

15 May 2024

Dear Jeremy and Jon,

Subject: Moss Vale Woolworths EIA Peer Review

HillPDA was commissioned by Wingecarribee Shire Council to peer review the Economic Impact Assessment (EIA) prepared by LocationIQ which was dated May 2023 (LocationIQ EIA). This EIA pertains to the proposed Woolworths-based shopping centre at 231-233 Argyle Street, Moss Vale. The development, encompassing Woolworths, specialty retail, commercial spaces, and a car wash, has been submitted under development application DA24-0212.

Background

In the Regional Planning Panel meeting on 13 February 2024, the council's consultant planner highlighted key issues related to the development's design, location, and alignment with the E3 Zone objectives due to limited street frontage. They raised Transport for NSW's (TfNSW) concerns about the signalised intersection design, traffic generation rates, and construction traffic impacts and despite additional information submissions, TfNSW maintained its non-support for the current intersection arrangement.

They also advised that several requests for information were issued and responded to, with an extended deadline granted until 28 February 2024 for the applicant to provide the necessary details. The development application received a total of 472 submissions during its notification period.

Noting that they only had preliminary briefings on the matter, the Panel in this meeting, highlighted concerns regarding whether the development satisfies E3 Zone's objective "to provide for land uses that are compatible with, but do not compete with, land uses in surrounding local and commercial centres". Moreover, key assessment issues identified included general traffic and access, residue lot access, and competition with neighbouring land uses. The Panel recommended Council seek legal advice on permissibility and conduct a peer review of the economic impact report.

As such, HillPDA's role focuses explicitly on peer reviewing the LocationIQ EIA and evaluating whether the DA aligns with the zone objectives. The objectives of particular relevance and will be the focus is whether the proposed development is compatible with surrounding centres without competing with them as well as the DA's alignment to the E3 Zone's objective 'to maintain local economic viability of local and commercial centres by limiting certain retail and commercial activities'.

Proposed development

The proposed scheme as outlined in the LocationIQ EIA is for a single-level centre spanning 6,636sqm, with a retail area of 5,445sqm anchored by a 4,290sqm Woolworths supermarket, seven specialty tenants, a car wash, and commercial space, along with 290 at-grade parking spaces.

Peer review of LocationIQ EIA

A summary of the key insights from our peer review is listed below:

- The main trade area appears overstated, which means the estimated trade area resident population and spend is also overstated.
- Population growth rates in the LocationIQ EIA appear inflated; our estimate for the revised main trade area is 25,200 residents, which is substantially lower than LocationIQ's 29,000. This is driven by the smaller main trade area and adopting the more conservative forecasts by Forecast id.
- The revised main trade area's supermarket floorspace provision of 364 sqm per 1,000 persons (compared to LocationIQ's EIA estimate of 321sqm per 1,000 persons) exceeds the national average benchmark. Moreover, it should be noted that some of the supermarket floorspace provisions will be met by nearby centres like Bowral and Goulburn, reducing the requirement within the main trade area.
- The revised population growth is estimated to generate demand for 3,250 to 4,650 sqm of retail floorspace over 20 years, this is well below the proposed Woolworths Centre's provision and LocationIQ EIA's projection of an additional 12,540 sqm. This is because not all the demand will need to be met by local centres in the main trade area.
- Supermarket floorspace only represents 0.33 sqm of the 2.2 sqm of retail floorspace per capita. Assuming an 80-85% capture rate, the main trade area would support an additional 1,150 sqm of supermarket floorspace in the LocationIQ main trade area and 400 sqm in the revised main trade area—well below the proposed Woolworths at 4,290 sqm.
- Our high-level demand assessment does not indicate a need for the amount of retail floorspace proposed in the Woolworth Centre development over the forecast period.
- The proposed Woolworths' projected sales of \$39.3 million for 2026/27 appear understated, considering the store's advantages. This equates to \$9,157 per sqm and falls 8% below the main trade area's supermarket average of \$9,973 per sqm and sits below the general national and non-metro averages.
- Our impact analysis indicates a 15.2% sales loss for the Moss Vale Local Centre due to the proposed Woolworths Centre. If Woolworths trades at levels comparable to other supermarkets, this impact could be greater, threatening the viability of Moss Vale Local Centre.
- The proposed Woolworths centre is at risk of competing with rather than complementing the Moss Vale Local Centre. This poses a risk to the viability and sustainability of the Moss Vale Local Centre which would contradict the E3 zone's objectives.

The following offers an in-depth overview of our analysis.

Trade area

We consider the trade area defined in the LocationIQ EIA to be somewhat overstretched.

The primary trade area in the LocationIQ EIA includes suburbs such as Joadja, Mandemar, Berrima, Kangaloon, and East Kangaloon. Bowral Town Centre, which offers strong supermarket options including full-line Coles and Woolworths stores, as well as specialty retail, is closer in distance and driving time to the residents of these areas. As of 2021, these suburbs were home to approximately 1,300 persons. These suburbs could form part of a secondary trade area if a full-line Woolworths were to open in Moss Vale (i.e. residents seeking a less congested alternative), however, we anticipate that the market capture from these residents would be substantially lower.

Similarly, the defined secondary trade area includes suburbs Tallong, Marulan, Carrick, and Brayton, with a combined population of over 2,700 residents. Similarly, these residents are closer in distance and driving time to Goulburn, which offers a strong retail presence. Consequently, we do not expect the proposed retail centre in

Moss Vale would capture a significant share of retail expenditure from these residents, given the competitive retail options available in Goulburn.

Population projections

Adopting a more confined main trade area that excludes the secondary trade suburbs of Tallong, Marulan, Carrick, Brayton and includes Joadja, Mandemar, Berrima, Kangaloon, and East Kangaloon in the secondary trade area (referred to as the revised main trade area hereafter), we estimate the following population breakdown as of 2022:

- Revised primary trade area: 18,400 persons
- Revised secondary trade area: 2,175 persons
- 5Total revised main trade population: 20,550 persons.

The LocationIQ EIA projects a population increase of 5,700 persons by 2041. However, Forecast id anticipates a lower growth rate, forecasting an additional 4,839 persons between 2021-41 in the Moss Vale, Bundanoon, and Robertson districts, which predominantly fall within our refined trade area. If we assume all this projected growth occurs within the revised main trade area, the estimated population would reach almost 25,200 persons by 2041.

This projection is significantly lower than LocationIQ's estimate of 29,000 persons for the same year. It should be noted that the difference can be attributed to the smaller catchment area and the more conservative growth forecasts provided by Forecast id.

Expenditure levels

The per capita retail spending levels projected in the LocationIQ EIA seem reasonable and are generally consistent with our estimates. However, when adjusted for the lower population estimates, we estimate that the total retail expenditure within the revised main trade area will increase from around \$328.6 million in 2022 to \$462.8 million in 2041 as compared to \$373.3 million and \$533.6 million in the LocationIQ EIA.

Main trade area floorspace provision

The LocationIQ EIA argues that the supermarket floorspace provision in the main trade area, at 321sqm per 1,000 persons, is currently lower than the non-metropolitan New South Wales benchmark (406sqm per 1,000 persons) and the national average (356sqm per 1,000 persons). Note that the national average benchmark is slightly higher than our estimates and other sources such as Urbis' Carlingford Retail Impact Assessment, 2023, which suggests it is closer to 354sqm. Notwithstanding these minor discrepancies, the supermarket floorspace provision increases to approximately 364sqm per 1,000 persons for the revised main trade area, which is above the national average benchmark. Furthermore, it is important to recognise that some of this retail floorspace provision will be met by nearby and higher order centres Bowral and Goulburn. Consequently, not all of the 364 sqm per 1,000 persons will need to be met by retailers within the main trade area.

While we agree with LocationIQ's assertion that the primary trade area could theoretically support up to two full-line supermarkets of 3,200sqm each, currently, the primary trade area is served by one full-line Coles supermarket of 2,500sqm (note: 2,500sqm is considered a full-line supermarket, with 3,200sqm+ considered a major full-line) and two smaller-scale supermarkets of 2,330sqm and 1,800sqm. Collectively, these equate to the provision of two major full-line supermarkets.

The LocationIQ EIA, later in Section 5.1, states, "based on the national benchmark for retail floorspace provision of 2.2sqm per capita, population growth within the main trade area alone would generate demand for an additional 12,540sqm over the next 20 years." However, it is important to clarify that the 2.2sqm per capita does not imply that all this demand needs to be met within the main trade area. Some of this demand will be met by nearby higher-order centres, such as Bowral and Goulburn, as well as other types of non-traditional retail like bulky goods retailing. As such the proposed Woolworths Centre and Moss Vale Local Centre are only likely to capture 0.7 to 1 sqm of the 2.2 sqm of retail floorspace per capita. Additionally, as discussed earlier, the

population growth was overstated in the LocationIQ EIA due to an overly wide trade area and above-forecasted population projections (as compared to Forecast id). Applying this level of capture to the revised main trade area suggests that population growth would support 3,250 to 4,650 sqm of retail floorspace over the next 20 years. This is below the proposed Woolworths Centre's provision of floorspace.

Taking the above one step further, supermarket floorspace only represents around 0.33 sqm of the 2.2 sqm of retail floorspace per capita. Assuming the supermarkets within the main trade area were to capture 80 to 85% of the supermarket provision per capita and accounting for the existing supermarket floorspace in the main trade area, the population as at 2041 would support an additional 1,150 sqm of supermarket floorspace assuming the LocationIQ main trade area and only 400 sqm of additional supermarket floorspace in the revised main trade area. Both numbers are well below the proposed level of supermarket floorspace in the proposed Woolworths Centre. Even assuming 100 per cent retention, the levels would still be well below the proposed 4,290sqm of supermarket floorspace.

It should be noted, however, that the approach adopted to establish demand in the LocationIQ EIA, that is applying benchmark rates to population growth, is in our view not the preferred approach given the nature and scale of development. We recommend that a more comprehensive retail demand assessment be undertaken to establish how much supermarket floorspace can be supported on-site without impacting the viability of other surrounding centres, particularly Moss Vale Local Centre.

We agree with the LocationIQ EIA assertion that residents would undoubtedly benefit from having a major full-line supermarket, potentially reducing some of the expenditure leakage to Bowral for those seeking a broader range of products that a larger-format supermarket can offer, or a preference for Woolworths' offerings as well as facilitating increased price competition. However, the provision of a significantly larger supermarket outside the existing Moss Vale Local Centre would divert sales away from the core retail area, potentially impacting the local centre's viability. The potential impacts on surrounding existing centres are explored in more detail subsequently in the Sales Impact section of this review.

Additionally, it should be noted that some of the expenditure leakage referred to in the LocationIQ EIA may be due to residents undertaking their supermarket shopping at Bowral, Mittagong and Goulburn while they visit these locations for higher services, leisure, and other discretionary spending. This is not necessarily because Moss Vale lacks a major full-line supermarket. These locations provide a stronger retail offer (and include discount department stores) and stronger amenities, which is reflective of their classification in the local centre hierarchy.

Assessment of retail potential

We find the food and grocery expenditure capture rates and levels retained in the main trade area assumed by LocationIQ to be reasonable for the refined main trade area. However, the trade from beyond this area, estimated at 12.5%, maybe somewhat optimistic for that location but is still acceptable. The general merchandise rates are also considered acceptable.

Regarding the projected achievable sales of \$39.3 million for Woolworths in 2026/27, representing a sales productivity of around \$9,157 per sqm, we consider this figure to be somewhat understated. The assumed productivity seems low, especially given the competitive advantages of the store due to its scale and modern design compared to other, more dated stores. It also falls well below the assumed average trading levels of other supermarkets in the trade area, which, based on LocationIQ's calculations, are assumed to be trading at \$9,973 per sqm (i.e. 8% below the trading levels of the other supermarkets in the trade area). It is also inconsistent with LocationIQ EIA's assumed number of workers on-site once operational (i.e. 215 workers) which is discussed in more detail below.

If we assume that the proposed Woolworths is trading at least at the average rates of the other supermarkets—which we still consider to be low given average national rates and the competitive advantages this store provides—this brings the projected sales for the proposed Woolworths store up to \$42.8 million. Note assuming

this higher rate would also have implications for the trading performance of other centres in the revised main trade area (i.e. it will lower their trading levels).

We consider the assumed productivity rate for other specialty retail at \$6,500 per sqm to be reasonable.

Sales impact

Total retail sales from the Woolworths Centre would be redirected from competing centres. It is not clear from LocationIQ EIA's analysis how they have quantified the redirection of trade from competing centres and how they have derived the change in sales for each centre. For this reason we have prepared the sales impact analysis using our own in-house gravity model. For evaluation purposes, while we believe the sales potential is likely to be higher, we have adopted LocationIQ's figure of \$39.3 million for the Woolworths supermarket and we have assumed a lower competitive factor for the Moss Vale Town Centre and 12.5 per cent of trade is derived from beyond the trade area (which as discussed above we also consider to be too high, however have tested the impacts under this scenario to allow like for like comparisons). We have also assumed its first complete year of operation is 2027.

Note the gravity model was designed on the premise that the level of redirected expenditure from a competing centre selling like for like products is directly proportional to the turnover of that centre and indirectly proportional to the distance from the Subject Site. The results are presented in the table immediately below.

Table 1: Trading Impacts of the Proposed Woolworth Centre (\$2022 Millions)

1	2	3	4	5	6	7	8	9	10
Retail Centre	Distance from Subject Site (km)	Approx. Retail Floor Space	Turnover in 2022	Turnover in 2027 without Proposal	Turnover in 2027 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2027	Shift in turnover from 2022 to 2027	% Shift in turnover from 2022 to 2027
Proposed Centre					46.8	46.8			
Moss Vale	0.3	19,700	124.5	137.5	105.6	-31.8	-23.2%	-18.9	-15.2%
Sutton Forest	6.2	600	2.9	3.0	3.0	0.0	-0.4%	0.1	4.6%
Berrima	9.8	2,400	12.1	13.2	13.2	0.0	-0.3%	1.1	9.0%
Bunanoon	16.6	2,050	14.2	15.3	15.3	0.0	-0.2%	1.1	7.5%
Robertson	21.2	2,900	13.7	14.4	14.4	0.0	-0.1%	0.7	5.0%
Marulan SC	41.2	2,400	20.3	21.3	21.2	-0.1	-0.6%	0.9	4.5%
Bowral	9.0	37,150	239.2	257.7	251.7	-6.0	-2.3%	12.5	5.2%
Mittagong	14.0	40,300	209.9	226.1	224.0	-2.2	-1.0%	14.1	6.7%
Goulburn	68.8	35,450	258.9	278.9	278.1	-0.8	-0.3%	19.2	7.4%
Other Localities						-5.8			
TOTAL		142,950	895.7	967.5	973.3	0.0	0.6%	77.6	8.7%

Columns:

1. Retail Centre Name (includes strip shops)
2. Distance in kilometres from subject site (source: Googlemaps).
3. Various including Shopping Centre News, PCA Shopping Centres Directory, Hill PDA Floorspace Surveys.
4. Various including Shopping Centre News, PCA Shopping Centres Directory, Shopping Centre Annual Reports, Urbis Retail Averages, Other Consultancy Reports and Hill PDA Estimate.
5. Allows for population growth (variable for each centre) and real growth in retail spend per capita of 1.0% per annum in line with the historic trend since 1986 (Hill PDA Calculation from ABS Retail Sales, population estimates and CPI indexes).
6. The turnover of centres following the proposed development. The forecast turnover of the proposed development is redirected from the existing centres based on distance and size.
7. Immediate shift in turnover. This is difference between the development and the do nothing options (i.e. Column 4 minus Column 5).
8. Immediate percentage shift in turnover divided by the turnover in 2027 without the development (ie Column 6 - Column 5)
9. This is the shift in turnover from 2022 to 2027 after the opening of the new development (Column 6 minus Column 4)
10. This is shift in turnover from 2022 to 2027 divided by the base turnover in 2022

There are no universal measures of the significance of economic impact. There are references in various consultancy reports and statements in the Land and Environment Court which suggest that a loss of trade below 5 per cent is considered insignificant, 5 to 10 per cent is low to moderate, 10 to 15 per cent is moderate to high and above 15% is a strong or significant impact. On this basis, the impact of the proposed Woolworths Centre on the existing Moss Vale Local Centre is considered strong at 23.2 per cent loss in sales. The impact on all other

existing centres is considered to be insignificant. These are immediate impacts in 2027 (Column 8). These impacts will lessen due to population and expenditure growth in the locality. The final column in the above table accounts for population and expenditure growth and demonstrates even with accounting for this growth the impact remains strong at 15.2 per cent. All other centres are expected to experience an increase in trading levels with or without the proposed Woolworths Centre at the subject site. It should be noted that this impact is also assuming the Woolworths supermarket is trading at \$9,157 per sqm while other supermarkets in the main trade area are trading at \$9,973 per sqm.

If Woolworths were to trade at a turnover level comparable to surrounding supermarkets or above, its impact would be greater. If this were to occur, which we consider likely, the resulting impacts on the existing Moss Vale Local Centre would be greater and could threaten the role, function or commercial viability of this centre and its retailers.

A further important consideration is that the NSW Land and Environment Court has clearly stated that competition between traders in the same centre is not a relevant matter for determination and that the relevant matter is the impact on the centre and other centres as a whole. However, that becomes a question as to whether the proposed Woolworths Centre is considered part of the Moss Vale Local Centre or not.

The LocationIQ EIA suggests that the proposed Woolworths Centre is a natural extension of the existing Moss Vale Local Centre. However, we also acknowledge the counter-argument that the proposed centre is not part of this local centre for the following reasons:

- Firstly, poor connectivity and substantial distance from the Woolworths site and the existing retail core;
- The Woolworths site is removed from the core retail strip and has limited street frontage to Argyle Street. This could hinder its ability to attract pedestrian traffic and vice-versa and fails to promote walkable communities, which is inconsistent with Objective 23 of the South East and Tablelands Regional Plan. Additionally, including this site would elongate the E1 zone to over 1km end-to-end, creating undesirable sprawl;
- The Woolworths Centre site is surrounded by E3-zoned land which features non-traditional retail establishments like car dealerships. This environment contrasts with the traditional retail character of a local or town centre and the surrounding uses are more consistent with the typical permissible uses provided in E3 zone.
- Finally, the fastest route for commuters heading to the proposed Woolworths Centre, which involves travelling northeast on Dalys Way towards Argyle St/Illawarra Hwy, bypasses the existing retail strip. This means that the existing strip retailing is unlikely to benefit from commuter patrons of the Woolworths Centre, further reinforcing Woolworths Centre's detachment from the existing retail core.

Based on the above reasons, we believe that the proposed centre could compete with the Moss Vale Local Centre rather than complement it, particularly considering the redundancy in retail offerings.

Furthermore, our preliminary demand analysis indicates that the main trade area is not projected to generate sufficient demand to support a retail centre of the proposed Woolworths Centre scale, including a supermarket of 4,200 sqm, by 2041. As such there is a risk that the proposed Woolworths Centre would redirect sales from the Moss Vale Local Centre and impact its viability and sustainability, which would not align with the E3 Zone's objective "to provide for land uses that are compatible with, but do not compete with, land uses in surrounding local and commercial centres." Furthermore, it is at risk of contradicting the E3 Zone's objective "to maintain the local economic viability of local and commercial centres by limiting certain retail and commercial activities."

Based on the demand analysis and considering current permissibility, a neighbourhood supermarket of around 1,000 square metres, consistent with most metro-style Woolworths stores, along with additional supporting

retail could be supported on-site, with minimal impact on the surrounding centres. At this scale, it will avoid direct competition with Moss Vale Local Centre, aligning more closely with the objectives of the E3 zone.

Employment and consumer impact

The number of construction jobs is closely related to the size of construction projects. LocationIQ estimates, with a capital investment value (CIV) of \$30 million inclusive of GST, a total of 116 construction jobs. For accuracy, GST should be excluded from the estimate. However, the latest CIV prepared by TCubed Consulting on 31 August 2023 suggests the CIV is almost \$30 million excluding GST, so the assumed \$30 million estimate is acceptable. Evidence from Landcom¹ and our own analysis, using the latest 2021-22 input-output tables, suggests that approximately 2 construction jobs are generated per \$1 million of construction costs in Australia rather than the 3.8 assumed in the LocationIQ EIA.

Adjusting for this, we estimate 62 job years directly. Factoring in multipliers, we anticipate an additional 171 job years indirectly, totalling 233 jobs. This is 54 fewer direct job years and 15 fewer indirect jobs compared to LocationIQ's report, resulting in 69 fewer direct and indirect jobs overall.

However, even with these adjusted figures, the construction of the Woolworths Centre is still a net benefit, supporting 233 job years directly and indirectly over the 'do nothing' scenario (i.e., not constructing the Woolworths Centre).

Regarding employment potential, we estimated the total number of potential job opportunities is substantially lower at 214, which is 94 jobs below LocationIQ's estimate of 308. Our estimates allow for a 10% relocation from the local centre as per LocationIQ's approach. However, it is difficult to determine how many jobs would actually relocate, as discussed subsequently. Also, the LocationIQ EIA assumes that the proposed Woolworths supermarket alone will support an additional 215 jobs (when not accounting for the relocation of jobs). Applying the national average revenue per worker for supermarkets and grocery stores as sourced from the IBIS World Reports 2023, would suggest that the proposed Woolworths supermarket should be achieving sales of around \$73.5 million. This further supports that the estimates provided by LocationIQ EIA for the number of assumed workers for the Woolworths supermarket are overstated, while the turnover levels are underestimated.

Additionally, we estimate the indirect operational job opportunities at 193 jobs, compared to LocationIQ's 242. It is important to note that LocationIQ has only calculated the indirect jobs from the retail component and not from the non-retail component, for unknown reasons. Therefore, the total direct and indirect jobs are not directly comparable between the two assessments.

Overall, our estimates suggest a total of 407 direct and indirect jobs, which is lower than LocationIQ's combined total of 498 jobs. However, the approach and scope of the job calculations differ between the two assessments.

Notwithstanding the discrepancies in the job estimates, the proposed centre is expected to generate additional employment opportunities, including 407 (direct and indirect) jobs during the operational phase and 233 construction job years during the construction phase.

Other considerations

The development is expected to contribute to various consumer impacts outlined in the LocationIQ EIA, such as:

- Providing a wider range of retail facilities near residents' homes.
- Increasing convenience and price competition for residents.
- Improving customer amenity, design, and aesthetics through a new and modern development.

We also recognise that as the population grows, consolidating some of the supermarket floorspace to provide a major full-line supermarket with supporting specialty stores could reduce redundancy and enhance the retail

¹ NSW Government (2020) Measures of construction and job impacts from fast-tracked projects

offer for local residents. Ideally, this development would be located in the designated E1 zone to improve the local centre's vibrancy and benefit the existing stores on the core retail strip. However, Council cannot compel existing landowners to redevelop their properties to achieve this preferred outcome. The proposed Woolworths Centre site offers an option to provide residents with an improved retail offer.

The issue lies in the potential negative impact of the Woolworths Centre on the viability of the existing Moss Vale Local Centre and as such its potential misalignment to the E3 Zone's objective to "provide for land uses that are compatible with, but do not compete with, land uses in surrounding local and commercial centres" and to "maintain the local economic viability of local and commercial centres by limiting certain retail and commercial activities."

Therefore, while the proposed Woolworths centre offers potential benefits in terms of employment and consumer impact, it also presents risks to the viability of the existing local centre potentially competing rather than complementing the existing offer. Our demand assessment does not indicate a need for the amount of retail floorspace proposed in the development. Moreover, there is a risk that retailers and employees may relocate from the existing strip to the new Woolworths Centre, leading to long-term vacancies and blight. This could persist until substantial population growth supports additional retail in the existing local centre. The LocationIQ EIA assumes that up to ten percent of the workers could relocate to the proposed Woolworth Centre. However, if a higher proportion of retailers relocate to the new centre or close as a result of the new development, especially if the demand cannot support the level of retail floorspace, this relocation proportion is likely to be even higher.

Conclusion

Based on the above peer review we believe that the trade area and projected population adopted in the LocationIQ report have been overstated, this has implications for the recommended amount of supermarket floorspace that can be supported on the Woolworth Centre site. Additionally, it is believed that the assumed turnover levels for the Woolworths supermarket in the LocationIQ EIA are underestimated. As such the impacts on the Moss Vale Local Centre would be higher. This could threaten its viability and that of its retailers, especially as the proposed offering duplicates existing provisions rather than diversifying the retail landscape. In light of these concerns, it is argued that the proposed scale of the Woolworths Centre contradicts the objectives of the E3 Zone and competes with rather than complements surrounding local centres such as Moss Vale.

Using LocationIQ's approach to demonstrate retail demand (i.e. applying benchmark rates to population growth) and considering current permissibility, a neighbourhood supermarket of around 1,000 square metres, consistent with most metro-style Woolworths stores, along with additional supporting retail could be supported on-site, with minimal impact on the surrounding centres. At this scale, it will avoid direct competition with Moss Vale Local Centre, aligning more closely with the objectives of the E3 zone. We do recommend that a more comprehensive retail demand assessment, using a trade area more closely aligned with our revised main trade area and population projections be undertaken to determine whether there is capacity to provide any more than the suggested 1,000 square metres of supermarket floorspace on-site without impacting the viability of other surrounding centres, particularly Moss Vale Local Centre.

Yours sincerely,

Signed by



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27 February 2025

Dear Kuzi,

Subject: Moss Vale Woolworths EIA Peer Review

This letter provides our review of LocationIQ's comments in relation to our assessment of the Woolworths supermarket based shopping centre on 231-233 Argyle Street, Moss Vale. We have confined our points largely on economic needs and impact assessment although there is some relationship with statutory planning controls and zoning objectives that we have also addressed.

Trade area

We maintain the view that LocationIQ's trade area definition is too wide. LocationIQ argues that "Rural locations such as Joadja, Mandemar, Berrima, Kangaloon, and East Kangaloon have direct road access to, and are in close proximity to Moss Vale". This is the reason given for their inclusion in the primary trade area (PTA). Presumably other localities such as Robertson are included in the PTA for the same reason.

However the rural localities to the north of Moss Vale (Joadja, Mandemar, etc) are five minutes drive time closer to Highlands Marketplace in West Mittagong which has a full-line supermarket, Big W discount department store and around 35 specialty shops. Drive times to Bowral are also similar to Moss Vale. Drive times from Robertson to Bowral is similar to Moss Vale. The mobile phone ping data confirms our view that Mittagong and Bowral capture a fair proportion of expenditure from these areas. We firmly believe that these areas should be included in a secondary trade area (STA) rather than the PTA.

LocationIQ applies a 82.5% capture rate from the primary trade area (PTA) to calculate total potential supermarket sales in Moss Vale. Given the drive times to alternative centres such as Bowral and Mittagong, it is wrong to apply such a high capture rate to the localities mentioned above. Note also that Robertson has a small format IGA and this is capturing some food, grocery and liquor (FGL) expenditure from the residents in the Robertson/Kangaloon area. For these reasons the assumed capture rate from these rural locations (Joadja, Mandemar, Berrima, Robertson, Kangaloon, etc) should be below 50% and more like 30% to 35%.

In addition to the PTA LocationIQ applies a 70% capture rate from the secondary trade area (STA) to calculate total potential supermarket sales in Moss Vale. Marulan is 7-8 minutes closer to Goulburn than Moss Vale and Goulburn has a much stronger retail offer. Also Marulan also has a small format supermarket which would capture some expenditure from the defined STA. Accordingly we believe that the capture rate of 70% from the STA is far too high and a more appropriate rate of 25% should be adopted.

Population projections

LocationIQ argue that the Bowral South New Living Area (BSNLA) has not been included in the Forecast.ID projections. However, we don't see the relevance of this given that BSNLA is outside the defined trade area. LocationIQ's forecast of 4,600 more residents in LocationIQ's defined PTA appears reasonably consistent with Forecast.ID. Our previous concern, which remains unchanged, is that the defined PTA is too wide.

The other important consideration is that the BSNLA will eventually house 7,000 to 8,000 residents and have its own retail centre with around 22,000 to 23,000sqm of leasable retail space plus a further 4,000sqm of non-retail commercial space. This is a particularly large centre, and to be successful, would need to draw trade from a larger trade area than the BSNLA. Typically a centre of this size would have a trade area of at least 20,000 to 25,000 residents.

Supermarket forecast sales

LocationIQ assumes a retail turnover density of the supermarket of \$9,200/sqm in its first full year of trading. Benchmarked to national average this is a particularly low level. From their annual reports both Coles and Woolworths are currently trading at more than \$14,500/sqm average across Australia.

LocationIQ states that the forecast rate of \$9,200/sqm is within 5% of the main trade area average. If this is true, it suggests that there would be some level of oversupply following the opening of the Woolworths.

Impact assessment and location

LocationIQ state that the site is 250m from the existing IGA store and adjacent to the railway station. We measure it at 300m walking distance from the IGA and 450-500m walking distance from the station.

Our view is economic impacts are mixed. If the proposed Woolworths centre is defined as being 'in-centre' then the impacts on other traders in Moss Vale is not a relevant matter for determination (*Fabcot Pty Ltd v Hawkesbury City Council [1997] NSWLEC 27*). However as defined by the LEP and the zoning objectives the site is not really part of the centre. The proposal does not align with the E3 Zone's objective "to provide for land uses that are compatible with, but do not compete with, land uses in surrounding local and commercial centres." Furthermore, it contradicts the E3 Zone's objective "to maintain the local economic viability of local and commercial centres by limiting certain retail and commercial activities".

The NSW Land and Environment Court judgements provide some guidance on this matter. In the case of *Ex Gratia Pty Limited v Dungog Shire Council [2005] NSWLEC 148* the LEC refused the application for a 1,500sqm supermarket in Dungog because it deemed its location to be inappropriate notwithstanding permissibility. A similar reason was given for refusal of a homemaker centre in *Terrace Tower Holdings Pty Limited v Sutherland Shire Council [2003]NSWCA 289*. In the Dungog case the proposed supermarket was 150m to 200m from the mainstreet and would likely to draw trade away from the mainstreet resulting in the closure of at least one of the two existing supermarket/grocery stores that are on the mainstreet. Notwithstanding the benefits of introducing a larger format supermarket in Dungog, the LEC ruled that the proposal on the subject site was inconsistent with the zoning objectives which was about protecting the mainstreet.

If Woolworths located in the E1 zone then it would be 'in-centre' and its impacts on traders within the centre would not be relevant for consideration. The impact on the centre as a whole would be net positive. The impacts on other centres would be relevant for consideration, but these impacts are likely to be manageable. That said we recognise that there are likely to be difficulties in Woolworths finding a suitable size site in the existing E1 zone.

Conclusion

After reviewing LocationIQ's comments we have not changed our view. In summary we believe:

- The demand for supermarket space is overstated due to the PTA being geographically too large and due to the high capture rates being applied
- Either the forecast trading level for the Woolworths supermarket is too low and/or there will be an oversupply of supermarket floor space in the locality.
- The BSNLA has little relevance to the need for the proposal. If anything the retail centre proposed in the BSNLA will add a considerable level of supply, over and above what BSNLA requires.
- The proposal is out-of-centre as defined by the zoning and the zoning objectives and it is highly likely to have an adverse impact on the E1 zoned centre.

Yours sincerely,

Signed by



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