

14 October 2022

Dear Tim Howlet

## **Subject: 13L Narromine Road, Dubbo Peer Review**

Dubbo Regional Council (Council) is in the process of reviewing a Planning Proposal submitted by The Bathla Group (the Proponent) for the Proposed Lot 221 in the subdivision of Lot 22 DP 1038924 at the northern part of 13L Narromine Road, Dubbo (Subject Site). The Planning Proposal seeks to rezone the existing IN2 Light Industrial zones to B2 Local Centre and B5 Business Development Zones.

The Planning Proposal was prepared by GLN Planning and was supported by a report prepared by LocationIQ in 2022 titled 'Urban Release Off Narromine Road Dubbo: Preliminary Market Potential' (referred to as the Market Assessment hereafter). The LocationIQ report provided an economic assessment to support the land use proposed and, more specifically, assessed the potential for retail and non-retail employment floorspace proposed in the Narromine Urban Release Area (NURA) as part of a new residential estate. Council has since engaged HillPDA to peer review the Market Assessment and consider how the Planning Proposal aligns with Council's Employment Land Strategy (ELS) and commercial hierarchy and its potential impacts on the B1 and B4 land currently being planned for in the North West Urban Release Area (NWURA).

### **1.1 Study Aims and Objectives**

The purpose of this Study is to assess the accuracy, consistency and transparency of the Market Assessment undertaken by LocationIQ and provide an independent opinion on:

- the validity of the assumptions and methodology used
- the Planning Proposal's alignment to the ELS
- the potential impacts of the Planning Proposal on the B1 and B4 land currently being planned for in the NWURA.

### **1.2 Study Structure**

To meet the requirements of the brief, we have structured this Study as follows:

- **Section 1.3 Proposal Context:** This section provides a brief over of the local context of the Subject Site and Planning Proposal particulars.
- **Section 1.4: Peer review of the Market Assessment:** This section assesses the Market Assessment's key findings, including the trade area definition, projected population, retail expenditure capacity, competitive environment, floorspace provision recommendations. An independent retail and demand analysis is undertaken to inform the recommended retail centre size for the Subject Site.
- **Section 1.5: Recommended Centre Size:** This section outlines the recommended centre size.

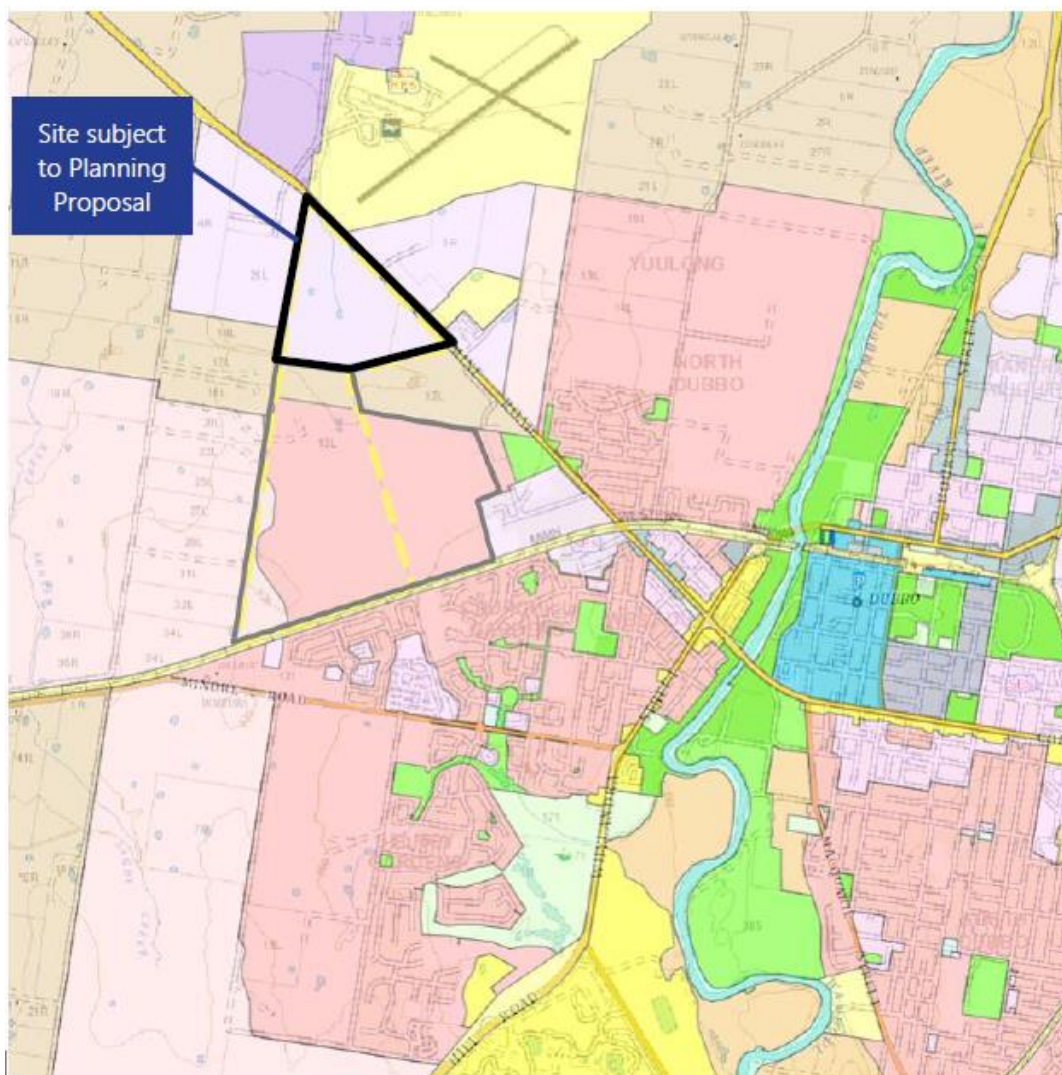
- **Section 1.5: Implications on the NWURA B1 and B4 zones:** This section considers the impacts that a centre at the Subject Site could potentially have on the NWURA.
- **Section 1.6: Alignment to ELS:** This section considers the Planning proposal's alignment to the ELS.

## 1.3 Planning Proposal Context

### 1.3.1 Local context and the Subject Site

The Subject Site is located at the northern end of 13L Narromine Road, Dubbo, and will form part of a new master-planned urban release area comprising both residential and employment land uses (referred to as NURA). The planned urban area will be delivered by the Proponent and upon completion is anticipated to accommodate 1,650-1,750 dwellings (5,000 to 6,500 residents) across the wider 270Ha of residential and employment zoned land. The Subject Site (shown in Figure 1) is adjacent to the existing TAFE facility and arterial road and immediately north of the planned sports field site, currently zoned RU2 Rural Landscape. The Subject Site received Development Consent in May 2022 to be separated from remaining land at Lot 22 DP 1038924. It is understood that the remaining land and adjoining Bathla parcel will be progressively delivered as part of the adjoining Stage 4 South West District forming part of the West Dubbo Urban Release Area.

**Figure 1: Subject Site**



Source: GLN Planning (2022), Planning Proposal – 13L Narromine Road, Dubbo

### 1.3.2 Planning Proposal Particulars

The Planning Proposal seeks to rezone the IN2 Light Industrial zones at the Proposed Lot 221 in the subdivision of Lot 22 DP 1038924 to B2 Local Centre and B5 Business Development Zones. The Planning Proposal states that the intended outcomes of the Planning Proposal are to:

- *zone land to B5 to meet the long term demand for a mix of business, warehouse and specialised retail premises that require a large floor area to meet the projected undersupply of this floorspace to service Dubbo's future residential development in the west.*
- *zone land to B2 to enable convenience local shops located close to the adjacent to sports field and potential new school site that will service the future residential release areas and surrounding industrial areas.*

### 1.4 Peer review of the Market Assessment

The methodology LocationIQ used in Market Assessment was to:

1. Define the trade area likely to be served by a retail centre at the Subject Site.
2. Review the current and projected population and retail spending levels over the period to 2041.
3. Consider existing and proposed competitive developments within the area surrounding the subject site and trade area.
4. Consider comparable towns retail mixes.
5. Apply the average non-metropolitan provision benchmark rates and capture rates to estimate the potential for supermarket floorspace as well as retail specialty, medical centre and gym floorspace.
6. Analysis of supply and demand of B5 Business Development and IN2 Light Industrial Land.

Overall, we were satisfied with their methodology, but we do have a few concerns with some of the assumptions and outputs which is discussed below.

#### 1.4.1 Trade Area

LocationIQ have defined the main trade area for a retail centre at the subject site to include two sectors as follows:

- *A primary sector bounded to the south by a railway line and extends north and east limited by the Macquarie River. The sector is constrained by the extent of the urban area to the west.*
- *A secondary sector which includes West Dubbo, Delroy Park, and Grangewood, bounded to the north by the railway line and east by the Macquarie River and Peak Hill Road. The sector is also limited by the extent of the urban area to the south and west.*

LocationIQ makes the following assumptions in defining their trade area:

- The North-West Urban Release Area will accommodate 2,600 dwellings (7,500 residents) and a potential neighbourhood centre in the next 20 years. The subject urban release area (referred to as NURA in the Market Assessment) and the NWURA will be able to support its own retail centre once sufficient population has occurred in the immediate release areas themselves.
- An improved road connection will be delivered in the future that will provide access across the railway and connect residents within the secondary sector to the primary sector and in turn the proposed retail centre at the subject site. They note that this connection is still yet to be finalised.

HillPDA believe that the trade area defined by LocationIQ is greater than we would expect for the following reasons.

**Reason 1:** The Draft North-West Precinct Plan updated on 16<sup>th</sup> September 2020 proposes that the NWURA will accommodate 5,000-6,000 dwellings (12,500 – 15,000 residents) upon completion and has the capacity to support a new Neighbourhood or Precinct Centre to service the future population in the Precinct. The Draft Plan also stipulates that the precinct area will *“have the ability to support various mixed use commercial and residential developments.”* Moreover, this area *“will enable a range of small-scale commercial development, including convenience retail premises, business premises, medical centres and community uses within easy walking distance. Shop top housing is encouraged in the zone”*. The proposed land use zoning map indicates that the B1 Neighbourhood Centre zoned land will occupy 3.0Ha, with a further 26.7Ha of B4 Mix Use land surrounding the Neighbourhood Centre. Based on these areas and population catchment it can be assumed that Neighbourhood Centre will provide 6,000+sqm of GLAR, with a significant provision of shopfront retail and commercial uses also likely to occupy the ground floor areas in the B4 zone. For this reason we **do not** believe the primary sector of the proposed centre on the subject site should extend further east of Narromine Road.

**Reason 2:** Notwithstanding that there is no confirmation that a road connection between primary sector and secondary will be delivered in the future (thereby improving access to the Subject Site from the south) these residents will still likely continue to undertake the majority of their food and grocery shopping at the Delroy Park Square (which includes a Woolworths of 2,900sqm and supporting specialty) and higher order shopping at Dubbo CBA and Orana Mall Marketplace. Moreover, the Planning Proposal prepared by GLN also acknowledges the poor connection between the two sectors even after the planned future road connections. Given the poor connection and competition to the south, we do not believe the secondary sector should form part of the main trade area for the proposed retail centre at the Subject Site.

Based on the above, we consider the trade area should largely be contained to NURA and the rural properties within 5km to the north of NURA.

The smaller trade area (referred to as the revised trade area hereafter) and corresponding population catchment will have substantial implications on the provision of supermarket floorspace which can be supported on the Subject Site. For this reason, the next section (Section 1.4.2) considers the potential for retail floorspace based on this revised trade area.

## 1.4.2 Retail demand modelling

This section provides a forecast of the demand for retail floor space in the revised trade area based on population growth and expenditure levels. This method differs from the approach adopted by LocationIQ (i.e. applying the average non-metropolitan supermarket provision benchmark rates and capture rates to estimate the potential for supermarket floorspace).

### 1.4.2.1 Revised Trade Area population growth

As at 2021 the revised trade area had a population of 470 residents based on ABS Census 2021 data. The population is forecast to reach 5,500 to 6,000 by 2041 as shown in the table below, which equates to a growth rate of around 13% per annum. The forecasts are based on expected development yield of the masterplan provided by Bathla Group and assume 1,650-1,750 dwellings are fully occupied over the periods 2026-2041(which is consistent with the Market Assessment) and less than 1% growth rate for the rural areas to the north of NURA. Note, if the residential development uptake occurs at a slower rate than projected, the timing for the retail and commercial uses may need to be delayed accordingly.

**Table 1: Revised Trade Area population growth rates**

Year	2021	2026	2031	2036	2041
Low growth Scenario	470	780	2,300	3,800	5,500
High Growth Scenario	470	780	2,780	4,780	6,000

Source: ABS Census 2021

### 1.4.2.2 Resident expenditure

Total forecast sales from the revised trade area residents is shown in the table immediately below.

**Table 2: Forecast expenditure from trade area residents (2020 dollars) (\$m)**

Year	2021	2026	2031	2036	2041
<b>Low Growth Scenario</b>					
Population	470	780	2,300	3,800	5,500
Supermarkets and grocery stores	2.3	4.0	12.4	21.6	32.9
Specialised food stores	0.6	1.0	3.0	5.0	7.4
Bulky goods stores	1.1	1.9	5.9	9.9	14.7
Department stores	0.4	0.6	1.8	3.0	4.3
Apparel stores	0.7	1.1	3.4	5.7	8.5
Other non-food stores	0.9	1.6	4.8	8.1	12.0
Restaurants and fast-food services	0.7	1.2	3.8	6.6	10.1
Personal services	0.2	0.4	1.3	2.1	3.1
<b>TOTAL</b>	<b>6.9</b>	<b>11.9</b>	<b>36.2</b>	<b>62.0</b>	<b>93.0</b>
<b>High Growth Scenario</b>					
Population	470	780	2,780	4,780	6,000
Supermarkets and grocery stores	2.3	4.0	15.0	27.2	35.8
Specialised food stores	0.6	1.0	3.6	6.3	8.1
Bulky goods stores	1.1	1.9	7.1	12.5	16.0
Department stores	0.4	0.6	2.2	3.8	4.7
Apparel stores	0.7	1.1	4.1	7.2	9.3
Other non-food stores	0.9	1.6	5.8	10.2	13.1
Restaurants and fast-food services	0.7	1.2	4.5	8.3	11.0
Personal services	0.2	0.4	1.5	2.7	3.4
<b>TOTAL</b>	<b>6.9</b>	<b>11.9</b>	<b>43.8</b>	<b>78.0</b>	<b>101.5</b>

Assumes real growth in retail spend per person per annum at the rates of 1% in food and groceries, 1.2% in food services, 0.5% for non-food retail and -0.25% for department stores generally in line with historic trends over the past 3 decades. Weighted average is around 0.75% per annum.

Sources: ABS Census 2021, ABS Retail Turnover, ABS Household Expenditure Survey and HillPDA

Estimating potential retail sales of a retail centre in the revised trade area is done by applying capture rates to household expenditure. A high proportion of food, groceries and regular shopping goods and services is usually done close to home as shoppers generally have a preference to minimise travel time and cost when undertaking 'chore shopping'. This is manifested in the retail hierarchy where smaller centres are generally anchored by supermarkets and comprise a range of specialty stores in food, groceries, personal services (hair/beauty, pharmaceuticals, etc) and other regular service categories. The fewer and larger regional centres such as Dubbo CBD and Orana Mall are generally anchored by larger stores, department stores and have a more specialist retailers in fashion, homewares, and other comparative goods as well as a range of entertainment and commercial services. Usually trips to these centres are less frequent and shoppers are prepared to travel further. Note we have applied a lower capture rate of 50% for the supermarket compared to Market Assessment's, 75% to account for the stronger retail offer which is likely to be provided in the North-West urban release Area.

The table immediately below shows total potential retail sales in the revised trade area:

**Table 3: Total forecast potential retail sales in the trade area (2021 dollars) (\$m)**

Year	Capture	2021	2026	2031	2036	2041
<b>Low Growth Scenario</b>						
Supermarkets and grocery stores	50.0%	1.2	2.1	6.5	11.3	17.2
Specialised food stores	50.0%	0.3	0.5	1.5	2.6	3.9
Bulky goods stores	-	0.0	0.0	0.0	0.0	0.0
Department stores	-	0.0	0.0	0.0	0.0	0.0
Apparel stores	-	0.0	0.0	0.0	0.0	0.0
Other non-food stores	10.0%	0.1	0.2	0.5	0.8	1.3
Restaurants and fast-food services	15.0%	0.1	0.2	0.6	1.0	1.6
Personal services	15.0%	0.0	0.1	0.2	0.3	0.5
<b>TOTAL</b>	<b>24.2%</b>	<b>1.8</b>	<b>3.0</b>	<b>9.4</b>	<b>16.2</b>	<b>24.5</b>
<b>High Growth Scenario</b>						
Supermarkets and grocery stores	50.0%	1.2	2.1	7.9	14.3	18.8
Specialised food stores	50.0%	0.3	0.5	1.9	3.3	4.2
Bulky goods stores	-	0.0	0.0	0.0	0.0	0.0
Department stores	-	0.0	0.0	0.0	0.0	0.0
Apparel stores	-	0.0	0.0	0.0	0.0	0.0
Other non-food stores	10.0%	0.1	0.2	0.6	1.1	1.4
Restaurants and fast-food services	15.0%	0.1	0.2	0.7	1.3	1.7
Personal services	15.0%	0.0	0.1	0.2	0.4	0.5
<b>TOTAL</b>	<b>24.2%</b>	<b>1.8</b>	<b>3.0</b>	<b>11.3</b>	<b>20.4</b>	<b>26.7</b>

Please note also that the above figures make an allowance for 5% of turnover to be derived from sources outside the trade area. This includes residents that live further to the south and east, visitors from the proposed bulky goods component at NURA and day trippers.

#### 1.4.2.3 Demand for retail space

Demand for retail space is estimated by dividing potential retail sales by industry standard retail turnover density (RTD) levels. The results are shown in the table immediately below.



**Table 4: Retail Floorspace Demand (sqm)**

Store Type	Target RTD*	2021	2026	2031	2036	2041
<b>Low Growth Scenario</b>						
Supermarkets and grocery stores	10,500	115	201	622	1,080	1,643
Specialised food stores	7,500	40	68	207	350	519
Other non-food stores	6,000	16	28	84	141	210
Restaurants and fast food services	6,000	18	31	98	173	265
Personal services	6,000	6	11	33	56	83
<b>TOTAL</b>	<b>8,953</b>	<b>196</b>	<b>339</b>	<b>1,043</b>	<b>1,800</b>	<b>2,720</b>
<b>High Growth Scenario</b>						
Supermarkets and grocery stores	10,500	115	201	752	1,358	1,792
Specialised food stores	7,500	40	68	250	440	566
Other non-food stores	6,000	16	28	101	178	229
Restaurants and fast food services	6,000	18	31	119	217	289
Personal services	6,000	6	11	40	70	90
<b>TOTAL</b>	<b>8,953</b>	<b>196</b>	<b>339</b>	<b>1,261</b>	<b>2,264</b>	<b>2,967</b>

\* Sources: Various including ABS Retail Surveys, Shopping Centre News, Urbis Retail Averages, Property Council of Australia, various consultancy studies and HillPDA research

With no other retail facilities provided or planned within the revised trade area, the above retail demand analysis suggests that the revised trade area could support Market Assessment's Stage 1 proposal by 2041. That is a supermarket of up to 1,500sqm and 800-1,000sqm of retail specialty shops. This will allow for a small provision of other food services and the like to be provided with the bulky goods retailing proposed as part of NURA and elsewhere in the trade area.

Note, that if the proposed centre at the Subject Site was developed prior to the Neighbourhood Centre at the NWURA, it would have a trade area that extends into the NWURA. mean that the proposed retail centre at NURA could also service the NWURA residential population in the interim and could be delivered as early as 2031 to 2036. Once the Neighbourhood Centre opens, the proposed retail centre will likely lose trade from residents in the NWURA.

The revised trade area population would not be able to support the Stage 2 proposal (i.e. 3,000sqm supermarket and 1,000-1,400sqm of retail specialty shops). For this reason we advise against proceeding with Stage 2 development at this stage. Stage 2 would only be viable for a trade area of at least 8,000 people. In the long term there may be an argument to support Stage 2, if for example, the centre at NWURA was overtrading and additional competition was deemed to be a healthy measure of correction. However that is speculation in relation to a possible long term scenario.

#### 1.4.2.4 Demand for retail space using average supermarket provision method

The above analysis has been cross-checked against LocationIQ's method of applying the average provision in non-metropolitan supermarket floorspace for NSW (410sqm per 1,000 persons) and 75% capture rate (which as discussed previously, we consider to be bullish given the likely stronger retail offer likely to be provided at NWURA) to the revised trade area. The second method suggests there is demand for 700 to 850 sqm of supermarket floorspace by 2031, increasing to 1,700 to 1,850sqm in 2041, with the calculations shown in the table below. Again, this supports the above findings that Subject Site could support the Stage 1 proposal by 2041. As previously discussed, the retail centre may be developed as early as 2031-36 if the retail centre were developed prior to the Neighbourhood Centre for reasons outlined above.

**Table 5: Supermarket floorspace provision for Subject Site using Method 2**

Category	2021	2026	2031	2036	2041
<b>Low growth scenario</b>					
Population (persons)	470	780	2,300	3,800	5,500
Supportable Supermarket Floorspace Non-metro NSW	193	320	943	1,558	2,255
Supportable floorspace (@75% of total)	145	240	707	1,169	1,691
<b>High growth scenario</b>					
Population	470	780	2,780	4,780	6,000
Supportable Supermarket Floorspace Non-metro NSW	193	320	1,140	1,960	2,460
Supportable floorspace (@75% of total)	145	240	855	1,470	1,845

\* Sources: Market Assessment, ABS Census 2021 and HillPDA research

### 1.4.3 Medical centre, gym and childcare potential

The Market Assessment indicates that 12.8 GPs are provided for every 10,000 residents in Australia. A source for these assumed rates was not provided. The Australian Institute of Health and Welfare (AIHW) indicate the rate for medical practitioners is much higher at 420 full-time equivalent (FTE) per 100,000 persons which equates to 4.2 per 1,000 persons. Based on the revised trade area this would suggest the trade area could support up to 25 medical practitioners by 2041 based on the AIHW provisional rate and up to 7 based on the Market Assessment rate. This suggests the revised trade area could support a small scale medical centre on the Subject Site.

Similarly, the Market Assessment indicates that national gym brands typically serve a catchment of 50,000-70,000sqm, whilst smaller format gyms typically serve a catchment of 10,000 persons. Again a source for the data is not provided. A desktop<sup>1</sup> review reveals that gym operators typically target a catchment of 20,000 to 60,000 persons pending on the scale of the gym, with smaller scale gym facilities (i.e. 200sqm) lower at around 10,000 persons. As such, the Market Assessment assumptions appear reasonable. With a trade area population of around 5,500 to 6,000 persons, this would suggest that there a gym facility would not be supportable, with the NWURA a more appropriate location to accommodate a second gym. As such, we agree with Market Assessments conclusion that *“a gym may have limited potential at the Subject Site and should only be considered if tenant demand is experienced”*.

In terms of the childcare centres, based on a review of growth centre planning codes,<sup>2</sup> proposed provisional rates provided in the Market Assessment, the revised trade area could potentially support a childcare centre over the forecast period.

### 1.4.4 Other concerns

Other issues identified in the Market Assessment:

- The population forecasts presented in Table 2.1 are not consistent with the text presented in the Executive Summary and Section 2.2 (i.e. in the Executive Summary and Section 2.2 it states there is 17,080 persons in the Main Trade Area and 8,270 persons in the Primary Sector, whilst Table 2.1 shows there is 17,489 persons in the Main Trade Area and 8,357 persons in the Primary Sector) or the population forecasts presented in Table 5.1. The discrepancies are relatively minor and would not have impacted the Market Assessment’s overall analysis or conclusions.
- The population forecasts assumed for the NWURA (i.e. at 7,500 persons) were under represented, with the Draft North-West Precinct Plan forecasting 12,500 – 15,000 residents. Moreover, the Market Assessment concludes that the immediate catchment could support a Neighbourhood Centre at the NWURA which is similar in size to that proposed centre at the Subject Site (which we assume to mean

<sup>1</sup> The Gym group Full year Results, 2020; Strategies for success in the fitness arena: jets and various other consultancy reports

<sup>2</sup> NSW Growth Centre Development Code 2006, SEQ Growth Centres 2007, Growth Vic, 2008



a 5,6000-6,000sqm centre). Given the larger population catchment at NWURA, we would anticipate that the immediate catchment population could support a Neighbourhood Centre of up to 6,000sqm, including a full-line supermarket and potentially a smaller scale second supermarket at the centre over time if population grows at a higher rate (i.e. the high growth scenario). Based on the primary sector population (and allowing for a further 4,500-7,500 residents in the North-West Release Area) this would suggest that there is limited potential to provide a full line supermarket at both the NWURA and the Subject Site. Rather a smaller scale supermarket (i.e. up to 1,500sqm) at the Subject Site to service the immediate population catchment would be more appropriate. The recommended size for the centre at the Subject Site has been addressed and accounted for in the revised Trade Area and Section 1.4.2 analysis and discussed in Section 1.5.

- The Executive Summary suggests Stage 1 could be delivered as early as 2026, whilst the analysis and conclusions in the body of the Market Assessment indicates 2031. As discussed above, we believe 2031-2036 is a more appropriate timeframe and this assumes that the residential development uptake surrounding the subject site and the NWURA Area occurs at the projected rates and the Neighbourhood Centre is delivered after the centre at the Subject Site. If it occurs at a slower rate than projected and/or the Neighbourhood Centre is delivered prior or at the same time the centre at the Subject Site, the delivery of the centre at the Subject Site should be delayed until a sustainable immediate population catchment is reached.

## 1.5 Recommended Centre Size

As established in the retail demand analysis the revised trade area could support up to 2,500sqm of retail floorspace, including a supermarket of 1,500sqm on the Subject Site once there is sufficient population. Allowing for another 20% of non-retail specialty (banks, real estate agents, medical services) which is typical for centres of this scale would suggest the Subject Site could support a centre of around 3,000sqm. This is consistent with Market Assessment's Stage 1 indicative floorspace recommendations. They also propose a further freestanding Service Station of around 250sqm which we consider reasonable if it is provided with main road exposure. This brings the total centre size to around 3,000-3,200sqm. In terms of timing, the retail centre may be developed as early as 2031-36 if the retail centre were developed prior to the Neighbourhood Centre for the reasons outlined above.

## 1.6 Implications on the NWURA B1 and B4 zones

We anticipate that a centre of 3,000-3,200sqm would not have any significant impacts for the B1 to B4 zoned proposed at the NWURA. It would be a relatively small-scale centre serving the convenience needs of the new residents in the immediate catchment. Moreover, the projected population at the NWURA has the capacity to support a Neighbourhood Centre, without having to rely on trade from residents at NWURA. As such it is unlikely that the retail centre at the Subject Site will re-direct sales from the Neighbourhood Centre (or other existing centres in the locality).

If, however, Market Assessment's Stage 2 is delivered on site (i.e. a centre of 5,600-6,000sqm) we anticipate that this may have some implications on the Neighbourhood Centre at the NWURA, potentially delaying its delivery or undermining its performance. The more likely scenario, however, is that the trade area of the Subject Site would contract to Narromine Road and it would lose a significant level of market share.

## 1.7 Alignment to ELS

HillPDA agree with both GLN Plannings and LocationIQ's findings that the Planning Proposal's implementation of the B5 Business Development Zone is supported by the ELS. We also agree with GLN's assertion that, although a local centre at the Subject Site was not referenced in the ELS, the future residents of the NURA would benefit from a local scale centre, particularly given they are not well connected to other local retail offers. Moreover, a

local centre of 3,000-3,200sqm would not undermine the employment function associated with the Employment Precinct. On the contrary it would improve amenity, providing important services that would contribute to the success of the employment zone.

Yours sincerely,

**Draft**

.....

**Adrian Hack**

***Principal, Urban and Retail Economics***

M. Land Econ. B.Town Planning (Hons). MPIA

[Adrian.Hack@hillpda.com](mailto:Adrian.Hack@hillpda.com)

