



## LEYSHON CONSULTING

Suite 1106 Level 11  
109 Pitt Street, Sydney  
NSW Australia 2000

Telephone 61 2 9224 6111  
Facsimile 61 2 9224 6150  
ABN 12 003 203 709

Z:\Admin\1.0\_WIP 2013\REP1315\_LET\_Kirrawee\_Mod3.wpd

11<sup>th</sup> July 2014

### BY EMAIL

Mr Aaron Sutherland  
Director  
Sutherland & Associates Planning  
PO Box 6332  
**BAULKHAM HILLS NSW 2153**

Dear Aaron

**RE: MP 10\_0076 MOD 3 - Modification of Approved Mixed-Use Development  
(Concept Plan) Former Kirrawee Brick Pit Site, 566 – 594 Princes Highway,  
Kirrawee**

I refer to our recent discussion concerning this matter.

In relation to the above proposal, I have been asked to prepare a response to comments contained in submissions made to the Department of Planning and Infrastructure by Sutherland Shire Council and Milestone Australia Pty Ltd as they relate to the economic impact of the proposed modification to plans for the Kirrawee Brickpit re-development.

The Milestone submission was prepared on behalf of the owner of existing supermarkets in Sutherland and Gympie, and was accompanied by a letter prepared by DFP Planning Consultants which specifically commented on issues related to the potential economic impact of the retail components of the proposed modification.

The main issue raised by these two submissions relate to:

- The overall increase in retail floorspace proposed by the modification to the Concept Plan
- the proposed increase in the size of supermarkets which form part of the modification to the Concept Plan
- The impact of the proposed development on adjacent centres

## Floorspace Increase

The Milestone submission (and the attached DFP letter) refer to a total increase in retail gross floor area (GFA) of +3,692.62 m<sup>2</sup>.

It is my understanding that this increase is incorrect.

I am advised that the retail GFA in the approved Concept Plan and that proposed by the current modification (MOD 3) to the Concept Plan (March 2014) are as set out in Table 1 below.

In total, the retail GFA of the proposed MOD 3 will increase by +1,861 m<sup>2</sup> or +15.1% compared to the retail component of the approved GFA in the Concept Plan.

<b>Table 1: Comparison of Gross Floor Area Retail Approved Concept Plan and Proposed MOD 3 - Kirrawee Brickpit</b>				
<b>Floorspace Category</b>	<b>Concept Approval (Sq.m) (1)</b>	<b>Proposed Modification 3 (Sq.m)</b>	<b>Change (Sq.m)</b>	<b>Change (%)</b>
Major Supermarket	3,900	4,740	840.0	21.5
Other Supermarket	1,470	1,451	-19	-0.1
Other Retail	4,090	3,828	-262	-6.4
Showrooms	2,870	4,172	1,302	45.3
Total retail	12,330	14,191	1,861	15.1
Source: Preferred Project Report, Turner Architects 2014				
Note (1) excludes commercial, internal mall, toilets and centre management areas and airlocks				

As a consequence, the overall provision of retail/commercial floorspace in the proposed development has decreased from 15,230 m<sup>2</sup> under the approved Concept Plan to 14,191 m<sup>2</sup> under the proposed MOD 3.

## Supermarket Floorspace

As noted in Table 1 above an increase in GFA is proposed for the major supermarket of +840.0 m<sup>2</sup> or +21.5%. It is more usual, however, in the retail sector to refer to gross leasable area (GLA) as a measure of retail floorspace. We estimate that a net increase of +840.0 m<sup>2</sup> GFA is equivalent to an increase of approximately +756 m<sup>2</sup> GLA.

The second smaller supermarket (referred to as a discount supermarket) has decreased in size by -19.0 m<sup>2</sup> from 1,470 m<sup>2</sup> under the approved Concept Plan to 1,451.0 m<sup>2</sup> under the

proposed MOD 3. Thus, the net change in supermarket floorspace (on a combined basis) being proposed for this development is +821.0 m<sup>2</sup> GFA – an increase of +15.3%.

### **Impact on Supermarket Sales**

The increase in supermarket floorspace relates to proposed increase in the size of the major, or full line, supermarket. Based on our industry knowledge supermarket sales do not increase in major supermarkets in a linear fashion with floorspace increases once supermarkets exceed 3,600 m<sup>2</sup> in size. Hence, a net increase in floorspace of +21.5% in the floorspace of the major supermarket is unlikely to be accompanied by an +21.5% overall increase in supermarket sales captured by the proposed development.

In our opinion, the overall increase in supermarket sales is likely to be in the order of +13% – +16% . In practical terms, the increase in supermarket sales, arising from the net increase in floorspace of +821.0 m<sup>2</sup> GLA, is likely to be in the order of +\$7.8 million per annum (\$2013).

In advice provided by Leyshon Consulting to the Department of Planning and Infrastructure in 2011 (*Kirrawee Brick Pit Redevelopment – Retail Assessment Peer Review, September 2011*). We estimated that the shortfall in supermarket floorspace in the Kirrawee trade area in 2012 was some -5,385 m<sup>2</sup> GLA.

We understand that the proposed supermarket floorspace in the development is now some 5,695 m<sup>2</sup> GLA (6,191 m<sup>2</sup> GFA).

We consider that the supermarket floorspace provision as proposed by MOD 3 is broadly consistent with our findings in 2011. This is particularly so given that a further two years of population and spending growth since 2011, would have added to the then existing shortfall in supermarket floorspace in the Kirrawee trade area.

### **Other Retail Floorspace**

As noted in Table 1 above there has been a small reduction in the provision of general retail floorspace by some -262 sq.m and an increase in showroom retail floorspace of +1,302 sq.m

In our opinion, the decrease in general retail floorspace of -262m<sup>2</sup>, as noted in Table 1 above, could decrease non-supermarket sales by approximately -\$1.0 to -\$1.5 million per annum (\$2013). The increase in showroom retail floorspace (assuming it was totally used for retail activities could be in the order of \$3.2- \$4.6 million per annum (\$2013).

### **Summary**

In summary, the proposed modifications could lead to a net increase in sales at current prices in the order of about \$10.9 million per annum of which \$7.8 million per annum (\$2013) would relate to increased supermarket sales.

## **Impact on Centres**

In our 2011 report referred to above, we noted that the sales of the development as proposed under the then Concept Plan had been estimated by Hill PDA to be equivalent to about \$95.3 million per annum (\$2010). Adjusted to today's values, this is equivalent to about \$101.6 million per annum (\$2013).

An increase in sales of around +\$10.9 million per annum (net) represents an increase in sales of around +10.7% on the projected 2013 sales (\$101.6 million per annum).

In our 2011 Review we estimated the impact on adjacent centres as follows:

- ▶ Sutherland -8.3%
- ▶ Kirrawee -14.0%
- ▶ Gymea -6.1%
- ▶ Kareela -10.9%

It is likely that these impacts would increase slightly as a result of the proposed additional floorspace as follows:

- ▶ Sutherland -9.1%
- ▶ Kirrawee -15.3%
- ▶ Gymea -6.7%
- ▶ Kareela- -11.9%

It should be noted that the impact on Kareela is overstated having regard to the fact that an approval has been issued since 2011 for the expansion of the centre including that of the Coles supermarket which anchors this centre. This will lead to an increase in total sales at the Kareela centre prior to the retail component of the Brickpit development "coming on-line". This, in turn, will reduce the percentage impact of the Brickpit development from that referred to above.

In our opinion these impacts are not of an order that would undermine the viability of any existing centre in Sutherland LGA. In the relation to the existing Kirrawee Local Centre, the impact would be "made good" by the significant increase in the range and quality of the retail services on the adjacent Brickpit site.

## **Conclusion**

It remains our view that the economic impacts of the project as proposed by MOD 3 are acceptable having regard to the existing shortfall in supermarket floorspace in the Kirrawee trade area and the benefits that the proposal will deliver in terms of increased competition and choice for residents of Kirrawee and immediately adjacent suburbs.

I trust the above is sufficient for your purposes at present. Please do not hesitate to contact me on 02-9224-6111 or [pdl@leycon.com.au](mailto:pdl@leycon.com.au) if I can provide any further information at this stage.

Yours sincerely

**LEYSHON CONSULTING PTY LTD**

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

**PETER LEYSHON  
DIRECTOR.**