WOOLWORTHS LIMITED

A B N 88 000 014 675

Stuart Gordon
SJB Planning
Care of Andrew Pigott
Pittwater Council
PO Box 882
Mona Vale
NSW 1660

10 February 2010

Dear Stuart,

Re Newport Commercial Centre Economic Assessment

Please find attached a copy a copy of the Newport Commercial Centre Economic Assessment prepared by Hill PDA

The report addresses the economic questions raised by SJB Planning in relation to the rezoning of land at 343 – 345 Barrenjoey Road, Newport

Yours sincerely

Richard Armitage
Development Manager

RECEIVED
11 FEB 2010
PITTWATER COUNCIL

Newport Commercial Centre Economic Assessment

PREPARED FOR

Woolworths

January, 2010

Hill

QUALITY ASSURANCE

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QUALITY CONTROL

This document is for discussion purposes only unless signed and dated by a Principal of Hill PDA

REVIEWED BY

Dated 03/02/2010

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REPORT DETAILS

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1. EXECUTIVE SUMMARY

Hill PDA was engaged by Woolworths Limited to undertake an Economic Assessment for a proposed rezoning at 343 – 345 Barrenjoey Road, Newport (hereafter referred to as the Subject Site) The rezoning proposal seeks to establish a 3,200sqm Woolworths Supermarket and 600sqm of supporting specialty retail The rezoning proposes incorporating two Council car park sites which will need to be rezoned from 5(a) Special uses to 3(a) General Business

Current Demand (Under Supply) for Retail Floor Space

As part of the study Hill PDA undertook a floor space survey of Newport Commercial Centre and the surrounding locality The survey was undertaken to provide up to date data in order to enable a more accurate supply and demand analysis

The survey undertaken in 2010 showed that there is 4,306sqm of supermarket floor space which equates to an under supply of 3,473sqm in the trade area The proposed rezoning would assist in alleviating the current deficiency

Table 1 - Demand versus Supply in the Total Trade Area (sqm)

	2007	2011	2021	2031
Supermarkets & Grocery Stores Expenditure ($m)	95 8	102 8	122 0	144 9
Supermarket Capture of Expenditure ($m)	73 8	79 1	94 0	111 6
Demand for Supermarket Floor Space (sqm)*	7 377	7 913	9 396	11,157
Supply of Supermarket Floor Space (sqm)	4,306	4,306	4,306	4 306
Undersupply of Supermarket Floor Space (sqm)	**3,071**	**3,607**	**5,090**	**6,851**

*Based on Industry average turnover of $10 000/sqm (Source ABS Retail Survey 1998 99 Adjusted to 2009 [illegible] Hill PDA)

Furthermore a broader study was undertaken for the SHOROC Region that found a under supply of supermarket floor space (assuming retail equilibrium in 2006) of 10 – 33 additional supermarkets by 2031 This was based on supermarkets ranging from 1,200sqm to 4,000sqm In Pittwater LGA the demand translated into 4 – 17 additional supermarkets

Future Demand for Retail Floor Space

Detailed retail expenditure analysis was also undertaken for the study. The analysis found that between 2007 and 2031 there would be an estimated additional $187 8m (a 51% increase) of retail expenditure generated by households located within the combined Primary Trade Area (PTA) and Secondary Trade Area (STA) From 2007 - 2011 alone we estimate an increase of $26 7m (7%) in household expenditure generated

Taking into consideration the growth in retail expenditure (owing to household growth and the growing affluence of the population) we estimate that households within the combined PTA and STA would generate sufficient demand for 7,913sqm of supermarket floor space by 2011 Owing to the nature of retailing, much of this expenditure is likely to escape the trade area and be captured by the larger centres in the Subregion including Centro Warriewood and Warringah Mall However a reasonable proportion of regular food and grocery shopping is likely to be captured and therefore be retained within Newport Commercial Centre as a result of the proposed rezoning and subsequent supermarket development

There will be competitive impacts on the neighbouring Coles supermarket should a second supermarket be development within the Newport Commercial Centre In Fabcot Pty Ltd v Hawkesbury City Council (97) LGERA the NSW Land and Environment Court stated however that the impact on specific retailers is a matter for fair trading and that the focus of any proposed development needs to be on the net benefits to the community

The growth in demand for retail floor space forecast by this study concurs with the findings of prior regional studies undertaken by Hill PDA within Pittwater LGA and the North East Subregion The conclusions of the prior studies concur with the results of this more recent analysis in that there is sufficient demand within the Newport Commercial Centre's trade areas, now and in the future, for the proposed supermarket and the complementary specialty retail stores

Other Economic Considerations

The proposed rezoning will have various economic merits including an improvement to the level of convenience for residents within Newport The rezoning will reduce travel distances and associated costs with private motor vehicle usage It will also encourage investment in the Newport Commercial Centre

The proposed rezoning will also have the benefit of creating 307 job years[1] during construction and $71 1m in wider economic activity through the multiplier effect Post construction and upon operation, the retail portion of development has the potential to generate 170 full and part time jobs for residents within the Subregion

There are currently 56 council owned, public car spaces located at 17-19 and 25-27 Foamcrest Avenue, Newport The rezoning proposal incorporating these sites would increase the number of car spaces to 281 This would create advantages for the ongoing viability of Newport Commercial Centre as existing and prospective destination type retailers will benefit from this added shopper convenience and accessibility

Conclusions

This Economic Analysis of the proposed rezoning has found that there is sufficient demand within the Newport Commercial Centre trade area at the present time to accommodate 3,800sqm of retail floor space including a 3,200sqm supermarket and 600sqm of specialty retail

As the subject site is located within the Newport Commercial Centre, the attraction of a full line supermarket and the additional parking could provide economic benefits to the surrounding specialty retailers We also consider that a centre on the Subject Site as planned could promote sustainable travel given its close proximity and ease of access to a range of family households and businesses The central location of the Subject Site within the suburb of Newport and Pittwater LGA would also allow for residents to have greater access to parking and conduct their chore shopping

There are a number of likely positive economic impacts of the proposed rezoning including

- Improved retail offer.
- Reduced escape expenditure.
- Reduction in travel costs.

[1] Note 1 job year equates to one job for one year only

- Reinforces the Newport Commercial Centre.
- Creates a 'barbell effect' between the proposal and the Coles Supermarket. This type of design provides a strong anchoring benefit to the surrounding specialty retailers.
- The increase in employment opportunities.
- Creates competition which place downward pressure on price, and
- Added car spaces increase the convenience of Newport

In light of this report's assessments and conclusions, the proposed 3,800sqm retail centre Barrenjoey Road is supported on economic terms

2. INTRODUCTION

2.1 Study Background

Hill PDA was commissioned by Woolworths Limited, to undertake an Economic Assessment (EA) for the proposed rezoning of a site located within the Newport Commercial Centre The Subject Site is located at 343 – 345 Barrenjoey Road, Newport Hill PDA has assessed the economic impact of the proposal which would incorporate a Woolworths Supermarket and additional specialty retail floor space The EA will be submitted to Pittwater Council (hereafter referred to as 'Council') as additional information in support of Planning Proposal R001/09

The original brief required Hill PDA to also assess the economic impacts upon the Newport Commercial Centre if it were rezoned to include a mix of retail and commercial floor space This part of the brief has been subsequently superseded and the analysis has therefore focused on a retail only development

In conducting the EA, Hill PDA estimated the trade area for the proposed retail floor space considering the existing and future demographic profile and the forecast population growth Hill PDA also undertook a Retail Land Use survey of the trade area to provide an up to date and a more accurate basis for analysis

2.2 Subject Site and the Proposal

The subject site is located at 343 – 345 Barrenjoey Road, Newport There are two adjoining public car parking sites that are owned by Council which are located at 17-19 and 25-27 Foamcrest Avenue, Newport The proposal incorporates two Council car park sites which will need to be rezoned from 5(a) Special uses to 3(a) General Business

The rezoning proposal seeks to establish a 3,200sqm Woolworths Supermarket and 600sqm of supporting specialty retail on the subject site There are currently 56 car parking spaces provided by Council The rezoning proposal will result in a net increase of 225 car spaces

2.3 Study Methodology

In determining a methodology for the assessment of the proposal it is important to consider any consequential impacts that would occur in the demand and supply for commercial and retail floor space and the impacts that this would have on the centre

In undertaking this study, our methodology was based on the above principles and the following scope of works

- The determination of existing supermarket floor space and other major retailers within the trade areas.
- The identification of the primary and secondary trade areas based on distances, accessibility and the location and level of retail offering in other centres.

- A review of data derived from the ABS Census, DoP, Council and other sources, to develop a profile of key demographic characteristics in the Newport primary and secondary trade areas (population, household characteristics and lifestyle trends).
- An update of population and household growth in the trade areas.
- The determination of forecasts for household expenditure by trade area by retail store type and the quantification of levels of under or over supply based on national benchmark turnover levels.
- The identification of any comparative advantage that may arise from the additional car parking availability.
- The determination of the economic impact to the Newport Commercial Centre

2.4 Prior Supply and Demand Studies for the Subregion

Hill PDA was commissioned in 2006 to undertake an independent assessment of centres in the North East Subregion of Sydney and their ability to meet the challenging and future needs of those councils within the SHOROC (Shore Regional Organisation of Councils) The study was part funded by the four Council's and the DoP in order to test the assumptions applied by the draft North East Subregional Strategy

Hill PDA was in turn privately commissioned in 2009 to undertake an independent assessment of centres in the North East Subregion of Sydney, expanding on the findings of the SHOROC report This report found a under supply of retail floor space in Pittwater LGA of 24,462sqm which includes 4,925sqm of supermarket floor space The under supply of supermarket floor space in 2031 was forecast to be 12,796sqm

2.5 Limitations

This report is for the confidential use only of the party to whom it is addressed (the client) for the specific purposes to which it refers We disclaim any responsibility to any third party acting upon or using the whole or part of its contents or reference thereto that may be published in any document, statement or circular or in any communication with third parties without prior written approval of the form and content in which it will appear

This report and its attached appendices are based on estimates, assumptions and information sourced and referenced by Hill PDA We present these estimates and assumptions as a basis for the reader's interpretation and analysis With respect to forecasts we do not present them as results that will actually be achieved We rely upon the interpretation of the reader to judge for themselves the likelihood of whether these projections can be achieved or not

As is customary, in a report of this nature, while all possible care has been taken by the authors to prepare the expenditure and financial models from the best information available at the time of writing, no responsibility can be undertaken for errors or inaccuracies that may have occurred both with the programming or the financial projections and their assumptions

3. NEWPORT COMMERCIAL CENTRE TRADE AREA

3.1 Trade Area Definition

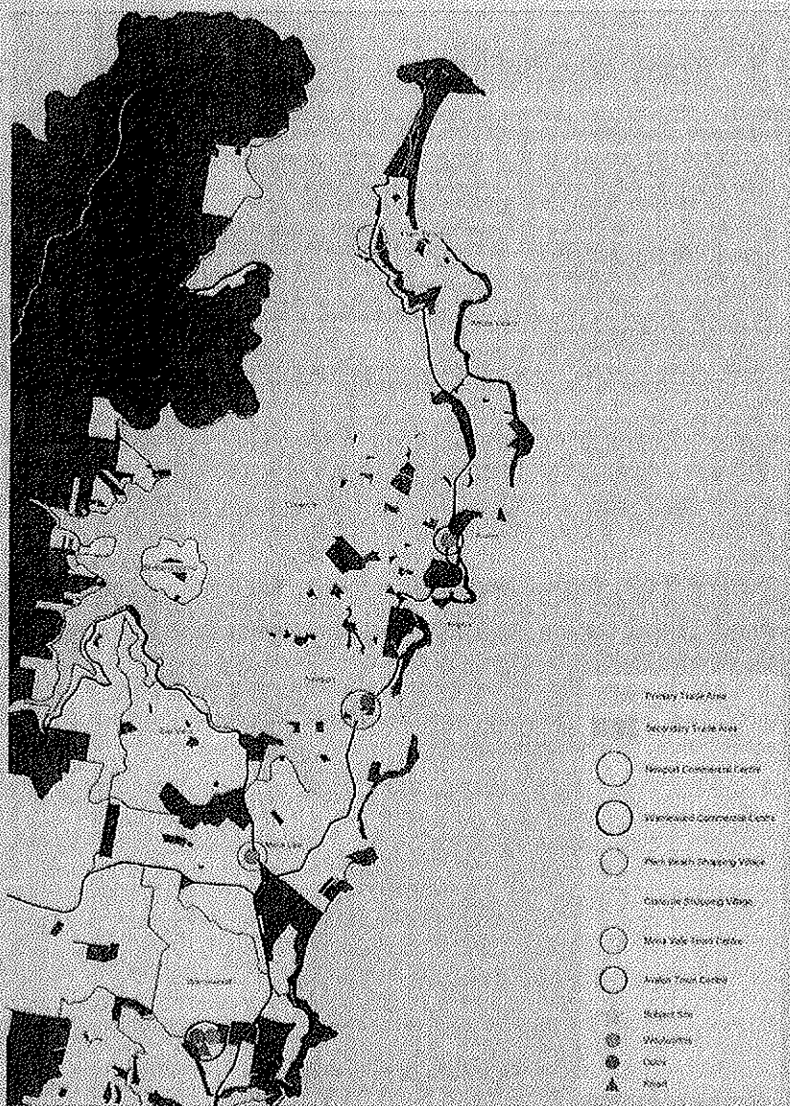
The definition of the trade area served by any retail development is determined by a number of factors including

- The strength and attraction of the development in question, determined by factors such as the composition, layout, ambience/atmosphere and car parking in the development and surrounding area.
- Competitive retail centres, particularly their proximity to the subject development and respective sizes, retail offer and attraction.
- The location and accessibility of the development, including the available road and public transport network and travel times, and
- The presence or absence of physical barriers, such as rivers, railways, national parks and freeways

Unlike leisure shopping, shoppers generally undertake the majority of their supermarket and chore shopping (such as newsagency, chemist, butcher, bakery, and liquor) close to home or at the closest supermarket based centre to where they live. Shoppers have a strong reluctance to travel long distances when undertaking chore shopping. Therefore the majority of food and grocery shopping within any defined trade area should be captured by its local centre

The residents in Newport and Bilgola are most likely to frequent the proposed supermarket and therefore they comprise the primary trade area. Residents that live south of Newport will be attracted to the retail offer at Mona Vale, Centro Warriewood and Brookvale and therefore are not considered part of the trade area. The residents at Avalon and Palm Beach will journey past the proposed supermarket on their way home if they travel south past Newport. These residents will however conduct some of their chore shopping at Avalon Town Centre and will therefore comprise the secondary trade area

Figure 1 - Newport Commercial Centre Trade Area



Source: Map Info, Hill PDA

4. DEMOGRAPHIC CHARACTERISTICS

Demand for retail floor space is dependant not only on the demographics of the trade area but also forecast growth of population and households within the trade area Forecast household growth was sourced from the NSW Ministry of Transport. Transport Data Centre (TDC). and the population forecasts by Pittwater Council and Hill PDA The anticipated population of the trade area up until 2031 is provided below

Table 2 - Population Estimates and Household Growth for the Total Trade Area (2006 – 2031)

	2006	2011	2016	2021	2026	2031
Primary Trade Area	12 239	13.035	13.317	13.599	13 894	14.188
Secondary Trade Area	12 291	13 172	13 460	13 747	14.048	14.348
Total Trade Area	24.530	26.207	26 777	27.346	27.941	28,536

Source Transport Data Centre December 2008 Pittwater Council Hill PDA

The annual growth rate for the total trade area from 2011 – 2031 is forecast at a modest 0 42%

4 2 Trade Area Demographics

The demographic characteristics of a trade area impacts upon the demand for retail goods and services In particular the characteristics of household income. household type and family type need to be considered As a result. the demographics of both the primary and secondary trade area are examined from ABS 2006 Census data

From the table below. the following can be determined

- A total of 12,239 persons and 5.205 dwellings were located in the primary trade area (PTA) and an additional 12.291 persons and 5.559 dwellings were in the secondary trade area (STA) in 2006
- The median ages of the primary trade area (40 years) were higher than Sydney Statistical District's (SD) (35 years) in 2006
- The average household size in the trade area of 2 7 was the same as Sydney SD in 2006

Table 3 - 2006 Population and Household Characteristics

	Primary Trade Area	Secondary Trade Area	Pittwater LGA	Sydney SD
Population and Dwellings				
Total Population	12 239	12 291	54 157	4 119 190
Total Dwellings	5 205	5 559	22 605	1,643 675
Occupied Private Dwellings	4 616	4 496	19 757	1 521 435
Occupied Private Dwellings (%)	88.7%	80.9%	87.4%	92.6%
Average Household Size	2.7	2.6	2.7	2.7
Age Distribution				
0-14	19.6%	20.2%	19.9%	19.5%
15-29	16.1%	14.4%	15.6%	21.2%
30-44	21.8%	18.3%	20.9%	23.2%
45-59	23.5%	25.0%	22.7%	19.3%
60-74	13.3%	14.8%	13.4%	10.6%
75+	5.7%	7.4%	7.5%	6.1%
Total	100.0%	100.0%	100.0%	100.0%
Median Age	40	43	41	35
Home Ownership				
Owned or Being Purchased	76.7%	77.9%	77.6%	65.0%
Rented	21.0%	19.1%	18.6%	31.3%
Other/Not Stated	2.3%	3.0%	3.7%	3.7%
Total	100.0%	100.0%	100.0%	100.0%
Household Structure				
Family Households	76.6%	79.7%	77.3%	72.7%
Lone Person Households	20.7%	18.3%	20.2%	23.1%
Group Households	2.6%	2.0%	2.5%	4.2%
Total	100.0%	100.0%	100.0%	100.0%
Family Type				
Couple family w children	49.5%	48.5%	50.4%	49.3%
Couple family w/o children	37.9%	37.5%	36.6%	33.2%
One parent family	11.9%	12.8%	12.1%	15.6%
Other family	0.7%	1.1%	0.9%	1.9%
Total	100.0%	100.0%	100.0%	100.0%
Dwelling Type				
Separate house	75.8%	85.7%	78.6%	63.6%
Townhouse	3.1%	3.3%	8.0%	11.8%
Flat-Unit-Apartment	20.5%	10.8%	12.3%	23.9%
Other dwelling	0.7%	0.1%	1.0%	0.6%
Not stated	0.0%	0.0%	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%

Source ABS Census Data 2006

From an examination of dwelling and household characteristics the following can be determined

- Home ownership levels in the primary and secondary trade area (76.7% and 77.9% of homes owned or being purchased respectively) were significantly higher than the Sydney SD (65.0%) level and rental homes are significantly lower
- The proportion of family households and a number of lone person households in the primary trade area and secondary trade area were slightly higher than the rest of Sydney SD
- The household structure of the trade areas were characterised predominately by couples with children

- There were a significantly higher proportion of separate house dwellings in the primary trade area (75 8%) and secondary trade area (85 7%) compared to the Sydney SD (63 6%) as of 2006

Employment and Income

Working residents in the primary and secondary trade areas predominately work as managers and professionals Similarly, a larger portion of the Sydney labour force work as labourers and related workers, machinery operators, clerical and administrative workers

The median weekly household income of the PTA ($1.557 per week) and the secondary trade area ($1.512 per week) are considerably higher than Sydney ($1.036 per week) Unlike Sydney SD, the majority of households in the primary and secondary trade areas earn weekly incomes of $1,400+ per week, with a considerably higher proportion earning over $2,500+ compared to Sydney

Table 4 2006 Labour and Household Income Characteristics

	Primary Trade Area	Secondary Trade Area	Pittwater LGA	Sydney SD
Labour Force				
Managers	17 7%	18 3%	17 5%	12 5%
Professionals	26 4%	28 9%	25 1%	22 5%
Community & Personal Services Workers	8 0%	7 2%	7 8%	7 6%
Clerical and Administrative Workers	14 9%	12 4%	14 3%	15 8%
Sales Workers	9 8%	9 4%	9 8%	9 0%
Technicians & Trade Workers	12 8%	12 0%	13 2%	12 0%
Machinery Operators & Drivers	1 6%	1 8%	2 5%	5 7%
Labourers & Related Workers	4 6%	4 7%	5 3%	7 6%
Inadequately described or N S	1 4%	2 3%	1 7%	2 0%
Unemployed	2 9%	3 0%	2 7%	5 3%
Total	100 0%	100 0%	100 0%	100 0%
Weekly Household Income				
$0-$349	6 7%	8 2%	8 6%	12 8%
$400-$799	12 8%	12 5%	13 4%	17 9%
$800-$1 399	18 1%	19 3%	19 1%	20 8%
$1 400-$2 499	21 6%	20 8%	21 8%	21 2%
$2 500+	25 5%	24 9%	23 5%	16 0%
Partial income stated	10 6%	11 6%	10 7%	8 6%
All incomes not stated	2 6%	2 7%	2 8%	2 7%
Total	100 0%	100 0%	100 0%	100 0%
Median Weekly Household Income	$ 1.557	$ 1.512	$ 1,486	$ 1 154

Source ABS Census Data 2006

Summary

The trade area surrounding the Newport Commercial Centre consists of a higher percentage of family households that live in single dwellings The residents can be considered affluent based on the Sydney SD average The area had an older work force that specialised in white collar occupations such as managers and professionals

5. RETAIL CENTRES

Hill PDA carried out a retail survey of the area surrounding the Newport Commercial Centre in January 2010 The defined trade area provides in the order of 22.600sqm of retail floor space of which 4.300sqm relates to supermarket floor space. 2.000sqm relates to specialty food floor space and over 7.000sqm to restaurant. cafe and takeaway retail

Table 5 - Retail Floor Space in the Trade Area (sqm)

	Newport	Avalon	North Avalon	Clareville	Palm Beach	Total
Supermarkets & Grocery Stores	1.932	2 374	0	0	0	4 306
Specialty Food	794	942	76	0	193	2 005
Restaurants & Take-Away	3 167	2 828	125	212	883	7.235
Clothing	493	1.630	139	0	424	2 686
Specialty Non Food	1 119	1 419	147	0	0	2.685
Bulky Goods & Homewares	545	538	0	0	108	1.191
Personal Services	1.464	951	0	55	23	2.493
Total Retail Space	9.534	10 882	487	267	1 631	22 801
Commercial	492	1 872	0	0	76	2 440
Entertainment/Recreation	69	306	0	0	0	375
Petrol Stations	352	0	0	0	0	352
Vacant Floorspace	599	311	0	55	0	965
Total Retail/Commercial	10,447	12 860	487	267	1.707	25.768

Source Hill PDA Retail Survey January 2010

The table below identifies the number of retail stores in the total trade area of this proposal

Table 6 - Number of Retail Stores in the Total Trade Area

	Newport	Avalon	North Avalon	Clareville	Palm Beach	Total
Supermarkets & Grocery Stores	1	1	0	0	0	2
Specialty Food	11	11	1	0	2	25
Restaurants & Take Away	34	29	2	4	4	73
Clothing	11	26	1	0	5	43
Specialty Non Food	13	17	2	0	0	32
Bulky Goods & Homewares	6	7	0	0	2	15
Personal Services	26	20	0	1	2	49
Total Retail Space	102	111	6	5	15	239
Commercial	9	15	0	0	2	26
Entertainment/Recreation	1	1	0	0	0	2
Petrol Stations	2	0	0	0	0	2
Vacant Floorspace	11	4	0	1	0	16
Total Retail/Commercial	**125**	**132**	**6**	**6**	**17**	**285**

Source Hill PDA Retail Survey January 2010

Brookvale

Brookvale is the retail and commercial centre of Warringah LGA The centre provides a broad range of uses including Warringah Mall. industrial lands. commercial office. a sporting oval. a golf course and tertiary education centres

A recent land use survey conducted by Warringah Council of the Brookvale Major Centre found that it provided in the order of 74,000sqm of bulky goods retail, 110,000sqm of business and office space, 67,000sqm of retail, 115,000sqm of warehouse and distribution space and 116,000sqm of vehicle related uses (i e showrooms and repairs) Accordingly the significance of this centre to the Regions employment and retail provision is apparent

Warringah Mall is a super regional shopping centre (i e anchored by at least one department store and including of 85,000sqm of retail floor space) located within the Brookvale Major Centre Warringah Mall is bounded by Pittwater Road to the east, Old Pittwater Road to the south and Cross Street to the north It presently provides approximately 127,838sqm of floor space of which approximately 103,400sqm relates to enclosed retail floor space

Mona Vale

Mona Vale is classified as one of only two town centres within Sydney's North East Subregion[2] Mona Vale Town Centre provides approximately 28,700sqm of retail space Mona Vale Town Centre comprises of traditional strip shopping as well as two enclosed shopping malls and a stand alone Woolworths on the corner of Park and Keenan Streets

A commercial area exists at the junction of Pittwater Road, Barrenjoey Road and Mona Vale Road The total commercial space located within Mona Vale Town Centre is estimated to be 7,368sqm A range of other land uses surround the town centre including community (schools, churches), residential and industrial

Warriewood

Centro Warriewood (Warriewood Square) is categorised as a Stand Alone Shopping Centre within the North East Subregion of Sydney's Retail Centre Hierarchy[3] Warriewood Shopping Centre is a single level centre with a high proportion of national retailers, including the only Kmart in the Northern Beaches Anchor tenants include

- Kmart 8,076sqm
- Coles Supermarket 3,760sqm
- Woolworths Supermarket 2,156sqm

Major tenants consume 13,991sqm of the centres 22,091sqm of floor area In addition there are 86 speciality stores (8,139sqm) The total retail area of the centre is 22,130sqm situated on a site area of 6 24ha

Newport Commercial Centre

The majority of the retailers in Newport are located on Barrenjoey Road The main anchor tenant is a Coles Supermarket There are a number of restaurants and take away speciality shops that cater to the local residents and to people that use the nearby beach

[2] NSW Department of Planning
[3] NSW Department of Planning

Avalon Town Centre

This town centre has the largest number of retailers in the trade area There are numerous cafe. restaurants and personal beauty and natural therapy providers The centre is anchored by a Woolworths which is opposite to the local library

Clareville Village

Clareville has a small number of retailers with shared car parking It consists of take away shops and a restaurant

Palm Beach

Cafe and restaurants take advantage of the beach views There is also a small retail strip that provides gift shops. real estate agents and natural therapy services

6. DEMAND FOR RETAIL SPACE IN NEWPORT

6.1 Retail Expenditure in the Trade Areas

Retail expenditure was sourced from

- ABS Household Expenditure Survey (HES) 2003-04 which provides household expenditure by broad commodity type by household income quintile, and
- Marketinfo 2007 database which is generated by combining and updating data from the Population Census and the ABS Household Expenditure using "microsimulation modelling techniques"

Marketinfo combines the data from the Census, ABS HES and other sources to derive total household expenditure by commodity type This data, which was validated using taxation and national accounts figures, quantifies around 14% more expenditure than the ABS HES Survey

The ABS Retail Survey 1998-99 (Cat No 8624 0) provides a cross tabulation of store type (defined by ANZIC), by commodity type Multiplying the percentages in the cross tabulation by total dollars spent generates household expenditure by retail store type Turnover by retail store type generated by household expenditure in 2007 is provided in the table below

The retail expenditure is a combination of population growth (0 42%) and the real growth in expenditure per capita (1 3%) Retail expenditure in the PTA, STA and TTA is expected to grow from 2011 in real terms on average around 1 7%

Table 7 - Retail Expenditure in the Primary Trade Area ($m)

YEAR	2007	2011	2021	2031
Supermarkets & Grocery Stores	48 6	52 0	61 7	73 2
Specialty Food Stores	18 2	19 4	23 0	27 4
Fast-Food Stores	15 8	16 8	20 0	23 7
Restaurants, Hotels and Clubs*	16 3	17 4	20 7	24 5
Department Stores	17 6	18 8	22 3	26 5
Bulky Goods Stores	25 7	27 5	32 7	38 8
Other Personal & Household Goods Retailing	39 0	41 7	49 4	58 7
Selected Personal Services**	6 3	6 7	8 0	9 5
Total Retailing	**187 4**	**200 3**	**237 8**	**282 3**

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

Table 8 - Retail Expenditure in the Secondary Trade Area ($m)

YEAR	2007	2011	2021	2031
Supermarkets & Grocery Stores	47 2	50 8	60 3	71 7
Specialty Food Stores	17 4	18 7	22 3	26 4
Fast-Food Stores	14 7	15 8	18 8	22 3
Restaurants, Hotels and Clubs*	15 2	16 3	19 4	23 1
Department Stores	16 9	18 2	21 6	25 6
Bulky Goods Stores	24 4	26 3	31 2	37 0
Other Personal & Household Goods Retailing	37 4	40 2	47 5	56 8
Selected Personal Services**	6 0	6 4	7 6	9 1
Total Retailing	**179 1**	**192 8**	**229 0**	**272 0**

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)
** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

Table 9 - Retail Expenditure in the Total Trade Area ($m)

YEAR	2007	2011	2021	2031
Supermarkets & Grocery Stores	95 8	102 8	122 0	144 9
Specialty Food Stores	35 6	38 2	45 3	53 8
Fast-Food Stores	30 5	32 7	38 8	46 1
Restaurants, Hotels and Clubs*	31 5	33 8	40 1	47 6
Department Stores	34 5	37 0	43 9	52 1
Bulky Goods Stores	50 1	53 8	63 8	75 8
Other Personal & Household Goods Retailing	76 3	81 9	97 2	115 5
Selected Personal Services**	12 3	13 2	15 6	18 5
Total Retailing	**366 5**	**393 2**	**466 9**	**554 3**

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)
** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

6.2 Demand versus Supply

The trade area currently suffers from an under supply of supermarket floor space This is based on the level of supermarket expenditure in the trade area and the capture rate of the local area

Table 10 - Demand versus Supply in the Total Trade Area (sqm)

	Capture Rate	2007	2011	2021	2031
Supermarkets & Grocery Stores Expenditure ($m)		95 8	102 8	122 0	144 9
Supermarket Capture of Expenditure ($m)	77%	73 8	79 1	94 0	111 6
Demand for Supermarket Floor Space (sqm)*		7,377	7 913	9 396	11 157
Supply of Supermarket Floor Space (sqm)		4,306	4 306	4 306	4 306
Undersupply of Supermarket Floor Space (sqm)		**3.071**	**3.607**	**5,090**	**6.851**

Based on industry average turnover of $10 000/sqm (Source ABS Retail Survey 1998 99 Adjusted to 2009 Urbis Hill PDA)

The total trade area does not contain enough supermarket floor space to meet the demand of the local residents This leads to escape expenditure to retail destinations such as Warringah Mall The under supply in supermarket floor space is expected to increase at annual pace of 3 3% from 2011 to 2031

7. ECONOMIC IMPLICATIONS TO NEWPORT CENTRE

7 1 Implications for Supermarkets

Demand for supermarket floor space in the primary and secondary area was estimated by applying capture rates to the levels of retail expenditure and dividing the sum by industry benchmark turnover rates

In 2011, supermarket and grocery expenditure in the total trade area is expected to be $102 8m Using a capture rate of 77% and industry average benchmark of $10.000/sqm suggests that the trade area demands 7.913sqm of supermarket floor space Current supply (a Coles at Newport and a Woolworths at Avalon) meets only 54% of that demand A large percentage of supermarket expenditure generated by the trade area is captured outside of Pittwater

A supermarket of 3.200sqm provides a large full-line grocery offer in Newport It is a size large enough to arrest considerable escape expenditure out of the trade area The supermarket will however reduce the number of residents that need to commute to Mona Vale, Warnewood or Warringah to fulfil their basic chore shopping needs The estimated turnover for a 3.200sqm supermarket is $32 0m This is equivalent to 31% of supermarket expenditure generated by the residents in the primary trade area in 2011

Presently the level of supermarket floor space is undersupplied in the trade area The result is a higher level of escape expenditure and local residents being disadvantaged by a lack of quality supermarket offer for their chore shopping needs

7 2 Implications for Specialty Retail

The specialty stores will complement the Woolworths Supermarket and with the additional car parking spaces, the existing retailers are likely to increase their market share as they capture retail expenditure that was being conducted outside the trade area

7 3 Relevant Statutory Considerations

The proposed development allows for a second major supermarket on Barrenjoey Road within the Newport Commercial Centre It is likely that the increased competition in the Newport Town Centre will reduce escape expenditure from the trade area and will also cause some competitive impacts on some surrounding retailers When considering the economic competition on neighbouring supermarkets there are statutory considerations that need to be considered

In Fabcot Pty Ltd v Hawkesbury City Council (97) LGERA, Justice Lloyd noted "*economic competition between individual trade competitors is not an environmental or planning consideration to which the economic effect* *described in s 90(1)(d) is directed The Trade Practices Act 1974 (Cth) and the Fair Trading Act 1987 (NSW) are the appropriate vehicles for regulating competition Neither the Council nor this Court is concerned with the mere threat of economic competition between competing business It seems to me that the only relevance of the economic impact of a development is its effect in the locality"*

The LEC has stated that Councils should not be concerned about competition between individual stores as this is a matter of fair trading But it should concern itself with impact on established retail centres The impact on competing stores and businesses is only relevant if the viability of those businesses are threatened and the viability of a retail centre as a whole is threatened due to a demonstrated nexus between the competitive stores and the other retailers within the retail centre

The principles were reiterated by Justice Pearlman in Carrier Holdings Pty Ltd v Newcastle City Council and Anor [2001] NSWLEC 170 *"It follows that Section 79C(1)(b) does not require the consent authority to take an approach in consideration of the relevant matter different from the approach formerly taken in the application of 90(1)(d)"*

The rezoning proposal will have competitive impacts on the neighbouring Coles at Newport and to a lesser extent, the Woolworths at Avalon The above statements from the LEC have stated that the impact on individual retailers such as the Coles Supermarket is a matter of fair trading This proposal brings a net benefit to the community which is the key consideration

7 4 Positive Externalities

Specialty stores develop a nexus relationship with anchors (supermarkets and department stores) Because Newport will gain a second major anchor tenant (the Woolworths Supermarket) we would expect some reversal of escape expenditure to Newport in specialty store turnover

The proposed development will form part of the Newport Commercial Centre and will therefore not alter the existing or proposed retail hierarchy but rather re-enforce it The location of the proposed Woolworths Supermarkets near where the retail strip begins and the Coles Supermarket at the end of the retail strip will create a "barbell" shaped centre The barbell layout, with retail anchors at either end of a "mainstreet" is commonly recognised as an effective layout to create a viable and healthy town centre This is because the anchors facilitate the movement of trade between and around them with flow on benefits for the specialties on the mainstreet

In applying this principle to Newport Town Centre, the conclusion is that the overall impact will be net positive The proposed development is part of the retail centre of Newport and not "out of centre" It will give Newport a further anchor tenant that not only capture considerably more expenditure and result in a higher level of trade within the town centre but also revitalise existing complementary retail located on Barrenjoey Road

7 5 Car Parking

There are currently 56 public car spaces on 17-19 and 25-27 Foamcrest Avenue, Newport that are owned by Council Under the proposal the number of car spaces required is 160, the number of car spaces that will be constructed under this proposal is 281 This will provide an excess of 121 car spaces which will create advantages for the ongoing viability for the Newport Town Centre

Newport has a number of take away shops and restaurants Of the 9.500sqm of retail floor space. 33% is occupied by take away shops and restaurants Restaurants are destinations and the availability of easy parking will increase their attractiveness to local residents

Shoppers are becoming increasingly time poor and the need to provide visual exposure. convenience. accessibility and plentiful parking is becoming increasingly important Shoppers more and more can be put off by inconvenience – and if that happens. will take their business elsewhere The high level of convenience creates a comparative advantage for Newport Convenient parking will reduce escape expenditure leaving the trade area and support the local businesses and local jobs along Barrenjoey Road

8. ECONOMIC MERITS

8 1 Construction Multiplier Effects

The construction industry is a significant component of the economy accounting for 6 6% of Gross Domestic Product (GDP) and employing almost 14 6% of the workforce at March 2003 The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction Multipliers refer to the level of additional economic activity generated by a source industry

There are two types of multipliers

- **production induced** which is made up of
  - first round effect which is all outputs and employment required to produce the inputs for construction, and
  - an industrial support effect which is the induced extra output and employment from all industries to support the production of the first round effect, and
- **consumption induced** which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment

The source of the multipliers adopted in this report is ABS and Australian National Accounts Input-Output Tables 1996-97 (ABS Catalogue 5209 0) These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of $0 466, $0 438 and $0 962 respectively to every dollar of construction

Table 11 - Economic Multipliers

Economic Multipliers	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0 466	0 438	0 962	2 866
Output ($million)	$25	$12	$11	$24	$72

* Source ABS Australian National Accounts Input Output Tables 1996 1997 (ABS Pub 5209 0)

The total cost of construction for the convenience supermarket and complementary speciality stores is estimated to be $25 0m The development is estimated to generate a further $22 6m activity in production induced effects and $24 1m in consumption induced effects Total economic activity generated by the construction of the proposed development is therefore approximately $72m

8 2 Construction Employment

The proposed development will generate employment in two ways – through construction and through retail and commercial operations

It is estimated that one full time construction position for 12 months is created for every $178,900 of construction work undertaken Based on the proposed developments estimated construction cost of $25 0m, approximately 140 job years will be directly generated

Table 12 - Employment Generation

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0 33	0 45	2 33	4 11
Employment No per $million *	5 59	1 84	2 52	13 02	22 97
Total job years created	140	46	63	58	307

* Source ABS Australian National Accounts Input Output Tables 1996 1997 Adjusted to 2009 dollars (ABS Pub 5209 0)

The 1996-97 ANA Input-Output Tables identified employment multipliers for first round, industrial support and consumption induced effects of 0 33, 0 45 and 2 33 respectively for every job year in direct construction Including the multiplier impacts the proposed development will therefore have potential to generate 307 job years

Note that the multiplier effects are national, and not necessarily local The ABS notes that "*Care is needed in interpreting multiplier effects, their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy Clearly, through its multipliers, construction activity has a high impact on the economy*"

8.3 Employment in Retail Operations

The operation of the retail floor space within the development will also create employment opportunities At 1 full time or part time job per 21 3sqm of supermarket and grocery floor space the 3,200sqm convenience supermarket therefore has the potential to provide 150 full and part time jobs in retail operations[4]

The specialty stores create 1 full time or part time job per 30sqm of retail floor space The proposal includes 600sqm of specialty floor space, this could create an additional 20 employment opportunities

8 4 Employment in Newport

According to the ABS 2006 Census, Newport had 2,659 full and part time workers The new convenience centre could create up to 170 new employment opportunities which represent a 6 3% increase in the total number of full and part time workers

Based on the ABS Retail Industry 1998-99 (ABS Pub 8622 0) 10 4% of supermarket turnover and 16 0% of specialised food retailing is allocated to wages and salaries and the respective superannuation contribution This will equate to almost $3 3m of wages for supermarket workers and $0 7m to the surrounding specialty stores

[4] ABS Retail Industry 1998 99 (ABS Pub 8622 0)

annually In total the proposed development has the potential to create S4 0m per annum in wages and salaries in Newport

8.5 Shopping Convenience

A supermarket will offer a broad range of products at competitive prices The proposal will provide a level of service commensurate with the needs of the local population and is an appropriate response to the needs of households in the area

The subject site will provide the residents of Newport with a unique convenience based retail offer that it currently lacks as well as the opportunity to shop for food and groceries without the inconvenience of residents travelling to and parking in the larger surrounding centres

8.6 Sustainability

The proposed development will provide a higher standard of convenience shopping for the residents of Newport and its surrounds The development will strengthen the nature and quality of the existing retailers as it will discourage the exit of retailing expenditure out of the area and will create a flow on effect that will strengthen the local shopping precinct

By improving the retail offer, it will allow residents in the PTA and STA to make fewer trips to larger retail centres, thereby reducing travel times and associated costs with motor vehicle travel

8.7 Added Price Competition

There is sufficient expenditure available within the locality to support the additional facilities and the impacts are will not threaten the viability of any other centre or supermarket Accordingly, the addition of a second major supermarket will increase the level of price competition and should be viewed positively in this case The additional supermarket will act as an anchor and will assist in re-enforcing the Newport Commercial Centre

9. CONCLUSIONS

This EA has found that there will be sufficient demand within Newport and the surrounding trade area to accommodate a 3,800sqm of retail floor space including a 3,200sqm supermarket and 600sqm of specialty retail

As the subject site is in the Newport Town Centre, the attraction of a full line supermarket and the additional parking could provide economic benefits to the surrounding specialty retailers We also consider that a centre on the Subject Site as planned could promote sustainable travel given its close proximity and ease of access to family households and businesses The central location of the Subject Site within Newport would allow for residents to have greater access to parking and conduct their chore shopping

There are a number of positive economic impacts in terms of

- Improvement in retail offer
- Reduced escape expenditure
- Reduction in travel costs
- The increase in employment opportunities
- Creates competition which place downward pressure on price
- Added car spaces increase the convenience of Newport

In light of this report's assessments and conclusions, the proposed 3,800sqm retail centre Barrenjoey Road is supported on economic terms

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This report and its attached appendices are based on estimates, assumptions and information sourced and referenced by Hill PDA and its sub consultants. We present these estimates and assumptions as a basis for the reader's interpretation and analysis. With respect to forecasts we do not present them as results that will actually be achieved. We rely upon the interpretation of the reader to judge for themselves the likelihood of whether these projections can be achieved or not.

As is customary, in a report of this nature, while all possible care has been taken by the authors to prepare the attached financial models from the best information available at the time of writing, no responsibility can be undertaken for errors or inaccuracies that may have occurred both with the programming or the financial projections and their assumptions.

This report does not constitute a valuation of any property or interest in property. In preparing this report we have relied upon information concerning the subject property and/or proposed development provided by the client and we have not independently verified this information excepted where noted in this report.