ESSENTIAL ECONOMICS

Bunnings Merimbula

Economic Impact Assessment (Update)

Prepared for

Bunnings Group Limited

by

Essential Economics Pty Ltd

July 2017

Authorship

Report stage	Author	Date	Review	Date
Draft report	Sean Stephens and Jack O'Connor	17 December 2015	Sean Stephens	17 December 2015
Final draft report	Jack O'Connor	12 January 2016	Sean Stephens	12 January 2016
Final report	Jack O'Connor	2 February 2016	Sean Stephens	2 February 2016
Final Report (Update)	Sean Stephens	5 July 2017	Sean Stephens	5 July 2017

Disclaimer

Contact details

For further details please contact Essential Economics Pty Ltd at one of our offices:

96 Pelham Street
Carlton
Victoria 3053
Australia
PH +61 3 9347 5255
FAX +61 3 9347 5355

Level 26 / 44 Market Street
Sydney
New South Wales 2000
Australia
PH +61 2 9089 8654

EMAIL mail@essentialeconomics.com
WEB www.essentialeconomics.com

ABN 92 079 850 427

Our Reference: 17038

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INTRODUCTION

Background

This report, prepared on behalf of Bunnings Group Limited, assesses the economic implications of the proposal to establish a new Bunnings Warehouse at Tura Beach in the Bega Valley Shire.

Bunnings is planning to open a Tura Beach store (to trade as 'Bunnings Merimbula') as part of its national network strategy, which aims to provide both residential and trade customers with an accessible, affordable and wide range of hardware and home improvement products. The new Bunnings Merimbula will fill a gap in the range of hardware and building goods available to local and regional residents and businesses.

This report presents an update of the Economic Impact Assessment report prepared in February 2016 and which supported a previous application for Bunnings at the Tura Beach site. The update includes additional analysis and commentary in response to the Department of Planning and Environment Gateway Determination dated 15 August 2016.

1 BACKGROUND TO THE PROPOSED BUNNINGS

1.1 About Bunnings

Extensive Store Network

Bunnings is an Australian-owned company which has been in operation for over 125 years. Part of the Wesfarmers Group, Bunnings currently employs 36,000 team members across 324 stores, and with an average of approximately 110 employees per store.

The Bunnings store network includes a strong representation in regional areas of Australia. For example, in New South Wales a total of 46 stores are located in regional areas compared with 39 stores located in metropolitan Sydney.

Customer Base

In addition to meeting the hardware and home improvement needs of the typical consumer, Bunnings is also closely connected to the business community. In particular, Bunnings serves:

- Project builders
- General tradespeople
- The housing industry.

The pricing structure at Bunnings is highly competitive and this is reflected in the 'Price Guarantee' to beat any competitor's reasonable price on stocked items.

Product Range

The extensive Bunnings product range includes Tools, Building Materials and Hardware, Garden, Outdoor living, Kitchen, Bathroom and Plumbing, Lighting and Electrical, DIY workshops, and a range of in-home services including kitchen design and carpet instillation.

Bunnings sources locally-made products wherever possible and has strong relationships with more than 1,100 Australian, New Zealand companies, as well as International suppliers.

Consumer and Business Expectations

The growth and success of the hardware warehouse model now means that Bunnings is considered a normal part of the network of retail outlets and facilities serving most regions of New South Wales and Australia.

Other businesses in the wider hardware and home improvement market have adjusted to the growth of Bunnings and now effectively compete in terms of their own price, service and value propositions for customers. Key competitors in the hardware and home improvement industry, such as Mitre 10 and Home Hardware (both brands controlled by ASX 100 listed company Metcash), often have the support of major corporate entities that allow them to compete directly with Bunnings in most markets.

1.2 Store Network Gap on Sapphire Coast

As part of the normal store network planning process, Bunnings has identified the Far South Coast of New South Wales (Sapphire Coast) as one of the few major regional areas currently lacking direct access to a Bunnings store.

In the north, the nearest store is at Batemans Bay (130km north). In other directions the nearest stores are in the ACT (Tuggeranong – 175km), Albury/Wodonga (280km) and Bairnsdale (230km).

As a result, Bunnings are now seeking to locate a store at an appropriate location to serve the Sapphire Coast of New South Wales. The proposed Bunnings at Tura Beach (to trade as Bunnings Merimbula) will meet the current gap in hardware warehouse retailing serving residents, visitors and businesses in the region.

2 DETAILS OF THE PROPOSAL

2.1 Proposal

A new Bunnings Warehouse store is proposed for the locality of Tura Beach on the south coast of New South Wales. The proposed site is located at the south-east corner of the Sapphire Coast Drive and Tura Beach Drive, approximately 3km north of Merimbula.

The site has a total land area of approximately 2.0 hectares and will accommodate a small-format Bunnings warehouse, trading as 'Bunnings Merimbula', with total floorspace of 6,930m^2.

A neighbourhood shopping centre anchored by a Woolworths supermarket is located adjacent to the proposed Bunnings, on the north-east corner of the Sapphire Coast and Tura Beach Drive intersection. The Sananianda Park seniors living facility is located immediately to the south-east of the subject site fronting Tura Beach Drive. The proposed floorspace mix of the Bunnings Warehouse is shown in Table 2.1.

Table 2.1 Proposed Bunnings Merimbula Floorspace Schedule (Indicative)

Component	Approximate Floorspace
Main warehouse and entry	3,350m^2
Timber and landscape trade sales	1,740m^2
Outdoor nursery and bagged goods canopy	1,840m^2
Total Retail Area	**6,930m^2**

Source: Bunnings

2.2 Locational Context

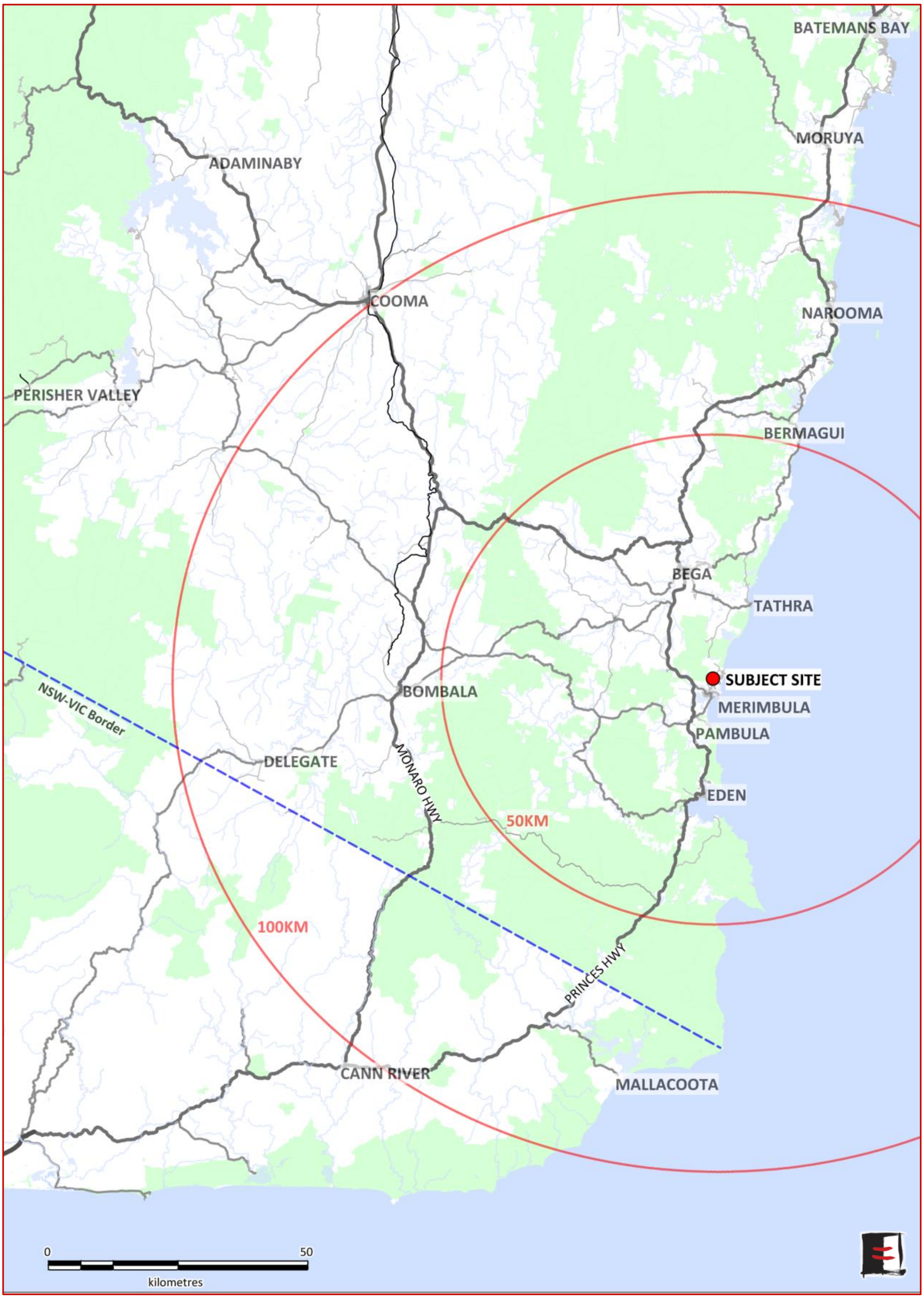
Tura Beach is located on the Sapphire Coast – the far south coast of New South Wales – approximately 350km south of Sydney. Tura Beach was originally developed in the 1980s as an integrated golf course and housing development.

South of Tura Beach is Merimbula, the major holiday resort town of the Sapphire Coast. Merimbula contains the region's only commercial passenger airport which provides a daily service to and from both Melbourne and Sydney. Merimbula and surrounds is roughly the same distance from Melbourne and Sydney by car, with both trip trips involving approximately six hours driving time.

Further south of Merimbula are the coastal towns of Pambula and Eden, while to the north is the township of Tathra.

Bega, 23 kilometres to the north of the subject site and 13 kilometres inland from the coast, is the Sapphire Coast district's major service centre. Situated in a fertile valley, Bega has a strong agricultural service role. The regional context of the proposed Bunnings is shown in Map 2.1

Map 2.1 Regional Context

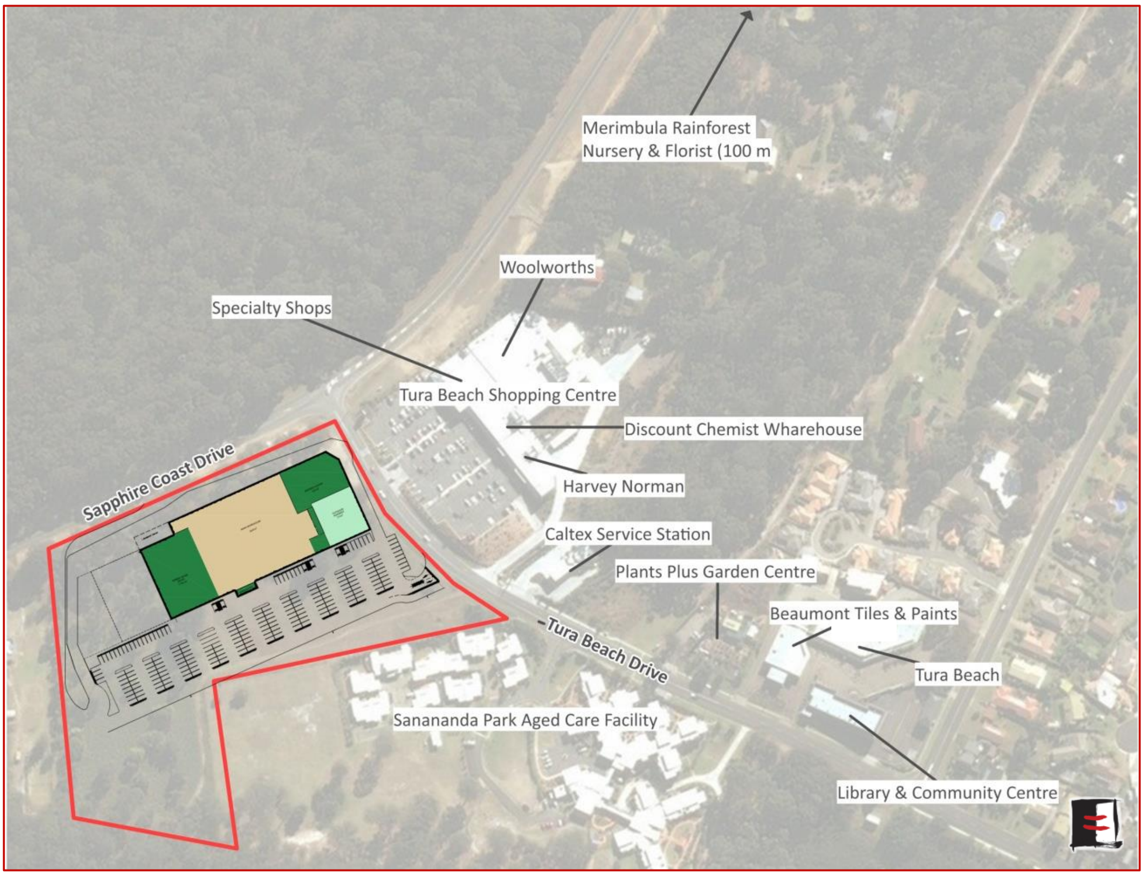


Source: Essential Economics with MapInfo, Bing Maps

The subject site is located on the corner of Sapphire Coast Drive and Tura Beach Drive. Sapphire Coast Drive is the 'coastal' connector road linking Merimbula, Tathra and Bega.

Importantly for Bunnings, the subject site has excellent access and exposure to both Sapphire Coast Drive and Tura Beach Drive. Accessibility and exposure to passing trade and a large geographic catchment is an important locational requirement for Bunnings.

Map 2.2 Site Locational Context



Source: Essential Economics with MapInfo, Bing Maps

The proposed Bunnings will be located adjacent to an existing retail and commercial precinct, which includes a number of complementary home improvement traders.

The Tura Beach Shopping Centre is anchored by a Woolworths supermarket and includes the large-format retailers Discount Chemist Warehouse and Harvey Norman. A small number of specialty shops are also located at the centre, including BWS liquor, newsagency and café.

Approximately 150 metres east of the new Tura Beach Shopping Centre are the original Tura Beach convenience shops. Current tenants comprise a Beaumont tiles and paints (former IGA supermarket tenancy), bakery, restaurant, hair salon, op-shop and dentist.

The former Tura Beach Tavern on the corner of Tura Beach Driver and Golf Circuit is now a library and community hub. Between the original Tura Beach convenience centre and the new

Tura Beach Shopping centre are a Caltex petrol station and a Plants Plus Garden Centre. Both have frontage to Tura Beach Drive and are located within 100 metres of the proposed Bunnings site.

The Sananandа Park seniors facility is located immediately south-east of the proposed Bunnings.

Further to the north-east fronting Sapphire Coat drive is an outboard motor service/repair business and the Merimbula Rainforest Nursery.

2.3 Site Attributes

For Bunnings, it is not unusual to have difficulty identifying sites which have the locational, size, planning and other attributes able to successfully accommodate the land requirements for a hardware warehouse store.

Even with the small-format Bunnings store of 6,920m^2 which is proposed for Tura Beach, the land requirements for parking, landscaping, delivery areas, storage, and vehicular circulation means that at a minimum a total land area of approximately 2 hectares is required.

Furthermore, any site for Bunnings will need to meet locational criteria including:

- Competitive development costs (unencumbered and easily developable land)
- A strategic location able to serve customers living across the surrounding region
- Proximity and accessibility to trade and business customers
- Excellent site accessibility and exposure to customers.

On this basis, it is often the case that Bunnings has limited choice in terms of appropriate locations for their stores.

The proposed location for the Bunnings Merimbula store at Tura Beach has been identified as the preferred site on the Sapphire Coast by Bunnings on the basis of the above considerations. These specific advantages for the proposed site can be summarised as follows:

- **Competitive Development Cost:** the site proposed for Bunnings is unencumbered and easily developable.
- **Strategic location:** the site is located centrally with the Sapphire Coast district on the Sapphire Coast Road – a key north-south road connection between Merimbula/Pambula to the south and Tathra/Bega to the north.
- **Serving trade customers**: the site is well-located with respect to potential business customers, having regard for the exposure to the Sapphire Coast Road, the significant residential growth occurring in Tura Beach, and the growing industry base in the surrounding coastal region.

- **Accessibility:** the subject site has excellent accessibility due to its location on Sapphire Coast Road and Tura Beach Drive intersection.
- **Land Area:** the total size of the proposed site is approximately 2.0 hectares and can accommodate the Bunnings warehouse building and car parking, access ways and landscaping that are required for the development.

The advantages of the site are reflected in the commitment of Bunnings to develop a store at this location.

2.4 Comparative Sites Assessment

At present, zoned land for development of a Bunnings warehouse in the Bega Valley Shire is concentrated at Bega (and surrounds) and Pambula/South-Pambula. Industrial zoned land is also located at the small settlements of Wallagoot and Kalaru.

Notwithstanding the specific site location requirements identified in Section 2.3 of this report, the Sapphire Coast overall has a limited supply of industrial and commercial/mixed-use zoned land suitable for the development of a Bunnings Warehouse.

Bega

Bega is identified by strategic planning policy as the Bega Valley Shire's regional centre and a focal point for commercial and retail development.

For the purposes of this site assessment, Bega is considered on the following basis:

- **Bega Town Centre** – includes land in the Local Centre Zone (commercial core) and surrounding Mixed Use Zone (edge-of-centre) which forms the Bega town centre.
- **Bega Balance** – includes relevant land in the Industrial Zone (both Industrial 1 and Industrial 2) which potentially allows for development of a Bunnings.

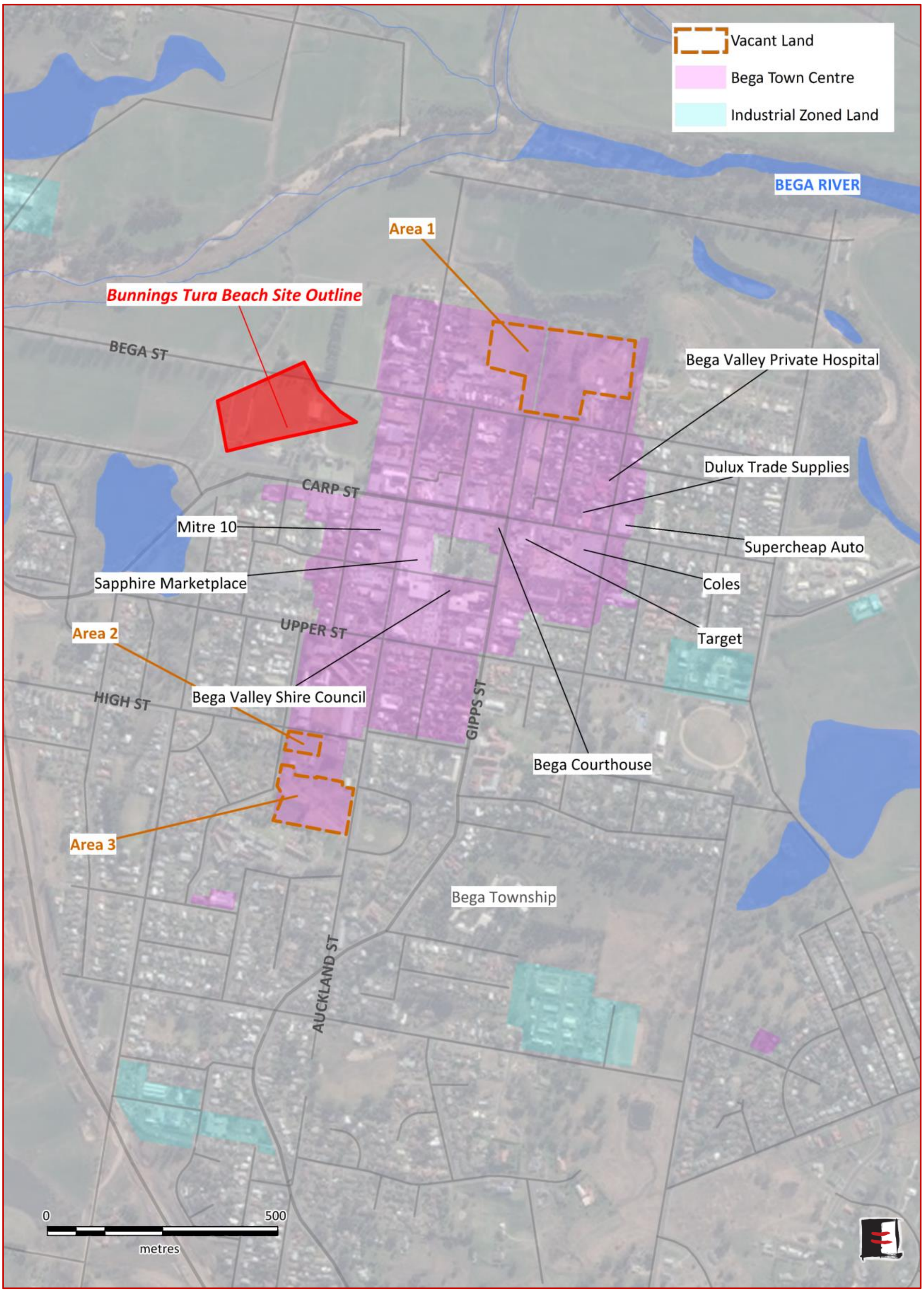
<u>Bega Town Centre</u>

The Bega Town Centre is shown in Map 2.3, with the proposed Bunnings Merimbula site also shown to scale.

Prevailing lot sizes and the density of retail and commercial development are not able to readily accommodate a hardware warehouse as per the proposed Bunnings Merimbula.

Note that the proposed Bunnings Merimbula represents the small-format Bunnings Warehouse size and layout. A scaled-down store size from that proposed for the subject site at Tura Beach would undermine the economic viability of delivering the hardware warehouse model of Bunnings to customers on the Sapphire Coast.

Map 2.3 Bega Town Centre with Bunnings Site Outline to Scale



Source: Essential Economics with StreetPro and BingMaps

In order to further demonstrate the difficulties of Bunnings developing a site in Bega, three specific areas of vacant land have been identified for further 'testing'. All three have been determined as inappropriate for the location of a Bunnings Warehouse for the following reasons:

Area 1

- Likely flooding risk on a site with substantial physical constraints to development (creek line and billabong)
- Relatively low-profile site with limited levels of exposure to passing trade
- Insufficient site area to accommodate a small-format Bunnings Warehouse
- Multiple previous abandoned commercial proposals on the site indicating substantial development constraints.

Area 2

- Insufficient area to accommodate a small-format Bunnings Warehouse.

Area 3

- Insufficient area to accommodate a small-format Bunnings Warehouse
- A drain/creek runs directly through the land would significantly increase development costs.

Bega Balance

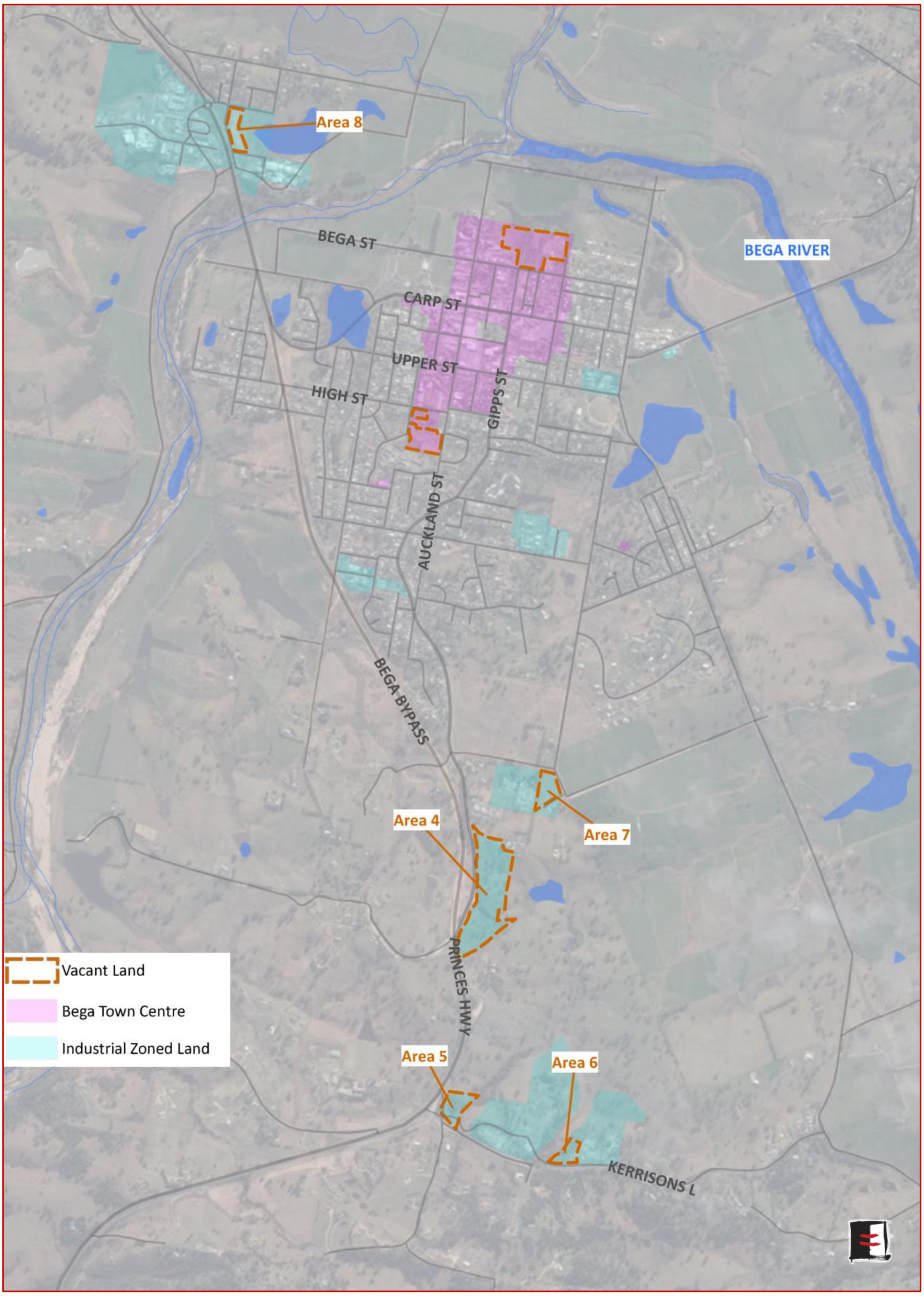
Areas of land zoned for industrial use that contain potentially available sites for a small-format Bunnings Warehouse are located to the south of Bega township adjacent the Princes Highway and Kerrisons Lane, and north of Bega (and the Bega river) to the east of the Princes Highway. This is shown in Map 2.4.

Five additional specific areas of vacant land have been identified for 'testing' of the potential to accommodate Bunnings. All have been identified as inappropriate for the following reasons:

Area 4

- Topography slopes away from highway relatively steeply and is unsuitable for a large floorplate building
- Land ownership patterns mean a considerable setback from the Highway could be required which reduces exposure and accessibility to passing trade
- Uncertainty regarding entry and exit arrangements to and from the Princes Highway given the prevailing topography, traffic speeds and the general preference of Bunnings to have direct or high quality multi-directional vehicular access points.

Map 2.4 Industrial Land Context at Bega



Source: Essential Economics with StreetPro and BingMaps

Area 5

- Steep sloping topography and an embankment on the north-east corner of Kerrisons Lane potentially limits road access and exposure to Princes Highway
- Land topography not suited to a large floorplate building
- Site context more appropriate for industrial land use as is consistent with current industrial zoning.

Area 6

- Steep topography unsuited to large floorplate building
- Location on Kerrisons Lane has very low levels of exposure to potential customers.

Area 7

- Location on Boundary Road has insufficient levels of exposure to passing trade
- Site is not appropriate for development of a Bunnings store in terms of access arrangements and surrounding land use context.

Area 8

- Location on Anderson Street which runs parallel to Princes Highway and is adjacent to Bega Cheese Factory and Bega Cheese Heritage Centre
- Insufficient site area to accommodate a Bunnings Warehouse.

Pambula and Surrounds Site Considerations

Land with a commercial or mixed use zoning is located the Pambula Township and a short distance to the north-east (Arthur Kaine Drive) and east (Bullara Street). Pambula also contains areas of land in the industrial zone, most notably on Mount Darragh Road in South Pambula. This is shown in Map 2.5.

Mount Darragh Road

Undeveloped land with frontage to Mount Darragh Road at South Pambula is located approximately 1 Kilometre west of the Princess Highway. This location has relatively low exposure to potential customers from across the surrounding region. Substantial upgrades to road and other infrastructure would be required to accommodate a Bunnings or similar land use.

Land on the north side of Mount Darragh Road appears to be floodplain which would further increase development costs.

Pambula

Two undeveloped areas are located in the Pambula town centre on the northern and southern sides of Bullara Street.

The land to the south of Bullara Street is partly floodplain and of insufficient size to accommodate a small-format Bunnings Warehouse. The site on the north side of Bullara Street is also of insufficient size to accommodate a small-format Bunnings warehouse.

Arthur Kaine Drive

North-east of Pambula town centre is located land in the B5 Business Development Zone which has frontage to the south side of Arthur Kaine Drive. At present all vacant sites are heavily vegetated which would require clearing before development.

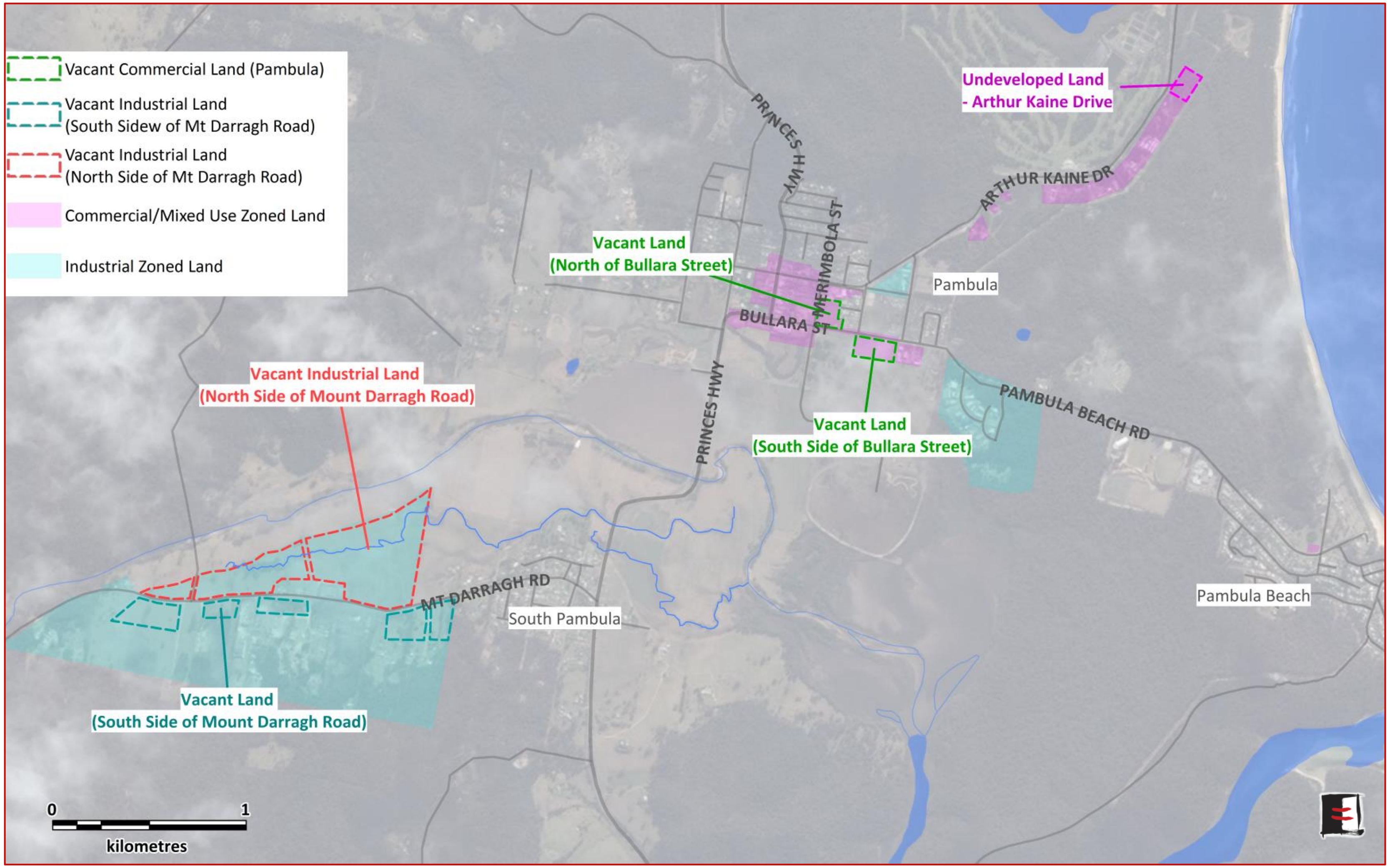
While, this location provides good exposure to vehicular traffic between Merimbula and settlements to the its south including Pambula, Broadwater and Eden, no land in this area has been identified which is of sufficient size to accommodate a small-format Bunnings Warehouse.

A lack of site depth is a key issue. Land parcels in this precinct are no more than around 100 metres deep (relative to 130 metres at the Tura Beach site). This makes it impossible to accommodate a Bunnings with the required access and circulation arrangements, even where a site of greater than 2 hectares may become available.

Other Non-Commercial Zoned Land in the Bega Valley Shire Region

Field work and other investigations have not identified any alternative sites to the proposed Tura Beach location which are not zoned appropriately.

Map 2.5 Industrial and Commercial/Mixed Use Land at Pambula



Source: Essential Economics and StreetPro with BingMaps

3 POLICY CONTEXT

3.1 Policy Overview

At present, the subject site is within the 1(c) Rural Small Holdings Zone. In considering the proposed Bunnings, the following strategic land use policies are of particular relevance.

Bega Valley Shire Commercial Strategy, 2006

The Bega Valley Commercial Strategy (2006) identifies a commercial centres hierarchy to provide guidance on commercial development in Bega Shire.

Bega is identified as the Sapphire Coast district's 'regional centre'. According to this classification, residents from across the Shire would travel to Bega for higher-order retail shopping and access to the full spectrum of regional government and community services.

This strategy assumed that by 2025 Bega would outstrip Merimbula as the region's commercial hub, as the supply of developable residential land within the Merimbula/Pambula/Tura Beach area diminishes. However, the Strategy indicates that a significant commercial role would be required of Merimbula/Pambula/Tura Beach and other appropriate locations into the future.

A review of population forecasts prepared in 2013 for Bega Shire by id Consulting shows that population growth in Merimbula/Pambula/Tura Beach is expected to account for approximately 36% of total population growth in Bega Shire to 2036. In contrast, Bega and surrounds is expected to comprise 30% of total population growth.

For Tura Beach, the expansion of neighbourhood shopping was identified as a short-term outcome in the Strategy. That outcome has now been achieved with the development of the Tura Beach Shopping Centre. Limited guidance is provided by the Strategy in relation to longer-term development requirements for Tura Beach.

After nearly ten years, many of the general principles in this Strategy remain relevant. However, the guidance in relation to assessment of individual proposals, such as Bunnings Merimbula, is limited by the passage of time and ongoing changes in the retail sector and commercial development trends.

South Coast Regional Strategy, 2006-2031

The South Coast Regional Strategy was prepared in 2007 and provides a high-level land use plan for the region which emphasises the need to balance population growth, economic development and environmental protection.

A key objective of the 25-year plan is to accommodate continued rapid population growth which will see the region have a forecast additional 60,000 permanent residents in the period to 2031. The Strategy notes that potential population growth is even higher if appropriately-located residential land can be zoned and developed.

As identified in the Strategy, the population growth will require the creation of additional services and employment. This includes additional facilities serving the hardware and home improvement sector, as well as trade supplies.

The emphasis on supporting sustainable economic development in the South Coast region is reflected in the objective of the Strategy to create at least 25,800 new jobs.

A specific economic challenge identified in the Strategy is to:

> *ensure sufficient employment lands are available in appropriate locations to accommodate growth in existing and emerging industries and businesses* (p 7).

Regional centres are identified at Nowra-Bomaderry and Batemans Bay, with Bega identified as an 'emerging' regional centre.

Although these centres are identified as a focus for new investment, the Strategy adopts a realistic and practical approach to development which recognises that other opportunities for employment land are supported, based on considerations relating to *'tenure, location, constraints and specific opportunities'* (p26).

Bega Valley Shire Land Use Planning Strategy 2008

This Strategy provides a framework to guide Council decision-making in relation to land use planning, and is informed by the Commercial Strategy (2006) and South Coast Regional Strategy (2007).

The general land use strategies identified in the document include:

- Ensuring new development is located within or around existing settlements
- Progressive expansion of infrastructure and services to meet increased demand associated with population growth
- Supporting the role of Bega as a regional location for administration, education and health services.

This Strategy supports the growth of bulky goods at the Bega Town Centre, Bega South and South Pambula. However, as identified in Section 2.4 of this report, these locations have characteristics which make them unsuitable for the successful development and operation of a Bunnings Warehouse.

According to the South Coast Regional Strategy, the opportunity exists to consider an appropriate alternative site which reflects the specific opportunity associated with a Bunnings to serve the rapidly growing population of the region.

Draft South East and Tablelands Regional Plan

The draft plan was released in May 2016 and is intended to inform the development of a new 20-year blueprint for land use planning and development in south-east New South Wales, including the Sapphire Coast.

A set of principles are identified to guide the Plan (Page 5), which include the following of relevance to the subject proposal:

- *Facilitate economic growth, environmental management and social well-being*
- *Respond to long term structural economic and demographic changes, with a focus on ageing, migration patterns and productivity*
- *Encourage economic activities, consistent with changing market demands and industry needs*
- *Inform infrastructure and services investment, and coordinate with land use.*

Action 4.3.1 of the draft Plan seeks to focus retail and commercial development to centre locations, in a manner consistent with the regional centres hierarchy. For new retail proposals, such as Bunnings Merimbula, relevant considerations identified in the Plan include:

- Responding to retail supply and demand
- Respond to innovations in the retail sector
- Maximise the use of existing infrastructure, and
- Enhance the public realm.

Most importantly, the Plan notes that the concept of 'net community benefit' is a relevant factor in assessing proposals. This recognises the important of discretion in assessing new retail proposals based on a holistic consideration of community benefit.

3.2 Small Area Population and Demographic Considerations

Neither the Bega Valley Commercial Strategy (2006) nor Hill PDA report (2008) provide small area population forecasts upon which their subsequent conclusions and policy settings are based.

Although the Commercial Strategy (2006) provides some guidance on future population growth this is for two high-level 'catchments' defined separately for Bega and Merimbula/Pambula/Tura (combined) for the year 2025.

Furthermore, the Hill PDA report indicates population for individual towns in 2006 only, with no forecast of future population growth provided at all.

As a result, despite the relevant policies having highly detailed expectations of future development patterns for the retail sector by centre, no suitably detailed small area analysis is provided to support these expectations.

In contrast, this report provides a detailed trade area analysis for the proposed Bunnings store (see Chapter 4).

Actual Population Trends

Population growth between 2006 and 2016 is displayed in Table 3.1 using the same statistical boundaries applied in the HillPDA report. Merimbula (+370 persons) and Tura Beach (+360 persons) experienced combined population growth of +730 persons.

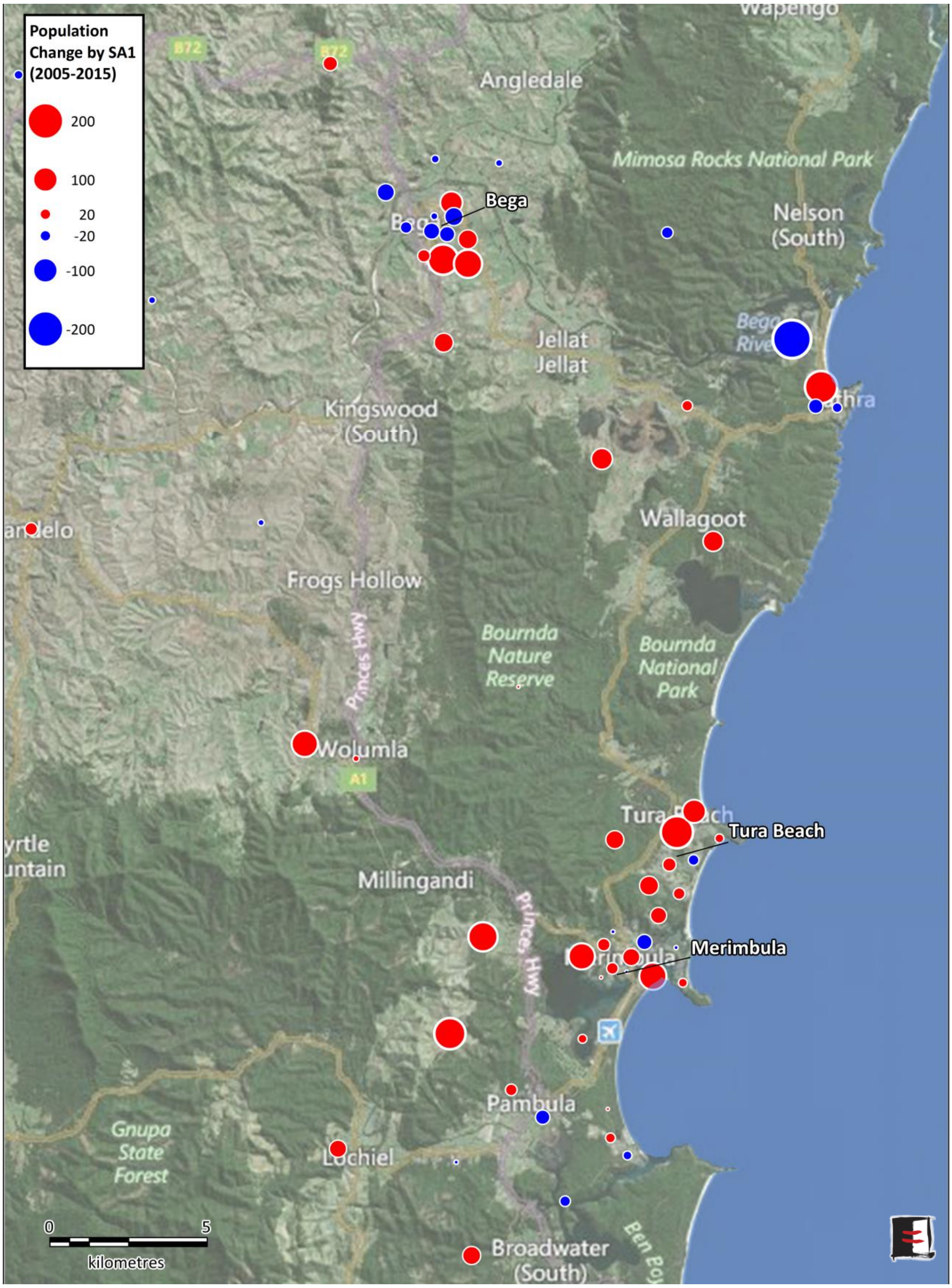
In contrast, the population of Bega increased by +330 persons. Map 3.1 shows small area population change in the surrounding region.

Table 3.1 Population Trends by Locality, 2006 to 2016

	2006	2011	2016	*2006-2016*
Population (No.)				
Tura Beach	2,820	3,040	3,180	*+360*
Merimbula	3,870	4,110	4,240	*+370*
Bega	4,600	4,780	4,930	*+330*
Average Annual Growth (%)				
Tura Beach		1.5%	0.9%	*1.2%*
Merimbula		1.2%	0.6%	*0.9%*
Bega		0.8%	0.6%	*0.7%*
Average Annual Growth (No.)				
Tura Beach		45	30	*35*
Merimbula		50	25	*35*
Bega		35	30	*35*

Source: ABS Estimated Resident Population

Map 3.1 Population Trends Sapphire Coast Region



Source: Mapinfo Pro and Bing Maps; ABS Regional Population Growth, Cat. 3218.0; Essential Economics

4 TRADE AREA ANALYSIS

The trade area that would be served by the proposed Bunnings Merimbula is defined in this Chapter. Population growth and demographic trends are discussed, and the hardware and retail spending potential of the trade area is quantified.

4.1 Trade Area Definition

A trade area describes the geographic area that would be served by an existing or proposed store. Trade areas tailored to specific local circumstances and the trading patterns of the relevant retail outlet are a widely-adopted technique favoured by retail analysts. This approach is in preference to arbitrary radii around stores (such as 3km or 5km) that fail to reflect on-the-ground realities that influence retail trading patterns.

In this instance, a trade area for the proposed Bunnings Merimbula is defined by taking into account:

- The road network and the accessibility of the site from the surrounding region.
- The location of other hardware stores and relevant trade supplies outlets.
- Physical features (rivers, mountains, coastline etc) that may create a barrier to movement.

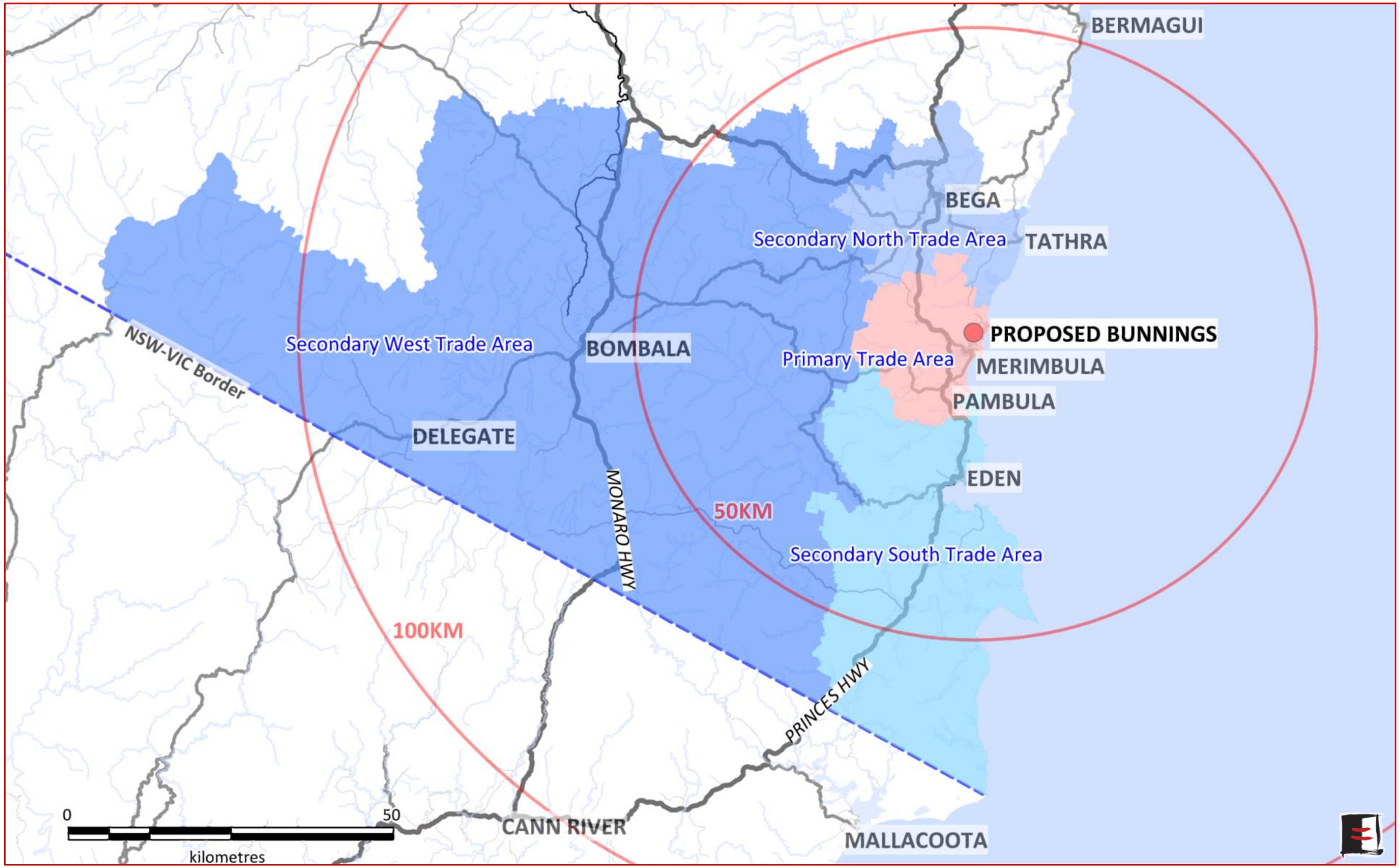
An important consideration in defining a trade area for Bunnings is the large product range, competitive pricing, well laid out stores and active marketing which generates strong drawing power.

The trade area for Bunnings Merimbula is defined to consist of:

- A **Primary Trade Area** (PTA), encompassing the combined urban areas of Tura Beach and Merimbula, as well as adjacent coastal areas including Bournda and Wolumla to the north and north-west respectively, and Pambula, Pambula Beach, South Pambula and Lochiel to the south of Merimbula.
- A **Secondary North Trade Area** (STA-North), consisting of Bega and Tathra, and extending as far as the Mimosa Rocks National Park to the north.
- A **Secondary South Trade Area** (STA-South), extending south of Pambula Lake to the Victoria-New South Wales border and including the towns of Eden and Boydtown.
- A **Secondary West Trade Area** (STA-West), extending west to include the Monaro Plateau towns of Bombala and Delegate. The STA-West is bounded by the Victoria-NSW border to the south and encompasses Bemboka on the Snowy Mountains Highway to the west of Bega.

The trade area sectors combine form the Main Trade Area (MTA), as shown in Map 4.1.

Map 4.1 Bunnings Merimbula Trade Area



Produced by: Essential Economics with MapInfo

4.2 Population Trends and Forecasts

In 2001, the MTA had an estimated resident population of 28,280 people, with 9,830 persons in the PTA and 18,450 across all secondary trade area sectors.

In the period 2001 to 2016, the MTA population increased by approximately +2,670 persons to a total of 30,950 residents. Almost 80% of the population growth over this period is located in the PTA to be served by the proposed Bunnings Merimbula.

Forecasts of the MTA population have been prepared based on a number of information sources, including:

- Id Consulting forecasts commissioned by Bega Shire
- Latest ABS population data
- Consideration of available residential land supply and new dwelling approval trends
- Official NSW Government projections
- Other relevant published sources.

According to this analysis, the population of the MTA is forecast to experience ongoing growth of approximately 200 persons per annum over the period to 2026, with an expectation of continued long-term population growth beyond this time.

By 2026, the population of the MTA is forecast to be 33,120 persons. The population of the PTA is forecast to be 13,030 persons at this time, and will account for approximately 49% of the total forecast increase in the population of the MTA over the intervening period.

The population of the STA-West is forecast to be relatively stable over the forecast period. Moderate rates of population growth are forecast for the STA-North and STA-South trade area sectors.

Importantly, the increase in population in the MTA will be driven by new housing construction associated with development of urban growth areas, including:

- Continued development of Tura Beach within currently identified future residential areas
- Development of residual residential areas still available in Merimbula and Mirador
- New residential estates to be developed at Bega.

New housing and other urban development is an important driver of spending on hardware and home improvement merchandise sold at Bunnings. This includes spending generated by tradespersons and other businesses involved in the construction and development industries.

Recent population trends, and forecasts to 2026, are shown in Table 4.1.

Table 4.1 Main Trade Area Population, 2001 to 2026

	2001	2016	2019	2022	2026
Population (No.)					
Primary Trade Area	**9,830**	**11,970**	**12,300**	**12,640**	**13,030**
Secondary Trade Area					
- Secondary North	9,180	9,810	10,030	10,170	10,550
- Secondary South	3,930	3,980	4,070	4,150	4,350
- Secondary West	5,340	5,190	5,170	5,170	5,190
Total Secondary	18,450	18,980	19,270	19,490	20,090
Main Trade Area	**28,280**	**30,950**	**31,570**	**32,130**	**33,120**
Average Annual Growth (%)					
Primary Trade Area		**+1.3%**	**+0.9%**	**+0.9%**	**+0.8%**
Secondary Trade Area					
- Secondary North		+0.4%	+0.7%	+0.5%	+0.9%
- Secondary South		+0.1%	+0.7%	+0.7%	+1.2%
- Secondary West		-0.2%	-0.1%	+0.0%	+0.1%
Total Secondary		+0.2%	+0.5%	+0.4%	+0.8%
Main Trade Area		**+0.6%**	**+0.7%**	**+0.6%**	**+0.8%**
Average Annual Growth (No.)					
Primary Trade Area		**+140**	**+110**	**+110**	**+100**
Secondary Trade Area					
- Secondary North		+40	+70	+50	+100
- Secondary South		+0	+30	+30	+50
- Secondary West		-10	-10	+0	+10
Total Secondary		+30	+90	+80	+160
Main Trade Area		**+170**	**+200**	**+190**	**+260**

Source: id consulting, ABS, NSW Government, Essential Economics, other relevant published sources

4.3 Socio-Economic Characteristics

The socio-economic features of the trade area population, derived from the 2011 ABS Census of Population and Housing, are summarised in Table 4.2.

The main points relevant to the proposed Bunnings Merimbula include:

- Income levels in the PTA and STA-North tend to be higher than for the balance of the MTA. However, overall levels of household income across the MTA ($44,980) are lower than for regional NSW overall ($50,150).
- The median age of residents in the MTA (47 years) is older than the regional NSW median age (41 years), reflecting the high share of retirees in the Sapphire Coast region and the relatively older age profile in rural areas of the state.

- Consistent with Regional NSW overall, the predominant housing type in the MTA is detached, separate dwellings. This housing format is associated with higher levels of spending on hardware and DIY building products.

- A high proportion of housing in the MTA (44.7%) is owned outright relative to the Regional NSW benchmark (38.8%) which indicates a higher relative level of disposable income. A higher level of disposable income is generally associated with spending on 'discretionary' items, including hardware and home improvements.

Table 4.2 Main Trade Area Socio-Economic Characteristics, 2011

Category	Primary	Secondary North	Secondary South	Secondary West	Main Trade Area	*Regional NSW*
Income						
Median individual income (annual)	**$24,960**	$26,050	$21,970	$21,960	**$24,390**	*$25,550*
Variation from Regional NSW median	**-2.3%**	2.0%	-14.0%	-14.1%	**-4.5%**	*0.0%*
% of adults earning $1,000pw or more	**16.7%**	18.2%	15.1%	15.0%	**16.7%**	*21.9%*
Median household income (annual)	**$45,490**	$47,620	$42,150	$41,320	**$44,980**	*$50,150*
Variation from Regional NSW median	**-9.3%**	-5.0%	-16.0%	-17.6%	**-10.3%**	*0.0%*
% of H'holds earning $2,500pw or more	**7.1%**	7.3%	6.3%	6.0%	**6.9%**	*12.7%*
Age Structure						
0-4 years	**4.9%**	6.0%	4.9%	5.1%	**5.3%**	*6.3%*
5-19 years	**17.2%**	20.6%	18.7%	20.2%	**19.0%**	*19.7%*
20-34 years	**9.9%**	12.9%	12.5%	9.9%	**11.2%**	*16.0%*
35-64 years	**42.1%**	41.9%	43.6%	47.5%	**43.2%**	*39.9%*
65-84 years	**22.5%**	16.3%	18.2%	14.9%	**18.6%**	*15.7%*
85 years and over	**3.4%**	2.3%	2.1%	2.5%	**2.7%**	*2.3%*
Median Age (years)	**49**	43	47	46	**47**	*41*
Country of Birth						
Australia	**85.7%**	91.2%	88.7%	88.6%	**88.3%**	*88.6%*
Other Major English Speaking Countries	**9.7%**	5.5%	5.8%	7.2%	**7.4%**	*5.9%*
Other Overseas Born	**4.6%**	3.3%	5.5%	4.3%	**4.3%**	*5.5%*
% speak English only at home	***96.8%***	*97.6%*	*96.7%*	*97.9%*	**97.2%**	*94.7%*
Dwelling Structure (Occupied Private Dwellings)						
Separate house	**74.5%**	87.1%	82.1%	96.3%	**83.2%**	*83.4%*
Semi-detached.	**11.9%**	3.5%	6.0%	1.0%	**6.7%**	*7.3%*
Flat, unit or apartment	**12.4%**	8.0%	7.7%	0.7%	**8.4%**	*7.7%*
Occupancy rate	***77.9%***	*86.4%*	*80.3%*	*77.3%*	**80.6%**	*86.6%*
Average household size	**2.2**	2.4	2.3	2.3	**2.3**	*2.4*
Tenure Type (Occupied Private Dwellings)						
Owned outright	**46.8%**	40.5%	41.3%	50.3%	**44.7%**	*38.8%*
Owned with a mortgage	**27.2%**	32.1%	25.2%	30.1%	**29.0%**	*31.9%*
Rented	**24.8%**	26.4%	33.1%	18.7%	**25.4%**	*28.4%*
Other tenure type	**1.1%**	1.0%	0.4%	0.9%	**0.9%**	*0.9%*
Housing Costs						
Median monthly mortgage repayment	**$1,470**	$1,360	$1,380	$1,080	**$1,330**	*$1,580*
Variation from Regional NSW median	**-7.0%**	-13.9%	-12.7%	-31.6%	**-15.8%**	*0.0%*
Median weekly rents	**$220**	$200	$190	$130	**$200**	*$220*
Variation from Regional NSW median	**0.0%**	-9.1%	-13.6%	-40.9%	**-9.1%**	*0.0%*

Source: 2011 ABS Census of Population and Housing, Essential Economics

4.4 New Dwelling Approvals

The number of new dwelling approvals in a region is a reliable indicator of likely future housing development and hence population growth; a large number of dwelling approvals therefore indicates strong future demand for home improvement products and homemaker retailing.

Housing development also supports the construction industry, which is an important segment of the market for hardware and home improvement warehouse stores.

In recent years the total number of new dwelling approvals displays an increasing trend, with each year – apart from 2013 where a small decline occurred – recording a higher number of approvals than the year before. This is according to ABS new dwellings approvals data for the five ABS defined geographic regions (SA2's) most relevant to the MTA and is summarised in Table 4.3.

Table 4.3 New Dwelling Approvals by SA2, 2012 to 2016

SA2 (Relevant to Main Trade Area)	2012	2013	2014	2015	2016
Number of New Dwelling Approvals	148	140	159	173	193
Total Value of Approvals	$47.5m	$49.5m	$55.1m	$60.4m	$67.7m

Source: ABS, Essential Economics
Note: SA2 = Statistical Area 2 ABS geographical classification
SA2: Merimbula - Tura Beach, Eden, Eden - Bega Hinterland, Bega - Tathra, Bombala

4.5 Trade Area Retail Spending

The *MarketInfo* micro-simulation model of household spending propensity uses data from a number of ABS sources including the Population and Housing Census, the Household Expenditure Survey and the Australian National Accounts. Output from *MarketInfo* can be used to derive small area estimates of propensity to spend by detailed commodity groups.

Per capita spending estimates by trade area sector are shown in Table 4.4 for the following categories:

- **Bunnings Type Merchandise**: includes the individual retail commodity items normally stocked at a typical Bunnings store, focussing on hardware but including some gardening, electrical, furniture and ancillary items. This range of products is similar to that sold at other hardware retailers in Australia (notwithstanding individual differences by operator and store).

- **Homemaker Merchandise**: the spending on the full range of homewares, bulky merchandise and general merchandise typically sold at bulky goods and homemaker type retailers (including Bunnings but also including other major retailers such as Harvey Norman, Snooze, Anaconda etc).

- **Total Retail**: includes all food and non-food retail spending categories.

All figures are expressed in constant 2016 dollars (i.e. excluding the effects of inflation) and include GST.

Note that Bunnings Type Merchandise covers product lines that account for approximately 80% of the goods sold by large format hardware retailers.

Specific omissions from this market definition include:

- **Nursery items and garden supplies,** for example, plants, seeds and bulk fertilizers
- **Timber retail and trade supplies,** for example, building materials, mouldings, structural and non-structural timbers.

These product lines are not generally included within definitions of hardware retail adopted by the ABS and retail analysts, as they are generally considered wholesale items or construction inputs.

Across the MTA, per capita spending on Bunnings Type Merchandise is estimated to be $1,240 in 2016 or 4% lower than the Regional NSW average.

Per capita spending on Bunnings Type Merchandise by PTA residents is approximately $1,320 or 2% higher than the regional NSW benchmark.

Table 4.4 Per Capita Expenditure by MTA Residents, 2016 ($2016)

Trade Area	Bunnings Type Merchandise	Homemaker Merchandise	Total Retail
Per Capita Spending			
Primary Trade Area	**$1,320**	**$2,650**	**$13,890**
Secondary North	$1,220	$2,470	$13,140
Secondary South	$1,140	$2,320	$12,960
Secondary West	$1,160	$2,350	$12,830
Total Secondary Trade Area	**$1,190**	**$2,410**	**$13,020**
Main Trade Area	**$1,240**	**$2,500**	**$13,360**
Regional NSW	*$1,290*	*$3,090*	*$13,540*
Variation from Regional NSW Average (%)		-	
Primary Trade Area	**2.3%**	**-14.2%**	**2.6%**
Secondary North	-5.4%	-20.1%	-3.0%
Secondary South	-11.6%	-24.9%	-4.3%
Secondary West	-10.1%	-23.9%	-5.2%
Total Secondary Trade Area	**-7.8%**	**-22.0%**	**-3.8%**
Main Trade Area	**-3.9%**	**-19.1%**	**-1.3%**

Source: MarketInfo; Essential Economics
Note: Excludes nursery and garden supplies, timber and trade supplies

Combining per capita spending estimates of Bunnings Type Merchandise with current and future population levels yields projections of total available trade area spending, as shown in Table 4.5.

Note that the figures in Table 4.5 exclude the effects of price inflation and are expressed in constant $2016 terms. An allowance has also been made for real growth in spending per capita based on long-term ABS Australian National Accounts historical data.

Table 4.5 Bunnings Type Merchandise Spending by Trade Area, 2016 to 2026 ($2016)

Year	Primary Trade Area	Secondary North	Secondary South	Secondary West	Main Trade Area
2016	**$15.9m**	$11.9m	$4.5m	$6.0m	**$38.4m**
2017	**$16.1m**	$12.2m	$4.6m	$6.1m	**$39.0m**
2018	**$16.4m**	$12.5m	$4.7m	$6.2m	**$39.8m**
2019	**$16.6m**	$12.8m	$4.9m	$6.3m	**$40.6m**
2020	**$16.9m**	$13.1m	$5.0m	$6.4m	**$41.3m**
2021	**$17.2m**	$13.4m	$5.1m	$6.5m	**$42.1m**
2022	**$17.5m**	$13.6m	$5.2m	$6.6m	**$42.9m**
2023	**$17.7m**	$14.0m	$5.3m	$6.7m	**$43.8m**
2024	**$18.0m**	$14.3m	$5.5m	$6.8m	**$44.7m**
2025	**$18.3m**	$14.7m	$5.7m	$7.0m	**$45.7m**
2026	**$18.6m**	$15.1m	$5.8m	$7.1m	**$46.6m**
Annual Growth Rate	**+1.6%**	+2.4%	+2.5%	+1.6%	**+2.0%**

Source: MarketInfo; Essential Economics
Note: Excludes nursery and garden supplies, timber and trade supplies

In 2016, total Bunnings Type Merchandise spending is estimated to be $38.4 million, with the PTA and STA-North sectors accounting for a combined 72% of total MTA spending. By 2019, total spending by MTA residents on Bunnings Type Merchandise is projected to increase to $40.6 million in real terms due to a combination of growth in both real spending and population.

Over the period 2016 to 2026, average annual real growth in Bunnings Type Merchandise spending by MTA residents is projected to be +2.0%.

Total MTA retail spending increases from $413 million in 2016 to $477 million in 2026, at an annual real growth rate of +1.4%. Both Bunnings Type Merchandise and Homemaker Merchandise spending are expected to increase slightly faster over the period compared with total retail due to higher rates of spending growth in these retail product categories. Again figures are in constant $2016 and include GST.

Table 4.6 Total Retail Spending by Trade Area Sector, 2016 to 2026 ($2016)

Year	Bunnings Type Merchandise	Homemaker Merchandise	Total Retail
2016	$38.4m	$77.4m	$413.4m
2019	$40.6m	$81.9m	$430.5m
2021	$42.1m	$85.0m	$442.0m
2026	$46.6m	$94.3m	$476.7m
Annual Growth 2016-26	**+2.0%**	**+2.0%**	**+1.4%**

Source: MarketInfo; Essential Economics
Note: Excludes nursery and garden supplies, timber and trade supplies

4.6 Spending by Non-Permanent Residents

In addition to the permanent resident population, the MTA has a high share of holiday homes and this results in higher temporary populations during peak holiday periods.

Approximately 6% of private dwellings in the MTA are holiday homes, according to data from the 2011 ABS Census of Population and Housing summarised in Table 4.7. Each of these homes will typically require the purchase of hardware and trade supplies related goods, notwithstanding their occupation through only part of the year.

Table 4.7 Share of Private Dwellings as Holiday Homes (2011)

	Total Private Dwellings	Share of Holiday Dwellings	No. Holiday Dwellings
Primary Trade Area	**4,520**	**10%**	**450**
STA-North	3,600	3%	110
STA-South	1,540	8%	120
STA-West	2,010	0%	10
Main Trade Area	**11,670**	**6%**	**690**

Source: 2011 ABS Census of Population and Housing; Essential Economics

The holiday market represents a source of demand for a hardware and home improvement warehouse which is additional to that of the permanent residents identified in Tables 4.5 and 4.6, and is considered in the subsequent market assessment analysis in Chapter 6.

Note that tourists and visitors using commercial accommodation, including serviced apartments and furnished holiday rentals, would have only a very low propensity to visit hardware and home improvement stores such as Bunnings. As a result, they are not specifically considered an additional source of demand.

5 COMPETITIVE CONTEXT

This Chapter considers the competition aspects relevant to the proposed Bunnings Merimbula.

5.1 Comparison of Hardware Retail Formats

Hardware stores typically serve a customer base that includes a mix of retail customers (general public) and wholesale trade customers (commercial businesses). The share of retail and trade customers can vary significantly between individual stores and chains, and is dependent on factors including:

- Local demand conditions
- Product mix
- Business account terms and conditions (important for trade customers)
- Availability or otherwise of storage and other infrastructure required for garden, timber and trade supplies.

Hardware stores also compete with a wide variety of specialised stores that provide a narrower range of products that overlap with some of the product lines also sold at hardware stores. Examples include specialist tool suppliers, timber sellers and plant nurseries of various sizes and formats. Again, these businesses will also serve a mix of retail and trade customers.

Small Hardware Stores

Small-scale hardware stores offer a broader range of product categories, but a narrower range of products within each category compared with specialist stores.

Small hardware stores (say up to 400 m^2) are often accommodated in neighbourhood locations and serve as convenience retailers for local residents typically performing routine household maintenance jobs.

Medium-Sized Hardware Stores

Medium-sized hardware stores (say 400 m^2 to 5,000 m^2) offer a moderately larger range of products than their smaller counterparts, and typically serve a larger residential catchment. Stores will typically sell an increased range of homewares and DIY home improvement products relative to smaller store formats.

These medium-sized stores will often specifically seek a high profile location on a busy main or secondary road. Although trade customers are an important part of the overall business, the vast majority of customers will be the general public.

Large Format Hardware Stores

Large format hardware stores (greater than 5,000m^2) cater to the general public undertaking home maintenance and small DIY projects, as well as large-scale DIY home renovations and major trade customers. A wide range of large and bulky items such as outdoor furniture and barbecues also have a significantly enhanced product range relative to smaller stores which tend to focus on selling less bulky items.

Trade areas for large format stores are extensive in geographic terms.

The proposed Bunnings Merimbula represents the smallest size of large format hardware store operated by Bunnings. With a total floorspace of 6,850m^2, the proposed Bunnings Merimbula is significantly smaller than 12,000m^2-plus Bunnings outlets operating in major urban areas of Australia.

A Bunnings warehouse typically includes significantly wider aisles and other features which are intended to improve the amenity for customers, relative to smaller hardware stores. The larger store size also allows for improved amenities to be provided.

5.2 Existing and Proposed Supply of Hardware Floorspace

Residents and businesses in the trade area are served by a range of existing hardware and homemaker retail outlets located within the trade area and beyond. These outlets attract a share of resident expenditure on Bunnings type retail merchandise.

In addition to dedicated hardware retailers, residents will also direct a small share of Bunnings type expenditure to more traditional retailers, including discount department stores (Target, Kmart and Big W) and a variety of smaller specialty stores which typically locate in retail centres.

Bunnings also sell timber, trade supplies, landscaping, and garden nursery merchandise which can be purchased at trade outlets in a variety of locations, including light industrial areas.

Other locations for hardware, homemaker and trade supplies shopping are summarised below.

Primary Trade Area

- A **Mitre 10** is located in Toallo Street, Pambula, approximately 200 metres east of Quondola Street (Princes Highway). This hardware store of approximately 500m^2 is co-located with a timber and landscape supplies yard and separate administration office and timber warehouse. This site caters for the professional trades-person and serious DIY home renovator, with a strong range of trade, timber and landscape/garden supplies. Mitre 10 Pambula is currently the most significant hardware destination within the PTA.

Mitre 10 Sapphire Coast (Pambula) – 7th December 2015

<u>Secondary North Trade Area</u>

- **Stafford's Building Supplies** is located on Tathra Road on the western edge of the Kalaru Township. The site of approximately 2.5 hectares consists of a hardware store of approximately 750m^2 and a large timber and landscape supplies yard. This site caters for the professional tradesperson and serious DIY home renovator, with an extensive range of associated timber and heavy landscaping materials.

- A **Mitre 10** is located in Auckland Street, Bega, opposite the newly developed Sapphire Marketplace shopping centre. This site contains a hardware store of approximately 450m^2 and a very small timber yard. The size constraints of the Bega town centre location limit this Mitre 10 to a range of products that primarily meet the basic hardware needs of Bega residents. Sales would also be generated by the professional tradesperson or serious DIY home improver.

Bega Mitre 10 – 7th December 2015

Secondary South Trade Area

- A **Mitre 10** is located on the Princes Highway in Eden, north of the town centre, and comprises a 350m^2 hardware store with a timber yard/trade centre to the rear of the site. Although smaller in scale to Pambula Mitre 10 (trading as Mitre 10 Sapphire Coast), this outlet offers a product range adequate to service the basic needs of local tradespersons and DIY home improvers.

Secondary West Trade Area

- A small **Thrifty-Link** is located on Maybe Street in the Bombala town centre. The store provides a range of products that meet the basic hardware needs of Bombala residents. Tradespersons and serious DIY home improvers in the Bombala region seeking an expanded range of hardware, timber and landscaping products must travel east to Sapphire Coast settlements (Bega, Merimbula, Pambula) or north to Cooma or Jindabyne.

Other

A number of small building and trade supplies outlets and nurseries that sell items also typically sold at Bunnings are dispersed throughout the Sapphire Coast region on land typically zoned retail/commercial or light industrial.

Outlets of note include:

- Plants Plus Garden Centre and Merimbula Rainforest Nursery at Tura Beach
- Swan Plumbing and Oakland Barn and Garden Centre at Pambula

- Target, Woodlands Nursery, Birdhouse Gallery of Plants and Merimbula Sand and Gravel at Merimbula
- Barkers Tathra excavations and the Tarrawood Native Nursery near Kalaru
- Big W, Target, Inspirations Paints, Barbecues Galore, and Trade Link Bathrooms and Vanities within Bega Township.

Outside the MTA

The nearest Bunnings store to the subject site is located in Batemans Bay, 130 kilometres to the north. North of the MTA, the coastal settlements of Bermagui and Narooma both have Mitre 10 stores – Narooma also has a Home Hardware outlet.

To the north-west of the MTA, on the northern reaches of the Monaro Plateau, Mitre 10 outlets are located at both Jindabyne and Cooma.

To the south of the MTA, a Home-Hardware outlet is located at Mallacoota in Victoria's far south-east.

Proposed

Currently, there are no specific proposals for other new hardware outlets in the MTA.

Overall Competition

The majority of existing hardware outlets in the MTA are in the form of small hardware stores and/or specialised trade stores serving localised catchments. The product range offered by these and a number of non-hardware related existing outlets will – to an extent – overlap with the product offer of the proposed Bunnings Merimbula.

However, the level of direct competition to the proposed Bunnings Merimbula is relatively low in view of the relative lack of stores offering the complete range of hardware, homewares, bulky goods, nursery, trades and landscape supplies consistent with that of a small-format Bunnings warehouse outlet.

6 MARKET ASESSMENT

This Chapter identifies projected sales at the proposed Bunnings Merimbula store, anticipated market share, and an assessment of potential trading impacts.

6.1 Projected Sales

The proposed Bunnings Merimbula store is forecast to achieve total turnover of approximately $13.3 million in its first year of trading. This represents an average trading level of approximately $1,920/m^2, as shown in Table 6.1. For the purposes of this analysis, the first full year of trading is assumed to be 2019 (year-ending June).

The projected turnover is based on expected trading levels in each component of the store, and reflects factors such as the size of the surrounding market (population and spending), the location of competing stores, the site's access and exposure, and other relevant issues.

Table 6.1 Bunnings Merimbula Projected Turnover, 2019 ($2016)

Component	Floorspace	Trading Level	Total Turnover
Bunnings			
Main warehouse	3,350m^2	$2,850/m^2	$9.5m
Timber and Trade sales	1,740m^2	$1,100/m^2	$1.9m
Outdoor nursery and Landscaping	1,840m^2	$1,000/m^2	$1.8m
Total Bunnings	**6,930m^2**	**$1,920/m^2**	**$13.3m**

Source: Essential Economics

Trading levels at Bunnings Merimbula are expected to increase over time in line with growth in the residential population of the trade area, growth associated expenditure on hardware and homemaker merchandise, and the growth of the business sector in the region.

6.2 Market Share Analysis

During the first year of trading, the new Bunnings Merimbula store is forecast to capture approximately 24% of the retail market for Bunnings Type Merchandise in the MTA.

This analysis, which is shown in Table 6.2, is based on the following considerations:

- Total turnover of $13.3 million, with an estimated 80% (or $10.6 million) of sales to retail or household customers. The remaining $2.7 million of sales will be derived from trade or business customers (including contractors and others in the construction industry) and non-retail merchandise (timber, trees and shrubs, plasterboard, building supplies etc.).
- An estimated $10.6 million of retail sales generated at the store, of which approximately $9.3 million (or 87%) would be derived from spending by MTA residents. The remaining

$1.4 million of turnover would be derived from people living beyond the trade area, including holiday home owners.

- Total expenditure by trade area residents on Bunnings Type Merchandise in 2019 is forecast to be $40.6 million, as also shown in Table 4.6.

- The turnover at Bunnings attributable to retail customers in the MTA ($9.2 million) represents a 23% market share of total available spending by MTA residents on Bunnings Type Merchandise.

Table 6.2 Bunnings Merimbula Market Share Analysis, 2019 ($2016)

	Turnover	Turnover Distribution	Bunnings Type Merchandise Spending	Retail Market Share
Primary Trade Area	**$5.1m**	**38%**	**$16.6m**	**31%**
Secondary North	$2.2m	17%	$12.8m	17%
Secondary South	$1.1m	8%	$4.9m	22%
Secondary West	$0.9m	6%	$6.3m	14%
Main Trade Area	**$9.3m**	**70%**	**$40.6m**	**23%**
Beyond Main Trade Area	$1.4m	10%		
Total Retail Sales	$10.6m	80%		
Non-Retail Sales	$2.7m	20%		
Total Store	**$13.3m**	**100%**		

Source: Essential Economics

A typical Bunnings MTA market share is in the range 15% to 25% of the Bunnings Type Merchandise market. This analysis shows that a well-performing Bunnings store would be comfortably supported by the forecast MTA spending demand. This market share also indicates significant scope for other hardware outlets to also trade successfully, based on the balance of available spending by MTA residents

6.3 Trading Impact Assessment

Any competitive trading impacts arising from the development of a new Bunnings Merimbula store will be due to the potential for the retail spending of consumers to be diverted from alternative shopping destinations.

It is not the role of planning policy to facilitate outcomes that ensure existing retailers retain current sales levels (particularly where these current sales are above relevant industry benchmarks) at the expense of new development that responds to community choice and need.

The expected broad regional impact of the proposed new Bunnings Merimbula store is shown in Table 6.3.

Table 6.3 General Impacts of Bunnings Merimbula, 2016 to 2026 ($2016)

	2016	2019	2022	2026
Bunnings Merimbula				
Bunnings Merimbula Turnover from MTA[1]		$9.3m	$9.6m	$10.3m
MTA Bunnings Type Merchandise Spending	$38.4m	$40.6m	$42.9m	$46.6m
MTA Turnover to Other Stores[2]	$38.4m	$31.3m	$33.2m	$36.3m
Change in Turnover to Other Stores Relative to 2016		**-$7.0m**	**-$5.1m**	**-$2.0m**

Note: In 2016 dollars and including GST
1. Assumes 0.5% annual decay in Bunnings market share
2. Other stores excluding Bunnings Merimbula
Source: Essential Economics

MTA residents generate approximately $38.4 million of Bunnings Type Merchandise retail spending in 2016, all of which is directed to a range of existing retailers and retail centres.

Over the period to 2019, spending by MTA residents is forecast to increase to $40.6 million (refer Table 4.6) and the proposed Bunnings Merimbula is forecast to attract $9.3 million of MTA retail spending (refer Table 6.2).

As a result, the spending by trade area residents on Bunnings Type Merchandise that is available to all other retailers will be $31.3 million in 2019 ($40.6m less $9.3m – figures subject to rounding).

The total spending by MTA residents on Bunnings Type Merchandise being directed to all other traders will decline by -$7.0 million relative to existing levels. Not all of this decline in turnover will be experienced by traders in the MTA. For example, a small share of this decline will be experienced by the existing Bunnings store at Batemans Bay which will currently attract some limited sales from within the MTA due to the lack of a local Bunnings store directly serving this area.

Some sales will also be re-directed from other competing retailers in the MTA, although any such trading impacts are expected to be within the normal bounds of a dynamic and competitive retail environment.

Beyond 2019, continuing growth in spending by MTA residents means that by 2026 the available spending on Bunnings Type Merchandise available to other retailers will be similar to current levels.

The analysis in Tables 6.2 and 6.3 highlights that the proposed Bunnings Merimbula is supported by market demand, and that negative trading impacts are expected to be short-term and manageable for existing retailers in this market.

Activity Centres

In general terms, trading impacts are only a relevant planning consideration where they are expected to undermine the role and function of a retail or centres hierarchy that is supported by policy.

No significant trading impact on a specific centre identified in the Bega Valley Commercial Strategy is associated with the proposed Bunnings Merimbula. That is, the role and function of centres as envisaged by high-level centres policy is not undermined by the proposal.

In any instance, the proposed location of Bunnings Merimbula is consistent with the direction of policy seeking to consolidate retail and commercial development either within or on the fringe of activity centres. In this respect, the subject site at Tura Beach is superior to alternative out-of-centre locations which might otherwise be identified (noting no such site has been identified in the sites assessment contained in Chapter 2 of this report.

The **Bega town centre** contains a wide range of retail, commercial and community functions which would not have any identifiable negative trading impacts associated with the proposed new Bunnings. For example, Bega contains two major chain supermarkets and a Big W which will continue to function as key activity generators for the town centre.

At present, the Bega Town Centre includes approximately **45,000m^2** of shopfront floorspace, as shown in Table 6.4. This includes the major destination retailers Big W and Target, as well as full line Woolworths and Coles supermarkets. The centre also includes an extensive range of smaller shops including a wide mix of retail, commercial and community uses.

In contrast, Merimbula **(17,500m^2)** and Tura Beach **(7,500m^2)** currently contain a significantly smaller provision of shopfront floorspace.

Table 6.4 Current Shopfront Floorspace and Anchor Tenants

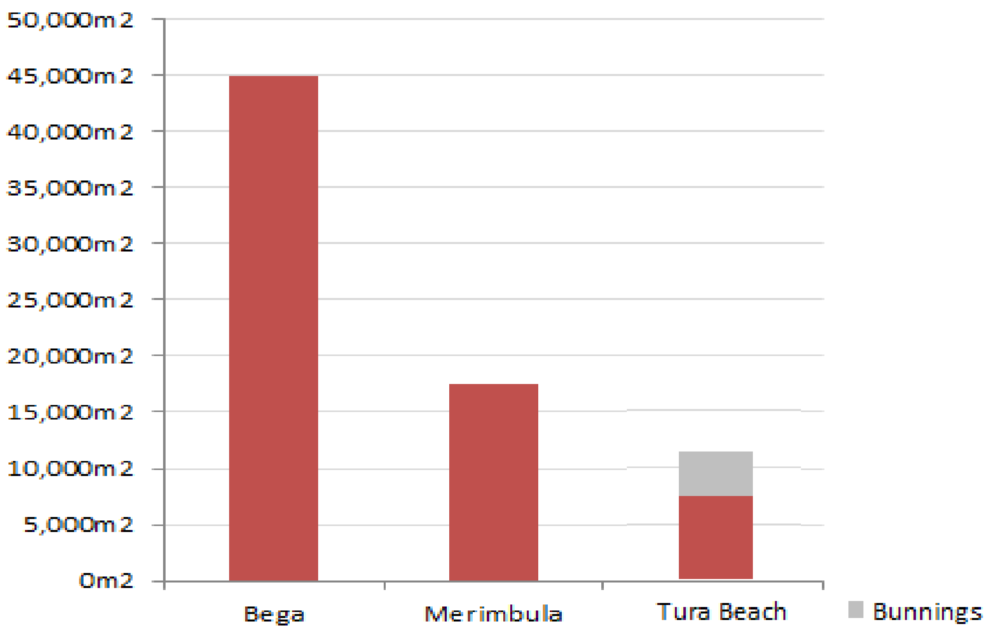
	Major Tenants	Shopfront Floorspace (m2)
Bega		
	Big W	7,000m^2
	Target	2,800m^2
	Woolworths	4,000m^2
	Coles	3,600m^2
	Total Shopfront Floorspace	**45,000m^2**
Merimbula		
	Woolworths	2,360m^2
	Target Country	820m^2
	Total Shopfront Floorspace	**17,500m^2**
Tura Beach		
	Woolworths	3,300m^2
	Total Shopfront Floorspace	**7,500m^2**

Source: Published sources, Essential Economics

The significant specialty retail, commercial and community functions in the Bega town centre have almost no competitive implications associated with the proposed Bunnings. Recent development of the Sapphire Marketplace shopping centre will support the future of the Bega town centre as a key regional retailing destination.

Allowing for the increase associated with the proposed Bunnings (i.e. the hardware warehouse component and excluding trade and garden areas) Tura Beach will still contain only approximately 25% of the shopfront floorspace operating in the Bega Town Centre, as shown in Figure 6.1 below.

Figure 6.1 Shopfront Floorspace Comparison (m^2)



Note: Bunnings shopfront floorspace includes warehouse component only and excludes outdoor garden area and trade/timber supplies

Further to shopfront uses, Bega continues to offer substantial additional community and civic infrastructure which ensures that primacy as the regional centre for the Sapphire Coast is not undermined.

Existing community infrastructure in Bega includes Council Offices, private hospital and regional (public) hospital, Centrelink and Medicare offices, court facilities, and education facilities - university, TAFE, high school, and three primary schools.

In combination, the high provision of retail and community infrastructure/services in Bega compared to Merimbula and Tura Beach, supports the rationale for identifying the town as the regional centre for the Sapphire Coast. However, regional land use policy does not preclude appropriate development of retail, commercial and community facilities outside of Bega subject to demand and locational requirements.

The development of a Bunnings at subject site will not undermine the ability of Bega to fulfill its role as the key regional service centre. Although some trading impact is anticipated for the Bega Mitre 10 and Trade Link stores at Bega, each is supported by national branding and buying groups which consistently trade in regions where Bunnings is also present.

The sheer magnitude of Bega's retail offer and provision of community and civic infrastructure compared to Merimbula and Tura Beach means that its primacy as the regional centre will not be threatened by the development of the small-format Bunnings Warehouse at Tura Beach.

The **Merimbula town centre** has a focus on meeting the day-to-day needs of local residents, with the presence of a Woolworths supermarket and range of basic food and convenience retailing. A strong tourist industry in Merimbula also means that the town centre includes a high share of takeaway food outlets, cafes and restaurants. These visitor-oriented retailers have no competitive relevance to Bunnings.

Role of Tura Beach

Although the proposed Bunnings will have some land use synergies with the adjacent Tura Beach local centre, in a practical sense for most customers the Bunnings will be a single-purpose shopping trip.

Our experience in retail-economic analysis undertaken for private clients and policy makers over 20+ years indicates that the presence of a Bunnings at Tura Beach would generate no more than a marginal increase in sales and visitation to the supermarket and specialty shops at Tura Beach. That is, residents of locations such as Bega and Merimbula would benefit from access to the Bunnings hardware retail format, without any significant change to their purchasing patterns for other goods and services such as supermarket and grocery shopping.

7 NET COMMUNITY BENEFIT

This Chapter provides an assessment of the Net Community Benefit that is expected to flow from the proposed Bunnings Warehouse. These benefits relate to investment, construction jobs, on-going jobs and other important benefits for the community and Shire.

7.1 Project Investment

The development of a new Bunnings Warehouse at the subject site will require a capital investment of approximately $9.5 million, excluding purchase of the land, but including all demolition and building works.

This investment will be of significant benefit to the Sapphire Coast trade and construction industries.

7.2 Construction Phase Employment

Vegetation removal, site works and drainage, building construction, car park works and store fit-out will generate significant employment.

The ABS National Accounts and Input-Output tables estimate that $450,000 in construction investment directly supports one full time equivalent (FTE) construction job for a year (one job year).

On this basis, a new Bunnings Merimbula would support 21 FTE construction jobs, assuming a 12-month construction period. In practical terms, a greater number of people would work at the site during the construction phase, but for less than one year. For example, specialist asphalt layers creating the carparks may only be on site for less than one month of a 12-month construction period.

The ABS also estimates the indirect (or flow-on) employment benefit of construction activity. For every direct FTE, the indirect employment multiplier is 2.6 (ABS Type 2A). The number of flow-on jobs FTE supported by development of a new Bunnings Merimbula would total 34 positions during the construction phase.

7.3 Ongoing Employment

Information from Bunnings indicates that a full line store of 6,920m^2 would employ over 70 people in full-time, part-time and casual positions. This new source of employment is important for young people and others to establish rewarding careers in the retail and building services sector.

Bunnings is also an important source of employment for older people seeking to re-enter the workforce, or those no longer working full-time but who are seeking casual work. This point has particular pertinence to the proposed Bunnings due to the older age profile in the region (see Table 4.2).

The FTE number of people directly employed at a new Bunnings Merimbula would total an estimated 50 positions. This level of employment would support a further 45 indirect or flow-on jobs, using ABS Type 2A retail employment multiplier of 1.9.

The employees at Bunnings would also generate sales and visitation to other nearby businesses in Tura Beach.

7.4 Other Benefits

In addition to contributing to investment and supporting job creation, the proposed Bunnings Merimbula would be expected to generate the following benefits:

- Improved access to an affordable, large-scale, hardware and homemaker retailer for residents in the MTA in the Sapphire Coast region that represents a market gap in the provision of this hardware store format.
- Improved access for local residents and trade customers to a wide range of well-priced hardware and homeware goods.
- Improved access to a popular, national brand hardware and homemaker retailer.
- New jobs for the local labour force.
- Introduction of a major supplier of building/hardware supplies at a location convenient for business and trade customers within the region.
- Reduction in travel costs of potential customers from Sapphire Coast – particularly Merimbula/Tura Beach – wishing to access hardware and home improvement merchandise locally.
- A reduction in travel costs for those on the Sapphire Coast, South-East Hinterland and Monaro Plains seeking the product offer and service of a Bunnings warehouse.
- Ability to service the hardware and homemaker retail needs of projected future residential growth of the surrounding region
- Improved access for trade and business customers to hardware and trade supplies.

8 SUMMARY OF KEY FINDINGS

The analysis contained in this report has identified the following key findings in relation to the potential Bunnings Merimbula:

1 **The Proposal:** Bunnings is proposing to develop a small-format warehouse on the corner of Sapphire Coast Drive and Tura Beach Drive at Tura Beach, 3 kilometres north of Merimbula. Sapphire Coast Drive is the major 'coastal' north-south thoroughfare connecting Merimbula/Tura Beach the towns of Bega, Kalaru and Tathra to the north. Importantly, the site has an extensive frontage to both Sapphire Coast Drive and Tura Beach Drive that provides clear sight lines to passing traffic.

2 **Trade Area:** A main trade area (MTA) has been defined that incorporates the Sapphire Coast region extending from the Victorian border to north of Bega/Tathra and extending west to the Bombala/Delegate region of the Monaro Plateau and Snowy Mountains. The population of the MTA is currently 30,950 persons and is forecast to increase to 33,120 persons by 2026.

3 **Market Demand:** The analysis highlights that the proposed Bunnings Merimbula is supported by market demand, and that trading impacts will be short-term and within the normal bounds of competitive trading. The role and competitiveness of Bega as the Sapphire Coast's primary regional centre will not be undermined by the new Bunnings.

4 **Economic Benefits:** The development of Bunnings Merimbula will require a capital investment of approximately $9.5 million. A new Bunnings Merimbula store of 6,920m^2 (including trade and nursery areas) would employ over 70 people in full-time, part-time and casual positions. This new source of employment is important for young people and others to establish careers in the retail and building services sector. Bunnings is also an important employer of older people seeking to re-enter the workforce and those no longer working full-time but wishing to work on a casual basis.

5 **Consumer Choice:** At present, residents of the entire MTA – including Delegate and Bombala in the west – must travel a significant distance to access a comparable hardware and home improvement offer to that supported by proposed Bunnings Merimbula. No Bunnings stores are located in the MTA. The nearest Bunnings stores are located at Batemans Bay, Canberra and Bairnsdale.

6 **Trade Customer Choice:** Similarly, trade and business customers in the wider region will have improved access to timber, trade, garden and building supplies which will be sold at the proposed new Bunnings store.