

24 May 2013

Ms Jenny David
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Dear Jenny,

Masters Penrith - Response to Issues

Following discussions held between Parkview and the Department of Planning & Infrastructure (DP&I), and the request for further information from DP&I in a letter dated 19/12/2012 (and subsequent email) the purpose of this letter is to:

- Comment on the implications of the proposed relocation of the Masters store within the subject site;
- Provide a response to the Peer Review of Urbis' Retail Impact Assessment prepared by SGS in January 2013; and
- Provide some further commentary concerning the Penrith Panthers Planning Proposal (as requested in an email from Ray Lawlor, DP&I on 1st February 2013).

These matters are addressed under the following sections.

Proposed Relocation of Masters Store

The amended design for the site includes swapping the location of the Masters store with the mixed use residential site so that Masters is located adjacent Centro Nepean shopping centre away from Jamison Road.

In our view the proposed amendment **will not** have any significant impact on the Masters store turnover forecast, or on any subsequent impact assessment calculations. Whilst relocating the Masters store away from Jamison Street will reduce its visibility to some extent, we consider that this will be offset by locating it closer to the established Centro Nepean Sub Regional Shopping Centre. Appropriate signage should ensure that Masters remains easy to locate.

Any reduction in trade resulting from reduced visibility is therefore likely to be offset by added convenience for shoppers already using Centro Nepean. Whilst Masters is a largely destinational retailer rather than convenience based, we nevertheless consider that the amended design will make it more likely that people will undertake more frequent linked shopping trips, occasionally visiting Masters whilst visiting Centro Nepean.

On balance therefore we consider that the original turnover and impact calculations in the Masters EIA need not be amended. Masters have also confirmed that they do not anticipate store turnover to be materially affected by the proposed layout amendment.

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DP&I LETTER OF RESPONSE

Peer Review of Economic Impact Assessment (EIA)

The SGS peer review of the EIA supports the findings of the Urbis Economic Impact Assessment. It notes:

“in general, the approaches Urbis has taken to complete the EIA are sound”.

The Peer Review concludes that:

“overall the economic impact of the planning proposal on other retail centres and bulky goods precincts is considered acceptable within a normal competitive range (up to 10% reduction in total turnover)...the modelling suggests that the proposed Nepean Green Masters store is unlikely to significantly undermine the overall viability of any competing centres and bulky goods precincts”.

The comments in the Peer Review relate to some minor differences of approach in the EIA methodology between SGS and Urbis (which are not uncommon between different consultants) and some required points of further clarification. We are pleased to respond to each of these matters below:

EXTENT OF THE SECONDARY EAST TRADE AREA (PEER REVIEW COMMENTS PAGE 6)

The Secondary East Trade Area (SETA) covers the Claremont Meadows, Werrington, St Mary's release area to the North of the Western Motorway and the predominantly rural residential lands south of the Western Motorway as far as Luddenham and Twin Creeks.

The southern part of the Trade Area benefits from a direct connection to Penrith via the Northern Road.

Due to the lack of urbanisation across much of this land at present the SA1 Statistical Areas that are combined to form Trade Areas are quite large geographically, but ultimately reflect a low population density. This is reflected in the fact that despite the geographic size of the Secondary East Trade Area it only contained 18,350 residents in 2011.

The low distribution of turnover and market shares assumed for the Secondary East Trade Area in our impact assessment (equating to \$2.8m of Masters turnover) reflect the fact that the proposed Masters is expected to have fairly limited penetration into the SETA, particularly when the Masters at St. Mary's is constructed. Nevertheless, Penrith will continue to be a focus for retailing, employment and commercial activity for SETA residents given its role as a Regional City, and it is therefore reasonable to expect that residents will occasionally shop at Masters in Penrith, often incidentally as part of a more general visit to Penrith.

We would expect that Centro Nepean would have a Trade Area that extends in a similar direction eastwards, so there would be some potential for Masters to attract a degree of spend from this area resulting from linked shopping trips.

For these reasons the scale of the SETA and the turnover distribution and market shares allocated to it is considered to be reasonable.

RESIDENT POPULATION IN 2015 (PEER REVIEW COMMENTS PAGE 8)

Urbis population forecast consider 2011 Census data, new dwelling approvals, information on development activity and official government projections. Like SGS, we use Bureau of Transport Statistics (BTS) data, however we note that BTS population targets can be inconsistent with actual population numbers in the 2011 Census (as they are derived from 2006 Census data), and it is

therefore often more appropriate to consider the underlying percentage growth in the BTS forecasts as a reference guide rather than the population numbers themselves.

Our approach involves considering all forecast growth, dwelling targets and large scale development proposals and considering this data along with historic growth and underlying BTS growth rate forecasts. BTS growth rates can also be adopted for longer term growth.

We note that the BTS figures mentioned by SGS would result in a larger population and spending market within the Main Trade Area which would further mitigate any impacts associated with the proposed development.

Urbis' practice is to present population forecasts based on census five year intervals and on current year. Our modelling includes an assessment of population at mid-year and end of year intervals. For reference, the mid-year population forecast for 2015 is estimated as 178,870.

COMMENT ON AVERAGE INCOME PROFILE AND EXPENDITURE PER CAPITA (PEER REVIEW COMMENTS PAGES 9 AND 10)

The socio economic profile for the Main Trade Area is characterised by a below average income per capita, but above average retail spending per capita. This characteristic suggests that MTA residents may have an above average propensity to shop, compared to the Sydney average. As their income levels are below average it therefore suggest spending on non-discretionary items (e.g. rent/mortgage, health, education) may be lower than the Sydney average. Lower spending on rent and mortgages in particular is a reflection of lower house prices in this part of metropolitan Sydney. The introduction of a Masters store, which provides affordable home improvement solutions, is therefore well aligned to the demographic.

Urbis per capita growth rates are continuously monitored and are based on an amalgamation of sources including MDS Marketinfo, ABS, and Australian National Accounts (National Income, Expenditure and Product Accounts).

KEY COMPETING RETAILERS (PEER REVIEW COMMENTS PAGE 13)

Urbis considers that Chapter 4 of the EIA provides an adequate description of existing retail provision within the Main Trade Area. It sets out details of competing centres / precincts within and beyond the Main Trade Area, key tenants within each and their distance from the subject site. This is also shown graphically in Figure 4 in the EIA. It is standard practice in an EIA to not focus on competitive impacts on individual retailers, but rather to focus on established centres and precincts.

We note that *In Fabcot v Hawkesbury* (1997) the Land and Environment Court ruled that economic competition between individual trade competitors is not an environmental or planning consideration and that it is not part of the assessment of a proposal under the EP&A Act for a consent authority to examine and determine the economic viability of a particular proposal or the effect of any such proposal on the economic viability of a trade competitor.

MARKET SHARE ASSUMPTIONS (PEER REVIEW COMMENTS PAGE 14)

Store turnover estimates for a number of Masters stores (including Penrith) have been separately provided to Masters by an independent consultant. Urbis' approach is to assess the viability of these turnover assumptions within the competitive retail environment and the 'reasonableness' of market shares that could be achieved within each Trade Area in the first year of trading.

The market shares in Table 13 of the EIA reflect a scenario whereby Masters household related turnover will be derived from the following sources:

- Primary Trade Area: 75% of total;

- Secondary Trade Area: 15% of total;
- Trade from beyond the Main Trade Area: 10% of total.

We consider that this reflects a reasonable distribution of household related turnover for Masters at Penrith.

IMPACT CALCULATIONS (PEER REVIEW COMMENTS PAGE 15)

Urbis provides the following matters of clarification in regard to the impact assessment. We note that SGS's own assessment concludes that the economic impact of the proposal on other retail centres and bulky goods precincts is considered acceptable being within a normal competitive range.

- The impact on the Trades Sector relates to both existing retailers that supply the trades sector as well as trades specific businesses that are not identified as retail floor space within centres. The distinction is made (a) because the growth in turnover of competing retail centres is driven by the growth in resident population and spending growth and (b) because Masters and its competitors have specific sections of their premises that are set aside exclusively for sales to trades people. This business to business spend is not picked up in the turnover estimates for competing centres or in resident spending growth forecasts.
- Masters impacts are allocated on a 'like-with-like basis'. In other words, centres or precincts that are close to the subject site which contain direct competitors will generally be impacted more than centres which do not contain similar types of home improvement retailing. Impacts are calculated and presented on a centre / precinct basis.
- Turnover rates for competing centres are based on an assessment of existing floorspace provision and information provided by in the Australian Bulky Goods Directory, Shopping Centre Council of Australia and Shopping Centre News publications, as well as the Urbis Retail Averages. Typically bulky goods floorspace turnover has been assessed using a benchmark of \$3,000-\$3,500 per sq.m which is an industry standard for established bulky goods precincts.
- Impacts on 'other centres' listed in EIA Table 14 (-\$4.3m) relate to the clawing back of leaked expenditure to other centres beyond the Main Trade Area. These would include stores throughout metropolitan Sydney which are occasionally visited by Main Trade Area residents during the course of a year as part of an occasional shopping trip or visit. Thus the impacts on any single centre would not be significant.

IMPACT OF ANCILLARY SPECIALTY RETAILING (PEER REVIEW COMMENTS PAGE 16)

Given that the exact composition of the ancillary retailing is uncertain and will be subject to market demand, we consider that Section 5.4 of the EIA provides the most appropriate assessment of the impact of this specialty retailing. Our assessment indicates that the limited scale of ancillary retailing (up to 995 sq.m) **will not** have any significant impacts on existing shopping centres within Penrith, including Penrith CBD. The indicative turnover of \$1.7m for the ancillary retailing would equate to an average weekly spend of around \$21 by each future resident within the residential complex (containing 570 residential flat dwellings) which is not considered significant. We note that SGS agrees with this assessment.

Penrith Panthers Proposal

The retail floorspace in the Penrith Panthers proposal is very different to Masters, which is a home improvement retailer with a trades sector component. The Panthers scheme proposes:

- A brand outlet centre of 25,000 sq.m; and

- Some 12,500 sq.m of general retail;

Given that the type of retailing is substantially different we are of the view that:

- The proposed Masters will not have any bearing on the ability of the Panthers to develop viable brand outlet and general retailing; and
- Given that the impact of the proposed Masters on Penrith CBD is very small (identified in the EIA as **0.1%** impact or **\$0.9m** trade diversion) we do not consider that the development of Masters would add any significant *cumulative* impact to Penrith CBD on top of the Panthers scheme.

In October 2010 Urbis prepared a submission on the Panthers Rezoning proposal on behalf of Centro noting that the potential cumulative impacts of the Panthers scheme and a new Neighbourhood Centre on the Parkview site were significant. At that time it was assumed that the Parkview development would contain supermarket and specialty retailing which would compete directly with Centro Nepean in particular.

In our view, the proposed Masters on the Parkview site provides a more sustainable outcome for the Penrith CBD compared to the original Neighbourhood Centre proposal. It does not diminish the potential impacts of the Panthers scheme on Penrith CBD, however the Urbis Masters EIA identifies that the majority of impacts associated with the Masters development will be on bulky goods precincts and will be within an acceptable limit (identified in the EIA as 0.1% impact or \$0.9m trade diversion in relation to the CBD).

As noted in the Urbis EIA, the Masters store will have a broad trade area and will draw trade from the home improvement spending market. By contrast, the Panthers Brand Outlet centre is likely to draw most of its trade from a regional Trade Area with a focus on apparel and homewares spending. The general retail component is likely to include a supermarket, Discount Department Store (DDS) and specialty retailing and will draw trade from the food and department store type merchandise (DSTM) spending categories.

Thus the Masters and Panthers developments will service largely separate spending markets. We note that HillPDA was previously appointed by Penrith City Council to undertake an independent Retail Impact Assessment of the Panthers scheme, and that Council also commissioned SGS to undertake a peer review of the HillPDA report. The findings of this analysis were presented at an ordinary Council Meeting on 26th March.

The HillPDA analysis concluded that development of 12,500 sq.m convenience retailing and a 25,000 sq.m outlet centre on the Panthers site, with no retailing on the Parkview site was the preferred scenario in terms of competitive impacts. This assessment was however predicated on the retail development on the Parkview site being a new **Neighbourhood Shopping Centre** providing supermarket and specialty retailing, *rather than a Masters store*. The HillPDA analysis is useful as it also confirms our view that the development on the Panthers site would draw from a different spending market than a Masters development. Specifically it notes that, under the scenario outlined above:

- *The type of retail (in particular the brand outlet centre) is different for Penrith and is a new type of retail offer [and therefore offers a point of difference to the existing retail offering];*
- *The most significant impacts [from the Brand Outlet Centre] are on apparel stores...however it's likely that some apparel stores would be relet to other store types¹.*

¹ Penrith City Council Ordinary Meeting Notes 26 March 2012

The SGS peer review, whilst generally in agreement with the impact modelling outlined in the HillPDA report suggested that the Panthers Planning Proposal should include a strategy for development of the Panthers site if a Neighbourhood Centre development at the Parkview site is approved.

In our view, the development of a Masters store on the subject site (which is identified as being within the Penrith City Centre) will not significantly add to the potential cumulative impact concerns associated with the Panthers scheme. The Masters development will service different spending markets and different needs of Penrith residents compared to the Panthers proposal. Urbis has undertaken a robust review of Penrith retailing as part of the Masters EIA and the impacts that are identified on the CBD (0.1% impact or \$0.9m) are not considered significant.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'DWilcox', with a stylized flourish at the end.

David Wilcox
Associate Director