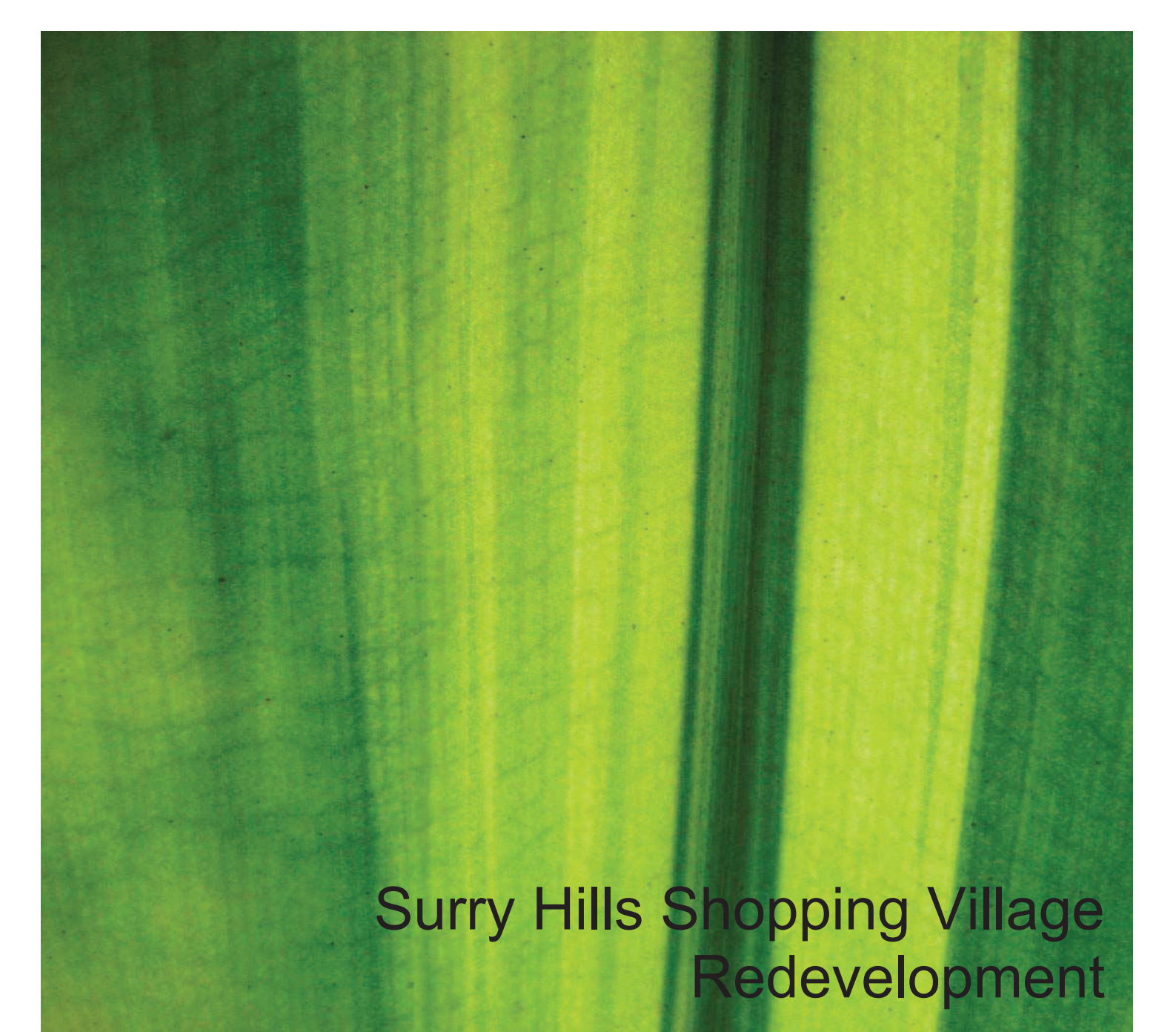




Surry Hills Shopping Village Redevelopment

Economic Analysis

December 2015

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Executive Summary

The proposed redevelopment of the Surry Hills Shopping Village site involves the demolition of the existing Surry Hills Shopping Village and the creation of a new mixed use scheme involving the following:

- A two level retail concept, featuring:
 - A lower ground supermarket and specialty level benefitting from direct car park access and an open east-west connection providing natural ventilation and shading;
 - A ground level upper retail precinct with a focus on food and beverage retailing, providing double fronted tenancies which have an attractive outlook over the lower ground retail level and through to the residential courtyard, as well as frontage to Cleveland Street;
 - Activation of the Baptist Street frontage through the incorporation of a range of retail and ancillary service tenancies;
- A mix of town houses and apartments on upper levels built around a central courtyard;
- Two levels of basement car parking including an upper level to serve the retailing and a lower level for residents.

The proposed redevelopment will add a modest 2,462 sq.m of retail floorspace relative to the current centre. The size of the supermarket will increase by 1,359 sq.m, whilst the amount of specialty retailing and non retail / non-reporting tenancies will increase by 1,149 sq.m. Overall the centre will provide 7,825 sq.m of retail / ancillary commercial floorspace.

The development provides an exciting and contemporary approach to retailing within a mixed use development. It takes cues from design and tenancy mixing from some of the most successful contemporary urban mixed use developments in Sydney including East Village, Zetland and Hall Street, Bondi.

The design will provide high levels of aesthetic amenity and design practicality and will allow the retail to perform a dual role as a convenience shopping centre and a destinational food and beverage location. This will build on the existing strengths of the centre and also complement the character and existing retail provision within Surry Hills. The project can therefore provide a dual role as a catalyst for improvement in this part of Surry Hills, whilst still meeting the retail needs of a broad demographic profile.

We estimate the redeveloped shopping centre could achieve sales of **\$84.8 million** in 2018 (in constant \$2015), an increase of **\$23.3 million** compared to current estimated turnover of \$61.6 million.

The \$23.3 million increase in turnover compares to the additional \$39 million in annual retail expenditure projected to be generated by trade area residents between 2015 and 2018. This demonstrates that there is sufficient spending growth projected within the trade area to accommodate the proposed redevelopment and to also deliver opportunities for existing retailers to increase their sales performance.

The proposed redevelopment will strengthen the site's neighbourhood centre role, providing a high quality retail offering for local residents. This should assist in reducing expenditure leakage (and associated vehicle movements) out of the trade area.

Growing market demand creates a clear opportunity to enhance retailing at Surry Hills Shopping Village. The proposed redevelopment can deliver a much needed improvement to the centre, and with the inclusion of a residential component on the site it can create a flagship renewal project in the southern part of Surry Hills that can be a catalyst for further sensitive urban renewal.

The proposed modifications to the retailing at the centre are relatively small scale and will not fundamentally change the role of the centre within the existing retail hierarchy. Redevelopment will offer a range of benefits to residents within the locality including improved amenity, increased consumer choice and additional employment.

Projected population and spending growth within the trade area is expected to drive demand for enhanced retail provision. Between 2015 and 2026 the trade area population is projected to increase by 4,000 residents. The spending market is projected to increase by \$158 million over the same period.

Having regard to all of these factors, the proposed redevelopment is supportable from a retail economic perspective.

Implications for shopping patterns resulting from the proposed development are summarised in the table on the following page.

SECTOR	CHANGE TO SPEND DISTRIBUTION AND MARKET SHARE	IMPLICATIONS FOR SHOPPING PATTERNS
Trade Area	▪ Increase in % of turnover derived from across the trade area ▪ Increased market share, particular in food retailing in the primary trade area	▪ A higher proportion of shoppers from the primary trade area – the immediate environment – and the trade area overall ▪ Potential to capture walking trade and car-based shopping in this sector ▪ Spending is more likely to be frequent and for smaller value purchase ▪ Enhanced opportunity to capture food and beverage spending ▪ On-site resident market will contribute to spend ▪ Claw-back of expenditure that is currently being leaked to competing centres – fewer car trips generated by residents leaving the trade area to shop elsewhere
Spend from beyond	▪ Reduction in the proportion of spending derived from beyond the trade area	▪ A lower proportion of spend from beyond the trade area suggests that proportionately fewer people from outlying areas would travel in to visit the centre compared to current ▪ Convenience is key to attracting shoppers from beyond the trade area. If parking provision is limited (due to being used by trade area residents), and as the retail offer is expanded elsewhere (e.g. Green Square) then people from further afield may be less inclined to drive in to use the centre

1 Introduction

Urbis has been appointed by Toga to provide an economic assessment of the proposed redevelopment of Surry Hills Shopping Village at 397-399 Cleveland and 2-38 Baptist Streets, Surry Hills. The purpose of the report is to consider the extent to which the proposed development will change the role of the centre within the existing retail hierarchy, having regard to the scale of development proposed and any anticipated change in trading performance. Changes to the customer base of the development (the “trade area”) are an important consideration in this regard.

1.1 REPORT STRUCTURE

The remainder of the report is structured as follows:

Section two – considers the subject site and provides a comparison of the existing Surry Hills Shopping Village centre and the proposed development;

Section three – assesses the trade area for the proposed development, its socio economic profile and available retail expenditure;

Section four – examines the current and future role of Surry Hills Shopping Village within the surrounding retail centres hierarchy;

Section five - provides an assessment of the turnover potential of the new development, with commentary around the potential for the redeveloped centre to improve its trading performance relative to current levels. This also includes commentary on potential customer usage;

Section six – summaries the broad benefits to the local community resulting from the proposed development;

Section seven – sets out conclusions.

2 Subject Site and Proposed Development

2.1 SUBJECT SITE

Surry Hills Shopping Village is located at 397-399 Cleveland and 2-38 Baptist Streets, Surry Hills. The centre was opened in 1981 and last refurbished in 2011. It is anchored by a Coles supermarket and provides a mix of convenience-based specialty retailing.

The centre has frontages to Cleveland Street – a major east west connection between Anzac Parade and City Road, Newtown, as well as Baptist Street and Marriott Street. The centre currently provides 145 open lot car parking spaces at the southern end of the site abutting the rear of residential properties on Boronia Street.

The property is a single story construction and presents a predominantly blank wall to Baptist Street. The corner of the building at the intersection of Baptist Street and Cleveland Street is two storeys and incorporates commercial premises on the upper level. Other than this corner feature, the property also presents a blank façade to Cleveland Street, as well as to Marriot Street.

Generally the centre presents poorly. It looks dated and in need of refurbishment. The open lot car parking at the south of the site is also known to attract occasional antisocial behaviour.

Existing vehicular access to the site is via Baptist Street and Marriot Street. Cars travelling westbound on Cleveland Street must queue to turn right at the signalised Baptist Street intersection. Cars travelling south from Crown Street are directed to cross Cleveland Street and enter the site via Baptist Street

2.2 CURRENT CENTRE

The current centre provides around 5,360 sq.m gross leasable areas including 4,900 sq.m retail floorspace as well as 485 sq.m non-retail / non reporting floorspace.

The existing Coles supermarket is the anchor tenant for the centre and provides almost 3,100 sq.m floorspace.

There are a total of 20 specialty retailers providing around 1,800 sq.m floorspace. The majority of specialty retail floorspace is within the food retail category and includes uses such as a butcher, fresh seafood, poultry and liquor. Leisure / general retail uses include a newsagent, tobacconist and pharmacy. Retail services include shoe repairs, dry cleaner and massage. Food catering tenants include a café, sushi bar and noodle restaurant / takeaway.

Non retail / non reporting uses include a travel agent, doctor, Australia Post, Mortgage Choice, ATMs and centre management office.

The current composition of the shopping centre is summarised in Table 2.1 on the following page.

The centre provides around 960 sq.m less retail floorspace than the benchmark for a single supermarket-based shopping centre and around 2,055 sq.m less leasable area overall.

Benchmark Centre Composition

SURRY HILLS SHOPPING VILLAGE VS SINGLE SUPERMARKET BASED CENTRE

TABLE 2.1

	Gross Leasable Area				
	Surry Hills Shopping Village		Single		Variation
	sq.m	%	sq.m	%	
Majors & Mini Majors:					
Supermarkets	3,097	63%	3,580	61%	-483
Mini-Majors	0	0%	653	11%	-653
Total Majors & Mini-Majors	3,097	63%	4,234	73%	-1,137
Retail Specialties:					
Food Retail	701	14%	345	6%	+356
Food Catering	257	5%	375	6%	-118
Apparel	50	1%	218	4%	-168
Homewares	211	4%	151	3%	+60
Bulky Goods	56	1%	3	0%	+53
Leisure/General	283	6%	272	5%	+11
Retail Services	224	5%	240	4%	-16
Total Retail Specialties	1,781	37%	1,604	27%	+178
Shopping Centre - Retail	4,878	100%	5,837	100%	-959
Non retail / non reporting / external	485		1,581		-1,096
Total Centre²	5,363		7,418		-2,055

1. Benchmarks are for the year to June 2014 from Urbis Retail Averages 2013/14.

2. Excludes vacant floorspace

Source: Urbis Retail Average (2014); Urbis



PICTURE 1 – CURRENT TENANTS



PICTURE 2 – CURRENT TENANTS



PICTURE 3 – CURRENT TENANTS



PICTURE 4 – CURRENT TENANTS



PICTURE 5 – CURRENT TENANTS



PICTURE 6 – CURRENT TENANTS

2.3 PROPOSED DEVELOPMENT

The proposed development involves the demolition of the existing Surry Hills Shopping Village and the creation of a new mixed use scheme featuring:

- A two level retail concept, facilitating the development of retail precincts within the site:
 - A lower ground supermarket and specialty level benefitting from direct car park access and an open east-west connection providing natural ventilation and shading;
 - A ground level upper retail precinct with a focus on food and beverage retailing, providing double fronted tenancies which have an attractive outlook over the lower ground retail level and through to the residential courtyard, as well as frontage to Cleveland Street;
 - Activation of the Baptist Street frontage through the incorporation of a range of retail and ancillary service tenancies;
 - Refurbishment of the heritage building on the corner of Cleveland and Baptist Streets;
- A mix of town houses and apartments on upper levels built around a central courtyard;
- Two levels of basement car parking including an upper level to serve the retailing and a lower level for residents.

Based on the plans prepared in support of the planning proposal, the design includes provision for 7,825 sq.m gross leasable area retail floorspace, including the following:

- A Supermarket of 4,200 sq.m;
- Specialty retail tenancies totalling 3,625 sq.m (some of this space is likely to be allocated to non-retail uses).

The development provides an exciting and contemporary approach to retailing within a mixed use development, taking cues from design and tenancy mixing from some of the most successful contemporary urban mixed use developments in Sydney including East Village, Zetland and Hall Street, Bondi.

The two-level approach provides a number of advantageous design and tenancing options:

- It enables the centre to have an open air aspect, which is becoming increasingly welcomed in high quality developments. This has been witnessed in recent schemes such as Hall Street Bondi, and at a larger scale with the opening out to street level of the food and beverage precinct at Westfield Miranda, as well as Rouse Hill Town Centre and The Ponds Neighbourhood Centre.
- The presence of taller buildings either side of the open lower ground level provides shading from the sun. In our view this is beneficial as it will improve shopper amenity (reducing exposure to direct sunlight) whilst still allowing natural light and ventilation to permeate. As the lower ground level will be a focus for fresh food produce (potentially with some produce being displayed beyond the tenancy curtilage), shading will assist in keeping produce fresh for longer.
- The design allows for a clearly defined precinct strategy – focusing supermarket, groceries and convenience shopping on the lower level with the direct access to car parking maximising convenience. The separation of the upper level provides an opportunity of a curated food and beverage offering which should attract high quality food and beverage operators that might not otherwise seek to be located in a neighbourhood shopping centre. It maintains a consistency of use along Cleveland Street, which is a recognised food and beverage precinct, and enables an aesthetically pleasing interface with the residential properties on the upper levels. The design also facilitates the activation of the Baptist Street frontage, which is currently a largely blank façade.
- The design will also enable the different elements of the centre to operate at different periods during the day – for example some of the food and beverage precinct operators are likely to trade strongly in the evening, whilst some of the convenience retailing may close earlier.
- The expanded supermarket will be a modern format Coles, providing a full range of grocery shopping with a focus on fresh produce, including fruit and vegetables, fish, meat, bakery and dairy. This will be complemented by click and collect services. An indicative layout plan of a comparable Coles supermarket is provided in Figure 3 on page 10 of this report.

In our view the design will provide high levels of aesthetic amenity and design practicality and will allow the retail to perform a dual role as a convenience shopping centre and a destination food and beverage location. This should build on the existing strengths of the centre and also complement the broader existing retail provision within Surry Hills. The project can therefore provide a dual role as a catalyst for improvement in this part of Surry Hills, whilst still meeting the retail needs of a broad demographic profile (discussed in more detail in Section 3.3).

Overall, the proposed redevelopment will add a modest 2,462 sq.m of retail floorspace relative to the current centre. The size of the supermarket will increase by 1,103 sq.m, whilst the amount of specialty retailing and non retail / non-reporting floorspace will increase by 1,359 sq.m. In total the size of the centre will be increased by around 46%.

A comparison between the current and proposed floorspace is shown in Table 2.2. Whilst a final specialty tenant mix has yet to be confirmed, we have assumed that a portion of the floorspace will be allocated to non-retail uses (to allow for the retention of a post office and other ancillary commercial uses). Accordingly, we have allocated a portion of the specialty floorspace (310 sq.m) to non retail use in the table.

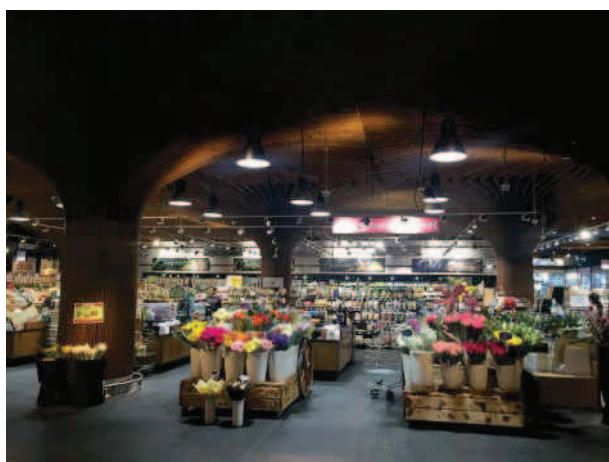
Surry Hills Shopping Village

CURRENT VS PROPOSED RETAIL FLOORSPACE

TABLE 2.2

	Gross Leasable Area				
	Current		Proposed		Variation
	sq.m	%	sq.m	%	
Majors & Mini Majors:					
Supermarkets	3,097	63%	4,200	56%	+1,103
Retail Specialties:					
Total Retail Specialties	1,781	37%	3,315	44%	+1,534
Shopping Centre - Retail	4,878	100%	7,515	100%	+2,637
Non retail / non-reporting	485		310		-175
Total Centre	5,363		7,825		+2,462

Source: Urbis



PICTURE 7 – FOOD RETAILING: EAST VILLAGE



PICTURE 8 – COLES NEW SUPERMARKET FORMAT



PICTURE 9 – FOOD RETAILING: HALL STREET, BONDI



PICTURE 10 – RESIDENTIAL ABOVE RETAIL: HALL STREET, BONDI



PICTURE 11 – CONTEMPORARY SHOPPING CENTRE
FOOD AND BEVERAGE



PICTURE 12 – CONTEMPORARY SHOPPING CENTRE
FOOD AND BEVERAGE



PICTURE 13 – INNER CITY FOOD HYBRID RETAIL



PICTURE 14 – INNER CITY CASUAL DINING



PICTURE 15 – CONTEMPORARY MIXED USE FOOD AND
BEVERAGE

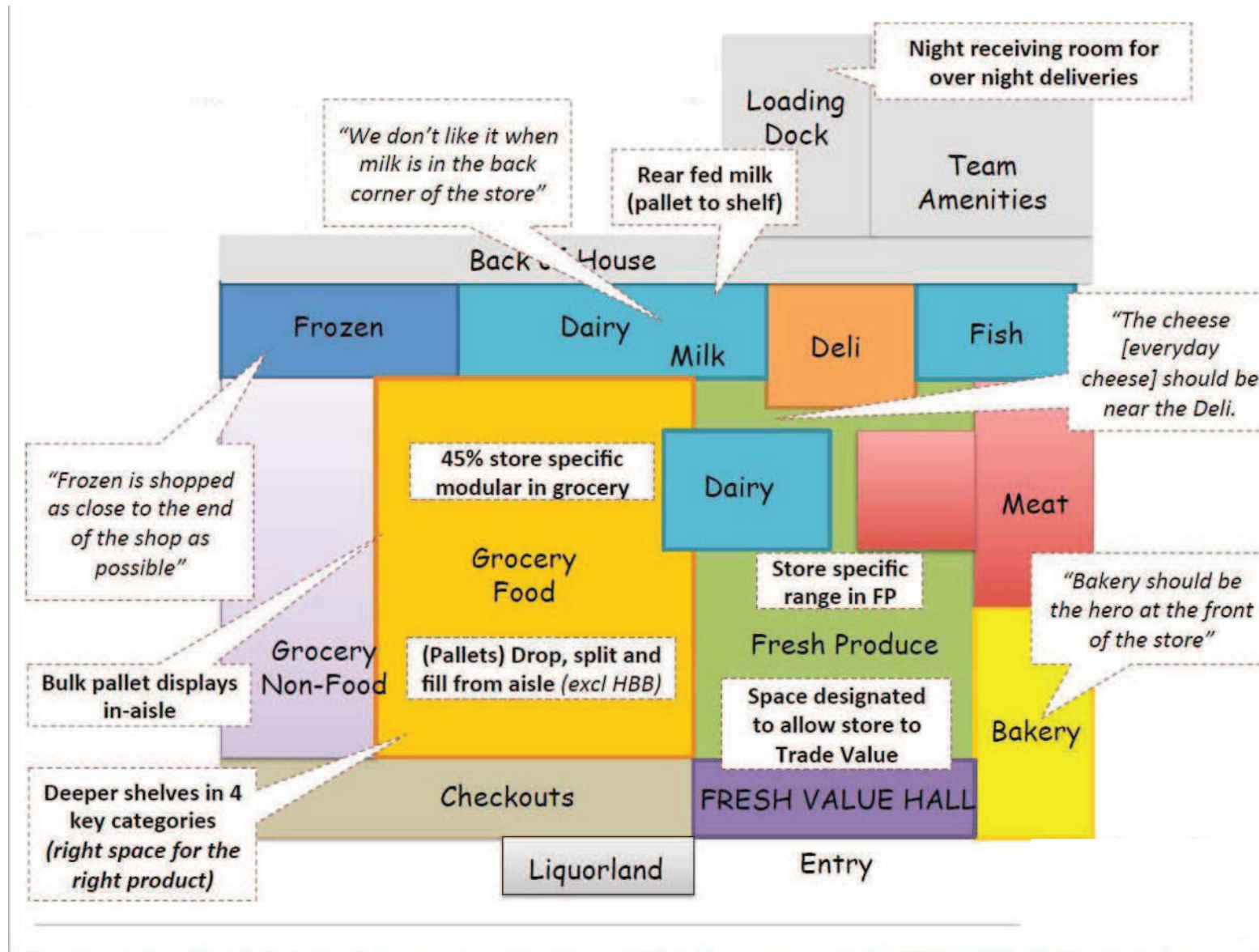


PICTURE 16 – CONTEMPORARY MIXED USE FOOD AND
BEVERAGE

[illegible]

The site plan illustrates the layout of a proposed retail and community facility. The development is situated at the intersection of Baptist Lane and Marriott Street, with Cleveland Street to the east. The plan features four main buildings: BLDG A (Retail 240sqm), BLDG B (Retail 250sqm, 235sqm, 175sqm, 165sqm), BLDG C (Retail 115sqm, 105sqm, 70sqm), and BLDG D (Coles Office 150sqm, 28sqm, 18sqm, 18sqm). A central courtyard (3400sqm) is surrounded by the buildings. The plan also shows on-street parking (37 spaces), a car share area, a bus stop, a taxi dropoff, and a community facility below. The site is bounded by Baptist Lane to the north, Baptist Street to the south, and Cleveland Street to the east. The plan includes various setbacks, easements, and a north arrow.

FIGURE 3 – CONTEMPORARY SUPERMARKET LAYOUT



3 Trade Area Analysis

The following section sets examines the likely to trade area for the new retail precinct. Given that the scale of the additional retail floorspace is relatively minor we have assumed that the extent of the trade area will remain constant pre and post redevelopment. What may change is the amount of expenditure that is captured from each trade area sector pre and post redevelopment. This is discussed in more detail in Section 5.

3.1 TRADE AREA DEFINITION

The definition of the trade area for any retail development is determined by a number of factors including:

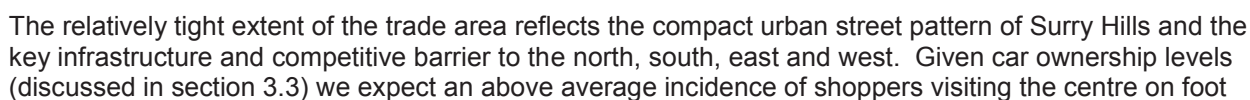
- The strength and attraction of the centre, determined by success factors such as composition, layout, car parking and the presence of other local complementary uses;
- The proximity, composition, quality, size and diversity of retail, business services and community facilities in competing retail centres;
- The accessibility of the subject centre in terms of road and public transport networks;
- Topography and other physical barriers such as rivers, railways and freeways;
- Proximity and accessibility to potential shoppers.

The trade area for the Surry Hills Shopping Village generally extends into Surry Hills, Redfern and Waterloo and is bounded by South Dowling Street to the east and Botany Road / Prince Alfred Park to the west. The adopted trade area has been based on ABS SA1 statistical divisions surrounding the subject site, having regard to sales data for the existing supermarket.

On this basis we have defined the trade area as follows:

- A **Primary trade area** extending into Surry Hills between South Dowling Street and Chalmers Street as far as Foveaux and Fitzroy Street to the north and Telopea and Phillip Streets to the south. The northern and southern extent of the primary sector is limited by competing supermarkets (Woolworths on Bourke Street and Coles and ALDI at Danks Street). The primary sector extends around 750 metres north and 550 metres south from Cleveland Street.
- A **Secondary north** sector extending along Crown Street as far as Goulburn Street at its further extent, and also as far as Albion Street and Reservoir Street. This is a small trade area and is limited by the proximity to Woolworths on Bourke Street as well as retailing at Oxford Street and on the southern edge of the CBD. Nevertheless, where people in this sector have convenient access to Surry Hills Shopping Village they are still anticipated to undertake grocery shopping there on a regular basis.
- A **Secondary south** sector which takes in the area between Phillip Street and Telopea Street close to Danks Street retailing, and then extending south of Phillip Street between Morehead Street, Mcevoy Street and Botany Road in Waterloo. People in these areas are within a short drive time to the centre (around seven minutes maximum), or a short walking distance in the case of those to the north of Phillip Street.
- A **Secondary west** sector located between Chalmers Street, Phillip Street and Regent Street in Waterloo and Redfern, also within a 5 to 7 minute drive time of the centre. Woolworths on Chalmers Street is located in this sector.

Map 3.1 over page shows the defined trade area for the centre.



and making more frequent smaller basket purchases, certainly compared to suburban shopping centres that are heavily car reliant.

Given the popularity of Surry Hills as a lifestyle destination for people in adjoining inner city suburbs, we nevertheless expect that the centre will still receive a proportion of custom from beyond the trade area linked to occasional visits. In the same way that the current restaurants and bars of Surry Hills attract people from across Sydney during weekends in particular, a high quality food and beverage offer at the subject site should be able to tap into this market. In section 5.2 we estimate that around one third of the centre's turnover may be drawn from occasional spend beyond the trade area. This would not in itself mean that more people would be travelling to Surry Hills, rather that the centre could capture a share of the occasional visitor market.

3.2 TRADE AREA POPULATION

Using the trade area defined in Map 3.1 we can determine the current population and forecast expected growth within the region. Urbis has prepared population forecasts for the proposed trade area taking into account the following sources:

- Information from the 1991, 1996, 2001, 2006 and 2011 Census of Population and Housing;
- New Dwelling Approvals (NDAs) in the region over the ten years to March 2015;
- Official population projections published in 2014 by the New South Wales Department of Planning and Environment;
- Travel zone population forecasts provided by the NSW Bureau of Transport Statistics;
- Information from Cordell Connect about residential development projects within the trade area; and
- Forecast ID Small Area Forecast Information (SAFI) data.

From the data in Table 3.1 we can surmise the following:

- In 2011 the trade area's population was **28,300**, of which the primary trade area accounted for 51%, with some 14,300 residents. By 2016 the trade area is forecast to comprise of **31,500** residents, with the primary trade area accounting for 50% of residents.
- Based on ABS estimates, we note that the trade area population is likely to have increased by around **3,200** persons between 2011 and 2015, with the highest growth being in the primary sector (+1,400 persons). This reflects a number of infill residential developments over the period, and the increasing popularity of Surry Hills as a highly desirable suburb to live in.
- The trade area population is forecast to grow from 31,700 in 2016 to reach 33,500 by 2021 and 35,500 by 2026. This reflects an additional **4,000** residents within the trade area between 2015 and 2026, equal to around 365 additional people per annum.

This population forecast assumes constant growth rates between 2016 and 2026, resulting in modest and incremental population growth in the period through to 2026, at rates below those that were achieved between 2011-2015 (table 3.1 shows some minor change in the annual population growth rate figures due to rounding of numbers).

The ability to match the population growth of the previous five years would be dependent upon the availability of sites to accommodate large scale apartment developments. Data held by Cordell Connect shows a development pipeline of around 320 apartments in the primary sector notionally planned between 2015 and 2018, in addition to approximately 760 apartments in the trade area overall, notionally over the same period.

In practice, the timing of Government intervention in the Redfern Waterloo residential sites in the primary and secondary sectors will be a major factor in the scale and timing of residential development. Infrastructure works associated with running the Sydney Light Rail along Devonshire Street may also impact the scale and timing of future development.

The growth scenarios for the Central to Eveleigh Corridor (prepared by Urban Growth NSW) include the Redfern and Waterloo Department of Land and Housing sites. Discussion guides for the Central to Eveleigh Corridor set growth scenarios for the whole study area, including these sites, as follows:

- 8,000 - 15,000 new homes;
- 7,000 - 13,000 new jobs.

The scale and timing of residential renewal and development at the Redfern and Waterloo sites would also be affected by the development of a new Sydney metro station at Waterloo which was announced on 16th December. The new station should act as a catalyst for renewal in the Waterloo area through combining a mix of new private accommodation as well as social housing.

As such, it is difficult to provide a population forecast for the trade area until government and urban Growth NSW investment priorities have been agreed. Given the strong demand for housing in the Surry Hills, Redfern and Waterloo areas, the population forecast in Table 3.1 should therefore be viewed as a conservative estimate.

The population projection assumes a net increase in population over the eleven years to 2026 that is only 25% higher than the growth that is thought to have occurred between 2011 and 2015. Population and subsequent spending growth could therefore accelerate significantly if key catalyst development and infrastructure projects proceed.

Trade Area Population

HISTORIC AND FORECAST TRADE AREA POPULATION

TABLE 3.1

	Population				
	2011	2015	2016	2021	2026
Primary:					
Primary	14,300	15,700	15,800	16,400	17,000
Secondary:					
North	3,100	3,200	3,200	3,400	3,600
South	6,700	7,800	7,900	8,600	9,400
West	4,200	4,800	4,800	5,100	5,500
Total Secondary	14,000	15,800	15,900	17,100	18,500
Trade Area	28,300	31,500	31,700	33,500	35,500

	Annual Population Growth (no.)			
	2011-2015	2011-16	2016-21	2021-26
Primary:				
Primary	350	300	120	120
Secondary:				
North	25	20	40	40
South	275	240	140	160
West	150	120	60	80
Total Secondary	450	380	240	280
Trade Area	800	680	360	400

	Annual Population Growth (%)			
	2011-2015	2011-16	2016-21	2021-26
Primary:				
Primary	2.4%	2.0%	0.7%	0.7%
Secondary:				
North	0.8%	0.6%	1.2%	1.1%
South	3.9%	3.3%	1.7%	1.8%
West	3.4%	2.7%	1.2%	1.5%
Total Secondary	3.1%	2.6%	1.5%	1.6%
Trade Area	2.7%	2.3%	1.1%	1.2%

1. As at December

Source : ABS; New South Wales State and Local Government Area Population Projections;
The Department of Planning & Environment, NSW; Forecast ID: Urbis

3.3 DEMOGRAPHIC CHARACTERISTICS

Data from the 2011 census reveals that there are pronounced variations to the demographic characteristics of trade area residents, despite the trade area being relatively small and contained. This reflects the changing profile of Surry Hills, Redfern and Waterloo which contains a mix of gentrified neighbourhoods alongside large areas of social housing.

In future years, the increased demand for housing in these suburbs (due to their high amenity and proximity to the CBD) is likely to result in an increasingly affluent socio economic profile. In the longer term, government social housing policy will determine whether the area retains its mixed socio economic profile.

The following trends highlight the diversity within the trade area:

- Average household income in the primary sector is \$90,478 which is 4% below the Sydney average of \$94,428 (this is explained by the smaller household size within the catchment – see below);

- There are significant variations across the secondary sectors. Household incomes in the secondary north sector are 25% above average, whilst in the south sector they are 33% below the average. Household incomes in the secondary west sector are 17% above average;
- Per capita incomes are above the Sydney average in each trade area sector, except the secondary south which is in line with average. Per capita incomes are highest in the secondary north sector (\$67,307,+40%) followed by the secondary west (\$62,628,+30%) and primary sector (\$60,356,+26%), compared to the Sydney average of \$48,077;
- Average household sizes in all trade area sectors are below the Sydney average, ranging between 1.7 persons per dwelling in the secondary south to 2 persons per dwelling in the secondary west. This compares to the Sydney average of 2.7 persons per dwelling. Average household size in the primary sector is 1.8 persons;
- The average age of Sydney residents is 37.1 years. There are variations across each of the trade area sectors. The secondary south sector has the oldest average age of residents (45.8) followed by the primary (40.1) and the secondary north (35.9). The secondary west sector has the youngest average age (35.8);
- There is an above average incidence of lone person households in each sector compared to the Sydney average (23%). This includes the secondary south (53%), primary (46%), secondary north (36%) and secondary west (35%);
- There is a high incidence of rental households across the trade area compared to the Sydney average (32%). This includes the secondary south (76%), primary (67%), secondary north (60%) and secondary west (55%);
- There is a significantly higher incidence of households without a car across the trade area compared to the Sydney average (12%). Some 50% of primary and secondary south households do not own a car, as well as 44% in the secondary north and 36% in the secondary west;
- There is a higher incidence of overseas-born residents across the trade area (45%) compared to the Sydney average (36%).

The existing socio economic profile of the trade area is diverse. From a consumer perspective, this is expected to generate demand for access to everyday grocery shopping as well as a contemporary shopping experience, and demand for attractive food and beverage options. The high incidence of households with no cars suggests that the centre is well placed to capture walk-in trade.

	Total Primary	North	Secondary South	West	Total Secondary	Trade Area	Sydney
Household Income							
\$Nil	2%	2%	2%	2%	2%	2%	2%
\$1-\$20,800	24%	10%	39%	7%	24%	24%	10%
\$20,800-\$52,000	19%	12%	24%	18%	20%	19%	24%
\$52,000-\$78,000	11%	14%	7%	15%	11%	11%	16%
\$78,000 - \$130,000	16%	19%	10%	22%	15%	15%	22%
\$130,000-\$208,000	21%	32%	13%	28%	21%	21%	20%
\$208,000 plus	8%	11%	5%	8%	7%	7%	6%
Average Household Income	\$90,478	\$118,485	\$63,388	\$110,180	\$87,834	\$89,156	\$94,428
Var'n from Sydney Avg.	-4%	+25%	-33%	+17%	-7%	-6%	0%
Average Household Size	1.8	1.9	1.7	2.0	1.8	1.8	2.7
Per Capita Income (Persons aged 15 - 64) (%)							
\$Neg/Nil	6%	7%	6%	6%	6%	6%	12%
\$1 - \$20,800	21%	14%	36%	14%	23%	22%	22%
\$20,800 - \$41,600	17%	16%	16%	19%	17%	17%	21%
\$41,600 - \$78,000	28%	30%	21%	33%	27%	28%	26%
\$78,000 +	27%	33%	21%	28%	27%	27%	19%
Avg. Per Cap. Income (aged 15-64)	\$60,356	\$67,307	\$48,228	\$62,628	\$57,838	\$59,117	\$48,077
Var'n from Sydney Avg.	+26%	+40%	+0%	+30%	+20%	+23%	0%
Age Distribution							
Aged 0-14	7%	5%	7%	7%	7%	7%	19%
Aged 15-19	2%	2%	3%	1%	2%	2%	6%
Aged 20-34	38%	48%	24%	46%	36%	37%	22%
Aged 35-49	24%	28%	22%	27%	25%	24%	22%
Aged 50-64	16%	11%	22%	13%	17%	16%	17%
Aged 65-79	10%	5%	17%	5%	11%	10%	9%
Aged 80+	4%	1%	5%	1%	3%	3%	4%
Average Age	40.1	35.9	45.8	35.8	40.6	40.4	37.1
Dependency Ratio ¹	20%	10%	29%	13%	20%	20%	32%

1. Dependency ratio refers to the proportion of the population between 0-14 and over 65 years.

Source : ABS; Urbis

	Total Primary	North	Secondary South	West	Total Secondary	Trade Area	Sydney
Household Composition (%)							
Couples with no children	25%	32%	19%	29%	24%	25%	24%
Family with children <15	8%	7%	8%	9%	8%	8%	29%
Family with children >15	6%	3%	9%	5%	7%	6%	18%
<i>Total Family (with children)</i>	<i>14%</i>	<i>10%</i>	<i>17%</i>	<i>15%</i>	<i>15%</i>	<i>14%</i>	<i>47%</i>
Group Household	14%	20%	9%	20%	14%	14%	4%
Lone Person	46%	36%	53%	35%	45%	45%	23%
Other	2%	2%	2%	2%	2%	2%	1%
Housing Tenure¹							
Owner	13%	12%	8%	13%	10%	11%	31%
Purchaser	20%	28%	14%	32%	22%	21%	36%
Renter	67%	60%	76%	55%	67%	67%	32%
Housing Costs							
Loan Mortgage Repayments (monthly \$)	\$2,772	\$3,053	\$2,698	\$2,706	\$2,796	\$2,784	\$2,424
% Households in Mortgage Stress ²	1%	0%	1%	5%	2%	1%	3%
Rent Payments (weekly \$)	\$385	\$563	\$247	\$493	\$366	\$376	\$397
% Households in Rental Stress ²	10.5%	9.5%	12.6%	7.8%	10.6%	10.6%	7.8%
% Households in Housing Stress	11%	10%	13%	13%	12%	12%	11%
Car Ownership							
% 0 Cars	50%	44%	50%	36%	45%	47%	12%
% 1 Car	39%	47%	38%	50%	43%	41%	40%
% 2 Cars +	11%	10%	12%	14%	12%	12%	48%
Labour Force							
Labour Force Participation	69%	82%	52%	82%	68%	68%	66%
% Unemployed	6%	5%	9%	5%	6%	6%	6%
% Managers and Professionals	58%	62%	50%	55%	55%	56%	40%
% Other White Collar	29%	27%	32%	29%	29%	29%	35%
% Blue Collar Occupations	13%	11%	18%	16%	15%	14%	26%
Birthplace							
Australian Born	55%	53%	54%	56%	54%	55%	64%
Overseas Born	45%	47%	46%	44%	46%	45%	36%
• Asia	12%	17%	12%	13%	14%	13%	14%
• Europe	13%	11%	10%	12%	11%	12%	9%
• Other	19%	19%	24%	18%	21%	20%	14%

1. 'Other' Tenure Types have not been included.

2. The Affordable Housing Taskforce (established by the ACT Government) has defined people as having difficulty in accessing affordable housing if they are in the lowest two quintiles (lowest 40%) of income distribution and pay 30% or more of their gross household income in housing costs.

This group is referred to as being in housing stress.

Source : ABS; Urbis

3.4 TRADE AREA SPENDING

Retail spending estimates are derived using *MarketInfo*, a micro-simulation model developed by Market Data Systems Limited (MDS). This model, which is based on information from the national ABS Household Expenditure Survey (HES) and the Census of Population and Housing, uses micro-simulation techniques to combine a household's propensity to spend on particular commodities with the socio-economic characteristics of individuals to derive spending per capita estimates on a small area basis.

Based on 2011 Census data and the population forecasts provided in Table 3.1 we have determined the proportion of expenditure that is directed to retail on a per capita basis. Average retail spending per capita of trade area residents is **\$16,552** (in \$2015) which is 21% higher than the metropolitan Sydney average (\$13,650).

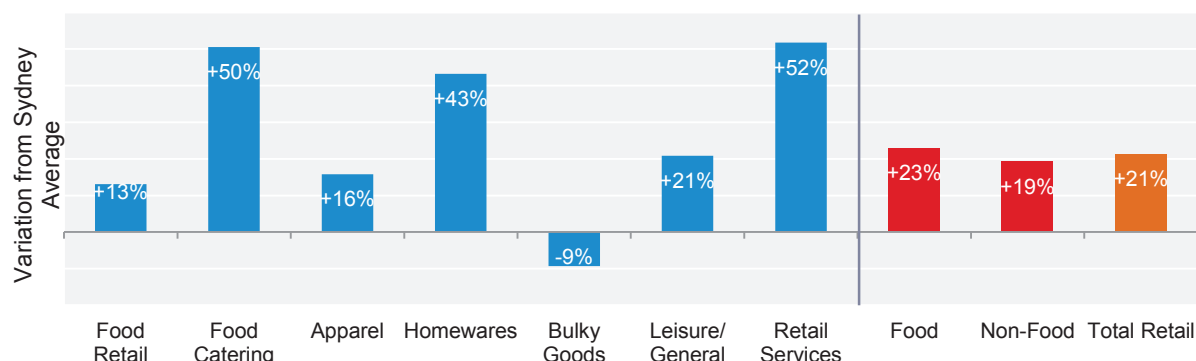
Chart 3.1 demonstrates that spending per capita is above the metropolitan Sydney benchmark in all product categories except bulky goods. The below average expenditure in bulky goods probably reflects

the above average incidence of rental households and the high incidence of apartments, as residents in both categories tend to spend less on large household items than in other areas.

Retail Spending Versus Sydney Average

SURRY HILLS SHOPPING VILLAGE TRADE AREA VAR'N FROM SYDNEY AVERAGE,
2015

CHART
3.1



Source : ABS; MarketInfo 2012; Urbis

Applying the population forecasts outlined previously and estimates of retail spending per capita, the current and future spending market in the trade area is detailed in Table 3.4 below.

Trade Area Market Growth

2015-2026 \$2015,M

TABLE 3.4

	Food Retail	Food Catering	Apparel	Home- wares	Bulky Goods	Leisure/ General	Retail Services	Total Retail	Annual Growth	= Pop Growth	Per Cap Spend Growth
2015	200	95	56	45	39	60	26	520			
2016	203	97	57	46	40	62	26	532	2.4%	1.1%	1.3%
2021	224	107	66	55	47	72	30	602	2.5%	1.1%	1.4%
2026	246	119	76	65	55	84	34	678	2.4%	1.1%	1.3%

Source : ABS; MarketInfo 2012; Urbis

The table shows that the retail spending market is forecast to increase by an average of \$14 million year on year between 2015 and 2026, growing from \$520 million in 2015 to \$602 million in 2021 and \$678 million in 2026. Between 2015 and 2026 the spending market is projected to increase by \$158 million (in constant \$2015).

The table shows that food retail and food catering will continue to be the highest spending categories for trade area residents. Currently around 38% of all trade area spending is directed to food retailing, and 18% is spent on food catering.

4 Retail Hierarchy

This section considers current retail provision within and in the vicinity of Surry Hills Shopping Village.

4.1 TRADE AREA RETAIL

Surry Hills Shopping Village is the only 'conventional' shopping centre within the trade area. Elsewhere, trade area retailing is characterised by:

- Small supermarkets with limited parking, providing top-up and frequent basket retailing;
- Strip retailing, often adjacent to the small supermarkets providing a range of convenience retail, services and food and beverage retailing;
- Clusters of destination food and beverage retailing (e.g. Crown Street, pockets of Cleveland Street, Redfern Street / Chalmers Street intersection, parts of Bourke Street);
- Upmarket 'lifestyle' – oriented discretionary retail and food and beverage retail along Crown Street in Surry Hills.

The following retail precincts are located in the trade area:

- **Crown Street** - retailing runs through the middle of Surry Hills. It is a lively strip with a variety of shops, businesses, galleries, pubs, restaurants and boutique stores. It is well known for its food and drinks options. Crown Street is located within the primary and secondary north trade area of the subject site.
- **Redfern** - the main cluster of retailing in Redfern is concentrated on Redfern Street from Redfern Station. The strip contains a range of convenience, service and food and beverage retailing, which is being revitalised by the opening of a number of new small bars, cafes and restaurants. The Woolworths supermarket (2,200 sq.m) on Chalmers Street opposite Redfern Oval is located 1km from the subject site by car in the secondary west sector. It provides limited car parking on street and in a basement level which is shared with resident parking for the apartments above.
- Further south in Redfern, close to the intersection of Botany Road and Henderson Road, strip retailing is characterised by grocery shops and services and is anchored by the 1,000 sq.m IGA Redfern which is located 1.7 km from the subject site within the on the edge of the secondary south trade area.
- Other small supermarkets within the trade area include IGA at East Waterloo (1.9km from the subject site on the edge of the secondary south trade sector) and the recently opened Woolworths small format store at the corner of Elizabeth Street and Foveaux Street. This store measures approximately 500 sq.m and is focused on small basket purchase for the surrounding worker market and commuters.

4.2 BEYOND TRADE AREA

Retailing beyond the trade area includes the following:

- **Danks Street** retailing includes Danks Street Plaza at the eastern end of the street anchored by a Coles supermarket with a focus on artisan food produce. Retailing is located in the podium level of an apartment development. ALDI Waterloo is also located on the opposite side of Bourke Street. Danks Street is also a destination food and beverage precinct comprising a large number of cafes and restaurants. Danks Street is located 0.8 km from the subject site by car, beyond the trade area.
- **East Village** is an award winning development including a 10,000 sq.m supermarket centre anchored by Coles. It includes 50 speciality shops and 680 car parking spaces and is the focal point of the Victoria Park, Zetland development. It is located 2.1 km by car, beyond the trade area.

- **Central Park** retail includes around 16,000 sq.m occupied floorspace and is located around 2km from the subject site. It includes a Woolworths supermarket (2,600 sq.m) on a lower ground level together with a mix of convenience and food and beverage retail. Upper retail levels provide a mix of fashion retailing and homewares. The retailing forms part of the larger Central Park mixed use development which includes 2,200 apartments and 900 student dwellings.
- A small format Woolworths supermarket (1,500 sq.m) at Bourke Street, Surry Hills to the north of the secondary trade area.
- A new SPAR supermarket recently opened at the podium level of the Deicorp / Redfern RSL development opposite Redfern Station on the edge of the secondary west sector.

4.3 HIGHER ORDER CENTRES

The following are the closest higher-order centres to the trade area, and may attract trade area residents for occasional shopping.

- **Westfield Bondi Junction** is a regional shopping centre providing 90,000 sq.m of retail floorspace anchored by David Jones, Myer, Target, Coles and Woolworths. It is the major regional shopping centre serving the eastern suburbs and has a strong draw associated with its fashion retailing. Bondi Junction is located 5.5 km from the subject site by car, beyond the trade area.
- **Broadway Shopping Centre** a sub-regional shopping centre providing 38,000 sq.m of retail floorspace anchored by Kmart, Target, Coles and ALDI. Broadway supermarkets are particularly popular with inner west residents. Given that the centre contains Coles and ALDI supermarkets which are already found in Surry Hills and Waterloo, these supermarkets are expected to be less compelling for trade area residents. As the centre provides less discretionary retailing than Bondi Junction, and at a more value-oriented price point, Broadway may be less of an aspirational retail destination for trade area residents. It is however close to the subject site, approximately 2.6 km from the subject site by car, beyond the trade area.
- **Marrickville Metro** is a sub-regional shopping centre providing 23,000 sq.m of retail space anchored by Woolworths, Kmart and ALDI. This centre caters to inner west residents and is not likely to be frequently visited by trade area residents. Marrickville Metro is located 5.3 km from the subject site by car, beyond the trade area.

4.4 PROPOSED CENTRES

- **Green Square Town Centre** project is a proposed development above and adjacent to the Green Square Railway Station at Zetland. The \$8 billion development of the town centre will span across 14 hectares and create 2,000 new apartments, 14,000 sq.m of retail space and 50,000 sq.m of commercial space. The Green Square town centre site is located 2 km to the south of the subject site.

Centre	Retail GLA ¹ (Sq.m)	Dist. ² From Centre (km.)	Trade Area Sector	Major Tenants	
				Food	Non Food
Sub-Regional Centres					
Broadway	38,000	2.4	Beyond	Coles, ALDI	Harvey Norman, Kmart, Target
Marrickville Metro	21,000	5.3	Beyond	Woolworths, ALDI	Kmart
Supermarket Centres					
Danks St Plaza	4,000	0.8	Beyond	Coles	
East Village	10,000	1.8	Beyond	Coles	
Central Park	16,000	2.1	Beyond	Woolworths	
Supermarkets					
ALDI Waterloo (Danks St)	1,500	0.7	Beyond	ALDI	
Woolworths Redfern (Chalmers St)	2,200	1.0	Secondary West	Woolworths	
Woolworths Surry Hills (Bourke St)	1,540	1.3	Beyond	Woolworths	
Woolworths Central (Foveaux St)	500	1.5	Primary	Woolworths	
SPAR Redfern	1,300	1.5	Secondary West	SPAR	
IGA Redfern	1,000	1.7	Secondary South	IGA	
IGA X-press East Waterloo	400	1.9	Secondary South	IGA	

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

2. Distance measured by most direct road route

Source : PCA, Australian Shopping Centre Database 2014 ; Urbis

5 Turnover Potential

This section summaries the current turnover of the Surry Hills Village and the projected future turnover of the proposed retail precinct. It draws on information relating to current retail performance, the competitive retail environment, and expected current and future market shares achieved in each trade area sector.

5.1 CURRENT PERFORMANCE

Currently, it is estimated that Surry Hills Shopping Village is achieving an annual turnover of around **\$61.6** million and a market share across the trade area of around 7%. This is illustrated in Table 5.1, below. The turnover estimate for the current centre has been derived based on analysis a range of data sources including:

- Supermarket turnover performance data;
- Rental income derived from specialty tenancies reviewed against benchmark occupancy cost ratios (OCRs) for single supermarket-based shopping centres using the Urbis Shopping Centre Benchmarks;
- An estimate of the likely pattern of spending distribution for the centre, having regard to supermarket performance data.

Current Performance

SURRY HILLS SHOPPING VILLAGE \$2015, INCLUDING GST

TABLE 5.1

	Market (\$M)			Market Shares (%)			Turnover (\$M)		
	Food	NF	Total	Food	NF	Total	Food	NF	Total
Primary:									
Total Primary	146	115	261	14%	4%	10%	20.7	4.3	25.0
Secondary:									
North	34	27	60	4%	1%	3%	1.5	0.3	1.8
South	68	45	114	8%	2%	5%	5.1	1.1	6.2
West	47	38	85	7%	2%	5%	3.3	0.7	4.0
Total Secondary	149	110	259	7%	2%	5%	9.9	2.0	12.0
Trade Area	295	225	520	10%	3%	7%	30.6	6.3	36.9
% from beyond trade area				40.0%	40.0%	40.0%	20.4	4.2	24.6
Total Centre							51.1	10.5	61.6

Source : Urbis

Table 5.1 demonstrates that the existing centre is assumed to capture 14% of all available food retail expenditure within the primary sector and 10% of food retail spending across the trade area as a whole. It also captures 10% of all retail spending available within the primary sector and 7% from the trade area as a whole.

Due to the fairly compact nature of the trade area, and propensity for people from outlying areas to visit Surry Hills on a frequent basis, we have assumed that around 40% of the centre's current turnover is derived from people living beyond the trade area. This would also account for people using Coles on-line shopping beyond the trade area, where these people are being serviced by deliveries from the Surry Hills store.

Our analysis assumes that around 40% of centre turnover is derived from residents in the primary sector, almost 20% from the secondary sector and 40% from beyond the trade area. This pattern of turnover distribution is based on analysis of supermarket performance data and is summarised in Table 5.2, on the following page.

Turnover Distribution

Turnover Distribution	
	Total Retail
Primary:	
Primary	41%
Secondary:	
North	3%
South	10%
West	6%
Total Secondary	19%
Trade Area	60%
% from beyond trade area	40%

Source : Urbis

The assumed existing centre performance by retail category is shown in Table 5.3 on the following page. It demonstrates that:

- Overall, the centre is forecast to trade around \$4.9 million higher than the benchmark for a single supermarket-based centre. This is a reflection of the strength of the supermarket offer relative to other supermarkets in the trade area, and the current specialty mix, which is positioned to meet the broad requirements of the varied trade area demographic;
- Whilst the supermarket is assumed to trade \$2.1 million lower than the benchmark, this is due to its size, which is 483 sq.m below the benchmark. On a productivity basis (\$ per sq.m) the supermarket is assumed to achieve sales rates in the order of \$12,900 per sq.m which are 10% above the benchmark for a supermarket in a centre of this type;
- Specialty retailing is assumed to trade \$9.5 million higher than the benchmark, achieving total sales of \$21.6 million. On a productivity level (\$ per sq.m) we have assumed that specialty retailers are trading 30% above benchmark, having regard to rents that are currently being achieved and typical OCRs.

Current Tenant Performance (Estimate)

SURRY HILLS SHOPPING VILLAGE (\$2015,M)

TABLE 5.3

	Gross Leasable Area					Reported Turnover ¹				
	Surry Hills Shopping Village		Single Supermarket Based			Surry Hills Shopping Village		Single Supermarket Based		
	sq.m	%	sq.m	%	Variation	\$Mil	%	\$Mil	%	Variation
Majors & Mini Majors:										
Supermarkets	3,097	63%	3,580	61%	-483	40.0	65%	42.1	74%	-2.1
Mini-Majors	0	0%	653	11%	-653	0.0	0%	2.6	5%	-2.6
Total Majors & Mini-Majors	3,097	63%	4,234	73%	-1,137	40.0	65%	44.6	79%	-4.6
Retail Specialties:										
Food Retail	701	14%	345	6%	+356	10.7	17%	3.7	6%	+7.0
Food Catering	257	5%	375	6%	-118	2.4	4%	2.4	4%	+0.02
Apparel	50	1%	218	4%	-168	0.3	1%	1.1	2%	-.8
Homewares	211	4%	151	3%	+60	0.6	1%	0.8	1%	-.19
Bulky Goods	56	1%	3	0%	+53	0.0	0%	0.0	0%	-.01
Leisure/General	283	6%	272	5%	+11	6.2	10%	2.5	4%	+3.6
Retail Services	224	5%	240	4%	-16	1.4	2%	1.6	3%	-.19
Total Retail Specialties	1,781	37%	1,604	27%	+178	21.6	35%	12.1	21%	+9.5
Shopping Centre - Retail	4,878	100%	5,837	100%	-959	61.6	100%	56.7	100%	+4.9

1. Benchmarks are for the year to June 2014 from Urbis Retail Averages 2013/14.

3. Excludes vacant floorspace

Source: Urbis Retail Average (2014); Urbis

5.2 UPLIFT POTENTIAL

In order to consider the sales uplift potential associated with the proposed redevelopment, the following factors have been considered:

- The scale of the proposed redevelopment – including a larger supermarket and additional specialty floorspace;
- The opportunity to create high quality precinct within the development, including a designated food and beverage precinct with access from Cleveland Street;
- The inclusion of an immediate resident market linked to the residential component of the proposed development;
- Toga's aspirations to significantly improve the amenity of the centre and to position it as a high quality and contemporary retail offer, taking design and tenancy mix cues from the likes of East Village and Hall Street, Bondi;
- Comprehensive redevelopment resulting in a high quality urban design outcome; and
- The forecast spending growth within the trade area between 2015 and 2018 (+\$39 million), when the development is assumed to open. In particular, strong growth in the food retail, food catering and service categories has influenced the assumed tenancy mix.

Whilst the final specialty tenancy mix has yet to be confirmed, we have assumed that it will include the following:

- High quality food retailing (such as a butcher, baker, seafood shop) predominantly on the lower ground level to complement the supermarket, providing a compelling food offering;

- High quality food and beverage retailing, tapping into Surry Hills reputation as a premium food and beverage and lifestyle destination. This will be clustered around the Cleveland Street ground level overlooking the lower ground “retail street”;
- A range of leisure / general and retail services to meet the convenience needs of local residents. This is likely to be focused along the Baptist Street frontage;
- The inclusion of some non-retail / non reporting floorspace which would include the retention of a post office as well as other uses which may include financial services, real estate agent and/or medical practitioner.

Table 5.4 shows that, adopting a market share approach, we estimate the redeveloped shopping centre could achieve sales of **\$84.8 million** in 2018 (in constant \$2015), an increase of \$23.3 million compared to current performance (refer to Table 5.5).

Indicative Turnover Performance

SURRY HILLS SHOPPING VILLAGE REDEVELOPMENT \$2015

TABLE 5.4

	Food	NF	Total	Food	NF	Total	Food	NF	Total
Primary:									
Total Primary	153	125	278	22%	3%	13%	34.0	3.4	37.4
Secondary:									
North	36	29	65	11%	1%	7%	3.9	0.4	4.3
South	74	51	124	12%	2%	8%	9.1	0.9	10.0
West	50	41	92	10%	1%	6%	5.0	0.5	5.5
Total Secondary	50	41	92	36%	4%	22%	18.0	1.8	19.8
Trade Area	203	167	370	26%	3%	15%	52.0	5.2	57.3
<i>% from beyond trade area</i>				33%	31%	33%	25.0	2.4	27.6
Total Centre							77.0	7.6	84.8

Source : Urbis

Table 5.4 demonstrates the following changes in projected market shares relative to the current centre:

- An increase in market shares for food retailing in the primary sector (increasing from 14% to 22%) and in the trade area overall (increasing from 10% to 26%). This would primarily be driven by the expansion of the supermarket, providing an enhanced offer, but also by the provision of high quality food retail and food and beverage specialties.
- A slight reduction in the non-food market shares within the primary sector (from 4% to 3%), generally remaining constant across the trade area as a whole. Rather than suggesting a diminished retail offer, this reflects our view that the centre’s retail tenancy mix is expected to be refocused around an enhanced food retail and food catering offer, aligned with its role as a neighbourhood shopping centre in the broader retail hierarchy.
- Overall the trade area market share is forecast to increase from 7% to 15%.

Current vs Indicative Turnover

SURRY HILLS SHOPPING CENTRE \$2015,M

TABLE 5.5

	Gross Leasable Area					Reported Turnover ¹				
	Current 2015		Proposed 2018		Variation	Current 2015		Proposed 2018		Variation
	sq.m	%	sq.m	%		\$Mil	%	\$Mil	%	
Majors & Mini Majors:										
Supermarkets	3,097	63%	4,200	56%	+1,103	40.0	65%	55.1	65%	+15.1
Retail Specialties:										
Total Retail Specialties	1,781	37%	3,315	44%	+1,534	21.6	35%	29.8	35%	+8.2
Shopping Centre - Retail	4,878	100%	7,515	100%	+2,637	61.6	100%	84.8	100%	+23.3
Non retail / non-reporting	485		310							
Total Centre	5,363		7,825							

1. Benchmarks are for the year to June 2014 from Urbis Retail Averages 2013/14.

3. Excludes vacant floorspace

Source: Urbis

The \$23.3 million increase in turnover compares to the additional \$39 million in annual retail expenditure projected to be generated by trade area residents between 2015 and 2018 and is equal to 59% of this additional growth. The amount of turnover derived from trade area residents is forecast to increase by \$20.3 million, with a slight corresponding reduction in the percentage of spend from beyond the trade area.

This demonstrates that there is sufficient spending growth projected within the trade area to accommodate the proposed redevelopment and to also deliver opportunities for existing retailers within the trade area to benefit from continued growth within the spending market.

Year on year spending growth beyond 2018 will continue to increase the size of the spending market available to retailers within the trade area.

The projected pattern of turnover distribution for the redeveloped centre is shown in Table 5.6.

Compared to the existing situation, we have assumed that patterns of trade distribution will change as follows:

- A higher proportion of turnover will be drawn from the primary trade area (44% compared to 41% currently);
- A higher proportion of spend will also be drawn from the secondary trade area (23% compared to 19% currently).

Overall, the redevelopment will enable the centre to trade more strongly within the trade area which is its core market. As a result the proportion of turnover that is derived from the trade area is expected to increase from 60% at present to 68% following redevelopment. Relative to the current centre the new retail precinct is projected to derive more of its trade from trade area residents, and proportionately less trade from people living beyond the trade area. The proportion of spend derived from trade area is consistent with what we would expect from a high quality retail development of this scale in an inner city location and reflects accessibility into and out of the area as well as the competitive environment.

The enhanced food and beverage offer, overall improved amenity and design and expanded supermarket should make the centre more attractive to trade area residents, and we expected that this will reduce the proportion of trade area residents travelling beyond the trade area to shop. The centre is highly accessible to trade area residents on foot and by bicycle, and the inclusion of high quality food and beverage retailing and bike parking provision will provide people with more of an incentive to travel by these modes, rather than by car.

Providing below ground car parking will also be beneficial for trade area residents wishing to undertake large weekly grocery shopping trips. Providing a relatively limited car park provision (notionally 279 which

is around 25% below the average car park provision in a supermarket-based centre) means that people living beyond the trade area may prefer to undertake weekly shopping trips at higher order centres that provide more car parking (such as Broadway, Marrickville Metro and Bondi Junction).

Turnover Distribution

REDEVELOPED SURRY HILLS SHOPPING VILLAGE, 2018

TABLE 5.6

Turnover Distribution	
	Total Retail
Primary:	
Primary	44%
Secondary:	
North	5%
South	12%
West	6%
Total Secondary	23%
Trade Area	68%
% from beyond trade area	33%

Source : Urbis

5.3 CUSTOMER USAGE

The implications of the proposed shopping centre expansion from a customer patronage perspective are summarised in the table below. Overall, the proposed redevelopment will strengthen the neighbourhood centre role of the development, providing a high quality retail offer for immediate residents. It will also provide a high quality destination food and beverage offer. These factors combined should assist in reducing expenditure leakage (and vehicle movements) out of the trade area.

Surry Hills Village Shopping Centre Proposed Expansion

IMPLICATIONS FOR CUSTOMER USAGE

TABLE 5.7

SECTOR	CHANGE TO SPEND DISTRIBUTION AND MARKET SHARE	IMPLICATIONS FOR SHOPPING PATTERNS
Trade Area	▪ Increase in % of turnover derived from the trade area ▪ Increased market share, particular in food retailing in the primary trade area	▪ A higher proportion of shoppers from the primary trade area – the immediate environment – and the trade area overall ▪ Potential to capture walking trade and car-based shopping in this sector ▪ Spending is more likely to be frequent and for smaller value purchase ▪ Enhanced opportunity to capture food and beverage spending ▪ On-site resident market will contribute to spend ▪ Claw-back of expenditure that is currently being leaked to competing centres – fewer car trips generated by residents leaving the

SECTOR	CHANGE TO SPEND DISTRIBUTION AND MARKET SHARE	IMPLICATIONS FOR SHOPPING PATTERNS
		trade area to shop elsewhere
Spend from beyond	Reduction in the proportion of spending derived from beyond the trade area	- A lower proportion of spend from beyond the trade area suggests that proportionately fewer people from outlying areas would travel in to visit the centre compared to current - Convenience is key to attracting shoppers from beyond the trade area. If parking provision is limited (due to being used by trade area residents), and as the retail offer is expanded elsewhere (e.g. Green Square) then people from further afield may be less inclined to drive in to use the centre

6 Benefits of the Proposed Development

This section summarises the broader economic benefits associated with the proposed development.

6.1 STRENGTHENING THE CURRENT CENTRES HIERARCHY

The proposed development will not fundamentally change the scale or role of the shopping centre, which is to cater to the convenience needs of trade area residents.

The centre will continue to have the largest supermarket within the trade area and will remain well positioned to serve the locality. The spending growth projected within the trade area will provide scope to sustain additional floorspace whilst allowing existing retailing to capture a proportion of the growth in the spending market. Overall, the centres hierarchy will be unaffected. Population growth beyond the trade area (e.g. Zetland, Green Square) will continue to sustain existing and proposed retail developments in these locations.

6.2 IMPROVED AMENITY

Improving the design and appearance of the centre and incorporating residential development will help to improve the appearance and amenity of the area. An on-site resident population will improve passive surveillance which can assist security.

Overall, the development can be a catalytic project for the southern part of Surry Hills which can further strengthen the area's popularity as a residential location of choice. Improved safety and amenity will have positive flow on benefits for existing local residents

6.3 CONSUMER CHOICE

The proposed development will improve consumer choice available to local residents and will reduce the need for residents to travel beyond the trade area to access high quality convenience retailing. An expanded supermarket will enable the future operator to provide a more complete product range and contemporary store fit out. The inclusion of a high quality food and beverage precinct will also enhance dining options for trade area residents and will enhance the amenity of Cleveland Street.

6.4 INCREASED HOUSING CHOICE

The proposed development will increase the housing choices available to people who wish to live to Surry Hills by offering a range of town house, apartments and terrace houses with the convenience access to a broad range of retail services.

6.5 EMPLOYMENT

Based on the indicative tenant mix, and applying typical employment benchmarks, our analysis indicates that the proposed development could generate a net addition of around 115 jobs on the site (refer to Table 6.1). This creates additional job opportunities for local residents who may be looking for full time of part time work to suit their needs.

Indicative Employment Uplift

SURRY HILLS SHOPPING VILLAGE – BASED ON INDICATIVE MIX

TABLE 6.1

	Employment	Indicative Floorspace	
	Per '000 sq.m	and Employment Yield	
Current Uses	Industry Average	GLA (sq.m)	Employment (persons)
Supermarket	41	3,097	127
Retail Specialty Shops	61	1,781	109
Non Retail	50	485	24
Total		5,363	260
Proposed Uses			
Supermarket	41	4,200	172
Retail Specialty Shops	61	3,315	202
Non retail	50	310	16
Total		7,825	374
Net employment uplift			115

Source : Urbis

7 Conclusions

Our analysis demonstrates that growing market demand creates a clear opportunity to enhance retailing at Surry Hills Village shopping centre.

Projected population and spending growth within the trade area is expected to drive demand for enhanced retail provision. Between 2015 and 2026 the trade area population is projected to increase by 4,000 residents. The spending market is projected to increase by \$158 million over the same period.

The redevelopment that is being proposed by Toga can deliver a much needed improvement to the centre, and with the inclusion of a residential component on the site it can create a flagship renewal project in the southern part of Surry Hills that can be a catalyst for further sensitive urban renewal.

The proposed modifications to the retailing at the centre are relatively small scale and will not fundamentally change the role of the centre within the existing retail hierarchy.

The proposed redevelopment will offer a range of benefits to residents within the locality including improved amenity, increased consumer choice, increased housing choice and additional employment.

The development should promote increased spending retention from trade area residents, reducing the need to travel further afield for shopping trips. The spending growth projected within the trade area will provide scope to sustain additional floorspace whilst allowing existing retailing to capture a proportion of the growth in the spending market.

Having regard to all of these factors, the proposed redevelopment is supportable from a retail economic perspective.

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