



33 Cross Street, Double Bay  
Retail and Economic Impact  
Assessment

PREPARED FOR

**Ashington**

February 2009

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# 1. EXECUTIVE SUMMARY

## 1.1 Study Brief

Hill PDA was commissioned by Ashington to undertake an independent economic and retail impact assessment of the proposed redevelopment of the site located at 33 Cross Street.

This report will assist the Department of Planning to assess the proposed Development Application in accordance with section 79C of the *Environmental Planning and Assessment Act, 1979* (EP&A Act).

Hill PDA has undertaken a detailed examination of all components of the proposed mixed use redevelopment and where possible quantified the potential economic impact of the proposed development to the Double Bay Town Centre and the wider subregion of East Sydney.

## 1.2 Subject Site and Locality Description

The Subject Site is known as the Stamford Plaza Hotel located at 33 Cross Street, Double Bay. The existing 144 room hotel is centrally positioned within the Double Bay Town Centre. The Double Bay Town Centre (the Centre) comprises of an extensive mix of retailers, commercial offices and recreational spaces. The Centre is renowned for its prestigious image, and retail offer specialising in clothing, fashion and discretionary goods.

The Double Bay Town Centre is located within the Local Government Area of Woollahra that forms part of Sydney's East Subregion.

## 1.3 The Development Proposal

The proposed development relates to the demolition of the existing Stamford Plaza Hotel and the erection of a part 4, part 5 and part 14 storey building (plus roof plant and pools) to provide approximately 19,600sqm of mixed use development. The development comprises of:

- a 66 room boutique hotel;
- 39 residential apartments;
- a 320sqm hotel bar / restaurant;
- approximately 1,375sqm of retail floorspace at ground level;
- 107 basement level car parking spaces; and
- a publicly accessible open plaza with pedestrian connections from Cross Street to the Galbraith walkway and laneway connections to Transvaal Ave.

For the purposes of assessment, an indicative breakdown of the proposed street level / plaza retail is as follows:

- 295sqm café / restaurant;

- 650sqm of specialty retail; and
- 430sqm of specialty food retail.

We also understand that the project has an estimated construction cost of \$89m and will be built over a 24 month period.

## 1.4 Key Study Findings

Hill PDA's analysis of the proposed development has identified a number of key economic and retail impacts. We have identified these impacts following a thorough review of all components of the proposed development, a review of Hill PDA's 2006 land use survey of the Double Bay Town Centre, the socio-demographic profile of the Centre's trade areas, challenges facing Double Bay Town Centre and economic objectives to enhance its appeal and viability.

The key study findings and potential economic and retail impacts (resulting from the proposal) have been summarised below.

### Centres Analysis

Hill PDA undertook a detailed land use survey of Double Bay Town Centre in 2006. At that time the centre provided approximately 30,500sqm of retail and commercial floorspace. The majority (75%) or 23,000sqm related to retail uses of which 4% of floorspace was vacant at that time. The vacancy rate increased however to 11% when calculated as a proportion of total retail units.

Based on the land use survey results<sup>1</sup> and associated research it was surmised that Double Bay Town Centre performs a specialised role having a far greater share of retailers focused on clothing, footwear and personal services compared to other town centres within Sydney. Comparatively the Centre also provided a low proportion of supermarket and specialty floorspace.

The major shopping centre that serves the Eastern and Southern Region of Sydney is Bondi Junction. It is known as a 'Super Centre' with over 160,000sqm of shop front retail space. Its trade area covers the northern half of the Eastern Suburbs of Sydney including Woollahra and Waverley LGAs and the northern part of Randwick.

As a result of the Centre's retail offer, Bondi Junction has been highlighted as a major competitor for Double Bay Town Centre. The reopening of the Centre in 2004 (with particular respect to the refurbished Bondi Junction Westfield) was recognised as having an adverse effect on Double Bay Town Centre's trading levels by tenants and interest groups.

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<sup>1</sup> Hill PDA 2006

## **Trade Areas**

As a result of Double Bay Town Centre's specialties we believe its trade area could extend up to 20km from the Centre to suburbs within the City of Sydney, North Shore, Northern Beaches and Southern Sydney. A portion of trade is also known to be drawn from regional visitors, interstate and international tourists.

In light of the modest scale of retail proposed by the development however, we have only identified a primary trade area and two secondary trade areas for this assessment. The trade areas may be defined as follows:

- the primary trade area (PTA): the suburbs of Double Bay; Edgecliff; Bellevue Hill; Point Piper; Darling Point and Woollahra;
- a secondary trade area (STA1): the remaining suburbs of Woollahra LGA including Paddington, Rose Bay, Vaucluse and Watson's Bay; and
- a secondary trade area (STA2): the LGA of Waverley.

## **Trade Area Demographic Characteristics**

A socio-demographic profile of the PTA, STA1 and STA2 for Double Bay Town Centre<sup>2</sup> found that households were characterised by an older, more established population, with a lower share of family households and couples with children than the Sydney Statistical Division (SD). Accordingly smaller households were predominant and the overwhelming majority of residents' occupied apartments and units.

Whilst the trade areas were characterised by smaller households without children, they were also characterised by a significantly greater share of residents in higher income brackets and higher salary professions than households across the Sydney SD and NSW. These factors were subsequently taken into consideration when calculating the level of demand generated by households for retail within Double Bay Town Centre.

## **Retail Expenditure, Demand and Supply**

Hill PDA's detailed household expenditure modelling found that households in the PTA, STA1 and STA2 generated \$1,958 million in retail expenditure in 2007. This figure translated into demand for over 97,000sqm of retail floorspace in the PTA alone and close to 400,000sqm in the combined PTA and STAs.

Not all of this retail demand will be met by Double Bay Town Centre, but rather distributed across centres of varying scales, retail offer and accessibility. We have calculated that as a result of Double Bay Town Centre's place in the retail hierarchy, geographic accessibility, retail offer and the strength of its competitors (such as Bondi Junction), it could draw sufficient retail expenditure in 2007 to justify in the order of 37,000sqm of retail floorspace increasing to 40,000sqm by 2012.

With around 23,000sqm of retail space, we therefore believe that Double Bay Town Centre is currently undersupplied with retail floorspace. By comparing the 2006 land use survey results with estimated demand, we can see that key areas of undersupply relate to supermarket and specialty food retail, restaurants and cafes and non specialty retail such as household goods and hardware.

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<sup>2</sup> ABS Census Data 2006



Despite the acknowledged fashion specialty of Double Bay Town Centre and the expectation that there would be an oversupply of floorspace in this category, it was found that current supply only met our estimated demand. Accordingly by 2012 when retail expenditure in the area is forecast to increase, assuming no additional supply, there could actually be an undersupply in this category compared to the level of demand generated by the Centre's Trade Areas.

For completeness we have also estimated the level of demand generated for retail floorspace in Double Bay Town Centre as a result of the proposed development. We calculate that the tourist related expenditure (resulting from the hotel component of the development) would create demand for over 540sqm of retail floorspace and the proposed 39 new residential apartments an additional 122sqm. Accordingly the proposed development alone would generate sufficient demand for close to 50% of the proposed ground floor retail floorspace.

#### **Retail Impact**

The Subject Site currently provides approximately 1,500sqm of specialty retail. The proposed development will not increase the amount of retail floorspace currently provided on the Subject Site. Consequently there will be no significant net change in the level of turnover generated by the proposed retail and therefore trade / loss of expenditure from surrounding centres such as Edgecliff, Bondi Junction or Rose Bay. Rather the proposed retail will contribute to Double Bay's image as a prestige location for shopping replacing the existing floorspace with new shopping opportunities.

It is intended that the proposed retail space will be occupied by high quality retail tenants (i.e. high fashion and jewellery boutiques) a signature restaurant, food providers and beauty and hairdresser services to promote and enhance the hotels high quality and luxurious character. This form of retailing accords with the vision for the Centre highlighted within the Double Bay Business Precinct Study. In fact surveys of existing businesses and landowners in the Centre found that the addition of new, high quality retailers was encouraged in order to attract more shoppers to the centre.

The addition of fresh and exciting new stores, in keeping with Double Bay's established branding, was also considered a means by which to enhance the centre's economic success to the benefit of all stakeholders. Furthermore the proposed retail space replaces the indoor shopping plaza with a form of retail that accords with the established street front retail pattern characteristic of the Double Bay Town Centre.

Within Double Bay Town Centre the new retail offer may compete with existing boutiques and restaurants however in accordance with the Land & Environment Court, consent authorities should not be concerned about competition between individual stores as this is a matter of fair trading. Rather consent authorities should concern themselves with impact on established retail centres.

In applying this principle to the Double Bay Town Centre, the conclusion is that the overall impact will be net positive. The proposed retail development is not "out of centre" but rather located centrally within the established Centre. The proposed retail floorspace will help to reinvigorate the Town Centre and the cluster of specialty retail that draws trade from across Sydney.

### **Economic Considerations and Impact**

An important economic objective for Woollahra LGA is to protect and enhance the viable operation of businesses within Double Bay Town Centre and the centre's competitive role in the Sydney retail market. This objective forms part of the regional planning context to create thriving centres that generate employment and support the needs of local communities sustainably.

In order to assess the economic impact of the proposed development in light of the local and regional objectives discussed above, we have tested two different scenarios being:

1. The Base Case – or the case that would happen in the absence of the proposed development (the do nothing scenario); and
2. The Proposed Development – or the case that would happen should the proposed development application be approved.

It may be anticipated that the Base Case for the assessment would be the ongoing operation of the 144 room Stamford Plaza Hotel on the Subject Site. We have been instructed however that the sale of the Subject Site was preceded by the existing hotel operators intentions to close the hotel altogether. As a result the 'Base Case' or 'Do Nothing Scenario' is the loss of the hotel on the Subject Site and the existing benefits it generates for the Town Centre.

The Base Case is not considered in keeping with the economic objectives for the Double Bay Town Centre or East Subregion for a number of reasons including:

1. the loss of all tourist related expenditure generated by the existing hotel and therefore the direct flow on benefits to trade within Double Bay Town Centre;
2. the adverse visual impact that would result from the Subject Site's vacancy, particularly given its prominent location in the Town Centre. This significant vacancy would have flow on adverse impacts to the character of the Town Centre and its desirability as a place to do business, shop and invest;
3. the opportunity cost of the proposed development including employment generation, household and tourist related expenditure and the introduction of new retail to strengthen the centre and the subregional tourist industry.

In relation to the Proposed Development Case, we have estimated that the 5 Star boutique hotel could generate \$2.7m of expenditure that will be directly captured by businesses within the Town Centre.

The proposed development is not exclusively a hotel however but rather incorporates 39 residential apartments that will generate expenditure and therefore retail demand in their own right. We conservatively estimate that the 39 residential dwellings could generate an additional \$608,000 of expenditure for the Town Centre.

In summary we anticipate that the proposed development will generate close to \$3.3m of expenditure to the benefit of the Double Bay Town Centre. This compares favourably to the Base Case where all expenditure generated on the site will cease and there will be a net loss of trade for the Centre.

Furthermore, based on high level assumptions, the proposed hotel (trading at reasonable levels of occupancy) could contribute over \$12m per annum directly to the wider tourist economy with additional benefits generated through indirect industry flow on effects and multipliers.

### **Other Economic Benefits**

The \$89 million development will generate a number of significant economic opportunities for the Double Bay Town Centre, Woollahra LGA and the wider Sydney Region through employment generation and economic multiplier effects.

Based on industry employment yield benchmarks and advice, we estimate that the proposed development will create 162 operational jobs. By combining the retail jobs generated by tourism with those generated by the hotel, we can conclude that 103 tourist related jobs will result from the development within the Double Bay Town Centre alone. This figure represents 64% of all operational jobs. It is important to note however that additional tourist related jobs will also be generated to the benefit of the wider economy owing to the expenditure generated by the development that is spent in other areas across the Sydney Region.

With respect to construction jobs and industry multipliers we anticipate that the two year project will create over 1,107 jobs per annum for the two year construction period. This would equate to 2,213 jobs in total in the wider economy during construction.

In terms of multiplier expenditure effects, the project is anticipated to generate an additional \$80million of activity in production induced effects and \$86 million in consumption induced effects. Total economic activity generated by the construction of the proposed development is estimated at approximately \$166 million.

The proposed development will also add value by:

- enhancing the Town Centre's amenity and character owing to improved pedestrian connectivity, a new public space, improved street amenity and fresh new retail offer;
- making efficient use of a Town Centre site through the provision of residential and tourist accommodation as well as retail facilities in close proximity to transport and support services;
- improving retail offer thereby increasing the attraction of the Centre for shoppers and the level of choice for consumers;
- improving retail offer that accords with the preferred image for Double Bay Town Centre as a high end and high quality fashion and dining / leisure destination; and
- creating a catalyst for Town Centre investment and tourist related development.

## **1.5 Conclusion**

Given that the proposed development will:

- support Woollahra Council's strategies to attract high quality investment to the Double Bay Town Centre to enhance its economic success for a range of businesses and stakeholders;

- support subregional strategies including housing and employment targets;
- enhance tourist facilities within the Centre and LGA to the benefit of the local and wider NSW economy;
- generate employment opportunities suited to a range of ages and skills;
- be in keeping with key aspects of the Stakeholder's vision for the Centre;
- have positive economic flow on effects to the wider economy; and
- improve the vitality and character of the Subject Site to the benefit of Cross Street and the Centre;

the proposed development of 33 Cross Street, Double Bay is supported and considered in accordance with the economic objectives of the Woollahra LEP 1995 and Double Bay DCP. The development is therefore supported on economic grounds.

## 2. INTRODUCTION

### 2.1 Study Brief

Hill PDA has been commissioned by the Ashington to prepare a Retail Impact Assessment (RIA) and Economic Impact Assessment (EIA) of the proposed redevelopment of the Stamford Plaza Hotel, Double Bay.

This RIA and EIA provides an independent assessment of the impacts of the subject development to Double Bay Town Centre. It will form part of the suite of documents to be submitted with a development application for the Subject Site, to facilitate the thorough assessment of the development in accordance with Part 3a of the EP&A Act.

### 2.2 Study Methodology

In undertaking this study, our methodology was based on the following scope of works:

- a review of the Subject Site and the Double Bay Town Centre to identify land use and geographic characteristics;
- a review of relevant planning policy and objectives relating to economic and retail considerations;
- the identification of primary and secondary trade areas based on distances, accessibility and the location and level of retail offering in other centres;
- a review of data derived from the ABS Census, DoP, Council and other sources, to develop a profile of key demographic characteristics in the trade areas (population, household characteristics and lifestyle trends);
- the determination of forecasts for household expenditure by trade area by retail store type and the quantification of levels of under or over supply based on national benchmark turnover levels;
- a consideration of whether or not impact on to Double Bay and other retail centres is significant and / or detrimental and, if so, whether or not means could be used to mitigate that harm;
- analysis of the proposals relationship to the Double Bay Business Precinct Study;
- the economic impacts of the proposal to tourist related expenditure captured by the Town Centre; and
- an estimate of any economic benefits of the proposed development including employment generation, multiplier impacts, shopper convenience and price competition.

The outcome of the study provides an Economic and Retail Impact Assessment for the proposed development.

## 2.3 The Development Proposal

The proposed development relates to the demolition of the existing Stamford Plaza Hotel and the erection of a part 4, part 5 and part 14 storey building (plus roof plant and pools) to provide approximately 19,600sqm of mixed use development. The development comprises of:

- a 66 room boutique hotel;
- 39 residential apartments;
- a 320sqm hotel bar / restaurant;
- approximately 1,375sqm of retail floorspace at ground level;
- 107 basement level car parking spaces; and
- a publicly accessible open plaza with pedestrian connections from Cross Street to the Galbraith walkway and laneway connections to Transvaal Ave.

For the purposes of assessment, an indicative breakdown of the proposed street level / plaza retail is as follows:

- 295sqm café / restaurant;
- 650sqm of Specialty Retail; and
- 430sqm of Specialty Food Retail i.e. a Delicatessen.

We also understand that the project has an estimated construction cost of \$89m and will be built over a 24 month period.

## 2.4 Subject Site & Double Bay Commercial Centre

The Subject Site is located at 33 Cross Street, one of the main thoroughfares within the Double Bay Commercial Centre. Double Bay is located within Sydney's Eastern Suburbs approximately 5km from Sydney's Central Business District.

Double Bay Commercial Centre is renowned for its village character and the mix of international luxury fashion boutiques, antique and art shops, cafes and personal services such as hairdressers and beauticians.

The centre also provides commercial floorspace for professional tenants within units above ground floor retail. The centre is characterised by traditional strip retail as well as three



centres being the Cosmopolitan Shopping Centre, Bay Village and the George Centre.

Residential dwellings with a mix of development densities surround the Centre. Other uses surrounding the Centre include the Double Bay Public School, Guilfoye Park and Steyne Park.

## 2.5 Relevant Hill PDA Research 1998 - 2006

Hill PDA has undertaken a number of studies with respect to the Double Bay Town Centre over the past decade. Of relevance to this assessment are the Double Bay Commercial Centre Studies conducted in 1998, 2002 and 2006. These studies and their recommendations are summarised below.

### **Double Bay Commercial Centre Study 2006**

Hill PDA was commissioned by Woollahra Council to undertake a study of Double Bay Commercial Centre in 2006. The objective of the study was to review key challenges facing the economic viability of businesses within the Centre and to identify opportunities and strategies to strengthen business development.

The study was commissioned by Woollahra Council in light of the perceived downturn in the economic viability of Double Bay as a commercial centre. This perceived downturn in turn had adversely affected developer interest and investment in the Centre to its economic detriment.

The study recommended four key strategies for change. In summary the strategies identified the need to:

1. improve the perception of parking convenience in the centre;
2. improve the appearance of the public and private realm;
3. create and implement a centre management model; and
4. create and implement a centre marketing and promotions program.

The four strategies sought to endorse the vision for Double Bay outlined in the Double Bay Development Control Plan (DCP). The plan seeks to create *“a vibrant centre that offers a unique living, working and shopping experience within a pedestrian friendly and attractive urban environment.”* It is understood that Council has ratified the study and is in the process of putting in place steps to implement the strategies.

### **Commercial Centre Studies 1998 & 2002**

Hill PDA was commissioned in 1998 to support the preparation of the Double Bay DCP and the Double Bay Public Domain Improvements Plan. Hill PDA's work involved a survey of all land uses in the Centre and a shopper survey to identify shopper sentiment. In 2002 Hill PDA was commissioned by Council to review existing and projected floorspace demand in the Centre.

The 1998 and 2002 studies provide Hill PDA with a longer term picture of the trends and factors affecting the economic conditions of the centre. They identified appropriate trade areas for the Centre and the level of oversupply and undersupply by retail type.

## 2.6 Legal Considerations

Section 79C of the EPA Act requires planning authorities to determine planning applications having regard to the relevant planning instruments that affect the land and having regard to the likely impacts of that development. The potential impacts include environmental impacts on both the natural and built environments, and social and economic impacts in the locality.

Previous court judgements have provided some guidance on relevant issues in relation to the economic impact of retail developments.

In *Fabcot Pty Ltd v Hawkesbury City Council* (97) LGERA, Justice Lloyd noted *"economic competition between individual trade competitors is not an environmental or planning consideration to which the economic effect described in s 90(1)(d) is directed. The Trade Practices Act 1974 (Cth) and the Fair Trading Act 1987 (NSW) are the appropriate vehicles for regulating competition. Neither the Council nor this Court is concerned with the mere threat of economic competition between competing business.... It seems to me that the only relevance of the economic impact of a development is its effect 'in the locality'..."*.

In *Kentucky Fried Chicken Pty Ltd v Gantidis* (1979) 140 CLR 675 at 687 Justice Stephen noted that *"if the shopping facilities presently enjoyed by a community or planned for it in the future are put in jeopardy by some proposed development, whether that jeopardy be due to physical or financial causes, and if the resultant community detriment will not be made good by the proposed development itself, that appears to me to be a consideration proper to be taken into account as a matter of town planning... However, the mere threat of competition to existing businesses if not accompanied by a prospect of a resultant overall adverse effect upon the extent and adequacy of facilities available to the local community if the development be proceeded with, will not be a relevant town planning consideration."*

The Land & Environment Court (LEC) has stated that Councils should not be concerned about competition between individual stores as this is a matter of fair trading. But it should concern itself with impact on established retail centres. The impact on competing stores and businesses is only relevant if the viability of those businesses are threatened and the viability of a retail centre as a whole is threatened due to a demonstrated nexus between the competitive stores and the other retailers within the retail centre.

These principles were reiterated by Justice Pearlman in *Cartier Holdings Pty Ltd v Newcastle City Council and Anor* [2001] NSWLEC 170. *"It follows that Section 79C(1)(b) does not require the consent authority to take an approach in consideration of the relevant matter different from the approach formerly taken in the application of 90(1)(d)."*

## 2.7 Limitations

This report is for the confidential use only of the party to whom it is addressed (the client) for the specific purposes to which it refers. We disclaim any responsibility to any third party acting upon or using the whole or part of its contents or reference thereto that may be published in any document, statement or circular or in any communication with third parties without prior written approval of the form and content in which it will appear.



This report and its attached appendices are based on estimates, assumptions and information sourced and referenced by Hill PDA. We present these estimates and assumptions as a basis for the reader's interpretation and analysis. With respect to forecasts we do not present them as results that will actually be achieved. We rely upon the interpretation of the reader to judge for themselves the likelihood of whether these projections can be achieved or not.

As is customary, in a report of this nature, while all possible care has been taken by the authors to prepare the expenditure and financial models from the best information available at the time of writing, no responsibility can be undertaken for errors or inaccuracies that may have occurred both with the programming or the financial projections and their assumptions.

## 3. DOUBLE BAY IN CONTEXT

### 3.1 Town Centre - Mix of Retail Uses

Hill PDA's Double Bay Commercial Centres Study (2006) surveyed the mix of land uses provided within the Town Centre. It was found that the Centre provided approximately 30,500sqm of retail and commercial floorspace. The majority (72%) or 23,000sqm related to retail uses of which 4% of space was vacant at the time of survey. The vacancy rate increased however to 11% when calculated as a proportion of total retail units.

In relation to occupied retail space, by broad retail category, the study found that the Town Centre provided:

- 1,545sqm of supermarket floorspace representing 7% of all retail floorspace in the Centre. When compared to the average proportion of supermarket floorspace (13%) found within retail centres across the Sydney Statistical Division (SD) this represented an undersupply by 6 percentage points;
- 667sqm of specialty food retail or 3% of all retail floorspace in Double Bay Town Centre. This proportion also represented a lower share compared to the average for Sydney by 3 percentage points;
- 4,858sqm of Restaurant, Café and Take-Away floorspace or 22% of all retail space in the centre. This share was significantly greater than other Town Centres in Sydney that on average had 13% of floorspace in this category;
- 6,653sqm of Clothing and Footwear or a significant 30% of the centre;
- 8,359sqm of floorspace in other categories representing 40% of floorspace. This is 10 percentage points lower than the average for centres in Sydney.

The survey results have been summarised in the Table below.

**Table 1 - Summary of 2006 Centre Survey Results**

Retail Category	Floorspace (sqm)	Proportion of Retail Space in Double Bay	Average Proportion of Retail in Sydney SD
Supermarket	1,545	7%	13%
Specialty Food	667	3%	6%
Restaurant, Café, Take-Away	4,858	22%	13%
Clothing and Footwear	6,653	30%	18%
Other*	8,359	40%	50%
<b>Total</b>	<b>22,082</b>	<b>100%</b>	<b>100%</b>

\* Includes Alcohol and Tobacco; Furniture and Floors; Hardware and Kitchen and Other Categories

Based on the land use survey results<sup>3</sup> it may be surmised that Double Bay Town Centre is a specialised centre with a higher percentage of retailers focused on clothing, footwear and personal services and a lower than average proportion of floorspace relative to supermarket and specialty stores.

<sup>3</sup> Hill PDA 2006

## 3.2 Double Bay Trade Areas

The specialised nature of retail in Double Bay's Town Centre creates a broad catchment from which trade is drawn. This is because Double Bay specialises in clothing, personal services and discretionary spending items that have a wider trade area than retail such as supermarket, grocery and specialty food.

In order to inform the retail component of this report, we have defined primary and secondary trade areas for the Double Bay Town Centre.

In brief a Primary Trade Area (PTA) may be defined as the main geographic region from which shoppers can be expected to travel from to utilise the services offered. A Secondary Trade Area (STA) may be defined as the geographic region from which a portion (yet not the majority of shoppers) originates from to use the services and facilities on offer.

The trade area served by any retail centre is determined by a number of factors including:

- the strength and attraction of the centre in question, determined by factors such as the composition, layout, quantum of floorspace, ambience/atmosphere and car parking in the centre;
- competitive retail centres, particularly their proximity to the subject centre and respective sizes, retail offer and attraction;
- the location and accessibility of the centre, including the available road and public transport network and travel times; and
- the presence or absence of physical barriers, such as rivers, railways, national parks and freeways.

Having regard to each of the factors detailed above and for consistency with the numerous prior retail studies undertaken by Hill PDA in relation to Double Bay Town Centre, we have defined the Primary Trade Area as the suburbs of:

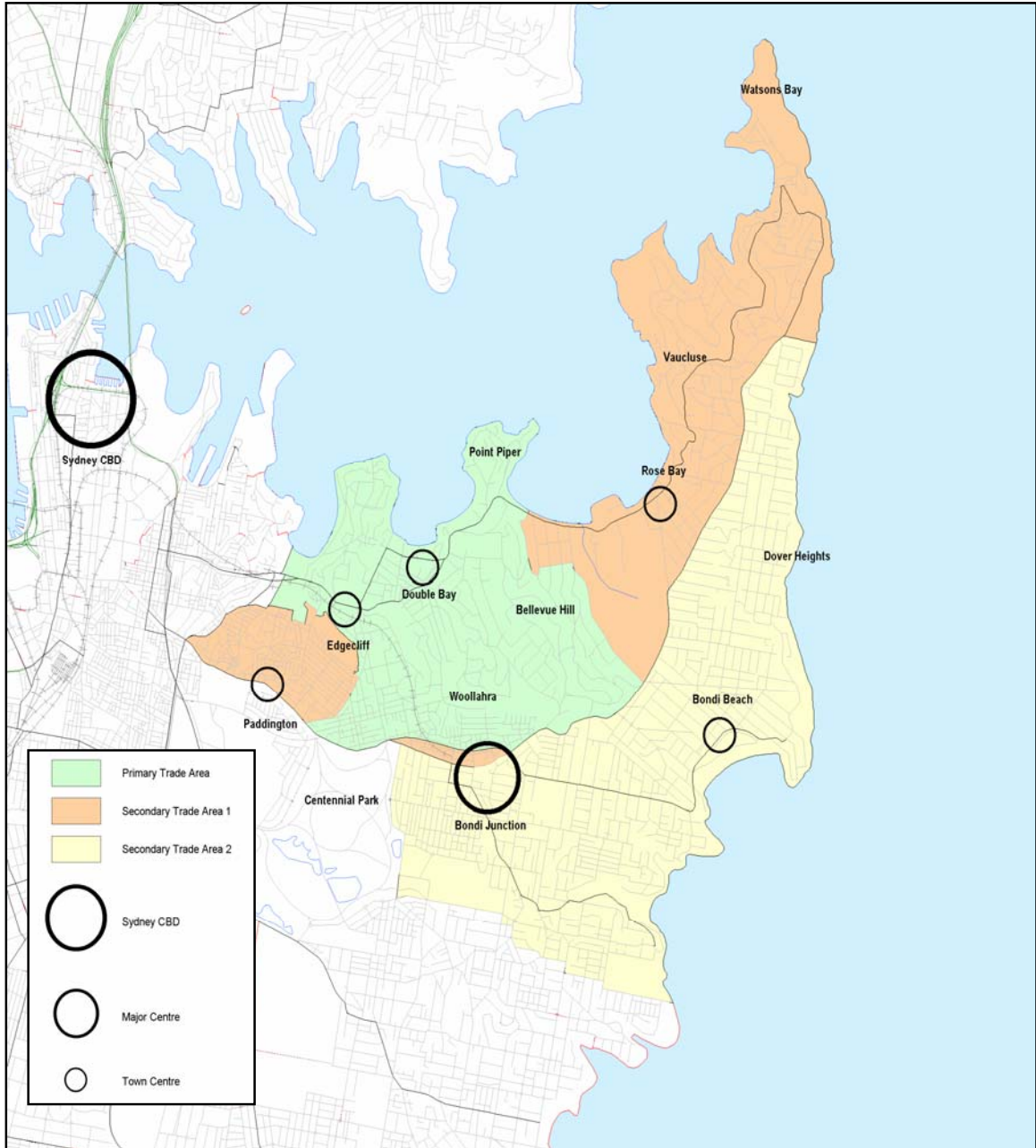
- Double Bay
- Edgecliff
- Bellevue Hill
- Point Piper
- Darling Point
- Woollahra

We have also defined wider secondary trade areas. STA1 comprises of the remaining suburbs of Woollahra LGA being Paddington, Rose Bay, Vaucluse and Watson's Bay. A second STA (STA 2) for the purposes of this assessment has been defined as the LGA of Waverley.

Owing to the strength of Double Bay's image and its clothing specialty, consistent with prior Hill PDA studies we consider that the draw of trade may extend further than the PTA and STAs defined above. A tertiary trade area is

considered likely to extend in the order of 20km from Double Bay Town Centre to suburbs within the City of Sydney, North Shore, Northern Beaches and Southern Sydney. A portion of trade is also known to be drawn from regional visitors, interstate and international tourists.

**Figure 1 - Plan of Double Bay Primary and Secondary Trade Areas and Competing Centres**



Source: Hill PDA 2009, Mapinfo

### 3.3 Demographic Characteristics of the PTA and STAs

The level of household expenditure generated within a trade area is one of the main determinants of demand for retail in that area. Household expenditure generated by a trade area is dependent not only on the number of households, but also by the demographic and socio-economic characteristics of the area's population.

In particular, household income is a strong determining variable as higher income earners spend more on goods and services. The composition of a household (i.e. family compared to single occupant) is another important factor whereby larger households (i.e. families) demand more retail services.

In light of the above considerations, the following section reviews the demographic characteristics of the Double Bay Town Centre's PTA and wider secondary trade areas in order to inform Hill PDA's retail demand modelling.

The tables below show the general characteristics of the primary and secondary trade areas defined by this study using ABS 2006 Census Data. For comparative purposes we have provided the general population characteristics of the Sydney Statistical Division (SD) and NSW.

#### **Population Characteristics**

In relation to general population characteristics, as of 2006 the PTA, STA1 and STA2 had comparatively older populations than the Sydney SD and NSW. This was particularly the case in the age cohorts over the age of 60 years. The PTA had 27% of its resident population over the age of 60 years compared to 17% of the Sydney SD population and 19% of the NSW population.

The 2006 ABS statistics conversely show that the proportion of children under the age of 14 years, residing in both the PTA (12%) and STAs (15% and 14% respectively) was significantly lower than the Sydney SD (20%) and NSW (20%).

The mature population and lower number of children translates into a number of relevant related demographic characteristics for the PTA and STAs including:

- a higher mean age (particularly for the PTA of 42 years) compared to the mean age for Sydney (35 years) and NSW (37 years);
- a significantly lower proportion of family households in the PTA (56%), STA1 (60%) and STA2 (57%) compared to the Sydney SD (73%) and NSW (72%);
- a conversely higher proportion of lone persons households in the PTA (37%), STA1 (32%) and STA2 (33%) compared to the Sydney SD (23%) and NSW (24%);
- a high proportion of couples without children in the PTA (51%), STA1 (44%) and STA2 (44%) compared to the Sydney SD (33%) and NSW (36%); and
- significantly smaller households (1.6 persons per dwelling in the PTA) than the Sydney SD (2.7) and NSW (2.6).

### **Dwelling Type**

The smaller and fewer family households reflect the differences in dwelling type between the trade areas and Sydney averages. As of 2006 over 67% of residents within the PTA resided in flats, units or apartments. For the STAs this figure was also high at 48% and 58% respectively compared to the Sydney SD of 24% and NSW 18%.

Another key feature was the high proportion of households being rented (between 37% and 45%) in the trade areas and the comparatively lower proportion of owner / occupier households or households being purchased. For the PTA only 86% of residents owned their own dwellings compared to 93% of the Sydney SD.

### **Employment and Income**

Table 4 provides the employment and income characteristics of the trade areas. It shows that the PTA and STAs all had comparatively higher proportions of their populations employed as Managers and / or Professionals (62%, 59% and 53% respectively) compared to the proportion recorded for the Sydney SD (36%) and NSW (33%).

Conversely in the trade areas there were lower proportions of residents employed as Technicians and Trade Workers, Machinery Operators and Drivers, Labourers and Related Workers. There were comparatively similar proportions of Sales Workers.

The high proportion of the resident population employed as professionals and / or managers translates into the significantly higher proportion of the trade area's households in higher income brackets. By way of example 54% of the population of the PTA earned over \$1,400 per week. 42% of the STA1 and 38% of STA2 also earned over this amount compared to 37% of the Sydney SD population and only 31% of NSW.

The high proportion of the trade area's households in the higher weekly income brackets is particularly significant given the lower average dwelling sizes and therefore fewer income earners contributing to the total household income.

### **Demographic Characteristics Summary**

In summary the population characteristics of the PTA and STAs (in comparison to the Sydney SD) represents an older, more established community with a lower share of family households. These characteristics are supported by the lower average dwelling occupancy rates and the greater proportion of residents residing in apartments as opposed to detached single dwellings.

Despite the age of the population and smaller dwelling sizes, a high proportion of households earn in the higher income brackets. This is reflective of the greater share of the population employed in higher income earning professions and the trade areas close geographic proximity to the Sydney CBD.

**Table 2 - 2006 Population Characteristics of the PTA and STAs**

	PTA	STA1	STA 2	Sydney SD	NSW
<b>Population and Dwellings</b>					
Total Population	28,327	30,401	60,715	4,119,190	6,549,177
Total Dwellings	15,224	14,541	30,305	1,643,675	2,728,719
Occupied Private Dwellings	13,140	13,106	27,389	1,521,465	2,470,451
Occupied Private Dwellings (%)	86%	90%	90%	92.6%	90.5%
<i>Average Household Size</i>	1.6	1.1	1.2	2.7	2.6
<b>Age Distribution</b>					
0-14	12%	15%	14%	20%	20%
15-29	19%	22%	22%	21%	20%
30-44	23%	26%	30%	23%	22%
45-59	20%	19%	17%	19%	20%
60-74	15%	11%	10%	11%	12%
75+	12%	7%	7%	6%	7%
Total	100%	100%	100%	100.0%	100.0%
<i>Median Age</i>	41.7	36.8	35.0	35	37
<b>Place of Birth</b>					
Australia & Oceania	58%	60%	52%	63%	71%
Europe	10%	11%	11%	9%	8%
North Africa and Middle East	1%	0%	1%	3%	2%
Asia	5%	3%	4%	11%	7%
Americas	2%	2%	1%	1%	1%
Sub-Saharan Africa	3%	4%	4%	1%	1%
Other	21%	19%	27%	14%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: ABS Census Data 2006

**Table 3 - 2006 Dwelling and Household Types in the PTA and STAs**

	PTA	STA1	STA 2	Sydney SD	NSW
<b>Home Ownership</b>					
Owned or Being Purchased	59%	56%	51%	65%	67%
Rented	37%	39%	45%	31%	30%
Other/Not Stated	5%	6%	4%	4%	4%
Total	100%	100%	100%	100%	100%
<b>Household Structure</b>					
Family Households	56%	60%	57%	73%	72%
Lone Person Households	37%	32%	33%	23%	24%
Group Households	8%	8%	10%	4%	4%
Total	100%	100%	100%	100%	100%
<b>Family Type</b>					
Couple family w. children	34%	43%	40%	50%	46%
Couple family w/o children	51%	44%	44%	33%	36%
One parent family	12%	11%	13%	16%	16%
Other family	3%	2%	3%	2%	2%
Total	100%	100%	100%	100%	100%
<b>Dwelling Type</b>					
Separate house	21%	28%	23%	64%	71%
Townhouse	11%	24%	18%	12%	10%
Flat-Unit-Apartment	67%	46%	58%	24%	18%
Other dwelling	0%	2%	1%	1%	1%
Not stated	1%	0%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: ABS Census Data 2006

**Table 4 - 2006 Employment and Income Characteristics of the PTA and STAs**

	PTA	STA1	STA 2	Sydney SD	NSW
<b>Labour Force</b>					
Managers	22%	22%	17%	13%	13%
Professionals	40%	37%	36%	23%	20%
Community & Personal Services Workers	6%	9%	8%	8%	8%
Clerical and Administrative Workers	12%	11%	13%	16%	15%
Sales Workers	8%	7%	8%	9%	9%
Technicians & Trade Workers	4%	5%	8%	12%	13%
Machinery Operators & Drivers	1%	1%	2%	6%	6%
Labourers & Related Workers	2%	3%	4%	8%	9%
Inadequately described or N.S.	3%	2%	2%	2%	2%
Unemployed	3%	3%	3%	5%	6%
Total	100%	100%	100%	100.0%	100.0%
<b>Weekly Household Income</b>					
\$0-\$349	8%	9%	11%	13%	15%
\$400-\$799	10%	0%	14%	18%	21%
\$800-\$1,399	15%	16%	18%	21%	22%
\$1,400-\$2,499	18%	18%	20%	21%	19%
\$2,500+	36%	32%	25%	16%	12%
Partial income stated	10%	10%	9%	9%	8%
All incomes not stated	4%	3%	3%	3%	3%
Total	100%	100%	100%	100.0%	100.0%
<b>Median Weekly Household Income</b>	<b>\$1,933.00</b>	<b>\$1,805.75</b>	<b>\$1,446</b>	<b>\$1,154</b>	<b>\$1,036</b>

Source: ABS Census Data 2006

## 3.4 ANALYSIS OF EXISTING CENTRES

The following section of this assessment identifies centres within the wider retail hierarchy for the purposes of context. In light of the nature of retail proposed as part of the Subject Sites redevelopment (boutique fashion, restaurant and specialty food) our analysis has focused on major centres that provide a similar type of retail or that are located in very close proximity to Double Bay.

Figure 1 above depicts these centres and their place within the regional centre hierarchy.

### **Bondi Junction**

Bondi Junction is considered one of the main centres that competes with Double Bay Town Centre for specialty retail trade (such as boutique fashion and services). Bondi Junction has been identified as the Major Centre in the East Subregion by the Department of Planning providing in the order of 150,000 to 160,000sqm of shop front retail space.

A major share of retail floorspace within Bondi Junction relates to the Westfield Shopping Centre. The refurbished and extended centre provides over 100,000sqm of lettable area including a David Jones, Myer, Woolworths and a Hoyts Cinema complex. The centres extension in 2004 added 32,000sqm of retail space in Bondi Junction.



Westfields, Bondi Junction is classified by the Property Council of Australia as one of the seven only “super regional” centres in Sydney. The other five are Miranda, Castle Towers, Westfields Hornsby, Westfields Parramatta, Warringah Mall and Macquarie Centre. These six centres each have both a David Jones and a Myer store, at least two discount department stores, two large supermarkets, 250 plus speciality stores and multi-screen cinemas.

The growth in demand for retail space in Bondi Junction has largely been attributed to the strong sustained growth in household expenditure in the eastern suburbs of Sydney. The number of households has not increased so much as the affluence of the area, particularly in suburbs such as Bondi, Waverley, Woollahra and Paddington, Randwick.

Despite the growth in expenditure in Bondi Junction’s Trade Area, the significant scale and quality of retail provided by the centre is believed to have had an adverse impact to retail trade within centres such Paddington, Double Bay and Edgecliff. The draft East Subregional Strategy in fact identifies this detriment to Double Bay Town Centre in particular.

### **Sydney CBD**

In recent years Sydney’s Central Business District has emerged as another key competitor to high end retail trade for Double Bay Town Centre. The CBD has a mix of indoor retail malls including Chifley Plaza, the Strand Arcade, No.1 Martin Place, Sydney Central Plaza and Westfield Centrepont that cater to the higher end fashion market in addition to traditional strip shopping on Pitt Street Plaza and Castlereagh Street.

These locations have developed as quality destinations for tourist shopping. Castlereagh Street in particular has grown as a focal point for high end fashion designers, jewellery and accessories to rival Double Bay. The CBD also benefits from close proximity to a vast range of tourist hotels and is a major tourist attraction in itself.

### **Oxford Street, Paddington**

Located partially within Woollahra LGA and the City of Sydney, Oxford Street Paddington is one of the main thoroughfares between Sydney CBD and the Eastern Suburbs. The Oxford Street, Paddington Town Centre has come to be known as a centre that specialises in clothing retail, cafes, restaurants and personal services. Whilst the retail market for the centre is characteristically younger than Double Bay, there is an element of competition between the two centres for higher end fashion trade.

### **Edgecliff Town Centre**

Edgecliff Town Centre is located at a transport interchange that includes the Eastern Suburbs Rail Line. Edgecliff Centre is the main indoor shopping venue in the Town Centre providing close to 3,000sqm of retail floor area. The major tenant being an IGA supermarket.

As the centre has a focus on providing local services including supermarket and grocery shopping as well as medical services, its retail mix is not considered in direct contrast with Double Bay. It has been included in this report however owing to its close proximity to Double Bay.

The Draft East Subregional Study identifies the possibility of expanding commercial uses within Edgecliff Town Centre. It is anticipated however that the type of retail offered by the Centre will remain focused on the provision of local services rather than competing with the boutique fashion market of Double Bay.

### **Bondi Beach**

Retail within the vicinity of Bondi Beach is mainly concentrated in Hall Street and Campbell Parade.

A retail survey undertaken by Hill PDA in 2007 found that Hall Street, Bondi had 53 shops of which 13 (25%) were being used for non-retail commercial services, 2 were vacant (4%) and 39 (72%) were being used for retail purposes. Total shop front space was approximately 4,600sqm.

Campbell Parade extends along Bondi Beach front. In the past couple of decades the emphasis of the centre has changed from predominately fast food outlets to fashion and back again to food outlets. This area has cemented itself as an upmarket restaurant and cafe hotspot owing to its role as a tourist destination and as an 'eat street' for affluent locals. Campbell Parade consist of 94 speciality shops stretching over 700 metres in length from the corner of Francis Street to Beach Street. There is approximately 15,000sqm of shop front space in this area alone.

### **Rose Bay Town Centre**

Rose Bay Town Centre comprises of 86 shopfront retail and commercial premises equating to 12,350sqm of floorspace. Of this, 19 premises (1,800sqm) are associated with personal services, 21 (3,800sqm) are commercial suites, 14 (1,900sqm) are specialty food and 13 (1,800sqm) are specialty non-food stores. 150sqm was vacant at the time of survey. Anchor tenants include the 900sqm Franklins Supermarket, 415sqm fruit and vegetable store, and 685sqm pub.

## 4. ECONOMIC CONSIDERATIONS

### 4.1 Local and Regional Economic Objectives

A number of Local (Council related) and Regional (East Subregion) economic policies and planning objectives are relevant to this economic assessment. At the local level, Woollahra Council seeks to enhance the local economy through the promotion of its town centres with particular regard to the Double Bay Town Centre. Specific reference to Woollahra's centres is made by Clause 2(b)(ii) of Woollahra LEP 1995 that seeks:

*“to consolidate and improve established centres so that they remain both commercially attractive and viable”.*

Section 3.2 of the Double Bay DCP also highlights a relevant economic objective for this assessment as the need to:

*“ensure that the centre (Double Bay) maintains its commercial viability and competitive position within the Sydney retail market.”*

This objective of the Double Bay DCP is reinforced by the Double Bay Commercial Centres Study undertaken by Hill PDA on behalf of Council that sought to:

*“support the revitalisation of the Double Bay Commercial Centre”.<sup>4</sup>*

From a regional perspective, the NSW Department of Planning's draft East Subregional Strategy (released in July 2007) provides a number of strategies to achieve housing and employment targets in the East Subregion of Sydney.

The draft East Subregional Strategy's housing target for Woollahra LGA is an additional 2,900 dwellings between 2004 and 2031. This equates to an additional 107 additional dwellings per annum.

The draft East Subregional Strategy also seeks to increase the number of jobs in the East Subregion to strengthen the local economy and employment opportunities in close proximity to where residents live. The strategy targets an additional 25,100 jobs to be generated in the Subregion by 2031.

Whilst the majority of job growth is anticipated to occur in Major Centres such as Bondi Junction (4,400 jobs), the Randwick Education and Health Specialised Centre (2,300 jobs), and the Port Botany and the Airport Specialised Centre, Woollahra LGA is required to contribute 300 jobs to this target. It therefore follows that as one of the largest centres within the LGA, Double Bay will seek to generate a reasonable share of these local jobs.

The objectives and context of the Local and Regional economic objectives outlined above have been considered in this assessment.

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<sup>4</sup> Double Bay Commercial Centre Development Study 2006 / 2007

## 4.2 What is the Base Case?

In order to assess the economic impact of the proposed development in light of the local and regional objectives discussed above, we have tested two different scenarios being:

1. The Base Case – or the case that would happen in the absence of the proposed development (the do nothing scenario); and
2. The Proposed Development – or the case that would happen should the proposed development application be approved.

It may be anticipated that the Base Case for the assessment would be the ongoing operation of the 144 room Stamford Plaza Hotel on the Subject Site. We have been instructed however that the sale of the Subject Site was preceded by the existing hotel operators intentions to close the hotel altogether. As a result the 'Base Case' or 'Do Nothing Scenario' is the loss of the hotel on the Subject Site and the existing benefits it generates for the Town Centre.

We also understand from discussions with industry experts that the existing hotel has not benefited from capital investment for a considerable period of time. The lack of hotel upgrades, refurbishment and promotion is likely to have resulted in declining hotel occupancy as well as average takings per room. Regrettably owing to the sensitivity of this information it has not been possible to confirm these figures with the hotel operators.

The Base Case is not considered in keeping with the economic objectives for the Double Bay Town Centre or East Subregion for a number of reasons including:

1. the loss of all tourist related expenditure generated by the existing hotel and therefore the direct flow on benefits to trade within Double Bay Town Centre;
2. the adverse visual impact that would result from the Subject Site's vacancy, particularly given its prominent location in the Town Centre. This significant vacancy would have flow on adverse impacts to the character of the Town Centre and its desirability as a place to do business, shop and invest;
3. the opportunity cost of the proposed development including employment generation, household and tourist related expenditure and the introduction of new retail to strengthen the centre and the subregional tourist industry.

To assess the economic implications of the Base Case in comparison to the Proposed Development further, the following section estimates the household and tourist related expenditure generated by the proposed hotel and the resulting economic impact to the Town Centre.

## 4.3 Calculating Tourist Related Expenditure

The following section estimates the direct tourist related expenditure that could be generated on a per room basis as a result of a 5 Star 66 room boutique hotel operating in the Double Bay Town Centre.

### **National Visitor Survey**

The main source of data used to estimate the tourism statistics is The National Visitor Survey (NVS) conducted by Tourism Australia. The NVS is the major source of information on the characteristics and travel patterns of domestic tourists. It measures travel for all reasons, including holiday and leisure travel, business travel and travel to visit friends and / or relatives.

Between 1998 and 2004, interviews were conducted with approximately 80,000 Australian residents aged 15 years and over. From 1 January 2005 interviews are conducted with around 120,000 respondents on an annual basis. The sample has been increased to enhance estimates for smaller States/Territories and at the regional level.

Interviews are undertaken continuously throughout the year, using computer assisted telephone interviewing. The NVS is an origin-based survey. In simple terms, this means that respondents are interviewed in their homes and details are collected about their recent travel. Details are obtained of all travel in Australia — travel involving nights away from home, as well as day trips — and travel by Australians overseas.

The NVS has been designed to optimise the reliability of regional estimates. Respondents interviewed in the NVS are representative of the Australian population, based on place of residence, age and sex.

### **Hotels in Woollahra**

A survey by Tourism NSW found that Luxury Hotels and Luxury Resorts<sup>5</sup> were the second most popular form of tourist accommodation in Sydney after friends/ relatives houses. Within the Sydney Metropolitan Region as of 2008 there were however only 33 operating 5 Star hotels.

Furthermore as of 2007 the Australian Bureau of Statistics (ABS) only recorded seven motels, hotels and serviced apartments with more than 15 bedrooms<sup>6</sup> (across all hotel ratings) in the LGA of Woollahra. This is considered a modest number in light of the LGA's close proximity and excellent accessibility to Sydney CBD and other attractions such as Sydney Harbour and the Double Bay Town Centre.

The modest number of hotels, motels and serviced apartments in Woollahra LGA is an important economic consideration as tourism is a significant economy in NSW contributing over \$7.6 billion directly to the states economy annually. The industry also has significant indirect flow on economic benefits to other industries.

### **Average Tourist Spend**

The ABS estimates that across Australia the average spend by overnight tourists is \$116 per day. This average increases for tourists in Sydney to \$153 per day for overnight visitors (average of international and domestic tourists) and \$101 per day for day visitors.

Across Australia it has also been found that as a proportion of tourist related expenditure, food and drink, shopping and entertainment made up 51% of overnight visitors expenditure<sup>7</sup>. Assuming that retail centres capture

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<sup>5</sup> Tourism NSW 2007

<sup>6</sup> 8635055002DO001 Tourist Accommodation, Small Area Data, Australia - Electronic Delivery, Sep 2007

<sup>7</sup> Tourism Expenditure by Domestic Visitors in Australia's Regions, Bureau of Tourism Research, Australia 1999 escalated to 2003 dollars at CPI weighted average.

95% of shopping, 90% of food and drink and 40% of entertainment expenditure, then this equates to \$45 to \$60 being spent by each tourist each day in the retail centres.

### **Tourist Spend – 5 Star Hotels**

It is important to note that these figures have been averaged across all accommodation types and tourist markets including cheaper forms of travel and accommodation (such as backpacker accommodation and staying with friends / relatives).

It is therefore reasonable to assume that for the higher end accommodation (such as 5 Star hotels) and tourists within close proximity to Sydney CBD, this average level of expenditure would be significantly underestimated. It in turn follows that this level of expenditure for overnight guests of the proposed 5 star, luxury hotel in Double Bay would also be greater than \$153 per day across all categories and greater than \$60 per day for retail centres.

To exemplify this point, ABS statistics show that accommodation expenditure for five star hotels averages at \$220 per night alone<sup>8</sup>. Regrettably the ABS does not also estimate the increase in non hotel related expenditure for 5 Star hotel guests however we would argue that it would not be unreasonable to assume that the average expenditure per guest, for a five star hotel in Sydney would also increase from \$153 to \$250 per day and that the proportion of expenditure captured by retail centres (such as Double Bay) increase from \$60 per day to a conservative \$100 per day.

Therefore, adding \$100 spend onto the average takings per room and (conservatively assuming 1.5 person per room) it may be estimated that direct tourism expenditure captured by a 5 Star hotel in the Double Bay Town Centre would be in the order of \$370 per room per night.

## **4.4 Impact of Proposal to Tourist Related Expenditure**

Businesses within Double Bay Town Centre directly benefit from the operation of a hotel as a result of the flow on tourist expenditure relating to shopping, entertainment, food and drink. The preceding section estimated that a high end tourist could generate in the order of \$100 per person per day for retailers and businesses within town centres.

Using these figures, it is possible to quantify the potential value the proposed development to the Double Bay Town Centre. Applying a 70% occupancy rate, assuming 1.5 persons per room and expenditure generation of \$100 / person per day we calculate that the proposed 66 room hotel could generate \$2.5m of tourist related expenditure for Double Bay Town Centre.

Market research undertaken by the applicant however highlights that a smaller 5 star boutique hotel is more likely to achieve a higher occupancy rate (i.e. 75%). This occupancy rate is not at odds with the Sydney CBD averages for 5 Star Hotels recorded by the ABS in September 2008. The development of a new boutique hotel is also likely to attract fresh tourist interest to the benefit of the hotels success and in turn draw of trade to the Centre. The

<sup>8</sup> 8635055002DO001 Tourist Accommodation, Small Area Data, Australia - Electronic Delivery, Sep 2007

quality of the hotel and active promotions would also attract a higher calibre of tourist. As a result the forecast expenditure generation of \$2.7m per annum is considered realistic.

Expanding this analysis further, taking the estimated total tourist expenditure of \$250 per day per tourist for a five Star hotel, and making the same assumptions as above, the proposed hotel could generate over \$12m in tourist related expenditure for the wider economy.

## 4.5 Household Related Expenditure

Expenditure for the town centre will not only be generated by the hotel component of the proposed development. Rather the net increase of 39 residential dwellings on the Subject Site and the associated demand for goods and services generated by these dwellings will also generate expenditure to be captured by the Centre.

Given that the proposed residential dwellings will be located within the Town Centre, it is not unreasonable to assume that at least 60% of retail expenditure (supermarket, grocery and household) as well as personal services (hairdressers, opticians, dentists) will be captured by businesses in Double Bay Town Centre.

To quantify this economic impact, we have found the average retail spend per capita across all collector districts within the suburb of Double Bay<sup>9</sup>. Given that the proposed residences will be targeted at the higher end of the residential apartment market, it may be argued that the level of retail expenditure generated by these dwellings will be higher than the average for Double Bay. For conservative reasons however we have taken the average (\$13,000 per capita) for the suburb. We have assumed an average occupancy of 2 persons per dwelling.

Based on this analysis, we have calculated that the 39 new dwellings in the primary trade area will generate an additional \$1m of retail expenditure of which \$608,000 (60%) is likely to be captured by businesses within Double Bay Town Centre.

## 4.6 Conclusion

This section of the report has identified two scenarios for the Subject Site to be tested in order to assess economic impact as follows:

1. the 'Base Case' scenario whereby the existing hotel would cease to operate and no development occur. As a result any expenditure currently being generated by the hotel and captured by the Town Centre will cease.
2. The 'Proposed Development' scenario that is estimated as likely to generate \$2.7m of tourist related expenditure for the Town Centre per annum in addition to \$0.6m household related expenditure per annum. As a result the proposed development would contribute an estimated \$3.3m of expenditure to the Town Centre.

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<sup>9</sup> Marketinfo 2007

Comparing the base case with the proposed development, there will be a net positive impact for retailers and other businesses within the Town Centre. From a wider perspective, there will also be a positive effect for the Subregional tourist market as a result of the proposed development and the flow on effects of the tourist industry. We estimate that the direct contribution could be in the order of \$12m per annum with additional economic multiplier effects.

We also believe that there would be other economic benefits as a result of the proposed development that are difficult to quantify. These benefits relate to the quality and character of the proposed development and its ability to support the economic objectives of the Double Bay Town Centre:

*“to consolidate and improve established centres so that they remain both commercially attractive and viable”.*



## 5. DEMAND FOR RETAIL IN DOUBLE BAY

There are three main sources of demand for retail floorspace analysed by this assessment being:

1. Household expenditure generated within the primary trade area;
2. Household expenditure generated within the secondary trade areas; and
3. Tourism related expenditure.

Tourism related expenditure is defined as expenditure generated by residents living over 80km from Double Bay Town Centre who stay within a hotel on the Subject Site.

As discussed in Section 3.2 there is also some additional expenditure that is captured from households outside the primary and secondary trade areas owing to Double Bay's clothing and discretionary specialties. Given however the modest scale of the proposed retail, for the purposes of this assessment, we have not quantified the level of trade in the centre's tertiary trade area.

### 5.1 Household Expenditure Generated in Trade Areas

In order to quantify existing and future demand for retail services within Double Bay's Trade Areas, Hill PDA has utilised its bespoke Retail Expenditure Model (hereafter referred to as the Model). The Model translates the number of households within the defined trade areas, together with their characteristics, into demand for retail floorspace over time. The Model forecasts household expenditure using:

- The ABS Household Expenditure Survey 2003-04 which provides household expenditure by broad commodity type by household income quintile; and
- The Marketinfo 2007 database which is generated by combining and updating data from the Population Census and the ABS Household Expenditure Survey (HES) using "*microsimulation modelling techniques*".

Marketinfo combines the data from the Census, HES and other sources to derive total HES by commodity type. This data, which was validated using taxation and national accounts figures, quantifies around 14% more expenditure than the ABS HES Survey.

Based on the above inputs, the table below shows the estimated household expenditure by commodity type generated by the Subject Site's PTA in 2007 and forecast for 2012, 2016 and 2020.

**Table 5 - Household Expenditure by Commodity Type in the PTA 2007 – 2020 (2007 \$m)**

YEAR	2007	2012	2016	2020
Food, Groceries & Liquor take-away	134.8	145.2	154.0	163.3
Food Catered	90.3	97.2	103.1	109.4
Apparel	45.1	48.6	51.5	54.7
Bulky Goods	61.9	66.7	70.7	75.0
Other Personal & Household Goods	100.4	108.0	114.6	121.6
Personal Services	18.0	19.4	20.6	21.8
<b>TOTAL</b>	<b>450.6</b>	<b>485.1</b>	<b>514.6</b>	<b>545.8</b>

\* Excludes Liquor on Premises and Cinema Expenditure

Source: Hill PDA based on 2006 Census and ABS Household Expenditure Survey 2003-04 and Marketinfo 2007

The ABS Retail Survey 1998-99 Cat No. 8624.0 provides a cross tabulation of store type (defined by ANZIC), by commodity type. Multiplying the percentages of dollars spent on each commodity in the cross tabulation by total dollars spent generates household expenditure by retail store type. This is provided in the following table.

**Table 6 - Household Expenditure by Retail Store Type in PTA 2007 – 2020 (2007\$m)**

YEAR	2007	2012	2016	2020
Supermarkets & Grocery Stores	112.9	121.5	128.9	136.7
Specialty Food Stores	43.6	47.0	49.8	52.9
Fast-Food Stores	40.9	44.0	46.7	49.5
Restaurants, Hotels and Clubs*	65.0	69.9	74.2	78.7
Department Stores	41.9	45.1	47.9	50.8
Clothing Stores	30.9	33.3	35.3	37.4
Bulky Goods Stores	61.9	66.7	70.7	75.0
Other Personal & Household Goods Retailing	68.5	73.7	78.2	83.0
Selected Personal Services**	18.0	19.4	20.6	21.8
<b>Total Retailing</b>	<b>483.6</b>	<b>520.6</b>	<b>552.2</b>	<b>585.7</b>

Source: Hill PDA estimate based on 2006 Census and ABS Household Expenditure Survey 1998-99 and Marketinfo 2007

\* 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

Note that the total expenditure amount in the two tables above do not equate. This is because some expenditure is captured by non-retailers (such as internet shopping) and some turnover captured by retailers is not household expenditure related (such as wholesaling and hiring of equipment).

A similar calculation has been undertaken to estimate the level of existing and forecast household expenditure generated within the Subject Site's STA1 and STA2 by 'Retail Store Type' between 2007 and 2020. The results are provided in the tables below.

**Table 7 - Household Expenditure by Retail Store Type STA1 (Woollahra Remaining) 2007 - 2020 (2007\$m)**

YEAR	2007	2012	2016	2020
Supermarkets & Grocery Stores	117.7	126.7	134.4	142.5
Specialty Food Stores	45.2	48.6	51.6	54.7
Fast-Food Stores	44.5	47.9	50.8	53.9
Cafes and Restaurants	65.7	70.7	75.0	79.6
Department Stores	43.5	46.8	49.7	52.7
Clothing Stores	31.8	34.2	36.3	38.5
Bulky Goods Stores	63.1	68.0	72.1	76.5
Other Personal & Household Goods Retailing	71.8	77.3	82.0	87.0
Selected Personal Services	18.2	19.6	20.7	22.0
<b>Total Retailing</b>	<b>501.4</b>	<b>539.8</b>	<b>572.5</b>	<b>607.3</b>

\* Excludes Liquor on Premises and Cinema Expenditure

Source: Hill PDA based on 2006 Census and ABS Household Expenditure Survey 2003-04 and Marketinfo 2007

**Table 8 - Household Expenditure by Retail Store Type STA2 (Waverley LGA) 2007 - 2020 (2007\$m)**

YEAR	2007	2012	2016	2020
Supermarkets & Grocery Stores	229.2	244.8	258.0	271.9
Specialty Food Stores	87.1	93.0	98.1	103.4
Fast-Food Stores	88.4	94.4	99.5	104.8
Cafes and Restaurants	128.4	137.1	144.6	152.4
Department Stores	81.8	87.4	92.1	97.1
Clothing Stores	57.5	61.4	64.8	68.3
Bulky Goods Stores	125.2	133.7	140.9	148.5
Other Personal & Household Goods Retailing	141.1	150.7	158.8	167.4
Selected Personal Services	34.5	36.8	38.8	40.9
<b>Total Retailing</b>	<b>973.2</b>	<b>1,039.3</b>	<b>1,095.4</b>	<b>1,154.6</b>

Source: Hill PDA estimate based on 2006 Census and ABS Household Expenditure Survey 1998-99 and Marketinfo 2007

\* 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

Combining the results for the PTA and STA's, the table below shows that despite comparatively low rates of forecast household growth to other parts of Sydney<sup>10</sup>, household expenditure by retail store type is expected to increase between 2007 and 2012 by \$141m and by \$389m between 2007 and 2020 predominantly owing to the growing affluence of households and therefore their level of retail expenditure.

**Table 9 - Household Expenditure by Retail Store Type in the PTA and STAs 2007 - 2020 (2007\$m)**

YEAR	2007	2012	2016	2020
Supermarkets & Grocery Stores	459.7	492.9	521.2	551.1
Specialty Food Stores	176.0	188.7	199.5	210.9
Fast-Food Stores	173.8	186.3	197.0	208.3
Restaurants, Hotels and Clubs*	259.1	277.8	293.7	310.6
Department Stores	167.2	179.3	189.6	200.5
Clothing Stores	120.2	128.9	136.3	144.2
Bulky Goods Stores	250.2	268.3	283.7	299.9
Other Personal & Household Goods Retailing	281.4	301.7	319.0	337.3
Selected Personal Services**	70.7	75.8	80.1	84.7
<b>Total Retailing</b>	<b>1,958.2</b>	<b>2,099.7</b>	<b>2,220.2</b>	<b>2,347.6</b>

Source: Hill PDA estimate based on 2006 Census and ABS Household Expenditure Survey 1998-99 and Marketinfo 2007

<sup>10</sup> Household growth has been based on dwelling targets established by the DoP's Draft East Subregional Strategy

\* 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

## 5.2 Demand for Retail Floorspace

By dividing the household expenditure figures (provided in the tables above) by target turnover figures, we can quantify the estimated total or gross demand for retail floor space generated by households in Double Bay's PTA and STAs as of 2007 and up to 2020.

The following tables show the gross retail floorspace demand for the Double Bay PTA, STA1 and STA2 in addition to the target turnover figures applied for each.

**Table 10 - Gross Demand for Retail Floorspace Generated by the PTA (sqm)**

YEAR	Target Rate* (\$ / sqm)	2007	2012	2016	2020
Supermarkets & Grocery Stores	9,500	11,881	12,789	13,566	14,390
Specialty Food Stores	7,000	6,235	6,712	7,119	7,552
Fast-Food Stores	7,000	5,839	6,286	6,668	7,072
Restaurants, Hotels and Clubs	4,000	16,238	17,479	18,541	19,667
Department Stores	3,500	11,975	12,891	13,674	14,504
Clothing Stores	5,000	6,183	6,656	7,061	7,489
Bulky Goods Stores	3,300	18,762	20,197	21,424	22,725
Other Personal & Household Goods Retailing	5,000	13,698	14,746	15,641	16,591
Selected Personal Services	2,800	6,437	6,929	7,350	7,796
<b>Total Retailing</b>	<b>4,973</b>	<b>97,248</b>	<b>104,685</b>	<b>111,043</b>	<b>117,786</b>

Source: Hill PDA estimate based on 2006 Census and ABS Household Expenditure Survey 1998-99 and Marketinfo 2007

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

The table above shows that within the Subject Site's PTA as of 2007, there was sufficient demand generated to support over 97,248sqm of retail floorspace. By 2020 this demand is anticipated to increase to 117,786sqm.

**Table 11 - Gross Demand for Retail Floorspace Generated by STA1 (sqm)**

YEAR	Target Rate* (\$ / sqm)	2007	2012	2016	2020
Supermarkets & Grocery Stores	9,500	12,385	13,332	14,142	15,001
Specialty Food Stores	7,000	6,455	6,949	7,371	7,818
Fast-Food Stores	7,000	6,359	6,846	7,261	7,702
Restaurants, Hotels and Clubs	4,000	16,420	17,676	18,749	19,888
Department Stores	3,500	12,425	13,375	14,187	15,049
Clothing Stores	5,000	6,354	6,840	7,256	7,696
Bulky Goods Stores	3,300	19,132	20,595	21,845	23,172
Other Personal & Household Goods Retailing	5,000	14,363	15,461	16,400	17,396
Selected Personal Services	2,800	6,487	6,983	7,407	7,857
<b>Total Retailing</b>	<b>4,995</b>	<b>100,381</b>	<b>108,058</b>	<b>114,620</b>	<b>121,580</b>

Source: Hill PDA estimate based on 2006 Census and ABS Household Expenditure Survey 1998-99 and Marketinfo 2007

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

The table above shows that within the Subject Site's STA1 (the remaining suburbs within Woollahra LGA) as of 2007, there was sufficient demand generated to support over 100,000sqm of retail floorspace. By 2020 this demand is anticipated to increase to 121,600sqm.

**Table 12 - Gross Demand for Retail Floorspace Generated by STA2 (sqm)**

YEAR	Target Rate* (\$ / sqm)	2007	2012	2016	2020
Supermarkets & Grocery Stores	9,500	24,128	25,741	27,109	28,550
Specialty Food Stores	7,000	12,446	13,278	13,984	14,727
Fast-Food Stores	7,000	12,624	13,469	14,184	14,938
Restaurants, Hotels and Clubs	4,000	32,106	34,253	36,073	37,990
Department Stores	3,500	23,384	24,948	26,274	27,670
Clothing Stores	5,000	11,508	12,277	12,930	13,617
Bulky Goods Stores	3,300	37,928	40,464	42,615	44,880
Other Personal & Household Goods Retailing	5,000	28,215	30,102	31,702	33,387
Selected Personal Services	2,800	12,311	13,134	13,832	14,567
<b>Total Retailing</b>	<b>5,000</b>	<b>194,650</b>	<b>207,666</b>	<b>218,703</b>	<b>230,327</b>

Source: Hill PDA estimate based on 2006 Census and ABS Household Expenditure Survey 1998-99 and Marketinfo 2007

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

The table above shows that within Double Bay's STA2 (Waverley LGA) as of 2007, there was sufficient demand generated to support over 194,650sqm of retail floorspace. By 2020 this demand is anticipated to increase to 230,327sqm.

The table below combines the gross floorspace demand for the Double Bay Trade Area.

**Table 13 - Gross Demand for Retail Floorspace in the PTA, STA1 and STA2 Combined**

YEAR	Target Rate* (\$ / sqm)	2007	2012	2016	2020
Supermarkets & Grocery Stores	9,500	48,394	51,862	54,817	57,941
Specialty Food Stores	7,000	25,136	26,939	28,474	30,097
Fast-Food Stores	7,000	24,822	26,601	28,113	29,712
Restaurants, Hotels and Clubs	4,000	64,764	69,408	73,363	77,545
Department Stores	3,500	47,784	51,214	54,135	57,223
Clothing Stores	5,000	24,045	25,773	27,247	28,802
Bulky Goods Stores	3,300	75,822	81,256	85,884	90,777
Other Personal & Household Goods Retailing	5,000	56,276	60,309	63,743	67,374
Selected Personal Services	2,800	25,235	27,046	28,589	30,220
<b>Total Retailing</b>	<b>5,000</b>	<b>392,279</b>	<b>420,409</b>	<b>444,366</b>	<b>469,693</b>

Source: Hill PDA estimate based on 2006 Census and ABS Household Expenditure Survey 1998-99 and Marketinfo 2007

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

## 5.3 Potential Capture of Expenditure

The preceding section outlines the total amount of household expenditure generated within Double Bay's primary and secondary trade areas. Owing to the nature of retailing however, not all of this retail expenditure will flow to Double Bay Town Centre. Rather expenditure will 'escape' to alternative centres, larger centres, centres that offer a different range of goods or better convenience.

Expenditure may also escape to other forms of retailing outside of the PTA and STA including highway convenience stores and retail located in close proximity to resident's workplaces.

In Double Bay's case, our analysis suggests that a greater portion of supermarket and grocery retail is escaping to competing centres (such as Edgecliff Town Centre or Bondi Junction Major Centre) owing to the undersupply of this type of retail floorspace. As Double Bay Town Centre does not have any department stores or discount

department stores (i.e. David Jones, Myer, Target, Bid W) all of this expenditure will also escape to higher order centres. Conversely Double Bay is anticipated to gain a higher proportion of expenditure relating to clothing and cafes and restaurants than other Town Centres owing to its specialisation in these areas.

Taking the above factors into consideration as well as:

1. the type of retail proposed as part of the Subject Site's redevelopment (1,400sqm of retail including fashion boutiques, specialty food and a restaurant); and
2. the scale and quality of existing centres surrounding Double Bay Town Centre;

we have conservatively applied 'capture rates' to each retail category. The capture rates take into account the retail expenditure that could continue to be retained in the PTA and STAs rather than escape to centres such as Bondi Junction, Edgecliff, Sydney CBD or Oxford Street.

For the purpose of analysis we applied the following capture rates:

**Table 14 - Household Expenditure Capture Rates by Trade Area**

Retail Store Type	PTA	STA1	STA 2
Supermarkets & Grocery Stores	30%	8%	4%
Specialty Food Stores	25%	5%	2%
Fast-Food Stores	15%	3%	2%
Restaurants, Hotels and Clubs	40%	10%	5%
Department Stores	0%	0%	0%
Clothing Stores	40%	30%	20%
Bulky Goods Stores	5%	5%	0%
Other Personal & Household Goods Retailing	20%	10%	5%
Selected Personal Services	35%	20%	5%

The three sources of expenditure (households in the primary and secondary trade areas) when multiplied by their respective capture rates generate the following potential demand for floorspace.

**Table 15 - Net Demand for Retail Floorspace in the PTA and STAs 2007 – 2020 (sqm)**

YEAR	2007	2012	2016	2020
Supermarkets & Grocery Stores	5,520	5,933	6,285	6,659
Specialty Food Stores	2,130	2,291	2,428	2,573
Fast-Food Stores	1,319	1,418	1,502	1,591
Restaurants, Hotels and Clubs	9,742	10,472	11,095	11,755
Department Stores	-	-	-	-
Clothing Stores	6,681	7,170	7,587	8,028
Bulky Goods Stores	1,895	2,040	2,163	2,295
Other Personal & Household Goods Retailing	5,587	6,000	6,353	6,727
Selected Personal Services	4,166	4,479	4,745	5,028
<b>Total Retailing</b>	<b>37,040</b>	<b>39,802</b>	<b>42,159</b>	<b>44,657</b>

Source: Hill PDA estimate based on 2006 Census and ABS Household Expenditure Survey 1998-99 and Marketinfo 2006 Additional Expenditure Generation

With around 23,000sqm of retail space, our high level analysis suggests that the Double Bay Town Centre is undersupplied in retail floorspace. The expenditure modelling results provided above support the land use survey results (discussed in prior sections of this assessment) which showed that in comparison to other centres in

Sydney, Double Bay was undersupplied particularly with respect to supermarket, specialty food and households goods floorspace.

## 5.4 Additional Demand for Retail

In addition to the demand generated for retail floorspace by existing households in the PTA and STAs, the uses associated with the proposed development (hotel and new residential apartments) will generate demand for additional retail services in the Town Centre.

Section 4 of this report has attempted to quantify the level of tourist related expenditure likely to be generated as a result of the proposed hotel. We have estimated that a 5 Star boutique hotel could generate in the order of \$2.7m per annum.

Based on a retail turnover rate of \$5,000 per square metre, the hotel and its visitors could generate demand for over 540sqm of retail floorspace in the Town Centre alone. Therefore demand for close to 40% of the proposed retail floorspace will be generated by tourism.

Section 4 also calculated an increase of \$608,000 in retail expenditure that will be captured by the Town Centre as a result of the proposed 39 residential apartments. Using the same retail turnover rate, this translates into demand for 122sqm of retail floorspace.

Combined the expenditure generated by the proposed hotel and residential apartments generate sufficient demand for close to 50% of all retail floorspace provided on site.

## 5.5 Total Retail Demand and Supply

In summing the net retail demand generated by:

1. Existing households within the Double Bay Trade Areas (37,000sqm);
2. Demand generated as a result of hotel related tourist expenditure (540sqm); and
3. Demand generated as a result of the proposed additional 39 residential dwellings forming part of the proposed development (122sqm);

for floorspace within the Double Bay Town Centre is estimated at approximately 37,660sqm. Currently retail supply within the Town Centre is 23,000sqm. Our high level analysis therefore suggests that there is an existing undersupply in the order of 14,000sqm – 15,000sqm of retail floorspace in Double Bay Town Centre. Accordingly the proposed provision of 1,375sqm of retail floorspace at ground floor, as part of the sites re-development should be viewed favourably and in support of Double Bay's role as a specialist fashion and leisure Town Centre.

## 6. RETAIL IMPACT ASSESSMENT

The following section of this report discusses the economic impact of the proposed retail component of the development in three ways;

1. The impact of the development to existing retail turnover in Double Bay and its effect on supply / undersupply of floorspace by category;
2. The relevant considerations for economic impact from a legal perspective; and
3. The relationship of the proposed development to Stakeholder objectives for Double Bay Town Centre.

### 6.1 Retail Turnover and Floorspace Demand

The Subject Site currently provides approximately 1,500sqm of specialty retail. The proposed development will not increase the amount of retail floorspace currently provided on the Subject Site. Consequently there will be no significant net change in the level of turnover generated by the proposed retail and therefore trade / loss of expenditure from surrounding centres such as Edgecliff, Bondi Junction or Rose Bay.

Another important consideration is the type of specialty retail being offered. Based on the indicative mix there will be a small increase in the amount of restaurant / café and specialty food floorspace provided on the Subject Site. Combined these categories equate to a modest 725sqm of retail floorspace.

Hill PDA's land use research has found that as a proportion of retail units, Double Bay Town Centre is presently undersupplied in the specialty food category. This finding is supported by our retail expenditure modelling undertaken in Section 5 above. The retail expenditure modelling found that at present the Centre could be undersupplied in the specialty food category by as much as 1,500sqm. By 2012 this undersupply could increase to close to 1700sqm.

A similar case can be made for restaurant and specialty clothing in Double Bay. Although as a proportion of retail floorspace these categories are well represented in the Centre at present, the Centre's specialty and the level of household expenditure in the trade areas suggests that there is sufficient demand for additional retail in this category.

As a result it may be viewed that the proposal is mainly responding to a significant existing undersupply of retail space in Double Bay, particularly with respect to specialty food retail. This undersupply would be exacerbated in the Base Case Scenario whereby there was a net loss of retail from the Subject Site owing to the closure of the hotel.

### 6.2 Legal Considerations

In assessing the impact of a proposed development to a town centre, it is important to consider the principles outlined in the relevant statute. Demonstrating over or under supply of retail space within a given area is not the relevant matter although it may have consequential impacts that would be considered by the LEC.



The relevant matter is the impact on retail centres as a whole, whether or not it will result in social detriment and whether or not the application will make good for that loss (if any such a loss would occur).

In assessing this impact, an important consideration is the location of the Subject Site. In the case of 33 Cross Street, the Subject Site is located within the Town Centre and will not be “out of centre”. Another important consideration is the quantum and type of retail being proposed. As the development application seeks to provide no net increase in retail floorspace on the site and a similar type of retail to the existing (i.e. small specialty stores and restaurants) it is not considered a significant change from the existing predicament.

The mix of retail will however have a greater focus on specialty food retail owing to the inclusion of food providers and a new restaurant / café at street level. Whilst it may be argued that existing specialty food and restaurants / cafes in Double Bay Town Centre could be affected by this new competition, our modelling shows that there is sufficient existing expenditure in the trade areas to support the proposed retail. Furthermore we forecast a significant increase in expenditure in both the PTA and STA's by 2012 (when the development would be operational) to more than exceed this increase.

Double Bay is a centre that is clearly undersupplied with specialty food floorspace and hence added competition should be viewed positively in this particular case. Furthermore the attraction of a new restaurant / café will help to enhance the special character of the centre and the cluster of these retailers to the benefit of the Centre's overall image and marketing.

In support of the above arguments, we summarise two judgements below that provide some guidance in terms of assessing potential impact to Double Bay.

In the case of **Fabcot vs Hawkesbury Council** the Court refused the application because it would have directed expenditure away from the Windsor Centre to the detriment of the specialty shops and to the detriment of the whole retail centre of Windsor resulting in closures and vacancies. The relevant issue in that case was the location of the Fabcot proposal because it was 2km out of the town centre. Had the proposal been in the Windsor Town Centre then the application would not have been refused on those grounds.

A further case **Cartier Holdings Pty Ltd v Newcastle City Council and Anor [2001] NSWLEC 170** was a third party appeal against a Council approval for a supermarket in Newcastle West. Justice Pearlman reiterated that to be refused on economic grounds it would have to be demonstrated that the proposal will direct expenditure away from existing centers and that the centre or centres as a whole would suffer – not just individual traders.

In that particular case the Judge agreed that the proposed development is in the CBD zoned area and that it will contribute to the vitality of the CBD, as defined by the zoning. Her Honour therefore concluded that there was not sufficient grounds to refuse the application in relation to economic impact under Section 79C(1) of the Environmental Planning and or Assessment Act 1979.

Having regard to the above judgements we maintain the view that the location of the proposed development is appropriate given that the Subject Site is located within the existing Town Centre. It is not an out of centre location, and hence its impacts within Double Bay will clearly be net positive adding to the centres vitality and the mix of uses that support its specialty.

## 6.3 Objectives for Double Bay Town Centre

As discussed in Section 2.5 of this report, Hill PDA undertook a detailed economic study of business in Double Bay Town Centre in 2006 / 2007. The study consulted with a broad range of tenants, shoppers and landlords to identify key issues that were challenging the economic viability and quality of the retail experience in the centre.

The quality of retailers and businesses in Double Bay Town Centre was highlighted as a key issue in Hill PDA's Study. Double Bay shoppers, visitors, landowners and business tenants alike identified the need to enhance the range and quality of retail in Double Bay in order to revitalise its retail offer and enhance business opportunities.

The Study also identified the general stakeholder consensus to retain and promote the exclusive branding of Double Bay whilst reinvigorating its tired streetscape and buildings. Support for redevelopment and new development within the Centre was seen as a key mechanism for Council to support owners and their businesses. Landowners also identified the need for additional hotels within the centre and residential development.

The existing Hotel is a prominent building within the Double Bay Commercial Centre. It has a long association with the Centre and is located in a highly visible and central location. In light of the consultation comments received during the course of the Double Bay Business Precinct Study, we consider the redevelopment of the hotel to a fresh, high quality, luxury facility would be in keeping with the local community's vision and the predominant socio-economic characteristics of the Centre's trade area.

A development of this nature would not only have flow on benefits to other businesses in Double Bay (cafes, restaurants, fashion stores, travel agents and other retailers) but also act as stimulus for additional development. It would help to signify that Double Bay is worth investing in and has attracted a fresh approach. It would also help to enhance Double Bay's private and public realm which was a major matter of concern highlighted by local stakeholders and considered a major contributor to its economic downturn.

## 7. ECONOMIC MERITS OF THE PROPOSAL

### 7.1 Operations Generated Employment

The operation of the hotel and retail units within the development upon completion in 2011 will generate employment. To calculate the level of employment that will be generated by the development, the following industry accepted ratios<sup>11</sup> have been used:

- 1.23 jobs per hotel room<sup>12</sup>;
- 1.23 jobs for 50% of the 39 proposed residences<sup>13</sup>;
- 1 job per 20sqm of café, restaurant and specialty food floorspace; and
- 1 job per 30sqm of specialty / general retail space.

**Table 16 - Operational Employment Based on Floorspace Use**

Category of Floorspace Use	Ratio of Employee to Floorspace / Hotel Room	Estimated Employment Yield
Hotel (66 Rooms)	1.23 per room	81.2
Residences (19)	1.23 per room	23.4
Speciality Non Food Retail (650sqm)	1 per 30	21.6
Cafes, Restaurants and Specialty Food(725sqm)	1 per 20	36.2
<b>Total Operational Jobs</b>		<b>162</b>

Source: Hill PDA

As such, the development will therefore support an estimated 162 full time and part time jobs upon completion and occupation as a result of the hotel, services relating to the residences and the retail provision at ground level.

A preceding section of this report identified that 540sqm of the proposed retail floorspace would directly relate to demand generated by tourists associated with the hotel. Taking an employment yield ratio mid way between those used above (i.e. 1 job per 25sqm) we can estimate that as a result of tourist related retail demand, 22 retail jobs will be generated.

By combining the tourist related retail jobs with those generated by the hotel, we can conclude that 103 tourist related jobs will result from the development within the Town Centre alone. This figure represents 64% of all jobs generated from the operation of the proposed uses and contributes significantly to Woollahra LGA's employment targets.

<sup>11</sup> Based on Hill PDA estimates derived from the 1998-99 ABS Retail Survey

<sup>12</sup> Based on advice provided by Jones Lang LaSalle Hotels, letter dated February 2009

<sup>13</sup> Based on advice provided by Jones Lang LaSalle Hotels, letter dated February 2009

## 7.2 Multiplier Effects

The construction industry is a significant component of the economy accounting for 6.6% of Gross Domestic Product (GDP) and employing almost 14.6% of the workforce at March 2003. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

- Production induced: which is made up of:
  - first round effect: which is all outputs and employment required to produce the inputs for construction; and
  - an industrial support effect which is the induced extra output and employment from all industries to support the production of the first round effect; and
- Consumption induced: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment

The source of the multipliers adopted in this report is ABS and Australian National Accounts: Input-Output Tables 1996-97 (ABS Catalogue 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.466, \$0.438 and \$0.962 respectively to every dollar of construction.

Therefore as shown in the table below, the estimated \$89 million cost in construction translates into a further \$80million of activity in production induced effects and \$86 million in consumption induced effects. Total economic activity generated by the construction of the proposed development is estimated at approximately \$166 million.

**Table 17 - Construction Cost Effect**

CONSTRUCTION MULTIPLIER EFFECT	Initial Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.466	0.438	0.962	2.866
Output (\$million)	<b>89</b>	<b>\$41</b>	<b>\$39</b>	<b>\$86</b>	<b>\$166</b>

The 1996-97 ANA Input-Output Tables identified employment multipliers for first round, industrial support and consumption induced effects of 0.33, 0.45 and 2.33 respectively for every job year in direct construction. We adjusted these multipliers to September 2006 using the building price index. The adjusted multipliers are provided in the following table.

**Table 18 - Construction Employment Multipliers**

CONSTRUCTION MULTIPLIER EFFECT	Initial Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Employment No. per \$million adjusted to Sept 06 dollars	6.05	2.00	2.72	14.10	24.87
Total employee years created	538	178	242	1,255	2,213
Project timeframe	2	2	2	2	2
Jobs per annum	<b>269</b>	<b>89</b>	<b>121</b>	<b>627</b>	<b>1,107</b>

As shown above, for every \$1 million in construction cost, a total of 24.9 job years could be generated in the economy and the proposed development as a whole will generate 2,213 job years, or a total of 1,107 jobs per annum over the two year construction period.

Note that the multiplier effects are national, and not necessarily local. The ABS notes that “Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”

## 7.3 Additional Proposal Merits

The proposed redevelopment has a number of characteristics that are also considered of economic benefit to businesses within the Double Bay Commercial Centre and its wider community. These additional merits are listed below.

### Town Centre Amenity and Character

- The proposed development will create an open public space that will enhance the character of Cross Street and its vitality to the benefit of the Town Centre as well as its revitalisation as a thriving place to visit, stay longer and spend.
- The proposed development will enhance pedestrian connectivity to Galbraith Walkway (and in turn residential dwellings in William Street) to businesses in Cross Street.

### Sustainability

- The development will make efficient use of a town centre site with good access to public transport and services by providing a mix of uses including residential dwellings.

### **Retail Competition**

- By improving the retail offer, the proposal could capture some expenditure that is currently escaping to other centres such as Bondi Junction. It may allow residents in Double Bay to make fewer trips to these retail centres, thereby reducing travel times and associated costs with motor vehicle travel.
- The provision of services will increase the level of choice for consumers. In particular the new specialty food retailers will allow shoppers to compare products, prices and services conveniently.
- The provision of additional retail services will increase the level of choice for local residents and visitors to the area. Given that there is an undersupply of retail space in the Centres trade areas, additional retail competition should be viewed positively in economic terms as market competition will provide consumers with the best options with respect to price, accessibility and facilities.

### **Investment Stimulus**

- The proposed 5 star boutique hotel and associated facilities will not only provide a range of employment opportunities for the local population, but also act as a significant anchor and catalyst for further tourism growth, investment and development in the area. These impacts can however be difficult to quantify and are often not realised for many years after facilities and infrastructure have been developed and occupied.

## 8. CONCLUSION

Given that the proposed development will:

- support Woollahra Council's strategies to attract high quality investment to the Double Bay Town Centre to enhance its economic success for a range of businesses and stakeholders;
- support subregional strategies including housing and employment targets;
- enhance tourist facilities within the Centre and LGA to the benefit of the local and wider NSW economy;
- generate employment opportunities suited to a range of ages and skills;
- be in keeping with key aspects of the Stakeholder's vision for the Centre;
- have positive economic flow on effects to the wider economy; and
- improve the vitality and character of the subject site to the benefit of Cross Street and the Centre;

the proposed development of 33 Cross Street, Double Bay is supported and considered in accordance with the economic objectives of the Woollahra LEP 1995 and Double Bay DCP. The development is therefore supported on economic grounds.

