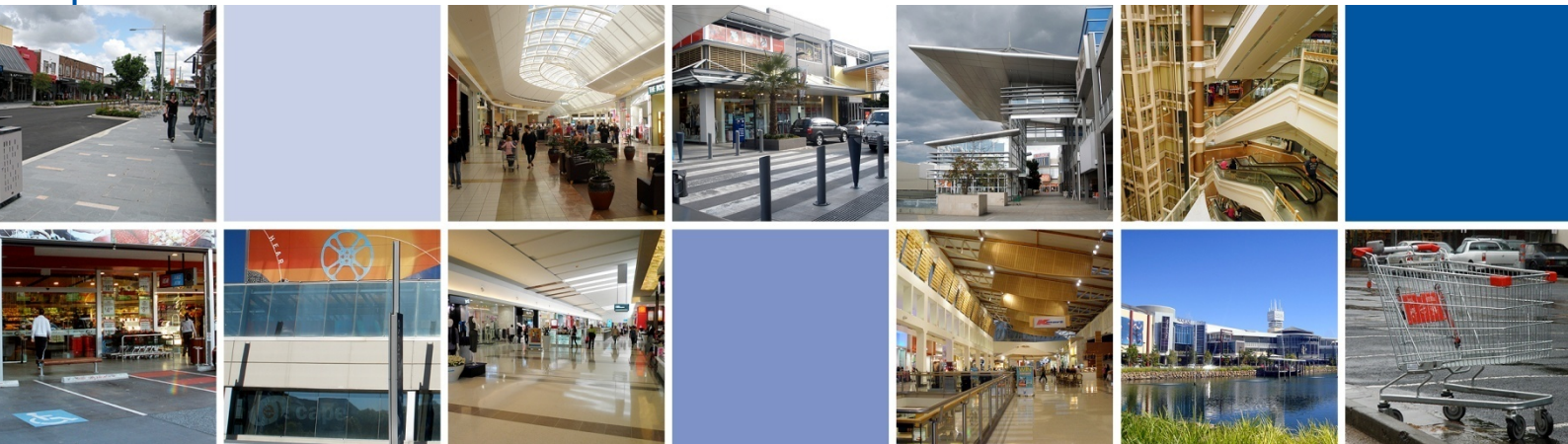


1975-1985 Camden Valley Way, Prestons

Economic Impact Assessment

March 2013



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Introduction

This report assesses the need and demand for a local centre proposed at 1975-1985 Camden Valley Way, Prestons, in the Liverpool Local Government Area (LGA), as well as analysing the economic impacts associated with such a facility.

The subject site is presently zoned B6 – Enterprise Corridor, according to the Liverpool Local Environmental Plan (LEP) 2008. Presently, this zoning restricts the total size of individual ‘shop’ tenants to 1,600 sq.m, i.e. a floorspace cap. The report has been prepared as part of a planning proposal, which proposes to rezone the site to B2 – Local Centre, in order to allow larger individual shop tenancies to be accommodated at the subject site.

The report is structured as follows:

- **Section 1** reviews the local and regional context of the subject site as well as detailing the composition of the proposed development at the subject site, were it to be rezoned. This section also provides an overview of relevant retail trends in regards to supermarket retailing.
- **Section 2** reviews the strategic planning and policy framework of relevance to retail development at the subject site. This section reviews the recent Liverpool Retail Centres Hierarchy Review undertaken by Hill PDA.
- **Section 3** examines the relevant trade area for the proposed development, provides estimates of anticipated population levels within the trade area, analyses the socio-demographic profile of the trade population, and assesses retail expenditure volumes that are, and will be, generated by the trade area population.
- **Section 4** examines the surrounding competitive centres network and centres hierarchy, with a focus on the existing and planned retail centres of greatest relevance to the proposed development.

- **Section 5** assesses the overall demand for supermarket floorspace generated by residents within the broader surrounding area of the subject site, compares demand with existing supply of supermarket floorspace, and estimates the present and future market gap for supermarket floorspace within this area to determine the appropriateness of the proposed development.
- **Section 6** presents our estimates of likely trading impacts on the surrounding retail network; considers potential impacts on the retail hierarchy as well as likely consequences of such impacts; and also examines the net community benefits of the development, including employment generation.

Section 1: Background

This section of the report details the regional and local context of the proposed site and examines recent retail trends of relevance to supermarket and convenience based retail facilities.

1.1 Local and regional context

The suburb of Prestons is located approximately 34 km south-west of the Sydney CBD, in the Liverpool City Local Government Area (LGA) (refer Map 1.1).

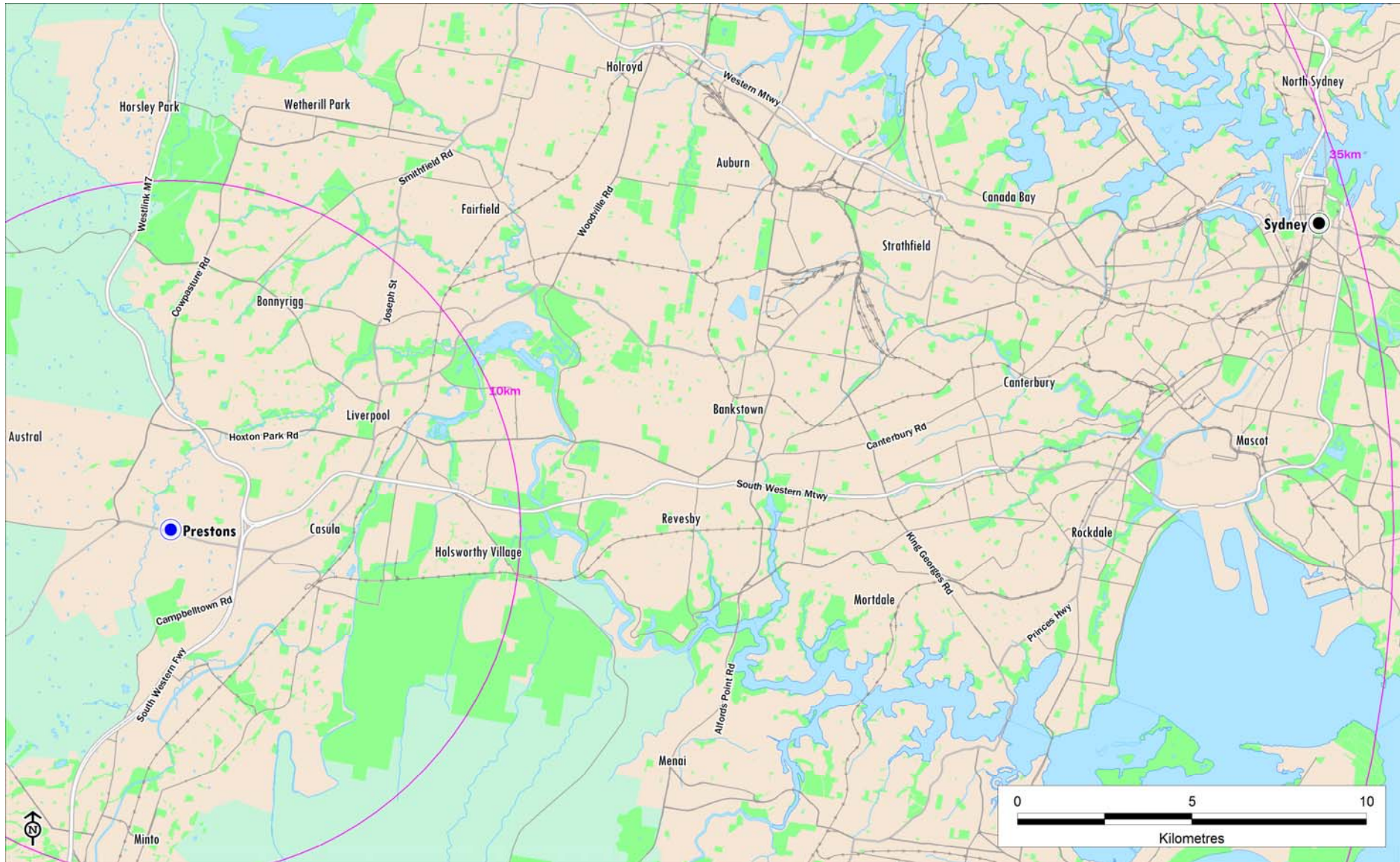
Prestons is situated to the immediate north of the South West Growth Centre (SWGC) and is proximate to the future growth suburbs of Edmondson Park, Horningsea Park, Leppington, West Hoxton Park and Austral.

Prestons is highly accessible for a significant proportion of residents of metropolitan Sydney being located at the confluence of the M7 Motorway, the M5 Motorway and the Hume Highway. There is major employment node around this key intersection, as well as nearby Moorebank, and the remainder of the suburb is established residential housing.

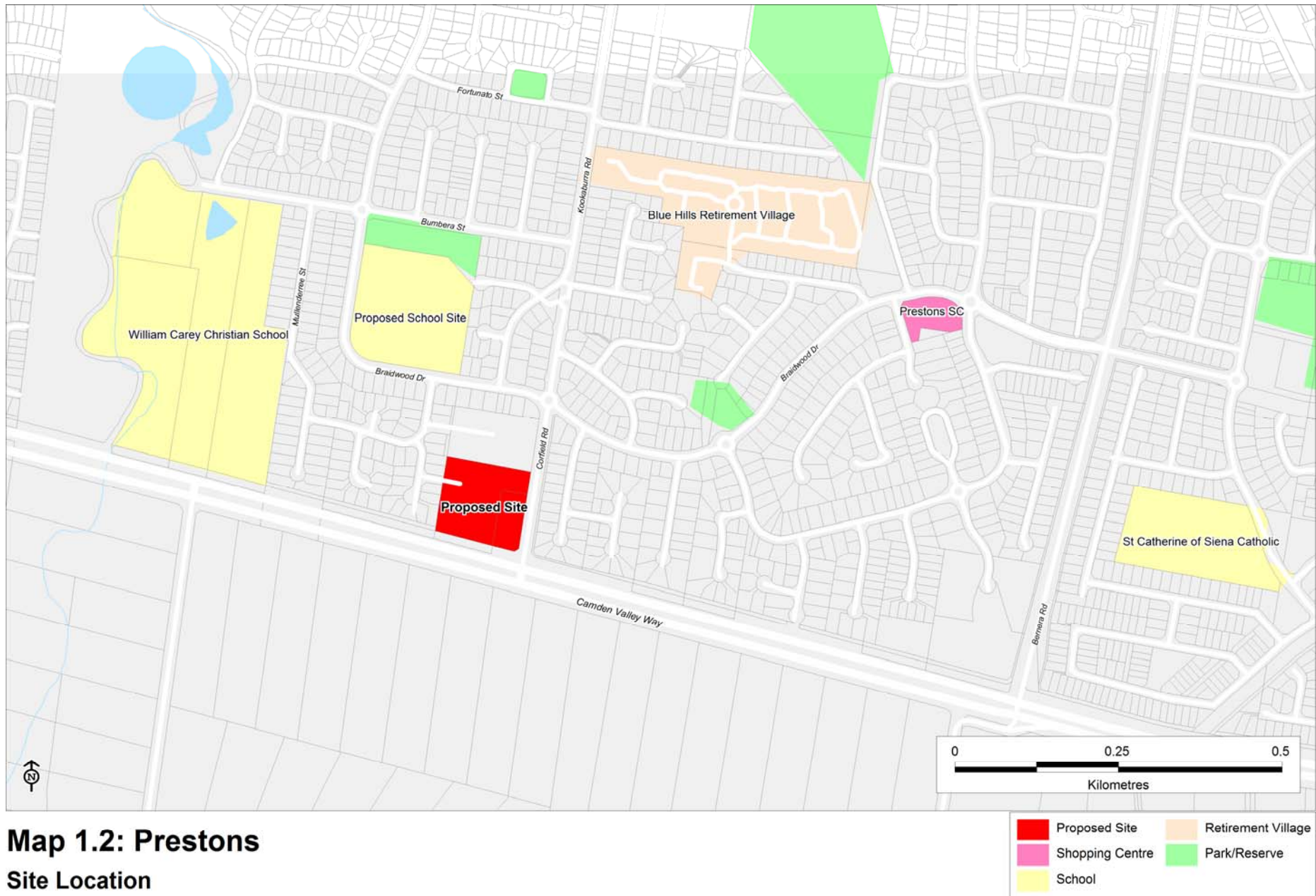
The subject site is located at 1975 – 1985 Camden Valley Way, at the corner of Corfield Road, Prestons. Camden Valley Way is a key thoroughfare through south-western Sydney and supports very large daily traffic volumes daily including commuters, visitors and freight transport (refer Map 1.2).

In summary, the subject site is spatially well suited to accommodate a new local centre development, as it is highly accessible and situated in a rapidly growing part of south-western Sydney.

Section 1: Background



Map 1.1: Prestons, Regional Context



Map 1.2: Prestons

Site Location

1.2 Proposed rezoning

Table 1.1 summarises the likely composition of a local centre development, should the site be rezoned to B2 – Local Centre. It is understood that the proposed development would result in the provision of up to 5,300 sq.m of total gross lettable area retail (GLAR), comprised of the following:

- A full-line supermarket of about 4,200 sq.m;
- Approximately 1,200 sq.m of specialty retail shops.

Table 1.1		
Prestons neighbourhood centre - Likely composition*		
Use	GLA**	
	(sq.m)	(% of total)
Supermarket	4,100	71%
Shops	<u>1,200</u>	<u>21%</u>
Total retail GLA	5,300	92%
Source: Emperica; MacroPlan Dimasi		
**Approximate		
*GLA = Gross lettable area		

1.3 Retail trends

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

The growth in retail expenditure and consequent retail floorspace over this time occurred during an extended boom cycle of 15 years, fuelled in the latter years by an over-reliance on credit and a global economy driven by debt. Prior to the GFC, the household savings ratio in Australia was negative, at about -2%.

In the years since the GFC, there has been a significant change in household consumption behaviour, as well as a marked slowdown in retail development. Since the GFC there have been further major global economic crises, most recently the European sovereign debt crisis.

Other factors, including house price stabilisation, the rise of internet retailing in some categories, changes in consumer preferences to more experience-based retailing, inflation in non-tradeables, a redistribution of household consumption expenditure and a historically high household savings ratio (11-12%), have all impacted negatively on Australia's retail sector.

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

While large increases have occurred in household savings ratios, consumers have not closed their wallets. Increased price pressures for household utilities, education and transport have eroded household budgets, while the strong Australian dollar has meant residents are travelling overseas in record numbers, with some 8 million short-term resident departures in the year to June 2012.

Convenience retailing has held up strongly as the old adage 'people need to eat' continues to hold true. Since June 2009, food retailing recorded real growth of 1.7% per annum; while food catering grew 3.3% per annum; and other retailing (which includes many convenience items) grew by about 2.9% per annum.

This growth compares with declines recorded in department stores (-0.6% per annum) and clothing, footwear, accessories stores (-1.8% per annum). It is expected that food (and non-discretionary) retailing will continue to grow strongly within Australia, due to the strong economy and continued strong population growth.

Food based and convenience oriented centres will face much less competition from internet penetration than fashion and apparel based centres. The rise of internet retailing has eroded the market share of some retail categories (i.e. fashion, music), however in general this trend is not expected to impact noticeably on land use planning for physical retail space, in particular supermarkets.

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

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

The provision of a supermarket at the subject site in Prestons is appropriate when consideration is given to the above factors, particularly given the lack of such facilities in the main trade area (Refer Sections 3, 4 and 5), and more broadly across a wider area of influence surrounding the subject site.

Section 2: Strategic planning and policy review

This section of the report reviews the strategic planning and policy context of relevance to the proposed local centre development at the subject site.

The information presented in this section addresses Commonwealth government investigations into competition and planning in the retail sector; reviews relevant state government activity centre and employment policies; and also reviews the relevant Liverpool planning and policy framework as it relates to supermarket and local centre development at the subject site.

2.1 National reports and investigations

Productivity Commission (2011)

The Productivity Commission released a report entitled “*Economic Structure and Performance of the Australian Retail Industry*” in November 2011, which followed a report in April 2011, entitled “*Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments.*”

These reports examined the role of governments and planning systems in facilitating retail development that encourages competition and by extension, results in greater net community benefit. Some of the key findings by the Productivity Commission are outlined below:

- To minimise the anti-competitive effects of zoning, policy makers need to ensure that areas where retailers locate are both sufficiently large (in terms of total retail floor space) and sufficiently broad (in terms of allowable uses, particularly those relating to business definitions and/or processes) to allow new and innovative firms to enter local markets and existing firms to expand.

- Leading practices should be implemented to improve the competitiveness of the retail market, of which two are of particular importance:
 - governments should broaden and simplify business zoning to remove the need for ad hoc changes to council plans to accommodate each variation in business model;
 - governments should not consider the viability of existing businesses at any stage of planning, rezoning or development assessment. Impacts of possible future retail locations on existing activity centre viability (but not specific businesses) should only be considered during strategic plan preparation or major review.

The planning framework guiding development in Liverpool should have sufficient flexibility to enable a supermarket of appropriate size to enter the local market, allowing market demand to be served most effectively.

This economic impact assessment outlines the estimated economic impacts that might occur as a result of the proposed local centre development at the subject site.

2.2 State reports and policies

2.2.1 Draft South West Subregional Strategy

The Draft South West Regional Strategy (the Strategy) was prepared in 2007, and while still considered a draft document, it informed the development of the Metropolitan Plan for Sydney 2036. The Strategy outlines a centres hierarchy across the sub-region which includes:

- 1 x Regional City – at Liverpool
- 2 x Major Centres – at Campbelltown-Macarthur and Leppington (future)
- 9 x Town Centres

These higher order centres are supported by a network of economic corridors, as well as a network of smaller centres and several future centres planned in the SWGC.

While this document should be considered as an important guide for planning for future employment and retail growth, this should not preclude the possibility of new sites being considered for future development, particularly if suitably located. The subject site is situated in a highly accessible location that would be serviced by public transport in an area with a rapidly growing population.

The development of a local centre at the subject site will create net additional employment for the Liverpool LGA thus contributing to meeting the employment target of 35,000 new jobs between 2006 and 2031. Furthermore, these new jobs will be provided near new residential housing, providing existing and future residents with local employment options and convenient shopping facilities.

2.2.2 South West Growth Centre Structure Plan

The South West Growth Centre (SWGC) is one of two major growth centres identified for metropolitan Sydney and is expected to accommodate in excess of 100,000 new dwellings and more than 300,000 persons once fully developed.

The SWGC is divided into 18 precincts, of which 8 have been rezoned or released for more detailed precinct planning. Of particular note, the Edmondson Park precinct, is situated across the road from the subject site. This precinct was rezoned in 2007 and is expected to accommodate up to 25,000 new residents once fully developed.

This precinct is intended to accommodate a sub-regional town centre, in the order of 20,000 sq.m to 25,000 sq.m. However this is expected to be developed over the next decade or so, and new residents in this precinct, as well as the northern parts of the SWGC, should be provided with convenience oriented retail facilities in-line within market demand.

2.2.3 Draft Centres Policy / SEPP (Competition) 2010

In July 2010, the NSW Government released a state-wide proposed policy which removes artificial barriers on competition between retail (and commercial) businesses. The policy is still draft and is intended to allow genuine competition between retail businesses, and potentially place downward pressure on prices. The aims of this Policy are:

- To promote economic growth and competition, and
- To remove anti-competitive barriers in environmental planning and assessment.

The key points from this document are that:

- Commercial viability of a proposed development is not a matter to be taken into consideration by the consent authority.
- The impacts of a proposed commercial development on the commercial viability of other commercial developments are not a matter for the consent authority. Although the extent to which the impacts may affect the overall adequacy of facilities and services available to the local community may be taken into consideration (having regard for the proposed development).
- No restrictions on the number of a particular type of retail premises in any commercial development, although regard can be given to the scale of a proposed development.
- No restrictions on the proximity of a particular type of retail premises to another retail premises of that type.

The most notable changes from this policy are the removal of potential restrictions on the quantum of a particular type of store within a defined centre and also the removal of potential restrictions on proximity to a similar retail store type. The intentions of this policy are to restrict existing retailers from 'preventing' suitable market competition within centres and operating under somewhat monopolistic conditions.

The draft SEPP should still enable appropriate planning to consider the effects of new retail developments upon the current and planned centres hierarchy and whether or not a particular development results in net benefits to the community. As such, this economic impact assessment has been prepared for the purposes of ensuring that the consent authority is satisfied that there is a net community benefit from the proposed development (i.e. negative impacts are outweighed by positive impacts).

2.2.4 Metropolitan Plan for Sydney 2036

In 2010, the NSW Department of Planning and Infrastructure (DPI) released its Metropolitan Plan for Sydney (2036). This plan draws on the principles of the 2005 Metropolitan Strategy – City of Cities, the draft sub-regional strategies for metropolitan Sydney and the Metropolitan Transport Plan (2010).

The revised forecasts contained within this plan, compared with 2005, anticipate that Sydney's population will grow by 1.7 million, to reach 5.7 million by 2031, reflecting an increase of 400,000 persons from the expectations of the 2005 Strategy. To cater for this growth, the NSW DPI has recommended the following revised capacity targets:

- 770,000 new dwellings (previously 640,000)
- 760,000 new jobs (previously 500,000)
- 7 million sq.m of additional commercial floorspace (previously 6.8 million)
- 4 million sq.m of additional retail floorspace (previously 3.7 million)

This means an additional 9-10% of retail floorspace is expected to be accommodated across Sydney over the next 25 years than previously projected for the same period five years prior. This analysis highlights that planning should be flexible enough to be able to absorb future growth in a ready manner, if such growth exceeds expectations.

The proposed local centre would more readily facilitate the growth of jobs and residents within the Sydney metropolitan region and assist in delivering upon the intended retail floorspace targets of the Metropolitan Plan for Sydney.

2.2.5 Case studies and precedents

Capping retail tenancies within a business zoning is anti-competitive, inflexible and reduces net community benefit for surrounding workers and residents. Business zones, such as the B6 – Enterprise Corridor zone, have clear policy objectives that encourage a mix of employment generating uses and almost always encourage some convenience/ancillary retail uses to support these primary uses.

Placing an overarching cap on the amount of such floorspace within a particular zoned area reduces the flexibility to manage individual projects on their merit, and may be incapable of dealing with future tenants and building formats that may not yet even exist.

This section of the report examines several case study examples across Australia and in NSW that highlight previous instances where planning proposals, new policies and LEP amendments were necessary to accommodate new retail development, due to a lack of flexibility or outdated planning frameworks. This section also provides a summary of the treatment of retail uses within the B5 (Business Enterprise) and B6 (Enterprise Corridor) zones across a selection of local Councils from across metropolitan Sydney.

Victorian Planning System Reforms (2012)

In 2012, the Minister for Planning announced major reforms to Victoria's planning zones that are intended to increase flexibility in the system, consolidate unwieldy zoning definitions and improvement assessment burden where possible.

There were significant changes to many zones, however of particular relevance are the changes that were made to industrial and commercial zones, which now allow small supermarkets as of right use. These changes are summarised as follows:

- Business 1, 2 and 5 Zones will be replaced with a new Commercial 1 Zone, with retail and dwellings as of right.

- Business 3 and 4 Zones will be replaced with a new Commercial 2 Zone.
 - This allows a range of retail and commercial uses as of right, including small supermarkets up to 2,000 sq.m and bulky goods.
 - It also allows a permit to be obtained for shops and supermarkets greater than 2000 sq.m.
- All existing floorspace caps for retail and office will be removed in the new Commercial 1 and 2 zones. Although, existing floorspace caps in various strategic documents will be considered in the planning process.
- Small supermarkets up to 2000 sq.m will be permitted within the Industrial 3 Zone. Up to 500 sq.m of speciality shops can be provided if it adjoins, or forms part of the same land as the supermarket.
- The existing 500 sq.m floorspace cap on office development in all Industrial Zones will be abolished.
- Extensions to small strip shops for additional retail development will be permitted where they are within 100m of an existing activity centre.

These key changes reflect an over-arching planning policy of consolidating and homogenising commercial and industrial zones. Importantly this gives more flexibility to the market within various zones and more certainty.

The allowance of small supermarket as of right use in commercial and industrial zones acknowledges that this is an employment generating use; services the local workforce and encourages competition.

Furthermore, allowing supermarkets larger than 2,000 sq.m in these zones, assessed on their merits, is a much more practical and flexible approach that would be likely to result in much better economic and community outcomes being achieved.

Other NSW Local Environmental Plans – B5 and B6 Zone

The B5 Business Development and B6 Enterprise Corridor zones within the NSW DPI base standard template are both used to facilitate the development of employment generating uses.

The B6 zone generally allows both bulky goods and retail development, by not specifically listing it as a prohibited use. The NSW DPI base standard template LEP lists three key objectives of the B6 zone as follows:

- *To promote businesses along main roads and to encourage a mix of compatible uses.*
- *To provide a range of employment uses (including business, office, retail and light industrial uses).*
- *To maintain the economic strength of centres by limiting retailing activity.*

Generally, new LEPs are not encouraged to place floorspace caps on specific uses, particularly given FSR controls provide implicit caps on development for each site. Such caps can be applied by local councils when developing their LEPs – although it is discouraged as a mechanism due to the rigidity it provides.

The remainder of this section provides a summary of the treatment of 'retail uses' within the B5 and B6 zone across a selection on metropolitan Sydney Councils.

The Liverpool LEP (2008) prohibits most retail uses within the B5 zone, allowing only food and drink premises and restaurants in addition to bulky goods retail. It allows retail uses within the B6 zone, however applies an individual tenancy cap of 1,600 sq.m, which limits the range of potential retail tenants in the zone.

Several recent proposals have been submitted to Liverpool Council seeking retail developments in B5 and B6 zoned land within the LGA. Of particular note is the planning proposal for a 'Costco' retail warehouse which received gateway approval in 2011, with final determination still to be provided by Liverpool Council. Although, based on the recommendations of the retail review, it appears likely that this will occur in the near future. This planning proposal was required to

permit 'retail uses' within a particular land parcel zoned B5, in order to facilitate the development of a new type of retail format.

Although no formal amendment has yet been made to the Liverpool LEP, this is a good example where the proposed retail format would be beneficial to the community but a site specific amendment to the planning scheme is required to facilitate the development. The intent and purpose of the zone can still be maintained across the LGA.

The Camden LEP (2010) does not prohibit retail uses within the B5 zone and generally encourages the zone to support warehousing and bulky goods development. In particular it encourages a mix of uses that support centres and do not detract from the viability of retail, business and warehouse uses in the zone. Of particular note, is the "Landturn" site, over the road the Narellan Town Centre, which has a specific clause allowing up to 11,300 sq.m of retail floorspace

The Auburn LEP (2010) does not use a B5 zone, but instead manages most bulky goods development through the B6 zone. The 2010 LEP prohibited retail premises, but a subsequent planning proposal was submitted in order to allow retail uses to rejuvenate and encourage investment to an identified commercial area on Parramatta Road. After gateway approval and a formal amendment was made to the LEP to allow such uses.

The Hills Shire, in the North West Growth Centre (NWGC) uses both the B5 and B6 zone. The B5 zone specifically prescribes bulky goods retail, as well as neighbourhood shops, food and drink and other convenience retail, and does not specifying retail premises as 'prohibited', while the B6 zone does not prohibit retail or bulky goods uses and implicitly allows such uses with consent. The objectives of the B5 zone in the Hills Shire is to allow bulky goods, mixed business and warehouse uses to meet community demand, and supports other uses that will service the day to day needs of local workers.

There are many examples across the Sydney metropolitan region where the removal of the retail tenancy cap in a particular zone, or a site specific relaxation of a retail cap, has occurred to allow market demand to be met appropriately.

However, in this case it is considered more appropriate for the subject site to be rezoned to B2 – Local Centre, which would allow a broader range of uses, a larger supermarket and would preserve the zoning objectives of Liverpool's B6 – Enterprise Corridor zoning, while also allowing Council to maintain their 1,600 sq.m tenancy cap in this zone.

2.3 Liverpool Council reports and policies

2.3.1 Liverpool Retail Centres Hierarchy Review

The Liverpool Retail Centres Hierarchy Review (*retail review*) was undertaken by Hill PDA in July 2012. This study was prepared to inform the new Liverpool LEP (2012) and assessed the existing retail hierarchy in the Liverpool LGA; examined future retail demand expected across the LGA; and provided recommendations to manage the future retail growth. Particular regard was given to several specific sites across the LGA including the subject site at Prestons; a proposed Woolworths supermarket at Casula; the proposed Costco at Crossroads; and several sites at Orange Grove.

The retail review forecast demand across the LGA by examining the current and future population growth across the LGA and parts of the Fairfield LGA; estimating the current and future retail expenditure capacity of this population; translating this into an estimate of floorspace demand by applying retail turnover densities (RTD's) and then provided indicative allocations of future floorspace growth the various centres across the hierarchy.

Broadly, the retail review is quite prescriptive, in that it assigns floorspace quantum to various centres at various time intervals, with a relatively minor allowance for retail development in the B6 zone at unidentified locations (about 11% of total). This allowance acknowledges that there will be demand for future retail developments on B6 land beyond the identified centres and that predicting the exact locations for this is difficult.

Table 20 (pg. 56) of the retail review shows that there is some 13,500 sq.m of retail floorspace intended to be allocated to various centres in the B6 zone across the LGA over the next 15-20 years, which is assumed to be made up of various retail developments up to 1,600 sq.m.

The proposed local centre of approximately 5,300 sq.m at the subject site would theoretically form part of this allocation and would still allow for all of the other assumed developments to proceed as well as future expansions of existing centres across the LGA, as per table 20. Furthermore, Hill PDA underestimates retail floorspace demand across the LGA, as discussed below.

In regards to supermarket retailing, Hill PDA estimate a market gap in 2011 of about 6,500 sq.m across the Liverpool LGA. (Table 18). The delivery of a 4,100 sq.m supermarket at the subject site would merely capture the forecast growth in this market gap to 2016 (Table 17) and there would still be an under-supply in excess of 6,000 sq.m if no other supermarkets are provided within the LGA.

However this is a conservative position, as we consider the Hill PDA retail review may underestimate the size of the undersupply of supermarket floorspace, quite significantly. Hill PDA applies a supermarket turnover density of \$11,000 per sq.m increasing in real terms by 0.65% per annum, to determine the floorspace demand for this type of retail provision. This level of retail turnover would constitute a highly successful supermarket turnover level of performance. Applied as an average, such a level is extraordinarily high, and serves to understate the appropriate level of provision to meet the needs of local residents.

When assessing the appropriate level of provision for a particular broad region, such as an LGA, a more suitable threshold that covers likely trading performance for smaller local centre supermarkets would be more appropriate. An RTD closer to \$9,000 per sq.m would be more applicable, and even this would represent a strong trading position for any supermarket.

Table 2.2 shows the average RTD for all the major supermarket operators operating in Australia and provides an estimate of the average RTD as at 2011, the reference year in the Hill PDS retail review. As shown, the average is approximately \$9,445 per sq.m.

Even if an RTD of \$9,500 per sq.m is applied then, using Hill PDA's own estimates of available expenditure, this would equate to an additional 8,500 sq.m of supermarket demand within the LGA, i.e. over and above their estimate, or more than two 4,100 sq.m supermarkets, as at 2012. (See Table 2.3).

Furthermore, Hill PDA use 2009 constant dollars to estimate retail expenditure throughout their report. However they appear to escalate their supermarket RTD from the 1998-99 ABS Retail Survey to 2011 dollars. This is incorrect and over-estimates retail demand because it results in the 2011 retail expenditure capacity estimates (measured in 2009 dollars) being divided by a 2011 dollar numerator.

If they were to escalate to 2009 and then grow by 0.65% per annum in real terms, as per their own real growth assumption, then the RTD that should be used is \$10,600 per sq.m. This error increases the level of supermarket under supply by some 2,000 sq.m in and of itself (See Table 2.3).

Table 2.1				
Supermarkets - Average sales productivity (\$ per sq.m) (2011)*				
Supermarket	Est annual sales (\$b)***	No stores	Avg. store size (sq.m)	Avg. RTD (\$ / sq.m)
Coles	21.0	741	3,060	9,261
Woolworths	30.3	840	3,300	10,931
Franklins	0.9	80	1,700	6,618
Aldi	3.0	210	1,300	10,989
Independents	<u>11.0</u>	<u>1,350</u>	<u>1,150</u>	<u>7,085</u>
Total Supermarkets > 500 sq.m	66.2	3,221	2,174	9,454
*Including GST				
**In excess of 500 sq.m				
***Estimated sales (\$b) do not include packaged liquor sales				
Source: Westfarmers Annual Report; Woolworths Annual Report; Aldi; Master Grocers; MacroPlan Dimasi				

Table 2.3
Analysis of Hill PDA Supermarket Retail Turnover Densities (RTDs)

	1999	2007	2009	2010	2011
<u>RTD growth</u>					
ABS Retail Survey - RTD (\$ / sq.m)	7,666				
ABS CPI (Index)	122.3	157.5	167.0	172.1	178.3
ABS Retail Survey - escalated RTD (\$ / sq.m)		9,872	10,468	10,788	11,176
Hill PDA Retail Review - RTD (\$ / sq.m)					11,000
Hill PDA (\$2009) (\$ / sq.m)			10,468		
Real Growth of 0.65%				10,536	10,604
<u>Floorspace demand difference due to technical error</u>					
Supermarket expenditure - Hill PDA (\$m) (\$2009)					590.3
Supermarket demand - Hill PDA (sq.m) (\$2009/\$2011 RTD)					53,664
Supermarket demand - revised Hill PDA (sq.m) (\$2009/\$2009 RTD)					<u>55,666</u>
Difference due to technical error (sq.m)					2,002
<u>Floorspace demand difference due to inappropriate RTD</u>					
Supermarket expenditure - Hill PDA (\$m) (\$2009)					590.3
Supermarket demand - Hill PDA (sq.m) (\$2009/\$2011 RTD)					53,664
Supermarket demand - MacroPlan Dimasi using Hill PDA and \$9,500 / sq.m					<u>62,137</u>
Difference due to overestimated RTD (sq.m)					8,473
<i>Source: ABS; Hill PDA; MacroPlan Dimasi</i>					

2.3.2 Retail Review - Consideration of Submissions

As part of the retail review, Hill PDA provided advice in regards to several individual sites where retail development was proposed. In late 2011, MacroPlan Dimasi prepared a submission in regards to the subject site at 1975-1985 Camden Valley Way, which provided a high level demand analysis of the potential for retail facilities at the subject site.

Hill PDA (on pg.66) recommended not rezoning the subject site. Hill PDA further suggested that the proposed expansions of Carnes Hill and Middleton Grange will satisfy demand for retail space in the Liverpool LGA area west of the M7 in the short to medium term.

However, on p.31 of the retail review, Hill PDA indicates that the Carnes Hill expansion would not include any substantial additional to retail floorspace, ie. including only a very minor 663 sq.m of retail floorspace GLA. The majority of the proposed expansion would include the addition of a community facility and outdoor sports facilities.

Middleton Grange entails the development of a new retail facility to service a new suburb and is situated a further 2-3km north of Carnes Hill. It would therefore have minimal influence on the localised demand and market gap that exists at the subject site.

Hill PDA also contends that the provision of an additional centre at the subject site is likely to have a significant adverse impact on the existing Prestons Small Village Centre, located about 1.1km north-west.

In order to provide further clarity for the consent authority, this economic impact assessment provides a clear outline of the retail demand in the trade area for the proposed centre; a broader analysis of supermarket demand versus supply across a broader area of influence, including Casula, Prestons, Carnes Hill and Horningsea Park; and examines the likely trading impacts on the surrounding centres network – with specific regard given to the Prestons Small Village Centre.

Section 3: Trade area analysis

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

3.1 Trade area definition

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

- The relative attraction of the centre, in comparison with alternative competitive retail facilities. The factors that determine the strength and attraction of any particular centre are primarily its scale and composition (in particular the major trader or traders that anchor the centre); its layout and ambience; and carparking, including access and ease of use.
- The proximity and attractiveness of competitive retail centres. The locations, compositions, quality and scale of competitive retail facilities all serve to define the extent of the trade area which a shopping centre is effectively able to serve.
- The available road network and public transport infrastructure, which determine the ease (or difficulty) with which customers are able to access a shopping centre.
- Significant physical barriers which are difficult to negotiate, and can act as delineating boundaries to the trade area served by an individual shopping centre.

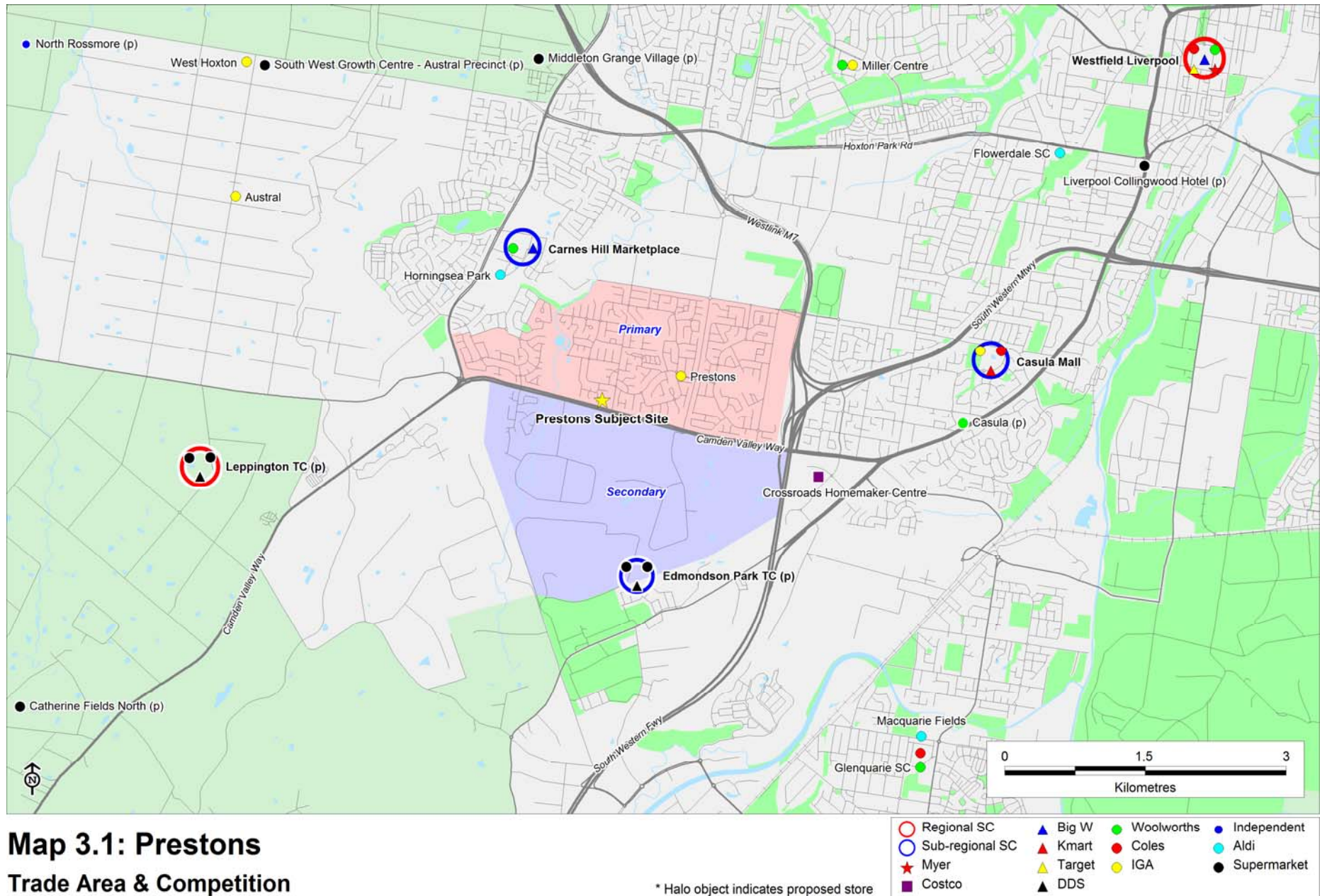
On this basis, the potential trade area served by a supermarket anchored local centre at Prestons has been defined to include a primary and a secondary sector, illustrated on Map 3.1 and described below:

- The **primary sector** is generally bound by Kurrajong Road to the north, Westlink M7 to the east, Camden Valley Way to the south and Cowpasture Road to the west. It incorporates part of the suburbs of Prestons and Horningsea Park.
- The **secondary sector** extends south from Camden Valley Way to encompass the northern section of the Edmondson Park residential precinct of the South West Growth Centre (SWGC).

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

The expected market shares from the secondary sector will be reduce over the longer term, once the first stage of the Edmondson Park Town Centre is developed. However, this development is not expected to occur for another 5-10 years and the closest large supermarket for these residents would be the proposed local centre at the subject site.

Over the longer term, there will be a significant increase in the overall population capacity in this area, which would support additional supermarket facilities at Edmondson Park.



3.2 Trade area population

As shown in Table 3.1, the current main trade area population is estimated at 15,600, of which 15,000 are located in the key primary sector.

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

- Australian Bureau of Statistics Census Data (2006 and 2011)
- Australian Bureau of Statistics Estimated Resident Population (2007-2012)
- Australian Bureau of Statistics Dwelling Approvals (2006-2011)
- NSW Department of Planning and Infrastructure (DPI) Household and Population projections (2006-2036)
- Information regarding surrounding residential developments; planning strategy documents and site visits.

Map 3.2 illustrates the new dwelling approval activity throughout the region over the period 2006-2011. As shown, new dwelling approval activity has been fairly minor throughout the main trade area over this period, although population growth over this time averaged about 3.0% per annum in the primary sector.

The subject site is located just north of the SWGC, a region of significant population growth expected to accommodate in excess of 300,000 residents once fully developed. The defined main trade area includes part of the Edmondson Park precinct, which has just recently started to accommodate new residential development.

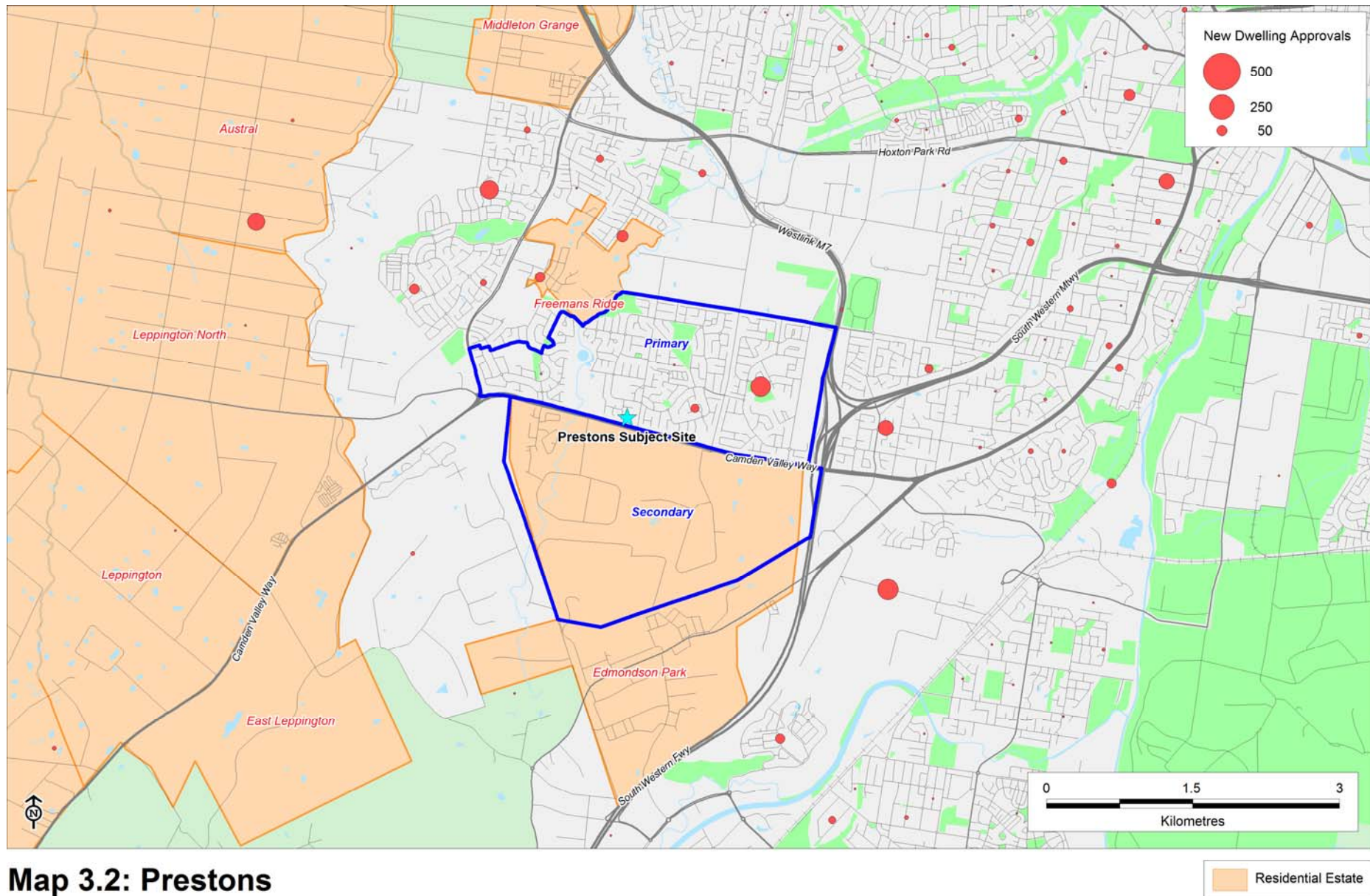
Having regard to the abovementioned reference sources, we estimate the main trade area population will grow on average by 2.4% per annum over the next 15 years, to reach 22,200 residents by 2026, reflecting an increase of about 6,600 residents.

Table 3.1
Prestons local centre trade area population, 2006-2026*

Trade area	Estimated population			Forecast population		
	2006	2011	2012	2016	2021	2026
Primary sector	12,660	14,710	15,040	16,040	17,040	18,040
Secondary Sector	<u>410</u>	<u>440</u>	<u>520</u>	<u>1,120</u>	<u>2,620</u>	<u>4,120</u>
Main trade area	13,070	15,150	15,560	17,160	19,660	22,160
Trade area	Average annual growth (no.)					2021-26
	2006-11	2011-12	2012-16	2016-21	2021-26	
Primary sector	410	250	200	150	100	
Secondary Sector	<u>10</u>	<u>80</u>	<u>150</u>	<u>300</u>	<u>300</u>	
Main trade area	420	330	350	450	400	
Trade area	Average annual growth (%)					2021-26
	2006-11	2011-12	2012-16	2016-21	2021-26	
Primary sector	3.0%	2.2%	1.6%	1.2%	1.1%	
Secondary Sector	<u>1.4%</u>	<u>18.2%</u>	<u>21.1%</u>	<u>18.5%</u>	<u>9.5%</u>	
Main trade area	3.0%	2.7%	2.5%	2.8%	2.4%	

*As at June

Source: ABS Census 2011; NSW Department of Planning and Infrastructure 2008; MacroPlan Dimasi



Map 3.2: Prestons

New Dwelling Approvals, 2006 - 2011 & Growth Areas

3.3 Trade area socio-demographics

Table 3.2 illustrates the socio-demographic profile of the main trade area population, compared with the respective benchmarks for metropolitan Sydney and Australia, based on data from the 2011 ABS Census of Population and Housing. Key points to note include the following:

- The trade area population reflects a younger demographic profile. The average age of the main trade area residents, at 30.8 years, is well below the metropolitan Sydney benchmark of 37.1 year. This is driven by the significantly higher than average proportion of 0-14 year olds and much lower than average proportion of persons aged above 60 years.
- Main trade area residents earn per capita incomes about 21.5% below the metropolitan Sydney benchmark, although the higher than average household size of 3.6 persons per dwelling means that average household incomes are actually 3.7% above the metropolitan Sydney benchmarks.
- While the majority of main trade area residents are Australian born (56.6%), the proportion born overseas (43.4%), is much higher than the metropolitan Sydney benchmark of 36.4%.
- A review of the household structure within the main trade area indicates a significantly higher proportion of traditional families (couples with dependent children) and much lower than average proportion of couples without children and lone person households.

Overall, the main trade area population contains a very high proportion of young families, large average household sizes, average household incomes and a very high proportion of home owners.

The provision of convenience based retail facilities at the subject site would suit the main trade area demographics as young families are more inclined to prepare and eat meals at home. Such facilities would lead to enhanced convenience and competition for groceries and reduce travel distances for many residents.

Section 3: Trade area analysis

Table 3.2
Prestons local centre main trade area - socio-demographic profile, 2011

Census item	Primary sector	Secondary sector	Main TA	Syd Metro avg.	Aust. avg.
Per capita income	\$29,417	\$28,504	\$29,390	\$37,441	\$34,467
<i>Var. from Syd Metro benchmark</i>	-21.4%	-23.9%	-21.5%		
Avg. household income	\$105,613	\$82,663	\$104,791	\$101,090	\$88,205
<i>Var. from Syd Metro benchmark</i>	4.5%	-18.2%	3.7%		
Avg. household size	3.6	2.9	3.6	2.7	2.6
<u>Age distribution (% of population)</u>					
Aged 0-14	28.4%	20.8%	28.2%	19.2%	19.3%
Aged 15-19	7.4%	6.4%	7.4%	6.3%	6.5%
Aged 20-29	13.0%	9.9%	12.9%	14.8%	13.8%
Aged 30-39	17.5%	13.0%	17.3%	15.3%	13.8%
Aged 40-49	16.1%	12.5%	16.0%	14.3%	14.2%
Aged 50-59	10.0%	12.3%	10.1%	12.2%	12.8%
Aged 60+	7.6%	25.1%	8.1%	18.0%	19.6%
Average age	30.5	39.7	30.8	37.1	37.9
<u>Housing status (% of households)</u>					
Owner/purchaser	84.3%	60.9%	83.6%	66.8%	68.7%
Renter	14.6%	39.1%	15.3%	32.4%	30.4%
Other	1.1%	0.0%	1.1%	0.8%	0.9%
<u>Birthplace (% of population)</u>					
Australian born	56.4%	65.7%	56.6%	63.6%	73.9%
Overseas born	<u>43.6%</u>	<u>34.3%</u>	<u>43.4%</u>	<u>36.4%</u>	<u>26.0%</u>
• Asia	15.0%	1.5%	14.6%	15.5%	8.6%
• Europe	7.7%	21.9%	8.2%	10.6%	10.5%
• Other	20.9%	10.8%	20.6%	10.3%	7.0%
<u>Family type (% of households)</u>					
Couple with dep't children	68.2%	42.0%	67.3%	48.2%	45.3%
Couple with non-dep't child.	8.7%	22.2%	9.2%	9.1%	7.7%
Couple without children	10.5%	14.4%	10.6%	20.1%	23.0%
One parent with dep't child.	7.4%	8.6%	7.5%	8.5%	9.2%
One parent w non-dep't child.	2.2%	5.3%	2.4%	3.9%	3.5%
Other family	0.5%	1.1%	0.5%	1.2%	1.1%
Lone person	2.4%	6.4%	2.6%	9.0%	10.2%

Source: ABS Census of Population & Housing, 2011; MacroPlan Dimasi

3.4 Trade area retail expenditure capacity

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

We consider MarketInfo data to be the most accurate available measure of retail expenditure at a small area level, and it is widely relied on in the retail industry. Macroplan Dimasi has also undertaken thousands of retail assessments using actual retail sales turnover data from retailers and shopping centres and numerous customer surveys to understand the expenditure behaviour of shoppers. Total retail expenditure is detailed in a number of categories, as follows:

- Take-home food and groceries – goods typically sold in supermarkets and specialty fresh food stores.
- Packaged liquor – packaged beer, wine and spirits such as those purchased at bottle-shops and liquor outlets.
- Food catering – cafes, take-away outlets and restaurants, including liquor consumed on such premises.
- Apparel – clothing, footwear, fashion and accessories.
- Household Goods – giftware, electrical, computers, furniture, homewares, and hardware goods.
- Leisure – sporting goods, music, DVDs, games, books, newsagents and film processing/photography.
- General Retail –pharmaceutical goods, cosmetics, toys, florists, mobile phones.
- Retail Services – retail services such as key cutting, shoe repairs, hair and beauty.

Chart 3.2 highlights the per capita retail expenditure of the main trade area population, compared with the metropolitan Sydney benchmark averages.

Total per capita retail spending in the trade area is about 7% lower than the Sydney benchmarks, however, per household expenditure in the trade area is about 22.5% above metropolitan Sydney averages – as household sizes are much larger than average.

Table 3.3 details the estimated retail expenditure of the main trade area population in 2012, as well as projected increases in retail spending to 2026.

The current retail expenditure of the main trade area population is estimated at \$180.5 million, including \$175.3 million in the primary sector, and is projected to increase to \$280.9 million by 2026. All spending forecasts presented throughout this report are expressed in constant 2011/12 dollars (i.e. not including an average inflation rate) and including GST.

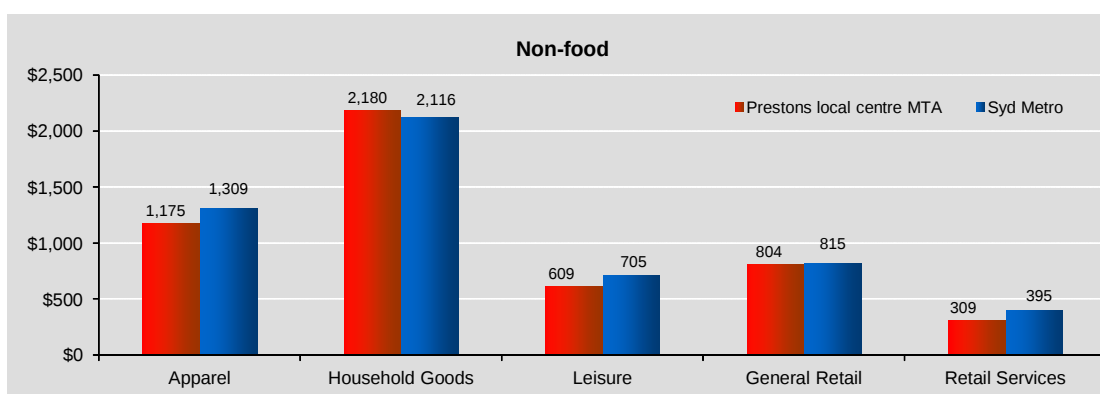
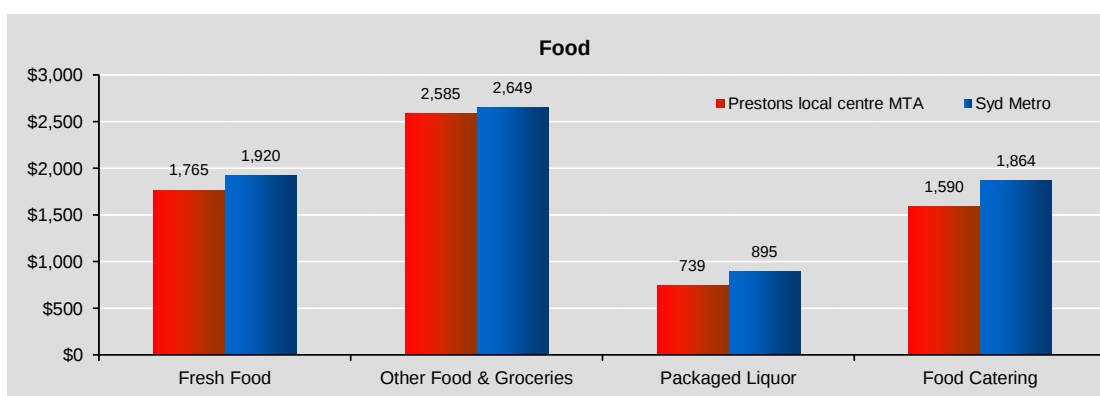
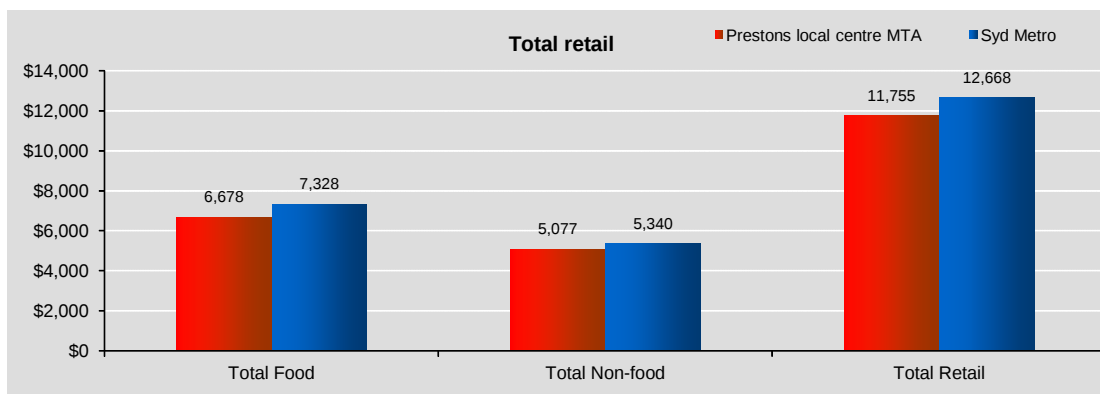
The estimated retail expenditure growth rate of 3.2% per annum reflects the following components:

- Average annual trade area population growth of 2.6%.
- Real growth in per capita retail spending, which is expected to average 0.6% per annum over the forecast period.

Table 2.4 details estimated retail expenditure of the main trade area population by key commodity group, highlighting take-home food and groceries (F&G) as by far the largest single category, which comprises about 37% of total main trade area retail expenditure capacity.

Chart 3.2

Prestons local centre trade area - retail spending per person, 2011/12*



*Including GST

Source: MarketInfo; MacroPlan Dimasi

Table 3.3
Prestons local centre main trade area - retail expenditure (\$M), 2012-2026*

Year ending June	Primary sector	Secondary sector	Main TA
2012	175.3	5.2	180.5
2013	179.9	6.2	186.1
2014	184.1	7.6	191.7
2015	188.3	9.3	197.6
2016	192.8	11.3	204.1
2017	197.0	13.7	210.6
2018	200.8	16.3	217.1
2019	204.7	19.5	224.2
2020	208.7	23.3	232.0
2021	212.8	27.8	240.6
2022	216.9	31.9	248.8
2023	221.0	35.2	256.2
2024	225.2	38.8	263.9
2025	229.4	42.8	272.2
2026	233.7	47.2	280.9
<u>Average annual growth (\$M)</u>			
2012-2026	4.2	3.0	7.2
<u>Average annual growth (%)</u>			
2012-2026	2.1%	17.1%	3.2%
*Constant 2011/12 dollars & including GST			
Source: MarketInfo; MacroPlan Dimasi			

Table 3.4

Prestons local centre main trade area - retail expenditure by product group (\$M), 2012-2026*

Year ending June	F&G	Packaged liquor	Food catering	Apparel	Household goods	Leisure	General retail	Retail services	Total retail
2012	66.8	11.3	24.4	18.0	33.5	9.3	12.3	4.7	180.5
2013	69.0	11.7	25.2	18.6	34.4	9.6	12.8	4.9	186.1
2014	71.1	12.1	26.0	19.0	35.4	9.9	13.2	5.0	191.7
2015	73.4	12.5	26.9	19.6	36.4	10.1	13.6	5.2	197.6
2016	75.9	12.9	27.8	20.2	37.4	10.5	14.1	5.3	204.1
2017	78.5	13.3	28.8	20.8	38.5	10.8	14.6	5.5	210.6
2018	81.0	13.7	29.7	21.4	39.5	11.1	15.0	5.6	217.1
2019	83.8	14.2	30.7	22.1	40.7	11.5	15.5	5.8	224.2
2020	86.9	14.6	31.8	22.8	41.9	11.8	16.1	6.0	232.0
2021	90.3	15.2	33.0	23.6	43.2	12.3	16.7	6.2	240.6
2022	93.6	15.7	34.2	24.4	44.5	12.7	17.3	6.4	248.8
2023	96.5	16.2	35.3	25.0	45.7	13.0	17.9	6.6	256.2
2024	99.5	16.7	36.4	25.8	46.9	13.4	18.5	6.8	263.9
2025	102.8	17.2	37.6	26.5	48.2	13.8	19.1	7.0	272.2
2026	106.2	17.8	38.9	27.3	49.5	14.2	19.7	7.2	280.9
<u>Average annual growth (\$M)</u>									
2012-2026	2.8	0.5	1.0	0.7	1.1	0.3	0.5	0.2	7.2
<u>Average annual growth (%)</u>									
2012-2026	3.4%	3.3%	3.4%	3.0%	2.8%	3.0%	3.4%	3.0%	3.2%

*Constant 2011/12 dollars & including GST

Source: MarketInfo; MacroPlan Dimasi

Retail expenditure category definitions:

- F&G: take-home food and groceries.
- Package liquor: Packaged liquor.
- Food catering: expenditure at cafes, take-away food outlets and restaurants.
- Apparel: clothing, footwear, fashion accessories and jewellery.
- Household goods: giftware, electrical, computers, furniture, homewares and hardware goods.
- Leisure: sporting goods, music, DVDs, computer games, books, newspapers & magazines, stationery and photography equipment.
- General retail: pharmaceutical goods, cosmetics, toys, florists, mobile phones and pets.

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Section 4: Competition

This section of the report outlines the current and future competitive retail environment within which a local centre at the subject site would operate.

Table 4.1 details the major competitive retail facilities in the region, while the previous Map 3.1 illustrates the locations of these facilities.

Table 4.1
Prestons local centre schedule of competing retail facilities

Centre	Retail GLA (sq.m)	Major traders	Dist. by road from subject site (km)
<u>Regional City</u>			
<u>Liverpool CBD*</u>	<u>130,000</u>		9.7
• Westfield Liverpool	85,500	Myer, Big W, Target Woolworths, Coles	-
• Other CBD	44,500		-
<u>Town Centres</u>			
Carnes Hill (inc. Marketplace & ALDI)	18,300	Big W, Woolworths, ALDI	4.6
Casula Mall	20,000	Kmart, Coles, Supa IGA	5.7
<u>Village Centres</u>			
Miller Centre	9,700	Woolworths, IGA	6.5
Macquarie Fields	17,000	Woolworths, Coles, Aldi	9.1
<u>Other centres</u>			
Prestons Village Centre	1,500	IGA	1.6
Costco at Crossroads Homemaker Precinct (p)	13,000	Costco (p)	3.0
607-611 Hume Highway, Casula (p)	4,200	Woolworths (p)	4.6
Middleton Grange Village (p)	5,500	Supermarket (p)	6.2
Austral Small Village Centre (10th Ave)	3,300	IGA	7.1
Flowerdale SC	4,700	Aldi	7.3
Collingwood Hotel (p)	3,200	Supermarket (p)	7.5
West Hoxton Neighbourhood Centre (15th Ave)	2,500	IGA	8.0
Holsworthy Plaza (p)	5,400	Woolworths (p), Aldi (p)	11.0
<u>Planned Centres - South West Growth Centre</u>			
Edmonson Park Town Centre (p)	c. 25,000	DDS, 2 x Supermarket	2.7
Leppington Major Town Centre (p)	c. 80,000	2 x DDS, 2 x Supermarket	6.2
Austral Town Centre (p)	c. 15,000	DDS, 1-2 x Supermarkets	8.4

Source: Property Council of Australia; Hill PDA; MacroPlan Dimasi

*Liverpool CBD is estimate of occupied retail floorspace only (i.e. Excludes commercial shop front and vacant space)

4.1 Current competition

Regional and sub-regional centres

Liverpool Regional City is the major business district in the south-west and is anchored by the Westfield Liverpool regional shopping centre which provides a Myer department store, Big W and Target discount department stores (dds) as well as Coles and Woolworths supermarkets. The total centre comprises over 85,500 sq.m of retail floorspace.

The retail review estimated that the Liverpool CBA accommodated approximately 160,000 sq.m of retail and commercial shopfront floorspace, including vacant floorspace. We estimate that approximately 130,000 sq.m of this is occupied retail floorspace.

Carnes Hill Marketplace is the closest sub-regional shopping centre to the subject site, situated about 4.6 km north-west from the subject site. The centre is anchored by a Big W dds and a Woolworths supermarket. This centre has a DA approval for a small scale expansion of 665 sqm to the existing Woolworths as well as 21 additional car spaces, plus non-retail floorspace.

Casula Mall is located about 5.7 km from the subject site. The centre contains approximately 20,000 sq.m of retail floorspace, including a Kmart dds and Coles and Supa IGA supermarkets. The latter of which recently replaced the Franklins.

Supermarket centres

There are no supermarkets in the main trade area (defined as >500 sq.m), however there is a small IGA (est. 463 sq.m) at the Prestons small village centre, at the intersection of Wroxham Street, Braidwood Drive and Minnamurra Circuit. This centre also includes another 1,070 sq.m of retail floorspace, including a bottle-shop, a pharmacy, a medical centre, a butcher, restaurant and take-away shops, a hair-dresser and a newsagent.

There are a number of supermarket based centres just beyond the main trade area including the Miller Centre, Aldi at Macquarie Fields, Glenquarie Town Centre, Austral small village centre and the Flowerdale Shopping Centre.

4.2 Proposed competition

Edmondson Park was one of the first precincts in the SWGC rezoned for development. The planning for this precinct indicates that it could support some a 25,000 sq.m town centre, including 1-2 supermarkets and a discount department store. The retail component of this centre will be supported by non-retail floorspace and high density residential development.

The development difficulties arising from land fragmentation have been demonstrated at this precinct, which was one of the first to be released but has yet to see much development. The first stage of the Edmondson Park town centre is anticipated to be built sometime between 2016 and 2021, and this leaves a major gap in services for residents around the subject site at Prestons and in the north-western part of the SWGC. We have assumed that a first stage of this development would consist of a full-line supermarket and supporting specialty retail.

A planning proposal for a 13,000 sq.m **Costco** warehouse retail store to be located at the **Crossroads Homemaker Precinct** was approved by the Minister in January 2013. We expect this proposal will be granted development approval by Council, and have assumed that it will be trading before June 2015, with a first full year of trade in 2015/16.

The retail review states that in regards to a site at 607-611 Hume Highway, Casula, *“...the limited under-supply of supermarket and grocery store expenditure which does exist will likely be met to some extent by the development of the Costco which will sell a range of food and grocery items”*. This claim is somewhat incorrect, because it suggests that additional supermarket facilities are not required in this area of the LGA (i.e. Casula and Prestons) because of the proposed Costco store.

Costco warehouse stores serve trade areas in excess of 1 million persons. We note the Casula store would be only the second Costco in Sydney, a city of more than 4.5 million persons and would generate a significant majority of its annual turnover from beyond the Liverpool LGA. Furthermore, Costco provides reduced

price, bulk groceries, amongst other non-food goods and the depth and variety of product lines is quite limited. As such this store would be of limited competitive influence to convenience based supermarket facilities at the subject site and surrounding centres with supermarkets.

As the retail review indicated, there are several retail proposals for sites at **Orange Grove**, including planning proposals that seek to facilitate the development of: an ALDI supermarket; a Kmart dds and a hybrid retail and outlet centre of about 30,000 sq.m.

These developments are considered to be of little competitive relevance to the potential for supermarket facilities in the southern part of the Liverpool LGA, around Prestons. However, to assist Council's assessment of the proposed development at Prestons, we have assessed the cumulative effects of these developments in our assessment of impacts in section 6 of this report. We have assumed that an ALDI supermarket of 1,200 sq.m, a Kmart dds of 5,500 sq.m are developed and trading by 2015/16.

A development application (DA920/2012) has been submitted for 10,700 sq.m of outlet retailing at Orange Grove, which is being assessed by Council. This DA is for the the same site where the larger hybrid centre planning proposal has been given gateway approval.

A planning proposal for the rezoning of lands at **607-611 Hume Highway, Casula**, to accommodate a stand-alone full-line supermarket of 4,200 sq.m, was granted recent Gateway approval by the NSW DP&I. For the purposes of this assessment we have assumed that this centre is developed prior to the proposed store at Prestons, and its first full year of trade is estimated to be 2014/15.

The **Middleton Grange Village** centre will service the new suburb of Middleton Grange being developed north-west of Carnes Hill. According to the Hill PDA retail review, this centre is likely to include up to 5,500 sq.m of retail floorspace including a supermarket. According to the Masterplan approval, the centre will include supporting specialty stores, a restaurant and outdoor cafe precinct, a tavern and function facilities, a medical centre with chemist, dentist and

gymnasium, as well as a community hall. The timing of the town centre is uncertain at this stage, however, Hill PDA has assumed it is developed prior to 2019, in the retail review (Table 20).

There is DA approval for a mixed-use development at the **Collingwood Hotel site** on the Hume Highway in Liverpool. This project is proposed to include the development of a 2,500 sq.m supermarket and about 700 sq.m of supporting retail as well as non-retail floorspace. This development has had DA approval for several years, with construction still yet to have begun and we are of the view that this development is unlikely to proceed in the short to medium term future.

The largest centre within the SWGC will be the proposed **Leppington Town Centre**, categorised as a Major Regional Centre under the Metropolitan Strategy. This centre is expected to eventually supply in excess of 100,000 sq.m of retail and commercial floorspace, including two supermarkets, two dds and a department store. The intention is for the centre to integrate with the planned Leppington Railway Station. This centre is expected to be developed over the next 10-20 years, and would be staged in accordance with trade area demand.

The **Austral Precinct** has also been released for more detailed planning, in conjunction with planning for the Leppington North precinct. The draft Indicative Layout Plan (ILP) shows Austral will incorporate a town centre and employment lands in the north of the precinct in the north of the precinct, supported by smaller centres.

In summary, the SWGC will experience significant population growth into the future supported by a full hierarchy of retail and activity centres. However, many of these centres are more than 5 years away, from having sufficiently large catchments to establish trading. Therefore additional supermarket facilities provided in the short term will not only benefit Prestons main trade area residents, but also new residents of the northern parts of the SWGC.

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Section 5: Supportable supermarket floorspace

This section of the report assesses the demand for supermarket floorspace generated by residents of across a broader area of influence (the study area) surrounding the subject site; compares this demand with the existing and future supply of supermarket floorspace; and outlines the estimated current and future market gap for supermarket floorspace across the study area.

In order to provide an accurate picture of the retail floorspace demand generated by the population of this broader area of influence, the available retail expenditure is translated into an estimate of retail floorspace.

Floorspace estimates are generated by applying appropriate thresholds of desired turnover levels per sq.m of floorspace, normally referred to as retail turnover densities (RTD's) to the available retail expenditure volume.

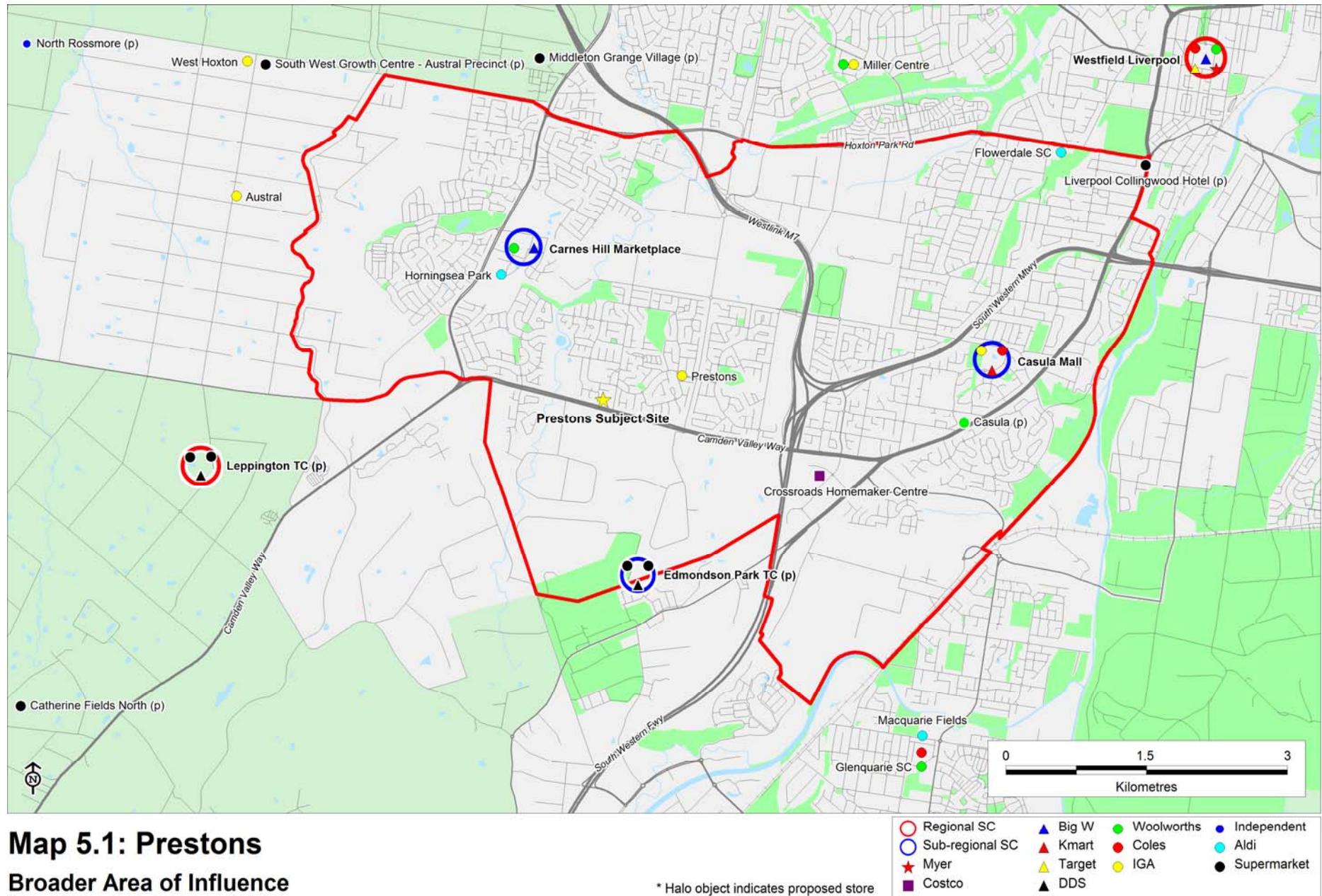
5.1 The study area

Map 5.1 shows the study area around the subject site, which incorporates the suburbs of Prestons, Casula, Horningsea Park, Hoxton Park, West Hoxton Park, Lurnea and parts of Liverpool, Edmondson Park and Glenfield.

The study area is bound to the west by the suburb boundary of West Hoxton Park; to the north by Fifteenth avenue and Hoxton Park Road; to the east by the railway line; to the south-east by the suburb boundary of Glenfield and to the south by the suburb boundary of Edmondson Park.

Table 5.1 shows that the current population of the study area is approximately 64,800 persons. Applying a similar methodology to determine the future population as outlined in section 3.1, this population is estimated to increase to about 88,300 persons in 2026, growing at an average rate of 2.2% per annum.

Table 5.1						
Prestons study area population, 2006-2026*						
Trade area	Estimated population			Forecast population		
	2006	2011	2012	2016	2021	2026
Study area	55,070	63,320	64,820	70,820	79,570	88,320
Trade area	Average annual growth (no.)					
	2006-11	2011-12	2012-16	2016-21	2021-26	
Study area	1,650	1,500	1,500	1,750	1,750	
Trade area	Average annual growth (%)					
	2006-11	2011-12	2012-16	2016-21	2021-26	
Study area	2.8%	2.4%	2.2%	2.4%	2.1%	
*As at June						
Source: ABS Census 2011; NSW Department of Planning and Infrastructure 2008; MacroPlan Dimasi						



5.2 Supermarket floorspace market gap

Table 5.2 details the estimated current and future market gap for supermarket floorspace within the study area, by comparing demand for supermarket floorspace generated by residents of the study area with the existing and proposed supply of supermarket floorspace.

For the purpose of calculating the estimated gap, we have undertaken the following steps:

- Estimated the current and future population within the study area.
- Estimated expenditure per capita on take-home food, groceries and packaged liquor (FLG) using MarketInfo data.
- Allowed for 70% of FLG expenditure to be directed to supermarkets. This estimate is consistent with national benchmarks, and allows for the remaining 30% to be allocated to smaller food specialty stores and grocery stores, such as the small IGA at Prestons, which is less than 500 sq.m.
- Multiplied per capita FLG expenditure directed to supermarkets by population to determine the total available FLG expenditure pool directed to supermarkets.
- Accounted for 5% of turnover to be comprised of general merchandise (i.e. non-food) retail items, which is typical across national supermarkets.
- The total supermarket expenditure pool is then translated into supermarket floorspace demand by dividing by an applied retail turnover density.
- We have applied a RTD for Supermarkets and Grocery stores of \$9,000 per sq.m in 2012, which we consider would be a successful and profitable average trading level.
- We have assumed some real growth in this RTD, averaging about 0.65% per annum.

- Based on the above methodology, Table 5.2 shows that residents of the study area currently generate demand for about 26,500 sq.m of supermarket floorspace, which is forecast to increase to about 36,700 sq.m by 2026.
- A large proportion of this demand would be presently met by supermarket facilities beyond the study area, such as those in the Liverpool CBD, as the study area presently only contains 14,750 sq.m of supermarket floorspace. We have included the small IGA at Prestons in “supermarket” supply, but arguably it also could be excluded, given that the cut-off in size between “supermarket” and “convenience store” is 500 sq.m.
- We have assumed that the proposed Casula supermarket (of 4,200 sq.m) is developed by June 2014 and its first full year of trade would be the financial year 2014/15.
- We have assumed that the proposed supermarket at Prestons (approx. 4,100 sq.m) would be developed before June 2015 and its first full year of trade would be the financial year 2015/16.
- By subtracting estimated supermarket supply from estimated supermarket demand, we have identified an existing supermarket gap of about 11,800 sq.m of supermarket floorspace, as at 2012.
- This gap is forecast to be about 5,400 sq.m by 2015, even after the addition of the proposed supermarket at Casula in 2014 and Prestons in 2015. Even if additional supermarket floorspace were to be provided within the study area over this time there would still be a significant market gap.
- Furthermore, this market gap will remain fairly large even with the addition of two full-line supermarkets at Edmondson Park over the next 10-15 years.

Therefore, there is significant population driven market demand within this broader study area that is presently being met by the supermarkets beyond the study area. There is clearly a lack of convenience based supermarket options in this region, in particular around the subject site, and the provision of the proposed full-line supermarket will assist in reducing the size of the supermarket market gap in the study area.

Section 5: Supportable supermarket floorspace

Table 5.2

Prestons study area - supermarket floorspace market gap

Factor	Year ending June						
	2012	2013	2014	2015	2016	2021	2026
Population	64,820	66,320	67,820	69,320	70,820	79,570	88,320
FLG Spend per capita* (\$)	\$4,998	\$5,035	\$5,071	\$5,111	\$5,153	\$5,346	\$5,556
70% of FLG spend to smkts (\$)	\$3,499	\$3,524	\$3,550	\$3,578	\$3,607	\$3,742	\$3,889
Total FLG expenditure to smkts (\$M)	\$226.8	\$233.7	\$240.8	\$248.0	\$255.4	\$297.8	\$343.5
5% of Smkt sales to GM (\$M)	\$11.9	\$12.3	\$12.7	\$13.1	\$13.4	\$15.7	\$18.1
Total Smkt expenditure (\$M)	\$238.7	\$246.0	\$253.4	\$261.0	\$268.9	\$313.4	\$361.6
<u>RTD @ \$9,000/sq.m incr. 0.65% p.a.</u>	<u>\$9,000</u>	<u>\$9,059</u>	<u>\$9,117</u>	<u>\$9,177</u>	<u>\$9,236</u>	<u>\$9,540</u>	<u>\$9,855</u>
Supermarket demand (sqm)	26,523	27,161	27,796	28,447	29,112	32,853	36,692
Supermarket supply (sqm)**	<u>14,746</u>	<u>14,746</u>	<u>18,946</u>	<u>23,046</u>	<u>23,046</u>	<u>26,546</u>	<u>30,046</u>
Proposed supermarket (sqm)***			<u>4,200</u>	<u>4,100</u>		<u>3,500</u>	<u>3,500</u>
Total Supermarket Gap (sqm)	11,777	12,415	8,850	5,401	6,066	6,307	6,646

*Constant 2011/12 dollars and including GST

**Supply includes Woolworths & ALDI at Carnes Hill, Coles and Supa IGA at Casula Mall, Aldi at Flowerdale and small IGA (460 sqm) at Prestons
Supermarkets are defined as being >500 sq.m but we have included IGA at Prestons

***Assumes the addition of the proposed 4,200 sq.m Casula supermarket by June 2014, and the 4,100 sq.m supermarket at Prestons by June 2015.

and 2 x full-line supermarkets at Edmondson Park

Source: Marketinfo; MacroPlan Dimasi

Section 6: Economic impacts and benefits

This section of the report examines the likely sales potential of a local centre at the subject site; presents our estimates of likely trading impacts on the surrounding retail network; examines the possible consequences and implications of such impacts for the retail hierarchy; and also details the economic benefits from the proposed development.

These benefits will include improved shopping choice, more competitive pricing and reduced private vehicle trip distances. Other benefits include employment that is created during the construction of the project as well as substantial on-going employment created on site, which will also lead to additional flow-on, or multiplier induced, impacts through the broader Sydney and NSW economy.

6.1 Estimated sales performance

Table 6.1 summarises our estimates of likely sales and the estimated market shares which the proposed development is, in our view, likely to attract. We have assumed that the proposed local centre development would have its first full year of trade in the financial year 2015/16.

We have estimated that a local centre of approximately 5,300 sq.m (GLA retail) will generate sales in the order of \$37.5 million (approx. \$7,100 per sq.m) in its first full year, as the centre establishes its presence within the trade area. This estimate assumes the proposed Casula Woolworths supermarket and the proposed Holsworthy Plaza are developed before June 2014, with a first full year of trade in 2014/15.

For the purposes of examining the cumulative impacts of the surrounding retail proposals, we have assumed that the proposed Costco store is trading by 2015/16, as well as the proposed ALDI supermarket, Kmart and 10,700 sq.m of outlet retail at Orange Grove, in addition to the proposed Middleton Grange Village centre.

We estimate that the development of the proposed Costco warehouse would have impacts on the proposed Prestons centre, in the order of \$1-2 million, that the Casula Woolworths store would impact Prestons by \$4-5 million and Middleton Grange would impact Prestons by about \$0.5 million. The proposed ALDI at Orange Grove and Holsworthy Plaza developments are expected to have a negligible impact on potential sales at the proposed Prestons centre, given their distance, while outlet retailing is quite distinct in its own right, and is not expected to impact potential sales at Prestons.

The proposed development is estimated to capture about 24.7% of the available main trade area food expenditure (ie. fresh food and groceries, packaged liquor and food catering) but only 3.6% of non-food retail expenditure, resulting in a market share of 15.6% of the total retail expenditure market.

Table 6.1

Prestons local centre - Estimated market shares, 2015/16*

Trade area	Retail spend (\$M)			Centre sales (\$M)			Market share		
	Food	Non-food	Total	Food	Non-food	Total	Food	Non-food	Total
Primary sector	109.7	83.0	192.8	27.8	3.0	30.8	25.3%	3.7%	16.0%
Secondary Sector	<u>6.9</u>	<u>4.4</u>	<u>11.3</u>	<u>1.0</u>	<u>0.1</u>	<u>1.1</u>	<u>14.5%</u>	<u>2.5%</u>	<u>9.8%</u>
Main TA	116.6	87.5	204.1	28.8	3.1	31.9	24.7%	3.6%	15.6%
Sales from beyond TA				<u>5.1</u>	<u>0.6</u>	<u>5.6</u>			
Total centre sales				33.8	3.7	37.5			

*Constant 2011/12 dollars & including GST

Source: Marketinfo; MacroPlan Dimasi

Given the centre's prominent location, we expect that about 15% of the total annual turnover will be attracted in the form of "beyond trade area" expenditure (i.e. passing traffic), which is considered to be a conservative estimate given the traffic volumes along Camden Valley Way, based on our experience.

Table 6.2 below shows the anticipated sales growth for the proposed centre. We expect that centre sales will grow strongly, driven by strong growth in population, real expenditure growth and as it establishes market position. However, the future development of the Edmondson Park town centre is expected to impact the centre's sales in the future.

These projections also account for the future development of a supermarket based first stage of the Edmondson Park Town Centre in 2018/19, but assume no other major competitive developments over the forecast period.

Table 6.2
Prestons local centre sales potential, 2016-2026*

Year ending	Estimated sales potential		
	Supermarket (\$M)	Other Retail (\$M)	Total Retail (\$M)
June			
2016	32.5	5.0	37.5
2017	33.5	5.1	38.6
2018	34.4	5.3	39.6
2019	27.7	4.3	32.0
2020	28.4	4.4	32.7
2021	29.1	4.5	33.5
Avg. ann. growth, 2016-2021	-2.2%	-2.2%	-2.2%
*Constant 2011/12 dollars & including GST			
NB: Assumed that a supermarket is developed and trading at Edmondson Park by 2018/19			
Source: MacroPlan Dimasi			

6.2 Estimated trading impacts

Retail developments will usually result in some trading impacts on other retail facilities within or beyond the main trade area. At the heart of considerations of trading impacts is whether any other centre or centres, as a whole, and not individual tenants or businesses, may be negatively impacted to the extent that their viability is in question, or the population served by such other centres could suffer some reductions in the level of service with they enjoy i.e. a net community disbenefit.

In order to understand whether any particular centre may be impacted to the extent that its continued viability may be in question, we have estimated specific retail impacts that we expect surrounding centres to experience if a new supermarket were to be developed at the subject site.

These estimates provide indications as to whether the scale of the development is reasonable and whether any centres are likely to be at risk to the extent that the community would suffer a net disbenefit, attributable to the proposed development.

Table 6.3 shows the estimated trading impacts that we expect across the surrounding network of centres. We have accounted for the cumulative effects of approved and proposed developments across the region, including the proposed Woolworths Casula supermarket (2014/15), Holsworthy Plaza (2014/15), Middleton Grange Village Centre (2015/16), Costco at Crossroads (2015/16) and the proposed Orange Grove ALDI, Kmart and outlet retail development (2015/16).

Throughout this analysis, we have assessed the **full impacts** of the proposed Prestons development on the surrounding centre network (i.e. the net impacts of 5,300 sq.m of retail floorspace versus 0 sq.m of floorspace). In reality, the subject site is zoned to allow individual tenancies up to 1,600 sq.m, which means that impacts should only be assessed on the net addition (i.e. 2,500 sq.m) over and above the approved individual tenancy cap. This means that the following assessment of impacts of the proposed Prestons supermarket in this section overstates impacts by more than 30%, compared to what is permissible at the site.

Table 6.3

Prestons local centre - Estimated Cumulative Impact on Specific Centres of relevance to proposed Prestons centre*

Centres	GLA (sq.m)	Estimated 2011/12	Projected 2014/15**			Est. Specific Centre Impacts (2015/16)***					Projected 2015/16***			Est. Cumulative Impacts (2015/16)					
			Proposed Casula development			Costco	Orange Grove (Outlet)	Orange Grove (Traditional)	Middleton Grange	Prestons	No development except Casula in 2014/15	With Costco, Orange Grove & Middleton Grange but NO Prestons	With Costco, Orange Grove & Middleton Grange AND Prestons	All 5 devs		Net Prestons		All 7 devs	
			Without Casula	With Casula & Holsworthy Plaza	Impacts									With Casula and Holsworthy in 2014/15	With Casula and Holsworthy in 2014/15	Sales 2015/16 post development v sales 2011/12.			
		\$M (1)	\$M (2)	\$M (3)	\$M (4)	\$M (5)	\$M (6)	\$M (7)	\$M (8)	\$M (9)	\$M (10)	\$M (11)	\$M (12)	\$M (13)	% (14)	\$M (15)	% (16)	\$M (17)	% (18)
Liverpool Regional City / CBD	130,000	650.0	709.5	700.3	-9.2	-11.2	-12.0	-9.0	-1.0	-4.7	721.2	688.0	683.4	-37.8	-5.2%	-4.7	-0.7%	33.4	4.7%
Town Centres																			
Carnes Hill (inc. Marketplace & ALDI)	18,300	135.4	147.8	139.8	-8.0	-2.2	-0.5	-1.0	-5.0	-9.6	144.0	135.3	125.7	-18.3	-12.7%	-9.6	-7.1%	-9.7	-6.6%
Casula Mall	20,000	163.6	178.6	162.4	-16.2	-2.6	-1.5	-3.0	-0.5	-9.1	167.3	159.7	150.6	-16.7	-10.0%	-9.1	-5.7%	-13.0	-7.3%
Village Centres																			
Miller Centre	9,700	68.5	74.8	73.9	-0.9	-0.5	0.0	-1.0	-3.5	-0.8	76.1	71.0	70.3	-5.8	-7.6%	-0.8	-1.1%	1.8	2.4%
Macquarie Fields	17,000	56.0	61.1	58.7	-2.4	0.7	0.0	0.0	0.0	-0.9	60.5	61.1	60.3	-0.2	-0.3%	-0.9	-1.4%	4.3	7.0%
Other centres																			
Prestons Village Centre	1,500	9.1	9.9	9.7	-0.2	0.0	0.0	0.0	0.0	-0.8	10.0	10.0	9.3	-0.8	-7.7%	-0.8	-7.7%	0.1	1.5%
Austral Small Village Centre (10th Ave)	3,300	11.1	12.1	12.1	0.0	0.0	0.0	0.0	0.0	-0.2	11.4	11.4	11.2	-0.2	-1.4%	-0.2	-1.4%	0.2	1.4%
Flowerdale SC	4,700	29.3	32.0	30.9	-1.2	-0.2	0.0	-2.0	0.0	-0.4	30.2	28.0	27.6	-2.6	-8.6%	-0.4	-1.4%	-1.7	-5.3%
West Hoxton Neighbourhood Centre (15th Ave)	2,500	16.5	18.0	18.0	0.0	0.0	0.0	0.0	0.0	-0.1	17.0	17.0	16.9	-0.1	-0.5%	-0.1	-0.5%	0.4	2.3%
Proposed																			
Prestons (1975-1985 Camden Valley Way) (p)	5,300	na	na	na	na	-2.0	na	0.0	na	na	na	39.5	37.5	na	na	na	na	na	na
Casula (607-611 Hume Highway) (p)	4,200	na	37.8	37.8	na	-1.0	0.0	-0.5	0.0	-5.5	38.9	37.4	31.9	-7.0	-18.0%	-5.5	-14.7%	na	na
Middleton Grange Village (p)	5,500	na	na	na	na	na	na	na	na	-0.4	38.0	38.0	37.6	-0.4	-1.0%	-0.4	-1.0%	na	na
Costco at Crossroads Homemaker Precinct (p)	13,000	na	na	na	na	0.0	0.0	-1.0	na	-1.9	na	129.0	127.1	na	na	na	na	na	na
Edmondson Park Stage 1 (p)	5,500	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Orange Grove																			
• Orange Grove ALDI & Kmart dds (p)	6,700	na	na	na	na	-2.5	na	na	na	0.0	na	28.5	28.5	na	na	na	na	na	na
• Orange Grove outlet retail (p)	10,700	na	na	na	na	0.0	na	na	na	0.0	na	37.5	37.5	na	na	na	na	na	na
Beyond trade area / passing trade	na	na	na	na	na	na	na	na	na	-3.3	na	na	na	na	na	na	na	na	na
Total impacts on relevant centres	257,900	1,139.5	1,281.6	1,243.6	-38.0	-21.5	-14.0	-17.5	-10.0	-37.5	1,314.5	na	na	-89.8	-6.8%	-32.3	-2.5%	15.7	1.2%

Notes

- (1) Sales are estimated using PCA Shopping Centre Directory 2012 where possible. For other centres, sales are estimated assuming \$9,000 per sq.m for supermarkets (WOW, Coles and ALDI) and \$8,500 per sq.m for IGA and independent supermarkets.
- (2) Sales are grown forward from 2011/12 to 2014/15 based on growth in expenditure market across the broader region. i.e. At 9.2% from 2011/12 to 2014/15 (inc. real growth and pop. growth)
- (3) Sales from (2) less estimated impacts (4)
- (4) Est. Impacts from 607-611 Hume Highway, Casula - Economic Impact Assessment (June 2012) undertaken by MacroPlan Dimasi. Generally, the scale of impact is dependent on the closest like for like full-line supermarkets and the proximity of each centre to the proposed Casula supermarket. We have adjusted these impacts slightly, as we consider that there will be some impacts that on 'other centres' beyond that in the surrounding centres network due to a high beyond trade area turnover expected for the centre, given its location on the Hume Highway. Impacts from Holsworthy Plaza are expected to be negligible on most centres in the network, given its location - with small impact on ALDI at Flowerdale (\$0.5m), and on Liverpool CBD (\$1m)
- (5) Costco impacts are based on Essential Economics EIA undertaken in 2010, as part of rezoning proposal. We have scaled these upwards to account for inflation to \$2011/12, and greater than expected sales (i.e. We estimate \$130 million in opening year)
- (6) Orange Grove Outlet Retailing: A planning proposal (early 2012) sought a much larger provision of outlet, bulky goods and general retail, however a more recent DA has been submitted for 10,700 sq.m of outlet retailing at the site. We have considered the impacts of this development. Generally, the impacts of this type of retail will be on regional, sub-regional centres with fashion tenants, with negligible impacts
- (7) Orange Grove Traditional Retail: Proposal Kmart dds would impact mostly on Liverpool CBD, as well as other centres with dds, in particular Casual Mall, with an existing Kmart. ALDI supermarket would have some impacts on nearby Liverpool CBD, as well as nearby supermarket facilities, in particular closest ALDI at Flowerdale.
- (8) Middleton Grange Town Centre is assumed to be developed by 2015/16 according to the Retail Strategy Review. Impacts are expected mainly on Carnes Hill, Miller Centre, and surrounding small centres
- (9) Proposed Prestons impacts are based on assumed sales of \$37.5 million. This estimated sales level accounts for the impacts of Casula, Costco, Orange Grove and Middleton Grange. The largest impacts are expected on the closest full line supermarket facilities at Casula (Woolworths), Carnes Hill Marketplace (which has a Woolworths store) and Casula Mall (5,000 sq.m Coles supermarket).
- (10) Sales are grown from (3) at market growth of 3.6% pa for centres that existed in 2015/16. Sales estimated at \$130m for Costco, \$37.5m for Prestons, \$12m for ALDI @ \$10,000 per sq.m, \$16.5m for Kmart @ \$3,000 per sq.m and \$37.5m for Outlet @ \$3,500 per sq.m.
- (11) Sales in (11) are sales for all centres assuming that ALDI and Kmart of Orange Grove, outlet retail at Orange Grove and Middleton Grange are developed but not Prestons. This is calculated as (10) + (5) + (6) +(7)+(8).
- (12) Sales in (12) are sales for all centres assuming that ALDI and Kmart of Orange Grove, outlet retail at Orange Grove and Middleton Grange are developed AND Prestons. This is calculated as (10) + (5) + (6) +(7)+(8)+(9)
- (13 & 14) Presents estimated cumulative trading impacts of all five developments in 2015/16 accounting for development of Casula and Holsworthy in 2014/15. Impacts in \$millions are expressed in column (13) and column (14) presents impacts as a percentage of annual turnover in 2015/16 assuming none of the five developments. (i.e. (13)/(10)).
- (13 & 14) Presents estimated net trading impacts of the Prestons development in 2015/16 accounting for development of Casula and Holsworthy in 2014/15, and the other four developments. Impacts in \$millions are expressed in column (15) and column (16) presents impacts as a percentage of annual turnover in 2015/16 assuming the other four developments proceed. (i.e. (15)/(11)).
- (17 & 18) Compares estimated sales for all current centres in 2015/16, assuming all developments in 2015/16 and 2014/15 to current sales in 2011/12. Column (17) presents these as \$million impacts and (18) presents these as a percentage (i.e. (17)/(1)).

We have estimated the trading impacts as follows:

- (1) Sales are estimated across the surrounding competitive supply network of relevance to Prestons as at 2011/12, based on detailed inspections of the various facilities, public databases, other known information, and relying on industry benchmarks. We have relied on sales data from the Property Council of Australia Shopping Centre Directory 2012 where possible (i.e. Casula Mall, Carnes Hill Marketplace, and Westfield Liverpool). For other centres, and the remainder of the Liverpool CBD, sales are generally estimated assuming \$9,000 per sq.m for Woolworths, Coles and ALDI supermarkets and \$8,500 per sq.m for IGA and independent supermarkets. Specialty retail floorspace has been estimated at a benchmark of \$5,000 per sq.m. Total sales for the surrounding competitive network of traditional retail centres are estimated at \$1.13 billion in 2011/12.
- (2) Estimated sales for each centre are grown forward from 2011/12 to 2014/15 at the market growth rate estimated for the wider study area identified in Section 5 of this report, i.e. at 9.2% over the 3 years. Sales are expressed in constant 2011/12 dollars.
- (3) & (4) Impacts from the proposed development of the Casula supermarket and Holsworthy Plaza on competitive supply network of relevance to Prestons are estimated in the year 2014/15 in column (4) of table 6.3. Column (3) shows the resultant sales in 2014/15, incorporating these impacts (i.e. assuming these two developments proceed).
- We have relied on the impact analysis the in Economic Impact Assessment (EIA) undertaken by MacroPlan Dimasi in 2012 for the Casula planning proposal, given that this planning proposal was endorsed by Council and was recently granted gateway approval by the Minister. We have assumed that Holsworthy will have minimal impacts across most centres in Liverpool given its removed location – with a small \$1.0 million impact expected on Liverpool CBD and a \$0.5 million impact on the ALDI at Flowerdale, given there is a proposed ALDI at Holsworthy.

- We have then estimated the potential impacts on the surrounding competitive network from the proposed Costco store, the ALDI supermarket and Kmart dds at Orange Grove, the 10,700 sq.m of outlet retail at Orange Grove, the Middleton Grange town centre and the proposed Prestons centre in the year 2015/16. This assessment is presented in columns (5)-(9).
- (5) We have estimated the impacts of the Costco store relying on the EIA prepared by Essential Economics in 2010 as part of the rezoning proposal for this site, given that this proposal has now received Council endorsement and full approval from the minister. We have scaled these impacts slightly upwards to account for inflation since the analysis was conducted. The \$21.5 million total impact is for centres in the competitive network of relevance to Prestons. A large proportion of expected impacts from Costco will be on other sub-regional and regional centres across the western and south-western Sydney, while about one-third of sales are expected to be from beyond the trade area and from business expenditure.
- (6) A planning proposal at Orange Grove has previously been granted gateway approval which sought approval for up to 30,000 sq.m of outlet retail, bulky goods and traditional retail. However, a more recent DA has been submitted for 10,700 sq.m of outlet retailing at the site, and we have assessed impacts of this proposal in the year 2015/16 on the surrounding centres network. Generally, the impacts of this type of retail will be on other outlet centres, regional centres and sub-regional centres with decent fashion offers. As such we do not expect impacts on most centres in Table 6.3. We expect the 10,700 sq.m of outlet retail to achieve sales of \$35-40 million of which about 30% would impact on the Liverpool CBD.
- (7) According to the retail centres review, planning proposals for an ALDI supermarket and Kmart dds at Orange Grove have been submitted, and we have assessed the cumulative effects of these developments for completeness. The proposed Kmart dds would impact mostly on Liverpool CBD, as well as other centres with dds, in particular Casula Mall, which has an existing Kmart. The ALDI supermarket would have some impacts on the nearby Liverpool CBD, as well as nearby supermarket facilities, in particular the closest ALDI at Flowerdale.

- (8) The retail centres review also indicated that the Middleton Grange Village centre is expected to be developed prior to 2016. The impacts of this development will be largest on nearby Carnes Hill Marketplace and Miller Centre, and Valley Plaza to the north, as well as small impacts on Casula Mall and the proposed Prestons centre.
- (9) We have estimated the sales potential for the proposed Prestons supermarket in Tables 6.1 and 6.2 previously, having regard for all other proposed retail developments, to be about \$37.5 million. We have estimated impacts based on the relative proximity of various centres to the Prestons subject site, the relative size of the supermarket anchors (i.e. full-line v small convenience) and the brand of these supermarkets. Typically, impacts are largest on like for like brands, ie. all other things being equal, an ALDI will impact other nearby ALDI supermarkets most significantly.
- The largest impacts from the Prestons supermarket are expected to be on the closest large supermarket anchored retail facilities, i.e. Casula and Carnes Hill. In particular, we expect a significant impact on the Woolworths impact at Carnes Hill Marketplace, the proposed Woolworths supermarket at Casula and the Coles supermarket at Casula Mall.
- We expect impacts on the Prestons Small Village centre to be about \$0.8 million, as we expect this centre will continue to draw strongly from within its localised trade area, serving the convenience top-up needs of the existing customer base. Only moderate impacts are expected due to the different market that this centre would serve as compared with a full-line supermarket anchored local centre, with frontage to Camden Valley Way.
- Other convenience oriented centres are expected to be only moderately impacted, as we expect these centres will continue to serve their immediate catchments; and are located much further away from the subject site than Casula Mall and Carnes Hill Marketplace. The Liverpool CBA is expected to be only slightly impacted, by less than 1%, while other centres are expected to be impacted by less than 2% of annual turnover.

- (10) Column (10) provides an estimate of the sales across the competitive supply network in 2015/16, assuming none of the 2015/16 developments proceed. Sales have been grown forward from 2014/15 sales in column (3) - assuming Holsworthy Plaza and Casula are developed - by the broad market growth rate of 3.0%.
- (11) Column (11) provides an estimate of the sales across the competitive supply network in 2015/16, assuming the development of the ALDI and Kmart at Orange Grove, the outlet retail at Orange Grove and Middleton Grange but not the Prestons development. Sales in (11) are estimated by adding all impacts of the above developments from (5) to (8) and adding these to estimated sales in (10). (note: impacts are negative so this step is a subtraction). This step is conducted to enable the specific impacts of the Prestons store in 2015/16 to be estimated.
- (12) Column (12) provides an estimate of the sales across the competitive supply network in 2015/16, assuming all developments proceed, including the proposed Prestons centre. Sales in (12) are estimated by adding all impacts of the above developments from (5) to (9) and adding these to estimated sales in (10).
- (13 & 14) Presents the cumulative impacts of the proposed ALDI and Kmart at Orange Grove, the outlet retail at Orange Grove and Middleton Grange but not Prestons. Column (13) is a sum of (5) to (8) and column (14) is estimated impacts expressed as a percentage of annual turnover assuming none of these developments occur (i.e. (13) divided by column (10)).
- (15 & 16) Presents the net impact of the proposed Prestons store at 2015/16, accounting for the impacts of the proposed ALDI and Kmart at Orange Grove, the outlet retail at Orange Grove and Middleton Grange. Column (15) is a sum of (5) to (9) and column (15) is estimated impacts expressed as a percentage of annual turnover assuming all developments but for Prestons proceed (i.e. (13) divided by column (11)).
- (17 & 18) Compares resultant sales in 2015/16 of all relevant centres, assuming all identified developments proceed, with current centre sales in 2011/12. This analysis shows that for all but three centres, sales are actually

above current trading levels. Sales at Casula Mall (-7.3% lower), Carnes Hill (-6.6% lower) and Flowerdale (-5.3% lower) are moderately lower than current trading levels. Both Casula Mall and Carnes Hill trade at above average trading levels, in particular Casula Mall and it is very unlikely that the viability of these centres will be affected. The main impacts on Flowerdale are expected to be absorbed by the ALDI supermarket, and given that ALDI propose two new stores – at Holsworthy and Orange Grove – we expect this centre will be unaffected.

The above assessment of potential trading impacts shows that the proposed development will not affect the future viability of any centres, as it will have a very minor impact on most centres and moderate impacts only on three nearby centres, two of which trade quite strongly at present and the one centre which does not yet exist (i.e. Casula) as part of the centres hierarchy.

It will not alter or impact the existing centres hierarchy, nor the role and function of future planned centres across the hierarchy, and those planned within the SWGC.

The proposed Edmondson Park Town Centre will not be impeded in terms of its potential staging and eventual ultimate scale. The first stage of the Edmondson Park Town Centre is very much dependent on the size of the population within its own trade area, with the proposed surrounding competition having a much smaller influence on the likely timing of this facility. That is, the first stage is likely to be developed when the population within the Edmondson Park area reaches a sufficient scale for a supermarket operator to consider the location. This is independent of the six proposed retail developments analysed in Table 6.3. Several of these proposals are a significant distance from Edmondson Park

The projected impacts are normal competitive impacts that are to be expected in any dynamic environment. The magnitude of impacts, coupled with strong future market growth, are indicative that the proposed local centre would be an appropriate addition to the local market. Furthermore, such impacts should be considered in conjunction with the economic benefits that convenience retail development at the subject site will also generate.

6.3 Estimated employment impacts

The development of a local centre at the subject site will result in additional on-going employment on-site as well as further jobs through the supply chain, across industries servicing the retail tenants at the site such as transport workers, wholesalers and the like.

Furthermore, the construction phase of the project will support construction employment during the period of construction as well as additional jobs through the broader economic supply chain (i.e. multiplier impacts).

Table 6.4 illustrates the estimated net increase in direct employment that would be created if the local centre were to be developed. We have relied upon various data sources including data from retailers, the ABS and several state and local government agencies as well as 20-30 years of experience in the retail industry to estimate the employment impacts.

The total additional employment created is expected to be in the order of 179 jobs. Allowing for some minor impacts on employment at other centres, estimated to be in the order of 5%, the overall net employment created at the centre is expected to be in the order of 170 jobs.

Table 6.4
Prestons local centre - estimated potential employment

Type of use	Estimated employment per '000 sq.m	<u>Subject Site</u>	
		GLA (sq.m)	Employment (persons)
Supermarket	33	4,094	135
Other retail	40	<u>1,099</u>	<u>44</u>
Total employment		5,193	<u>179</u>
Net increase*			170

**Net increase includes an allowance for reduced employment levels elsewhere, estimated at 5% of total increase
Source: Emperica; MacroPlan Dimasi*

Table 6.5 provides an estimate of the total additional employment that would be created as a result of the proposed expansion, including both on-going direct and indirect (multiplier induced) employment and on-going direct and indirect (multiplier induced) employment from the construction phase of the project.

Table 6.5 Prestons local centre - estimated potential employment				
Original stimulus	Estimated capital costs (\$M)	Direct employment	Supplier employment multiplier effects	Total
Construction of project	15.0	71	113	184 Job years ¹
Centre employment ²		170	68	238

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

1. Indicates the estimated number of jobs over the life of the construction project, for the equivalent of one year

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

Source: Emperica; MacroPlan Dimasi

To calculate the likely total economic stimulus that can be attributed to the proposed development, both due to the direct retail employment which it will create, and also due to its construction, we have relied upon ABS Australian National Accounts Input/output multipliers.

ABS Input/output multipliers measure general economic flows between industry sectors. There are several types of input/output multipliers that can be relied upon and we consider for the basis of estimating fairly small scale, and localised impacts, that *employment* multipliers are most suitable for estimating the employment effects of the proposed expansion.

The estimated capital costs of the project are expected to be about \$15 million, with construction of the centre expected to occur over a period of one year. Therefore the estimated employment resulting from the construction of the project is estimated to be 184 jobs for that year, including 71 created directly and a further 113 resulting from multiplier induced effects.

As previously estimated, net employment resulting from the proposed expansion is expected to be 170 net jobs. Based upon the ABS employment multiplier for

the retail industry we estimate this would also lead to a further 68 multiplier induced jobs.

The proposed expansion will therefore result in a significant stimulus to local employment and across the broader Sydney and NSW economy.

6.4 Other economic benefits

The proposed local centre will result in a range of other economic benefits. The key benefits, summarised below, include:

- Increased convenience and amenity for the population of the main trade area.
- Increased choice and lower grocery prices for trade area residents.
- Ensuring sufficient retail floorspace is made available to reasonably meet local demand.
- A reduction in vehicle kilometres travelled as people are able to conveniently shop in closer proximity to their place of residence, and the supporting specialty tenants will allow multi-purpose trip-linking.
- Enhanced service provision and employment options.

6.5 Other findings and recommendations

In addition to the analysis presented in this report, the following points regarding the role and size of the proposed local centre at Prestons are noted:

- A convenience oriented local centre at the subject site, will have no impact on the designated centres hierarchy of the Liverpool Council. Smaller centres will continue to serve tightly defined local catchments, while larger sub-regional centres such as Carnes Hill and Casula will serve large trade areas and regional centres such as Liverpool will draw from very large catchments and serve higher order retail functions.

- The proposed Prestons development will not alter the potential timing of a first stage of the Edmondson Park Town Centre, nor the ultimate potential of the town centre. The delivery of the first stage is very much dependent on the size of the population within the Edmondson Park trade area, with the proposed surrounding competition having a much smaller influence on the likely timing of this facility. That is, the first stage is likely to be developed when the population within the Edmondson Park area reaches a sufficient scale for a supermarket operator to consider the location.
- A larger local centre at the subject site, than is presently permissible would allow Liverpool Council to more effectively achieve key strategic principles as it:
 - Would make residential development more attractive for developers, and for prospective residents, attracted by convenience retail provision.
 - Would be serviced by public transport routes, which is consistent with state and local government sustainability principles.
 - Would stimulate and support a mix of housing in the area. Proximity to full-line supermarket facilities makes higher density development more attractive for developers and residents, while smaller scale facilities at that location would require residents to drive to Carnes Hill or Casula to access such facilities.
 - Would help to meet employment targets outlined in the metropolitan strategy.

In conclusion, a more flexible sizing would allow the market to more ably meet the increasing convenience retail needs of the future population, and more effectively achieve the broader land use objectives of the over-arching strategic policy framework that exists in Liverpool.

Allowing greater supermarket floorspace – essentially the removal of an existing supermarket floorspace cap - would provide increased choice and greater competition, vis-a-vis reduced grocery prices, which is of benefit to the local community.

