

Masters Clarendon

Economic Impact Assessment

September 2013

URBIS STAFF RESPONSIBLE FOR THIS REPORT WERE:

Director	Clinton Ostwald
Senior Consultant	David Wilcox
Job Code	SPE0352
Report Number	RP3 FINAL REV C

© Urbis Pty Ltd
ABN 50 105 256 228

All Rights Reserved. No material may be reproduced without prior permission. While we have tried to ensure the accuracy of the information in this publication, the Publisher accepts no responsibility or liability for any errors, omissions or resultant consequences including any loss or damage arising from reliance in information in this publication.

URBIS
Australia Asia Middle East
urbis.com.au

TABLE OF CONTENTS

Executive Summary	i
Introduction.....	1
1 Nature of Use and Product Range	2
1.1 Proposed Rezoning	2
1.2 The Masters Concept	4
1.2.1 Site Development Concept.....	4
1.3 Subject Site.....	4
1.4 Surrounding Land Use Context	5
2 Trade Area Analysis	6
2.1 Trade Area Population.....	9
2.2 Demographic Characteristics	12
3 Trade Area Household Expenditure	15
3.1 Methodology	15
3.2 Drivers of Per Capita Expenditure	15
3.3 Per Capita Household Expenditure	16
3.4 Total Household Home Improvement and Homemaker Expenditure.....	18
3.5 Total Resident Retail Expenditure	19
3.6 Home Improvement Turnover Attributable to Non-Household Sector.....	20
3.6.1 Methodology	20
3.6.2 Total Home Improvement Market.....	21
4 Competitive Environment	22
4.1 Home Improvement Precincts within the Main Trade Area	22
4.2 Sub Regional Shopping Centres	23
4.3 Supermarket Shopping Centres	23
4.4 Town Centre retailing.....	23
5 Masters Impact Analysis.....	25
5.1 Approach	25
5.2 Key Assumptions	25
5.3 General Impacts	26
5.4 Employment and Other Benefits.....	28
6 Demand for Additional Bulky Goods Retailing	30
7 Conclusion	31

FIGURES:

Figure 1 – Subject Site and Proposed Rezoning	iii
Figure 2 – Subject Site: View South From Hawkesbury Valley Way	5
Figure 3 – Proposed Masters and Bulky Goods, Clarendon: Main Trade Area.....	8
Figure 4 – New Dwelling Approvals 1997-2011	16
Figure 5 – Home Improvement Retail Spend per Capita, 2012	17
Figure 6 – Retail Spend per Capita by Key Product Groups – Variation from Sydney Benchmark.....	17
Figure 7 – Existing Retail Hierachy	24

TABLES:

Table 1 – Drive Time Analysis	7
Table 2 – Main Trade Area Population Forecast.....	11
Table 3 – Regional Population Trends by SLA 1991-2031	12
Table 4 – Key Drivers of Home Improvement Spending	13
Table 5 – Key Socio Economic Characteristics.....	13
Table 6 – Urbis Real Per Capita Spend Growth Forecasts.....	18
Table 7 – Main Trade Area Homemaker and Home Improvement Expenditure 2012	18
Table 8 – Main Trade Area Hardware, Home Improvement & Homemaker Expenditure 2012-26.....	19
Table 9 – Total retail Spend by Category 2021-26.....	20
Table 10 – Retail vs Wholesale – Home Improvement Categories.....	21
Table 11 – Total Trade Area Home Improvement Expenditure, 2013 (\$M, EXCL GST)	21
Table 12 – Competitive Environment: Main Trade Area Home Improvement and Bulky Goods Retail.....	22
Table 13 – Clarendon Masters Turnover and Market Share Forecast 2016.....	26
Table 14 – Clarendon Masters Impact on key Precincts / Centres	27

Executive Summary

This Economic Impact Assessment has been prepared on behalf of Hydrox Nominees Pty Ltd to provide supporting economic analysis as part of a proposed amendment to the *Hawkesbury Local Environmental Plan 2012* (the LEP). The amendment would result in the inclusion of the B7 Business Park zone into the Draft LEP at 120-188 Hawkesbury Valley Way to support the future development of a business park within the Hawkesbury Local Government Area (LGA).

To secure funding and facilitate the development of the Clarendon Business Park, the Planning Proposal includes a request for an amendment to Schedule 1 Additional Permitted Uses of the LEP to include a small portion of the site to support *'bulky goods premises'*. The land affected by the Schedule 1 amendment would support a future Masters home improvement store in the medium term, and additional bulky goods tenancies in the longer term, subject to market demand. Through the delivery of these developments, particularly the initial Masters, development funding for key infrastructure required to service the development of land to the south of the railway line as a business park will be secured.

More specifically the purpose of this report is to:

- Assess the potential competitive trading impacts of a new Masters home improvement store at the subject site (assumed to commence trading in 2015) with an indicative size of 11,000 sq.m; and
- Consider the potential market demand for additional bulky goods retailing at the subject site in the longer term.

The subject site is located around 4km to the south of Richmond Town Centre and 2.5km to the north of Windsor Town Centre and it benefits from a northern frontage to Hawkesbury Valley of approximately 900 metres.

The 2011 Census identified a population in the Main Trade Area of **69,750** in 2011 of which the Primary Trade Area accounted for 38% with 26,370 residents. By 2016 the Main Trade Area population is forecast to reach **73,920** persons, of which the Primary Trade Area will account for 37% with 27,670. By 2026 the Main Trade Area population is forecast to reach **84,680** persons, of which the Primary Trade Area will account for 39% with 33,270.

Retail spending on Homemaker products in the Main Trade Area is estimated at **\$133.2m** in 2012. Spend on Home Improvement items (products predominantly stocked by Masters) is estimated at **\$87.9m** in 2012.

Future growth in the household home improvement market will be derived from population growth and real growth in spending per capita. By 2015, home improvement spending in the Main Trade Area is forecast to increase to **\$96.8 million**, reflecting average annual growth of 3.3% per annum and a net increase of **\$8.9m** over the period. The total home improvement market available to the proposed development is estimated at **\$142.7m** in 2016, including **\$42.6m** by the non-household market.

The introduction of a new Masters home improvement store into the market at 2015 will have some limited trading impacts on home improvement precincts competing within the same markets. The Masters store at Clarendon is expected to generate **\$24.8 million** of turnover in its first full year of trading (2016). The total impact on competing precincts within the vicinity of the MTA is **\$18.6m** i.e. excluding trade which will be drawn from further afield and from the Trades Sector.

The average impact of the development on the turnover of competing precincts that market will be around **-3.4%** relative to what stores would have achieved. This **-3.4%** impact is the one-off impact on home improvement sales that centres would otherwise have captured should the Masters store not be developed.

Growth within the domestic Home Improvement market in the Main Trade Area between 2012-16 will generate an additional \$12.2m, with an additional \$16.7m growth between 2016 and 2021 which would absorb the impact of the proposed Masters. This excludes growth within the Trades Sector, which would contribute further to demand for Home Improvement products, particularly if house building within the Main Trade Area increases as forecast.

Overall, the increase in home improvement spending between 2012-2021 exceeds the projected turnover of the new Masters store in its first year of trading which indicates that there is strong demand for a development of this type within the MTA, and that initial trading impacts can be mitigated within a relatively short period.

With the exception of the McGrath's Hill precinct, no precinct is forecast to exceed a 5% impact which demonstrates that the impacts are within a manageable range and the Masters development should not affect the ongoing viability of these precincts.

We note that relative to current 2012 trading levels, all identified centres with the exception of McGrath's Hill will be trading at levels that are at or in excess of current levels by 2016.

In the case of McGrath's Hill, we note that a high proportion of the projected -\$10.3m impacts are likely to be directed towards a single operator – the existing Bunnings store – as Bunnings is obviously the main direct competitor to Masters. In terms of impacts on the McGrath's Hill precinct as a whole we consider that there are likely to be a number of factors which will contribute to its ongoing viability beyond 2016, which include:

- The fact that McGrath's Hill will continue to draw a substantial proportion of its trade from lands to the south (e.g. Mulgrave, Vineyard, Riverstone, Box Hill) which are beyond the Main Trade Area for the proposed Clarendon store. It is unlikely in our view that future residents from these areas will drive past McGrath's Hill to shop at Clarendon, therefore this is a relatively secure and growing market.
- Linked to the above, Vineyard, Riverstone and Box Hill are within the North West Growth Centre and will experience major residential and commercial development beyond 2016 (approximately 21,500 dwellings and 62,000 new residents based on figures on the North West Growth Centre website). This level of house building will generate significant sustained demand for hardware and home improvement products from the residential and trades sectors.
- The actions which existing retailers take will determine the eventual impact on each of them, and furthermore the actions which they each take will also determine the eventual impact on the other retailers involved. All of these factors need to be kept in mind when considering the likely impact of a retailer within the existing retail network. Existing retailers are not passive participants, but rather will play a major role in the eventual impact which they will experience. In this instance, and based on the experience elsewhere in Australia, we assume that Bunnings and other key competitors will adapt their strategy and marketing to position against increased competition in the marketplace, ultimately benefiting consumers through increased price competitiveness.

The proposed development is expected to provide positive employment impacts both locally and in the broader economy. Masters have indicated that they expect around 180 direct jobs per store will be created during construction as well as 130-150 operational jobs per store. Other benefits associated with the proposed development include:

- Increased competition within the home improvement sector which should result in greater choice and price savings for customers;
- Reduced travel times for Main Trade Area residents and trades workers seeking to access a range of home improvement products and services and, accordingly, potential vehicle emission savings (particularly from trades vehicles) by minimising the need for customers to travel greater distances to make purchases; and
- Increased expenditure retention within the Main Trade Area reducing the amount of expenditure that is leaked to other LGAs.

In addition the provision of an additional 11000 sq.m of homemaker bulky goods retailing at the subject site would equate to around 44% of the demand generated by growth in the homemaker spending market over that period. Urbis considers that it would be reasonable to provide planning controls that allow for this scale of development to occur over time. It would be important to ensure that the proponent provide an economic impact assessment at the time of lodging any development application for additional bulky goods floorspace to demonstrate the potential impact on existing retail precincts within the timescale envisaged.

Introduction

This Economic Impact Assessment has been prepared on behalf of Hydrox Nominees Pty Ltd to provide supporting economic analysis as part of a proposed amendment to the *Hawkesbury Local Environmental Plan 2012* (the LEP). The amendment would result in the inclusion of the B7 Business Park zone into the Draft LEP at lands at 120-188 Hawkesbury Valley Way to support the future development of a business park within the Hawkesbury Local Government Area (LGA).

To secure funding and facilitate the development of the Clarendon business park, the Planning Proposal includes a request for an amendment to Schedule 1 Additional Permitted Uses of the LEP to include a small portion of the site to support *'bulky goods premises'*. The land affected by the Schedule 1 amendment would support a future Masters home improvement store in the medium term, and additional bulky goods tenancies in the longer term, subject to market demand. Through the delivery of these developments, particularly the initial Masters, development funding for key infrastructure required to service the development of land to the south of the railway line as a business park will be secured.

More specifically the purpose of this report is to:

- Assess the potential competitive trading impacts of a new Masters home improvement store at the subject site (assumed to commence trading in 2015) with an indicative size of 11,000 sq.m; and
- Consider the potential market demand for additional bulky goods retailing at the subject site in the longer term.

The report is structured as follows:

- **Section 1** considers the nature of the proposed development;
- **Section 2** examines the market for home improvement retail within the trade area identified for the proposed development;
- **Section 3** provides an assessment of available expenditure for home improvements within the domestic household and trades sectors;
- **Section 4** examines existing retail provision within the trade area, both in terms of home improvement stores and precincts and broader 'traditional' retailing;
- **Section 5** sets out the economic impacts associated with the proposed Masters development, considering trading impacts on precincts and centres as well as employment generation. It also considers the demand for additional bulky goods floorspace having regard to growth in the spending market over time.

1 Nature of Use and Product Range

1.1 PROPOSED REZONING

The Planning Proposal seeks to amend the recently gazetted Hawkesbury Local Environmental Plan 2012 (the LEP) to zone part of the subject site B7 Business Park to allow the site to be redeveloped as a business park with land to the north of the Richmond Rail Line (fronting Hawkesbury Valley Way) to be developed to provide the first Masters home improvement store within the LGA with the potential for additional bulky goods development on the site subject to market demand.

The subject site, proposed rezoning and indicative development concept is shown in Figure 1

FIGURE 1 – SUBJECT SITE AND PROPOSED REZONING



PROPOSED DEVELOPMENT
RICHMOND ROAD, CLARENDON (NSW)

DATE: 26 SEPTEMBER 2013

STAGE 1	
SITE AREA	= 3.7 Ha
HARDWARE GFA:	= 11,000 SQM
TENANCY GFA	= 2,200 SQM
SITE COVERAGE:	= 35.6%
CARSPACES (MASTERS)	= 334 (1:32)
CAR SPACES (TENANT)	= 70 (1:31)
TOTAL CAR SPACES	= 404
STAGE 2	
SITE AREA	= 7.6 Ha
BULKY GOODS GFA:	= 2,800 SQM
OFFICES GFA:	= 10,000 SQM
SITE COVERAGE:	= 16.0%
CARSPACES (BG)	= 383 (1:7)
CARSPACES (OFFICES)	= 136 (1:73)
TOTAL CARS	= 519(1:28)
STAGE 3	
SITE AREA	= 15.1 Ha
COMMERCIAL GFA:	= 90,000 SQM
SITE COVERAGE:	= 60%
SUB-TOTAL SITE AREA STAGE 1,2 &3	
	= 26.4 Ha
RU4 ZONE NORTH OF RAIL CORRIDOR	= 9.7 Ha
RU4 ZONE SOUTH OF RAIL CORRIDOR	= 37.9 Ha
TOTAL SITE AREA	= 74.0 Ha



3037 - SK31

LEFFLER SIMES ARCHITECTS



LEVEL 2, 18 OLIVER LANE,
 MELBOURNE, VIC 3000. Tel. +61 3 9654 6344

2/290 BOUNDARY ST, SPRING HILL,
 BRISBANE, QLD 4000. Tel. +61 7 3123 6544

7 YOUNG STREET, NEUTRAL BAY,
 SYDNEY, NSW 2069. Tel. +61 2 9909 3344

NOT TO SCALE

1.2 THE MASTERS CONCEPT

The 'Masters' concept is to provide a home improvement centre (General Sales, Trade Supplies, and Landscape Gardening Supplies), within a clean and air-conditioned retail environment. The typical layout will consist of a total floor area of approximately 13,800 sq.m with associated car parking. Generally a regular shaped site of approximately 3.7 hectares is required to support the building, loading and car parking facilities. In this instance a smaller Masters store is envisaged for the site which would not exceed 11000 sq.m.

Masters is a joint venture between Woolworths Limited and Lowes Companies Incorporated. Woolworths are Australia's largest retailer and private sector employer, employing over 191,000 people. Lowes is the second largest home improvement retailer in the world and has over 1,700 stores across the USA and Canada.

The Woolworths/Lowe's vision is to enhance choice for Australian (retail and trade) consumers with increased competition in the destination home improvement sector, improved product range representing value and choice and a fresh new offer.

In terms of capital value, each store has an estimated investment/construction value of approximately \$15 million - \$20 million, excluding land acquisition costs.

The Masters store will focus on providing hardware and garden goods, as well as a smaller component of home improvement products.

1.2.1 SITE DEVELOPMENT CONCEPT

The preliminary development concept for the site envisages:

- A new Masters home improvement store on the northern part of the site fronting the Hawkesbury Valley Way;
- Provision for additional bulky goods retailing to be located adjacent to the Masters building;
- A new access to the Hawkesbury Valley Way linking to a proposed new road bridge over the Western Railway Line; and
- The proposed new road bridge would form a future connection to lands to the south of the Western Railway line which would be developed as a business park in the longer term, subject to market demand.

1.3 SUBJECT SITE

The subject site is located at 120-188 (also known as Richmond Road), Clarendon. The site is legally described as Lot 1, 2 and 3 Deposited Plan 700263, Lot C Deposited Plan 160847, Lot F Deposited Plan 164199 and Lot 2 in Deposited Plan 629053 and has a total site area of approximately 74 hectares.

The site is located around 4km to the south of Richmond town Centre and 2.5km to the north of Windsor town centre.

Key characteristics of the site include:

- A northern frontage to Hawkesbury Valley of approximately 900 metres;
- Eastern and southern boundary defined by Rickabys Creek;
- The site is located on the southern side of Hawkesbury Valley Way and bisected by the Richmond Railway Line;
- The portion of the site to the north of the railway line is generally cleared land, with a small dam and a property known as 'Elfdale Stud', which consists of several dilapidated rural buildings;

- To the south of the railway line the land is similarly cleared, with a large dam towards to south western corner;
- Topography of the site slopes away from Hawkesbury Valley Way to the east and south towards Rickabys Creek.
- The site generally cleared and contains limited environmental constraints impeding redevelopment.

FIGURE 2 – SUBJECT SITE: VIEW SOUTH FROM HAWKESBURY VALLEY WAY



1.4 SURROUNDING LAND USE CONTEXT

Key surrounding land uses include:

- The site is bordered by Hawkesbury Valley Way to the north, which is the principal collector road between Windsor and Richmond;
- The Richmond RAAF base is directly north of the site, on the opposite side of Hawkesbury Valley Way;
- Windsor Country Golf Club is situated on the eastern side of Rickabys Creek, and provides a recreational space between the subject site and residential area further east;
- Headstart Early Learning child care centre to the west fronting Hawkesbury Valley Way;
- Hawkesbury Race Course and Showground to the west which includes stable and horse training facilities along the western site boundary;
- Land to the immediate south is largely cleared open land with residential areas of South Windsor located further to the south east;
- Some commercial and rural residential land uses are located to the west with the Hawkesbury Race Course and Showgrounds further to the west;
- The main town centres and residential precincts within proximity to the site are located 3km east in Windsor and over 3km west at Richmond;
- Clarendon Train Station is situated approximately 450 metres west of the site.

2 Trade Area Analysis

The Trade Area refers to the area in which an existing or proposed centre or retailer is most likely to draw custom. The size and scale of trade areas vary due to the geographical context of the retail development in question. Other factors which may define a trade area include:

- The strength, range and appeal of the subject site;
- The proximity, composition and quality of competing retail facilities;
- The accessibility of the site including the road and transport network, as well as access to ample parking; and
- Physical barriers such as freeways, rivers/lakes, bushland and drive times.

In defining a trade area for Masters and Bulky Goods development at the subject site, SA1 statistical areas have been combined to form the following areas:

- A **Primary Trade Area (PTA)** which is quite small geographically, taking in the suburbs of Richmond, North Richmond, Windsor and South Windsor. The PTA is generally bounded by the Hawkesbury River to the north, by The Driftway road to the south east and by the edge of the Windsor urban area to the South East.
- A **Secondary North Trade Area (SNTA)** extending along the Bells Line of Road as far as Mount Tomah in the Blue Mountains; along Putty Road as far as Colo Heights; north east along Wiseman's Ferry Road as far as Wiseman's Ferry and Maroota; and taking in South Maroota and Cattai.
- A **Secondary East Trade Area (SETA)** to the south east of Windsor, taking in McGrath's Hill and Pitt Town.
- A **Secondary South Trade Area (SSTA)** taking in the suburb of Windsor Downs as well as lands between Castlereagh and Londonderry where there is some overlap with the Primary Trade Area for the Proposed Nepean Green Masters store.

The Primary and Secondary Trade Areas combine to form a Main Trade Area (MTA) as shown in Figure 3.

The approximate drive times from each suburb to the subject site are presented in Table 1, below. The table demonstrates that the subject site is highly accessible as the vast majority of suburbs are within 25 minutes' drive time of the site with the exception of outlying areas on the edge of the Secondary North Trade Area.

TABLE 1 – DRIVE TIME ANALYSIS

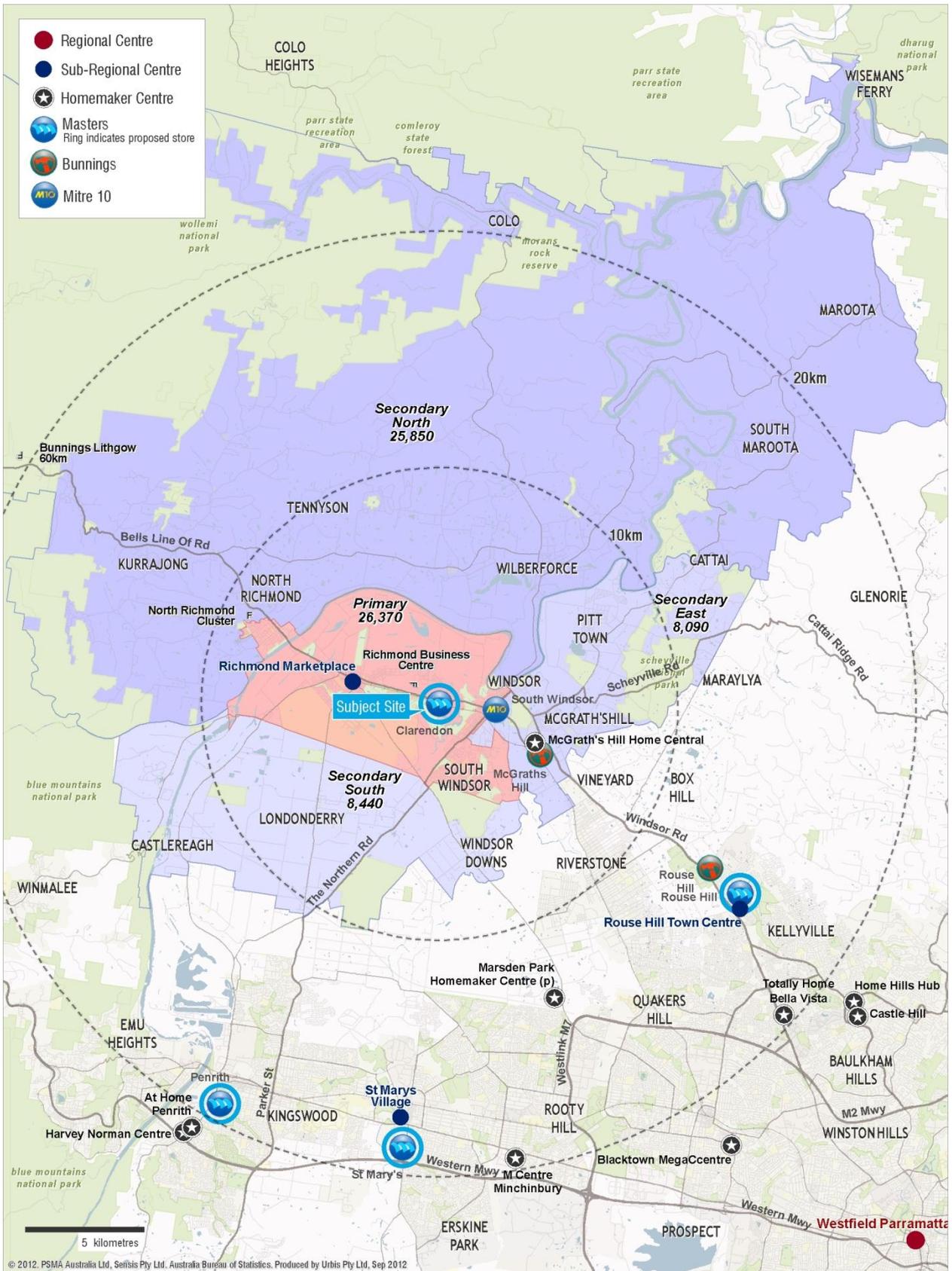
Drive Time Analysis

CLARENDON MASTERS

Suburb	Time / Distance to Subject Site	
	(mins)	(km)
Primary Trade Area		
Windsor	3	2
South Windsor	4	3
Richmond Town Centre	4	4
North Richmond	10	8
Secondary North Trade Area		
Wilberforce	13	9
Kurrajong	18	15
South Maroota	24	25
Colo	26	26
Maroota	32	33
Colo Heights	38	41
Wiseman's Ferry	43	44
Mount Tomah	45	42
Secondary East Trade Area		
McGrath Hill's	7	6
Vineyard (Braddon Road)	9	9
Pitt Town	11	9
Maralaylya	17	14
Cattaii	17	15
Secondary South Trade Area		
Windsor Downs	11	8
Northern Road / Londonderry Road	15	13
Castlereagh	18	17

Source : Google Maps

FIGURE 3 – PROPOSED MASTERS AND BULKY GOODS, CLARENDON: MAIN TRADE AREA



2.1 TRADE AREA POPULATION

Using the trade area defined above we can determine the current population and forecast expected growth within the region. Urbis has prepared population forecasts for the proposed trade areas taking into account the following sources:

- Information from the 1991, 1996, 2001, 2006 and 2011 Census of Population and Housing;
- New Dwelling Approvals (NDAs) in the region over the ten years to September 2011;
- Official population projections published in April 2010 by the New South Wales Department of Planning as well as the NSW Draft Subregional Strategy;
- Population forecasts by Travel Zone area published by the NSW Government's Transport Data Centre;
- The NSWG Metropolitan Development Programme (MDP) Report;
- Information on planning approvals and construction activity from Cordell Connect; and
- Housing growth targets set out in the Hawkesbury Residential Land Strategy (May 2011).

The 2011 population estimate and preliminary forecast to 2031 for the Main Trade Area (MTA) is shown in Table 2. The population forecast is based on the latest 2011 ABS census data.

Table 2 shows that the 2011 Census identified a population in the Main Trade Area of **69,750** in 2011 of which the Primary Trade Area accounted for 38% with **26,370** residents. Overall the figures indicate that the Main Trade Area will experience population growth of around 1.2% per annum between 2012-21 ramping up to 1.5% per annum between 2021-26 and 1.8% per annum between 2026-31.

- By 2016 the Main Trade Area population is forecast to reach **73,920** persons, of which the Primary Trade Area will account for 37% with **27,670**;
- By 2021 the Main Trade Area population is forecast to reach **78,500** persons, of which the Primary Trade Area will account for 38% with **29,950**;
- By 2026 the Main Trade Area population is forecast to reach **84,680** persons, of which the Primary Trade Area will account for 39% with **33,270**;
- By 2031 the Main Trade Area population is forecast to reach **92,370** persons, of which the Primary Trade Area will account for 41% with **38,160**.

The population forecast assumes a gradual concentration of population growth around the existing urban areas of Richmond, North Windsor, Windsor, South Windsor / Bligh Park and Pitt Town which are within the Primary and Secondary East Trade Areas. This is consistent with the intent of the Hawkesbury Residential Land Strategy which make provision for 5,000 to 6,000 new dwellings within the LGA by 2031 to be concentrated around existing settlements.

Across the Main Trade Area, the forecast population increase of 22,620 people between 2031 and 2011 would equate to around 8,000 new dwellings over the period (based on an average household size of 2.8 persons per dwelling) which would also allow for future growth in the Secondary South Trade Area within the Penrith LGA and some limited residential development in the northern part of the Baulkham Hills LGA.

This level of population growth would equate to around 400 dwellings annually in the Main Trade Area overall between 2011-2031. This level of residential construction activity has been achieved in the past around 1998-2003. Given Hawkesbury Council's housing growth targets we assume that there will be sufficient zoned land and infrastructure provision to enable this rate of growth over the long term. The continued development of land within the North West Growth Centre may also provide a renewed focus for developer activity around Windsor and Richmond, particularly once major development commences around Vineyard.

We note that there is currently a proposal for 1,400 – 1,500 new dwellings at 108 Grose Vale Road, North Richmond which is located on the edge of the Primary and Secondary North Trade Area. The planning controls for the site need to be amended to enable a development application to be lodged, however if approved this proposal could contribute to housing and population growth in the medium term.

Our population forecast for the Main Trade Area equates to around 41% of the Department of Planning & Industry population forecast for the SLAs covering the Main Trade Area (as shown in Table 3). SLAs that cover the Main Trade Area include Hawkesbury, Hornsby North, Penrith East, Penrith West and The Hills Shire North. The majority of the Main Trade Area is covered by the Hawkesbury SLA and the population forecast assumes that the vast majority of growth would occur within existing urban settlements within the Hawkesbury SLA. We note that if Hawkesbury Council's housing targets are not achieved by 2031 this may reduce population growth rates within the Main Trade Area.

TABLE 2 – MAIN TRADE AREA POPULATION FORECAST

Trade Area Population

CLARENDON MASTERS & BULKY GOODS, 2001-2031

Trade Area Sector	Estimated Residential Population				Forecast Population			
	2001	2006	2011	2012	2016	2021	2026	2031
Primary Trade Area								
Primary Trade Area	25,980	25,070	26,370	26,630	27,670	29,950	33,270	38,160
Secondary Trade Area								
• Secondary North	24,690	25,020	26,850	27,220	28,700	29,550	30,630	31,930
• Secondary East	7,800	7,710	8,090	8,200	8,610	9,520	10,730	11,540
• Secondary South	7,220	8,100	8,440	8,540	8,940	9,480	10,050	10,740
Total Secondary	39,710	40,830	43,380	43,960	46,250	48,550	51,410	54,210
Main Trade Area	65,690	65,900	69,750	70,590	73,920	78,500	84,680	92,370
Average Annual Change (No.)								
	2001-06	2006-11	2011-12	2012-16	2016-21	2021-26	2026-31	
Primary Trade Area	-182	260	260	260	456	664	978	
Secondary Trade Area								
• Secondary North	66	366	370	370	170	216	260	
• Secondary East	-18	76	110	103	182	242	162	
• Secondary South	176	68	100	100	108	114	138	
Total Secondary	224	510	580	573	460	572	560	
Main Trade Area	42	770	840	833	916	1,236	1,538	
Average Annual Change (%)								
	2001-06	2006-11	2011-12	2012-16	2016-21	2021-26	2026-31	
Primary Trade Area	-0.7%	1.0%	1.0%	1.0%	1.6%	2.1%	2.8%	
Secondary Trade Area								
• Secondary North	0.3%	1.4%	1.4%	1.3%	0.6%	0.7%	0.8%	
• Secondary East	-0.2%	1.0%	1.4%	1.2%	2.0%	2.4%	1.5%	
• Secondary South	2.3%	0.8%	1.2%	1.2%	1.2%	1.2%	1.3%	
Total Secondary	0.6%	1.2%	1.3%	1.3%	1.0%	1.2%	1.1%	
Main Trade Area	0.1%	1.1%	1.2%	1.2%	1.2%	1.5%	1.8%	

1. As at June.

Source : ABS Cdata 1991, 1996, 2001, 2006 and 2011; ABS, Regional Population Growth, Australia 2010-2011 (3218.0); DP&I, BTS, ABS; Urbis

TABLE 3 – REGIONAL POPULATION TRENDS BY SLA 1991-2031

Region Population Trends

CLARENDON MASTERS REGION BY SLA, 2001-2031

Statistical Local Area	Estimated Residential Popula				Forecast Population		
	2001	2006	2011	2016	2021	2026	2031
Hawkesbury (C)	62,810	62,110	64,310	66,891	71,462	77,494	85,642
Hornsby (A) - North	68,440	67,640	70,260	71,009	72,244	73,260	74,644
Penrith (C) - East	97,330	95,960	102,180	109,242	114,569	119,204	124,148
Penrith (C) - West	80,090	81,200	85,910	93,774	98,706	103,039	107,635
The Hills Shire (A) - North	38,940	52,500	59,300	72,216	88,866	105,749	114,182
Total Region	347,610	359,410	381,960	413,133	445,846	478,747	506,251

Average Annual Change (No.)

	1996-01	2001-06	2006-11	2011-16	2016-21	2021-26	2026-31
Hawkesbury (C)	746	-140	440	516	914	1,206	1,630
Hornsby (A) - North	948	-160	524	150	247	203	277
Penrith (C) - East	64	-274	1,244	1,412	1,065	927	989
Penrith (C) - West	1,846	222	942	1,573	986	867	919
The Hills Shire (A) - North	2,746	2,712	1,360	2,583	3,330	3,377	1,686
Total Region	6,350	2,360	4,510	6,235	6,543	6,580	5,501

Average Annual Change (%)

	1996-01	2001-06	2006-11	2011-16	2016-21	2021-26	2026-31
Hawkesbury (C)	1.2%	-0.2%	0.7%	0.8%	1.3%	1.6%	2.0%
Hornsby (A) - North	1.4%	-0.2%	0.8%	0.2%	0.3%	0.3%	0.4%
Penrith (C) - East	0.1%	-0.3%	1.3%	1.3%	1.0%	0.8%	0.8%
Penrith (C) - West	2.5%	0.3%	1.1%	1.8%	1.0%	0.9%	0.9%
The Hills Shire (A) - North	9.1%	6.2%	2.5%	4.0%	4.2%	3.5%	1.5%
Total Region	1.9%	0.7%	1.2%	1.6%	1.5%	1.4%	1.1%

1. as at June

Source : ABS Cdata 1991, 1996, 2001, 2006 & 2011; ABS, Regional Population Growth, Australia 2010-2011 (3218.0); DP&I, BTS, ABS; Urbis

2.2 DEMOGRAPHIC CHARACTERISTICS

In relation to the home improvement spending, the key characteristics which tend to influence per capita spending are detailed in Table 4. All of these characteristics, with the exception of “Renter Occupied Households” are shown to have a positive effect on per capita spending on Hardware/Garden, Furniture/Floor Coverings and Bulky Goods products.

TABLE 4 – KEY DRIVERS OF HOME IMPROVEMENT SPENDING

Drivers	Effect on Spending		
	Hardware / Garden	Furniture / Floor Covering	Bulky Goods
Average Household Income		+	+
Household Income >\$78,000		+	+
White Collar Workers		+	+
Home Ownership	+		
Home Renters	-		-
Detached Dwellings	+		
2+ Cars	+		

Source : MDS Marketinfo; Urbis

Table 5 summarises the key socio-economic characteristics for the trade area. These key characteristics are based on usual resident data from the 2006 Census of Population and Housing and are compared with Sydney averages.

TABLE 5 – KEY SOCIO ECONOMIC CHARACTERISTICS

Key Socio-Economic Characteristics

CLARENDON MASTERS TRADE AREA, 2011

Characteristics	Primary TA	Main TA	Sydney Average
Average Income Per Capita (aged 15-64)	41,060	43,353	48,077
<i>Variation from Sydney Avg</i>	-15%	-10%	+0%
Income Above \$78,000 (% of Population)	11.0%	13.5%	18.8%
Owner/Purchaser Occupied Households (% of Hhold)	59.8%	73.6%	66.8%
Car Ownership (% of Household)	91.9%	95.2%	87.5%
Ownership of two or more cars (% household)	52.3%	66.9%	47.9%
Family Households with Children Under 15	31.5%	33.1%	29.1%
Average Household Size	2.56	2.82	2.69
Aged 65+ Years (% of Population)	12.5%	11.3%	12.9%
Average Age	35.7	36.0	37.1
Australian Born (% of Population)	86.3%	86.5%	63.7%

1. Managers & Administrators, Professionals, Para Professionals, Clerks and Sales & Personal Services Workers

Source : ABS Census of Population and Housing 2011; Urbis

Table 5 indicates that:

- The proportion of owner / purchaser households in the Main Trade Area overall is above the Sydney Average;
- There is a high incidence of car ownership across the Primary and Main Trade Area, both car ownership and households with two or more cars being above the Sydney average;
- There is a higher incidence of family households with children under 15 in the Primary and Main Trade Areas than the Sydney average, and the average household size is above the Sydney average;
- Income per capita is -15% below the Sydney average in the primary Trade Area and -10% below average across the Main Trade Area as a whole;

- The proportion of households with income above \$78,000 is lower than the Sydney average in both the Primary and Main Trade Area.

Overall the socio economic profile of the Main Trade Area contains a significant proportion of family owner / purchaser households with a highly mobile (and car dependent) population. Typically these types of households are keen renovators, adapting dwellings as family circumstances change over time, and being car dependent they respond well to the accessible and convenient large store format of Masters. As income levels are below the Sydney average, residents are also likely to respond positively to increased competition within the home improvement retail market.

3 Trade Area Household Expenditure

The “home improvement” market defined in this statement reflects the spending market available to the proposed Masters store. The home improvement market is derived from two key segments, namely “hardware/garden” and “other home improvement”. The sum of these markets forms the basis for the Main Trade Area spending analysis and the store turnover and impact assessment presented in this statement.

This section focuses on home improvement spending generated from the household or resident sector. An analysis of store turnover likely to be derived from the non-household sector is presented in Section 3.3.

3.1 METHODOLOGY

The retail spending estimates outlined below are derived using MarketInfo, a micro-simulation model developed by MDS Market Data Systems Pty Ltd and now widely used throughout the retail consultancy and retail network strategy industries. This model is based on information from the ABS’ Household Expenditure Survey (HES) and the Census of Population of Housing (2011), as well as other information sources that provide up-to-date information about changes in spending behaviour and/or income levels (i.e. ABS National Accounts, Australian Taxation Statistics, etc.).

The model uses micro-simulation techniques to combine propensity to spend on particular commodities with the socio-economic characteristics of individuals to derive spending per capita estimates on a small area basis (i.e. the Census SA1 statistical areas).

The key MarketInfo spending categories which are relevant to the home improvement market are Hardware/Garden, Home Decoration, Furniture, Floor Coverings, Whitegoods, and Recreational Equipment. These categories are groupings of individual HES categories which are likely to be sold in a Masters store. For example, hardware/garden is a broad category that includes lawnmowers, hand and power tools, plants, nails, etc.

The hardware/garden market is expected to make up the majority of sales in the proposed Masters development with the other spending categories identified making up the remainder of the home improvement market.

It should be noted that retail expenditure estimates throughout the report exclude the component of turnover attributable to goods and services tax (GST), and all values are expressed in 2012 dollar terms (i.e. inflation is not included in expenditure forecasts).

3.2 DRIVERS OF PER CAPITA EXPENDITURE

As shown in Table 4 earlier, socio-economic characteristics have some effect on the propensity of trade area residents to spend on home improvement goods. In addition to these demographic drivers, home improvement spending is also broadly driven by residential building activity. The key indicators of building activity include:

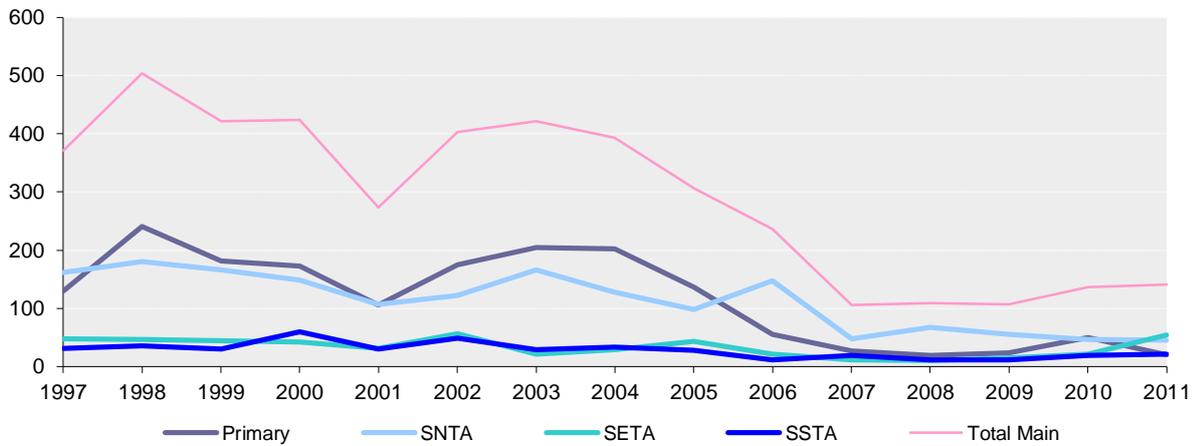
- **New Dwelling Approvals**, which are published by the ABS. The number of NDAs within the Main Trade Area in recent years is detailed in Figure 4 below. This shows that NDA activity in the MTA averaged 400 dwellings approvals per annum between 1997-2004 before falling sharply. In the last two years new dwelling approvals have begun to climb back from lows during the GFC. New dwelling approval rates will need to climb back sharply to the 1997-2004 average rate in order to achieve the Hawkesbury Council and NSW Government population forecasts for the Main Trade Area as set out in Table 2.

These indicators would not only influence household spending on home improvement goods, but would also be indicative of the trade-related market available to home improvement stores.

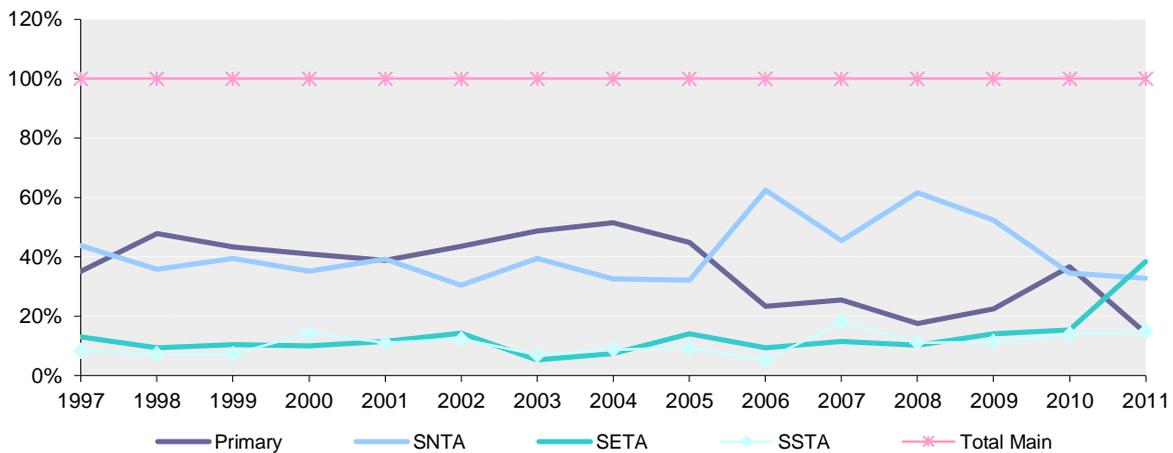
FIGURE 4 – NEW DWELLING APPROVALS 1997-2011

New Dwelling Approvals

CLARENDON MASTERS S TRADE AREA, 1997-2011



Share of New Dwelling Approvals in Trade Area Sector



Source : ABS, Building Approvals, Australia (8731.0); Urbis

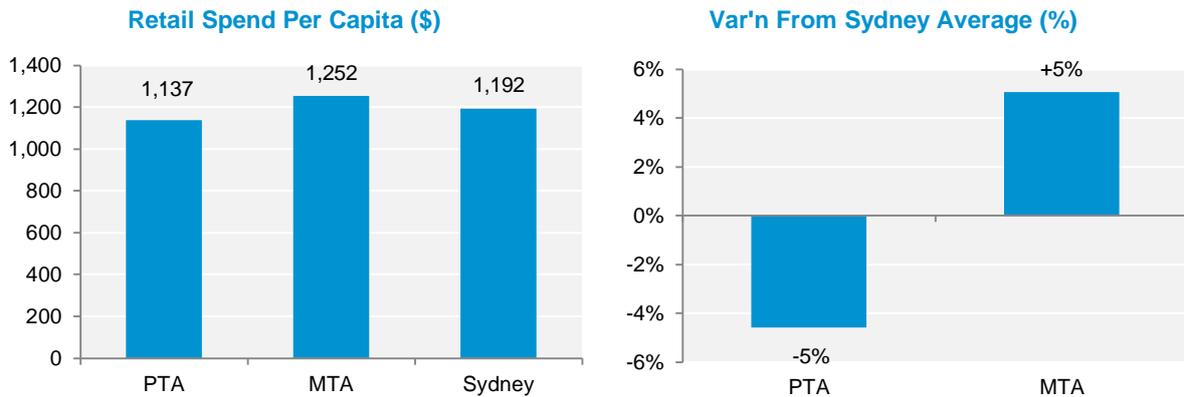
3.3 PER CAPITA HOUSEHOLD EXPENDITURE

Figure 5 demonstrates that retail spending per household on Home Improvement products is **-5%** below the Sydney Average in the Primary Trade Area, but **+5%** above the Sydney Average in the Main Trade Area overall.

FIGURE 5 – HOME IMPROVEMENT RETAIL SPEND PER CAPITA, 2012

Home Improvement Retail Spend Per Capita

CLARENDON MASTERS TRADE AREA (\$2012, EX. GST)



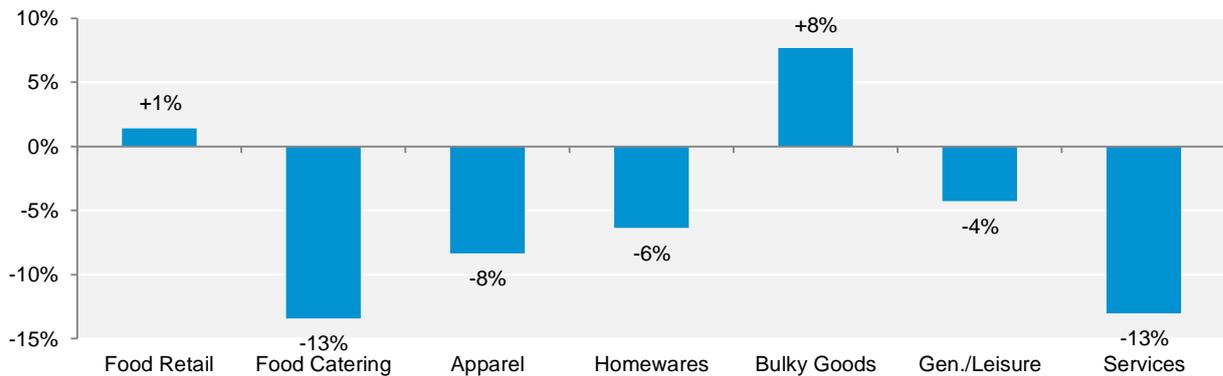
Source: MDS, MarketInfo 2010; ABS, Australian National Accounts: National Income, Expenditure and Product Accounts (5206.0); Urbis

Figure 6 demonstrates that spending in most key product categories is below the Sydney average across the Main Trade Area, with the exception of Food Retail (+1%) and bulky goods (+8%)

FIGURE 6 – RETAIL SPEND PER CAPITA BY KEY PRODUCT GROUPS – VARIATION FROM SYDNEY BENCHMARK

Retail Spending Per Capita Var'n From Sydney B'mark, 2012

CLARENDON MASTERS MAIN TRADE AREA (\$2012, EX. GST)



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

Future growth in per capita spending is based on Urbis' latest projections by product category. Forecast growth rates for NSW are summarised in Table 6 and reflect "real" growth in spending per capita (i.e. excluding the effects of population growth and inflation). The forecasts are based on the latest Australian National Accounts data and anticipated future growth trends in each category.

TABLE 6 – URBIS REAL PER CAPITA SPEND GROWTH FORECASTS

Urbis Retail Per Capita Spend Forecast¹

CLARENDON MASTERS

Home Improvement Spend Category	Product Group	2012	2013	2014	2015	2016+
Hardware						
Hardware, garden	Bulky Goods	-1.7%	0.3%	3.1%	2.5%	2.2%
Other Home Improvement						
Home decoration	Homewares	-1.3%	0.5%	4.4%	3.6%	3.0%
Furniture, floor coverings, whitegoods	Bulky Goods	-1.7%	0.3%	3.1%	2.5%	2.2%
Recreational equipment	General	-1.5%	0.4%	3.4%	2.8%	2.4%

1. Excluding inflation and population growth

Source : Urbis

3.4 TOTAL HOUSEHOLD HOME IMPROVEMENT AND HOMEMAKER EXPENDITURE

Table 7 shows that retail spending on Homemaker products in the Main Trade Area is estimated at **\$133.2m** in 2012. Spend on Home Improvement items (products predominantly stocked by Masters and shown in blue in Table 7) is estimated at **\$87.9m** in 2012.

TABLE 7 – MAIN TRADE AREA HOMEMAKER AND HOME IMPROVEMENT EXPENDITURE 2012

Hardware, Home Improvement & Homemaker Expenditure

CLARENDON MASTERS 2012 (Excl GST)

	Primary	Secondary Trade Area				Main TA
		North	East	South	Secondary	
Hardware, garden	8.1	11.6	3.0	2.9	17.6	25.7
Home Decoration	1.9	2.6	0.7	0.7	4.0	5.9
Home Entertainment Equipment	6.3	7.1	2.0	1.9	11.1	17.4
Computer Hardware & Software	3.2	3.9	1.1	1.0	5.9	9.1
Communications	1.0	0.9	0.3	0.3	1.5	2.5
Small Appliances	2.5	3.2	0.9	0.9	5.0	7.5
Manchester	2.9	3.8	1.0	1.1	5.9	8.9
Furniture	7.6	9.0	2.4	2.1	13.5	21.1
Floor Coverings	3.1	4.0	1.1	1.1	6.2	9.3
Whitegoods	7.3	8.1	2.2	1.8	12.1	19.4
Recreational Equipment	2.1	3.0	0.7	0.7	4.5	6.6
Total Home Improvement Market	30.1	38.4	10.1	9.3	57.7	87.9
Total Homemaker Market	46.1	57.4	15.4	14.3	87.1	133.2

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

Blue text denotes key Masters Home Improvement spending Categories

Future growth in the household home improvement market will be derived from population growth and real growth in spending per capita as outlined above.

By 2015, home improvement spending in the Main Trade Area is forecast to increase to **\$96.8 million**, reflecting average annual growth of 3.3% per annum and a net increase of **\$8.9m** over the period. (Refer Table 8, below).

Homemaker spending in the Main Trade Area is forecast to increase to **\$147.7m** by 2015 reflecting average annual growth of 3.5% per annum and a net increase of **\$14.5m** over the period. (Refer Table 8, below).

TABLE 8 – MAIN TRADE AREA HARDWARE, HOME IMPROVEMENT & HOMEMAKER EXPENDITURE 2012-26

MTA Hardware, Home Improvement & Homemaker Expenditure 2012-26

MASTERS CLARENDON TRADE AREA (\$2012 Excl GST)

Year	Hardware Market (\$M)		Other HI Market (\$M)		Total HI Market (\$M)		Total Homemaker (\$M) ²	
	PTA	MTA	PTA	MTA	PTA	MTA	PTA	MTA
2012	8.1	25.7	22.0	62.2	30.1	87.9	46.1	133.2
2013	8.2	26.1	22.3	63.1	30.5	89.2	46.7	135.3
2014	8.6	27.2	23.2	65.9	31.8	93.2	48.8	141.8
2015	8.9	28.3	24.1	68.5	33.0	96.8	50.8	147.7
2016	9.2	29.2	24.9	70.9	34.0	100.1	52.6	153.2
2017	9.4	30.1	25.7	73.1	35.1	103.2	54.6	159.1
2018	9.8	31.0	26.6	75.5	36.4	106.5	57.0	165.2
2019	10.1	31.9	27.6	77.9	37.7	109.8	59.4	171.6
2020	10.5	32.9	28.6	80.4	39.0	113.3	62.0	178.2
2021	10.8	33.8	29.6	83.0	40.4	116.8	64.6	185.1
2022	11.2	34.9	30.8	85.8	42.0	120.7	67.6	192.6
2023	11.7	36.0	32.1	88.9	43.8	124.9	71.0	200.7
2024	12.1	37.2	33.4	92.0	45.6	129.2	74.5	209.2
2025	12.6	38.4	34.8	95.3	47.4	133.7	78.1	218.0
2026	13.1	39.7	36.2	98.6	49.4	138.3	81.9	227.1

Spending Growth 2012-2015 (\$m)

2012-15	0.7	2.6	2.1	6.4	2.8	8.9	4.7	14.6
2012-21	2.7	8.1	7.6	20.8	10.3	29.0	18.6	51.9

Average Annual Growth

2012-15	3.0%	3.2%	3.1%	3.3%	3.0%	3.3%	3.3%	3.5%
2012-16	3.0%	3.3%	3.1%	3.3%	3.1%	3.3%	3.4%	3.6%
2016-21	3.4%	3.0%	3.6%	3.2%	3.5%	3.1%	4.2%	3.8%

1. Home Improvement includes hardware & garden, home décor, furniture, floor coverings, white goods, recreation equipment

2. Total Homemaker includes Home Improvement plus home entertainment equipment, computer hardware & software, communications, small appliances, manchester
Source: MDS, MarketInfo 2010; ABS, Australian National Accounts: National Income, Expenditure and Product Accounts (5206.0); Urbis

3.5 TOTAL RESIDENT RETAIL EXPENDITURE

Total retail spending within the Main Trade Area is shown in Table 9, below. This demonstrates that there is approximately **\$790m** (rounded) available retail expenditure from Main Trade Area residents, and this is forecast to increase to **\$838m** (rounded) by 2015, to **\$962m** (rounded) by 2021 and **\$1.1bn** by 2026.

The results of the survey are then used by the ABS to calculate the amount of wholesale sales, which is defined as “the sales of goods to businesses and other organisations”. Based on ABS data, therefore, we have estimated the proportion of retail vs. wholesale sales using the broad “hardware/garden” and “other home improvement” categories.

The percentage splits of total store sales listed in Table 10 are derived from the ABS Survey of Retail Industries, discussed above. While hardware/garden sales are split almost 50/50 between retail and wholesale, other home improvement categories are more weighted to retail sales (i.e. generally around 80/20) although there is some variation between the individual ANZSIC categories covered. It should be acknowledged that the ratios in Table 10 are a national average and the actual split between household (“Retail”) and non-household (“Wholesale”) sales will vary by geographical area and by retailer.

TABLE 10 – RETAIL VS WHOLESALE – HOME IMPROVEMENT CATEGORIES

	% Sales	
	Retail	Wholesale
Hardware, Garden	51%	49%
Other Home Improvement	<u>83%</u>	<u>17%</u>
Total Home Improvement Market	72%	28%

1. Hardware, Garden market consists of the “Hardware, Building & Garden Supplies Retailing” category.

2. Other home improvement market comprises the ANZSIC06 categories - Furniture retailing, Floor covering retailing, Electrical, electronic and gas appliance retailing, Other electrical and electric goods retailing, and Sport and camping equipment retailing.

Source: ABS, Retail and Wholesale Industries, Australia, 2005-06 (8622.0); Urbis

3.6.2 TOTAL HOME IMPROVEMENT MARKET

Based on these ratios, we have estimated non-household home improvement spending directed to retail stores. These sales, combined with available household spending in home improvement categories, generate the total home improvement market of relevance to retailers.

Home improvement “spending” from the non-household sector is estimated to be in line with the ratios identified in Table 10. Table 11 details the total home improvement market available to the proposed development. Consequently, this is estimated at **\$142.7m** in 2016, including **\$42.6m** by the non-household market.

TABLE 11 – TOTAL TRADE AREA HOME IMPROVEMENT EXPENDITURE, 2013 (\$M, EXCL GST)

Total Area Home Improvement Expenditure

CLARENDON MASTERS 2016 (Excl GST)

	Primary TA	Secondary Trade Area			Secondary	Main TA
		North	East	South		
Residential Home Improvement Market						
Hardware, garden	9.2	13.3	3.5	3.3	20.1	29.2
Home Decoration	2.2	3.1	0.8	0.8	4.7	6.9
Furniture	8.6	10.3	2.7	2.4	15.3	23.9
Floor Coverings	3.5	4.6	1.2	1.2	7.0	10.5
Whitegoods	8.2	9.3	2.5	2.0	13.8	22.0
Recreational Equipment	2.4	3.5	0.8	0.8	5.1	7.5
Total Residential Market	34.0	44.0	11.5	10.5	66.1	100.1
Non-Residential Home Improvement Market						
Homeware, garden (@49%)	8.8	12.8	3.3	3.2	19.3	28.1
Other Home Improvement (@17%)	5.1	6.3	1.6	1.5	9.4	14.5
Total Non-Household market	13.9	19.1	5.0	4.6	28.7	42.6
Total Home Improvement Market						
Homeware, garden	18.0	26.0	6.8	6.5	39.3	57.3
Other Home Improvement	30.0	37.0	9.7	8.7	55.4	85.4
Total Home Improvement Market	47.9	63.1	16.5	15.2	94.8	142.7

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

ABS, Retail and Wholesale Industries, Australia 2005-06 (8622.0)

4 Competitive Environment

This section provides a description of the centres and retail precincts considered to be of most relevance to the proposed development, and also those of importance in terms of the sub-regional retail Hierarchy.

Understanding the competition in the vicinity of the subject site is an important consideration in defining the Main Trade Area, and also affects the potential for new developments to trade successfully.

Existing retail provision is shown in Table 12 and Figure 7 below.

Fundamentally, Masters home improvement stores operate within a fairly niche market – the hardware and home improvement sector – and will typically trade most competitively with other large format hardware and home improvement stores. Trading impacts on ‘traditional’ shopping centres and retail strips are generally limited as these contain limited provision of this type of retailing.

TABLE 12 – COMPETITIVE ENVIRONMENT: MAIN TRADE AREA HOME IMPROVEMENT AND BULKY GOODS RETAIL

Competitive Environment

CLARENDON MASTERS

Location	Retail GLA ¹ (Sq.m)	Dist. ² From Centre (km.)	Major Tenants
Sub Regional Shopping Centre			
Richmond Marketplace	17,200	4.0	Big W, Woolworths
Supermarket Centres			
Richmond Mall	5,500	4.0	Coles
Windsor Marketplace	4,400	2.5	Woolworths
Windsor Riverview	8,500	2.5	Coles
North Richmond	7,000	8.0	Coles
Bulky Goods Centres and Precincts			
McGrath's Hill	21,500	6.0	Bunnings, Harvey Norman, BCF, Petbarn, Your Place
North Richmond	3,000	8.0	Stihl, Pine & Timber, Blinds, Camping & Tools
Windsor	3,400	2.5	Mitre 10, Reece, Tradline, Hawkesbury Curtains
Retail Strips			
Richmond Town Centre	18,000	4.0	ALDI
North Richmond	3,000	8.0	Franklins
Windsor Town Centre	10,000	2.5	

1. PCA, Australian Shopping Centre Database 2012 for current centres

2. Distance measured by most direct road route

Source : PCA, Australian Shopping Centre Database 2012 ; Urbis

4.1 HOME IMPROVEMENT PRECINCTS WITHIN THE MAIN TRADE AREA

There is one significant Bulky Goods / Home Improvement Precinct within the Main Trade Area – at **McGrath's Hill** as well as some smaller hardware and home improvement stores dispersed throughout Richmond, North Richmond and Windsor, however these form a small component of overall retail provision within these centres.

The McGrath's Hill Bulky Goods / Home Improvement Precinct is located on Windsor Road, some 2.5km to the south of Windsor Town centre and 4.5km to the south of the subject site.

The McGrath's Hill Precinct includes “Home Central”, a 15,600 sq.m homemaker centre which includes a 9,300 sq.m Bunnings Warehouse, a 3,000 sq.m Harvey Norman store focusing on computers & electrical and furniture, as well as Repco, BCF, Petbarn, Whitewood Warehouse and Your Place.

The broader McGrath's Hill Precinct extends along Windsor Road and contains approximately 6,000 sq.m additional home improvement / bulky goods floorspace amongst a range of light industrial units.

Additional operators in the broader precinct include Carpet Court, Kresta Kitchens and a number of other home improvement outlets.

Within Richmond, hardware and home improvement operators are limited to a number of small retailers on and to the rear of the main retail strip on Windsor Street. In addition, there are some retail premises within Richmond Business Centre on the edge of the RAAF Richmond base). Big W within Richmond Marketplace also has a section of floorspace set aside for Garden & DIY products.

At North Richmond, competing operators are clustered along the Bells Line of Road and at the intersection of Terrace Road and include Stihl as well as retailers selling BBQ's & outdoor furniture, lawnmowers, camping equipment and tools, furniture and blinds / awnings.

Hardware and home improvement retailers within Windsor and South Windsor include Reece and Tradeline within the Mileham Road / Argyle Street industrial area at South Windsor, Mitre 10 at Mileham Street.

4.2 SUB REGIONAL SHOPPING CENTRES

Richmond Marketplace is the only Sub-Regional shopping centre within the Main Trade Area. The centre, located at the corner of Lennox and Paget Streets contains a Big W Discount Department Store, a Woolworths supermarket and a range of specialty retailing. Overall the centre provides 17,200 sq.m retail floorspace.

4.3 SUPERMARKET SHOPPING CENTRES

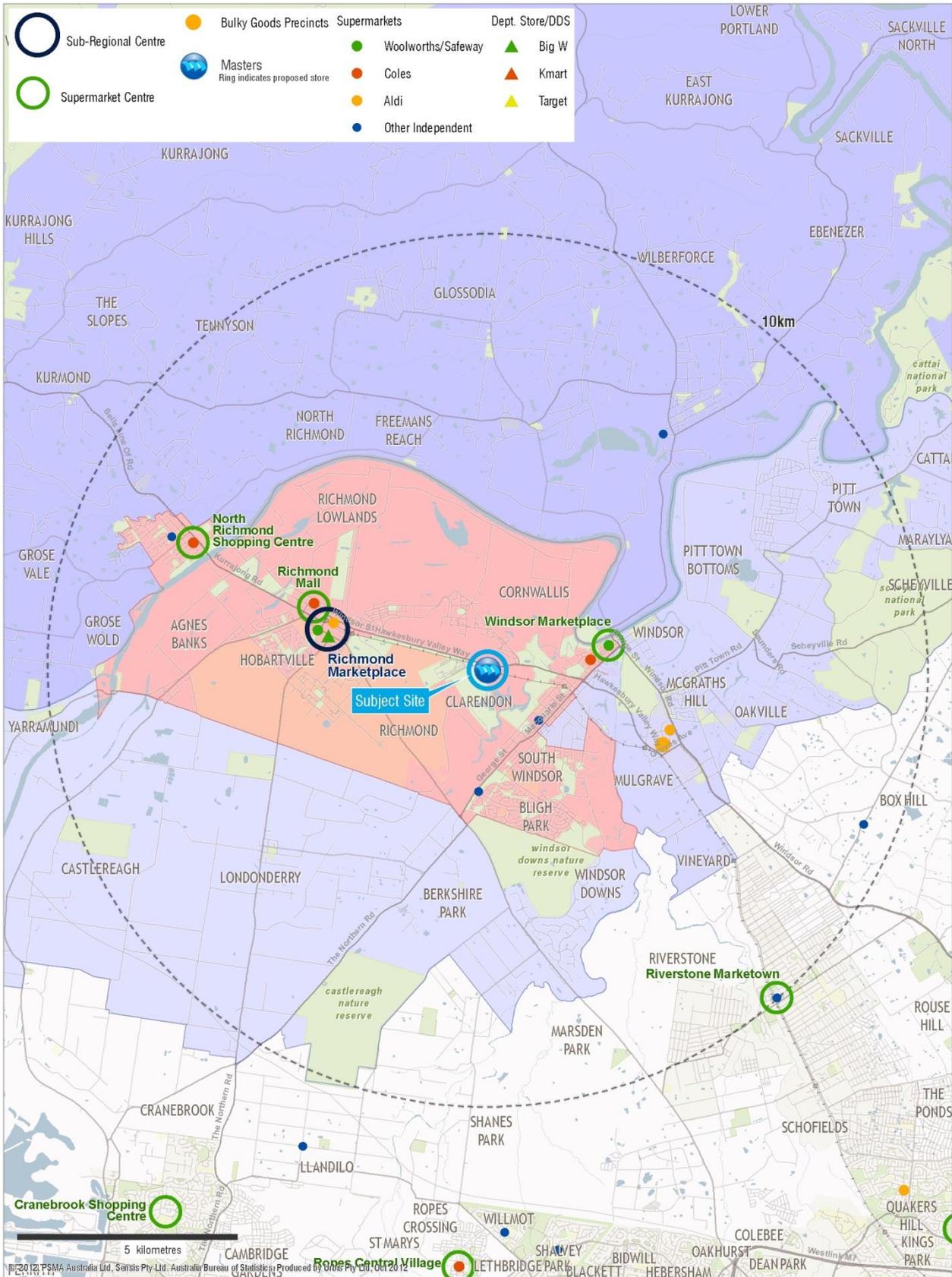
The following supermarket based shopping centres are located within the Main Trade Area

- **Richmond Mall** contains a Coles supermarket and a range of convenience focused specialty retailers, providing around 5,500 sq.m retail floorspace overall;
- **Windsor Marketplace**, located at Kable Street, Windsor is anchored by a Woolworths supermarket and 7 specialty retail tenants. It provides a food retailing function and contains 4,400 sq.m retail floorspace;
- **Windsor Riverview** Shopping centre provides around 8,500 sq.m retail floorspace and is anchored by a Coles supermarket. Specialty retailing includes a small Dick Smith, Gloria Jeans, Flight Centre and a range of food and service-related tenants.

4.4 TOWN CENTRE RETAILING

At Richmond and Windsor additional specialty retailing is focused around Windsor Street (Richmond) and George Street (Windsor). These town centres contain a mix of food and non-food specialty retailing, retail services and other commercial floorspace. Other than the hardware / home improvement retailers described in section 3.1 the majority of retailers within Richmond and Windsor would not compete directly with Masters.

FIGURE 7 – EXISTING RETAIL HIERARCHY



5 Masters Impact Analysis

5.1 APPROACH

The approach adopted in assessing the potential trading impacts and other economic effects of the proposed Clarendon Masters development is summarised in the following steps:

- Conduct a market assessment, including a review of centres of relevance to the home improvement sector (Section 4);
- Derive an estimate of the turnover potential of the proposal store and the market shares likely to be achieved (Table 13, below);
- Assess the possible impact of the turnover level achieved by the proposed development on the trading performance of other competitive centres. The impact calculated is a general impact level, with individual centre impacts not calculated but the effects discussed;
- Assess the effects of the calculated trading impacts on competing home improvement precincts and other relevant centres;
- Estimation of other economic benefits resulting from the proposed development including employment opportunities generated and other community benefits (convenience, consumer choice, etc.) which should be considered in determining whether the proposal generates a net community benefit;
- The Masters store will draw some trade from existing homemaker centres (e.g.the McGrath's Hill Homemaker Precinct) but home improvement sales in those centres are one component of sales, with the balance coming from electrical and white goods, meaning impacts will still be limited;
- In accordance with the NSW Draft Centres Policy impacts on individual retailers are not itemised as this is a normal function of competition within the marketplace.

5.2 KEY ASSUMPTIONS

Prior to discussing the results, the following assumptions and qualifications are noted:

- The Masters Clarendon store is assumed to open by the end of 2015 so that the first full year of trading is 2016;
- The forecast total turnover volume to be achieved by the proposed Clarendon Masters store from each trade area sector is as outlined in Table 13, below. The Masters store is forecast to turnover **\$24.8m** in its first full year of trading, based on a reduced size store format of 11,000 sq.m;
- The most important consideration of the impact analysis is the effect of the development on existing home improvement precincts.

TABLE 13 – CLARENDON MASTERS TURNOVER AND MARKET SHARE FORECAST 2016

Masters - Turnover and Market Share, 2016 (\$2012, ex GST)									
	Resident Spending (\$M)			Market Share Potential			Forecast Turnover		
	Hard.	Other HI	Total	Hard.	Other HI	Total	Hard.	Other HI	Total
Primary Trade Area									
Primary Trade Area	9.2	24.9	34.0	40.0%	35.0%	36.3%	3.7	8.7	12.4
Secondary Trade Area									
Secondary North	13.3	30.7	44.0	15.0%	10.0%	11.5%	2.0	3.1	5.1
Secondary East	3.5	8.0	11.5	10.0%	5.0%	6.5%	0.3	0.4	0.7
Secondary South	3.3	7.2	10.5	10.0%	5.0%	6.6%	0.3	0.4	0.7
Secondary Trade Area	20.1	46.0	66.1	13.3%	8.3%	9.8%	2.7	3.8	6.5
Total Trade Area	29.2	70.9	100.1	21.7%	17.7%	18.9%	6.3	12.5	18.9
<i>Plus Turnover From Beyond TA</i>				5.0%	5.0%	5.0%	0.3	0.6	0.9
Total Turnover from H'hold Sector (\$M)							6.7	13.2	19.8
<i>Plus Turnover From Non-Household Sector</i>				20.0%	20.0%	20.0%	1.7	3.3	5.0
Total Store Turnover (\$M)							8.3	16.5	24.8

Source : Urbis

5.3 GENERAL IMPACTS

For the purposes of this report “economic impact” on specific centres is defined to mean the probable reduction in retail turnover at various home improvement precincts and centres resulting from the introduction of new competition in the form of a new Masters home improvement store.

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

As discussed in this section, in our view it is appropriate to express the impact on particular precincts as a percentage of their potential turnover in the opening year of the proposed centre, as well as comparing impacts with the estimated current trading situation at each centre.

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

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

- **Turnover impact** representing the reduction in turnover as a result of new competition, compared with turnover which would otherwise have been achieved by a particular centre;
- **Turnover change** represents the anticipated overall increase or decrease in turnover for a centre in the forecast year (2016 in this report) compared with the current situation (2012). This measure reflects the combination of the impact of new competitive developments, counteracted by any underlying growth in turnover which would be achieved by the centre anyway.

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

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

The effects of new competition on individual businesses are not a relevant planning consideration. The relevant consideration in planning terms relates to the ongoing ability of centres to continue to provide for

the needs of the community which they serve, and to ensure that new development does not fundamentally undermine the viability and role of existing and planned centres.

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

The impact of the proposed development on surrounding home improvement precincts is presented in Table 14.

TABLE 14 – CLARENDON MASTERS IMPACT ON KEY PRECINCTS / CENTRES

Clarendon Masters - Distribution of Impact on Centres, 2016 (\$2012, ex GST)							
Shopping Area	Est. Retail Turnover (\$M) ¹			Turnover Incr./Decr. (\$M)		IMPACT	
	Existing	Pre-Exp ¹	Post Exp.	Relative to:		Relative to:	
	2012 (1)	2016 (2)	2016 (3)	2012 (4)=(3)-(1)	2016 (5)=(3)-(2)	2012 (6)=(4)/(1)	2016 (7)=(5)/(2)
Clarendon Masters	0.0	0.0	24.8	+24.8	+24.8	0.0	0.0
Competing Centres							
McGrath's Hill (All Retail)	66.4	68.5	58.2	-8.2	-10.3	-12.4%	-15.0%
Richmond (All Retail)	236.1	241.7	238.9	+2.8	-2.8	+1.2%	-1.2%
North Richmond (All Retail)	72.0	74.7	72.0	-0.0	-2.7	-0.0%	-3.6%
Windsor (All Retail)	132.7	136.5	134.8	+2.1	-1.7	+1.6%	-1.3%
South Windsor (All Retail)	21.4	22.4	21.3	-0.0	-1.1	-0.0%	-4.8%
Total Above Centres	528.5	543.8	525.2	-3.3	-18.6	-0.6%	-3.4%
Other centres ³					-1.3		
Trade Sector					-5.0		
Total Competing Centres					+24.8		

1. Year ending June

2. Turnover CHANGE is a comparison to current 2012 turnover

Turnover IMPACT is a comparison to expected turnover would otherwise be in the forecast year if the subject development did not occur.

3. Includes Homemaker and Home Improvement Stores beyond the MTA

Source : PCA Australian Shopping Centre Database 2011/12, Shopping Centre News "Big Guns", "Little Guns" and "Mini Guns"; Australian Bulky Goods Directory 2011/12, Google Maps, Urbis

Table 14 demonstrates the following:

- The introduction of a new Masters home improvement store into the market at 2015 will have some limited trading impacts on home improvement precincts competing within the same markets. Here we consider the average impact on those stores competing for the same market.
- As shown in Table 14, this analysis considers the available market to be the home improvement sales generated within the trade area, plus an allowance for the value of the non-household market (a total market of some \$42.6 million in 2016).
- The Masters store at Clarendon is expected to generate \$24.8m millions of turnover from this trade area market. The total impact on competing precincts within the vicinity of the MTA is **\$18.6m** i.e. excluding trade which will be drawn from further afield and from the Trades Sector.
- Therefore, the average impact of the development on the turnover of competing precincts that market will be around **-3.4%** (\$18.6million divided by \$543.8 million) relative to what stores would have achieved in 2016. We note that relative to current 2012 trading levels, all identified centres with the exception of McGrath's Hill will be trading at levels that are at or in excess of current levels by 2016.
- Note that this **-3.4%** impact is the one-off impact on home improvement sales that centres would otherwise have captured in 2016 should the Masters store not be developed. Indeed, as demonstrated in Table 8 previously, growth within the domestic Home Improvement market in the Main Trade Area between 2012-16 will generate an additional \$12.2m, with an additional \$16.7m growth between 2016 and 2021 which would absorb the impact of the proposed Masters. This excludes growth within the Trades Sector, which would contribute further to demand for Home

Improvement products, particularly if house building within the Main Trade Area increases as forecast.

- Overall, the increase in home improvement spending between 2012-2021 exceeds to the projected turnover of the new Masters store in its first year of trading which indicates that there is strong demand for a development of this type within the MTA, and that initial trading impacts can be mitigated over time.
- With the exception of the McGrath's Hill precinct, no precinct is forecast to exceed a 5% impact which demonstrates that the impacts are within a manageable range and the Masters development should not affect the ongoing viability of these precincts.
- In the case of McGrath's Hill, we note that a high proportion of the projected \$10.3m impacts are likely to be directed towards a single operator – the existing Bunnings store – as Bunnings is obviously the main direct competitor to Masters. In terms of impacts on the McGrath's Hill precinct as a whole we consider that there are likely to be a number of factors which will contribute to its ongoing viability beyond 2016, which include:
 - The fact that McGrath's Hill will continue to draw a substantial proportion of its trade from lands to the south (e.g. Mulgrave, Vineyard, Riverstone, Box Hill) which are beyond the Main Trade Area for the proposed Clarendon store. It is unlikely in our view that future residents from these areas will drive past McGrath's Hill to shop at Clarendon, therefore this is a relatively secure and growing market.
 - Linked to the above, Vineyard, Riverstone and Box Hill are within the North West Growth Centre and will experience major residential and commercial development beyond 2016 (approximately 21,500 dwellings and 62,000 new residents based on figures on the North West Growth Centre website). This level of house building will generate significant sustained demand for hardware and home improvement products from the residential and trades sectors.
 - The actions which existing retailers take will determine the eventual impact on each of them, and furthermore the actions which they each take will also determine the eventual impact on the other retailers involved. All of these factors need to be kept in mind when considering the likely impact of a retailer within the existing retail network. Existing retailers are not passive participants, but rather will play a major role in the eventual impact which they will experience. In this instance, and based on the experience elsewhere in Australia, we assume that Bunnings and other key competitors will adapt their strategy and marketing to position against increased competition in the marketplace, ultimately befitting consumers through increased price competitiveness.
- The projected impacts on Richmond town centre include a proportion directed to the home improvement component of Big W which is trading strongly and is part of the Woolworths umbrella of companies and is therefore unlikely to be substantially affected.
- Impacts on town centres in general are limited, reflecting the small component of home improvement retailing within each, and the fact that these centres will also benefit from growth in the broader Food and Non Food retail spending categories.
- As the trades sector is forecast to account for 20% or **\$5m** of the new store turnover (see Table 14), the total loss of trade from all home improvement precincts / centres not listed in Table 14 is in the order of **-\$1.3m**. This would be dispersed across a broad range of hardware and home improvement retailers throughout the metropolitan area and is not considered significant. We have assumed trades sales at no higher than 20% given the presence of a number of trades-related uses within the MTA which will also compete within this market.

5.4 EMPLOYMENT AND OTHER BENEFITS

The proposed development is expected to provide positive employment impacts both locally and in the broader economy. Masters have indicated that they expect around 180 direct jobs per store will be created during construction as well as 130-150 operational jobs per store.

Other benefits associated with the proposed development include:

- Increased competition within the home improvement sector which should result in greater choice and price savings for customers;
- Reduced travel times for Main Trade Area residents and trades workers seeking to access a range of home improvement products and services and, accordingly, potential vehicle emission savings (particularly from trades vehicles) by minimising the need for customers to travel greater distances to make purchases; and
- Increased expenditure retention within the Main Trade Area reducing the amount of expenditure that is leaked to other LGAs, notably the Hills Shire, Blacktown and Penrith.

6 Demand for Additional Bulky Goods Retailing

The provision development concept for the site includes provision for additional bulky goods retailing to be located adjacent to the Masters building. The timing of additional bulky goods development would be subject to market demand, and is not anticipated to occur until after the development of the Masters store. Masters itself has the potential to act as an anchor for subsequent stages of development, functioning as a significant home improvement drawcard from which other home improvement and bulky goods retailers could potentially leverage sales.

To consider the likely demand for additional bulky goods retailing at the subject site we have had regard to the Total Homemaker expenditure growth shown previously in Table 8 as well as typical 'target' turnover rates for bulky goods retailers.

Table 8 identifies that total homemaker expenditure within the Main Trade Area is expected to increase by **\$94m** between 2012 and 2026. This includes growth of **\$31.8m** between 2016-2021 and a further **\$42.1m** between 2021 and 2026.

On average therefore, the Main Trade Area is expected to experience annual growth in Homemaker expenditure in the order of **\$7.4m** per annum over the period 2016-26.

Typically, turnover benchmarks for homemaker bulky goods retailers are around \$3,000 per sq.m. This reflects the large floorplates required to sell bulky items (particularly furniture) and the infrequent purchases of these items made by a typical household.

The Trade Area spending growth of \$7.4 m per annum could theoretically support an additional 2,464 sq.m of homemaker bulky goods floorspace every year between 2016-2026 at an average turnover rate of 3,000 per sq.m. This would equate to potential demand for up to **22,600 sq.m** homemaker bulky goods floorspace within the Main Trade Area between 2016 and 2026.

A portion of this spending growth (predominantly from the home improvement market) would be directed to the new Masters store and to service existing home maker retailing within the Main Trade Area (predominantly focused around McGrath's Hill at present). Nevertheless, this level of spending growth would clearly generate demand for additional home maker retailing, and there is clearly scope for additional home maker retailing to leverage off a new Masters store.

The provision of an additional 11000 **sq.m** of homemaker bulky goods retailing at the subject site would equate to around **44%** of the demand generate by growth in the spending market over that period. Urbis considers that it would be reasonable to provide planning controls that allow for this scale of development to occur over time. It would be important to ensure that the proponent provide an economic impact assessment at the time of lodging any development application for additional bulky goods floorspace to demonstrate the potential impact on existing retail precincts within the timescale envisaged.

7 Conclusion

This Economic Impact Assessment confirms that:

- There is strong growth forecast within home improvement and homemaker retail spending markets in the Main Trade Area.
- There is sufficient capacity and demand to accommodate a new Masters store at Clarendon by 2015, which could be expected to achieve sales of around \$24.8m in its first year of trading.
- The new development should not affect the ongoing viability of existing home improvement precincts. With the exception of McGrath's Hill, no precinct is forecast to exceed a 5% impact which demonstrates that the impacts are within a manageable range. Whilst the impacts on McGrath's Hill are expected to be higher (-15%) we do not consider that this is likely to affect the long term viability of the precinct as a whole.
- The proposed development is expected to provide positive employment impacts both locally and in the broader economy. Masters have indicated that they expect around 180 direct jobs per store will be created during construction as well as 130-150 operational jobs per store.

Other benefits associated with the proposed development include:

- Increased competition within the home improvement sector which should result in greater choice and price savings for customers;
- Reduced travel times for Main Trade Area residents and trades workers seeking to access a range of home improvement products and services and, accordingly, potential vehicle emission savings (particularly from trades vehicles) by minimising the need for customers to travel greater distances to make purchases; and
- Increased expenditure retention within the Main Trade Area reducing the amount of expenditure that is leaked to other LGAs.

In addition the provision of an additional 11000 sq.m of homemaker bulky goods retailing at the subject site would equate to around 44% of the demand generate by growth in the spending market over that period. Urbis considers that it would be reasonable to provide planning controls that allow for this scale of development to occur over time. It would be important to ensure that the proponent provide an economic impact assessment at the time of lodging any development application for additional bulky goods floorspace to demonstrate the potential impact on existing retail precincts within the timescale envisaged.

Sydney

Level 21, 321 Kent Street
Sydney, NSW 2000
t +02 8233 9900
f +02 8233 9966

Brisbane

Level 7, 123 Albert Street
Brisbane, QLD 4000
t +07 3007 3800
f +07 3007 3811

Melbourne

Level 12, 120 Collins Street
Melbourne, VIC 3000
t +03 8663 4888
f +03 8663 4999

Perth

Level 1, 55 St Georges Terrace
Perth, WA 6000
t +08 9346 0500
f +08 9221 1779

Australia • Asia • Middle East
w urbis.com.au e info@urbis.com.au