Crows Nest, Sydney

Woolworths Centre – Economic Need

DRAFT

October 2008

Pitney Bowes MapInfo

Pitney Bowes MapInfo
SYDNEY
Level 7, 1 Elizabeth Plaza
North Sydney NSW 2060
(02) 9437 6255

MELBOURNE
Level 20, 40 City Road (HWT)
Southbank VIC 3006
(03) 9694 3300

Prepared for: Woolworths Limited Pty Ltd

Pitney Bowes MapInfo staff responsible for this report:

Gavin Duane, Director, Client Services

Greg Malempre, Principal Consultant

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Introduction

This report presents a summary of the economic issues relevant to the demand and market scope for a proposed Woolworths supermarket anchored development at Crows Nest, on the Lower North Shore of Sydney. The proposed development, if approved and constructed, would result in the closure of the existing Crows Nest Woolworths supermarket at the same site. The report also considers the economic issues that would result from the proposed development.

The report considers the following key topics:

- The regional and local context of the site.
- The proposed composition of the development.
- The trade area likely to be served by the proposal.
- The competitive environment within which the development would operate.
- A summary of the economic issues relating to the proposed development of a Woolworths supermarket anchored centre, including likely projected impacts on competitive facilities and positive impacts such as employment generation.

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Key findings

The key findings of this assessment relating to the economic need and market scope for the proposed Crows Nest Woolworths Centre are as follows:

Background

i. The suburb of Crows Nest is located on the Lower North Shore of Sydney, approximately 5 km from the Sydney Central Business District (CBD) (refer Map 1).

ii. Crows Nest is a popular destination on the Lower North Shore, reflecting the large provision of retail floorspace, particularly cafés and restaurant facilities. In addition to the retail floorspace, there is also a provision of commercial floorspace at Crows Nest. The North Sydney CBD is also located less than 2 km to the south.

iii. The Crows Nest Town Centre is generally focused around the Pacific Highway and Falcon Street intersection and extends along both sides of the north-south aligned Willoughby Road to Atchison Street.

iv. Accessibility to Crows Nest is excellent from both a regional and local perspective with the Pacific Highway being the major north-south traffic route throughout this part of Sydney, with other roads including Willoughby Road and Falcon Street providing access into the Town Centre.

v. Woolworths currently operate a supermarket of 1,600 sq.m within the Crows Nest Town Centre in the block bounded by Burlington Street to the north, Alexander Lane to the east, Falcon Street to the south and Alexander Street to the west (refer Map 2). The adjoining site to the Woolworths supermarket is owned by Council and is currently used for carparking purposes (not exclusively for Woolworths).

vi. Woolworths now propose a mixed use development at the existing Woolworths owned site and the adjoining Council carpark. The proposed development would include:

- A two level Woolworths supermarket of 4,010 sq.m
- 452 sq.m of retail specialty shop floorspace with frontage to Burlington Street
- Four levels of decked carparking with a total of 274 spaces

vii. The proposed development would comprise 4,462 sq.m of gross lettable area. The existing Woolworths of 1,600 sq.m at the Crows Nest site would be demolished as part of the proposal. The increase in total lettable floorspace, therefore, would be some 2,862 sq.m, with an increase in supermarket floorspace of 2,410 sq.m.

viii. Figures 1-6 highlights the proposed centre layout with the supermarket to be provided over the basement and ground floor levels. Retail specialty shops would also be provided on the ground level that would front Burlington Street. Car parking would be provided above the retail levels.

ix. Currently, the nearest supermarket to Woolworths at Crows Nest is a Franklins supermarket of 1,142 sq.m at Crows Nest Plaza. It is understood that a development application has recently been submitted to Council for the demolition of this existing centre and the construction of a new four level mixed use development including two levels of retail in addition to residential floorspace on the upper levels. The proposed retail component of the expanded centre would total approximately 8,100 sq.m with an expanded Franklins supermarket (2,181 sq.m), a new Coles supermarket (2,727 sq.m), a mini-major store (i.e. a retail tenant of 400 sq.m or larger) and a provision of specialty floorspace. Five levels of basement carparking would be provided.

x. Overall, the proposed Crows Nest Woolworths development would provide a modern supermarket anchored centre that would have significantly more appeal than the current store. The development would provide a more extensive supermarket offer and increased amenity for the surrounding population. The proposed development would also better anchor the southern end of the Town Centre with a redeveloped Crows Nest Plaza, including a larger Franklins and Coles, anchoring the northern end of the Town Centre.

Map 1: Woolworths Crows Nest

Regional Context

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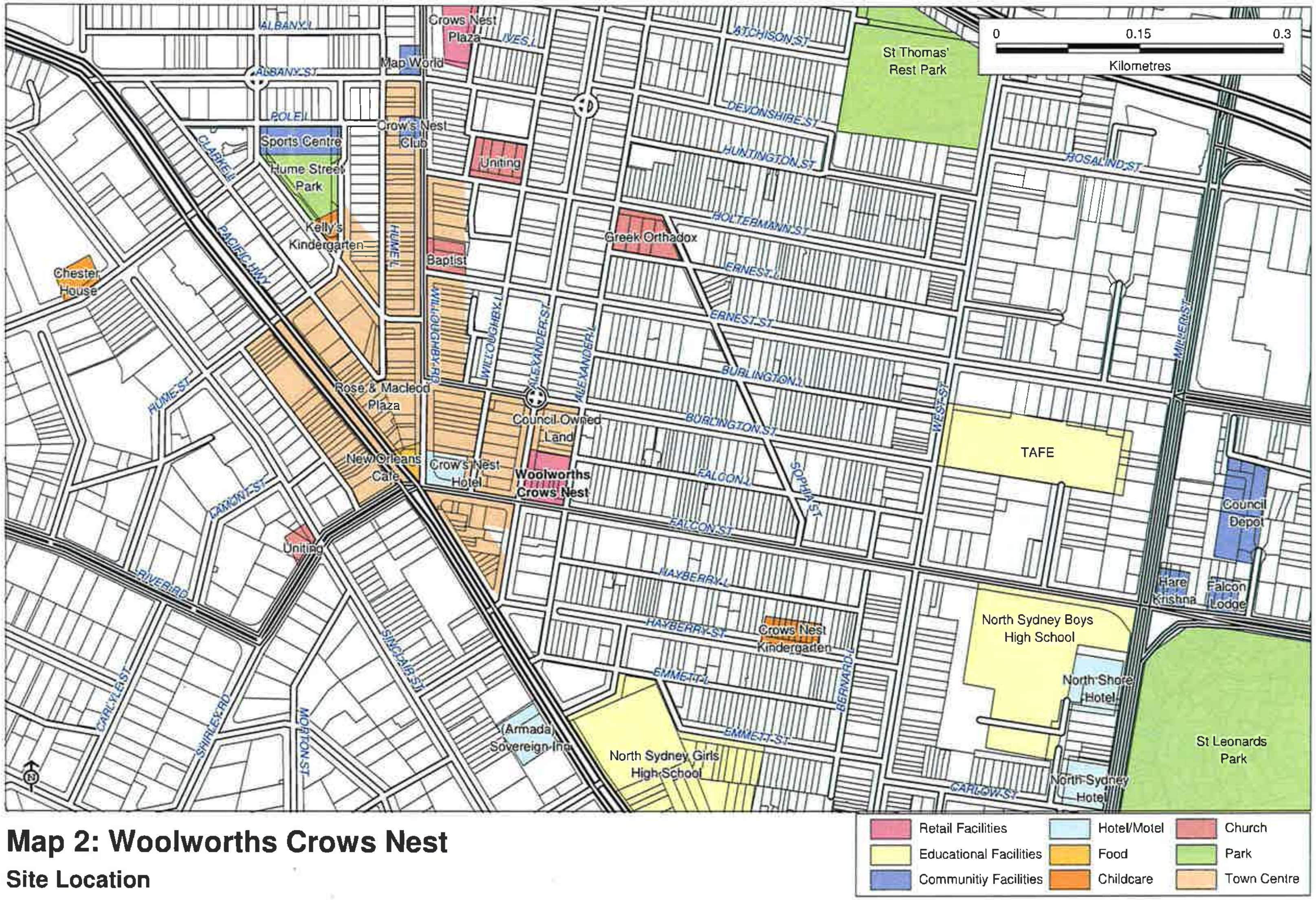
Kilometres



Map 2: Woolworths Crows Nest

Site Location

Pitney Bowes MapInfo

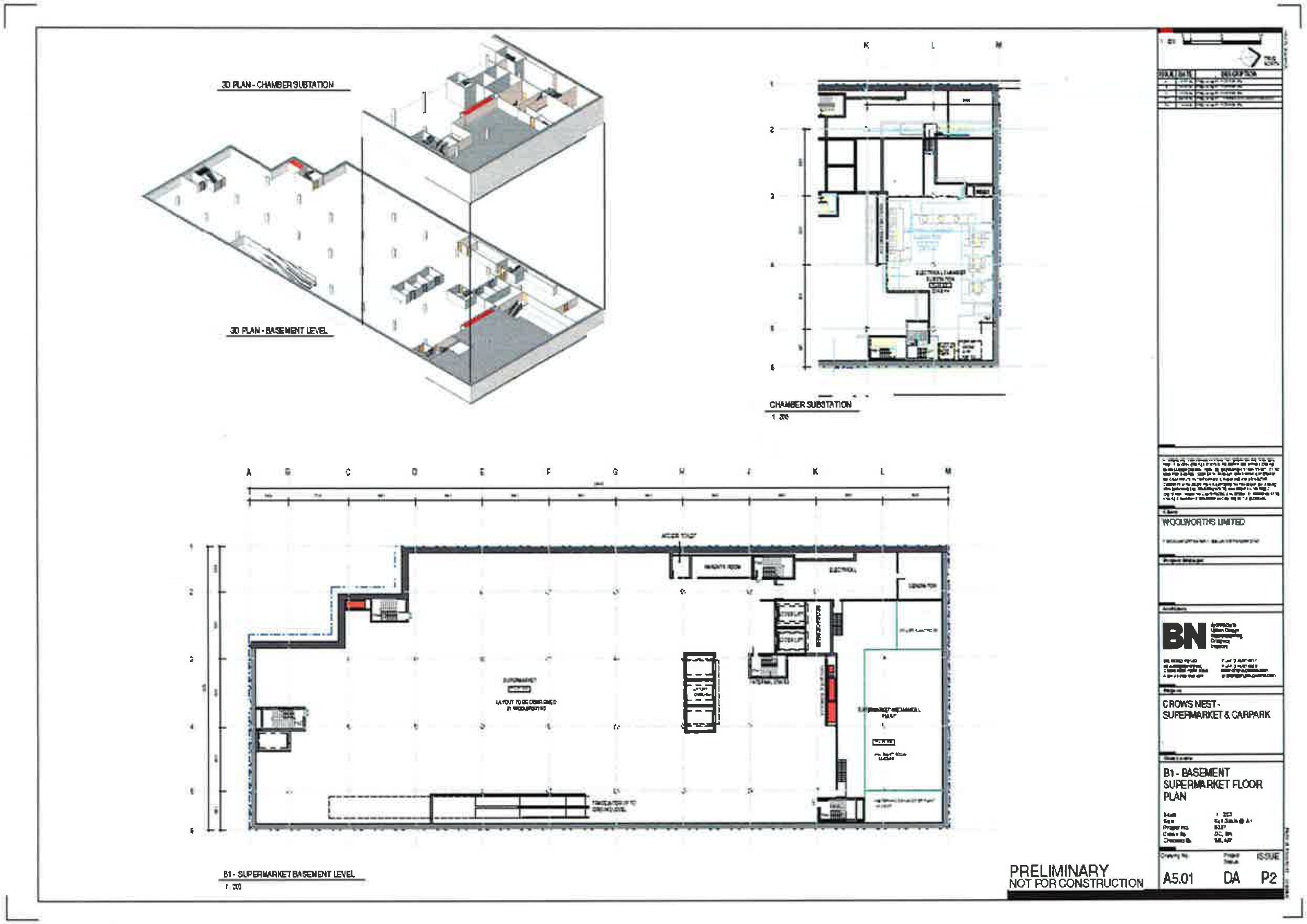

3D PLAN - CHAMBER SUBSTATION
3D PLAN - BASEMENT LEVEL
CHAMBER SUBSTATION
B1 - SUPERMARKET BASEMENT LEVEL
WOOLWORTHS LIMITED
BN
CROWS NEST - SUPERMARKET & CARPARK
B1 - BASEMENT SUPERMARKET FLOOR PLAN
A5.01
DA
P2
ISSUE
PRELIMINARY
NOT FOR CONSTRUCTION

Figure 1

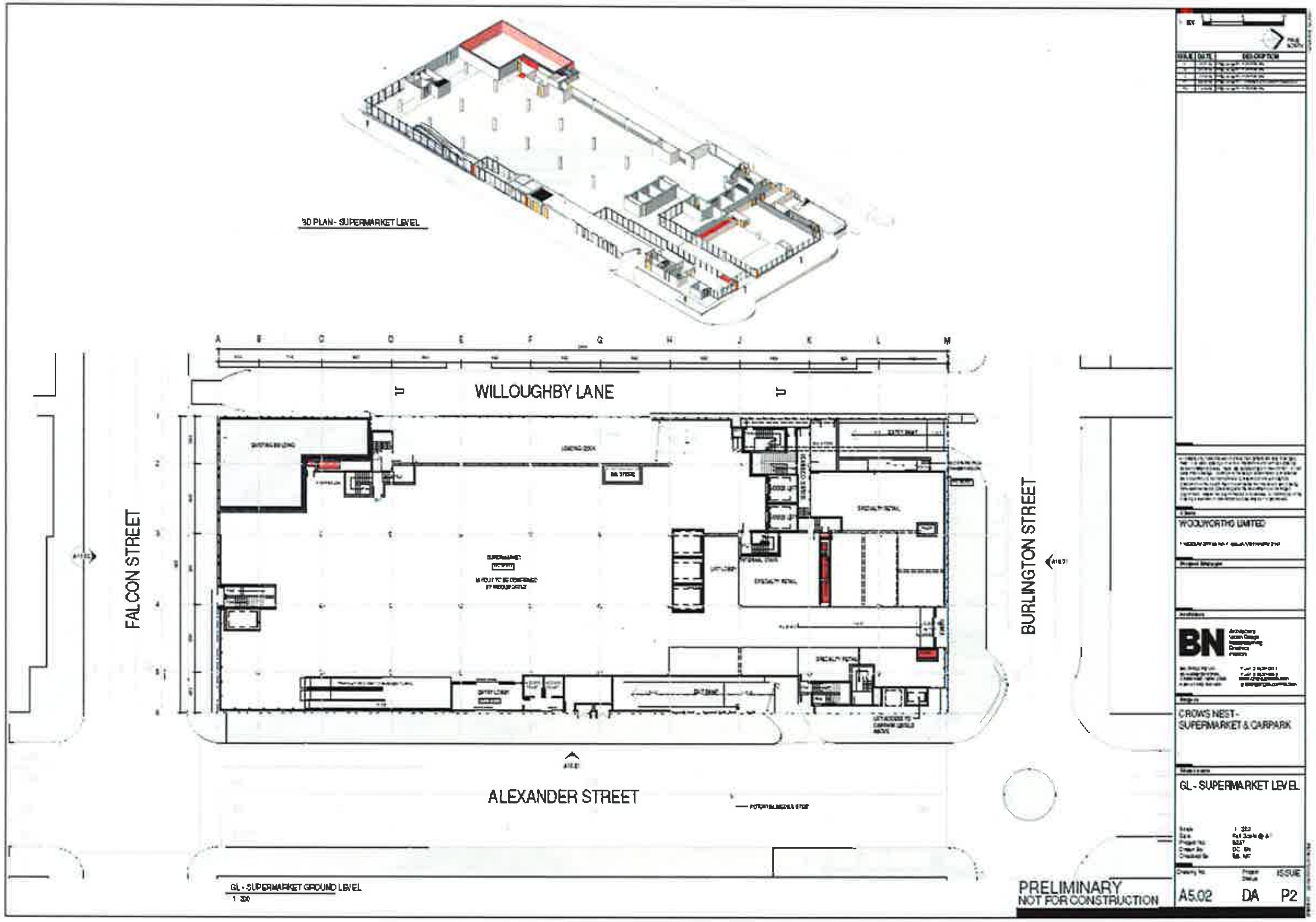

3D PLAN - SUPERMARKET LEVEL
WILLOUGHBY LANE
FALCON STREET
BURLINGTON STREET
ALEXANDER STREET
GL - SUPERMARKET GROUND LEVEL
PRELIMINARY
NOT FOR CONSTRUCTION
WOOLWORTHS LIMITED
BN
CROWS NEST -
SUPERMARKET & CARPARK
GL - SUPERMARKET LEVEL
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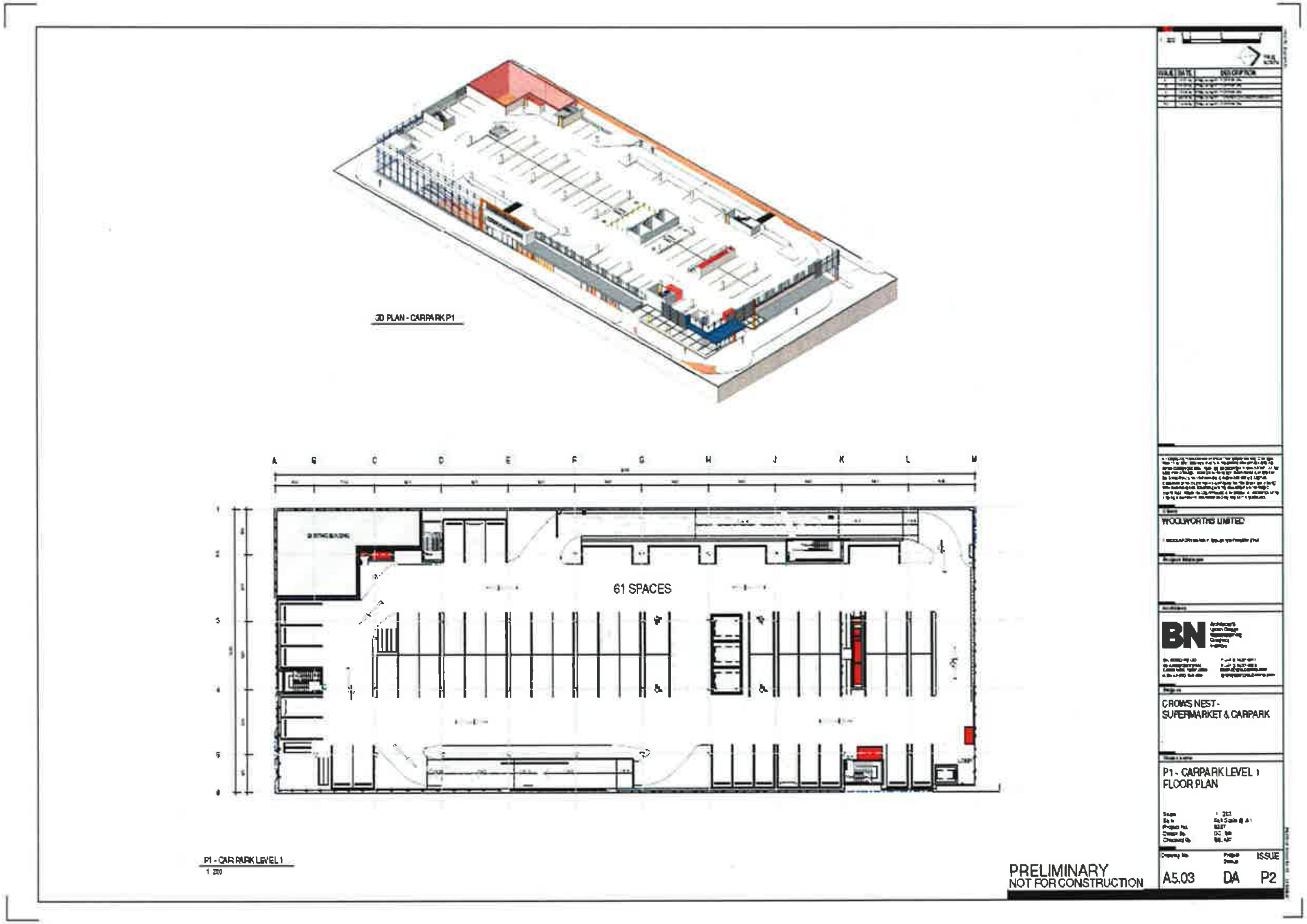
Figure 2


3D PLAN - CARPARK P1
61 SPACES
P1 - CARPARK LEVEL 1
PRELIMINARY
NOT FOR CONSTRUCTION
WOOLWORTHS LIMITED
BN
CROWS NEST -
SUPERMARKET & CARPARK
P1 - CARPARK LEVEL 1
FLOOR PLAN
ISSUE
A5.03
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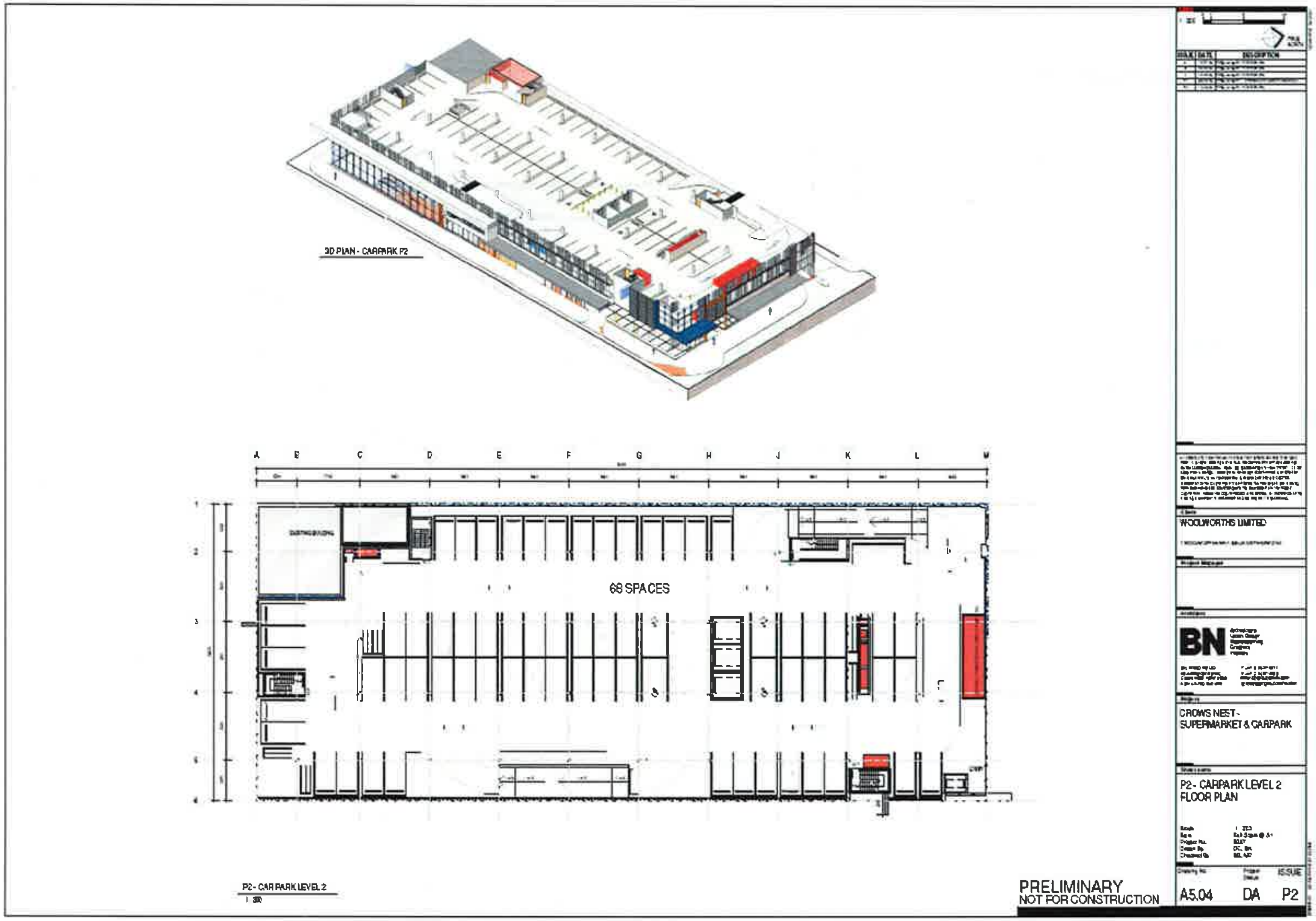
P2

Figure 3


3D PLAN - CARPARK P2
68 SPACES
P2 - CAR PARK LEVEL 2
PRELIMINARY
NOT FOR CONSTRUCTION
WOOLWORTHS LIMITED
BN
CROWS NEST -
SUPERMARKET & CARPARK
P2 - CARPARK LEVEL 2
FLOOR PLAN
A5.04
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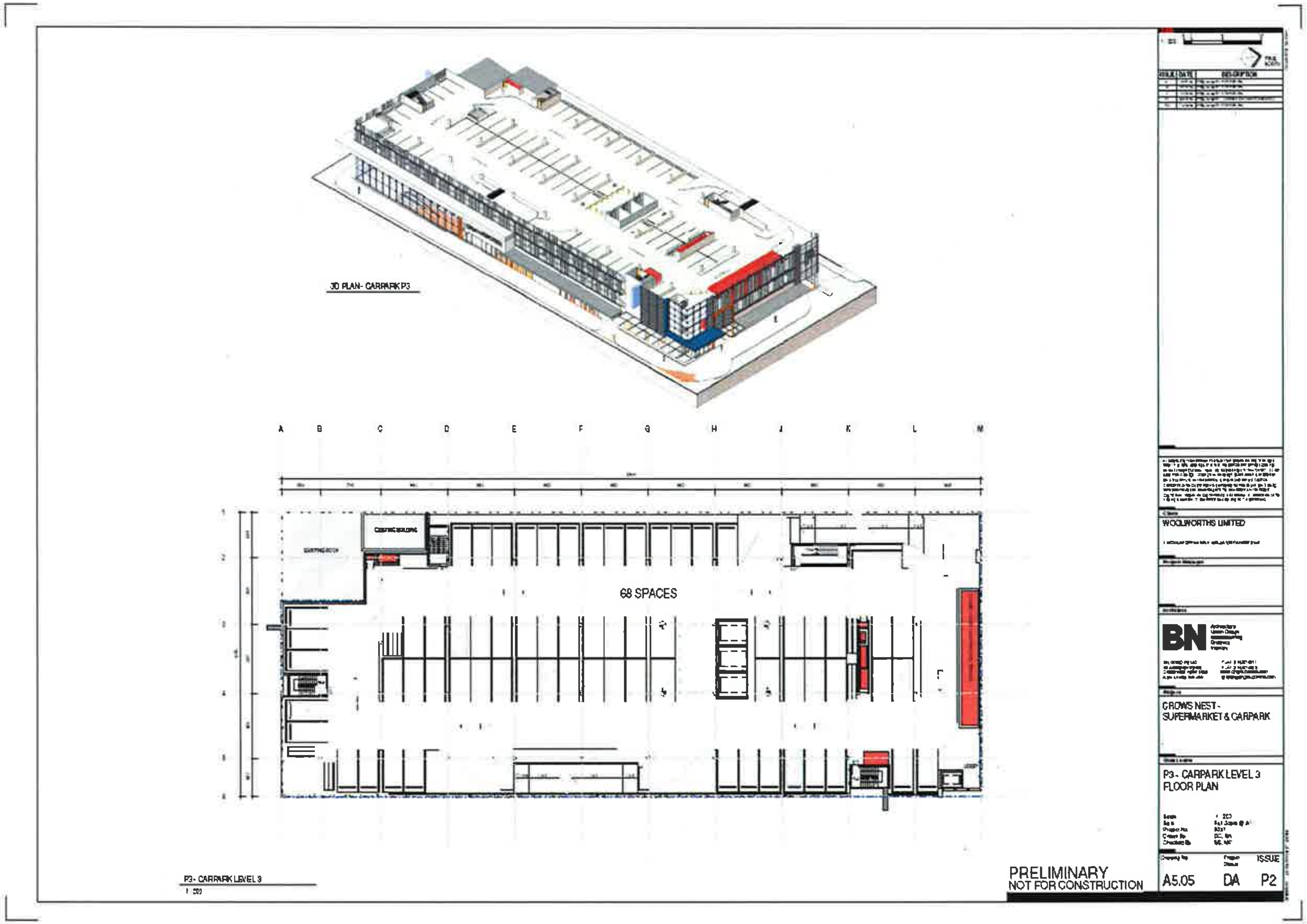
P2
ISSUE

Figure 4


3D PLAN - CARPARK P3
68 SPACES
P3 - CARPARK LEVEL 3
PRELIMINARY
NOT FOR CONSTRUCTION
WOOLWORTHS LIMITED
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CROWS NEST -
SUPERMARKET & CARPARK
P3 - CARPARK LEVEL 3
FLOOR PLAN
ISSUE
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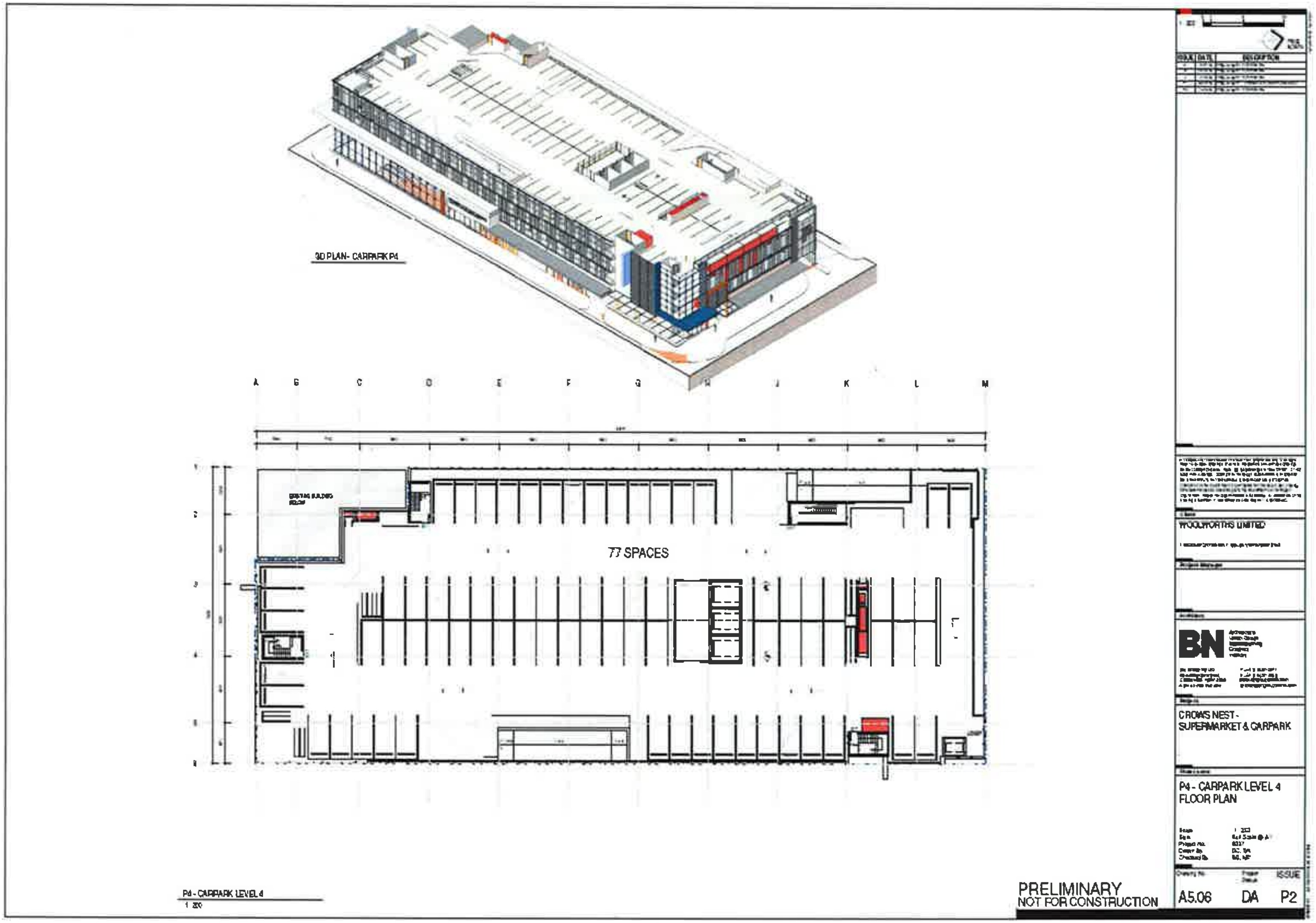
P2

Figure 5


3D PLAN - CARPARK P4
77 SPACES
P4 - CARPARK LEVEL 4
PRELIMINARY
NOT FOR CONSTRUCTION
WOOLWORTHS LIMITED
BN
CROWS NEST -
SUPERMARKET & CARPARK
P4 - CARPARK LEVEL 4
FLOOR PLAN
A5.06
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P2
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Figure 6

Trade area analysis

i. The trade area likely to be served by the proposed Woolworths supermarket development in the Crows Nest Town Centre is illustrated on Map 3 and is defined to include a primary sector and a secondary sector as follows:

- The **primary sector** is limited to the north and east by the alignment of the Pacific Highway and to the south by Sydney Harbour. This sector incorporates the suburbs of Milsons Point, North Sydney, Waverton, Greenwich, Wollstonecraft, St Leonards and Crows Nest.

- The **secondary sector** is situated to the north-east of the proposed site, on the northern (eastern) side of the Pacific Highway. This sector encompasses the suburbs of Naremburn and Cammeray.

ii. The combination of the primary and secondary sector is referred to as the main trade area throughout the remainder of this report and generally extends 2 – 3 km in all directions.

iii. Table 2 details the existing and projected population levels within the defined Crows Nest main trade area. The current main trade area population is estimated at 44,930, including 38,650 persons in the primary sector.

iv. Over the last Census period (2001-2006), the main trade area population increased by an average of 668 persons, or 1.6% per annum. Population growth over this period was strongest in the primary sector.

v. Map 4 highlights the new dwelling approval activity throughout the region over the period 2001-2006. As shown, the majority of new dwelling approval activity has been focused around Crows Nest.

vi. The *Draft Inner North Sub-regional Strategy* prepared by the New South Wales Government proposes an additional 30,000 dwellings (some 75,000 persons) and some 60,000 jobs throughout the Hunters Hill, North Sydney, Lane Cove, Mosman, Ryde and Willoughby Local Government Areas. As such, there will be increased demand for additional retail floorspace, including supermarket facilities.

vii. Over the forecast period, the main trade area population is projected to grow by an average of 480 persons, or 1.0% per annum. Residential development throughout the main trade area will mainly be in the form of in-fill, multi-unit developments, reflecting the established nature of this part of Sydney.

viii. Table 3 summarises the socio-demographic profile of the Crows Nest main trade area population by sector, based on the results of the 2006 Census of Population and Housing. In each instance, the characteristics of the main trade area population are compared with the Sydney metropolitan averages. In summary, the main trade area population is older than the benchmark; they earn significantly higher than average incomes on both a per capita and per household basis and there are an above average proportion of persons residing in households consisting of couples without children and of a lone person. A higher than average proportion of the main trade area population do not own a car, particularly in the primary sector.

ix. The socio-demographic profile of the main trade area population indicates a likely strong affinity for convenience based supermarket facilities.

x. Chart 1 illustrates the retail spending capacity of the defined main trade area population as compared with the respective Sydney metropolitan averages. Overall, the retail spending level, at $16,898 per person, is 36.9% above the benchmark.

xi. Table 4 summarises the current and projected retail expenditure of the main trade area population over the period to 2021. All retail spending forecasts include GST and are presented in constant 2008 dollars (i.e. excluding retail inflation). The estimated current level of retail expenditure for the main trade area population is $754.3 million and is projected to increase by an average of 2.0% per annum to $978.9 million in 2021.

Table 1
Crows Nest Main Trade Area Population, 1996-2021

Trade Area Sector	Estimated Resident Population 1996	2001	2006	2008	Forecast Population 2011	2016	2021
Primary Sector	31,110	34,490	37,600	38,650	40,000	42,250	44,250
Secondary Sector	5,790	5,950	6,180	6,280	6,430	6,630	6,880
Main Trade Area	**36,900**	**40,440**	**43,780**	**44,930**	**46,430**	**48,880**	**51,130**

Average Annual Change (No.)	1996-2001	2001-2006	2006-2008	2008-2011	2011-2016	2016-2021
Primary Sector	676	622	525	450	450	400
Secondary Sector	32	46	50	50	40	50
Main Trade Area	**708**	**668**	**575**	**500**	**490**	**450**

Average Annual Change (%)	1996-2001	2001-2006	2006-2008	2008-2011	2011-2016	2016-2021
Primary Sector	2.1%	1.7%	1.4%	1.2%	1.1%	0.9%
Secondary Sector	0.5%	0.8%	0.8%	0.8%	0.6%	0.7%
Main Trade Area	**1.8%**	**1.6%**	**1.3%**	**1.1%**	**1.0%**	**0.9%**
Australian Average	**1.2%**	**1.2%**	**0.9%**	**0.9%**	**1.0%**	**0.9%**

**as at June*
Sources : ABS; Planning NSW; Pitney Bowes MapInfo

Table 2

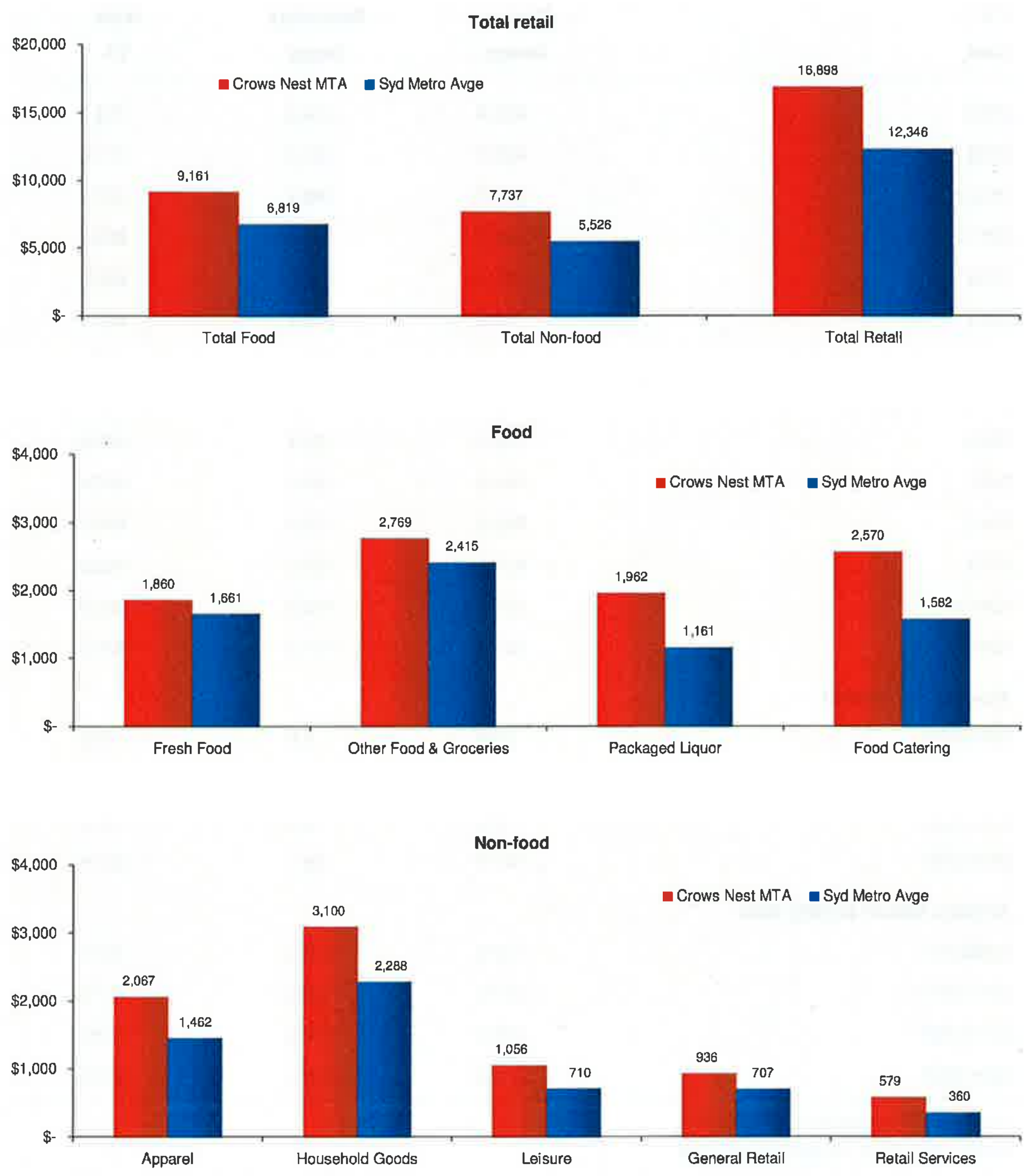
Socio-Demographic Profile of the Crows Nest Main Trade Area Population

Characteristics	Primary Sector	Secondary Sector	Main TA	Syd Metro Average
Average Per Capita Income	$60,979	$60,325	$60,886	$30,969
Per Capita Income Variation	96.9%	94.8%	96.6%	n.a.
Average Household Income	$121,688	$132,857	$123,135	$82,406
Household Income Variation	47.7%	61.2%	49.4%	n.a.
Average Household Size	2.0	2.2	2.0	2.7
Age Distribution (% of Pop'n)				
Aged 0-14	10.4%	16.0%	11.2%	19.6%
Aged 15-19	3.6%	3.5%	3.6%	6.6%
Aged 20-29	22.4%	14.7%	21.3%	14.6%
Aged 30-39	23.7%	22.0%	23.4%	15.6%
Aged 40-49	13.1%	16.2%	13.5%	14.7%
Aged 50-59	11.9%	13.3%	12.1%	12.2%
Aged 60+	14.9%	14.3%	14.8%	16.7%
Average Age	37.9	37.4	37.8	36.6
Housing Status (% of H'holds)				
Owner/Purchaser	48.6%	60.4%	50.3%	67.0%
Renter	51.1%	38.9%	49.3%	32.3%
Other	0.3%	0.7%	0.4%	0.8%
Birthplace (% of Pop'n)				
Australian Born	61.0%	69.2%	62.1%	65.5%
Overseas Born	39.0%	30.8%	37.9%	34.4%
• Asia	16.1%	7.3%	14.9%	13.0%
• Europe	12.8%	13.3%	12.9%	11.6%
• Other	10.1%	10.2%	10.1%	9.9%
Family Type (% of Pop'n)				
Couple with dep't children	30.0%	40.4%	31.5%	47.9%
Couple with non-dep't child.	4.3%	4.5%	4.3%	9.5%
Couple without children	34.6%	27.6%	33.6%	19.7%
Single with dep't child.	4.7%	7.4%	5.0%	8.5%
Single with non-dep't child.	2.8%	2.8%	2.8%	3.7%
Other family	2.4%	1.6%	2.3%	1.2%
Lone person	21.3%	15.7%	20.5%	9.4%

Sources : ABS Census of Population and Housing 2006; Pitney Bowes MapInfo

Chart 1

Crows Nest Main Trade Area - Retail Spending Per Person, 2007/08



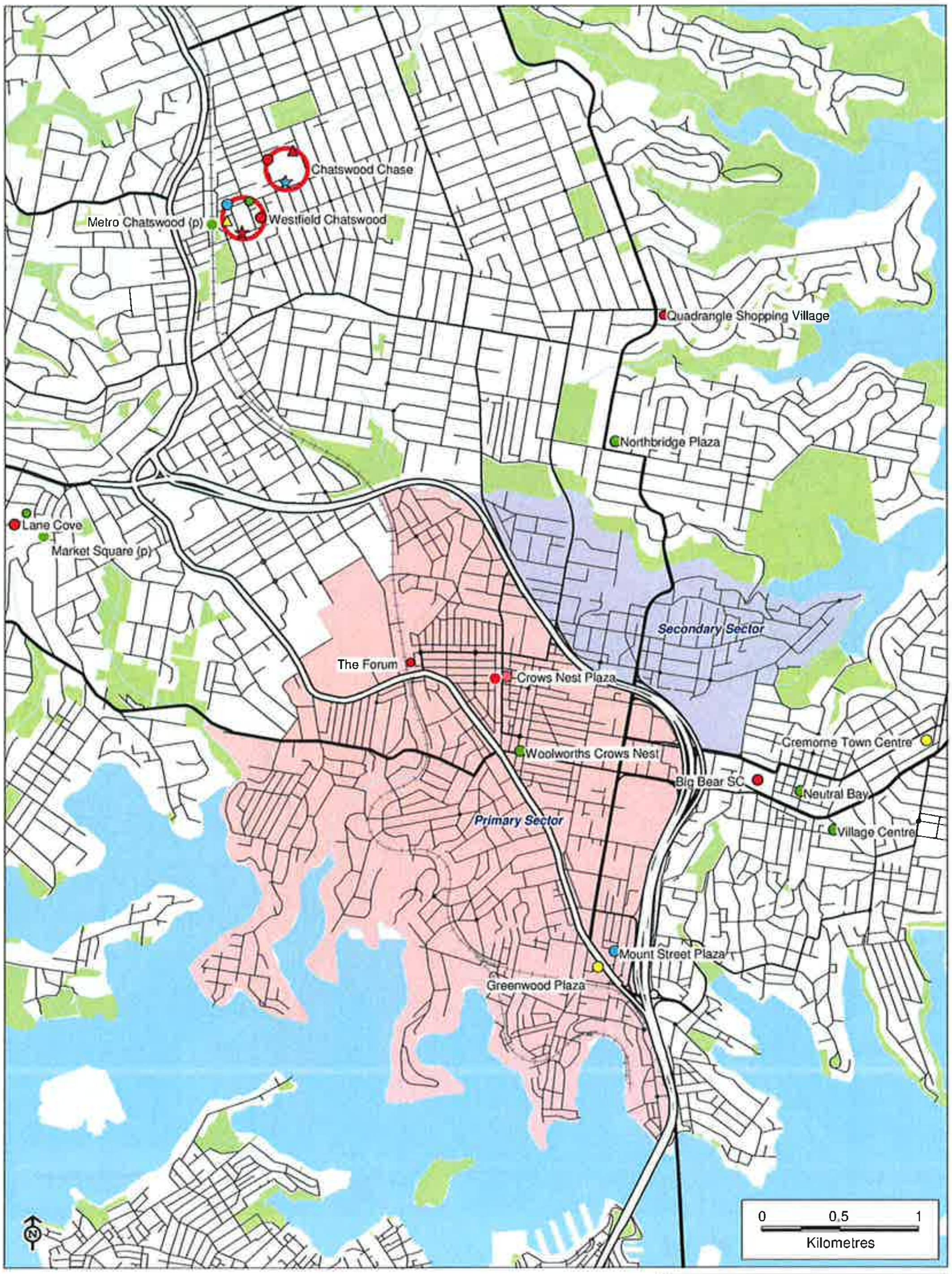
Source : Marketinfo; Pitney Bowes MapInfo

Table 3

Crows Nest Main Trade Area Retail Expenditure, 2008-2021* ($M)

Y/E June	Primary Sector	Secondary Sector	Main TA
2008	648.9	105.4	754.3
2009	663.7	107.3	771.0
2010	678.1	109.2	787.3
2011	692.7	111.2	803.9
2012	707.5	113.1	820.6
2013	722.5	114.9	837.4
2014	737.7	116.8	854.5
2015	753.3	118.7	872.0
2016	769.2	120.6	889.8
2017	784.8	122.6	907.4
2018	800.0	124.8	924.8
2019	815.5	127.0	942.5
2020	831.3	129.2	960.5
2021	847.4	131.5	978.9
Expenditure Growth			
2008-2011	43.8	5.8	49.6
2011-2016	76.5	9.4	85.9
2016-2021	78.2	10.8	89.1
2008-2021	198.5	26.1	224.6
Average Annual Growth Rate			
2008-2011	2.2%	1.8%	2.1%
2011-2016	2.1%	1.6%	2.1%
2016-2021	2.0%	1.7%	1.9%
2008-2021	2.1%	1.7%	2.0%

**Constant 2007/08 dollars & including GST*
Source : Marketinfo; Pitney Bowes MapInfo

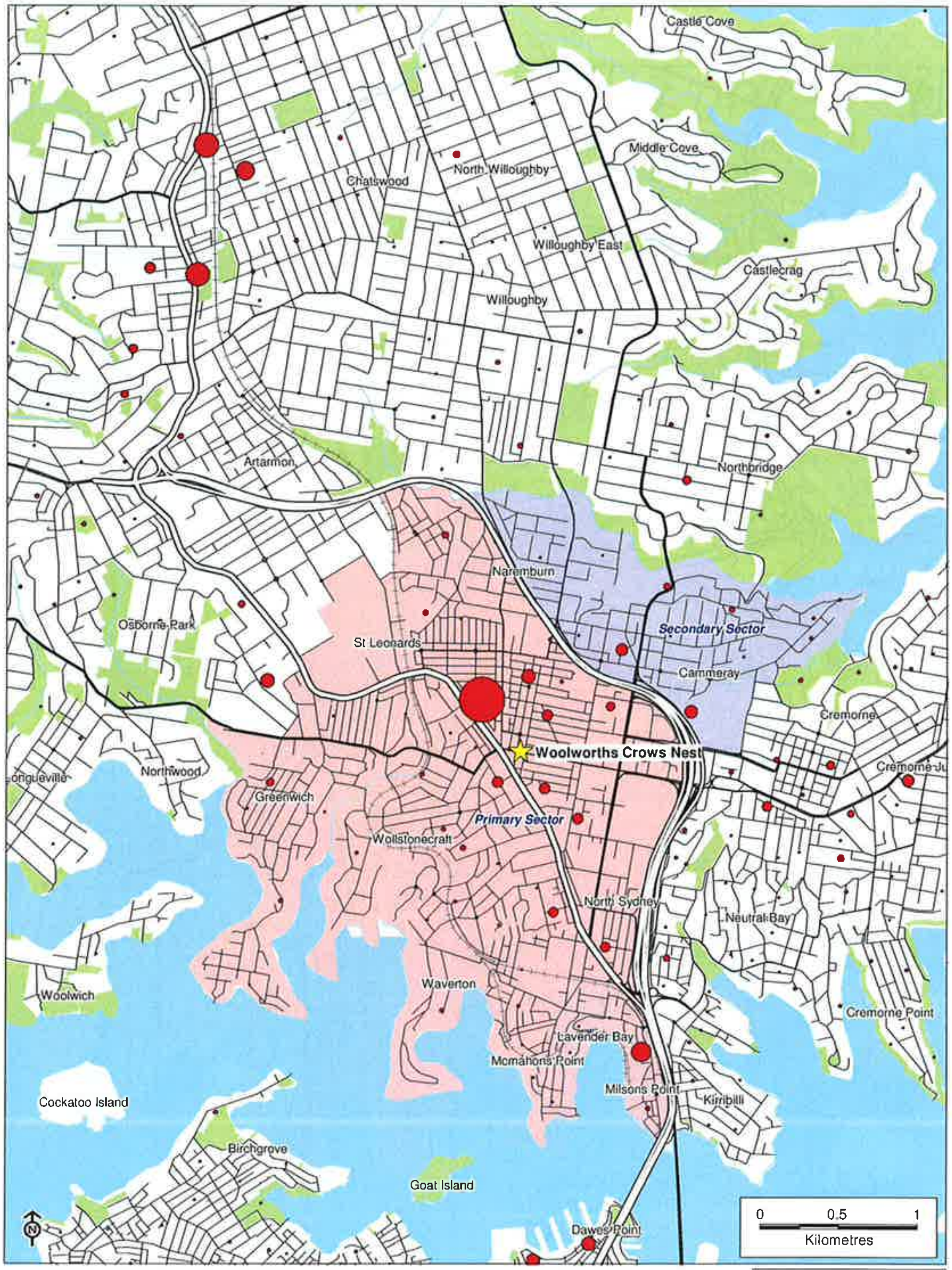


Map 3: Crows Nest

Main Trade Area & Competitive Context

Regional SC	Woolworths
Myer	Coles
David Jones	Bi-Lo
Kmart	Aldi
Target	IGA

**Halo objects indicate proposed stores*



Map 4: Crows Nest

New Dwelling Approvals, 2001-2006

New Dwelling Approvals
500
250
50

Competitive environment

i. Table 4 details the provision of retail facilities throughout the surrounding Crows Nest region which are illustrated on the previous Map 3.

ii. Competitive centres are described as follows:

Regional Shopping Centres

i. The two main shopping centres provided in Chatswood, namely Westfield Chatswood and Chatswood Chase are located beyond the defined main trade area, a roundtrip of some 10 km to the north for residents of Crows Nest. These centres are summarised as follows:

- Westfield Chatswood is a regional shopping centre (anchored by a department store) of 75,980 sq.m. This centre is currently anchored by Myer, Target, Coles (2,217 sq.m) and Aldi as well as some 285 specialty shops over five levels. The centre also includes a significant entertainment precinct with a six screen Hoyts Cinema Complex. The Woolworths Food For Less supermarket (1,877 sq.m) recently closed and was replaced by an Aldi supermarket. Total centre sales are $475 million.

- Chatswood Chase is also a regional shopping centre anchored by David Jones, Kmart, Coles (2,644 sq.m) and 150 specialty shops over four levels. Chatswood Chase has a significant mid market to high-end market apparel offer with some 50% of specialty shops being apparel traders. Centre sales are some $390 million.

  Chatswood Chase is currently being expanded and redeveloped, including the addition of some 13,700 sq.m of retail floorspace. It is understood that the development will result in an expansion of the centre into part of the existing Havilah Street carpark and also the adjoining commercial properties acquired by the centre owners at the corner of Havilah Street and Malvern Avenue. Further, it is understood that the redevelopment would involve the relocation and expansion of the Coles supermarket by some 921 sq.m to below ground at Malvern Avenue. A new mall consisting of additional retail specialty floorspace and dining area will be provided along an expanded Victoria Avenue entrance.

- Metro Chatswood is currently under construction and will include a large mixed-use development planned to include a provision of retail, commercial and residential floorspace. It is understood that the development will include a retail component of around 11,500 sq.m, including a Woolworths supermarket of 2,700 sq.m. The development is planned to have a particular focus on a strong food-court precinct. This development will integrate the Chatswood Train Station and the Bus Station and as such, will receive a high level of passing traffic.

ii. There is an extensive proportion of other retail specialty and non-retail floorspace in the Chatswood CBA.

Supermarket Centres

i. There are a number of supermarkets provided throughout the region to serve the food and grocery shopping needs of the local population.

ii. Within the main trade area, centres include:

- Crows Nest Plaza, which is currently anchored by Franklins of 1,142 sq.m, is located approximately 0.7 km north of the Crows Nest site, in the primary sector. A development application has been submitted to Council for the demolition of this existing centre and the construction of a new four level mixed use development including two levels of retail in addition to residential floorspace on the upper levels. The proposed retail component would total approximately 8,100 sq.m with an expanded Franklins supermarket (2,181 sq.m), a new Coles supermarket (2,727 sq.m), a mini-major store and a provision of specialty floorspace. Five levels of basement carparking would be provided.

- A Coles supermarket of 800 sq.m at The Forum in St Leonards, situated within the primary sector, approximately 0.9 km north-west of the existing Crows Nest site.

- An IGA supermarket of 713 sq.m is provided at Greenwood Plaza in North Sydney, approximately 1.4 km south of the site.

- An Aldi supermarket at Mount Street Plaza also in North Sydney, approximately 1.6 km south of the Crows Nest site.

iii. In the secondary sector, Cammeray Square is under construction at the former Clarke and Walker Mitre 10 site at the south-western corner of Miller Street and Amherst Street. In total, the centre will include some 5,071 sq.m of floorspace a with Harris Farm fresh produce store of 725 sq.m, to be the key retail tenant.

iv. All supermarkets within the defined main trade area are small by modern supermarket standards. A full-line supermarket is typically considered to be around 2,500 sq.m in size, with operators including Woolworths, Coles, Franklins and IGA. These stores are considered full-line in that they have bakeries, fresh produce, deli, meat and dry groceries. Any supermarket under 2,500 sq.m in size is typically not considered a full-line store and does not cater for the weekly shop of local residents.

v. A major full-line supermarket has a more extensive offer than a full-line supermarket and serves the weekly food and grocery needs of local residents. Major full-line supermarkets are around 3,200 sq.m or larger in size and are generally only operated by Woolworths or Coles.

vi. The nearest full-line and major full-line supermarkets are provided beyond the defined main trade area. As such, residents of Crows Nest must travel beyond the defined trade area, with a minimum round trip of 4 km, across major natural and physical barriers, to frequent full-line or major full-line supermarkets at Neutral Bay and Northbridge.

vii. Competitive facilities of most relevance beyond the trade area are listed below:

- Competitive retail facilities situated within the suburb of Neutral Bay, east of the Crows Nest site. Retail facilities within this area include a Coles supermarket of 3,300 sq.m situated within the Big Bear Shopping Centre, a free-standing Woolworths supermarket of 3,810 sq.m and a Woolworths supermarket of 3,085 sq.m at The Village Centre.

- An IGA supermarket of 1,494 sq.m at The Metropole in Cremorne, east of the Crows Nest site.
- A Woolworths supermarket of 4,013 sq.m at Northbridge Plaza, to the north of Crows Nest.
- Supermarket facilities at Lane Cove including, a Woolworths Thomas Dux of 1,324 sq.m and Coles (2,800 sq.m) supermarkets. Market Square is a proposed supermarket based centre that will be anchored by a Woolworths supermarket of 3,325 sq.m. This centre is currently under construction.

Summary

i. Table 5 summaries the current provision of supermarket floorspace by trade sector for the Crows Nest main trade area. As shown, there are currently five supermarkets totalling 5,455 sq.m provided within the main trade area which equates to a provision of 121 sq.m per 1,000 persons. This average provision is less than half the Australian average of 320 sq.m per 1,000 persons, which indicates an undersupply of supermarket floorspace and the need for additional floorspace to serve the population.

ii. Table 6 details the provision of supermarket floorspace in 2011 assuming the Woolworths development (anchored by a Woolworths of 4,010 sq.m) as well as the Coles (2,727 sq.m) and Franklins (2,181 sq.m) supermarkets at Crows Nest Plaza proceed (i.e. the highest supermarket floorspace scenario). As shown, the main trade area supermarket provision would only be 250 sq.m per 1,000 persons, still well below the Australian average. This analysis shows significant demand for additional supermarket floorspace throughout the defined main trade area.

iii. It is important that residents of Crows Nest and the surrounding immediate area are provided with additional supermarket floorspace, and particularly a major full-line supermarket offer to provide choice in terms of food and consumables shopping and also price competition. The proposed Woolworths Centre would be a significant improvement on the current small Woolworths supermarket of 1,600 sq.m and would reduce travel time for the population who currently travel beyond the main trade area to access a full-line supermarket offer.

iv. The proposed Woolworths development would only be an expansion of an existing store and would not add an additional supermarket to the region. As such, competitive impacts would be lower than in the event an additional supermarket was provided.

Table 4

Crows Nest - Schedule of Competing Retail Facilities

Centre	Retail GLA (sq.m)	**Anchor Tenants**	Dist. From Crows Nest (km)
Regional Shopping Centres			
Chatswood CBA	*150,600*		*4.8*
• Westfield Chatswood	78,000	Myer (28,484), Target (8,757), Coles (2,217), Aldi (1,350)	
• Chatswood Chase			
- Existing	67,000	David Jones (19,275), Kmart (7,990), Coles (2,614)	
- Proposed	13,700	Coles (3,535)	
• Metro Chatswood (p)	13,700	Woolworths (2,700)	
• Remainder	5,600		
Supermarket Based Shopping Centres			
Crows Nest Town Centre	*32,700*		-
• Crows Nest Plaza			
- Existing	3,100	Franklins (1,142)	
- Proposed	8,100	Coles (2,727), Franklins (2,1812)	
• Crows Nest Strip	29,600	Woolworths (1,600)	
St Leonards	7,200	Coles Central (800)	1.0
North Sydney	*33,600*		*1.6*
• Greeenwood Plaza	8,700	IGA (713)	
• Berry Square	4,500		
• Northpoint	3,000		
• Tower Square	3,300		
• Mount St Eats	3,200	Aldi (1,200)	
• Terrazza	900		
• Remainder	10,000		
Neutral Bay	*34,500*		*2.0*
• Big Bear SC	3,800	Coles (3,300)	
• Village Centre	3,100	Woolworths (3,085)	
• Retail Strip North	17,300	Woolworths (3,900)	
• Remainder	10,300		
Northbridge	*10,300*		*2.8*
• Northbridge Plaza	7,800	Woolworths (3,869)	
• Remainder	2,500		
The Metropole	5,200	IGA (1,550)	3.0
Lane Cove	*40,000*		*4.2*
• Exisiting	40,000	Coles (2,800), Woolworths FFL (1,324)	
• Proposed	7,000	Woolworths (3,235)	

Source : Shopping Centre Council; Pitney Bowes MapInfo

Table 5

Crows Nest Main Trade Area - Supermarket Floorspace Provision, 2007/08

Trade Area Sector	No. of Supermarkets	GLA (sq.m)	Provision per 1,000 persons
Primary Sector	5	5,455	141
Secondary Sector	0	0	0
Main Trade Area	**5**	**5,455**	**121**
Australian Average			320

Source: Pitney Bowes MapInfo

Table 6

Crows Nest Woolworths Main Trade Area - Supermarket Floorspace Provision, 2010/11

Trade Area Sector	No. of Supermarkets	GLA (sq.m)	Provision per 1,000 persons
Primary Sector	6	11,631	291
Secondary Sector	0	0	0
Main Trade Area	**6**	**11,631**	**250**
Australian Average			320

Source: Pitney Bowes MapInfo

Centre sales potential and possible impacts

i. The existing small Woolworths supermarket of 1,600 sq.m at Crows Nest is understood to achieve sales of approximately $24 million. Sales for the store in 2011, which is assumed to be the first full year of the proposed Woolworths Centre development which is the subject of this report, would be around $17 million assuming Crows Nest Plaza is redeveloped to include two supermarkets, namely Franklins and Coles.

ii. The major tenant at the proposed Crows Nest Woolworths Centre would be a Woolworths supermarket of 4,010 sq.m. As this store would replace the existing Woolworths store on the same site in the Town Centre, the proposed development will result in 2,410 sq.m of additional supermarket floorspace (i.e. 4,010 sq.m less the existing 1,600 sq.m store). This accounts for around 21% of the proposed total supermarket floorspace within the defined main trade area (i.e. allowing for Woolworths at Crows Nest of 4,010 sq.m and Coles (2,727 sq.m) and Franklins (2,181 sq.m) at Crows Nest Plaza).

iii. It is understood that supermarkets throughout the defined Crows Nest main trade area are currently achieving sales well above the Australian average of $7,500-$8,000 per sq.m, reflecting the under provision of supermarket floorspace at present to serve this population.

iv. Further, it is understood that other supermarkets throughout the wider region including at Chatswood, Northbridge, Neutral Bay and Lane Cove are also achieving an average sales volume well above the Australian average. Overall, there is significant potential for additional supermarket floorspace on the Lower North Shore of Sydney.

v. The proposed Woolworths supermarket of 4,010 sq.m at Crows Nest would be a major full-line supermarket which has a more extensive offer than a full-line supermarket and serves the weekly food and grocery needs of local residents. This would be the only such store on the eastern side of the Pacific Highway on the Lower North Shore.

vi. The nearest major full-line supermarket is Coles at Big Bear Shopping Centre in Neutral Bay, which is on the eastern side of the Pacific Highway. This centre is a round trip of some 4 km for the majority of the Crows Nest main trade area population. There are no major full-line supermarkets on the western side of the Pacific Highway and residents throughout this region have to cross the busy Pacific Highway to undertake a major full-line supermarket shop.

vii. Reflecting the relatively small provision of proposed specialty floorspace that would be provided at the site (i.e. 452 sq.m), the expanded supermarket offer would be expected to account for the majority of the incremental sales increase. On this basis, other supermarkets within the region are mainly likely to be impacted as a result of the proposed expansion of the Woolworths floorspace.

viii. In order to consider the future sales and impacts, the general future potential for supermarket floorspace is considered. In Table 7, the calculations go through a series of steps commencing with the available expenditure that is of relevance to supermarkets, namely food and grocery spending, which is a sub-set of the food and consumables market (excluding packaged liquor and food catering spending); assessing the share of the expenditure which all supermarkets are likely to achieve; and then concluding with the likely sales level that each of the main trade area supermarkets can expect to generate.

ix. The assessment detailed in Table 7 is based on the experience of many comparable analysis in locations throughout both New South Wales and Australia and can be summarised briefly in simple terms as follows:

- The total sales potential for main trade area supermarkets will be determined in large part by the total available food and grocery spending within the main trade area that this store will serve. Within the main trade area (defined earlier in this report), the total food and grocery spending market is estimated at $206.6 million for the year to June 2008. The food and grocery spending market for the main trade area population is projected to grow to $248.6 million in constant dollar terms (excluding inflation) by 2016.

- Typically in Australia, approximately 75% of food and grocery expenditure is directed to supermarket and major food stores (i.e. grocery stores greater than 500 sq.m), not including small corner stores, convenience stores and milk bars. This ratio does vary from location to location depending on the provision of such facilities and the socio-demographic profile of the main trade area population.

- In the Crows Nest main trade area, the proportion of spending available for supermarkets is currently estimated at 60% given the low provision of supermarket floorspace. Following the expansion of Woolworths at Crows Nest and the redevelopment of Crows Nest Plaza to include an expanded Franklins supermarket (2,181 sq.m) and a new Coles supermarket (2,727 sq.m), this proportion is projected to increase to 65% in 2010/11.

- The next step in the analysis is to estimate the likely proportion of food and grocery expenditure which can be retained by main trade area supermarkets, specifically the proportion of expenditure that can be retained by the existing and proposed supermarket facilities within the main trade area as compared with spending directed to supermarkets outside the main trade area.

- The current retention level within the main trade area is estimated at around 46.5%, with the other 53.5% of main trade area resident food and grocery expenditure directed to supermarkets beyond the main trade area at locations such as Neutral Bay, Northbridge and Chatswood.

- Following the addition an expanded Woolworths as well as an expanded Franklins and a new Coles store at Crows Nest Plaza, the proportion of supermarket spending retained by main trade area residents would increase to around 75%. This still leaves a substantial amount of spending to be directed to facilities outside the main trade area in 2010/11 at some 25%, or $35.3 million.

- In addition, an estimated 10% of total supermarket sales are likely to be attracted from beyond the defined main trade area in 2010/11. All significant retail facilities throughout Australia generate a proportion of their sales from passing traffic (i.e. representing customers who do not actually live within the defined main trade area). These visitors may frequent the centre or store in question as a result of a special trip (e.g. work related) or with friends and relatives, or for some other specific reasons.

- Finally, in order to estimate the total likely sales volume to main trade area supermarkets, additional components of sales other than food and consumables sales are allowed for. The major components of sales other than food and consumables sales in supermarkets typically include general merchandise and non-food items including for example small crockery and haberdashery lines, as well as a limited range of footwear and other homewares. Typically, non-food items generate between 5-10% of total store sales for modern supermarket chains. In Table 7 it is estimated the general merchandise sales will account for around 6% of total store sales for main trade area supermarkets.

- On this basis, current supermarket sales of around $68.1 million are projected to increase to some $131.0 million in 2010/11. The average trading level of supermarkets is projected at over $11,250 per sq.m in 2010/11, well above the Australian average of $7,500 - $8,000 per sq.m. This indicates that all main trade area supermarkets would remain viable.

x. All main trade area supermarkets are currently understood to be trading strongly, at levels well above the Australian average of $7,500-$8,000 per sq.m. In our view, the projected impacts from the Woolworths expansion would not affect the future viability of any of these stores reflecting the under provision of supermarket floorspace and the understood above average sales of existing supermarkets.

xi. The projected supermarket impacts as a result of the proposed Woolworths expansion would likely fall upon a range of supermarkets in the surrounding area, both within and beyond the main trade area. This would include the expanded double supermarket offer at Crows Nest Plaza, as well as the larger major full-line supermarket offers at Neutral Bay and Northbridge which are popular with main trade area residents given the current small size of main trade area supermarkets.

xii. The impacts would be spread across a number of supermarkets, which would mean the impact on any one supermarket would not detrimentally affect the performance of any stores, which are all trading at above average volumes. All supermarkets serve significant population catchments.

xiii. In addition, the provision of 452 sq.m of specialty floorspace would represent some 2% of the existing specialty floorspace provided within the Crows Nest Town Centre. As such, projected impacts from this specialty floorspace would be minimal and would not impact on the viability of any existing retail specialty shops in the Crows Nest Town Centre or surrounding retail locations.

Table 7

Crows Nest Main Trade Area - Supermarket Capacity ($M), 2008-2016*

	Year			
	2008	2011	2013	2016
Total Food & Grocery (F&G) Spending				
Primary Sector	177.5	193.6	201.8	214.7
Secondary Sector	29.1	31.2	32.3	33.9
Main Trade Area	206.6	224.8	234.1	248.6
F&G Spending to Supermarkets				
Primary Sector (@ 60% incr. to 65% in 10/11)	106.5	125.8	131.2	139.5
Secondary Sector (@ 60% incr. to 65% in 10/11)	17.5	20.3	21.0	22.0
Main Trade Area (@ 60% incr. to 65% in 10/11)	124.0	146.1	152.2	161.6
F&G Spending Retained by TA Smkts				
Primary Sector (@ 50% incr. to 80% in 10/11)	53.3	100.6	104.9	111.6
Secondary Sector (@ 25% incr. to 50% in 10/11)	4.4	10.2	10.5	11.0
Main Trade Area (@ 46.5% incr. to 75.8% in 10/11)	57.6	110.8	115.4	122.6
F&G Sales from Beyond TA (@ 10%)	6.4	12.3	12.8	13.6
Total F&G Sales for TA Smkts	**64.0**	**123.1**	**128.3**	**136.3**
General Merchandise Sales (@ 6%)	4.1	7.9	8.2	8.7
Total TA Smkt Sales	**68.1**	**131.0**	**136.4**	**145.0**
Smkt Floorspace in TA (sq.m)**	5,455	11,631	11,631	11,631
Average Trading Level ($/sq.m)	12,411	11,261	11,731	12,465

**Constant 2007/08 dollars & including GST*

***Existing supermarkets in the main trade area as at March 2008 are Woolworths Crows Nest, Franklins Crows Nest Plaza, Coles St Leonards, IGA Greenwood Plaza, Aldi North Sydney.*

Source : Pitney Bowes MapInfo

Assessment of likely economic benefits

i. The proposed Woolworths Centre is likely to result in a range of important economic benefits to the community, with key positive impacts to include the following:

- The provision of a wider range of food and consumables shopping facilities for local residents including a major full-line supermarket. This would be the largest supermarket on the western side of the Pacific Highway and would significantly reduce travel time for the population.

- An enclosed retail centre with convenient decked carparking that would be easily accessible for the surrounding population.

- The development would strengthen the southern end of the Crows Nest Town Centre with Crows Nest Plaza located at the northern end on the periphery of the Town Centre. The expansion of Crows Nest Plaza would include two supermarkets, namely Coles and Franklins, and would likely draw sales away from the southern end of the Town Centre.

- The proposed development will generate a substantial number of jobs, both for the construction and related industries during the construction period and also for the local economy generally once the centre is completed.

- Once fully operational, the Woolworths Centre would be likely to employ around 228 persons. Allowing for an estimated 10% of the total increase to be as a result of the reduced employment at existing retail facilities, the net jobs generated by the Woolworths Centre are estimated at 205. This information is summarised in Table 8.

- In terms of wages and salaries, the 205 permanent retail employees within the centre would earn an average annual wage of around $22,000, as sourced from the latest ABS statistics on average weekly earnings. This represents some $4.5 million in salary and wages for the local region, directly as a result of the proposed development. It would also be expected that further wages and salaries would result from jobs in the construction period and from multiplier effects.

- The development of the Woolworths Centre will create a substantial number of additional jobs, both for the construction and related industries during the construction phase of the centre and for the economy generally once the centre is completed. The estimated total capital costs for the construction of the centre are $8 million. By utilising the appropriate ABS Input/Output Multipliers that were last produced in 1996/97 and a deflated estimated total capital cost of construction of $6.1 million (i.e. in 1996/97 dollars), it is estimated that the construction period of the proposed development of the Woolworths Centre would create some 43 jobs, with a further 69 jobs resulting from the supplier induced multiplier effects from this period (refer Table 9). Jobs created are full-time equivalent jobs, which may include both full-time and part-time positions.

- The retail jobs generated by the centre proper as previous outlined (205), will result in a further 194 jobs in the broader community based on ABS Input/Output Multipliers.

ii. The proposed supermarket would offer greater choice and price competition for main trade area residents and would fulfil a need of the local population in terms of a convenient, major full-line supermarket.

iii. The provision of supermarket floorspace throughout the defined main trade area at 121 sq.m per 1,000 persons is well below the Australian average of 320 sq.m per 1,000 persons, which indicates significant demand for additional supermarket floorspace. This is further supported by the current above average sales volumes for all supermarkets throughout not only the main trade area but the Lower North Shore of Sydney.

iv. Research undertaken by the Australian Retailers Association and made publicly available in a Crows Nest, Sydney *The Way We Shop 2000* highlights the need for a convenience based supermarket facilities. The research undertaken by the Australian Retailers Association indicates that 90% of all respondents shop at least once a week at a supermarket, with a substantial proportion (approximately one-third of all respondents) shopping three to six times per week. On average, Australian shoppers now visit their supermarkets around twice per week.

v. It is important to provide conveniently located supermarket floorspace for residents to undertake food and consumables shopping locally and reduce travel times and escape expenditure.

vi. It is the conclusion of this independent assessment that there is significant scope for additional supermarket facilities on the Lower North Shore of Sydney, and particularly at Crows Nest. The provision of an expanded Woolworths Centre would result in a modern, enclosed retail destination with a provision of conveniently located carparking.

vii. The proposed development would significantly strengthen the southern end of the Crows Nest Town Centre and would provide the only major full-line supermarket on the western side of the Pacific Highway. Impacts on other supermarket facilities would be spread over a number of strongly performing supermarkets within and beyond the main trade area, and the proposed development would not be expected to affect the viability of any of these centres or limit other proposed expansions such as that proposed at Crows Nest Plaza, with all supermarkets to continue to trade at levels well above the Australian average.

viii. Overall, it is our opinion that the proposed Woolworths Centre would add significant convenience for the surrounding population and would not impact the future viability of any retail centres or supermarkets, mainly reflecting the under provision of supermarket floorspace throughout the defined main trade area at present.

Table 8

Crows Nest Woolworths Centre - Estimated Future Additional Employment Levels

Type of Use	Estimated Employment Per '000 sq.m	Proposed Centre GLA (sq.m)	Proposed Centre Employment (persons)
Supermarket	50	4,010	201
Specialty Shops	60	452	27
Total Centre[1]		**4,462**	**228**
Net Increase[2]			**205**

1. Excludes non-retail components.

2. Net increase includes an allowance for reduced employment levels at impacted centres, estimated at 10% of the total increase

Source : Pitney Bowes MapInfo

Table 9

Crows Nest - Estimated Future Additional Employment Levels*

Original Stimulus	Estimated Capital Costs ($M)[1]	Direct Employment	Supplier Employment. *Multiplier Effects*	Total	
Construction of Project	6.1	43	69	111	Job Years[1]
Centre Employment[2]		205	194	399	
Total		**248**	**263**	**511**	

** Employment totals include both full-time and part-time work*

1. Adjusted by inflation and productivity to 1996/97 Dollars

2. Indicates the estimated number of jobs over the life of the construction project plus ongoing multiplier effects, for the equivalent of one year

3. Indicates the estimated number of net additional ongoing jobs as a result of the proposed development

Source : Australian National Accounts: Input-Output Tables 1996-97; Pitney Bowes MapInfo

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MapInfo