Appendix 4
Economic Impact Assessment

Pitney Bowes Business Insights

Peter Andrews + Associates Pty Ltd
paa.design architecture planning urban design

South Orange, New South Wales

Economic Impact Assessment

October 2009

Pitney Bowes
Business Insight

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Introduction

This report presents an independent assessment of the market scope and sales potential for a proposed retail facility at South Orange, in New South Wales. It then examines the likely economic impacts that would result from the development of the proposed facility.

The report has been prepared in accordance with instructions received from the State Property Authority of New South Wales, and is structured and presented as follows:

- **Section 1** considers the regional and local context of the proposed South Orange site and also provides a brief overview of the proposed development.
- **Section 2** details the trade area likely to be served by a retail facility at South Orange, including current and projected population and spending levels and a review of the socio-demographic characteristics of the trade area population.
- **Section 3** outlines the competitive retail environment within which the proposed facility would operate.
- **Section 4** considers the market scope for the proposed facility, including an assessment of the suitability of the current 1,500 sq.m retail cap currently imposed on the site. Projected sales and market shares for the optimal retail mix of the centre are provided in this section.
- **Section 5** considers the economic effects of the proposed development, including a broad overview of the likely trading impacts on other retailers within the Orange region.

Section 1: Site location and proposed development

This section of the report reviews the regional and local context of the future South Orange retail facility and also provides an overview of the proposed development.

1.1 Regional and local context

i. The proposed site for the retail facility at South Orange is located some 3.5 km south of the Orange Central Business Area (CBA), along Forest Road.

ii. Orange is a major regional city in the Central West of New South Wales, located approximately 260 km west of Sydney (refer Map 1.1). The urban population of Orange is around 40,000, making it the largest urban area in Central Western New South Wales.

iii. The strategic location of Orange at the intersection of a number of major highways means that the town is highly accessible from both a regional and local perspective, and is continuing to grow.

iv. The major industries within the region include manufacturing, retail trade and health and community services. The continued growth of Orange has resulted in the need for additional residential land to be released within the urban area, mainly to the north.

v. The nearest major towns to Orange are Bathurst (some 50 km to the south-east) and Parkes (some 92 km to the west). Each of these towns is smaller than Orange in terms of both population as well as the provisions of commercial and retail floorspace.

Map 1.1: Union Square Orange

Regional Context

0	35	70

Kilometres

1.2 Site location

i. Figure 1.1 illustrates the "Bloomfield Site", which as mentioned previously, is located on Forest Road, some 3.5 km south of the Orange CBA. The land is currently owned by the New South Wales Department of Primary Industries (DPI).

ii. Map 1.2 illustrates the local context of the Bloomfield Site, highlighting its location relative to Orange CBA, as well as existing and proposed surrounding developments.

iii. Forest Road is the major north-south arterial road in the region, providing access to the residents in the areas located to the south of the Orange CBA, including the town of Blayney. Forest Road is also the major access route to the Cadia Mine, one of the largest open pit gold-copper mines in Australia, located some 17 km south west of the Bloomfield site.

iv. Orange City Council's *Sustainable Settlement Strategy 2004* identified the Bloomfield site as having the potential for urban development. It is strategically located for the provision of residential accommodation and local centre services, given the current and future employment opportunities within the immediate surrounding area. These include:

- The Orange Bloomfield Hospital, which is currently undergoing a major redevelopment. As stated in the *State Significant Site Study: South Orange* released by the New South Wales DPI in October 2008, the redeveloped hospital will provide over 500 new beds and increase employment by 397 full time equivalent positions, resulting in a total of 1,060 full time equivalent positions at the Bloomfield site.

- The proposed Orange Private Hospital, which would play a supporting role to the redeveloped Orange Bloomfield Hospital. This project is also planned to include a residential component, but no further information is available at this point in time regarding composition and scale.

- The Rural Skills Centre of the Orange TAFE College.

- The Orange Agricultural Institute, which employed some 133 staff as at 2006/07.
- The Cadia mine mentioned above, which is currently planned for a major expansion.

  The Environmental Assessment for the Cadia Mine conducted by Gillespie Economics in April 2009, estimates that the number of people working at the mine is expected to reach 1,304 during the construction of the proposed $2 billion expansion. This number is 204 more than the current number of workers. The extra mining jobs will create another 240 positions in the region via induced multiplier effects, bringing the total number of new jobs created by the Cadia expansion to 444 by the year 2012.

  The proposed retail facilities at the Bloomfield site would be ideally located to serve the employees of Cadia Mine, being the closest and most convenient retail facilities to mine.

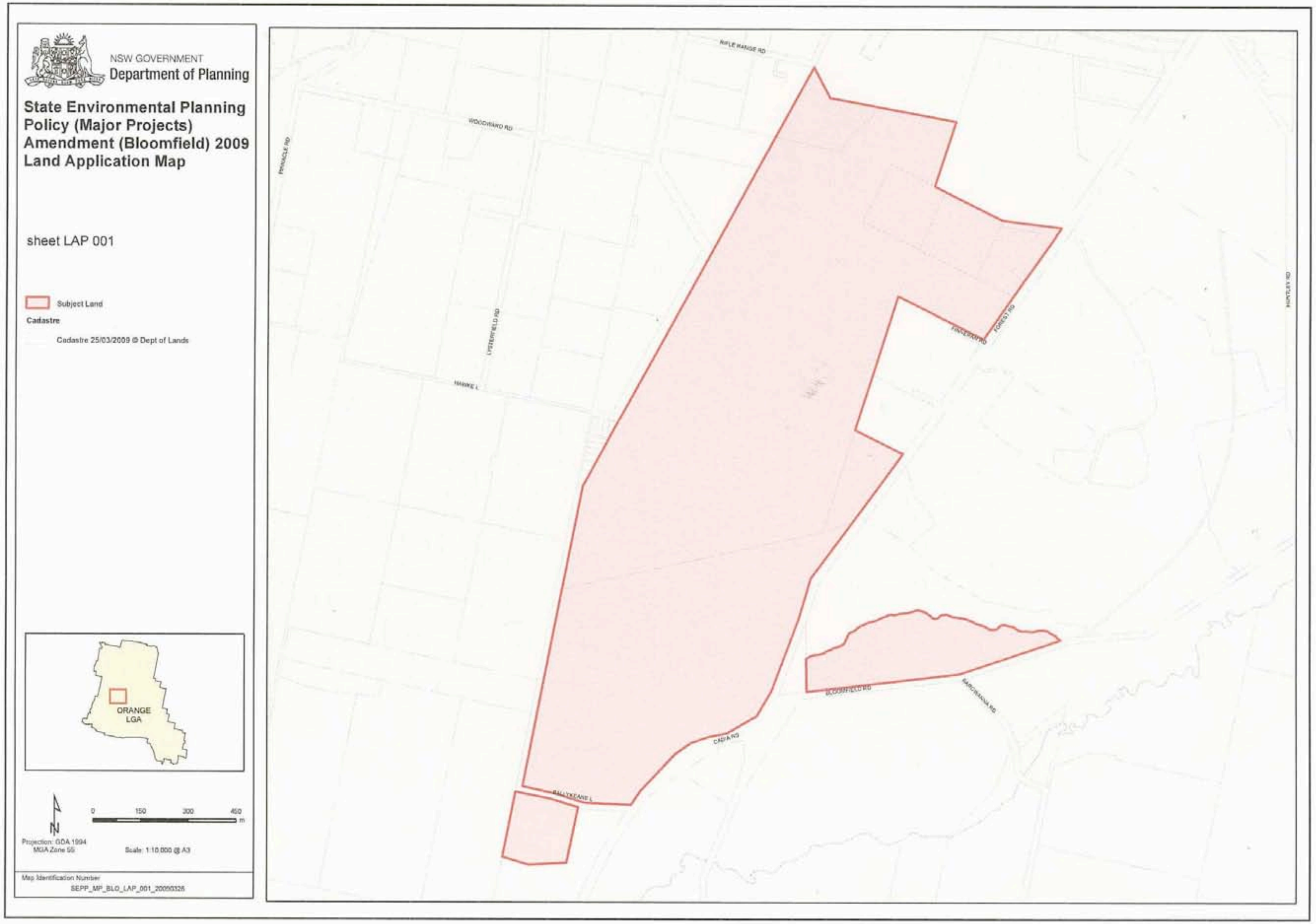

NSW GOVERNMENT
Department of Planning
State Environmental Planning Policy (Major Projects) Amendment (Bloomfield) 2009 Land Application Map
sheet LAP 001
Subject Land
Cadastre
Cadastre 25/03/2009 © Dept of Lands
ORANGE LGA

Figure 1.1

Map 1.2 South Orange

Site Location

1.3 Proposed development

i. Figure 1.2 details the land uses that have currently been allocated for the Bloomfield site. The site area totals over 170 hectares and would include the following components:

- Infrastructure (SP2) – 92.7 hectares.
- Low Density Residential (R2) – 67.5 hectares.
- Mixed Use (B4) – 11.1 hectares.

ii. Land zoned for 'infrastructure' would occupy the majority of the development, and is expected to include multiple uses such as environmental facilities, research stations and roads.

iii. The composition and scale of the residential component at the site is still being finalised. However, according to information received by the DPI, it is likely to be in the range 400-700 dwellings once completed.

iv. Though there are two parcels of land zoned for 'mixed use', it is our understanding that retail floorspace has been prohibited on the northern parcel, while the southern parcel is currently limited to only 1,500 sq.m of retail space. This limit may be reconsidered as a result of a Part 3A 'major project' application relating to the site, which is currently being prepared.

v. The optimal provision of retail floorspace that would be appropriate on the southern parcel of land is examined throughout the remainder of this report. The analysis considers the optimal composition of a retail facility at the South Orange site, having regard to the competitive environment in the area, as well as the needs of the future resident and worker populations.

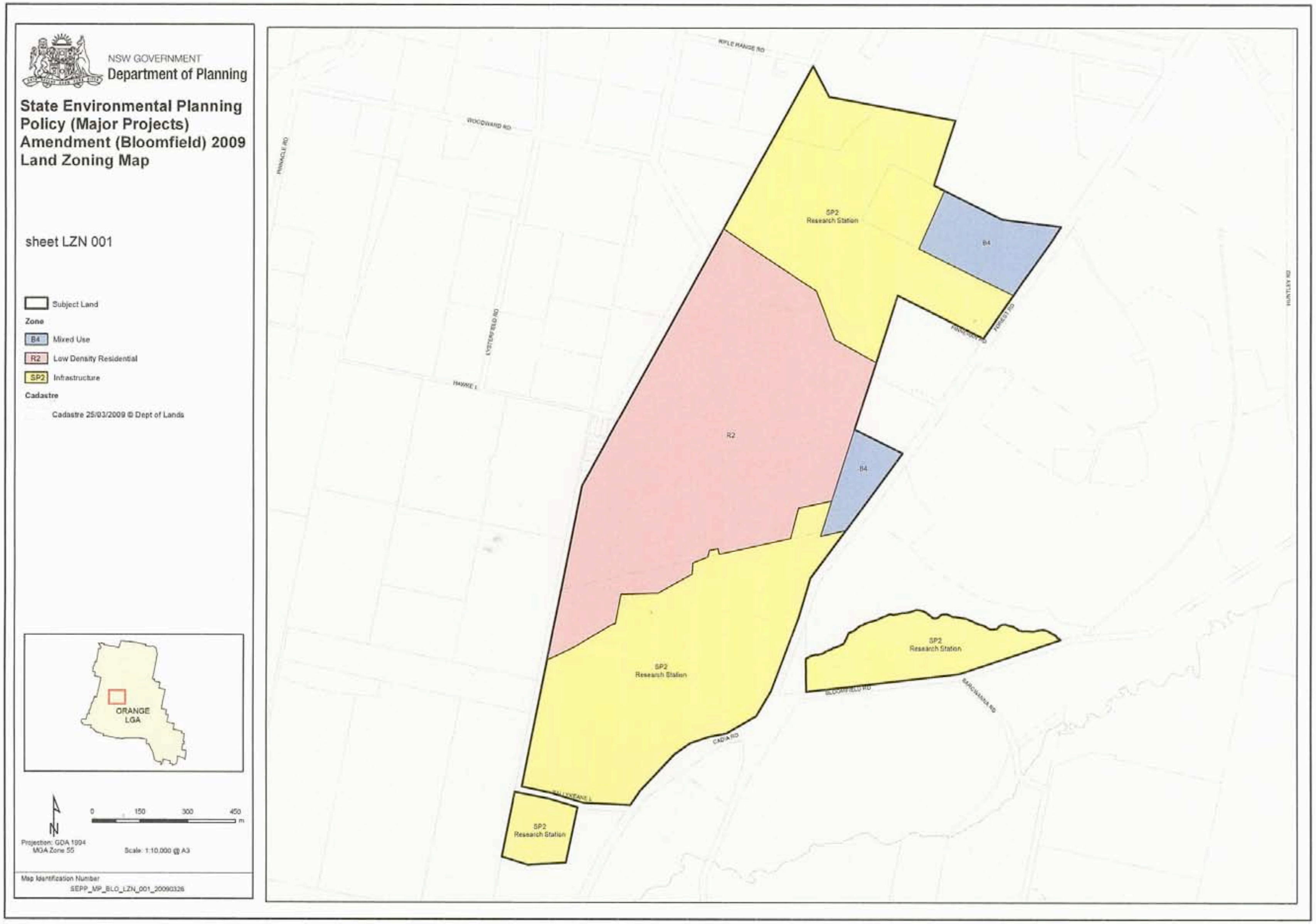

NSW GOVERNMENT
Department of Planning
State Environmental Planning Policy (Major Projects) Amendment (Bloomfield) 2009 Land Zoning Map
sheet LZN 001
Subject Land
Zone
B4 Mixed Use
R2 Low Density Residential
SP2 Infrastructure
Cadastre
Cadastre 25/03/2009 © Dept of Lands
ORANGE LGA
N
0 150 300 450 m
Projection: GDA 1994 MGA Zone 55
Scale: 1:10,000 @ A3
Map Identification Number
SEPP_MP_BLO_LZN_001_20090326
SP2 Research Station
B4
R2
SP2 Research Station
B4
SP2 Research Station
SP2 Research Station
CADIA RD
BLOOMFIELD RD

Figure 1.2

Section 2: Trade area analysis

This section of the report reviews the trade area likely to be served by the retail facilities at the Bloomfield site, including current and projected population and spending levels. A review of the socio-demographic profile of the trade area population is also provided.

2.1 Trade area definition

i. The extent of the trade area or catchment that is served by any shopping centre is shaped by the interplay of a number of critical factors. These factors include:

- The relative attraction of the centre, in comparison with alternative competitive retail facilities. The factors that determine the strength and attraction of any particular centre are primarily its scale and composition (in particular the major trader or traders that anchor the centre); its layout and ambience; and carparking, including access and ease of use.

- The proximity and attractiveness of competitive retail centres. The locations, compositions quality and scale of competitive retail facilities all serve to define the extent of the trade area which a shopping centre is able effectively to serve.

- The available road network and public transport infrastructure, which determine the ease (or difficulty) with which customers are able to access a shopping centre.

- Significant physical barriers which are difficult to negotiate, and can act as delineating boundaries to the trade area served by an individual shopping centre.

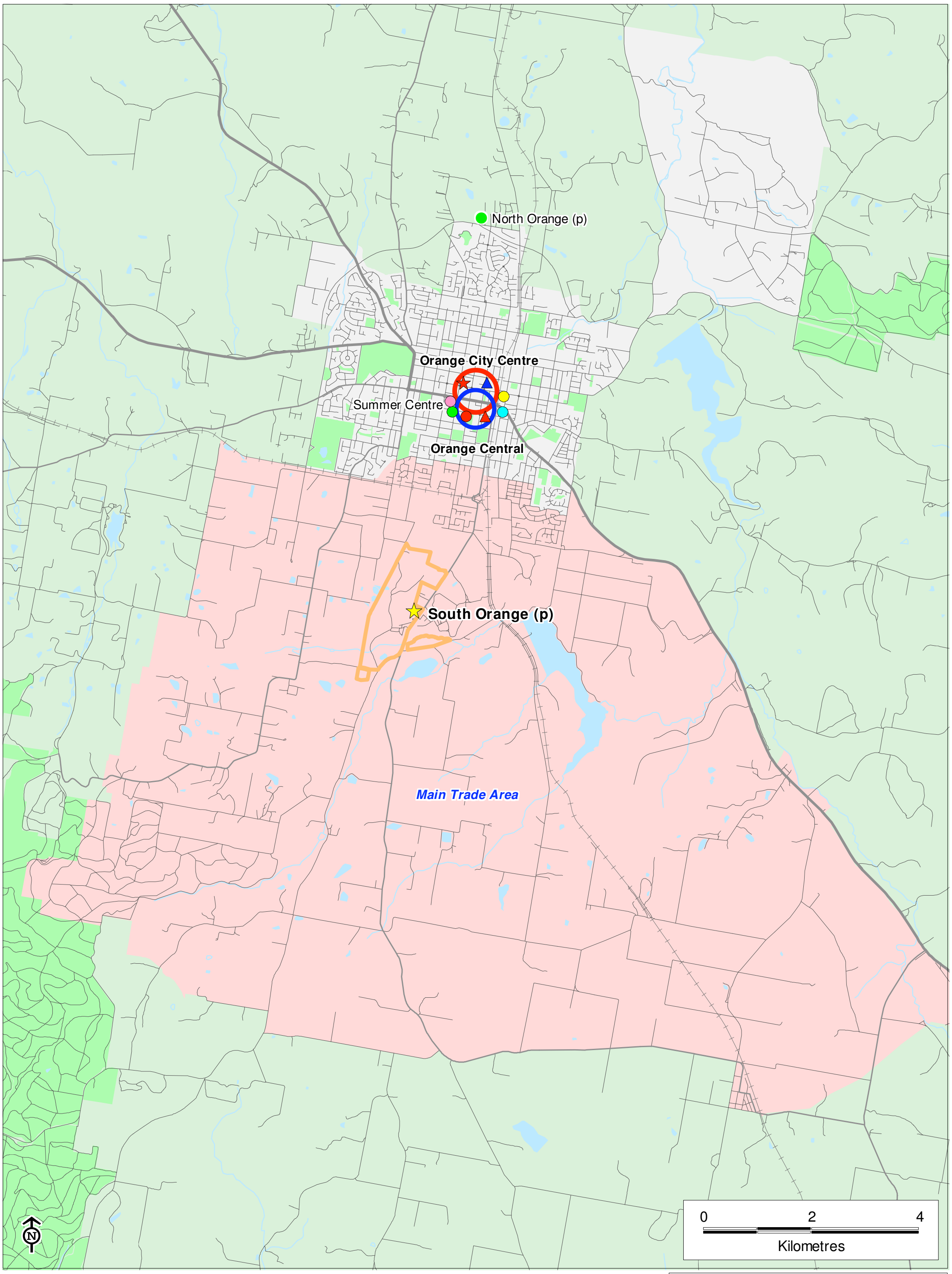
ii. In defining the trade area for the proposed retail facility at South Orange, we have taken into consideration each of the above factors. Key factors specific to the trade area defined for the South Orange, include:

- The location of the site, which enjoys excellent accessibility and good exposure to passing traffic on Forest Road.
- The existing and proposed competitive facilities within the Orange CBA, located 3.5 km to the north.
- The lack of competitive retail floorspace to the south.

iii. Map 2.1 illustrates the trade area defined for the proposed South Orange retail centre and includes a single trade area sector, the **main trade area.**

iv. The main trade area is focused around South Orange and contains the suburbs of Spring Creek and Huntley, as well as parts of Orange, Canobolas, Springside, Lucknow and Spring Hill.

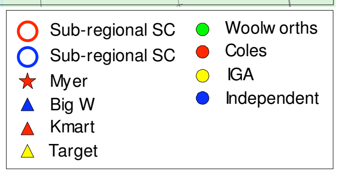
v. In general, the extent of the defined main trade area has been determined by the locations of competitive retail facilities within the Orange CBA to the north, the Mitchell Highway to the east and rural areas to the south and west.



Map 2.1: South Orange

Trade Area & Competition

** Halo object indicates proposed store*



2.2 Trade area population

i. Table 2.1 details the current and projected population levels within the South Orange main trade area. This information is sourced from the following:

- The 2001 and 2006 Census of Population and Housing
- New dwellings approvals data for the period 2006-2008
- Population projections prepared by the New South Wales Department of Planning
- The *Business Centre Strategy Review* Study prepared for Orange City Council by Leyshon Consulting in 2005
- The *Sustainable Settlement Strategy* Report, a report prepared by Parsons Brinkerhoff for Orange City Council in 2004

ii. The current main trade area population is estimated at around 6,990 residents, and has not grown significantly since the 2006 Census of Population and Housing.

iii. In August 2004, Orange City Council adopted a detailed study on urban growth and release areas in Orange (the Sustainable Settlement Strategy 2004, prepared by Parsons Brinkerhoff). The purpose of the study was to provide Orange City Council with a strategic plan to manage population growth within the city, and to consider alternative options for residential land release in Orange.

iv. The report identified a number of potential zones for future land releases to the north, west and south of the Orange urban area (refer Figure 2.1). It was recommended that staging of any release should give priority to those zones to the north of the urban area, particularly due to previously planned infrastructure investments in that area.

v. As illustrated on Figure 2.2, the South Orange Bloomfield Site is located within the LU-11 precinct of the Southern Urban Growth Area, which was identified for urban residential development in the *Sustainable Settlement Strategy*. LU-11 will be the first precinct to the south of Orange CBA to commence development given the access afforded by Forest Road and the facilities to be provided at Bloomfield.

vi. As shown, the remaining growth precincts in the area, excluding LU-10, are planned be developed over the longer term. It is our understanding that LU-10 has potential to be developed in the medium term (especially the northern parts), subject to planning/feasibility studies. Portions of LU-10, together with LU-11, have been earmarked to form a 'hospital suburb' in the future, based on the two hospital facilities adjoining the Bloomfield site.

vii. Taking the above into account, the main trade area population is expected to increase by 50-200 persons or 0.7%-2.7% per annum, to reach 8,840 by 2021. The majority of the population growth is projected in the period 2011-16, with the development of residential land at the Bloomfield site in South Orange.

Table 2.1

South Orange Trade Area Population, 1996-2021

Trade Area Sector	Estimated Resident Population				Forecast Population		
	1996	2001	2006	2009	2011	2016	2021
Main Trade Area	6,980	7,260	6,990	6,990	7,090	8,090	8,840
		Average Annual Change (No.)					
		1996-2001	2001-2006	2006-2009	2009-2011	2011-2016	2016-2021
Main Trade Area		56	-54	0	50	200	150
		Average Annual Change (%)					
		1996-2001	2001-2006	2006-2009	2009-2011	2011-2016	2016-2021
Main Trade Area		0.8%	-0.8%	0.0%	0.7%	2.7%	1.8%
Australian Average		**1.2%**	**1.2%**	**1.3%**	**1.3%**	**1.2%**	**1.3%**

**as at June*
Sources : ABS; Planning NSW; Pitney Bowes Business Insight

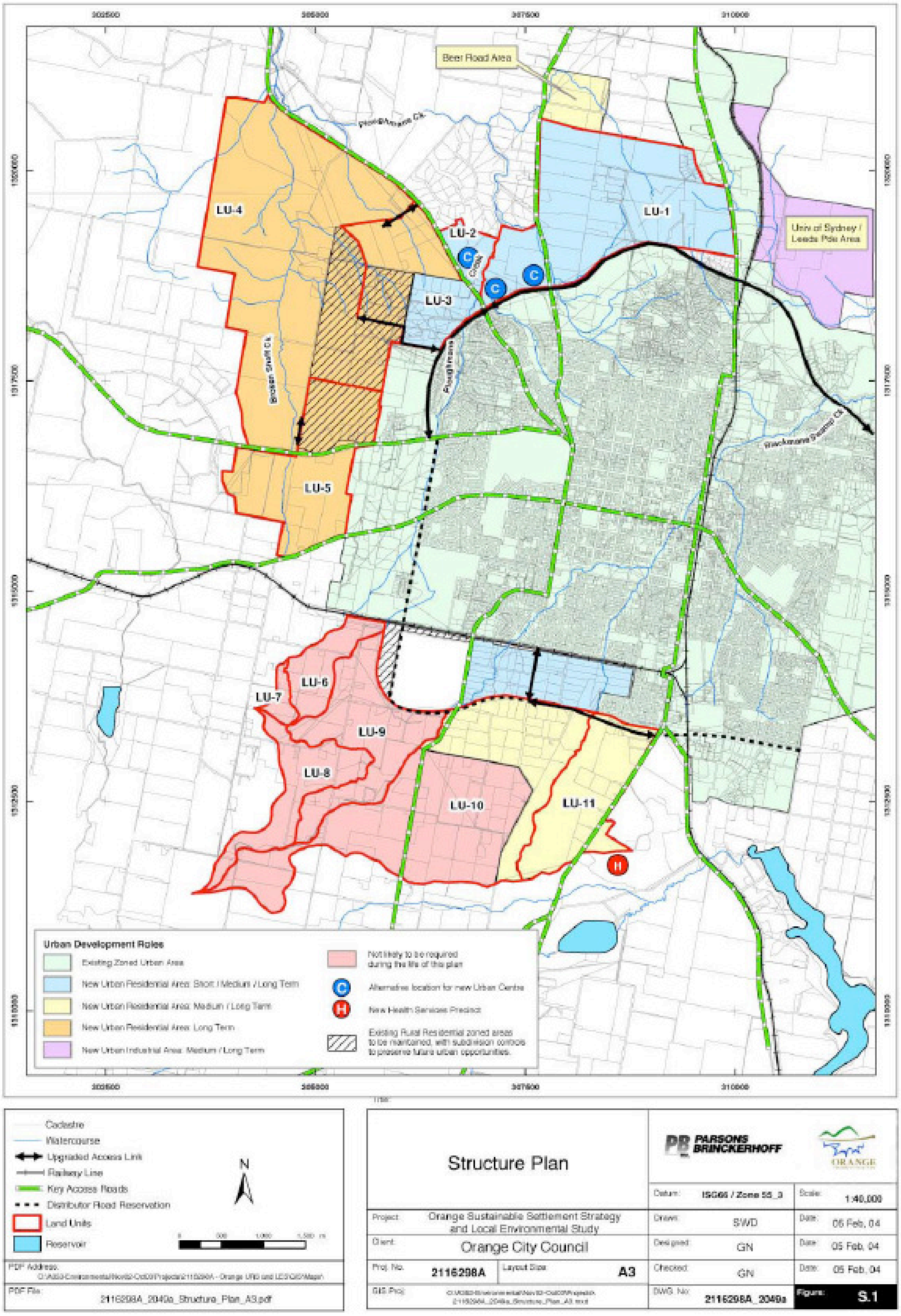
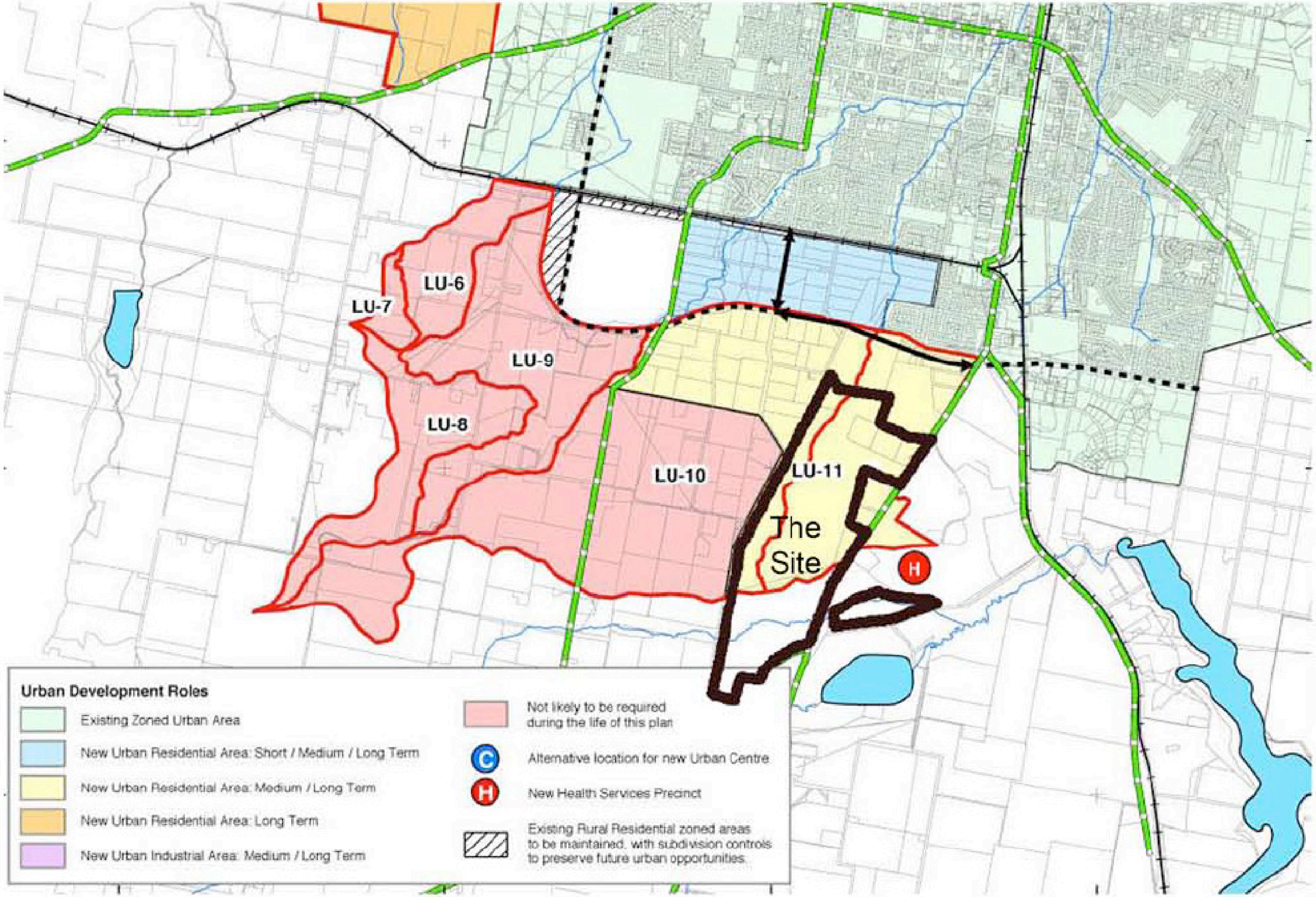

Beer Road Area
LU-1
LU-2
LU-3
LU-4
LU-5
LU-6
LU-7
LU-8
LU-9
LU-10
LU-11
Univ of Sydney / Leeds Pole Area
Urban Development Roles
Existing Zoned Urban Area
New Urban Residential Area: Short / Medium / Long Term
New Urban Residential Area: Medium / Long Term
New Urban Residential Area: Long Term
New Urban Industrial Area: Medium / Long Term
Not likely to be required during the life of this plan
Alternative location for new Urban Centre
New Health Services Precinct
Existing Rural Residential zoned areas to be maintained, with subdivision controls to preserve future urban opportunities.
Cadastre
Watercourse
Upgraded Access Link
Railway Line
Key Access Roads
Distributor Road Reservation
Land Units
Reservoir
Structure Plan
PARSONS BRINCKERHOFF
ORANGE
Datum: ISG66 / Zone 55_3
Scale: 1:40,000
Project: Orange Sustainable Settlement Strategy and Local Environmental Study
Drawn: SWD
Date: 05 Feb. 04
Client: Orange City Council
Designed: GN
Date: 05 Feb. 04
Proj. No. 2116298A
Layout Size: A3
Checked: GN
Date: 05 Feb. 04
PDF File: 2116298A_2049a_Structure_Plan_A3.pdf
DWG. No: 2116298A_2049a
Figure: S.1

Figure 2.1



Source: Orange Sustainable Settlement Strategy and Local Environmental Study, 2004

Figure 2.2

2.3 Socio-demographic profile

i. Table 2.2 and Chart 2.1 illustrate the socio-demographic profile of the South Orange main trade area population compared with the respective non-metropolitan New South Wales averages. This data is sourced from the 2006 Census of Population and Housing.

ii. In general, the South Orange main trade area population consists of young Australian born families, earning solid income levels.

iii. Key points to note regarding the current socio-demographic profile of the main trade area residents include the following:

- The average age of the main trade area population, at 36.6 years, is significantly younger than the non-metropolitan New South Wales average of 39.1 years.
- The main trade area population earn income levels that are similar to the non-metropolitan New South Wales averages, on both a per capita and per household basis.
- Home ownership levels within the main trade area are lower than the benchmarks.
- The main trade area population is largely Australian born.
- A review of the household structure of the main trade area population indicates a significantly higher than average proportion of couples with dependent children and a lower proportion of lone person households, when compared with the benchmarks.

Table 2.2

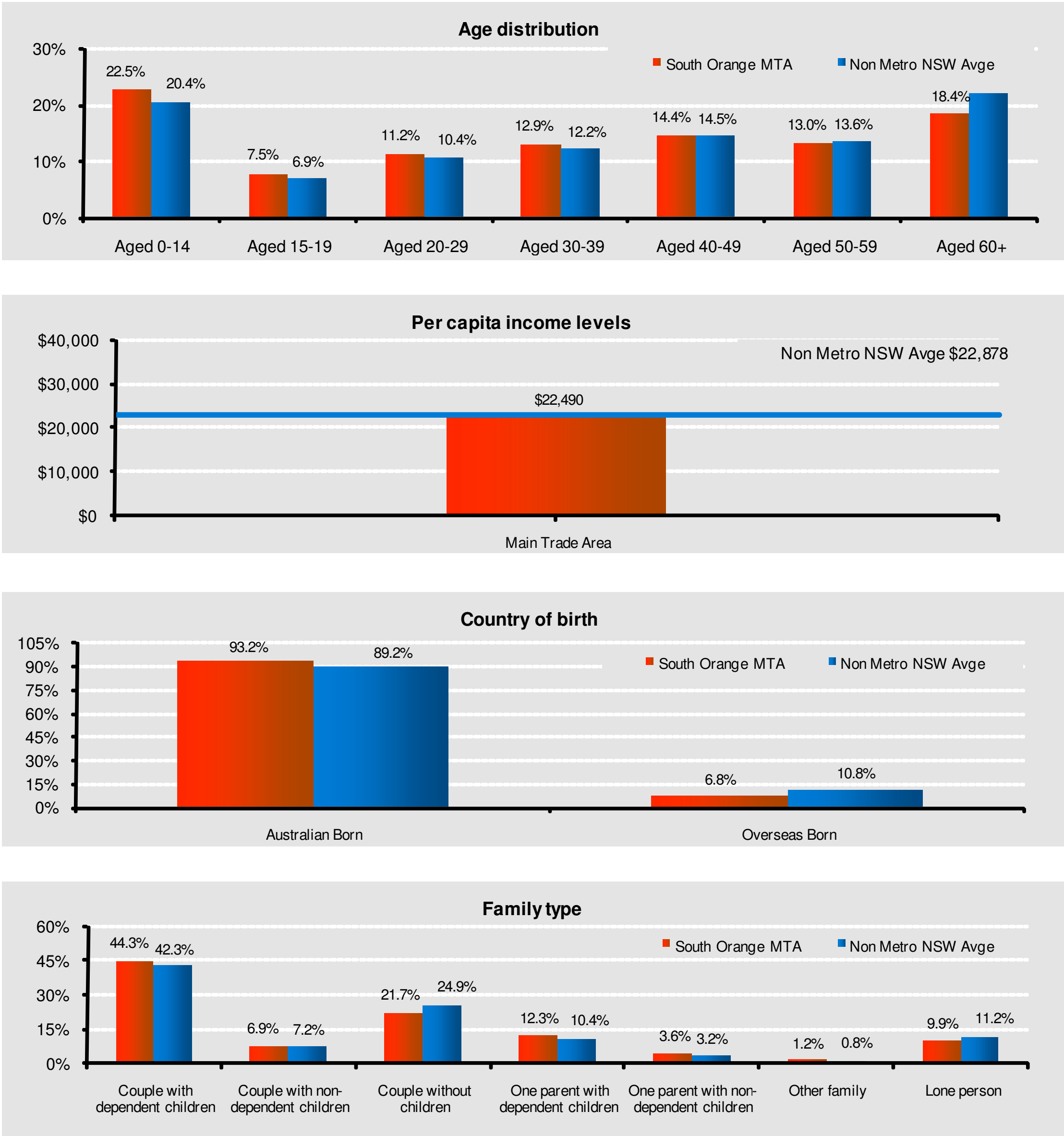
Socio-Demographic Profile of the South Orange Main Trade Area Population

Characteristics	Main TA	Non Metro NSW Average
Average Per Capita Income	$22,490	$22,878
Per Capita Income Variation	-1.7%	n.a.
Average Household Income	$57,840	$56,695
Household Income Variation	2.0%	n.a.
Average Household Size	2.6	2.5
Age Distribution (% of Pop'n)		
Aged 0-14	22.5%	20.4%
Aged 15-19	7.5%	6.9%
Aged 20-29	11.2%	10.4%
Aged 30-39	12.9%	12.2%
Aged 40-49	14.4%	14.5%
Aged 50-59	13.0%	13.6%
Aged 60+	18.4%	22.1%
Average Age	36.6	39.1
Housing Status (% of H'holds)		
Owner/Purchaser	68.6%	71.4%
Renter	31.2%	27.6%
Other	0.1%	1.0%
Birthplace (% of Pop'n)		
Australian Born	93.2%	89.2%
Overseas Born	6.8%	10.8%
• Asia	1.0%	1.3%
• Europe	4.5%	7.1%
• Other	1.3%	2.5%
Family Type (% of Pop'n)		
Couple with dep't children	44.3%	42.3%
Couple with non-dep't child.	6.9%	7.2%
Couple without children	21.7%	24.9%
Single with dep't child.	12.3%	10.4%
Single with non-dep't child.	3.6%	3.2%
Other family	1.2%	0.8%
Lone person	9.9%	11.2%

Sources : ABS Census of Population and Housing 2006; Pitney Bowes Business Insight

Chart 2.1

South Orange Main Trade Area - Socio-Demographic Profile, 2006



Sources : ABS Census of Population and Housing 2006; Pitney Bowes Business Insight

2.4 Trade area Cameo (segmentation) analysis

The profile of the main trade area population is further analysed with the use of Cameo, a geo-demographic segmentation model that segments Australia into 10 broad categories based on a number of demographic factors, which include, but are not limited to, household income, household expenditure, urban/rural profile, employment type, etc. These broad categories are as follow:

- Category 1 – Affluent urban professionals.
- Category 2 – Wealthy family neighbourhoods.
- Category 3 – High income urbanites and students.
- Category 4 – comfortable mixed suburban areas.
- Category 5 - Mixed areas of modern detached homes.
- Category 6 - Less affluent older singles, couples and single parents.
- Category 7 - Less affluent mixed family neighbourhoods.
- Category 8 - Low income rural and suburban neighbourhoods.
- Category 9 - Diverse low income urban communities.
- Category 10 - Very low income rural communities.

A Cameo category of 1-3 indicates that the population is considered affluent. Map 2.2 illustrates the Cameo distribution in the defined main trade area, with Table 2.3 and Chart 2.2 providing further details. As shown, the South Orange main trade area contains an above average proportion of affluent households (Cameo Category 1-3) in comparison to the non-metropolitan New South Wales benchmarks. However, the main trade area also contains an above average proportion of the least affluent households (Cameo Category 8-10).

Table 2.3

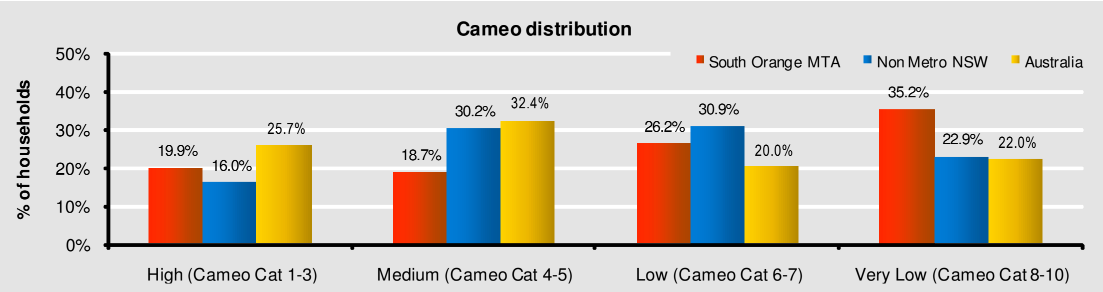
South Orange trade area - Cameo Australia

Cameo Affluence Index	Main TA H'holds (No.)	(%)	Non Metro NSW % H'holds	Australia % H'holds
High (Cameo Cat 1-3)	503	19.9%	16.0%	25.7%
Medium (Cameo Cat 4-5)	474	18.7%	30.2%	32.4%
Low (Cameo Cat 6-7)	664	26.2%	30.9%	20.0%
Very Low (Cameo Cat 8-10)	890	35.2%	22.9%	22.0%

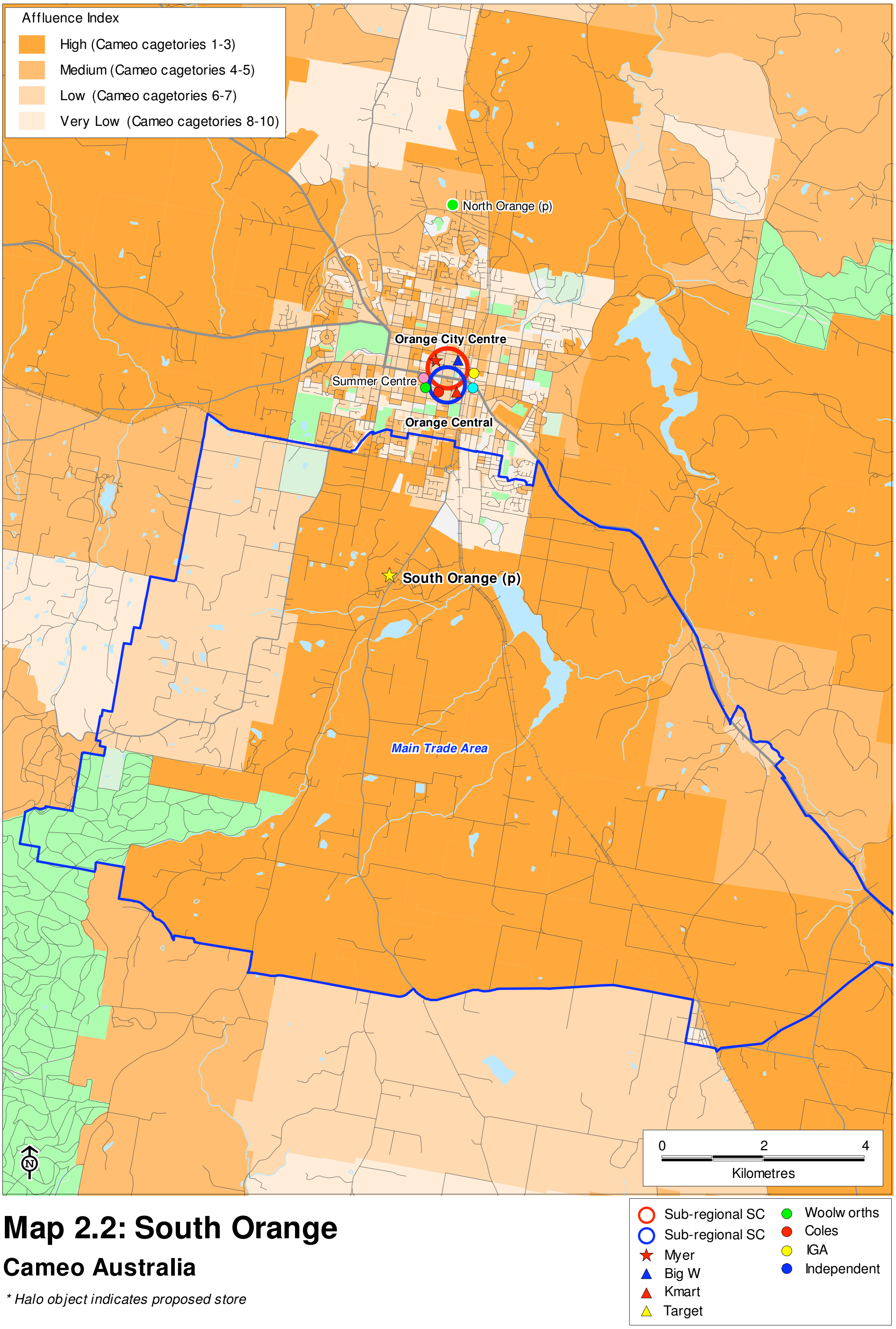
Source: Cameo Australia; Pitney Bowes Business Insight

Chart 2.2

South Orange trade area - Cameo Australia, 2006



Source: Cameo Australia; Pitney Bowes Business Insight



Map 2.2: South Orange

Cameo Australia

** Halo object indicates proposed store*

2.5 Trade area spending

i. Chart 2.3 illustrates the retail expenditure levels per person for the South Orange main trade area population, benchmarked against the non-metropolitan New South Wales averages. Overall, total per capita retail spending is 5.6% below the benchmark, with food and non-food spending being 4.6% and 6.9% below average, respectively.

ii. Table 2.4 summarises the total retail expenditure of the South Orange main trade area population in 2009 and presents projections over the period to 2021. The total retail spending market generated by the main trade area population is currently estimated at $73.5 million and is projected to increase by 2.9% per annum to reach $103.8 million by 2021. All spending forecasts presented in this report are expressed in constant 2008/09 dollars (excluding inflation), and include GST.

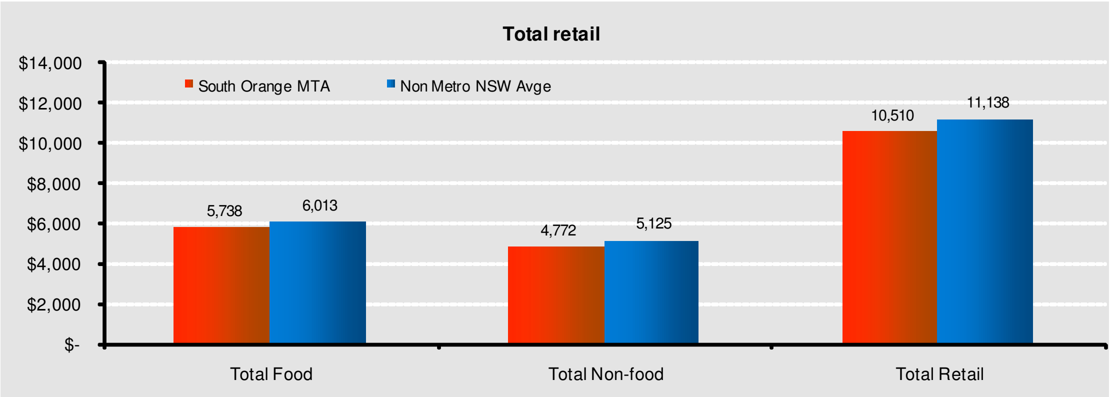
iii. The projected average retail expenditure growth rate of 2.9% per annum over the forecast period includes:

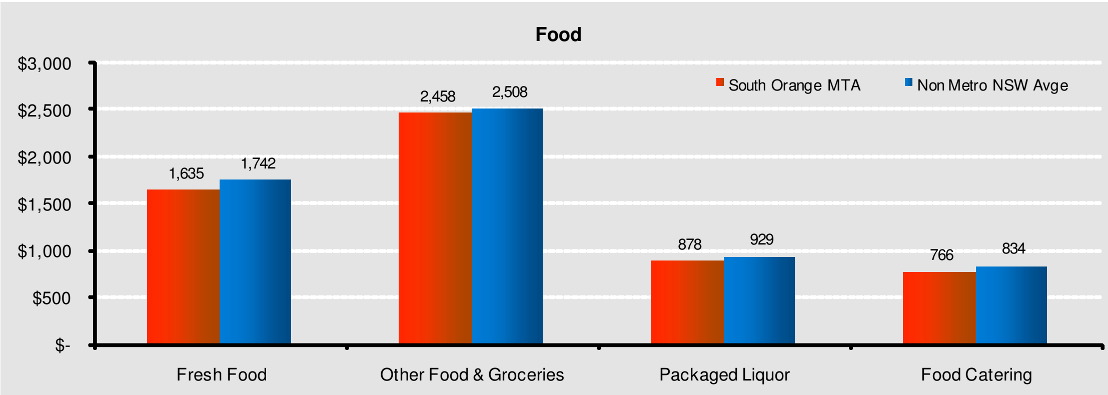
- Real increases in retail spending of 1% per annum, which is consistent with the long term Australian average.
- Population growth of around 1.9% per annum.

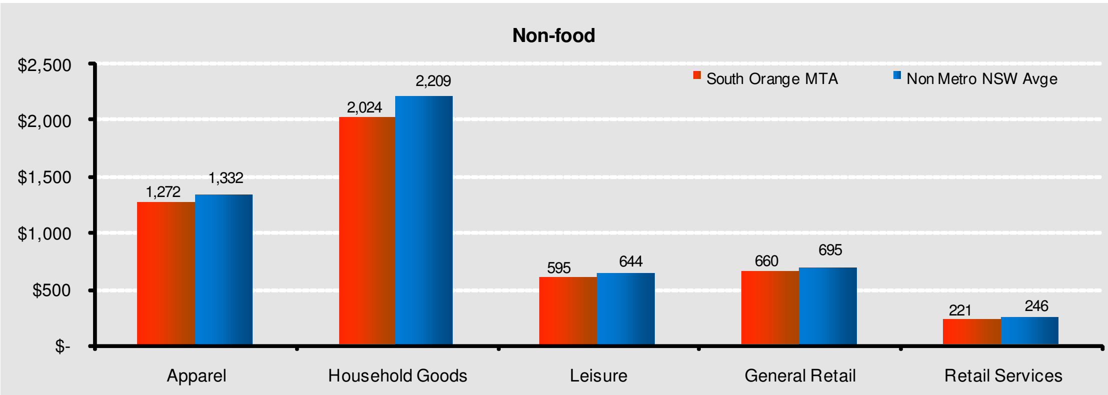
iv. Table 2.5 provides a more detailed summary of the retail expenditure of the South Orange main trade area population. As shown, take-home food and liquor spending makes up the highest proportion of total retail expenditure in 2009, at around 47.3%.

Chart 2.3

South Orange Trade Area - Retail Spending Per Person, 2008/09







Source : Marketinfo; Pitney Bowes Business Insight

Table 2.4

South Orange Trade Area Retail Expenditure, 2009-2021* ($M)

Y/E June	**Main TA**
2009	73.5
2010	74.5
2011	75.7
2012	77.8
2013	80.7
2014	83.7
2015	86.8
2016	90.0
2017	92.9
2018	95.5
2019	98.2
2020	100.9
2021	103.8
Expenditure Growth	
2009-2011	2.3
2011-2016	14.2
2016-2021	13.8
2009-2021	30.3
Average Annual Growth Rate	
2009-2011	1.5%
2011-2016	3.5%
2016-2021	2.9%
2009-2021	2.9%

**Constant 2008/09 dollars & including GST*
Source : Marketinfo; Pitney Bowes Business Insight

Table 2.5

South Orange TA Retail Expenditure by Key Commodity Group, 2009-2021* ($M)

Y/E June	Food & Liquor	Food Catering	Apparel	H'hold Goods	Leisure	General Retail	Retail Services
2009	34.8	5.4	8.9	14.1	4.2	4.6	1.5
2010	35.2	5.4	9.0	14.3	4.2	4.7	1.6
2011	35.8	5.5	9.2	14.6	4.3	4.8	1.6
2012	36.8	5.7	9.4	15.0	4.4	4.9	1.6
2013	38.2	5.9	9.8	15.5	4.6	5.1	1.7
2014	39.6	6.1	10.1	16.1	4.7	5.3	1.8
2015	41.0	6.3	10.5	16.7	4.9	5.4	1.8
2016	42.6	6.6	10.9	17.3	5.1	5.6	1.9
2017	43.9	6.8	11.2	17.9	5.3	5.8	2.0
2018	45.2	7.0	11.6	18.4	5.4	6.0	2.0
2019	46.4	7.2	11.9	18.9	5.6	6.2	2.1
2020	47.7	7.4	12.2	19.4	5.7	6.3	2.1
2021	49.1	7.6	12.6	20.0	5.9	6.5	2.2
Expenditure Growth							
2009-2011	1.1	0.2	0.3	0.4	0.1	0.1	0.0
2011-2016	6.7	1.0	1.7	2.7	0.8	0.9	0.3
2016-2021	6.5	1.0	1.7	2.7	0.8	0.9	0.3
2009-2021	14.3	2.2	3.7	5.8	1.7	1.9	0.6
Average Annual Growth Rate							
2009-2011	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
2011-2016	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
2016-2021	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
2009-2021	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%

**Constant 2008/09 dollars & including GST*
Source : Marketinfo; Pitney Bowes Business Insight

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Section 3: Competitive environment

Table 3.1 summarises the existing and likely future competitive environment within which the proposed South Orange retail centre will operate, with the previous Map 2.1 highlighting the locations of these various facilities.

Table 3.1

South Orange - Schedule of Competing Retail Facilities

Centre	Retail GLA (sq.m)	**Anchor Tenants**	Dist. By From South Orange (km)
Regional Shopping Centres			
Orange CBA	*54,700*		*3.5*
• Orange City Centre	18,200	Myer (7,309), Big W (7,221)	
• Orange Central	12,500	Kmart (5,500), Coles (2,737)	
• Summer Centre	4,000	Franklins (2,574)	
• Remainder	20,000	Woolworths (3,260), IGA (1,000), Aldi (1,200)	
• North Orange (p)	4,500	Woolworths (2,700)(p)	
Supermarket Based Shopping Centres			
Blayney	5,500	IGA (2,400)	32.0

Source : Property Council of Australia; Pitney Bowes Business Insight

3.1 Orange Central Business Area (CBA)

i. In general, the major retail facilities in Orange are concentrated within the Orange CBA retail strip, along Summer Street (Mitchell Highway). This core retail area is generally bounded by Byng Street to the north, Peisley Street to the east, Kite Street to the south and Hill Street to the west.

ii. The main retail components within the Orange CBA include:

- Orange City Centre, which, at around 18,200 sq.m in size, is the largest retail centre within the CBA. The centre is anchored by a Myer department store of 7,309 sq.m and a Big W discount department store of 7,221 sq.m, but has no major food anchor tenant (i.e. supermarket). The Myer store within the centre opens onto the Summer Street retail strip.

- The recently redeveloped Orange Central of 12,500 sq.m, which also connects with the Summer Street retail strip and is anchored by a Kmart discount department store of 5,500 sq.m and a Coles supermarket of around 2,737 sq.m. This centre also includes some 35 specialty shops.

- The Summer Centre (located at the western extent of the retail strip), which is a dated retail facility anchored by a Franklins supermarket. It is our understanding that this centre may be redeveloped in the future, with a development application for a large format liquor store already lodged with Orange City Council. The redevelopment however would not substantially increase its size.

- A free-standing Woolworths supermarket of 3,260 sq.m, which is located opposite the Anson Street entrance to Orange City Centre.

- Supa IGA and Aldi stores, located on Peisley Street, at the eastern perimeter of the CBA.

iii. Another significant retail destination in the area, located on the outskirts of the Orange CBA, is the Orange Homemaker Centre. This facility contains a substantial provision of bulky goods floorspace including national brand tenants such as Harvey Norman and Everyday Living, but is of limited relevance to future retail floorspace at the Bloomfield site, as it is contains large-box bulky goods traders.

iv. The town of Blayney, located 32 km south east of the South Orange Bloomfield site, contains the only other supermarket facility in the immediate region. Blayney has a provision of around 5,500 sq.m of retail floorspace within the retail strip anchored by an IGA supermarket (2,400 sq.m), but is of limited competitive relevance to future retail facilities at the Bloomfield site given the substantial distance from South Orange.

v. Table 3.2 details the provision of retail stores throughout Orange CBA, indicating the following:

- There is a total of around 230 retail stores contained within the Orange CBA.
- There is currently a low provision of food retail floorspace in the Orange City Centre due to the lack of a supermarket anchor at this centre.
- There is no real "one-stop" convenience centre within the CBA, with the majority of retailers being scattered on the retail strip.

Table 3.2

Orange CBA - Indicative provision of retail stores

Tenant Type	Summer Centre	Orange City Centre	Orange Central	Retail Strip	Total
Majors					
Department Store	0	1	0	0	1
DDS	0	1	1	0	2
Supermarket	1	0	1	3	5
Total Majors	**1**	**2**	**2**	**3**	**8**
Retail Specialties					
Food & Liquor	2	0	5	10	17
Food Catering	0	6	4	34	44
Apparel	0	11	14	37	62
Household Goods	0	2	1	18	21
Leisure	1	5	3	13	22
General	1	5	4	14	24
Retail Services	1	0	4	27	32
Total Retail Specialty	5	29	35	153	222
Total Stores	**6**	**31**	**37**	**156**	**230**

Source: Pitney Bowes Business Insight

3.2 Proposed centres/planned retail environment

i. In terms of future changes to the competitive environment, Orange City Council is understood to be considering the possible scope and location for a community retail centre within the proposed growth area to the north of the Orange urban area.

ii. In March 2006, Orange City Council released the Business Centre Strategy Review Study prepared by Leyshon Consulting Pty Ltd. This study generally reviews and updates the Business Centre Strategy for the City of Orange that was prepared in 1997 (also by Leyshon Consulting).

iii. The key conclusions from the study are as follow:

- A supermarket of 2,500 sq.m would be viable in the North Orange area by 2011 (supported by 532 sq.m of specialty retail space – equivalent to 10-12 shops) and a further 200 sq.m of non-retail floorspace (e.g. commercial tenancies such as real estate agents, medical centres etc).
- Once the North Orange area is fully developed, it could support two full-line supermarkets, or alternately, redevelopment of the original centre could occur so as to provide a major full-line supermarket of at least 3,500 sq.m.
- Even when fully developed, the North Orange area will not generate sufficient demand to support a full-line discount department store. However, there is a possibility that a smaller store module of less than 5,000 sq.m of GLA (such as is now being developed by Kmart, Big W and Target specifically for non-metropolitan areas), could be supportable after 2021.

iv. In January 2007, Orange City Council called for expressions of interest nominating potential sites for the planned development of North Orange Business Centre. As a result of this process, Lots 70 & 72 Farrell Road, extending north on either side of Telopea Road at Waratah Park, was selected as the preferred location for a future retail centre. The development will be anchored by a 2,700 sq.m Woolworths supermarket in addition to around 20 specialty shops and is expected to be completed in early 2012.

v. This facility will be of no competitive relevance to the future retail floorspace at the Bloomfield site, as it will clearly serve the future residents who will move into the northern fringes of the Orange CBA, whereas any retail development on the Bloomfield site would serve the residents of South Orange and non-urban areas further south.

Section 4: Retail floorspace and sales potential

This section of the report commences with an assessment of the potential for retail floorspace at the proposed South Orange retail centre and then estimates the sales potential for that floorspace. It then goes on, in this context, to consider the suitability of the current 1,500 sq.m cap on retail floor space at the Bloomfield site.

4.1 Methodology

For the purposes of this assessment, we have assumed the following:

- The first full year of trading for the proposed South Orange retail centre will be 2011/12.
- The North Orange supermarket facility, anchored by a 2,700 sq.m Woolworths supermarket, starts trading in 2012/13.

The sales performance of any particular retail facility is determined by a combination of the following critical factors:

i. The scale and quality of the centre, with particular regard to:

   - the major trader or traders which anchor the centre;
   - the strength of the tenancy mix relative to the needs of the catchment which it seeks to serve;
   - the physical layout and ease of use; and
   - its amenity and ambience of the centre.

ii. Accessibility to the centre and available carparking once there.

iii. The size of the available catchment which the centre serves, which sets the maximum limit of the likely sales potential that the centre can achieve; and

iv. The locations and strengths of competitive retail facilities, and the degree to which those alternative facilities are able to effectively serve the needs of the population within the relevant area.

Our assessment of the potential for retail floorspace at the proposed South Orange retail centre takes into consideration each of these factors. For the purpose of this analysis, the South Orange retail centre is assumed to be of the latest shopping centre standards, and to be serviced by an appropriate and easily accessible provision of carparking.

4.2 Supermarket potential

i. In general throughout Australia, 8,000-9,000 persons are required to sustain a major full-line supermarket, of say 3,000 sq.m in size. However, there are many examples of towns with a catchment population significantly less than this figure which contain at least one, and on many occasions more than one, supermarket. Such examples include Mudgee (population 8,619; Woolworths, Coles and Aldi supermarkets), Young (population 7,392; Woolworths, Supa IGA and Aldi supermarkets) and Yass (population 5,612; Woolworths and Franklins supermarkets). On this basis, the main trade area population of almost 7,300 residents in 2012 (the first year of trading assumed for a South Orange supermarket) would potentially support a successful supermarket of this size.

ii. The proximity of the Orange CBA, which currently contains a significant provision of supermarket floorspace, must also be taken into account in determining the potential for a full-line supermarket at South Orange. A substantial proportion of trade area residents are likely to be attracted to these facilities within the Orange CBA, located beyond the defined main trade area.

iii. On the other hand, however, the land located immediately to the north and west of the South Orange Bloomfield site is included in the Southern Urban Growth Area (previous Section 2.2), and is expected to experience population growth in the future. New residents in these areas are likely to demand supermarket facilities which are provided at convenient locations (such as South Orange), as opposed to those provided within the Orange CBA, which is not as easily accessible.

iv. Additionally, as discussed in Section 1.2 of this report, many employment opportunities will be created in the area with the development of a few major projects, including the Cadia Mine expansion and the two hospitals adjoining the Bloomfield site (Orange Bloomfield and Orange Private Hospitals). This future work force would be expected to direct a substantial amount of their spending to conveniently located supermarket facilities at South Orange.

v. The student and worker populations of The Rural Skills Centre at the Orange TAFE College (on Forest Road) are also expected to utilise the supermarket facilities at the South Orange development. Additional expenditure would also be generated by visitors and staff of the two future hospitals adjoining the Bloomfield site, as well as the staff of the Orange Agricultural Institute.

vi. Taking all the above into account, it is our view that the optimal size for a supermarket trader at the proposed South Orange retail centre is a store of around 2,500 – 2,800 sq.m. Such a supermarket would act as a retail destination for the resident, student and worker populations in the area, but would also provide an alternative supermarket shopping destination to the facilities within the Orange CBA.

vii. A supermarket of the suggested size would compete to a limited degree with the facilities provided within the Orange CBA, but would provide a convenient alternative for the population currently residing to the south of the CBA and would also be ideally located to service the future population growth in the locality over the longer term, as part of the Southern Urban Growth Area.

viii. The sales potential for a supermarket on the Bloomfield site will also depend on the identity of the tenant secured at the centre. Woolworths or Coles would generally be the option preferred by potential customers if a larger format supermarket is approved at the Bloomfield site. Both IGA and the revitalised Foodworks brand may also be considered, as both are proactively looking for future expansion opportunities and now operate larger format stores. However, the greater likelihood would be a Woolworths or Coles store.

ix. Table 4.1 details the estimated sales potential for a 2,500 sq.m supermarket at the Bloomfield site in South Orange. In general, all sales projections in this report include GST and are provided in constant 2008/09 dollars (excluding inflation). Potential sales are projected at around $14.9 million or some $5,949 per sq.m in 2011/12, and are expected to grow at a rate of 3.3% per annum, in real terms, to reach $19.8 million by 2021.

x. Including inflation, the 2012 estimated supermarket sales potential is around $16.0 million, growing at a rate of 5.8% per annum to reach $26.7 million by 2021.

Table 4.1

South Orange, supermarket - Forecast Sales ($M), 2012-2021*

Y/E June	**Total** ($M) Constant	**Total** ($M) Incl. inflation
2012	14.9	16.0
2013	15.4	17.0
2014	16.0	18.1
2015	16.6	19.2
2016	17.2	20.4
2017	17.8	21.6
2018	18.3	22.8
2019	18.8	24.0
2020	19.3	25.3
2021	19.8	26.7
Average Annual Growth : 2012-21	3.3%	5.8%

** Including GST*
Source : Pitney Bowes Business Insight

4.3 Retail specialty potential

i. The key principle in the success of any shopping centre is the major tenant or tenants, which act as key customer generators, with the supporting specialty shops feeding off the customer flows generated by these major traders.

ii. The tenant mix and composition at the proposed South Orange retail facility, if it was anchored by a larger format supermarket, would generally include convenience-based retailing. The most suitable retail specialty mix, as recommended by Pitney Bowes Business Insight, is outlined below.

- Food & Liquor: Tenants that have been included in this category are a butcher, baker and a poultry shop, which total some 200 sq.m. These tenants would form a solid food retailing precinct at the centre in conjunction with the supermarket. A liquor store is generally a key trader in this category, but has not been included in this instance, as a large format liquor store has been proposed at The Summer Centre (within the Orange CBA). A liquor store of around 100-150 sq.m could be included as part of the centre if the large format liquor trader is not approved at The Summer Centre.

- Food Catering: In total, a provision of 250 sq.m has been included in this category, which could accommodate a café/restaurant and around three takeaway stores. Such tenants would especially appeal to the worker/student population in the area, the commuters travelling on Forest Road, as well as the visitors of the two future hospitals adjoining the Bloomfield site.

- Apparel: No stores have been proposed in this category, given substantial provisions of apparel traders currently offered within the Orange CBA and the proposed convenience-orientation of the South Orange facility.

- Household Goods: The centre is unlikely to support any stores in this category, as significant provisions of household goods floorspace are provided at larger retail centres within the Orange CBA and at the Orange Homemaker Centre.

- General/Leisure: The most important tenants in these categories are a strong newsagent and pharmacy/chemist. Other tenants that could be included are a bookshop and a florist.

- Retail Services: The two recommended usages in this category are a hair/beauty salon and a key cutting/show repair store.

iii. Table 4.2 summarises the proposed retail composition of the South Orange retail centre, compared to existing single supermarket centres throughout Australia. The benchmark includes some 72 single supermarket based centres throughout metropolitan and non-metropolitan areas of Australia.

iv. Key points to note from the comparison include:

- Total indicated retail floorspace at the South Orange retail centre is smaller than typical single supermarket centres throughout Australia. This reflects the close proximity of existing supermarket facilities within the Orange CBA, and the relatively low (short-term) resident population of the main trade area.

- The recommended supermarket that would anchor the South Orange facility is smaller than typical supermarkets at similar centres.

- No mini-major tenants (retail tenants larger than 400 sq.m) have been included, as they are not considered appropriate for a smaller convenience-based supermarket centre such as the South Orange facility. Additionally, a range of competing mini-major tenants are included within the Orange CBA.

- A below average provision of floorspace has been allocated across almost all the retail specialty categories (excluding leisure), reflecting the comparatively smaller supermarket anchor.

Table 4.2

South Orange - Proposed Retail Composition

	Proposed Centre		Single SMKT Centre		South Orange
Tenant/ Category	GLA (sq.m)	% of Retail	GLA (sq.m)	% of Retail	Variation (sq.m)
Majors					
Supermarket	2,500	72.5%	3,402	60.2%	-902
Total Majors	2,500	72.5%	3,402	60.2%	-902
Mini-majors	0	0.0%	586	10.4%	-586
Retail Specialties					
Food & Liquor	200	5.8%	363	6.4%	-163
Food Catering	250	7.2%	289	5.1%	-39
Apparel	0	0.0%	292	5.2%	-292
Household Goods	0	0.0%	87	1.5%	-87
Leisure	150	4.3%	151	2.7%	-1
General Retail	250	7.2%	322	5.7%	-72
Retail Services	100	2.9%	162	2.9%	-62
Total Retail Spec.	950	27.5%	1,667	29.5%	-717
Total Retail	**3,450**	**100.0%**	**5,655**	**100.0%**	**-2,205**

Source : State Property Authority; Pitney Bowes Business Insight

4.4 Total centre potential

i. Table 4.3 details the total centre potential for the proposed South Orange retail centre. These projected sales are presented in 2008/09 constant dollars and include GST.

ii. As shown, the total retail sales potential for the centre is estimated at $20.8 million (constant 2008/09 dollars) in 2011/12. Projected sales for the 2,500 sq.m supermarket in 2010/11 are moderate at $14.9 million, but are then expected to grow solidly over the period to 2021, at a rate of approximately 3.3% per annum.

iii. The retail specialty floorspace at the centre is estimated to achieve sales of around $5.9 million, or $6,213 per sq.m. General retail is the strongest performing category and is estimated to achieve $7,750 per sq.m, driven by a successful pharmacy/chemist.

iv. The performance of the South Orange retail centre, though moderate in its first full year of trading, is expected to improve over time with population growth planned to take place within the trade area in the future, especially at the Bloomfield site itself.

v. New retail facilities do not achieve their ultimate trading potential in their first year of operation, with sales levels consolidating and growing over a period of time after establishment. Sales at the South Orange retail centre are expected to increase over time, in line with the projected main trade area population growth and the completion of major employment-generating projects in the region (including the Cadia Mine and the two hospitals on Forest Road).

vi. Table 4.4 details the projected main trade area market shares for the proposed South Orange retail centre. The projected main trade area market share in 2012 is 22%, including a 32.1% share of food retail expenditure and a 9.9% share of non-food retail.

Table 4.3

South Orange - Forecast Sales by Tenant, 2011/12*

Tenant/ Category	South Orange GLA (sq.m)	Forecast Sales ($'000)	Forecast Sales ($/sq.m)
Majors			
Supermarket	2,500	14,872	5,949
Total Majors	2,500	14,872	5,949
Retail Specialties			
Food & Liquor	200	1,150	5,750
Food Catering	250	1,413	5,650
Apparel	0	0	0
Household Goods	0	0	0
Leisure	150	953	6,350
General Retail	250	1,938	7,750
Retail Services	100	450	4,500
Total Retail Spec.	950	5,903	6,213
Total Retail	**3,450**	**20,774**	**6,021**

**Constant 2008/09 dollars & including GST*
Source : Pitney Bowes Business Insight

Table 4.4

South Orange - Projected Market Shares by Sector, 2011/12*

Trade Area Sector	Retail Spending ($M) Food	Retail Spending ($M) Non-food	Retail Spending ($M) Total	Centre Sales ($M) Food	Centre Sales ($M) Non-food	Centre Sales ($M) Total	Centre Market Share Food	Centre Market Share Non-food	Centre Market Share Total
Main Trade Area	42.5	35.3	77.8	13.6	3.5	17.1	32.1%	9.9%	22.0%
Sales From Beyond Trade Area				2.9	0.7	3.6			
Total Centre				**16.5**	**4.2**	**20.8**			

**Constant 2008/09 dollars & including GST*
Source: Pitney Bowes Business Insight

4.5 Retail Floorspace Cap

Current zoning limitations prohibit the development of retail floor space at the Bloomfield site in excess of 1,500 sq.m. On the basis of the analysis carried out throughout this report, and considering the supportability of supermarket space within the trade area alone, this cap is in our view inappropriate. Such a cap would prove prejudicial to the effective operation of the retail floorspace at the Bloomfield site, and adversely impact its amenity for trade area residents and workers.

We consider that a neighbourhood centre containing some 3,450 sq.m of retail and anchored by a supermarket of around 2,500 sq.m is appropriate for this retail facility. The supermarket, supported by almost 1,000 sq.m of complementary retail specialty floorspace, would serve the convenience shopping needs of resident, worker and visitor populations, both in the near term and in future.

A convenience store of 1,500 sq.m or less would not be sufficiently large to provide a comprehensive range of food and groceries to cover the weekly shopping needs of residents. While such a facility could potentially satisfy the needs of hospital staff and visitors, it would be incapable of meeting the needs of the trade area's growing resident population. The commercial viability of such a facility would therefore be questionable.

Section 5: Economic Impact Assessment

This section of the report considers the likely trading and other impacts that can be anticipated following the development of a retail facility in South Orange.

5.1 Nature of likely impacts

The South Orange retail development is likely to result in a range of economic impacts. From a trading point of view, some impacts are likely to be experienced by competitive retailers throughout and beyond the trade area, and these trading impacts are considered later in this report.

On the other side of the equation, it is clear that the proposed centre would result in a range of economic benefits, particularly for nearby residents and workers. These key positive impacts include the following.

i. <u>Choice and convenience for trade area residents, workers and visitors:</u> The provision of retail facilities at the Bloomfield site in South Orange would benefit local residents, workers, and visitors to Orange Base and Private hospitals, by meeting their convenience shopping needs (eg. for a weekly grocery shop, the purchase of medication and/or reading materials, or a place to socialise away from home/work), without requiring travel to facilities provided in the Orange CBA.

ii. <u>Additional Employment:</u> Once fully operational, the proposed South Orange retail facilities would be likely to employ around 182 people. Allowing for an estimated 2.5% of the total increase to be as a result of reduced employment at existing retail facilities within the Orange CBA, the net additional jobs for the area provided at the South Orange retail development are estimated at 177 (refer table 5.1 below).

In terms of wages and salaries, the additional 177 permanent retail employees within the proposed retail development would earn an average annual wage of around $28,000 (as sourced from the latest ABS average weekly earnings statistics). This represents an additional $5 million in salaries and wages for the local region, directly as a result of the development.

Table 5.1

South Orange - Estimated Future Additional Employment Levels

Type of Use	Estimated Employment Per '000 sq.m	South Orange GLA (sq.m)	South Orange Employment (persons)
DDS	27	0	0
Supermarket	50	2,500	125
Mini-majors	20	0	0
Specialty Shops	60	950	57
Total Centre[1]		**3,450**	**182**
Net Increase[2]			**177**

1. Excludes non-retail components.
2. Net increase includes an allowance for reduced employment levels at impacted centres, estimated at 2.5% of the total increase
Source : Pitney Bowes Business Insight

In addition to the jobs created once the proposed retail facility is operational, the construction phase of the project would also generate employment opportunities for the region. The estimated cost of construction of the proposed facility is $8 million. By utilising the appropriate ABS Input/Output multipliers (last produced in 1996/97) and a deflated cost of construction of $6 million (i.e in 1996/97 dollars), it is estimated that the construction period would create around 44 jobs. A further 70 jobs could be expected to be generated on the basis of supplier induced multiplier effects from this period. These numbers represent full-time equivalent jobs, which may include both full-time and part-time positions.

Table 5.2 below summarises the estimated future employment, both direct and as a result of multiplier effects, expected to result from the construction and operation of the proposed South Orange retail facility.

Table 5.2

South Orange - Estimated Future Additional Employment Levels*

Original Stimulus	Estimated Capital Costs ($M)[1]	Direct Employment	Supplier Employment *Multiplier Effects*	**Total**	
Construction of Project	8	44	70	114	Job Years[2]
Centre Employment[3]		177	168	346	
Total		**221**	**239**	**460**	

** Employment totals include both full-time and part-time work*

1. Adjusted by inflation and productivity to 1996/97 Dollars

2. Indicates the estimated number of jobs over the life of the construction project plus ongoing multiplier effects, for the equivalent of one year

3. Indicates the estimated number of net additional ongoing jobs as a result of the proposed development

Source : Australian National Accounts: Input-Output Tables 1996-97; Pitney Bowes Business Insight

5.2 Considerations of broad trading impacts

The following sub-section of this report presents an indicative projection of the anticipated impacts of the proposed South Orange retail development on competing retail facilities within the Orange CBA. Such projections must be considered as indicative, on the basis that it is very difficult to predict with certainty the precise impact on any one retailer or any one centre that will result from any change to the retail structure serving a particular area or region. The impacted centre has a number of possible actions which it may be able to take, for example, which may mitigate or eliminate the extent of the impact. Expansions and improvements may be undertaken at other centres and locations throughout the region, and all of these factors can change the nature of the impact.

Our indicative projections are based upon the likely broad changes in competitive circumstances, and in particular the changes in the availability of retail expenditure for competitive centres within the Orange CBA, that can reasonably be expected to flow from the proposed development of the South Orange retail facility.

Table 5.3 presents a summary of the growth in retail spending generated by the trade area population, compared with projected sales for the proposed South Orange retail development. All sales are expressed in constant 2008/09 dollars and include GST.

Table 5.3

South Orange, Sources of retail sales potential, 2009-2012*

	2008/09	2011/12	Change	
	$M	$M	$M	%
Part 1 : Estimated Retail Spending Market (With South Orange Development)				
MTA Residents Spending	73.5	77.8	4.3	5.9%
Net Escape Resident Spending	73.5	57.0	-16.5	-22.4%
Est. Retail Sales to MTA Retailers	0.0	20.8	20.8	n.a
Part 2 : Calculation of MTA Retail Sales (With South Orange Development)				
South Orange Centre	0.0	20.8	20.8	n.a
Other Trade Area Retailers	0.0	0.0	0.0	n.a
Est. Retail Sales to MTA Retailers	0.0	20.8	20.8	n.a
Part 3 : Estimated Retail Spending Market (Without South Orange Development)				
MTA Residents Spending	73.5	77.8	4.3	5.9%
Net Escape Resident Spending	73.5	77.8	4.3	5.9%
Est. Retail Sales to MTA Retailers	0.0	0.0	0.0	n.a

**Constant 2008/09 dollars & including GST*
Source : Pitney Bowes Business Insight

As indicated in Part 1 of Table 5.3, the $20.8 million sales forecast to be achieved by the proposed development in 2011/12 are expected to come from

- Market growth of $4.3 million, or 5.9%, and
- the retention of expenditure which would otherwise be directed toward retail facilities beyond the defined trade area (ie. Supermarkets and associated specialty stores within the Orange CBA), with a net value of $16.5 million.

Parts 2 and 3 of the table highlight the fact that the proposed South Orange retail facility will be the first retail development with the defined trade area. In the event that the proposed development does not proceed, resident spending will continue to be directed toward facilities beyond the trade area, most likely within the Orange CBA.

The estimated potential impacts of the proposed development upon existing retailers within the Orange CBA are summarised in Table 5.4 below.

Table 5.4

South Orange - Trading Impact Assessment, 2011/12*

Centre	Unit	Estimated 2009	Projected 2012 Pre Dev't	Projected 2012 Post Dev't	Impact 2012 $M	Impact 2012 %
South Orange	*$M*	*0.0*	*0.0*	*20.8*	*20.8*	n.a
Orange CBA						
Orange City Centre	$M	74.6	76.9	76.9	0.0	0.0%
Orange Central	$M	86.7	89.4	83.6	-5.8	-6.5%
Summer Centre **	$M	15.1	35.9	34.2	-1.7	-4.6%
Remainder of CBA ***	$M	156.5	161.3	150.1	-11.1	-6.9%
Total Orange	$M	333.0	363.4	344.9	-18.6	-5.1%

**Constant 2008/09 dollars & including GST*

***Assumed to undergo redevelopment including addition of lge format liquor store in 2012*

**** Incl. Woolworths, Aldi and IGA supermarkets, and main street specialty stores.*

Source: Pitney Bowes Business Insight

Retail sales currently generated by Orange CBA retailers are estimated at $333.0 million. In the absence of the proposed retail development in South Orange, this total is forecast to grow to $363.4 million in 2011/12 (in constant 2008/09 dollars, including GST).

The post development impacts estimated above are average impacts across all Orange CBA retailers. Some CBA retailers are likely to be impacted more than others based on their offer, their competitive situation in relation to the proposed South Orange facility and the tenant mix. For example, Orange City Centre, anchored by Myer and a Big W DDS but with no supermarket, is not expected to be affected at all by the proposed convenience-oriented development at South Orange. Conversely, the Coles supermarket-anchored Orange Central is expected to experience an impact of around 6.5% of the sales it could otherwise be expected to achieve in 2011/12. Generally, the levels of impact projected will not threaten the ongoing viability of existing retail centres or precincts throughout Orange, or the future expansion of retail facilities in the region.

The results of these calculations demonstrate that against the positive economic impacts that are likely to be generated by the proposed South Orange retail development, the likely trading impacts on other retailers throughout the Orange CBA are minimal.