Corner is subject to fragmented ownerships⁴⁵ which would make amalgamating a site of sufficient size problematic.

On this basis, the next most suitable option to accommodate retail expansion is at the edge of the centre. In this regard the subject site is suitable given that it is immediately adjacent to the existing centre and directly connected to it.

⁴⁵ The Hills Shire Centres Direction 2009, Page 33

7. RETAIL IMPACT ASSESSMENT

In terms of assessing economic impacts, previous court judgements such as *Fabcot Pty Ltd v Hawkesbury City Council* (97) LGERA and *Cartier Holdings Pty Ltd v Newcastle City Council and Anor* [2001] NSWLEC 170 have provided some guidance on relevant issues. The NSW Land & Environment Court has stated that Councils should not be concerned about competition between individual stores as this is a matter of fair trading. It should however concern itself with impacts in the locality.

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

7.1 Methodology to Determine Impact

This Chapter assesses the economic impact of the proposed centre on existing retail centres in the locality. To assess economic impact Hill PDA employed the following steps in the methodology:

- Recorded reported turnover levels of the competing centres and/or estimated turnover levels based on industry benchmark turnover levels, expenditure modelling and by survey and observation (type and mix of retailers, levels of vacancies, etc);
- Estimated the marginal turnover of proposed retail provision on the subject site based on industry benchmarks and having regard to trade areas and potential capture;
- Redirected the marginal turnover from competing centres utilising a gravity model;
- Measured the "point in time" impacts on competing centres as percentage shifts in turnover;
- Measured the shifts in turnover over time taking into consideration growth in expenditure generated by the respective trade areas; and
- Assessed the resultant levels of turnover against industry benchmarks to ascertain whether or not any centre is likely to be threatened with closures.

7.2 Estimated Turnover of Proposal

In estimating the marginal turnover of the proposed development, Hill PDA has suggested a likely floorspace mix based on information provided by the client and our industry experience.

Target turnover rates have been applied to the assumed floorspace mix. In determining these rates Hill PDA has been mindful that the subject site is located in a non-Metropolitan Area. Such locations usually trade at below benchmark levels given the lesser quantum of available expenditure in non-Metropolitan locations compared to Metropolitan locations.

The following table indicates the assumed turnover of the proposal is \$51.9m upon its first full year of operation in 2015.

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Table 9 - Assumed Turnover of the Proposed Development in 2015 (\$m2011)

Store Type	Floorspace (sqm)*	Target Turnover (\$/sqm)**	Turnover (\$m)
Supermarkets & Grocery Stores	3,000	9,000	27.0
Specialty Food Stores	500	6,750	3.4
Restaurant	3,000	4,500	13.5
Other Specialty Retail	2000	4,000	8.0
Non-Retail Shopfront Uses	500	-	-
Total	9,000	-	51.9

* Source: Hill PDA estimates ** Various including ABS Retail Survey 1998-99, Shopping Centre News

7.3 Redirection of Turnover from Existing Centres

The \$52m of retail sales on the subject site will be redirected from competing centres. In order to quantify the scope of this turnover Hill PDA prepared a bespoke gravity model.

The gravity model is based on the premise that the level of redirected expenditure from a centre is directly proportional to the turnover of that centre and indirectly proportional to the distance from the subject site. The level of redirected expenditure is also dependent on the similarities of retail store types (the degree of competitiveness).

The impact of the proposed development upon existing retailers in Round Corner is considered separately in Table 10, although it is the impact upon the centre as a whole (i.e. the existing centre together with the proposed development) which is the pertinent consideration in economic impact terms.

The results are presented in the following table.

Table 10 - Redirection of Expenditure from Existing Centres (\$m2011)

	1	2	3	4	5	6	7	8	9	10
Retail Centre	Drivetime from Subject Site (mins)*	Approx. Retail Floor Space (sqm)**	Turnover in 2011 (\$m)	Turnover in 2015 without Proposal	Turnover in 2015 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2015	Shift in turnover from 2011 to 2015	% Shift in turnover 2011 to 2015	
Proposed Centre					51.9	51.9				
Round Corner		10,450	79.7	81.1	61.2	-19.9	-24.5%	-18.4	-23.1%	
Total Centre		10,450	79.7	81.1	113.1	32.0	39.5%	33.4	42.0%	
Castle Hill	8.0	163,650	702.6	779.0	765.9	-13.1	-1.7%	63.3	9.0%	
Wrights Road	13.0	14,000	105.0	123.3	121.3	-2.0	-1.6%	16.3	15.5%	
Cherrybrook	10.0	11,500	115.5	115.8	113.7	-2.2	-1.9%	-1.8	-1.6%	
Rouse Hill	17.0	75,600	362.5	422.0	418.6	-3.4	-0.8%	56.1	15.5%	
Galston	11.0	3,750	28.7	29.3	28.7	-0.6	-2.1%	0.0	0.0%	
Annangrove	9.0	750	5.9	6.0	5.8	-0.2	-2.7%	-0.1	-1.5%	
Dural/ Middle Dural	5.0	850	4.9	5.0	4.5	-0.5	-9.2%	-0.4	-7.2%	
Glenhaven	3.0	750	4.5	4.5	4.2	-0.3	-5.7%	-0.2	-5.4%	
Glenorie	14.0	4,900	41.9	42.7	42.0	-0.6	-1.5%	0.1	0.3%	
Kenthurst	8.0	900	6.2	6.3	6.1	-0.2	-3.3%	-0.1	-1.6%	
Wisemans Ferry	63.0	4,250	34.9	35.0	34.9	-0.1	-0.2%	0.0	0.1%	
Baulkham Hills	14.0	21,700	132.2	136.6	134.5	-2.1	-1.6%	2.3	1.7%	
Winston Hills	22.0	21,100	180.8	186.8	185.7	-1.1	-0.6%	4.9	2.7%	
Knightsbridge	6.0	1,550	11.2	11.4	10.8	-0.5	-4.5%	-0.4	-3.4%	
Other Localities						-5.2				
TOTAL		335,700	1,816.4	1,984.7	1,989.9	0.0	0.3%	173.5	9.6%	

* Derived from Googlemaps **Excludes non-retail commercial uses and vacant spaces

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Column 7 in the above table shows the immediate (or "point in time") shift in turnover. This is the difference between the do nothing (no retail centre) option and the retail centre option in 2015.

It is evident that the strongest impacts of the proposed development would fall upon existing retailers in Round Corner, and in particular the existing supermarkets. In 2015, retailers in Round Corner as a whole are projected to experience an impact of a \$19.9m or 24.5% reduction in trade. However, the proposed development would form part of an expanded town centre and therefore Round Corner as a whole will experience a net increase in turnover of some \$32m in 2015. This equates to a 39.5% increase in the turnover of the centre.

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

In this context the point in time 2015 economic impact upon Dural and Middle Dural (9.2% reduction in trade) and Glenhaven (5.7% reduction in trade) would be low to moderate, whilst the impact on all other centres would be insignificant. These impacts are within the normal competitive range. Both Dural and Middle Dural and Glenhaven were deemed to be trading soundly by the Hill PGA Baulkham Hills Retail Floorspace and Demand Analysis.

Although there is no published trading information on any of the centres within the MTA, we note anecdotally based on the Hill PDA floorspace surveys that vacancies are low and that most appear to be trading well. Indeed the recent supermarket developments in Glenorie and Galston are indicative of a healthy retail market in this location which is attracting investment. As such, these centres would have the ability to absorb the levels of impact identified without jeopardising their vitality or viability.

Furthermore, the proportion impacts on Dural/ Middle Dural and Glenhaven are in the 'low to moderate' range only because of the modest turnover of these centres. In real terms the impact upon Dural/ Middle Dural is just \$0.5m reduction in trade in 2015 and on Glenhaven it is \$0.3m.

The impact on most all centres lessens over time as shown in Columns 9 and 10 of the gravity model as a result of growth in real floorspace turnover. Over the 2011 to 2015 period the turnover of the centres listed in the gravity model is forecast to grow by 9.6% overall. Dural/ Middle Dural will again experience the greatest impact of a 7.2% reduction in trade over the 2011 to 2015 period, followed by Glenhaven (5.4% reduction). These impacts are sustainable by the centres without threatening their long-term prospects.

In our view there are no grounds to refuse the rezoning on the basis of adverse economic impact.

8. ECONOMIC BENEFITS

The provision of additional retail floorspace on the subject site would increase the amount of employment supported in this location and provide a greater contribution towards employment generation targets in The Hills Shire. It would support the role of Round Corner, increase its attraction as a shopping destination and widen choice for local residents. Other economic benefits include adding value to the local economy, construction multiplier impacts and jobs and multiplier impacts during construction.

8.1 Construction Multiplier Effects

The construction industry is a significant component of the economy accounting for 7.3% of Gross Domestic Product (GDP) and employing almost one million workers across Australia⁴⁶. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

- **production induced:** which is made up of:
 - first round effect: which is all outputs and employment required to produce the inputs for construction; and
 - an industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect; and
- **consumption induced:** which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

The source of the multipliers adopted in this report is ABS and Australian National Accounts: Input-Output Tables 1996-97 (ABS Catalogue 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.466, \$0.438 and \$0.962 respectively to every dollar of construction.

Given that the proposed development is at an early stage, no construction costs have yet be calculated. For the purposes of calculating construction multipliers which could be associated with the proposed commercial floorspace we have assumed that such floorspace would be developed for \$2,500/sqm based on our industry experience, current market conditions and the non-Metropolitan location of the subject site equating to \$22.5m. We have assumed that the townhouses would be developed for \$300,000 each i.e. \$6.6m. In total therefore we estimate that proposed development could cost in the order of \$29m to construct. Note that this is likely to be a conservative estimate of construction cost

⁴⁶ IBIS World Construction Industry Report 2011

Table 11 - Economic Multipliers

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.466	0.438	0.962	2.866
Output (\$million)	\$29	\$14	\$13	\$28	\$83

* Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0).

In addition to \$29m of construction costs, the proposed development would generate a further \$27m of activity in production induced effects and \$28m in consumption induced effects. Total economic activity generated by the construction of the proposed development is therefore approximately \$83m.

8.2 Construction Employment

The proposed development will generate employment in two ways – through construction and through retail and commercial operations.

It is estimated that four full time construction positions over 12 months is created for every one million dollars of construction work undertaken⁴⁷. Based on the proposed development's estimated construction cost of \$29m, approximately 1,280 job years will be directly generated.

Table 12 - Employment Generation

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.33	0.45	2.33	4.11
Employment No. per \$million	4.00	1.32	1.80	9.32	16.44
Total job years created	116	38	52	270	477

* Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0).

The 1996-97 ANA Input-Output Tables identified employment multipliers for first round, industrial support and consumption induced effects of 0.33, 0.45 and 2.33 respectively for every job year in direct construction. Including the multiplier impacts the proposed development will therefore have potential to generate an estimated 477 job years.

Note that the multiplier effects are national, and not necessarily local. The ABS notes that "Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy."

8.3 Employment in Retail Operations

The operation of the retail floorspace within the development will also create permanent employment opportunities. The number of jobs created will depend upon the final quantum and mix of retail floorspace,

⁴⁷ IBIS World Construction Industry Report 2011

however Hill PDA has undertaken a preliminary analysis of employment upon operation as provided in the following table and based on our assumed floorspace mix.

Table 13 - Retail Operation Employment (Assuming Full Occupancy)

Land Use	Employment Rate*	GLA (sqm)	Workers
Supermarket	1:21.3sqm	3,000	140
Specialty Food Stores	1:30sqm	500	16
Restaurant	1:30sqm	3,000	100
Non-Food Specialties	1:40sqm	2,000	50
Non-retail Commercial Uses	1:25sqm	500	20
TOTAL GLA	-	9,000	326

* Job per square metre of GLA. Sourced from the ABS Retail Census and Hill PDA

The proposed development will therefore support an estimated 326 full and part time jobs post-development.

The proposed development would therefore increase the amount of employment supported in this location and provide a greater contribution towards employment generation targets in The Hills Shire. As the subject site is currently not being used for employment purposes all of these jobs would be net additional jobs.

8.4 Supporting Centres and Reducing Travel

Given that Round Corner is defined as a Town Centre in The Hills Shire Local Strategy, it should be the preferred location for retail (and employment) uses which generate a high number of trips within the MTA, as it is the highest ranked centre. Concentrating retail development on this existing centre would assist in ensuring that residents make fewer trips for shopping purposes, reducing travel time and associated costs with motor vehicle travel.

8.5 Shopper Convenience

The proposal will provide additional retail floorspace with a choice of products at competitive prices for regular shopping. It will provide greater choice for local residents and provide a greater range of products locally.

As noted previously Round Corner is also well positioned to capitalise on passing trade from residents commuting between the rural north of Baulkham Hills and the wider Baulkham Hills LGA via Old Northern Road. This offers the potential for shopping trips to be combined with travel for work, further reducing the need for residents to travel.

8.6 Added Price Competition

The proposed development would allow easier price comparison by shoppers between retailers, and between supermarkets in particular, without the need for them to travel greater distances. This is particularly important in the rural MTA given the greater distance between centres.

This Study has shown that the impact of the proposed development on existing centres would not be sufficient to threaten the viability of any other centre beyond the normal competitive range. Accordingly, added price competition should be viewed positively in this case.

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4. This report and its attached appendices are based on estimates, assumptions and information provided by the Client or sourced and referenced from external sources by Hill PDA. While we endeavour to check these estimates, assumptions and information, no warranty is given in relation to their reliability, feasibility, accuracy or reasonableness. Hill PDA presents these estimates and assumptions as a basis for the Client's interpretation and analysis. With respect to forecasts, Hill PDA does not present them as results that will actually be achieved. Hill PDA relies upon the interpretation of the Client to judge for itself the likelihood of whether these projections can be achieved or not.
5. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.
6. This report does not constitute a valuation of any property or interest in property. In preparing this report Hill PDA has relied upon information concerning the subject property and/or proposed development provided by the Client and Hill PDA has not independently verified this information except where noted in this report.
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Appendix 1 - DEMOGRAPHIC ANALYSIS

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This Appendix sets out the results of the demographic analysis undertaken to inform this Study. It is based on information derived from the 2011 ABS Census. The areas for which demographic data is presented are:

- PTA – Primary Trade Area comprising the suburbs of Dural, Middle Dural, Glenhaven and Kenthurst;
- STA – Secondary Trade Area comprising the suburbs of Annangrove, Leets Vale, Maroota, South Maroota, Canoelands, Maraylya, Cattai, Glenorie, Sackville North, Berowra Creek, Fiddletown, Berrilee, Arcadia, Galston;
- MTA – Main Trade Area comprising the PTA and STA combined;
- The Hills Shire – The Hills Shire Local Government Area; and
- Sydney GCCSA – Sydney Greater Capital City Statistical Area which represents the functional extent of Sydney.

Table A1 - Trade Area Population and Dwelling Characteristics (2011)

	PTA	STA	MTA	The Hills Shire	Sydney GCCSA
Population and Dwellings					
Total Population	19,269	13,366*	32,635*	169,872	4,391,674
Total Dwellings	6,539	4,690	11,229	55,962	1,640,199
Occupied Private Dwellings	6,024	4,275	10,299	53,294	1,521,398
Occupied Private Dwellings (%)	92.1%	91.2%	91.7%	95.2%	92.8%
Average Household Size	3.1	3.0	3.0	3.1	2.7
Age Distribution					
0-14	18.9%	20.5%	19.6%	21.4%	19.2%
15-29	19.1%	17.5%	18.5%	18.7%	21.0%
30-44	15.7%	18.1%	16.7%	20.9%	22.5%
45-59	23.7%	22.3%	23.2%	21.3%	19.2%
60-74	15.6%	15.5%	15.6%	13.5%	11.9%
75+	6.8%	5.8%	6.4%	4.2%	6.1%
Median Age	42	41	41	38	36

Source: ABS Census (2011)

* Note the population of the STA and MTA in the demographic analysis differs slightly from that in Table 2 of the Study as Table 2 makes an additional allowance for residents in the part of Lower Portland suburb which is located in the STA and MTA. No allowance has been made for residents in this suburb in the demographic analysis.

Table A2 - Trade Area Household Characteristics (2011)

	PTA	STA	MTA	The Hills Shire	Sydney GCCSA
Home Ownership					
Owned or Being Purchased	84.2%	79.7%	82.3%	82.4%	65.2%
Rented	11.7%	16.3%	13.6%	15.6%	31.6%
Other/Not Stated	4.1%	4.0%	4.1%	2.0%	3.2%
Household Structure					
Family Households	85.4%	82.1%	84.0%	86.4%	73.1%
Lone Person Households	13.5%	15.9%	14.5%	12.0%	22.6%
Group Households	1.0%	2.0%	1.4%	1.6%	4.3%
Family Type					
Couple family w. children	21.9%	33.8%	24.4%	29.9%	33.5%
Couple family w/o children	68.9%	52.4%	65.4%	58.7%	48.9%
One parent family	8.7%	12.9%	9.6%	10.4%	15.7%

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Hill PDA

ORDINARY MEETING OF COUNCIL

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	PTA	STA	MTA	The Hills Shire	Sydney GCCSA
Other family	0.6%	0.9%	0.6%	1.0%	1.9%
Dwelling Type					
Separate house	88.9%	94.6%	91.2%	84.2%	60.9%
Townhouse	7.2%	2.4%	5.2%	10.7%	12.8%
Flat-Unit-Apartment	2.6%	1.8%	2.3%	5.0%	25.8%
Other dwelling	1.3%	1.3%	1.3%	0.1%	0.5%

Source: ABS (2011)

Table A3 - Income Characteristics (2011)

	PTA	STA	MTA	The Hills Shire	Sydney GCCSA
Weekly Household Income					
\$0-\$399	4.8%	5.6%	6.0%	5.4%	10.6%
\$400-\$799	7.5%	8.7%	9.3%	9.3%	14.7%
\$800-\$1,399	11.9%	14.7%	15.1%	16.6%	20.9%
\$1,400-\$2,499	12.9%	14.0%	15.5%	20.3%	19.7%
\$2,500-\$3,499	16.0%	12.6%	16.8%	21.3%	15.2%
\$3,500+	11.8%	7.7%	11.6%	13.3%	8.4%
Partial income stated	7.6%	7.0%	8.5%	8.7%	7.9%
All incomes not stated	1.4%	1.8%	1.8%	1.4%	2.4%
Median Weekly Household Income	\$2,123	\$1,661	\$1,869	\$2,044	\$1,447

Source: ABS (2011)