

ADVICE to
WYONG SHIRE COUNCIL
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PROPOSED
EXPANSION of WESTFIELD TUGGERAH
(DA/514/2013)

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WYONG SHIRE COUNCIL

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Background

Westfield has lodged plans with Wyong Shire Council (Council) for the expansion of Westfield Tuggerah. The current proposal before Council involves expansion of the Tuggerah centre to provide an additional 12,638m² gross leasable area (GLA) of retail floorspace which will accommodate a new Myer department store and some 1,762m² of additional specialty floorspace. If approved, the first trading year for the expanded centre is forecast to be 2016. There is also a proposal to expand the cinema complex by adding a 650 seat "Vmax" theatre.

In 2008, Council approved the expansion of Westfield Tuggerah by some 16,544 m² GLA. The 2008 approval was based on the addition to the centre of a third discount department store (DDS), additional mini-majors and almost 4,900m² of additional specialty shops. The cinema complex was to be expanded by four extra theatres and 1,300 extra seats. That approval has not been acted upon.

The current proposal before Council constitutes a significant reduction in the volume of floorspace proposed to be devoted to retail activities compared with the approval granted in 2008.

Consistency with Policy

Apart from provisions of Wyong Local Environmental Plan (LEP), the principal relevant policy instrument is the Wyong Shire Retail Centres Development Control Plan (DCP) – No 81. DCP 81 became operational on 4 January 2008.

DCP 81 designates Tuggerah as a Regional Centre and recognises its role as the highest order retail centre in Wyong Shire. DCP 81 also outlines general restrictions on the provision of additional retail floorspace at Westfield Tuggerah namely:

- "• 15,000 m² of retail floorspace and 10,000m² of bulky goods floorspace after 2011;
- a further 15,000m² of retail floorspace after 2016; and
- a further 25,000m² of retail floorspace and 5000m² of bulky goods floorspace after 2021."

Given there has been no increase in retail floorspace at Westfield Tuggerah since 2008, the current application is consistent with the floorspace restrictions noted above.

DCP 81 also required that any application to expand retail floorspace prior to the timing referred to above must satisfy Council that:

1. there is an increase in available retail expenditure that justifies an earlier need for additional floorspace
2. expansion will not have an adverse economic effect on the Wyong District Town Centre or Bateau Bay shopping centre in particular; and
3. the expansion will not negate development of the proposed Warnervale District Town Centre.

In our view these conditions do not apply in this instance as the application for additional retail floorspace at Westfield Tuggerah is not occurring prior to the general timing for floorspace increases set out in DCP 81 and noted above.

DCP 81 (Section 7.1.3 refers) provides that it is relevant to examine the impact of the proposed expansion on all centres, including on the Wyong District Town Centre and the Bateau Bay centre. It is also relevant to examine whether the proposal will negate development of the proposed Warnervale District Town Centre. These issues are discussed below.

Review of Key Assumptions

In accordance with the requirements of DCP 81 an Economic Impact Assessment (EIA) was prepared in July 2013 by consultants Urbis on behalf of Westfield. Our comments on the key assumptions on which the Urbis EIA is based are set out below.

Population Growth

The Urbis report identifies that population growth in Wyong Local Government Area (LGA) has been slower than that previously forecast in a report prepared for Council by Leyshon Consulting in 2007 (*Wyong Retail Centres Review – Wyong Shire, September 2007*). The Leyshon Consulting report underpinned the preparation of DCP 81. We note that the analysis underpinning our report was undertaken in 2005-06 although the report was only finalised mid-to-late 2007. Whereas the Leyshon Consulting report forecast Wyong LGA's population would increase to 166,090 persons by 2011, according to the ABS the actual resident

population in 2011 was 154,334 persons or about -7% less. It is likely that population growth on the Central Coast has slowed significantly as a consequence of the onset of the GFC in 2008 and the slower rate of out-migration on the part of Sydney Region residents to the Central Coast since 2008.

We do not consider that the slower pace of population growth in Wyong LGA significantly affects the specified floorspace increases for Westfield Tuggerah (or other centres) referred to in DCP 81. At most it could be argued that the floorspace increases set out in DCP81 should be reduced by 7% across the board. In the case of Westfield Tuggerah, this would in theory reduce the projected increase in additional retail floorspace by 2011 from 15,000m² to about 14,000m² – a marginal decline.

Trade Area

The trade area for Westfield Tuggerah identified in Urbis Map 2.1 appears appropriate given that it is based on the findings of a recent customer survey undertaken at Westfield Tuggerah.

Available Spending

Analysis in the Urbis report (Section 2.6.1 refers) is based on average per capita retail spending figures drawn from data provided by Market Data Systems Pty Ltd (MDS). MDS have an expenditure modelling “product” known as Marketinfo. We have some reservations about spending data provided by MDS particularly as it applies to areas with below average socio-economic characteristics. For example, on page 18 of the Urbis report they note ABS 2011 Census data as it

applies to the Westfield Tuggerah Main Trade Area (MTA; that is, primary plus secondary trade areas) revealed average per capita income levels in 2011 were **-24% below the Sydney Region average** and household income levels were **-15% below the Sydney Region average**.

According to the Urbis EIA report, however, (Table 2.5, page 19 refers) average retail spending per capita in the Westfield Tuggerah MTA was only -8.5% below the Sydney Region average in 2011 and only -5.8% below for the trade area as a whole.

We note the Urbis analysis assumes real retail spending growth (that is, over and above CPI) of +1.4% per annum for the eight year period to 2021. In adopting this assumption Urbis refer to their estimate that over the past 20 years real per capita retail spending in New South Wales has grown by an average of +1.5% per annum. Even if it is assumed the Urbis estimate is correct, it is unlikely areas such as Wyong—which have below average socio-economic characteristics—have experienced real growth rates of this magnitude in retail spending over the past two decades.

Moreover, since 2008 there has been almost no annual real growth in retail spending in New South Wales. Given this, we consider that during the period 2013-21 real spending growth rates in the Tuggerah MTA are likely to be less than +1.4% per annum. In view of this, we conclude that Urbis have overestimated available retail spending in the Tuggerah MTA during the period 2013-21.

Notwithstanding the above, even if a lower level of per capita retail spending was assumed during the forecast period, sufficient expenditure would still be generated in the trade area to justify an increase in retail floorspace at Westfield Tuggerah and other centres based on population growth alone.

For example, we calculate that if per capita retail spending rates for the trade area as a whole were assumed to be -15% below the Sydney average in 2013 (\$2013), total available trade area retail spending would still increase from about \$2.872 billion in 2013 to \$3.506 billion in 2021 (\$2013). This equates to an increase in annual available spending between 2013-21 of about +\$633 million.

By contrast, Urbis estimate total available annual retail spending will increase from \$3.198 billion in 2013 to \$3.954 billion in 2021—an increase of +\$756 million in annual available spending between 2013-21(\$2013; Table 2.6, page 21 refers) .

Assuming that the lower estimate of expenditure growth (as calculated by ourselves and noted above) is correct, annual available spending growth of +\$633 million in real terms would still support a very significant increase in retail floorspace in the Tuggerah trade area. In broad terms, assuming an average floorspace productivity rate of \$5,500 per m² per annum for all types of retail floorspace, the Tuggerah trade area would still support an increase in the order of 115,000m² between 2013-21. Obviously, the proposed increase at Westfield Tuggerah of only 12,638m² comprises a small component of the potentially supportable increase in retail floorspace for the Tuggerah trade area as a whole up to 2021.

Increase in Sales

We agree with the Urbis estimate that an expanded Tuggerah Westfield centre could attract additional sales of about +\$45.0 million per annum (\$2013) in 2016.

Impacts on Centres

The estimated impact on centres in the Tuggerah trade area, including the Wyong District Town Centre and Bateau Bay, are set out in Table 5.7 on page 39 of the Urbis report. From Table 5.7 we note that an impact of -\$17.6 million in 2016 has been allocated by Urbis to “other centres”. As far as we can tell, these “other centres” are not further detailed by Urbis in their report. This is significant as \$17.6 million constitutes 39% of the total impact of the proposed Tuggerah expansion.

We note that the centres identified as being impacted in Table 5.7 already include all of the major centres in the Central Coast and southern Newcastle—for instance, Erina Fair, Lake Haven, Bateau Bay, Gosford and Charlestown Square. It is difficult, therefore, to identify what “other” (that is, other than those identified in Table 5.7) relevant centres Urbis considers may be impacted. While it is to be expected there would be some impact on other centres located outside of the Central Coast/lower Newcastle area, we would not expect this to constitute 39% of the overall impact of the proposal.

Council should understand that if this \$17.6 million impact on “other centres” were to be allocated (as a whole or in part) to the centres listed in Table 5.7, the impacts on individual centres would be higher than those cited by Urbis.

The impacts on Wyong and Bateau Bay of the proposal are estimated by Urbis to be as follows:

- ▶ Wyong ... -0.9%
- ▶ Bateau Bay ... -1.8%.

We agree with Urbis that the Wyong District Town Centre is unlikely to be significantly impacted by the proposed expansion given Wyong does not contain retailers which are likely to be directly competitive with the proposed Myer department store and additional retail specialties at Tuggerah.

Bateau Bay is expected to experience a higher impact than Wyong given that it is anchored by a DDS (Kmart) and contains more national chain specialty stores than Wyong. Bateau Bay is therefore more directly competitive with Westfield Tuggerah than is the Wyong District Town Centre.

Notwithstanding our comments concerning the veracity of the distribution of impacts calculated by Urbis, we consider it unlikely that the impacts on any of the centres identified in Urbis Table 5.7 would exceed -5% in 2016. This is generally considered to be a low level of impact.

In relation to the proposed Warnervale District Town Centre, we agree with the observations made by Urbis (Section 5.7.1 refers) that the proposed Tuggerah expansion will not preclude the development of a first stage of the Warnervale

District Town Centre which is to be anchored by a supermarket and associated specialty shops. Further, we agree it is unlikely that the proposed expansion of Westfield Tuggerah would preclude the potential to add a DDS to a future centre at Warnervale in the longer term.

Conclusion

The proposed development is consistent with the role of Westfield Tuggerah at the apex of the retail hierarchy in Wyong LGA.

The proposed expansion of Westfield Tuggerah is within the guidelines established by DCP 81, as far as the expansion of retail floorspace at the centre is concerned.

The proposed expansion of the centre is likely to have less impact than that previously approved by Council in 2008. Further, compared with the 2008 application, the current application has the benefit of adding a Myer department store. This will significantly improve local residents' access to a full range of comparison goods retailing in Wyong LGA.

Despite our reservations about the volume of available retail expenditure (as discussed above), our advice to Council is that the impact of the proposed development on relevant centres is likely to be relatively modest and does not constitute a basis for refusing the subject application on economic impact grounds.

