



**LEVEL 12
120 COLLINS STREET
MELBOURNE VIC 3000**

URBIS.COM.AU
Urbis Pty Ltd
ABN 50 105 256 228

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Mr Rob Johnston
Development Executive
Scentre Group
85 Castlereagh Street
SYDNEY NSW 2000

Dear Rob,

WESTFIELD EASTGARDENS RETAIL EIA - RESPONSE TO RPS PEER REVIEW

Urbis was engaged by Scentre Group to prepare an independent Economic Impact Assessment (EIA) for the proposed expansion of Westfield Eastgardens. This letter outlines responses to queries raised by RPS in their peer review of the EIA report.

Treatment of Local Workers

Section 3.3 of the RPS report has requested additional information in relation to the analysis of the contribution of office workers to the retail potential of Westfield Eastgardens. In this regard the following comments are made:

- The estimate of retail expenditure by workers of the proposed 25,000 sq.m office building, is based on benchmarks derived from surveys undertaken by Urbis of office workers across the country. These surveys indicated that office workers undertake a significant amount of expenditure while at work when they have good access to retail shops and services and can average as high as \$10,000 per year in CBD areas. The benefit to locally provided retail shops can be significant.
- In the case of Westfield Eastgardens we have applied an average retail expenditure level of \$6,800 per annum to the estimated 1,923 workers (25,000 sq.m at a workspace ratio of 13 sq.m per worker). It is important to recognise that a centre of Westfield Eastgardens scale would be able to cater to the typical retail spending needs and demand of office workers. The majority of an office worker's expenditure is directed to food and beverages (F&B), services, general convenience items and groceries, categories which Westfield Eastgardens would provide a sufficient offer to meet everyday needs. The centre would also be able to cater to fashion and other discretionary expenditure. The \$6,800 per annum or \$13 million therefore could very well be a conservative estimate.
- Based on typical capture rates it is reasonable to expect at least half of expenditure by office workers would be directed to shops and services at Westfield Eastgardens. This provides a direct benefit to retail turnover of Westfield Eastgardens.

- RPS notes that a proportion of the office workers would live in the trade area therefore not all of the office worker expenditure would be a net addition to the retail market available to Westfield Eastgardens which is true. However, RPS hasn't recognised that by having these workers on the doorstep of the centre, this increases the potential for Westfield Eastgardens to capture the expenditure of those workers who live in the trade area. This results in greater capacity to increase the centre's market share of trade area resident expenditure, which is reflected in the market shares assessed for Westfield Eastgardens. Workers who live outside the trade area increase the potential for turnover to be sourced from beyond the trade area. Whilst the overall contribution of the workers is modest in comparison to the overall retail turnover of the centre this has been appropriately allowed for in trade area market shares and turnover sourced from beyond the resident trade area.

Retail Floorspace

Section 4.1 of the RPS report suggested that Urbis did not consider non-centre retail within the trade area. To clarify, in reviewing the existing and future supply of retail floorspace Urbis has considered all centres and shopping strips of relevance to the type and role of retail shops and services that will be provided at Westfield Eastgardens. This includes those centres listed in the RPS peer review.

Reference to Deep End Retail Analysis for Sydney Metropolitan

In Section 4.2 of the RPS review, RPS notes several queries with the Urbis analysis of the Deep End Retail analysis as follows:

- The RPS review suggests an oversupply of floorspace in Botany Bay. We note:
 - If the local Botany Bay area is oversupplied then why is Westfield Eastgardens achieving a turnover productivity 12% above the average of the peer group of regional shopping centres. The relative performance of Westfield Eastgardens indicates the opposite and an undersupply of floorspace, particularly for the type of retail provided in regional scale centres.
 - RPS' interpretation of the Deep End analysis is flawed and doesn't recognise that retail centres serve catchments broader than their immediate local area. If you took the same approach as used by RPS you could argue that the Sydney CBD is oversupplied. This is clearly not the case and recognises that major retail centres/precincts serve broader catchments and it is not relevant or appropriate to assess the relative supply of retail floorspace on local areas alone.
 - The broader area including Randwick, Botany Bay and Rockdale indicates a relatively low supply of retail floorspace per capita when compared with other areas in Sydney.
- The RPS review indicates that comparison with the straight Sydney metropolitan average is inappropriate.
 - We agree and this is the basis for Urbis applying a lower rate 1.7 sq.m to 2.1 sq.m per capita for the Westfield Eastgardens catchment, i.e. 13% to 30% lower than the Sydney metropolitan average of 2.4 sq.m per capita, when considering retail floorspace demand in broad terms.

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- The RPS review indicates per capita analysis of floorspace is obsolete or inappropriate.
 - We don't agree that the floorspace per capita metric is obsolete as it still does have value in helping to understand the relative level of supply in areas. However, it is clearly not the only and most relevant consideration in determining market capacity for retail floorspace.
 - Assessing the size of the trade area, gaps in the retail offer, spending patterns and retail role of Westfield Eastgardens are the most important considerations which are taken into account by Urbis in determining the potential turnover of the expanded centre and capacity of the market (or resulting impacts on other centres/precincts) to sustain the proposed increase in floorspace. This is covered by Urbis in the Economic Need, Demand and Impact section of the Eastgardens EIA report.

We further note that RPS has not made reference to the effect of future population growth on retail demand and their review has focussed solely on existing floorspace per capita levels. These existing per capita rates are being sustained by the market and with capacity to increase these rates and the benefit of forecast market growth (trade area expenditure is forecast to grow by \$1.1 billion (\$2017 excluding retail price inflation) to 2023 when the Westfield development would commence trading), there is underlying capacity in the market to support a substantial increase in floorspace. Furthermore, as is understood developments are not built for one year and Westfield Eastgardens expansion will also contribute to addressing the strong forecast growth in demand for retail floorspace over the longer term. The trade area retail market is forecast to increase by another 16% by 2028 and around 30% by 2033.

The Westfield Eastgardens development addresses the substantial available capacity for additional retail floorspace, particularly in terms of the type of retail provided in major regional centres (e.g. food catering and discretionary categories such as fashion, homewares and leisure retailing). Analysis of retail expenditure patterns outlined later in this letter confirms the low supply of retail floorspace in the trade area, particularly in terms of the current range of retail shops not adequately meeting the needs of trade area residents.

Finally, we again note that the most important consideration in an EIA is the level of resulting impacts on other retail centres and precincts in the region of relevance to Westfield Eastgardens. That is, can the existing/planned retail hierarchy absorb the proposed scale of expansion of Westfield Eastgardens expansion without adverse impacts. As noted later in this letter, the trading impacts on individual centres are well within the bounds of a normal and healthy competitive environment and substantially less than the notional 10% one-off impact which is regarded as potentially an issue.

The community will benefit from access to a broader range of retail shops and services and there would be no material cost/adverse impact on the other retail centres and precincts. Overall, the retail centres hierarchy would therefore be strengthened with the Westfield Eastgardens expansion.

Turnover Performance and Market Shares

In Section 5.1, on page 8 of their peer review, RPS states that the above average trading productivity level of Westfield Eastgardens is “*an indicator that the Centre is receiving above average share of expenditure from the Total Trade Area*”.

We note an above average turnover productivity does not indicate that a centre is achieving an above average market share. In most cases, the premium trading performance is the result of a modest level of competing supply and/or the subject centre is undersized relative to the available retail demand. These later conditions are consistent with the attributes of Westfield Eastgardens and the level and type of competing retail supply in the trade area.

There is underlying market potential for a broader range of retail shops and services at Westfield Eastgardens.

Lack of Comprehensive Market Demand Assessment and Inadequate Trade Impact Assessment

Market Demand Assessment

In Section 6.1 of the RPS review they state in paragraph 53, “*No consideration is given in section 6.2 of the Urbis Retail Report of the overarching supply and demand (i.e. net need) for retail floor space in the defined Trade Area, nor does the report demonstrate how the proposed 25,000 sq.m GLA was determined based on market dynamics*”. We note the EIA report is based on the proposal for an additional 27,500 sq.m of retail GLA.

The market dynamics that support the proposed retail expansion of Westfield Eastgardens are as follows:

- Westfield Eastgardens serves a large trade area retail market which will include \$5.8 billion of expenditure by residents by 2023 (\$2017, incl. GST).
- The trade area market is forecast to continue to grow strongly and increase by \$1.1 billion or 24% in constant dollar terms from 2017 to 2023, the year in which the expanded Westfield Eastgardens centre is proposed to be trading.
- The proposed expansion would result in Westfield Eastgardens capturing an additional \$149 million or 13% of the forecast growth in trade area retail expenditure. The trade area market share would increase by 2.6 percentage points, with a resulting market share of 10.4%.
- The assessed market shares are within the typical range achieved by higher order centres of a similar scale and role to that of Westfield Eastgardens. The centre would be capturing a share of the market consistent with the role of regional scale shopping centres and not be taking an unreasonable proportion of market demand.
- Westfield Eastgardens is performing well and above benchmarks for its peer group of regional shopping centres and, with no major expansion/improvements for more than 15 years and with limited advancement of non-food retailing in the trade area, the centre is overdue for expansion. By 2023, the timeframe between significant improvements will be around 20 years.

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To further demonstrate the market need and demand we have analysed the shopping patterns of residents of Westfield Eastgardens trade area based on bank card data prepared by Quantum that has been supplied by Scentre Group. This analysis demonstrates the following for the categories of retail that are the focus of the Westfield Eastgardens expansion (i.e. food catering and discretionary retail):

- Around three quarters (76%) of expenditure by trade area residents on apparel, homewares and leisure goods (discretionary items) is not undertaken at centres/locations in the trade area. The level of discretionary expenditure escaping the trade area of Westfield regional centres in Sydney is a significantly lower average of 58%. Furthermore, Westfield Eastgardens' trade area has the highest level of discretionary expenditure escaping a trade area among Westfield centres. Refer to Chart 1.
- The relative result for the Westfield Eastgardens trade area is largely due to a low supply of this form of retail in the trade area. The analysis shows that there is clearly a shortfall of retail stores serving discretionary shopping needs in the trade area to adequately and conveniently meet the needs of residents.
- About two-thirds (67%) of food catering (F&B) expenditure by trade area residents is not undertaken at premises in the trade area. Furthermore, Westfield Eastgardens captures a small market share of only 2%. Regional centres that provide cinemas and an adequate range of F&B tenants to satisfy the needs of customers typically achieve a trade area food catering (F&B) market share between 5% and 8%. It is evident that range and extent of the food catering offer at Westfield Eastgardens is below benchmarks and the trade area is undersupplied in the provision of food catering floorspace.
- The proposed Westfield Eastgardens expansion will help to address this supply shortfall and contain more expenditure locally, which has a range of spin-off social, environmental and economic benefits for the community. Of most importance is the provision of more jobs which increases local employment opportunities for residents.

Utilising the spending patterns identified through the bank card data, Table 1 provides an overview of the current and future leakage of retail expenditure by trade area residents. The key points to note include:

- Currently an estimated 56.6% of trade area resident expenditure is undertaken at locations outside of the trade area. In the case of non-food expenditure (which includes discretionary categories as well as services and bulky goods) the escape level is a higher 66%. Again, these are high levels of escape expenditure, which are an outcome of an inadequate provision of retail floorspace in the trade area. The average level of escape expenditure for the trade areas of Westfield regional shopping centres in Sydney is a significantly lower 47%. Westfield Eastgardens trade area has the highest level of escape expenditure of any Westfield centre in Sydney.
- Without the proposed expansion of Westfield Eastgardens and taking into account limited proposed other new retail development in the trade area, the level of escape expenditure would increase to \$3.4 billion or 58.4% by 2023. This is a substantial level of retail activity lost from the trade area, which has flow-on adverse impacts for economic activity in the trade area.

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- By proceeding with the development, the Westfield Eastgardens trade area market share would increase by 2.6% to 10.4%. Around 80% or 2.1% of the market share gain would come from centres/locations outside of the trade area and 0.5% from centres within the trade area. The low share of trade diversion from centres and locations within the trade area is reflective of the limited range of non-food (discretionary) based retailing in the trade area. That is, there is a modest range of retail floorspace within the trade area that is competitive with the type of retail proposed for the expansion of Westfield Eastgardens.
- Due to the relative size of retail demand and substantial forecast growth in trade area retail expenditure, the proposed expansion of Westfield Eastgardens will still only have a modest impact on reducing the level of escape expenditure. Relative to the market in 2023 without the expansion of Westfield Eastgardens, the proportion of trade area retail expenditure escaping the trade area would reduce by around 2% points with the Westfield Eastgardens development. Relative to the 2017 market, the share of trade area expenditure directed to centres and locations outside of the trade area would be essentially the same (i.e. 56.4%) which is reflective of the strong growth in retail demand expected to occur over the period from 2017 to 2023.
- It is clear from this analysis that:
 - There is an under-provision of retail floorspace in the trade area, particularly in terms of the type of retail proposed for the expansion of Westfield Eastgardens.
 - The expansion of Westfield Eastgardens will claw back expenditure that would otherwise be escaping the trade area and address a shortfall in retail floorspace, which will have flow-on benefits for the community, including social, environmental and economic benefits.
 - The Westfield Eastgardens expansion will only partly address the shortfall in retail floorspace, which recognises the large amount of existing retail demand generated by trade area residents and strong forecast growth in the trade area market (underpinned by new residential developments and evolving demographics through the regeneration and gentrification of existing households).
 - All elements of the market analysis indicate that the proposed expansion of Westfield Eastgardens, including an additional 27,500 sq.m of retail floorspace, is supportable by the market and in fact needed to address a substantial shortfall of retail floorspace in the trade area.

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Retail Spending Patterns

Westfield Eastgardens Trade Area Residents (\$2017, incl. GST)

Table 1

	Current (2017)			Without Westfield Eastgardens Expansion (2023)			With Westfield Eastgardens Expansion (2023)		
	Food	Non-Food	Total	Food	Non-Food	Total	Food	Non-Food	Total
TA Retail Spend (\$M)	2,668	2,060	4,728	3,245	2,595	5,840	3,245	2,595	5,840
Eastgardens - From TA									
Retail Spend (\$M)	194	224	417	208	252	460	253	357	609
Market Share (%)	7.3%	10.9%	8.8%	6.4%	9.7%	7.9%	7.8%	13.7%	10.4%
TA Resident Expenditure at Other TA Locations									
Retail Spend (\$M)	1,160	477	1,638	1,394	572	1,966	1,380	556	1,936
Market Share (%)	43.5%	23.2%	34.6%	43.0%	22.0%	33.7%	42.5%	21.4%	33.2%
TA Resident Expenditure at Non TA Locations (Escape Expenditure)									
Retail Spend (\$M)	1,314	1,359	2,672	1,643	1,771	3,414	1,612	1,683	3,294
Market Share (%)	49.3%	66.0%	56.6%	50.6%	68.2%	58.4%	49.7%	64.8%	56.4%

* Westfield centres

Source: Urbis

Retail Escape Expenditure from a Trade Area

Westfield Eastgardens Compared with Westfield Centres in Sydney

Chart 1



Source: Urbis



Retail Impact Assessment

The main and most important consideration in an EIA is the assessment of impacts on the surrounding centres hierarchy. For the purposes of this response to Section 6.2 of the RPS peer review, Urbis has provided further analysis of the trading impacts from the proposed expansion of Westfield Eastgardens on individual retail centres/precincts, refer to Table 2.

Retail Turnover Impacts

Westfield Eastgardens Proposed Expansion (+27,500 sq.m Retail GLA)

Table 2

	Est. Retail Turnover (\$M)			Change	Impact	Change	Impact
	Existing (2017)	No Dev (2023)	Post-Dev. (2023)	2017-23	2023	2017-23	2023
	(1)	(2)	(3)	(4)=(3)-(1)	(5)=(3)-(2)	(6)=(4)/(1)	(7)=(5)/(2)
CBD / Strategic Centres:							
Sydney CBD	7,000.0	7,982.6	7,948.8	+948.8	-33.8	+13.6%	-0.4%
Kogarah	130.0	149.6	148.6	+18.6	-1.0	+14.3%	-0.7%
Randwick	292.0	314.6	304.8	+12.8	-9.8	+4.4%	-3.1%
District Centres:							
Bondi Junction	1,425.0	1,614.7	1,566.0	+141.0	-48.7	+9.9%	-3.0%
Maroubra Junction	250.0	275.0	270.4	+20.4	-4.6	+8.2%	-1.7%
Local Centres:							
Rockdale	270.0	312.8	307.1	+37.1	-5.7	+13.7%	-1.8%
Kingsford	100.0	109.3	107.9	+7.9	-1.4	+7.9%	-1.3%
Ramsgate	95.0	108.8	108.1	+13.1	-0.7	+13.8%	-0.6%
Hillsdale	90.0	101.7	100.3	+10.3	-1.4	+11.4%	-1.4%
Matraville	80.0	90.2	89.2	+9.2	-1.0	+11.5%	-1.1%
Botany	60.0	68.6	67.7	+7.7	-0.9	+12.9%	-1.2%
South Maroubra	25.0	26.1	25.9	+0.9	-0.2	+3.7%	-0.9%
Eastlakes	88.0	136.3	134.5	+46.4	-1.9	+52.7%	-1.4%
Coogee	90.0	95.1	94.4	+4.4	-0.7	+4.9%	-0.7%
Brighton Le Sands	87.0	100.2	99.3	+12.3	-0.9	+14.1%	-0.9%
East Village	130.0	146.2	144.6	+14.6	-1.6	+11.2%	-1.1%
Marrickville	220.0	358.4	352.7	+132.7	-5.7	+60.3%	-1.6%
Mascot Central	80.0	84.0	83.4	+3.4	-0.6	+4.3%	-0.7%
Proposed Developments:							
Green Square Town Centre		89.5	88.9	+88.9	-0.6		-0.7%

Source: Urbis



This analysis highlights the following:

- Impacts on individual centres are estimated to range from mostly 1% to 3.1%.
- The highest impact of 3.1% is well below 10%, which is the notional level where percentage impacts are considered to be potentially an issue.

It is clear that there is more than sufficient market demand in support of the proposed expansion of Westfield Eastgardens and that the trading impacts are well within the bounds of a normal and healthy competitive environment. The assessed impact levels would have no adverse impact on other centres in the region and there is no risk to the sustainability of the centre hierarchy. Furthermore, more than 80% of the growth in market demand to 2023 (or approximately \$920 million additional retail spend by trade area residents) would still be available to support stronger trading levels for existing centres and/or support a substantial range of other retail developments catering to the retail needs of trade area residents.

Net Community Benefit

As outlined in the Economic Impact Assessment report and in this letter the proposed expansion of Westfield Eastgardens is expected to have a sizeable net community benefit. A summary of the key benefits and costs and assessment of net community benefit associated with the proposed development are outlined in Table 3.

From this analysis it is evident that the marginal negative trading impacts are far outweighed by the positive impacts generated by the proposed expansion of Westfield Eastgardens. The key findings are as follows:

Access to Retail Shops and Services

- The trading impacts on other activity centres are low and generally in the range of 1% to 3.1% on individual centres. These levels of impact would not be expected to result in the reduction in the provision of retail shops and services at other activity centres. This reflects the fact that the impacts are well below the threshold of 10% where impacts could potentially be a concern. Furthermore, with trade area retail expenditure forecast to grow by around 3.6% per annum to 2023, the impact levels would, for the most part, account for less than half a year of potential trading growth for activity centres.
- The proposed expansion would therefore provide the trade area community with access to approximately 27,500 sq.m of net additional retail shops and services. Retail services to the community will therefore be significantly improved.
- Residents will also benefit from having to travel shorter distances and less time for the retail needs which will reduce costs (e.g. fuel consumption) associated with shopping.
- The wider economy will also benefit through less impact on roads and the environment as a result of, for example, shorter car trips for shopping.

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Employment Opportunities

- The proposed expansion of Westfield Eastgardens will have significant positive impacts on job creation, particularly in terms of providing employment opportunities for local residents.
- The analysis indicates the proposed expansion of Westfield Eastgardens would generate:
 - 1,139 jobs annually at the centre and a total of 1,790 jobs (including multiplier effects). Given the level of trading impacts are low it is highly unlikely there would be any negative impacts on employment levels at other centres. If trading impacts were greater than 5% on any one centre you might expect some slight loss of jobs at these centres.
 - 223 jobs annually during the expected two year construction of the development and a total of 832 jobs annually (incl. multiplier effects). These figures have been updated to reflect Scentre Group's instructions that the expected construction period will be two years rather than three years previously allowed for and outlined in the EIA report. The updated employment and GVA analysis for the construction benefits of the proposed expansion is provided in Table 4 of this letter.
- Trade area residents will benefit from access to more job opportunities closer to their place of residence and the broader community/economy will benefit from increased levels of employment self-sufficiency and local economic activity.

Gross Value Added (GVA)

- Investment in developments, such as the proposed expansion of Westfield Eastgardens, are required to generate and stimulate economic activity which drive the economic performance/growth of local and state economies.
- The positive GVA benefit to the New South Wales economy is assessed as follows:
 - Approximately \$190 million per annum from the operation of the additional floorspace at Westfield Eastgardens.
 - Approximately \$258 million from the construction phase of the development over an expected two year construction period.
- The extent to which the GVA impact will have a net community benefit is influenced by the extent to which there is an opportunity cost of the investment occurring elsewhere. An investment of a similar value to the \$210 million planned by Scentre Group for the retail expansion of Westfield Eastgardens could hypothetically generate value and jobs elsewhere but the likelihood of this outcome is low given there is no alternative proposal by Scentre Group. The EIA and assessment of benefits is based on the particular development application proposed by Scentre Group for Westfield Eastgardens, not a hypothetical development that may occur elsewhere.
- Furthermore, without the investment by Scentre Group at Westfield Eastgardens the local benefits for the economy and community will not be realised.

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Other

- There are a range of other benefits which could occur, but not easily quantified, as a result of the expansion of Westfield Eastgardens including:
 - The positive impact of new competition which could encourage greater price competition and other centres to choose to upgrade their offer.
 - Greater containment of retail shopping and provision of employment opportunities will have stimulant effects for local economic activity.
 - As a result of the enhancement of the retail offer, improved amenity for the community and stimulant to the local economy, the proposed expansion of Westfield Eastgardens could also serve as a catalyst for other developments.

Table 3 – Net Community Benefit Summary

Benefit	Cost	Net Benefit
+27,500 sq.m of retail GLA	No expected net loss of retail GLA at other centres	~+27,500 sq.m of retail GLA
+830 jobs annually over a 2 year period created as a result of the construction phase of the proposed development	No negative impacts	~+830 construction phase jobs created annually over 2 years
+1,139 jobs created from the operation of the proposed new floorspace (shops/services/other uses) at Westfield Eastgardens	Given trading impacts are low, there is expected to be no impact on jobs at other centres	~+1,139 operational phase jobs annually
+\$258 million in Gross Value Added for the NSW economy over the construction period of the Westfield Eastgardens development	Opportunity cost if investment was not undertaken or undertaken elsewhere. Minimal weight given to this scenario	+\$258 million in GVA for the NSW economy from the construction phase of the development
+\$190 million in Gross Value Added for the NSW economy annually as a result of the operation of new shops, services and other uses at Westfield Eastgardens	Opportunity cost if investment was not undertaken or undertaken elsewhere. Minimal weight given to this scenario	+\$190 million annually in GVA for the NSW economy from the operational phase of the development



Updated Construction Employment and GVA Benefits Analysis

Based on instructions from Scentre Group, the construction phase employment and GVA impacts of the proposed retail expansion of Westfield Eastgardens have been updated to reflect a two year rather than three year construction period. This updated analysis is provided in Table 4 below.

Construction Phase Employment and Gross Value Added Benefits

Westfield Eastgardens Retail Expansion

Table 4

	New South Wales
Employment¹	
Direct Employment	223
Indirect Employment	609
Total Employment	832
Gross Value Added (\$M, Constant 2018 Dollar Value)	
Direct Value Added	33.8
Indirect Value Added	95.3
Annualised Gross Value Added	129.0
Total Gross Value Added (Over Three Years)	258.1

1. Total part-time and full-time jobs annually over a two year construction period.

Source: REMPLAN; Urbis

We trust we have adequately addressed the queries raised by RPS and we cannot identify any market and impact metrics that would not support the proposed expansion. Overall, the economic impact assessment indicates that the proposed retail development would provide a demonstrable net community benefit.

Yours sincerely,

Jeff Armstrong
Director