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Location iQ

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Moss Vale Economic Impact Assessment Peer Review Response

Dear Jessica

The letter outlines our response to the points outlined in the Hill PDA peer review dated May 2024 (commissioned by Wingecarribee Shire Council) of our Economic Impact Assessment (May 2023) report in relation to the proposed Woolworths-based shopping centre at 231-233 Argyle Street in Moss Vale. The development, comprising a full-line Woolworths supermarket, specialty retail, commercial spaces, and a car wash, has been submitted under development application DA24-0212.

Hill PDA Peer Review Summary

A summary of the key points outlined in the Hill PDA peer review in relation to our Economic Impact Assessment (EIA) are as follows:

- *The main trade area appears overstated, which means the estimated trade area resident population and spend is also overstated.*

- *Population growth rates in the Location IQ EIA appear inflated; our estimate for the revised main trade area is 25,200 residents, which is substantially lower than Location IQ'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 Location IQ's EIA estimate of 321 sq.m 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 Location IQ 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 Location IQ 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.*

In summary, the Hill PDA peer review differs from our EIA report in relation to the following key themes:

- Trade Area Definition
- Population and Retail Spend Projections
- Supermarket Floorspace Demand
- Supermarket Forecast Sales
- Competitive Impacts

Our response to Hill PDA peer review is detailed below, together with a brief summary of the *Bowral South New Living Area – Retail Needs Assessment* (Urbis, March 2024), commissioned by Wingecarribee Shire Council, which also outlines demand for retail facilities within the region.

Trade Area Definition

The definition of the main trade area outlined in our EIA is appropriate, based on:

- A review of Azira mobile phone ping data for the existing Moss Vale Local Centre over the past 12 months (refer Map 1) reinforces our definition of the trade area. As shown, the Moss Vale Local Centre draws residents of the broad region, even in the absence of a major full-line supermarket.

- Rural locations such as Joadja, Mandemar, Berrima, Kangaloon, and East Kangaloon have direct road access to, and are in close proximity to Moss Vale. Even without a full-line supermarket, Moss Vale Local Centre draws from these areas. As such, these locations are included within the defined primary sector. Further, the population density in these areas is very low and the definition of these areas as either primary or secondary sectors is negligible to the overall supportability and potential impact of the proposed development.

- A significant amount of supermarket spending escapes the defined Moss Vale trade area currently. This reflects the current lack of major full-line supermarket facilities as well as the lack of Woolworths brand representation in the trade area. This is evidenced by Azira mobile phone ping data for Bowral and Mittagong Town Centres (refer Maps 2 and 3), with some 20% and 14% of visitors (respectively) residing within the Moss Vale main trade area. The addition of a full-line Woolworths supermarket at Moss Vale would significantly reduce spending currently escaping the trade area to retail facilities at Bowral, Mittagong and beyond.

- Further, residents of the secondary sector are located outbound of Moss Vale. Typically, consumers travel inbound on a more regular basis to access retail facilities for a variety of reasons. This sector is defined as a secondary sector, given that residents would have a choice between accessing retail facilities at either Goulburn (the slightly closer option) or Moss Vale (inbound location). Overlapping catchments are typical in any retail hierarchy. Residents/customers move freely between different shopping facilities depending on choice, offer, complementary trip purposes, place of work, place of education, place of recreation and the like.

Population Projections

Our population projections are appropriate, based on the following:

- We utilise a range of population sources to the forecast population for the Moss Vale trade area (e.g. Census data, new dwelling approvals, official NSW Dept. of Planning & Environment population projections, Forecast iD projections, as well as investigations by our office into individual residential estates under construction/planned within the area) to get a thorough understanding of projected rate of development in the area — not just Forecast iD (which Hill PDA have used to compare population projections).

- Our defined **primary** sector is generally aligned with the **secondary south** sector defined in the *Bowral South New Living Area – Retail Needs Assessment (March 2024***)** report by Urbis (detailed on page 5 below). Our EIA report projects an increase in total population numbers in the primary sector by +4,600 over the next 20 - 25 years. This is consistent with the Urbis report projections for their defined secondary south sector, which are projected to increase by +4,900 persons over a similar period. The Forecast iD dwelling projections for Wingecarribee Council do not appear to account for this development (refer Figure 1), with a total of only +1,431 additional dwellings projected within Bowral over the 2021 – 2041 period.

- Further, visitors to the Southern Highlands region will add to demand for supermarket floorspace. In 2019 (i.e. pre Covid-19 pandemic impacts), ~2.1 million tourists visited the Wingecarribee LGA. Visitor nights totalled 1.3 million which is equivalent to a permanent population of ~3,427 (i.e. 1.3 million nights divided by 365 days/year).

Supermarket Floorspace Demand

In terms of supermarket floorspace demand, the Hill PDA analysis focuses on the demand for general supermarket floorspace, and minor variations from national benchmarks. The main point, however, is that local residents do not have access to a major full-line supermarket (i.e. >3,000 sq.m) within the main trade area:

- Typically, a major full-line (>3,000 sq.m) supermarket requires a catchment population of ~8,000 – 10,000 persons in order to be supportable. Based on this benchmark, the main trade area currently requires 2 – 3 full-line supermarkets, increasing to 3 – 4 supermarkets by 2041. Currently there are no full-line supermarkets in the main trade area, indicating a significant undersupply. Even if a smaller trade area were to be adopted (as the Hill PDA Peer Review suggests), a revised catchment of 25,200 persons (by 2041) would still demand three full-line supermarkets with none currently provided. The future growth in population in the primary sector alone can will support half a full-line supermarket, leaving aside any existing undersupply.

- The largest existing supermarket in the main trade area (Coles at Calaroga Centre) is only 2,500 sq.m. Residents have to travel beyond the main trade area to undertake a full supermarket shop, as is reflected the in Azira mobile phone data showing significant escape spending of residents of the main trade area to Bowral and Mittagong (refer Maps 2 and 3).

- The fact that a full-line supermarket is not provided in the main trade area and that the Woolworths brand is not represented – indicates a lack of supply and choice for what is considered to be essential facilities.

- The minor 'oversupply' of supermarket floorspace argument in the initial years post development of a Woolworths store at Moss Vale is focused purely on the amount of square metres provided. It does not reflect the lack of essential local facilities (in terms of a quality, full-line offer) and brand choice.

- The development of retail floorspace, in particular supermarket floorspace is lumpy in nature. Supermarkets occupy large floorplates. It is not possible to develop floorspace incrementally on an annual basis, in line with population growth. The planning and development of supermarket floorspace should cater to demand over the short to medium term period in order to provide local residents with essential convenience facilities in the place where they live.

Supermarket Forecast Sales

Location iQ adopt an evidence-based model that has been tested and refined over more than 10 years and across a range of clients. The model uses all available data, including the Location iQ proprietary database of supermarket and shopping centre tenant size and sales figures.

In addition, our forecasts take into consideration the detailed field study of existing retailers both within and beyond the main trade area (undertaken by this office in April 2023) in order ascertain the relative quality/draw of competing centres, based on a range of factors including centre/supermarket quality, car parking, accessibility, surrounding infrastructure etc.

This data, combined with our comprehensive analysis of demand (population and retail spend market) within the main trade area has enabled us to create a robust and reliable supermarket sales forecast for the proposed Woolworths-based development at Moss Vale.

The Hill PDA approach utilises a gravity model. Gravity models have several limitations — primarily relating to their simplistic approach which assumes that all customers are attracted to a store based on its size and proximity, and do not take into consideration key factors such as brand loyalty, store quality and existing performance, accessibility (via road or public transport).

Our sales forecast for the proposed Woolworths supermarket are appropriate, based on the following:

- Forecast sales for a full-line supermarket, at $39.3 million (or ~$9,200 per sq.m) in FY2027 are within 5% of the main trade area average.

- Forecast sales of $39.3 million represent ~35% of supermarket floorspace in the main trade area, and ~35% of supermarket sales within the main trade area — despite being a larger sized store than existing operators.

- Existing supermarkets in the region (particularly full-line supermarkets at Bowral and Mittagong) are likely to be achieving higher than average sales currently due to the lack of full-line offer within the trade area. The development of a full-line Woolworths supermarket at Moss Vale will assist in addressing this undersupply and re-distributing supermarket sales more appropriately.

- Sales of ~$40 million are typical of year one sales for a new full-line supermarket in a non-metropolitan location.

Moss Vale Local Centre Definition & Competitive Impacts

Location iQ has undertaken more than 100 retail needs assessments/economic impact assessments in Australia over the last decade, adopting a similar methodology as presented in this report for the high-level overview of retail demand. A range of other property consulting firms also adopt the approach outlined by Location iQ.

The impacts provided in our EIA are sound based on the following:

- Map 4 illustrates the location of the proposed Woolworths Moss Vale site. The site is located at 233 Argyle Street — a vacant site on the northern side of Argyle Street, and to the east of the railway alignment. Argyle Street is the major arterial road (and core retail strip) which runs through Moss Vale and forms part of Moss Vale Local Centre itself. The site is located ~250 metres from the existing Supa IGA and adjacent to Moss Vale railway station. The proposed Woolworths development would <u>form a natural part of the Moss Vale Local Centre</u> and would anchor the northern end of the Argyle Street retail strip.

- Given the location of the site, the proposed Woolworths development would increase the overall appeal of Moss Vale Local Centre, elevating it to a major destination for convenience retail facilities in the Southern Highlands, which would <u>benefit existing retailers</u> in the precinct.

- Generally, retail trading impacts between -10% - 15% are considered by the industry to be high but acceptable (particularly with high trading supermarkets as exists in the surrounding region), with impacts less than 10% considered relatively moderate, and impacts less than 5% generally considered minor/negligible. Other factors such as trading performance, expansions/refurbishments of centres, potential loss of services to the community, expected growth, and overall net community benefit should be considered.

- Hill PDA indicate that competitive impact on existing retailers within Moss Vale Local Centre to be -15.2%. In our view, this impact would be lower, at -12.5%. In dollar terms, the difference between a -12.5% impact and a 15.2% impact is only $3.6 million. This represents around <u>half of one year</u> of retail spending growth in the <u>primary sector</u> (~$7 million <u>per year</u>) over the 2026-31 period. In other words, the rapid growth in primary sector retail spending will quickly ameliorate any potential impacts experienced by existing retailers. Even if the impact on Moss Vale Local Centre was to be as high as 15.2%, it would not result in the closure of retailers as indicated by Hill PDA.

- The main impacts resulting from the proposed development will be felt by centres with existing full-line supermarkets (at Bowral and Mittagong, and beyond), given that a high proportion of supermarket spending in the main trade area is escaping to these centres.

- In our view, the proposed Woolworth-based development at Moss Vale will likely <u>complement</u> existing facilities in Moss Vale Local Centre and assist in retain supermarket spending currently escaping the main trade area — consistent with E3 zone objectives.

Bowral South New Living Area – Retail Needs Assessment (Urbis, March 2024)

The ***Bowral South New Living Area (NLA) – Retail Needs Assessment*** report (commissioned by Wingecarribee Council and currently on public exhibition) outlines the potential for additional retail facilities at a site in southern Bowral, which has been earmarked as a future residential growth area.

Key points of relevance include:

- The Bowral South NLA is approximately 303 hectares in size. The site has frontage along Kangaloon Road and Eridge Park Road, ~8 km to the north-east of the Moss Vale Woolworths site. The NLA is proposed for development to include 2,300 – 2,700 new dwellings (~7,000 – 8,000 residents) and a 'village centre'. As outlined above, the Forecast iD dwelling projections for Wingecarribee Council do not appear to account for this development.

- The Urbis report recommends that a retail component of 21,950 – 23,200 sq.m is supportable (refer Figure 2), including a discount department store (such as Big W or Kmart), and a full-line supermarket, mini-major floorspace of 3,600 sq.m and retail specialty space (8,100 – 9,350 sq.m). This amount of floorspace is comparable in size to that currently provided within the existing Moss Vale Local Centre.

- While such as development represents an out-of-town development that would detract from/impact the nearby Bowral Town Centre, it does highlight that there is sufficient growth in the market to support a large quantum of additional retail floorspace.

In summary, the analysis provided in our EIA is appropriate and can be relied upon to provide an accurate indication of the likely trading performance and resulting impacts of the proposed Woolworths-based development at Moss Vale.

Our key recommendation of the EIA remains the same: the combination of the substantial positive economic impacts of the proposed Woolworths-based Moss Vale development serves to more than offset the trading impacts that could be anticipated for a small number of existing and proposed retail stores, particularly supermarkets, in the region. Further, the impacts would not threaten the viability of any retail facilities/centres.

I hope this information meets your requirements. If you have any further queries, please don't hesitate to contact me.

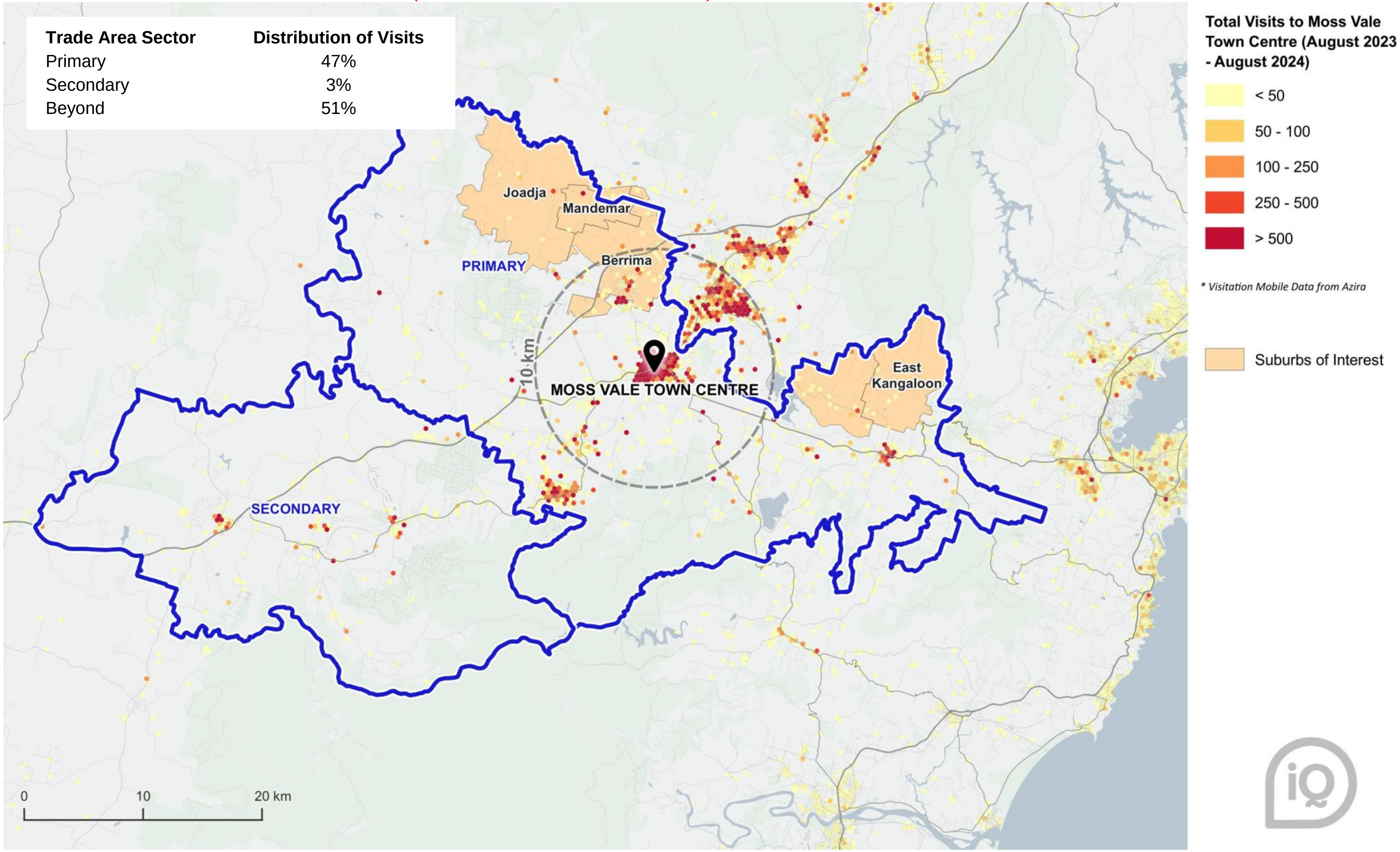
Yours sincerely,

Philippa Curtis

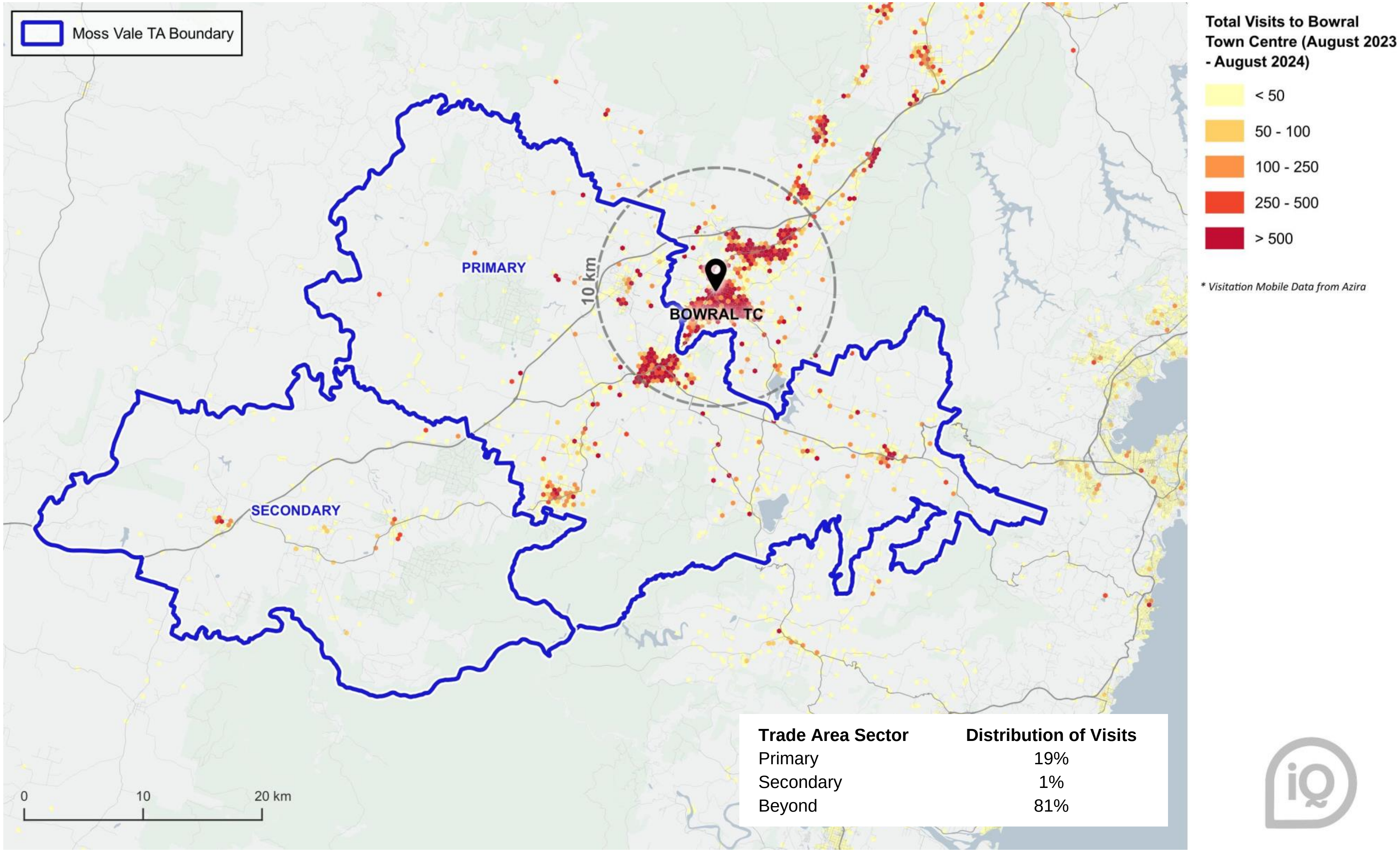
Philippa Curtis
Associate Director

MAP 1. MOSS VALE LOCAL CENTRE VISITATION (AZIRA MOBILE PHONE PING DATA)

Trade Area Sector	Distribution of Visits
Primary	47%
Secondary	3%
Beyond	51%

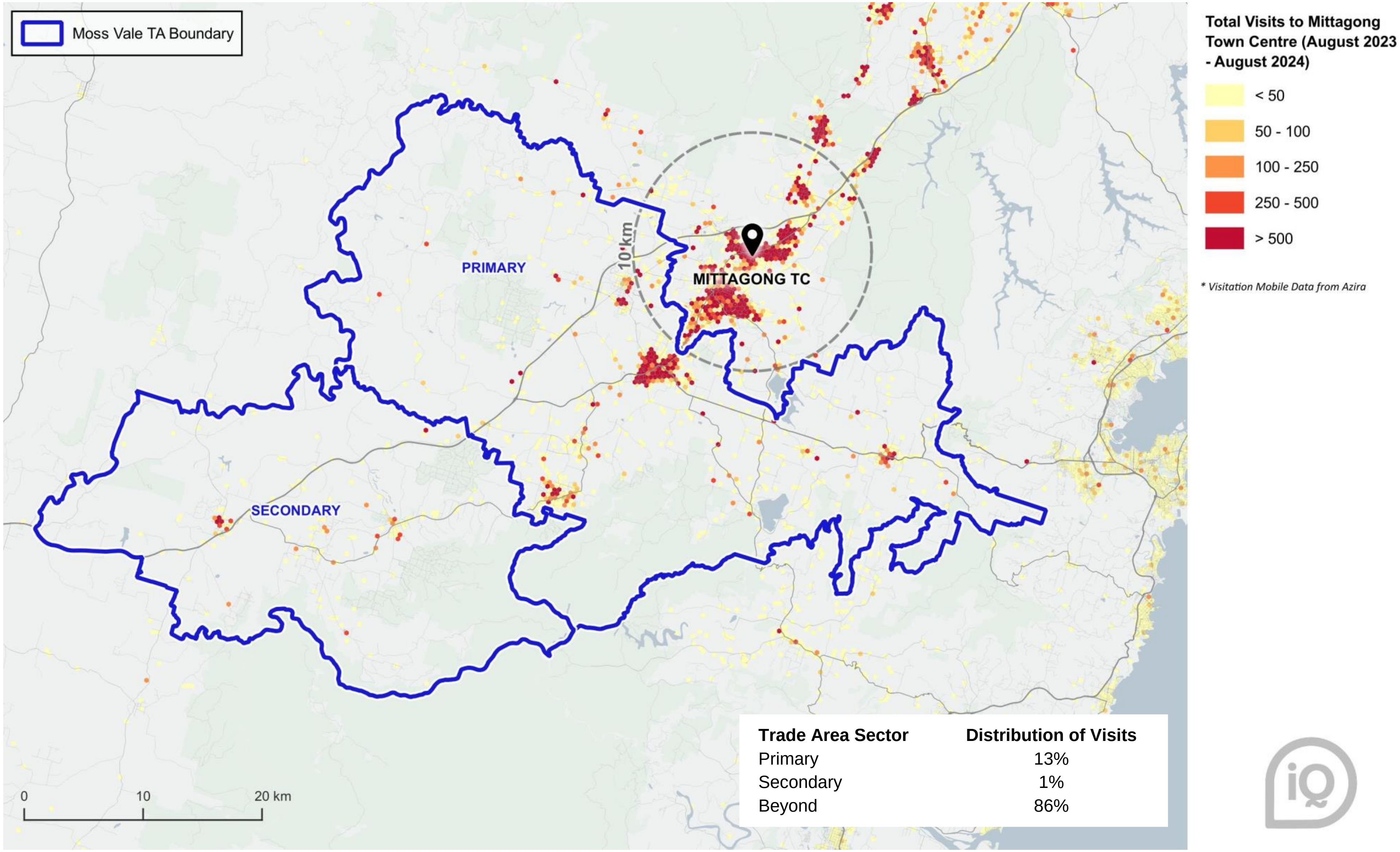


MAP 2. BOWRAL TOWN CENTRE VISITATION (AZIRA MOBILE PHONE PING DATA)



Trade Area Sector	Distribution of Visits
Primary	19%
Secondary	1%
Beyond	81%

MAP 3. MITTAGONG TOWN CENTRE VISITATION (AZIRA MOBILE PHONE PING DATA)



Trade Area Sector	Distribution of Visits
Primary	13%
Secondary	1%
Beyond	86%

FIGURE 1. FORECAST ID – WINGECARRIBEE SHIRE DWELLING PROJECTIONS, 2021-2041

Forecast residential development, 2021 to 2041

Wingecarribee Shire	Change in dwellings between 2021 and 2041	
Area	**number**	**%**
Wingecarribee Shire	**+6,534**	**+27.7**
Berrima - North West District	+100	+8.8
Bowral	+1,431	+27.6
Bundanoon - Exeter	+400	+19.9
Burradoo	+734	+59.1
Mittagong District	+1,259	+27.5
Moss Vale	+1,741	+42.9
Robertson District	+199	+11.2
Wingello - South West District	+105	+9.8
Northern Villages	+565	+22.6

MAP 4. MOSS VALE LOCAL CENTRE BOUNDARY

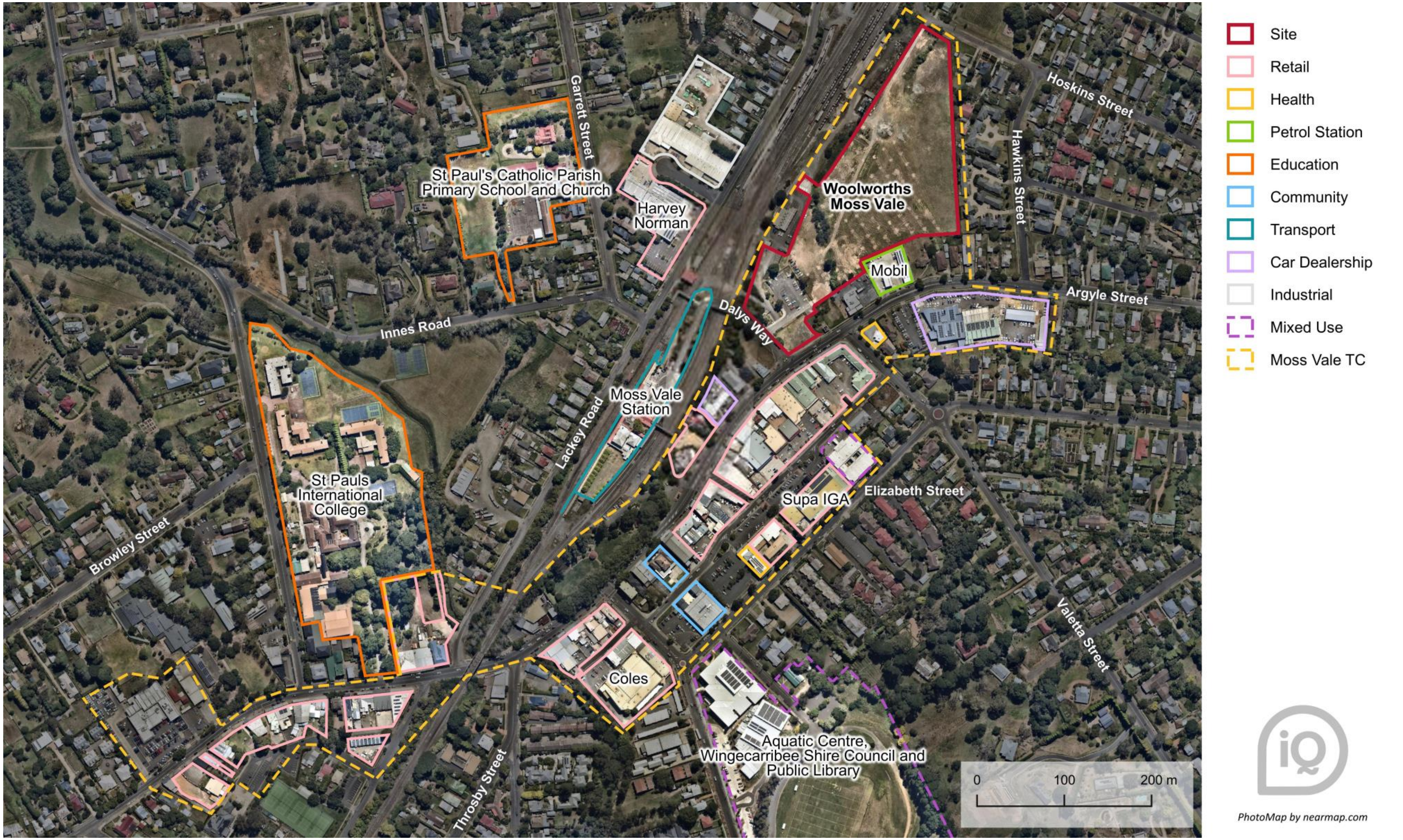
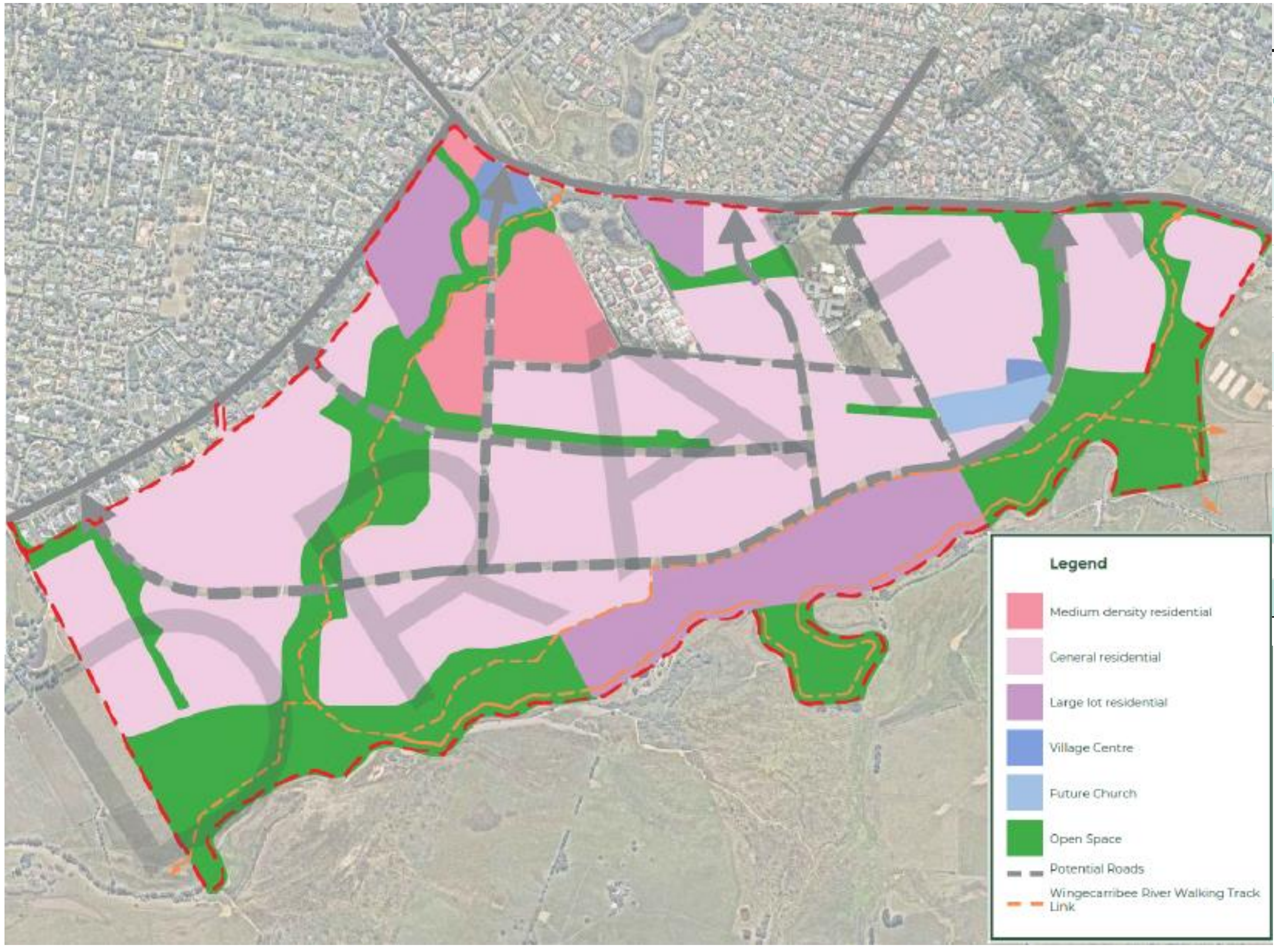


FIGURE 2. BOWRAL SOUTH NLA – DRAFT LAND USE PLAN & RECOMMENDED SCALE & MIX, (URBIS, MARCH 2024



Recommended Centre Scale and Mix Table E.1

TENANT TYPE	NUMBER OF STORES	GFA (SQ.M)
Discount Department Store	1	6,500
Supermarket	1	3,750
TOTAL MAJORS	**2**	**10,250**
Food Catering Mini Major	1 - 2	1,500
Apparel Mini Major	1 - 2	800
Leisure Mini Major	1	900
General Mini Major	1	400
TOTAL MINI MAJORS	**4 - 6**	**3,600**
Food Specialties	15 - 23	3,100 - 3,600
Non-Food Specialities	31 - 41	5,000 - 5,750
TOTAL RETAIL SPECIALITIES	**46 - 64**	**8,100 - 9,350**
TOTAL RETAIL	**52 - 72**	**21,950 - 23,200**
Non-Retail Tenancies	10 - 20	3,850 - 4,000
TOTAL CENTRE	**62 - 92**	**25,800 - 27,200**

Source: Urbis Shopping Centre Benchmarks 2023, Urbis