

1 KELLICAR ROAD, CAMPBELLTOWN

RETAIL MARKET ASSESSMENT

Prepared for AV Jennings
Final 2023

COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

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The uncertainty has and is continuing to impact the Australian real estate market and business operations. The full extent of the impact on the real estate market and more broadly on the Australian economy and how long that impact will last is not known and it is not possible to accurately and definitively predict. Some business sectors, such as the retail, hotel and tourism sectors, have reported material impacts on trading performance. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

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We acknowledge, in each of our offices, the Traditional Owners on whose land we stand.

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Project Background

Urbis Pty Ltd (Urbis) has been commissioned by AV Jennings to undertake a market assessment of the market supportability of ground floor retail development within a mixed-use development at 1 Kellicar Road, Campbelltown (subject site). This analysis will assess the market potential for retail by assessing the future resident population of the site, growth potential of the Macarthur area and the supply and demand expected in the trade area over the coming years.

Subject Site Context

The potential for retail on the subject site will be limited by the major competition from the two major shopping centres being located within 1km from the site and relatively constrained accessibility by both car and walking. As such, demand for retail at the subject site will be driven primarily by on-site residents and their convenience-based needs.

Commercial Assessment

As outlined in the Imagining Campbelltown report, there is potential for health and education development within the Campbelltown Health and Education Precinct. In addition, the Draft Campbelltown Strategic Review of Employment Land highlights the need for additional commercial development in the Campbelltown-Macarthur Centre. However, this does not mean that every site in the CHEP has potential for higher order health and commercial uses.

Due to the location of the site and accessibility constraints, major health and education uses are not suitable uses. Health uses are better located closer to the hospital where there is already an agglomeration of the hospital, medical suites and health research. Education uses are better located in the already developing education precinct surrounding Western Sydney University and the TAFE Campbelltown Campus with medical related education suited to the hospital precinct. Major commercial space is best placed in the commercial core area of the CBD

The projected floorspace demand once all on-site apartments have been developed suggests that any higher quantity of commercial floorspace is not supportable. As such, there is insufficient demand to support commercial space on the ground floor of each building of the proposed development with ground floor residential activation recommended.

Retail Assessment

We have projected the floorspace demand for retail at the subject site in 2034 (assumed build out year for the apartments) by considering the future residential population on site, their projected spending, and current and proposed retail competition impacting the site. The floorspace demand assessment indicates that around 350sq.m of retail floorspace is supportable, with the majority of this being comprised of food retail.

As shown in Table 1, Urbis recommends a total commercial floorspace of up to 600sq.m, including 350sq.m of retail and 250sq.m of non-retail floorspace. Of the 350 sq.m of retail floorspace, 200 sq.m would be able to support a small grocery store/supermarket, and the remaining 150 sq.m can support food catering or retail service tenants. Up to 250 sq.m of non-retail floorspace may be used to service a small gym/studio or childcare centre. The provision of additional retail space over and above the recommended 600 sq.m is likely to be challenging to tenant.

Indicative Retail Composition Table 1

	GLA (SQ.M)	% OF TOTAL GLA	INDICATIVE NO. OF TENANTS
Food & Groceries	200	33%	1 (e.g. Foodworks, Supa IGA, or Asian Grocer)
Food Catering	100	17%	1-2 (e.g. café, takeaway food)
Retail Services	50	8%	1-2 (e.g. dry cleaner/laundromat, hairdresser, barber)
Total Retail	350	58%	
Non Retail	250	42%	2-3 (e.g. medical centre / suites, childcare centre)
Total Precinct	600	100%	~5-8

Source: Urbis

INTRODUCTION

INTRODUCTION

Overview

PROJECT BACKGROUND AND PURPOSE

AV Jennings requires independent market analysis to support a development application / planning proposal for 1 Kellicar Road in the Macarthur Town Centre. The aim of the report is to assess the market demand for ground floor retail floorspace on the site. Key questions to be answered include:

- What is the state of the retail market in the Macarthur Town Centre?
- What is the role of retail on the site in the context of nearby competitors?
- What is the demand from future onsite residents?
- Where on the site is retail best suited?
- What is the potential for ground floor retail at the site?
- What is a supportable tenant mix?

REPORT STRUCTURE

The analysis presented in this report is structured as follows:

- Subject site overview and the surrounding economic context
- Trade area definition
- Population and spending projections
- Success drivers and SWOT
- Supportable floorspace
- Indicative tenancy mix.

SUBJECT SITE OVERVIEW

SUBJECT SITE CONTEXT

Overview

The subject site is situated at 1 Kellicar Road, Campbelltown within the City of Campbelltown LGA. It consists of one lot which covers an area of 23,002 sq.m. It is zoned B4 Mixed Use which allows for the development of residential apartment buildings and with consent. In addition, any building currently built on B4 zoning is required to have an active street frontage, including ground floor retail or commercial uses for areas of the development which are street facing.

The subject site is enclosed by Menangle Road to the north and Kellicar Road to the south. Gilchrist Drive to the west is an elevated road which runs over the north-west portion of the subject site, before declining to street level and becoming the sites western boundary. Bugden Place to the east is an access road to the subject site via Kellicar Road.

The subject site is currently occupied by a single storey warehouse building which covers a central area of approximately 13,000 sq.m. The remainder of the site is mostly accounted for by the associated at-grade car park and loading docks. Koala currently operates a factory outlet store for mattresses from this building.

Subject Site Context

Map 1



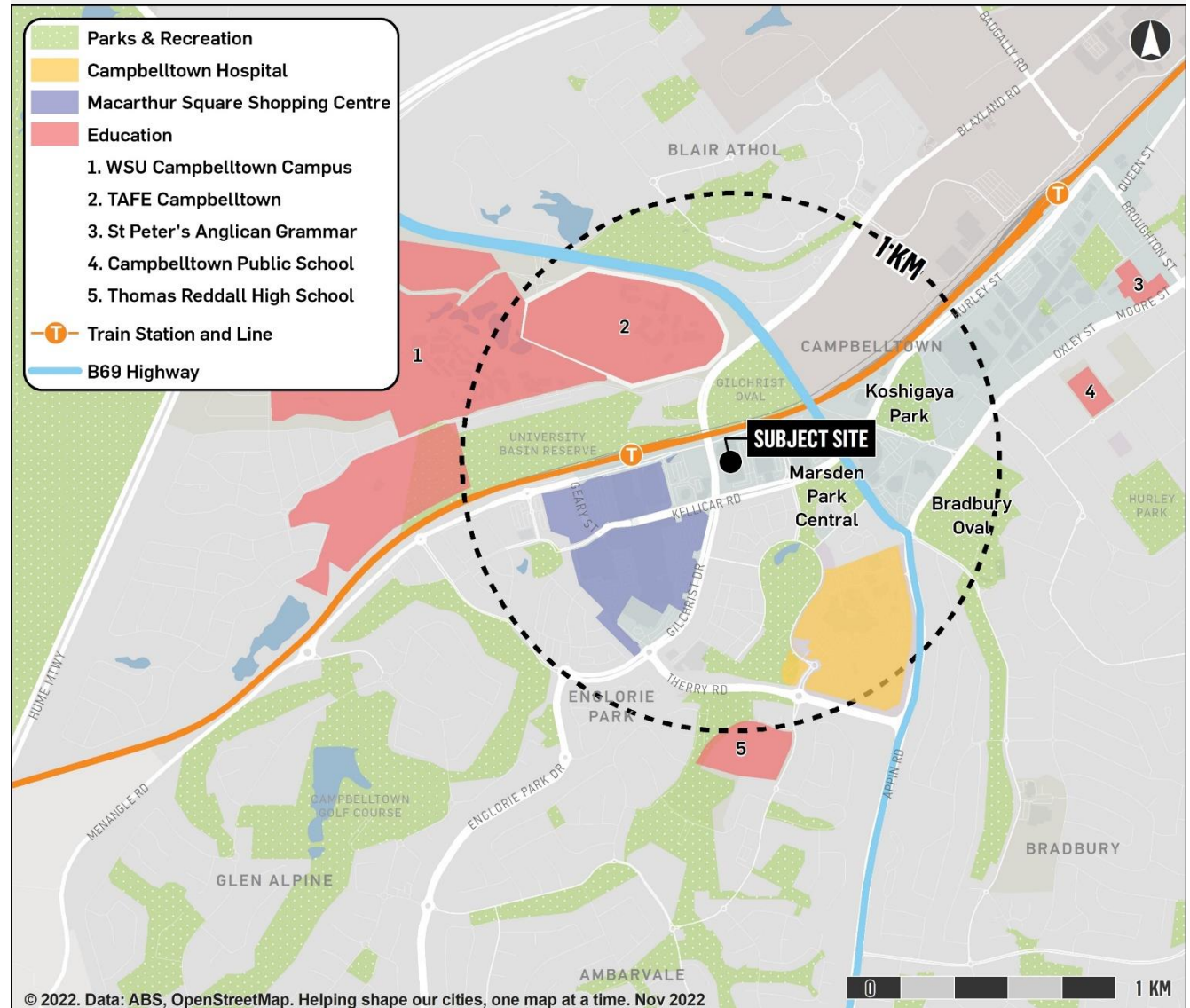
LOCAL CONTEXT

Overview

The subject site enjoys close proximity to several key services and amenities comprising:

- The Macarthur Square shopping centre is located a 350 metre walk west of the subject site. It is a regional shopping centre with multiple full line supermarkets and provides retail and dining opportunities. The presence of The Macarthur Square shopping centre is located a 350 metre walk west of the subject site. It is a regional shopping centre with multiple full line supermarkets and provides retail and dining opportunities. The presence of this shopping centre provides significant amenity to residents in across the Macarthur Region this shopping centre provides significant amenity to residents in across the Macarthur Region.
- Transport opportunities are provided by the nearby Macarthur train station (350m west) and bus services along Kellicar Road.
- The subject site is located within the Campbelltown Health and Education Precinct. The precinct consists of Macarthur Square, Campbelltown Hospital, NSW TAFE Campbelltown and WSU Campbelltown campus. This precinct provides significant employment opportunities to future residents in close proximity to the subject site. Further employment opportunities are in nearby employments lands located in Campbelltown, Leumeah, Minto and Ingleburn (shown in Map 3, overleaf). The development of the future Western Sydney Aerotropolis around Badgerys Creek will add significant employment to the region.
- There is also several schools in Macarthur and its surrounds including the nearby Thomas Reddall High School. Other nearby schools include Campbelltown Public school and Campbelltown Performing Arts Public School

Local Context



REGIONAL CONTEXT

Overview

The Macarthur Region is set to undergo significant change due to several significant infrastructure projects and strategic planning outcomes.

Stage 1 of the Western Sydney Airport (WSA) is expected to be complete and operational by around 2026. Stage 2 is only proposed and represents a long term opportunity for the region if approved. The employment precincts surrounding the airport are expected to leverage the WSA by delivering significant employment lands. Other significant infrastructure projects in the region that will benefit the site include:

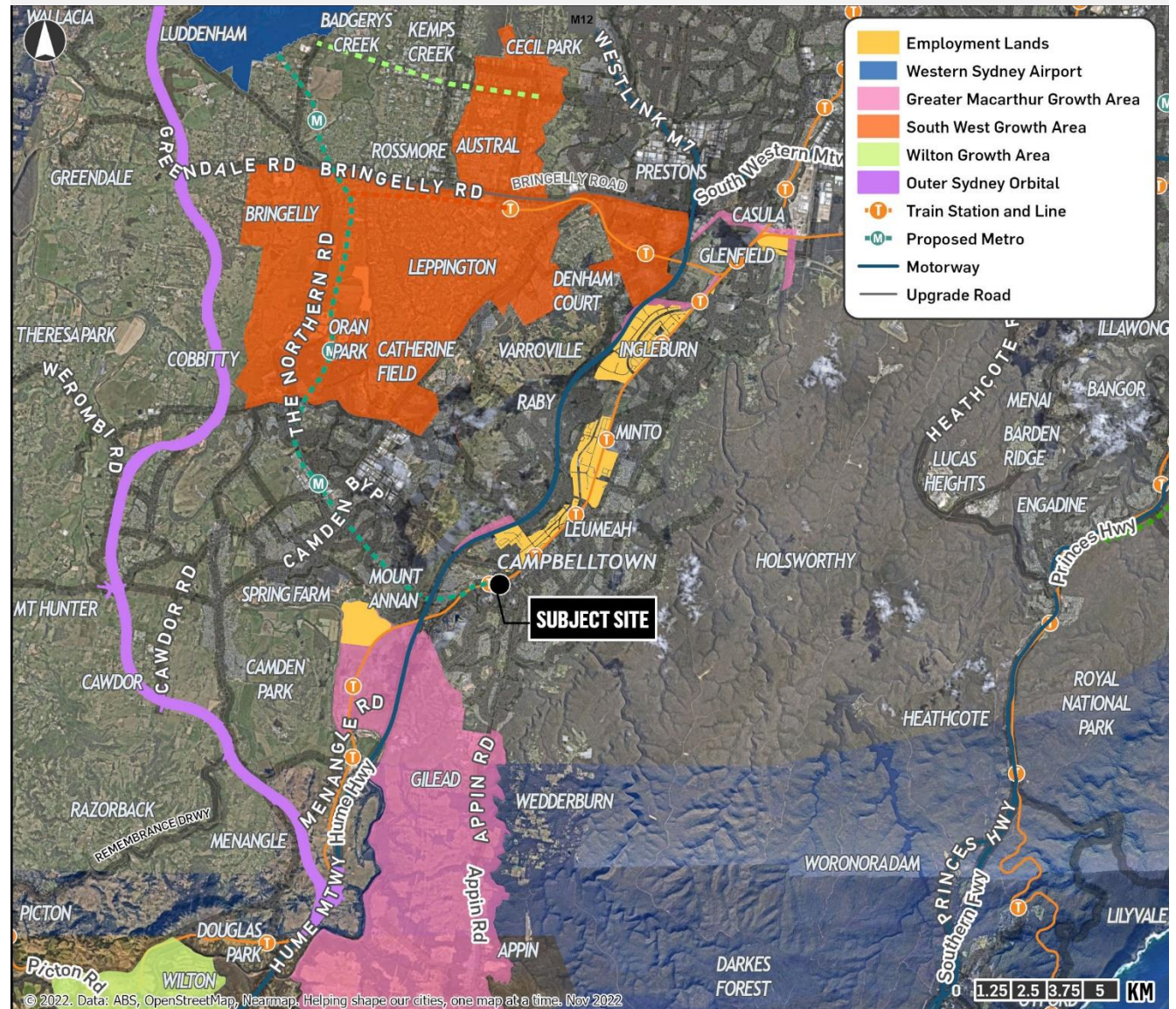
- The Sydney Metro North-South Rail Line extending from St Marys to Macarthur via the Western Sydney Airport (WSA section from St Marys to WSA station expected to be complete by 2026).
- South West Rail Link Extension from the existing Leppington Station to the new North-South Rail Line
- Outer Sydney Orbital Road (~2030 completion)
- Northern Road Widening (completed 2021)
- Campbelltown Hospital upgrade Stage 2 (completed 2023).

There has also been significant greenfield residential activity including:

- South West Growth Area
- Greater Macarthur Growth Area
- Wilton Growth Area

These greenfield release areas from these growth areas are expected to support around 156,000 dwellings (mostly low-density) once fully developed.

Regional Context



PROPOSED DEVELOPMENT

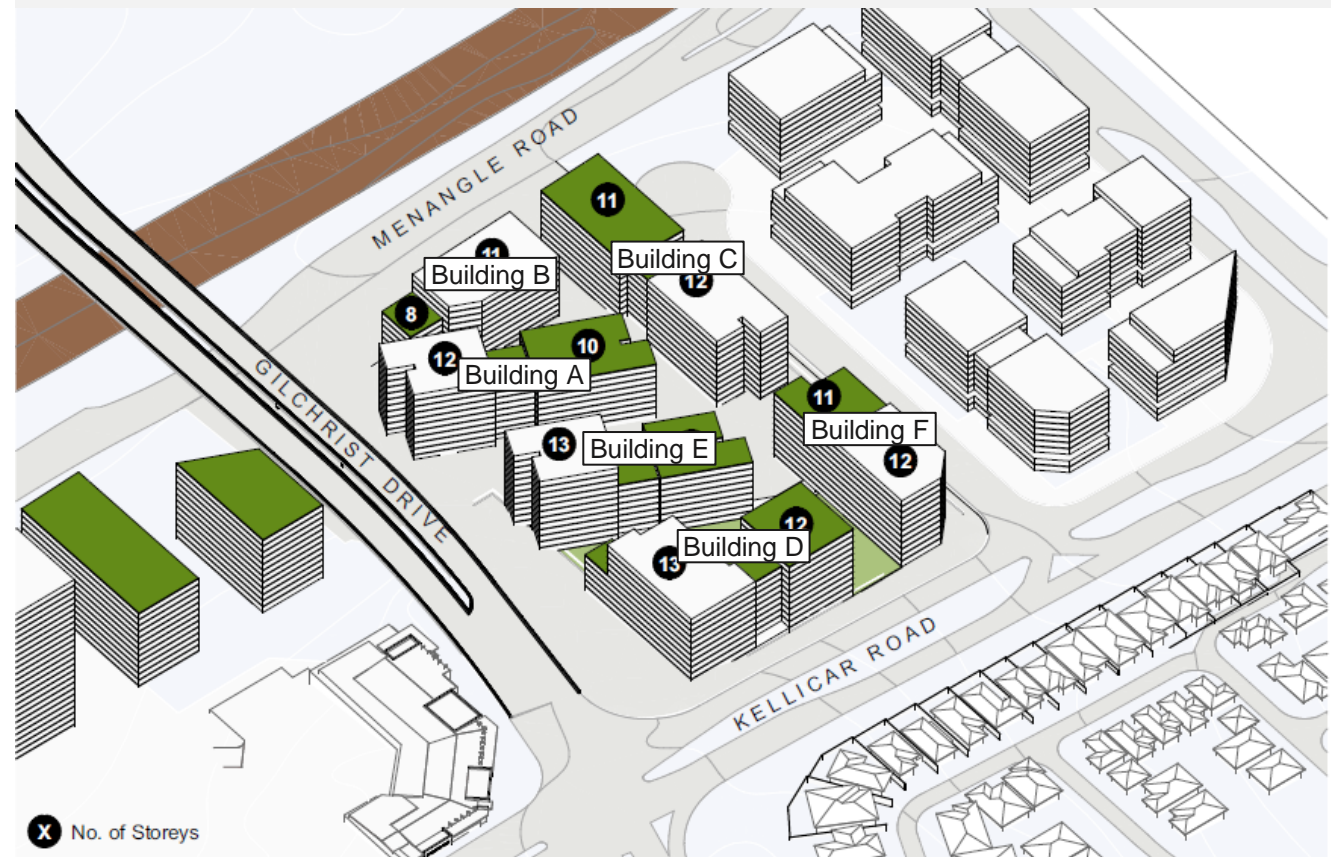
Overview

Figure 1 shows the proposed development including proposed building storey heights and building labels. Key features of the development include:

- A total of 813 apartments are proposed across six buildings. These apartments will be split between 178 one bedroom, 474 two bedroom, and 101 three-bedroom apartments.
- 600 sq.m of retail/commercial floorspace is set to be included on the ground floor of buildings C and F, with frontage to Bugden Place.
- Buildings A, B and C are set to be completed in 2028, with the following buildings set to be developed in line with demand.

Proposed Development

Figure 1



Source: AV Jennings

ECONOMIC ENVIRONMENT

REVITALISING CAMPBELLTOWN

Overview

The Re-Imagining Campbelltown City Centre Masterplan (2020) defines the key strategic position for future development within Campbelltown, and its role in the broader Macarthur region. The plan has significant implications and benefits for the proposed residential development.

Within the three core regions of Macarthur, Campbelltown, and Leumeah, Campbelltown Council has set a target of 15,609 additional dwellings. Macarthur is expected to deliver 27% of these dwellings.

1 Kellicar Road is contained within the “City Centre Living” zone, which has a focus on providing the greatest level of amenity as the centre of the Macarthur region, supporting health facilities, educational and research facilities and retail and commercial land.

Due to the subject's site location on the edge of the Macarthur CBD, the site is not well suited for major health or education uses. Mixed use health precincts are more suited to being located closer to the Campbelltown Hospital. An example of these developments is the mixed-use commercial space along Hyde Parade, directly north of the hospital, providing specialist medical services and some supporting café and takeaway food. Education uses are more suited in the developing education precinct surrounding Western Sydney University and the TAFE Campus, along Narellan Road. As such, it is recommended that the site is used as ancillary residential space, to support the growing population and workforce in the city centre.

Macarthur is also expected to be a significant area of growth, building on the existing cluster of knowledge intensive institutions, and developing a health, knowledge and innovation precinct which encourages co-location of health, education, retail and ancillary retail.

Campbelltown City Centre Map 4

Map 4



Source: Re-Imagining Campbelltown City Centre Masterplan (2020)

DRAFT CAMPBELLTOWN STRATEGIC REVIEW OF EMPLOYMENT LAND

Overview

HillPDA Consulting was engaged by Campbelltown City Council to undertake a Strategic Review of Employment Land within the LGA. The Strategy outlines the projected demand for employment land uses across the LGA broken down by the centres and the capacity to supply floorspace. The Strategy also outlines strategic priorities and actions in response to the planning, supply and demand analysis.

Table 3 outlines the forecast additional retail and office floorspace demand projected between 2019 and 2041 under two population growth scenarios (TPA and Forecast Id). This includes between 93,500 – 204,000 sq.m of office space.

An assessment of the report indicates the undersupply of land capacity in the LGA and Campbelltown-Macarthur centre could be well overstated:

- The Strategy acknowledges that markets are dynamic and strategies should be regularly reviewed in order to adapt to shifting trends in land use, the economy and population requirements. The Covid-19 pandemic has resulted in a structural shift in the office market with people able to work from home part or full time. This will reduce demand for office space in Campbelltown than what was projected in the review. As the projections appear to have been undertaken in mid-2020, it appears that they have not allowed for the reduced need for commercial office space.
- The Strategy outlines that in calculating the capacity to supply new commercial floorspace, “Macarthur Square, Campbelltown Mall and residential flat buildings have also been excluded from Campbelltown’s capacity calculations under each capacity scenario.” It is unclear why Macarthur Square and Campbelltown Mall would be excluded as these are prime sites with clear capacity for increased density that would help create more vibrant centres with increased densification. These sites are located close to train stations and would benefit from office space on the site to increase overall activation and benefit the existing retail offering.

Table 5 on the following page outlines some of the key strategies and actions relevant to the subject site.

Additional Floorspace Demand, 2019-2041

Table 3

Component	TPA	Forecast Id
Retail	77,548	106,742
Office	93,500	204,000

Source: HillPDA

Centre Capacity Assessment, Campbelltown-Macarthur Centre

Table 4

	Ground Floor Capacity Scenario	Ground & First Floor Capacity Scenario
TPA		
Demand*	571,504	571,504
Capacity	252,708	505,416
Over/Undersupply	-318,796	-66,088
Forecast id		
Demand*	676,218	676,218
Capacity	252,708	505,416
Over/Undersupply	-423,510	-170,802

Source: HillPDA, *includes an additional 10% to the projected demand to translate NSA into GFA

DRAFT CAMPBELLTOWN STRATEGIC REVIEW OF EMPLOYMENT LAND

Draft Campbelltown Strategic Review of Employment Land - Strategies and Actions

Table 5

Strategy	Implication to Subject Site
<p>Strategy: Establish and reinforce a clear centre hierarchy across the LGA.</p> <p>Establish a clear centre hierarchy that provides clarity to the market around growth expectations and the desired role and function of centres. The hierarchy will serve to reinforce the commercial significance of the Campbelltown-Macarthur metropolitan cluster, including major anchor retailers, in providing significant and diverse employment, services and economic contribution to the LGA and broader region.</p>	<p>The Strategy outlines the importance of reinforcing the significance of the major retail anchors that includes Macarthur Square and Marketfair Campbelltown. Retail needs to be consolidated in key areas to maintain vibrant shopping centres. Including too much retail on the subject site will undermine this hierarchy with Macarthur Square and Marketfair Campbelltown both located less than 50m from the subject site.</p>
<p>Strategy: Prioritise the growth and renewal of Campbelltown-Macarthur metropolitan cluster.</p> <p>Action: Prioritise and incentivise shorter term development in Campbelltown City Centre (eastern side) particularly when it is associated with additional residential, retail or office space</p>	<p>The Strategy highlights the importance of focussing short-term commercial development in the Campbelltown CBD around the Campbelltown Train Station (eastern side of the centre). To create a vibrant commercial office market in the Campbelltown-Macarthur centre, it needs to be focussed around a core area. Including significant commercial office floorspace on the subject site would further disperse commercial activity and result in less activity and vacant properties.</p>
<p>Centre Capacity - In the case of Campbelltown CBD, a ground and first floor outcome would not be sufficient. Instead, a 'commercial core' that established a higher minimum non-residential component is recommended.</p>	<p>Including 1-2 levels of commercial space across the whole Campbelltown-Macarthur centre would result in a poor outcome with small tenancies spread across a large area. Office tenants generally want to be located in high amenity locations close to public transport and other businesses (clients/suppliers etc.)</p> <p>Focusing commercial office development around a commercial core is critical to the strong performance of an office market. As outlined above, focusing this development on the eastern side of the centre would help achieve a critical mass of businesses that would foster a more vibrant centre. Including significant commercial office space on the subject site as part of a mixed-use development would not help achieve this.</p>

ECONOMIC CONTEXT

Overview

The Macarthur City Centre is the administrative centre of the Campbelltown region and the closest core centre of employment to the proposed development. Transport for NSW (TfNSW) estimates that in 2021, Macarthur City Centre supported 9,568 workers. The largest industries by employment in the Macarthur City Centre are Healthcare and Social Assistance (3,504 workers), Retail Trade (2,130 workers), and Education and Training (1,253 workers).

Macarthur also services several nearby industrial areas located in Campbelltown, Leumeah, Smeaton Grange and Minto. According to TfNSW projections, this area supported 29,748 workers in 2021.

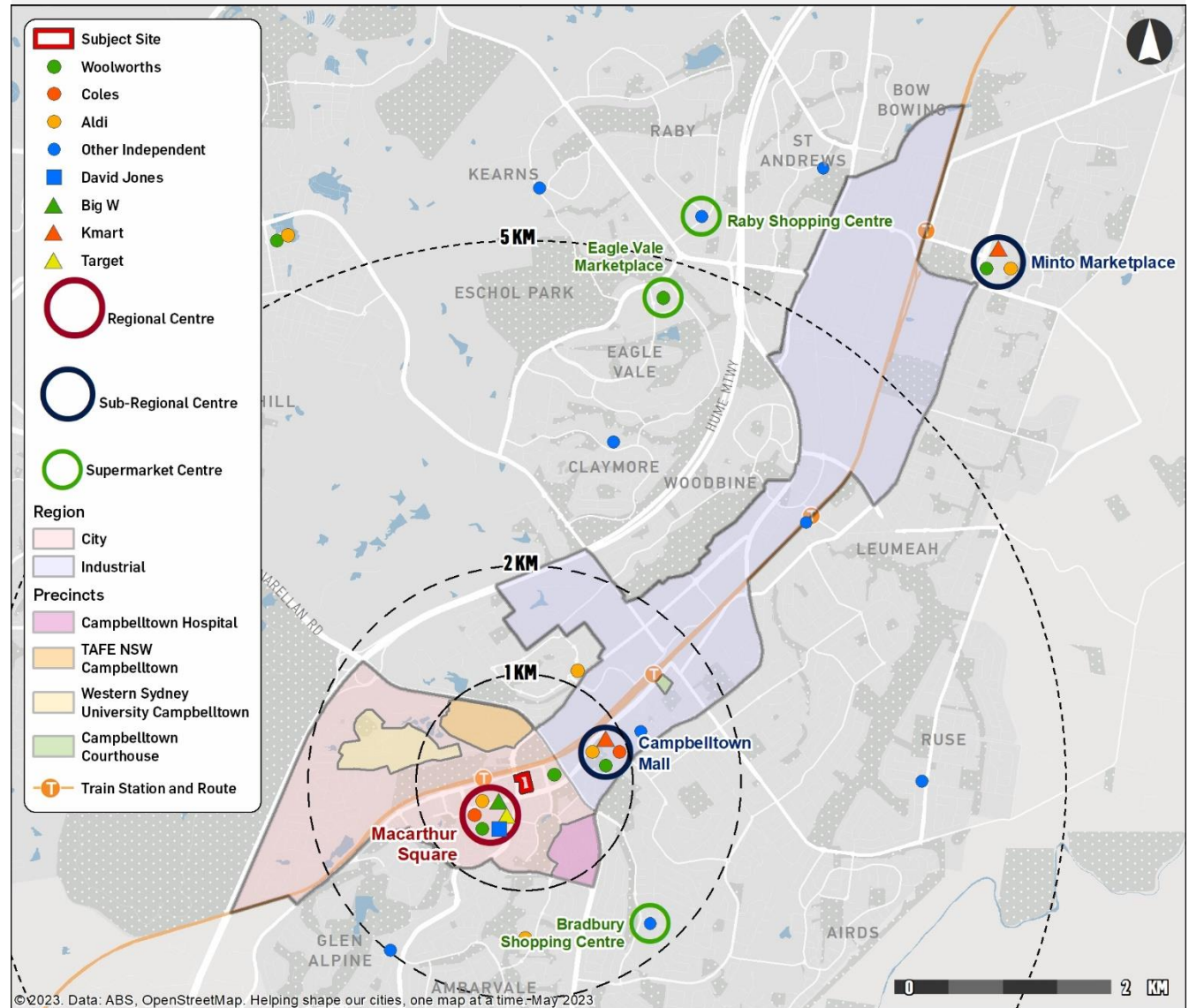
Other major centres of employment within Macarthur includes Campbelltown Hospital, which has approximately 400 beds, has the third largest emergency department in NSW, and offers most specialty medical services. The hospital has recently undergone major redevelopment which added 90 inpatient beds and new service buildings.

There are two significant educational institutions located in Macarthur, being the Western Sydney University Campbelltown Campus and TAFE NSW Campbelltown, which both are major campuses offering a wide variety of courses.

Macarthur also supports over 150,000 sq.m of retail, with Macarthur Square, a regional shopping centre with a total centre size over 100,000 sq.m, Campbelltown Mall, a sub-regional shopping centre over 40,000 sq.m, and Marketfair Campbelltown, a neighbourhood centre with a total centre size of approximately 10,000 sq.m. All of these centres are located within a 1km radius of the subject site.

Macarthur Employment Regions

Map 5



KEY INDUSTRIES

Overview

Table 6 opposite shows TfNSW employment projections by industry sector between 2021 to 2036 within the Campbelltown LGA.

Over the next 15 years, employment within the Campbelltown LGA is expected to grow from 65,319 in 2021 to 76,122 workers by 2036, equating to an additional 10,802 workers, or approximately 720 new jobs per year.

The largest growth in employment is expected within the Health Care and Social Assistance industry, which is expected to grow from 9,689 workers in 2021 to 11,581 workers by 2036, adding an additional 1,892 jobs over 15 years. Other industries that experience strong growth over this period include Education and Training (1,786 additional workers), Retail trade (1,558 additional workers), and Transport, Postal and Warehousing (1,245 additional workers), all of which align strongly with target industries in the “City Centre Living” precincts outlined in the Campbelltown City Masterplan.

Within Macarthur City Centre, employment is expected to grow from 9,568 in 2021 to 11,428 in 2036 representing 15% of employment within the Campbelltown LGA.

Employment Projections by Industry, Campbelltown LGA

Table 6

	2021	2026	2031	2036	Change (2021-2036)
Industry					
Accommodation and Food Services	4,265	4,057	4,160	4,417	152
Administrative and Support Services	1,982	2,147	2,239	2,368	386
Agriculture, Forestry and Fishing	68	62	74	81	13
Arts and Recreation Services	861	1,089	1,156	1,337	476
Construction	5,984	6,159	6,110	6,549	565
Education and Training	7,772	8,663	8,911	9,559	178
Electricity, Gas, Water and Waste Services	494	533	543	572	78
Financial and Insurance Services	857	941	988	1,079	222
Health Care and Social Assistance	9,689	10,561	11,120	11,581	1,892
Information Media and Telecommunications	439	380	415	455	16
Manufacturing	8,885	8,380	9,139	9,802	917
Mining	99	95	88	78	-21
Other Services	2,430	2,623	2,696	2,822	392
Professional, Scientific and Technical Services	2,335	2,775	2,754	2,893	558
Public Administration and Safety	3,025	3,223	3,206	3,301	275
Rental, Hiring and Real Estate Services	973	1,084	1,116	1,175	202
Retail Trade	8,384	9,136	9,140	9,942	1,558
Transport, Postal and Warehousing	4,968	5,248	5,525	6,213	1,245
Wholesale Trade	1,808	1,801	1,836	1,899	91
Total	65,319	68,955	71,215	76,122	10,802

Source: Transport for NSW (TfNSW)

TRADE AREA AND SPENDING

TRADE AREA DEFINITION

Key Findings

The trade area for the proposed centre has been defined based on:

- The existing road alignments and accessibility of the Subject Site
- Significant physical and geographic boundaries, such as the railway line, motorways etc.
- The proposed location of residential development in the surrounding area
- The provision of existing retail facilities throughout the area.

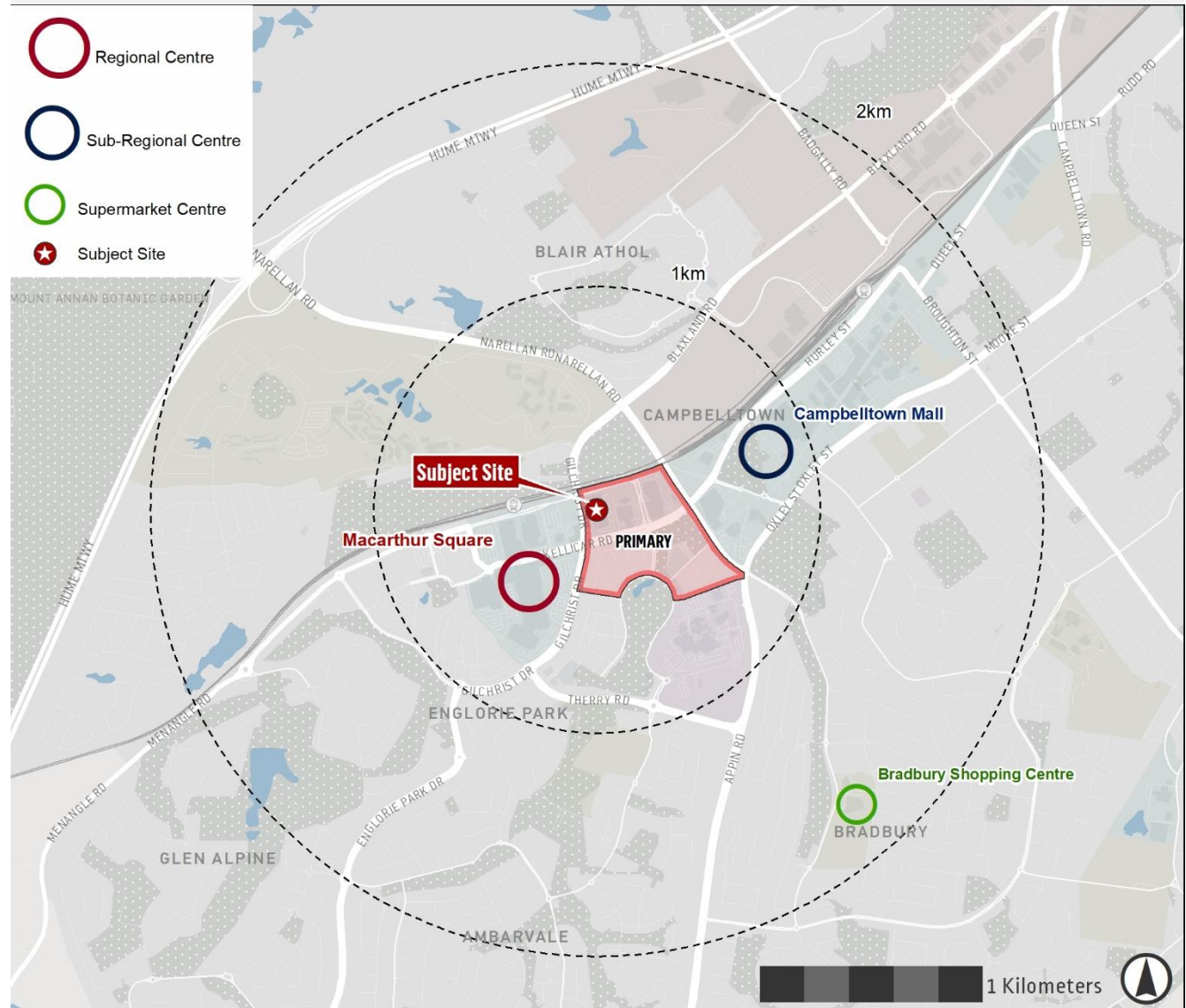
The adopted trade area has been based on ABS SA1 statistical divisions surrounding the Subject Site. The Trade Area extends from Menangle Rd in the north, Narellan Rd to the east, Parc Guell Dr to the south and Gilchrist Dr to the west.

The trade area is constrained to only a primary trade area for a variety of reasons:

- The quantity and variety of retail surrounding the subject site (two major shopping centres directly east and west of the site) absorbs most demand in the surrounding area
- The proposed quantity and type of retail expected to be supplied on site is limited to convenience uses for local residents.
- Accessibility to the site is relatively poor. It is not easy to walk to the site north of Menangle Road as the train line runs adjacent to the road and there are no pedestrian bridges that cross to the site. Gilchrist Drive does cross Menangle Road to the north of the trade area, however as discussed this road is elevated, passing over the site and connects directly the Macarthur Square.

Subject Site Trade Area

Map 6



RETAIL TRADE AREA POPULATION

Key Findings

Table 7 shows Urbis' assumptions on expected build out and consequent population projections of on site residents and Chart 1 presents population forecasts for the total trade area by trade area segments. It has been assumed that there are no major redevelopments of adjacent sites providing high density residential dwellings. Although this is likely in the longer term, these developments will also likely provide ground floor retail and commercial space to service these residents.

It is assumed that buildings A, B and C all come online in 2028, supplying 373 apartments which is estimated to support 870 residents. Post 2028, a building is expected to be built every two years, up until 2034 where all buildings are expected to be developed. This is in line with Urbis's estimation of an annual take up rate of around 75 apartments per year, as stated in the residential market assessment report conducted at the subject site. It is hence estimated that the on-site resident population at build out in 2034 will be 1,914. Forecasts for the primary trade area are based on ABS Estimated Resident Population data and Transport for NSW population projections.

The retail trade area population is estimated at 831 at 2023. The trade area has decreased by around 1% per annum since 2018. It should be noted that any potential future major redevelopment on the large sites to the east or west of the subject site is not considered in the population projection, as no developments are currently proposed.

Over the forecast period to 2036, the addition of the On-Site resident development from 2028 onwards will help grow the trade area population at an average annual growth rate of 9.5% per annum, reaching 2,964 total residents by 2036.

On-Site Resident Population Projections

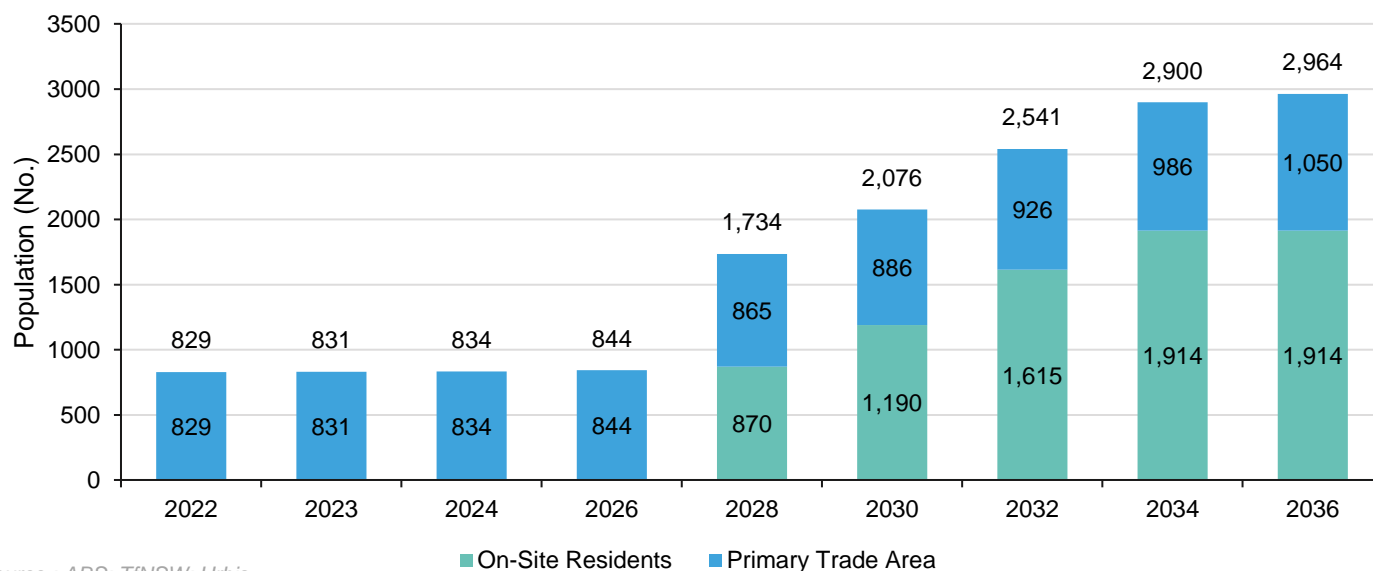
Table 7

	2028	2029	2030	2031	2032	2033	2034
Development Staging							
Building Name	Building A Building B Building C	-	Building E	-	Building D	-	Building F
Number of Units Supplied	373	-	124	-	185	-	131
Estimated population (Incremental)	870	-	320	-	426	-	299
Total On-Site Population	870	870	1,190	1,190	1,615	1,615	1,914

Source : AV Jennings, Urbis

Population Forecast

Chart 1



Source : ABS; TfNSW; Urbis

RETAIL TRADE AREA DEMOGRAPHICS

Key Findings

Table 8 shows the demographic profile of the trade area as at the 2021 Census. Key characteristics include:

- The age distribution within the trade area is more skewed towards an older demographic, with 50% of residents aged 65+.
- White collar workers account for a proportion in line with the Sydney average at 76%.
- The trade area population is less affluent than average, recording per capita and average household income levels that are 21% and 42% below Metro Sydney respectively.
- Families with children comprise approximately 18% of household types within the trade area, 29% below the Sydney average.
- The proportion of households owned outright is 10% higher than the Sydney average, as is the proportion of renters at 3% higher. Average household size is also 42% smaller.
- The trade area has approximately the same proportion of residents born overseas of 39%.

Overall, the retail trade area is characterised by a small proportion of families with lower than average household incomes. The trade area has a greater proportion of people who own their homes outright compared to Greater Sydney, indicating greater disposable incomes offsetting lower total incomes.

Retail Trade Area Socio-Demographic Profile

Table 8

	Trade Area	Sydney	Variation (%)
Age Profile:			
Aged 0-14	9%	18%	-9% pts
Aged 15-24	8%	12%	-5% pts
Aged 25-39	13%	23%	-11% pts
Aged 40-54	13%	20%	-7% pts
Aged 55-64	7%	11%	-4% pts
Aged 65+	50%	15%	+35% pts
Average Age	57	38	+48%
Occupation			
White Collar	76%	77%	-1% pts
Blue Collar	24%	23%	+1% pts
Income Metrics:			
Per Capita Income	40,100	50,600	-21%
Average Household Income	81,200	140,500	-42%
Household Metrics:			
% Owned Outright	38%	29%	+10% pts
% Families With Children	18%	47%	-29% pts
% Owned With a Mortgage	22%	34%	-13% pts
% Renters	40%	37%	+3% pts
Average Household Size	1.9	2.7	-31%
Other Metrics:			
Overseas Born	39%	40%	-1% pts

Source: ABS Census 2021

RETAIL TRADE AREA SPENDING

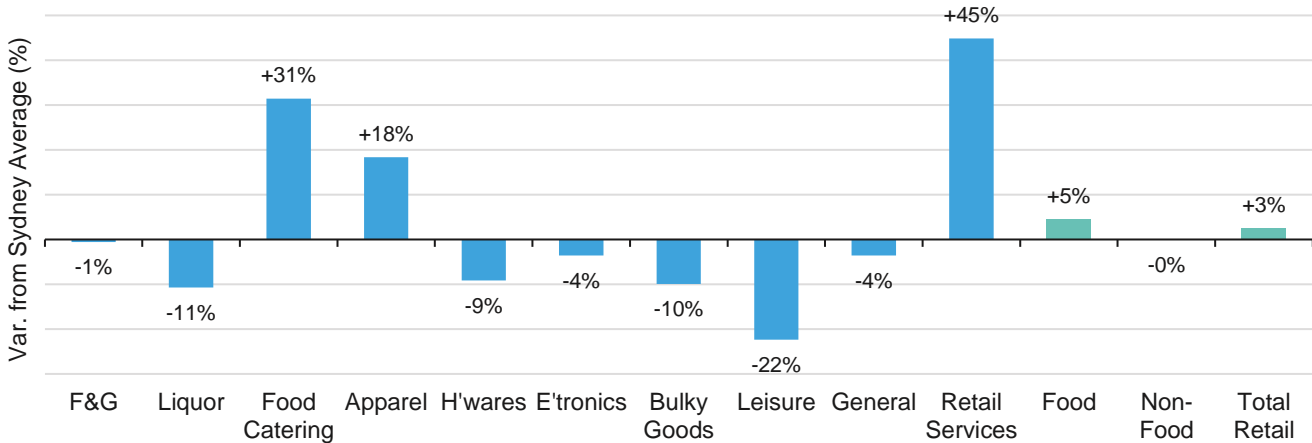
As shown in Chart 2, average per capita spending levels across the trade area are 3% above the average for Sydney, although the variation differs across product groups.

Per capita spending on food and groceries is 1% below the average, alongside liquor (-11%) and general retail (-4%). Food Catering and Retail Services are well above average at 31% and 45% respectively, which is likely driven by people working long hours and having to rely more on services and food catering.

Table 9 shows total retail spending of the trade area from 2023 to 2038. The total retail expenditure capacity of the main trade area population is estimated to grow from \$16 million in 2023 to \$65 million by 2038 in real terms (inclusive of GST), reflecting an average annual growth of 9.6%.

Per Capita Spending Variation from Sydney Average

Chart 2



Source : ABS; MarketInfo; Urbis

Spending Forecast (\$M, Real \$2023 dollars, incl. GST)

Table 9

Year	Food Retail	Food Catering	Apparel	Homewares	Electronics	Bulky Goods	Leisure	General	Retail Services	Total Retail
Total Retail Trade Area (Inclusive of On-Site Residents)										
2023	\$6.6	\$2.7	\$1.9	\$0.4	\$0.7	\$1.8	\$0.6	\$0.8	\$0.7	\$16.2
2028	\$14.0	\$5.9	\$4.3	\$0.8	\$1.6	\$4.0	\$1.4	\$1.8	\$1.6	\$35.4
2033	\$20.2	\$9.0	\$6.8	\$1.2	\$2.6	\$6.3	\$2.2	\$2.8	\$2.4	\$53.4
2038	\$23.3	\$11.0	\$8.5	\$1.4	\$3.3	\$7.9	\$2.7	\$3.4	\$3.0	\$64.6
Average annual spending growth rate (2023 – 2038)	8.7%	10.0%	10.4%	9.5%	10.8%	10.4%	10.3%	10.0%	10.1%	9.6%

1. Spending figures are inclusive of GST and exclusive of inflation after 2023.

Source : ABS; MarketInfo; Urbis

COMPETITION

COMPETITIVE CONTEXT

Key Findings

Map 7 illustrates the locations of existing and proposed retail facilities that are likely to compete with the subject site.

The main competing facility in the trade area is Marketfair Campbelltown, a single supermarket based centre over 9,000sq.m in total centre size, and anchored by a 3,700sq.m Woolworths. Marketfair Campbelltown is only 500m and a 6 minute walk from the subject site.

Beyond the trade area, key competitive centres of relevance include:

- **Macarthur Square** – Major regional shopping centre located around 300 metres west of the subject site and comprising three major supermarkets - Woolworths (4,185 sqm), Coles (4,715 sq.m), Aldi (1,515 sq.m)
- **Campbelltown Mall** – Woolworths (4,248 sq.m), Coles (4,318 sq.m), Aldi (1,513 sq.m)

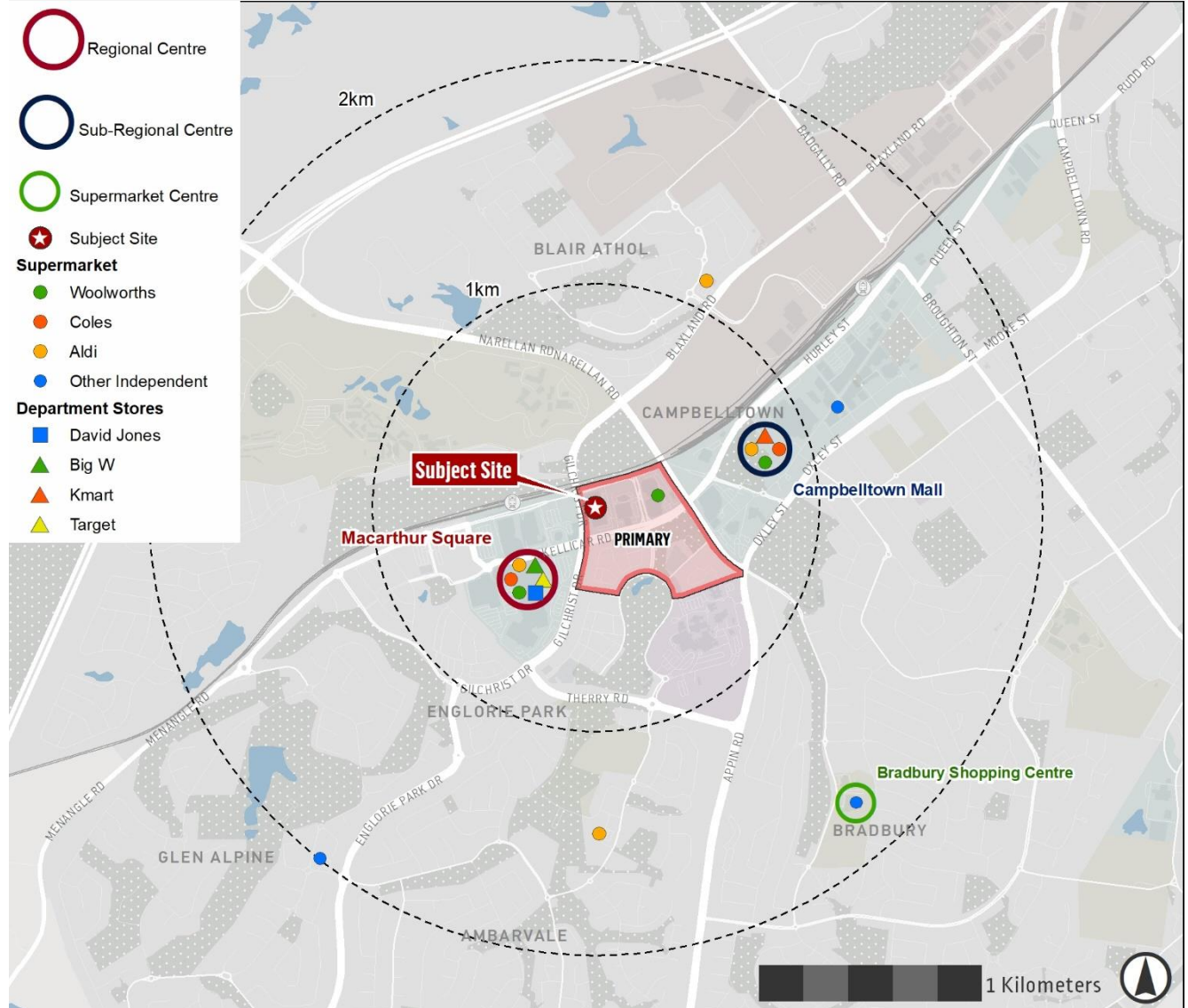
There are six full-line national brand supermarkets, as well as two Aldi stores, within a 2 km radius of the subject site which highlights the major choices that residents have for their grocery shopping.

There are no proposed major retail developments located within the trade area.

The following page profiles existing retail competition that is most likely to compete with proposed retail at the subject site, including their offering and target market.

Competition Map

Map 7



Source: Urbis

HIGHER ORDER CENTRES

MACARTHUR SQUARE

Centre Class: Regional	Total GLA: 107,124 sq.m
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Distance:
600 m

Majors:
Woolworths, Coles,
Aldi, David Jones,
Target, Big W, Event
Cinemas

Comment:

Macarthur Square is the largest regional centre servicing south west Sydney, featuring 17 mini majors and 271 specialty stores. The centre has an extensive dining, lifestyle and entertainment offering. The offer is primarily targeted towards the mid-market and a younger demographic, with its wide array of national brand tenants.

According to the SCN Big Guns 2020, the centre achieved a total MAT (incl. non-retail) of \$594.1 million in 2019. Specialty stores traded at around \$8,530/sq.m.



CAMPBELLTOWN MALL

Centre Class: Sub-Regional	Total GLA: 42,431 sq.m
--------------------------------------	----------------------------------

Distance:
1.0 km

Majors:
Coles, Woolworths,
Aldi, Kmart

Comment:

Campbelltown Mall features four major tenants and almost 100 specialty stores. In 2020, Target vacated the centre, leaving over 7,000 sq.m of major retail floorspace vacant. The centre's offer is largely targeted towards the mid-market, and is underpinned by its Kmart anchor.

According to the SCN Little Guns 2020, the centre achieved a total MAT (incl. non-retail) of \$241.7 million in the year ending 31 July 2020. Specialty stores traded at around \$6,590/sq.m.



MARKETFAIR

CAMPBELLTOWN

Centre Class: Supermarket -Based	Total GLA: 9,154sq.m
--	--------------------------------

Distance:
500 m

Majors:
Woolworths

Comment:

Marketfair Campbelltown is a supermarket-based centre located west of Narellan road, supporting one full line Woolworths over 3,700sq.m. The centre also features 26 specialty stores and a Chemist Warehouse mini major. The centre's offer is largely targeted towards the mid-market, and convenience needs of surrounding residents.



CAMPBELLTOWN

TOWN CENTRE

Comment:

Campbelltown's town centre lies to the south of the train station, largely extending from Campbelltown Road in the east through to Narellan Road in the west.

Campbelltown's town centre is largely comprised of older, small scale retail shops and commercial offices along Queen Street that are typically 1-3 storeys high. The town centre also features large areas of at-grade car parking. IGA X-Press Campbelltown is located within the town centre.



SUCCESS FACTORS

KEY SUCCESS DRIVERS

Table 10 below discusses the core success drivers of retail development in relation to the proposed development at the subject site. The four core drivers of a successful retail development include anchor tenants, parking availability, exposure and tenant scale and mix. Due to the location of the site and the likely scale of the offering, the proposed development will face some challenges.

Key Demand Drivers for Retail Development

Table 10

Factor	Implications for the Subject Site
1. Anchor Tenants	
Specialty shops require the activity generated by major tenants. If they are located off the 'ant track' of shopper activity, there can be leasing problems.	The two proposed retail zones do not have adequate space for a large anchor tenant such as a Supermarket, thus specialty shop performance may be suboptimal.
2. Car Parking	
The best performing retailers are often those located closest to car parking, as this maximises their convenience.	On-site residents will be unaffected, however sufficient car parking will be required to drive visitation from off-site residents if this is a desired market.
3. Exposure	
The retail component of the development needs to maximise visibility to passing traffic to achieve maximum performance.	The site is located directly east of Gilchrist Drive, a main road driving high levels of traffic to Macarthur City Centre, however the road overpasses the site and does not have direct road access. Further, because of the overpass, walkability of the area is not ideal for high levels of foot traffic.
4. Tenant Scale & Mix	
The scale of specialty floorspace and mix of tenants should cater to the needs of the trade area residents.	As the development will mostly service on-site residents, a convenience based offering of retail services or food catering would be best suited. The site does not appear to have the demand for large tenants due to the nearby competition from malls and shopping centres such as Macarthur Square and Marketfair.

MIXED USE GROUND FLOOR RETAIL PROFILING

Considering the uniqueness of the subject site, it is valuable to look at the tenancy mix and success drivers of other mixed use developments with ground floor retail, which are within very close proximity of other major retail centres. We have profiled the Meriton Eastgardens development which is located directly adjacent to the Westfield Eastgardens Shopping Centre.

MERITON EASTGARDENS



Address: 1 Finch Drive, Eastgardens NSW

Development name: Pagewood

Locational Context: One of Meriton's largest developments, Pagewood in Eastgardens, is located in Sydney's eastern suburbs only 9km from the Sydney CBD. The site is surrounded by retail centres with Westfield Eastgardens directly south of the site and Pacific Square only 1.5 km to the east.

Development overview: Pagewood has 8 residential towers supporting over 2,000 apartments and approximately 4,000 residents.

Commercial Floorspace	~ 1,250 sq.m
Retail Mix	2 x Café 1 x Grocer
Commercial Mix	2 x Early Learning/Childcare Centre 3 x Leasing offices
Number of tenancies	8
Market	On-site residents and their visitors, and neighbouring residents in Eastgardens
Success Drivers	<ul style="list-style-type: none"> The retail offering is well aligned to serve the basic convenience needs of on-site residents and convenience based needs that would otherwise be serviced by Westfield Eastgardens. The on-site population is large enough to support the level of retail supplied at the development, even when considering the nearby competition
Weaknesses	<ul style="list-style-type: none"> The site is not easily accessible for residents who live east of Bunnerong Road, as it is a busy multi-lane road. The site is surrounded by a very strong retail competition at Westfield Eastgardens, which offers a wide variety of retail and food and beverage options, limiting draw from people who don't live on-site Limited street frontage to Bunnerong Road means that on-site retail does not have much draw power beyond on-site residents.
Subject Site Implications	<ul style="list-style-type: none"> Approximately 0.6sq.m of retail per onsite dwelling in the development reflects the draw power of a regional shopping centre being located directly next door. A successful retail offering must target on-site resident's convenience based needs including basic groceries, food catering and child care.

AV JENNINGS' PROPOSED SCHEME

Key Findings

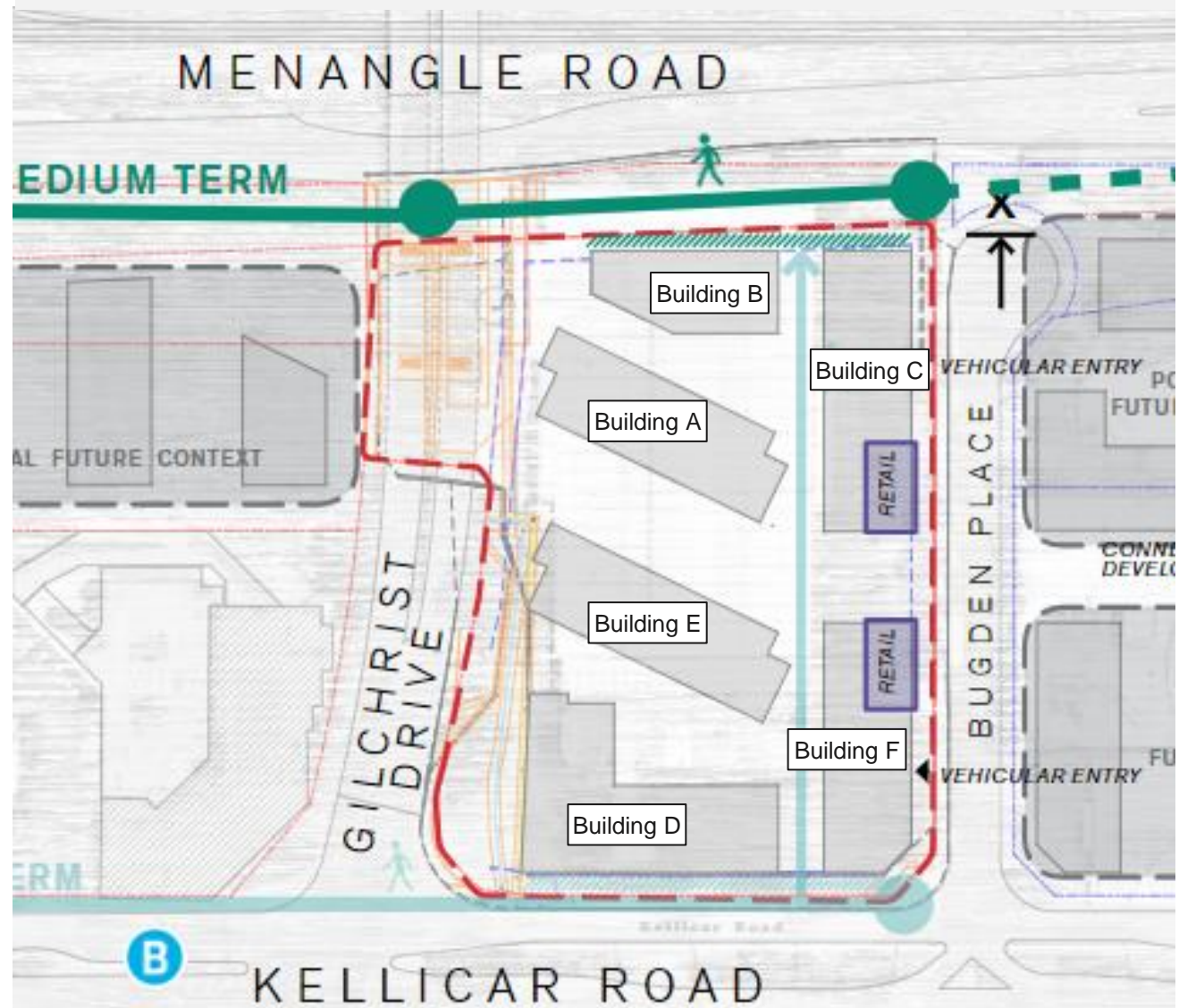
The proposed scheme provided to Urbis outlines the provision of two retail spaces totalling 600sq.m spread between Building C and Building F, which will be the vehicle entry points to the site.

The proposed retail is located at east of the site. The retail has a frontage to Bugden Place, a cul-de-sac road connecting to Kellicar Road, and is expected to be the main point of entry for most residents through the site.

Both building C and F will have commercial and residential uses on the ground floor, whereas all other buildings will have residential uses on the ground floor only.

Development Plans

Figure 2



SWOT ANALYSIS

Strengths

- Frontage to Gilchrist Drive intersection with Kellicar Road which is a high car traffic passageway.
- Ample parking onsite.
- Close proximity to Macarthur Train Station.
- Component of a growing residential environment.

Weaknesses

- Both of the retail spaces are undersized for a tenant such as a supermarket. An IGA could be an option however more attractive food retail offerings are very close by. Consequently it is unlikely that the retail offering will have a major anchor, limiting its draw power.
- The intersections surrounding the site do not carry high foot traffic and will be mostly dependent on the apartment residents.
- The nearby train station directly feeds into the regional shopping centre, re-directing a large portion of potential foot traffic away from the site.
- The subject site is quite isolated from any trade beyond the trade area.

Opportunities

- Opportunity to provide a consolidated retail offer and new community focal point for future residents
- Can cater to future market within the area, pending further urban regeneration and residential densification.
- Retail can add value to the apartment development with some onsite amenity.

Threats

- Strong and entrenched supermarket competition at Campbelltown Mall, Market Fair, Macarthur Square, Eagle Vale and Minto Mall.
- Per capita household income for the trade area is 42% below the average for metropolitan Sydney and spending is 8% lower.

DEMAND AND POTENTIAL

DEMAND ANALYSIS METHODOLOGY

Key Points

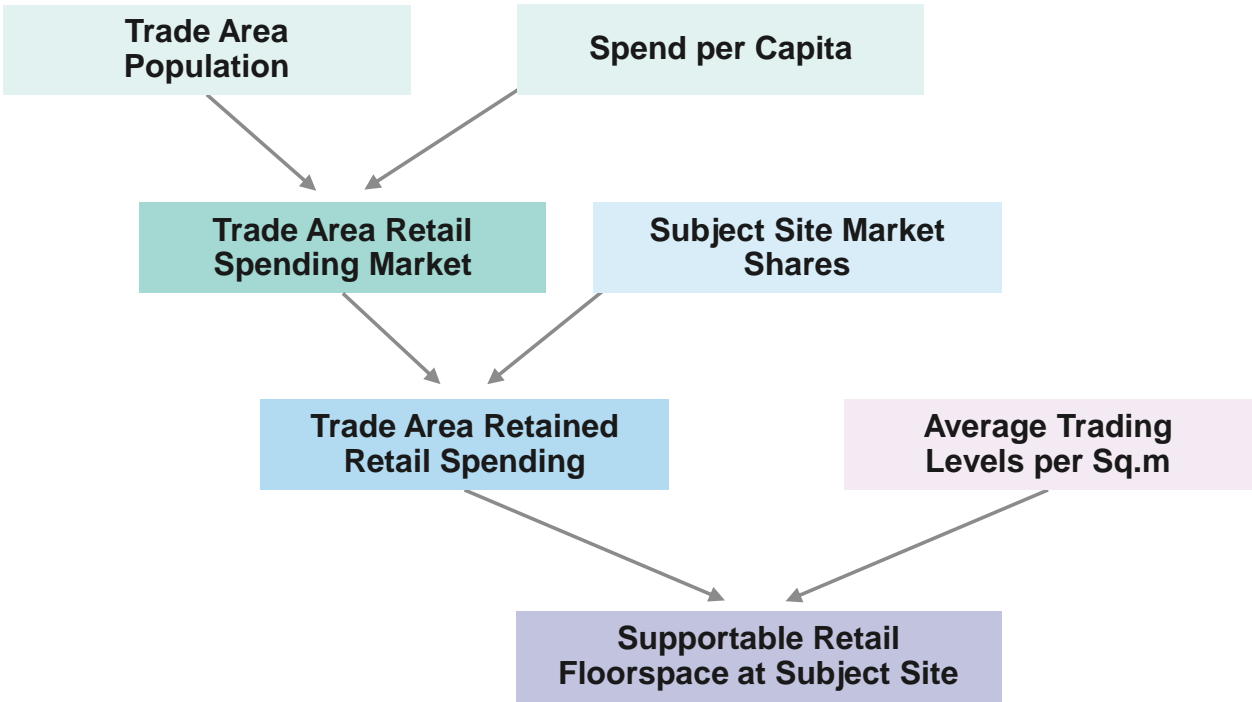
For the purposes of this demand assessment, we utilised a retail spending approach to project future retail floorspace needs in the trade area.

As illustrated in Figure 3, this approach comprises:

- 1. Projecting the **resident population** of the trade area at build-out
- 2. Multiplying an assumed **spend per capita** for each product group by the projected population to quantify the total **trade area retail spending market**
- 3. Applying appropriate **market shares** for each trade area sector to **retail spending** for each trade area sector to estimate total **trade area retained spending**.
- 4. Dividing the total **trade area retained spending** by **average trading levels per sq.m** for each product group (sourced from the Urbis Shopping Centre Benchmarks 2022 and experience of other mixed-use developments) to estimate **supportable retail floorspace at the subject site** by product group.

Methodology Overview

Figure 3



RETAIL FLOORSPEACE DEMAND ANALYSIS

Key Findings

Table 11, overleaf, outlines the key assumptions that have been used as part of the retail floorspace demand analysis for the subject site, and the results of our demand assessment.

As noted previously, to estimate the total trade area retained spend, we multiply the retail spending market in each trade area sector by appropriate market shares for each product group.

Table 11 outlines the market shares we have adopted for each trade area sector and product group. These rates effectively represent the share of floorspace demand that is likely to be captured by the subject site.

The highest shares have been adopted for the on-site residents (10-15%), followed by the primary trade area (5-10%). Relatively low market shares have been adopted for both the on-site residents and primary trade area residents, as the quantity of retail is not large enough to generate a critical mass and generate visitation drive, and larger retail centres nearby such as Marketfair Campbelltown, Macarthur Square and Campbelltown Mall are expected to capture the majority of trade area spending.

Residents on the subject site will be able to walk to the Macarthur Square shopping centre (~350 metres) or the Marketfair Campbelltown centre (~400m) in under five minutes. This means that residents can easily access these centres for their convenience needs such as groceries, liquor and personal services. These centres provide significant choice for shoppers including multiple supermarkets and supporting speciality stores.

As such, the retention of spending on the site from residents is below what would be expected in a location where residents cannot easily and quickly walk to a retail centre. Market shares of 10-15% for convenience uses are sustainable as the majority of spending will be undertaken as part of large weekly trips to nearby supermarket/shopping centres. Higher market shares are not achievable based on the potential retail offer on the site compared to what is accessible at the nearby shopping centres.

Table 11 also shows the adopted average trading levels per sq.m by product group. These average trading levels per sq.m have been sourced from the Urbis Shopping Centre Benchmarks 2022. These Benchmarks are based on an annual survey that Urbis conducts of all major retail centres across Australia. They therefore provide a robust and realistic estimate of actual turnover per sq.m for different product groups and centre types.

Values sources from the Urbis shopping centre benchmarks have been factored down to reflect the lower draw power of a mixed-use retail development compared to a shopping centre with destination attributes.

On-site retail is not expected to support discretionary product groups, including apparel, homewares, electronics and bulky goods. Due to the frontage and foot traffic that these stores require, it is unlikely that stores of this category would want to locate on-site.

Of the product groups that may be supportable at the subject site, average trading levels vary

significantly by product group, from ~\$9,508 per sq.m for food and groceries, liquor, general retail and retail services, and up to ~\$10,320 for leisure. Given the highly constrained trade area and lack of a destination offer, we have allowed for 5% demand from residents living beyond the trade area (i.e. can include those who work in the trade area but live elsewhere, or those who are visiting the area or friends/family living in the area). The 5% encompasses people that may walk through the precinct to the Macarthur Train Station though a lot of people to the south of the site may walk via Macarthur Square to take advantage of the greater offer. In addition, the majority of people to the east of Narellan Road are expected to walk towards Campbelltown Train Station.

On the basis of these assumptions, we estimate the subject site will be able to support up to ~400 sq.m of retail floorspace at build-out. This is mostly comprised of food retailing, which makes up around 300 sq.m (77%) of estimated supportable floorspace.

It should be noted that we have not assumed a redevelopment of the large sites to the east or west of the subject site, in particular 1 Tindall Street. As the site is also zoned for mixed use, future redevelopment would likely comprise some ground floor activation which could occur on the opposite side of the Budgen Street. This has the potential to boost traffic to the proposed retail development on the subject site.

RETAIL FLOORSPACE DEMAND – SCENARIO 1

Projected Retail Floorspace Demand, Subject Site, Build-Out (2034)

Table 11

	Food & Groceries	Liquor	Food Catering	Apparel	Homewares	Electronics	Bulky Goods	Leisure	General	Retail Services	Total Retail
Retail Spend – Trade Area (\$M)											
Primary	\$7.1	\$0.9	\$3.6	\$2.7	\$0.5	\$1.0	\$2.5	\$0.9	\$1.1	\$1.0	\$21.4
On-site	\$13.8	\$1.8	\$7.0	\$5.3	\$0.9	\$2.0	\$4.9	\$1.7	\$2.2	\$1.9	\$41.6
Total Trade Area	\$20.9	\$2.7	\$10.6	\$8.0	\$1.4	\$3.1	\$7.5	\$2.6	\$3.3	\$2.9	\$63.0
Market Shares – Trade area (%)											
Primary	5.0%	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	10.0%	3.6%
On-site	10.0%	10.0%	10.0%	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	15.0%	7.1%
Total Trade Area	8.3%	8.3%	8.3%	0.0%	0.0%	0.0%	0.0%	8.3%	8.3%	13.3%	5.9%
Retained Spend – Trade Area (\$M)											
Primary	\$0.4	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.8
On-Site	\$1.4	\$0.2	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.2	\$0.3	\$2.9
Total Trade Area	\$1.7	\$0.2	\$0.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.3	\$0.4	\$3.7
Average Trading Level (\$/sq.m)	\$9,508	\$9,508	\$9,772	-	-	-	-	\$10,320	\$9,508	\$9,508	\$9,133
Demand from Beyond the Trade Area	5.0%										
Supportable Floorspace (sq.m)	192	25	95	-	-	-	-	22	30	43	407

Note: Numbers may not add up due to rounding.

Source: Urbis Shopping Centre Benchmarks 2022; MarketInfo; AV Jennings; Urbis

INDICATIVE COMPOSITION AND RECOMMENDATIONS

Key Findings

Drawing on the subject site's supportable quantum of retail floorspace as estimated in Table 12, we have outlined an indicative centre composition in Table 13.

As shown in the table, we recommend a total precinct GLA of 600sq.m. This is comprised of a small ~200 sq.m supermarket, such as a Foodworks or Supa IGA, 150 sq.m of retail specialties, and 250 sq.m of non-retail floorspace.

We have also outlined a recommended mix of retail specialty floorspace in Table 13.

The indicative mix of specialties includes 100 sq.m of food catering tenancies (e.g. either a café or takeaway food), and 50 sq.m of retail services (e.g. hairdresser, dry cleaner, or a laundromat).

In addition to the 350sq.m of retail floorspace, we recommend a further 250 sq.m of non-retail floorspace be provided in the centre. This non-retail floorspace could accommodate uses such as a childcare centre, which is closely aligned with the needs of on-site residents. As discussed earlier, major health and education uses are not supportable on site due to the site location and attributes.

Estimation of floorspace demand at build out suggests that any higher quantity of retail/commercial floorspace is not supportable considering market demand. Considering the size of the proposed development, there is insufficient demand to support commercial space on the ground floor of each building of the proposed development.

Indicative Retail Composition

Table 12

	GLA (SQ.M)	% OF TOTAL GLA	INDICATIVE NO. OF TENANTS
Supermarket	200	33%	1 (e.g. Foodworks, Supa IGA, or Asian Grocer)
Mini-Major	0	0%	-
Retail Specialties	150	25%	See Table 13
Total Retail	350	58%	
Non Retail	250	42%	2-3 (e.g. medical centre / suites, childcare centre)
Total Precinct	600	100%	

Source: Urbis

Indicative Retail Specialty Mix

Table 13

PRODUCT GROUP	GLA (SQ.M)	% OF GLA	INDICATIVE NO. OF TENANTS
Food & Groceries	0	0%	-
Food Catering	100	67%	1-2 (e.g. café, takeaway food)
Apparel	0	0%	-
Homewares / Electronics	0	0%	-
Leisure / General	0	0%	-
Retail Services	50	33%	1-2 (e.g. dry cleaners, hairdresser, laundromat)
Total Retail Specialties	200	100%	2-4

Source: Urbis

16/10/2023

SUPPORTABLE RETAIL SCHEME

Key Findings

The proposed scheme provided by AV Jennings is supported as it concentrates the activity along Budgen Place. In order to create a viable and vibrant retail centre, it is important that the centre is condensed to focus activity in a small area. Extending a centre over a larger area can result in fragmented activity, reduced visibility of shops and reduced expenditure.

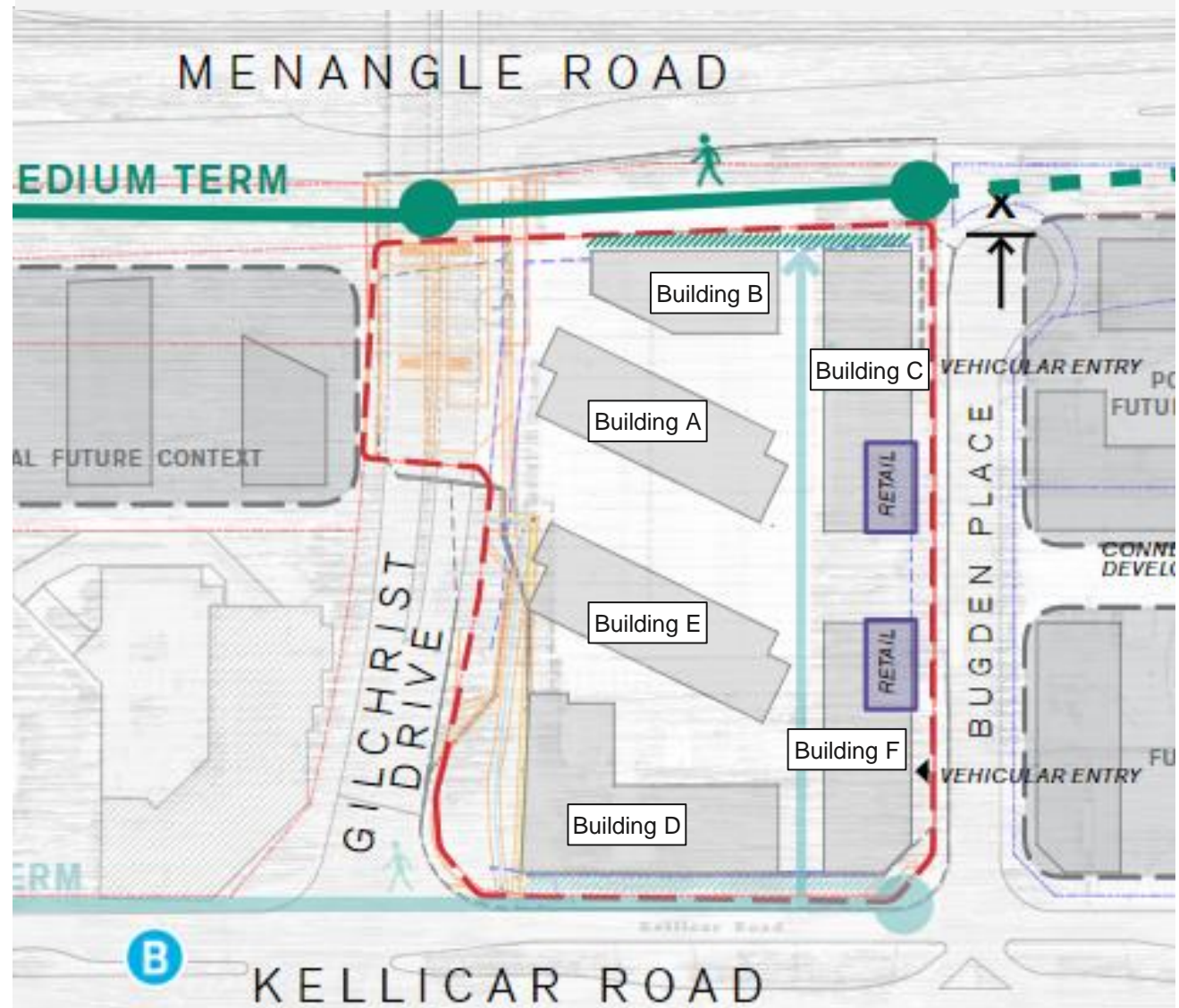
The current location of the retail on Budgen Place benefits from street frontage, which increases visibility to passing traffic and the ability for people to park outside the tenancies. This is critical to the viability of tenants.

The provision of ground floor tenancies within the site (such as along Buildings A and E) would not be as attractive to tenants. Any tenancies along the internal pedestrian link would be considerably less attractive. Including retail/commercial floorspace along the pedestrian link would result in vacant tenancies and a poor urban design outcome for the precinct.

As outlined, a retail centre with around 600 sq.m gross lettable area (GLA) is sustainable. The provision of additional commercial / retail space over and above the recommended 600 sq.m is likely to be challenging to tenant and result in low yielding properties. This would likely result in the ongoing relatively low commercial quality of the centre and will fail to attract quality tenants or produce positive economic benefits. It will further impede the goal to create more vibrant and attractive retail centres.

Development Plans

Figure 3



SUPPORTABLE COMMERCIAL SPACE

Key Findings

There is potential for health and education development within the Campbelltown Health and Education Precinct and additional commercial development within the Campbelltown-Macarthur Centre. However, the subject site is not suited to these uses.

- Due to the location of the site and accessibility constraints, major health and education uses are not suitable uses. Major health related commercial space is best placed closer to the Campbelltown Hospital precinct to take advantage of agglomeration benefits and having the key buildings within easy walking distance. This would allow medical specialists to easily walk between their consulting suites and the hospital. Medical education uses are also more suited to being located within the hospital precinct.
- Other major education uses are more suited in the developing education precinct surrounding Western Sydney University and the TAFE Campus, along Narellan Road. Alternatively, vertical education campuses would be better placed closer to a train station and retail/entertainment amenity such as on Macarthur Square or Queen Street in the Campbelltown CBD. Including a campus within a residential mixed-use precinct would be unattractive to major tenants looking for a more prominent location.
- Major commercial space is best placed in the commercial core area to the east of the CBD in order to create a vibrant commercial office market in the Campbelltown-Macarthur centre. Including significant commercial office floorspace on the subject site would further disperse commercial activity and result in less activity and vacant properties.

As such, the subject site is more suited to limited lower order health and medical space to service the immediate population. This could include GP, dentist or other health and wellbeing tenancies. These tenants would also face competition from medical centres located nearby such as in Macarthur Square and Marketfair Campbelltown, which would limit supportable demand on the site.

