Rocky Point Road Shopping Centre

July 2010

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Retail Capacity Assessment

Prepared for AFC Holdings Pty Ltd

PO Box 899
Rockdale NSW 2216
July 2010

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FIGURES:

TABLES:

Executive Summary

- Urbis has been commissioned by AFC Holdings Pty Ltd ("AFC") to prepare a review of retail floorspace demand within Kogarah. AFC is seeking a proposed amendment to zoning controls to permit the development of a new Discount Department Store (DDS) and supermarket based shopping centre at the corner of the Princes Highway and Rocky Point Road, Kogarah, located in the Local Government Area (LGA) of Kogarah. The purpose of this report is to determine the capacity for additional retail floorspace within the locality and to consider the appropriateness of the subject site.
- The subject site is located at the intersection of Rocky Point Road and the Princes Highway on the southern edge of Kogarah Town centre, approximately 1.2km from Kogarah train station. Future retail development on the site is expected to include a DDS (most likely a Target store), supermarket as well as additional specialty retail floorspace. It is anticipated that the development could commence trading in 2013.
- The trade area for future retail development has been determined with consideration to the proximity of competing retailers, the strength and character of the subject site, the accessibility of the centre and the location of any physical barriers such as main roads.
- Given the above, the trade area has been broken down into 4 sectors. The ***primary*** trade area consists of the suburbs of Kogarah, Ramsgate, Beverley Park and parts of Allawah. The ***secondary north*** trade area extends into Rockdale and parts of Bexley. The ***secondary south and west*** trade areas incorporate parts of the suburbs Sans Souci, Dolls Point and Sandringham, and Kogarah Bay and Allawah respectively.
- The trade area defined above generates an average of $12,147 per capita in retail spending. This is slightly below the Sydney Average of $12,436. At present the trade area generates $744.1m in total retail spend. Growth in population and expenditure will see this increase to $845.5 million by 2016, this represent an average annual growth of 2%.
- The retail expenditure generated by the trade area is currently distributed between a number of retail centres within the Main Trade Area (MTA) such as Kogarah Town Centre and Rockdale Plaza as well as a number of other centres. There is also a degree of expenditure leakage to centres beyond the trade area such as Westfield Hurstville, Southgate Shopping Centre and Westfield Miranda.
- Urbis' analysis demonstrates that by 2013 there will be capacity for additional retail floorspace of up to 22,500 sq.m GLA within the Main Trade Area. This would include potential for a discount department store, supermarket and other supporting retail tenancies. Actual achievable floorspace on the subject site will be subject to detailed design.
- The proposed development will provide enhanced choice for residents and workers in the trade area to conduct both top up and weekly shopping within the Kogarah Major Centre. The addition of new retailing would be expected to enhance price competitiveness existing retailers within the trade area residents and workers. Lower prices have a direct positive impact on the budgets of households. The proposed centre will complement the overall retail offer within Kogarah, as it will provide a strong southern anchor to the town centre.
- The proposed development will also provide employment and shopper convenience. A retail development of this size has the potential to generate up to 740 jobs once the centre is complete. The construction of the proposed centre will also create more jobs indirectly as a result of multiplier factors, as well as construction jobs.
- The St. George Economic and Employment Strategy 2006 forecasts that by 2015 there will be demand in Kogarah for an additional 10,900 sq m of supermarket and grocery stores floorspace, 9,900 for specialty foods and meals out, 9,400 for clothing and footwear stores and 2,800 for other goods retailers.

- This indicates that the proposed development will not impede any future development within the trade area and that there is ample demand in the LGA to support the required future supply of retail floorspace.
- With growth in population and expenditure in the trade area and the remainder of the LGA the proposed development will not restrict future growth but will satisfy requirements of the NSW Draft Centres Policy in that it will create a vibrant, active retail centre which will encourage competition between other retailers resulting in better prices and products for consumers. The development seeks to meet the growing consumer demand for greater choice within the market and will provide a high level of amenity for residents and workers within the trade area.

Essentially, the proposed development will provide a number of social and economic benefits for residents and workers within the trade area and for Kogarah residents as a whole. The proposed development will meet the retailing demands of the trade area and will offer an alternate shopping experience.

Given that there is capacity to support retail development of this scale within the MTA, that it meets the requirements of both the NSW Draft Centres Policy and the St George Economic and Employment Strategy and it will result in a range of social and economic benefits for residents and workers in the trade area, there is no reason, on economic grounds why the proposed development should not be supported.

1 Introduction

Urbis has been commissioned by AFC Holdings Pty Ltd ("AFC") to prepare a review of retail floorspace demand within Kogarah. AFC is seeking a proposed amendment to zoning controls to permit the development of a new Discount Department Store (DDS) and supermarket based shopping centre at the corner of the Princes Highway and Rocky Point Road, Kogarah, located in the Local Government Area (LGA) of Kogarah. The purpose of this report is to determine the capacity for additional retail floorspace within the locality and to consider the appropriateness of the subject site.

The remaining sections of this report outline the following analysis:

- Section Two – considers the site in its local and regional context.
- Section Three - identifies the subject site's likely trade area and provides an assessment of the current and forecast population and retail spending trends as well as the demographic profile of residents.
- Section Four– reviews the retail hierarchy in the region of relevance to the proposed development, noting the competing centres.
- Section Five – outlines our assessment of the economic need and demand for the proposed development. Section Five also provides turnover forecast and commentary on the likely market share of the development.
- Section Six – reviews the relevant planning considerations that relate to the site and proposed development.

2 Site Context and Development Details

2.1 Local and Regional Context

The subject site is located at the corner of the Princes Highway and Rock Point Road, Kogarah and is bounded by the Princes Highway, Rocky Point Road and Gray Avenue. The site has a consolidated site area of approximately 7,250 sq. m. Currently, the site contains a number of vacant buildings, which are currently for lease. The buildings on the site include the following uses:

- Former RTA Office;
- A carwash;
- Water tank retailer;
- Timber furniture store.

The site is currently zoned **Industrial 4(a) – Industrial (Light)** under the Kogarah LEP 1998. Development for the purpose of *shops*, other than bulky goods establishments or those which serve the daily convenience needs of the workforce of land within the zone are not currently permissible in the Industrial 4(a) zone.

The site is situated at the southern gateway to Kogarah 'Major Centre' as identified in the South Subregion Draft Subregional Strategy.

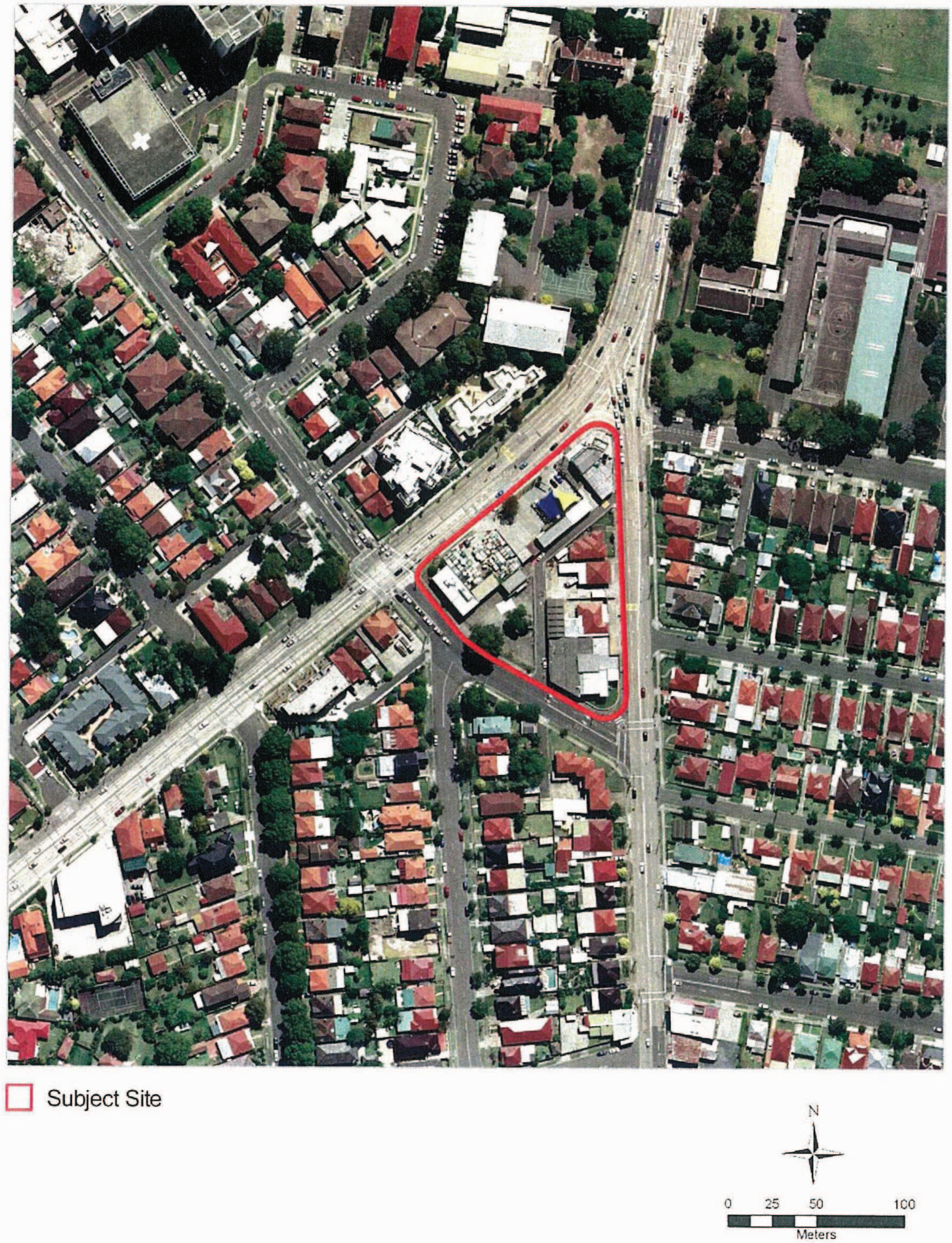
The Draft Subregional Strategy notes that Kogarah:

> *"may need to become a more distinctive specialised retail destination to distinguish itself from the larger retail malls and wider retail offer of Hurstville and Rockdale…Kogarah Major Centre is expected to grow by approximately 2,500 jobs".*

Surrounding development comprise a mix of residential and special use developments including hospitals, schools and a church. A small commercial area is also located to the south of the site. Immediately to the north-west, on the opposite side of the Princes Highway, are recently constructed residential flat buildings which range from three (3) storeys to five (5) storeys in height.

A Deferred Commencement consent (DA60/2008) for the demolition of existing buildings and the construction of a four storey building for bulky goods retailing, commercial offices, medical purposes and a community room was issued by Council on 16 December 2008. The approved development was in the form of a four storey building and includes parking for 391 vehicles, over 4 levels, with vehicular access off Gray Avenue.

Figure 1 – Subject Site



2.2 Proposed Development

It is proposed that the site be redeveloped to accommodate an integrated retail / medical / gym / commercial development. The final mix and configuration of the development will be determined at the DA stage and will be subject to detailed design assessment.

For the purposes of this assessment, the indicative retail tenancy mix within the development, as advised by the client, is likely to include the following:

- A Discount Department Store (DDS) – likely to incorporate the relocation of the existing Target store in Rockdale (Princes Highway) which is due to close as a result of Rockdale Council's plan to redevelop the Council car park in which target is located;
- A supermarket;
- A number of mini-major retailers (larger floorplate specialty retailers such as Harris Farm Markets, Lincraft, Dan Murphy's, Reject Shop);
- Specialty retailers;
- Foodcourt and ancillary services including small offices.

This report considers an appropriate scale and mix of retail development that could be supported on the site having regard to demand for additional retail floorspace within the Main Trade Area.

3 The Market

3.1 Trade Area

The trade area refers to the area in which an existing or proposed centre or retailer is most likely to draw custom. The size and scale of trade areas vary due to the geographical context of the retail development in question. Other factors which may define a trade area include:

- The strength, range and appeal of the subject centre;
- The proximity, composition and quality of competing retail facilities. The presence of similar retail centres as well as the general provision of retail space within the area;
- The accessibility of the centre including the road and transport network, as well as access to ample parking; and
- Physical barriers such as freeways, rivers/lakes, bushland and drive times.

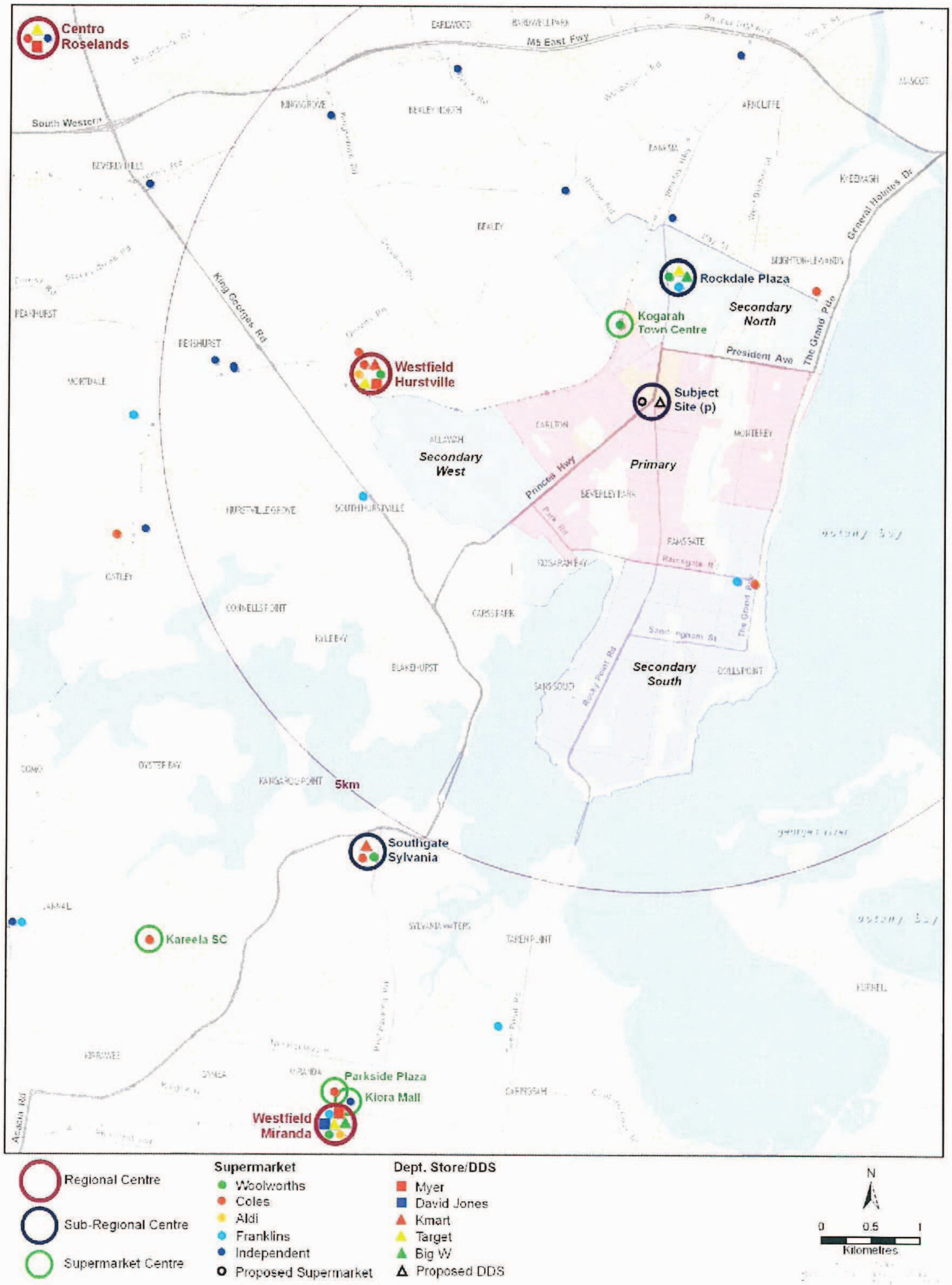
With regard to the above factors, the adopted trade area for the proposed Rocky Point Road retail development has been based on collection districts surrounding the subject site. These collection districts have been combined to form the following areas:

- The primary trade area encompasses parts of the suburbs of Kogarah to the north, Ramsgate to the east, Beverley Park to the south and Allawah to the west.
- The proposed development will also draw trade from three secondary sectors. The northern secondary trade area extends into Rockdale and parts of Bexley. The secondary south trade area incorporates parts of the suburbs of Sans Souci, Sandringham and Dolls Point. The secondary west trade area extends into parts of Kogarah Bay and Allawah.

The trade area has been defined with regard to the proximity and layout of existing retail centres and supermarkets in the area.

According to the St George Economic & Employment Strategy (2006) there were a total of 17,925 people working within the Kogarah LGA. A significant proportion of people working within the St Georges region (the LGAs of Kogarah, Rockdale and Hurstville) live outside of the region, predominantly in Sutherland Shire as well as Canterbury, Bankstown and Liverpool. According to the draft sub-regional strategy Kogarah Major Centre is expected to grow by approximately 2,500 jobs. The proposed retail development could capture a reasonable proportion of the expenditure generated by these commuting workers.

Figure 2 – Trade Area Map



KOGARAH - TRADE AREA AND COMPETITION

3.2 Trade Area Population

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

- Information from the 1991, 1996, 2001 and 2006 Census of Population and Housing;
- New Dwelling Approvals (NDAs) in the region over the ten years to September 2008;
- 2009 Estimated Resident Population (ERP) released by the ABS in March 2010
- Official population projections published in April 2010 by the New South Wales Department of Planning as well as the NSW Draft Subregional Strategy.

From the data in Table 3 we can surmise the following:

- At 2009 the main trade area's population was approximately 61,060, of which the primary trade area accounted for almost 30%, with some 17,840 residents. By 2016 the main trade area is forecast to comprise of 63,550 residents.
- Overall, the growth in the trade area is forecast to remain modest through to 2021 reflecting the fact that it is a well established suburban residential area with limited potential for large scale development.
- Recent residential apartment development approvals have been concentrated in the vicinity of the Kogarah and Carlton railway stations and around Kogarah Town centre, demonstrating an intensification of residential density around activity centres and public transport nodes.
- The largest proportion of growth to 2021 is forecast to continue within the Primary trade area, followed by the secondary south trade area, where are likely to be some opportunities for infill development and demand for apartments which can take advantage of water views.

Table 1 – Trade Area Population, 1991 - 2021

Rocky Point Shopping Centre Trade Area Population, 1991-2021

Trade Area	Actual Residential Population[1]					Forecast Population		
Sector	1991	1996	2001	2006	2009	2011	2016	2021
• Primary	16,400	16,540	15,990	17,190	17,840	18,160	18,780	19,180
Primary Trade Area	16,400	16,540	15,990	17,190	17,840	18,160	18,780	19,180
Secondary Trade Area								
• North	12,670	13,370	15,270	16,670	16,810	16,930	17,310	17,500
• South	13,030	13,020	13,820	13,850	14,490	14,750	15,160	15,370
• West	10,290	10,780	11,320	11,770	11,920	12,040	12,300	12,490
Total Trade Area	**52,390**	**53,710**	**56,400**	**59,480**	**61,060**	**61,880**	**63,550**	**64,540**

	Average Annual Change (No.)						
	1991-96	1996-01	2001-06	2006-09	2006-11	2011-16	2016-21
• Primary	28	-110	240	217	194	124	80
Primary Trade Area	28	-110	240	217	194	124	80
Secondary Trade Area							
• North	140	380	280	47	52	76	38
• South	-2	160	6	213	180	82	42
• West	98	108	90	50	54	52	38
Total Secondary	236	648	376	310	286	210	118
Main Trade Area	**264**	**538**	**616**	**527**	**480**	**334**	**198**
Total Trade Area	**264**	**538**	**616**	**527**	**480**	**334**	**198**

	Average Annual Change (%)						
	1991-96	1996-01	2001-06	2006-09	2006-11	2011-16	2016-21
• Primary	0.2%	-0.7%	1.5%	1.2%	1.1%	0.7%	0.4%
Primary Trade Area	0.2%	-0.7%	1.5%	1.2%	1.1%	0.7%	0.4%
Secondary Trade Area							
• North	1.1%	2.7%	1.8%	0.3%	0.3%	0.4%	0.2%
• South	0.0%	1.2%	0.0%	1.5%	1.3%	0.5%	0.3%
• West	0.9%	1.0%	0.8%	0.4%	0.5%	0.4%	0.3%
Total Secondary	0.6%	1.7%	0.9%	0.7%	0.7%	0.5%	0.3%
Main Trade Area	**0.5%**	**1.0%**	**1.1%**	**0.9%**	**0.8%**	**0.5%**	**0.3%**
Total Trade Area	**0.5%**	**1.0%**	**1.1%**	**0.9%**	**0.8%**	**0.5%**	**0.3%**

1. as at June

Source : ABS Cdata 1991, 1996, 2001 and 2006; ABS, Regional Population Growth, Australia, Electronic Delivery (3218.0.55.001); NSW Statistical Local Area Populatino Projections (DoP April 2010); Urbis

3.3 Demographic Characteristics

The demographic characteristics of the trade area population are shown in Table 4. The information reflected in Table 4 is based on 2006 Census data and is benchmarked against Sydney SD. Key points to note regarding the demographics are as follows:

- The average household income of the trade area is 14.7% lower than that of Sydney SD which has been used for comparative purposes. The primary trade area has the highest household income of each of the sectors and is 11.2% below Sydney's average.
- The trade area as a whole has a smaller average household size than the benchmark at 2.5 compared to 2.7 in Sydney, additionally, the average age of trade area residents is higher than the Sydney average (39 and 37 respectively). The proportion of lone households (28%) is also higher than the Sydney benchmark (23%). These demographic characteristics essentially suggest that the trade area is largely consists of older, smaller households with lower than average incomes. These groups typically require convenient everyday needs shopping, which will be well catered for with the proposed tenancy mix.
- A high proportion of the trade area population was born overseas (47%), including a high proportion of Asian born residents (17%) and people from other non-European countries. There are relatively high concentrations of Asian born residents in the secondary north and west trade areas (26% and 29% respectively).

The socio economic profile of the trade area, particularly the below average incomes, suggests that the introduction of conveniently located, value-driven retailing, such as a DDS, would be an ideal means of stimulating competition and choice, thereby resulting in a better outcome for consumers.

Table 2 – Key Socio Economic Characteristics, 2006

Rocky Point Shopping Centre Key Socio-Economic Characteristics of the Trade Area Population, 2006

Characteristics	Primary TA	Secondary Trade Area North	Secondary Trade Area South	Secondary Trade Area West	Secondary Trade Area Total	Total TA	Sydney Average	Australia Average
Household Income								
$Nil	2%	2%	2%	2%	2%	2%	2%	1%
$1-$26,000	19%	18%	23%	18%	20%	20%	17%	21%
$26,000-$52,000	26%	29%	25%	26%	27%	27%	23%	26%
$52,000-$88,400	25%	29%	23%	29%	27%	27%	25%	27%
$88,400 plus	28%	21%	27%	25%	24%	25%	33%	25%
Average Household Income	$69,848	$62,911	$67,892	$68,293	$66,059	$67,089	$78,617	$67,525
Var'n from Sydney Avg.	*-11.2%*	*-20.0%*	*-13.6%*	*-13.1%*	*-16.0%*	*-14.7%*	*n.a.*	*-14.1%*
Var'n from Australian Avg.	*3.4%*	*-6.8%*	*0.5%*	*1.1%*	*-2.2%*	*-0.6%*	*16.4%*	*n.a.*
Average Household Size	2.5	2.4	2.3	2.7	2.4	2.5	2.7	2.6
UR Personal Income								
$Nil	10%	12%	7%	13%	10%	10%	10%	8%
$1 - $20,800	35%	32%	35%	33%	33%	34%	33%	37%
$20,800 - $41,600	26%	29%	25%	27%	27%	27%	25%	27%
$41,600 - $83,200	24%	23%	24%	22%	23%	23%	24%	22%
$83,200 +	6%	5%	8%	6%	6%	6%	9%	7%
UR Avg. Per Capita Income	$27,447	$26,393	$29,835	$25,614	$27,314	$27,350	$29,221	$26,191
UR Per Capita Income Var'n	*-6.1%*	*-9.7%*	*+2.1%*	*-12.3%*	*-6.5%*	*-6.4%*	*+0.0%*	
Age Distribution								
Aged 0-13	16%	14%	15%	16%	15%	15%	18%	18%
Aged 14-24	12%	15%	10%	15%	13%	13%	15%	15%
Aged 25-39	23%	32%	21%	25%	26%	25%	23%	21%
Aged 40-59	27%	24%	27%	28%	26%	26%	27%	28%
Aged 60+	22%	14%	28%	16%	19%	20%	17%	18%
Average Age	40	36	44	37	39	39	37	37
Dependency Ratio[1]	34%	26%	38%	29%	31%	32%	32%	33%
Household Structure (%)								
Family Households	71%	64%	64%	72%	66%	67%	73%	72%
Non-Family Households	29%	36%	36%	28%	34%	33%	27%	28%
Group	3%	8%	3%	5%	6%	5%	4%	4%
Lone Person	26%	28%	34%	23%	29%	28%	23%	24%
Housing Status								
Owner[2]	41%	24%	47%	32%	34%	36%	33%	35%
Purchaser[2]	29%	27%	25%	32%	27%	28%	34%	35%
Renter[2]	29%	49%	28%	36%	38%	36%	32%	29%
Housing Costs (% Income)								
Mortgage Repayments[3]	34%	35%	36%	32%	34%	34%	30%	27%
Rent Payments[3]	20%	21%	20%	19%	20%	20%	18%	16%
Car Ownership								
% 0 Cars	14%	22%	13%	15%	17%	16%	14%	10%
% 1 Car	47%	55%	46%	49%	50%	50%	40%	38%
% 2 Cars +	39%	23%	41%	35%	33%	34%	46%	52%
Labour Force								
Labour Force Participation	63%	69%	59%	66%	65%	64%	66%	65%
% Unemployed	5%	6%	4%	6%	6%	6%	5%	5%
Birthplace								
Australian Born	58%	39%	70%	47%	51%	53%	66%	76%
Overseas Born	42%	61%	30%	53%	49%	47%	34%	24%
• Asia	12%	26%	4%	29%	20%	17%	11%	6%
• Europe	14%	11%	13%	11%	12%	12%	10%	10%
• Other	16%	24%	13%	14%	17%	17%	13%	8%

1. Dependency ratio refers to the proportion of the population between 0-14 and over 65 years.
2. 'Other' Tenure Types have not been included.
3. As a percentage of household income.
Source : ABS Census of Population and Housing 2006, Cdata 2006; Urbis

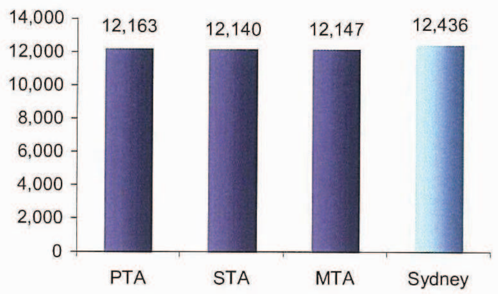
3.4 Trade Area Spending

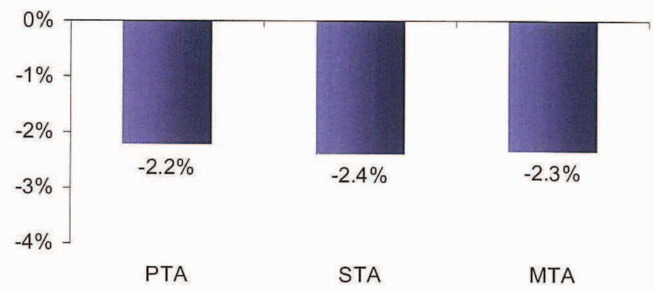
Retail spending estimates are derived using *MarketInfo,* a micro-simulation model developed by Market Data Systems Limited (MDS). This model, which is based on information from the national ABS Household Expenditure Survey (HES) and the Census of Population and Housing, uses micro-simulation techniques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

Based on 2006 Census data and the population forecasts provided in Table 3 we have determined the proportion of expenditure that is directed to retail on a per capita basis. This is provided in the graphs below.

Figure 3 – Trade Area Spending Per Capita

Rocky Point Shopping Centre Total TA Retail Spending Per Capita Variation From Sydney Average $2010, (Excluding GST)





Source: MDS, MarketInfo 2009; ABS, Australian National Accounts: National Income, Expenditure and Product Accounts (5206.0); Urbis

From the graphs in Figure 3 we can see that the primary trade area (PTA) and secondary trade areas (STAs) spend slightly less per capita in the retail sector than the Sydney average, at $12,163 and $12,140 respectively, compared to the Sydney average of $12,436 representing a -2.3% difference overall across the main trade area (MTA).

As the major tenants in the proposed development is expected to be a supermarket and a DDS, the markets of most importance to this assessment are the Food, Liquor and Groceries (FLG) market and the Department Store Type merchandise (DSTM) categories. FLG expenditure and specifically the Food and Grocery (F&G) component is directed to supermarkets, specialty food retailers and some non food retailers such as department stores and discount department stores. DSTM expenditure is directed to department stores, discount department store and other non-food based retailers.

Applying the population forecasts outlined previously and estimates of retail spending per capita, the current and future F&G spending market in the trade area is detailed in Table 5. Current total F&G spending by the trade area is estimated at $269.3m, which is forecast to increase to $289.9m in 2016. It is important to note that some negative growth in spending per capita to 2011 has been assumed to reflect the current economic climate. The average annual growth in F&G spending for the trade area between 2010 and 2016 is estimated at 1.2%. By 2013, when the subject site is anticipated to be open for trade, the trade area is expected to generate some $279.6m in F&G expenditure.

If we include liquor (Table 4), the total FLG spend in 2010 is $313.5 which is expected to grow to $337.5 by 2016.

Current total DSTM spending by the trade area is estimated at $283.3m, which is forecast to increase to $340.5m in 2016. The average annual growth in DSTM spending for the trade area between 2010 and 2016 is estimated at 3.1%. By 2013, when the subject site is anticipated to be open for trade, the trade area is expected to generate some $314.1m in DSTM expenditure.