Hobsons Bay Planning Scheme

Amendment C88

Precinct 15 Retail Floorspace Provision

Statement of Economic Evidence of Gavin Duane

Prepared for Planning Panels Victoria

10th November 2017

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1 INTRODUCTION

Personal Details

1.1 My business address is Level 6 56 Pitt Street, Sydney, New South Wales 2000.

1.2 I am an economist and Director of Location IQ.

Qualifications and Experience

1.3 I have provided independent advice in the field of market analysis and strategic research for a wide range of clients in the retail and shopping centre industry. This included working for the following firms:

i. JHD Advisors: November 1993 – December 2002.

ii. Dimasi Strategic Research/Pitney Bowes MapInfo: April 2003 – December 2008.

iii. Location IQ: January 2009 – Present.

1.4 I regularly appear as an independent expert in State Planning courts and tribunals in relation to matters such as Economic Impact Assessments, retail market definitions, industry trends, market shares, consumer behaviour, retail sustainability and the implications of all of the above.

1.5 Key clients in the area of shopping centre and retail development include Lend Lease, The GPT Group, Stockland and Woolworths Limited.

1.6 Attached as Appendix 1 is my detailed curriculum vitae.

Instructions

1.7 I have prepared this statement, which investigates the economic implications of Amendment C88 in the context of current and future development of Activity Centres in Hobsons Bay municipality. In particular, I have been asked to consider the appropriate size of a supermarket in Precinct 15 over the longer term.

1.8 In preparing this Statement of Evidence, I have not received any instructions to accept, adopt or reject any particular opinion.

1.9 I have reviewed the following documents in order to prepare this Statement of Evidence:

i. The Amendment C88 exhibition documents.

ii. Hobsons Bay Activity Centres Strategy Technical Report, dated December 2016, prepared by Essential Economics Pty Ltd in association with Hansen Partnership and Martyn Group.

iii. Precinct 15, North Altona Neighbourhood Activity Centre Economic Impact Assessment, prepared for Precinct 15 landowners by Deep End Services in March 2015.

iv. Precinct 15 Altona North Economic Impacts Individual Peer Review, prepared by SGS Economics and Planning for the City of Hobsons Bay in September 2015.

v. Altona North Precinct Commercial Office Floorspace Provision, prepared for the Victorian Planning Authority by Essential Economics Pty Ltd, dated September 2017.

1.10 I have made all of the enquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have to my knowledge been withheld from the panel.

2 AMENDMENT C88

Overview

2.1 Amendment C88 was prepared in March 2015. The Amendment proposes the rezoning of 67 hectares of land in the Precinct 15 area from the current industrial zones to the Comprehensive Development Zone with an associated Comprehensive Development Plan.

2.2 The Comprehensive Development Zone is to provide for a range of uses including but not limited to:

i. Residential development/housing.

ii. A wide range of businesses including accommodation, childcare centre, cinema, indoor recreation facility and the like.

iii. Town centre (that may include shops, supermarket, hotel and tavern).

iv. Parks.

v. Community facilities.

2.3 The Comprehensive Development Plan, which sits under the zone, provides separate guidance on how Precinct 15 can be developed. It includes a vision and objectives for Precinct 15 and proposes:

i. Up to 3,000 houses.

ii. Building heights of 2 – 3 storeys along Kyle Road and New Street.

iii. Building heights of 3 – 5 storeys on Blackshaws Road and up to 6 storeys in the remainder of the precinct.

iv. 6 hectares of open space including one central park, four smaller parks and one landscaped drainage reserve.

v. Land for a new community facility.

vi. Up to 5,500 sq.m for a local town centre that may include shops and a supermarket.

vii. A new business area of 33,000 sq.m that includes some of the existing uses such as the medical centre.

viii. A minimum 5% affordable housing.

2.4 Figure 2.1 outlines the proposed land use map in the area, showing the location of the proposed Town Centre along Blackshaws Road to the east of the broadway.

2.5 Precinct 15 land is generally bounded by Blackshaws Road, Kyle Road, New Street and the Westgate Freeway in Altona North.

FIGURE 2.1 – PRECINCT 15 LAND USE MAP

Comprehensive Development Plan

2.6 The Altona North Comprehensive Development Plan prepared by Victorian Planning Authority dated June 2017 under the heading of *Vision* at Section 2.1 states the following:

> *"A new local town centre is located along Blackshaws Road and its alignment is essential to linking existing and future communities. It is envisaged to include a supermarket, cafes, restaurants and other specialty retail with the ability for apartments to be located above the ground floor. The town centre will include civic spaces to encourage pedestrian activity and the ability to hold small public events. The town centre will integrate with the existing mixed use centre at 216 – 230 Blackshaws Road that includes a large medical centre in the future 'business area', which will incorporate a new community centre."*

2.7 Section 2.2 is entitled *Objective* with key objectives in relation to the Town Centre including:

> *11. To create a safe and vibrant mixed use local town centre with pleasant public spaces and a range of jobs and services appropriate to the scale of the centre.*
>
> *12. Encourage local jobs through the provision of a mixed use town centre and business area.*

2.8 Section 3 is entitled *Implementation* and Section 3.1.2 under the heading of *Land Use and Built Form* at Table 2 in relation to the Town Centre sub precinct, the following comments are made:

> *i. A mixed use town centre made up of fine grain retail, a supermarket, offices and cafes.*
>
> *…*
>
> *ii. Encourage the town centre to be orientated towards a main street.*

iii. *The supermarket will include an overhead/underground car park or a car park at grade that could convert in the future to a more intense town centre development. Car parking should not be visible from key street frontages.*

2.9 Section 3.3 under the heading of *Employment and Local Centres* at Table 3 outlines the local town centre retail having an anticipated quantity of 5,500 sq.m creating 165 jobs.

2.10 Table 5 then outlines the local town centre retail and commercial yields gross area including:

i. Supermarket: 2,420 sq.m.

ii. Retail food and beverage: 3,060 sq.m.

iii. Total: 5,480 sq.m.

2.11 Up to 33,000 sq.m of commercial floorspace is also proposed in addition to the retail space.

<u>Background Report</u>

2.12 The Altona North background report prepared by Victorian Planning Authority again in June 2017 at Section 8.3 is entitled *Economic Assessment*.

2.13 Section 8.3 reviews reports prepared by Deep End Services and SGS Economics in relation to the supportability of retail floorspace at the subject site, which are discussed in the following sections.

2.14 The final paragraphs of Section 8.3, however, read as follows:

- *"The Comprehensive Development Plan shows a new Town Centre located on Blackshaws Road including retail space, a civic space (of 1,000 sq.m) to be vested in the Council as public space, a mixed use area (for a combination of residential and commercial land uses) alongside the proposed community facility.*

- *The schedule to the comprehensive development zone will allow development of up to 4,500 sq.m of retail in the Town Centre 'as of right' and 3,200 sq.m leasable floorspace of supermarkets in the Town Centre 'as of right'. Permits are required for building works associated with these activities.*

- *The Comprehensive Development Plan does not preclude residential apartments in the Town Centre and business areas.*

- *This matter is sufficiently resolved for inclusion on the Planning Scheme Amendment documentation for public exhibition."*

2.15 The Comprehensive Development Zone schedule, however, does not specifically refer to the size of the supermarket and Town Centre.

2.16 As noted above, however, the recommendations in the background report differ to the size of the supermarket and retail centre outlined in the Comprehensive Development Plan.

2.17 The remainder of this statement of evidence considers the appropriate size of a supermarket and town centre retail floorspace at Precinct 15.

2.18 Of relevance to the consideration of future floorspace in the town centre is the likely timing and staging of development. It is clear from the Comprehensive Development Plan that it is likely to be staging of retail floorspace over time, particularly in relation to the provision of car parking at grade in the initial stages of development but to be underground or rooftop in the future.

2.19 Consequently, the demand for a retail town centre and supermarket floorspace needs to be considered over the period to at least 2036.

3 DEEP END SERVICES ECONOMIC IMPACT ASSESSMENT

3.1 An Economic Impact Assessment was prepared by Deep End Services for Precinct 15 landowners in March 2015. The Economic Impact Assessment specifically considered a neighbourhood activity centre of 5,500 sq.m including:

i. A supermarket of 4,200 sq.m.

ii. 1,350 sq.m of specialty shops.

iii. Total leasable area of 5,550 sq.m.

3.2 The methodology used in the Deep End Services report is typical of an Economic Impact Assessment lodged as part of development applications and in planning panels/court tribunals.

3.3 Relevantly, a number of changes have occurred since March 2015, which are of relevance to the consideration of supermarket and Town Centre floorspace for Precinct 15. The most relevant of these include:

i. The 2016 Census of Population and Housing has been released in mid 2017 which updates population and the socio-economic profile of residents of Hobsons Bay and the defined trade area.

ii. Updated population projections for the City of Hobsons Bay have been prepared by Forecast .id in May 2017. It is unclear whether these projections take into account the most recent Census data results.

iii. A new supermarket development to be anchored by a Woolworths supermarket has been approved at the Millers Junction site along Millers Road adjoining the existing Bunnings/large format retail facility.

iv. The Deep End Services report considered development of the retail centre by June 2016 and only considered trade area catchment area population forecasts to 2021. Clearly, the opening of the centre will not occur for a number of years and a longer term timeframe is relevant considering the ultimate demand for supermarket and Town Centre floorspace.

v. The mixed use development along Melbourne Road and Mclister Street at Spotswood has recently been approved including a supermarket, bottle shop (Dan Murphy's), specialty shops, medical centre, chemist, cafe and 346 dwellings. The total size of the development is some 7,941 sq.m with the proposed Woolworths supermarket at 4,200 sq.m.

3.4 The document outlined projected sales for the subject retail centre and Precinct 15 at Table 8. Again, this was for the 2016/17 year and clearly these sales will no longer be applicable given the development will not proceed at that time.

3.5 It is also relevant to note that the projected trading level at that time for the supermarket was $7,400 per sq.m. This is lower than the typical level for major supermarkets in Australia of $9,000 - $10,000 per sq.m. It is not surprising that a lower sales level was projected in the first stage of development for Precinct 15 as minimal, if any, of the residential development would have occurred at the subject site by that date. Longer term, up to 3,000 dwellings and 6,500 – 7,000 persons are proposed at Precinct 15.

3.6 Consequently, the impacts on specific centres in Table 10 would now also be out of date but also consider the full impacts from the development in one year when there is likely to be staging of the retail development over time. In general, however, I would agree with the Deep End Services report that any development of a retail centre at the subject Precinct 15 site will results in impacts within the normal bounds of a competitive environment.

4 SGS ECONOMICS AND PLANNING INDEPENDENT PEER REVIEW

4.1 An independent peer review of the Deep End Services report was prepared by SGS Economics and Planning for the City of Hobsons Bay in September 2015.

4.2 In the introduction at Section 1.1, it is noted that SGS reviewed an original report by Deep End Services supporting a 4,000 sq.m activity centre anchored by a 2,500 sq.m mid sized supermarket in around 2012. I have not had access to these documents.

4.3 SGS review of the Deep End report of 2015 queried a number of assumptions and aspects of the report, including:

i. SGS recognise that there is a low provision of supermarket floorspace throughout Hobsons Bay municipality. On page 3 of the document under the heading of *Comment* in relation to Section 2.2 Policy Basis, the following is stated:

> *"On that basis, the City of Hobsons Bay needs to firstly explore the potential for accommodating new retail demand in the existing centres network as defined by the 2006 Activity Centres Strategy. If it is demonstrated that the existing network of centres is incapable of expanding to accommodate the extra projected demand, then a sequential test approach should be applied, with the Precinct 15 site then likely to be potentially supported by appropriate justification for a full-line supermarket development and associated specialty shops.*
>
> *However, if the City of Hobsons Bay can demonstrate that the projected future retail demand of the area can indeed be accommodated through the expansion of its existing centres in the nominated hierarchy, then the main anchor of the proposed retail centre on Precinct 15 must be capped at a limited line supermarket (as specified in the 2006 Activity Centres Strategy)."*

ii. On page 8 under the heading of *Population Forecasts* in Section 2.5, SGS question why data beyond 2021 was not considered and that the residential development Precinct 15 may occur over 15 – 20 year timeframes. I agree with SGS that consideration should be given to a longer timeframe in relation to supportability of retail floorspace at the subject Precinct 15 site.

iii. On page 11 under the heading of *Market Assessment*, Section 2.8, SGS question the trading level for the proposed supermarket. Again, I have indicated previously why this figure is likely to be low in the initial instances but this is no longer relevant.

iv. On page 15 under the heading of *Precinct Benefits*, SGS outline their view as following:

> *"In general, 7,000 new residents directly equates to approximately 3,000 sq.m of neighbourhood retail floorspace demand. Accounting for the servicing of a modest local catchment, this equates to a basis for perhaps a 4,500 sq.m neighbourhood activity centre, anchored by a smaller mid sized supermarket with some specialty shops.*
>
> *…*
>
> *Ultimately, the quantum of floorspace to be provided at Precinct 15 should be contingent on growth. If there was to be a population yield of much greater than 7,000 residents then there should be a case for a NAC to be larger than 4,500 sq.m.*
>
> *Notionally, we agree that a small centre serving a small population in Precinct 15 will need passing trade on Blackshaws Road to guarantee viability."*

v. Under the heading of *Section 3*, the key conclusions of SGS include:

- A lack of policy support for a 4,200 sq.m supermarket.

- An indicative analysis of supply and demand which actually demonstrates the study area is currently well serviced by supermarkets.

- Low relatively retail trade density (RTDs), low trade area captures and inflated impacts on distant centres which result in an underestimate of local trade diversion impacts.

- Incorrect presentation of employment benefits.

vi. Again, the SGS conclusions are based on a limited timeframe considering the period to 2021 which assumes the retail centre is developed all in one stage. A longer term view on the supportability of retail floorspace needs to be considered.

5 HOBSONS BAY ACTIVITY CENTRE STRATEGY

5.1 Hobsons Bay Activity Centre Strategy Technical Report was prepared in December 2016 by Essential Economics Pty Ltd for Hobsons Bay City Council.

5.2 Section 1.4 of that report outlines trends in activity centre development. Some of the relevant points to consider in relation to the subject site include:

i. Continuing importance of retailing – the retail sector continues to be the land use that generates the greatest amount of activity and visitation in most activity centres.

ii. Convenience centres – small convenience centres in retail nodes – which traditionally provide a limited range of day to day convenience retailing to a local catchment – have come under increasing levels of competition from larger centres over recent years, with the number of small centres declining over the past 20 years or so.

iii. Consumer preference for convenient, multi-purpose trips and greater reliance on the motor vehicle has increased the popularity of modern convenience stores attached to petrol stations. At the same time, the level of shopping convenience experienced at supermarkets has also increased, with the advent of express lanes, self service checkout, extended opening hours and convenient on site free parking. Supermarkets are the dominant retail format for attracting a share of spending on convenience groceries with industry data showing that up to 75% of all spending on food, liquor and groceries is captured by supermarkets.

5.3 Section 4 of the report is entitled *Demographic and Socio-economic Trends*. It is relevant to note that this was prepared prior to the release of the 2016 Census and updated Forecast .id population projections of May 2017. Of relevance, however, the north precinct which incorporates Precinct 15 and the surrounding areas is projected to accommodate the majority of growth within the City of Hobsons Bay over the next 20 year period.

5.4 Section 5 is entitled *Activity Centres Hierarchy*. The hierarchy is outlined in Table 10 incuding:

i. Major activity centres – Altona Gate, Altona Beach and Williamstown.

ii. Neighbourhood activity centres

- Large: Altona Meadows and Newport.
- Medium: Aviation Road, Laverton, Borrack Square and Rifle Range.
- Small: Harrington Square, Spotswood and The Circle.

iii. A range of local and micro centres.

5.5 In relation to the definition of a large neighbourhood centre, it is noted that typically large neighbourhood centres are in-excess of 10,000 sq.m of retail and commercial floorspace and incorporate a full-line supermarket and extensive range of specialty shops across retail and non-retail categories.

5.6 Medium neighbourhood centres are defined to have an important role in meeting the basic needs of surrounding residents, which has a relatively limited range of services or may lack a major anchor tenant (generally a full-line supermarket) that would otherwise provide the full range of day to day requirements. Generally these centres have less than 10,000 sq.m of retail and commercial floorspace.

5.7 Of relevance to these definitions, the subject Precinct 15 is proposed to have in-excess of 10,000 sq.m of retail and commercial floorspace at the site (including the existing medical facility and retail at 216-230 Blackshaws Road and the proposed Town Centre alone – leaving aside any commercial floorspace at 232-246 Blackshaws Road), meaning that it is more likely to fit within the large neighbourhood centre designation. As outlined in the Activity Centres Strategy, this would indicate a full-line supermarket as being supportable within this designation.

5.8 A full-line supermarket is not explicitly defined in the Activity Centres Strategy, although are typically referred to as Woolworths and Coles operated stores. In typical planning courts/tribunals, a full-line supermarket is a supermarket which contains the full-range of departments (i.e. bakery, produce, deli, seafood, meat, perishables, dry groceries and the like) in a store of at least 2,500 sq.m. A modern full-line supermarket operated by Coles and Woolworths, however, is now typically at least 3,000 – 3,200 sq.m and greater, and in some instances up to 4,500 sq.m. For the purposes of this report, I consider a full-line supermarket to be at least 3,000 sq.m.

5.9 The Activity Centres Strategy defines a small supermarket as usually less than 1,800 sq.m which means a mid sized supermarket would typically be in the range of 1,800 – 3,000 sq.m in size.

5.10 The remainder of Section 5 of the Activity Centres Strategy Technical Report reviews each of the individual centres throughout the hierarchy. Of relevance, some of the key points to note in relation to the expansion potential and trading patterns of these centres in the document are:

<u>Major Centres</u>

i. The Altona Beach major activity centre has limited development opportunities and is identified to be constrained by the surrounding urban form and physical barriers although with some infill opportunities.

ii. At Altona Gate Shopping Centre, there is land immediately north of the shopping centre and Duosa Road which is currently used for overflow car parking by the centre and is in the Commercial 1 Zone (C1Z). This land has been identified by the owners of Altona Gate as the potential site for a commercial development such as a medical centre, or alternatively, a mixed use development incorporating residential development.

iii. The Williamstown Activity Centre is noted to trade strongly and has a low vacancy rate. No land is identified for future expansion opportunities.

Large Neighbourhood Centres

iv. The Altona Meadows large neighbourhood centre on the southern side of Central Avenue is anchored by Big W and Coles and Aldi supermarkets. It is recognised that there are significant constraints to the centre which will require collaboration between the owners of the centre, Council and the community.

v. The Newport large neighbourhood centre is identified as the largest neighbourhood centre in Hobsons Bay municipality and with four different precincts which have opportunities in terms of both reinvestment in existing buildings and intensification of activity through new development of retail, commercial and/or residential uses. However, it is recognised that development in much of the centre is constrained by heritage overlays. Consequently, in my view, the ability to incorporate large scale supermarket facilities will be limited.

Medium Neighbourhood Centres

vi. Aviation Road at Laverton is noted to be constrained by surrounding uses and being relatively small in geographic terms. The trading performance of the centre is noted to have improved in recent years with a low vacancy rate identified in the latest floorspace survey.

vii. Borrack Square is identified as a medium neighbourhood centre that is noted to incorporate a pub and a limited range Woolworths supermarket. It is noted that despite a relatively poor overall level of presentation and issues with parking and accessibility, activity levels in the centre appear high. Traders are considered to be performing strongly, with no vacancies identified. The poor presentation of Borrack Square is noted to be sub optimal and reflects in part the split in ownership structure of the centre.

viii. Rifle Range at Williamstown is also noted as a medium neighbourhood centre. The centre is anchored by a limited range Woolworths supermarket and incorporates seven specialty shops. It is also noted in relation to redevelopment that any significant change to the centre will require a major redevelopment to overcome site constraints.

Small Neighbourhood Centre

ix. Harrington Square is noted as a small neighbourhood centre at Westona. This centre is noted to trade at low levels.

x. The Spotswood activity centre is also identified as a small neighbourhood centre. As detailed previously, a new supermarket centre of 8,000 sq.m has been approved closeby to this centre at Maclister Street.

xi. The Circle, close to the subject Precinct 15 site, is designated as a small neighbourhood centre. It is noted that the centre plays an enhanced role in the hierarchy in view of the presence of a number of high quality fresh produce and specialised food shops.

xii. Further, commentary is made in addition that the centre is a vibrant centre that is regularly accessed by people living across most of Hobsons Bay. This is despite existing issues associated with poor pedestrian access and safety caused by unusual curved layout of the centre.

xiii. The Circle serves a wider catchment than a typical small neighbourhood centre with in my view, an emphasis on serving a particular ethnic group and market with fresh food and other facilities. The ability to expand this centre, however, is limited with restricted car parking.

<u>Other Centres</u>

xiv. The Millers Road Enterprise Area comprising Bunnings with the adjoining land has been approved for a supermarket.

xv. There are a range of other local centres and micro centres which are smaller in scale, of which Vernon Street South Kingsville is the most relevant to Precinct 15. It is recognised that this centre has scope for further infill expansion with vacant land currently existing along both sides of the street. In my view, the ability to incorporate a full-line supermarket, however, would not be possible and not in-line with the designation for a local centre.

5.11 A review of the information provided in Section 5 of the Hobsons Bay Activity Centre Strategy Technical Report is that there are limited opportunities for a redevelopment of a major scale within existing centres, suggested by SGS in their peer review of the Deep End Services report for the Precinct 15 site. This is also reflected in the approval of new centres at Spotswood and Millers Junction to incorporate supermarket facilities.

5.12 It is also my view that any further additional supermarket floorspace should be incorporated in planning for the Precinct 15 site given its designation as a centre which would be in-line with a large neighbourhood centre in the activity centres strategy (i.e. greater than 10,000 sq.m of commercial and retail space taking account of existing medical and retail at 216-230 Blackshaws Road and proposed Town Centre alone).

5.13 Section 6 of the Activity Centres Strategy provides an economic outlook for activity centres. The analysis in Section 6 outlines the provision of retail floorspace, an estimate of existing sales, calculation of escape expenditure (estimated at 47%) and an outline of future floorspace demand requirements to the period over 2026 as outlined in Table 20.

5.14 This indicates additional total retail floorspace demand within Hobsons Bay of some 43,000 – 61,000 sq.m under a low to high scenario. No allocation to different centres has been provided for this floorspace, however, it is relevant to note that:

i. The Spotswood centre is proposed at just under 8,000 sq.m.

ii. The Millers Junction facility provides some 13,000 sq.m.

iii. Precinct 15 is designated for 5,500 sq.m.

iv. This leaves ongoing demand for 17,000 – 35,000 sq.m elsewhere within the municipality. This is in light of difficulties in providing floorspace at these other existing locations.

6 LOCATION IQ ANALYSIS

6.1 This section presents my analysis on the demand for retail floorspace in the proposed town centre at Precinct 15 including the potential size for a supermarket, supporting specialty shops and the optimal location for such facilities. This analysis is considered over the period to 2036.

Trade Area Definition

6.2 The trade area identified to be served by the retail centre at Precinct 15 in the Deep End Services report of March 2015 is illustrated on Map 6.1. I generally agree with the extent of the region which would be served by the proposed development, noting that in any activity centres hierarchy, there is overlap of catchments between different centres.

6.3 The trade area defined in the Deep End Services report generally extends no more than 2 km in most directions and this is appropriate whether a 2,500 sq.m or 4,000 sq.m supermarket was to locate at the Precinct 15 site.

6.4 Also of relevance in considering the demand for retail and supermarket floorspace at the site, is information on population forecasts prepared by Forecast .id for Hobsons Bay City Council. Map 6.2 illustrates the Forecast .id regions which would roughly correspond with the trade area defined by Deep End Services for the Precinct 15 retail, including:

i. Altona North

ii. Brooklyn

iii. Newport West

iv. Spotswood-South Kingsville.

6.5 This area generally aligns with the defined trade area for Precinct 15 although including parts of Spotswood to the eastern side of Melbourne Road which are not part of the Deep End Services trade area.

6.6 Table 6.1 outlines existing and projected population levels within the defined precincts comprising the Precinct 15 trade area based on forecast .id areas. This indicates a current population of 28,588 persons, increasing to 41,509 persons by 2036.

6.7 There is significant residential development occurring throughout the surrounding area, with major residential precincts illustrated on Map 6.3 and including:

i. Precinct 15 itself for up to 3,000 dwellings, or 6,500 – 7,000 persons.

ii. A redevelopment of the Altona Gate Primary School site for 127 dwellings (townhouses).

iii. The former Caltex terminal to the southern side of the railway line known as Newport Village A. A masterplan was lodged for 600 dwellings, however, Council has indicated they will only support 420 dwellings on the site.

iv. An adjoining site for 100 dwellings to the south of the railway line known as Newport Village Stage B.

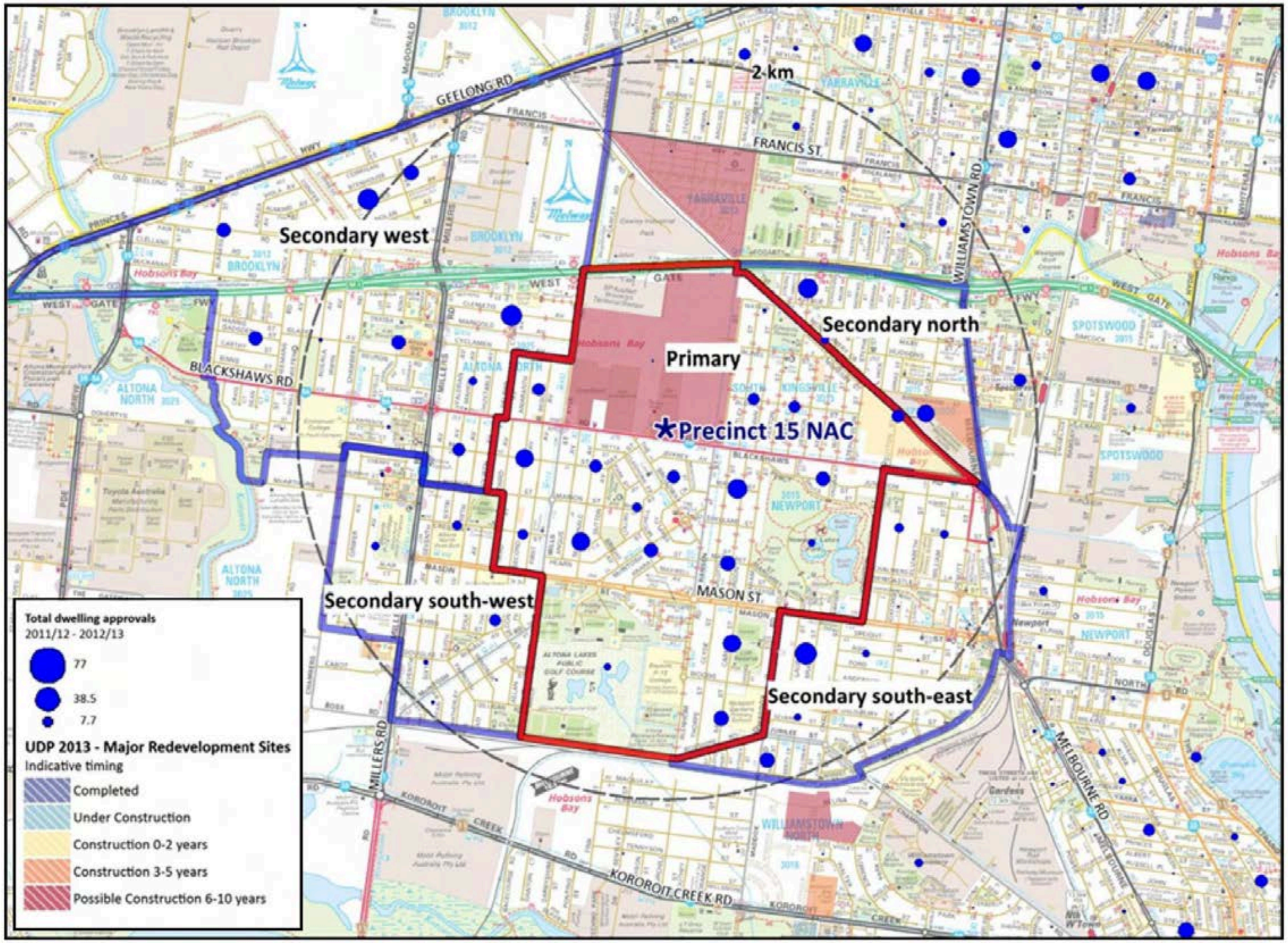
v. A site is currently for sale at 565 – 569 Melbourne Road, Spotswood on the northern side of the railway line to the Newport Village estate. The site is some 4.75 hectares in size and is zoned mixed use. Given the McLister Street site at Spotswood has approval for 346 units across a 1.9 hectare site, this development could easily include 500 – 600 dwellings.

vi. 346 units as part of the McLister Street Spotswood mixed use development including the Woolworths supermarket.

6.8 These known development sites alone can incorporate up to 4,600 dwellings.

6.9 In addition, significant infill development is occurring in Altona North, with older houses on blocks of 700 – 900 sq.m being developed into townhouses of two or three dwellings. This is reflective of much of the growth that has occurred in the area between 2011 and 2016.

MAP 6.1 – PRECINCT 15 TRADE AREA AS DEFINED BY DEEP END SERVICES



MAP 6.2 – FORECAST .ID PRECINCTS

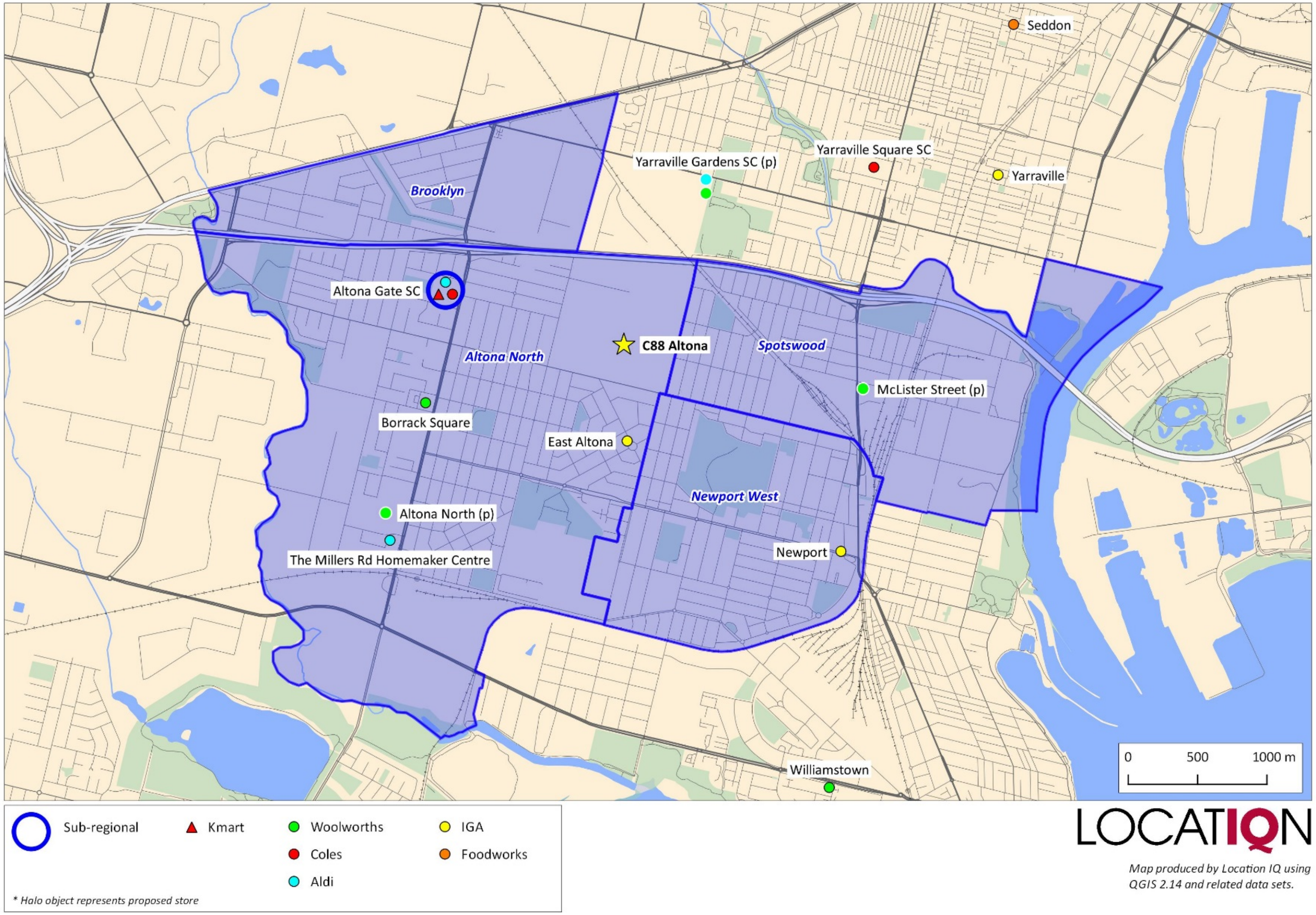


TABLE 6.1 – EXISTING AND PROJECTED POPULATION LEVELS, FORECAST .ID PRECINCTS, 2011 – 2036

Trade Area	Actual		Forecast				
Sector	2011	2016	2017	2021	2026	2031	2036
Altona North	11,975	12,657	12,889	13,621	15,152	18,000	20,667
Spotswood - Kingswood	4,337	4,754	4,864	5,164	6,796	7,954	8,803
Newport West	7,900	8,899	8,889	9,386	9,576	9,685	9,842
Brooklyn	1,705	1,925	1,946	2,060	2,119	2,160	2,197
Total	**25,917**	**28,235**	**28,588**	**30,231**	**33,643**	**37,799**	**41,509**
	Average Annual Change (No.)						
		Actual		**Forecast**			
		2011-2016		2017-2021	2021-2026	2026-2031	2031-2036
Altona North		136		183	306	570	533
Spotswood - Kingswood		83		75	326	232	170
Newport West		200		124	38	22	31
Brooklyn		44		29	12	8	7
Total		**464**		**411**	**682**	**831**	**742**
	Average Annual Change (%)						
		Actual		**Forecast**			
		2011-2016		2017-2021	2021-2026	2026-2031	2031-2036
Altona North		1.1%		1.4%	2.2%	3.5%	2.8%
Spotswood - Kingswood		1.9%		1.5%	5.6%	3.2%	2.0%
Newport West		2.4%		1.4%	0.4%	0.2%	0.3%
Brooklyn		2.5%		1.4%	0.6%	0.4%	0.3%
Total		1.7%		1.4%	2.2%	2.4%	1.9%

All figures as at June and based on 2016 SA1 boundary definition.
Sources : ABS; forecast .id

MAP 6.3 – MAJOR RESIDENTIAL DEVELOPMENTS (SOUTH OF WESTGATE FREEWAY)

Map produced by Location IQ using QGIS 2.14 and related data sets.

Competition Environment

6.10 The previous Maps 6.1 and 6.2 illustrate the competitive environment for retail facilities, with these facilities summarised in Table 6.2. In the trade area currently, there is only one major full-line supermarket above 3,000 sq.m being the Coles supermarket at Altona Gate. All remaining supermarkets are small in size at 2,000 sq.m or less.

6.11 It is relevant to note that the trade area for Altona Gate Shopping Centre extends a wide region throughout Hobsons Bay and adjoining municipalities. A leasing brochure prepared by Vicinity Centres (owners of the centre) attached as Appendix 2 shows the extent of the trade area extending up to Footscray and Yarraville to the north, Williamstown to the south and Altona and Point Cook to the south-west.

6.12 Consequently, this centre including the supermarkets would attract a substantial amount of business from beyond the immediate Precinct 15 trade area.

TABLE 6.2 – COMPETITIVE RETAIL ENVIRONMENT

Centre	Shopfront GLA (sq.m)	**Anchor Tenants**	Dist. From Altona North Precinct (km)
Sub-regional Shopping Centres			
Altona Gate SC	26,300	Kmart (7,711), Coles (3,512), Aldi (1,350)	1.7
Supermarket Based Shopping Centres			
The Circle Altona	3,500	IGA (500)	0.7
Borrack Square	8,900	Woolworths (1,743)	2.0
Newport	6,300	IGA (585)	2.5
Millers Rd Homemaker Centre	44,000	Aldi (1,600)	2.9
Yarraville Square SC	3,600	Coles (2,500)	3.6
Williamstown Woolworths Centre	3,000	Woolworths (2,421)	4.3
Williamstown	13,000	Coles (3,192)	4.8
Yarraville	9,500	IGA (600)	5.1

Source: Australian Shopping Centre Council Database

6.13 Two new full-line supermarket facilities are proposed within the Precinct 15 trade area. These include:

i. Millers Junction Retail is the third and final stage of Folkestone's Millers Junction development. In June 2017, Folkestone announced that it has entered into agreements with BWP Trust to acquire one hectare of land and a new cool option to acquire an adjoining further 2.4 hectares of land at 290 – 298 Millers Road, Altona North. This land will be used to create Millers Junction Retail, a 13,330 sq.m neighbourhood and large format retail centre anchored by Woolworths.

ii. The Woolworths supermarket will sit as part of a large format centre which would serve an extensive region throughout the entire Hobson's Bay municipality. It is also relevant to note that the site is located along Millers Road which is the main north-south access spine connecting residents of Altona with Altona North and the Westgate Freeway. Consequently, this retail development would also service areas substantially larger than the defined Precinct 15 trade area.

iii. The other full-line supermarket facility is proposed at the Spotswood McLister Street site. A centre of just under 8,000 sq.m is proposed including a Woolworths supermarket of 4,200 sq.m. This centre similarly would service areas outside the Precinct 15 trade area being located on Melbourne Road, the main north-east access spine connecting Williamstown with the Westgate Freeway. The location of the site would also mean it would service parts of Yarraville to the north, outside the immediate Precinct 15 trade area.

Supportable Supermarket Floorspace

6.14 As a guide, a full-line supermarket is typically supportable for every 8,000 – 9,000 persons, with a full-line supermarket typically described as at 3,000 sq.m and larger, selling a full range of goods such as dry groceries, perishables, deli, bakery, seafood, produce, meat and the like.

6.15 The defined Precinct 15 trade area including parts of Spotswood would incorporate in-excess of 41,500 persons by 2036. This indicates demand for 4 – 5 full-line supermarkets within this area, noting that there is one existing and two proposed full-line supermarket facilities. Each of these stores would serve areas including but also beyond the defined Precinct 15 trade area.

6.16 On this basis, clearly another full-line supermarket would be supportable at the Precinct 15 site over time. Flexibility, therefore, should be allowed in the planning environment to incorporate such a store to take account of population growth within the region.

6.17 Map 6.4 outlines a 1 km radius around each of the existing and proposed full-line supermarket facilities around the Precinct 15 site. Of relevance in terms of providing a full-line supermarket at the subject site in the longer term is:

i. 1 km around the Precinct 15 contains the equal largest number of residents within 1 km, with this population likely to double over the next 20 year period with the development of Precinct 15 itself.

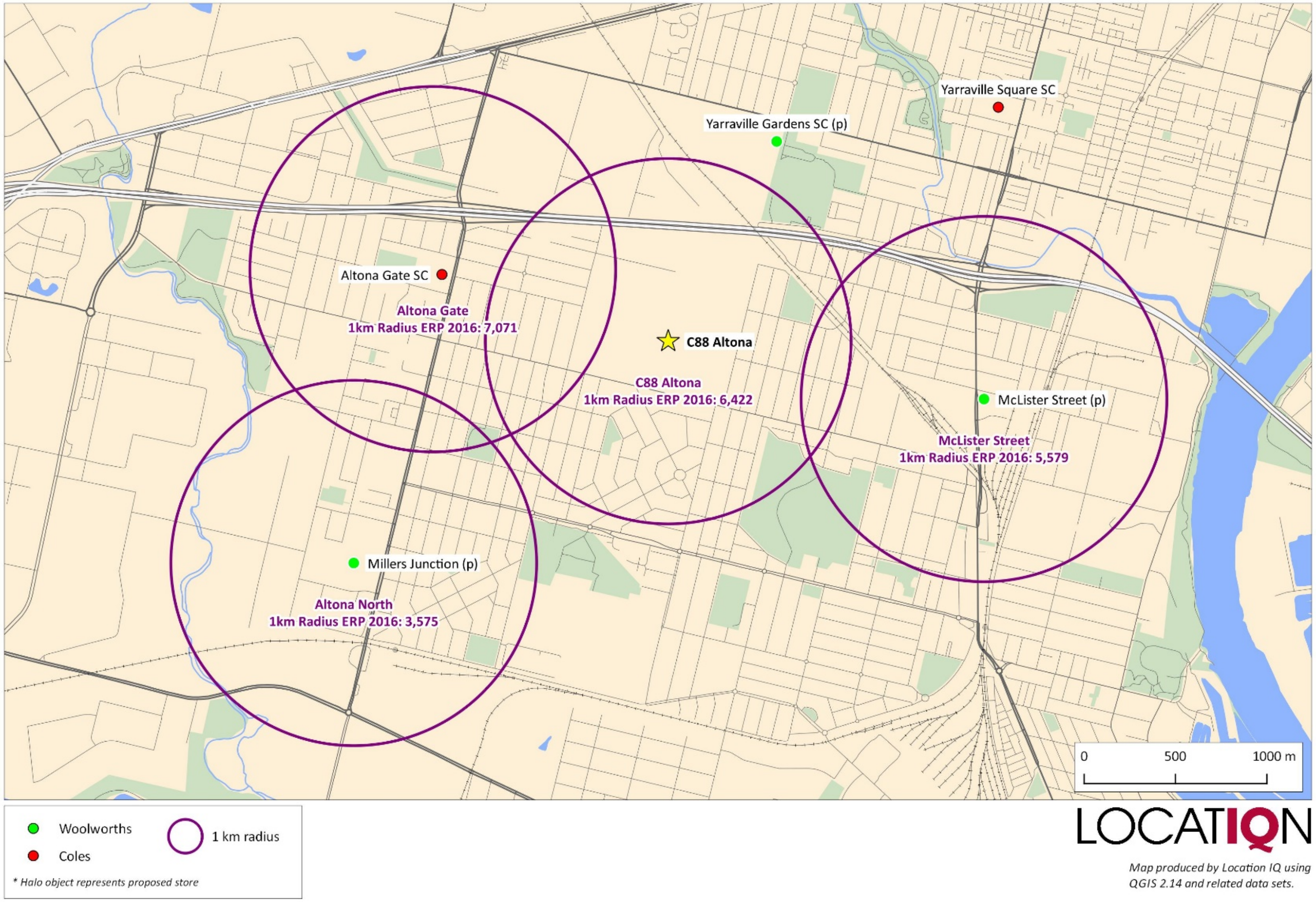
ii. A full-line supermarket at the subject site would provide increased accessibility within a walkable environment for residents in the region, as compared with existing and proposed facilities which are located in either larger more inconvenient shopping centres or on the edge of urban areas as part of large format bulky goods centres.

iii. The distance between full-line supermarket is approximately 2 km which is typical in an inner metro environment.

iv. The provision of a full-line supermarket at Precinct 15 would provide an enhanced economic outcome for local and existing residents in the immediate surrounding area.

v. There is currently one Coles, two Aldi, two proposed Woolworths supermarkets as well as a small existing Woolworths supermarket and a range of existing IGA stores throughout the Precinct 15 trade area. In terms of new facilities, proposed supermarket chains coming to Australia include Kaulfland and Lidl, and potentially other operators. The provision of a full-line supermarket at the subject site will provide the opportunity for a range of potential new tenants to the market as well as existing retailers to service the catchment area. This will provide additional benefits in terms of choice, competition and convenience for local residents.

MAP 6.4 – 1 KM RADIUS AROUND FULL-LINE SUPERMARKETS



Total Centre

6.18 In a centre of 5,500 sq.m, the ratio of major tenant to specialty floorspace is important.

6.19 In any typical new retail centre anchored by a supermarket, in the order of 10 – 20 specialty stores are likely to be supportable representing in the order of 1,000 – 2,000 sq.m of specialty shop space.

6.20 For a centre of 5,500 sq.m, this would mean provision for a full-line supermarket in the order of 3,500 sq.m and above. It is very rare in any new retail development that a supermarket of 2,500 sq.m or less could support up to 3,000 sq.m of specialty shops (or 30 shops in total).

6.21 The viability of the future centre at Precinct 15, incorporating a supermarket which could support viable specialty shops, is an important consideration in creating a vibrant retail facility.

6.22 Further, the greater number of specialty stores provided at the subject site will have implications for competing retail centres in the surrounding area. A more limited number of specialty stores results in less duplication of existing facilities at surrounding centres.

Site Location

6.23 To ensure the viability of the retail centre, the site should be located along Blackshaws Road. A site that is more internalised will take some years before it could be developed and would provide less benefit to the existing population within the surrounding areas to the south of Blackshaws Road.

Impacts

6.24 The impacts from any retail centre will depend on the timing and staging of retail, however, a centre of 5,500 sq.m is justifiable at Precinct 15 over time, and would result in competition impacts within the normal competitive bounds. Over time, population growth throughout Precinct 15 and other identified sites throughout the surrounding region will ameliorate impacts on other centres.

7 CONCLUSIONS

7.1 This section of the report reviews the key findings that assesses the potential for retail floorspace at Precinct 15. Key findings include:

- Precinct 15 and the surrounding area in Altona North is projected to grow substantially over time with over 4,600 dwellings alone within major residential estates, leaving aside infill and townhouse development on existing smaller blocks.

- A retail town centre is proposed at the site, incorporating up to 5,500 sq.m of retail floorspace and 1,300 sq.m of commercial floorspace, with existing medical/retail uses on top of this provision increasing the total provision to over 10,000 sq.m, making it a large neighbourhood centre as outlined in the 2016 Activity Centres Strategy Technical Report.

- The longer-term population of in-excess of 41,500 persons throughout the northern part of Hobsons Bay municipality will support 4 – 5 full-line supermarkets with only one provided currently and another two proposed in the future. Consequently, given the substantial growth occurring throughout the region, a full-line supermarket is supportable at the Precinct 15 site.

- A full-line supermarket at the site would ensure:

  - A viable retail development over time.

  - Increased accessibility for local residents for walkable full-line supermarkets.

  - Increased choice, convenience and competition within the local market.

- A smaller sized supermarket of 2,500 sq.m or less at the subject site would potentially result in:

- A lower provision of specialty stores and facilities than would otherwise be sustainable for the local market.
- A retail precinct that will not meet community expectations and potentially trade poorly over time.
- Not fulfil the objectives for a vibrant retail centre.
- A ratio of major tenant to specialty floorspace which would not be sustainable.

Signed:

Gavin Duane
10th November 2017

APPENDIX 1

APPENDIX 1 GAVIN DUANE CURRICULUM VITAE

Gavin studied at the University of Melbourne between 1988 and 1991, graduating with a Bachelor of Economic (Honours). After a year at Melbourne Water as a graduate economist, Gavin commenced work in the field of retail and shopping centre analysis at JHD Advisors in November 1993.

Since 1993 Gavin has provided independent advice in the fields of market analysis and strategic research for a wide range of clients in the retail and shopping centre industries. He founded Duane Location IQ in January 2009. Prior to that time Gavin joined Dimasi Strategic Research as an Associate Director in April 2003. Dimasi Strategic Research was acquired by Pitney Bowes MapInfo in August 2005. Gavin held the role of Director of Client Services for the Strategy & Analytics division until December 2008.

Gavin regularly appears as an independent expert in state planning courts and tribunals, on matters relating to economic impact assessments, retail market definitions, industry trends, market shares, consumer behaviour and their implications.

APPENDIX 2

Altona Gate Shopping Centre

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Altona Gate Shopping Centre is a four-level fully enclosed Sub Regional shopping centre 10km west of Melbourne's CBD in the well-established suburb of Altona North. The centre is anchored by Aldi, Coles and Kmart and provides a strong food and diverse specialty offer to the main trade area of 111,144 residents. The centre recently completed a refurbishment of the lower ground level which included a revitalised fresh food mix and an Aldi supermarket.

Centre statistics

Centre type	Sub Regional
Annual traffic (million)	4.2
Total GLA (sqm)	26,284
Total tenants	90
Majors*	Aldi, Coles, Kmart
Mini Majors	Best & Less, House And Party, Priceline/Priceline Pharmacy, Saccas Fine Foods Altona Gate, The Reject Shop
Number of specialty retailers	72
Number of car spaces	1,622
Moving annual turnover (MAT)** ($m)	144.4
MAT/sqm – Total ($)***	6,003
MAT/sqm – Specialty ($)***	7,071

Centre statistics correct as at 31 December 2015
* Classified in accordance with SCCA guidelines, typically includes supermarkets, department stores and discount department stores.
** Total MAT includes all reporting tenancies and is inclusive of GST.
*** MAT/sqm - Based on sales and area for all reporting tenants, non-retail tenants excluded

Key statistics

$87,539
AV. HOUSEHOLD INCOME

111,144
Residents in MTA

73%
OF RESIDENTS
White collar workers

Source: Census of Population and Housing 2011, Australian Bureau of Statistics (ABS)
MTA: Main Trade Area

ALTONA GATE
SHOPPING CENTRE

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