



Our Ref:JR:37429(2)(P)

29<sup>th</sup> October 2014

Johnson Developments Pty Ltd  
C/- Johnson Property Group  
PO Box A1308  
SOUTH SYDNEY NSW 2000

Attention: Mr Bryan Garland

Dear Bryan,

**TRINITY POINT MARINA DEVELOPMENT PROPOSAL  
SUBMISSION IN SUPPORT OF INCREASING THE LEVEL OF PERMANENT RESIDENTIAL  
DEVELOPMENT WITHIN THE PROJECT**

Lake Macquarie's tourism business is highly seasonal. Its market attraction is very strongly associated with warmer weather and outdoor activities. The Lake, mountains, beaches and bushlands are perceived to be best explored in the warmer weather. This domination of visitation in the warmer months is further underpinned by the fact that the strongest market segments are VFR and family holidays. Further the Lake's inventory of visitor infrastructure and attractions<sup>1</sup> focuses on natural assets, leisure and outdoor activities.

While there is no data collected at LGA level of seasonal occupancy, anecdotal evidence<sup>2</sup> strongly indicated that the area has a high occupancy at Easter, during October school holiday and over the school Christmas holiday period. This equates to a maximum of 12 weeks per year (25% of operating days). Occupancy during the "off months" often falls to 20%<sup>3</sup>. This provides an average annual occupancy rate of between 30 and 40%. This is far short of the industry benchmarks and projected project average occupancy rates of 60 to 65% pa<sup>4</sup>.

This seasonality is a recognised industry and project risk and needs to be addressed and managed across a number of fronts. As a flagship for Lake Macquarie it is vital that the development is successful. The negative flow on effects will not be limited to this development and the positive effects are very significant.

Sustainability and success requires a business model built on the following five strategies:

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<sup>1</sup> Draft Destination Management Plan – Lake Macquarie. 2013 p.

<sup>2</sup> Interviews with Lake Macquarie Visitor Information staff and resort operators (Bianca Gilmore Oct. 2014 and GM Raffertys David Criss)

<sup>3</sup> Pers Comms as above, indications are that in fact 10% occupancy in low months is not uncommon and would not be an under estimation for some properties. However, the agreed industry view is 20% occupancy in low months.

<sup>4</sup> PWC report Trinity Point Marina and Mixed Use Development- Financial Economic Analysis, Draft October 1, p. 27.

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1. attracting year round baseline local business to support operation in non-peak periods
2. attracting and optimising non-peak tourist business (principally the MICE sector)
3. optimising yields during high tourist periods
4. ensuring a product mix that widens market appeal and reduces realisation timeframes this involves risk sharing across products in the development package
5. strategically capturing the value of the asset, in this case the flow on benefit of the waterfront location and marina.

The increase in the number on on-site permanent residential units from 75 to 157 goes significantly to the implementation of this business model and therefore to the success of the project. This submission outlines the importance of increasing the number of permanent residential units under the 5 strategies listed above.

## 1. ATTRACTING YEAR ROUND BASELINE LOCAL BUSINESS

For the Trinity Point project to be successful as a multi-purpose marina, tourist and function destination it must offer a relevant range of services and retail outlets. Given the development is not within easy reach of these facilities they need to be on site. The development model includes café, small convenience and ancillary marina outlet as well as a day spa (see table below). These total 503.5m<sup>2</sup> of commercial floor space.

The development model includes:

FUNCTIONAL SPACE	OPERATION	FLOOR SPACE RELIANT OF LOCAL TRADE DURING NON-PEAK MONTHS
Function Centre (843m <sup>2</sup> GFA up to 300 patrons);	The Function Centre will operate on demand and is not expected to attract spontaneous local business.	0
Restaurant and Cafe (662m <sup>2</sup> GFA up to 200 patrons restaurant, and up to 40 patrons café);	The café and associated kitchen space will need to operate 4 to 7 days a week.	187
Active Waterfront Precinct with outdoor dining opportunities (equivalent to approx 200m <sup>2</sup> GFA up to 115 patrons);	This precinct will operate seasonal and on demand.	0
An entertainment function Lawn (day time use only, up to 100 patrons)	Lawn to be used in associated with booked events.	0
Small business centre (2 rooms, total 65m <sup>2</sup> )	For on and off site users possibly 50/50.	65
Day spa (on and off site patrons, possibly 50/50, 117m <sup>2</sup> GFA)	Likely to open 4 to 7 days a week.	117
Ancillary shops including potential boat sales space (211.5m <sup>2</sup> GFA)	Continuity will require trading 4 to 7 days per week all year.	211.5

Sales Centre (approx 60m2 GFA);	Planned to be open 4 to 7 days.	60
Marina (total 188 berths) with Ancillary marina office, chandlery, lounge etc	Staffed all year.	50
		503.5

Like most, if not all successful tourist projects and marina developments, the project will rely to some extent on a steady flow of local business to offset the fall in tourist trade in non-peak seasons. While the function centre can be demand driven and step-up business during peak periods, the other businesses will need to operate 4 to 7 days a week all year to sustainable and to offer continuity of service. Because the existing community will have established shopping habits and combine shopping with work commutes the potential market is small and focused on convenience or leisure spending. It is most likely that the primary catchment will be within walking distance of around 400m (pedshed).

The question arises, can the existing and planned population in this catchment (based on approved subdivision plans) generate adequate demand for to help maintain non-peak season trade?

Using retail and property industry benchmarks and well as escalated ABS Retail Survey data it is estimated that this commercial floor space would need to generate spending of between \$5,000 and \$7,000 per square<sup>5</sup> metre annually (2016) to be sustainable. That's means there need to be spending in the order of \$2,517,500 and \$3,524,500 pa at the development in those trade areas.

The following methodology was used to help answer this question:

1. Calculation of average household spending (escalated to 2014\$)<sup>6</sup> \$441.12.
2. Calculation of existing and projected households based on existing approvals<sup>7</sup>.
3. Calculation of average weekly spending within the catchment.
4. Calculation of average annual household spending within the catchment.
5. Estimation of annual average household spending that could be captured by the project's commercial facilities (average weekly spend estimate 20% of total).
6. **Estimated floor space supported by this level of spending based on \$5 and 7,000 turn over per year.**

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<sup>5</sup> Appendix A

<sup>6</sup> Appendix B

<sup>7</sup> Appendix C

Estimations	\$ Value
1. Average weekly spending per household 2014	\$441.12
2. Total households in catchment based on current plus approved	465
3. Total average weekly spend 465 households (\$2014)	\$205,121
4. Total average annual spend 465 households 2014	\$10,666,281
5. Spending to be captured by development 20%	\$2,133,256
6. Floor space demand range	305m <sup>2</sup> to 427m <sup>2</sup>

**Figure Metrics floor space demand based on likely future demand wit and it out project.**

Source: ADW Johnson 2014

Based on these spending patterns the existing and planned households would not support the floor space as proposed.

Using the same methodology it is possible to calculate the impact of additional 157 dwellings proposed in the development.

Total households in catchment based on current plus approved and additional 157 on site dwellings	622 <sup>8</sup>
Total average weekly spend 622 households (\$2014)	\$14,267,585
Total average annual spend 622 households attracted to the project	\$2,853,517
Floor space demand range	407m <sup>2</sup> to 570m <sup>2</sup>

The estimate of spending is considered high for the following reasons:

- The estimate is based on 2011 ABS figure for households but does not take into account the high level of vacant/unoccupied dwelling indicating the seasonal nature of the use of these dwellings. ABS 15.7% (NSW average 9.7%). If this trend continued the real impact would be that only 524 dwellings would be occupied on average and projected spending at the marina project would be reduced \$449,599 pa implying less demand for floor space in the order of between 64 and 90m<sup>2</sup>);
- It is unlikely that the project will attract 20% of spending in the short term. Residents will have existing shopping patterns and these will take time to adapt to the local opportunities. The project is more likely to attract 10% of the available spending and grow

<sup>8</sup> Appendix C

to up to 20 % over time. New residents may have less established spending habits and will be attracted to the project;

- The modelling is based on 100% of the approved land subdivision being developed and inhabited and well as a 10% uplift in density based on increased amenity. This will take some years to achieve (5+) but the development will rely on the base community demand from its opening. Currently there are only 267 households; and
- Given that there is no immediate employment in the locality and that a very high percentage of the population travel a distance to work at major centres, there is likely to be a high level of escape expenditure associated with work journeys each day.

Considering these impacts on spending level projected and what is anticipated a minimum turnover thresholds, we would conclude that providing additional permanent residential development within easy walking distance of the project is critically important to the success of the project. Further, that the proposed addition of 157 dwellings while supporting the viability of the commercial floor space will need to be augmented by other strategies to achieve year round commercial viability.

## 2. ATTRACTING NON-PEAK TOURIST BUSINESS (MICE SECTOR)

The tourism leisure market and particularly the family holiday segment which dominate visitation in Lake Macquarie is focused on 3 peak period each year: Easter, October and Christmas school holidays. The sustainability of the proposed facility demands a broader spread of business across the calendar year. It has been the business tourism sector which includes business/industry/professional meetings, incentives, conferences and events (MICE) that helps provide this non-seasonal stream of visitors and business. Lake Macquarie does not have a strong representation in this market. Destination NSW data does not record a split for purpose of visit business but by deduction 85% of visitation by purpose is VFR or holiday as compared to the NSW 79% for these sectors. Anecdotal evidence indicated current levels of business visitation is in the order of 5% of the market<sup>9</sup>. In comparison neighbouring Newcastle LGA records 20% of overnight visitation by purpose for business (NSW average 17%).<sup>10</sup> This suggests the capacity of the project to capture some of this market particular business generated out of Sydney.

The value of this sector is significant and underpins the strategy for the resort to capture business travel. The total value of the business events sector was estimated at \$17 billion in 2003 as part of the landmark *National Business Events Study*<sup>11</sup>. In 2012, the value of business events to the economy was estimated at \$24 billion. By 2020, this is forecast to rise to \$31 billion. The sector is a crucial part of the Australian visitor economy, with 8% of all travellers participating in some form of business events and generating 15% of all visitor expenditure. The value of the sector extends beyond economic expenditure, leaving intangible legacies including knowledge dispersal,

<sup>9</sup> Visitor information centre advice, discussion with major resort managers at Raffertys, Best Western Charlestown.

<sup>10</sup> <http://www.destinationnsw.com.au/wp-content/uploads/2014/03/LGA-profile-1.pdf>

<sup>11</sup> The Value of Business Events, Measuring the value of the Australian Business events sector, 2003-2020.

business development and community development.<sup>12</sup> Moreover, it is the yield from business tourist that is particularly important. In 2012 it is estimated that “all visitors” from the domestic market spent on average \$671 per trip, business visitors spend from the domestic market on average \$956 per trip staying only 2.8 days on average as compared to the all visitor average of 3.8 days.<sup>13</sup>

Given the value of the MICE sector to properties and local economies this market is strongly contested. It is also built on relationship with the PCOs (Professional Conference Organisers). Regional and more isolated locations find it more difficult to compete in this sector with venues located in vibrant and well serviced urban or tourist destinations. Delegates, accompanying partners, speakers and organisers expect to be able to access:

- convenience services;
- shopping;
- bars and café for pre and post meetings networking; and
- non meeting activities and amenities (cafes spas etc).

Further, delegates and partners are attracted to places that:

- are vibrant and active;
- patronised by locals;
- provide year round services; and
- enjoy the passive security and safety of a community.

The business model and value add of the business sectors also relies on leveraging:

- Repeat business visitation;
- repeat leisure visitation;
- investment and retirement property sales; and
- resident referrals for leisure, business and events visits.

The commercial spaces proposed in the project are critical to the success of the property and its ability to attract business visitation. Critical to being able to attract business visitation is the availability of these business and services on an all-year-round basis. These businesses can only offer year round business if there is base line local business (i.e. from the identified pedshed) to sustain operations. The overall attractiveness of the property and its ability to attract non-peak business relies on achieving a critical level of activation and vibrancy that use by the local community brings. This is a problem facing other not dissimilar properties which have struggled to achieve this vibrancy and consistency driven by the local community use such as Raffertys Resort (Cams Wharf), Magenta Shores (The Entrance) and The Vintage (Pokolbin) have all developed models which include on site and adjacent permanent residential development.

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<sup>12</sup> Ibid p. 3

<sup>13</sup> Tourism Research Australia (2013), *National Visitor Survey* - unpublished data. Visitors aged 15yrs+ .BE visitors are those attending a conference/convention, trade fair/exhibition, business meeting or incentive trip.

### 3. OPTIMISING TOURIST PERIODS YIELDS

As mentioned in section 2 other multi-purpose tourist developments are based on the model of mixing freehold, strata and community title properties sold to permanent residents, investors and those seeking a holiday rental as part of their business model. There are several reasons for this which have been addressed in this submission. One important reason is to have the potential to expand the pool of rental accommodation available during peak periods.

While business plans are based on an optimal peak season room/bed number there are occasions and seasons where more rooms could be sold than is available. Having a high standard of permanent residential units which are not in the letting pool on a full time basis but which, at the owners discretion, can be offered to the pool, provides a flexibility which offers benefits to owners and the resort operator.

While permanent dwelling owners might live in or use their property for holidays during non-peak periods, generating business and activity, they have the opportunity to offer that accommodation to family, friends or on a commercial basis through sites such as VBO and Stayz.

### 4. ENSURING A PRODUCT MIX THAT WIDENS MARKET APPEAL AND REDUCES REALISATION TIMEFRAMES

Critical mass is vital to achieve market penetration, branding, economies of scale in marketing and to be able to attract national and global operators. However, as indicated in Items 2 and 3 of this submission, the diversity of product offer and mix is also strategically important to the operating success of the project. The project is pitched at the top end of the market and all product will support that segmentation. But the ability to offer permanent accommodation options, long term leasing availability, investment opportunities, retirement planning possibilities and owner occupied holiday accommodation is vital to achieving critical mass and market presence.

Examples of similar product offer and completion include:

- <http://www.thevintage.com.au/real-estate>
- <http://www.magentarealty.com.au/images/magenta-brochure-english.pdf>
- <http://www.raffertysresort.com.au/property-landsales.html><sup>14</sup>

For the project to withstand upfront costs there is a need to generate income in the project's early stages. This will really only be achieved from direct property sales and payment on settlement of the residential units. Payback periods on the marina, hotel and function/commercial spaces will be driven by leasing arrangements and will be over a much longer time frame. These lease arrangements are likely to be based on a combination of up-front payment and ongoing payments derived from income streams over time. These elements do not provide substantial early flow of revenue. The sale of strata or community title residential accommodation provides

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<sup>14</sup> Appendix D



upfront cash flow to help fund next stages. Further, pre commitment to sales will help up lock funding streams for the project more broadly. Selling residential units will help underpin the viability of other elements of the project and therefore support sales and leases which will help provide further development funds. This financial reality is an important argument to increase the supply of permanent residential development on site particularly given the increase in the overall scale of the development.

## 5. CAPTURING THE VALUE OF THE ASSET

The project has two critical and defining attributes that give it uniqueness, value and attraction. These are its location and the 188 berth marina. There a very limited number of sites which can be developed for tourism purposes which have direct access and views of Lake Macquarie. There is no other multi use residential tourist development which offers both a marina and accommodation as an integrated package on Lake Macquarie.

Water front land which is suitable for commercial development is a scarce resource in the region and in NSW. The development of this site should be optimised within the limits of its agreed environmental impact. It is environmentally and socially responsible to optimise the amount of development on this site as long as the impacts are acceptable. Optimising the development at Trinity Point reduces or defers the demand and pressures to develop other waterfront sites on Lake Macquarie which may be more vulnerable or sensitive. Increasing the supply of waterfront housing choice will reduce pressure on other sites and at the same time ensure a critical mass of development that can afford quality environmental protection standards.

The investment in the marina is the key driver of value to the site outside it location. The marina will add value and differentiation to the project which location alone will not provide. The marina will add to land and property values within its catchment. The flow on value of the marina however diminishes quickly with distance from the marina itself. Values descend from properties with direct access and unimpeded views, properties with full views but restricted access, properties with restricted views and restricted access, properties with no views but within curtilage of marina, and properties with associated access and amenity but increasing distance. The capital outlay of the marina is a major component of the development and this outlay needs to drive the value of the non-marina assets within the project. Increasing the number of dwellings within the precinct and optimising those of highest value help generate value from the capital investment in the marina. This model also delivers non water front sites to the market that can be developed for moderate cost accommodation but still enjoy the value and amenity of the marina.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J Roberts'.

**Jenny Roberts**



## Appendix A

**Table 16 - Benchmark Turnover Rates in 2011 to 2031 (\$/sqm GLA)**

Retail Store Type	2011	2016	2021	2026	2031
Supermarkets & Grocery Stores <sup>34</sup>	11,000	11,362	11,736	12,123	12,522
Specialty Food Stores	7,500	7,747	8,002	8,265	8,538
Fast-Food Stores	7,500	7,747	8,002	8,265	8,538
Restaurants, Hotels and Clubs**	4,750	4,906	5,068	5,235	5,407
Department Stores <sup>35</sup>	3,500	3,615	3,734	3,857	3,984
Clothing Stores	5,000	5,165	5,335	5,510	5,692
Bulky Goods Stores	3,500	3,615	3,734	3,857	3,984
Other Personal & Household Goods Retailing	4,500	4,648	4,801	4,959	5,123
Selected Personal Services**	4,000	4,132	4,268	4,408	4,553

Sources: ABS Retail Survey 1998-99 (escalated to 2007 dollars), JHD Retail Averages, Hill PDA and various consultancy studies.

\* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling)

\*\* Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos

## Appendix B

Average weekly expenditure	2010 (march)	2014 (June)	Projected
Broad expenditure group	ABS Household	Based on	Business
Goods and services	expenditure	ABS CPI	captured by
	average NSW	calculator	proposed
			development
Food and non-alcoholic beverages	\$212.67	\$233.98	
Alcoholic beverages	\$33.29	\$36.62	
Tobacco products	\$11.48	\$12.63	
Personal care	\$25.53	\$28.08	
Miscellaneous goods and services	\$117.99	\$129.81	
Total goods and services expenditure	\$400.96	\$441.12	88.22

Estimation of average weekly Household expenditure based on ABS data.

## Appendix C

### 2011 Census QuickStats

All people - usual residents



Australia | New South Wales | State Suburbs

#### Morisset Park

Code SSC11595 (SSC)



#### People

**617**

Male 291  
Female 326  
Median age 42



#### Families

**181**

Average children per family 1.9



#### All private dwellings



**267**

Average people per household 2.7  
Median weekly household income \$1,346  
Median monthly mortgage repayments \$1,800  
Median weekly rent \$320  
Average motor vehicles per dwelling 2



Current Households ABS data 2011	267
Lots approved in adjoining development Built to date	64 lots (Stages 1-4 plus 5 townhouses)
Balance approval (across 7 remaining stages) - Within those totals, includes Stage 5 which commenced construction this week	Approx. 98 residential lots and four 'small lot housing' development lots
Likely increased density due to value and attraction of marina	10% 27 dwellings
Total potential households at completion of development without marina dwellings	465
Total potential households at completion of development with project dwellings	622

## Appendix D






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**RICH SEA**  
INTERNATIONAL

Rich Sea International Pty Ltd  
 10/100 Pitt St, Pitt St, Sydney NSW 2000  
 PO BOX 2007, Queen Victoria Building NSW 1230  
 ABN: 60 140 130 125

Hello,

I've been in the property development sector for 20 years and when I was invited to take the helm at Magenta Shores, with Rich Sea International, it was an opportunity I literally leapt at.

It's not often a parcel of land presents itself which is 'heavenly' in nature and I was truly in awe during my first site inspection. Locations with 2.3km of white sand beach frontage surrounded by National Park, a salt water estuary and a national Top 10 private residential golf community are VERY few and far between.


I've travelled nationally researching golf communities and there is one thing the majority of other communities don't have, BEACHFRONT! Location is the first, second and third law in real estate investment and we certainly tick these boxes. Treechange, seachange, treechange! Magenta Shores has it all.


This land offering is the pinnacle in dress circle locations and the first in over six years at Magenta Shores. Standing atop of these allotments one is given elevated views with a real depth and blend of golf, National Park and a myriad of green hues.

I truly hope you decide to join the Magenta Community and I know you will enjoy living here as much as I do.

I look forward to welcoming you to the neighbourhood.

Paul Sciumo  
  
 Development Manager


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#### 05 Wild Duck Drive, Camo Wharf



05 Wild Duck Dr, Camo Wharf \$350,000

- Fully furnished 2 bedroom cottage with lift
- Open plan lounge & dining rooms
- Full kitchen including wall oven & dishwasher
- 2 bathrooms & an internal laundry

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